



2015 Annual General Meeting June 2015

For the benefit of our members

Agenda

1. Welcome and quorum

2. Minutes of the 2014 Annual General Meeting – for approval

3. 2014 Annual Financial Statements and Trustee Report

3.1 Financial performance of the Discovery Health Medical Scheme for the year ended 31 December 2014

3.2 Discovery Health (Pty) Ltd strategic focus areas

3.3 Acceptance of Discovery Health Medical Scheme 2014 Annual Financial Statements

4. Governance

4.1 Discovery Health Medical Scheme Trustee Remuneration Policy and Trustee Remuneration

4.2 Appointment of auditors

4.3 Confirmation of the appointment of a Trustee of the Discovery Health Medical Scheme as per Rule 17.3

5. Motions

6. General

7. Closure

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2015 Annual General Meeting June 2015

Milton Streak, Principal Officer

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1	Continued sustainable growth
2	Financial strength and sustainability
3	Managing the cost of care
4	Operating and service performance
5	Governance

Discovery Health Medical Scheme Key Measures

Measure	2013	2014	% change
Gross Contribution Income (R'000)	40 463 701	44 905 716	10.9%
Number of members at year end	1 191 987	1 231 116	3.3%
Number of lives at year end	2 564 313	2 634 819	2.7%
Open scheme market share	52.3%	52.8%	0.96%
Surplus (R'000)	1 534 500	1 536 808	0.2%
Accumulated funds per Regulation 29 (R'000)	9 833 452	11 566 971	17.6%
Solvency	24.30%	25.76%	1.5%

Financial performance: Statement of Comprehensive Income

	2013 (R'000)	2014 (R'000)	Change
Gross contribution income	40 463 701	44 905 716	7.2%
Less savings contribution income	(7 953 882)	(8 794 716)	
Net contribution income	32 509 819	36 111 000	7.3%
Relevant healthcare expenditure	(26 230 531)	(29 491 013)	8.6%
Gross healthcare result	6 279 288	6 619 987	
Managed care: management services	(1 101 009)	(1 201 155)	5.4%
Broker service fees	(825 263)	(918 871)	7.6%
Expenses for administration	(3 340 754)	(3 585 641)	3.7%
Other operating expenses	(152 486)	(161 129)	2.1%
Net healthcare result	859 776	753 191	
Net investment and other income*	674 724	783 617	
Net surplus for the year	1 534 500	1 536 808	

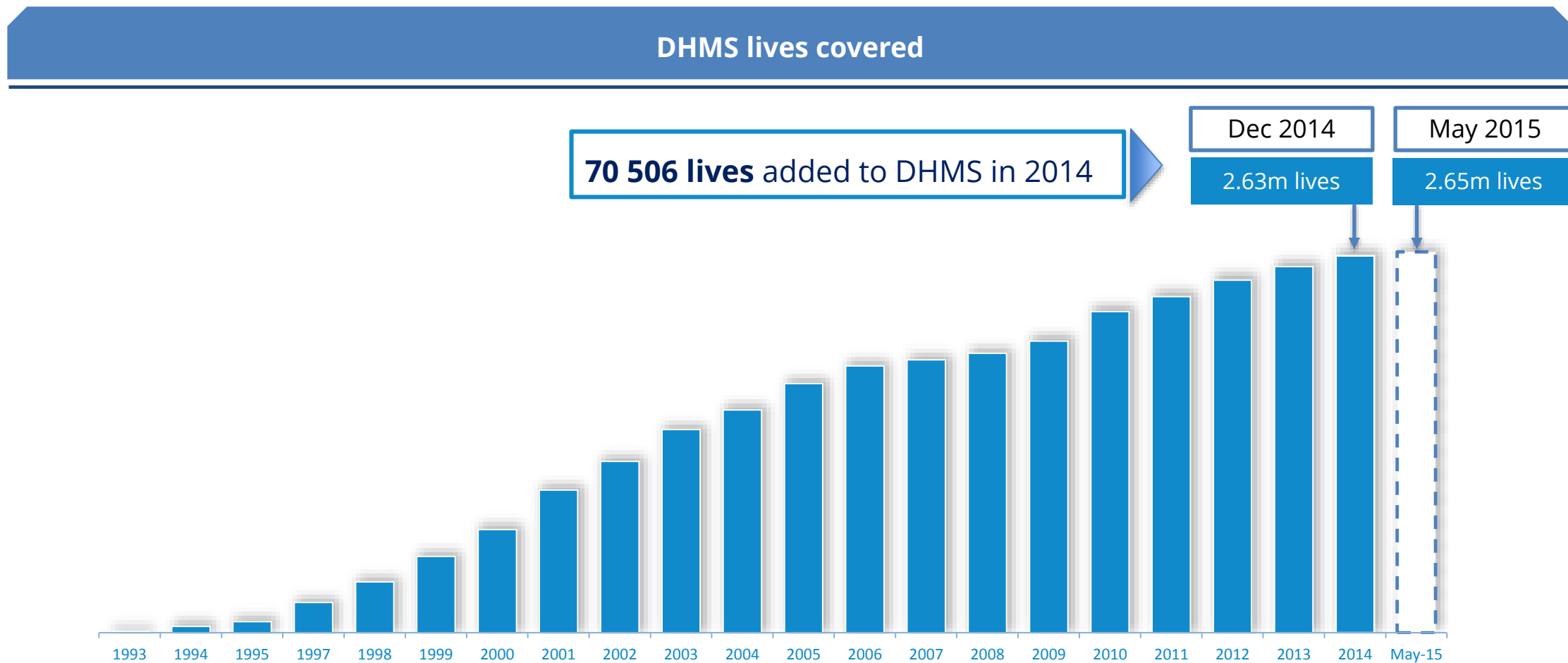
Increase in combined administration and managed care fees was 1.3% below inflation

* Includes interest paid and asset management fees

AGENDA

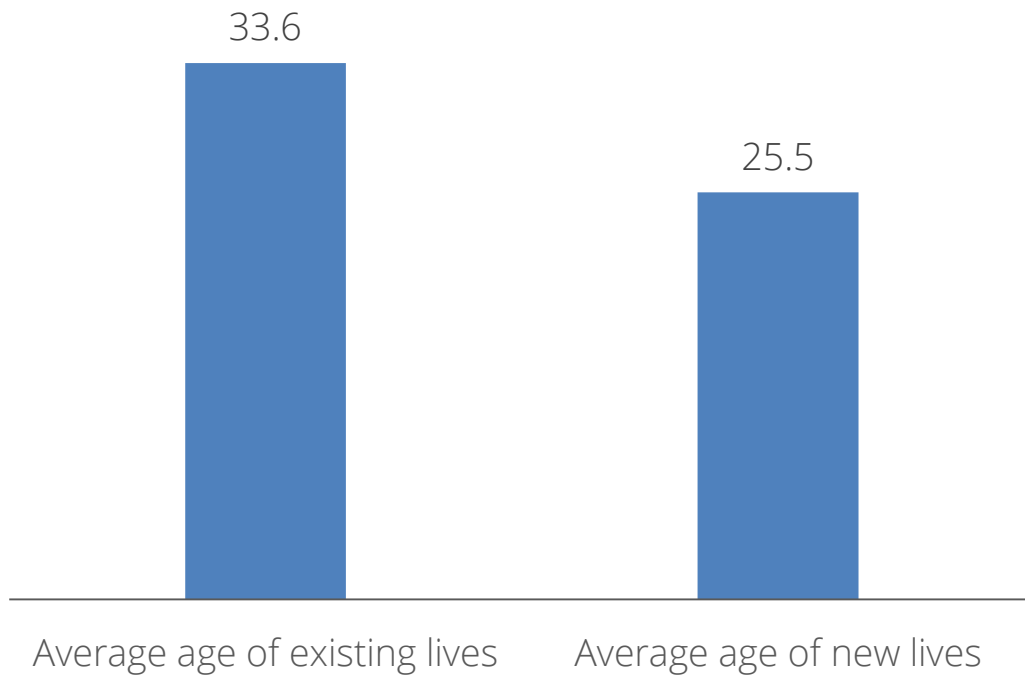
1	Continued sustainable growth
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DHMS continues to maintain strong membership growth

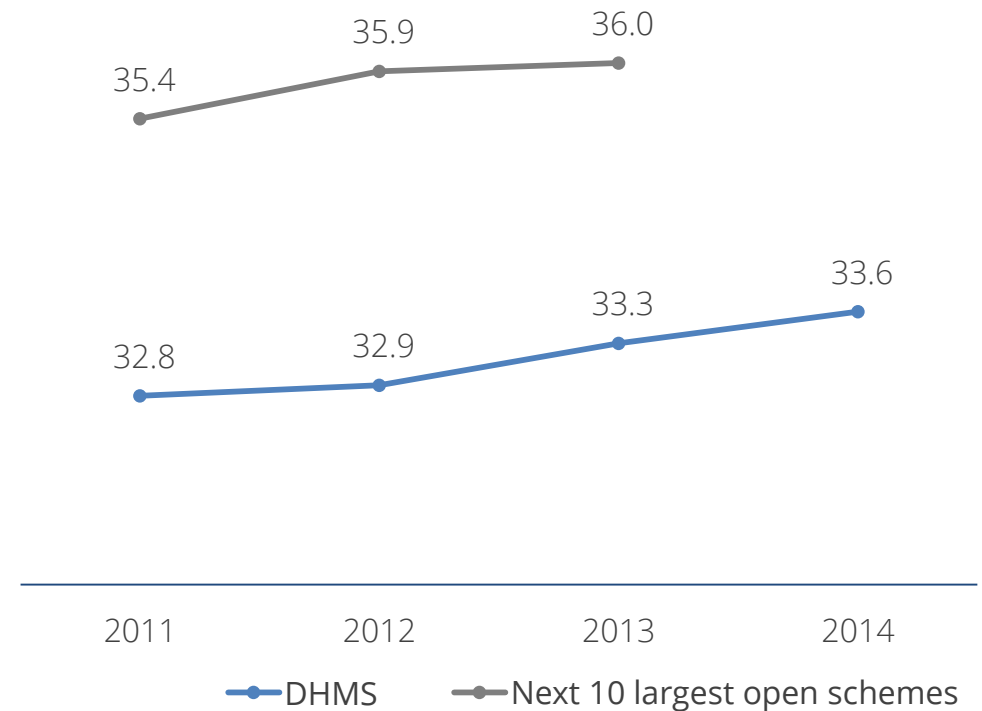


Continued ability to attract relatively young members impacts positively on age profile

New lives present a healthy demographic profile



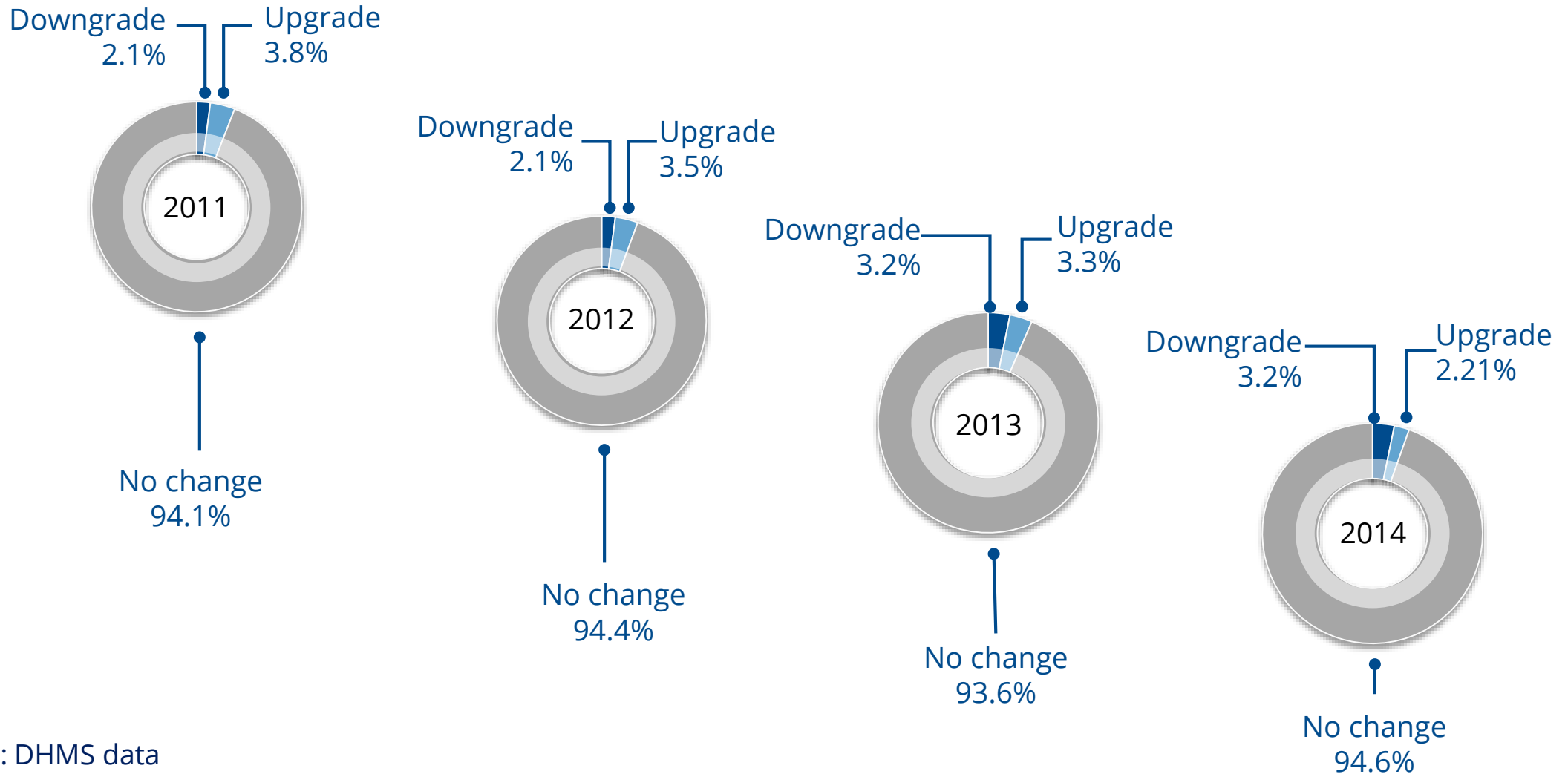
DHMS remains younger than the industry



Every one year increase in Scheme age results in 1.5% to 3% increase in member contributions

Consistent pattern of stable plan distribution

Stability in plan movements

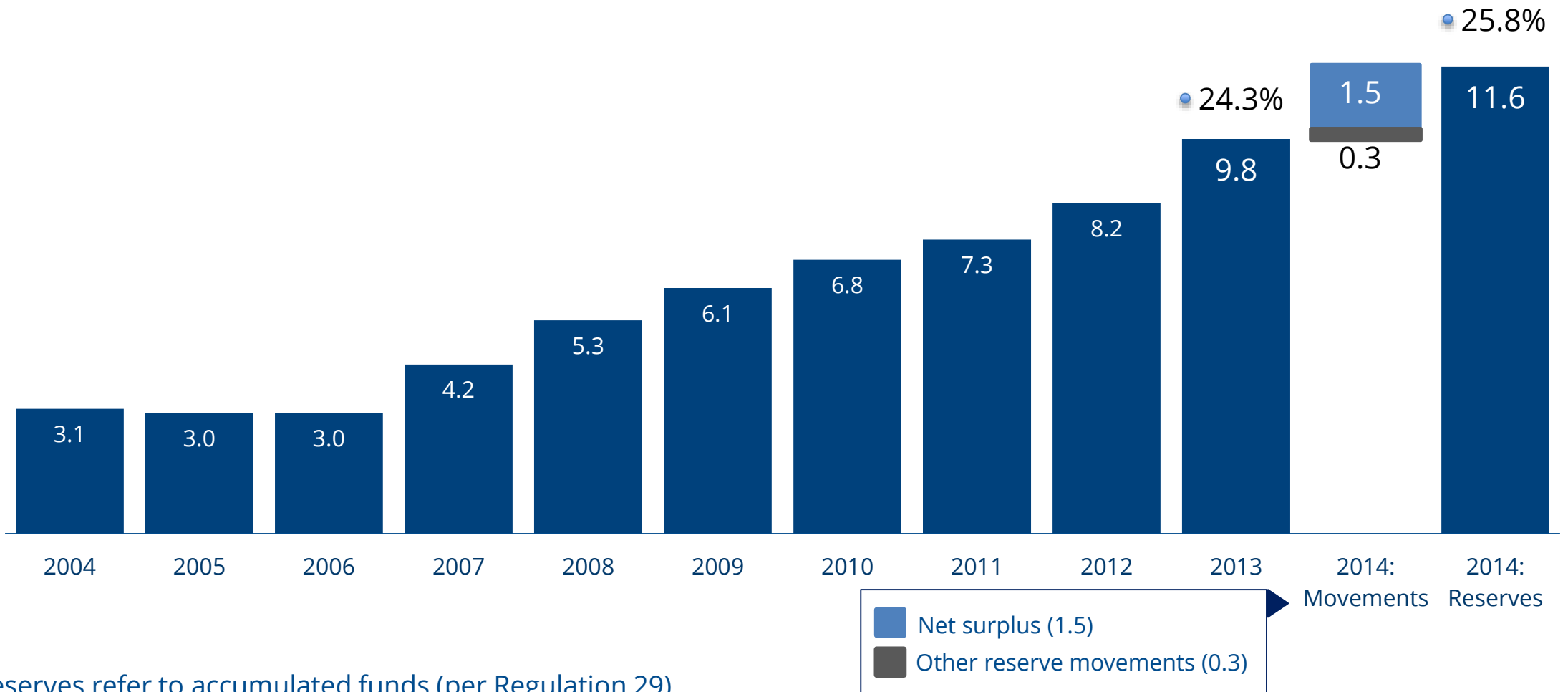


AGENDA

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DHMS achieved regulatory solvency requirement in 2014, one year ahead of proposed solvency plan

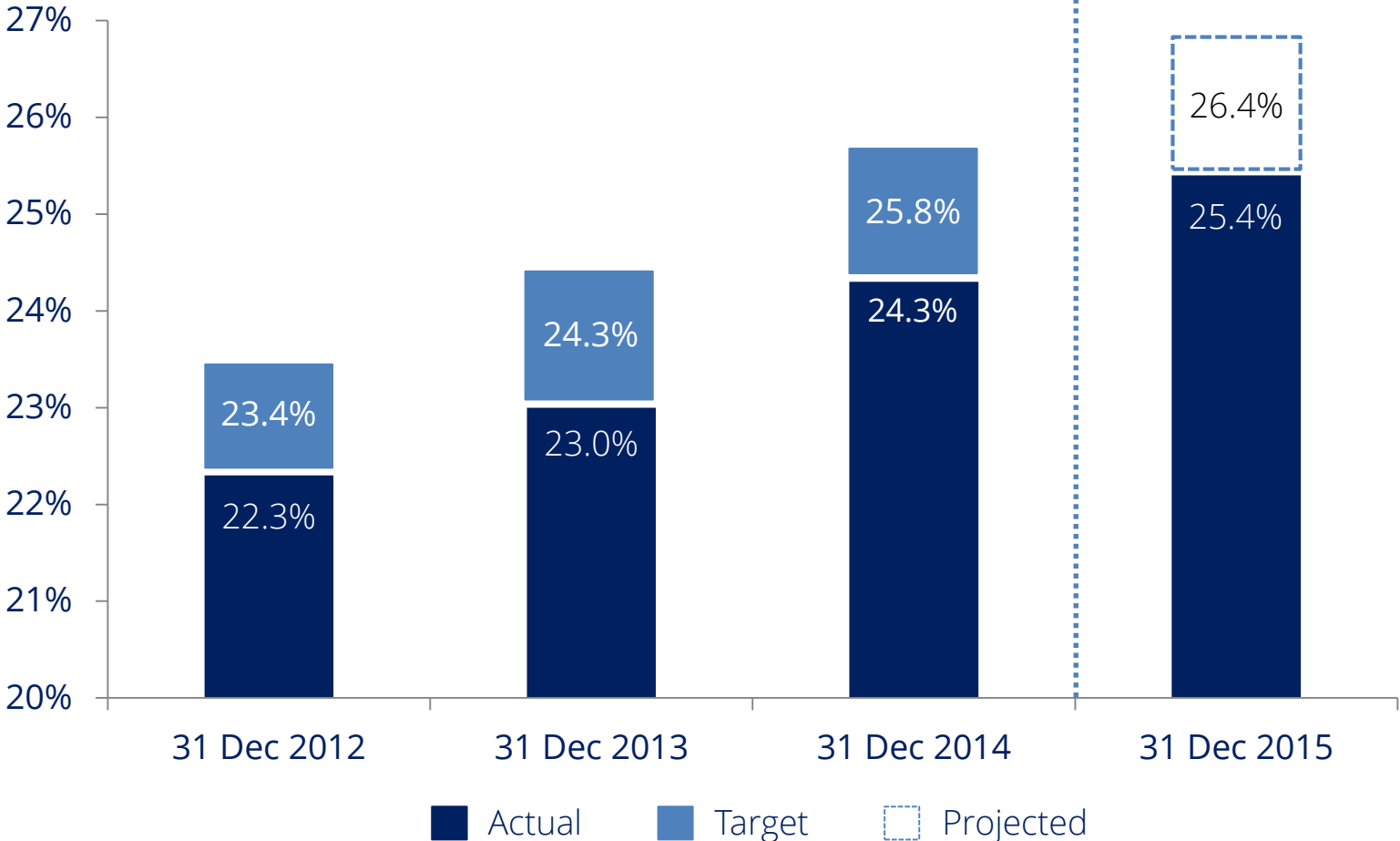
Reserves and solvency level



Reserves refer to accumulated funds (per Regulation 29)

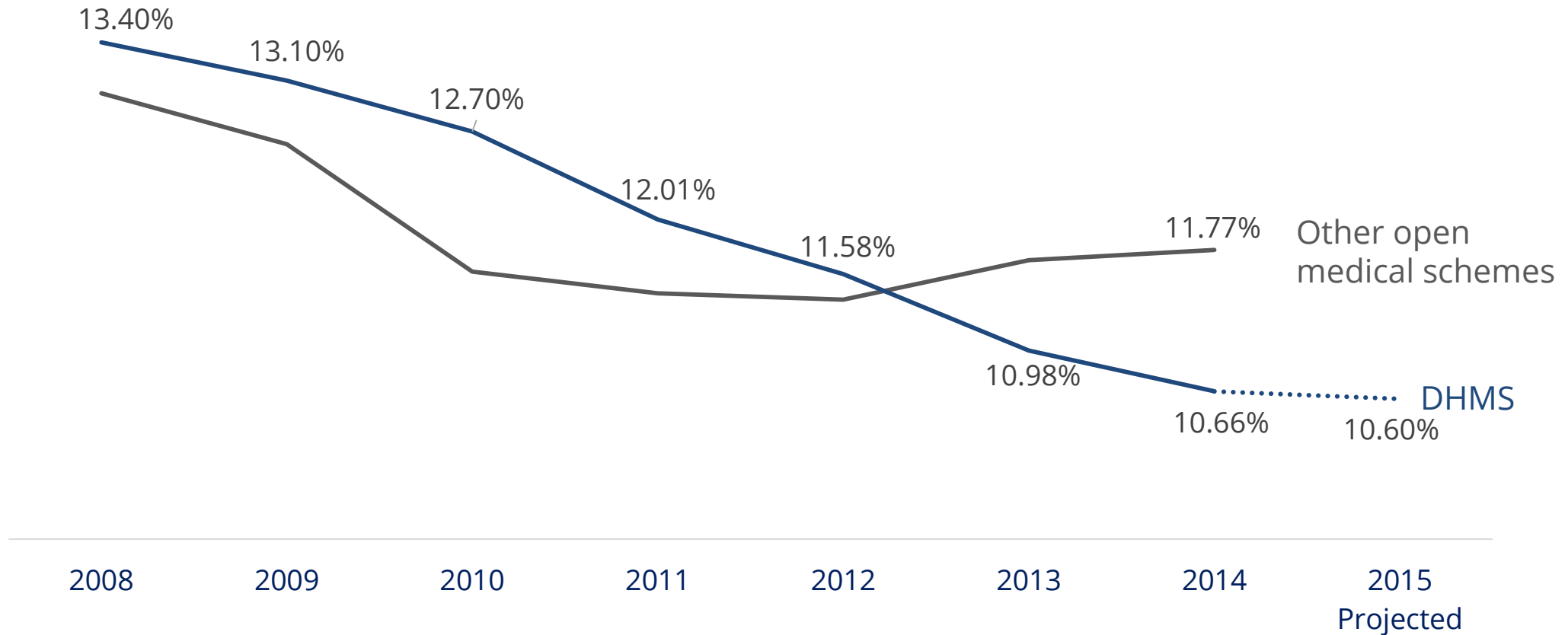
DHMS is well ahead of the solvency plan and will maintain statutory 25% solvency requirement at the end of 2015

Solvency plan



Continuous decrease in administration and managed care fees as a percentage of GCI since 2008

Administration and Managed Care as a percentage of gross contribution income



Financial comparison of open medical scheme competitors - 2014

Open Medical Scheme	Net Growth (lives)	Net Healthcare Result (R'000)	Accumulated funds per Regulation 29 (R'000)	Solvency %
DHMS	70 506	753 191	11 566 971	25.8%
Bestmed	8 104	(26 865)	1 044 959	27.0%
Medihelp	2 421	(196 991)	1 043 825	27.9%
Bonitas	5 927	(253 412)	3 120 731	30.7%
Momentum	14 109	36 486	924 080	31.5%
Fedhealth	807	(110 193)	1 028 117	37.2%
Sizwe	(15 412)	156 008	1 003 846	45.9%

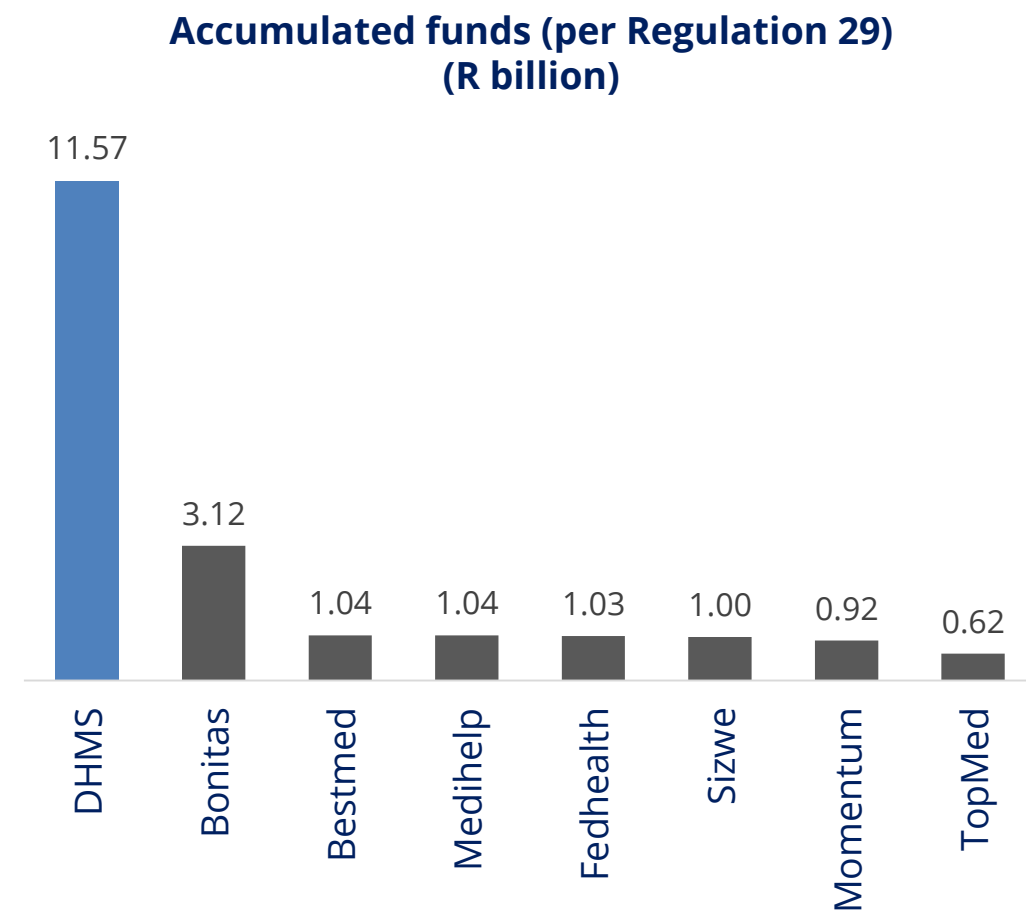
DHMS offers members unparalleled benefit security

DHMS maintains AA+ credit rating

GCR rating	Open Medical Schemes
AA+	Discovery Health Medical Scheme
AA	
AA-	Medihelp Fedhealth Medshield Bonitas Momentum
A+	Liberty
A	
A-	
BBB+	
BBB	
BBB-	Resolution

Source: Global Credit Rating

DHMS reserves remain higher than most other open schemes combined

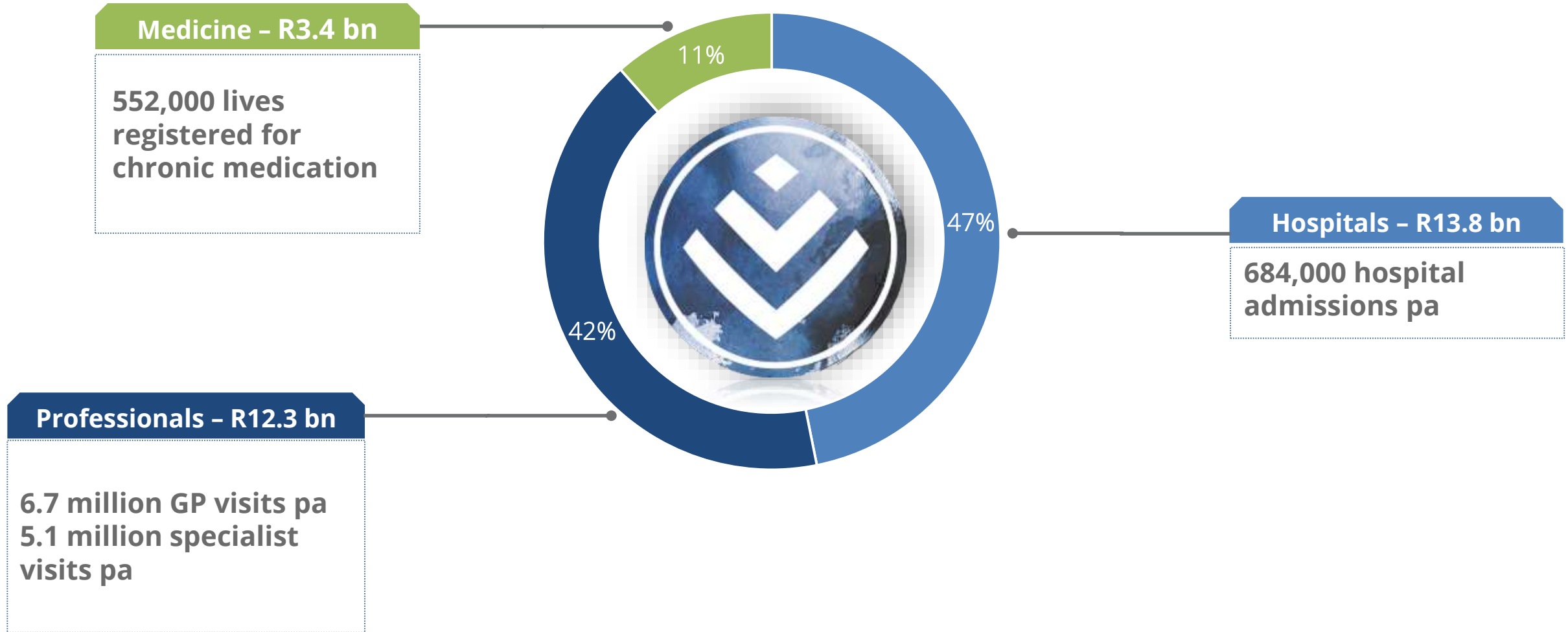


Source: 2014 Annual Reports

AGENDA

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DHMS risk claims expenditure of R29.5 billion



Significant value for members with complex and emergency healthcare needs

Individual member claims paid in 2014

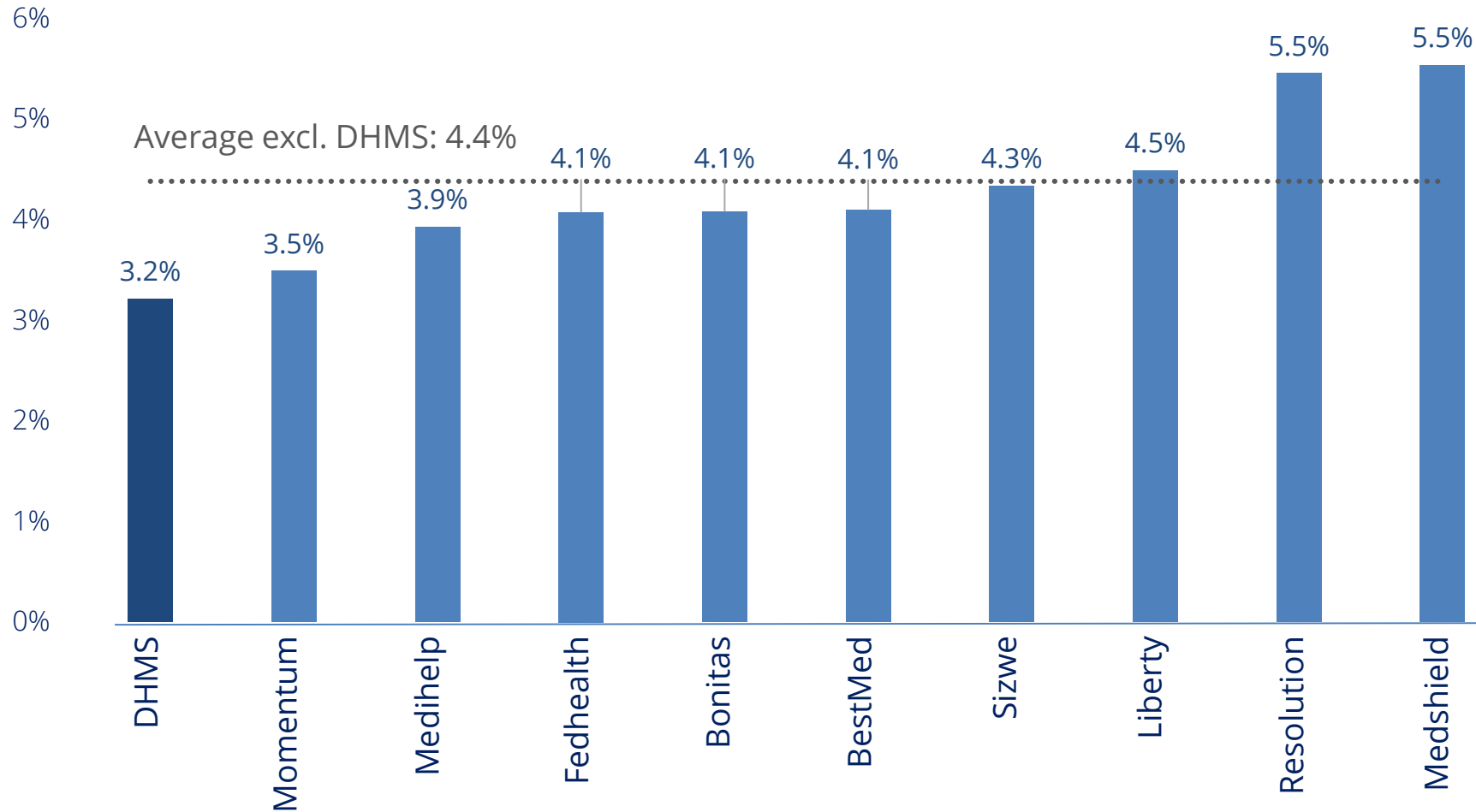
R 6.97m	Age 4, Haemophilia
R 5.7m	Age 64, Malignant neoplasm treatment
R 5.7m	Age 44, Ear nose and throat disease
R 5.3m	Age 67, Respiratory failure
R 4.4m	Age 1, Neonatal respiratory failure
R 4.2m	Age 77, Respiratory failure
R 4.2m	Age 59, Respiratory failure
R 4.2m	Age 55, HIV associated complications
R 4.2m	Age 84, Cardiac failure
R 4.2m	Age 47, HIV associated complications

R 2 489
risk contribution
pampm

1 643 years
to repay these claims
in contributions

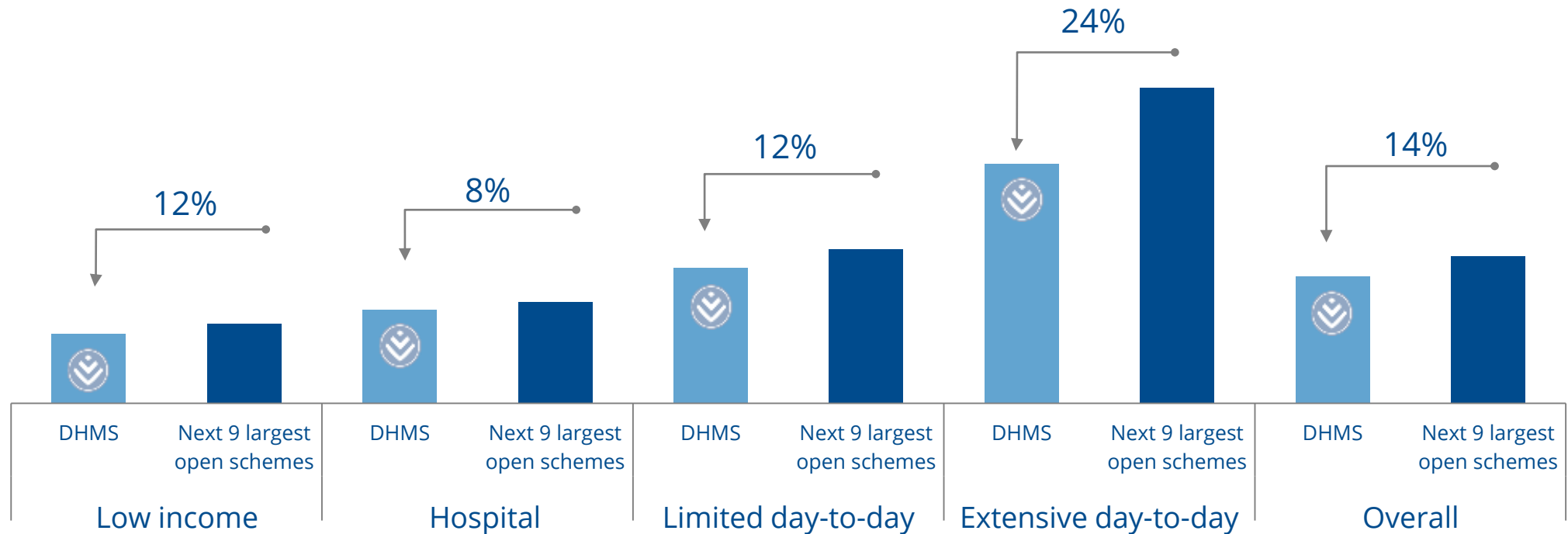
DHMS annual contribution increases consistently lower than other open schemes since 2008

% annualised contribution increases relative to CPI (2008 - 2015)



DHMS contributions are on average 14% lower

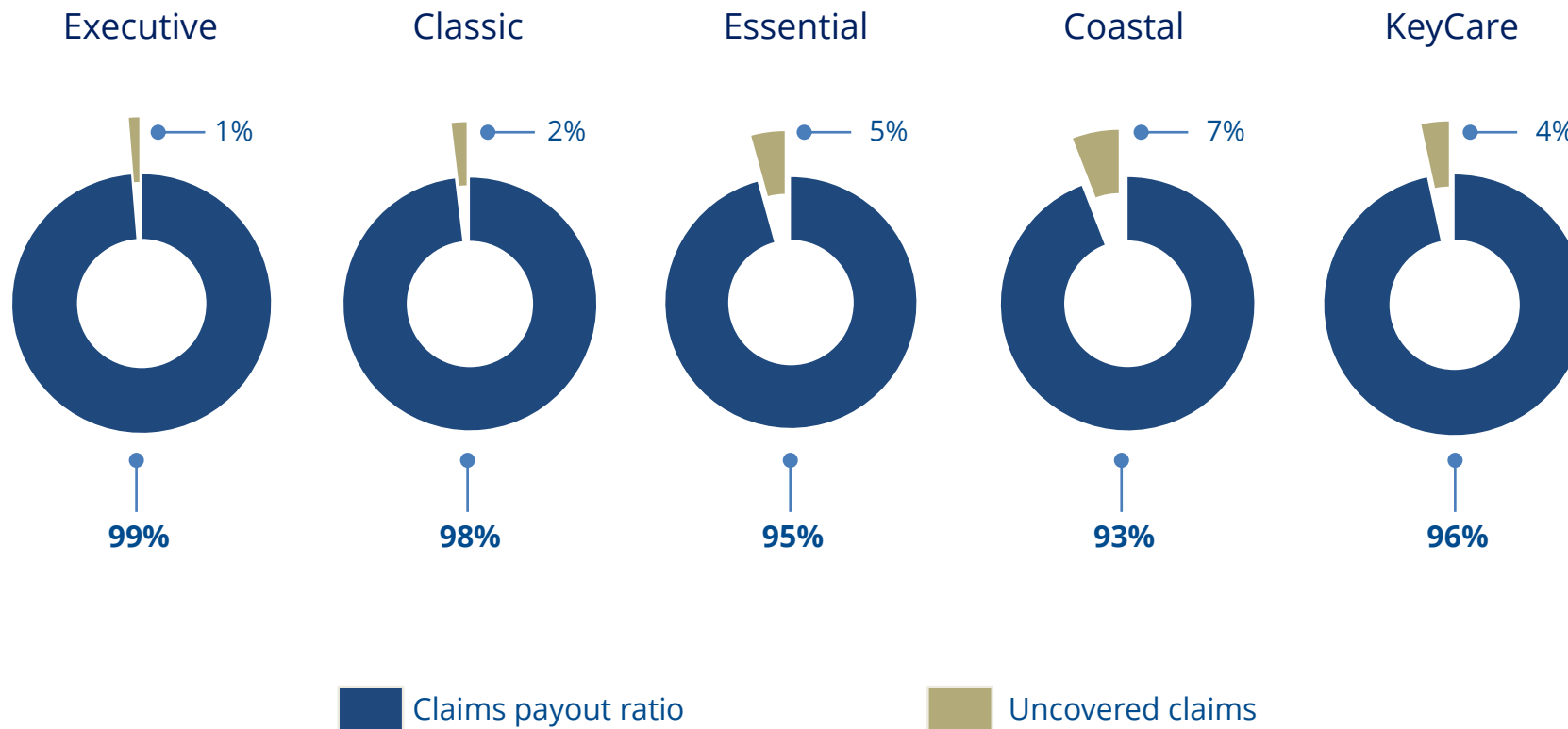
Average contribution differential per principal member



Source: Published contributions for 2015 for the 10 largest open medical schemes by members as at 31 Dec 2014

DHMS benefits focus on comprehensive cover for critical care

In-hospital claims payout ratios (including medical specialists)

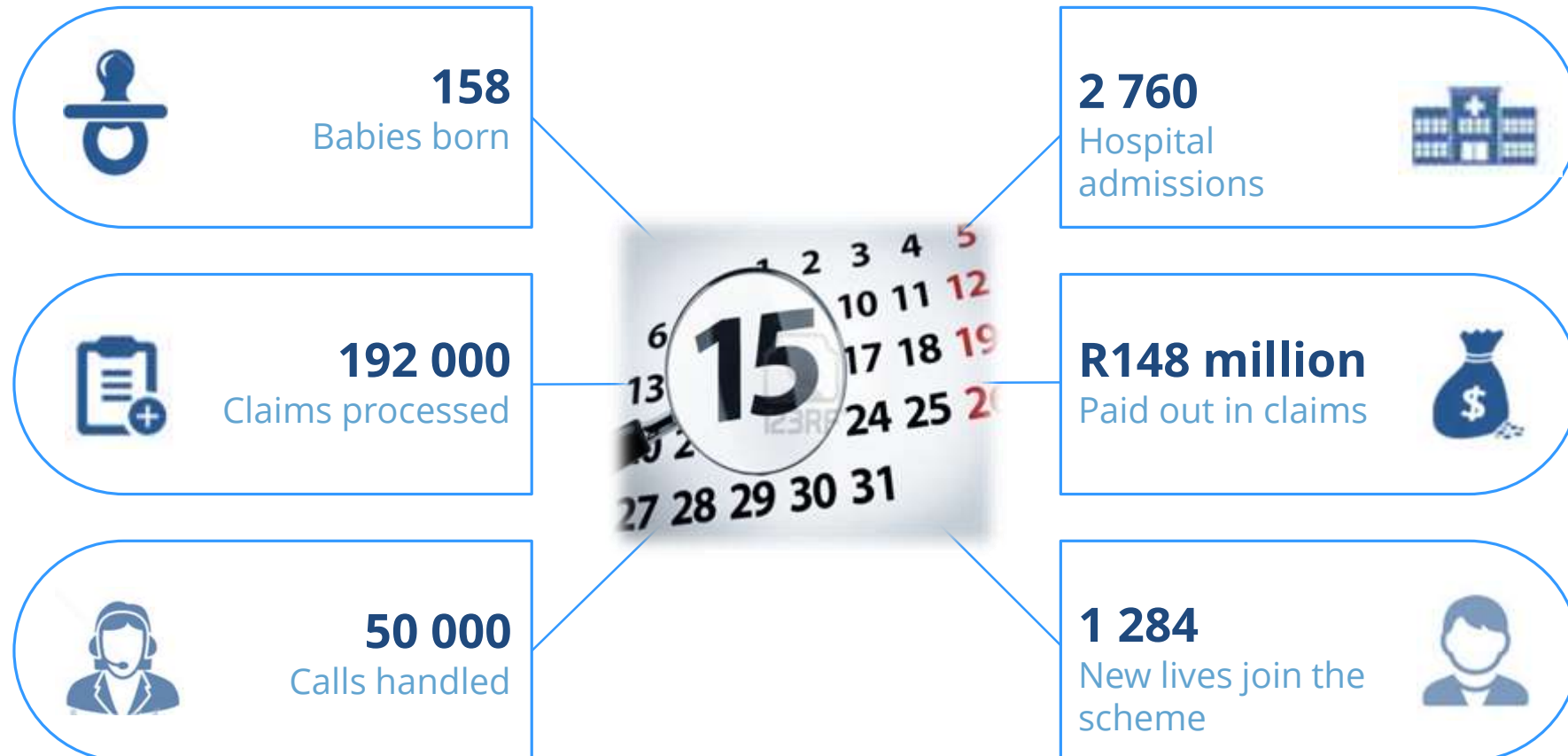


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Scale of Discovery Health Medical Scheme operations

In every working day*

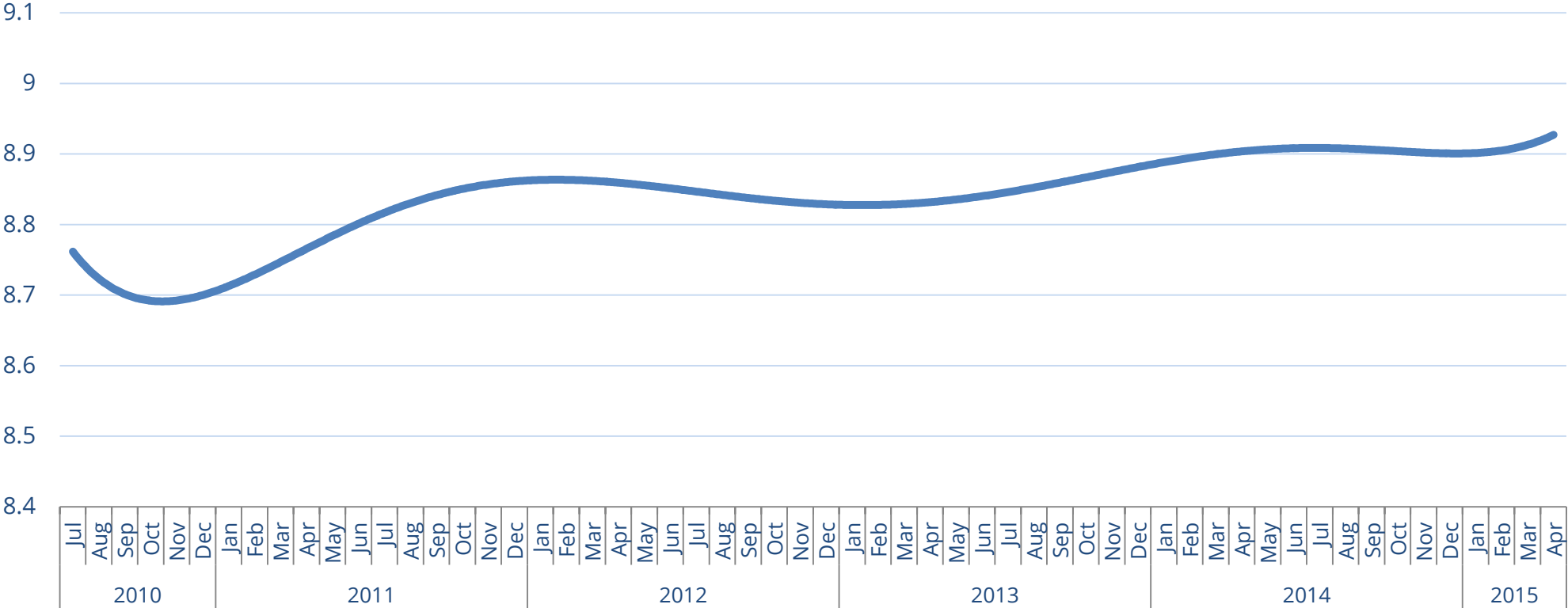


*Assuming 249 working days in a year and 8 hours in a working day

Continuous measurement of service performance

Increasing member perception

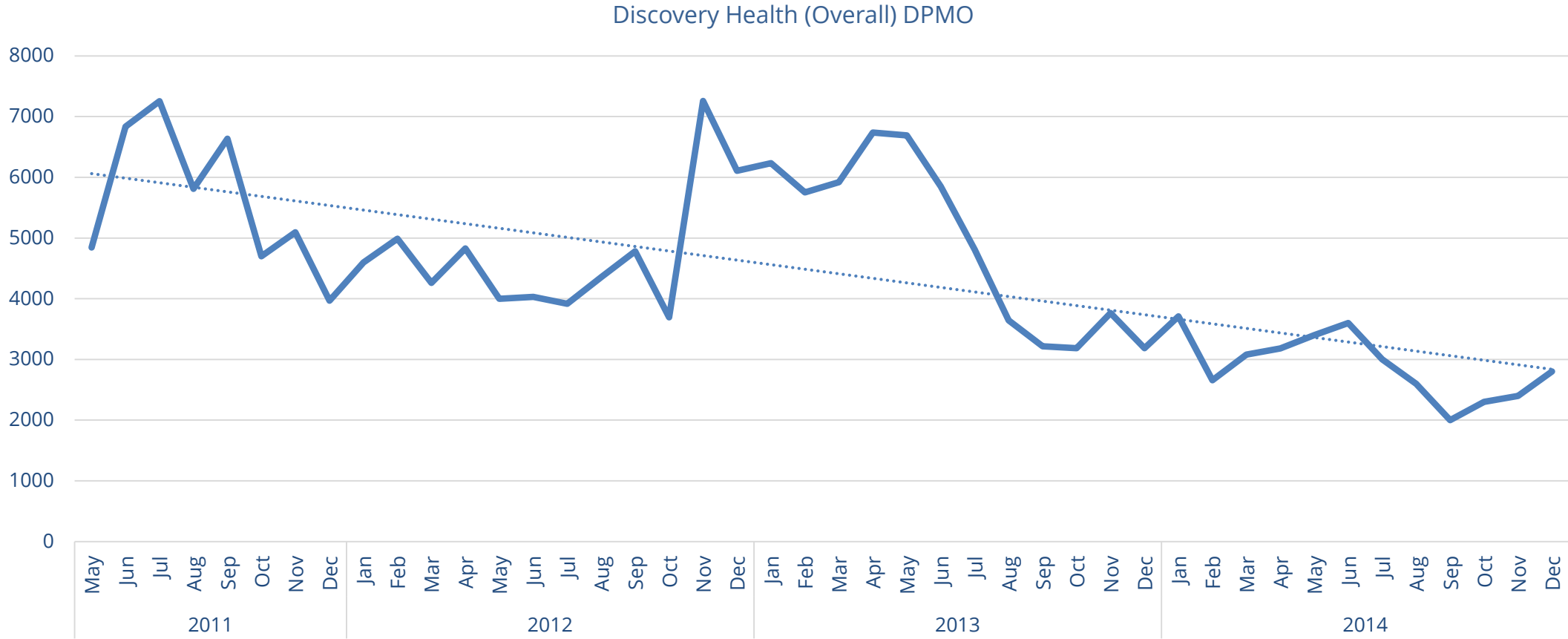
Member service perception



Source: DH data

Increasing quality of service

Decreasing defects per million opportunities (DPMO)

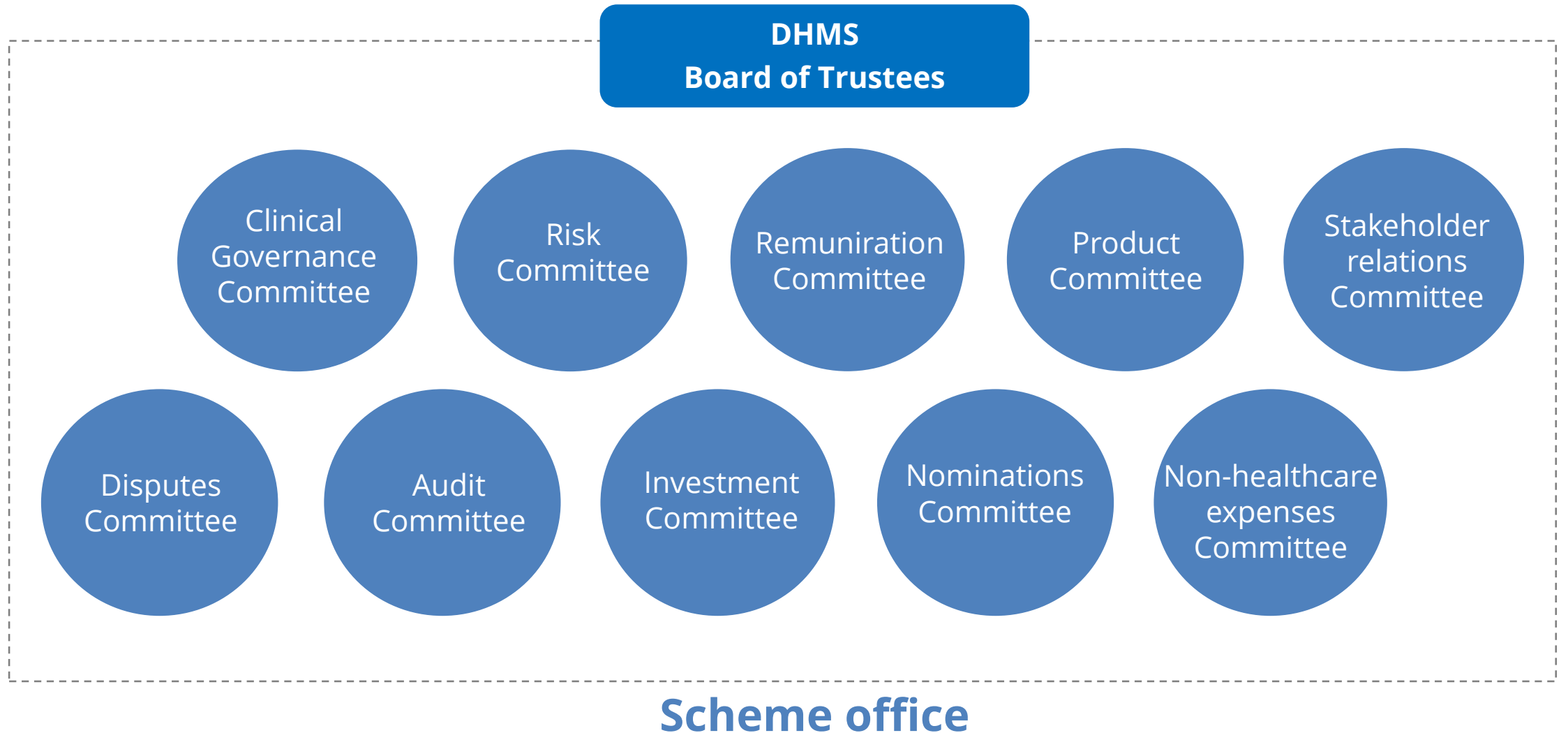


Source: DH data

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Governance structure



Discovery Health Medical Scheme Board of Trustees



Mr Michael du Plessis van der Nest (SC)

Chairman

Occupation: Senior Counsel

BA (Law) LLB - University of Stellenbosch



Ms Daisy Naidoo

Trustee

Occupation: Chartered Accountant

CA(SA), Masters of Accounting (Taxation)



Dr Nozipho Sangweni

Independent co-opted member

Independent co-opted member



Mr Noel Graves (SC)

Trustee

Occupation: Senior Counsel

BALLB (UCT)



Mr Giles Waugh

Trustee

Occupation: Actuarial Consultant

FIA (Fellow of the Institute of Actuaries UK)

FASSA (Fellow of the Actuarial Society of South Africa)



Mr Barry Stott

Chair: Audit and Risk Committees



Mr Puke Maserumule

Trustee

Occupation: Founder & Chairman: Maserumule Inc.

BA (Law) LLB (UCT), Post Graduate Diploma in Labour Law (UJ)



Prof. Zephne van der Spuy

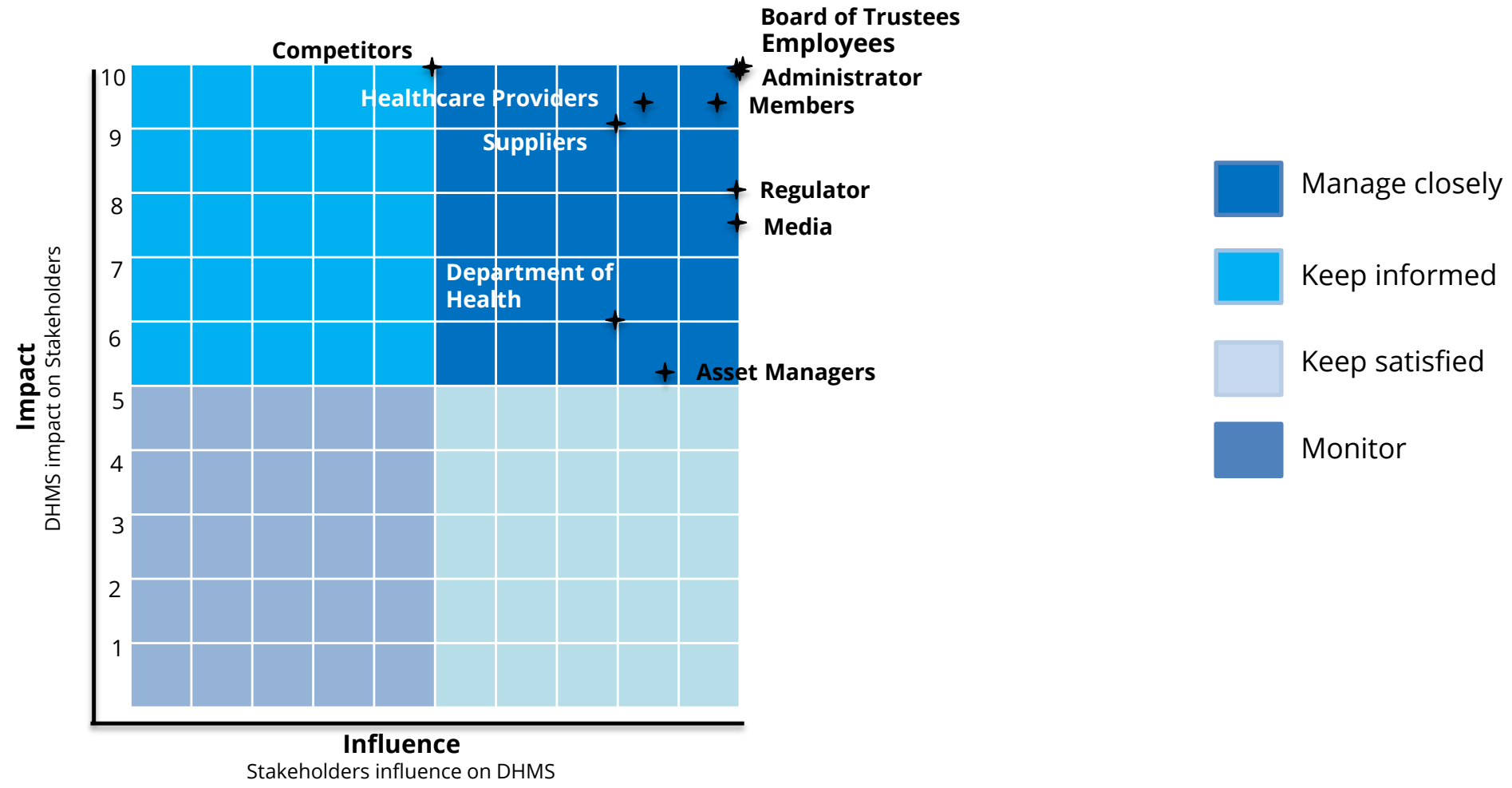
Trustee

Occupation: Emeritus Professor of Obstetrics and Gynaecology, UCT

MBChB (Stellenbosch), MRCOG, FRCOG (Royal College of Obstetricians and Gynaecologists), PhD (University of London), FCOG (SA) (SA College of Obstetricians and Gynaecologists)

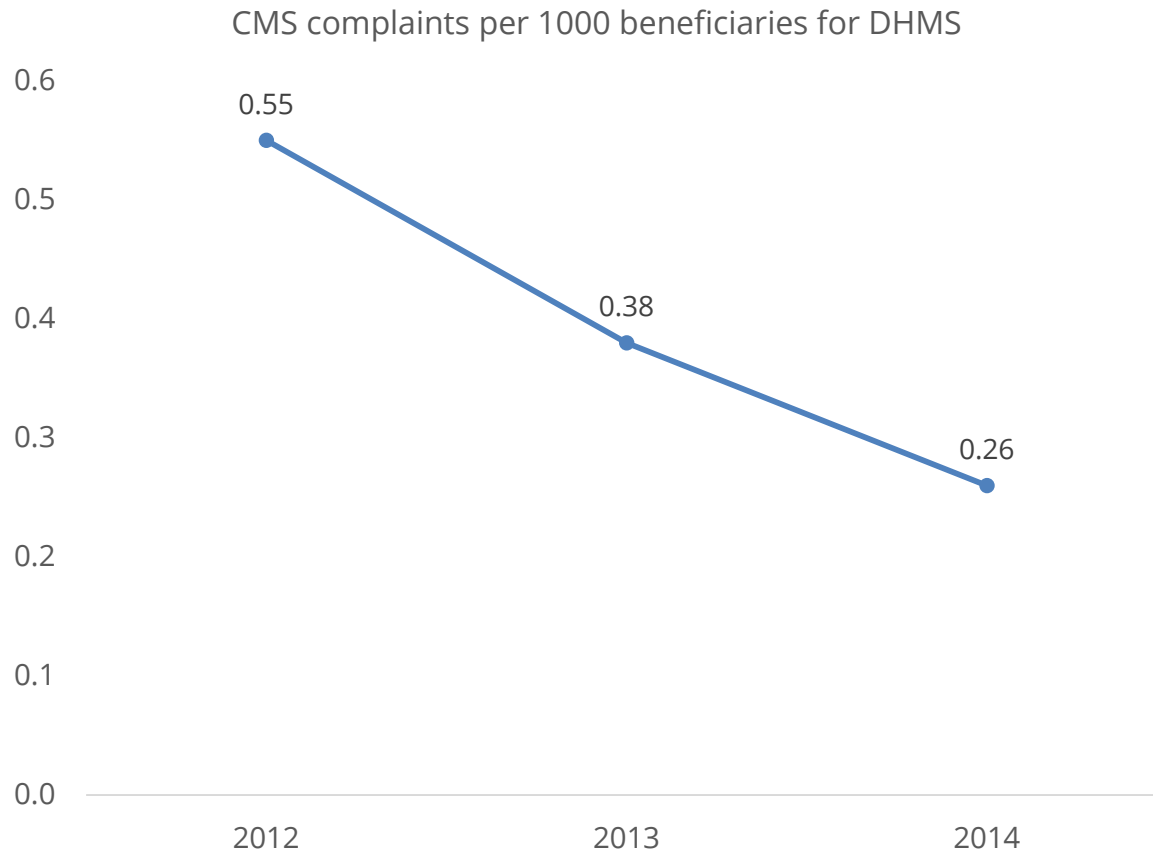
Increased focus on stakeholder engagement plans

A strong focus on members as stakeholders is reducing council complaints



A strong focus on members is reducing council complaints

Complaints per thousand beneficiaries for DHMS



Ten open schemes with highest number of valid complaints per 1 000 beneficiaries 2013

Resolution Health Medical Scheme	3.5
Spectromed Medical Scheme	2.6
Pharom Medical Aid	1.8
Genesis Medical Scheme	1.6
Medshield Medical Scheme	1.6
Hosmed Medical Aid Scheme	1.2
Topmed Medical Scheme	1.1
Selfmed Medical Scheme	1.1
Suremed Health	1.1
Keyhealth Medical Scheme	1.1

Despite having over 2.6 million lives, DHMS does not feature on the CMS' top 10 complaints list

Best Practice Governance in Outsourced Business Models

Governance model

Relational
Governance

Discovery Health
Medical Scheme



Discovery Health
(Pty) Ltd

Integrated operating model

Transactional
Governance

Long-term Vested Outsourcing Business Model

The model promotes five basic tenets

01

Relationship
focused on
outcomes

02

Contracts focus
on what to
achieve

03

Clearly defined and
measurable
outcomes

04

Pricing model
ensures optimal
trade-offs

Member value

05

Governance
structures provide
effective oversight
and insight

Strategic Priorities for 2015

The Scheme will focus on the following key strategic objectives during 2015

01

Evaluate and enhance the Scheme's outsourcing business model based on international outsourcing best practice principles

02

To maintain the Scheme's industry leadership position and competitive advantage

03

Ensure best practice governance and legislative compliance

04

Improving health of members through increased wellness engagement at home and in the workplace

05

Enhance clinical risk management interventions and quality of healthcare delivery strategies



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Good health
can change the world

Discovery Health presentation to DHMS AGM

Dr Jonathan Broomberg – CEO Discovery Health

25th June 2015



To make people **healthier** and
enhance and **protect** their
lives

AGENDA



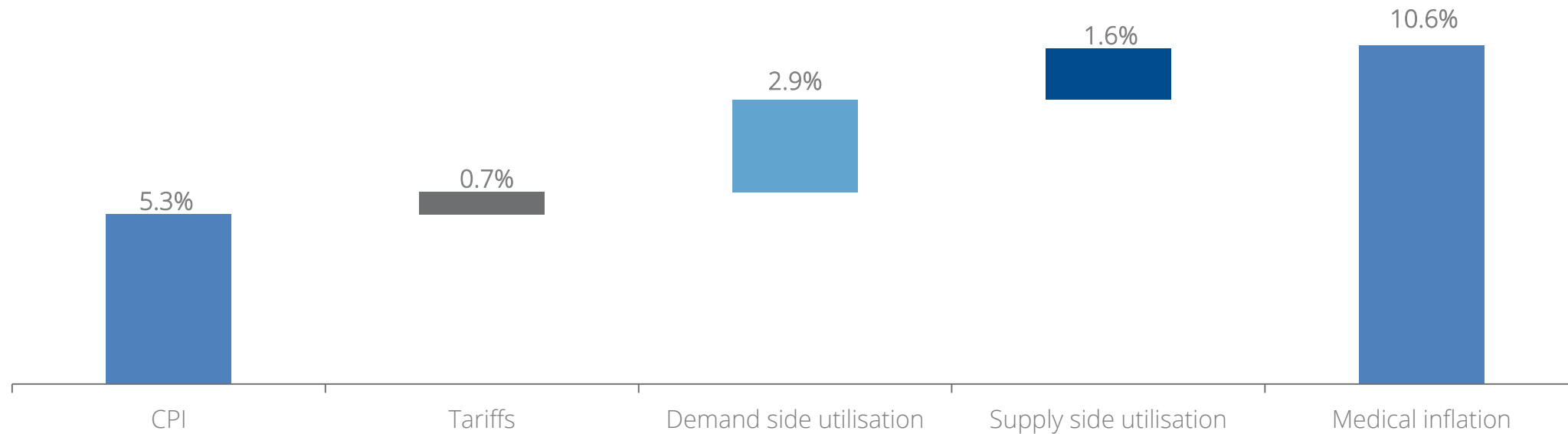
1.
MACRO FORCES IMPACTING HEALTH SYSTEMS

2.
DISCOVERY HEALTH STRATEGIC FOCUS FOR DHMS

3.
INVESTING IN A WORLD-LEADING HEALTHCARE SYSTEM

1. COST OF HEALTHCARE | Healthcare costs continue to increase faster than CPI

5 year average annualised inflation rates (2010-2014)



- 1 Tariffs**
 - Hospital tariffs
 - Doctor tariffs

- 2 Demand-side drivers:**
 - Increased disease burden
 - Adverse selection
 - Ageing

- 3 Supply-side drivers:**
 - Fee for service system
 - Fragmentation of care
 - New technology & procedures
 - New hospitals

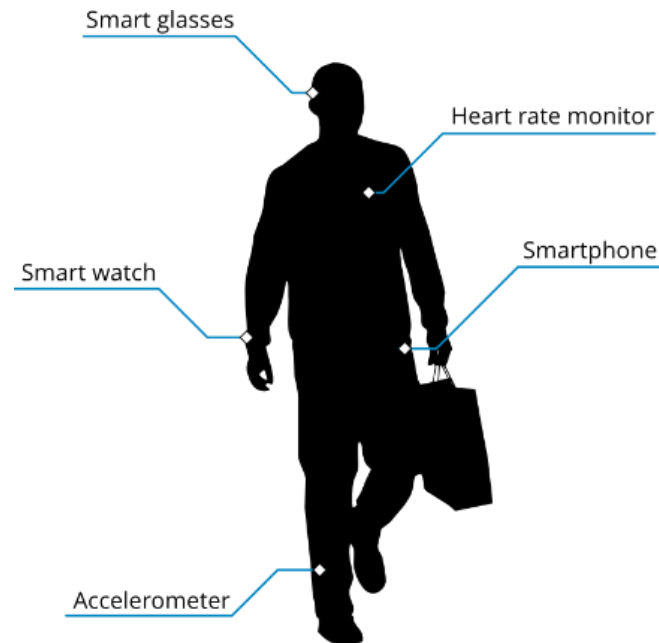
2. TECHNOLOGY | Technological advancements create new opportunities and challenges

Disruptive service enablers



Wearable health and fitness devices

Proliferation of devices, and increased connectivity



2. TECHNOLOGY | Growing Impact of High Cost Medicines

High cost medicines entering the market in large numbers

Increasing incidence of ultra high-cost medicine claimants



Effective treatment for Hepatitis C

R1m (12-week course)



New treatment for Malignant Melanoma

R1.5m - R2m per course



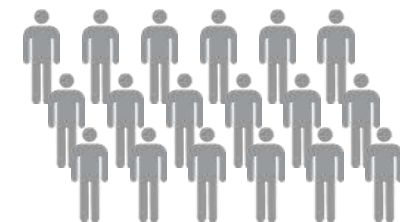
10X

Increase in ultra high-cost claimants since 2008



69 members
R1,73 million per claimant per year

VS



Other claimants
R3 867 per claimant per year

In 2014, ultra high-cost claimant costs 300 times more than the average medicine claimant on the Scheme

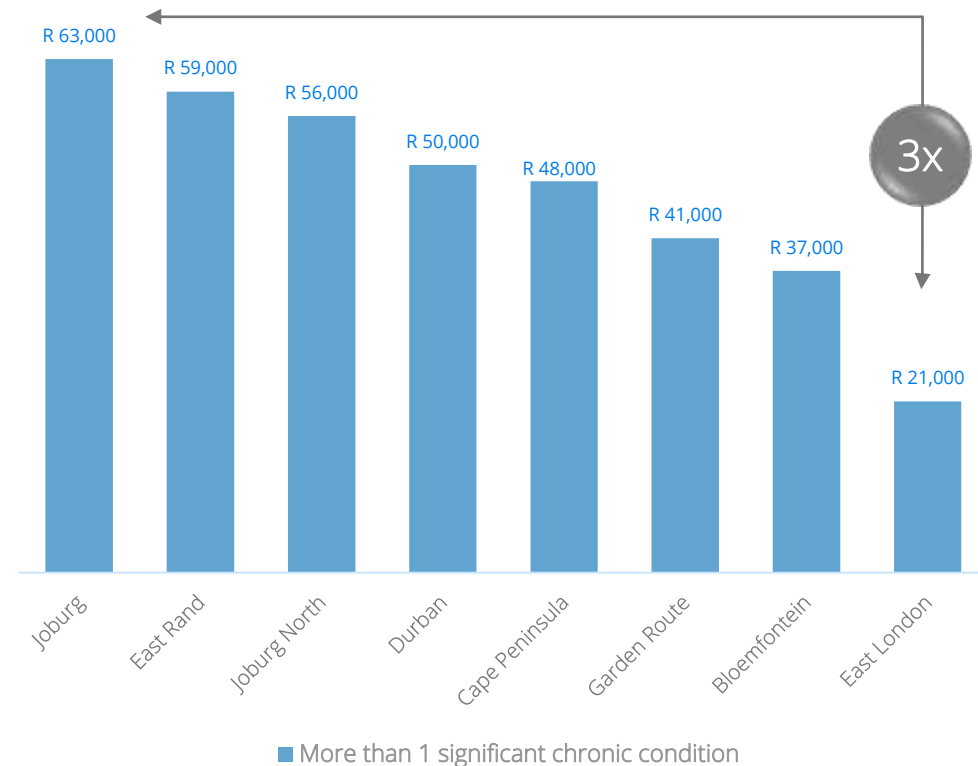
3. QUALITY OF CARE | Opportunity to improve the healthcare system for the benefit of patients

DHMS experience (2012/13)

- 59% Children with Upper Respiratory Viral illness on **antibiotics**
- 46% KeyCare Diabetic patients **without a single HBA1C measurement**
- 41% Cardiac Failure patients **admitted once**
- 37% Members enrolled for breast cancer, who had **no mammograms** in preceding **2 years**
- 66% Ischaemic Heart Patients on **aspirin**
- 19% **Benzodiazepine (BZD)** prescribed in patients over age 65

Significant variations in cost of end of life care by region

End of life cost PLPM per region in last 6 months before death



4. REGULATORY ENVIRONMENT



National Health Insurance

- Still awaiting NHI White Paper
- Mixed results from pilot districts
- Significant fiscal pressure on funding the NHI

Competition commission's market inquiry into private healthcare

- Received 68 stakeholder submissions
- Industry responding with extensive data submissions
- Provisional report to be published for comment in September 2015
- Final report due November 2015



AGENDA

1. MACRO FORCES IMPACTING HEALTH SYSTEMS



2. DISCOVERY HEALTH STRATEGIC FOCUS FOR DHMS

3. INVESTING IN A WORLD-LEADING HEALTHCARE SYSTEM

DISCOVERY HEALTH MEDICAL SCHEME



2014 Key facts and figures: a year of outstanding scheme performance



2 634 819

lives covered



3.3%

increase membership

1 284

new lives per day



4.5%

lapse rate



33.58

average age of
beneficiaries



R11.7 billion

in reserves

25.8% solvency



AA+

credit rating



96.9%

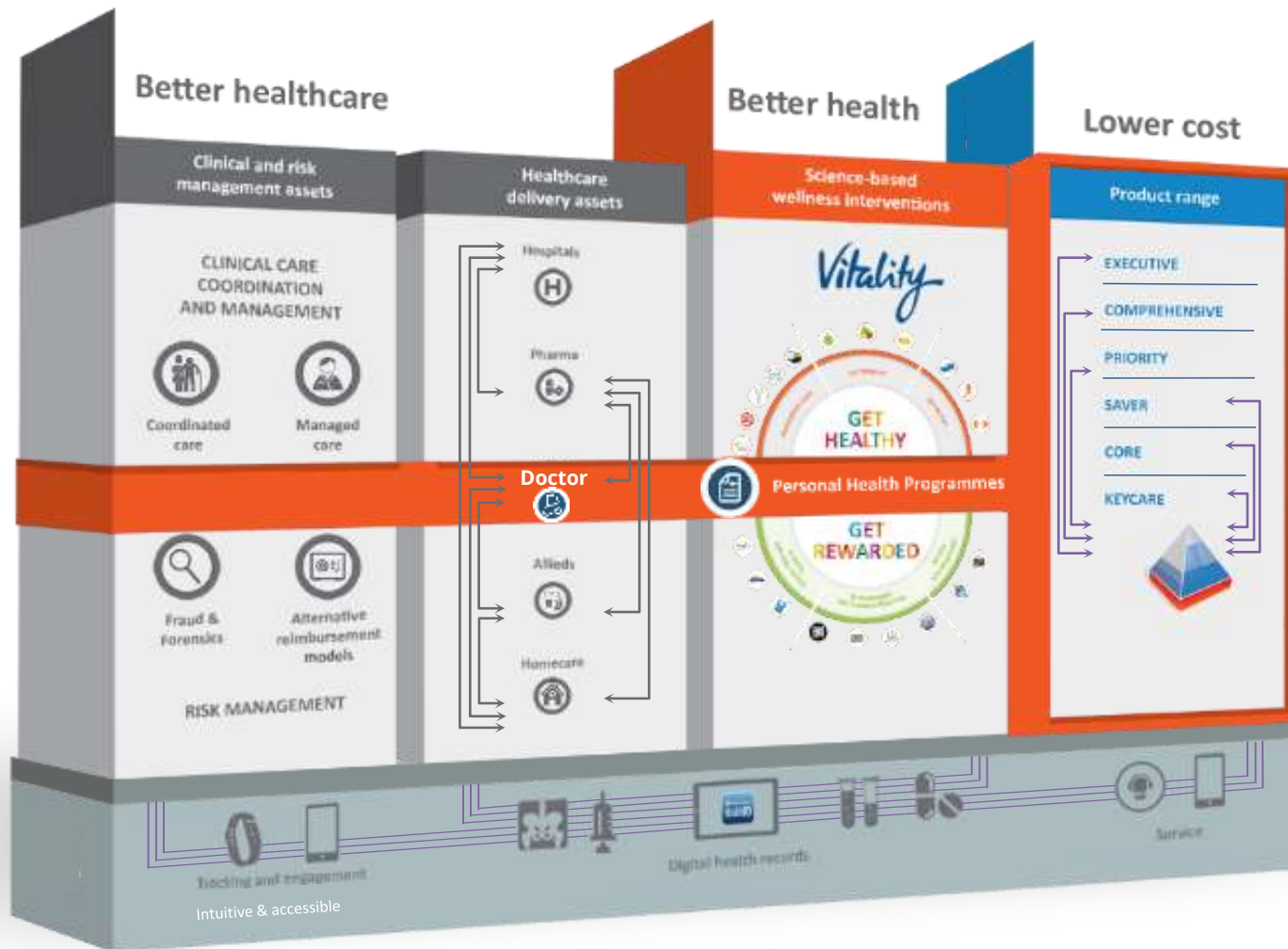
In-hospital cover ratio



52.8%

Open medical scheme
market share

Discovery Health Key Strategic Focus Areas for DHMS – Develop a Value Driven Healthcare System



BETTER HEALTHCARE

Access to extensive **care, support and the latest medical technologies** when members need it most

BETTER HEALTH

Comprehensive, integrated wellness offerings that help members **understand and improve their health**

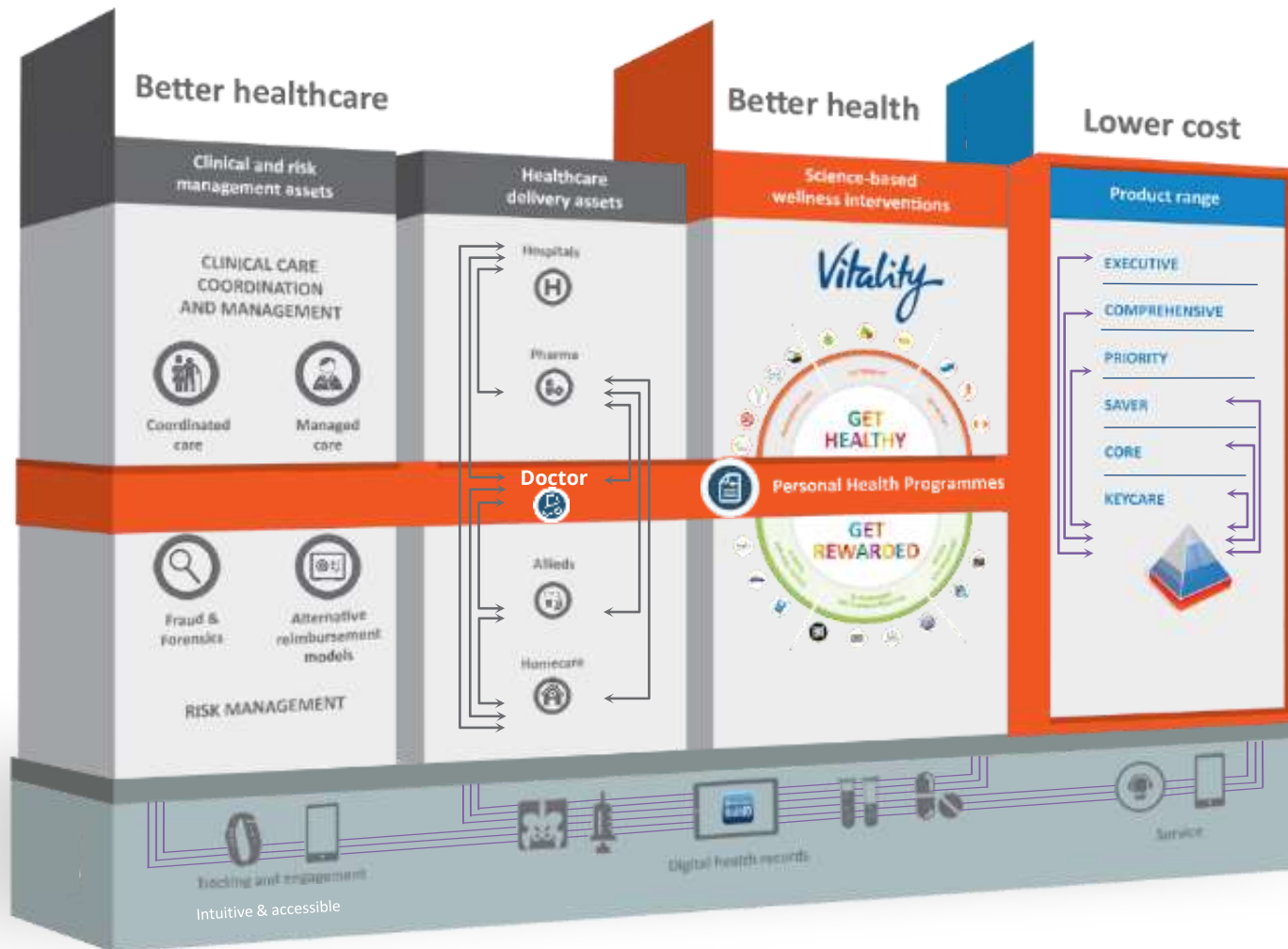
LOWER COST

Access to a **full spectrum of plan options** to meet member needs and offer **excellent value for money**

INTUITIVE AND ACCESSIBLE

A **suite of tools and servicing** that fundamentally change the way members **experience the healthcare system**

Discovery Health Key Strategic Focus Areas for DHMS – Develop a Value Driven Healthcare System



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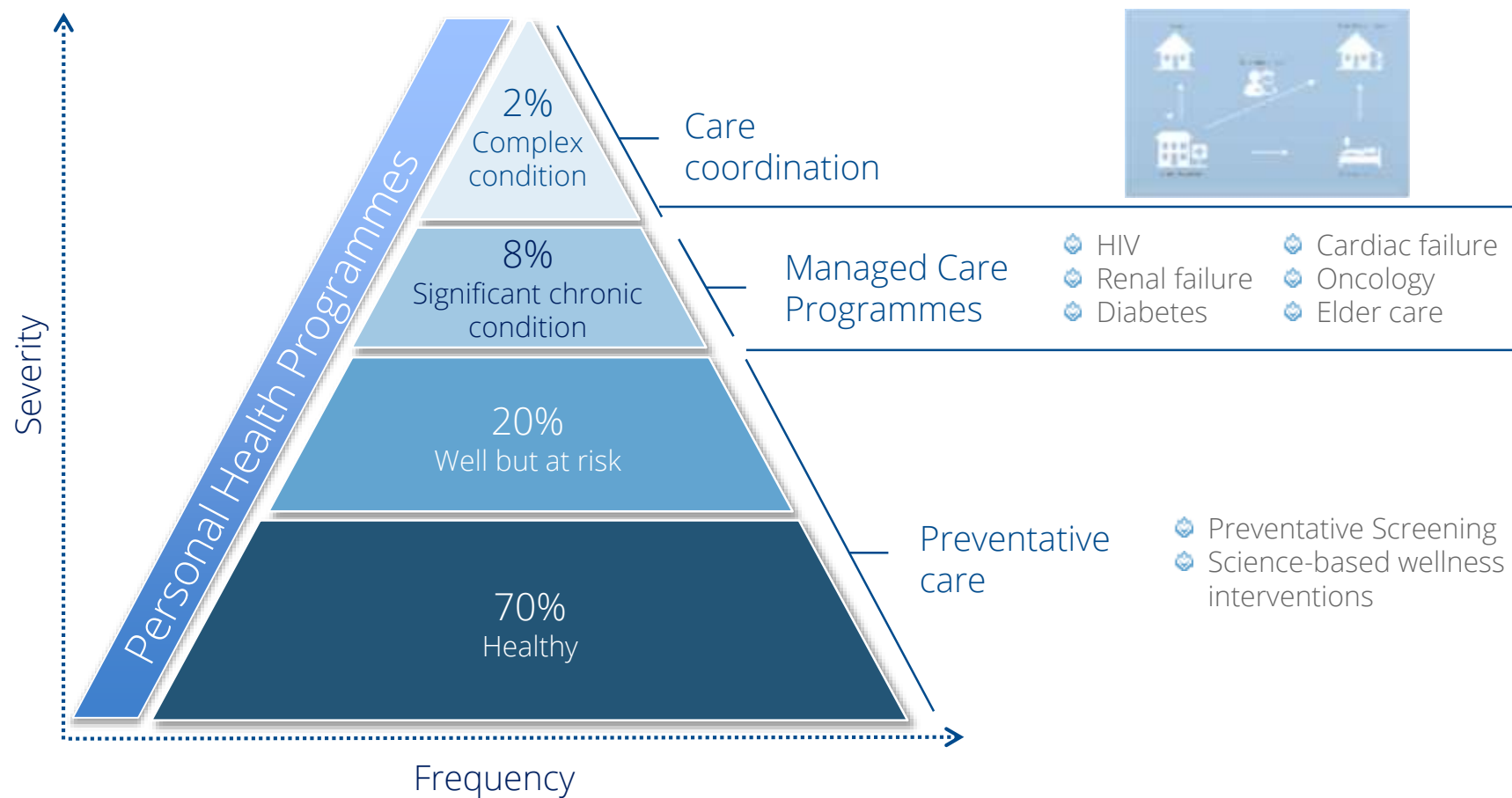
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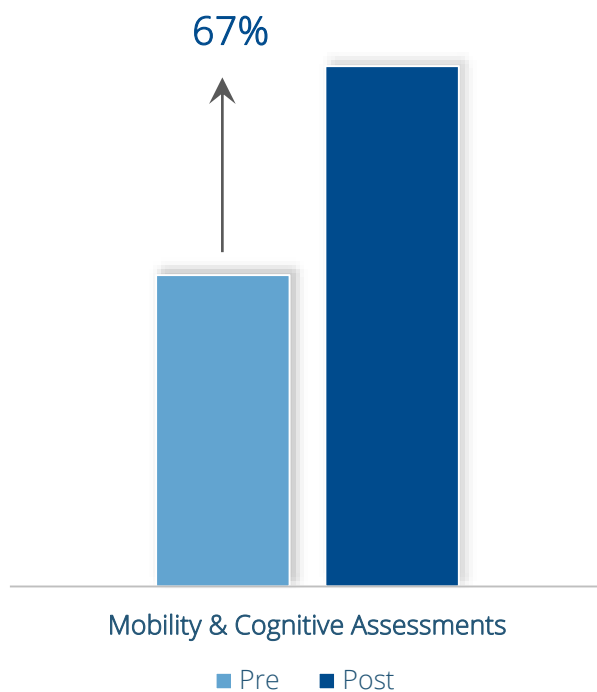
Discovery Health's Strategic Approach to Delivering Better Healthcare

Member segmentation by clinical severity enables appropriate and effective interventions

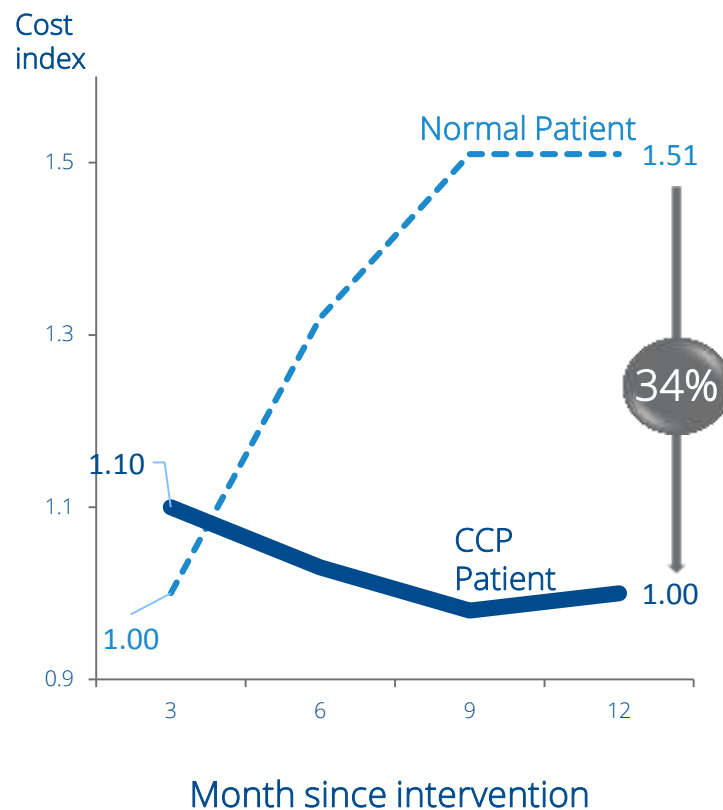


Discovery Health Care Co-ordination Programme impacting on quality and cost of care

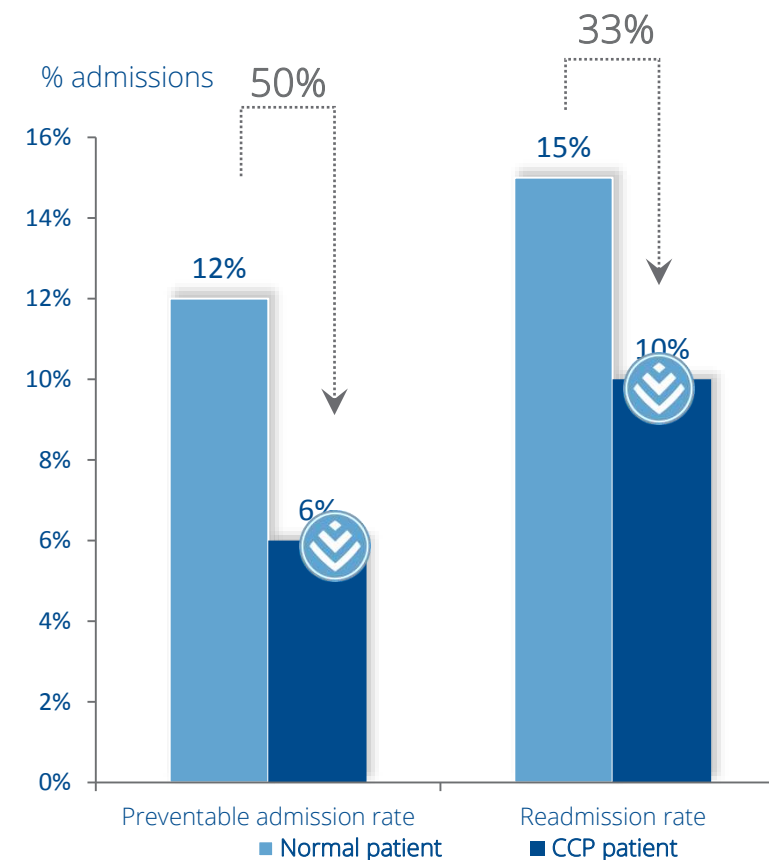
Improved quality



Lower cost per event



Decreased hospital admissions



Personal Health Programmes - Partnering with GPs to Improve the Management of Chronic Disease

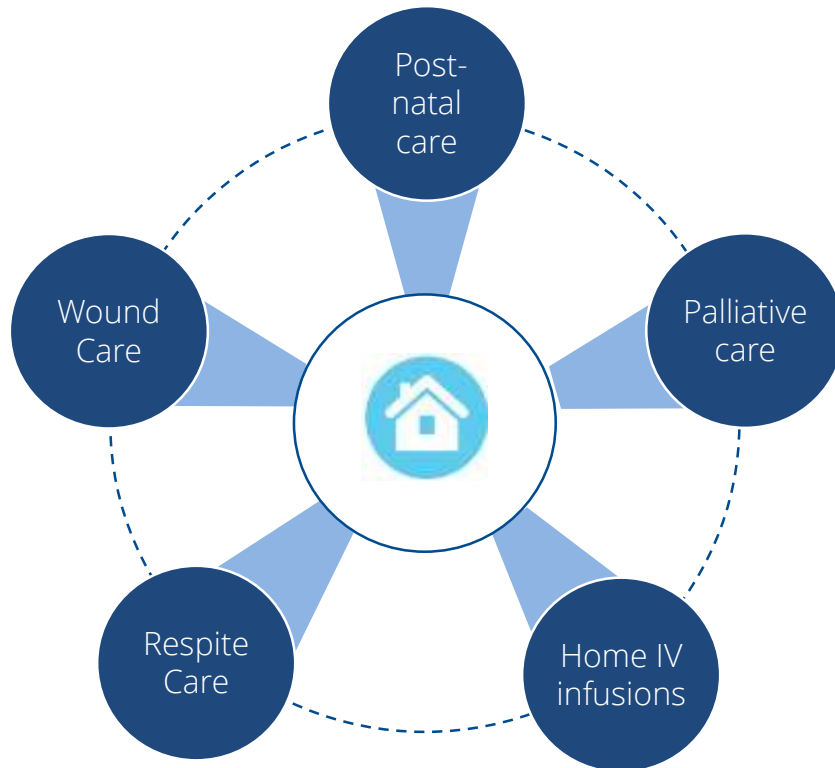


Discovery HomeCare Offers High Quality Home-based Care

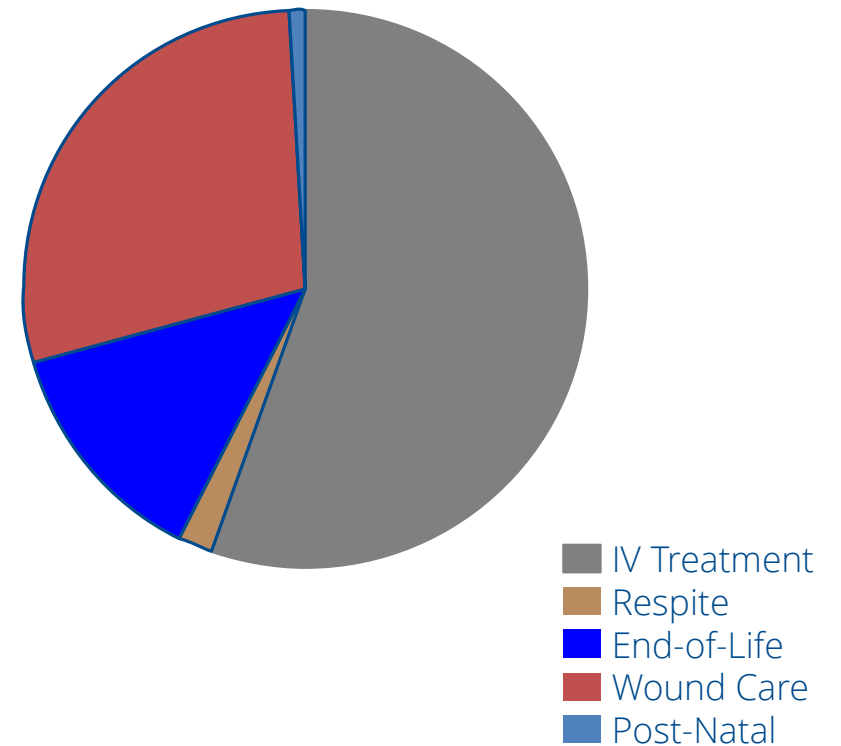


Unique, home-based healthcare service

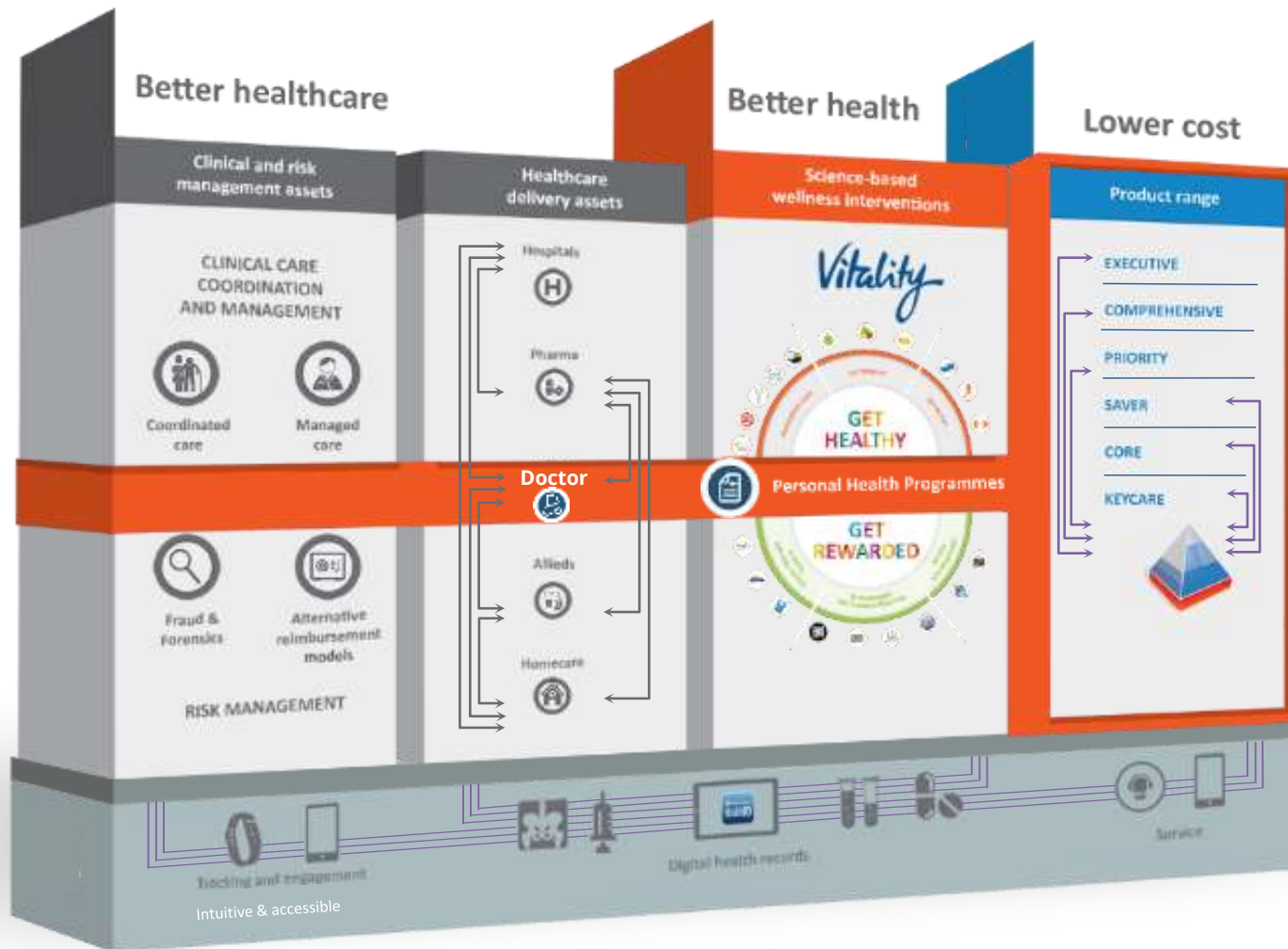
Key Services Offered



Highest enrolment: IV Treatment



Discovery Health Key Strategic Focus Areas for DHMS – Develop a Value Driven Healthcare System



BETTER HEALTHCARE

Access to extensive care, support and the latest medical technologies when members need it most

BETTER HEALTH

Comprehensive, integrated wellness offerings that help members **understand and improve their health**

LOWER COST

Access to a **full spectrum of plan options** to meet member needs and offer **excellent value for money**

INTUITIVE AND ACCESSIBLE

A **suite of tools and servicing** that fundamentally change the way members **experience the healthcare system**

Vitality impacts very positively on overall health engagement levels

GET HEALTHY



1,225 members completed a **health check** every day



70,000 gym workouts every day



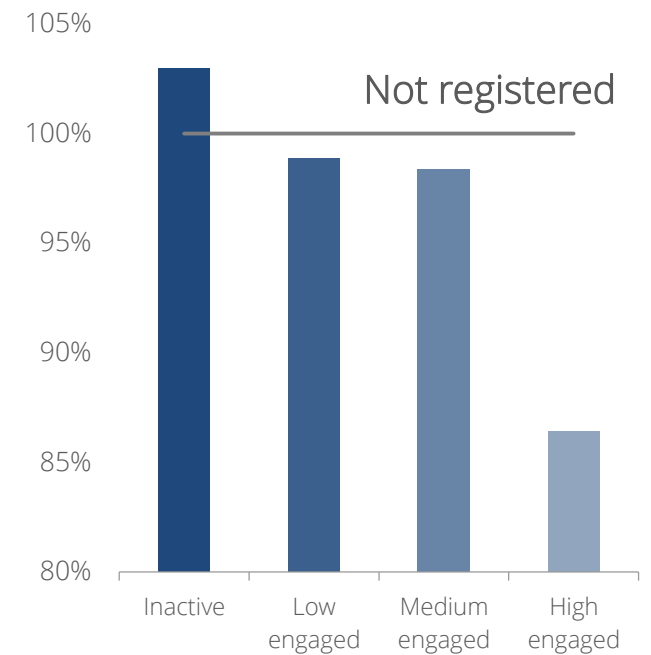
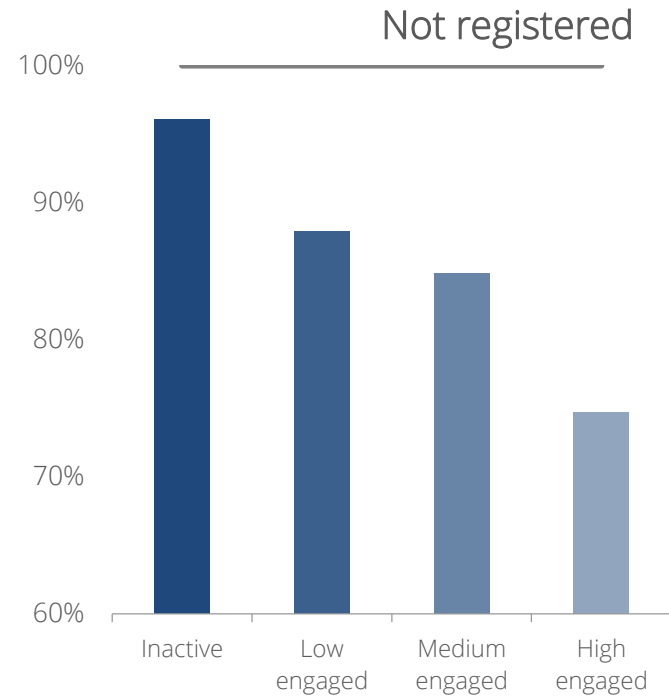
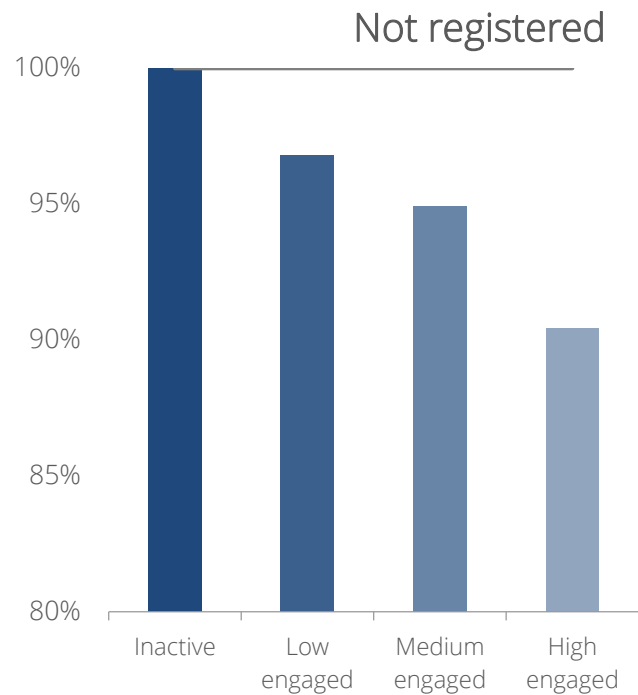
32,000 HealthyFood baskets purchased every day

Vitality Engagement Improves Health Outcomes

1 Lower admission rates

2 Shorter hospital stays

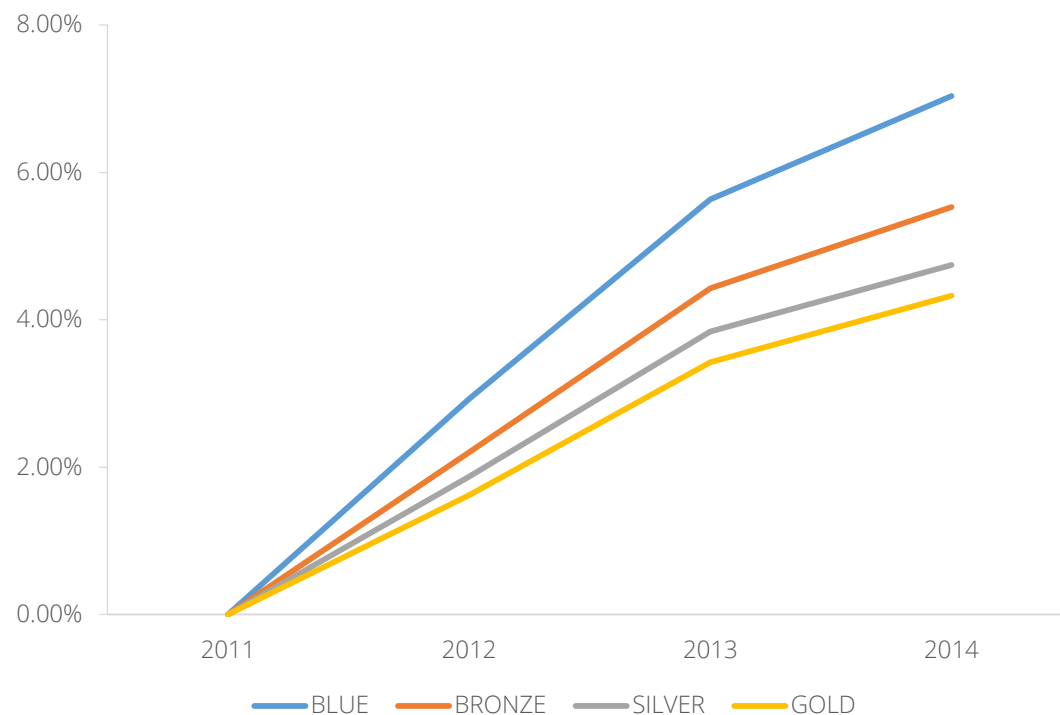
3 Lower healthcare costs



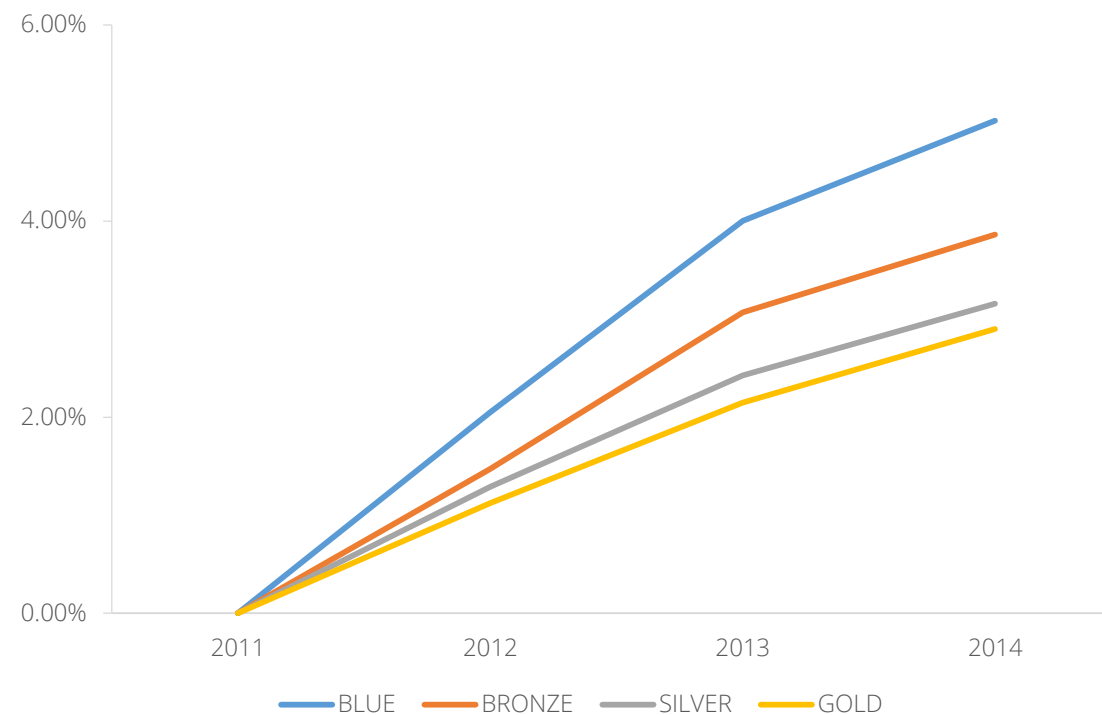
Correlation Between Vitality Engagement and Development of Lifestyle Diseases

Engaged Vitality members are less likely to develop a chronic disease

Lifestyle Chronic Incidence by Earned Status
Male

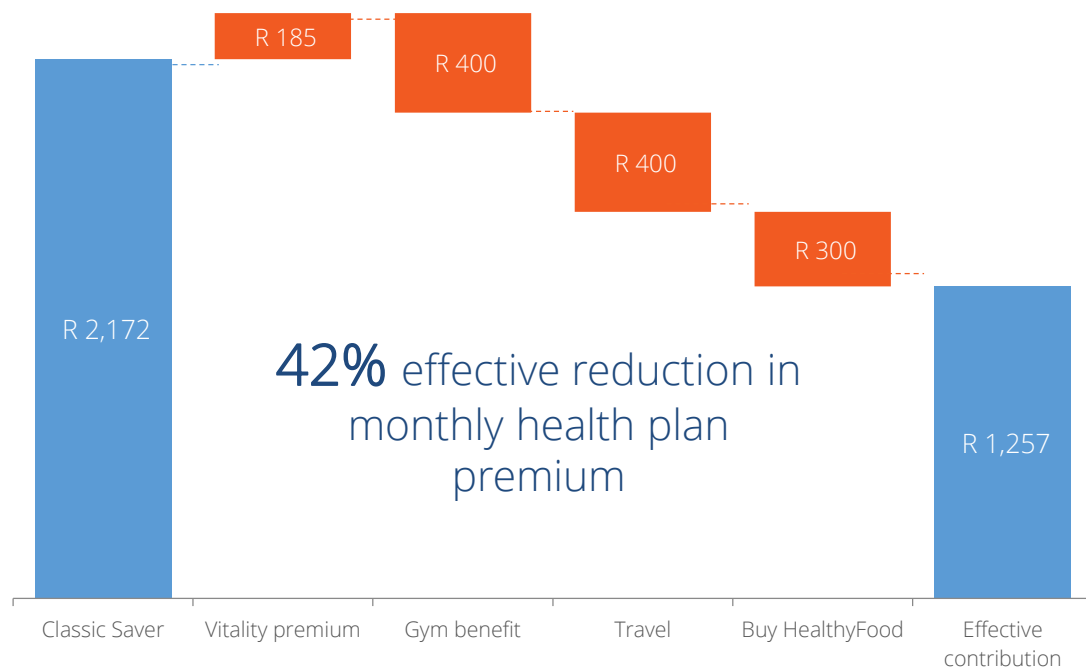


Lifestyle Chronic Incidence by Earned Status
Female



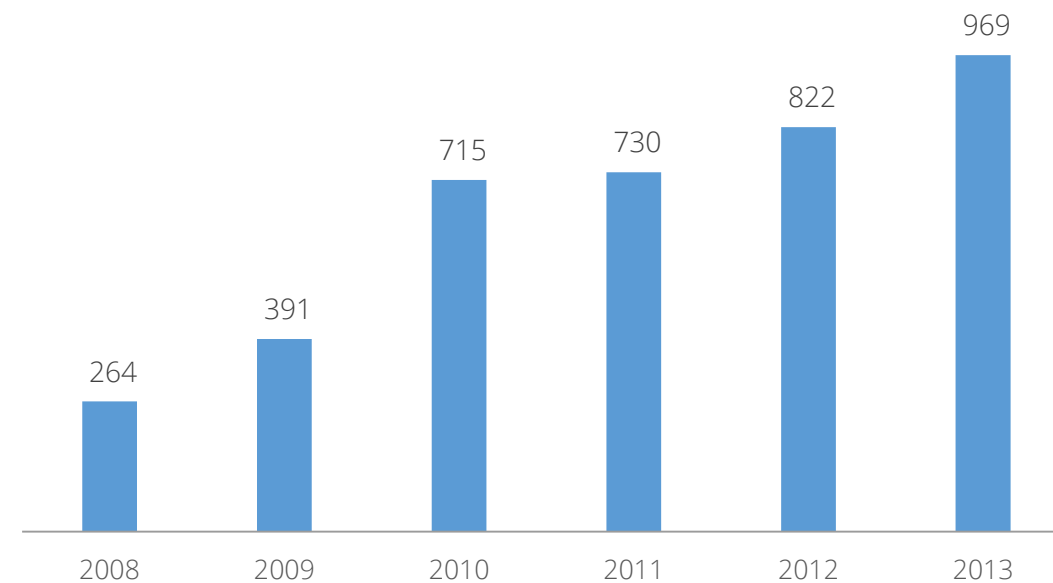
Positive Impact of Vitality on Discovery Health Medical Scheme and on Members

Member: Classic Saver

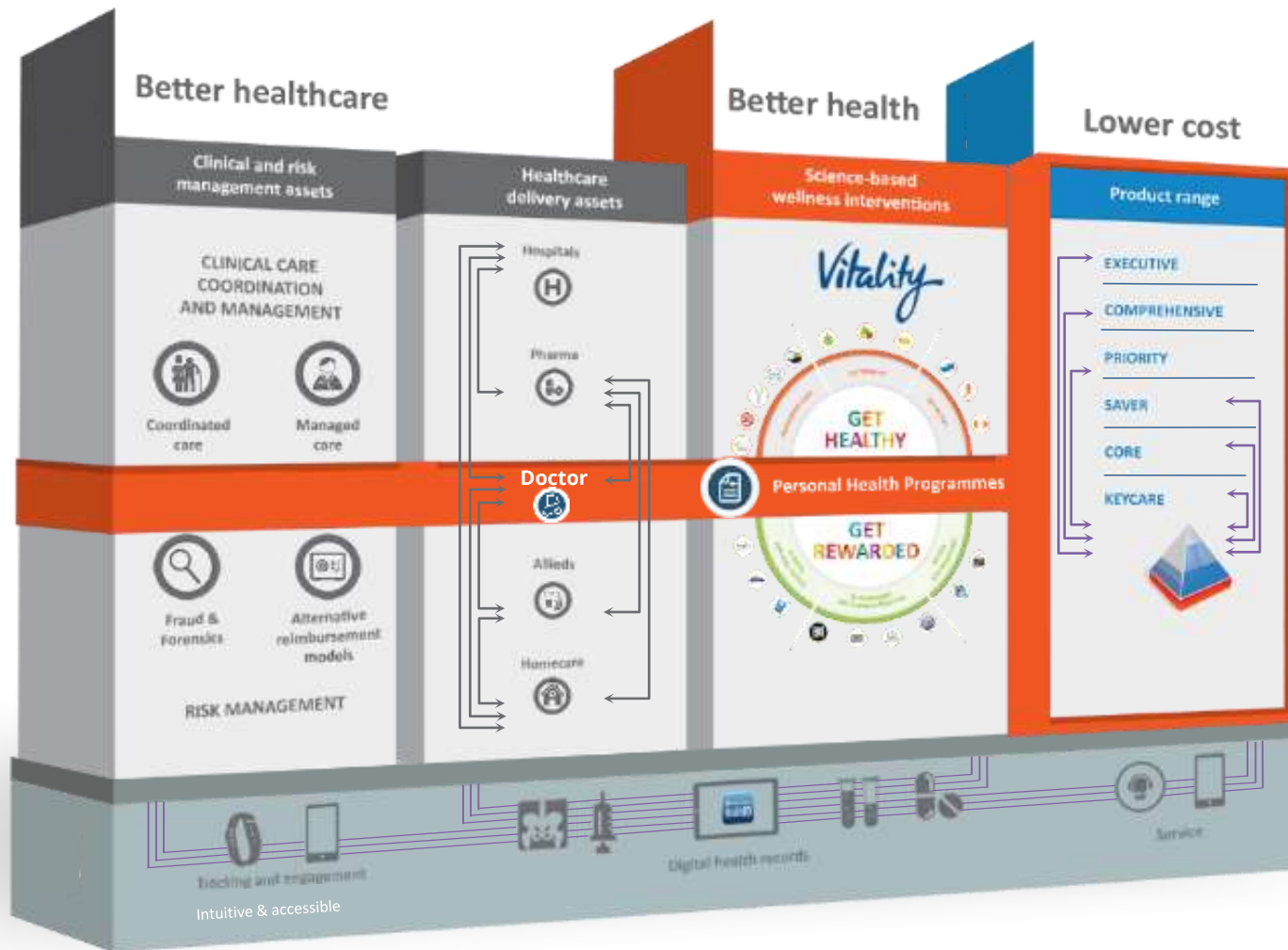


Scheme

Annual savings to DHMS due to Vitality (R million)



Discovery Health Key Strategic Focus Areas for DHMS – Develop a Value Driven Healthcare System



BETTER HEALTHCARE

Access to extensive care, support and the latest medical technologies when members need it most

BETTER HEALTH

Comprehensive, integrated wellness offerings that help members understand and improve their health

LOWER COST

Access to a full spectrum of plan options to meet member needs and offer excellent value for money

INTUITIVE AND ACCESSIBLE

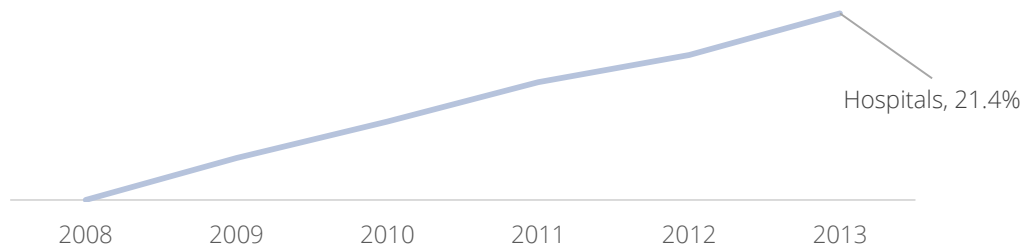
A suite of tools and servicing that fundamentally change the way members experience the healthcare system

Lower Cost Inflation than all Other Open Medical Schemes



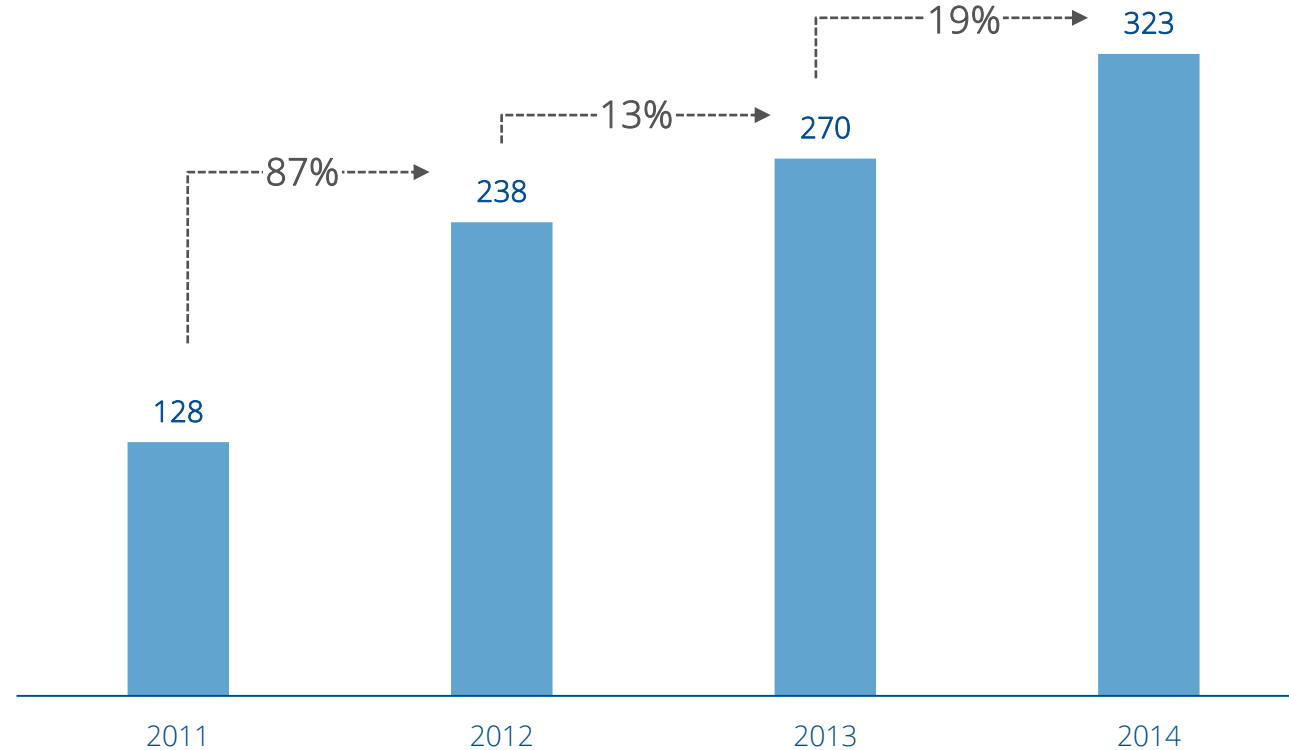
Discovery Health Medical Scheme
(% growth in pabpm costs – 2008 baseline)

Open Schemes excluding
Discovery Health Medical Scheme
(% growth in pabpm costs – 2008 baseline)



Significant increase in fraud recoveries and savings

19% increase in fraud and forensic savings in 2014 (R'million)



DHMS members obtaining significant value from exclusive discovery health partnerships



Discovery members saved ~R95m in 2014 through discounts from Discovery Health partners

HEALTHYCARE

HEALTHYCARE

10%

back on HealthyCare items

OPTOMETRY



20%

on frames and lenses through our optometry network

STEM CELL
CRYOGENICS



25%

on umbilical cord blood and tissue stem cell cryogenics with Netcells Biosciences

Discovery Health has integrated into the medicine value chain to benefit DHMS members



Southern Rx creates further opportunities to save costs for DHMS

SEP negotiation

MedXpress

Southern Rx

Discovery Med **X**PRESS



27% reduction in members with co-payments

Home



Work



Holiday



In-store



Doctors



Southern Rx

 **Herceptin[®]**
trastuzumab

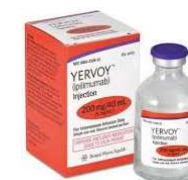


Current cost:
R400 000 per course

Southern Rx
exclusive biosimilar:
R300 000 per course

25%
saving


YERVOY[™]
(ipilimumab)
Injection for intravenous infusion



Current cost:
R1.5-R2m per course

Southern Rx
negotiations

50%
saving

Several cost and quality improvement projects with specialist groups using bundled payments



SASCI Project



Doctor Guided Funding Model for Coronary Artery Disease

PRELIMINARY

RESULTS

~40 participating cardiologists (of eligible 150)

Increased awareness & changing behaviour or incentives

30% increase in CTCA rate

16% reduction in angiography rate

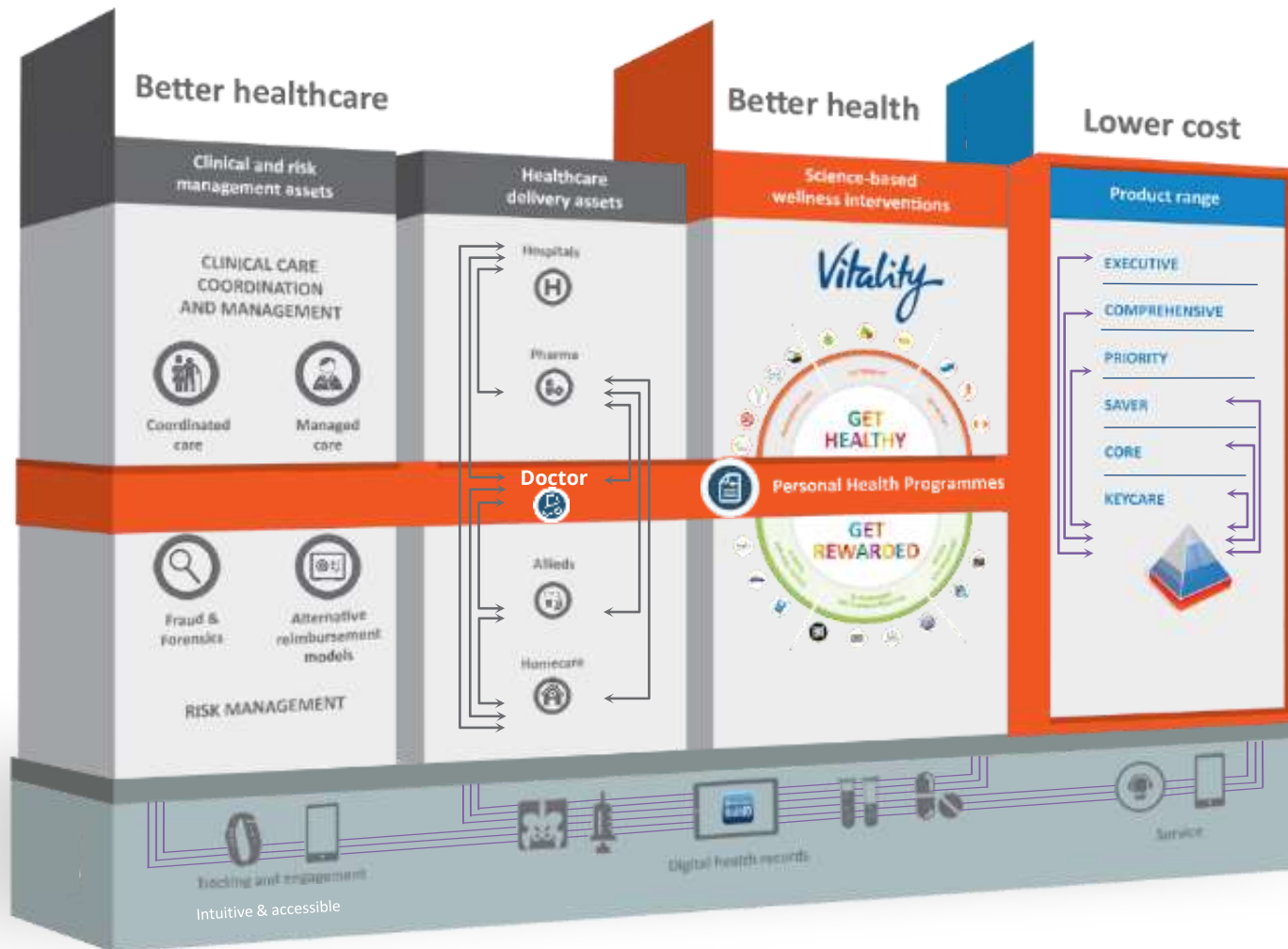
Anecdotally, no adverse patient outcomes

Happier, empowered cardiologists

Costs radically down

6 value based projects – more in pipeline

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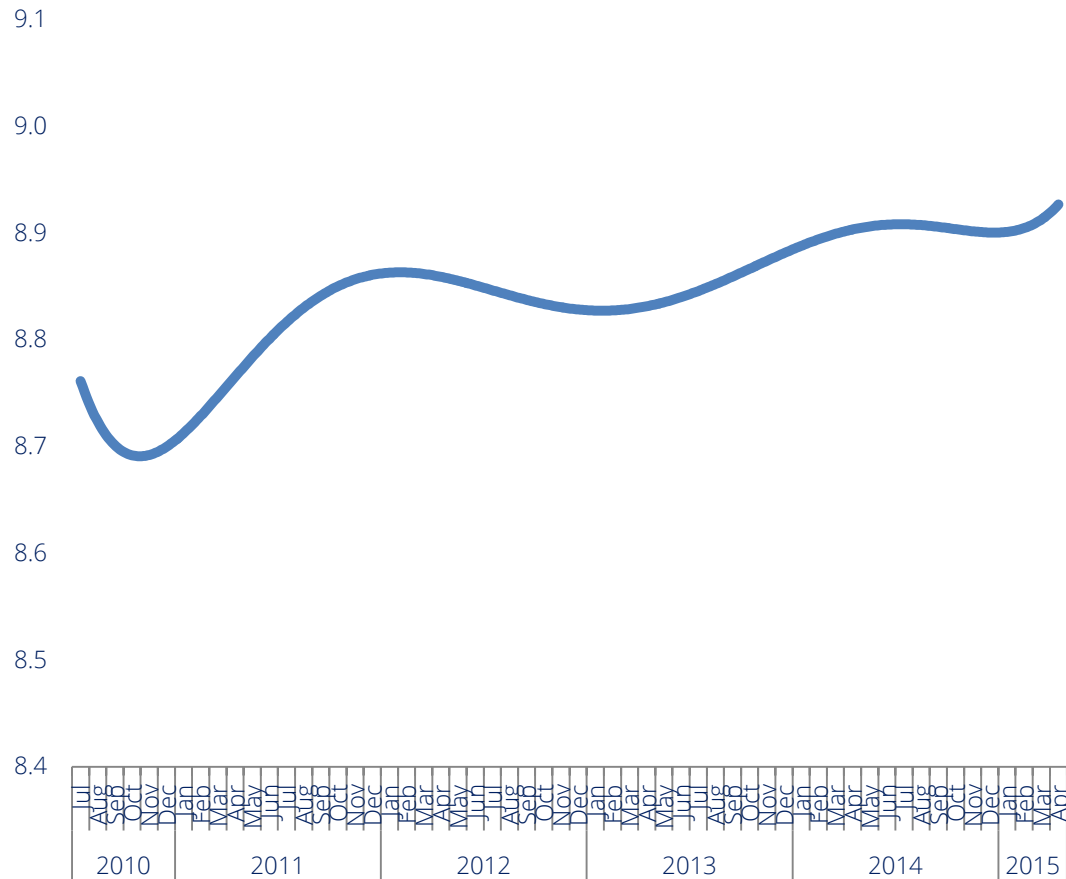
INTUITIVE AND ACCESSIBLE

A suite of tools and servicing that fundamentally change the way members experience the healthcare system

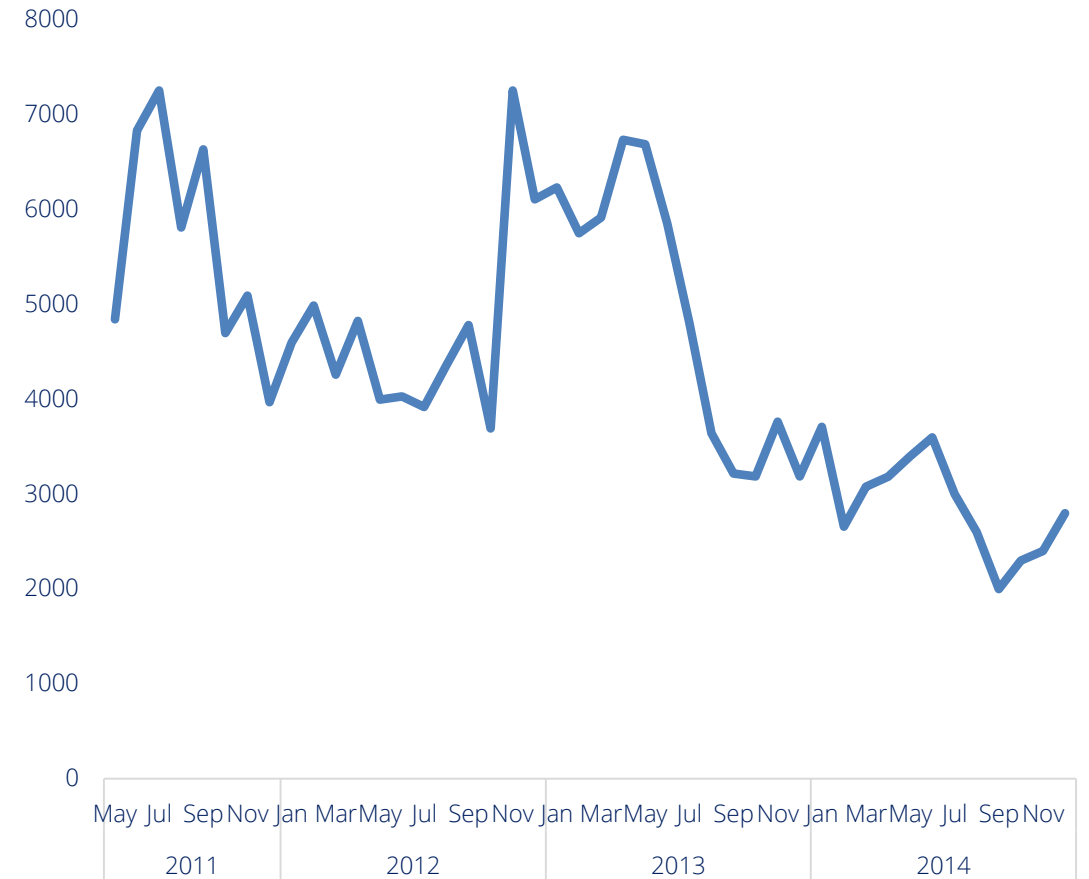
Continuous Measurement of Operational Performance



Member Perception
(Service rating out of 10)



Quality of Service
(Defects per Million Opportunities)



Service Innovation: Voice Biometrics

→ The FIRST in our industry in South Africa ←



Voice biometric technology analyses the customer's voice and compares it to a voiceprint on file



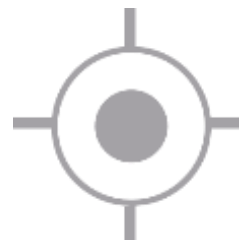
Clients no longer need to answer security verification questions



Increased level of security



80% Faster authentication



99% Accuracy in confirmation

AGENDA



1. MACRO FORCES IMPACTING HEALTH SYSTEMS

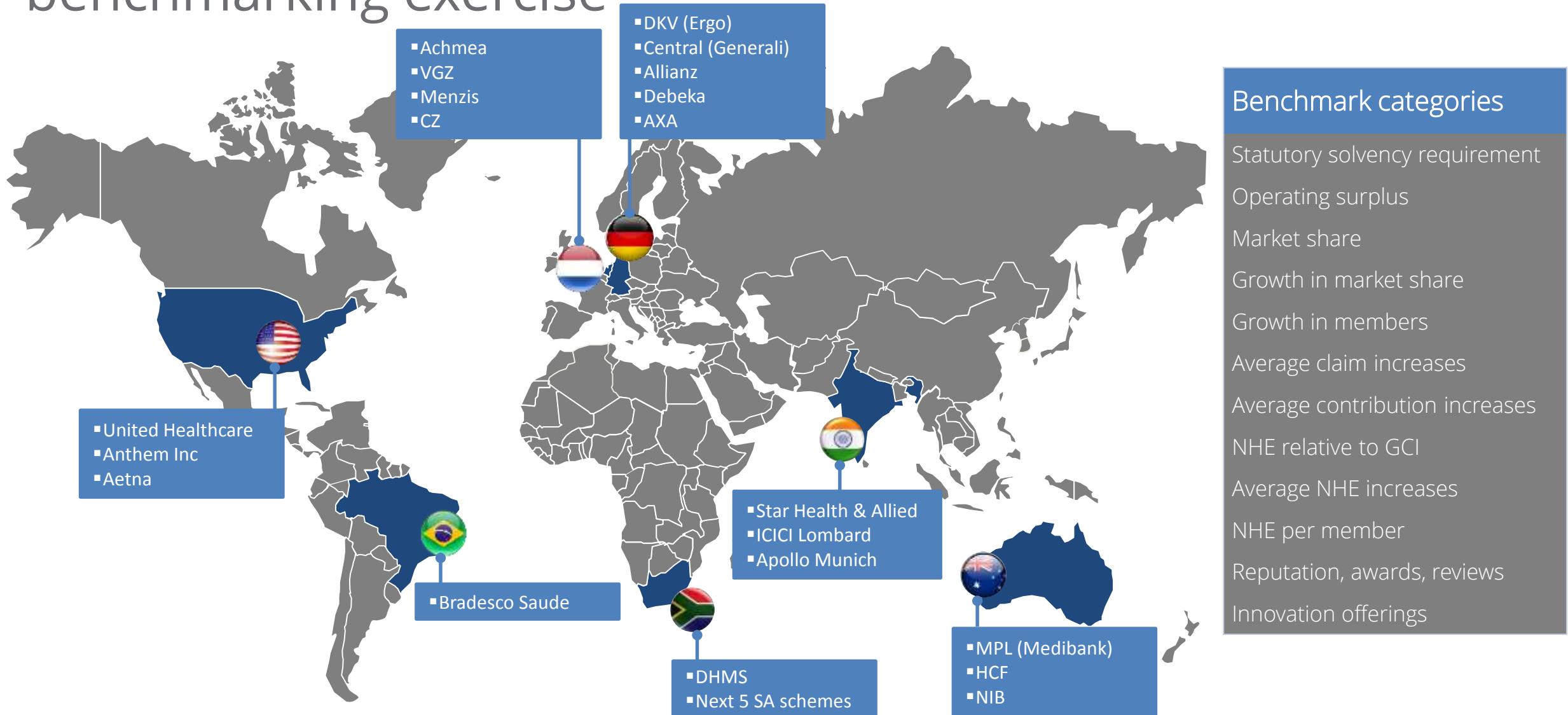


2. DISCOVERY HEALTH STRATEGIC FOCUS FOR DHMS

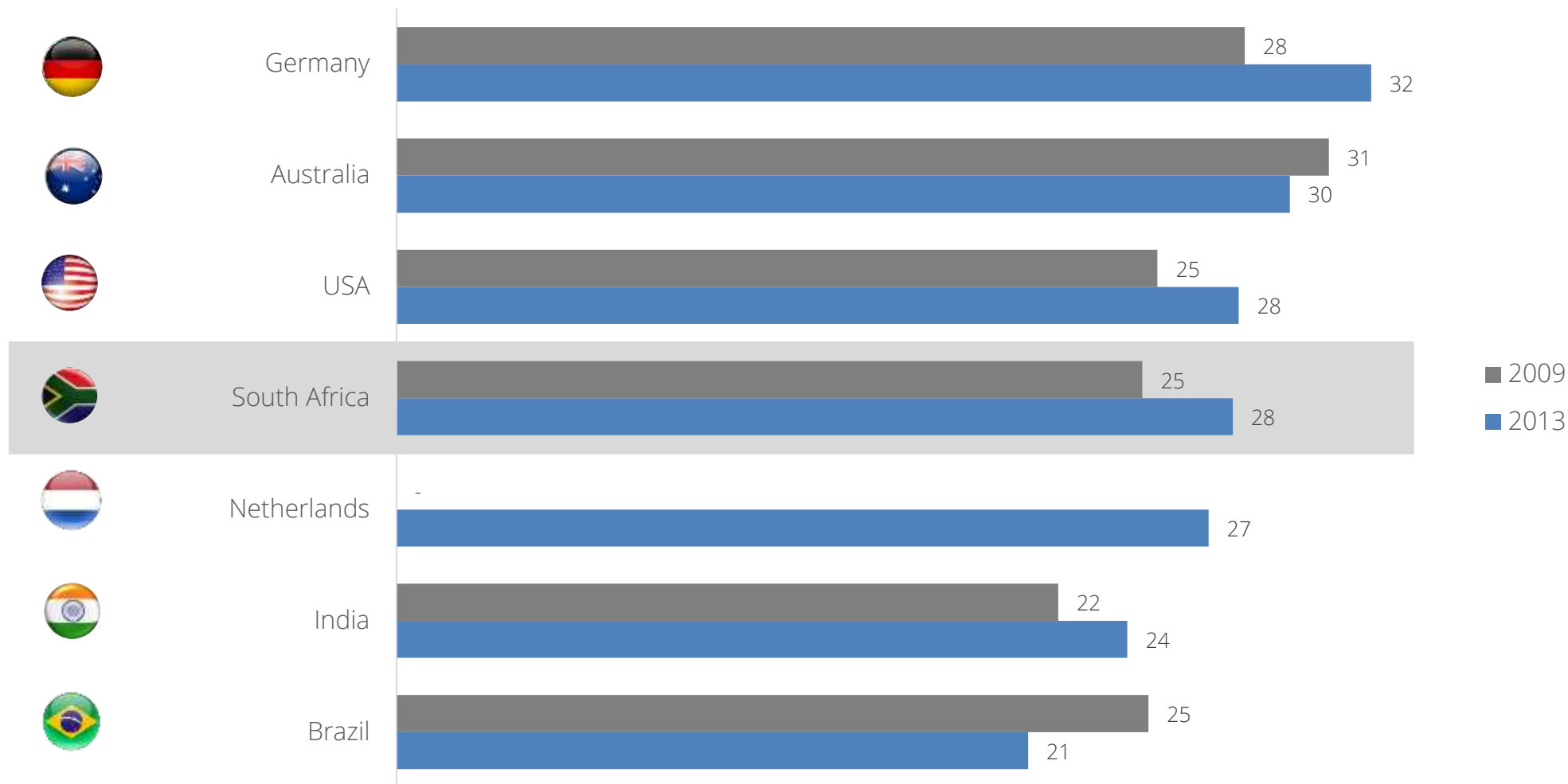


3. INVESTING IN A WORLD-LEADING HEALTHCARE SYSTEM

Deloitte conducted a global medical scheme benchmarking exercise



On a Country Level, South Africa is Well Positioned with High Income Country Counter-parts

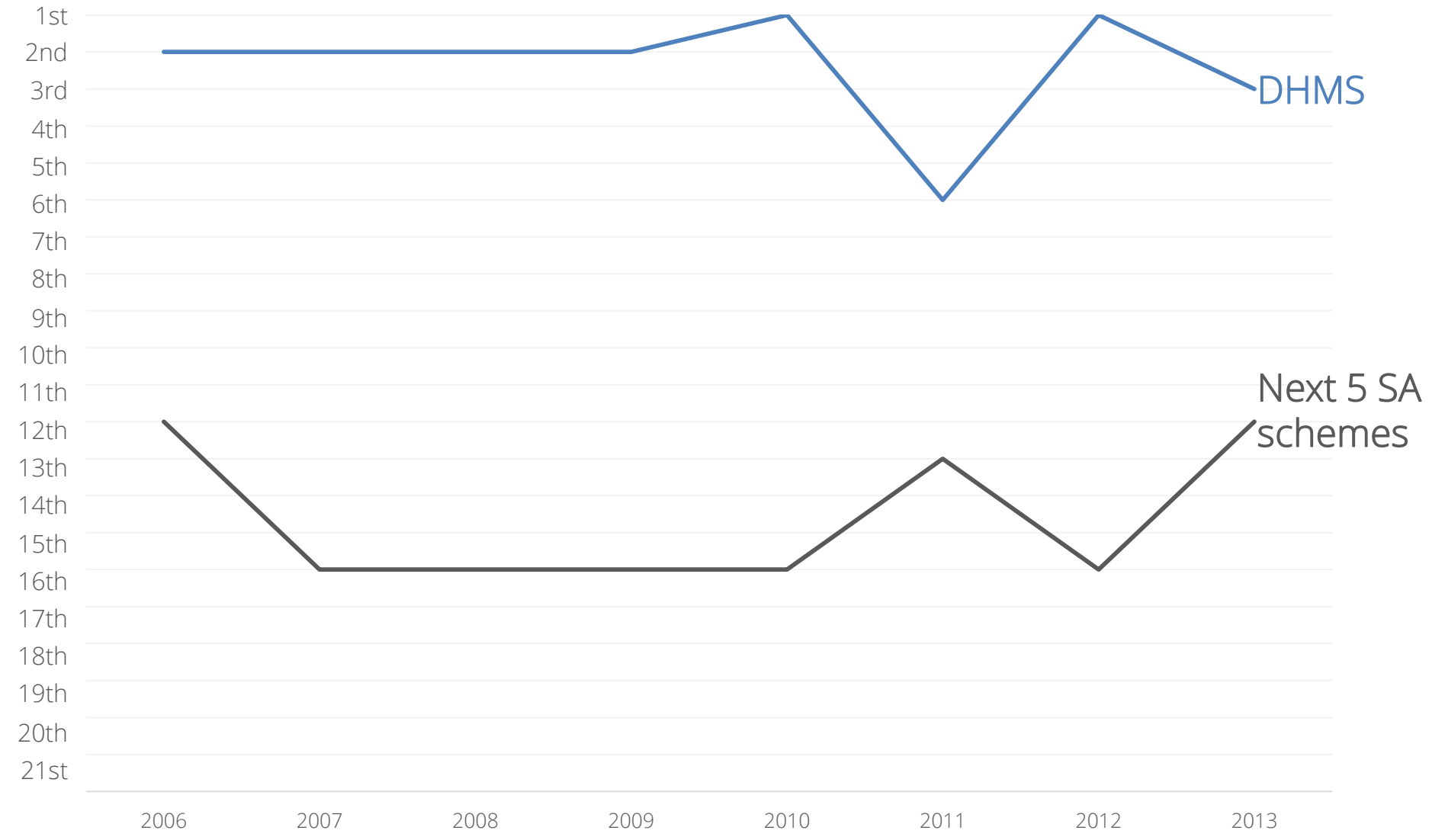


* Included the top 20 medical schemes globally and the next 5 in South Africa that did not make the top 20 globally; Countries ranked by 2013 score

DHMS has Consistently Performed Well, Ranking as One of the Top 3 Schemes Globally



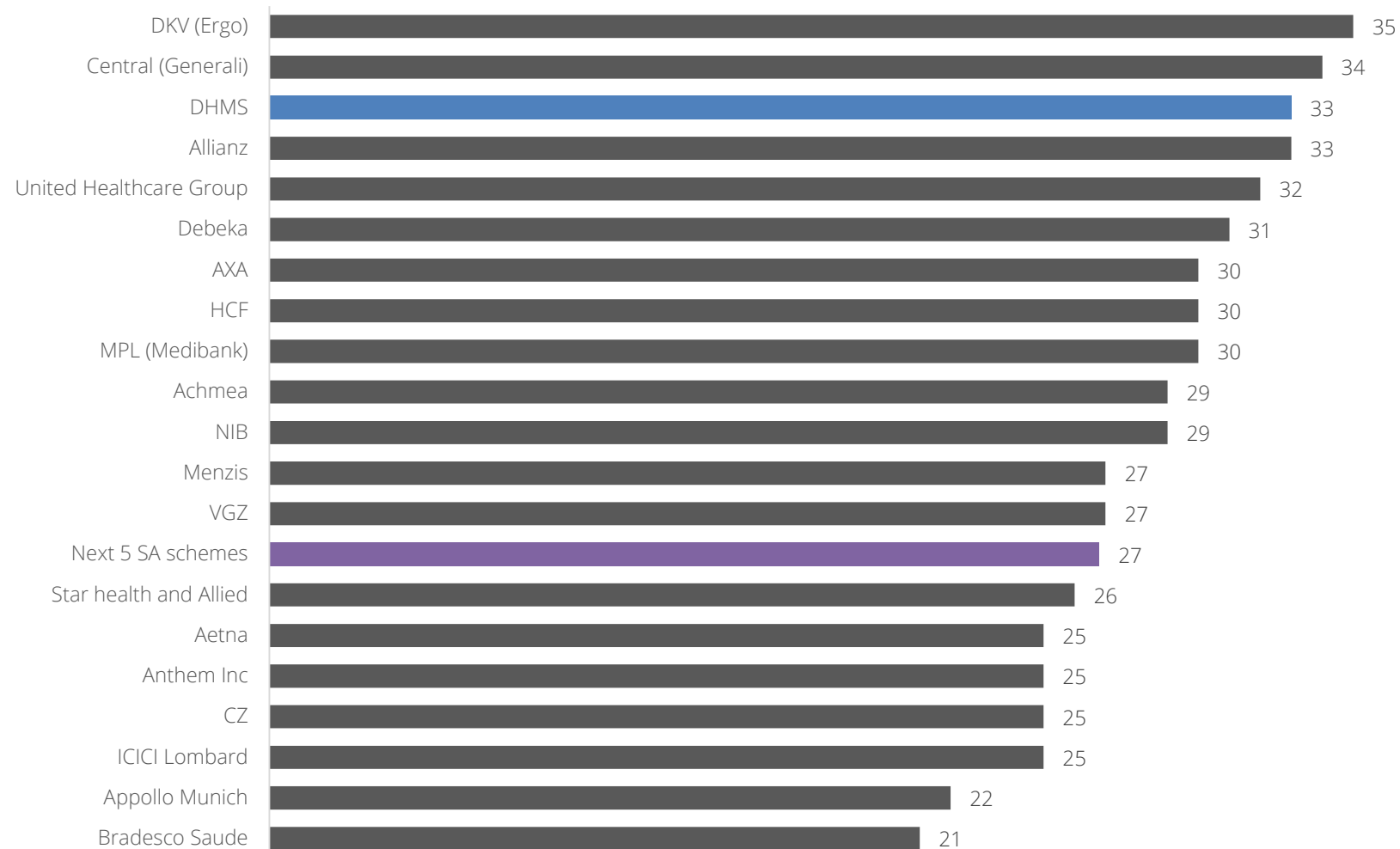
Comparative ranking of the top 20 schemes globally, and the aggregated next 5 in South Africa, over the period 2006-2013



DHMS was Ranked in the Top 3 Across the Twenty Best Global Schemes



Comparative ranking of the top 20 schemes globally, and the aggregated next 5 in South Africa, in 2013



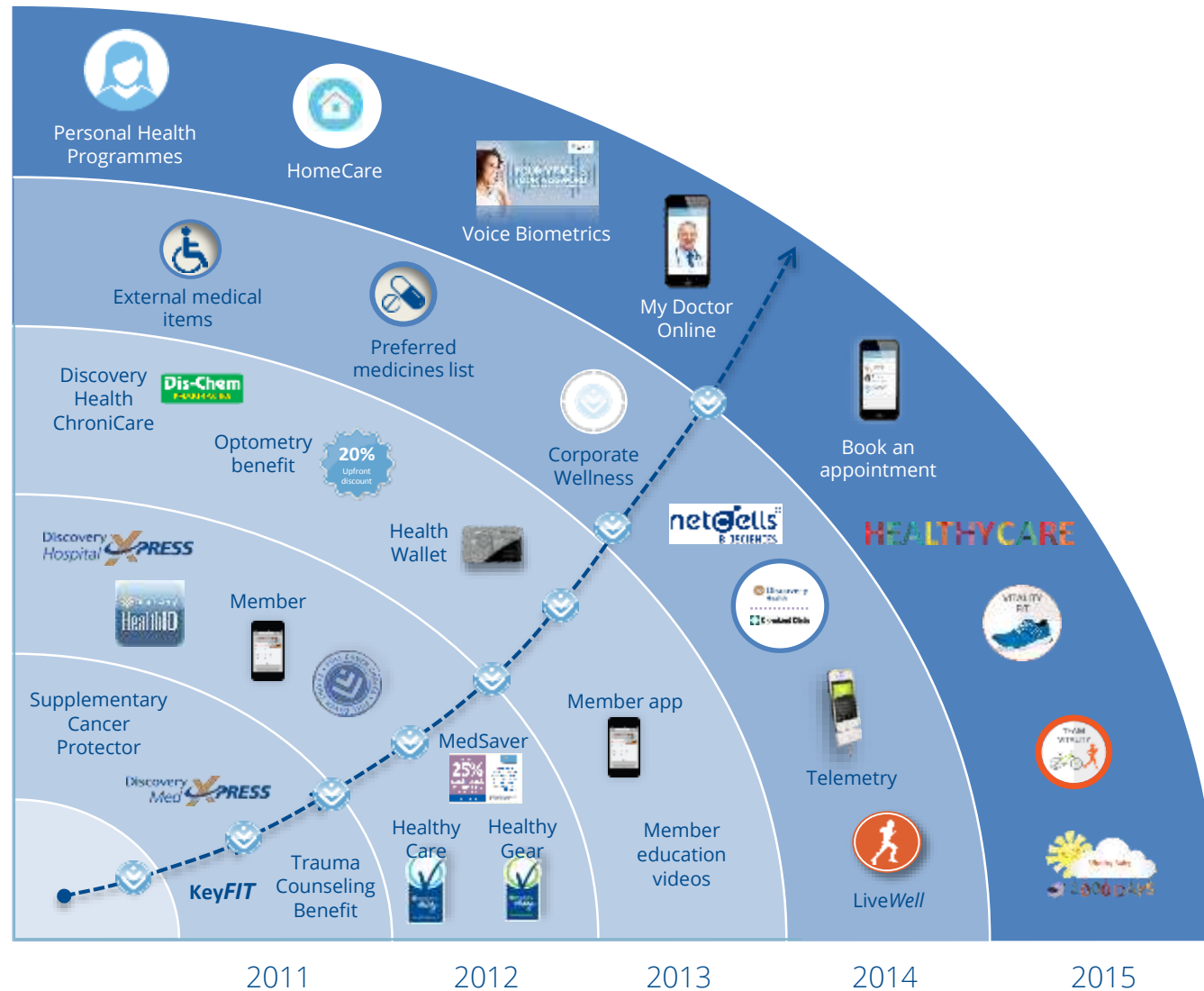
Investing in a World-leading Healthcare System for the Benefit of DHMS Members



214 innovations since 2004

162 Discovery Health

52 Vitality



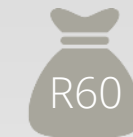
Building Healthier Communities

1. Investing in people



Discovery Foundation
Invested R150m to train 300 public sector specialists

2. Primary Healthcare



R60 million per year

- 40 community healthcare organisations
- 5-year partnership with UNICEF to improve immunisations
- R10m for public sector cataract surgeries

Delivering Personalised Healthcare and Service Journeys

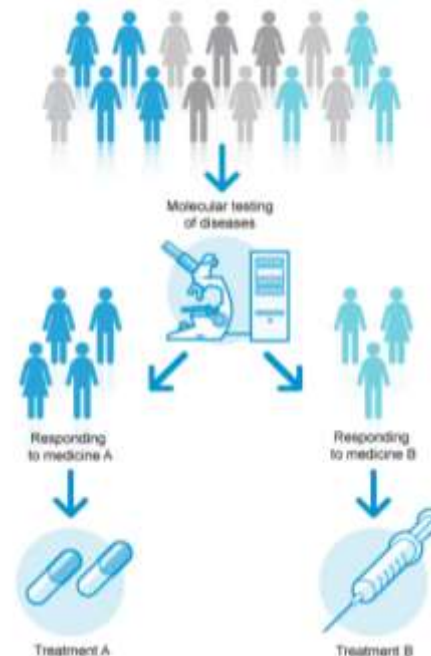


Personalised Medicine

World leading genomics screening for members



Improved healthcare outcomes



Doctor tools



Delivering Personalised Healthcare and Service Journeys



Personalised Healthcare Journeys



My Doctor Online

Virtual consultations through the member app

Paid from day-to-day benefits



Book your family doctor appointment online

In 2015, Discovery members will be able to book doctor appointments online using the member app

Personalised Service Journeys



Claims Summary

Search functionality
Claims breakdown



Digital Cards



Electronic Health Record

Chronological timeline of healthcare interactions

Considerable Investment in state-of-the-art systems for DHMS

Ongoing investment in resources and infrastructure

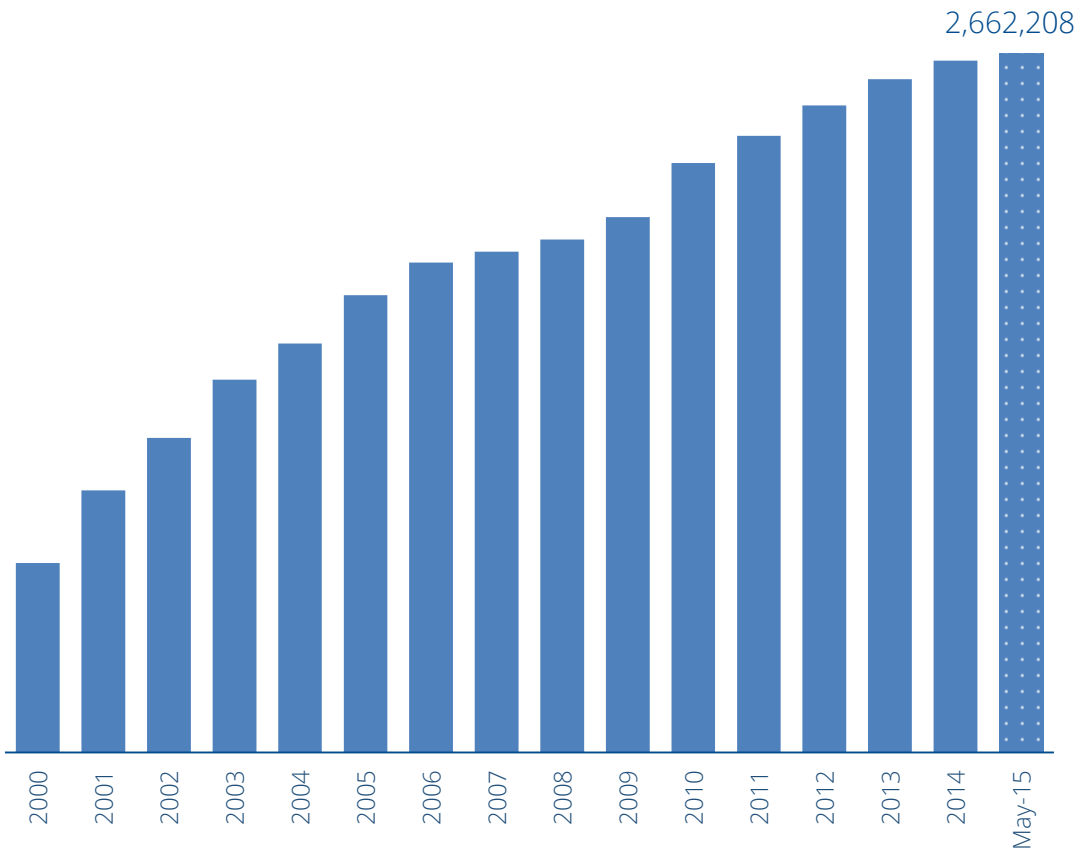
- Scalable, flexible architecture built for speed:
 - > 150,000 claims per day
 - < 3.5 seconds for Pharmacy (real-time) claims
- >R500m per annum in technology infrastructure investment and systems development
- >340 skilled tech professionals + 185 contractors
- New Benefit Management System under development – R285m investment

Example: Benefit Management System

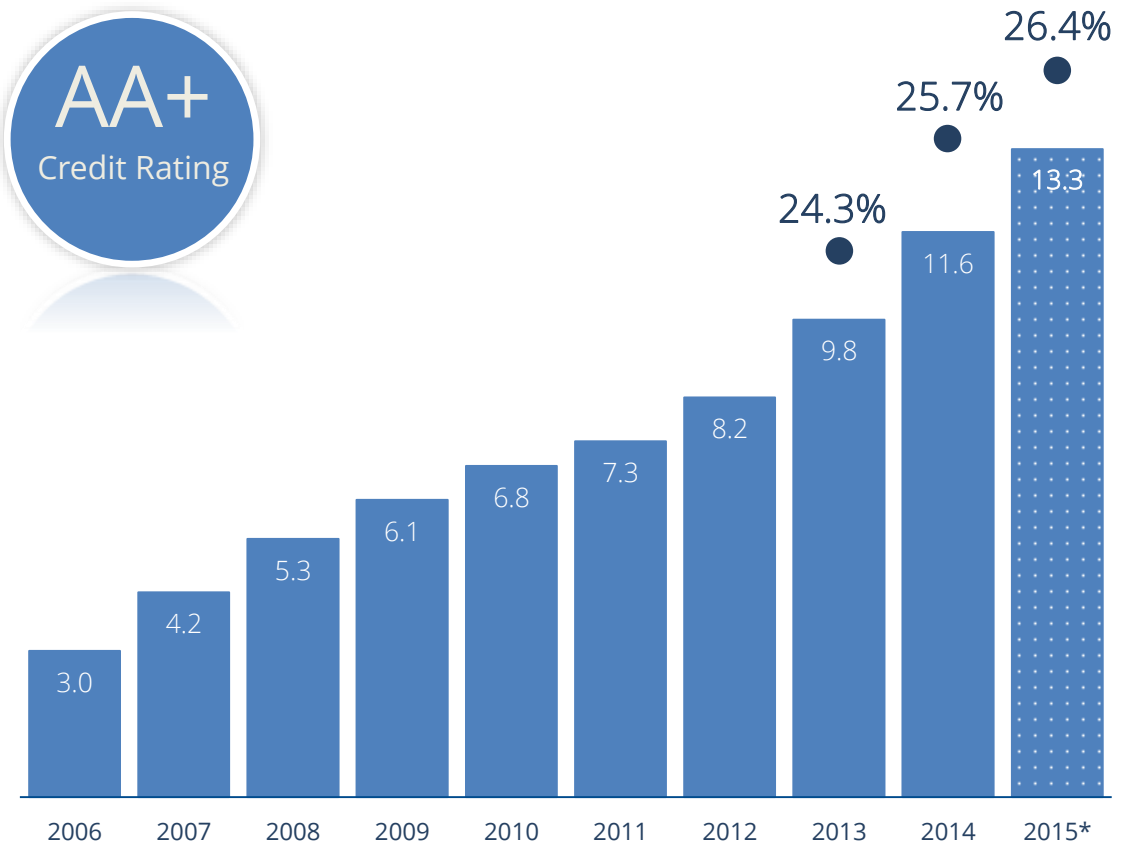


Ensuring the Financial Security of DHMS on an Ongoing, Sustainable Basis

Absolute Growth



Member Reserve Build-up (R billion)

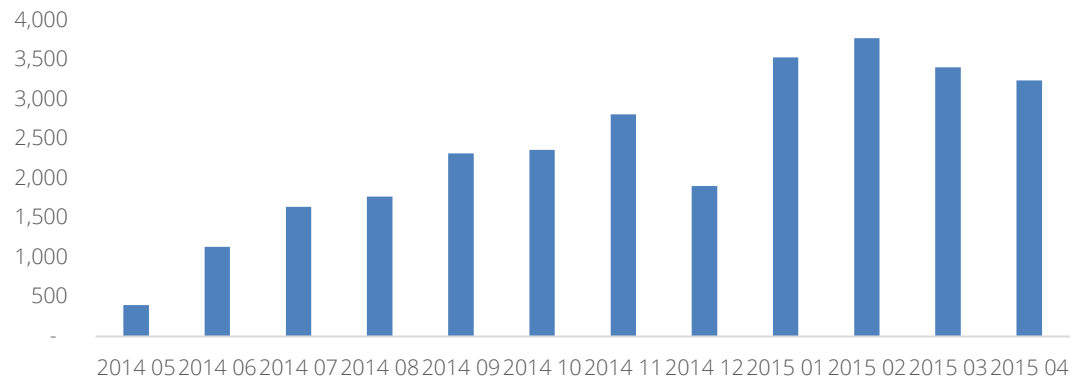


Giving Members the Opportunity to Join DHMS Through the Channel of Their Choice



Direct marketing channel

Volume of applications processed through the direct channel:



Chronic prevalence

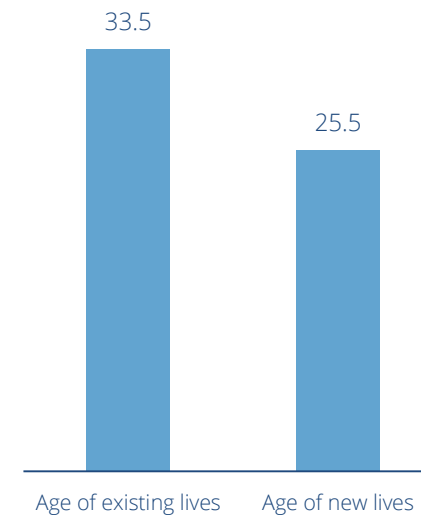


Average age

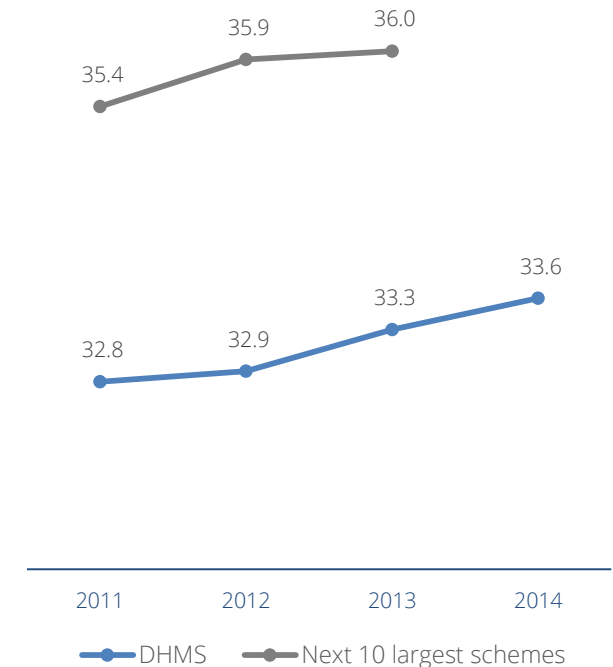


DHMS continues to maintain an excellent demographic profile

New joiners present younger demographic



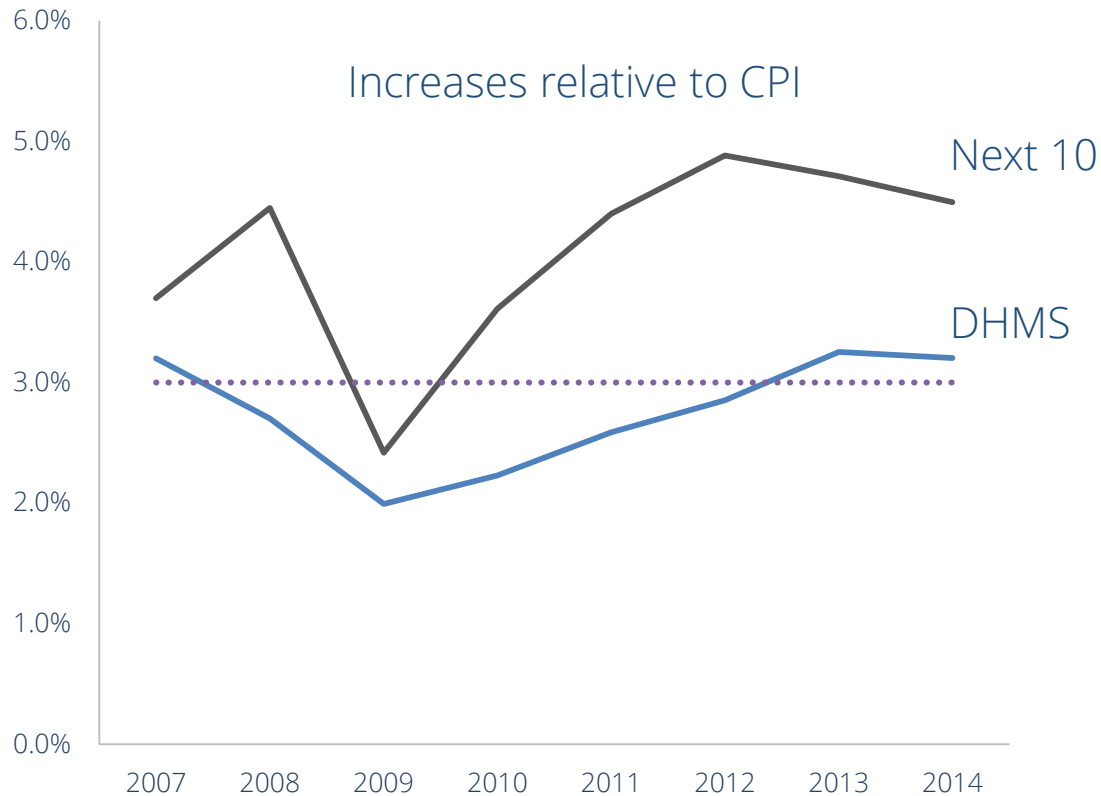
DHMS remains younger than industry



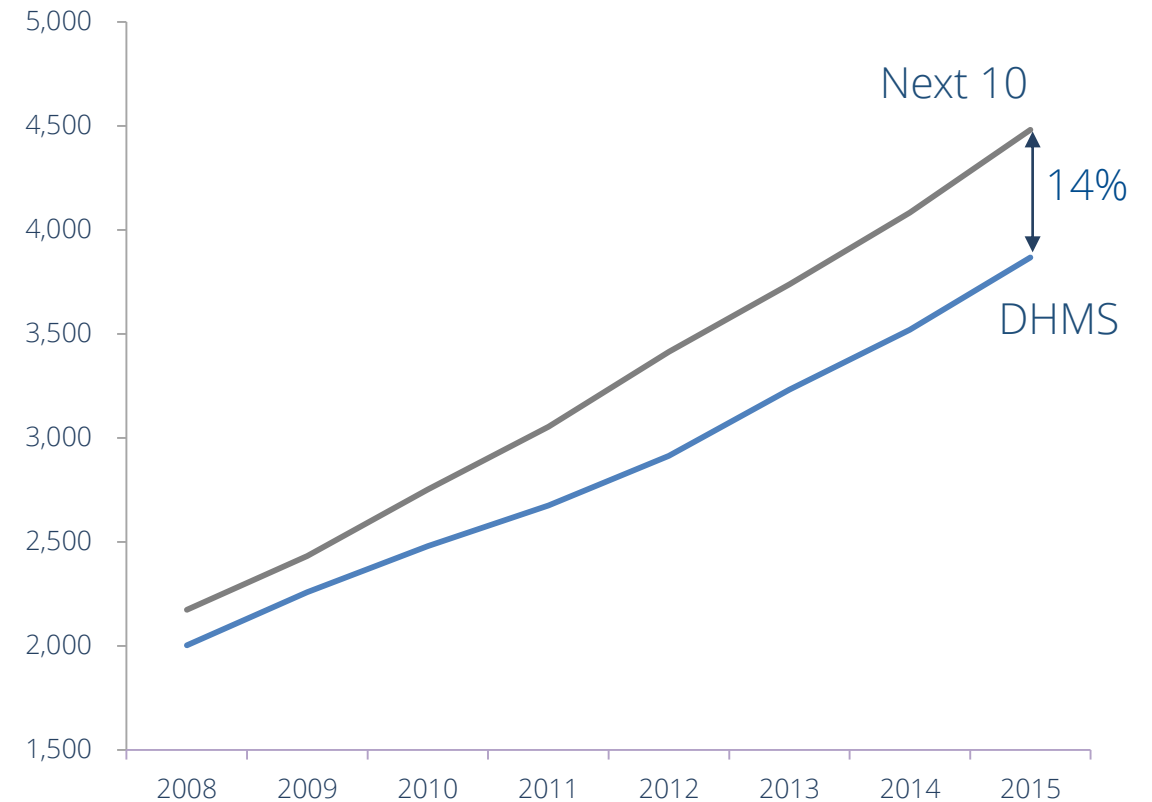
Delivering a World-leading Healthcare System at the Lowest Cost to Members of the Discovery Health Medical Scheme



DHMS Premium Inflation Differential

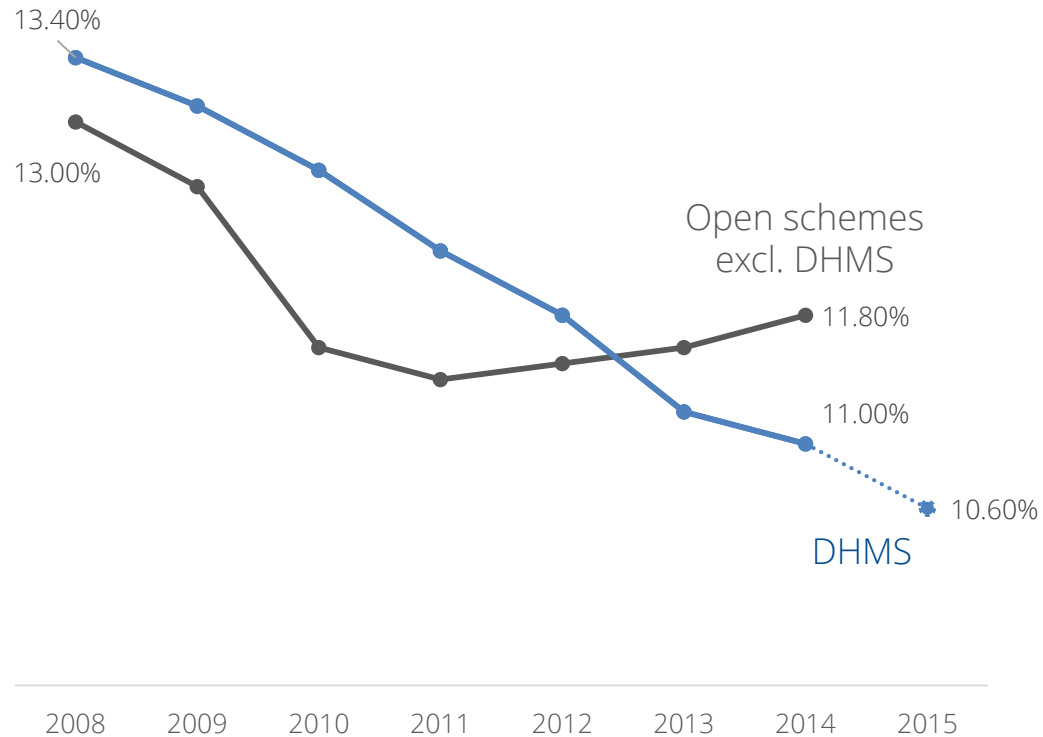


Savings to members as a result of DHMS's lower contribution increases

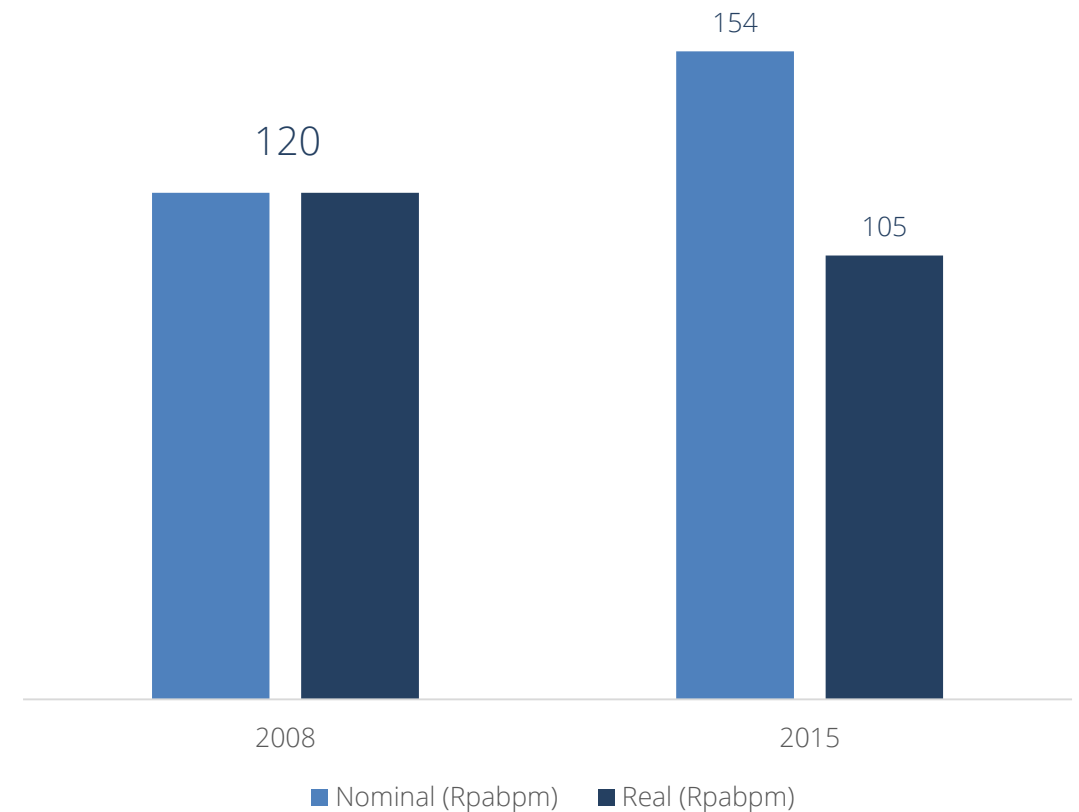


Cost of Delivering World-leading Healthcare System Reduces in Real Terms over Time

Administration and managed care fees as a percentage of gross contribution income



Reduction in administration and managed care fees pabpm in real terms



Delivering a World-leading Healthcare System for DHMS



Personalised Healthcare Journeys



Personalised Service Journeys

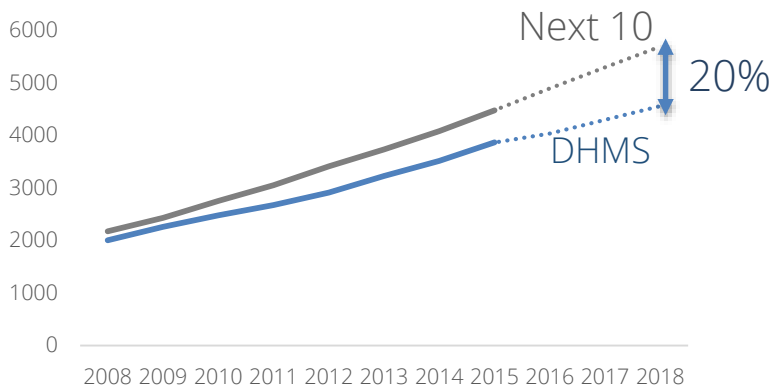


Significant system development and technology investment

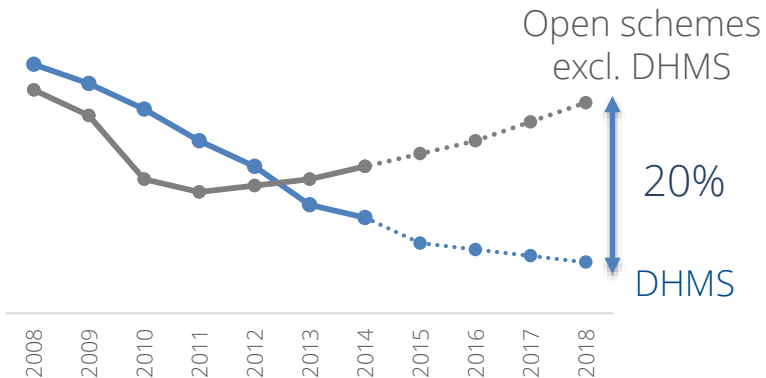
>R500m per annum



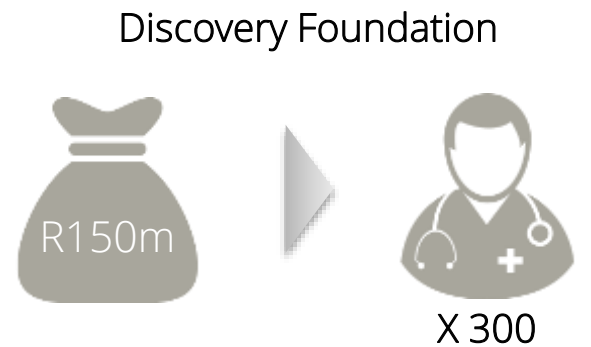
Savings to members as a result of DHMS's lower contribution increases



Administration and managed care fees as % of gross contribution income



Investing in the broader healthcare system



AGENDA

1. MACRO FORCES IMPACTING HEALTH SYSTEMS



2. DISCOVERY HEALTH STRATEGIC FOCUS FOR DHMS



3. INVESTING IN A WORLD-LEADING HEALTHCARE SYSTEM





Good health
can change the world

Discovery Health presentation to DHMS AGM

Dr Jonathan Broomberg – CEO Discovery Health

June 2015

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3. 2014 Annual Financial Statements and Trustee Report

3.1 Financial performance of the Discovery Health Medical Scheme for the year ended 31 December 2014

3.2 Discovery Health (Pty) Ltd strategic focus areas

3.3 Acceptance of Discovery Health Medical Scheme 2014 Annual Financial Statements

4. Governance

4.1 Discovery Health Medical Scheme Trustee Remuneration Policy and Trustee Remuneration

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Discovery Health Medical Scheme Remuneration Policy

Noel Graves SC –
Member of the Remuneration Committee

25 June 2015

For the benefit of our members

Agenda

1

Remuneration governance

2

Trustee Remuneration Policy

- **Remuneration of the Board of Trustees**
- **Remuneration methodology**
- **Market benchmarking**

3

Proposed 2015 Trustee remuneration

- **Trustee**
- **Chairpersons**

1

Remuneration governance

2

Trustee Remuneration Policy

- **Remuneration of the Board of Trustees**
- **Remuneration methodology**
- **Market benchmarking**

3

Proposed 2015 Trustee remuneration

- **Trustee**
- **Chairpersons**

Remuneration Governance

- The Board of Trustees is responsible for the development and implementation of a Remuneration Policy for Scheme employees as well as the Board of Trustees and Board Committee members.
- The Board of Trustees has delegated the responsibility of Scheme remuneration oversight to a Remuneration Committee (REMCO).
- REMCO constitution – Independent Chair and two Trustees.
- REMCO makes use of independent expert consultants and independent market benchmarking to assist the Committee in terms of best remuneration practices.

Remuneration Governance

- Adoption and Approval of Remuneration
 - Trustees remuneration - presented at this AGM for majority vote by members after the approval thereof by the Board of Trustees on recommendation of the REMCO. REMCO makes use of independent expert consultants and independent market benchmarking to assist the Committee;
 - Scheme employee remuneration – approved by the Board of Trustees based on recommendations by the REMCO. REMCO makes use of independent expert consultants and independent market benchmarking to assist the Committee in terms of best remuneration practices.

- Approval of Trustee Remuneration Policy
 - Trustee Remuneration Policy – tabled at this AGM for a non-binding advisory vote by members as per the King III Code.

- Trustee Remuneration Disclosure
 - AGM – members;
 - Regulator - Council for Medical Schemes;
 - Integrated Report.

Agenda

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- Remuneration of the Board of Trustees
- Remuneration methodology
- Market benchmarking

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Proposed 2015 Trustee remuneration

- Trustee
- Chairpersons

Remuneration of the Board of Trustees

- Annual Trustee fees are split into:
 - Annual base fee paid quarterly in arrears;
 - Meeting fee;
 - In the event of non-attendance of a meeting the meeting fee is not paid.

- Trustee training
 - Trustees are NOT paid for attending training or conferences over and above the training fees, travel costs, accommodation and subsistence costs.

- Consulting fees
 - Trustees are NOT paid any consulting fees.

- Incentive programmes
 - Trustees do not participate in any incentive programmes

- Reimbursement of expenses
 - Trustees are reimbursed all reasonable expenses incurred by them in the performance of their duties as a Trustee

Remuneration Methodology

- CMS issued Circular 41 of 2014 providing guidelines to Medical Schemes on Trustee remuneration.
- The DHMS REMCO engaged PwC's Remuneration Practice to assist in developing a new remuneration methodology and benchmark applicable to Trustees, taking into account that DHMS is a non-profit organisation and the guidelines of Circular 41 of 2014.
- The methodology is based on a professional fee (hourly rate), discounted at an applicable rate (non-profit entity) and total remuneration takes the following elements into account:
 - Number of meetings per year;
 - Preparation time for each meeting;
 - Duration of meetings;
 - Additional time required by the Chair of the Board of Trustees and Chairpersons of Board Committees in the execution of their duties.

Remuneration Benchmarking

- Circular 41 of 2015 – Schemes were advised not to use the remuneration benchmarking of non-executive directors of listed companies.
- DHMS' new market benchmarking methodology (developed by PwC)
 - Professional fees/rates for professionals in the fields of law, actuarial science, medicine, accounting and commerce;
 - Professional fees will be discounted at an applicable rate (30%) to take into account the non-profit status of the Scheme.
 - The new market benchmarking methodology was submitted to the CMS on 28 November 2014.

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Proposed 2015 Trustee remuneration

- Trustee
- Chairpersons

Remuneration Implementation: Multi Year Correction based on New Methodology

- 2015 Professional fee (hourly rate) benchmark
 - R4000 less 40%

- 2016 Professional fee benchmark
 - Fee less 35%

- 2017 Professional fee benchmark
 - Fee less 30%

- 2018 onwards – annual fee benchmark
 - Fee less 30%

The total annual projected Trustee and Committee Member remuneration budget will not exceed 0.01% of gross annual contribution income per year, for the period 2015-2017.

Professional Fee Build-Up for 2015 - Trustees

The table below provides an overview of the 2015 proposed Trustee remuneration and is based on the methodology as discussed in the Remuneration Policy.

Proposed fee build up for the remuneration of Trustees	
Preparation for Board meetings	8
Attendance at Board Meetings	6
Total number of hours per Board of Trustee meeting	14
Number of meetings per year (average)	8
Total number of hours per year for Board of Trustee meetings (average)	112
Proposed professional hourly rate	R 4,000.00
Estimated professional annual rate	R 448,000.00
Discount on the basis that the medical scheme is a non-profit organisation	-40%
Total Fee for Board of Trustee meetings *	R 268,800.00

The annual base fee is R188,160.00

The meeting fee is R10,080.00

*The total fees as indicated in the tables will vary depending on the number of meetings attended per year.

Professional Fee Build-Up for 2015 – Chair of a Board Committee

The table below provides an example of the 2015 proposed remuneration calculation for a Chair of a Board Committee* and is based on the methodology as discussed in the Remuneration Policy.

Proposed fee build up for the remuneration of a Board Committee Chair

Additional time requirements and preparation for Board meetings ♦	11
Attendance at Board Committee meetings	3
Total number of hours per Board Committee meeting	14
Number of meetings per year	5
Total number of hours per year for Board Committee meetings	70
Proposed professional hourly rate	R 4,000.00
Estimated professional annual rate	R 280,000.00
Discount on the basis that the medical scheme is a non-profit organisation	-40%
Total fee for Board Committee meetings *	R 168,000.00

The annual base fee is R92,400.00
The meeting fee is R7,920.00

*The Audit Committee is used as an example.

#The total fees as indicated in the tables will vary depending on the number of meetings attended per year.

♦The additional time requirements are for matters that require deliberation at the Board meetings, matters that arose from the previous meetings that require attention and resolution and Scheme strategic matters which require the Chair's involvement.

Professional Fee Build-Up for 2015 – Board Chairman

The table below provides an overview of the 2015 Proposed Chairman’s remuneration and is based on the methodology as discussed in the Remuneration Policy.

Proposed fee build up for the remuneration of the Chairman of the Board of Trustees

Additional time requirements and preparation for Board meetings ♦	19
Attendance at Board meetings	6
Total number of hours per Board of Trustee meeting	25
Number of meetings per year (average)	8
Total number of hours per year for Board of Trustee meetings (average)	200
Proposed professional hourly rate	R 4,000.00
Estimated professional annual rate	R 800,000.00
Discount on the basis that the medical scheme is a non-profit organisation	-40%
Total fee for Board of Trustee meetings *	R 480,000.00

The annual base fee is R336,000.00

The meeting fee is R18,000.00

*The total fees as indicated in the tables will vary depending on the number of meetings attended per year.

♦The additional time requirements are for matters that require deliberation at the Board Meetings, matters that arose from the previous meetings that require attention and resolution and Scheme strategic matters which require the Chair’s involvement.



Discovery Health Medical Scheme Remuneration Policy

Noel Graves SC –
Member of the Remuneration Committee

25 June 2015

For the benefit of our members

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Discovery Health Medical Scheme Appointment of Chairman

Advocate Michael Van Der Nest SC



Qualification:

BA (Law), LLB (Stellenbosch)

Experience:

29 years in private practice

15 years as Senior Counsel and occasional Acting Judge of the High Court of South Africa

Mr Van Der Nest, SC, has been in private practice for 29 years and was appointed Senior Counsel in 2000. He has been an Acting Judge of the High Court of South Africa on various occasions, and has arbitrated various commercial disputes. His practice is of a specialised commercial nature in merger and competition cases, accounting and valuation issues, mining issues, contractual disputes, insurance, aviation and construction disputes, financial instruments and regulatory matters, and banking matters.

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Motion 1

In view of the Chairman of the Council for Medical Schemes having found voting via proxies garnered from interested and associated parties of the administrator an “undesireable” practice and some members of the Board of Trustees having been elected due to such practices, the members call upon those Board members so elected to resign from their positions as Trustees. The members further call on those Trustees co-opted or appointed to the Board by members elected via those “undesireable ” practices to resign as well, as their membership has therefore also been affected.

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2015 Annual General Meeting June 2015

For the benefit of our members