



**REPORT TO SOCIETY  
2012**

<div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px; margin-bottom: 10px;"> <p>How we <b>CREATE</b> and <b>sustain value</b></p> <hr style="border: 0; border-top: 1px dotted #ccc;"/> <p style="text-align: right;">Page 7</p> </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px; margin-bottom: 10px;"> <p>Our <b>strategic ROADMAP</b></p> <hr style="border: 0; border-top: 1px dotted #ccc;"/> <p style="text-align: right;">Page 9</p> </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px; margin-bottom: 10px;"> <p>Our framework for <b>sustainable development</b></p> <hr style="border: 0; border-top: 1px dotted #ccc;"/> <p style="text-align: right;">Page 11</p> </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px; margin-bottom: 10px;"> <p><b>EXPANDING ACCESS to care</b></p> <hr style="border: 0; border-top: 1px dotted #ccc;"/> <p style="text-align: right;">Page 23</p> </div> <div style="border: 1px solid #ccc; border-radius: 10px; padding: 10px;"> <p>Our <b>environmental responsibility</b></p> <hr style="border: 0; border-top: 1px dotted #ccc;"/> <p style="text-align: right;">Page 49</p> </div>	<p><b>Introduction</b> 1</p> <p><b>About our report</b> 2</p> <p><b>Our performance highlights</b> 3 Value-added statement for the year ended 30 June 2012 5</p> <p><b>About Discovery</b> 6 How we add value 7 Our strategic roadmap 9</p> <p><b>Our framework for sustainable development</b> 11 Discovery and sustainable development 12 Our management of sustainable development 13 Key sustainability indicators 14</p> <p><b>Our performance in each sustainability area</b> 15 A values-based culture of opportunity and innovation 16 Strengthen the healthcare system and expand access to care 23 Improve the financial security of our clients and protect them through innovative products and services 34 Use the science of behavioural economics to drive positive behaviour change 39 Promote a thriving society 45 Our environmental responsibility 49</p> <p><b>Assurance report of the independent auditors</b> 54</p> <p><b>Global Reporting Initiative content index</b> 55</p>
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*Dazzle clients* LIBERATING THE BEST IN OUR PEOPLE  
*Intellectual leadership* INNOVATION *and* OPTIMISM  
*drive* Tenacity *and* URGENCY *Great people*  
BUSINESS ASTUTENESS *and* prudence\*  
*Integrity* Honesty *and* FAIRNESS

## INTRODUCTION



**When Discovery was established as a small specialist health insurer two decades ago, we made a clear and profound promise: to make people healthier.** Driven by constant innovation over the years, we created a multifaceted, integrated financial services organisation and expanded our original promise to include enhancing and protecting lives. Throughout our constant innovation and ongoing growth, our founding ideal has remained unchanged – making people healthier and enhancing and protecting their lives has evolved into our core purpose and **frames our ambition, strategy and business methodology.**

Our core purpose is expressed in each of the health and financial products we offer to our nearly six million clients across four continents. Discovery's products are focused on some of the most fundamental areas of people's lives – their health and wellness and the financial security of their families. These are the critical areas in which we aim to add significant value and make a real difference in the lives of our clients. We have through continuous innovation designed pioneering products and services that help our clients to improve their health and wellness, protect their financial future and enhance the quality of their lives. This client-centric approach lies at the heart of the way we do business and is the common thread running through all our products.

By using powerful financial and behavioural structures that meet people's complex needs in sustainable ways, Discovery's products and services have been created to deliver real value, protection and efficiency for our clients. This stimulates consumer demand for our products, which in turn leads to rapid organic growth and superior returns for our shareholders.

Looking to the future, our goal is to be one of the best insurance organisations in the world, one that is renowned for excellence, innovation and financial strength. We have built a solid foundation over the past 20 years, and we continue to work hard every day to build a sustainable business that will not only prosper over the long term, but will benefit all our stakeholders.

In this process, we also aim to be a powerful force for social good. As a leading South African business, Discovery has an important role to play in society. Using our scale and position in our industries, as well as our unique skills set, expertise and resources, we not only bring about marked change in the lives of our clients, but can also play a positive role in the lives of all South Africans.

## ABOUT OUR REPORT

Our approach to reporting is to give our readers a strategic and integrated view of our company and how we performed over the past year. Our Report to Society complements all the other ways we report, which include:



Annual and interim financial results announcements



Integrated Annual Report



Discovery website



Investor roadshows

We see our Report to Society as a means to share in-depth information on what Discovery is doing to create value for society. We have aimed to make the report informative, yet concise.

Over the past year, we have identified ways of improving our reporting, with a particular focus on materiality and the quality of data. This process has included workshops with senior executives and data owners to engage on our integrated reporting approach. Additionally, we have completed work on improving our performance management systems to produce more accurate information.

### Assurance

We understand the importance of accurate and reliable information and have taken the first steps in ensuring that we achieve this in all our reporting. Previously, our social and environmental information was audited by our Group Internal Audit. This year, we have had all our information verified by Group Internal Audit, and our GRI information verified by an external assurer, Indyebo. As we progress in our reporting, we will expand the scope of our assurance.



### Global Reporting Initiative (GRI) level

We declare a GRI Application Level B+ for the 2012 Integrated Annual Report and our Report to Society. We received third party verification of this application level. Read the independent auditor's statement on page 54.

### Report scope and boundaries

This report covers our performance for the financial year 1 July 2011 to 30 June 2012. We report on strategic and material information for our South African operations, against our framework for sustainable development.



## OUR PERFORMANCE HIGHLIGHTS

We measure our performance against a set of strategic objectives and targets that include financial, social and people metrics. **During the year, we made good progress towards our vision of being a world-class insurance organisation renowned for excellence, innovation, financial strength and having a positive impact in society.** We list our highlights below as well as some of the areas where we did not perform as expected.



Normalised **PROFIT** from **OPERATIONS**

**↑ 21%** to R3 443 million

Strong **NEW BUSINESS** API

**↑ 24%** to R9 328 million

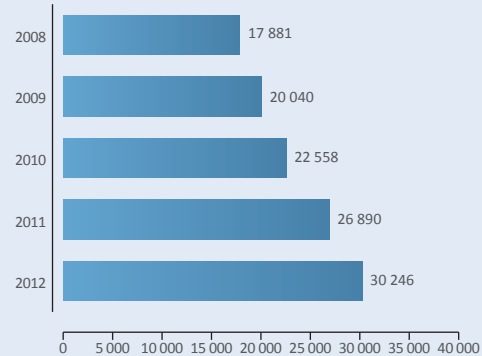
Embedded **VALUE**

**↑ 12%** to R30.2 billion

More than **5.8 million**  
unique **CLIENTS WORLDWIDE**

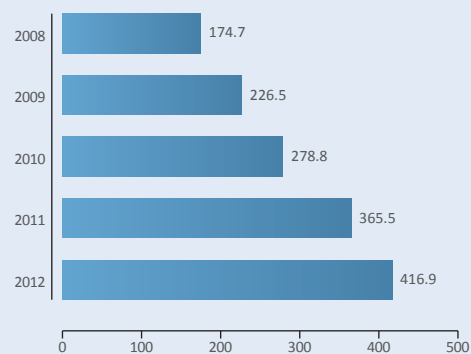
### Embedded value

(R Million)



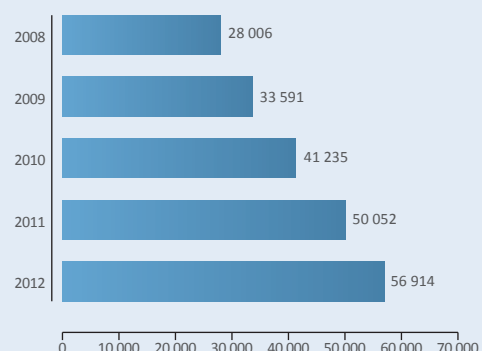
### Diluted normalised headline earnings per share

(Cents)



### Gross inflows under management

(R Million)



The **DISCOVERY FOUNDATION HAS INCREASED** its funding for **MEDICAL TRAINING AND RESEARCH** to over **R84 MILLION SINCE 2006**

**Funds awarded over the past three years**

2011/2012	2010/2011	2009/2010
R17 167 700	R14 816 250	R15 570 999



**Dr Alhagi Njie is a family physician specialist for the Ngaka Modiri Molema district in the North West Province, South Africa and a 2012 Discovery Foundation Awards recipient**

**POSITIVE IMPACT** on behaviour through **VITALITY** and **VITALITYDRIVE**

Vitality is increasingly having a positive and lasting effect on people's behaviour. More important is the success of the programme in changing complex health behaviour such as unhealthy eating and a lack of physical activity. This year, we have seen record levels of engagement in the programme:

- Engagement in Vitalitydrive, our programme to encourage better driving, has increased with a 20% improvement in driver behaviour
- Since the launch of the HealthyFood benefit in South Africa, there has been a 250% increase in the completion of Personal Health Reviews
- Data collected through repeated online health risk assessments shows that participation in the HealthyFood programme is associated with higher intake of fresh fruit and vegetables and less high-sugar, salt and processed foods.

**KEY INNOVATIONS** launched

We launched key innovations during the year to increase the value clients receive:

- HealthID, a healthcare information application aimed at improving the quality of care for members of medical schemes managed by Discovery Health
- Enhanced Discovery Insure and Vitalitydrive benefits were introduced to the market. We increased the fuel rewards benefit up to 50% on the relevant fuel spend at BP
- Discovery Invest introduced the Classic Retirement Plan and Classic Preserver Plan that enhance investments by offering additional tax efficiency, improved performance and protection
- Discovery Life launched new benefits that give consumers additional life cover at no extra cost for three years based on their engagement in Vitality.

**AREAS** where we did **NOT PERFORM** as well

We have not made enough progress in the Chinese emerging mass market. This is an area we will focus on intensively during the next year.

Although Discovery Life performed well in terms of new business, we were disappointed with the rate of new business. During the next year we will work on expanding our distribution footprint and rolling out new products to increase new business traction.



Read our Integrated Annual Report at [www.discovery.co.za](http://www.discovery.co.za)



## Value-added statement

for the year ended 30 June 2012

	2012	%	2011	%
<b>Value added</b>	R million		R million	
Net income of Group	18 790		16 154	
Investment income	1 029		1 016	
Financing costs	(265)		(168)	
Foreign exchange (loss)/gain	78		(14)	
Puttable non-controlling interest fair value adjustment	(13)			
Acquisition costs	(2 668)		(1 998)	
Payments to suppliers of material and services	(3 164)		(2 880)	
Share of loss from associates	1		(4)	
Non-recurring transactions	–		(374)	
	<b>13 788</b>		<b>11 732</b>	
<b>Value allocated</b>				
<i>To employees</i>				
Salaries, wages and other benefits	3 347	24	2 823	24
<i>To providers of capital</i>	593	4	447	4
Dividends paid to ordinary shareholders	570		445	
Dividends paid to preference shareholders	23		–	
Minority shareholders	–		2	
<i>To government</i>	879	7	644	5
Normal taxation	622		377	
Value-added tax	162		158	
Capital gains tax	24		52	
Secondary tax on companies	60		45	
Other	11		12	
<i>To policyholders</i>	6 577	48	6 170	53
Policyholder claims	5 502		4 640	
Transfer from assets/liabilities arising from insurance contracts	1 075		1 530	
<i>Retention for expansion and growth</i>	2 392	17	1 648	14
Retained income	1 629		882	
Depreciation and amortisation	337		368	
Deferred taxation	426		398	
	<b>13 788</b>	<b>100</b>	<b>11 732</b>	<b>100</b>

# ABOUT DISCOVERY

Looking to the future, our goal is to be one of the best insurance organisations in the world, one that is renowned for excellence, innovation and financial strength.



## How we add value

Our **CORE** purpose: to make people **healthier** and **enhance** and **protect** their lives

We **make people healthier** by making them aware of their health risk factors and helping them to manage and improve their health. Through Vitality in South Africa, the UK and China, as well as The Vitality Group and HumanaVitality in the USA, we give people the tools to become healthier, and reward them for adopting a healthy lifestyle.

Through Discovery Health in South Africa, PruHealth in the UK and our joint venture with Ping An Health in China, we aim to **protect people's health** by providing comprehensive medical cover when they are sick.

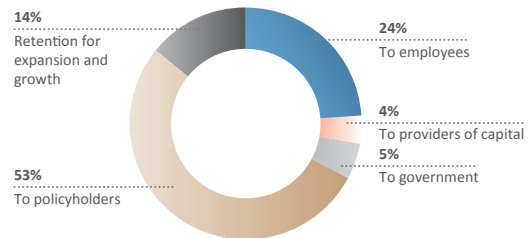
**Protecting lives** is about giving people the peace of mind that they will be protected should a life-changing event occur. It also means protecting people's financial security. Through Discovery Life in South Africa and PruProtect in the UK, we offer flexible and relevant pure-risk protection products. Discovery Invest in South Africa offers value-adding solutions that help people **build wealth** and provide protection against poor investment choices.

We safeguard people's assets in South Africa through our short-term insurance subsidiary Discovery Insure, and we **make people better drivers** through our incentive-based driver programme, Vitalitydrive.

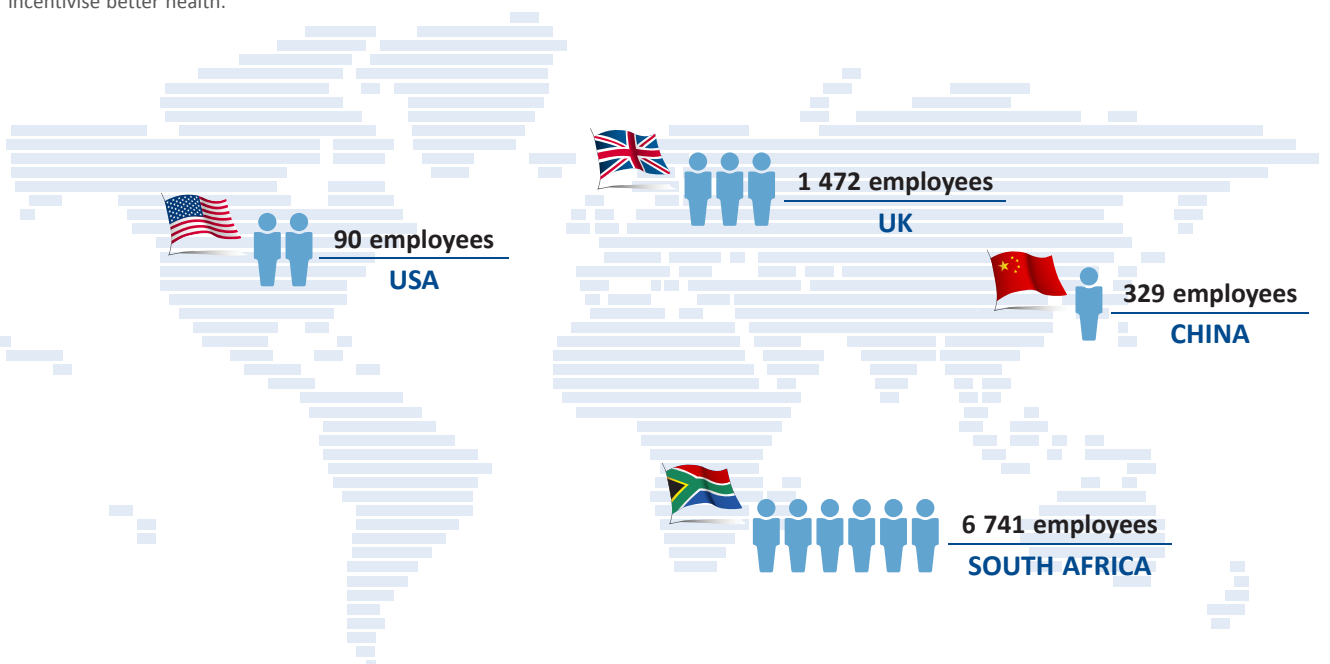
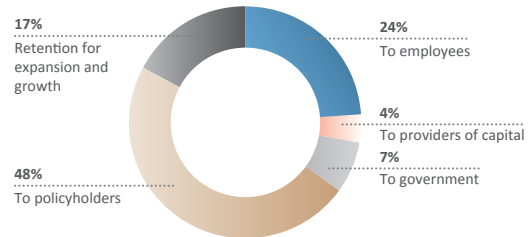
**Enhancing lives** is about creating value for people. The DiscoveryCard, which offers integration opportunities between Discovery products, provides a mechanism to further incentivise better health.

### Value allocated

#### 2011



#### 2012



How we add value (continued)

### Making people healthier

**SA 1 600 944**  
members  
Largest wellness programme in South Africa

 Discovery Vitality

Launched in 1997 100%

**USA 293 674**  
members

 THE vitality GROUP

Launched in 2008 75%

**USA 1 509 279**  
members  
Largest full-scale wellness programme in USA

 Humana Vitality

Launched in 2011 25%

### Protecting lives

**SA 674 978**  
lives covered  
Largest pure risk writer in South Africa

 Discovery Life

Launched in 2001 100%


**UK 132 616**  
lives covered  
Top four provider in UK IFA channel

 PRU PROTECT

Launched in 2007 75%


### Protecting health

**SA 2 664 573**  
lives covered  
(all schemes under management)  
Manages largest open medical scheme in South Africa

 Discovery Health


Launched in 1992 100%

**UK 554 730**  
lives covered  
Top four PMI provider in the UK

 PRU HEALTH

Launched in 2004 75%


**CHINA 561 900**  
lives covered  
Number three in group high-end health insurance market

 中国平安 PINGAN

Launched in 2010 20%

### Protecting and building wealth

**SA 65 573**  
policies  
Number one writer of endowment and voluntary purchase annuities

 Discovery Invest

Launched in 2007 100%

### Making people better drivers


**SA 13 343**  
individual policies  
9% share of personal lines new business in South Africa at the current new business run rate

 Discovery Insure

Launched in 2011 75%

### Enhancing lives

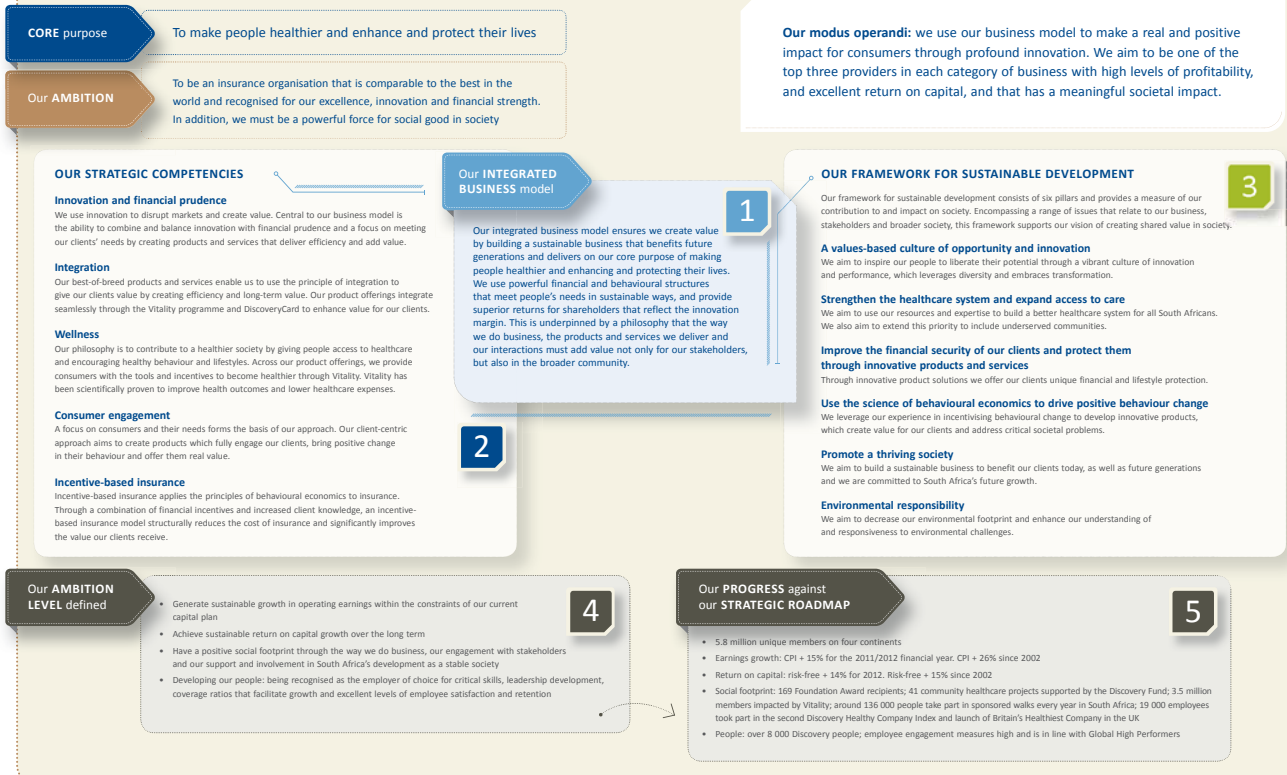
**SA 231 302**  
card accounts  
Largest stand-alone credit card in South Africa

 Discovery Card

Launched in 2004 100%

## Our strategic roadmap

A snapshot of our **STRATEGIC ROADMAP** (unpacked below and on the following page)



### CORE PURPOSE

To make people healthier and enhance and protect their lives.

### OUR AMBITION

To be an insurance organisation that is comparable to the best in the world and recognised for our excellence, innovation and financial strength. In addition, we must be a powerful force for social good in society.

**Our modus operandi:** we use our business model to make a real and positive impact for consumers through profound innovation. We aim to be one of the top three providers in each category of business with high levels of profitability and excellent return on capital, and that has a meaningful societal impact.

### 1 OUR INTEGRATED BUSINESS MODEL

Our integrated business model ensures we create value by building a sustainable business that benefits future generations and delivers on our core purpose of making people healthier and enhancing and protecting their lives. We use powerful financial and behavioural structures that meet people's needs in sustainable ways, and provide superior returns for shareholders that reflect the innovation margin. This is underpinned by a philosophy that the way we do business, the products and services we deliver and our interactions must add value not only for our stakeholders, but also in the broader community.



**Our strategic roadmap** (continued)

**2 OUR STRATEGIC COMPETENCIES**

**Innovation and financial prudence**

We use innovation to disrupt markets and create value. Central to our business model is the ability to combine and balance innovation with financial prudence and a focus on meeting our clients' needs by creating products and services that deliver efficiency and add value.

**Integration**

Our best-of-breed products and services enable us to use the principle of integration to give our clients value by creating efficiency and long-term value. Our product offerings integrate seamlessly through the Vitality programme and DiscoveryCard to enhance value for our clients.

**Wellness**

Our philosophy is to contribute to a healthier society by giving people access to healthcare and encouraging healthy behaviour and lifestyles. Across our product offerings, we provide consumers with the tools and incentives to become healthier through Vitality. Vitality has been scientifically proven to improve health outcomes and lower healthcare expenses.

**Consumer engagement**

A focus on consumers and their needs forms the basis of our approach. Our client-centric approach aims to create products which fully engage our clients, bring about positive change in their behaviour and offer them real value.

**Incentive-based insurance**

Incentive-based insurance applies the principles of behavioural economics to insurance. Through a combination of financial incentives and increased client knowledge, an incentive-based insurance model structurally reduces the cost of insurance and significantly improves the value our clients receive.

**3 OUR FRAMEWORK FOR SUSTAINABLE DEVELOPMENT**

Our framework for sustainable development consists of six pillars. Encompassing a range of issues that relate to our business, stakeholders and broader society, this framework supports our vision of creating shared value in society.

**A values-based culture of opportunity and innovation**

We aim to inspire our people to liberate their potential through a vibrant culture of innovation and performance, which leverages diversity and embraces transformation.

**Strengthen the healthcare system and expand access to care**

We aim to use our resources and expertise to build a better healthcare system for all South Africans. We also aim to extend this priority to include underserved communities.

**Improve the financial security of our clients and protect them through innovative products and services**

Through innovative product solutions we offer our clients unique financial and lifestyle protection.

**Use the science of behavioural economics to drive positive behaviour change**

We leverage our experience in incentivising behavioural change to develop innovative products, which create value for our clients and address critical societal problems.

**Promote a thriving society**

We aim to contribute towards a thriving society that supports a sustainable business, as well as future generations. We are committed to South Africa's future growth.

**Environmental responsibility**

We aim to decrease our environmental footprint and enhance our understanding of and responsiveness to environmental challenges.

**4 OUR AMBITION LEVEL DEFINED**

- Generate sustainable growth in operating earnings within the constraints of our current capital plan
- Achieve sustainable return on capital growth over the long term
- Have a positive social footprint through the way we do business, our engagement with stakeholders and our support and involvement in South Africa's development as a stable society
- Developing our people: being recognised as the employer of choice for critical skills, leadership development, coverage ratios that facilitate growth and excellent levels of employee satisfaction and retention

**5 OUR PROGRESS AGAINST OUR STRATEGIC ROADMAP**

- 5.8 million unique members on four continents
- Earnings growth: CPI + 15% for the 2011/2012 financial year. CPI + 26% since 2002
- Return on capital: risk-free + 14% for 2012. Risk-free + 15% since 2002
- Social footprint:
  - 169 Foundation Award recipients
  - R15.6 million committed by Discovery Fund to 41 community projects for 2011/2012
  - Around 136 000 people take part in sponsored walks in various cities each year
  - More than 19 000 employees took part in the second Discovery Healthy Company Index in 2012
- People: more than 6 700 Discovery people in South Africa; employee engagement measures high and is in line with Global High Performers.



# OUR FRAMEWORK FOR SUSTAINABLE DEVELOPMENT

## Discovery and sustainable development

Discovery's vision is to build a sustainable business that benefits future generations by delivering on our core purpose of making people healthier and enhancing and protecting their lives. We believe that an integrated approach to sustainability issues will enable us to deliver more value to clients, enhance the competitiveness of our business and have a positive impact on society.

We recognise that companies are operating in turbulent times, and it has become increasingly difficult to predict what the future holds. We therefore have to balance short-term competitiveness with long-term agility. This means we have to address every aspect of our business – people, processes, systems, products and services – with a holistic understanding that ensures we continue to sustain growth and contribute to society.

Our framework for sustainable development assists us in achieving our vision. It is aligned to our business model, and our commitment to achieving the objectives set out in the framework is felt throughout the organisation – from the leadership to our more than 6 700 employees in South Africa.

As a forward-looking organisation, we use our strong culture of innovation to address societal concerns, by turning risks into opportunities and adding significant value for our stakeholders.

### Highlights

- We broadened the scope of our sustainable development framework to include the UN Global Compact and OECD guidelines
- We developed our stakeholder engagement policy
- Key projects to support the framework were implemented



## Our management of sustainable development

We approach the management of sustainable development in an integrated way. It forms part of the DNA of our organisation and we encourage every Discovery employee to take ownership of its principles.

### DISCOVERY BOARD

Strategic direction of the Group

Monitors the executive management in the implementation of corporate vision and strategy

### SOCIAL AND ETHICS COMMITTEE

Input into vision and strategy

Monitors and tracks progress against objectives and targets

### EXECUTIVE COMMITTEE

Management and implementation of strategy and framework

### CORPORATE SUSTAINABILITY DIVISION

Drives, coordinates and implements sustainability processes and initiatives across the business

### SUSTAINABLE DEVELOPMENT FOCUS HEADS

Each of the six focus areas of our framework is owned by a senior executive focus head accountable for objectives and outcomes

### BUSINESS UNITS

Our KPIs are managed, monitored and reported in various business units: People, Facilities, Compliance, Forensics, CSI

## Key sustainability indicators

	GRI Indicator	2011/2012	2010/2011	2009/2010
Market capitalisation (R million)		30 777	22 817*	20 747*
Earnings per share		396.1	464.4*	309.9*
Price earnings per share		13.13	8.30*	11.31*
Dividend yield		1.99	2.33*	1.97*
Net asset value (R million)		11 731	8 973*	8 382*
Authorised shares		1 000 000 000	1 000 000 000*	1 000 000 000
Issued shares		591 872 390	591 872 390*	591 953 180
Members of the Discovery Health Medical Scheme – South Africa's largest open medical scheme		2 664 573	2 539 806	2 346 212
Discovery Health Medical Scheme lapse rate		3.9%	4.07%	4.1%
Discovery Life individual policyholders in South Africa		359 315	704 503	341 584*
New business API (R million)		9 328	7 458*	7 618*
Total assets (R million)			30 905*	20 994*
Number of permanent employees worldwide	LA1	8 632	7 107	–
Average hours of training per year per employee by employee category	LA10	46.85	34%	36.98
Percentage of employees trained in organisation's anti-corruption policies and procedures	SO3	34%	13%	–
Number of employees who have been through a leadership development programme		506	–	–
Total number of incidents of discrimination and actions taken	HR4	0	0	0
Number of dismissals	SO4	0	24	–
Investment in the community through the Discovery Fund (committed) (R)	EC8	15 608 718	11 370 371	8 598 420
Value of Discovery Foundation funding (committed) (R)		17 167 700	16 038 334	15 070 999
Spend on Public-Private Initiatives (R)		5 000 000	10 050 831	–
Number of employee volunteer Adopt a Project initiatives		26	21	–
Enterprise development loans granted (R)		34 241 972	15 400 000	–
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	PR9	0	0	–
Value of fines for non-compliance (R)	SO8	0	0	–
Indirect energy consumption by primary source	EN4	33022.62 MWH	29 412.63 MWH	30 825.29 MWH
Total direct and indirect greenhouse gas emissions by weight	EN16*	49 907.13 tonnes CO <sub>2</sub> e	44 852.86 tonnes CO <sub>2</sub> e	44 213.58 tonnes CO <sub>2</sub> e
Inclusion in JSE SRI		Not available	✓	✓
Participation in CDP		✓	✓	✓

\*Restated figures- previously reported under GRI EN17



A background image showing a group of people in business attire clapping their hands. In the foreground, there are stacks of papers and a pen on a desk, suggesting a professional meeting or presentation.

# OUR PERFORMANCE IN EACH SUSTAINABILITY AREA

## A values-based culture of opportunity and innovation

We aim to inspire our people and liberate their potential through a highly dynamic culture of innovation, performance and excellence. We understand that diversity of race, gender, background and experience results in diversity of opinions and views, which underpins our ability to continuously innovate.

Over the past year, we have invested a great deal of time and energy in understanding our internal culture and identifying how we can continue to improve the experience of our employees. This was done throughout our value chain and we feel that we are well on our way to making Discovery the employer of choice.

### OUR PRIORITIES FOR 2012

- Continuing to identify, develop and retain talented employees through our talent management programme
- Focusing on developing the leadership skills of Discovery people through our Leadership Development Architecture
- Focusing on rejuvenating Discovery's core values throughout all our businesses
- Continuing our focus on diversity and transformation
- Encouraging the health and wellness of our employees
- Engaging employees in our business through our internal rewards programme, Prosperity
- Increasing the number of Discovery employee volunteers



### Highlights

- We met our employment equity targets at group level
- Five black employees were recruited at senior management level
- Our annual employee engagement survey results showed a highly engaged workforce

**88%** of employees

received regular performance and career development reviews



### Developing and retaining talented employees at Discovery

We believe that the opportunity to engage in challenging, compelling and meaningful work, alongside smart, motivated people, attracts and retains talent at Discovery. During 2011, we launched a talent management programme across our businesses, engaging business heads, executives and managers in identifying high-potential employees and future Discovery leaders at management levels. These individuals will be developed and managed to retain their skills and talents within Discovery. To date, all senior executives have been reviewed and the process is currently underway with middle managers.



We also developed a targeted and proactive recruitment programme to identify talent for core capabilities. The Discovery Graduate Recruitment programme, which forms part of our broader talent management programme, is targeting specific universities and students in particular fields of study. During our first Discovery Graduate Recruitment challenge, we received over 200 CVs from actuarial students completing their studies. Actuarial science is a scarce skill in South Africa and an important area for development in our country.



Part of our approach to retaining talent is gaining an understanding of how our employees feel about working at Discovery. Therefore, we ran an employee engagement survey across our businesses. This annual survey provides us with company-wide information which informs our approach to employee retention and engagement.

## A values-based culture of opportunity and innovation (continued)

### CASE STUDY



#### MEASURING EMPLOYEE ENGAGEMENT

During the year under review, we again conducted an employee engagement survey to understand the level of employee engagement in our business. Through the results of the survey, conducted this year by Towers Watson, we have been able to identify areas in which we are performing well, as well as areas that require attention and improvement.

The results indicated that at a Discovery Group level, we are doing very well compared to the South African norm. We are also above the International High Performance norm in some categories. A summary of the results:

- The key aspects that drive employee engagement for Discovery are leadership, strategy and direction, and career development.
- Innovation is celebrated in Discovery with 87% of employees agreeing that Discovery is innovative.
- Discovery is perceived to be making a difference in people's lives (86%), and is a force for good in society (86%).
- Most employees (83%) find Discovery to be a challenging place to work.
- The survey also highlighted areas for improvement. Some employees believe that management style does not always encourage employees to give their best. There is also a concern over wellbeing. Some employees were unsure whether there would be follow-through on the survey results.

Based on the results, we will continue to build on our key strengths. We have also identified two areas to develop further throughout the company: leadership and career opportunities. Aspects we will look at include a renewed focus on strategic leadership development within the framework of our Leadership Charter and our company values, a focus on developing potential long-term career paths, and development opportunities. We analysed the results by division and provided feedback and proposed actions to all employees. We will implement surveys to track our progress against these action plans.

“The exciting work environment that impacts both local and international markets, convenient lifestyle services and the great people at Discovery make me want to come to work every day.”

– Neilyn Tathiah, Business Analyst, Vitality and Card Systems

#### Developing the leadership skills of Discovery people

During 2011, we created Discovery's Leadership Development Architecture to ensure we develop leaders throughout the business. The architecture is anchored in our core purpose and values, providing our leaders with a clear sense of what it means to be a leader in Discovery. The courses offered within the architecture aim to develop organisational capability and capacity at each leadership tier, equipping our leaders for optimal impact in a local and global context. We held our first leadership graduation celebration event during 2011, attended by 250 course graduates.

The core programmes in the leadership development series aim to develop innovative, values-driven and insightful leaders. The goal is to develop leaders who are equipped with critical business skills and are able to spot new opportunities and trends, adapt to changing business environments and move the business to a new level. When leaders are promoted from one level to the next, our Step Up series assists them to hit the ground running and to get on track within the first six weeks of their new role.

Measuring the impact of our development series is critical to demonstrate a return on investment and expectation, and we have developed a Discovery-specific impact model based on four factors: people, environment, performance and business impact.



## A values-based culture of opportunity and innovation (continued)

One of our Leadership Charter principles states that “Discovery leaders never stop learning”. We have developed a leadership in action series to facilitate this principle through an “alumni” approach based on three key components:

- **Programme Reconnect** – allows delegates from specific development programmes to reconnect with each other through a range of platforms
- **Discovery Leader Connect** – allows delegates to connect across the development series
- **Global Leader Connect** – allows delegates to connect across the entire Discovery Group.

### Rejuvenating Discovery’s core values

Our values are at the very heart of who we are as an organisation, and provide an inspirational framework guiding all our actions and decisions across the business. During the year, we ran a values campaign among all employees to ensure a common understanding of these values, and how they come alive in our day-to-day work. The definitions of our values were tightened and re-published, and more emphasis was placed on values-based behaviour in our bi-annual performance conversations process.

During the second half of 2012, we are focusing on identifying, recognising and celebrating values champions across the business – employees who truly embody and live the behaviours associated with our values. We have selected and celebrated 26 values champions, who will be used as role models of our values going forward.

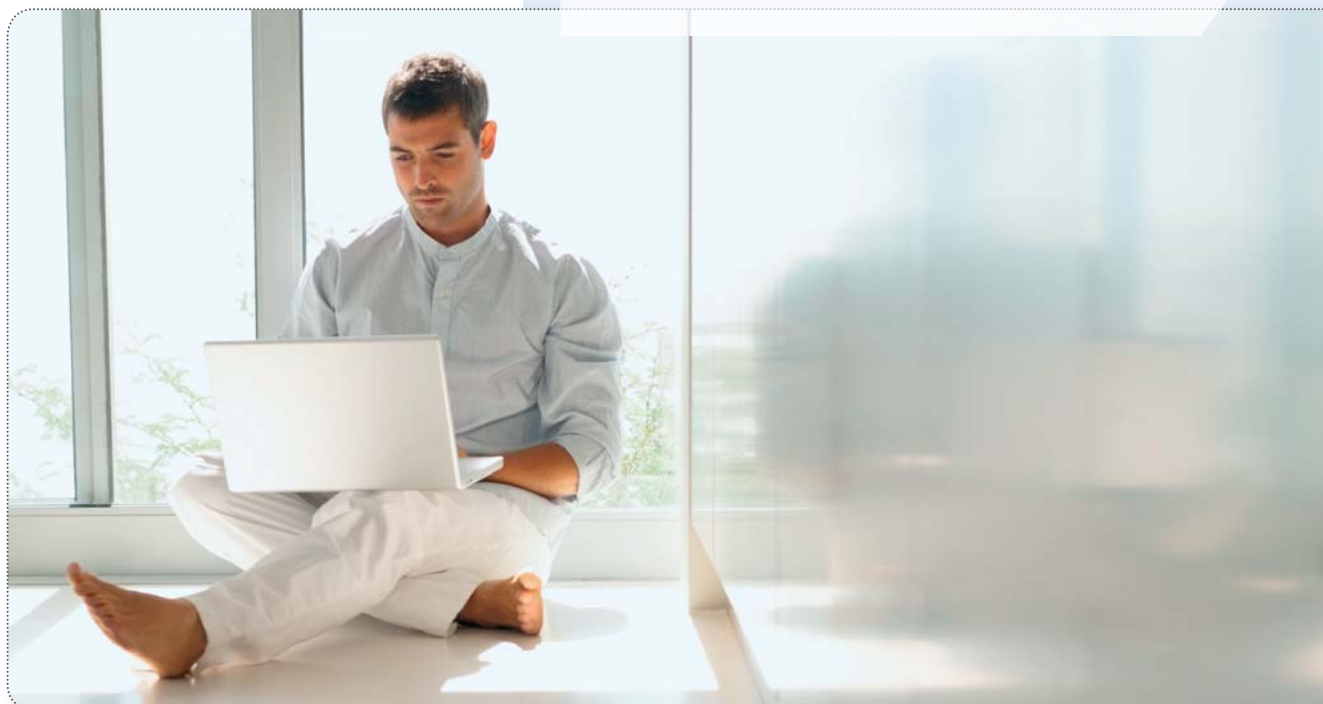
### CASE STUDY



#### DEVELOPING OUR LEADERS

Discovery’s leadership development series includes the following programmes:

- **Developing Future Leaders:** The focus is on identifying employees at staff level with leadership potential. The 2012 programme, which is currently underway, was launched in March with 73 delegates (of which 81% are black) and will run for nine months.
- **Step Up:** This programme has been split into two courses – Gear Up and Warm Up – to address specific needs of new team leaders and managers, and is run on a monthly cycle as promotions occur. So far, 38 new team leaders (63% black) have attended Gear Up, and 20 new managers (35% black) have completed Warm Up.
- **Licence to Lead:** New team leaders learn the fundamental skills required to effectively lead people and manage team dynamics. A group of 36 delegates (72% black) that started the programme towards the end of 2011 have completed the final module. There are currently 56 delegates on the 2012 programme (70% black).
- **Fit to Lead:** This programme is aimed at individuals at manager level and above, and is five months long. The first course started in March 2012 and was completed by 53 delegates (51% black), and the second will start towards the end of 2012 with 44 delegates (50% black).



## A values-based culture of opportunity and innovation (continued)

### Embracing diversity and transformation

We are committed to both appointing and providing growth opportunities for talented individuals from diverse backgrounds. Our aim is to transform our workforce into a representative and diverse community. We have made significant progress in this regard, meeting our targets and goals as set out in our 2010-2013 employment equity plan.

During the year under review, we focused on increasing the pool of black talent at senior management level – the percentage of black recruits at this level has increased by more than 3.5 times compared to the previous year. We have appointed five high-profile black employees at senior management level. The Discovery CEO programme, aimed at developing talented, high-potential black employees at executive management level in partnership with Duke Corporate Education, came to an end in August 2011, with 21 participants graduating. A further six candidates have been identified for a similar programme due to start later this year. Through our talent management programme, high-potential black talent has been identified across the business, and development plans for this talent pool are currently being drawn up.

Increasing the pool of black talent at senior level will continue to be a priority during the 2013 financial year. To support this we are currently in the process of defining our Employee Value Proposition which will enable us to attract, motivate and retain key talent in high-value positions, which will include black candidates. We are also

relooking our recruitment strategy and process, and setting specific targets for black recruitment to ensure we are tapping into a wider pool of available black talent.

Discovery's workforce is made up of people from every walk of life, race and gender. Disability is also an important area of focus for us. During the year under review, we focused on attracting and employing people with disabilities and creating a supporting environment for them. The number of people with disabilities working at Discovery increased from 113 to 189 over the past year. Our management teams attended disability awareness sessions, and we paid much attention to preparing the work environment for employees with disabilities. A total of 30 learners with disabilities attended two learnership programmes.

Going forward, we aim to continue educating our employees and raising awareness around disability, encouraging employees who are living with disabilities to make use of our confidential disclosure process, and recruiting new employees with disabilities into suitable roles within Discovery.

# 46.85

average number of training hours  
per employee

### Total number of permanent employees in South Africa by race and gender as at 30 June 2012

Occupational levels	Female					Male					Total
	African	Coloured	Indian	White	Foreign nationals	African	Coloured	Indian	White	Foreign nationals	
Top management	1	0	0	0	0	1	0	1	17	0	20
Senior management	5%	0%	0%	0%	0%	5%	0%	5%	85%	0%	315
Professionally qualified and experienced specialists and mid-management	19	9	24	91	7	15	12	14	112	12	847
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	6%	3%	8%	29%	2%	5%	4%	4%	35%	4%	2395
Semi-skilled and discretionary decision-making	93	44	99	275	15	54	19	63	180	5	3164
Unskilled and defined decision-making	11%	5%	12%	32%	2%	6%	3%	7%	21%	1%	0
TOTAL PERMANENT	309	197	334	447	43	259	132	268	358	48	6741
GRAND TOTAL	13%	8%	14%	19%	2%	11%	6%	11%	14%	2%	6741
	735	296	305	347	48	522	192	302	330	87	6741
	23%	9%	10%	11%	2%	16%	6%	10%	10%	3%	6741
	0	0	0	0	0	0	0	0	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0
	1 157	546	762	1 160	113	851	355	648	997	152	6741
	17%	8%	11%	17%	2%	13%	5%	10%	15%	2%	6741
	1 157	546	762	1 160	113	851	355	648	997	152	6741
	17%	8%	11%	17%	2%	13%	5%	10%	15%	2%	6741

## A values-based culture of opportunity and innovation (continued)

### CASE STUDY



#### DISCOVERY'S EMPLOYMENT EQUITY VISION

**We are committed to:**

- **Leading a great company** that is known for the quality, diversity and strength of the people who work here
- **Managing great people** who are leaders in their areas of expertise, contribute significant value and add to our uniqueness and impact
- **Providing opportunities for growth and development** to talented individuals from diverse backgrounds as the business continues to grow both locally and internationally
- **Working in a great company** where race, gender and other individual characteristics do not define how we and our colleagues experience Discovery as a place to collaborate, innovate, grow and succeed.



#### Encouraging employee health and wellness

In line with our core purpose, we approach wellness holistically at Discovery and encourage and support our employees to achieve not only physical but also financial and emotional wellness. We provide health, lifestyle and financial services to make the lives of our employees easier and to promote their health and wellbeing. In 2012, 64% of our employees attended our on-site, annual countrywide wellness days, compared to 59% in 2011 and 47% in 2010. Each employee completed a personal health review and a range of Vitality wellness checks. Our on-site wellness centre at our Sandton head office continues to provide convenient employee access to medical and wellness practitioners. Our independently run employee assistance programme is well utilised for both personal and work-related issues. Financial wellness is encouraged through on-line assessments as well as team-based workshops.

Earlier this year, we launched a “BeWELL in 2012” campaign as an additional initiative to enhance the overall wellness of our employees. This programme includes:

- **Your Counsellor** – a confidential employee support service which provides employees and any of their household members with emotional support and counselling. Issues covered include trauma, addiction, legal advice, and marital and relationship problems.
- **Interface** – an employee financial wellness solution which offers confidential financial advice to employees at no cost.

During 2012, we again conducted the HIV and AIDS Knowledge, Attitudes and Practices Survey (KAP survey). The results showed that our leadership:

- Is less knowledgeable about HIV-related issues than are our employees
- Needs skills and information to effectively support employees who are HIV positive.

In response, we held training sessions with Discovery's top management to address these needs.

“Discovery is one of those places where you're given the freedom to truly be the best that you can be. The innovative culture keeps me on my toes. I'm always looking forward to next great idea, technology or methodology.”

– Mmule Sapula, Development Manager, PruProtect

## A values-based culture of opportunity and innovation (continued)

### Engaging our employees beyond their roles

Our internal employee rewards programme, Prosperity, helps to develop knowledgeable and connected Discovery brand ambassadors by encouraging employees to engage beyond their roles. By improving their understanding of the business, looking after their health and wellness, and offering their time and skills in the Discovery Employee Volunteer Programme, employees stand a chance to double their salary in a particular month, win R100 000 and earn extra leave. During the period under review, 100% of our employees engaged with the programme, with 43% on status four or five (the highest status that can be reached on the programme – the higher the status, the greater the potential rewards).

### Increasing the number of Discovery employee volunteers

In support of our corporate social investment projects, the Discovery Employee Volunteer Programme enables Discovery employees and other stakeholders to make a meaningful contribution to communities in need.

Our employees support national volunteer initiatives such as the CANSA Shavathon, National Volunteer Week, Bandana Day and Mandela Day. This year, Discovery volunteers raised over R100 000 during the CANSA Shavathon, the most funds raised by a corporate in central Gauteng. Our volunteers also commit to long-term involvement with community projects. For example, our TI team members volunteer their time and raise funds for the Refilwe Community Project in Lanseria, Johannesburg, while the Discovery Health Exco is providing mentorship and support to the Alexandra Health Centre and University Clinic near Sandton.

Our Employee Volunteer Programme has grown exponentially since its inception in 2004. During the past financial year, 2 183 of Discovery's more than 6 700 employees were engaged in volunteer activities. For the next year, we aim to increase this number to 4 000.

The programme receives strong support from Discovery's senior management. To strengthen this support, Discovery Holdings has committed more than R3.7 million to the programme. Further financial assistance is provided through "employee matching" by the Discovery Fund – the Fund matches every Rand employees raise for approved projects. From 2010 to 2012, Discovery employees raised over R600 000 for the community projects they are involved in.

In June this year, we launched a Business Unit Challenge aimed at encouraging volunteerism within Discovery through a volunteer challenge between the various business units of the Group. Each unit has adopted a charity aligned to Discovery's corporate social investment programme, and management teams are implementing, monitoring and ensuring mass participation of employees in their chosen projects. The results of this volunteer challenge will be showcased at our annual Friends of the Community Awards towards the end of the year.

### Challenges

- The lack of an integrated human resources system continues to hamper efforts to create reliable management information
- Rapid local growth and international expansion has put pressure on specialist resources

# 2 183 employees

engaged in volunteer activities over the past year

### Our priorities for 2013

- Leveraging our Employee Value Proposition to create a strong employer brand, attract the best talent in the market to Discovery, and launch graduate recruitment at selected universities
- Continuing to build human resources capacity to support the growing demands of the business
- Continuing to improve the diversity of the workforce, particularly at senior and professional levels
- Rolling out an executive development programme aligned to the business strategy
- Increasing the number of employees participating in the Discovery Employee Volunteer Programme

Our performance in each sustainability area

## A values-based culture of opportunity and innovation (continued)

### CASE STUDY



#### DISCOVERY HEALTH EXCO PARTNERS WITH THE ALEXANDRA HEALTH CENTRE

The Discovery Health Executive Committee members have been volunteering at the Alexandra Health Centre and University Clinic since 2010 on a regular basis, sharing their knowledge and expertise with clinical staff. In addition, Discovery Health's clinical employees are providing the centre with much-needed clinical support. The team has adopted the clinic as its volunteerism project and is doing much to transform it into a better functional facility. Over the past two years, computers and a server were donated, which will improve the quality of the clinic's healthcare service delivery. A new software system has been installed, which will enable the clinic to upgrade from a paper-based to an electronic filing system.

The team is focused on transferring essential skills and knowledge to the clinic's employees, and mentoring them at management level. This includes HIV and TB management, emergency medicine and dispensing, financial auditing, IT, human resources and clinical support. The Discovery Health Exco is also assisting with ongoing refurbishment of the centre and maintenance of its facilities.

Age of Child	Vaccines needed	How and where is
At Birth	Polio Vaccine (0) BCG (Bacille Calmette Guerin) Anti-tuberculous vaccine	Drops by mouth Injection in Right arm
6 Weeks	Polio Vaccine (1) Rotavirus vaccine (1) DTaP-IPV/IG (1) Diphtheria, Tetanus, acellular Pertussis, Inactivated Polio Vaccine Haemophilus influenzae type b Combined Hepatitis B Vaccine (1) Pneumococcal Conjugate Vaccine (1)	Drops by mouth Liquid by mouth Injection in Left thigh Injection in Right thigh Injection in Right thigh Injection in Right thigh
10 Weeks	DTaP-IPV/IG (2) Diphtheria, Tetanus, acellular Pertussis, Inactivated Polio Vaccine Haemophilus influenzae type b Combined Hepatitis B Vaccine (2)	Injection in Left thigh Injection in Right thigh Injection in Right thigh
14 Weeks	DTaP-IPV/IG (3) Diphtheria, Tetanus, acellular Pertussis, Inactivated Polio Vaccine and Haemophilus influenzae type b Combined Hepatitis B Vaccine (3) Pneumococcal Conjugate Vaccine (2) Measles Vaccine (1) Pneumococcal Conjugate Vaccine (3)	Injection in Left thigh Injection in Right thigh Injection in Right thigh Injection in Right thigh Injection in Right thigh
18 Months	DTaP-IPV/IG (4) Diphtheria, Tetanus, acellular Pertussis, Inactivated Polio Vaccine and Haemophilus influenzae type b Combined Measles Vaccine (2)	Injection in Left thigh Injection in Right arm
4 Years	MM (Measles, Mumps, Rubella) vaccine	Injection in Right arm



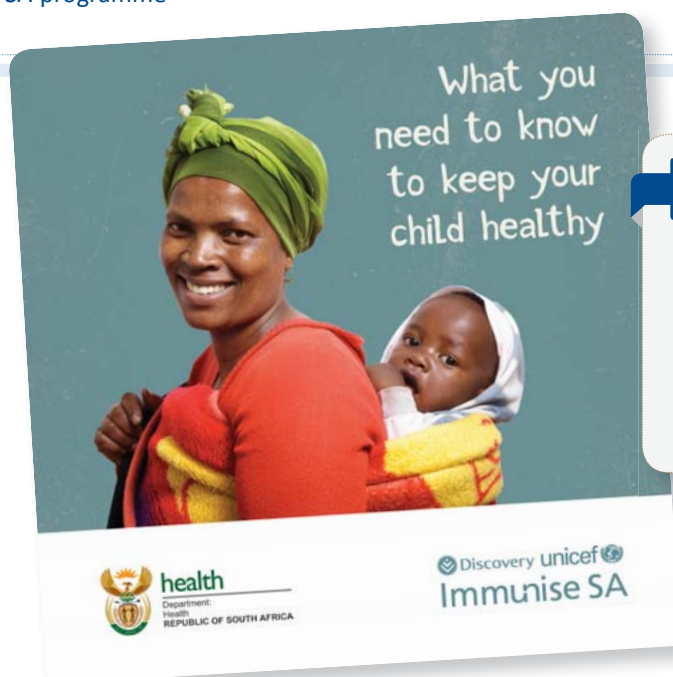


## Strengthen the healthcare system and expand access to care

Access to healthcare is an issue most countries grapple with, and South Africa is no exception. Resources to meet the needs of a growing number of people are limited – from funding for healthcare services to the number of healthcare professionals working in the healthcare sector. As a leader in the South African healthcare industry, we have a responsibility to use our resources to strengthen the healthcare system and broaden access to care. We do this by ensuring the Discovery Health Medical Scheme and the 13 restricted medical schemes under our management continue to provide quality healthcare cover on a sustainable basis. We also have the opportunity to make a positive difference in society through our investment in community projects and partnerships that aim to strengthen and support healthcare delivery in South Africa.

### OUR PRIORITIES FOR 2012

- Continuing to use innovative product solutions to service the needs of the lower-income market, and forming key strategic partnerships in the area of healthcare to broaden access to care
- Continuing to leverage our scale, resources and partnerships to provide access to quality healthcare on a sustainable basis, and impact the industry in a positive way
- Providing benefit and contribution stability across the Discovery Health product range
- Bringing down the cost of healthcare for Discovery Health members
- Driving further service and benefit innovations for members, healthcare professionals and financial advisers
- Continuing the impact and work of the Discovery Foundation to increase the number of specialists in South Africa
- Increasing the focus of the Discovery Fund on nutrition as an important element of primary healthcare
- Rolling out an awareness campaign and implementing working plans for the Discovery UNICEF Immunise SA programme



#### Highlights

- We launched HealthID, the first electronic health record application of its kind in South Africa
- Work done by our forensic investigative unit to combat fraud and abuse has led to significant savings

**Strengthen the healthcare system and expand access to care**  
(continued)

**Servicing the needs of the lower-income market**

Given the disparity of healthcare resources in South Africa, one of our important priorities has been to extend access to quality healthcare to more South Africans. One of the ways we do this is through innovative product development. In 2002, Discovery Health launched the KeyCare series, which offers quality private healthcare to lower-income earners and members joining a medical scheme for the first time. The KeyCare hospital and GP networks now consist of 106 hospitals and over 2 000 GPs. Membership of KeyCare is now the equivalent of the third largest medical scheme in South Africa, and it is the fastest growing lower-income plan option in the market. During the year under review, KeyCare membership continued to show impressive growth – the number of lives covered by the KeyCare Plans grew by 28 666, from 340 002 in December 2010 to 368 668 lives in December 2011. The KeyCare Plans give members access to affordable healthcare cover through unlimited hospital cover, access to primary care as well as specialist care and cover for chronic medicines.

In line with our commitment to continue innovating to increase access to care through pioneering products, and to maintain an affordable and sustainable access point to the Discovery Health Medical Scheme for lower-income earners, we announced the introduction of a new plan option in the KeyCare series in September this year. Available from 2013, KeyCare Access will offer a low-cost entry point for lower-income earners and will provide cover in the healthcare areas members value most: private GP visits, emergencies and accidental trauma in a private hospital, childbirth and care for newborns in private hospitals and elective procedures in our contracted network of state facilities. At the core of the new plan option is the underlying belief that if the correct primary care is received initially, further complications may be avoided. This serves to drive down hospital admissions, improve the health of our members, and offer access to private healthcare to a greater proportion of currently uninsured South Africans.

**Key strategic partnerships to broaden access to care**

Another way in which we aim to broaden access to healthcare is by forming effective public-private partnerships which will create shared value for all. With a population of 50 million, only a small number of South Africans – eight million – have access to private healthcare, while 42 million of our citizens who are not covered by medical aid, or have access to private healthcare, rely heavily on the public healthcare sector for all their healthcare needs. This places huge pressure on the country's already overburdened healthcare facilities.

We believe healthcare is a national asset, and private and public healthcare must work together to ensure a strong and equitable healthcare system. As an industry leader, Discovery Health can play an important role in strengthening the healthcare system in general. We are using our cumulative expertise in the healthcare industry to respond to national healthcare priorities identified by the Department of Health, and to support and supplement healthcare delivery, especially where such support will have a ripple effect in broader society.

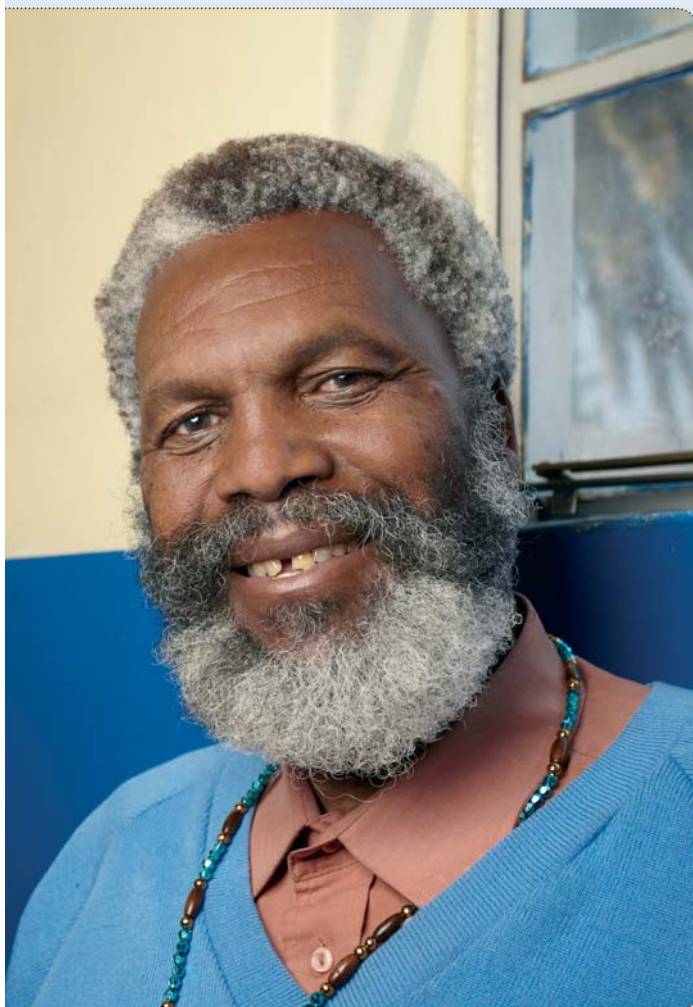
**CASE STUDY**



**A PUBLIC-PRIVATE INITIATIVE TO GIVE THE GIFT OF SIGHT**

In support of the Department of Health's strategic projects, Discovery Health entered into a public-private partnership with the National Eye Care Coalition in a two-year drive aimed at giving the gift of sight to 4 000 people. Discovery Health committed R10 million to the project, which came to an end in July this year. The partnership, which is an excellent example of how effective public-private initiatives can make a significant difference, saw up to 150 cataract surgeries being done each month over the two years.

The impact of this initiative was immense. Many elderly people who received surgery are now, after a few years of living with blindness, able to return to being breadwinners for their families.



## Strengthen the healthcare system and expand access to care (continued)

### CASE STUDY



#### DISCOVERY INTEGRATED CARE UNIT

This voluntary programme involves a member being discharged from hospital early and moved to a Discovery Health network care facility where care is provided aimed at the member regaining his or her health. Discovery Health provides all the necessary support (including care coordinators and recruiters, measuring and monitoring, and extended discretionary funding) without any additional cost to the member.

After members are discharged from the extensive care unit, they continue to receive treatment at their homes and communities for as long as is necessary. The range of services includes rehabilitation, step-down care, frail care, terminal care and nursing services.

The programme is currently operating in parts of the Western Cape and Gauteng, and is being expanded to KwaZulu-Natal and the Free State during 2012. A total of 300 Discovery Health members were enrolled on the programme in 2011.

#### Providing access to quality healthcare on a sustainable basis

During the year under review, we have continued to leverage our scale, resources and partnerships to improve healthcare delivery for Discovery Health members in a sustainable way.

We continued to improve our GP and hospital networks during the year, to save costs for our members without compromising the quality of care. The scale and breadth of these network assets and payment models ensure that healthcare professionals are paid directly, while out-of-pocket costs for our members are reduced. Close to 90% of all member interactions with GPs and specialists now happen in a network or within a payment arrangement contract.

A key initiative we continued to roll out to enhance the delivery of healthcare for our members is the Discovery Integrated Care Unit, that provides members with extensive medical needs with a coordinated approach to their healthcare treatment after hospitalisation from a team of medical experts, care coordinators and community-based care providers at no extra cost.

Another initiative, launched in 2009, is the Best Care... Always! (BCA) project, which aims to improve patient safety and the quality of care in South African hospitals. The project began as a collaboration between Discovery Health and several major hospital groups, supported and endorsed by various professional societies. The overall aim of BCA is to build quality improvement skills and capacity in both the public and private healthcare sectors. It focuses on four well-tested infection prevention interventions (preventing pneumonia in ICU patients, bloodstream infections due to intravascular catheters, surgical wound infections and urinary tract infections) and a pilot antibiotic stewardship programme. Hospitals can choose which intervention they wish to implement. Each has the potential to achieve cost savings and better clinical outcomes. As the founding and major sponsor, Discovery Health has committed R1.5 million over the past three years to the project and contributes to strategic decision-making and day-to-day operations. Over 200 private hospitals are involved, and the initiative has now expanded from the private to the public sector in the Free State, Gauteng and the Western Cape.



## Strengthen the healthcare system and expand access to care (continued)

### CASE STUDY



#### UNSURPASSED VALUE FOR MEMBERS OF THE DISCOVERY HEALTH MEDICAL SCHEME (DHMS)

Medical schemes in South Africa operate in a complex and challenging environment characterised by high medical price inflation, high-cost new medical technology, an increased chronic disease burden and changing demographic profile, as well as a shortage of healthcare professionals, fraud and benefit abuse and regulatory requirements. Within this environment, Discovery Health continues to provide unsurpassed value to members:

- DHMS members pay between 10% and 30% less than for comparable plan options.
- The DHMS track record of contribution increases is one of the best in the industry: our five-year annualised contribution increase was 9.8% compared to the industry average of 11.3%.
- Over the past five years, other open schemes have lost a total of 845 246 members, while DHMS has grown by 466 891 members (31 December 2006 to 30 September 2011).
- Our operational scale is unparalleled: Discovery Health employs over 3 500 people. We handle around 38 000 calls per day, and authorise around 50 000 hospital admissions per month. The average claim is processed in under two hours. Every month, we process over 16 000 new membership applications, collect contributions totalling R2.93 billion, and process and pay 3.7 million claims to the value of R2.4 billion. We have achieved an all-time high client perception score of 8.96 (out of 10).
- DHMS pays Discovery Health a fixed fee per member per month for all administration and managed care services. The Trustees of DHMS have, since 2009, negotiated a fee structure that ensures that fees are reduced in line with the ongoing growth of the Scheme and resultant economies of scale. The fees paid to Discovery Health have been the only cost component in the Scheme's total expenditures that has been falling in real terms. Over the past five years, claims have increased at 12% above CPI, but the fees paid by DHMS to Discovery Health have fallen by 4% in real terms.
- Our GP and hospital network assets and payment models provide DHMS and other schemes under our management with unique protection against the rising costs of funding Prescribed Minimum Benefit conditions at the full cost charged by health professionals. Across all plans, DHMS paid 97.1% of all in-hospital claims and 99.8% of oncology claims during the year under review, confirming our view that the Scheme continues to provide outstanding value.

## Strengthen the healthcare system and expand access to care (continued)

### Benefit and contribution stability across the Discovery Health product range

We have continued to achieve benefit and contribution stability for our members during the year under review.

Discovery Health is South Africa's largest healthcare funder and manager of medical schemes and covers more than 2.6 million lives. It manages 14 medical schemes. This includes the Discovery Health Medical Scheme, which has a 50% share in the open medical schemes market, making it South Africa's largest open medical scheme. The Discovery Health Medical Scheme covers more than 2.4 million lives.

The evolution of Discovery Health over the years has resulted in an institution of sophistication and financial strength. This has enabled Discovery Health to build a robust and comprehensive plan range for members, and provide comprehensive benefits and minimise gaps in cover for members. We are continuously enhancing the benefit structures on all our health plans to ensure members continue to have access to excellent quality of care and value.

During the year, we continued our focus on correcting and enhancing our members' health plan benefits, especially in areas where there had been benefit abuse. One of these areas was the Allied and Therapeutic Benefit, where we had identified a trend of a small group of members using the benefit for services that were not medically necessary. Eliminating waste and benefit abuse – which can have severe financial implications for schemes – is a challenge facing medical schemes worldwide.

The annual increase in members' contributions ensures that Discovery Health can maintain and continuously improve members' healthcare benefits. It also ensures the sustainability of the Discovery Health Medical Scheme in the long run. Our contribution increase of 8.9% across all plans for 2012 was one of the lowest in the industry, and within the guidelines set by the Council for Medical Schemes.

Going forward, we will continue efforts to rebalance benefit structures in order to eliminate waste and abuse and to ensure the ongoing stability of the Discovery Health Medical Scheme, increase cover for the most critical healthcare needs, and continuously enhance value for our members. We will also continue to identify areas to contain the escalation of costs and to ensure affordable contribution increases for our members while ensuring the Scheme remains sustainable.



**Strengthen the healthcare system and expand access to care**  
(continued)



**Bringing down the cost of healthcare for Discovery Health members**

Discovery Health has invested significant expertise in developing an operating model to manage healthcare funding efficiently and cost-effectively to ensure the sustainability of the Discovery Health Medical Scheme. This model, which brings together a consumer-centric product construct, risk management assets, healthcare provider networks and assets, digital health tools and value-added services, is underpinned by the Vitality wellness programme. The effectiveness of this model is measured through the lower average claims costs and premium increases experienced by DHMS and other schemes under management, relative to the rest of the industry.

We have also built a sophisticated health analytic system to improve the quality of care for our members and eliminate inefficiencies. Health analytics is a critical skill and asset for healthcare funders as it enables them to better manage risk over the long term.

Health analytics have enabled us to negotiate lower and more cost-efficient prices with providers such as hospitals and drug manufacturers. For example, we have focused on driving down the cost of medicine during the past year. We are in regular engagement with the pharmaceutical industry to get the



**We have negotiated cost reductions of:**

- 43% on the average price of Adco-Atovastatin, a medicine used to treat hyperlipidaemia
- 50% for the hypertension drug Ran-perindopril
- 15% for the renal failure drug Mircera

best possible prices for our members, thereby protecting the pool of funds from which members' claims are paid. Our ability to negotiate lower market prices with the pharmaceutical industry does not benefit only our members – because of Single Exit Price (SEP) legislation, these drug price reductions benefit all users in the private healthcare system.

The strategic assets we have built up in our GP, specialist, hospital and pharmacy networks through our ongoing engagement with stakeholders in the healthcare industry have also brought down the cost of healthcare for both our members and the industry as a whole.

To further bring down the cost of medicine for our members, we introduced the MedSaver benefit in January 2012. Discovery Health members spent R550 million on over-the-counter medicine in 2010. Through the MedSaver benefit, members have the potential to save more than R130 million by completing a Vitality Check and purchasing their over-the-counter medicine at Clicks. Our members qualify for up to 25% cash back on all schedule 1 and 2 medicines bought from any Clicks store countrywide.

One of the major factors driving up the cost of healthcare in the private healthcare industry is fraud. Discovery Health has taken a strong stance against fraudulent practices by both our members and healthcare professionals. We have a dedicated forensic investigative unit, comprising 30 full-time experienced investigators. We investigate every suspected case thoroughly and take swift action where necessary. For the year under review, the work done by our forensic unit on fraud and non-disclosure has resulted in savings of R90 353 326 for Discovery Health and for our members.



**All major pharmacy chains, as well as over 1 200 community pharmacies, are contracted to charge our members the Discovery Health Medicine Rate, which for 2012 has been defined as the Single Exit Price (SEP) plus a dispensing fee of 26% of the SEP, up to a maximum of R26.**

**Strengthen the healthcare system and expand access to care**  
(continued)

**CASE STUDY**



**HOW DISCOVERY HEALTH CURBS FRAUD AND ABUSE**

Various estimates suggest that as much as 10% of funds paid out annually by medical schemes are lost due to fraud. It is therefore critical that Discovery Health identifies and prevents all possible instances of fraud, investigates suspected fraud, and recovers any funds inappropriately paid out.

The most common type of fraud Discovery Health is exposed to by members is non-disclosure of prior ailments. Other fraudulent practices include members submitting multiple claims by changing procedure codes, service dates, service providers, amounts and dependent names. Among healthcare providers, code manipulation is the most common type of fraud investigated, followed by claims submitted for services not rendered.

**Fraud and other inappropriate behaviour are detected:**

- Through tip-offs by members, healthcare professionals and others using an anonymous fraud hotline
- Through data mining and data analysis using various specialist tools
- By using a unique fraud management system, which assists Discovery Health in identifying trends and patterns
- Through the identification of identified warning signs of fraud as well as random audits.

Discovery Health's unique fraud management system combines clinical, actuarial, operational, legal and forensic expertise to help prevent fraud. An important element of the system is to use health claims and other data to cross-reference and integrate all data on a member. By having a single view of a member, and by filtering data, we are able to identify possible fraud.

**HealthID:**

**CASE STUDY**



**A REVOLUTION IN ELECTRONIC HEALTH RECORDS IN SA**

In May 2012, we launched HealthID, the first electronic health record iPad application of its kind in South Africa. It allows doctors access to important patient information, provided they have given their consent, and will have a significant impact on the quality of care provided to our members by doctors.

The development of HealthID started over a decade ago, and aims to transform billions of lines of claims data into accessible health records that make it more efficient for healthcare professionals and patients to interact with the healthcare system. By using the app, doctors can access their patients' claims data, details of previous visits and benefit information, and they can even prescribe medicine and refer patients to other doctors.

HealthID was launched nationally to over 1 200 doctors during the year, and we have since then had an overwhelmingly positive reaction from both doctors and Discovery Health members. To date, more than 44 000 members have given consent to their doctors to access their information.

Significant further enhancements are being planned for the next few months to improve the functions and performance of HealthID.



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## Strengthen the healthcare system and expand access to care (continued)

### Driving service and benefit innovations

Working within a complex environment where the needs of various stakeholders must be balanced, our objective is to maximise the value members receive. Ongoing innovation in products and services is therefore a critical objective for Discovery Health. Importantly, we continuously work to enhance and maximise healthcare cover for our members. Enhancements over the past few years have included the Specialised Medicine and Technology, Trauma Recovery Extender, Insured Network and Oncology benefits.

During the year under review, we developed a range of support tools and technologies that help our members, healthcare professionals and financial advisers navigate the often complex healthcare system. These include:

- **Discovery HospitalXpress** – a range of services designed to facilitate rapid and efficient authorisation and admission of members to hospitals.
- **HealthID** – a South African first; and iPad application which provides doctors treating Scheme members with access to members’ full health records with their consent.
- **Online Advisor tools** – these help guide our members through the healthcare system and identify when they can make full cover choices. They assist members in managing their hospital admissions by authorising admission online and calculating whether they can expect full cover for their chosen hospital and medical specialists. Members can also manage their day-to-day healthcare costs, check how they are covered for medicines and find healthcare providers who have an agreement with Discovery Health.
- **Discovery Member Application** – this application, available for iPhone and iPad, and now also Android, provides our members with important and updated information regarding their Medical Savings Account balances, recent claims history, and membership card details.
- **Discovery AdviserXpress** – as part of our ongoing efforts to provide our financial advisers with tools to support their businesses, we launched this application for iPad in the first quarter of 2012. It provides advisers with a suite of tools and information they can use to assist their clients with their consent, including clients’ health plan details, medical needs analysis, a cover adviser, Vitality tools and an electronic library of Discovery brochures and benefit summaries.

### Continuing the impact and work of the Discovery Foundation

To help address the severe shortage of skilled medical professionals in South Africa, the Discovery Foundation was set up in 2006 to invest in the education and training of an additional 300 academic specialists and the development of academic and research centres. Our goal is to invest more than R150 million by 2016 towards this end. The main focus is on Academic Medicine, clinical research, sub-specialist training programmes, public healthcare and speciality training in critical areas such as HIV and AIDS, TB, cardiology and oncology.

Through a series of grants and scholarships, talented medical professionals are able to conduct clinical research and undergo specialist training that will help to advance medical care in South Africa. Our vision for these annual awards is aligned to the goal of the Department of Health of strengthening the healthcare sector, and making quality healthcare more accessible to all South Africans.

We are beginning to reap the rewards of this investment. The Foundation is providing an important boost for specialist

education and training, with preference given to women and previously disadvantaged individuals in alignment with government’s vision of ensuring transformation in all sectors. The awards are filling vacancies with recipients who are passionate about making a difference in the healthcare sector – the Foundation has so far helped to fill 12% of vacant sub-specialist positions in hospitals across the country. The research being conducted includes landmark studies on future vaccines for TB, cytomegalovirus and Group B Streptococcus, and drug resistance research that will lead to better policy-making decisions concerning treatment. The award recipients are in turn able to share their knowledge and expertise through teaching and training their peers, future medical undergraduates and members of the communities they serve.

The Discovery Foundation maintains ties with its recipients through the annual Alumni Conference, which provides a networking platform for both past and new recipients. The conference also gives Foundation trustees and stakeholders an opportunity to learn more about the impact of recipients’ research and training.

In 2011, we commissioned Health Development Africa to conduct an independent evaluation of the Foundation’s impact and the value added through the annual awards. The findings were positive, with 91% of beneficiaries indicating they were very satisfied with the programme and that it was filling a niche in terms of human resources in South Africa’s healthcare sector. Key recommendations included improved support for recipients, creating centres of excellence, and rethinking funding for academic fellowships. The outcome of this evaluation will inform the Foundation’s strategic direction for the remaining years of the programme.

➔ To date, **R84 million** has been committed in **169 awards** to specialists in training and healthcare institutions. In 2012, **27 recipients** were awarded grants with a total value of more than **R17 million**.



**Dr Kate Weakley is a paediatrician at the Red Cross War Memorial Children’s Hospital in Cape Town, South Africa. She is training further as a paediatric rheumatologist and is a recipient of a 2012 Discovery Foundation Award.**