



the best of care

— 2014 —

Discovery Health

UBS Financial Services Conference, 16 October 2014

Brett Tromp, CFO, Discovery Health

2014



- 1. SA healthcare landscape**
 - 2. Discovery Health Medical Scheme and Discovery Health performance**
 - 3. Vitality's impact on wellness**
 - 4. The fourth bottom line**
-

The healthcare system is a vital part of our economy, but there are challenges



Public sector



Private sector



Spend

R121 bn
(4.1% GDP)

Source

Funded by taxes

Beneficiaries

42 million beneficiaries

Providers

Hospitals

Doctors

Pharma

R122 bn
(4.1% GDP)

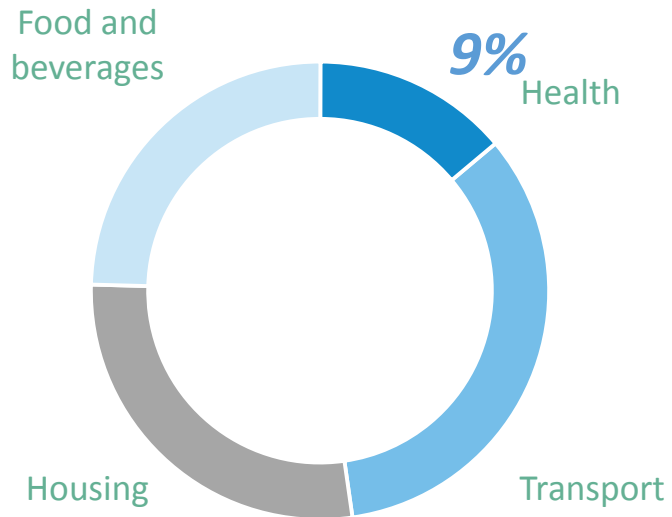
Funded by
contributions

9 million beneficiaries

Healthcare costs continue to increase disproportionately

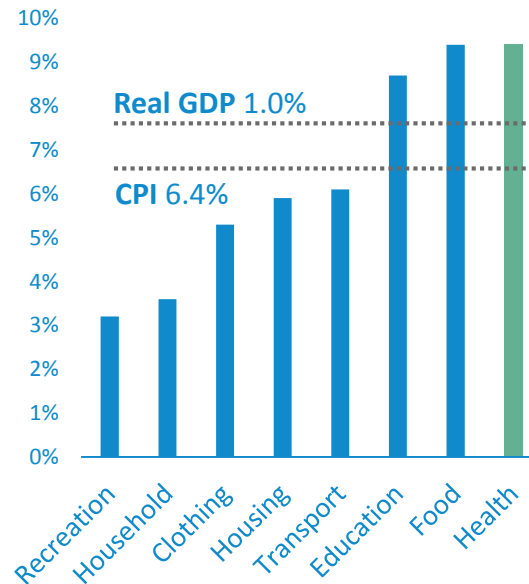


Expenditure distribution



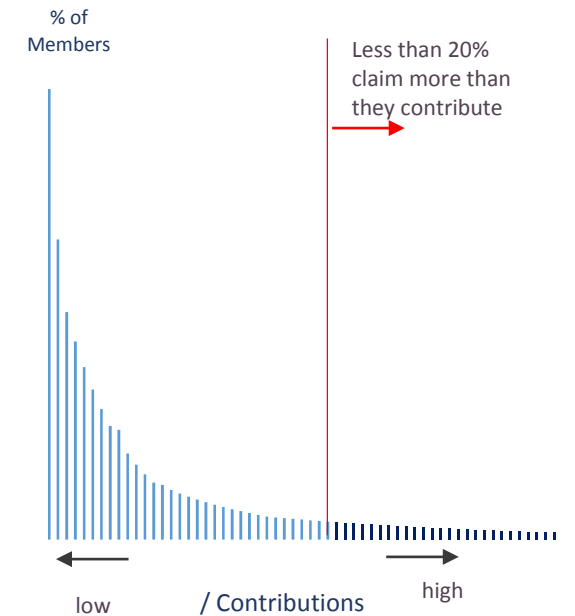
Source: StatsSA IES 2010/11

Drivers of CPI



Source: StatsSA CPI Aug 2014, GDP Q2 2014

Lack of perceived value

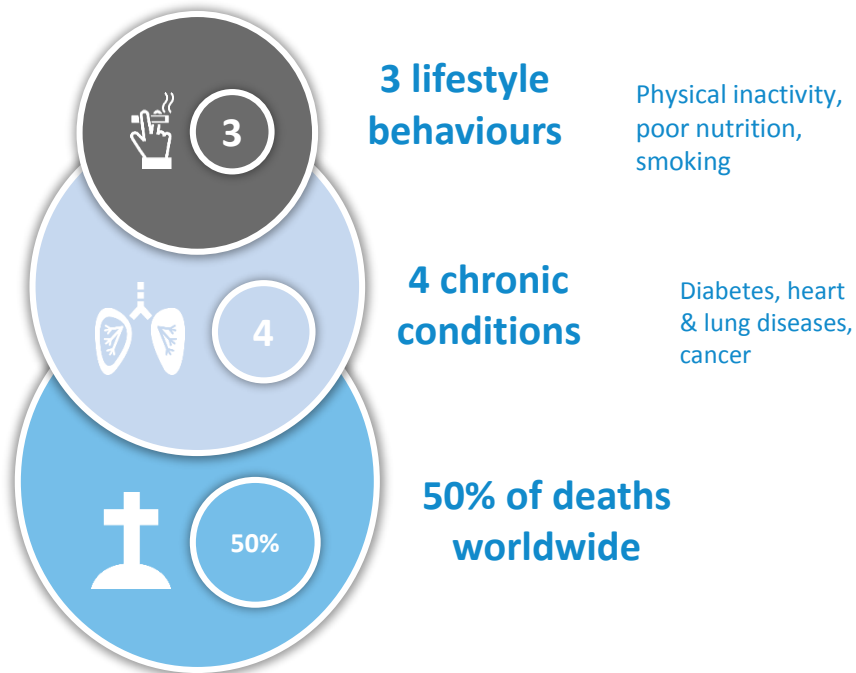


Source: DHMS 2013

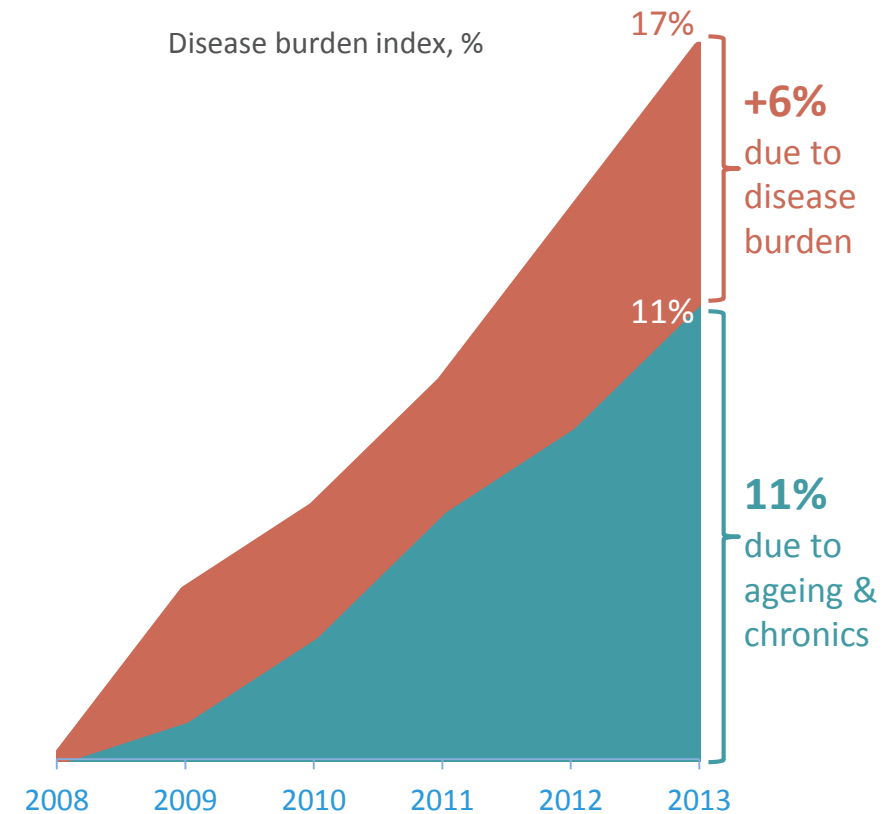
Unhealthy lifestyles are leading to a rising burden of disease



Epidemic of lifestyle diseases



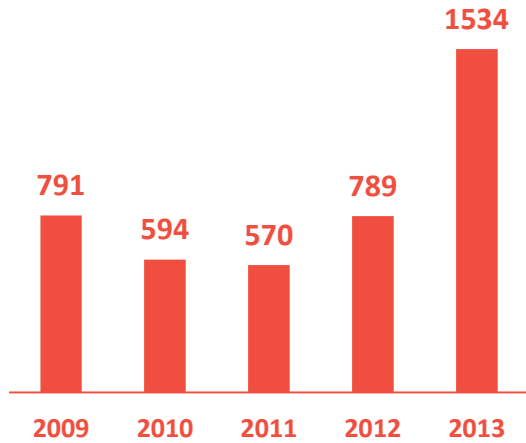
Increasing disease burden in medical schemes



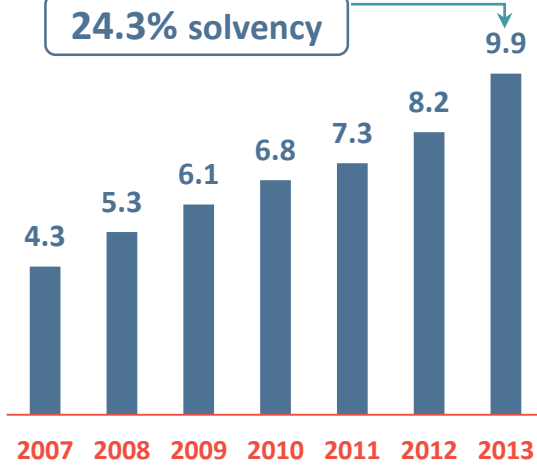
Discovery Health Medical Scheme continues to deliver exceptional financial performance in all areas



Healthy net surplus



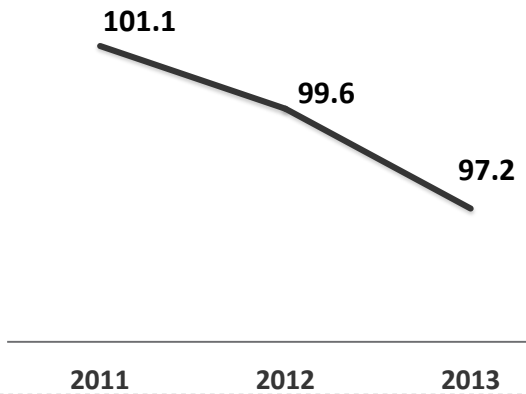
Increasing reserves



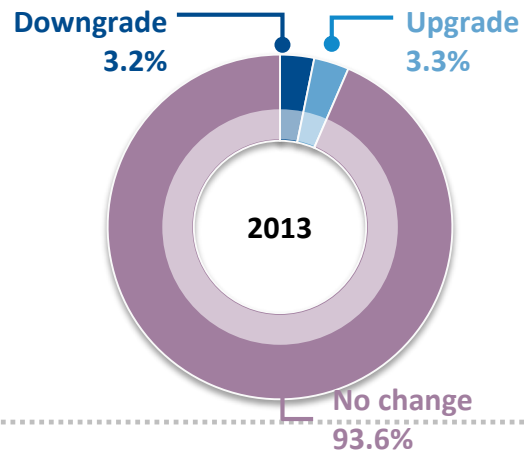
Highest credit rating



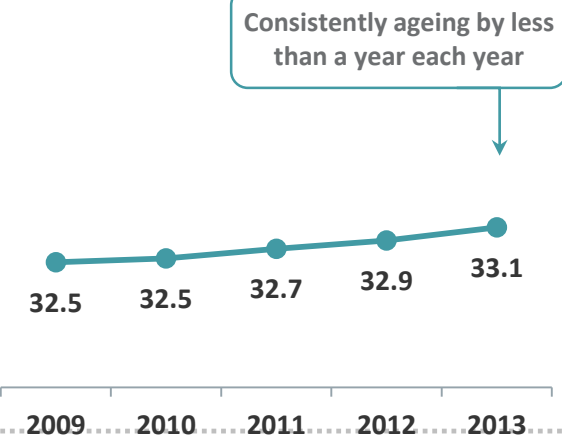
Improving loss ratio, %



Minimal plan movements



Stable demographics



Discovery Heath Medical Scheme continues to grow sustainably



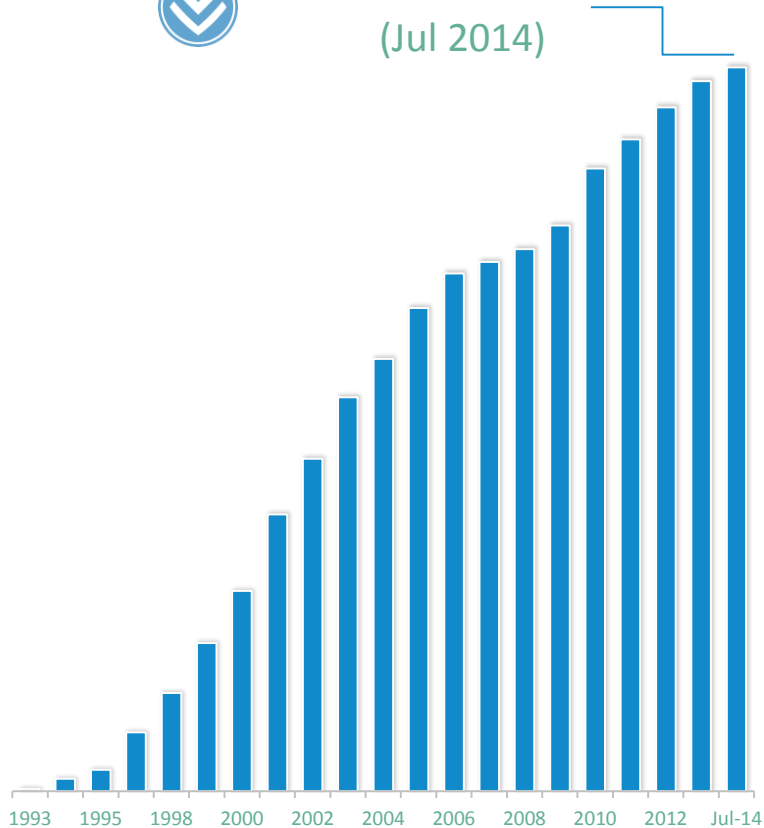
Total lives

Growth in lives
(2008 – 2013)

Market share



2 607 445
(Jul 2014)

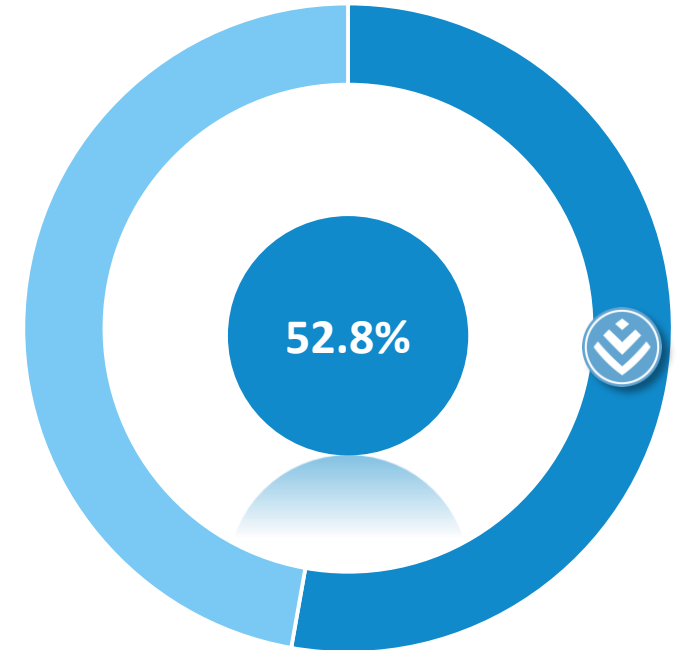
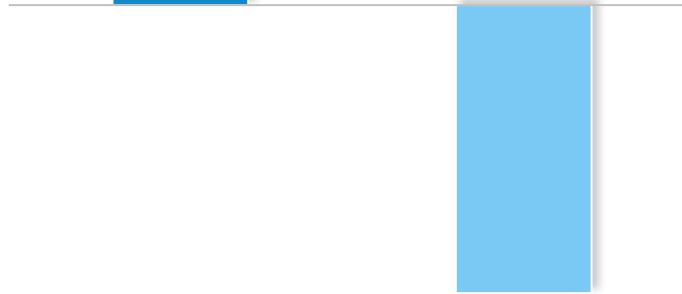


649 529



Open schemes
excl. DHMS

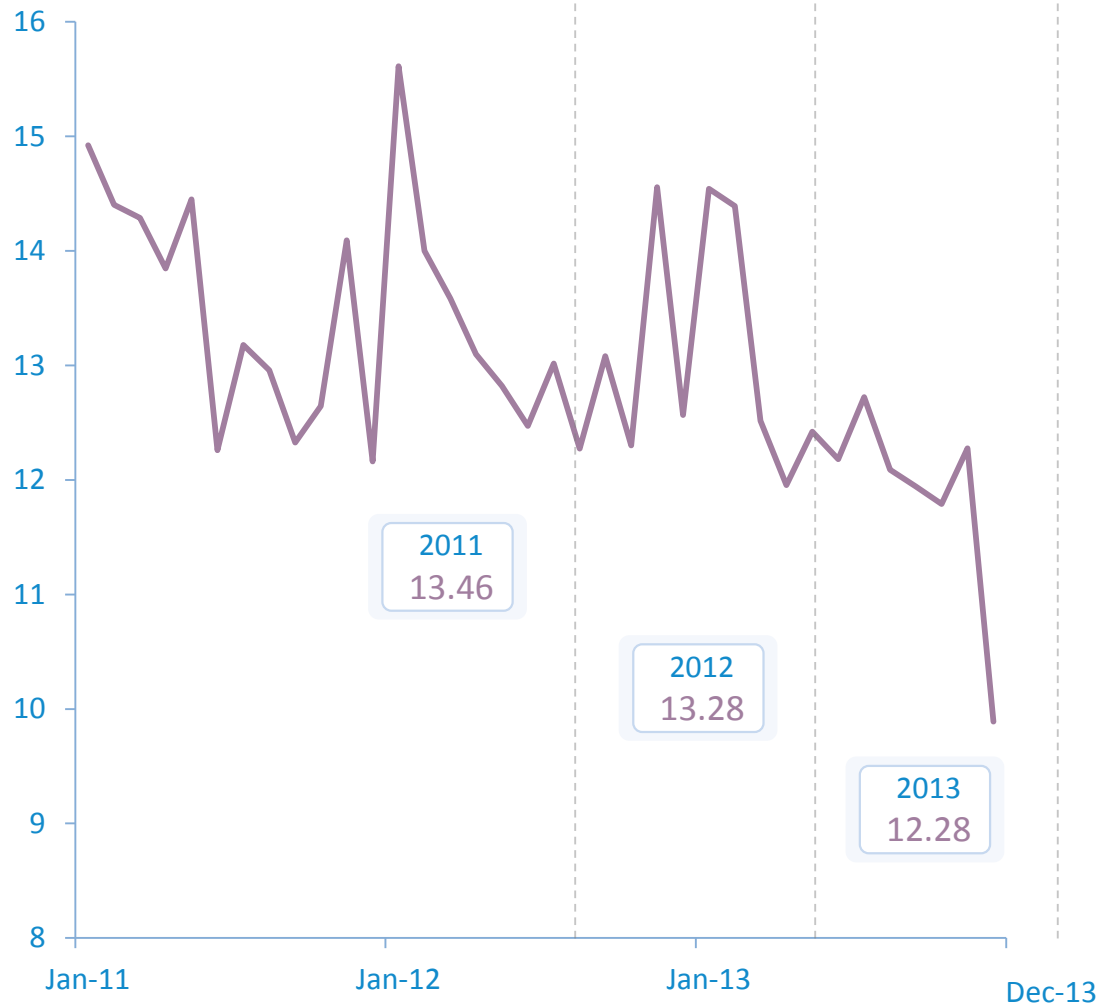
-753 937



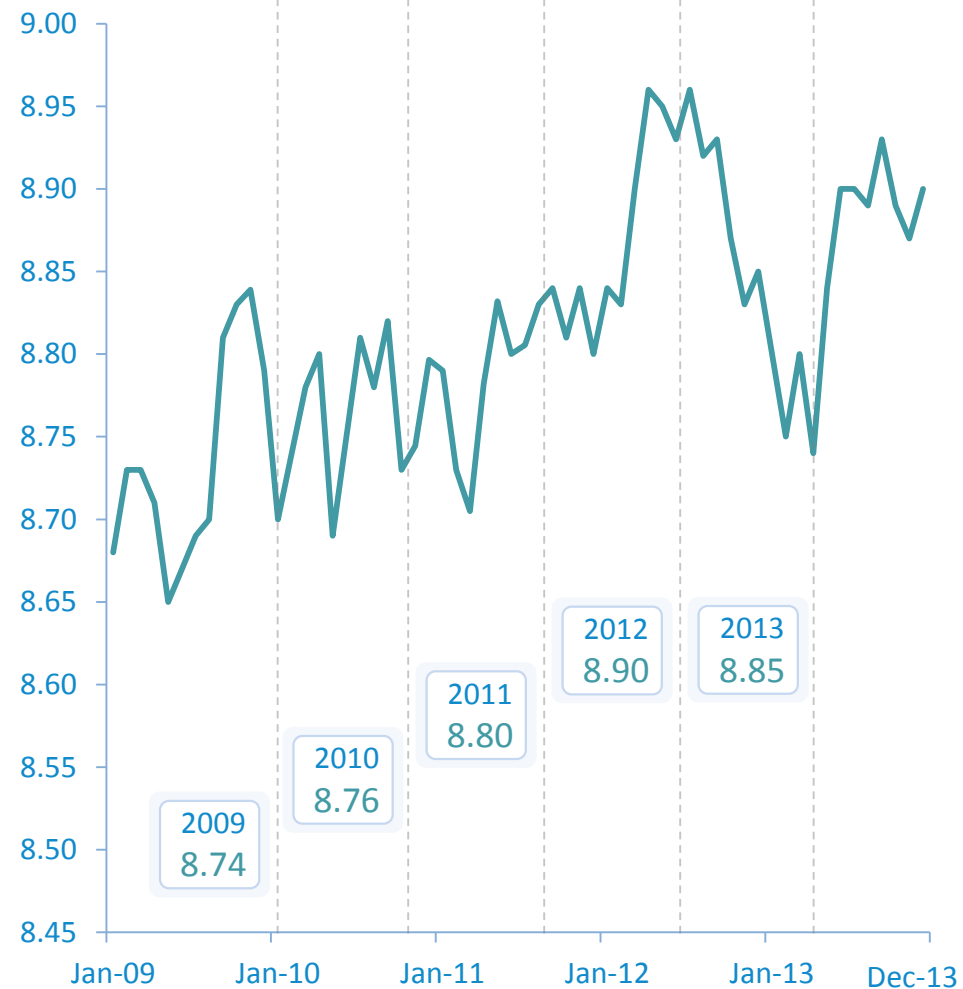
Discovery Health continues to reduce call rates while improving service levels



Reducing call volumes



Improving member scores (out of 10)



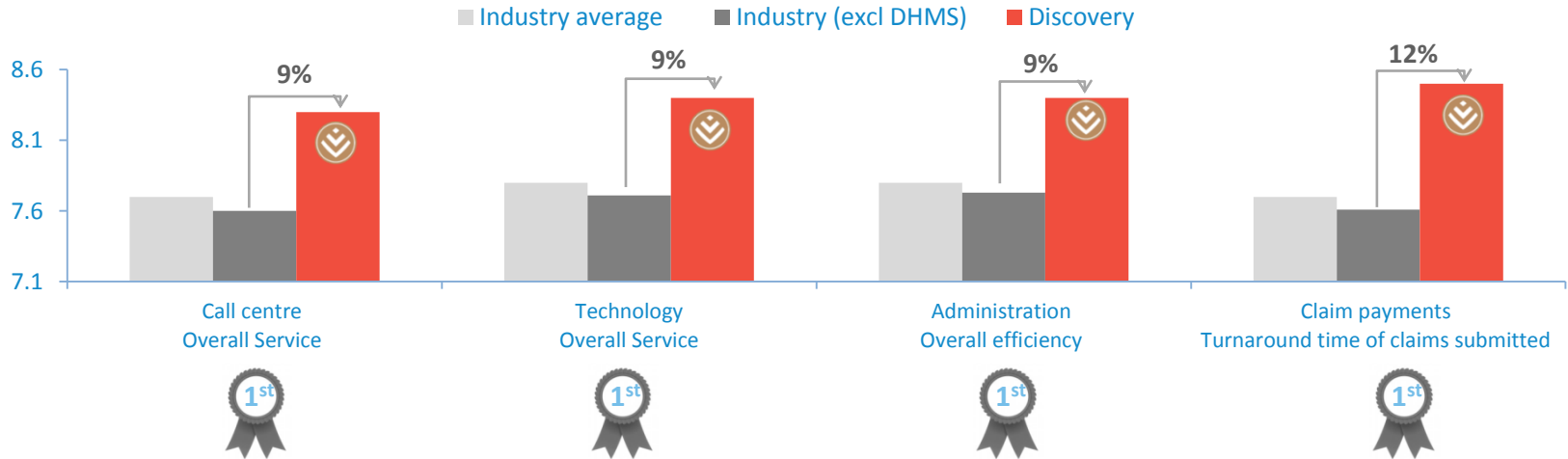
Independent evaluations confirm Discovery Health's best in industry service performance



FIA Healthcare 'Product Supplier for the Year' since 2008



Independent Survey Ratings

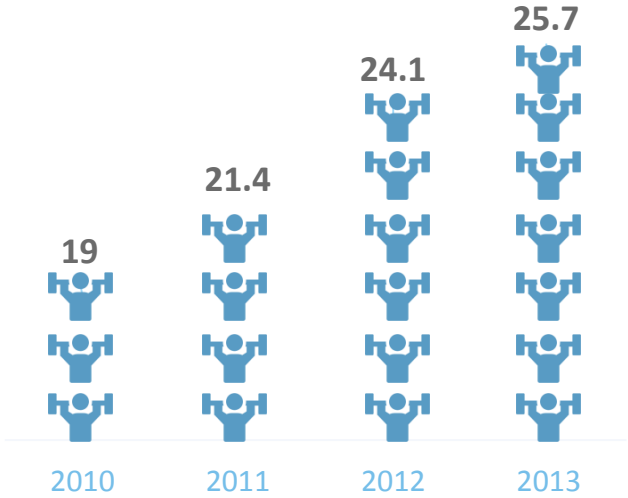


Source: Private Healthcare Pulse 2009/2012

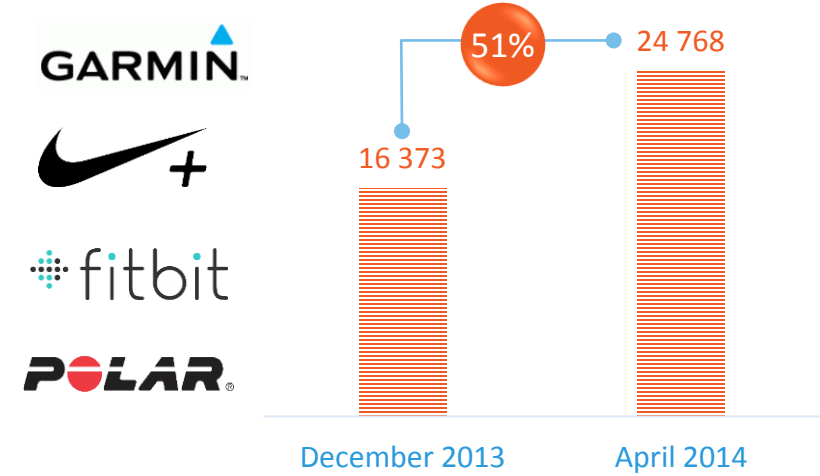
Vitality incentivises and enables consumers to exercise more through discounts, mass participation and rewards



Member gym visits (million)



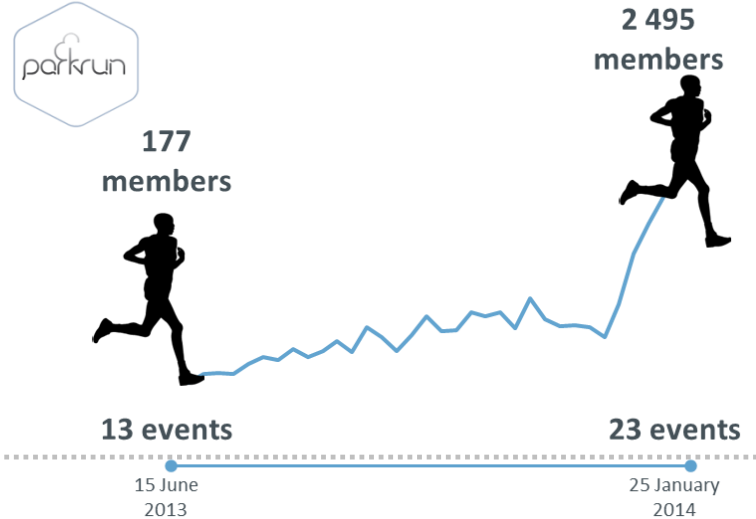
Significant increase in use of fitness devices



Discovery sponsored walks



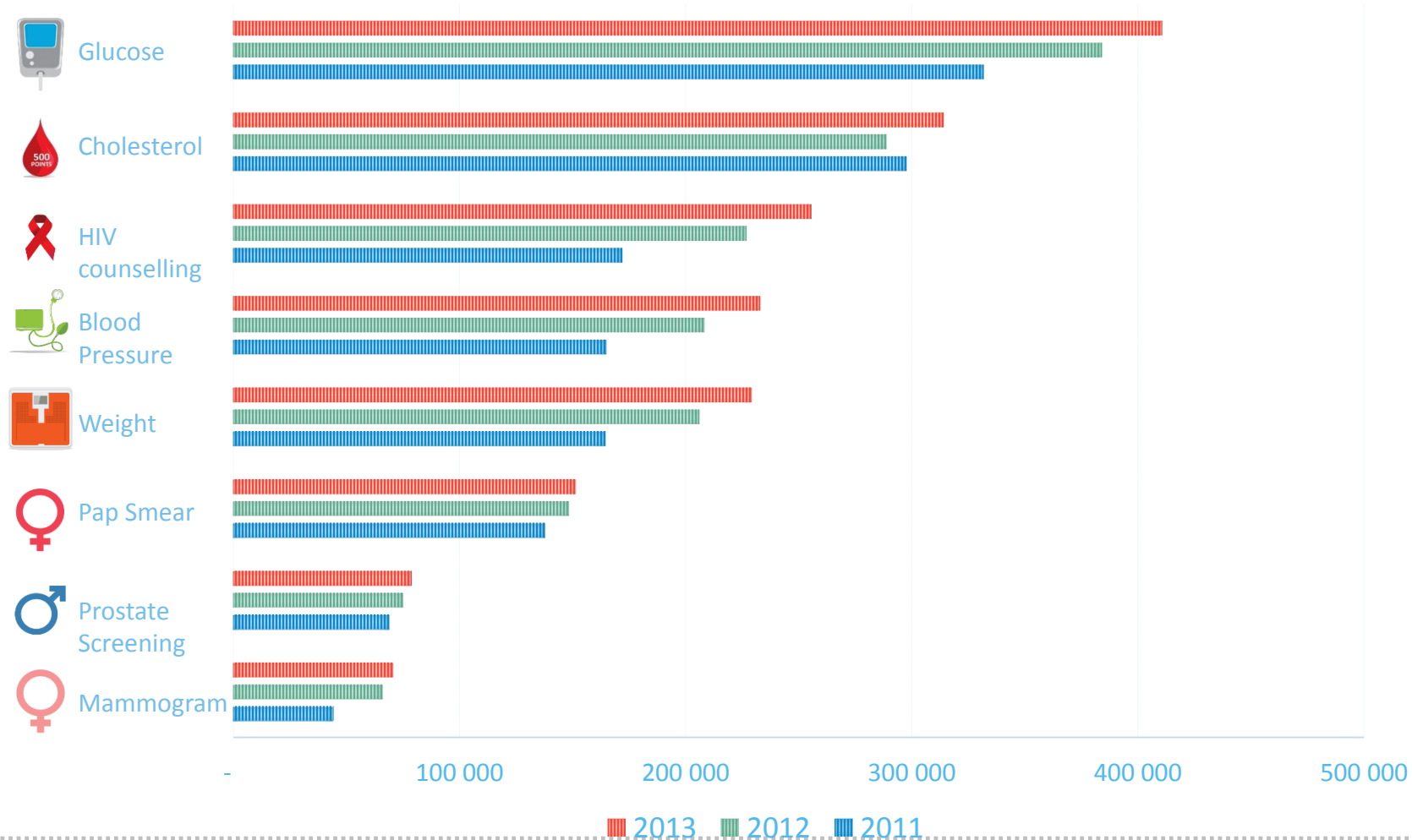
Park Runs

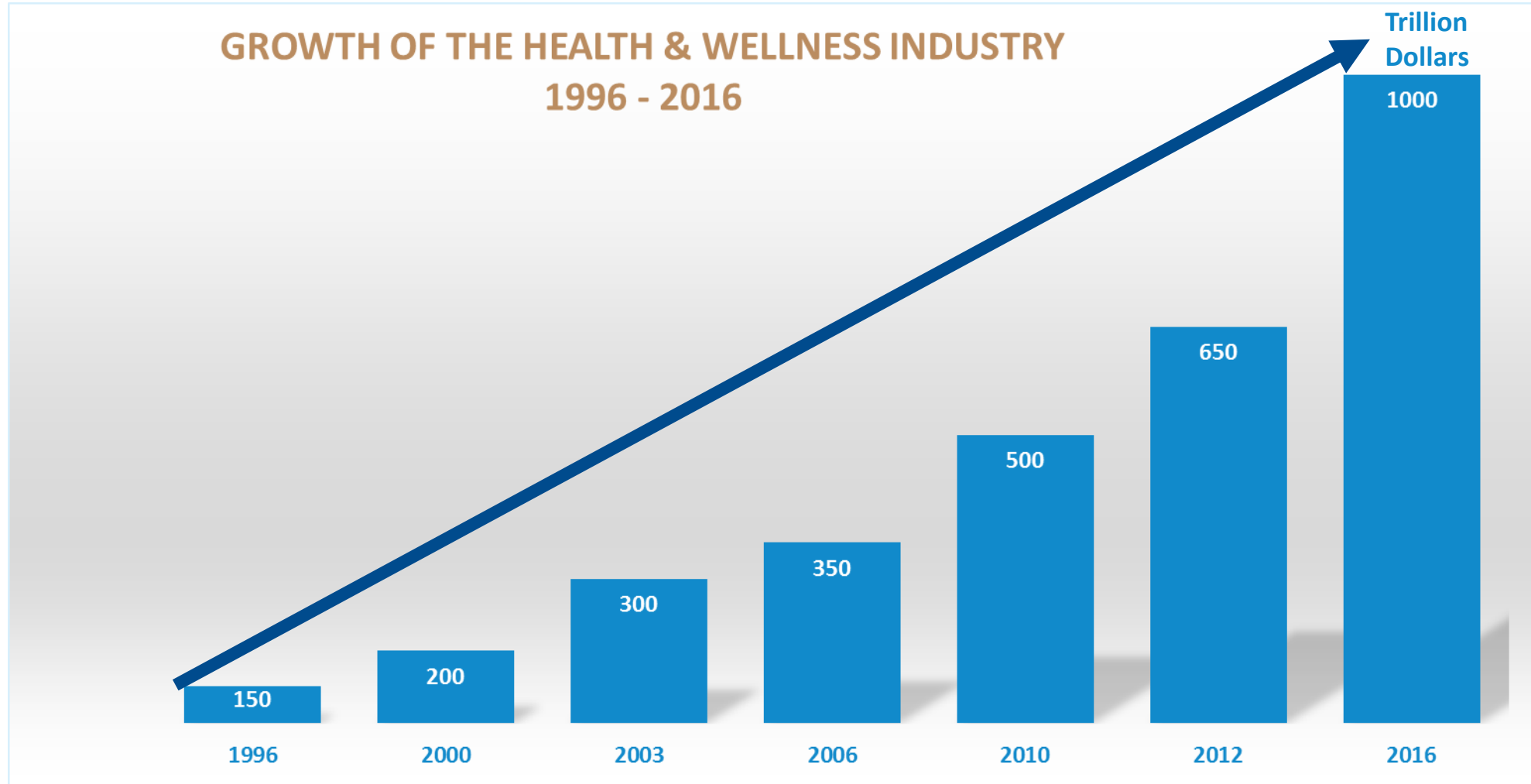


Vitality incentivises members to learn more about their health through various clinical screenings and assessments



26% increase in health screenings between 2011 and 2013





* Chart figures courtesy of Paul Zane Pfizer, economist

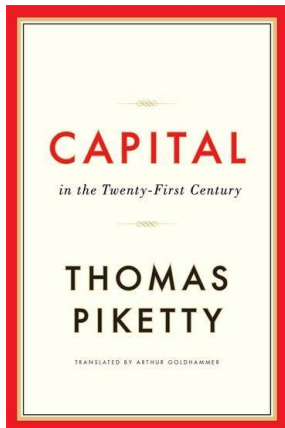
A TRILLION DOLLAR TREND

Societies require its institutions to fulfil a socially progressive core purpose



Societies expect more

Rising inequality

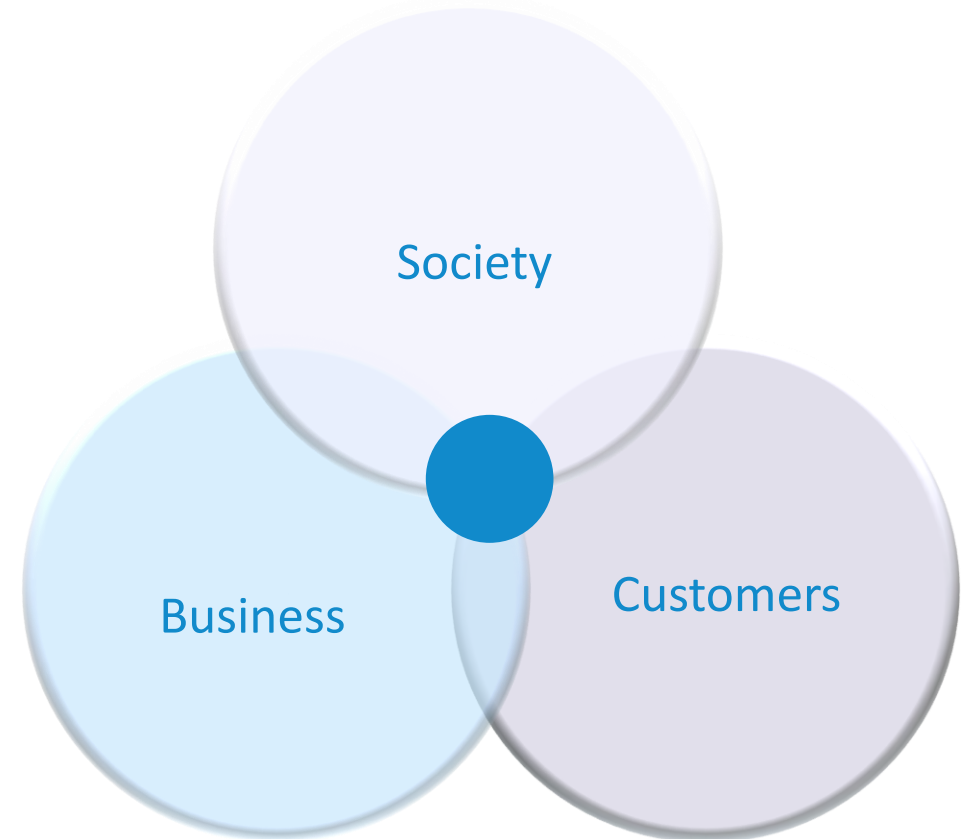


Millennials demand more

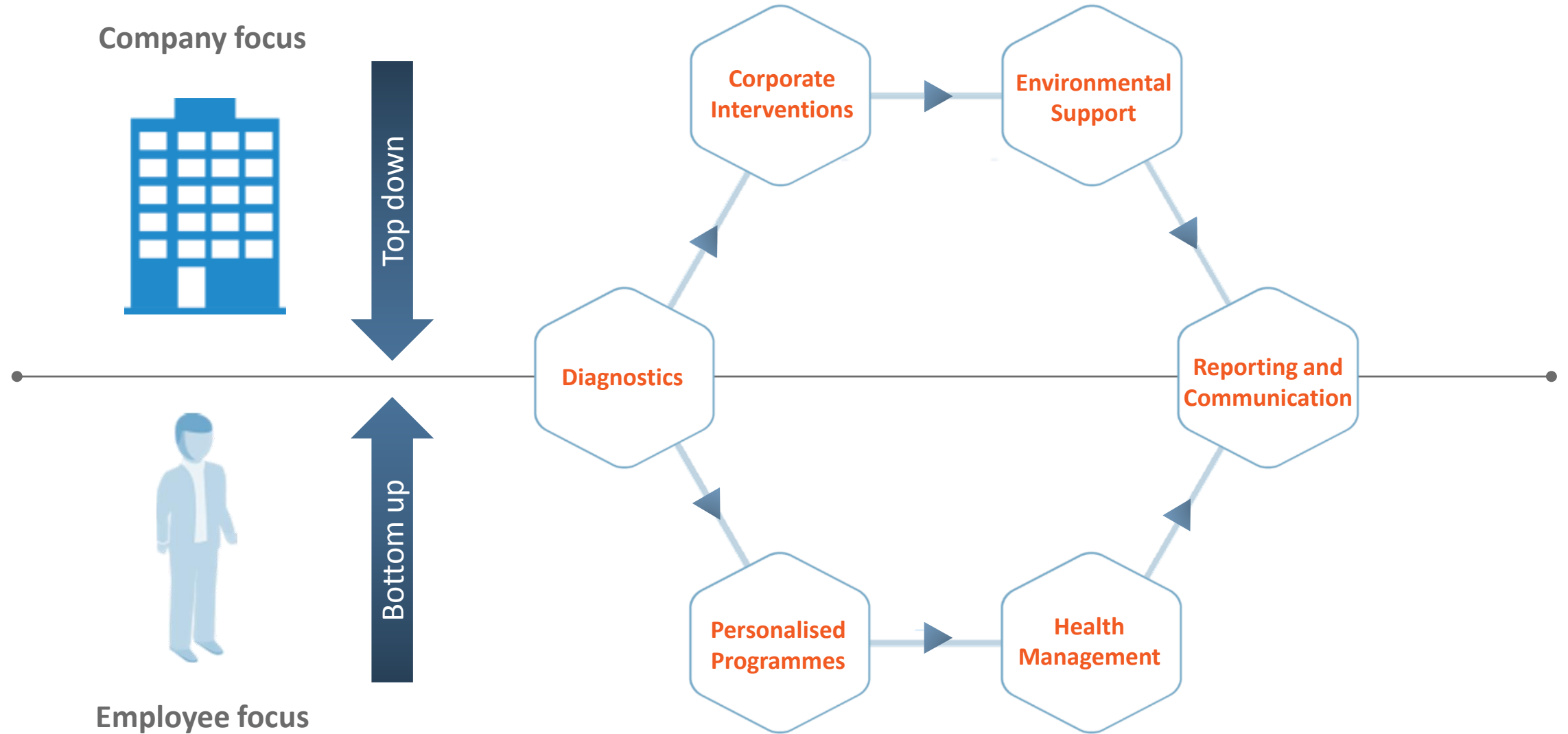


Financial crises

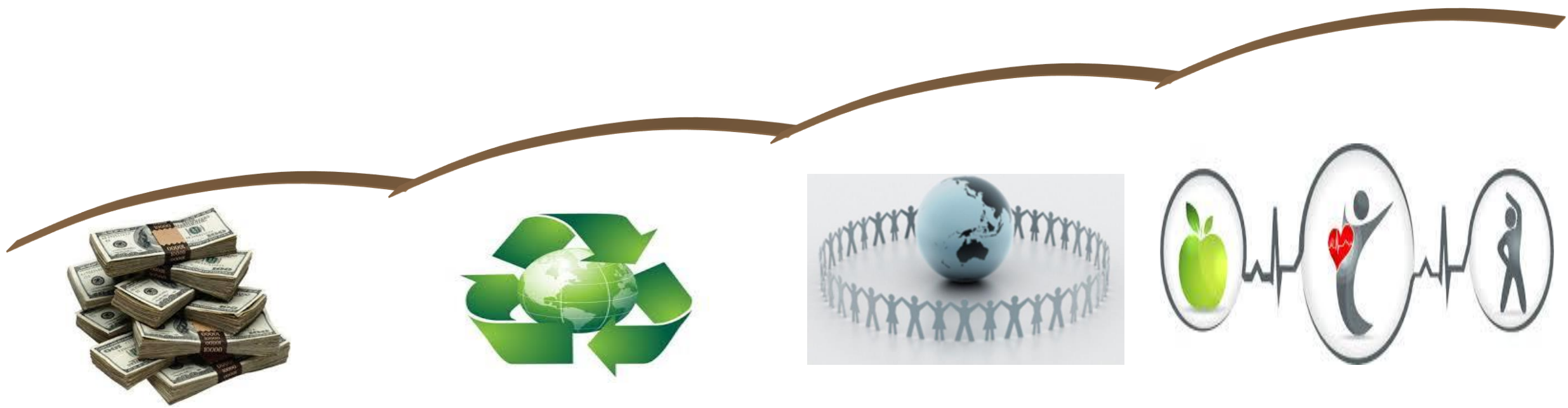
Shared value is created through connecting a company's success with social progress



At Discovery, we believe that an integrative solution must be considered, both from a company and employee focus



Specific measures on the health and wellness of employees, will force employers to pay greater attention to the health of their workforce



FINANCIAL
Revenue
Cost
Growth
Economic value











ENVIRONMENTAL
Waste management
Resource consumption
Land use
Environmental value

SOCIAL
CSI
Fair trade
Employee welfare
Social value

HEALTH
Productivity
Smoking prevalence
NCD incidence
Human Capital

Global industry leaders such as Google, Unilever, PepsiCo and Cadbury are increasingly offering wellness-related benefits to employees



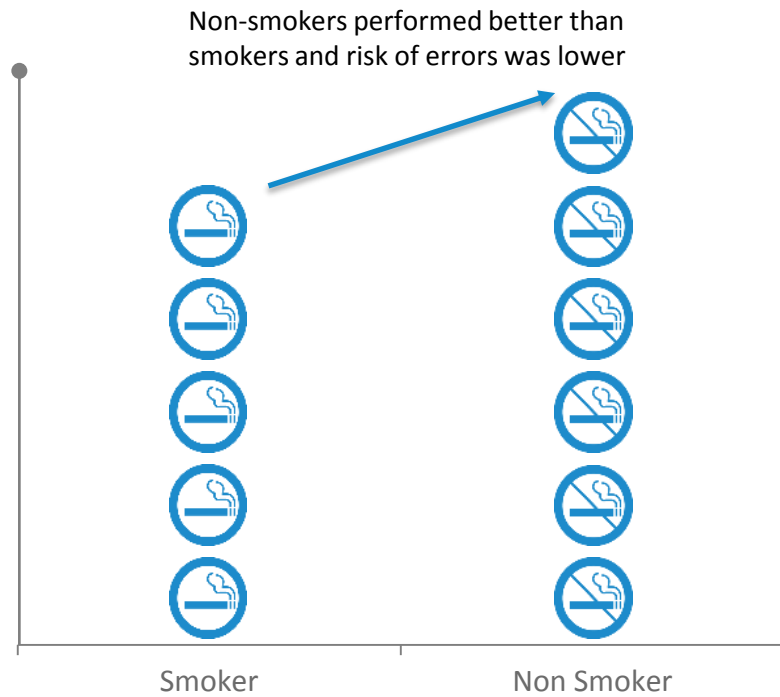
					
Wellness Benefit		Google	Unilever	PepsiCo	Cadbury
	Diet and nutrition coaching	✓	✓	✓	✓
	Cafeteria healthy food options	✓	✓	✓	✓
	Smoking cessation		✓	✓	✓
	On-site workout facilities	✓	✓	✓	✓
	Health risk appraisal		✓	✓	✓
	Exercise breaks	✓		✓	✓

Healthier employees deliver better service to clients and are more productive



Better service

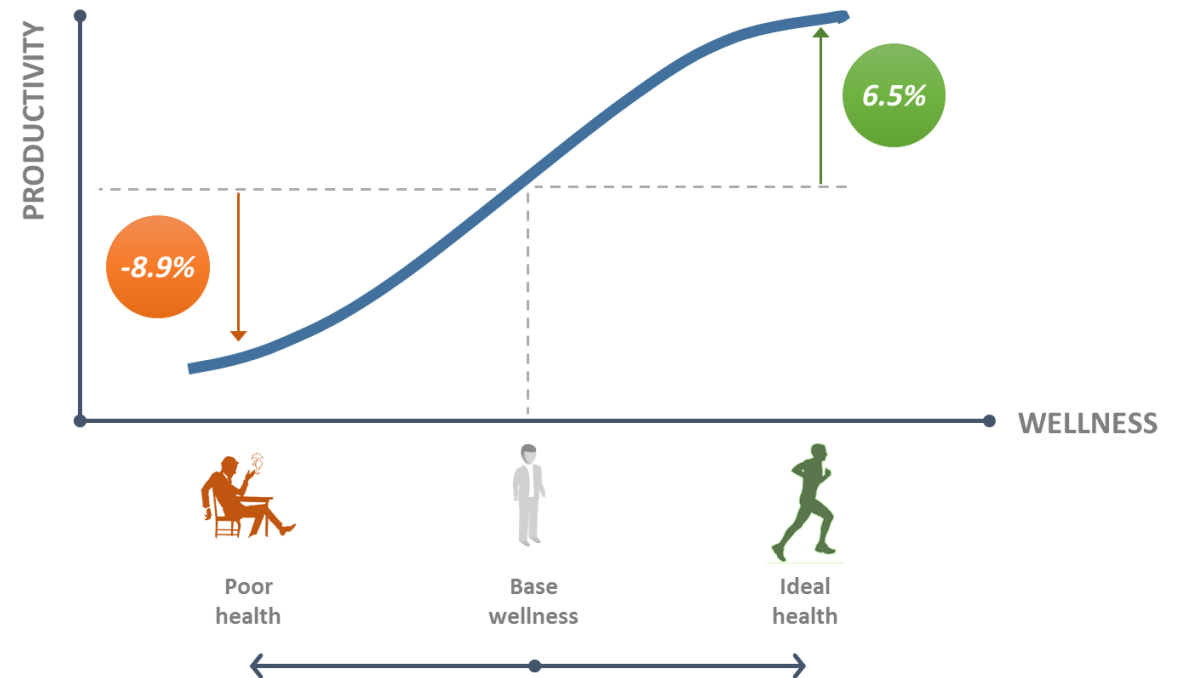
Service rating (indexed)



Source: Discovery Health data from a study into service agent health and performance, 2010-2012

Health affects productivity

Impact of employee wellness on productivity



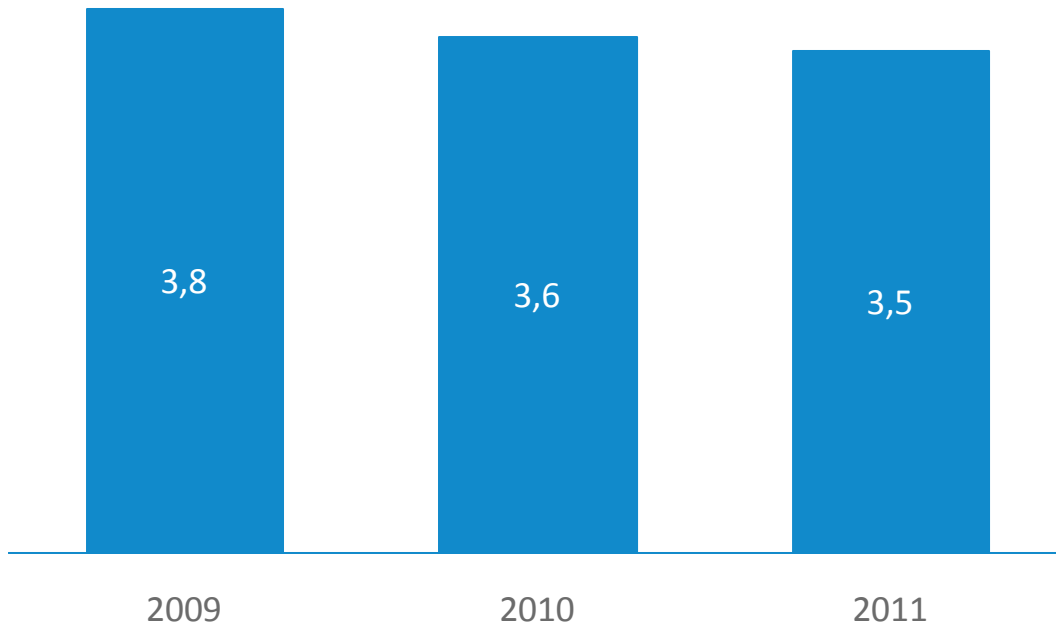
Source: Discovery Health data for 5 000 life years, 2010-2012

Employers who are engaged about the health of their workforce through the use of wellness strategies have seen a 5% reduction in absenteeism



Over lower absenteeism

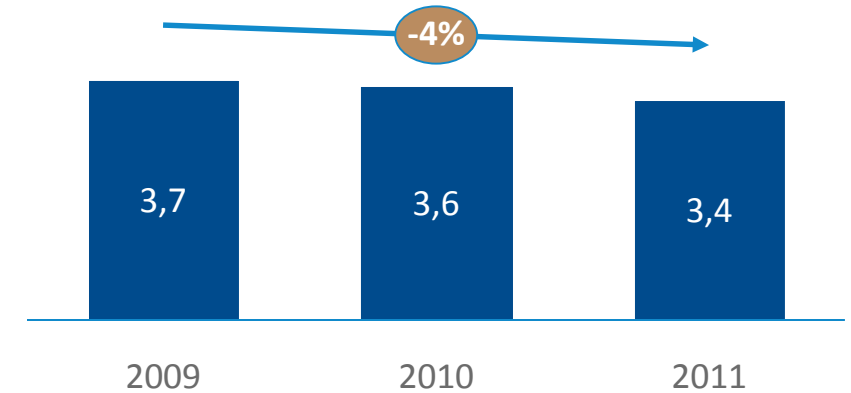
Average number of sick days per year



All employees (Total 9000 employees in 2011)

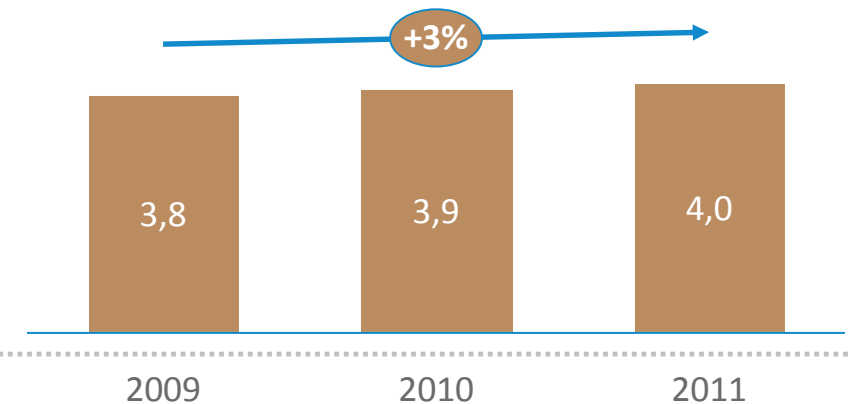
Vitality member have lower absenteeism

Total in 2011: 6 900 employees



Non-vitality member have higher absenteeism

Total in 2011: 2 100 employees

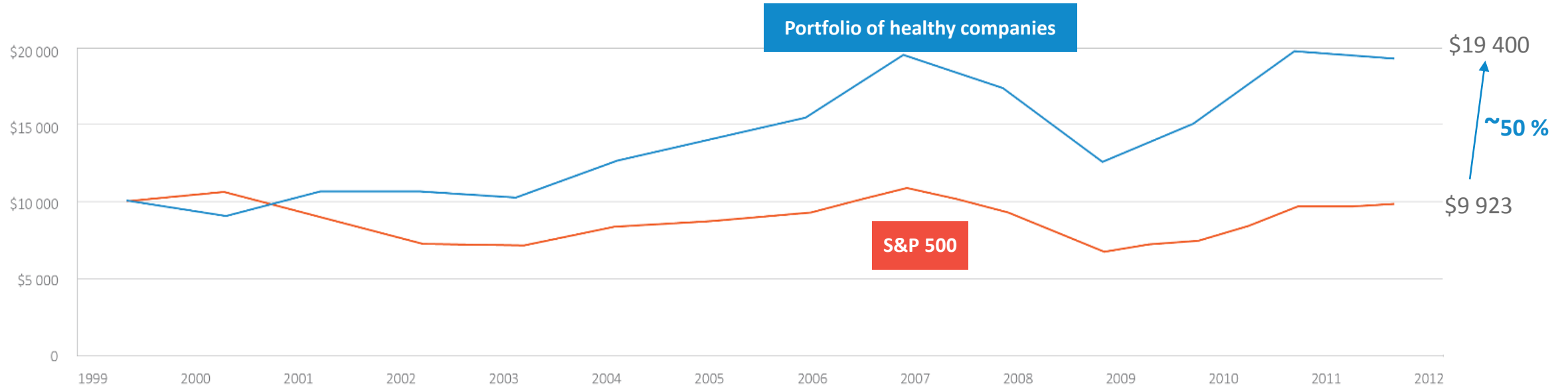


Companies with a healthier workforce bring greater value to their shareholders



Healthier companies outperform the market by ~ 50%

Stock market performance trend



Source: Fabius et al (2013) The Link Between Workforce Health of the Bottom Line: Tracking Market Performance of Companies that nurture a “Culture of Health”. Journal of Occupational and Environmental Medicine 2013; 55:993-1000



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