



Hi **Pau**

We are writing to you today as Discovery Health and Discovery Health Medical Scheme about the release of an **Interim Report** by the **Section 59 Investigation Panel** on Tuesday 19 January 2021. A **media conference was also held** on the same day to announce the report's findings.

We want to give you a bit of background on the issue and tell you more about the report.

The panel made the full 320-page Interim Report available to the Council for Medical Schemes (CMS) and the Steering Committee last Friday (15 January). Unfortunately, they did not share the report with us (Discovery Health and Discovery Health Medical Scheme) before it was published online.

This means that we have not yet had enough time to examine the contents of the report.

Now that the report is open to the public, we will study the findings and recommendations in detail. We will comment further on the report within the six weeks set out for medical schemes to do so.

Summary of the investigation panel's findings

1. The panel has concluded that **there has been unfair racial discrimination in forensic investigations into fraud, waste and billing abuse (FWA) by the medical scheme industry.**
2. They based this on the fact that there **is a higher percentage of Black African, Indian and Coloured healthcare professionals amongst those who (following detailed forensic investigations) were found to have breached industry rules** in their billing processes.
3. The panel **reached this conclusion even though there was no specific evidence of even a single case** where they found the **method or approach used to identify and investigate the FWA, to be inappropriate.**
4. Also, the panel has been **clear in recognising that there is no evidence of deliberate, explicit racial bias in the methods and algorithms the medical schemes and their administrators used** to identify and investigate FWA.

Unfortunately, the panel disregarded the expert analytical and legal evidence that Discovery Health submitted in response to each of the specific complaints against the 19 medical schemes under its administration,

including Discovery Health Medical Scheme. **This evidence shows clearly and factually that our processes to fight FWA are fair, independent and not discriminatory in nature.**

We are, however, **pleased that the panel supports our strong view that our forensic processes are robust and independent.** Yet, we feel that the conclusion of racial bias based on the racial distribution in the outcomes must be examined further.

Background to the Section 59 investigation

In May 2019, groups of Black African, Indian and Coloured healthcare professionals made allegations of racial bias and discrimination against the entire South African medical scheme and medical scheme administration industry. These allegations referred to how the industry manages investigations into fraud, waste and billing abuse (FWA).

Dr Aaron Motsoaledi, who was then the Minister of Health, instructed the Council for Medical Schemes (CMS) to investigate these allegations. The CMS convened the Section 59 Investigation Panel (independent of CMS) as an advisory panel to the CMS and the Minister of Health.

The panel started its investigation and arranged hearings. Discovery Health made submissions on behalf of medical schemes under its administration (including, but not limited to, Discovery Health Medical Scheme) and along with other industry role players, submitted extensive evidence, analysis and information at these hearings in response to the allegations.

Why do we take investigations into fraud, waste and abuse so seriously?

It is very important to point out that only a small number of healthcare professionals have been investigated for fraud, waste and billing abuse (FWA) practices and needed to pay money back to medical schemes. **The vast majority of healthcare professionals focus completely on delivering excellent care, showing a committed and honest work ethic.**

Corruption and FWA seriously harm efforts to make medical insurance affordable for medical scheme members. In the end, FWA also holds medical schemes back from extending lower-cost options to a broader representative group of South Africans. We cannot tolerate this abuse of members' money, which not-for-profit medical schemes hold on behalf of members.

In fact, at the 2019 FWA Summit, the Council for Medical Schemes (CMS) stated that **FWA claims may account for up to 15% of all claims that medical schemes in South Africa pay out.** This means that **as much as R22 billion to R28 billion of medical scheme members' funds – hard-earned money paid towards their medical scheme membership - may be lost to fraudulent claims each year.** Sadly, the total amount actually lost to FWA yearly could be much more than this.

Discovery Health's own detailed calculations show that fraud, waste and billing abuse against its 19 medical scheme clients, make up at least **3% to 7.5% of the claim amounts every year.** Looking at Discovery Health Medical Scheme alone, this means that the scheme members lose between R700 million and R1.7 billion of their combined money, to FWA every year.

The extent of these losses is apparent. Between 2012 and 2018, Discovery Health saved members of medical schemes under its administration, over R7.8 billion in recovered funds, as a result of fraud and forensics activities, with a halo impact, that is, relating to subsequent behaviour change by healthcare professionals, of R6.3 billion. In 2018 alone, Discovery Health recovered just over R500 million on behalf of Discovery Health

Medical Scheme. All FWA recovered funds are paid back directly to medical schemes, restoring and protecting member contributions.

Acting in accordance with our legal (fiduciary) duty

Medical schemes have a duty to make sure that members' money is treated with due care and to make sure that they only pay valid medical claims. If we fail to achieve this, it is not only a breach of the scheme's commitment to you (our members), but it also leads to increases in your scheme contributions, and it can make schemes unaffordable.

Discovery Health is the leading administrator and managed care provider in the market. It is, therefore, our mandate and duty to examine the accuracy and legality of claims from the schemes within the law, exercising fairness throughout. We have done very well in this responsibility and led the industry by developing:

- Sophisticated forensic algorithms. (An algorithm is a process or a set of rules that must be followed in calculations or other problem-solving tasks).
- Methodologies (a system of carrying out processes).
- Processes (a series of steps).

Discovery Health and Discovery Health Medical Scheme respect the recommendations of the panel.

1. We support the panel's recommendation of greater oversight by the CMS and the Health Professions Council of South Africa (HPCSA) to make sure that corruption and FWA are rooted out of our society.
2. We also support the panel's recommendation that the HPCSA expedite hearings in relation to practitioners charged with FWA.
3. We welcome the panel's important finding that Section 59 of the Medical Schemes Act does not need to be changed. Section 59 is the section which underpins medical schemes' ability to recover money paid out inappropriately. **The panel has confirmed that our FWA processes are necessary and justifiable and aligns with the independent legal opinions, audits and reviews that we have frequently ordered for our own forensic processes.**
4. We also welcome the panel's recommendations of actions that could be taken to strengthen FWA processes. It is necessary to guarantee fairness, objectivity and transparency in these processes. We now regularly make sure that an independent observer takes part at all healthcare provider hearings, to guarantee fairness.

Our unwavering commitment to promote and support a diverse healthcare profession

We have always been committed to promoting a diverse healthcare profession in our country – one that reflects our demographic profile – as this is important to a sustainable and fair healthcare sector. We are not only committed to transformation in the healthcare sector but also very aware of the complex challenges healthcare professionals face.

We want to remind you of our all-inclusive approach to feeding sustainability of the healthcare sector. We do this by giving widespread support to healthcare practices through:

- Our healthcare provider relations team
- The Discovery Foundation and
- The Discovery Fund.

Discovery has also contributed significantly to the training of healthcare specialists, to building up healthcare in rural areas and to ongoing, leading clinical research. We assure you that our support to local healthcare professionals is unwavering.

We take the interim report's findings very seriously.

We strongly support both transformation of the healthcare sector and driving continuous improvement to increase the rigour and fairness of every forensic process.

We strongly maintain that there is no racial discrimination in our fraud, waste and billing abuse processes whatsoever. We also respect the panel's process and recommendations and will work hard within the healthcare system to make sure that outcomes are satisfactory, balanced and representative in future.

Aligned to our values of being a force for social good and embracing diversity, we are determined to contribute to strengthening the social drivers and other socio-economic factors in the healthcare system. In the panel's own description, these contribute to the disproportionate outcomes reported on.

We stay committed to working constructively with the CMS to address the challenges healthcare providers face whilst encouraging and facilitating ethical conduct. We are also completely devoted to constructively taking part in the country's broader dialogue and pathway to full transformation.

Regards

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The Discovery Health Medical Scheme is an independent non-profit entity governed by the Medical Schemes Act, and regulated by the Council for Medical Schemes. It is administered by a separate company, Discovery Health (Pty) Ltd, an authorised financial services provider.