

# Discovery accused of misleading

Discovery Health Medical Scheme is collecting a cool R114 million a year for "ancillary services" from a third of its members. But the Council for Medical Schemes says many Discovery members have been misled into subscribing to this service. **Laura du Preez reports**

Discovery Health Medical Scheme is "misleading" many of its members into parting with R114 million that they do not need to pay to belong to the scheme, the Council for Medical Schemes says.

Pat Sidley, the council's spokesperson, says the scheme and its administrator have been practising conditional selling, which is illegal in terms of the Medical Schemes Act. However, Discovery Health, the scheme's administrator, denies that the way it has provided members with certain add-on services and charged them for these services amounts to conditional selling or that it intended to mislead members.

At the same time, the council says, the scheme and its administrator are contravening the Medical Schemes Act by collecting contributions and other fees through a single debit order on members' bank accounts.

You may be one of about 244 000 members of Discovery Health Medical Scheme who are each paying an extra R468 a year – amounting to a total of R114 million – to enjoy voluntary additional services that Discovery Health provides.

These ancillary services, which cost R39 a month, include access to the DiscoveryWorld website, daily claims payment with SMS or email notification and an emergency response service.

Discovery Health is of the view that members have agreed to pay for these ancillary services, but the council, at least one financial adviser and his clients do not agree.

They believe Discovery Health has not asked most of its members for permission to charge them for these services, nor has Discovery Health notified members that they can refuse these services and avoid the R39 a month fee.

Only members who join Discovery Health Medical Scheme as individuals or in a group of less than 35 people are charged for the ancillary services. Members who join in larger groups enjoy these services for free.

## APPLICATION FORM

Sidley says Discovery Health Medical Scheme's current membership application form does not define the services or what they cost. The form also does not give members the option to accept or decline these services and as a result is "misleading".

The current membership application form merely includes a sentence that states: "I hereby consent to pay Discovery Health (Pty) Limited an Ancillary Service Fee in return for the provision of additional services to me and my dependants."

Earlier application forms, which were used to sign up members before 2004, did not include any reference to a similar ancillary fee.

Sidley says if the services are being provided as part of scheme membership, they should be detailed in the

scheme's rules. The scheme's rules, which have to be approved by the council, do not detail these services. Sidley says if the ancillary fee is paid to a third party which provides the services, the Medical Schemes Act is being contravened and "it amounts to conditional selling".

Alan Pollard, Discovery Health's head of research and development, says it has not been Discovery's intention to mislead members, but it realises that a proper communication campaign is warranted, and plans to take active steps to communicate with all members who are paying for the ancillary services.

Pollard says that before the Medical Schemes Act was implemented in 2000, the ancillary services were provided to members as part of the administration agreement Discovery Health had with the scheme.

However, the Act made it illegal for a medical scheme to do anything other than the business of a medical scheme and, at that stage, Discovery decided to provide the services to members on a voluntary basis. From that time the scheme's rate tables and quotations prepared for companies reflected contribution fees and the ancillary fees separately.

Members querying their contributions via DiscoveryWorld can also see a breakdown of their membership fees, he says.

However, Pollard admits that, at the time of the change, neither the scheme nor the administrator asked members whether or not they wanted to continue receiving the services and paying for them once they became voluntary.

Pollard says the administrator "assumed that members would want to continue enjoying the services", because they "were an integral part of the product they had before".

He says the services have always been "as inclusive as possible" for two reasons – they "enhance the overall experience that the member has of Discovery" and a high take-up means the charges for these services can be kept "affordable".

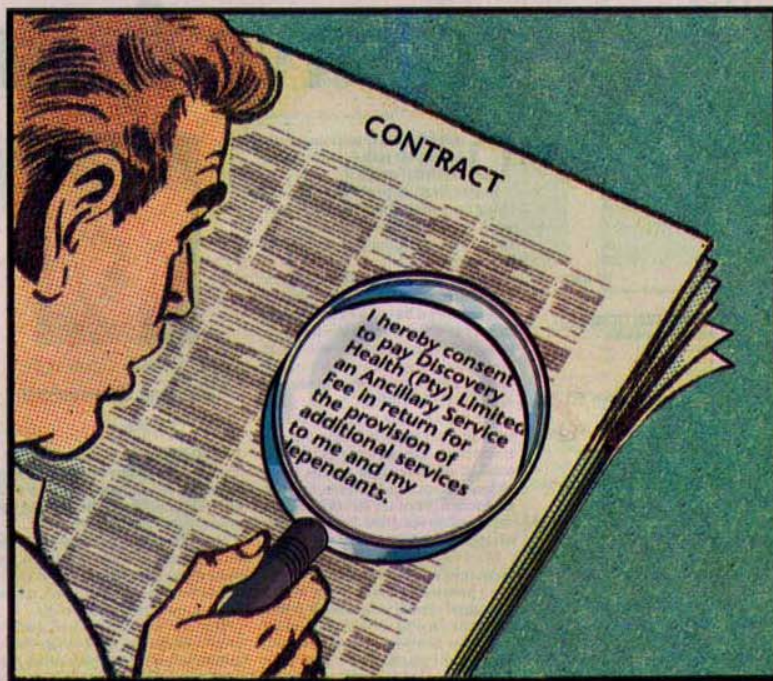
Pollard says members consented to paying the ancillary fees when they took out membership because the fees were in the rate card.

However, he has confirmed that the payment of the ancillary fee is voluntary and members can deselect it at any time by writing to Discovery or phoning the call centre.

He says the application form will be improved and in the interim, "new members may delete the declaration to subscribe to these benefits" on the form.

## AN ADVISER'S EXPERIENCE

A Discovery call centre in KwaZulu-Natal, however, recently told a Pietermaritzburg-based financial adviser, who telephoned on behalf of his clients, that the ancillary fee was compulsory. The adviser's clients



had recently become aware that they were paying R39 a month for the ancillary services against their wishes and wanted to stop the service.

The adviser, Wynand Venter of Wynsam Wealth, says the Discovery service centre told him that his clients could not stop paying the ancillary fee.

Pollard says Venter was given incorrect information. He says Discovery's call centres have been instructed to say that the ancillary services and related fee are voluntary and he is sure the Pietermaritzburg office had given the incorrect information in an isolated case.

But Sidley says that she was also told by a call centre late last year that the fee was compulsory.

## SINGLE DEBIT ORDER

Discovery members who have not familiarised themselves with Discovery's rate card or been given a quotation may not be aware that they are paying the R39 a month ancillary fee because their contributions, the ancillary service fee and any fees they may be paying to belong to Vitality – Discovery's health rewards programme – are all deducted from their account in one debit order.

Sidley says this is a contravention of the Medical Schemes Act, which forbids medical schemes from collecting money on behalf of third parties, and also forbids third parties from collecting medical scheme contributions on schemes' behalf.

The council and Discovery have been in discussions about how to resolve the issue since last year.

Pollard says Discovery would prefer to avoid having to collect contributions and the other fees via two separate debit orders, because this

would incur additional bank charges for members.

He says Discovery has recommended to the council that the money be collected in a single debit order and placed in a holding account, from where the medical scheme contributions can be diverted to the scheme's bank account and the ancillary and Vitality fees be paid to Discovery Health.

Patrick Masobe, the Registrar of Medical Schemes, has confirmed that the council is considering this proposal, because it is aware that Discovery has some "practical problems". Pollard says Discovery will abide by whatever decision the regulator makes on this issue, but the matter has yet to be finalised.

## REFUNDS

Venter's clients have asked Discovery for a refund of the ancillary fees they have paid since the Medical Schemes Act was implemented in 2000. Venter says his clients never agreed to pay the R39 a month fee.

But Pollard says that "in view of the fact that all members have enjoyed the benefits from these services ... it would be inappropriate to refund the fees retrospectively".

Venter says his clients will continue to fight for a refund and will go to court if they have to.

In charging members who join the scheme as individuals or groups of less than 35 a fee for the ancillary services, while providing them free to larger groups, Venter says, Discovery is "discriminating" against individuals and small businesses.

Pollard says individual members and those in smaller groups are "cross-subsidising" the provision of the ancillary services to corporate

members, but larger groups are cheaper to administer and corporate groups are therefore subsidising the administration fees of the smaller groups. However, administration fees are part of members' contributions and medical schemes are prohibited from charging certain members more than others, unless contributions are based on the members' income or number of dependants.

Venter says a number of the services that Discovery charges for are provided free to members of other schemes, and he believes that Discovery makes "a substantial profit" from this charge.

Pollard says the services are well-used and Discovery Health has spent a large amount of money developing the services.

He says 50 000 claims are paid daily to members. If a member does not pay the ancillary service fee, their claims will only be processed during a once-a-month claims run.

Half of Discovery's 660 000 members use the DiscoveryWorld website. Of the 244 000 members who pay the ancillary fee, 164 000 are registered for the emergency response service, Discovery Response.

You have to register and record details about your next of kin, doctors, allergies and so on, to enjoy access to Discovery Response. Your details and your location, which is established from your cellphone through global positioning technology, are used to assist you if, in an emergency, you call the Discovery Response emergency number.

Venter says many of his clients are paying for this service, but have not registered for it and this is an indication that they are unaware of what they are paying for.

## Discovery holds out premium refund carrot

BRUCE CAMERON

Discovery Life, which shook the life assurance risk market when it was established three years ago, is about to launch a world first by refunding premiums to policyholders depending on their health status.

Discovery Life has introduced major innovations to risk life assurance, particularly by selling only risk assurance against death and disability. It does not sell investment products.

The move forced most of the life companies, which traditionally sold life and investment assurance as single

terms of the rand value of the medical scheme claims you make each year, as well as your Vitality status. The lower your claims, the higher the life assurance premium refund you receive after five years.

The refunds vary from zero to 50 percent on a sliding scale.

To receive the maximum refund of 50 percent, you must have a "gold" Vitality status, belong to Discovery Health's comprehensive or priority options and your claims may not exceed R3 250 a year.

The maximum amount that you may claim differs between the various Dis-

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Personal Finance: Row over Discovery Health's R114-million 'add-on' services fee