

Discovery offers aid in public health

21 FEBRUARY 2018 - 05:55 HANNA ZIADY

Discovery CEO Adrian Gore says he would welcome the opportunity to partner with the government in scaling some of the insurer's healthcare innovations across the public sector, at no financial benefit.

"There isn't enough collaboration between the public and private sector. Hopefully under the new leadership, I think we can do a lot more," Gore said on Tuesday following the release of Discovery's interim results.

SA's National Health Insurance (NHI), still at an embryonic stage, seeks to improve the quality of healthcare available to poorer citizens who cannot afford private medical aid. But even in a developed market such as the UK, the National Health Service is facing considerable financial pressure, suggesting that the NHI will succeed only via partnerships between government, medical schemes and healthcare providers.

Discovery Health Medical Scheme is SA's largest, boasting a 56% market share (2.78-million lives). Administrator Discovery Health manages more than 3.4-million lives.

Discovery's intellectual property was "an incredible asset in terms of its ability to connect the dots" in the healthcare value chain and understand the drivers of cost and behaviour, Avior Capital Markets analyst Warwick Bam said.

"A lot of our systems, such as HealthID and Dr Connect, could be scaled across the public sector. Talking off the cuff, I would be supportive of us doing that for no return at all," Gore said.

HealthID is an electronic record of a patient's medical history. DrConnect provides online access to medical information, facilitating interactions between patients and doctors.

While the lack of trust between the public and private sector was a barrier, there was massive opportunity.

"We could be funding much more stuff, not just in health insurance but in healthcare delivery and training of doctors," said Gore.

Founded in 1992, Discovery is today a business with a market value of R118bn.

For the six months to December, normalised operating profit rose 19% to R4bn on strong growth from established and new businesses.

Discovery's emerging businesses, Discovery Insure, Vitality Group and Ping An Health, swung from a R130m loss in the previous comparable period to a R66m profit. It is the first time that all three posted profit.

The profitability of Discovery's interest in Ping An Health, China's fastest-growing health insurer, jumped 500% to R36m. The size of the China opportunity was probably larger than already high market expectations, but this would take time and possibly more capital to bring to fruition, said Kagiso Asset Management portfolio manager Justin Floor.

Discovery invested R352m, or 8% of profit, in new initiatives, including its bank and Vitality Invest in the UK.

As a business that invested almost all of its cash into new initiatives, Discovery had been "trying harder than before" to convince the market that its business was well managed and that cash flow was under control, said Bam. The assumptions baked into its numbers, although based on the group's extensive data sets and dynamic risk-pricing, did require investors to "trust management".

There was a lot of potential for Vitality partnerships in Latin America, said Gore.

Discovery's share price, which leapt 62% in 2017, closed 3.13% up at R182.07.

ziadyh@businesslive.co.za