



QUARTERLY REPORTS

for the period ended 30 June 2010

November 2010

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 June 2010. Budget information for the second quarter of 2010 is also provided for comparative purposes. This report reflects consolidated industry data only, as data on an individual scheme level has not been audited and could therefore not be made available to the public.

Please note that due to non-availability of information, there is one large medical scheme that has been excluded from this report.

CMS provides no assurance on reliability of budget figures contained in this report.

Monitoring the financial performance and soundness of medical schemes – a brief summary of the most important trends

Accumulated funds and solvency levels

- The overall industry average solvency level decreased by 8.6% from the audited solvency level of 32.9% at 31 December 2009 to 30.1% at 30 June 2010. This is mostly attributable to the benefit designs and seasonality of claims patterns of the medical schemes and the fact that solvency is calculated on annualised gross contributions.
- The solvency level at 30 June 2010 was 2.0% higher than the budgeted solvency level of 29.5% for the same period.
- On an industry level, the solvency level exceeded the required minimum level of 25.0%, as per Regulation 29(1) of the Medical Schemes Act 131 of 1998, for both open and restricted schemes.
- The 14 (2009: 16) open schemes that failed to meet the prescribed solvency level at 30 June 2010 represent 19.0% (2009: 20.6%) of the total open schemes' beneficiaries.
- Only 7 (2009: 6) restricted schemes were below 25.0%, representing 45.8% of total restricted scheme beneficiaries.
- In total 20.0% of all registered medical schemes are below 25%, representing 30.2% of all beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased with 0.5% from R3 508.6 at 31 December 2009 to R3 526.4 at 30 June 2010. The net asset value per beneficiary at 30 June 2010 was 1.6% lower than the budgeted net asset value of R3 582.3 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 1.0% from 3 488 009 at 31 December 2009 to 3 522 330 at 30 June 2010. With the inclusion of the one large scheme whose information is not included in this report, total principal members is 3 561 028, representing a 2.1% increase in total principal members.
- The number of total beneficiaries increased by 0.3% from 8 068 505 at 31 December 2009 to 8 095 476 at 30 June 2010. With the inclusion of the one large scheme whose information is not included in this report, total beneficiaries is 8 195 338, representing a 1.6% increase in total beneficiaries.
- The average number of members of 3 490 299 for the period ended 30 June 2010 was 0.8% higher than budget, and the average number of beneficiaries of 8 033 749 was 1.9% higher than budget.

- The industry average age for all registered schemes for the period ended 30 June 2010 was 32.0 (2009: 31.6) years and the proportion of pensioners, 6.8% (2009: 6.5%).

Contributions and relevant healthcare expenditure

- Total gross contribution income for all medical schemes amounted to R47.4 billion for the period ended 30 June 2010, which was 0.3% lower than the budget of R47.3 billion for the same period.
- The gross contribution per average beneficiary per month was R984.4 for the period ended 30 June 2010. Gross relevant healthcare expenditure per average beneficiary per month was R901.6 for the period ended 30 June 2010.
- The gross contributions per average beneficiary per month at 30 June 2010 of R984.4 went up by 10.6% from R890.0 at 31 December 2009.
- Total risk contributions of R43.1 billion was 0.3% lower than budget. The risk contribution per average beneficiary per month for the period ended 30 June 2010 was R894.1.
- The relevant healthcare ratio of 88.3% at 30 June 2010 exceeded the budgeted relevant healthcare ratio of 87.6% with 0.8%. The relevant healthcare per average beneficiary per month for the period ended 30 June 2010 was R789.6. Total relevant healthcare for the period ended 30 June 2010 was R38.1 billion compared to the budgeted relevant healthcare of R37.9 billion, representing a 0.5% variance.
- The utilisation of the prior year's outstanding claims provision was 94.7% for all schemes as at 30 June 2010.

Non-health expenses

- Total non-health expenses for all medical schemes amounted to R5.6 billion for the period ended 30 June 2010, which was 2.4% higher than the R5.5 billion budgeted for.
- The non-health expense per average beneficiary per month for the period ended 30 June 2010 was R117.0, which was 3.2% higher than the industry average of R113.4 at 31 December 2009.
- Non-health expenses, when expressed as a percentage of risk contributions, decreased from 14.0% at 31 December 2009 to 13.1% at 30 June 2010.

- At 30 June 2010, the industry averages of the various components of non-health expenses expressed as a percentage of total non-health expenses were as follows:

	<u>June '10</u>	<u>Dec '09</u>
- Gross administration expenses	67.6%	69.3%
- Managed care: management services	19.5%	17.2%
- Broker service fees (including distribution costs and broker fees)	11.1%	11.9%
- Net impairment losses: trade and other receivables	1.7%	1.5%

Operating results

- Registered medical schemes incurred net healthcare deficits (before taking investment and other income into account) of R601.8 million compared to a budgeted deficit of R157.3 million at 30 June 2010. The total deficit for net healthcare results exceeded the budget by 282.5%.
- Open schemes incurred net healthcare results (before taking investment and other income into account) of R114.0 million compared to a budget of R24.4 million whereas restricted schemes incurred deficit (before taking investment and other income into account) of R715.8 million compared to a budgeted deficit of R181.8 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R719.2 million at 30 June 2010 compared to a budgeted surplus of R992.2 million, which represents an actual to budget variance of 27.5%.

Investments

- The current assets to current liabilities ratio for open schemes at 30 June 2010 is 2.4 (2009: 2.6), whereas for restricted schemes it is 2.7 (2009: 3.5).
- The total assets to total liabilities ratio for open and restricted schemes is 3.1 (2009: 3.4) and 3.4 (2009: 4.0) respectively.

REGULATION 29: MINIMUM ACCUMULATED FUNDS (SOLVENCY RATIO)

Annexure A

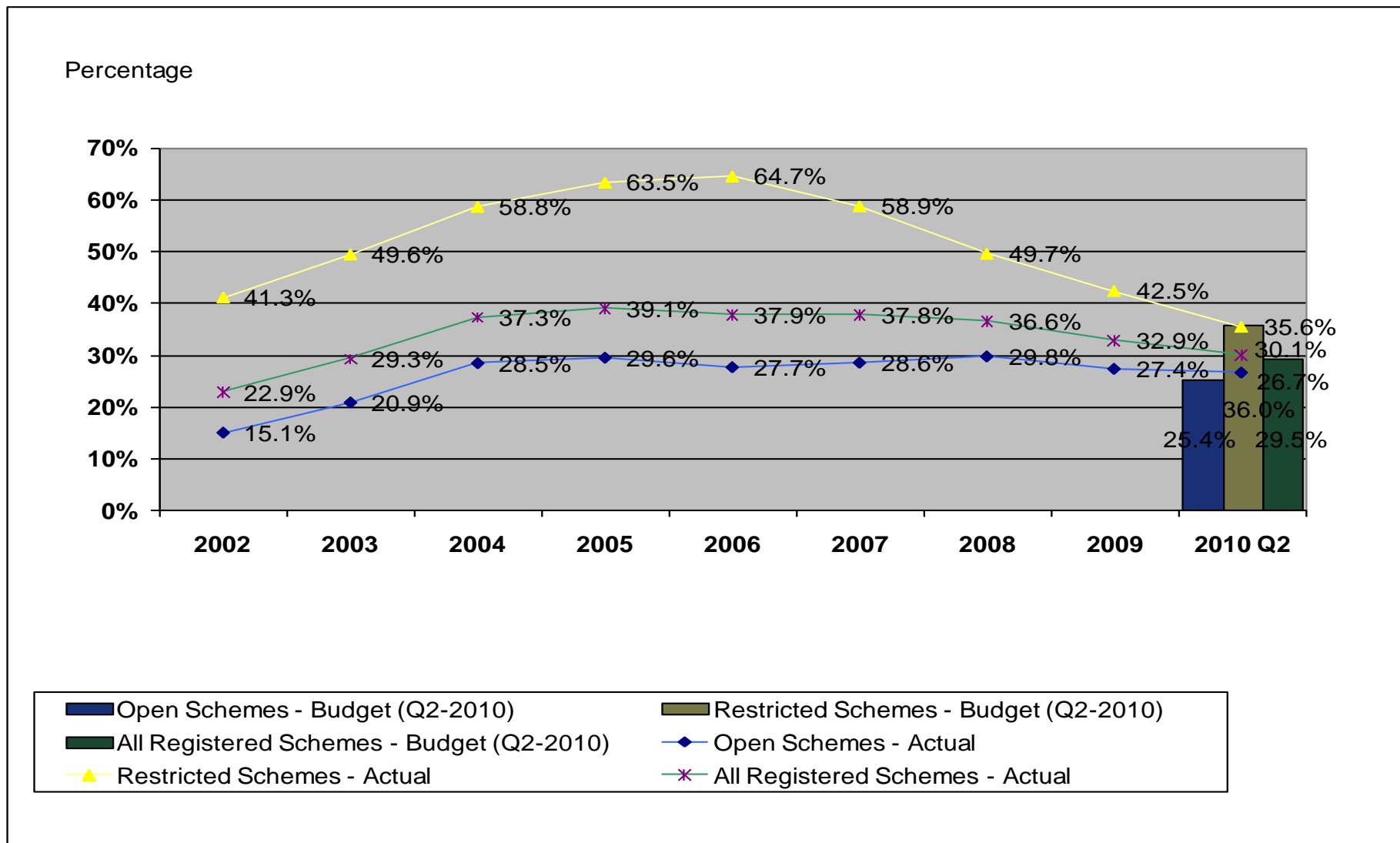
INDUSTRY AVERAGE:

Please note that the 2003 amounts have not been restated.

	2002	2003	% Change 2003	2004	% Change 2004	2005	% Change 2005	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010 - Quarter 2 Actual	2010 - Quarter 2 Budget	% Change Actual 2010 vs Budget 2010
Open schemes	15.1%	20.9%	38.8%	28.5%	36.4%	29.6%	3.7%	27.7%	-6.2%	28.6%	3.2%	29.8%	4.2%	27.4%	-8.1%	26.7%	25.4%	5.0%
Restricted schemes	41.3%	49.6%	20.2%	58.8%	18.6%	63.5%	8.0%	64.7%	1.8%	58.7%	-9.2%	49.7%	-15.3%	42.5%	-14.5%	35.6%	36.0%	-1.3%
All registered schemes	22.9%	29.3%	28.2%	37.3%	27.3%	39.1%	4.8%	37.9%	-3.1%	38.0%	0.3%	36.6%	-3.7%	32.9%	-10.1%	30.1%	29.5%	2.0%

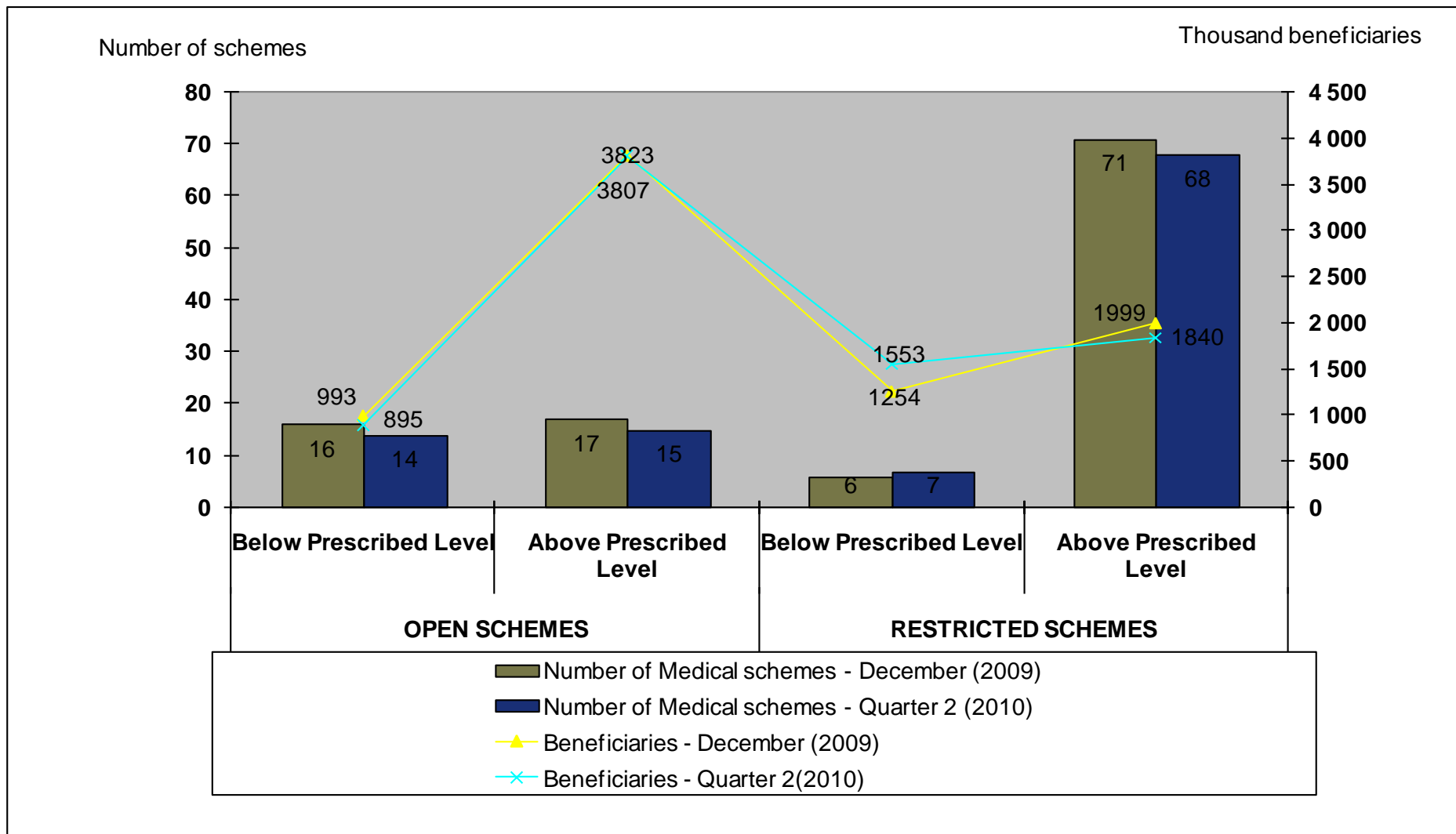
SOLVENCY RATIO

Annexure B



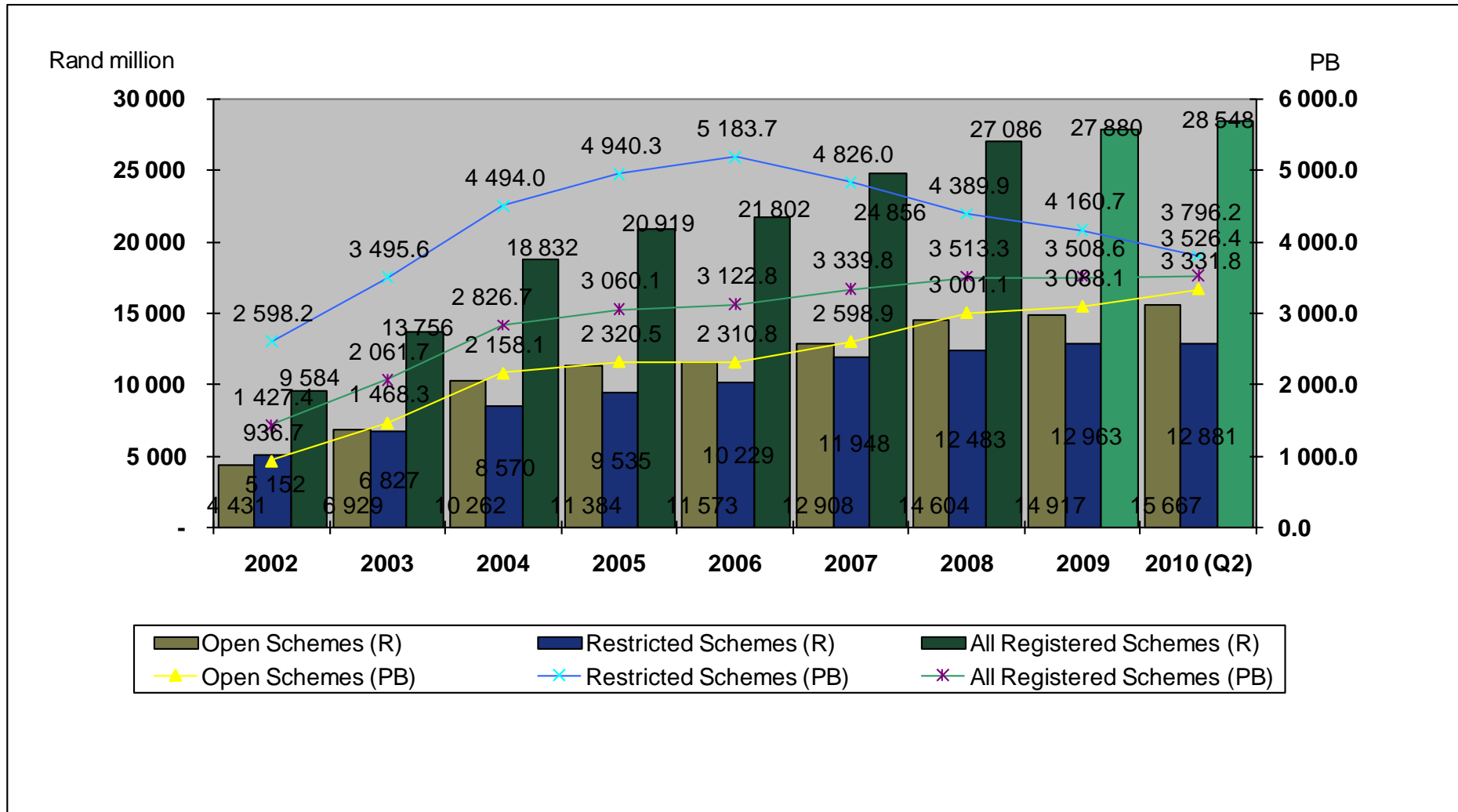
PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES

Annexure C



NET ASSETS PER REGULATION 29

Annexure D



INCOME STATEMENT DETAILS for the period ended 30 June 2010

Annexure E

* PB = Per Beneficiary

All references to relevant healthcare expenditure indicate claims and benefits.

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2,116,177	1,374,122	3,490,299
Average beneficiaries		4,700,989	3,332,760	8,033,749
Average age	Years	33.4	29.9	32.0
Pensioner ratio (65+ years)	%	7.8	5.4	6.8
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	29,385,607	18,064,030	47,449,637
Gross relevant healthcare (gross +PMSA) (Note a)		26,132,439	17,328,619	41,461,048
Gross Administration Expenses (risk + PMSA)		2,755,845	1,058,915	3,814,761
Total fees paid to third-party administrators (included in gross administration) (Note b)		2,127,965	788,262	2,916,228
Managed care: management services		730,739	369,382	1,100,120

INCOME STATEMENT DETAILS for the period ended 30 June 2010

Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Broker service fees (including distributions costs)		611,246	15,899	627,146
Net impairment losses: trade and other receivables		88,087	9,458	97,545
Net healthcare results	R'000	113,975	(715,789)	(601,814)
Surplus/ (deficit)		830,614	(111,374)	719,240

NOTES:

- a) Including managed care: healthcare benefits included in risk transfer arrangements.
- b) Including direct administration fees, co-administration fees and indirect expenses paid.

* PMSA = Personal Medical Savings Account

BALANCE SHEET DETAILS at 30 June 2010

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 30 June 2010		2,124,604	1,397,726	3,522,330
Dependants at 30 June 2010		2,577,833	1,995,313	4,573,146
Beneficiaries at 30 June 2010		4,702,437	3,393,039	8,095,476
Non-current assets	R'000	5,881,412	6,047,664	11,929,077
Current assets	R'000	18,049,139	13,450,247	31,499,386
Trade & other receivables	R'000	3,680,122	1,062,829	4,742,951
	Contribution days outstanding	13.7	7.5	11.4
Cash & cash equivalents	R'000	9,950,745	8,273,402	18,224,148
Total assets	R'000	23,930,551	19,497,911	43,428,463

BALANCE SHEET DETAILS at 30 June 2010

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members' funds (net assets per BS)		16,224,553	13,697,960	29,922,513
Accumulated funds		15,732,083	12,818,011	28,550,094
Non-current liabilities		61,517	821,145	882,662
Current liabilities		7,644,481	4,978,806	12,623,287
Trade & other payables		2,380,897	1,733,202	4,114,099
Savings liability		2,920,250	1,482,247	4,402,497
Outstanding claims provision		2,343,334	1,763,358	4,106,691
	Prior year claims provision utilised %	94.1	96.7	94.7
Total liabilities	R'000	7,705,998	5,799,951	13,505,949

BALANCE SHEET DETAILS at 30 June 2010

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Total assets: total liabilities		3.1	3.4	3.2
Current assets: current liabilities		2.4	2.7	2.5
Gross claims incurred: cash & cash equivalents coverage	Months	3.3	2.1	1.8
Net assets per Regulation 29	R'000	15,667,355	12,880,771	28,548,126
Solvency ratio	%	26.7	35.6	30.1

NOTES:

* In respect of trade and other receivable outstanding days, the denominator is annualised gross contributions.

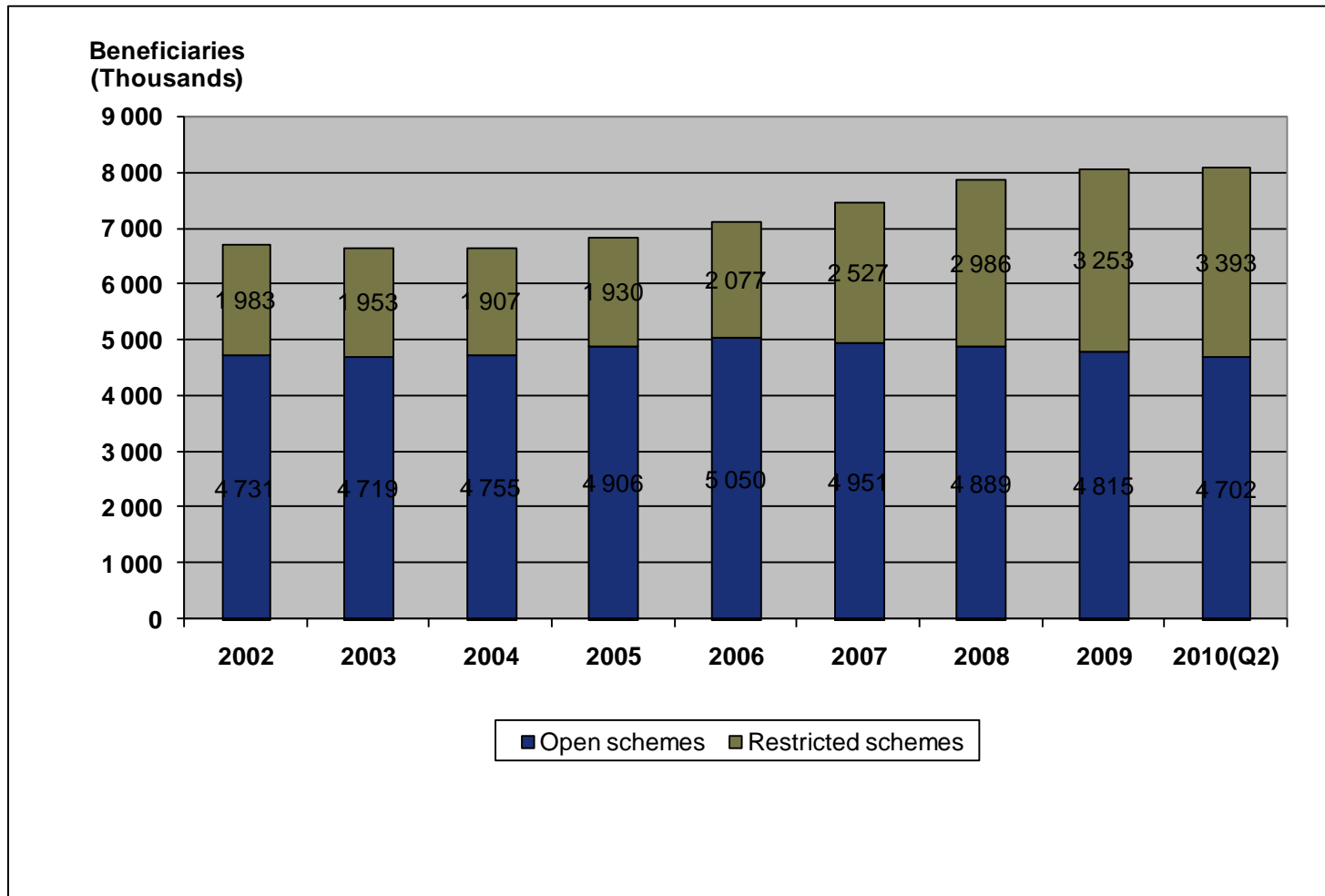
* In respect of prior year claims provision utilised = prior year payments / provision at the beginning of the year.

* In respect of gross claims incurred: cash & cash equivalents coverage = cash and cash equivalents includes current investments.

* We do not express an opinion on the accuracy of the split between current and non-current assets, and current and non-current liabilities.

NUMBER OF BENEFICIARIES

Annexure G



**DETAILED FINANCIAL INFORMATION:
ACTUAL V BUDGET
for the period ended 30 June 2010**

Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2,116,177	2,091,880	1.2%	1,374,122	1,371,115	0.2%	3,490,299	3,462,995	0.8%
Beneficiaries		4,700,989	4,607,091	2.0%	3,332,760	3,278,258	1.7%	8,033,749	7,885,349	1.9%
Gross Contribution Income (GCI)	R'000	29,385,607	29,411,337	-0.1%	18,064,030	17,915,603	0.8%	47,449,637	47,326,940	0.3%
Risk Contribution Income (RCI)		25,895,416	25,984,675	-0.3%	17,203,842	17,252,075	-0.3%	43,099,258	43,236,750	-0.3%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		26,132,429	N/A	0.0%	17,328,619	N/A	0.0%	43,461,048	N/A	0.0%
Relevant healthcare incurred (incl. managed care claims) (Note a)		21,595,524	21,874,191	-1.3%	16,465,332	16,014,341	2.8%	38,060,856	37,888,533	0.5%
Gross (incl. PMSA)/net non-health expenses		4,185,917	4,086,080	2.4%	1,454,299	1,419,486	2.5%	5,640,216	5,505,566	2.4%
Net healthcare results		113,975	24,403	367.0%	(715,789)	(181,752)	293.8%	(601,814)	(157,349)	282.5%
Surplus/(deficit)	R'000	830,614	714,457	16.3%	(111,374)	277,693	-140.1%	719,240	992,151	-27.5%

**DETAILED FINANCIAL INFORMATION:
ACTUAL V BUDGET
for the period ended 30 June 2010**

Annexure H

	OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
	Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Quarter end reserve position (per Regulation 29) (Note c)	15,667,355	15,009,738	4.4%	12,880,771	13,237,761	-2.7%	28,548,126	28,247,499	1.1%

NOTES:

a) Including managed care: healthcare benefits included in risk transfer arrangements.

b) Gross non-health expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

c) The budgeted amount was calculated by using the budgeted accumulated funds per Balance Sheet as basis, and by adjusting for the following actual amounts as at 30 June 2010: cumulative net gains on disposal of investments and property plant and equipment included in the Income Statement, specific assets encumbered for third-party liabilities and sub-ordinated loans as approved by the Council.

* PMSA = Personal Medical Savings Account

* GCI = Gross Contribution Income

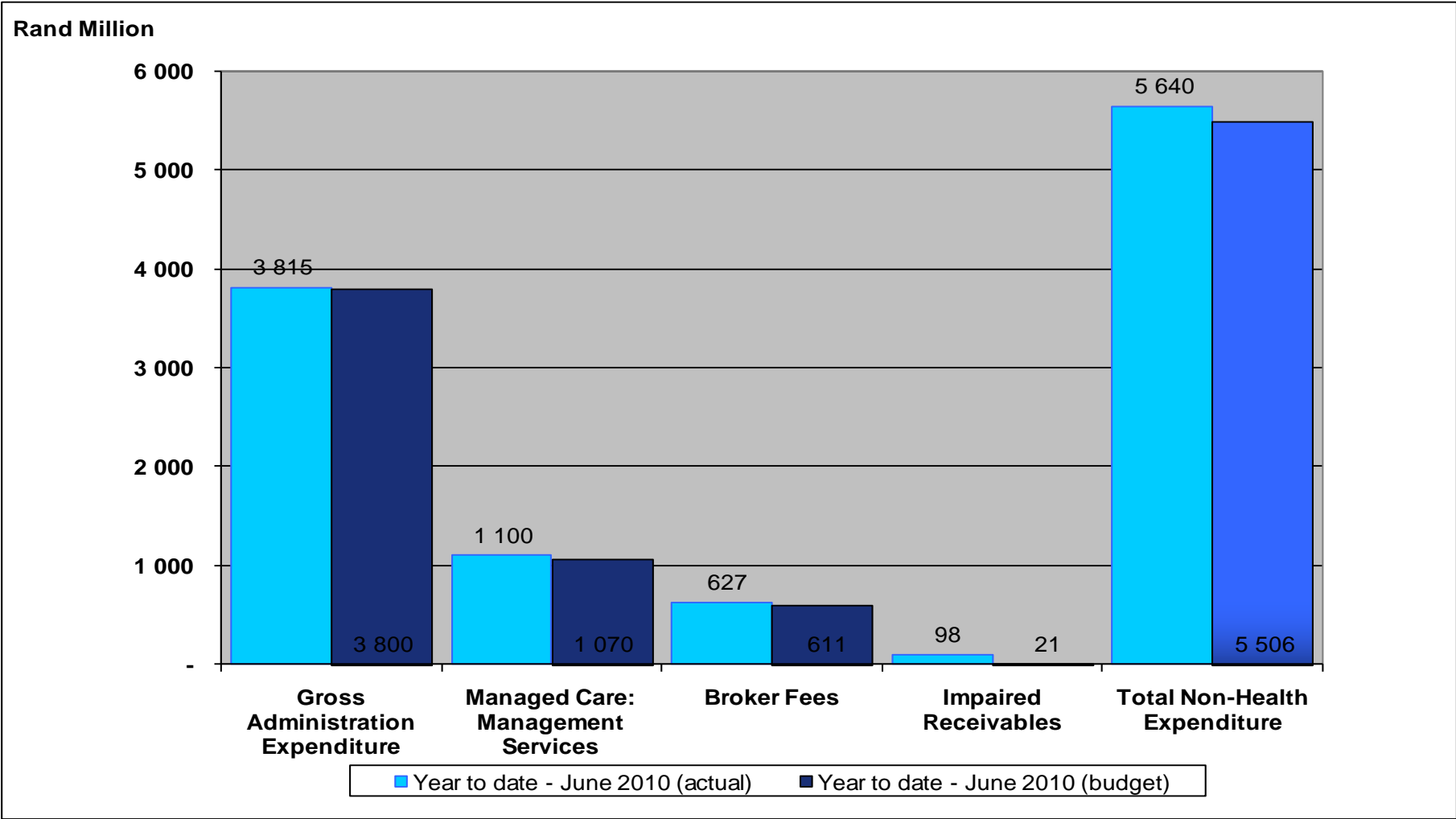
* RCI = Risk Contribution Income

* NA = information not available

We do not express an opinion on the accuracy of the budgeted figures submitted.

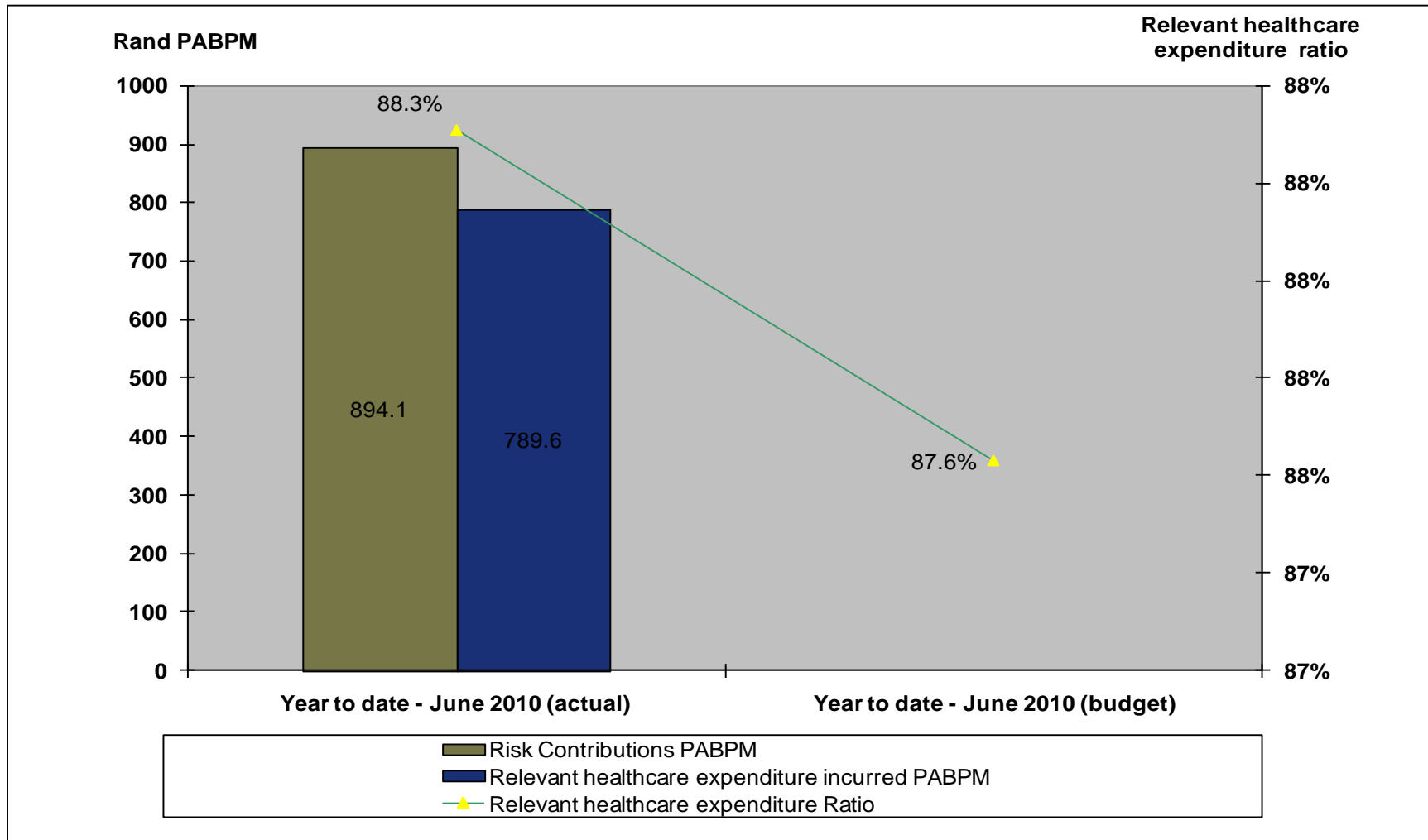
TOTAL NON-HEALTH EXPENDITURE

Annexure I



NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH

Annexure J



PABPM = per average beneficiary per month