



# **Quarterly Reports for the Period ending 30 June 2012**

**November 2012**

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## *INTRODUCTION*

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 June 2012. Budget information for the second quarter of 2012 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 can therefore not be made available to the public.

The Council for Medical Schemes (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 7.7% from the audited solvency level of 32.6% at 31 December 2011 to 30.1% at 30 June 2012. 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.
- Total reserves per Regulation 29 for all medical schemes amounted to R35.2 billion at 30 June 2012, which was 0.6% higher than the reserves of R35.0 billion as at 31 December 2011.
- The solvency level at 30 June 2012 was 1.0% higher than the budgeted solvency level of 29.8% 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 10 (2011: 9) open schemes that failed to meet the prescribed solvency level at 30 June 2012 represent 65.4% (2011: 60.0%) of the total open schemes' beneficiaries.
- Only 6 (2011: 5) restricted schemes were below 25.0%.
- The net asset value (per Regulation 29) per beneficiary decreased by 0.1% from R4 099.7 at 31 December 2011 to R4 095.2 at 30 June 2012. The net asset value per beneficiary at 30 June 2012 was 0.2% higher than the budgeted net asset value of R4 085.6 for the same period.

### *Membership, age distribution and pensioner ratio*

- The total number of principal members of registered medical schemes increased by 1.5% from 3 730 565 at 31 December 2011 to 3 784 697 at 30 June 2012.
- The number of total beneficiaries increased by 0.9% from 8 526 409 at 31 December 2011 to 8 598 862 at 30 June 2012.
- The average number of members of 3 760 128 for the period ended 30 June 2012 was 0.7% lower than budget, and the average number of beneficiaries of 8 560 120 was 1.0% lower than budget.
- The industry average age for all registered schemes for the period ended 30 June 2012 was 32.3 (2011: 31.6) years and the proportion of pensioners, 7.1% (2011: 6.6%).

### *Contributions and relevant healthcare expenditure*

- Total gross contribution income for all medical schemes amounted to R58.6 billion for the period ended 30 June 2012, which was 0.9% lower than the budget of R59.1 billion and 9.8% higher than the R53.4 billion for 30 June 2011.
- The gross contribution per average beneficiary per month was R1 141.2 for the period ended 30 June 2012. Gross relevant healthcare per average beneficiary per month was R1 060.1 for the period ended 30 June 2012.
- The gross contributions per average beneficiary per month at 30 June 2012 of R1 141.2 went up by 7.3% from R1 063.9 at 31 December 2011.
- Total risk contributions of R53.2 billion was 0.9% lower than budget but 9.8% higher than the R48.5 billion at the end of June 2011. The risk contribution per average beneficiary per month for the period ended 30 June 2012 was R1 035.9.
- The relevant healthcare ratio of 89.9% at 30 June 2012 was 1.3% higher than the budgeted relevant healthcare ratio of 88.7% and exceeded the 30 June 2011 ratio of 87.7% by 2.5%. The relevant healthcare per average beneficiary per month for the period ended 30 June 2012 was R930.9. Total relevant healthcare for the period ended 30 June 2012 was R47.8 billion compared to the budgeted relevant healthcare of R47.6 billion, representing a 0.3% variance. Compared to the same period of the previous year, total relevant healthcare increased by 12.5% from R42.5 billion in June 2011.

- Relevant healthcare expenditure per average beneficiary per month at 30 June 2012 of R930.9 went up by 11.3% from R836.3 at 31 December 2011.
- The utilisation of the prior year's outstanding claims provision was 101.0% for all schemes as at 30 June 2012.

### Non-health expenses

- Total non-health expenses for all medical schemes amounted to R6.5 billion for the period ended 30 June 2012, which was 1.5% lower than the R6.6 billion budgeted for and 7.1% higher than the R6.1 billion at the end of June 2011.
- The non-health expense per average beneficiary per month for the period ended 30 June 2012 was R126.4, which was 5.3% higher than the industry average of R120.1 at 31 December 2011.
- Non-health expenses, when expressed as a percentage of risk contributions, decreased from 12.4% at 31 December 2011 to 12.2% at 30 June 2012.
- At 30 June 2012, 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 '12</u>	<u>Dec '11</u>
- Gross administration expenses	67.7%	67.6%
- Managed care: management services	20.3%	20.1%
- Broker service fees (including distribution costs and broker fees)	10.6%	11.5%
- Net impairment losses: trade and other receivables	1.4%	0.9%

### Operating results

- Registered medical schemes incurred net healthcare deficits (before taking investment and other income into account) of R1.1 billion compared to a budgeted deficit of R543.4 million at 31 March 2012. The total deficit for net healthcare results is 102.2% larger than budgeted.
- Open schemes incurred net healthcare deficits (before taking investment and other income into account) of R269.1 million compared to a budgeted surplus of R56.7 million whereas restricted schemes incurred net healthcare deficits (before taking investment and other income into account) of R829.8 million compared to a budgeted deficit of R600.1 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R382.8 million at 30 June 2012 compared to a budgeted surplus of R708.8 million, which represents an actual to budget variance of 46.0%.
- In 2011 schemes incurred net healthcare deficits of R1.0 billion and net surpluses of R4.3 billion.

### Investments

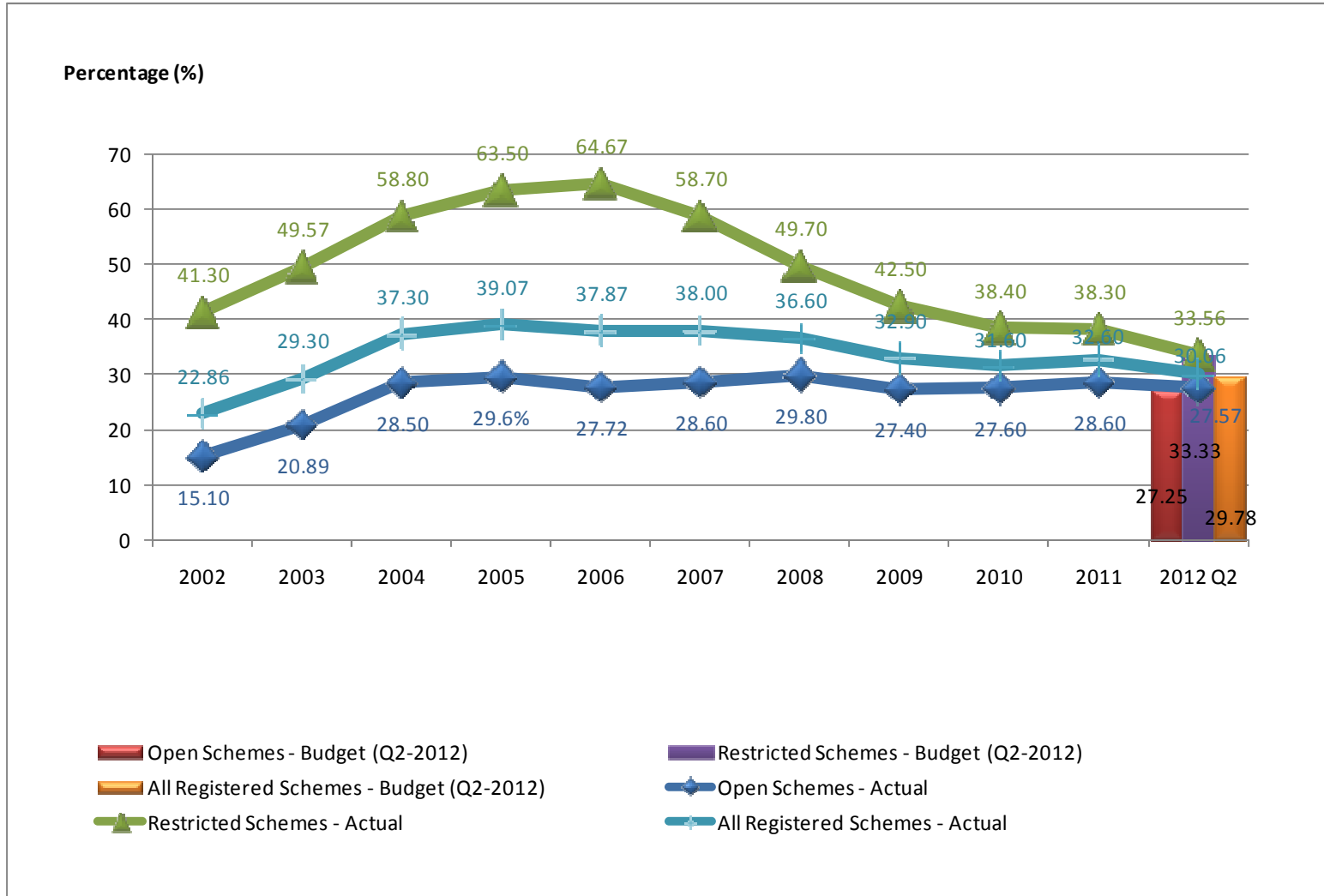
- The current assets to current liabilities ratio for open schemes at 30 June 2012 is 2.4 (2011: 2.8), whereas for restricted schemes it is 2.0 (2011: 3.2).
- The total assets to total liabilities ratio for open and restricted schemes is 3.2 (2011: 3.7) and 3.5 (2011: 4.1) respectively.

**REGULATION 29: MINIMUM ACCUMULATED FUNDS**  
**Annexure A**  
**(SOLVENCY RATIO)**

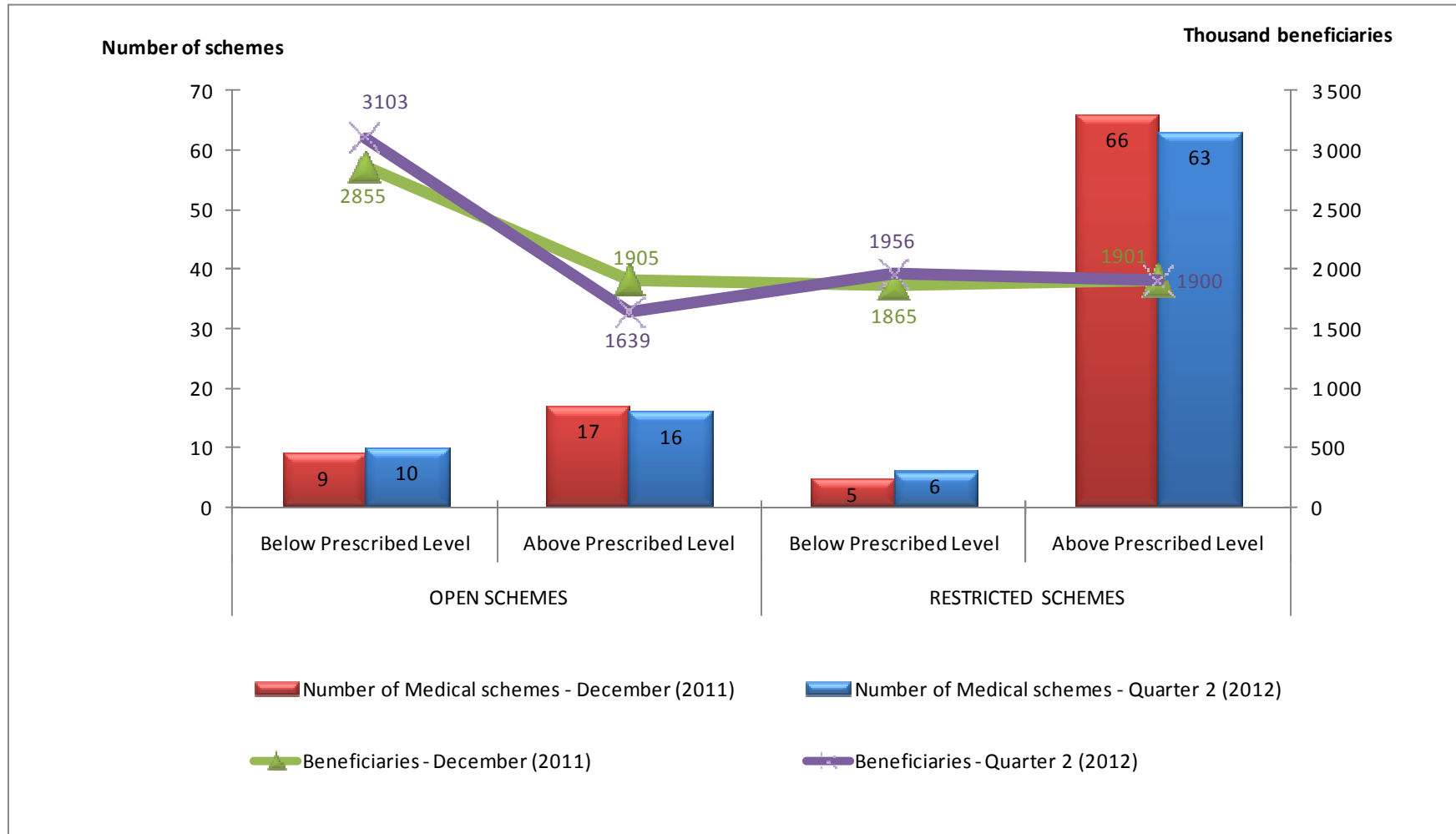
**INDUSTRY AVERAGE:**

	2005	% Change 2005	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010	% Change 2010	2011	% Change 2011	2011 Quarter 2 Actual	2012 - Quarter 2	2012 - Quarter 2 Budget	% Change Actual 2012 vs Budget 2012
Open schemes	29.6%	3.7%	27.7%	-6.2%	28.6%	3.2%	29.8%	4.2%	27.4%	-8.1%	27.6%	0.7%	28.6%	3.6%	27.5%	27.6%	27.3%	1.2%
Restricted schemes	63.5%	8.0%	64.7%	1.8%	58.7%	-9.2%	49.7%	-15.3%	42.5%	-14.5%	38.6%	-9.2%	38.3%	-0.8%	34.1%	33.6%	33.3%	0.7%
All registered schemes	39.1%	4.8%	37.9%	-3.1%	38.0%	0.3%	36.6%	-3.7%	32.9%	-10.1%	31.8%	-3.3%	32.6%	2.5%	30.1%	30.1%	29.8%	0.9%

**SOLVENCY RATIO GRAPH**  
Annexure B

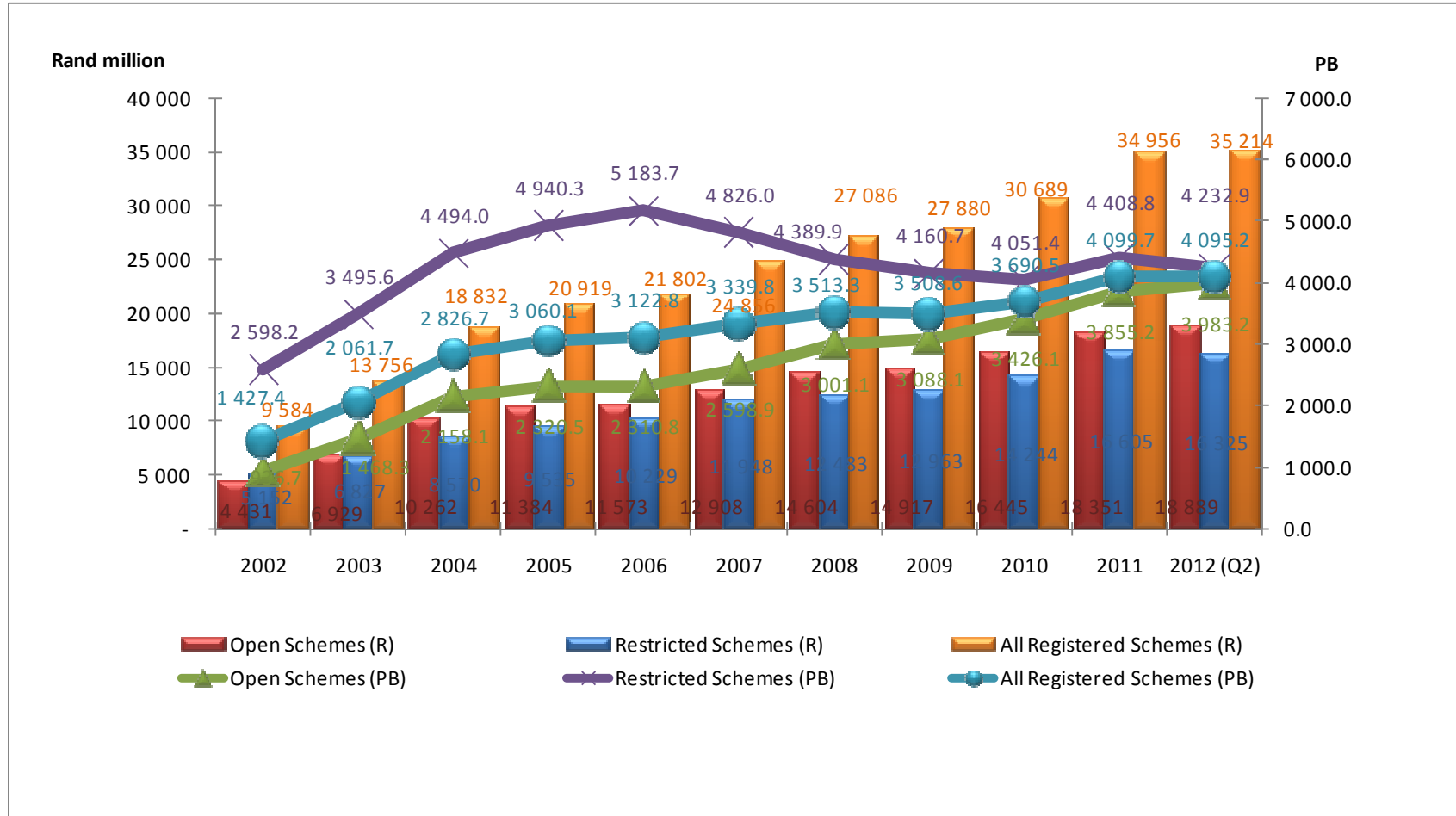


**PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH**  
Annexure C





**NET ASSETS PER REGULATION 29 GRAPH**  
Annexure D



\*PB = Per Beneficiary

**INCOME STATEMENT DETAILS**  
for the period ended 30 June 2012  
Annexure E

		<b>OPEN SCHEMES</b>	<b>RESTRICTED SCHEMES</b>	<b>TOTAL REGISTERED SCHEMES</b>
Average members		2,183,612	1,576,516	3,760,128
Average beneficiaries		4,740,128	3,819,992	8,560,120
Average age	Years	33.8	30.3	32.3
Pensioner ratio (65+ years)	%	8.2	5.9	7.1
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	34,434,282	24,178,578	58,612,860
Gross relevant healthcare (gross +PMSA) (Note a)		31,347,983	23,099,071	54,447,053
Gross Administration Expenses (risk + PMSA)		3,071,720	1,321,779	4,393,500
Managed care: management services		845,539	473,411	1,318,950
Broker service fees (including distributions costs)		663,315	24,311	687,626
Net impairment losses: trade and other receivables	R'000	70,645	21,277	91,923
Net healthcare results		(269,117)	(828,818)	(1,098,935)
Surplus/ (deficit)		572,856	(190,026)	382,831

**NOTES:**

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

\* PMSA = Personal Medical Savings Account

**BALANCE SHEET DETAILS**  
**at 30 June 2012**  
**Annexure F**

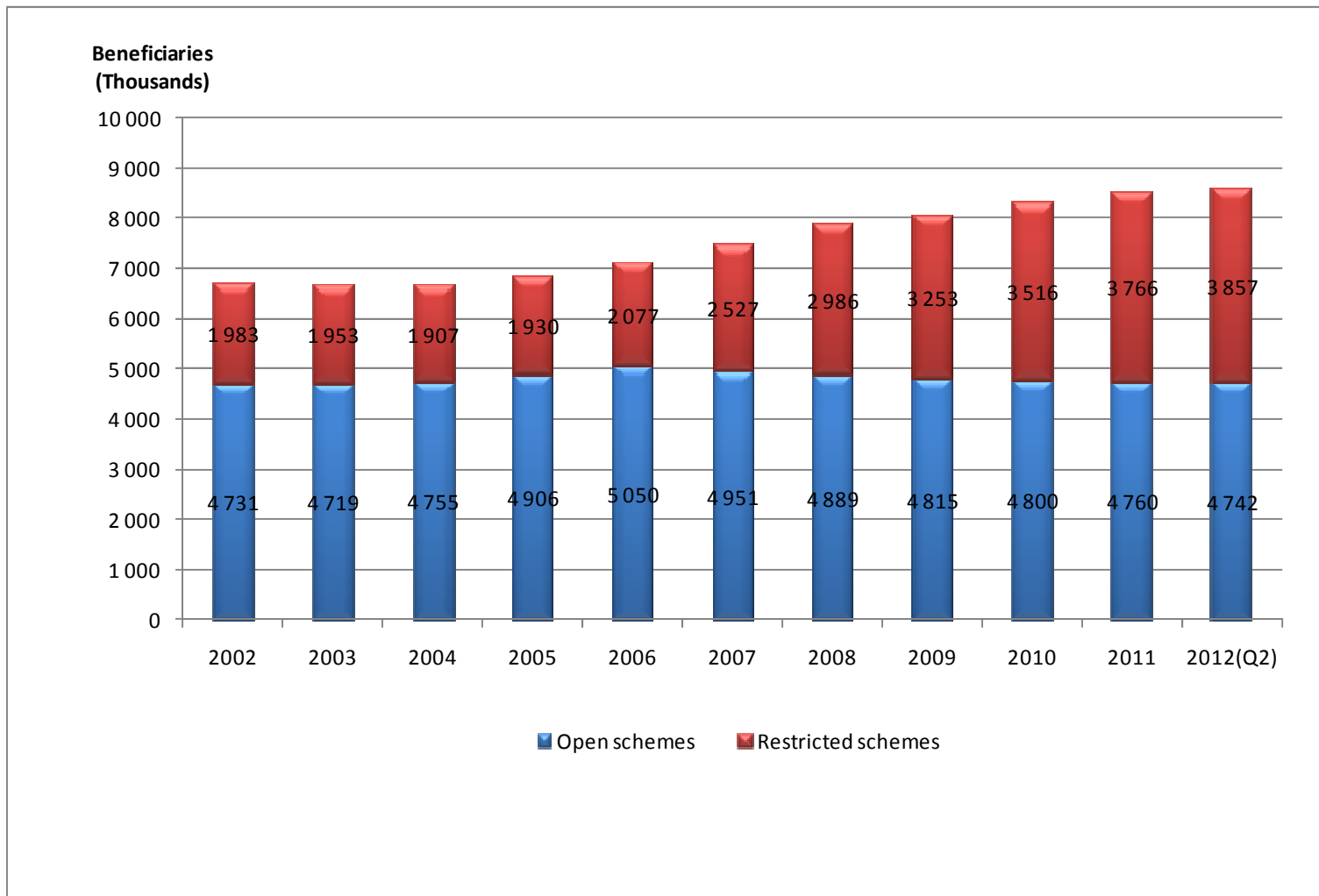
		<b>OPEN SCHEMES</b>	<b>RESTRICTED SCHEMES</b>	<b>TOTAL REGISTERED SCHEMES</b>
Members at 30 June 2012		2,187,257	1,597,440	3,784,697
Dependants at 30 June 2012		2,554,920	2,259,245	4,814,165
Beneficiaries at 30 June 2012		4,742,177	3,856,685	8,598,862
Non-current assets	R'000	7,251,481	12,428,814	19,680,295
Current assets	R'000	21,265,059	12,230,407	33,495,466
Trade & other receivables	R'000	4,449,185	1,168,964	5,618,149
	Contribution days outstanding			
		13.5	5.6	10.2
Cash & cash equivalents	R'000	10,899,554	9,762,753	20,662,307
Total assets	R'000	28,516,540	24,659,221	53,175,761
Members' funds (net assets per BS)		19,741,751	17,604,658	37,346,408
Accumulated funds		19,094,340	16,751,513	35,845,853
Non-current liabilities		26,239	867,048	893,287
Current liabilities		8,748,550	6,187,515	14,936,065
Trade & other payables		2,769,997	2,302,470	5,072,466
Savings liability		3,477,284	1,665,116	5,142,400
Outstanding claims provision		2,509,269	2,219,930	4,721,199
	Prior year claims provision utilised %			
		102.1	99.7	101.0
Total liabilities	R'000	8,774,789	7,054,563	15,829,352
Total assets: total liabilities		3.2	3.5	3.4
Current assets: current liabilities		2.4	2.0	2.2
Gross claims incurred: cash & cash equivalents coverage	Months	2.1	2.5	3.6

Net assets per Regulation 29	R'000	18,888,942	16,324,897	35,213,839
Solvency ratio	%	27.6	33.6	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 GRAPH Annexure G



**DETAILED FINANCIAL INFORMATION: ACTUAL V BUDGET**  
for the period ended 30 June 2012  
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2,187,257	2,214,030	-1.2%	1,597,440	1,599,379	-0.1%	3,784,697	3,813,409	-0.8%
Beneficiaries		4,742,177	4,795,570	-1.1%	3,856,685	3,895,044	-1.0%	8,598,862	8,690,614	-1.1%
Gross Contribution Income (GCI)	R'000	34,434,282	34,936,366	-1.4%	24,178,578	24,200,844	-0.1%	58,612,860	59,137,209	-0.9%
Risk Contribution Income (RCI)		30,029,726	30,467,768	-1.4%	23,177,338	23,230,542	-0.2%	53,207,064	53,698,310	-0.9%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		31,347,983	NA	0.0%	23,099,071	NA	0.0%	54,447,053	NA	0.0%
Relevant healthcare incurred (incl. managed care claims) (Note a)		25,647,623	25,694,809	-0.2%	22,165,783	21,954,798	1.0%	47,813,405	47,649,607	0.3%
Gross (incl. PMSA)/net non-health expenses		4,651,221	4,716,273	-1.4%	1,841,373	1,875,869	-1.8%	6,492,594	6,592,142	-1.5%
Net healthcare results		(269,117)	56,685	-574.8%	(828,818)	(600,124)	38.3%	(1,098,935)	(543,438)	102.2%
Surplus/(deficit)	R'000	572,856	746,376	-23.2%	(190,026)	(37,569)	405.8%	382,831	708,807	-46.0%
Quarter end reserve position (per Regulation 29) (Note c)		18,888,942	19,030,585	-0.7%	16,324,897	16,475,950	-0.9%	35,213,839	35,506,534	-0.8%

**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 2012: 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

**DETAILED FINANCIAL INFORMATION: ACTUAL V PRIOR YEAR**  
for the period ended 30 June 2012  
Annexure I

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2012	2011	% variance	2012	2011	% variance	2012	2011	% variance
Members		2,187,257	2,167,964	0.9%	1,597,440	1,505,740	6.1%	3,784,697	3,673,704	3.0%
Beneficiaries		4,742,177	4,753,879	-0.3%	3,856,685	3,653,141	5.6%	8,598,862	8,407,020	2.3%
Gross Contribution Income (GCI)	R'000	34,434,282	32,194,725	7.0%	24,178,578	21,195,353	14.1%	58,612,860	53,390,078	9.8%
Risk Contribution Income (RCI)		30,029,726	28,207,923	6.5%	23,177,338	20,252,588	14.4%	53,207,064	48,460,511	9.8%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		31,347,983	28,831,537	8.7%	23,099,071	19,803,379	16.6%	54,447,053	48,634,916	12.0%
Relevant healthcare incurred (incl. managed care claims) (Note a)		25,647,623	23,621,859	8.6%	22,165,783	18,890,676	17.3%	47,813,405	42,512,536	12.5%
Gross (incl. PMSA)/net non-health expenses		4,651,221	4,461,856	4.2%	1,841,373	1,600,865	15.0%	6,492,594	6,062,721	7.1%
Net healthcare results		(269,117)	124,207	-316.7%	(828,818)	(238,953)	247.3%	(1,098,935)	(114,746)	857.7%
Surplus/(deficit)	R'000	572,856	1,291,478	-55.6%	(190,026)	285,221	-166.6%	382,831	1,576,699	-75.7%
Quarter end reserve position (per Regulation 29) (Note c)		18,888,942	17,715,894	6.6%	16,324,897	14,584,771	11.9%	35,213,839	32,300,666	9.0%

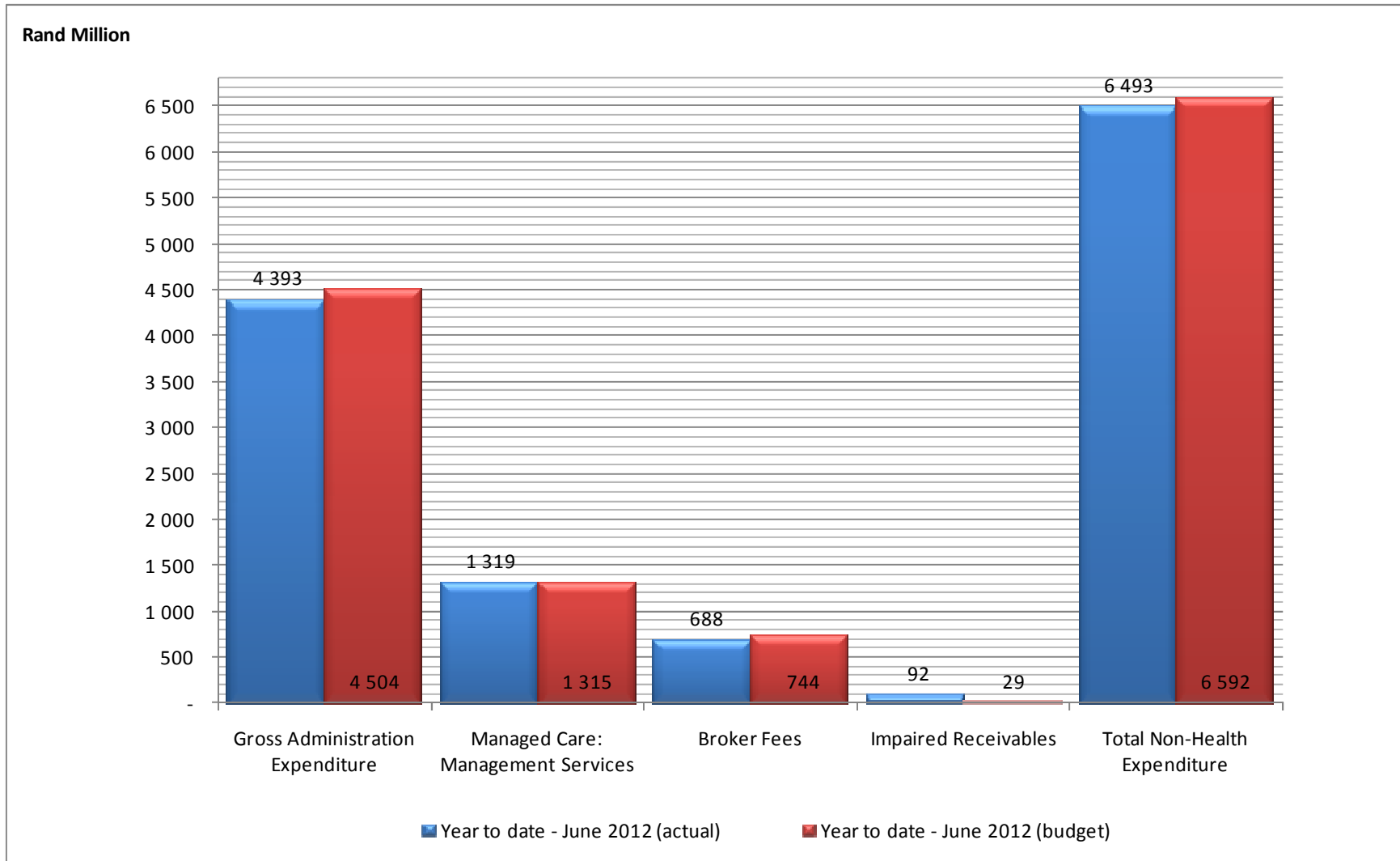
- NOTES:**
- a) Including managed care: healthcare benefits included in risk transfer arrangements.
- b) Gross non-health expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

\* PMSA = Personal Medical Savings Account

\* GCI = Gross Contribution Income

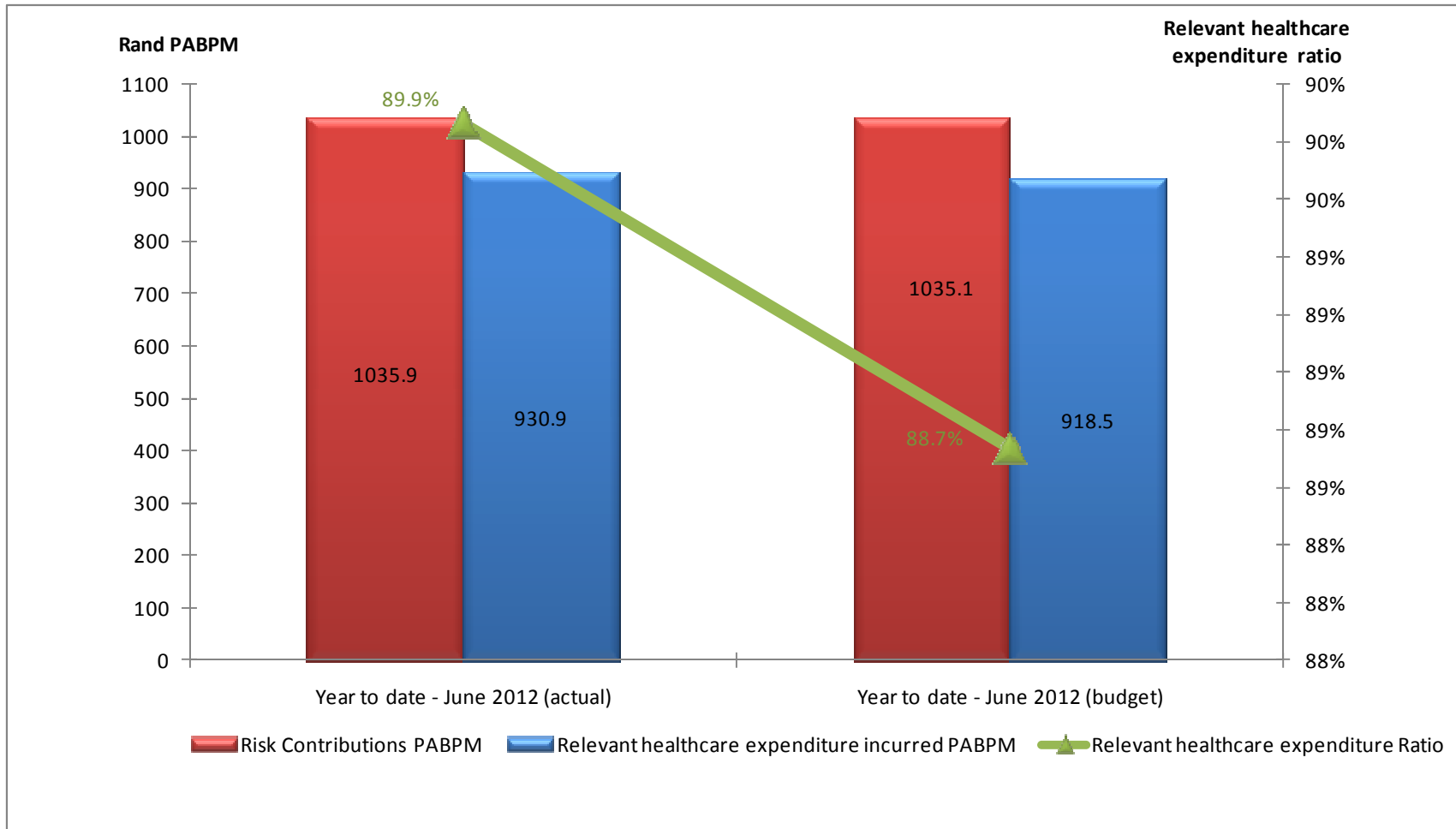
\* RCI = Risk Contribution Income

**TOTAL NON-HEALTH EXPENDITURE GRAPH**  
Annexure J





**NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH**  
Annexure K



PABPM = per average beneficiary per month

NET RELEVANT HEALTHCARE EXPENDITURE RATIO: SEASONALITY  
Annexure L

