



Quarterly Reports for the Period ending 30 June 2013

November 2013

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 June 2013. Budget information for the second quarter of 2013 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 5.2% from the audited solvency level of 32.6% at 31 December 2012 to 30.9% at 30 June 2013.
- Total reserves per Regulation 29 for all medical schemes amounted to R39.9 billion at 30 June 2013, which was 4.4% higher than the reserves of R38.3 billion as at 31 December 2012.
- The solvency level at 30 June 2013 was 6.1% higher than the budgeted solvency level of 29.1% 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 7 (2012: 7) open schemes that failed to meet the prescribed solvency level at 30 June 2013 represent 60.8% (2012: 58.8%) of the total open schemes' beneficiaries.
- Only 5 (2012: 4) restricted schemes were below 25.0%; and they represent 51.0% of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 3.7% from R4 409.7 at 31 December 2012 to R4 574.6 at 30 June 2013. The net asset value per beneficiary at 30 June 2013 was 1.4% higher than the budgeted net asset value of R4 509.6 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 1.2% from 3 815 431 at 31 December 2012 to 3 861 642 at 30 June 2013.
- The number of total beneficiaries increased by 0.7% from 8 679 473 at 31 December 2012 to 8 738 474 at 30 June 2013.
- The average number of members of 3 837 038 for the period ended 30 June 2013 was 1.6% lower than budget, and the average number of beneficiaries of 8 703 855 was 0.5% higher than budget.
- The industry average age for all registered schemes for the period ended 30 June 2013 was 32.0 years and the proportion of pensioners, 7.1% the same as at 31 December 2012.

Contributions and relevant healthcare expenditure

- Total gross contributions for all medical schemes amounted to R64.6 billion for the period ended 30 June 2013, which was 1.4% lower than the budget of R65.6 billion and 10.3% higher than the R58.6 billion for 30 June 2012.
- The gross contribution per average beneficiary per month was R1 233.7 for the period ended 30 June 2013. Gross relevant healthcare expenditure per average beneficiary per month was R1 132.9 for the period ended 30 June 2013.
- The gross contribution per average beneficiary per month at 30 June 2013 of R1 237.6 went up by 8.4% from R1 141.2 at 30 June 2012.
- Total risk contribution income of R58.6 billion was 1.6% lower than budget but 10.2% higher than the R53.2 billion at the end of June 2012. The risk contribution per average beneficiary per month for the period ended 30 June 2013 was R1 122.6.
- The relevant healthcare expenditure ratio of 87.5% at 30 June 2013 was 1.7% lower than the budgeted relevant healthcare expenditure ratio of 89.1% and also lower than the 30 June 2012 ratio of 89.9% by 2.7%. The relevant healthcare expenditure per average beneficiary per month for the period ended 30 June 2013 was R982.2. Total relevant healthcare expense for the period ended 30 June 2013 was R51.3 billion compared to the budgeted relevant healthcare expense of R53.1 billion, representing a 3.3% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 7.3% from R47.8 billion in June 2012.

- Relevant healthcare expenditure per average beneficiary per month at 30 June 2013 of R982.2 went up by 5.5% from R930.9.0 at 30 June 2012.
- The utilisation of the prior year's outstanding claims provision was 97.7% for all schemes as at 30 June 2013.

Non-healthcare expenses

- Total non-healthcare expenses for all medical schemes amounted to R7.2 billion for the period ended 30 June 2013, which was 0.2% lower than the R7.2 billion budgeted for and 10.6% higher than the R6.5billion at the end of June 2012.
- The non-healthcare expense per average beneficiary per month for the period ended 30 June 2013 was R137.5 which was 8.2% higher than the industry average of R127.0 at 31 December 2012.
- Non-healthcare expenses, when expressed as a percentage of risk contribution income, decreased from 12.3% at 31 December 2012 to 12.2% at 30 June 2013.
- At 30 June 2013, the industry averages of the various components of non-healthcare expenses expressed as a percentage of total non-healthcare expenses were as follows:

	<u>Jun '13</u>	<u>Dec '12</u>
- Administration expenses	66.0%	67.2%
- Managed care: management services	22.0%	20.4%
- Broker service fees (including distribution costs and broker fees)	10.6%	11.1%
- Net impairment losses: trade and other receivables	1.4%	1.4%

Operating results

- Registered medical schemes incurred a net healthcare surplus (before taking investment and other income into account) of R151.8 million compared to a budgeted deficit of R680.9 million at 30 June 2013. The total net healthcare results are 122.3% better than expected.
- Open schemes incurred a net healthcare surplus (before taking investment and other income into account) of R451.8 million compared to a budget of R265.1 million whereas restricted schemes incurred a net healthcare deficit (before taking investment and other income into account) of R299.9 million compared to a budgeted deficit of R946.1 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R1.6 billion at 30 June 2013 compared to a budgeted surplus of 610.2 million, which represents an actual to budget variance of 161.5%.
- In the 2012 annual results all schemes incurred net healthcare surplus of R25.7 million and net surplus of R3 690.6 million.

Investments

- The current assets to current liabilities ratio for open schemes at 30 June 2013 is 2.5 (2012: 3.1), whereas for restricted schemes it is 2.1 (2012: 2.8).
- The total assets to total liabilities ratio for open and restricted schemes is 3.2 (2012: 3.6) and 3.7 (2012: 4.0) respectively.

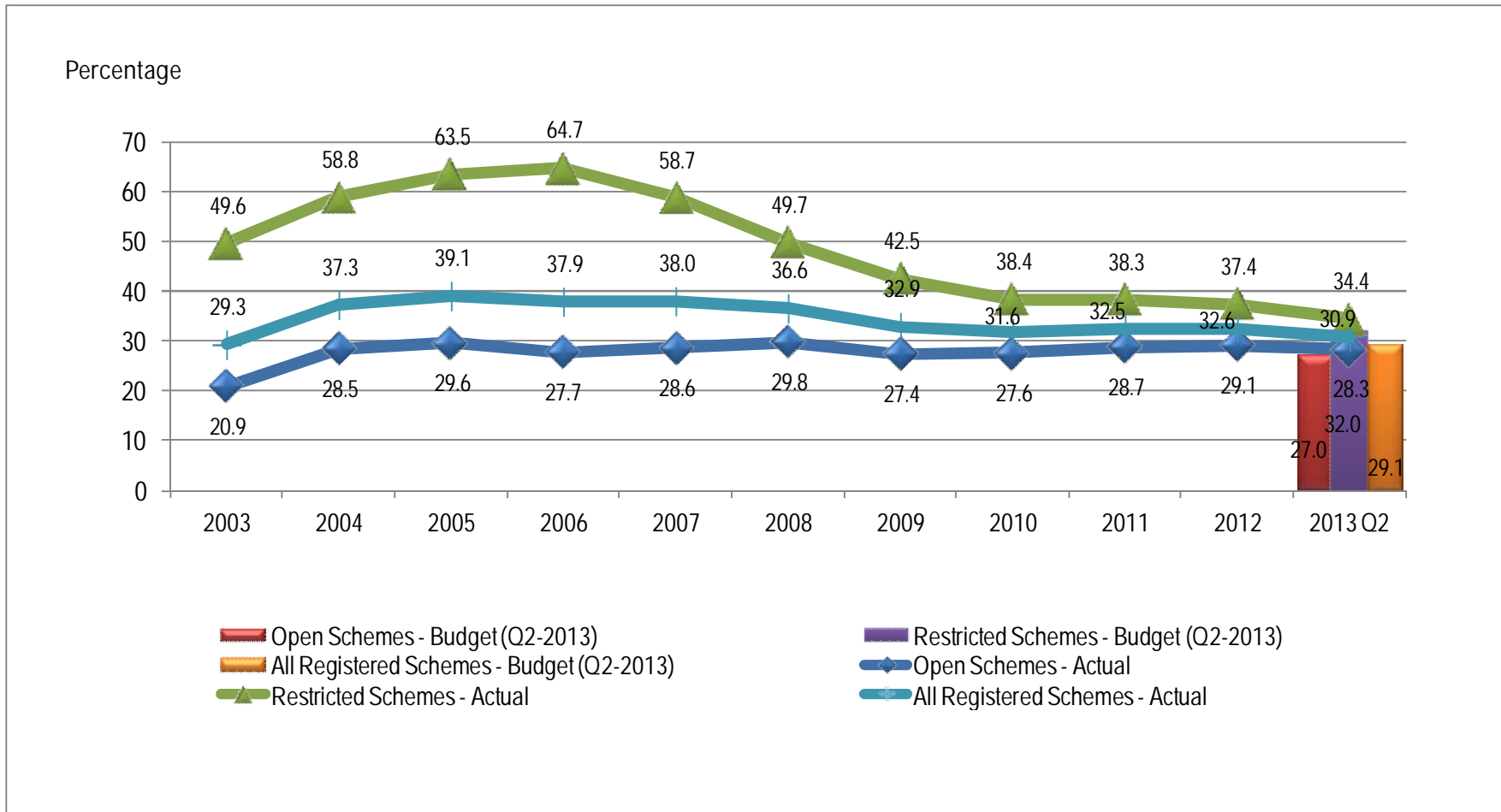
REGULATION 29: MINIMUM ACCUMULATED FUNDS

Annexure A
(SOLVENCY RATIO)

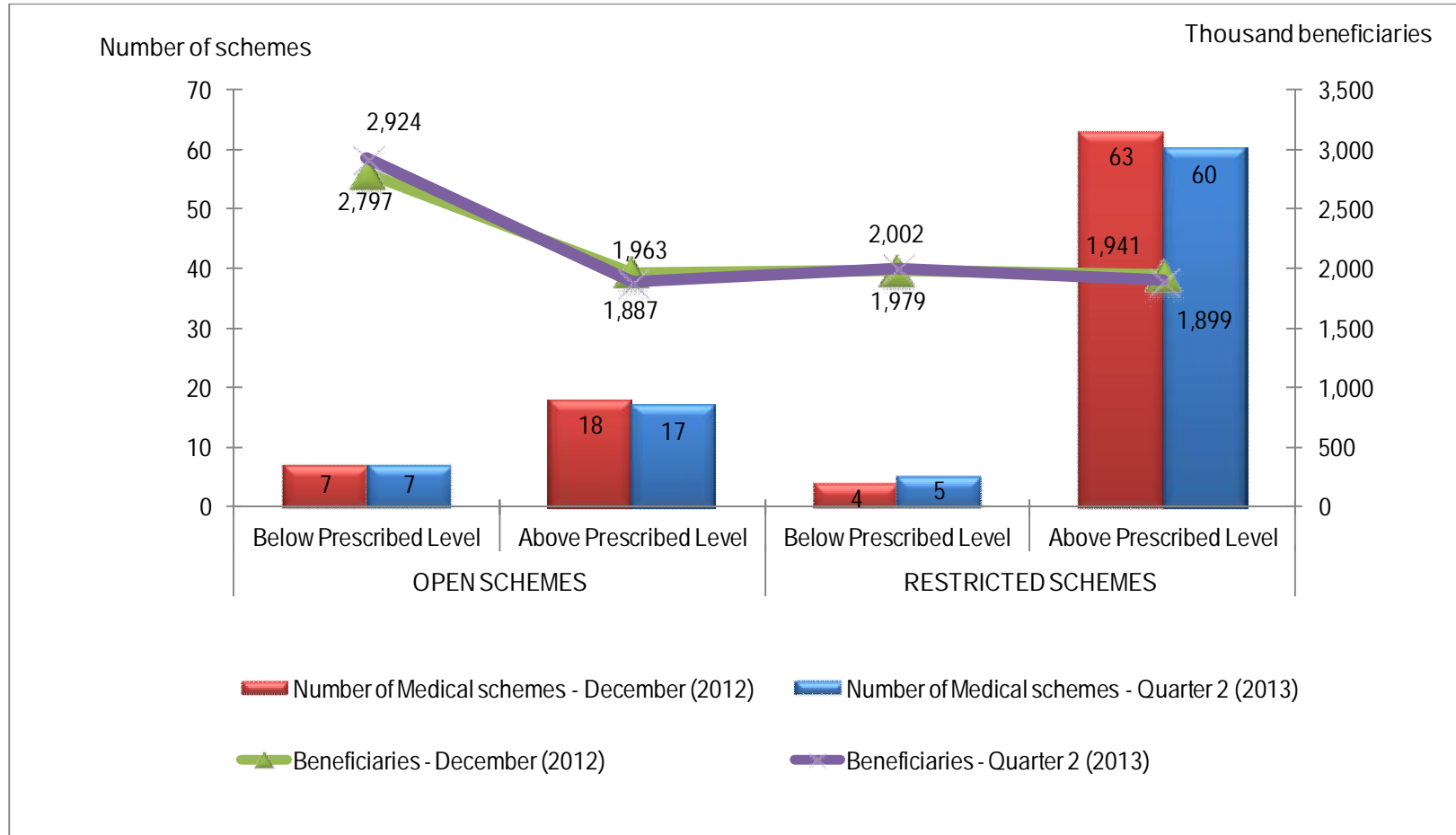
INDUSTRY AVERAGE:

	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010	% Change 2010	2011	% Change 2011	2012	% Change 2012	2012 Quarter 2 Actual	2013 - Quarter 2	2013 - Quarter 2 Budget	% Change Actual 2013 vs Budget 2013
Open schemes	27.7%	-6.2%	28.6%	3.2%	29.8%	4.2%	27.4%	-8.1%	27.6%	0.7%	28.7%	4.0%	29.1%	1.4%	27.6%	28.3%	27.0%	4.9%
Restricted schemes	64.7%	1.8%	58.7%	-9.2%	49.7%	-15.3%	42.5%	-14.5%	38.6%	-9.2%	38.3%	-0.8%	37.4%	-2.3%	33.6%	34.4%	32.0%	7.6%
All registered schemes	37.9%	-3.1%	38.0%	0.3%	36.6%	-3.7%	32.9%	-10.1%	31.8%	-3.3%	32.5%	2.2%	32.6%	0.3%	30.1%	30.9%	29.1%	6.1%

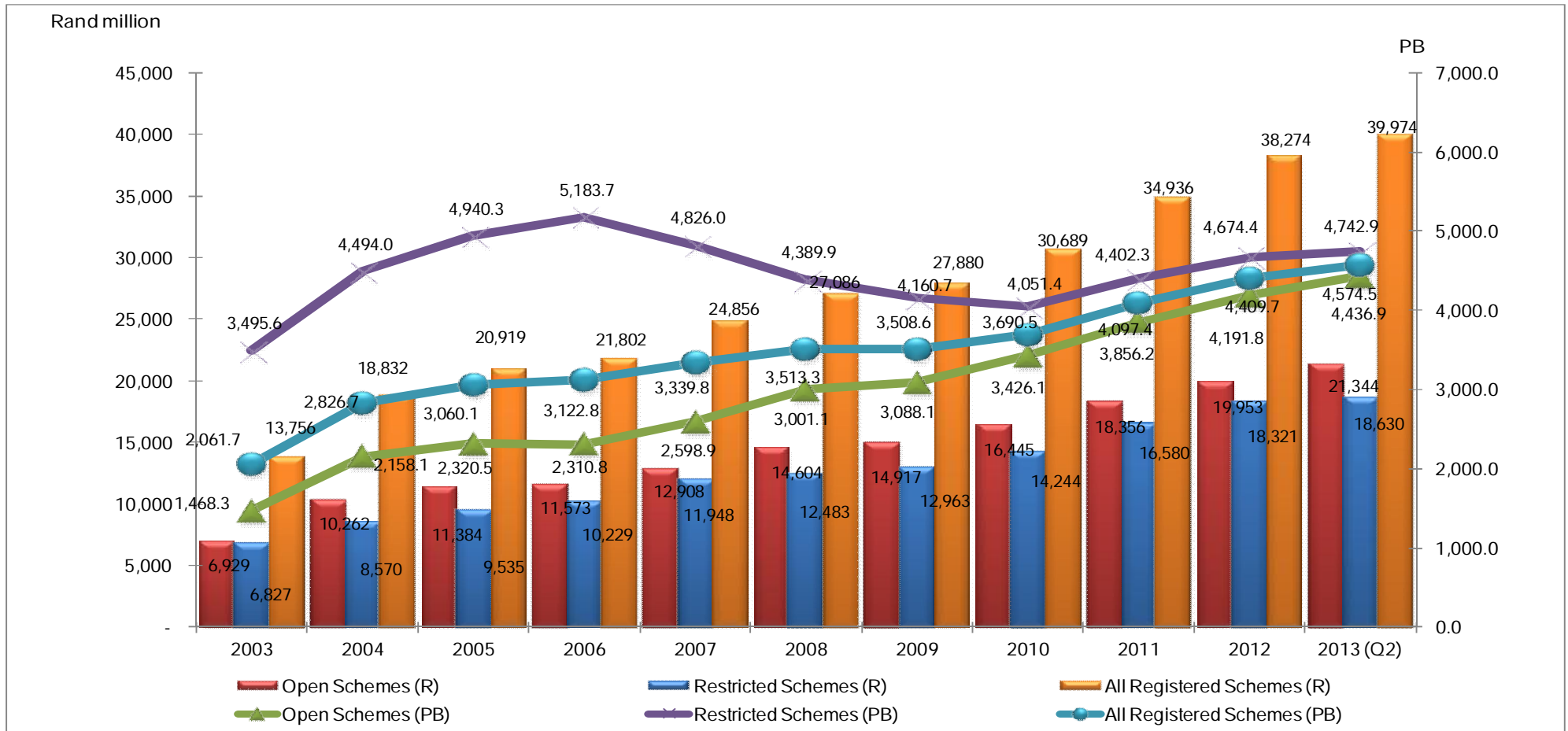
SOLVENCY RATIO GRAPH
Annexure B



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 2013
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 220 720	1 616 318	3 837 038
Average beneficiaries		4 788 127	3 915 728	8 703 855
Average age	Years	33.8	29.9	32.0
Pensioner ratio (65+ years)	%	8.2	5.7	7.1
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	37 721 264	26 908 846	64 630 110
Gross relevant healthcare expenditure (gross +PMSA) (Note a)		33 600 056	25 099 790	58 699 847
Gross administration expenses (risk + PMSA)		3 268 517	1 468 896	4 737 413
Managed care: management services		937 764	638 451	1 576 215
Broker service fees (including distributions costs)		732 275	30 811	763 086
Net impairment losses: trade and other receivables		46 640	59 120	105 760
Net healthcare results		451 783	(299 908 853)	151 874
Surplus/ (deficit)		1 159 044	436 804	1 595 848

NOTES:

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

* PMSA = Personal Medical Savings Account

BALANCE SHEET DETAILS

at 30 June 2013

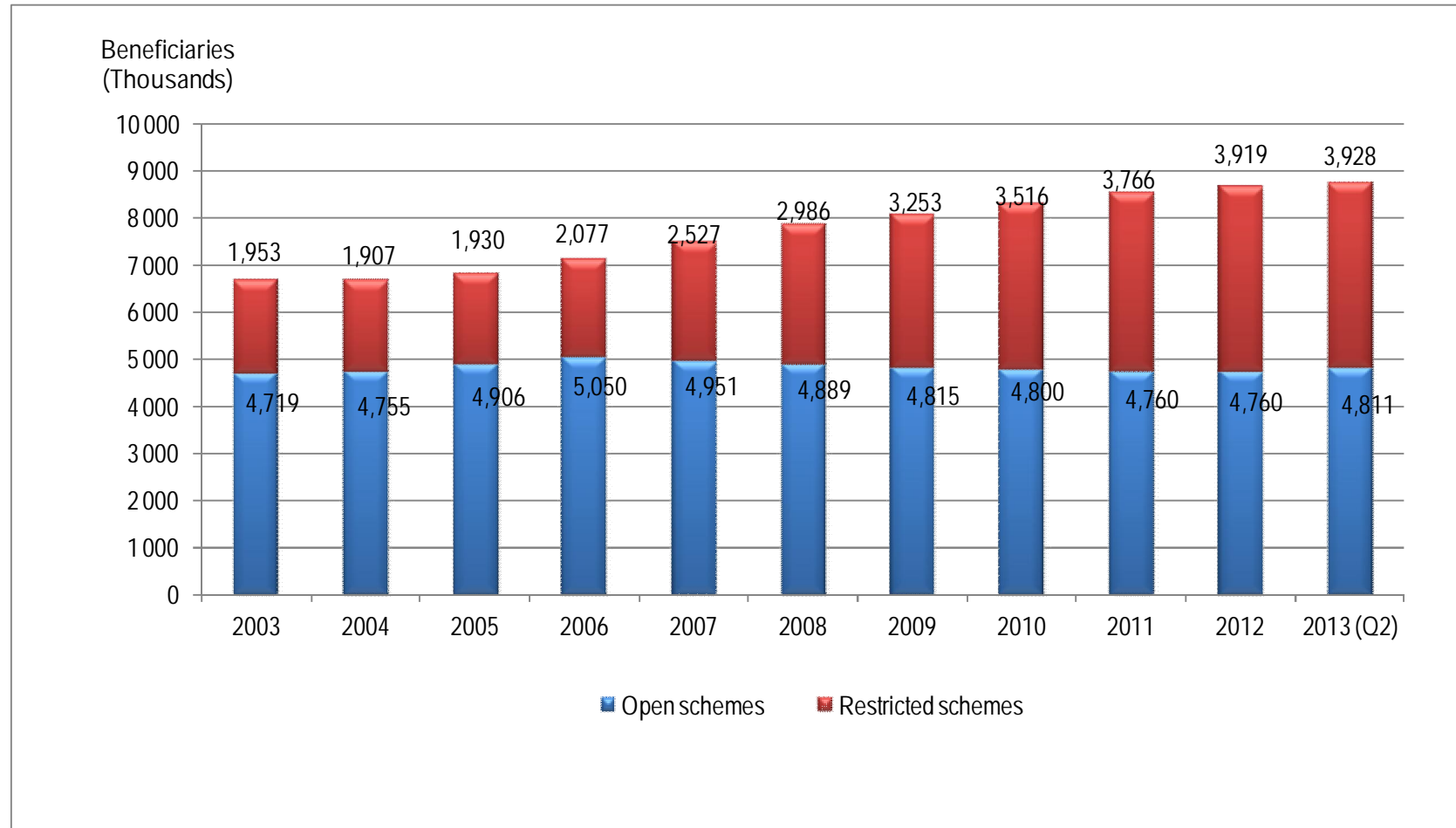
Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members		2 238 351	1 623 291	3 861 642
Dependants		2 572 276	2 304 556	4 876 832
Beneficiaries		4 810 627	3 927 847	8 738 474
Non-current assets	R'000	7 732 765	13 529 045	21 261 809
Current assets		24 494 996	13 996 861	38 491 857
Trade & other receivables		4 976 502	1 117 339	6 093 842
	Contribution days outstanding	28.1	8.6	20.0
Cash & cash equivalents	R'000	10 593 105	10 144 442	20 737 547
Total assets		32 227 761	27 525 906	59 753 667
Members' funds (net assets per BS)		22 278 095	19 988 032	42 266 127
Accumulated funds		21 536 917	19 104 982	40 641 899
Non-current liabilities		29 717	932 934	962 650
Current liabilities		9 919 949	6 604 940	16 524 889
Trade & other payables		3 130 191	2 430 127	5 560 317
Personal medical savings account trust liability		4 031 554	1 770 971	5 802 525
Outstanding claims provision		2 758 204	2 403 843	5 162 048
	Prior year claims provision utilised %	99.5	95.8	101.5
Total liabilities	R'000	9 949 666	7 537 874	17 487 539
Total assets: total liabilities		3.2	3.7	3.4
Current assets: current liabilities		2.5	2.1	2.3
Risk claims incurred: cash & cash equivalents coverage	Months	0.1	0.1	0.1
Net assets per Regulation 29	R'000	21 344 185	18 629 540	39 973 725
Solvency ratio	%	28.3	34.4	30.9

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.
- * 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 2013
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Average members		2 220 720	2 241 642	-0.9	1 616 318	1 657 919	-2.5	3 837 038	3 899 562	-1.6
Average beneficiaries		4 788 127	4 831 639	-0.9	3 915 728	3 824 689	2.4	8 703 855	8 656 328	0.5
Gross Contribution Income (GCI)	R'000	37 721 264	38 094 983	-1.0	26 908 846	27 473 874	-2.1	64 630 110	65 568 857	-1.4
Risk Contribution Income (RCI)		32 777 581	33 144 778	-1.1	25 848 148	26 422 296	-2.2	58 625 730	59 567 074	-1.6
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		33 600 056	NA	NA	25 099 790	NA	NA	58 699 847	NA	NA
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		27 343 283	27 856 659	-1.8	23 950 779	25 198 949	-5.0	51 294 062	53 055 608	-3.3
Gross (incl. PMSA)/net non-healthcare expenses		4 982 515	5 022 977	-0.8	2 197 278	2 169 461	1.3	7 179 794	7 192 438	-0.2
Net healthcare results		451 783	265 142	70.4	(299 909)	(946 114)	-68.3	151 874	(680 972)	-122.3
Surplus/(deficit)		1 159 044	942 876	22.9	436 804	(332 649)	231.3	1 595 848	610 227	161.5
Quarter end reserve position (per Regulation 29) (Note c)		21 344 185	20 685 056	3.2	18 629 540	17 891 398	4.1	39 973 725	38 576 454	3.6

NOTES:

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

b) Gross non-healthcare 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 2013: 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-ordinate 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 2013
Annexure I

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2013	2012	% variance	2013	2012	% variance	2013	2012	% variance
Average members		2 220 720	2 187 257	1.5%	1 616 318	1 597 440	1.2%	3 837 038	3 784 697	1.4%
Average beneficiaries		4 788 127	4 742 177	1.0%	3 915 728	3 856 685	1.5%	8 703 855	8 598 862	1.2%
Gross Contribution Income (GCI)	R'000	37 721 264	34 434 282	9.5%	26 908 846	24 178 578	11.3%	64 630 110	58 612 860	10.3%
Risk Contribution Income (RCI)		32 777 581	30 029 726	9.2%	25 848 148	23 177 338	11.5%	58 625 730	53 207 064	10.2%
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		33 600 056	31 347 983	7.2%	25 099 790	23 099 071	8.7%	58 699 847	54 447 054	7.8%
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		27 343 283	25 647 623	6.6%	23 950 779	22 165 783	8.1%	51 294 062	47 813 406	7.3%
Gross (incl. PMSA)/net non-healthcare expenses		4 982 515	4 651 221	7.1%	2 197 278	1 841 373	19.3%	7 179 794	6 492 594	10.6%
Net healthcare results		451 783	(269 117)	267.9%	(299 909)	(828 818)	-63.8%	151 874	(1 097 935)	113.8%
Surplus/(deficit)		1 159 044	572 856	102.3%	436 804	(190 026)	-329.9%	1 595 848	382 830	316.9%
Quarter end reserve position (per Regulation 29)		21 344 185	18 888 942	13.0%	18 629 540	16 324 897	14.1%	39 973 725	35 213 839	13.5%

NOTES:

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

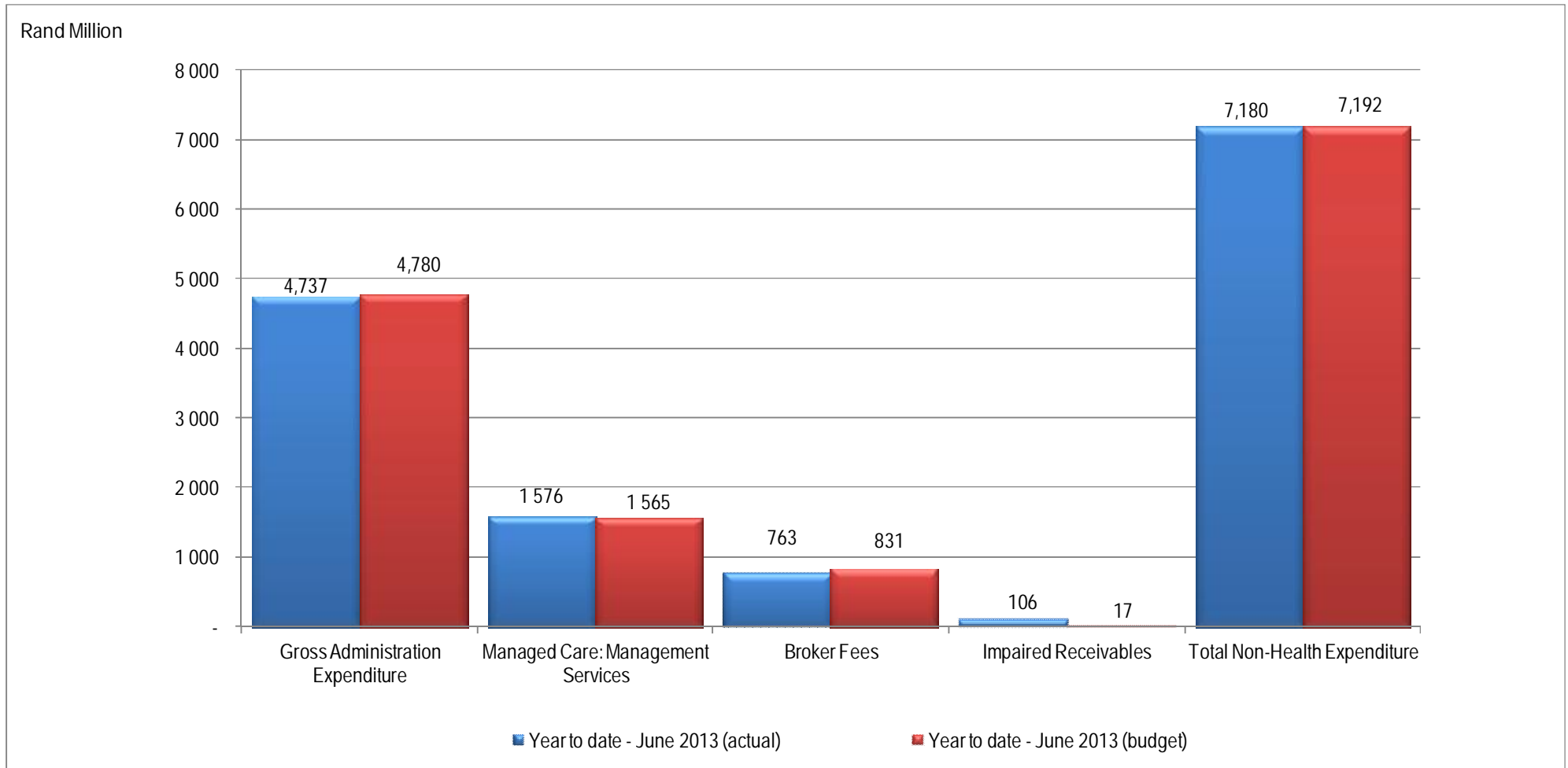
b) Gross non-healthcare expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

* PMSA = Personal Medical Savings Account

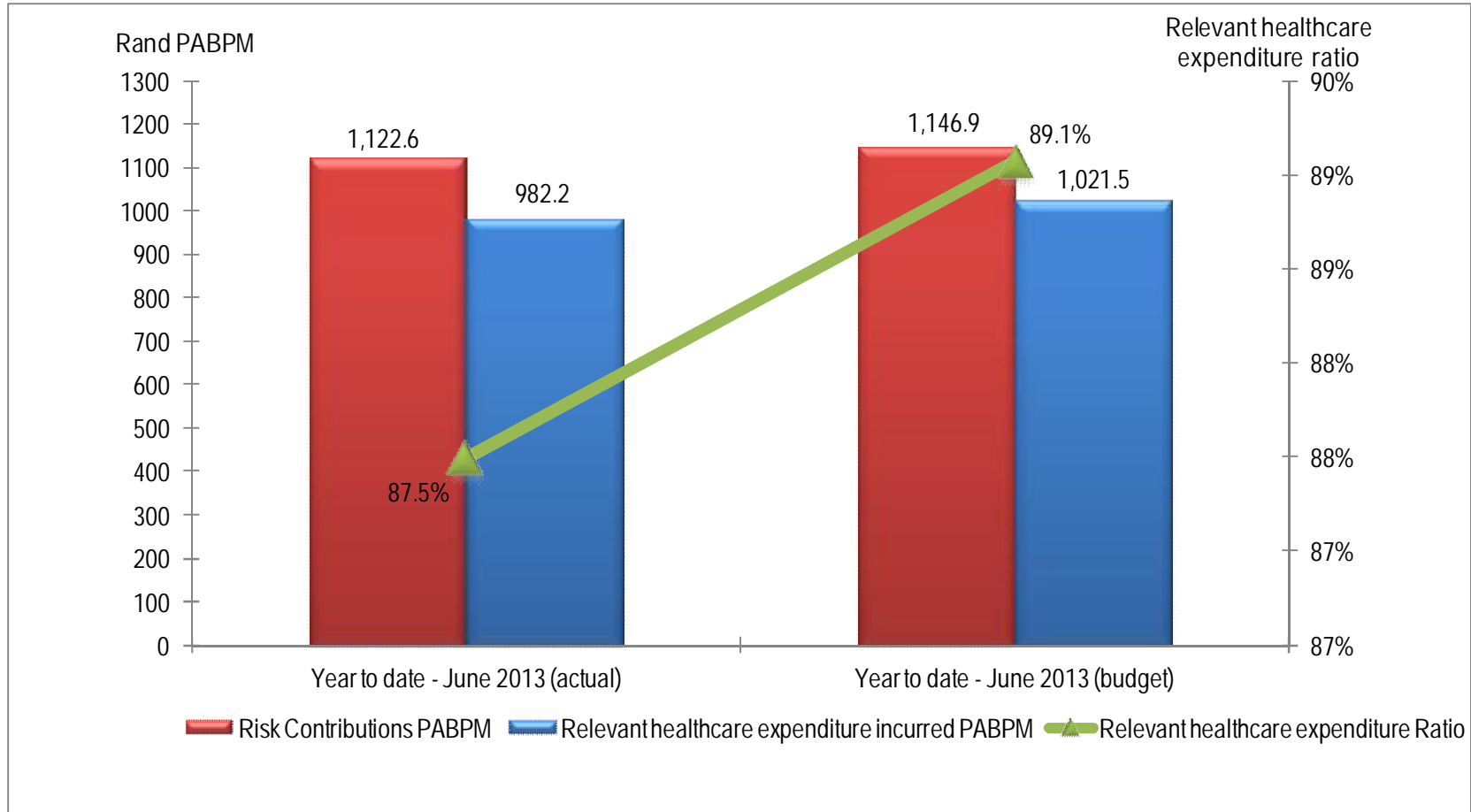
* GCI = Gross Contribution Income

* 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

