



Quarterly Reports for the Period ending 30 September 2013

January 2014

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 September 2013. Budget information for the third 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 4.2% from the audited solvency level of 32.6% at 31 December 2012 to 31.2% at 30 September 2013.
- Total reserves per Regulation 29 for all medical schemes amounted to R40.5 billion at 30 September 2013, which was 5.8% higher than the reserves of R38.3 billion as at 31 December 2012.
- The solvency level at 30 September 2013 was 8.4% higher than the budgeted solvency level of 28.8% 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 7 (2012: 7) open schemes that failed to meet the prescribed solvency level at 30 September 2013 represent 60.4% (2012: 58.8%) of the total open schemes' beneficiaries.
- Only 5 (2012: 4) restricted schemes were below 25.0%; and they represent 51.2% of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 4.6% from R4 409.7 at 31 December 2012 to R4 611.3 at 30 September 2013. The net asset value per beneficiary at 30 September 2013 was 9.2% higher than the budgeted net asset value of R4 22.4 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 1.7% from 3 815 431 at 31 December 2012 to 3 880 804 at 30 September 2013.
- The number of total beneficiaries increased by 1.1% from 8 679 473 at 31 December 2012 to 8 778 348 at 30 September 2013.
- The average number of members of 3 847 691 for the period ended 30 September 2013 was 2.1% lower than budget, and the average number of beneficiaries of 8 719 921 was 1.9% lower than budget.
- The industry average age for all registered schemes for the period ended 30 September 2013 was 32.1 years and the proportion of pensioners, 7.2%.

Contributions and relevant healthcare expenditure

- Total gross contributions for all medical schemes amounted to R97.3 billion for the period ended 30 September 2013, which was 1.7% lower than the budget of R99.0 billion and 10.4% higher than the R88.1 billion for 30 September 2012.
- The gross contribution per average beneficiary per month was R1 239.2 for the period ended 30 September 2013. Gross relevant healthcare expenditure per average beneficiary per month was R1 112.8 for the period ended 30 September 2013.
- The gross contribution per average beneficiary per month at 30 September 2013 of R1 239.2 went up by 8.8% from R1 139.3 at 30 September 2012.
- Total risk contribution income of R88.2 billion was 1.9% lower than budget but 10.4% higher than the R79.9 billion at the end of September 2012. The risk contribution per average beneficiary per month for the period ended 30 September 2013 was R1 124.1.
- The relevant healthcare expenditure ratio of 88.1% at 30 September 2013 was 1.5% lower than the budgeted relevant healthcare expenditure ratio of 89.4% and also lower than the 30 September 2012 ratio of 89.7% by 1.8%. The relevant healthcare expenditure per average beneficiary per month for the period ended 30 September 2013 was R990.2. Total relevant healthcare expense for the period ended 30 September 2013 was R77.1 billion compared to the budgeted relevant healthcare expense of R 80.4 billion, representing a 3.4% variance. Compared

to the same period of the previous year, total relevant healthcare expenditure increased by 8.4% from R71.7 billion in September 2012.

- Relevant healthcare expenditure per average beneficiary per month at 30 September 2013 of R990.2 went up by 6.8% from R927.6 at 30 September 2012.
- The utilisation of the prior year's outstanding claims provision was 101.5% for all schemes as at 30 September 2013.

Non-healthcare expenses

- Total non-healthcare expenses for all medical schemes amounted to R10.8 billion for the period ended 30 September 2013, which was 1.0% lower than the R10.9 billion budgeted for and 9.6% higher than the R9.8 billion at the end of September 2012.
- The non-healthcare expense per average beneficiary per month for the period ended 30 September 2013 was R137.0 which was 7.9% 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 September 2013.
- At 30 September 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>Sep '13</u>	<u>Dec '12</u>
- Administration expenses	66.0%	67.2%
- Managed care: management services	22.1%	20.4%
- Broker service fees (including distribution costs and broker fees)	10.7%	11.1%
- Net impairment losses: trade and other receivables	1.3%	1.4%

Operating results

- Registered medical schemes incurred a net healthcare deficit (before taking investment and other income into account) of R243.4 million compared to a budgeted deficit of R1.3 billion at 30 September 2013. The total net healthcare results were 81.6% better than expected.
- Open schemes incurred a net healthcare surplus (before taking investment and other income into account) of R28.7 million compared to a budgeted deficit of R154.2 million whereas restricted schemes incurred a net healthcare deficit (before taking investment and other income into account) of R272.0 million compared to a budgeted deficit of R1.2 billion.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R2.4 billion at 30 September 2013 compared to a budgeted surplus of R601.0 million, which represents an actual to budget variance of 304.8%.
- In the 2012 annual results all schemes incurred net healthcare surplus of R25.7 million and net surplus of R3 690.6 million.

Investments

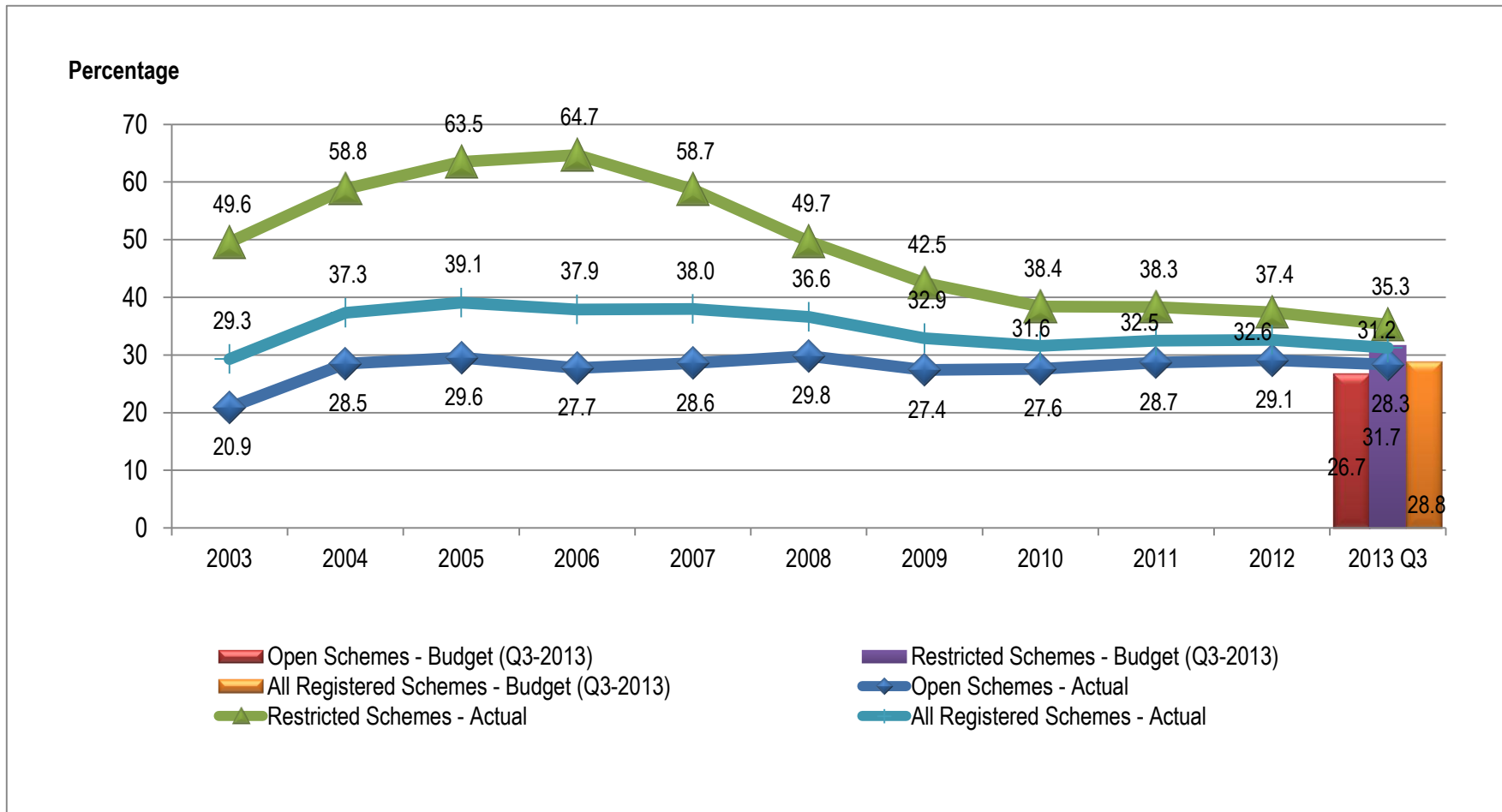
- The current assets to current liabilities ratio for open schemes at 30 September 2013 is 2.6 (2012: 3.1), whereas for restricted schemes it is 2.4 (2012: 2.8).
- The total assets to total liabilities ratio for open and restricted schemes is 3.3 (2012: 3.6) and 4.2 (2012: 4.0) respectively.

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

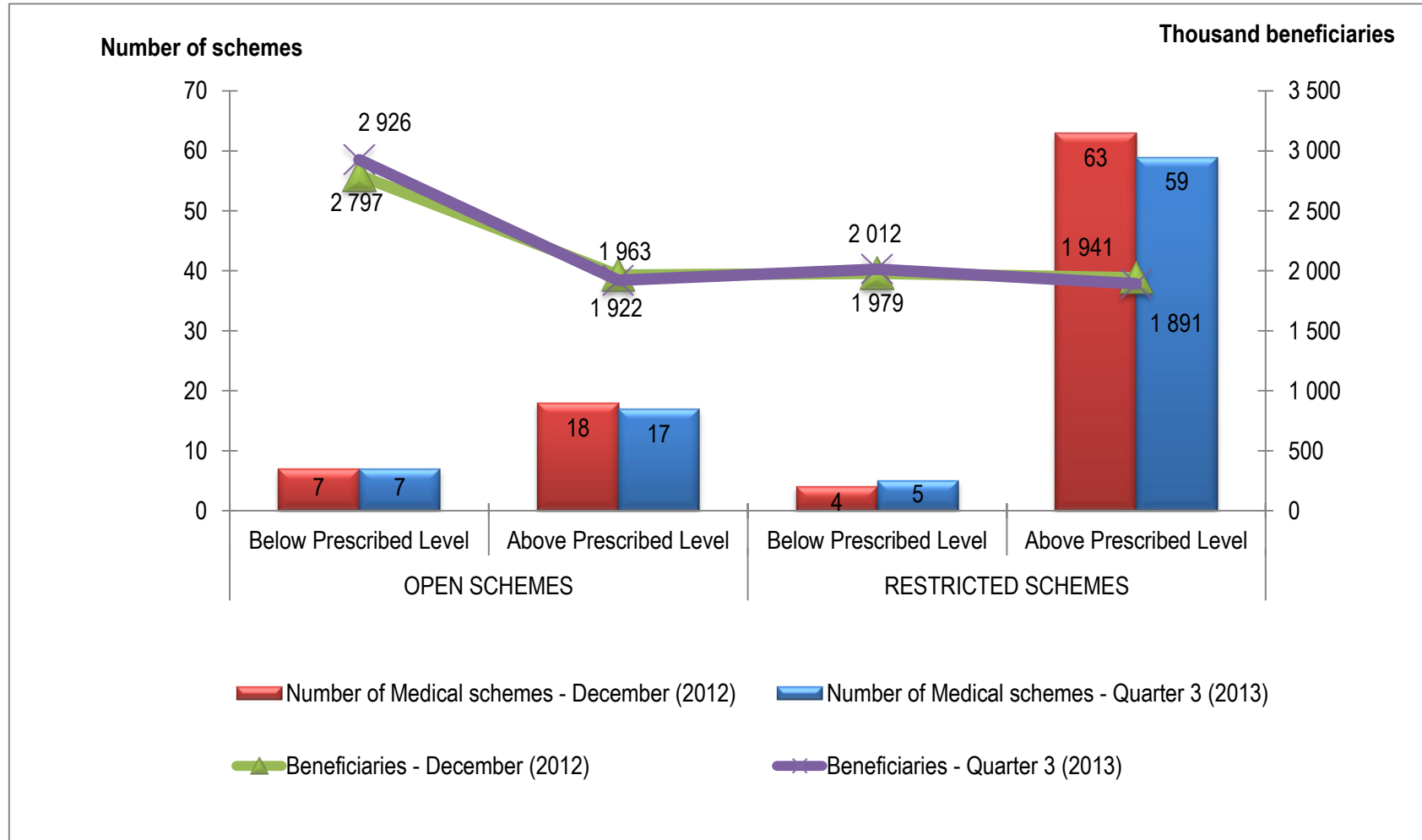
INDUSTRY AVERAGE:

	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010	% Change 2010	2011	% Change 2011	2012	% Change 2012	2012 Quarter 3 Actual	2013 - Quarter 3	2013 - Quarter 3 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%	26.7%	6.0%
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%	35.3%	31.7%	11.3%
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%	31.2%	28.8%	8.4%

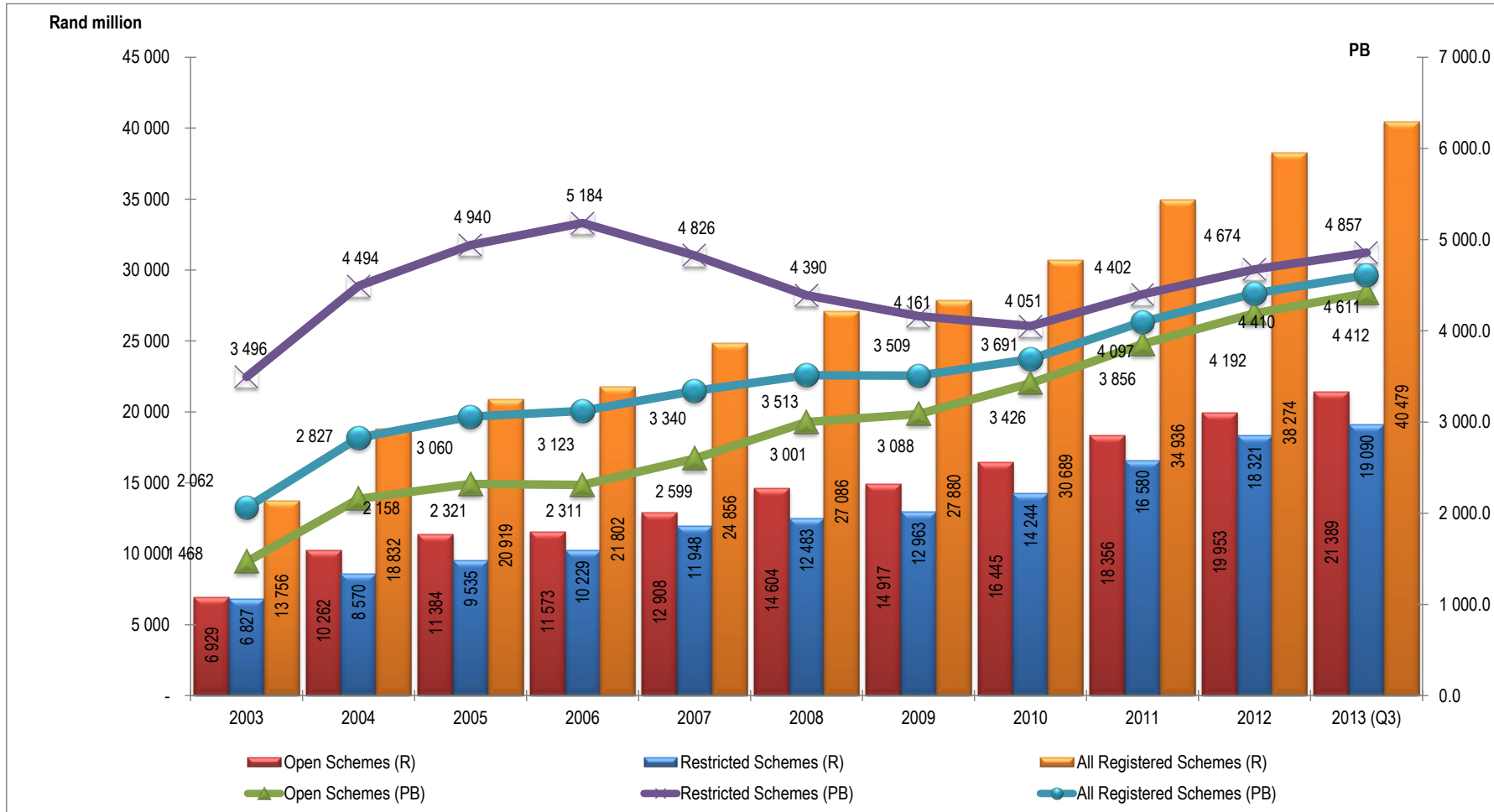
SOLVENCY RATIO GRAPH
Annexure B



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 September 2013
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 229 460	1 618 231	3 847 691
Average beneficiaries		4 800 787	3 919 134	8 719 921
Average age	Years	33.6	30.1	32.1
Pensioner ratio (65+ years)	%	8.3	5.8	7.2
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	56 633 113	40 620 486	97 253 599
Gross relevant healthcare expenditure (gross +PMSA) (Note a)		49 708 045	37 621 124	87 329 169
Gross administration expenses (risk + PMSA)		4 917 039	2 185 848	7 102 887
Managed care: management services		1 415 030	954 172	2 369 202
Broker service fees (including distributions costs)		1 103 106	45 388	1 148 494
Net impairment losses: trade and other receivables		60 217	73 952	134 169
Net healthcare results		28 676	(272 079 853)	(243 403 478)
Surplus/ (deficit)		1 215 749	1 216 888	2 432 637

NOTES:

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

* PMSA = Personal Medical Savings Account

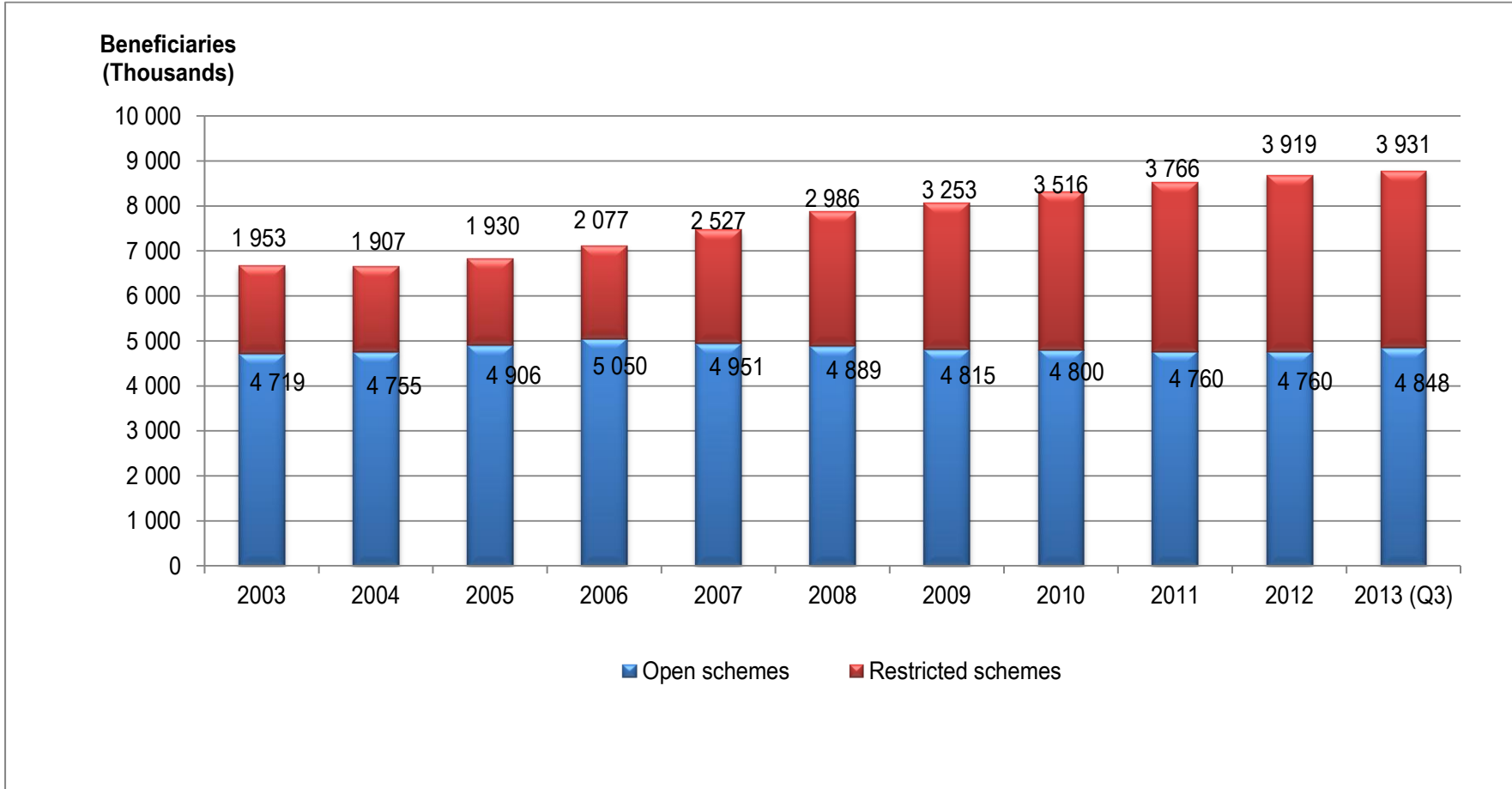
BALANCE SHEET DETAILS
at 30 September 2013
Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members		2 257 443	1 623 361	3 880 804
Dependants		2 590 383	2 307 161	4 897 544
Beneficiaries		4 847 826	3 930 522	8 778 348
Non-current assets	R'000	7 288 737	14 110 819	21 399 556
Current assets		24 992 321	13 253 059	38 245 379
Trade & other receivables		4 301 932	1 121 316	5 423 248
	Contribution days outstanding	18.4	6.3	13.4
Cash & cash equivalents	R'000	11 162 417	9 468 327	20 630 744
Total assets		32 281 058	27 363 878	59 644 935
Members' funds (net assets per BS)		22 618 401	20 816 595	43 434 996
Accumulated funds		21 689 173	19 794 153	41 483 325
Non-current liabilities		29 315	963 372	992 687
Current liabilities		9 633 342	5 583 910	15 217 252
Trade & other payables		2 718 018	1 479 532	4 197 550
Personal medical savings account trust liability		4 174 595	1 815 649	5 990 244
Outstanding claims provision		2 740 729	2 288 729	5 029 458
	Prior year claims provision utilised %	97.9	98.9	101.5
Total liabilities	R'000	9 662 657	6 547 282	16 209 939
Total assets: total liabilities		3.3	4.2	3.7
Current assets: current liabilities		2.6	2.4	2.5
Risk claims incurred: cash & cash equivalents coverage	Months	0.0	0.0	0.0
Net assets per Regulation 29	R'000	21 388 962	19 090 368	40 479 330
Solvency ratio	%	28.3	35.3	31.2

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 September 2013
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Average members		2 229 460	2 257 652	-1.2	1 618 231	1 671 379	-3.2	3 847 691	3 929 031	-2.1
Average beneficiaries		4 800 787	4 862 132	-1.3	3 919 134	4 025 970	-2.7	8 719 921	8 888 102	-1.9
Gross Contribution Income (GCI)	R'000	56 633 113	57 320 469	-1.2	40 620 486	41 664 276	-2.5	97 253 599	98 984 744	-1.7
Risk Contribution Income (RCI)		49 201 268	49 878 574	-1.4	39 020 495	40 079 441	-2.6	88 221 763	89 958 015	-1.9
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		49 708 045	NA	0.0	37 621 124	NA	0.0	87 329 169	0.0%	0.0
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		41 679 453	42 451 139	-1.8	36 033 214	37 969 108	-5.1	77 712 667	80 420 248	-3.4
Gross (incl. PMSA)/net non-healthcare expenses		7 493 139	7 581 645	-1.2	3 259 361	3 279 698	-0.6	10 752 500	10 861 343	-1.0
Net healthcare results		28 676	(154 210)	118.6	(272 080)	(1 169 365)	-76.7	(243 403)	(1 323 575)	-81.6
Surplus/(deficit)		1 215 749	848 219	43.3	1 216 888	(247 251)	592.2	2 432 637	600 968	304.8
Quarter end reserve position (per Regulation 29) (Note c)		21 388 962	20 481 183	4.4	19 090 368	17 695 938	7.9	40 479 330	38 177 121	6.0

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 September 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 September 2013
Annexure I

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2013	2012	% variance	2013	2012	% variance	2013	2012	% variance
Average members		2 229 460	2 188 448	1.9	1 618 231	1 599 306	1.2	3 847 691	3 787 754	1.6
Average beneficiaries		4 800 787	4 747 631	1.1	3 919 134	3 840 200	2.1	8 719 921	8 587 831	1.5
Gross Contribution Income (GCI)	R'000	56 633 113	51 488 319	10.0	40 620 486	36 572 458	11.1	97 253 599	88 060 776	10.4
Risk Contribution Income (RCI)		49 201 268	44 880 201	9.6	39 020 495	35 063 455	11.3	88 221 763	79 943 656	10.4
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		49 708 045	45 784 809	8.6	37 621 124	34 497 093	9.1	87 329 169	80 281 902	8.8
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		41 679 453	38 502 187	8.3	36 033 214	33 192 765	8.6	77 712 667	71 694 952	8.4
Gross (incl. PMSA)/net non-healthcare expenses		7 493 139	7 008 498	6.9	3 249 281	2 792 795	16.3	10 742 420	9 801 293	9.6
Net healthcare results		28 676	(630 484)	104.5	(273 279)	(922 105)	-70.4	(244 603)	(1 552 589)	-84.2
Surplus/(deficit)		1 215 749	616 788	97.1	1 213 884	215 489	463.3	2 429 633	832 278	191.9
Quarter end reserve position (per Regulation 29)		21 388 962	18 814 029	13.7	19 090 368	16 680 560	14.4	40 479 330	35 494 589	14.0

NOTES:

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

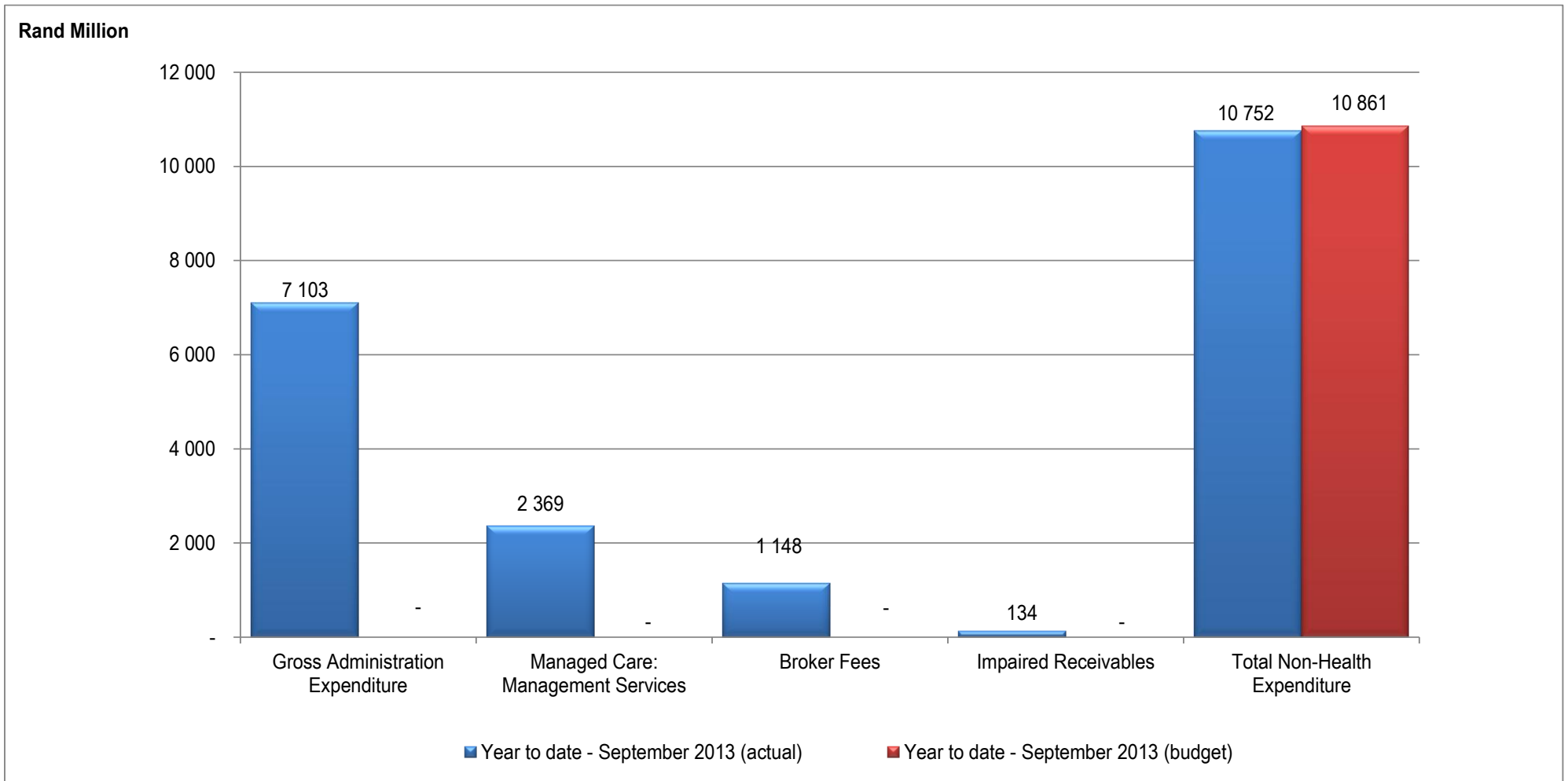
b) Gross non-healthcare expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

* PMSA = Personal Medical Savings Account

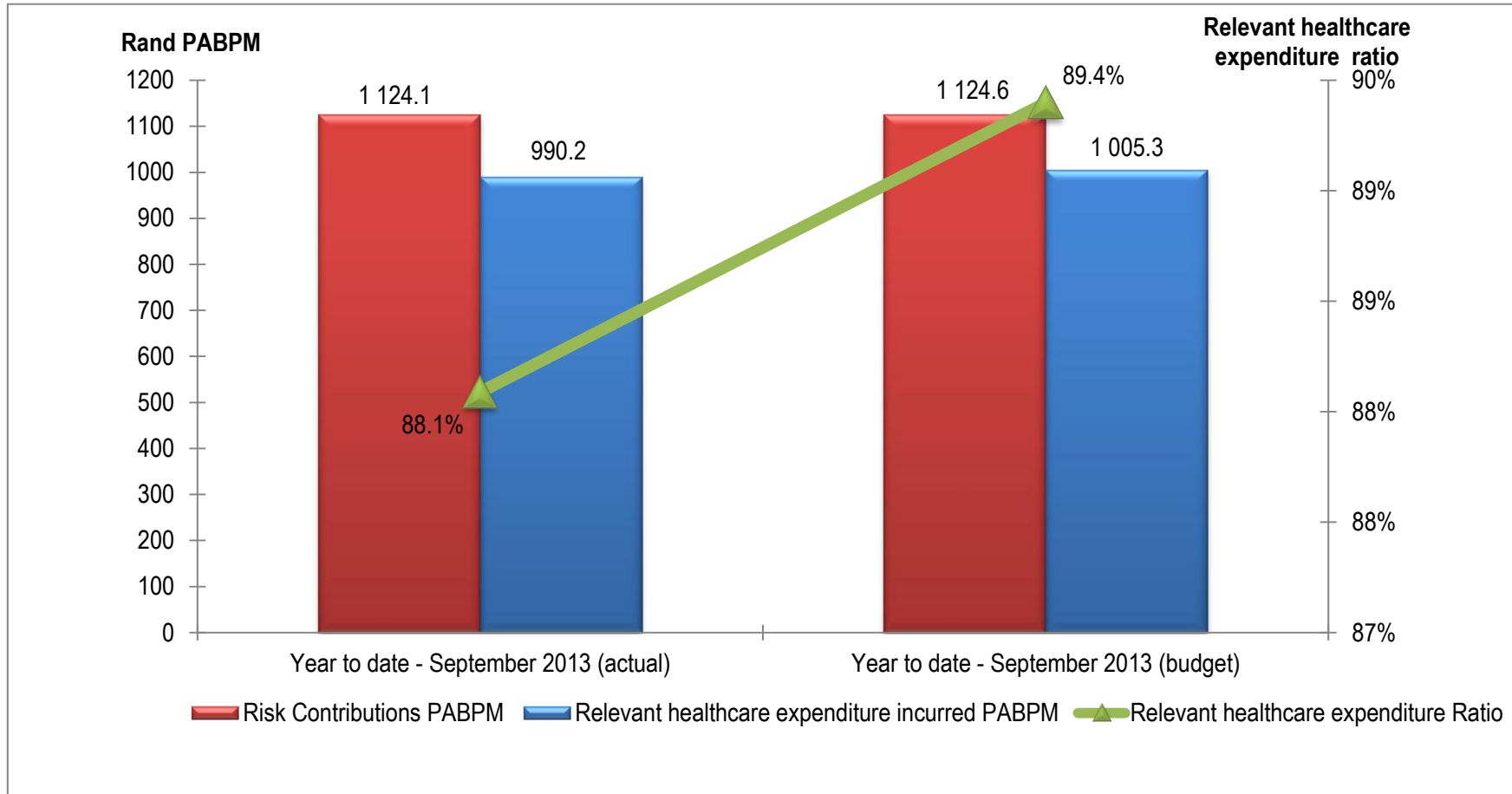
* GCI = Gross Contribution Income

* 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

