



Quarterly Reports for the Period ending 31 March 2014

March 2014

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 31 March 2014. Budget information for the first quarter of 2014 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.

** The overall scheme results excludes Sedmed which had not submitted Annual 2013 and Quarter 1 (2014) financials at the time of preparation of the reports. The scheme is in the process of replacing its administration system.*

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 5.5% from the audited solvency level of 33.3% at 31 December 2013 to 31.5% at 31 March 2014.
- Total reserves per Regulation 29 for all medical schemes amounted to R44.2 billion at 31 March 2014, which was 2.2% higher than the reserves of R43.2 billion as at 31 December 2013.
- The solvency level at 31 March 2014 was 4.8% higher than the budgeted solvency level of 30.0% 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 5 (2013: 6) open schemes that failed to meet the prescribed solvency level at 31 March 2014 represent 58.8% (2013: 59.0%) of the total open schemes' beneficiaries.
- Only 4 (2013: 3) restricted schemes were below 25.0%; and they represent 50.8% (2013: 50.8%) of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 2.3% from R4 921.7 at 31 December 2013 to R5 034.9 at 31 March 2014. The net asset value per beneficiary at 31 March 2014 was 2.9% higher than the budgeted net asset value of R4 891.7 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 0.2% from 3 878 267 at 31 December 2013 to 3 885 753 at 31 March 2014.
- The number of total beneficiaries decreased by 0.1% from 8 776 279 at 31 December 2013 to 8 768 963 at 31 March 2014.
- The average number of members of 3 876 507 for the period ended 31 March 2014 was 1.5% lower than budget, and the average number of beneficiaries of 8 762 381 was 0.6% lower than budget.
- The industry average age for all registered schemes for the period ended 31 March 2014 was 32.0 years and the proportion of pensioners, 7.1% the same as at 31 December 2013.

Contributions and relevant healthcare expenditure

- Total gross contributions for all medical schemes amounted to R35.0 billion for the period ended 31 March 2014, which was 1.9% lower than the budget of R35.7 billion and 8.7% higher than the R32.2 billion for 31 March 2013.
- The gross contribution per average beneficiary per month was R 1 331.8 for the period ended 31 March 2014. Gross relevant healthcare expenditure per average beneficiary per month was R 1 229.6 for the period ended 31 March 2014.
- The gross contribution per average beneficiary per month at 31 March 2014 of R1 331.8 went up by 7.9% from R 1 233.7 at 31 March 2013.
- Total risk contribution income of R31.7 billion was 2.1% lower than budget but 8.4% higher than the R29.3 billion at the end of March 2013. The risk contribution per average beneficiary per month for the period ended 31 March 2014 was R 1 205.8.
- The relevant healthcare expenditure ratio of 87.7% at 31 March 2014 was 1.4% lower than the budgeted relevant healthcare expenditure ratio of 88.9% and but higher than the 31 March 2013 ratio of 87.4% by 0.3%. The relevant healthcare expenditure per average beneficiary per month for the period ended 31 March 2014 was R 1 057.3. Total relevant healthcare expense for the period ended 31 March 2014 was R27.8 billion compared to the budgeted relevant healthcare expense of R28.8 billion, representing a 3.4% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 8.7% from R25.6 billion in March 2013.
- Relevant healthcare expenditure per average beneficiary per month at 31 March 2014 of R1 057 went up by 8.0% from R978.4 at 31 March 2013.
- The utilisation of the prior year's outstanding claims provision was 91.9% for all schemes as at 31 March 2014.

Non-healthcare expenses

- Total non-healthcare expenses for all medical schemes amounted to R3.8 billion for the period ended 31 March 2014, which was 4.5% lower than the R3.9 billion budgeted for and 6.4% higher than the R3.6 billion at the end of March 2013.
- The non-healthcare expense per average beneficiary per month for the period ended 31 March 2014 was R143.7, which was 4.8% higher than the industry average of R137.1 at 31 December 2013.

- Non-healthcare expenses, when expressed as a percentage of risk contribution income, decreased from 12.2% at 31 December 2013 to 11.9% at 31 March 2014.
- At 31 March 2014, the industry averages of the various components of non-healthcare expenses expressed as a percentage of total non-healthcare expenses were as follows:

	<u>Mar '13</u>	<u>Dec '13</u>
- Administration expenses	65.9%	65.5%
- Managed care: management services	22.5%	22.2%
- Broker service fees (including distribution costs and broker fees)	10.6%	11.0%
- Net impairment losses: trade and other receivables	1.0%	1.3%

Operating results

- Registered medical schemes incurred a net healthcare surplus (before taking investment and other income into account) of R125.8 million compared to a budgeted deficit of R377.3 million at 31 March 2014. The total net healthcare results are 133.3% better than expected.
- Open schemes incurred a net healthcare surplus (before taking investment and other income into account) of R537.7 million compared to a budget of R233.2 million whereas restricted schemes incurred a net healthcare deficit of R411.9 million compared to a budgeted deficit of R610.5 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R1.2 billion at 31 March 2014 compared to a budgeted surplus of R342.0 million, which represents an actual to budget variance of 238.9%.
- In the 2013 annual results all schemes incurred net healthcare surplus of R1.6 billion and net surplus of R5.3 billion.

Investments

- The current assets to current liabilities ratio for open schemes at 31 March 2014 is 2.6 (2013: 2.9), whereas for restricted schemes it is 2.5 (2013: 3.5).
- The total assets to total liabilities ratio for open and restricted schemes is 3.3 (2013: 3.9) and 4.2 (2013: 4.8) respectively.

REGULATION 29: MINIMUM ACCUMULATED FUNDS

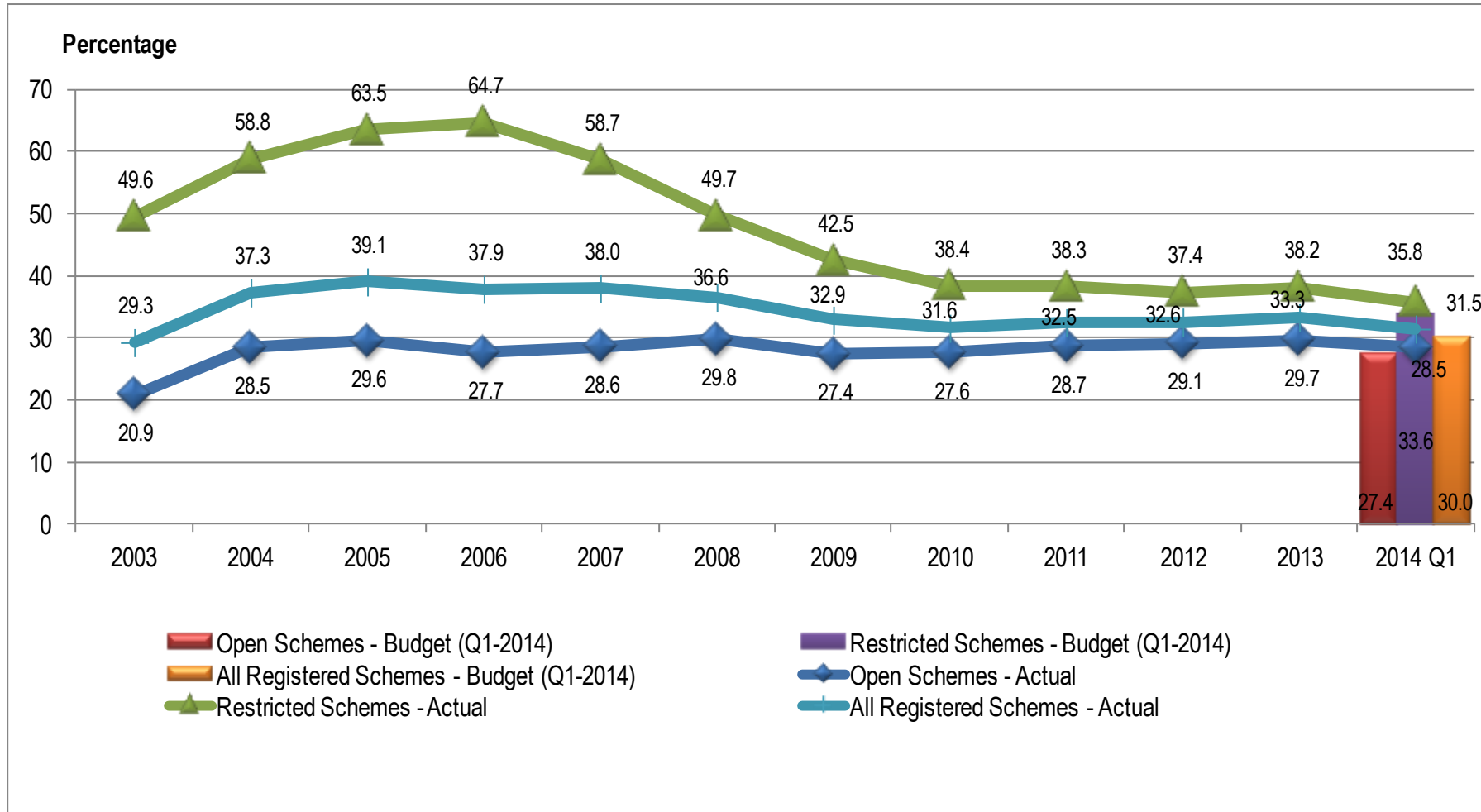
Annexure A

(SOLVENCY RATIO)

INDUSTRY AVERAGE:

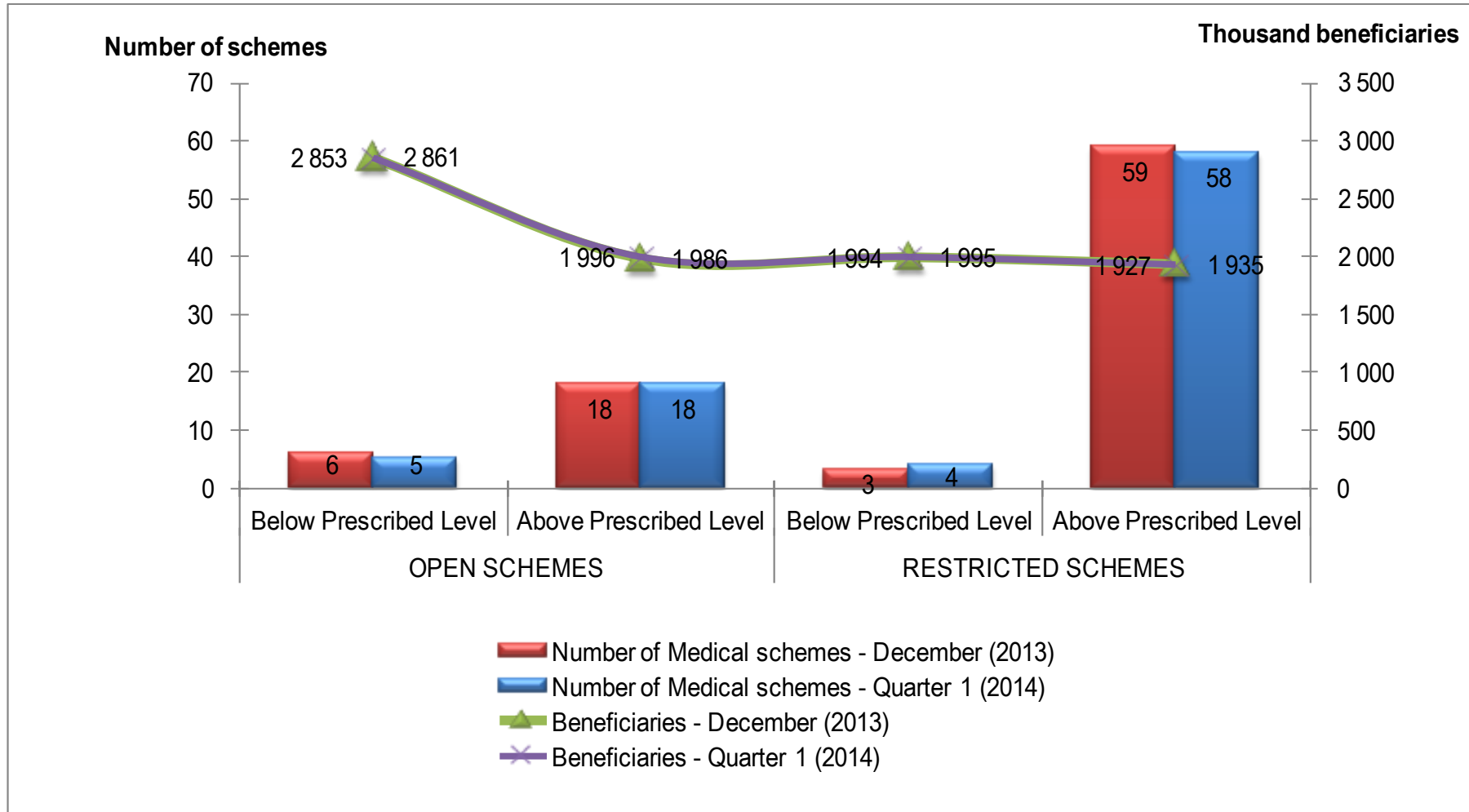
	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010	% Change 2010	2011	% Change 2011	2012	% Change 2012	2013	% Change 2013	2013 Quarter 1 Actual	2014 Quarter 1 Actual	2014 - Quarter 1 Budget	% Change Actual 2014 vs Budget 2014
Open schemes	27.7%	-6.2%	28.6%	3.2%	29.8%	4.2%	27.4%	-8.1%	27.6%	0.7%	28.7%	4.0%	29.1%	1.4%	29.7%	2.1%	27.9%	28.5%	27.4%	3.7%
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%	38.2%	2.1%	26.4%	35.8%	33.6%	6.5%
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%	33.3%	2.1%	27.1%	31.5%	30.0%	4.8%

SOLVENCY RATIO GRAPH
Annexure B

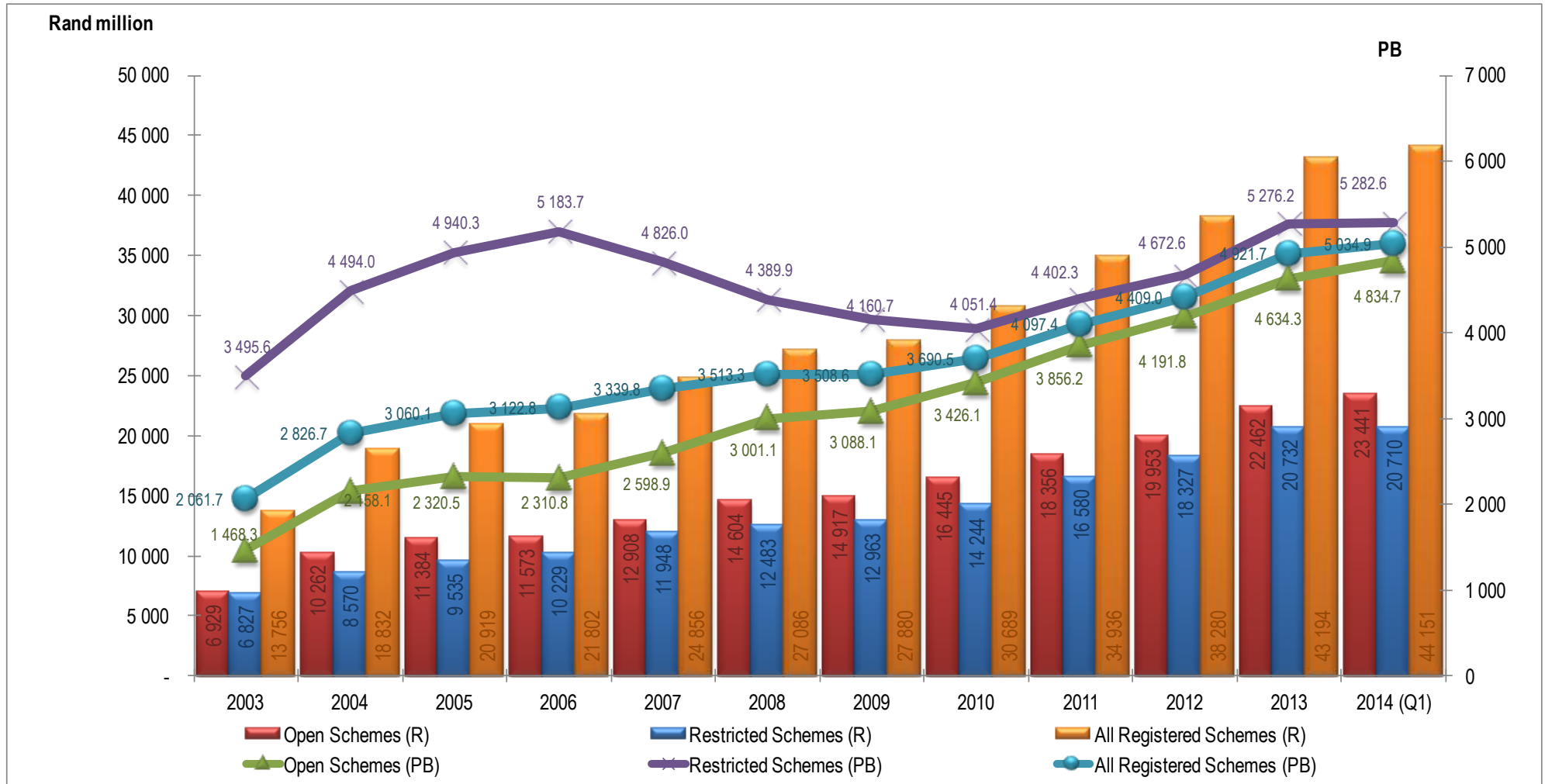


PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH

Annexure C



NET ASSETS PER REGULATION 29 GRAPH
Annexure D



PB – Per beneficiary

INCOME STATEMENT DETAILS
for the period ended 31 March 2014
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 255 260	1 621 247	3 876 507
Average beneficiaries		4 838 721	3 923 660	8 762 381
Average age	Years	33.8	29.9	32.0
Pensioner ratio (65+ years)	%	8.2	5.7	7.1
No. of dependants per member		1.1	1.4	1.3
Gross contributions (risk + PMSA)	R'000	20 624 522	14 383 675	35 008 197
Gross relevant healthcare expenditure (gross +PMSA) (Note a)		18 616 195	13 706 955	32 323 151
Gross administration expenses (risk + PMSA)		1 717 547	773 027	2 490 575
Managed care: management services		510 527	339 024	849 551
Broker service fees (including distributions costs)		383 420	16 471	399 891
Net impairment losses: trade and other receivables		16 552	20 619	37 171
Net healthcare results		537 683	(411 922)	125 760
Surplus/ (deficit)		1 033 168	125 563	1 158 731

NOTES:

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

* PMSA = Personal Medical Savings Account

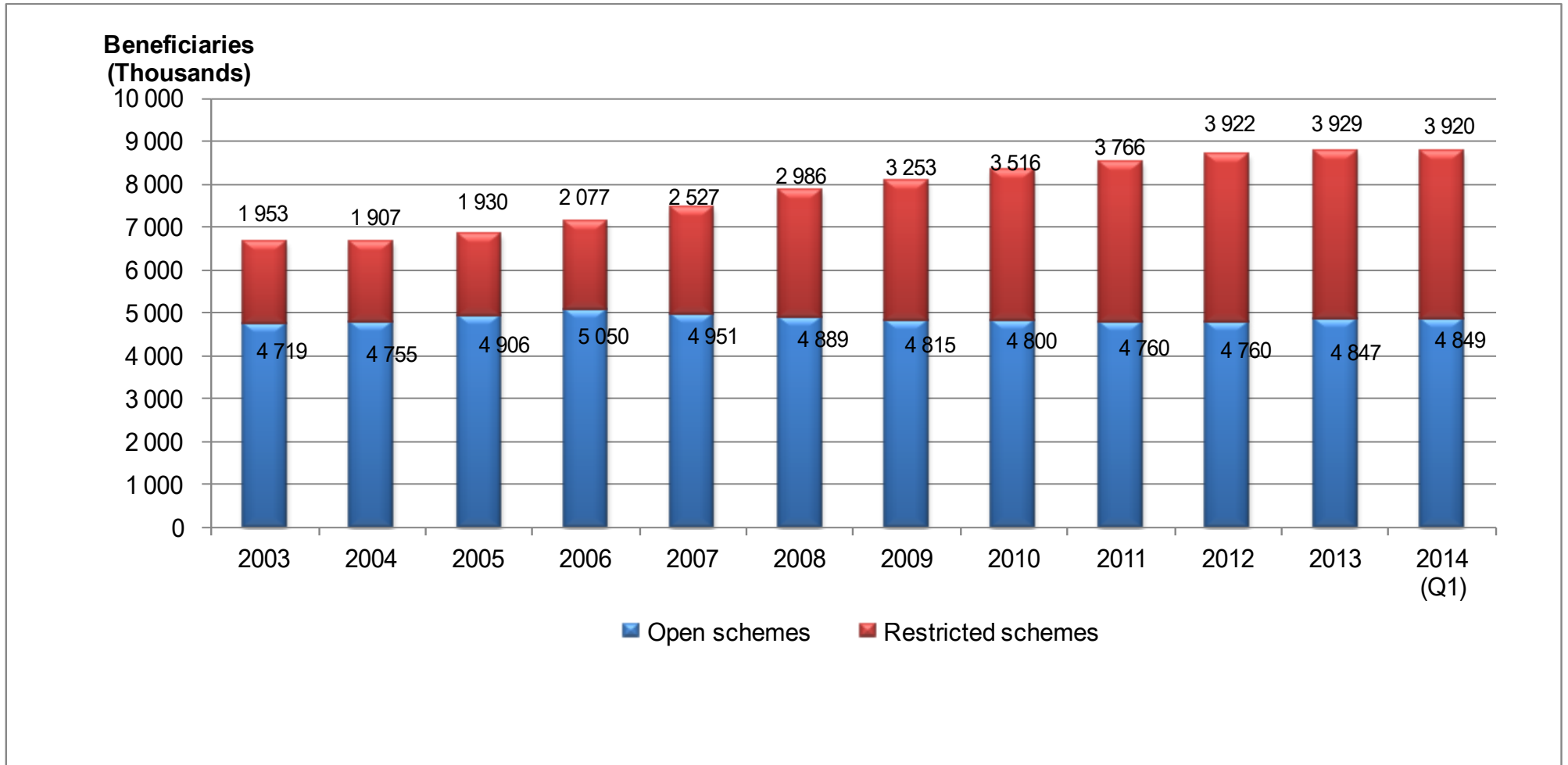
BALANCE SHEET DETAILS
at 31 March 2014
Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members		2 264 195	1 621 558	3 885 753
Dependants		2 584 355	2 298 855	4 883 210
Beneficiaries		4 848 550	3 920 413	8 768 963
Non-current assets	R'000	8 088 556	14 754 549	22 843 105
Current assets		27 630 970	15 165 393	42 796 363
Trade & other receivables		4 793 181	1 273 151	6 066 331
	Contribution days outstanding	13.2	4.7	9.7
Cash & cash equivalents	R'000	5 989 931	8 566 430	14 556 362
Total assets		35 719 526	29 919 942	65 639 468
Members' funds (net assets per BS)		24 875 853	22 781 319	47 657 171
Accumulated funds		23 899 747	21 568 103	45 467 851
Non-current liabilities		20 512	953 027	973 540
Current liabilities		10 823 161	6 185 596	17 008 757
Trade & other payables		3 366 088	1 517 985	4 884 074
Personal medical savings account trust liability		4 674 605	1 953 563	6 628 168
Outstanding claims provision		2 782 468	2 714 047	5 496 515
	Prior year claims provision utilised %	90.0	93.9	91.9%
Total liabilities	R'000	10 843 673	7 138 623	17 982 296
Total assets: total liabilities		3.3	4.2	3.7
Current assets: current liabilities		2.6	2.5	2.5
Risk claims incurred: cash & cash equivalents coverage	Months	0.4	0.3	0.4
Net assets per Regulation 29	R'000	23 441 197	20 709 979	44 151 177
Solvency ratio	%	28.5	35.8	31.5

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 31 March 2014
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2 255 260	2 284 421	-1.3	1 621 247	1 651 638	-1.8	3 876 507	3 936 059	-1.5
Beneficiaries		4 838 721	4 914 338	-1.5	3 923 660	3 904 723	0.5	8 762 381	8 819 061	-0.6
Gross Contribution Income (GCI)	R'000	20 624 522	20 825 524	-1.0	14 383 675	14 854 439	-3.2	35 008 197	35 679 963	-1.9
Risk Contribution Income (RCI)		17 888 503	18 087 328	-1.1	13 808 714	14 277 050	-3.3	31 697 217	32 364 378	-2.1
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		18 616 195	NA	0.0	13 706 955	NA	0.0	32 323 151	NA	0.0
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		14 722 347	15 169 290	-2.9	13 071 495	13 616 409	-4.0	27 793 843	28 785 699	-3.4
Gross (incl. PMSA)/net non-healthcare expenses		2 628 473	2 684 888	-2.1	1 149 141	1 271 125	-9.6	3 777 615	3 956 013	-4.5
Net healthcare results		537 683	233 150	130.6	(411 922)	(610 484)	-32.5	125 760	(377 334)	-133.3
Surplus/(deficit)		1 033 168	586 833	76.1	125 563	(244 877)	151.3	1 158 731	341 956	238.9
Quarter end reserve position (per Regulation 29) (Note c)		23 441 197	22 915 186	2.3	20 709 979	20 341 882	1.8	44 151 177	43 257 068	2.1

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 31 March 2014: 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 31 March 2014
Annexure I

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2014	2013	% variance	2014	2013	% variance	2014	2013	% variance
Members		2 255 260	2 210 186	2.0	1 621 247	1 619 485	0.1	3 876 507	3 829 671	1.2
Beneficiaries		4 838 721	4 775 981	1.3	3 923 660	3 929 128	-0.1	8 762 381	8 705 109	0.7
Gross Contribution Income (GCI)	R'000	20 624 522	18 835 685	9.5	14 383 675	13 384 015	7.5	35 008 197	32 219 700	8.7
Risk Contribution Income (RCI)		17 888 503	16 380 088	9.2	13 808 714	12 855 128	7.4	31 697 217	29 235 216	8.4
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		18 616 195	16 855 832	10.4	13 706 955	12 731 960	7.7	32 323 151	29 587 792	9.2
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		14 722 347	13 425 744	9.7	13 071 495	12 137 782	7.7	27 793 843	25 563 526	8.7
Gross (incl. PMSA)/net non-healthcare expenses		2 628 473	2 456 677	7.0	1 149 141	1 094 669	5.0	3 777 615	3 551 346	6.4
Net healthcare results		537 683	497 667	8.0	(411 922)	(377 323)	9.2	125 760	120 344	4.5
Surplus/(deficit)		1 033 168	883 294	17.0	125 563	69 321	81.1	1 158 731	952 615	21.6
Quarter end reserve position (per Regulation 29)		23 441 197	21 016 637	11.5	20 709 979	18 170 102	14.0	44 151 177	39 186 739	12.7

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.

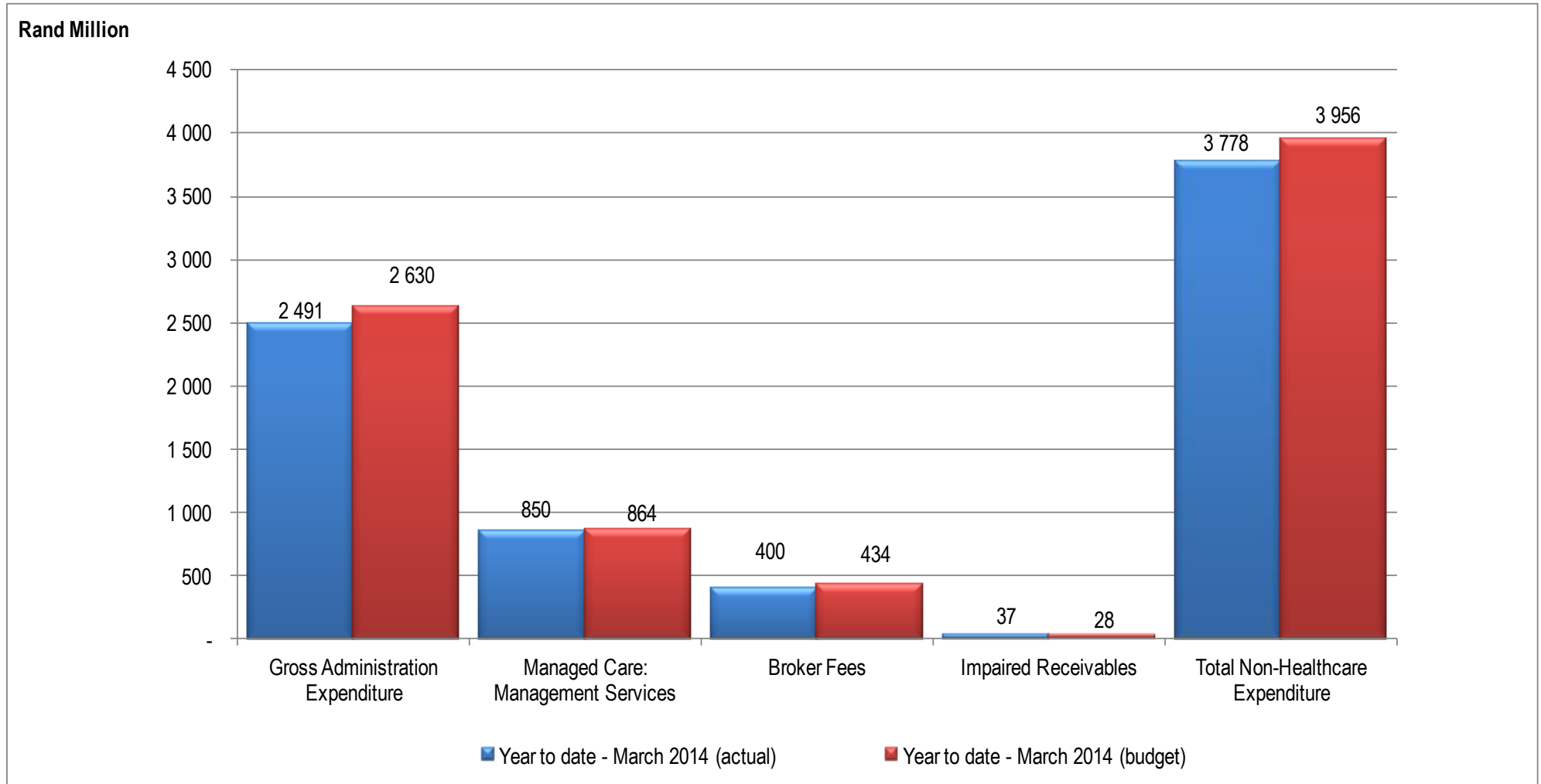
* PMSA = Personal Medical Savings Account

* GCI = Gross Contribution Income

* RCI = Risk Contribution Income

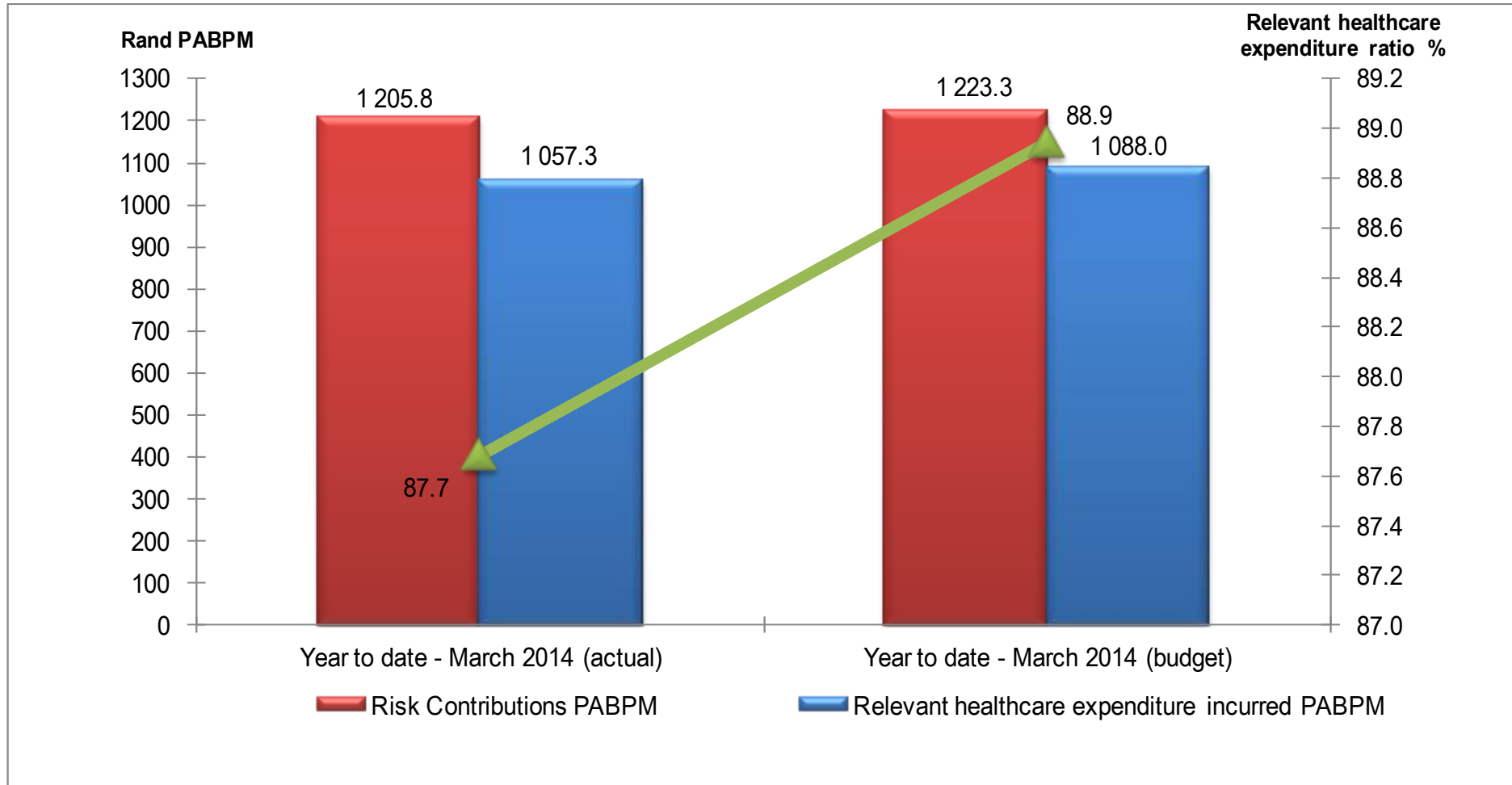
TOTAL NON-HEALTHCARE EXPENDITURE GRAPH

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

