



**Quarterly Reports
for the Period ending 30 June 2014**

October 2014

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 June 2014. Budget information for the second 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 2 (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 4.9% from the audited solvency level of 33.3% at 31 December 2013 to 31.7% at 30 June 2014.
- Total reserves per Regulation 29 for all medical schemes amounted to R44.4 billion at 30 June 2014, which were 2.7% higher than the reserves of R43.2 billion as at 31 December 2013.
- The solvency level at 30 June 2014 was 4.6% higher than the budgeted solvency level of 30.3% 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 30 June 2014 represent 5.8% (2013: 59.0%) of the total open schemes' beneficiaries.
- Only 4 (2013: 3) restricted schemes were below 25.0%; and they represent 50.7% (2013: 50.8%) of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 2.8% from R4 921.7 at 31 December 2013 to R5 059.7 at 30 June 2014. The net asset value per beneficiary at 30 June 2014 was 3.3% higher than the budgeted net asset value of R4 899.2 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 0.5% from 3 878 267 at 31 December 2013 to 3 895 911 at 30 June 2014.
- The number of total beneficiaries decreased by 0.1% from 8 776 279 at 31 December 2013 to 8 765 961 at 30 June 2014.
- The average number of members of 3 883 870 for the period ended 30 June 2014 was 1.8% lower than budget, and the average number of beneficiaries of 8 759 865 was 1.0% lower than budget.
- The industry average age for all registered schemes for the period ended 30 June 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 R70.0 billion for the period ended 30 June 2014, which was 2.2% lower than the budget of R71.6 billion and 8.4% higher than the R64.6 billion for 30 June 2013.
- The gross contribution per average beneficiary per month was R 1 332.3 for the period ended 30 June 2014. Gross relevant healthcare expenditure per average beneficiary per month was R 1 226.7 for the period ended 30 June 2014.
- The gross contribution per average beneficiary per month at 30 June 2014 of R1 332.3 went up by 7.7% from R 1 237.6 at 30 June 2013.
- Total risk contribution income of R63.4 billion was 2.5% lower than budget but 8.1% higher than the R58.6 billion at the end of June 2013. The risk contribution per average beneficiary per month for the period ended 30 June 2014 was R 1 206.1.
- The relevant healthcare expenditure ratio of 88.7% at 30 June 2014 was 0.1% higher than the budgeted relevant healthcare expenditure ratio of 88.6% and but lower than the 30 June 2013 ratio of 87.5% by 1.3%. The relevant healthcare expenditure per average beneficiary per month for the period ended 30 June 2014 was R 1 069.5. Total relevant healthcare expense for the period ended 30 June 2014 was R56.2 billion compared to the budgeted relevant healthcare expense of R57.6 billion, representing a 2.4% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 9.6% from R51.3 billion in June 2013.
- Relevant healthcare expenditure per average beneficiary per month at 30 June 2014 of R1 69.5 went up by 8.9% from R982.1 at 30 June 2013.
- The utilisation of the prior year's outstanding claims provision was 91.9% for all schemes as at 30 June 2014.

Non-healthcare expenses

- Total non-healthcare expenses for all medical schemes amounted to R7.7 billion for the period ended 30 June 2014, which was 3.6% lower than the R7.9 billion budgeted for and 6.7% higher than the R7.1 billion at the end of June 2013.
- The non-healthcare expense per average beneficiary per month for the period ended 30 June 2014 was R145.7, which was 6.3% higher than the industry average of R137.1 at 31 December 2013.

- Non-healthcare expenses, when expressed as a percentage of risk contribution income, for 30 June 2014 was 12.1% and 12.2% as at 31 December 2013.
- At 30 June 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>Jun '14</u>	<u>Dec '13</u>
- Administration expenses	66.1%	65.5%
- Managed care: management services	22.3%	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 net healthcare deficits (before taking investment and other income into account) of R474.0 million compared to a budgeted deficit of R511.4 million at 30 June 2014. The total net healthcare results are 7.3% better than expected.
- Open schemes incurred a net healthcare surplus (before taking investment and other income into account) of R478.9 million compared to a budget of R301.1 million whereas restricted schemes incurred a net healthcare deficit of R952.9 million compared to a budgeted deficit of R812.6 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R1.7 billion at 30 June 2014 compared to a budgeted surplus of R945.1 million, which represents an actual to budget variance of 65.7%.
- 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 30 June 2014 is 2.6 (2013: 2.9), whereas for restricted schemes it is 2.4 (2013: 3.5).
- The total assets to total liabilities ratio for open and restricted schemes is 3.3 (2013: 3.9) and 4.6 (2013: 4.8) respectively.

REGULATION 29: MINIMUM ACCUMULATED FUNDS

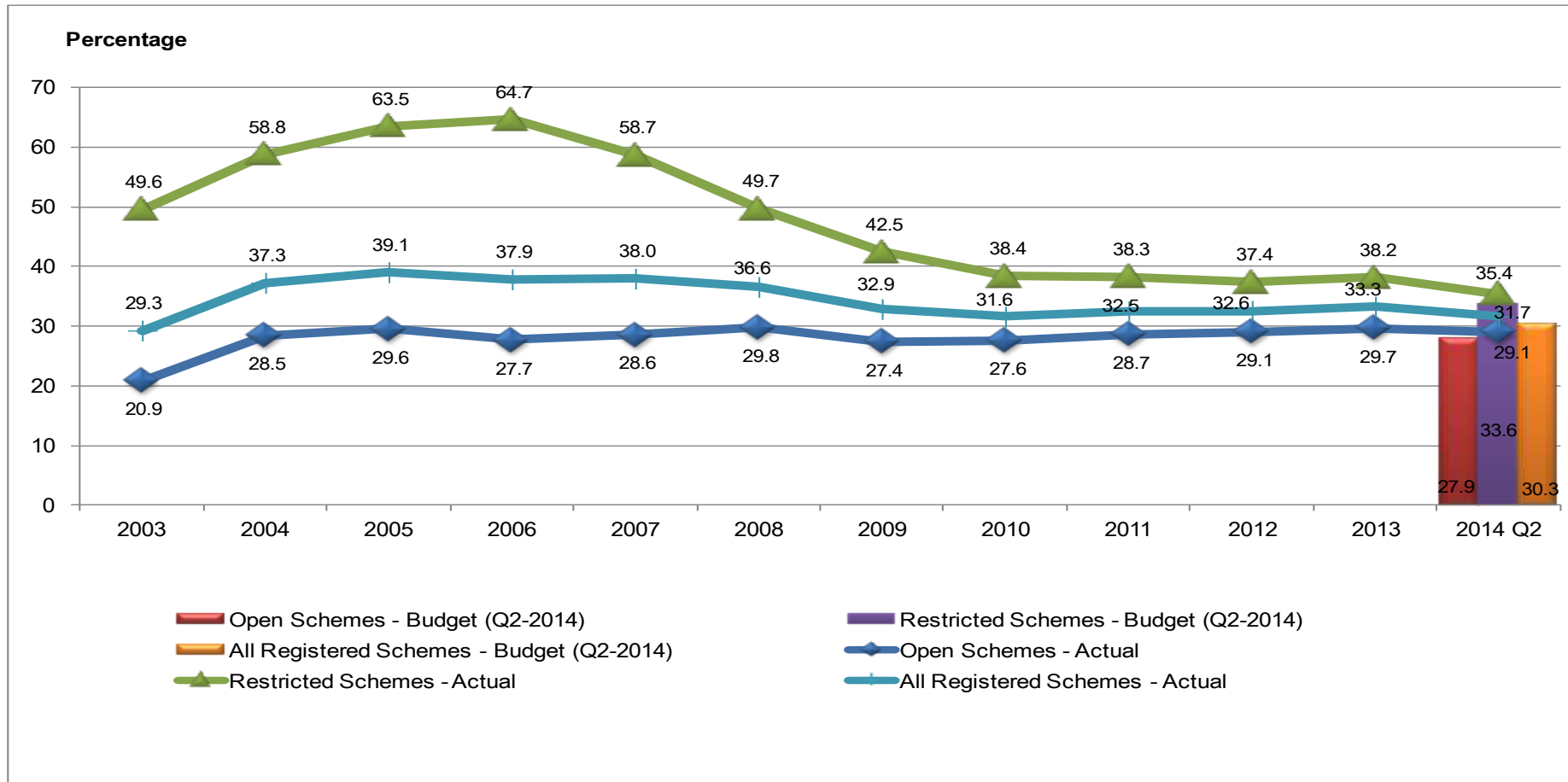
Annexure A

(SOLVENCY RATIO)

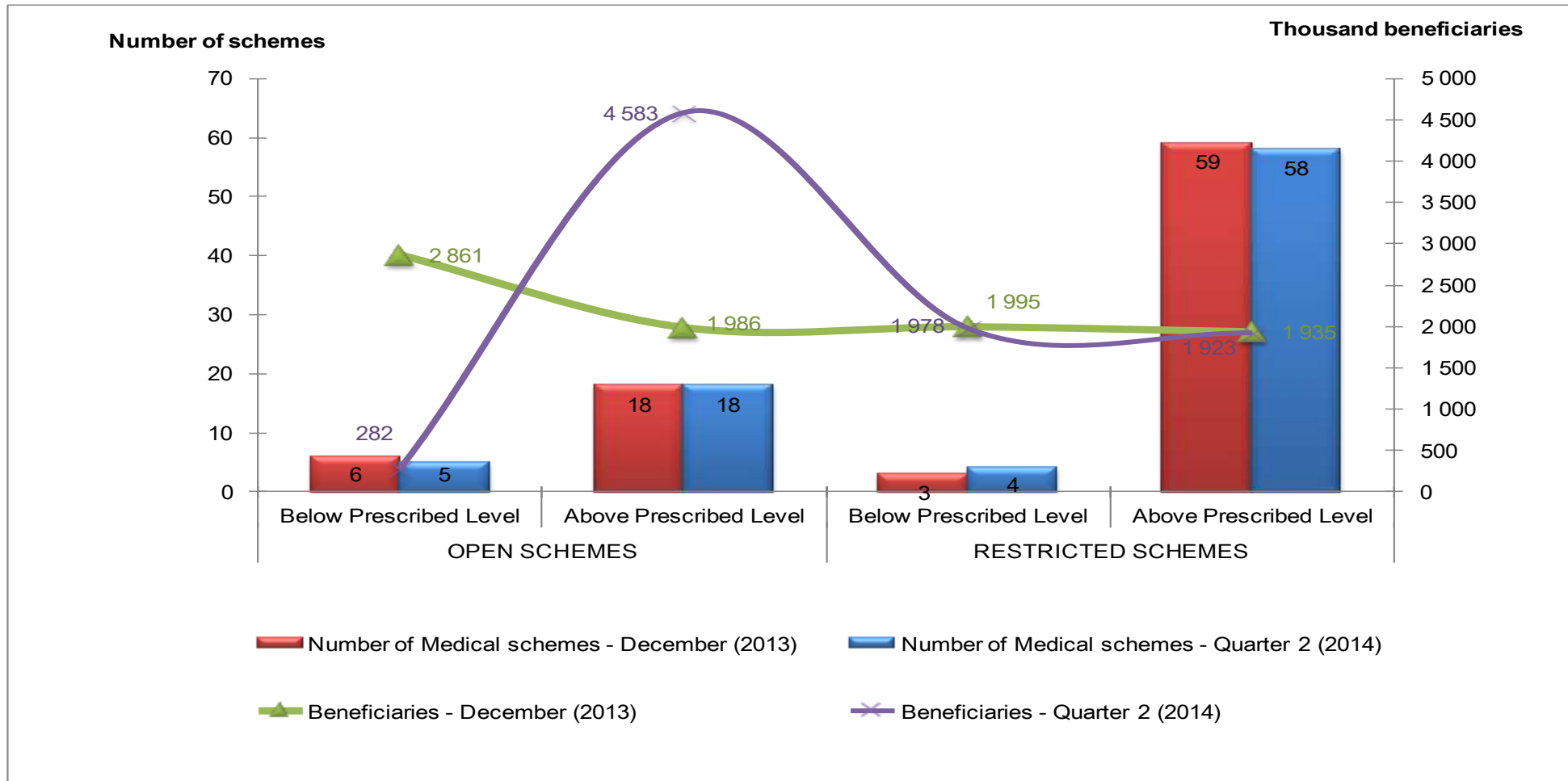
INDUSTRY AVERAGE:

	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 2 Actual	2014 Quarter 2 Actual	2014 - Quarter 2 Budget	% Change Actual 2014 vs Budget 2014
Open schemes	27.7%	-6.3%	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%	29.1%	27.9%	4.2%
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%	35.4%	33.6%	5.3%
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%	33.3%	2.1%	27.1%	31.7%	30.3%	4.6%

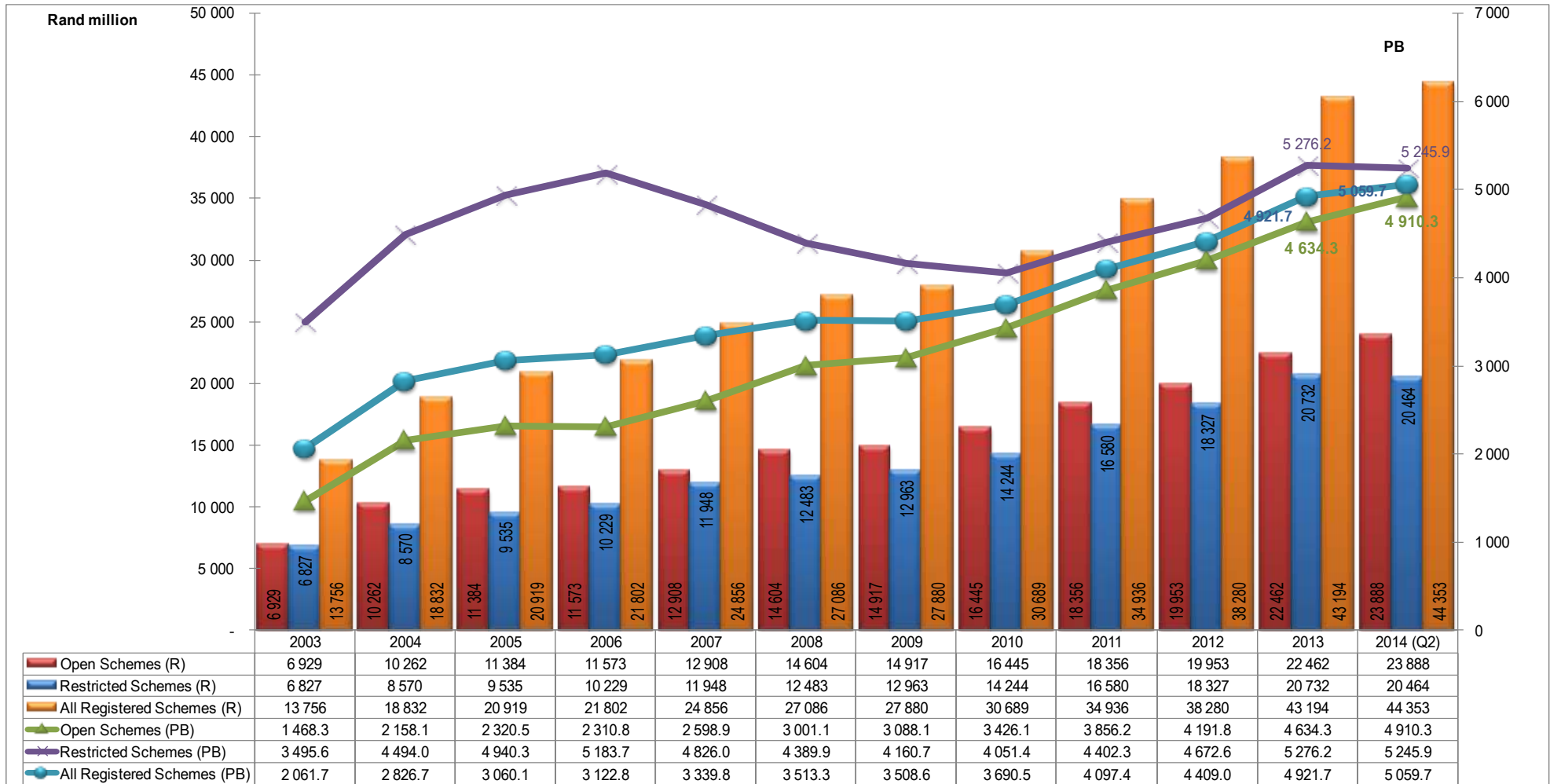
SOLVENCY RATIO GRAPH
Annexure B



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 2014
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 262 283	1 621 587	3 883 870
Average beneficiaries		4 845 308	3 914 557	8 759 865
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	41 197 774	28 824 354	70 022 128
Gross relevant healthcare expenditure (gross +PMSA) (Note a)		36 865 134	27 609 664	64 474 798
Gross administration expenses (risk + PMSA)		3 485 930	1 572 322	5 058 252
Managed care: management services		1 024 810	681 702	1 706 512
Broker service fees (including distributions costs)		781 985	33 144	815 129
Net impairment losses: trade and other receivables		36 351	39 634	75 984
Net healthcare results		478 937	(952 943)	(474 006)
Surplus/ (deficit)		1 420 695	145 265	1 565 959

NOTES:

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

* PMSA = Personal Medical Savings Account

BALANCE SHEET DETAILS
at 30 June 2014
Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members		2 276 461	1 619 450	3 895 911
Dependants		2 588 470	2 281 580	4 870 050
Beneficiaries		4 864 931	3 901 030	8 765 961
Non-current assets	R'000	8 054 774	14 223 524	22 278 298
Current assets		28 619 662	14 982 769	43 602 431
Trade & other receivables		5 268 202	1 229 945	6 498 147
	Contribution days outstanding	13.6	4.4	9.8
Cash & cash equivalents	R'000	6 153 314	8 778 827	14 932 141
Total assets		36 674 436	29 206 293	65 880 728
Members' funds (net assets per BS)		25 497 135	22 896 077	48 393 212
Accumulated funds		24 387 504	21 488 720	45 876 225
Non-current liabilities		20 408	49 441	69 849
Current liabilities		11 156 893	6 260 775	17 417 667
Trade & other payables		3 409 282	1 576 298	4 985 580
Personal medical savings account trust liability		4 739 733	1 987 201	6 726 934
Outstanding claims provision		3 007 878	2 697 276	5 705 154
	Prior year claims provision utilised %	90.0	93.9	91.9%
Total liabilities	R'000			
Total assets: total liabilities		11 177 301	6 310 216	17 487 516
Current assets: current liabilities		3.3	4.6	3.8
Risk claims incurred: cash & cash equivalents coverage	Months	2.6	2.4	2.5
Net assets per Regulation 29	R'000	0.3	0.2	0.3
Solvency ratio	%	23 888 457	20 464 412	44 352 869

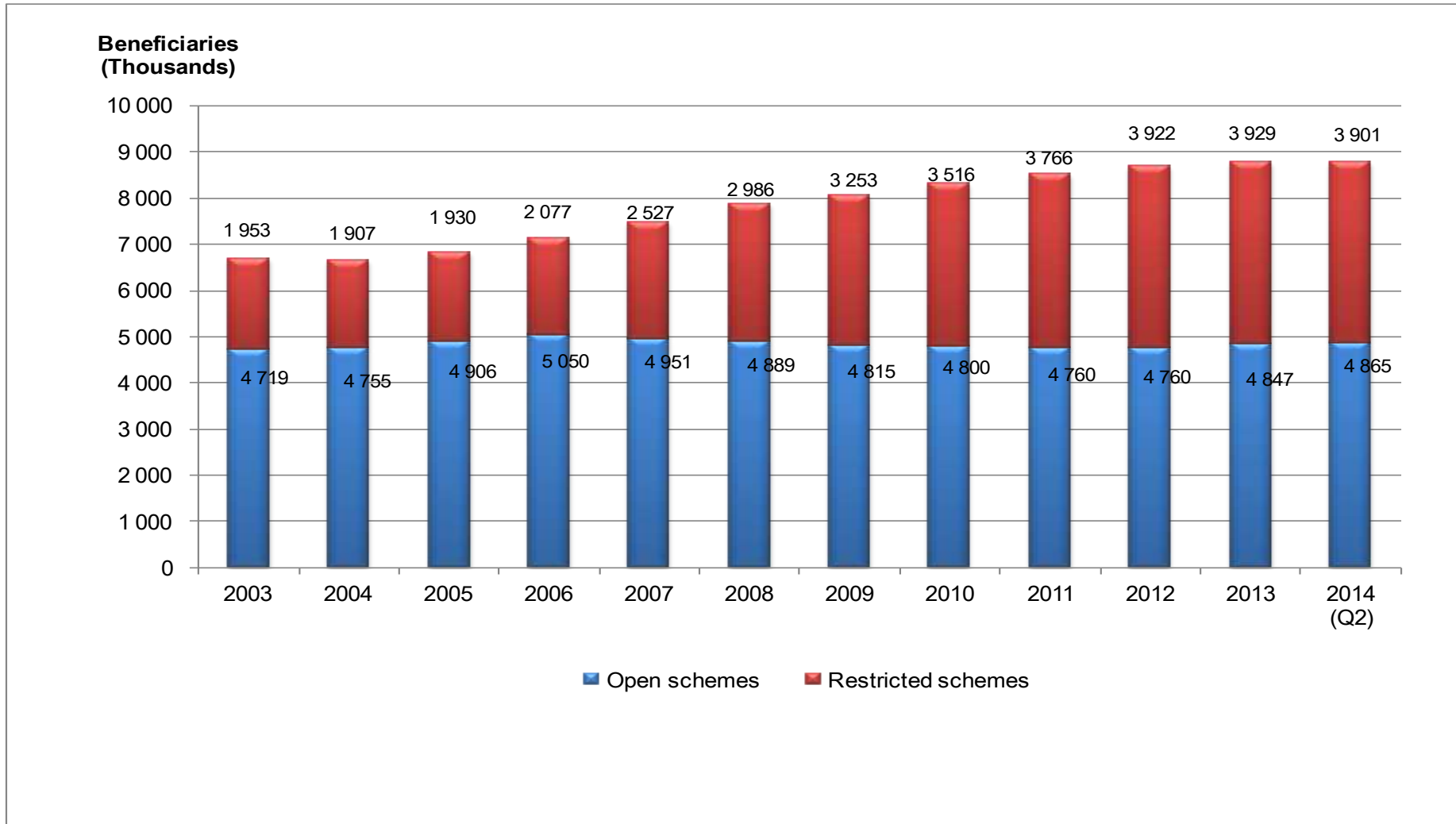
NOTES:

* 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 2014
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2 262 283	2 296 513	-1.5	1 621 587	1 658 572	-2.2	3 883 870	3 955 085	-1.8
Beneficiaries		4 845 308	4 930 950	-1.7	3 914 557	3 921 105	-0.2	8 759 865	8 852 055	-1.0
Gross Contribution Income (GCI)	R'000	41 197 774	41 693 379	-1.2	28 824 354	29 939 497	-3.7	70 022 128	71 632 875	-2.2
Risk Contribution Income (RCI)		35 724 568	36 219 835	-1.4	27 668 549	28 776 334	-3.8	63 393 117	64 996 169	-2.5
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		36 865 134	NA	0.0	27 609 664	NA	0.0	64 474 798	NA	0.0
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		29 916 782	30 520 546	-2.0	26 294 690	27 046 086	-2.8	56 211 472	57 566 633	-2.4
Gross (incl. PMSA)/net non-healthcare expenses		5 328 849	5 398 162	-1.3	2 326 802	2 542 804	-8.5	7 655 651	7 940 966	-3.6
Net healthcare results		478 937	301 127	59.0	(952 943)	(812 557)	17.3	(474 006)	(511 430)	-7.3
Surplus/(deficit)		1 420 695	1 023 440	38.8	145 265	(78 346)	285.4	1 565 959	945 094	65.7
Quarter end reserve position (per Regulation 29) (Note c)		23 888 457	23 307 908	2.5	20 464 412	20 342 248	0.6	44 352 869	43 650 156	1.6

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 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 30 June 2014
Annexure I

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2014	2013	% variance	2014	2013	% variance	2014	2013	% variance
Members		2 262 283	2 220 720	1.9	1 621 587	1 616 849	0.3	3 883 870	3 837 569	1.2
Beneficiaries		4 845 308	4 788 127	1.2	3 914 557	3 915 858	0.0	8 759 865	8 703 985	0.6
Gross Contribution Income (GCI)	R'000	41 197 774	37 721 264	9.2	28 824 354	26 903 440	7.1	70 022 128	64 624 704	8.4
Risk Contribution Income (RCI)		35 724 568	32 777 581	9.0	27 668 549	25 842 742	7.1	63 393 117	58 620 324	8.1
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		36 865 134	33 600 056	9.7	27 609 664	25 096 893	10.0	64 474 798	58 696 949	9.8
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		29 916 782	27 343 283	9.4	26 294 690	23 947 881	9.8	56 211 472	51 291 164	9.6
Gross (incl. PMSA)/net non-healthcare expenses		5 328 849	4 982 515	7.0	2 326 802	2 195 094	6.0	7 655 651	7 177 609	6.7
Net healthcare results		478 937	451 783	6.0	(952 943)	(300 233)	217.4	(474 006)	151 550	-412.8
Surplus/(deficit)		1 420 695	1 159 044	22.6	145 265	435 373	-66.6	1 565 959	1 594 417	-1.8
Quarter end reserve position (per Regulation 29)		23 888 457	21 344 185	11.9	20 464 412	18 629 540	9.8	44 352 869	39 973 725	11.0

NOTES:

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

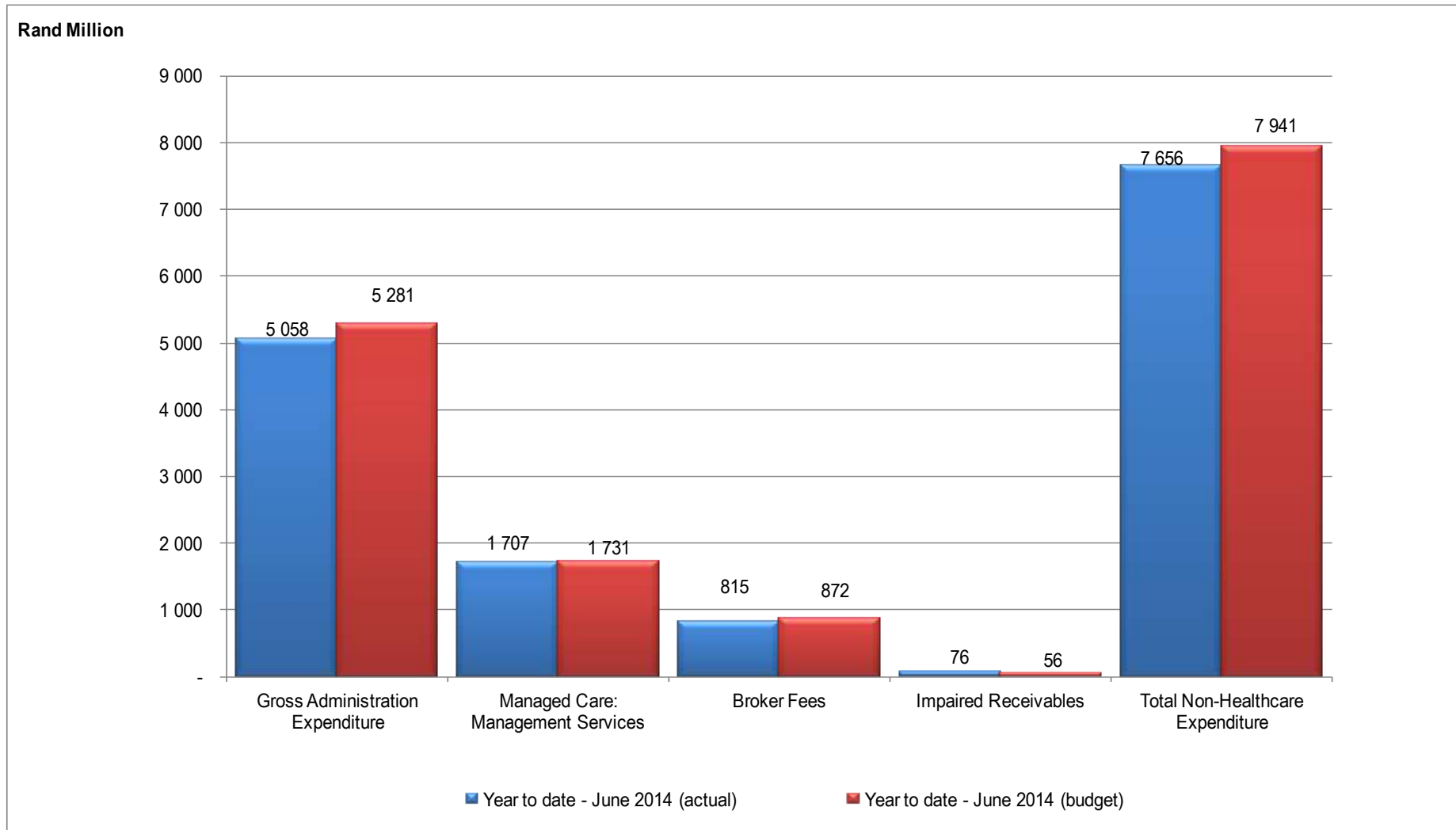
b) Gross non-healthcare expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

* PMSA = Personal Medical Savings Account

* GCI = Gross Contribution Income

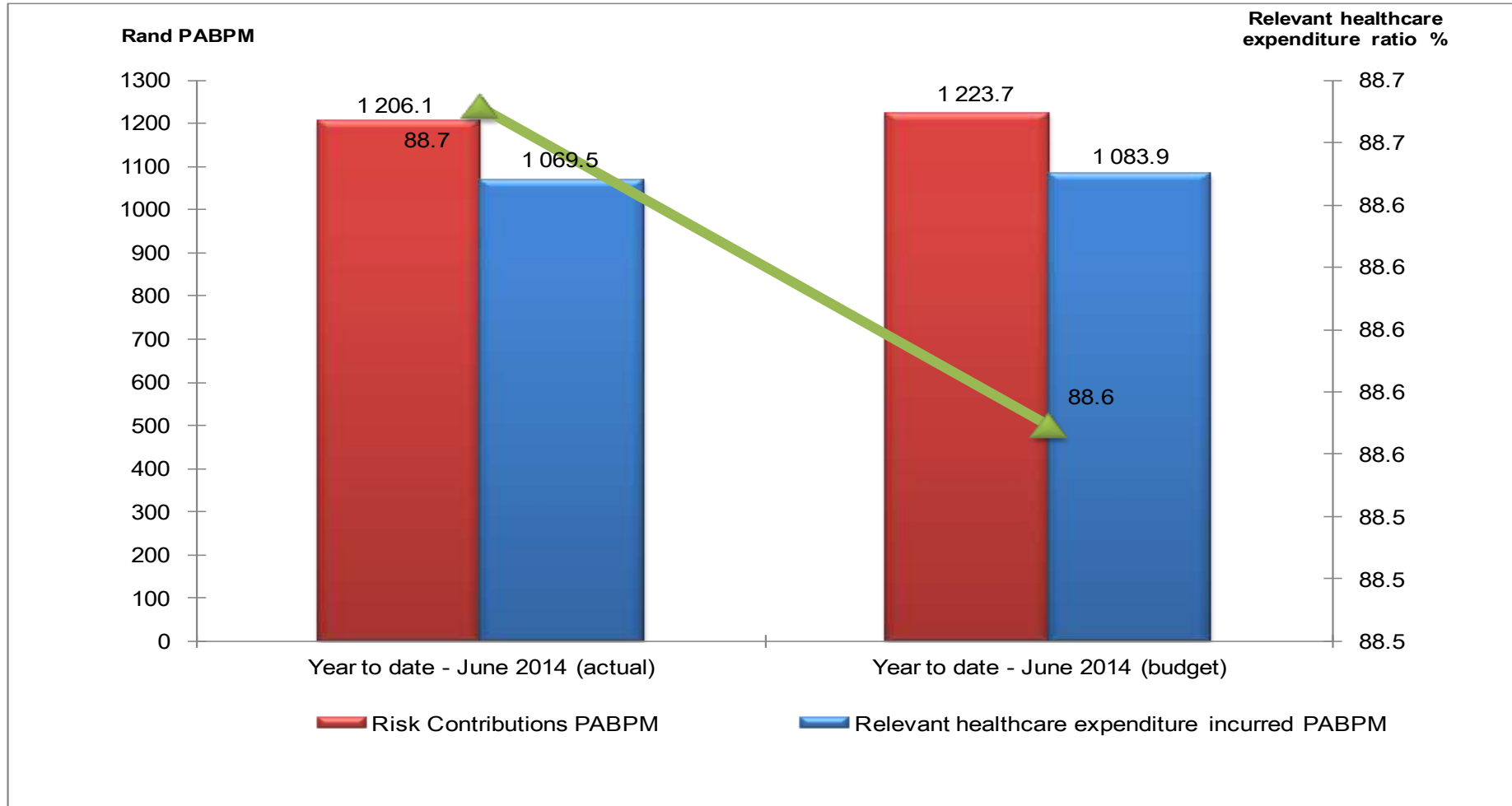
* RCI = Risk Contribution Income

TOTAL NON-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

