



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

**January 2015**

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## **INTRODUCTION**

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 September 2014. Budget information for the third 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.

## 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 5.4% from the audited solvency level of 33.3% at 31 December 2013 to 31.5% at 30 September 2014.
- Total reserves per Regulation 29 for all medical schemes amounted to R44.1 billion at 30 September 2014, which were 2.2% higher than the reserves of R43.2 billion as at 31 December 2013.
- The solvency level at 30 September 2014 was 3.7% 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 September 2014 represent 5.7% (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 1.8% from R4 921.7 at 31 December 2013 to R5 009.1 at 30 September 2014. The net asset value per beneficiary at 30 September 2014 was 2.7% higher than the budgeted net asset value of R4 877.0 for the same period.

### Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 1.0% from 3 878 267 at 31 December 2013 to 3 917 548 at 30 September 2014.
- The number of total beneficiaries increased by 0.4% from 8 776 279 at 31 December 2013 to 8 810 010 at 30 September 2014.
- The average number of members of 3 889 654 for the period ended 30 September 2014 was 2.2% lower than budget, and the average number of beneficiaries of 8 765 904 was 1.3% lower than budget.
- The industry average age for all registered schemes for the period ended 30 September 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 R105.1 billion for the period ended 30 September 2014, which was 2.4% lower than the budget of R107.7 billion and 8.1% higher than the R97.3 billion for 30 September 2013.
- The gross contribution per average beneficiary per month was R 1 332.1 for the period ended 30 September 2014. Gross relevant healthcare expenditure per average beneficiary per month was R 1 221.4 for the period ended 30 September 2014.
- The gross contribution per average beneficiary per month at 30 September 2014 of R1 332.1 went up by 7.5% from R 1 239.2 at 30 September 2013.
- Total risk contribution income of R 95.1 billion was 2.6% lower than budget but 7.9% higher than the R 88.2 billion at the end of September 2013. The risk contribution per average beneficiary per month for the period ended 30 September 2014 was R 1 206.0.
- The relevant healthcare expenditure ratio of 89.8% at 30 September 2014 was 0.5% higher than the budgeted relevant healthcare expenditure ratio of 89.3% and but lower than the 30 September 2013 ratio of 88.1% by 2.0%. The relevant healthcare expenditure per average beneficiary per month for the period ended 30 September 2014 was R 1 083.4. Total relevant healthcare expense for the period ended 30 September 2014 was R 85.5 billion compared to the budgeted relevant healthcare expense of R 87.3 billion, representing a 2.1% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 10.0% from R 77.7 billion in September 2013.
- Relevant healthcare expenditure per average beneficiary per month at 30 September 2014 of R 1 083.4 went up by 9.4% from R 990.2 at 30 September 2013.
- The utilisation of the prior year's outstanding claims provision was 9.8% for all schemes as at 30 September 2014.

### Non-healthcare expenses

- Total non-healthcare expenses for all medical schemes amounted to R 11.6 billion for the period ended 30 September 2014, which was 3.0% lower than the R 11.9 billion budgeted for and 7.5% higher than the R 10.7 billion at the end of September 2013.
- The non-healthcare expense per average beneficiary per month for the period ended 30 September 2014 was R146.4, which was 6.8% higher than the industry average of R137.1 at 31 December 2013.
- Non-healthcare expenses, when expressed as a percentage of risk contribution income, for 30 September 2014 was 12.1% and 12.2% as at 31 December 2013.
- At 30 September 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>Sep '14</u>	<u>Dec '13</u>
- Administration expenses	65.5%	65.5%
- Managed care: management services	22.2%	22.2%
- Broker service fees (including distribution costs and broker fees)	11.0%	11.0%
- Net impairment losses: trade and other receivables	1.3%	1.3%

### *Operating results*

- Registered medical schemes incurred net healthcare deficits (before taking investment and other income into account) of R1.9 billion compared to a budgeted deficit of R1.4 billion at 30 September 2014. The total net healthcare results are 26.1% better than expected.
- Open schemes incurred a net healthcare deficits (before taking investment and other income into account) of R386.2 million compared to a budgeted loss of R268.5 million whereas restricted schemes incurred a net healthcare deficit of R 1.5 billion compared to a budgeted deficit of R 1.3 billion.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R991.3 million at 30 September 2014 compared to a budgeted surplus of R706.0 million, which represents an actual to budget variance of 40.4%.
- 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 September 2014 is 2.7 (2013: 2.9), whereas for restricted schemes it is 2.2 (2013: 3.5).
- The total assets to total liabilities ratio for open and restricted schemes is 3.4 (2013: 3.9) and 4.3 (2013: 4.8) respectively.

**REGULATION 29: MINIMUM ACCUMULATED FUNDS**

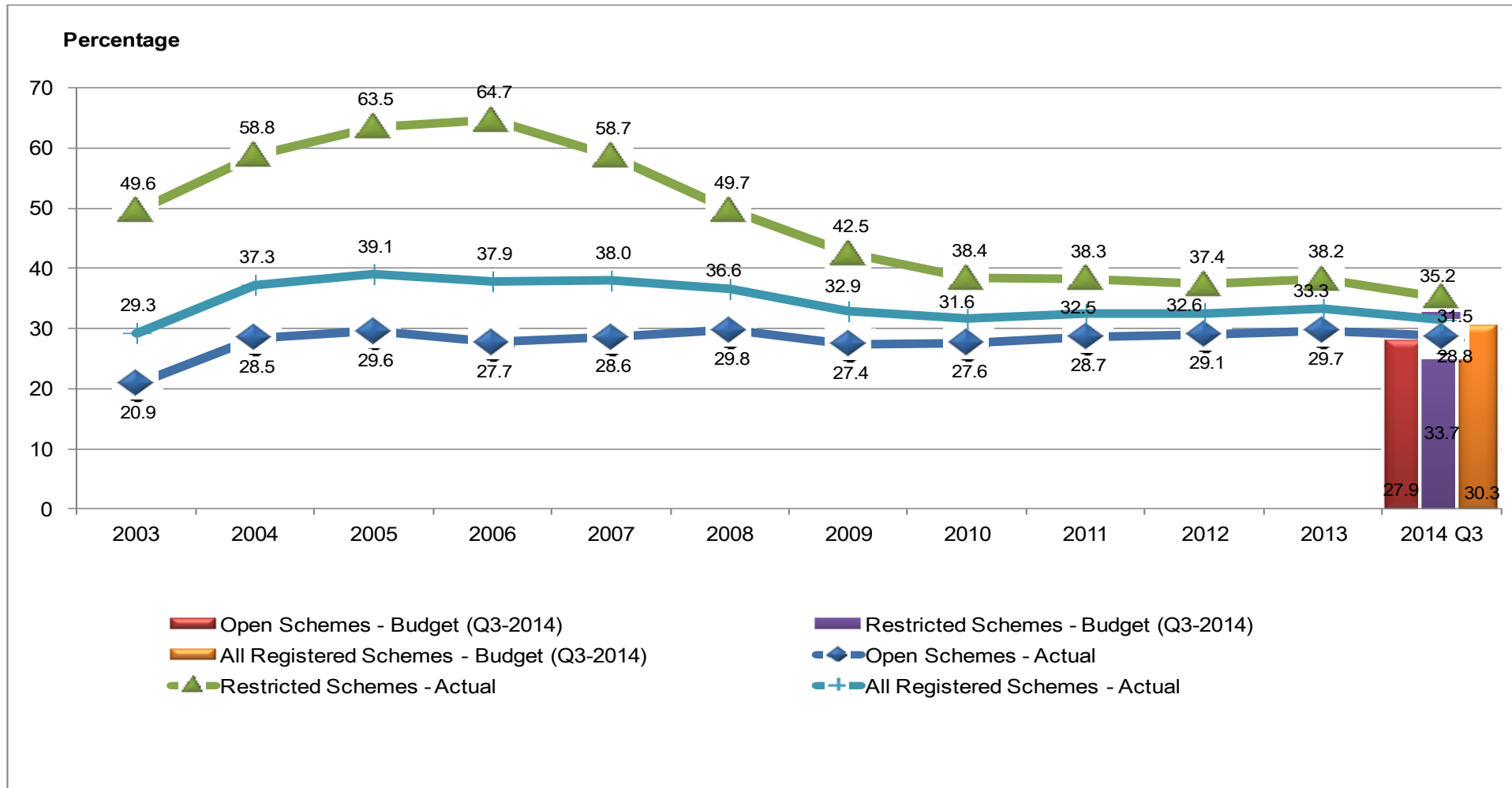
**Annexure A**

**(SOLVENCY RATIO)**

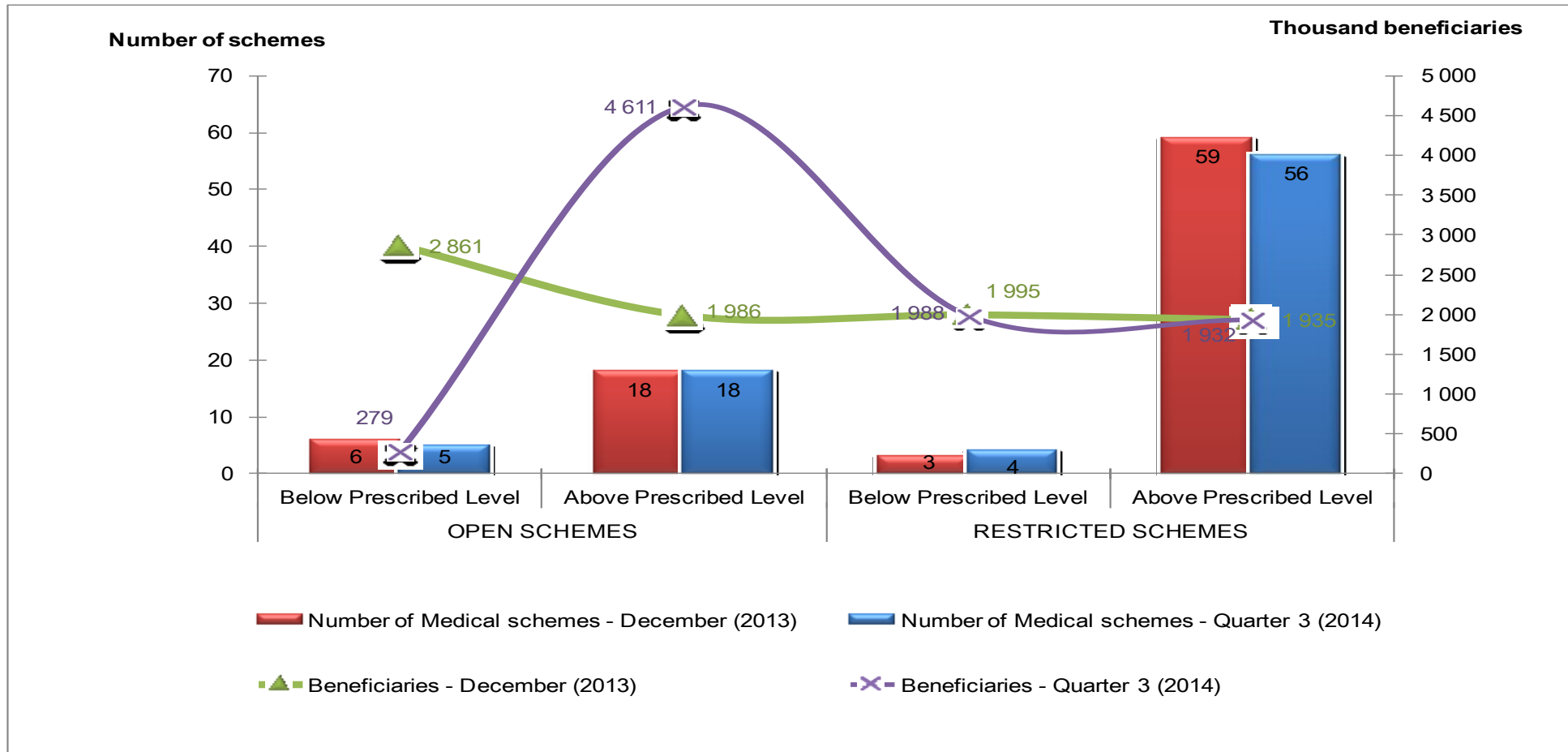
**INDUSTRY AVERAGE:**

	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 3 Actual	2014 Quarter 3 Actual	2014 - Quarter 3 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%	28.8%	27.9%	3.1%
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%	35.2%	33.7%	4.7%
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%	30.3%	3.7%

**SOLVENCY RATIO GRAPH**  
Annexure B

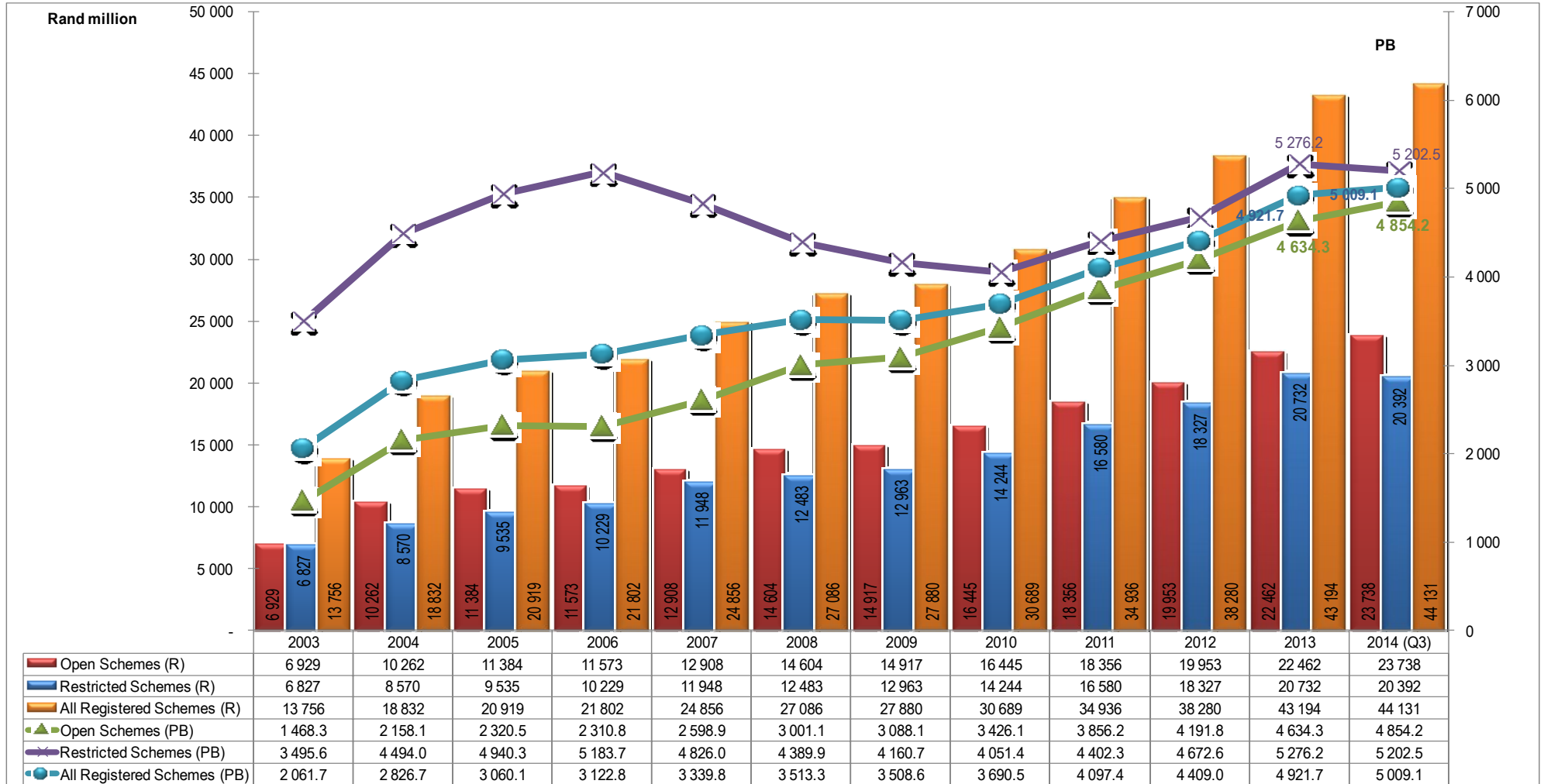


**PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH**  
Annexure C





NET ASSETS PER REGULATION 29 GRAPH  
Annexure D



PB – Per beneficiary

**INCOME STATEMENT DETAILS**  
for the period ended 30 September 2014  
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 268 964	1 620 690	3 889 654
Average beneficiaries		4 855 116	3 910 788	8 765 904
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	61 786 690	43 310 263	105 096 953
Gross relevant healthcare expenditure (gross +PMSA) (Note a)		55 099 592	41 257 160	96 356 752
Gross administration expenses (risk + PMSA)		5 271 110	2 363 288	7 634 398
Managed care: management services		1 537 953	1 037 802	2 575 754
Broker service fees (including distributions costs)		1 177 062	50 644	1 227 706
Net impairment losses: trade and other receivables		56 524	56 595	113 120
Net healthcare results		(386 152)	(1 488 129)	(1 874 282)
Surplus/ (deficit)		1 062 630	(71 365)	991 266

**NOTES:**

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

\* PMSA = Personal Medical Savings Account

**BALANCE SHEET DETAILS**  
**at 30 September 2014**  
**Annexure F**

		<b>OPEN SCHEMES</b>	<b>RESTRICTED SCHEMES</b>	<b>TOTAL REGISTERED SCHEMES</b>
Members		2 291 781	1 625 767	3 917 548
Dependants		2 598 556	2 293 906	4 892 462
Beneficiaries		4 890 337	3 919 673	8 810 010
Non-current assets	R'000	7 814 458	14 473 909	22 288 367
Current assets		27 445 793	14 952 014	42 397 807
Trade & other receivables		4 734 454	1 387 269	6 121 723
	Contribution days outstanding	13.9	5.6	10.5
Cash & cash equivalents	R'000	6 797 362	8 587 459	15 384 820
Total assets		35 260 251	29 425 923	64 686 174
Members' funds (net assets per BS)		24 975 714	22 565 167	47 540 881
Accumulated funds		24 024 521	21 270 336	45 294 857
Non-current liabilities		19 938	49 702	69 640
Current liabilities		10 264 599	6 811 054	17 075 653
Trade & other payables		2 600 322	2 154 490	4 754 812
Personal medical savings account trust liability		4 797 546	2 026 036	6 823 583
Outstanding claims provision		2 866 730	2 630 528	5 497 258
	Prior year claims provision utilised %	99.5	100.1	99.8
Total liabilities	R'000	10 284 537	6 860 756	17 145 293
Total assets: total liabilities		3.4	4.3	3.8
Current assets: current liabilities		2.7	2.2	2.5
Risk claims incurred: cash & cash equivalents coverage	Months	0.1	0.0	0.1
Net assets per Regulation 29	R'000	23 738 478	20 392 032	44 130 511
Solvency ratio	%	28.8	35.2	31.5

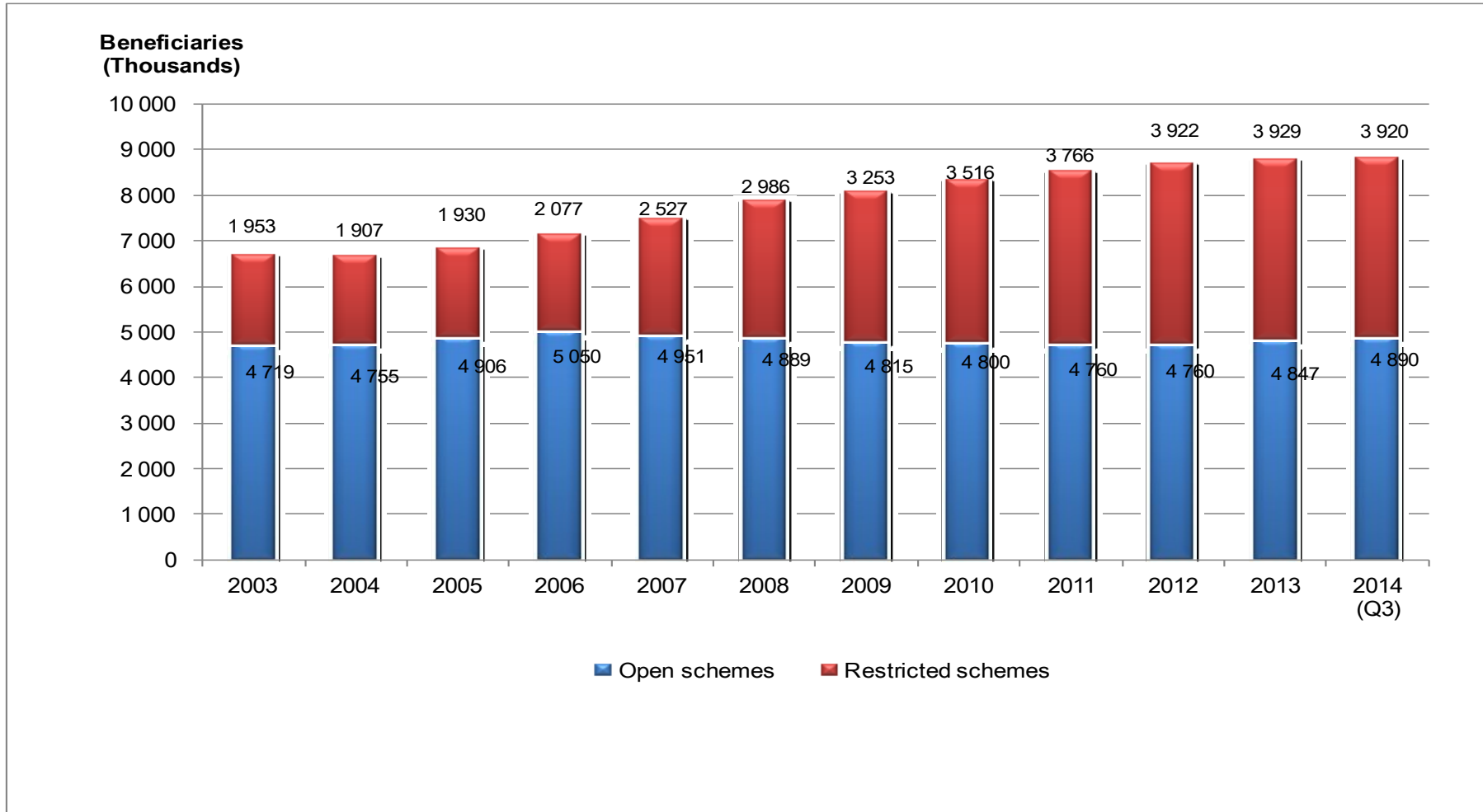
**NOTES:**

\* 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 30 September 2014  
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2 268 964	2 314 226	-2.0	1 620 690	1 663 625	-2.6	3 889 654	3 977 851	-2.2
Beneficiaries		4 855 116	4 945 976	-1.8	3 910 788	3 931 260	-0.5	8 765 904	8 877 236	-1.3
Gross Contribution Income (GCI)	R'000	61 786 690	62 596 690	-1.3	43 310 263	45 104 091	-4.0	105 096 953	107 700 781	-2.4
Risk Contribution Income (RCI)		53 579 533	54 390 630	-1.5	41 568 324	43 346 889	-4.1	95 147 857	97 737 518	-2.6
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		55 099 592	NA	0.0	41 257 160	NA	0.0	96 356 752	NA	0.0
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		45 923 800	46 564 877	-1.4	39 548 124	40 746 479	-2.9	85 471 924	87 311 356	-2.1
Gross (incl. PMSA)/net non-healthcare expenses		8 041 885	8 094 214	-0.6	3 508 329	3 818 628	-8.1	11 550 214	11 912 842	-3.0
Net healthcare results		(386 152)	(268 462)	43.8	(1 488 129)	(1 218 219)	22.2	(1 874 282)	(1 486 680)	26.1
Surplus/(deficit)		1 062 630	827 328	28.4	(71 365)	(121 396)	-41.2	991 266	705 932	40.4
Quarter end reserve position (per Regulation 29) (Note c)		23 738 478	23 332 529	1.7	20 392 032	20 346 201	0.2	44 130 511	43 678 730	1.0

**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 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 September 2014**  
**Annexure I**

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2014	2013	% variance	2014	2013	% variance	2014	2013	% variance
Members		2 268 964	2 229 460	1.8	1 620 690	1 618 231	0.2	3 889 654	3 847 691	1.1
Beneficiaries		4 855 116	4 800 787	1.1	3 910 788	3 919 134	-0.2	8 765 904	8 719 921	0.5
Gross Contribution Income (GCI)	R'000	61 786 690	56 633 113	9.1	43 310 263	40 620 486	6.6	105 096 953	97 253 599	8.1
Risk Contribution Income (RCI)		53 579 533	49 201 268	8.9	41 568 324	39 020 495	6.5	95 147 857	88 221 763	7.9
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		55 099 592	49 708 045	10.8	41 257 160	37 621 124	9.7	96 356 752	87 329 169	10.3
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		45 923 800	41 679 453	10.2	39 548 124	36 033 214	9.8	85 471 924	77 712 667	10.0
Gross (incl. PMSA)/net non-healthcare expenses		8 041 885	7 493 139	7.3	3 508 329	3 249 281	8.0	11 550 214	10 742 420	7.5
Net healthcare results		(386 152)	28 676	-1446.6	(1 488 129)	(273 279)	444.5	(1 874 282)	(244 603)	666.3
Surplus/(deficit)		1 062 630	1 215 749	-12.6	(71 365)	1 213 884	-105.9	991 266	2 429 633	-59.2
Quarter end reserve position (per Regulation 29)		23 738 478	21 388 962	11.0	20 392 032	19 090 368	6.8	44 130 511	40 479 330	9.0

**NOTES:**

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

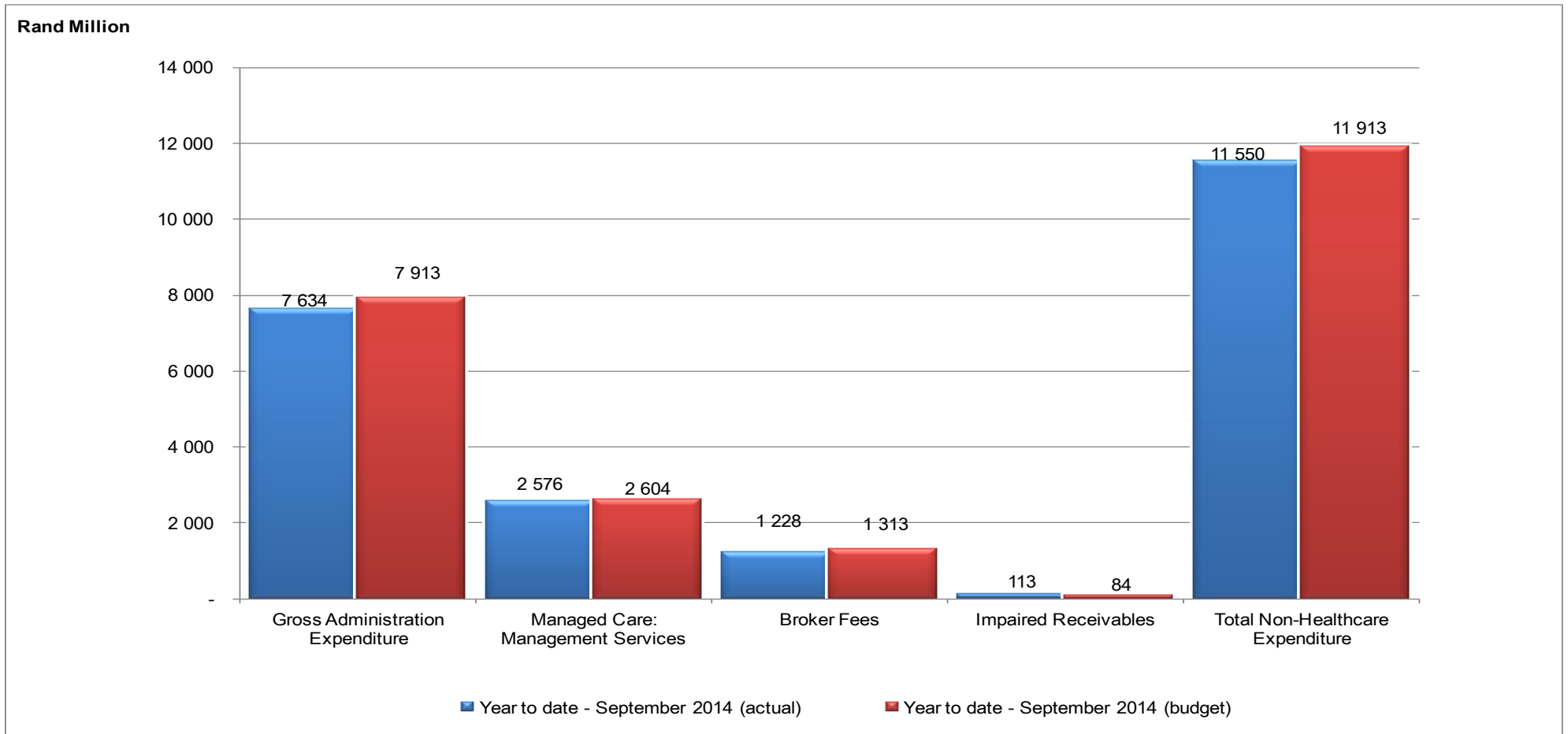
b) Gross non-healthcare expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

\* PMSA = Personal Medical Savings Account

\* GCI = Gross Contribution Income

\* RCI = Risk Contribution Income

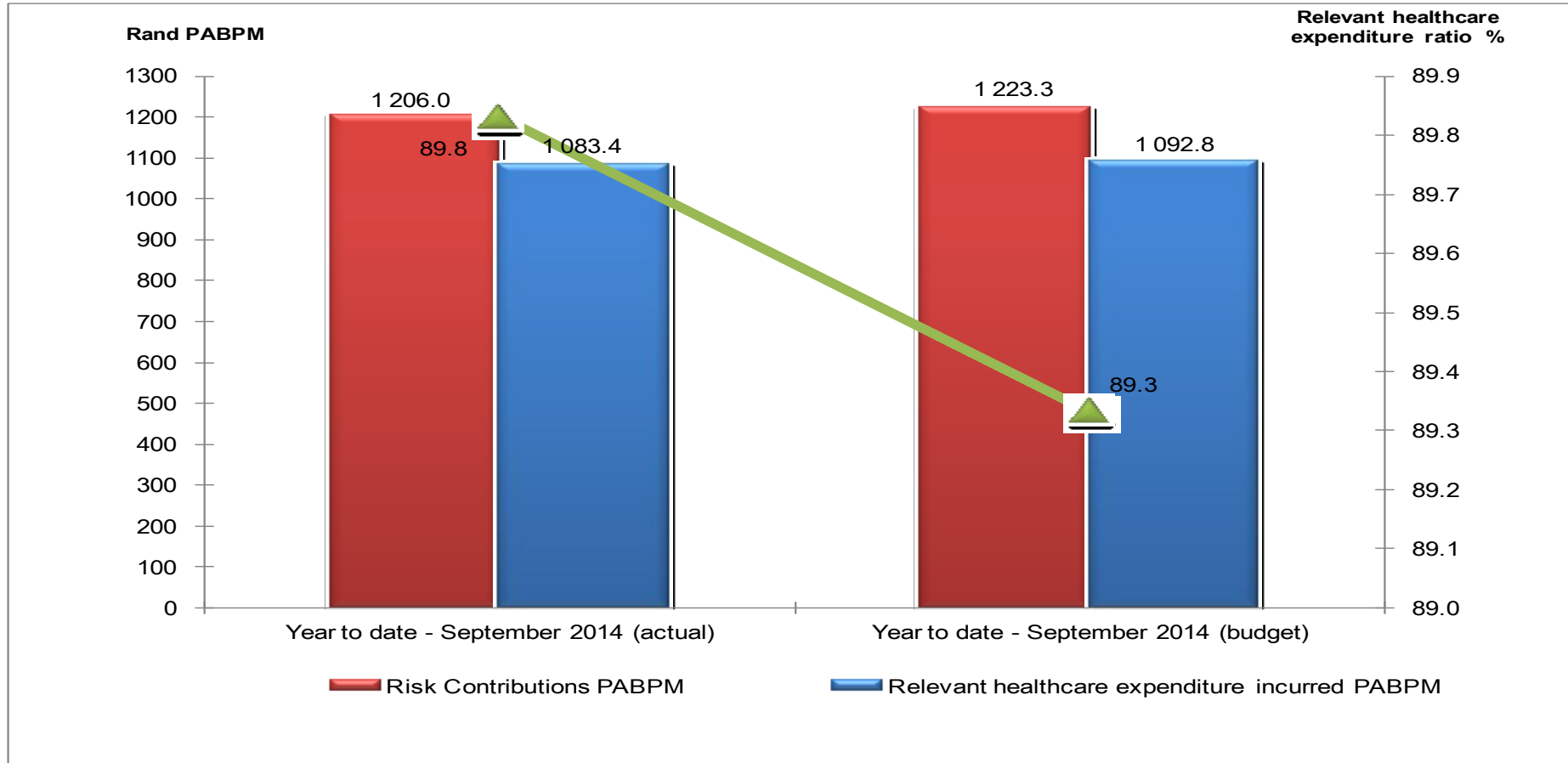
TOTAL NON-HEALTHCARE EXPENDITURE GRAPH  
Annexure J





# NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH

## Annexure K



PABPM = per average beneficiary per month

NET RELEVANT HEALTHCARE EXPENDITURE RATIO: SEASONALITY  
Annexure L

