



Quarterly Reports for the Period ending 31 March 2015

September 2015

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 31 March 2015. Budget information for the first quarter of 2015 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 the reliability of budget figures contained in this report.

**2014 figures were adjusted to include Sedmed which submitted Quarter 1 (2014) financials late.*

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 5.7% from the audited solvency level of 33.3% at 31 December 2014 to 31.4% at 31 March 2015.
- Total reserves per Regulation 29 for all medical schemes amounted to R47.5 billion at 31 March 2015, which was 1.9% higher than the reserves of R46.7 billion as at 31 December 2014.
- The solvency level at 31 March 2015 was 3.1% higher than the budgeted solvency level of 30.5% 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 4 (2014: 5) open schemes that failed to meet the prescribed solvency level at 31 March 2015 represent 5.2% (2014: 58.8%) of the total open schemes' beneficiaries.
- Only 4 (2014: 4) restricted schemes were below 25.0%; and they represent 50.9% (2014: 50.8%) of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 2.3% from R5 294.0 at 31 December 2014 to R5 417.8 at 31 March 2015. The net asset value per beneficiary at 31 March 2015 was 2.1% higher than the budgeted net asset value of R5 305.0 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 0.1% from 3 921 232 at 31 December 2014 to 3 923 659 at 31 March 2015.
- The number of total beneficiaries decreased by 0.4% from 8 814 458 at 31 December 2014 to 8 776 041 at 31 March 2015.
- The average number of members of 3 917 653 for the period ended 31 March 2015 was 2.4% lower than budget, and the average number of beneficiaries of 8 784 724 was 2.0% lower than budget.
- The industry average age for all registered schemes for the period ended 31 March 2015 was 32.0 years which is the same as at 31 December 2014. The proportion of pensioners for the period was 7.1%; a decrease from 7.3% as at 31 December 2014.

Contributions and relevant healthcare expenditure

- The total gross contributions for all medical schemes amounted to R37.9 billion for the period ended 31 March 2015, which was 1.3% lower than the budget of R38.4 billion and 8.3% higher than the R35.0 billion for 31 March 2014.
- The gross contribution per average beneficiary per month was R1 439.3 for the period ended 31 March 2015. Gross relevant healthcare expenditure per average beneficiary per month was R1 364.5 for the period ended 31 March 2015.
- The gross contribution per average beneficiary per month at 31 March 2015 of R1 439.3 went up by 8.1% from R1 331.5 at 31 March 2014.
- Total risk contribution income of R34.2 billion was 1.3% lower than budget, but 7.9% higher than the R31.7 billion at the end of March 2014. The risk contribution per average beneficiary per month for the period ended 31 March 2015 was R1 298.1.
- The relevant healthcare expenditure per average beneficiary per month for the period ended 31 March 2015 was R1 153.8.
- Total relevant healthcare expense for the period ended 31 March 2015 was R30.4 billion compared to the budgeted relevant healthcare expense of R30.7 billion, representing a 1.1% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 9.4% from R27.8 billion in March 2014.
- Relevant healthcare expenditure per average beneficiary per month at 31 March 2015 of R1 153.8 went up by 9.1% from R1 057.1 at 31 March 2014.
- The relevant healthcare expenditure ratio of 88.9% as at 31 March 2015 was 0.2% higher than the budgeted relevant healthcare expenditure ratio of 88.7% and was also higher than the 31 March 2014 ratio of 87.7%.
- The utilisation of the prior year's outstanding claims provision was 92.6% for all schemes as at 31 March 2015.

Non-healthcare expenses

- The total non-healthcare expenses for all medical schemes amounted to R4.0 billion for the period ended 31 March 2015, which was 5.0% lower than the R4.2 billion budgeted for and 6.6% higher than the R3.8 billion at the end of March 2014.
- The non-healthcare expense per average beneficiary per month for the period ended 31 March 2015 was R152.8, which was 4.6% higher than the industry average of R146.1 at 31 December 2014.

- Non-healthcare expenses, when expressed as a percentage of risk contribution income, decreased from 12.1% at 31 December 2014 to 11.8% at 31 March 2015.
- At 31 March 2015, 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 '15</u>	<u>Dec '14</u>
- Administration expenses	65.7%	65.6%
- Managed care: management services	22.9%	22.3%
- Broker service fees (including distribution costs and broker fees)	10.4%	11.1%
- Net impairment losses: trade and other receivables	1.0%	1.0%

Operating results

- Registered medical schemes incurred a net healthcare deficit (before taking investment and other income into account) of R222.8 million compared to a budgeted deficit of R316.2 million at 31 March 2015. The total net healthcare results are 29.6% better than expected.
- Open schemes incurred a net healthcare surplus (before taking investment and other income into account) of R449.6 million compared to a budget of R400.2 million, whereas restricted schemes incurred a net healthcare deficit of R672.3 million compared to a budgeted deficit of R716.4 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R947.4 million at 31 March 2015 compared to a budgeted surplus of R555.4 million, which represents an actual to budget variance of 70.6%.
- In the 2014 annual results all schemes incurred net healthcare deficit of R464.5 million and net surplus of R3.4 billion.

Investments

- The current assets to current liabilities ratio for open schemes at quarter end of 31 March 2015 is 2.6 (2014: 2.6), whereas for restricted schemes it is 2.3 (2014: 2.5).
- The total assets to total liabilities ratio for open and restricted schemes is 3.3 (2014: 3.3) and 4.5 (2014: 4.2) respectively.

REGULATION 29: MINIMUM ACCUMULATED FUNDS

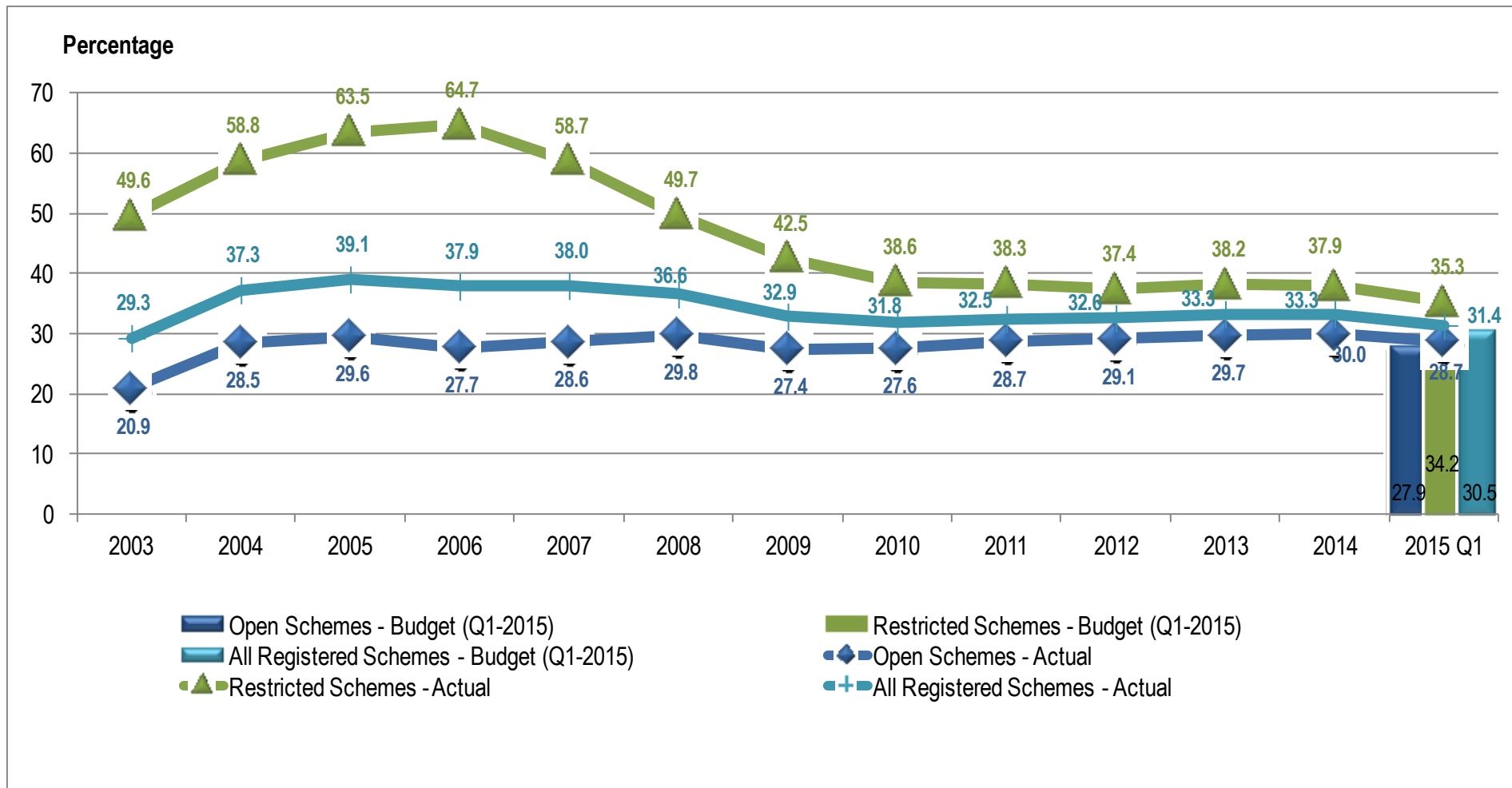
Annexure A

(SOLVENCY RATIO)

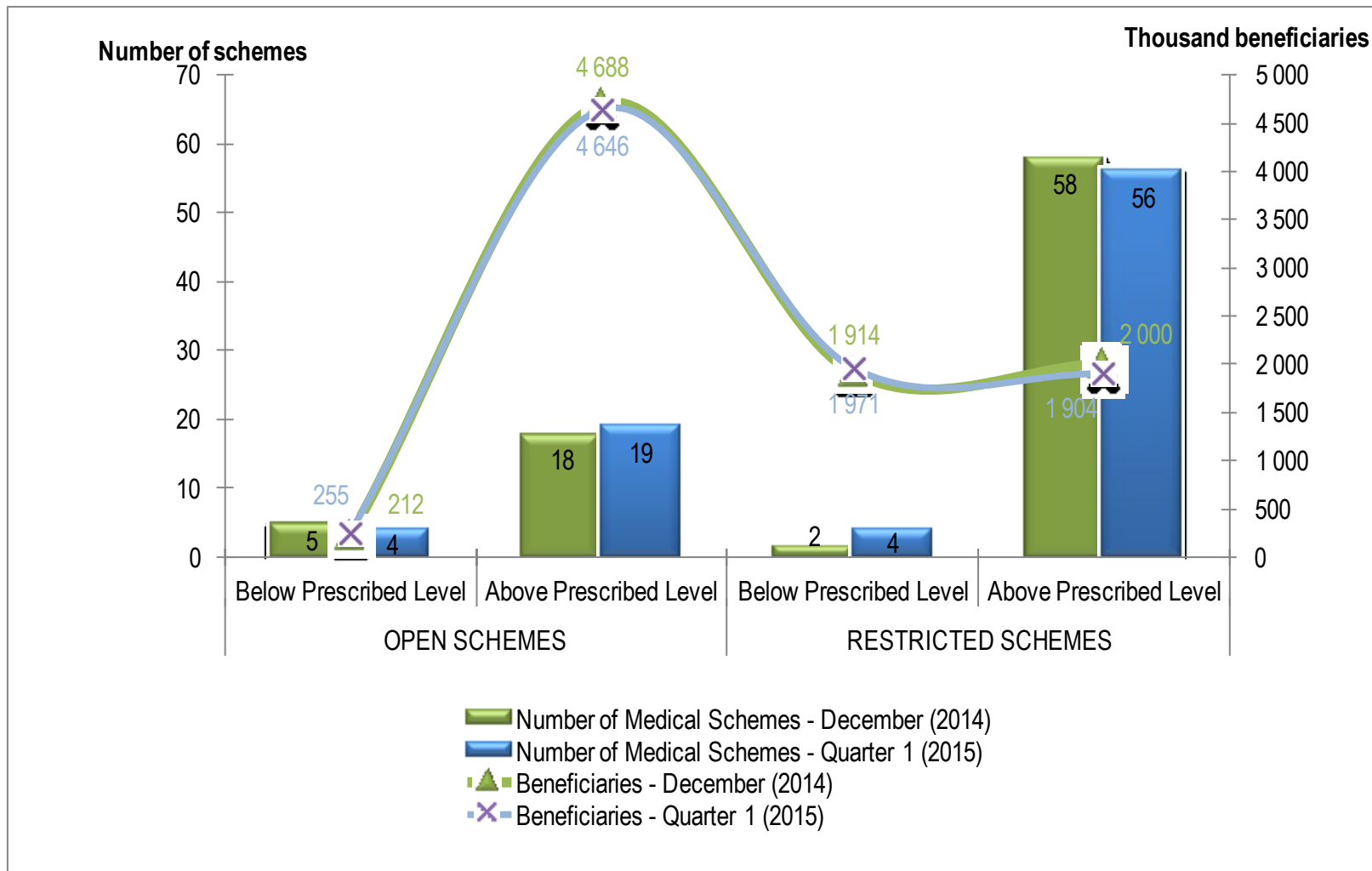
INDUSTRY AVERAGE:

	2006	2007	2008	2009	2010	2011	2012	2013	% Change 2013	2014	% Change 2014	2014 Quarter 1 Actual	2015 Quarter 1 Actual	2015 - Quarter 1 Budget	% Change Actual 2015 vs Budget 2015
Open schemes	27.7%	28.6%	29.8%	27.4%	27.6%	28.7%	29.1%	29.7%	2.1%	30.0%	1.0%	31.4%	28.7%	27.9%	3.1%
Restricted schemes	64.7%	58.7%	49.7%	42.5%	38.6%	38.3%	37.4%	38.2%	2.1%	37.9%	-0.8%	0.0%	35.3%	34.2%	3.0%
All registered schemes	37.9%	38.0%	36.6%	32.9%	31.8%	32.5%	32.6%	33.3%	2.1%	33.3%	0.0%	0.0%	31.4%	30.5%	3.1%

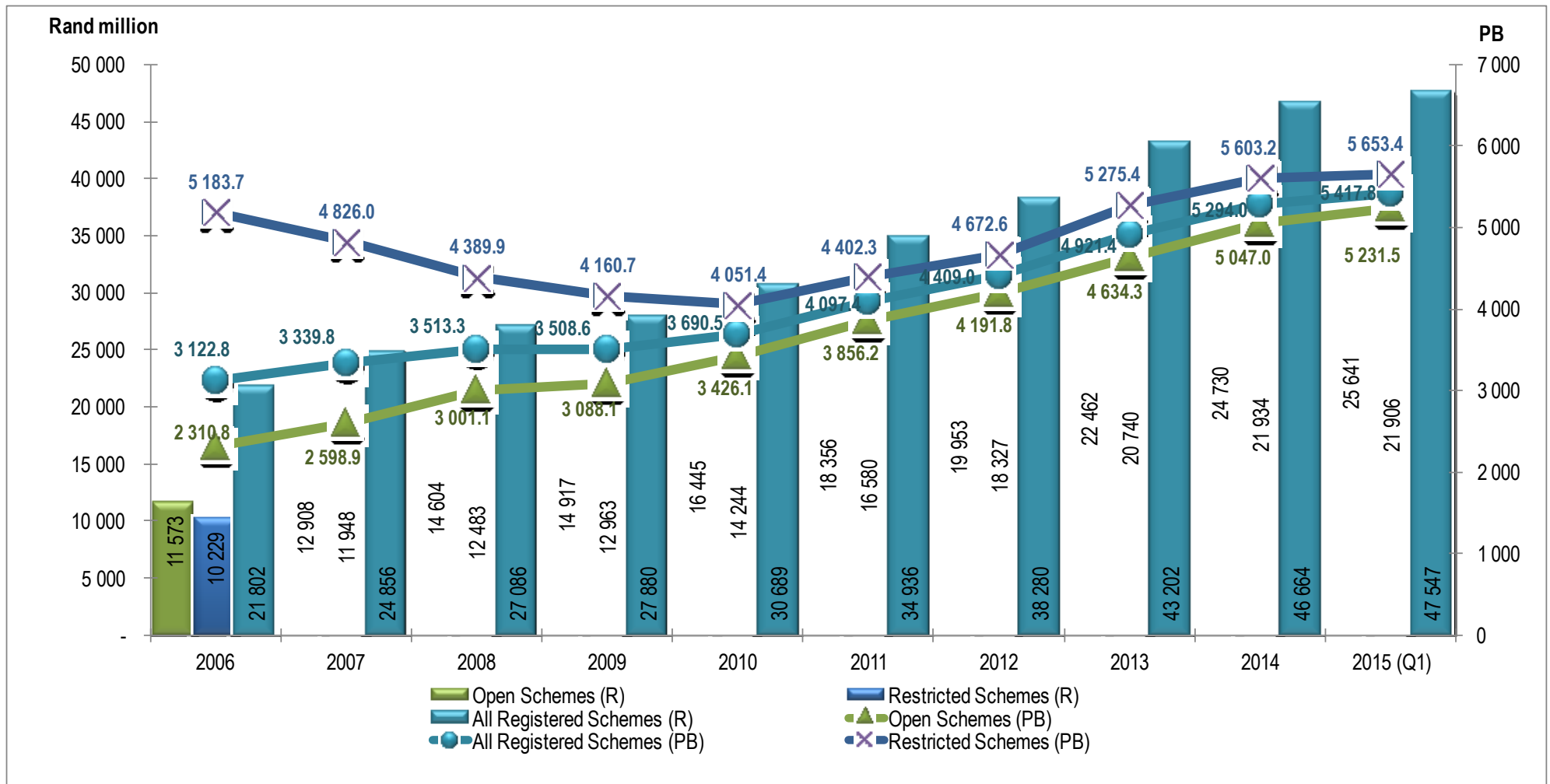
SOLVENCY RATIO GRAPH
Annexure B



PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH
Annexure C



NET ASSETS PER REGULATION 29 GRAPH
Annexure D



PB – Per beneficiary

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 March 2015
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 291 656	1 625 997	3 917 653
Average beneficiaries		4 888 581	3 896 143	8 784 724
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	1.2
Gross contributions (risk + PMSA)	R'000	22 492 923	15 439 223	37 932 145
Gross relevant healthcare expenditure (gross + PMSA) (Note a)		21 050 446	14 908 677	35 959 123
Gross administration expenses (risk + PMSA)		1 823 259	821 973	2 645 233
Managed care: management services		546 972	374 687	921 660
Broker service fees (including distributions costs)		399 402	18 099	417 500
Net impairment losses: trade and other receivables		28 547	13 234	41 781
Net healthcare results		449 560	(672 312)	(222 753)
Surplus/ (deficit)		985 529	(38 174)	947 354

NOTES:

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

* PMSA = Personal Medical Savings Account

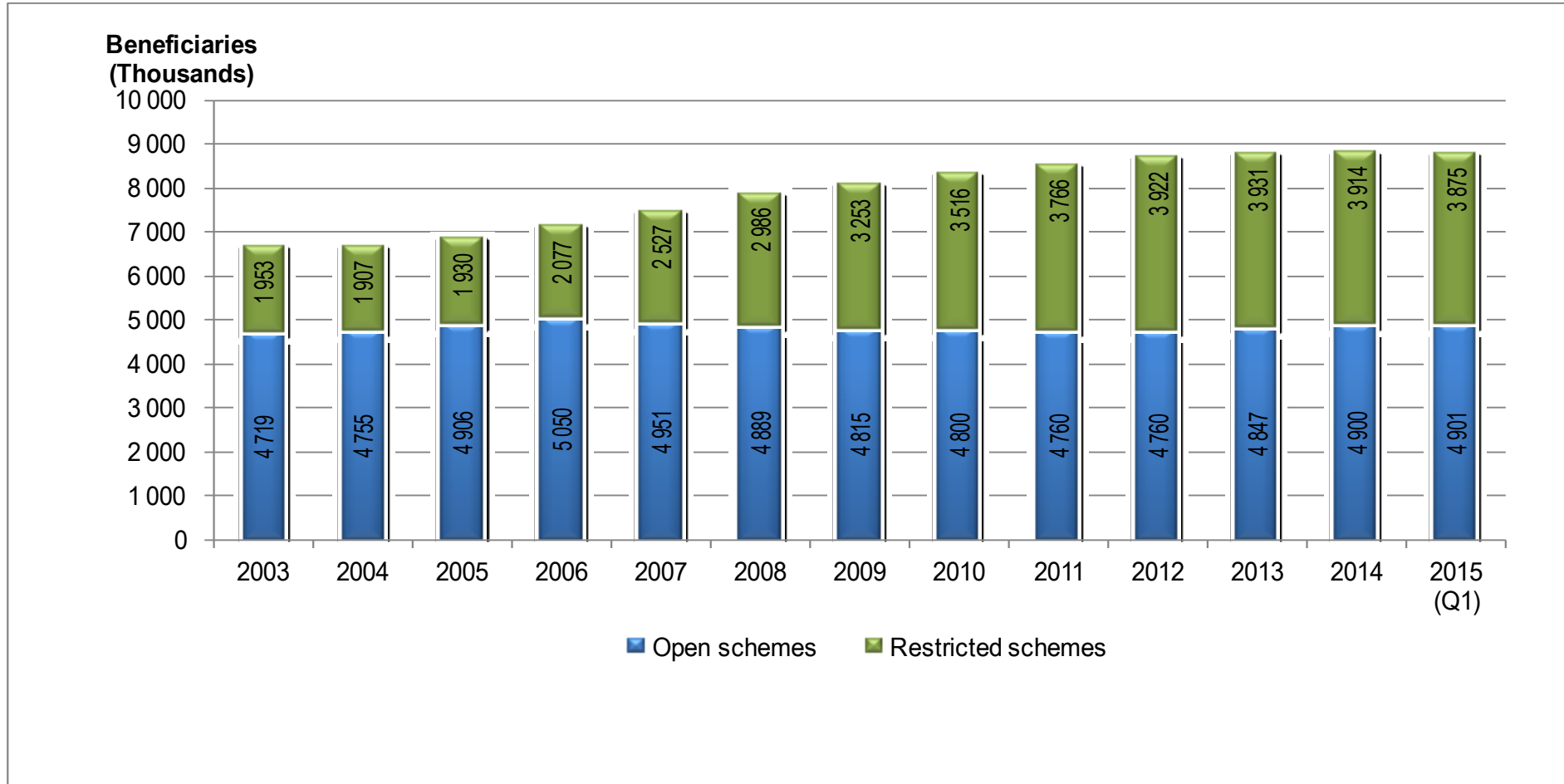
STATEMENT OF FINANCIAL POSITION
at 31 March 2015
Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members		2 301 847	1 621 812	3 923 659
Dependants		2 599 341	2 253 041	4 852 382
Beneficiaries		4 901 188	3 874 853	8 776 041
Non-current assets	R'000	8 282 605	14 980 927	23 263 532
Current assets		30 524 212	16 019 254	46 543 466
Trade & other receivables		5 327 766	1 496 271	6 824 037
	Contribution days outstanding	12.8	5.1	9.7
Cash & cash equivalents	R'000	7 298 350	8 912 136	16 210 486
Total assets		38 806 817	31 000 181	69 806 998
Members' funds (net assets per statement of financial position)		26 985 126	24 049 864	51 034 990
Accumulated funds		25 970 248	22 719 768	48 690 016
Non-current liabilities		19 147	41 143	60 290
Current liabilities		11 802 544	6 909 174	18 711 717
Trade & other payables		3 477 321	1 762 881	5 240 201
Personal medical savings account trust liability		5 313 829	2 225 091	7 538 920
Outstanding claims provision		3 011 394	2 921 202	5 932 596
	Prior year claims provision utilised %	93.1	92.1	92.6%
Total liabilities	R'000	11 821 691	6 950 317	18 772 008
Total assets: total liabilities		3.3	4.5	3.7
Current assets: current liabilities		2.6	2.3	2.5
Risk claims incurred: cash & cash equivalents coverage	Months	0.4	0.3	0.4
Net assets per Regulation 29	R'000	25 640 593	21 906 088	47 546 681
Solvency ratio	%	28.7	35.3	31.4

NOTES:

- * In respect of trade and other receivable outstanding days, the denominator used 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 2015
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2 291 656	2 336 763	-1.9	1 625 997	1 676 871	-3.0	3 917 653	4 013 634	-2.4
Beneficiaries		4 888 581	5 012 113	-2.5	3 896 143	3 952 871	-1.4	8 784 724	8 964 985	-2.0
Gross contribution income (GCI)	R'000	22 492 923	22 767 794	-1.2	15 439 223	15 651 361	-1.4	37 932 145	38 419 155	-1.3
Risk contribution income (RCI)		19 415 622	19 657 097	-1.2	14 793 830	15 003 385	-1.4	34 209 452	34 660 482	-1.3
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		21 050 446	N/A	N/A	14 908 677	N/A	N/A	35 959 123	N/A	N/A
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		16 168 246	16 366 246	-1.2	14 238 148	14 374 342	-0.9	30 406 394	30 740 588	-1.1
Net non-healthcare expenses		2 797 816	2 890 648	-3.2	1 227 994	1 345 452	-8.7	4 025 810	4 236 100	-5.0
Net healthcare results		449 560	400 203	12.3	(672 312)	(716 409)	6.2	(222 753)	(316 206)	29.6
Surplus/(deficit)		985 529	848 246	16.2	(38 174)	(292 841)	87.0	947 354	555 405	70.6
Quarter end reserve position (per Regulation 29) (Note c)		25 640 593	25 512 227	0.5	21 906 088	21 658 832	1.1	47 546 681	47 171 059	0.8

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 Statement of financial position as basis, and by adjusting for the following actual amounts as at 31 March 2015: cumulative net gains on disposal of investments and property plant and equipment included in the Statement of comprehensive income, 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

* N/A = information not available

DETAILED FINANCIAL INFORMATION: ACTUAL V PRIOR YEAR
for the period ended 31 March 2015
Annexure I

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2015	2014	% variance	2015	2014	% variance	2015	2014	% variance
Members		2 291 656	2 255 260	1.6	1 625 997	1 624 052	0.1	3 917 653	3 879 312	1.0
Beneficiaries		4 888 581	4 838 721	1.0	3 896 143	3 927 262	-0.8	8 784 724	8 765 983	0.2
Gross contribution income (GCI)	R'000	22 492 923	20 624 522	9.1	15 439 223	14 390 039	7.3	37 932 145	35 014 562	8.3
Risk contribution income (RCI)		19 415 622	17 888 503	8.5	14 793 830	13 815 079	7.1	34 209 452	31 703 582	7.9
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		21 050 446	18 616 195	13.1	14 908 677	13 712 551	8.7	35 959 123	32 328 746	11.2
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		16 168 246	14 722 347	9.8	14 238 148	13 077 091	8.9	30 406 394	27 799 438	9.4
Net non-healthcare expenses		2 797 816	2 628 473	6.4	1 227 994	1 149 183	6.9	4 025 810	3 777 657	6.6
Net healthcare results		449 560	537 683	-16.4	(672 312)	(411 195)	63.5	(222 753)	126 487	-276.1
Surplus/(deficit)		985 529	1 033 168	-4.6	(38 174)	126 337	-130.2	947 354	1 159 505	-18.3
Quarter end reserve position (per Regulation 29)		25 640 593	23 441 197	9.4	21 906 088	20 685 875	5.9	47 546 681	44 127 072	7.7

NOTES:

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

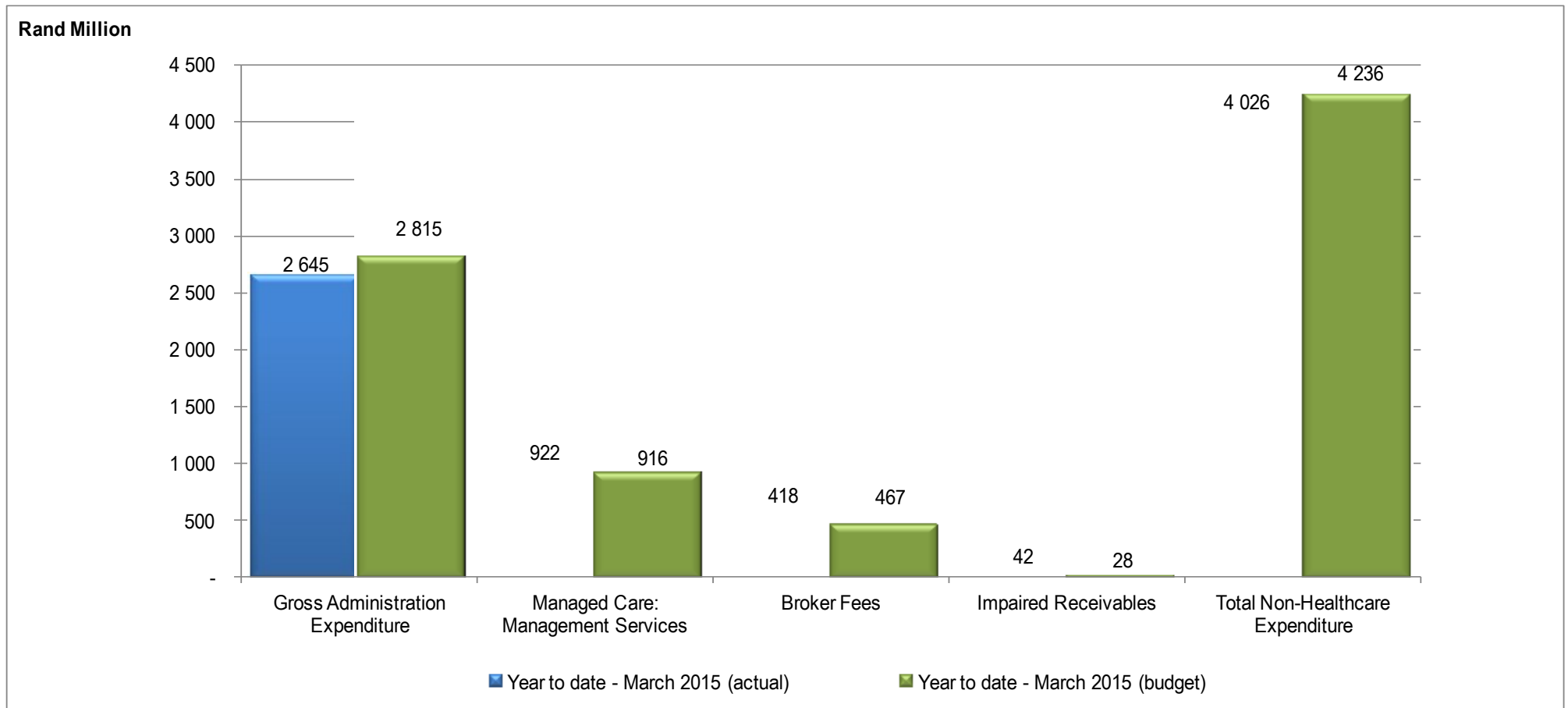
b) Gross non-healthcare expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

* PMSA = Personal Medical Savings Account

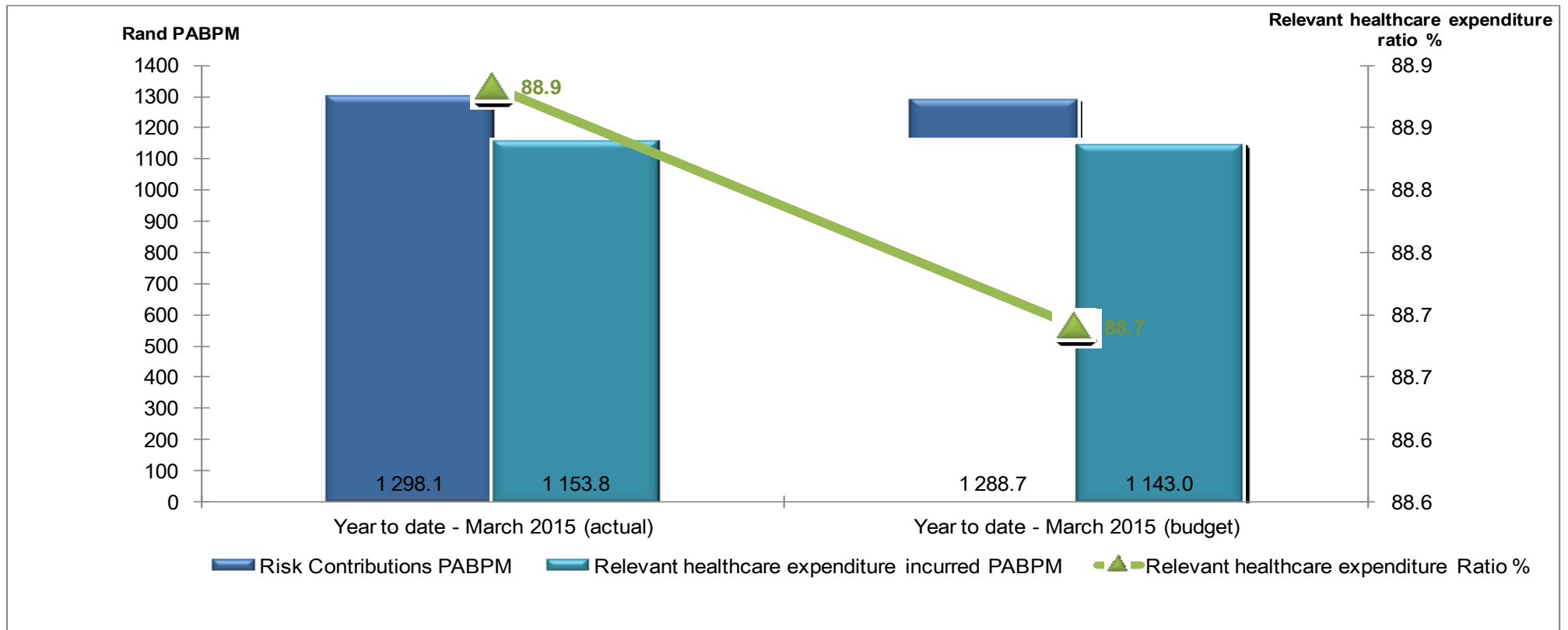
* GCI = Gross Contribution Income

* 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

