



Quarterly Reports for the Period ending 30 June 2015

November 2015

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 June 2015. Budget information for the second 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 2 (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 4.5% from the audited solvency level of 33.3% at 31 December 2014 to 31.8% at 30 June 2015.
- Total reserves per Regulation 29 for all medical schemes amounted to R48.0 billion at 30 June 2015, which was 2.9% higher than the reserves of R46.7 billion as at 31 December 2014.
- The solvency level at 30 June 2015 was 2.7% higher than the budgeted solvency level of 31.0% 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 (2014: 5) open schemes that failed to meet the prescribed solvency level at 30 June 2015 represent 5.5% (2014: 5.8%) of the total open schemes' beneficiaries.
- And 5 (2014: 4) restricted schemes were below 25.0%; and they represent 50.7% (2014: 50.8%) of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 3.5% from R5 294.0 at 31 December 2014 to R5 480.2 at 30 June 2015. The net asset value per beneficiary at 30 June 2015 was 1.5% higher than the budgeted net asset value of R5 397.0 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 0.3% from 3 921 232 at 31 December 2014 to 3 934 088 at 30 June 2015.
- The number of total beneficiaries decreased by 0.6% from 8 814 458 at 31 December 2014 to 8 759 864 at 30 June 2015.
- The average number of members of 3 960 071 for the period ended 30 June 2015 was 1.5% lower than budget, and the average number of beneficiaries of 8 803 969 was 1.6% lower than budget.
- The industry average age for all registered schemes for the period ended 30 June 2015 was 32.0 years which is the same as at 31 December 2014 and the proportion of pensioners for the period was 7.1% which is 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 R75.8 billion for the period ended 30 June 2015, which was 1.6% lower than the budget of R77.1 billion and 8.3% higher than the R70.0 billion for 30 June 2014.
- The gross contribution per average beneficiary per month was R1 435.1 for the period ended 30 June 2015. Gross relevant healthcare expenditure per average beneficiary per month was R1 334.4 for the period ended 30 June 2015.
- The gross contribution per average beneficiary per month at 30 June 2015 of R1 435.1 went up by 7.8% from R1 331.8 at 30 June 2014.
- Total risk contribution income of R68.4 billion was 1.7% lower than budget, but 7.8% higher than the R63.4 billion at the end of June 2014. The risk contribution per average beneficiary per month for the period ended 30 June 2015 was R1 294.3.
- The relevant healthcare expenditure ratio of 89.1% as at 30 June 2015 was 0.7% higher than the budgeted relevant healthcare expenditure ratio of 88.5% and was also higher than the 30 June 2014 ratio of 88.7%.
- The relevant healthcare expenditure per average beneficiary per month for the period ended 30 June 2015 was R1 153.4.
- Total relevant healthcare expense for the period ended 30 June 2015 was R60.9 billion compared to the budgeted relevant healthcare expense of R61.6 billion, representing a 1.0% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 8.4% from R56.2 billion in June 2014.
- Relevant healthcare expenditure per average beneficiary per month at 30 June 2015 of R1 153.4 went up by 7.9% from R1 069.2 as at 30 June 2014.
- The utilisation of the prior year's outstanding claims provision was 92.6% for all schemes as at 30 June 2015.

Non-healthcare expenses

- The total non-healthcare expenses for all medical schemes amounted to R8.2 billion for the period ended 30 June 2015, which was 4.0% lower than the R8.5 billion budgeted for and 6.7% higher than the R7.7 billion at the end of June 2014.

- The non-healthcare expense per average beneficiary per month for the period ended 30 June 2015 was R154.6, which was 5.8% 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 11.9% at 30 June 2015.
- At 30 June 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>Jun '15</u>	<u>Dec '14</u>
- Administration expenses	66.0%	65.6%
- Managed care: management services	22.3%	22.3%
- Broker service fees (including distribution costs and broker fees)	10.5%	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 R 720.3 million compared to a budgeted deficit of R528.8 million at 30 June 2015. The total net healthcare results are 36.2% better than expected.
- Open schemes incurred a net healthcare surplus (before taking investment and other income into account) of R395.6 million compared to a budget of R580.7 million, whereas restricted schemes incurred a net healthcare deficit of R1.1 billion compared to a budgeted deficit of R1.1 billion.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R1.3 billion at 30 June 2015 compared to a budgeted surplus of R1.2 billion, which represents an actual to budget variance of 8.6%.
- In the 2014 annual results all schemes incurred net healthcare deficit of R464.5 million and net surplus of R3.4 billion.

Investments

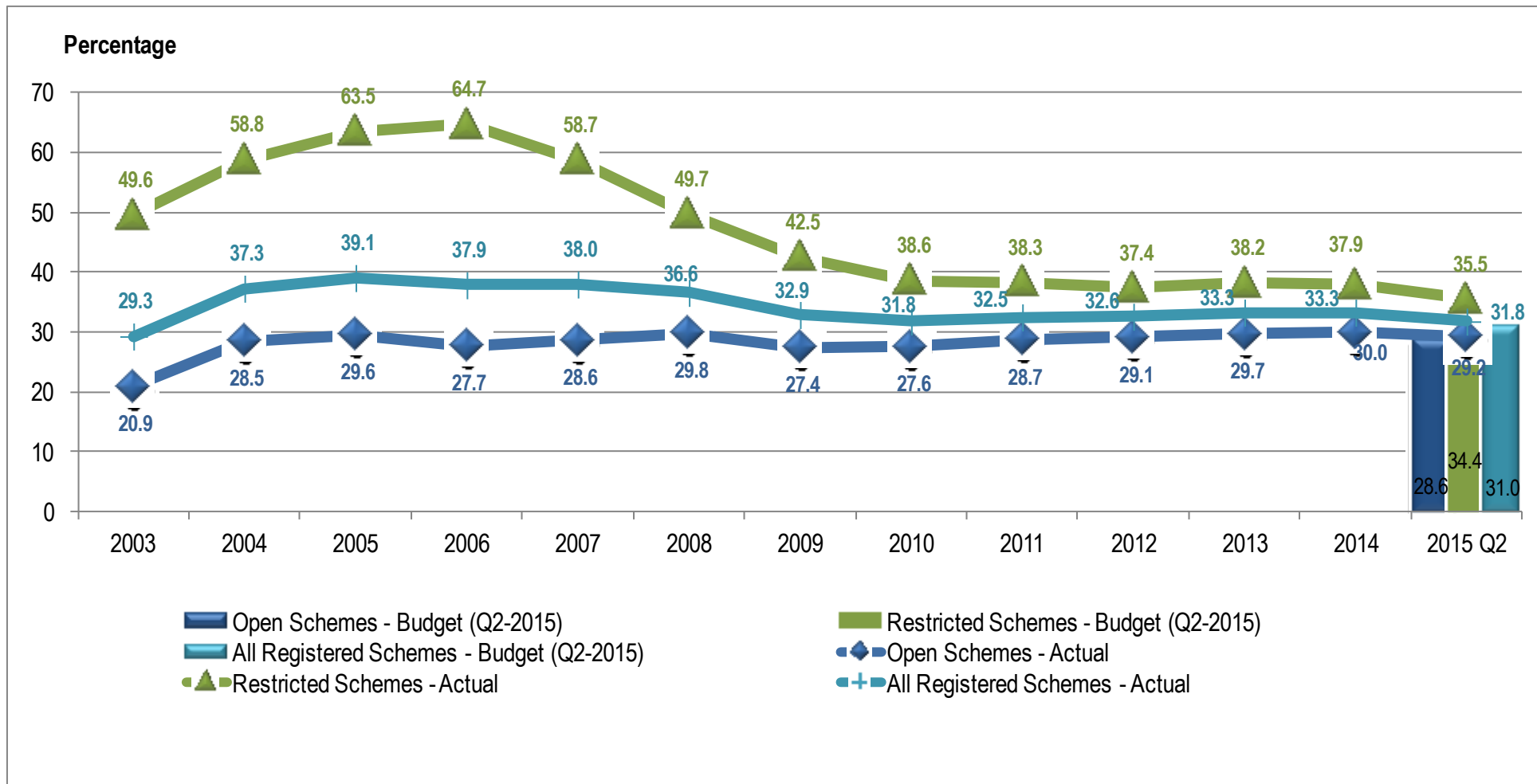
- The current assets to current liabilities ratio for open schemes at quarter end of 30 June 2015 is 2.5 (2014: 2.6), whereas for restricted schemes it was 2.1 (2014: 2.5).
- The total assets to total liabilities ratio for open and restricted schemes is 3.2 (2014: 3.3) and 4.0 (2014: 4.2) respectively.

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

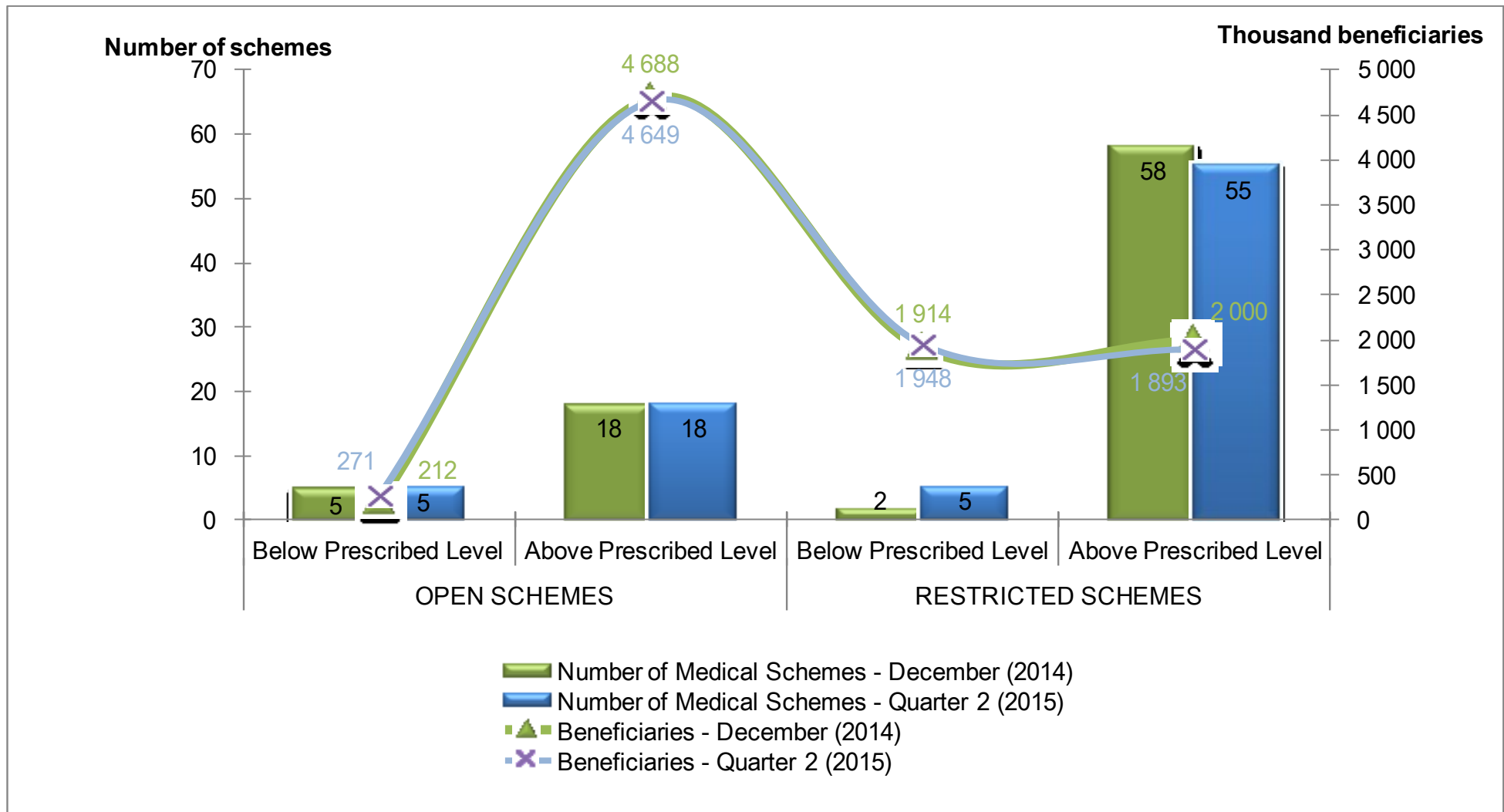
INDUSTRY AVERAGE:

	2006	2007	2008	2009	2010	2011	2012	2013	% Change 2013	2014	% Change 2014	2014 Quarter 2 Actual	2015 Quarter 2 Actual	2015 - Quarter 2 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%	29.1%	29.2%	28.6%	2.2%
Restricted schemes	64.7%	58.7%	49.7%	42.5%	38.6%	38.3%	37.4%	38.2%	2.1%	37.9%	-0.8%	35.4%	35.5%	34.4%	3.2%
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%	31.7%	31.8%	31.0%	2.7%

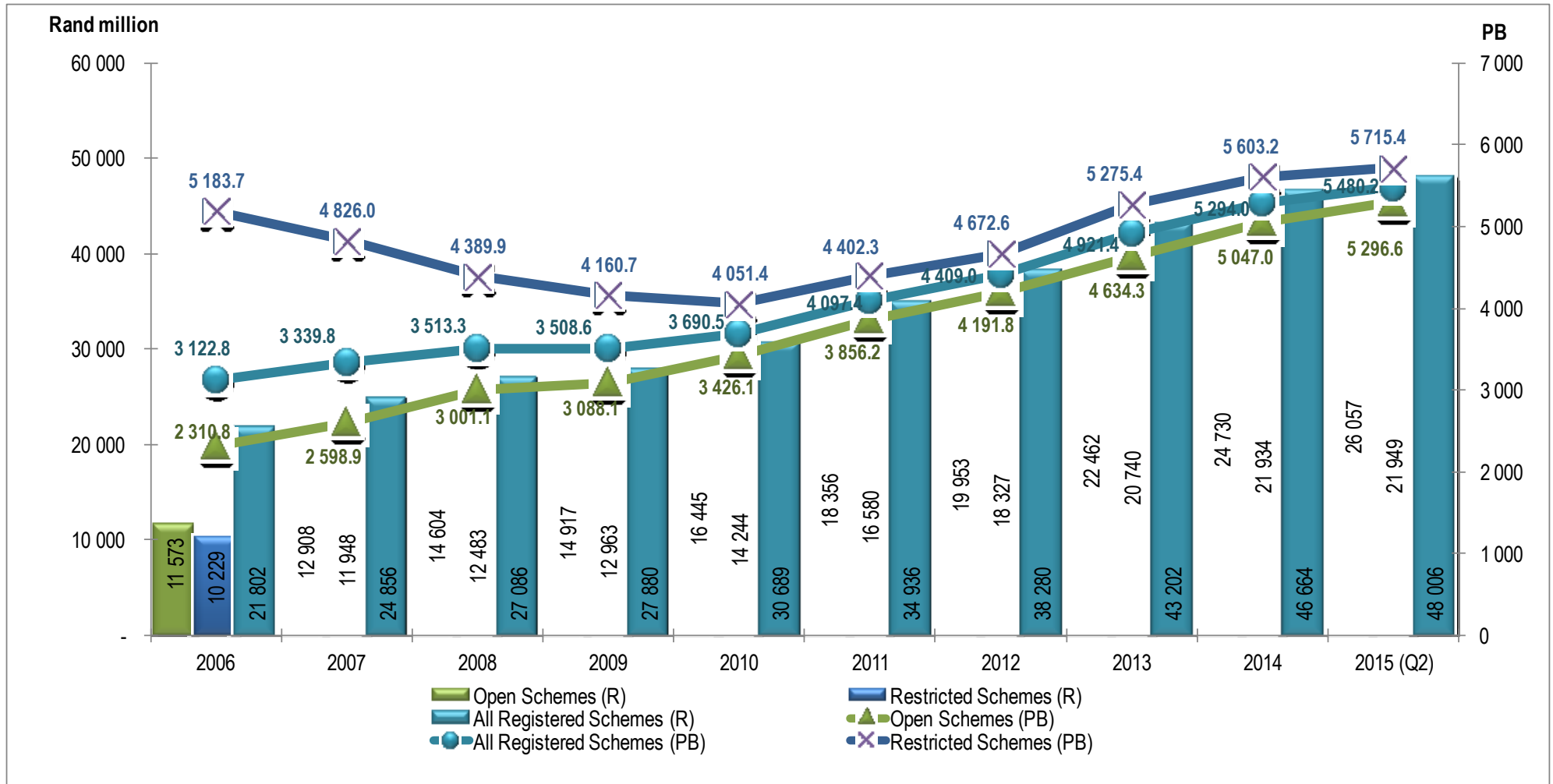
SOLVENCY RATIO GRAPH
Annexure B



PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH
Annexure C



NET ASSETS PER REGULATION 29 GRAPH
Annexure D



PB – Per beneficiary

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2015
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 299 539	1 660 532	3 960 071
Average beneficiaries		4 896 555	3 907 414	8 803 969
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	44 943 669	30 865 275	75 808 944
Gross relevant healthcare expenditure (gross + PMSA) (Note a)		40 933 079	29 554 318	70 487 397
Gross administration expenses (risk + PMSA)		3 707 637	1 681 960	5 389 597
Managed care: management services		1 085 539	736 245	1 821 784
Broker service fees (including distributions costs)		819 796	36 777	856 572
Net impairment losses: trade and other receivables		65 008	31 723	96 732
Net healthcare results		395 557	(1 115 887)	(720 330)
Surplus/ (deficit)		1 387 610	(68 440)	1 319 170

NOTES:

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

* PMSA = Personal Medical Savings Account

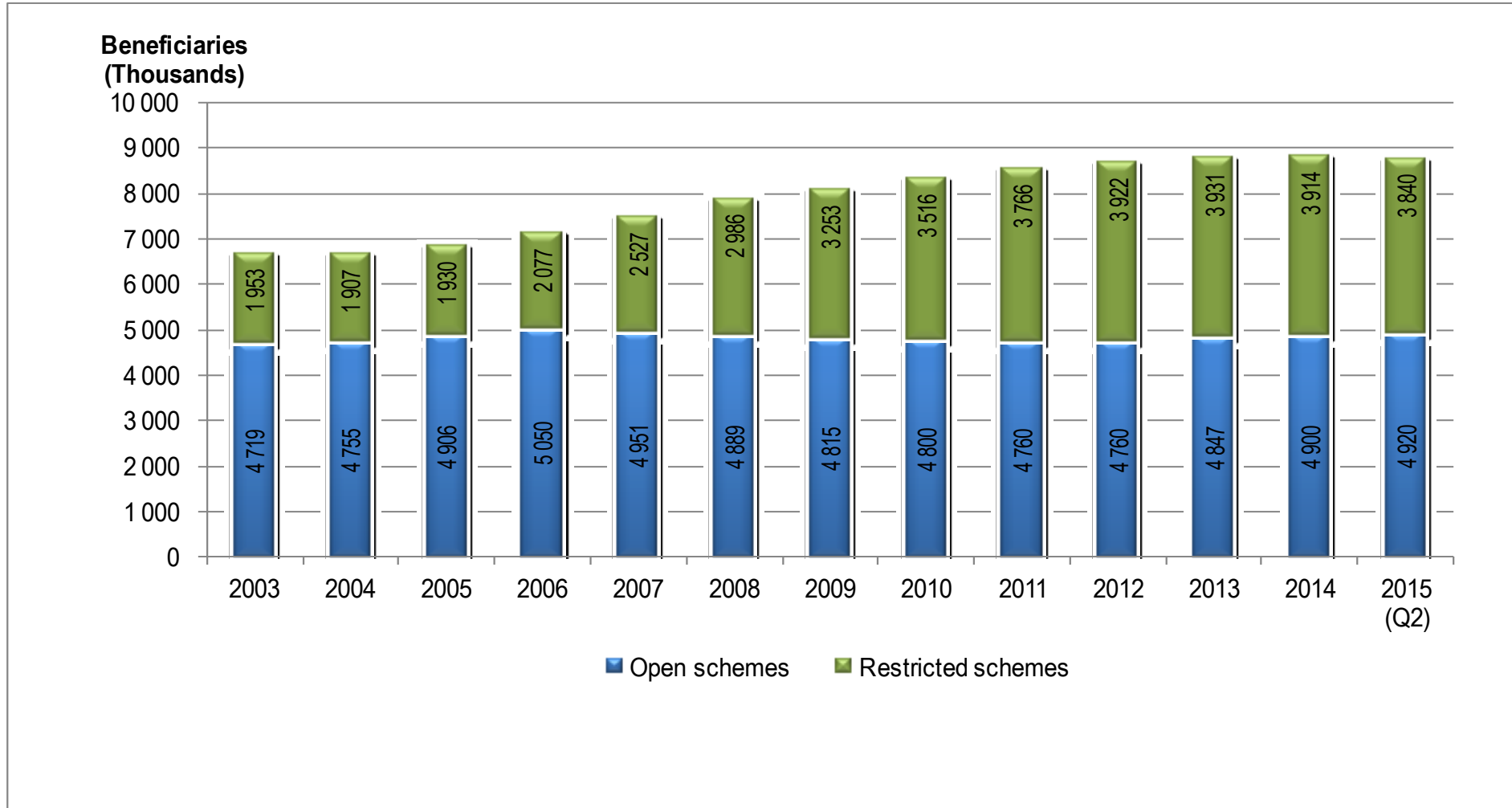
STATEMENT OF FINANCIAL POSITION
at 30 June 2015
Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members		2 316 559	1 617 529	3 934 088
Dependants		2 603 013	2 222 763	4 825 776
Beneficiaries		4 919 572	3 840 292	8 759 864
Non-current assets	R'000	8 832 282	15 359 181	24 191 463
Current assets		30 797 949	16 399 382	47 197 332
Trade & other receivables		5 857 996	1 388 025	7 246 021
	Contribution days outstanding	13.0	4.6	9.6
Cash & cash equivalents	R'000	6 104 267	9 669 733	15 774 001
Total assets		39 630 231	31 758 563	71 388 794
Members' funds (net assets per statement of financial position)		27 291 095	23 876 741	51 167 835
Accumulated funds		26 372 294	22 687 858	49 060 151
Non-current liabilities		18 974	41 336	60 310
Current liabilities		12 320 162	7 840 487	20 160 649
Trade & other payables		3 797 154	2 634 338	6 431 492
Personal medical savings account trust liability		5 321 547	2 263 738	7 585 285
Outstanding claims provision		3 201 461	2 942 411	6 143 872
	Prior year claims provision utilised %	93.1	92.1	92.6%
Total liabilities	R'000	12 339 136	7 881 823	20 220 959
Total assets: total liabilities		3.2	4.0	3.5
Current assets: current liabilities		2.5	2.1	2.3
Risk claims incurred: cash & cash equivalents coverage	Months	0.3	0.2	0.3
Net assets per Regulation 29	R'000	26 057 044	21 948 660	48 005 704
Solvency ratio	%	29.2	35.5	31.8

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 30 June 2015
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2 299 539	2 339 181	-1.7	1 660 532	1 679 971	-1.2	3 960 071	4 019 152	-1.5
Beneficiaries		4 896 555	4 991 807	-1.9	3 907 414	3 950 912	-1.1	8 803 969	8 942 719	-1.6
Gross contribution income (GCI)	R'000	44 943 669	45 586 820	-1.4	30 865 275	31 472 625	-1.9	75 808 944	77 059 445	-1.6
Risk contribution income (RCI)		38 800 055	39 363 482	-1.4	29 571 834	30 171 902	-2.0	68 371 889	69 535 384	-1.7
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		40 933 079	NA	0.0	29 554 318	NA	0.0	70 487 397	NA	0.0
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		32 727 244	32 971 416	-0.7	28 201 017	28 584 890	-1.3	60 928 260	61 556 307	-1.0
Net non-healthcare expenses		5 677 253	5 811 333	-2.3	2 486 704	2 696 506	-7.8	8 163 958	8 507 839	-4.0
Net healthcare results		395 557	580 733	-31.9	(1 115 887)	(1 109 494)	0.6	(720 330)	(528 761)	36.2
Surplus/(deficit)		1 387 610	1 475 554	-6.0	(68 440)	(260 581)	-73.7	1 319 170	1 214 973	8.6
Quarter end reserve position (per Regulation 29) (Note c)		26 057 044	26 164 312	-0.4	21 948 660	21 760 357	0.9	48 005 704	47 924 669	0.2

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 30 June 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 30 June 2015
Annexure I

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2015	2014	% variance	2015	2014	% variance	2015	2014	% variance
Members		2 299 539	2 262 283	1.6	1 660 532	1 624 704	2.2	3 960 071	3 886 987	1.9
Beneficiaries		4 896 555	4 845 308	1.1	3 907 414	3 918 525	-0.3	8 803 969	8 763 833	0.5
Gross contribution income (GCI)	R'000	44 943 669	41 197 774	9.1	30 865 275	28 832 588	7.0	75 808 944	70 030 362	8.3
Risk contribution income (RCI)		38 800 055	35 724 568	8.6	29 571 834	27 676 783	6.8	68 371 889	63 401 350	7.8
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		40 933 079	36 865 134	11.0	29 554 318	27 617 981	7.0	70 487 397	64 483 115	9.3
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		32 727 244	29 916 782	9.4	28 201 017	26 303 007	7.2	60 928 260	56 219 789	8.4
Net non-healthcare expenses		5 677 253	5 328 849	6.5	2 486 704	2 325 976	6.9	8 163 958	7 654 825	6.7
Net healthcare results		395 557	478 937	-17.4	(1 115 887)	(952 201)	17.2	(720 330)	(473 264)	52.2
Surplus/(deficit)		1 387 610	1 420 695	-2.3	(68 440)	147 991	-146.2	1 319 170	1 568 686	-15.9
Quarter end reserve position (per Regulation 29)		26 057 044	23 888 457	9.1	21 948 660	20 442 259	7.4	48 005 704	44 330 717	8.3

NOTES:

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

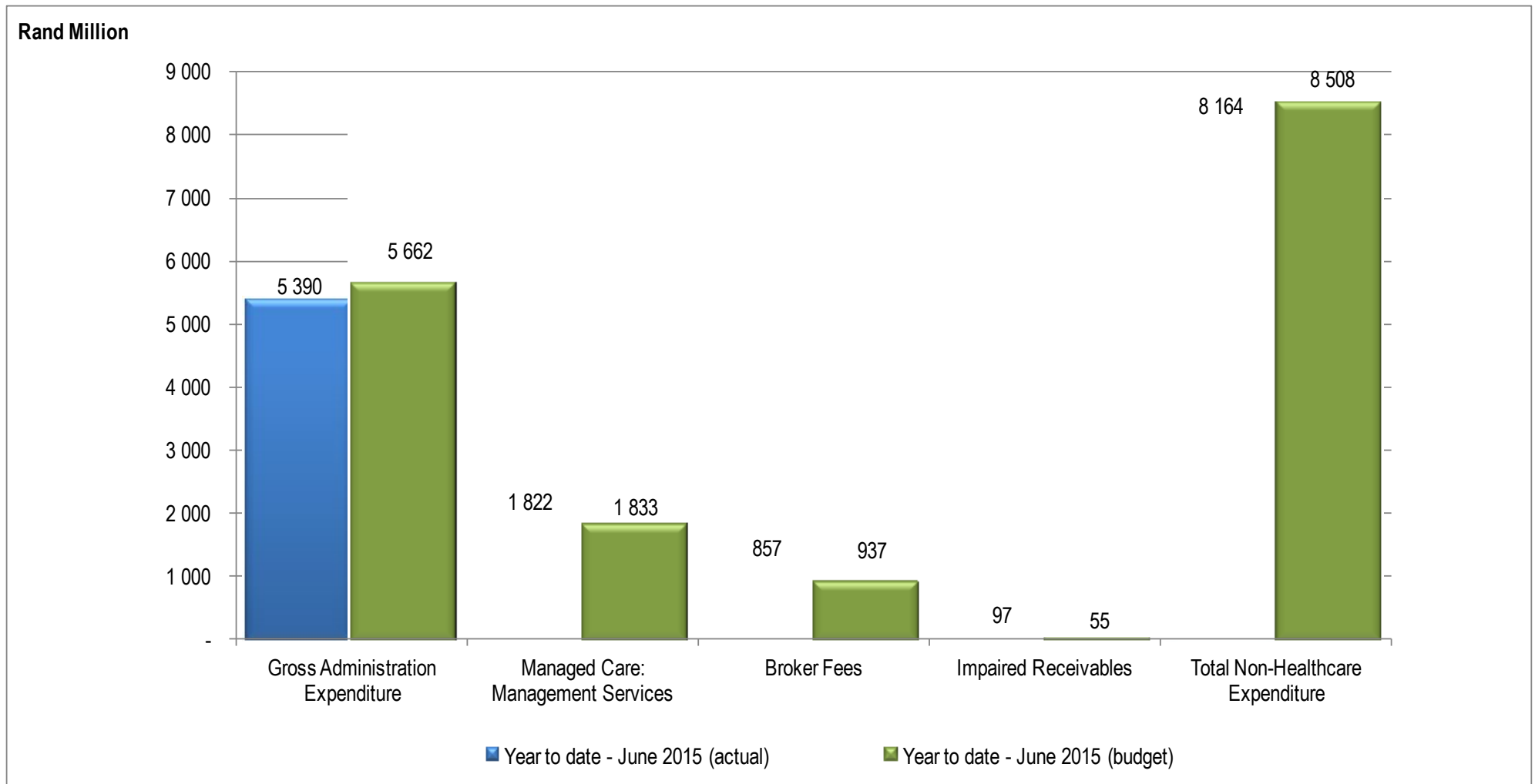
b) Gross non-healthcare expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

* PMSA = Personal Medical Savings Account

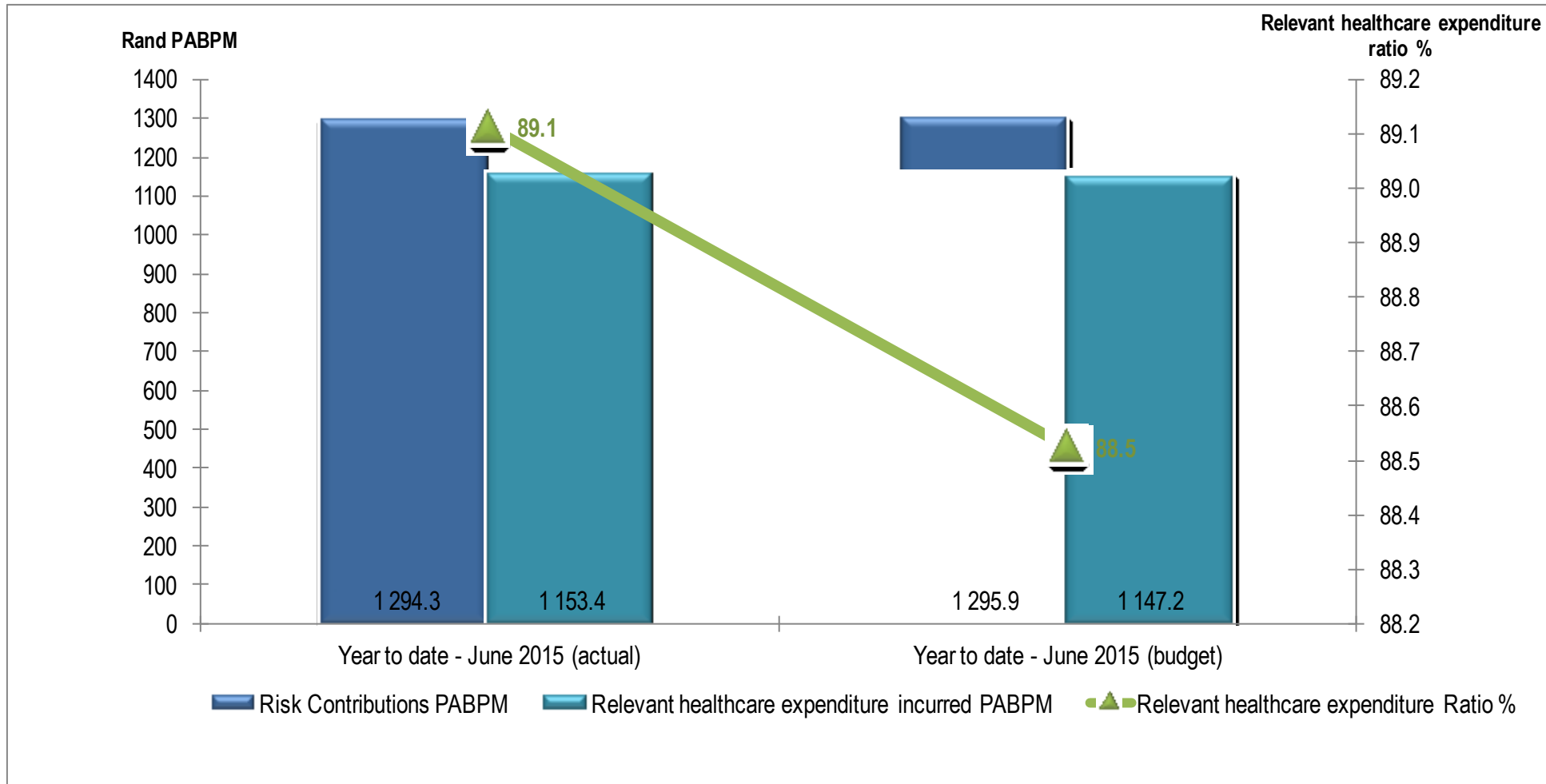
* GCI = Gross Contribution Income

* 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

