



**Quarterly Reports
for the Period ending 30 September 2015**

January 2016

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 September 2015. Budget information for the third 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.

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 6.8% from the audited solvency level of 33.3% at 31 December 2014 to 31.0% at 30 September 2015.
- Total reserves per Regulation 29 for all medical schemes amounted to R47.0 billion at 30 September 2015, which was 0.8% higher than the reserves of R46.7 billion as at 31 December 2014.
- The solvency level at 30 September 2015 was 0.2% higher than the budgeted solvency level of 30.9% 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 September 2015 represent 18.4% (2014: 58.8%) of the total open schemes' beneficiaries.
- Also 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 1.1% from R5 294.0 at 31 December 2014 to R5 354.7 at 30 September 2015. The net asset value per beneficiary at 30 September 2015 was 0.8% lower than the budgeted net asset value of R 5 398.4 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 0.6% from 3 921 232 at 31 December 2014 to 3 945 852 at 30 September 2015.
- The number of total beneficiaries decreased by 0.3% from 8 814 458 at 31 December 2014 to 8 785 048 at 30 September 2015.
- The average number of members of 3 953 178 for the period ended 30 September 2015 was 2.0% lower than budget, and the average number of beneficiaries of 8 792 793 was 1.8% lower than budget.
- The industry average age for all registered schemes for the period ended 30 September 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 R113.7 billion for the period ended 30 September 2015, which was 1.9% lower than the budget of R115.9 billion and 8.2% higher than the R105.1 billion for 30 September 2014.
- The gross contribution per average beneficiary per month was R1 436.6 for the period ended 30 September 2015. Gross relevant healthcare expenditure per average beneficiary per month was R1 328.6 for the period ended 30 September 2015.
- The gross contribution per average beneficiary per month as at 30 September 2015 of R1 436.6 went up by 7.9% from R1 331.7 at 30 September 2014.
- Total risk contribution income of R102.5 billion was 1.9% lower than budget, but 7.8% higher than the R102.5 billion at the end of September 2014. The risk contribution per average beneficiary per month for the period ended 30 September 2015 was R1 295.5.
- The relevant healthcare expenditure ratio of 90.4% as at 30 September 2015 was 1.3% higher than the budgeted relevant healthcare expenditure ratio of 89.2% and was also higher than the 30 September 2014 ratio of 89.8%.
- The relevant healthcare expenditure per average beneficiary per month for the period ended 30 September 2015 was R1 171.1
- Total relevant healthcare expense for the period ended 30 September 2015 was R92.7 billion compared to the budgeted relevant healthcare expense of R93.3 billion, representing a 0.6% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 8.4% from R85.5 billion in September 2014.
- Relevant healthcare expenditure per average beneficiary per month at 30 September 2015 of R1 171.1 went up by 8.1% from R1 083.0 at 30 September 2014.
- The utilisation of the prior year's outstanding claims provision was 92.6% for all schemes as at 30 September 2015.

Non-healthcare expenses

- The total non-healthcare expenses for all medical schemes amounted to R12.3 billion for the period ended 30 September 2015, which was 3.6% lower than the R12.8 billion budgeted for and 6.8% higher than the R11.5 billion at the end of September 2014.
- The non-healthcare expense per average beneficiary per month for the period ended 30 September 2015 was R155.9, which was 6.7% 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 12.0% at 30 September 2015.
- At 30 September 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>Sep '15</u> | <u>Dec '14</u> |
|----------------------------------------------------------------------|----------------|----------------|
| - Administration expenses | 66.2% | 65.6% |
| - Managed care: management services | 22.1% | 22.3% |
| - Broker service fees (including distribution costs and broker fees) | 10.5% | 11.1% |
| - Net impairment losses: trade and other receivables | 1.2% | 1.0% |

Operating results

- Registered medical schemes incurred a net healthcare deficit (before taking investment and other income into account) of R2.5 billion compared to a budgeted deficit of R1.5 billion at 30 September 2015. The total net healthcare results are 64.5% better than expected.
- Open schemes incurred a net healthcare deficit (before taking investment and other income into account) of R723.8 million compared to a budget of R1.9 million, restricted schemes also incurred a net healthcare deficit of R1.8 billion compared to a budgeted deficit of R1.5 billion.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R241.9 million at 30 September 2015 compared to a budgeted surplus of R1.1 billion, which represents an actual to budget variance of 78.0%.
- In the 2014 annual results all schemes incurred net healthcare deficit of R464.5 million and net surplus of R3.4 billion.

Investments

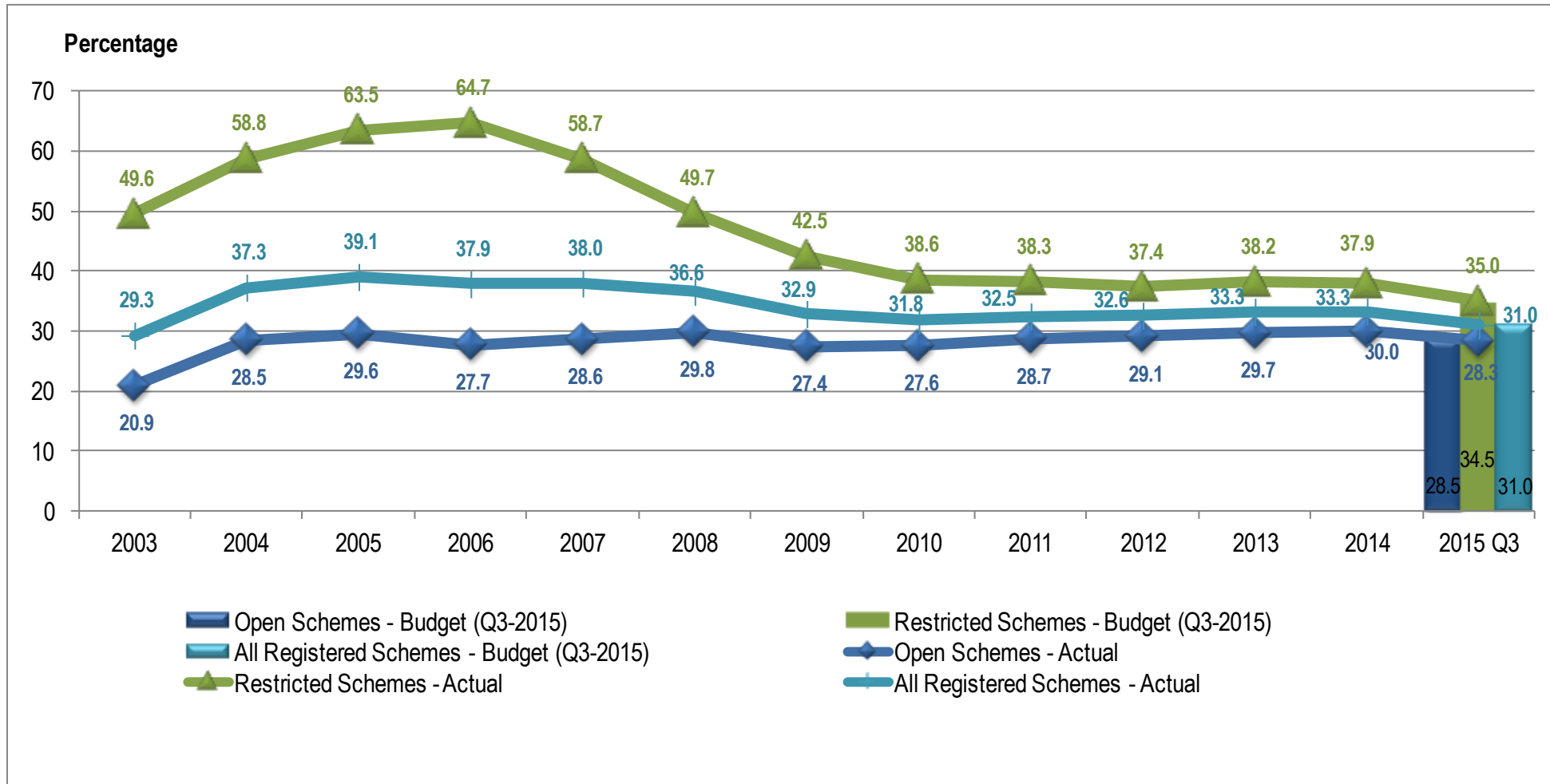
- The current assets to current liabilities ratio for open schemes at quarter end of 30 September 2015 is 2.6 (2014: 2.6), whereas for restricted schemes it is 2.1 (2014: 2.5).
- The total assets to total liabilities ratio for open and restricted schemes is 3.3 (2014: 3.3) and 4.1 (2014: 4.2) respectively.

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

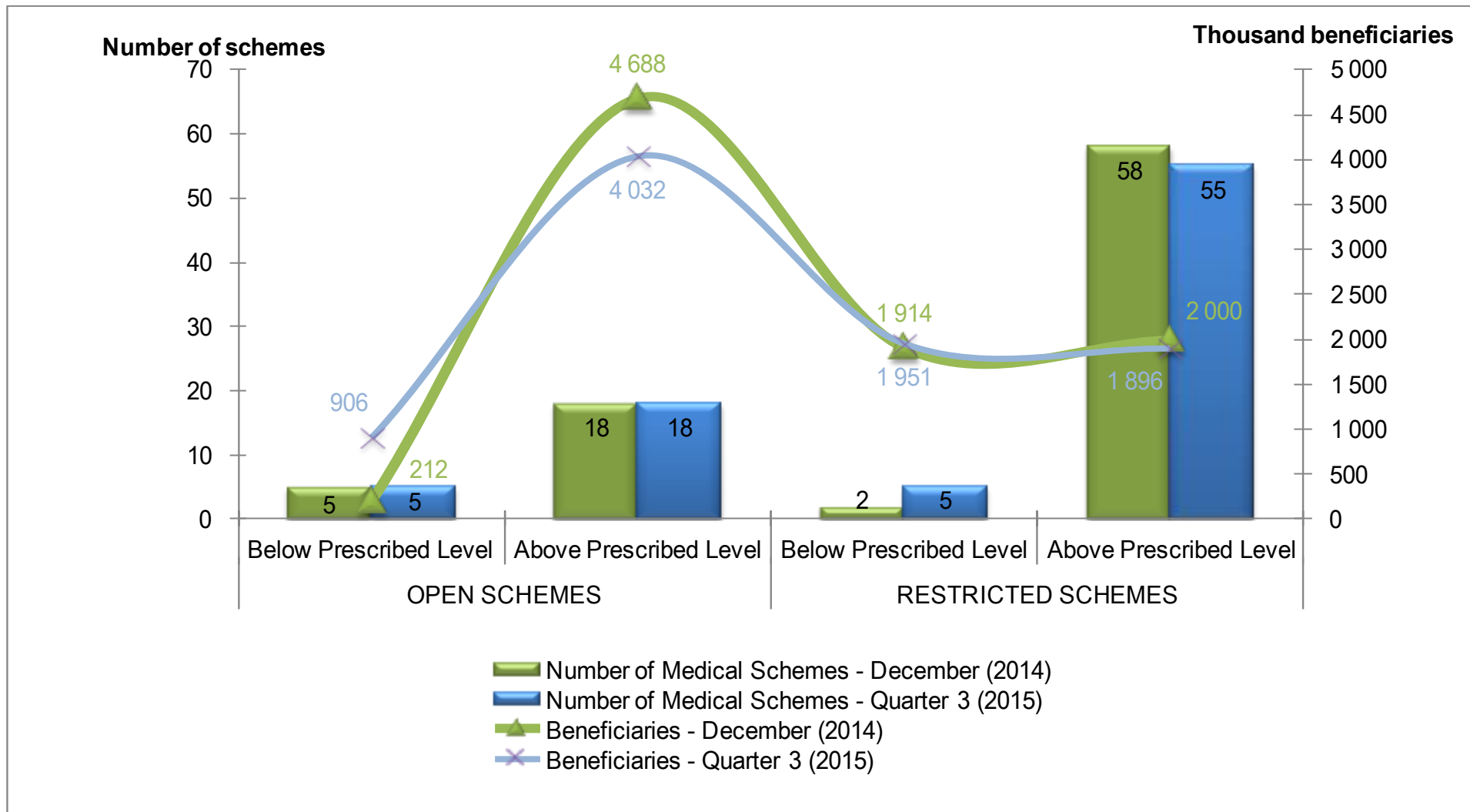
INDUSTRY AVERAGE:

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | % Change 2013 | 2014 | % Change 2014 | 2014 Quarter 3 Actual | 2015 Quarter 3 Actual | 2015 - Quarter 3 Budget | % Variance 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% | 28.8% | 28.3% | 28.5% | -0.7% |
| Restricted schemes | 64.7% | 58.7% | 49.7% | 42.5% | 38.6% | 38.3% | 37.4% | 38.2% | 2.1% | 37.9% | -0.8% | 35.2% | 35.0% | 34.5% | 1.4% |
| 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% | 31.5% | 31.0% | 31.0% | 0.2% |

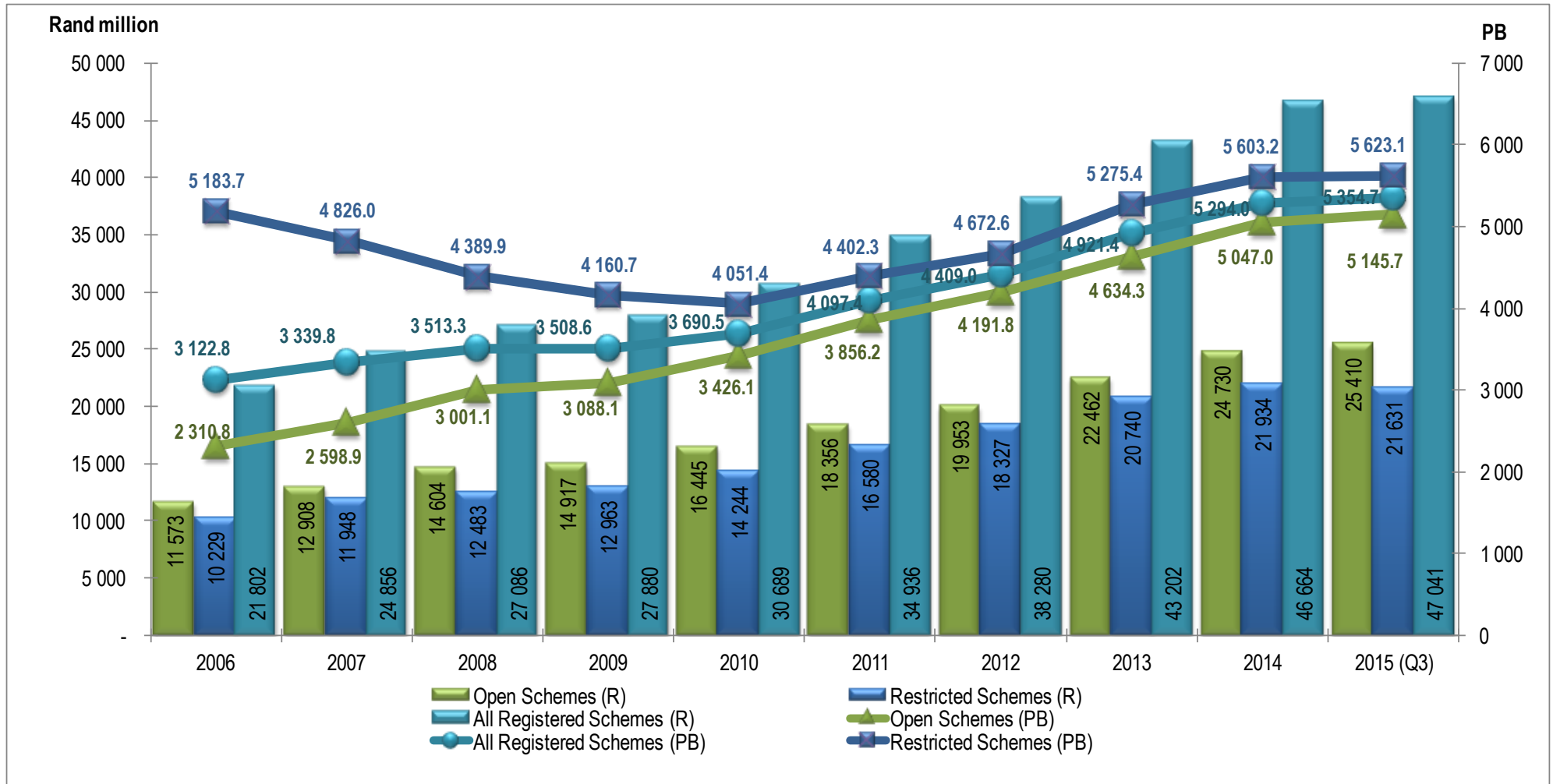
SOLVENCY RATIO GRAPH
Annexure B



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 September 2015
Annexure E

| | | OPEN SCHEMES | RESTRICTED SCHEMES | TOTAL REGISTERED SCHEMES |
|---------------------------------------------------------------|-------|---------------------|---------------------------|---------------------------------|
| Average members | | 2 332 603 | 1 620 575 | 3 953 178 |
| Average beneficiaries | | 4 932 648 | 3 860 145 | 8 792 793 |
| 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 | 67 397 499 | 46 288 555 | 113 686 053 |
| Gross relevant healthcare expenditure (gross + PMSA) (Note a) | | 60 885 066 | 44 256 596 | 105 141 662 |
| Gross administration expenses (risk + PMSA) | | 5 620 955 | 2 541 574 | 8 162 529 |
| Managed care: management services | | 1 630 700 | 1 101 554 | 2 732 254 |
| Broker service fees (including distributions costs) | | 1 240 385 | 54 689 | 1 295 074 |
| Net impairment losses: trade and other receivables | | 92 935 | 51 671 | 144 606 |
| Net healthcare results | | (723 825) | (1 765 136) | (2 488 961) |
| Surplus/ (deficit) | | 681 117 | (439 236) | 241 882 |

NOTES:

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

* PMSA = Personal Medical Savings Account

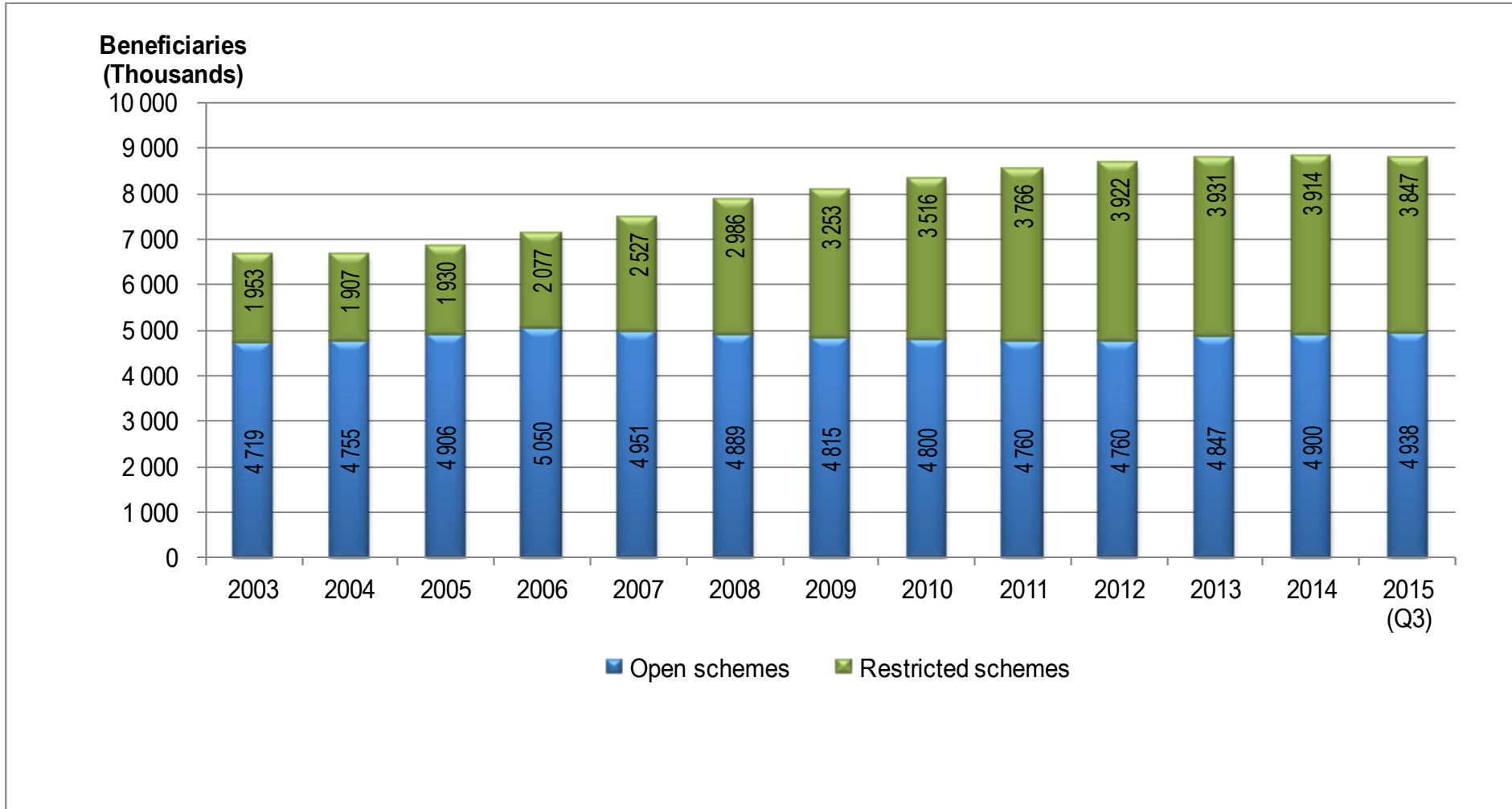
STATEMENT OF FINANCIAL POSITION
at 30 September 2015
Annexure F

| | | OPEN SCHEMES | RESTRICTED SCHEMES | TOTAL REGISTERED SCHEMES |
|-----------------------------------------------------------------|----------------------------------------|---------------------|---------------------------|---------------------------------|
| Members | | 2 327 624 | 1 618 228 | 3 945 852 |
| Dependants | | 2 610 577 | 2 228 619 | 4 839 196 |
| Beneficiaries | | 4 938 201 | 3 846 847 | 8 785 048 |
| Non-current assets | R'000 | 8 731 411 | 14 955 467 | 23 686 878 |
| Current assets | | 29 196 151 | 16 160 740 | 45 356 891 |
| Trade & other receivables | | 5 247 996 | 1 461 874 | 6 709 870 |
| | Contribution days outstanding | 13.6 | 4.7 | 10.0 |
| Cash & cash equivalents | R'000 | 4 979 501 | 9 092 171 | 14 071 672 |
| Total assets | | 37 927 562 | 31 116 207 | 69 043 769 |
| Members' funds (net assets per statement of financial position) | | 26 497 510 | 23 473 452 | 49 970 962 |
| Accumulated funds | | 25 665 634 | 22 315 489 | 47 981 123 |
| Non-current liabilities | | 18 776 | 41 529 | 60 305 |
| Current liabilities | | 11 411 277 | 7 601 226 | 19 012 503 |
| Trade & other payables | | 2 832 943 | 2 703 286 | 5 536 228 |
| Personal medical savings account trust liability | | 5 404 371 | 2 304 482 | 7 708 854 |
| Outstanding claims provision | | 3 173 962 | 2 593 458 | 5 767 420 |
| | Prior year claims provision utilised % | 93.1 | 92.1 | 92.6% |
| Total liabilities | R'000 | 11 430 052 | 7 642 755 | 19 072 808 |
| Total assets: total liabilities | | 3.3 | 4.1 | 3.6 |
| Current assets: current liabilities | | 2.6 | 2.1 | 2.4 |
| Risk claims incurred: cash & cash equivalents coverage | Months | 0.2 | 0.1 | 0.2 |
| Net assets per Regulation 29 | R'000 | 25 410 258 | 21 631 188 | 47 041 446 |
| Solvency ratio | % | 28.3 | 35.0 | 31.0 |

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 September 2015
Annexure H

| | | OPEN SCHEMES | | | RESTRICTED SCHEMES | | | TOTAL REGISTERED SCHEMES | | |
|-----------------------------------------------------------------------------------|-------|--------------|------------|------------|--------------------|-------------|------------|--------------------------|-------------|------------|
| | | Actual | Budget | % variance | Actual | Budget | % variance | Actual | Budget | % variance |
| Members | | 2 332 603 | 2 348 422 | -0.7 | 1 620 575 | 1 685 879 | -3.9 | 3 953 178 | 4 034 301 | -2.0 |
| Beneficiaries | | 4 932 648 | 5 003 546 | -1.4 | 3 860 145 | 3 952 875 | -2.3 | 8 792 793 | 8 956 421 | -1.8 |
| Gross contribution income (GCI) | R'000 | 67 397 499 | 68 505 235 | -1.6 | 46 288 555 | 47 356 439 | -2.3 | 113 686 053 | 115 861 674 | -1.9 |
| Risk contribution income (RCI) | | 58 188 384 | 59 164 494 | -1.6 | 44 332 486 | 45 387 807 | -2.3 | 102 520 870 | 104 552 302 | -1.9 |
| Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a) | | 60 885 066 | NA | 0.0 | 44 256 596 | NA | 0.0 | 105 141 662 | NA | 0.0 |
| Relevant healthcare expenditure incurred (incl. managed care claims) (Note a) | | 50 328 321 | 50 421 062 | -0.2 | 42 348 134 | 42 854 552 | -1.2 | 92 676 455 | 93 275 613 | -0.6 |
| Net non-healthcare expenses | | 8 583 888 | 8 741 515 | -1.8 | 3 749 488 | 4 048 000 | -7.4 | 12 333 376 | 12 789 515 | -3.6 |
| Net healthcare results | | (723 825) | 1 917 | -37849.7 | (1 765 136) | (1 514 744) | 16.5 | (2 488 961) | (1 512 827) | 64.5 |
| Surplus/(deficit) | | 681 117 | 1 343 679 | -49.3 | (439 236) | (242 805) | 80.9 | 241 882 | 1 100 874 | -78.0 |
| Quarter end reserve position (per Regulation 29) (Note c) | | 25 410 258 | 26 097 688 | -2.6 | 21 631 188 | 21 839 913 | -1.0 | 47 041 446 | 47 937 601 | -1.9 |

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 September 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 September 2015
Annexure I

| | | OPEN SCHEMES | | | RESTRICTED SCHEMES | | | TOTAL REGISTERED SCHEMES | | |
|-----------------------------------------------------------------------------------------|-------|--------------|------------|---------------|--------------------|-------------|---------------|--------------------------|-------------|---------------|
| | | 2015 | 2014 | % variance | 2015 | 2014 | % variance | 2015 | 2014 | % variance |
| Members | | 2 332 603 | 2 268 964 | 2.8 | 1 620 575 | 1 623 096 | -0.2 | 3 953 178 | 3 892 060 | 1.6 |
| Beneficiaries | | 4 932 648 | 4 855 116 | 1.6 | 3 860 145 | 3 912 957 | -1.3 | 8 792 793 | 8 768 073 | 0.3 |
| Gross contribution income (GCI) | R'000 | 67 397 499 | 61 786 690 | 9.1 | 46 288 555 | 43 301 036 | 6.9 | 113 686 053 | 105 087 726 | 8.2 |
| Risk contribution income (RCI) | | 58 188 384 | 53 579 533 | 8.6 | 44 332 486 | 41 559 096 | 6.7 | 102 520 870 | 95 138 629 | 7.8 |
| Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a) | | 60 885 066 | 55 099 592 | 10.5 | 44 256 596 | 41 250 694 | 7.3 | 105 141 662 | 96 350 287 | 9.1 |
| Relevant healthcare expenditure incurred (incl. managed care claims) (Note a) | | 50 328 321 | 45 923 800 | 9.6 | 42 348 134 | 39 541 658 | 7.1 | 92 676 455 | 85 465 458 | 8.4 |
| Net non-healthcare expenses | | 8 583 888 | 8 041 885 | 6.7 | 3 749 488 | 3 503 845 | 7.0 | 12 333 376 | 11 545 731 | 6.8 |
| Net healthcare results | | (723 825) | (386 152) | 87.4 | (1 765 136) | (1 486 407) | 18.8 | (2 488 961) | (1 872 559) | 32.9 |
| Surplus/(deficit) | | 681 117 | 1 062 630 | -35.9 | (439 236) | (73 604) | 496.8 | 241 882 | 989 026 | -75.5 |
| Quarter end reserve position (per Regulation 29) | | 25 410 258 | 23 738 478 | 7.0 | 21 631 188 | 20 350 598 | 6.3 | 47 041 446 | 44 089 076 | 6.7 |

NOTES:

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

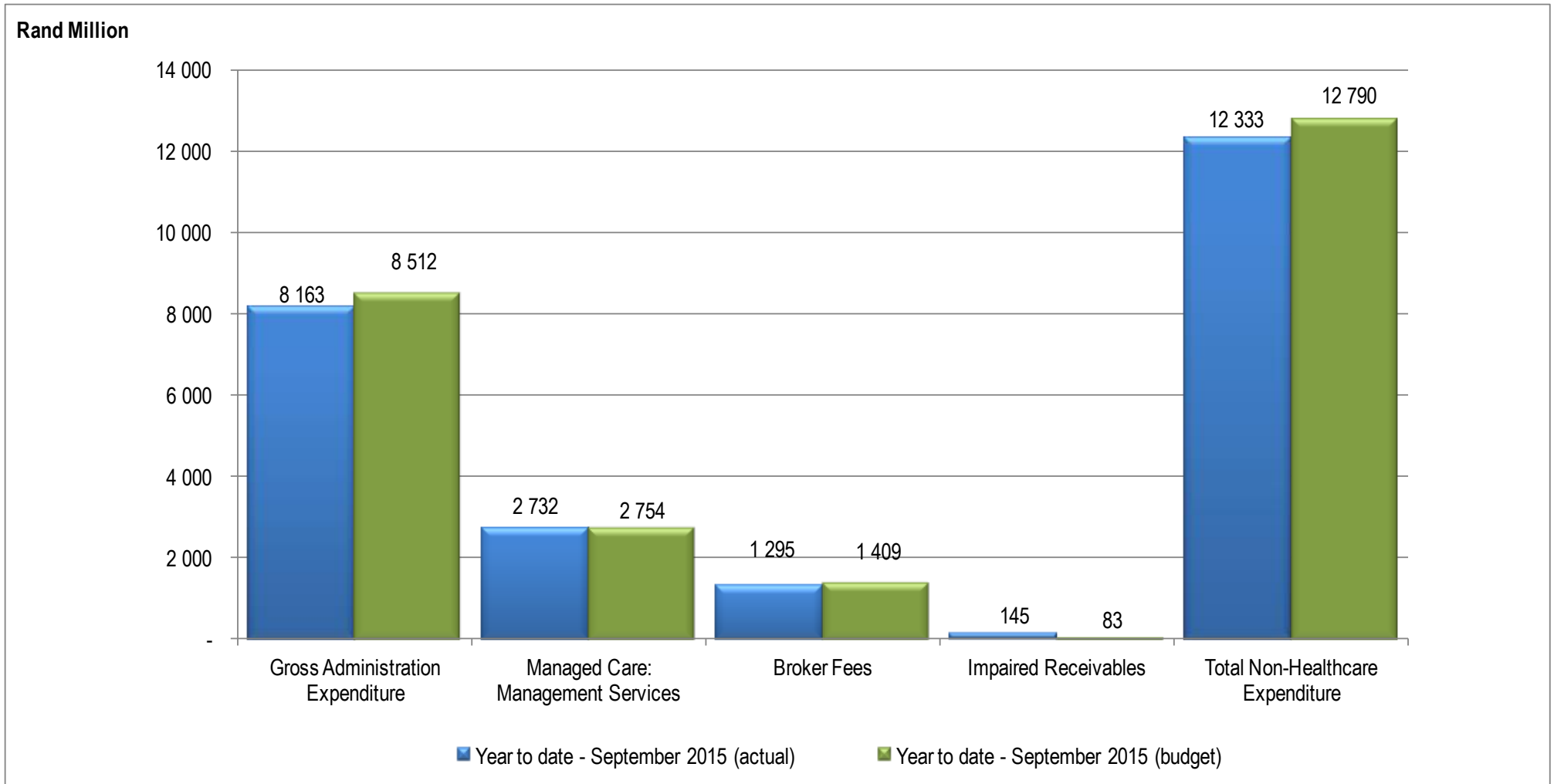
b) Gross non-healthcare expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

* PMSA = Personal Medical Savings Account

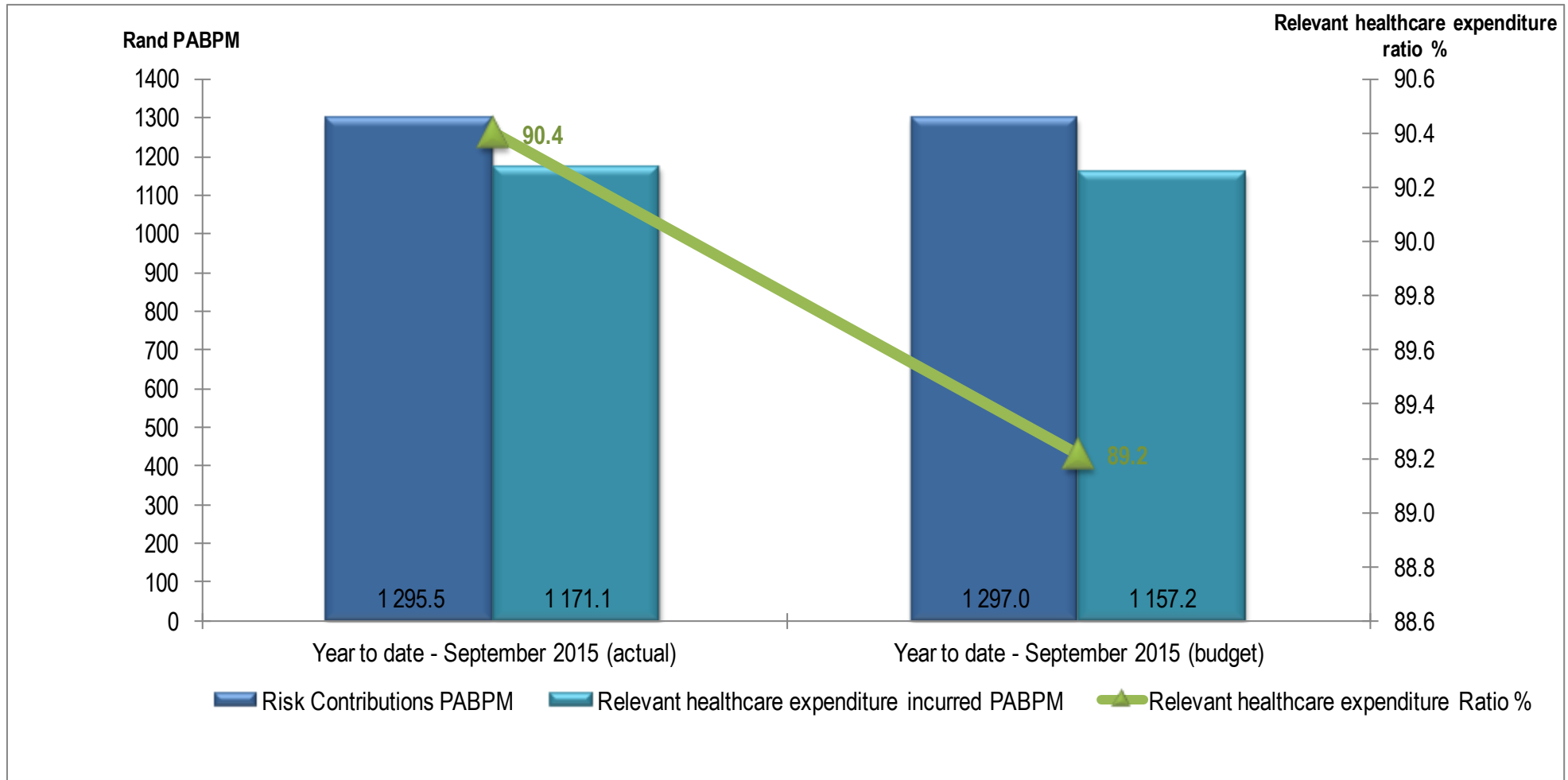
* GCI = Gross Contribution Income

* 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

