



Quarterly Reports for the Period ending 30 September 2012

January 2013

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 September 2012. Budget information for the third quarter of 2012 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.

Please note that amounts relating to September 2011 have been restated to include all schemes.

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 7.2% from the audited solvency level of 32.6% at 31 December 2011 to 30.2% at 30 September 2012. This is mostly attributable to the benefit designs and seasonality of claims patterns of the medical schemes and the fact that solvency is calculated on annualised gross contributions.
- Total reserves per Regulation 29 for all medical schemes amounted to R35.4 billion at 30 September 2012, which was 1.4% higher than the reserves of R35.0 billion as at 31 December 2011.
- The solvency level at 30 September 2012 was 1.7% higher than the budgeted solvency level of 29.7% 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 9 (2011: 9) open schemes that failed to meet the prescribed solvency level at 30 September 2012 represent 64.2% (2011: 60.0%) of the total open schemes' beneficiaries.
- Only 6 (2011: 5) restricted schemes were below 25.0%.
- The net asset value (per Regulation 29) per beneficiary decreased by 0.2% from R4 099.7 at 31 December 2011 to R4 091.3 at 30 September 2012. The net asset value per beneficiary at 30 September 2012 was 0.3% higher than the budgeted net asset value of R4 079.5 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 2.2% from 3 730 565 at 31 December 2011 to 3 811 084 at 30 September 2012.
- The number of total beneficiaries increased by 1.6% from 8 526 409 at 31 December 2011 to 8 660 827 at 30 September 2012.
- The average number of members of 3 774 580 for the period ended 30 September 2012 was 0.8% lower than budget, and the average number of beneficiaries of 8 587 831 was 0.9% lower than budget.
- The industry average age for all registered schemes for the period ended 30 September 2012 was 32.1 (2011: 31.6) years and the proportion of pensioners, 7.1% (2011: 6.6%).

Contributions and relevant healthcare expenditure

- Total gross contribution income for all medical schemes amounted to R88.1 billion for the period ended 30 September 2012, which was 1.1% lower than the budget of R89.0 billion and 9.6% higher than the R80.3 billion for 30 September 2011.
- The gross contribution per average beneficiary per month was R1 139.3 for the period ended 30 September 2012. Gross relevant healthcare per average beneficiary per month was R1 038.7 for the period ended 30 September 2012.
- The gross contributions per average beneficiary per month at 30 September 2012 of R1 139.3 went up by 7.1% from R1 063.9 at 31 December 2011.
- Total risk contributions of R79.9 billion was 1.1% lower than budget but 9.6% higher than the R72.9 billion at the end of September 2011. The risk contribution per average beneficiary per month for the period ended 30 September 2012 was R1 034.3.
- The relevant healthcare ratio of 89.7% at 30 September 2012 was 0.8% higher than the budgeted relevant healthcare ratio of 88.9% and exceeded the 30 September 2011 ratio of 88.4% by 1.5%. The relevant healthcare per average beneficiary per month for the period ended 30 September 2012 was R927.6. Total relevant healthcare for the period ended 30 September 2012 was R71.7 billion compared to the budgeted relevant healthcare of R71.9

billion, representing a 0.3% variance. Compared to the same period of the previous year, total relevant healthcare increased by 11.2% from R64.5 billion in September 2011.

- Relevant healthcare expenditure per average beneficiary per month at 30 September 2012 of R927.6 went up by 10.9% from R836.3 at 31 December 2011.
- The utilisation of the prior year's outstanding claims provision was 101.5% for all schemes as at 30 September 2012.

Non-health expenses

- Total non-health expenses for all medical schemes amounted to R9.8 billion for the period ended 30 September 2012, which was 1.4% lower than the R9.9 billion budgeted for and 8.1% higher than the R9.1 billion at the end of September 2011.
- The non-health expense per average beneficiary per month for the period ended 30 September 2012 was R126.8, which was 5.6% higher than the industry average of R120.1 at 31 December 2011.
- Non-health expenses, when expressed as a percentage of risk contributions, decreased from 12.4% at 31 December 2011 to 12.3% at 30 September 2012.
- At 30 September 2012, the industry averages of the various components of non-health expenses expressed as a percentage of total non-health expenses were as follows:

	<u>Sept '12</u>	<u>Dec '11</u>
- Gross administration expenses	67.9%	67.6%
- Managed care: management services	20.3%	20.1%
- Broker service fees (including distribution costs and broker fees)	10.7%	11.5%
- Net impairment losses: trade and other receivables	1.1%	0.9%

Operating results

- Registered medical schemes incurred net healthcare deficits (before taking investment and other income into account) of R1.6 billion compared to a budgeted deficit of R1.0 billion at 30 September 2012. The total deficit for net healthcare results is 55.4% lower than budgeted.
- Open schemes incurred net healthcare deficits (before taking investment and other income into account) of R630.5 million compared to a budgeted deficit of R342.9 million whereas restricted schemes incurred net healthcare deficits (before taking investment and other income into account) of R925.2 million compared to a budgeted deficit of R658.4 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R832.3 million at 30 September 2012 compared to a budgeted surplus of R868.7 million, which represents an actual to budget variance of 4.2%.
- In 2011 schemes incurred net healthcare deficits of R1.0 billion and net surpluses of R4.3 billion.

Investments

- The current assets to current liabilities ratio for open schemes at 30 September 2012 is 2.5 (2011: 2.8), whereas for restricted schemes it is 2.0 (2011: 3.2).
- The total assets to total liabilities ratio for open and restricted schemes is 3.3 (2011: 3.7) and 3.6 (2011: 4.1) respectively.

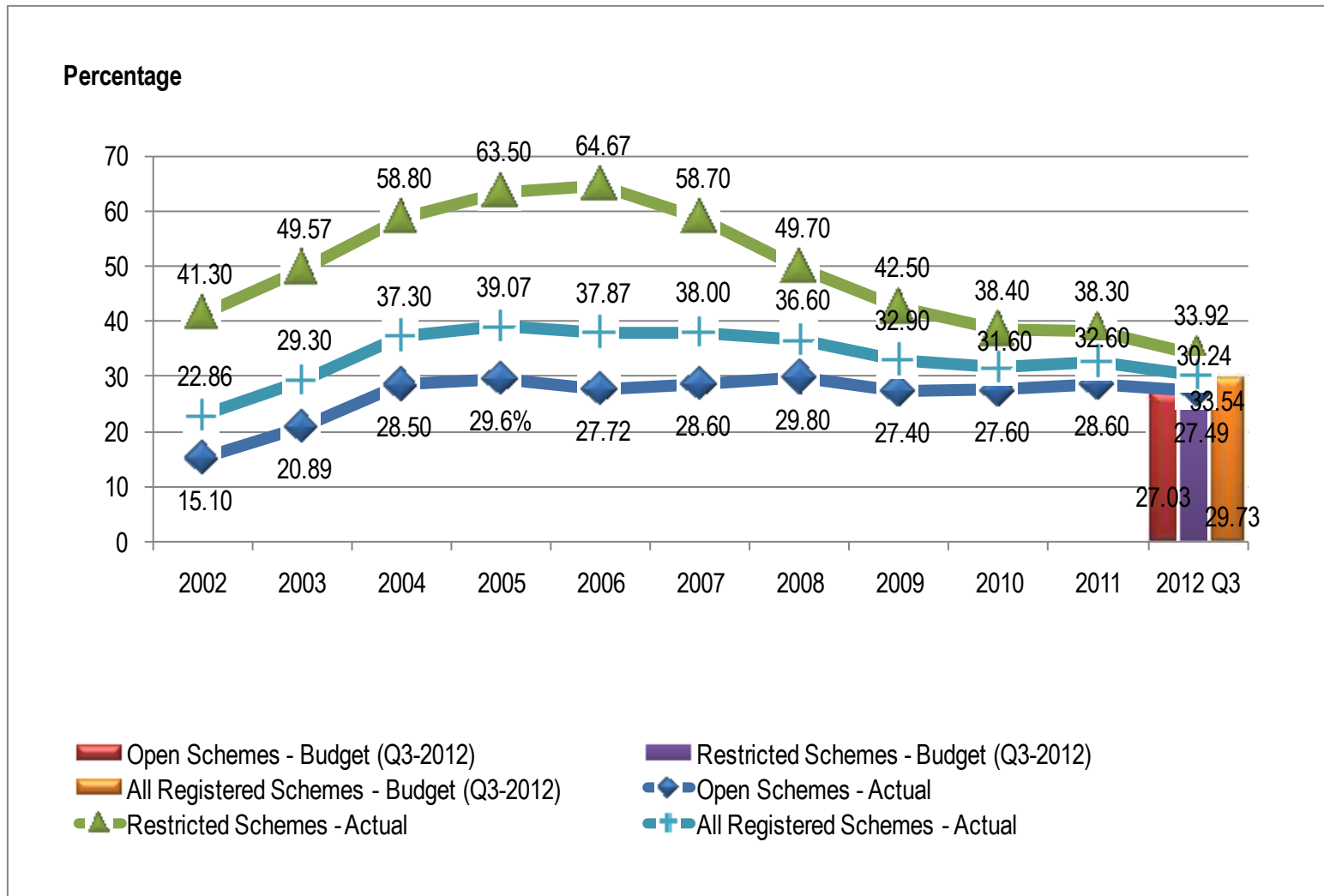
REGULATION 29: MINIMUM ACCUMULATED FUNDS

Annexure A (SOLVENCY RATIO)

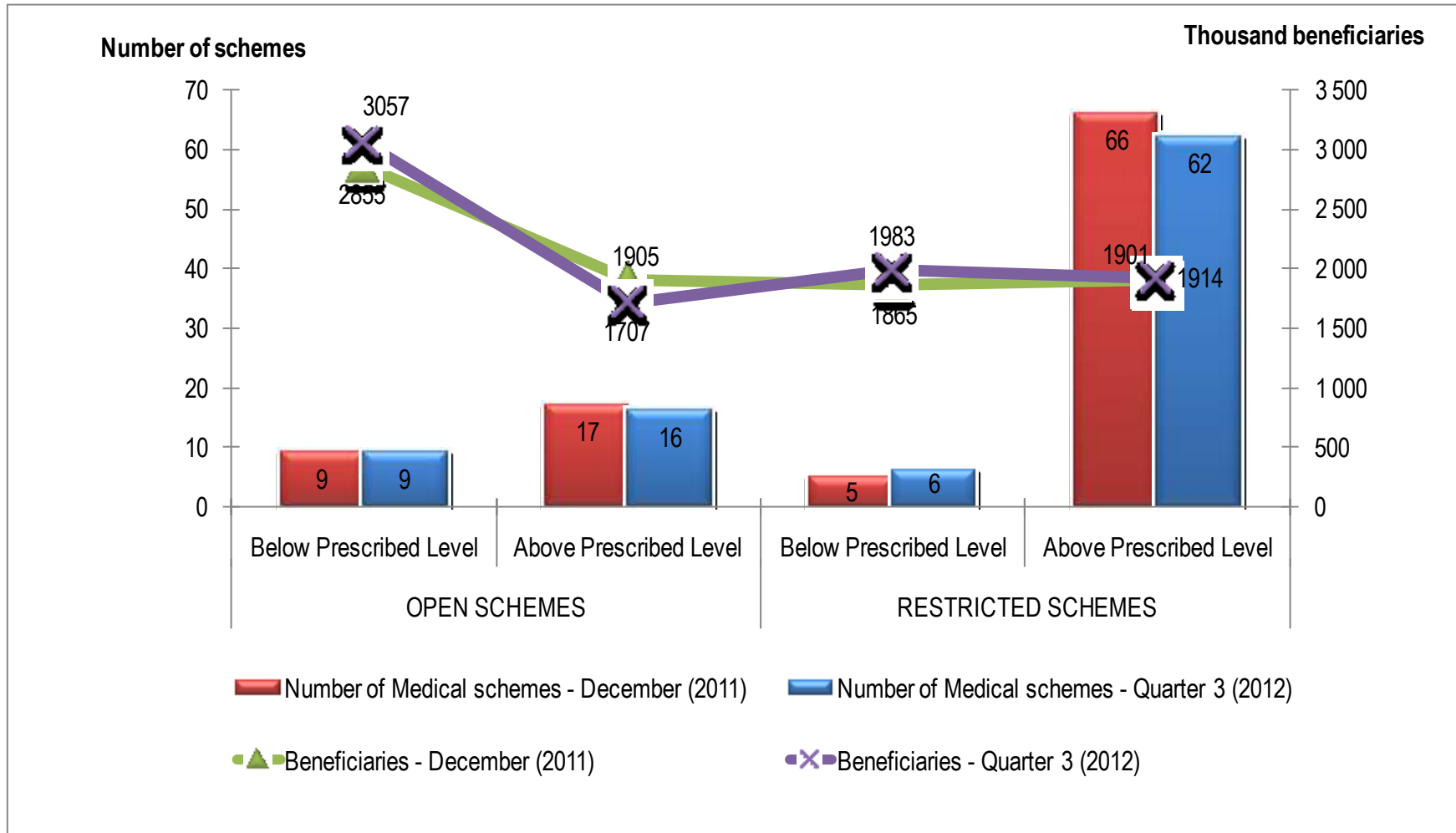
INDUSTRY AVERAGE:

	2005	% Change 2005	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010	% Change 2010	2011	% Change 2011	2011 Quarter 3 Actual	2012 - Quarter 3	2012 - Quarter 3 Budget	% Change Actual 2012 vs Budget 2012
Open schemes	29.6%	3.7%	27.7%	-6.2%	28.6%	3.2%	29.8%	4.2%	27.4%	-8.1%	27.6%	0.7%	28.6%	3.6%	27.0%	27.5%	27.0%	1.7%
Restricted schemes	63.5%	8.0%	64.7%	1.8%	58.7%	-9.2%	49.7%	-15.3%	42.5%	-14.5%	38.6%	-9.2%	38.3%	-0.8%	34.9%	33.9%	33.5%	1.1%
All registered schemes	39.1%	4.8%	37.9%	-3.1%	38.0%	0.3%	36.6%	-3.7%	32.9%	-10.1%	31.8%	-3.3%	32.6%	2.5%	30.2%	30.2%	29.7%	1.7%

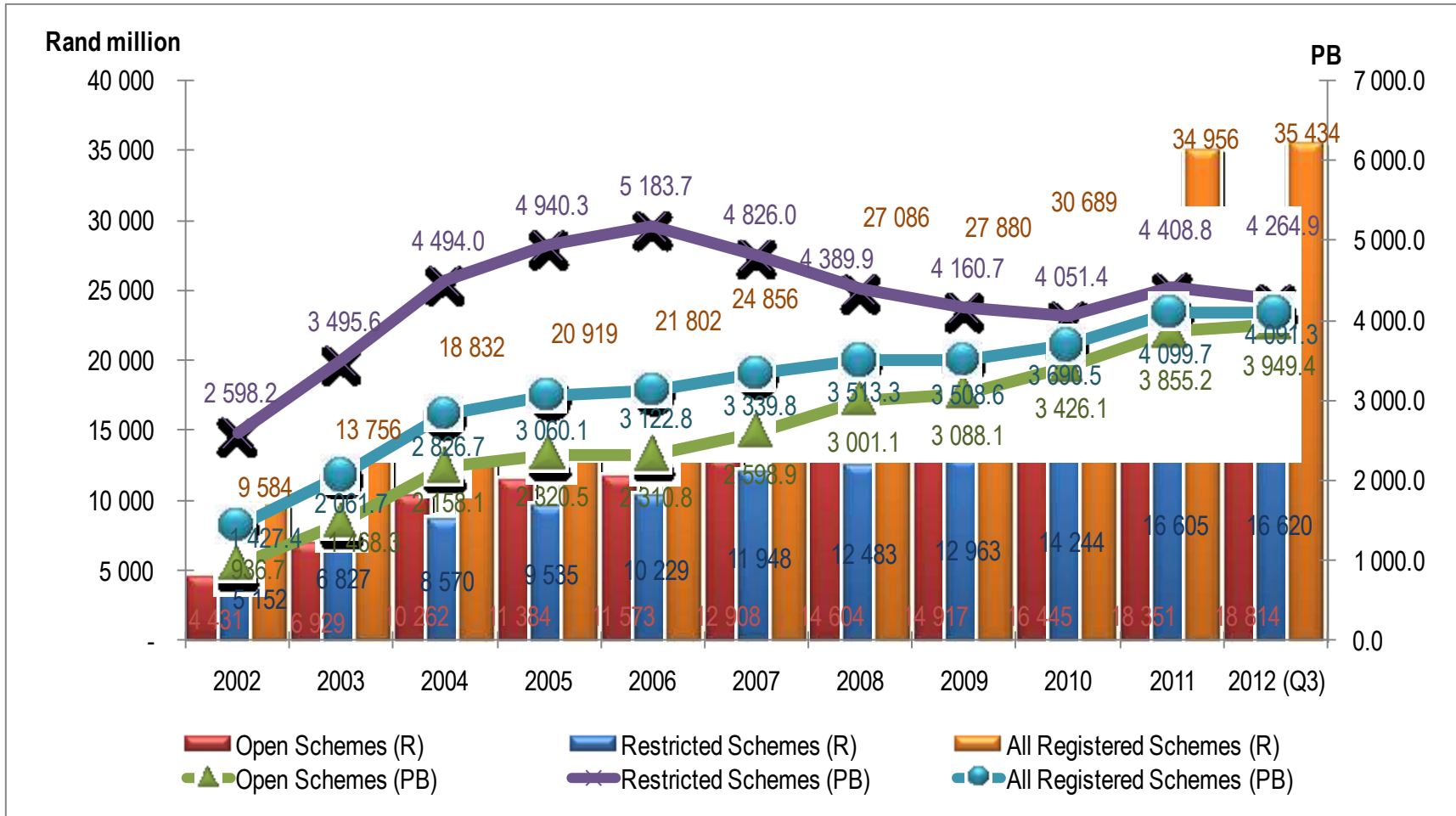
SOLVENCY RATIO GRAPH
Annexure B



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 2012
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 188 448	1 586 132	3 774 580
Average beneficiaries		4 747 631	3 840 200	8 587 831
Average age	Years	33.8	30.1	32.1
Pensioner ratio (65+ years)	%	8.2	5.8	7.1
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	51 488 319	36 570 923	88 059 241
Gross relevant healthcare (gross +PMSA) (Note a)		45 784 809	34 498 558	80 283 366
Gross Administration Expenses (risk + PMSA)		4 653 288	1 999 264	6 652 552
Managed care: management services		1 274 633	712 136	1 986 769
Broker service fees (including distributions costs)		1 014 769	36 804	1 051 573
Net impairment losses: trade and other receivables	R'000	66 555	44 116	110 671
Net healthcare results		(630 484)	(925 208)	(1 555 692)
Surplus/ (deficit)		616 788	215 489	832 278

NOTES:

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

* PMSA = Personal Medical Savings Account

BALANCE SHEET DETAILS
at 30 September 2012
Annexure F

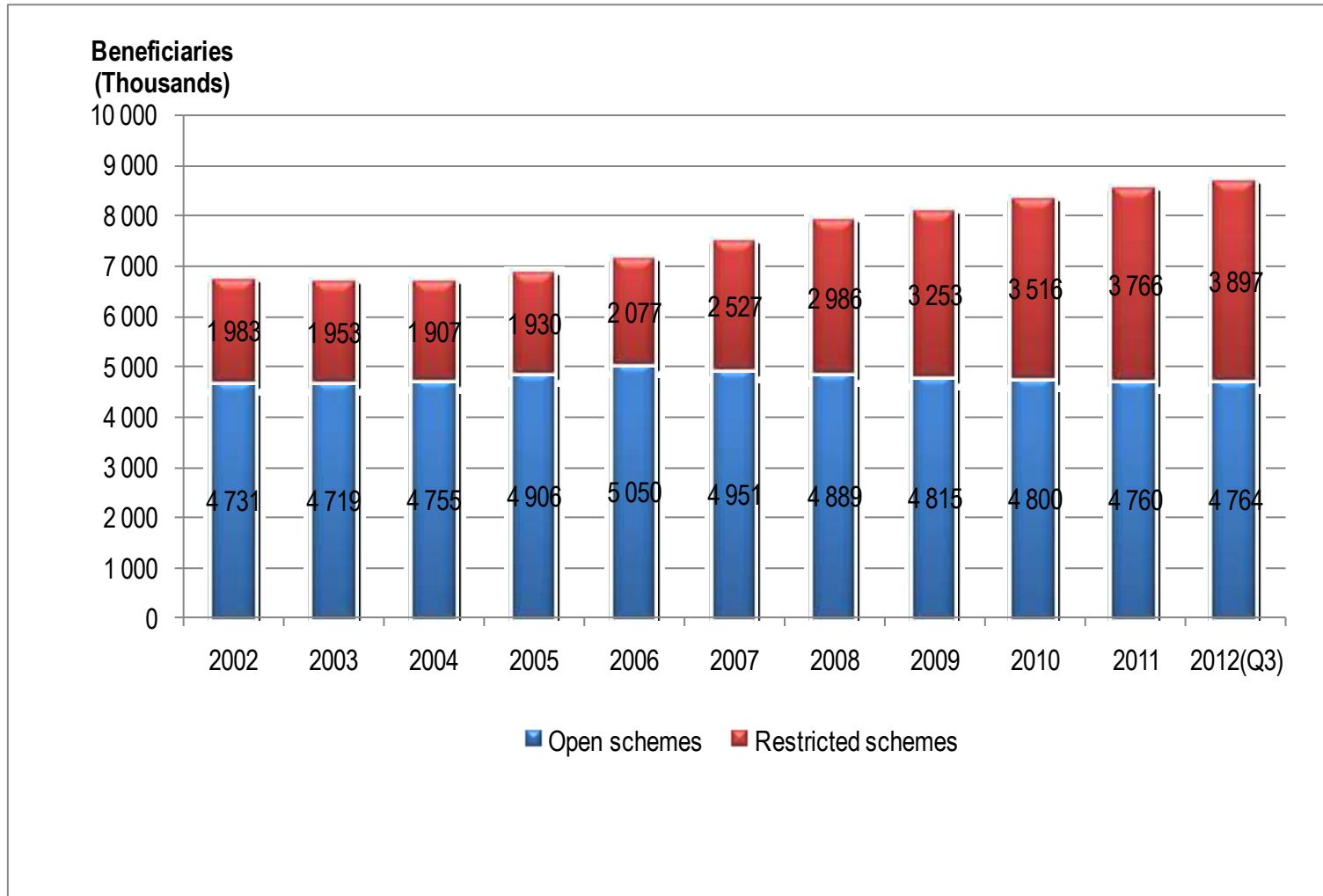
		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 30 September 2012		2 199 863	1 611 221	3 811 084
Dependants at 30 September 2012		2 563 936	2 285 807	4 849 743
Beneficiaries at 30 September 2012		4 763 799	3 897 028	8 660 827
Non-current assets	R'000	7 150 490	13 001 132	20 151 622
Current assets	R'000	21 369 919	11 853 727	33 223 646
Trade & other receivables	R'000	4 075 482	1 324 003	5 399 485
	Contribution days outstanding	14.2	7.1	11.2
Cash & cash equivalents	R'000	10 819 802	9 566 715	20 386 518
Total assets	R'000	28 520 409	24 854 859	53 375 268
Members' funds (net assets per BS)		19 948 654	17 975 322	37 923 976
Accumulated funds		19 138 489	17 073 324	36 211 813
Non-current liabilities		31 723	875 584	907 307
Current liabilities		8 540 032	6 003 953	14 543 985
Trade & other payables		2 458 905	2 145 659	4 604 565
Savings liability		3 569 314	1 697 498	5 266 813
Outstanding claims provision		2 511 813	2 160 795	4 672 608
	Prior year claims provision utilised %	103.0	99.7	101.5
Total liabilities	R'000	8 571 755	6 879 538	15 451 292
Total assets: total liabilities		3.3	3.6	3.5
Current assets: current liabilities		2.5	2.0	2.3

Gross claims incurred: cash & cash equivalents coverage	Months	4.6	3.1	3.9
Net assets per Regulation 29	R'000	18 814 029	16 620 290	35 434 319
Solvency ratio	%	27.5	33.9	30.2

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.
- * In respect of gross claims incurred: cash & cash equivalents coverage = cash and cash equivalents includes current investments.
- * 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 2012
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2 199 863	2 228 866	-1.3%	1 611 221	1 621 956	-0.7%	3 811 084	3 850 822	-1.0%
Beneficiaries		4 763 799	4 732 110	0.7%	3 897 028	3 954 483	-1.5%	8 660 827	8 686 593	-0.3%
Gross Contribution Income (GCI)	R'000	51 488 319	52 323 606	-1.6%	36 570 923	36 718 992	-0.4%	88 059 241	89 042 597	-1.1%
Risk Contribution Income (RCI)		44 880 201	45 613 350	-1.6%	35 061 920	35 254 377	-0.5%	79 942 121	80 867 727	-1.1%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		45 784 809	NA	0.0%	34 498 558	NA	0.0%	80 283 366	NA	0.0%
Relevant healthcare incurred (incl. managed care claims) (Note a)		38 502 187	38 849 357	-0.9%	33 194 229	33 078 135	0.4%	71 696 416	71 927 492	-0.3%
Gross (incl. PMSA)/net non-health expenses		7 008 498	7 106 864	-1.4%	2 792 899	2 834 611	-1.5%	9 801 397	9 941 475	-1.4%
Net healthcare results		(630 484)	(342 871)	83.9%	(925 208)	(658 369)	40.5%	(1 555 692)	(1 001 240)	55.4%
Surplus/(deficit)	R'000	616 788	682 229	-9.6%	215 489	186 498	15.5%	832 278	868 726	-4.2%
Quarter end reserve position (per Regulation 29) (Note c)		18 814 029	18 847 192	-0.2%	16 620 290	16 589 711	0.2%	35 434 319	35 436 903	0.0%

NOTES:

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

b) Gross non-health 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 2012: 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-ordinated 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 2012
Annexure I

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2012	2011	% variance	2012	2011	% variance	2012	2011	% variance
Members		2 199 863	2 176 833	1.1%	1 611 221	1 528 631	5.4%	3 811 084	3 705 464	2.9%
Beneficiaries		4 763 799	4 757 950	0.1%	3 897 028	3 711 834	5.0%	8 660 827	8 469 784	2.3%
Gross Contribution Income (GCI)	R'000	51 488 319	48 136 141	7.0%	36 570 923	32 183 065	13.6%	88 059 241	80 319 206	9.6%
Risk Contribution Income (RCI)		44 880 201	42 176 577	6.4%	35 061 920	30 761 287	14.0%	79 942 121	72 937 863	9.6%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		45 784 809	42 801 966	7.0%	34 498 558	29 575 087	16.6%	80 283 366	72 377 053	10.9%
Relevant healthcare incurred (incl. managed care claims) (Note a)		38 502 187	36 158 976	6.5%	33 194 229	28 311 514	17.2%	71 696 416	64 470 490	11.2%
Gross (incl. PMSA)/net non-health expenses		7 008 498	6 651 286	5.4%	2 792 899	2 414 835	15.7%	9 801 397	9 066 121	8.1%
Net healthcare results		(630 484)	(633 686)	0.5%	(925 208)	34 937	-2 748.2%	(1 555 692)	(598 748)	-159.8%
Surplus/(deficit)	R'000	616 788	930 108	-33.7%	215 489	782 778	-72.5%	832 278	1 712 886	-51.4%
Quarter end reserve position (per Regulation 29) (Note c)		18 814 029	17 311 330	8.7%	16 620 290	15 126 963	9.9%	35 434 319	32 438 293	9.2%

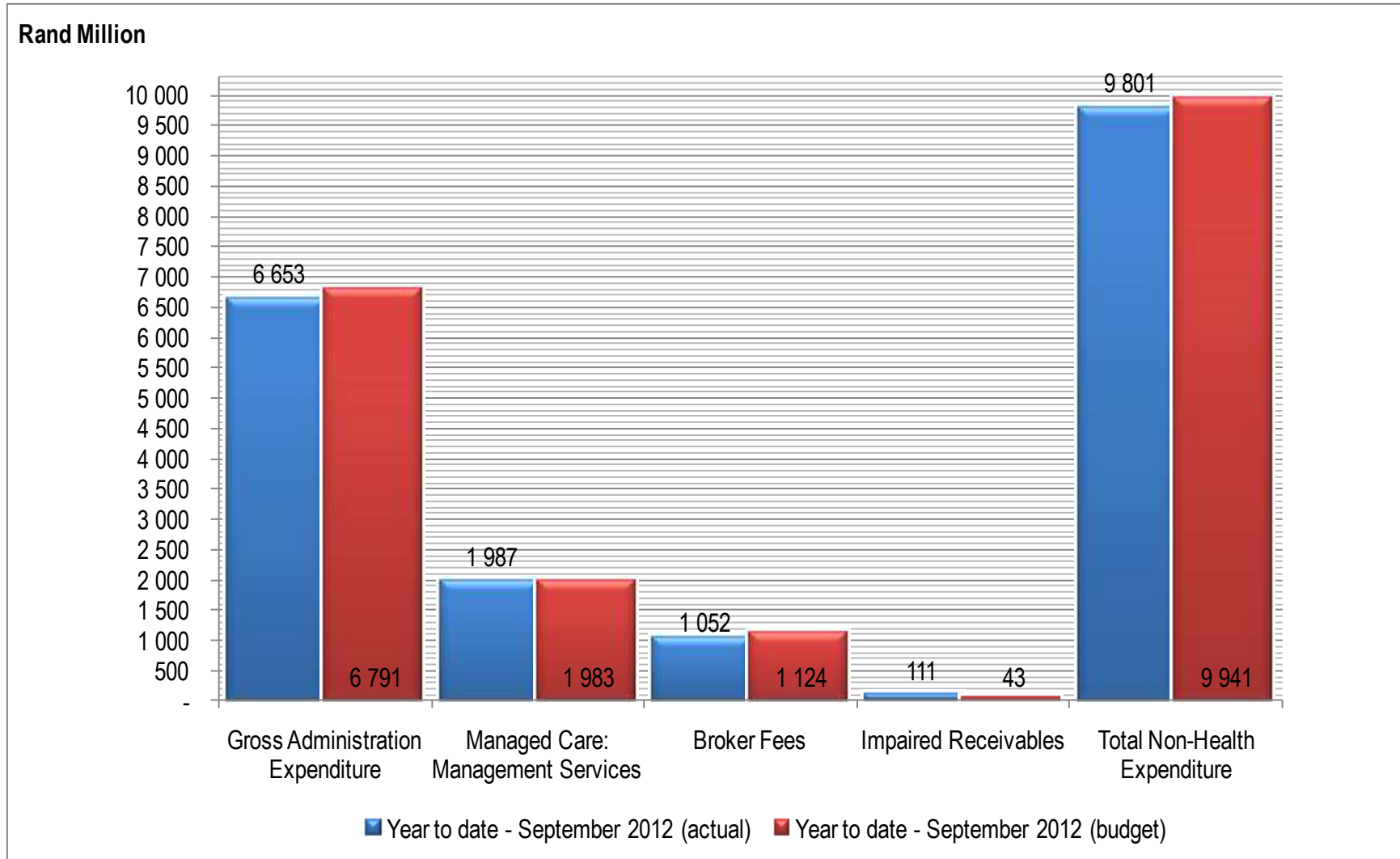
- NOTES:**
- a) Including managed care: healthcare benefits included in risk transfer arrangements.
- b) Gross non-health expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

* PMSA = Personal Medical Savings Account

* GCI = Gross Contribution Income

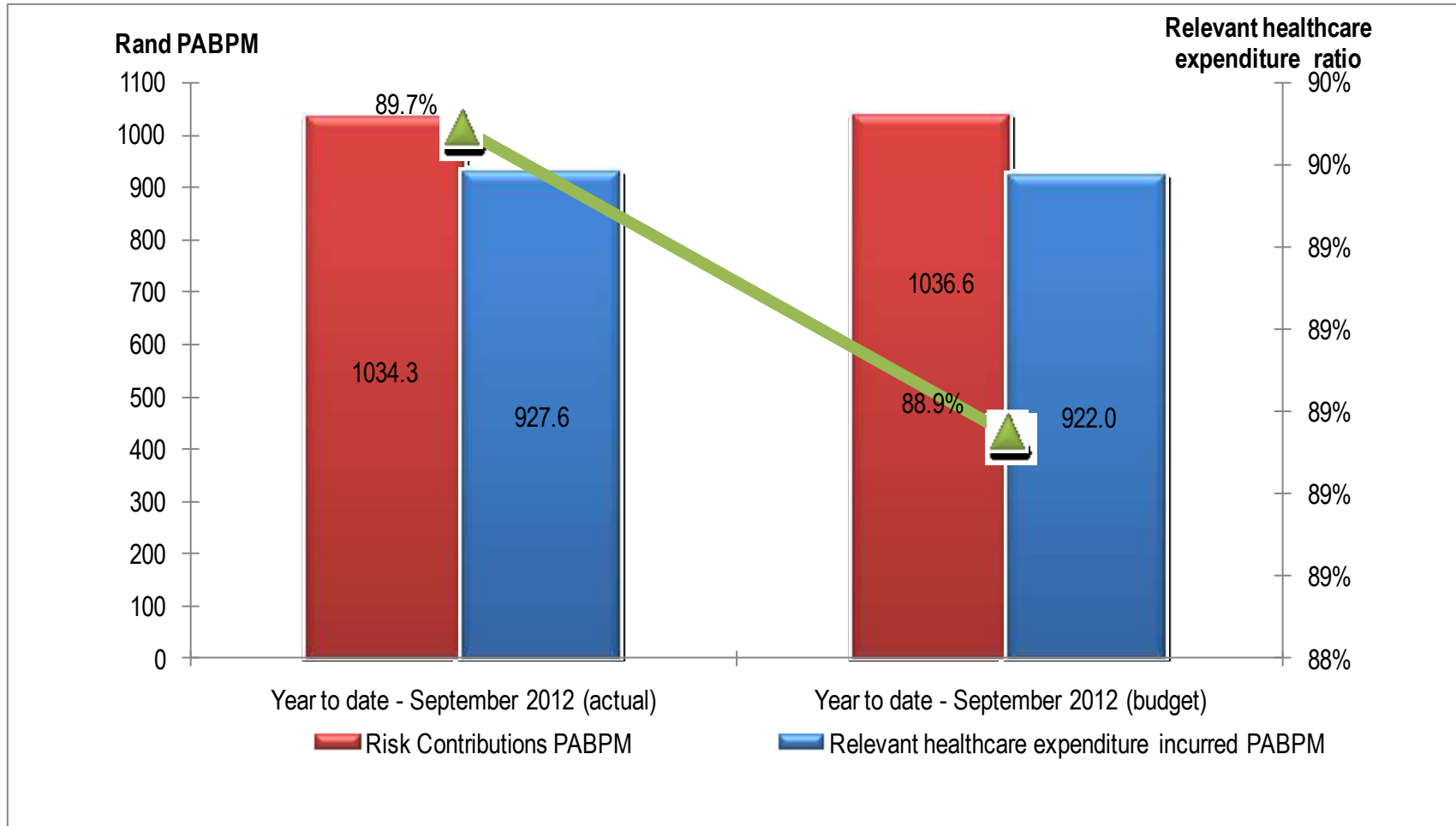
* RCI = Risk Contribution Income

TOTAL NON-HEALTH 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

