



Quarterly Reports for the Period ending 31 March 2013

March 2013

Table of Contents

INTRODUCTION.....	3
REGULATION 29: MINIMUM ACCUMULATED FUNDS	6
SOLVENCY RATIO GRAPH	7
PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH	8
NET ASSETS PER REGULATION 29 GRAPH.....	9
INCOME STATEMENT DETAILS	10
BALANCE SHEET DETAILS.....	11
NUMBER OF BENEFICIARIES GRAPH.....	13
DETAILED FINANCIAL INFORMATION: ACTUAL V BUDGET.....	14
DETAILED FINANCIAL INFORMATION: ACTUAL V PRIOR YEAR	15
TOTAL NON-HEALTH EXPENDITURE GRAPH	16
NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH	17
NET RELEVANT HEALTHCARE EXPENDITURE RATIO: SEASONALITY	18

INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 31 March 2013. Budget information for the first quarter of 2013 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.

** The overall scheme results excludes Sedmed which had not submitted Quarter 1 (2013) financials at the time of preparation of the reports. The scheme is in the process of replacing its administration system. According to 2012 annual information, Sedmed had a solvency ratio of 54.3% and membership of 2 085.*

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 16.8% from the audited solvency level of 32.6% at 31 December 2012 to 27.1% at 31 March 2013.
- Total reserves per Regulation 29 for all medical schemes amounted to R39.2 billion at 31 March 2013, which was 2.3% higher than the reserves of R38.3 billion as at 31 December 2012.
- The solvency level at 31 March 2013 was 5.9% lower than the budgeted solvency level of 28.8% 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 7 (2012: 7) open schemes that failed to meet the prescribed solvency level at 31 March 2013 represent 60.8% (2012: 58.8%) of the total open schemes' beneficiaries.
- Only 4 (2012: 4) restricted schemes were below 25.0%; and they represent 50.7% of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 2.0% from R4 409.7 at 31 December 2012 to R4 497.6 at 31 March 2013. The net asset value per beneficiary at 31 March 2013 was 1.9% higher than the budgeted net asset value of R4 415.2 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 0.7% from 3 815 431 at 31 December 2012 to 3 843 607 at 31 March 2013.
- The number of total beneficiaries increased by 0.5% from 8 679 473 at 31 December 2012 to 8 719 938 at 31 March 2013.
- The average number of members of 3 829 666 for the period ended 31 March 2013 was 1.2% lower than budget, and the average number of beneficiaries of 8 705 578 was 1.0% lower than budget.
- The industry average age for all registered schemes for the period ended 31 March 2013 was 32.0 years and the proportion of pensioners, 7.1% the same as at 31 December 2012.

Contributions and relevant healthcare expenditure

- Total gross contributions for all medical schemes amounted to R32.2 billion for the period ended 31 March 2013, which was 1.2% lower than the budget of R32.6 billion and 11.0% higher than the R29.0 billion for 31 March 2012.
- The gross contribution per average beneficiary per month was R1 233.7 for the period ended 31 March 2013. Gross relevant healthcare expenditure per average beneficiary per month was R1 132.9 for the period ended 31 March 2013.
- The gross contribution per average beneficiary per month at 31 March 2013 of R1 233.7 went up by 7.9% from R1 143.5 at 31 March 2012.
- Total risk contribution income of R29.2 billion was 1.3% lower than budget but 11.0% higher than the R26.3 billion at the end of March 2012. The risk contribution per average beneficiary per month for the period ended 31 March 2013 was R1 119.4.
- The relevant healthcare expenditure ratio of 87.4% at 31 March 2013 was 2.3% lower than the budgeted relevant healthcare expenditure ratio of 89.5% and also lower than the 31 March 2012 ratio of 89.3% by 2.1%. The relevant healthcare expenditure per average beneficiary per month for the period ended 31 March 2013 was R978.8. Total relevant healthcare expense for the period ended 31 March 2013 was R25.6 billion compared to the budgeted

relevant healthcare expense of R26.5 billion, representing a 3.5% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 8.6% from R23.5 billion in March 2012.

- Relevant healthcare expenditure per average beneficiary per month at 31 March 2013 of R978.8 went up by 5.6% from R927.0 at 31 March 2012.
- The utilisation of the prior year's outstanding claims provision was 101.5% for all schemes as at 31 March 2013.

Non-healthcare expenses

- Total non-healthcare expenses for all medical schemes amounted to R3.6 billion for the period ended 31 March 2013, which was 1.1% lower than the R3.6 billion budgeted for and 12.4% higher than the R3.2 billion at the end of March 2012.
- The non-healthcare expense per average beneficiary per month for the period ended 31 March 2013 was R136.0, which was 7.1% higher than the industry average of R127.0 at 31 December 2012.
- Non-healthcare expenses, when expressed as a percentage of risk contribution income, decreased from 12.3% at 31 December 2012 to 12.1% at 31 March 2013.
- At 31 March 2013, 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 '13</u>	<u>Dec '12</u>
- Administration expenses	65.5%	67.2%
- Managed care: management services	21.9%	20.4%
- Broker service fees (including distribution costs and broker fees)	10.5%	11.1%
- Net impairment losses: trade and other receivables	2.1%	1.4%

Operating results

- Registered medical schemes incurred a net healthcare surplus (before taking investment and other income into account) of R120.2 million compared to a budgeted deficit of R473.4 million at 31 March 2013. The total net healthcare results are 125.4% better than expected.
- Open schemes incurred a net healthcare surplus (before taking investment and other income into account) of R497.7 million compared to a budget of R300.9 million whereas restricted schemes incurred a net healthcare deficit (before taking investment and other income into account) of R377.4 million compared to a budgeted deficit of R774.3 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R952.9 million at 31 March 2013 compared to a budgeted surplus of R181.4 million, which represents an actual to budget variance of 425.3%.
- In the 2012 annual results all schemes incurred net healthcare surplus of R25.7 million and net surplus of R3 690.6 million.

Investments

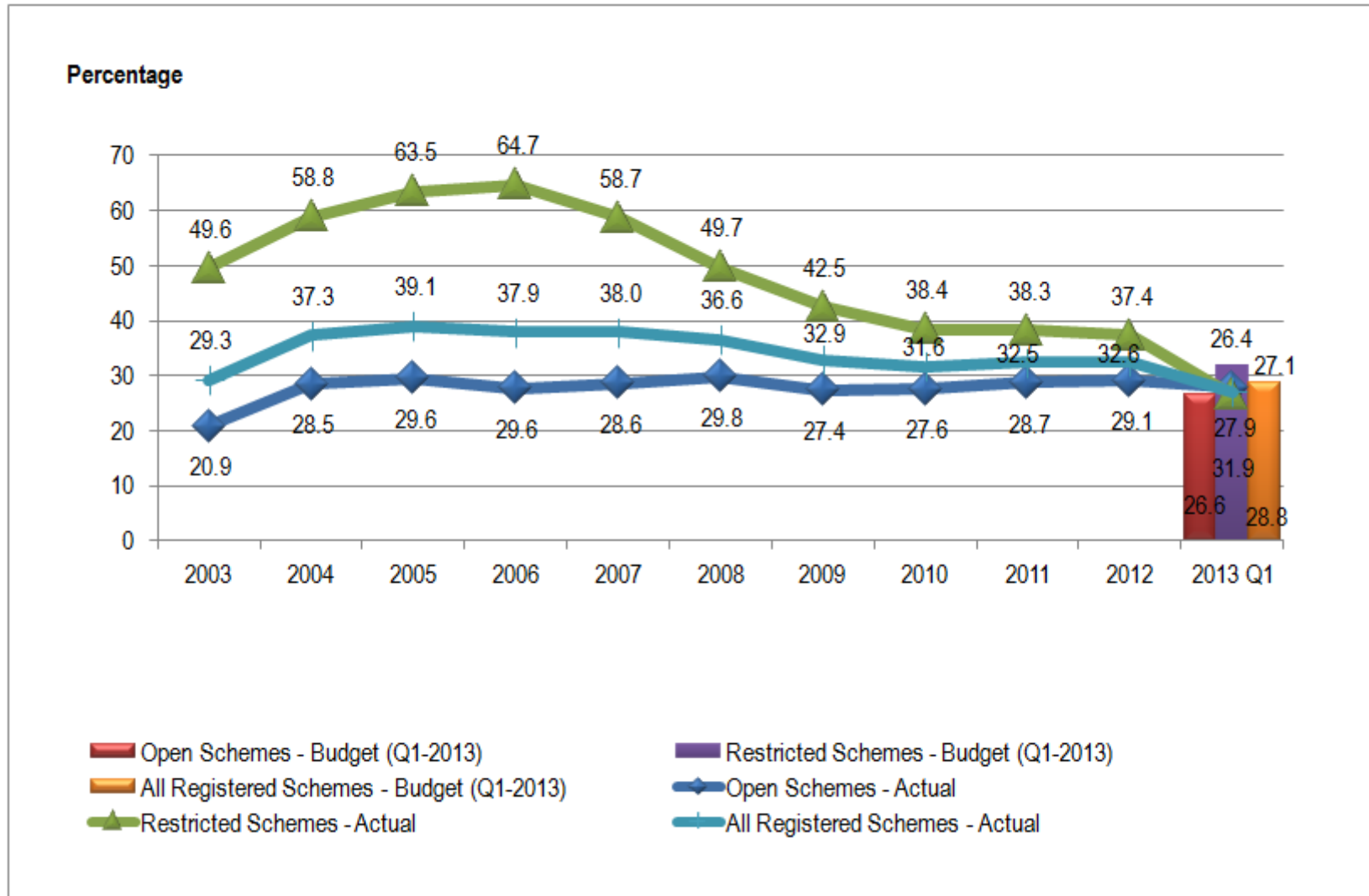
- The current assets to current liabilities ratio for open schemes at 31 March 2013 was 2.5 (2012: 3.1), whereas for restricted schemes it was 2.0 (2012: 2.8).
- The total assets to total liabilities ratio for open and restricted schemes was 3.3 (2012: 3.6) and 3.5 (2012: 4.0) respectively.

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

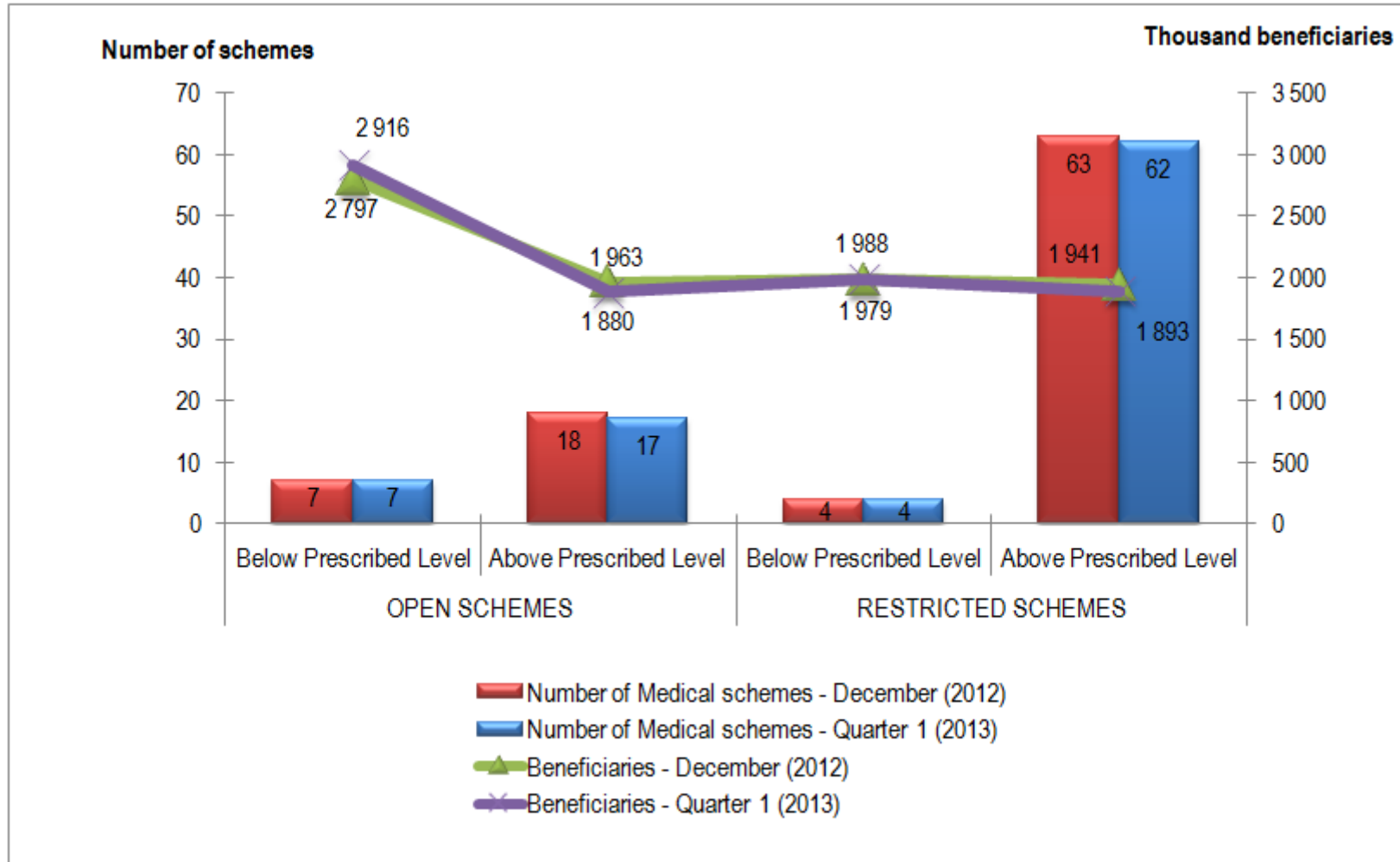
INDUSTRY AVERAGE:

	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010	% Change 2010	2011	% Change 2011	2012	% Change 2012	2012 Quarter 1 Actual	2013 - Quarter 1	2013 - Quarter 1 Budget	% Change Actual 2013 vs Budget 2013
Open schemes	27.7%	-6.2%	28.6%	3.2%	29.8%	4.2%	27.4%	-8.1%	27.6%	0.7%	28.7%	4.0%	29.1%	1.4%	27.4%	27.9%	26.6%	4.7%
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%	34.2%	26.4%	31.9%	-17.1%
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%	30.2%	27.1%	28.8%	-5.9%

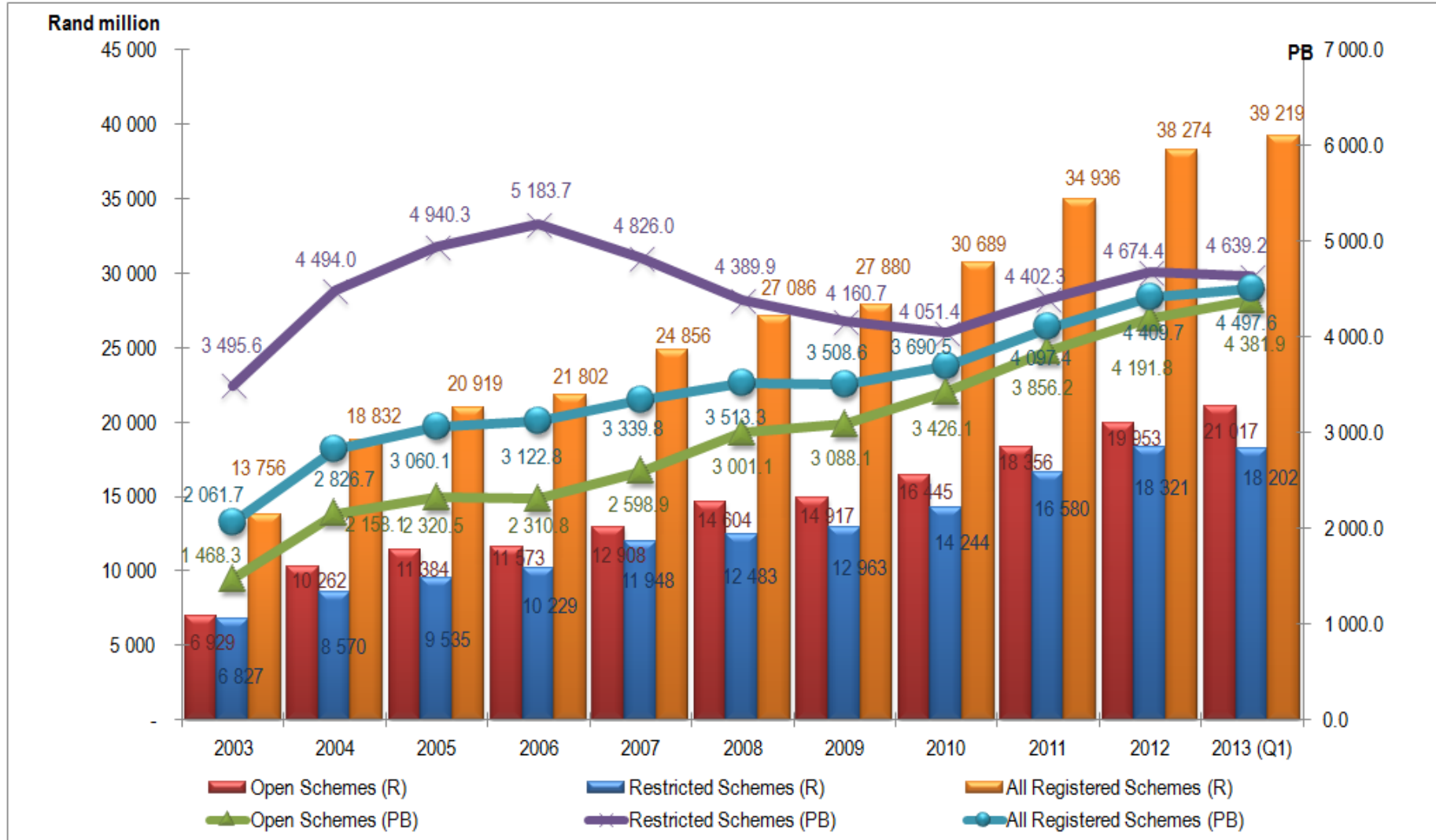
SOLVENCY RATIO GRAPH
Annexure B



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 31 March 2013
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 210 186	1 619 480	3 829 666
Average beneficiaries		4 775 981	3 929 597	8 705 578
Average age	Years	33.8	29.9	32.0
Pensioner ratio (65+ years)	%	8.2	5.7	7.1
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	18 835 685	13 384 276	32 219 961
Gross relevant healthcare expenditure (gross +PMSA) (Note a)		16 855 832	12 732 024	29 587 856
Gross administration expenses (risk + PMSA)		1 608 884	715 999	2 324 883
Managed care: management services		464 741	314 587	779 328
Broker service fees (including distributions costs)		359 240	14 969	374 208
Net impairment losses: trade and other receivables		25 091	49 418	74 509
Net healthcare results		497 667	(377 429)	120 238
Surplus/ (deficit)		883 294	69 577	952 871

NOTES:

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

* PMSA = Personal Medical Savings Account

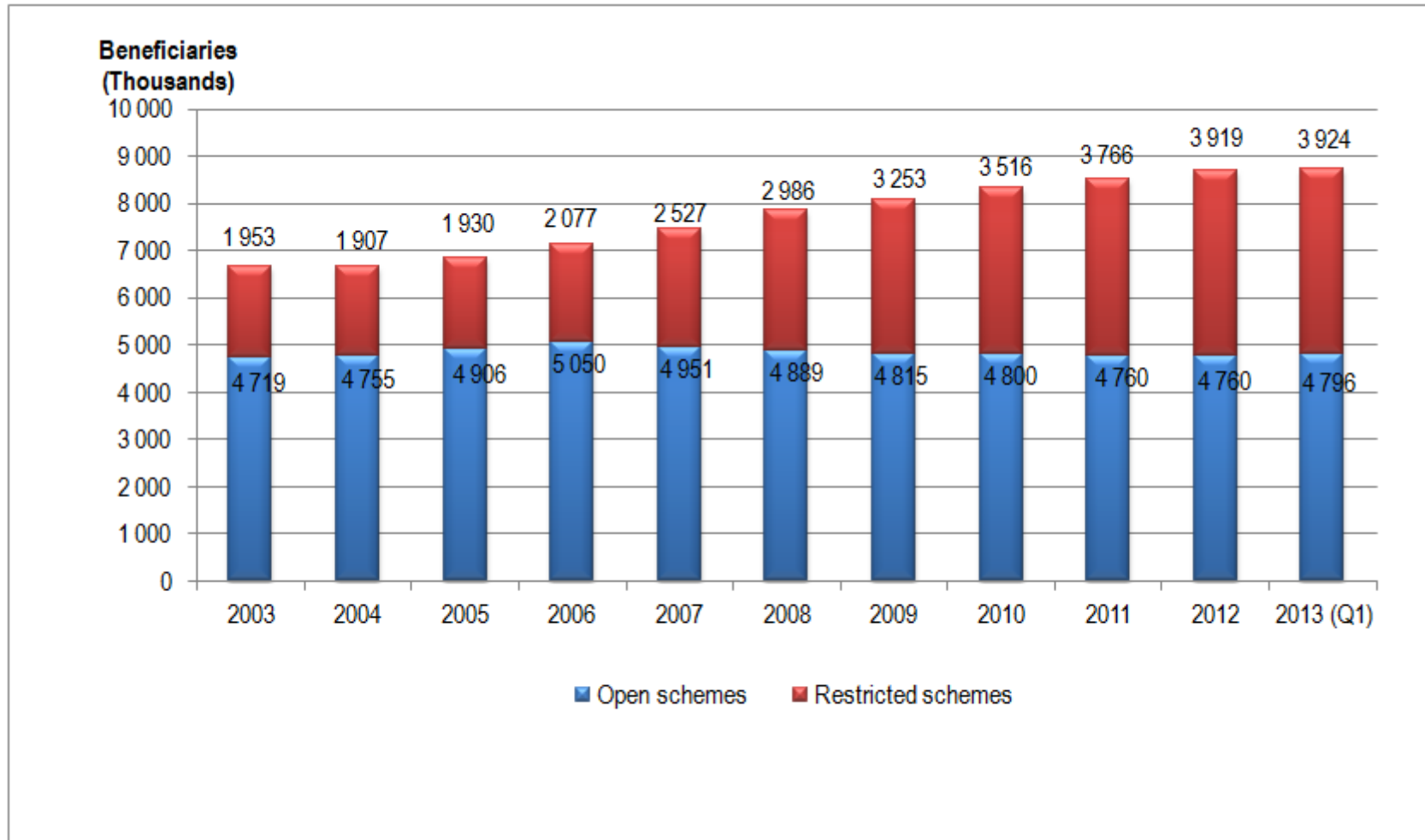
BALANCE SHEET DETAILS
at 31 March 2013
Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members		2 225 358	1 618 249	3 843 607
Dependants		2 570 933	2 305 398	4 876 331
Beneficiaries		4 796 291	3 923 647	8 719 938
Non-current assets	R'000	7 411 271	13 496 200	20 907 471
Current assets		24 414 817	14 142 563	38 557 379
Trade & other receivables		4 483 431	1 077 385	5 560 817
	Contribution days outstanding	53.8	18.5	39.2
Cash & cash equivalents	R'000	11 119 323	10 561 108	21 680 432
Total assets		31 826 088	27 638 762	59 464 850
Members' funds (net assets per BS)		22 071 248	19 761 986	41 833 234
Accumulated funds		21 212 239	18 775 553	39 987 792
Non-current liabilities		30 190	936 826	967 016
Current liabilities		9 724 650	6 939 950	16 664 600
Trade & other payables		3 089 908	2 523 801	5 613 709
Personal medical savings account trust liability		3 991 453	1 843 608	5 835 061
Outstanding claims provision		2 643 289	2 572 540	5 215 829
	Prior year claims provision utilised %	103.0	99.7	101.5
Total liabilities	R'000	9 754 840	7 876 776	17 631 616
Total assets: total liabilities		3.3	3.5	3.4
Current assets: current liabilities		2.5	2.0	2.3
Risk claims incurred: cash & cash equivalents coverage	Months	0.4	0.3	0.4
Net assets per Regulation 29	R'000	21 016 637	18 202 411	39 219 048
Solvency ratio	%	27.9	26.4	27.1

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 31 March 2013
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2 210 186	2 221 883	-0.5	1 619 480	1 653 866	-2.1	3 829 666	3 875 749	-1.2
Beneficiaries		4 775 981	4 804 565	-0.6	3 929 597	3 812 790	3.1	8 705 578	8 617 354	1.0
Gross Contribution Income (GCI)	R'000	18 835 685	18 971 130	-0.7	13 384 276	13 630 740	-1.8	32 219 961	32 601 869	-1.2
Risk Contribution Income (RCI)		16 380 088	16 506 297	-0.8	12 855 389	13 105 672	-1.9	29 235 477	29 611 969	-1.3
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		16 855 832	NA	NA	12 732 024	NA	NA	29 587 856	NA	NA
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		13 425 744	13 700 817	-2.0	12 137 846	12 793 069	-5.1	25 563 590	26 493 886	-3.5
Gross (incl. PMSA)/net non-healthcare expenses		2 456 677	2 504 619	-1.9	1 094 972	1 086 905	0.7	3 551 649	3 591 524	-1.1
Net healthcare results		497 667	300 861	65.4	(377 429)	(774 302)	51.3	120 238	(473 441)	125.4
Surplus/(deficit)		883 294	649 751	35.9	69 577	(468 360)	114.9	952 871	181 391	425.3
Quarter end reserve position (per Regulation 29) (Note c)		21 016 637	20 387 273	3.1	18 202 411	17 836 610	2.1	39 219 048	38 223 883	2.6

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 31 March 2013: 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 31 March 2013
Annexure I

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2013	2012	% variance	2013	2012	% variance	2013	2012	% variance
Members		2 210 186	2 150 648	2.8	1 619 480	1 558 054	3.9	3 829 666	3 708 702	3.3
Beneficiaries		4 775 981	4 673 005	2.2	3 929 597	3 790 271	3.7	8 705 578	8 463 276	2.9
Gross Contribution Income (GCI)	R'000	18 835 685	17 063 874	10.4	13 384 276	11 969 514	11.8	32 219 961	29 033 388	11.0
Risk Contribution Income (RCI)		16 380 088	14 891 395	10.0	12 855 389	11 452 752	12.2	29 235 477	26 344 147	11.0
Gross relevant healthcare expenditure (incl. PMSA & managed care claims) (Note a)		16 855 832	15 830 749	6.5	12 732 024	11 425 917	11.4	29 587 856	27 256 666	8.6
Relevant healthcare expenditure incurred (incl. managed care claims) (Note a)		13 425 744	12 615 133	6.4	12 137 846	10 921 728	11.1	25 563 590	23 536 861	8.6
Gross (incl. PMSA)/net non-healthcare expenses		2 456 677	2 263 475	8.5	1 094 972	895 589	22.3	3 551 649	3 159 064	12.4
Net healthcare results		497 667	12 787	3 791.9	(377 429)	(364 566)	-3.5	120 238	(351 778)	134.2
Surplus/(deficit)		883 294	421 350	109.6	69 577	(32 773)	312.3	952 871	388 577	145.2
Quarter end reserve position (per Regulation 29)		21 016 637	18 468 104	13.8	18 202 411	16 435 244	10.8	39 219 048	34 903 348	12.4

NOTES:

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

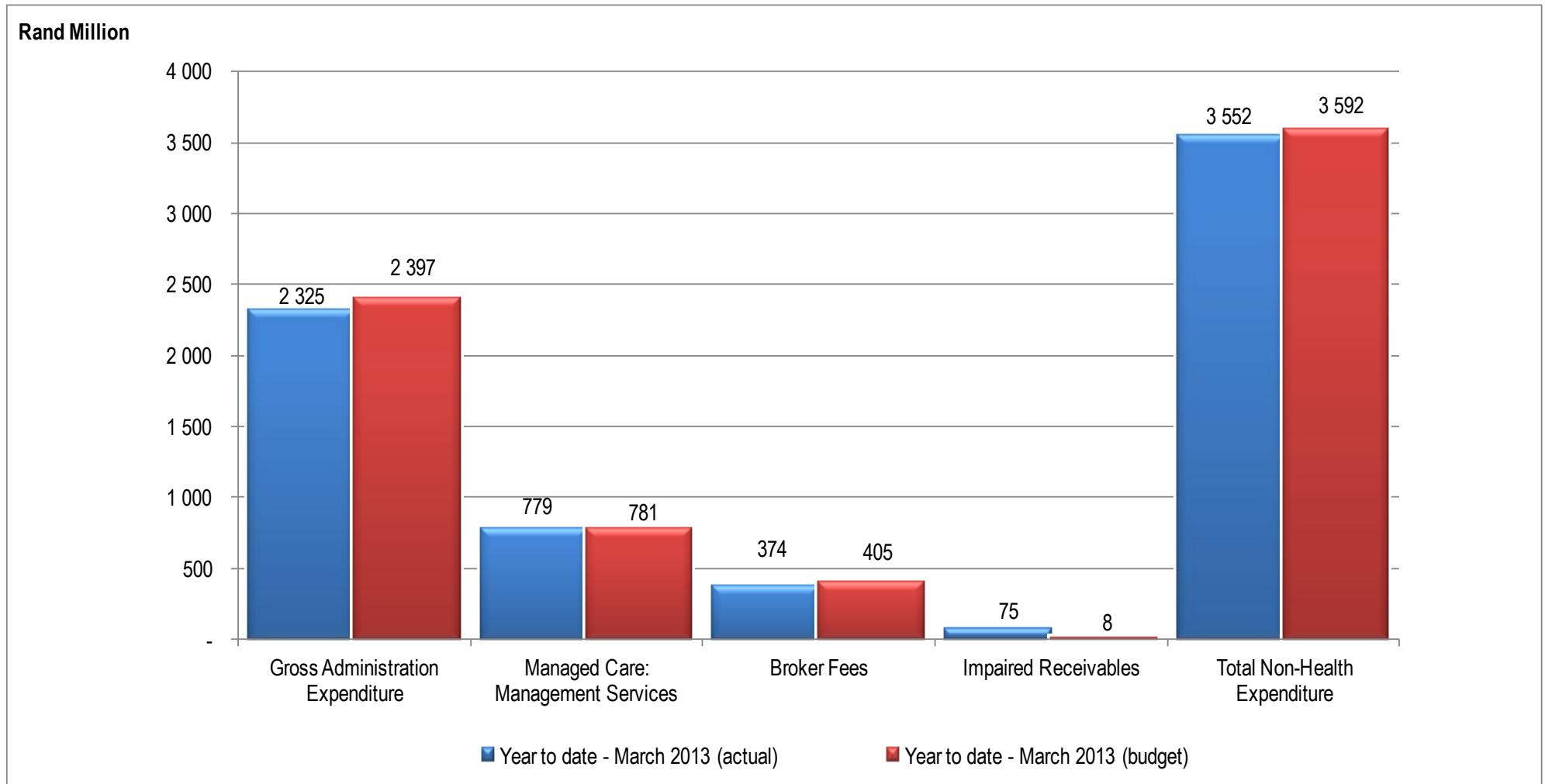
b) Gross non-healthcare expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

* PMSA = Personal Medical Savings Account

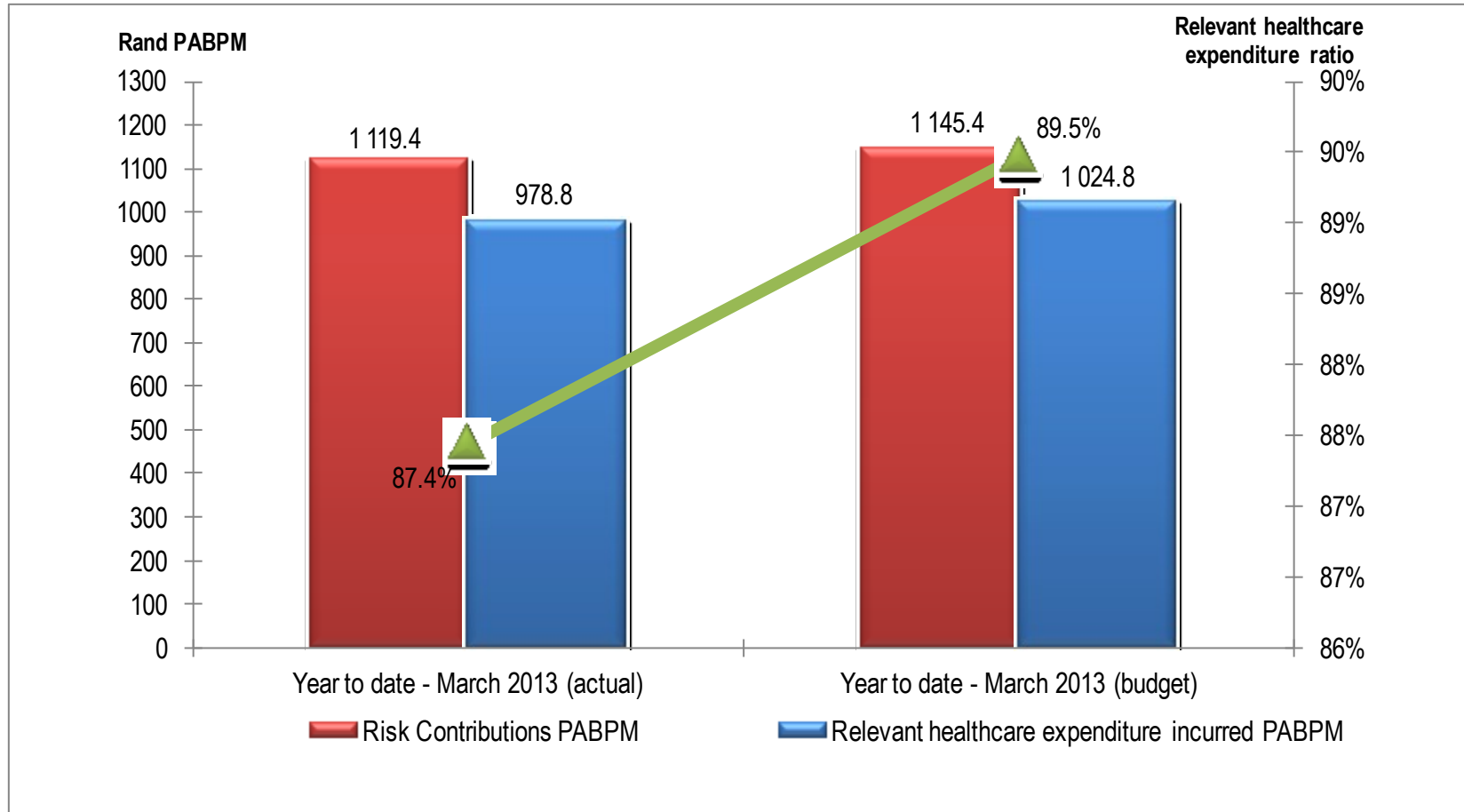
* GCI = Gross Contribution Income

* RCI = Risk Contribution Income

TOTAL NON-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

