



# **Quarterly Reports for the Period ending 31 March 2012**

**September 2012**

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## **INTRODUCTION**

This report represents the results of the analysis of the quarterly statutory returns for the period ended 31 March 2012. Budget information for the first 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.

Please note that due to non-availability of information, there is one medium medical scheme that has been excluded from this report\*.

The Council for Medical Schemes (CMS) provides no assurance on 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 7.7% from the audited solvency level of 32.6% at 31 December 2011 to 30.1% at 31 March 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 R35.1 billion at 31 March 2012, which was 0.3% higher than the reserves of R35.0 billion as at 31 December 2011.
- The solvency level at 31 March 2012 was 3.3% higher than the budgeted solvency level of 29.2% 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 11 (2011: 9) open schemes that failed to meet the prescribed solvency level at 31 March 2012 represent 65.1% (2011: 60.0%) of the total open schemes' beneficiaries.
- Only 5 (2011: 5) restricted schemes were below 25.0%.
- The net asset value (per Regulation 29) per beneficiary increased with 0.3% from R4 099.7 at 31 December 2011 to R4 113.5 at 31 March 2012. The net asset value per beneficiary at 31 March 2012 was 1.7% higher than the budgeted net asset value of R4 044.7 for the same period.

### *Membership, age distribution and pensioner ratio*

- The total number of principal members of registered medical schemes increased by 0.5% from 3 730 565 at 31 December 2011 to 3 747 957 at 31 March 2012.
- The number of total beneficiaries increased by 0.2% from 8 526 409 at 31 December 2011 to 8 545 900 at 31 March 2011
- The average number of members of 3 732 897 for the period ended 31 March 2012 was 0.8% lower than budget, and the average number of beneficiaries of 8 524 190 was 1.0% lower than budget.
- The industry average age for all registered schemes for the period ended 31 March 2012 was 32.4 (2011: 31.6) years and the proportion of pensioners, 7.2% (2011: 6.6%).

### *Contributions and relevant healthcare expenditure*

- Total gross contribution income for all medical schemes amounted to R29.3 billion for the period ended 31 March 2012, which was 0.6% lower than the budget of R29.5 billion and 10.4% higher than the R26.6 billion for 31 March 2011.
- The gross contribution per average beneficiary per month was R1 147.5 for the period ended 31 March 2012. Gross relevant healthcare per average beneficiary per month was R1 077.3 for the period ended 31 March 2012.
- The gross contributions per average beneficiary per month at 31 March 2012 of R1 147.5 went up by 7.9% from R1 063.9 at 31 December 2011.
- Total risk contributions of R26.6 billion was 0.6% lower than budget but 10.3% higher than the R24.1 billion at the end of March 2011. The risk contribution per average beneficiary per month for the period ended 31 March 2012 was R1 041.3.
- The relevant healthcare ratio of 89.4% at 31 March 2012 was 0.9% lower than the budgeted relevant healthcare ratio of 90.2% and exceeded the 31 March 2011 ratio of 88.8% by 0.7%. The relevant healthcare per average beneficiary per month for the period ended 31 March 2012 was R930.7. Total relevant healthcare for the period ended 31 March 2012 was R23.8 billion compared to the budgeted relevant healthcare of R24.2 billion, representing a 1.5% variance. Compared to the same period of the previous year, total relevant healthcare increased by 11.1% from R21.4 billion in March 2011.

- Relevant healthcare expenditure per average beneficiary per month at 31 March 2012 of R930.7 went up by 11.3% from R836.3 at 31 December 2011.
- The utilisation of the prior year's outstanding claims provision was 94.7% for all schemes as at 31 March 2012.

### Non-health expenses

- Total non-health expenses for all medical schemes amounted to R3.2 billion for the period ended 31 March 2012, which was 2.3% lower than the R3.3 billion budgeted for and 7.4% higher than the R3.0 billion at the end of March 2011.
- The non-health expense per average beneficiary per month for the period ended 31 March 2012 was R124.8, which was 3.9% 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 12.0% at 31 March 2012.
- At 31 March 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>March '12</u>	<u>Dec '11</u>
- Gross administration expenses	67.1%	67.6%
- Managed care: management services	20.6%	20.1%
- Broker service fees (including distribution costs and broker fees)	10.8%	11.5%
- Net impairment losses: trade and other receivables	1.5%	0.9%

### Operating results

- Registered medical schemes incurred net healthcare deficits (before taking investment and other income into account) of R362.5 million compared to a budgeted deficit of R630.6 million at 31 March 2012. The total deficit for net healthcare results is 42.5% lower than budgeted.
- Open schemes incurred net healthcare surplus (before taking investment and other income into account) of R2.7 million compared to a budgeted deficit of R28.8 million whereas restricted schemes incurred net healthcare deficits (before taking investment and other income into account) of R365.2 million compared to a budgeted deficit of R601.9 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R383.4 million at 31 March 2012 compared to a budgeted surplus of R26.7 million, which represents an actual to budget variance of 1335.2%.
- In 2011 schemes incurred net healthcare deficits of R1.0 billion and net surpluses of R4.3 billion.

### Investments

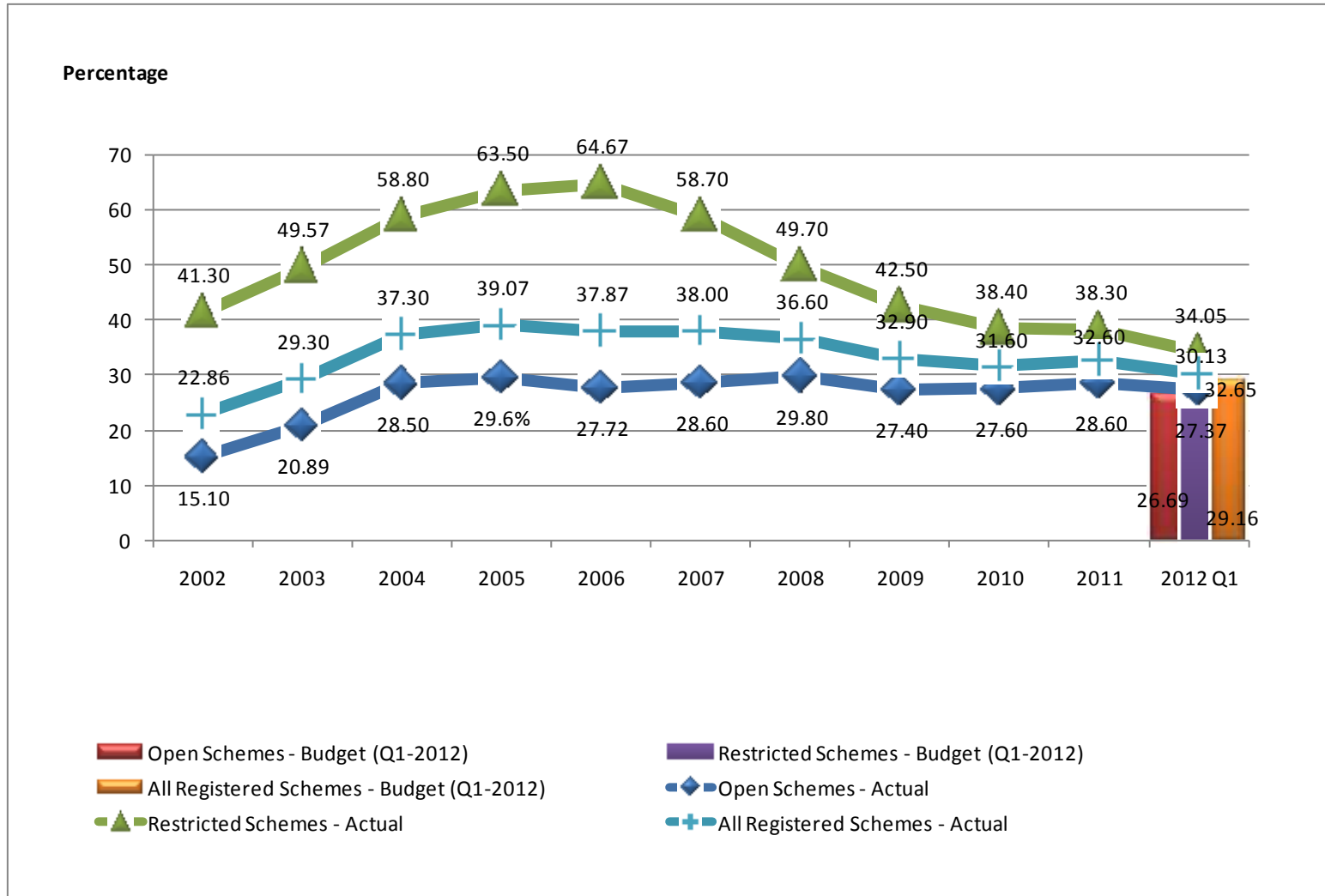
- The current assets to current liabilities ratio for open schemes at 31 March 2012 is 2.5 (2011: 2.8), whereas for restricted schemes it is 2.1 (2011: 3.2).
- The total assets to total liabilities ratio for open and restricted schemes is 3.2 (2011: 3.7) and 3.6 (2011: 4.1) respectively.

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

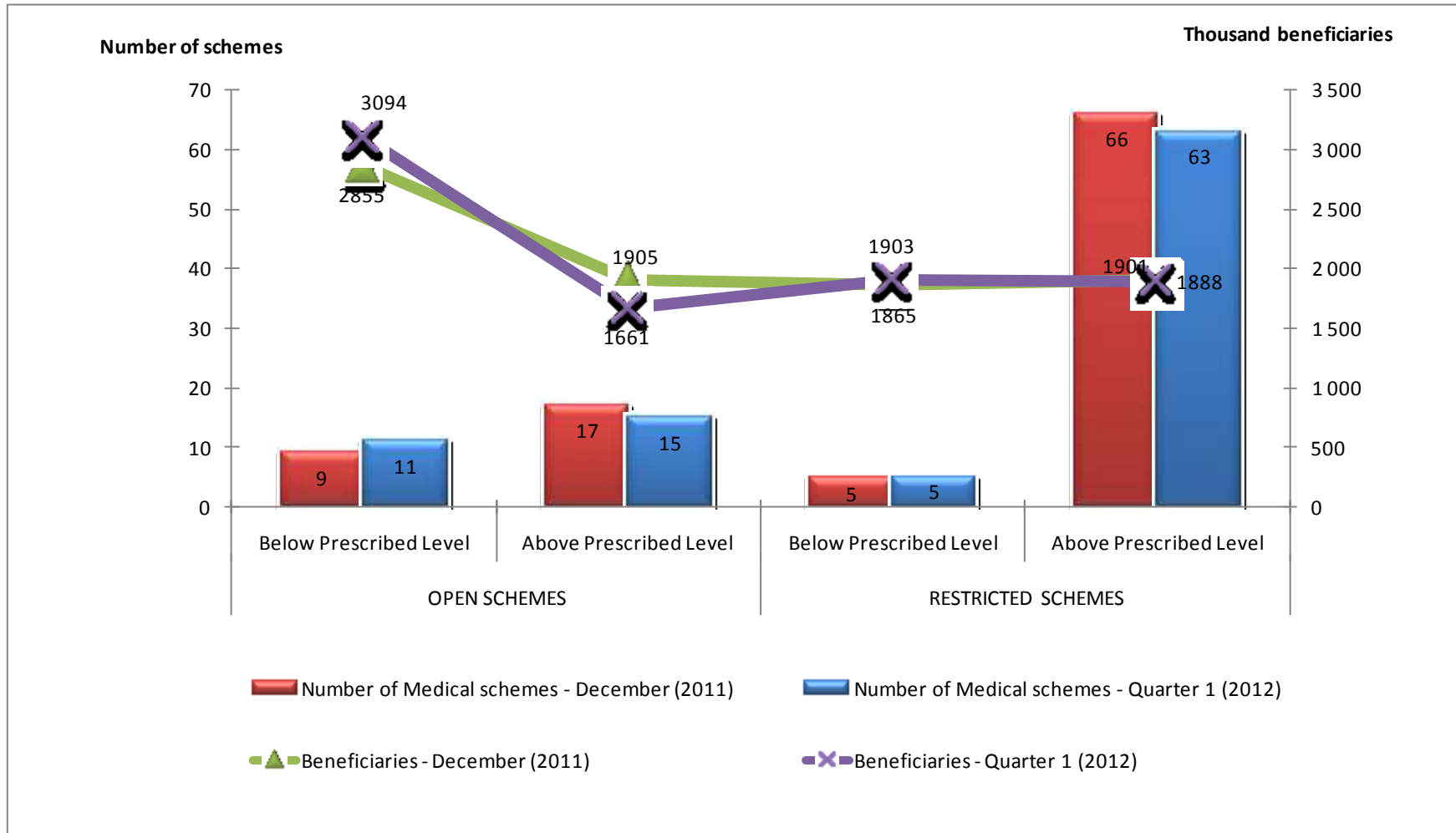
**INDUSTRY AVERAGE:**

	2005	% Change 2005	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010	% Change 2010	2011	% Change 2011	2011 Quarter 1 Actual	2012 - Quarter 1	2012 - Quarter 1 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%	27.1%	27.4%	26.7%	2.6%
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%	33.1%	34.1%	32.6%	4.3%
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%	29.5%	30.1%	29.2%	3.3%

**SOLVENCY RATIO GRAPH**  
Annexure B

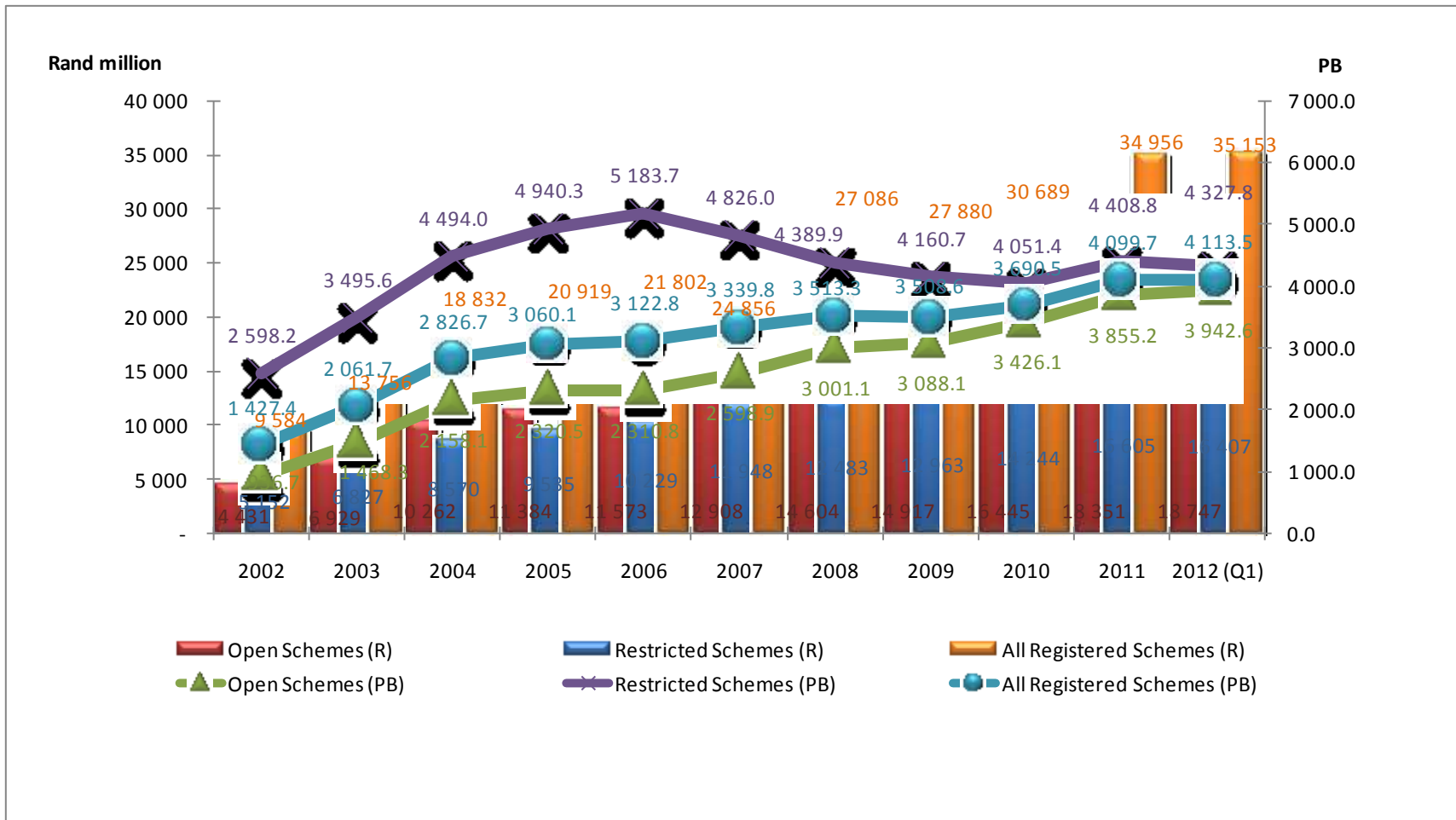


**PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH**  
Annexure C





NET ASSETS PER REGULATION 29 GRAPH  
Annexure D



PB – Per beneficiary

**INCOME STATEMENT DETAILS**  
for the period ended 31 March 2012  
Annexure E

		<b>OPEN SCHEMES</b>	<b>RESTRICTED SCHEMES</b>	<b>TOTAL REGISTERED SCHEMES</b>
Average members		2,186,558	1,546,339	3,732,897
Average beneficiaries		4,748,233	3,775,957	8,524,190
Average age	Years	34.0	30.3	32.4
Pensioner ratio (65+ years)	%	8.5	5.5	7.2
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	17,370,748	11,974,878	29,345,626
Gross relevant healthcare (gross +PMSA) (Note a)		16,118,563	11,431,656	27,550,219
Gross Administration Expenses (risk + PMSA)		1,500,030	640,675	2,140,705
Managed care: management services		421,593	235,299	656,892
Broker service fees (including distributions costs)		331,444	12,469	343,912
Net impairment losses: trade and other receivables	R'000	42,048	7,127	49,176
Net healthcare results		2,719	(365,231)	(362,513)
Surplus/ (deficit)		416,615	(33,174)	383,441

**NOTES:**

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

\* PMSA = Personal Medical Savings Account

**BALANCE SHEET DETAILS**  
**at 31 March 2012**  
**Annexure F**

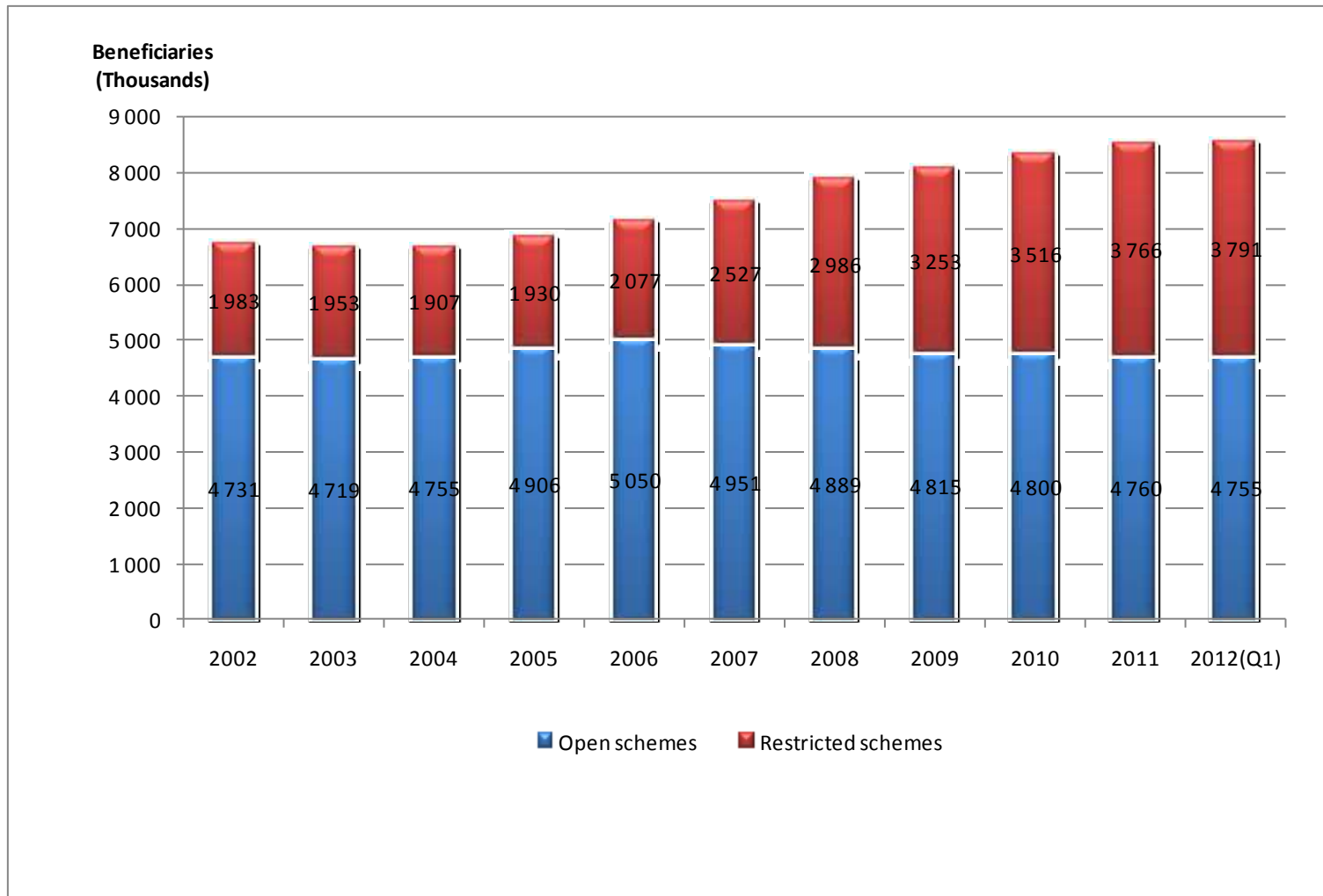
		<b>OPEN SCHEMES</b>	<b>RESTRICTED SCHEMES</b>	<b>TOTAL REGISTERED SCHEMES</b>
Members at 31 March 2012		2,194,244	1,553,713	3,747,957
Dependants at 31 March 2012		2,560,657	2,237,286	4,797,943
Beneficiaries at 31 March 2012		4,754,901	3,790,999	8,545,900
Non-current assets	R'000	6,578,907	12,102,570	18,681,477
Current assets	R'000	21,722,458	12,431,950	34,154,409
Trade & other receivables	R'000	4,229,790	1,262,532	5,492,322
	Contribution days outstanding			
		13.7	6.5	10.7
Cash & cash equivalents	R'000	11,145,103	9,942,690	21,087,793
Total assets	R'000	28,301,366	24,534,520	52,835,886
Members' funds (net assets per BS)		19,586,894	17,661,980	37,248,873
Accumulated funds		18,938,357	16,844,897	35,783,254
Non-current liabilities		26,146	866,083	892,229
Current liabilities		8,688,325	6,006,458	14,694,783
Trade & other payables		2,757,924	2,122,048	4,879,972
Savings liability		3,332,120	1,652,692	4,984,812
Outstanding claims provision		2,598,282	2,231,718	4,829,999
	Prior year claims provision utilised %			
		97.0	92.0	94.7
Total liabilities	R'000	8,714,472	6,872,541	15,587,012
Total assets: total liabilities		3.2	3.6	3.4
Current assets: current liabilities		2.5	2.1	2.3
Gross claims incurred: cash & cash equivalents coverage	Months			
		3.3	2.9	3.1

Net assets per Regulation 29	R'000	18,746,893	16,406,507	35,153,401
Solvency ratio	%	27.4	34.1	30.1

**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.
- \* 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 31 March 2012  
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2,194,244	2,209,741	-0.7%	1,553,713	1,562,759	-0.6%	3,747,957	3,772,500	-0.7%
Beneficiaries		4,754,901	4,787,764	-0.7%	3,790,999	3,806,761	-0.4%	8,545,900	8,594,525	-0.6%
Gross Contribution Income (GCI)	R'000	17,370,748	17,569,940	-1.1%	11,974,878	11,946,785	0.2%	29,345,626	29,516,725	-0.6%
Risk Contribution Income (RCI)		15,170,870	15,339,179	-1.1%	11,458,115	11,464,026	-0.1%	26,628,985	26,803,205	-0.6%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		16,118,563	N/A	0.0%	11,431,656	N/A	0.0%	27,550,219	N/A	0.0%
Relevant healthcare incurred (incl. managed care claims) (Note a)		12,873,037	13,028,486	-1.2%	10,927,468	11,137,767	-1.9%	23,800,504	24,166,254	-1.5%
Gross (incl. PMSA)/net non-health expenses		2,295,115	2,339,456	-1.9%	895,879	928,116	-3.5%	3,190,994	3,267,572	-2.3%
Net healthcare results		2,719	(28,764)	109.5%	(365,231)	(601,858)	-39.3%	(362,513)	(630,621)	-42.5%
Surplus/(deficit)	R'000	416,615	337,868	23.3%	(33,174)	(311,151)	-89.3%	383,441	26,716	1335.2%
Quarter end reserve position (per Regulation 29) (Note c)		18,746,893	18,635,510	0.6%	16,406,507	16,126,530	1.7%	35,153,401	34,762,040	1.1%

**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 31 March 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 31 March 2012  
Annexure I

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2012	2011	% variance	2012	2011	% variance	2012	2011	% variance
Members		2,194,244	2,166,470	1.3%	1,553,713	1,470,037	5.7%	3,747,957	3,636,507	3.1%
Beneficiaries		4,754,901	4,765,426	0.2%	3,790,999	3,590,100	5.6%	8,545,900	8,355,526	2.3%
Gross Contribution Income (GCI)	R'000	17,370,748	16,141,866	7.6%	11,974,878	10,442,121	14.7%	29,345,626	26,583,987	10.4%
Risk Contribution Income (RCI)		15,170,870	14,154,580	7.2%	11,458,115	9,977,417	14.8%	26,628,985	24,131,997	10.3%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		16,118,563	14,717,188	9.5%	11,431,656	10,136,973	12.8%	27,550,219	24,854,161	10.8%
Relevant healthcare incurred (incl. managed care claims) (Note a)		12,873,037	11,751,736	9.5%	10,927,468	9,665,618	13.1%	23,800,504	21,417,354	11.1%
Gross (incl. PMSA)/net non-health expenses		2,295,115	2,193,617	4.6%	895,879	777,858	15.2%	3,190,994	2,971,475	7.4%
Net healthcare results		2,719	209,227	-98.7%	(365,231)	(466,058)	-21.6%	(362,513)	(256,832)	41.1%
Surplus/(deficit)	R'000	416,615	1,004,381	-58.5%	(33,174)	(215,469)	-84.6%	383,441	788,911	-51.4%
Quarter end reserve position (per Regulation 29) (Note c)		19,586,894	17,445,528	12.3%	17,661,980	14,036,912	25.8%	37,248,873	31,482,441	18.3%

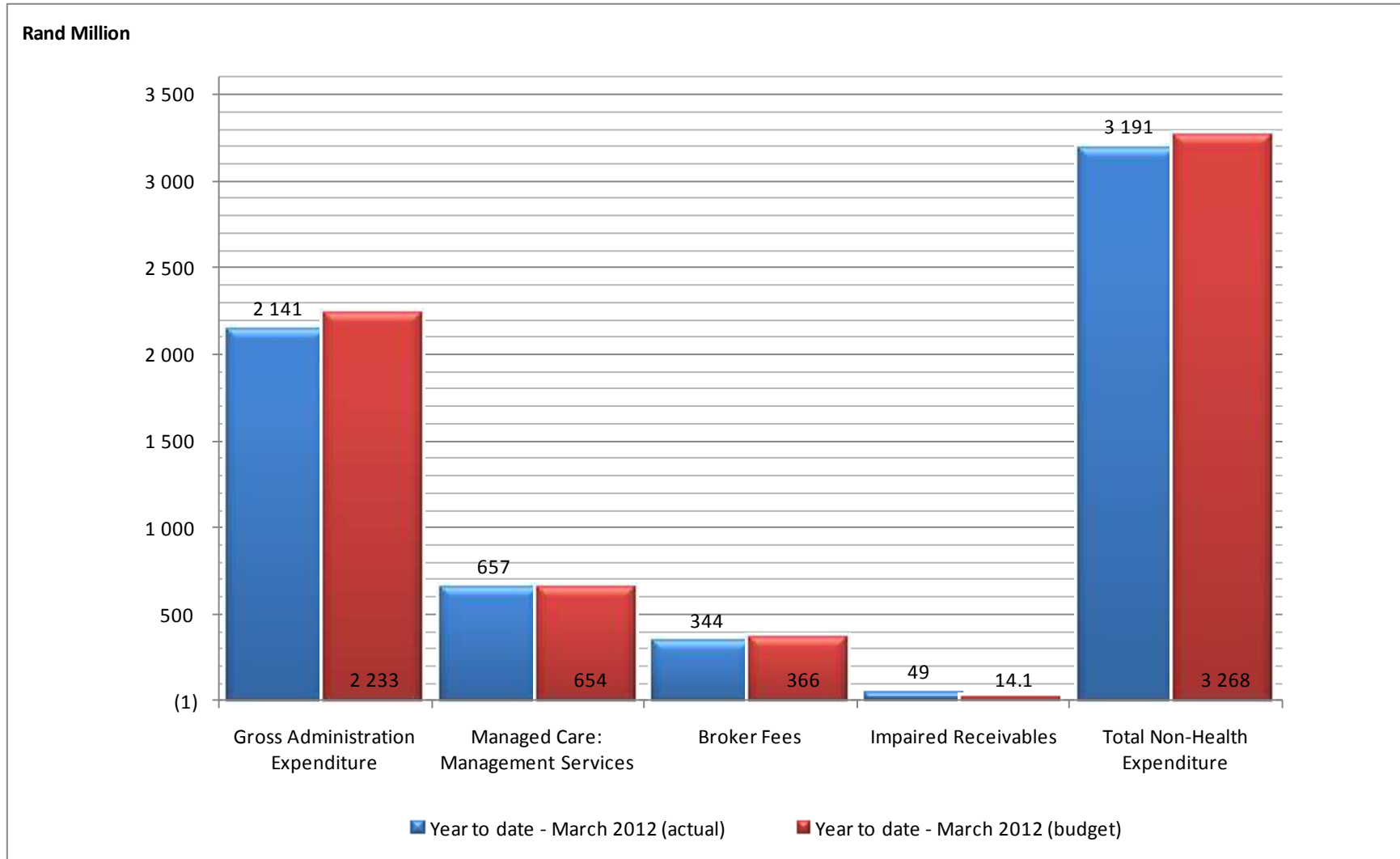
- NOTES:**
- a) Including managed care: healthcare benefits included in risk transfer arrangements.
- b) Gross non-health expenses = administration expenses, managed care: management services, broker costs (including broker fees and distribution fees) and net impairment losses.

\* PMSA = Personal Medical Savings Account

\* GCI = Gross Contribution Income

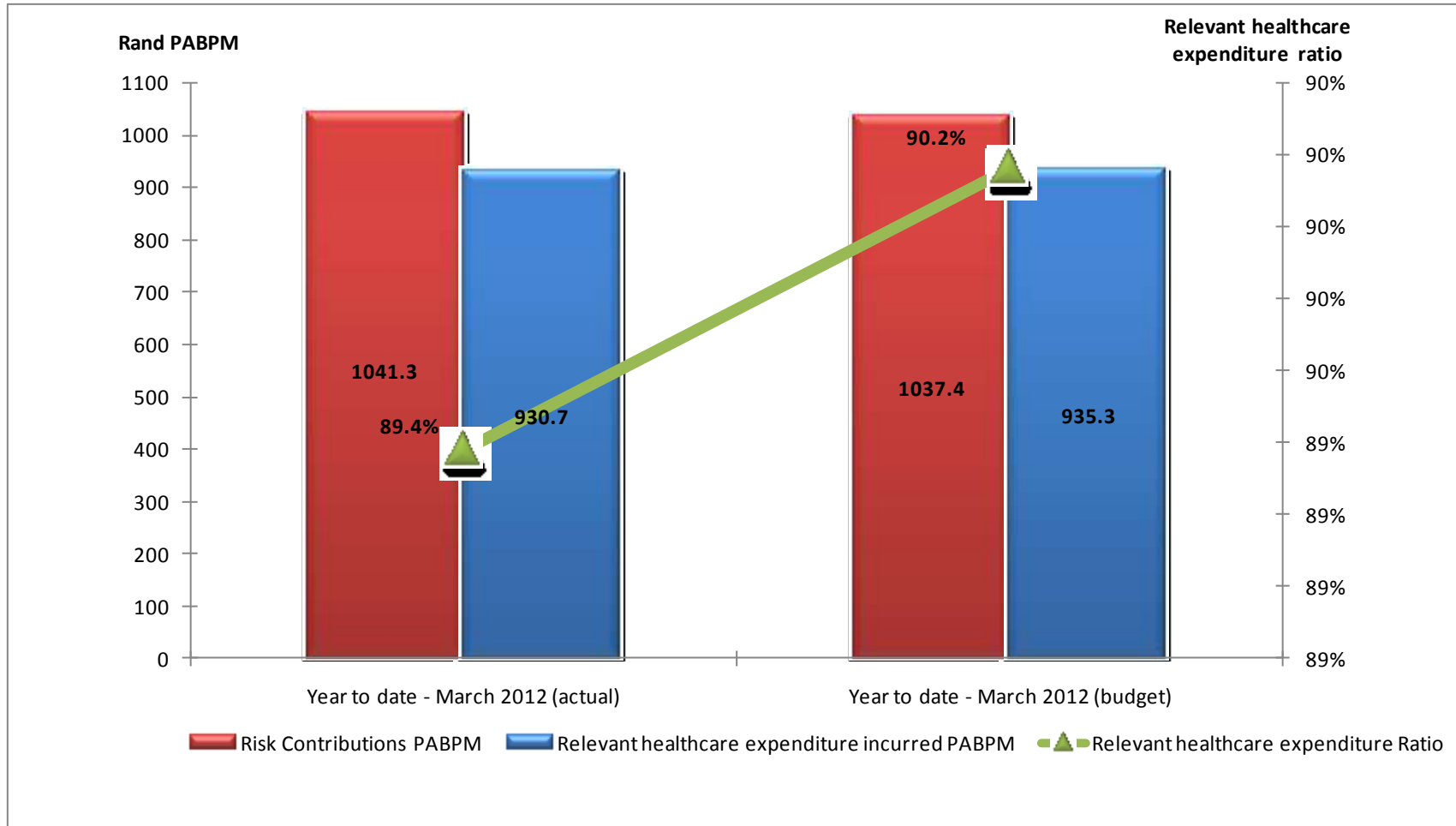
\* RCI = Risk Contribution Income

**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

