



# **Quarterly Reports for the Period ending 31 March 2017**

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## INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 31 March 2017. Budget information for the first quarter of 2017 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.

The report does not include audited 2016 comparative figures as the CMS has not yet published its Annual Report for 2016/2017. Once the CMS Annual Report is published, an updated quarterly report with audited 2016 comparative figures will be published.

## Monitoring the financial performance and soundness of medical schemes – a brief summary of the key trends

### *Accumulated funds and solvency levels*

- The overall industry average solvency level decreased to 29.4% at 31 March 2017.
- Total reserves per Regulation 29 for all medical schemes amounted to R 53.0 billion at 31 March 2017.
- The solvency level at 31 March 2017 was 3.1% higher than the budgeted solvency level of 28.5% 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 6 open schemes that failed to meet the prescribed solvency level at 31 March 2017 represent 23.2% of the total open schemes' beneficiaries.
- The 5 restricted schemes that were below 25.0%; represent 50.9% of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased to R 5 977.2 at 31 March 2017. The net asset value per beneficiary at 31 March 2017 was 1.8% higher than the budgeted net asset value of R 5 873.4 for the same period.

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

- The total number of principal members of registered medical schemes increased to 4 000 606 at 31 March 2017.
- The number of total beneficiaries decreased to 8 867 197 at 31 March 2017.
- The average number of members of 3 990 202 for the period ended 31 March 2017 was 0.04% higher than budget, and the average number of beneficiaries of 8 762 264 was 0.4% lower than budget.
- The industry average age for all registered schemes for the period ended 31 March 2017 was 33.2 years. The proportion of pensioners for the period was 8.3%.

### *Contributions and relevant healthcare expenditure*

- The total gross contributions for all medical schemes amounted to R 45.1 billion for the period ended 31 March 2017, which was 0.4% lower than the budget of R 45.3 billion and 10.4% higher than the R 40.9 billion for 31 March 2016.
- The gross contribution per average beneficiary per month was R 1 717.5 for the period ended 31 March 2017. Gross relevant healthcare expenditure per average beneficiary per month was R 1 640.9 for the period ended 31 March 2017.
- The gross contribution per average beneficiary per month at 31 March 2017 of R 1 717.5 went up by 10.8% from R 1 550.2 at 31 March 2016.
- Total risk contribution income of R 40.8 billion was 0.5% lower than budget, but 10.9% higher than the R 36.9 billion at the end of March 2016. The risk contribution per average beneficiary per month for the period ended 31 March 2017 was R 1 555.4.
- The net relevant healthcare expenditure per average beneficiary per month for the period ended 31 March 2017 was R 1 408.3.
- Total net relevant healthcare expense for the period ended 31 March 2017 was R 37.0 billion compared to the budgeted relevant healthcare expense of R 37.4 billion, representing a 1.0% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 9.6% from R 33.8 billion in March 2016.
- Relevant healthcare expenditure per average beneficiary per month at 31 March 2017 of R 1 408.3 went up by 10.0% from R 1 280.5 at 31 March 2016.
- The relevant healthcare expenditure ratio of 90.5% as at 31 March 2017 was 0.5% lower than the budgeted relevant healthcare expenditure ratio of 91.0%, and 1.3% lower than the ratio as at 31 March 2016 91.7%.
- The utilisation of the prior year's outstanding claims provision was 88.8% for all schemes as at 31 March 2017.

### *Non-healthcare expenses*

- The total non-healthcare expenses for all medical schemes amounted to R 3.6 billion for the period ended 31 March 2017, which was 9.5% lower than the R 4.0 billion budgeted for and 5.2% higher than the R 3.4 billion at the end of March 2016.
- The non-healthcare expense per average beneficiary per month for the period ended 31 March 2017 was R 138.1.
- Non-healthcare expenses, when expressed as a percentage of risk contribution income, is 8.9% as at 31 March 2017.
- At 31 March 2017, 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 '17</u>
- Administration expenses	84.2%
- Broker service fees (including distribution costs and broker fees)	14.2%
- Net impairment losses: trade and other receivables	1.6%

*Prior to Circular 56 of 2015 and the subsequent restatement of the 2015 and 2016 figures, non-healthcare expenditure also included managed healthcare management services (fees for managing health benefits). Non-accredited services have subsequently been included in administration expenditure as administration expenditure: benefit management services.*

### Operating results

- Registered medical schemes incurred a net healthcare surplus (before taking investment and other income into account) of R 238.4 million compared to a budgeted deficit of R 314.7 million at 31 March 2017. The total net healthcare results are thus significantly better than expected by 175.8%.
- Open schemes incurred a net healthcare surplus (before taking investment and other income into account) of R 473.1 million compared to a budget of R 384.6 million, whereas restricted schemes incurred a net healthcare deficit of R 234.7 million compared to a budgeted deficit of R 699.3 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R 1 375.5 million at 31 March 2017 compared to a budgeted surplus of R 675.5 million, which represents an actual to budget variance of 103.6%.

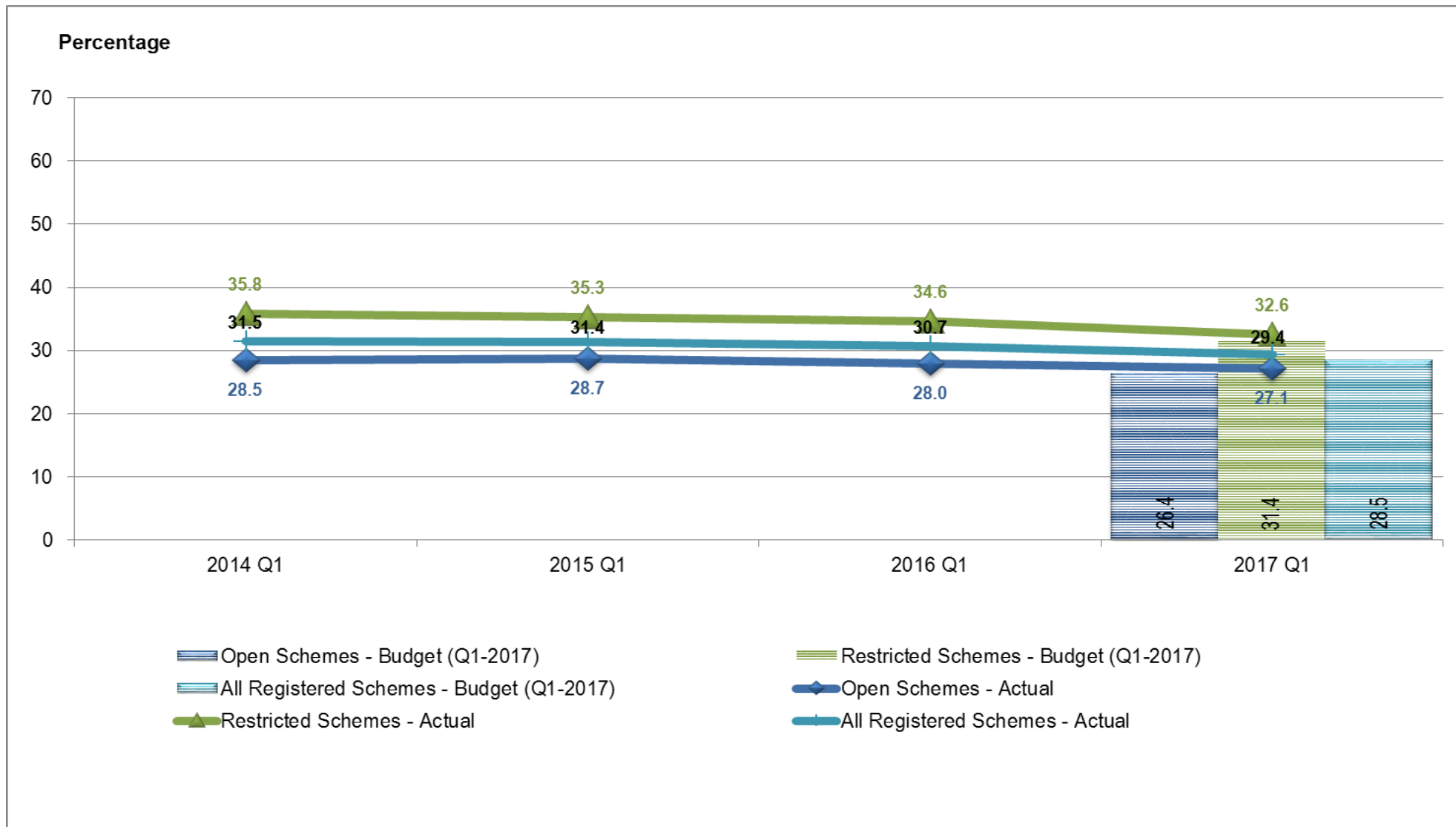
### Investments

- The current assets to current liabilities ratio for open schemes at quarter end of 31 March 2017 is 2.4, whereas for restricted schemes it is 2.1.
- The total assets to total liabilities ratio for open and restricted schemes is 3.1 and 3.8 respectively.

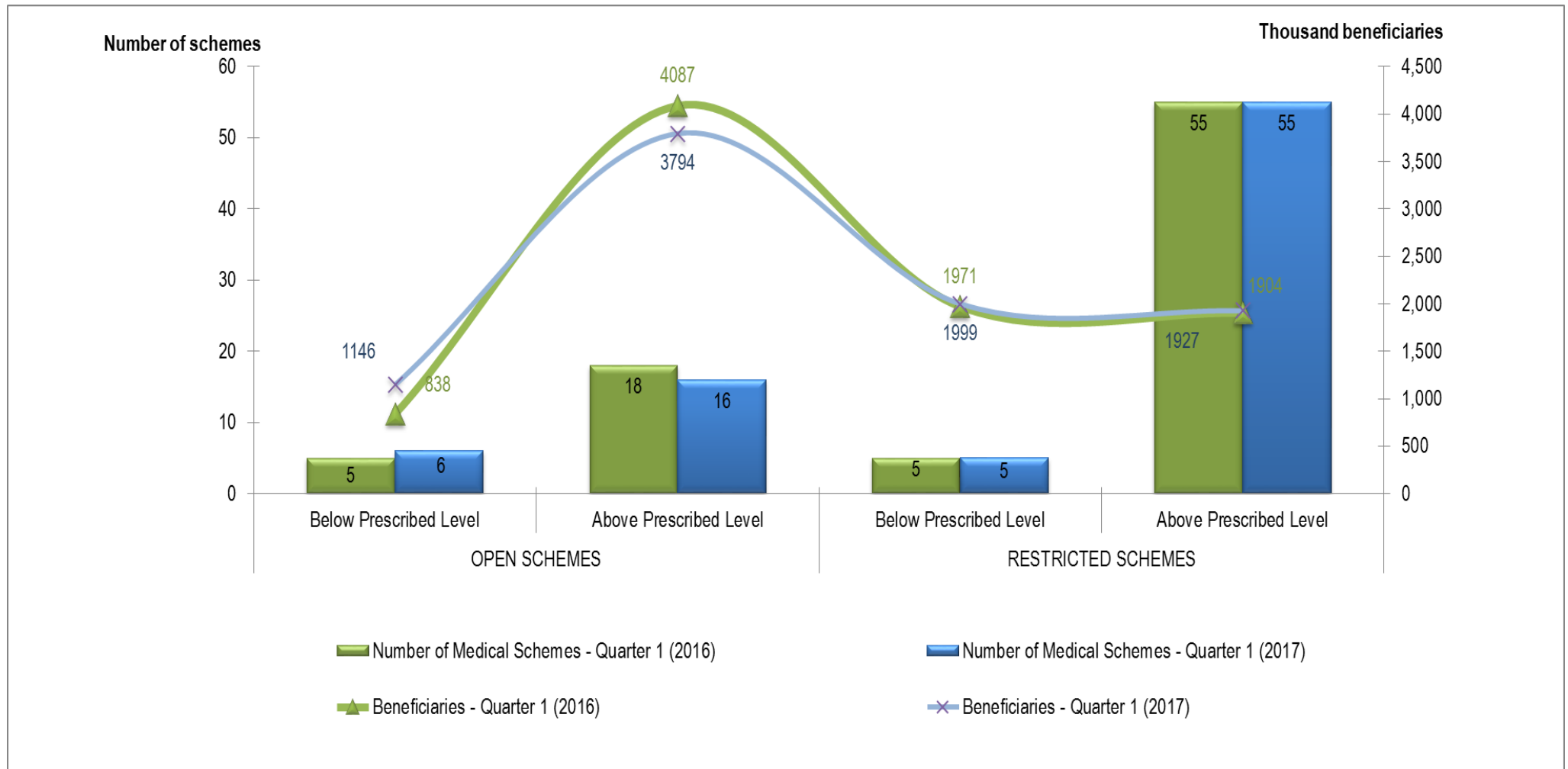
**REGULATION 29: MINIMUM ACCUMULATED FUNDS****Annexure A****(SOLVENCY RATIO)****INDUSTRY AVERAGE:**

	2014 Q1	2015 Q1	2016 Q1	2017 Q1 Actual	2017 Q1 Budget	% Variance Actual 2017 vs Budget 2017
<b>Open schemes</b>	28.5%	28.7%	28.0%	27.1%	26.4%	2.8%
<b>Restricted schemes</b>	35.8%	35.3%	34.6%	32.6%	31.4%	3.6%
<b>All registered schemes</b>	31.5%	31.4%	30.7%	29.4%	28.5%	3.1%

**SOLVENCY RATIO GRAPH**  
Annexure B

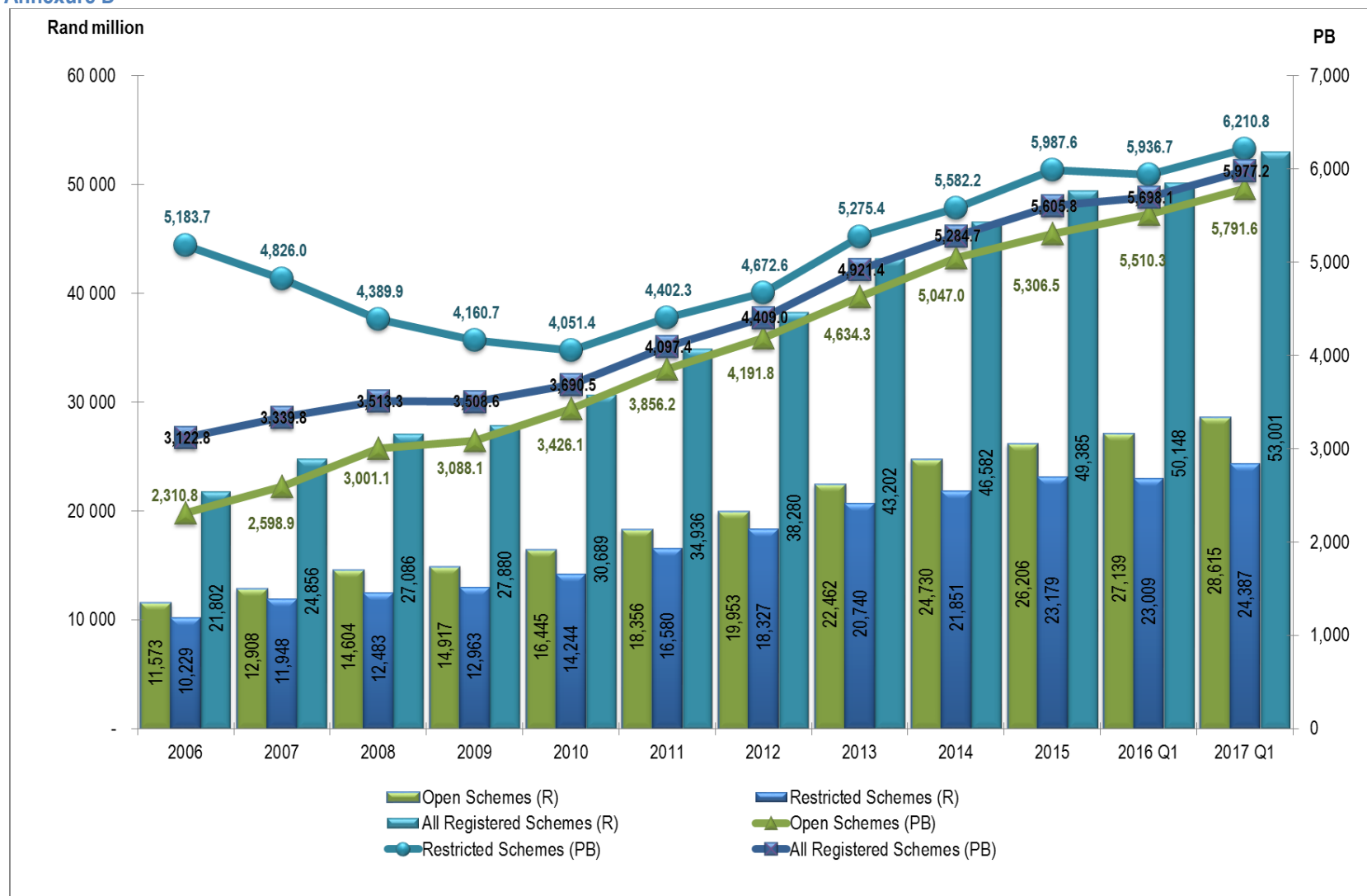


**PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH**  
Annexure C





# NET ASSETS PER REGULATION 29 GRAPH Annexure D



PB – Per beneficiary

**STATEMENT OF COMPREHENSIVE INCOME**  
for the period ended 31 March 2017  
Annexure E

Income statement		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 338 357	1 651 845	3 990 202
Average beneficiaries		4 831 497	3 930 767	8 762 264
Average age	Years	34.7	31.4	32.0
Pensioner ratio (65+ years)	%	9.7	6.6	8.3
No. of dependants per member		1.1	1.4	1.2
Gross contributions (risk + PMSA)	R'000	26 435 469	18 712 975	45 148 444
Gross relevant healthcare (gross +PMSA) (Note a)		25 102 402	18 030 900	43 133 302
Gross Administration Expenses (risk + PMSA)		2 063 502	993 250	3 056 752
Broker service fees (including distributions costs)		490 074	23 990	514 065
Net impairment losses: trade and other receivables		30 085	28 435	58 521
Net healthcare results		473 111	(234 714)	238 398
Surplus/ (deficit)		1 047 064	328 465	1 375 529

**NOTES:**

a) Including accredited managed care: healthcare benefits as well as the results of risk transfer arrangements.

\* PMSA = Personal Medical Savings Account

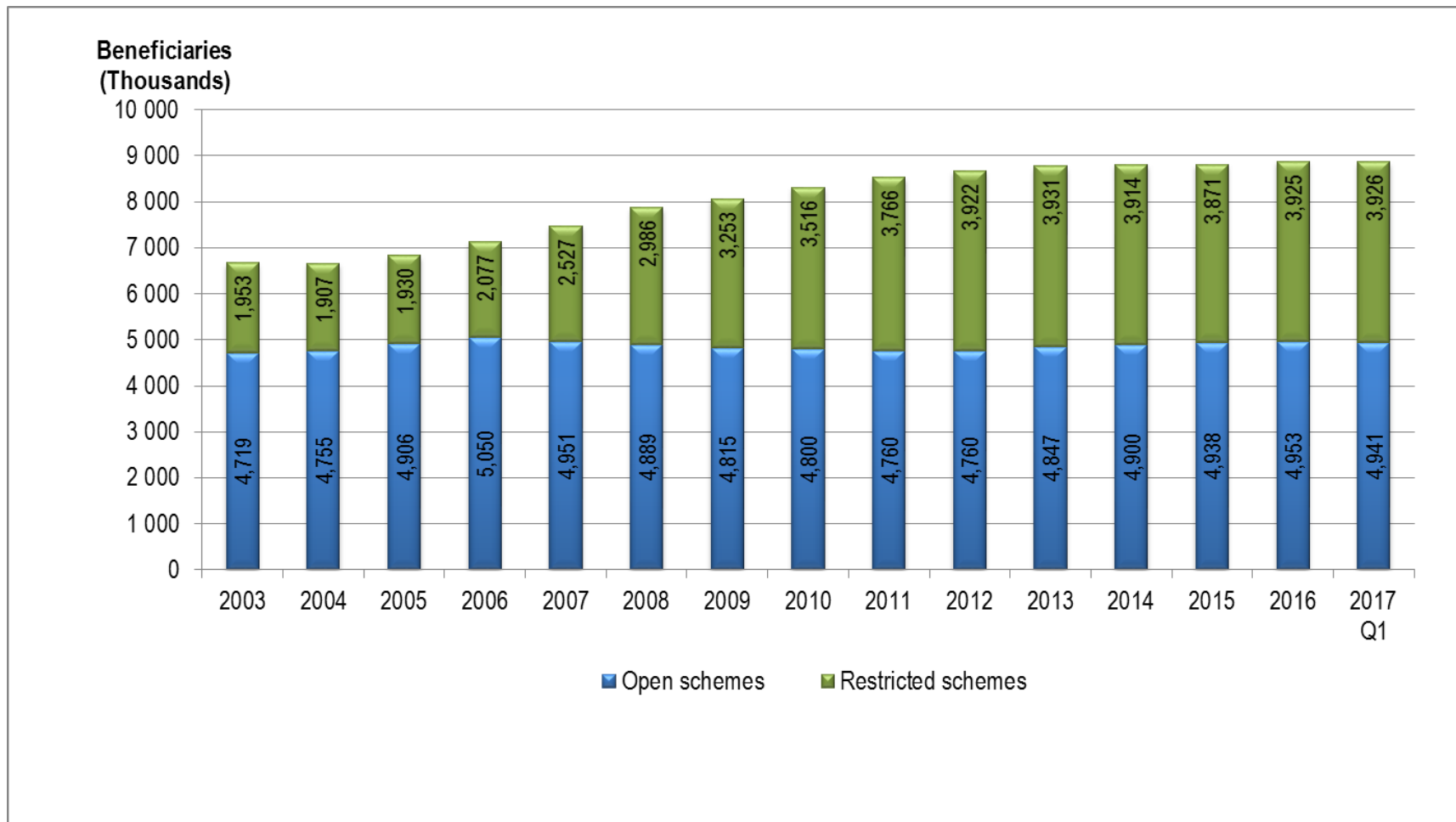
**STATEMENT OF FINANCIAL POSITION**  
**at 31 March 2017**  
**Annexure F**

<b>Balance sheet</b>		<b>OPEN SCHEMES</b>	<b>RESTRICTED SCHEMES</b>	<b>TOTAL REGISTERED SCHEMES</b>
Members at 31 March 2017		2 348 419	1 652 187	4 000 606
Dependants at 31 March 2017		2 592 287	2 274 304	4 866 591
Beneficiaries at 31 March 2017		4 940 706	3 926 491	8 867 197
Non-current assets	R'000	9 162 496	16 453 733	25 616 230
Current assets	R'000	34 518 685	18 858 163	53 376 849
Trade & other receivables	R'000	6 084 862	1 886 982	7 971 844
	Contribution days outstanding	12.1	4.8	9.1
Cash & cash equivalents	R'000	5 173 694	9 433 882	14 607 577
Total assets	R'000	43 681 182	35 311 897	78 993 078
Members' funds (net assets per BS)		29 508 728	26 075 131	55 583 859
Accumulated funds		28 898 637	25 147 825	54 046 462
Non-current liabilities		31 051	39 896	70 947
Current liabilities		14 141 403	9 196 870	23 338 272
Trade & other payables		3 795 796	2 868 141	6 663 936
Savings liability		6 600 883	2 947 273	9 548 156
Outstanding claims provision		3 744 724	3 381 456	7 126 180
	PY claims provision utilised%	87.2%	90.8%	88.8%
Total liabilities	R'000	14 172 454	9 236 766	23 409 220
Total assets: total liabilities		3.1	3.8	3.4
Current assets: current liabilities		2.4	2.1	2.3
Gross claims incurred: cash & cash equivalents coverage	Months	3.3	0.3	0.3
Net assets per Regulation 29	R'000	28 614 594	24 386 560	53 001 153
Solvency ratio	%	27.1	32.6	29.4

**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 31 March 2017  
Annexure H

Actual vs Budget		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Average members		2 338 357	2 333 997	0.2	1 651 845	1 654 438	-0.2	3 990 202	3 988 435	0.0
Average beneficiaries		4 831 497	4 897 599	-1.3	3 930 767	3 899 993	0.8	8 762 264	8 797 591	-0.4
Gross Contribution Income (GCI)	R'000	26 435 469	26 468 106	-0.1	18 712 975	18 847 211	-0.7	45 148 444	45 315 317	-0.4
Risk Contribution Income (RCI)		22 965 793	23 021 761	-0.2	17 921 067	18 051 971	-0.7	40 886 860	41 073 732	-0.5
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		25 102 402	NA	0.0	18 030 900	NA	0.0	43 133 302	NA	0.0
Relevant healthcare incurred (incl. managed care claims) (Note a)		19 909 020	19 978 827	-0.3	17 110 105	17 400 322	-1.7	37 019 125	37 379 149	-1.0
Gross (incl. PMSA)/net non-health expenses		2 583 662	2 658 343	-2.8	1 045 676	1 350 919	-22.6	3 629 337	4 009 262	-9.5
Net healthcare results		473 111	384 592	23.0	(234 714)	(699 271)	-66.4	238 398	(314 679)	-175.8
Surplus/(deficit)	R'000	1 047 064	873 887	19.8	328 465	(198 394)	265.6	1 375 529	675 493	103.6
Quarter end reserve position (per Regulation 29) (Note c)		28 614 594	27 868 423	2.7	24 386 560	23 852 363	2.2	53 001 153	51 720 786	2.5

**NOTES:**

a) Including accredited managed care: healthcare benefits as well as the results for risk transfer arrangements.

b) Net non-healthcare expenses = administration expenses, 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 adjusting it for the following actual amounts as at 31 March 2017: 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-ordinated 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 vs PRIOR YEAR**  
for the period ended 31 March 2017  
Annexure I

Actual vs prior year		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2017	2016	% variance	2017	2016	% variance	2017	2016	% variance
Average members		2 338 357	2 320 273	0.8	1 651 845	1 629 859	1.3	3 990 202	3 950 132	1.0
Average beneficiaries		4 831 497	4 916 129	-1.7	3 930 767	3 876 701	1.4	8 762 264	8 792 830	-0.3
Gross Contribution Income (GCI)	R'000	26 435 469	24 258 842	9.0	18 712 975	16 634 278	12.5	45 148 444	40 893 120	10.4
Risk Contribution Income (RCI)		22 965 793	20 948 205	9.6	17 921 067	15 906 967	12.7	40 886 860	36 855 172	10.9
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		25 102 402	22 994 951	9.2	18 030 900	16 159 755	11.6	43 133 302	39 154 706	10.2
Relevant healthcare incurred (incl. managed care claims) (Note a)		19 909 020	18 102 384	10.0	17 110 105	15 676 023	9.1	37 019 125	33 778 407	9.6
Gross (incl. PMSA)/net non-health expenses		2 583 662	2 433 182	6.2	1 045 676	1 015 485	3.0	3 629 337	3 448 667	5.2
Net healthcare results		473 111	412 639	14.7	(234 714)	(784 541)	-70.1	238 398	(371 902)	-164.1
Surplus/(deficit)	R'000	1 047 064	1 133 205	-7.6	328 465	(176 123)	-286.5	1 375 529	957 081	43.7
Quarter end reserve position (per Regulation 29)		28 614 594	27 138 644	5.4	24 386 560	23 009 078	6.0	53 001 153	50 147 721	5.7

**NOTES:**

a) Including results of risk transfer arrangements.

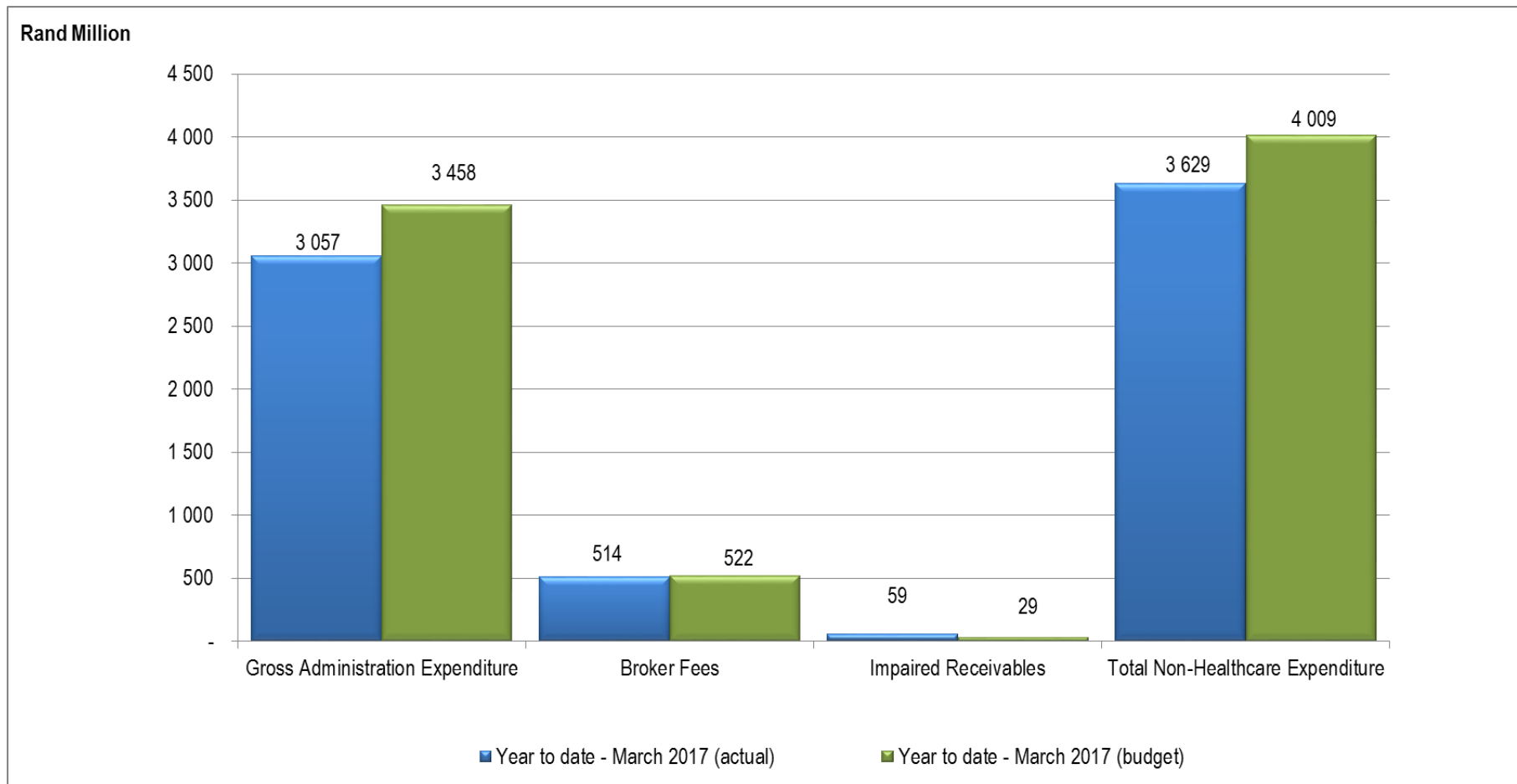
b) Gross non-healthcare expenses = administration expenses, broker costs (including broker fees and distribution fees) and net impairment losses.

\* PMSA = Personal Medical Savings Account

\* GCI = Gross Contribution Income

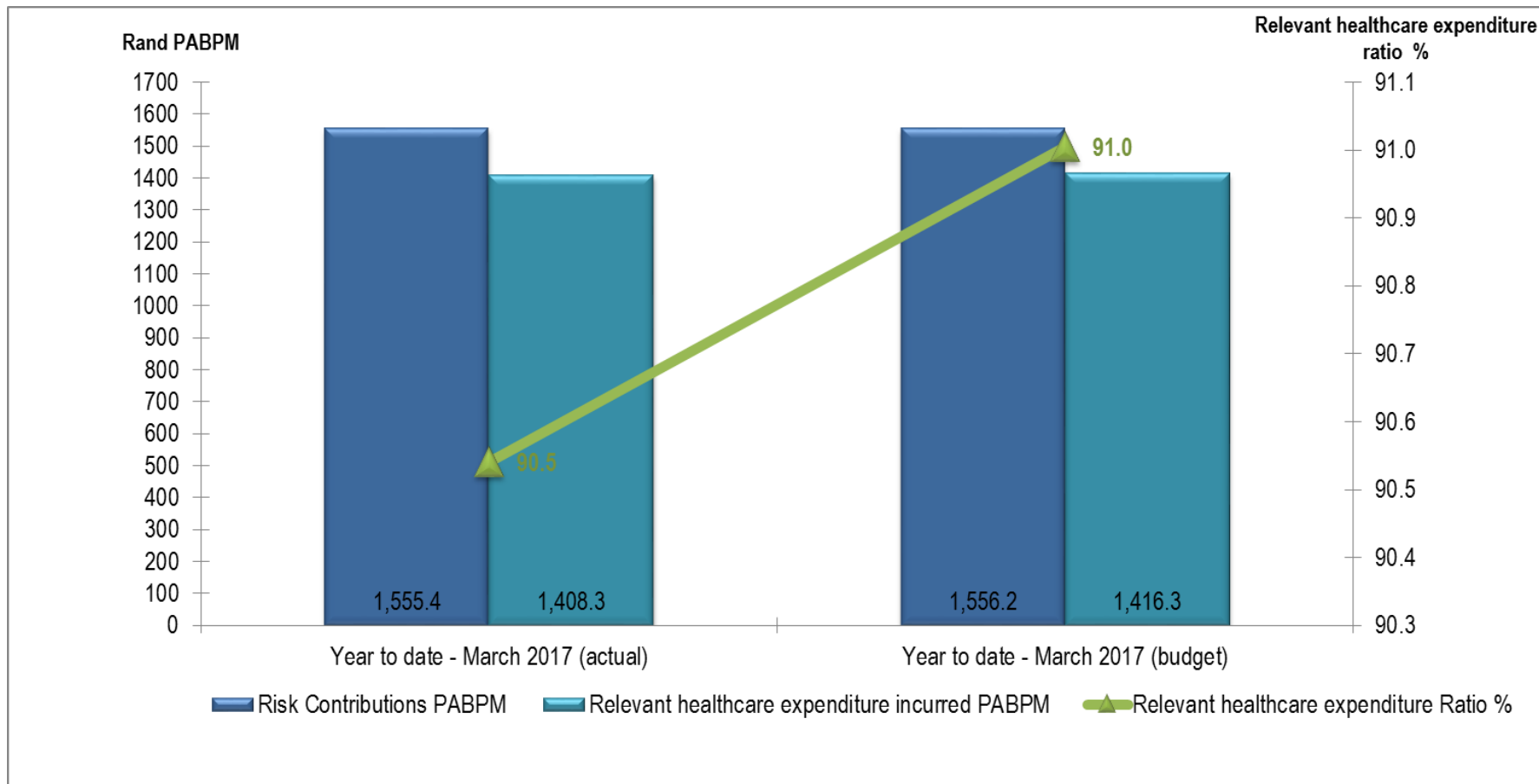
\* RCI = Risk Contribution Income

**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

