



Quarterly Reports for the Period ending 31 March 2011

September 2011

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 31 March 2011. Budget information for the first quarter of 2011 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 could therefore not be made available to the public.

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 6.7% from the audited solvency level of 31.6% at 31 December 2010 to 29.5% at 31 March 2011. 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 R31.5 billion at 31 March 2011, which was 2.6% higher than the reserves of R30.7 billion as at 31 December 2010.
- The solvency level at 31 March 2011 was 3.6% higher than the budgeted solvency level of 28.4% 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 (2010: 12) open schemes that failed to meet the prescribed solvency level at 31 March 2011 represent 61.5% (2010: 60.6%) of the total open schemes' beneficiaries.
- Only 9 (2010: 7) restricted schemes were below 25.0%.
- The net asset value (per Regulation 29) per beneficiary increased with 2.1% from R3 690.5 at 31 December 2010 to R3 767.9 at 31 March 2011. The net asset value per beneficiary at 31 March 2011 was 1.8% higher than the budgeted net asset value of R3 701.7 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 3 612 062 at 31 December 2010 to 3 636 507 at 31 March 2011.
- The number of total beneficiaries increased by 0.5% from 8 315 718 at 31 December 2010 to 8 355 536 at 31 March 2011
- The average number of members of 3 622 216 for the period ended 31 March 2011 was 0.2% lower than budget, and the average number of beneficiaries of 8 331 738 was 0.2% higher than budget.
- The industry average age for all registered schemes for the period ended 31 March 2011 was 32.2 (2010: 31.5) years and the proportion of pensioners, 6.9% (2010: 6.5%).

Contributions and relevant healthcare expenditure

- Total gross contribution income for all medical schemes amounted to R26.6 billion for the period ended 31 March 2011, which was 0.7% lower than the budget of R26.8 billion and 12.2% higher than the R23.7 billion for 31 March 2010.
- The gross contribution per average beneficiary per month was R1 063.6 for the period ended 31 March 2011. Gross relevant healthcare per average beneficiary per month was R994.4 for the period ended 31 March 2011.
- The gross contributions per average beneficiary per month at 31 March 2011 of R1 063.6 went up by 9.1% from R975.3 at 31 December 2010.
- Total risk contributions of R24.1 billion was 0.8% lower than budget but 12.1% higher than the R21.5 billion at the end of March 2010. The risk contribution per average beneficiary per month for the period ended 31 March 2011 was R965.5.
- The relevant healthcare ratio of 88.8% at 31 March 2011 exceeded the budgeted relevant healthcare ratio of 88.6% with 0.2% and the 31 March 2010 ratio of 88.3% by 0.6%. The relevant healthcare per average beneficiary per month for the period ended 31 March 2011 was R856.9. Total relevant healthcare for the period ended 31 March 2011 was R21.4 billion compared to the budgeted relevant healthcare of R21.6 billion, representing a 0.7% variance. Compared to the same period of the previous year, total relevant healthcare increased by 14.3% from R18.9 billion in March 2010.

- Relevant healthcare expenditure per average beneficiary per month at 31 March 2011 of R856.9 went up by 10.6% from R774.6 at 31 December 2010.
- The utilisation of the prior year's outstanding claims provision was 91.5% for all schemes as at 31 March 2011.

Non-health expenses

- Total non-health expenses for all medical schemes amounted to R2.9 billion for the period ended 31 March 2011, which was 2.2% lower than the R3.0 billion budgeted for and 3.6% higher than the R2.8 billion at the end of March 2010.
- The non-health expense per average beneficiary per month for the period ended 31 March 2011 was R118.9, which was 1.7% higher than the industry average of R116.9 at 31 December 2010.
- Non-health expenses, when expressed as a percentage of risk contributions, decreased from 13.2% at 31 December 2010 to 12.3% at 31 March 2011.
- At 31 March 2011, 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 '11</u>	<u>Dec '10</u>
- Gross administration expenses	66.6%	67.6%
- Managed care: management services	20.0%	19.5%
- Broker service fees (including distribution costs and broker fees)	11.6%	11.4%
- Net impairment losses: trade and other receivables	1.8%	1.5%

Operating results

- Registered medical schemes incurred net healthcare deficits (before taking investment and other income into account) of R256.8 million compared to a budgeted deficit of R306.3 million at 31 March 2011. The total deficit for net healthcare results is 16.2% lower than budgeted.
- Open schemes incurred net healthcare results (before taking investment and other income into account) of R209.2 million compared to a budget of R157.8 million whereas restricted schemes incurred deficit (before taking investment and other income into account) of R466.1 million compared to a budgeted deficit of R464.2 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R788.9 million at 31 March 2011 compared to a budgeted surplus of R297.7 million, which represents an actual to budget variance of 165.0%.
- In 2010 schemes incurred net healthcare deficits of R460 million and net surpluses of R2.9 billion.

Investments

- The current assets to current liabilities ratio for open schemes at 31 March 2011 is 2.6 (2010: 2.7), whereas for restricted schemes it is 2.5 (2010: 3.3).
- The total assets to total liabilities ratio for open and restricted schemes is 3.3 (2010: 3.5) and 3.5 (2010: 4.0) respectively.

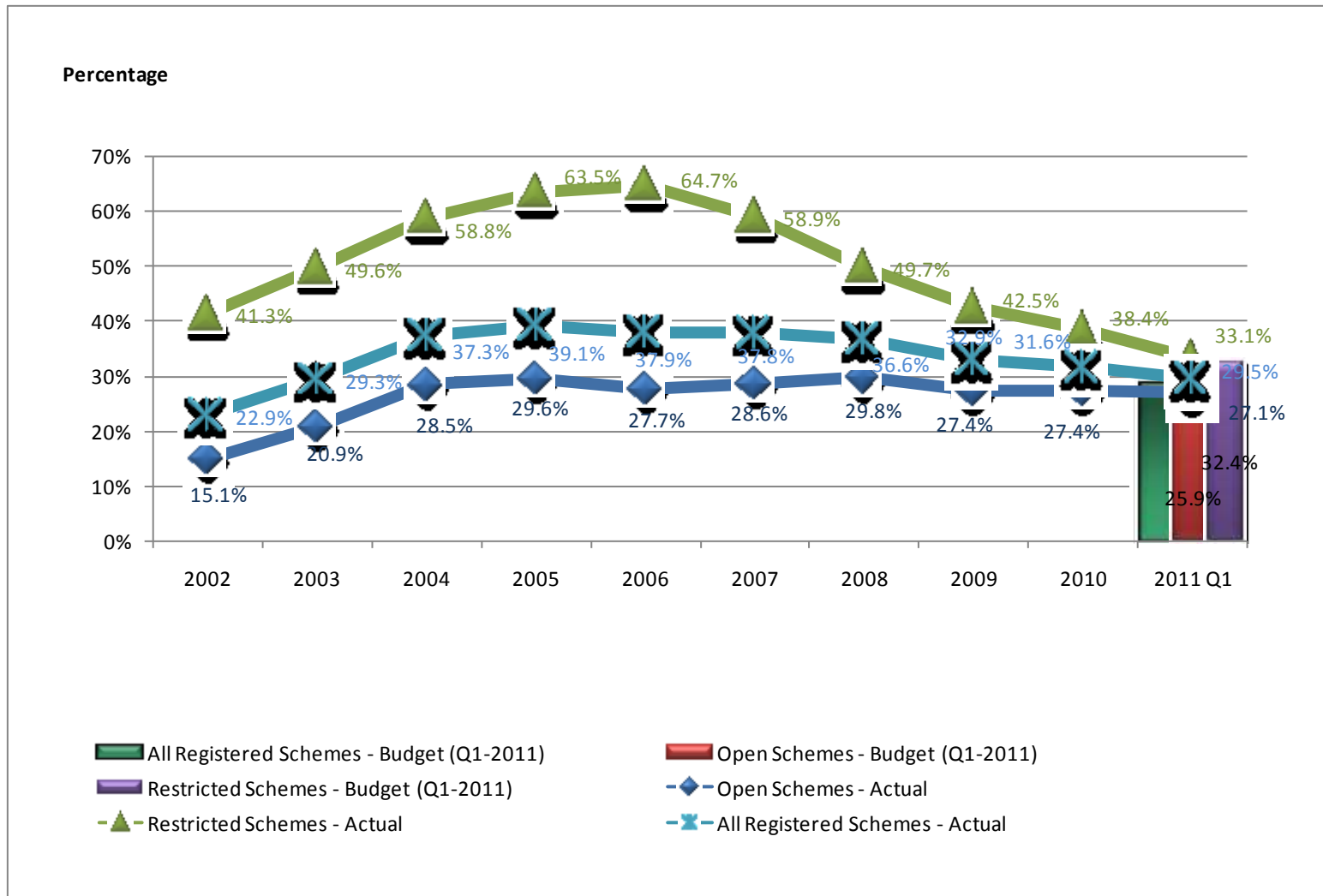
REGULATION 29: MINIMUM ACCUMULATED FUNDS

Annexure A (SOLVENCY RATIO)

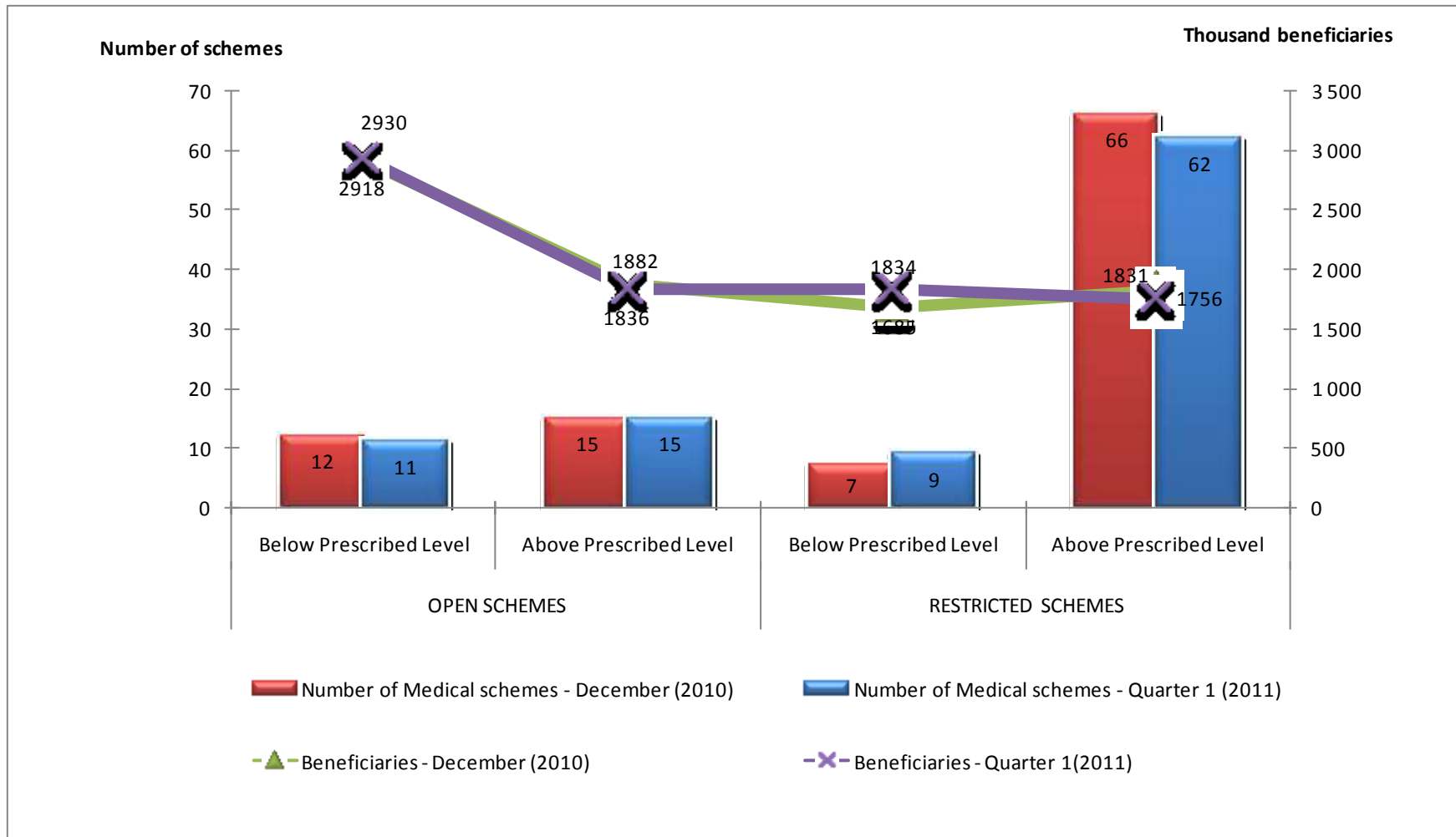
INDUSTRY AVERAGE:

	2004	% Change 2004	2005	% Change 2005	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010	% Change 2010	2010 Quarter 1 Actual	2011 - Quarter 1 Actual	2011 - Quarter 1 Budget	% Change Actual 2011 vs Budget 2011
Open schemes	28.5%	36.4%	29.6%	3.7%	27.7%	-6.2%	28.6%	3.2%	29.8%	4.2%	27.4%	-8.1%	27.4%	0.0%	26.0%	27.1%	25.9%	4.7%
Restricted schemes	58.8%	18.6%	63.5%	8.0%	64.7%	1.8%	58.7%	-9.2%	49.7%	-15.3%	42.5%	-14.5%	38.4%	-9.6%	36.1%	33.1%	32.4%	2.3%
All registered schemes	37.3%	27.3%	39.1%	4.8%	37.9%	-3.1%	38.0%	0.3%	36.6%	-3.7%	32.9%	-10.1%	31.6%	-4.0%	29.8%	29.5%	28.4%	3.6%

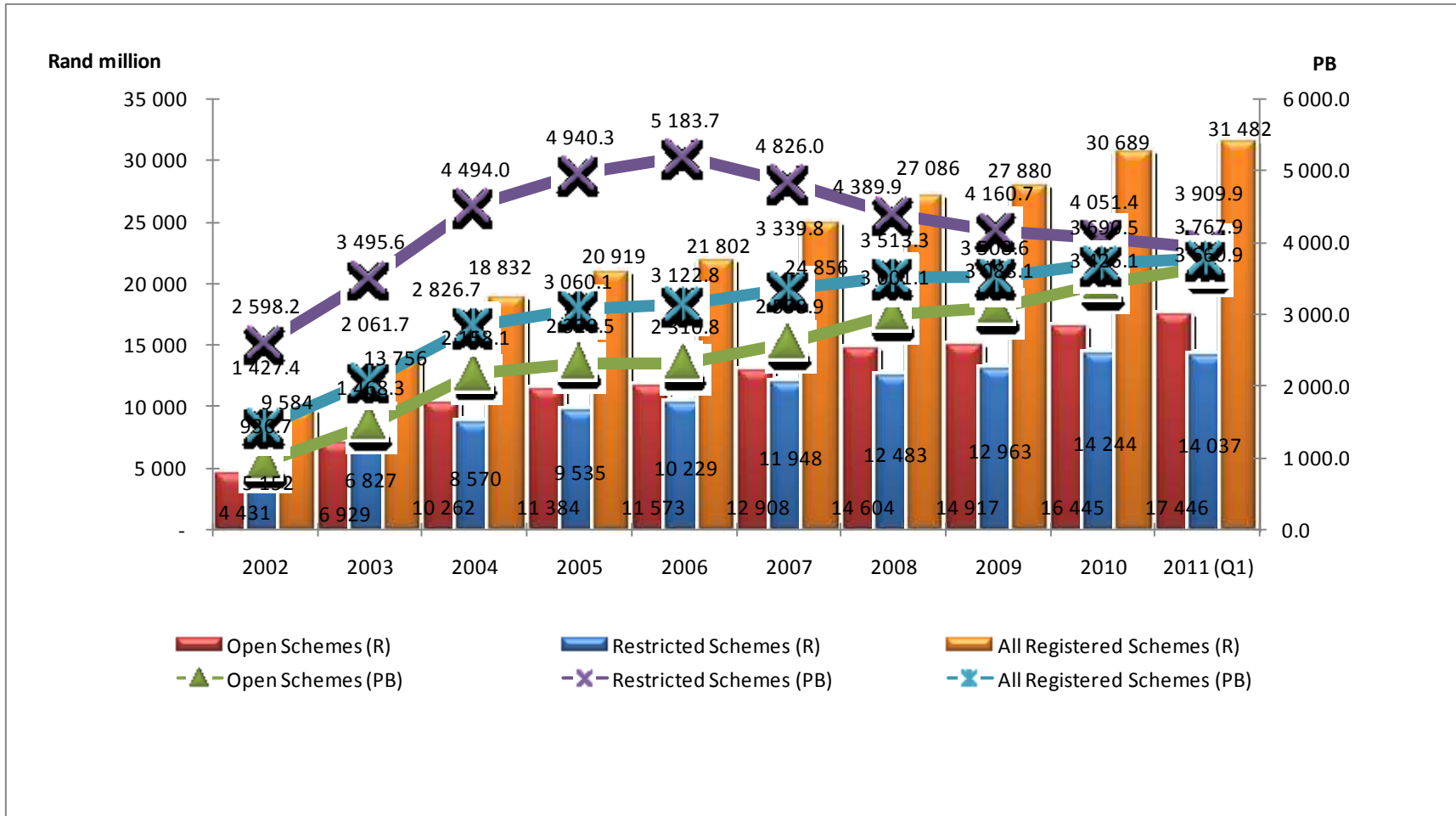
SOLVENCY RATIO GRAPH
Annexure B



PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH
Annexure C



NET ASSETS PER REGULATION 29 GRAPH
Annexure D



INCOME STATEMENT DETAILS
for the period ended 31 March 2011
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2,160,973	1,461,243	3,622,216
Average beneficiaries		4,762,686	3,569,052	8 331 738
Average age	Years	33.7	30.1	32.2
Pensioner ratio (65+ years)	%	8.1	5.4	6.9
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	16,141,866	10,442,121	26,583,987
Gross relevant healthcare (gross +PMSA) (Note a)		14,717,188	10,136,973	24,854,161
Gross Administration Expenses (risk + PMSA)		1,426,617	553,363	1,979,980
Managed care: management services		389,345	204,633	593,978
Broker service fees (including distributions costs)		335,828	7,944	343,772
Net impairment losses: trade and other receivables	R'000	41,827	11,409	53,236
Net healthcare results		209,227	(466,058)	(256,832)
Surplus/ (deficit)		1,004,381	(215,469)	788,911

NOTES:

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

* PMSA = Personal Medical Savings Account

BALANCE SHEET DETAILS
at 31 March 2011
Annexure F

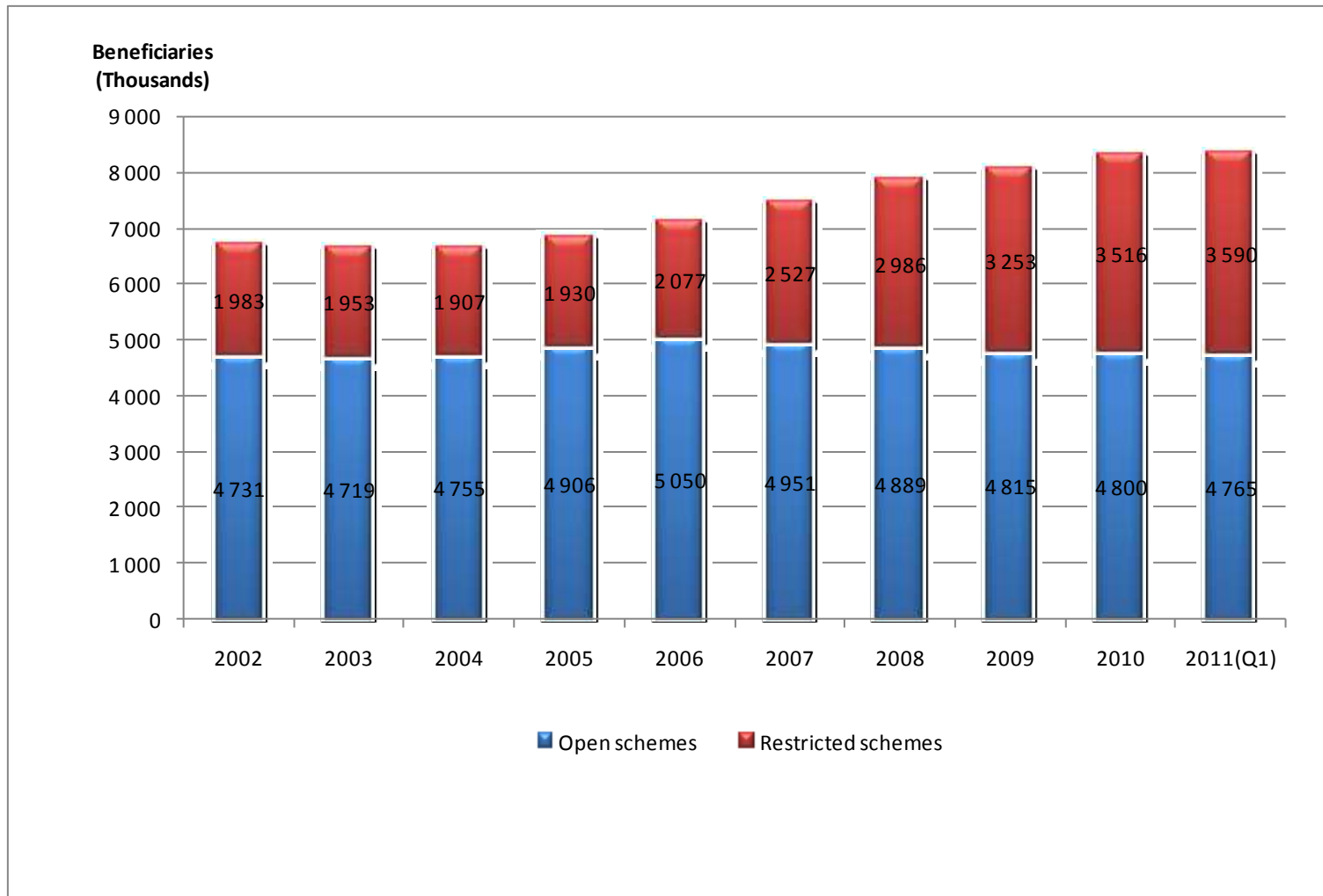
		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 31 March 2011		2,166,470	1,470,037	3,636,507
Dependants at 31 March 2011		2,598,956	2,120,063	4,719,019
Beneficiaries at 31 March 2011		4,765,426	3,590,100	8,355,526
Non-current assets	R'000	5,357,606	7,965,144	13,322,750
Current assets	R'000	20,594,236	13,417,407	34,011,643
Trade & other receivables	R'000	3,748,689	1,046,997	4,795,685
	Contribution days outstanding			
		13.3	6.4	10.6
Cash & cash equivalents	R'000	11,335,913	9,761,830	21,097,743
Total assets	R'000	25,951,841	21,382,551	47,334,392
Members' funds (net assets per BS)		18,080,159	15,236,884	33,317,044
Accumulated funds		17,522,717	14,136,799	31,659,517
Non-current liabilities		22,182	858,838	874,020
Current liabilities		7,849,500	5,293,829	13,143,328
Trade & other payables		2,383,494	1,805,428	4,188,922
Savings liability		3,084,605	1,568,659	4,653,263
Outstanding claims provision		2,381,401	1,919,742	4,301,143
	Prior year claims provision utilised %			
		92.0	90.8	91.5
Total liabilities	R'000	7,871,682	6,145,667	14,014,348
Total assets: total liabilities		3.3	3.5	3.4
Current assets: current liabilities		2.6	2.5	2.6
Gross claims incurred: cash & cash equivalents coverage	Months			
		3.4	3.7	3.5

Net assets per Regulation 29	R'000	17,445,528	14,036,912	31,482,441
Solvency ratio	%	27.1	33.1	29.5

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 2011
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2,166,470	2,181,423	-0.7%	1,470,037	1,463,359	0.5%	3,636,507	3,644,782	-0.2%
Beneficiaries		4,765,426	4,806,640	-0.9%	3,590,100	3,561,901	0.8%	8,355,526	8,368,541	-0.2%
Gross Contribution Income (GCI)	R'000	16,141,866	16,370,311	-1.4%	10,442,121	10,404,881	0.4%	26,583,987	26,775,192	-0.7%
Risk Contribution Income (RCI)		14,154,580	14,370,818	-1.5%	9,977,417	9,964,058	0.1%	24,131,997	24,334,875	-0.8%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		14,717,188	N/A	0.0%	10,136,973	N/A	0.0%	24,854,161	N/A	0.0%
Relevant healthcare incurred (incl. managed care claims) (Note a)		11,751,736	11,949,700	-1.7%	9,665,618	9,622,524	0.4%	21,417,354	21,572,224	-0.7%
Gross (incl. PMSA)/net non-health expenses		2,193,617	2,251,306	-2.6%	777,858	787,076	-1.2%	2,971,475	3,038,383	-2.2%
Net healthcare results		209,227	157,816	32.6%	(466,058)	(464,159)	0.4%	(256,832)	(306,343)	-16.2%
Surplus/(deficit)	R'000	1,004,381	515,621	94.8%	(215,469)	(217,915)	-1.1%	788,911	297,706	165.0%
Quarter end reserve position (per Regulation 29) (Note c)		17,445,528	16,954,854	2.9%	14,036,512	14,022,892	0.1%	31,482,441	30,977,746	1.6%

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 2011: 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.

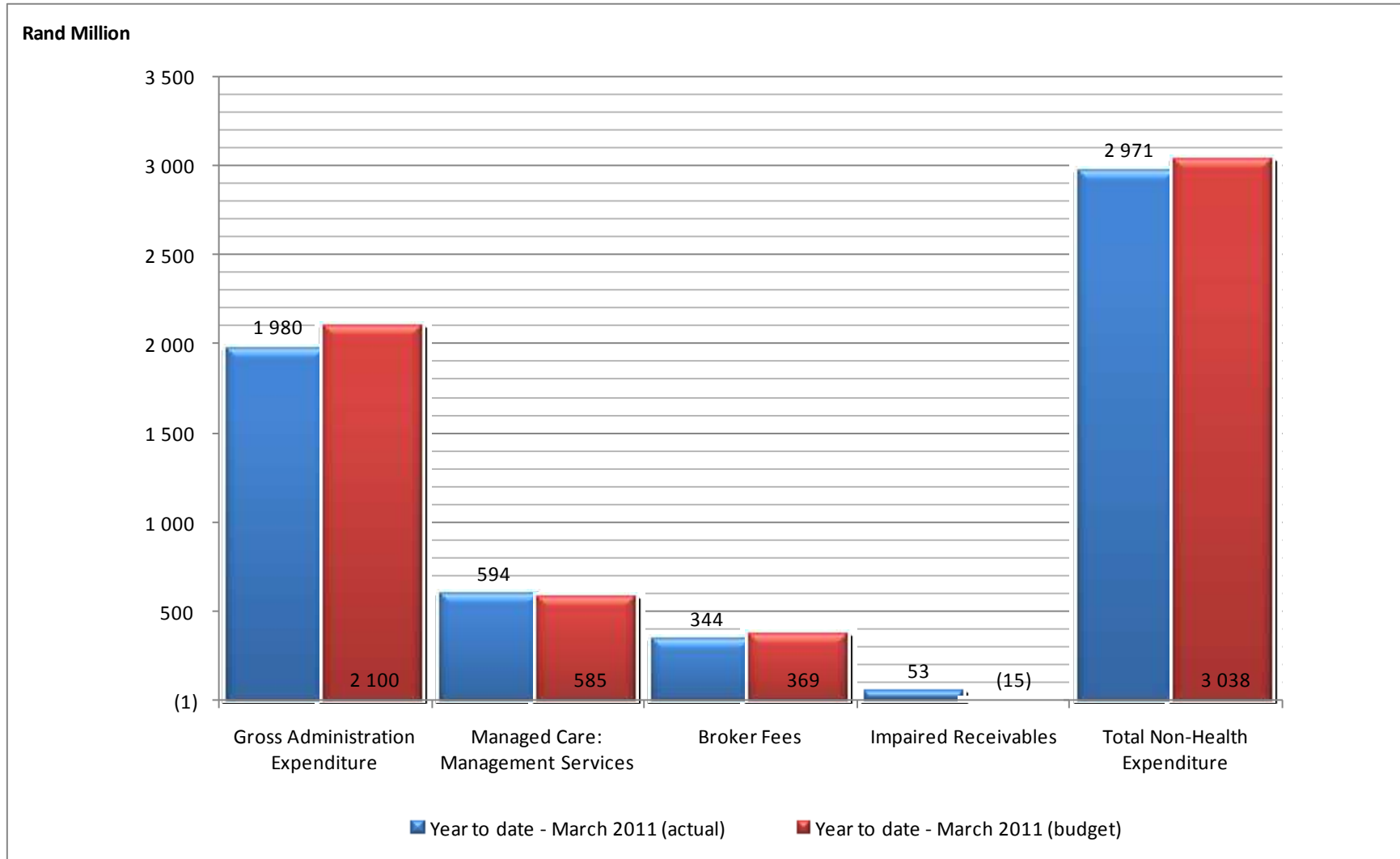
* PMSA = Personal Medical Savings Account

* GCI = Gross Contribution Income

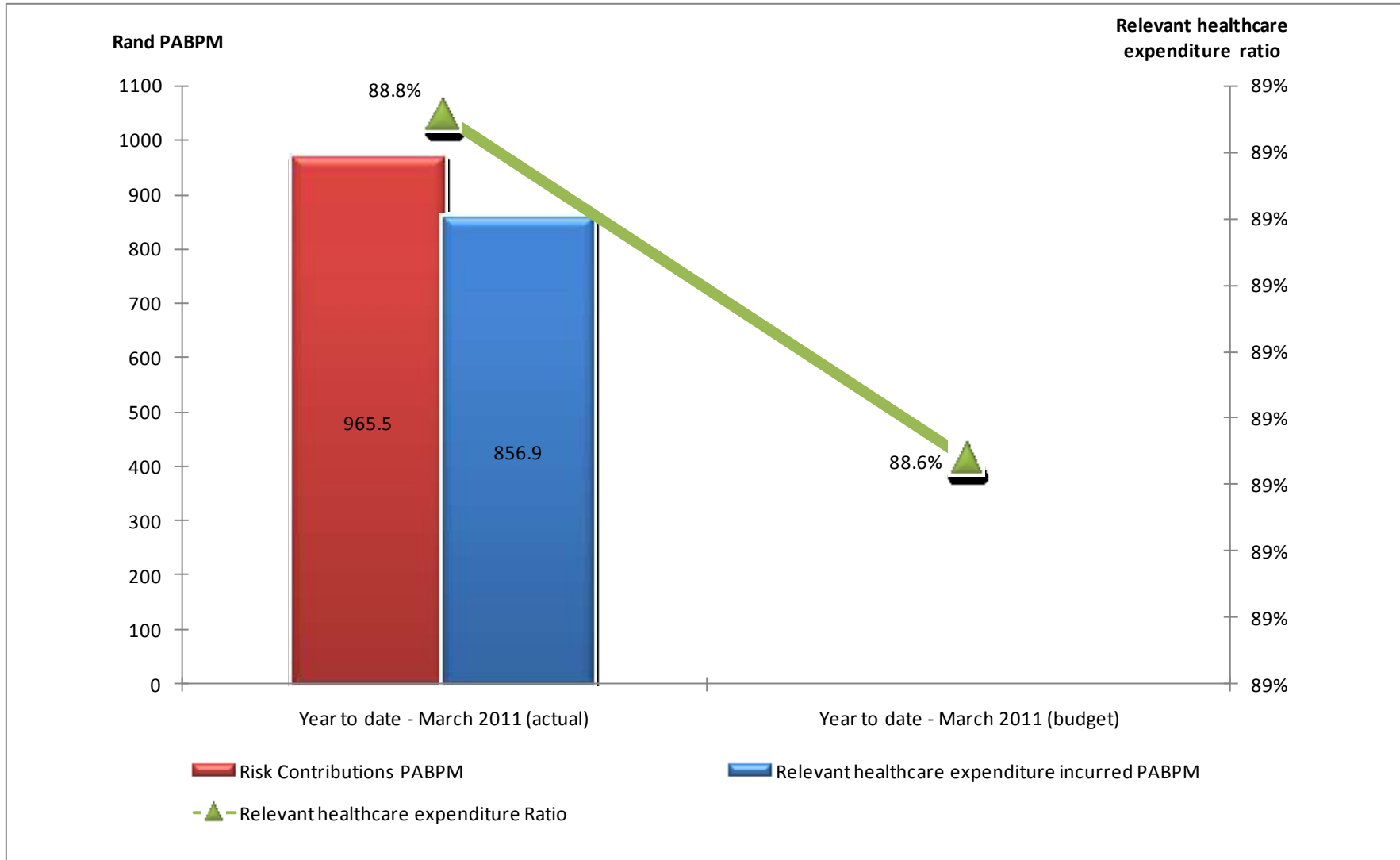
* RCI = Risk Contribution Income

* NA = information not available

TOTAL NON-HEALTH EXPENDITURE GRAPH
Annexure I



NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH
Annexure J



PABPM = per average beneficiary per month