



Quarterly Reports for the Period ending 30 September 2011

January 2012

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
TOTAL NON-HEALTH EXPENDITURE GRAPH	15
NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH	16

INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 September 2011. Budget information for the third 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.

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

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 4.1% from the audited solvency level of 31.6% at 31 December 2010 to 30.3% at 30 September 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 R32.3 billion at 30 September 2011, which was 5.2% higher than the reserves of R30.7 billion as at 31 December 2010.
- The solvency level at 30 September 2011 was 3.2% higher than the budgeted solvency level of 29.4% 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 9 (2010: 12) open schemes that failed to meet the prescribed solvency level at 30 September 2011 represent 60.1% (2010: 60.6%) of the total open schemes' beneficiaries.
- Only 6 (2010: 7) restricted schemes were below 25.0%.
- The net asset value (per Regulation 29) per beneficiary increased with 4.3% from R3 690.5 at 31 December 2010 to R3 850.0 at 30 September 2011. The net asset value per beneficiary at 30 September 2011 was 2.9% higher than the budgeted net asset value of R3 741.3 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 1.7% from 3 612 062 at 31 December 2010 to 3 672 243 at 30 September 2011. With the inclusion of the one large scheme whose information is not included in this report, total principal members is 3 705 464, representing a 2.6% increase in total principal members.
- The number of total beneficiaries increased by 0.8% from 8 315 718 at 31 December 2010 to 8 383 917 at 30 September 2011. With the inclusion of the one large scheme whose information is not included in this report, total beneficiaries is 8 469 784, representing a 1.9% increase in total beneficiaries.
- The average number of members of 3 621 257 for the period ended 30 September 2011 was 0.4% lower than budget, and the average number of beneficiaries of 8 293 521 was 0.4% lower than budget.
- The industry average age for all registered schemes for the period ended 30 September 2011 was 31.8 (2010: 31.5) years and the proportion of pensioners, 6.8% (2010: 6.5%).

Contributions and relevant healthcare expenditure

- Total gross contribution income for all medical schemes amounted to R79.5 billion for the period ended 30 September 2011, which was 1.2% lower than the budget of R80.5 billion and 10.3% higher than the R72.1 billion for 30 September 2010.
- The gross contribution per average beneficiary per month was R1 065.3 for the period ended 30 September 2011. Gross relevant healthcare per average beneficiary per month was R960.4 for the period ended 30 September 2011.
- The gross contributions per average beneficiary per month at 30 September 2011 of R1 065.3 went up by 9.2% from R975.3 at 31 December 2010.
- Total risk contributions of R72.1 billion was 1.4% lower than budget. The risk contribution per average beneficiary per month for the period ended 30 September 2011 was R966.4.
- The relevant healthcare ratio of 88.4% at 30 September 2011 was 0.1% lower than the budgeted relevant healthcare ratio of 88.5% and was 0.9% lower than the 30 September 2010 ratio of 89.2%. The relevant healthcare

per average beneficiary per month for the period ended 30 September 2011 was R854.4. Total relevant healthcare for the period ended 30 September 2011 was R63.8 billion compared to the budgeted relevant healthcare of R64.7 billion, representing a 1.5% variance. Compared to the same period of the previous year, total relevant healthcare increased by 9.3% from R58.4 billion in September 2010.

- Relevant healthcare expenditure per average beneficiary per month at 30 September 2011 of R854.4 went up by 10.3% from R774.6 at 31 December 2010.
- The utilisation of the prior year's outstanding claims provision was 96.9% for all schemes as at 30 September 2011.

Non-health expenses

- Total non-health expenses for all medical schemes amounted to R9.0 billion for the period ended 30 September 2011, which was 1.0% lower than the R9.1 billion budgeted for and 5.9% higher than the R8.5 billion at the end of September 2010.
- The non-health expense per average beneficiary per month for the period ended 30 September 2011 was R120.0, which was 2.7% 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 12.4% at 30 September 2011.
- At 30 September 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>September '11</u>	<u>Dec '10</u>
- Gross administration expenses	67.6%	67.6%
- Managed care: management services	20.0%	19.5%
- Broker service fees (including distribution costs and broker fees)	11.2%	11.4%
- Net impairment losses: trade and other receivables	1.2%	1.5%

Operating results

- Registered medical schemes incurred net healthcare deficits (before taking investment and other income into account) of R601.0 million compared to a budgeted deficit of R746.9 million at 30 September 2011. The total deficit for net healthcare results is 19.5% lower than budgeted.
- Open schemes incurred net healthcare deficits (before taking investment and other income into account) of R635.9 million compared to a budgeted deficit of R159.1 million whereas restricted schemes incurred net healthcare surpluses (before taking investment and other income into account) of R34.9 million compared to a budgeted deficit of R587.8 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R1.7 billion at 30 September 2011 compared to a budgeted surplus of R1.0 billion, which represents an actual to budget variance of 64.4%.
- 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 30 September 2011 is 2.5 (2010: 2.7), whereas for restricted schemes it is 2.6 (2010: 3.3).
- The total assets to total liabilities ratio for open and restricted schemes is 3.3 (2010: 3.5) and 3.6 (2010: 4.0) respectively.

REGULATION 29: MINIMUM ACCUMULATED FUNDS

Annexure A

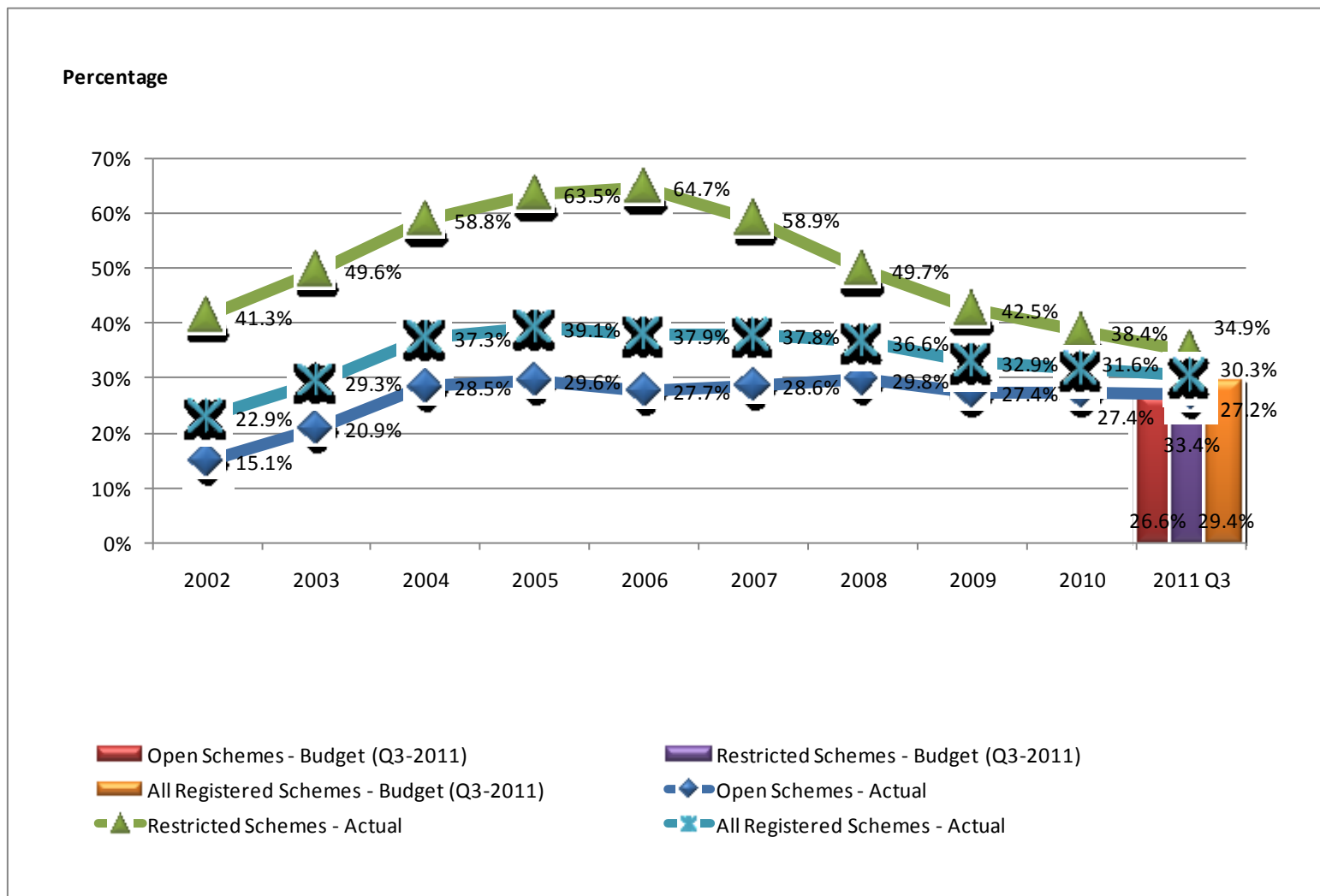
(SOLVENCY RATIO)

INDUSTRY AVERAGE:

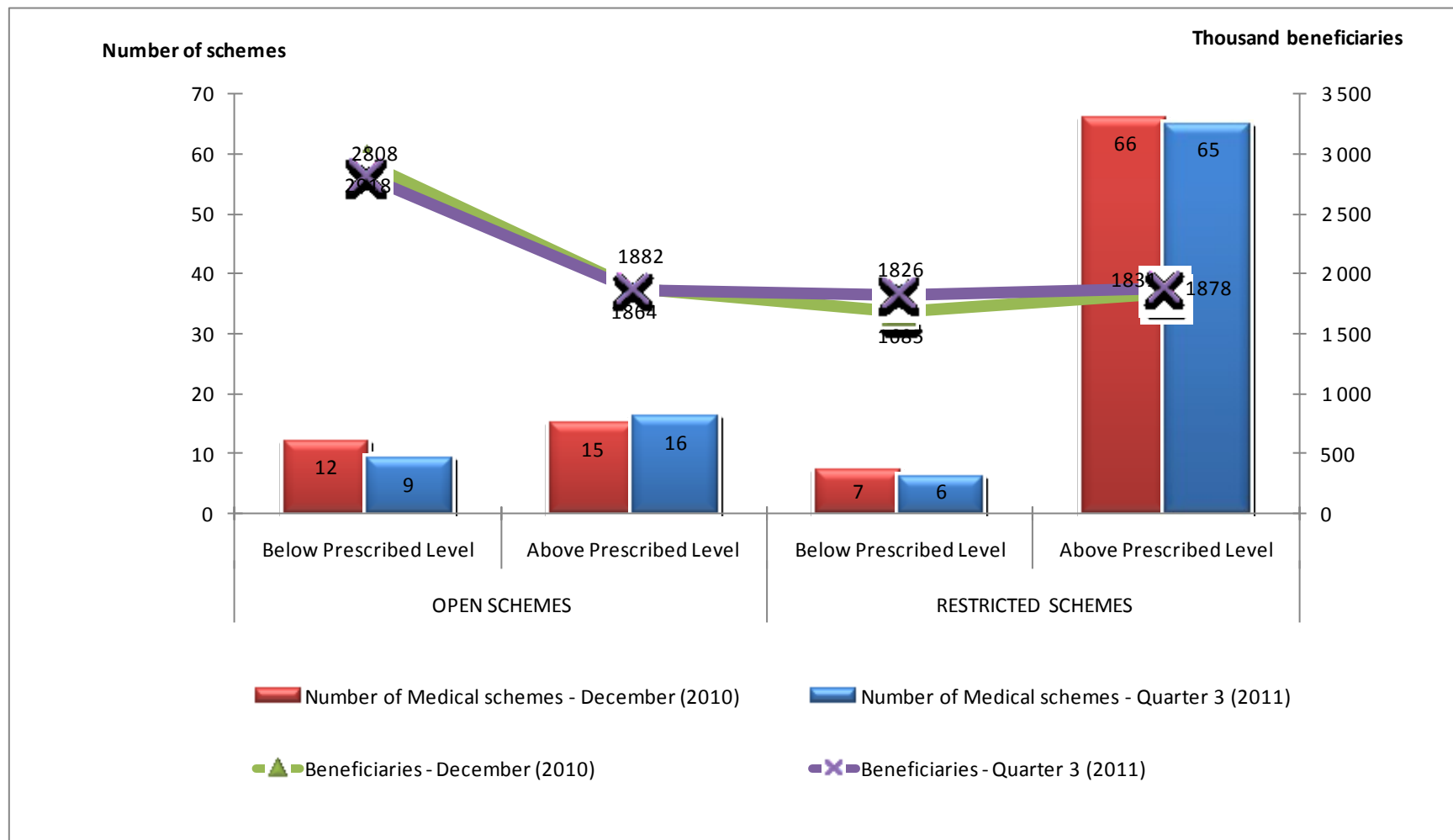
	2004	% Change 2004	2005	% Change 2005	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010	% Change 2010	2010 - Quarter 3 Actual	2011 - Quarter 3 Actual	2011 - Quarter 3 Budget	% Change Actual 2011 vs Budget 2011
Open schemes	28.5%	36.4%	29.6%	3.7%	27.7%	-6.2%	28.6%	3.2%	29.8%	4.2%	27.4%	-8.1%	27.4%	0.0%	26.1%	27.2%	26.6%	1.9%
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%	35.6%	34.9%	33.4%	4.5%
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%	29.7%	30.3%	29.4%	3.2%

SOLVENCY RATIO GRAPH

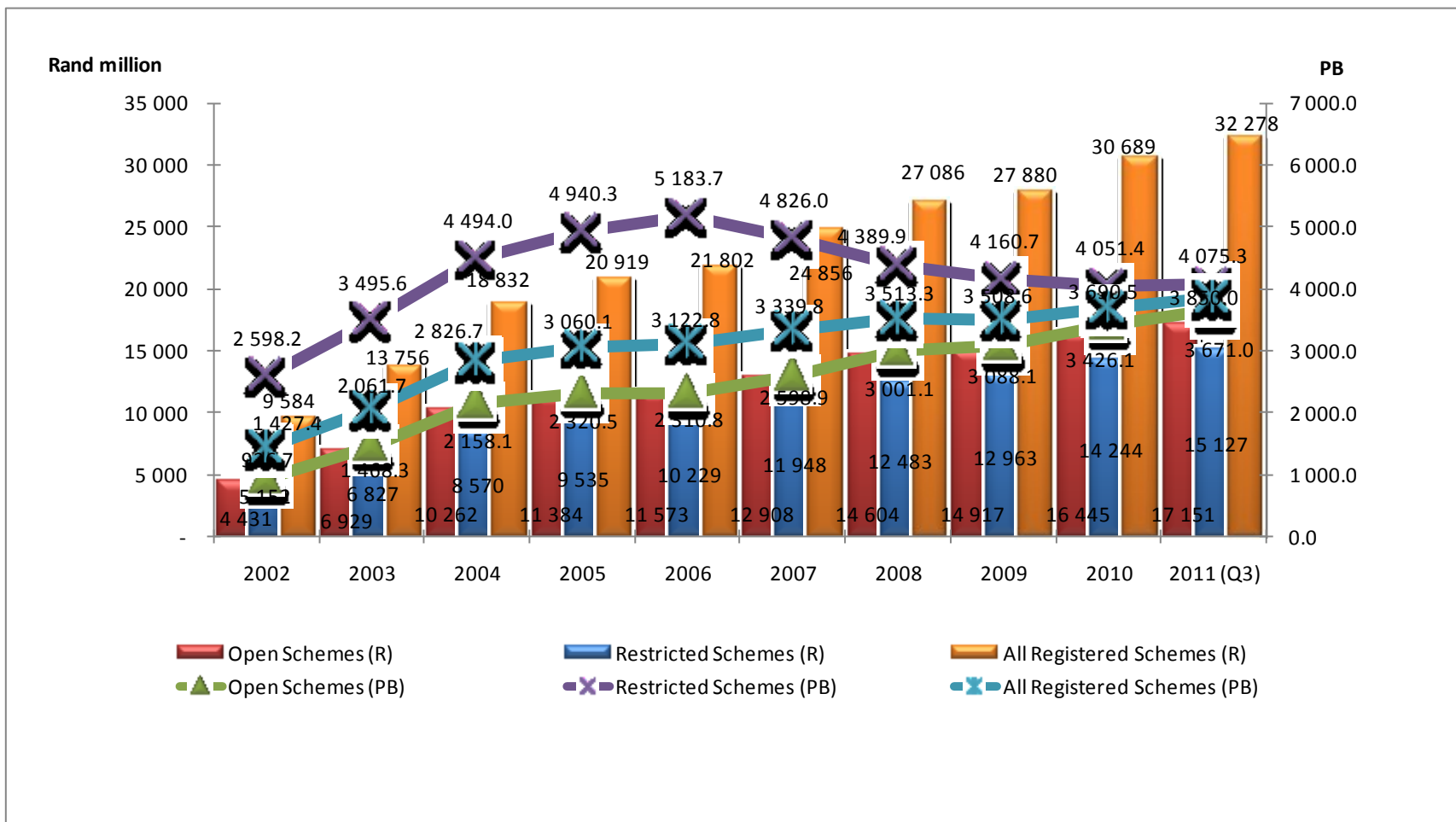
Annexure B



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 30 September 2011
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2,129,196	1,492,331	3,621,527
Average beneficiaries		4,663,110	3,630,411	8,293,521
Average age	Years	33.5	29.7	31.8
Pensioner ratio (65+ years)	%	8.0	5.2	6.8
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	47,332,575	32,183,065	79,515,640
Gross relevant healthcare (gross +PMSA) (Note a)		42,108,616	29,575,087	71,683,703
Gross Administration Expenses (risk + PMSA)		4,329,934	1,726,217	6,056,152
Managed care: management services		1,164,486	625,922	1,790,408
Broker service fees (including distributions costs)		975,194	27,048	1,002,243
Net impairment losses: trade and other receivables	R'000	73,681	34,927	108,608
Net healthcare results		(635,911)	34,937	(600,974)
Surplus/ (deficit)		918,382	782,778	1,701,161

NOTES:

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

* PMSA = Personal Medical Savings Account

BALANCE SHEET DETAILS
at 30 September 2011
Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 30 September 2011		2,143,612	1,528,631	3,672,243
Dependants at 30 September 2011		2,528,471	2,183,203	4,711,674
Beneficiaries at 30 September 2011		4,672,083	3,711,834	8,383,917
Non-current assets	R'000	6,152,832	8,484,300	14,637,133
Current assets	R'000	19,420,894	13,826,878	33,247,772
Trade & other receivables	R'000	3,414,994	1,117,915	4,532,909
	Contribution days outstanding			
		12.5	6.7	10.2
Cash & cash equivalents	R'000	9,462,913	10,193,962	19,656,475
Total assets	R'000	25,573,726	22,311,179	47,884,904
Members' funds (net assets per BS)		17,767,357	16,146,960	33,914,316
Accumulated funds		17,294,941	15,123,649	32,418,590
Non-current liabilities		18,048	855,132	873,180
Current liabilities		7,788,321	5,309,087	13,097,408
Trade & other payables		2,257,155	1,888,715	4,145,871
Savings liability		3,075,522	1,612,670	4,688,192
Outstanding claims provision		2,455,643	1,807,702	4,263,345
	Prior year claims provision utilised %			
		98.2	95.2	96.9
Total liabilities	R'000	7,806,369	6,164,219	13,970,588
Total assets: total liabilities		3.3	3.6	3.4
Current assets: current liabilities		2.5	2.6	2.5

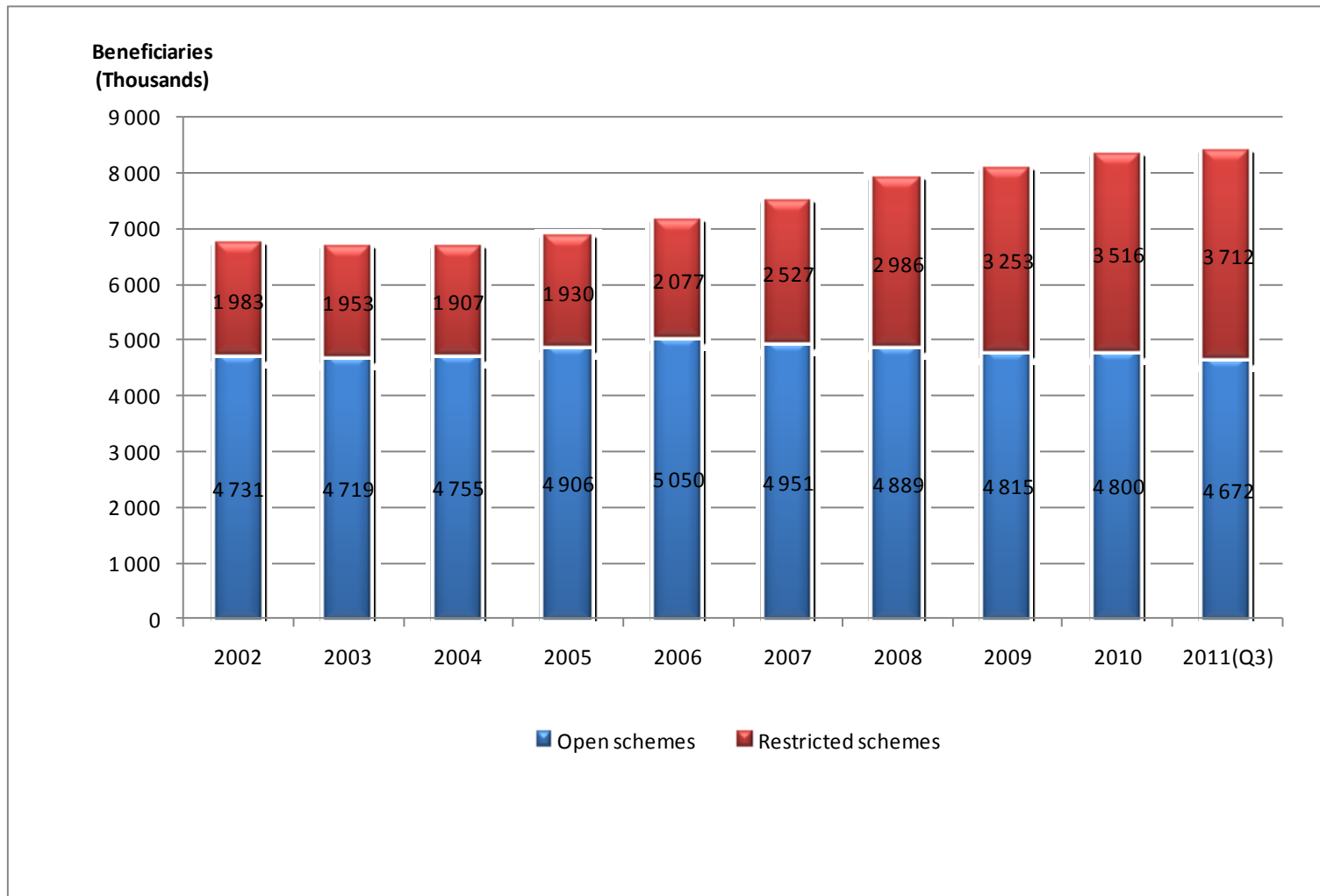
Gross claims incurred: cash & cash equivalents coverage	Months	5.8	3.1	2.5
Net assets per Regulation 29	R'000	17,151,300	15,126,963	32,278,263
Solvency ratio	%	27.2	34.9	30.3

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 2011
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2,143,612	2,173,689	-1.4%	1,528,631	1,519,181	0.6%	3,672,243	3,692,870	-0.6%
Beneficiaries		4,672,083	4,753,656	-1.7%	3,711,834	3,712,890	0.0%	8,383,917	8,466,546	-1.0%
Gross Contribution Income (GCI)	R'000	47,332,575	48,327,776	-2.1%	32,183,065	32,148,866	0.1%	79,515,640	80,476,642	-1.2%
Risk Contribution Income (RCI)		41,373,011	42,316,494	-2.2%	30,761,287	30,808,917	-0.2%	72,134,297	73,125,412	-1.4%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		42,108,616	N/A	0.0%	29,575,087	N/A	0.0%	71,683,703	N/A	0.0%
Relevant healthcare incurred (incl. managed care claims) (Note a)		35,465,626	35,790,473	-0.9%	28,311,514	28,938,731	-2.2%	63,777,140	64,729,203	-1.5%
Gross (incl. PMSA)/net non-health expenses		6,543,296	6,649,211	-1.6%	2,414,835	2,403,480	0.5%	8,958,131	9,052,690	-1.0%
Net healthcare results		(635,911)	(159,107)	299.7%	34,937	(587,789)	105.9%	(600,974)	(746,896)	-19.5%
Surplus/(deficit)	R'000	918,382	879,773	4.4%	782,778	154,943	405.2%	1,701,161	1,034,716	64.4%
Quarter end reserve position (per Regulation 29) (Note c)		17,151,300	17,175,554	-0.1%	15,126,963	14,500,415	4.3%	32,278,263	31,675,969	1.9%

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 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.

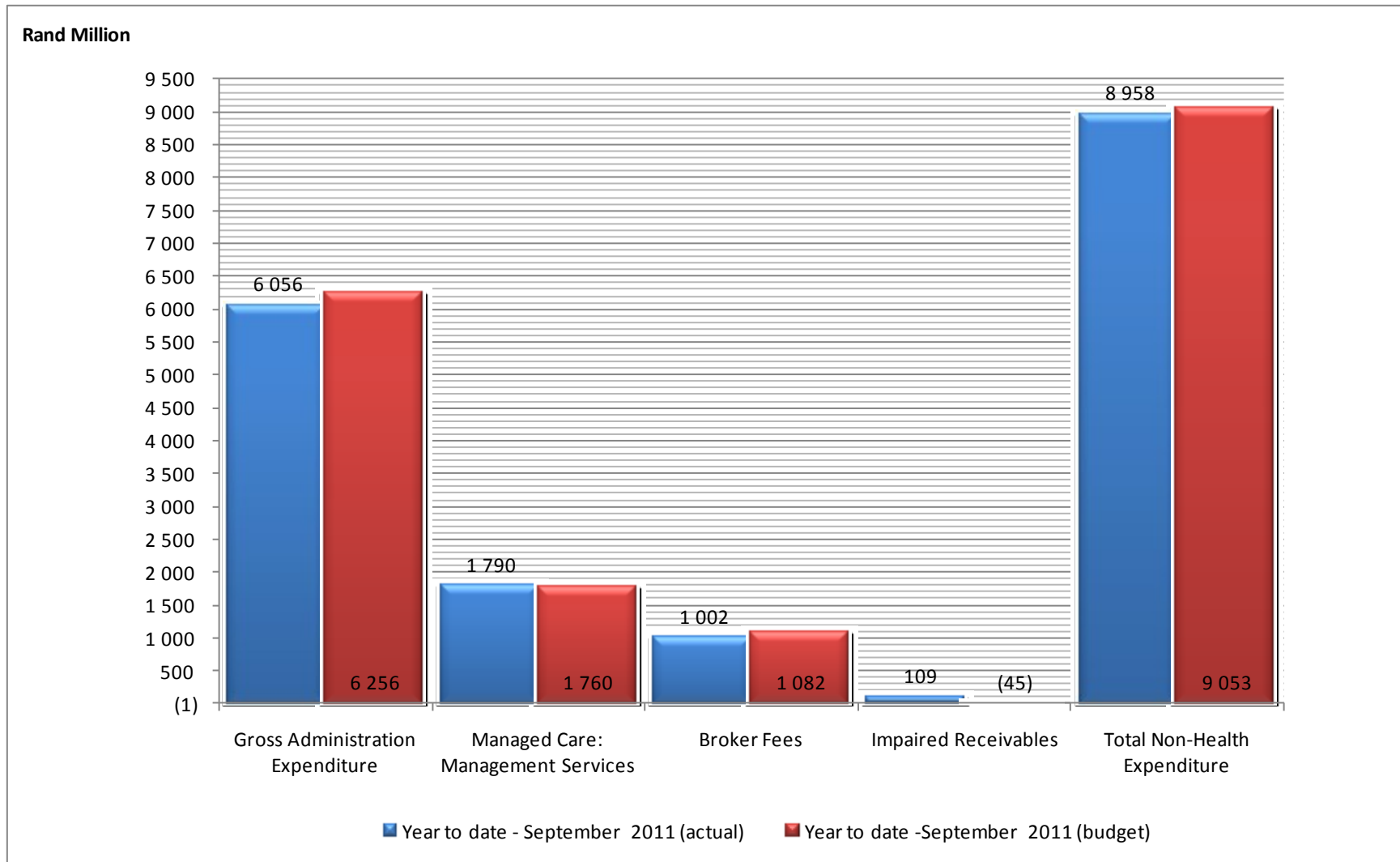
* PMSA = Personal Medical Savings Account

* GCI = Gross Contribution Income

* RCI = Risk Contribution Income

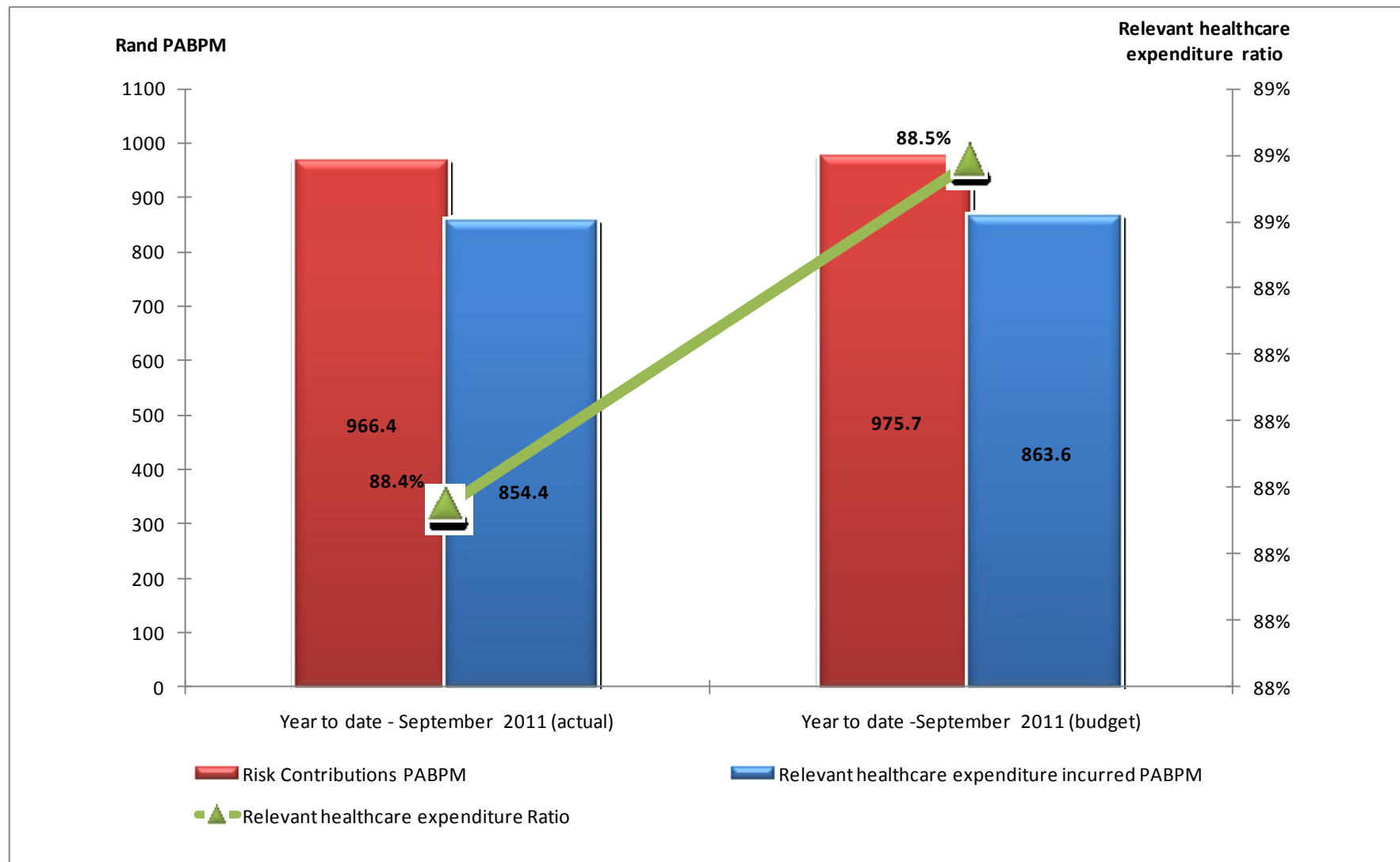
* NA = information not available

TOTAL NON-HEALTH EXPENDITURE GRAPH
Annexure I



NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH

Annexure J



PABPM = per average beneficiary per month