



Quarterly Reports for the Period ending 30 June 2011

November 2011

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 June 2011. Budget information for the second 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 4.8% from the audited solvency level of 31.6% at 31 December 2010 to 30.1% at 30 June 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 June 2011, which was 5.2% higher than the reserves of R30.7 billion as at 31 December 2010.
- The solvency level at 30 June 2011 was 2.2% higher than the budgeted solvency level of 29.5% 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 10 (2010: 12) open schemes that failed to meet the prescribed solvency level at 30 June 2011 represent 60.5% (2010: 60.6%) of the total open schemes' beneficiaries.
- Only 7 (2010: 7) restricted schemes were below 25.0%.
- The net asset value (per Regulation 29) per beneficiary increased with 4.2% from R3 690.5 at 31 December 2010 to R3 843.5 at 30 June 2011. The net asset value per beneficiary at 30 June 2011 was 1.1% higher than the budgeted net asset value of R3 800.6 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 3 673 704 at 30 June 2011.
- The number of total beneficiaries increased by 1.1% from 8 315 718 at 31 December 2010 to 8 407 020 at 30 June 2011.
- The average number of members of 3 641 198 for the period ended 30 June 2011 was 0.3% lower than budget, and the average number of beneficiaries of 8 355 822 was 0.2% lower than budget.
- The industry average age for all registered schemes for the period ended 30 June 2011 was 31.9 (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 R53.4 billion for the period ended 30 June 2011, which was 1.0% lower than the budget of R53.9 billion and 13.7% higher than the R47.4 billion for 30 June 2010.
- The gross contribution per average beneficiary per month was R1 064.9 for the period ended 30 June 2011. Gross relevant healthcare per average beneficiary per month was R970.1 for the period ended 30 June 2011.
- The gross contributions per average beneficiary per month at 30 June 2011 of R1 064.9 went up by 9.2% from R975.3 at 31 December 2010.
- Total risk contributions of R48.5 billion was 1.2% lower than budget. The risk contribution per average beneficiary per month for the period ended 30 June 2011 was R966.6.
- The relevant healthcare ratio of 87.7% at 30 June 2011 exceeded the budgeted relevant healthcare ratio of 87.5% with 0.2% but was 0.7% lower than the 30 June 2010 ratio of 88.3%. The relevant healthcare per average beneficiary per month for the period ended 30 June 2011 was R848.0. Total relevant healthcare for the period ended 30 June 2011 was R42.5 billion compared to the budgeted relevant healthcare of R42.9 billion, representing a 0.9% variance. Compared to the same period of the previous year, total relevant healthcare increased by 11.6% from R38.1 billion in June 2010.

- Relevant healthcare expenditure per average beneficiary per month at 30 June 2011 of R848.0 went up by 9.5% from R774.6 at 31 December 2010.
- The utilisation of the prior year's outstanding claims provision was 95.4% for all schemes as at 30 June 2011.

Non-health expenses

- Total non-health expenses for all medical schemes amounted to R6.0 billion for the period ended 30 June 2011, which was 0.5% lower than the R6.1 billion budgeted for and 6.7% higher than the R5.6 billion at the end of June 2010.
- The non-health expense per average beneficiary per month for the period ended 30 June 2011 was R120.9, which was 3.4% 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 12.5% at 30 June 2011.
- At 30 June 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>June '11</u>	<u>Dec '10</u>
- Gross administration expenses	67.2%	67.6%
- Managed care: management services	19.7%	19.5%
- Broker service fees (including distribution costs and broker fees)	11.3%	11.4%
- Net impairment losses: trade and other receivables	1.7%	1.5%

Operating results

- Registered medical schemes incurred net healthcare deficits (before taking investment and other income into account) of R114.7 million compared to a budgeted deficit of R33.4 million at 30 June 2011. The total deficit for net healthcare results is 243.2% lower than budgeted.
- Open schemes incurred net healthcare surpluses (before taking investment and other income into account) of R124.2 million compared to a budget of R401.1 million whereas restricted schemes incurred deficit (before taking investment and other income into account) of R239.0 million compared to a budgeted deficit of R434.5 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R1.6 billion at 30 June 2011 compared to a budgeted surplus of R1.2 billion, which represents an actual to budget variance of 35.8%.
- In 2010 schemes incurred net healthcare deficits of R460 million and net surpluses of R2.9 billion.

Investments

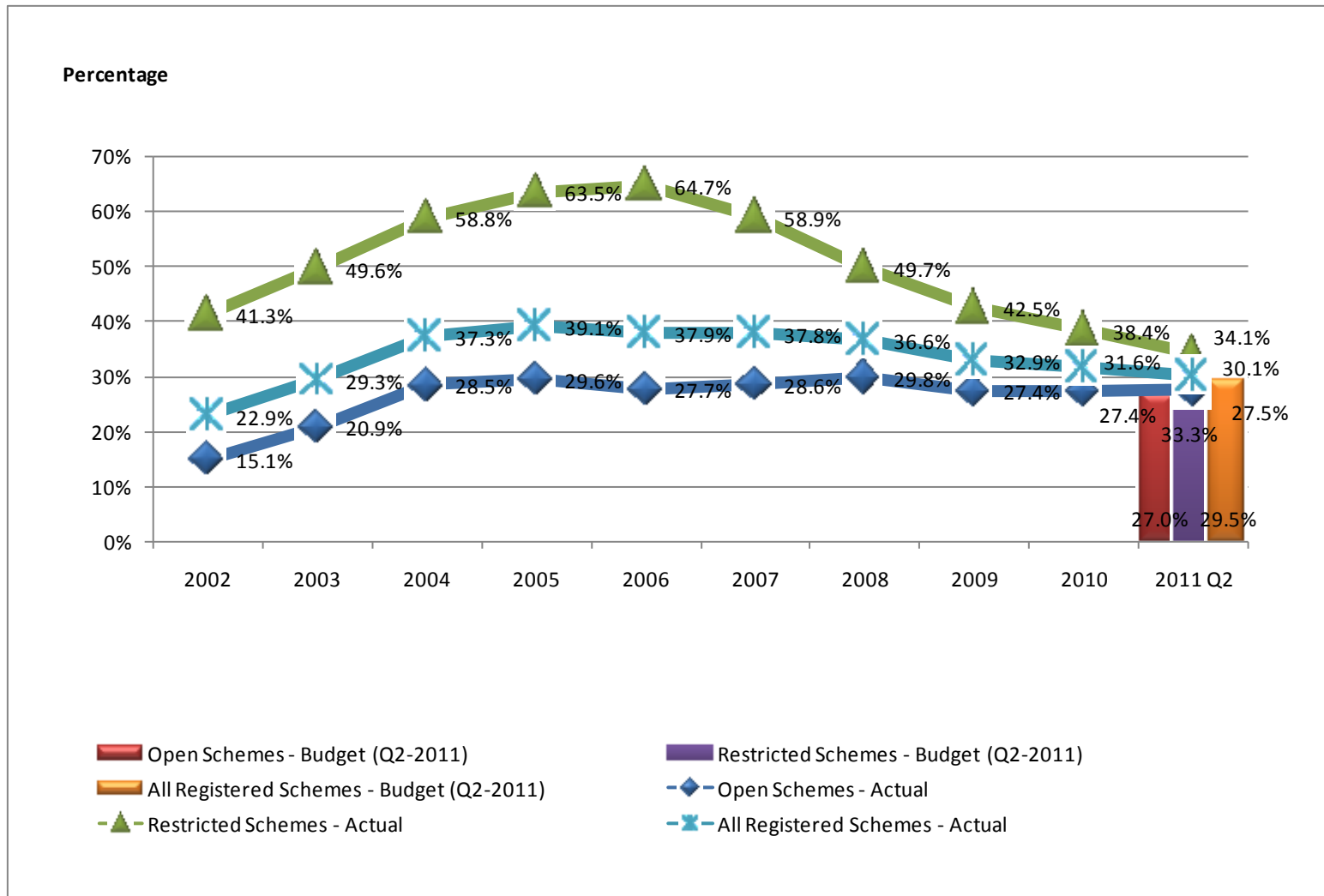
- The current assets to current liabilities ratio for open schemes at 30 June 2011 is 2.5 (2010: 2.7), whereas for restricted schemes it is 2.5 (2010: 3.3).
- The total assets to total liabilities ratio for open and restricted schemes is 3.3 (2010: 3.5) and 3.5 (2010: 4.0) respectively.

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

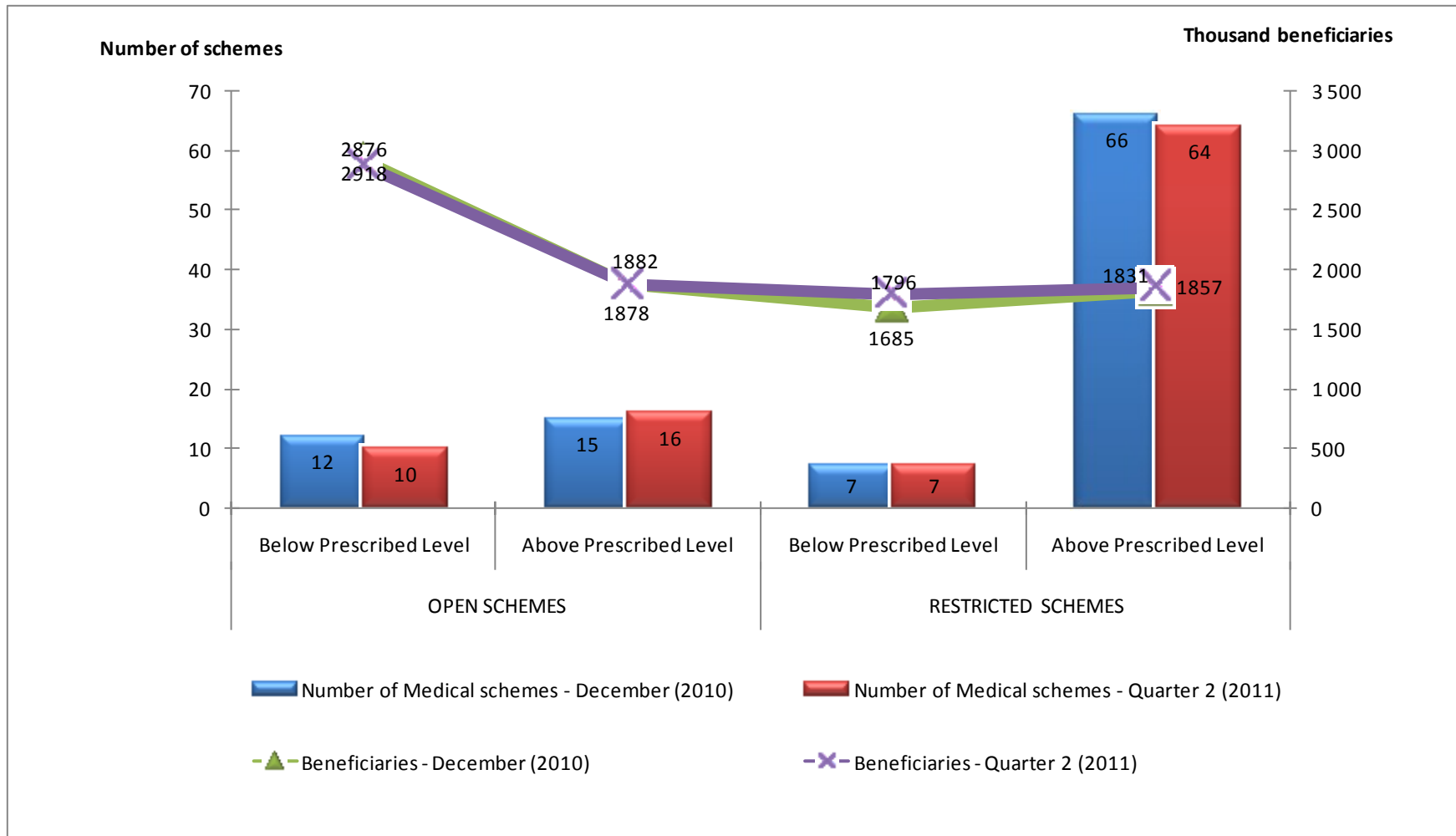
INDUSTRY AVERAGE:

	2004	% Change 2004	2005	% Change 2005	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010	% Change 2010	2010 Quarter 2 Actual	2011 - Quarter 2 Actual	2011 - Quarter 2 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%	26.7%	27.5%	27.0%	2.0%
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%	34.1%	33.3%	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%	30.1%	30.1%	29.5%	2.2%

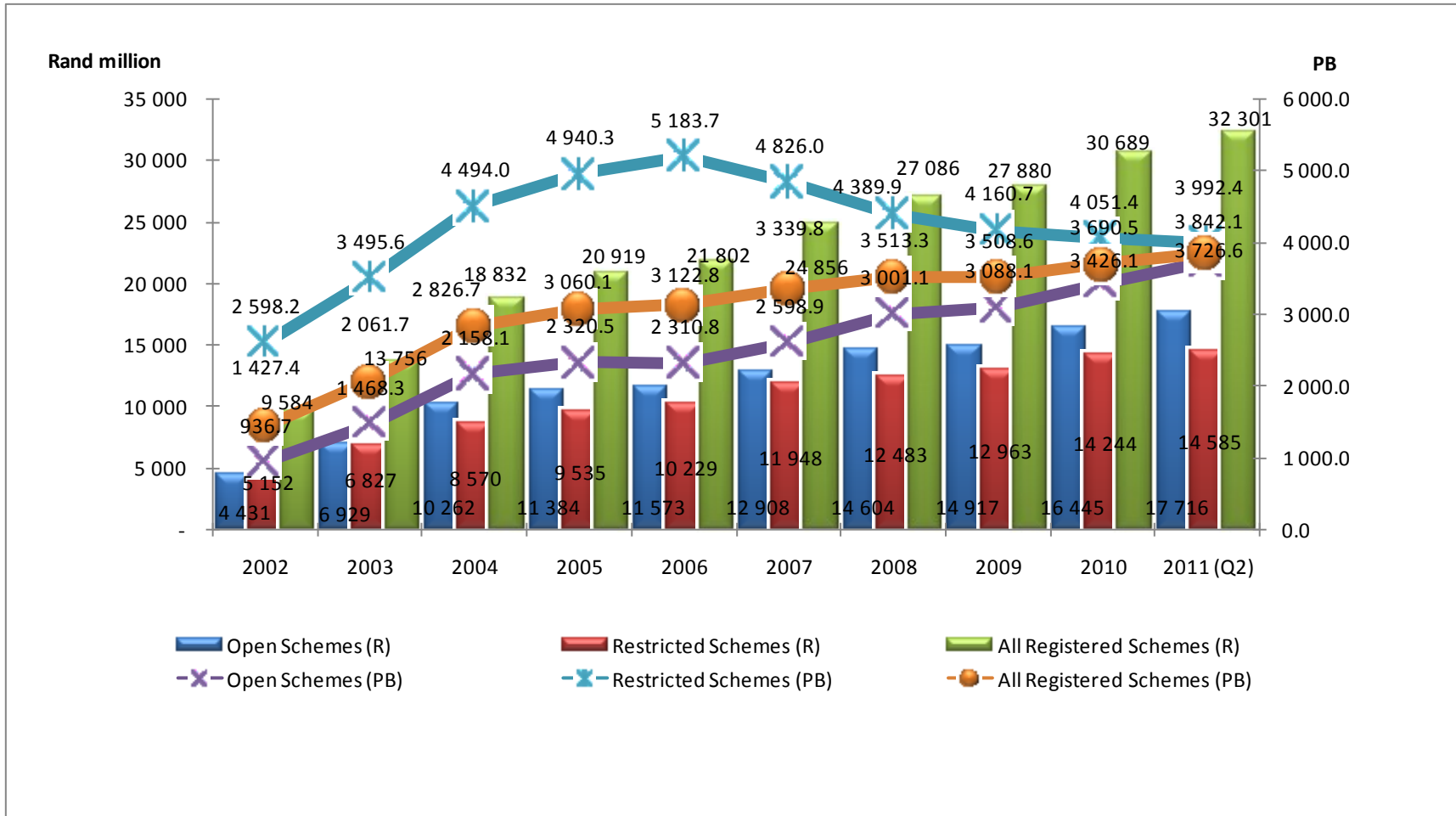
SOLVENCY RATIO GRAPH
Annexure B



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 June 2011
Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2,162,923	1,478,275	3,641,198
Average beneficiaries		4,756,084	3,599,738	8,355,822
Average age	Years	33.5	29.9	31.9
Pensioner ratio (65+ years)	%	8.0	5.3	6.8
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	32,194,725	21,195,353	53,390,078
Gross relevant healthcare (gross +PMSA) (Note a)		28,831,537	19,803,379	48,634,916
Gross Administration Expenses (risk + PMSA)		2,931,132	1,144,598	4,075,730
Managed care: management services		784,661	412,599	1,197,260
Broker service fees (including distributions costs)		666,825	16,426	683,251
Net impairment losses: trade and other receivables	R'000	79,238	25,733	104,972
Net healthcare results		124,207	(238,953)	(114,746)
Surplus/ (deficit)		1,291,478	285,221	1,576,699

NOTES:

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

* PMSA = Personal Medical Savings Account

BALANCE SHEET DETAILS
at 30 June 2011
Annexure F

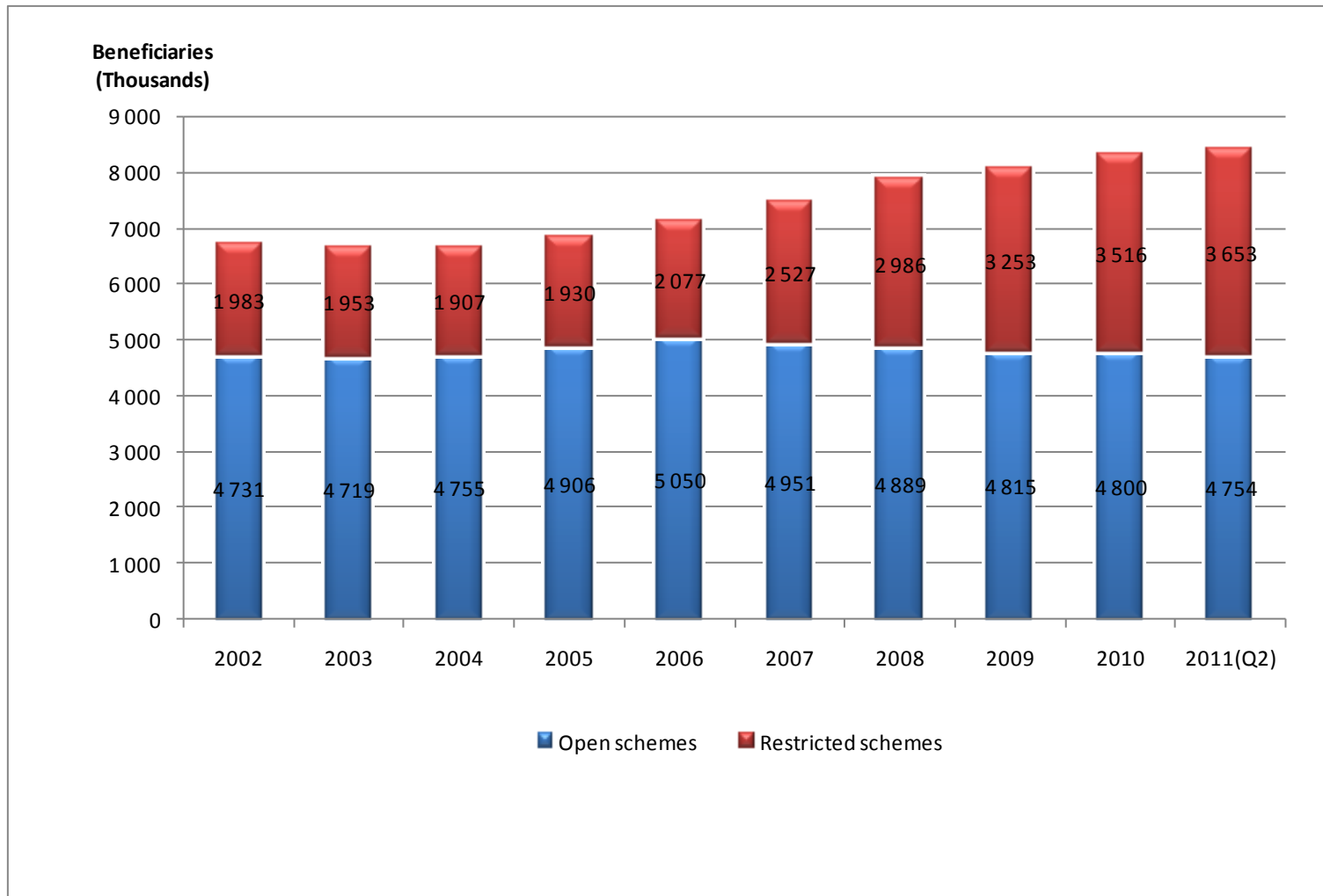
		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 30 June 2011		2,167,964	1,505,740	3,673,704
Dependants at 30 June 2011		2,585,915	2,147,401	4,733,316
Beneficiaries at 30 June 2011		4,753,879	3,653,141	8,407,020
Non-current assets	R'000	6,385,593	8,416,055	14,801,648
Current assets	R'000	20,065,677	13,465,435	33,531,112
Trade & other receivables	R'000	3,986,110	1,085,260	5,071,371
	Contribution days outstanding			
		6.5	3.2	5.2
Cash & cash equivalents	R'000	9,849,482	9,878,616	19,728,098
Total assets	R'000	26,451,270	21,881,490	48,332,760
Members' funds (net assets per BS)		18,358,424	15,713,537	34,071,962
Accumulated funds		17,814,012	14,630,884	32,444,896
Non-current liabilities		20,477	848,414	868,891
Current liabilities		8,072,368	5,319,539	13,391,907
Trade & other payables		2,520,414	1,862,706	4,383,121
Savings liability		3,059,420	1,603,790	4,663,209
Outstanding claims provision		2,492,534	1,853,043	4,345,577
	Prior year claims provision utilised %			
		97.1	93.1	95.4
Total liabilities	R'000	8,092,845	6,167,953	14,260,798
Total assets: total liabilities		3.3	3.5	3.4
Current assets: current liabilities		2.5	2.5	2.5
Gross claims incurred: cash & cash equivalents coverage	Months	4.5	4.5	4.5

Net assets per Regulation 29	R'000	17,715,894	14,584,771	32,300,666
Solvency ratio	%	27.5	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 30 June 2011
Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2,167,964	2,197,216	-1.3%	1,505,740	1,490,955	1.0%	3,673,704	3,688,171	-0.4%
Beneficiaries		4,753,879	4,815,266	-1.3%	3,653,141	3,640,240	0.4%	8,407,020	8,455,506	-0.6%
Gross Contribution Income (GCI)	R'000	32,194,725	32,758,540	-1.7%	21,195,353	21,164,154	0.1%	53,390,078	53,922,694	-1.0%
Risk Contribution Income (RCI)		28,207,923	28,754,354	-1.9%	20,252,588	20,276,466	-0.1%	48,460,511	49,030,821	-1.2%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		28,831,537	N/A	0.0%	19,803,379	N/A	0.0%	48,634,916	N/A	0.0%
Relevant healthcare incurred (incl. managed care claims) (Note a)		23,621,859	23,823,148	-0.8%	18,890,676	19,088,472	-1.0%	42,512,536	42,911,619	-0.9%
Gross (incl. PMSA)/net non-health expenses		4,461,856	4,506,135	-1.0%	1,600,865	1,585,999	0.9%	6,062,721	6,092,134	-0.5%
Net healthcare results		124,207	401,081	-69.0%	(238,953)	(434,513)	-45.0%	(114,746)	(33,431)	243.2%
Surplus/(deficit)	R'000	1,291,478	1,101,636	17.2%	285,221	59,764	377.2%	1,576,699	1,161,400	35.8%
Quarter end reserve position (per Regulation 29) (Note c)		17,715,894	17,678,224	0.2%	14,584,771	14,446,242	1.0%	32,300,666	32,124,466	0.5%

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 June 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.

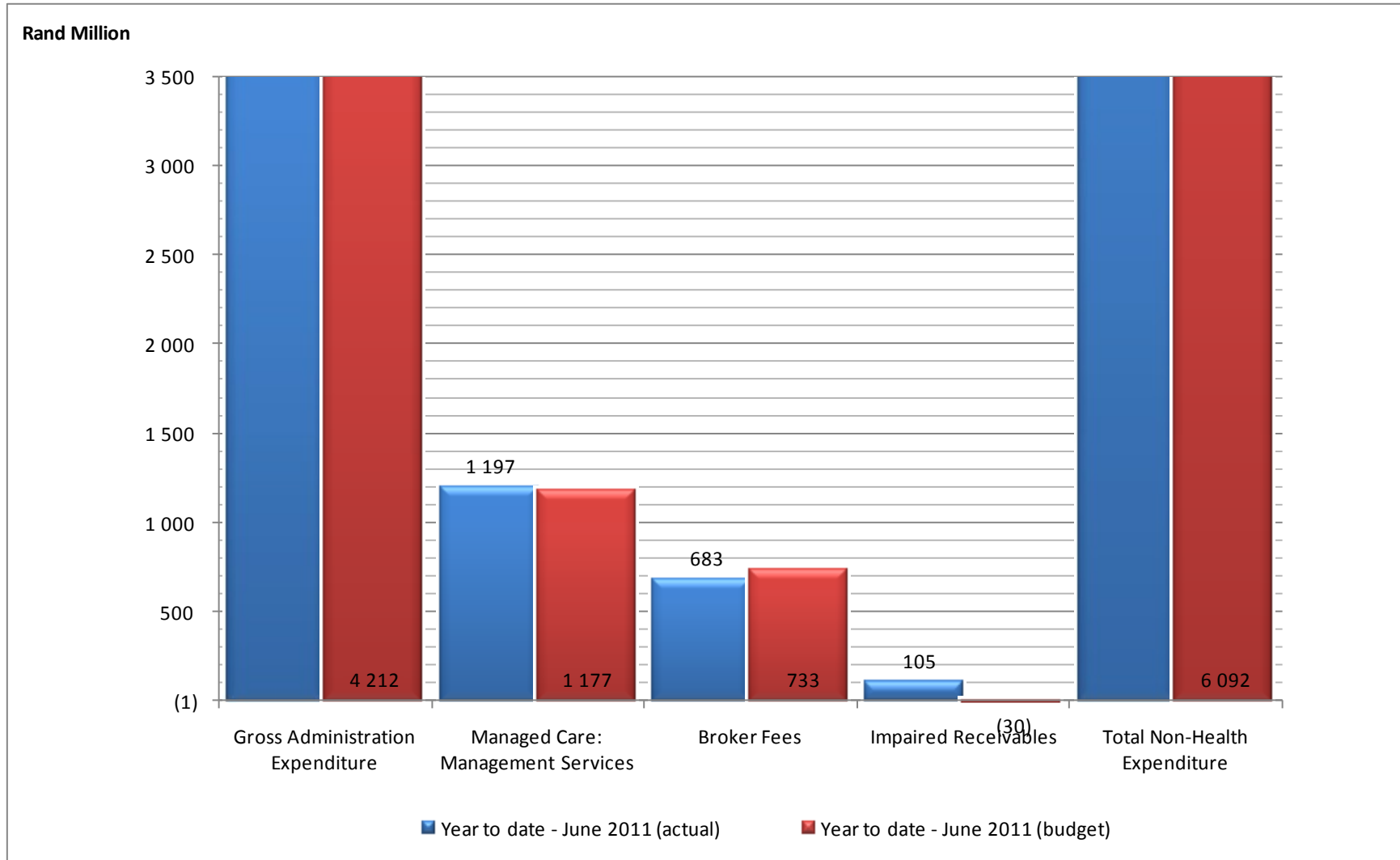
* PMSA = Personal Medical Savings Account

* GCI = Gross Contribution Income

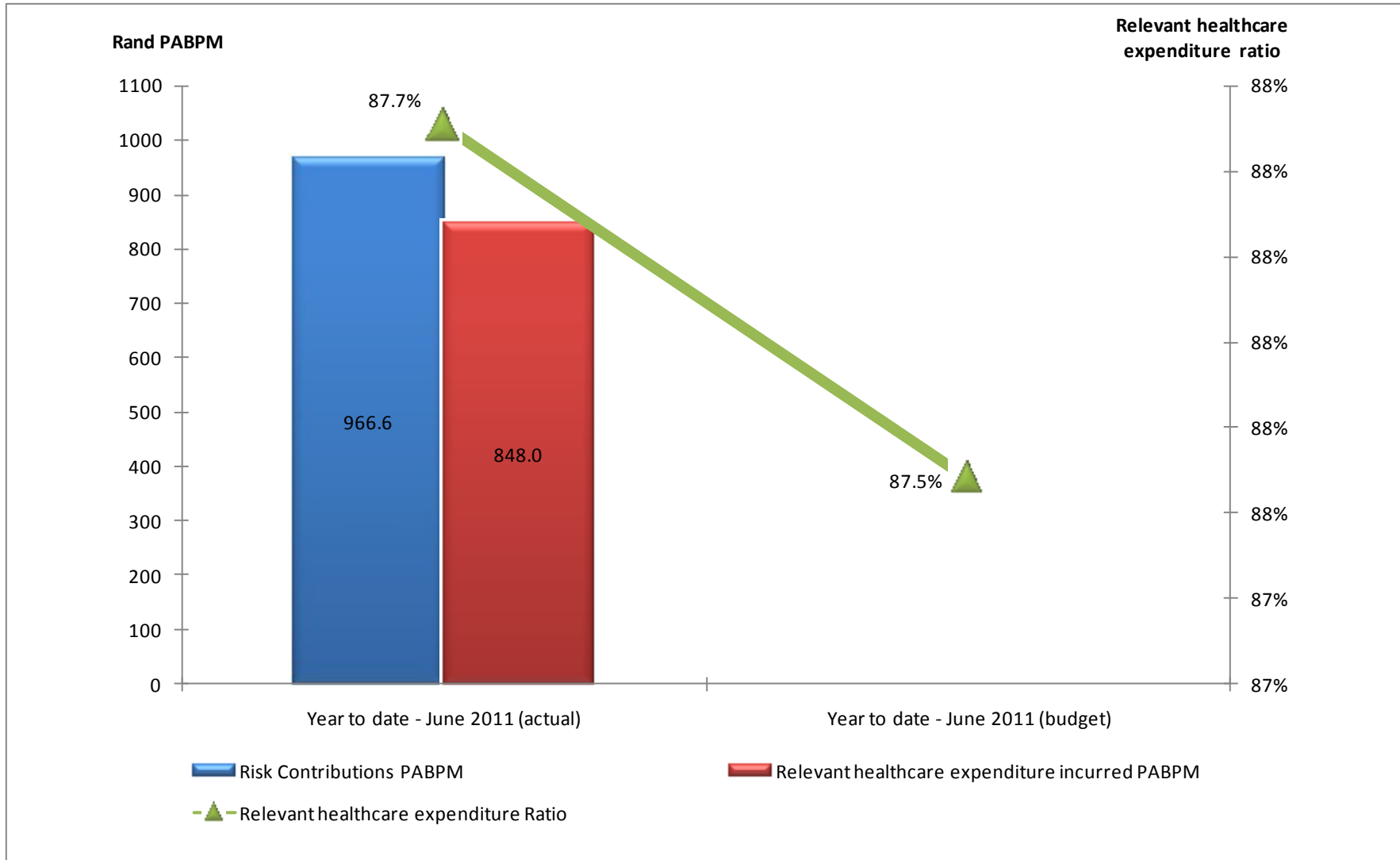
* RCI = Risk Contribution Income

* 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