



Principal Officers
Chairpersons
Boards of Trustees

Ref: Contributions in 2011
 Enq: Thulani Matsebula
 t: 012 431 0527
 f: 012 431 0627
 e: t.matsebula@medicalschemes.com

Date: 23 September 2010

Circular 46 of 2010: Guidance note on contribution increase for medical schemes in 2011

The purpose of this guidance note is to inform medical schemes on the perspective of the Council for Medical Schemes (CMS) on inflation and its projected impact on contribution increases for 2011.

The CMS has compiled this guidance note after taking into consideration certain key economic indicators that have a direct impact on the medical schemes industry. The indicators are presented as follows:

Economic indicator	Percentage increase/decrease
CPI (average for 2009/10)	5.2%
Exchange rates	
Rand/Dollar/Euro (average for 2009-2010)	-13.2%
Medicine Pricing	
Single Exit Price (projected trend for 2011)	-1.2%

Sources: South African Reserve Bank, Statistics South Africa, the Department of Health

The CMS has taken due regard of the above indicators and therefore recommends that contribution increases for 2011 be confined within a range of 4.9-5.2%. Any contribution increase above 5.2% will require a motivation, considering that the Rand has strengthened significantly against major foreign currencies and that medicine prices are not expected to increase during 2011.

This recommendation is also informed by the following trends in the period under consideration:

- The overall age profile of beneficiaries in the medical schemes industry has not increased
- There are no significant changes to the burden of disease profile of the medical scheme population
- Utilisation trends among medical scheme beneficiaries are not expected to increase, largely as a result of the above two factors.

A statutory body established in terms of the
 Medical Schemes Act, 1998 (Act 131 of 1998)

Chairperson: Prof. W Pick Registrar & CE: Dr M Gantsho



- Administration expenditure should increase within the range above as the section of the population covered has remained relatively stable over the period in which the increase is applied.
- No major advances in medical technology are likely to occur that will impact costs significantly.

As already indicated, all applications for contribution increases above the specified range must be accompanied by a detailed motivation. The motivations submitted will be taken into account in the final approval of contribution increases.

A handwritten signature in black ink, appearing to read 'Gantsho', located below the main text.

Dr M Gantsho
Registrar & Chief Executive