

Quarterly Reports 3 2007



QUARTERLY REPORTS

for the period ended 30 September 2007

Contents

	Annexure	Page
1. Introduction		3
2. Regulation 29 – Minimum Accumulated Funds	A	7
3. Solvency Ratio Graph	B	8
4. Prescribed Solvency Levels and Number of Members	C	9
5. Nett Assets per Regulation 29 Graph	D	10
6. Income Statement Details	E	11
7. Balance Sheet Details	F	13
8. Number of Beneficiaries Graph	G	16
9. Detailed financial information: Actual vs. Budget	H	17
10. Total Non-Health Expenditure Graph	I	19
11. Detailed financial information: Actual vs. Budget	J	20
12. Risk claims ratio: Risk Benefit Graph	K	24

INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 September 2007. Budget information for the third quarter of 2007 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.

All the annexures exclude bargaining council schemes, due to the unavailability of quarterly information.

The following amalgamations took place during the period ended 30 September 2006:

- Mutual and Federal amalgamated with Nedcor Medical Scheme with effect from 1 July 2007.
- CSIR and Bestmed amalgamated with effect from 01 September 2007.

Monitoring 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 6,5% from the audited solvency level of 37,9% at 31 December 2006 to 35,4% at 30 September 2007. 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.
- The solvency level at 30 September 2007 was 1,2% lower than the budgeted solvency level of 35,8% for the same period. This was mainly due to the total gross contributions for all schemes of R48,3 billion being 0,9% higher than the budget of R47,9 billion for the period ended 30 September 2007.
- On an industry level, the solvency level exceeded the required minimum level of 25%, as per Regulation 29(1) of the Medical Schemes Act, for both open and restricted schemes.
- The 19 (2006:18) open schemes that failed to meet the prescribed solvency level at 30 September 2007, represent 64% (2006: 62%) of the total open schemes' beneficiaries.
- Only 9 (2006:7) restricted schemes were below 25%.
- The nett asset value (per Regulation 29) per beneficiary decreased with 0,9% from R3 122,8 at 31 December 2006 to R3 094 at 30 September 2007. The nett asset value per beneficiary at 30 September 2007 was 7,5% lower than the budgeted nett asset value of R3 343 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 5,1% from 2 985 350 at 31 December 2006 to 3 137 636 at 30 September 2007.
- The number of total beneficiaries increased by 3,8% from 7 127 343 at 31 December 2006 to 7 396 839 at 30 September 2007.
- The average number of members of 3 065 565 for the period ended 30 September 2007 was 1,8% higher than budget, and the average number of beneficiaries of 7 264 602 was 11,7% higher than budget.
- The industry average age for all registered schemes for the period ended 30 September 2006 was 31,8 (2006:31,9) years and the proportion of pensioners, 6,4% (2006:6,5%).

Contributions and claims

- The total gross contribution income for all medical schemes amounted to R48,3 billion for the period ended 30 September 2007, 0,9% higher than the budget of R47,9 billion for the same period.
- The gross contributions per average beneficiary per month of R 739,0 for the period ended 30 September 2007 was lower than the budgeted amount of R817,6, which represents a 9,6% variance. Gross claims per average beneficiary per month were R667,4 for the period ended 30 September 2007.
- The gross contributions per average beneficiary per month at 30 September 2007 of R739,0 went up by 7,6% from R687,1 at 31 December 2006.
- Total risk contributions of R43,6 billion, as well as the risk contribution per average beneficiary of R666,7 per month for the period ended 30 September 2007, were lower than budget by 0,3% and 10,2% respectively.
- The nett claims ratio of 88,5% at 30 September 2007 exceeded the budgeted nett claims ratio of 86,9% with 1,8%. The nett claims per average beneficiary per month of R589,7 for the period ended 30 September 2007 was lower than the budgeted amount of R644,7 by 8,5%.
- Total nett claims for the period ended 30 September 2007 was R38,6 billion compared to the budgeted nett claims of R37,8 billion, representing a 2,1% variance.
- The utilization of the prior year's outstanding claims provision was 88,1% for all schemes as at 30 September 2007.

Non-health expenses

- Total gross non-health expenses for all medical schemes amounted to R6,6 billion for the period ended 30 September 2007, which were 0,8% lower than the R6,7 billion budgeted for.
- The gross non-health expenses per average beneficiary per month of R101,0 was 11,2% lower than the budget of R113,7 for the period ended 30 September 2007, and 2,0% higher than the industry average of R99,3 at 31 December 2006.
- Gross non-health expenses when expressed as a percentage of gross contributions, decreased from 14,5% at 31 December 2006 to 13,7% at 30 September 2007.

Non-health expenses (continued)

- At 30 September 2007, the industry averages of the various components of non-health expenses expressed as a percentage of total gross non-health expenses were as follows:

	<u>Sep'07</u>	<u>Dec'06</u>
- Gross Administration Expenses	70,1%	70,8%
- Managed Care: Management services	17,2%	16,5%
- Acquisition costs (Including distribution costs and broker fees)	11,8%	11,8%
- Nett Impairment Losses: Trade and Other Receivables	0,9%	0,9%

Operating results

- Registered medical schemes incurred a total deficit from operations (before taking investment and other income into account) of R1 572 billion compared to a budgeted deficit of R1 012 billion at 30 September 2007. The total deficit from operations exceeded the budget by 55,3%.
- Open schemes incurred a total deficit from operations (before taking investment and other income into account) of R760,9 million compared to a budgeted deficit of R242,4 million whereas restricted schemes incurred a total deficit from operations (before taking investment and other income into account) of R811,2 million compared to a budgeted deficit of R769,8 million.
- The inclusion of investment and other income resulted in all registered schemes making a nett surplus of R907,8 million at 30 September 2007 compared to a budgeted nett surplus of R461,1 million, which represents an actual to budget variance of 96,9%.

Investments

- The current assets to current liabilities ratio for open schemes at 30 September 2007 is 2,2 (2006: 2,1), whereas for restricted schemes it is 3,2 (2006:3,2).
- The total assets to total liabilities ratio for open and restricted schemes is 2,9 (2006: 2,7) and 4,6 (2006:4,3) respectively.
- The medical scheme's ability to pay claims from cash and cash equivalents deteriorated from 5,34 in 2006 to 4,0 months in September 2007. This ratio was calculated based on annualised gross claims.

REGULATION 29 MINIMUM ACCUMULATED FUNDS (SOLVENCY RATIO)

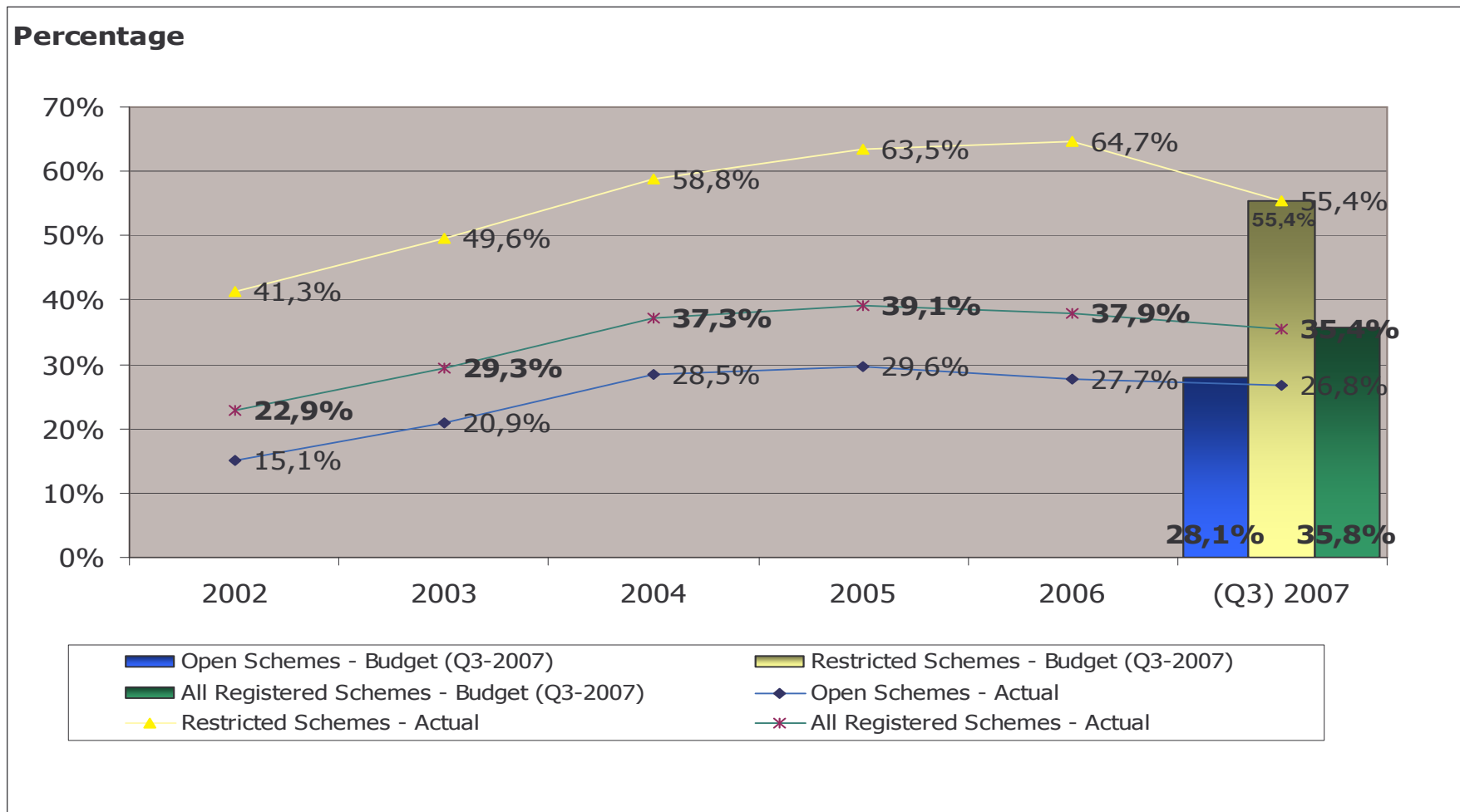
Annexure A

INDUSTRY AVERAGE:

	2002	2003	% Change 2003	2004	% Change 2004	2005	% Change 2005	2006	% Change 2006	2007 - Quarter 3 Actual	2007 - Quarter 3 Budget	% Change Actual 06 vs. 07	% Change Actual 07 vs. Budget 07
Open schemes	15,1%	20,9%	38,8%	28,5%	36,4%	29,6%	3,7%	27,7%	-6,2%	26,8%	28,1%	-3,3%	-4,5%
Restricted schemes	41,3%	49,6%	20,2%	58,8%	18,6%	63,5%	8,0%	64,7%	1,8%	55,4%	55,4%	-14,4%	0,0%
All registered schemes	22,9%	29,3%	28,2%	37,3%	27,3%	39,1%	4,8%	37,9%	-3,1%	35,4%	35,8%	-6,5%	-1,2%

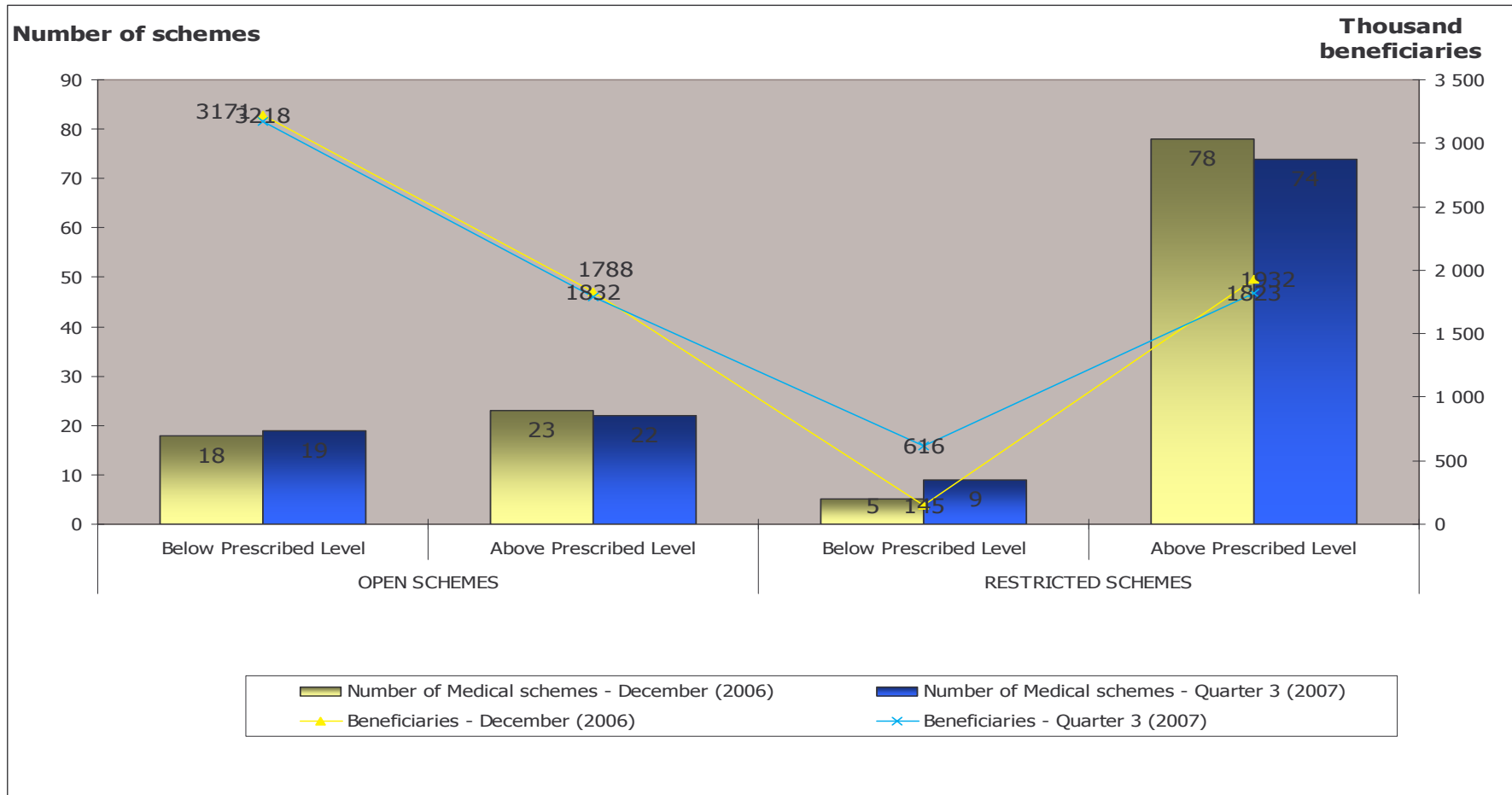
SOLVENCY RATIO

Annexure B



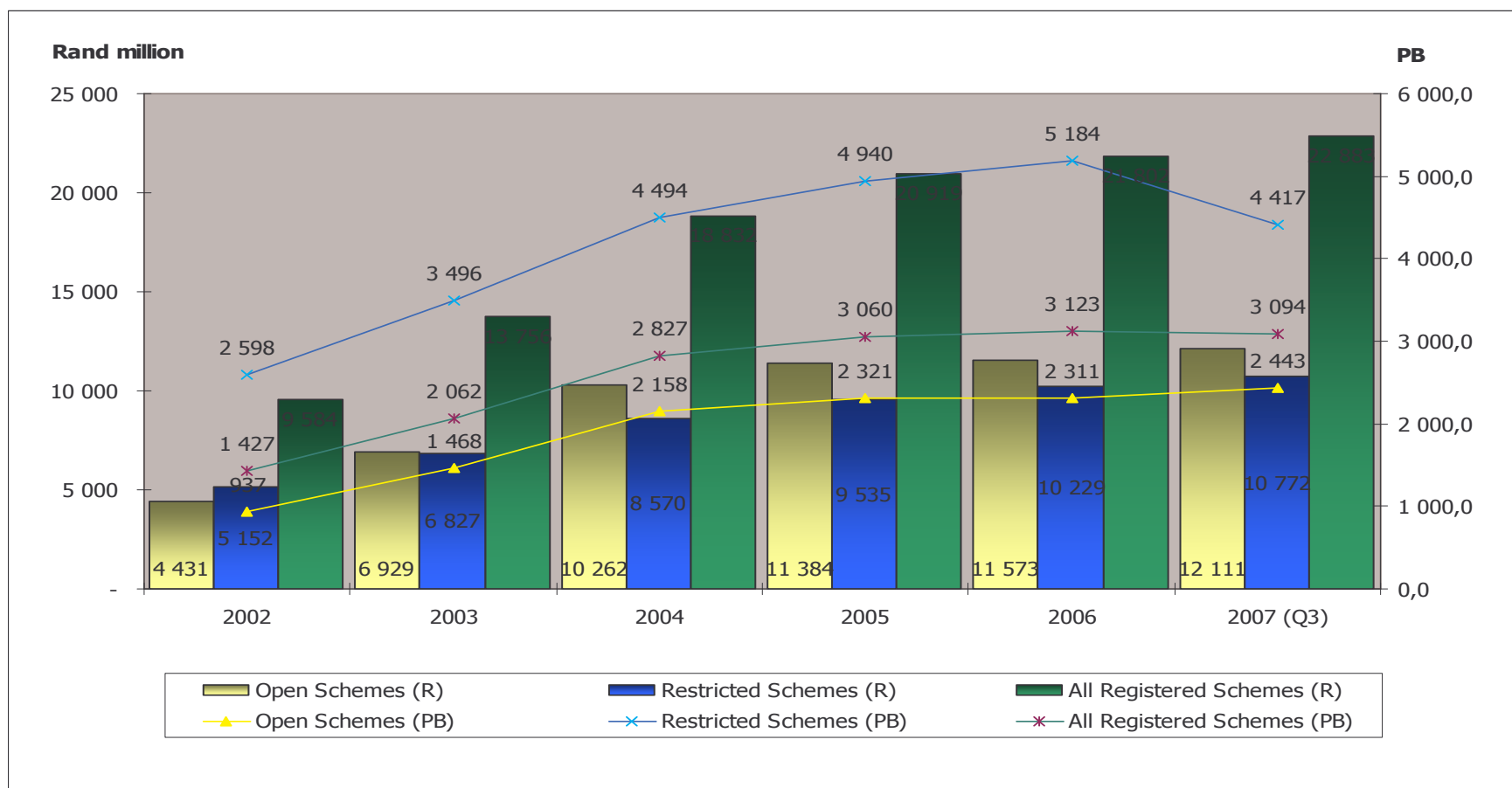
PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES

Annexure C



NETT ASSETS PER REGULATION 29

Annexure D



*PB = Per Beneficiary

Please note that the 2002 and 2003 amounts have not been restated

INCOME STATEMENT DETAILS

for the period ended 30 September 2007

Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average Members		2 094 226	971 339	3 065 565
Average Beneficiaries		4 973 846	2 290 757	7 264 602
Average Age	Years	32,1	31,4	31,8
Pensioner Ratio (65+ years)	%	6,3	6,5	6,4
No. of Dependants per member		1,4	1,4	1,4
Gross Contributions (RISK +PMSA)	R'000	33 930 679	14 384 010	48 314 690
Gross Claims (GROSS +PMSA) (Note a)		29 811 938	13 822 887	43 634 825
Gross Administration expenses (RISK +PMSA)		3 583 360	1 047 011	4 630 371
Total fees paid to third party administrators (Included in Gross Administration) (Note b)		2 823 363	802 541	3 625 904
Managed Care: Management services		860 483	276 870	1 137 353
Acquisition Costs (Note c)		767 107	10 271	777 378
Broker fees (Included in Acquisition Costs)		724 437	9 357	733 793

INCOME STATEMENT DETAILS for the period ended 30 September 2007

Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Nett Impairment losses: Trade and Other Receivables	R'000	40 685	16 925	57 610
Surplus/(Deficit) from Operations		(760 891)	(811 171)	(1 572 062)
Nett Surplus/ (Deficit)		532 996	374 758	907 755

NOTES:

- a) Including Managed care: Healthcare benefits included in Risk Transfer Arrangements and Nett Reinsurance. The reason for Nett Reinsurance being included is due to the fact that the data was not collected separately, and the existence of the inability to split out the data.
- b) Including Direct Administration fees, Co-administration fees and Indirect Expenses paid.
- c) Including Broker Fees and Distribution Costs.

* PMSA = Personal Medical Savings Account

BALANCE SHEET DETAILS at 30 September 2007

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 30 September 2007		2 105 270	1 032 366	3 137 636
Dependants at 30 September 2007		2 853 127	1 406 076	4 259 203
Beneficiaries at 30 September 2007		4 958 397	2 438 442	7 396 839
Non-current Assets	R'000	5 268 528	5 667 962	10 936 490
Current Assets	R'000	14 339 983	10 463 026	24 803 009
Trade & Other Receivables	R'000	2 376 075	649 716	3 025 791
	Contribution Days Outstanding	9,1	6,2	7,7
Cash & Cash Equivalents	R'000	11 963 908	9 812 641	21 776 548
Total Assets	R'000	19 608 510	16 130 989	35 739 499

BALANCE SHEET DETAILS at 30 September 2007

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members' Funds(Net assets per BS)	R'000	12 935 131	12 605 554	25 540 685
Accumulated Funds	R'000	12 305 512	10 390 629	22 696 140
Non-current Liabilities	R'000	36 617	231 408	268 025
Current Liabilities	R'000	6 636 763	3 297 159	9 933 922
Trade & Other Payables	R'000	1 812 401	1 075 778	2 888 179
	Claims Days Outstanding	5,2	8,1	6,1
Savings Liability	R'000	2 719 676	1 164 516	3 884 193
Outstanding Claims Provision	R'000	2 104 686	1 056 865	3 161 550
	Prior Year Claims Provision Utilised %	88,0	83,5	88,1

BALANCE SHEET DETAILS at 30 September 2007

Annexure F

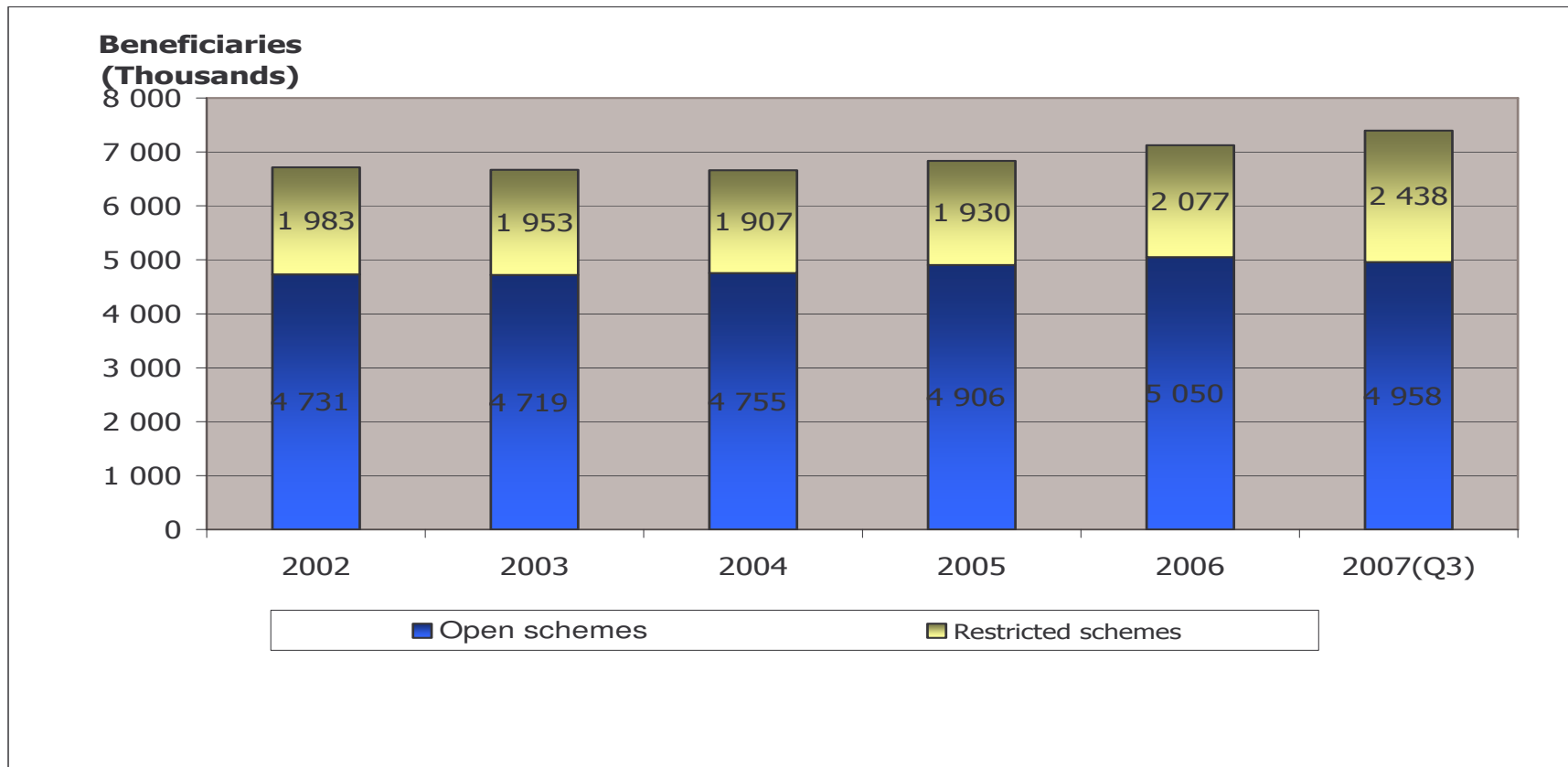
		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Total liabilities	R'000	6 673 380	3 528 567	10 201 947
Total Assets: Total Liabilities		2,9	4,6	3,5
Current Assets: Current Liabilities		2,2	3,2	2,5
Gross Claims Incurred: Cash and Cash Equivalents Coverage	Months	5,0	2,8	4,0
Nett Assets Per Regulation 29	R'000	12 111 038	10 771 760	22 882 798
Solvency Ratio	%	26,8	55,4	35,4

NOTES:

- * In respect of Trade and Other Receivable outstanding days, the denominator is annualised gross contributions
- * In respect of Trade and Other Accounts payable outstanding days, the denominator is annualised nett claims incurred
- * In respect of Prior year claims provision utilised = prior year payments / provision at the beginning of the year
- * In respect of Gross claims cash coverage = cash and cash equivalents / annualised gross claims incurred
- * 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

Annexure G



**DETAILED FINANCIAL INFORMATION:
ACTUAL VS. BUDGET
for the period ended 30 September 2007**

Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% Variance	Actual	Budget	% Variance	Actual	Budget	% Variance
Average Members		2 094 226	2 073 968	1,0	971 339	937 740	3,6	3 065 565	3 011 708	1,8
Average Beneficiaries		4 973 846	4 673 392	6,4	2 290 757	1 832 883	25,0	7 264 602	6 506 275	11,7
Gross Contribution Income (GCI)	R'000	33 930 679	34 253 261	-0,9	14 384 010	13 620 069	5,6	48 314 690	47 873 331	0,9
Risk Contribution Income (RCI)		30 163 404	30 498 070	-1,1	13 423 535	12 960 544	3,6	43 586 939	43 458 613	0,3
Gross Claims Incurred (incl. PMSA & Managed Care Claims) (Note a)		29 811 938	NA	0,0	13 822 887	NA	0,0	43 634 825	NA	0,0
Nett Claims Incurred (incl. Managed Care Claims) (Note a)		25 672 659	25 256 460	1,6	12 883 765	12 496 552	3,1	38 556 424	37 753 012	2,1
Gross (incl. PMSA)/Nett Non-health Expenses		5 251 636	5 432 170	-3,3	1 351 076	1 226 772	10,1	6 602 712	6 658 942	-0,8
Surplus/(Deficit)		(760 891)	(242 372)	213,9	(811 171)	(769 760)	5,4	(1 572 062)	(1 012 132)	55,3

**DETAILED FINANCIAL INFORMATION:
ACTUAL VS. BUDGET
for the period ended 30 September 2007**

Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% Variance	Actual	Budget	% Variance	Actual	Budget	% Variance
from Operations										
Nett Surplus/(Deficit)	R'000	532 996	676 781	-21,2	374 758	(215 676)	273,8	907 755	461 105	96,9
Quarter End Reserve Position (per Regulation 29) (Note c)		12 111 038	12 312 547	-1,6	10 771 760	9 436 424	14,2	22 882 798	21 748 971	5,2

NOTES:

a) Including Managed care: Healthcare benefits included in Risk Transfer Arrangements and Nett Reinsurance. The reason for Nett Reinsurance being included is due to the fact that the data was not collected separately, and the existence of the inability to split out the data.

b) Gross Non-Health Expenses = Administration Expenses, Managed Care: Management Services, Acquisition Costs (including Broker Fees and Distribution Fees) and Nett 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 2007: cumulative nett 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

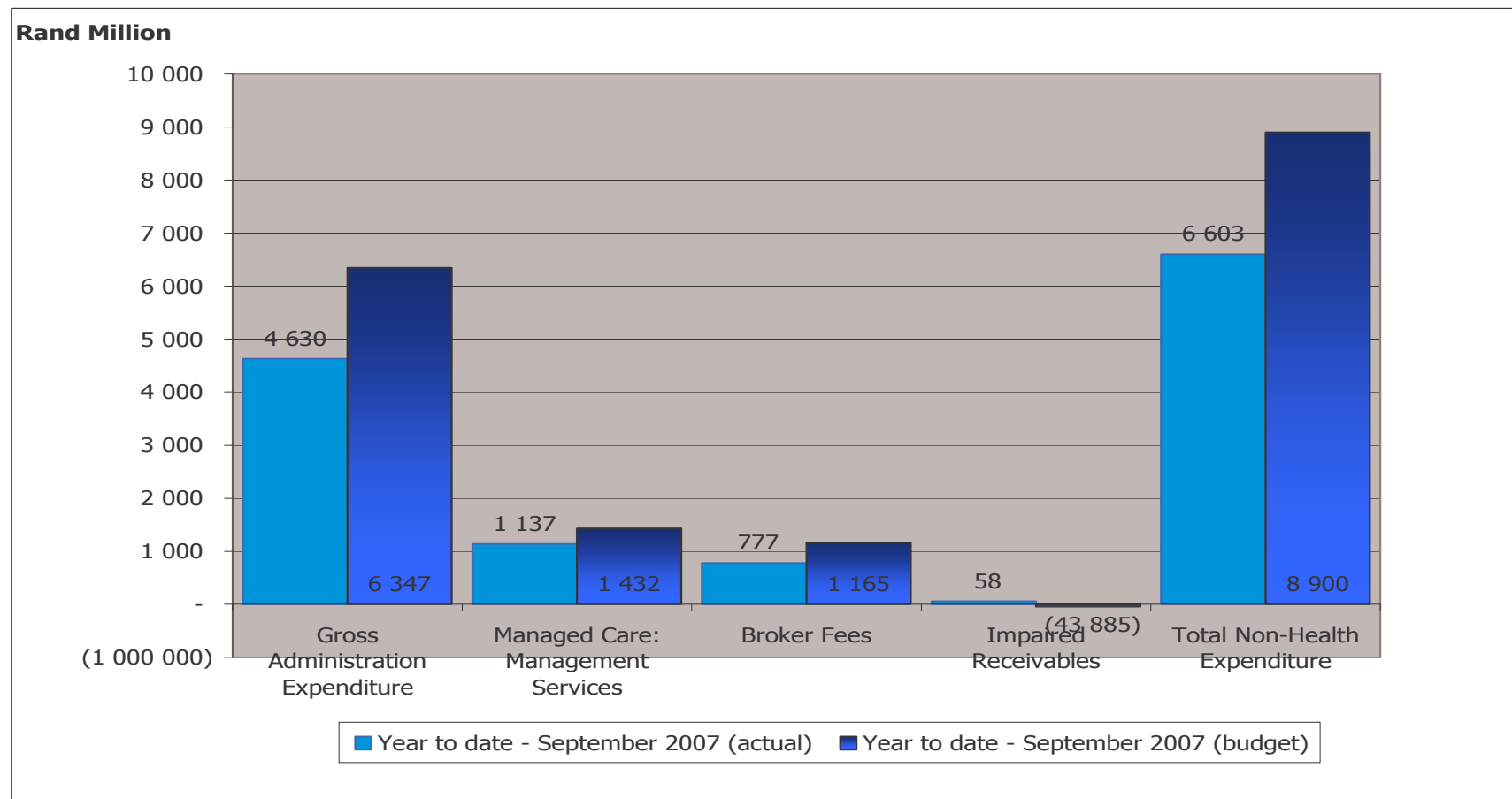
* RCI = Risk Contribution Income

* NA = Information not available

We do not express an opinion on the accuracy of the budgeted figures submitted.

TOTAL NON-HEALTH EXPENDITURE

Annexure I



DETAILED FINANCIAL INFORMATION
ACTUAL VS. BUDGET
for the period ended 30 September 2007

Annexure J

	OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Gross Contribution Income (GCI)			
PABPM (Actual-R)	758,0	697,7	739,0
PABPM (Budget-R)	814,4	825,7	817,6
% Variance (PABPM actual vs. budget)	-6,9	-15,5	-9,6
Risk Contribution Income (RCI)			
PABPM (Actual-R)	673,8	651,1	666,7
PABPM (Budget-R)	725,1	785,7	742,2
% Variance (PABPM actual vs. budget)	-7,1	-17,1	-10,2
Gross Claims Incurred (incl. PMSA & Managed Care Claims)			
(Note a)			
As % of GCI (Actual)	87,9	96,1	90,3
As % of GCI (Budget)	NA	NA	NA
PABPM (Actual-R)	666,0	670,5	667,4
PABPM (Budget-R)	NA	NA	NA
% Variance (PABPM actual vs. budget)	0.0	NA	NA
Nett Claims Incurred (incl. Managed Care Claims) (Note a)			
As % of RCI (Actual)	85,1	96,0	88,5
As % of RCI (Budget)	82,8	96,4	86,9
PABPM (Actual-R)	573,5	624,9	589,7

DETAILED FINANCIAL INFORMATION
ACTUAL VS. BUDGET
for the period ended 30 September 2007

Annexure J

	OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
PABPM (Budget-R)	600,5	757,6	644,7
% Variance (PABPM actual vs. budget)	-4,5	-17,5	-8,5
Gross/Nett Non-health Expenses (Note b)			
As % of GCI (Actual)	15,5	9,4	13,7
As % of GCI (Budget)	15,9	9,0	13,9
As % of RCI (Actual)	17,4	10,1	15,1
As % of RCI (Budget)	17,8	9,5	15,3
PABPM (Actual-R)	117,3	65,5	101,0
PABPM (Budget-R)	129,2	74,4	113,7
% Variance (PABPM actual vs. budget)	-9,2	-11,9	-11,2
Surplus/(Deficit) from Operations			
As % of GCI (Actual)	(2,2)	(5,6)	(3,3)
As % of GCI (Budget)	(0,7)	(5,7)	(2,1)
PABPM (Actual-R)	(17,0)	(39,3)	(24,0)
PABPM (Budget-R)	(5,8)	(46,7)	(17,3)
% Variance (PABPM actual vs. budget)	195,0	-15,7	39,1
Nett Surplus/(Deficit)			
As % of GCI (Actual)	1,6	2,6	1,9
As % of GCI (Budget)	2,0	(1,6)	1,0

DETAILED FINANCIAL INFORMATION
ACTUAL VS. BUDGET
for the period ended 30 September 2007

Annexure J

	OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
PABPM (Actual-R)	11,9	18,2	13,9
PABPM (Budget-R)	16,1	(13,1)	7,9
% Variance (PABPM actual vs. budget)	-26,0	239,0	76,3
Quarter End Reserve Position (per Regulation 29) (Note c)			
PB (Actual-R)	2 442,5	4 417,5	3 093,6
PB (Budget-R)	2 634,6	5 148,4	3 342,8
% Variance (PABPM actual vs. budget)	-7,3	-14,2	-7,5
Solvency Ratio			
2006 (Actual)	26,8%	55,4%	35,4%
2006 (Budget)	28,1%	55,4%	35,8%

NOTES:

a) Including Managed care: Healthcare benefits included in Risk Transfer Arrangements and Nett Reinsurance. The reason for Nett Reinsurance being included is due to the fact that the data was not collected separately, and the existence of the inability to split out the data.

b) Gross Non-Health Expenses = Administration Expenses, Managed Care: Management Services, Acquisition Costs (including Broker Fees and Distribution Fees) and Nett 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 2007: cumulative nett 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

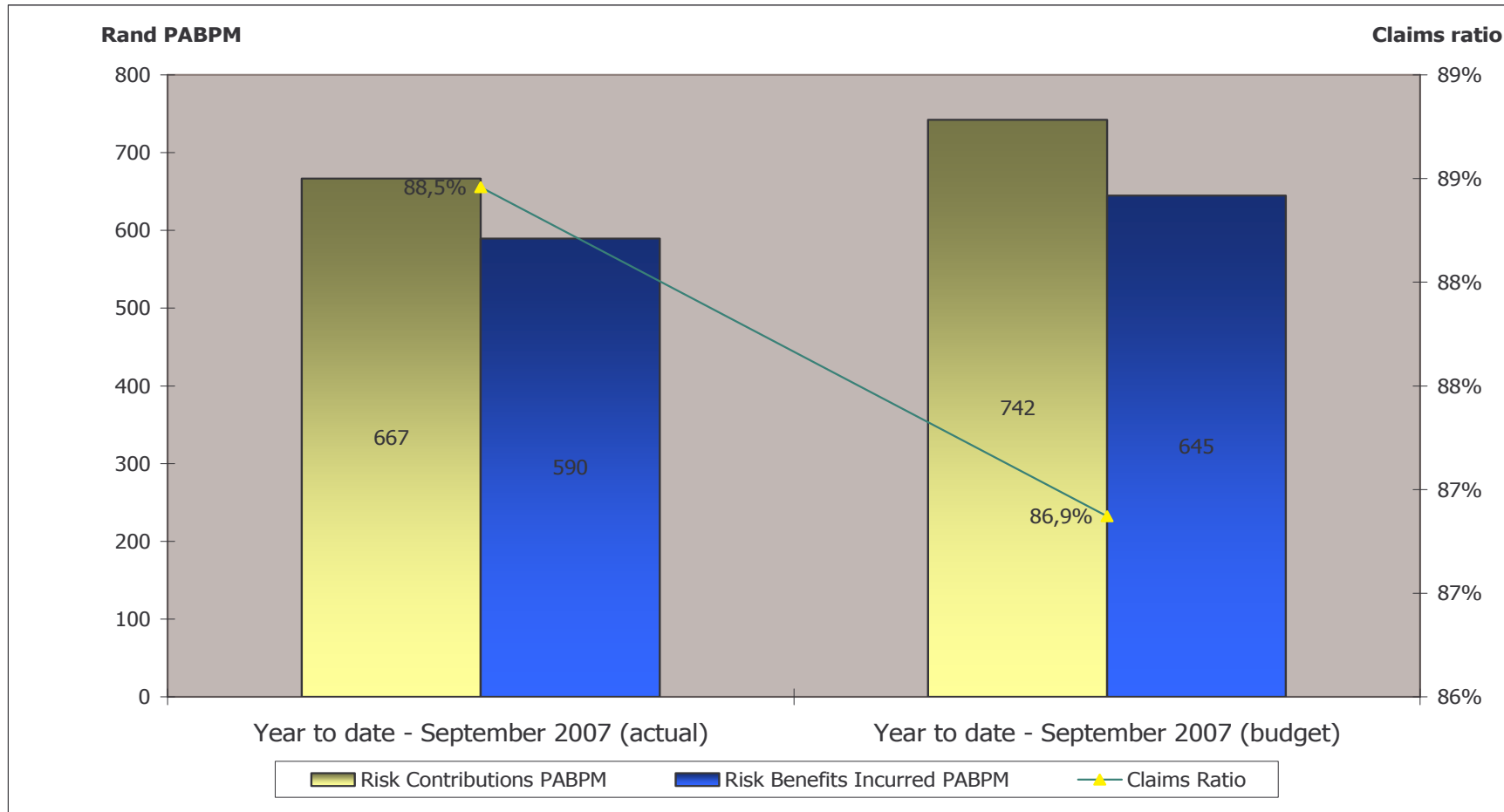
**DETAILED FINANCIAL INFORMATION
ACTUAL VS. BUDGET
for the period ended 30 September 2007**

- * RCI = Risk Contribution Income
- * PABPM = Per Average Beneficiary per month
- * PB = Per Beneficiary at end of period
- * NA = Information not available

We do not express an opinion on the accuracy of the budgeted figures submitted.

RISK CLAIMS RATIO: RISKS BENEFITS GRAPH

Annexure K



*PABPM = Per Average Beneficiary per month