



QUARTERLY REPORTS

for the period ended 30 June 2008

December 2008

Contents

	Annexure	Page
1. Introduction		3
2. Regulation 29: minimum accumulated funds (solvency ratio)	A	7
3. Solvency ratio graph	B	8
4. Prescribed solvency levels and number of beneficiaries	C	9
5. Net 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	17
9. Detailed financial information: actual v budget	H	18
10. Total non-health expenditure graph	I	20
11. Net relevant healthcare expenditure ratio: risk contribution graph	J	21

INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 June 2008. Budget information for the second quarter of 2008 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.

It should be noted that budgeted figures per average beneficiary per month were excluded in this report due to unavailability and/or poor quality of data.

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 7.3% from the audited solvency level of 37.8% at 31 December 2007 to 35.1% at 30 June 2008. 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 June 2008 was 5.4% higher than the budgeted solvency level of 33.2% for the same period.
- 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 17 (2007:18) open schemes that failed to meet the prescribed solvency level at 30 June 2008, represent 62.9% (2007: 63.4%) of the total open schemes' beneficiaries.
- Only 8 (2007:7) restricted schemes were below 25%.
- The net asset value (per Regulation 29) per beneficiary increased with 0.3% from R3 343.2 at 31 December 2007 to R3 354.2 at 30 June 2008. The net asset value per beneficiary at 30 June 2008 was 6.8% lower than the budgeted net asset value of R3 597.3 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 4.3% from 3 178 127 at 31 December 2007 to 3 317 268 at 30 June 2008.
- The number of total beneficiaries increased by 3.3% from 7 478 040 at 31 December 2007 to 7 732 049 at 30 June 2008.
- The average number of members of 3 279 395 for the period ended 30 June 2008 was 4.5% higher than budget, and the average number of beneficiaries of 7 670 190 was 9.9% higher than budget.
- The industry average age for all registered schemes for the period ended 30 June 2008 was 31.8 (2007:31.9) years and the proportion of pensioners, 6.5% (2007:6.5%).

Contributions and relevant healthcare expenditure

- The total gross contribution income for all medical schemes amounted to R36.8 billion for the period ended 30 June 2008, 1.0% lower than the budget of R37.2 billion for the same period.
- The gross contributions per average beneficiary per month of R800.7 was for the period ended 30 June 2008. Gross relevant healthcare per average beneficiary per month was R723.3 for the period ended 30 June 2008.
- The gross contributions per average beneficiary per month at 30 June 2008 of R800.7 went up by 11.1% from R736.6 at 31 December 2007.
- Total risk contributions of R33.4 billion was lower than budget by 1.2%. The risk contribution per average beneficiary per month for the period ended 30 June 2008 was R725.5.
- The relevant healthcare ratio of 87.1% at 30 June 2008 exceeded the budgeted relevant healthcare ratio of 86.9% with 0.2%. The relevant healthcare per average beneficiary per month was R632.3 for the period ended 30 June 2008. Total relevant healthcare for the period ended 30 June 2008 was R29.1 billion compared to the budgeted relevant healthcare of R29.4 billion, representing a 1.0% variance.
- The utilization of the prior year's outstanding claims provision was 99.4% for all schemes as at 30 June 2008.

Non-health expenses

- Total gross non-health expenses for all medical schemes amounted to R4.8 billion for the period ended 30 June 2008, which was 1.3% lower than the R4.9 billion budgeted for.
- The gross non-health expenses per average beneficiary per month for the period ended 30 June 2008 was R104.3, which was 4.9% higher than the industry average of R99.4 at 31 December 2007.
- Gross non-health expenses when expressed as a percentage of gross contributions, decreased from 13.8% at 31 December 2007 to 13.0% at 30 June 2008.

Non-health expenses (continued)

- At 30 June 2008, 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>Jun'08</u>	<u>Dec'07</u>
- Gross Administration Expenses	70.2%	70.4%
- Managed Care: Management services	17.5%	16.8%
- Acquisition costs (Including distribution costs and broker fees)	11.7%	11.7%
- Net Impairment Losses: Trade and Other Receivables	0.6%	1.1%

Operating results

- Registered medical schemes incurred negative net healthcare results (before taking investment and other income into account) of R510.6 million compared to a budgeted deficit of R441.5 million at 30 June 2008. The total deficit for net healthcare results exceeded the budget by 15.6%.
- Open schemes incurred a net healthcare deficit (before taking investment and other income into account) of R76.5 million compared to a budgeted deficit of R20.7 million whereas restricted schemes incurred deficit (before taking investment and other income into account) of R434.1 million compared to a budgeted deficit of R420.8 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R941.2 million at 30 June 2008 compared to a budgeted surplus of R853.8 million, which represents an actual to budget variance of 10.2%.

Investments

- The current assets to current liabilities ratio for open schemes at 30 June 2008 is 2.2 (2007: 2.3), whereas for restricted schemes it is 3.2 (2007:3.7).
- The total assets to total liabilities ratio for open and restricted schemes is 2.9 (2007: 3.1) and 4.5 (2007:5.2) respectively.
- The medical scheme's ability to pay claims from cash and cash equivalents deteriorated from 5.2 in 2007 to 2.6 months in June 2008. This ratio was calculated based on annualised gross claims.

REGULATION 29: MINIMUM ACCUMULATED FUNDS (SOLVENCY RATIO)

Annexure A

INDUSTRY AVERAGE:

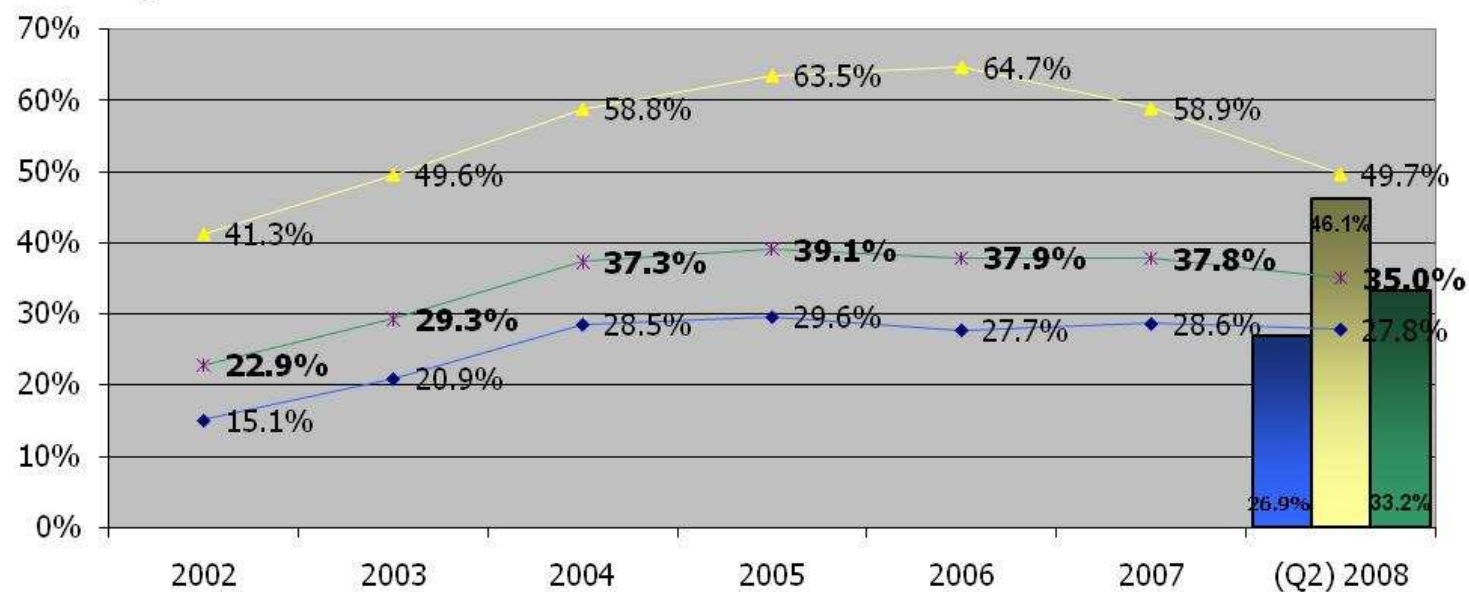
Please note that the 2002 and 2003 amounts have not been restated.

	2002	2003	% change 2003	2004	% change 2004	2005	% change 2005	2006	% change 2006	2007	% change 2007	2008 - Q2 actual	2008 - Q2 budget	% change actual 07 vs 08	% change actual 08 vs Budget 08
Open schemes	15.1%	20.9%	38.8%	28.5%	36.4%	29.6%	3.7%	27.7%	-6.2%	28.6%	3.2%	27.8%	26.9%	-2.7%	3.6%
Restricted schemes	41.3%	49.6%	20.2%	58.8%	18.6%	63.5%	8.0%	64.7%	1.8%	58.9%	-8.9%	49.7%	46.1%	-15.7%	7.6%
All registered schemes	22.9%	29.3%	28.2%	37.3%	27.3%	39.1%	4.8%	37.9%	-3.1%	37.8%	-0.2%	35.0%	33.2%	-7.3%	5.4%

SOLVENCY RATIO

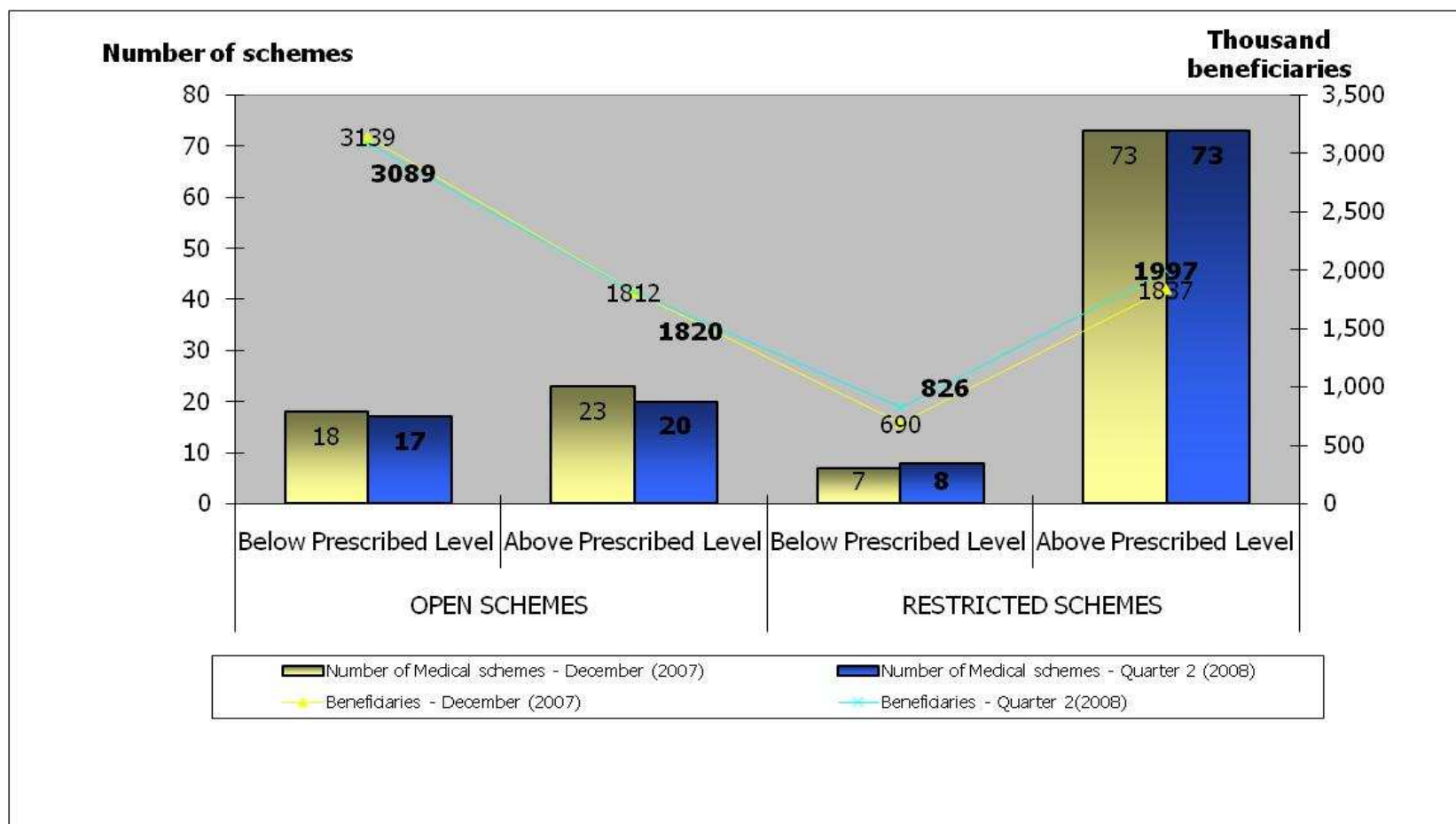
Annexure B

Percentage



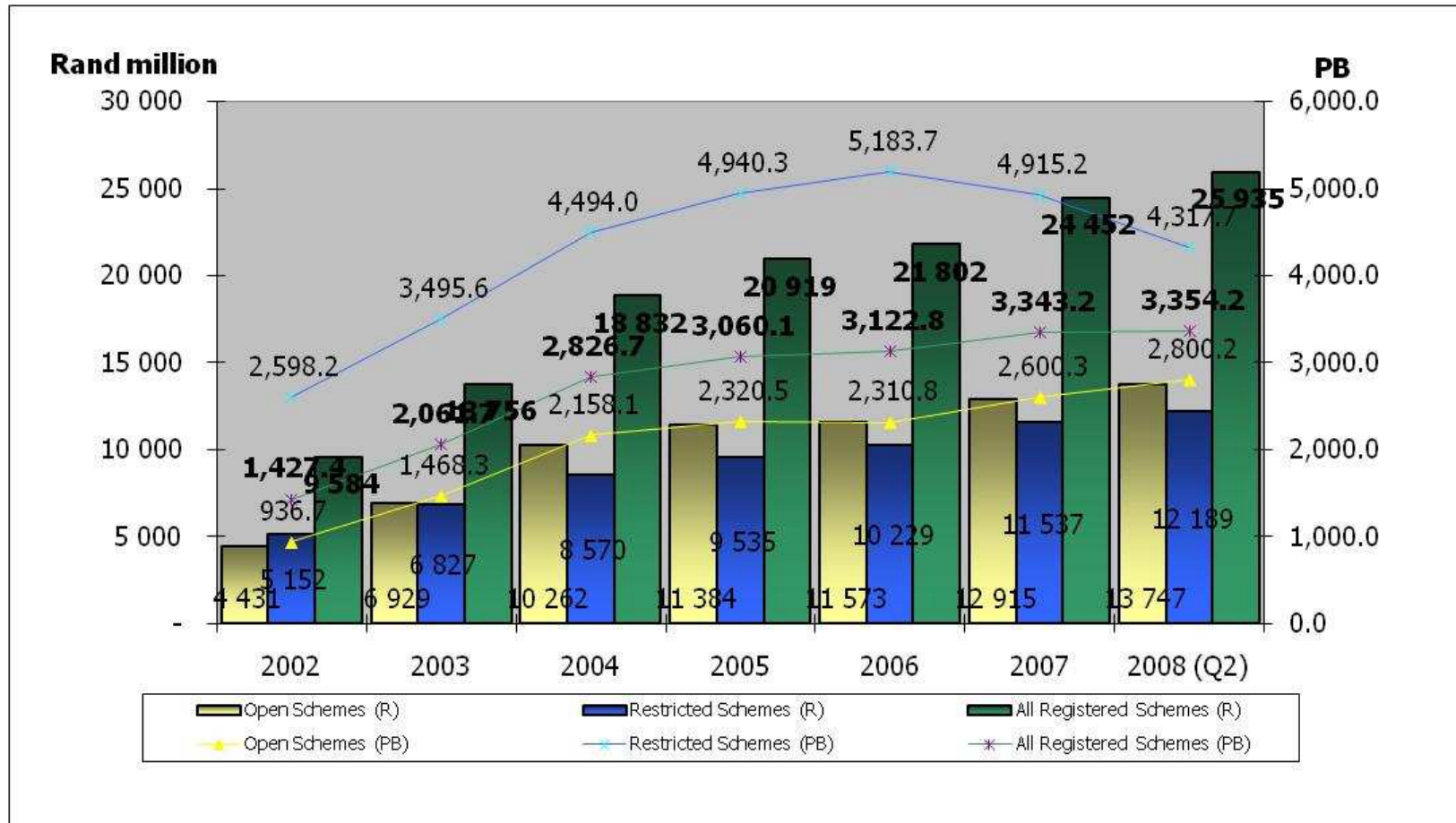
PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES

Annexure C



NET ASSETS PER REGULATION 29

Annexure D



* PB = Per Beneficiary

INCOME STATEMENT DETAILS for the period ended 30 June 2008

Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average Members		2 114 566	1 164 829	3 279 395
Average Beneficiaries		4 910 078	2 760 112	7 670 190
Average Age	Years	32.5	30.5	31.8
Pensioner Ratio (65+ years)	%	6.7	6.0	6.5
No. of Dependants per member		1.3	1.4	1.3
Gross Contributions (RISK +PMSA)	R'000	24 680 428	12 166 649	36 847 077
Gross relevant healthcare (GROSS +PMSA) (Note a)		21 763 823	11 522 325	33 286 148
Gross Administration expenses (RISK +PMSA)		2 572 996	798 899	3 371 894
Total fees paid to third party administrators (Included in Gross Administration) (Note b)		993 382	305 787	1 299 169
Managed Care: Management services		581 175	257 066	838 241
Acquisition Costs (Note c)		552 371	8 883	561 254
Broker fees (Included in Acquisition Costs)		542 658	8 085	550 743

INCOME STATEMENT DETAILS for the period ended 30 June 2008

Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Net Impairment losses: Trade and Other Receivables	R'000	7 449	21 715	29 164
Net Healthcare Results		(76 543)	(434 063)	(510 605)
Surplus/ (Deficit)		811 583	129 665	941 248

NOTES:

- a) Including managed care: healthcare benefits included in risk transfer arrangements and net reinsurance. The reason for net reinsurance being included is due to the fact that the data was not collected separately and thus 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 June 2008

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 30 June 2008		2 126 018	1 191 250	3 317 268
Dependants at 30 June 2008		2 783 089	1 631 692	4 414 781
Beneficiaries at 30 June 2008		4 909 107	2 822 942	7 732 049
Non-current Assets	R'000	5 019 627	5 410 264	10 429 891
Current Assets		16 943 414	12 102 801	29 046 216
Trade & Other Receivables		3 073 967	733 545	3 807 512
	Contribution Days Outstanding	13.8	7.4	11.7
Cash & Cash Equivalents	R'000 R'000	13 869 447	11 368 434	25 237 881
Total Assets		21 963 041	17 513 065	39 476 107

BALANCE SHEET DETAILS at 30 June 2008

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members' Funds(Net assets per BS)		14 375 416	13 559 354	27 934 770
Accumulated Funds		13 859 640	11 589 216	25 448 856
Non-current Liabilities		37 354	70 557	107 911
Current Liabilities		7 557 834	3 820 590	11 378 424
Trade & Other Payables		2 286 176	1 104 180	3 390 356
	Claims Days Outstanding	7.7	5.9	7.1
Savings Liability	R'000	2 826 654	1 290 360	4 117 014
Outstanding Claims Provision		2 445 003	1 426 051	3 871 054
	Prior Year Claims Provision Utilised %	101.4	95.8	99.4

BALANCE SHEET DETAILS at 30 June 2008

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Total liabilities	R'000	7 595 188	3 891 147	11 486 335
Total Assets: Total Liabilities		2.9	4.5	3.4
Current Assets: Current Liabilities		2.2	3.2	2.6
Gross Claims Incurred: Cash and Cash Equivalents Coverage	Months	3.1	2.0	2.6
Net Assets Per Regulation 29	R'000	13 746 610	12 188 513	25 935 124
Solvency Ratio	%	27.8	49.7	35.0

BALANCE SHEET DETAILS at 30 June 2008

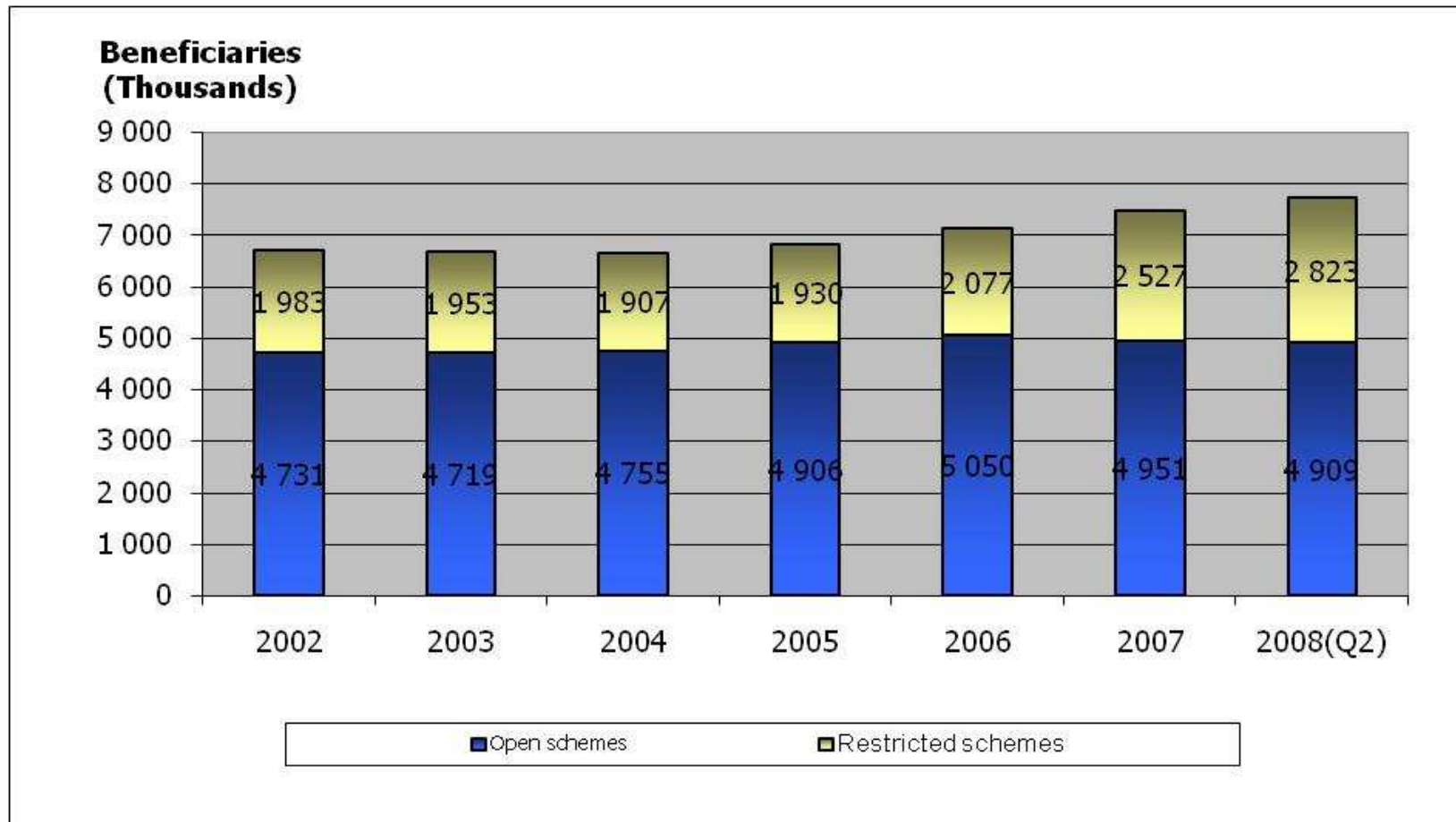
Annexure F

NOTES:

- * In respect of trade and other receivables outstanding days, the denominator is annualised gross contributions
- * In respect of trade and other accounts payable outstanding days, the denominator is annualised relevant healthcare 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 June 2008**

Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% Variance	Actual	Budget	% Variance	Actual	Budget	% Variance
Members		2 114 566	2 027 293	4.3%	1 164 829	1 109 995	4.9%	3 279 395	3 137 288	4.5%
Beneficiaries		4 910 078	4 439 074	10.6%	2 760 112	2 537 759	8.8%	7 670 190	6 976 833	9.9%
Gross Contribution Income (GCI)	R'000	24 680 428	25 082 074	-1.6%	12 166 649	12 139 305	0.2%	36 847 077	37 221 379	-1.0%
Risk Contribution Income (RCI)		21 930 883	22 300 968	-1.7%	11 459 089	11 508 805	-0.4%	33 389 972	33 809 773	-1.2%
Gross Relevant Healthcare (incl. PMSA & Managed Care Claims) (Note a)		21 763 823	NA	0.0%	11 522 325	NA	0.0%	33 286 148	NA	0.0%
Relevant Healthcare Incurred (incl. Managed Care Claims) (Note a)		18 293 115	18 552 014	-1.4%	10 805 329	10 829 148	-0.2%	29 098 444	29 381 162	-1.0%
Gross (incl. PMSA)/Net Non-health Expenses		3 714 311	3 767 983	-1.4%	1 087 823	1 099 789	-1.1%	4 802 134	4 867 773	-1.3%
Net Healthcare Results		(76 543)	(20 750)	268.9%	(434 063)	(420 786)	3.2%	(510 605)	(441 536)	15.6%

DETAILED FINANCIAL INFORMATION: ACTUAL VS BUDGET for the period ended 30 June 2008

Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% Variance	Actual	Budget	% Variance	Actual	Budget	% Variance
Surplus/(Deficit)	R'000	811 583	703 377	15.4%	129 665	150 381	13.8%	941 248	853 758	10.2%
Quarter End Reserve Position (per Regulation 29) (Note c)		13 746 610	13 563 897	1.3%	12 188 513	11 534 214	5.7%	25 935 124	25 098 110	3.3%

NOTES:

a) Including managed care: healthcare benefits included in risk transfer arrangements and net reinsurance. The reason for net 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 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 2008: 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

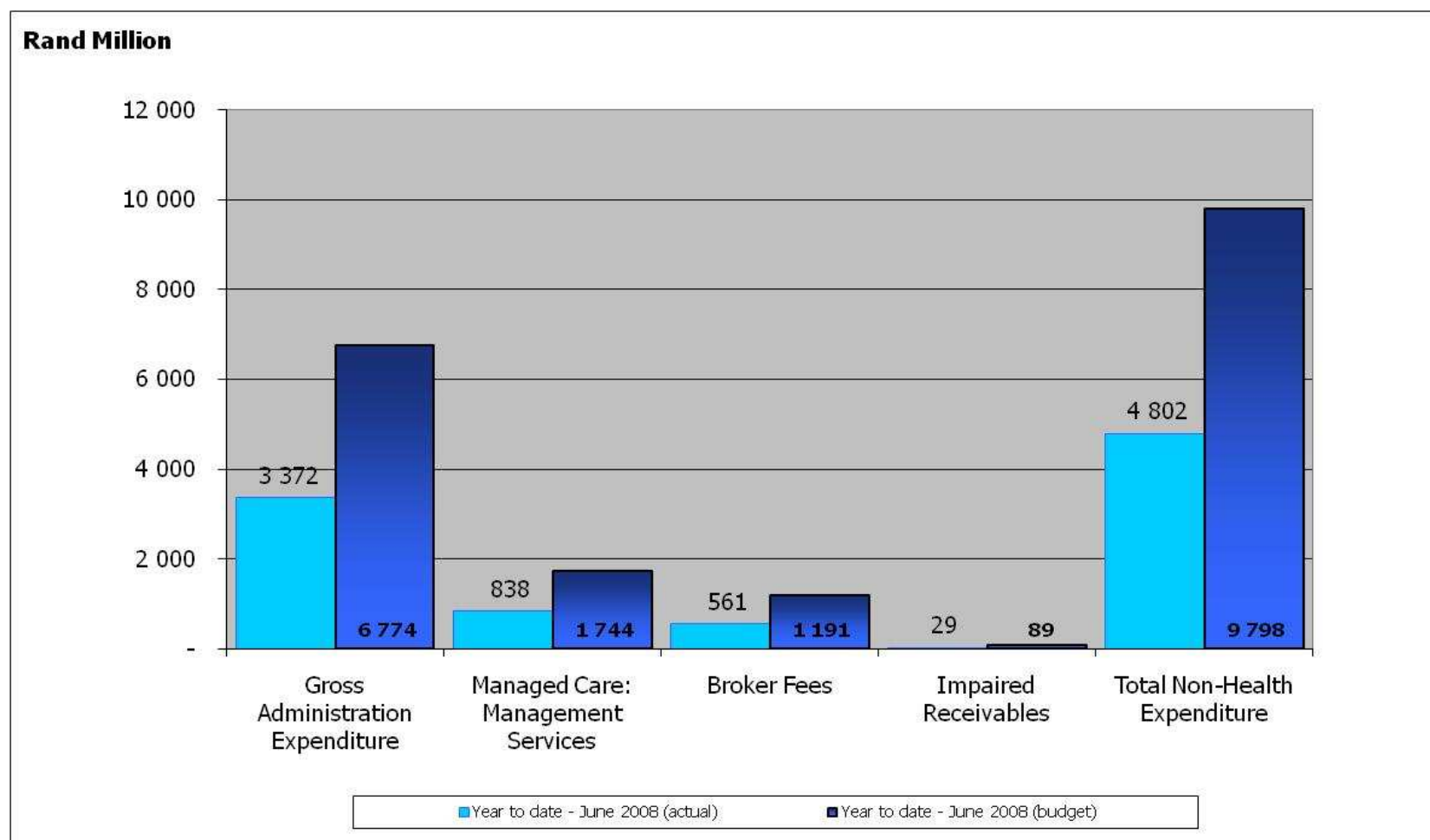
* RCI = Risk Contribution Income

* NA = information not available

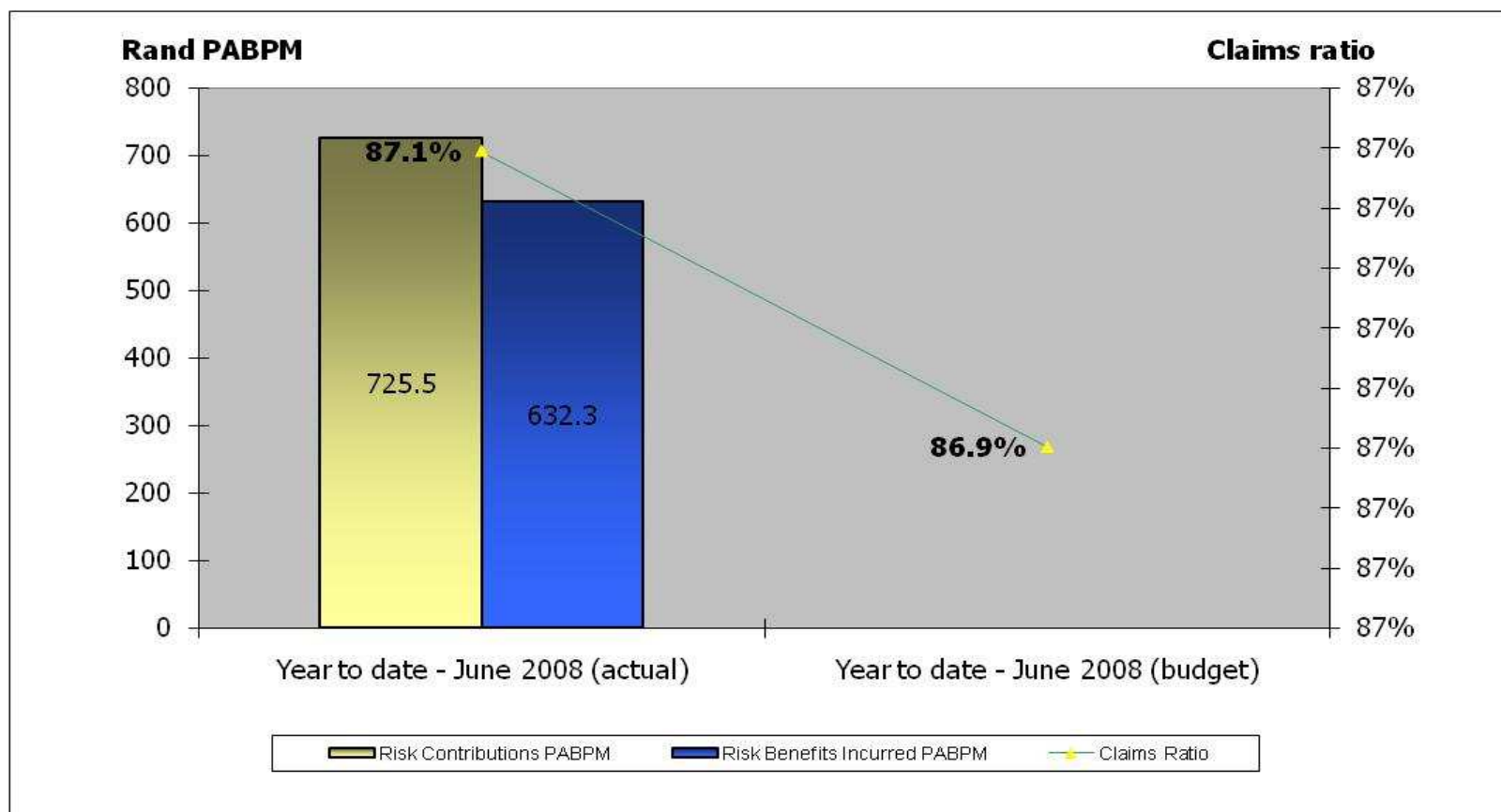
We do not express an opinion on the accuracy of the budgeted figures submitted.

TOTAL NON-HEALTH EXPENDITURE

Annexure I



NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH Annexure J



* PABPM = per average beneficiary per month