



## **QUARTERLY REPORTS**

for the period ended 30 September 2009

February 2010

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## **INTRODUCTION**

This report represents the results of the analysis of the management accounts for the period ended 30 September 2009. 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 information.

It should be noted that budget figures and average beneficiary figures have been excluded due to unavailability 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 14.5% from the audited solvency level of 36.6% at 31 December 2008 to 31.3% at 30 September 2009. 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.
- 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 15 (2008:14) open schemes that failed to meet the prescribed solvency level at 30 September 2009, represent 24.2% (2008: 22.0%) of the total open schemes' beneficiaries.
- Only 7 (2008:8) restricted schemes were below 25%.
- The net asset value (per Regulation 29) per beneficiary decreased by 3.4% from R3 441.1 at 31 December 2008 to R3 307.5 at 30 September 2009.

### **Membership**

- The total number of principal members of registered medical schemes increased by 2.2% from 3 388 582 at 31 December 2008 to 3 463 642 at 30 September 2009.
- The number of total beneficiaries increased by 1.6% from 7 874 826 at 31 December 2008 to 8 001 577 at 30 September 2009.

### **Contributions and relevant healthcare expenditure**

- The total gross contribution income for all medical schemes amounted to R63.4 billion for the period ended 30 September 2009.
- The gross contributions per beneficiary per month of R881.0 was for the period ended 30 September 2009.
- The gross contributions per beneficiary per month at 30 September 2009 of R881.0 went up by 12.4% from R784.0 at 31 December 2008.
- Total risk contributions for all medical schemes amounted to R57.6 billion for the period ended 30 September 2009. The risk contribution per beneficiary per month for the period ended 30 September 2009 was R799.2.

- The risk contributions per beneficiary per month at 30 September 2009 of R799.2 went up by 12.4% from R710.8 at 31 December 2008.
- The relevant healthcare ratio was 91.6% at 30 September 2009. The relevant healthcare per beneficiary per month was R731.8 for the period ended 30 September 2009. Total relevant healthcare for the period ended 30 September 2009 was R52.7 billion.
- The relevant healthcare expenditure per beneficiary per month at 30 September 2009 of R731.8 went up by 18.5% from R617.5 at 31 December 2008.

### **Non-health expenses**

- Total gross non-health expenses for all medical schemes amounted to R8.0 billion for the period ended 30 September 2009.
- The gross non-health expense per beneficiary per month for the period ended 30 September 2009 was R111.7, which was 8.3% higher than the industry average of R103.1 at 31 December 2008.
- The gross non health expense per beneficiary per month at 30 September 2009 of R111.7 went up by 8.3% from R103.1 at 31 December 2008.
- Gross non-health expenses when expressed as a percentage of gross contributions, decreased from 13.2% at 31 December 2008 to 12.7% at 30 September 2009.
- At 30 September 2009, 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>Sept'09</u>	<u>Dec'08</u>
- Gross Administration Expenses	70.3%	69.4%
- Managed Care: Management services	17.8%	17.2%
- Broker service fees ( including distribution costs)	10.9%	11.9%
- Net Impairment Losses: Trade and Other Receivables	1.0%	1.5%

### **Operating results**

- Registered medical schemes incurred negative net healthcare results (before taking investment and other income into account) of R3 092.6 million at 30 September 2009.
- Open schemes incurred a net healthcare deficit (before taking investment and other income into account) of R1 603.6 million whereas restricted schemes incurred deficit (before taking investment and other income into account) of R1.5 billion.

- The net healthcare deficit per beneficiary per month at 30 September 2009 of R42.9 went up by 337.8% from R9.8 at 31 December 2008.
- The inclusion of investment and other income resulted in all registered schemes making a deficit of R643.2 million at 30 September 2009.
- The net deficit per beneficiary per month at 30 September 2009 of R8.9 decreased by 134.5% from a net surplus per beneficiary per month of R25.8 at 31 December 2008.

### **Investments**

- The current assets to current liabilities ratio for open schemes at 30 September 2009 is 2.4 (2008: 2.6), whereas for restricted schemes it is 2.5 (2008:3.8).
- The total assets to total liabilities ratio for open and restricted schemes is 3.3 (2008: 3.3) and 4.1 (2008: 4.6) respectively.

# REGULATION 29: MINIMUM ACCUMULATED FUNDS (SOLVENCY RATIO)

## Annexure A

### INDUSTRY AVERAGE:

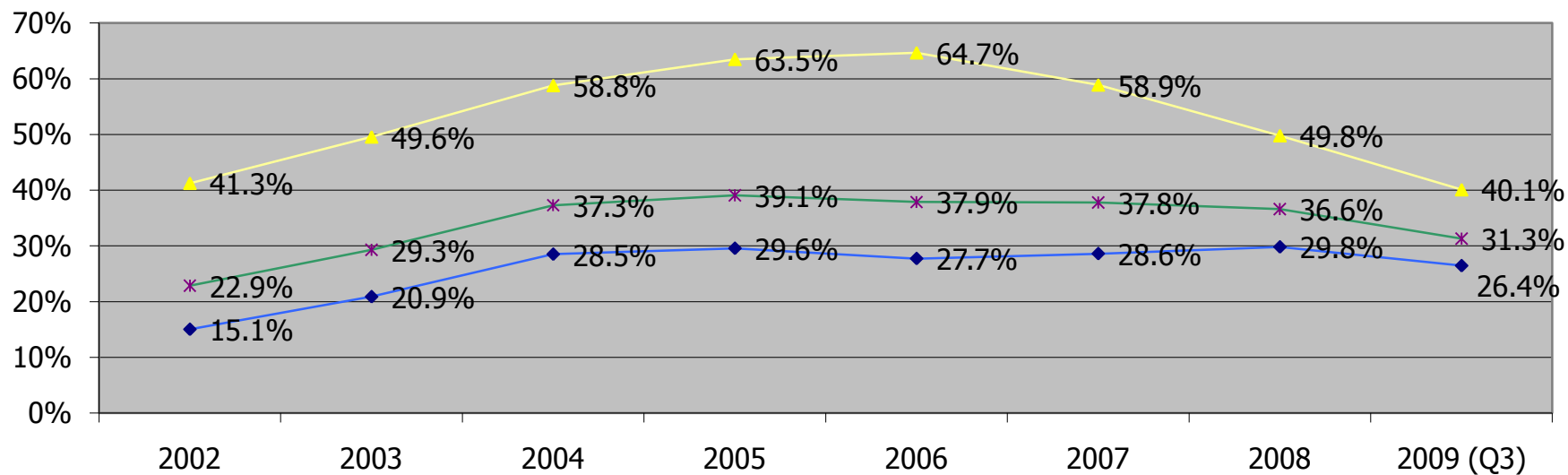
Please note that the 2003 amounts have not been restated.

	2003	2004	% Change 2004	2005	% Change 2005	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2008 Q3 Actual	2009 Q3 Actual	% Change 2009 Q3 vs 2008	% Change 2008 Q3 vs 2009 Q3
Open schemes	20.9%	28.5%	36.4%	29.6%	3.7%	27.7%	-6.2%	28.6%	3.2%	29.8%	4.2%	27.8%	26.4%	-11.3%	-4.9%
Restricted schemes	49.6%	58.8%	18.6%	63.5%	8.0%	64.7%	1.8%	58.9%	-8.9%	49.8%	-15.4%	49.6%	40.1%	-19.5%	-19.1%
All registered schemes	29.3%	37.3%	27.3%	39.1%	4.8%	37.9%	-3.1%	37.8%	-0.2%	36.6%	-3.2%	35.1%	31.3%	-14.5%	-10.8%

# SOLVENCY RATIO

## Annexure B

Percentage



◆ Open Schemes - Actual

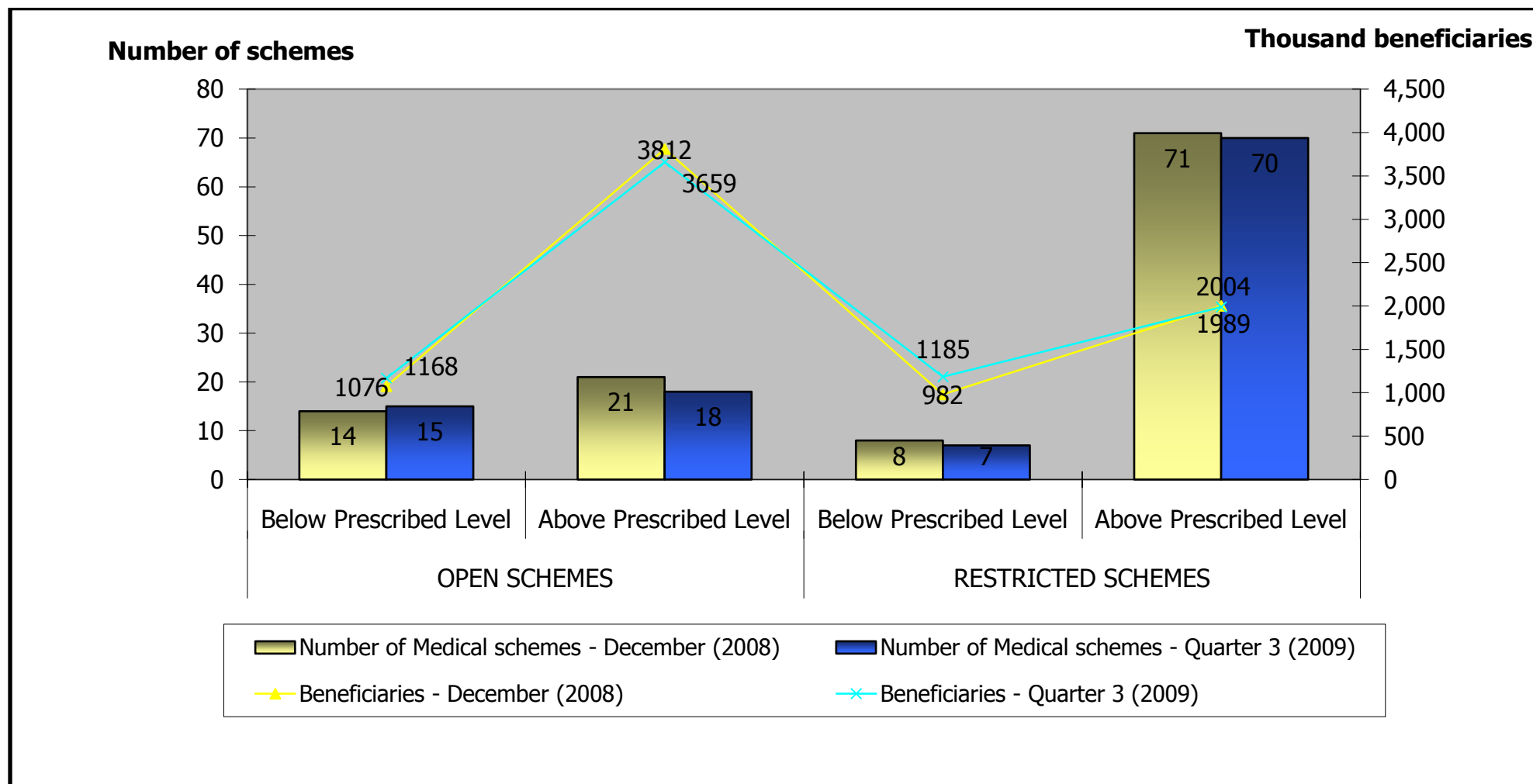
▲ Restricted Schemes - Actual

\* All Registered Schemes - Actual



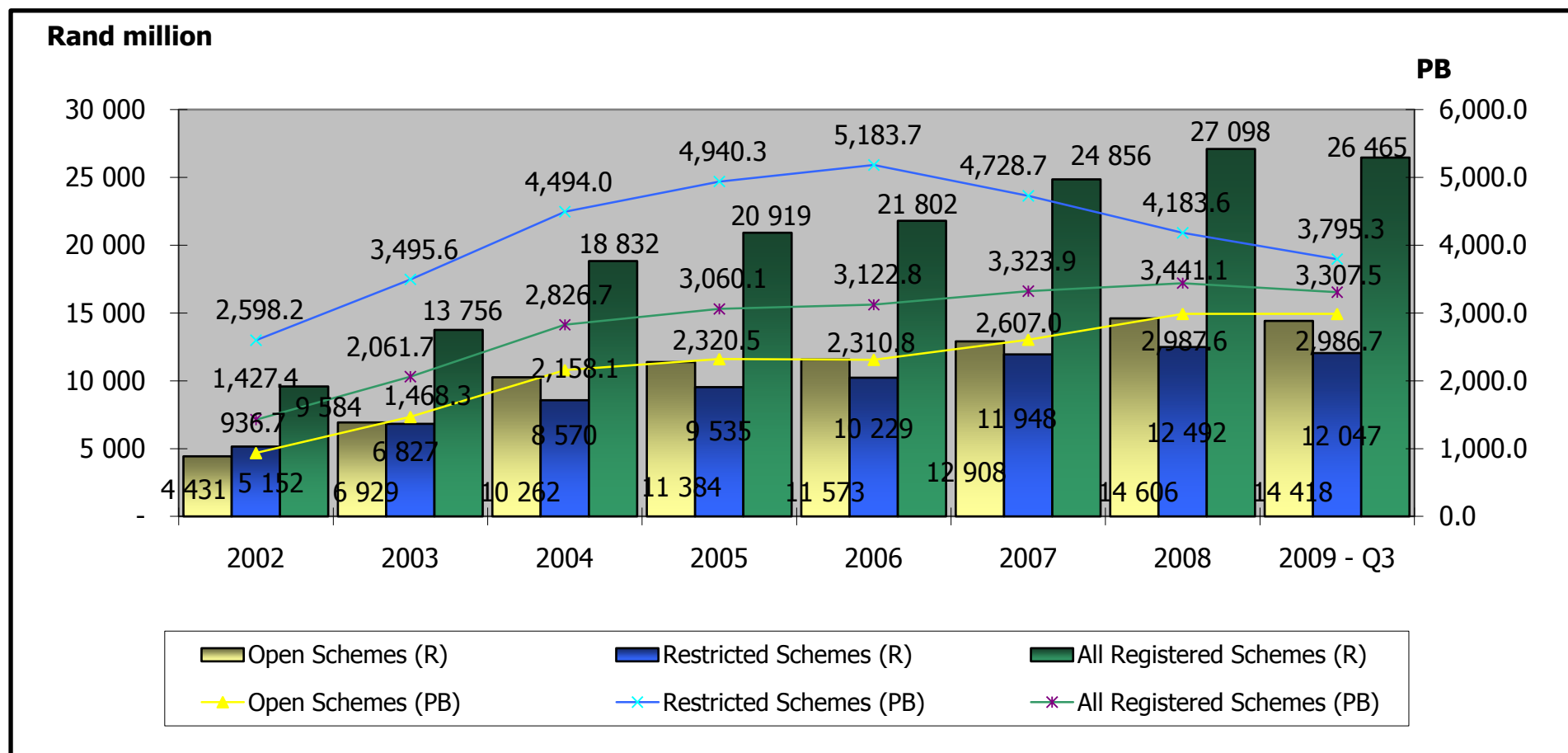
# PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES

## Annexure C



# NET ASSETS PER REGULATION 29

## Annexure D



\* PB = Per Beneficiary

# INCOME STATEMENT DETAILS

## for the period ended 30 September 2009

## Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members		2 144 824	1 318 818	3 463 342
Beneficiaries		4 827 433	3 174 144	8 001 577
Gross Contributions (RISK +PMSA)		40 895 053	22 527 345	63 422 398
Net relevant healthcare expenditure incurred (incl. managed healthcare claims)		31 771 054	20 928 860	52 699 913
Gross Administration expenses (RISK +PMSA)	R'000	4 176 945	1 475 202	5 652 147
Managed Care: Management services		976 395	454 939	1 431 334
Broker fees (Including Distribution Costs)		863 385	16 320	879 706
Net Impairment losses: Trade and Other Receivables		70 011	7 673	77 683
Net Healthcare Results	R'000	(1 603 568)	(1 489 046)	(3 092 614)
Surplus/ (Deficit)		(271 774)	(371 434)	(643 208)

### NOTES:

## **INCOME STATEMENT DETAILS for the period ended 30 September 2009**

## **Annexure E**

- 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.

\* PMSA = Personal Medical Savings Account

# **BALANCE SHEET DETAILS at 30 September 2009**

## **Annexure F**

		<b>OPEN SCHEMES</b>	<b>RESTRICTED SCHEMES</b>	<b>TOTAL REGISTERED SCHEMES</b>
Members at 30 September 2009		2 144 827	1 318 818	3 463 642
Dependants at 30 September 2009		2 682 606	1 855 326	4 537 935
Beneficiaries at 30 September 2009		4 827 433	3 174 144	8 001 577
Non-current Assets	R'000	6 010 535	6 914 225	12 924 760
Current Assets		15 510 631	11 094 530	26 605 161
Total Assets		21 521 166	18 008 756	39 529 922
Non-current Liabilities		48 408	36 283	84 691
Current Liabilities		6 508 195	4 380 351	10 888 546
Total liabilities	R'000	6 556 603	4 416 634	10 973 238

## BALANCE SHEET DETAILS at 30 September 2009

## Annexure F

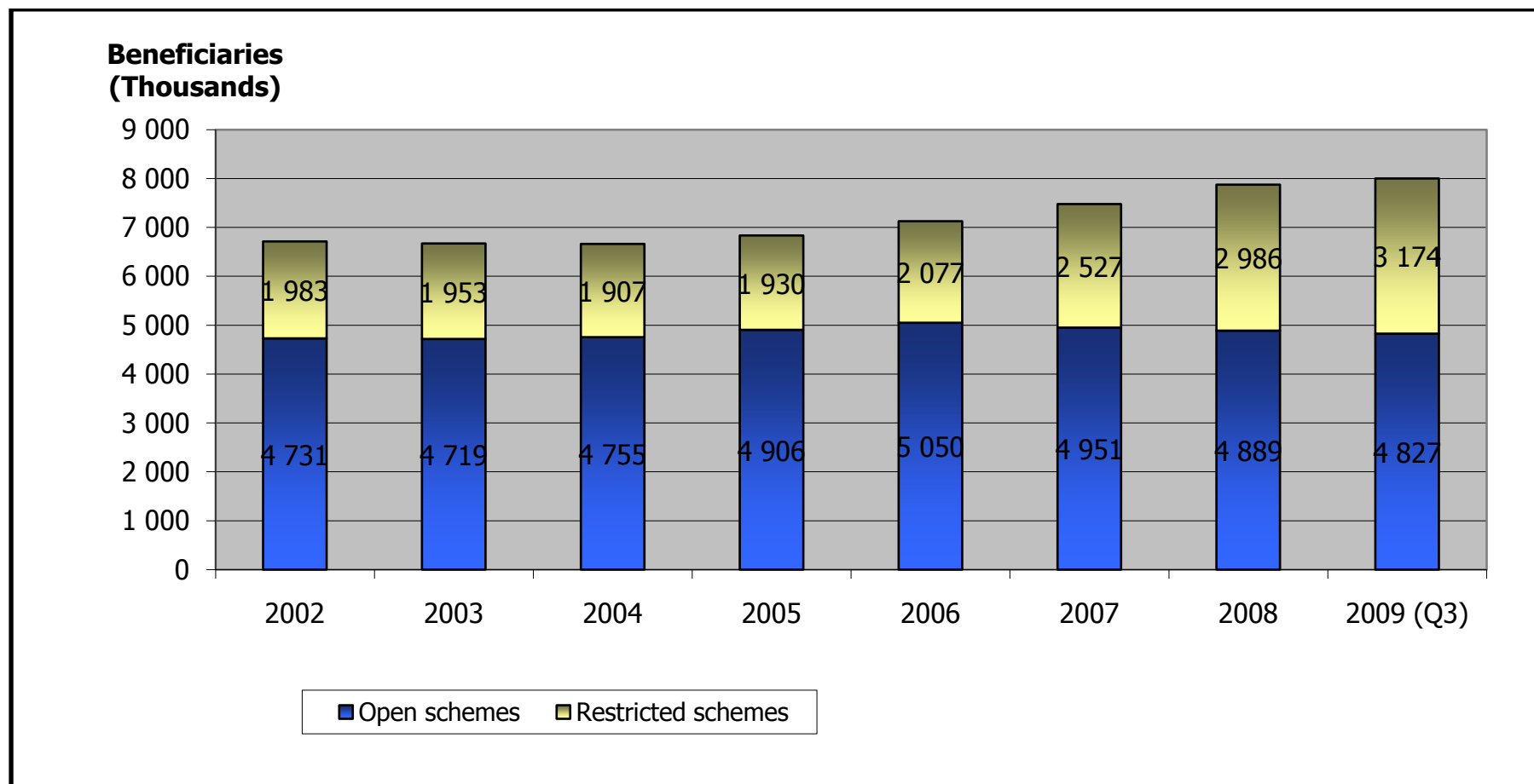
		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Total Assets: Total Liabilities		3,3	4,1	3,6
Current Assets: Current Liabilities		2,4	2,5	2,4
Net Assets Per Regulation 29	R'000	14 418 115	12 046 918	26 465 034
Solvency Ratio	%	26,4	40,1	31,3

**NOTES:**

\* We do not express an opinion on the accuracy of the split between current and non-current assets, and current and non-current liabilities

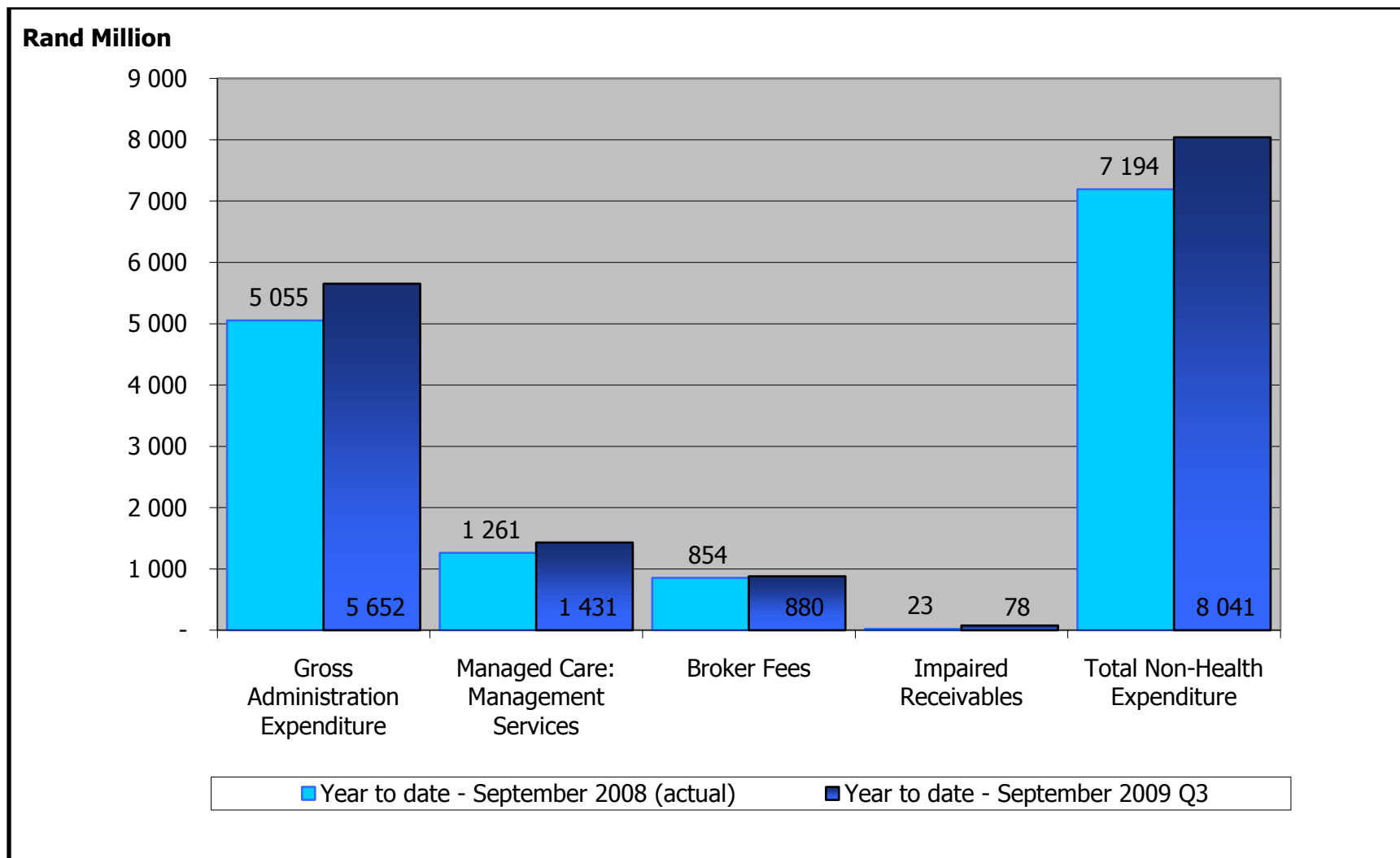
# NUMBER OF BENEFICIARIES

## Annexure G



# TOTAL NON HEALTH EXPENDITURE

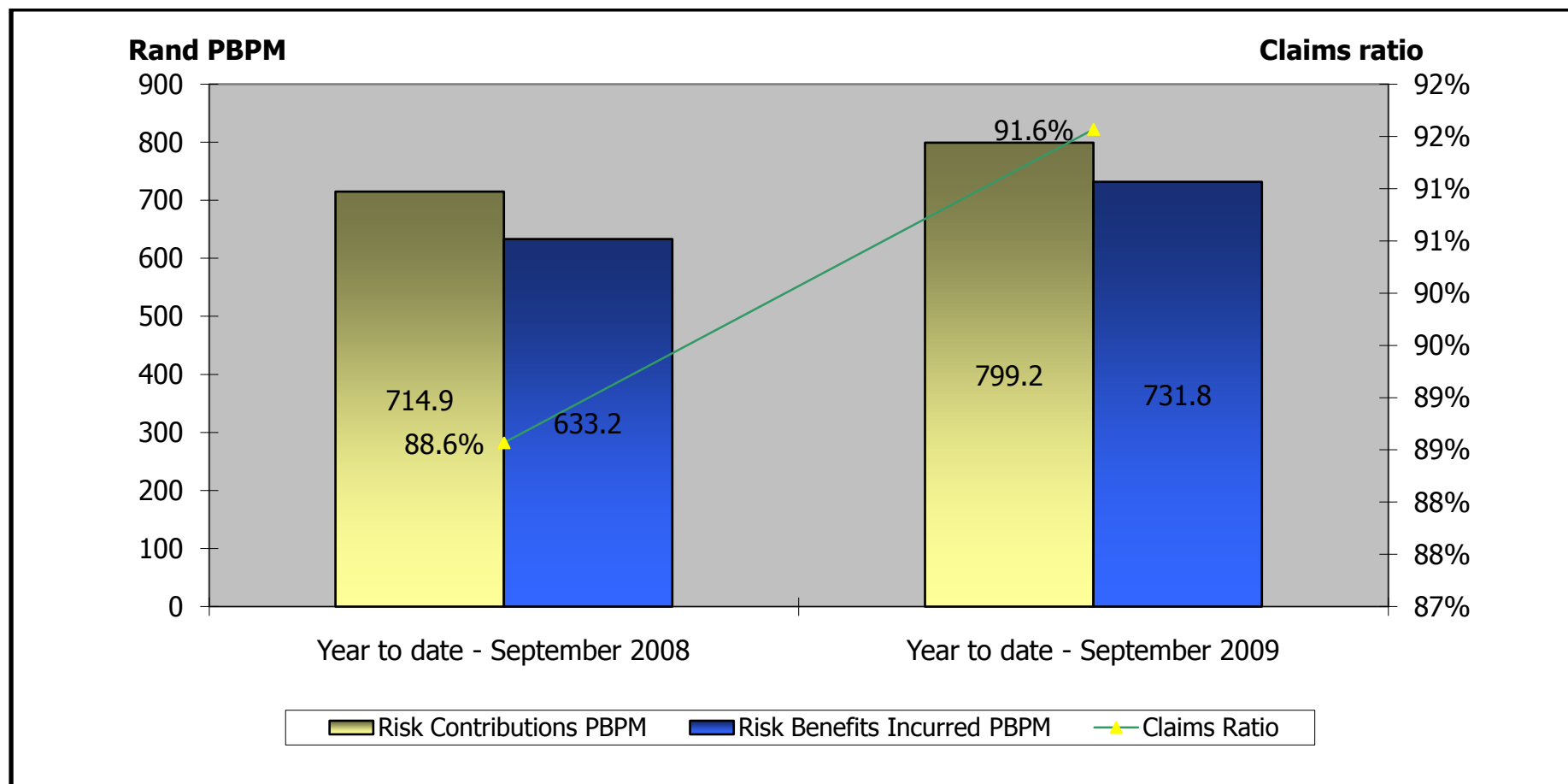
## Annexure H





# NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH

## Annexure I



\* PABPM = per average beneficiary per month