



QUARTERLY REPORTS

for the period ended 31 March 2010

September 2010

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 31 March 2010. Budget information for the first quarter of 2010 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.

Please note that due to non-availability of information, there is one large medical scheme that has been excluded from this report.

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 9.4% from the audited solvency level of 32.9% at 31 December 2009 to 29.8% at 31 March 2010. 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 31 March 2010 was 3.7% higher than the budgeted solvency level of 28.8% 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 13 (2009: 16) open schemes that failed to meet the prescribed solvency level at 31 March 2010 represent 63.1% (2009: 20.6%) of the total open schemes' beneficiaries.
- Only 8 (2009: 6) restricted schemes were below 25.0%.
- The net asset value (per Regulation 29) per beneficiary decreased with 0.03% from R3 508.6 at 31 December 2009 to R3 507.5 at 31 March 2010. The net asset value per beneficiary at 31 March 2010 was 3.0% lower than the budgeted net asset value of R3 617.4 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes decreased by 0.05% from 3 488 009 at 31 December 2009 to 3 486 400 at 31 March 2010. With the inclusion of the one large scheme whose information is not included in this report, total principal members is 3 522 670, representing a 1.0% increase in total principal members.
- The number of total beneficiaries decreased by 0.5% from 8 068 505 at 31 December 2009 to 8 028 642 at 31 March 2010. With the inclusion of the one large scheme whose information is not included in this report, total beneficiaries is 8 126 193, representing a 0.7% increase in total beneficiaries.
- The average number of members of 3 470 681 for the period ended 31 March 2010 was 6.1% lower than budget, and the average number of beneficiaries of 7 998 768 was 4.9% higher than budget.
- The industry average age for all registered schemes for the period ended 31 March 2010 was 32.2 (2009: 31.6) years and the proportion of pensioners, 6.9% (2009: 6.5%).

Contributions and relevant healthcare expenditure

- Total gross contribution income for all medical schemes amounted to R23.7 billion for the period ended 31 March 2010, which was 0.6% lower than the budget of R23.5 billion for the same period.
- The gross contribution per average beneficiary per month was R986.3 for the period ended 31 March 2010. Gross relevant healthcare per average beneficiary per month was R915.4 for the period ended 31 March 2010.
- The gross contributions per average beneficiary per month at 31 March 2010 of R986.3 went up by 10.8% from R890.0 at 31 December 2009.
- Total risk contributions of R21.5 billion were on par with budget. The risk contribution per average beneficiary per month for the period ended 31 March 2010 was R895.8.
- The relevant healthcare ratio of 88.3% at 31 March 2010 exceeded the budgeted relevant healthcare ratio of 87.9% with 0.5%. The relevant healthcare per average beneficiary per month for the period ended 31 March 2010 was R791.1. Total relevant healthcare for the period ended 31 March 2010 was R19.0 billion compared to the budgeted relevant healthcare of R18.9 billion, representing a 0.5% variance.
- The utilisation of the prior year's outstanding claims provision was 83.5% for all schemes as at 31 March 2010.

Non-health expenses

- Total non-health expenses for all medical schemes amounted to R2.8 billion for the period ended 31 March 2010, which was 3.0% higher than the R2.7 billion budgeted for.
- The non-health expense per average beneficiary per month for the period ended 31 March 2010 was R117.7, which was 3.8% higher than the industry average of R113.4 at 31 December 2009.
- Non-health expenses, when expressed as a percentage of risk contributions, decreased from 14.0% at 31 December 2009 to 13.1% at 31 March 2010.

- At 31 March 2010, the industry averages of the various components of non-health expenses expressed as a percentage of total non-health expenses were as follows:

	<u>March '10</u>	<u>Dec '09</u>
- Gross administration expenses	67.0%	69.3%
- Managed care: management services	19.4%	17.2%
- Broker service fees (including distribution costs and broker fees)	11.3%	11.9%
- Net impairment losses: trade and other receivables	2.3%	1.5%

Operating results

- Registered medical schemes incurred net healthcare deficits (before taking investment and other income into account) of R312.8 million compared to a budgeted deficit of R137.3 million at 31 March 2010. The total deficit for net healthcare results exceeded the budget by 127.8%.
- Open schemes incurred net healthcare results (before taking investment and other income into account) of R27.1 million compared to a budget of R62.6 million whereas restricted schemes incurred deficit (before taking investment and other income into account) of R340.0 million compared to a budgeted deficit of R200.0 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R415.6 million at 31 March 2010 compared to a budgeted surplus of R422.4 million, which represents an actual to budget variance of 1.6%.

Investments

- The current assets to current liabilities ratio for open schemes at 31 March 2010 is 2.3 (2009: 2.6), whereas for restricted schemes it is 2.8 (2009: 3.5).
- The total assets to total liabilities ratio for open and restricted schemes is 3.0 (2009: 3.4) and 3.4 (2009: 4.0) respectively.

REGULATION 29: MINIMUM ACCUMULATED FUNDS (SOLVENCY RATIO)

Annexure A

INDUSTRY AVERAGE:

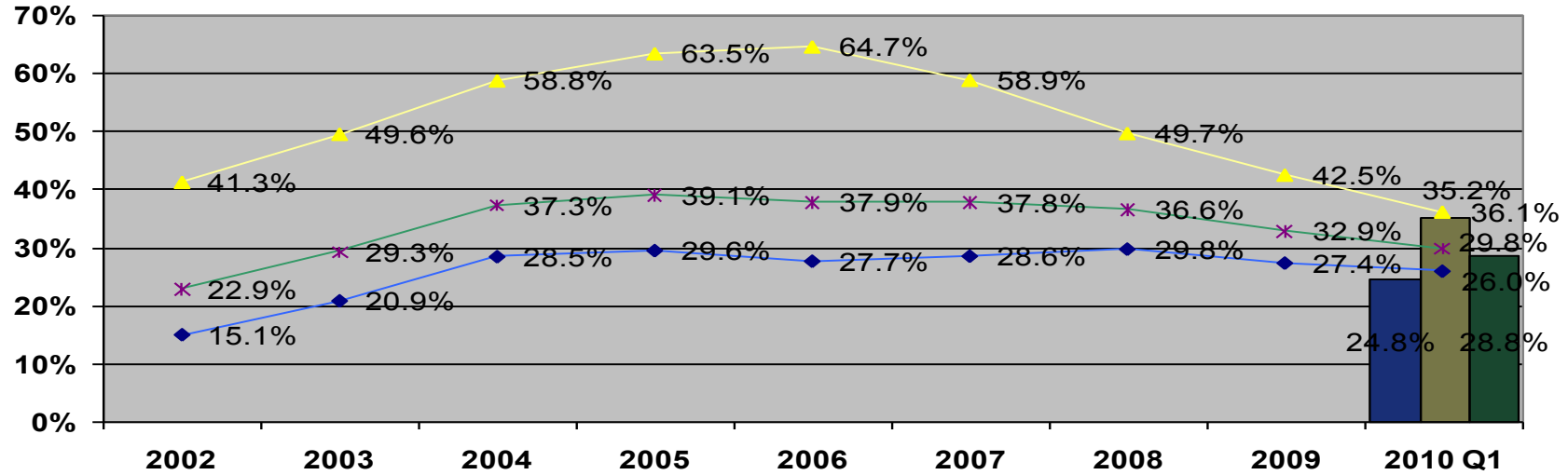
Please note that the 2003 amounts have not been restated.

	2003	2004	% Change 2004	2005	% Change 2005	2006	% Change 2006	2007	% Change 2007	2008	% Change 2008	2009	% Change 2009	2010 - Quarter 1 Actual	2010 - Quarter 1 Budget	% Change Actual 2010 vs Budget 2010
Open schemes	20.9%	28.5%	36.4%	29.6%	3.7%	27.7%	-6.2%	28.6%	3.2%	29.8%	4.2%	27.4%	-8.1%	26.0%	24.8%	4.8%
Restricted schemes	49.6%	58.8%	18.6%	63.5%	8.0%	64.7%	1.8%	58.7%	-9.2%	49.7%	-15.3%	42.5%	-14.5%	36.1%	35.2%	2.6%
All registered schemes	29.3%	37.3%	27.3%	39.1%	4.8%	37.9%	-3.1%	38.0%	0.3%	36.6%	-3.7%	32.9%	-10.1%	29.8%	28.8%	3.7%

SOLVENCY RATIO

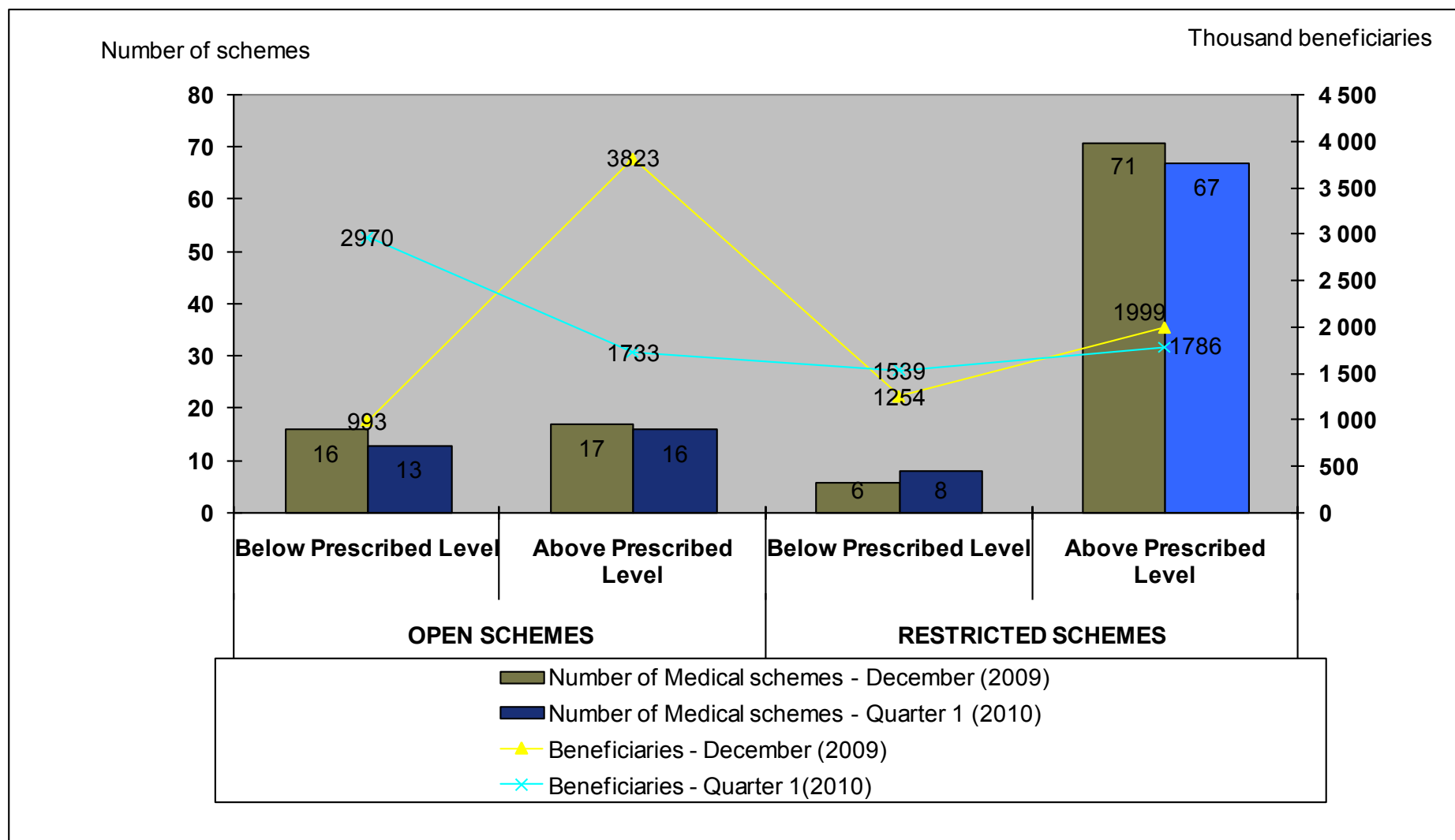
Annexure B

Percentage



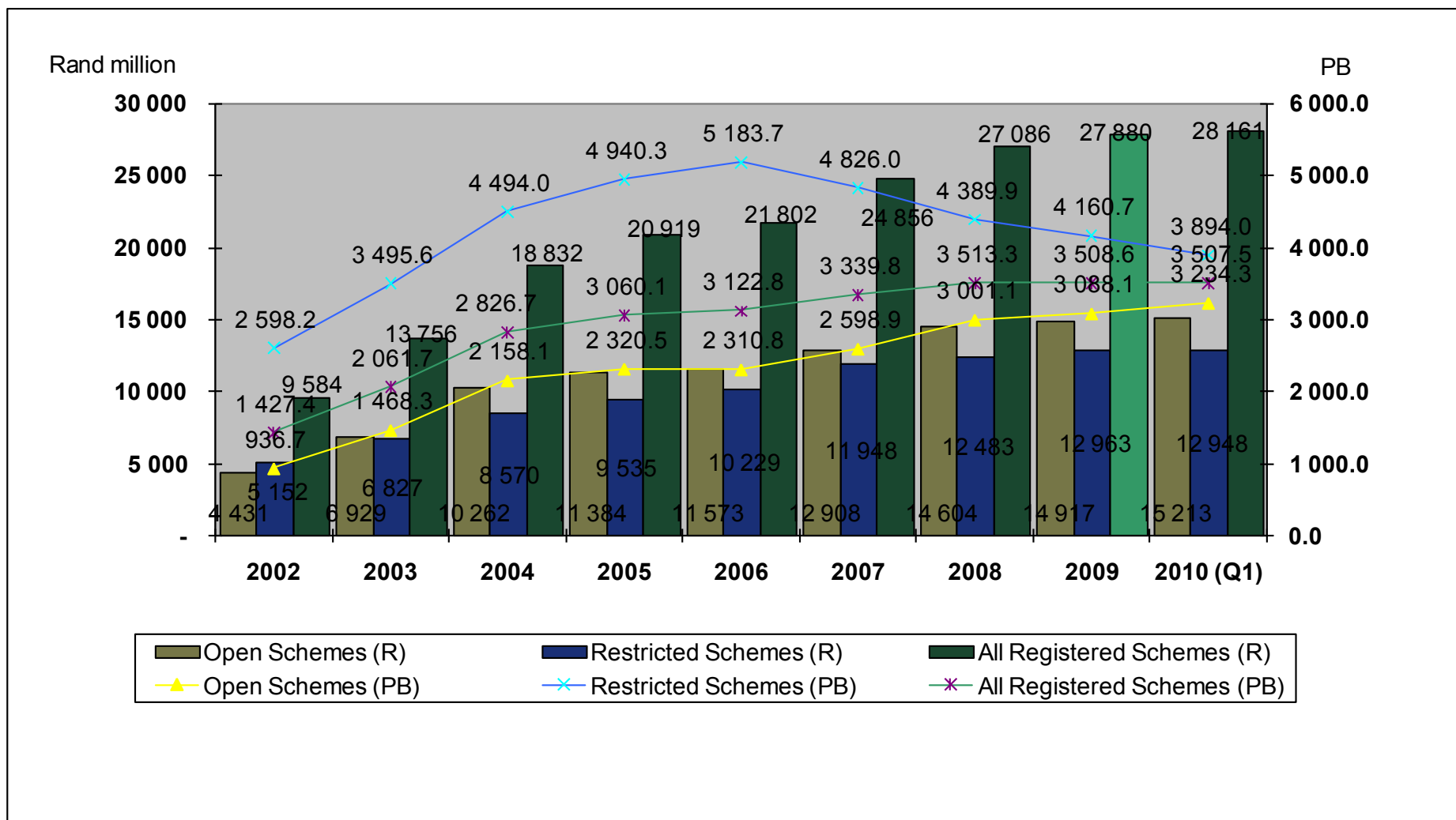
PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES

Annexure C



NET ASSETS PER REGULATION 29

Annexure D



INCOME STATEMENT DETAILS for the period ended 31 March 2010

Annexure E

* PB = Per Beneficiary

All references to relevant healthcare expenditure indicate claims and benefits.

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2,112,176	1,358,505	3,470,681
Average beneficiaries		4,703,759	3,295,009	7,998,768
Average age	Years	33.5	30.2	32.2
Pensioner ratio (65+ years)	%	7.8	5.6	6.9
No. of dependants per member		1.2	1.4	1.3
Gross contributions (risk + PMSA)	R'000	14,735,831	8,932,152	23,667,983
Gross relevant healthcare (gross +PMSA) (Note a)		13,408,997	8,557,116	21,966,113
Gross Administration Expenses (risk + PMSA)		1,364,884	526,184	1,891,068
Total fees paid to third-party administrators (included in gross administration) (Note b)		1,066,474	393,135	1,459,609
Managed care: management services		363,176	183,677	546,853

INCOME STATEMENT DETAILS for the period ended 31 March 2010

Annexure E

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Broker service fees (including distributions costs)		312,250	7,982	320,232
Net impairment losses: trade and other receivables		63,460	1,913	65,373
Net healthcare results	R'000	27,146	(339,974)	(312,828)
Surplus/ (deficit)		409,348	6,279	415,627

NOTES:

- a) Including managed care: healthcare benefits included in risk transfer arrangements.
- b) Including direct administration fees, co-administration fees and indirect expenses paid.

* PMSA = Personal Medical Savings Account

BALANCE SHEET DETAILS

at 31 March 2010

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 31 March 2010		2,116,449	1,369,951	3,486,400
Dependants at 31 March 2010		2,587,122	1,955,120	4,542,242
Beneficiaries at 31 March 2010		4,703,571	3,325,071	8,028,642
Non-current assets	R'000	5,939,372	6,119,755	12,059,127
Current assets	R'000	17,759,907	13,638,199	31,398,105
Trade & other receivables	R'000	3,359,506	1,091,899	4,451,405
	Contribution days outstanding	13.1	8.4	11.3
Cash & cash equivalents	R'000	8,788,020	9,640,027	18,428,047
Total assets	R'000	23,699,279	19,757,954	43,457,232

BALANCE SHEET DETAILS

at 31 March 2010

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members' funds (net assets per BS)		15,862,004	13,998,718	29,860,722
Accumulated funds		15,308,826	12,941,985	28,250,812
Non-current liabilities		61,475	828,823	890,298
Current liabilities		7,775,800	4,930,412	12,706,212
Trade & other payables		2,259,035	1,749,476	4,008,511
Savings liability		2,943,709	1,466,649	4,410,358
Outstanding claims provision		2,573,056	1,714,288	4,287,343
	Prior year claims provision utilised %	77.5	91.5	83.5
Total liabilities	R'000	7,837,275	5,759,235	13,596,511

BALANCE SHEET DETAILS at 31 March 2010

Annexure F

		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Total assets: total liabilities		3.0	3.4	3.2
Current assets: current liabilities		2.3	2.8	2.5
Gross claims incurred: cash & cash equivalents coverage	Months	5.9	8.2	4.4
Net assets per Regulation 29	R'000	15,212,927	12,947,733	28,160,660
Solvency ratio	%	26.0	36.1	29.8

NOTES:

* In respect of trade and other receivable outstanding days, the denominator is annualised gross contributions.

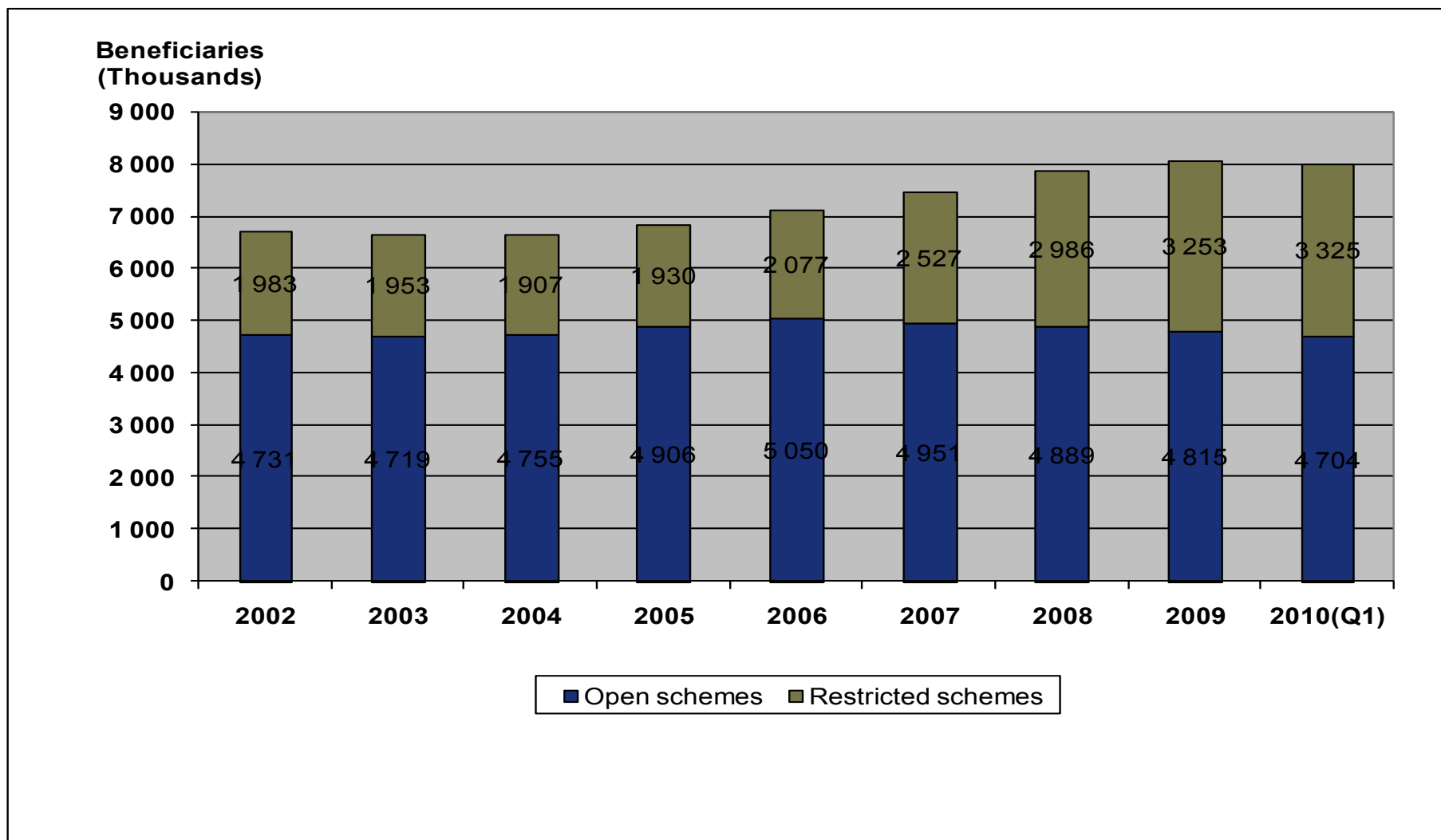
* In respect of prior year claims provision utilised = prior year payments / provision at the beginning of the year.

* 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

Annexure G



**DETAILED FINANCIAL INFORMATION:
ACTUAL V BUDGET
for the period ended 31 March 2010**

Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Members		2,112,176	2,332,978	-9.5%	1,358,505	1,364,079	-0.4%	3,470,681	3,697,057	-6.1%
Beneficiaries		4,703,759	4,377,280	7.5%	3,295,009	3,247,482	1.5%	7,998,768	7,624,762	4.9%
Gross Contribution Income (GCI)	R'000	14,735,831	14,679,739	0.4%	8,932,152	8,851,547	0.9%	23,667,983	23,531,287	0.6%
Risk Contribution Income (RCI)		12,991,417	12,970,649	0.2%	8,503,876	8,521,337	-0.2%	21,495,293	21,491,987	0.0%
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		13,408,997	N/A	0.0%	8,557,116	N/A	0.0%	21,966,113	N/A	0.0%
Relevant healthcare incurred (incl. managed care claims) (Note a)		10,860,500	10,868,689	-0.1%	8,123,175	8,017,819	1.3%	18,983,676	18,886,508	0.5%
Gross (incl. PMSA)/net non-health expenses		2,103,771	2,039,402	3.2%	720,674	703,407	2.5%	2,824,445	2,742,809	3.0%
Net healthcare results		27,146	62,558	-56.6%	(339,974)	(199,889)	70.1%	(312,828)	(137,330)	127.8%
Surplus/(deficit)	R'000	409,348	392,612	4.3%	6,279	29,830	-78.9%	415,627	422,442	-1.6%

**DETAILED FINANCIAL INFORMATION:
ACTUAL V BUDGET
for the period ended 31 March 2010**

Annexure H

		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Quarter end reserve position (per Regulation 29) (Note c)		15,212,927	14,656,722	3.8%	12,947,733	12,924,951	0.2%	28,160,660	27,581,673	2.1%

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 31 March 2010: 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

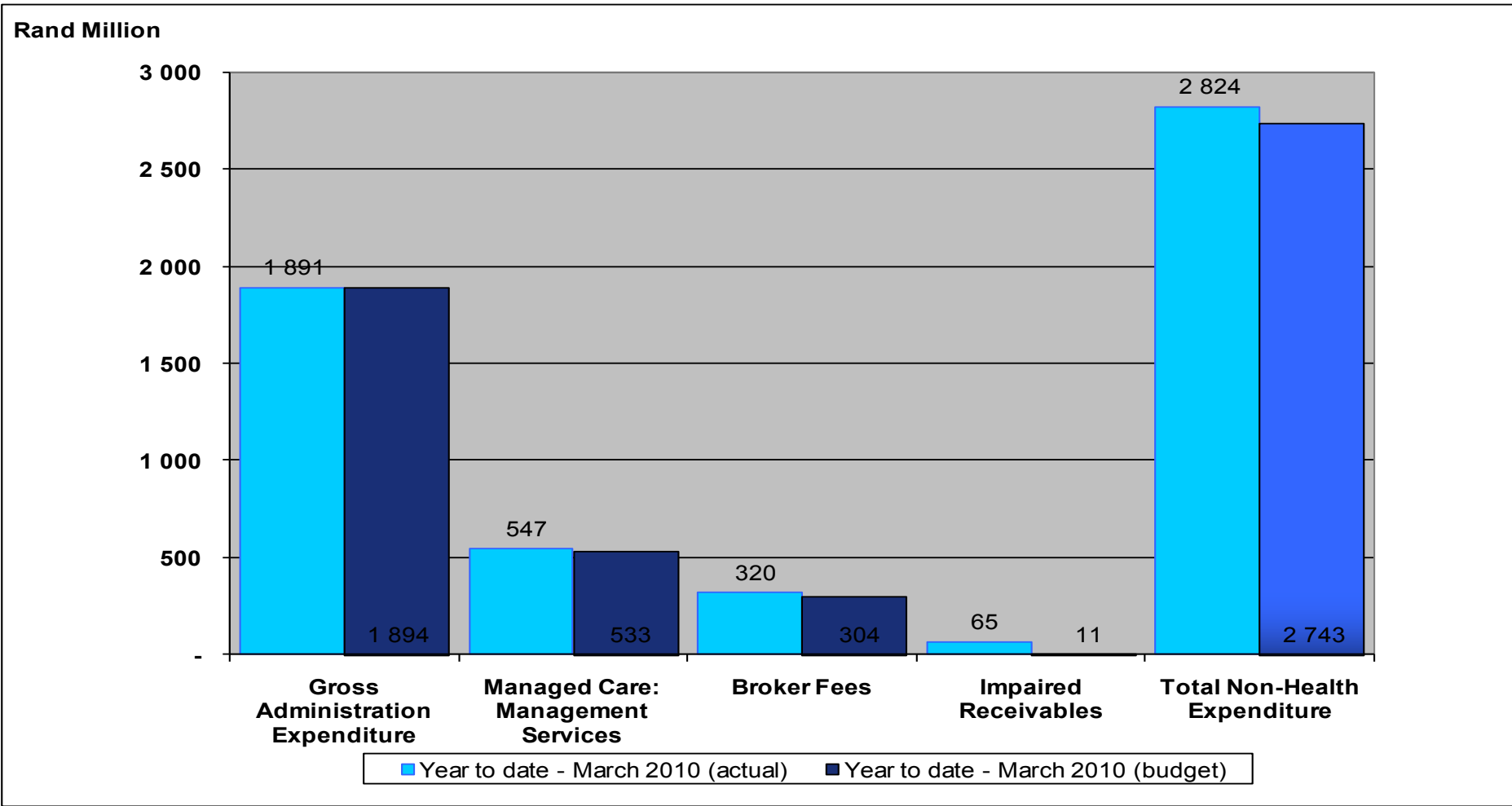
* RCI = Risk Contribution Income

* NA = information not available

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

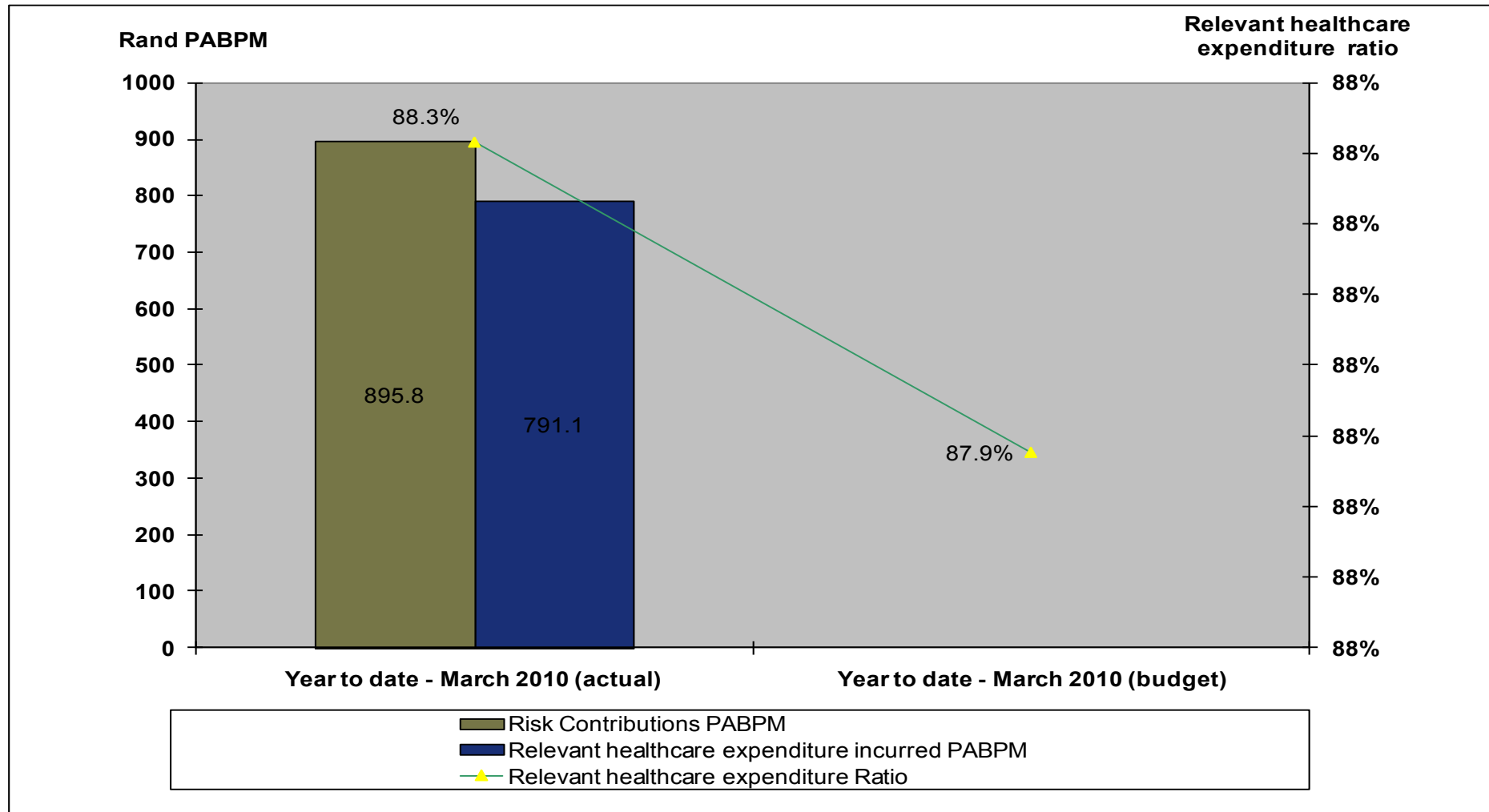
TOTAL NON-HEALTH EXPENDITURE

Annexure I



NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH

Annexure J



* PABPM = per average beneficiary per month