PRESS RELEASE

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Press release 14 of 2015: CMS says medical schemes in healthy financial state

The 83 registered medical schemes in South Africa are in a healthy financial state and continue to provide sufficient financing for private medical care, as stated by the Council for Medical Schemes (CMS), regulator of the industry. These schemes are also nowhere close to collapsing as reported in the media since the past weekend.

According to the latest annual report of the CMS, released last month, an important measure of the claims paying ability of schemes is the solvency ratio, which remained stable at an industry average of 33.3% between 2013 and 2014. The solvency ratio of open schemes increased by 1.0% to 30.0% in 2014 (2013: 29.7%). Restricted schemes experienced a decrease of 0.8% in their solvency ratio, 37.9% from 38.2% in 2013.

On 31 December 2014, there were 83 registered medical schemes, of which 23 were open and 60 restricted. These medical schemes had a combined total of 8.81 million members in December 2014, comprising of 3 921 232 main members and 4 893 226 dependants. There was a year-on-year increase of 0.4% in the total number of medical scheme beneficiaries, from 8.78 million in December 2013.

Mr Daniel Lehutjo, Acting Chief Executive Officer and Registrar of the CMS, explains that "medical schemes are not for profit entities and all contributions collected are meant to provide for the benefits provided to members including allowance for reserving and paying of non-healthcare costs of administering a scheme. As contributions increase each year, the ratio of claims paid over the years has been consistent between the range of 86.5% and 88.2% (Figure 50 in the Annual Report depicted below), meaning that schemes are sustainable and are managing to pay the claims by its members as required."

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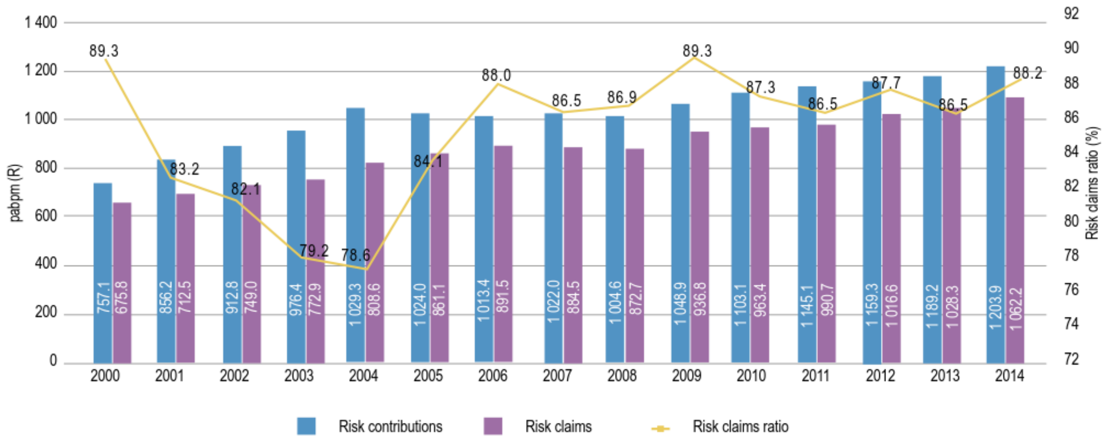
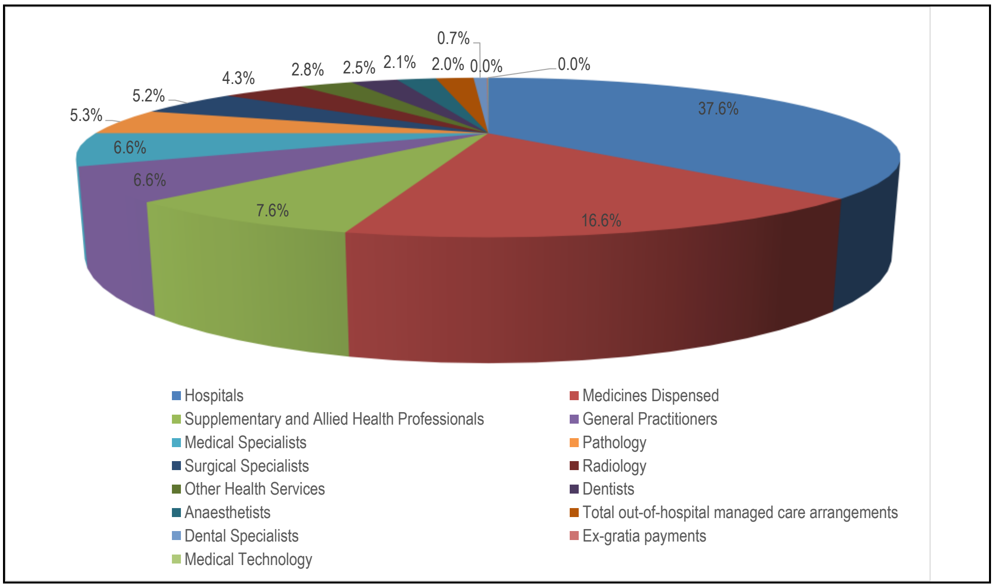
Figure 50: Risk claims ratio for all schemes: 2000 – 2014 (2014 prices)



There are a number of drivers pushing up the cost of private healthcare. The range of drivers include: the growing burden of chronic disease care; high prices charged by service providers; less young and healthy people joining medical schemes to subsidise the old and sick; and people also claim more.

A further breakdown displayed in the figure below, shows the biggest expenses for medical schemes are for private hospitals and specialists. (Please note, the category comprising all specialists – previously reported as medical specialists – has been disaggregated into five categories – anaesthetists, medical specialists, pathologists, radiologists and surgical specialists.)



Medical schemes spent 11.1% more on healthcare benefits in 2014 than in 2013. This expenditure increased (in nominal terms) to R124.1 billion in 2014 from R111.7 billion in 2013. Total hospital expenditure consumed R46.6 billion or 37.6% of the R124.1 billion in 2014. Expenditure on private hospitals increased by 11.6% to R46.4 billion from R41.6 billion in 2013.

Payments to all specialists amounted to R29.1 billion or 23.5% of total healthcare benefits paid in 2014. This amount increased by 12.0% from R26 billion paid in 2013. Payments to medical specialists amounted to R8.2 billion or 6.6% of total healthcare benefits paid in 2014. About 54% of the R8.2 billion paid to medical specialists in 2014 was paid to those operating in hospitals.

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