



Quarterly Reports for the period ending 30 June 2019

October 2019

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 June 2019. Budget information for the second quarter of 2019 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 can therefore not be made available to the public.

The Council for Medical Schemes (CMS) provides no assurance on the reliability of budget figures contained in this report.

Monitoring the financial performance and soundness of medical schemes – a brief summary of the key trends

Accumulated funds and solvency levels

- The overall industry average solvency level declined by 3.4% from the audited solvency level of 34.5% at 31 December 2018 to 33.4% at 30 June 2019.
- Total reserves per Regulation 29 for all medical schemes amounted to R 68.8 billion at 30 June 2019, which was 3.6% higher than the reserves of R 66.4 billion as at 31 December 2018.
- The solvency level at 30 June 2019 of 33.4% was 3.8% higher than the budgeted solvency level of 32.2% 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 4 (2018: 4) open schemes that failed to meet the prescribed solvency level at 30 June 2019 represent 21.9% (2018: 7.4%) of the total open schemes' beneficiaries.
- The 1 (2018: 3) restricted scheme that was below 25.0%; represents 0.9% (2018: 48.2%) of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 3.5% from R 7 448.3 at 31 December 2018 to R 7 705.7 at 30 June 2019. The net asset value per beneficiary at 30 June 2019 was 3.5% higher than the budgeted net asset value of R 7 447.0 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 0.4% from 4 039 705 at 31 December 2018 to 4 056 518 at 30 June 2019.
- The number of total beneficiaries increased slightly by 0.1% from 8 916 695 at 31 December 2018 to 8 925 279 at 30 June 2019.
- The average number of members of 4 041 673 for the period ended 30 June 2019 was 0.1% lower than budget of 4 045 051, and the average number of beneficiaries of 8 905 611 was 0.4% lower than budget of 8 939 582.
- The industry average age for all registered schemes for the period ended 30 June 2019 was 33.4 years, which is similar to the 33.1 years as at 31 December 2018. The proportion of pensioners for the period was 8.7%; an increase from 8.5% as at 31 December 2018.

Contributions and relevant healthcare expenditure

- The total gross contributions for all medical schemes amounted to R 103.0 billion for the period ended 30 June 2019, which was 0.3% lower than the budget and 7.1% higher than the R 96.1 billion for 30 June 2018.
- The gross contribution per average beneficiary per month was R 1 927.7 for the period ended 30 June 2019. Gross relevant healthcare expenditure per average beneficiary per month was R 1 828.3 for the period ended 30 June 2019.
- The gross contribution per average beneficiary per month at 30 June 2019 of R 1 927.7 went up by 6.5% from R 1 809.2 at 30 June 2018.
- Total risk contribution income of R 93.4 billion was 0.3% lower than budget, but 7.4% higher than the R 86.9 billion at the end of June 2018. The risk contribution per average beneficiary per month for the period ended 30 June 2019 was R 1 747.3, being 6.8% higher than June 2018 of R 1 636.2.
- The net relevant healthcare expenditure per average beneficiary per month for the period ended 30 June 2019 was R 1 604.0, being a 6.7% increase from June 2018 of R 1 503.6, and 0.6% lower than budget of R 1 613.6.
- Total net relevant healthcare expense for the period ended 30 June 2019 was R 85.7 billion compared to the budgeted relevant healthcare expense of R 86.5 billion, representing a 1.0% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 7.3% from R 79.9 billion in June 2018.
- The relevant healthcare expenditure ratio of 91.8% as at 30 June 2019 was slightly lower than the budgeted relevant healthcare expenditure ratio of 92.4%, and similar to the ratio as at 30 June 2018 of 91.9%.
- The utilisation of the prior year's outstanding claims provision was 97.3% for all schemes as at 30 June 2019.

Non-healthcare expenses

- The total non-healthcare expenses for all medical schemes amounted to R 8.1 billion for the period ended 30 June 2019, which was 6.2% lower than the R 8.7 billion budgeted for and 3.3% higher than the R 7.9 billion at the end of June 2018.
- The non-healthcare expense per average beneficiary per month for the period ended 30 June 2019 of R 152.5 was 2.7% higher than the industry average of R 148.4 at 30 June 2018.
- Non-healthcare expenses, when expressed as a percentage of risk contribution income, was 9.1% at 30 June 2018 and declined to 8.7% as at 30 June 2019.
- At 30 June 2019, the industry averages of the various components of non-healthcare expenses expressed as a percentage of total non-healthcare expenses were as follows:

	<u>June '19</u>	<u>Dec '18</u>
- Administration expenses	84.0%	83.1%
- Broker service fees (including distribution costs and broker fees)	14.8%	14.9%
- Net impairment losses: trade and other receivables	1.2%	2.0%

Operating results

- Registered medical schemes incurred a net healthcare deficit (before taking investment and other income into account) of R 491.4 million compared to a budgeted net healthcare deficit of R 1.6 billion at 30 June 2019. The total net healthcare results are 69.4% better than budgeted.
- Open schemes incurred a net healthcare deficit (before taking investment and other income into account) of R 169.6 million compared to a budgeted deficit of R 319.8 million, whereas restricted schemes incurred a net healthcare deficit of R 321.8 million compared to a budgeted deficit of R 1.3 billion.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R 2.9 billion as at 30 June 2019 compared to a budgeted surplus of R 622.3 million, which represents an actual to budget variance of 368.5%.
- In the 2018 annual results all schemes incurred a net healthcare surplus of R 1.2 billion and an overall net surplus of R 5.0 billion.

Investments

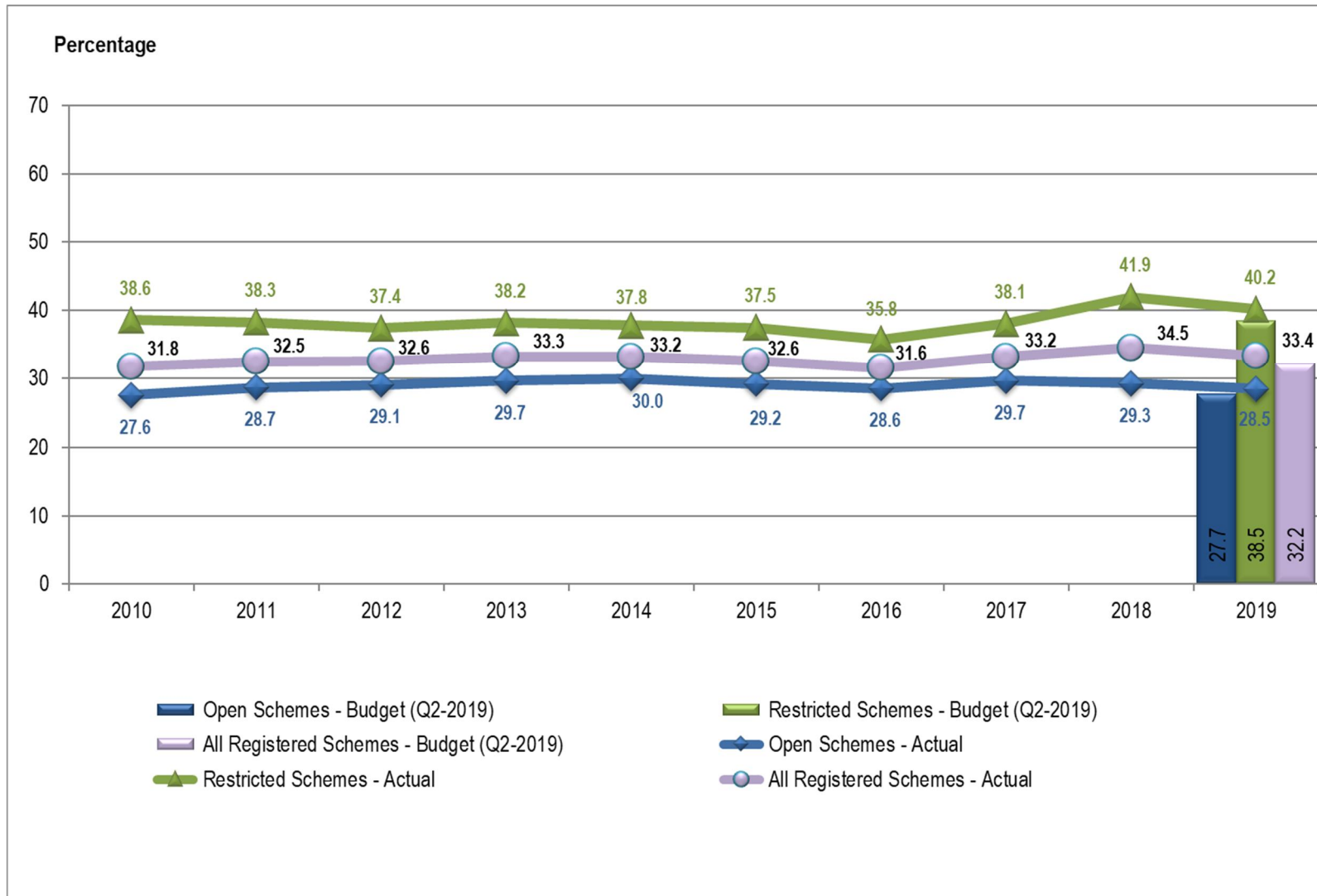
- The current assets to current liabilities ratio for open schemes at quarter end of 30 June 2019 is 2.3 (2018: 2.3), whereas for restricted schemes it is 2.6 (2018: 2.9).
- The total assets to total liabilities ratio for open and restricted schemes is 3.0 (2018: 2.9) and 4.2 (2018: 5.3) respectively.

REGULATION 29: MINIMUM ACCUMULATED FUNDS
Annexure A
(SOLVENCY RATIO)

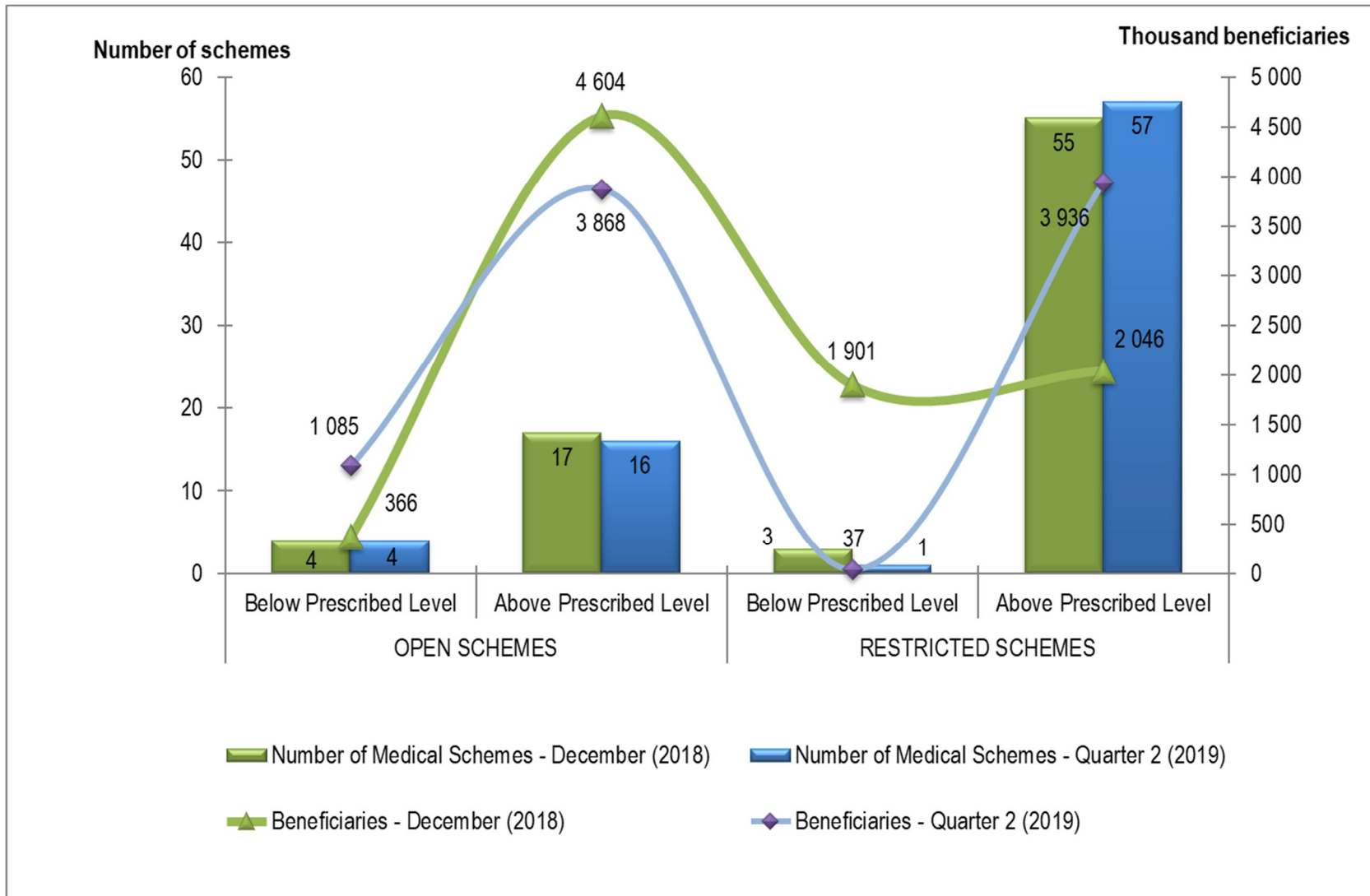
INDUSTRY AVERAGE:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	% Change 2018	2018 Quarter 2 Actual	2019 Quarter 2 Actual	2019 Quarter 2 Budget	% Variance Actual 2019 vs Budget 2019
Open schemes	27.4%	27.6%	28.7%	29.1%	29.7%	30.0%	29.2%	28.6%	29.7%	29.3%	-1.4%	28.6%	28.5%	27.7%	2.8%
Restricted schemes	42.5%	38.6%	38.3%	37.4%	38.2%	37.8%	37.5%	35.8%	38.1%	41.9%	10.1%	36.7%	40.2%	38.5%	4.5%
All registered schemes	32.9%	31.8%	32.5%	32.6%	33.3%	33.2%	32.6%	31.6%	33.2%	34.5%	4.0%	32.0%	33.4%	32.2%	3.8%

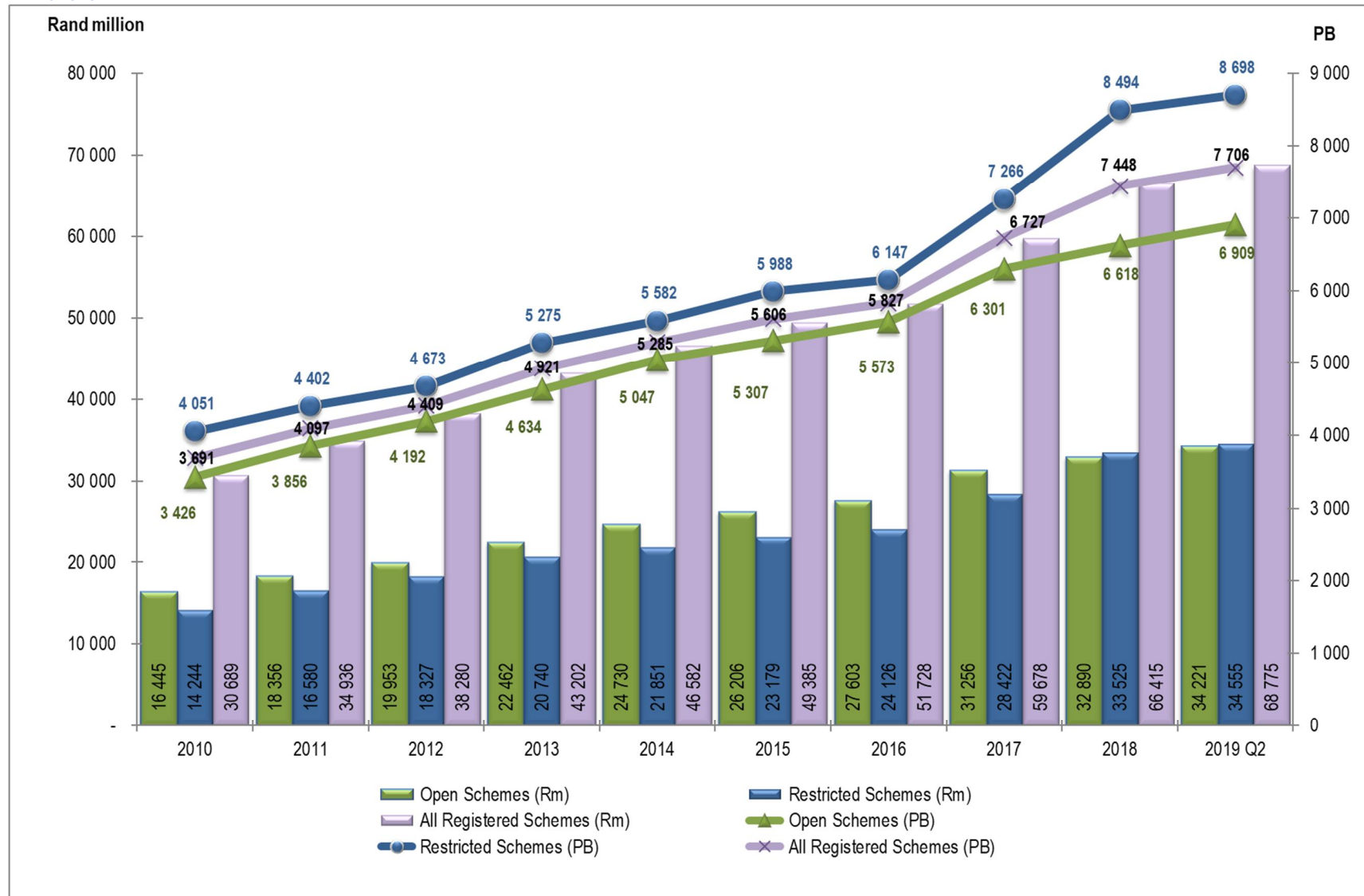
SOLVENCY RATIO GRAPH
Annexure B



PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH
Annexure C



NET ASSETS PER REGULATION 29 GRAPH
Annexure D



PB – Per beneficiary

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2019
Annexure E

Income statement		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 374 869	1 666 804	4 041 673
Average beneficiaries		4 943 054	3 962 557	8 905 611
Average age	Years	34.9	31.5	33.4
Pensioner ratio (65+ years)	%	10.3%	6.7%	8.7%
No. of dependants per member		1.1	1.4	1.2
Gross contributions (risk + PMSA)	R'000	60 156 352	42 846 467	103 002 819
Gross relevant healthcare (gross +PMSA)(Note a)		56 745 863	40 947 589	97 693 452
Gross Administration Expenses (risk + PMSA)		4 622 974	2 219 001	6 841 975
Broker service fees (including distributions costs)		1 141 760	65 010	1 206 770
Net impairment losses: trade and other receivables	R'000	63 730	32 813	96 543
Net healthcare results		(169 591)	(321 847)	(491 438)
Surplus/ (deficit)		1 490 133	1 425 222	2 915 354

NOTES:

a) Including accredited managed care: healthcare benefits as well as the results of risk transfer arrangements.

* PMSA = Personal Medical Savings Account

STATEMENT OF FINANCIAL POSITION
at 30 June 2019
Annexure F

Balance sheet		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 30 June 2019		2 383 281	1 673 237	4 056 518
Dependants at 30 June 2019		2 569 486	2 299 275	4 868 761
Beneficiaries at 30 June 2019		4 952 767	3 972 512	8 925 279
Non-current assets	R'000	12 222 448	18 043 686	30 266 134
Current assets	R'000	40 157 786	29 579 742	69 737 529
Trade & other receivables	R'000	7 535 345	1 957 971	9 493 316
Contribution days outstanding		6.5	2.3	4.7
Cash & cash equivalents	R'000	6 532 816	11 216 304	17 749 120
Total assets	R'000	52 380 235	47 623 428	100 003 662
Members' funds (net assets per BS)		35 156 113	36 185 928	71 342 042
Accumulated funds		34 699 185	35 897 448	70 596 634
Non-current liabilities		47 463	51 042	98 506
Current liabilities		17 176 658	11 386 457	28 563 115
Trade & other payables		4 415 650	3 700 893	8 116 543
Savings liability		7 660 496	3 550 533	11 211 029
Outstanding claims provision		5 100 512	4 135 031	9 235 543
Prior year claims provision utilised %		94.8%	100.8%	97.3%
Total liabilities	R'000	17 224 121	11 437 499	28 661 621
Total assets: total liabilities		3.0	4.2	3.5
Current assets: current liabilities		2.3	2.6	2.4
Risk claims incurred: cash & cash equivalents coverage	Months	7.3	6.7	7.0

Balance sheet		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Net assets per Regulation 29	R'000	34 220 508	34 554 632	68 775 140
Solvency ratio	%	28.5	40.2	33.4

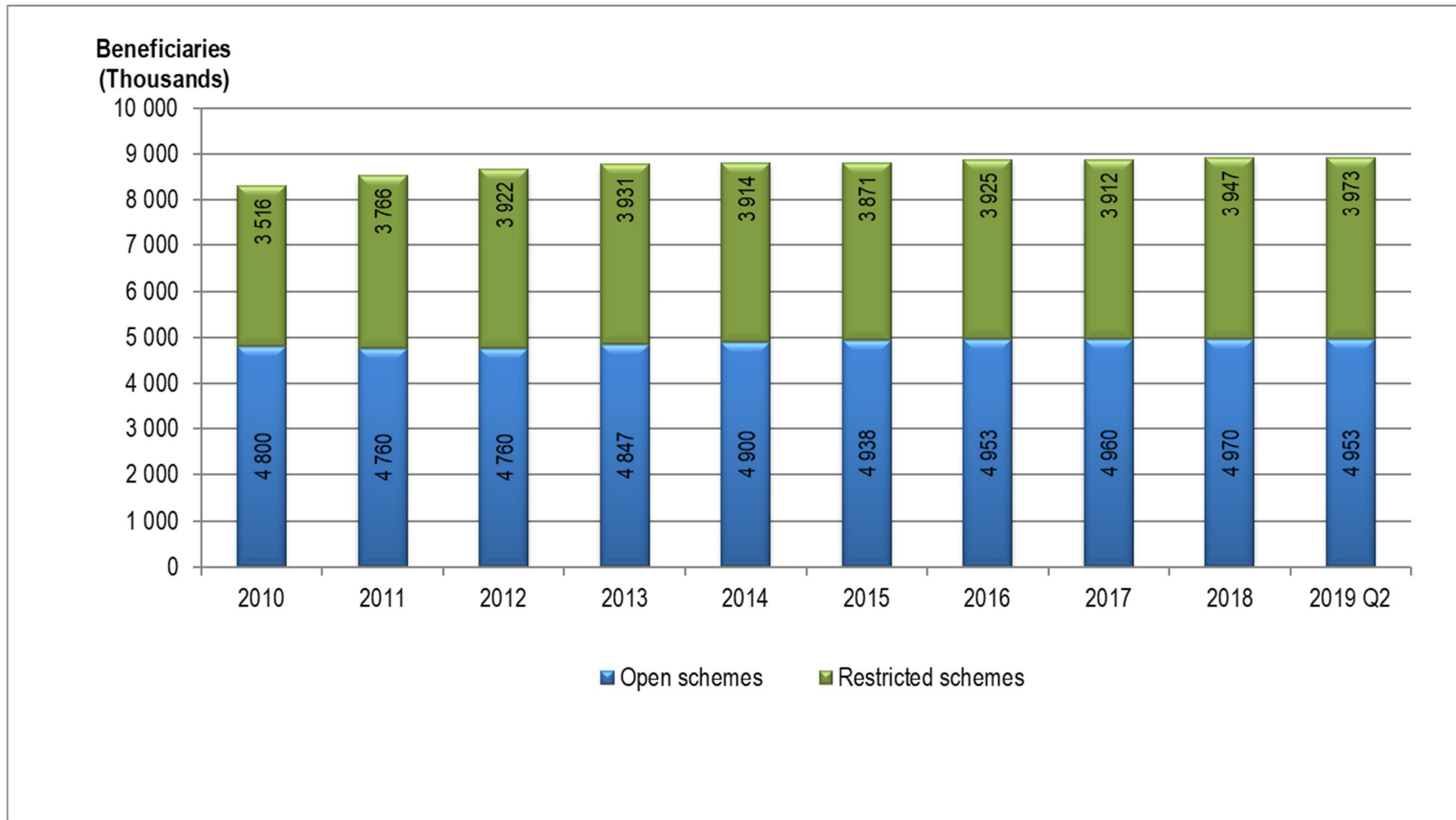
NOTES:

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

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

* 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 GRAPH
Annexure G



DETAILED FINANCIAL INFORMATION: ACTUAL V BUDGET
for the period ended 30 June 2019
Annexure H

Actual vs Budget		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Average members		2 374 869	2 383 831	-0.4	1 666 804	1 661 220	0.3	4 041 673	4 045 051	-0.1
Average beneficiaries		4 943 054	5 011 813	-1.4	3 962 557	3 927 769	0.9	8 905 611	8 939 582	-0.4
Gross Contribution Income (GCI)	R'000	60 156 352	60 654 113	-0.8	42 846 467	42 693 271	0.4	103 002 819	103 347 384	-0.3
Risk Contribution Income (RCI)		52 490 235	52 926 441	-0.8	40 874 334	40 703 608	0.4	93 364 569	93 630 049	-0.3
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		56 745 863	NA	0.0	40 947 589	NA	0.0	97 693 452	NA	0.0
Relevant healthcare incurred (incl. managed care claims) (Note a)		46 829 826	47 167 778	-0.7	38 879 358	39 381 360	-1.3	85 709 184	86 549 139	-1.0
Gross (incl. PMSA)/net non-health expenses		5 829 999	6 078 498	-4.1	2 316 824	2 608 657	-11.2	8 146 823	8 687 155	-6.2
Net healthcare results		(169 591)	(319 834)	47.0	(321 847)	(1 286 410)	75.0	(491 438)	(1 606 244)	69.4
Surplus/(deficit)	R'000	1 490 133	925 912	60.9	1 425 222	(303 607)	569.4	2 915 354	622 305	368.5
Quarter end reserve position (per Regulation 29) (Note c)		34 220 508	33 583 766	1.9	34 554 632	32 836 759	5.2	68 775 140	66 420 525	3.5

NOTES:

a) Including accredited managed care: healthcare benefits as well as the results for risk transfer arrangements.

b) Net non-healthcare expenses = administration expenses, 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 Statement of financial position as basis, and adjusting it for the following actual amounts as at 30 June 2019: cumulative net gains on disposal of investments and property plant and equipment included in the Statement of comprehensive income, 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

* N/A = information not available

* For net healthcare results and net surplus or deficit, negative variances represents a deterioration against budget.

DETAILED FINANCIAL INFORMATION: ACTUAL vs PRIOR YEAR
for the period ended 30 June 2019
Annexure I

Actual vs prior year		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2019	2018	% variance	2019	2018	% variance	2019	2018	% variance
Average members		2 374 869	2 368 840	0.3	1 666 804	1 644 266	1.4	4 041 673	4 013 106	0.7
Average beneficiaries		4 943 054	4 952 854	-0.2	3 962 557	3 904 099	1.5	8 905 611	8 856 953	0.5
Gross Contribution Income (GCI)	R'000	60 156 352	56 375 114	6.7	42 846 467	39 769 457	7.7	103 002 819	96 144 571	7.1
Risk Contribution Income (RCI)		52 490 235	48 965 381	7.2	40 874 334	37 984 182	7.6	93 364 569	86 949 563	7.4
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		56 745 863	53 483 466	6.1	40 947 589	37 182 246	10.1	97 693 452	90 665 712	7.8
Relevant healthcare incurred (incl. managed care claims) (Note a)		46 829 826	43 856 237	6.8	38 879 358	36 047 832	7.9	85 709 184	79 904 069	7.3
Gross (incl. PMSA)/net non-health expenses		5 829 999	5 631 283	3.5	2 316 824	2 255 704	2.7	8 146 823	7 886 988	3.3
Net healthcare results		(169 591)	(522 139)	67.5	(321 847)	(319 354)	-0.8	(491 438)	(841 493)	41.6
Surplus/(deficit)	R'000	1 490 133	710 090	109.9	1 425 222	599 026	137.9	2 915 354	1 309 116	122.7
Quarter end reserve position (per Regulation 29)		34 220 508	32 233 048	6.2	34 554 632	29 216 023	18.3	68 775 140	61 449 071	11.9

NOTES:

a) Including results of risk transfer arrangements.

b) Gross non-healthcare expenses = administration expenses, broker costs (including broker fees and distribution fees) and net impairment losses.

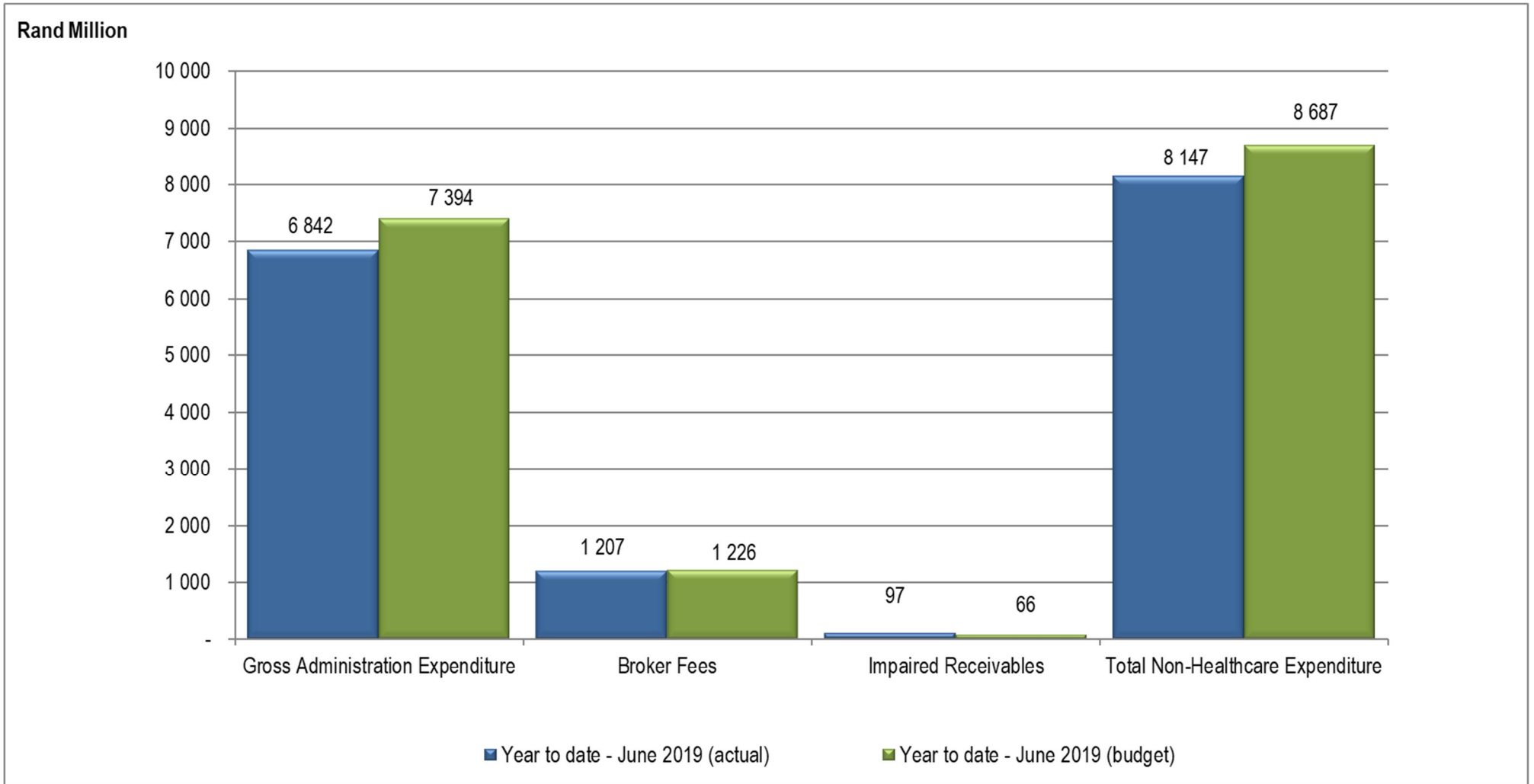
* PMSA = Personal Medical Savings Account

* GCI = Gross Contribution Income

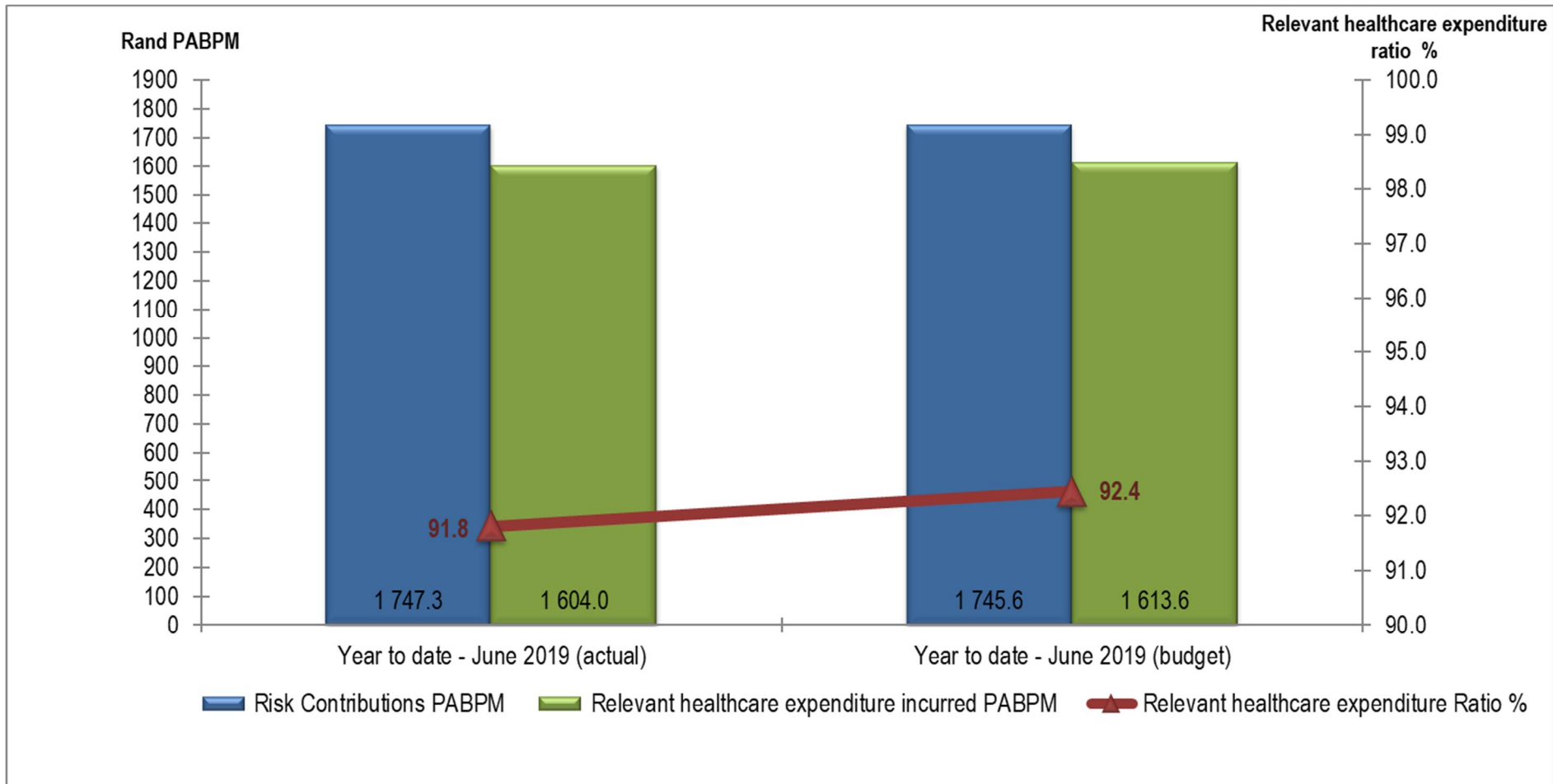
* RCI = Risk Contribution Income

* For net healthcare results and net surplus or deficit, negative variances represents a deterioration against budget.

TOTAL NON-HEALTHCARE EXPENDITURE GRAPH
Annexure J



NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH
Annexure K



PABPM = per average beneficiary per month

NET RELEVANT HEALTHCARE EXPENDITURE RATIO: SEASONALITY
Annexure L

