



# Quarterly Reports for the Period ending 31 March 2020

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## *INTRODUCTION*

This report represents the results of the analysis of the quarterly statutory returns for the period ended 31 March 2020. Budget information for the first quarter of 2020 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 11.0% from the audited solvency level of 35.6% at 31 December 2019 to 31.7% at 31 March 2020.
- Total reserves per Regulation 29 for all medical schemes amounted to R 70.1 billion at 31 March 2020, which was 4.4% lower than the reserves of R 73.3 billion as at 31 December 2019.
- The solvency level at 31 March 2020 of 31.7% was 6.2% lower than the budgeted solvency level of 33.8% 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 4 (2019: 3) open schemes that failed to meet the prescribed solvency level at 31 March 2020 represent 22.0% (2019: 15.8%) of the total open schemes' beneficiaries.
- The 4 (2019: 1) restricted schemes that were below 25.0%; represent 2.5% (2019: 0.9%) of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary decreased by 4.2% from R 8 186.5 at 31 December 2019 to R 7 843.5 at 31 March 2020. The net asset value per beneficiary at 31 March 2020 was 6.8% lower than the budgeted net asset value of R 8 415.3 for the same period.

### *Membership, age distribution and pensioner ratio*

- The total number of principal members of registered medical schemes increased by 0.2% from 4 047 804 at 31 December 2019 to 4 056 860 at 31 March 2020.
- The number of total beneficiaries decreased slightly from 8 953 695 at 31 December 2019 to 8 935 846 at 31 March 2020.
- The average number of members of 4 046 104 for the period ended 31 March 2020 was 0.7% lower than budget of 4 074 069, and the average number of beneficiaries of 8 920 561 was 0.1% higher than budget of 8 910 099.
- The industry average age for all registered schemes for the period ended 31 March 2020 was 33.7 years, which is similar to the 33.1 years as at 31 December 2019. The proportion of pensioners for the period was 8.9% and remained largely unchanged from 31 December 2019.

### *Contributions and relevant healthcare expenditure*

- The total gross contributions for all medical schemes amounted to R 55.2 billion for the period ended 31 March 2020, which was 0.5% lower than the budget and 8.0% higher than the R 51.1 billion for 31 March 2019.
- The gross contribution per average beneficiary per month was R 2 062.9 for the period ended 31 March 2020. Gross relevant healthcare expenditure per average beneficiary per month was R 1 970.4 for the period ended 31 March 2020.
- The gross contribution per average beneficiary per month at 31 March 2020 of R 2 062.9 went up by 7.1% from R 1 926.2 at 31 March 2019.
- Total risk contribution income of R 50.1 billion was 0.5% lower than budget, but 8.0% higher than the R 46.3 billion at the end of March 2019. The risk contribution per average beneficiary per month for the period ended 31 March 2020 was R 1 870.2, being 7.2% higher than March 2019 of R 1 746.2.
- The net relevant healthcare expenditure per average beneficiary per month for the period ended 31 March 2020 was R 1 713.1, being a 7.5% increase from March 2019 of R 1 595.2, and 7.6% lower than budget of R 1 713.1.
- Total net relevant healthcare expense for the period ended 31 March 2020 was R 45.8 billion compared to the budgeted relevant healthcare expense of R 46.4 billion, representing a 1.2% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 8.3% from R 42.3 billion in March 2019.
- The relevant healthcare expenditure ratio of 91.6% as at 31 March 2020 was slightly lower than the budgeted relevant healthcare expenditure ratio of 92.2%, and similar to the ratio as at 31 March 2019 of 91.3%.

### *Non-healthcare expenses*

- The total non-healthcare expenses for all medical schemes amounted to R 4.2 billion for the period ended 31 March 2020, which was 6.5% lower than the R 4.5 billion budgeted for and 6.1% higher than the R 3.9 billion at the end of March 2019.
- The non-healthcare expense per average beneficiary per month for the period ended 31 March 2020 of R 157.1 was 5.3% higher than the industry average of R 149.3 at 31 March 2019.
- Non-healthcare expenses, when expressed as a percentage of risk contribution income, was 8.6% at 31 March 2020 and was similar to comparative period in the previous year.

### *Operating results*

- Registered medical schemes incurred a net healthcare deficit (before taking investment and other income into account) of R 0.311 million compared to a budgeted net healthcare deficit of -R576 million at 31 March 2020. The total net healthcare results are 99.9% better than budgeted.
- Open schemes incurred a net healthcare surplus (before taking investment and other income into account) of R 236.6 million compared to a budgeted surplus of R 26.6 million, whereas restricted schemes incurred a net healthcare deficit of -R 236.9 million compared to a budgeted deficit of -R602.4 million.
- The inclusion of investment and other income resulted in all registered schemes making a deficit of R 3.6 billion as at 31 March 2020 compared to a budgeted surplus of R 724.19 million, which represents an actual to budget variance of 587.7%.
- In the 2019 annual results all schemes reported a net healthcare surplus of R 82.3 million and an overall net surplus of R 2.0 billion.

### *Investments*

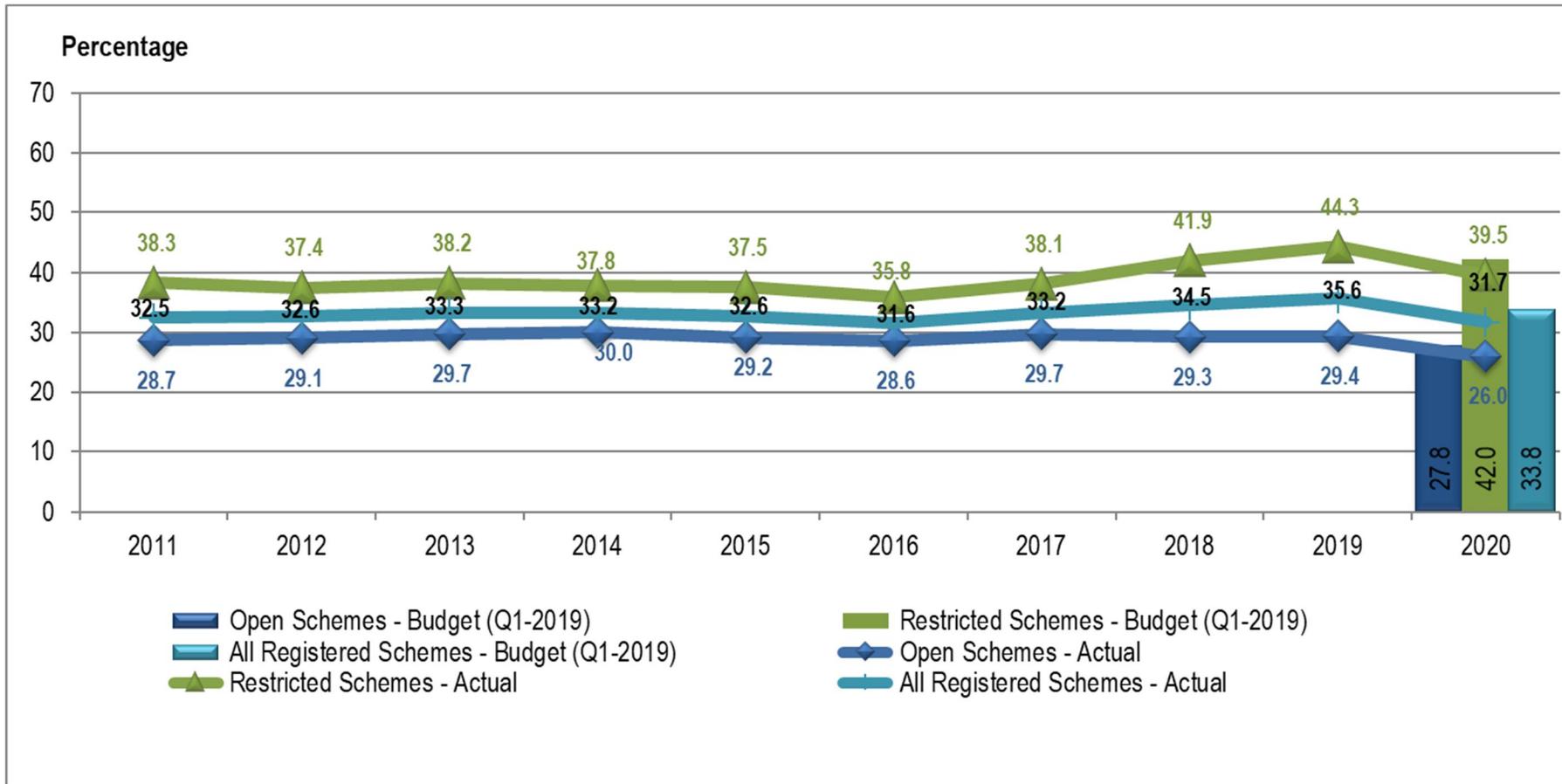
- The current assets to current liabilities ratio for open schemes at quarter end of 31 March 2020 is 2.2 (2019: 2.4), whereas for restricted schemes it is 3.0 (2019: 2.7).
- The total assets to total liabilities ratio for open and restricted schemes is 2.8 (2019: 3.1) and 4.5 (2019: 4.2) respectively.

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

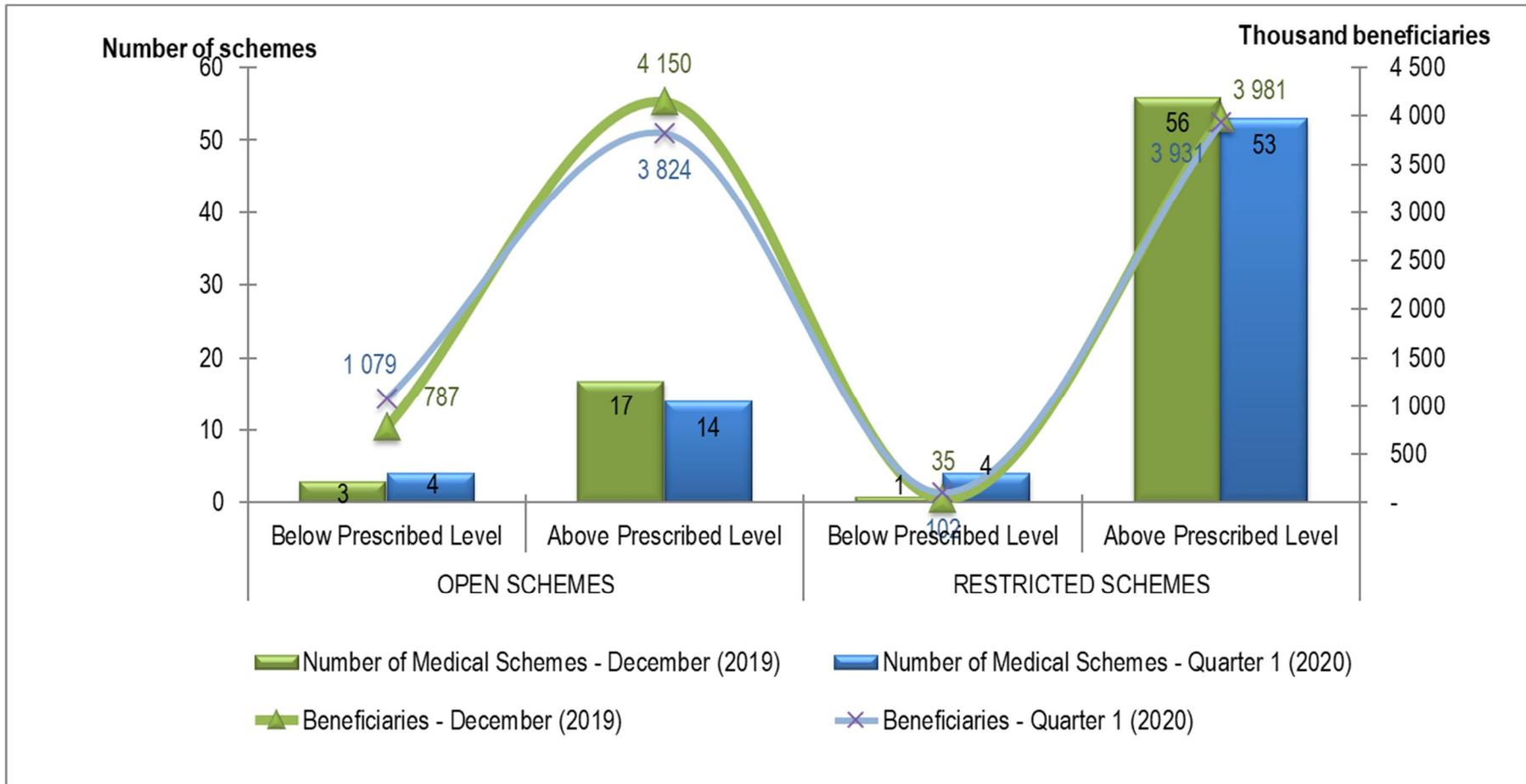
INDUSTRY AVERAGE:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	% Change 2019	2019 Quarter 1 Actual	2020 Quarter 1 Actual	2020 Quarter 1 Budget	% Variance Actual 2020 vs Budget 2020
Open schemes	27.6%	28.7%	29.1%	29.7%	30.0%	29.2%	28.6%	29.7%	29.3%	29.4%	0.2%	28.5%	26.0%	27.8%	-6.5%
Restricted schemes	38.6%	38.3%	37.4%	38.2%	37.8%	37.5%	35.8%	38.1%	41.9%	44.3%	5.7%	36.2%	39.5%	42.0%	-6.0%
All registered schemes	31.8%	32.5%	32.6%	33.3%	33.2%	32.6%	31.6%	33.2%	34.5%	35.6%	3.1%	31.6%	31.7%	33.8%	-6.2%

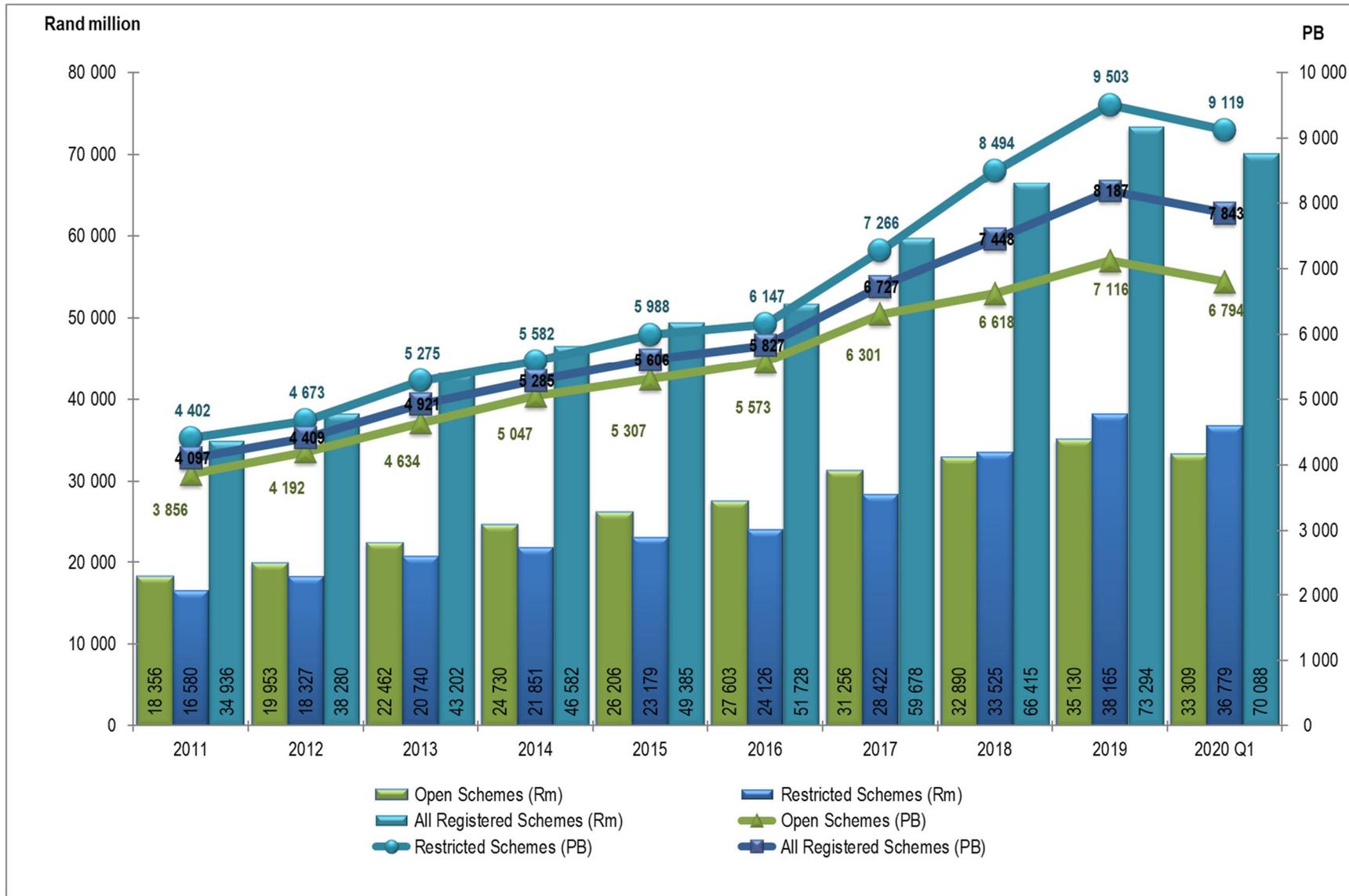
SOLVENCY RATIO GRAPH  
Annexure B



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 31 March 2020  
Annexure E

Income statement		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 358 027	1 688 077	4 046 104
Average beneficiaries		4 894 341	4 026 220	8 920 561
Average age	Years	35.3	31.7	32.0
Pensioner ratio (65+ years)	%	10.6%	6.8%	8.9%
No. of dependants per member		1.1	1.4	1.2
Gross contributions (risk + PMSA)	R'000	32 103 282	23 102 157	55 205 438
Gross relevant healthcare (gross +PMSA) (Note a)		30 744 123	21 985 956	52 730 079
Gross Administration Expenses (risk + PMSA)		2 371 797	1 153 723	3 525 520
Broker service fees (including distributions costs)		601 189	37 577	638 766
Net impairment losses: trade and other receivables	R'000	28 627	12 602	41 229
Net healthcare results		236 663	(236 973)	(311)
Surplus/ (deficit)		(1 684 012)	(1 935 311)	(3 619 324)

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 31 March 2020  
Annexure F

Balance sheet		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 31 March 2020		2 365 564	1 691 296	4 056 860
Dependants at 31 March 2020		2 537 108	2 341 878	4 878 986
Beneficiaries at 31 March 2020		4 902 672	4 033 174	8 935 846
Non-current assets	R'000	11 593 575	16 155 816	27 749 390
Current assets	R'000	40 855 033	31 590 566	72 445 598
Trade & other receivables	R'000	7 277 030	1 985 786	9 262 815
Contribution days outstanding		12.3	4.6	9.1
Cash & cash equivalents	R'000	6 429 439	11 237 645	17 667 084
Total assets	R'000	52 448 607	47 746 381	100 194 989
Members' funds (net assets per BS)		33 589 035	37 150 131	70 739 166
Accumulated funds		33 790 570	37 321 409	71 111 980
Non-current liabilities		87 346	101 484	188 830
Current liabilities		18 772 227	10 494 766	29 266 993
Trade & other payables		5 837 064	2 644 322	8 481 385
Savings liability		8 234 712	3 852 248	12 086 960
Outstanding claims provision		4 700 451	3 998 196	8 698 648
Prior year claims provision utilised %		87.4%	92.3%	89.5%
Total liabilities	R'000	18 859 572	10 596 250	29 455 823
Total assets: total liabilities		2.8	4.5	3.4
Current assets: current liabilities		2.2	3.0	2.5
Gross claims incurred: cash & cash equivalents coverage	Months	4.1	0.2	0.5

Net assets per Regulation 29	R'000	33 309 362	36 778 511	70 087 872
Solvency ratio	%	26.0	39.5	31.7

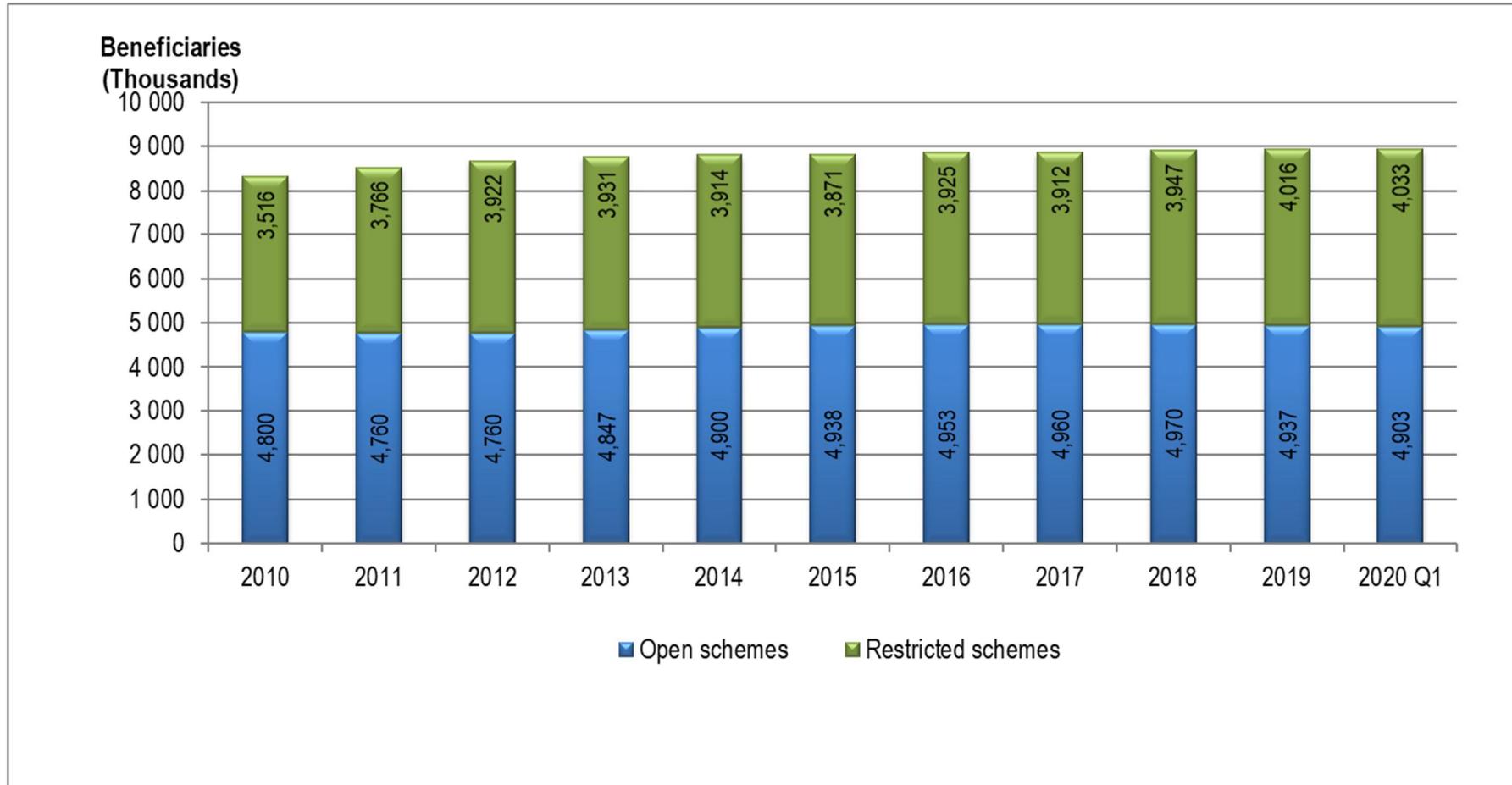
NOTES:

\* 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 31 March 2020  
Annexure H

Actual vs Budget		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Average members		2 358 027	2 371 864	-0.6	1 688 077	1 702 205	-0.8	4 046 104	4 074 069	-0.7
Average beneficiaries		4 894 341	4 945 475	-1.0	4 026 220	3 964 623	1.6	8 920 561	8 910 099	0.1
Gross Contribution Income (GCI)	R'000	32 103 282	32 374 772	-0.8	23 102 157	23 093 019	0.0	55 205 438	55 467 792	-0.5
Risk Contribution Income (RCI)		28 033 386	28 282 803	-0.9	22 016 639	22 029 205	-0.1	50 050 026	50 312 008	-0.5
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		30 744 123	NA	0.0	21 985 956	NA	0.0	52 730 079	NA	0.0
Relevant healthcare incurred (incl. managed care claims) (Note a)		24 795 111	25 152 630	-1.4	21 049 711	21 238 399	-0.9	45 844 821	46 391 029	-1.2
Gross (incl. PMSA)/net non-health expenses		3 001 613	3 103 542	-3.3	1 203 902	1 393 275	-13.6	4 205 515	4 496 817	-6.5
Net healthcare results		236 663	26 631	788.7	(236 973)	(602 468)	-60.7	(311)	(575 837)	-99.9
Surplus/(deficit)	R'000	(1 684 012)	674 383	-349.7	(1 935 311)	67 727	-2957.5	(3 619 324)	742 109	-587.7
Quarter end reserve position (per Regulation 29) (Note c)		33 309 362	35 839 211	-7.1	36 778 511	39 217 712	-6.2	70 087 872	75 056 923	-6.6

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 31 March 2020: 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

DETAILED FINANCIAL INFORMATION: ACTUAL vs PRIOR YEAR  
for the period ended 31 March 2020  
Annexure I

Actual vs prior year		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2020	2019	% variance	2020	2019	% variance	2020	2019	% variance
Average members		2 358 027	2 347 295	0.5	1 688 077	1 660 670	1.7	4 046 104	4 007 965	1.0
Average beneficiaries		4 894 341	4 896 232	0.0	4 026 220	3 952 986	1.9	8 920 561	8 849 218	0.8
Gross Contribution Income (GCI)	R'000	32 103 282	29 854 784	7.5	23 102 157	21 280 443	8.6	55 205 438	51 135 227	8.0
Risk Contribution Income (RCI)		28 033 386	26 036 106	7.7	22 016 639	20 299 937	8.5	50 050 026	46 336 043	8.0
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		30 744 123	28 378 796	8.3	21 985 956	20 514 886	7.2	52 730 079	48 893 682	7.8
Relevant healthcare incurred (incl. managed care claims) (Note a)		24 795 111	22 837 850	8.6	21 049 711	19 452 089	8.2	45 844 821	42 289 939	8.4
Gross (incl. PMSA)/net non-health expenses		3 001 613	2 847 680	5.4	1 203 902	1 116 083	7.9	4 205 515	3 963 763	6.1
Net healthcare results		236 663	350 576	-32.5	(236 973)	(268 235)	-11.7	(311)	82 341	-100.4
Surplus/(deficit)	R'000	(1 684 012)	1 264 735	-233.2	(1 935 311)	774 228	-350.0	(3 619 324)	2 038 964	-277.5
Quarter end reserve position (per Regulation 29)		33 309 362	33 255 479	0.2	36 778 511	33 868 224	8.6	70 087 872	67 123 703	4.4

NOTES:

a) Including results of risk transfer arrangements.

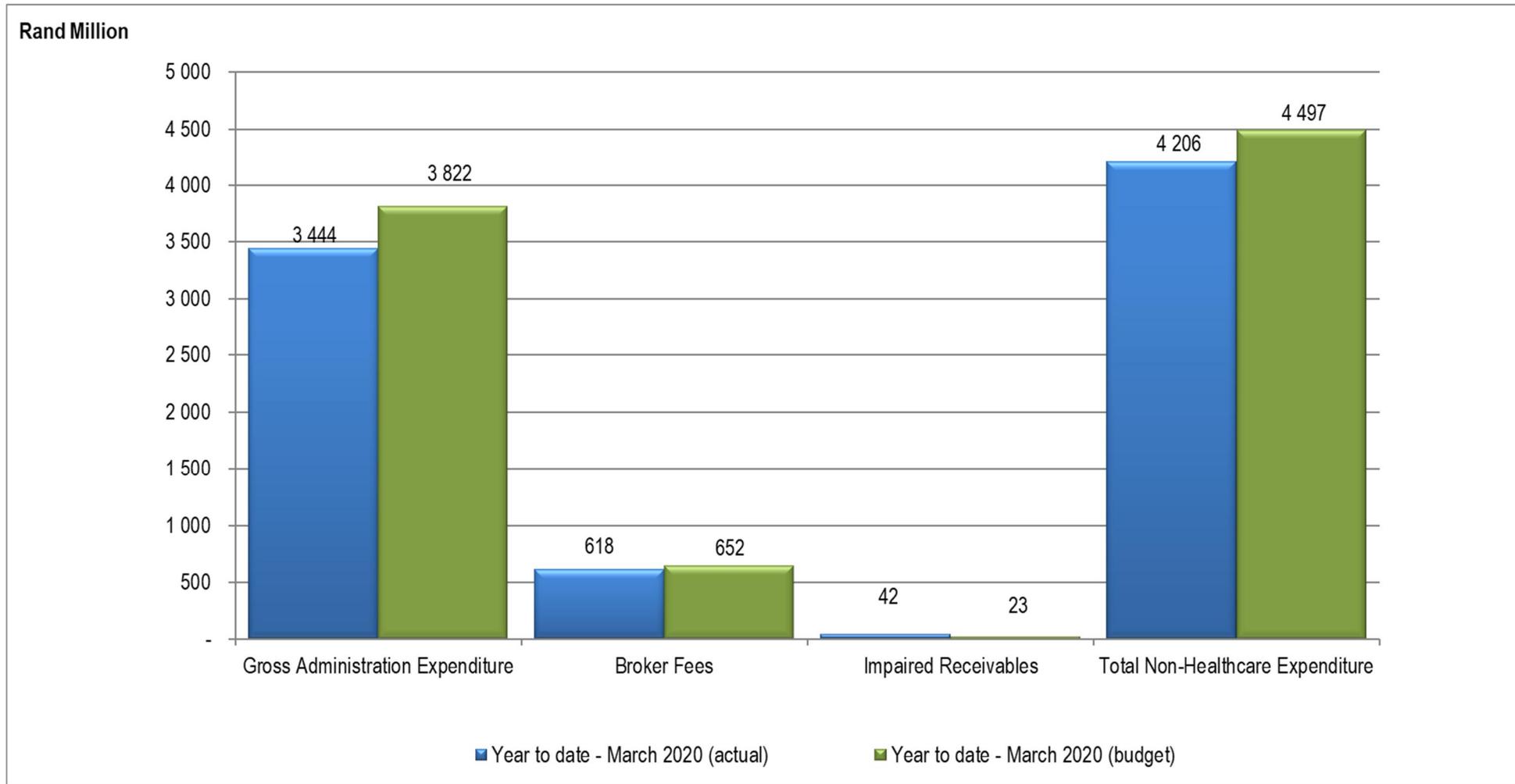
b) Gross non-healthcare expenses = administration expenses, broker costs (including broker fees and distribution fees) and net impairment losses.

\* PMSA = Personal Medical Savings Account

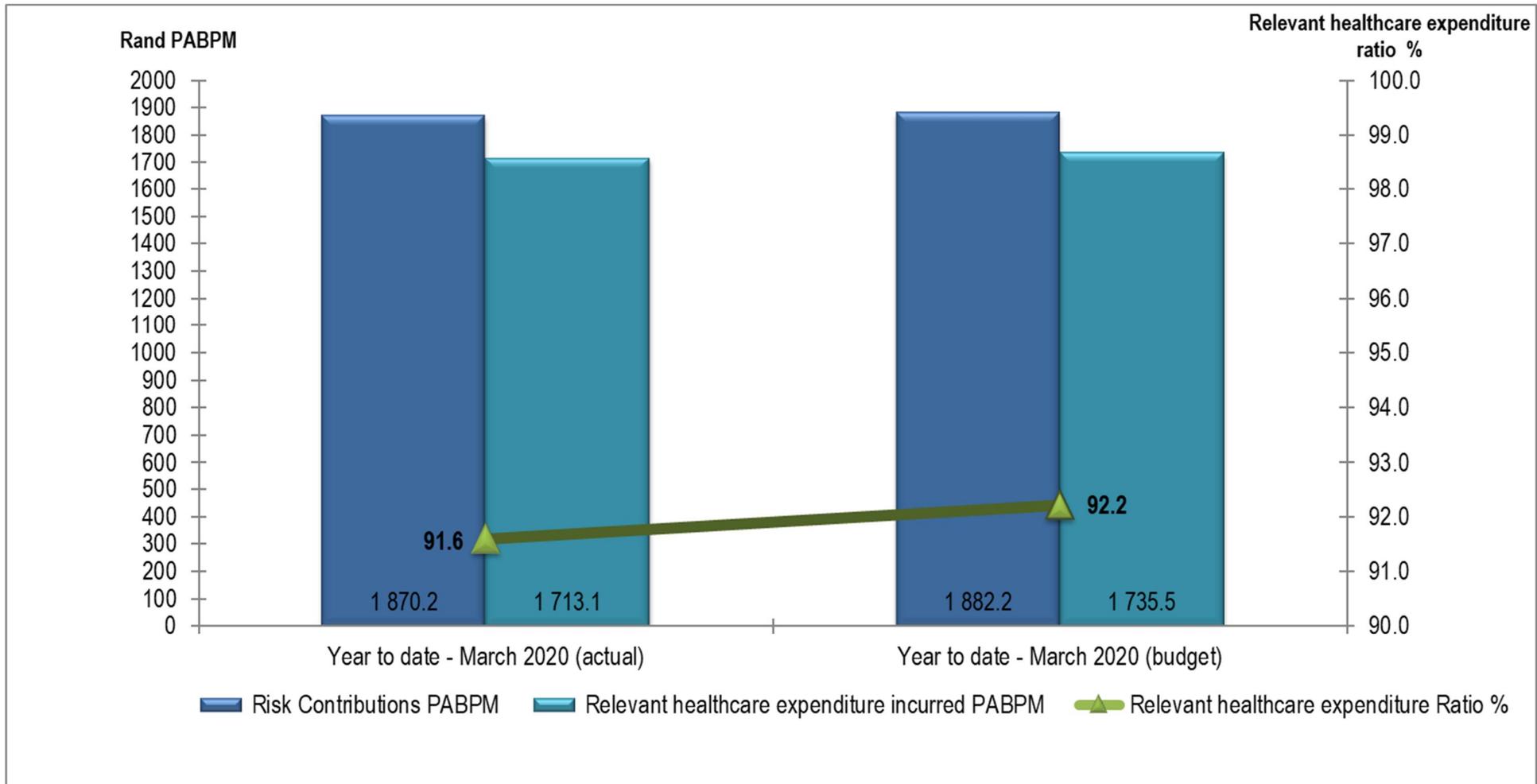
\* GCI = Gross Contribution Income

\* RCI = Risk Contribution Income

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

