



Quarterly Reports for the Period ending 30 September 2019

Published January 2020

Table of Contents

INTRODUCTION.....	3
REGULATION 29: MINIMUM ACCUMULATED FUNDS	6
SOLVENCY RATIO GRAPH.....	7
PRESCRIBED SOLVENCY LEVELS AND NUMBER OF BENEFICIARIES GRAPH	8
NET ASSETS PER REGULATION 29 GRAPH	9
STATEMENT OF COMPREHENSIVE INCOME	10
STATEMENT OF FINANCIAL POSITION	11
NUMBER OF BENEFICIARIES GRAPH	13
DETAILED FINANCIAL INFORMATION: ACTUAL V BUDGET	14
TOTAL NON-HEALTHCARE EXPENDITURE GRAPH	16
NET RELEVANT HEALTHCARE EXPENDITURE RATIO: RISK BENEFITS GRAPH.....	17
NET RELEVANT HEALTHCARE EXPENDITURE RATIO: SEASONALITY	18

INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 September 2019. Budget information for the third 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 33.3% at 30 September 2019.
- Total reserves per Regulation 29 for all medical schemes amounted to R 68.8 billion at 30 September 2019, which was 3.6% higher than the reserves of R 66.4 billion as at 31 December 2018.
- The solvency level at 30 September 2019 of 33.3% was 3.5% 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 September 2019 represent 22.0% (2018: 7.4%) of the total open schemes' beneficiaries.
- The 2 (2018: 3) restricted schemes that was below 25.0%; represent 1.7% (2018: 48.2%) of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 3.1% from R 7 448.3 at 31 December 2018 to R 7 680.4 at 30 September 2019. The net asset value per beneficiary at 30 September 2019 was 2.9% higher than the budgeted net asset value of R 7 460.5 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 0.7% from 4 039 705 at 31 December 2018 to 4 067 003 at 30 September 2019.
- The number of total beneficiaries increased slightly by 0.4% from 8 916 695 at 31 December 2018 to 8 954 814 as at 30 September 2019.
- The average number of members of 4 051 463 for the period ended 30 September 2019 was marginally higher than budget of 4 050 994, and the average number of beneficiaries of 8 924 829 was 0.2% lower than budget of 8 941 457.
- The industry average age for all registered schemes for the period ended 30 September 2019 was 33.3 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 154.5 billion for the period ended 30 September 2019, which was 0.3% lower than the budget and 7.1% higher than the R 144.2 billion for 30 September 2018.
- The gross contribution per average beneficiary per month was R 1 923.3 for the period ended 30 September 2019. Gross relevant healthcare expenditure per average beneficiary per month was R 1 806.9 for the period ended 30 September 2019.
- The gross contribution per average beneficiary per month at 30 September 2019 of R 1 923.3 went up by 6.4% from R 1 807.2 as at 30 September 2018.
- Total risk contribution income of R 140.1 billion was 0.2% lower than budget, but 7.4% higher than the R 130.5 billion at the end of September 2018. The risk contribution per average beneficiary per month for the period ended 30 September 2019 was R 1 743.8, being 6.7% higher than September 2018 of R 1 634.7.
- The net relevant healthcare expenditure per average beneficiary per month for the period ended 30 September 2019 was R 1 613.0, being a 7.4% increase from September 2018 of R 1 501.8, and 0.5% lower than budget of R 1 621.7.
- Total net relevant healthcare expense for the period ended 30 September 2019 was R 129.6 billion compared to the budgeted relevant healthcare expense of R 130.5 billion, representing a 0.7% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 8.1% from R 119.8 billion in September 2018.
- The relevant healthcare expenditure ratio of 92.5% as at 30 September 2019 was slightly lower than the budgeted relevant healthcare expenditure ratio of 93.0%, and similar to the ratio as at 30 September 2018 of 91.9%.
- The utilisation of the prior year's outstanding claims provision was 100.8% for all schemes as at 30 September 2019.

Non-healthcare expenses

- The total non-healthcare expenses for all medical schemes amounted to R 12.3 billion for the period ended 30 September 2019, which was 5.6% lower than the R 13.0 billion budgeted for and 3.7% higher than the R 11.8 billion at the end of September 2018.
- The non-healthcare expense per average beneficiary per month for the period ended 30 September 2019 of R 152.9 was 3.1% higher than the industry average of R 148.3 at 30 September 2018.
- Non-healthcare expenses, when expressed as a percentage of risk contribution income, was 9.1% at 30 September 2018 and declined to 8.8% as at 30 September 2019.
- At 30 September 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>Sep '19</u>	<u>Dec '18</u>
- Administration expenses	83.8%	83.1%
- Broker service fees (including distribution costs and broker fees)	14.9%	14.9%
- Net impairment losses: trade and other receivables	1.3%	2.0%

Operating results

- Registered medical schemes incurred a net healthcare deficit (before taking investment and other income into account) of -R 1 773.5 million compared to a budgeted net healthcare deficit of -R 3 122.3 million at 30 September 2019. The total net healthcare results are 43.2% better than budgeted.
- Open schemes incurred a net healthcare deficit (before taking investment and other income into account) of -R 1 250.2 million compared to a budgeted deficit of -R 1 480.0 million, whereas restricted schemes incurred a net healthcare deficit of -R 523.3 million compared to a budgeted deficit of -R 1 642.4 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R 2 457.7 million as at 30 September 2019 compared to a budgeted surplus of R 210.5 million, which represents an actual to budget variance of 1 067.5%.
- In the 2018 annual results all schemes incurred a net healthcare deficit of -R 1 231.8 million and an overall net surplus of R 2 112.4 million.

Investments

- The current assets to current liabilities ratio for open schemes at quarter end of 30 September 2019 is 2.3 (2018: 2.3), whereas for restricted schemes it is 2.9 (2018: 2.9).
- The total assets to total liabilities ratio for open and restricted schemes is 3.1 (2018: 2.9) and 4.6 (2018: 5.3) respectively.

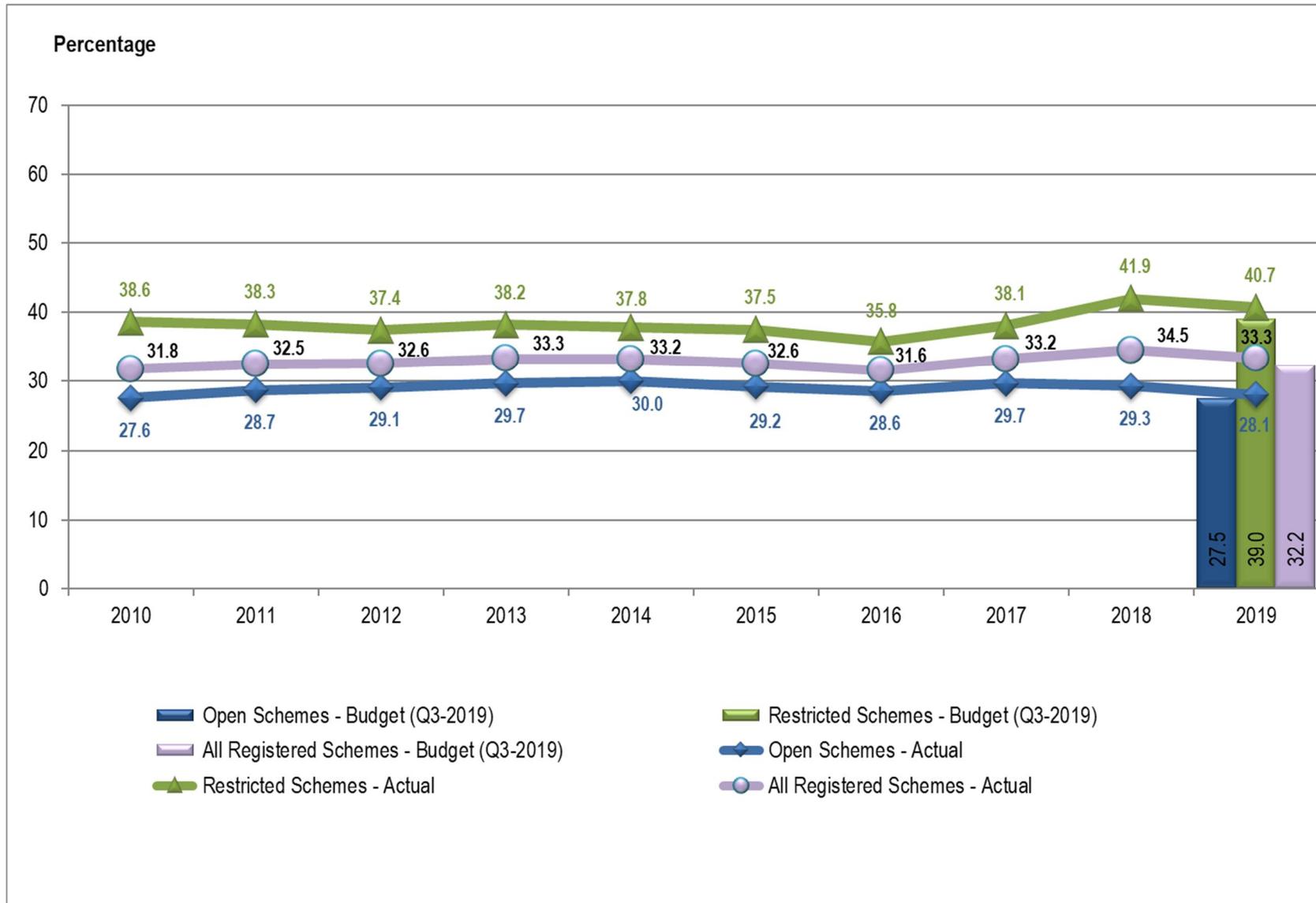
REGULATION 29: MINIMUM ACCUMULATED FUNDS

Annexure A
(SOLVENCY RATIO)

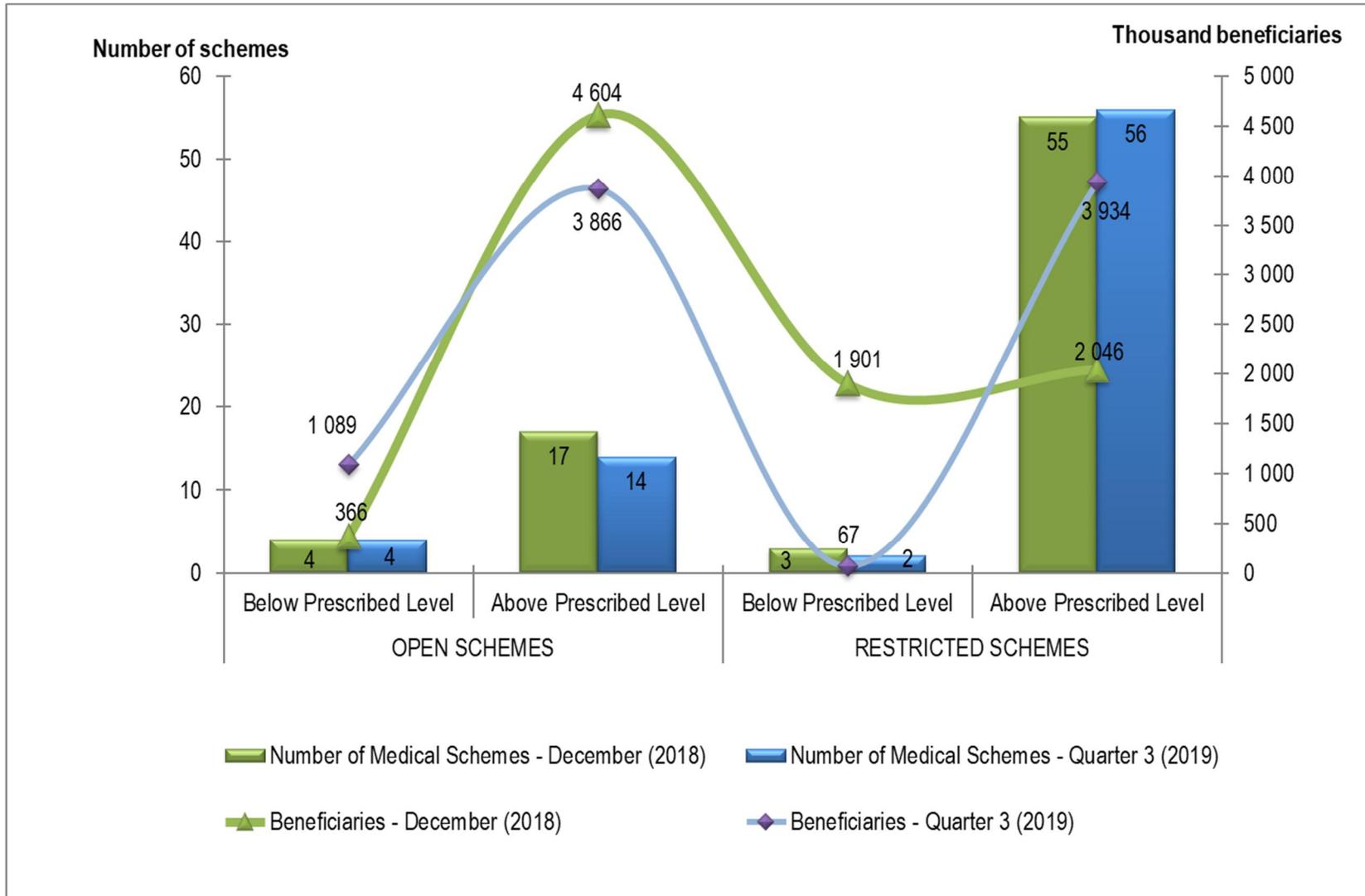
INDUSTRY AVERAGE:

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	% Change 2017 vs 2018	2018 Quarter 3 Actual	2019 Quarter 3 Actual	2019 Quarter 3 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%	28.1%	27.5%	2.2%
Restricted schemes	42.5%	38.6%	38.3%	37.4%	38.2%	37.8%	37.5%	35.8%	38.1%	41.9%	10.1%	38.3%	40.7%	39.0%	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%	32.6%	33.3%	32.2%	3.5%

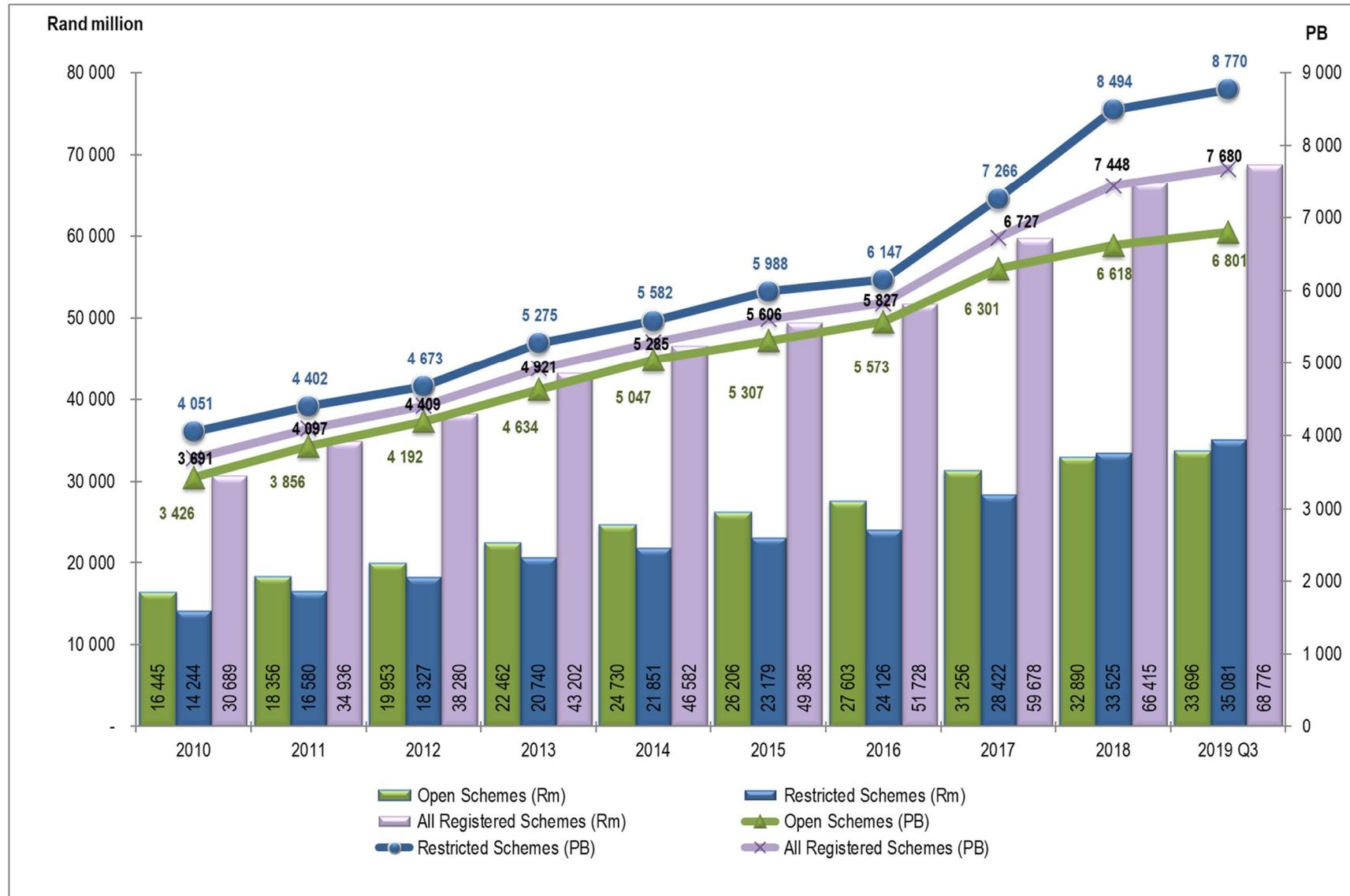
SOLVENCY RATIO GRAPH
Annexure B



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 September 2019
Annexure E

Income statement		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 381 012	1 670 451	4 051 463
Average beneficiaries		4 952 123	3 972 706	8 924 829
Average age	Years	34.8	31.4	33.3
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	90 004 725	64 480 664	154 485 390
Gross relevant healthcare (gross +PMSA)(Note a)		83 702 526	61 431 031	145 133 557
Gross Administration Expenses (risk + PMSA)		6 943 424	3 339 595	10 283 019
Broker service fees (including distributions costs)		1 734 000	99 085	1 833 085
Net impairment losses: trade and other receivables	R'000	100 596	57 778	158 374
Net healthcare results		(1 250 222)	(523 325)	(1 773 547)
Surplus/ (deficit)		769 986	1 687 709	2 457 695

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 September 2019
Annexure F

Balance sheet		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 30 September 2019		2 386 092	1 680 911	4 067 003
Dependants at 30 September 2019		2 568 577	2 319 234	4 887 811
Beneficiaries at 30 September 2019		4 954 669	4 000 145	8 954 814
Non-current assets	R'000	12 426 042	17 242 443	29 668 485
Current assets	R'000	38 545 976	29 075 056	67 621 032
Trade & other receivables	R'000	6 675 998	1 877 728	8 553 725
Contribution days outstanding		4.3	1.6	3.2
Cash & cash equivalents	R'000	6 221 522	9 643 808	15 865 330
Total assets	R'000	50 972 019	46 317 498	97 289 517
Members' funds (net assets per BS)		34 296 304	36 342 850	70 639 154
Accumulated funds		34 007 898	36 161 436	70 169 334
Non-current liabilities		67 533	54 135	121 668
Current liabilities		16 608 181	9 920 513	26 528 695
Trade & other payables		3 945 693	2 350 776	6 296 470
Savings liability		7 766 931	3 657 609	11 424 541
Outstanding claims provision		4 895 557	3 912 128	8 807 684
Prior year claims provision utilised %		97.4%	105.4%	100.8%
Total liabilities	R'000	16 675 714	9 974 649	26 650 363
Total assets: total liabilities		3.1	4.6	3.7
Current assets: current liabilities		2.3	2.9	2.5
Gross claims incurred: cash & cash equivalents coverage	Months	7.1	6.4	6.8

Net assets per Regulation 29	R'000	33 695 526	35 080 762	68 776 288
Solvency ratio	%	28.1	40.7	33.3

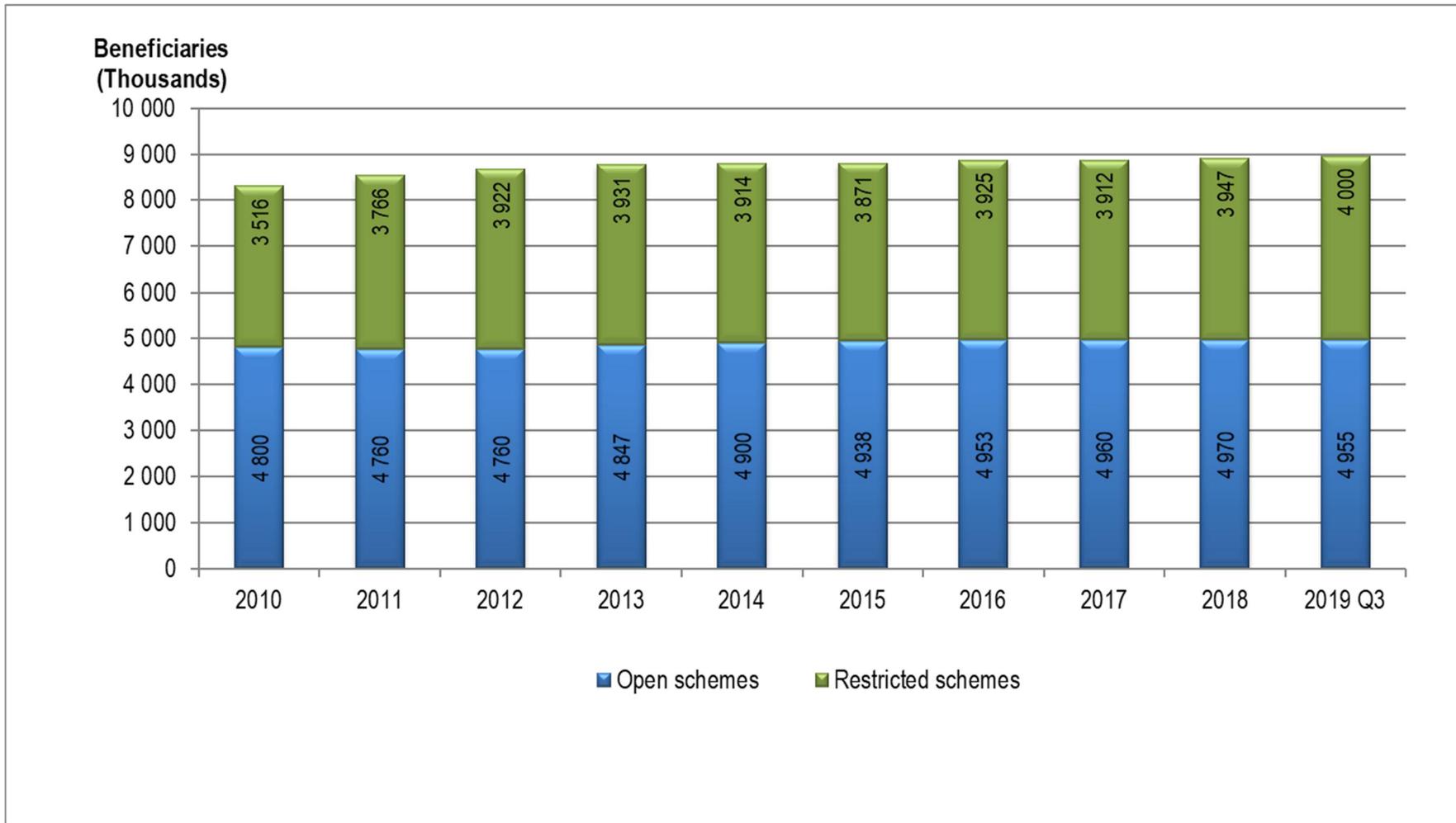
NOTES:

* 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 September 2019
Annexure H

Actual vs Budget		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Average members		2 381 012	2 389 040	(0.3)	1 670 451	1 661 954	0.5	4 051 463	4 050 994	0.0
Average beneficiaries		4 952 123	5 019 940	(1.4)	3 972 706	3 921 516	1.3	8 924 829	8 941 457	(0.2)
Gross Contribution Income (GCI)	R'000	90 004 725	90 930 340	(1.0)	64 480 664	64 023 009	0.7	154 485 390	154 953 349	(0.3)
Risk Contribution Income (RCI)		78 553 892	79 364 954	(1.0)	61 510 633	61 019 137	0.8	140 064 524	140 384 092	(0.2)
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		83 702 526	NA	0.0	61 431 031	NA	0.0	145 133 557	NA	0.0
Relevant healthcare incurred (incl. managed care claims) (Note a)		71 022 907	71 755 983	(1.0)	58 537 132	58 748 851	(0.4)	129 560 039	130 504 834	(0.7)
Gross (incl. PMSA)/net non-health expenses		8 781 207	9 088 950	(3.4)	3 496 826	3 912 644	(10.6)	12 278 033	13 001 593	(5.6)
Net healthcare results		(1 250 222)	(1 479 978)	15.5	(523 325)	(1 642 357)	68.1	(1 773 547)	(3 122 335)	43.2
Surplus/(deficit)	R'000	769 986	381 895	101.6	1 687 709	(171 386)	1 084.7	2 457 695	210 509	1 067.5
Quarter end reserve position (per Regulation 29) (Note c)		33 695 526	33 266 674	1.3	35 080 762	33 274 766	5.4	68 776 288	66 541 440	3.4

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 September 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 September 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		2 381 012	2 372 070	0.4	1 670 451	1 646 537	1.5	4 051 463	4 018 607	0.8
Average beneficiaries		4 952 123	4 956 338	(0.1)	3 972 706	3 910 844	1.6	8 924 829	8 867 182	0.7
Gross Contribution Income (GCI)	R'000	90 004 725	84 403 679	6.6	64 480 664	59 822 102	7.8	154 485 390	144 225 781	7.1
Risk Contribution Income (RCI)		78 553 892	73 318 546	7.1	61 510 633	57 134 173	7.7	140 064 524	130 452 719	7.4
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		83 702 526	78 754 466	6.3	61 431 031	55 009 599	11.7	145 133 557	133 764 065	8.5
Relevant healthcare incurred (incl. managed care claims) (Note a)		71 022 907	66 454 891	6.9	58 537 132	53 393 631	9.6	129 560 039	119 848 523	8.1
Gross (incl. PMSA)/net non-health expenses		8 781 207	8 458 014	3.8	3 496 826	3 377 955	3.5	12 278 033	11 835 969	3.7
Net healthcare results		(1 250 222)	(1 594 360)	21.6	(523 325)	362 587	(244.3)	(1 773 547)	(1 231 773)	(44.0)
Surplus/(deficit)	R'000	769 986	272 665	182.4	1 687 709	1 839 686	(8.3)	2 457 695	2 112 351	16.3
Quarter end reserve position (per Regulation 29)		33 695 526	32 102 316	5.0	35 080 762	30 611 439	14.6	68 776 288	62 713 755	9.7

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.

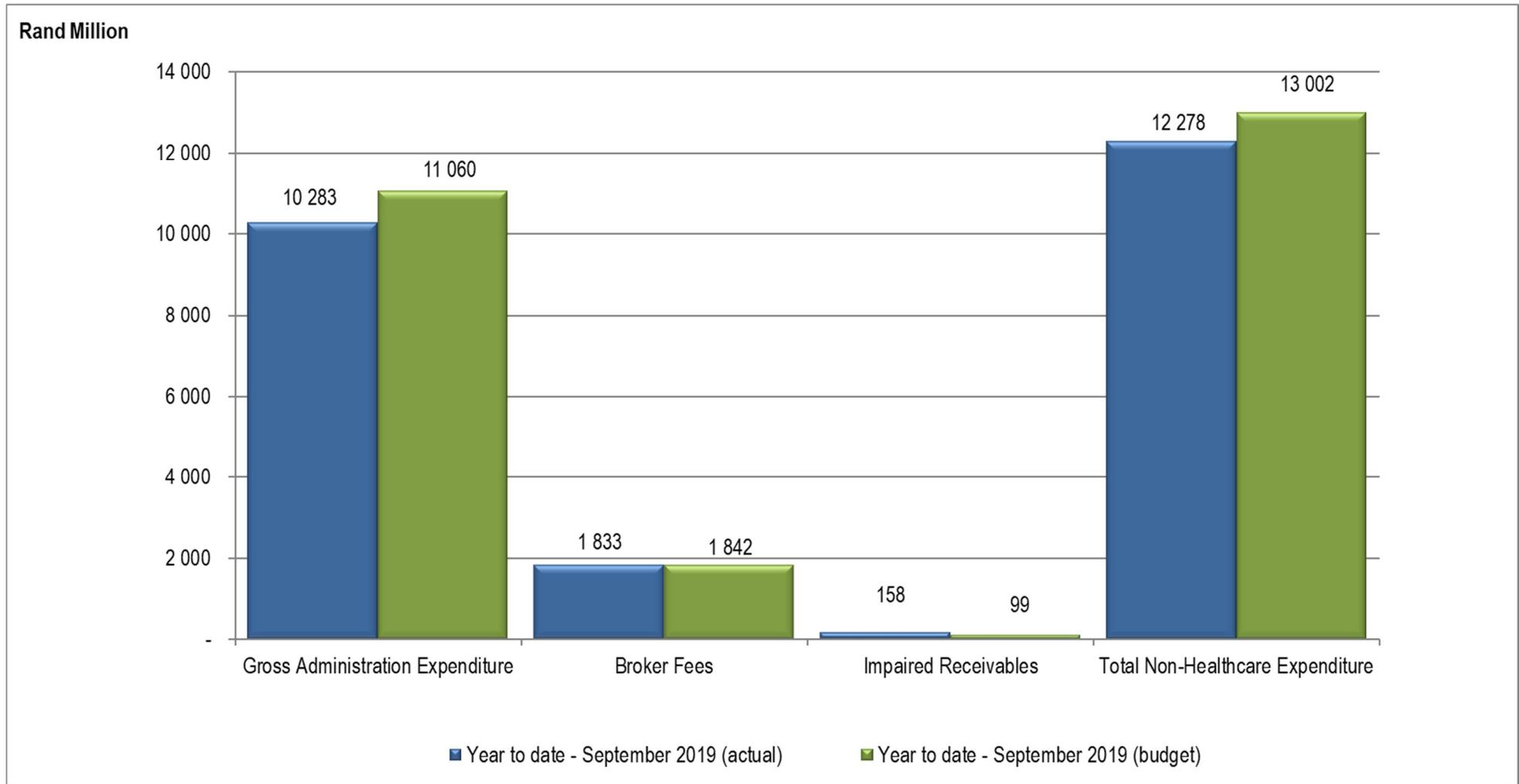
* PMSA = Personal Medical Savings Account

* GCI = Gross Contribution Income

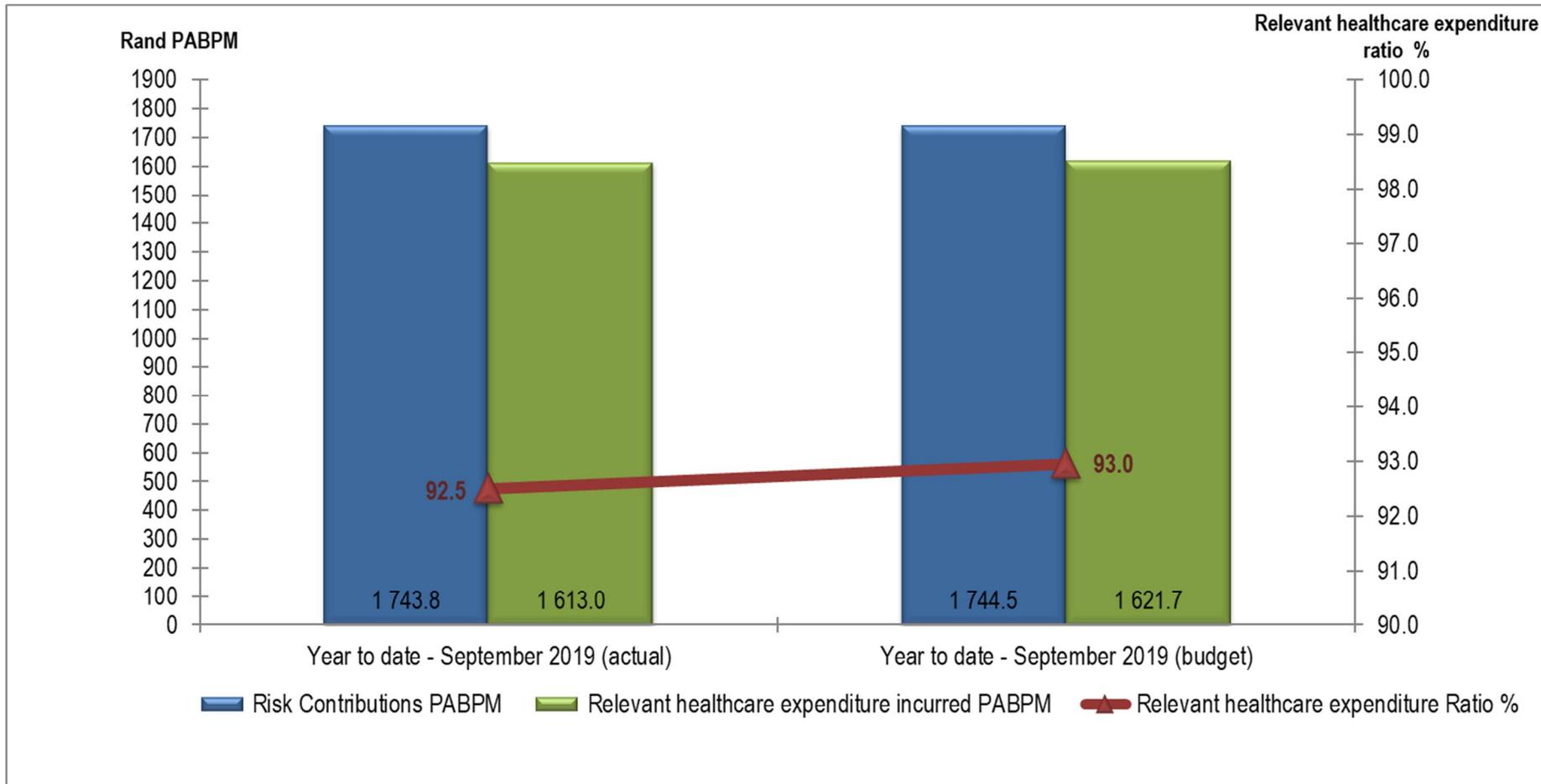
* RCI = Risk Contribution Income

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

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

