



Quarterly Reports for the Period ending 31 March 2018

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INTRODUCTION

This report details the quarterly statutory returns results for the period ended 31 March 2018. Budget information for the first quarter of 2018 is also provided for comparative purposes. The 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.

It should also be noted that information for Community Medical Aid Scheme (COMMED) has been excluded from any comparison data from 2017.

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 decreased by 4.7% from the audited solvency level of 33.2% at 31 December 2017 to 31.6% at 31 March 2018.
- Total reserves per Regulation 29 for all medical schemes amounted to R 60.8 billion at 31 March 2018, which was 1.9% higher than the reserves of R 59.7 billion as at 31 December 2017.
- The solvency level at 31 March 2018 of 31.6% was 0.4% higher than the budgeted solvency level of 31.5% 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, No. 131 of 1998, for both open and restricted schemes.
- The 4 (2017: 3) open schemes that failed to meet the prescribed solvency level as at 31 March 2018, represent 21.5% (2017: 15.7%) of the total open schemes' beneficiaries.
- The 4 (2017: 3) restricted schemes that were below 25.0%; represent 50.0% (2017: 48.0%) of restricted schemes' beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 1.9% from R 6 726.6 at 31 December 2017 to R 6 857.5 at 31 March 2018. The net asset value per beneficiary as at 31 March 2018 was 0.4% lower than the budgeted net asset value of R 6 884.5 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes increased by 0.1% from 4 012 722 at 31 December 2017 to 4 016 708 at 31 March 2018.
- The number of total beneficiaries decreased by 0.1% from 8 872 036 at 31 December 2017 to 8 864 453 at 31 March 2018.
- The average number of members of 4 006 109 for the period ended 31 March 2018 was 0.4% higher than budget, and the average number of beneficiaries of 8 852 897 was 0.7% higher than budget.
- The industry average age for all registered schemes for the period ended 31 March 2018 was 33.8 years, which is similar to the 33.2 years as at 31 December 2017. The proportion of pensioners for the period was 8.9%; an increase from 8.4% as at 31 December 2017.

Contributions and relevant healthcare expenditure

- The total gross contributions for all medical schemes amounted to R 48.0 billion for the period ended 31 March 2018, which was 0.1% higher than the budget of R 47.9 billion and 6.7% higher than the R 45.0 billion for 31 March 2017.
- The gross contribution per average beneficiary per month was R 1 808.6 for the period ended 31 March 2018. Gross relevant healthcare expenditure per average beneficiary per month was R 1 724.3 for the period ended 31 March 2018.
- The gross contribution per average beneficiary per month at 31 March 2018 of R 1 808.6 went up by 5.4% from R 1 716.4 at 31 March 2017.
- Total risk contribution income of R 43.4 billion was 0.1% higher than budget, but 6.5% higher than the R 40.8 billion at the end of March 2017. The risk contribution per average beneficiary per month for the period ended 31 March 2018 was R 1 635.2.
- The net relevant healthcare expenditure per average beneficiary per month for the period ended 31 March 2018 was R 1 494.8.
- Total net relevant healthcare expense for the period ended 31 March 2018 was R 39.7 billion compared to the budgeted relevant healthcare expense of R 39.7 billion, representing under 0.1% variance. Compared to the same period of the previous year, total relevant healthcare expenditure increased by 7.6% from R 36.9 billion in March 2017.
- Relevant healthcare expenditure per average beneficiary per month at 31 March 2018 of R 1 494.8 increased by 6.3% from R 1 406.8 at 31 March 2017.
- The relevant healthcare expenditure ratio of 91.4% as at 31 March 2018 was in line with the budgeted relevant healthcare expenditure ratio of 91.4%, and 1.0% higher than the ratio as at 31 March 2017 of 90.5%.
- The utilisation of the prior year's outstanding claims provision was 92.3% for all schemes as at 31 March 2018.

Non-healthcare expenses

- The total non-healthcare expenses for all medical schemes amounted to R 3.9 billion for the period ended 31 March 2018, which was 2.8% lower than the R 4.0 billion budgeted for and 7.8% higher than the R 3.6 billion at the end of March 2017.

- The non-healthcare expense per average beneficiary per month for the period ended 31 March 2018 of R 146.6 was 6.4% higher than the industry average of R 137.8 at 31 March 2017, and 3.6% higher than the industry average of R 141.5 of as 31 December 2017.
- Non-healthcare expenses, when expressed as a percentage of risk contribution income, decreased from 9.2% at 31 December 2017 to 9.0% at 31 March 2018.
- At 31 March 2018, the industry averages of the various components of non-healthcare expenses expressed as a percentage of total non-healthcare expenses were as follows:

	<u>Mar '18</u>	<u>Dec '17</u>
- Administration expenses	82.1%	83.7%
- Broker service fees (including distribution costs and broker fees)	14.1%	14.5%
- Net impairment losses: trade and other receivables	3.8%	1.8%

Operating results

- Registered medical schemes incurred a net healthcare deficit (before taking investment and other income into account) of R 163.7 million compared to a budgeted deficit of R 293.9 million at 31 March 2018. The total net healthcare results are significantly better than expected by 44.3%.
- Open schemes incurred a net healthcare surplus (before taking investment and other income into account) of R 85.6 million compared to a budget of R 379.8 million, whereas restricted schemes incurred a net healthcare deficit of R 249.3 million compared to a budgeted deficit of R 673.6 million.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R 767.6 million at 31 March 2018 compared to a budgeted surplus of R 819.7 million, which represents an actual to budget variance of 6.4%.
- In the 2017 annual results all schemes incurred a net healthcare surplus of R 3.4 billion and an overall net surplus of R 8.9 billion.

Investments

- The current assets to current liabilities ratio for open schemes at quarter end of 31 March 2018 is 2.4 (2016: 2.4), whereas for restricted schemes it is 2.4 (2017: 2.1).
- The total assets to total liabilities ratio for open and restricted schemes is 3.2 (2016: 3.1) and 4.1 (2016: 3.8) respectively.

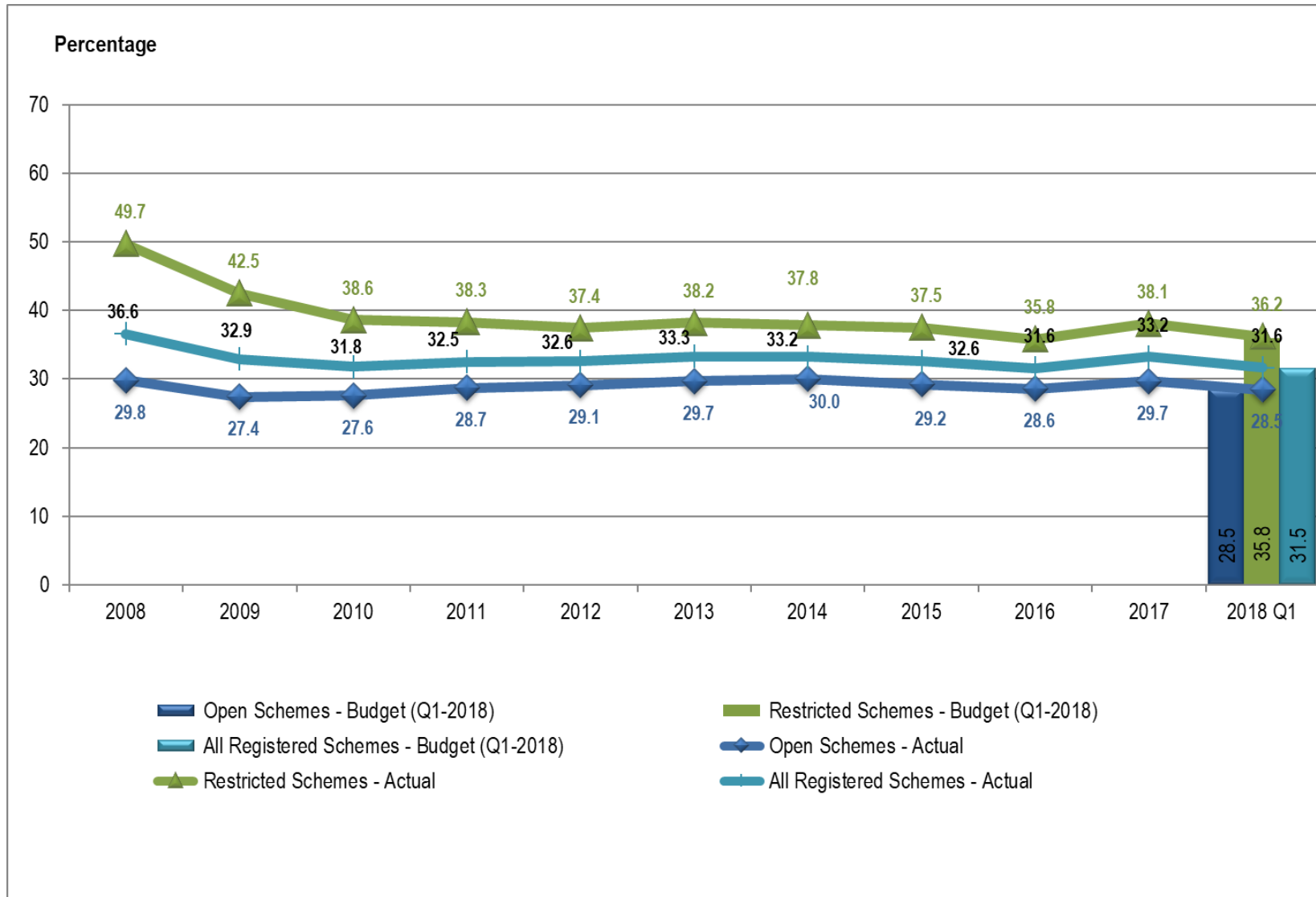
REGULATION 29: MINIMUM ACCUMULATED FUNDS

**Annexure A
(SOLVENCY RATIO)**

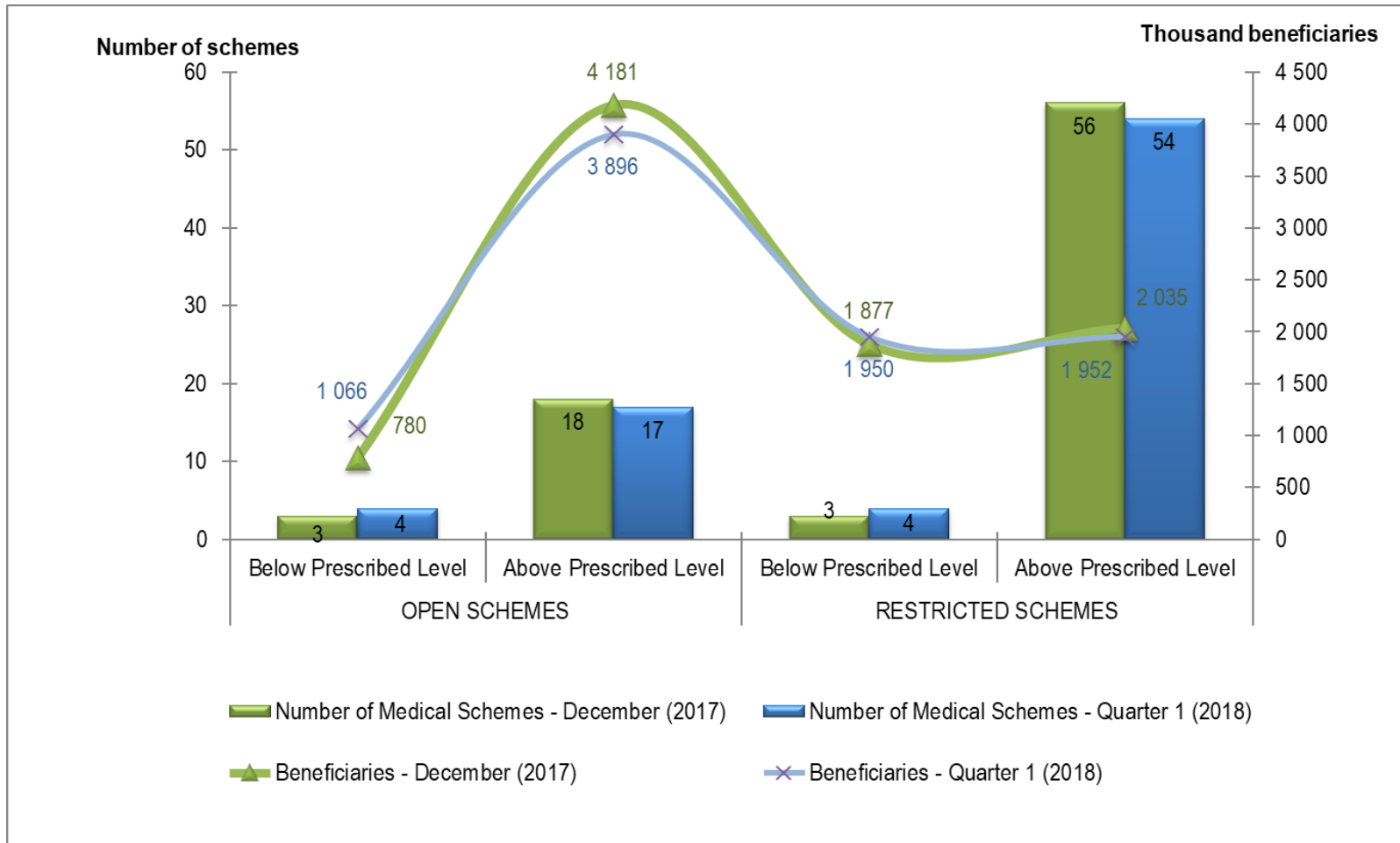
INDUSTRY AVERAGE:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	% Change 2017	2017 Quarter 1 Actual	2018 Quarter 1 Actual	2018 Quarter 1 Budget	% Variance Actual 2018 vs Budget 2018
Open schemes	29.8%	27.4%	27.6%	28.7%	29.1%	29.7%	30.0%	29.2%	28.6%	29.7%	3.8%	27.1%	28.5%	28.5%	-0.2%
Restricted schemes	49.7%	42.5%	38.6%	38.3%	37.4%	38.2%	37.8%	37.5%	35.8%	38.1%	6.4%	32.6%	36.2%	35.8%	1.0%
All registered schemes	36.6%	32.9%	31.8%	32.5%	32.6%	33.3%	33.2%	32.6%	31.6%	33.2%	5.1%	29.4%	31.6%	31.5%	0.4%

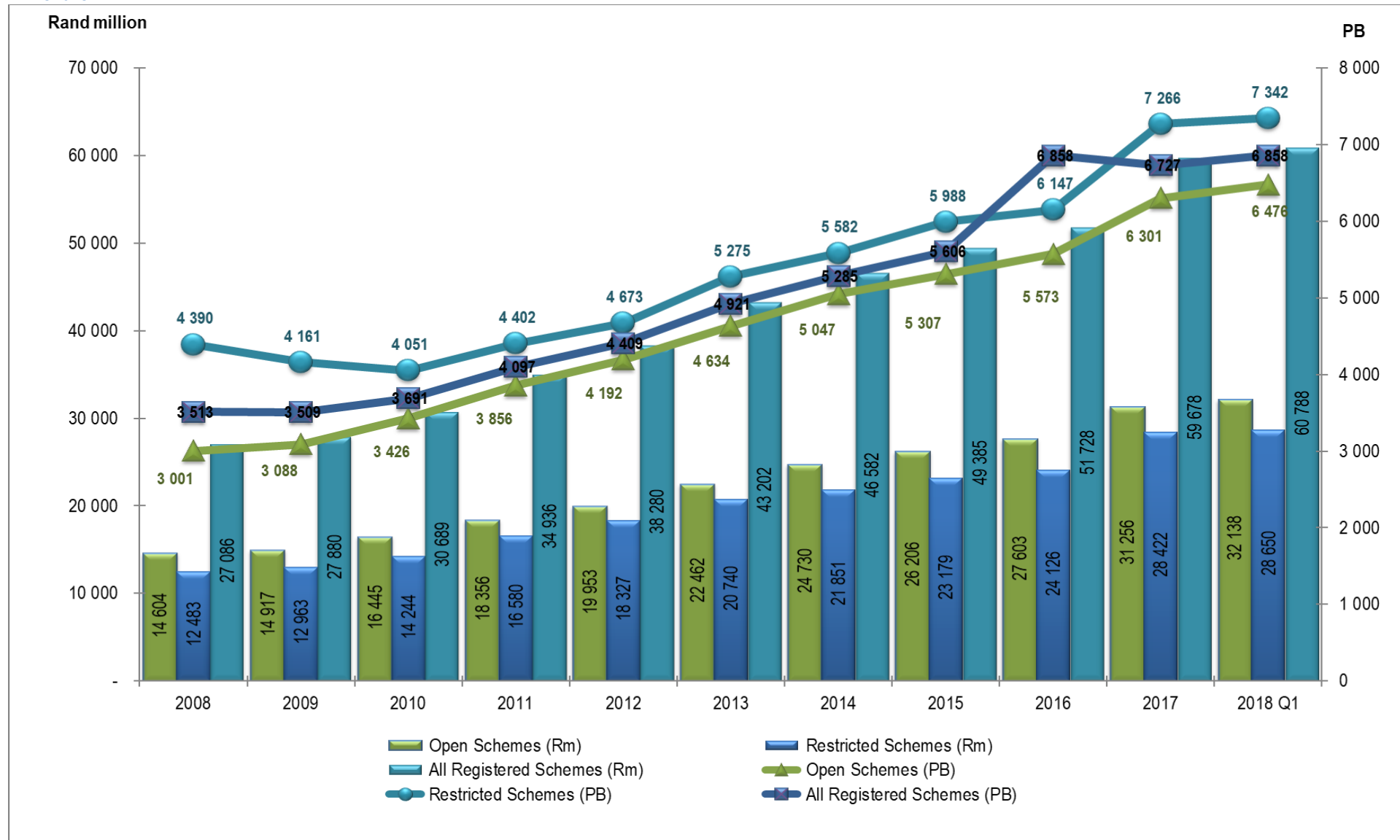
SOLVENCY RATIO GRAPH
Annexure B



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 2018
Annexure E

Income statement		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 365 047	1 641 062	4 006 109
Average beneficiaries		4 950 530	3 902 367	8 852 897
Average age	Years	35.5	31.7	32.0
Pensioner ratio (65+ years)	%	10.5%	6.8%	8.9%
No. of dependants per member		1.1	1.4	1.2
Gross contributions (risk + PMSA)	R'000	28 237 796	19 796 219	48 034 015
Gross relevant healthcare (gross +PMSA) (Note a)		27 094 282	18 701 869	45 796 151
Gross Administration Expenses (risk + PMSA)		2 161 286	1 034 125	3 195 412
Broker service fees (including distributions costs)		520 831	27 188	548 019
Net impairment losses: trade and other receivables	R'000	128 525	21 375	149 900
Net healthcare results		85 662	(249 332)	(163 670)
Surplus/ (deficit)		674 695	92 859	767 555

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 2018
Annexure F

Balance sheet		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 31 March 2018		2 374 055	1 642 653	4 016 708
Dependants at 31 March 2018		2 588 314	2 259 431	4 847 745
Beneficiaries at 31 March 2018		4 962 369	3 902 084	8 864 453
Non-current assets	R'000	11 688 976	17 300 172	28 989 148
Current assets	R'000	37 348 741	23 006 220	60 354 961
Trade & other receivables	R'000	6 315 150	1 677 669	7 992 818
	Contribution days outstanding	12.1	4.5	9.0
Cash & cash equivalents	R'000	12 346 557	11 379 306	23 725 863
Total assets	R'000	49 037 718	40 306 392	89 344 110
Members' funds (net assets per BS)		33 492 673	30 538 510	64 031 182
Accumulated funds		32 780 343	29 571 330	62 351 673
Non-current liabilities		26 433	46 077	72 510
Current liabilities		15 518 612	9 721 805	25 240 417
Trade & other payables		4 193 029	2 738 728	6 931 757
Savings liability		7 161 518	3 235 729	10 397 247
Outstanding claims provision		4 164 064	3 747 348	7 911 413
Prior year claims provision utilised %		92.5%	92.1%	92.3%
Total liabilities	R'000	15 545 045	9 767 882	25 312 927
Total assets: total liabilities		3.2	4.1	3.5

Current assets: current liabilities		2.4	2.4	2.4
Gross claims incurred: cash & cash equivalents coverage	Months	4.2	0.4	0.4
Net assets per Regulation 29	R'000	32 137 653	28 650 493	60 788 147
Solvency ratio	%	28.5	36.2	31.6

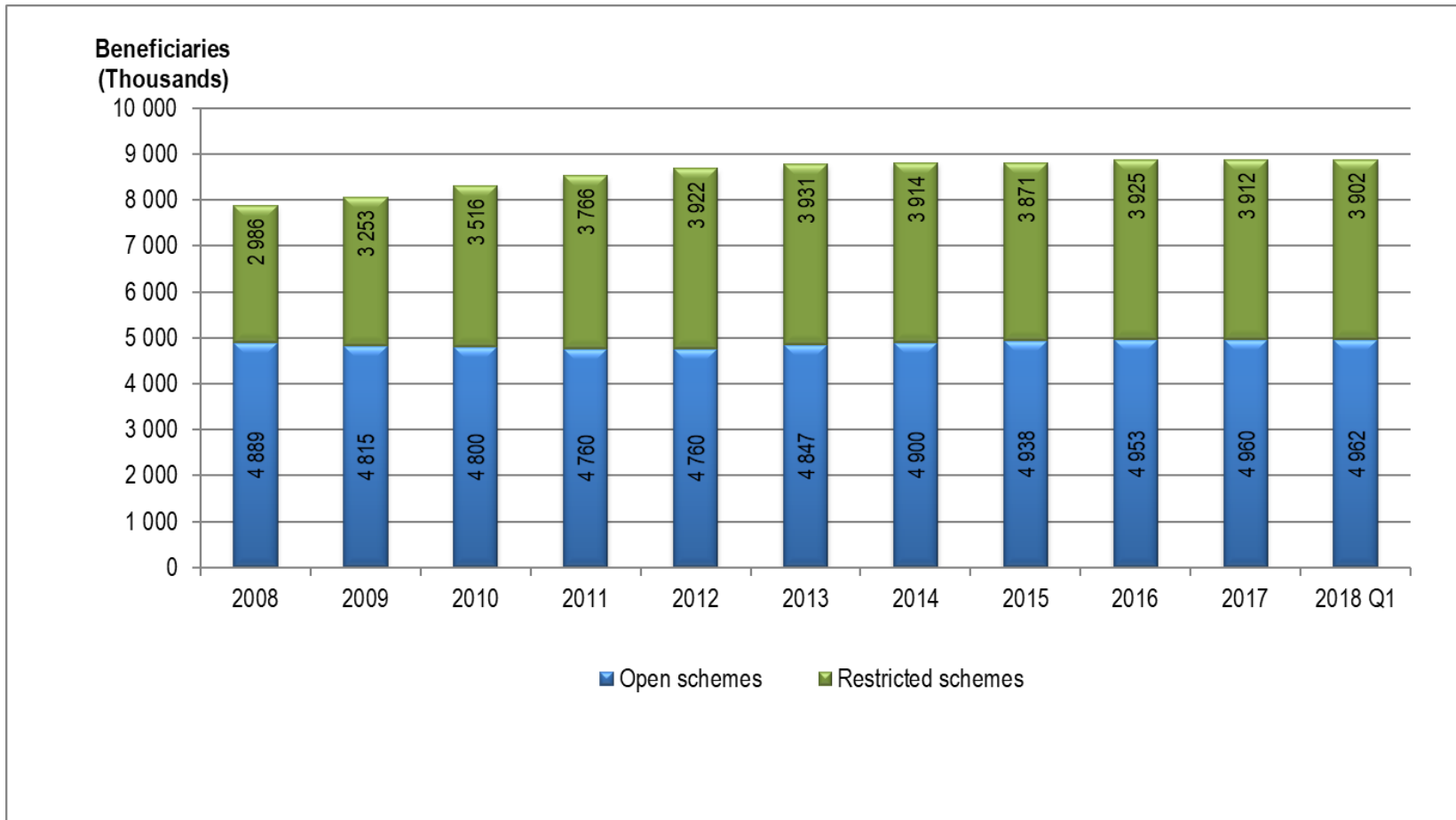
NOTES:

* 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 2018
Annexure H

Actual vs Budget		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Average members		2 365 047	2 365 081	0.0	1 641 062	1 623 778	1.1	4 006 109	3 988 858	0.4
Average beneficiaries		4 950 530	4 958 443	-0.2	3 902 367	3 835 250	1.7	8 852 897	8 793 693	0.7
Gross Contribution Income (GCI)	R'000	28 237 796	28 295 684	-0.2	19 796 219	19 672 270	0.6	48 034 015	47 967 954	0.1
Risk Contribution Income (RCI)		24 522 831	24 596 461	-0.3	18 906 558	18 791 470	0.6	43 429 390	43 387 931	0.1
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		27 094 282	NA	0.0	18 701 869	NA	0.0	45 796 151	NA	0.0
Relevant healthcare incurred (incl. managed care claims) (Note a)		21 626 527	21 411 716	1.0	18 073 202	18 264 561	-1.0	39 699 729	39 676 278	0.1
Gross (incl. PMSA)/net non-health expenses		2 810 642	2 804 959	0.2	1 082 688	1 200 548	-9.8	3 893 330	4 005 507	-2.8
Net healthcare results		85 662	379 786	-77.4	(249 332)	(673 639)	-63.0	(163 670)	(293 854)	-44.3
Surplus/(deficit)	R'000	674 695	965 078	-30.1	92 859	(145 390)	163.9	767 555	819 688	-6.4
Quarter end reserve position (per Regulation 29) (Note c)		32 137 653	32 288 984	-0.5	28 650 493	28 371 827	1.0	60 788 147	60 660 810	0.2

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 2018: 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 2018
Annexure I

Actual vs prior year		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		2018	2017	% variance	2018	2017	% variance	2018	2017	% variance
Average members		2 365 047	2 330 466	1.5	1 641 062	1 649 001	-0.5	4 006 109	3 979 467	0.7
Average beneficiaries		4 950 530	4 820 043	2.7	3 902 367	3 922 466	-0.5	8 852 897	8 742 509	1.3
Gross Contribution Income (GCI)	R'000	28 237 796	26 370 147	7.1	19 796 219	18 645 924	6.2	48 034 015	45 016 071	6.7
Risk Contribution Income (RCI)		24 522 831	22 906 883	7.1	18 906 558	17 854 016	5.9	43 429 390	40 760 900	6.5
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		27 094 282	25 047 002	8.2	18 701 869	17 958 976	4.1	45 796 151	43 005 977	6.5
Relevant healthcare incurred (incl. managed care claims) (Note a)		21 626 527	19 858 448	8.9	18 073 202	17 038 181	6.1	39 699 729	36 896 629	7.6
Gross (incl. PMSA)/net non-health expenses		2 810 642	2 571 373	9.3	1 082 688	1 041 471	4.0	3 893 330	3 612 844	7.8
Net healthcare results		85 662	477 063	-82.0	(249 332)	(225 635)	10.5	(163 670)	251 427	-165.1
Surplus/(deficit)	R'000	674 695	1 050 172	-35.8	92 859	335 568	-72.3	767 555	1 385 740	-44.6
Quarter end reserve position (per Regulation 29)		32 137 653	28 574 297	12.5	28 650 493	24 148 195	18.6	60 788 147	52 722 492	15.3

NOTES:

a) Including results of risk transfer arrangements.

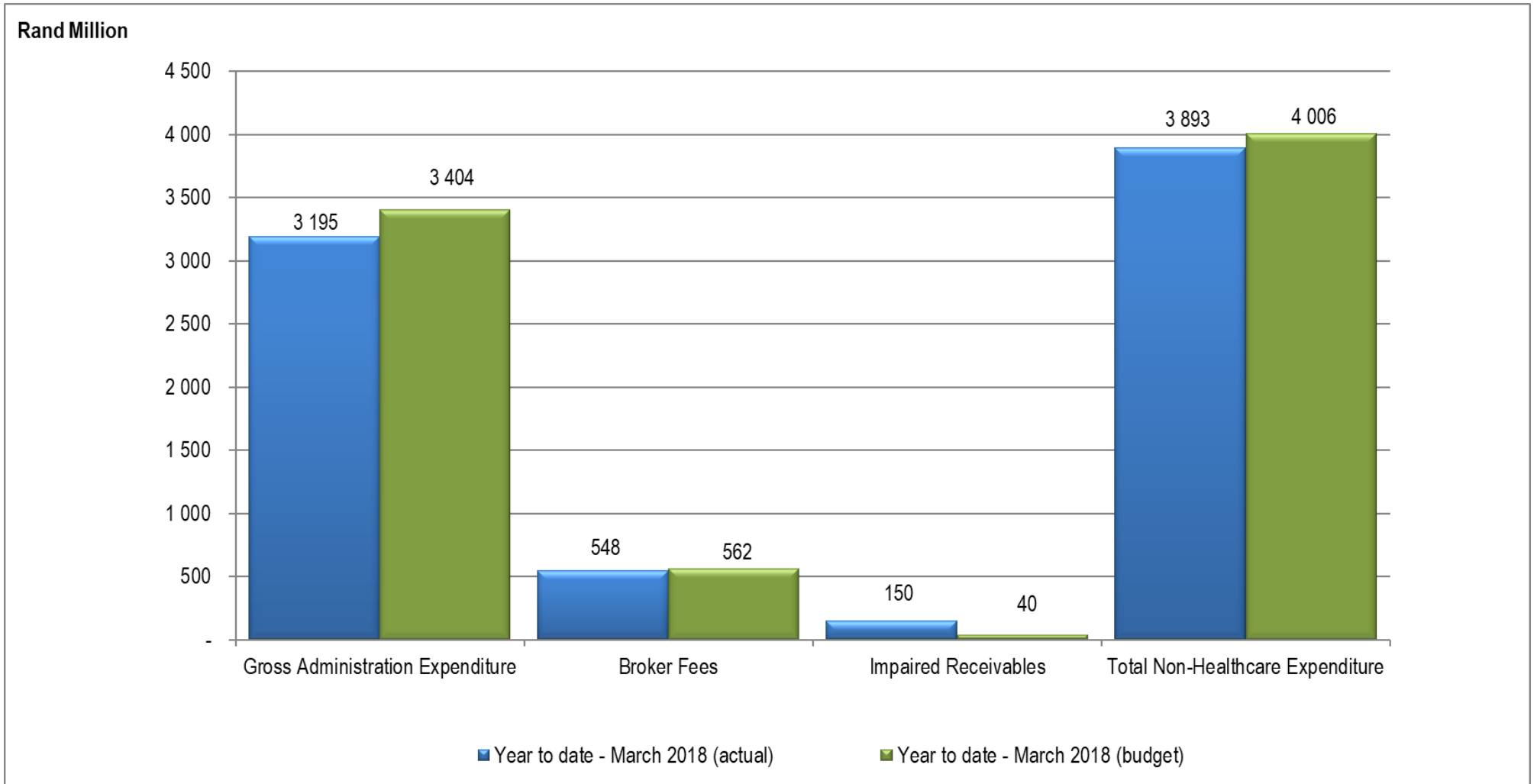
b) Gross non-healthcare expenses = administration expenses, broker costs (including broker fees and distribution fees) and net impairment losses.

* PMSA = Personal Medical Savings Account

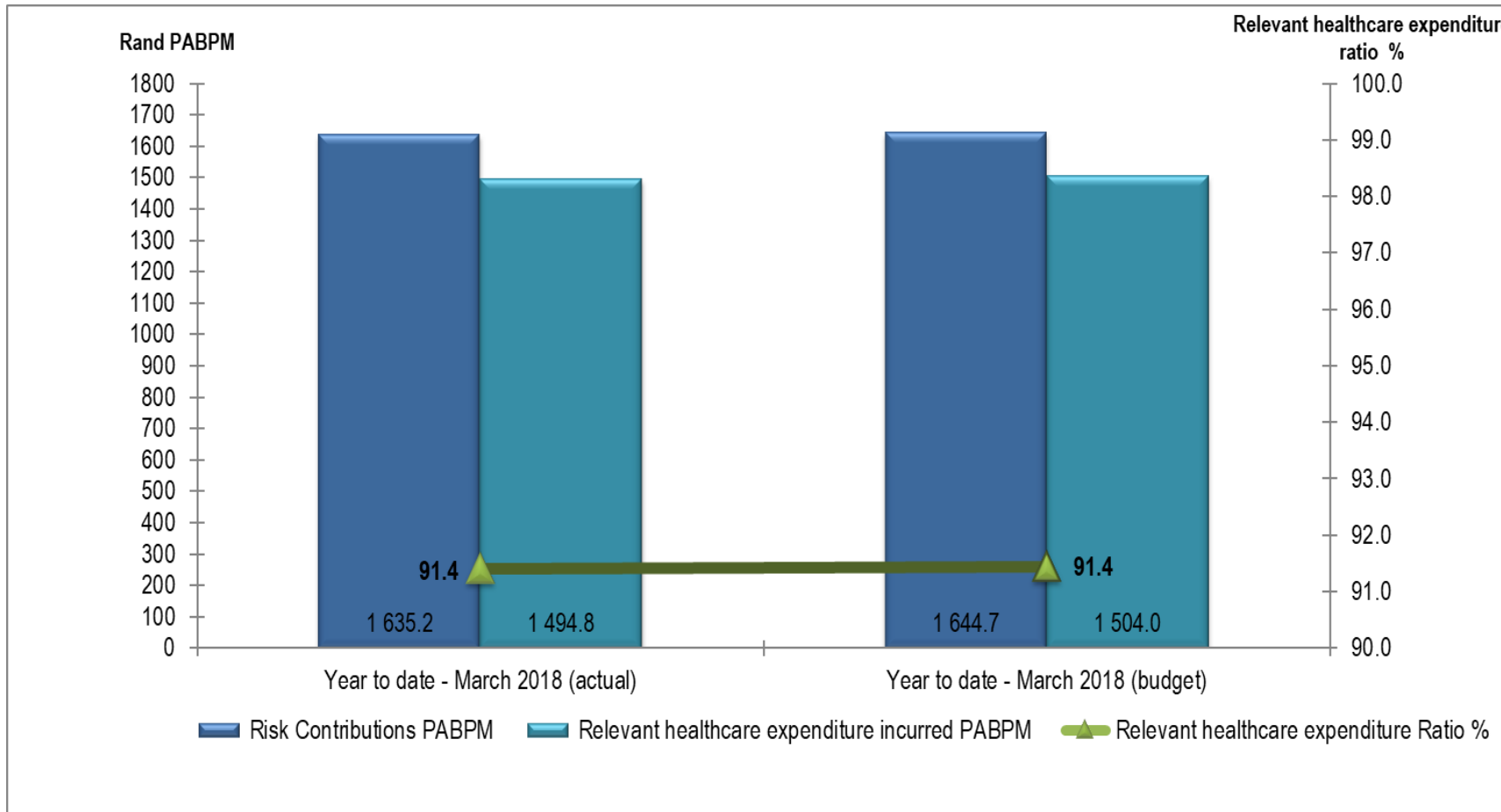
* GCI = Gross Contribution Income

* 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

