



Quarterly Reports for the Period ending 30 September 2020

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INTRODUCTION

This report represents the results of the analysis of the quarterly statutory returns for the period ended 30 September 2020. Budget information for the third 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 increased by 18.4% from the audited solvency level of 35.6% at 31 December 2019 to 42.1% at 30 September 2020.
- Total reserves per Regulation 29 for all medical schemes amounted to R 92.8 billion at 30 September 2020, which was 26.6% higher than the reserves of R 73.3 billion as at 31 December 2019.
- The solvency level at 30 September 2020 of 42.1% was 23.9% higher than the budgeted solvency level of 34.0% 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 2 (2019: 3) open schemes that failed to meet the prescribed solvency level at 30 September 2020 represent 1.2% (2019: 15.9%) of the total open schemes' beneficiaries.
- The 1 (2019: 1) restricted scheme that was below 25.0%; represents 0.8% (2019: 0.9%) of restricted schemes beneficiaries.
- The net asset value (per Regulation 29) per beneficiary increased by 27.4% from R 8 186.5 at 31 December 2019 to R 10 425.5 at 30 September 2020. The net asset value per beneficiary at 30 September 2020 was 22.7% higher than the budgeted net asset value of R 8 495.0 for the same period.

Membership, age distribution and pensioner ratio

- The total number of principal members of registered medical schemes decreased by 0.8% from 4 062 413 at 31 December 2019 to 4 030 619 at 30 September 2020.
- The number of total beneficiaries decreased slightly by 0.6% from 8 953 076 at 31 December 2019 to 8 901 342 as at 30 September 2020.
- The average number of members for the period ended 30 September 2020 of 4 043 729 was 1.4% lower than budget of 4 099 885, and the average number of beneficiaries of 8 917 538 was 0.9% higher than budget of 8 842 218.
- The industry average age for all registered schemes for the period ended 30 September 2020 was 33.7 years, which is 1.2% higher than the 33.3 years as at 31 December 2019. The proportion of pensioners for the period was 9.0%; and is 3.4% higher than the 8.7% for the period ended 31 December 2019.

Contributions and relevant healthcare expenditure

- The total gross contributions for all medical schemes amounted to R 165.2 billion for the period ended 30 September 2020, which was 0.9% lower than the budget and 7.0% higher than the R 154.5 billion for 30 September 2019.
- The gross contribution per average beneficiary per month was R 2 058.7 for the period ended 30 September 2020. Gross relevant healthcare expenditure per average beneficiary per month was R 1 676.5 for the period ended 30 September 2020.
- The gross contribution per average beneficiary per month at 30 September 2020 went up by 7.0% from R 1 923.3 as at 30 September 2019.
- Total risk contribution income of R 149.9 billion was 0.9% lower than budget, but 7.0% higher than the R 140.1 billion at the end of September 2019. The risk contribution per average beneficiary per month for the period ended 30 September 2020 was R 1 867.6, being 7.1% higher than September 2019 of R 1 743.8.
- The net relevant healthcare expenditure per average beneficiary per month for the period ended 30 September 2020 was R 1 496.8, being a 7.2% decrease from September 2019 of R 1 613.0, and 7.7% lower than budget of R 1 762.4.
- Total net relevant healthcare expense for the period ended 30 September 2020 was R 120.1 billion compared to the budgeted relevant healthcare expense of R 140.2 billion, representing a -14.3% variance. Compared to the same period of the previous year, total relevant healthcare expenditure decreased by 7.3% from R 129.6 billion in September 2019.
- The relevant healthcare expenditure ratio of 80.1% as at 30 September 2020 was significantly lower than the budgeted relevant healthcare expenditure ratio of 92.7%, and the 30 September 2019 ratio of 92.5%.

Non-healthcare expenses

- The total non-healthcare expenses for all medical schemes amounted to R 12.8 billion for the period ended 30 September 2020, which was 6.3% lower than the R 13.6 billion budgeted for and 4.0% higher than the R 12.3 billion at the end of September 2019.
- The non-healthcare expense per average beneficiary per month for the period ended 30 September 2020 of R 159.0 was 4.0% higher than the industry average of R 152.9 at 30 September 2019.
- Non-healthcare expenses, when expressed as a percentage of risk contribution income, was 8.8% at 30 September 2019 and declined to 8.5% as at 30 September 2020.
- At 30 September 2020, 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 '20</u>	<u>Dec '19</u>
- Administration expenses	83.6%	83.6%
- Broker service fees (including distribution costs and broker fees)	14.9%	14.8%
- Net impairment losses: trade and other receivables	1.5%	1.6%

Operating results

- Registered medical schemes reported a net healthcare surplus (before taking investment and other income into account) of R 17.0 billion compared to a budgeted net healthcare deficit of -R 2.6 billion at 30 September 2020.
- Open schemes reported a net healthcare surplus (before taking investment and other income into account) of R10.7 billion compared to a budgeted deficit of R 1.2 billion, whereas restricted schemes realised a net healthcare surplus of R 6.3 billion compared to a budgeted deficit of -R 1.4 billion.
- The inclusion of investment and other income resulted in all registered schemes making a surplus of R 18.7 billion as at 30 September 2020 compared to a budgeted surplus of R 1.5 billion, which represents an actual to budget variance of 1 151.0%.
- In the 2019 annual results all schemes reported a net healthcare surplus of R 1.0 billion and an overall net surplus of R 7.1 billion.

Investments

- The current assets to current liabilities ratio for open schemes at quarter end of 30 September 2020 is 3.0 (December 2019: 2.6), whereas for restricted schemes it is 3.6 (December 2019: 3.1).
- The total assets to total liabilities ratio for open and restricted schemes is 3.7 (December 2019: 3.3) and 5.2 (December 2019: 5.5) respectively.

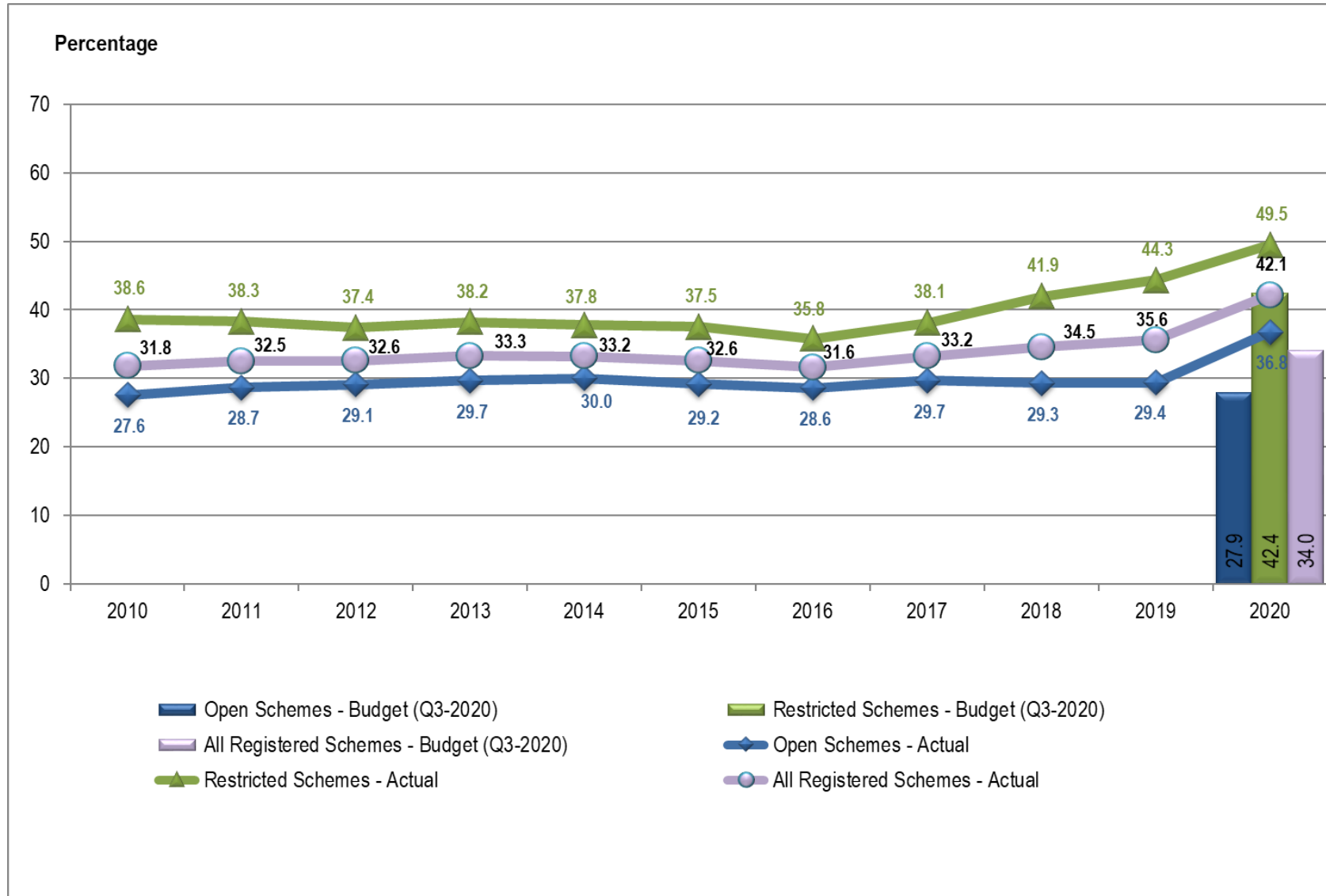
REGULATION 29: MINIMUM ACCUMULATED FUNDS

**Annexure A
(SOLVENCY RATIO)**

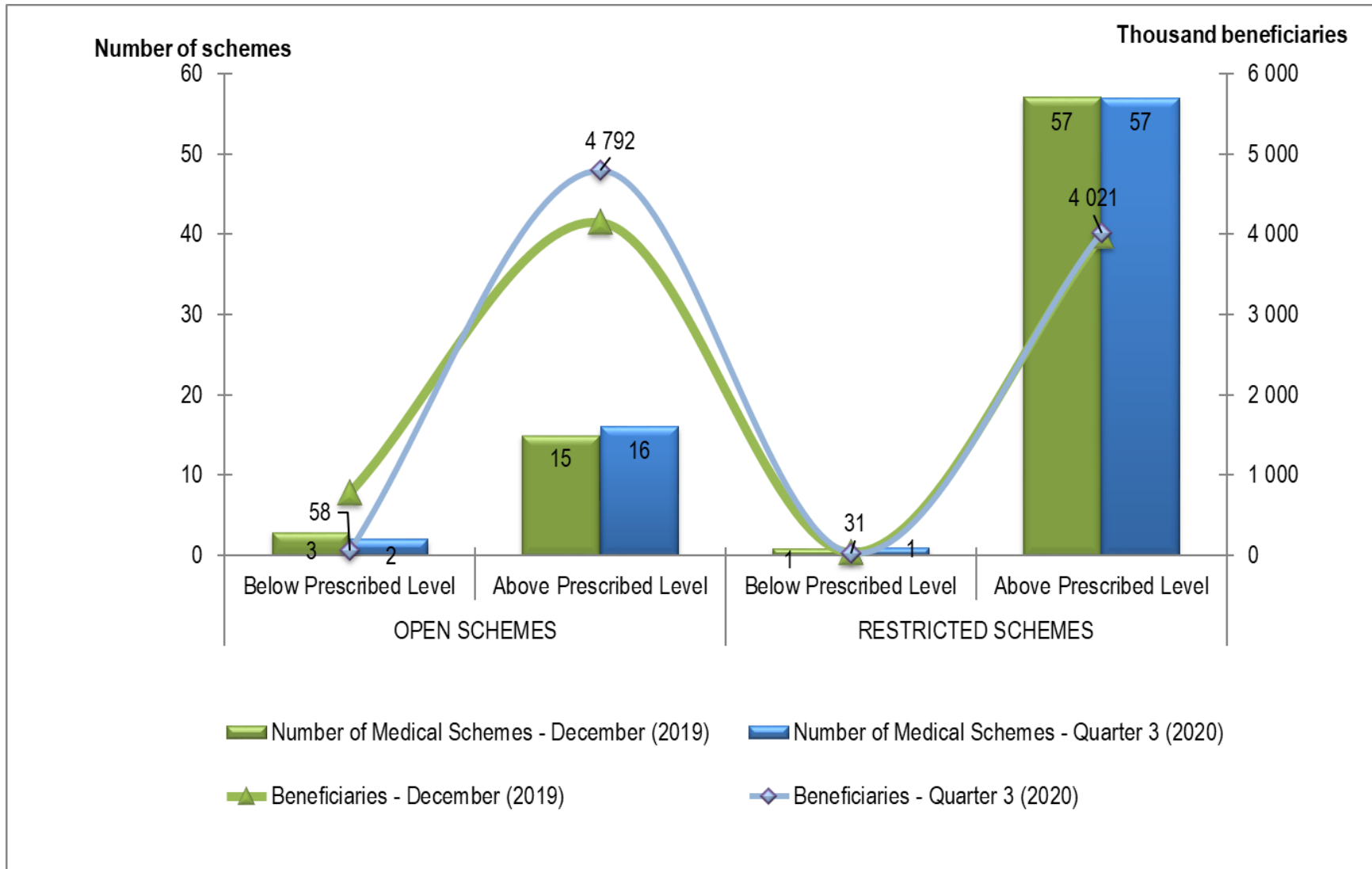
INDUSTRY AVERAGE:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	% Change 2019	2019 Quarter 3 Actual	2020 Quarter 3 Actual	2020 Quarter 3 Budget	% Variance Actual 2020 vs Budget 2020
Open schemes	28.7%	29.1%	29.7%	30.0%	29.2%	28.6%	29.7%	29.3%	29.4%	0.3%	28.1%	36.8%	27.9%	31.7%
Restricted schemes	38.3%	37.4%	38.2%	37.8%	37.5%	35.8%	38.1%	41.9%	44.3%	5.7%	40.7%	49.5%	42.4%	16.6%
All registered schemes	32.5%	32.6%	33.3%	33.2%	32.6%	31.6%	33.2%	34.5%	35.6%	3.1%	33.3%	42.1%	34.0%	23.9%

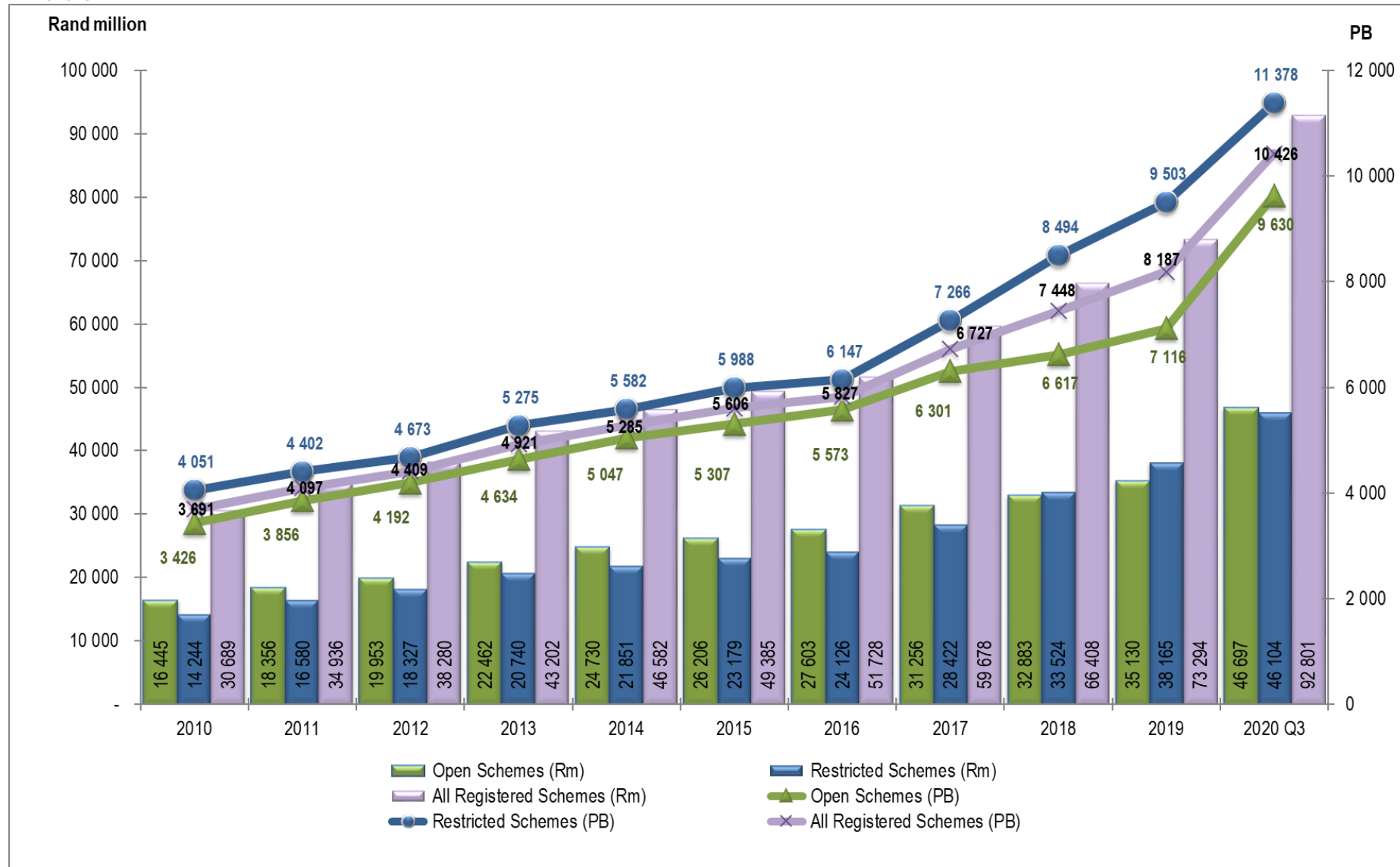
SOLVENCY RATIO GRAPH
Annexure B



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 2020
Annexure E

Income statement		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Average members		2 351 543	1 692 186	4 043 729
Average beneficiaries		4 876 050	4 041 489	8 917 539
Average age	Years	34.8	31.4	33.3
Pensioner ratio (65+ years)	%	10.9%	6.8%	9.0%
No. of dependants per member		1.1	1.4	1.2
Gross contributions (risk + PMSA)	R'000	95 457 704	69 766 809	165 224 513
Gross relevant healthcare (gross +PMSA) (Note a)		75 597 101	58 952 743	134 549 844
Gross Administration Expenses (risk + PMSA)		7 190 761	3 479 149	10 669 910
Broker service fees (including distributions costs)		1 791 999	112 021	1 904 021
Net impairment losses: trade and other receivables	R'000	110 770	79 850	190 620
Net healthcare results		10 652 022	6 346 114	16 998 137
Surplus/ (deficit)		11 387 570	7 292 360	18 679 931

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 2020
Annexure F

Balance sheet		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Members at 30 September 2020		2 338 074	1 692 545	4 030 619
Dependants at 30 September 2020		2 511 149	2 359 574	4 870 723
Beneficiaries at 30 September 2020		4 849 223	4 052 119	8 901 342
Non-current assets	R'000	13 245 799	18 691 196	31 936 995
Current assets	R'000	51 094 508	39 093 776	90 188 285
Trade & other receivables	R'000	6 630 199	2 452 159	9 082 358
Contribution days outstanding		4.3	1.8	3.3
Cash & cash equivalents	R'000	6 978 232	12 449 840	19 428 072
Total assets	R'000	64 340 307	57 784 973	122 125 280
Members' funds (net assets per BS)		47 088 169	46 747 942	93 836 110
Accumulated funds		46 851 418	46 581 411	93 432 829
Non-current liabilities		141 826	105 677	247 503
Current liabilities		17 110 312	10 931 354	28 041 666
Trade & other payables		3 525 810	2 401 991	5 927 801
Savings liability		9 300 936	4 335 623	13 636 559
Outstanding claims provision		4 283 566	4 193 740	8 477 306
Prior year claims provision utilised %		97.4%	105.4%	100.8%
Total liabilities	R'000	17 252 139	11 037 031	28 289 169
Total assets: total liabilities		3.7	5.2	4.3
Current assets: current liabilities		3.0	3.6	3.2
Gross claims incurred: cash & cash equivalents coverage	Months	1.0	2.0	1.5

Balance sheet		OPEN SCHEMES	RESTRICTED SCHEMES	TOTAL REGISTERED SCHEMES
Net assets per Regulation 29	R'000	46 697 053	46 104 109	92 801 162
Solvency ratio	%	36.8	49.5	42.1

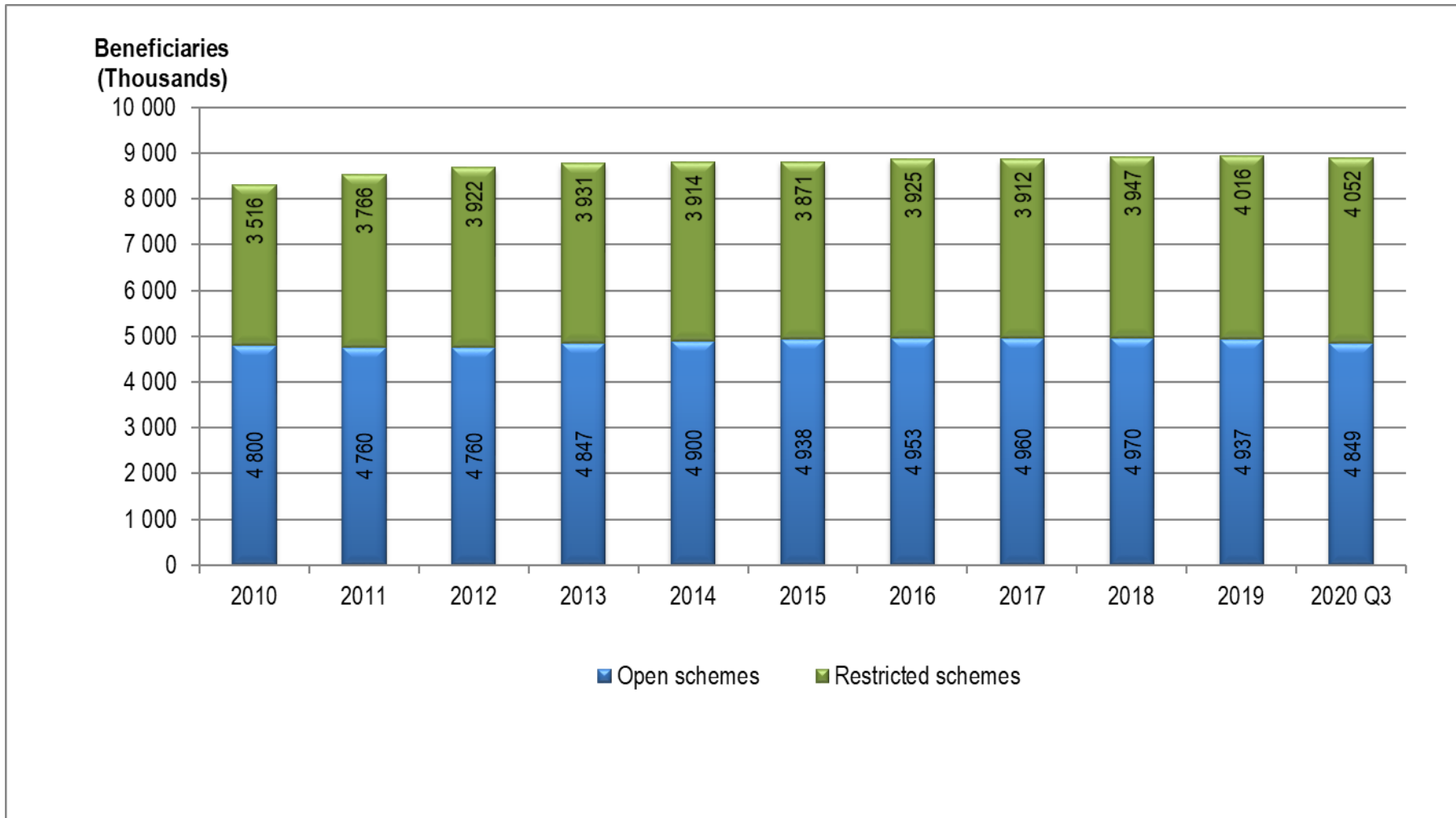
NOTES:

* 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 2020
Annexure H

Actual vs Budget		OPEN SCHEMES			RESTRICTED SCHEMES			TOTAL REGISTERED SCHEMES		
		Actual	Budget	% variance	Actual	Budget	% variance	Actual	Budget	% variance
Average members		2 351 543	2 376 411	-1.0	1 692 186	1 723 474	-1.8	4 043 729	4 099 885	-1.4
Average beneficiaries		4 876 050	4 891 546	-0.3	4 041 489	3 950 672	2.3	8 917 539	8 842 218	0.9
Gross Contribution Income (GCI)	R'000	95 457 704	96 770 972	-1.4	69 766 809	69 926 279	-0.2	165 224 513	166 697 251	-0.9
Risk Contribution Income (RCI)		83 386 853	84 582 607	-1.4	66 503 796	66 709 158	-0.3	149 890 648	151 291 765	-0.9
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		75 597 101	NA	0.0	58 952 743	NA	0.0	134 549 844	NA	0.0
Relevant healthcare incurred (incl. managed care claims) (Note a)		63 641 762	76 325 988	-16.6	56 486 660	63 927 427	-11.6	120 128 421	140 253 415	-14.3
Gross (incl. PMSA)/net non-health expenses		9 093 069	9 419 659	-3.5	3 671 021	4 195 915	-12.5	12 764 090	13 615 574	-6.3
Net healthcare results		10 652 022	(1 163 040)	1 015.9	6 346 115	(1 414 184)	548.7	16 998 137	(2 577 224)	759.6
Surplus/(deficit)	R'000	11 387 570	823 017	1 283.6	7 292 360	670 190	988.1	18 679 931	1 493 207	1 151.0
Quarter end reserve position (per Regulation 29) (Note c)		46 697 053	35 970 025	29.8	46 104 109	39 613 461	16.4	92 801 162	75 583 487	22.8

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

DETAILED FINANCIAL INFORMATION: ACTUAL vs PRIOR YEAR
for the period ended 30 September 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		2 351 543	2 381 012	-1.2	1 692 186	1 670 451	1.3	4 043 729	4 051 463	-0.2
Average beneficiaries		4 876 050	4 952 123	-1.5	4 041 489	3 972 706	1.7	8 917 539	8 924 829	-0.1
Gross Contribution Income (GCI)	R'000	95 457 704	90 004 725	6.1	69 766 809	64 480 664	8.2	165 224 513	154 485 390	7.0
Risk Contribution Income (RCI)		83 386 853	78 553 892	6.2	66 503 796	61 510 633	8.1	149 890 648	140 064 524	7.0
Gross relevant healthcare (incl. PMSA & managed care claims) (Note a)		75 597 101	83 702 526	-9.7	58 952 743	61 431 031	-4.0	134 549 844	145 133 557	-7.3
Relevant healthcare incurred (incl. managed care claims) (Note a)		63 641 762	71 022 907	-10.4	56 486 660	58 537 132	-3.5	120 128 421	129 560 039	-7.3
Gross (incl. PMSA)/net non-health expenses		9 093 069	8 781 207	3.6	3 671 021	3 496 826	5.0	12 764 090	12 278 033	4.0
Net healthcare results		10 652 022	(1 250 222)	952.0	6 346 115	(523 325)	1 312.7	16 998 137	(1 773 547)	1 058.4
Surplus/(deficit)	R'000	11 387 570	769 986	1 378.9	7 292 360	1 687 709	332.1	18 679 931	2 457 695	660.1
Quarter end reserve position (per Regulation 29)		46 697 053	33 695 526	38.6	46 104 109	35 080 762	31.4	92 801 162	68 776 288	34.9

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.

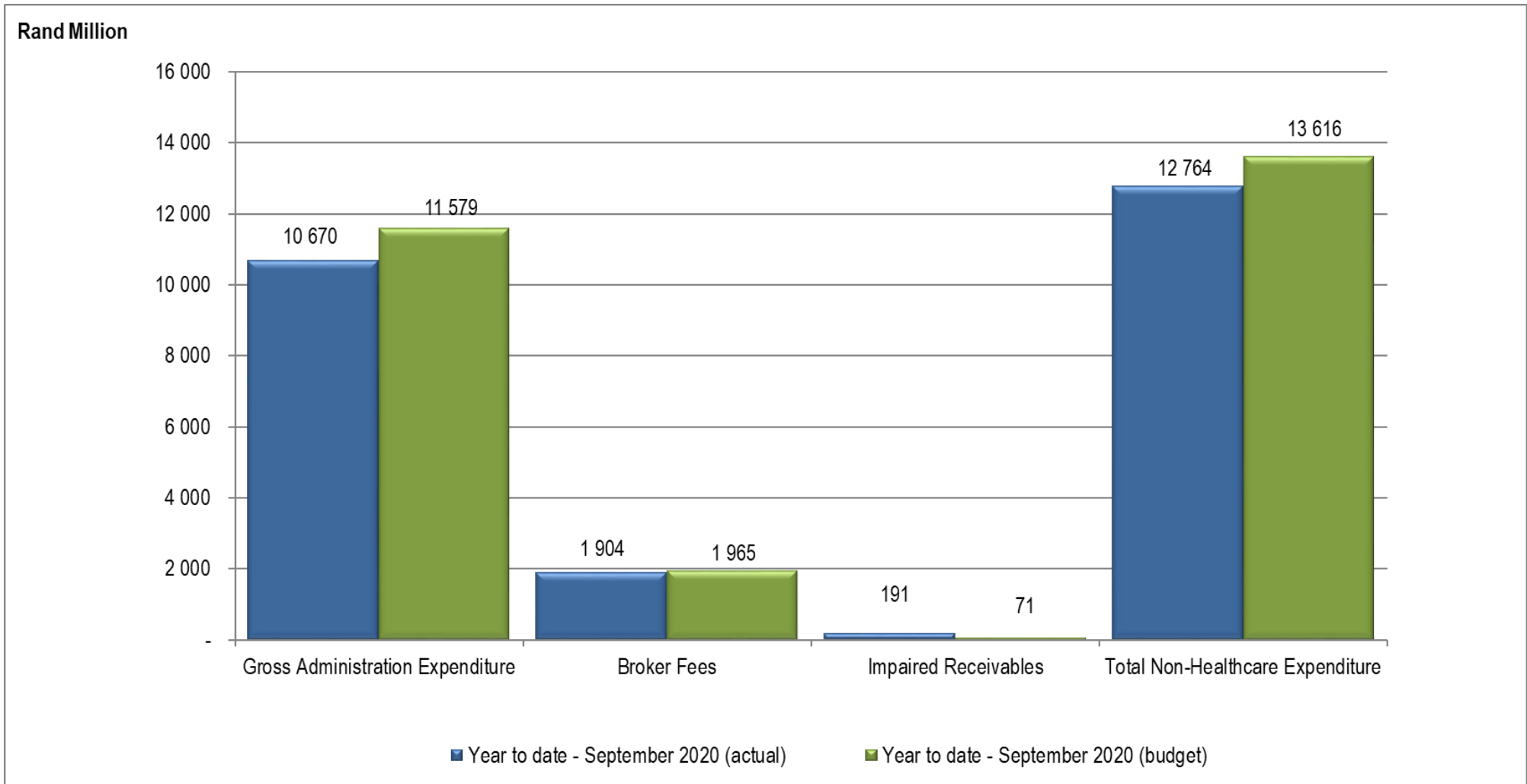
* PMSA = Personal Medical Savings Account

* GCI = Gross Contribution Income

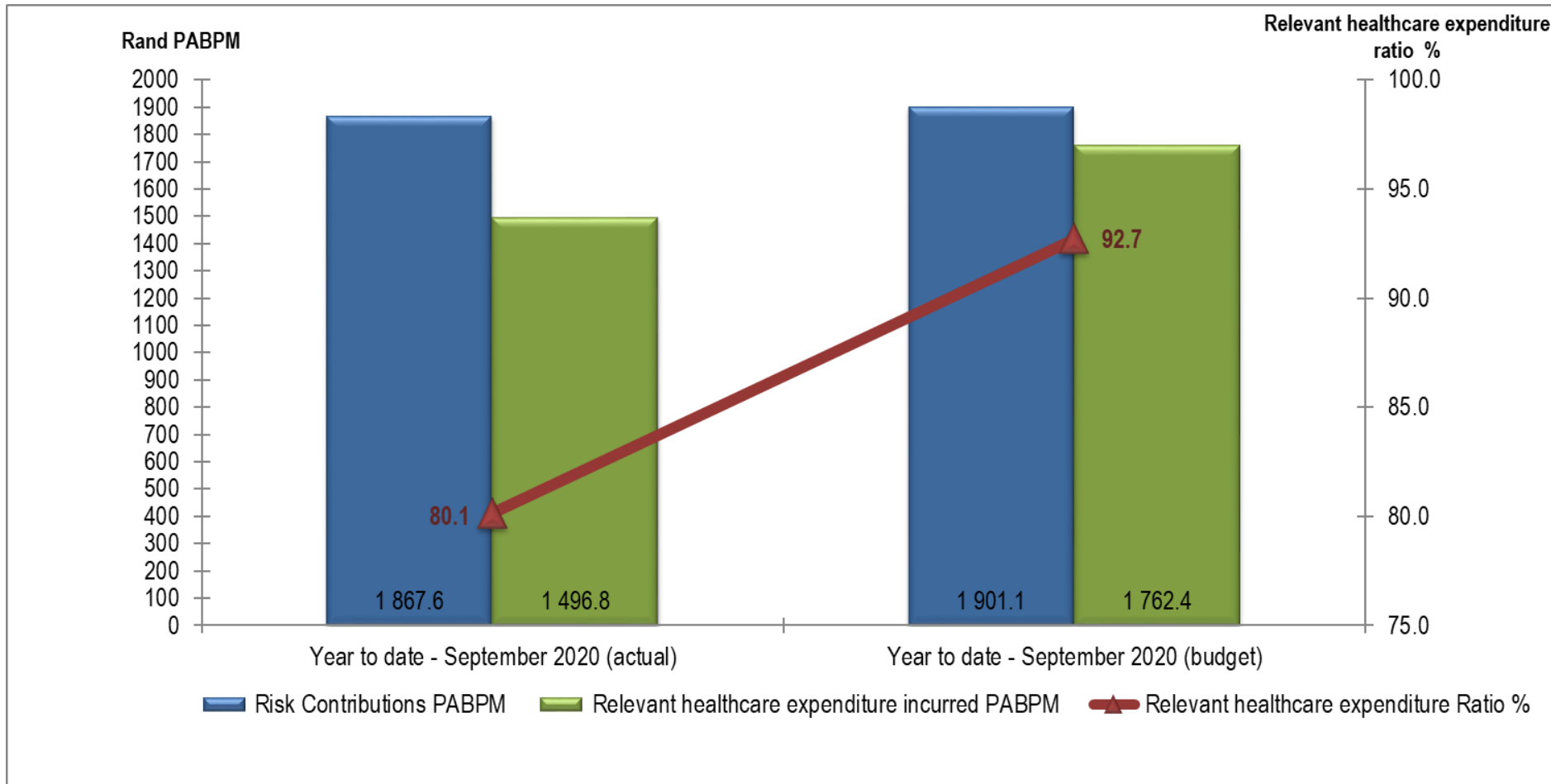
* RCI = Risk Contribution Income

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

