

## **AN OVERVIEW OF THE COUNCIL FOR MEDICAL SCHEMES ANNUAL REPORT FOR 2019/20**

*PREPARED FOR THE BENEFIT OF HEALTHMAN CLIENTS*

### **1. INTRODUCTION**

The Council for Medical Schemes (CMS) recently released its annual report for 2019/20. The report contains the following:

- The Registrar's review and a synopsis of the council's strategic objectives and their financial affairs;
- A review of medical scheme operations which includes statistics on membership, healthcare and non-healthcare expenditure incurred and the financial affairs of medical schemes in general;
- An overview of the administrator market and other related issues.

**(Analyst's note:** This outline contains both direct quotes from the report as well as paraphrased summaries of the contents. HealthMan takes no responsibility for any decisions made by the reader who has relied on this summary alone without referring to the contents of the published CMS Report.)

### **2. INTRODUCTION TO THE CMS AND THE MEDICAL SCHEMES ENVIRONMENT**

The CMS is the regulatory watchdog of medical schemes in terms of the Medical Schemes Act of 1998. Medical schemes need to comply with certain statutory requirements including the submission of annual financial statements and Section 37 returns (which provide details of administrative expenses, claims paid per the various medical disciplines and other financial issues). Administrators, managed care organisations and brokers need to be accredited in terms of the Medical Schemes Act.

Medical schemes - also referred to as "Funders" - appoint and elect trustees as well as a principal officer. They take care of the governance aspects of the scheme. There are two types of schemes, Open Schemes and Restricted Schemes. Open schemes are open to all members of the public as well as Corporate and Public Sector Employees who may elect to join the scheme. Restricted schemes on the other hand were established for the employees of a specific employer or industry grouping and is not open to the general public or any other non-related groups.

Medical schemes have various options available to members. The so-called 'traditional options', would offer in-hospital benefits, Prescribed Minimum Benefits ("PMBs"), chronic benefits, and day-to-day or selective benefits (e.g., GP, dental visits and prescribed medicine) as a basket of services. 'New generation options' separate 'risk' benefits (hospitalisation & PMBs) from day-to-day benefits, which are normally funded from a medical savings account.

Once the medical savings account is depleted, members will have to self-fund their benefits. Joining a scheme that offers a comprehensive option may provide extended cover once the day-to-day expenses have reached a certain threshold.

The CMS has also introduced low cost benefit options to advance access to quality and affordable healthcare. Efficiency Discounted Options (EDO) were introduced in 2008 and allow for provider networks to be utilised in exchange for discounted contributions. This arrangement is in conflict with the statutory principle that contributions may only differ on the basis of income and family size. Schemes must therefore be exempted to operate EDO's.

### 3. OVERVIEW OF COMPLAINTS FOR THE 2018 REPORTING PERIOD

A total number of 2 829 (2018: 3 808) new complaints were lodged and 1 902 complaint were carried forward from 2018. Of the 4731 complaints, 3006 were resolved. Forty seven percent (47%) of all the rulings were in favor of the complainants and 6% of all complaints were invalid. Open and restricted schemes had 42% and 33% rulings in their favor respectively.

The major complaints were as follows (% of total in brackets):

➤ Administrative	:	1839	(61%)
➤ Clinical	:	749	(25%)
➤ Legal/Compliance	:	246	( 8%)
➤ Unjustifiable complaints	:	172	( 6%)

#### **The schemes with the highest number of complaints per 1000 beneficiaries were (2018 in brackets):**

➤ Health Squared	:	2.1	(2.8)
➤ Genesis	:	1.3	(1.8)
➤ Hosmed	:	0.8	(1.0)
➤ Fedhealth	:	1.2	(1.4)
➤ Medihelp	:	0.8	(0.9)
➤ Keyhealth	:	0.5	(0.7)

#### 4. FINANCIAL INFORMATION OF THE CMS AS AT 31 MARCH 2020

The CMS report elaborates in detail on its finances, HR affairs etc. The table below reflects a summary of the CMS' income statement. Levies make up 88% of revenue which amounts to R156.2 million. Staff costs of R116.3 million comprises 59% of total expenditure. The operating deficit amounted to R18.6 million compared to a restated deficit of R3.1 million in 2018.

Assets mainly consist of cash and cash-equivalents of R21.7 million and property, plant and equipment of R3.3 million. A summarised income statement is reflected below:

##### INCOME STATEMENT

	31/03/2020	31/03/2019
	R'000	R'000
<b>REVENUE</b>	<b>177 740</b>	<b>163 566</b>
<b>LEVIES</b>	156 215	144 980
<b>ACCREDITATION FEES</b>	11 115	7 787
<b>GOVERNMENT TRANSFER</b>	6 202	6 003
<b>OTHER</b>	4 208	4 796
<b>EXPENDITURE</b>	<b>(196 355)</b>	<b>(180 330)</b>
<b>PERSONNEL</b>	(116 337)	(113 657)
<b>RENTAL</b>	(16 623)	(15 844)
<b>CONSULTANTS</b>	(10 387)	(5 381)
<b>LEGAL FEES</b>	(13 344)	(6 151)
<b>TRAVEL AND SUBSISTENCE</b>	(4 764)	(3 744)
<b>INSPECTION COSTS</b>	(4 196)	(6 824)
<b>OTHER</b>	(30 704)	(28 729)
<b>OPERATING DEFICIT</b>	<b>(18 596)</b>	<b>(16 764)</b>

#### 5. MEMBERSHIP AND SCHEME DATA

##### 5.1 Number of Medical Schemes and Options

The number of medical schemes decreased from 79 to 78. There were 20 open schemes and 58 restricted schemes. Over the last 20 years the number of open schemes decreased from 47 to 20 whilst restricted schemes decreased from 97 to 58 over the same period.

The average number of options (rounded) per open scheme stood at 6.45 for open schemes and 2.34 for restricted schemes. Consolidated the number decreased slightly from 3.43 to 3.40 options per scheme.

## 5.2 Membership

According to the CMS report the total number of beneficiaries has remained fairly stagnant over the last 10 years. Over the past year the total number beneficiaries for all schemes only increased by a mere 0.82%.

The breakdown is as follows:

	Open schemes	Restricted schemes	Total
Members	2 377 444	1 684 969	4 062 413
Dependents	2 559 452	2 331 211	4 890 663
<b>Total: 2019</b>	<b>4 936 896</b>	<b>4 016 180</b>	<b>8 953 076</b>
<b>: 2018</b>	<b>4 969 621</b>	<b>3 947 074</b>	<b>8 916 695</b>

Over the last 10 years the number of beneficiaries in open schemes increased slightly from 4.82 million to 4.94 million. Restricted schemes increased from 3.25 million to 4.01 million members.

Restricted schemes reflected a younger average age profile of 31.1 years. The average age profile of open schemes is 34.9 years. For all schemes it averages 33.0 years.

Open schemes portrayed a higher pensioner ratio of 10.3% of membership than restricted schemes at 6.5%. Refer to Annexure D for a comparison of male, female and consolidated membership data per age category from 2015 to 2019. The negative growth in age category 20 to 29 is most alarming and even more so the increases in categories 50>.

The dependent ratio remained at 1.20 dependents per principal member.

## 5.3 Medical Scheme Coverage by Province

The medical scheme coverage of insured medical scheme beneficiaries (% of total in brackets) for all the provinces is:

- Gauteng 3.598 million (40%)
- Western Cape 1.333 million (15%)
- Kwa-Zulu Natal 1.266 million (14%)
- Eastern Cape 0.654 million ( 7%)
- Mpumalanga 0.550 million ( 6%)
- North West 0.476 million ( 6%)
- Limpopo 0.460 million ( 5%)
- Free State 0.390 million ( 4%)
- Northern Cape 0.177 million ( 2%)

#### 5.4 Contribution Increases and the Concomitant Relevant Health Care Expenditure is listed below

- The average increase in gross medical scheme contributions for all schemes in 2019 was 7.05%, totaling R205.83 billion.
- Total gross relevant healthcare expenditure increased by 8.0% to R185.9 billion.
- Ninety percent of total benefits were paid from risk and the balance of 10% from medical savings accounts.
- Risk contributions increased by 7.3% to R186.66 billion, whilst risk claims increased by 8.6% to R167.81 billion.
- The total scheme risk claims ratio increased from 89.8% to 90.0%. The lowest it has been was 78.6% in 2004.
- Medical savings contributions increased by 4.6% to R19.17 billion.

The average monthly contribution and claims **per average beneficiary per month (p.a.b.p.m.)** were as follows:

(The total contributions/expenditure is divided by the total number of beneficiaries and then divided by 12 to reflect the average amount per month)

	<b>Amount per month</b>	<b>% Increase</b>
Gross contributions	R 1 919.57	6.3
Gross healthcare expenditure	R 1 737.86	8.0
Risk contributions	R 1 740.77	6.5
Risk claims	R 1 568.73	8.3
Savings contributions	R 207.61	2.25
Savings claims	R 169.13	5.0

## 6. HEALTHCARE BENEFITS

Managed care services are included under healthcare expenses as “they directly impact on the delivery of cost effective and appropriate (evidence based) healthcare benefits” as per Circular 56 of 2015.

### 6.1 Benefit Payments to Healthcare Professionals

(Refer to Annexures A for a more detailed breakdown per discipline).  
Total benefits paid per category were mainly spent as follows:

<b>Discipline</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Amounts in R'billions</b>	<b>Percentage of total</b>	<b>Amounts in R'billions</b>	<b>Percentage of total</b>
Hospitals	69,12	37.2	64,059	37.2
Medicines	28,490	15.3	26,896	15.6
Supplementary & Allied	14,127	7.6	12,931	7.5
General Practitioners	10,285	5.5	9,564	5.6
Anaesthetists	4,123	2.2	3,725	2.1
Medical specialists	13,506	7.2	12,131	7.1
Surgical specialists	10,670	5.7	9,554	5.5
Pathology	10,572	5.7	9,533	5.5
Radiology	7,850	4.5	7,068	4.5

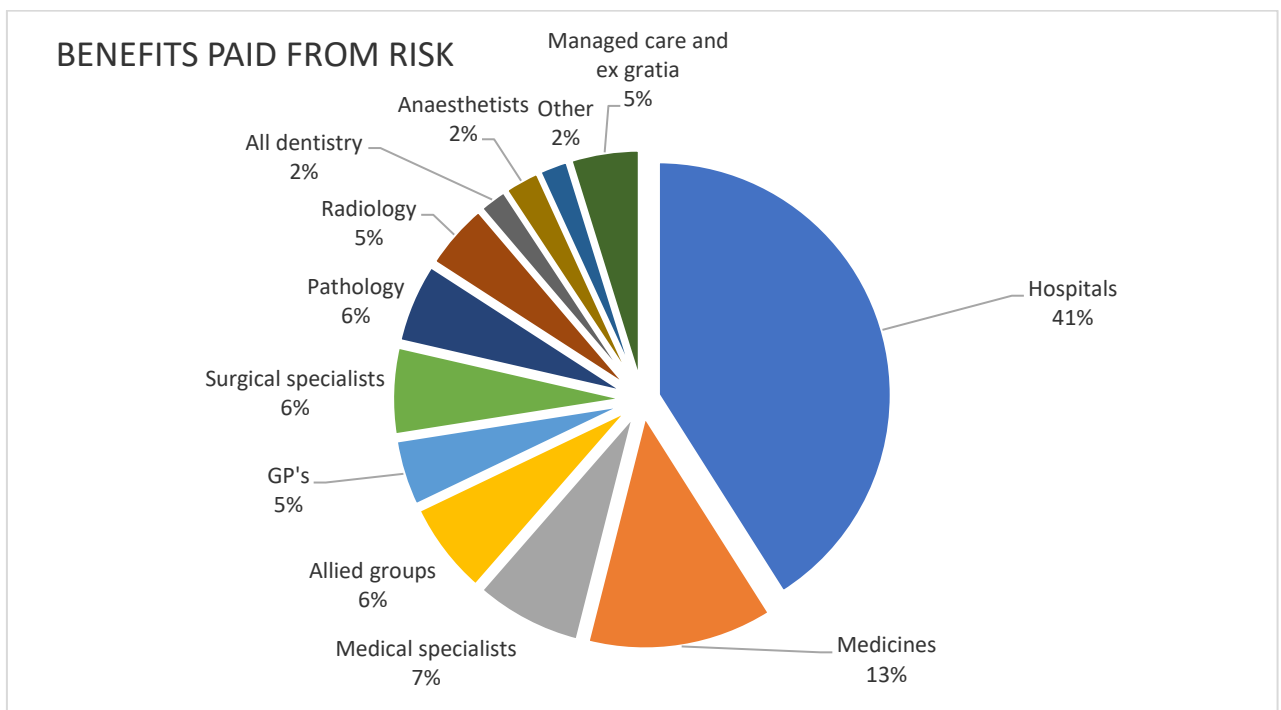
A total amount of R167 841 billion (9.2% increase from 2018) was paid from the risk pool which amounts to R17 612 per average beneficiary per annum. Benefits paid out of savings amounted to R18 096 billion (5.0% increase from 2018).

Benefits paid from	Risk Pool 2019 R' million	Savings 2019 R' million
Hospitals	66 837	283
Medicines	21 714	6 775
Medical specialists	12 517	988
Allied groups	10 877	3 250
GP's	7 761	2 525
Surgical specialists	10 205	465
Pathology	9 310	1 262
Radiology	7 779	792
All dentistry	3 280	1 817
Anaesthetists	4 109	14
Other	5 397	(75)
Managed care and ex gratia	8 055	0
<b>TOTAL</b>	<b>167 841</b>	<b>18 096</b>

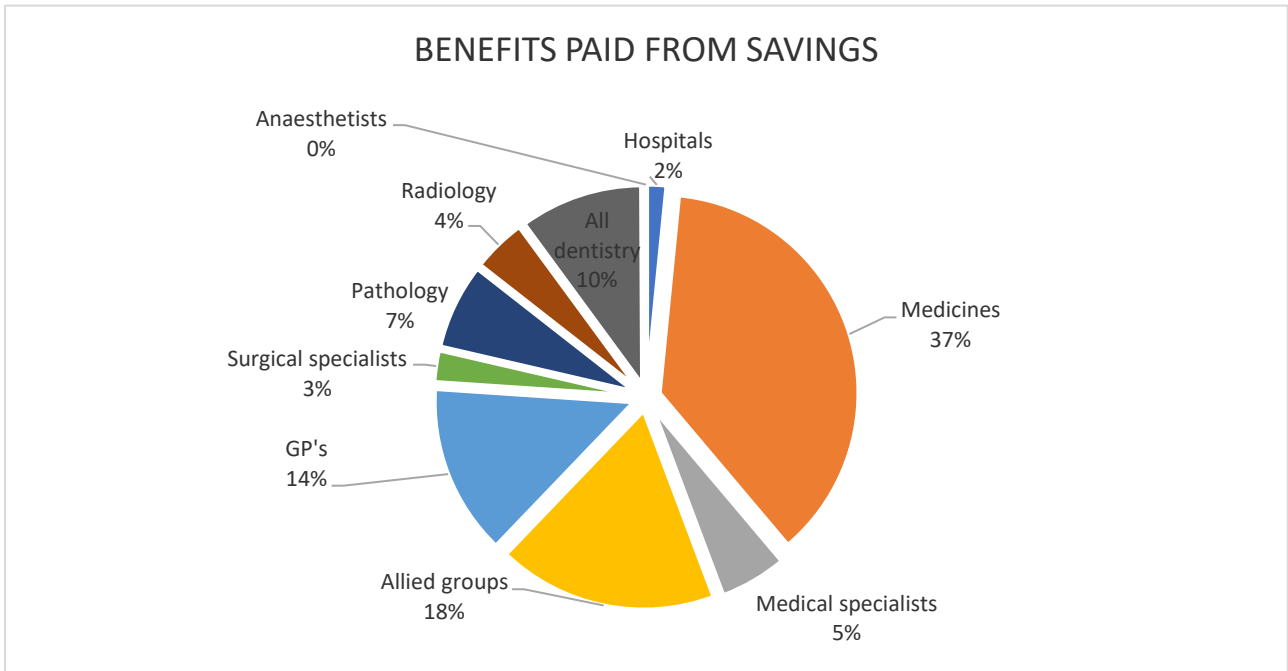
The main components of hospital costs were:

- Ward Fees : R 19.4 billion
- Consumables : R 14.3 billion
- Theatre Fees : R 10.0 billion
- Medicine : R 5.3 billion

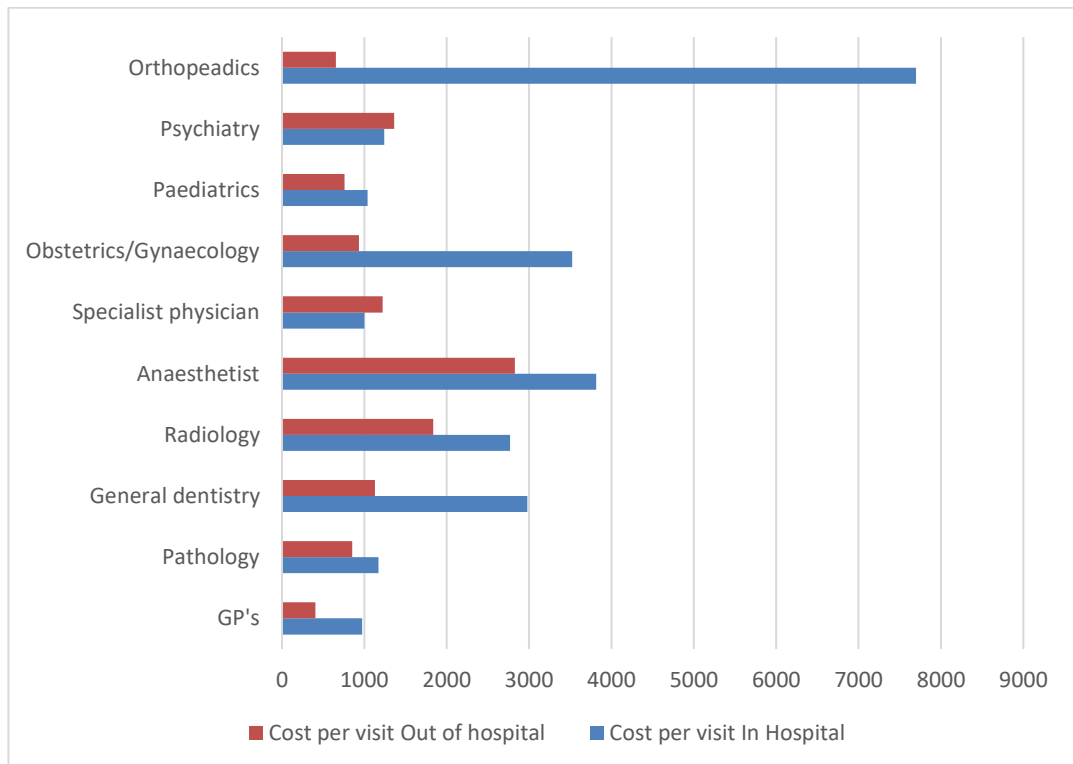
The distribution of benefits paid from the risk pool was as follows:



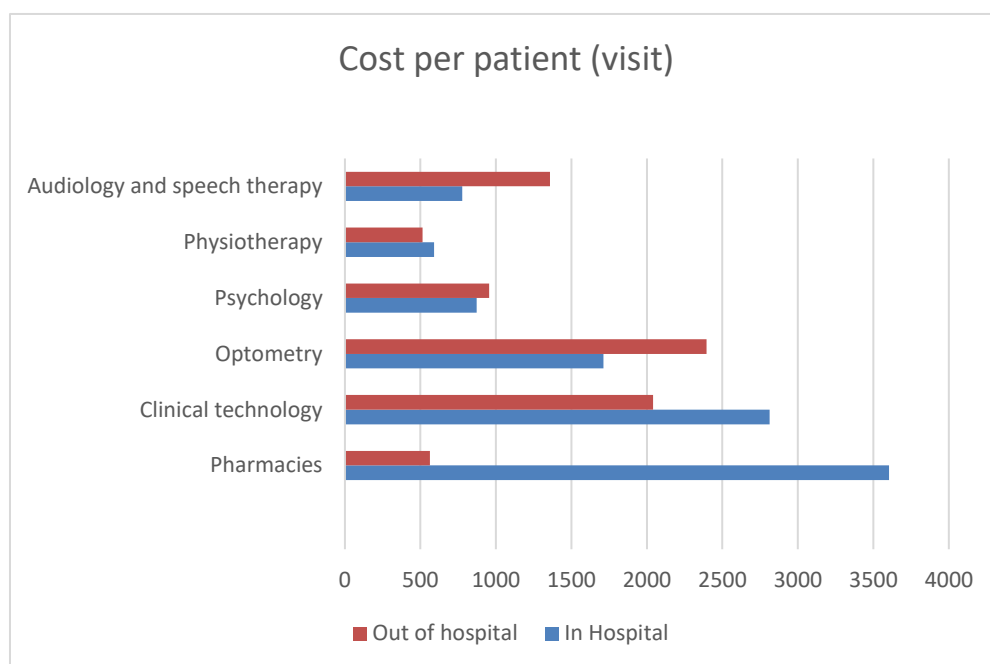
The distribution of benefits paid from savings was as follows:



The following average cost per patient per visit for in hospital and out of hospital visits for the main disciplines in 2019 was reported:



Selected Allied Groups are reflected below:



(ALSO REFER TO ANNEXURE C)

Comment:

### 6.2 The Most Prevalent Chronic Conditions Reported were:

- Hypertension
- Hyperlipidaemia
- Diabetes Type 2
- HIV
- Asthma

Haemophilia which has the lowest prevalence showed the highest amount spent of R 25 974 per patient per month.

### 6.3 Amounts paid for the top 10 diagnosis and treatment pairs listed below had a combined expenditure of R29.4 billion:

	Total 2019	Total 2018	Percentage change
	R'million	R'million	
Default emergency (unclassified)	5 003	4 671	7,11%
Pregnancy	4 775	4 584	4,17 %
Affective disorders (incl. depression)	3 253	3 548	-8,31%
Heart diseases	3 818	3 278	16,47 %
Bacterial: viral; fungal pneumonia	2 222	2 562	-13,27 %
Fractures / dislocations of limbs	2 218	2 352	-5,70 %
Cataracts / aphakia	2 213	2 096	5,58 %
Respiratory conditions (newborn babies)	1 829	2 051	-10,82 %
Metastatic infections, septicaemia	2 724	1 675	62,63 %
Cancer of breast	1 310	1 612	-18,73%



## 6.4 Prescribed Minimum Benefits (PMB's)

The total expenditure on PMB's in monetary terms are not reflected in the 2019 report. Only the PMB expenditure p.b.p.m. in age categories are reflected in a graph. Age bands with the highest expenditure per beneficiary per month increase significantly after age 60 even with membership dropping rapidly .

The variation in PMB expenditure between Schemes could be due to non-compliance in terms of cover and the difference in risk profiles of Schemes.

## 6.5 Out-of-Pocket Expenses

The various ratios for the following disciplines (ie. Percentage of total benefits paid not covered by a medical scheme) were:

Discipline	% of total benefits paid
Medicines	33%
Medical Specialists	8%
Surgical Specialists	8%
Allied groups	14.0%
General Practitioners	9%
Dentists	6%
Hospitals	7%
Pathology	5%

## 6.6 Utilisation of Healthcare Services

	Number of visits	Number of visits per patient	Risk amount per patient	MSA amount per patient
General practitioners	7 292 915	3.19	R 333.32	R 108.43
General dentistry	1 940 834	1.76	R 734.00	R 420.74
Medical specialists	3 190 431	3.37	R 1 164.10	R 91.91
Surgical specialists	2 100 359	1.88	R 2 582.43	R 117.70
Allied groups	4 576 529	2.97	R 800.14	R 239.10

Surgical specialists experienced an increase of 11.7% in claims paid. Paediatric surgeons reported the highest increase of 30.7 % and Gastroenterology the lowest with a decrease of -2%.

Medical specialists experienced an increase of 11.3% in claims paid. The highest increase was Plastic and Reconstructive Surgery which reported a 18.4% increase and Medical oncology the lowest with a decrease of -8%.

The Allied sector had an increase of 9.2% in claims paid with the following increase per selected disciplines:

- Optometry : 6.5%
- Clinical Technology : 9.8%
- Physiotherapy : 8.0%
- Psychology : 15.4%
- Speech Therapy & Audiology : 7.0%

Hospital overnight inpatient admissions in private and provincial hospitals decreased by 0.04% and 1.85% respectively and the average length of stay in private hospitals remained basically unchanged at 2.87 days and there was a slight decrease from 0.77 to 0.74 days in provincial hospitals. Private hospital outpatient admissions per 1000 beneficiaries decreased by -1.1% from 270.3 to 267. Number of admissions for day clinics increased by 12.47%

The table below reflects the admission statistics.

Hospital admissions	Number of admissions	Per 1000 beneficiaries	Admissions per patient
Private Hospitals	2 387 471	267.37	1.32
Provincial Hospitals	147 154	16.48	2.21
Day Clinics	164 052	18.37	1.2

The average cost of the total expenditure for the 5 most expensive conditions is reflected below:

Condition	Total Cost R	Hospital Cost R
Coronary Artery Bypass	157 589	127 182
Hip Replacement	139 283	99 257
Transluminal Coronary Angioplasty	139 184	108 783
Knee Replacement	132 521	96 873
Myocardial Infarction	132 008	95 517

For day surgery lens and cataract procedures cost R25 921 per event and a tonsillectomy /adenoidectomy cost R11 075 on average per admission with the facility fees amounting to R17 333 and R7 956 respectively.

## 6.7 Risk Transfer Arrangements

These arrangements refer to capitation fees paid by Schemes to third parties to save money through risk management. The 5 schemes that incurred the highest capitation losses in terms of expense as a percentage of capitation fees are reflected below.

Note: We do not agree with the prescribed manner in which these losses are calculated as it does not reflect what the actual costs would have been on a fee-for-service basis.

	<b>Open schemes</b>	<b>Restricted schemes</b>	<b>All schemes</b>
	R 'mill	R 'mill	R 'mill
Capitation fees	2 185	1 821	4 006
Estimated recoveries	2 329	1 860	4 189
Net income / (loss) *	148	47	195
* includes profit/loss sharing agreements			
<b>Schemes with losses</b>	<b>Cap Fees</b>	<b>Recoveries</b>	<b>**Net expense</b>
	R 'mill	R 'mill	R 'mill
Impala medical plan	174	163	(11)
Momentum Health	440	360	(80)
Sizwe	75	61	(14)
POLMED	702	651	(43)
Hosmed	25	20	(5)

6.8 Managed care remains an important but expensive component of a Scheme's operations. This cost (now regarded as part of the claims experience) increased by 8.4% from approximately R4.3 billion in 2018 to R4.7 billion in 2019.

Accredited managed care services of the larger schemes amounted to:

<b>SCHEME</b>	<b>CLAIMS RATIO (claims as % of contributions)</b>	<b>Managed care expense as % of RCI</b>
Discovery Health	87.7	3.1
GEMS	88.8	2.0
Bonitas	92.2	3.1
Polmed	100.3	1.5
Momentum Health	84.2	3.0
Bankmed	95.5	2.7

RCI=Risk Contribution Income

## 6.9 Administration and Other Expenditure

Total administration expenditure was R13 842 billion (2018: R13 235 billion). The total increase of 4.6% represented a 4.6% increase in open schemes and 4.5% for restricted schemes. The following table reflects a breakdown of other non-healthcare related expenditure.

	<b>R 'mill</b>	<b>R 'mill</b>
	<b>2019</b>	<b>2018</b>
Trustee costs	88.35	88.47
External auditor fees	72.09	61.13
Principal officer remuneration	128.9	119.48

Nine open and eight restricted schemes had an average administrator expenditure of greater than 10% of Gross Contribution Income (GCI).

On average third party-administered open schemes spent 127% more per beneficiary on administration fees than 3<sup>rd</sup> party -administered restricted schemes.

The five Schemes with the highest average cost (beneficiary per month) above the respective industry averages were:

Open schemes	Average R157.31	Restricted schemes	Average R93.96
Selfmed	R 252.79	BP medical Society	R 289.38
*Health Squared	R 245.35	Profmed	R 238.44
Compcare	R 234.10	CAMAF	R 188.80
Suremed	R 216.08	De Beers Benefit Society	R 193.02
Fedhealth	R 204.71	Grintek Medical Aid	R 181.76

\*Spectramed and Resolution Health merged

Should the average administration cost per member per month (p.a.m.p.m) be reviewed the following Schemes also fall in the expensive category:

Open schemes	Admin fee p.a.m.p.m.	Restricted schemes	Admin fee p.a.m.p.m
Discovery Health	R320.05	LA Health	R309.73
Momentum Health	R305.95	Anglovaal Medical Scheme	R263.71
Sizwe	R227.57	Parmed	R254.65

It is understandable that the nature of services and benefit option design could play a role, but economies of scale are not evident at all when larger Schemes averages are compared to smaller Schemes. It is therefore difficult to understand how Discovery Health Medical scheme could top the list with an average cost of R320.05 per member per month (with an average of 1 342 758 members over the review period). LA health which is also administered by Discovery Health (Pty) Ltd. with only 81 753 members has an average of R309.73 and is the restricted scheme with the highest administration fees p.a.m.p.m.

## 6.10 Principal Officer and Trustee Remuneration

(Note: Principal Officers and trustees continue to receive excessive salaries and fees. These are well above market norms and are not justified by the work performed considering the outsourced functions and duties by Schemes to third party administrators.)

Schemes with the highest paid principal officer and trustee fees were:

Scheme	Principal Officer Remuneration	Trustee Fees	
	R'million p.a.	R'million p.a.	Average R'million p.a.
Discovery	8.88	9.72	1.21
Bonitas	6.10	4.63	0.38
GEMS	6.05	7.68	0.51
Medshield	5.91	4.43	0.55
Polmed	5.28	5.15	0.34

Other Schemes with **exorbitant** principal officer fees were SAMWUMed (R4.77 million), Transmed (R4.65 million) and LA Health (R4.22 million)

The CMS report reflect the following numbers pertaining to trends in claims, non- health care expenditure and reserve building as a percentage of risk contributions (saving account contributions excluded):

Year	% of risk contributions					
	Net claims incurred		Non-health care exp		*Reserve building	
	2019	2018	2019	2018	2019	2018
Open schemes	89.3	89.8	11.3	11.5	-0.7	-1.4
Restricted schemes	92.1	90.7	5.7	5.9	2.1	3.3

\*Reserve building is when a medical scheme endeavours to achieve or maintain its statutory solvency level by increasing the contributions for that specific purpose.

The sector averages for non-healthcare expenditure as percentage of RCI (risk contribution income) and solvency ratios were:

	Non-Healthcare: RCI	Solvency Ratio
Open schemes	11.5%	29.3%
Restricted schemes	5.9%	41.9%

Three open schemes (out of 20) did not meet the 25% solvency level which effects 15.9% of all open scheme beneficiaries. One out of the 58 restricted schemes had solvency levels under 25% and that represents a mere 0.86% of all restricted scheme beneficiaries.

### 6.11 Broker Costs

Broker costs (which include all distribution fees) increased by 9.2% to R2.4 billion. This represents 14.8% of the total non-healthcare costs. The average broker fee per member per month amounted to R78.53. Schemes with fees above the industry average were Hosmed (R98.24), Discovery Health (R89.65), LA Health (R88.27), Sizwe (R80.82), and Bonitas (R78.93).

(Note: It remains questionable why a restricted scheme like LA Health requires the services of brokers.)

### 6.12 Impaired Receivables

Impaired receivables decreased by 15.9% to R 263 million. It took a scheme an average of 10.39 days to collect contributions from members which was a deterioration from the previous year's 10.3 days. This is way off the prescribed period of 3 days after due date.

### 6.13 Investments and Claims Paying Ability

Schemes need to have sufficient liquid investments to pay benefits timeously. The following investment holdings of schemes as a portion of total holdings were reported:

- 6.13.1 Open schemes held 31.5% in cash or equivalent investments and restricted schemes held 51.8%.
- 6.13.2 Bonds accounted for 40.2% (open schemes) and 26.2% (restricted schemes).
- 6.13.3 Equities only made up 19.9% of total holdings for open schemes and 16.9% for restricted schemes. This demonstrates the conservative investment strategy schemes normally adopt.

The financial soundness of a Scheme is also determined by its ability to pay claims from cash or cash equivalents. The latter is measured by the number of months the average member claims can be paid from liquid assets, also referred to as the cash coverage. The cash coverage ratio declined from 4.0 to 3.8 months for the year and payment cycles of schemes were an average of 11.8 days (2018: 19.1 days).

#### 6.14 Administrator Market

The following table reflects the relative market share based on the average number of beneficiaries of the major medical scheme administrators as at 31 December 2019.

Administrator	Number of schemes (overall)	% Share of overall market		Total administrator fees as % of Gross contributions		Total fees paid to administrator p.a.b.p.m. (R)	
		Open	Restricted	Open	Restricted	Open	Restricted
Discovery Health	19	56.4	11.8	7.3	5.1	153.7	95.5
Medscheme	14	18.6	44.2	5.2	1.0	104.8	18.4
Metropolitan	1	0	31.8		3.0		39.3
MMI	11	6.0	3.0	11.1	5.5	160.5	93.7
Self-Administered	15	12.3	5.9				
Universal	7	0.7	1.3	9.7	7.4	138.5	75.9

#### Notes:

1. % share of market based on the number of beneficiaries
2. Discovery's cost per average beneficiary per month (p.a.b.p.m.) for their open scheme (Discovery Health Medical Scheme) is alarmingly high considering the number of beneficiaries on the Scheme. No evidence of economies of scale exists.

## 7. REVIEWING THE OPERATIONS OF MEDICAL SCHEMES IN 2019

The consolidated income statement and balance sheet for all medical schemes are reflected below.

	2019	2018	%
	R'000	R'000	change
Gross contribution income	205 828	192 275	7,05
Savings contribution income	(19 173)	(18 328)	4,61
<b>Net risk contribution income</b>	186 655	173 947	7,31
<b>Relevant healthcare expenditure</b>	(169 070)	(156 945)	7,73
Net claims incurred	(164 574)	(152 797)	7,71
Accredited managed healthcare services	(4 691)	(4 329)	8,38
Net income/(expense) on risk transfer arrangements *	195	181	8,23
<b>Gross healthcare result</b>	17 586	17 002	3,43
<b>Net non-healthcare expenditure</b>	(16 554)	(15 791)	4,84
Net income/(expenses) on commercial reinsurance	(0)	(1)	(98,56)
Broker costs	(2 450)	(2 244)	9,19
Administration expenditure	(13 842)	(13 235)	4,59
Net impairment losses: trade and other receivables	(262)	(311)	(15,89)
	-	-	
<b>Net healthcare result (after non health care expenditure)</b>	1 031	1 211	(14,87)
Other investment income	5 545	4 742	16,93
Realised and unrealised gains/(losses)	680	(913)	174,51
Other income	356	454	(21,59)
Own facility surplus/(deficit)	(3)	(2)	(32,57)
Other expenditure	(7)	(15)	(54,39)
Finance costs	(537)	(463)	16,09
<b>Net surplus for the year</b>	<b>7 066</b>	<b>5 015</b>	<b>40,90</b>
<b>Other comprehensive income</b>	84	(404)	120,76
<b>Total comprehensive income for the year</b>	<b>7 149</b>	<b>4 610</b>	<b>55,07</b>

The following table reflects the operating results of medical schemes since the introduction of the Medical Schemes Act in 2000:

Open

Year	Net health care result Surplus/(Deficit)  R'million	Net Investment and other Income (less finance & other costs)  R'million	Net Surplus (before consolidation)  R'million	% Change in net surplus
2001	169	1 278	1 447	
2002	1 098	1 366	2 464	70.3%
2003	2 355	2 034	4 389	78.1%
2004	2 731	2 391	5 122	14.1%
2005	-356	2 802	2 446	(53.7%)
2006	-2 146	3 279	1 133	(51.2%)
2007	-1 056	3 428	2 372	107.5%
2008	-929	3 369	2 440	2.87%
2009	-2 587	3 551	964	(60.5%)
2010	-459	2 392	1 933	195%
2011	1 034	3 260	4 294	50.6%
2012	26	3 657	3 683	(14.2%)
2013	1 552	3 718	5 270	42.8%
2014	-456	2 962	2 506	-35%
2015	-1219	1 302	83	(26.4%)
2016	-2 368	4 509	2 141	(15.0%)
2017	3 367	5 570	8 937	317%
2018	1 211	3 803	5 014	(43.8%)
2019	1 031	6 034	7 065	40.9
<b>Total</b>	<b>2 998</b>	<b>60 705</b>	<b>63 703</b>	

Open schemes incurred a net healthcare deficit of R0.71 billion (compared to a R1.34 billion deficit in 2018) and restricted schemes a net healthcare surplus of R1.74 billion (compared to R 2.55 billion surplus in 2018). A total of 65% of open schemes (13 out of 20) and 66% of restricted schemes (38 out of 58) incurred net healthcare deficits.

All schemes combined incurred net surpluses (after investment and other income) of R7.065 billion (2018: R5.01 billion).

The split between open and restricted schemes was:

- Open schemes: R 2.24 billion (2018: R0.82 billion)
- Restricted schemes: R4.83 billion (2018: R4.2 billion)



The five Schemes with the largest deficits after consolidation (and their respective solvency levels) for 2019 are reflected below:

Scheme name	Net Healthcare Deficit (R 'mill)	Solvency %
Polmed	320.2	40.4
Fedhealth	225.4	31.4
Anglo Medical Scheme	138.0	433.6
Sizwe	295.0	46.9
Bonitas	249.5	27.3

(Analyst's comment: It is evident that the two restricted schemes (Polmed and Anglo) listed above utilised their substantial reserves to "subsidise" members, hence the deficit in net healthcare results.)

## 8. CONCLUDING REMARKS – Analyst

The salient features of the overview can be summarized as follows:

- The number of schemes decreased from 80 to 79 and beneficiaries increased by 0.5% to 8.916 million.
- Approximately 52% of all healthcare benefits was paid in respect of hospitals (37%) and medicines (15%).
- Overall, the net healthcare result improved from R5.01 billion to R7.06 billion, an increase of 40.9%.
- A more comprehensive distribution of the total healthcare benefits paid is reflected below under Annexure A.
- The proportion of **beneficiaries** covered by medical schemes as a proportion of the population declined from 16.5% in 2000 to 15.08% in 2019 (**8.99 million people**)
- Approximately 40% of beneficiaries were in Gauteng, followed by Western Cape and KwaZulu-Natal with 15% and 14%, respectively
- Schemes reached a solvency level of 29.35% at the end of 2019, with Bonitas, HealthSquared, Transmed and Thebemed falling short of the 25% solvency requirement.
- For every R100 received in 2019, R90.58 was spent on claims, R8.87 was spent on non-healthcare expenditure and R0.55 was allocated towards reserves
- The average contribution rates increased by 8.2% in 2019 and 7.6% in 2020
- Expenditure for in-hospital services provided by the "allied" group dropped by 14% from 2018 to 2019, and medical specialists by 11% for out of hospital care.
- The average cost per beneficiary was R19 999, and peaked for the age band 80 to 84 years at R68 944 per average beneficiary.
- Medicines continue to make up the largest part of out-of-pocket expenditure (33%), with 14% being to "allieds".
- Approximately 10% (R48.77) of the amount claimed (R489.70) by a patient per GP visit, were not paid by the funder.

**Lodi Jordaan**  
Analyst: HealthMan

**Casper Venter**  
Managing Director: HealthMan

**Reference:**  
Council for Medical Schemes: Annual Report 2019/20

**Contact Details**  
Tel: (011) 340-9000

## ANNEXURE A

	<b>2019</b>	<b>% of total</b>	<b>2018</b>	<b>% of total</b>	<b>% change</b>
	<b>R 'mill</b>		<b>R 'mill</b>		
<b>General Practitioner</b>	10 286	<b>5.5</b>	9 564	<b>5.5</b>	<b>7.5</b>
<b>Other Specialists</b>					
<b>Anaesthetists</b>	4 123	2.2	3 725	2.1	10.7
<b>Pathology</b>	10 571	5.7	9 533	5.5	10.9
<b>Radiology</b>	8 571	4.6	7 806	4.5	9.8
<b>Medical Specialists</b>	13 506	<b>7.2</b>	12 131	<b>7.0</b>	<b>11.3</b>
Specialist Medicine Physicians (18)	4 686		4 103		14.2
Specialist Obstetrics & Gynaecology (16)	2 399		2 246		6.8
Paediatrics (32)	1 596		1 147		8.0
Radiation Oncology (40)	1 535		1 319		16.4
Psychiatry (22)	1 392		1 246		11.8
Cardiology (21)	708		659		7.5
Neurology (20)	500		448		11.6
Dermatology (12)	250		232		7.5
Medical Oncology (23)	72		78		-8.0
Pulmonology (17)	108		108		-0.5
Clinical Haematology (27)	86		72		18.3
Rheumatology (31)	19		19		1.2
<b>Surgical Specialists</b>	10 670	<b>5.7</b>	9 554	<b>5.5</b>	<b>11.7</b>
Orthopaedics (28)	2 900		2 596		11.7
Surgery (42)	2 470		2 187		12.9
Ophthalmology (26)	2 038		1 809		12.6
Urology (46)	862		796		8.4
Neurosurgery (24)	726		649		11.7
Otorhinolaryngology (30)	607		569		6.7
Cardio Thoracic Surgery (44)	622		558		11.4
Plastic & Reconstructive Surgery (36)	364		308		18.4
Paediatric Surgery (114)	8		6		30.7
Gastroenterology (19)	74		75		-2.0
<b>General Dental Practice (54)</b>	3 943	<b>2.1</b>	3 783	<b>2.2</b>	<b>4.2</b>
<b>Dental Specialists</b>	1 155	<b>0.6</b>	1 094	<b>0.64</b>	<b>5.5</b>

<b>Supplementary and Allied Health Professionals</b>	14 127	<b>7.6</b>	12 931	<b>7.5</b>	<b>9.2</b>
Optometrists (70)	3 294		3 093		6.5
Clinical technology (75)	3 526		3 210		9.8
Physiotherapists (72)	2 267		2 098		8.0
Psychologists (86)	1 495		1 296		15.4
Pharmacies (60)	410		407		0.8
Speech therapy and Audiology (82)	553		517		7.0
Orthotists & Prosthetists (87)	582		508		14.6
Occupational Therapy (66)	401		342		17.0
Dieticians (84)	306		268		14.2
Chiropractors (4)	181		168		7.7
Registered nurses (88)	256		226		13.4
Hearing Aid Acoustician (83)	88		83		6.0
Biokinetics (91)	128		126		1.8
Social workers (89)	149		133		12.2
Podiatry (68)	82		76		7.4
Homoeopaths (8)	36		35		1.7
Nursing Agencies/Home Care Services (80)	126		103		22.0
Registered Counsellors (81)	64		81		-21.2
<b>Hospitals</b>	69 121	<b>37.1</b>	64 059	<b>37.2</b>	<b>7.9</b>
<b>Other Health Services</b>	3 744	2.0	3 328	1.9	12.5
Blood transfusion services (78)	1 693		1 456		16.3
Group practices (50)	444		485		-8.3
Clinical services (90)	467		470		-0.7
Group practices/Hospitals (51)	67		50		33.0
Foreign Services (6)	162		110		47.4
Ambulance Services	909		757		20.1
<b>Medicines Dispensed</b>	28 490	15.3	26 897	15.6	5.9
<b>Total out-of-hospital managed care arrangements</b>	7 965	4.3	7 521	4.4	5.9
<b>Other (incl Ex-gratia payments)</b>	-337	0.1	234		-244.0
<b>Total benefits</b>	185 937		172 163		8.0

NOTE: DISCIPLINES WITH INSIGNIFICANT BENEFIT PAYMENTS ARE NOT INCLUDED ABOVE

## ANNEXURE B: TOTAL PAYMENTS MADE FOR SELECTED DISCIPLINES FROM 2015 TO 2019

Health Care Professional							
							Ave P/Y
	2015	2016	2017	2018	2019		
	8 809 523	8 878 081	8 872 036	8 916 695	8 953 076	1.63%	0.41%
Number of Beneficiaries						%	
Percentage increase in beneficiaries year on year						change 2015- 2019	
R 'mill							4 years
General Practitioner	8 685	8 968	9 143	9 564	10 286	18.43%	4.61%
Anaesthetists	2 893	3 173	3 273	3 725	4 123	42.52%	10.63%
Pathology	7 495	8 138	8 727	9 533	10 571	41.04%	10.26%
Radiology	6 019	6 691	6 968	7 806	8 571	42.40%	10.60%
<b>Medical Specialists</b>	<b>9 334</b>	<b>10 246</b>	<b>11 000</b>	<b>12 131</b>	<b>13 506</b>	<b>44.70%</b>	<b>11.17%</b>
Specialist Physicians (18)	2 798	3 181	3 574	4 103	4 686	67.48%	16.87%
Specialist Obstetrics and Gynaecology (16)	1 926	2 044	2 067	2 246	2 399	24.56%	6.14%
Paediatrics Specialist (32)	1 210	1 309	1 349	1 147	1 596	31.90%	7.98%
Specialist Radiation Oncology (40)	1 081	1 176	1 268	1 319	1 535	42.00%	10.50%
Psychiatry (22)	937	1 019	1 099	1 246	1 392	48.56%	12.14%
Cardiology (21)	518	574	610	659	708	36.68%	9.17%
Neurology (20)	331	363	391	448	500	51.06%	12.76%
Dermatology (12)	199	210	215	232	250	25.63%	6.41%
Pulmonology (17)	97	109	121	78	72	-25.77%	-6.44%
Medical Oncology (23)	89	87	86	108	108	21.35%	5.34%
Clinical Haematology (27)	54	56	67	72	86	59.26%	14.81%
Rheumatology (31)	16	16	18	19	19	18.75%	4.69%
<b>Surgical Specialists</b>	<b>7 302</b>	<b>8 044</b>	<b>8 548</b>	<b>9 554</b>	<b>10 670</b>	<b>46.12%</b>	<b>11.53%</b>
Orthopaedics (28)	1 968	2 168	2 311	2 596	2 900	47.36%	11.84%
Surgery/Paediatric surgery (42)	1 611	1 812	1 933	2 187	2 470	53.32%	13.33%
Ophthalmology (26)	1 329	1 495	1 627	1 809	2 038	53.35%	13.34%
Urology (46)	655	703	726	796	862	31.60%	7.90%
Specialist Neurosurgery (24)	540	562	591	649	726	34.44%	8.61%
Otorhinolaryngology (30)	494	520	538	569	607	22.87%	5.72%
Cardio Thoracic Surgery (44)	426	462	477	558	622	46.01%	11.50%
Plastic & Reconstructive Surgery (36)	201	239	267	308	364	81.09%	20.27%
Gastroenterology (19)	77	80	75	75	74	-3.90%	-0.97%

<b>General Dental Practice (054)</b>	<b>3 315</b>	<b>3 481</b>	<b>3 661</b>	<b>3 783</b>	<b>3 943</b>	<b>18.94%</b>	<b>4.74%</b>
<b>Dental Specialists</b>	<b>939</b>	<b>988</b>	<b>1 032</b>	<b>1 094</b>	<b>1 155</b>	<b>23.00%</b>	<b>5.75%</b>
<b>Supplementary and Allied Health Professionals</b>	<b>10 155</b>	<b>10 968</b>	<b>11 755</b>	<b>12 931</b>	<b>14 127</b>	<b>39.11%</b>	<b>9.78%</b>
Optometrists (70)	2 677	2 818	2 950	3 093	3 294	23.05%	5.76%
Clinical technology (75)	2 247	2 543	2 821	3 210	3 526	56.92%	14.23%
Physiotherapists (72)	1 817	1 907	1 994	2 098	2 267	24.77%	6.19%
Psychologists (86)	1 057	1 129	1 175	1 296	1 495	41.44%	10.36%
Speech therapy and Audiology (82)	513	531	540	517	553	7.80%	1.95%
Occupational Therapy (66)	280	304	319	342	401	43.21%	10.80%

## ANNEXURE C: UTILISATION OF SELECTED DISCIPLINES

	Visiting at least once a year per 1000 beneficiaries	Visits per patient	Amount paid per patient
<b>OUT OF HOSPITAL</b>			
<b>Primary healthcare services</b>			
GP	728.35	3.4	R 384.22
Dentist	214.23	1.8	R 1 085.20
Pharmacies	58,6	2	R 411.45
Radiology	165.91	1.4	R 1 747.61
Pathology	310.16	2	R 804.01
<b>Supplementary and Allied groups</b>			
Optometrists	134,9	1.1	R 2 266.58
Physiotherapists	59	3.7	R 475.05
Psychologists	26.9	4.1	R 904.69
Speech Therapy & Audiology	12.6	3	R 1 315.54
<b>IN HOSPITAL</b>			
<b>Medical specialists</b>			
Independent practice specialist (18)	54.9	7	R 930.69
Obstetrics and Gynaecology	49.1	1.9	R 3 088.78
Paediatrics	25.5	5	R 944.30
Psychiatry	9.3	7.7	R 1 183.39
Neurology	6.9	5	R 1 226.44
<b>Surgical specialists</b>			
Orthopaedics	23	1.7	R 6 923.42
Urology	12.8	2.1	R 2 615.40
Otorhinolaryngology	12.1	1.6	R 2 606.53
Ophthalmology	12.6	1.8	R 5 949.67
<b>Other</b>			
Anaesthetists	84,3	3.5	R 3 466.99
Pathology	141.6	3.8	R 1 090.51
Radiology	90.1	2	R 2 471.51

# ANNEXURE D: MEMBERSHIP PER AGE CATEGORY

Age	TOTAL NUMBER OF BENEFICIARIES PER AGE CATEGORY														2019 % of total	% increase 2015-2019
	2015							2019								
	OPEN		RESTRICTED		Consolidated			OPEN		RESTRICTED		Consolidated				
	Female	Male	Female	Male	Female	Male		Female	Male	Female	Male	Female	Male			
Under1	72 714	75 088	64 457	66 926	137 171	142 014	64 297	66 146	61 843	63 658	126 140	129 804	2,85	-8,32%		
1-4	157 375	163 473	152 812	156 349	310 187	319 822	146 998	151 959	147 526	152 170	294 524	304 129	6,66	-4,98%		
5-9	190 548	197 464	193 411	199 278	383 959	396 742	192 311	198 979	202 981	207 626	395 292	406 605	8,92	2,71%		
10-14	161 587	166 982	169 396	172 787	330 983	339 769	176 050	181 963	192 292	196 556	368 342	378 519	8,31	11,35%		
15-19	150 572	153 720	160 316	158 153	310 888	311 873	147 953	150 601	161 330	161 152	309 283	311 753	6,91	-0,28%		
20-24	148 117	132 462	98 999	73 394	247 116	205 856	130 958	117 155	97 657	76 659	228 615	193 814	4,70	-6,74%		
25-29	207 111	176 366	142 299	96 133	349 410	272 499	190 657	153 892	130 039	83 494	320 696	237 386	6,21	-10,26%		
30-34	230 726	207 448	174 606	133 818	405 332	341 266	229 227	195 324	177 027	119 911	406 254	315 235	8,03	-3,36%		
35-39	204 694	195 363	166 073	130 826	370 767	326 189	222 692	202 234	180 836	139 356	403 528	341 590	8,29	6,91%		
40-44	194 746	190 221	170 413	132 092	365 159	322 313	193 969	185 726	168 587	129 270	362 556	314 996	7,54	-1,44%		
45-49	171 089	160 972	151 445	128 704	322 534	289 676	179 830	172 496	166 135	126 974	345 965	299 470	7,18	5,43%		
50-54	160 762	150 157	128 774	114 263	289 536	264 420	158 347	144 467	143 458	120 309	301 805	264 776	6,30	2,28%		
55-59	139 290	129 506	98 432	82 914	237 722	212 420	147 510	133 058	113 976	94 506	261 486	227 564	5,44	8,64%		
60-64	109 889	97 627	66 266	49 954	176 155	147 581	123 263	106 828	77 714	57 514	200 977	164 342	4,06	12,84%		
65-69	89 940	75 351	48 729	33 853	138 669	109 204	99 447	81 165	54 307	36 649	153 754	117 814	3,02	9,56%		
70-74	65 749	52 662	37 013	24 367	102 762	77 029	81 367	64 295	42 028	26 823	123 395	91 118	2,39	19,31%		
75-79	44 998	32 922	27 969	17 131	72 967	50 053	56 040	40 868	30 194	17 939	86 234	58 807	1,61	17,90%		
80-84	26 245	16 642	18 171	9 522	44 416	26 164	33 945	22 170	19 852	10 679	53 797	32 849	0,96	22,76%		
85+	17 741	8 405	14 154	5 587	31 895	13 992	23 337	11 390	15 914	6 305	39 251	17 695	0,63	24,10%		
<b>Total</b>	<b>2 543 893</b>	<b>2 382 831</b>	<b>2 083 735</b>	<b>1 786 051</b>	<b>4 627 628</b>	<b>4 168 882</b>	<b>2 598 198</b>	<b>2 380 716</b>	<b>2 183 696</b>	<b>1 827 550</b>	<b>4 781 894</b>	<b>4 208 266</b>	<b>100,00</b>	<b>2,20%</b>		