

## **AN OVERVIEW OF THE COUNCIL FOR MEDICAL SCHEMES ANNUAL REPORT FOR 2020/21**

*PREPARED FOR THE BENEFIT OF HEALTHMAN CLIENTS*

### **1. INTRODUCTION**

The Council for Medical Schemes (CMS) recently released its annual report for 2020/21. The report contains the following:

- 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. Two Schemes (Alliance Midmed and Parmed Medical Schemes) data is not included as they did not submit utilization data for the year under review.
- An overview of the administrator market and other related issues.

**The Registrar's review including the synopsis of the council's strategic objectives and their financial affairs were omitted in this year's annual report. No reason for the lack of transparency was provided.**

**(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 plan 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. MEMBERSHIP AND SCHEME DATA

#### 3.1 Number of Medical Schemes and Options

The number of medical schemes decreased from 78 to 76. There were 18 open schemes and 58 restricted schemes. Over the last 20 years the number of open schemes decreased from 47 to 18 whilst restricted schemes decreased from 97 to 58 over the same period. Most of these Schemes merged with other Schemes and a few of the closed restricted Schemes merged with Discovery Health.

The average number of options (rounded) per open scheme stood at 6.5 for open schemes and 2.39 for restricted schemes. Consolidated the number remained static at 3.4 (rounded) options per scheme.

#### 3.2 Membership

According to the CMS report the total number of beneficiaries has remained fairly stagnant over the last 10 years not surpassing the 9-million mark. Over the past year the total number of beneficiaries for all schemes decreased by 0.6%.

The breakdown is as follows:

	<b>Open schemes</b>	<b>Restricted schemes</b>	<b>Total</b>
Members	2 329 424	1 693 173	4 831 121
Dependents	2 501 697	2 371 872	4 065 045
<b>Total: 2020</b>	<b>4 831 121</b>	<b>4 065 045</b>	<b>8 896 166</b>
<b>: 2019</b>	<b>4 936 896</b>	<b>4 016 180</b>	<b>8 953 076</b>

From 2019 to 2020 Restricted Schemes showed an increase in beneficiaries with GEMS registering 71 463 new beneficiaries. Open Schemes overall saw a decline in beneficiaries with Discovery Health losing 49 770 beneficiaries. The number of beneficiaries covered by Schemes as a proportion of the population stood at 14.78% compared to 16% in 2019.

Restricted schemes reflected a younger average age profile of 31.2 years. The average age profile of open schemes is 35.3 years. For all schemes it averages 33.4 years.

Open schemes portrayed a higher pensioner ratio of 10.7% of membership than restricted schemes at 6.6%. Refer to Annexure D for a comparison of male, female and consolidated membership data per age category for the years 2015 and 2020.

The dependent ratio stood at 1.21 dependents per principal member compared to 1.20 in 2019.

### 3.3 Medical Scheme Coverage by Province

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

3.3.1 Gauteng	3.435 million	(39%)
3.3.2 Western Cape	1.386 million	(16%)
3.3.3 Kwa-Zulu Natal	1.289 million	(15%)
3.3.4 Eastern Cape	0.664 million	( 7%)
3.3.5 Mpumalanga	0.551 million	( 6%)
3.3.6 North West	0.456 million	( 5%)
3.3.7 Limpopo	0.472 million	( 5%)
3.3.8 Free State	0.396 million	( 4%)
3.3.9 Northern Cape	0.181 million	( 2%)

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

3.4.1 The average increase in gross medical scheme contributions for all schemes in 2020 was 6.6%, totaling R219.4 billion.

3.4.2 Total gross relevant healthcare expenditure decreased by 3.8% from R185.1 billion to R179.7 billion. Risk claims decreased by 4.18% from R169.1 billion to R162.0 billion.

3.4.3 On average medical schemes incurred a much lower claims experience in 2020 with the postponement of elective procedures due to the COVID-19 pandemic.

3.4.4 The proportion of claims paid from risk remained at approximately 90% and the balance of 10% from medical savings accounts.

3.4.5 Risk contributions increased by 6.66% to R199.08 billion, whilst risk claims DECREASED by 4.18% as stated above.

3.4.6 The total scheme risk claims ratio increased from 89.8% to 90.0%. The lowest it has been was 78.6% in 2004.

3.4.7 Medical savings contributions increased by 6.14% to R20.35 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>% Change</b>
Gross contributions	R 2 053.48	6.99
Gross healthcare expenditure	R 1 682.04	-3.57
Risk contributions	R 1 863.04	3.6
Risk claims	R 1 516.10	-6.9
*Savings contributions	R 220.67	2.9
*Savings claims	R 192.28	-4.4

\*% change only apply to Schemes who offer medical savings accounts

#### 4. 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. We do not believe this is the correct approach but at least there is disclosure.

##### 4.1 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>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
<b>Discipline</b>	<b>Amounts in R'billions</b>	<b>Percentage of total</b>	<b>Amounts in R'billions</b>	<b>Percentage of total</b>
Hospitals	62,686	35.2	68,419	36.9
Medicines	29,384	16.5	28,326	15.3
Supplementary & Allied	14,148	7.9	14,009	7.6
General Practitioners	9,213	5.2	10,245	5.5
Anaesthetists	3,851	2.1	4,081	2.2
Medical specialists	13,117	7.4	13,412	7.2
Surgical specialists	9,794	5.5	10,566	5.7
Pathology	11,618	6.5	10,504	5.7
Radiology	7,639	4.3	8,520	4.6

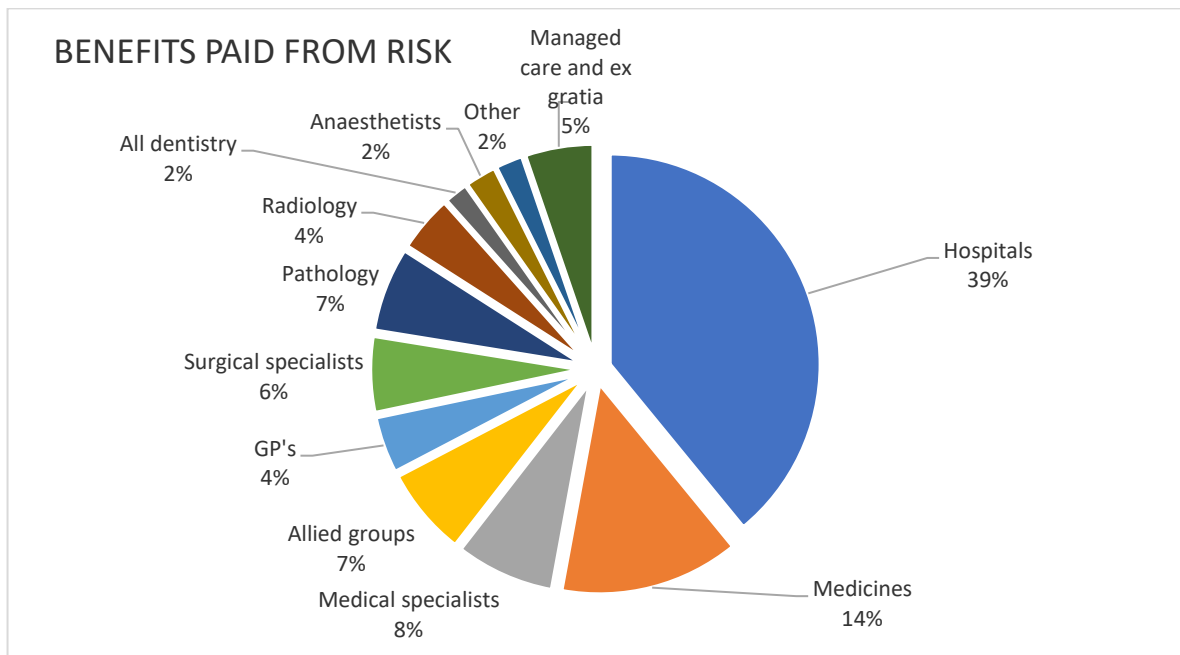
A total amount of R159,830 billion (4.2% DECREASE from 2019) was paid from the risk pool. Benefits paid out of savings amounted to R18,20896 billion (0.13% increase from 2019).

<b>Benefits paid from</b>	<b>Risk Pool 2020</b>	<b>Savings 2020</b>
	<b>R' million</b>	<b>R' million</b>
Hospitals	62 454	232
Medicines	22 090	7 294
Medical specialists	12 171	946
Allied groups	10 905	3 244

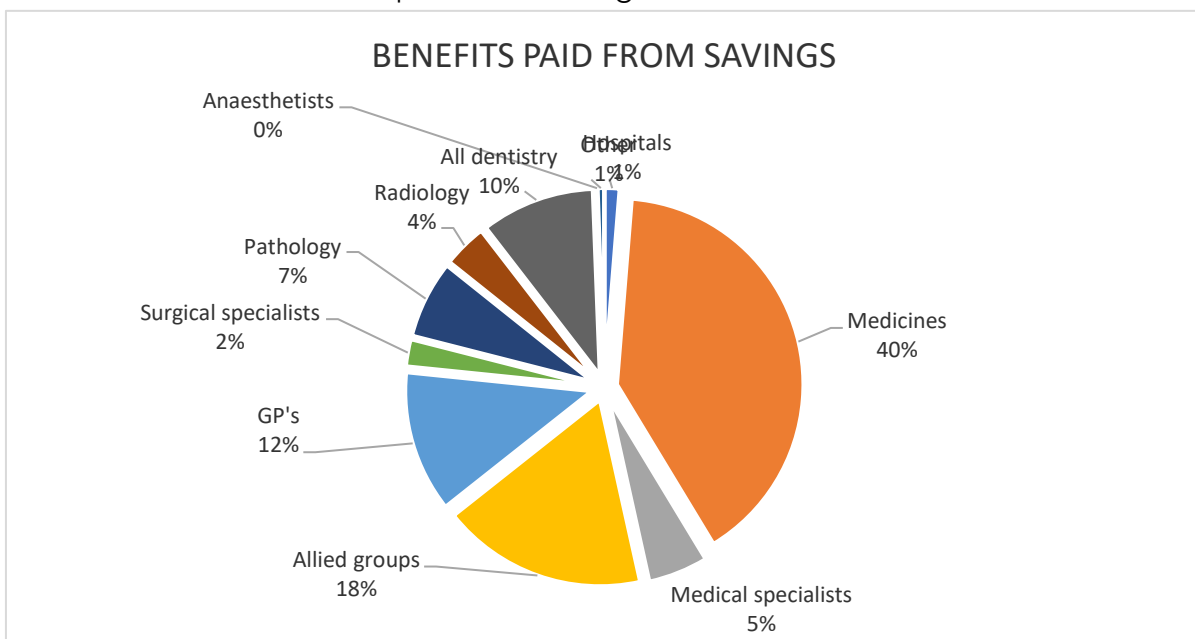
GP's	6 978	2 235
Surgical specialists	9 365	429
Pathology	10 390	1 228
Radiology	6 944	695
All dentistry	2 930	1 795
Anaesthetists	3 840	11
Other	3 373	99
Managed care and ex gratia	8 390	0
<b>TOTAL</b>	<b>159 830</b>	<b>18 208</b>

The main components of hospital costs were ward fees, theatre fees and consumables (85%) whilst the expenditure on medicine amounts to R5.3 billion (10.3%).

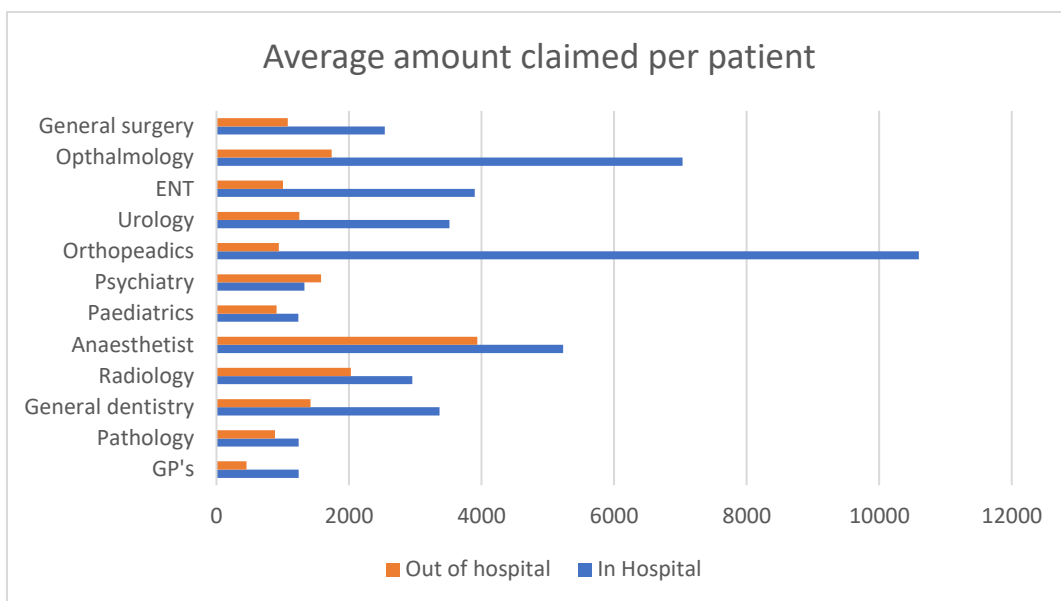
The distribution of benefits paid from the risk pool was as follows:



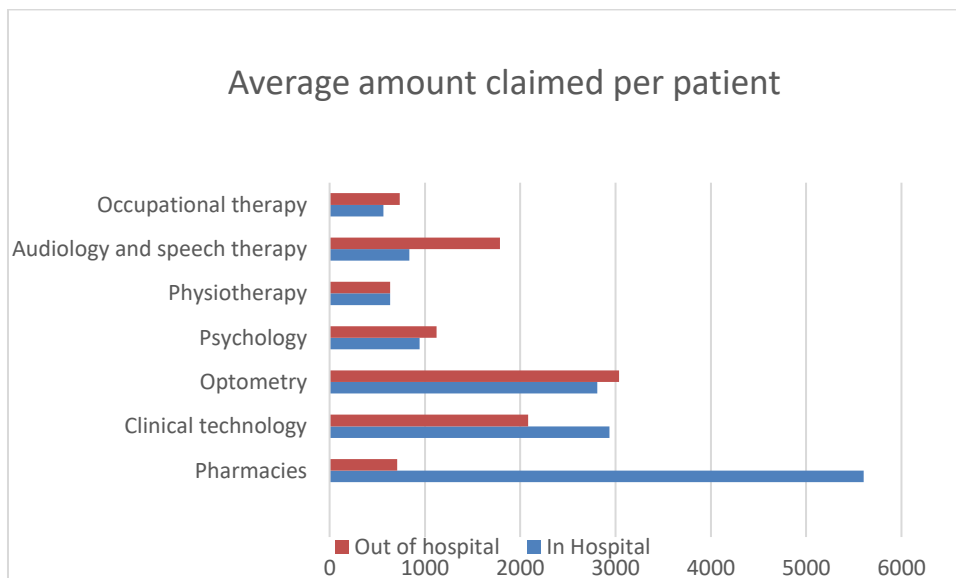
The distribution of benefits paid from savings was as follows:



The following average amount paid per patient for in hospital and out of hospital visits for the selected disciplines in 2020 was reported:



Selected Allied Groups are reflected below:



(ALSO REFER TO ANNEXURE C)

Comment: Most of the 2019 amounts in respect of the expenditure per discipline were restated in the 2020 Report.

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

- Hypertension
- Hyperlipidaemia
- Diabetes Type 2

Haemophilia which has the lowest prevalence showed the highest amount spent of R31, 752 billion(out-of-hospital) and R7,666 billion (in-hospital).

#### 4.3 Amounts paid for the top 10 diagnosis and treatment pairs are listed below .

	Total 2020	Total 2019	Percentage change
	R'million	R'million	
Default Emergency	5 802	4 556	27.36
Pregnancy	4 843	4 662	3.87
Affective Disorders (incl. depression)	3 568	3 775	-5.47
<b>COVID-19</b>	<b>3 340</b>	<b>0</b>	
Heart Disease	2 770	3 124	-11.33
Metastatic Infections, Septiceamia	2 496	2 632	-5.17
Fractures / Dislocations of Limbs	2 128	2 165	-1.71
Respiratory Conditions (newborn babies)	1 957	1 804	8.47
Bacterial, Viral, Fungal Pneumonia	1 957	2 175	-10.04
Cataract, Aphakia	1 843	2 144	-14.06

#### 4.4 Prescribed Minimum Benefits (PMB's)

The total expenditure on PMB's in monetary terms for 2020 amounted to R51.9million (out-of-hospital) and R62.0million (in-hospital). The total expenditure incurred on Haemophilia (R39.3 billion) is 34% of the total. Expenditure on PMB's increases with age especially beyond the age of 45 while the membership growth beyond this point drops rapidly.

#### 4.5 Out-of-Pocket Expenses

The out-of-pocket expenses incurred by members over the last 5 years increased by 10% from R29.9 billion in 2016 to R32.8 billion in 2020. The ratio (difference between claimed amount and amount paid from risk) of estimated out of pocket expenses for the following groupings were:

Discipline	% of total benefits paid
Medicines	36%
All Specialists	25%
Allied groups	15%
General Practitioners	9%
Dentists	6%
Hospitals	5%

#### 4.6 Utilisation of Healthcare Services per annum

	Number of visits	Number of visits per patient	Risk amount per patient	MSA amount per patient
General practitioners	6 579 624	3.05	R 347.73	R 111.38
General dentistry	1 726 443	1.74	R 743.00	R 466.84
Medical specialists	2 784 838	3.43	R 1 270.91	R 98.72
Surgical specialists	1 681 372	1.93	R 2 888.69	R 132.33
Allied groups	4 145 854	3.07	R 857.11	R 254.94

Surgical specialists experienced a decrease in number of visits by -19.39%, medical specialists saw a drop of -12.11% whilst GP's had a decline of -9.41% in visits.

Claims paid iro Pathology increased by 10.6% whilst Radiology experienced a decline of -10.3%. The increase in Pathology claims is related to COVID testing.

The Allied sector had an increase of 1.0% in claims paid with the following increases /decreases per selected disciplines:

- Optometry : -2.36%
- Clinical Technology : 6.71%
- Physiotherapy : -7.19%
- Psychology : 3.26%
- Speech Therapy & Audiology : -10.14%
- Pharmacies : 19.95%

Statistics related to hospital/clinic admissions are the following:

Hospital admissions	Number of admissions	% Change from 2019	Per 1000 beneficiaries	Admissions per patient
Private Hospitals	1 766 313	-25.41%	198.69	1.29
Provincial Hospitals	117 459	-20.71%	13.21	2.09
Day Clinics	146 858	-9.82%	16.51	1.2

In reviewing the level of care numbers, the following numbers were reported:

	Admissions per 1000 beneficiaries	% Change from 2019	Average length of stay in days
General Ward	131.83	-27.14	6.4
High Care	22.21	-16.02	9.66
ICU	11.06	-5.21	5.34

#### 4.7 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.)

	Open Schemes	Restricted Schemes	All Schemes
	R 'mill	R 'mill	R 'mill
Capitation fees	2 611	2 010	4 621
Estimated recoveries	2 688	1 948	4 636
Net income / (loss) *	83	-31	52
* Includes profit/loss sharing agreements			



Schemes with highest losses	Cap Fees (R'mil)	Recoveries (R'mil)	**Net expense
Impala medical plan	191	175	(16)
Momentum Health	426	355	(71)
POLMED	958	860	(68)
Bankmed	168	158	(10)
Sizwe	56	49	(7)

- 4.8 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 6.0% from approximately R4.69 billion in 2019 to R4.97 billion in 2020.

Accredited managed care services of the larger schemes amounted to:

SCHEME	CLAIMS RATIO (claims as % of contributions)	Managed care expense as % of RCI
Discovery Health	76.18	3.07
GEMS	84.73	2.0
Bonitas	83.00	3.1
Polmed	90.53	1.45
Momentum Health	72.28	3.16
Bankmed	83.15	2.68

RCI=Risk Contribution Income

#### 4.9 Administration and Other Expenditure

Total administration expenditure for 2020 was R17.14 billion (2019: R16.55 billion), an increase of 3.5%. The non-healthcare ratio as a percentage of RCI decreased from 8.87% in 2019 to 8.61% in 2020. The following table reflects a breakdown of other non-healthcare related expenditure.

	R 'mill	R 'mill
	2020	2019
Trustee costs	88.4	88.7
External auditor fees	77.0	72.1
Principal officer remuneration	134.9	128.9
Total marketing and broker costs	3 795	3 677

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

Open schemes	Average R165.11	Restricted schemes	Average R97.316
*Health Squared	R 259.89	BP medical Society	R 237.41
Compcare	R 232.96	Profmed	R 245.19
Suremed	R 220.54	CAMAF	R 189.03
Keyhealth	R 212.24	De Beers Benefit Society	R 202.58
Fedhealth	R 201.75	Grintek Medical Aid	R 228.31

\*Spectramed and Resolution Health merged

Note: 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 's admin fee of R336.84(**per average member per month**) could be highest in the open scheme average considering the size of their membership base. LA Health which is also administered by Discovery (Pty) Ltd reflects the 2<sup>nd</sup> highest fee (R319.39 pampm) in the restricted scheme industry.

#### 4.10 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 R'million p.a.	Trustee Fees	
		Total R'million p.a.	Average per trustee p.a.
GEMS	9.128	88.322	R 694 000
*Discovery	4.932	8.028	R 1 147 000
Bonitas	5.512	5.635	R 564 000
Sizwe	4.546	3.768	R 314 000
Medshield	6.126	4.317	R 360 000
Polmed	5.756	6.577	R 387 000

\*Discovery Health's principal officer fees reduced by 45% as a new principal officer was appointed.

Other Schemes with **exorbitant** principal officer fees were Witbank Coal Fields Medical Aid (R4.257 million), Transmed (R4.564 million) and LA Health (R4.283 million).

The CMS report reflects 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	
	2020	2019	2020	2019	2020	2019
All schemes	81.38	90.58	8.61	8.87	10.01	0.55

\*Reserve building occurs when a medical scheme needs to achieve or maintain its statutory solvency level by increasing the contributions for that specific purpose. In 2020 however it was due to the excessive surpluses achieved flowing from a decrease in the utilization of healthcare services due to COVID-19.

The industry solvency ratio for 2020 was 44.55% which exceeds the minimum required ratio of 25% extensively. The ratio per industry came to:

	Solvency Ratio
Open schemes	38.7% (2019: 31.8%)
Restricted schemes	52.59% (2019: 44.3%)

#### 4.11 Impact of Covid-19 Pandemic

It is reported that "a pandemic without lockdown measures to curb its spread would have been detrimental to scheme reserves, as the cost per hospitalisation event increased drastically in 2020. It is envisaged that scheme reserves will be utilized when the pent-up demand is released in coming years."

It is also reported that the total lives infected by COVID -19 came to 422 894 with 383 585 recoveries and a mortality rate of 3.02%.

#### 4.12 Impaired Receivables (member contributions)

Impaired receivables decreased by 3.65% to R 250.7 million. It took a scheme an average of 9.26 days to collect contributions from members which was an improvement from the previous year's 10.39 days. This is far more than the prescribed period of 3 days after due date.

#### 4.13 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:

- 4.11.1 Open schemes held 32.9% in cash or equivalent investments and restricted schemes held 51.6%.
- 4.11.2 Bonds accounted for 44.1% (open schemes) and 26.2% (restricted schemes).
- 4.11.3 Equities only made up 16.4% of total holdings for open schemes and 14.6% 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 increased from 3.78 to 4.30 months for the year and payment cycles of Schemes were an average of 13.4 days (2019: 11.8 days).

#### 4.12 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 2020.

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	56.9	11.6	7.5	5.7	162.42	100.8
Medscheme	14	18.9	44.3	7.1	1.3	109.13	18.1
Metropolitan	1	0	32.2	n/a	4.0	n/a	41.3
MMI	10	6.0	2.3	11.6	7.7	171.94	98.4
Self-Administered	15	12.0	5.9	6.8	7.3	n/a	n/a
Universal	7	0.8	1.3	10.5	5.8	152.40	79.5

**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 high considering the number of beneficiaries on the Scheme. No evidence of economies of scale exists.

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

The consolidated income statement for all medical schemes is reflected below.

STATEMENT OF COMPREHENSIVE INCOME	Consolidated for all Schemes		
	2020	2019	%
	R'000	R'000	change
Gross contribution income	219 426 913	205 827 897	6,61
Savings contribution income	(20 349 408)	(19 172 673)	6,14
<b>Net contribution income</b>	<b>199 077 505</b>	<b>186 655 224</b>	<b>6,66</b>
<b>Relevant healthcare expenditure</b>	<b>(162 004 757)</b>	<b>(169 069 629)</b>	<b>(4,18)</b>
Net claims incurred	(157 083 027)	(164 573 701)	(4,55)
Accredited managed healthcare services (no transfer of risk)	(4 973 394)	(4 691 414)	6,01
Net income/(expense) on risk transfer arrangements	51 664	195 486	(73,57)
<b>Gross healthcare result</b>	<b>37 072 748</b>	<b>17 585 595</b>	<b>110,81</b>
<b>Net non-healthcare expenditure</b>	<b>(17 139 892)</b>	<b>(16 552 391)</b>	<b>3,55</b>
<b>Net healthcare surplus</b>	<b>19 932 856</b>	<b>1 033 204</b>	<b>1 829,23</b>
Investment income (incl other net income/expenditure)	4 914 619	5 554 999	(6,45)
<b>Net surplus for the year (before consolidation)</b>	<b>24 847 475</b>	<b>7 076 327</b>	<b>251,14</b>
<b>Net surplus for the year (after consolidation)</b>	<b>24 848 251</b>	<b>7 076 327</b>	<b>251,15</b>
<b>Other comprehensive income</b>	<b>82 121</b>	<b>105 972</b>	<b>(22,51)</b>
<b>Total comprehensive surplus for the year</b>	<b>24 930 372</b>	<b>7 182 299</b>	<b>247,11</b>
<b>Members' funds as per statement of financial position</b>	<b>100 286 998</b>	<b>75 356 585</b>	<b>33,08</b>

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

<b>Year</b>	<b>Net health care result Surplus/(Deficit) R'million</b>	<b>Net Investment and other Income (less finance &amp; other costs) R'million</b>	<b>Net Surplus (before consolidation) R'million</b>	<b>% Change in net surplus</b>
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	1 033	6 043	7 076	40.9
2020	19 932	4 916	24 848	251.7

Open schemes incurred a net healthcare surplus of R11.99 billion (compared to a R0.71 billion deficit in 2019) and restricted schemes a net healthcare surplus of R7.95 billion (compared to R 1.74 billion surplus in 2019). A total of 11.1% of open schemes (2 out of 18) and 18.9% of restricted schemes (11 out of 58) incurred net healthcare deficits.

All schemes combined incurred net surpluses (after investment and other income) of R24.8 billion (2019: R7.076 billion).

The industry solvency ratio of 44.5% exceeds the prescribed ratio of 25%. The average solvency ratio for open schemes was 38.7% compared to the 52.5% of restricted schemes.

The five Schemes with the largest deficits after consolidation (and their respective solvency levels) for 2020 are reflected below:

<b>Scheme name</b>	<b>Net Healthcare Deficit (R 'mill)</b>	<b>Solvency %</b>
Medipos	184.8	67.7
Tsogo Sun	37.3	41.4
Health Squared Scheme	19.9	17.3
BP Medical Aid	16.9	142.3
Golden Arrow Med Aid	11.0	270.4

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

## 6. CONCLUDING REMARKS – Analyst

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

- The number of schemes decreased from 78 to 76 and beneficiaries increased by 0.6% to 8.896 million.
- Approximately 51% of all healthcare benefits was paid in respect of hospitals (35%) and medicines (16%).
- Overall, the net healthcare surplus improved from R7.07 billion to R24.8 billion, an increase of 251%.
- 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 16.0% to 14.8%.
- Approximately 39% of beneficiaries were in Gauteng, followed by Western Cape and KwaZulu-Natal with 16% and 15%, respectively
- Schemes reached a solvency level of 44.5% at the end of 2020.
- For every R100 received in 2020, R81.38 was spent on claims, R8.61 was spent on non-healthcare expenditure and R10.0 was allocated towards reserves.
- The average contribution rates increased by 6.6% in 2020.
- Private hospitals (excluding day clinics and rehabilitation facilities) average claim per admission amounts to R 30 109 of which R29 445 was paid out of risk.
- The highest portions of out-of-pocket expenditure are paid towards medicines (36%), All Specialists (25%) and Supplementary and Allied groups (14%).
- Approximately R39.60 of the average amount of R489.70 claimed by a patient per GP visit, was not paid by Schemes.

27 October 2021

**Lodi Jordaan**  
Analyst: HealthMan

**Casper Venter**  
Managing Director: HealthMan

**Reference: Council for Medical Schemes: Annual Report 2020/21**

## ANNEXURE A

(Comment: Most of the 2019 amounts were restated in the 2020 Report.)

CLAIMS PAID PER DISCIPLINE Claim category (discipline code)	2020			2019(restated)	
	R'000	% of total	% change	R'000	% of total
<b>General Practitioner</b>	<b>9 213 883</b>	<b>5,18%</b>	<b>-10,07%</b>	<b>10 245 892</b>	<b>5,54%</b>
<b>Medical Specialists</b>	<b>13 117 742</b>	<b>7,37%</b>	<b>-2,20%</b>	<b>13 412 693</b>	<b>7,25%</b>
Physician/Specialist Medicine (18)	4 787 547	2,69%	2,96%	4 649 709	2,51%
Obstetrics and Gynaecology (16)	2 380 690	1,34%	-0,30%	2 387 770	1,29%
Radiation Oncology (40)	1 601 164	0,90%	5,93%	1 511 485	0,82%
Paediatrics (32)	1 324 138	0,74%	-16,67%	1 589 014	0,86%
Psychiatry (22)	1 352 200	0,76%	-2,50%	1 386 922	0,75%
Cardiology (21)	565 500	0,32%	-19,88%	705 786	0,38%
Neurology (20)	440 655	0,25%	-11,32%	496 888	0,27%
Dermatology (12)	234 271	0,13%	-5,55%	248 033	0,13%
Family Medicine (015)	139 853	0,08%	-4,92%	147 085	0,08%
Clinical Haematology (27)	106 446	0,06%	25,15%	85 057	0,05%
Pulmonology (17)	93 150	0,05%	-13,40%	107 557	0,06%
Medical Oncology (23)	70 944	0,04%	-0,79%	71 510	0,04%
Rheumatology (31)	14 936	0,01%	-22,64%	19 309	0,01%
Other	6 250	0,003%	-4,86%	6 569	
<b>Other Specialists</b>					
Anaesthetists (10)	<b>3 851 753</b>	<b>2,16%</b>	<b>-5,64%</b>	<b>4 081 813</b>	<b>2,21%</b>
Pathology	<b>11 618 777</b>	<b>6,53%</b>	<b>10,60%</b>	<b>10 504 980</b>	<b>5,68%</b>
Radiology	<b>7 639 848</b>	<b>4,29%</b>	<b>-10,33%</b>	<b>8 520 258</b>	<b>4,60%</b>
<b>Surgical Specialists</b>	<b>9 794 474</b>	<b>5,50%</b>	<b>-7,31%</b>	<b>10 566 685</b>	<b>5,71%</b>
Orthopaedics (28)	2 684 996	1,51%	-6,60%	2 874 620	1,55%
General surgery (42)	2 267 669	1,27%	-7,16%	2 442 519	1,32%
Ophthalmology (26)	1 910 088	1,07%	-5,39%	2 018 824	1,09%
Urology (46)	754 574	0,42%	-11,73%	854 843	0,46%
Neurosurgery (24)	706 135	0,40%	-1,80%	719 050	0,39%
Cardio Thoracic Surgery (44)	617 521	0,35%	0,95%	611 701	0,33%
Otorhinolaryngology (30)	427 979	0,24%	-29,14%	603 936	0,33%
Plastic and Reconstructive Surgery (36)	361 447	0,20%	0,61%	359 269	0,19%
Gastroenterology (19)	48 821	0,03%	-33,79%	73 741	0,04%
Paediatric Surgery (114)	15 244	0,01%	86,32%	8 181	0,00%



<b>Dental Specialists</b>	<b>1 086 065</b>	<b>0,61%</b>	<b>-5,52%</b>	<b>1 149 522</b>	<b>0,62%</b>
<b>General Dental Practice (054)</b>	<b>3 639 978</b>	<b>2,04%</b>	<b>-7,19%</b>	<b>3 921 907</b>	<b>2,12%</b>
<b>Supplementary and Allied Health Professionals</b>	<b>14 148 984</b>	<b>7,95%</b>	<b>1,00%</b>	<b>14 009 019</b>	<b>7,57%</b>
Clinical technology (75)	3 745 581	2,10%	6,71%	3 510 088	1,90%
Physiotherapists (72)	2 088 189	1,17%	-7,19%	2 250 067	1,22%
Optometrists (70)	3 193 193	1,79%	-2,36%	3 270 397	1,77%
Psychologists (86)	1 538 068	0,86%	3,26%	1 489 571	0,80%
Orthotists & Prosthetists (87)	523 404	0,29%	-9,54%	578 588	0,31%
Speech therapy and Audiology (82)	476 637	0,27%	-10,14%	530 416	0,29%
Pharmacies (60)	470 835	0,26%	19,95%	392 542	0,21%
Occupational Therapy (66)	406 061	0,23%	1,76%	399 049	0,22%
Dieticians (84)	353 186	0,20%	16,01%	304 452	0,16%
Registered nurses (88)	259 228	0,15%	1,62%	255 095	0,14%
Social workers (89)	203 917	0,11%	37,01%	148 837	0,08%
Medical technology (037)	189 269	0,11%	19,91%	157 847	0,09%
Nursing Agencies/Home Care Services (80)	151 900	0,09%	22,17%	124 332	0,07%
Chiropractors (4)	169 384	0,10%	-5,83%	179 879	0,10%
Other	380 133	0,21%	-9,03%	417 859	
<b>Other Health Services</b>	<b>3 432 251</b>	<b>1,93%</b>	<b>-7,56%</b>	<b>3 713 034</b>	<b>2,01%</b>
Blood transfusion services (78)	1 638 679	0,92%	-3,06%	1 690 461	0,91%
Ambulance Support Services	854 746	0,48%	-4,07%	891 012	0,48%
Clinical services (90)	361 724	0,20%	-22,00%	463 757	0,25%
Group practices (50)	384 787	0,22%	-13,00%	442 294	0,24%
Foreign Services (6)	118 215	0,07%	-25,65%	159 005	0,09%
Group practices/Hospitals (51)	74 099	0,04%	11,70%	66 339	0,04%
<b>Medicine Dispensed</b>	<b>29 384 754</b>	<b>16,50%</b>	<b>3,73%</b>	<b>28 326 989</b>	<b>15,30%</b>
<b>Total Hospital</b>	<b>62 686 781</b>	<b>35,21%</b>	<b>-8,38%</b>	<b>68 419 337</b>	<b>36,97%</b>
<b>Managed care arrangements (out-of-hospital)</b>	<b>8 390 394</b>	<b>4,71%</b>	<b>2,55%</b>	<b>8 182 157</b>	<b>-0,23%</b>
<b>Grand Total</b>	<b>178 038 932</b>	<b>100,00%</b>	<b>-3,81%</b>	<b>185 085 422</b>	<b>100,00%</b>

**ANNEXURE B:TOTAL PAYMENTS 2016 TO 2020(Only selected disciplines)**

Health Care Professional	2016	2017	2018	2019	2020	Ave P/Y	
	Number of beneficiaries	8 878 081	8 872 036	8 916 695	8 990 160	8 886 933	0,10%
Percentage increase in beneficiaries year on year						% change	4 years
						2016-2020	
General Practitioner	8 968	9 143	9 564	10 246	9 214	2,74%	0,69%
<b>Medical Specialists</b>	<b>10 246</b>	<b>11 000</b>	<b>12 131</b>	<b>13 413</b>	<b>13 118</b>	<b>28,03%</b>	<b>7,01%</b>
Specialist Physicians (18)	3 181	3 574	4 103	4 650	4 788	50,52%	12,63%
Specialist Obstetrics and Gynaecology (16)	2 044	2 067	2 246	2 388	2 381	16,49%	4,12%
Paediatrics Specialist (32)	1 309	1 349	1 147	1 589	1 324	1,15%	0,29%
Specialist Radiation Oncology (40)	1 176	1 268	1 319	1 511	1 601	36,14%	9,03%
Psychiatry (22)	1 019	1 099	1 246	1 387	1 352	32,68%	8,17%
Cardiology (21)	574	610	659	706	566	-1,39%	-0,35%
Neurology (20)	363	391	448	497	441	21,49%	5,37%
Dermatology (12)	210	215	232	248	234	11,43%	2,86%
Pulmonology (17)	109	121	78	107	93	-14,68%	-3,67%
Medical Oncology (23)	87	86	108	72	71	-18,39%	-4,60%
Clinical Haematology (27)	56	67	72	85	106	89,29%	22,32%
Rheumatology (31)	16	18	19	19	15	-6,25%	-1,56%
Family medicine (015)				147	140		
<b>Other Specialists</b>							
Anaesthetists (10)	3 173	3 273	3 725	4 082	3 852	21,40%	5,35%
Pathology	8 138	8 727	9 533	10 505	11 619	42,77%	10,69%
Radiology	6 691	6 968	7 806	8 520	7 640	14,18%	3,55%
<b>Surgical Specialists</b>	<b>8 044</b>	<b>8 548</b>	<b>9 554</b>	<b>10 567</b>	<b>9 794</b>	<b>21,76%</b>	<b>5,44%</b>
Orthopaedics (28)	2 168	2 311	2 596	2 875	2 685	23,85%	5,96%
General surgery (42)	1 812	1 933	2 187	2 443	2 268	25,17%	6,29%
Ophthalmology (26)	1 495	1 627	1 809	2 019	1 910	27,76%	6,94%
Urology (46)	703	726	796	855	755	7,40%	1,85%
Neurosurgery (24)	562	591	649	719	706	25,62%	6,41%
Otorhinolaryngology (30)	520	538	569	604	428	-17,69%	-4,42%
Cardio Thoracic Surgery (44)	462	477	558	612	618	33,77%	8,44%
Plastic and Reconstructive Surgery (36)	239	267	308	359	361	51,05%	12,76%
Gastroenterology (19)	80	75	75	74	49	-38,75%	-9,69%
<b>General Dental Practice (054)</b>	<b>3 481</b>	<b>3 661</b>	<b>3 783</b>	<b>3 922</b>	<b>3 640</b>	<b>4,57%</b>	<b>1,14%</b>
<b>Dental Specialists</b>	<b>988</b>	<b>1 032</b>	<b>1 094</b>	<b>1 150</b>	<b>1 086</b>	<b>9,92%</b>	<b>2,48%</b>
<b>Supplementary and Allied Health Professionals</b>	<b>10 968</b>	<b>11 755</b>	<b>12 931</b>	<b>14 009</b>	<b>14 149</b>	<b>29,00%</b>	<b>7,25%</b>
Optometrists (70)	2 818	2 950	3 093	3 270	3 193	13,31%	3,33%
Clinical technology (75)	2 543	2 821	3 210	3 510	3 746	47,31%	11,83%
Physiotherapists (72)	1 907	1 994	2 098	2 250	2 088	9,49%	2,37%
Psychologists (86)	1 129	1 175	1 296	1 490	1 538	36,23%	9,06%
Speech therapy and Audiology (82)	531	540	517	530	477	-10,17%	-2,54%
Occupational Therapy (66)	304	319	342	399	152	-50,00%	-12,50%

## ANNEXURE C: UTILISATION OF SELECTED DISCIPLINES

	Visiting at least once a year per 1000 beneficiaries	Visits per patient	Amount paid per patient in Rand
<b>OUT OF HOSPITAL</b>			
<b>Primary healthcare services</b>			
GP	668.26	3.2	452.37
Dentist	191.70	1.7	1417.15
Pharmacies	53.9	1.4	710.36
Radiology	136.92	1.4	2240.05
Pathology			
<b>Supplementary and Allied groups</b>			
Optometrists	122.73	1.1	3036.37
Physiotherapists	51.22	3.5	636.61
Psychologists	28.19	4.4	1121.35
Speech Therapy & Audiology	11.43	2.8	1788.53
Occupational therapy	7.88	4.0	735.53
<b>IN HOSPITAL</b>			
<b>Medical specialists</b>			
Paediatrics	18.0	4.9	1233.04
Psychiatry	7.8	8.0	1327.08
Neurology	5.5	5.5	1383.87
<b>Surgical specialists</b>			
Orthopaedics	18.1	1.7	10598.06
Urology	9.4	2.2	3516.92
Otorhinolaryngology	6.4	1.7	3896.78
Ophthalmology	10.8	1.9	7037.74
<b>Other</b>			
Anaesthetists	64.6	1.5	5230.62
Pathology			
Radiology	71.45	2.1	3011.28

## ANNEXURE D: MEMBERSHIP PER AGE CATEGORY

Age	2015						2020					
	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	58 793	61 204	60 281	62 112	119 074	123 316
1-4	157 375	163 473	152 812	156 349	310 187	319 822	137 758	142 133	145 557	150 171	283 315	292 304
5-9	190 548	197 464	193 411	199 278	383 959	396 742	184 365	190 762	204 461	209 265	388 826	400 027
10-14	161 587	166 982	169 396	172 787	330 983	339 769	174 658	180 189	199 567	203 515	374 225	383 704
15-19	150 572	153 720	160 316	158 153	310 888	311 873	145 689	147 597	166 620	166 274	312 309	313 871
20-24	148 117	132 462	98 999	73 394	247 116	205 856	123 470	110 937	97 636	76 501	221 106	187 438
25-29	207 111	176 366	142 299	96 133	349 410	272 499	175 715	140 778	126 853	79 994	302 568	220 772
30-34	230 726	207 448	174 606	133 818	405 332	341 266	218 519	183 462	174 546	115 033	393 065	298 495
35-39	204 694	195 363	166 073	130 826	370 767	326 189	221 481	198 776	187 192	139 348	408 673	338 124
40-44	194 746	190 221	170 413	132 092	365 159	322 313	188 578	179 303	169 332	129 532	357 910	308 835
45-49	171 089	160 972	151 445	128 704	322 534	289 676	177 357	170 300	170 072	127 096	347 429	297 396
50-54	160 762	150 157	128 774	114 263	289 536	264 420	155 569	141 799	148 028	120 222	303 597	262 021
55-59	139 290	129 506	98 432	82 914	237 722	212 420	144 834	129 280	118 916	98 057	263 750	227 337
60-64	109 889	97 627	66 266	49 954	176 155	147 581	123 144	105 590	81 652	59 682	204 796	165 272
65-69	89 940	75 351	48 729	33 853	138 669	109 204	99 702	80 528	57 123	37 767	156 825	118 295
70-74	65 749	52 662	37 013	24 367	102 762	77 029	82 054	64 082	43 534	27 425	125 588	91 507
75-79	44 998	32 922	27 969	17 131	72 967	50 053	57 052	41 566	30 982	18 203	88 034	59 769
80-84	26 245	16 642	18 171	9 522	44 416	26 164	35 278	22 818	20 583	11 041	55 861	33 859
85+	17 741	8 405	14 154	5 587	31 895	13 992	23 584	11 458	16 233	6 365	39 817	17 823
<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>2 527 600</b>	<b>2 302 562</b>	<b>2 219 168</b>	<b>1 837 603</b>	<b>4 746 768</b>	<b>4 140 165</b>

## ANNEXURE E

### FINANCIAL INFORMATION :10 LARGEST SCHEMES

Gross contributions	Gross healthcare expenditure	Non healthcare expenditure	Net surplus (after investment income)	Reserves
<b>Rand millions</b>				

#### **OPEN SCHEMES**

Discovery Health	74 537	58 442	7 135	9 006	27 528
Bonitas	18 540	15 337	1 577	1 739	6 054
Bestmed	8 150	4 828	450	877	2 908
Momentum	5 404	3 971	757	751	2 142
Medihelp	5 085	4 035	432	683	2 048

#### **RESTRICTED SCHEMES**

GEMS	45 300	38 242	2 024	5 570	18 620
Polmed	10 803	9 780	421	1 069	5 169
Bankmed	5 666	4 715	261	668	2 874
LA Health	4 881	3 850	465	590	2 397
Profmed	2 000	1 644	234	139	934