AN OVERVIEW OF THE COUNCIL FOR MEDICAL SCHEMES ANNUAL REPORT FOR 2013/14
PREPARED FOR THE BENEFIT OF HEALTHMAN CLIENTS

1. INTRODUCTION

The Council for Medical Schemes (CMS) recently released its annual report for 2013/14.

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 content. 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, the submission of annual financial statements and Section 37 returns (which provide details on administrative expenses, claims paid per the various medical disciplines and other financial issues). Medical schemes - also referred to as "Funders" - have appointed and elected trustees in place as well a principal officer. They take care of the governance of a 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. 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 hospital, Prescribed Minimum Benefits ("PMB"), chronic benefits, and day-to-day or selective benefits (eg. 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 generally 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.

3. THE REGISTRAR'S REVIEW

Salient features of the Registrar's review are as follows:

The average solvency levels of open schemes improved from 27.4% to 29.7% whilst restricted schemes deteriorated from 42.5% to 38.2% over the last 5 years.

A total number of 5 473 medical scheme complaints (of which 465 were invalid) were resolved by the CMS. The major complaints were as follows:

- Non or short payments of PMB's : 2 736
- Non or short payments of Non-PMB's : 342
- Pre-Authorisation : 196
- Membership status : 246
- Benefits paid incorrectly : 960

The schemes with the highest number of complaints per 1000 beneficiaries were:

- Medshield : 1.6
- Spectramed : 2.6
- Hosmed : 1.2
- Resolution Health : 3.5
- Genesis : 1.6
- Pharos : 1.8
- Grintek Electronics : 1.9

The following mergers of Schemes were reported:

SAPPI and Minemed merged with Bestmed Medical Scheme
Altron and IBM merged with Discovery Health Medical Scheme
Pharos merged with Topmed Medical Scheme

Schemes with Efficiency-Discounted Options (EDO's) have to apply for exemption as these options offer lower contributions where network arrangements are offered whilst the Act only allows for differentiation based on income or family size. Discovery Health and Momentum Health have increased their membership on EDO options by 408% and 37% respectively over the last 5 years.
Average medical scheme contributions have increased by an average of **4,4% above CPI** over the last 5 years but only by 3,9% in 2013.

4. MEMBERSHIP AND SCHEME DATA

Item	2013	2012	% CHANGE
Beneficiaries	8 776 279	8 682 200	1.08%
Principal members	3 878 267	3 816 338	1.62%
Dependants	4 898 012	4 865 862	0.66%
Beneficiaries over 65 years of age (% of total)	7.10%	7.10%	0.00%
Average age of beneficiaries	31.9	32	-0.31%

4.1 Number of medical schemes and options:

The number of schemes decreased from 93 to 87. There were 24 open schemes and 63 restricted schemes. Over the last 10 years the number of open schemes decreased from 48 to 24 in 2013, whilst restricted schemes decreased from 85 to 63 over the same period. The average number of options per scheme (however) remained unchanged at 3.2.

4.2 Membership:

According to the report the total number of principal members of all medical schemes stood at 3 878 267 whilst the number of beneficiaries came to 8 776 279.

Open schemes experienced a 2.75% increase in principal members and restricted schemes increased by 0.20%. Over the last 10 years the number of beneficiaries in open schemes increased from 4.7 million to 4.8 million and restricted schemes saw an increase from 1.9 million to 3.9 million members. This trend started in 2007 courtesy of the introduction of GEMS.

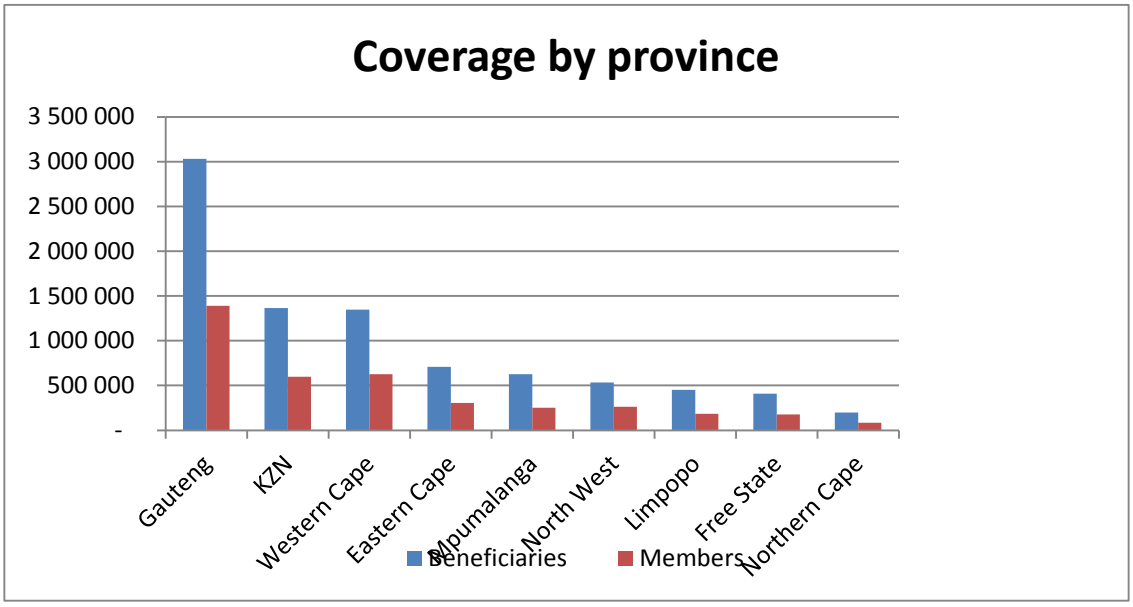
Restricted schemes reflected a younger average age profile (29.9) than open schemes (33.8).

Open schemes portrayed a higher pensioner ratio (8.2%) than restricted schemes (5.7%) and the dependant ratio per principal member was 1.2 and 1.4 respectively.

4.3 Medical scheme members and beneficiaries: Coverage by province:

The number of medical scheme members per province is 35% for Gauteng, 15.7% for KZN and 15.5% for the Western Cape.

The number of beneficiaries per province is reflected in the graph below:



4.4 Contribution increases and the concomitant relevant health care expenditure is listed below:

- The average increase in gross contributions for all schemes was 10.4%.
- Risk contributions increased by 10.3% to R117.7 billion, whilst risk claims increased by 8.7% to R101.8 billion.

- Medical savings contributions increased by 11.6% to R12.1 billion, whilst claims paid from savings increased by 10.8% to R11.2 billion.

- The average monthly contribution per average beneficiary per month were as follows:

		Risk	Savings
-	Open schemes	: R 1 138	R 172
-	Restricted schemes	: R 1 100	R 45.5

Risk claims per average beneficiary increased by 7.7% for open schemes and 6.0% for restricted schemes respectively. Claims paid from savings increased by 4.5% for open schemes and decreased by 24.3% for restricted schemes.

5. HEALTHCARE BENEFITS

Total healthcare benefits paid increased from R103.3 billion in 2012 to R112.5 billion in 2013. The table below reflects a more detailed breakdown of benefits paid per discipline and the proportion of the total claims for the medical schemes industry. The last column also indicates the percentage increase (decrease) in claims between the two years. Note that the overall increase of 8.9% paid to all healthcare providers includes a 1.08% increase in the number of beneficiaries of schemes.

ANALYSIS OF MEDICAL BENEFIT PAYOUT

Health Care Professional	Cost 2013 R'000	% of total payment	Cost 2012 R'000	% of total payment	% change
General Practitioners	**7 828 970**	**6.96**	**7 473 029**	**7.23**	**4.76%**
Medical Specialists					
Dermatologist	172 238	**0.15**	158 895	**0.15**	**8.40%**
Obstetrics and Gynaecologists	1 656 643	**1.47**	1 513 552	**1.46**	**9.45%**
Pulmonologists	78 963	**0.07**	73 071	**0.07**	**8.06%**
Physicians	2 252 574	**2.00**	1 886 952	**1.83**	**19.38%**
Gastroenterologists	72 373	**0.06**	68 572	**0.07**	**5.54%**
Neurologists	249 615	**0.22**	200 610	**0.19**	**24.43%**
Cardiologists	432 252	**0.38**	398 564	**0.39**	**8.45%**
Psychiatrists	749 132	**0.67**	639 921	**0.62**	**17.07%**
Medical Oncologists	109 691	**0.10**	117 508	**0.11**	**-6.65%**
Neuro-surgeons	474 946	**0.42**	415 869	**0.40**	**14.21%**
Nuclear Medicine	129 244	**0.11**	119 460	**0.12**	**8.19%**
Ophthalmologists	1 285 265	**1.14**	1 088 499	**1.05**	**18.08%**
Clinical Haematology	45 795	**0.04**	41 521	**0.04**	**10.29%**
Orthopaedic Surgeons	1 574 084	**1.40**	1 372 396	**1.33**	**14.70%**
Otorhinolaryngologists	431 322	**0.38**	387 848	**0.38**	**11.21%**
Rheumatology	14 603	**0.01**	12 865	**0.01**	**13.51%**
Paediatricians	1 007 138	**0.89**	867 179	**0.84**	**16.14%**
Paediatric Cardiologists	20 161	**0.02**	17 166	**0.02**	**17.45%**
Specialists in Physical Medicine	0	**0.00**	1	**0.00**	**-72.30%**
Plastic and Reconstructive Surgeons	163 316	**0.15**	135 311	**0.13**	**20.70%**
Surgeons – General	1 373 413	**1.22**	1 182 956	**1.14**	**16.10%**
Thoracic Surgeons	360 168	**0.32**	309 721	**0.30**	**16.29%**
Urologists	557 679	**0.50**	481 262	**0.47**	**15.88%**
Radiotherapists	1 043 898	**0.93**	922 386	**0.89**	**13.17%**
Total Medical Specialists	**14 254 514**	**12.67**	**12 412 085**	**12.01**	**14.84%**

Clinical Support Specialists					
Anaesthetists	2 378 091	2.11	2 056 594	**1.99**	**15.63%**
Radiologists	4 935 988	3.79	4 269 854	**4.13**	**15.60%**
Pathologists	5 856 569	4.55	5 118 605	**4.95**	**14.42%**
Other	116 261	0.15	172 838	**0.17**	**-32.73%**
Total Clinical Support Specialists	**13 286 909**	**11.81**	**11 617 891**	**11.24**	**14.37%**
Total Specialist Providers #	**27 541 423**	24.47	**24 029 976**	**23.25**	**14.61%**
Other Service Providers	**75 514 318**	**67.10**	**69 604 192**	**67.36**	**8.49%**
Dentists	2 944 748	**2.62**	2 784 492	**2.69**	**5.76%**
Dental specialists	806 560	**0.72**	743 273	**0.72**	**8.51%**
Allied and Support Health Professionals (note1)	9 493 169	**8.44**	7 975 704	**7.72**	**19.03%**
Private Hospitals	39 419 752	**35.03**	37 582 131	**36.37**	**4.89%**
Provincial Hospitals	343 495	**0.31**	334 748	**0.32**	**2.61%**
Medicines	18 045 546	**16.03**	16 340 020	**15.81**	**10.44%**
Ex-Gratia Payments	60 798	**0.05**	72 509	**0.07**	**-16.15%**
Other Benefits (note 2)	4 400 249	**3.91**	3 771 315	**3.65**	**16.68%**
Capitation Contracts: out of hospital	1 657 064	**1.47**	2 227 741	**2.16**	**-25.62%**
Total Service Provider Benefits	**112 541 775**	**100.00**	**103 334 938**	**100.00**	**8.91%**

Note 1: Allied Health Care Professionals

	R'000	**R'000**	
	2013	**2012**	**% change**
Audiologists	251 737	224 944	11.91%
Hearingaid acousticians	62 319	57 260	8.83%
Biokineticists	85 972	66 589	29.11%
Chiropractors and osteopaths	112 053	100 144	11.89%
Clinical technologists	1 734 085	1 398 670	23.98%
Homeopaths	53 464	47 865	11.70%
Occupational therapists	204 096	170 737	19.54%
Optometrists (note 3)	2 246 085	2 310 565	-2.79%
Pharmacists	1 662 063	883 671	88.09%
Physiotherapists	1 525 687	1 345 632	13.38%
Psychologists	843 625	752 609	12.09%
Radiographers	137 848	110 492	24.76%
Speech Therapy	41 996	34 675	21.11%
Dieticians	119 794	93 766	27.76%
Private nurses	127 188	110 136	15.48%
Other (including complimentary medicines)	285 157	267 949	6.42%
Total	**9 493 169**	**7 975 704**	19.03%

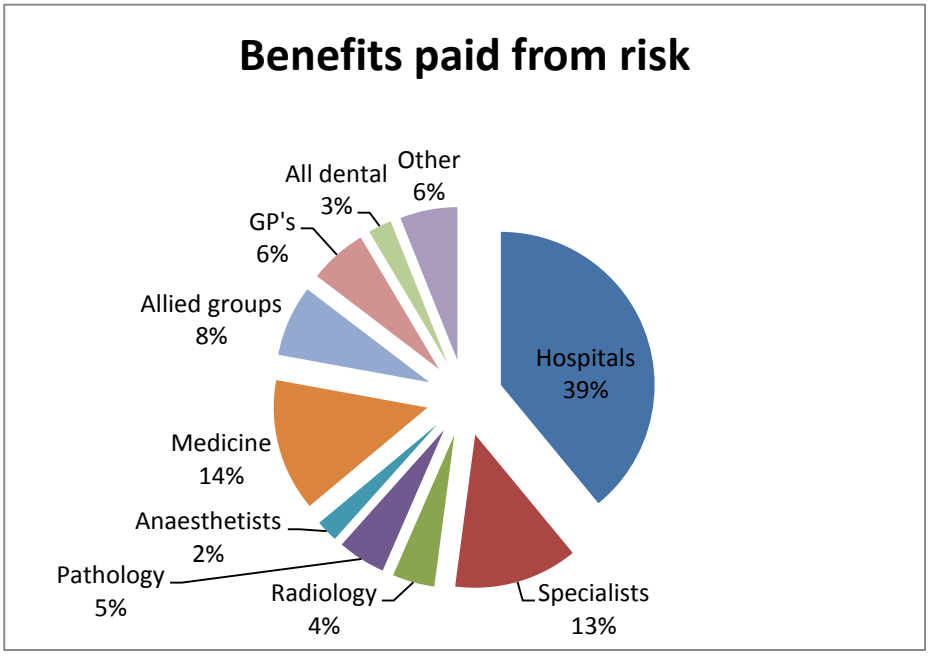
Note 2: Other major benefits	4 400 249	3 771 315	
Ambulance services	468 302	379 701	23.33%
Blood transfusion	1 014 341	850 540	19.26%
Appliances	251 745	370 174	-31.99%
Prosthesis	167 089	237 351	-29.60%
Mental Health Institutions	618 608	494 776	25.03%
Step down facilities	332 130	239 006	38.96%
Group practices	380 401	340 400	11.75%
Other	1 167 633	859 367	35.87%

5.1 Benefit Payments to Healthcare Professionals

The figures above reflect that Medical Specialist claims increased by 14.8% from 2012 to 2013 whilst their proportional share of the total benefit expense increased from 12% to 12.7%. Clinical Support Specialist claims increased by 14.6% and their proportional share increased by 0.5% to 11.8%. The cost of pathology increased by 14.4% and that of radiology increased by 15.6%. General practitioner and dentist claims proportionate share remained in the region of 7% and 2.6% respectively.

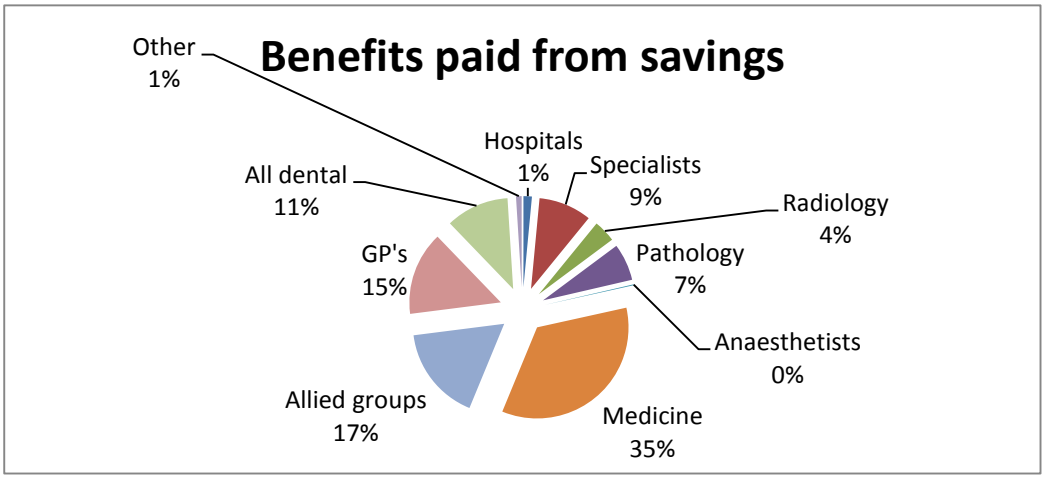
Other trends:

- Expenditure in provincial hospitals stood at R343 **million** compared to private hospital expenditure of R39.4 **billion.**
- Risk pool benefits amounted to R101.4 billion (90%) of total benefits paid. The following percentages of total benefits were paid from the risk pool:



- Benefits paid out of savings amounted to R11.2 billion (10%) of total benefits.

The following benefits were covered by savings:

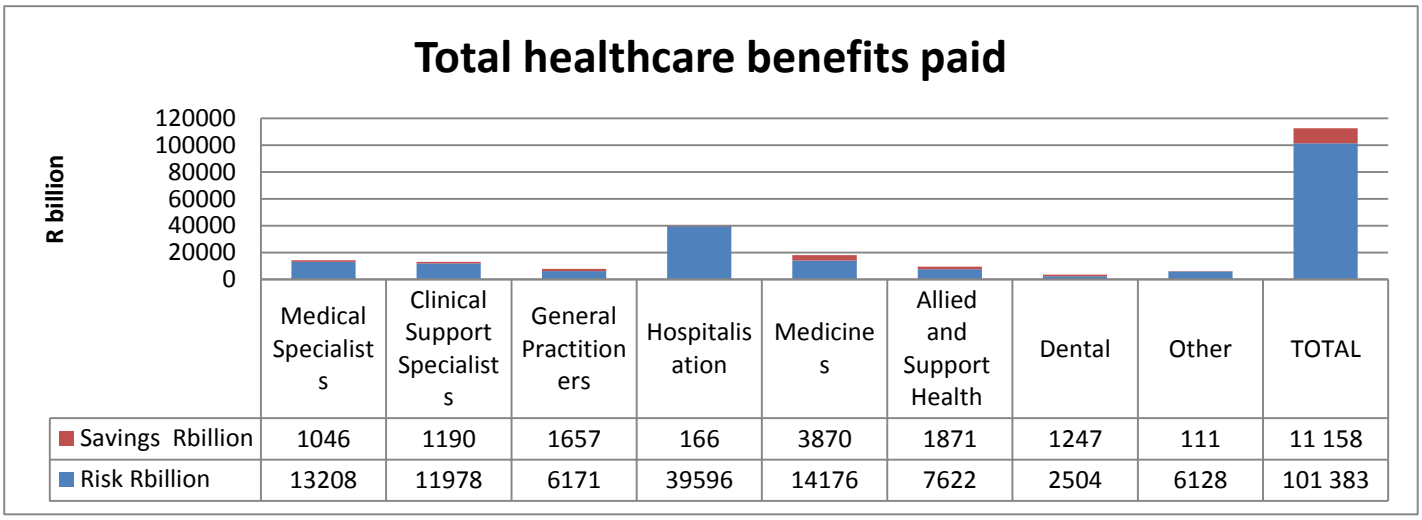


- Risk and Savings contributions vs. claims per average beneficiary per month:

	2013	2012
Risk contributions	R 2 238.2	R 2 063.9 (8.5%)
Risk claims	R 1 941.6	R 1 817.7 (6.8%)
Savings contributions	R 217.5	R 223.4 (-2.6%)
Savings claims	R 201.1	R 207.2 (-2.9%)

Inflation adjustment (at 2013 prices) would place the percentage increase since 2000 at the following levels:

Risk contributions	(57%)	Risk claims	(52%)
Savings contributions	(10%)	Savings claims	(14%)



	Medical Specialists	Clinical Support Specialists	General Practitioners	Hospitalisation	Medicines	Allied and Support Health	Dental	Other	TOTAL
Savings Rbillion	1046	1190	1657	166	3870	1871	1247	111	11 158
Risk Rbillion	13208	11978	6171	39596	14176	7622	2504	6128	101 383

- The most prevalent chronic conditions per 1000 beneficiaries were:

	2013	2012	% increase
Hypertension	118.2	117.1	0.94%
Hyperlipidaemia	53.6	53.4	0.37%
Diabetes (type 2)	34.5	34.4	0.29%
Asthma	28	28	0.00%
HIV	24	24.1	-0.41%

- Total Amounts paid for the top 7 diagnosis and treatment pairs were:

	R'million
Pregnancy	3 713
Pneumonia	2 338
Affective disorders (incl. depression)	2 006
Heart diseases	1 562
Fractures/dislocations of limbs	1 371
Cataract /aphakia	1 359
Respiratory conditions (new born babies)	1 245

5.2 Utilisation of Health services

Under this section, the CMS reports that the total healthcare expenditure data presented "should be interpreted with caution due to the under-reporting of out of pocket expenses by members and medical schemes."

HealthMan scrutinised the numbers and the calculation of a realistic cost per visit per discipline (as stated in previous years) is therefore not possible. The percentage of risk claims covered by Schemes amounts to 81.3%, which means members, had to cover the balance from savings or from their own pockets.

The coverage from risk per discipline amounted to:
53% - dentistry
67.4% - medicines
69.9% - allied healthcare providers
72.3% - GP's
80.1% - medical specialists
96% - hospitals

The abovementioned ratios meant that members had to pay the highest proportion of claims out of their own pocket for dentistry. The lowest proportion was paid for hospitalisation.

5.3 Risk transfer arrangements

These arrangements refer to capitation fees paid by Schemes to third parties to save money through risk management (open schemes however still made a loss). The 3 schemes which incurred excessive capitation losses (in excess of R10million) are reflected below.

	Open schemes	**Restricted schemes**	**All schemes**
	R'mil	R'mil	R'mil
Capitation fees	1 859	1 057	2 916
Estimated recoveries	1 705	1 213	2 918
Net income/(loss)*	(152)	158	6
*includes profit/loss sharing agreements			
Schemes with losses	**Cap Fees**	**Recoveries**	**Losses**
Bonitas	664	514	(150)
Medihelp	265	248	(15)
Momentum Health	244	212	(33)

5.4 Administration and other Expenditure

The following table reflects non-health care costs, i.e. costs not directly charged by health care service providers for the industry as a whole:

	R'million	**Percentage of contributions**	**R'million**	**Percentage of contributions**	**Variance 2013/12**
	2013	**%**	**2012**	**%**	**%**
Administration Expenditure	9 431	7.3	8 809	7.5	7.1
Managed Care Services	3 203	2.5	2 670	2.3	19.9
Bad debts and provisions	188	0.2	189	0.2	0.7
Distribution Costs	1 583	1.2	1 449	1.2	9.3

The CMS's guideline is that administration costs should not exceed 10% of gross contribution income (GCI). Ten open and ten restricted schemes had an average administrator expenditure of greater than 10%. The overall industry average is 7.3% compared to Discovery Health's medical scheme (8.5%), Bonitas (8.5%) and Medihelp (9.3%). If managed healthcare expenditure is added the average came to 9.7%.

Schemes that were above the aforementioned average were:
Fedhealth : 11.5%
Bonitas : 11.5%
Medihelp : 11.3%
Discovery : 11.2%

(Analyst's comment: Economies of scale are also not always evident as Bestmed with only 172 984 beneficiaries paid R114.1 per beneficiary p.m. compared to Discovery Health's R113.8p.m. for 2 519 743 beneficiaries).

Administration and managed care expenditure comprised 65.5% and 22.2% of total non-health care expenditure and accounted for 9.7% of total gross contributions, which is higher than the total benefits paid to GP's.

Administration and Managed Care expenses per average beneficiary per month for 2013 were as follows:

		Open Schemes	Restricted Schemes
Self-Administered	:	R132.2	R65.9
Third Party Administered	:	R148.8	R90.4

5.5 Principal Officer and Trustee remuneration

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

PRINCIPAL OFFICER FEES	R'million p.a
Medihelp	R 6.07
Bestmed	R 5.68
Discovery	R 5.39
Polmed	R 5.20
Liberty Medical Scheme	R 3.99
GEMS	R 2.98
Transmed	R 3.01
Bonitas	R 2.86
Umvuzo Medical Scheme	R 2.70
Bankmed	R 2.68

Trustee remuneration

	Total (R'000)	Number	Average (R'000)
GEMS	7 951	14	568
Bonitas	3 730	10	373
Fedhealth	3 730	12	310
Hosmed	3 685	12	307
Discovery	3 178	8	397
Liberty	2 774	9	308
Profmed	2 705	12	225
LA Health	2 459	16	154

5.6 Broker costs

Broker costs (which include all distribution fees) increased by 9.3% to R1 583 million, which represents 11% of the total non-healthcare costs and 1.1% of Gross Contribution Income. The average broker fee per member per month amounted to R51.20.

(Analyst's comment: it is rather strange that a restricted scheme like LA Health requires the services of brokers, even if their members have access to other open schemes. The conditions of service could be adjusted to make LA Health a preferred option).

6. REVIEWING THE OPERATIONS OF MEDICAL SCHEMES IN 2013

The statement of income and balance sheets for all schemes are reflected below.

Income statement	2013 R'million	2012 R'million	
Gross contribution income	**129 789**	**117 578**	**10.39%**
Savings contribution income	(12 057)	(10 806)	11.57%
Net contribution income	**117 732**	**106 772**	**10.26%**
Relevant healthcare expenditure	**(101 777)**	**(93 628)**	**8.70%**
Net claims incurred	(101 783)	(93 590)	8.75%
Net income/(expense) on risk transfer	6	(38)	-100.15%
Gross healthcare result	**15 955**	**13 144**	**21.38%**
Net non-healthcare expenditure	**(14 403)**	**(13 115)**	**9.82%**
Net income/(expenses) on commercial reinsurance	3	3	2.81%
Managed healthcare: management services	(3 203)	(2 671)	19.94%
Brokers costs and impairment losses	(1 775)	(1 641)	8.05%
Administration expenditure	(9 431)	(8 809)	7.07%
Net healthcare result	**1 552**	**29**	**5246.54%**
Other investment income	2 433	2 368	2.76%
Realised and unrealised gains/(losses)	1 049	1 023	2.53%
Other income	522	509	2.53%
Own facility surplus/(deficit)	23	21	11.75%
Other expenditure	(8)	(11)	-26.58%
Finance costs	(301)	(250)	20.47%
Net surplus for the year (before consolidation)	**5 266**	**3 687**	**42.83%**

Balance sheet	**2012 R'million**	**2013 R'million**	
Assets			
Non-current assets	**17 869**	**15 291**	**16.86%**
Property, plant and equipment	207	226	-8.31%
Investments	17 529	14 667	19.52%
Other non-current assets	132	398	-66.79%
Current assets	**43 364**	**40 179**	**7.93%**
Inventories	2	1	183.94%
Trade and other receivables	3 759	3 515	6.95%
Investments	17 745	17 344	2.31%
Cash and cash equivalents	15 739	14 264	10.34%
Personal medical savings account trust investment	5 949	4 856	22.52%
Other current assets	171	199	-14.43%
Total assets	**61 233**	**55 470**	10.39%
Funds and liabilities			
Members'funds	**46 326**	**40 889**	**13.30%**
Accumulated funds	44 300	39 054	13.43%
Revaluation reserve - investments	1 967	1 788	10.02%
Other reserves	58	47	-8.46%
Non-current liabilities	**971**	**976**	**-0.52%**
Current liabilities	**13 936**	**13 604**	**2.44%**
Personal medical savings account trust liability	6 173	5 478	12.69%
Trade and other payables	3 460	3 936	-12.08%
Provision for outstanding claims	4 224	3 886	8.68%
Other current liabilities	78	304	-74.23%
Total funds and liabilities	**61 233**	**55 470**	**10.39%**

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

Year	Surplus/(Deficit) from Operations 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	662.7%
2002	1 098	1 366	2 465	70.3%
2003	2 355	2 034	4 389	78.1%
2004	2 731	2 391	5 010	14.1%
2005	(356)	2 802	2 322	(53.7%)
2006	(2 146)	3 279	1 143	(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	2 851	195%
2011	1 034	3 260	4 294	50.6%
2012	26	3 657	3 683	(14.2%)
2013	1 552	3 718	5 266	42.8%

Open schemes incurred a net healthcare surplus of R626million (vast improvement from the R61 million deficit in 2012) and restricted schemes a net healthcare surplus of R925 million (compared to R90 million surplus in 2012). A total of 66.7% of open schemes (16 out of 24) and 41% of restricted schemes (26 out of 63) incurred net healthcare deficits. Open and restricted schemes incurred net surpluses (after investment and other income) of R2.3billion and R2.9billion respectively.

Schemes with the largest deficits (and their respective solvency levels) are reflected below (Solvency levels - accumulated funds as a percentage of gross contributions - of 25% must be maintained as per statutory requirements):

	Net healthcare results		Solvency	
Open schemes	**2013**	**2012**	**2013**	**2012**
	R'000	**R'000**		
Medihelp	-143 090	-164 122	30.4%	32.4%
Bonitas	-115 219	-184 477	33.3%	35.5%
Topmed	-68 389	-49 300	123.8%	152.3%
Liberty Medical Scheme	-57 728	-86 040	24.4%	26.2%
Restricted schemes				
Anglo Medical Scheme	-58 559	-52 435	526.3%	472.3%
Platinum Health	-38 389	-16 934	33.5%	34.7%
Nedgroup Medical Scheme	-35 022	-29 137	35.6%	36.1%
Bankmed	-20 942	-78 546	49.7%	48.4%

(Analyst's comment: It appears that most of the schemes listed above utilised their substantial reserves to "subsidise" members, hence the deficit).

5.8 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 2013.

Administrator	Number of schemes	Number of beneficiaries (average)	% share of overall market	Gross admin exp per beneficiary p.m.	Managed care exp per beneficiary p.m.	Total cost per beneficiary p.m.
Discovery Health	13	2,662,578	25.71%	106.80	33.50	140.30
Medscheme	18	2,769,086	26.73%	38.6	17.70	56.30
Metropolitan	13	2,672,956	25.81%	45.20	9.90	55.10
Momentum	9	386,391	3.73%	85.60	17.90	103.50
Self administered	15	879,865	8.49%	85.30	7.00	92.30
Other	26	986,826	9.53%			
Total number registered	94	10,357,702	100.00%			

Notes:
% share of market based on number of beneficiaries
Gross admin fees and total cost per beneficiary p.m. includes co-administration fees
Medscheme's GAE p.a.b.p.m. reduced from R86.5 to R38.6
Medcheme and Metropolitan jointly administrate GEMS, therefore the 2.6 and 2.7m beneficiary figures above involve a double-accounting

Administrator	Number of schemes	% share of overall market	Gross admin exp. per beneficiary p.m.	Managed care exp. per beneficiary p.m.	Total cost per beneficiary p.m.
Discovery Health	13	26.30%	107.60	35.70	143.30
Medscheme	16	27.40%	30.7	20.70	51.40
Metropolitan	11	25.50%	32.70	9.10	41.80
Momentum	7	3.20%	77.30	18.00	95.30
Other	41	17.6%			
Total number registered	88	100.00%			

Notes : % share of market based on number of beneficiaries

Gross admin fees and total cost per beneficiary p.m. includes co-administration fees

7. CONCLUDING REMARKS – Analyst

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

- The number of medical schemes in South Africa decreased from 93 to 87. This amounts to a 6.9% decrease in the market.
- There were 24 open schemes and 67 restricted schemes.
- There were 30 schemes with membership figures of over 30 000 members.
- There were 32 schemes with membership figures of under 6 000 members.
- Gauteng had 35% of all beneficiaries whilst the Western Cape and KZN had just over 15% each.
- Overall the net healthcare result increased from R29million to R1 551 million and the net surplus from R3.7billion to R5.3 billion.

- **A summarised distribution of the total healthcare benefit paid is reflected below:**

	2013	2012	% increase
Total Healthcare Benefit payout	R 112.5bn	R 103.3bn	8.9 %
Hospitals (% of total payout: 35.3%)	R 39.7bn	R 37.9bn	4.7 %
Medicines (% of total payout: 16.0%)	R 18.0bn	R 16.3bn	10.4 %
Medical Specialists (12.6% of total payout)	R 14.2bn	R 12.4bn	14.5 %
Support Specialists (11.8% of total payout)	R 13.3bn	R 11.4bn	16.6 %
General Practitioners (6.9% of total payout)	R 7.8bn	R 7.5bn	4.1 %
Support and Allied Health (8.4% of total payout)	R 9.5bn	R 7.9bn	20.25 %

To conclude, a summarised comparison of Discovery Health and GEMS (the largest open and restricted schemes respectively) is reflected below.

	DISCOVERY HEALTH	GEMS
Members	1 191 987	684 281
Beneficiaries	2 519 743	1 835 733
Average age	32.3	32.9
Pensioner ratio %	7.1%	4.6%
Number of dependants per member	**1.2**	1.7
Gross contribution p.a (R million)	R 40 463.00	R 24 648.00
- per beneficiary per month	R 1 315.00	R 1 108.30
Gross healthcare expense (R million)	R 33 675.00	R 22 022.00
- per beneficiary per month	R 1 094.40	R 990.20
Gross administration expenditure (R million)	**R 3 440.00**	R 1 025.00
- per beneficiary per month	R 245.4	R 126.40
- as % of gross contributions	8.50%	4.20%
Managed health care (R million)	**R 1 101.00**	R 668.00
per beneficiary per annum	R 36.40	R 17.20
Net healthcare surplus/(deficit) (R million)	**R 860.00**	R 777.00
Net surplus (R million)	**R 1 534.00**	R 1 194.00
Solvency ratio	**24.3**	11.7

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