



PRESS RELEASE

Reference: CMS releases its 2019/20 Annual Report
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Date: 8 December 2020

Press Release 17 of 2020: CMS releases its 2019/20 Annual Report

The Council of Medical Schemes (CMS) launched its 2019/20 Annual Report today, revealing a consoling view of the medical schemes industry which experienced a slight increase in the total number of medical scheme beneficiaries from 8.92 million in 2018, to 8.95 million in 2019.

The CMS regulated 78 registered medical schemes in 2019, a decrease from 79 at the end of 2018 as a result of a merger between Resolution Health Medical Scheme and Spectramed to form Health Squared Medical Scheme. These 78 medical schemes comprised of 20 open schemes and 58 restricted schemes. Open schemes accounted for 55.38% of beneficiaries.

The biggest open medical scheme continued to be Discovery Health whilst Government Employees Medical Scheme (GEMS) also kept its hold as the biggest restricted scheme. GEMS also experienced the highest year-on-year growth with 53 102 new beneficiaries.

Principal members covered an average of 1.20 dependents, decreasing from 1.32 in 2018. The gender distribution of members was also almost equal in all schemes, although the average age for females was higher with 34.1 versus 31.9 in male members. Medical scheme members are ageing, with average age across schemes being 33 years, up from 32.8 in 2018.

Based on principal member addresses, approximately 40% of all medical schemes members were in Gauteng, followed by the Western Cape, and KwaZulu-Natal with 15% and 14% respectively.

Utilisation trends

In 2019, healthcare expenditure on benefits increased to R185.9 billion, a 8.0% increase from the previous year's reported amount of R172.2 billion. Hospital expenditure also saw an increase of 7.9% from 2018 to R69.1 billion, and 93% of this went to private hospitals. The average amount paid per beneficiary for hospital services increased by 6.93% to R7 752.49.

GP visits

Beneficiaries who visited general practitioners at least once increased by 1.15% from 7.21 million in 2018 to 7.29 million in 2019, with members of restricted schemes leading (889.48 per 1 000) as compared to open scheme

beneficiaries (758.17 per 1 000). When adjusted for the population covered by medical schemes (816.64 to 816.73 per 1 000 beneficiaries), this increase was not significant.

The amount claimed by GPs increased by 6% between 2018 and 2019 (R449.76 to R475.89 average expenditure per event). Overall, medical schemes increased payments from their risk pools to fund GPs by 7.13%. The increase was higher for open (8.43%) compared with restricted schemes (5.83%). Members in open schemes relied more on medical savings accounts than members in restricted schemes to fund GP consultations.

Out-of-pocket payments

The amount claimed and not paid by medical schemes increased by 1.27% in open schemes, while beneficiaries in restricted schemes saw a 3.62% reduction in out-of-pocket payments for GPs in 2019. Overall, out-of-pocket payments for GPs decreased by 0.77%.

Dentistry

Approximately 1.94 million beneficiaries visited a dentist at least once during 2019, representing a 1.17% increase year-on-year. The average number of visits to dental practitioners remained largely unchanged at about 1.8 visits per patient in both open and restricted schemes, whilst 99% of all consultations took place in out-of-hospital settings.

The amount claimed per patient increased by 4.14% (R1 324.81 to R1 379.72 average expenditure per event) for open and restricted schemes combined. Patients in open schemes relied more on medical savings accounts than risk benefits to fund dental consultations when compared with restricted schemes.

Maternity Benefits

The proportion of beneficiaries admitted for caesarean sections decreased by 0.49% year-on-year, while termination of pregnancy in the first 12 and 13-20 weeks of pregnancy, performed under safe conditions in a health facility were up by 22.1% and 14.19% respectively.

Prescribed Minimum Benefits

Prescribed Minimum Benefit expenditure (risk + savings) amounted to R94.8 billion in 2019. The PMB expenditure as a percentage of total benefit paid accounted for 51% of benefits paid in 2019 up from 50.9% in 2018. The cost of PMBs is mainly driven by:

- Beneficiary profile which is based on the level of cross-subsidisation between the young and the old; the sick and the healthy.
- Prevalence of chronic conditions and disease burden.
- Expenditure on treatment, which is strongly linked to contracting between schemes and providers.

The Council's PMB Review project is well underway with the achievement of a key milestone in the publication of a Preventative and Primary Healthcare package for inclusion in a future Prescribed Minimum Benefits package. The current PMB review seeks to align the future PMBs with recent developments in national health policy such as the strengthening of the healthcare system with Preventative and Primary Healthcare as the core of both the public and private healthcare systems.

Non-healthcare expenditure

The gross non-healthcare expenditure for all medical schemes at the end of 2019 was reported at R16.55 billion, an increase of 4.84% from R15.79 billion in 2018.

Non-healthcare expenditure in real terms increased marginally (by 0.01%) to R1 852.64 pabpa in 2019 from R1 852.46 pabpa in 2018. The non-healthcare ratio (as a % of RCI) decreased, from 9.08% in 2018, to 8.87% in 2019.

Administration expenditure, which is the largest component of non-healthcare expenditure in all medical schemes grew by 4.59% to R13.84 billion from R13.23 billion between December 2018 and December 2019.

Administration expenditure was the main component of non-healthcare expenditure in 2019, at 83.62%, up from 83.81% in 2018. It accounted for 6.73% of GCI in 2019.

Broker costs, which include all commissions, service fees and other distribution costs, increased by 9.19% from R2.24 billion in 2018 to R2.45 billion in 2019. Broker costs represented 14.80% of total non-healthcare expenditure in 2019, while accounting for 14.21% in 2018.

Net healthcare results and impact on reserves

The net healthcare result for all medical schemes combined reflected a surplus of R1.03 billion in 2019 (2018: R1.21 billion surplus). Open schemes incurred a net healthcare deficit of R0.71 billion (2018: R1.34 billion deficit), and restricted schemes generated a combined net healthcare surplus of R1.74 billion (2018: R2.55 billion surplus). The deterioration is mainly due to the higher claims ratios of restricted schemes, from 90.71% in 2018 to 92.15% in 2019. Open schemes experienced a slight decrease in the claims ratio.

A total of 65.00% (or 13 of 20) of the open schemes and 65.52% (38 of 58) of the restricted schemes showed net healthcare deficits during the year.

The net surplus of all schemes combined, after investment income and consolidation adjustments, was R7.07 billion (2018: R5.01 billion).

Net assets per Regulation 29 rose by 10.37% to end 2018 at R73.29 billion while accumulated funds grew by 10.53% to R74.79 billion from the R67.66 billion recorded in 2018.

The industry average solvency ratio increased to 35.61% in 2019 from 34.54% in 2018. The solvency ratio of open schemes increased by 0.27% to 29.35% in 2019 (2018: 29.27%). Restricted schemes experienced an increase of 5.65% in their solvency ratio, 44.31% from 41.94% in 2018.

The CMS has made positive strides in its role as a regulator and overseer of the South African medical schemes industry in the 2019/20 financial year, through the promotion of good governance; equitable access; and the protection of the interests of members of medical schemes.

The CMS Annual Report can be accessed [here](#)

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