

CHARTERED ACCOUNTANTS MEDICAL AID FUND (CAMAF)

GCR RATING: DECEMBER 2015

1. Introduction

GLOBAL CREDIT RATING CO. (GCR) recently published its latest credit rating of CAMAF as reviewed in June 2016 (for 2015). CAMAF was established in 1952 to cater for chartered accountants and certain affiliated companies. CAMAF is administered by Eternity Private Health Fund Administrators (Pty) Ltd, a wholly owned subsidiary of Sanlam Health Management.

The unchanged rating of AA- is based on the following key factors:

- A strong solvency level of 37% was recorded.
- There is a captive membership base, which allows a degree of predictability in managing the Scheme's risk profile and a favourable member age profile.
- Net cash and gross cash coverage registered 1.2 and 2.7 months respectively.
- The claims ratio of 95% and deceleration in contribution growth resulted in a net health care loss of R53 million.

2. Membership Base

- CAMAF experienced a contraction in principal membership of 200 members in 2015.
- In 2015 the number of principal membership decreased from 24993 to 24793 and beneficiaries from 46355 to 45897.
- The Scheme remains exposed to employment activity in the corporate world with the 5 largest employer groups accounting for 57% of membership. The concentration risk was evident over the last two years with the loss in members experienced due to the restructuring at one employer group.
- The average age of principal members is 37 and 30 for beneficiaries.
- Its market share in the open schemes market was 1.5%.

3. Product Line

There are 6 options namely:

- Alliance: Offers in hospital doctor cover at 300% of scheme rate. Day-to-day benefits are provided subject to an annual limit (of R25 780 per adult) with a co-payment of 20%. Limited supplementary benefits (radiology, emergency rescue and immunisations) are also provided and a medical savings account covers additional day-to-day benefits.
- Double Plus: Offers in hospital doctor cover at 300% of scheme rate. Extended supplementary benefits and a medical savings benefit is in place to extend day-to-day benefits which are subject to an annual limit of R10 090 per adult (with a 20% co-payment).
- Vital: In addition to covering doctors at 300% of scheme rates in hospital, it provides a set of core benefits with preventative wellness cover. There are no day-to-day benefits.
- Essential: This low cost option provides hospital cover and a moderate savings account to fund day-to-day benefits.
- First Choice: Contributions are based on 5 income bands and benefits include hospital benefits at scheme rate and a range of day-to-day benefits subject to category and procedure sub-limits.
- Network choice: Covers hospitalisation at scheme rates and limited day-to-day benefits, through a network of providers. Contributions are also based on income.

- The results of the different plans are summarised below:

Plan	Membership (%)	Claims / NPI (%)	Net healthcare result (R'million)
Alliance	3.2	146.0	(34.0)
Double Plus	32.0	93.4	(10.3)
Vital	17.8	90.2	(5.8)
Essential	9.3	66.2	6.8
First Choice	22.8	96.2	(12.5)
Network Choice	14.9	78.5	2.5
TOTAL	100.0	94.5	(53.3)

NPI- Net Premium Income

- The First Choice and Double plus options house the bulk (55%) of the total membership.
- The overall claims ratio increased from 90.6% to 94.5%.
- The Alliance option showed the highest claim ratio and the Network Choice option the lowest.
- Claims ratios increased across all options except for the Network Choice which was basically unchanged
- The net healthcare deficit increased from R17.4million in 2014 to R53.3million.

4. Asset Management

The portfolio which is managed by Allan Gray, Coronation and Liberty Life consists mainly of:

Cash and cash equivalent	:	R 180.7m (328.5%)
Cash in managed portfolio	:	R 147.1m (23.2%)
Fixed interest	:	R 77.3m (12.2%)
Listed equity	:	R 177.4m (23.2%)
Property	:	R 50.5m (8.0%)

TOTAL : **R 633.0 m**

- The total managed portfolio amounts to R452.3million.
- The investment yield decreased from 4.6% to 4.3% excluding unrealised movement (3.9% including unrealised gains)

5. Financial Performance

A summary of the last three years financial performance is reflected below:

	(R'millions)		
	2015	2014	2013
Gross premiums	961.4	949.8	892.8
Members' savings contributions	(80.9)	(76.8)	(67.9)
Net premium income	880.5	873.0	825.0
Claims paid	(801.5)	(767.2)	(699.8)
Transfer arrangements	(3.5)	2.5	(5.0)
** Managed care	(27.0)	(26.2)	(16.4)
Gross underwriting surplus	48.5	82.0	103.8
Non healthcare expenditure	(101.9)	(99.4)	(91.7)
Net healthcare result	(53.3)	(17.4)	12.0
Investment income (and other)	27.5	29.6	19.8
Net surplus /(deficit) for the year	(25.9)	12.2	31.8

	(R'millions)		
	2015	2014	2013
BALANCE SHEET			
Members surplus	497.2	525.7	501.3
Members savings account	97.9	97.7	90.9
Provisions for claims	24.0	20.5	23.0
Other liabilities	22.5	20.4	16.4
TOTAL LIABILITIES	641.6	664.4	631.6
Investments	633.0	655.5	616.8
Debtors and prepayments	8.6	10.3	14.8
TOTAL ASSETS	641.6	664.4	631.6

** (The CMS changed the allocation of managed care fees from administration fees to healthcare related expenditure, hence the change reflected above)

- The Scheme's contributions and the net healthcare result were under the budgeted amount.
- Average contributions increased by 3% and gross premiums rose by a subdued 1%.
- Delivery costs advanced by 3% which saw the delivery cost ratio at 10.4% and the cost per beneficiary per month increased from R179 to R185.
- Claims increased by 5% and together with the small increase in gross contributions brought about the 4% increase in the claims ratio of 94.5%.
- Investment income of R27.5 million assisted in reducing the net healthcare deficit of R53.3 million to a net deficit of R26 million.

6. Solvency and Reserves

The statutory funding ratio dipped from 40% to 37% which remains strong. Accumulated funds per principal member decreased to R14 256 (R15 178 in 2014) and covered average monthly claims by 5.1 times.

7. Future Prospects

Expected membership growth of 3.7%, a contribution increase of 11.8% and a budgeted claims ratio of 87.5% are expected to realise a net healthcare surplus of R8.4million in 2016.