



ANNUAL  
INTEGRATED  
REPORT  
**2021**



**gems**

Government Employees  
Medical Scheme



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# 01



# ABOUT THIS REPORT

## Reporting scope and boundary

This report is addressed to the members of the Government Employees Medical Scheme (GEMS), the Minister for the Public Service and Administration, and the internal and external stakeholders of GEMS. The report provides information on our internal and external operating context, strategy, risks and opportunities, performance, governance and outlook.

Financial and non-financial information is provided and explained. To meet stakeholder information requirements holistically, this report includes information on material financial, healthcare and corporate governance performance objectives and outcomes.

This report covers the GEMS financial year 1 January 2021 to 31 December 2021. The last annual integrated report published by the Scheme was the GEMS 2020 annual integrated report, published in July 2021 and available at [www.gems.gov.za](http://www.gems.gov.za).

GEMS is a registered medical scheme and no other entities are covered in the report. Mention is made of our contracted service providers and healthcare providers in relation to our organisational overview, business model and use of resources.

There were no significant changes during the reporting period in the size, structure, boundaries or GEMS supply chain. No material restatements of information reported in previous reports are contained in this report.

## Reporting framework

Reporting is based on the International Integrated Reporting Framework, the Medical Schemes Act (MSA), the Registered Rules of GEMS, the South African Institute of Chartered Accountants (SAICA) Accounting Guidelines for Medical Schemes and the King IV Report on Corporate Governance for South Africa, 2016 (King IV). Information papers issued by the Integrated Reporting Committee of South Africa provide important guidance and we are gradually aligning our reporting to these.

## Reporting materiality

Material matters are issues that substantively affect, or have the potential to substantively affect, the GEMS strategy, governance practices, performance and prospects over the short-,

medium- and long term. Material matters from the previous reporting period formed the basis. The material matters were evaluated and prioritised for reporting based on our stakeholder engagement priorities in 2021.

**Table 1**

Material matters	What we are disclosing in this report	Section of the report
1. Preserving the GEMS brand and reputation	1.1 Our response to the release of the Section 59 investigation interim report, including our discussions with stakeholders	Chairperson overview and key relationships (focus areas in 2021), pages 21 and 31
	1.2 Our response to renewed interest into the investigation of tender irregularities dating back to 2016/17	Chairperson overview and key relationships (focus areas in 2021), pages 21 and 31
	1.3 How we manage ethics culture risk	Managing our risks to achieve our strategic plan objectives, page 55  Governance and remuneration, page 107
	1.4 Discussions with and outcomes for GEMS employees	Our business model outcomes, page 41  Our key relationships, page 31
2. The GEMS member and stakeholder value proposition	2.1 Our performance and outcomes against strategic plan objectives and targets aiming to achieve and sustain financial sustainability, quality clinical outcomes and good corporate governance	Gearing for universal health coverage (UHC) through national health insurance (NHI) – the GEMS strategy, page 47  Our performance, page 69
	2.2 Our value creation process outcomes in financial capital, social and relationship capital, intellectual capital, human capital, manufactured capital and environmental capital	Our business model outcomes, page 41
	2.3 Key focus areas for stakeholder engagements in 2021 and outcomes	Our key relationships, page 31

Material matters	What we are disclosing in this report	Section of the report
2. The GEMS member and stakeholder value proposition	2.4 The management of stakeholder satisfaction risk	Managing our risks to achieve our strategic plan objectives, page 55
	2.5 How the Board drives value creation and appropriate behaviour	Governance and remuneration, page 107
3. The GEMS NHI value proposition	3.1 Our strategic response to NHI policy and the NHI Bill	Gearing for UHC through NHI – the GEMS strategy, page 47  Organisational overview - external environment, page 18
	3.2 How we support NHI through key relationships	Our key relationships, page 18
	3.3 How we manage risks in mobilisation of stakeholders to achieve NHI	Managing our risks to achieve our strategic plan objectives, page 60
4. The GEMS insourcing programme for building capabilities	4.1 Our strategy for insourcing	Gearing for UHC through NHI – the GEMS strategy, page 47
	4.2 Managing our risk relating to a cohesive structure	Managing our risks to achieve our strategic plan objectives, page 63
	4.3 Our discussions with stakeholders to leverage relationships for effective insourcing	Our key relationships, page 31
	4.4 Our adjusted governance structure for overseeing insourcing	Chairperson overview and outlook, page 21  Governance and remuneration, page 107

## Reporting suite

The GEMS integrated report is accessible as part of the annual Board report and annual financial statements issued to members under the registered Rules of GEMS and in keeping with the requirements of the Council for Medical Schemes (CMS). The Board report includes information that must be disclosed by the Board of Trustees (Board governance and remuneration report, page 107) and an extract from the 2021 annual financial statements. The full report is distributed electronically to members. Where members have opted out of electronic communication, an abridged version is printed and posted.

## Value creation in 2021

GEMS is managed and governed to create and preserve value. We have defined how we view value creation based on the mandate received from Cabinet at establishment and our understanding of stakeholder needs and expectations. Our strategy is designed to meet these needs and our business model ensures that we are geared to achieve our stakeholder needs, expressed as outcomes. We identify and manage risks that may prevent us from achieving strategic objectives. We also identify and leverage opportunities. Our past and present performance is reported against objectives, metrics and targets to demonstrate value creation. The Board oversees our strategy development process, and how effectively we manage our risks and achievement against the strategy. The Board drives appropriate behaviour through outcomes monitoring and reward structures.

## Reporting feedback

- Member questions: Call Centre: 0860 000 4367.
- AGM-related questions: [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za) for the attention of Pierre Roux.
- Stakeholder questions: [david@gems.gov.za](mailto:david@gems.gov.za) for the attention of David Makgalo.
- Media questions: [media@gems.gov.za](mailto:media@gems.gov.za) for the attention of Baldwin Matsimela.





# 02



# STATEMENT OF THE BOARD OF TRUSTEES

The GEMS Board of Trustees acknowledges its responsibility for assuring the integrity of the GEMS annual integrated report.

It has applied its collective mind to the report's preparation and presentation.

The development of this report was guided by the guiding principles and content elements of the International Integrated Reporting Framework, published in January 2021.



Chairperson:

Dr Sebayitseng Millicent Hlatshwayo

Date: 25 April 2022



# 03

# ORGANISATIONAL OVERVIEW

This organisational overview provides important information on our purpose, vision, mission and values, our products and how they compare, services, business activities, organisational structure and operating circumstances in 2021.

GEMS is the largest restricted membership medical scheme in South Africa, with 773 513 principal members and more than 2 million beneficiaries. GEMS was created specifically to provide healthcare cover for public service employees.

## The GEMS purpose, vision, mission and values:







- Purpose:** Our purpose is derived from the GEMS mandate received from government in November 2004: To ensure that there is adequate provisioning of healthcare coverage to public service employees that is efficient, cost-effective and equitable; and to provide further options for those who wish to purchase more extensive cover.
- Vision:** An excellent, sustainable and effective medical scheme that drives transformation in the healthcare industry, aligned with the principles of UHC.
- Mission:** To provide all members with equitable access to affordable and comprehensive quality healthcare, promoting member wellbeing.
- Values:** Collaboration – Member value – Excellence – Innovation – Integrity

The establishment of GEMS was preceded by research and development, collective agreements in the Public Service Coordinating Bargaining Council (PSCBC), Cabinet approval and registration by the CMS.

## Our member product offering

GEMS offers five main benefit options and one efficiency discounted option based on the Emerald option (see the Emerald Value Option – EVO – below). Our benefit option design process is part of our business activities and is a value driver aligned to our strategy.

The benefit options were designed using a rigorous analytical approach considering CMS requirements, member affordability, our strategic direction and benefit design assessment:

 <b>TANZANITE ONE</b>	Developed with the PSCBC, our entry-level option offers members comprehensive benefits with access to private and public hospital facilities, subject to a hospital network and certain care coordination rules. Out-of-hospital care such as visits to a general practitioner (GP), dentist and optometrist, maternity care at private facilities, and in-hospital cover at public and private facilities are provided. This option is designed to be inexpensive, with the 2021 average family contribution after subsidy being R95. At end-2021, 15.7% of members were on this option.
 <b>BERYL</b>	An entry-level option providing comprehensive out-of-hospital benefits through a network of primary healthcare providers, and in-hospital cover in both public and private hospitals. This product offers comprehensive in- and out-of-hospital benefits. The 2021 average family contribution after subsidy was R916. At end-2021, 8.7% of GEMS members were on this option.
 <b>RUBY</b>	Comprehensive in- and out-of-hospital benefits through a personal medical savings account (PMSA), a hospital benefit and a block benefit. The average 2021 family contribution after subsidy was R1 924, with 20% of this going towards the PMSA. At end-2021 19.9% of members were on this option
 <b>EMERALD</b>	Comprehensive cover with access to care at the member's chosen provider, subject to benefits and Scheme Rules. This is a higher-end option, with a 2021 average family contribution after subsidy of R2 563. At end-2021, 48.9% of members were on this option.
 <b>EMERALD VALUE</b>	Introduced from 1 January 2017, this is an efficiency discounted sub-option of Emerald. These members pay discounted membership fees for adhering to care coordination rules (family practitioner nomination and specialist referral) and have to use the Scheme's hospital network. The average 2021 family contribution after subsidy was R1 839, and 13.7% of members were on this option at end-2021.
 <b>ONYX</b>	A top-of-the-range benefit option that offers extensive cover. Day-to-day benefits are funded from rich risk benefits without any network limitations. The 2021 average family contribution after subsidy was R3 733, and 2.9% of members were on this option at end-2021.







# How our options compare on member value offering

We use our size and reach to negotiate competitive rates with service providers and healthcare providers.

We analyse annually the benefit options in the market, specifically those that align with the GEMS options. Table 1 shows how GEMS compares to comparable options of the five largest open and restricted membership medical schemes. Where competing options had income bands, the GEMS exposure was used to weight the relative differences against the compared options.

Table 2 shows the calculated value of GEMS options against competing options. For example, GEMS Tanzanite One members, on average, enjoyed a 97% higher benefit for each Rand spent on contributions (after allowing for the public service subsidy) than they would have on competing options. Each GEMS option was more cost effective than its competitor. The average relative value for money on GEMS options was 24% higher.

Table 2

Option	% difference between GEMS average family contribution and average family contribution of competing schemes before employer medical assistance subsidy	% difference between GEMS average family contribution and average family contribution of competing schemes after employer medical assistance subsidy
 <b>TANZANITE ONE</b>	40%	97%
 <b>BERYL</b>	16%	70%
 <b>RUBY</b>	-1%	56%
 <b>EMERALD</b>	25%	59%
 <b>EMERALD VALUE</b>	37%	74%
 <b>ONYX</b>	24%	53%
<b>All</b>	<b>24%</b>	<b>64%</b>

## Where and how to find us

The Scheme's head office, GEMS Vutomi House, is in the Menlyn Maine Precinct, 124 Mercy Avenue, Tshwane.

Member services are provided from our expansive member servicing and communication platforms:

**Table 3**

Face to face	Telephonic services	Online services
18 walk-in centres – i.e. two per province. Find the street addresses on page 207	Call centres operating across the service provider network reached on 0860 004 367	<a href="mailto:Enquiries@gems.gov.za">Enquiries@gems.gov.za</a> <a href="mailto:Complaints@gems.gov.za">Complaints@gems.gov.za</a>
Our client liaison officers (CLOs) visit members at work. We have client liaison offices in all nine provinces, supplemented by a mobile office. Find CLO addresses on page 207	-	GEMS member app and portal hosted on the GEMS website. Find information on accessing and downloading on the back cover <a href="mailto:clo@gems.gov.za">clo@gems.gov.za</a>
Our provider liaison officers (PLOs) visit healthcare providers*	-	<a href="mailto:plo@gems.gov.za">plo@gems.gov.za</a>

\*GEMS established the Provider Liaison Officer (PLO) Unit in 2021 as part of the Healthcare Management Division. The unit has bolstered our ability to build and maintain quality relationships with healthcare providers. This is among the key projects under the insourcing of capabilities programme.

Phase 1 of the PLO Programme consisted of the recruitment of five PLOs, whose training was concluded in February 2021. The PLO Unit has been successfully embedded into the Scheme, with all the top 200 family practitioners and top 200 specialists engaged by 31 December 2021. Phase 2 of the PLO Programme, which consists of expanding to KwaZulu-Natal, is currently underway.



The PLO focus areas are shown below:



The business activities performed under our business model drive value creation (demonstrated further on page 41 and in our performance against our strategic plan on page 69)

### MEMBER ADMINISTRATION

Member enrolment | Member records | Member interfacing (app) | Complaints management

### CLAIMS PAYMENT

Rule application | Claims bureau interfacing | Paper claims



### PRODUCT DEVELOPMENT AND BENEFIT DESIGN

### CONTRIBUTION AND INCOME COLLECTION

Payroll interfacing | Investment activities

### MANAGED CARE AND CLAIMS RISK MANAGEMENT

Disease management | Hospital management | Network management | Emergency medical services | Fraud waste and abuse prevention, detection and response

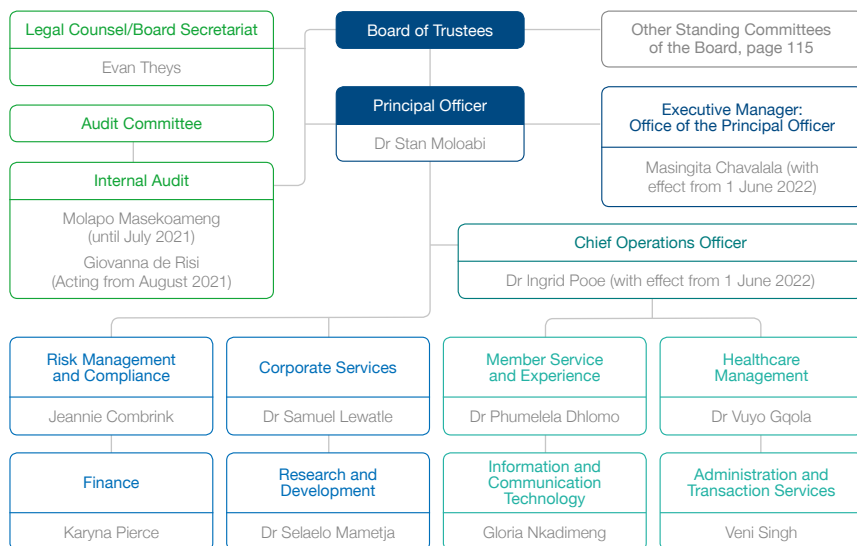
## Outsourced member services

Our member services (administration and managed care) and contracted healthcare provider network are supported by effective procurement and contract management processes:

**Table 4**

Category	Contracted services	Service provider
Service provider network for member services	Member acquisition and advisory services	ASI
	Member and claims administration	Metropolitan Health
	Contribution and debt collection	Medscheme
	Managed care services:	
	<ul style="list-style-type: none"> <li>General managed care services</li> </ul>	Medscheme
	<ul style="list-style-type: none"> <li>Pharmaceutical benefit management</li> </ul>	Medikredit
Healthcare provider services	<ul style="list-style-type: none"> <li>Pharmacy benefit management</li> </ul>	Universal
	<ul style="list-style-type: none"> <li>Strategic managed care</li> </ul>	Universal
	<ul style="list-style-type: none"> <li>Optical management</li> </ul>	Opticlear
	<ul style="list-style-type: none"> <li>Dental management</li> </ul>	DENIS
	<ul style="list-style-type: none"> <li>Emergency medical services management</li> </ul>	Europ Assist
	Out-of-hospital care	Information available from <a href="http://www.gems.gov.za">www.gems.gov.za</a>
	<ul style="list-style-type: none"> <li>Specialist networks</li> <li>Primary networks (GP network, optometry network, dental network, pharmacy network, emergency medical services, chronic back and neck rehabilitation network)</li> </ul>	
	In-hospital care:	Information on contracted hospitals is available from <a href="http://www.gems.gov.za">www.gems.gov.za</a>
	<ul style="list-style-type: none"> <li>Hospital network applicable to Tanzanite One and EVO</li> </ul>	
	Courier pharmacy	Medipost

## The GEMS leadership structure for effective oversight:



For information on our Board of Trustees and ManCo (chief officers and senior managers) go to pages 112 (trustees) and 146 (chief officers and senior managers).

## External operating environment in 2021

Important developments in our external operating environment were considered to determine the possible impact on our ability to create value. A summary of key trends and issues is in Table 5.

## Macro environment

South Africa's existing economic, political and social challenges were amplified by the effects of the coronavirus pandemic, the restrictions on businesses and the ensuing lockdowns. Analysts forecast that the overall GDP would decline by 5.1% to 7.9% over the period and recovery is expected to take the country up to five years (United Nations Development Programme).

The focus of policymakers will be on the economic recovery, following the recession in 2020. Other priorities include the ongoing trials in some state-owned enterprises, rising national debt, increasing fiscal imbalances, and the systemic risk of load-shedding, continuing into 2022 and beyond to hinder the country's recovery.

Transformation, diversity and social inclusion remain areas of inadequate progress.

## Key trends and issues

Table 5

External operating environment	Material matter and impact on GEMS
<p>The public health threat of the Covid-19 pandemic continued throughout 2021.</p> <p>According to various published reports, it has been proven that underlying diseases are associated with increased poor outcomes for Covid-19 patients. The most hazardous comorbidities in fatal cases were hypertension, diabetes and cardiovascular diseases. The more socially and economically disadvantaged a person, the more likely he or she is to suffer from these diseases, which are largely preventable. This also applies to mental ill-health, which is exacerbated by isolation, fear and insecurity.</p> <p>Unemployment, poverty and inequality have been compounded by the Covid-19 pandemic. Any potentially viable response to Covid-19 needs to address all three aspects.</p> <p>In January 2021, the preliminary findings of the Section 59 investigation were released. It found that between 2012 and 2019, black practitioners were more likely to be found to have committed fraud, waste and abuse than their non-black (white) counterparts, by Discovery, Medscheme and GEMS. The panel concluded that there was racial discrimination.</p>	<p><b>Preserving the GEMS brand and reputation:</b></p> <p>Members were largely complimentary about the Scheme's assurance of cover for Covid-19 and support in addressing their healthcare needs.</p> <p>The GEMS brand was enhanced, leading to an increase of 72 345 beneficiaries, 22 578 of whom are principal members.</p> <p>The Scheme's reputation was adversely affected by the findings of the Section 59 report and communication through various channels educated members and key stakeholders that GEMS does not racially profile healthcare practitioners.</p> <p>The personal protective equipment scandal increased the need for heightened governance and surveillance both externally and internally. This is also necessary to eliminate fraud occurring in the chaos of the crisis.</p> <p>The procurement scandals allowed GEMS to communicate how good governance at the Scheme ensures effective management and prevention of corruption. The Portfolio Committee on Public Service and Administration, and the Portfolio Committee on Health both applauded GEMS for its treatment of fraud and corruption.</p>

External operating environment	Material matter and impact on GEMS
<p>However, it found no evidence of explicit racial bias in the algorithms (to the extent that the workings of the algorithms were disclosed) and methods that the administrators and schemes use to identify fraud, waste and abuse. The panel found that the discrimination was in the outcomes of the work performed. The schemes and administrators were also accused of not following fair procedures when implementing their powers under sections 59(2) and (3) of the MSA.</p> <p>On 23 February 2021, the Joint Meeting of the Portfolio Committee on Public Service and Administration, and the Portfolio Committee on Health received a briefing from GEMS and the CMS on the Section 59 investigation interim report on the inquiry into allegations of unfair racial discrimination and procedural unfairness by medical schemes.</p> <p>Ongoing investigations into South Africa's Covid-19 personal protective equipment scandal reveal concerning procurement practices and an alleged lack of accountability.</p> <p>Covid-19 lessons guide investment in prevention and health promotion, as well as in the wider health workforce, tackling avoidable health inequalities and boosting health literacy. Achieving UHC is, therefore, important to resolve the current pandemic, to prepare for future emergencies and to reduce inequality in access to quality healthcare services.</p> <p>The Portfolio Committee on Health started public hearings on the NHI Bill in 2021, giving a wide range of stakeholders an opportunity to participate.</p>	<p>Overall member satisfaction improved significantly in 2021 to 89% from 83% in 2020. Most members retained high levels of confidence and trust in the Scheme, with indicator scores remaining stable.</p> <p>The GEMS brand was strengthened through various direct and indirect engagements with the Scheme's beneficiaries. GEMS partnered with eTV Health Matters to deliver a series of healthcare programmes in addressing member needs, communication strategy requirements and issues affecting public service employees.</p> <p><b>Our member and stakeholder value proposition:</b> From the onset of Covid-19 to end-2021, more than 261 000 members tested positive for the virus, 57 500 of whom were hospitalised at a cost of R6.5 billion.</p> <p>The Scheme's vaccination rate of beneficiaries aged 18 years and above stood at 70% against the country's 46%. A total of R190 million had been paid by 31 December 2021 for 593 000 vaccines and a further estimated R350 million is expected to be paid when the state submits claims for members who were vaccinated at state facilities.</p> <p><b>GEMS' NHI value proposition:</b> The affordability and enhanced benefits of Tanzanite One and EVO continue to grow and serve as reference products for the NHI.</p> <p>In 2021, through representation of health management officials at national health conferences, GEMS demonstrated the internal clinical expertise and capabilities that would be invaluable to the NHI. These conferences included the outcomes measurement and reporting conference, campaigning for cancer webinar and non-communicable disease roundtable discussion.</p>



# 04



# CHAIRPERSON'S OVERVIEW AND OUTLOOK



*Transformation has been a feature of GEMS since inception, driven by financial sustainability considerations, the requirements of the Minister for the Public Service and Administration, key stakeholder expectations and transformation imperatives in the internal and external operating environment. This includes changing national health policy and our implementation of corporate citizenship obligations for economic transformation, our employees and communities.*

We ended our five-year strategic plan of 2017 to 2021 on 31 December 2021, prompting us to take stock of our progress and develop the next plan, covering 2022 to 2026.

The Scheme's achievements against the strategic programmes of the completed plan, made possible by leveraging its capabilities and those of its service provider network (SPN), are summarised on page 49. More information on performance in key areas is available from page 69.

The strategic programme for the insourcing of capabilities gained momentum in 2021 and the Board's strategic oversight responsibilities increased accordingly. The Board established a new standing committee, the Oversight Committee on Strategic Projects and Programmes. The number of Board meetings increased from 15 to 20, compared to the previous year. The additional meetings were mainly to oversee the development of the new strategic plan, the insourcing programme, implementation of associated business continuity arrangements, developing the Scheme's response to the Section 59 investigation interim report, the implementation of the Scheme's stakeholder engagement strategy and for Board decisions

for the rollout of the Covid-19 vaccination programme. The Scheme's achievements over the past five years are testament to effective Board oversight.

A weighted contribution increase of 2.02% was implemented for 2022, with enhancements including an increase of 4.3% on all benefit limits. The Minister for the Public Service and Administration increased the medical assistance subsidy for 2022 and as a result, the contributions paid by members in 2022 reduced in some instances by R79. At the other end of the spectrum, members are paying only R27 more than in 2021. Monthly contributions for Emerald option members who chose to move to EVO dropped by an average of R843 compared to 2021.

Our process of strategy introspection and consultation culminated in a plan designed to consolidate advances made, speed up transformation and build the GEMS of the future. This will take place amid an expected fundamental health system restructure. We remain committed to the NHI and the implementation of the 2019 Health Market Inquiry recommendations to achieve UHC. We will also respond to the Section 59 investigation report and support ongoing transformation in the medical schemes industry. The link between environmental sustainability and health and wellness is becoming ever more apparent and we will leverage the influence of the Scheme to support climate change action and the other Sustainable Development Goals related to health and wellbeing. The GEMS strategic plan for 2022 to 2026 demonstrates integrated thinking and we will work closely with stakeholders to implement the plan successfully.

The Covid-19 pandemic continued in 2021 with the third and fourth waves of the disease experienced in South Africa. The infographic on page 23 shows the impact on our beneficiaries compared to the national and international scenarios from the start of Covid-19 until 31 December 2021:

# COVID-19 Statistics

31 December 2021



TOTAL NUMBER  
OF TESTS

**1 348 402**



HOSPITALISED  
MEMBERS

**57 502**



MEMBERS  
TESTED

**777 984**



NUMBER  
OF DEATHS

**12 353**



MEMBERS TESTED  
POSITIVE

**261 546**

Approximately 1.35 million Covid-19 tests for more than 777 000 members were paid for

Over 261 000 members tested positive, 57 502 of whom were hospitalised

A total of 12 353 of our members unfortunately succumbed to the disease



CASE FATALITY RATE 2.11%  
RECOVERY RATE 98.8%



CASE FATALITY RATE 4.7%  
RECOVERY RATE 91.7%  
TEST POSITIVITY RATE 16.2%



CASE FATALITY RATE 4.7%  
RECOVERY RATE 91.5%  
TEST POSITIVITY RATE 33.6%

More information on the GEMS Covid-19 experience from 2020 to 2021 is available on page 89.

## Section 59 investigation interim report

GEMS submitted a comprehensive response to the Section 59 investigation interim report on 5 April 2021 to correct conclusions drawn on the management of fraud, waste and abuse by GEMS and on the outcomes of GEMS processes.

During 2021, we stepped up our engagements with individual healthcare providers and the associations representing them. An open-door policy is followed to ensure that we proactively deal with problems. Introspection allowed us to make changes in the GEMS Debt Management Policy and standard operating procedures and improve communication to healthcare providers on the management of fraud, waste and abuse.

We introduced a Provider Liaison Officer Unit in 2021 to proactively engage with healthcare providers to provide and receive crucial information needed by healthcare providers who treat our beneficiaries and claim from the Scheme.

## Broad-based black economic empowerment (BBEEE) and transformation

Since inception, GEMS has purposefully advanced BBEEE through its strategy and business model. The outcomes reflected in our value creation process appear on page 42.

Ongoing reviews resulted in a progressive Supply Chain Management Policy that enables the Scheme to apply a range of strategies appropriate for the commodity or product procured by the Scheme. Details of policy transformation progress appear from page 44.

## 2016/17 tender corruption investigation

During 2021, we provided extensive information on the historical background to this matter and on steps taken by the Board to prevent, detect and correct corruption. We cannot over-emphasise the Board's decisive action in terminating the employment of employees and associated contractors where wrongdoing was confirmed by the Scheme's forensic investigation. The matter was handed to the Hawks and a civil recovery process is also underway. We have established an internal forensic investigation unit and an independently managed whistleblowing facility for employees. The GEMS policy environment was reviewed and policy shortcomings addressed. Our ethics culture maturity level was assessed and an ethics management strategy and plan are in place to manage effectively our ethics culture risk.

## Annual general meeting of members

The 2020 and 2021 AGMs were held simultaneously and virtually on 31 August 2021. Members in attendance adopted all resolutions placed before the meeting. The Board and Principal Officer engaged meaningfully with the members and we will seek to build on this meeting format as it enables attendance from members across the country.

## Board of Trustees

The Board appointed an independent firm to investigate a complaint about the 2019 trustee election. The outcome was the removal of a trustee elected in 2019. In accordance with the GEMS Rules, Lebohlang Precious Khumalo (profile on page 114) was appointed for the unexpired period of the term until 24 September 2025.

## Trustee elections

Our 2020 trustee elections that were deferred in 2020 due to Covid-19 resumed in January 2021. The election was concluded in July 2021 and the Board welcomed the following trustees:

Pierre de Villiers (profile on page 114)

Dr Johan Frederik Smit (profile on page 114)

Dr Kobus van Zyl – re-elected (profile on page 113).

## Board composition

After the trustee election, the Board liaised with the PSCBC on the low voter turnout and a task team was established on the transformation of the Board. The team will oversee work to create a Board of Trustees that broadly mirrors the race and gender composition of Scheme membership.

## Outlook

The Global Credit Rating Company (GCR) upgraded our national scale financial strength rating to AA(ZA) from AA-(ZA), with outlook deemed stable. The rating reflects our sustained improvement in reserves in keeping with MSA requirements. Our improved credit rating assures members and stakeholders that the Scheme has sufficient funds to meet and pay claims in a volatile and uncertain future.

Our proaress from 2019 is shown below:



## The main strategic plan performance targets not met in 2021

Table 6

Metric and target	Achieved	How we will achieve the target
Industry-initiated member satisfaction survey: 73%	69.4%	Dedicated workstreams in the GEMS Service Management Forum are focused on issues reported in member satisfaction surveys
Standardisation of basic benefit package (5) across the GEMS range: 70%	66.67%	This target was revised as GEMS is standardising care across four benefit options, excluding Onyx
Product average affordability: >25%	24%	Affordability will be addressed through lower average contribution increases funded through Scheme reserves, where appropriate
Percentage decrease in admission rate on EVO: ≥10	8.4%	The hospital admission rate for EVO is measured in comparison to that of the conventional Emerald option to determine the effect of care coordination. Due to the Covid-19 pandemic, the admission rates across all options were low (including Emerald), making it difficult to measure the performance of EVO. It is expected that EVO performance will normalise in 2022 as the pandemic wanes and admission rates return to expected trends
Specialist network cost coverage: 60%	59%	<p>To grow the specialist network (which will, in turn, improve participation and reduce member out-of-pocket expenses) the Scheme has implemented the following:</p> <ul style="list-style-type: none"> <li>Higher annual tariff increases for network specialists compared to non-network specialists</li> <li>Increased reimbursement for pre-anaesthetic assessment for anaesthetists on the network in 2022. The introduction of this benefit is aimed at not only reducing out-of-pocket expenditure but at improving the Scheme's relationship with anaesthetists</li> </ul> <p>We continue to engage with all specialist societies to address strategic and operational issues to grow the network and improve relationships</p>



Metric and target	Achieved	How we will achieve the target
Alternative reimbursement model (ARM) established: ≥ 12.50%	9.8%	As part of the GEMS initiative to contain healthcare costs without compromising the quality of care, fixed fee, per diem and global fee ARMs have been rolled out since 2015 for 85 common surgical procedures and two mental health admissions. The rollout of ARMs was delayed as elective procedures had to be halted in the light of Covid-19-related hospital and capacity needs. By end-2021, rollout of further ARMs resumed and the Scheme is on track to meet 2022 targets
Data quality: 95%	88%	We will develop a data management strategy, data management framework and standard operating procedures for data ingestion. We will also implement and adopt quality management solutions. Data cleansing processes are planned
% of reports produced by the administrator that can be replicated by GEMS: 70%	60%	Data governance experts, data analytics experts and business intelligence (BI) experts have been hired to expand GEMS' capabilities and develop BI reports on Power BI and other analytics platforms
Member digital services adoption: 50%	41%	In order to achieve adoption targets of the upgraded member mobile app and web portal, the member-facing digital platforms will be taken over by the Member Service and Experience Division. This will be done through focused marketing activities
Progress against insourcing of capabilities plan: 60%	51%	Feasibility studies to gain greater understanding of and insight into the outsourced landscape are planned for completion in 2022. The year will also see a focus on building the Scheme's core information management capacities as an enabler for insourcing. With the completion of these two processes, GEMS will be better placed to drive the insourcing of capabilities plan as part of the 2022 to 2026 strategic cycle
Development and implementation of information security management capability: 95%	90%	Work is progressing very well in the development and implementation of information security management systems based on ISO 27000 standards. GEMS and the SPN will step up efforts to close this project. Optimisation of cybersecurity solutions is ongoing and closely monitored. The Scheme will develop and implement a cybersecurity strategy

Where targets were met and exceeded, the Scheme's established processes for managing claims and service will continue to maintain and improve performance. Focused marketing campaigns, built on our understanding of public service employees, achieve continued membership growth. The new GEMS strategy seeks growth through expanding membership eligibility to employees in the broader public sector.

We will continue to align our products and services to NHI principles and the recommendation of the 2019 Health Market Inquiry. A standardised benefit package is part of that work, with Tanzanite One the reference product. Reducing the number of options offered from six to four though ringfencing is delayed due to ongoing work in the regulatory environment. We will continue to pursue simplification in our product development work. The Scheme's risk appetite going into 2022 was guided by its strong financial position and is watched closely by the Board.

Eliminating avoidable co-payments is a Board priority for 2022. Members can look forward to reduced co-payments and improved services as we continuously innovate using constantly advancing information and communication technology (ICT). As we acknowledge that many members still have no access to online services, established communication and service delivery methods will continue.

We have developed an analysis that considers potential NHI scenarios and our strategic risk register for 2022 to 2026 considers the risk factors that will require attention. The scenarios will depend on factors such as the pace of NHI implementation, which, in turn, will depend on economic recovery; the readiness of the public health sector, and progress in institutional and other reforms necessary for successful NHI implementation. Although Covid-19 has affected the pace of the work, it has enabled policymakers to test important factors such as public and private sector collaboration and integration. GEMS remains committed to supporting NHI and to being a blueprint in demonstrating what UHC means.

## Appreciation

I thank the Honourable Senzo Mchunu (former Minister for the Public Service and Administration); the Honourable Sindisiwe Chikunga (former Deputy Minister for the Public Service and Administration); the Honourable Ayanda Dlodlo, the new Minister for the Public Service and Administration; the Honourable Dr Chana Pilane-Majake, the new Deputy Minister for the Public Service and Administration; Yoliswa Makhasi, the Director General: Public Service and Administration; and the officials in the Department of Public Service and Administration who provided guidance during the year and with whom we enjoyed constructive discussions. We particularly appreciated our working together to formulate the Scheme's response to important matters such as the Section 59 investigation interim report and our liaison with law enforcement on the 2016/17 investigation into tender irregularities.

Our sincere appreciation goes to PSCBC Chairperson, Ingrid Dimo, and General Secretary, Frikkie de Bruyn, for their willingness to consult with the Board and the Scheme. Given the material matters of 2021, our discussions were robust. We look forward to jointly developing solutions that balance beneficiary interests and GEMS sustainability. We recognise the

leadership of the unions admitted to the PSCBC, the National Department of Health and National Treasury for the constructive collaboration in 2021, as we constantly seek durable partnerships to achieve national health objectives.

GEMS trustees again demonstrated resolve to lead the Scheme effectively to the next stage of its transformation towards becoming a blueprint for NHL. The Board did not hesitate to take difficult decisions to deal with unethical conduct and will continue to set the tone at the top. My thanks go to trustees for their hard work and support in stakeholder relationships.

The contribution of Dr Confidence Moloko, Mfariseni Phophi and Nkosinathi Theledi in chairing the Finance and Investment Committee, the Risk, Social and Ethics Committee and the Human Resources and Remuneration Committee respectively, is appreciated, as is that of the independent chairperson of the Audit Committee, Joe Lesejane, who continued to offer frank and forthright advice and guidance to continuously strengthen the Scheme's assurance functions and corporate governance. Thank you, too, to Malande Tonjeni and Carolyn Chalmers, who served on the Audit Committee, the Finance and Investment Committee and the Risk, Social and Ethics Committee.

Dr Moloabi led the GEMS team through challenging circumstances and the Board acknowledges his personal sacrifices and dedication. We pledge our continued support to him and the entire GEMS team.

I acknowledge the Executive Committee (Exco), and staff of GEMS and SPN for maintaining business continuity and ensuring success during another challenging year, and GEMS members for their attendance of the AGM and other Scheme events, and their ongoing input, which is invaluable in improving our services and benefit design.

Without the strategic relationship we have built with the healthcare sector, including healthcare practitioner societies, hospital groups, pharmacy and pathology groups, and claims switching bureaus, we would not have successful networks, improved health outcomes, and improved benefit offerings and member services. Thank you to you all.

The Board is satisfied with the Scheme's operational results for the period ended 31 December 2021.



# 05

# LEVERAGING OUR KEY RELATIONSHIPS TO CREATE VALUE

The GEMS mandate expresses the key expectations and interests from the Minister for the Public Service and Administration, GEMS members and key stakeholders.

**The GEMS mandate informs our value creation statement:**

MANDATE: To ensure that there is adequate provisioning of healthcare coverage to public service employees that is efficient, cost-effective and equitable; and to provide further options for those who wish to purchase more extensive cover.



## Relationship with the Minister for the Public Service and Administration

GEMS is registered as a restricted membership scheme under the MSA, with membership eligibility determined by employment. Under the Rules of GEMS, the 'employer' is defined as the Government of the Republic of South Africa represented by the Minister for the Public Service and Administration. In this capacity, the Minister is affected by the activities, outputs and outcomes of GEMS.

The Scheme is governed by an independent Board of Trustees in keeping with the MSA. In view of the Minister's significant interest and influence in the affairs of GEMS, she/he, or a delegated official, appoints 50% of the GEMS Board of Trustees.

GEMS does not meet the legal definition of 'an organ of state', but provides services exclusively for the benefit of public service employees who join the Scheme. Membership of GEMS is encouraged by the structuring of the medical assistance subsidy, which is a key condition of service of public service employees. The Minister determines the subsidy through the PSCBC collective bargaining process.

The Board of Trustees, supported by Scheme management, liaised during 2021 with the former Minister for the Public Service and Administration Senzo Mchunu and new Minister, Ayanda Dlodlo. A close working relationship was maintained with former Deputy Minister for the Public Service and Administration, Sindisiwe Chikunga, and new Deputy Minister, Dr Chana Pilane-Majake, through regular meetings, quarterly reports and presentations, briefing notes on topical matters and other correspondence.

Discussions in 2021 focused on the Scheme's value proposition, strategic direction, potential as a catalyst for NHI, financial performance, the NHI policy on the consolidation of medical schemes in the public sector, the GEMS response to Covid-19 and support for the vaccination of public service employees, the Section 59 interim report, the 2016/17 investigation into tender corruption and the GEMS 2022 benefits and contribution increases.

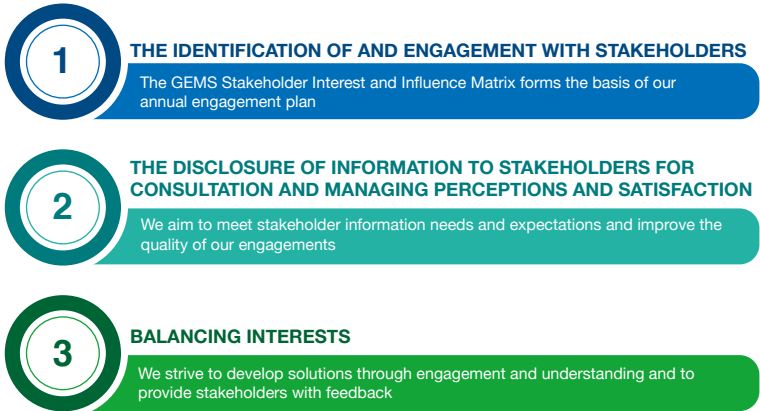
Future engagements will focus on building administrative capabilities to support NHI, ongoing transformation and full implementation of PSCBC Resolution 4 of 2017.

## Arrangements for governing and managing key relationships

GEMS has multiple internal and external stakeholders, and relationship management and engagement are essential to the Scheme's understanding of value creation and to prevent erosion of value.

The roles and responsibilities of the Board, the Clinical Governance and Administration Committee and the Principal Officer in stakeholder management are set out in the GEMS Board Charter, the terms of reference of the Clinical Governance and Administration Committee, the Principal Officer Delegations and the approved GEMS Stakeholder Management Policy, which is reviewed every three years by the Board of Trustees.

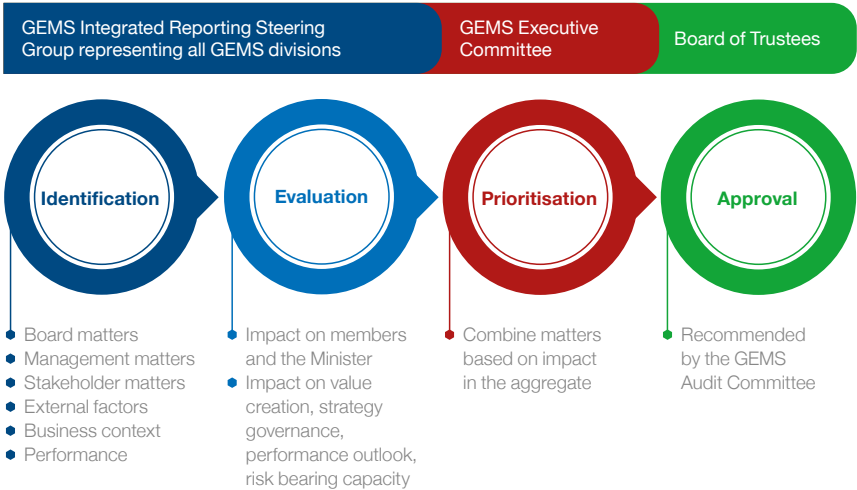
We conduct the following key stakeholder management activities:



Our annual stakeholder engagement plan process:



Our standardised process for choosing material matters for reporting to the Minister and Deputy Minister and our stakeholders:





## Key focus areas 2021:

Table 7

Key relationship objectives by stakeholder and link to strategic objective (SO)	Our discussions with stakeholders in 2021	Engagement results
<p>Informed and satisfied members</p> <p>SO1</p>	<p>Communication and marketing campaigns using multimedia to:</p> <ul style="list-style-type: none"> <li>Encourage take-up of EVO and Tanzanite One</li> <li>Provide member education on using the call centre interactive voice response, self-help channels and walk-in centres</li> <li>Encourage the take-up of Covid-19 vaccination</li> </ul>	<p><b>Preserving the GEMS brand and reputation:</b> Member satisfaction score surveyed independently increased to 89%. Complaints ratio of 0.09% achieved.</p> <p><b>Member and stakeholder value proposition:</b> Members pay 15% less on EVO than on Emerald. Covid-19 vaccination take-up of over 70% of beneficiaries 18 years and older.</p>
<p>Regulatory compliance and responsible decision-making</p> <p>SO5</p>	<p>We responded comprehensively on the Section 59 interim report to the Section 59 investigation panel</p>	<p><b>Preserving the GEMS brand and reputation:</b> Our legal response to the report provides context and refutes racial discrimination in the outcomes of conclusions on fraud, waste and abuse management.</p>
	<p>We provided the CMS with information to close a Section 43 inquiry on payment of prescribed minimum benefits (PMB) accounts from PMSAs</p>	<p><b>Member and stakeholder value proposition:</b> We have demonstrated that the matter has been resolved, with ongoing monitoring to prevent avoidable recurrence.</p>
	<p>We engaged with the Information Regulator on compliance to the Protection of Personal Information (POPI) Act</p>	<p><b>Preserving the GEMS brand and reputation:</b> We proactively drive compliance by receiving regulatory guidance.</p>
	<p>We engaged with the Financial Sector Conduct Authority on the registration of GEMS as a category 1 financial services provider</p>	<p><b>The GEMS insourcing programme for building capabilities:</b> We laid the groundwork for full insourcing of member advisory services.</p>

Key relationship objectives by stakeholder and link to strategic objective (SO)	Our discussions with stakeholders in 2021	Engagement results
<p>Durable partnerships to optimise the GEMS value proposition</p> <p>SO1</p>	<p>We engaged with the PSCBC and the GEMS PSCBC Working Group on:</p> <ul style="list-style-type: none"> <li>Our response to the Section 59 interim report</li> <li>GEMS benefits and contributions for 2022</li> <li>The GEMS 2016/17 tender corruption matter that resurfaced in the media</li> <li>The composition of the GEMS Board of Trustees after the 2021 trustee elections, including the low voter turnout</li> <li>The implementation of the Covid-19 workplace vaccination programme for public service employees through a partnership with the Department of Public Service and Administration</li> </ul>	<p><b>Member and stakeholder value proposition:</b></p> <p>The PSCBC conveyed expectations of member needs. It expressed concern over and opposition to the 2.02% contribution increase for 2022. Through consultation, a proposal on the provision of multivitamins to members was developed and approved by the GEMS Board of Trustees.</p> <p><b>Preserving the GEMS brand and reputation:</b></p> <p>The PSCBC was informed of the status of the 2016/17 tender corruption investigation. The PSCBC was consulted on initiatives planned to address low voter turnout in trustee elections.</p> <p>The PSCBC was informed of workplace Covid-19 vaccination programme progress.</p>
<p>We strive to be an ethical organisation</p> <p>SO5</p>	<p>We consulted employees through an ethics risk assessment to determine the GEMS ethics culture maturity level and to identify aspects negatively affecting our ethics culture</p>	<p><b>Member and stakeholder value proposition:</b></p> <p>An ethics management strategy and plan were developed through consultation. These include initiatives to address employee concerns on perceived unfair practices such as workplace bullying.</p>

Key relationship objectives by stakeholder and link to strategic objective (SO)	Our discussions with stakeholders in 2021	Engagement results
<p>We strive to be an ethical organisation</p> <p>SO5</p>	<p>We discussed with healthcare providers:</p> <ul style="list-style-type: none"> <li>Our operational response to the Section 59 interim report</li> <li>Our zero-tolerance policy on fraud, waste and abuse</li> <li>Forming strategic partnerships and promoting value-based care initiatives</li> </ul>	<p><b>Preserving the GEMS brand and reputation:</b></p> <p>Healthcare provider complaints on the Scheme's management of claims risks were addressed through direct access to Scheme management. Our operational management of claims risk processes were refined.</p> <p>Through our strategic partnerships, we have built successful networks, realised improved health outcomes and improved benefit offerings.</p>
<p>Supporting government in progressing NHI and the achievement of NHI objectives</p> <p>SO4</p>	<p>Under the guidance of the Deputy Minister for the Public Service and Administration, we engaged with the Minister of Health, the Deputy Minister of Health and the National Department of Health on:</p> <ul style="list-style-type: none"> <li>The Scheme's capabilities to support the implementation of NHI</li> <li>The rollout of the Covid-19 vaccination programme for public service employees</li> </ul>	<p><b>GEMS' NHI value proposition:</b></p> <p>We have started to build awareness on the benefits of using GEMS' capabilities to advance the NHI.</p> <p>An estimated R350 million is expected to be paid when the state submits claims for members who vaccinated at state facilities.</p>
<p>A sustainable and capable GEMS through insourcing of services</p> <p>SO5</p>	<p>We engaged with contracted providers for member services, through a transaction advisory panel, to develop feasibility reports for insourcing of member services</p>	<p><b>GEMS' NHI value proposition:</b></p> <p>We have laid the groundwork for further capabilities that government may use in setting up NHI.</p> <p><b>The GEMS insourcing programme for building capabilities:</b></p> <p>GEMS-contracted SPN providers collaborated well on developing feasibility studies.</p>

## Key focus areas for 2022

Aligned to the GEMS strategic plan for 2022 to 2026, the focus of 2022's engagements will be to:

- Support the advancement of NHI and the Scheme's strategic plan initiatives and programmes
- Transform the Board of Trustees election and appointment process
- Obtain stakeholder buy-in for product development and benefit design requirements
- Optimise use of preventive healthcare benefits available to GEMS beneficiaries, including Covid-19 vaccination
- Achieve member awareness to reduce avoidable co-payment
- Achieve enrolment targets for EVO and Tanzanite One
- Respond to the Section 59 report once the final report is released.





# 06

# OUR BUSINESS MODEL OUTCOMES

In this section, we disclose our value creation process and its important outcomes. More information on our main business activities, being the core of our value creation process, is provided in the organisational overview on page 15.

We use and transform financial, social and relationship, intellectual, human, manufactured and natural capital to create value for our members and stakeholders. Capitals are stocks of value that are increased, decreased or transformed through the activities of organisations. Financial capital, for example, is increased when an organisation makes a profit, while the quality of human capital is improved when employees become better trained.<sup>1</sup>

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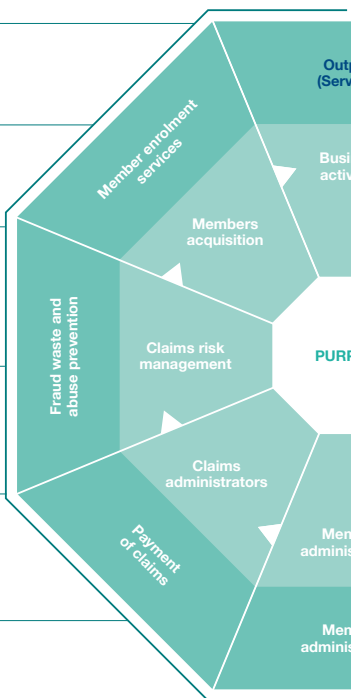
<sup>1</sup> International Integrated Reporting Framework, 2021

# GEMS VALUE-CREATING BUSINESS MODEL

## OUR SIX CAPITALS

## ENABLE VALUE BUILDING ACTIVITIES

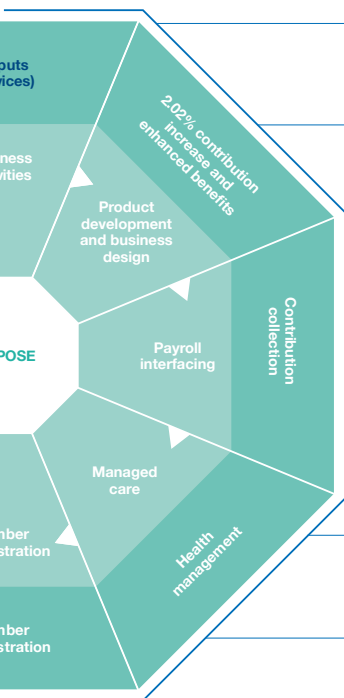
DESCRIPTION	INPUTS
<b>FINANCIAL CAPITAL</b> The pool of funds which includes contribution collection, invested funds and accumulated surplus	<ul style="list-style-type: none"> <li>Contribution Income: R47 989 686 788,49</li> <li>Invested Funds: R26 423 685 864</li> </ul>
<b>INTELLECTUAL CAPITAL</b> Our proprietary (IntelliGEMS) and licenced technologies, software, procedures and protocols support our competitive advantage	<ul style="list-style-type: none"> <li>Insourcing of capabilities(Transaction Advisory Panel) costs: R2 685 396,95</li> <li>In-house systems development and costs: R73 000 000,00*</li> <li>Product Development (Actuarial) costs: R564 509,13</li> </ul>
<b>HUMAN CAPITAL</b> Our peoples' competencies, capabilities, experience, including their ability to align to the strategy and Scheme ethical culture	<ul style="list-style-type: none"> <li>Employee remuneration: R294 624 128,22</li> <li>Training investment: R7 930 028,40</li> <li>Recruitment spend: R1 140 730</li> <li>Internship Programme established</li> <li>Trustee and Independent Committee Member Remuneration: R11 307 740,02</li> <li>Employee Support Programme</li> </ul>
<b>SOCIAL AND RELATIONSHIP CAPITAL</b> GEMS strong relationships with our Principals, members, employees, contracted SPN, customers, employees, and communities.	<ul style="list-style-type: none"> <li>Brand and reputation spend: R12 978 056,58</li> <li>Stakeholder management: Preparation and meetings</li> <li>Socio-economic development grants: R1 698,23</li> <li>Developing supplier support programme spend: R2 610 056,96</li> <li>PLO and CLO Investment</li> </ul>
<b>MANUFACTURED CAPITAL</b> Our investments in infrastructure help manage our environmental footprint and enable access to for members and employee information	<ul style="list-style-type: none"> <li>GEMS Vutomi House Maintenance: R1 259 237,54</li> <li>CLO Offices infrastructure spend (rental and costs): R8 738 606,47</li> <li>ICT infrastructure and application investment</li> <li>SPN Contracted Global Fee: R2 489 260 898</li> <li>Healthcare Provider Infrastructure</li> </ul>
<b>NATURAL CAPITAL</b> Our environmental stewardship with respect to our consumption of energy, water and paper in conducting business activities	<ul style="list-style-type: none"> <li>Recycling waste management fee: R133 234,48</li> <li>Vutomi House: Energy efficient building with water preservation system R1 616 393,01</li> </ul>



\*Multichannel platforms such as the GEMS website, member app and portal

\*Customer relations management for PLOs





OUTCOMES	STAKEHOLDERS IMPACTED
<b>FINANCIAL CAPITAL</b> <ul style="list-style-type: none"> <li>Global Credit Rating (Outlook: Positive Stable)</li> <li>Tariff Negotiation Savings: R385 000 000,00</li> </ul>	Our claims payment ability: Members, The Minister for Public Service and Administration, National Treasury and the PSCBC
<b>INTELLECTUAL CAPITAL</b> <ul style="list-style-type: none"> <li>Intelligence (EWRP) with intellectual capital captured</li> </ul>	Our ability to create value benefits all stakeholders but especially Members and Employees
<b>HUMAN CAPITAL</b> <ul style="list-style-type: none"> <li>Employee performance movement</li> <li>Movement in employee turnover</li> <li>Top Employer Award (Certified Excellence in Employee Practices)</li> <li>Employee wellness maintained</li> <li>Three graduates employed to join the Rural Internship Programme for a period of 12 months funded through the SETAs discretionary grants.</li> <li>Wealth Management Learnership (NQF Level 5) for 32 Client Liaison Officers</li> </ul>	Employees enjoy reward structures linked to individual performance, scheme performance and value drivers Members benefit from Client Liaison Officers who continuously grow in their ability to service members
<b>SOCIAL AND RELATIONSHIP CAPITAL</b> <ul style="list-style-type: none"> <li>Finalist in ABSA Supplier Development Awards</li> <li>Beneficiary Health Outcomes</li> <li>Average contribution increase of 2.02% for 2022</li> <li>Member Satisfaction Scores improved</li> <li>Provider Engagement</li> <li>SPN B-BBEE Contributor Status of 67% Level 1 &amp; 33% Level 2</li> </ul>	Members: Affordable contributions enable access to healthcare Contracted service providers Communities: 9 ESD Beneficiaries on supplier support program in 2021 & 20 Beneficiaries provided with non-monetary support (coaching, mentoring, website design & business plan development)
<b>MANUFACTURED CAPITAL</b> <ul style="list-style-type: none"> <li>Employee access to resources</li> <li>Beneficiary and healthcare provider access to services and information</li> <li>Enablement of Scheme operations</li> </ul>	Employees: Continued performance improvement Effective service delivery infrastructure enable member access to services
<b>NATURAL CAPITAL</b> <ul style="list-style-type: none"> <li>5 Star rated green building by the Green Building Council South Africa</li> <li>Waste to recycling instead of landfill</li> </ul>	Communities: GEMS support for sustainable development goals focussed on climate change action and reduction of pollution

LEGEND:

- Value creation
- Value preservation
- Value erosion

**Driving transformation through procurement:** GEMS drives transformation through a progressive Supply Chain Management (SCM) Policy. Below is a schematic of the GEMS progressive transformation journey.



#### ALREADY IN 2010

- Allocated 30% of evaluation criteria for bids and formal quotes towards BBEE level contributor status of a bidder
- Promote black-owned and black-empowered companies through its supplier database



#### FROM AUGUST 2012

- Added bonus and penalty points up to 30% evaluation criterion
- Bonus to promote joint ventures with exempt micro enterprises or qualifying small enterprises
- Penalty as disincentive against scoring zero on any code element
- Restriction on number of contracts per provider to ensure more opportunities for small players



#### FROM 2014

- Introduce limit to number of contracts awarded and value of contracts to be held in GEMS by one provider or its group structure to avoid creation of monopolies through GEMS procurement
- Compulsory 5% black subcontracting mechanism/black designated group employment promotion/NHI promotion condition on SPN contracts
- Enhance supplier database to provide for mature and developing suppliers to provide more opportunities for small and new players
- Introduce a developing supplier support programme to promote support to small providers on non-core functions
- Promote forming joint ventures with restricted parties to transfer and grow skills while protecting small players and ensuring they execute the largest part of contract
- Panels to be established must include appointment of one new entrant



#### FROM JUNE 2016

- Introduce 60 days closing to accommodate small players
- Provide five days to rectify administrative non-compliance
- Introduce bonus point for bidders who have not done work for GEMS before to equalise with those who know GEMS environment



#### FROM JANUARY 2019

- Various BBBEE strategies built in policy to promote
- Customised transformation strategies and BBBEE formally assessed in bids above informal quotation threshold
- Introduce BBBEE improvement plan into at least all SPN contracts
- Allow providers to tender for separate categories in panels to expand opportunities for small suppliers with limited resources



#### FROM JANUARY 2021

- Increase compulsory SPN subcontracting to 30% and expand employee definition to include black people with a focus on African and black women
- Consider Scheme's transformational objectives, ensure national coverage, black ownership, formally promote transformation through core function networks
- Split original 30% BBBEE scoring criteria into 2020/21 where 10% now additionally promote black ownership and black women ownership
- On equal offers, preference now given to bidder who is at least 51% black-owned and/or at least 30% black women-owned with black woman ownership taking preference
- Introduced full BBBEE Policy and BBBEE Strategy in addition to the SCM Policy



07

# GEARING FOR UNIVERSAL HEALTH COVERAGE THROUGH NATIONAL HEALTH INSURANCE – THE GEMS STRATEGY

For the five-year period of 2017 to 2021, GEMS' operations was guided by its strategic plan to become the blueprint for NHI in South Africa. The strategic plan was developed in 2016 in response to a changing external operating context, best illustrated by the impending NHI, and challenging internal operating context reflected by our historically low reserve ratio in 2016 and governance challenges.

The plan was executed in three phases by delivering against six strategic objectives as illustrated below:



The capabilities of GEMS and its contracted service providers were leveraged through centrally managed and strategically aligned programmes and projects, the outcomes of which are summarised below.

**Table 8**

Phase	Programme	Main outcomes
<b>Phase 1: Stabilise for sustainability</b>	Claims Management Programme addressing all identified claims risks	Global credit rating of AA achieved with Outlook: Stable
<b>Phase 2: Redesign for growth and efficiency</b>	Service Management Programme  Product development and benefit design	Overall member satisfaction measured independently improved significantly in 2021 to 89%  Product alignment to NHI principles achieved for Tanzanite One and EVO
<b>Phase 3: Innovate member value proposition</b>	Insourcing of capabilities workstudy and capacity modelling  ICT Innovation and Development	Four services fully insourced, including member health and wellness events  Managed care services clustered for enhanced efficiency and in preparation for insourcing  Online member services established

We disclose our performance against the 15 key performance indicators and related targets in Part 9 of the report (page 70)

# Five-year strategic plan for 2022 to 2026

GEMS seeks to align its strategy to Sustainable Development Goals and targets. As a medical scheme, its resources will support Global Goal 3: **ENSURE HEALTHY LIVES AND PROMOTE WELLBEING FOR ALL AT ALL AGES**





**Target 3.8 of Goal 3:** Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

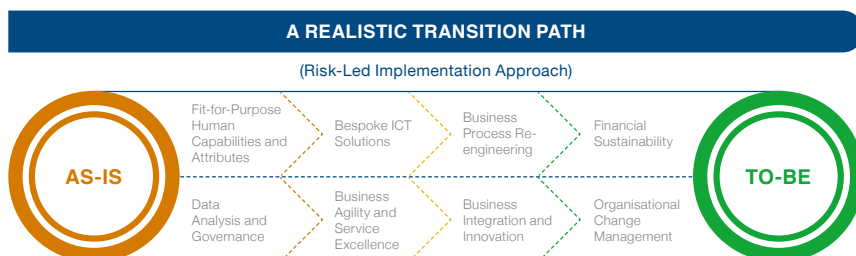
We have identified six key strategic objectives and priorities to support the 2022 to 2026 strategy, 'To be the blueprint of NHI and ready for UHC'. NHI will continue to influence the future of GEMS, with the aftermath of Covid-19 intensifying the discourse.

Enhanced focus will be required to demonstrate capability and support for NHI by building strong strategic relationships with key stakeholders, creating industry support, aligning with the basic benefit package, using data science and fast-tracking the administrative capability of GEMS, and demonstrating a commitment to client and member needs. The primary aim over the period will be to accelerate the insourcing of capabilities to build competitive advantage and demonstrate GEMS' corporate citizenship responsibility. The development and implementation of community support initiatives that aligns to Sustainable Development Goal 3 – 'Good health and wellbeing' – is a new focus area.

The rigorous insourcing programme is a crucial business transformation programme aligned to the Scheme's strategic journey to self-administration. It will fast track administrative capability and position GEMS as a key player in UHC through the NHI Bill by insourcing strategic services to drive operational efficiencies while positioning GEMS as a strategic industry-leading player. The current outsourced, fragmented operating model will become a challenge of the past. The programme involves:

- \* **Clustering of services** for less duplication of effort and overlap in business processes, and ensuring a single point of accountability and efficiencies.
- \* **Building internal capabilities** to promote control and transparency, and foster the building of intellectual property for the Scheme.
- \* Investment in **healthcare information systems**, including data-based healthcare decision-making systems for greater responsiveness and improved health outcomes for members.

The future model will encompass the areas depicted below:



The Scheme will pursue these strategic objectives and associated priorities in 2022:

2022 strategic objective	Priorities
Be an organisation that is effective in communication and decision making, responsive to its changing environment and striving to create value for its key stakeholders	<ul style="list-style-type: none"> <li>Enhance member and provider satisfaction, strengthen key stakeholder relationships and communication to members on benefits</li> </ul>
Maintain the organisation's position of financial strength, while driving towards transformation and sustainability through the optimisation of the other capitals too, namely natural, social and relationship, intellectual, human and operational capitals	<ul style="list-style-type: none"> <li>Maintain financial stability</li> <li>BBBEE transformation</li> </ul>
Support the progressive realisation of UHC, through solutions such as the NHI, strategic purchasing, insourcing of capabilities and other key elements of integrated and coordinated care	<ul style="list-style-type: none"> <li>Insourcing of capabilities</li> </ul>
Be an agile data-driven scheme that leverages research, information, technology and platforms to manage risk, create disruptive innovations and contributes to clinically appropriate, socially responsible and cost-effective interventions, to improve the health of our members	<ul style="list-style-type: none"> <li>Eliminate co-payments</li> <li>Advance Intelligems as an enabler of Scheme's strategic intent</li> </ul>
Retain and grow membership through organic and inorganic streams	<ul style="list-style-type: none"> <li>Membership growth strategy</li> <li>Consolidation of public sector schemes</li> </ul>
Be a good corporate citizen, prevent or reduce negative impacts on the environment and function as an ethical, caring, innovative leader in the South African healthcare sector	<ul style="list-style-type: none"> <li>Ethical culture improvement</li> </ul>





# 08

# MANAGING OUR RISKS TO ACHIEVE OUR STRATEGIC PLAN OBJECTIVES

## Governance of risk

The Board retains overall accountability for the governance of risk and is committed to effective risk management in pursuit of strategic objectives. The GEMS Risk, Social and Ethics Committee is responsible for the governance of risk on behalf of the Board, and reviews and assesses the integrity of risk management processes. The committee works closely with the Audit Committee to ensure that these processes comply with governance requirements and standards and that they are implemented.

The GEMS Exco is the owner of risks, and entrenches risk management, supported by the enterprise risk management function, which is the owner of the risk management framework, and entrenches a risk management culture, while facilitating risk management and integration across the business.

## Risk management commitment

At GEMS, we understand our responsibility to balance risk and reward while pursuing our goals. We appreciate that managing risks effectively opens opportunities otherwise not possible. The Scheme is firmly committed to robust risk management as a fundamental pillar to business sustainability. Operating in the medical scheme sector in South Africa, GEMS is exposed to financial, political, legal, regulatory, technology, health and other risks that could potentially affect achievement of goals.

The Scheme views risk management as a continuous, proactive and systematic process, built on robust principles and practices in a risk intelligent entity, informing its decisions and actions to deal with and benefit from uncertainties while pursuing goals. We call it our risk-led approach.

## Risk management strategy

GEMS' risk management strategy is to manage risks that may impact business sustainability internally and externally. Our risk management process, also covering our outsourced service

providers, enables us to manage our risk profile within our risk appetite. Through combined assurance, our management and Board of Trustees transparently report on our performance to stakeholders.

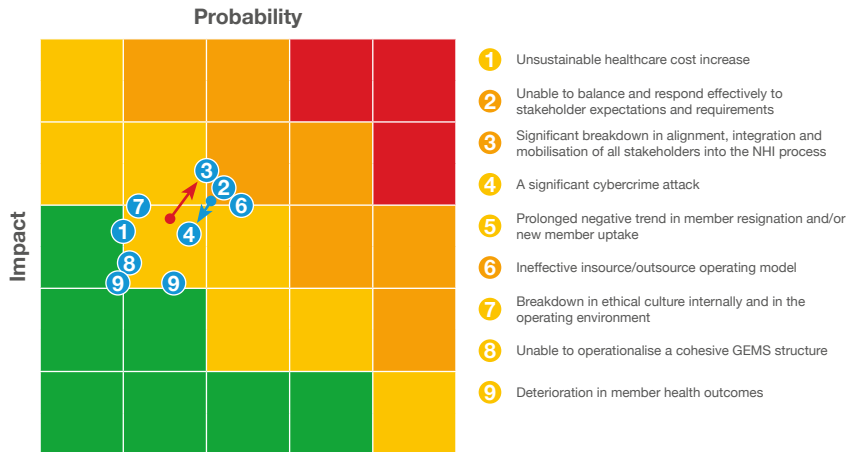
GEMS' risk universe illustrates its specific risk environment comprising sources of risks. This represents the minimum scope of application of our risk management processes and is segmented into three levels – purpose, strategy and operational. We continuously review and update the risk universe to ensure it remains an accurate representation of our strategic and operating environments. We anchor each identified risk against its purpose, strategy and operational activity to enable decision-makers to contextualise and understand the interrelationships among our activities and our risks.

PURPOSE	LONG-TERM SUSTAINABILITY										
	Strategic Business Fit			Subsidisation			Mergers and Acquisitions Business Case				
	RESILIENCE AND FINANCIAL SUSTAINABILITY			OPERATIONAL EXCELLENCE			GROWTH				
STRATEGY	Claims Experience Utilisation Healthcare Supply Solvency Contribution			Capabilities Operational Efficiency Stakeholder Satisfaction			Coverage Member Satisfaction Health Outcomes				
	VALUE CHAIN OPERATIONS										
OPERATIONAL/PROCESS	Product Development		Sales and Marketing		Contribution and Debt		Healthcare Management		Membership Administration		Claims Management
	SUPPORT FUNCTIONS OPERATIONS										
	Information	ICT	Business continuity management	Assurance	Stakeholders	Project and Deviation Management	Fraud, Waste and Abuse	Human Capital	Financial Operations	Occupational Health and Safety and Facility Management	

**Risk appetite, tolerance and risk-bearing capacity** demarcate various levels of risk that allow GEMS to escalate and deal with risk aligned to the delegation of authority. **Risk appetite** constitutes the amount of risk that the Scheme is willing to take in pursuit of significant goals, and which, if breached, may prevent achievement of objectives and targets. **Risk tolerance** represents the level of risk that, if breached, may materially harm the Scheme's reputation and delivery on its mandate. **Risk-bearing capacity** is the maximum risk the Scheme can accommodate, which, if breached, may deplete the Scheme's capitals. We recognise the importance of aligning our risk universe and risk appetite metrics with the impact of our financial, manufactured, intellectual, human, social and relationship and natural capitals. It allows us to deal with risk appropriately depending on severity. Risks are reviewed annually and submitted to the Board for approval.

## Top risks facing the Scheme

The GEMS top risks are reflected in the heatmap below and discussed from page 58 in the context of the strategic objectives outlined in the strategy and resource allocation section of the report (page 47). These are monitored by the Board and committees of the Board. All top risks are adequately managed, with no risks exceeding the risk-bearing capacity (red), while three risks exceed the Scheme risk tolerance levels (orange). These are dealt with as priorities where risk controls are actively monitored for effectiveness, and continuously assessed for possible improved and additional risk controls.



## #1 Unsustainable healthcare cost increase

### Strategic objectives:

Be a strategic purchaser of healthcare services by leveraging GEMS' unique positioning and relationships

Advance financial strength and drive the Scheme to a position of long-term sustainability

**Capitals:** Financial

**Horizon:** Short- and medium term

### Associated opportunity:

GEMS can offer rich benefits and highly competitive contributions while ensuring financial sustainability

The Scheme continued to reap the benefit of favourable negotiated tariffs, thus supporting lower healthcare expenditure. Medicine expenditure also continued to benefit from substitution, but the Scheme could not access antiretrovirals (ARVs) at state tender prices. ARMs continue to be expanded and support cost containment, albeit slower than desired.

Covid-19 remained the dominant risk to the claims experience for the second year, with the year closing on the back of the fourth wave. The claims profile of this wave was favourable, with lower high-cost hospital admissions rates. The net impact of Covid-19 on healthcare cost remains positive, evident in the significantly-better-than-budget performance. Covid-19 claims continue to be offset by lockdown-induced reduction in utilisation rates. The Covid-19 outlook depends on future lockdown measures, the effectiveness of vaccine rollout strategies and the vaccines themselves. After initial vaccine supply constraints and uncertainty relating to efficacy, vaccination programmes are progressing well, yet not at the desired pace. That the fourth wave passed without extreme lockdown measures may point to higher immunity levels, effectiveness of immunisation and healthier social behaviour. It may also indicate that the disease is moving from pandemic to endemic status.

These factors will be considered in the 2022 benefit design process. Although healthcare cost shows significant uncertainty (and thus risk), the Scheme's substantial reserves mitigate this, while providing a substantial foundation to respond to extreme pressures on contributions and member affordability.

The Scheme's fraud, waste and abuse programme is progressing, with a positive trend in KwaZulu-Natal, where the regional claims differential has dropped compared to other provinces. This was particularly noticeable during the Covid-19 period.

Key risk-treatment programmes and activities:

- Claims management programme, including underwriting, protocols, peer review, and fraud, waste and abuse management
- Tariffs and fees negotiation process combined with the establishment of healthcare networks
- Sourcing initiatives
- Risk-based benefit design process.



## #2 Unable to balance and respond effectively to stakeholder expectations and requirements

### Strategic objective:

Be an organisation that is effective in communication, proactive in decision making and accountable to all stakeholders

**Capitals:** Social and relationship

**Horizon:** Short- and medium term

### Associated opportunity:

GEMS will be strongly positioned to balance effectively a broad range of complex stakeholder requirements

Member satisfaction levels continued to improve throughout the year, peaking at 94%, with a propensity to promote GEMS at 96%. The GEMS product and service metrics continued to improve, reaching extremely positive levels. Areas for further improvement are the management of complaints, reducing co-payments and improving affordability.

There was opposition to the Scheme's 2021 contribution increases amid the public service wage increase freeze and the country's economic realities. This, however, was not unique to GEMS and affected the entire industry. The Scheme responded with a risk-based and holistic approach to member expectations as part of the benefit design process. Its substantial reserves remain key to balancing rich benefits, health risk protection and affordable contributions in the current economic climate.

The Section 59 report harmed the reputation of many medical schemes amid allegations of racial profiling of healthcare practitioners during fraud, waste and abuse processes. The matter has not been laid to rest and the Scheme continues to cooperate with the investigation. A successful GEMS symposium was hosted and constructive engagements continued with healthcare provider associations, at which the Section 59 report was discussed. The newly established PLOs continue to strengthen relationships and communication with the Scheme's healthcare providers.

Key risk-treatment programmes and activities:

- Service management forum initiatives to secure service excellence
- Scheme risk-based benefit design processes
- Reputation management capabilities
- Extensive marketing and brand management, focused especially on promoting Tanzanite One and EVO
- Response to the Section 59 investigation.

### #3 Significant breakdown in alignment, integration and mobilisation of all stakeholders into NHI process

#### **Strategic objective:**

Shape the transformation of the healthcare industry towards universal healthcare, coordinated across the healthcare ecosystem

**Capitals:** Social and relationship, human, intellectual property      **Horizon:** Medium- to long term

#### **Associated opportunity:**

GEMS can substantially and meaningfully contribute to realising UHC

Covid-19 strongly emphasised the need for universal health coverage for all South Africans. Yet its devastating effect on the already constrained economy negatively affects state resources and affordability. Consequently, the exact implementation timeframes are not certain.

The Scheme has publicly expressed support for NHI and UHC through a number of key stakeholder engagements. GEMS positions itself as a key enabler for an accelerated transition to NHI, as it possess the expertise. It has developed blueprints for NHI in the highly affordable Tanzanite One, proven care-coordination, healthcare management, wide eligibility and efficient cross-subsidisation – these are fully aligned to the founding principles of NHI. The Scheme enjoys industry-leading operating efficiencies, robust governance, financial sustainability and very high levels of member satisfaction.

Key risk-treatment programmes and activities:

- Comprehensive NHI stakeholder engagement strategy
- Ongoing NHI policy research and alignment
- Provider and member service excellence
- Continued research and development towards improvement and alignment of benefit options to NHI principles (in particular Tanzanite One and EVO)
- Insourcing of capabilities programme to simplify the Scheme's complex administration model, aligned to the envisaged NHI operating model.

## #4 A cybercrime attack

### **Strategic objective:**

Be an agile, data-driven scheme that leverages people, systems and processes to derive value for the member

**Capitals:** Financial

**Horizon:** Short- and medium term

### **Associated opportunity:**

Secure digital approaches, providing exceptional member and provider experience while safeguarding privacy

Globally and locally, cybercrime continues to rise with, again, significant cyber-attacks in South Africa. Cybercrime is widespread across industries, as indicated in SPN risk registers. The GEMS member information held across multiple providers in the SPN remains a key vulnerability.

Progress has been significant in implementation of the Scheme-approved Information Security Management System (ISMS) at head office and across the SPN. The information security maturity assessments conducted at the Scheme and the SPN were favourable. All SPN providers plan to improve to level four (of five), and steady progress is evident. The Scheme also requires the SPN to hold cybercrime insurance and has improved compliance mechanisms for this.

A related aspect in this risk category is business continuity management, which refers to the Scheme's ability to recover from disasters, which can include events such as cybercrime. The Scheme is implementing additional capacity and is also conducting a business impact assessment at head office. However, this programme will need to be expanded to cover the SPN.

The POPI Act is also introducing additional compliance and legal risks. Ensuring full compliance and integration across the Scheme-outsourced SPN environments was driven through a comprehensive POPI Act compliance programme.

Key risk-treatment programmes and activities:

- ISMS at head office and at service providers
- Adequate insurance for cybercrime at head office and at service providers
- Business continuity and disaster recovery policies and protocols
- POPI Act compliance at head office and at service providers.

## #5 Prolonged negative trend in member resignation or new member uptake

### **Strategic objective:**

Sustainably grow membership, ensuring inclusion and progressive cross-subsidisation

**Capitals:** Financial, social and relationship

**Horizon:** Short-, medium- and long term

### **Associated opportunity:**

To deliver affordable healthcare to all government employees, combined with the broadest eligibility criteria

Member growth continues to be significant for the currently mandated segment. Very positive levels of member satisfaction and introduction of rich and cost-effective benefits are precursors for further growth. Significant progress is reported on salary levels one to five employee coverage, currently exceeding the 60% target.

The Scheme introduced comparatively low contribution increases, combined with increased benefits. However, reaction has not been positive, since members are experiencing severe financial pressures linked to the government wage increase freeze and the country's economic realities. The Scheme responded with a risk-based and holistic approach to member expectations as part of the benefit design process. Substantial reserves remain key to balancing rich benefits, health risk protection and affordable contributions in the current economic climate.

Growth in EVO and Tanzanite One uptake is important. These options allow for high affordability. The switch from Tanzanite One to EVO – which reduces member contributions without compromising quality of benefits – was prioritised, with active and highly targeted marketing. Public servants received an increase in medical assistance subsidies above the consumer price index (CPI), which reduced the net impact of contribution increases.

The consolidation of all public sector schemes into GEMS has been delayed, partly due to Covid-19. This remains a key strategic initiative to dramatically grow membership. The widening of eligibility criteria, which will spur Scheme growth, has also been delayed.

Key risk-treatment programmes and activities:

- Service management programme
- Growing GEMS coverage of salary levels one to five employees
- Benefit design that drives affordability
- Marketing and education campaign
- Public sector scheme consolidation
- Widening of eligibility criteria.

## #6 Ineffective insource/outsource operating model

### **Strategic objective:**

Be an agile, data-driven scheme that leverages people, systems and processes to derive value for the member

**Capitals:** Human, intellectual property

**Horizon:** Medium- to long term

### **Associated opportunity:**

GEMS can deliver superior member value, combining industry leading non-healthcare cost with seamless service delivery

Insourcing of capabilities is a significant and complex project to streamline the Scheme's operating model for efficiency. Consequently, it is executed through a robust stage-gate risk-led approach that avoids exposure to levels of risk. This proven methodology requires that the programme progresses in manageable stages, namely strategy definition, prefeasibility, feasibility, design, dealmaking and implementation. An activity must be completed before the next is started. Robust project governance is essential to mitigate the project execution risk.

This programme consists of several discrete projects, each to implement distinct capabilities, which are then integrated to form the total administration capabilities of the Scheme. The programme, therefore, takes cognisance of crucial interdependencies. It is resource intensive and spans the entire organisation. Resource requirements are determined across both the programme and the Scheme portfolio of initiatives. The pace of implementation is matched to the resource capacity to avoid overloading or disrupting the organisation while it needs to deliver on the current priorities. Robust change management (aligned to the size and complexity of the programme) is integral and existing and new systems operate in parallel for a time to ensure stability.

Key risk-treatment programmes and activities:

- Robust project governance
- Stage-gate risk-led approach
- Programme change management
- Resource optimisation
- Specialist, dedicated project resources.

## #7 Breakdown in ethical culture internally and in the operating environment

### Strategic objectives:

Be an agile, data-driven scheme that leverages people, systems and processes to derive value for the member

Be effective in communication, proactive in decision-making and accountable to all stakeholders

**Capitals:** Human, social and relationship

**Horizon:** Short- to medium term

### Associated opportunity:

To deliver rich products at a highly affordable point, effectively giving back to members what is gained through containment of fraud, waste and abuse, while contributing meaningfully to building an ethical foundation for the nation

The Scheme is based on a largely outsourced operating model. Large and regular procurement processes are undertaken, and contracts managed for performance outcomes. These areas constitute an inherent risk for dishonesty. The Scheme experienced this in 2016, but successfully instituted action against implicated Scheme officials. The internal forensic investigation unit is capacitated and significant progress has been made on the fraud and corruption strategy, policy and plan. The Scheme's independent ethics assessment has been completed, and informed the revised ethics strategy and management plan.

The claims environment is significantly affected by irregular provider and member behaviour. Notwithstanding the success of the claims management programme, this remains a significant risk across the industry. Prevalence and impact vary, but numerous organised crimes and syndicates have been identified and action taken. The Section 59 report accused medical schemes of unethical behaviour of healthcare practitioners. The Scheme is cooperating closely with the CMS on this and has improved its fraud, waste and abuse processes in line with panel recommendations.

Key risk-treatment programmes and activities:

- Scheme ethics policy and strategy
- Independent ethics assessment
- Whistleblowing service
- Internal fraud and forensic investigation unit
- Lifestyle audits
- Claims Management Forum
- Review of fraud, waste and abuse processes.

## #8 Unable to operationalise a cohesive GEMS structure

### Strategic objective:

Be an agile, data-driven scheme that leverages people, systems and processes to derive value for the member

**Capitals:** Human

**Horizon:** Short-, medium- and long term

### Associated opportunity:

A highly efficient and high-performance organisation that creates value for the member

Countrywide, the adequacy, efficiency and effectiveness of governance structures have come into focus. There are many examples of severe governance failures. The Scheme has grown significantly in recent years, expanding its operations, increasing assets under management and coverage of members. The current outsourced and fragmented operating model remains complex. The Scheme is also implementing a significant portfolio of large and complex strategic initiatives. Therefore, governance structures have been optimised and strengthened, as have policies.

The Scheme instituted a Covid-19 response plan, including virtual work processes, ensuring a safe working environment. It is expected to operate under the changed environment for considerably longer than initially anticipated and transition to a hybrid work environment.

GEMS work-study recommendations have been approved and are progressing. However, filling approved vacancies is taking longer than expected, due partly to scarcity of skills. The effect of severe resource constraints is being felt across the Scheme, particularly in maintaining business as usual and in major initiatives.

Insourcing of capabilities is a major change in the Scheme operating model, and drives significantly different organisational structures and skills requirements. The programme was carefully considered during the work-study initiative to ensure a future-oriented organisational structure.

Key risk-treatment programmes and activities:

- Implementation of work-study recommendations
- Prioritisation and alignment of business as usual and strategic activities, cognisant of resource constraints
- Alignment of the organisational structure
- Leadership development
- Scarce skills initiative
- Corporate governance processes and structures.

## #9 Deterioration in member health outcomes

### **Strategic objective:**

Sustainably grow membership, ensuring inclusion and progressive cross-subsidisation

Shape the transformation of the healthcare industry towards universal healthcare, coordinated across the healthcare ecosystem

**Capitals:** Financial, social and relationship

**Horizon:** Short- to medium term

### **Associated opportunity:**

GEMS will dramatically improve member health outcomes and quality of living, while providing excellent service, and rich and affordable benefits

Covid-19 remained a key health risk throughout the year, affecting more Scheme members than suggested by initial actuarial estimates. This underscored the global challenge in dealing with the pandemic. With the fourth wave, severity of infections seem to have improved, with fewer severe cases and deaths. The Scheme contributed substantially to members' Covid-19 needs, enabled by its financial strength.

GEMS significantly outperforms health outcome metric benchmarks and achieved favourable HIV 90/90/90 performance. Non-communicable (lifestyle) diseases continue to be a significant driver for health outcomes and hospitalisation.

The Scheme continues to be successful in providing quality healthcare to members at competitive rates through strengthening its healthcare networks and centres of excellence. Similarly, healthcare protocols ensure access to clinically appropriate treatment, while ARMs provide cost-effective treatment. The Scheme continues to promote Tanzanite One and EVO, which improve health outcomes through care-coordination.

Key-risk treatment programmes and activities:

- Active disease risk management
- Value-based reimbursement models
- Value-based and integrated care programmes
- Extensive primary care and preventive care benefits
- Member education
- Care-coordination embodied in Tanzanite One and EVO
- Increased access to quality healthcare through hospital and healthcare provider networks
- Increased affordability through tariff negotiations and efficiency discounts
- Increased coverage through the widest eligibility definition.







09

# OUR PERFORMANCE

This section shows our progress against performance targets linked to the strategic elements and objectives in the GEMS five-year strategic plan (2017 to 2021). We appreciate that strategy, performance and risk are inseparable and the impact of risk treatment and mitigation is also shown. More in-depth information that provides context on our performance is available from page 79.

Targets are set and revised during the annual revision of the strategic plan and are signed off by the Board of Trustees. The metrics are organised into main metrics (level A metrics) with supporting metrics (level B metrics). To enable stakeholders to form a concise view on our progress against our strategic plan, progress against level A metric targets is shown in Table 9.

Table 9

Strategic Objective 1: Be an organisation that is effective in communication, proactive in decision making and accountable to all stakeholders							
Material matter	Key performance indicator	Metric	2021 target	Performance in 2021	Performance in 2020	Main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2021
#1 Preserving the GEMS brand and reputation #2 Member and stakeholder value proposition	#1 Stakeholder satisfaction	Industry-initiated member survey – South African Customer Service Index SACSII (%)	73%	69.4%	71.1%	<ul style="list-style-type: none"> <li>Individual stakeholder risk level (affected vs opinion vs influence)</li> <li>Consolidated stakeholder risk profile</li> <li>Stakeholder interdependence/interrelationship</li> </ul>	None
		GEMS-initiated provider survey (%)	76%	Deferred	76%	<ul style="list-style-type: none"> <li>Individual stakeholder risk level (affected vs opinion vs influence)</li> <li>Consolidated stakeholder risk profile</li> <li>Stakeholder interdependence/interrelationship</li> </ul>	None
		All complaints as a % of total lives	0.10%	0.09%	0.11%	<ul style="list-style-type: none"> <li>Quality service delivery</li> <li>Effective complaints management</li> </ul>	Our complaints management system functioned as required in 2021

Strategic Objective 1: Be an organisation that is effective in communication, proactive in decision making and accountable to all stakeholders							
Material matter	Key performance indicator	Metric	2021 target	Performance in 2021	Performance in 2020	Main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2021
#1 Preserving the GEMS brand and reputation #2 Member and stakeholder value proposition	#2 Stakeholder inclusivity and alignment	Timeous completion of stakeholder forums/workplans/outcomes (%)	90%	100%	80%: PSCBC Working Committee workplan implemented, with six meetings held under the joint working committee, two meetings under the sub-committee on rule review and one PSCBC meeting Three meetings of Combined Government Stakeholder Forum held for 2019	Management of all stakeholders	Stakeholder meetings were held virtually. Some impact was experienced at times due to connectivity issues. Important engagements took place

Strategic Objective 2: Advance financial strength and drive the Scheme to a position of long-term sustainability							
Material matters	Key performance indicator	Metric	2021 target	Performance in 2021	Performance in 2020	Risk appetite and main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2021
#2 Member and stakeholder value proposition	#3 Financial strength	Reserve ratio (%)	29.50%	46.11%	41.11%	<ul style="list-style-type: none"> <li>● Covid-19 impact on claims for additional cases (third wave) and cost of vaccine</li> <li>● Once Covid-19 subsides, there might be a supplier-induced demand impact on the claims</li> </ul>	Covid-19 contributed to a continued lower claims experience. Lockdown regulations lowered non-Covid-19 claim numbers, which improved the reserve ratio
		CPI plus investment income return (%)	CPI plus 3.5 (7.83%)	8.19% (CPI plus 3.86%)	5.10% (CPI plus 2%)	Investment performance impact of Covid-19	The interest rate cuts by the South African Reserve Bank to boost economic activity due to the impact of Covid-19 affected returns. Equity markets performed well, which increased the investment performance of certain portfolios held (investment report is on page 87)
		Operating surplus as a percentage of risk contribution	>1%	4.85%	10.6%	<ul style="list-style-type: none"> <li>● Potential Covid-19 fifth wave and vaccine costs</li> <li>● Further impact on investments and market performance, leading to reduced investment returns</li> </ul>	Lockdown regulations lowered non-Covid-19 claim numbers and significant investment returns, both of which contributed to increased operating surplus

Strategic Objective 3: Shape the transformation of the healthcare industry towards NHI, coordinated across the healthcare ecosystem							
Material matters	Key performance indicator	Metric	2021 target	Performance in 2021	Performance in 2020	Risk appetite and main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2021
#2 Member and stakeholder value proposition #3 GEMS' NHI value proposition	#4 Compelling value proposition of products across the GEMS range	Standardisation of basic benefit package (%) across the GEMS range	70%	66.67%	66.67%	Benchmarking GEMS' products against NHI principles and requirements	None
		Number of options where the basic benefit package has been standardised	2	2 (Tanzanite One and EVO)	2 (Tanzanite One and EVO)		
		Product average affordability (%)	>25%	24%	25%	Benchmarking GEMS' products against NHI principles and requirements	None
#3 GEMS' NHI value proposition	#5 Driving progress on NHI	Principal members on future products (% on Tanzanite One and EVO)	20%	38.41%	49.3%	Budgeting and pricing prudence Accuracy and reliability of actuarial process	Continued member enrolment in 2021 was partially driven by the need of public service employees to access healthcare cover for themselves and their dependants and the affordability of Tanzanite One and EVO
		Eminence (number of publications, presentations and awards)	19	25	23, consisting of four publications, four awards and 15 presentations	Resource (people, system, budget) allocations to division to enable delivery on targets	None

Strategic Objective 3: Shape the transformation of the healthcare industry towards NHI, coordinated across the healthcare ecosystem						
Material matters	Key performance indicator	Metric	2021 target	Performance in 2021	Performance in 2020	Risk appetite and main risk factors that may impact on performance outlook
#2 Member and stakeholder value proposition	#6 Clinical risk indicators	Increase in hospital admission rate relative to budget assumption (%)	3.5%	-3.3%	-21.4%	<ul style="list-style-type: none"> <li>Preventive care</li> <li>Appropriate level and quality of care</li> </ul>
		Percentage decrease in admission rate on EVO	≥ 10%	8.4%	13%	Decreased admission and surgery rates due to Covid-19 pandemic
		Percentage decrease in admission rate on Tan-zanite One	≥ 10%	39%	50%	
		Managed care indicators % above industry average (CMS annual report) (%)	85%	The CMS did not release this figure for 2021 and we were not able to measure our performance. For 2021, we slightly outperformed the industry in healthcare indicators measured by Health Quality Assessment (HQA)	The CMS did not release this figure for 2020 and we were not able to measure our performance. However, we outperformed the industry in healthcare indicators measured by the HQA	<ul style="list-style-type: none"> <li>Managed care programmes not executed correctly as per service level agreements</li> <li>Preventive care</li> <li>Appropriate level and quality of care</li> </ul>
						The information was not released by the CMS in 2021



Strategic Objective 4: Be a strategic purchaser of healthcare services by leveraging GEMS' unique positioning and relationships							
Material matters	Key performance indicator	Metric	2021 target	Performance in 2021	Performance in 2020	Risk appetite and main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2021
#2 Member and stakeholder value proposition	#7 Healthcare practitioner cost coverage	Primary network cost coverage (%)	90%	95%	91%	Realistic discounts, supply-side reforms and access to preferential rates with healthcare suppliers may not be realised	None
		Specialist network cost coverage (%)	60%	59%	54.1%	Realistic discounts, supply-side reforms and access to preferential rates with healthcare suppliers may not be realised	None
		Specialists on network (number)	3 400	3 616	3 176	Realistic discounts, supply-side reforms and access to preferential rates with healthcare suppliers may not be realised	None
#2 Member and stakeholder value proposition	#8 Healthcare strategic purchasing	Reduced spend on sourcing costs (%)	0.35%	1.9%	6.3%	Realistic discounts, supply-side reforms and access to preferential rates with healthcare suppliers may not be realised	None
		Percentage out-of-pocket expenditure (%)	≤5%	4.2%	5.1%	<ul style="list-style-type: none"> <li>● Claims performance</li> <li>● Benefit design</li> <li>● Formularies and medicine price lists</li> </ul>	None
		Reduction in hospital spend relative to budget (%)	1%	2.2%	10.9%	Realistic discounts, supply-side reforms and access to preferential rates with healthcare suppliers may not be realised	Lockdown regulations lowered non-Covid-19-related hospitalisation numbers
		ARM established (%)	≥12.50%	9.8%	10.2%		

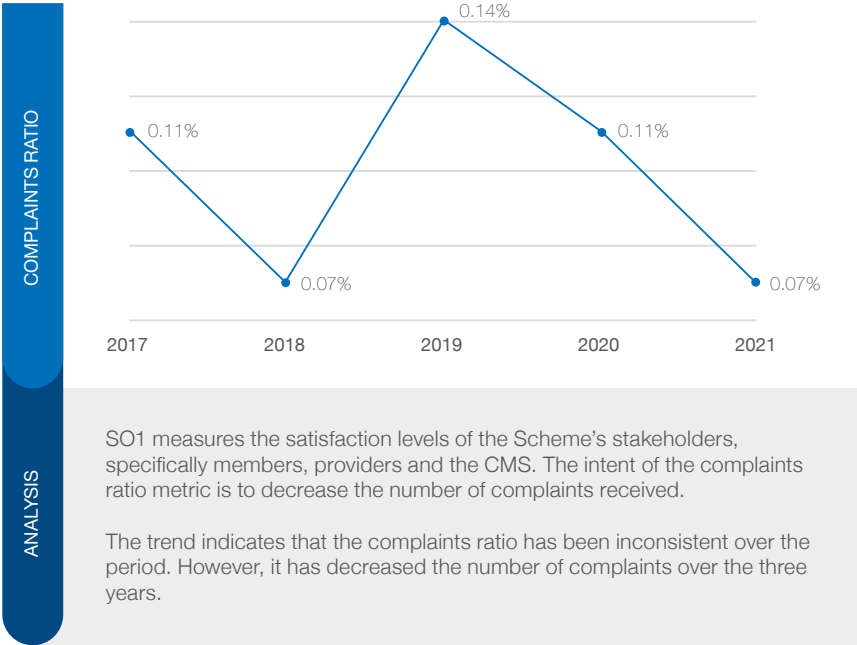
Strategic Objective 5: Be an agile, data-driven Scheme that leverages people, systems and processes to derive value for the member						
Material matters	Key performance indicator	Metric	2021 target	Performance in 2021	Performance in 2020	Risk appetite and main risk factors that may impact on performance outlook
#1 Preserving the GEMS brand and reputation #2 Member and stakeholder value proposition	#9 People and development	Externally assessed employee engagement (ranking)	Top employer certificate	2022 Top Employer Award: Awarded in January 2022 for assessment conducted in 2021	Accreditation not achieved in 2020	Attract and retain appropriate capacity and skills
	#10 BBBBE	BBBBE transformation promoted	Formal BBBEE rating with 2 code elements having an improved score	100%	Not disclosed in 2020 annual integrated report	None
#1 Preserving the GEMS brand and reputation #2 Member and stakeholder value proposition	#11 Robust governance	Unqualified audits (Yes/no)	Yes	16th consecutive unqualified audit opinion received for the 2021 financial year	15 <sup>th</sup> consecutive unqualified audit opinion received for the 2020 financial year	Non-compliance incidents, audit findings, regulatory and legal issues
	#4 Insourcing: Building internal capabilities first	Data quality (%)	95%	88%	87.86%	<ul style="list-style-type: none"> <li>Quality of data capturing and processing (manual and automated)</li> <li>Adequacy of cybersecurity measures</li> </ul>
						None

Strategic Objective 5: Be an agile, data-driven Scheme that leverages people, systems and processes to derive value for the member							
Material matters	Key performance indicator	Metric	2021 target	Performance in 2021	Performance in 2020	Risk appetite and main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2021
#4 Insourcing: Building internal capabilities	#12 BI, data management and digital first	% of reports produced by the administrator that can be replicated by GEMS (%)	70%	60%	15%	<ul style="list-style-type: none"> <li>Adequate integration of internal, transactional and external information technology systems</li> <li>Cohesion and optimisation of system interfaces</li> </ul>	None
		Internal digital services adoption (%)	80%	87.5%	62.5%	<ul style="list-style-type: none"> <li>Adequate and robust systems to drive outcomes</li> <li>Cover internal and outsourced systems</li> </ul>	None
		Member digital services adoption (%)	50%	41%	39% <ul style="list-style-type: none"> <li>37 072 app downloads end-December 2020</li> <li>58% against 30% target</li> </ul>	<ul style="list-style-type: none"> <li>Adequate and robust systems to drive outcomes</li> <li>Cover internal and outsourced systems</li> </ul>	None
		Provider digital services adoption (%)	20%	Deferred	Deferred in 2020 due to a lockdown-related procurement delay	N/A	None
#4 Insourcing: Building internal capabilities	#13 Fit-for-purpose capability build	Progress against insourcing of capability plan (%)	60%	51%	43%	<ul style="list-style-type: none"> <li>Strategic projects implementation capability</li> <li>Effective management of deviations and incidents</li> <li>Quantification of impact of delayed decisions/execution</li> </ul>	None
	#14 Systems security	Development and implementation of information security management capability (%)	95%	90%	79.97%	<ul style="list-style-type: none"> <li>Quality of data capturing and processing (manual and automated)</li> <li>Adequacy of cybersecurity measures</li> </ul>	None

Strategic Objective 6: Sustainably grow membership, ensuring inclusion and progressive cross-subsidisation						
Material matters	Key performance indicators	Metric	Annexure A 2021 target	Performance in 2021	Performance in 2020	Main risk factors that may impact on performance outlook
#1 Preserving the GEMS brand and reputation #2 Member and stakeholder value proposition	#15 Sustainable member growth	Number of members registered on the Scheme (number)	757 000	773 513	750 935	<ul style="list-style-type: none"><li>● Brand perception</li><li>● Benefit design (absence of comprehensive rewards programme negatively affecting attractiveness)</li><li>● Target market not aware of extent of available subsidies</li></ul>
		Total number of salary levels one to five members registered on the Scheme (number)	149 619	158 271	49.86% of levels one to five public service employees on GEMS (250 983) at end-December 2020	<ul style="list-style-type: none"><li>● Brand perception</li><li>● Benefit design (absence of comprehensive rewards programme negatively affecting attractiveness)</li><li>● Target market not aware of extent of available subsidies</li></ul>
						Higher member enrolment in 2021 was driven partially by the need of public service employees to access healthcare cover for themselves and their dependants due to Covid-19
						Higher member enrolment in 2021 was driven partially by the need of public service employees to access healthcare cover for themselves and their dependants, and the affordability of our Tanzanite One option and our continued focused member enrolment drive for employees remunerated on levels one to five

# Performance continued (linking past and present performance)

## Complaints ratio

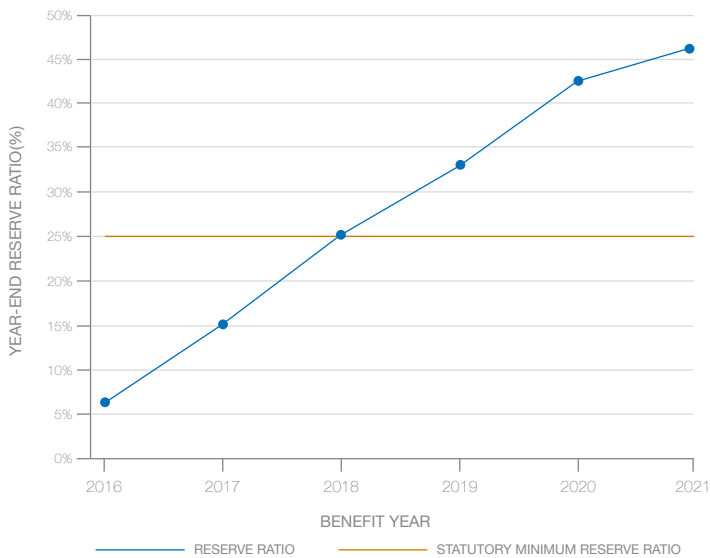


## Reserve ratio

Since the introduction of the Claims Management Forum in 2016, the Scheme's reserve ratio has grown consistently. By implementing risk mitigation measures, such as early warning reporting and underwriting, the forum has improved the Scheme's financial performance and delivered the following benefits:

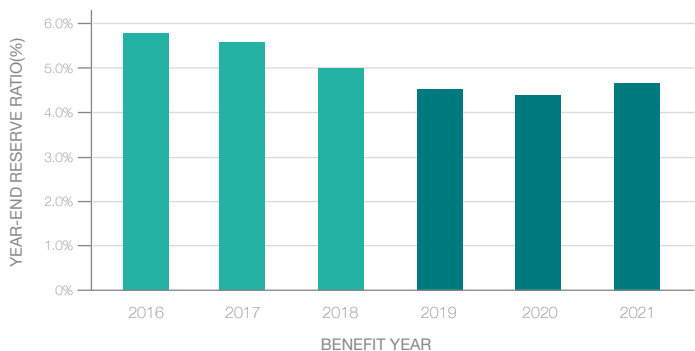
- Improved patient outcomes with coordinated care
- Reduced the impact of anti-selection
- Lowered the impact of fraud, waste and abuse.

The graph below shows the extent to which the Scheme has exceeded the statutory minimum reserves in recent years. The number of claims incurred in 2020 and 2021 was significantly lower due to the Covid-19 restrictions, which contributed to the Scheme's strong reserves.



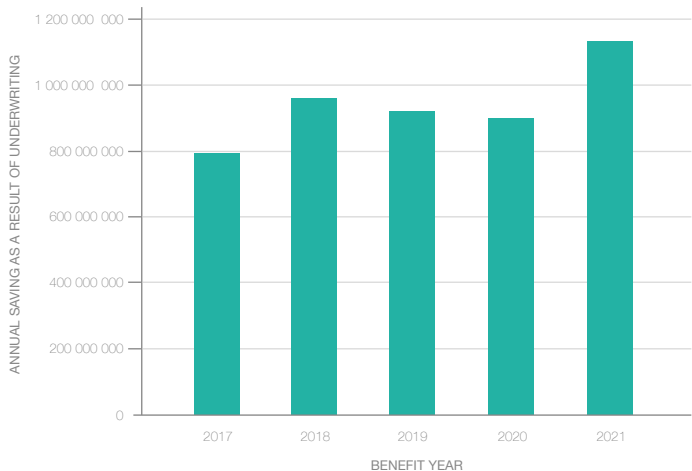
## Non-healthcare expenses

The Scheme continues to increase its value offering by reducing the percentage of monthly contributions spent on administration and other non-healthcare costs. This experience is sustained through a combination of increased membership in recent years and Scheme management negotiating favourable rates for members. Another GEMS advantage is the lower marketing fees of a large, restricted scheme.



## Impact of underwriting

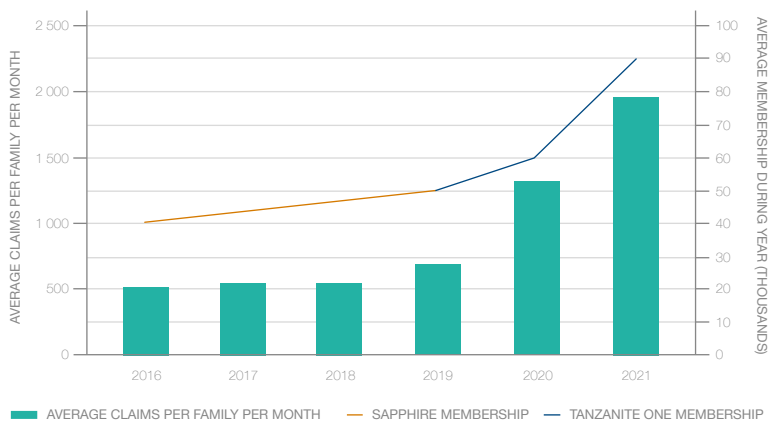
Since the Scheme introduced limited underwriting in October 2016 to reduce anti-selection, it has saved more than R4.7 billion. The annual impact is indicated in the graph below.



## Tanzanite One growth

In 2020, Tanzanite One was launched to replace the previous Sapphire option. The enhanced benefits grew membership significantly along with Tanzanite One. Claims have increased per member per month, with Tanzanite One claims having increased by 53% a year and annual in-hospital claims paid on Tanzanite having increased by 98.6% since 2019.

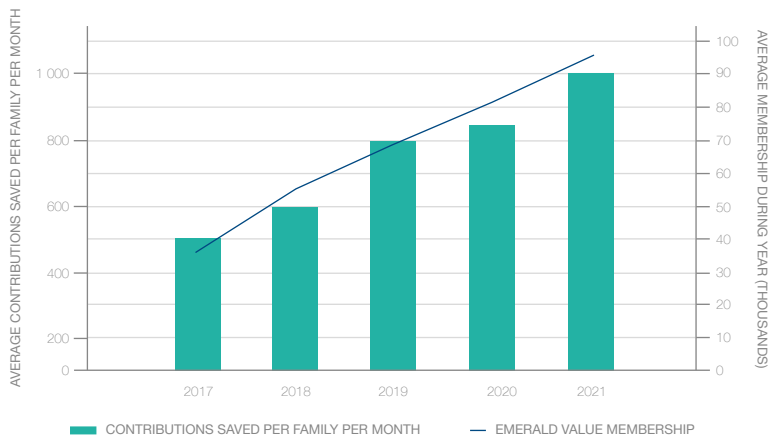
The graph below shows that benefits paid on behalf of Tanzanite One members increased to more than R1 900 in 2021 compared to R690 per family per month in 2019. Over the same period, average membership increased by 35 000 (plus 85 000 dependants).





EVO

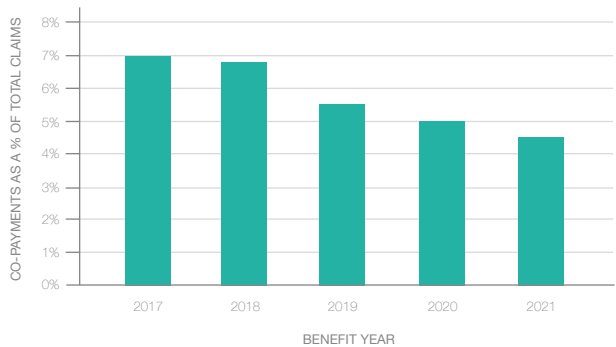
EVO was introduced as an efficiency discount variant of Emerald in 2017. Since then, its average membership has increased to 95 000, with 278 407 lives on EVO at 31 December 2021. These members have access to the benefits of Emerald albeit at a substantial discount. EVO members are currently saving on average R1 043 per family per month compared to Emerald fees.



Given EVO efficiencies, the Scheme records 14.8% fewer claims on EVO each year compared to Emerald.

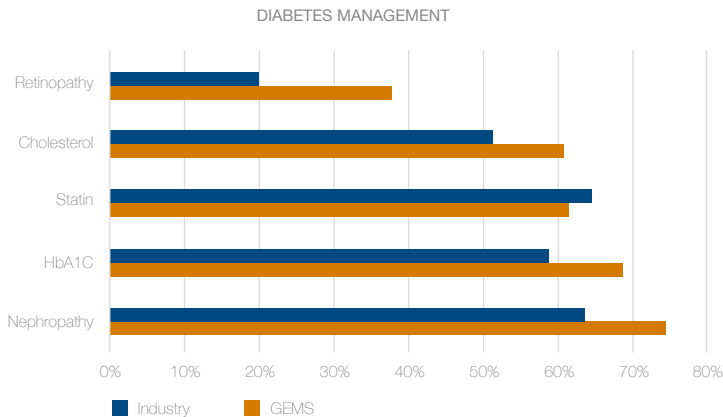
## Co-payments

While the Claims Management Forum focused on reducing overall claims, the Scheme also launched the Service Management Forum to improve member experience by reducing co-payments. In 2021, average co-payments accounted for lower than 4.5% of total claims submitted to the Scheme.



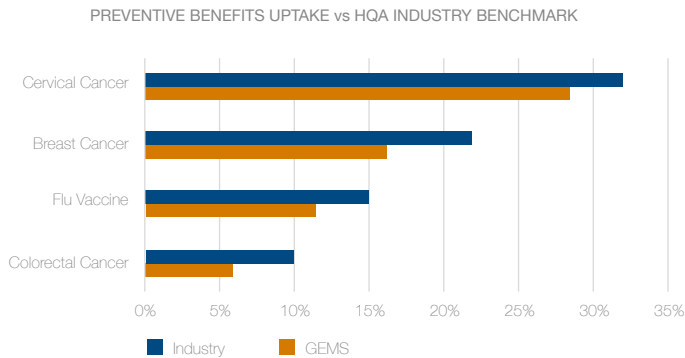
## Clinical risk indicators

Covid-19 lockdown regulations had a positive impact on hospital admissions, with the Scheme posting a lower admission rate in 2021 than in 2020. The pandemic's toll on frontline workers (the majority of whom are covered by GEMS) was, however, evident in the most recent HQA report (2020 benefit year), in which the GEMS admission rate was higher than that of industry peers. This contributed to the Scheme's deteriorating HQA clinical risk outcomes for in-hospital benefits. The picture was more encouraging with ambulatory benefits, as GEMS outperformed the industry. GEMS' efforts to improve chronic disease outcomes are evident in the management of diseases such as diabetes, as shown below:

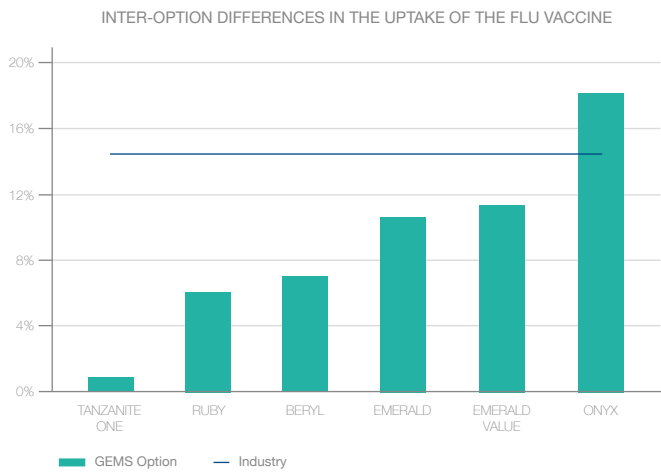


# Preventive care

The Scheme has set aside preventive care benefits payable from the risk benefit for all members. Despite this protection from risk, preventive care uptake continues to lag behind that of other other Schemes, as shown below.

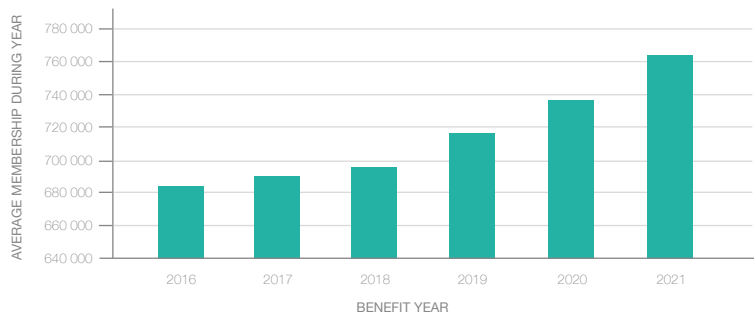


All members, regardless of option, can access these benefits without depleting their day-to-day benefits, but low uptake is particularly noticeable on Tanzanite One and Beryl. This may be attributed to lack of awareness among both members and providers. The inter-option differences are illustrated below, using flu vaccinations as an example.



# Membership growth

While most medical schemes have lost members since the outbreak of Covid-19, this is not true for GEMS, whose membership has increased due to stable employment in the public sector, which ensures Scheme sustainability.

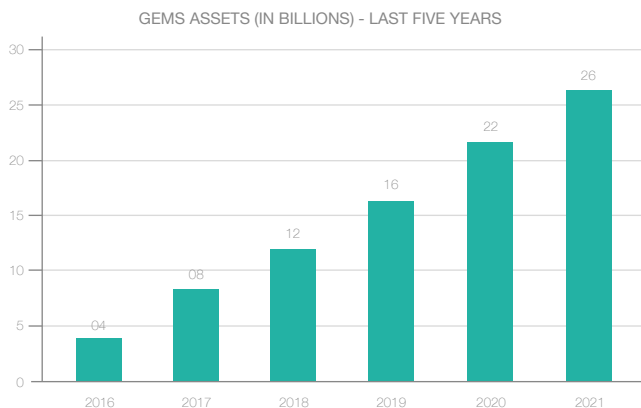


## GEMS investment strategy and performance

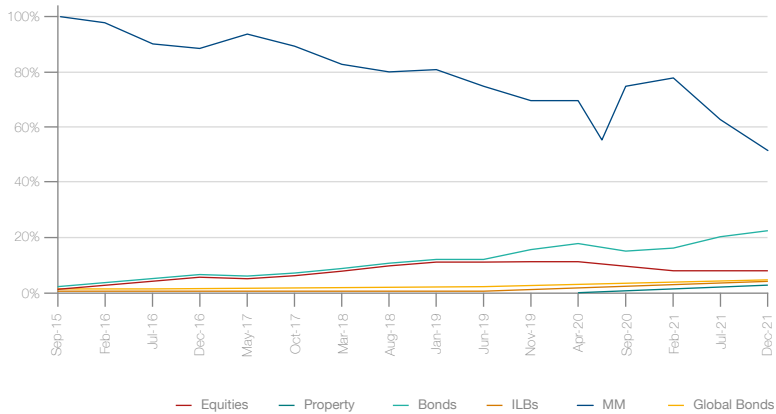
The Finance and Investment Committee was set up by the Board to oversee investment activities. The committee uses external investment experts in developing an appropriate investment strategy and in monitoring investment performance and risks.

The investment strategy ensures that invested capital is preserved as far as possible, optimum liquidity position is maintained, investment returns are optimised and the Scheme complies with all aspects of regulations 29 and 30 of the MSA and Annexure B. Regulatory compliance is reported to the Scheme quarterly.

In the past five years, the South African market has been volatile, moving from market crashes to aggressive market rallies. Scheme assets grew from R4.05 billion in 2016 to R27.2 billion at 31 December 2021 due mainly to high increase in membership and growth in reserves.



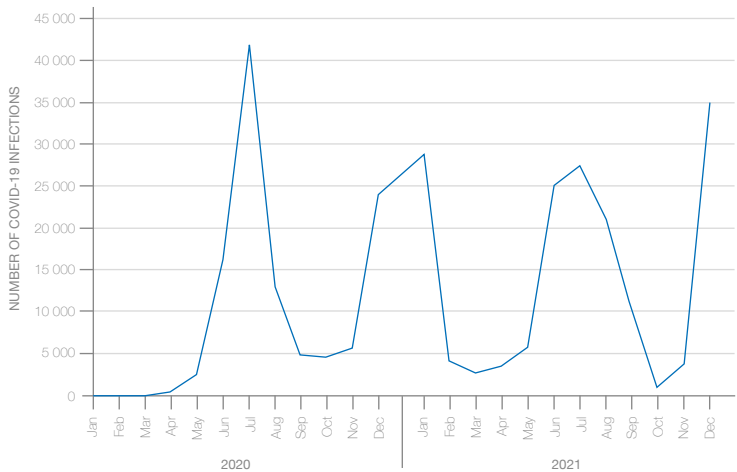
Scheme assets were invested 100% in money markets five years ago, after which a new strategy gave the Scheme more exposure to growth assets (equity and property) to achieve desired returns of CPI +3.5% and maintain its solvency ratio, while protecting capital.



Although most Scheme assets remain in money markets, there has been an increase in asset classes such as equity, property and bonds. The investment mandate is held by five asset managers (page 205), overseen by the Scheme and the investment consultant to leverage their diversified expertise and reduce the risk of over-concentration. The Scheme subscribes to the principles and recommended practices of the Code of Responsible Investing in South Africa (CRISA). The Finance and Investment Committee reviews the Scheme’s alignment to CRISA annually.

## Covid-19

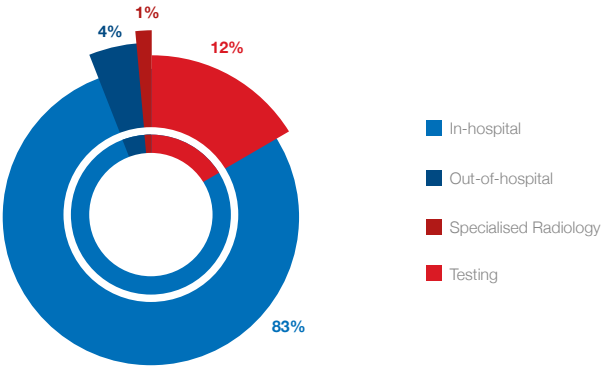
The Scheme funded all Covid-19 diagnoses and clinically appropriate treatments, as the graph below reflects.



On average, 21.2% (2020: 23.2%) of beneficiaries testing positive were admitted to hospital and 96.7% (2020: 83.9%) recovered. Unfortunately 5.3% (2020: 3.8%) of our members who tested positive succumbed to the disease. The table below shows the Scheme's statistics since the outbreak.

Category	2020	2021	Total
Tests	522 137	826 265	1 348 402
Positive cases	106 244	155 302	261 546
Hospitalised	24 642	32 860	57 502
Recoveries	89 139	150 176	239 315
Deaths	4 059	8 294	12 353

The Scheme paid Covid-19 claims of R4.7 billion (2020: R3.1 billion), which were mainly in-hospital treatment costs. Below is the breakdown for 2021.

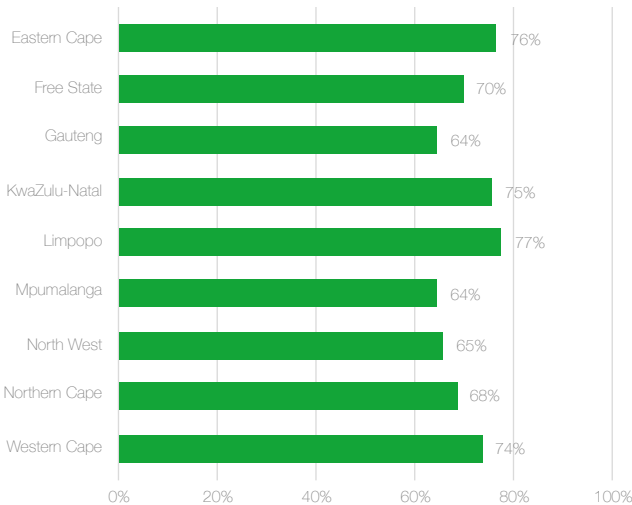




## Vaccination

The Scheme actively promotes Covid-19 vaccinations and, based on claims processed, 29.5% (596 079) of beneficiaries are fully vaccinated. The cost of vaccine totalled R316 million, with a further R74 million spent on vaccine administration. The graph below shows Scheme vaccinations for principal members per province.

GEMS PERCENTAGE VACCINATED PRINCIPAL MEMBERS BY PROVINCE (70.8% VACCINATED)



The future impact of Covid-19 remains uncertain, but the Scheme monitors the situation to mitigate risk.

Table 11: Per member cost analysis

	Tanzanite One		Beryl		Ruby		EVO		Emerald		Onyx		Total Scheme	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net contributions per member per month (average)	2 499	2 633	3 416	3 342	4 235	4 086	5 089	5 165	5 988	5 587	7 309	6 677	5 012	4 970
Net contributions per beneficiary per month	751	811	1 253	1 241	1 600	1 531	1 834	1 854	2 429	2 219	4 806	4 236	1 904	1 905
Healthcare management expense per member per month	99	100	105	100	109	100	105	100	113	100	115	100	109	100
Healthcare management expense per beneficiary per month	30	31	38	37	41	37	38	36	46	40	75	63	41	38
Non-healthcare expenses as a percentage of gross contributions	8.6%	8.6%	6.7%	6.8%	5.7%	5.6%	4.5%	4.4%	4.2%	4.1%	3.5%	3.4%	4.8%	4.6%
Administration cost per member per month	216	226	228	226	240	227	231	226	250	227	255	228	240	227
Administration cost per beneficiary per month	65	69	84	84	91	85	83	81	101	90	168	144	91	87
Amounts paid to administrator/s (R'000)	140 785	94 072	94 591	71 057	184 939	159 222	155 782	123 484	633 068	625 014	38 546	39 539	1 247 712	1 112 388
Number of registered new members	23 477	13 494	8 697	8 116	9 069	9 925	6 262	6 014	13 268	16 493	464	416	61 237	54 458
Number of resigning members	3 092	2 099	2 431	1 854	5 227	3 811	3 636	2 670	17 881	14 462	1 857	1 669	34 124	26 565

	Tanzanite One		Beryl		Ruby		EVO		Emerald		Onyx		Total Scheme	
	6.90%	6.69%	14.7%	13.7%	17.3%	16.1%	27.4%	27.1%	31.3%	29.8%	72.6%	70.9%	24.2%	24.7%
Chronic prevalence of beneficiaries														
Average number of members during the year	85 903	62 480	57 711	47 158	112 824	105 613	95 045	81 981	386 175	414 359	23 513	26 205	773 676	737 796
Number of members at 31 December 2021	96 018	69 372	61 196	49 884	115 028	108 151	100 339	86 099	378 237	411 997	22 695	25 432	773 513	750 935
Number of beneficiaries at 31 December 2021	223 406	157 455	105 675	84 414	189 339	179 857	178 068	153 715	554 284	622 849	11 818	14 533	1 262 590	1 212 823
Dependant ratio to members at 31 December 2021	2:3	2:3	1:7	1:7	1:6	1:7	1:8	1:8	1:5	1:5	0.5	0.6	1:6	1:6
Average accumulated funds per member	R29 372	R25 364	R29 372	R25 364	R29 372	R25 364	R29 372	R25 364	R29 372	R25 364	R29 372	R25 364	R29 372	R25 364
Return on investments as a percentage	8.2%	5.1%	8.2%	5.1%	8.2%	5.1%	8.2%	5.1%	8.2%	5.1%	8.2%	5.1%	8.2%	5.1%
Relevant healthcare expenditure (claims) per member per month	1 778	1 410	3 151	2 898	2 976	2 667	4 638	4 357	5 631	4 866	8 892	7 403	4 528	4 167
Relevant healthcare expenditure (claims) ratio	71.2%	53.5%	92.2%	86.7%	70.3%	65.3%	91.1%	84.4%	94.0%	87.1%	121.7%	110.9%	90.3%	84.8%
Non-healthcare expenditure per member per month	216	226	228	226	240	227	231	226	250	227	255	228	240	227
Net healthcare result (R'000)	581 895	747 790	27 270	123 543	1 406 581	1 510 599	265 540	571 733	484 940	2 453 627	(500 629)	(299 889)	2 265 603	5 107 394



# 10

# STATEMENT OF RESPONSIBILITY AND EXTRACT OF THE ANNUAL FINANCIAL STATEMENTS

The Board of Trustees is responsible for the preparation, integrity and fair presentation of the GEMS annual integrated report and financial statements. The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Medical Schemes Act and include amounts based on judgments and estimates by management.

Accounting policies applied by the Scheme are informed and updated, when required, based on CMS circulars, the Annual Medical Schemes Accounting Guide issued by the South African Institute of Chartered Accountants and updates on the latest IFRS developments. The trustees consider that, in preparing the annual financial statements, they have used the most appropriate accounting policies, consistently applied these policies and supported the application of these policies with reasonable and prudent judgments and estimates.

The Board adopted the King Report on Corporate Governance 2016 (King IV) practices where appropriate to the business of a medical scheme and its trustees.

The trustees are satisfied that the information contained in the annual integrated report fairly presents the results of operations for the year and the financial position of the Scheme at year-end. The trustees also prepared the other information included in the annual report and are responsible for both its accuracy and consistency with the annual financial statements.

The trustees ensure that adequate accounting records are maintained and that they disclose with reasonable accuracy the financial position of the Scheme, which enables them to ensure that the annual financial statements comply with legislation.

The trustees are also responsible for internal controls that enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining an effective system of risk management.

GEMS operates in a well-established control environment, which is well documented and regularly reviewed. This environment incorporates risk management and internal control

procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are assessed and controlled.

The going-concern basis has been adopted in preparing the annual financial statements. Based on forecasts and available cash resources, the trustees have no reason to believe that the Scheme will not be a going concern in the foreseeable future. These annual financial statements support the viability of the Scheme.

The Scheme's external auditor, Deloitte, is responsible for auditing the statements in terms of International Auditing Standards and its unqualified report is presented with the Scheme's annual financial statements.

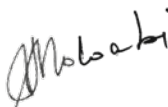
The annual financial statements for 2021 were approved by the Board of Trustees on 25 April 2022 and are signed on its behalf by:



**Dr SM Hlatshwayo**  
Chairperson  
25 April 2022



**ME Phophi**  
Deputy Chairperson



**Dr BOS Moloabi**  
Principal Officer

The financial information below has been extracted from and is in agreement with the audited annual financial statements of the Scheme for the 2021 financial year. The full audited annual financial statements can be found at [www.gems.gov.za](http://www.gems.gov.za) or by calling 086 004 367.

## Statement of financial position at 31 December 2021

	2021	2020
	R'000	R'000
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property and equipment	283 061	299 130
Right-of-use assets	4 081	8 286
Intangible assets	3 343	6 687
Financial assets at fair value through profit or loss	9 771 100	6 188 873
	<b>10 061 585</b>	<b>6 502 976</b>
<b>Current Assets</b>		
Financial assets at fair value through profit or loss	13 481 885	13 228 748
Trade and other receivables	470 258	338 571
Cash and cash equivalents: Scheme cash invested	3 170 701	2 765 607
	<b>17 122 844</b>	<b>16 332 926</b>
<b>Total Assets</b>	<b>27 184 429</b>	<b>22 835 902</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Accumulated funds	22 897 867	18 620 653
<b>LIABILITIES</b>		
Non-current liabilities		
Lease liabilities	415	2 791
<b>Current Liabilities</b>		
Personal medical savings account liability	1 444 682	1 263 247
Lease liabilities	3 907	6 050
Trade and other payables	1 117 678	928 772
Outstanding risk claims provision	1 719 880	2 014 389
	<b>4 286 147</b>	<b>4 212 458</b>
<b>Total Liabilities</b>	<b>4 286 562</b>	<b>4 215 249</b>
<b>Member Funds and Liabilities</b>	<b>27 184 429</b>	<b>22 835 902</b>

## Statement of comprehensive income

	2021	2020
	R'000	R'000
<b>Risk contribution income</b>	46 528 842	44 004 872
<b>Relevant healthcare expenditure</b>	(41 847 238)	(37 297 957)
Risk claims incurred	(40 835 461)	(36 416 134)
Accredited managed healthcare services	(1 011 777)	(881 823)
<b>Gross healthcare result</b>	<b>4 681 604</b>	<b>6 706 915</b>
Administration expenditure	(2 060 171)	(1 855 877)
Marketing services	(109 734)	(127 374)
Impairment losses on healthcare receivables	(66 904)	(41 262)
<b>Net healthcare result</b>	<b>2 444 795</b>	<b>4 682 402</b>
<b>Investment income</b>	1 864 661	902 284
Dividends received	92 905	74 164
Interest received on financial assets at fair value through profit or loss	1 016 147	864 383
Net realised gain/(loss) on financial assets at fair value through profit or loss	128 863	(68 090)
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	590 192	(10 651)
Interest received on cash and cash equivalents	36 554	42 478
<b>Other income</b>	22 874	29 189
Sundry income	22 874	29 189
<b>Other expenses</b>	(55 116)	(43 196)
Investment management fees	(54 414)	(42 344)
Interest expense	(702)	(852)
<b>Total comprehensive income for the year</b>	<b>4 277 214</b>	<b>5 570 679</b>

## Statement of changes in equity

	Accumulated funds R'000	Member funds R'000
<b>Balance at 1 January 2020</b>	<b>13 049 974</b>	<b>13 049 974</b>
<b>Total comprehensive income for the year</b>	<b>5 570 679</b>	<b>5 570 679</b>
<b>Balance at 1 January 2021</b>	<b>18 620 653</b>	<b>18 620 653</b>
<b>Total comprehensive income for the year</b>	<b>4 277 214</b>	<b>4 277 214</b>
<b>Balance at 31 December 2021</b>	<b>22 897 867</b>	<b>22 897 867</b>



## Statement of cash flows

	2021	Restated 2020
	R'000	R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from members	47 908 493	45 260 646
Cash paid to suppliers, members and employees	(46 669 232)	(40 297 871)
Cash generated from operations	1 239 261	4 962 775
Interest expense	(702)	(852)
<b>Net cash inflow from operating activities</b>	<b>1 238 559</b>	<b>4 961 923</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(6 039)	(89 812)
Sale of property and equipment	28	1
Purchase of financial assets	(23 081 664)	(27 122 210)
Disposal of financial assets	21 030 000	21 597 447
Investment income	1 230 915	974 693
Interest received on Scheme cash invested	36 554	42 478
Interest earned on financial assets at fair value through profit or loss	972 592	926 141
Dividends	92 906	74 164
Realised gains/(losses)	128 863	(68 090)
<b>Net cash from investing activities</b>	<b>(826 760)</b>	<b>(4 639 881)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on lease liabilities	(6 706)	(6 196)
<b>Total cash movement for the year</b>	<b>405 093</b>	<b>315 846</b>
Cash at the beginning of the year	2 765 607	2 449 761
<b>Total cash at end of the year</b>	<b>3 170 700</b>	<b>2 765 607</b>



# AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 December 2021.

The mandate of the Audit Committee requires it to adhere to high-quality standards of corporate accountability, to oversee the quality of the financial reporting process and control systems, and to maintain a high degree of integrity in both the external and internal audit processes. For the 2021 financial year, all Audit Committee meetings were held virtually to ensure continuity of execution of the Audit Committee mandate while remote working arrangements were in force.

The committee reviewed the annual integrated report and considered all factors that may impact on its integrity. The Scheme's internal and external auditors reviewed selected key performance measures included in this report to confirm that they were reliable and did not conflict with the financial information contained in the report.

## **Significant matters considered in relation to the annual financial statements**

The going concern basis was adopted in preparing the annual financial statements. Based on forecasts and available cash resources, the Audit Committee has no reason to believe that the Scheme will not be a going concern in the foreseeable future. These annual financial statements support the viability of the Scheme.

We have reviewed and discussed with the external auditor and management the audited 2021 annual financial statements and we are of the view that they comply, in all material respects, with the Medical Schemes Act, No 131 of 1998, and International Financial Reporting Standards. The committee received assurance that sound financial controls are in place and that fraud and ICT risks as they relate to financial reporting have been adequately addressed.

## **External auditor independence and quality**

The committee was involved in the appointment of the external auditor and following its assessment of the auditors, was satisfied that the appointment of the auditor complies with Section 36(3) of the Medical Schemes Act, No 131 of 1998, as amended. Furthermore, the committee approved the external auditor's engagement letter, audit plan and budgeted

fees for the year ended 31 December 2021. The Scheme maintains the Non-audit Services and Consulting Services Policy, which describes prohibited services by the external audit and those requiring prior approval of the Audit Committee. We are satisfied that the Audit Committee approved limited assurance of selected key performance indicators included in this integrated report and that the Scheme's external auditor performed no prohibited work during the 2021 financial year. The designated audit partner, who was with the Scheme since 2016, has been rotated between the Scheme's audit firms (Deloitte & Touche and OMA Chartered Accountants). Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

## **Effectiveness of the chief audit executive and arrangements for internal audit**

The Scheme's Chief Audit Executive reports functionally to the Audit Committee and administratively to the Principal Officer. The internal audit function has an appropriate and formal charter, which was approved by the Audit Committee in 2021. We are satisfied that the internal audit function of the Scheme is independent and has the skills and resources to perform its duties. In addition to use of in-house resources to deliver on the internal audit mandate, the Scheme's Internal Audit Division is supplemented by specialists from the panel of internal audit service providers where required. Internal audit provided quarterly reports to the Audit Committee on assurance results and progress against its strategic objectives. The Scheme's Internal Audit Division was subjected to the five-year external quality assurance review in 2019, with the final report issued in February 2020, with an overall opinion of 'generally conforms' allocated by the Institute of Internal Auditors South Africa.

## **Design and implementation of internal financial controls**

The Scheme's internal audit function reviewed the design and operating effectiveness of selected key internal financial controls with the overall objectives of the controls tested being achieved. Controls tested by internal audit did not identify any failures that led to material financial errors or losses, fraud and corruption. Based on this assurance by internal audit, we are satisfied that the finances and system of internal controls are appropriately managed. Furthermore, the external auditors have issued an unqualified audit opinion that the 2021 annual financial statements are a fair reflection that the Scheme's activities and accounting practices have been applied appropriately. International Standard on Assurance Engagements 3402 – assurance reports issued by service auditors at the Scheme's administrators were received and their findings, which did not present material exposure to the Scheme, were considered.

## Key focus areas during the reporting period

Cybersecurity controls and their oversight continued to be a key focus area for the committee during 2021.

The committee receives reports from internal audit on the implementation progress of forensic investigation (stemming from the 2017 tender investigation) recommendations by management.

## Effectiveness of the Chief Financial Officer and the finance function

The committee reviewed the expertise, resources and experience of the Scheme's finance function and believes that the Chief Financial Officer and other finance staff have the required competence and skills. Financial reporting was of a high standard throughout the financial year as evidenced by an unqualified external audit opinion.

## Combined assurance

The Scheme's Chief Audit Executive is responsible for leading the Scheme's combined assurance model. GEMS' assurance providers coordinated during the review period included external providers such as internal audit functions of the Scheme's service provider network. Plans and reports received by the Audit Committee for the financial year provided a view of combined assurance coverage from various assurance providers and results stemming from such assurance were presented to the Audit Committee, with any areas recommended for remediation noted and monitored for closure. Based on internal audit submissions, the Audit Committee is satisfied with the effectiveness of combined assurance arrangements.

## Conclusion

The committee recommended the annual financial statements to the Board of Trustees for approval. We are satisfied that the committee fulfilled the responsibilities in its charter for the reporting period. The committee thanks the Board of Trustees for its continued support.



**Joe Lesejane**

Audit Committee Chairperson

## Assurance on this report:

The Board received assurance on the content and processes listed below and their accuracy from both internal and external assurance providers, overseen by the Audit Committee.

Content and processes	Assurance provider	Outcome
Annual financial statements	External audit	Unqualified audit opinion
All complaints as a % of total lives (%)	External audit	Limited assurance provided
Timeous completion of stakeholder forum workplans/outcomes (%)	External audit	Limited assurance provided
Primary network cost coverage (%)	External audit	Limited assurance provided
Externally assessed employee engagement (ranking)	External audit	Limited assurance provided
Member digital services adoption (%)	External audit	Limited assurance provided
Industry-initiated member survey – SACSI (%)	GEMS internal audit	Accuracy and completeness of key performance indicators reported performance: Satisfactory
All complaints as a % of total lives (%)	GEMS internal audit	Accuracy and completeness of key performance indicators reported performance: Satisfactory
Standardisation of basic benefit package (%)	GEMS internal audit	Accuracy and completeness of key performance indicators reported performance: Satisfactory
Increase in hospital admission rate against budget assumption	GEMS internal audit	Accuracy and completeness of key performance indicators reported performance: Satisfactory
Development and implementation of information security management capability (%)	GEMS internal audit	Accuracy and completeness of the key performance indicators reported performance: Satisfactory
Data quality (%)	GEMS internal audit	Accuracy and completeness of the key performance indicators reported performance: Satisfactory
Disclosure of trustee and independent committee meeting attendance	GEMS internal audit	No discrepancies noted in the meeting attendance reported





# 12



# GOVERNANCE AND REMUNERATION

## Statement of corporate governance

GEMS is committed to the principles and practices of fairness, openness, integrity and accountability in all dealings with its stakeholders. The Board conducts all its affairs according to ethical values and within a recognised governance framework made up of the Rules of GEMS, the GEMS Board Charter and Scheme policies. A formal integrated framework is in development.

The Scheme acknowledges its role in the medical schemes industry and its responsibilities to each beneficiary and the wider community. The Scheme recognises that sustainability can be achieved only through strong relationships with all stakeholders and responsible management of risk.

## Transparency and ethics

The Scheme has adopted a stakeholder-inclusive approach to corporate governance and is bound by mandates and principles of treating members fairly. The close stakeholder relationship and the election and appointment of the Board of Trustees by the members and the employer allow the Scheme to recognise the concerns and objectives of stakeholders in its decision-making process.

The Board of Trustees acknowledges that the perception of stakeholders affects the reputation of the Scheme.

Therefore, clear and open communication with stakeholders enhances the reputation of the Scheme. The trustees have produced a holistic and reliable integrated report to illustrate both the financial and non-financial performance of the Scheme.

## Board of Trustees

The Board of Trustees is responsible for the stewardship and governance of the Scheme. The trustees are elected by the members of the Scheme or appointed by the employer (Minister for the Public Service and Administration), according to the provisions of the Medical Schemes Act, No 131 of 1998, as amended, and the Rules of the Scheme. The trustees are

representatives of the Scheme's members and are legally responsible for the management and strategic direction of the Scheme on behalf of the members.

The Board meets regularly and monitors the performance of the Scheme's employees, administrators and other contracted service providers. The Board addresses a range of issues and ensures that discussion of strategy, policy, risk management, fraud management and operational performance are critical, informed and constructive. The affairs of the Scheme are managed according to the Rules of the Scheme and also adhere to all aspects of governance required by the Medical Schemes Act 131 of 1998, as amended. The Board is committed to the principles set out in the King IV Report on Corporate Governance for South Africa.

A collective board-effectiveness evaluation and peer review is required every second year. The Chairperson meets with individual trustees one-to-one during induction training of new trustees and should the need arise.

All trustees have access to the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

## Internal controls

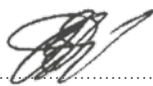
Management and the administrators of the Scheme maintain internal controls and systems designed to provide reasonable assurance of the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

The Scheme's internal audit service also performs an independent analysis of the controls of the Scheme and those of the service providers of the Scheme as part of its annual audit plan. The Board-appointed Risk, Social and Ethics Committee consisting of Board of Trustee members, a co-opted Audit Committee independent member and attended by senior management of the Scheme, assesses the risk register and plans to mitigate risks. This committee reports to the Board of Trustees independently.

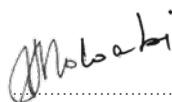
The Board annually assesses the risks facing the Scheme and determines the impact and likelihood of such risks through the development of a risk register. Once the risk register is approved by the Board, monitoring of the implementation of mitigation measures and internal controls takes place at least quarterly to ensure that all risks are effectively managed. No event nor item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



**Dr SM Hlatshwayo**  
Chairperson  
25 April 2022



**ME Phophi**  
Deputy Chairperson  
25 April 2022



**Dr BOS Moloabi**  
Principal Officer  
25 April 2022

## GEMS is governed to protect and maintain value

### Structures and processes for governance

An independent Board of Trustees forms the core of the Scheme's corporate governance structure and is ultimately accountable and responsible for the performance and affairs of the Scheme.

The GEMS Board Charter defines the governance parameters within which the Board operates, sets out the role of the Board and specific responsibilities and duties to be discharged by the Board and trustees collectively, as well as roles and responsibilities incumbent upon trustees. As such, the GEMS Board Charter is aligned to the provisions of the Medical Schemes Act, 1998, as amended, and its regulations, the registered Rules of GEMS and the King IV Report on Corporate Governance. The full Board Charter and King IV Application Register are available from [www.gems.gov.za](http://www.gems.gov.za).

The Board of Trustees performs every second year independent reviews of the role of the Board and its Chairperson, and of the Board committees. The most recent review – started in 2020 and was completed in 2021 – concluded that the Board and standing committees were functioning effectively.

The Board provides strategic guidance and oversight to the Scheme and monitors performance and outcomes against strategic objectives, as shown below.



● **Front row (left to right):** Constance Ntshane; Dr Sebayitseng Millicent Hlatshwayo; Dr Nomzamo Tutu; Precious Lebohang Khumalo ● **Back row (left to right):** Nkosinathi Theledi; Pierre Francois De Villiers; Dr Johan Smit; Mr Mpfariseni Erasmus Phophi; Rakgama Billy Manoko; Marthinus Brand

The Medical Schemes Act and GEMS Rules stipulate the powers and duties of the Board

**The GEMS Board of Trustees is accountable and responsible for the performance and affairs of GEMS**

The Board appoints the Principal Officer of GEMS and the Scheme Executive and delegates

**The Board sets the GEMS strategic direction, strategic objectives, performance metrics and annual targets (page 71)**

The Board monitors all strategic risks exceeding risk tolerance (page 77)

The Board appoints standing committees to support business and performance monitoring using formal written terms of reference

The Board sets policies and frameworks to govern the management of finances, risk, assurance, ethics, compliance, supply chain management, stakeholder management, remuneration, performance management, ICT and data management, clinical governance and member affairs and communication (e.g. complaints management)

The GEMS Board Charter stipulates performance requirements for the Board of Trustees collectively and individual trustees

#### Audit Committee

See page 116

KPI: #3 and #11  
Risk reporting and escalation: According to combined assurance model

#### Clinical Governance and Administration Committee

See page 118

KPI: #1, #2, #4, #5, #6, #7, #8, #15  
Risks: #2, #3, #5, #9

#### Finance and Investment Committee

See page 119

KPI: #3, #10, #12, #14  
Risks: #1, #4

#### Human Resources and Remuneration Committee

See page 121

KPI: #9, #11  
Risks: #6, #8

#### Risk Social and Ethics Committee

See page 120

KPI: #2, #10, #11  
Risk reporting and escalation: According to combined assurance model

#### Ad-hoc Oversight Committee on Strategic Programmes and Projects

See page 118

KPI: #13, #14. Risk: #6

#### Benefit Design Committee

See page 121

KPI: #4. Risks: #1, #2

The GEMS Standing Committee Responsibility Matrix specifies how committee responsibilities complement each other

An strategic plan gives effect to the Board's responsibility to govern the affairs of the Scheme by directing the activities of the Principal Officer, management and employees, providing an effective oversight through which performance is monitored and ensuring that the business of the Scheme operates efficiently and effectively. The Scheme's five-year strategic plan for 2017 to 2021 was approved by the Board on 27 September 2016, after which implementation was monitored through quarterly reports from Scheme management. Throughout 2021, the Board was kept apprised of the status of the business through standardised presentations covering key business indicators, including membership growth, financial performance and stakeholder engagement.

The performance targets in the five-year strategic plan are reviewed annually by the Board and adjusted based on changing realities and interrelated plans such as business plans approved for the Scheme by the Registrar of Medical Schemes from time to time. A view of the Scheme's performance against the 2017 to 2021 strategic plan is provided from page 69 of the Board report.

The Board of Trustees governs the management of risk and a formal risk management process is in place in accordance with the Scheme's approved Risk Management Policy. Risk management approach and governance are discussed on page 55 of the report.

The Board monitored the implementation of the approved strategic and operational risk mitigation measures and the Scheme's changing risk environment during 2021 through quarterly and ad hoc reports from Scheme management. The Board is comfortable that the residual risks facing the Scheme were managed throughout the year and that risk assessments and mitigation measures to safeguard Scheme and member interests were effective.

The Board's approach to the governance of ethics (page 125), compliance (page 126) and information technology and data (page 124) shows that value created for members is protected.

King IV Report on Corporate Governance, 2016:

The Board of Trustees formally adopted the King IV Report from 1 January 2018 through a Board resolution. The Scheme uses the governance and compliance instrument online tool developed by The Global Platform for Intellectual Property and recommended by the CMS to assess whether the recommended King IV Report practices are followed.

The Scheme achieved an overall 88% score for satisfactory application against the 17 principles of the King IV Report. Our explanation of GEMS business practices is available at [www.gems.gov.za](http://www.gems.gov.za).

## Structures and officers

The Board consists of 12 trustees made up as follows: six (50%) elected by Scheme members and six appointed by the Minister for the Public Service and Administration.

## Board of Trustees:

Our trustees in **2021** were:

Name	Elected or appointed	Qualifications	Other significant positions held during 2021
Marthinus Brand (18 August 1947)	Elected, tenure began 25 September 2019 and ends 24 September 2025	BA Stellenbosch University 1968, Hons BA: History, Stellenbosch University 1980, BEd, Stellenbosch University 1986	N/A
Dr Josef Adriaan Breed (14 March 1951)	Elected, tenure began 30 July 2014, extended, and ended 29 July 2021	BSc (PU for CHE), THOD (POK) BEd (PU for CHE), MEd (PU for CHE), PhD (North-West University)	N/A
Dr Sebayitseng Millicent Hlatshwayo (9 January 1964)	Appointed, tenure began 20 February 2018 and ends 19 February 2024	BSc (Medunsa); MBChB (Medunsa)	Casualty doctor: Arwyp Private and OR Tambo Travel Clinic
Lekgema Joel Mankge (08 March 1970)	Elected, tenure began 25 September 2019 and ended 31 March 2021	Senior Primary Teachers' Diploma) 2001 Potchefstroom/North-West University, Further Diploma: Education. Management) – 2013 Nelson Mandela Metropolitan University, Diploma in Practical Labour Law – 2013 Nelson Mandela Metropolitan University, Advanced Management Development, Programme – 2015 University of Limpopo in partnership with National School of Government, Programme in Forensic and Investigative Auditing, level 6 2017 Unisa, Educating Management – Law and Systems – 2012, Diploma: Forensic and Investigative Auditing – 2017 Unisa, Computer Certificate – 2004 Step Ahead Computer Training Centre, HIV/Aids Care and Counselling – 2002 Unisa, Labour Relations Management – 2004, Basic Public Relations Principles – 2012 Unisa, Basic Financial Life Skills - 2012 Unisa, Personal Financial Management – 2013 Unisa, Strategic management – 2013 Unisa	Department of Education Limpopo

Name	Elected or appointed	Qualifications	Other significant positions held during 2021
Rakgama Andries Billy Manoko (6 June 1966)	Appointed, tenure began 20 February 2018 and ends 19 February 2024	BProc – 1989 University of the North, LLB University of the North	Founder and managing director: Manoko & Associates Inc Attorney
Dr Esthras Tlou Confidence Moloko (16 May 1959)	Appointed 28 October 2016, tenure ends 27 October 2022	MBChB Medunsa, BSc (Medicine) Medunsa	Chairperson: Health and Welfare Sector Education and Training Authority
Nkobane Constance Ntshane (17 May 1974)	Elected, tenure began 25 September 2019 and ends 24 September 2025	BA Honours: Social Work – 2001 Unisa, Certificates: Gender Excellence, Employee Assistance Programme, Employee Wellness Programme, all University of Pretoria	Department of Health Mpumalanga – wellness manager
Mpariseni Erasmus Phophi (6 October 1952)	Appointed, tenure began 26 September 2017 and ends 25 September 2023	BA (Human Resource Management), International Labour Organisation (ILO), Course on Labour Relations and Performance Management in the Public Service (ILO), Course on Advanced Negotiations Skills	N/A
Dr Izak Jacobus van Zyl (31 January 1951)	Elected, tenure began 30 July 2020 and ended 28 July 2021 Re-elected from 29 July 2021 to 28 July 2026	BMil, Hons BCom (Personnel Management), MBA, PhD (Industrial Economics), Industrial Relations Development Programme	N/A
Nkosinathi Louis Theledi (30 June 1963)	Appointed, 09 September 2013, tenure ended 08 September 2019 Appointed for a final term of three years from 3 December 2020 – tenure ends 2 December 2023	BTech Tshwane University of Technology, National Diploma: Human Resources University of Johannesburg, Public Management and Development Wits School of Governance, MTech Tshwane University of Technology	Secretary-general: Police and Prisons Civils Rights Union
Jan Stephanus Roux (08 January 1944)	Elected, tenure began 30 July 2014, extended from 29 July 2020 and ended 29 July 2021	BSc, LSTD, BEd Stellenbosch University	N/A

Name	Elected or appointed	Qualifications	Other significant positions held during 2021
Dr Nomzamo Tutu	Appointed 30 July 2020, tenure ends 29 July 2026	MBChB, BSc, Postgraduate Diploma in Occupational Health, Postgraduate Diploma in HIV/Aids Management in the World of Work	Chairperson: Transformation Committee of the Engineering Council of South Africa Strategic adviser to Busane Development Trust
Dr Johan Frederik Smit	Elected, tenure began 30 July 2021 and ends 28 July 2027	BCHD (Dentistry), DTVG (Dental Public Health) and DGA (Public Health Administration), all University of Pretoria	Retired
Pierre de Villiers	Elected, tenure began 30 August 2021 and ends 29 August 2027	NND (Engineering Studies) from Ekurhuleni West Technical and Vocational Education and Training (TVET) College, Teachers Diploma University of Pretoria, BEd, MEd	Lecturer – Ekurhuleni West TVET College
Lebohlang Precious Khumalo	Elected, tenure began 30 August 2021 and ends 24 September 2025	Diploma in Clinical Nursing Science, Diploma In General Nursing, Advanced Certificate in Project Management University of KwaZulu-Natal and Advanced Certificate in Healthcare Management – Foundation for Professional Development	Nursing professional

Note: Trustees' qualifications are verified through the Scheme's annual vetting procedure.

## Board meetings in 2021

The GEMS Board of Trustees held 20 meetings during 2021 (15: 2020). Most meetings were held virtually, but others were hybrid:

1. 5 February 2021 (special meeting)
2. 25 February 2021 (quarterly meeting)
3. 11 March 2021 (special meeting)
4. 31 March 2021 (ad hoc urgent meeting)
5. 15 April 2021 (special meeting)
6. 22 April 2021 (quarterly meeting)
7. 23 April 2021 (continuation of 22 April 2021 quarterly meeting)
8. 1 June 2021 (special meeting)



9. 30 June 2021 (interim meeting)
10. 5 July 2021 (continuation of 30 June 2021 interim meeting)
11. 29 July 2021 (quarterly meeting)
12. 30 August 2021 (AGM preparation meeting)
13. 14 September 2021 (special Board and Exco meeting)
14. 21 September 2021 (interim meeting to consider benefit design recommendations)
15. 27 September 2021 (ad hoc meeting)
16. 4 October 2021 (continuation of 27 September 2021 ad hoc meeting)
17. 28 October 2021 (quarterly meeting)
18. 29 October 2021 (in-committee meeting for 28 October 2021 quarterly meeting)
19. 9 December 2021 (interim meeting on key approvals for 2022)
20. 10 December 2021 (in-committee meeting for 9 December 2021 interim meeting)

The Board of Trustees also held four briefings with the Minister for the Public Service and Administration (0: 2020); one AGM (0: 2020), one workshop (1: 2020), and two strategic planning meetings of two days each (1: 2020) as follows:

1. 15 January 2021 (briefing meeting with the Minister)
2. 20 January 2021 (briefing meeting with the Minister)
3. 26 and 27 January 2021 (Board and information communications (Special Board, Governance Training and Strategic Planning)
4. 15 April 2021 (briefing meeting with the Minister)
5. 20 January 2021 (briefing meeting with the Minister)
6. 31 August 2021 (virtual AGM)
7. 8 December 2021 (risk identification and assessment workshop)
8. 7 and 8 December 2021 (Board and information communications management strategic planning meeting).

## Standing committee structure and responsibilities

The Board of Trustees has its own governance practices and standing committee structure that comply with governance and regulatory requirements. These committees fulfil key roles in ensuring good corporate governance.

The structure is based on:

- Statutory requirements.
- King IV Report on Corporate Governance.
- GEMS Strategic Plan Accountability and Strategic Oversight Framework.
- GEMS operating model.
- Cost-effectiveness and value for money.

The committees are mandated by the Board of Trustees through written terms of reference on membership, authority and duties. A standing committee responsibility matrix clarifies and demarcates standing committees' responsibility areas.

The committees meet at least quarterly as stipulated in the year planner approved for each year. Committee meetings are attended by Scheme management in keeping with the Board's requirements.

The committees in operation in 2021 were:

## Audit Committee

The Audit Committee is mandated by the Board of Trustees through a written Audit Committee Charter on membership, authority and duties. The committee's charter was reviewed and approved by the Board of Trustees in December 2021 for 2022.

The primary responsibilities of the Audit Committee include assisting the Board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, financial reporting processes, financial and other reporting risks, information systems, oversight of assurance provided over external reports other than financial statements; and oversight of combined assurance processes applied by the Scheme and its service provider network. The Audit Committee considers and recommends the appointment of the external auditors and monitors and reports on their independence. It also appoints, assesses and/or dismisses the Chief Audit Executive, approves the internal audit plan and annually reviews and approves the Internal Audit Charter.

## Committee composition, including members' qualifications and experience

The committee consists of five members, two of whom were members of the Board of Trustees. Most members, including the Chairperson, are not trustees, or officers of the Scheme or of any of its service providers. For the year ended 31 December 2021, the committee members were:

Name	Designation	Qualifications	Role during 2021
Motshoanedi Johannes Lesejane (29 February 1956)	Independent member – Chairperson, appointed from 1 January 2018	Chartered Director South Africa CA(SA), Fellow Chartered Management Accountant (Global Management Accountant), BCom Hons Accounting Science, BCom Accountancy	Independent non-executive director, consultant, lecturer at Wits Business School
Carolynn Chalmers (12 September 1968)	Independent committee member appointed from 1 April 2019	Postgraduate Diploma: Marketing, Management, BSc Honours, Computer Science Masters; BSC Computer Science	Consultant

Name	Designation	Qualifications	Role during 2021
Malande Sibongile Tonjeni (15 August 1978)	Independent committee member appointed for a final term from 1 April 2019 to 31 March 2022	CA(SA), BCom Acct, BCom Hons Acct, Postgraduate diplomas in Mining Engineering, Mining Tax, Banking Law, INSEAD Programme	Independent non-executive director and trustee, and consultant
Rakgama Andries Manoko (6 June 1966)	Trustee, appointed, term began 06 March 2018, appointed Audit Committee member from 28 June 2018	Gradum Baccalaurei Procurations, Gradum Baccalaurei Legum, Admitted Attorney, Corporate Governance, Commercial Law	Founder and managing director: Manoko & Associates Inc
Dr Nomzamo Tutu (12 December 1965)	Trustee, appointed, term began 30 July 2020, appointed Audit Committee member from 30 July 2020	MBChB, BSc, Postgraduate Diploma in Occupational Health, Postgraduate Diploma in HIV/Aids Management in the World of Work	Chairperson: Transformation Committee of the Engineering Council of South Africa Strategic adviser to Busane Development Trust

The Audit Committee carried out its responsibilities in terms of the Board-approved Audit Committee Charter. The external auditors and internal auditors reported formally to the committee on crucial findings arising from audit activities.

The committee met nine times during 2021 (7: 2020). All meetings were held virtually:

1. 4 February 2021 (quarterly meeting)
2. 11 March 2021 (special meeting)
3. 13 April 2021 (quarterly meeting)
4. 16 April 2021 (continuation of 13 April 2021 quarterly meeting)
5. 28 June 2021 (ICT workshop with Finance and Investment Committee);
6. 15 July 2021 (quarterly Meeting)
7. 21 July 2021 (continuation of 15 July 2021 quarterly meeting)
8. 21 October 2021 (quarterly meeting)
9. 15 November 2021 (in-committee meeting for 21 October 2021 meeting).

The Principal Officer, the Chief Financial Officer of the Scheme, the Chief Audit Executive, the Scheme's internal auditors and the external auditors attended committee meetings on invitation and had unrestricted access to the Chairperson of the Audit Committee.

## Ad-hoc Oversight Committee on Special Projects and Programmes

The Board of Trustees, on the recommendation of the Risk, Social and Ethics Committee, established the Ad-hoc Oversight Committee on Special Projects and Programmes. It held its Inaugural meeting and began its duties on 10 August 2021.

Its primary role is to support the Board of Trustees in ensuring effective oversight of GEMS projects, programmes and other change activities (initiatives), as defined in its terms of reference, and report to the Board on initiatives.

- Governance, risk and compliance management
- Assurance
- Application of Board directives and defined parameters
- Strategic analysis, alignment and prioritisation
- Planning and lifecycle management
- Considerations of GEMS' clinical, operational, financial, ICT, human resources, legal, compliance and change management requirements
- Liaison with interim NHI advisory structures
- Insourcing of capabilities.

The committee ensures effective communication with and between associated Board committees on matters relating to its responsibilities.

The committee met twice, virtually, in 2021:

1. 10 August 2021 (quarterly meeting)
2. 13 October 2021 (quarterly meeting).

For the year ended 31 December 2021, the committee members were:

- Nkobane Constance Ntshane (trustee, elected – Chairperson, tenure began 23 September 2019)
- Rakgama Andries Billy Manoko (trustee, appointed, tenure began 06 March 2018)
- Dr Esthras Tlou Confidence Moloko (trustee, appointed, tenure began 28 October 2016)
- Nkosinathi Loiuis Theledi (trustee, appointed, tenure ended 26 September 2019)
- Carolyn Chalmers (Audit Committee independent committee member, tenure began 01 April 2019).

## Clinical Governance and Administration Committee

The committee assists the Board of Trustees to ensure the efficient operations of the Scheme by providing oversight, assessment and review of all administration aspects of the Scheme's business. To this end, it ensures seamless interaction among service providers to meet the Scheme's operational objectives. It also assists the Board to nurture growth in Scheme membership and excellent member affairs by overseeing communication and marketing activities, stakeholder relations and the complaints management function. It

- Assesses, decides and reports on the approval of ex gratia applications and payments to Scheme members. It is mandated to approve ex gratia payments of more than R50 000 and where the condition and the withholding of therapy is life threatening, the treatment will

result in improved quality of life for the applicant, the treatment is clinically appropriate and based on internationally accepted, evidence-based treatment guidelines and protocols, or the applicant has a proven financial inability to afford the treatment by any other means

- Assists the Board to implement the healthcare management strategic objective, namely 'To improve the Scheme's clinical risk profile and contain claims experience'
- Oversees the Scheme's product development and benefit design work.

The committee met over two days, every quarter, seven times in 2021 (7: 2020). Most meetings were held virtually:

1. 16 and 17 February 2021 (quarterly meeting)
2. 27 and 28 May 2021 (quarterly meeting)
3. 13 May 2021 (special meeting)
4. 7 and 8 July 2021 (quarterly meeting)
5. 05 August 2021 (special joint meeting with the Finance and Investment Committee on strategic planning and the Scheme's 2022 benefit design)
6. 2 and 3 November 2021 (quarterly meeting)
7. 23 November 2021 (SCM Policy workshop)

For the year ended 31 December 2021, the committee members were:

- Dr Sebayitseng Millicent Hlatshwayo (trustee, appointed – Chairperson, tenure began 06 March 2018)
- Nkobane Constance Ntshane (trustee, elected, tenure began 23 September 2019)
- Rakgama Andries Billy Manoko (trustee, appointed, tenure began 06 March 2018)
- Mpfariseni Erasmus Phophi (trustee, appointed, tenure began 19 September 2016)
- Nkosinathi Louis Theledi (trustee, appointed, tenure ended on 26 September 2019)

## Finance and Investment Committee

The Finance and Investment Committee was set up by the Board in December 2013 and began its work in March 2014. It assists the Board in fulfilling its oversight responsibilities of the Scheme's investment activities, considers investment decisions and activities, and monitors the Scheme's organisational and financial performance. The committee conducts oversight in line with the Scheme's business model, which requires ongoing review of service provider contracting. Hence, the committee monitors cash flow position, investment performance and regulatory compliance. It also oversees ICT and the performance of contracted asset consultants and managers.

The committee met seven occasions in 2021 (6: 2020) using a hybrid meeting approach.

1. 18 February 2021 (quarterly meeting)
2. 20 May 2021 (quarterly meeting)
3. 8 June 2021 (BBBEE meeting with contracted SPN)
4. 28 June 2021 (ICT workshop with the Audit Committee)
5. 05 August 2021 (special joint meeting with the Clinical Governance and Administration Committee on strategic planning and the 2022 benefit design)
6. 16 September 2021 (quarterly meeting)
7. 16 November 2021 (quarterly meeting).

Committee members in 2020 were:

- Dr Esthras Tlou Confidence Moloko (trustee, appointed – Chairperson, tenure began 28 October 2016)
- Marthinus Brand (trustee, elected, tenure began 23 September 2019)
- Dr Josef Adriaan Breed (trustee, elected, tenure began 31 July 2014 and ended 29 July 2021)
- Lebohang Precious Mankge (trustee, elected, tenure began 23 September 2019 and ended 31 March 2021)
- Nkobane Constance Ntshane (trustee, elected, tenure began 23 September 2019)
- Jan Stephanus Roux (trustee, re-elected, tenure began 30 July 2014 and ended 29 July 2021)
- Dr Nomzamo Tutu (trustee, appointed, tenure began 30 July 2020)
- Dr Izak Jacobus van Zyl (trustee, elected, tenure commenced on 30 July 2014, ended 29 July 2021 and re-elected from 29 July 2021) and
- Malande Sibongile Tonjeni (independent committee member co-opted from the Audit Committee, tenure began 01 April 2019).

## Risk, Social and Ethics Committee

The committee ensures sound corporate governance by providing oversight, assessment and review of risk management, ethics management and compliance management. Its responsibilities include ensuring compliance with the MSA and its Regulations, patent and trademark legislation, and other relevant legislative frameworks.

The committee met six times in 2021 (4: 2020). Most meetings were held virtually:

1. 19 February 2021 (quarterly meeting)
2. 2 April 2021 (ad hoc meeting)
3. 6 April 2021 (ad hoc meeting)
4. 11 May 2021 (quarterly meeting)
5. 19 August 2021 (quarterly meeting)
6. 18 November 2021 (quarterly meeting).

Committee members were:

- Mpfariseni Erasmus Phophi (trustee, appointed – Chairperson, tenure began 19 September 2016)
- Marthinus Brand (trustee, elected, tenure began 23 September 2019)
- Dr Josef A Breed (trustee, elected, tenure began 31 July 2014 and ended 29 July 2021)
- Lebohang Precious Mankge (trustee, elected, tenure began 23 September 2019 and ended 31 March 2021)
- Dr Esthras Tlou Confidence Moloko (trustee, appointed, tenure began 28 October 2016)
- Jan Stephanus Roux (trustee, re-elected, tenure began 30 July 2014 and ended 29 July 2021)
- Dr Izak Jacobus van Zyl (trustee, official term ended 30 July 2020 but given Covid-19 and lockdown, was extended until 29 July 2021, re-elected, term began 29 July 2021)
- Carolynn Chalmers (independent committee member co-opted from the Audit Committee, tenure began 01 April 2019).

## Human Resources and Remuneration Committee

This committee ensures sound people management by providing oversight, assessment and review of the maintenance of relevant human resources and remuneration policies. In addition, it advises the Board on the annual cost of living adjustment for employees, the criteria for benchmark exercises pertaining to annual remuneration surveys, remuneration rates for employees, trustees and independent committee members, the implementation of remuneration survey results, and implementation of employee performance reward measures. It also oversees disclosure in the annual integrated report of remuneration of trustees, independent committee members and members of the GEMS Exco.

The Human Resources and Remuneration Committee met six times in 2021 (5: 2020), mostly virtually:

1. 3 February 2021 (quarterly meeting)
2. 9 April 2021 (quarterly meeting)
3. 10 June 2021 (quarterly meeting)
4. 26 August 2021 (special meeting)
5. 14 October 2021 (quarterly meeting)
6. 24 November 2021 (special meeting).

Committee members were:

- Nkosingithi Louis Theledi (trustee, appointed – Chairperson, tenure ended 26 September 2019)
- Dr Josef Adriaan Breed (trustee, elected, tenure began 31 July 2014 and ended 29 July 2021)
- Dr Sebayitseng Millicent Hlatshwayo (trustee, appointed, tenure began 06 March 2018);
- Rakgama Andries Billy Manoko (trustee, appointed, tenure began 06 March 2018)
- Dr Izak Jacobus van Zyl (trustee, official term ended on 30 July 2020 but given Covid-19 and lockdown, was extended until 29 July 2021, re-elected term began 29 July 2021).

In addition to the standing committees, the Board also appointed one ad-hoc committee in 2021:

## Benefit Design Committee

This committee made recommendations to the Board on GEMS benefits and contributions for 2022. It met twice in 2021 (2: 2020):

- 18 August 2021
- 15 September 2021.

Attendance was open to all trustees and most attended.

Trustee and Principal Officer meeting attendance in 2021:  
A – meetings attended, B – meetings that could be attended

TRUSTEE	AGM	Board of Trustees		Audit Committee		Ad-hoc Oversight Committee on Special Projects and Programmes		Benefit Design Committee		Clinical Governance and Administration Committee		Risk, Social and Ethics Committee		Finance and Investment Committee		Human Resources and Remuneration Committee		Training		Workshops	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Marthinus Brand	1	20	20					2	2			6	6	7	7			10	10	2	2
Dr Josef A Breed	-	11	11					-	-	4	4					3	3	5	5	-	-
Pierre de Villiers	1	9	9	1	1			1	1	1	1	1	1	-	-	1	1	4	4	1	1
Dr Sebayltseng Millicent Hlatshwayo	1	20	20			1	1	2	2	7	7	3	3	3	3	6	6	6	6	2	2
Lebohlang Precious Khumalo	1	9	9	1	1			1	1	1	1	1	1	2	2	1	1	4	4	1	1
Lekgema Joel Mankge	-	4	4					-	-			1	1	1	1			1	1	-	-
Rakgana Andries Billy Manoko	1	20	20	9	9	2	2	2	2	7	7							15	15	2	2
Dr Esthras Tlou Confidence Moloko	1	20	20			2	2	2	2	7	7			7	7			4	4	2	2
Nkobane Constance Nishane	1	20	20			2	2	2	2	7	7			7	7			7	7	2	2
E Mphahleli Erasmus Phophi	1	20	19					2	2			6	6			6	6	11	11	1	1
Jan Stephanus Roux	1	11	11					-	-			4	4	4	4			2	2	-	-
Dr Johan Frederik Smit	1	9	9	1	1	2	2	1	1	1	1	2	2	3	3	2	2	7	7	1	1
Nkosinathi L Thleledi	1	20	19			2	2	2	2	7	7					6	6	5	5	1	1
Dr Nomzamo Tutu	1	20	19	9	9			2	2					7	5			11	11	2	2
Dr Izak Jacobus van Zyl	1	20	20					2	2			6	6			6	6	2	2	1	1
Dr BOS (Stanley) Moloabi (Principal Officer)	1	20	20			2	2	2	2	7	5	6	6	7	7	6	6	2	2	2	2



# GEMS INDEPENDENT COMMITTEE MEMBERS' ATTENDANCE OF BOARD AND COMMITTEE MEETINGS

A – meetings attended

B – meetings that could be attended

Member	AGM	Board of Trustees		Audit Committee		Ad-hoc Overview Committee on Special Projects and Programmes		Benefice Design Committee		Clinical Governance and Administration Committee		Risk, Social and Ethics Committee		Finance and Investment Committee		Human Resources and Remuneration Committee		Training		Workshops	
		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Motshoane Johannes Lesajane	1	15	9	9	9													9	9	1	1
Carolynn Chalmers	1	6	6	9	8	2	2					6	6					8	8	1	1
Malande Sibongile Tonjeni	1	-	-	9	8									7	5			3	3	1	1

## ICT governance

The GEMS Information and Communication Technology Division reports to the Finance and Investment Committee and the Board of Trustees. The division is headed by the Chief Information Officer and its structure is based on the five key areas of applications, infrastructure and operations, data analytics and BI, business continuity and security management. Other focus areas are administration, strategy and governance, and service planning and enterprise architecture.

The division drives key strategic projects such as Intelligems and insourcing of capabilities, supported by the Project Management Office and other divisions. The division provides the Scheme with an intranet platform called Gemzito, on which users can access Scheme and divisional documents as authorised according to their roles.

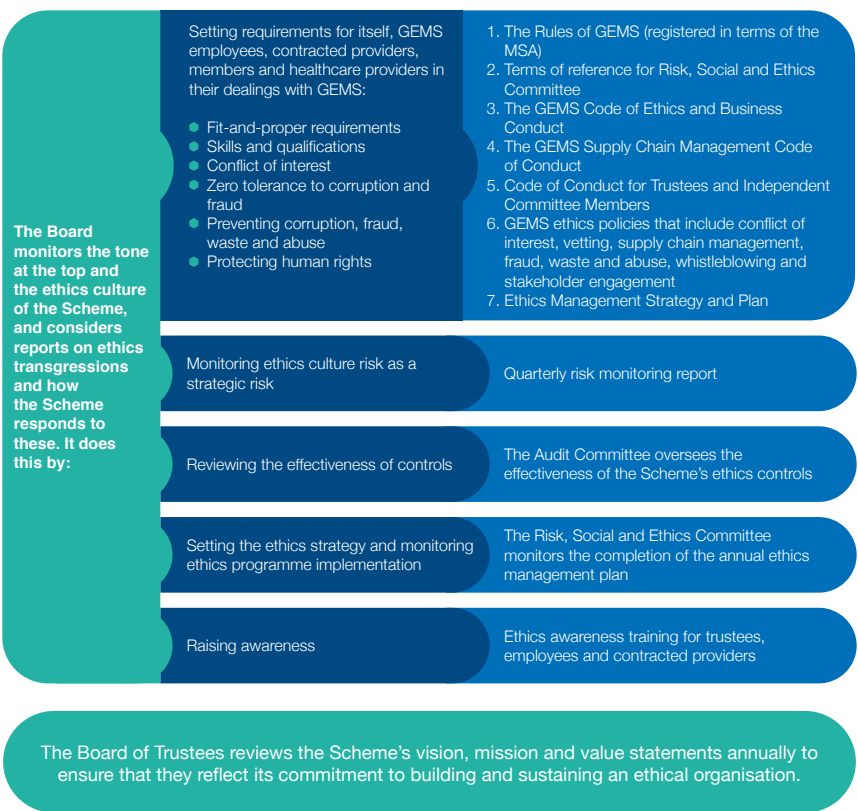
Adequacy and effectiveness of technology and information management are monitored through risk management control effectiveness reviews by management supported by the GEMS risk management function. Periodic independent reviews are performed by GEMS' internal audit and external assurance providers. Achievement of the third strategic plan phase, 'innovate for member value proposition', and the strategic objective of becoming the blueprint for NHI is premised on advanced ICT systems for enhanced member experience and decision-making, data-driven healthcare management operational improvement and risk management.

2021 key focus areas	Future focus areas
<ul style="list-style-type: none"><li>● Implementation of digital strategy initiatives</li><li>● Development of business intelligence data management and digital first initiatives</li><li>● Further enhancement of provider and member digital services</li><li>● Complete analysis and development of the core information management programme</li><li>● Development and implementation of information security management capability</li><li>● Adoption of fourth industrial revolution technologies such as cloud solutions, digitising on the inside and outside and positioning for NHI</li></ul>	<ul style="list-style-type: none"><li>● Development of a core information management capability: Private/public digital health ecosystem and a central intelligence centre</li><li>● Development and implementation of information security management capability</li><li>● Development and implementation of cybersecurity strategy</li><li>● Completion and implementation of the ICT governance framework and structures</li><li>● Implementation of multi clouds (Azure, AWS, Google Analytics7, iCloud), Office 365</li><li>● Access to fast mobile broadband network</li><li>● Innovation, development operations, ICT governance, and ICT research and development</li></ul>

# Report from the Risk, Social and Ethics Committee on protecting and preserving value through ethical leadership and governance of compliance

## Governance of ethics

The Board exercises ethical leadership and is responsible for the governance of ethics by setting the direction for how ethics should be approached and addressed by the Scheme in all its dealings.



## The responsibility to implement the annual ethics management plan is delegated to Scheme management

Scheme management discusses ethics and values, and designs and implements policies and processes to achieve sound ethics management. Management submits policies to the Board for approval and accounts to the Board on implementation of policies to achieve effective ethics management. Management pursues collaboration and shared accountability for the achievement of desired outcomes.

Scheme employees annually sign the GEMS Code of Ethics and Business Conduct and the Supply Chain Management Code of Conduct. The Risk, Social and Ethics Committee monitors compliance with the Code of Ethics and Business Conduct, other social, ethical and legal requirements, and best practice.

### Highlights in 2021

- A new ethics strategy and management plan developed through collaboration and based on the outcome of an external ethics risk assessment
- Strengthened controls through the full implementation of lifestyle audits for chief officers
- Heightened employee ethics awareness through extensive training
- Achievement of the required ethics culture risk level for 2021.

### Key focus areas in 2022

- Further building a mature ethics culture by executing the 2022 Ethics Management Strategy and Plan
- Expanded ethics communication to external stakeholders
- New policy formulation on work outside GEMS by employees
- Automation of ethics documentation submission process for improved performance by the ethics function and adherence by employees.

## Compliance

### Structures and processes for compliance management and non-compliance

Compliance with regulatory requirements contributes to and forms part of business efforts to create an ethical and sustainable medical scheme that behaves as a good corporate citizen. As such, the Scheme is committed to identifying regulatory requirements, continuously monitoring the effectiveness of compliance to regulatory requirements, and responding where change is required.

Effective management of compliance risk means meeting the GEMS compliance obligations and protecting GEMS from loss or damage, noting that it is not only an obligation but a source of rights and protection. It requires a holistic view on how laws and non-binding rules, codes and standards relate to one another and their effect on GEMS’ ability to create value over time. The GEMS Board Charter requires the Board to govern the Scheme’s compliance by setting and steering its compliance approach and management.

The GEMS compliance function reports to the Audit Committee on the system for monitoring compliance with laws and regulations and the Risk, Social and Ethics Committee on the outcomes of compliance risk management. More information on the composition of the Audit Committee and the Risk, Social and Ethics Committee and a summary of the committees’ responsibilities can be found from page 116.

The adequacy and effectiveness of the Scheme’s compliance management function are assessed periodically by the Scheme’s internal audit function, with the most recent review conducted in the fourth quarter of 2021.

The compliance function forms part of the second line of defence in the Scheme’s combined assurance framework:



The compliance function is located in the Risk Management and Compliance Division and is represented on the Scheme’s Combined Assurance Forum convened by the Chief Audit Executive.

The Scheme has established a Risk, Compliance and Ethics Forum comprising risk, compliance and ethics champions from all Scheme divisions and the SPN. The forum monitors compliance with its compliance universe, including the Rules of GEMS and legislation.

The GEMS compliance function aligns to the Generally Accepted Compliance Practice Framework (Compliance Institute South Africa). Compliance governance documents are streamlined into a Compliance Framework and Compliance Coverage Plan supported by a Compliance Policy.

Compliance management encompasses:

- Identifying and prioritising all acts and regulations at all levels applicable to the Scheme
- Incorporating regulatory requirements into control measures such as standard operating procedures, processes, manuals and policies
- Recommending corrective measures or steps to ensure compliance
- Monitoring compliance through the adequacy and effectiveness of control measures.

Non-compliance is managed through:

- Annual review and update of the Scheme's regulatory universe
- Compilation of compliance risk management plans for high-risk legislation
- Continuous monitoring of the regulatory environment.

Highlights for 2021:	Focus areas 2022:
<ul style="list-style-type: none"><li>● Preparing for compliance to the POPI Act. A project was completed in April 2021</li><li>● 2021 Compliance Coverage Plan execution</li><li>● Achieving a GEMS compliance index rating of 94%</li><li>● Publishing the GEMS King IV Report disclosure register</li><li>● Successfully managing policy development and maintenance</li><li>● Providing guidance to the Scheme's SPN to ensure correct application of the Rules of GEMS</li></ul>	<ul style="list-style-type: none"><li>● Registration of GEMS as a financial services provider under the Financial Advisory and Intermediary Services Act – initiating compliance through compliance groundwork and research.</li><li>● Embedding enhanced compliance processes according to the 2022 GEMS compliance universe</li><li>● Compiling compliance risk profiles for GEMS divisions</li><li>● Compliance awareness training</li><li>● Topical legislation training, including Board training</li><li>● Implementation and monitoring of the 2022 Compliance Coverage Plan</li></ul>

## Regulatory matters

GEMS did not attract regulatory penalties in 2021, but attended to enquiries from the CMS in terms of Section 43 of the MSA. The Scheme responded formally to the Section 59 interim report in April 2021.

## Regulatory non-compliance

To the best of the Scheme's knowledge, the compliance matters listed below cover all of the non-compliance matters for the 2021 financial year.

## **Late-paying employer groups**

### **Nature**

In terms of Rule 13.2 of GEMS' Scheme Rules and Section 26 (7) of the Medical Schemes Act members' contributions are due monthly in arrears and payable by no later than the third day of each month.

### **Cause**

During the period under review, certain employer groups paid over contributions on behalf of their members after the third day of the month. Late payment may result in a loss of interest earned for the Scheme. However, this is not significant due to the short duration of the contributions being outstanding.

### **Corrective action**

Scheme management engaged with the employer groups concerned to ascertain the reasons for the late payment of contributions and to highlight the impact of this practice on members of the Scheme. The Council for Medical Schemes is informed quarterly of any late payers and the Auditor General is informed annually. At year-end there were nine late-paying employer groups. Subsequently these amounts have been received.

## **Benefit options**

### **Nature**

In terms of Section 33 (2) of the Medical Schemes Act, medical scheme options shall be self sufficient in terms of membership and financial performance.

### **Cause**

The Scheme's Onyx option did not meet the self-sufficiency requirement in terms of Section 33(2) of the Medical Schemes Act. Loss-making options adversely affect the financial performance of the Scheme and the reserve ratio. The claims on the Onyx option were driven by the option's older demographic profile, which resulted in higher claims being incurred relating to chronic and lifestyle-related diseases. The migration of the pre-1992 pensioners to this option in prior years also resulted in the financial performance being adversely affected during the financial year.

## **Corrective action**

The Scheme is, however, accumulating funds in accordance with a business plan approved by the Registrar. The Registrar was notified of the Scheme's performance throughout 2021 with the submission of quarterly performance reports and quarterly meetings with the Council for Medical Schemes. Part of the quarterly submission are actuarial reports for the specific option in order for the Council for Medical Schemes to see progress of the options against the business plan and budget for the year.

## **Claims settled after 30 days**

### **Nature**

In terms of Section 59 (2) of the Medical Schemes Act, the Scheme shall, in the case where an account has been rendered, pay to a member or a supplier of service any benefit owing to that member or supplier of service within 30 days after the day on which the claim for such benefit was received by the Scheme.

### **Cause**

During the financial year, instances were identified where the above regulation had not been complied with.

## **Corrective action**

Additional controls have been put in place at the administrator to mitigate the risk of non-compliance and the Scheme will ensure that these are tested as part of the internal audit process of the Scheme during the coming year.

## **Guarantees**

### **Nature**

Section 35(6) (a) of the Medical Scheme Act states that a medical scheme shall not encumber its assets.

### **Cause**

The guarantee in favour of the Council for Medical Schemes has been issued in terms of Section 24(5) of the Medical Schemes Act, 1998 to the value of R2.5 million. The Scheme's banker issued these guarantees as part of the Scheme's banking facilities.



The guarantee of R5 million in favour of the South African Post Office allows the Scheme to transact directly with the service provider for the provision of postal services, rather than procuring these services on an agency basis.

## **Corrective action**

The Council for Medical Schemes has issued GEMS an exemption from the provision of Section 35(6) of the MSA for a period of two years effective from 05 December 2019.

## **Investment in medical scheme administrator**

### **Nature**

Section 35 (8) (a), (c) and (d) of the Act states that a medical scheme shall not invest any of its assets in the business of an employer who participates in the Scheme, or any administrator or any arrangement associated with the Scheme.

The Scheme has investments in certain administrators.

### **Cause**

The Scheme has investments in certain companies associated with the administrators of the Scheme within its diversified investment portfolio.

## **Corrective action**

This situation is common industry-wide. The CMS has granted GEMS an exemption for a period of three years effective from 05 December 2019.

## **Committee assurance**

The Risk, Social and Ethics Committee is satisfied that it complied with its legal, regulatory and other responsibilities during 2021.



.....  
**Mphariseni Erasmus Phophi**

Chairperson: Risk Social and Ethics Committee

# Remuneration report

## Introduction

The Board resolved on 28 February 2017 to adopt the King IV Report on Corporate Governance for South Africa with effect from 1 January 2018.

The Scheme has a dedicated Board committee to oversee remuneration, inclusive of trustee and independent committee members' remuneration, remuneration of executives and general staff and related matters. Information on the mandate, composition and attendance of meetings held by the Human Resources and Remuneration Committee in 2021 is provided on page 121 of the report.

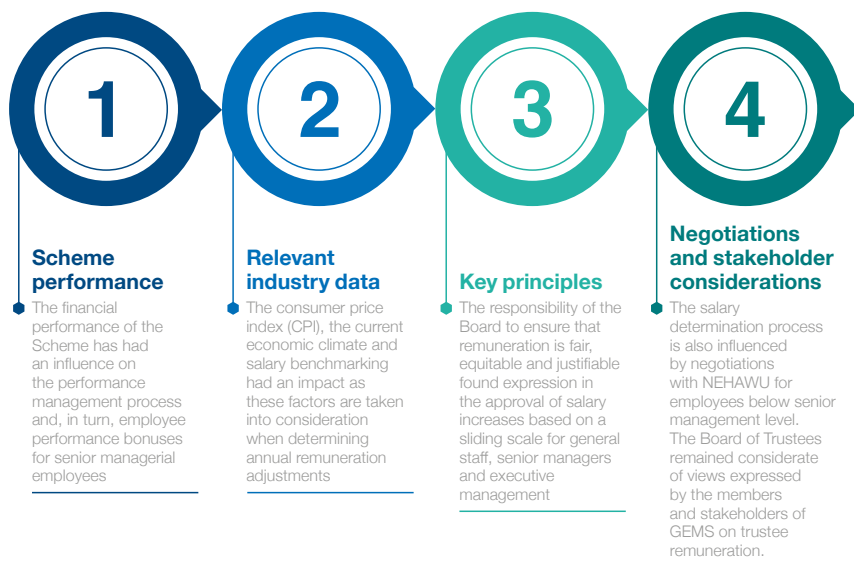
## Background

The key factors that influenced remuneration decisions during 2021:

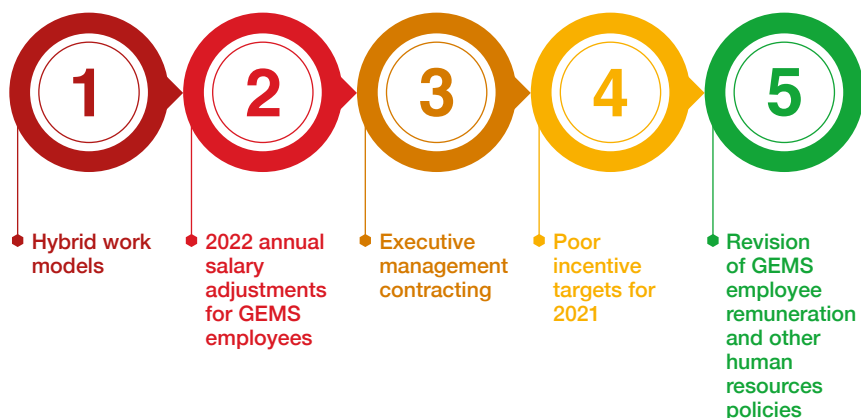
### The impact of Covid-19:

For decision-making on salary adjustments for the 2022 financial year, the Board considered the impact of Covid-19 on GEMS' contribution income, the country's economic conditions, uncertainties about the ultimate financial impact of Covid-19 and the 2022 GEMS contribution increase.

### Other factors



The key focus areas and key decisions of the Human Resources and Remuneration Committee in 2021 were:



## Using remuneration consultants

A remuneration salary survey was used for the remuneration benchmark performed for general staff, senior managers, executive management and the Principal Officer under the auspices of the Human Resources and Remuneration Committee in 2021. The work was allocated to an organisation well versed in this area and the committee is satisfied with its independence and objectivity.

## Remuneration benchmarks

GEMS, as with other organisations, strives to attract and retain key talent, thereby driving business strategy with the right people. The risk of losing key talent is high in most organisations. Variation in pay is one of the key determinants in retaining or losing key individuals. It requires a benchmarking exercise for organisations to determine if pay practices are aligned with those of other businesses. The GEMS benchmarking process is conducted against healthcare, financial and national industries as its products and services compare well to these.

## Meeting the stated remuneration policy objectives

GEMS is committed to developing, implementing and upholding remuneration strategies and practices that support its vision, mission, values and strategic objectives, while pursuing the best interests of the Scheme. It ensures that remuneration is fair, equitable and justifiable.

The committee is satisfied that the GEMS Employee Remuneration Policy has met its stated policy objectives in that it supports the Scheme's commitment to attracting and retaining highly skilled talent. The total reward packages and benefits offered contributed to attracting and retaining key talent. A low staff turnover rate of 4.4% was recorded for 2021. The GEMS Performance Management Policy and process entrench this commitment by rewarding high performers.

## Future focus areas

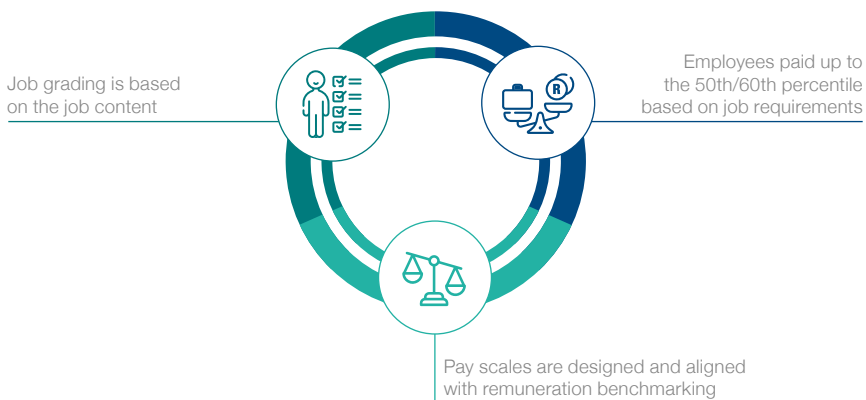
The GEMS Employee Remuneration Policy continues to evolve as the Scheme ensures that employees are paid according to market standards while considering the current economic environment. The success of the GEMS strategic plan is dependent on the Scheme's ability to attract and retain highly skilled talent. It strives to be an employer of choice and the policy is under review to ensure that it optimally supports the strategic plan. Key future focuses are review of pay scales and talent retention.

## Key remuneration policy principles

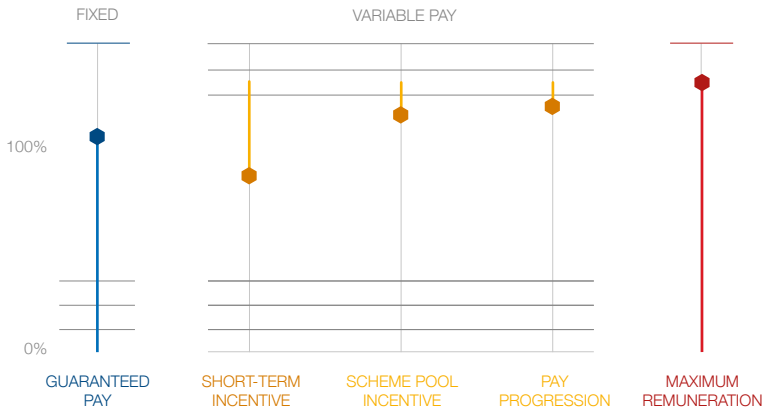
The GEMS remuneration philosophy reflects its commitment to attracting and retaining highly skilled, high-performing employees who enable organisational performance. The philosophy is aligned to the Scheme's business strategy, objectives and values, and to achieving long-term sustainability. The GEMS Employee Remuneration Policy is based on this remuneration philosophy and strategy.

The Board of Trustees determines the remuneration and reward structures of employees in keeping with the policy and ensures that employees are appropriately compensated.

In determining appropriate remuneration:



Remuneration is provided to employees in guaranteed and variable pay, namely performance bonuses and short-term incentives. Guaranteed pay includes basic salary and benefits. Variable pay is aligned to the achievement of business objectives and individual performance.



Performance bonuses and short-term incentives are determined under the GEMS Performance Management Policy, which states that GEMS will strive to improve employee contribution by linking rewards and recognition with performance management outputs. The performance management system and practices support ongoing and aligned levels of employee motivation and retention of top talent. Performance management drives the achievement of strategic objectives and supports key performance indicators.

The relationship between remuneration, including short-term incentives, and value creation is shown under the heading below.

## Performance framework and measures

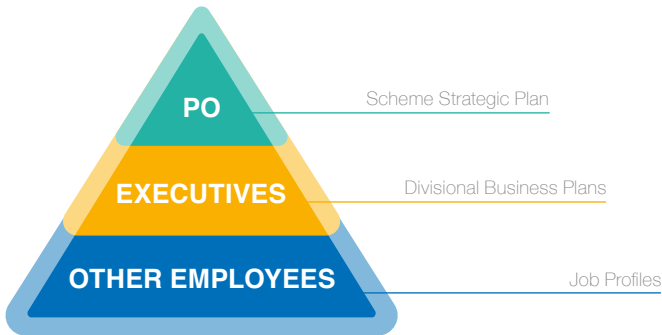
To achieve strategic objectives and positive outcomes, the Scheme uses a standardised and integrated three-tiered performance management system as an institutional framework for managing and linking scheme performance to divisional and employee performance.

A standardised balanced scorecard measures performance in four areas:



The GEMS balanced scorecard is a key performance management tool to measure outputs and results against key performance indicators that are linked to GEMS strategic objectives.

The system ensures that performance is measured holistically at Scheme, divisional and individual employee levels as follows:



Annual employee performance contracting and assessment are done by performance scorecards based on key performance areas and competencies. The areas are aligned to the Scheme's strategic objectives and competencies are linked to occupational levels. The allocation of weightings to both is depicted below:

Level of management	Key performance areas	Core/ managerial competencies	Values	Total weight in % of 100
Principal Officer	40	50	10	100
Executives	60	30	10	100
Senior management	80	10	10	100
Other employees	80	10	10	100

The Scheme promotes improved employee contribution to performance by linking rewards and recognition with performance management outputs. Employees are considered for performance rewards for sustained performance significantly above expectations. For the Principal Officer and executives, performance bonuses are dependent on a minimum individual performance rating, an unqualified audit report, the achievement of a surplus and a complaints ratio approved by the Board.

The table below illustrates the effect on total remuneration for executive management of applying the GEMS Performance Management Policy under minimum, on-target and maximum performance outcomes.

Performance bonus percentage	0%	10%	30%
Total, including annual remuneration	R32 712 180.33	R35 983 398.36	R42 525 834.43

The Scheme's pool incentive and pay progression were implemented in 2020. Payment of the reward rests on the Board's consideration of annual performance against stretch targets for the reserve ratio, complaint ratio and external audit outcome. No pool incentive was awarded in 2021.

In line with the GEMS Remuneration Policy, an e-rewards programme – Khuthalani GEMS Stars ("to be motivated") – was introduced on 1 July 2021. The programme is centered on employee engagement and provides a platform for daily engagement and recognition, ensuring that recognition can be given instantly.

## Executive remuneration in 2021

	Annual earnings	Bonus	Pool incentive bonus 2021	Total remuneration 2021	Total remuneration 2020
Jeannie Combrink*	R2 796 281.31*	R389 706.98	-	R3 185 988.29	R2 697 138
Karyna Pierce	R3 675 374.88	R735 074.97	-	R4 410 449.82	R3 815 555
Gloria Nkademeng	R2 541 945.00	R254 194.50	-	R2 796 139.50	R2 419 233
Dr Sam Lewatle	R3 418 695.00	R512 804.25	-	R3 931 499.25	R3 067 842
Molapo Masekoameng**	R1 641 798.26	-	-	R1 641 798.26	R2 486 936
Dr Vuyokazi Gqola	R3 418 695.00	R512 804.25	-	R3 931 499.25	R3 095 529
Evan Theys	R2 541 945.03	R254 194.50	-	R2 796 139.50	R1 716 734
Asodha Singh	R2 541 945.00	R254 194.50	-	R2 796 139.50	R2 258 405
Dr Stanley Moloabi	R5 078 400.00	R761 760.00	-	R5 840 160.00	R5 022 000
Dr Phumelela Dhlomo	R2 541 945.00	-	-	R2 541 945.00	R1 143 231
Dr Selaelo Mametja	R2 515 155.91	R503 031.18	-	R3 018 187.09	R2 287 443
Total	R32 712 180.39	R4 177 765.13	-	R36 889 945.46	R30 010 046

\*Includes acting allowance

\*\*Pro-rata salary – resigned on 31 July 2021

## Compliance statement

The Scheme complied with its approved Employee Remuneration Policy in 2021 without deviation. There are currently no voting results for the policy.

The GEMS Performance Management Policy is still being implemented. The Scheme complied with the components of the policy that have been implemented without deviation.



## Trustee remuneration in 2021

### GEMS Trustee and Independent Committee Member Remuneration Policy

The close oversight maintained by the Board is crucial to the Scheme's continued financial and operational performance, as evidenced by its track record of unqualified audits, sound procurement processes, responsiveness to member concerns and strong stakeholder relationships. The performance and effectiveness of the Board impact directly on the Scheme's ability to create value for members, the Minister for the Public Service and Administration and other stakeholders.

Effective oversight and intensified outcomes monitoring associated with the implementation of phase three of the five-year strategic plan for 2017 to 2021 prompted the establishment of a new standing committee – Ad-hoc Oversight Committee for Special Programmes and Projects in response to the increased number of meetings needed for effective oversight.

The GEMS Board of Trustees and the committees meet frequently to ensure effective oversight of the Scheme. Meetings are all necessary and convened to:

- Meet the Scheme's statutory obligations
- Adhere to corporate governance standards
- Meet governance requirements of the Scheme's business model and requirements
- Guide Scheme management on stakeholder engagements in the Scheme's complex stakeholder relations environment.

### Trustee and Independent Committee Member Remuneration Policy

Trustees and independent committee members are remunerated for attendance of Board and committee meetings. Trustees and committee members may also be reimbursed for costs of travelling and subsistence. The Scheme commissions independent remuneration surveys to ensure that remuneration is commensurate with the fiduciary obligations of trustees and the expertise of trustees and independent committee members.

Trustees and committee members are remunerated for preparation for and attendance of meetings, but not for:

- Meetings not attended
- Participating in the Scheme's annual Board effectiveness assessment
- Attendance of training sessions
- Attendance of Scheme events requiring no work
- Attendance of member and stakeholder information and communication sessions.

Trustees and committee members are paid a fixed daily meeting fee for each day of quarterly

and interim meetings. The fee is based on an average meeting duration of six hours and 12 hours' preparation time. A reduced daily meeting fee is paid for attending ad hoc meetings.

For meetings with the Minister for the Public Service and Administration and stakeholders, the fixed meeting fee is replaced by an hourly fee based on the number of hours in the meeting plus one hour's preparation time for each hour.

Trustees receive a monthly stipend to cover expenses such as stationery, telephone and internet fees.

The remuneration of the Chairperson of the Board and chairpersons of committees (including the independent Chairperson of the Audit Committee) is the trustee fixed daily meeting fee multiplied by 1.5.

The GEMS Trustee and Independent Committee Member Remuneration Policy is reviewed by the Board every three years, with the last review performed in 2020.

## Remuneration benchmarks

Trustee remuneration benchmarking compares remuneration from at least 10 of the industry's largest closed and open medical schemes

The Board decided in 2021 to increase the fixed daily meeting fee of trustees from 1 January 2022.

## Trustee remuneration 2021

The remuneration paid in 2021 per trustee is shown from page 142. Meeting fees, travel and accommodation costs, training costs and other disbursements are disclosed separately per trustee in accordance with MSA Regulation 6A.

Trustee remuneration paid in 2021 was R11.2 million (2020: R8.3 million), an increase of 35%. Of this, R10.1 million (90%) was meeting fees and the monthly stipend. The balance of R1.1 million covered travel and accommodation costs and fees paid to trainers.

GEMS trustees undertook additional duties voluntarily during 2021 to represent the Scheme at important stakeholder events and to support Scheme management at important engagements with key stakeholders such as unions.

In 2021, trustee fees as a percentage of contributions were 0.02% and as a percentage of the Scheme's non-healthcare costs 0.50%.

## Conclusion

The Human Resources and Remuneration Committee recommended the GEMS 2021 remuneration report to the Board of Trustees. We are satisfied that the committee fulfilled its obligations in 2021.

The committee acknowledges the work performed by Scheme management and congratulates GEMS on its top employer status.



**Nathi Theledi**

Chairperson: Human Resources and Remuneration Committee

	Appointed or member elected	Attendance fees		Travel and accommodation		Reimbursement and allowances		Training		Total	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
<b>Nkobane Constance Nishane</b> Appointed 25 September 2019 – term expires 25 September 2025	Elected	889	750	66	41	8	20	44	7	1 008	818
<b>Dr Izak Jacobus van Zyl</b> Initially appointed 29 July 2014 to 28 July 2020. Term extended to 28 July 2021. Re-elected until 29 July 2027	Appointed	650	641	22	32	10	18	4	7	686	697
<b>Dr Josef A Breed</b> Initially appointed 29 July 2014 to 28 July 2020. Term extended to 29 July 2027	Elected	410	660	-	2	-	4	15	7	425	672
<b>Dr Sebayitseng Millicent Hlatshwayo (Chairperson)</b> Appointed 18 February 2018 – term expires 19 February 2024	Elected	1 250	928	53	2	2	3	90	35	1 395	968
<b>Dr Esthras Tlou Confidence Moloko</b> Appointed 28 October 2016 – term expires 27 October 2022	Elected	894	646	9	7	2	5	0	5	905	662
<b>Johannes Frederick Smit</b> Appointed 29 July 2016 – term expires 28 July 2027	Elected	579	-	22	-	11	-	23	-	634	-
<b>Lebohlang Precious Khumalo</b> Appointed 30 August 2021 – term expires 29 August 2021	Appointed	418	-	51	-	4	-	49	-	522	-
<b>Lekgema Joel Mankge</b> Appointed 25 September 2019 – term expires 24 September 2025	Appointed	140	664	-	16	-	15	-	7	140	702

	Appointed or member elected	Attendance fees	Travel and accommodation	Reimburse- ment and allowances	Training	Total					
<b>Marthinus Brand</b>	Appointed	722	572	-	19	4	28	6	750	600	
Appointed 25 September 2019 – term expires 24 September 2025											
<b>Pierre de Villiers</b>	Appointed	355	37	-	2	-	45	-	439		
Appointed 30 August 2021 – term expires 29 August 2027											
<b>E Mfariseni Erasmus Phophi (Deputy Chairperson)</b>	Elected	782	684	31	10	29	21	79	7	921	721
Appointed 26 September 2017 – term expires 25 September 2023											
<b>Jan Stephanus Roux</b>	Elected	327	553	-	19	-	7	13	7	340	586
Appointed 29 July 2021 – term expires 29 August 2027											
<b>Nkosinathi L Theledi (Chairperson)</b>	Elected	901	641	41	15	3	3	35	7	979	666
Term ended 26 September 2019 and restarted 5 December 2019, ending 4 December 2022											
<b>Rakgama Andries Billy Manoko</b>	Appointed	937	825	49	9	4	7	89	35	1 079	876
Appointed 18 February 2018 – term expires 05 March 2024											
<b>Dr Nomzamo Tutu</b>		783	352	52	-	-	-	106	3	941	355
Appointed 30 July 2020 – term expires 30 July 2026											
<b>Total</b>		<b>10 037</b>	<b>7 916</b>	<b>434</b>	<b>172</b>	<b>75</b>	<b>107</b>	<b>618</b>	<b>133</b>	<b>11 163</b>	<b>8 328</b>



# 13

# OUR PEOPLE

GEMS employee numbers and demographics for the period 2017 to 2021 are shown below.

Total number of employees	2017	2018	2019	2020	2021
GEMS	310	285	309	351	373
Employees per office	2017	2018	2019	2020	2021
Head office	150	133	155	193	208
Client liaison office	160	152	154	158	165
<b>Total</b>	<b>310</b>	<b>285</b>	<b>309</b>	<b>351</b>	<b>373</b>
Employees per contract type	2017	2018	2019	2020	2021
Contract	19	19	-	11	9
Permanent	263	266	309	340	362
Internship	28	-	-	-	2
<b>Total</b>	<b>310</b>	<b>285</b>	<b>309</b>	<b>351</b>	<b>373</b>
Employees per gender	2017	2018	2019	2020	2021
Male	95	90	98	107	124
Female	215	195	211	244	249
<b>Total</b>	<b>310</b>	<b>285</b>	<b>309</b>	<b>351</b>	<b>373</b>
<b>Turnover</b>	<b>5.40%</b>	<b>8.20%</b>	<b>4.80%</b>	<b>4.39%</b>	<b>5.5%</b>

## Union membership

A total of 203 GEMS employees (56.7%) on levels A1 to D3 belong to the union.



## **DR STANLEY MOLOABI**

Principal Officer

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### ● **Qualifications**

Dr Moloabi is a qualified medical practitioner.

He obtained his MBChB at Medunsa, now Sefako Makgato University. He has a Diploma in Business Management from Damelin Management School. He also obtained the online Certificate on Global Health Delivery from Harvard University. He attended and participated in a short course on leading in health systems: integrating effort, improving outcomes, receiving a certificate from Harvard TH Chan School of Public Health, and various other continuing professional development attendance courses.

### ● **Experience**

Dr Moloabi rejoined GEMS on 1 June 2018. Until 31 January 2020, he was Chief Operations Officer.

He started his career as a medical officer in the public sector then was a private family practitioner, successfully running a clinical private practice for 13 years.

He joined the corporate sector in August 2005 and worked at Medscheme, occupying positions including member of the Managed Care Division Exco. He then joined GEMS as the Executive of Healthcare Management. He also served as the GEMS Acting Principal Officer for a year. He then left GEMS to assume duties as the Principal Officer of Medshield Medical Scheme. He has been GEMS Principal Officer since 1 February 2020.





## DR INGRID POOE

Chief Operations Officer

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### ● Qualifications

Dr. Pooe has an International Executive Master of Business Administration (MBA) from Henley Business School through the University of Reading, an MBChB degree from the University of Kwa-Zulu Natal and Post Graduate diplomas in Anesthetics (College of Medicine South Africa), HIV Management (College of Medicine South Africa) and Occupational Health (Wits University). Dr. Pooe is also a Certified Independent Medical Examiner (CIME) and advanced Master CIME achieved through the American Board of Independent Medical Examiners. She has First Level Regulatory Financial Service Board Certificate in Financial Services Providers (Sole Proprietors) and Key Individuals in Categories I, II, IIA, and IV Financial and Intermediary Services Act.

### ● Experience

Dr. Pooe worked in the healthcare mining industry in Botswana in various clinical disciplines where she was overseeing the Anesthetics department. She also oversaw mobile prosthetic clinics for workers' compensation ex-miners in South Africa, Lesotho and Botswana.

She has delivered lectures at the University of Pretoria to postgraduate diploma students on the Occupational Health COIDA Act. She was also part of the Medical Advisory support to the South African Compensation Fund strategy which reviewed and aligned the COIDA Act instructions with international impairment assessment guidelines.

Attributing to her vast skill-set which includes project management, in her previous job Dr. Pooe was the Project Owner of a successful pharmacy benefits management program which improved cost-management, operational efficiency and customer experience outcomes and as a member of the internal COVID-19 committee, she managed the risk of COVID-19 vaccine hesitancy in the workplace through communication strategies at the CEO, COO and CFO's town halls to build confidence in vaccines. She successfully maximized voluntary uptake of COVID-19 vaccinations at her workplace in support of the national drive towards reaching herd immunity.



## **EVAN THEYS**

Company Secretary and Legal Counsel

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### ● **Qualifications**

Mr Theys has a BA LLB from University of Western Cape, LLM and Postgraduate Diploma in Tax Law from University of Cape Town and an MBA from Stellenbosch University.

### ● **Experience**

Mr Thys is an admitted attorney with experience in the life insurance industry and as a company secretary, and has been in various sectors of the medical schemes industry for the past 16 years. He joined GEMS on 1 February 2018 as Company Secretary and Legal Counsel.



## **GLORIA NKADIMENG**

Chief Information Officer

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### ● **Qualifications**

Ms Nkadameng holds a Masters Degree in Automated Management Systems acquired in Havana, Cuba, and Certificate in Business Management from the Centre for Business Management, Unisa.

### ● **Experience**

Before joining GEMS, Ms Nkadameng was Group Head Information and Communication Technology at the City of Johannesburg, Public Services Business Executive at Gijima, Enterprise Strategy Consultant at Microsoft and General Manager Information Management at City of Tshwane.

Currently, she provides strategic leadership, vision and direction to the ICT Division in rendering information and communication technology services to GEMS.



## **MOLAPO MASEKOAMENG (RESIGNED 31 JULY 2021)**

Chief Audit Executive

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### ● **Qualifications**

Mr Masekoameng holds a Postgraduate Diploma in Corporate Governance (Monash South Africa), BTech Degree in Internal Auditing (Unisa), Diploma in Treasury Management and Trade Finance (Institute of Bankers), International Executive Development Programme (Wits Business School) and is accredited by the Institute of Internal Auditors as a Certified Internal Auditor (CIA) and Certified Financial Services Auditor (CFSA).

### ● **Experience**

Mr Masekoameng joined the Scheme in August 2014.

Previously, he was the Regional Internal Audit Director for Barclays Internal Audit – Southern Africa (overseeing internal audit services for Botswana, Mozambique, Tanzania, Zambia and Zimbabwe) and most recently Head of Internal Audit, Barclays Shared Services Africa.

Other career highlights include more than two years' experience as the Chief Operating Officer of Absa Internal Audit and two years as Head of Audit for Absa Retail Banking.

He was responsible for the Scheme's internal audit function until his resignation.



## **GIOVANNA DE RISI**

Acting Chief Audit Executive (from 1 August 2021)

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### ● **Qualifications**

Ms de Risi holds a BCom Accounting Sciences and BCom Honours Accounting Science. She is a Chartered Accountant – CA(SA), Certified Internal Auditor, and is certified in Control Self-Assessment and in Risk Management Assurance, and accredited in Internal Quality Assessment.

### ● **Experience**

Ms de Risi has more than 21 years' audit experience, including managing fully outsourced and co-sourced internal audit engagements. She has specific experience in corporate governance, internal audit and risk management.

She is responsible for the Scheme's internal audit function.



## DR VUYOKAZI GQOLA

Chief Healthcare Officer

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### ● Qualifications

Dr Gqola has a BSc and a BSc Honours in Microbiology from the University of KwaZulu-Natal, and an MBChB from University of Cape Town. She has an Expert Negotiator Certificate from the Gordon Institute of Business Science, a Certificate in Global Health Delivery from Harvard University, and an MBA in Healthcare Leadership from Stellenbosch University.

### ● Experience

Dr Gqola is a registered Medical Practitioner and a member of the Health Professions Council of South Africa.

She has worked at various state health institutions, with particular experience in emergency medicine, paediatrics and HIV management. She joined the managed care industry in 2010, and was appointed GEMS Executive: Healthcare Management in September 2015. She heads the Scheme's Healthcare Management Division, which is responsible for managed care services, including clinical risk management, hospital and ambulatory benefit management, medical advisory services, health policy, healthcare networks, provider relations, tariffs and billing, tariff negotiations and healthcare strategic purchasing.



## KARYNA PIERCE

Chief Financial Officer

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### ● Qualifications

Ms Pierce is a CA(SA).

### ● Experience

Ms Pierce has extensive experience in directing organisational finance, operations and compliance functions.

Career highlights include a five-year tenure as Head of Finance at the Competition Commission, responsible for strategic and business planning (finance area), people management, basic administration and compliance, policy implementation and service delivery.

She joined GEMS in 2007, where she implemented the Scheme strategy, in particular managing Scheme finances, investments, implementation and processing of financial, accounting and administrative requirements (including policies and related compliance matters) and directing and oversight of Scheme external audits.



## **DR SELAELO MAMETJA**

Chief Research Officer

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### ● **Qualifications**

Dr Mametja has an FCPHM from Colleges of Medicine of South Africa, an MMED Public Health and a Postgraduate Diploma in Health Management from University of Cape Town and an MBBCh from University of the Witwatersrand.

### ● **Experience**

Dr Mametja is a public health medicine specialist with experience in health economics and healthcare financing, health policy, management and bioethics and law.

Before joining GEMS, in February 2020 she was Head of Knowledge Management, Research and Ethics Department at the South African Medical Association, during which time she served on various working groups of the World Medical Association.

She oversees product development, knowledge management and actuarial and analytical services, reinforcing the Scheme's competitiveness through innovative research and development programmes.



## **DR PHUMELELA DHLOMO**

Chief Marketing Officer

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### ● **Qualifications**

Dr Dhlomo has a BPaed from University of Zululand (SSTD), a BCom (Honours), a Postgraduate Diploma in Media Management, an MBA, MCom and PhD

### ● **Experience**

Dr Dhlomo is a qualified chartered marketer (CMSA) with more than 20 years' experience in corporate communications, strategic management and brand communication. His career has included working with major brands in Africa and globally in the fast-moving consumer goods, financial services, advertising, retail, tourism and public sectors. He joined the Scheme on 1 July 2019.



## **DR SAMUEL LEWATLE**

Chief Corporate Services Officer

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### ● **Qualifications**

Dr Lewatle has a Doctorate in Business Administration, an MBA, a National Education Diploma, Oxford Executive Leadership Certificate and Board of Healthcare Funders Trustee Certificate. He is also a Human Resources Management Certified Auditor, with certificates in leadership/strategic management and coaching. He is affiliated to the South African Board for People Practice as a Master Human Resources Practitioner, the Broad-based Black Economic Empowerment Association, Africa Supply Chain Management in Action (Ambassador), Coaches and Mentors of South Africa, Institute of Directors South Africa and Institute of People Management.

### ● **Experience**

Dr Lewatle has spent more than 20 years in senior and executive positions in both public and private sector organisations. Apart from his work in East Africa and West Africa, he has international training exposure in the USA, France, Germany and UK. He joined GEMS in March 2014, with key roles in human resources management, broad-based black economic empowerment, supply chain management/procurement, facilities management, travel management and internal communication.



## **VENI SINGH**

Chief Administration Officer

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### **Qualifications**

Ms Singh has an MBA, MAP and diplomas in Human Resources Management, Training, Business Law and Strategy, underpinned by clinical qualifications.

### ● **Experience**

Ms Singh has extensive experience in private and public institutions, having been in the healthcare industry for more than three decades, more than two decades of which were spent in the medical scheme industry in various executive roles.

In February 2018, she joined GEMS as a Healthcare Strategist delivering strategies in line with NHL. She was appointed Executive: Chief Administration Officer in November 2018, responsible for managing and providing strategy and leadership in rendering administration and transaction services to GEMS.



## **JEANNIE COMBRINK**

Chief Compliance Officer

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### ● **Qualifications**

Ms Combrink has a BA in State Administration, Human Resource Management, Public Administration and Political Science, and a BA Honours in Public Administration.

### ● **Experience**

Before joining GEMS, Ms Combrink was Deputy Director: Conditions of Service in the Department of Public Service and Administration. She served on the Public Service Commission from 1993 to 1999 and, before that, was part of the team that implemented PERSAL across the public service.

She was a member of the team that established GEMS and formally became a Scheme employee in 2006. She is responsible for the Scheme's integrated reporting, compliance and ethics, fraud, waste and abuse and enterprise risk management functions.



## **MASINGITA CHAVALALA**

Executive Manager: Office of the Principal Officer

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### ● **Qualifications**

MBA, Regent Business School; Postgraduate Diploma in Programme Management and Advanced Diploma in Project Management, Cranefield; Programme in Advanced Strategic Management, Unisa; General Management Programme, Gordon Institute of Business Science; Course in Digital Transformation Strategy, University of Cape Town Graduate School of Business

### ● **Experience**

Ms Chavalala has more than 17 years of experience in strategy and project portfolio management, programme management and business integration management. She started her career as a project consultant for a small management consulting firm in the financial services industry. Her professional experience also includes roles as Senior Project Manager for the Edcon Group and Deputy Director in the Office of the Minister of Economic Development (since merged with the Department of Trade and Industry). Ms Chavalala joined GEMS in 2015 as a Senior Manager responsible for the Scheme's Project Management Office.

Chief officers are supported by senior managers driving operational performance

## **RAMOLA BALMAKHUN- LOVELL**

Senior Manager: Office of the Principal Officer (Fund)

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### ● **Qualifications**

BSc in Mechanical Engineering, University of Cape Town; BEng Honours Technology Management and MEng Degree in Technology Management, University of Pretoria; Certificate in Strategies for Leading Successful Change Initiatives (Harvard University Extension School)

### ● **Experience**

Ms Balmakhun-Lovell has more than 17 years' professional experience. She started her career as a research and development railway engineer at Transnet Freight Rail (previously Spoornet), and then served as an operations and maintenance engineer at South African Breweries.

She joined Deloitte in 2011 as a strategy and innovation consultant nationally and internationally at both public and private sector clients, then joined GEMS in 2017 as the Senior Manager in the Office of the Principal Officer.

## **THABO R LITABE**

Senior Manager: ICT Infrastructure Services and Operations

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### ● **Qualifications**

B-Tech in Information Technology (Application Development and Information Systems), Central University of Technology; Senior Management Programme, Gordon Institute of Business Science; COBIT 5 Certified (02912680-02-HAL6) APMG International ITIL Certified (02913379-01-LWNH) APMG International

### ● **Experience**

Mr Litabe has more than 19 years of ICT technical and management experience obtained in the public and private sectors. Before joining GEMS, he held various strategic managerial positions – Senior Manager/Head of ICT Department at South African Pharmacy Council, ICT Manager at the National Gambling Board and Technical Specialist at various government departments and Central University of Technology. He joined GEMS in April 2016 and is responsible for ICT infrastructure services and operations.



## TSHEPO GIVEN RASEKGOTHOMA

Senior Manager: Information Technology

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### ● Qualifications

BTech: Knowledge Management National Diploma: Information Technology COBIT 5 Certification PRINCE2 Certification

### ● Experience

Before joining GEMS, Mr Rasekgothoma held the position of Service Delivery Manager leading an Application Development and Support team responsible for all key hospital applications or systems at Life Healthcare Group. He has more than 19 years' experience in ICT, digital and data, having held senior positions within various organisations, including State Information Technology Agency, South African Weather Service, the Department of Trade and Industry, the Department of Health, Department of Agriculture and Road Accident Fund. He joined GEMS in 2015 as Senior Manager: Application Development and is responsible for the implementation of modern solutions, which includes enterprise resource planning, customer relationship management, enterprise intelligence and multichannel solutions such as mobile app and member portal.

## MAPULE LETSHWENI

Senior Manager: Knowledge Management

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### ● Qualifications

Masters in Business Leadership, Graduate School of Business Leadership, Unisa; Bachelor of Information Science (Honours); Postgraduate Diploma in Information Management; BTech Degree in Library and Information Science; Diploma in Library and Information Science; Certificate in Public Management

### ● Experience

Ms Letshweni has more than 15 years' experience in information management, knowledge management, learning and innovation. She served as a Librarian for the Agricultural Research Council and the South African Bureau of Standards. At the Department of International Relations and Cooperation, she was a Deputy Director: Web and Information Management. Other roles have included Deputy Director: Knowledge Management at the South African Social Security Agency, Deputy Director: Knowledge Management and Innovation at City of Johannesburg and Senior Manager: Knowledge Management and Municipal Innovation at the South African Local Government Association. She joined GEMS in October 2021 as Senior Manager: Knowledge Management.

## SELLOANE NOKO

### Senior Manager: Governance and Secretariat Services

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#### ● Qualifications

Senior Leadership Development Programme, (Wits Business School); CIMB, Gimt/Unisa; Diploma in Public Relations Practice (Damelin College); N6 Computer Literacy and Programming (Manpower Training College/TVET).

Completed a number of governance courses including Diploma in Company Direction: Director Development, Institute of Directors South Africa; Trustee Development, Wits Business School; Advanced Trustee Development, Gordon Institute of Business Science

#### ● Experience

Ms Noko started her career in the communications and public relations field.

She spent seven years of her 21 years' working experience in the medical schemes industry in charge of secretariat compliance, corporate governance and corporate advisory services and worked in various private and public sector entities responsible for board and committee administration, corporate secretariat services, company registrations, director registrations and statutory compliance services.

## PIERRE ROUX

### Senior Manager: Legal and Compliance

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#### ● Qualifications

Baccalaureus Procuratoris (BProc Law), Unisa; admitted as an attorney of the High Court of South Africa; Qualified Lawyers Transfer Test, BPP Professional Education, United Kingdom; Law Society of England and Wales Management Course, BPP Professional Education, London, United Kingdom; National Diploma in Real Estate (Property Valuation), Technicon South Africa; Property Valuers Admission Examination, South African Council for the Property Valuers Profession

#### ● Experience

Mr Roux has more than 30 years' experience in the legal profession, which includes medical scheme insurance, corporate, commercial, civil and criminal law.

Before joining GEMS, served in a number of roles in the United Kingdom, the most recent being:

- Head of Legal Services, NHS Eastern and Coastal Kent Primary Care Trust
- Company/Commercial Solicitor, MTA Corporate Solicitors LLP, London
- Commercial Legal Adviser, Hospital Corporation of America International Ltd, London
- Lecturer in Business Law, Blake Hall College, London

He joined GEMS in October 2010 and is currently managing legal and environmental sustainability functions, and the AGM.

## VUYOKAZI BELINDA MADENGWANE

Senior Manager: Accounting

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### ● Qualifications

CA(SA)

### ● Experience

Ms Madengwane has a solid background in financial management and extensive insight gained through diverse financial positions, lastly as head of finance for the southern African operations for a manufacturer of medical devices with a global presence. Her accounting and financial competencies include maintaining financial records, managing budgets, internal controls management, risk management and business strategy support.

## MORNE WHITE (Resigned 31 August 2021)

Senior Manager: Risk Management Finance

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### ● Qualifications

CA(SA); Associate of Cost and Management Accountant (Chartered Global Management Accountant); MCom

### ● Experience

Mr White has 24 years' experience in financial roles, the last 10 with GEMS. He was previously involved in the healthcare sector working for a large hospital group and an employee wellness company. Experience gained over the years includes financial accounting, cash flow and investment management, forecasting and budgeting, financial system implementations, strategic planning and development of business plans.

## ANDRE COWLEY

Senior Manager: Risk Management

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### ● Qualifications

BEng; MEng; Certified Risk Management Practitioner; Certified Risk Management Professional

### ● Experience

Mr Cowley has more than 20 years' experience in governance, risk, compliance, strategy, engineering, project management, business intelligence, knowledge management, information management and organisational restructuring. He has held positions as specialist, senior manager and functional manager and has been involved in large and multinational organisations, including medical schemes, consulting, manufacturing, construction and engineering, research and development and retail.

## ISHMAEL MOGAPI

Senior Manager: External Forensics

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### ● Qualifications

Biuris; LLB; General Management Programme, Gordon Institute of Business Science

### ● Experience

Mr Mogapi has more than 20 years' law enforcement and risk management experience obtained in both the public and private sectors. His strategic managerial positions in the health administration business included advising and coordinating the fraud risk management activities of several medical schemes. He manages the GEMS fraud, waste and abuse function.

## YASHWIN SINGH

Senior Manager: Compliance and Ethics

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### ● Qualifications

BProc; LLM commercial law; Certificate in Advanced Labour Relations; Certificate Pensions Fund Law, Compliance Practitioner SA

### ● Experience

Mr Singh has more than 20 years' experience in governance, legal, risk compliance and ethics. He was previously Senior Legal Consultant at the South African Reserve Bank, General Secretary for the Printing Packaging and Newspaper Statutory Council, Head of Compliance and Governance at Land Bank, and Director Compliance and Acting Executive Director Risk and Compliance at Unisa.

## DR MORWESI MAHLANGU

Senior Manager: Medical Adviser

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### ● Qualifications

MBChB; Postgraduate Certificate Travel Medicine; Postgraduate Certificate Aviation Medicine

### ● Experience

Dr Mahlangu is an experienced general practitioner with a demonstrated history in the financial services industry and managed healthcare environment.

She is skilled in operations management, communication, airports, emergency medicine, aviation medicine, legislative drafting and International Civil Aviation Organisation technical standards.

## TRYPHINE ZULU

Senior Manager: Disease Risk and Medicines Management

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### ● Qualifications

PhD in Health Economics; MPH in Health economics; MSc (Medicine) Pharmacotherapy; BPharm

### ● Experience

Mrs Zulu is a health economist and trained pharmacist with managed care experience and health policy expertise. She has worked as a health economist at National Treasury and the National Department of Health, and as a clinical risk specialist in managed care at Medscheme. She joined GEMS in 2019 as Senior Manager for Disease Risk and Medicines Management. She also serves on the World Health Organisation's Advisory Group on the Governance of the Private Sector for Universal Health Coverage.

## THABISO MPHEHLO

Senior Manager: Networks and Provider Relations

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### ● Qualifications

Postgraduate Diploma in Public Health; Diploma in Primary Healthcare; Diploma in Nursing

### ● Experience

Mr Mphehlo has worked at various state health institutions with particular experience in the military health services. He has also worked at Discovery Health's Integrated Care, Access and Innovation Division and at CMS as a clinical analyst. He joined GEMS in 2016 and is Senior Manager for Networks and Provider Relations.

## MARJORIE NQALA

Senior Manager: Tariffs and Compliance

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### ● Qualifications

BSc in Physiotherapy; BTech in Business Administration; MBA

### ● Experience

Ms Nqala is a physiotherapist by profession, with extensive experience as a clinician in both public and private healthcare sectors. She shifted her focus to managed care when she joined Discovery Health as a clinical researcher in the Health Policy Unit. She then joined the Healthcare Management Division at GEMS in 2012 as a Manager: Healthcare Management where she worked in all managed care areas, including tariffs, contracts, disease risks and network. She is currently Senior Manager for Tariffs, Billing Rules, Compliance and Alternative Reimbursement Models.

## URSULA LE ROUX

Senior Manager: Strategic Sourcing

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### ● Qualifications

Diploma in Nursing; Postgraduate in Health; Diploma in Health Management; various financial management certificates

### ● Experience

Ms le Roux has extensive experience in both private and public healthcare. She was with the National Department of Health for more than 16 years in the NHI cluster, where her primary portfolio was to develop clinical and financial policies for patient user fees, DSP contract management, clinical case management, revenue management and revenue retention for the provincial health departments. She is a seasoned project manager and worked with the World Bank, World Health Organisation, national and provincial treasuries and the Government Technical Advisory Council on various projects. She was instrumental in amendments to the Road Accident Fund.

## BALDWIN MATSIMELA

Senior Manager: Marketing and Communication

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### ● Qualifications

National Diploma in Public Management and Development, Postgraduate Diploma in Public Development and Management, Diploma in Payroll Administration, and Development Communication.

He completed a number of certificates in public relations, stakeholder management, community development and media relations through the Public Relations Institute of Southern Africa and Wits School of Journalism

### ● Experience

Mr Matsimela has 20 years' experience in corporate communication, marketing, advertising, stakeholder management and media relations.

He was previously Manager: Marketing and Communications for Johannesburg Water and Head of Communications and Stakeholder Relations with Sishen Iron Ore Company Community Development Trust. He also served as the company spokesperson in both positions.

He joined GEMS in 2018 as Senior Manager: Marketing and Communication.

## **LINDIWE NGCOBO**

Senior Manager: Client Liaison Office

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### ● **Qualifications**

MBA; Postgraduate Diploma in Marketing; Postgraduate Diploma in Business Management

### ● **Experience**

Ms Ngcobo has more than 20 years' experience in both the private and public sectors, including international marketing experience, sales and marketing, customer service, communications, stakeholder management, project management, strategic partnerships, accounts management and business tourism experience. She is currently a GEMS Senior Manager: Client Liaison Office responsible for strategy implementation and operations oversight of the regions.

## **HAPE LEFALATSA**

Senior Manager: Membership and Compliance

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### ● **Qualifications**

Postgraduate Diploma in Business Administration; Bachelor of Commerce; Certificate in Risk Management

### ● **Experience**

Mr Lefalatsa has more than 15 years' experience in local and regional membership, compliance and contribution management.

He was previously managed membership and contributions at Bonitas Medical Fund and Legalwise Insurance. He joined GEMS in 2021 as Senior Manager: Membership and Compliance.

## **MALINDA LUBBE**

Senior Manager: Complaints Management

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### ● **Qualifications**

BCom (Law); LLB; Higher Diploma in Tax; Diploma in Labour Law; Certificate in Income Tax

### ● **Experience**

Ms Lubbe is an admitted attorney with more than 20 years' professional and operational experience in civil, criminal, corporate, commercial, labour, tax and intellectual property law, governance, risk, compliance and ethics management. She has served in various capacities in the legal and financial services industries.

## RIANA BREDELL

Senior Manager: Procurement

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### ● Qualifications

BA majoring in languages and covering subjects such as political science. She completed several courses and published articles, made public appearances and delivered many papers on procurement

### ● Experience

Ms Bredell has more than 35 years' local, regional and international experience in the procurement and supply chain management environments, including designing new procurement models and organisational structures, developing policies and procedures and inputs into legislation, SCM capacity building and rendering procurement management and support services, with extensive involvement in healthcare procurement.

Her focus is on BBBEE, preferential procurement and the healthcare industry.

She joined GEMS in 2015 and is currently responsible for SCM and the Scheme's BBBEE strategy implementation.

## AUDREY MAREME

Senior Manager: Corporate Services

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### ● Qualifications

Diploma Human Resources; Diploma Psychology; Degree Social Science; Degree Human Resources; Honours in Psychology and Masters in Human Resources

### ● Experience

With more than 20 years' experience in various human resources and senior management roles, Ms Mareme has gained experience in human capital resourcing, talent retention, organisational development, employee relations, performance management, remuneration and human resources information systems.

She has been group organisational development manager at Ericsson (Sweden and Sub-Saharan).



## **ANNIKA NAIR**

### **Senior Manager: Human Resource Operations**

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#### ● **Qualifications**

Bachelors in Psychology; Honours in Industrial Psychology; Masters in Human Resource Management

#### ● **Experience**

Ms Nair is a human resources professional with more than 15 years' experience in the telecommunications, consulting and healthcare environments. She has focused on talent attraction and retention, employee wellness, employee relations, remuneration and benefits, talent and performance management, and employee engagement.

She joined GEMS in 2013 and currently leads the human resources operations team to ensure that high-quality solutions are delivered across GEMS.

## **MABATLO SEMENYA**

### **Senior Manager: Data Analytics**

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#### ● **Qualifications**

BCom Honours in Economics, University of South Africa, BCom in Economics and Finance, University of Cape Town

#### ● **Experience**

Mr Semanya has more than 13 years' data analytics experience in the medical scheme industry. He has worked at Metropolitan Health Group, Discovery and Medshield Medical Scheme and has used data analytics to drive continuous operational process improvement and strategic healthcare management initiatives. He joined GEMS Research and Development Division in 2021 to lead the data analytics function.



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# ANNUAL GENERAL MEETING INFORMATION PACK

## AGENDA

16<sup>th</sup> GEMS Annual General Meeting

29 July 2022, 15h00

Held virtually via the ZOOM platform

Item	Speaker
<b>1) Opening and Welcome</b>	Chairperson
<b>2) Announcement of Agenda as finalised in accordance with GEMS Rules 28.1.5.1 to 28.1.5.6</b>	Chairperson
<b>3) Opening remarks by the Chairperson followed by a presentation by the Principal Officer on the business of the Scheme for the financial year ended 31 December 2021</b>	Chairperson Principal Officer
<b>4) Matters for Decision</b>	
a) Confirmation and adoption of the Minutes of the Combined 14 <sup>th</sup> and 15 <sup>th</sup> GEMS Annual General Meeting held virtually on 31 August 2021.	Chairperson
b) Receipt and adoption of the Annual Financial Statements for the year ended 31 December 2021, including the reports of the Board of Trustees and the external auditor of GEMS	Chairperson
i) Discussion of the highlights of the Annual Financial Statements	Mr Motshoanedi Johannes Lesejane (Independent Chairperson of the GEMS Audit Committee)
ii) Discussion of the external audit process	Ms Kimmy Singh, Deloitte (GEMS external auditor)
c) Appointment of GEMS' external auditor for the year ending 31 December 2022 in terms of GEMS Rule 27.1 and 27.4	Chairperson Mr. Motshoanedi Johannes Lesejane (Independent Chairperson of the GEMS Audit Committee)

Item	Speaker
<b>5) Matters for Noting</b>	
a) Disclosure of the GEMS Trustee Remuneration for the financial year ended 31 December 2021	Deputy Chairperson
b) Addressing member issues raised at the Combined 14 <sup>th</sup> and 15 <sup>th</sup> GEMS Annual General Meeting	Deputy Chairperson
<b>6) Question and Answer Session</b> (General questions only please, as personal matters should be directed to GEMS via its call centre or walk-in centres, or by email or post.))	Chairperson
<b>7) Summary of Decisions</b>	Chairperson
<b>8) Closure</b>	Chairperson

**The attention of members who wish to place or object to matters for discussion and/or resolution on the agenda of the meeting, is respectfully drawn to the provisions of GEMS Rule 28.1.5., as reproduced hereunder:**

*"28.1.5 Any member wishing to add, or object to, a motion to/on the provisional AGM agenda, may do so, provided that:*

*28.1.5.1 Such proposed motion or objection must reach the Principal Officer no later than five (5) weeks before the date of the AGM;*

*28.1.5.2 The proposed motion or objection must be accompanied by a written explanation, which clearly explains why the proposed motion or objection must be considered and the background giving rise to the proposed motion or objection;*

*28.1.5.3 The proposed motion or objection is not in contravention of, or in conflict with, the Act, these Rules or the objectives of the Scheme;*

*28.1.5.4 The decision as to whether or not a Member has satisfied the conditions specified in Rules 28.1.5.1 to 28.1.5.3 to allow for the addition, amendment or deletion of an item to/on/from the provisional AGM agenda, shall be that of the Principal Officer, who must make such decision in consultation and with the approval of the Board;*

*28.1.5.5 If the Principal Officer, in consultation and with the approval of the Board as contemplated by Rule 28.1.5.4, decides that a proposed motion should be added as a new item to the provisional AGM agenda, or that an existing item on the provisional AGM agenda should be amended or deleted (as the case may be), then a second notice, containing the final AGM agenda and proxy form, recording all new, amended and deleted items, must be sent to members, to reach them by no later than three (3) weeks prior to the date of the AGM. The non-receipt of such notice by a member shall not invalidate the proceedings at the AGM, provided that the notice procedure followed by the Board was reasonable; and*

*28.1.5.6 Should the Principal Officer, in consultation and with the approval of the Board*

*as contemplated by Rule 28.1.5.4, decide not to add a new item to the provisional AGM agenda, or not to amend or delete an existing item on/from the provisional AGM agenda, then he/she shall notify the member of his/her decision and the reasons therefor, which notice shall be delivered to the member no later than three weeks prior to the date of the AGM. The non-receipt of such notice by the member shall not invalidate the proceedings at the AGM, provided that the notice procedure followed by the Board was reasonable. Should the member be aggrieved by the Principal Officer's decision, the member may refer a dispute to the Scheme's dispute committee in terms of these Rules or to the Council for Medical Schemes in terms of the Act."*

Members wishing to propose additional motions to, or to object to any existing motions on, the provisional AGM agenda, are required to submit their proposals and objections to the Scheme by post to Private Bag X782, Cape Town, 8000, email to [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za) or by facsimile to 0861 00 4367 for the attention of the Principal Officer under reference '**2022 GEMS AGM Agenda**'. Such proposals and objections must reach the Scheme by 16h00 on 24 June 2022. Members are further encouraged to submit their proposals and objections in full compliance with the GEMS Rules reproduced above. Member proposals and objections that do not comply, cannot be placed on the AGM agenda, as we are compelled to adhere to the registered Rules of GEMS.

An updated agenda and proxy form will subsequently be sent to members by 08 July 2022. Please make enquiries at 0860 004 367 or [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za) if you have not received the agenda and proxy form by 08 July 2022. It is also important that members note GEMS Rule 28.1.6 which provides that motions passed at the AGM shall be by way of an ordinary majority vote of those members present in person or virtually and those represented by proxy at the AGM, provided that only proxies received by the Scheme no later than one week prior to the date of the AGM shall be recognised. For this purpose, completed proxy forms must reach the Scheme by 16h00 on 22 July 2022 and can either be posted to Private Bag X782, Cape Town, 8000, emailed to [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za) or sent by facsimile to 0861 00 4367 for the attention of the Principal Officer under reference '**2022 GEMS AGM Proxy**'. To ensure timeous delivery, members are advised to fax or email their AGM proxy forms to the Scheme.

In keeping with the GEMS Rules, attendance at the AGM will be limited to members, officers of the Scheme and individuals or organisations who are expressly invited by the Scheme to attend. A quorum in terms of Rule 28.1.3 is required to ensure that the meeting may proceed.

In accordance with GEMS Rule 29.6, the Board of Trustees stipulates that, upon members' receipt of the updated agenda and proxy form by 08 July 2022, members wishing to attend the AGM will be required to register online for the AGM by 15h00 on 29 July 2022. Members who fail to register as such, will not be admitted to the meeting.

By order of the Board of Trustees.

Chairperson  
Date



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## DRAFT MINUTES OF THE 14<sup>TH</sup> GEMS ANNUAL GENERAL MEETING

31 August 2021, 15h00

The Capital Hotel

(194 Bancor Avenue, Menlyn Main, Tshwane)

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### 1. Opening and Welcome

- 1.1 The Chairperson of the GEMS Board of Trustees, Dr Sebayitseng Millicent Hlatshwayo, opened the 14th Annual General Meeting of the members of GEMS (the meeting) at 15h00 on 31 August 2021 and welcomed the members in attendance.
- 1.2 The Chairperson acknowledged:
  - 1.2.1 The representative of the Council for Medical Schemes: Ms Avril Jacobs, Acting GM: Compliance & Investigations;
  - 1.2.2 The Chairperson of the Public Service Coordinating Bargaining Council, Ms. Ingrid Dimo;
  - 1.2.3 The Vice Chairperson, Labour of the Public Service Coordinating Bargaining Council: Ms Kgopana Caroline Matome;
  - 1.2.4 The General Secretary of the Public Service Coordinating Bargaining Council: Mr Frikkie de Bruin;
  - 1.2.5 The representative from the Department of Public Service and Administration: Mr Letsatsi Modise, Leader of the Employer Negotiating Team;
  - 1.2.6 The former GEMS Principal Officer: Dr Guni Goolab;
  - 1.2.7 The Chief Executive Officers of the GEMS Service Provider Network:
    - 1.2.7.1 The CEO of Metropolitan Health and Corporate: Dr Ali Hamdulay;
    - 1.2.7.2 The Executive Director of Medscheme: Dr Lungi Nyathi;
    - 1.2.7.3 The CEO of Europ Assist: Mr Bobby Ramagwede; and
    - 1.2.7.4 The CEO of OPTICLEAR: Mr Jaco Kruger.
  - 1.2.8 The Scheme's most important stakeholder - its valued members.
- 1.3 The Company Secretary and Legal Counsel referred to the housekeeping rules of the meeting and advised that:
  - 1.3.1 The chat section on the ZOOM platform was deactivated and cannot be used for the meeting. He advised that members would be allowed to voice their questions and comments under Agenda Item 6;
  - 1.3.2 For questions or comments, members may make use of the 'raise your hand' function at the bottom of their screens. He advised that, once members have raised their hands, they should please wait for their names to be called out before responding;
  - 1.3.3 Once a member's name is called out, the member should please wait for the prompt to unmute himself/herself, from where he/she would be able to voice his/her comments or questions;

- 1.3.4 No members would be allowed to voice their questions or comments, unless recognised by the Chairperson and given the opportunity to unmute themselves; and
- 1.3.5 It is important to keep questions and comments brief and to the point in order for the AGM to be run efficiently and for all the matters to be dealt with timeously.
- 1.4 The Company Secretary and Legal Counsel referred to the voting instructions and advised the Members on the process:
  - 1.4.1 The members were informed that three motions will be put forward, and if there is a need to vote on motions, the voting protocol applicable is as follows:
    - 1.4.1.1 Firstly, when a motion is put forward, all eligible members will be given the opportunity to cast their votes. This will be done via an electronic poll, which will automatically pop-up on the screen of each member;
    - 1.4.1.2 When members see the poll pop-up, they should ensure that they read the poll carefully, before making their selection;
    - 1.4.1.3 Once members have made their selection and confirmed it, the poll will automatically disappear from their screens;
    - 1.4.1.4 The Internal Auditors will announce the outcome of the votes shortly after the voting; and
    - 1.4.1.5 It is important to note that persons who are not members of the Scheme must refrain from taking part in the poll so that the credibility of the process can be maintained.
- 1.5 The Company Secretary and Legal Counsel reminded the members that any questions of a personal nature, or relating to any challenges a member might have had with the Scheme, should be addressed to the Scheme via the Call Centre at 0860 00 4367, by email at [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za), by post at Private Bag X782, Cape Town, 8000, via the Walk-in-Centres, or via the Client Liaison Officers.
- 1.6 The Chairperson requested the Internal Auditors to confirm whether the AGM was quorate, to which Ms Ilse-Mari Bosch and the Company Secretary and Legal Counsel, Mr Theys, responded that it was.
- 1.7 With the AGM officially opened, the Chairperson introduced the new trustees, who were elected during the 2020 Trustee Elections, and which was formally held in 2021 due to the impact of the Covid-19 pandemic on the Scheme.
- 1.8 The Chairperson indicated that there were three trustees whose term came to an end, necessitating the 2020 election process. The three newly-elected trustees are as follows:
  - 1.8.1 Dr Kobus van Zyl (re-elected);
  - 1.8.2 Mr Pierre de Villiers; and
  - 1.8.3 Dr Johan Smit.
- 1.9 Additionally, the Chairperson welcomed Ms Precious Khumalo, who replaced a previous Board member removed by the Board in accordance to Rule 19.12 during March 2021.



## **2. Announcement of Agenda as finalised in accordance with GEMS Rules 28.1.5.1 to 28.1.5.6**

- 2.1 The Chairperson presented the agenda for the 14th GEMS Annual General Meeting and confirmed that the Agenda was finalised, approved and shared with all members as part of the Notice of the 14th AGM in accordance with the GEMS Rules 28.1.5.1 to 28.1.5.6.

## **3. Opening remarks by the Chairperson followed by a presentation by the Principal Officer on the business of the Scheme for the financial years ended 31 December 2019 and 2020**

- 3.1 The Chairperson again welcomed everyone in attendance and expressed her, the Board's and the Principal Officer's gratitude and appreciation for same.
- 3.2 The Chairperson stated that the purpose of the meeting was for the Scheme to report on the Scheme's results for 2019 and 2020, approximately 24 months after the 2019 AGM at the Mmabatho Palms Hotel, Mahikeng, North West Province.
- 3.3 The Chairperson provided the members and stakeholders with a brief overview of the Scheme's performance and activities in 2019 and 2020, and reiterated the Scheme's aim to be the number one medical scheme in South Africa. She highlighted that:
  - 3.3.1 One of the greatest disruptions of our time, i.e. the Covid-19 pandemic, was reported in December 2019 and profoundly impacted the world.
  - 3.3.2 GEMS, as the medical scheme for Public Service employees in South Africa, provided healthcare cover for the majority of the frontline workers in the public service, including doctors, nurses, teachers, correctional services employees, and that the Scheme had actively managed the experience of its members in this difficult time.
  - 3.3.3 The effect of Covid-19 will be felt for the foreseeable future in South Africa, not only in the Coronavirus itself, but in other diseases whose presentation and compliance to treatment were not sufficiently prioritised at this time.
  - 3.3.4 The pandemic affected both GEMS members and employees, and that the Scheme was deeply saddened to report the loss of 4 059 beneficiaries to Covid-19 in 2020.
  - 3.3.5 The Scheme's annual product development and benefit design process was guided by its strategic plan objectives, and was further informed by aspects such as benefit use of members, tariff increases and the distribution of reserves. Covid-19 accounted for substantial claims in 2020, estimated to exceed R3 billion after concluding the full claims run-off period.
  - 3.3.6 The Covid-19 lockdown regulations dramatically lowered the number of non- Covid-19 claims, which contributed to the Scheme's better than expected financial results. Importantly, non- Covid-19 claims returned to expected levels towards the end of 2020, as the Scheme had to consider

its combined impact with ongoing Covid-19 claims in finalising the Scheme's benefit design and pricing for 2021.

- 3.3.7 After stakeholder consultation at the PSCBC, the Board took the difficult decision to implement a weighted average contribution increase of 6% for 2021, with benefits enhancements that included an increase of 5% on all benefit limits. The Minister for the Public Service and Administration re-increased the medical assistance subsidy for 2021. As a result, the contribution paid by members in 2021 reduced in some instances by R21-00. At the other end of the spectrum, members were paying R243-00 more in 2020. Emerald Option members, who chose to move to the Emerald Value Option, experienced an average decrease in monthly contributions of R811-00 compared to 2020.
- 3.3.8 The Scheme's ability to manage the ongoing crisis and withstand the storm was found in its performance against its strategy over the past four years, and in the effective risk mitigation measures, which were implemented to ensure that the strategy succeeded.
- 3.3.9 The financial strength restored during the first phase of the strategy execution, coupled with the ongoing improvement of the benefits and services, enabled GEMS to be there for its Beneficiaries when they needed it most, and to support government in its vaccination rollout.
- 3.3.10 The current five-year strategic plan was in line with the policy position of government, and that the Scheme was proud to be part of this process. The current five-year strategic plan comes to an end in December 2021, hence, the Board was developing a new five-year strategic plan.
- 3.3.11 In 2016, the Scheme's reserve ratio was critically low, and the Scheme had to prioritise significantly, aiming for improved financial results. Without a doubt this was eventually delivered. The reserve ratio reached 41.11% at December 2020, significantly exceeding budget expectations. This provided the membership, the Minister for the Public Service and Administration and the Scheme's key stakeholders with reassurance that GEMS was sustainable and able to meet its claims dispersing obligations. The Scheme was very mindful that looking after its financial performance would ensure a Scheme that is sustainable over the long term.
- 3.3.12 The Scheme also needs to address the member and stakeholder expectations on benefit availability and affordability, service excellence and Member health outcomes. The Scheme was working with the public service Coordinating Bargaining Council (PSCBC) on various matters within the framework and arranged for an established joint working committee. The Board is very supportive of the GEMS/PSCBC Joint Working Committee and was pleased with the work done thus far to improve medical benefits for public sector employees. In 2019, the Scheme worked closely with the GEMS/PSCBC Joint Working Committee to finalise the development of a new benefit package for employees on salaries level 1 to 5, namely the Tanzanite One option. Work remains to be done in the areas of benefit availability and affordability, service excellence and Member health outcomes, thus the Scheme remains focused in this regard.

- 3.3.13 A new programme called the Service Management Programme was introduced in 2018 to improve Member experience and satisfaction. Through this programme the Scheme improved its complaints management and already noted promising progress in this important performance area, such as the lower complaints-to-membership ratio achieved, and improvements in the Scheme's Member enrolment process.
- 3.3.14 The health outcomes of the GEMS Disease Management Programmes were benchmarked using organisations for health quality assessment benchmarks. GEMS compared well to the South African medical schemes industry and the Scheme was reporting better health outcomes for members on the Emerald Value Option. This shows that care coordination is needed to improve members' health.
- 3.3.15 The GEMS healthcare screening and prevention programmes reached many members. The Scheme wants to encourage Members to use their healthcare screening and prevention benefits as much as possible. These benefits are available on all of the GEMS benefit options and the amount of the benefit is the same on all benefit options.
- 3.3.16 There were some changes to the Board during 2021 as a result of the Board's removal of one of the member-elected trustees in terms of Rule 19.12. The removal was for behaviour inconsistent with the fiduciary duties expected of a trustee. As this trustee was elected in 2019 in line with the GEMS Rules, a replacement trustee was appointed.
- 3.3.17 The 2020 Trustee Elections were postponed due to Covid-19, but the continuation thereof took place from 11 January 2021 and concluded with the Board confirming its elections as free and fair on 30 June 2021 in accordance with the GEMS Rules and the Medical Schemes Act 131 of 1998. Three trustees were elected, as alluded to at the beginning of the meeting, with one of the three trustees being re-elected.
- 3.3.18 The Minister for the Public Service and Administration filled the remaining vacancy on the Board and the trustees welcomed Dr Nomzamo Tutu to the Board on 30 July 2020.
- 3.3.19 The composition of the Board is an important matter that remains unresolved despite efforts over many years to address it. The issues that the Scheme was trying to address were the lack of diversity among its member-elected trustees and the fact that the GEMS Rules do not allow the unions in the Public Service Bargaining Council to elect trustees to the Board. In the interim, the Scheme was working within the GEMS/ PSCBC Joint Working Committee to find a solution to this. An area of critical importance that must be taken cognisance of is that, as members of the Scheme from all corners of the country, everyone must take the electoral processes seriously. In order to effect change in the Scheme, complacency must be a thing of the past, and when processes unfold, all members must go out in numbers and participate in full during elections.
- 3.3.20 The healthcare industry is a challenging environment, which requires all stakeholders to work together. There is a growing part of the provider sector, which is not necessarily in the best interest of the health sector, but for the few who have resources. The required value proposition for

the industry is for it to be on the cusp of significant reforms. This industry, together with GEMS and other role players, is a vital part of transforming our country towards equality and better life. The healthcare system should be for all South Africans, not only for the approximately 16% of South Africans who are covered by medical schemes.

- 3.3.21 Looking to the future, the Scheme would continue to simplify and improve its products and services. A standardised benefit package is part of that work, with Tanzanite One the reference product. The Scheme believes that it is well on its way to reducing the number of benefit options offered, whilst still satisfying its mandate of equality through affordability and sufficient choice for members.
  - 3.3.22 The Scheme's risk appetite might be impacted by the Covid-19 pandemic and would be carefully considered by the Board. The Scheme has commissioned an actuarial study to estimate the potential impact of a third Covid-19 wave and the long-term impact on member health outcomes and healthcare costs.
  - 3.3.23 Members could look forward to improved services as the Scheme continuously innovates by making use of advanced information and communication technology as and when it becomes available. The Scheme acknowledges that many members still do not have access to online services, thus the Scheme would continue to use established communication and service delivery methods.
  - 3.3.24 The National Health Insurance (NHI) would affect GEMS, as was evident from a GEMS-developed scenario analysis that considers potential future scenarios. Scenario materialisation would depend on factors such as the pace of NHI implementation, which in turn would depend on economic recovery, the readiness of the public health sector and progress in institutional and other reforms necessary for successful NHI implementation. Although Covid-19 affected the pace of the NHI work, it enabled policy makers to test important factors such as public and private sector collaboration and integration. The rollout of the government vaccination programme would assist in testing NHI readiness. GEMS remains committed to supporting the NHI and to being a blueprint, thereby demonstrating what universal healthcare coverage means.
- 3.4 The Chairperson thanked the Honourable Senzo Mchunu, the former Minister for the Public Service and Administration; the Honourable Sindisiwe Chikunga, former Deputy Minister for the Public Service and Administration, Ms Yoliswa Makhasi, the Director General: Public Service and Administration; and the officials in the Department of Public Service and Administration, who regularly engaged with the Scheme in 2019 and 2020. The meeting heard that despite the Covid-19 lockdown and the switch to virtual meeting platforms in 2020, GEMS continued to enjoy constructive discussions and guidance.
  - 3.5 The Chairperson thanked the PSCBC Chairperson, Ms Ingrid Dimo, the previous PSCBC Vice Chairperson for Labour, Mr Casper Nanto, and the PSCBC General Secretary, Mr Frikkie de Bruin, for their willingness to engage with the Board at the Scheme. She informed the meeting that the discussions were not always easy, but that the parties nevertheless managed to find solutions that

balanced beneficiary interests and GEMS sustainability. The meeting heard that the Scheme recognised the leadership of the unions admitted to the PSCBC, the National Department of Health, the Government Pensions Administration Agency, and National Treasury for the constructive working relationship enjoyed in 2019 and 2020. She informed the meeting that the Scheme's partnerships with the aforementioned stakeholders should ultimately contribute to achieving the national health objectives.

- 3.6 The Chairperson thanked the GEMS trustees for their ongoing support in engaging stakeholders. The meeting heard that during 2020, the trustees were confronted with difficult decisions and an ever-complex stakeholder landscape, but that they demonstrated their willingness to conduct robust discussions to address challenges decisively to protect the interests of GEMS beneficiaries. She advised that the Board maintained a results-driven approach and strived for ethical leadership.
- 3.7 The Chairperson thanked Dr Confidence Moloko, Mr Mpfariseni Phophi and Mr Nkosingathi Theledi for chairing the Finance and Investment Committee, the Risk Social and Ethics Committee and the Human Resource and Remuneration Committee respectively. She proceeded to thank the Independent Chairperson of the GEMS Audit Committee, Mr Joe Lesejane for his frank and forthright advice and guidance in continuously strengthening the Scheme's assurance functions and corporate governance. She also thanked Ms Malande Tonjeni and Ms Carolyn Chalmers, who served on the Audit Committee, the Finance and Investment Committee and the Risk Social and Ethics Committee for their commitment and expertise.
- 3.8 The Chairperson advised that after serving GEMS diligently as Principal Officer from 01 August 2013 until 31 January 2020, Dr Guni Goolab handed the Executive Management leadership of the Scheme to Dr Stan Moloabi. She thanked Dr Guni for his dedication and wished him all the best. The meeting heard that Dr Moloabi led GEMS through difficult circumstances and that the GEMS Board pledged its unwavering support to him and the entire GEMS team.
- 3.9 In her closing statement, the Chairperson submitted that the health system must address the health needs of the blind beggar with a bowl at the corner of the various streets in our city centres, the health needs of the poorest of the poor at the outermost corners of the rural areas, the health needs of the retrenched mineworkers who suffered inhalation of crystalline silica dust down in the mines, the health needs of the landless who invoke ancestral forces to reclaim the stolen and misused land, the health needs of the shack dweller who watches as his corrugated tin house is demolished, typically during the coldest nights of winter. The meeting heard that these were the pressing matters for which GEMS has to commit itself to be part of and positively contribute to the transformation of the health industry. She called on the Scheme and its members to be part of transforming the health industry of South Africa and to consequently contribute to rebuilding the history of South-Africa and the entire continent.
- 3.10 The Chairperson called upon the Principal Officer, Dr Stan Moloabi to present on the Scheme's performance during the 2019 and 2020 financial years.
- 3.11 The Principal Officer welcomed all in attendance and stated that it is an honour and privilege to provide members with an overview of the Scheme's operations during the past two years.

- 3.12 The Principal Officer continued to reflect on the Scheme's five-year strategic plan for 2017-2021, the 2019 and 2020 highlights and challenges, the Scheme's 2019 and 2020 performance , stakeholder relationships, pertinent matters as well as corporate social citizenship.
- 3.13 The Principal Officer emphasised:
  - 3.13.1 GEMS' Mandate: To provide all members with equitable access to affordable and comprehensive quality healthcare, promoting Member well-being;
  - 3.13.2 GEMS' Vision: To be an excellent, sustainable and effective medical scheme that drives transformation in the healthcare industry, aligned with the principles of universal health coverage;
  - 3.13.3 GEMS' Mission: To provide all members with equitable access to affordable and comprehensive quality healthcare, promoting member well-being;
  - 3.13.4 GEMS' Values: (1) Member value, (2) Integrity, (3) Innovation, (4) Collaboration and (5) Excellence; and
  - 3.13.5 GEMS' value creation: In line with King IV principles, the Scheme continues to strive to create value for its most important shareholder, i.e. the members of GEMS, and to create value by expanding access to quality healthcare and by continuously improving member services. The Scheme protects value through integrated and rigorous risk management and effective governance practices and outcomes monitoring, based on ethical values that are embraced across GEMS. The Board is responsible for the GEMS strategy, and Management for implementing same.
- 3.14 The Principal Officer focused on the Scheme's five-year strategic plan for 2017-2021 and advised the meeting that:
  - 3.14.1 The strategic plan was developed in response to a changing external operating environment, specifically the implementation of NHI in South Africa, as well as the challenges the Scheme experienced, i.e. the low reserve ratio in 2016, irregular activities by certain Scheme officials and contracted service providers, low member and provider satisfaction, and the complicated multi-service provider operating model;
  - 3.14.2 This strategy, in the context of NHI, consisted of three phases that have been implemented:
    - 3.14.2.1 Phase 1: Stabilise for sustainability;
    - 3.14.2.2 Phase 2: Redesign for growth and efficiency; and
    - 3.14.2.3 Phase 3: Innovate for member value proposition.
  - 3.14.3 Most of the strategic elements pertaining to Phase 1 were met, and that the participation in consolidation of risk pools and the broadening of the eligibility criteria in Phase 2 would be carried over, whilst the Scheme was actioning Phase 3, which entails advancing and developing advanced ICT systems, ensuring that the Scheme is a data-driven healthcare management entity, which will enable product development and ensure an improved Scheme approach and operations, but most importantly, reconfigure towards NHI.
  - 3.14.4 The Scheme's achievements in respect of the three-phase five-year strategy were the following:

- 3.14.4.1 Phase 1: The Claims Management Programme, which was addressing the fraud, waste and abuse element that the Scheme was faced with. Since 2016, the Scheme saved in excess of R5 billion as a result of the establishment of the Claims Management Forum, and achieved long-term sustainability;
- 3.14.4.2 Phase 2: The Service Management Programme and the Product Development and Benefit Design processes were established, which ultimately led to member satisfaction. Member satisfaction in previous years was around 68%, but was currently consistently above 80%. The complaints ratio reduced and exceeded the targets. The Scheme established and launched the Tanzanite One and Emerald Value benefit options, which were based on NHI principles. Based on the Regulator's reports, the Scheme's outcomes on these options and in general were superior when compared to the industry.
- 3.14.4.3 Phase 3: Insourcing of Capabilities: A Work Study and Capacity Modelling were undertaken by the Scheme, which led to the clustering of Managed Care Services for enhanced efficiencies. Online member services were developed in the form of the GEMS App and other digital services. The Scheme also established the Provider Liaison Office to interact with healthcare providers.
- 3.14.5 Out of the 12 strategic targets that the Scheme reported on during the period under review, i.e. 2019 and 2020, only three were not met - two which related to 2019, and one in relation to 2020.
- 3.15 The Principal Officer presented the 2019 and 2020 highlights and informed the meeting that:
  - 3.15.1 In 2019, the Scheme paid R34.9 billion in claims, enhanced the benefits for members to the value of R832 million, whilst R25.3 billion was paid in benefits to previously uncovered families. Furthermore, the Scheme paid R1.8 billion above benefit limits on Prescribed Minimum Benefits (PMBs) and obtained an A rating of financial strength on the Global Credit Ratings, which means that the Scheme's ability to pay claims remains strong.
  - 3.15.2 In 2020, the Scheme paid R36.4 billion in claims, reported a 5.1% reduction in co-payments that members pay at point of service, and paid R3.6 billion in Covid-19 claims. Furthermore, the Scheme paid R2.2 billion above benefit limits for PMBs, launched Tanzanite One, and spent R1 million on the Supplier Development Programme to promote B-BBEE.
- 3.16 The Principal Officer reflected on the 2019 and 2020 challenges and noted that:
  - 3.16.1 In 2019, the Section 59 Medical Schemes Act Enquiry (Section 59 Inquiry) was launched and GEMS committed to provide its full support. The Board composition portrayed a lack of demographic representation with respect to member-elected trustees. The Scheme received low satisfaction scores from both provider and member surveys, and the Scheme also experienced negative media reports, mainly in relation to the non-coverage of high-cost medicines for rare diseases.

- 3.16.2 In 2020, the Scheme experienced major challenges due to Covid-19, which impacted on employees and the way of working, resulted in the passing of more than 4000 GEMS beneficiaries, impacted on the lead times for procurement activities, resulted in the postponement of the 2020 AGM to 2021, and caused the Alternative Reimbursement Model (ARM) rollouts to be deprioritised. Furthermore, the trustee elections were postponed to 2021, with the support of the PSCBC. The Scheme received negative media exposure due to the release of the Section 59 Enquiry report and the reports pertaining to tender irregularities, which challenged the Scheme's reputation. The Scheme, however, managed to deal with these challenges.
- 3.17 The Principal Officer presented the Scheme's performance for 2019 and 2020 and advised the meeting on the following:
- 3.17.1 The Scheme continues to grow. At the end of 2020, the Scheme reported 750 935 registered members, 1 963 758 beneficiaries and 67.64% of eligible Public Service employees on the Scheme. The member profile reflected that the average beneficiary age of GEMS increased slightly to 32.48 years, the average family size of GEMS remained stable at 2.61 over a three-year period, whilst the pensioners' ratio also increased to 17.68 over the years.
- 3.17.2 In terms of the financial performance in 2020, the Scheme received in excess of R44 billion risk contribution income and paid R37 billion in relevant health costs. The Scheme's underwriting surplus reflected R6.7 billion, exclusive of operating costs, whilst at R2 billion the non-healthcare costs were amongst the lowest in the industry, and the net healthcare surplus amounted to R4.6 billion.
- 3.17.3 During 2019 and 2020, the Scheme continued to perform well in terms of its investment income, totalling R888 277, despite the volatility of the investment markets due to Covid-19.
- 3.17.4 At the end of 2020, the Scheme posted a net surplus of R5.5 billion, which was an increase on the previous year's R3.5 billion.
- 3.17.5 In terms of the health outcomes, the Scheme focused on the HIV/AIDS Disease Management programme and based on the 90-90-90 targets set by the World Healthcare Organisation, the Scheme achieved all these at the end of 2020;
- 3.17.6 South Africans were facing an increasingly challenging time in the current economic environment, with Covid-19 creating an assault on the South African economy. The CPI had a downward trend; however, this recently reflected an upwards growth. As a result of the lockdown, there was a 9.9% decrease of people receiving income during the sixth week of the national lockdown and unemployment increased. This furthermore resulted in a 4.3% increase in household debt from 2019 to 2020;
- 3.17.7 Despite these difficult economic conditions faced by our members, GEMS remains affordable. The Scheme's contribution income was on average lower than other closed schemes with similar products, reflecting that the Scheme's affordability was 24% better before subsidy and increased to a better 64% after subsidy. At 4.5%, the Scheme's non-healthcare costs were significantly lower than the 8% of other closed



- schemes within the industry. The Efficiency Discount Option (EDO) in the form of the Emerald Value Option offered the same comprehensive benefits as Emerald Value at about a 15% contribution discount, with benefits being underpinned by care coordination and access through contracted networks;
- 3.17.8 GEMS champions the primary care and care coordination through two flagship options, namely Tanzanite One and Emerald Value Option. These options were underpinned by efficient provider networks, GP to specialist referrals, unlimited GP consultations on Tanzanite One and GP nominations;
  - 3.17.9 The Scheme's care coordination was in practice on the Tanzanite One and EVO and the Scheme learned that care coordination improves healthcare costs at lesser costs. Some of the surrogated outcomes being measured within this care coordination space depicted that the hospital admission rates have decreased over the last three (3) years. The hospital cost per admission also decreased and the specialist visit rates have been managed through a referral system, which also slightly decreased. Some of the process measures such as mammograms, cholesterol tests and flu vaccines have increased with these two options that are part of care coordination;
  - 3.17.10 The Organisation continued to experienced improvement in member satisfaction rates on a month-to-month basis. The Citizen survey over the past two years reported an improvement of 19% whilst the independent industry-based SA csi survey reported an improvement of 3.3% over a three-year period up the end of 2020. The Scheme's complaints ratio also came down as a result of the interventions and the work being done by the Scheme;
  - 3.17.11 The Scheme introduced the Claims Management Forum to drive the Scheme's new approach for encouraging members and healthcare providers to make use of the self-help channels, which are basically the digital platforms such as the member APP. This has resulted in a reduction in the members who actually need to make use of the walk-in centres, as it can now be done remotely. The website reported a 142% increase in the number of unique visitors compared to 2018 and 2019. In addition, the member APP and portal registrations overall improved by 51% over a three-year period;
  - 3.17.12 The Member servicing improvements included two more Client Liaison Offices (CLO) that opened in 2020 in Northern Cape and Western Cape, to achieve a footprint in all provinces. The initiatives with an aim of simplifying and improving member services included the improvement in the member application form, the reduction in face-to-face interactions and the provider liaisons.
- 3.18 The Principal Officer referred to the stakeholder relationship and reflected on the following:
- 3.18.1 The former Minister for the Public Service and Administration, Mr Senzo Mchunu officially opened GEMS Vutomi House, the Scheme's new head office at Menlyn Maine Green Precinct, Tshwane on 21 October 2020.

- This has added significant value for both the Scheme and its members as the members owned this building.
- 3.18.2 In respect of spearheading universal healthcare and transformational initiatives, it was important for the Scheme to work with the principal and key stakeholders to achieve same:
    - 3.18.2.1 Members: GEMS established Tanzanite One and funded the Covid-19 tests and related conditions;
    - 3.18.2.2 PSCBC and unions: To improve on the enrolment of the salary level 1-5's and the Scheme established the GEMS/ PSCBC Joint Working Committee and Tanzanite One;
    - 3.18.2.3 MPSA: The Scheme continuously reported on the success of the Claims Management Forum and the work being done on the insourcing of capabilities;
    - 3.18.2.4 DPSA: The Scheme attended to the improvement of member enrolment and turnaround times for new employees and improved on its communication;
    - 3.18.2.5 National Treasury and NDoH: GEMS also worked with other departments to establish a combined stakeholder forum and during the quarterly meetings, the Scheme shared information on financial sustainability achieved and information on initiatives such as the medical male circumcision and sexually transmitted infection statistics; and
    - 3.18.2.6 CSM, BHF etc: Information being shared, and reporting included the central beneficiary register, health quality outcomes and the universal healthcare model development.
  - 3.18.3 The PSCBC Resolution 4 of 2017 - GEMS/PSCBC Joint Working Committee was established, and the work being done resulted in the Scheme establishing the successful Tanzanite One option in place of the Sapphire option.
  - 3.19 During the reporting two years, the Scheme also dealt with pertinent matters such as:
    - 3.19.1 The Section 59 Inquiry that was established when a concern had been raised by the healthcare fraternity at a summit that Fraud, Waste and Abuse seemed to be a problem. The publications within the media indicated that the doctors and healthcare providers were actually being discriminated against by the industry, and this led to the establishment of the Section 59 Independent Panel, and a subsequent report was delivered.
    - 3.19.2 The positive take-outs out of the Section 59 Interim report depicted that:
      - 3.19.2.1 The Panel did not find evidence of explicit racial bias against GEMS;
      - 3.19.2.2 The Panel considered numerous complaints received and the Scheme's responses and noted that there was sufficient cause to initiate the investigations;
      - 3.19.2.3 The Panel accepted that loss sustained by schemes due to irregular claims including Fraud, Waste and Abuse was significant and the impact of this problem is serious and there was a need to constantly address same;

- 3.19.2.4 The schemes to have proper controls in place that included systems of financial control. This type of financial control must include a system to prevent payment being made in circumstances where Fraud, Waste and Abuse might have been committed; and
- 3.19.2.5 One of the aspects that have always been an issue was to terminate direct payment, hence the Panel found this is lawful on condition that the process followed would be fair.
- 3.19.3 The Scheme also responded to the Section 59 Interim Report and was awaiting the final report but suffice to say that the Scheme took a position whereby the Scheme acknowledged that the Inquiry was necessary against the backdrop of the country's history and that the complaints received needed to be investigated.
  - 3.19.3.1 Furthermore, the Scheme supported the Inquiry and fully co-operated with the investigations undertaken by the Panel;
  - 3.19.3.2 The Scheme also developed various processes which were in place and continued with its endeavours to ensure that due processes were being followed during its investigations, and that decision that were taken are not arbitrary; and
  - 3.19.3.3 GEMS has a zero tolerance to all forms of discrimination and pledged to implement corrective action where such remedial interventions were required and as recommended by the Panel for the benefit of its members and healthcare providers. GEMS would continue to have an open-door policy and was already engaging with the healthcare providers on a regular basis relating to these issues.
- 3.19.4 In respect of Covid-19 and the impact on GEMS, the members were advised that:
  - 3.19.4.1 The Scheme had adapted its operations very well with employees now working largely remotely;
  - 3.19.4.2 The Scheme spent R3.2 billion on claims related to Covid-19 in 2020;
  - 3.19.4.3 At the end of 2020 about 404 000 members were tested, a significant number of members tested positive and unfortunately some members passed on;
  - 3.19.4.4 The main cost incurred was as a result of hospitalisation. However, the Scheme continued to ensure that GEMS takes care of its members during the Covid-10 period.
  - 3.19.4.5 The network and care coordination rules were released during the Covid-10 pandemic, to ensure that care continues;
  - 3.19.4.6 Telehealth claims were paid for additional disciplines in keeping with the guidelines provided by the Health Professional Council of South Africa (HPCSA);
  - 3.19.4.7 The notice periods for submitting member administration documentations were waived due to the challenges members faced in relation to administration;

- 3.19.4.8 The Board approved the deviation from the GEMS Debt Management Policy to allow members with debt a longer repayment grace period;
- 3.19.4.9 The Scheme continued with the Member communication drive by providing Members with information on Covid-19 and Members were reassured that Covid-19 claims would be paid in full as a PMB.
- 3.19.5 The sourcing of capabilities would radically redefine the future of GEMS by changing the current model and aligning with where the country is heading with regard to universal health coverage.
  - 3.19.5.1 The driving factors identified by the Board to drive the sourcing of capabilities within the GEMS environment were in respect of:
    - 3.19.5.1.1 The alignment to healthcare reforms (NHI);
    - 3.19.5.1.2 Promoting access to healthcare;
    - 3.19.5.1.3 Bespoke healthcare ecosystem to cater for the needs of GEMS members; and
    - 3.19.5.1.4 Job creation.
  - 3.19.5.2 The key principles of the sourcing of capabilities included:
    - 3.19.5.2.1 The model would be implemented to minimise the risk of disruption;
    - 3.19.5.2.2 A win-win situation as the model must address the most pressing concerns of GEMS key stakeholders;
    - 3.19.5.2.3 As part of transformation, the SPNs would continue to be required to maintain their Broad-based Black Economic Empowerment (BBBEE) credentials;
    - 3.19.5.2.4 The model would enable the Scheme to have control over strategic functions;
    - 3.19.5.2.5 Important for the Scheme to a more simplification model.
- 3.20 GEMS is also a corporate body; hence the members were alluded to the corporate social responsibilities:
  - 3.20.1 Over the years, employment has always been important as well as to enhance employee growth. The growth in terms of employees directly employed by GEMS over the years increased to 350 whilst about 5 000 people were indirectly appointed by GEMS through the Service Provider Network. Of the 350 GEMS employees, 70% represented females and 30% males;
  - 3.20.2 The B-BBEE remained a focus point for the Board. The Scheme started with the Developing Supplier Support project to promote BBBEE enterprise and supplier development. This was launched in July 2020 and over R1 million was sent on execution, with additional funds allocated for data support to allow virtual mentoring of these 20 entities;
  - 3.20.3 Of these 20 entities, 11 are 100% Black owned, seven 100% Black women owned, one is 100% black owned and 50% women owned, and one 70% black owned, and 30% black women owned. Eighteen of

these entities were Exempt Micro Enterprises and two Qualifying Small Enterprises;

- 3.20.4 The CSI events included the vision screening and handing out of spectacles to learners at the Mahikeng Primary School in 2019. During the symposium in 2019 in KZN GEMS continued to make donations by driving the donation of sanitary towels to schools. In addition, the Scheme also renovated toilets at the Thandukwazi Senior Primary School in Kwa-Mashu Township in KZN.
- 3.21 One of the matters that is a challenge to all South Africans is the Coronavirus, hence the Principal Officer partly ended the presentation to the Members by extracting part of an address delivered by the President of South Africa, Mr Cyril Ramaphosa at the SONA of 2021:
- Nearly a year has passed, and I think now it's 18 months, since South Africa saw its first case of the novel Coronavirus which came to be known as Covid-19. There is no family, no community and no place of work that has not lost someone they knew or a person they've worked with and loved. But ours is a story of courage and resilience because all of us have come to that. It's a story of solidarity and compassion. We have, as a nation we have stood together to confront Covid-19 and the crisis has revealed our true character. And I think even within the GEMS environment this has been the case. But ours is a story of courage and resilience because all of us have come to that. It's a story of solidarity and compassion. We have, as a nation we have stood together to confront Covid-19 and the crisis has revealed our true character. And I think even within the GEMS environment this has been the case
- 3.22 The Principal Officer expressed his gratitude in the Annual Report, but acknowledged and thanked the undermentioned key persons and appreciate that the success of GEMS is due to a collective:
- 3.22.1 The Minister and Deputy Minister for the Public Service and Administration, the DG and officials of the DPSA;
  - 3.22.2 The Ministry of Health, the Department of Health and all other Government Departments;
  - 3.22.3 The Council for Medical Schemes, PSCBC and the representative Unions in the Council;
  - 3.22.4 The Board of Trustees for your strategic oversight, guidance and direction provided to the entire GEMS staff;
  - 3.22.5 The independent committee members for providing good leadership and advice in the midst of the challenges that the Scheme had faced through 2019 and 2020;
  - 3.22.6 The Members of the Executive Management team for the support and ensuring that the Scheme continue to implement the Board's strategy;
  - 3.22.7 The GEMS family which is all the staff for demonstrating a professional pedigree by successfully implementing the ambitious 2019 and 2020 strategic plan despite the challenges that were suddenly brought on by Covid19;
  - 3.22.8 The various Scheme healthcare partners, the SPNs and the professionals with whom the Scheme worked that contributed to the Scheme's success; and

- 3.22.9 Each and every GEMS member for entrusting the Scheme with your health as we work towards a healthier you – because we are because of GEMS members.
- 3.23 The Chairperson thanked the Principal Officer for the insightful presentation to the Members.

## 4. Matters for Decision

- 4.1 Confirmation and adoption of the Minutes of the 13th GEMS Annual General Meeting held on 31 July 2019 at the Mmabatho Palms Hotel Casino & Convention Resort, Cnr. Nelson Mandela & Albert Luthuli Drives, Mmabatho/Mahikeng, North-West Province
  - 4.1.1 The Chairperson referred to the Minutes of the 13th GEMS Annual General Meeting held on 31 July 2019 at the Mmabatho Palms Hotel Casino & Convention Resort, Cnr. Nelson Mandela & Albert Luthuli Drives, Mmabatho/Mahikeng, North-West Province which was circulated with the 14th AGM notice documents and presented same for adoption by the AGM.
  - 4.1.2 Mr Orapeleng Gaonewe, a Member of GEMS in good standing moved for the adoption of the Minutes of the 13th GEMS Annual General Meeting.
  - 4.1.3 Mr Simon Mbokazi, a Member of GEMS in good standing seconded for the adoption of the Minutes of the 13th GEMS Annual General Meeting.

### Decision:

The Minutes of the 13th GEMS Annual General Meeting held on 31 July 2019 at the Mmabatho Palms Hotel Casino & Convention Resort, Cnr. Nelson Mandela & Albert Luthuli Drives, Mmabatho/Mahikeng, North-West Province, were adopted by the Members of the Scheme as being a true reflection of what was discussed at that meeting, after a motion and a secondment in favour of such adoption were received from two respective members, in good standing with the Scheme, without any of the other members at the meeting having objected to same.

- 4.2 Receipt and adoption of the Annual Financial Statements for the years ended 31 December 2019 and 2020, including the reports of the Board of Trustees and the external auditor of GEMS
  - 4.2.1 Discussion of the highlights of the Annual Financial Statements
    - 4.2.1.1 The Chairperson called upon the Independent Chairperson of the GEMS Audit Committee, Mr Johannes (Joe) Lesejane, to present the highlights of the Annual Financial Statements (AFS) for the years ended 31 December 2019 and 2020, and to take the members through the External Audit process.
    - 4.2.1.2 Mr Lesejane thanked the Members for the opportunity to provide the AFS highlights for the two years and noted that as some of the information was already mentioned by the other presenters, a synopsis thereof would be provided to the meeting.

4.2.1.3 Mr Lesejane referred the members to the AFS for the year ended 31 December 2019, and proceeded to provide the rationale behind the numbers:

- 4.2.1.3.1 The Scheme's membership increased by 3% and the claims paid as one of the Scheme's priorities, amounted to R34.9 billion. A surplus of R3.5 billion was achieved;
- 4.2.1.3.2 From a cash and cash investment perspective, these have increased by R4 billion to R15,4 billion. This amount was kept in order for the Scheme to be able to meet those claims, and most of it was through short-term investments;
- 4.2.1.3.3 The Scheme's liquidity was stable and very promising during the period under review;
- 4.2.1.3.4 The investments return reported an income of R941 million, based on a return of CPI+4.1% achieved;
- 4.2.1.3.5 The reserve ratio reflected 31.5% and as alluded to by the Principal Officer, this percentage was from a very low base in 2016 and as a result of member funds that increased to R13 billion. The purpose of the reserve ratio is to ensure that the Scheme have a minimum accumulated funds to meet its obligations into the future. The Council of Medical Schemes (CMS) required a minimum of 35% based on the percentage of the annualised contributions. These reserves protect Members' interest by guaranteeing continued operation of the Scheme, especially in the case of unforeseen circumstances as the Coronavirus in 2020;
- 4.2.1.3.6 The illustrative graph on the non-healthcare expense ratio indicated that very little money was being spent on the administration and most of the money was left for the running of the Scheme in terms of paying claims. The open schemes depicted 9.89% and the closed schemes where GEMS belongs, reflected 5.4%, thus showing very strong management of administrative costs. Without GEMS the closed schemes reflected 6.34%, thus portraying that GEMS contributed a lot due to its size.
- 4.2.1.3.7 As per the illustrated graph on the reserve ratio, the Scheme reported 31.53% compared to the industry of 44.31%.
- 4.2.1.3.8 With reference to the improvement in the financial position, the Scheme made a loss in 2016 with total assets at that time being only R5 billion with a negative position in terms of its normal performance. The position in 2017 improved to R8.5 billion of assets with a net surplus of R3.3 billion. The total assets increased to R12.1 billion in 2018 with a slight increase in the surplus to R.39 billion??. In 2019, the assets increased to R16 billion with a surplus of R3.6 billion. Of this R16 billion, R13.6 was invested in the short-term investments for the Scheme to be able to meet the claims whilst R2.4 billion was left in cash, but then invested in such a way that the Scheme would receive the maximum return possible.

- 4.2.1.3.9 The improvement in the financial position since 2016 portrayed the amount of effort from the trustees in terms of turning this situation and to ensure that the Scheme is in a strong position.
- 4.2.1.3.10 The impact of the improved 2019 financial position in Members was in relation to:
  - 4.2.1.3.10.1 The Sapphire option was replaced with Tanzanite One and the Scheme enhanced the benefits for members by R1 billion in 2020 due to the 2019 performance;
  - 4.2.1.3.10.2 The Scheme introduced the extender benefit resulting in 30% less members depleting their block benefits with GEMS Members collectively benefitting by R583 million during the year;
  - 4.2.1.3.10.3 The credit rating of the Scheme improved to A+ with a positive outlook, as independently assessed on an annual basis. Thus, the members were assured that the Scheme has sufficient funds to meet its obligations, mainly the payment of Member claims;
  - 4.2.1.3.10.4 GEMS funding towards the PMBs exceeded R950-00 per beneficiary per month in contrast to the industry's R750-00;
  - 4.2.1.3.10.5 Each of the GEMS options were found to be the most cost-effective than competing options in the market and the relative value for money to Members on the GEMS options was found to be 59% higher than the competing options.
- 4.2.1.4 Mr Lesejane referred the members to the AFS for the year ended 31 December 2020, and proceeded to provide the rationale behind the numbers:
  - 4.2.1.4.1 The Scheme's membership increased by 3.3% and the claims paid amounted to R36.4 billion. It was noted that the R36.4 billion included the R3 billion for the Covid-19 claims. A surplus of 5.6 billion was achieved;
  - 4.2.1.4.2 From a cash and cash investment perspective, these have increased by from R6.8 billion to R22.2 billion. This amount was kept in order for the Scheme to be able to pay member claims;
  - 4.2.1.4.3 The investments return reported an income of R902 million, based on a return of CPI+2%. This was lower than the 4.1% experienced in 2019, and this slight negative impact was due to Covid-19 and reduced interest rates;
  - 4.2.1.4.4 The reserve ratio reported 41.1% with the member funds increased to R18.6 billion;
  - 4.2.1.4.5 The illustrative graph on the non-healthcare expense ratio



- indicated that very little money was being spent on the administration. The illustrated number for 2019 was 4.53% and that of 2020 4.44%. Most of the money was left for the running of the Scheme in terms of paying claims;
- 4.2.1.4.6 As per the illustrated graph on the reserve ratio, the Scheme reported 31.53% in 2019 compared to the industry of 44.31%. However, in 2020, the Scheme reported 41.10% compared to the 47.40% of the industry;
  - 4.2.1.4.7 With reference to the improvement in the financial position, and in particular 2019 and 2020, the Scheme reported a surplus of R3.6 billion in 2019 and R5.6 billion in 2020, with total assets of R16 billion and R22.8 billion respectively in 2019 and 2020;
  - 4.2.1.4.8 The impact of the improved 2020 financial position on Members was in relation to:
    - 1.2.1.4.8.1 The benefit enhancements of R369 million whilst the contribution increase was kept at a low;
    - 4.2.1.4.8.2 Enhanced the benefits across all options and only 2.3% of Members depleted benefits during 2020 compared to the 3.5% in 2019;
    - 4.2.1.4.8.3 Further improvement in the credit rating of the Scheme to AA- with positive outlook, which meant that members were again assured that the Scheme would always have sufficient funds to meet these obligations;
    - 4.2.1.4.8.4 The Scheme was able to absorb R3 billion in costs related to treatment and testing of Meers during the Covid-19 pandemic in 2020; and
    - 4.2.1.4.8.5 Since the start of the Covid-19 pandemic, the Scheme paid out more than R7.5 billion in claims for GEMS members as at the end of June 2021.
  - 4.2.1.5 Mr Lesejane concluded and noted that:
    - 4.2.1.5.1 The AFS were approved by the Board of Trustees;
    - 4.2.1.5.2 Both the 2019 and 2020 AFS were approved by the Council for Medical Schemes;
    - 4.2.1.5.3 The Scheme achieved an unqualified audit opinion for both 2019 and 2020;
    - 4.2.1.5.4 The Members to approve the AFS for 2019 and 2020; and
    - 4.2.1.5.5 The Audit Committee was satisfied that the Board of Trustees and Management were focusing on the core issues that are driving the Scheme whilst complying with the requirements, especially from a CMS perspective.
  - 4.2.1.6 The Chairperson thanked Mr Lesejane for the presentation to the members on the Scheme's financial position.

#### 4.2.2 Discussion of the external audit process

4.2.2.1 The Chairperson then called upon Mr Dinesh Munu from Deloitte & Touche, the Scheme's External Auditors to take the members through the receipt and adoption of the AFS ended 31 December 2019 and 2020, including the reports of the Board of Trustees and the External Auditor of GEMS.

4.2.2.1.1 Mr Munu confirmed that Deloitte & Touche, with OMA Chartered Accountants Incorporated are the joint External Auditors of the GEMS Medical Scheme and presented the audit status feedback;

4.2.2.1.2 Deloitte & Touche completed the audit in terms of the International Financial Reporting Standards (IFRS) Standards and in terms of the CMS Guidance and Rules, and audit for both 2019 and 2020 were completed;

4.2.2.1.3 At the conclusion of the audit, Mr Munu confirmed that there were no material misstatements which the External Auditors needed to bring to the attention of the members, and Deloitte & Touche have reported the same to the Audit Committee;

4.2.2.1.4 The objective of the audit was to provide two opinions, namely on the audit of the financial statements and to confirm that the Scheme has complied with the Medical Schemes Act;

4.2.2.1.5 Furthermore, other Regulatory reporting included the Regulatory return, agreed upon procedures as per the CMS and Deloitte & Touche issued a separate report on the performance indicators which were included in the Annual Report. Finally, Deloitte & Touche provided an Audit Committee report which was tabled at the Scheme's Audit Committee meetings both in 2019 and 2020.

4.2.2.1.6 As far as the Audit approach was concerned, Mr Munu advised the members on the following:

4.2.2.1.6.1 A risk-based approach was designed and led by Mr Munu and the Audit Partner, and the Audit team both at Deloitte & Touche and OMA;

4.2.2.1.6.2 As first, and understanding of the GEMS environment was performed, which was significantly impacted by the Covid-19 pandemic. The major impact of Covid-19 on claims was addressed in detail by using data analytics, even though Deloitte & Touche also performed additional testing on the validity of the Covid-19 claims in terms of the Scheme Rules;

4.2.2.1.6.3 The audit procedures were then identified and designed to manage the risks and to perform audit procedures and analytical procedures to be able to provide an opinion, whereafter the audit was concluded; and

- 4.2.2.1.6.4 At the conclusion of the Audit, there were no major findings in terms of Deloitte & Touche's audit
- 4.2.2.1.7 Important to note was that the Scheme Management and thereby the Board of Trustees were responsible for the AFS, hence these AFS were prepared and complied with IFRS, the Medical Schemes Act and Scheme Rules.
- 4.2.2.1.8 The External Auditors had no ethical considerations with Management that needed to be brought to the attention of the Audit Committee. The External Auditors were not aware of any significant litigation, had any disagreements with Management and the Regulatory returns have been prepared and submitted to CMS on time.
- 4.2.2.1.9 Deloitte & Touche have issued an unmodified opinion, which means that it is a clean audit opinion with no qualification on the yearend audit in terms of IFRS.
- 4.2.2.1.10 On behalf of Deloitte & Touche, Mr Munu confirmed that:
  - 4.2.2.1.10.1 Deloitte & Touche has been independent and have not provided any significant non-audit services to the Scheme;
  - 4.2.2.1.10.2 Deloitte & Touche do not have any reportable irregularity to report. The Schemes financial position is in a very solvent and very balanced position and meets the requirements of Council; and
  - 4.2.2.1.10.3 The External Auditors have not identified any legal or regulatory non-compliance during the course of the audit.
- 4.2.2.2 The Chairperson thanked Mr Munu for this presentation and confirmation to the members.
- 4.2.2.3 The Chairperson then called on the members at the meeting for the adoption of the Annual Financial Statements for the financial year ended 31 December 2019.
- 4.2.2.4 Mr Yassim Mohamed, Mr Jan Roux, Mr Phabe Nkadimeng and Mr Phillip Khumalo, members of GEMS in good standing moved for the adoption of the Annual Financial Statements for the financial year ended 31 December 2019.
- 4.2.2.5 Various members of GEMS in good standing seconded for the adoption the Annual Financial Statements for the financial year ended 31 December 2019, without any of the other members at the meeting having objected to same.
- 4.2.2.6 The Chairperson then called on the members at the meeting for the adoption of the Annual Financial Statements for the financial year ended 31 December 2020.
- 4.2.2.7 Various members of GEMS in good standing moved for the adoption of the Annual Financial Statements for the financial year ended 31 December 2019.
- 4.2.2.8 Various members of GEMS in good standing seconded for the adoption

of the Annual Financial Statements for the financial year ended 31 December 2019, without any of the other members at the meeting having objected to same.

**Decision:**

The Annual Financial Statements of the Government Employees Medical Scheme for the financial year ended 31 December 2019 and 31 December 2020 were adopted by the members of the Scheme, after a proposal and a secondment in favour of such adoptions were received from various respective members, in good standing with the Scheme, without any of the other members at the meeting having objected to same

- 4.3 Appointment of Deloitte & Touche, with OMA Chartered Accountants Inc., as the Scheme's external auditors for the year ending 31 December 2021 in terms of GEMS Rule 27.1 and 27.4
  - 4.3.1 The Chairperson called upon the Chairperson of the GEMS Audit Committee, Mr. Johannes (Joe) Lesejane, to provide an overview on the appointment of the Scheme's External Auditors.
  - 4.3.2 Mr Lesejane indicated that the External Auditors would be recused from this part of the AGM discussion to which the Company Secretary and Legal Counsel confirmed that the External Auditors have logged out of the virtual AGM.
  - 4.3.3 Mr Lesejane indicated that in terms of the Independent Regulatory Board of Auditors' requirements, the External Audit partner for a client, in this case it is a medical scheme, must be rotated every five years. Mr Lesejane furthermore referred to Mr Munu's referral in his presentation to the area of independence.
  - 4.3.4 Mr Lesejane confirmed that Mr Munu would be moving away from the GEMS audit and introduced Ms Kimmy Singh from Deloitte & Touche as the new Audit Partner.
  - 4.3.5 The members were further advised that the Scheme had appointed Deloitte & Touche and OMA Chartered Accountants Incorporated as the BBBEE partner. As alluded to during the presentations, the area of BBBEE was being closely monitored by the Board of Trustees and Audit Committee to ensure that there is sufficient transfer of skills and sharing of work. Therefore, the appointment of Deloitte & Touche was through a competitive bidding process, over a five-year term and was subjected to satisfactory performance being monitored on an annual basis. The Audit Committee members were satisfied with the performance, and this was reported into the Board.
  - 4.3.6 Mr Lesejane concluded that:
    - 4.3.6.1 The Board of Trustees have supported the re-appointment of the External Auditors, Deloitte & Touche and OMA Chartered Accountants Incorporated for a further year, and subsequently requested that the AGM grant the final approval for the re-appointment of these External Auditors.

- 4.3.7 The Chairperson then called on the members at the meeting for the approval of the appointment of Deloitte & Touche, with OMA Chartered Accountants Inc., as the Scheme's external auditors for the year ending 31 December 2021 in terms of GEMS Rule 27.1 and 27.4. The proposal in favour of such an appointment was received from three respective members, in good standing with the Scheme, and seconded by Mr Roux, a member, in good standing with the Scheme, with Mr Molelekwa taking a different view.
- 4.3.7.1 Mr Molelekwa indicated that the members were requested to extend the contract of Deloitte & Touche, but that the members were not informed why the procurement could not happen, hence the question raised whether there was a problem with contract management in GEMS.
- 4.3.7.2 Mr Lesejane commented that he might not have correctly explained the process, took the meeting back to the previous discussion of the competitive bidding process that was held in 2018, and reiterated that:
- 4.3.7.2.1 As part of the bidding process, the Scheme went through a process where the Finance and Investment Committee administered the contract management, and the Board appointed the External Auditors. As per the CMS rules and processes, Council then accepted the appointment of the External Auditors;
- 4.3.7.2.2 At the end of the day, the Scheme belongs to the members. So, whilst the Board of Trustees have approved the External Auditors, based on the yearly confirmation that the latter was still relevant to GEMS, the members were requested to reconfirm their support for the Scheme to continue with the External Auditors;
- 4.3.7.2.3 The five-year contract that the Scheme had signed with the External Auditors is subject to satisfactory performance on an annual basis.

### Decision:

The appointment of Deloitte & Touche, with OMA Chartered Accountants Inc. as their sub-contractor, as the Scheme's External Auditors for the financial year ending 31 December 2021, was approved by the members of the Scheme, after a proposal in favour of such an appointment was received from three respective members, in good standing with the Scheme, and seconded by Mr Roux, a member, in good standing with the Scheme, with Mr Molelekwa taking a different view.

## 5. Matters for Noting

- 5.1 Disclosure of Trustee Remuneration for the financial years ended 31 December 2019 and 2020
  - 5.1.1 The Chairperson invited Mr Mpfariseni Erasmus Phophi, the Deputy Chairperson of the GEMS Board of Trustees to brief the members on the Matters for Noting in respect of: (1) The disclosure of GEMS Trustee Remuneration for the financial years ended 31 December 2019 and 2020, and (2) the issues raised by members at the 13th GEMS Annual General Meeting.
  - 5.3.8 The Deputy Chairperson of the GEMS Board of Trustees, Mr Mpfariseni Phophi presented an overview of the GEMS Trustee Remuneration Policy and remuneration paid to the Board of Trustees in 2019 and 2020 and the progress made against the 2019 Action List that emanated from the 2019 GEMS AGM held in Mmabatho/Mahikeng, North West Province.
  - 5.3.9 The Deputy Chairperson highlighted that the GEMS Board of Trustees' fiduciary duties include:
    - 5.3.9.1 Taking all reasonable steps to protect the interests of the Scheme's beneficiaries;
    - 5.3.9.2 Acting with due care, skill, diligence and in good faith;
    - 5.3.9.3 Avoiding conflicts of interest; and
    - 5.3.9.4 Acting with impartiality in respect of all of the Scheme's beneficiaries.
  - 5.3.10 The Deputy Chairperson further highlighted that the Board Members are collectively and severally liable and take on significant personal risk when conducting the business of the Scheme on behalf of its members.
  - 5.3.11 Furthermore, the Deputy Chairperson reflected on the trustees' core values of taking care of the overall oversight of Scheme matters and as far as competitive outsourcing is concerned, to ensure that people that are competitive in their field are requested to assist the Scheme whenever the need arises.
  - 5.3.12 The Deputy Chairperson noted that the Scheme was in the process of insourcing services currently provided by external service providers, to move away for outsourcing of services. The Scheme is a low non-healthcare cost Scheme; accordingly, non-healthcare costs are kept to the minimum to ensure that members to get as much as possible out of their contributions. The Scheme advances B-BBEE and ensures that where medium to large companies were awarded tenders, the latter empower small Black-owned companies. In addition, the Scheme was also enabling new entrants, panels of providers and joint ventures to contact with the Scheme.
  - 5.3.13 The Deputy Chairperson referred to the Trustee Remuneration Policy and advised the members that the Trustees and Independent Committee Remuneration Policy makes provision for the trustees and independent committee members to be remunerated for preparing and attending Board and Committee meetings, for which a fixed daily meeting and a monthly stipend is paid. Thus, should a Board member be off sick during any such engagements, he/she would not be paid, based on the 'no-

- work-no-pay' principle. Furthermore, the trustees were remunerated for 18 hours of work per meeting, and the trustees were not remunerated for additional duties done on a voluntary basis.
- 5.3.14 The meeting noted that the global amounts paid in respect of the Scheme's trustees for 2019 were as follows:
- 5.3.14.1 R7.6 million in respect of meeting fees and monthly stipends; and
- 5.3.14.2 R412 000-00 for travelling, accommodation and training fees.
- 5.3.15 The meeting noted that the global amounts paid in respect of the Scheme's trustees for 2020 were as follows:
- 5.3.15.1 R5.9 million in respect of meeting fees and monthly stipends; and
- 5.3.15.2 R1.7 million for travelling, accommodation and training fees.
- 5.3.16 In both years noted above, the trustees fees were 0.02% of the total contribution per year. It was noted that in 2020 and as a result of Covid-19, there was a need for the Board to meet more frequently on a virtual basis, hence the increase. However, there was a reduction travel, accommodation and training.
- 5.3.17 The meeting further noted that the global expenditure on trustee remuneration is informed by the number of Board and Committee meetings, and the number of Committee meetings supporting the Board.
- 5.3.18 The Deputy Chairperson further advised that the Board is driven by regulatory requirements as well as the business cycle and requirements of the Scheme.
- 5.3.19 The Deputy Chairperson highlighted that the six Committees of the Board are informed by:
- 5.3.19.1 Regulatory requirements (i.e. the Audit Committee);
- 5.3.19.2 Corporate governance, as informed by the King IV Report (i.e. the Human Resources and Remuneration Committee and the Risk, Social and Ethics Committee); and
- 5.3.19.3 The GEMS Business Model and the requirement to add value (i.e. the Finance and Investment Committee and the Clinical Governance and Administration Committee).
- 5.2 Addressing member issues raised at the 13th GEMS Annual General Meeting
- 5.4.1 The Deputy Chairperson informed the meeting that the 2019 13th GEMS AGM Action List comprised of the issues raised by members at the 13th GEMS AGM held on 31 July 2019.
- 5.4.2 The Deputy Chairperson proceeded to provide members with a high-level overview of the Scheme's progress in respect of same:
- 5.4.2.1 In respect of the issue relating to system changes, the Scheme implemented a system alert to notify members prior to their depletion of the benefit limits. Non-nominated network family practitioner visits afforded to members on the Tanzanite One benefit option. The Scheme considered the feasibility of implementing system alert in respect of all benefit limits but found same not to be feasible. However, members

- can view their current benefit usage by logging into their profile on the GEMS website, or via the GEMS App.
- 5.4.2.2 Regarding the issue of product development matters, it was noted that:
- 5.4.2.2.1 The simplification and standardisation of the Scheme's benefit structures commenced with the 2020 product development and benefit design, and this would continue into the future;
- 5.4.2.2.2 The Rule changes in respect of the Tanzanite One and Beryl benefit option provided for the simplification of the benefit structures and the enhancement of these benefit options were registered by CMS in 2020;
- 5.4.2.2.3 The extender benefit was further enhanced for the 2020 benefit year, which would further minimise members' exposure to co-payments and benefit depletion. Thus, minimising co-payments continued to be a focus area during the annual product development and benefit design process.
- 5.4.2.2.4 During the 2020 GEMS product development and benefit design, a number of enhancements were made in terms of chronic and acute medication and related formularies. The annual product development and benefit design process would continue to assess medication and related formularies across all benefit options.
- 5.4.2.3 In respect of the member communication, it was reported that member satisfaction surveys were introduced to ensure that any issue that might exist, are attended to. Furthermore, the Scheme published a quarterly newsletter for member communication and education, on behalf of the structures. Also, an EVO toolkit was developed for members of this option to aid their understanding and benefits. The Scheme also employed a dedicated resource to enhance the GEMS website and to update content of the member and stakeholder education
- 5.4.3 The Chairperson thanked the Deputy Chairperson for the presentation on the Matters for Noting, and for the transparency and disclosure thereof to the AGM.



## 6. Question and Answer Session

- 6.1 The Chairperson informed the meeting that the Question and Answers would be facilitated by the Scheme, and for ease of reference, requested the Company Secretary and Legal Counsel to rehash on some of the Housekeeping Rules.
- 6.2 The Company Secretary and Legal Counsel advised that:
  - 6.2.1 For any questions or comments, please make use of the 'raise your hand' function at the bottom of your screen;
  - 6.2.2 Once you have raised your hand, please wait for your name to be called out;
  - 6.2.3 Once your name has been called out, please wait for the prompt to unmute yourself, from where you will be able to voice your comment or question; and
  - 6.2.4 No members will be allowed to voice any questions or comments unless recognised by the Chairperson and they have been given the opportunity to unmute themselves.
- 6.3 Ms Kobela Mamabolo requested an explanation what mechanisms or system were used to determine that she should have only R10 000-00 for day-to-day limits, while she had five beneficiaries, received no subsidy and was paying R11 000-00 per month from her salary, and unfortunately as of August 2021 the funds have been depleted in terms of day-to-day limits.
- 6.4 The Principal Officer responded that, in order for the Scheme to assist and sufficiently respond to the question raised by Ms Mamabolo, the Scheme would need to have the exact details of utilisation by the family. Therefore, the Principal Officer suggested that Ms Mamabolo send through an email to: po@gems.gov.za, for the Scheme to urgently attend to this matter and to provide a subsequent response to Ms Mamabolo.
- 6.5 Mr Moleleka enquired from Mr Lesejane on the duration of Deloitte's contract as in Mr Lesejane's presentation reference was made to four years however, Mr Lesejane changed the timeline to five years when a response was provided as part of Item 4.3 on the Agenda.
- 6.6 The Chief Financial Officer referred to the procurement that was initiated in 2018 and clarified that the contract the Scheme had signed with Deloitte & Touche and OMA Chartered Accountants Incorporated was for a five (5) year period, which is annually renewable, as referred to by the Mr Lesejane. The third renewal was presented to the AGM, ending up as the fourth year of the five-year contract.
- 6.7 Mr Moleleka referred to the Chairperson's opening remarks and the Principal Officer's reference to the number of beneficiaries that passed on as a result of Covid-19 and noted that the members were not being taken into confidence by enlightening the members on the number of members that have passed on.
- 6.8 The Chief Research Officer reflected on the most recent available statistics and confirmed that as at 30 August 2020, the Scheme had 6 274 deaths in main members. The Scheme was doing work on the effectiveness of the Covid-19 vaccines, and this would be shared with the members in due course.
- 6.9 Mr Moleleka referred to Fraud, Waste and Abuse and the referral by the Principal Officer that there was no evidence that GEMS specifically was found wanting with regard to this discriminatory practices. The member continued and stipulated that the Panel found that: 'GEMS was 80% more likely to identify Black providers

as guilty partners in terms of fraud, waste and abuse' and enquired on what basis was this 80% based on if there was no evidence available to correct such a number.

- 6.10 The Principal Officer responded that he dealt with the positive outcomes and stated in the presentation that there were no findings. The report made reference to two administrators and GEMS as a medical scheme, and the percentages do not reflect what was deliberately done, but it reflected in the outcome that when the information was analysed, there could have been bias. Thus, it was not deliberate.
- 6.11 Mr Moleleka referred to the cash and cash equivalents as well as the reserves that have increased from 2019 to 2020, and the industry comparatives on reserves presented by Mr Lesejane. The member raised a concern as for 2019 and 2020 the Scheme remained below the industry norms and that the members were not taken into confidence as to the industry norms for cash and cash equivalents, in order for the members to know if GEMS is sustainable and there is business continuity.
- 6.12 The Chief Financial Officer responded that in the presentation conducted by Mr Lesejane, there was comparison made to the industry. However, most of the industry information was available in the CMS report. The comparison to 2020 was not available as yet, however the Scheme would ensure that there would be sufficient elaboration on those matters as part of future presentations. The members should not see this as a concern and as far as sustainability was concerned, this was confirmed by both the External Auditors and external independent parties.
- 6.13 Ms Jabulile Mabaso acknowledged the savings that the Scheme realised in the last year. GEMS used to have a fitness package for members to boost morale and for members to remain fit. With Covid-19 happening, could GEMS look into having a vitamin package for its members?
- 6.14 The Principal Officer responded that the issue of vitamins was part of the discussions at the product development meetings. These product development meetings are the first series of meetings that the Scheme conducts, as the benefits for the following year were being developed. A lot of the decisions at these product development meetings are based on evidence-based medicine and as a funder, the Scheme experienced huge difficulty when dealing with aspects such as vitamins where the evidence-based medicine is still not indicating that there is an explicit benefit with the use of a pharmaceutical product. Thus, in this case the evidence is still not strong to support the funding, even if widely used during Covid-19. Although this would be an ongoing discussion, currently the only vitamins being funded were HIV/AIDS supplements and those related to pregnancy as these vitamins have proved that iron is lost during pregnancy, and in combination with the iron, Vitamin C promotes the absorption of iron.
- 6.15 The Chief Research Officer further responded that the Scheme have done quite a lot of work on the effectiveness of vitamins particularly in relation to Covid-19, and it was found that there is no data supporting that the vitamins reduce infections or the risk of mortality, which are the tangible outcomes within the Scheme's environment. However, the Scheme considered some benefits that might be useful to members, and this would be announced in due course. The

- Chief Research Officer encouraged the pregnant women to timeously register to access the multivitamins early because it prevents the risk of depletion in pregnancy, and the Scheme would also cover the women throughout the breastfeeding period.
- 6.16 Mr Nkadimeng referred to the remuneration of trustees and the fact that the Deputy Chairperson provided global statistics and the theory of what the remuneration is supposed to be, but not the actual remuneration part as stipulated on the Agenda to disclose the remuneration of trustees.
  - 6.17 The Chairperson responded that the individual remuneration for each of the trustees were stipulated in the Annual Integrated Report, hence the members were encouraged to read this document.
  - 6.18 Mr Nkadimeng referred to the approval and secondment of Agenda items and noted that the members were not sure why, and suggested that after each section, the members should be given a questioning section to clarify issues, prior to providing approval.
  - 6.19 The Chairperson responded that as far as the Minutes of the previous AGM was concerned, the Scheme asked for a proposer and seconder, and also if any of the members had different views. As far as the AFS for 2019 and 2020 were concerned, the Scheme also asked for a proposer and seconder, and if members had different views.
  - 6.20 Mr Sihlangu referred to the Scheme's Act stating that the waiting period for those who have discontinued membership due to whatever reason could be between three to 12 months, hence a question was raised on the rationale behind GEMS taking a decision to opt for the 12-month period.
  - 6.21 The Principal Officer responded that, as referred to by the member, the Scheme had two type of waiting periods. Generally waiting periods are allowed in terms of the Act up to three months, depending on the circumstances, and up to 12 months for condition-specific waiting periods.
  - 6.22 The Principal Officer further responded that in terms of the general waiting periods they would normally apply based on the information that is supplied by the member. But if there has been a break in membership, then the underwriting would come into effect to basically to protect the Scheme against 'anti-selection', where people join the Scheme to claim. This formed part of the problem that was identified by the Scheme, before 2016 as there was generally no underwriting and GEMS was trying to promote access to the Scheme, but unfortunately this abused. That was one of the problems that led to the reserves being low in 2016. At that time the underwriting was introduced but not for members who join GEMS for the first time, but only for those people who join, then they resign from the Scheme, just to join again and resign. A lot of work was done to analyse that behaviour and underwriting was then reintroduced by the Scheme, this partly led to the turnaround in the in the Scheme. So, if you join the Scheme while coming from another medical scheme, there is no underwriting. If you are joining from the beginning the Board took a decision that the underwriting should not apply, but that this would only apply to people being anti-selective.
  - 6.23 Mr Sihlangu enquired about co-payments because every time in the most recent instances, Mr Sihlangu, when visiting a doctor or even for prescribed medication, there is a co-payment to be made. Furthermore, the member received SMSes

- encouraging the request for generic medication, even though the doctor prescribed the original medication based on the type of condition.
- 6.24 The Chief Research Officer responded that, as a member, you appoint the doctor to make decisions on your behalf, and when the doctor decides to prescribe a generic medication, because you have a very trustworthy relationship with the person, the medication could be brand or generic. When members then obtain the prescription from the pharmacy, and same was not available on the formulary, there is a charge to members. It is understandable that members end up being confused because you do not want to move away from the decision that was made by your trusted doctors.
  - 6.25 The Chief Research Officer further responded that, the Scheme have realised that as members and doctors were being educated on the Scheme's formularies, the co-payments in respect of medicine reduces. During this year, the Scheme raised the level of awareness amongst doctors, because if the latter was being educated on the benefits offered to members, the doctors would understand that it was key for GEMS to protect its members against co-payments. The members were advised that when visiting a doctor, to request the doctor to check whether the prescribed medicine was on the GEMS formulary, and generally, doctors also want to protect patients from co-payments because doctors understand the sensitivity around this matter. It was evident from the surveys that as soon as members start using network providers, their level of co-payments reduces.
  - 6.26 Mr Sihlangu indicated that nothing was done on the part of the Scheme to provide gym rebates to members in an effort to motivate members to stay healthy as a lot of other medical schemes was subsidising their members.
  - 6.27 The Principal Officer responded this matter has also been the Scheme's Achilles tendons for quite some time. GEMS is registered as a medical scheme and when there is mention of other medical schemes, it is actually not other schemes but administrators who are able to offer gym rebates or subsidies. The Principal Officer explained that the business of a medical scheme is defined in the Medical Schemes Act and it restricts what schemes are able to do. There are other medical schemes that are said to be offering, for instance gym benefits and access to gyms, but it is actually the associated administrators who encourage and attend same, and what makes people believe that their medical scheme was giving these type of benefits as part of their core branding. The Scheme was trying to get to a solution, engaged CMS on this matter and the work that the Scheme had conducted in this regard, but Council rightfully said the business of a medical scheme is not anything to do with non-healthcare issues. In order to promote a healthy living, the Scheme through the wellness programmes tried to develop a programme, but unfortunately this did not work out in the Departments. However, this was not abandoned as the Scheme was currently focusing on other matters.
  - 6.28 Ms Nancy Mdabula referred to mental health benefits and enquired about the possibility of the Scheme increasing same, as this is a definite need in the current circumstances. Ms Mdabula further indicated that in her case, where a dependant who needed to attend frequent psychological sessions, and if one has to be admitted for psychological reasons, then those funds are quickly depleted, and members would need to pay from their own pockets for every session. A

- further concern was raised that Ms Mdabula endeavoured to speak to GEMS for funding of short funds but received no assistance.
- 6.29 The Principal Officer requested Ms Mdabula to please send an email to po@gems.gov.za, for the Scheme to follow-up on Ms Mdabula's special needs.
  - 6.30 Ms Bonbon Tekile supported the comments raised by Ms Mamabolo on depletion of funds and although the benefits have been depleted as early as August, the member still need to pay up to the end of a year, even if there were no available funds.
  - 6.31 The Principal Officer referred to Ms Tekile's concern on the depletion of funds and suggested that this be dealt with as a specific problem, hence the member was requested to send through an email to the email address provided to the other members, for the Scheme to individually attend to this matter.
  - 6.32 Ms Bonbon Tekile referred to the issue discussed on vitamins and the response that vitamins were not prescribed per se for Covid-19. It was suggested that the Scheme supply one family with at least the Vitamin C, D3 and Zinc packet.
  - 6.33 The Principal Officer confirmed this matter was subsequently dealt with.
  - 6.34 Mr Jonathan Maraba raised a concern on a periodontist procedure as the member was given a quotation of about R11 600-00, however when applying for pre-authorisation in order to claim the money back from the medical aid post the procedure, Mr Maraba experienced challenges as the Scheme wanted a periodontal chart in order to provide pre-authorisation. In consultation with the periodontist, it was established that the periodontal chart required by the Scheme costs about R2 000-00, hence it was a challenge for this amount to be paid in order to receive pre-authorisation.
  - 6.35 Mr Jonathan Maraba further raised a concern as he was informed that the dental cover was only about R3 500-00. So, the medical aid would only cover R3 000-00 of the R11 600-00 towards this procedure. Based on these concerns, a question was raised whether the Scheme could not look at the profile of members to try and customise benefits for its members.
  - 6.36 The Principal Officer referred to the concerns raised by Mr Maraba on the periodontist procedure, quotation and pre-authorisation and requested that an email be submitted to the email address provided during the meeting, for the Scheme to individually investigate this matter for a response to be provided to Mr Maraba.
  - 6.37 Mr David Ndodana indicated that some medical aids provided the option pertaining to vitamins, hence the request for vitamins to be part of the 2022 product development.
  - 6.38 The Principal Officer noted the request for the vitamins to form part of the 2020 product development and noted that this formed part of the discussions on the benefits for 2022, however this process was still underway.
  - 6.39 Mr David Ndodana referred to the trustees remuneration and enquired about the individual remuneration of each trustee.
  - 6.40 Mr Smith thanked the Board of Trustees and GEMS Management for the work for the work being done within the Scheme, and further mentioned that, hearing from work being done in other schemes and the management thereof, GEMS was well managed.
  - 6.41 The Principal Officer noted and acknowledged the compliment raised by Mr Smith.

- 6.42 Mr Smith, an employee within the Department of Correctional Services, indicated that members are still subjected to three months waiting period, whether a first-time application or re-admission, whilst for other State Department employees there is no waiting periods both for new applications or re-admissions. Therefore, a question was raised on how the Scheme was treating the different State Departments when dealing with waiting periods.
- 6.43 The Principal Officer responded that there was no difference between the various State Departments and if there was any specific information that Mr Smith had in respect of the waiting periods being applied inconsistently, Mr Smith was encouraged to provide the information to po@gems.gov.za, in order for the Scheme to follow up on this.
- 6.44 Mr Smith raised a serious concern about the communication between GEMS and its members. Many of the members do not have access to emails or the website and rely purely on telephonic communication to get in touch with the Scheme. The Scheme's call centre is still not user-friendly and even when members make enquiries, the calls are disconnected, or the line of communication is not clear between members and GEMS.
- 6.45 The Principal Officer noted the concern raised that the call centre is not user-friendly and made reference to the use of digitisation and the platform that is being developed to, as alluded to in the presentation. It was noted that the call centres were being monitored to ensure efficiency, especially due to the importance of the services being provided within this space. The members were advised that a lot of problems can be solved digitally by using the member APP and portals. The Principal Officer requested that any specific issues experienced with the call centres should be submitted via the address provided to the other members.
- 6.46 Mr Smith referred to medical appliances, especially for members or beneficiaries with disabilities and enquired whether the profile of such members could not be reviewed, and the benefits structured accordingly to meet the various needs of disability appliances.
- 6.47 The Principal Officer encouraged members to made use of the ex Gratia process where specific needs could be dealt with in accordance with the Scheme Rules. Unfortunately, it is not possible to have a specific Rule for each individual member, thus the general Rules covers all members.
- 6.48 Ms Hlakwane Seakwe raised an issue concerning a pregnancy where the doctor wanted to prescribe a different supplement to what the Scheme already covers, and despite the member's endless efforts to request that the Scheme should make an exception, the member was given the run-arounds and ended up having to pay for those supplements. Why is it that members have to be dictated what must be given to us and rather not what the doctor wants to prescribe? The Scheme have Managed Care protocols in place to ensure that within the formulary, most of the products that would treat all the conditions, have been listed. Doctors sometimes are not in favour of this, as according to them, GEMS was dictating. The Scheme is basically just managing the funds for this to go as far as possible.
- 6.49 The Chairperson responded that the issue of vitamins has been extensively discussed. However, the Principal Officer responded that GEMS do not dictate, and the Scheme runs for the benefit of all members.

- 6.50 Mr Mhlengano Nkalamshe raised a concern as he made use of one or two different chronic medicines but discovered an issue with pathologists as the member was owing a certain percentage.
- 6.51 The Principal Officer requested Mr Nkalamshe to please email his specific concern to po@gems.gov.za, for this specific matter to be dealt with accordingly.
- 6.52 Mr Musa Nkuna enquired why the Scheme was not covering infertility treatment and procedures, as well as supplement to women. Mr Nkuna further raised a question if the Scheme could consider covering impotency, as it was affecting a lot of men.
- 6.53 The Principal Officer responded that GEMS do cover infertility, but only in line with the PMBs and specific Scheme protocols. Furthermore, it was noted that for instance, in vitro fertilisation was not being covered, but there are certain basics in fertility treatment that the Scheme covers. The Scheme also encourages couples who really experience problems to consider the Ex Gratia option which the Scheme runs confidently to assist members.
- 6.54 The Principal Officer confirmed that for the issue of impotency, specific treatment protocols have not been developed to the extent that it is being addressed. If there is treatment known to be working, it would have to be considered as part of the ex Gratia process, that would be explained to members who contacted enquiries.
- 6.55 Ms Akhona Magxaki referred to hospital cover and was of the understanding that the Scheme would pay 100%, however as her son was recently admitted to hospital, the Scheme did not cover the hospital in full. Ms Magxaki confirmed that, when contacting the call centre, the agent informed her that GEMS has a Scheme rate and if the hospital was charging more than what GEMS covers, the member would be liable. Ms Magxaki further indicated that, in her demographic area, there was only one private hospital, thus this hospital had no competition.
- 6.56 The Principal Officer responded that there are options within GEMS where members need to consult within the network, i.e., Tanzanite One and EVO however, for an emergency, those rules do not apply. Those network hospitals should not, in terms of the agreement with GEMS, bill members above Scheme tariffs. The private hospital in the area mentioned by Ms Magxaki might not be a network hospital, hence Scheme rates would not be charged. The possibility also existed that the hospital account might not have been covered in full as the hospital charged non-recoverables. The Principal Officer requested Ms Magxaki to forward an email to po@gems.go.za, for the Scheme to look into this matter and for subsequent response back to the member.
- 6.57 Ms Akhona Magxaki indicated that her funds have been depleted, however her beneficiaries still have available funds, and as she needed to see doctors more than the children, can the children's' funds not be utilised opposed to paying out of pocket for services.
- 6.58 The Principal Officer responded that when a member pays monthly contributions, there is only one benefit, thus if members pay contributions, members do not save money, but actually uses it through buying benefits. If these benefits have been exceeded, that was the member's entitlement.
- 6.59 Mr Bongiwe Klaas suggested that for the next virtual AGM, the Scheme to consider having a signage interpreter or at least open up the chat and live captions on the virtual platform to accommodate deaf members.
- 6.60 The Scheme noted this request from Mr Klaas.

## 7. Summary of Decisions

- 7.1 The Chairperson thanked the members for their active participation in the AGM and for supporting the Scheme.
- 7.2 The Chairperson confirmed that the minutes of the 14th GEMS AGM would reflect that:
  - 7.2.1 The Minutes of the 13th GEMS Annual General Meeting held on 31 July 2019 Mmabatho Palms Hotel in Mahikeng, North West Province, were adopted by the members of the Scheme as being a true reflection of the proceedings of that meeting;
  - 7.2.2 The Annual Financial Statements of the Government Employees Medical Scheme for the financial year ended 31 December 2019 and 2020 were adopted by the members of the Scheme; and
  - 7.2.3 Deloitte & Touche, with OMA Chartered Accountants Inc. as their sub-contractor, were re-appointed as the external auditors of the Scheme for the financial year ending 31 December 2021.

## 8. Closure

- 8.1 After all matters on the 2021 GEMS AGM Agenda were duly disposed of, the Chairperson delivered a closing statement:

"Thank all the stakeholders and partners represented here today, especially organised labour and noted the role these entities continue to play is immeasurable, and that the Scheme acknowledges your commitment to the Scheme and the contribution that were made during the meeting. We acknowledge your commitment to the Scheme and the contributions you have made today.

I am encouraged that despite the challenging operating environment due to the Covid-19 pandemic, GEMS was able to post a strong financial performance which puts the Scheme in a good position to adequately respond to the needs of all our members and beneficiaries, especially within the context of the current and anticipated future healthcare challenges.

As we proceed from today's meeting, we have taken down your recommendation and contributions and welcome them. We take them with us, and I believe we will come back next year and report on improvements and on having implemented all of your inputs made today, where possible. Without a doubt working together we can do a lot more towards improving our Scheme.

I would finally like to take this opportunity to thank the entire AGM organising team that made this AGM possible. Well done for a sterling job.

The past 18 months have presented unparalleled challenges to many families across our communities. I am sure each of us has lost a family member or friends to the Covid-19 pandemic. And we know this has not been an easy journey. Being Chairperson of the Board and a practising medical professional, I have had the unfortunate experience of seeing people come into the hospital and not make it out alive because of the Covid-19 pandemic. Parents and children have been impacted by this pandemic that has turned the world over in such a very short space of time. Our hearts go out to everyone who has lost a family



member, friends to this pandemic. It is for this reason that we at GEMS have put a lot of effort into communicating about the vaccination programme. Furthermore, GEMS will continue to support the importance of having as many of the population to get vaccinated. Because we have been – we have seen the impact that the vaccine has in this, in saving lives. While the days have been dark, we want to appeal to you to remain resilient and hopeful for the better days that are still to come and closed the 14th Annual General Meeting of the members of GEMS at 18h30 on 31 August 2021.

\_\_\_\_\_  
Date of approval by the members of the Scheme

\_\_\_\_\_  
Chairperson

Date: \_\_\_\_\_

# OTHER INFORMATION

## Principal Officer's office and postal address

### **Dr BOS Moloabi**

GEMS Votumi House,  
124 Mercy Avenue  
Menlyn Maine Precinct  
Private Bag X1, Hatfield 0028

## Registered office and postal address

GEMS Votumi House,  
124 Mercy Avenue  
Menlyn Maine Precinct  
Private Bag X1, Hatfield 0028

## Medical scheme administrator during the year, office and postal address

Metropolitan Health Corporate (Pty) Ltd  
Parc du Cap, Building 6, 7 Mispel Avenue  
PO Box 4313, Cape Town 8001

## Actuaries' office and postal address

### **Insight Actuaries and Consultants (Pty) Ltd**

Block J, Central Park  
400 16th Road Midrand  
1682

## Auditors' office and postal address

### **Deloitte & Touche**

5 Magwa Crescent Waterfall City Midrand  
2066

## Independent investment consultant details

### **Mentenova (Pty) Ltd**

3rd Floor, Oxford and Glenhove Building 2 114 Oxford Road  
Rosebank 2198

## Asset managers' details

### **1. Taquanta Asset Managers (Pty) Ltd**

7th Floor, Newlands Terraces  
8 Boundary Road Newlands  
Cape Town 7700

### **2. Investec Asset Management (Pty) Ltd**

36 Hans Strijdom Avenue  
Foreshore Cape Town 8001

### **3. Prudential Investment Managers South Africa (Pty) Ltd**

7th Floor, Protea Place  
40 Dreyer Street Claremont  
Cape Town 7735

### **4. Coronation Asset Management (Pty) Ltd**

7th Floor, MontClare Place  
Cnr Campground and Main Road Claremont, Cape Town 708

### **5. Sanlam Investment Management (Pty) Ltd**

55 Willie van Schoor Drive Tygervalley  
Cape Town 7532

# GEMS Walk-in Centres



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## EASTERN CAPE

**East London:** Shop LG36, Lower Level, Gillwell Shopping Centre, c/o Gillwell Road and Fleet Street

**Mthatha:** Savoy Complex, Unit 11 & 12A, Nelson Mandela Drive

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## FREE STATE

**Bloemfontein:** Bloem Plaza, Shop 124, Charlotte Maxeke Street

**Welkom:** Gold Fields Mall, Shop 51A, c/o Stateway & Buiten Street

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## GAUTENG

**Johannesburg:** Traduna House, 118 Jorrisen Street, Ground Floor, c/o Jorrisen and Civic Boulevard (opposite Civic Centre), Braamfontein

**Pretoria:** Sancardia Building, Shop 51, First Floor, c/o Beatrix & Church Streets, Arcadia

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## KWAZULU-NATAL

**Durban:** The Berea Centre, Shop G18, Entrance 1, 249 Berea Road, Berea

**Pietermaritzburg:** Deloitte House, Suite 3, Block A, 181 Hoosen Haffjee Street (Berg Street)

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## LIMPOPO

**Polokwane:** Shop 1, 52 Market Street

**Thohoyandou:** Unit G3, Metropolitan Centre

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## MPUMALANGA

**Nelspruit:** Shop No. 18, Nedbank Centre, 30 Brown Street, Nelspruit CBD

**eMalahleni (Witbank):** Safeways Crescent Centre, Shop S67, c/o President & Swartbos Streets, Die Heuwel

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## NORTHERN CAPE

**Kimberley:** New Park Centre, Shop 14, Bultfontein Way & Lawson Street

**Upington:** 61A Mark Street

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## NORTH WEST

**Klerksdorp:** City Mall, Shop 101, c/o OR Tambo & President Street, Klerksdorp CBD

**Mafikeng:** Mmabatho Megacity Shopping Centre, Shop 39, c/o Sekame & James Moraka Streets, Mmabatho

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## WESTERN CAPE

**Worcester:** Mountain Mill Shopping Centre, Shop 125 A & B, Mountain Mill Drive

**Cape Town:** Constitution House, 124 Adderley Street

Use the QR code  
to download the  
GEMS Member App



**GEMS Contact Centre:**

0860 00 4367

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**Provider Liaison Officers:**

[plo@gems.gov.za](mailto:plo@gems.gov.za)

**GEMS Emergency Services:**

0800 444 367

**GEMS Fraud Hotline:**

0800 212 202

**Fax:**

0861 004 367

**Email:**

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