ANNUAL FINANCIAL STATEMENTS 2023

gems
Government Employees Medical Scheme

INDEX

STATEMENT OF RESPONSIBILITY OF THE BOARD OF TRUSTEES

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

Accounting policies applied by the Scheme are informed by and updated, when required, according to CMS circulars, the Annual Medical Schemes Accounting Guide issued by SAICA and the latest IFRS developments. The trustees consider that, in preparing the annual financial statements, they have used the most appropriate accounting policies, consistently applied them and supported their application with reasonable and prudent judgments and estimates.

The Board adopted the King IV Report on Corporate Governance for South Africa and the Scheme applies the 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 in the 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 designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that 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, audits 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 2023 were approved by the Board of Trustees on 11 October 2024 for distribution to Members and are signed on its behalf by:

Dr Nomzamo Tutu
Chairperson
11 October 2024

Nkobane Ntshane
Deputy Chairperson
11 October 2024

Dr BOS Moloabi
Principal Officer
11 October 2024

AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 December 2023.

The mandate of the Audit Committee requires it to adhere to high-quality corporate accountability standards, oversee the quality of the financial reporting process and control systems, and maintain a high degree of integrity in both the external and internal audit processes. For the 2023 financial year, Audit Committee meetings were held via a hybrid model, which the Board has approved as a way of work.

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

Significant matters considered on 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 2023 annual financial statements and we believe 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 related 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 auditor, was satisfied that the appointment complied 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 2023. The Scheme maintains the Non-audit Services and Consulting Services Policy, which describes prohibited services by the external auditor and services 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 did not perform prohibited work during the 2023 financial year. The designated audit partner from the Deloitte and OMA consortium, which has been with the Scheme since 2016, was rotated out based on the auditor's rotation policy and the new designated audit partner from Deloitte began her tenure in 2021. Assurance was sought and provided by the auditors that internal governance processes at the audit firms support and demonstrate their 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 2023. 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 using in-house resources to deliver on the internal audit mandate, the Scheme's Internal Audit Function 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.

Design and implementation of internal financial controls

The Scheme's Internal Audit Function reviewed the design and operating effectiveness of 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 or corruption. Based on this assurance, we are satisfied that the financial resources and systems of internal control are appropriately managed.

Furthermore, the external auditors have issued an unqualified audit opinion that the 2023 annual financial statements are a fair reflection that the Scheme's activities and accounting practices have been applied appropriately. In line with the International Standard on Assurance Engagements 3402, assurance reports were received from Scheme administrators' Auditors. Their findings, which did not present material exposure to the Scheme, were considered.

Key focuses during the reporting period

Cybersecurity controls and their oversight, together with a key focus on supply chain activities, continued to be a priority for the committee during 2023.

The committee receives reports from internal audit on the implementation progress of forensic investigations (including those 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 leads the Scheme's combined assurance model. During the review period, GEMS' combined assurance providers included external providers such as the respective 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.

Results stemming from such assurance activities were presented to the Audit Committee, with any areas recommended for remediation noted and monitored for closure. Combined assurance mapping has been reviewed and will continue to be reviewed regularly to ensure that all key issues affecting the Scheme are covered and that adequate assurance coverage exists. 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
Chairperson: Audit Committee
11 October 2024

STATEMENT OF CORPORATE GOVERNANCE

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 ethically and within a recognised framework comprising the Rules of GEMS, the GEMS governance framework, the GEMS Board Charter and Scheme policies.

The Scheme acknowledges its role in the medical schemes industry as well as its responsibilities to each beneficiary and the community. The Scheme recognises that sustainability is 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 allows the Scheme to recognise the concerns and objectives of stakeholders in decision-making.

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 and appointed by the members of the Scheme and the employer (MPSA) respectively, according to the provisions of 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 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 adhere to all aspects of governance as required by the MSA, as amended. The Board is committed to the principles of the King IV Report on Corporate Governance for South Africa.

Following the RBO process, the Board resolved to hold the Board effectiveness assessment every year from 2024. The Chairperson meets with individual trustees one-on-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 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 appropriate segregation of duties.

The GEMS internal audit function performs an independent analysis of the controls of the Scheme and those of service providers as part of its annual audit plan.

The Board-appointed Risk, Social and Ethics Committee consisting of Board members 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.

Annually, the Board assesses risks facing the Scheme and determines their impact and likelihood through development of a strategic risk register. Once the register is approved by the Board, monitoring of the implementation of mitigation measures and internal controls takes place at least quarterly. No event nor item came to the attention of the Board of Trustees during the year that indicates any material breakdown in the functioning of the key internal control and systems.

INTEGRATED REPORTING

The Board of Trustees acknowledges its responsibility for assuring the integrity of the Annual Integrated Report.

The Board approved an Integrated Reporting Policy, which is applied by management in developing the integrated report.

The Board considered and approved the GEMS definition of value creation and the prioritised material matters that form the basis of the 2023 annual integrated report.

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

Dr Nomzamo Tutu	**Nkobane Ntshane**	**Dr BOS Moloabi**
Chairperson	**Deputy Chairperson**	**Principal Officer**
11 October 2024	11 October 2024	11 October 2024

BOARD OF TRUSTEES REPORT

GEMS is governed to protect and maintain value

In this section, we disclose how the GEMS governance structure support GEMS' ability to create 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, responsibilities and duties of the Board and trustees collectively, as well as certain roles and responsibilities incumbent on trustees. As such, the charter is aligned to the provisions of the MSA, as amended, its regulations, the registered Rules of GEMS and the King IV Report on Corporate Governance for South Africa. The full Board Charter and King IV application register are available at www.gems.gov.za.

The Board of Trustees performs reviews of its and its Board committees' effectiveness, and its role and that of its Chairperson. This takes place every second year, with the most recent review starting in 2020 and ending in 2021. This review found that the Board and its committees were functioning effectively. From 2024, the Board effectiveness assessment will take place annually.

The Board is responsible for providing strategic guidance and oversight to the Scheme.

Figure 47: Performance and outcomes monitoring by the Board of KPIs and risks

Members elect 6 trustees directly from their ranks

Minister for Public Service and Administration appoints 6 trustees

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

The Board...

- appoints the **Principal Officer** of GEMS and the Scheme Executive and delegates authority under a set policy
- sets the **GEMS** strategic direction, strategic objectives, performance metrics and annual targets (page 59)
- monitors all **strategic risks** exceeding risk tolerance (page 65)
- appoints **Standing Committees** to support business and performance monitoring using formal written terms of reference
- sets **policies and frameworks** to govern the management of finances, risk, assurance, ethics, compliance, supply chain management, stakeholder management, remuneration, performance, ICT and data management, clinical governance and member affairs and communication (e.g. complaints management)

Standing Committee Structure for compliance to regulatory requirements and aligned to strategy and operating model to oversee performance, monitor outcomes and risk reporting according to escalation protocol: Quaterly reporting to the board

Audit Committee see page 137 **KPI: 27** **Risk reporting and escalation:** According to combined assurance model	**Clinical Governance and Administration Committee** see page 139 **KPI: 1, 2, 3, 10, 11, 19, 24, 25** **Risks:** 1, 2, 3, 4, 5 and 6	**Finance and Investment Committee** see page 140 **KPI: 4, 5, 6, 7, 9, 21, 22, 23** **Risks:** 6 and 7
Human Resource and Remuneration Committee see page 141 **KPI: 7 and 8** **Risks:** 5	**Risk Social and Ethics Committee** see page 142 **KPI: 28, 29 and 30** **Risks:** 5 and reporint escalation; according to combined assrance model	**Oversight Committee for Strategic Projects and Programmes** see page 141 **KPI: 20** **Risks:** 4

The Board's performance is measured by means of an independent Board Effectiveness Assessment. The Board encourages high performance of GEMS employees through target setting and appropriate performance management policies.

A five-year strategic plan and annual performance plan give 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 can be monitored and ensuring that the business of the Scheme operates efficiently and effectively. The Scheme's five-year strategic plan for 2022 to 2026 was approved by the Board. The Board monitored the implementation of the plan through quarterly reports from Scheme management on performance against performance areas. Throughout 2023, the Board was appraised of the status of the business through standardised presentations covering key business indicators, including membership growth, financial performance and stakeholder engagement.

Performance targets are reviewed annually by the Board based on changing realities and interrelated plans such as the business plans approved for the Scheme by the Registrar of Medical Schemes from time to time.

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. The approach to risk management and the governance of risk is discussed on page 66 of the Annual Integrated Report .

The Board monitored the implementation of approved strategic and operational risk mitigation measures and the Scheme's changing risk environment during 2023 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 mitigations to safeguard Scheme and member interests were effective.

The Board's approach to the governance of technology and information and ethics and compliance shows that value created for members is protected.

King IV Report on Corporate Governance for South Africa 2016:

The Board of Trustees formally adopted the King IV Report on Corporate Governance for South Africa 2016 (King IV) from 1 January 2018 by means of a Board resolution. On CMS recommendation, the Scheme uses the governance and compliance instrument, an online tool developed by The Global Platform for Intellectual Property to assess whether recommended King IV practices are followed.

The Scheme achieved an overall 88% score on the 17 King IV principles, meaning that 88% of the principles are satisfactorily applied through the Scheme's business practices. The explanation of our business practices is available at www.gems.gov.za.

Structures and officers

The Board consists of 12 trustees as follows: six (50%) elected by Scheme members and six (50%), appointed by the MPSA.

Board of Trustees:

Table 10: Our trustees in 2023

Name	Elected or appointed	Qualifications and expertise	GEMS Board committees in 2023[3]	Other significant positions/roles in 2023
 Marthinus Cornelis Brand (18 August 1947)	Elected, tenure started 25 September 2019 He resigned on 31 December 2023	BA Stellenbosch University 1968; Honours BA: History; Stellenbosch University 1980; B Ed, Stellenbosch University 1986 **Expertise:** administration, leadership, governance, ethics and communication	Finance and Investment Human Resources and Remuneration Risk, Social and Ethics	Retired from the Department of Education: school principal Memberships/ affiliations: Institute of Directors South Africa (IoDSA), The Ethics Institute TEI
 Dr Sebayitseng Millicent (Millie) Hlatshwayo Board Chairperson (9 January 1964)	Appointed, tenure started 20 February 2018 and ends 19 February 2024	BSc (Medunsa); MBChB (Medunsa) **Expertise:** clinical care, business administration and leadership	Clinical Governance and Administration Human Resources and Remuneration	Panel member: Gauteng Infrastructure Financing Agency, consultant: Government Pensions Administration Agency, private practice and OR Tambo Travel Clinic South African Medical Association (SAMA) Memberships/ affiliations: SAMA. Health Professions Council of South Africa (HPCSA), IoDSA, TEI
 Rakgama Andries (Billy) Manoko Board Deputy Chairperson (2023 to date) (6 June 1966)	Appointed, tenure started 20 February 2018 and ends 19 February 2024	BProc, LLB, admitted attorney **Expertise:** legal, business administration and leadership	Audit Clinical Governance and Administration Oversight on Special Projects and Programmes Relationship by Objective Task Team	Founder and managing director: Manoko & Associates Inc Attorney Memberships/ affiliations: IoDSA, TEI*

Name	Elected or appointed	Qualifications and expertise	GEMS Board committees in 2023[3]	Other significant positions/roles in 2023
 Nkobane Constence (Conny) Ntshane (17 May 1974)	Elected, tenure started on 25 September 2019 and ends on 24 September 2025	BA Honours: Social Work - Unisa 2001; Certificates: Gender Excellence – University of Pretoria (UP); Employee Assistance Programme – UP; Employee Wellness Programme – UP; postgraduate diploma. Diploma Public Health – UP 4/9/2023 **Expertise:** employee wellness, project management, member advocacy	Finance and Investment Oversight on Special Projects and Programmes	DoH Mpumalanga – wellness manager Memberships/ affiliations: IoDSA, TEI
 Mpfariseni Erasmus Phophi Board Deputy Chairperson (6 October 1952)	Appointed, tenure started 26 September 2017 and ended 25 Sept 2023	BA Human Resource Management; International Labour Organisation: Labour Relations and Performance Management in the Public Service; International Labour Organisation: advanced negotiations skills **Expertise:** labour and employee relations, conflict management, dispute resolution, collective bargaining, human resource management, business administration and leadership	Human Resources and Remuneration Risk, Social and Ethics Oversight on Special Projects and Programmes Relationship by Objective Task Team	Memberships/ affiliations: IoDSA, TEI

3 The Board periodically revises membership of standing committees

Name	Elected or appointed	Qualifications and expertise	GEMS Board committees in 2023[3]	Other significant positions/roles in 2023
 Dr Izak Jacobus (Kobus) van Zyl (31 January 1951)	Elected, tenure started 30 July 2020 and ended on 28 July 2021. Re-elected from 29 July 2021 to 28 July 2027	BMil; BCom Honours Personnel Management; MBA; PhD Industrial Economics; Industrial Relations Development Programme **Expertise:** labour relations, dispute resolution	Finance and Investment Human Resources and Remuneration Risk, Social and Ethics	Retired from: Department of Employment and Labour as chief director: labour relations in 1996 Memberships/ affiliations: IoDSA, TEI
 Dr Nomzamo Tutu (12 December 1965)	Appointed, 30 July 2020, tenure ends 29 July 2026	MBChB; BSc; Postgraduate Diploma: Occupational Health; Postgraduate diploma: HIV/Aids Management in the World of Work. **Expertise:** clinical care, investment	Audit Finance and Investment Oversight on Special Projects and Programmes	Member of KwaZulu-Natal Provincial Planning Commission Directorships in various private companies Memberships/ Affiliations: SAMA, South African Society of Occupational Medicine, IoDSA, TEI
 Dr Johannes Frederik Smit (22 July 1951)	Elected, tenure started 30 July 2021 and ends 28 July 2027	BCHD: Dentistry – UP; DTVG: Dental Public Health – UP; DGA: Public Health Administration. – UP **Expertise:** clinical care (dentistry), administration and leadership, governance and ethics	Clinical Governance and Administration Risk, Social and Ethics	Retired from senior management: NDoH Serving on HPCSA and Allied Health Professions Council of South Africa Memberships/ Affiliations: IODSA, TEI

Name	Elected or appointed	Qualifications and expertise	GEMS Board committees in 2023[3]	Other significant positions/roles in 2023
 Pierre Francois de Villiers (25 June 1960)	Elected, tenure started 30 August 2021 and ends 29 August 2027	NND Engineering Studies - Ekurhuleni Technical and Vocational Education Training College; Teachers Diploma – UP; BEd and Med – University of Johannesburg (UJ) **Expertise:** governance and ethics, member advocacy	Finance and Investment Risk, Social and Ethics Oversight on Special Projects and Programmes	Retired from Department of Higher Education and Training as chief education specialist (curriculum development) Memberships/ affiliations: IoDSA, TEI
 Lebohang Precious Khumalo (25 March 1980)	Elected, tenure started 30 August 2021 and ends 24 September 2025	Diploma in Clinical Nursing Science; Diploma General Nursing; Advanced Certificate in Project Management – University of KwaZulu-Natal; Advanced Certificate in Healthcare Management - Foundation for Professional Development; Postgraduate Diploma in Health Systems Management – Executive Leadership **Expertise:** Clinical care, business administration and leadership, member advocacy	Clinical Governance and Administration Human Resources and Remuneration Relationship by Objective Task Team	Chief executive officer: Bertha Gxowa Hospital Nursing professional Memberships/ affiliations: IoDSA; TEI

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

Board meetings and engagements in 2023:

The GEMS Board of Trustees held 52 meetings and engagements during 2023 (2022: 48), including one strategic planning meeting (2022: one); one AGM (2022: one) and five workshops (2022: five). All meetings and engagements were hybrid with most delegates attending in person:

1. 25 January 2023 (meeting with Metropolitan Health Board on GEMS insourcing of capabilities programme);
2. 23 February 2023 (quarterly meeting);
3. 17 March 2023 (special meeting);
4. 22 March 2023 (17 March 2023 special meeting continuation);
5. 19 April 2023 (quarterly meeting);
6. 31 May to 1 June 2023 (meeting with SPN/BBBEE partners);
7. 29 June 2023 (interim meeting);
8. 27 July 2023 (quarterly meeting - AGM preparation meeting);
9. 21 August 2023 (Board of Trustees meeting with Marara Pharmacy);
10. 7 September 2023 (Board of Trustees/Audit Committee meeting – clearing house);
11. 22 September 2023 (interim meeting to consider benefit design recommendations);
12. 9 October 2023 (Board of Trustees special meeting – clearing house);
13. 26 October 2023 (quarterly meeting);
14. 22 to 23 November 2023 (meeting with SPN/BBBEE partners); and
15. 4 to 5 December 2023 (interim meeting on key approvals required for 2023 and in-committee meeting).
16. 19 to 21 September 2023 (Annual Strategic Planning Meeting).
17. 28 July 2023 (AGM).
18. 18 April 2023 (Board of Trustees/Exco workshop);
19. 30 May 2023 (governance framework workshop);
20. 10 July 2023 (Board of Trustees/Exco managed care workshop;
21. 18 September 2023 (annual risk identification and assessment workshop); and
22. 24 October 2023 (Board of Trustees performance management workshop).

The Board of Trustees also held five meetings with the Minister/Deputy Minister for the Public Service and Administration (2022: four); one stakeholder symposium (2022: one), five PSCBC working committee meetings (2022: three) and attended the annual Board of Healthcare Funders conference (2022: one) as follows:

Stakeholder engagements (DPSA/MPSA)

23. 20 April 2023 (meet and greet with new MPSA Noxolo Kiviet;
24. 30 March 2023 (meeting with DPSA Deputy Minister, GEMS Exco/Board of Trustees/Exco Chairperson/Deputy Chairperson);
25. 6 April 2023 (meeting with Deputy Minister, Chairperson and Deputy Chairperson);
26. 16 May 2023 (DPSA budget speech vote);
27. 25 May 2023 (MPSA post-budget vote); and
28. 6 September 2023 (DPSA meeting with Deputy Minister, Chairperson and Deputy Chairperson)

Stakeholder engagements (PSCBC)

29. 2 November 2023 (annual stakeholder symposium).
30. 12 April 2023 (PSCBC joint working committee);
31. 28 June 2023 (PSCBC joint working committee);
32. 8 August 2023 (PSCBC joint working committee);
33. 21 August 2023 (Board of Trustees meeting with PSCBC); and

34. 4 September 2023 (PSCBC working committee meeting).

Stakeholder engagements (member makgotla/provincial roadshows)
35. 9 June 2023 (Limpopo – Polokwane);
36. 18 October 2023 (North West – Mafikeng); and
37. 27 November 2023 (Mpumalanga - Nelspruit).

Affiliates and conferences
38. 14 to 17 May 2023 (22nd Board of Healthcare Funders conference); and
39. African governance conference (38th).

Board task teams – after an independent review, RBO meetings were held scheme-wide, including at Board level. The Board held the following RBO joint meetings and relationship-building teambuilding sessions with Exco in 2023 (two:2022). The Board also established a task team to deal with the appointment of the vacant executive position of Chief Compliance Officer (CCO).
40. 13 February 2023 (RBO task team);
41. 10 March 2023 (RBO task team);
42. 14 March 2023 (CCO interview);
43. 29 March 2023 (special meeting – ethics matters);
44. 30-31 March 2023 (RBO with Exco);
45. 3 May 2023 (RBO task team);
46. 14 June 2023 (Board of Trustees/Exco team building);
47. 11 July 2023 (RBO task team);
48. 24 August 2023 (Board of Trustees/Exco team building);
49. 29 September 2023 (Board of Trustees/Exco RBO review meeting);
50. 4 October 2023 (RBO task team);
51. 25 October 2023 (Board of Trustees/Exco team building); and
52. 25 November 2023 (RBO task team).

For the year ended 31 December 2023, the RBO task team members were:
- LP Khumalo (trustee, elected, tenure started 30 August 2021);
- RA Manoko (trustee, appointed, tenure started 20 February 2018);
- MJ Lesejane (in-committee meeting appointed, first term tenure started 1 January 2018)

Standing committee structure and responsibilities
The Board of Trustees has established 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 standing committee structure is based on:
- Statutory requirements.
- The King IV Report on Corporate Governance.
- The GEMS strategic plan for accountability and strategic oversight framework.
- The GEMS operating model.
- Cost effectiveness and value-for-money considerations.

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

The standing committees meet at least quarterly and as indicated 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 2023 were:

Audit Committee

The Audit Committee is mandated by the Board of Trustees by 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 2022 for 2023.

The Audit Committee assists the Board of Trustees in its evaluation of the adequacy and efficiency of 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 (SPN). The committee considers and recommends the appointment of the external auditors and monitors and reports on their independence. It also appoints, performance assesses and/or dismisses of the Chief Audit Executive (CAE), approves the internal audit plan and annually reviews and approves of the internal audit charter.

Committee composition, including members' qualifications and experience:

The committee consisted of five members, two of whom were members of the Board of Trustees. Most of the members, including the Chairperson, are not trustees, officers of the Scheme or of any of its service providers. For the year ended 31 December 2023, the committee members were:

Table 11

Name	Designation	Qualifications	Recent work experience
Motshoanedi Johannes Lesejane (29 February 1956)	Independent committee member – Chairperson, appointed for two terms from 1 January 2018 to 31 December 2023, second term extended by 12 months until 31 December 2024. Member of the RBO task team	Chartered Director South Africa (CD SA) CA(SA), Fellow Chartered Management Accountant (Global Management Accountant), BCom Hons Accounting Science, BCom Accountancy.	Role in 2023: independent Non-executive director, consultant, lecturer at Wits Business School (WBS)
Prittish Dala (13 November 1982)	Independent committee member appointed for first term from 2 February 2023 to 1 February 2026	PhD (IT), Masters (IT), BSc Hons (Computer Science), B (IT), CISA, CISM, CRISC, CGEIT, CISSP, CDPSE, LA ISO 27001, CEH and CHFI	Role during 2023: Independent non-executive director Executive director (Exponential Enterprises)
Aziza Galiel (10 August 1969)	Independent Committee Member appointed for first term from 1 April 2022 to 31 March 2025	CA (SA), BCom Postgraduate Diploma: Accounting	Role during 2023: independent non-executive director and entrepreneur
Rakgama Andries Manoko (6 June 1966)	Trustee, appointed term started on 20 February 2018, appointed as Audit Committee member from 28 June 2018	B Proc, LLB, Admitted Attorney	Role during 2022: founder and managing director: Manoko & Associates Inc.
Dr Nomzamo Tutu (12 December 1965)	Trustee, appointed term commenced on 30 July 2020, appointed as 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.	Role during 2022: 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 on eight occasions during 2023 (2022: nine). All meetings were hybrid and most attendees attended in person:

1. 18 January 2023 (welcome meet and greet meeting with the new CAE);
2. 26 January 2023 (meeting with the new CAE and acting CAE);
3. 20 February 2023 (quarterly meeting);
4. 16 March 2023 (special meeting);
5. 12 April 2023 (quarterly meeting);
6. 22 June 2023 (ICT joint meeting with Finance and Investment Committee);
7. 13 July 2023 (quarterly meeting); and
8. 19 October 2023 (quarterly meeting).

The Principal Officer, Chief Financial Officer, 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.

Benefit Design Committee – committee additional to the standing committees

This committee proposed recommendations on GEMS benefits and contributions for 2024 for the Board's consideration.

It met twice in 2023 (two: 2022). Both meetings were hybrid and most members attended in person:

- 16 August 2023; and
- 13 September 2023.

For the year ended 31 December 2023, attendance of Benefit Design Committee meetings was open to all trustees and most attended.

Clinical Governance and Administration Committee

This committee assists the Board of Trustees to ensure efficient operation of the Scheme by providing oversight, assessment and review of all administration aspects of the business. It ensures seamless interaction among service providers to meet operational objectives. The committee focuses also on growth in Scheme membership and member affairs, overseeing communication and marketing, stakeholder relations and the complaints management function. It:

- Assesses, decides and report 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 are life threatening, the treatment will improve quality of life, the treatment is clinically appropriate and based on internationally accepted, evidence-based treatment guidelines and protocols or the applicant has proven a financial inability to afford the treatment by any other means.
- Assists the Board in the implementation of the healthcare management strategic objective namely to improve the Scheme's clinical risk profile and contain claims experience; and
- Oversees the Scheme's product development and benefit design work.

The committee met over two days, every quarter, for a total of five meetings in 2023 (seven: 2022). All meetings were hybrid and most members attended in person:

1. 14 and 15 February 2023 (quarterly meeting);
2. 24 and 25 May 2023 (quarterly meeting);

3. 3 August 2023 (special joint meeting with the Finance and Investment Committee focused on strategic planning and the Scheme's 2024 benefit design);
4. 22 and 23 August 2023 (quarterly meeting); and
5. 9 and 10 November 2023 (quarterly meeting).

For the year ended 31 December 2023, the committee members were:
- Dr MS Hlatshwayo (trustee, appointed, Chairperson, tenure started 20 February 2018)
- M Brand (trustee, elected, tenure started 23 September 2019);
- LP Khumalo (trustee, elected, tenure started 30 August 2021);
- RA Manoko (trustee, appointed, tenure started 20 February 2018); and
- Dr JF Smit (trustee, elected, tenure started 29 July 2021).

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. The committee assists the Board to fulfil its oversight responsibilities of the Scheme's investment activities and consider issues arising from investment decisions and activities. Monitoring the Scheme's organisational and financial performance is a key responsibility of the committee, whose oversight role is dictated by the Scheme's business model, which requires ongoing review of the contracting of service providers, including asset consultants and managers, to render Scheme services. Thus, the committee monitors the Scheme's cash flow, investment performance and compliance to the regulatory framework for medical scheme investments. It oversees the Scheme's Information and Communication Technologies (ICT) function.

Five meetings were held in 2023 (seven: 2022). All were hybrid and most members attended in person:
1. 16 February 2023 (quarterly meeting);
2. 23 May 2023 (quarterly meeting);
3. 3 August 2023 (special joint meeting with focused on strategic planning and the Scheme's 2024 benefit design);
4. 16 August 2023 (special);
5. 14 September 2023 (quarterly meeting); and
6. 15 November 2023 (quarterly meeting).

For the year ended 31 December 2023, the committee members were:
- Dr N Tutu (trustee, appointed, Chairperson, tenure started 30 July 2020);
- C Ntshane (trustee, elected, tenure started 23 September 2019);
- P de Villiers (trustee, elected, tenure started 30 August 2021);
- Dr IJ van Zyl (trustee, elected, tenure started 30 July 2014, ended 28 July 2021. He was re-elected from 29 July 2021).

Human Resources and Remuneration Committee

This committee ensures sound people management of Scheme employees by overseeing, assessing and reviewing the maintenance of the Scheme's human resources and remuneration policies. Responsibilities include advising the Board on the annual cost-of-living adjustment for Scheme employees; criteria to benchmark annual remuneration surveys, and remuneration rates applicable to employees, trustees and independent committee members; the implementation of remuneration survey results; the implementation of performance reward measures for employees, and overseeing the disclosure in the Scheme's annual integrated report of remuneration of trustees, independent committee members and members of the GEMS Exco.

Five meetings were held in 2023 (six: 2022). All were hybrid and most members attended in person:
1. 1 February 2023 (quarterly meeting);
2. 13 April 2023 (quarterly meeting);
3. 18 July 2023 (quarterly meeting);
4. 5 October 2023 (quarterly meeting); and
5. 21 November 2023 (special meeting).

For the year ended 31 December 2023, the committee members were:
- Dr IJ van Zyl (trustee, re-elected, Chairperson, term started 29 July 2021);
- Dr SM Hlatshwayo (trustee, appointed, tenure started 20 February 2018);
- LP Khumalo (trustee, elected, tenure started 30 August 2021);
- M Brand (trustee, elected, tenure started 23 September 2019); and
- ME Phophi (trustee, appointed, tenure started 19 September 2016).

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, which held its inaugural meeting on and began its duties from 10 August 2021. The name was later changed to Oversight Committee on Special Projects and Programmes.

The committee supports the Board of Trustees in overseeing and reporting on projects, programmes and other initiatives. Other focuses are:
- Governance, risk and compliance management;
- Assurance;
- Application of Board directives and defined parameters;
- Strategic analysis, alignment and prioritisation;
- Planning and lifecycle management;
- Considerations of clinical, operational, financial, ICT, human resource, legal, compliance and change-management requirements.
- Liaison with interim NHI advisory structures; and
- Insourcing of capabilities.

The committee facilitates effective communication on its activities with and among Board committees.

Six meetings were held in 2023 (seven: 2022). All were hybrid and most members attended in person:
1. 26 January 2023 (quarterly meeting);
2. 4 April 2023 (quarterly meeting);
3. 21 June 2023 (special meeting);
4. 12 July 2023 (quarterly meeting);
5. 31 August 2023 (special meeting); and
6. 20 November 2023 (quarterly meeting).

For the year ended 31 December 2023, the committee members were:

- Constence Ntshane (trustee, elected, Chairperson, tenure started 23 September 2019);
- RA Manoko (trustee, appointed, tenure started 20 February 2018);
- ME Phophi (trustee, appointed, tenure started 19 September 2016);
- Dr N Tutu (trustee, appointed, Chairperson, tenure started 30 July 2020); and
- P de Villiers (trustee, elected, tenure started 30 August 2021);

Risk, Social and Ethics Committee

The committee is mandated by the Board of Trustees to ensure sound corporate governance through oversight, assessment and review of risk management, ethics management and compliance management. Responsibilities include ensuring compliance with the Medical Schemes Act and its regulations, patent and trademark legislation and any other legislative framework relevant to the Scheme.

Five meetings were held in 2023 (five: 2022). All were hybrid and most members attended in person:

1. 9 February 2023 (quarterly meeting);
2. 11 May 2023 (quarterly meeting);
3. 17 August 2023 (quarterly meeting); and
4. 16 November 2023 (quarterly meeting).

For the year ended 31 December 2023, the committee members were:

- ME Phophi (trustee, appointed, Chairperson, tenure started19 September 2016);
- Constence Ntshane (trustee, elected, tenure started 23 September 2019);
- Dr IJ van Zyl (trustee, re-elected term started on 29 July 2021);
- Dr JF Smit (trustee, elected, tenure started 29 July 2021); and
- P de Villiers (trustee, elected, tenure started 30 August 2021).

Table 12: GEMS Board of Trustees and Principal Officer meeting attendance in 2023:

A – Meetings attended, B – Meetings that could be attended

	AGM	BOT		AC		BDC		CGAC		FIC		HRRC		OCSPP		RSEC		Training	STKH	Task Teams &RBO		W/S
TRUSTEE	A	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		A	A	B	A
Brand, M	1	14	15			2	2	9	9			5	5					7	2	5	5	5
De Villiers P	1	15	15			2	2			6	6					4	4	7	2	6	6	5
Hlatshwayo, SM	1	15	15	1	1	2	2	9	9			5	5	1	1	2	2	6	6	7	7	5
Khumalo LP	1	15	15			2	2	9	9			5	5					6	5	12	12	4
Manoko, RA	1	15	15	6	6	2	2	9	9					6	6			7	4	12	12	5
Ntshane, NC	1	15	15			2	2			6	6			6	6	4	4	8	3	6	6	5
Phophi, ME	1	11	15			2	2					3	3	5	5	4	4	3	9	5	5	5
Smit JF	1	15	15			2	2	9	9							4	4	7	3	6	6	5
Tutu, N	1	15	15	6	6	2	2			6	6			6	6			13	3	6	6	5
Van Zyl, IJ	1	12	15			2	2			6	6	5	5			4	4	5	1	3	6	5
PRINCIPAL OFFICER																						
Moloabi, BOS	1	15	15	5	6	2	2	6	9	6	6	5	5	5	6	3	4			6	6	5

Table 13: GEMS Independent Committee Members'(ICM) Meeting Attendance in 2023

A – Meetings attended, B – Meetings that could be attended

	AGM	BOT		AC		Training	Task Teams &RBO		W/S
TRUSTEE	AGM	A	B	A	B		A	B	
Lesejane, MJ	1	7	7	8	8	1	8	8	2
Dala P	1			6	6				1
Galiel A	1			6	6	1			1

Governance of information and technology

King IV Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives. The GEMS King IV Application Register is available from www.gems.gov.za.

The GEMS ICT Division reports to the Finance and Investment Committee and the Board of Trustees. The division is headed by the Chief Information Officer and has five key areas, namely applications development, infrastructure and operations, data and business intelligence, ICT service management, and business continuity and security management. Other focuses are administration, ICT strategy and governance, and service planning and enterprise architecture.

Strategic plan alignment: The division's work supports the achievement of strategic objective #4: Be an agile, data-driven scheme that leverages research, information, technology and platforms to manage risk, create disruptive innovations and contribute to clinically appropriate, socially responsible and cost-effective interventions to improve the health of members.

In 2023, the division achieved important performance indicators in building a data-driven backbone that enables one data platform. Strategic priorities not achieved and the Scheme's approach to achieving them are set out on page 35 of the Annual Integrated Report.

Key strategic projects of the Scheme such as the core information management system, enterprise-wide resource planning and insourcing of capabilities are driven through the division with the support of the Project Management Office and other divisions. The division optimised the GEMS website, member app and portal and implemented the provider app and portal with the MSE and HM divisions respectively. The GEMS website and member app and portal facilitate member access to real-time information about benefits and accessing Scheme services.

We also continue to optimise the Scheme's intranet platform, Gemzito, containing the Board portal, divisional portals and the public library, which hold important Scheme records managed through restrictions and workflow based on users' roles. Employees are enabled to perform their duties using email, office suite of solutions; the enterprise-wide resource system for managing the Scheme's finances and a customer relationship management solution to enable member services provided by the CLOs.

The Scheme is at an advanced stage of implementing its information security management system, which is aligned to ISO 27001:2013. This cybersecurity framework has created a strong and more resilient security posture that safeguarded against critical security breaches in 2023.

The 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.

In line with the Scheme's strategy, GEMS aims to be a key partner to the government in the implementation of National Health Insurance (NHI) to realise Universal Health Coverage (UHC) by 2026. It is imperative for GEMS to advance its ICT strategic objectives to develop a core information management system/capability. The key focus areas for 2024 are building a data-driven backbone enabling one data platform, adopting and using artificial intelligence, big data, cloud, internet of things and blockchain while incorporating greater human intelligence integrating robots with humans. Creating agile infrastructure architectures and optimising cybersecurity and security systems are also priorities.

Procurement processes were launched in 2023 for the core information management system, the migration to the cloud of ICT Infrastructure platforms and services and building the one data platform.

Existing policies were updated;

Table 14:

Policy	Purpose of policy
ICT and Cybersecurity Policy	Establishes standards for GEMS' physical and information technology environmental security in line with ISO/IEC 27000
ICT Disaster Recovery Policy	Details the requirements of a disaster recovery plan to be developed and implemented by GEMS, describing processes and systems for the recovery of ICT systems, applications and data following a disaster.
Utilisation of Telephone, Mobile Broadband APN and Facsimile Policy	Provides policy measures and minimum requirements for employees when using GEMS telephone facilities and the process and values for cellphone refunds.

Report from the Risk, Social and Ethics Committee on protecting and preserving value

Governance of ethics

King IV Principle 1: The governing body should lead ethically and effectively.
King IV Principle 2: The governing body should govern the ethics of an organisation in a way that supports the establishment of an ethical culture.

The Board exercises ethical leadership and assumes responsibility 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 Risk, Social and Ethics Committee is mandated by the Board to oversee the implementation of the ethics management strategy, which is translated into the ethics management plan. The approval of these documents is also done by the Risk, Social and Ethics Committee annually. Progress made against the deliverables on the Ethics Management Strategy and Plan is reported to and monitored by the Risk, Social and Ethics Committee quarterly.

The ethics culture risk index is tracked by the Risk Management and Compliance Division and reported to the management committees, the Risk, Social and Ethics Committee and the Board. The committees also make recommendations that are implemented operationally.

Table 15

The Board monitors the tone at the top and the ethics culture of the Scheme and considers reports on ethics transgressions and how the Scheme responds to these. The Board does this by:	
What:	**How:**
Setting requirements for itself, GEMS employees, contracted providers, members and healthcare providers in their dealings with GEMS: • Fit-and-proper requirements • Skills and qualifications • Conflict of interest • Zero tolerance to corruption and fraud • Preventing corruption, fraud, waste and abuse • Protecting human rights	1. The Rules of GEMS (registered in terms of the MSA) 2. Terms of reference for Risk, Social and Ethics Committee 3. The GEMS Code of Ethics and Business Conduct 4. The GEMS Supply Chain Management Code of Conduct 5. Code of Conduct for Trustees and Independent Committee Members 6. GEMS ethics policies, including conflict of interest, vetting, supply chain management, fraud, waste and abuse, whistleblowing and stakeholder engagement 7. Ethics Management Strategy and Plan
Monitoring ethics culture risk as a strategic risk	Quarterly risk monitoring report
Reviewing the effectiveness of controls	The Audit Committee oversees the effectiveness of the Scheme's ethics controls
Setting the ethics strategy and monitoring ethics programme implementation	The Risk, Social and Ethics Committee monitors the completion of the annual ethics management plan
Raising awareness	Ethics awareness training for trustees, employees and contracted providers

The Board of Trustees reviews the Scheme's vision, mission and value statements annually to ensure that they reflect its commitment to building and sustaining an ethical organisation.

<u>The responsibility to implement the annual ethics management plan is delegated to Scheme management</u>

The ethics function (in the Risk Management and Compliance Division) supports the achievement of strategic objective #6: **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.**

In 2023, the function exceeded KPI#26 Ethical risk residual level (page 92 of the Annual Integrated Report)

Scheme management discusses ethics and values and designs and implements policies and processes to achieve sound ethics management. Scheme 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 Code of Ethics and Business Conduct and the Supply Chain Management Code of Conduct. The Risk, Social and Ethics Committee monitors compliance with the ethics code, other social, ethical and legal requirements, and best practice.

Highlights in 2023

- Implementation of the Ethics Management Strategy and Plan developed in 2021 through collaboration and based on the outcome of an external ethics risk assessment conducted in 2020. This strategy and plan is implementable until the end of 2024.
- Strengthened controls through the full implementation of lifestyle audits extended to senior managers in 2023. No red flags were identified by the external forensic investigation firm that conducted the audits.
- Launch and signing of the ethics pledge by the Board of Trustees and Exco.
- Heightened employee ethics awareness levels through extensive training on all ethics documents, namely
  - Ethics Policy;
  - Conflict of Interest Policy;
  - Gift and Hospitality Policy;
  - Other Work Outside GEMS Policy;
  - Code of Ethics and Business Conduct; and
  - Submission of ethics documents.
- Achievement of the required ethics culture risk level for 2023 (indicator of seven against a target of <10)
- Implementation of the new policy on other work outside GEMS.

Key focus areas in 2024 (as per the ethics management coverage plan)

- Complete execution of the three-year Ethics Management Strategy and Plan.
- More initiatives relating and encouraging 'setting the tone at the top' for GEMS management.
- Ethical leadership training for the Board of Trustees, Exco and all employees to ensure that a mature ethics culture is reached.
- Ethics awareness programme for healthcare service providers and members.
- Conducting an internal ethics survey to gauge the effectiveness of the ethics management strategy.

Compliance

King IV Principle 13: The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good citizen.

Compliance with regulatory requirements contributes to and forms part of business efforts to create an ethical and sustainable medical scheme and a 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 appropriately where change is required.

Effective management of compliance risk means meeting 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 ability to affect GEMS's ability to create value over time.

GEMS proactively complies by maintaining constructive relationships with regulators in the Scheme’s universe. Regulators include the CMS, the Information Regulator, the National Consumer Commission and the Financial Sector Conduct Authority.

The GEMS Board Charter requires the Board to govern the Scheme's compliance by setting and steering the compliance approach and management.

Structures and processes for compliance management and non-compliance matters

The Risk, Social and Ethics Committee is delegated by the Board of Trustees to oversee the monitoring of compliance risks and progress against the approved compliance coverage plan. In managing the mitigation and monitoring of compliance risks, a Compliance Coverage Plan that details the compliance action plan is submitted to the Risk, Social and Ethics Committee in the fourth quarter of each preceding year for approval and implementation in the following year. Compliance reports are submitted to the committee quarterly and to the management committees and forums of the Scheme, where progress against the plan is also indicated. Compliance risks affecting the Scheme are also reported and discussed at the meetings. These risks are captured and tracked in the divisional risk registers and the Scheme’s progress against the compliance index is submitted as part of the compliance report to the Risk, Social and Ethics Committee and the Audit Committee.

The GEMS compliance function reports to the Audit Committee on the system for monitoring compliance with laws and regulation and the Risk, Social and Ethics Committee on the outcomes of compliance risk management. More information on the composition of these committees and a summary of their responsibilities can be found from page 137 and 142 of the Annual Integrated Report.

The compliance function (part of the Risk and Compliance Management Division) supports the achievement of strategic objective #6: 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.

The Scheme applies a compliance index to monitor performance with a target of 90% included in the strategic plan. Performance relating to the compliance index for 2023 was closed at 99% (target 90%).

The adequacy and effectiveness of the Scheme’s compliance management function is assessed periodically by the internal audit function, with the most recent review conducted in quarter 4 of 2021. In 2022 and 2023, the compliance function attended to and cleared the audit findings of the 2021 compliance review by strengthening its governance documents in line with audit undertakings.

Figure 48: The compliance function forms part of the second line of defence in the Scheme's Combined Assurance Framework:

The function is represented on the Scheme's Combined Assurance Forum convened by the Chief Audit Executive.

The compliance function is strengthened by 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 and a compliance monitoring and reporting standard operating procedure.

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

The risk of non-compliance is managed through:

- Annual review and update of the GEMS compliance universe.
- Compilation of compliance risk management plans for high-risk legislation.
- Continuous monitoring of the regulatory environment.
- Activities in the annual compliance coverage plan.

A key focus of 2023 was GEMS' registration as an FSP in terms of the FAIS Act. The Scheme complied with the registration requirements in March 2023.

Table 16

Focuses for 2023:	Focuses for 2024:
• Embedding POPIA compliance and supporting the business. • 2023 Compliance Coverage Plan execution. • Achieving a GEMS compliance index rating of 99%. • Publishing the GEMS King IV Report disclosure register on the Scheme's website. • Successful management of policy development and maintenance. • Providing guidance to the Scheme's SPN to ensure the correct application of the Rules of GEMS. • Registration of GEMS as an FSP under the FAIS Act - initiating compliance through compliance groundwork and research.	• Strengthen compliance with the FAIS Act, focusing on the governance environment and continuously embedding a culture of treating members fairly. • Embedding enhanced compliance processes in accordance with the 2024 GEMS compliance universe. • Implementation and monitoring of the 2024 Compliance Coverage Plan. • Compliance with the Risk Management Plan for the Scheme Rules, FAIS Act and Cybercrimes Act. • Continuous compliance awareness training, including topical legislation training and Board training. • Adequately capacitating the Compliance Function to ensure that proper compliance and ethics support is provided to the business in line with the GEMS strategy.

Regulatory Matters:

GEMS did not attract regulatory penalties in 2023.

Disclosure on ongoing regulatory matters

Council for Medical Schemes

<u>Section 43 enquiry – Medscheme managed-care accreditation</u>
The Scheme consolidated its managed-care offering and put it out to tender. Medscheme was awarded the tender based on the procurement policies and procedures of the Scheme and was appointed.

In 2022, the CMS launched a Section 43 enquiry into the appointment, stating that the company was not accredited to provide some services contracted for. The Scheme responded and, in March 2023, received a preliminary report, to which it responded. The Scheme received a letter of closure of the matter on 22 December 2023.

<u>Section 43 enquiry – Government Employees Medical Scheme: Multivitamin Wellness Programme</u>
In May 2022, the CMS launched an inquiry with the Scheme regarding a tender that had been awarded to a service provider for the provision of multivitamins to members and their beneficiaries. The concerns were on the procurement process leading to the award as well as potential conflict of interest on the awarded supplier. The Scheme responded to CMS in June 2022, thereafter CMS launched a detailed investigation under section 44(4)(a) to which the Scheme responded and currently awaiting finalisation from CMS.

Section 59 investigation

GEMS responded formally to the Section 59 investigation interim report in April 2021 and will respond to the final report when issued. The investigation panel held additional public hearings in June 2023, which were followed by further requests for information, including data from affected parties. In November 2023, the panel released revised statistical findings to which affected parties were requested to respond and comment. Affected parties are expected to respond by 31 January 2024. It is unclear when the final report will be released.

CMS inspection 2017/18

GEMS responded formally to the final inspection report.

Information Regulator

In terms of sections 40(1)(b)(i) and (vi) of POPIA, the regulator monitors and enforces compliance by public and private bodies with the provisions of the Act. In January 2023, the Scheme was requested to provide the Regulator with a comprehensive report accompanied by supporting documents on how the Scheme complies with the Act.

The Scheme submitted its response to the Information Regulator on 31 January 2023 and awaits the response.

Regulatory non-compliance

To the best of the Scheme's knowledge, the compliance matters listed below cover all the non-compliance matters for the 2023 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.

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 Tanzanite one, Beryl, and Ruby options 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 deficits on these options were intentionally planned for as a strategic effort to leverage reserves for assisting members amidst economic challenges by implementing low contribution increases. The contributions increase for 2023 was 5% which was below the CMS recommended increase of 5.7% and healthcare inflation of approximately 9%.

Corrective action

The Scheme's reserves are sufficient to absorb these deficits over the short to medium term. Continuous long-term forecasting, scenario planning, and sensitivity analysis are employed to ensure the Scheme's solvency margin remain above the statutory level. Regular updates on the Scheme's performance during the 2023 financial year were provided to the Registrar through quarterly performance reports and meetings with the Council for Medical Schemes.

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 Scheme's 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

Council for Medical Schemes has issued GEMS an exemption from the provision of Section 35(6) of the MSA for a period of three years effective from 09 March 2022.

Investment in medical scheme administrator

Nature

Sections 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

CMS has granted GEMS an exemption for a period of three years effective from 15 December 2022.

Credit facility

Nature

Section 35(6)(c) of the Medical Scheme Act states that a medical scheme shall not directly or indirectly borrow money.

Cause

The Scheme has credit facilities with Rand Merchant Bank/First National Bank (RMB/FNB) for the corporate and auto cards to the value of R3,3 million. The corporate cards are issued to Scheme executives as well as regional managers for work related expenses and the travel agency to manage the Scheme's travel bookings. The auto cards are used for the fuel and maintenance of the Scheme's fleet. The balances on the cards are settled within 30 days.

Corrective action

The Scheme has been granted and exemption from the provisions of section 35 (6) of the MSA for a period of three years effective from 09 March 2022.

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 in respect of such benefit was received by the Scheme.

Cause

During the financial year, there were instances that 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.

Scheme Rules non-compliance

In terms of Section 32 of the Medical Schemes Act, the rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming. The following non compliance to Scheme rules have been noted:

Incorrect benefits used for medicine billed by registered nurses and medicine price list (MPL) not applied, according to GEMS Scheme Rules annexure C under B.

Nature

Out of 30 medical and surgical appliances and prostheses claims reviewed, six medicine claims submitted by registered nurses were billed, processed, and paid incorrectly under oxygen and appliances benefits. Furthermore, it was noted that the system fired message - Reduced to medicine price list (MPL) reference price when processing of these claims happens, however it appeared that the system paid these claims in full without applying the MPL co-payment. The claims were processed and settled by the system.

Cause

The system is not configured to identify and reject medicine claims when these claims are processed under the medical and surgical: appliances and prostheses benefits. MH system could not identify MPL co-payments when processing the medicine claims happened under Medical and Surgical: Appliances and Prostheses benefits hence, the claims were incorrectly paid in full. MH system is not configured to retrospectively monitor and identify medicine claims when the processing of the Registered Nurses' claims happens from the wrong benefit and paid in contravention of the GEMS Scheme Rules for 2022 - Annexure C.

Corrective Action

MediKredit to adjudicate the medication claims for nursing prior to MH processing the claims.

Incorrect application of late pre-authorisation request (PAR) penalty co-payment.

Nature

According to Scheme Rules, hospital authorisation for admission to a private facility must be obtained from the Scheme's managed-care provider at least 48 hours before a beneficiary is admitted to a private facility (except in the event of an emergency medical condition), failing which, a co-payment of R1 000 per admission shall apply. From a sample of 30 hospital PARs, where the request dates were after admission dates, two (7%) cases were incorrectly penalised for late PAR, despite receiving authorisation requests within one working day. As a result, co-payments were applied incorrectly on both claims. The testing was performed by GEMS Internal Audit.

Cause

Case managers failed to review and override the late PAR penalty as the authorisation request was received within one working day of the admission date. Pre-auth agent failed to identify and correct these cases from the Late PAR penalty exception report. The system incorrectly applied the Late PAR penalty rule.

Corrective action

Coaching of the staff involved will be performed and retraining of all the staff in the team on the management of late PAR penalty as per Scheme Rules and standard operating procedure.

Case management will request a late PAR penalty exception report for neonatal PARs that the neonatal case managers will review.

Authorisation declined even though the member was eligible for PMB benefits.

Nature

In terms of the GEMS Scheme Rules:

8.3.1 The Scheme may impose upon a person in respect of whom an application is made for membership of the Scheme or admission as a dependant, and who was not a beneficiary of a medical scheme for a period of at least 90 days preceding the date of application:
8.3.1.1 a General waiting period of up to three months; and
8.3.1.2 a condition-specific waiting period of up to 12 months, where applicable; and
8.3.1.3 may also exclude prescribed minimum benefits during any such waiting periods.

Through inspection of the claims processed during the review period, a sample of 30 claims was selected for review by the GEMS internal audit function. They identified an error where a hospital authorisation was declined in error for a PMB claim, even though the beneficiary was eligible for benefits. As a result, the hospital claims associated with this error were also declined.

Cause

Human error, as the case manager failed to correctly process the case in line with the defined standard operating procedures.

Corrective Action

Retraining of the underwriting standard operating procedure with all generalist case managers to be performed. Case managers management will request a daily exception report for pre-authorisation cases to manage PARs in pended/declined status for PMB admissions for members in three-month general waiting periods.

Claims paid while a retrospective application of a condition-specific waiting period was in effect as per Section 29A92) of the MSA.

Nature

Section 29A(2) of the Medical Schemes Act allows a medical scheme to impose a condition-specific waiting period of up to 12 months on a person who applies for membership or admission as a dependant, and who was previously a beneficiary of a medical scheme for a continuous period of up to 24 months, which ended fewer than 90 days before the date of the application. However, this waiting period does not apply to any treatment or diagnostic procedures covered under PMBs.

GEMS Internal Audit function inspected claims processed during the review period, a sample of 30 claims was selected. Three claims were noted, processed and settled while the members had a waiting period in effect. The system processed all the claims noted.

Cause

The users failed to adjudicate the condition-specific waiting period claim according to the approved standard operating procedure.

Corrective action

Management will review and refine the underwriting processes such that claims submitted while beneficiaries are undergoing underwriting will be identified and processed correctly in line with the GEMS Scheme Rules.

Incorrect payment of medicine claims from 'oxygen and appliances' benefits

Nature

GEMS Internal Audit function conducted an analysis on the claims data from April 2023 to September 2023. A sample of 30 claims filed by nurses was selected for review. It was observed that the tariff codes 88205 (stomal products chargeable at cost+ 10% mark-up) and 88303 (stomal therapy manage sphincter saving procedures) were incorrectly used by nurses to bill medication claims. As a result, 30 claims were processed and paid incorrectly from the 'oxygen and appliances' benefits.

According to GEMS Scheme Rules for 2023 (annexure C), medical and surgical appliances and prostheses include hearing aids, wheelchairs, mobility scooters, oxygen cylinders, pulse oximeters, nebulisers, CPAP devices, glucometers, colostomy kits, diabetic equipment, foot orthotics, external prostheses and compression stockings and are applicable to in- and out of hospital and are subject to managed-care protocols and processes.

Cause

Claims system not configured to review nappi codes provided with tariff codes to identify possible misalignment. Therefore, where an incorrect tariff code is used for medicine claims, the claims are paid from incorrect benefits.

Corrective action

Management to develop a claims process to cater for medicine claims billed by nurses to pay from correct benefits re configure the claims system to review nappi codes provided with tariff codes to flag possible misalignments.

State hospital claims rejected with incorrect rejection code

Nature

GEMS Internal Audit function analysed the claims data from April 2023 to September 2023, a sample of 30 rejected state hospital claims was selected for review. The review found that 26 (87%) of the claims were rejected by the SPN (Denis) with rejection code 215, which means that administration on this type of claim is not performed by Denis. Therefore, these claims needed to be forwarded to the Scheme for processing. Additionally, it was found that MH had incorrectly rejected the claims with rejection code 6358, which means that the amount claimed was above the Scheme rate.

According to GEMS Scheme Rule 15.5, If the Scheme is of the opinion that an account, statement, or claim is erroneous, or unacceptable for payment, the scheme shall notify the member and the relevant healthcare provider within 30 days after receipt thereof and state the reasons for such an opinion. Correct rejection claims messages should be communicated to the provider and or member.

Cause

The operator reviewing the claim incorrectly updated the rejection message.

Corrective action

Management will review and enhance the mapping of the Denis rejection codes to MH rejection codes to ensure alignment and that correct rejection codes are communicated accurately to the members and healthcare providers. Training will be provided to the operators following the updated process.

Prescribed Minimum Benefits (PMB) claims for Ruby members paid from Personal Medical Savings Account

Nature

Through inspection of claims processed during the review period, a sample of 30 claims was selected for review, and one claim was identified in which the Personal Medical Savings Account (PMSA) was utilised to settle PMB claims for Ruby members.

Chapter 10(6) of the Regulations of the Medical Schemes Act, states that, 'The funds in a member's medical savings account shall not be used to pay for the costs of a prescribed minimum benefit'.

Cause

The user failed to adjudicate the claims accurately in accordance with PMB claims processes.

Corrective action

The PMB claim paid from the savings process will be revisited to identify why the claim was not reviewed as eligible for potential PMB. Training will be provided to the users.

Committee assurance

The Risk, Social and Ethics Committee is satisfied that it complied with its legal, regulatory and other responsibilities during 2023.

Dr Nomzamo Tutu
Chairperson
11 October 2024

Nkobane Ntshane
Deputy Chairperson
11 October 2024

Dr BOS Moloabi
Principal Officer
11 October 2024

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE GOVERNMENT EMPLOYEES MEDICAL SCHEME

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Government Employees Medical Scheme (the Scheme), set out on pages 43 to 123, which comprise the Statement of Financial Position as at 31 December 2023, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Member Funds and Reserves, and the Statement of Cash Flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Government Employees Medical Scheme as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><th>Insurance Contract Liability</th><th></th></tr>
<tr><td>The Insurance Contract Liability attributable to current members of R5 057 127 000 (2022: R4 259 846 000) included in Note 14 of the financial statements is made up of the Liability for Incurred Claims (LIC) of R3 348 839 000 (2022: R2 661 486 000), the Risk adjustment (RA) of R42 987 000 (2022: R35 396 000) and the Liability for Remaining Coverage (LRC) of R1 665 301 000 (2022: R1 562 964 000). The LIC includes the component recognised for the estimated cost of healthcare benefits that have been incurred prior to year-end but are only reported to the Scheme after year-end. The LIC also includes a risk adjustment for non-financial risk.

Sources of these outstanding claim payments include:
▪ Benefit changes that may result in a previously uncovered claim now being eligible for payment.
▪ Reported claims that have not yet been paid out.
▪ Unknown and hence unreported claims.
▪ Closed claims that may later be re-opened and require additional payments etc.

The calculation of the Insurance Contract Liability (specifically the claims incurred but not yet reported component of the LIC, and the RA is inherently complex and represents a key judgement. There are complex methodologies, assumptions and estimation uncertainty pertaining to the valuation thereof.

In estimating the claims incurred but not yet reported portion of the LIC, the Scheme actuaries have used the Bornhuetter-Ferguson method ("BF") and Basic Chain ladder techniques ("BCL"): A standard model used to calculate the LIC and used the Health Monitor Model: A stochastic model used to estimate claim amounts. The Scheme also used a bootstrapping methodology to determine the Risk Adjustment (RA) for non-financial risk for the Scheme on a per option level.

Given the qualitative and quantitative nature of this account balance and its potential impact on the annual financial statements of the Scheme, the valuation of the claims incurred but not yet reported component of the LIC and the Risk Adjustment is the Key Audit Matter.</td><td>To address the key audit matter, we have performed the following audit procedures:

▪ Tested the design and implementation of relevant controls within the Insurance Contract Liability process to assess audit risks associated with the liability.

▪ Tested the integrity of the information used in the calculation of the claims incurred but not yet reported component of the LIC and RA, by performing substantive procedures thereon.

▪ Evaluated the qualification, competence and objectivity of the Scheme's actuary.

With the assistance of our internal actuarial specialists we:

▪ Performed an independent calculation of the claims incurred but not yet reported component of the LIC and RA for comparison to the estimate calculated by managements' expert (Insight Actuaries).

▪ Assessed the appropriateness of the methodology and assumptions applied.

▪ Evaluated the appropriateness of the assumptions used in the Scheme's methodology for measuring the LIC by evaluating the assumptions against best practice and the current economic environment.

▪ Reviewed the disclosure in the financial statements in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board.</td></tr>
</table>

Other Information

The Scheme's Trustees are responsible for the other information. The other information comprises the Statement of Responsibility of the Board of Trustees, the Board of Trustees Report and the Statement of Corporate Governance as required by Medical Schemes Act of South Africa and the Audit Committee Report which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Scheme's Trustees for the Financial Statements

The Scheme's Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act of South Africa, and for such internal control as the Scheme's Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Scheme's Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Scheme's Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Scheme's Trustees.
- Conclude on the appropriateness of the Scheme's Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Scheme's Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Scheme's Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Scheme's trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report that there are no material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa, that have come to our attention during our audit.

Audit tenure

In terms of CMS Circular 38 of 2018 Audit tenure, we report that Deloitte has been the auditor of the Government Employees Medical Scheme for 8 years.

The engagement partner, Harshal kumar Kana, has been responsible for the Government Employees Medical Scheme's audit for 1 year.

DocuSigned by:
Deloitte & Touche
21BB6D97D7C644F...

Registered Auditors
Per: Harshal kumar Kana
Partner
11 October 2024

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note(s)	2023 R '000	Restated 2022* R '000	Restated 1 Jan 2022* R '000
ASSETS				
Intangible assets	5	836	1,672	3,343
Property, plant and equipment	3	251,555	265,821	283,061
Right-of-use assets	4	3,880	4,609	4,081
Other receivables	7	365,172	257,201	199,414
Financial assets at fair value through profit or loss	6	23,669,097	23,874,076	23,252,985
Cash and cash equivalents	8	4,179,061	4,183,411	3,170,701
Total Assets		**28,469,601**	**28,586,790**	**26,913,585**
LIABILITIES				
Insurance contract liability to future members	10	23,234,746	24,079,762	22,668,989
Lease liabilities	4	3,802	4,492	4,322
Insurance contract liabilities	14	5,057,127	4,259,846	4,117,806
Other payables	9	173,926	242,690	122,468
Total Liabilities		**28,469,601**	**28,586,790**	**26,913,585**

* 2022 balances are restated due to the impact of IFRS 17.

It should be noted that as part of the transition to IFRS17, the Scheme considered that the reclassification of the Statement of Financial Position from a non-current versus current split to the order of liquidity is more meaningful. As such, the Statement of Financial Position has been reclassified accordingly in the order of liquidity.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note(s)	2023 R '000	Restated 2022* R '000
Insurance revenue	12	51,312,492	47,702,634
Insurance service expenses	12	(53,425,262)	(48,826,810)
Insurance service result		**(2,112,770)**	**(1,124,176)**
Other Income		**3,188,743**	**2,081,263**
Investment income	17	2,457,459	1,606,997
Sundry Income	18	731,284	474,266
Other expenditure		**(1,075,973)**	**(957,087)**
Asset management services expenses		(83,842)	(68,196)
Finance costs		(463)	(406)
Other operating expenses	15	(991,668)	(888,485)
(Loss) / profit for the year		**-**	**-**
Other comprehensive income for the year		-	-
Total comprehensive (loss) / income for the year		**-**	**-**

* 2022 balances are restated due to the impact of IFRS 17.

STATEMENT OF CHANGES IN MEMBERS' FUNDS AND RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2023

	Accumulated funds R '000	Total members funds and reserves R '000
Balance - 1 January 2022 (as previously reported)	22,897,867	22,897,867
Change in accounting policies - IFRS 17	(228,878)	(228,878)
Transition restatement*	(22,668,989)	(22,668,989)
Balance as at 1 January 2022 (restated)	**-**	**-**

*Refer to note 32 describing the impact of the adoption of IFRS 17.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note(s)	2023 R '000	2022* '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from members and providers		51,350,996	47,753,395
Cash paid to providers, employees and members		(53,900,146)	(47,646,126)
Cash (used in) / generated from operations*	21	(2,549,150)	107,269
Interest paid		(463)	(406)
Net cash (used in) / from operating activities		**(2,549,613)**	**106,863**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	(4,215)	(1,891)
Proceeds from sale of property, plant and equipment	3	7	107
Purchases of financial assets		(24,477,328)	(27,206,829)
Proceeds from disposal of financial assets		24,974,980	26,504,922
Interest received on cash and cash equivalent		96,951	52,010
Interest received on financial assets at fair value through profit or loss		1,578,249	1,288,878
Dividends received	17	292,303	162,996
Realised gains	17	87,888	111,093
Net cash from investing activities		**2,548,835**	**911,287**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on lease liabilities	4	(3,572)	(5,440)
Net increase / (decrease) in cash and cash equivalents		**(4,350)**	**1,012,710**
Cash and cash equivalents at the beginning of the year		4,183,411	3,170,701
Cash and cash equivalents at the end of the year	8	**4,179,061**	**4,183,411**

* 2022 balances are restated due to the impact of IFRS 17.

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2023

1. *SIGNIFICANT ACCOUNTING POLICIES*

The principal accounting policies applied in the preparation of these financial statements are set out below.The policies are consistent with those of the prior year except for IFRS 9 and IFRS 17 adopted for periods starting 1 January 2023.

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the requirements of the Medical Schemes Act no. 131 of 1998, as amended (the Act), which requires additional disclosure for registered medical schemes. In addition, the Statement of Comprehensive Income is prepared in accordance with Circulars 41 of 2012 and 56 of 2015 of the Council for Medical Schemes that sets out their interpretation of IFRS as it relates to the Statement of Profit or Loss and Other Comprehensive Income for Medical Schemes in South Africa.

1.2 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements.

These financial statements comply with the requirements of the 2023 SAICA Medical Scheme Accounting Guide as issued by the Medical Schemes Projects Group of the South African Institute of Chartered Accountants.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Scheme's functional currency.

Accounting policies have been updated in compliance with IFRS 17 and IFRS 9 where applicable.

1.3 Property, plant and equipment

Property and Equipment is measured at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged on the straight-line basis over the estimated useful lives of assets after taking into consideration an asset’s residual value. Land is carried at cost and not depreciated.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Infinite Useful Life
Buildings	Straight line	20 years
Furniture and fixtures	Straight line	5 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
Computer equipment	Straight line	3 years
Kitchen Equipment	Straight line	3 years
Leasehold improvements	Straight line	Over the unexpired period of the applicable lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value, depreciation method and the estimated useful life of each asset is reviewed at the end of each reporting period and adjusted where appropriate. The effects of any changes in estimates are accounted for on a prospective basis.

The Scheme capitalises leasehold improvements, as specified in the lease contracts, and these improvements are depreciated.

Repairs and maintenance, which neither materially add to the value of assets nor appreciably prolong their useful lives, are recognised as an expense in the Statement of Profit or Loss and Other comprehensive Income. Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Scheme and the cost of the item can be measured reliably.

An item of asset is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Intangible assets

An intangible asset is recognised when:

- It meets the definition of an intangible asset
- It is probable that the expected future economic benefits that are attributable to the asset will flow to the Scheme; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Intangible assets	3 years

1.5 Financial instruments Transition

The Scheme adopted IFRS 9 on 1 January 2023 and it elected to continue to designate all its investment portfolios as measured at fair value through profit or loss. This classification is the same as how these investments were classified under IAS 39 therefore no retrospective application is required.

Initial recognition and measurement

Financial instruments are recognised initially when the Scheme becomes a party to the contractual provisions of the instruments.

The Scheme classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are initially measured at fair value plus or minus transaction cost.

For financial instruments classified to be subsequently measured at fair value through profit or loss, transaction costs are recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income.

Classification

The Scheme classifies financial assets into the following categories:
- Financial assets at fair value through profit or loss
- Financial assets measured at amortised cost

Classification is based on both:
- Business model for managing the financial assets and
- Contractual cash flow characteristics.

The Scheme classify financial assets as at amortised cost if the business model is to hold the financial assets and collect or pay contractual cash flow. Contractual cash flow should be solely payment of principal.

Classification takes place at initial recognition and is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

The Scheme classifies all financial assets that do not meet the other two classification requirements as at fair value through profit or loss. The Scheme made an irrevocable election at initial recognition to classify financial assets as at fair value through profit or loss as it significantly reduces measurement and recognition inconsistency.

The Scheme expects the business model for managing the financial assets to remain stable and in case there is a change, it shall be treated as a reclassification as the standard permits. Reclassification shall be applied prospectively from the beginning of the financial year the reclassification occurred.

Subsequent measurement

Financial instruments are subsequently measured based on respective classification for measurement.

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period. These gains and losses are recognized under investment income in the Statement of Profit or Loss and Other Comprehensive Income.

The fair value of the financial instruments traded in an active market is determined by using quoted market prices or dealer quotes. The fair value of financial instruments not traded in an active market is determined by using valuation techniques that maximise the use of observable market data and rely as little as possible on entity specific estimates.

Dividend income is recognised in surplus or deficit as part of investment income only when:
- the Scheme's right to receive payment is established.
- It is probable that the economic benefits associated with the dividend will flow to the Scheme and
- The amount of the dividend can be measured reliably.

Other receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Scheme has transferred substantially all risks and rewards of ownership.

The Scheme derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

Expected credit losses

The Scheme recognise a loss allowance for expected credit losses on financial assets (excluding insurance assets) measured as at amortised cost

At each reporting date the Scheme measures the loss allowance at an amount equal to the:
- lifetime expected credit losses if credit risk increased significantly since initial recognition.
- 12-month expected credit losses if credit risk has not increased significantly since initial recognition.

Measurement of expected credit losses encompass:
- Unbiased and probability-weighted amount determined by evaluating a range of possible outcomes.
- Time value of money.
- Data regarding past events, current conditions and forecasts of future economic conditions.

The Scheme measure expected credit losses for receivables (excluding insurance assets) measured at amortised cost and does not recognise expected credit loss on cash and cash equivalents. Expected credit losses are recognised in Statement of Profit or Loss and Other Comprehensive Income.

Write-off

The Scheme reduces the carrying amount of a financial asset when it has no reasonable expectation of recovering a financial asset entirely or a portion thereof. Write-off is also considered a derecognition event.

Other receivables

Other receivables (Excluding insurance assets) are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Interest income is recognised by applying the effective interest method, except for short term receivables when the recognition of interest would be considered immaterial. In line with the Scheme policy, no interest is charged on overdue receivable balances.

Other receivables are classified as at amortised cost.

Other payables

Other payables (Excluding insurance liabilities) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise deposits held on call with banks, cash on hand and other short term liquid investments. These deposits are readily convertible, to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at amortised cost.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Scheme has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Scheme will disclose the net asset or liability in the Statement of Financial Position or accompanying notes if the above conditions are met.

1.6 Leases

The Scheme leases various properties and has implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the IFRS 16 standard. The Scheme elected to apply exemptions for short term leases in relation to properties and for leases where the underlying asset is of low value.

The Scheme recognizes a right-of-use asset and a lease liability at the commencement date of the lease contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located,
- the amount of the initial measurement of the lease liability.

Subsequently the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Depreciation is calculated using the straight-line method over the estimated useful lives, as follows:

- Right of use assets - over the remaining lease agreement period.

1.7 Impairment of tangible and intangible assets

The Scheme assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Scheme estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Scheme also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 Employee benefits

Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the relevant service is provided.

Post employment benefits

Obligations for contributions to post-employment benefits to defined contribution plans are measured on an undiscounted basis and are expensed as the relevant service is provided.

1.9 Provisions and contingencies

Provisions are recognised when:
- the Scheme has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are not recognised for future operating gains.
The expected future cash flows are discounted and reflect current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the discount is recognised as a finance cost.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties surrounding the obligation.

1.10 *Investment Income*

The Scheme's investment income includes:
- Dividends on investments;
- The realised gains or losses on financial assets at fair value through profit or loss;
- The unrealised gains or losses on financial assets at fair value through profit or loss; and
- The interest on investments and cash and cash equivalents.

Interest income is recognised using the effective interest method, taking into account the principal amount outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Scheme. Dividend income is recognised when the right to receive payment is established. The Scheme classifies dividends and interest received including interest on cash and cash equivalent as investing cash flows.

1.11 *Impairment losses*

Non-financial assets

The carrying amounts of the Scheme's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised as an expense.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.12 *Structured entities*

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes.
- restricted activities
- a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors

- insufficient equity to permit the structured entity to finance its activities without subordinated financial support
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Scheme has determined that some of its investments in pooled funds and collective investment Scheme ("funds") are investments in unconsolidated structured entities. The Scheme invests in these funds, whose objectives range from achieving medium- to long-term capital growth and whose investment strategy do not include the use of leverage. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

The change in fair value of each fund is included in the Statement of Profit or Loss and Other Comprehensive Income in 'Net gains/ (losses)' on financial instruments held at fair value through profit or loss.

Relevant healthcare expenditure consists of net claims incurred and Accredited Managed Healthcare Services.

1.13 Allocation of revenue and expenditure to benefit options

Revenue and expenditure are allocated to benefit options on a direct basis where this is determinable. Where revenue and expenditure are not directly attributable to a specific benefit option, the revenue or expense is allocated on the basis of the benefit option's membership proportionate to the Scheme's overall membership base.

The following items are directly allocated to benefit options:
- Insurance revenue;
- Insurance service expense;

The remaining items are apportioned based on the number of members on each option:
- Investment Income;
- Sundry Income;
- Asset management service expense;
- Finance cost;
- Other operating expenses.

1.14 Insurance contracts

Transition to IFRS 17 and mutual entity consideration

The Scheme adopted IFRS 17 and it resulted in the change in accounting policy relating to insurance contracts. The change is applied using the full retrospective approach. Refer to Note 32 for restatement details.

The Scheme was identified as a mutual entity under IFRS 17 which is different to the accounting under IFRS 4.

Management assessed facts and circumstances surrounding the Scheme and concluded that the Scheme shall be classified as a mutual entity for financial reporting purposes. Refer to Note 22 for details on management judgements applied.

Identification of insurance contracts

The Scheme issue contracts that indemnify covered members (the policyholders) and their covered dependents against the risk of loss resulting from health events (Insured events). The timing, frequency, and severity of the health event covered is uncertain. These contracts fall within the scope of IFRS 17.

Despite the uncertainty, the ultimate insurance risk faced by the Scheme can be defined as a single risk which is providing cover for a health event that members may incur. This risk is expressed as the probability of an insured event occurring, multiplied by the expected claim amount.

Separating components

The personal medical savings account, which is managed by the Scheme on behalf of its members, represents savings contributions (which are a deposit component of the insurance contracts), net of any savings claims paid on behalf of members, in terms of the Scheme's registered Rules.

Personal medical savings account (PMSA) is identified as an investment component under IFRS 17 as the Scheme is required to pay a member in all circumstances despite if an insured event occur.

The Scheme concluded that the investment component is not distinct as the PMSA cannot be sold separately without the medical Scheme policy being active. Where the contract is cancelled, both the risk and PMSA component are cancelled. This means the condition where these can be sold separately is not met.

Unspent savings at year end are carried forward to meet future expenses for which the members are responsible. In terms of the Medical Schemes Act 131 of 1998, as amended, balances standing to the credit of members are refundable only in terms of Regulation 10 of the Act.

Advances on savings insurance revenue are funded from the Scheme's funds and the risk of impairment is carried by the Scheme.

PMSA will be accounted for under insurance liabilities and the cash flows will not be recognised in the Statement of Profit or Loss and Other Comprehensive Income but shall be factored in the assessment of onerous contracts.

Personal medical savings account is not held in a trust and there is no interest income attributable, therefore, no finance expense is disclosed.

Level of aggregation

The Scheme has aggregated all its product lines (benefit options) into a single portfolio and applied the exemption contained in IFRS 17 as it relates to grouping. The aggregation is supported by the below factors:

- The members can move into other options without restrictions and incur no cancellation fees.
- The loss-making individuals are being subsidised by members who pay more and claim less.
- All contracts are subject to similar risks and managed together.
- Benefit options are not managed in isolation, and decisions such as pricing impact other options concerning benefits, growth and contribution increments.
- The act specifically constrains the entity's practical ability to set a different price or level of benefits for members with different characteristics, the Scheme as a whole was also identified as the group.
- The Scheme assess if the group of contracts as a whole is onerous or profitable.

Contract boundary

The Scheme applies the contract boundary concept to identify the cash flows that should be factored into the measurement of insurance contract groups. Cash flows fall within an insurance contract's boundary if they stem from the rights and obligations present during the time the member is obligated to pay contributions, or when the Scheme have a substantive obligation to provide insurance coverage or other services to the member. A substantive obligation ends when both of the following criteria are satisfied:

- The Scheme has the practical ability to reprice the group of contracts so that the price fully reflects the reassessed risk of that portfolio; and
- the pricing of contributions related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

Practical ability to reprice is assessed by considering risks transferred from the member to the Scheme excluding other risks, such as lapse or surrender and expense risk. Cash flows that are not within the boundary of insurance contracts relate to future services and are recognised when those contracts meet the recognition criteria.

The Scheme has assessed all its contracts and determined all contracts have a boundary of one year. This assessment is reviewed annually.

Recognition and derecognition

The group of insurance contracts issued are initially recognised from the earliest of the following:

- the beginning of the coverage period.
- the date when the first payment from the member is due or actually received, if there is no due date; and
- when the Scheme determines that a group of contracts becomes onerous.

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2023

The Scheme shall derecognise an insurance contract when, and only when it is extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled).

Initial and subsequent measurement

Premium allocation approach (PAA)

The Scheme elected to apply the premium allocation approach ("PAA") as the coverage period does not exceed 12 months.

The classification of the Scheme as a mutual entity has no impact on the extent of the insurance cover or service to be provided, therefore PAA is still applicable.

The Scheme elected to recognise insurance acquisition cash flows as an expense when incurred as permitted when applying the PAA.

The Scheme measures the liability for incurred claims as the fulfilment cash flows relating to incurred claims. The future cash flows are not adjusted for the time value of money and the effect of financial risk as these cash flows are expected to be paid in one year or less from the date the claims are incurred.

The carrying amount of the group of insurance contracts attributable to current members issued at each reporting period is the sum of:

a) the Liability for remaining coverage (LRC); and
b) the Liability for incurred claims (LIC), comprising the fulfilment of cash flows (FCF) related to past services allocated to the group at the reporting date and risk adjustment for non-financial risk.

In addition to the insurance contract liability attributable to current members, the Scheme, due to the principle of mutualisation, holds an insurance contract liability attributable to future members.

Liability for remaining coverage (LRC)

At initial recognition the LRC will represent contributions received at that date, if any. As the coverage period and the financial year are the same, the Scheme elected to reclassify insurance revenue (i.e., Contributions) not yet received at year end from LRC to LIC as it relates to past services. Unused PMSA at year end will be utilised against future claims as the Scheme have an obligation to pay a member in all circumstances despite if an insured event occurs. Unused PMSA will be reported as liability for remaining coverage at year end.

At the end of each reporting period, the Scheme measures the carrying amount of the liability for remaining coverage as the increase in the carrying amount at the start of the period:

- plus, any contributions received at initial recognition;
- minus the amount recognised as insurance revenue for services provided.
- minus any investment component paid or transferred to the liability for incurred claims.

LRC will not be adjusted to reflect the time value of money as the financing component is insignificant.

The Liability for Incurred Claims (LIC)

The Scheme defines LIC as an obligation to settle claims that have already occurred, including estimated cost of healthcare benefits that have been incurred before the end of the accounting period but that have not been reported to the medical Scheme by that date and other incurred insurance expenses.

Estimated future cash flows for incurred claims is determined as accurately as possible on the basis of a number of factors, which include previous experience in claims patterns, claims settlement patterns, changes in the number of members according to gender and age, trends in claims frequency, changes in the claims processing cycle and variations in the nature and average cost incurred per claim.

Estimated co-payments and payments from personal medical savings accounts are deducted in calculating the liability for incurred claims. The Scheme does not discount its liability for incurred claim since the effect of the time value of money is not considered material. A standard operating procedure governing the calculation of the estimated future cash flows for incurred claims as agreed with the Scheme is followed by the Scheme's actuaries to ensure consistency in the application and interpretation of results.

The Scheme will be using the FCF Model to measure the liability for incurred claims (calculated as future expenses and claims incurred but not yet reported, which represents amounts due to members for claims incurred and would be based on future cash flows and a risk adjustment).

The LIC is adjusted with a risk adjustment to reflect the compensation required by the Scheme for bearing the uncertainty associated with non-financial risks, such as the unpredictability of the magnitude and timing of future cash flows arising from non-financial risk.

Risk adjustment methodology

The Scheme applies the bootstrapping model to determine the risk adjustment. The bootstrap method is a statistical technique for estimating quantities about a population by averaging estimates from multiple small data sample and uses statistical methods to determine confidence intervals for the simulated average claims. The risk adjustment bootstrap process relies on claims data from the 12 months preceding the calculation date, without incorporating hindsight adjustments.

The confidence level is set at 75% to reflect the risk tolerance of the Liability for Incurred Claims. An Undiversified Risk Margin (URM) is calculated as the 75th percentile less the mean LIC.

For insurance contracts issued, a portion of the risk adjustment relating to the LIC is recognised in insurance service expenses. The Scheme does not have any insurance finance income or expenses thus no disaggregation of risk adjustment is necessary.

Road Accident Fund (RAF) Recoveries

Amounts received from the RAF are not recognised in profit or loss and recognised within liability for incurred claims. These amounts are refunded to members.

Unclaimed benefits

Unclaimed benefits are written back to income after a period of three years. Unclaimed benefits consist of member credits and unidentified deposits in line with the Scheme's debt management policy. The unclaimed benefits are held as part of liability for incurred claims until written off or claimed.

Onerous contract

The Scheme recognises an onerous contract as a contract from which fulfilment cash flows allocated to the contract in total are a net outflow.

The Scheme shall recognise an onerous contract when during the coverage period, facts and circumstances indicate that the group of insurance contracts is onerous. If the group of insurance contracts is onerous, onerous contract liability shall be determined by calculating the difference between:

- the carrying amount of the liability for remaining coverage determined applying the premium allocation approach; and
- the fulfilment cash flows that relate to the remaining coverage of the group, applying the Fulfilment Cashflow Model.

As the net residual (i.e., liability attributable to future members) is disclosed as a liability, an onerous contract shall be recognised if it results in an additional liability (i.e., onerous contract exceed liability attributable to future members).

If a group of insurance contracts becomes onerous in subsequent years, the excess loss is recognised in the Statement of Profit and Loss and Other Comprehensive Income when it is initially measured (i.e., current year).

If onerous contract is recognised, the Scheme shall establish a loss component of the liability for remaining coverage depicting the losses.

Recognition, measurement and presentation of insurance liability to future members

The Scheme recognises the insurance liability to future members (I.e., previously known as "Accumulated funds") in the Statement of Financial Position.

The fulfilment cash flows of this liability are be measured at current value.

The insurance liability attributable to future members consists of accumulated profits or losses of the Scheme and it is:

a) increased by net profits for the period; and
b) decreased by the net losses for the period.

Refer to Note 22 for details on management judgements applied regarding measurement of this liability.

Onerous contract under a mutual entity

Insurance contract is onerous if the fulfilment cash flows arising from the contract results in total are a net outflow.

At any time during the coverage period, the Scheme shall measure and recognize an onerous contract liability when facts and circumstances indicates that insurance contract is onerous. Onerous contract liability within the Scheme arises when there is an anticipated deficit for the upcoming reporting period.

The Scheme measures onerous contract liability as the difference between carrying amount of the liability determined applying Premium Allocation Approach and the fulfilment cash flows that relate to remaining coverage by applying Fulfilment Cashflow Model. All cash flows within contract boundary shall be included in the onerous contract assessment including investment component (i.e., Personal Medical Savings Account) cash flows.

If the Scheme is in a surplus position (i.e., insurance liability to current and future members with credit balance), no onerous contract liability shall be recognized as it will be absorbed by the insurance liability to current and future members.

To the extent that the following year's deficit exceeds the value attributable to future members, the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to future members exceed the following year's deficit, the contracts would not be determined as onerous, and no provision raised as a liability is already recognised. This liability shall be presented as part of insurance liabilities and disclosed separately on insurance liabilities reconciliation as 'loss component'

Insurance revenue

The Scheme recognises insurance revenue for the coverage period as the amount of expected contributions income allocated to the period that arises from a group of insurance contracts. It represents the income that the Scheme expects to earn based on the services it will provide in the period. The liability for remaining coverage will therefore be reduced by insurance revenue.

The expected pattern of claims during the coverage period does not differ significantly from the passage of time thus insurance revenue is allocated on the basis of the passage of time.

Insurance service expenses

Insurance services expenses include the following:

- incurred claims and benefits; and
- incurred directly attributable insurance service expenses.
- changes that relate to past service (i.e changes in the FCF relating to the LIC).
- changes that relate to future service (i.e loses / reversals on onerous group of contracts from changes in the in the loss component.
- amounts attributable to future members.
- management identified the below expenses as directly attributable expenses:

- accredited managed healthcare services
- accredited administration service
- benefit management services
- telemarketing expenses (identified as acquisition cash flows)

Acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts. The Scheme identified telemarketing expenses as these are costs directly related to selling insurance contracts to its prospective members.

Insurance acquisition costs are expensed by the Scheme when it incurs the cost.

Accredited managed healthcare services expenses represent expenditure and amounts paid or payable to accredited managed care organisations contracted by the Scheme for management of the utilisation costs and quality of healthcare services supplied to the Scheme and its members. These fees are expensed as incurred. The services provided by these organisations include hospital pre- authorisation, disease management programmes, optical and dental managed care services, pharmaceutical benefit and network management.

Incurred claims

Incurred claims comprise the total estimated cost of all claims arising from healthcare events that have occurred in the year and for which the Scheme is responsible in terms of its registered Rules, whether or not reported by the end of the year.

Net incurred claims incurred comprise of the following:

- Claims submitted and accrued for services rendered during the year, net of discounts received, recoveries from members for co-payments and personal medical savings accounts.
- Movements of estimated future cashflows for incurred claims.
- Movement of risk-adjustment margin.

The Scheme recognises the expenses in profit or loss when incurred.

2. *NEW STANDARDS AND INTERPRETATIONS*

2.1 Standards and interpretations not yet effective

The following new standards and interpretations have been published and not yet effective for the current financial year. The Scheme has not opted for an early adoption of the new standards which will be implemented in later periods as indicated below. The aggregate impact of the initial application of the statements and interpretations on the Scheme's financial statements is expected to be as follows:

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after January 1, 2024.

It is unlikely that the amendment will have a material impact on the Scheme's annual financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the International Accounting Standards Board (IASB) has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgment. If this right to defer settlement of a liability is subject to conditions imposed on the entity, in that case the right only exists, if the entity has complied with those conditions at the end of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 1 January 2024.

The Scheme expects to adopt the amendment for the first time in the 2024 annual financial statements. The Scheme does not currently have any liability that has substance of settlement deferral, therefore the adoption of this amendment is expected to have an immaterial impact on the Scheme.

3. *PROPERTY, PLANT AND EQUIPMENT*

	2023			2022		
	Cost or revaluation R '000	Accumulated depreciation R '000	Carrying value R '000	Cost of revaluation R '000	Accumulated depreciation R '000	Carrying value R '000
Land	102,743	-	102,743	102,743	-	102,743
Buildings	188,040	(48,074)	139,966	188,040	(38,664)	149,376
Furniture and fixtures	7,038	(6,423)	615	6,935	(5,436)	1,499
Motor vehicles	8,808	(8,235)	573	8,808	(8,114)	694
Office equipment	21,531	(19,943)	1,588	21,414	(16,559)	4,855
IT equipment	33,916	(28,581)	5,335	31,358	(25,335)	6,023
Leasehold improvements	601	(206)	395	152	(67)	85
Kitchen Equipment	1,303	(963)	340	1,303	(757)	546
Total	**363,980**	**(112,425)**	**251,555**	**360,753**	**(94,932)**	**265,821**

	Opening Balance	Additions	Disposals	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000
Reconciliation of property, plant and equipment - 2023					
Land	102,743	-	-	-	102,743
Buildings	149,376	-	-	(9,410)	139,966
Furniture and fixtures	1,499	142	(2)	(1,024)	615
Motor vehicles	694	-	-	(121)	573
Office equipment	4,855	279	(109)	(3,437)	1,588
IT equipment	6,023	3,321	(95)	(3,914)	5,335
Leasehold improvements	85	473	-	(163)	395
Kitchen Equipment	546	-	-	(206)	340
	265,821	**4,215**	**(206)**	**(18,275)**	**251,555**

	Opening Balance	Additions	Disposals	Depreciation	Total
	R '000	R '000	R '000	R '000	R '000
Reconciliation of property, plant and equipment - 2022					
Land	102,743	-	-	-	102,743
Buildings	158,786	-	-	(9,410)	149,376
Furniture and fixtures	2,474	149	(7)	(1,116)	1,499
Motor vehicles	823	-	-	(129)	694
Office equipment	8,196	468	(11)	(3,799)	4,855
IT equipment	9,277	1,184	(272)	(4,166)	6,023
Leasehold improvements	9	89	-	(13)	85
Kitchen Equipment	753	-	-	(206)	546
	283,061	**1,890**	**(290)**	**(18,839)**	**265,821**

	2023 R '000	2022 R '000
Details of properties		
Property 1: Vutomi House ERF 885 Waterkloof Glen Ext. 2		
- Land purchase price: March 2017	22,819	22,819
- Carrying amount (building)	140,132	149,459
	162,951	**172,278**
Property 2		
Land purchased by the Scheme for construction of owner occupied property to be used for administration purposes		
- Purchase price: 8 June 2020	79,841	79,841

4. *RIGHT OF USE OF ASSETS*

The company leases several assets, including buildings in various provinces with an average lease term of 2 years.

Nature of leasing activities:

The Scheme leases buildings for its office spaces. The leased buildings are situated in regional Scheme offices across the country.

The leases includes non-lease components and provides for the payment by the Scheme of operational costs incurred by the lessor and rates and taxes levied on the lessor. These amounts are determined annually and are recognised as an expense in the period incurred.

Details pertaining to leasing arrangements, where the Scheme is the lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

	2023 R '000	2022 R '000
Buildings	3,880	4,609
Depreciation recognised on right-of-use assets		
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss.		
Buildings	3,611	5,085
Other disclosures		
Interest expense on lease liabilities	459	402
Expenses on short term leases included in operating expenses	1,041	1,472
Lease liabilities		
The maturity analysis of lease liabilities is as follows:		
Year 1	2,322	3,076
Year 2	1,054	1,416
Year 3	426	-
	3,802	4,492
Less : finance charges component	(358)	(349)
	3,444	**4,143**
Non-current liabilities	1,480	-
Current liabilities	2,322	4,492
	3,802	**4,492**

5. *INTANGIBLE ASSETS*

	2023			2022		
	Cost/ Valuation	Accumulated amortisation	Carrying value	Cost/ Valuation	Accumulated amortisation	Carrying value
Computer software, other	81,087	(80,251)	836	81,087	(79,415)	1,672

Reconciliation of intangible assets - 2023	Opening balance	Amortisation	Total
Computer software, other	1,672	(836)	836
Reconciliation of intangible assets - 2022	**Opening balance**	**Amortisation**	**Total**
Computer software, other	3,343	1,671)	1,672

6. *FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS*

	2023 R '000	2022 R '000
Opening balance	23,874,076	23,252,985
Net movements to investments*	(2,171,474)	(366,137)
Reinvested realised gains, dividends and interest	1,958,440	1,562,966
Unrealised gains/ (losses)	295,360	(78,810)
Investment transaction fees**	(2,686)	(2,006)
Fair value of investments at year end	**23,953,716**	**24,368,998**
Reclassification of cash and cash equivalents	(284,619)	(494,922)
Closing balance at year end	**23,669,097**	**23,874,076**

*Contributions made amounted to R22.5 bn (2022: R23.2bn), while withdrawals were R24.7bn (2022: R25.9bn), Refer to Note 26 for more details.

** Investment transaction fees are deducted directly from investment portfolio balances and are included as part of investment management fees.

Financial assets at fair value through profit or loss consist of money market instruments, bonds,equities and collective investment scheme.

Financial assets at fair value through profit or loss are categorised as Levels 1, 2 and 3. Also refer to note 26. Details of collective investment schemes (the Funds) are outlined in Note 28.

7. *OTHER RECEIVABLES*

	2023 R '000	2022 R '000
Financial receivables *		
Accrued interest	359,548	252,840
Sundry account receivable	5,624	4,361
Total financial receivables	**365,172**	**257,201**
Total other receivables	**365,172**	**257,201**

Due to the short term nature of the other receivables, Fair value is determined to be equal to the carrying value of the balance.

* 2022 balances are restated due to the impact of IFRS 17.

8. *CASH AND CASH EQUIVALENTS*

Cash and cash equivalents consist of:

	2023 R '000	2022 R '000
Call accounts	2,825,093	2,750,688
Cash and call accounts with asset managers	284,619	494,922
Current accounts	1,069,349	937,801
	4,179,061	**4,183,411**

The carrying amounts of cash and cash equivalents approximate their fair values due to the short term maturities of these assets. Fair value is determined to be equal to the carrying value of the balance.

For an analysis of the average interest rates and maturity refer to note 26.

9. *OTHER PAYABLES*

	2023 R '000	2022 R '000
Trade payables	33,333	133,934
Consulting fees payable	17,976	7,839
Sundry payables and accrued expenses	122,617	100,917
Total arising from financial liabilities	**173,926**	**242,690**
Total other payables *	**173,926**	**242,690**

Due to the short term nature of the other payables, Fair value is determined to be equal to the carrying value of the balance.

* 2022 balances are restated due to the impact of IFRS 17.

10. *INSURANCE CONTRACT LIABILITY TO FUTURE MEMBERS*

Management made an assessment and concluded that the Scheme falls within the definition of a mutual entity for financial reporting purposes.

IFRS 17 requires the Scheme as a mutual entity to recognise a liability in the statement of financial position which is used to provide coverage for future members and derecognise the statement of changes in member funds (previously reported as Accumulated reserves). The below note depicts movement in the insurance liability attributable to future members.

	2023 R '000	2022 R '000
Opening balance	24,079,762	22,668,989
Movement in insurance liability attributable to future members	(845,016)	1,410,773
Amount settled in the current year	-	-
Closing balance	**23,234,746**	**24,079,762**

11. *FINANCIAL ASSETS AND LIABILITY BY CATEGORY R'000*

	Note(s)	Fair value through profit or loss - Held for trading	Cash and receivables at amortised cost	Financial liabilities at amortised cost	Total
2023					
Other payables		-	-	(173,926)	(173,926)
Financial assets at fair value through profit or loss		23,669,097	-	-	23,669,097
Other receivables		-	365,172	-	365,172
Cash and cash equivalents		-	4,179,061	-	4,179,061
		23,669,097	**4,544,233**	**(173,926)**	**28,039,404**
Restated 2022*					
Other payables		-	-	(242,690)	(242,690)
Financial assets at fair value through profit or loss		23,874,076	-	-	23,874,076
Other receivables		-	257,201	-	257,201
Cash and cash equivalents		-	4,183,411	-	4,183,411
		23,874,076	**4,440,612**	**(242,690)**	**28,071,998**

* 2022 balances are restated due to the impact of IFRS 17.

12. *INSURANCE REVENUE AND EXPENSES*

	2023 R '000	2022 R '000
Insurance revenue		
Insurance revenue from contracts measured under the PAA	53,036,850	49,262,498
Investment component	(1,724,358)	(1,559,864)
Total insurance revenue	51,312,492	47,702,634
Insurance service expenses		
Incurred claims	48,929,790	43,272,198
Estimated future cash flows for incurred claims	2,386,180	1,810,228
Changes that relate to past service	28,586	(326,048)
Other directly attributable expenses		
Accredited managed healthcare services	1,173,086	1,058,724
Accredited administration services	1,509,243	1,347,130
Benefit management services	113,215	123,722
Insurance acquisition cash flow	76,358	77,017
Other impairment losses	53,820	53,066
Amounts attributable to future members	(845,016)	1,410,773
Losses on onerous contracts and reversal of those losses	-	-
Total insurance service expenses	(53,425,262)	(48,826,810)
Total insurance service result*	**(2,112,770)**	**(1,124,176)**

Investment component (i.e., PMSA contributions) are received by the Scheme in terms of Regulation 10(1) and the Scheme's registered Rules and held on behalf of its members. The investment component does not accrue interest to members in line with Circular 56 of 2017.

Claims are paid on behalf of the members from their investment component (i.e., personal medical savings accounts) in terms of Regulation 10(3) and the Scheme's registered benefits.

Acquisition cash flows includes telemarketing costs of managing new members joining the Scheme and providing Financial Advisory services for potential new members.

Changes relating to past services is an adjustment of over or under provision of estimated future cashflow for incurred claims.

* 2022 balances are restated due to the impact of IFRS 17.

13. *ACCREDITED ADMINISTRATION SERVICES*

	2023 R '000	2022 R '000
Member record management	102,115	91,878
Claims management	423,836	381,192
Financial management	13,897	12,467
Information management and data control	171,012	153,768
Customer services	548,226	500,249
Internal audit services	6,109	5,487
Forensic investigations and recoveries	48,495	26,224
Governance and compliance	81,218	73,028
Provider relation management	18,629	16,791
Contribution management	95,706	86,046
	1,509,243	**1,347,130**

Circular 77 of 2019 states that Medical Schemes are required to disclose administration fees paid per individual component per entity and is effective for financial years commencing on 1 January 2021.

14. RECONCILIATION OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS R '000

Insurance contracts issued	LRC (Liability for remaining coverage) (excluding losscomponent)	LIC (Liability for incurred claims) Best estimate future cashflows	LIC (Liability for incurred claims) Risk adjustment	Total
2023				
Opening insurance contract liabilities	1,562,964	2,661,485	35,396	4,259,845
Net opening balance	**1,562,964**	**2,661,485**	**35,396**	**4,259,845**
Insurance revenue from contracts measured under the PAA	(51,312,492)	-	-	(51,312,492)
Insurance revenue	**(51,312,492)**	**-**	**-**	**(51,312,492)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	54,157,744	7,590	54,165,334
Changes that relate to past service - adjustments to the LIC	-	28,586	-	28,586
Insurance acquisition cash flows - expensed	-	76,358	-	76,358
Insurance service result	**(51,312,492)**	**54,262,688**	**7,590**	**2,957,786**
Total changes in the statement of profit or loss and Other Comprehensive Income	**(51,312,492)**	**54,262,688**	**7,590**	**2,957,786**
Investment component	1,826,694	(1,435,077)	-	391,617
Transfer from LRC - past service to LIC	(2,241)	2,241	-	-
Cash flows				
Contributions received	49,590,375	-	-	49,590,375
Claims paid	-	(49,283,173)	-	(49,283,173)
Directly attributable expenses	-	(2,724,724)	-	(2,724,724)
Insurance acquisition cash flows	-	(77,685)	-	(77,685)
Other cashflows	-	(56,916)	-	(56,916)
Total cash flows	**49,590,375**	**(52,142,498)**	**-**	**(2,552,123)**
Net balance at the end of the year	**1,665,300**	**3,348,839**	**42,987**	**5,057,127**
Closing insurance contract liabilities	1,665,301	3,348,839	42,987	5,057,127
Net balance at end of year	**1,665,301**	**3,348,839**	**42,987**	**5,057,127**

Insurance contracts issued	LRC (Liability for remaining coverage) (excluding losscomponent)	LIC (Liability for incurred claims) Best estimate future cashflows	LIC (Liability for incurred claims) Risk adjustment	Total
2022 (Restated)*				
Opening insurance contract liabilities	1,444,682	2,642,885	30,239	4,117,806
Net opening balance	**1,444,682**	**2,642,885**	**30,239**	**4,117,806**
Insurance revenue from contracts measured under the PAA	(47,702,634)	-	-	(47,702,634)
Insurance revenue	**(47,702,634)**	**-**	**-**	**(47,702,634)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	-	47,659,910	5,158	47,665,068
Changes that relate to past service - adjustments to the LIC	-	(326,048)	-	(326,048)
Insurance acquisition cash flows - expensed	-	77,017	-	77,017
Insurance service result	**(47,702,634)**	**47,410,879**	**5,158**	**(286,597)**
Total changes in the statement of profit or loss and Other Comprehensive Income	**(47,702,634)**	**47,410,879**	**5,158**	**(286,597)**
Investment component	1,678,146	(1,315,194)	-	362,952
Transfer from LRC - past service to LIC	(29,694)	29,694	-	-
Cash flows				
Contributions received	46,172,464	-	-	46,172,464
Claims paid	-	(43,444,818)	-	(43,444,818)
Directly attributable expenses	-	(2,659,253)	-	(2,659,253)
Insurance acquisition cash flows	-	(70,767)	-	(70,767)
Other cash flows	-	68,060	-	68,060
Total cash flows	**46,172,464**	**(46,106,778)**	**-**	**65,686**
Net balance at the end of the year	**1,562,964**	**2,661,486**	**35,396**	**4,259,846**
Closing insurance contract liabilities	1,562,964	2,661,486	35,396	4,259,846
Net balance at end of year	**1,562,964**	**2,661,486**	**35,396**	**4,259,846**

* 2022 balances are restated due to the impact of IFRS 17.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

15. *OTHER OPERATING EXPENSES**

	2023 R '000	2022 R '000
Actuarial fees	68,918	47,644
Advertising	54,777	37,611
Auditors remuneration - statutory fees	7,412	4,237
Bank charges	4,350	3,885
Board and Independent Committee fees (Inc S & T allowance)	12,278	15,064
Conferences and workshops	8,908	5,543
Consulting fees	238,770	209,931
Depreciation and amortisation	22,723	25,595
Employee costs	423,328	353,334
Insurance	7,524	5,446
Legal expenses	13,672	73,630
Loss on disposal of assets	150	183
Motor vehicle expenses	1,471	1,100
Municipal expenses	2,737	3,264
Office supplies	21,609	12,342
Other expenses	44,827	40,922
Principal Officer's fees	6,474	5,307
Rental paid	1,041	1,472
Telephone and fax	1,909	1,452
Travel - local	45,903	37,968
Trustees' and Independent Committee members' training	437	355
Trustees' and Independent Committee members' travel and accommodation	2,450	2,200
	991,668	**888,485**

* 2022 balances are restated due to the impact of IFRS 17.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

16. *TRUSTEES' AND INDEPENDENT COMMITTEE MEMBERS' REMUNERATION*

Board of Trustees' remuneration

2023	Term End	Attendance Fees R '000	Travel And Accommodation R '000	Reimbursments And Allowances R '000	Training R '000	Total R '000
Dr IJ Van Zyl	8/29/2027	931	132	40	5	1,108
Mr M Phophi	9/23/2023	890	44	115	18	1,067
Dr SM Hlatshwayo	2/19/2024	1,539	312	18	55	1,924
Mr RA Manoko	3/5/2024	1,239	209	21	58	1,527
Ms C Ntshane (Deputy Chairperson)*	9/24/2025	1,061	461	28	49	1,599
Mr M Brand	9/24/2025	939	177	16	51	1,183
Dr N Tutu (Chairperson)*	7/30/2026	1,071	537	2	80	1,690
Ms. L Khumalo	9/24/2025	1,145	249	26	53	1,473
Mr. P de Villiers	8/29/2027	1,060	58	14	44	1,176
Dr. J Smit	8/29/2027	956	234	70	18	1,278
		10,831	**2,413**	**350**	**431**	**14,025**

2022	Term End	Attendance Fees R '000	Travel And Accommodation R '000	Reimbursments And Allowances R '000	Training R '000	Total R '000
Mr NL Theledi	12/4/2022	1,253	133	11	26	1,423
Dr IJ Van Zyl (Re - elected)	7/28/2027	855	80	21	9	965
Dr C Moloko	10/27/2022	964	72	12	26	1,074
Mr Phophi (Deputy Chairperson)	9/25/2023	1,212	95	149	21	1,477
Dr SM Hlatshwayo(Chairperson)	2/19/2024	1,675	274	12	47	2,008
Mr RA Manoko	3/5/2024	1,201	143	24	25	1,393
Ms C Ntshane	9/24/2025	1,105	307	24	31	1,467
Mr M Brand	9/24/2025	1,008	146	12	21	1,187
Dr N Tutu	7/29/2026	1,079	350	2	42	1,473
Ms. L Khumalo	9/24/2025	1,075	158	15	25	1,273
Mr.P de Villiers	8/29/2027	967	76	15	31	1,089
Dr. J Smit	7/28/2027	970	260	60	25	1,315
		13,364	**2,094**	**357**	**329**	**16,144**

* Dr N Tutu and Ms C Ntshane were appointed as Chairperson and Deputy Chairperson respectively on the 22nd of February 2024.

The Trustee remuneration should be seen in relation to the attendance of meetings as reported in the Board of Trustees report as well as the term of office applicable to each trustee.

The total of the Trustees and Independent Committee fees disclosed in this note is included in the Board and Committee fee line items as disclosed in Other operating expenses (refer note 15).

Independent Committee members' remuneration

2023	Term End	Attendance Fees R '000	Travel And Accommo-dation R '000	Reimburs-ments And Allowances R '000	Training R '000	Total R '000
Mr J Lesejane (Audit Committee Chairperson Term extended)*	12/31/2024	663	14	8	5	690
Ms A Galiel	3/31/2025	224	24	-	-	248
Mr Dala Prittish **(appointed 2 February 2023)	2/1/2026	202	-	-	-	202
		1,089	**38**	**8**	**5**	**1,140**

*Mr J Lesejane's term was extended by a year and will come to an end on 31 December 2024.
**Mr Dala Prittish was appointed on the 2nd of February 2023 to the Audit committe.

2022	Term End	Attendance Fees R '000	Travel And Accommo-dation R '000	Reimburs-ments And Allowances R '000	Training R '000	Total R '000
Mr J Lesejane (Audit Committee Chairperson)	1/1/2024	709	11	7	18	745
Ms M Tonjeni	3/31/2022	61	-	-	-	61
Ms C Chalmers	12/31/2022	403	55	-	-	458
Ms A Galiel	3/31/2025	163	40	1	7	211
		1,336	**106**	**8**	**25**	**1,475**

17. *INVESTMENT INCOME*

	2023 R '000	2022 R '000
Dividend income		
From investments in financial assets measured at fair value through profit or loss:		
Listed investments - Local	292,303	162,996
Interest income		
From investments in financial assets		
Interest received on financial assets at fair value through profit or loss	1,684,957	1,359,708
Interest received on cash and cash equivalents	96,951	52,010
Gains / (losses) on financial assets at fair value through profit or loss		
Realised gains on financial assets at fair value through profit or loss	87,888	111,093
Unrealised (losses) / gains on financial assets at fair value through profit or loss	295,360	(78,810)
	2,457,459	**1,606,997**

Interest income is comprised of interest earned from short term fixed deposits, current accounts, bonds and money market instruments. This interest is recognised on a yield to maturity basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity.

18. *SUNDRY INCOME*

	2023 R '000	2022 R '000
Sundry Income*	704,881	426,960
Bad debt recovered - (Contributions and provider debt)	9,921	5,819
Sundry Income - fraud recoveries	16,482	41,487
	731,284	**474,266**

*During April 2012, Government took a decision to move the group of pre-1992 pensioners (pensioners who retired before changes in the medical assistance policy in 1992 who also qualify for a 100% employer subsidy for medical scheme membership) from Medihelp to GEMS. The average age of the beneficiaries exceeded 80 years with observable higher health care claims than contributions. On 27th March 2023 the National Treasury granted to the Scheme R600 million (2022: R400 million) towards the financial impact sustained with the transfer of the pre-1992 pensioners. As at 31 December 2023, only 4 550 (2022: 5 790) of the 18 902 pre-1992 pensioner beneficiaries remain on the Scheme.

19. *PERSONAL MEDICAL SAVINGS ACCOUNT LIABILITY*

	2023 R '000	2022 R '000
Gross balance of personal medical savings account at beginning of the year	1,562,965	1,444,682
Less: Advances on personal medical savings account at beginning of year	(599)	(564)
Balance of personal medical savings account at the beginning of the year	1,562,366	1,444,118
Savings account contributions received	1,724,358	1,559,864
Transfers (to) / from other schemes in terms of Regulation 10(4)	(1)	(70)
Refunds on death or resignation in terms of Regulation 10(5)	(195,929)	(132,761)
Claw backs from members	8,983	6,374
Claims paid on behalf of members	(1,435,076)	(1,315,159)
Personal medical savings account advances	600	599
Balances due to members on personal medical savings account end of the year	**1,665,301**	**1,562,965**

Regulation 10 of Medical Scheme Act (MSA) requires the Scheme disclose a reconciliation of the PMSA. With the adoption of IFRS 17, the personal medical savings liability ("PMSA") which was separately presented on the statement of financial position under IFRS 4 is now presented under insurance contract liabilities. In accordance with the Rules of the Scheme, the savings plan is underwritten by the Scheme.

The personal medical savings account liability contains a demand feature that any credit balance on the savings account will be transferred to the member in terms of the Medical Scheme's Act and the Scheme Rules when a member registers on another benefit option or medical Scheme which does not have a savings account or when a member resigns from the Scheme.

As at year end the carrying amount of the members' personal medical savings accounts were deemed to be equal to its fair value, which is the amount payable on demand. The amounts were not discounted due to the demand feature.

The carrying amount of the PMSA is included as part of LRC in Note 14.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

20. *NET HEALTHCARE RESULT PER BENEFIT OPTION 2023*

	TANZANITE ONE R '000	BERYL R '000	RUBY R '000	EMERALD VALUE R '000	EMERALD R '000	ONYX R '000	TOTAL R '000
2023							
Insurance service result	(4,516,275)	(1,606,541)	(1,312,944)	247,441	3,709,539	520,997	(2,957,785)
Insurance revenue	5,130,356	3,564,286	6,894,366	8,315,541	25,675,809	1,732,134	51,312,492
Insurance service expenses*	(9,646,632)	(5,170,828)	(8,207,311)	(8,068,100)	(21,966,270)	(1,211,137)	(54,270,277)
Other Income	566,804	303,820	482,235	474,055	1,290,666	71,163	3,188,743
Investment Income	436,817	234,144	371,642	365,339	994,674	54,844	2,457,459
Sundry Income	129,987	69,676	110,592	108,716	295,992	16,320	731,284
Other expenditure	(191,256)	(102,518)	(162,720)	(159,960)	(435,508)	(24,012)	(1,075,973)
Asset management services expense	(14,903)	(7,988)	(12,679)	(12,464)	(33,936)	(1,871)	(83,842)
Other Finance cost	(82)	(44)	(70)	(69)	(187)	(10)	(463)
Other operating expense	(176,271)	(94,485)	(149,970)	(147,426)	(401,384)	(22,131)	(991,668)
Total comprehensive income/(deficit) for the year	**(4,140,727)**	**(1,405,240)**	**(993,429)**	**561,536**	**4,564,697**	**568,148**	**(845,016)**
Number of members	**150,163**	**80,491**	**127,758**	**125,591**	**341,935**	**18,853**	**844,791**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	TANZANITE ONE R '000	BERYL R '000	RUBY R '000	EMERALD VALUE R '000	EMERALD R '000	ONYX R '000	TOTAL R '000
**Restated 2022 ** **							
Insurance service result	(3,288,498)	(1,165,323)	(912,243)	448,827	4,616,226	587,609	286,598
Insurance revenue	3,806,567	2,922,829	6,239,388	7,186,245	25,744,847	1,802,759	47,702,634
Insurance service expense *	(7,095,065)	(4,088,152)	(7,151,631)	(6,737,418)	(21,128,621)	(1,215,150)	(47,416,036)
Other Income	311,428	179,444	313,911	295,730	927,412	53,337	2,081,263
Investment Income	240,462	138,553	242,379	228,341	716,079	41,183	1,606,997
Sundry Income	70,966	40,891	71,532	67,389	211,333	12,154	474,266
Other expenditure	(143,213)	(82,519)	(144,355)	(135,994)	(426,479)	(24,528)	(957,087)
Asset management services expense	(10,204)	(5,880)	(10,286)	(9,690)	(30,388)	(1,748)	(68,196)
Other Finance Costs	(61)	(35)	(61)	(58)	(181)	(10)	(406)
Other operating expense	(132,948)	(76,604)	(134,008)	(126,246)	(395,910)	(22,770)	(888,485)
Total comprehensive income/(deficit) for the year	**(3,120,283)**	**(1,068,397)**	**(742,687)**	**608,562**	**5,117,159**	**616,418**	**1,410,773**
Number of members	**120,537**	**69,453**	**121,498**	**114,461**	**358,951**	**20,644**	**805,544**

Insurance revenue and service expenses are allocated to benefit options on a direct basis where this is determinable. Where Insurance revenue and service expenses are not directly attributable to a specific benefit option, allocation is performed on the basis of the benefit option’s membership proportionate to the Scheme’s membership base.

The Scheme offers its members five different benefit options and an efficiency option: Tanzanite one (previously named Sapphire), Beryl, Ruby,Emerald Value, Emerald and Onyx.

Tanzanite One and Beryl are the entry level options where cover is provided by designated provider networks. Tanzanite was specifically designed to be inexpensive and it achieves this by providing out of hospital care at private facilities and in hospital cover can be at a private or public facility using the Scheme's network of hospitals. Beryl provides in hospital cover at both public and private facilities.

Ruby offers members a savings account for day-to-day medical expenses as well as a hospital benefit. Savings contributions portion is comprised of 20% of contribution income of the Ruby option.

Emerald Value is an option which offers benefits through the use of the GEMS networks with specific care co-ordination principles. Emerald is the traditional option and the majority of the membership population is part of this option.

Onyx is the comprehensive option. Following engagements and approval from the Department of Public Service and Administration (DPSA) and National Treasury (NT) the Scheme migrated the pre-1992 state pensioners from Medihelp to GEMS, effective 1 April 2012. These members were registered on the Onyx option which adversely affected the financial performance of this option during the financial year.

* This amount excludes amounts attributable to future members as per Circular 12 of 2024.
** 2022 balances are restated due to the impact of IFRS 17.

21. *CASH (USED IN)/GENERATED FROM OPERATIONS*

	2023 R '000	Restated 2022 R '000
Surplus / (Deficit) transferred to Insurance contract liability to future members:	(845,016)	1,410,773
Adjustments for:		
Depreciation, amortisation, impairments and reversals of impairments	22,723	25,596
Investment transaction fees	2,686	2,006
Loss on disposals of assets	199	183
Investment income:		
Cash and cash equivalents	(96,951)	(52,011)
Interest earned on financial assets at fair value through profit or loss	(1,684,957)	(1,359,708)
Dividends	(292,303)	(162,996)
Realised gains	(87,888)	(111,093)
Unrealised (gains) \ losses	(295,360)	78,810
Other:		
Interest expense	463	406
Changes in working capital:		
Other receivables	(1,262)	25,275
Other payables	(68,763)	107,991
Insurance liabilities	797,279	142,037
	(2,549,150)	**107,269**

* 2022 balances are restated due to the impact of IFRS 17.

22. *CRITICAL ACCOUNTING JUDGEMENTS AND AREAS OF KEY SOURCES OF ESTIMATION UNCERTAINTY*

In the process of applying the Scheme's accounting policies, management has made no judgements that have a significant effect on the amounts recognised in the financial statements, other than the outstanding risk claims provision and the impairment allowance for other receivables, as explained further in this note.

Methodology applied to determine expected contribution receipts

Management's critical judgement is paramount in determining the collectability of contributions. The Markov model is applied to determine contribution expected to be collected while Autoregressive Integrated Moving Average model forecasts the impact macroeconomics indicators on collectability. As part of forward-looking assessment, prime lending rate and inflation are identified as macroeconomic factors that impact collectability as management assumes that their increase will result in decreased buying power for members, thereby prioritising basic needs over repayment of their Scheme debt.

Inputs for the Markov Model include contribution debt data for current and historical periods, while macroeconomic indicators data is sourced from reputable regulatory institutions.

Property and equipment - estimation of useful lives and residual values

In terms of IAS 16.57, the useful life of an asset is defined in terms of the asset's expected utility to the entity.

IAS 16 standards requires the Scheme to exercise judgement for estimating useful life of the asset based on the experience of the entity with similar assets. The Scheme's estimation of useful lives is based on certain indicators such as historical experience with similar assets as well as anticipation of future events, which may impact the lives, such as changes in technology. The useful lives will also depend on the future performance of the assets as well as management's judgement of the period over which economic benefits will be derived from the assets. The expected continued use of the assets in the foreseeable future was therefore used in estimating the number of years that the assets are expected to generate economic benefits to the Scheme. The depreciation rates represent management's current best estimate of the useful lives of the assets. The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 16.51). The Scheme assesses the residual value of every item of property and equipment annually after considering future market conditions, the remaining life of the asset and projected disposal values.

Significant judgements for insurance liabilities Mutual entity Assessment

A medical scheme is not legally defined as a mutual entity and the assessment as to whether a medical scheme is a mutual entity is done based on the principles set out in IFRS.

IFRS 17 does not define a “mutual entity” however it provides a key characteristic of a mutual entity in the basis of conclusion to the standard. BC265 explains that “a defining feature of an insurer that is a mutual entity is that the most residual interest of the entity is due to a policyholder and not a shareholder.” The Act is not explicit that members (i.e. policyholders) hold a residual interest or are entitled to the residual interest upon the liquidation of the medical scheme. Section 64 of the Act requires the medical scheme rules to be followed in the event of liquidation.

The rules of the Scheme do not contain specific guidance on how the assets of the scheme should be distributed on liquidation. The Act prohibits the disposal of assets of a medical scheme except in limited, listed circumstances, one of them being the liquidation of the scheme. Members can opt for voluntary liquidation and can distribute the scheme’s remaining assets amongst themselves. GEMS does not have shareholders, the current members will access the reserves through economic benefits such as funding reductions in contributions or deferral of contribution increases.

Although the rules do not generally specify how the assets should be distributed on liquidation, IFRS 17 states that contracts can be written, oral or implied by an entity's customary business practices. Contractual terms include all terms in a contract, explicit or implied, but an entity shall disregard terms that have no commercial substance (i.e. no discernible effect on the economics of the contract). Implied terms in a contract include those imposed by law or regulation.

Therefore, based on customary business practices, the remaining assets of GEMS should be distributed to the members on liquidation if there are any and if the Scheme does not amalgamate with another scheme. Even if the assets are distributed by a regulator or by the policyholders to an independent third party e.g. another medical scheme, an administrator or a charity, the important aspect is that the choice resides with the members or the regulator acting on behalf of the members, not with an equity holder.

The substance of the legal framework issued regarding insurance contracts and observed practice is that once a contribution is paid to GEMS, the contribution is used to provide benefits to members. The benefits are provided by GEMS through insurance coverage, reduced contributions, or payment to members on liquidation (based on votes taken by members). It is therefore expected that the remaining assets of GEMS will be used to pay current and future members.

Based on the above, GEMS meets the definition of a mutual entity.

GEMS has therefore developed an accounting policy in terms of the IFRS 17 guidance for mutual entities, and the Scheme recognizes any cumulative profit or losses as part of the insurance liability attributable to future members.

Consequently, the Statement of Profit or Loss and Other Comprehensive Income reflects no total comprehensive income for the year. The movement in the insurance liability attributable to future members are included in the insurance service expenses line.

Due to the Scheme being a mutual entity, the assessment of onerous contracts are affected as outlined in the accounting policies.

Application of Premium Allocation Approach (PAA)

For contracts issued to which the Scheme applies the premium allocation approach, it is assumed that no contracts in the portfolio are onerous at initial recognition, unless facts and circumstances indicate otherwise. The Scheme assess whether contracts that are not onerous at initial recognition, have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

A key principle in determining the cash flows to be included in the insurance contracts issued is the contract boundary. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Scheme can compel a member to pay the contributions or in which the Scheme has a substantive obligation to provide a member with services. The service under contracts issued by GEMS is the indemnification against the cost arising from a health event covered in terms of the rules of the Scheme.

A substantive obligation to provide services ends when:

- the Scheme has the practical ability to reassess the risks of the member and, as a result, can set a price or level of benefits that fully reflects those risks; or
- both of the following criteria are satisfied:

i. GEMS has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result can set a price or level of benefits that fully reflects the risks of that portfolio; and
ii. the pricing of the contributions for coverage up to the date when the risks are reassessed does not consider the risks that relate to periods after the reassessment date.

The limitations imposed by the Act restrict the Scheme's practical ability to assess the risks of a particular member and set a price or level of benefits that fully reflects the risks of an individual member. The Scheme is prohibited from setting a price or level of benefits that fully reflects those risks. As a result of these legislative requirements, when assessing the risk and pricing for the health events covered, risk is assessed and a price set, after considering the risks covered at the total Scheme level.

The Act and the Scheme rules, aligns the benefit year for insurance contracts issued with the Scheme's financial year. Multi-year scenarios are prepared to provide a view on the possible future impact and position of the Scheme, however the risks from these future periods are not taken into account in setting the pricing level for a specific benefit year.

Contribution level and benefit changes require CMS approval before they can be implemented. These are generally done and only considered annually. CMS requires changes to contributions and benefits to be submitted in September and October for the following year with approval being provided around December for the next financial year.

The regulatory environment results in the Scheme only having the practical ability to reassess the risks and set a price that fully reflects the risks at a scheme level and that the changes can only be made annually, effective from the beginning of the financial/benefit year (i.e. January). As CMS generally only considers and approves changes annually, these changes are generally effective for the full 12-month benefit year.

GEMS' existing members elect, on an annual basis by December of the current year their benefit option for the following benefit year, which will be effective from 1 January of the following year. This results in the coverage period being one year or less, as a new contract will be entered into and effective from 1 January of each year. The impact of this is that the contract boundary for contracts issued does not exceed 12 months and is generally aligned with the medical scheme's financial year.

PAA is a simplification of the estimated cash flow model (known as the fulfilment cash model), which the Scheme may only use if, and only if, at the inception of the group of insurance contracts:

a) The Scheme can demonstrate that the measurement of the liability for the remaining coverage of the PAA is no different from the estimated cash flow model, or
b) The coverage period of each contract in the group is one year or less.

The coverage period of each medical scheme contract is one year or less. The result of this is that the Scheme will simplify the measurement of the portfolio of insurance contracts by using the PAA.

The classification of the Scheme as a mutual entity does not impact the extent of insurance contract services to be provided by GEMS in terms of the member contracts and therefore the PAA is still applicable.

Onerous contract assessment

In the consideration of whether facts and circumstances indicate that a group of insurance contracts is onerous, management considers whether the expected deficit of the following year exceeds the insurance liability to future members.

In the rare scenario where the following year's deficit exceeds the insurance liability to future members – the contracts written would be onerous and an onerous contract liability raised. Where the amounts attributable to future members exceed the following year's deficit, the contracts would not be determined as onerous, and no provision raised as a liability is already recognised.

In the current year, no onerous contract liability is raised as the expected deficit for 2024 does not exceed the insurance contract liability to future members.

Measurement of insurance liability to future members.

Liability to future members is measured at the current value. Measurement of this liability at current value results in an accounting mismatch as the Scheme's Statement of Financial Position consists of assets and liabilities that are measured at fair value, cost model and amortised cost.

To prevent an accounting mismatch, the Scheme is required to measure all assets and liabilities at fair value. Management performed thorough assessment on all assets and liabilities to determine whether the carrying amounts are materially different to their respective fair values individually and in aggregate. The differences between these items' carrying and fair values, individually or in aggregate are concluded to be immaterial.

Management applied to IAS 8.8 to be exempted from performing fair value measurement of all assets and liabilities carried at other models as the difference between carrying amounts and respective fair values is concluded to have an immaterial impact on the financial statements.

The mismatch between the measurement basis of the assets and liabilities is deemed immaterial for financial reporting purposes, therefore management concluded that the insurance liability to future members shall be measured at its current value as it approximates its fair value.

Level of aggregation

The Scheme has applied judgement to determine unit of account for measurement of insurance contracts. Management has assessed the portfolio at the Scheme level due to the insurance contracts pricing methodologies and risk management strategy that manages the risk on a Scheme level.

The following support the approach and decision of the Scheme:
- The members can move into other options without restrictions and incur no cancellation fees.
- The loss-making individuals are being subsidised by members who pay more and claim less.
- All contracts are subject to similar risks and managed together.
- Benefit options are not managed in isolation, and decisions such as pricing impact other options concerning benefits, growth and contribution increments.
- The Scheme assess if the group of contracts as a whole is onerous or profitable.

Investment components

The Scheme applied significant judgement to determine investment components embedded into insurance contracts, whether this component should be separated and accounted for as a financial instrument. According to IFRS 17, the PMSA qualifies as an investment component. This is because it obligates the medical scheme to reimburse a member under all circumstances, even if no insured event has taken place.

The Scheme assessed whether PMSA meets the definition of a distinct investment component to be accounted for separately as a financial instrument. To make the assessment the Scheme considered whether the investment and insurance component are highly interrelated and below are the factors evidencing that PMSA and insurance component are highly interrelated:
- A member cannot purchase the PMSA separately from the risk component. If benefit option is selected, there is no option to exclude PMSA component.
- A member is unable to benefit from the PMSA separately as it depends on risk component being present.
- The benefit option with PMSA, the value of the risk benefits cannot be measured without considering the value of the PMSA.

Consequently, the PMSA is a non-distinct investment component and will not be accounted for separately from other insurance liabilities as a financial instrument. PMSA balances shall be included in either insurance assets or liabilities in the statement of financial position.

Risk adjustment – liability for incurred claims (LIC)

The risk adjustment reflects the compensation required by the Scheme to cover the uncertainty in the amount and timing of cash flows brought on by non-financial risks as the Scheme fulfils insurance contracts. Risk diversification across individual options has not been permitted because doing so would imply that each option operates independently and would result in a significant reduction in the risk margin. Therefore, the risk adjustment is the undiversified risk margin. The Scheme estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment for non-financial risk is computed at an option level and aggregated to the scheme level. A confidence level is applied to the run-off triangles used to calculate the LIC in the confidence level method in order to determine the risk adjustment. The Scheme applies a confidence level of 75% to reflect the risk tolerance of the provision.

Significant estimates for insurance liabilities

The Scheme used the below inputs and methods when applying IFRS 17 measurement requirements which includes significant estimates. Futuristic scenarios are used in determining present values of future cash flows.

Estimated future cash flows for incurred claims

The Scheme includes all the future cash flows within the boundary of the group of contracts when measuring the insurance contracts. The estimate of these cash flows is based on probability weighted expected future cash flows. The estimate is based on which cash flows are expected and the probability that they will occur at measurement date.

The Scheme makes use of various information elements to estimate these cash flows including:
- Information about past events.
- Current conditions
- Forecasts of future conditions

The Scheme calculates its projection of future cash flows by considering a variety of scenarios that encompass the entire spectrum of potential outcomes. Each scenario outlines specific details such as cash flow amounts, timing, and associated probabilities. The final estimate of future cash flows is determined by taking the weighted average across these scenarios, factoring in their respective probabilities. Essentially, it's a way to capture the most likely outcome based on a comprehensive range of possibilities.

The uncertainty in the insurance contracts lies in the number, severity and timing of claims.

Assumptions used to develop estimates about these cash flows are reassessed at each reporting date and adjusted where necessary.

Methods used to measure the insurance contracts

The Scheme estimates insurance liabilities in relation to claims incurred for healthcare contracts. Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the claims incurred.

The estimated insurance liabilities are derived by considering the results of the actuarial health monitor model, actual vs expected method, chain ladder and Bornhuetter-Ferguson actuarial methodologies. This is based on the current actuarial methodologies adopted, which are subject to a periodic review.

The actuarial health monitor model is a stochastic risk management model that was designed and developed to assist medical schemes to model and monitor, on an ongoing basis, the multitude of risks (financial and others) facing schemes. The actuarial model is utilised to predict the expected claims incurred in the Scheme on a monthly basis based on the Scheme's actual demographic profile, benefit structure, claims seasonality etc. The model makes use of the frequency and severity distributions for a wide range of claim types derived from the actuarial model universe. These distributions are periodically updated as more data becomes available.

The Actual vs Expected method is a model used to produce estimates of ultimate claims experience. The difference between the expected claims and the actual reported and paid claims represents the LIC. In addition, various statistical methods are used to determine the uncertainty associated with this estimate.

Traditional chain ladder techniques involve an analysis of historical claims development patterns derived from 12 months prior to the calculation date. It is therefore assumed claims are fully run off after 12 months. Using the chain ladder method makes the implicit assumption that historical development patterns will apply in the future. The basic chain ladder method is used with no allowance for inflation. This is deemed appropriate given the time period considered.

The Bornhuetter-Ferguso method can be considered a hybrid method that incorporates the outstanding proportion of claims predicted by the chain ladder method with the total claims for a month to be paid as estimated using the actuarial model to arrive at an estimate for total outstanding claims to be paid. The BF method incorporates the past history of claims processing with the estimate provided by the actuarial model's projection.

The following was taken into account when estimating the LIC:

- The homogeneity of the data
- Changes in pattern of claims
- Changes in the composition of members and their beneficiaries
- Changes in benefit limits.
- Changes in the prescribed minimum benefits

23. *PROFESSIONAL INDEMNITY AND FIDELITY INSURANCE*

In accordance with the Scheme Rules, the Scheme has Professional Indemnity and Fidelity insurance to cover the events of fidelity, trustees and officers' errors and omissions and medical Scheme reimbursements. On 31 December 2023 the effective cover was R1 billion (2022: R1 billion).

The Scheme registered as Financial Service Provider for the first time on 14 March 2023 and placed a cover for FSP representatives with a liability cover of R1 million.

The Scheme has renewed its cyber liability cover during the 2023 financial year. This covers any electronically stored digital or digitalised information or media, network interruption cost and cyber terrorism. The effective cover is R100 million (2022: R50 million).The Scheme has placed an additional excess of loss cover for R50 million with Guardrisk from the 21st of July 2023 .

The Scheme's insurance contracts are reviewed for adequacy and reinstated annually.

24. *RELATED AND OTHER SIGNIFICANT PARTIES*

Related Parties with significant influence over the Scheme

The Minister for Public Service and Administration is responsible for appointing 50% of the Board of Trustees and for determining the medical subsidy policy in the public service and thus has significant influence over the Scheme, but does not control it.

The Scheme engages with the Department of Public Service and Administration (DPSA) who is responsible for implementing and maintaining the medical subsidy policy. The DPSA therefore has significant influence over the Scheme, but does not control it.

Metropolitan Health Corporate (Pty) Ltd (MHC) provides membership and claims management services, operational information and recommendations, through its administration agreement with the Scheme, on which policy decisions are based, and therefore it has significant influence over the Scheme, but does not control it.

Medscheme Holdings (Pty) Ltd provides contribution and debt management Services through its administration agreement with the Scheme on which policy decisions are based, and therefore it has significant influence over the Scheme, but does not control it. Medscheme Holdings (Pty) Ltd provide managed care information on which benefit design decisions are based and therefore they have significant influence over the Scheme, but does not control it.

Insight Actuaries (Pty) Ltd provides actuarial and consulting services to the Scheme and therefore has significant influence over the Scheme, but does not control it.

The Scheme has multiple other Administration and Managed care providers that it contracts with, but none of these have significant influence over the Scheme or control over the Scheme.

Key management personnel and their close family members

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the Scheme. Key management personnel include the Board of Trustees, the Principal Officer and members of the Executive Committee. This disclosure deals with full time personnel that are compensated on a salary basis (Principal Officer and Executive Committee) and part time personnel that are compensated on a fee basis (Board of Trustees). Close family members include family members of the Board of Trustees, Principal Officer and members of the Executive Committee.

Transactions with related parties

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

	2023 R '000	2022 R '000
Key management personnel		
Compensation (includes remuneration and other costs)		
Short term benefits	40,379	34,520
Post employment benefit	2,535	2,193
Bonus	6,576	4,935
	49,490	**41,648**
Principal Officer	6,474	6,166
Chief Financial Officer	4,953	4,488
Chief Admin and Transaction Services (resigned 31 August 2023)	1,913	3,120
Chief Marketing Officer	2,816	3,069
Chief Governance and Compliance Officer (appointed 1 May 2023)	2,481	2,060
Chief Healthcare Officer:	4,423	4,555
Chief Information, Communication & Technology Officer	3,138	2,975
Chief Corporate Services Officer	4,801	4,203
Chief Audit Executive	3,449	457
Chief Research Officer	3,457	3,144
Chief Operations Officer	4,458	2,465
Company Secretary and Legal Counsel	3,425	2,975
Executive Manager Principal Officer's Office	3,702	1,968
Gross contributions received (*)		
Board of Trustees	593	595
Principal Officer	159	116
Executive Committee	955	938
Claims incurred (*)		
Board of Trustees	524	1,144
Principal Officer	50	-
Executive Committee	1,106	482

Gross contributions and claims incurred include contributions and claims incurred by members and their beneficiaries.

Transaction	Nature of transactions and terms and conditions thereof
Insurance revenue	This constitutes the contributions paid by the related party as a member of the Scheme in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties in their individual capacity as members of the Scheme. All claims were paid out in terms of the Rules of the Scheme as applicable to third parties.
Estimated future cashflows for incurred claims	These are claims that have been reported, but not yet paid due to the fact that the Scheme does a payment run twice a month.
Healthcare provider fees paid / payable	Fees paid to a healthcare provider (medical practitioner). Fees are paid on the same basis as applicable to third parties.

Parties with significant influence over the Scheme, but not control

	2023 R '000	2022 R '000
Statement of Comprehensive Income		
Administration fees	1,509,243	1,347,130
Accredited managed healthcare fees	1,173,086	1,058,724
Actuarial fees	68,918	47,643
Healthcare provider fees paid to BOT Members	116	15
Other payables		
Administration fees due	140,139	26,101
Accredited managed healthcare fees due	100,845	90,242
	240,984	**116,343**

Terms and conditions of the administration agreement

Administration fees are calculated in terms of the underlying contract based on the number of members in good standing for the month. These contracts are renewable annually. The outstanding balance bears no interest and is settled within 7 days. The Scheme has the right to terminate the agreements on 90 days' notice.

The services covered by these agreements include:

Service	Provider 2023	Provider 2022
Contribution and Debt Services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Correspondence Services	Metropolitan Health (Pty) Ltd	Metropolitan Health (Pty) Ltd
Member and claims administration services	Metropolitan Health Corporate (Pty) Ltd (MHC)	Metropolitan Health Corporate (Pty) Ltd (MHC)

Terms and conditions of the managed care agreements

The Scheme has entered into managed care agreements in order to manage the costs of delivering healthcare services to its members while ensuring the highest quality of care.

All contracts are tendered for a maximum contract period of 3 to 5 years. The Scheme has the right to terminate the agreements on 90 days' notice. Managed care services are calculated on the number of members in good standing for the month. The outstanding balance bears no interest and is settled within 7 days.

The services covered by these agreements include:

Service	Provider 2023	Provider 2022
Pharmaceutical network management	Universal Care (Pty) Ltd	Universal Care (Pty) Ltd
Dental managed care	Denis (Pty) Ltd	Denis (Pty) Ltd
HIV disease management services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Managed health care services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Maternity programme services	Medscheme Holdings (Pty) Ltd	Medscheme Holdings (Pty) Ltd
Pharmaceutical benefit management services	Medikredit (Pty) Ltd	Medikredit (Pty) Ltd

25. *INSURANCE RISK MANAGEMENT*

Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Scheme is that it assumes the risk of loss by members and their dependents that are directly subject to the risk. These risks relate to the health of the Scheme's members. As such the Scheme is exposed to the uncertainty surrounding timing and severity of claims under the contract. The Scheme also has exposure to market risk through its insurance and investment activities.

The Scheme manages its insurance risk through benefit limits and sub - limits, approval procedures for transactions that involve pricing guidelines, pre - authorisation, case management and service provider profiling.

The Scheme uses several methods to assess and monitor insurance risk exposure both for individual types of risks insured and overall risks. The Scheme analyses the distribution of claims per category of claim, average age of members per member group, average age per benefit option, actual number of members per benefit option and the geographic distribution of members.

The Scheme uses the average age per member and claims per category of benefits to analyse its insurance risk. Income bands and geographical spread are not good indicators as the Scheme's risk is not concentrated in a specific income band or geographical location. Analyses based on the ageing of members indicate specific risks and behaviours that result in increased claims and these can be further analysed in different categories to inform the Scheme's interventions of which managed care is key.

Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

The table below summarises the concentration of risk, with reference to the carrying amount of the insurance claims incurred (before and after risk transfer arrangements), by age group and in relation to the type of cover/benefit provided where:

- Hospital benefits cover all costs incurred by members, while they are in hospital to receive pre authorised treatment for certain medical conditions.
- Specialist benefits cover the cost of all visits by members to specialists and the out of hospital procedures performed by specialists. Specialist benefits also include radiology and pathology benefits provided to members.
- Medicine benefits cover the cost of all medicines prescribed to members.
- General Practitioner and Optometry benefits cover the cost of all visits by members to these practitioners and the procedures performed by them, up to a prescribed annual limit per member.

The Scheme profiles members' risk exposure by using their age. Of the various other indicators available, age provides a better indication of who is most likely to claim.

2023 Insurance Age Grouping (in years)	Hospitals R '000	Specialists R '000	Medicines R '000	General Practitioners R '000	Optometry R '000	Other R '000	Total R '000
<25	84,129	60,317	13,378	17,277	3,027	27,375	205,503
26 - 35	2,380,936	1,627,348	478,584	514,798	71,939	799,013	5,872,618
36 - 50	6,169,901	4,632,157	2,110,262	1,473,274	303,654	2,777,987	17,467,235
51 - 65	6,432,463	5,069,174	2,645,854	1,125,532	308,453	2,720,454	18,301,930
>65	3,324,934	2,535,669	1,253,032	287,803	81,504	1,100,330	8,583,272
	18,392,363	**13,924,665**	**6,501,110**	**3,418,684**	**768,577**	**7,425,159**	**50,430,558**

2022 Insurance Age Grouping (in years)	Hospitals R '000	Specialists R '000	Medicines R '000	General Practitioners R '000	Optometry R '000	Other R '000	Total R '000
<25	89,084	55,790	15,264	16,110	2,817	22,061	201,126
26 - 35	2,147,927	1,434,821	515,965	469,963	69,202	661,538	5,299,416
36 - 50	5,438,627	4,030,037	2,272,614	1,331,789	292,049	2,367,810	15,732,926
51 - 65	5,582,086	4,280,060	2,601,402	989,854	279,255	2,265,127	15,997,784
>65	2,809,685	2,077,416	1,153,207	243,957	69,381	906,466	7,260,112
	16,067,409	**11,878,124**	**6,558,452**	**3,051,673**	**712,704**	**6,223,002**	**44,491,364**

The information presented in this table is based on claims with a service date during the relevant year.

The Scheme's strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The reporting of claims by age group is impacted by members who join and leave in the same month.

Claims development

Claims development tables are not presented since the uncertainty regarding the amount and timing of claim payments is typically resolved within one year and the majority of cases within four months. At year end, a provision is made of those claims outstanding that are not yet reported at that date.

Sensitivity Disclosure

	2023			2022		
	LIC as at 31 December R '000	Impact on LIC R '000	Impact on net surplus R '000	LIC as at 31 December R '000	Impact on LIC R '000	Impact on net surplus R '000
Insurance contract liabilities	5,057,127	-	-	4,259,846	-	-
-10% estimated future cashflows for incurred claims	-	(237,859)	237,859	-	(180,507)	180,507
+10% change in estimated future cashflows for incurred claims	-	237,859	(237,859)	-	180,507	(180,507)
Risk adjustment with a 75% confidence level - as reported	42,987	7,590	(7,590)	35,396	5,157	(5,157)
Risk adjustment with a 70% confidence level	32,185	(10,802)	10,802	25,801	(9,595)	9,595
Risk adjustment with a 80% confidence level	55,731	12,744	(12,744)	46,111	10,715	(10,715)

The above table illustrates the financial impact of adjusting the liability for incurred claims estimates by +/-10% and the financial implications of adjusting the confidence level by +/-5%. A decrease in the confidence level by 5% leads to a substantial 25.1% (2022: 27.1%) reduction in the risk adjustment. Conversely, increasing the confidence level by 5% results in a corresponding 29.6% (2022: 30.3%) increase in the risk adjustment.

The analysis is based on a change in an assumption while holding all the assumptions constant.

26. *FINANCIAL AND CAPITAL RISK MANAGEMENT*

The Scheme's activities expose it to credit risk, liquidity risk and market risk, including the effects of interest rate changes. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the financial performance of the investments that the Scheme holds to meet its obligation to its members.

The Board of Trustees has an overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Scheme manages the financial risks as follows:

- The Finance and Investment Committee, a committee of the Board of Trustees, determines, recommends, implements and maintains investment policies and procedures. The Investment Committee advises the Board of Trustees on the strategic and operating matters in respect of the investment of Scheme funds and meets at least quarterly.
- The Scheme has appointed reputable external asset managers to manage its investments and their performance is monitored regularly.
- An external investment consultant has been appointed by the Scheme to assist in formulating the investment strategy and to provide ongoing reporting and monitoring of the asset managers.
- Investment strategy is guided by or within the risk appetite and risk tolerance set by the Board of Trustees.

Risk management and investment decisions are carried out by the executive management, under the guidance of policies approved by the Board of Trustees. The Board of Trustees approves all these written policies and there has been no change in these policies from previous financial years.

Market risk

Market risk is the risk that changes market variables that will affect the Scheme's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on investment.

The table summarises the Scheme's financial instrument exposure to market risk as at December 31, 2023.

As at December 31, 2023	Currency risk R '000	Price risk R '000	Interest rate risk R '000
Cash and cash equivalents	1,314	-	4,179,061
Equities	-	5,766,264	-
Local bonds	-	-	6,319,765
Local money markets	-	-	6,192,803
Foreign bonds	231,413	-	231,413
Collective investment schemes (CIS)	-	5,158,853	-

As at December 31, 2022	Currency risk R '000	Price risk R '000	Interest rate risk R '000
Cash and cash equivalents	1,746	-	4,183,411
Equities	-	5,018,962	-
Local bonds	-	-	7,173,131
Local money markets	-	-	7,523,130
Foreign bonds	283,208	-	283,208
Collective investment schemes (CIS)	-	3,875,646	-

Interest rate risk

The Scheme is exposed to interest rate risk as it has exposure to fixed income assets including call accounts, money market instruments as well as longer dated nominal and inflation linked bonds. This risk is managed through appropriate diversification, as guided by the investment policy.

Cash and cash equivalents comprise deposits held on call with banks, cash on hand and other short term liquid investments. These deposits are readily convertible to a known amount of cash and are subject to insignificant risk of change in value.

The table summarises the Scheme's total exposure to interest rate risks as at 31 December 2023. Included in the table are the Scheme's investments at carrying amounts, categorised by maturity dates.

As at December 31, 2023	Up to 3 months R '000	3 - 12 months R '000	More than 12 months R '000	Total R '000
Cash and cash equivalents	4,179,061	-	-	4,179,061
Local money markets	847,556	2,679,989	2,665,258	6,192,803
Local bonds	108,167	397,336	5,814,262	6,319,765
Foreign bonds	-	-	231,413	231,413
	5,134,784	**3,077,325**	**8,710,933**	**16,923,042**

As at December 31, 2022	Up to 3 months R '000	3 - 12 months R '000	More than 12 months R '000	Total R '000
Cash and cash equivalents	4,183,411	-	-	4,183,411
Local money markets	1,110,611	1,868,677	4,543,842	7,523,130
Local bonds	40,087	533,751	6,599,293	7,173,131
Foreign bonds	-	130,381	152,827	283,208
	5,334,109	**2,532,809**	**11,295,962**	**19,162,880**

The average effective interest rates for the year ended 31 December were as follows:

	2023	2022
Current accounts	6.46 %	3.79%
Call accounts	7.95 %	5.21%
Money market instruments carried at fair value through profit or loss	8.58 %	6.27%
Local Bonds	7.38 %	7.66%
Foreign Bonds	8.24 %	5.03%
Foreign money markets	5.55 %	4.60 %

Interest rate risk sensitivity analysis

The information below illustrates the impact that a change in interest rates would have on the value of the Scheme's fixed and variable income investments.

Interest Rate Risk Sensitivity (Fixed rate)

A 0.5% increase in interest rates will result in a R54 million loss (2022: R44 million) and an increase of 1% the interest bearing portfolios will incur a loss of R107 million (2022: R88 million). A 0.5% decline in interest rates will result in an R54 million gain (2022: R44 million) and a 1% decrease in interest rates will result in an R107 million gain (R88 million) for the interest bearing portfolios. The analysis was done with the assumption that interest rates increased or decreased by 0.5% or 1% with all other variables held constant.

Interest Rate Risk Sensitivity (Variable rate)

A 0.5% increase in interest rates will result in a R1.5 million loss (R2.6 million) and an increase of 1% the interest bearing portfolios will incur a loss of R3 million (2022: R5.1 million). A 0.5% decline in interest rates will result in an R1.5 million gain and a 1% decrease in interest rates will result in an R3 million gain (2022: R2.6 million) for the interest bearing portfolios. The analysis was done with the assumption that interest rates increased or decreased by 0.5% or 1% with all other variables held constant.

Currency risk

The Scheme operates in South Africa and its cash flows are denominated in South African Rand. However through its investments, the Scheme is exposed to a direct currency risk.

For purpose of seeking investment diversification, the Scheme has invested 0.97% (2022: 1.2%) of its financial assets at fair value through profit or loss in offshore bond and cash portfolios. At December 2023 this equated to R233 million (2022: R285 million).

The fair value of these contracts have been included in financial assets. Gains and losses on these arrangements are included in the profit or loss.

Currency risk sensitivity analysis

Based on past experience and a reasonable possible change in currency, 10% and 15% change in currency is considered appropriate in measuring the Scheme's currency risk sensitivity.

A 10% depreciation in the Rand would result in a gain of R23 million (2022: R28.5million) and a 15% depreciation in the Rand would result in a gain of R35 million (2022:R42.7 million).

A 10% appreciation in the Rand would result in a loss of R23 million (2022: R28.5 million) and a 15% appreciation in the Rand would result in a loss of R35 million (2022: R42.7 million).

The sensitivity is based on the assumption that the Rand has strengthened or weakened against the US Dollar by 10% or 15% considered as the reasonable possible change, with all other variables held constant.

The following US Dollar exchange rate was applied.

	2023	2022
Average rate	18.51	16,45
Year-end closing rate	18.29	17,02

Price risk

The Scheme is exposed to equity securities price risk due to equity investments held by the Scheme that are classified at fair value through profit or loss. The Scheme is directly exposed to equity risk through its investments in listed equities. The value of the equity investments was R5.7 billion (2022: R5 billion). The Scheme has investments in collective investment schemes which exposes the Scheme to market price risk.

The value of collective investment schemes is R5.1 billion (2022: R3.9 billion).

The Scheme manages the equity price risk arising from investments in equity securities, through the diversification of its investment portfolios.

Diversification of the portfolios is performed by asset managers in accordance with the mandate set by the Scheme.

Price risk sensitivity analysis

Based on past experience and a reasonable possible change in equity and CIS prices, 10% change in equity and CIS prices is considered appropriate in measuring the Scheme's equity and CIS price risk sensitivity. A 10% increase in the price of equities and CIS within the equity portfolios would result in a gain of R1.1 billion (2022: R889 million). A 10% decrease in the price would result in a loss of R1.1 billion (2022: R889 million). The sensitivity is based on the assumption that equity and collective investment scheme prices had increased or decreased by 10%, with all other variables held constant.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The availability of liquid cash holding positions with various financial institutions ensures that the Scheme has the ability to fund its day to day operations. The Scheme manages liquidity risk by monitoring forecast cash flows and ensuring that adequate reserves are maintained. This approach ensures that the Scheme will have sufficient liquidity to meet its obligations when due, under both normal and stressed market conditions, without incurring losses that would threaten the Scheme's going concern status. The Scheme's available funds were invested in cash products to ensure that the Scheme can meet its short term obligations.

The table below reflects the Scheme's liquidity requirements to meet its financial obligations.

At December 31, 2023 Category	Less than 1 Month R '000	Between 1 and 3 months R '000	Between 3 months and 1 year R '000	Over 1 year R '000	Total R '000
Insurance contract liabilities	4,403,708	633,080	20,339	-	5,057,127
Other payables	173,926	-	-	-	173,926
Lease Liabilities	308	535	1,479	1,480	3,802
Insurance contract liability to future members*	-	-	2,507,223	20,727,523	23,234,746
Total liabilities	**4,577,942**	**633,615**	**2,529,041**	**20,729,003**	**28,469,601**
Cash and Cash Equivalents	4,179,061	-	-	-	4,179,061
Financial Assets at fair value through profit or loss	9,282,123	633,286	3,368,535	10,385,153	23,669,097
Other receivables	365,172	-	-	-	365,172
Available cash and investments	**13,826,356**	**633,286**	**3,368,535**	**10,385,153**	**28,213,330**
	9,248,414	**(329)**	**839,494**	**(10,343,850)**	**(256,271)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

At December 31, 2022 Category **	Less than 1 Month R '000	Between 1 and 3 months R '000	Between 3 months and 1 year R '000	Over 1 year R '000	Total R '000
Insurance contract liabilities	3,659,393	455,716	144,737	-	4,259,846
Other payables	242,690	-	-	-	242,690
Lease liabilities	301	617	2,158	1,416	4,492
Insurance contract liability to future members	-	-	320,023	23,759,739	24,079,762
Total liabilities	3,902,384	456,333	466,918	23,761,155	28,586,790
Cash and Cash Equivalents	4,183,411	-	-	-	4,183,411
Financial Assets at fair value through profit or loss	5,018,961	1,151,716	4,209,014	13,494,385	23,874,076
Other receivables	257,201	-	-	-	257,201
Available cash and investments	**9,459,573**	**1,151,716**	**4,209,014**	**13,494,385**	**28,314,688**
	5,557,189	**695,383**	**3,742,096**	**(10,266,770)**	**(272,102)**

*The current portion of the insurance liability for future members represents the Schemes' budgeted loss component/onerous contract provision for the next financial period using the budgeted results submitted to Council of Medical Schemes and aligned to IFRS 17 requirements. The Scheme has not disclosed the portion that is greater than 12 months in more disaggregated time bands as budgets are only performed for a 12 month period.

** 2022 balances are restated due to the impact of IFRS 17.

Credit risk

Credit risk is the risk of financial loss to the Scheme, if a counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the Scheme is exposed to credit risk are:

- Financial assets at fair value through profit or loss
- Cash and cash equivalents
- Other receivables

The Scheme only deposits cash with registered banks per the South African Reserve Bank's Supervision Unit with high quality credit standing and limits the exposure to any one financial institution.

Financial assets are valued at fair value through profit or loss comprise money market and bond instruments entered into to fund the obligations arising from its insurance contracts and to invest income funds to maintain the statutory reserve requirement. The Scheme is exposed to the issuer's credit standing on these instruments. Exposure to credit risk is monitored and minimum credit ratings for these investments are set. Reputable asset managers have been appointed to manage these instruments.

	2023 R '000	2022 R '000
Cash and cash equivalents		
First National Bank	1,076,848	945,301
South African Reserve Bank	2,817,594	2,743,188
Cash and call accounts with asset managers	284,619	494,922
	4,179,061	**4,183,411**
Long term ratings of Banks invested with:		
ABSA Bank	AA	AA
First National Bank	AA	AA
Investec Bank	AA	AA
Nedbank	AA	AA
Standard Bank	AA+	AA+
South African Reserve Bank	AAA	AAA
	AA	AA
The maximum exposure to credit risk for financial assets at year end were as follows: *		
Financial assets at fair value through profit or loss	23,669,097	23,874,076
Cash and cash equivalents	4,179,061	4,183,411
Other receivables	365,172	257,201
	28,213,330	**28,314,688**

* 2022 balances are restated due to the impact of IFRS 17.

The Scheme manages credit risk operationally by:

- Actively pursuing all contributions not received after 3 days of becoming due, as required by Section 26(7) of the Medical Scheme Act. Collection of outstanding member and contribution debt is done in accordance with the Scheme's approved Debt Management Policy.
- Monthly reconciliations between the Administrator and the Employer groups are performed to determine possible termination or suspension and takes action immediately to avoid risk of non- collectability.
- Pursuing the fraud healthcare provider debt through legal processes and in accordance with the approved debt management policy, additionally the Scheme has Acknowledgement of debt (AOD) agreements in place with healthcare providers to collect the outstanding debt.

Other receivables

An impairment provision close to provision is not deemed necessary for other receivables given their nature and the very low expected loss rate of 0%. Other receivables comprise of sundry accounts receivable, R5,6m (2022: R4,4m), and interest accrued receivable, R359,5m (2022: R252,8m) all of which are current and not past due. The credit risk of other receivables is low and therefore the 12 month expected credit loss is applied. The 12 month expected credit loss is nil as other receivables are regularly collected on current bucket. Any loss associated to these receivables is deemed immaterial and negligible. As a result, no provision is raised, and no further analysis is deemed necessary.

The below carrying amount of insurance components within insurance contract liabilities (i.e., contribution, member claims and provider debt) best represents the maximum exposure to credit risk.

As at December 31, 2023	Current R'000	31-60 days R'000	61-90 days R'000	91 - 120 days R '000	120 plus days R '000	Total R '000
Insurance contract liabilities*	214,073	14,053	8,129	4,216	38,888	279,360
As at December 31, 2022 Restated **	**Current R'000**	**31-60 days R'000**	**61-90 days R'000**	**91 - 120 days R '000**	**120 plus days R '000**	**Total R '000**
Insurance contract liabilities	208,108	15,628	10,858	9,217	29,723	273,535

The amounts reported on the insurance contract liability are net of expected loss, the expected losses are estimated based on the Markov model, which are further adjusted with forward looking information.

*Insurance contract liabilities carrying amounts disclosed above includes contribution, member claims and provider debt.

** 2022 balances are restated due to the impact of IFRS 17.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Scheme is the current closing price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

The carrying value, and payables are assumed to approximate their fair values due to their short-term nature.

The members' Personal Medical Savings Accounts contain a demand feature. In terms of Regulation 10 of the Act, any credit balance on a member's Personal Medical Savings Account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit plan, and enrols in another benefit plan or medical Scheme without a savings account or does not enrol in another medical Scheme. Therefore the carrying values of the members' Personal Medical Savings Accounts are deemed to be equal to their fair values, which is the amount payable on demand.

The fair value hierarchy has the following levels:
Level 1 – These are assets measured using quoted prices in an active market
Level 2 – These are assets measured using inputs other than quoted prices included within Level 1, that are either directly or indirectly observable.
Level 3 – These are assets measured using inputs that are not based on observable market data.

Fair value of financial assets by hierarchy level

At December 31, 2023	Carrying amount R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000
Financial assets at fair value through profit or loss	23,669,097	23,669,097	19,646,332	3,983,153	39,612
Equities	5,766,264	5,766,264	5,766,264	-	-
Local bonds	6,319,765	6,319,765	6,281,067	(914)	39,612
Local money markets	6,192,803	6,192,803	2,430,875	3,761,928	-
Foreign bonds	231,412	231,412	231,412	-	-
Collective investment schemes	5,158,853	5,158,853	4,936,714	222,139	-
	23,669,097	**23,669,097**	**19,646,332**	**3,983,153**	**39,612**

At December 31, 2022	Carrying amount R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000
Financial assets at fair value through profit or loss	23,874,076	23,874,076	19,350,463	4,523,613	-
Equities	5,018,964	5,018,964	5,018,964	-	-
Local bonds	7,173,131	7,173,131	7,173,357	(226)	-
Local money markets	7,523,129	7,523,129	3,145,995	4,377,134	-
Foreign bonds	283,207	283,207	283,207	-	-
Collective investment schemes	3,875,645	3,875,645	3,728,940	146,705	-
	23,874,076	**23,874,076**	**19,350,463**	**4,523,613**	**-**

The fair value (through profit or loss) of financial assets held by the Scheme categorised as Level 1 was determined with reference to published price quotations (unadjusted) in an active market.

The fair value (through profit or loss) of financial assets held by the Scheme categorised as Level 2 was determined through discounted cash flows based on applicable interest rates.

The fair value (through profit or loss) of financial assets held by the Scheme categorised as Level 3 was determined using inputs that are not based on observable data.

Reconciliation of Level 3 fair values

	Financial assets at fair value through profit or loss Total R'000
Opening balance	-
Transfer from level 2	46,432
Change in fair value unrealised	(6,820)
Closing balance as at 31 December 2023	39,612
Total Gains / (losses) for the period for assets held 31 December 2023	(6,820)

The Scheme assess whether there is a transfer between fair value levels when:

- there is change in valuation technique or model applied to determine fair value.
- underlying significant observable inputs change.
- marketability and trading activity of the instrument significantly reduces.

Transfers event occurring during the reporting period shall be accounted for at the end of the reporting period (i.e., 31 December).

During financial year ended 2023, Land bank instruments were transferred from the previously contracted asset manager to a newly contracted one.
These instruments are not traded in an active market at the moment and inputs obtained from broker quotes are not corroborated with observable market data

In 2022, the previous asset manager was able to corroborate the inputs with some observable market data. The instruments were transferred at R46,4 million, however the tranferree accepted and recognised R39,6 million due to uncertainty surrounding the instruments fair value. Upon assessment, it was concluded that these instruments fair values are largely dependant on unobservable market data. New asset manager could not corroborate the inputs to observable market data thus the transfer from level 2 to 3.

Capital Management

The Registrar of Medical Schemes, in terms of the business plan submitted by the Scheme in 2017, agreed to revise the required reserve levels which will apply to the Scheme for each related year of operation:

	Actual levels	CMS approved levels
31 December 2020	41.11 %	22.70 %
31 December 2021	46.33 %	24.20 %
31 December 2022	48.36 %	25.00 %
31 December 2023	42.41 %	25.00 %

The 2022 and 2021 reserve ratios are restated to take into account IFRS 17 impact. The 2020 ratio is not restated for the impact of IFRS 17 and merely disclosed for information purposes.

The Scheme monitors and manages the capital adequacy risk through the following means:

- The capital adequacy risk is documented on the risk register that is regularly reviewed by the Board of Trustees.
- Scheme management reviews the monthly management accounts where the Scheme's financial performance is monitored.
- Monthly management accounts and the Scheme's quarterly performance reports are submitted to and discussed with the Council for Medical Schemes.
- The annual budgeting process, long term projections and planning allows the Scheme to review its capital adequacy and reserve levels to ensure continuity of operations and sustainability.

27. *GUARANTEES AND COMMITMENTS*

The Scheme held guarantees in favour of the following instructions during the year

	2023 R '000	2022 R '000
Council for Medical Scheme	2,500	2,500
South African Post Office	5,000	5,000
	7,500	**7,500**

The guarantee in favour of the Council for Medical Scheme's has been issued in terms of Section 24(5) of the Medical Scheme's Act, 1998. The Act prescribes that the Registrar may demand from the person who manages the business of a medical Scheme such financial guarantees as will in the opinion of the Council ensure the financial stability of the medical Scheme.

The Council for Medical Schemes has issued GEMS an exemption for SA post office guarantee from the provision of Section 35(6) of the MSA for a period of three years effective from 09 March 2022. The Scheme applied for another exemption which was granted by CMS for a period of three years effective from 09 March 2022.

28. *INVESTMENT IN UNCONSOLIDATED STRUCTURED ENTITIES*

The Scheme's investments in collective investment Schemes are subject to the terms and conditions of the respective fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those funds. The investment manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All of the funds in the investment portfolio are managed by portfolio managers who are compensated by the respective fund for their services. Such compensation generally consists of an asset-based fee and is reflected in the valuation of the Scheme's investment in each of the funds.

The Scheme has the right of redemption of its investments in the funds.

The exposure to investments in the funds at fair value, by strategy employed, is disclosed in the following table.

These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

Name and description	2023 Fair Value of Scheme Funds invested R'000	Fair Value of Investee R'000	% of net assets attributable to the Scheme	Fund
Collective investment schemes	177,037	5,619,150	3.15 %	M&G Corporate Bond Fund
	1,854,074	14,304,100	12.96 %	M&G High Interest Fund
	853,936	1,284,537	66.25 %	M&G Global Fixed Income Fund
	3,489	21,060,772	0.02 %	Ninetyone Corporate Market, Z, Inc, ZAR
	4,544	1,555,279	0.29 %	Prescient Corporate Money market B3
	205,667	8,032,667	2.56 %	Prescient Yield Quantplus Fund B3
	670,705	1,152,605	58.19 %	Prescient Specialist Income Fund B3
	1,126,685	4,153,917	27.12 %	Prescient Income Plus Fund B3
	222,139	3,773,502	5.89 %	Prescient Clean Energy and Infrastructure Debt Fund Trust
	40,307	26,226,333	0.15 %	Nedgroup Investments Money Market Fund Class C1
	269	52,231,987	- %	Nedgroup Investments Core Income Fund - Class C1

Name and description	2022 Fair Value of Scheme Funds invested R'000	Fair Value of Investee R'000	% of net assets attributable to the Scheme	Fund
Collective investment schemes	834	24,324,828	0.34 %	Ninety One Corporate Money Market, Z, Inc,Zar
	184	44,613,481	0.04 %	NGI Core Income fund
	754,269	1,379	54.17 %	M&G Global Fixed Income Fund
	183,083	5,889	3.11 %	M&G Corporate Bond Fund
	1,598,124	10,867	14.71 %	M&G High Interest fund
	26,214	1,075,423	2.45 %	Prescient Corporate Money Market B3
	51,868	5,477,293	0.95 %	Prescient Yield Quantplus Fund B3
	151,705	2,632,783	5.76 %	Prescient Income Fund B3
	673,363	2,523,565	26.28 %	Prescient Income Plus Fund B3
	289,443	722,329	40.07 %	Prescient Specialist Income Plus Fund B3
	146,705	2,902,427	5.05 %	Prescient Clean Energy and Infrastructure Debt

The Scheme's maximum exposure to loss is equal to the fair value of its investments in the fund. Once the Scheme has disposed of its interest in a fund it ceases to be exposed to any risk from that fund.

29. *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 2023 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.

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 Tanzanite one, Beryl, and Ruby options 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 deficits on these options were intentionally planned for as a strategic effort to leverage reserves for assisting members amidst economic challenges by implementing low contribution increases. The contributions increase for 2023 was 5% which was below the CMS recommended increase of 5.7% and healthcare inflation of approximately 9%. Additionally, the deficit is impacted by IFRS17 adjustments.

Corrective Action

The Scheme's reserves are sufficient to absorb these deficits over the short to medium term. Continuous long-term forecasting, scenario planning, and sensitivity analysis are employed to ensure the Scheme's solvency margin remain above the statutory level. Regular updates on the Scheme's performance during the 2023 financial year were provided to the Registrar through quarterly performance reports and meetings with the Council for Medical Schemes.

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 Scheme's has been issued in terms of Section 24(5) of the Medical Scheme's 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

Council for Medical Schemes has issued GEMS an exemption from the provision of Section 35(6) of the MSA for a period of three years effective from 09 March 2022.

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

CMS has granted GEMS an exemption for a period of three years effective from 15 December 2022.

Credit Facility

Nature

Section 35(6) (C) of the Medical Scheme Act states that a medical scheme shall not directly or indirectly borrow money.

Cause

The Scheme has credit facilities with RMB/FNB for the corporate and auto cards to the value of R3,3 million. The corporate cards are issued to Scheme executives as well as regional managers for work related expenses and the travel agency to manage the Scheme's travel bookings. The auto cards are used for the fuel and maintenance of the Scheme's fleet. The balances on the cards are settled within 30 days.

Corrective Action

The Scheme has been granted and exemption from the provisions of section 35 (6) of the MSA for a period of three years effective from 09 March 2022.

Claims settled after 30 days

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 in respect of such benefit was received by the Scheme.

Cause

During the financial year, there were instances that 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.

Scheme rules non - compliance

In terms of Section 32 of the Medical Schemes Act, the rules of a medical scheme and any amendment thereof shall be binding on the medical scheme concerned, its members, officers and on any person who claims any benefit under the rules or whose claim is derived from a person so claiming.The following non compliance to Scheme rules have been noted:

Incorrect benefits used for medicine billed by Registered Nurses and Medicine Price List (MPL) not applied, according to GEMS Scheme Rules Annexure C under B .

Nature

Out of 30 Medical and Surgical Appliances and Prostheses claims reviewed by GEMS Internal Audit, six medicine claims submitted by registered nurses were billed, processed, and paid incorrectly under oxygen and appliances benefits.

Furthermore, it was noted that the system fired message - Reduced to Medicine Price List (MPL) reference price when processing of these claims happens, however it appeared that the system paid these claims in full without applying the MPL co-payment. The claims were processed and settled by the System.

Cause

The system is not configured to identify and reject medicine claims when these claims are processed under the Medical and Surgical: Appliances and Prostheses benefits. MH system could not identify MPL co-payments when processing the medicine claims happened under Medical and Surgical: Appliances and Prostheses benefits hence, the claims were incorrectly paid in full. MH system is not configured to retrospectively monitor and identify medicine claims when the processing of the Registered Nurses' claims happens from the wrong benefit and paid in contravention of the GEMS Scheme Rule for 2022 - Annexure C.

Corrective Action

MediKredit to adjudicate the medication claims for nursing prior to MH processing the claims.

Incorrect application of Late Pre- Authorisation Request (PAR) penalty co-payment.

Nature

According to Scheme rule 8.3.1, Hospital authorisation for admission to a Private facility must be obtained from the Scheme's managed care provider at least 48 hours before a Beneficiary is admitted to a Private facility (except in the event of an Emergency Medical Condition), failing which, a co-payment of R1 000 per admission shall apply.

From a sample of 30 hospital PARs, where the request dates were after admission dates, two (7%) cases were incorrectly penalised for late PAR, despite receiving authorization requests within one working day. As a result, co-payments were applied incorrectly on both claims. The testing was performed by GEMS Internal Audit.

Cause

Case Managers failed to review and override the late PAR penalty as the authorization request was received within one working day of the admission date. Pre -auth agent failed to identify and correct these cases from the Late PAR penalty exception report. The system incorrectly applied the Late PAR penalty rule.

Corrective Action

Coaching of the staff involved will be performed and retraining of all the staff in the team on the management of Late PAR Penalty as per scheme rules and SOP. Case management will request a Late PAR penalty exception report for neonatal PARS that the Neonatal case managers will review.

Authorization declined even though the member was eligible for PMB benefits.

Nature

In terms of the GEMS Scheme Rules:

8.3.1 The Scheme may impose upon a person in respect of whom an application is made for membership of the Scheme or admission as a Dependant, and who was not a beneficiary of a medical scheme for a period of at least ninety (90) days preceding the date of application:

8.3.1.1 a General Waiting Period of up to three (3) months; and

8.3.1.2 a Condition-Specific Waiting Period of up to twelve (12) months, where applicable; and

8.3.1.3 may also exclude Prescribed Minimum Benefits during any such waiting periods.

Through inspection of the claims processed during the review period, a sample of 30 claims was selected for review by the GEMS Internal Audit function. They identified an error where a hospital authorisation was declined in error for a PMB claim, even though the beneficiary was eligible for benefits. As a result, the hospital claims associated with this error were also declined.

Cause

Human error, the case manager failed to correctly process the case in line with the defined Standard Operating Procedures.

Corrective Action

Re-training of the Underwriting SOP with all Generalist case managers to be performed. Case managers management will request a daily exception report for pre-authorisation cases to manage PARs in pended/ declined status for PMB admissions for members in 3 months General waiting periods.

Claims paid while a Retrospective application of a Condition Specific Waiting Period (CSWP) was in effect as per Section 29A(2) of MSA.

Nature

Section 29A(2) of the Medical Schemes Act allows a medical scheme to impose a Condition-Specific Waiting Period (CSWP) of up to twelve months on a person who applies for membership or admission as a dependent, and who was previously a beneficiary of a medical scheme for a continuous period of up to twenty-four months, which ended less than ninety days before the date of the application. However, this waiting period does not apply to any treatment or diagnostic procedures covered under the Prescribed Minimum Benefits.

GEMS Internal Audit function inspected claims processed during the review period, a sample of 30 claims was selected. Three claims were noted, processed, and settled while the members had a CSWP waiting period in effect. The system processed all the claims noted.

Cause

The users failed to adjudicate the condition-specific waiting period claim according to the approved SOP.

Corrective Action

Management will review and refine the underwriting processes such that claims submitted while beneficiaries are undergoing underwriting will be identified and processed correctly in line with the GEMS Scheme Rules.

Incorrect payment of medicine claims from Oxygen and Appliances benefits.

Nature

GEMS Internal Audit function conducted an analysis on the claims data from April 2023 to September 2023. A sample of 30 claims filed by nurses was selected for review. It was observed that the tariff codes 88205 (Stoma products chargeable at cost + 10% mark-up) and 88303 (Stoma therapy Manage Sphincter Saving Procedures) were incorrectly used by nurses to bill medication claims. As a result, 30 claims were processed and paid incorrectly from the "Oxygen and Appliances" benefits.

According to the GEMS Scheme Rule for 2023 - Annexure C, Medical and Surgical Appliances and Prostheses include Hearing Aids, Wheelchairs, Mobility Scooters, Oxygen Cylinders, Pulse Oximeters, Nebulisers, CPAP Devices, Glucometers, Colostomy Kits, Diabetic Equipment, Foot Orthotics, External Prostheses and Compression Stockings are applicable to In and Out of Hospital and are subject to managed care protocols and processes.

Cause

Claims system not configured to review NAPPI codes provided with tariff codes to identify possible misalignment. Therefore, where an incorrect tariff code is used for medicine claims, the claims are paid from incorrect benefits.

Corrective Action

Management to develop a claims process to cater for medicine claims billed by nurses to pay from correct benefits re- configure the claims system to review nappi codes provided with tariff codes to flag possible misalignments.

State Hospital Claims rejected with incorrect rejection code.

Nature

GEMS Internal Audit function analysed the claims data from April 2023 to September 2023, a sample of 30 rejected state hospital claims was selected for review. The review found that 26 (87%) of the claims were rejected by the SPN (Denis) with rejection code 215, which means that administration on this type of claim is not performed by Denis. Therefore, these claims need to be forwarded to the scheme for processing. Additionally, it was found that MH had incorrectly rejected the claims with rejection code 6358, which means that the amount claimed was above the Scheme rate.

According to GEMS scheme rule 15.5, If the Scheme is of the opinion that an account, statement, or claim is erroneous, or unacceptable for payment, the scheme shall notify the Member and the relevant healthcare provider within 30 days after receipt thereof and state the reasons for such an opinion. Correct rejection claims messages should be communicated to the provider and or member.

Cause

The operator reviewing the claim incorrectly updated the rejection message.

Corrective Action

Management will review and enhance the mapping of the Denis rejection codes to MH rejection codes to ensure alignment and that correct rejection codes are communicated accurately to the members and healthcare providers. Training will be provided to the operators following the updated process.

PMB Claims for Ruby members paid from Personal Medical Savings Account

Nature

Through inspection by the GEMS internal audit function of claims processed during the review period, a Sample of 30 claims was selected for review, and one claim was identified in which the Personal Medical Savings Account (PMSA) was utilised to settle PMB claims for Ruby Members.

Chapter 10 (6) of the Regulations of the Medical Schemes Act, states that, "The funds in a member's medical savings account shall not be used to pay for the costs of a prescribed minimum benefit".

Cause

The user failed to adjudicate the claims accurately in accordance with PMB claims processes.

Corrective Action

The PMB claim paid from the savings process will be revisited to identify why the claim was not reviewed as eligible for potential PMB. Training will be provided to the users.

30. *EVENTS AFTER THE REPORTING PERIOD*

There were no material subsequent events after reporting period.

31. *GOING CONCERN*

The financial statements of the Scheme have been prepared in accordance with the going concern principle. This principle assumes that the funds will be available to finance future operations and that the assets will be realised, and liabilities and commitments will be settled in the ordinary course of business.

The Board of Trustees has satisfied itself that the Scheme has adequate resources to continue with its operations in the foreseeable future and the Scheme's financial statements have accordingly been prepared on the going concern basis. The Board of Trustees has satisfied itself that the Scheme is financially stable with adequate cash reserves to meet its foreseeable obligations and commitments. Furthermore, the Board of Trustees is not aware of any new material changes that may adversely impact the Scheme.

32. *RESTATEMENT NOTE*

32.1 IFRS 9 Transition

IFRS 9 became effective on 1 January 2018 with a temporary exemption from its adoption by insurers. As the Scheme is an insurer, temporary exemption was applied and therefore IFRS 9 became effective on 1 January 2023.

The Scheme assessed the impact of adoption of IFRS 9 and concluded the following. Classification of financial assets

- Under IAS 39 all financial assets were classified as at fair value in profit or loss and under IFRS 9, the Scheme elected to continue with this classification.

Classification of financial liabilities

- All financial liabilities are classified as at amortized cost which is the same as IAS 39.

No restatement applied in terms of classification as the Scheme continue to classify the financial assets and liabilities the same compared to IAS 39

Impairment of other receivables

IFRS 9 requires the Scheme to apply expected credit loss model which is different from IAS 39. The model measures loss allowance as either:

- 12 month expected credit losses or
- Lifetime expected credit losses.

Previously a nil impairment provision was raised in relation to other receivables due to nature of these receivables and the expected loss rate of almost 0%. Other receivables comprise sundry accounts receivable, and interest accrued receivable and are all current and not in a past due status The credit risk of other receivables is low and therefore 12 month expected credit loss is applied. 12 month expected credit loss is nil as other receivables are regularly collected on current bucket. Any loss associated to these receivables is immaterial and negligible and no provision raised. No further analysis is presented.

No retrospective restatement applied as the balance of other receivables is not impacted.

32.2 IFRS 17 Transition

The implementation of IFRS 17 marks a significant shift in accounting practices for insurance contracts, replacing IFRS 4 with a comprehensive framework aimed at enhancing transparency and consistency across global financial markets. Under IFRS 17, insurers are now required to adhere to robust principles governing the recognition, measurement, presentation, and disclosure of liabilities associated with insurance contracts. This standard, focused on ensuring the faithful representation of issued contracts, introduces key concepts such as the fulfilment cash flows and adjustment for non-financial risks. This shift towards a more principles-based approach is expected to provide users of financial statements with more relevant and reliable information regarding an insurer's financial position and performance.

The practical effect of the implementation of IFRS 17 on the Scheme's financial statements is substantial, with notable changes evident across various aspects of reporting. Primarily, the adoption of IFRS 17 has necessitated revisions to the Scheme's accounting policies, resulting in a re-evaluation of how insurance liabilities and assets are recognised, measured, and disclosed. This adjustment is particularly pronounced in the Statement of Comprehensive Income and the Statement of Financial Position where the presentation of insurance related items has been refined to align with IFRS 17 requirements.

Additionally, the Notes to the Annual Financial Statements pertaining to insurance contracts have been enhanced, complying to IFRS 17 and providing stakeholders with deeper insights into the underlying assumptions, methodologies, and potential impacts of insurance contracts on the financial performance and position. These changes are outlined in Note 1, Note 10, Note 12, Note 14 and Note 22 respectively.

The Scheme applied a fully retrospective approach to account for IFRS 17 transition and consequently the prior year figures have been adjusted accordingly. The restatements are as follows:

IFRS 17 changes to the Statement of Financial Position are set out below:

A. Effects on measurement of Insurance Assets and Liabilities

Liability for incurred claims

Under IFRS 4, liability relating to incurred claims were reported split into the following line items.

- Outstanding risk claims provision
- Insurance receivables as part trade and other receivables.
- Insurance payables as part of trade and other payables
- PMSA claims incurred.

All the above line items are now consolidated on LIC with the exception of the unutilised portion of PMSA liability. IFRS 17 introduced "liability for incurred claims" which sums up the Scheme obligations to:

(i) investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and

(ii) pay amounts that are not included in (i) and that relate to:

- insurance contract services that have already been provided; or
- any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the liability for remaining coverage.

Claims are submitted within 4 months post the date it is incurred and consequently a liability should be raised to estimate the obligation relating to claims incurred but not reported at year end. Under IFRS 4, "Outstanding risk claims provision" now "estimated future cash flows for incurred claims" was recognized in separately in the Statement of Financial Position and under IFRS 17 it is included in "liability for incurred claims."

In terms of IFRS 17, the methodology to determine the estimated future cash flows for incurred claims must consider:

- All reasonable and supportable information available at the reporting date without undue cost or effort about the amount, timing and uncertainty of future cash flows.
- Reflect the perspective of the Scheme; and
- Be current and explicit.

Any retrospective claims view after year end is excluded from determining expected future cash flows. Additionally, IFRS 17 requires the Scheme to recognize a risk adjustment which reflects the compensation for bearing the uncertainty with respect to the amount and timing of the cash flows that arises from non-financial risks. The risks covered by the risk adjustment are insurance risk and other non-financial risks such as lapse risk and expense risk.

The Scheme adopted Premium Allocation Approach, which is a simplified measurement method for LRC while LIC is determined based on fulfilment cash flows model. Risk adjustment is included in the LIC. The estimated future cash flows for incurred claims are measured at the fulfilment cash flows related to past services, allocated to the group of insurance contracts at year end, and only for cash flows within the contract boundary.

The impact of change in methodology and accounting policy as a result of the adoption of IFRS 17 is demonstrated below:

	2022	2021
Estimated future cash flows for incurred claims – IFRS 4	1,879,342	1,719,880
Adjusted liability for incurred claims but not reported - IFRS 17	1,805,070	1,908,160
Risk adjustment – IFRS 17	35,396	30,239
Increase/(decrease) in net surplus	**38,876**	**(218,519)**

Insurance liability to future members

Management made an assessment and concluded that the Scheme falls within the definition of a mutual entity for financial reporting purposes. IFRS 17 requires the Scheme as a mutual entity to recognise a liability in the statement of Financial Position which is used to provide coverage to future members and (Accumulated reserves). Refer to note 1 and 22 for judgement made on measurement policy.

Onerous Contract Liability

IFRS 17 requires the Scheme to recognize an onerous contract at any time when facts and circumstances indicate a projected loss for the upcoming financial year. Onerous contracts shall be calculated by the difference between:

- The carrying amount of liability for remaining coverage under the PAA model; and
- The fulfilment cash flows that relate to the remaining coverage under the GMM model (General Measurement Model).

The Scheme is classified as a mutual entity for financial reporting purposes as detailed in Note 1. Consequently, an onerous contract liability shall not be recognized as IFRS 17 requires that a mutual entity recognize an onerous contract when the projected loss exceed the liability attributable to members. The Scheme liability attributable to future members exceeds the projected loss and management expect this position to remain the same in the short to medium term.

B. Effect on presentation of Insurance Assets and Liabilities

Under the guidelines of IFRS 17, all assets and liabilities for a portfolio of insurance contracts are now consolidated into a singular line item labelled “Insurance Contract liabilities or Insurance Contracts Assets”. This consolidation marks a departure from previous practices, where these elements were often fragmented across various sections of the financial statements. Within this aggregated line item, the liability for remaining coverage and the liability for incurred claims are combined, reflecting a comprehensive view of the Scheme’s risks and obligations related to insurance contracts. This approach enhances clarity and facilitates a more straightforward understanding of the insurer's financial position, in line with the overarching objectives of IFRS 17.

Below is the Statement of Financial Position demonstrating the adjustments recognised for each individual line item.

	Ref	31 Dec 2022 As originally presented R'000	IFRS 17 R'000	31 December 2022 Restated R'000	31 Dec 2021 As originally presented R'000	IFRS 17 R'000	31 December 2021 Restated R'000
Assets							
Intangible assets		1 672	-	1 672	3 343	-	3 343
Property, plant and equipment		265 821	-	265 821	283 061	-	283 061
Right-of-use assets		4 609	-	4 609	4 081	-	4 081
Other receivables	i)	501 468	244 267	257 201	470 258	(270 844)	199 414
Financial assets at fair value through profit or loss		23 874 076	-	23 874 076	23 252 985	-	23 252 985
Cash and cash equivalents		4 183 411	-	4 183 411	3 170 701	-	3 170 701
		28 831 057	**244 267**	**28 586 790**	**27 184 429**	**(270 844)**	**26 913 585**
Equity and liabilities							
Equity							
Accumulated funds	ii)	24 070 651	(24 070 651)	-	22 897 867	(22 897 867)	-
Liabilities							
Insurance contract liability to future members	ii)	-	24 079 762	24 079 762	-	22 668 989	22 668 989
Lease liabilities		4 492	-	4 492	4 322	-	4 322
Estimated future cash flows for incurred claims	iii)	1 879 342	(1 879 342)	-	1 719 880	(1 719 880)	-
Personal medical savings account liability	iv)	1 562 964	(1 562 964)	-	1 444 682	(1 444 682)	-
Insurance contract liabilities	vi)	-	4 259 846	4 259 846	-	4 117 806	4 117 806
Other payables	v)	1 313 608	(1 071 012)	242 690	1 117 678	(995 210)	122 468
Total liabilities		**28 831 057**	**(244 361)**	**28 586 790**	**27 184 429**	**(270 844)**	**26 913 585**

i) Trade receivables

Insurance receivable previously presented in Trade and other receives are reclassified and are now part of the projected cash flows of LIC within the insurance contract liability. The remaining balance on Trade receivables includes accrued interest and sundry accounts receivables.

ii) Insurance contract liability to future members – Previously reported as Accumulated funds

The insurance contract liability to future members at 1 January 2022 reduced by R228.9 million from R22.9 billion under IFRS 4 to R22.7 billion under IFRS 17. The reduction in the reserves is primarily driven by the move to best estimate of insurance contract liabilities in relation to the liability for incurred claims by removing the hindsight bias adjustment amounting to R188.3 million, the inclusion of the risk adjustment component amounting to R30.2 million and the adjustment of expected losses R10.4 million.

At 31 December 2022, the insurance liability to future members of R22.7 billion is further decreased by the IFRS 17 retrospective restatement of R237.9 million, arising from the a decrease in liability for incurred claims of R262.6 million, recognition of the risk adjustment of R5.2 million, and the adjustment of expected losses of R19.5 million

iii) Estimated future cash flows for incurred claims

Under IFRS 4, estimated future cash flows for incurred claims was previously reported as “outstanding risk claims provision” was separately presented on the statement of financial position, and under IFRS 17 it is now part of the projected cash flows of LIC within the insurance contract liability.

iv) Investment component – Previously Personal medical savings account liability

Personal medical savings accounts were referred to as the “deposit component” under IFRS 4 and IFRS 17 changed the title to the “Investment component”. IFRS 4 separated the personal medical savings account liability from insurance liabilities, application of IFRS 17 does not separate the liability since it is not distinct. Personal medical savings accounts liability is now part of the insurance contract liability.

v) Trade and other payables

Insurance payables were previously presented within trade and other payables are now reclassified and are now part of the projected cash flows of LIC within the insurance contract liability. The remaining balance in trade payables includes payroll accruals, travel and other sundry payables not directly attributable to fulfilment of insurance contract obligations.

vi) Insurance contract liabilities

Under IFRS 17 all insurance assets and liabilities are now consolidated and presented under the Insurance contract liabilities.

IFRS 17 changes to the Statement of Profit or Loss and Other Comprehensive Income are set out below:

C. Effect on measurement of Insurance service results

IFRS 17 introduces significant changes to the measurement and presentation of the Statement of Comprehensive Income for each reporting period, as set out below:

Insurance revenue

Insurance revenue represents the amount of expected contributions receipts (excluding any investment component) allocated to the period. Insurance revenue under IFRS 17 is recognised net of amounts that the Scheme does not expect to collect, contrary to IFRS 4 which recognized amounts gross of all contributions collected and accrued.

Insurance services expenses

IFRS 17 requires the Schemes to apply a risk adjustment to the Liability for incurred claims (LIC). This risk adjustment should reflect the risk the Scheme is bearing for the uncertainty of timing, severity and number of reported claims. The risk adjustment relating to the Liability for incurred claims (LIC) is recognized in insurance service expenses.

The following tables show the adjustments recognised for each individual line item.

SCI Previously reported (IFRS 4 Presentation)	2022 R'000	SCI Restated (IFRS 17 Presentation)		2022 R'000
Risk contribution income	47 723 182	Insurance revenue	i)	47 702 634
Relevant healthcare expenditure	(46 072 496)	Insurance service expenses	ii)	(48 826 810)
Risk claims	(45 013 772)	**Insurance service result**	iii)	**(1 124 176)**
Accredited managed healthcare services	(1 058 724)			
Gross healthcare results	1 650 686			
Administration expenditure	(2 359 338)			
Marketing services	(77 017)			
Impairment losses on healthcare receivables	(54 209)			
Net healthcare result	**(839 878)**			

i) Insurance revenue

Insurance revenue replaces risk contributions previously reported under IFRS 4. Under IFRS 17, insurance revenue is an amount of expected contributions receipts (i.e., Total contributions for the current year adjusted for contributions impairment) which is different from IFRS 4 treatment.

ii) Insurance services expenses.

Under IFRS 17, insurance services expenses replace relevant healthcare expenditure. Risk incurred claims, accredited managed healthcare costs and Telemarketing costs are now presented as part of insurance service expenses. Insurance service expenses include all expenses incurred and directly attributable to fulfilling the insurance contracts issued by the Scheme, inclusive of insurance acquisition cash flows. These expenses are net of impairment losses and exclude claims settled from personal medical saving account.

iii) Insurance service results

Under IFRS 17, insurance service results replace the gross healthcare results, and it takes into account insurance revenue net of insurance services expense.

D. IFRS 17 changes to the Statement of Changes in Members Funds and Reserve

The Scheme is classified as a mutual entity for reporting purposes and as a result, previously reported "accumulated funds" is now reported as an insurance contract liability to future members. Under IFRS 4 "accumulated funds" were reported on Statement of Changes in Members Funds and Reserves and under IFRS 17, the balance is nil as the funds are reclassified to insurance contract liability to future members. Refer to note 10 for details on insurance contract liability to future members.

Below is the impact of IFRS 17 on from previously reported "accumulated funds".

	Accumulated Funds R '000	Member Funds R '000
Balance at January 1, 2021	**18 620 653**	**18 620 653**
Total comprehensive income for the year	4 277 214	4 277 214
Balance at January 1, 2022	**22 897 867**	**22 897 867**
Changes in acconting policies - IFRS 17	(228 878)	(228 878)
Transition to IFRS 17	(22 668 989)	(22 668 989)
Balance at December 31, 2022 – Restated	-	-

E. IFRS 17 changes to the Statement of Cash flows are set out below:

Cash generated from operations is impacted by the reclassification of insurance receivables from trade & other receivables, insurance payables from trade & other payables, PMSA liability, provision movements and impairment losses to insurance contract liabilities. Reclassification did not impact the cash generated from operations amount that was previously reported since the adjustments are non-cash elements.

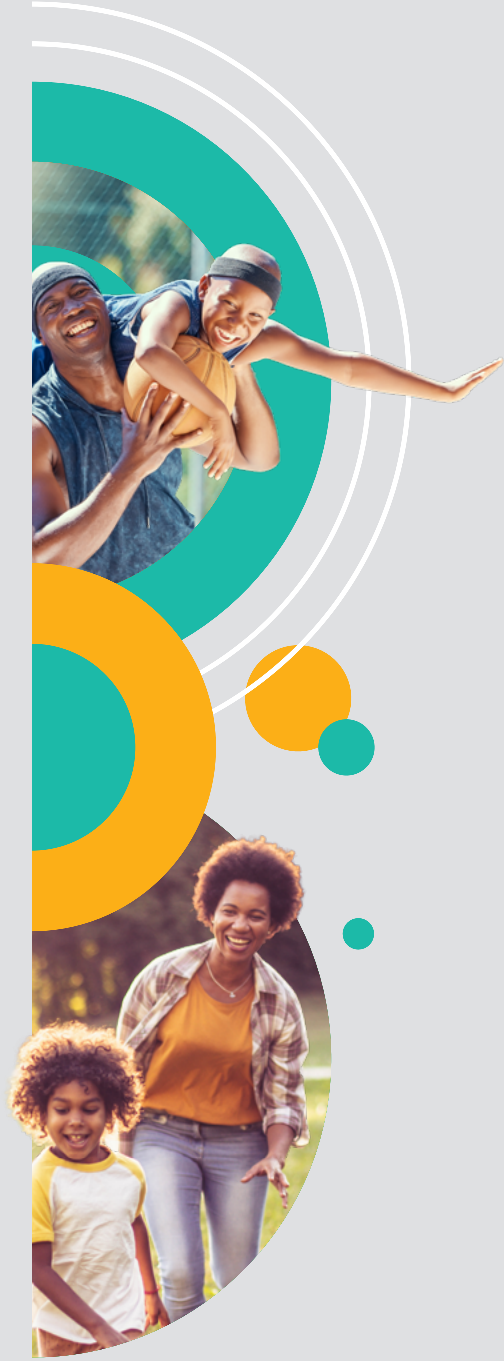
F. IFRS 17 Changes to the disclosures

This restatement note presents the impact on primary statements of the AFS and it should be noted that all the related disclosures impacted by IFRS 17 implementation as described on this note are restated accordingly.

Use the QR code
to download the
GEMS Member App

GET IT ON Google Play

Download on the App Store



GEMS Contact Centre:
0860 00 4367

Client Liaison Officers:
clo@gems.gov.za

Provider Liaison Officers:
plo@gems.gov.za

GEMS Emergency Services:
0800 444 367

GEMS Fraud Hotline:
0800 212 202

Fax:
0861 004 367

Email:
enquiries@gems.gov.za

gems
Government Employees
Medical Scheme