

# ANNUAL INTEGRATED REPORT

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**gems**

Government Employees  
Medical Scheme



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# SECTION 01

## ABOUT THIS REPORT

### Reporting scope and boundary

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

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

This report covers the GEMS financial year 1 January 2020 to 31 December 2020. The last annual integrated report published by the Scheme was the GEMS 2019 annual integrated report, published in 2020 and available at [www.gems.gov.za](http://www.gems.gov.za).

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

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

### Reporting framework

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

### Reporting materiality

Material matters are issues that substantively impact, or have the potential to substantively impact, GEMS' strategy, governance practices, performance, prospects or capitals, i.e. financial capital, social and relationship capital, human capital, intellectual capital, manufactured capital and natural capital. The GEMS Integrated Reporting Steering Group identified material matters, which were then evaluated and prioritised. Our view of value (page 29) formed the basis for this process (see page 59 for the full process and material matters identified).

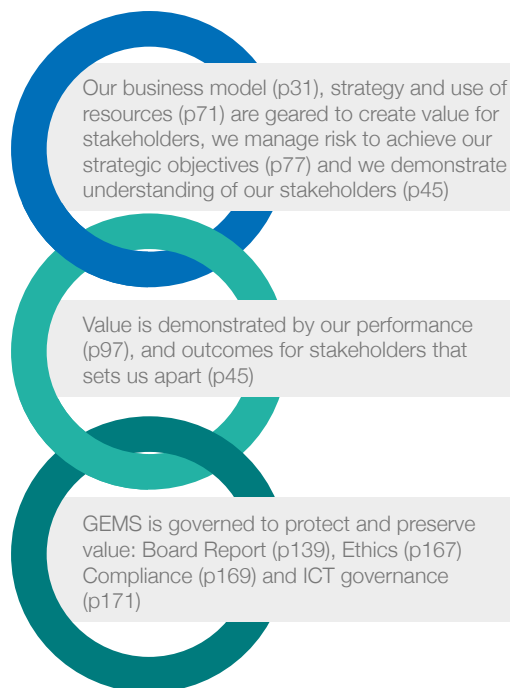
## Reporting suite

Annually, GEMS publishes a single, consolidated integrated report as required by the Council for Medical Schemes (CMS) and the Rules of GEMS. This report includes information that must be disclosed by the Board of Trustees (Board governance and remuneration report, page 139) and the summarised 2020 annual financial statements.

The report is distributed electronically to members. Where members have opted out of electronic communication, an abridged version is printed and posted.

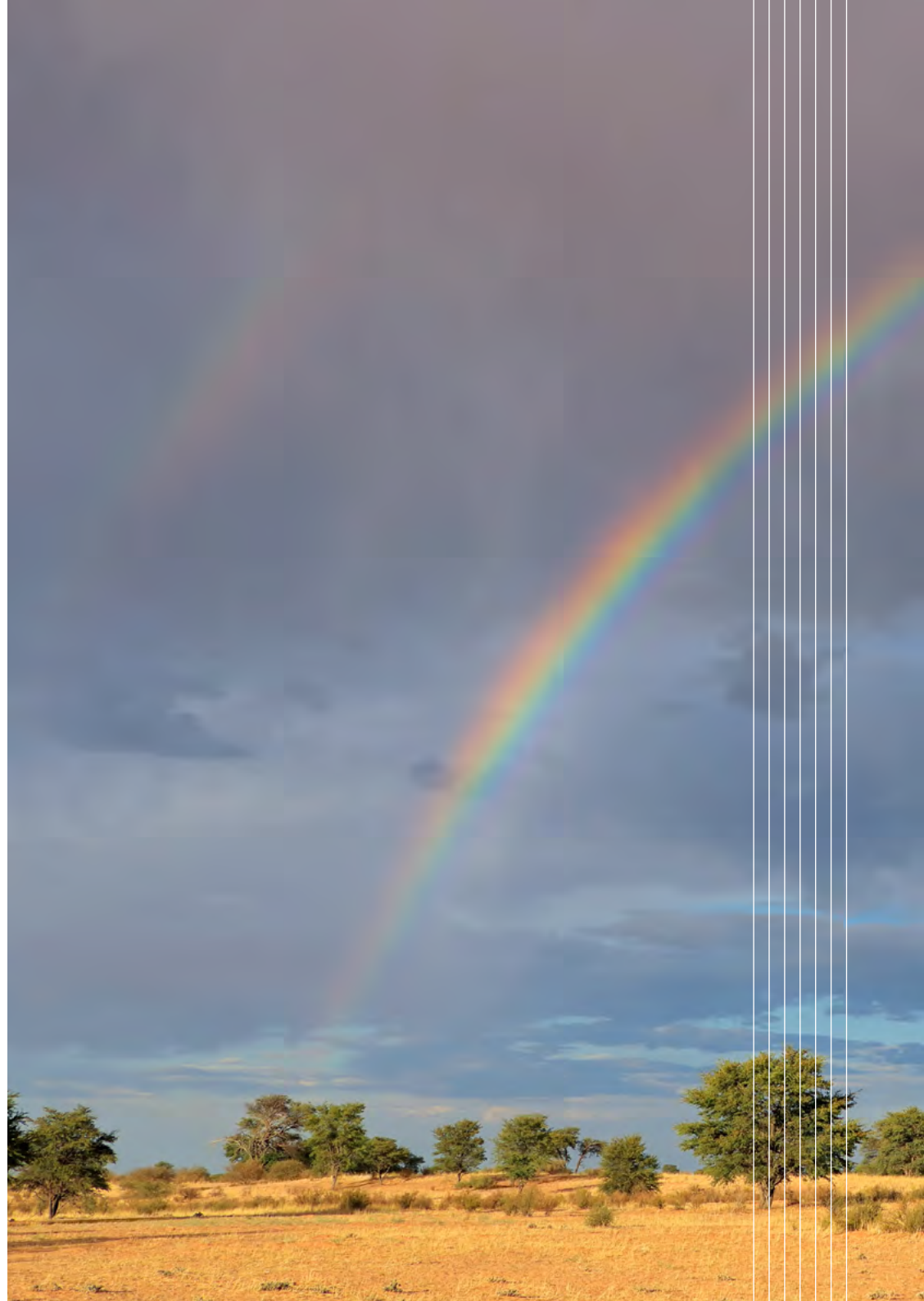
## Reporting information linkages:

### Our view of value



## Reporting feedback

- Member questions: Call Centre: 0860 000 4367
- AGM-related questions: AGM@gems.gov.za for the attention of Mr Marnus Kruger
- Stakeholder questions: Jeannie@gems.gov.za for the attention of Ms Jeannie Combrink
- Media questions: media@gems.gov.za for the attention of Mr Baldwin Matsimela







# SECTION 02

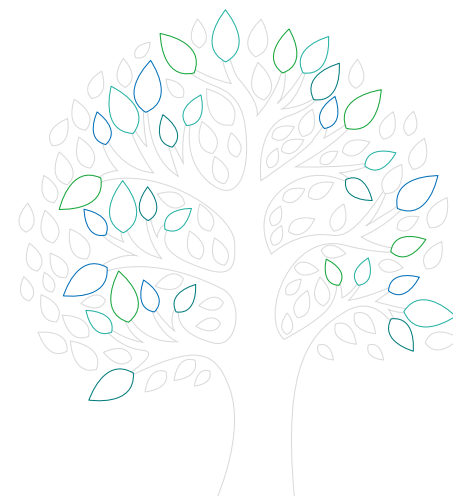
## STATEMENT BY THE GEMS BOARD OF TRUSTEES

The GEMS Board of Trustees acknowledges its responsibility for assuring the integrity of GEMS' annual integrated report. It has applied its collective mind to the report's preparation and presentation.

The development of this report was guided by the GEMS Integrated Reporting Framework adopted by the Board in 2016.



Chairperson:  
**Dr Millicent Hlatswayo**  
Date: 22 April 2021



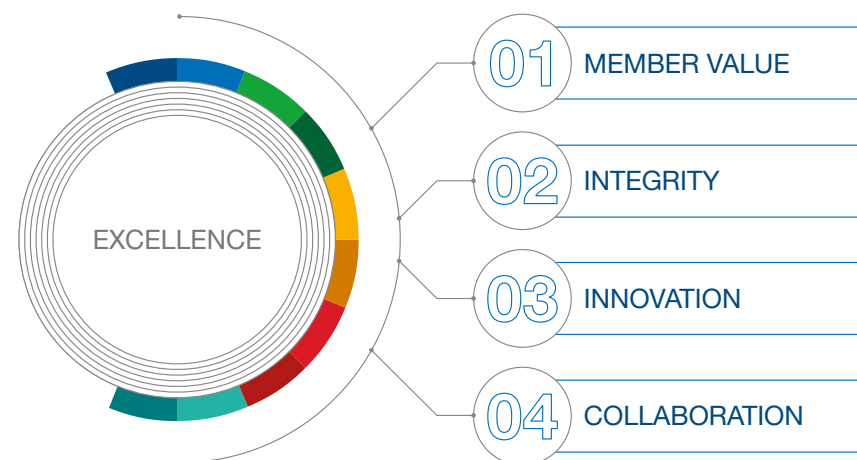
# SECTION 03

## GET TO KNOW THE GOVERNMENT EMPLOYEES MEDICAL SCHEME

The organisational overview in this section provides important information on our mission, vision and values, our products and how they compare, services, business activities, organisational structure and operating circumstances in 2020.

GEMS is the largest restricted membership medical scheme in South Africa, with more than 1.9 million beneficiaries and 750 935 principal members. GEMS was created specifically to provide healthcare cover for public service employees.

**Values:** Anchored in an ethical foundation and reflected in our strategy (p 71), our values are:



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

### Our member product offering

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

The benefit options were designed using a rigorous analytical approach taken into account the requirements of the CMS, member affordability, our strategic direction and benefit design assessment:

<b>TANZANITE ONE:</b>	Developed with the PSCBC, this is our entry-level option. This option provides out-of-hospital care such as visits to a general practitioner (GP), dentist and optometrist, maternity care at private facilities, and in-hospital cover at public and private facilities. This option is designed to be inexpensive, with the 2020 average family contribution after subsidy being R88. At year-end 2020, the percentage of members on this option was 9.2%. This option was transformed for 2020 through collaboration with the PSCBC and was rebranded Tanzanite One from January 2020, offering members comprehensive benefits with access to private and public hospital facilities, subject to a hospital network and certain care coordination rules.
<b>BERYL:</b>	This is an entry-level option providing cover by designated provider networks. This product offers comprehensive in- and out-of-hospital benefits through a network of healthcare providers in both public and private hospitals. The 2020 average family contribution after subsidy was R866. The percentage of GEMS members on this option at end-2020 was 6.6%.
<b>RUBY:</b>	This option offers comprehensive in- and out-of-hospital benefits through a personal medical savings account (PMSA), a hospital benefit and a block benefit. The average 2020 family contribution after subsidy was R1 953, 20% of which went towards the PMSA. The percentage of members on this option at end-2020 was 14.4%.
<b>EMERALD:</b>	This option provides comprehensive cover with access to care at the member's chosen provider, subject to benefits and Scheme rules. This is a higher-end option, with a 2020 average family contribution after subsidy of R2 599. The percentage of members on this option at end-2020 was 54.9%.
<b>EMERALD VALUE:</b>	Introduced from 1 January 2017, this is an efficiency discounted sub-option of Emerald. Members on this option pay discounted membership fees in exchange for adhering to care coordination rules (family practitioner nomination and specialist referral) and have to use the Scheme's hospital network. The average 2020 family contribution after subsidy was R1 938, and the percentage of members on this option at end-2020 was 11.5%.
<b>ONYX:</b>	This is a top-of-the-range benefit option that offers extensive cover. Day-to-day benefits are funded from rich risk benefits without any network limitations. The 2020 average family contribution after subsidy was R3 655. The percentage of members at end-2020 was 3.4%.

### How our options compare on member value offering

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

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

The table shows the calculated value of GEMS options against competing options. For example, GEMS Tanzanite One members, on average, enjoyed a 97% higher benefit for each Rand spent on contributions (after allowing for the public service subsidy) than they would have on competing options. Each GEMS option was more cost effective than its competitor. The average relative value for money on GEMS options was 62% higher.

**Table 1**

Option	% difference between GEMS' average family contribution and average family contribution of competing schemes before subsidy	% difference between GEMS' average family contribution and average family contribution of competing schemes after subsidy
Tanzanite One	32%	97%
Beryl	11%	67%
Ruby	6%	58%
Emerald	26%	59%
Emerald Value	37%	72%
Onyx	25%	54%
<b>All</b>	<b>25%</b>	<b>62%</b>

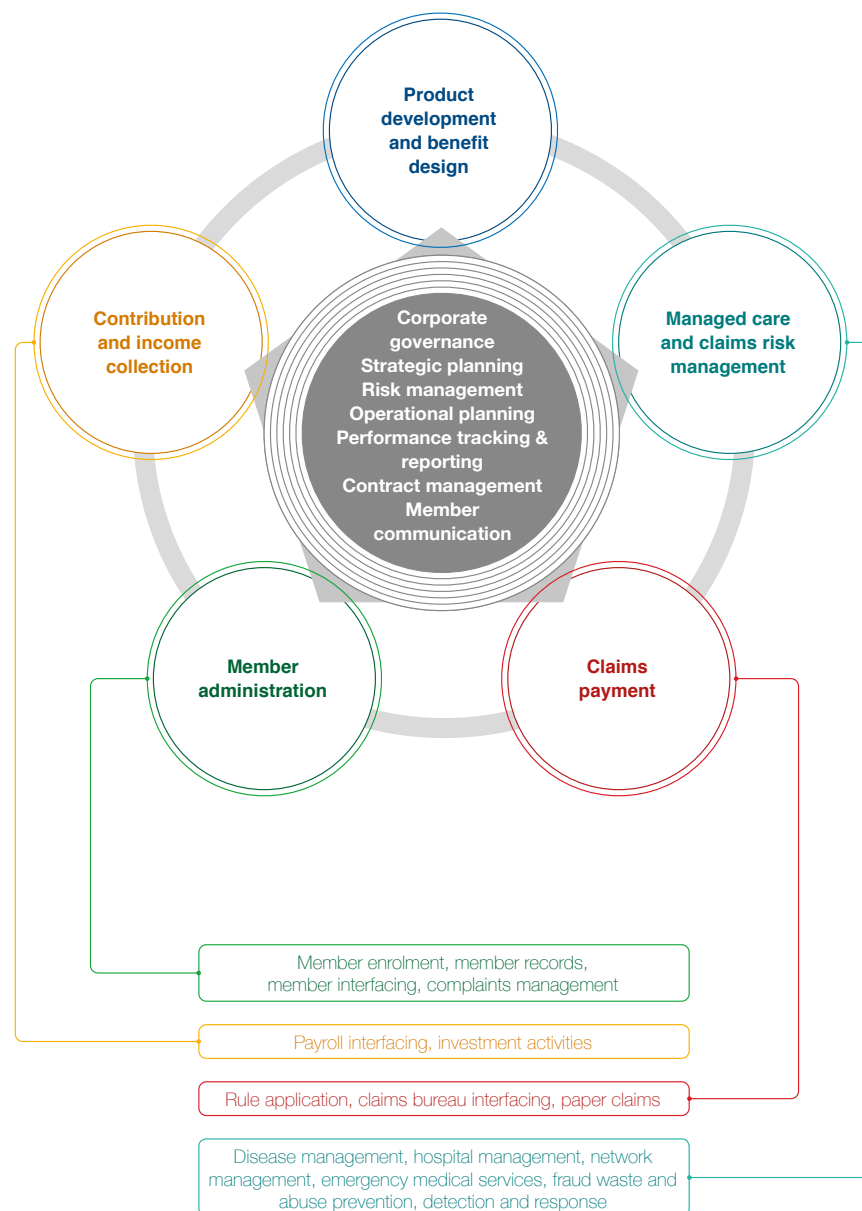
### Where to find us

The Scheme's head office, GEMS Vutomi House, is in Menlyn Maine Precinct, corner of Amarand and Mercy avenues, Tshwane.

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

Face to face	Telephonic services	Online services
18 walk-in centres - i.e. two per province (The street addresses are on page 243)	Call centres operating across the service provider network reached on 0860 004 367	Email addresses for enquiries and to reach our client liaison officers (see back page of the report)
Our client liaison officers visit members at work. We have client liaison offices in all nine provinces, supplemented by a mobile office (contact numbers are on the back page).	Contact details are placed on the back page of the report	GEMS member app and portal hosted on the GEMS website. (please refer to QR code on back page of the report)

The business activities performed under our business model drives value creation (demonstrated further on page 31 and in our performance under our strategic plan (page 97)

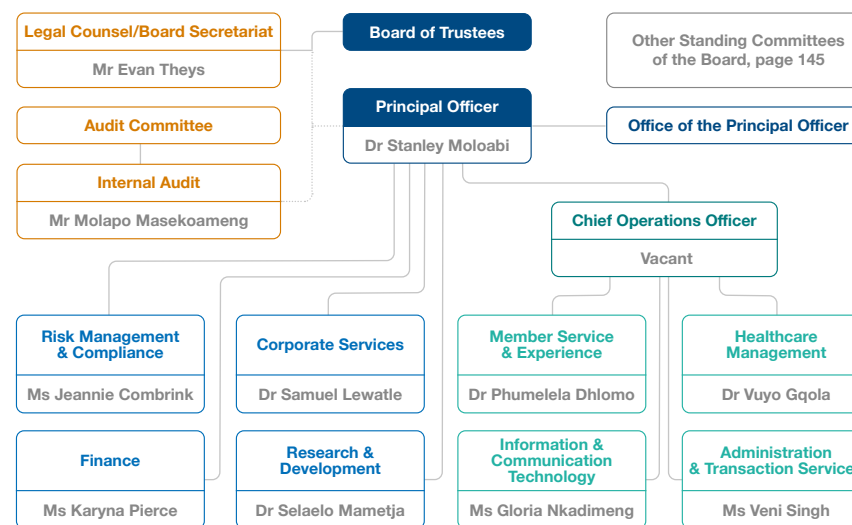


## Outsourced member services

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

Service provider network	Healthcare provider network
<b>Member administration services</b> Member and claims administration contribution and debt collection	<b>Ambulatory care</b> Specialist networks Primary networks (GP Network, optometry network, dental network, pharmacy network, emergency medical services, chronic back and neck rehabilitation network) Courier pharmacy Renal Network
<b>Managed care services</b> General managed care services Hospital benefit management, Medicine management, Dental managed care Optical managed care, Active disease risk management, Network management, Emergency managed care services	<b>In-hospital care</b> Hospital network, Specialist networks

Our organisational and leadership structure are designed for optimal oversight over all our business activities



More information on our trustees, Executive Committee (Exco) and senior managers is available from pages 146 (trustees) and 189 (executives and senior managers).



## External operating environment

Important developments in our external operating context expected to have an influence on our ability to create value are:

Description	Main impact on our capitals	Material matter for impact on strategy, risk, performance, stakeholder concerns and outlook
<b>Covid-19:</b> Covid-19 impacted profoundly on our beneficiaries, our stakeholders and the community around us in 2020. The epidemic in South Africa is surging and waning over time and is not realistically expected to end fully in the short to medium term.	<b>Financial capital:</b> Claims experience, page 113.  Investment performance, page 124.  <b>Social and relationship capital:</b> Stakeholder engagement, page 46 (members and other stakeholders)	Covid-19 (page 60)  Member value proposition (page 62)  Stakeholder value proposition (page 63)
<b>Pressure on the South African economy:</b> Pressure on the economy impacts on our assessment of contribution income security. GEMS members are employed in the public service and enjoy job security, but they are subject to a freeze on cost-of-living salary increases. Members responsible for extended families increasingly find it difficult to afford contributions. This impacts on option selection by members.	<b>Social and relationship capital:</b>  Stakeholder engagement page 46.	Member value proposition (page 62)  Stakeholder value proposition (page 63)

Description	Main impact on our capitals	Material matter for impact on strategy, risk, performance, stakeholder concerns and outlook
<b>The National Health Insurance (NHI) impact on GEMS:</b>  NHI implementation requires that GEMS alter the way it does business and strategically position itself for the NHI. Our strategy (page 71) connects GEMS' future to NHI. Since inception, GEMS has proven itself an effective vehicle to drive the government's agenda to expand healthcare coverage. Potential NHI scenarios for GEMS can be distilled from possible changes to government's mandate for GEMS and the pace of NHI implementation. Based on GEMS' track record, the Scheme could be an enabler and/or catalyst for driving change and progression towards universal health coverage (UHC) objectives by drawing on synergies between government policy and the aspiration of GEMS' mandate.  The NHI policy was published in June 2017 followed by the National Health Insurance Bill for comment in June 2018. The Bill was tabled in Parliament in August 2019 and the public consultation process is still underway. The Bill details the establishment and operations of the National Health Insurance Fund. GEMS made written submissions to the Portfolio Committee on Health.	<b>Social and relationship capital:</b>  Stakeholder engagement, page 46.	Positioning for NHI (page 62).

Description	Main impact on our capitals	Material matter for impact on strategy, risk, performance, stakeholder concerns and outlook
<p><b>Medical Schemes Consolidation Framework</b></p> <p>In keeping with the approved NHI White Paper, schemes covering state employees will be consolidated into GEMS, thus presenting the state with a unique opportunity to continue learning and progressively strengthening its capacity to administer a large national health fund. The CMS published a proposed consolidation framework in September 2018 under CMS Circular 42 of 2018. GEMS supports a phased approach to consolidation to ensure financial impacts and outcomes are well determined and understood, without compromising the sustainability of medical schemes. It would be ideal to move towards at least one common and basic benefit option within all schemes as a start, followed by option consolidation within schemes, with potentially no more than three options (basic benefit package, savings option, richer benefit option). Changes of this magnitude should be implemented only after extensive government-led stakeholder engagement and consultation. GEMS seeks a mandate from government, after conclusion of initial stakeholder engagements, to implement an amended scope for the Scheme's membership eligibility rules, effectively amending the 2004 Cabinet mandate for the establishment of a restricted membership medical scheme for public service employees.</p> <p>The CMS established a public sector scheme forum in which GEMS will participate.</p>	<p><b>Social and relationship capital:</b></p> <p>Relationship with the Minister for Public Service and Administration, page 43.</p> <p>Stakeholder engagement, page 46.</p>	<p>Positioning for NHI (page 62).</p> <p>Stakeholder value proposition (page 63).</p>

Description	Main impact on our capitals	Material matter for impact on strategy, risk, performance, stakeholder concerns and outlook
<p><b>Section 59 investigation</b></p> <p>Section 59 of the Medical Schemes Act authorises medical schemes to terminate direct payment to healthcare providers and to recover funds incorrectly or irregularly paid.</p> <p>Allegations of racial discrimination were made against medical schemes and administrators by healthcare providers in 2019, among them GEMS, which is accused of racial profiling of healthcare providers investigated for fraud. The allegations prompted a CMS Section 59 investigation. GEMS cooperated fully with the investigation and made extensive submissions in 2019 and 2020. The response included expanded stakeholder engagements with the National Healthcare Professionals Association (NHCPA), which spearheaded the allegations and the Solutionist Thinkers Group, an association of black healthcare providers that engaged with GEMS to resolve issues between GEMS and its members.</p> <p>GEMS is a transformative organisation and racial discrimination in any of our value chain activities would be irrational. UHC and transformation in the industry are very important and GEMS continuously seeks new ways to facilitate these and set the example for other industry role-players.</p> <p>Fraud, waste and abuse are common and endemic in the industry and medical schemes need to be able to mitigate risks effectively. Suspension of payment, termination of direct payment and recoveries of illicit payments should remain options for medical schemes fighting fraud, waste and abuse.</p>	<p><b>Social and Relationship capital:</b></p> <p>Chairperson Overview, page 21.</p> <p>Stakeholder engagement, page 46</p>	<p>Stakeholder value proposition (page 63).</p> <p>Active corporate citizenship (page 65).</p>

Description	Main impact on our capitals	Material matter for impact on strategy, risk, performance, stakeholder concerns and outlook
<p>The medical schemes industry, under the leadership of the CMS, has made progress in developing and implementing a collaborative approach to curb fraud, waste and abuse. GEMS is a signatory to the industry charter concluded early in 2019 and participated in the development of a code of good practice in 2020. GEMS is also an active participant on the Board of Healthcare Funders Health Forensic Management Unit (HFMU). GEMS is committed to collaborating in the interests of all medical scheme beneficiaries.</p> <p>The report and recommendations from the Section 59 panel were still awaited at the end of 2020.</p>		
<p><b>Review of prescribed minimum benefits (PMBs)</b></p> <p>The Regulations to the Medical Schemes Act were amended on 7 May 2020 and Covid-19 is now a PMB condition. We treated Covid-19 similarly to other PMBs before the amendment. In addition, we relaxed certain clinical protocols and network rules to promote member access to diagnosis and treatment of Covid-19.</p> <p>The CMS continues to review PMB regulations.</p>	<p><b>Financial capital:</b></p> <p>The impact of PMB claims on GEMS is discussed from page 121 of the report</p>	<p>Covid-19 (page 60)</p> <p>Member value proposition (page 62)</p>
<p><b>Other legislative and regulatory reforms:</b></p> <p>Medical schemes and their stakeholders are preparing to comply with the Protection of Personal Information Act (POPIA).</p>	<p><b>Intellectual capital and human capital:</b></p> <p>Governance of compliance, page 169.</p>	<p>Stakeholder value proposition (page 63)</p> <p>Proactive compliance with POPIA (page 171)</p>

Description	Main impact on our capitals	Material matter for impact on strategy, risk, performance, stakeholder concerns and outlook
<p>GEMS has developed a POPIA compliance plan to define Scheme requirements and achieve full compliance.</p> <p>Our strategic plan for 2017 to 2021 is aligned to many of the recommendations of the Health Market Inquiry, the most holistic and conclusive examination of the private healthcare sector to date, which published its final report on 30 September 2019. GEMS supported the inquiry by responding to submission and information requests, providing detailed information on the establishment of healthcare provider networks through competitive tender processes, results of the GEMS Emerald Value option, the impact of supply-induced demand and a recommendation for a standardised benefit package. The report envisages a better environment for the NHI to function and proposes recommendations intended to be implemented as a package of reforms for better integration, information availability for decision making, efficiency, transparency and competition in the healthcare market combined with the appropriate regulation. GEMS supports the recommendations.</p>		



# SECTION 04

## CHAIRPERSON'S OVERVIEW AND OUTLOOK



*"We thank our employees for taking on additional pressures such as longer working hours. While we are thankful that we have not lost any in our ranks to Covid-19, many of our employees lost close family members and friends. Our heartfelt condolences go out to GEMS family members affected"*

One of the greatest disruptions of our time, the Covid-19 pandemic, was reported in December 2019 and profoundly impacted the world. GEMS, as the medical scheme for public service employees in South Africa, provides healthcare cover to the majority of frontline workers in our public service, including nurses, doctors, teachers and correctional services employees, and we have actively managed the experience of our members in this difficult time. The effect of Covid-19 will be felt for the foreseeable future in South Africa, not only in respect of coronavirus itself but in other diseases whose prevention and compliance to treatment are not sufficiently prioritised at this time.

Our ability to manage the ongoing crisis and withstand the storm is founded in performance against our strategy over the past four years and in the effective risk mitigation measures implemented to ensure that our strategy succeeds.

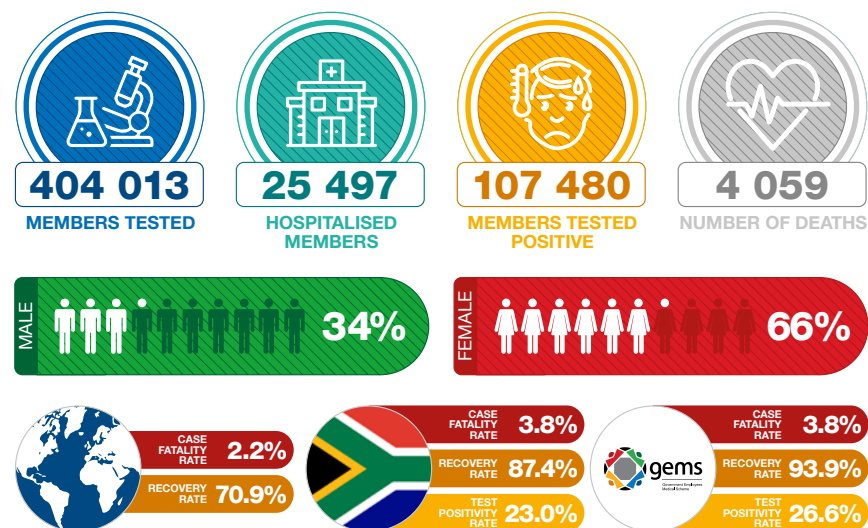
The financial strength restored during the first phase of strategy execution, coupled with the ongoing improvement of our benefits and services, enables GEMS to be there for its beneficiaries when they need it most and to support government in its vaccination rollout.

Information on the impact of Covid-19 on our services, financial position and stakeholders, and our response to it is interwoven through the report. The pandemic has affected both our members and employees and we are deeply saddened to report the loss of 4 059 beneficiaries to Covid-19 in 2020. Our hearts go out to their families and loved ones. Our sincere thanks go to our beneficiaries who, as frontline workers, continued to perform their duties, duties made even more important by the circumstances and who were affected more than workers in other sectors.



## Covid-19 Statistics

31 December 2020



In 2020, we required GEMS employees to adjust to a new way of working while maintaining, even exceeding, past productivity. That we have opened more client liaison offices in 2020 to achieve a footprint in all the provinces is testament to their dedication to serve our members. We thank our employees for taking on additional pressures such as longer working hours. While we are thankful that we have not lost any in our ranks to Covid-19, many of our employees lost close family members and friends. Our heartfelt condolences go out to our GEMS family members affected.

Our annual product development and benefit design process is guided by our strategic plan objectives, informed by aspects such as benefit use by members, tariff increases and distribution of reserves. Covid-19 accounted for substantial claims in 2020, estimated to exceed R3 billion after concluding the full claims run-off period. The lockdown regulations dramatically lowered the number of non-Covid-19 claims, which contributed to the Scheme's better-than-expected financial results. Importantly, non-Covid-19 claims returned to expected levels towards the end of 2020 and we had to consider its combined impact with ongoing Covid-19 claims in finalising our benefit design and pricing for 2021. After stakeholder consultation at the PSCBC, the Board took the difficult decision to implement a weighted average contribution increase of 6% for 2021, with benefit enhancements that include an increase of 5% on all benefit limits. The Minister for Public Service and Administration increased the medical assistance subsidy for 2021 and as a result, the contributions paid by members in 2021 reduced in some instances by R21. At the other end of the spectrum, members are paying only R243 more than in 2020. Emerald option members who chose to move to EVO, experienced an average decrease in monthly contributions of R811 compared to 2020. For members who have not been able to move between options, an additional window period is available in 2021. A more complete explanation of the considerations that informed the 2021 benefit design is available on page 56.

## Annual General Meeting of members

The CMS exempted GEMS from the provisions of the GEMS Rule requiring that an Annual General Meeting of members (AGM) be held by 31 July of each year. The exemption allowed the AGM to be held within 90 days of the end of the lockdown. The practical issues of convening an AGM in 2020 were discussed with the PSCBC, which supported our decision to defer the event. The 2020 and 2021 AGMs will be held simultaneously on 31 August 2021 and will be a virtual meeting.

## Trustee elections

The 2020 GEMS trustee elections began on 27 January 2020, with nominations closing on 27 February 2020. With the national lockdown, the election could not continue. The CMS exempted GEMS from the provisions of GEMS Rule 19.31 and the election was postponed to 2021 with the support of the PSCBC. The elections resumed in January 2021 with nominations, and voting began on 23 March 2021. We encourage members to participate fully as the calibre of Board members ultimately impacts on the quality of member services.

## Board of Trustees

The Minister for Public Service and Administration filled the remaining vacancy on the Board for appointed trustees and we welcomed Dr Nomzamo Tutu to the Board on 30 July 2020.

## Important developments in 2021

### Section 59 investigation interim report

The Section 59 investigation panel was established by the CMS in 2019 to investigate allegations of discrimination against black healthcare professionals by medical schemes and administrators, specifically when identifying healthcare providers for forensic investigation. We welcomed the move as we fully support all efforts to identify and eradicate racial discrimination practices in our country. We participated fully in the investigation, made full disclosure of our policies, systems and data and provided all information required. This included responding fully to individual complaints levelled against GEMS.

The medical schemes industry was informed in January 2021 of the panel's intention to release an interim report on 17 January 2020 without allowing affected medical schemes to study the report and comment as required by the panel's terms of reference.

GEMS lodged an application for an interim interdict to prevent publication of the report on Sunday 17 January 2021 at 12:00 or thereafter, pending clarification of GEMS' rights to first comment on the report. GEMS held the view that publication:

- Would be unlawful and ultra vires and beyond the powers and functions of the panel;
- Would be in breach of Section 60(2) of the Medical Schemes Act, which provides that no person shall, except in the performance of his or her functions or duties under the Medical Schemes Act or when called upon to do so as a witness before a court of law, disclose any information relating to the affairs of any medical scheme and furnished to or obtained by him or her in connection with any enquiry or investigation under the Medical Schemes Act;

- Would violate the principles of natural justice and the audi alteram partem rule;
- Would violate GEMS’ right to be heard; and
- Would seriously and irreparably injure GEMS’ good name and reputation.

The interim interdict did not succeed as urgency was not demonstrated. There was no ruling on the grounds for the interdict set out above. The interim report was released on Tuesday, 19 January 2021. The findings reflected in the report and the manner of its release are of serious concern to the Board. Having considered the interim findings and expert advice, we do not agree with the conclusions reached by the panel on GEMS. A response was prepared to show that GEMS is a transformational organisation that seeks to be a good corporate citizen. We further submitted that the approach adopted by the panel was fundamentally flawed, specifically the data used and their interpretation. We understand and fully accept the higher standard that GEMS is being held to and we have every intention of meeting it, but it was appropriate to provide information where we believed the report needed to be strengthened, even corrected, before final release.

#### Investigation into tender irregularities

At the GEMS AGM held on 31 July 2017, the Board briefed members on the investigation into tender irregularities uncovered in 2017 after whistleblower complaints were received by the Scheme. Members were subsequently provided with updated information in the integrated report that was released in 2018.

For ease of reference:

- A comprehensive forensic investigation commissioned by the Board was launched and was completed early in 2018. At the start of the investigation, key stakeholders, including the CMS and the Minister for Public Service and Administration, were briefed in addition to the AGM briefing.
- During the investigation, disciplinary cases were brought against seven employees, five of whom resigned during the disciplinary hearings and two of whom were dismissed after the hearings. The Scheme terminated all contracts tainted by the allegations of wrongdoing. Criminal charges were laid with the South African Police Service (SAPS) after the investigation and the forensic investigation reports were submitted to SAPS. The matter is currently with the Directory of Priority Crime Investigation (the Hawks). The Scheme also launched civil recovery proceedings against some of the former employees based on expert legal advice. We are actively monitoring progress of both the investigation and the civil proceedings.
- Following the investigation, we strengthened existing controls such as the ethics management programme, implemented new controls and enhanced various Scheme policies.
- An internal whistleblowing hotline was introduced and an internal forensic investigation unit established, focused on GEMS employees and contractors, complementing systems already in place for investigating member and healthcare provider claims fraud.

#### Our prospects

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



The main strategic plan performance targets not met in 2020 (see page 97):

Target	Action taken to achieve the target
Timeous completion of stakeholder forums workplans/outcomes (%)	A new stakeholder management approach is being developed with proactive and reactive components.
Standardisation of basic benefit package (%) across the GEMS range	Good progress has been made to achieve this target. Our product development process is geared at continuously standardising benefits across the GEMS options to simplify products.
% of reports produced by the administrator that can be replicated by GEMS (%)	Additional resources are being appointed in the data and strategic insights areas. A new service provider was appointed to support the enterprise intelligence work stream that deals with data strategy, governance and management processes.
Provider digital services adoption (%)	Work is deferred to 2021 due to procurement delays caused by Covid-19.

Target	Action taken to achieve the target
Externally assessed employee engagement (ranking): Top employer report	An intervention report is available and the required interventions are being implemented.
System security: Development and implementation of information security management capability (%)	Outstanding deliverables were included in our POPIA compliance project deliverables and are being driven actively through the project plan and continued communication by our Information and Communication Technology Division.
Alternative reimbursement model (ARM) established (%)	ARM rollout in 2020 was hampered by hospital focus on the pandemic, with hospitals operating at full capacity while experiencing the associated administrative challenges. ARM rollout was deprioritised/suspended to allow the Scheme and hospitals to focus on providing care for those affected by Covid-19. Rollout of ARM and centres of excellence has resumed in both the private and public sectors for 2021.

Where targets were met, the Scheme's established processes for managing claims and service will continue to maintain and improve performance.

Looking to the future, we will continue to simplify and improve our products and services. A standardised benefit package is part of that work, with Tanzanite One the reference product. We believe that we are well on our way to reducing the number of options offered while still satisfying our mandate of equity through affordability and sufficient choice for members. Our risk appetite may be impacted by the Covid-19 pandemic and will be carefully considered by the Board. We have commissioned an actuarial study to estimate the potential impact of a third Covid-19 wave and the long-term impact on member health outcomes and healthcare costs.

Members can look forward to improved services as we continuously innovate using the advanced information and communication technology (ICT) becoming available. We acknowledge that many members still do not have access to online services, thus we will continue to use established communication and service delivery methods.

The NHI will affect GEMS and we have developed a scenario analysis that considers potential future scenarios. Scenario materialisation will depend on factors such as the pace of NHI implementation, which in turn will depend on economic recovery, the readiness of the public health sector and progress in institutional and other reforms necessary for successful NHI implementation. Although Covid-19 has affected the pace of the work, it has enabled policymakers to test important factors such as public and private sector collaboration and integration. The rollout of government's vaccination programme will allow for testing of NHI readiness. GEMS remains committed to supporting NHI and to being a blueprint, thereby demonstrating what UHC means.

## Appreciation

I thank Mr Senzo Mchunu, Minister for Public Service and Administration, Ms Sindisiwe Chikunga, Deputy Minister for Public Service and Administration, Ms Yoliswa Makhasi, the Director General: Public Service and Administration; and the officials in the Department of Public Service and Administration who regularly engaged with us in 2020. Despite the lockdown and the switch to virtual meeting platforms, GEMS continued to enjoy constructive discussions and guidance.

To the PSCBC Chairperson, Ms Ingrid Dimo, and General Secretary, Mr Frikkie de Bruyn, we express our sincere appreciation for your willingness to engage with the Board and the Scheme. Our discussions are not always easy, but we found solutions that balance beneficiary interests and GEMS sustainability. We recognise the leadership of the Unions admitted to the PSCBC, the National Department of Health and National Treasury for the constructive working relations enjoyed in 2020. Our partnerships should ultimately contribute to achieving national health objectives.

GEMS trustees were confronted during 2020 with difficult decisions and an ever-complex stakeholder landscape, but they demonstrated their willingness to conduct robust discussion to address challenges decisively to protect the interests of all GEMS beneficiaries. The Board maintained a results-driven approach and strived for ethical leadership. My thanks go to trustees for their ongoing support in engaging stakeholders.

The contribution of Dr Confidence Moloko, Mr Mfariseni Phophi and Mr Nkosinathi Theledi in chairing the Finance and Investment Committee, the Risk Social and Ethics Committee, and the Human Resources and Remuneration Committee respectively, is appreciated, as is the Independent Chairperson of the GEMS Audit Committee, Mr Joe Lesejane's frank and forthright advice and guidance in continuously strengthening the Scheme's assurance functions and corporate governance, and the commitment and expertise of Ms Malande Tonjeni and Ms Carolyn Chalmers, who served on the Audit Committee, the Finance and Investment Committee and the Risk Social and Ethics Committee.

After serving GEMS diligently as the Principal Officer from 01 August 2013 till 31 January 2020, one month into this reporting period, Dr Guvant 'Guni' Goolab finally handed the Executive Management leadership of the Scheme to Dr Stanley Moloabi. On behalf of the entire GEMS family I heartily want to thank Dr Guni as he is affectionately known, for the dedication he has shown during his tenure as Principal Officer and wish him all of the best in his future endeavours.

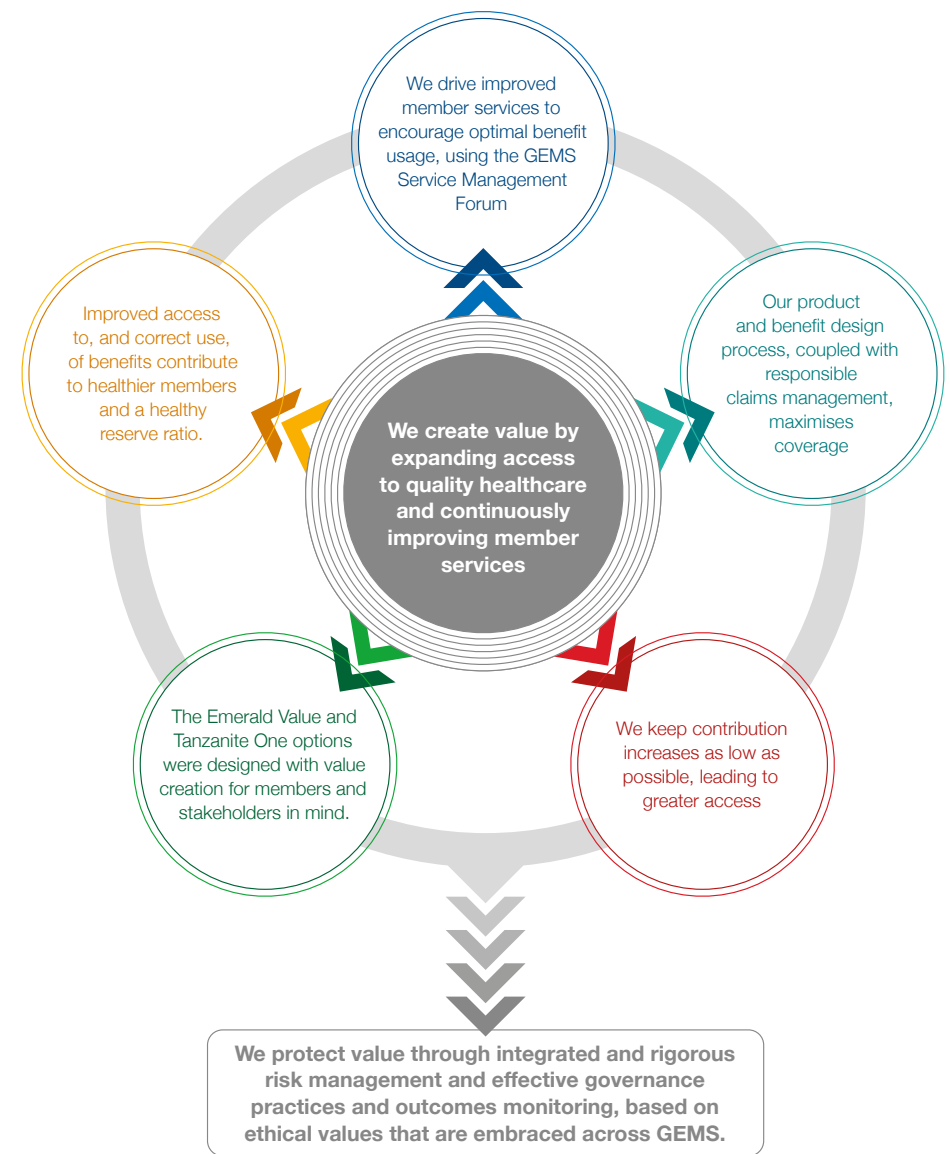
Dr Moloabi led GEMS through difficult circumstances in 2020 and the Board pledges its unwavering support for him and the entire GEMS team.

The Board is satisfied with the Scheme's operational results for the period ended 31 December 2020.

# SECTION 05



## HOW WE VIEW VALUE







## SECTION 06

# HOW WE USE THE CAPITALS TO CREATE AND MAINTAIN VALUE

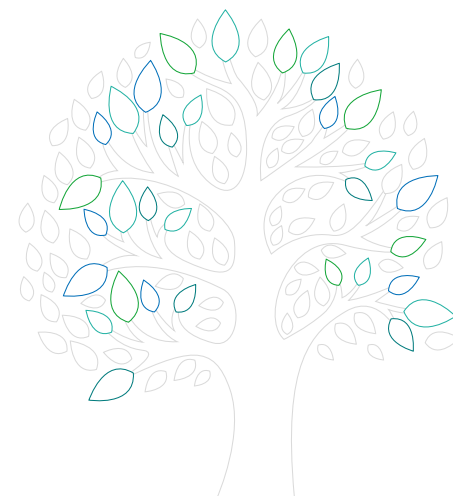
In this section, we disclose our value creation process and the important outcomes of this process.

An overview of our main business activities, being the core of our value creation process, is provided in the organisational overview (page 12).

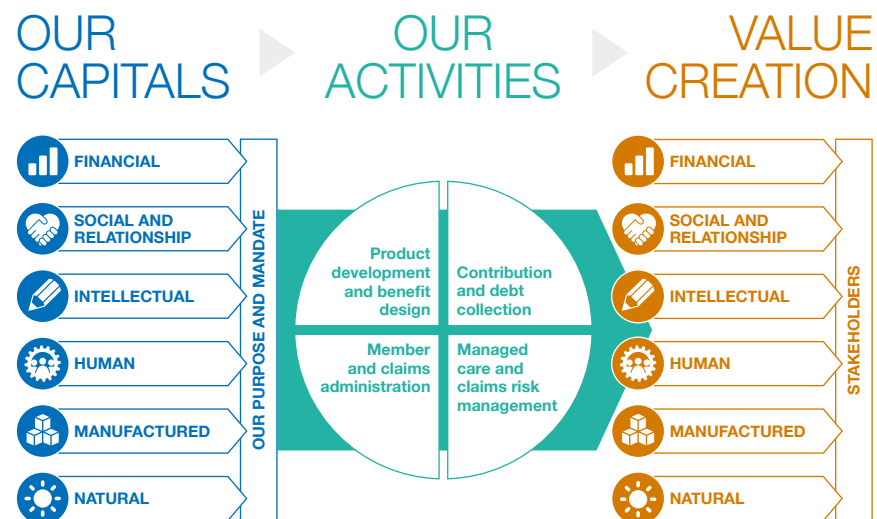
Outcomes derived from our use of the capitals for members and stakeholders in 2020:

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

<sup>1</sup>The International Integrated Reporting Framework, as published by the International Integrated Reporting Council, 2013



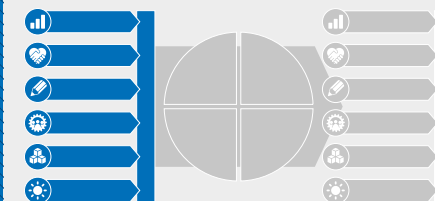
# GEMS BUSINESS MODEL



**Natural Capital:** Covid-19 had a significant impact on GEMS' business activities during the year under review. As part of GEMS' commitment to the health and safety of its employees, the majority of GEMS' staff continue to successfully work from home.

GEMS' staff currently are not permitted to travel for work purposes, save in exceptional circumstances. As such, GEMS' determined that it will not measure and audit its carbon footprint for 2020. GEMS however continues to monitor its carbon footprint, specifically its water and electricity usage as well as adherence to its waste recycling initiatives.

## OUR CAPITALS



### FINANCIAL

- ▶ Contribution and subsidy income **R45.3bn**
- ▶ Investment funds **R22.2bn**



### SOCIAL AND RELATIONSHIP

- ▶ Brand and reputation spend: **R25.2m (60.5% of budget allocation)**
- ▶ Resilient stakeholder relationships:
  - PSCBC and PSCBC Working Committee engagements: **7 meetings** held supported by reports and presentations
  - Socio-economic development grants: **R9m**
  - Procurement measured spend of **R2.595bn** with recognised spend of **R3.402bn**



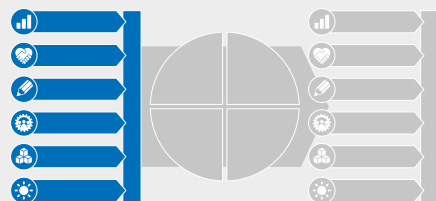
### INTELLECTUAL

- ▶ In-house systems development and support: **R21m**
- ▶ Research and development capability build
- ▶ Managed care contract spend: **R882m**
- ▶ Tariff negotiation process and engagements
- ▶ SLA management capability
- ▶ Developing Supplier Support Programme: **R 1 021 444** spent on execution with an additional **R13 960** for data support.

***Our purpose and mandate:**  
Adequate healthcare cover that is efficient, cost effective and equitable*

# OUR CAPITALS

CONTINUED



## HUMAN

- ▶ 351 Employees with R266m spent on remuneration
- ▶ Employee training investment: R1.6m
- ▶ Reward structures linked to individual performance, scheme performance and value drivers
- ▶ Trustee remuneration R8.2m
- ▶ Audit Committee Independent Members Remuneration: R1.1m



## MANUFACTURED

- ▶ GEMS Vutomi House maintenance spend and office supplies: R1.9m
- ▶ OHS spend: R18k
- ▶ ICT infrastructure and application system investment: capex R56m
- ▶ CLO Office rental: R2.2m
- ▶ Internet service providers spend: R12m
- ▶ 3 hospital networks contracted

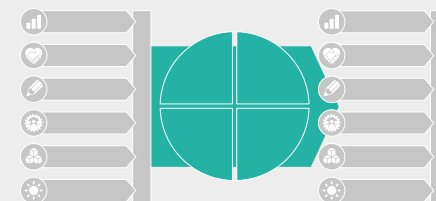


## NATURAL

- ▶ Recycling waste management fee paid: R112k
- ▶ Energy efficient building with water preservation system at GEMS Vutomi House

*Our purpose and mandate: Adequate healthcare cover that is efficient, cost effective and equitable*

# OUR ACTIVITIES



*...are put to work in member-focused business activities under programmes aligned to our strategy...*

## PRODUCT DEVELOPMENT AND BENEFIT DESIGN

- ▶ GEMS 2021 benefit design product offering. Benefit enhancements of R369 million and average contribution increase of 6%
- ▶ Standardisation of benefits

## CONTRIBUTION AND DEBT COLLECTION

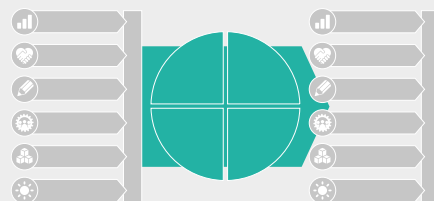
- ▶ Payroll interfacing and interfacing with Government Employees Pension Agency - collection of R45.3bn
- ▶ Debt collection of R45.1bn

## MANAGED CARE AND CLAIMS RISK MANAGEMENT

- ▶ Managed care protocol design, application and funding decisions
- ▶ Disease management interventions
- ▶ Claims outlier investigations

## OUR ACTIVITIES

CONTINUED

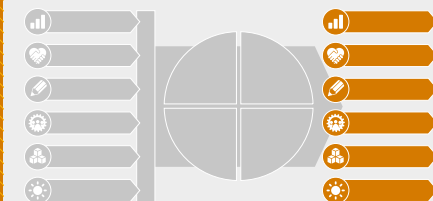


*...are put to work in member focussed business activities under programmes aligned to our strategy...*

### MEMBER AND CLAIMS ADMINISTRATION

- ▶ **101 million** claim lines paid:
- ▶ Claims paid: **R36.4 billion**
- ▶ Members enrolled: **750 935**
- ▶ Complaints resolved: **33%** reduction in complaints from 2019

## VALUE CREATION



*...that aims to expand access to quality healthcare and continuously improve member services and create value for our stakeholders*

### FINANCIAL

- ▶ Claims ratio of **84.8%**
- ▶ Reserve ratio movement from **31.5%** in 2019 to **41.11%** in 2020
- ▶ Investment returns of **R902m/CPI+2%**
- ▶ Global Credit Rating achieved in 2020 improvement to **AA-** with positive outlook
- ▶ FWA Outlier Intervention impact: **R489m**
- ▶ Savings of **R74.2m** achieved through successful tariff negotiations in 2020
- ▶ Reduced hospitalization costs for members using the networks

#### STAKEHOLDERS

- ▶ Members
- ▶ Minister for the PSA
- ▶ DPSCA
- ▶ National Treasury

### SOCIAL AND RELATIONSHIP

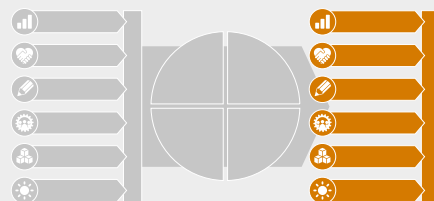
- ▶ Membership growth of **3.3%** in 2020 demonstrated confidence in GEMS
- ▶ Average contribution increase of **6%** for 2021 with **R369m** in added benefits
- ▶ The GEMS contribution increase for 2021 was revised down after stakeholder engagement in the PSCBC

#### STAKEHOLDERS

- ▶ Members
- ▶ Minister
- ▶ Healthcare Providers
- ▶ PSCBC
- ▶ Community
- ▶ National Department of Health
- ▶ SPN



# VALUE CREATION CONTINUED



...that aims to expand access to quality healthcare and continuously improve member services and create value for our stakeholders



## SOCIAL AND RELATIONSHIP (CONTINUED)

- ▶ Formal CMS complaints per 1000 lives performance - **0.12** against target of target of **0.50**
- ▶ Compliments as a % of all Beneficiaries performance - **0.03%** against target of **0.15%**
- ▶ Overall member satisfaction increased from **74%** in Jan 2020 to **86%** by Dec 2020
- ▶ Provider satisfaction increased from **75%** in 2019 to **85%** in 2020, with increased levels of trust
- ▶ GEMS ranked **6th** in Ask Africa Survey
- ▶ Medical assistance subsidy increased for members by **8.51%** after engaging the Employer
- ▶ **69%** of our Service Provider Network contractors achieved a BBBEE contributor status of Level 1 and **31%** contributor status level 2
- ▶ Our overall contracted provider level contributor status profile ranges from **38.78%** Level 1, **20.78%** Level 2, **5.54%** Level 3 and **22.99%** at Level 4
- ▶ **20** beneficiaries participating in the Developing Supplier Support Programme with beneficiary mentoring
- ▶ Schools and a day-care centre **received support**, by distributing sanitary pads and other essentials
- ▶ Met and **exceeded** the 90-90-90 targets set for HIV/AIDS management

### STAKEHOLDERS

- ▶ Members
- ▶ Minister
- ▶ Healthcare Providers
- ▶ PSCBC
- ▶ Community
- ▶ National Department of Health
- ▶ SPN



## INTELLECTUAL

- ▶ **Intelligems** (GEMS ERP) system in place and intellectual capital captured
- ▶ Outperformed the industry in **more than 90%** of the health outcome metrics measured by HQA
- ▶ Emerald Value and Tanzanite One: **NHI reference products**
- ▶ Overall pre-authorization rate of **21.4%** is below budget for 2020
- ▶ Managed care member service structure **streamlined** towards insourcing
- ▶ Administration contracts – **exceeds 95%** SLA compliance in 2020
- ▶ Managed care contracts – **exceeds 97%** SLA compliance in 2020
- ▶ **33%** of GEMS employees trained

### STAKEHOLDERS

- ▶ Members
- ▶ Minister
- ▶ DPSA
- ▶ National Department of Health
- ▶ PSCBC



## HUMAN

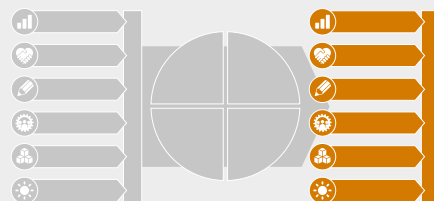
- ▶ **57%** of GEMS employees received funding assistance for formal qualifications
- ▶ Performance bonus spent **R25.02 million** (paid in 2021 for performance in 2020)
- ▶ Employee performance improvement from **3.79** (out of 5) in 2019 to **3.80** in 2020
- ▶ Working conditions: **Compliance to Occupational Health and Safety Act**

### STAKEHOLDERS

- ▶ Members
- ▶ Employees

# VALUE CREATION

CONTINUED



## MANUFACTURED

- ▶ Access to tools of trade for GEMS Employees and Scheme information and services for members and providers
- ▶ Enablement of the Scheme operations across GEMS Head Office, CLO offices and the Service Provider Network
- ▶ Beneficiary access to hospitals and healthcare providers (pages 102 to 103)

### STAKEHOLDERS

- ▶ Members
- ▶ Employees
- ▶ SPN
- ▶ Healthcare
- ▶ Providers



## NATURAL

- ▶ **5 Star Rated** Green Building: Green Building Council South Africa
- ▶ Waste to recycling instead of landfill (january to March 2020): **539kg**

### STAKEHOLDERS

- ▶ Community





# SECTION 07

## OUR RELATIONSHIP WITH THE MINISTER FOR PUBLIC SERVICE AND ADMINISTRATION

In this section we review our engagements with the Minister for Public Service and Administration, Mr Senzo Mchunu, the Deputy Minister for Public Service and Administration, Ms Sindisiwe Chikunga and the Department of Public Service and Administration.

GEMS is registered as a restricted membership scheme under the Medical Schemes Act with membership eligibility determined by employment. The Scheme is governed by an independent Board of Trustees and provides services exclusively to eligible employees. As such, it is not an organ of state.

Under the Rules of GEMS, the “Employer” is defined as the Government of the Republic of South Africa represented by the Minister for Public Service and Administration. We seek to balance our obligations under the Medical Schemes Act with our obligation to serve public service employees and the Scheme’s principals.


Our understanding of value creation (page 29) and our strategy (page 71) centres on our mandate from Cabinet, represented by the Minister for Public Service and Administration. The Minister has a high interest and influence in the affairs of GEMS. He, or a delegated official, appoints 50% of the GEMS Board of Trustees. The Minister determines the medical assistance subsidy for public service employees through the collective bargaining process.

The Board of Trustees, supported by Scheme management, engaged during 2020 with Minister Senzo Mchunu and Deputy Minister Sindisiwe Chikunga through reports, briefing notes, correspondence and meetings. Engagements focused on the Scheme’s value proposition, strategic direction, potential as a catalyst for NHI, financial performance, the NHI policy on the consolidation of medical schemes in the public sector, GEMS’ achievement of the HIV/Aids 90/90/90 and TB targets within the public service, its response to Covid-19, and 2021 benefits and contribution increases.

During the review period, the Scheme had six engagements with the Ministry. The Minister officially opened Vutomi House, the new GEMS head office at Menlyn Maine Green Precinct in Tshwane on 21 February 2020 (Vutomi is a Tsonga word for ‘life’). We participated in a Ministry webinar on mental health of public service employees and in the Minister’s portfolio cluster response to managing Covid-19 which was presented to Cabinet.

Ad hoc meetings were held with representatives of the Department of Public Service and Administration, exploring the Scheme’s work in improving PERSAL data for employees on salary levels 1 to 5, GEMS’ support of the Policy and Procedure on Incapacity Leave and Ill-health Retirement, and the benefits and contributions for 2021, including affordability for public service employees. We have sponsored and participated in various events held by the department such as the Batho Pele Awards, which took place on 30 October 2020.





## SECTION 08


## OUR CRITICAL STAKEHOLDER RELATIONSHIPS

In this section, we disclose our approach to stakeholder management and the value created through our stakeholder relationships.


GEMS has multiple internal and external stakeholders, and stakeholder relationship management and engagement are crucial to GEMS' success.

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


We conduct the following key stakeholder management activities:

- 

The identification of, and engagement with stakeholders:

**The GEMS stakeholder interest and influence matrix forms the basis for our annual engagement plan**
- 

The disclosure of information to stakeholders for consultation and managing perceptions and satisfaction

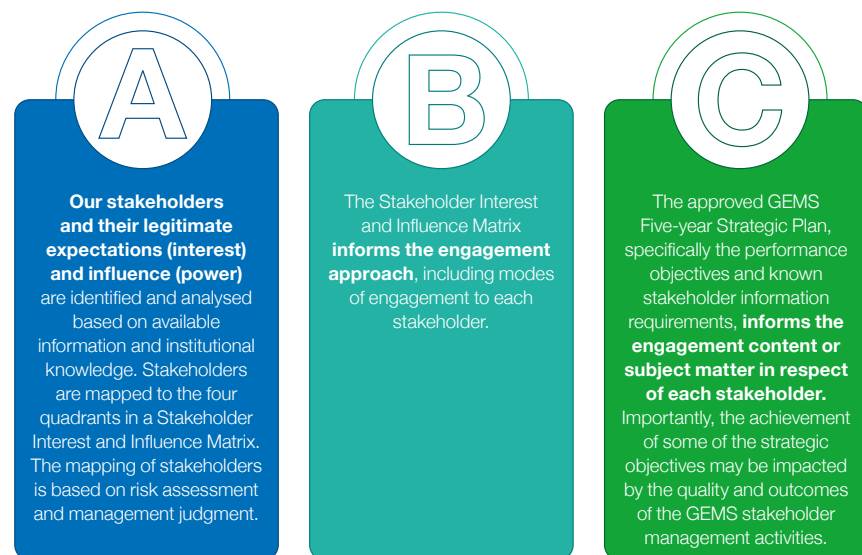
**We aim to meet stakeholder information needs and expectations and improve the quality of our engagements**
- 

Balancing interests

**We strive to develop solutions through engagement and understanding and to provide stakeholders with feedback**



## Developing our annual stakeholder engagement plan



## Creating value for our stakeholders in 2020

Our members and registered dependants	Member needs and expectations	Value created for members in 2020
<b>GEMS exists for its members and member needs and expectations receive the highest priority</b>	GEMS must remain affordable, and provide good and reliable service in paying claims, resolving member complaints and queries and preauthorisation of treatment for funding. Members require clear and timeous communication. Members expected and needed reassurance during the Covid-19 pandemic in 2020, including paying Covid-19 related claims and assistance with member administration requirements such as document submission requirements.	<p>In 2020, we paid claims of R36.4 billion (101.50 million claim lines).</p> <p>Effective cross-subsidisation for low-income members: GEMS members in the lowest decile (income group) makes up 39% of total membership. Members in this group have higher claims than contributions paid.</p> <p>Member co-payments were reduced by 5.1% from 2019 to 2020.</p> <p>Our lower non-healthcare costs saved members R2.03 billion in 2020.</p>

Our members and registered dependants	Member needs and expectations	Value created for members in 2020
<b>GEMS exists for its members and member needs and expectations receive the highest priority</b>		<p><b>Covid-19:</b></p> <p>The GEMS Board of Trustees resolved to fund Covid-19 pathology claims in full and from risk from the first Rand (i.e. not from day-to-day benefits) prior to Covid-19 becoming a PMB in May 2020 - R3 billion paid in 2020.</p> <p>For members on options using network hospitals, allocated pharmacies and primary care networks, such as GP nomination, the network and care coordination rules were relaxed during the first and second Covid-19 waves to ensure continued care.</p> <p>Telehealth claims were paid for additional disciplines in keeping with the guidance provided by the Health Professions Council of South Africa (HPCSA). This enabled our members to consult telephonically with a broad range of healthcare professionals, supporting continued access.</p> <p>The notice periods for submitting member administration documentation, e.g. newborns and student documentation, were waived.</p> <p>The Board approved a deviation from the GEMS Debt Management Policy to allow members with debt a longer repayment grace period. Our member communication drive provided members with information on Covid-19 and reassured them that their claims would be paid.</p>

We also worked closely in 2020 with other stakeholders based on their influence and interest, to balance interests and use our stakeholder relationships to create value:

Stakeholder groupings	Material legitimate interests	Value created for stakeholders in 2020
<p>Stakeholders in government and line departments:</p> <ul style="list-style-type: none"> <li>Minister of Health and the National Department of Health</li> <li>Minister of Finance and National Treasury</li> </ul>	<p>GEMS remaining sustainable</p> <p>Sound management of GEMS, ensuring lowest possible contributions and value for money</p> <p>Support for the Department of Health in the fight against Covid-19</p> <p>Advancement of key health policy direction of government, including universal access to healthcare</p> <p>Support for key health projects and initiatives with related pilot projects</p>	<p>GEMS is financially sustainable and does not require 'bailouts' from National Treasury. We have achieved a GCR improvement to AA- with positive outlook (page 11).</p> <p>Our contribution increases for 2020 were among the lowest in the medical schemes industry. Before the medical assistance subsidy is taken into account, our benefit options in 2020 were 25% more affordable than the competing options of the five largest open and closed medical schemes (page 11).</p> <p>Our non-healthcare costs are significantly lower than those of other schemes and save about R2.03 billion a year. This means that compared to other schemes, GEMS has more money available to spend on members' healthcare costs (page 114)</p> <p>Data submissions were made to the National Department of Health on male circumcision and the treatment of sexually transmitted illnesses to support the development of national health policy.</p> <p>We achieved the 90-90-90 targets for HIV/Aids disease management in 2020, confirming the appropriateness of the targets adopted by the National Department of Health (page 112).</p>

Stakeholder groupings	Material legitimate interests	Value created for stakeholders in 2020
<p>Stakeholders related to the positioning of medical assistance as an employee benefit:</p> <ul style="list-style-type: none"> <li>PSCBC</li> <li>PSCBC Working Committee</li> <li>Unions admitted to the PSCBC</li> <li>Human resources practitioners</li> </ul>	<p>GEMS remaining sustainable and in a healthy financial position</p> <p>Access to affordable benefits for public service employees generally</p> <p>Implementation of the new benefit option for employees on salary levels 1 to 5</p> <p>High member satisfaction and effective complaints management</p> <p>Effective operating model where member services are insourced</p> <p>Transformation of board composition to allow appointment of trustees by PSCBC unions by unions in the PSCBC</p> <p>Supporting members during the Covid-19 pandemic</p>	<p>GEMS demonstrated financial stability and value for money. GEMS benefits in 2020 were 25% more affordable than the competing options of the five largest open and closed medical schemes (page 11).</p> <p>Tanzanite One, developed in consultation with the PSCBC, was successfully implemented in 2020 (page 119).</p> <p>The composition of the Board needs further engagement with the PSCBC.</p> <p>The Covid-19 lockdown affected procurement activities in 2020 and delayed the insourcing of capabilities programme. This work proceeded at the end of 2020 with the appointment of our panel of transaction advisers.</p> <p>We supported unions admitted to the PSCBC with training on the management of Covid-19 in the workplace.</p> <p>Important information on the impact of Covid-19 on employing departments was made available to stakeholders.</p> <p>Employing departments were supported with health and wellness initiatives.</p> <p>We cooperated with the Office of the Premier: KwaZulu-Natal to host an online workshop in December 2020 on fraud, waste and abuse.</p>

Stakeholder groupings	Material legitimate interests	Value created for stakeholders in 2020
Stakeholders directly driving Scheme performance and operations:  <ul style="list-style-type: none"> <li>GEMS employees</li> <li>GEMS service provider network</li> </ul>	<p>Ethical leadership</p> <p>Adapting to the 'new normal' of working under the pandemic while maintaining effectiveness and efficiency</p> <p>Employee wellness Sound and constructive employment relations</p> <p>Fair employment policies and practices, including performance management Career advancement opportunities</p> <p>Effective operating model Fair and transparent procurement processes</p> <p>Sound contractual arrangements and contract management practices</p>	<p>Employee remuneration in 2020: R266 million.</p> <p>Our employees have access to a retirement fund arrangement and medical assistance subsidy.</p> <p>Investment in training and development continued in 2020 through the GEMS tailored e-learning courses for employees</p> <p>Employees received training on their POPIA obligations.</p> <p>Employees were encouraged to attend online training opportunities offered by professional training bodies.</p> <p>We established an operational Covid-19 committee in March 2020 to ensure continuous communication to employees on their working arrangements. Our employees were empowered to work from home to limit infection. Our security officers and cleaning staff performed their duties rotationally.</p> <p>An extensive employee wellness programme is available to employees 24/7.</p> <p>Employee relations are managed under the progressive GEMS Employee Relations Policy.</p> <p>Employees have access to a confidential whistleblowing hotline to report unethical conduct and suspected fraud and corruption.</p> <p>Employees have access to our Ethics Helpdesk to seek advice on ethical questions and dilemmas.</p> <p>Service level agreement requirements that could not be met in 2020 by the GEMS service provider network because of Covid-19 were adjusted.</p> <p>Administration and managed care fees paid in 2020: R2.2 billion.</p>

Stakeholder groupings	Material legitimate interests	Value created for stakeholders in 2020
Stakeholders impacting on Scheme performance: Healthcare providers in their various cohorts	<p>Fair and transparent healthcare network procurement processes</p> <p>Effective healthcare network management</p> <p>Fair and transparent fraud, waste and abuse management practices</p> <p>Transparent and fair tariff negotiations</p> <p>Effective claims payment capabilities</p>	<p>Network contracting continued in 2020 and contracted healthcare providers benefitted from higher network rates.</p> <p>Above-benefit limits paid for PMBs in 2020 amounted to R2.2 billion.</p> <p>We engaged extensively with provider associations in 2020, including associations whose concerns led to the Section 59 investigation (page 17).</p> <p>Through our healthcare provider engagement strategy, operational issues were resolved.</p> <p>The Scheme negotiates fair and appropriate annual tariff increases with hospitals, pathology groups and clinical technology groups. Annual tariff negotiations are a balancing act of member affordability, provider cost pressures and utilisation. Tariff increases have a direct impact on member contribution increases, and members cannot be expected to sustain contribution increases significantly above consumer price inflation (CPI). Additionally, increases in utilisation are used by the Scheme to justify tariff increases that are either consistent with or lower than CPI. The Scheme also has to consider the cost pressures facing healthcare providers to ensure that these providers remain financially sustainable. The transparency of these negotiations promotes trust and build good working relationships with healthcare providers and confidence in GEMS.</p> <p>We have reduced our claims rejection rate through improved business processes, resulting in fewer provider complaints. Also, members are not held accountable for shortfalls resolved in this way. Elective admissions dropped in 2020 due to Covid-19. Claims rejections reduced from 13.97% to 11.74% (August to December 2020).</p>

Stakeholder groupings	Material legitimate interests	Value created for stakeholders in 2020
Stakeholders impacting on Scheme performance: Healthcare providers in their various cohorts (continued)		<p>Funding was approved for additional personal protective equipment to compensate for increased infection control expenses to comply with Covid-19 prevention guidelines. This included funding for hospitals and healthcare provider rooms.</p> <p>We have updated tele-consultation codes to include virtual consultations in line with HPCSA definitions.</p> <p>Additional tariff codes and billing rules were established to accommodate disciplines without telemedicine codes.</p> <p>Through our managed care contracts, we provide comfort that valid claims are paid in keeping with best practice clinical protocols.</p>
Stakeholders in the medical schemes industry: Medical schemes, administrators and other providers that contract with medical schemes and healthcare providers	<p>Engaging with the bureaus and switching houses that are key to accurate claim submission from healthcare providers</p> <p>Collaboration on matters requiring a joint industry response for impact, including prevention, detection and response to fraud, waste and abuse</p>	<p>We conducted engagements with bureaus and claim-switching houses in 2020 with the following positive outcomes:</p> <ul style="list-style-type: none"> <li>• Understanding of the GEMS claims processes</li> <li>• Understanding of reasons for claim rejections</li> <li>• Improved stakeholder relationship management</li> <li>• Bureau appreciation for GEMS' engagement on this platform, thus enhancing the GEMS brand.</li> </ul> <p>GEMS is a member of the Board of Healthcare Funders (BHF), serves on its board and collaborates with it on industry initiatives.</p> <p>GEMS participates in the work of the BHF's HFMU. Outcomes in 2020 included a strengthened relationship with the HPCSA.</p>

Stakeholder groupings	Material legitimate interests	Value created for stakeholders in 2020
Community stakeholders	<p>Affordable contributions for public service employees, ensuring that the medical assistance subsidy does not place an undue burden on taxpayers</p> <p>Supporting government in protecting the health of public service employees by providing access to health cover</p> <p>Driving economic transformation</p> <p>Preventing, detecting and addressing fraud, waste, abuse and corruption</p>	<p>GEMS benefits in 2020 were 25% more affordable than the competing options of the five largest open and closed medical schemes (page 11).</p> <p>We actively contribute to transformation in the medical schemes industry and country through progressive procurement practices and subcontracting to grow small businesses. Our new Developing Supplier Programme was implemented in 2020 with 20 developing suppliers benefitting.</p> <p>We have outperformed other medical schemes on more than 90% of the health outcome metrics measured by the Organisation for Health Quality Assessment HQA (page 111).</p> <p>Our dependant definition is the widest in the medical schemes industry, enabling public service employees to register with GEMS extended family members who rely on them for care and support.</p>

We aim to improve the quality of stakeholder engagement as it provides value for members:

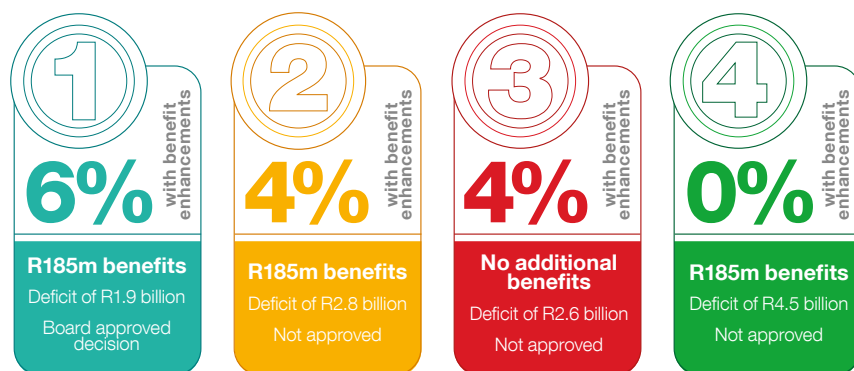
During 2020 we engaged our stakeholders on:	Our engagement on material matters for value creation and preservation	More context
Covid-19	<p>We have engaged with employing departments on managing Covid-19 in the workplace</p> <p>We have reported on the health status of public service employees in the aggregate.</p> <p>We have started developing a Covid-19 vaccination strategy</p>	<p>Material matters, page 60 Risk management, page 80</p> <p>Value created for our members and stakeholders, page 46</p>
Positioning for NHI	<p>We discussed GEMS' position as an integral role-player in driving transformation of the South African healthcare industry in the context of our current five-year strategic plan</p> <p>We developed and introduced a consultation document on the expansion of our mandate to cover the broader public sector and the consolidation of public sector medical schemes, in line with the NHI White Paper</p>	<p>Material matters, page 62.</p> <p>Our strategy for sustainability, page 72.</p> <p>Risk management, page 83.</p>
Our member value proposition	<p>We focused extensively on our product development and benefit design objectives for 2021, progress made in introducing Tanzanite One to members, achieving greater traction on the enrolment of public service employees on salary level 1 – 5 on Tanzanite One. We discussed our contribution increases for 2021 and their long-term impact on the Scheme. A zero increase in 2021 would drop the GEMS reserve ratio below 25% within two years and GEMS would become technically insolvent in four years. This matter is very important to our members and other stakeholders</p>	<p>Material matters, page 62.</p> <p>Our view of value creation and business model, page 29 and 31.</p> <p>Our strategy for sustainability, page 71.</p> <p>Our performance, page 97.</p>
Our stakeholder value proposition	<p>We have adopted an inclusive stakeholder engagement approach and consulted on issues affecting our stakeholders, such as 2021 contribution increases</p> <p>We have discussed stakeholders' data and information requirement implications for policy development, and have submitted reports and data to meet these needs</p> <p>We have provided feedback on the implementation of our strategic plan and the stakeholder benefits realised of our strategy</p>	<p>Material matters, page 63. Risk management, page 81.</p>

During 2020 we engaged our stakeholders on:	Our engagement on material matters for value creation and preservation	More context
Matters of corporate citizenship	<p>GEMS supports the Section 59 investigation and has participated fully through written and oral submissions</p> <p>We have engaged with healthcare provider associations on fraud, waste and abuse and dealt with issues between GEMS and healthcare professionals</p> <p>We have engaged with beneficiaries on our new Developing Supplier Programme</p>	<p>Material matters, page 64.</p> <p>Our external operating context, page 17</p> <p>Our business model and value creation process, page 29 and 31.</p>
Building governance strength in GEMS	<p>Our Board of Trustees engaged Scheme management to strengthen the process for the declaration and management of conflicts of interest</p> <p>The Board engaged with governance experts on excelling at corporate governance</p> <p>We have engaged with governance and other experts to provide training across our business on topical compliance matters and to raise ethics awareness</p> <p>We have talked to our employees through ethics awareness training, ethics publications and by addressing behaviour that does not meet our ethics standards</p>	<p>Material matters, page 66.</p>
Building internal operational capabilities	<p>We have briefed our contracted providers in the GEMS service provider network on our programme for building internal capabilities, also referred to as the GEMS insourcing programme</p>	<p>Material matters, page 67.</p> <p>Our strategy for sustainability, page 71.</p>
Proactive compliance to POPIA	<p>Our employees received tailored training on our POPIA obligations. A compliance project began in August 2020 with employees involved in six workstreams. We take the readiness of our people for compliance seriously</p>	<p>Material matters, page 68.</p> <p>Our external operating context, page 17.</p> <p>Compliance governance, page 169.</p>



## Explaining our contribution increase of 6% for 2021

We revised our initial average contribution increase for 2021 down after stakeholder engagements with the PSCBC. To arrive at the 6% average increase implemented for 2021, we considered four options. Each option shows the potential contribution increase and the Rand amount of benefit enhancements developed through our product development process. We then estimated the impact of each option on our financial results for the 2021 financial year and the long-term impact on our reserve ratio. For example, a 0% contribution increase for 2021 would lead to a budget deficit of R4.5 billion. Our approach in this is to ensure that we balance the contribution increase needed for 2021 with the contribution increases that will be needed in future years to meet our reserve ratio strategic target.



The summarised outcome for our members:

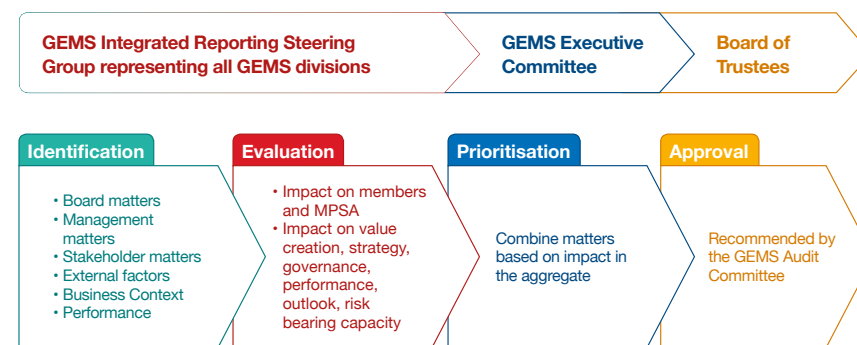
Metric	6% with benefit enhancements (AS-IS)
Out of pocket per member per month (minimum - maximum)	-R26 to R243
Emerald to EVO saving per member per month	-R811
Projected end 2021 reserve Ratio	35.5%
2022-2026 projected contribution increase (% per year)	10.9%



# SECTION 09

## MATERIAL MATTERS THAT IMPACTED ON OUR ABILITY TO CREATE VALUE IN 2020

Our standardised process  
for choosing material matters for reporting:



## Material matters 2020

Material aspect	Effect on strategy, risk, performance and outlook	Effect on governance	Stakeholder concerns	Impact on the GEMS capitals
<b>1. Covid -19</b>	<p>The impact of Covid- 19 affirmed that the overall strategic objective on universal healthcare is appropriate</p> <p>The impact on achieving some of the strategic plan key performance indicator (KPI) targets were managed – see from page 98.</p> <p>Upward pressure was reported for strategic risks #1, #2, #3, #4, #8 and #9. These pressures, however, did not cause a breach of risk-bearing capacity</p> <p>Covid-19 had a net positive effect on the GEMS claims experience and reserve ratio in the short term. In the medium- to long term a negative impact is expected due to members experiencing 'long Covid-19' and the risk of supply-induced demand caused by financial pressure on providers of healthcare</p>	<p>Board and committee meetings were held virtually in 2020</p> <p>The 2020 GEMS AGM and trustee elections were postponed</p>	<p>Covid-19 shaped member and stakeholder expectations of GEMS in 2020</p> <p>Members required assurance that Covid-19-related healthcare expenditure will be funded</p> <p>Stakeholders required information to assist them to manage workplace impact of Covid-19</p>	<p>The capitals affected are financial capital, and social and relationship capital.</p>

Material aspect	Effect on strategy, risk, performance and outlook	Effect on governance	Stakeholder concerns	Impact on the GEMS capitals
<b>1. Covid -19 (continued)</b>	<p>Outlook: The impact on contribution income security is monitored, as the ability of the state as employer to fund the employer medical assistance subsidy is under pressure due to the Covid-19 economic impact. Should the subsidy be lowered/withdrawn or not increase in future financial years, GEMS' affordability - its ability to meet its mandate -will be impacted</p>			
<b>2. Positioning for NHI:</b> <ul style="list-style-type: none"> <li>Progress of enabling legislation</li> <li>Consolidation of public sector medical schemes</li> </ul>	<p>The GEMS overall strategic ambition is to be the blueprint for NHI and GEMS capabilities can be leveraged to support the implementation of NHI</p> <p>Upward pressure was reported for strategic risk #3: 'Significant breakdown in alignment, integration and mobilisation of all stakeholders into NHI process', but with increased opportunities for GEMS and stakeholders to continuously build a basis for NHI</p> <p>KPI targets relating to progressing NHI were met.</p>	<p>The Board identified a need for greater oversight of the strategically aligned project – insourcing of capabilities. The GEMS governance structure will be adjusted in 2021</p>	<p>GEMS must become more visible in the NHI dialogue and the role of GEMS must become defined</p> <p>In 2020, GEMS' media presence was promoted to a great extent. Its participation and collaboration support the strengthening of the healthcare sector for the ultimate benefit of all users. The Scheme's prominence means that its position is considered during stakeholder engagements by decision makers</p>	<p>The capitals affected are intellectual capital and social and relationship capital. By developing a benefit option that can simultaneously become a reference product for a NHI basic benefit package, and also improve efficiency, financial capital is also impacted positively.</p>



Material aspect	Effect on strategy, risk, performance and outlook	Effect on governance	Stakeholder concerns	Impact on the GEMS capitals
<b>2. Positioning for NHI:</b> <ul style="list-style-type: none"> <li>Progress of enabling legislation</li> <li>Consolidation of public sector medical schemes (continued)</li> </ul>	<p>The Scheme's ideal to be the blueprint for NHI is driving development and innovation, e.g. the Tanzanite One option. The associated project for sourcing capabilities will enable the Scheme to improve member services and reduce administration costs over the long term. The Scheme is expected to place less reliance on third parties and exert more direct control</p>	<p>The Board identified a need for greater oversight of the strategically aligned project – insourcing of capabilities. The GEMS governance structure will be adjusted in 2021.</p>	<p>A proposed stakeholder consultation document on expanding the GEMS mandate and the consolidation of medical schemes was submitted to the Deputy Minister for Public Service and Administration</p> <p>GEMS must become more visible in the NHI dialogue and the role of GEMS must become defined</p>	<p>The capitals affected are <b>intellectual capital</b> and <b>social and relationship capital</b>. By developing a benefit option that can simultaneously become a reference product for a NHI basic benefit package, and also improve efficiency, <b>financial capital</b> is also impacted positively</p>
<b>3. GEMS member value proposition and leveraging the Scheme's strong financial position to strengthen the member product offering (fewer avoidable co-payments, extender benefit, lowest average contribution increase coupled with enhanced benefits, widest beneficiary definition)</b>	<p>The successful achievement of phase 1 of the five-year strategic plan enables us to progressively strengthen our member value proposition</p> <p>Covid-19 impacted on the take-up of enhanced member benefits in 2020</p> <p>Strategic Risk #2: 'Unable to balance and respond effectively to stakeholder expectations and requirements' recoded in 2020 with significant improvement in member satisfaction levels, but later showed upward pressures in relation to the 2021 contribution increases</p>	<p>A new GEMS Code of Ethics and Business Conduct was approved by the Board in June 2020 and requires that we treat all members ethically</p>	<p>Expanded access to healthcare for members and their extended families supports requirements of stakeholders in government and impacts positively on the community</p> <p>Good member satisfaction levels reduces the number of member complaints and increases reporting of fraud, waste and abuse.</p> <p>Copayments and benefit exhaustion are frequently raised by members as concerns. The work done to reduce claim rejections for administrative reasons had a positive impact in 2020</p>	<p>The capitals affected positively are financial capital, social and relationship capital and intellectual capital</p>

Material aspect	Effect on strategy, risk, performance and outlook	Effect on governance	Stakeholder concerns	Impact on the GEMS capitals
<b>4. Stakeholder value proposition</b>	<p>Strategic Risk # 5: 'Prolonged negative trend in member resignation or new member uptake' showed downward pressure as the Scheme recorded strong organic growth. The opportunity to expand eligibility and consolidate public sector schemes remains</p> <p>KPI target performance: 2020 targets were achieved</p> <p>Outlook: We expect to maintain our performance, driven by our strategically aligned programmes</p> <p>Our strategically aligned programme for product development and benefit design is geared towards balancing sustainability and stakeholder requirements</p> <p>Strategic Risk #2: 'Unable to balance and respond effectively to stakeholder expectations and requirements' recoded in 2020 with significant improvement in stakeholder satisfaction levels, but later showed upward pressures in line with 2021 contribution increases</p>	<p>The Board revised the approval of the 2021 benefits and contributions on 7 November 2020 to enhance the member value proposition in the time of Covid-19</p>	<p>In 2020, member education was emphasised by stakeholders, which was also informed by Covid-19</p> <p>Simplified communication improves understanding and consequently option selection and benefit usage</p> <p>Requirements from stakeholders and the Minister for Public Service and Administration for GEMS for information availability and other support are evolving and it needs the capabilities to provide these</p> <p>The PSCBC supported us in responding to certain Covid-19-generated governance challenges, such as the postponement of the AGM and 2020 trustee election</p>	<p>The main capital affected is social and relationship capital.</p>

Material aspect	Effect on strategy, risk, performance and outlook	Effect on governance	Stakeholder concerns	Impact on the GEMS capitals
<b>4. Stakeholder value proposition (continued)</b>	<p>KPI target performance: 2020 targets were mainly achieved. Covid-19 impacted on some stakeholder engagements early in 2020 and the finalisation of stakeholder workplans</p> <p>Outlook: We are excited about the introduction of a new stakeholder engagement approach. Our new capability for liaising with healthcare providers, the GEMS Provider Liaison Unit, will drive improved provider satisfaction ratings</p>	<p>The Board revised the approval of the 2021 benefits and contributions on 7 November 2020 to enhance the member value proposition in the time of Covid-19</p>	<p>Providers are important in the healthcare ecosystem and funders need to carefully balance the welfare of practitioners with the immediate needs of members.</p> <p>Practitioners' satisfaction is monitored by a routine survey. Covid-19 reduced provider revenue in 2020</p> <p>The Section 59 investigation was driven by dissatisfaction among black healthcare providers</p> <p>The provider liaison officers will enable GEMS to make a significant impact on provider satisfaction levels</p>	<p>The main capital affected is social and relationship capital.</p>

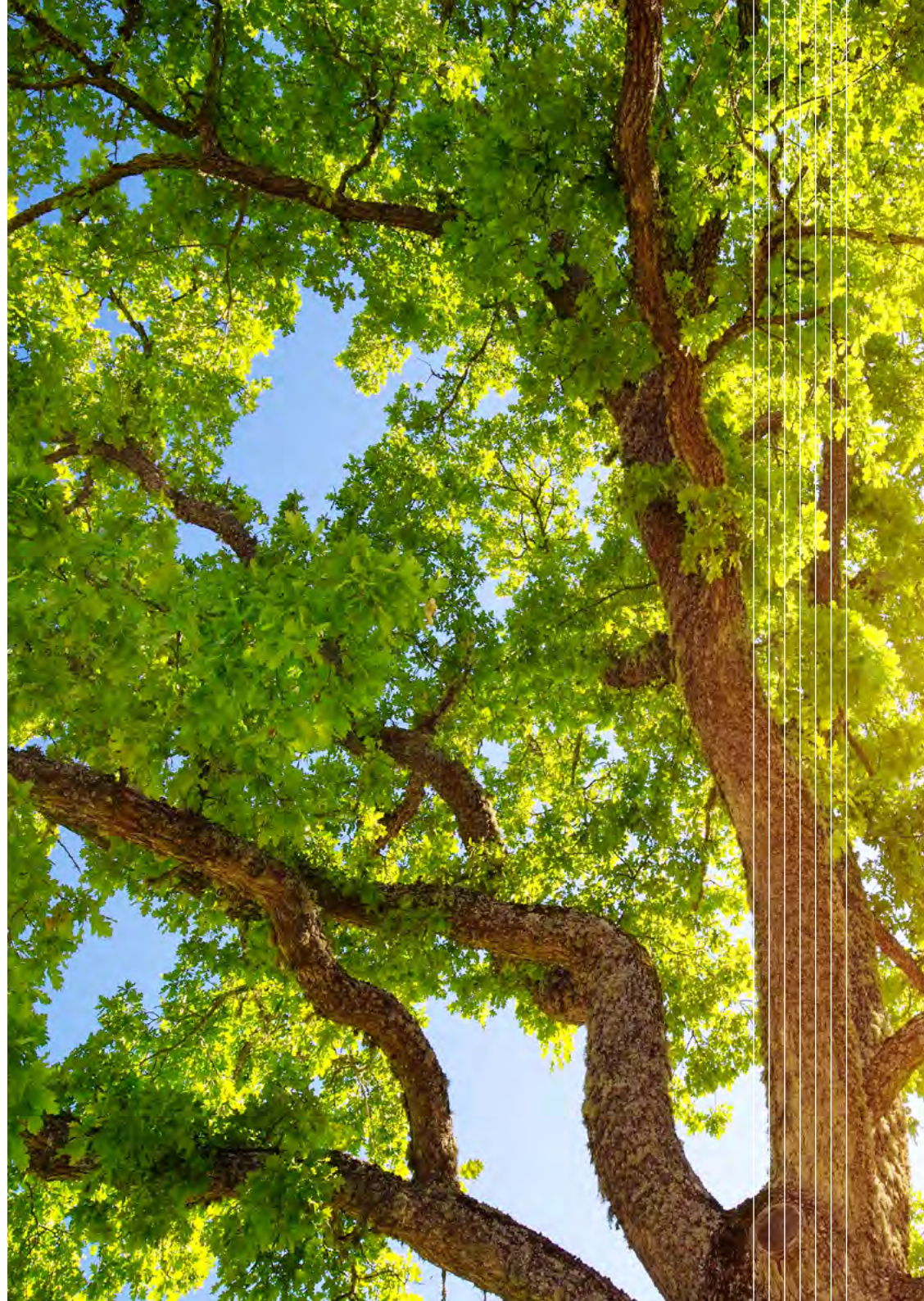
Material aspect	Effect on strategy, risk, performance and outlook	Effect on governance	Stakeholder concerns	Impact on the GEMS capitals
<b>5. Active corporate citizenship to benefit the Scheme, stakeholders and the country: Economic transformation (broad-based black economic empowerment – BBBEE, socio-economic development and addressing fraud and corruption), workplace and employee value proposition, and the environment</b>	<p>The Scheme's corporate social investment (CSI) initiatives are aligned to its strategic ambition of becoming the blueprint for NHI. GEMS has an overall positive impact on communities due to its expanded dependant definition and the achievement of disease management targets</p> <p>Strategic Risk #8: 'Unable to operationalise a cohesive GEMS structure' saw some upwards pressure as the finalisation of the GEMS capacity model was delayed in 2020</p> <p>Covid-19 impacted on our ability to visit and engage with some beneficiaries of our CSI programme</p> <p>Our BBBEE targets were met</p> <p>Outlook: Our operational response to the Section 59 investigation panel report in 2021 and beyond will drive stakeholder satisfaction</p>	<p>In 2020, the Scheme's performance in promoting BBBEE received significant attention from the Board</p> <p>The GEMS contribution to economic transformation supports good corporate citizenship</p>	<p>The Scheme's BBBEE impact creates value for stakeholders in the healthcare fraternity and other sectors. GEMS employees received support during the Covid-19 lockdown. The GEMS workplace/employee value proposition supports good corporate citizenship</p> <p>A structured training programme is underway to improve GEMS employee knowledge of the industry and GEMS products</p> <p>Employees are better equipped to deal with member queries and complaints, which contributes to member and employee satisfaction</p> <p>Employee satisfaction/engagement was assessed in 2020</p> <p>The Scheme owns 'Votumi GEMS House, which is a green star building. Environment impact is reduced despite expansion of Scheme operations</p> <p>The building contributes to brand value and employee satisfaction and pride</p>	<p>The capital affected is social and relationship capital.</p>



Material aspect	Effect on strategy, risk, performance and outlook	Effect on governance	Stakeholder concerns	Impact on the GEMS capitals
<b>6. Building governance strength in GEMS</b>	<p>GEMS will be unable to deliver on its mandate and strategic objectives if it does not enjoy the trust of members and stakeholders. Our approach to work and performance is critical. Our ethics management programme has been implemented to protect value, inspire confidence and maintain legitimacy</p> <p>Strategic Risk #7: 'Breakdown in ethical culture internally and in the operating environment' showed upward pressure in 2020</p> <p>Our ethics performance is measured</p> <p>Outlook: Our Ethics Management Programme focus areas for 2021 are shown from page 168.</p>	<p>During 2020, organisational culture received Board attention, including cohesion and leadership, governance system and strengthening organisational ethics</p> <p>The Scheme's vulnerability to corruption also enjoyed significant Board attention in 2020, with identification of gaps to be addressed in declaration of interest processes</p>	<p>GEMS' governance and organisational culture strengths and weaknesses and leadership quality, including cohesion, impacts on its ability to create value</p> <p>Our governance and remuneration report shows how value for members and stakeholders is created by our corporate governance structures, processes and systems</p>	<p>The capitals affected are human capital and social and relationship capital.</p>

Material aspect	Effect on strategy, risk, performance and outlook	Effect on governance	Stakeholder concerns	Impact on the GEMS capitals
<b>7. Building internal capabilities</b>	<p>Our journey to insourcing is informed by our positioning for the NHI future and the requirement for an efficient and effective operating model</p> <p>Digitisation enhances member services through better access to information, improved administration efficiency and potentially reduced costs</p> <p>Building information and communications technology (ICT) capability in the Scheme improves efficiency and positions GEMS as the blueprint for NHI</p> <p>Our workstudy and capacity modelling programme is crucial to achieving the final phase of the current GEMS five-year strategic plan</p> <p>Success in all projects building internal capabilities is an important precursor to achieving the strategic objectives of GEMS</p> <p>Strategic Risk #8: 'Unable to operationalise a cohesive GEMS structure' saw some upwards pressure as finalisation of the GEMS capacity model was delayed in 2020</p> <p>Our KPI target for 2020 was met</p> <p>Outlook: Our insourcing programme will accelerate following the finalisation of a transaction advisory panel early in 2021</p>	<p>The Board identified a need for greater oversight of the strategically aligned project – insourcing of capabilities. The GEMS governance structure will be adjusted in 2021 to meet this requirement</p>	<p>To build internal capacity, the Client Liaison Unit was expanded. The unit's outcomes are improved understanding, and efficient and effective benefit usage. It impacts positively on member satisfaction</p> <p>Members want access to information in real time, e.g. benefit availability</p>	<p>All capitals except natural capital are directly affected.</p>

Material aspect	Effect on strategy, risk, performance and outlook	Effect on governance	Stakeholder concerns	Impact on the GEMS capitals
8. Proactive compliance to POPIA	<p>Non-compliance can affect our ability to achieve strategic objectives</p> <p>Strategic Risk # 4: 'A cybercrime attack' showed upward pressure in 2020</p> <p>Outlook: Our POPIA compliance project drives the readiness of our systems, people, service provider network, governance framework and member communication for full compliance to the legislation by 1 July 2021</p>	The POPIA compliance project is overseen by the Risk Social and Ethics Committee and the Audit Committee	Compliance to POPIA protects the Scheme, its members and stakeholders	<p>The capitals affected are intellectual capital and social and relationship capital.</p> <p>Non-compliance will negatively affect financial capital and social and relationship capital.</p>





# SECTION 10

## OUR SUSTAINABILITY STRATEGY

### Our strategy development process

Our five-year strategic plan for 1 January 2017 to 31 December 2021 was developed in 2016 as our strategic response to a changing external operating context, best illustrated by the ongoing work to implement NHI in South Africa, and challenging internal operating context, best illustrated by our historically low reserve ratio in 2016 and governance challenges. The Board reviews the strategic plan and key performance targets annually. The strategy development, review and strategic response of our current plan is summarised below:

### Strategic plan development

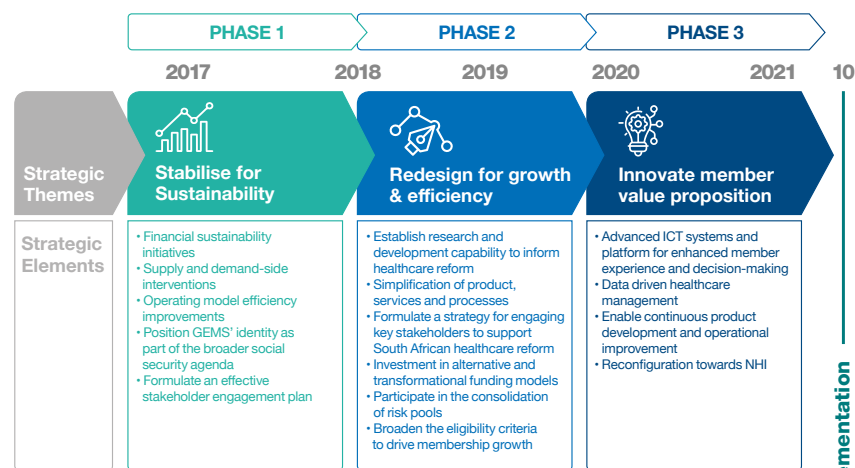


## Our strategy

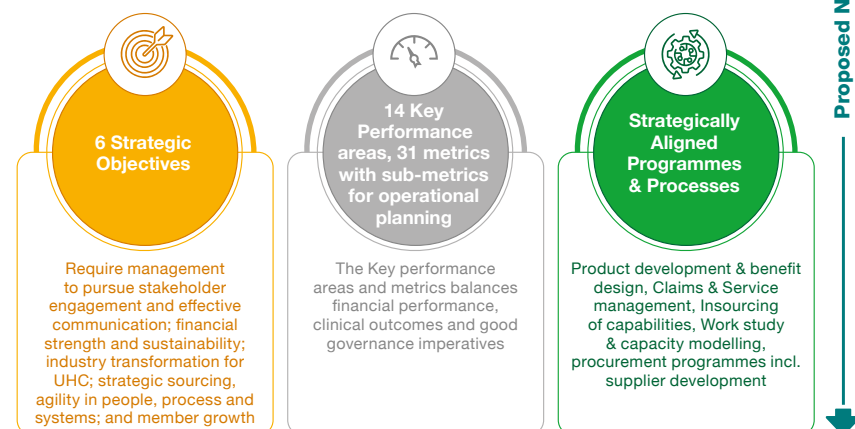
Aligned to government priorities, specifically those of the Minister for Public Service and Administration, improving affordability and access to quality healthcare for public service employees forms the heart of our strategy. The strategic intent of the five-year strategic plan is for GEMS to become the blueprint for NHI, which will provide universal health cover and align to the Scheme's value creation statement.

Our strategic journey is summarised below.

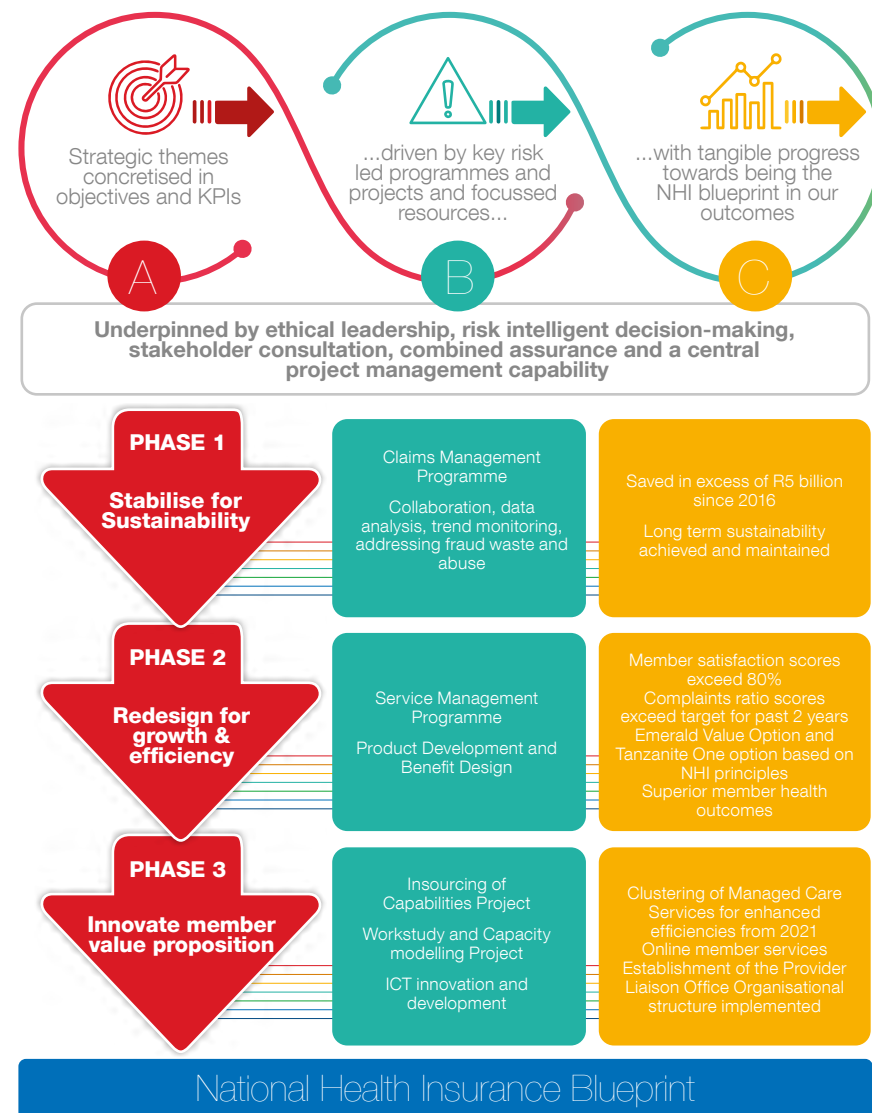
## GEMS Ambition: To be the Blueprint of NHI



## Strategic Implementation



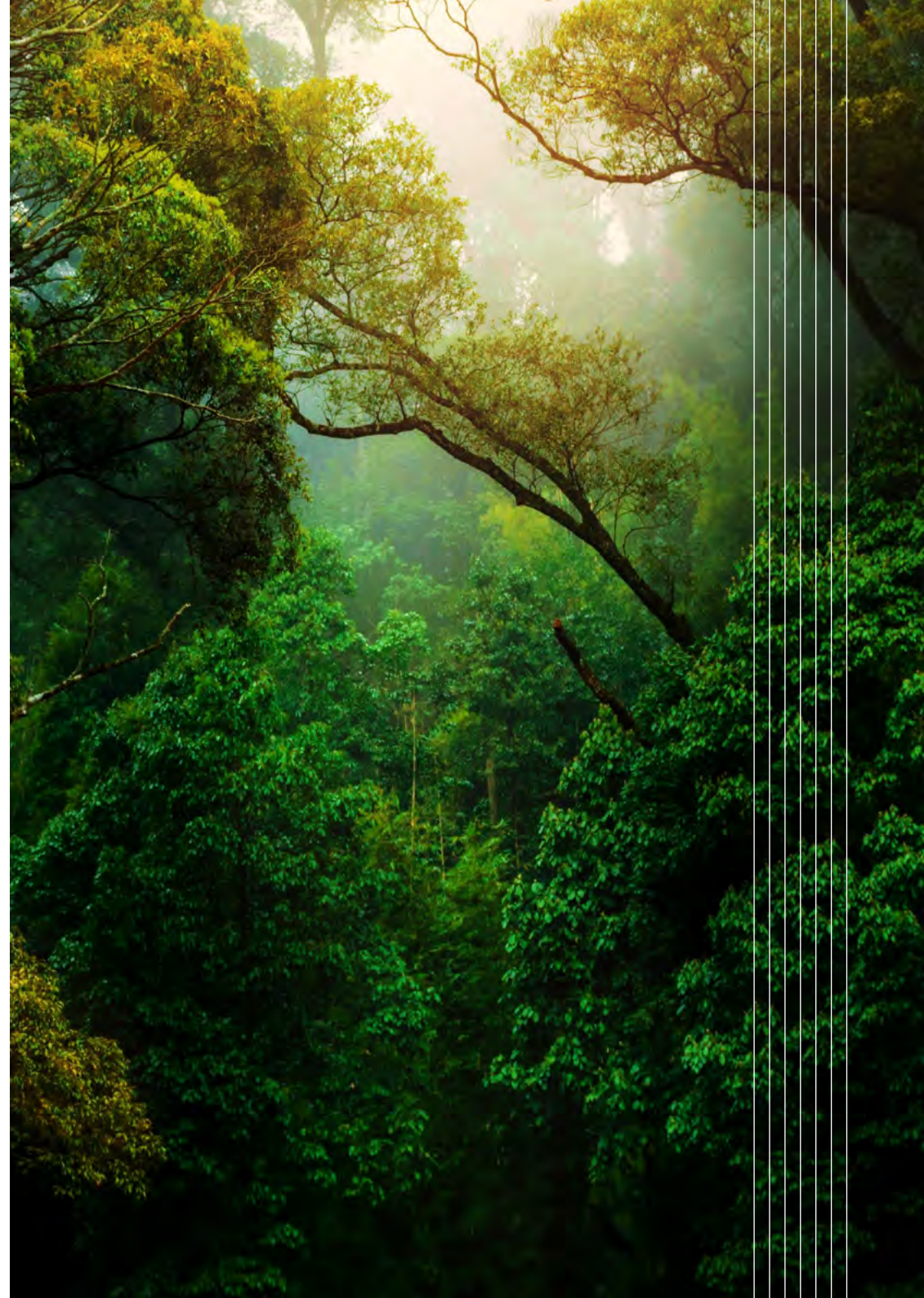
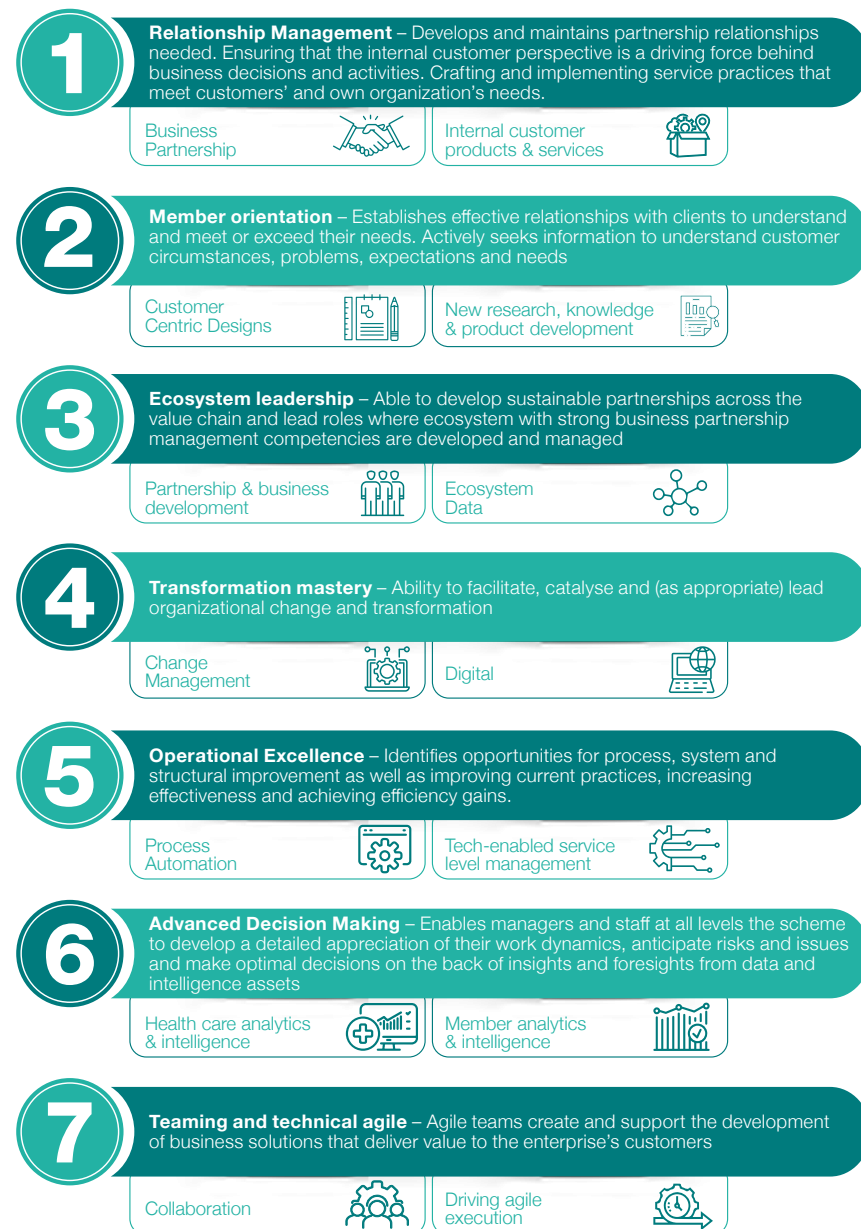
The collective capabilities of GEMS and its service provider network are leveraged through centrally managed and strategically aligned programmes and projects to achieve GEMS' strategic ambition:





## More information on our completed workstudy and capacity modelling:

We are transitioning to our workforce of the future, based on new roles and skills:







# SECTION 1 1

## STRATEGIC RISK MANAGEMENT

### Governance of risk

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

The GEMS Executive Committee is the owner of risks, and is responsible for entrenching risk management, supported by the Enterprise Risk Management Function, which is the owner of the risk management framework. The Enterprise Risk Management Function is a risk management culture and facilitates risk management and integration across the business.

### Risk management commitment

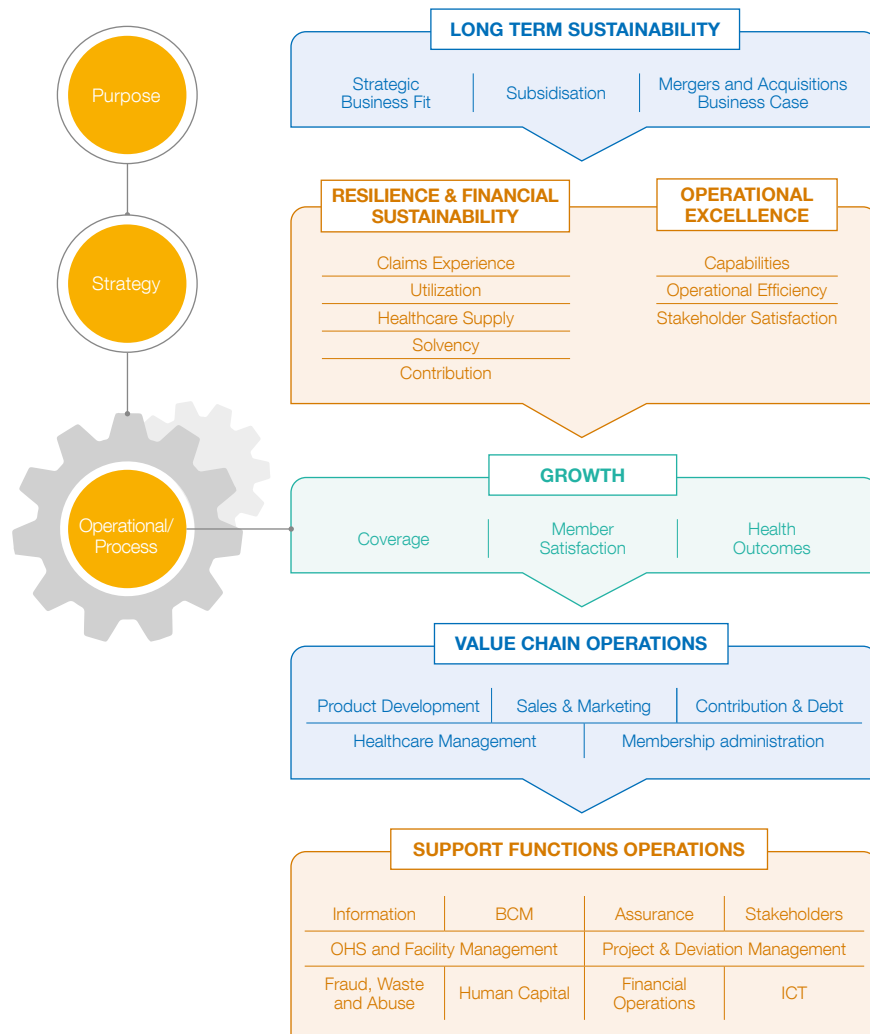
At GEMS, we understand our responsibility to balance risk and reward while pursuing our goals. We understand that managing risks effectively opens opportunities otherwise not possible. The Scheme is firmly committed to robust risk management as a fundamental pillar of business sustainability. Operating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

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

### Risk management strategy

GEMS' strategy is to manage risks that may affect business sustainability in the internal and external environments. Our risk management process, also covering outsourced service providers, enables us to manage our risk profile within our risk appetite. Through combined assurance, management and the Board of Trustees report transparently to stakeholders on performance.

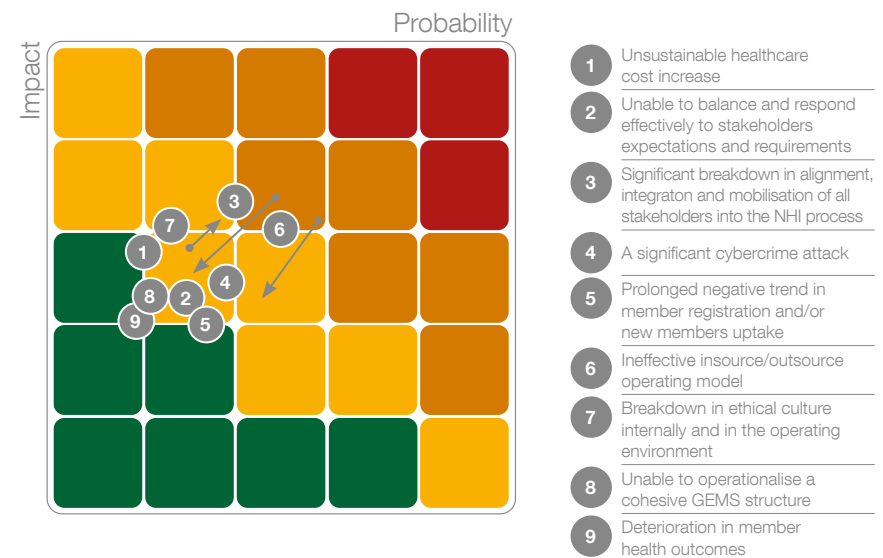
GEMS' risk universe is its specific risk environment and includes the sources of risks to which it may be exposed. This represents the minimum scope of application of our risk management processes and is segmented into three levels relating to our 'purpose', 'strategy' and 'operational' realities. We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




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

## Top risks facing the Scheme

The top risks are reflected in the heatmap below and discussed from page 61 in the context of the strategic objectives outlined in the 'Strategy and resource allocation' section of the report. These are monitored by the Board and committees of the Board. All top risks are adequately managed, with no risks exceeding risk-bearing capacity (red), while two risks exceed the Scheme risk tolerance levels (orange). These are dealt with as priorities where risk controls are actively monitored for effectiveness, and continuously assessed for possible improved and additional risk controls. The heatmap also shows risk rating movement from January 2020 to December 2020.



1	<b>Unsustainable healthcare cost increase</b>
<b>Strategic Objective</b>	Be a strategic purchaser of healthcare services by leveraging GEMS' unique positioning and relationships Advance financial strength and drive the Scheme to a position of long-term sustainability
<b>Capitals</b>	
<b>Horizon</b>	Short- and medium-term

#### Overall risk experience

The associated opportunity is that GEMS can offer rich benefits and highly competitive contributions. This risk did not materialise during the year. The Scheme benefitted from low utilisation rate increases, favourable tariffs, low medicine price increases, generic medicine substitution, device pricing, alternative reimbursement models and effective claims management programme interventions. Covid-19 pandemic was a major risk, contributing to a substantial increase in claim numbers, estimated to exceed R3 billion. However, lockdown regulations dramatically lowered utilisation, which led to a net positive financial position.

#### Healthcare supply sourcing rates and tariffs

The Scheme performed better than budget on facility fees, where hospital tariff negotiations surpassed budget assumptions, driven by favourable negotiated rates. The Scheme continued to grow and secure cost-effective healthcare networks that fully balance quality of service and health outcomes. The growth rate outperformed targets and continues to grow across a wide range of specialist disciplines.

Medicine costs were better than budget due to the favourable medicine single exit price. The Scheme benefitted from interventions such as generic medicine substitution and switching to cheaper alternatives. Access to state tender pricing, in particular for antiretrovirals, has not been secured, but would substantially support this cost driver. The cost driver was supported by the Covid-19 lockdown.

#### Cost-effective alternative reimbursement reforms

The Scheme continued to define and implement viable alternative reimbursement models, leveraging alternatives to 'fee for service' – a principle also aligned to the NHI. Here importantly the Scheme balanced cost and quality of service and health outcomes.

#### Clinical profiles

Covid-19 was a major risk that contributed to a substantial claims experience, estimated to exceed R3 billion. This, in part, is due to the Scheme implementing additional benefits to members for the payment of Covid-19 tests from risk from rand one. However, the lockdown regulations supported a dramatically lower utilisation, where members delayed elective surgery, and also benefitted from the health-promoting lockdown. This led to a saving that far outweighed Covid-19 claims, leaving the Scheme in a net positive financial position for the year. As utilisation remains one of the most difficult parameters to predict with certainty, the Scheme continues to use robust actuarial models, combined with prudent budgeting.

#### Regional experience


Although the cumulative utilisation rate across provinces were favourable, KwaZulu-Natal has had a significantly higher experience in the past few years, which is concerning. The claims management interventions positively reduced the gap during 2017 to 2019, but the impact has since tapered off, remaining significantly above the average country experience.

#### Fraud, waste and abuse

The country risks around corruption, constrained economic realities, inequality and unemployment may lead to unacceptable fraud, waste and abuse. The Scheme has made great strides through its interventions, but these are starting to taper off and new approaches (i.e. prevention), technologies and tools are required to combat these risks. The Scheme is, however, pleased with its recent successes in prosecuting perpetrators.

Key risk treatment programmes and activities:

- Claims management programme, including underwriting, protocols, peer review, fraud, waste and abuse management.
- Tariff and fees negotiation process combined with the establishment of healthcare networks.

2	<b>Unable to balance and respond effectively to stakeholder expectations and requirements</b>
<b>Strategic Objective</b>	Be an organisation that is effective in communication, proactive in decision making and accountable to all stakeholders
<b>Capitals</b>	
<b>Horizon</b>	Short- and medium-term

#### Overall risk experience

The opportunity associated with this risk is that GEMS will be strongly positioned to balance effectively a broad range of complex stakeholder requirements.

The risk materialised to a limited extent in the year. Member and provider satisfaction has dramatically improved, evidenced in very favourable satisfaction survey scores. Even though the Scheme has improved substantially, it still is not among the leading medical schemes.

#### Members

The Scheme continued to experience month-on-month improvements in member satisfaction rates, reflected in the citizen surveys, improving from an initial 68% to an exceptional 87%. The South African customer satisfaction index rating, similarly, has improved from 68% to 71%, which is deemed by industry a remarkable improvement. Unfortunately, the Scheme is still trailing all other major medical schemes.

GEMS benefit design has been systematically improved over the years, notably, the additional 2019 and 2020 benefit enhancements of around R1 billion each. Tanzanite One is the new GEMS NHI showcase product introduced in 2020, which is highly affordable with rich benefits. Additionally, GEMS has among the lowest contribution increases in the industry, the widest eligibility criteria, is materially cheaper than competitor schemes on a like-for-like basis and has the most favourable benefit depletion rate.

Previous surveys pointed out that service delivery had a material negative impact on member satisfaction. The Scheme addressed this through its extensive service management programme of the past two years, focusing on administrative inefficiencies, particularly call centres, new member applications, claims processes and chronic medicine registration. The Scheme continued to leverage its highly successful face-to-face engagements (customer liaison offices and walk-in centres) as well as self-help channels (member app), although the Covid-19 lockdown affected these operations. An extensive member education, communication and marketing drive was implemented, including at major sporting events and on television. This continues to position GEMS as a leading medical scheme.

The very positive trend in member complaints continued, with the Scheme significantly improving processes, systems and reporting. In particular, the handling of CMS complaints has dramatically improved in the past two years.

The Scheme used the Covid-19 pandemic as an opportunity to support members in difficult times. A number of benefit adjustments were made, including the payment of Covid-19 tests from risk benefits, which protected members financially and prevented depletion of day-to-day benefits.

## PSCBC

The Scheme strengthened its relationship with the PSCBC through ongoing engagements. A particular highlight was the launch of Tanzanite One responding to the needs of employees at earning levels 1 to 5. The Scheme also continues to work closely with the PSCBC to ensure that members enjoy a class-leading experience during Covid-19.

The devastating economic effects of the pandemic are a significant concern, a reality strongly underscored by the country risk environment. This has put affordability of medical aids at risk from both member and employer perspectives. This is putting pressure on lower medical aid contributions, which will require careful balancing, as the Scheme must protect its long-term financial sustainability.

## Healthcare providers

The Scheme has improved significantly on provider satisfaction levels, from a low point of 68% to the current 74%. Again, this is a remarkable achievement, but other major medical schemes have also improved and remain ahead of GEMS. Low provider satisfaction relates to the Scheme's claims administration processes. Other than being a key stakeholder and partner of the Scheme in delivering healthcare, healthcare providers are a key interface with members through which member satisfaction can be improved.

A key event was the allegations into racial profiling levelled against medical schemes. The CMS is conducting a Section 59 investigation, but Covid-19 has delayed the work of the investigation panel. The outcome of this investigation may pose a risk to the Scheme.

## The Regulator

There are pressures on compliance, including the Scheme incorrectly paying PMB claims from member savings. The Board composition appeal was again declined by the CMS.

The Scheme has been subject to an extensive CMS inspection for almost two years. This was concluded, with no high-risk findings raised. GEMS has responded to the report, yet the final report has not been released.




The CMS is investigating allegations of racial profiling against medical schemes. The Scheme has made submissions to this Section 59 investigation.

Handling of CMS escalated complaints has improved dramatically and the Scheme is currently fully compliant with requirements.

The Scheme has reported exceptional progress on building reserves, consistently exceeding the CMS agreed targets. During the year, the regulatory reserve ratio requirement of 25% was far exceeded, with the Scheme's credit rating increase at AA-, showing strong financial sustainability.

Key risk treatment programmes and activities

- Service management forum initiatives to position GEMS ahead of other schemes as the number one in the country.
- Extensive marketing and education initiatives, focused especially on promoting Tanzanite One and EVO

3	<b>Significant breakdown in alignment, integration and mobilisation of all stakeholders into NHI process</b>
<b>Strategic Objective</b>	Shape the transformation of the healthcare industry towards universal healthcare, coordinated across the healthcare ecosystem
<b>Capitals</b>	  
<b>Horizon</b>	Medium- to long-term

## Overall risk experience

By effectively managing this risk, GEMS can substantially and meaningfully contribute to universal healthcare. This risk materialised during the year, albeit limited. Covid-19 hampered NHI implementation and put considerable strain on the fiscus. However, it also supported the policy direction of the NHI, bringing into sharp focus the need for universal healthcare. The Scheme's risk factor is its ability to provide a class-leading NHI blueprint different from the current operating model of medical schemes, while implementing the complex insourcing of capabilities programme. Other large medical schemes already possess internal capabilities and they have pledged their support to NHI.

## Integration and mobilisation of all stakeholders into the NHI process

The Scheme fully accepts and supports the NHI policy direction and does not agree with the Institute of Risk Management South Africa risk report indicating the risk as 'ill-conceived NHI policy'. Rather, the Scheme views the focus as the shape and pace of NHI implementation, which are affected by the following:

- Slow economic growth, exacerbated by Covid-19 and pressures on the fiscus, which may limit or delay funding available to NHI.
- Lingering uncertainty on the exact structure and operation of the NHI, and how best industry players can position and align themselves.
- NHI, as a far larger enterprise than any current medical scheme, will require highly robust governance and risk management to safeguard large sums under management.
- Industry players may oppose the NHI policy direction because of vested commercial interests and not contribute constructively to implementation of universal healthcare.
- Competitive behaviour (including malicious and unethical behaviour) may occur between medical schemes for a position in the NHI.
- The NHI may be met with skepticism from some, since it is a new structure, where effectiveness and impact on the overall quality of care and health outcomes may be challenged.
- Priority may be given to the public healthcare infrastructure.
- An ineffective management-of-change process may lead to delayed and suboptimal implementation.

## GEMS delivering on its current and expanded mandates

Implementation of the NHI fund, expressed in the bill, indicate a timeline of around 2026, implying that the Scheme will need to operate under the current dispensation for quite some time. Given the complexity, these timelines may be further extended.

The Scheme will need to demonstrate, through its current mandate, that it is a suitable blueprint. The dramatic improvements in member and provider satisfaction levels are now significantly supporting GEMS' position. However, these improvements need to be cemented and must drive the Scheme ahead of other major medical schemes.

The NHI will serve a very large population. Given the anticipated fund member profile, the low coverage of levels 1 to 5 salaried employees remains a detractor, albeit progress has been made.

To demonstrate that the Scheme is a suitable blueprint at scale, membership growth is essential. Consolidating all public sector schemes into the Scheme (directed by the NHI White Paper) will create the required growth. Care must be taken to avoid negative impact on the Scheme reserve ratio and claims experience and to find mutually beneficial solutions for all parties to avoid significant counteraction and reaction.

The Scheme's administration and managed care environments are currently still largely outsourced and it relies materially on large administrators to deliver on its current mandates. These large administrators are expected to compete in the NHI environment.

## GEMS' position as an NHI solution provider

When NHI direction was more fluid, the Scheme positioned itself as a thought leader and demonstrated its willingness to participate meaningfully in shaping the NHI future. However, its ambition is not only to shape and provide the blueprint for NHI, but to be the blueprint. The risk is that the Scheme may not adequately position itself through robust stakeholder management (particularly the Department of Health), as a provider of practical and viable solutions:

- A viable basic benefit package suitable for NHI, with limited more comprehensive options.
- Alternative insurance products and complementary cover.
- Administration capabilities aligned to the NHI operating model.
- Resilient and ethical governance capabilities.

The key risk remains that the NHI fund might elect to establish its own capabilities. While leveraging off the Scheme experience and solutions, it may not allow participation in NHI fund operation. Alternatively, other medical schemes and administrators may be more attractive to the department as the NHI operator of choice. The current large medical schemes already have extensive administrative capacity, intellectual property, products and service quality, whereas the Scheme is still insourcing these capabilities.


## Insourcing of capabilities programme as enabler for GEMS' NHI role

The envisaged NHI fund will differ from current medical schemes. A key consideration, therefore, is how the insourcing programme can simplify the current operating model and align to the envisaged NHI operating model. A mismatch will render the Scheme capabilities obsolete in the NHI context. It is essential that the Scheme continuously research and develop solutions, while maintaining strong ongoing stakeholder relationship and alignment.

The insourcing programme is one of the Scheme's largest and most complex initiatives and is a high-risk high-reward programme. The key risk factors include cost and schedule risks, not achieving the desired simplification and favourable current low non-healthcare expenditure, which will affect the attractiveness of the Scheme in the NHI environment.

Key risk treatment programmes and activities:

- Comprehensive NHI stakeholder engagement strategy.
- Ongoing NHI policy research and alignment, including all policies, position papers and pronouncements.
- Service provider network strategy to guarantee continued quality service delivery in the short- to medium term.
- Cementing provider and member service excellence, while progressing to the best scheme in the country.
- Continued research and development to improve and align benefit options to NHI principles (in particular Tanzanite One and EVO).
- Insourcing of capabilities programme focused on simplifying the Scheme's complex administration model, aligned to the envisaged NHI operating model, using a risk-led approach.
- Scheme growth accelerated through dramatically increased coverage of level 1 to 5 salaried employees and consolidation of public sector schemes into GEMS.

4	A cybercrime rime attack
Strategic Objective	Be an agile data-driven scheme that leverages people, systems and processes to derive value for the member
Capitals	
Horizon	Short- and medium-term

## Overall risk experience

The opportunity in managing this risk is innovative and class-leading digital approaches, to significantly simplify and enhance member and provider experience, while maintaining high affordability. The risk partially materialised during the year. The prevalence of cybercrime has increased significantly - locally and globally - and was elevated by Covid-19. The healthcare sector is also among the most targeted. Breaches at a Scheme hospital group and one of its service provider network networks were mitigated without adverse effects. POPIA which came into effect on 1 July 2020 (and with a window period for becoming fully compliant ending on 30 June 2021), will exacerbate cyber-risk. Should the Scheme contravene the Act, it might be leveraged in class action lawsuits that lead to substantial claims.

## Information and communication technology security

Cybercrime and business continuity remain challenges, especially since much of the Scheme's ICT infrastructure is controlled by the service provider network and healthcare providers. Incidents were experienced at a Scheme hospital network and at a service provider network. The Scheme service providers also outsource and sub-contract, increasing cyber-risk.

A major cyber-attack can lead to prolonged operational disruptions in the Scheme outsourced administration systems, which can result in legal claims by members for denial of service and from suppliers for delayed settlements. The Scheme's size makes it susceptible to significant exposure, especially to class action lawsuits. Restoration of Scheme systems after an attack also attracts significant professional service costs.

Cybersecurity measures at the service provider network are, however, costly, often prohibitive for smaller contractors in the network. Historically, the Scheme requirements for cybersecurity were also not adequately incorporated in contracts and service level agreements.



## Information security

The Scheme is an information-intensive organisation, with more than 80 million claim lines processed annually covering 1.9 million beneficiaries. Because of its outsourced operating model, information is often outside the Scheme's direct control.

## POPIA

Full compliance to POPIA is required by 30 June 2021. Should the Scheme contravene the Act, significant fines may be imposed and, should information be breached, a class action lawsuit may follow.

## Cybercrime insurance


The Scheme holds extensive insurance to protect against cybercrime and requires its providers to hold cyberinsurance. However, acquiring insurance is difficult, with insurers requiring more minimum information security processes. The cost of insurance is also rising and it is progressively more difficult to find local insurers willing to insure for the large exposures that the Scheme requires.

## Sourcing of (ICT) Capabilities

The sourcing of capabilities will imply that the Scheme will be implementing major ICT capabilities internally. The main risk factors are that the Scheme will require sophisticated security capabilities to match. Cyber criminals are seen to be "highly skilled professionals" continuously finding new methods and ways – thus the Scheme must also continuously improve its Information Security capabilities. The transition phase, as capabilities are being insourced, may also elevate the risk.

Key risk treatment programmes and activities:

- Full implementation of the Information Security Management System at the Scheme Head Office and at Service Providers.
- Maintenance and increase of Insurance for Cyber Crime at the Scheme Head Office and at Service Providers.
- Information Security Capabilities at Scheme aligned to Sourcing of Capabilities.
- POPI Act project incorporating Scheme Head Office and at Service Providers.

5	Prolonged negative trend in member resignation or new member uptake
Strategic Objective	Sustainably grow membership ensuring inclusion and progressive cross-subsidisation
Capitals	
Horizon	Short-, medium- and long-term

## Overall risk experience

The opportunity is at the heart of GEMS' mandate - to deliver affordable healthcare to all government employees, combined with the broadest eligibility criteria. This risk partially materialised during the year. The Scheme's membership growth was ahead of budget and significantly better than in previous years, but is still short of covering all mandated public servants. A particular achievement is Tanzanite One, which is showing significant growth. A significant improvement in member satisfaction levels is a significant positive driver to support growth. The Scheme has not progressed on growth through consolidation of public sector schemes nor on expansion of eligibility criteria.

## Mandated public service employees

Coverage of all mandated government employees is relatively low (less than 60%), with salary levels 1 to 5 employee coverage is also below 60%. Continued low coverage may harm the Scheme's reputation and sustainability, as the employer may seek alternatives.

Member satisfaction has improved dramatically, which is significant given the historic poor satisfaction levels. This is now a key support to future growth, together with the major enhancements in Scheme benefits, affordability of options and excellent health outcomes.

## Public sector scheme consolidation

The NHI White Paper positioned the Scheme as the platform into which all other public sector schemes will consolidate, even though the draft NHI Bill is silent on the matter.

The Scheme strategy remains to proceed with consolidation and, rather than rely on regulatory intervention, to position itself as an attractive proposition that will benefit donor scheme officials and members alike. The benefits of consolidation need to be clearly articulated, referencing lower contributions, richer benefits, better health outcomes, wider eligibility and financial resilience against unforeseen events (e.g. pandemics). The Scheme is partnering with the Department of Public Service and Administration to realise this.


The profile of potential new members and accompanying reserves must be considered to ensure no adverse impact on the Scheme's financial sustainability. The funding mechanism also needs to be considered, as does transfer of donor fund reserves. Importantly though, the Scheme's current strong financial position is an opportunity even to assist other public sector schemes in a less favourable position.

## Widening of eligibility

The Scheme was founded with a specific mandate for public service employees (i.e. persons appointed under the Public Service Act). A significant growth opportunity remains to cover a much broader segment of the population through widening of the Scheme's eligibility criteria. The Covid-19 pandemic has impacted on progress, but it is partnering with the Department of Public Service and Administration on this matter.

Key risk treatment programmes and activities:

- Focused and intensified marketing and education campaigns.
- Promotion of Tanzanite One to significantly increase coverage of level 1 to 5 employees.
- Scheme consolidation.
- Widening of eligibility criteria.

6	Ineffective insource/outsource operating model
<b>Strategic Objective</b>	Be an agile data-driven scheme that leverages people, systems and processes to derive value for the member
<b>Capitals</b>	
<b>Horizon</b>	Medium- to long-term

### Overall risk experience

The opportunity is that GEMS can deliver superior member value, combining industry leading non-healthcare cost with seamless service delivery.

This risk materialised during the year. Other large administrators are competing for an NHI role. While insourcing, the Scheme relies heavily on these competitor administrators for delivering current services. The NHI operating model will be significantly different from the current way medical schemes operate. The insourcing programme must deliver a model aligned to the future NHI model, otherwise the Scheme's capabilities are irrelevant. The complexity and size of the insourcing programme have led to schedule delays, particularly in the components reliant on the appointment of the transaction advisory panel.

### Enabling GEMS for NHI

The current NHI Bill provides a limited role for medical schemes, i.e. supplementary insurance only. Thus, the Scheme is positioning to be the blueprint for NHI. The implementation timeframes and the NHI operating model are still not fully defined, but it is clear that model will differ significantly from current medical schemes operation. This is material since GEMS, through the insourcing programme, must have internal capabilities to service the current mandates, possibly even beyond 2026. But it needs to also insource capabilities aligned (or that can be adapted) to fit the future NHI operating model, otherwise its capabilities will be obsolete.

### Adverse impact on operational efficiencies

Operational efficiencies may be lower after insourcing, especially during implementation, because of the complexity of addressing the inefficiencies of the current fragmented operating model. The fully insourced capability model may also not attain the same efficiencies, as some currently outsourced services that leverage a shared business model (having other clients) for cost efficiencies.

There is uncertainty whether insourcing of capabilities can simultaneously address simplification and operating cost reduction. The first financial impact is capital cost for infrastructure, people, systems and intellectual property, which are also affected by the pace of insourcing. This is material, as the current Scheme's non-healthcare expenditure is among the best in the industry and is a competitive advantage. As a favourable expenditure is essential for NHI, insourcing must not create a less-favourable expenditure.

### Mutually beneficial deals

For certain capabilities, most notably contribution and debt management, and member administration and claims management, the Scheme's preferred strategy is to acquire capabilities through a build, operate and transfer arrangement with the existing provider network.

As the Scheme relies heavily on providers to deliver current services, it must maintain the relationship with the existing network in the interim to ensure stable and quality service delivery to currently mandated public servants.

### Access to viable components (people, processes, technology, intellectual property)

Procurement of the transactional adviser was delayed given the technical complexity and level of detail that this adviser should consider for people processes, intellectual property and technology.

Innovative capabilities not readily available for a build, operate transfer arrangement, will require unique internal development (e.g. PLOs). Certain capabilities rely significantly on scarce skills (actuarial).

Intellectual property is particularly complex, as it includes protocols, rules and formularies. The provider network's proprietary agreements with providers may complicate deal making.

There are also technical complexities, including inter-network integration and the data interchange environment (switching). Challenges include integration of industry-specific best practices and standards, secure data and information management capabilities and inter-system integration.

### Integration into the existing GEMS environment

Insufficient alignment with the workstudy may lead to ineffective integration of the insourced capabilities into the Scheme corporate structure. There is uncertainty on which resources will be internal, since the operating model may still require outsourcing. The consolidation of schemes may also impact on insourcing and associated resource requirements.

### Implementation and switchover

Insourcing of capabilities is a major project portfolio, and a high-risk high-reward initiative. Consequently, it must follow a stage-gate risk-led approach if it is not to subject the Scheme to unacceptable risk. This proven methodology essentially requires the programme to progress in manageable stages, i.e. strategy definition, prefeasibility, feasibility, design, deal making and implementation. It requires activities to be completed before progressing. As the pressure increases to accelerate the project to meet NHI timelines, the processes may not be done diligently. Robust project governance is essential to mitigate this risk.

This programme consist of several discrete projects, each implementing distinct capabilities, which will be integrated to form the total administration capabilities of the Scheme. The programme must be managed in an integrated way, taking into accounting crucial interdependencies.

The programme is resource intensive and spans the entire organisation, thus it is essential to consider the resource requirements. Implementation pace must be matched to resource capacity to not overburden an organisation needing to conduct its usual business. Robust change management aligned to programme size and complexity is crucial.


During implementation of new capabilities, the Scheme cannot interrupt current service delivery, thus full stability of the existing environment must be ensured. This may require parallel prolonged runs of existing and new systems.

## Alignment to transformation agenda

The BBBEE strategy remain central to the insourcing programme. The current strategy and policies need to be fully aligned to optimally address the Scheme's transformation goals. The Supply Chain Management Policy should align with the simplification objectives of insourcing, while still promoting transformation.

Key risk treatment programmes and activities:

- NHI engagement processes and scenario planning.
- Robust project governance.
- Stage-gate risk-led approach.
- Programme change management, cultural change management and leadership development.
- Highly qualified transactional adviser panel for feasibility study and deal negotiation phases.
- Align insourcing programme to the Scheme's BBBEE strategy, workstudy project and consolidation of public sector schemes.

7	Breakdown in ethical culture internally and in the operating environment
<b>Strategic Objective</b>	Be an agile data-driven scheme that leverages people, systems and processes to derive value for the member Be an organisation that is effective in communication, proactive in decision making and accountable to all stakeholders
<b>Capitals</b>	
<b>Horizon</b>	Short- to medium-term

## Overall risk experience

The opportunity is to deliver rich, highly affordable products, effectively giving back to members what is gained through containment of fraud, waste and abuse, while contributing meaningfully to building an ethical foundation for the nation. This risk materialised during the year, with corruption deemed pervasive in South Africa in both public and private sectors. The Scheme has not been immune to corrupt and irregular behaviour internally. It recognises, in line with corporate governance standards, the criticality of an ethical foundation. The ethics function has been significantly strengthened though resource capacity, policies, codes of conduct and processes. The internal forensic investigation unit is not fully capacitated at present. The whistleblowing service is operating effectively.

## Scheme internal environment

The Scheme is based on a largely outsourced operating model. Large and regular procurement processes are undertaken, whereafter contracts are managed against performance outcomes. There is a significant risk of dishonesty, with action having been taken previously against executives and officials. Declaration of interest in procurement processes remains a critical control and opportunities for improvement have been identified, particularly in large Scheme tenders.

Large sums are under management and kept as reserves. Financial management, therefore, poses a significant risk of dishonesty.

## Service provider environment

The Scheme has experienced corrupt relationships with service providers, with the size of contracts elevating the risk.

Numerous significant contracts have been terminated in the past. A related risk is Scheme officials who lead prosecutions become targets.

Certain assurance providers have been implicated in unethical behaviour. This is material for the Scheme, as significant reliance and trust are put on these providers. It begs the question 'Who will check the checkers?'.

## Claims environment

The claims environment across the industry is impacted significantly by irregular provider and member behaviour. Prevalence and impact vary, but a number of organised crimes and syndicates have been identified and action taken. The claims management programme has been successful, but there are early signs of fraud, waste and abuse effectiveness levelling off, with possible reversal in certain areas. KwaZulu-Natal remains an outlier with significantly higher claims experience than other provinces. The Scheme is also challenged to conclude legal action and recover debt, although there is renewed impetus and support from the Special Investigations Unit, which has led to convictions recently.

A significant event was the allegation of racial profiling and unfair treatment of Healthcare Practitioners in relation to Fraud Waste and Abuse investigation and management practices. This has attracted widespread media attention and resulted in the Section 59 Investigation by the Council for Medical Schemes, which have not been concluded in the financial year.

Key risk treatment programmes and activities:

- Scheme policies and stance on ethical behaviour.
- Ongoing strengthening of procurement processes.
- Whistleblowing service.
- Internal Fraud and Forensic Investigation Unit.
- Lifestyle audits.
- Strengthening ethics function and capabilities.
- Claims management forum.
- Review of fraud, waste and abuse processes to prevent rather than cure.

8

**Unable to operationalise a cohesive GEMS structure**

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



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

**Overall risk experience**

The opportunity in managing this risk is a highly efficient, high-performance organisation that creates member value. This risk partially materialised during the year. The first-tier structure has been substantially filled, interdivisional movements completed and many vacancies filled. However, completion and approval of the workstudy were delayed, delaying implementation of recommendations. Given uncertainties about NHI, insourcing of capabilities and consolidation of schemes, the risk remains that the structure may not be sufficiently flexible and resilient for future scenarios. Given the size and complexity of the Scheme, and its significant strategic initiative portfolio, the effectiveness, efficiency and adequacy of governance structures have been highlighted.

**Governance structures**

In general, governance structures have come into focus, evaluating adequacy, efficiency and effectiveness. South Africa has many severe governance failures. The Scheme has grown significantly in recent years, expanding its operations, and increasing assets under management and coverage of members. The current outsourced and fragmented operating model remains complex. The Scheme is also implementing several large and complex strategic initiatives, thus strong governance is essential.

It is imperative to fundamentally review, optimise and strengthen the Scheme's governance structures and practices to align to the current strategy and priorities and to ensure comprehensive and cohesive oversight. Specific areas for consideration are:

- Development of a corporate governance framework.
- Overall review of standing committee structures.
- Alignment of corporate governance and risk management processes.
- Streamline accountabilities and authorities.
- Fully align with the King Report on Corporate Governance.
- Strengthen the Scheme's policy environment.
- Optimise reporting for effective oversight.

**Covid-19**

The Scheme's Covid-19 response plan has been acknowledged for its effectiveness. The work environment was improved and virtual work processes adopted. Productivity was maintained, but certain strategic targets have been impacted.

**Organisational realignment and capacitation for current mandates**

The first-tier structure has been significantly filled. The Chief Marketing Officer post and senior positions in the Member Service and Experience Division have been filled, which is especially important given the emphasis on communication and education to drive member satisfaction levels. The Chief Research Officer position has been filled, but capacitation of the Research and Development Division is not complete. This is linked to the insourcing programme as it relates to actuarial capabilities, which are scarce, and requires sophisticated information technology tools and access to Scheme data.

The Scheme's capacity to deliver on operational objectives, and on ambitious strategic imperatives, remains a risk, related to capacity, efficiency of processes and ability to effectively prioritise and sequence activities. The workstudy was crucial in defining the optimal structure and capacity to deliver on current mandates. It was completed and final approval for implementation approved.

As part of its service management programme, the Scheme has also started to focus on internal service culture, essential to drive member satisfaction, through improving product knowledge and instilling pride in Scheme officials.

**NHI alignment**

NHI is still fluid, but the NHI fund may be significantly different to current medical schemes. Implementation timelines are uncertain. The Scheme incorporated scenarios into the workstudy, designing an organisational structure that is flexible and resilient to these.

**Scheme consolidation**


The Scheme has reaffirmed the strategy to consolidate public sector schemes into GEMS. This will have a direct impact on both the donor and receptor schemes, in alignment of products, services and systems. It will affect head office resources and structures. The workstudy also considered these scenarios in the organisation design. The consolidation will require cultural alignment across the consolidated schemes, thus a robust change management process is essential.

**Insourcing of capabilities**

Insourcing of capabilities is a major change to the Scheme's operating model that drives significantly different organisational structures and skills requirements. Insourcing was also carefully considered in the workstudy, thereby ensuring a future-orientated organisational structure.

Key risk treatment programmes and activities:

- Execute and implement workstudy recommendations under robust project management principles.
- Prioritisation and alignment of business as usual and strategic activities, cognisant of resource constraints.
- Continuous and ongoing alignment of the organisational structure with NHI scenario plans, Scheme consolidation plans, insourcing and Scheme BBBEE strategy.
- Scheme internal service initiative.
- Cultural alignment initiative in response to the future Scheme operating model and consolidation of schemes.
- Leadership development.
- Attraction and retention of talent
- Optimisation of Scheme governance structures and processes.

9	<b>Deterioration in member health outcomes</b>
<b>Strategic Objective</b>	Sustainably grow membership ensuring inclusion and progressive cross-subsidisation Shape the transformation of the healthcare industry towards universal healthcare, coordinated across the healthcare ecosystem
<b>Capitals</b>	
<b>Horizon</b>	Short- to medium-term

### Overall risk experience

The opportunity is that GEMS will dramatically improve member health outcomes and quality of living, while providing excellent service and rich and affordable benefits. This risk materialised to a limited extent during the year. With the industry, the Scheme is experiencing worsening clinical profiles, of mainly non-communicable diseases. However, the Scheme is outperforming national benchmarks on 87% of health outcome indicators. Affordability also ensures that the Scheme can improve health outcomes for a larger portion of the population. The HIV 90/90/90 indicators have improved. Covid-19 brought into sharp focus the prevalence of highly infectious diseases.

### Burden of disease

Non-communicable or lifestyle diseases are increasing markedly, exacerbated by comorbidities. The Scheme's ageing population further increases burden of disease.

HIV is still the main communicable disease and consumes a significant portion of healthcare cost expenditure. HIV 90/90/90 improvements mean that the Scheme is effectively managing the disease. TB, often experienced with HIV, is, however, escalating as a major disease category.

Covid-19 had a significant impact on members, putting patients with renal conditions, hypertension, HIV and TB at higher risk of contracting coronavirus. It highlighted the prevalence of highly infectious diseases that, in the extreme, may lead to global pandemics. The warning signs were there with diseases such as the Spanish Flu, Severe Acute Respiratory Syndrome (SARS) and Middle East Respiratory Syndrome (MERS).

### Social and environmental determinants of health

Social factors remain an important driver of health and include sanitation, housing, climate change, air and, potentially, plastic pollution. In South Africa many factors are elevated because of inequality, poverty and unemployment.

### Access to high-quality healthcare

A key driver for deterioration in health outcomes is lack of access to high-quality healthcare. The Scheme has a high cost and geographical coverage of healthcare facilities and practitioners. Healthcare providers that are contracted to provide high-quality health outcomes.


Affordability remains pivotal, with negotiated tariffs making services highly affordable and broad eligibility criteria putting high-quality healthcare within the reach of more of the population. The Scheme's options are highly competitive and about 10% less expensive than competitor products. Tanzanite One and EVO offer 14% saving over equivalent non-efficiency discount options and improve health outcomes through care coordination.

Health outcomes are also promoted through preventive care and disease management programmes.

Key risk treatment programmes and activities:

- Disease management programmes.
- Extensive primary care and preventive care benefits.
- Member education.
- Care coordination embodied in Tanzanite One and EVO.
- Increased access to high-quality healthcare through high-quality hospital and healthcare provider networks.
- Increased affordability through tariff negotiations and efficiency discount options.
- Increased coverage through the widest eligibility definition.





## SECTION 12

# OUR PERFORMANCE AND OUTCOMES

In this section we disclose our performance against strategic objectives, followed by detailed information on membership growth, increased access to healthcare, improving member satisfaction indicators, healthcare outcomes and financial outcomes.

Progress against performance targets linked to the strategic elements and objectives in the GEMS five-year strategic plan (2017 to 2021) is shown in table 2 below. More in-depth information that provides context is available from page 110.

Targets are set and revised as part of the annual revision of the strategic plan and are signed off by the Board of Trustees. The Board revised and restructured the strategic KPIs and metrics for the remaining two years of the current strategic plan in September 2019, effective 1 January 2020. Some new metrics and targets were introduced while others were removed. The revision introduced quantifiable metrics and targets to improve measurability and alignment with objectives. The metrics were further reorganised into main metrics (level A) and supporting metrics (level B). To enable stakeholders to form a view on our progress against our strategic plan, progress against level A metric targets is shown in table 2.

KPI	Metric	2020 target	Performance in 2020		Performance in 2019	Main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2020
<b>Strategic Objective 1:</b> Be an organisation that is effective in communication, proactive in decision making and accountable to all stakeholders							
#1 Stakeholder satisfaction	Industry-initiated member survey – South African customer survey index (%)	73%	71.1%		71,1%	<ul style="list-style-type: none"> <li>Individual stakeholder risk level (affected vs opinion vs influence)</li> <li>Consolidated stakeholder risk profile</li> <li>Stakeholder interdependence/ interrelationship</li> </ul>	None
	GEMS initiated provider survey (%)	76%	76%		76%	<ul style="list-style-type: none"> <li>Individual stakeholder risk level (affected vs opinion vs influence)</li> <li>Consolidated stakeholder risk profile</li> <li>Stakeholder interdependence/ interrelationship</li> </ul>	None
	All complaints as a % of total lives (%)	0.12%	0.11%		0.10%	<ul style="list-style-type: none"> <li>Quality service delivery</li> <li>Effective complaints management</li> </ul>	Our complaints management system functioned as required in 2020
#2 Stakeholder inclusivity and alignment	Timeous completion of stakeholder forums workplans/outcomes (%)	90%	83% achieved through PSCBC engagements		<p>PSCBC working committee workplan implemented, with 6 meetings held under the joint working committee, 2 meetings under the sub- committee on rule review and 1 PSCBC meeting</p> <p>Three meetings of combined government stakeholder forum held for 2019</p>	Management of all stakeholders	<p>The target was not met, largely because of Covid-19.</p> <p>Stakeholder meetings were held virtually, with some connectivity issues. Critical and important engagements took place.</p>
<b>Strategic Objective 2:</b> Advance financial strength and drive the Scheme to a position of long-term sustainability							
#3 Financial strength	Reserve ratio (%)	29.50%	41.11%		31.5%	<ul style="list-style-type: none"> <li>Covid impact on claims for additional cases (third wave) and cost of vaccine</li> <li>Once Covid-19 subsidies, there might be a supplier-induced demand impact on claims</li> </ul>	Covid-19 contributed to a substantial claims experience, estimated to exceed R3 billion. The lockdown regulations supported a dramatically lower utilisation of non-Covid-19 claims that contributed to the reserve ratio improvement

KPI	Metric	2020 target	Performance in 2020		Performance in 2019	Main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2020
<b>Strategic Objective 2:</b> Advance financial strength and drive the Scheme to a position of long-term sustainability (continued)							
#3 Financial strength (continued)	CPI plus investment income return (%)	CPI+2%	CPI+2%		CPI+3.4%	Investment performance impact of Covid-19	Scheme returns were negatively impacted by the significant reduction in the repo rate announced by the South African Reserve Bank (SARB) during 2020. This and Covid-19 meant that the Scheme's investment returns were under pressure for most of the year, recovering only towards the end of the year as the equity markets saw some recovery (investment report on page 124)
	Operating surplus as a percentage of risk contribution (%)	>1%	10.6%		6.5%	<ul style="list-style-type: none"> <li>Covid-19 potential third wave and vaccine costs</li> <li>Further impact on investments and market performance, leading to reduced investment returns</li> </ul>	The lockdown regulations supported a dramatically lower utilisation of non-Covid-19 claims that contributed to the increase in operating surplus
	Standardisation of basic benefit package (%) across the GEMS range	66.70%	66,67%		66,67%	<ul style="list-style-type: none"> <li>Benchmarking GEMS' products against NHI principles and requirements</li> </ul>	None
<b>Strategic Objective 3:</b> Shape the transformation of the healthcare industry towards NHI, coordinated across the healthcare ecosystem							
#4 Compelling value proposition of products	Number of options where the basic benefit package has been standardised	2	2 (Tanzanite One and EVO)		This is a new and more focused metric to measure how we achieve a simplified benefit structure		None
	Product average affordability - (%)	>24%	25%		This is a new metric and target introduced to measure how we achieve accessibility	Benchmarking GEMS' products against NHI principles and requirements	None
#5 Driving progress on NHI	Principal members on future products (% on Tanzanite One and EVO)	32%	49,3%		In 2019, we measured the Percentage of principal members on EVO. Tanzanite One became available to members from 1 Jan 2020	<ul style="list-style-type: none"> <li>Budgeting and pricing prudence</li> <li>Accuracy and reliability of actuarial process</li> </ul>	Higher member enrolment in 2020 was driven partially by the need of public service employees to access healthcare cover for themselves and their dependants and the affordability of EVO and Tanzanite One

KPI	Metric	2020 target	Performance in 2020		Performance in 2019	Main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2020
<b>Strategic Objective 3:</b> Shape the transformation of the healthcare industry towards NHI, coordinated across the healthcare ecosystem (continued)							
#5 Driving progress on NHI (continued)	Eminence (number of publications, presentations and awards)	16	23, consisting of 4 publications, 4 awards, and 15 presentations		In 2019, 2 research publications were finalised on EVO and the impact of underwriting. This was against a target of 4 publications.  The GEMS Research and Development Division was 'relaunched' in 2020 with the appointment of a new Chief Research Officer	Resource (people, system, budget) allocations to division to enable delivery on targets	None
#6 Clinical risk indicators	Increase in hospital admission rate relative to budget assumption (%)	3.5%	-21.4%		The increase in the admission rate was 1.5% for 2019, which was better than target. The Scheme is actively participating in HQA reporting since 2015, with the aim of using the HQA quality and clinical outcomes- based targets to monitor the Scheme's performance and set outcomes-based targets for priority chronic conditions  Through HQA participation and disease risk management interventions (including early screening, promotion of preventive care benefits, healthcare provider engagements and member education), increase in the admission rate for priority chronic remained better than target	<ul style="list-style-type: none"> <li>Preventive care</li> <li>Appropriate level and quality of care</li> <li>Increased utilisation rates not explained by demographics</li> <li>Dependency and pensioner ratios</li> </ul>	Lockdown regulations supported a dramatically lower utilisation of non-Covid-19 related hospitalisation
	Percentage decrease in admission rate on EVO	≥10%	13%		New target		
<b>Strategic Objective 3:</b> Shape the transformation of the healthcare industry towards NHI, coordinated across the healthcare ecosystem (continued)							
#6 Clinical risk indicators (continued)	Percentage decrease in admission rate on Tanzanite One )	≥10%	50%		New target	<ul style="list-style-type: none"> <li>Managed care programmes not executed as per service level agreements</li> <li>Preventive care</li> <li>Appropriate level and quality of care</li> </ul>	Lockdown regulation supported lower utilisation of non-Covid-19 related hospitalisation

KPI	Metric	2020 target	Performance in 2020		Performance in 2019	Main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2020
#6 Clinical risk indicators (continued)	Managed care indicators % above industry average (CMS annual report) (%)	85%	The CMS did not release this figure for 2020 and we are not able to measure our performance. However, we outperformed the industry on healthcare indicators measured by the HQA (page 111)		New metric and target introduced to benchmark our performance to the medical schemes industry		The information was not released by the CMS in 2020
<b>Strategic Objective 4:</b> Be a strategic purchaser of healthcare services by leveraging GEMS' unique positioning and relationships							
#7 Healthcare practitioner cost coverage	Primary network cost coverage (%)	90%	91%		New metric introduced from January 2020	Realistic discounts, supply side reforms and access to preferential rates with healthcare suppliers may not be realised	None
	Specialist network cost coverage (%)	42%	54.1%		New metric introduced from January 2020	Realistic discounts, supply side reforms and access to preferential rates with healthcare suppliers may not be realised	None
	Specialists on network (number)	2 700	3 176		2 535	Realistic discounts, supply side reforms and access to preferential rates with healthcare suppliers may not be realised	None
#8 Healthcare strategic purchasing	Reduced spend on sourcing costs (%)	0.35%	6.3%		Savings of R5.1 million have been generated on managed care interventions on innersoles, crutches and continuous positive airway pressure devices  A 60.1 % increase in expenditure was experienced on hearing aids, due primarily to increased utilisation. The Scheme is reviewing interventions to manage hearing aid expenditure	Realistic discounts, supply side reforms and access to preferential rates with healthcare suppliers may not be realised	None
	Percentage out-of-pocket expenditure (%)	5%	5.1%		2.6% reduction	Claims performance	



KPI	Metric	2020 target	Performance in 2020		Performance in 2019	Main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2020
<b>Strategic Objective 4:</b> Be a strategic purchaser of healthcare services by leveraging GEMS' unique positioning and relationships (continued)							
#8 Healthcare strategic purchasing (continued)	Reduction in hospital spend relative to budget (%)	1%	10.9%		New target and metric. In the past we have monitored trends in hospital admission rate	Realistic discounts, supply side reforms and access to preferential rates with healthcare suppliers may not be realised	Lockdown regulations supported a dramatically lower utilisation of non-Covid-19-related hospitalisation.  Alternative reimbursement model negotiations were deprioritised in 2020 due to the impact of Covid-19 on hospitals
	Alternative reimbursement model established (%)	12.50%	10.2%		New target and metric		
#9 People and development	Externally assessed employee engagement (ranking)	Top employer certificate	Accreditation not achieved in 2020		Employee Engagement Score 66.3% Gold Status (Deloitte: Best Company to Work For Survey)	Attract and retain appropriate capacity and skills	None
#10 Robust governance	Unqualified audits (Yes/No)	Yes	15th consecutive unqualified audit opinion for the 2020 financial year		14th consecutive unqualified audit opinion received for the 2019 financial year	Non-compliance incidents, audit findings, regulatory and legal issues	None
#11 Business intelligence, data management and digital first	Data quality (%)	80%	87.86%		88%	<ul style="list-style-type: none"> <li>Quality of data capturing and processing (manual and automated)*</li> <li>Adequacy of cybersecurity measures</li> </ul>	None
	% of reports produced by the administrator that can be replicated by GEMS (%)	50%	15%		New target and metric relayed to our insourcing of capabilities programme	<ul style="list-style-type: none"> <li>Adequate integration of internal, transactional and external information technology systems</li> <li>Cohesion and optimisation of system interfaces</li> </ul>	None
	Internal digital services adoption (%)	50%	62.5%		New target and metric	<ul style="list-style-type: none"> <li>Adequate and robust systems to drive outcomes</li> <li>Cover internal and outsourced systems</li> </ul>	None
	Member digital services adoption (%)	30%	39% <ul style="list-style-type: none"> <li>37,072 app downloads at end-December 2020</li> <li>58% against 30% target</li> </ul>		21 306 app downloads at end-December 2019 (152% increase) 49 822 followers on Facebook page (3.5% increase) 2 437 490 website hits at end-December 2019 (71.46% increase). The GEMS website went live on May 2018, before which it was hosted by Metropolitan Health	<ul style="list-style-type: none"> <li>Adequate and robust systems to drive outcomes</li> <li>Cover internal and outsourced systems</li> </ul>	None
	Provider digital services adoption (%)	20%	Deferred		New target	N/A	The work had to be deferred due to a procurement delay related to the lockdown

KPI	Metric	2020 target	Performance in 2020		Performance in 2019	Main risk factors that may impact on performance outlook	Covid-19 impact on performance in 2020
<b>Strategic Objective 4:</b> Be a strategic purchaser of healthcare services by leveraging GEMS' unique positioning and relationships (continued)							
<b>#12 Fit-for-purpose capability build</b>	Progress against sourcing of capability plan (%)	40%	43%		Not relevant as target for 2019 was qualitative.  Quantitative target was set only from 2020	<ul style="list-style-type: none"> <li>Strategic projects implementation capability</li> <li>Effective management of deviations and incidents</li> <li>Quantification of impact of delayed decisions/ execution</li> </ul>	Although the target was exceeded in 2020. Covid-19 delayed procurement
<b>#13 Systems security</b>	Development and implementation of information security management capability (%)	80%	79.97%		Metric and target were revised for 2020. For 2019, 98.2% antivirus compliance was reported against a target of increased security compliance to >80% (protection of the Scheme network, applications and data)	<ul style="list-style-type: none"> <li>Quality of data capturing and processing (manual and automated)</li> <li>Adequacy of cybersecurity measures</li> </ul>	None
<b>Strategic Objective 5:</b> Sustainably grow membership, ensuring inclusion and progressive cross-subsidisation							
<b>#14 Sustainable member growth</b>	Total number of members registered on the Scheme (number)	742 000	750 935		726 621	<ul style="list-style-type: none"> <li>Brand perception</li> <li>Benefit design (absence of comprehensive rewards programme negatively impacting attractiveness)</li> <li>Target market not aware of extent of available subsidies</li> </ul>	Higher member enrolment in 2020 was driven partially by the need of public service employees to access healthcare cover for themselves and their dependants
	Total number of levels 1 to 5 members registered on the Scheme (number)	219 000	49.86% of levels 1 to 5 public service employees on GEMS (250 983) at end-December 2020		47.27% of levels 1 to 5 public service employees on GEMS (244 276) at end-November 2019	<ul style="list-style-type: none"> <li>Brand perception</li> <li>Benefit design (absence of comprehensive rewards programme negatively impacting attractiveness)</li> <li>Target market not aware of extent of available subsidies</li> </ul>	Higher member enrolment in 2020 was driven partially by the need of public service employees to access healthcare cover for themselves and their dependants, the affordability of our Tanzanite One option and our focused member enrolment drive for employees remunerated on levels 1 to 5

## Performance and outcomes trends

### Membership growth

During 2020, the number of membership applications grew, with the Scheme reaching its highest membership since inception, at 750 935 (2019: 726 621).



Membership grew by 24 314 principal members between December 2019 and December 2020. Tanzanite One, Beryl, Ruby and Emerald Value grew. Both Emerald and Onyx lost members, the former as a result of the targeted marketing campaign to switch members from Emerald to EVO, which offers the same benefits at reduced contribution rates. Onyx's decline was due mainly to the large percentage of pensioners (particularly pre92 pensioners) on this option and, consequently, the higher mortality rate.

### Enrolling the vulnerable on GEMS

We continued our focus on salary levels 1 to 5. During 2020, Tanzanite One members categorised as salary levels 1 to 5 on PERSAL continued to receive a 100% subsidy on their medical scheme contributions. The Scheme ended the year with 251 168 (2019: 244 567) level 1 to 5 employees split across the options. This represents 33.4% (2019: 33.7%) of GEMS membership. Employees on salary levels 1 to 5 typically earn between R8 500 and R17 500 a month. Some 86.5% of Tanzanite One members are on these levels compared to 43.3% for Beryl. This is expected given the subsidy available to these public service employees.

### Healthcare outcomes for beneficiaries in 2020

#### Performance against key HQA indicators:

GEMS subscribes to the Organisation for HQA, a not-for-profit company established in 2000 and governed by a board including representatives from the BHF and the South African National Consumer Union. The CMS is also an active participant and enjoys permanent observer status.

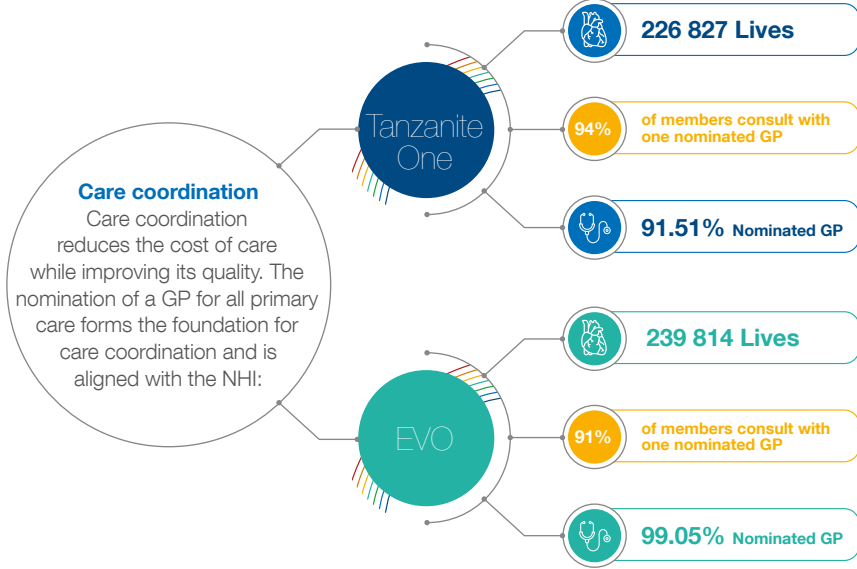
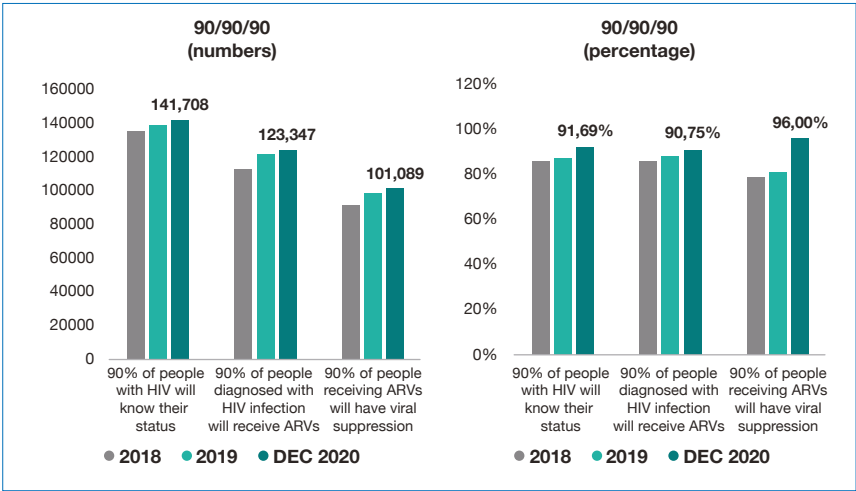
The HQA performs through healthcare quality indicators an annual assessment of clinical quality in healthcare offered by medical schemes to assist decision-makers such as trustees and scheme management to evaluate and improve the quality of member healthcare.

The 2020 annual HQA report indicates that GEMS performed above industry average for at least 90% of the key HQA indicators as shown below, with a year-on-year improvement:

Indicator	Measure	2018	2019
<b>Overall Clinical Risk</b>	Number of beneficiaries hospitalised per 1000 beneficiaries	●	●
<b>Preventative Health</b>	Flu vaccine coverage >65 years	●	●
<b>Mental Health</b>	Number of beneficiaries that have claimed for >30 days' supply of any benzodiazepines (%)	●	●
	Bipolar multiple admissions for any reason	●	●
	Depression multiple admissions for any reason	●	●
<b>Chronic Back and Neck Management</b>	Number of spinal fusion cases per 1000 beneficiaries	●	●
	Spinal fusion readmission rate within 30 days (% of total admissions)	●	●
<b>Maternity</b>	Number of caesarian section cases per 1000 female beneficiaries	●	●
<b>COPD</b>	COPD multiple admissions for any reason	●	●
<b>Ischaemic Heart Disease</b>	IHD multiple admissions for any reason	●	●
<b>Diabetes</b>	HBA1c coverage for diabetic patients (%)	●	●
	Cholesterol related tests coverage for diabetic patients (%)	●	●
	Monitoring nephropathy for diabetic patients (%)	●	●
	Diabetes multiple admissions for any reason	●	●
<b>Asthma</b>	Asthma multiple admissions for any reason	●	●
<b>HIV</b>	CD4 coverage	●	●
	Viral load test coverage	●	●
	Proxy ARV compliance	●	●
	HIV multiple admissions for any reason	●	●
<b>Chronic Heart Failure</b>	Cardiac failure multiple admissions for any reason	●	●
	Cardiac ACE and ARB inhibitor coverage (%)	●	●
<b>Hypertension</b>	Creatinine coverage (%)	●	●
	Stroke admission per 1000 beneficiaries	●	●

HIV/Aids disease management outcomes

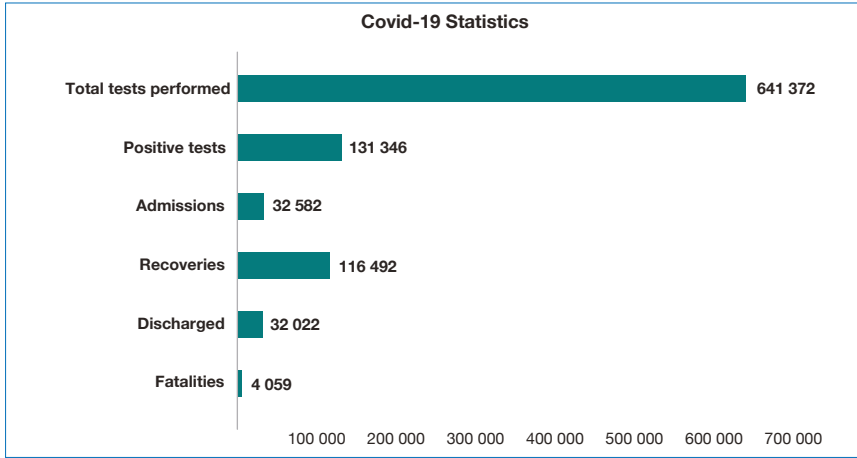
GEMS achieved and exceeded the 90-90-90 targets set by the National Department of Health and the World Health Organisation:



Covid-19 impact on GEMS

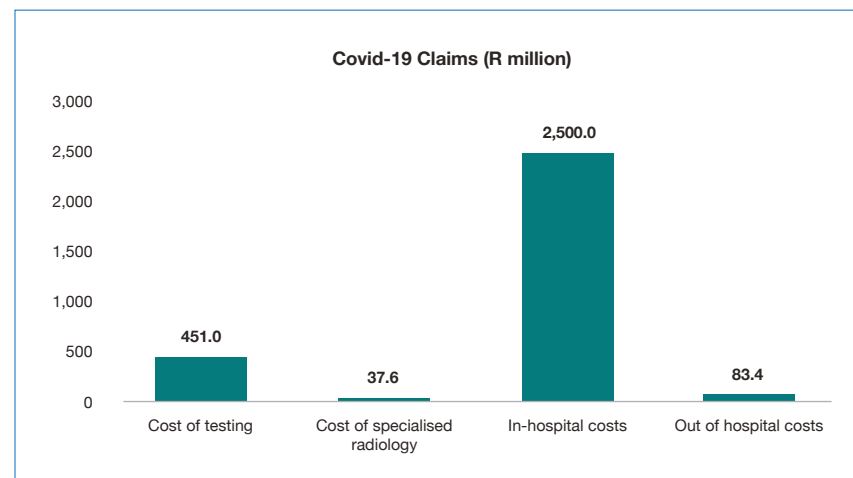
International trends indicated that the Scheme would potentially incur Covid-19 claims of between R1 billion and R2 billion. With the second wave, the numbers had to be revised and it was estimated that the Scheme could incur Covid-19 related expenses of up to R3.6 billion in 2020.

During 2020, the Scheme paid for 641 372 Covid-19 tests, 131 346 of which were positive. The admission rate was 22.5% and the recovery rate 88.7%.





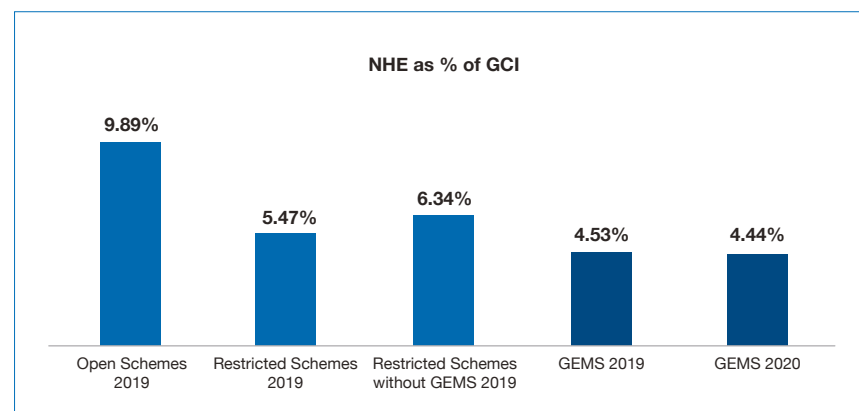
The Scheme spent R3.2 billion on Covid-19 during 2020, broken down as follows:



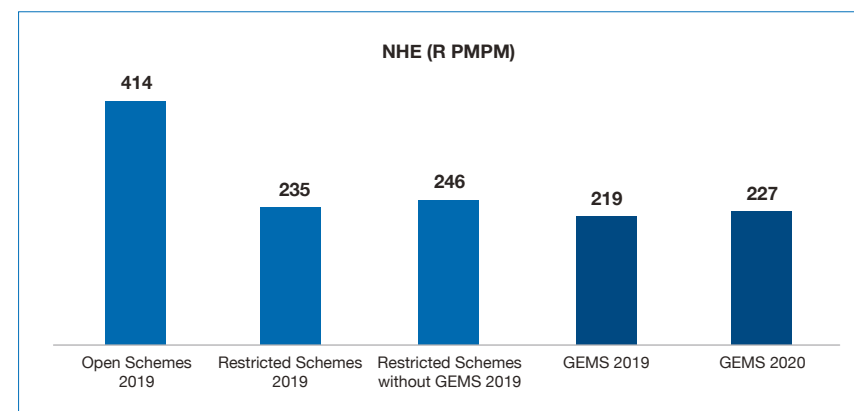
### Increasing access

### Low non-health costs

GEMS has saved significantly on non-healthcare costs. These costs are markedly lower than those of other schemes, resulting in an annual saving of about R2.03 billion for members and making more money available to spend on the healthcare costs of members.



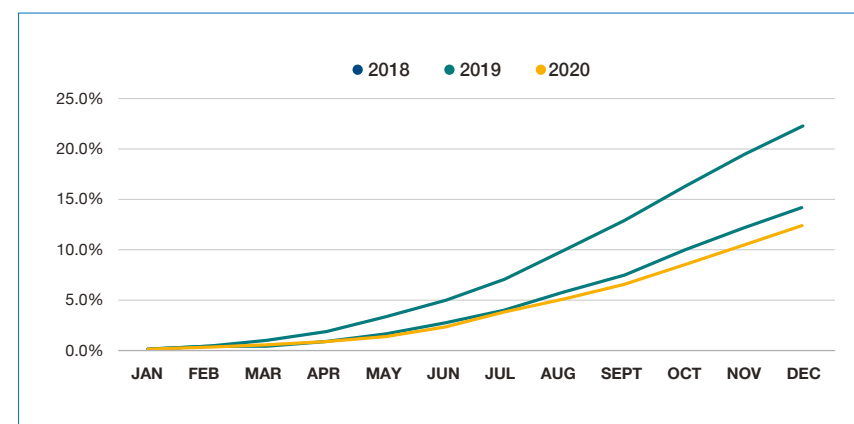
GEMS' non-healthcare expenses at a 'per member per month' level compared favourably to open medical schemes in the industry.



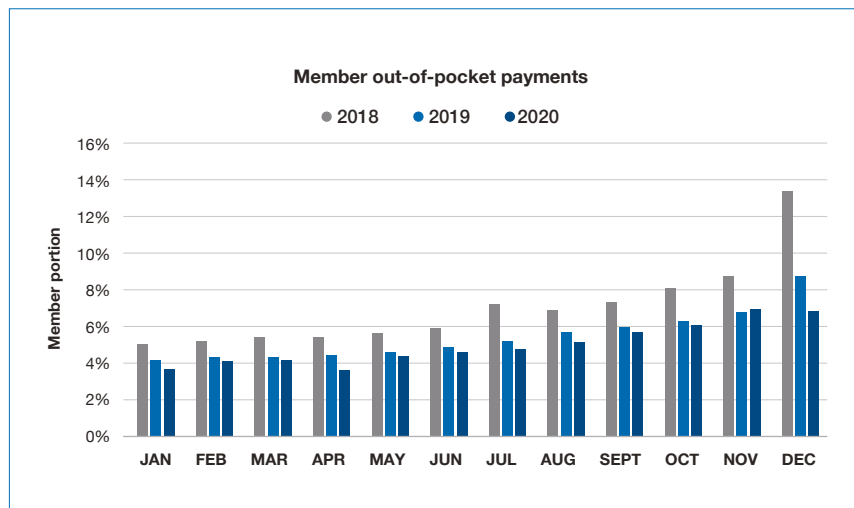
### Benefit depletion and reducing copayments and out-of-pocket expenses for members

GEMS is the only medical scheme in South Africa that provides an extender benefit to its members.

- During 2020, fewer than 2.3% of members depleted benefits in any given month.
- In 2020, GEMS further enhanced the extender benefit, resulting in 14% fewer members depleting their block benefits.
- GEMS Emerald members collectively benefitted by R150 million during the year as a result.



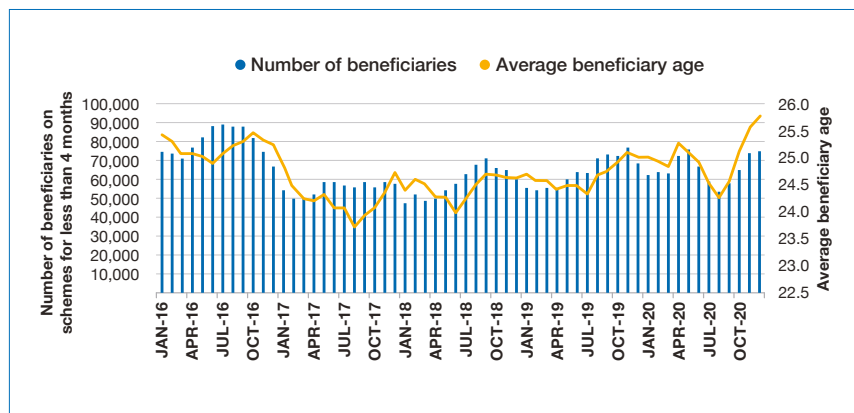
In 2020, GEMS enhanced benefits to reduce member copayments. Enhancements included several new benefits on Tanzanite One and improved primary care cover on all options. The graph shows that members experienced a reduction in their out-of-pocket expenses. Members collectively benefitted by R86 million during the year as a result of these enhancements.



### The benefits of underwriting

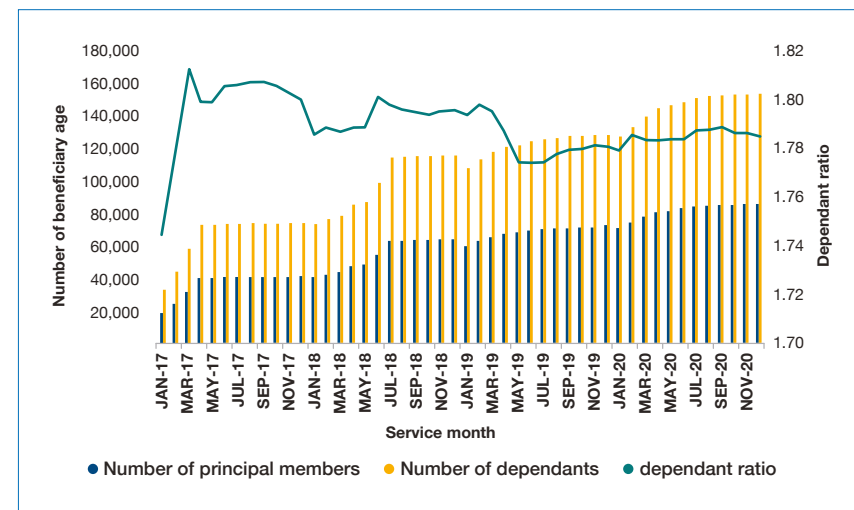
Introducing underwriting in November 2016 slightly reduced the number of new beneficiaries joining each month, with new dependants reporting lower claims ratios during their first four months of participation than before underwriting.

The graph below illustrates the reduction in number of new entrants in recent years. This trend has continued throughout 2020 and the Scheme continues to benefit financially from underwriting.

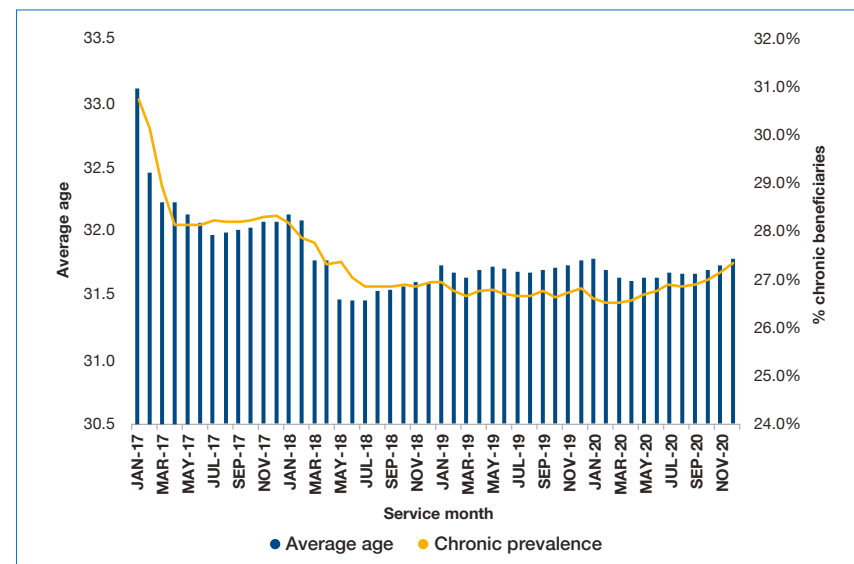


### Emerald Value Option growth

EVO has grown to 86 099 participating families covering 239 814 beneficiaries. On average, these families are larger and have a slightly lower pensioner ratio than other Emerald members. EVO is currently the third largest option on the Scheme.



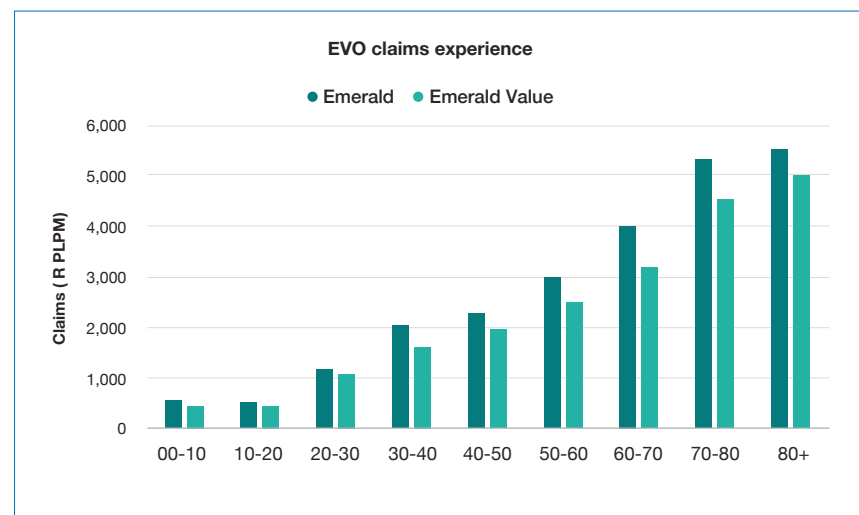
The figure below shows the average age and chronic prevalence on EVO since inception.



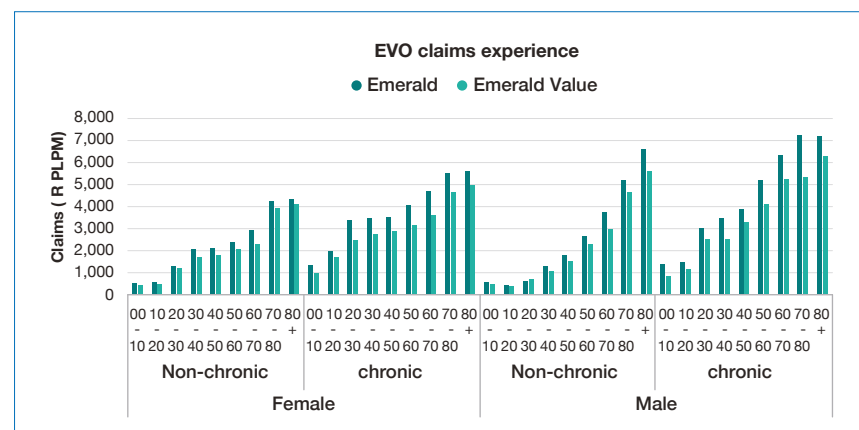
Based on the two graphs above, we can conclude the following:

- EVO growth has been spurred by the Scheme's drive to move members onto the option
- The age and chronic profile on the option have improved due to this growth.

Adjusting Emerald and EVO claims for demographic differences reveals that claims were consistently lower on EVO for the same members. The difference in claims behaviour is due to EVO efficiencies and not the disease burden of members choosing to participate on EVO.



The lower EVO claims are further confirmed when adjusting for the combination of age, gender and chronic status of beneficiaries participating on these options. After removing the effect of these demographic differences, we calculate an efficiency of 16.2% on EVO.

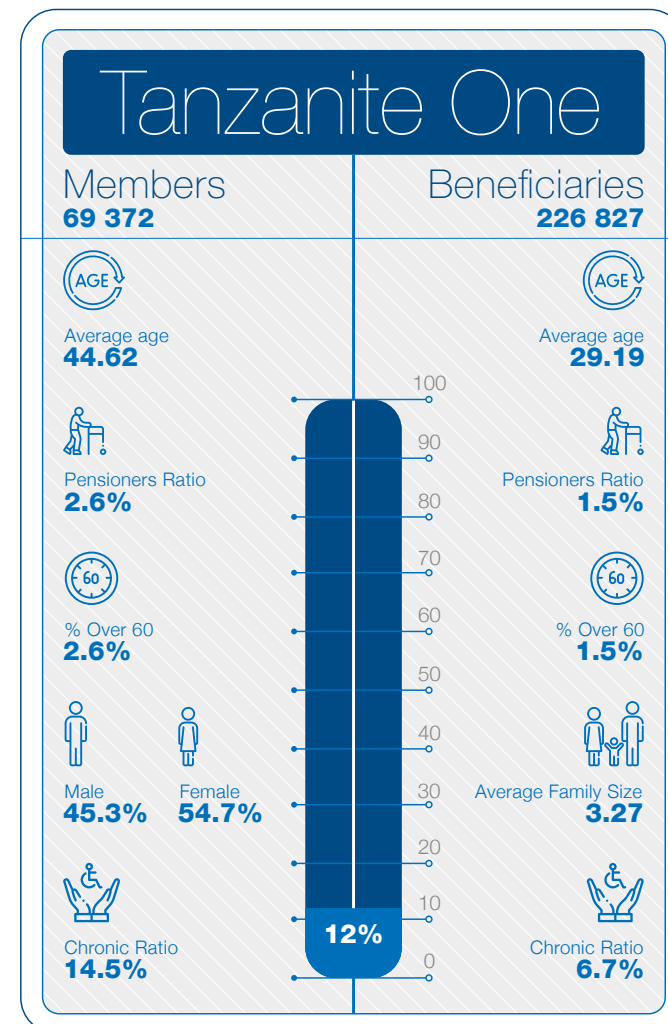


## Tanzanite One

In 2020, the Scheme launched Tanzanite One providing enhanced benefits to members and access to a private hospital network. The option currently accounts for 11.6% of Scheme beneficiaries, its fourth largest option, with, on average, the largest families on the Scheme and the lowest chronic prevalence overall.

## Tanzanite One

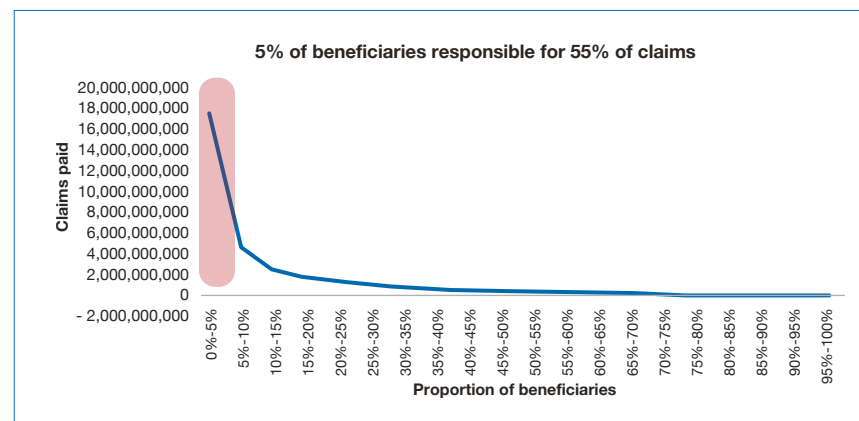
also has one of the **smallest proportions** of adult beneficiaries.  
In essence, the families are large and relatively younger.



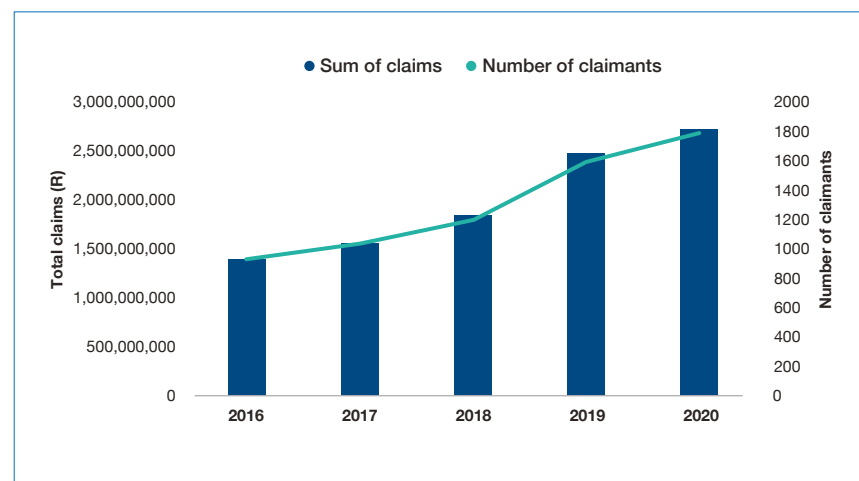
## Claims experience

In 2020, the Scheme settled claims to the value of R36.4 billion (101.50 million claim lines), a 2.25% increase from the R35.60 billion (101.36 million claim lines) of 2019. In line with industry trends a small proportion of members are responsible for most claims.

With GEMS, 5% of beneficiaries incur 55% of costs in any given year as demonstrated below:



The graph below shows the number of beneficiaries who claimed over R1 million as well as the total claims for all beneficiaries who claimed over R1 million. In 2020, the total amount claimed and the number of high claimers increased compared to 2019.

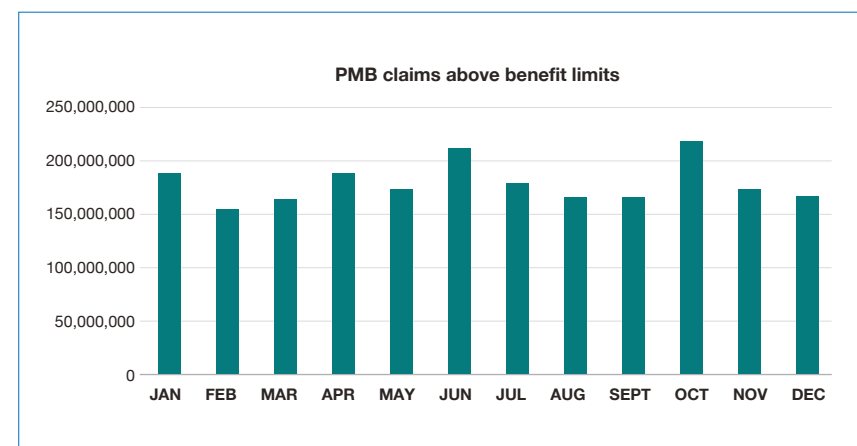


The table below shows claims paid, both in- and out-of hospital, for each year since 2016. The number of claims paid in 2020 increased by 2.4% from 2019, the increase being for out-of hospital costs. During 2020, the national lockdown resulted in fewer GEMS members scheduling elective hospital procedures and this is reflected in the reduction of hospital claims during 2020.

Nature of claims	2016	2017	2018	2019	2020	% increase in 2020
Hospital facility claims	10 864	10 748	11 617	12 884	12 693	-1.5%
In-hospital healthcare provider (i.e. doctor) claims	7 599	7 667	8 720	10 292	10 678	3.8%
Day-to-day claims	5 281	5 481	5 512	6 066	6 364	4.9%
Medication claims	4 383	4 757	4 912	5 199	5 536	6.5%
<b>Total</b>	<b>28 127</b>	<b>28 653</b>	<b>30 761</b>	<b>34 441</b>	<b>35 271</b>	<b>2.4%</b>

## PMB claims above Scheme rate

The graph below shows PMB claims paid by the Scheme over Scheme rates in 2020.



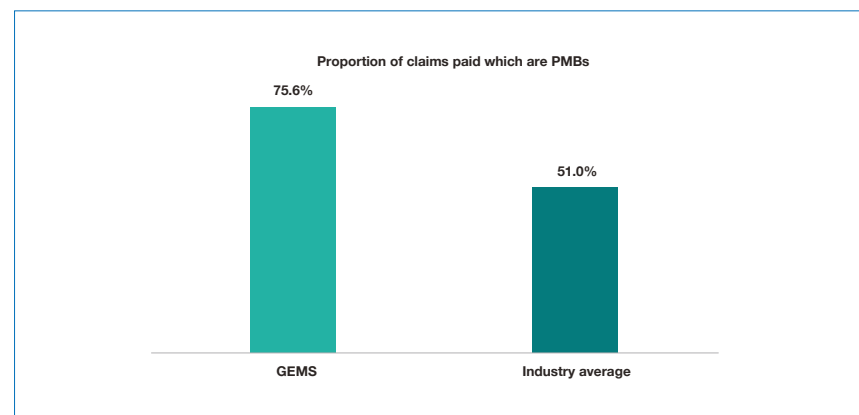
PMB costs for 2020 was R26.6 billion. Since PMBs have to be funded even if providers charge more than the Scheme rate or if benefits are depleted, GEMS paid R2.2 billion, or 6.3%, above available benefits during 2020.



## PMB claims compared to industry average

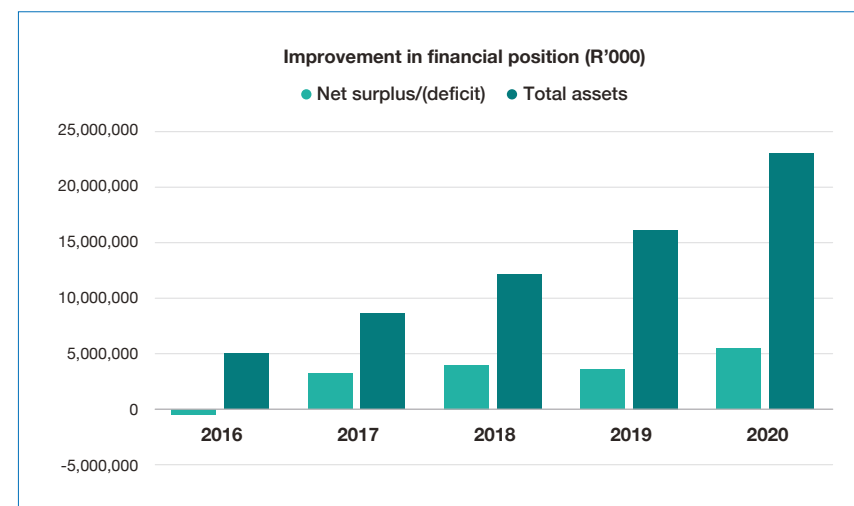
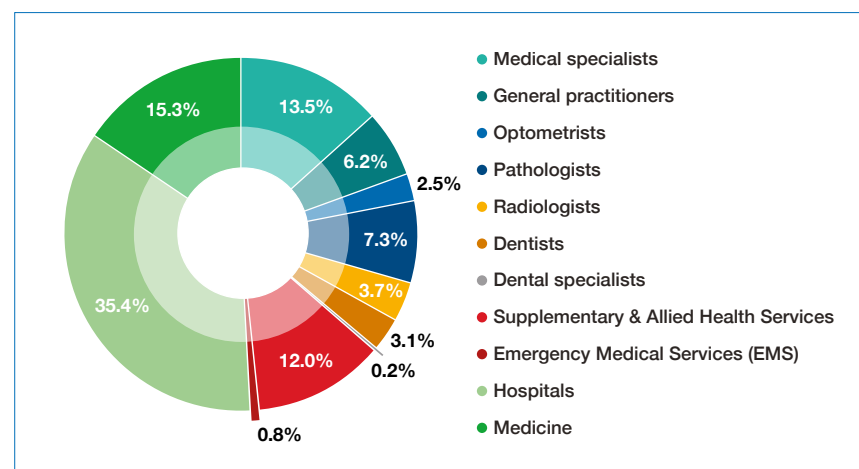
GEMS strictly adheres to PMB legislation and ensures that benefit provisions are honoured. GEMS' funding towards PMBs exceeds R1 150 per beneficiary per month against the industry norm of less than R900.

A higher proportion of benefits paid on GEMS are categorised and funded as PMBs. While the CMS reported in its latest annual report that medical schemes on average report 51% of all claims to be PMBs, GEMS funded 75.6% of its benefits as PMBs. This illustrates the benefit to members of GEMS' approach to identifying PMBs.



## Claims breakdown by discipline

The Scheme pays claims to providers of the following disciplines, with most claims paid to hospital, medicine, medical specialist and allied health service providers.



## Update on pre92 pensioner impact (pensioners who migrated to GEMS from Medihelp)

In April 2012, pre92 pensioners migrated to GEMS. The table below compares the membership profile of the pre92 pensioners at 31 December 2020 to the rest of Onyx members and the Scheme as a whole.

	Pre92 members	Onyx	Scheme
Number of principal members	7 034	25 432	750 935
Average age	84.94	71.14	48.83
% male	16.76%	34.78%	29.66%
% chronic users	87.08%	81.44%	43.36%
% over age 60	99.50%	76.79%	17.67%
Number of beneficiaries	7 866	39 965	1 963 758
Beneficiary ratio	1.12	1.57	2.62
Average age	84.60	62.37	32.50
% adult beneficiaries	10.44%	26.53%	20.14%
% chronic users	86.80%	45.25%	24.77%
% over age 60	98.49%	64.62%	11.95%

## Update on the financial impact of pre92 pensioners

The table below illustrates the financial impact of the pre92 pensioners on the Scheme for 2020.

	Actual
Net contribution income	474 853 081
Claims Incurred	(515 096 477)
Gross healthcare results	(40 243 396)
Non-healthcare costs	(19 887 672)
Total comprehensive surplus/(deficit)	(60 131 068)
Claims ratio	108.47%

At year end, the actual financial impact experienced from pre92 pensioners was significantly better than expected (due to the Covid-19 pandemic and national lockdown, which lowered claim numbers) and contributed a deficit of R60.1 million to the financial results of the Scheme.

## GEMS investment strategy and performance

The Finance and Investment Committee was set up by the Board to assist it in its oversight responsibilities of the Scheme's investment activities. The committee uses external investment experts to assist in developing an appropriate investment strategy and monitoring investment performance.

The investment strategy ensures that invested capital is preserved as far as possible, liquidity position is strengthened, investment returns are optimised and the Scheme complies with all aspects of regulations 29 and 30 of the Medical Schemes Act and Annexure B. Compliance to regulatory requirements is reported to the Scheme quarterly.

The Scheme's investment portfolio is suitably diversified and managed to optimise returns within the risk appetite approved by the Board. Asset allocation is reviewed each year to ensure sufficient liquid funds are available to meet claims and other liabilities of the Scheme as these fall due. The annual review is done with the Scheme's investment consultant (page ... for information on the consultant).

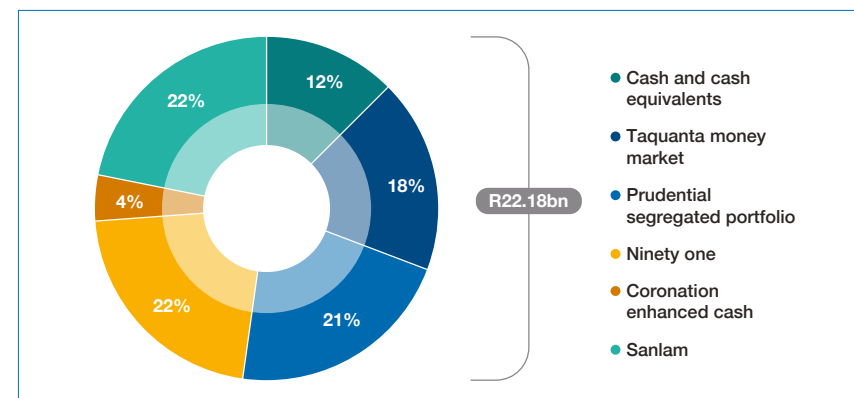
Given the short-term nature of Scheme liabilities, a significant portion of its assets are invested in money market and cash investments, with smaller allocations to bonds (local and foreign) and equities.

Although GEMS is not an institutional investor, the Scheme subscribes to the principles and recommended practices of the Code of Responsible Investing in South Africa (CRISA). The Investment Committee reviews the Scheme's alignment to CRISA annually.

The investment mandate is handled by five asset managers (page 241 for information on the asset managers), overseen by the Scheme and the investment consultant, to leverage their diversified expertise and reduce the risk of over-concentration. The Scheme had the following investment portfolios for the year:

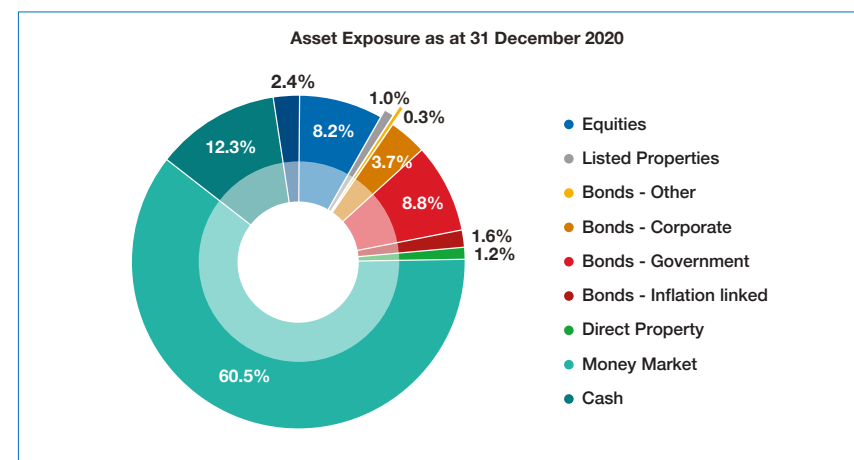
- 1.) Money market portfolio
- 2.) Absolute return portfolio
- 3.) Enhanced income portfolio

A conservative investment approach limits the risk of capital erosion and optimises investment returns. Below is the asset class exposure at 31 December 2020:



At the end of the 2020 financial year, investment was R22.2 billion (2019: R15.4 billion), comprising of cash and cash equivalents of R2.8 billion and R19.4 billion held with the asset managers.

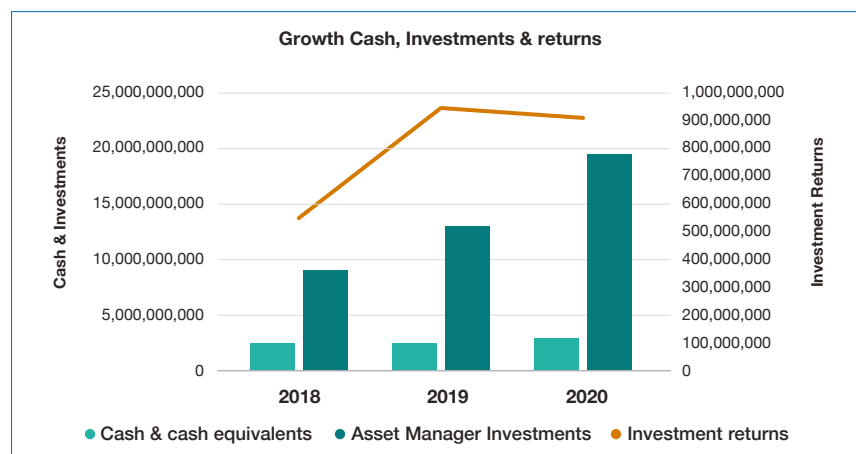
At end-December 2020, the Scheme was invested in the following asset classes:



Covid-19 had a significant impact on equity markets during 2020. The Scheme's returns were negatively impacted by the significant reduction in the repo rate announced by SARB during 2020. These two factors put the Scheme's investment returns under pressure for most of the year, and they recovered only towards the end of the year as the equity markets picked up.

#### During a challenging year for investment returns, GEMS experienced significant growth in cash and investment.

Similar to the improvement of the reserves, the Scheme significantly strengthened its liquidity position, with cash and investments growing from R9 billion in December 2018 to R19.4 billion at end-December 2020. Due to a shift in the investment strategy from investing mainly in money market instruments to increasing its exposure to equity and bonds, the Scheme reported a higher return on investment in more recent years. Since 2018, investment income has increased significantly as a result of this change and, even with the impact of Covid-19 on equity markets, the Scheme reported a substantial return on investment of R902 million for 2020.



The average investment rate of return for the year was 5.1% (2019: 8.1%), which was in line with the revised CPI+2% target. The investment return was still significant at R902 million (2019: R941 million). The investment income of the Scheme accounted for 15% of the surplus achieved for the year.

The investment values and average effective interest rates for the year ended 31 December appear in the table below. The 2020 investment returns need to be considered against the very low inflation environment present in 2020, with December CPI at 3.1% (2019: 4%)

Asset	2020 R 'value	2019 R 'value	2020 ROI%	2019 ROI%
Current accounts	866 090	900 956	2.73%	5.18%
Call accounts	1 899 517	1 548 805	4.50%	7.11%
Asset managers	19 417 621	12 971 947	5.12%	8.30%
<b>Total funds invested</b>	<b>22 183 228</b>	<b>15 421 708</b>	<b>5.10%</b>	<b>8.10%</b>

The Scheme expects the challenging investment environment to continue in 2021, with the Covid-19 pandemic still providing uncertainty. This, combined with a continued lower interest rate cycle, will have a negative impact on the returns of the investment portfolio compared to previous years. The equity portfolio remains subject to market volatility, but is expected to yield solid returns in the future. The Scheme will explore the restructuring of its asset allocation in 2021 to position itself to benefit from these uncertainties.

The Scheme's investment target rate for 2021 is CPI+3.5% and the investment mandate was amended accordingly. To support this change in strategy and manage the concentration risk of assets allocated to the asset managers, the Scheme will appoint an additional asset manager during 2021 for absolute returns.

The Scheme, with its investment consultants, continues to closely monitor the performance of its asset managers to ensure that they deliver mandated investment returns. We continue to proactively assess and mitigate downside risks that might lead to capital erosion of the Scheme's invested assets.

#### Financial performance summary

The Scheme recorded a surplus of R5.6 billion for 2020 (2019: R3.5 billion). This was due mainly to Covid-19 and the national lockdown, which resulted in lower claims than anticipated for 2020. The surplus can be attributed mainly to the following factors which are reflected in the statement of comprehensive income:

- Risk contributions (R268 million higher than budgeted);
- Net claims incurred (R3.5 billion lower than budgeted);
- Non-healthcare cost (R426 million lower than budgeted); and
- Investment and other income (R89 million lower than budget)

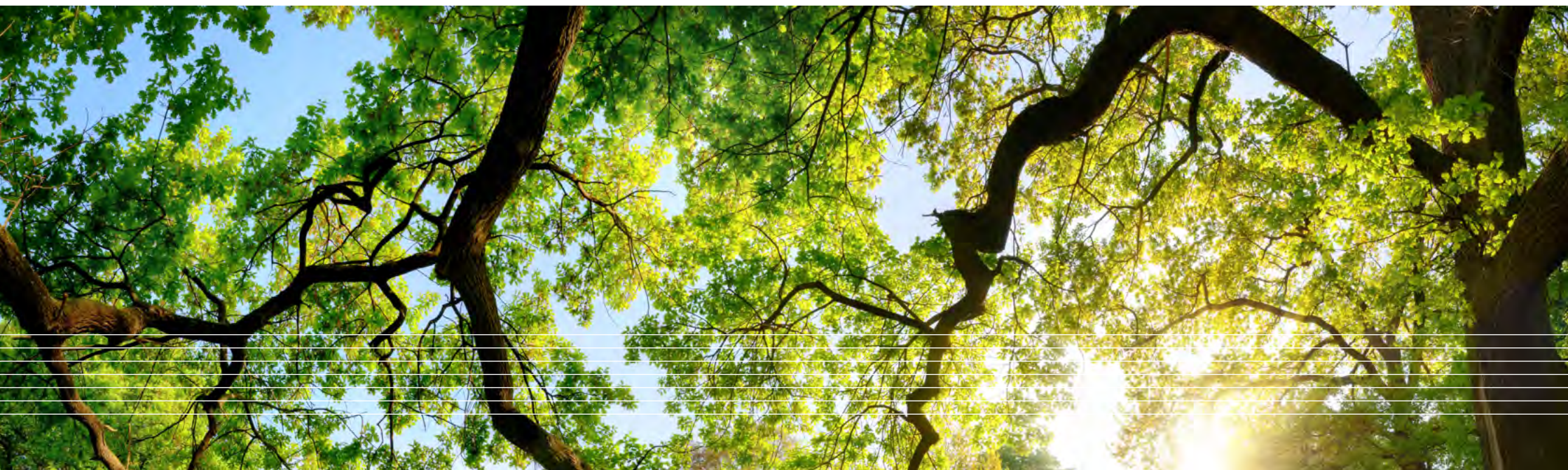
The GEMS claims ratio for 2020 was 84.8% (2019: 89.1%), much lower than expected, at 93.27%.


## Per member cost analysis

	Tanzanite One		Beryl		Ruby			EVO		Emerald		Onyx		Total Scheme	
	2020	2019	2020	2019	2020	2019		2020	2019	2020	2019	2020	2019	2020	2019
Net contributions per member per month (average)	2 633	2 300	3 342	3 073	4 086	3 804		5 165	4 811	5 587	5 227	6 677	6 254	4 970	4 703
Net contributions per beneficiary per month	811	714	1 241	1 149	1 531	1 423		1 854	1 729	2 219	2 056	4 236	3 882	1 905	1 808
Healthcare management expense per member per month	100	96	100	96	100	96		100	96	100	96	100	96	100	96
Healthcare management expense per beneficiary per month	31	30	37	36	37	36		36	34	40	38	63	59	38	37
Non-healthcare expenses as a percentage of gross contributions	8 .7%	9 .5%	6 .8%	7 .1%	5 .6%	6 .0%		4 .4%	4 .5%	4 .1%	4 .2%	3 .4%	3 .6%	4 .6%	4 .7%
Administration cost per member per month	228	218	229	218	229	229		229	217	229	217	231	225	229	219
Administration cost per beneficiary per month	70	68	85	82	86	85		82	78	91	85	146	140	88	84
Amounts paid to administrator/s (R'000)	94 257	72 824	71 190	58 238	159 511	140 940		123 714	98 829	626 111	613 612	39 607	41 399	1 114 388	1 025 842
Number of registered new members	13 494	8 305	8 116	8 672	9 925	12 131		6 014	5 778	16 493	19 576	416	409	54 458	54 871
Number of resigning members	2 099	2 028	1 854	2 119	3 811	4 543		2 670	2 820	14 462	17 224	1 669	1 871	26 565	30 605
Chronic prevalence of beneficiaries	6 .69%	5 .8%	13 .7%	12 .7%	16 .1%	15 .3%		27 .1%	26 .8%	29 .8%	28 .3%	70 .9%	68 .7%	24 .7%	24 .2%
Average number of members during the year	62 480	50 662	47 158	40 518	105 613	98 051		81 981	68 794	414 359	426 826	26 205	28 795	737 796	713 646
Number of members as at 31 December 2018	69 372	54 026	49 884	43 713	108 151	101 777		86 099	72 266	411 997	426 789	25 432	28 050	750 935	726 621
Number of beneficiaries at 31 December 2018	157 455	174 524	84 414	116 853	179 857	271 671		153 715	200 961	622 849	1 083 287	14 533	44 999	1 212 823	1 892 295
Dependant	2 .3	2 .2	1 .7		1 .7	1 .7		1 .8		1 .5		0 .6		1 .6	1 .6



	Tanzanite One Option		Beryl Option		Ruby Option			Emerald EVO		Emerald Option		Onyx Option		Total Scheme	
ratio to members at 31 December 2018				1.7					1.8		1.5		0.6		
Average accumulated funds per member	24 797	17 960	24 797	17 960	24 797	17 960		24 797	17 960	24 797	17 960	24 797	17 960	24 797	17 960
Return on investments as a percentage	5.1%	8.1%	5.1%	8.1%	5.1%	8.1%		5.1%	8.1%	5.1%	8.1%	5.1%	8.1%	5.1%	8.1%
Relevant healthcare expenditure (claims) per month	1 439	814	2 950	2 603	2 715	2 594		4 406	4 405	4 914	4 808	7 438	7 776	4 213	4 176
Relevant healthcare expenditure (claims) ratio	54.7%	35.4%	88.3%	84.7%	66.5%	68.2%		85.3%	91.5%	88.0%	92.0%	111.4%	124.3%	84.8%	88.8%
Non-healthcare expenditure per month	228	218	229	218	229	229		229	217	229	217	231	225	229	219
Net healthcare result (R'000)	723 680	770 913	92 678	122 705	1 447 057	1 154 706		521 575	156 175	2 208 325	1 031 725	(311 768)	(603 573)	4 681 548	2 632 651





# SECTION 13

## STATEMENT OF RESPONSIBILITY AND ANNUAL FINANCIAL STATEMENTS

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

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

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

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

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

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

GEMS operates in a well-established control environment, which is well documented and regularly reviewed. This environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are assessed and controlled.

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

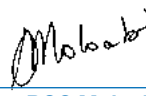


The Scheme's external auditor, Deloitte and OMA Chartered Accountants JV, is responsible for auditing the statements in terms of International Auditing Standards and its unqualified report is presented with the Scheme's annual financial statements.

The annual financial statements for 2020 were approved by the Board of Trustees on 22 April 2021 and are signed on its behalf by:

  
**Dr SM Hlatshwayo**  
Chairperson

  
**Mr ME Phophi**  
Deputy Chairperson

  
**Dr BOS Moloabi**  
Principal Officer

22 April 2021

The financial information below has been extracted from and is in agreement with the audited annual financial statements of the Scheme for the 2020 financial year. The full audited annual financial statements can be found at [www.gov.za](http://www.gov.za) or by calling 0860 00 4367.

## Statement of Financial Position

as at December 31, 2020

	Note(s)	2020 ('000)	2019 ('000)
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and Equipment	3	299 130	240 231
Right-of-use assets	4	8 286	7 639
Intangible assets	5	6 687	13 373
Financial assets at fair value through profit or loss	6	6 188 873	4 654 020
		<b>6 502 976</b>	<b>4 915 263</b>
<b>Current Assets</b>			
Financial assets at fair value through profit or loss	6	13 228 748	8 317 926
Trade and other receivables	7	338 571	335 754
Cash and cash equivalents: Scheme cash invested	8	2 765 607	2 449 761
		<b>16 332 926</b>	<b>11 103 441</b>
<b>Total Assets</b>		<b>22 835 902</b>	<b>16 018 704</b>
<b>FUNDS AND LIABILITIES</b>			
<b>MEMBER'S FUNDS</b>			
Accumulated Funds		18 620 653	13 049 975
<b>FUNDS AND LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Lease liabilities	4	2 791	3 577
<b>Current Liabilities</b>			
Personal medical savings account liability	9	1 263 247	1 010 902
Lease liabilities	4	6 050	4 582
Trade and other payables	10	928 772	646 588
Outstanding risk claims provision	11	2 014 389	1 303 080
		<b>4 212 458</b>	<b>2 965 152</b>
<b>Total Liabilities</b>		<b>4 215 249</b>	<b>2 968 729</b>
<b>Member Funds and Liabilities</b>		<b>22 835 902</b>	<b>16 018 704</b>

## Statement of Comprehensive Income

as at December 31, 2020

	Note(s)	2020 ('000)	2019 ('000)
<b>Risk contribution income</b>	13	44 004 872	40 273 184
<b>Relevant healthcare expenditure</b>		(37 297 957)	(35 763 229)
Risk claims incurred	14	(36 416 134)	(34 945 266)
Accredited managed healthcare services	15	(881 823)	(817 963)
<b>Gross healthcare result</b>		<b>6 706 915</b>	<b>4 509 955</b>
Administration expenditure	16	(1 855 877)	(1 714 456)
Marketing services		(127 374)	(125 855)
Impairment losses on healthcare receivables	18	(41 262)	(36 078)
<b>Net healthcare result</b>		<b>4 682 402</b>	<b>2 633 566</b>
<b>Investment income</b>	19	<b>902 284</b>	<b>941 276</b>
Dividends received		74 164	49 429
Interest received on financial assets at fair value through profit or loss		864 383	833 486
Net realised gain / (loss) on financial assets at fair value through profit or loss		(68 090)	71 086
Net unrealised gain / (loss) on financial assets at fair value through profit or loss		(10 651)	(62 044)
Interest received on cash and cash equivalents		42 478	49 319
<b>Other income</b>		<b>29 189</b>	<b>31 525</b>
Sundry income		29 189	31 525
<b>Other expenses</b>		<b>(43 196)</b>	<b>(32 285)</b>
Investment management fees		(42 344)	(31 369)
Finance costs		(852)	(916)
<b>Total comprehensive surplus for the year</b>		<b>5 570 679</b>	<b>3 574 082</b>

## Statement of Changes in Equity

as at December 31, 2020

	Accumulated Funds ('000)	Member Funds ('000)
<b>Balance at January 1, 2019</b>	<b>9 475 893</b>	<b>9 475 893</b>
<b>Total comprehensive surplus for the year</b>	<b>3 574 082</b>	<b>3 574 082</b>
<b>Balance at January 1, 2020</b>	<b>13 049 974</b>	<b>13 049 974</b>
<b>Total comprehensive surplus for the year</b>	<b>5 570 679</b>	<b>5 570 679</b>
<b>Balance at December 31, 2020</b>	<b>18 620 653</b>	<b>18 620 653</b>





## SECTION 14

# GOVERNANCE AND REMUNERATION

### Statement of corporate governance

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

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

### Transparency and ethics

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

The Board of Trustees acknowledges that the perception of stakeholders affects the reputation of the Scheme. Clear and open communication with stakeholders enhances its reputation. The trustees have produced a holistic and reliable integrated report to illustrate 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 (as defined in the Rules of the Scheme), according to the provisions of the Medical Schemes Act 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 members.

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

A collective Board-effectiveness evaluation and peer review is performed every second year. The Chairperson meets with trustees individually during induction training of new trustees and should the need arise.

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

### Internal controls

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

As part of its annual audit plan, the Scheme's internal audit service performs an independent analysis of the controls of the Scheme and those of service providers.

The Board-appointed Risk Social and Ethics Committee consisting of Board of Trustee members and whose meetings are attended by senior management of the Scheme assesses the risk register and risk mitigation plans. This committee reports to the Board of Trustees independently.

Annually, the Board assesses the risks facing the Scheme and determines the impact and likelihood of risks through the development of a risk register. Once the risk register is approved by the Board, monitoring of mitigation measures and internal controls takes place at least quarterly. No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of key internal controls and systems during the year under review.



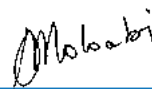
**Dr SM Hlatshwayo**

Chairperson  
22 April 2021



**Mr ME Phophi**

Deputy Chairperson  
22 April 2021



**Dr BOS Moloabi**

Principal Officer  
22 April 2021

## GEMS IS GOVERNED TO PROTECT AND MAINTAIN VALUE

### Structures and processes for governance

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

The GEMS Board Charter defines the Board's governance parameters, sets out the role of the Board, responsibilities and duties to be discharged by it with the trustees, and trustee roles and responsibilities. The charter is aligned to the provisions of the Medical Schemes Act, 1998, as amended, the Regulations promulgated under the Act, the registered Rules of GEMS and the King IV Report on Corporate Governance. The full charter is available from [www.gems.gov.za](http://www.gems.gov.za).

The Board of Trustees reviews biennially its effectiveness, the role of the Board and its Chairperson, and the effectiveness of Board committees. The current review began in 2020 and will be completed in 2021. The conclusion of the most recent review was that the Board and standing committees were functioning effectively.

An annual strategic plan gives effect to the Board's responsibility to govern the affairs of the Scheme by directing the activities of the Principal Officer, management and employees, providing effective oversight through which performance can be monitored and ensuring that the Scheme operates efficiently and effectively. The Scheme's strategic plan for 2017 to 2021 was approved by the Board on 27 September 2016 and its implementation monitored through quarterly reports from Scheme management on performance against KPIs. Throughout 2020, the Board was kept apprised of the status of the business through reports and presentations covering key business indicators, including membership growth, financial performance and stakeholder engagement.

The performance targets in the strategic plan are reviewed annually by the Board and are adjusted for changing realities and interrelated plans such as the business plans approved for the Scheme by the Registrar of Medical Schemes from time to time. A view of the Scheme's performance against the strategic plan is provided from page 79 of the Board report.

The Board of Trustees governs risk management 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 management is discussed on page 59 of the report.

The Board monitored the implementation of strategic and operational risk mitigation measures as well as the Scheme's changing risk environment during 2020 through quarterly and ad hoc management reports. The Board is comfortable that the residual risks facing the Scheme were managed throughout 2020 and that risk assessments and mitigation measures safeguarding Scheme and member interests were effective.

The Board's approach to the governance of ethics (p 167), compliance (p 169) and information technology and data (p 171) shows that value created for members is protected.



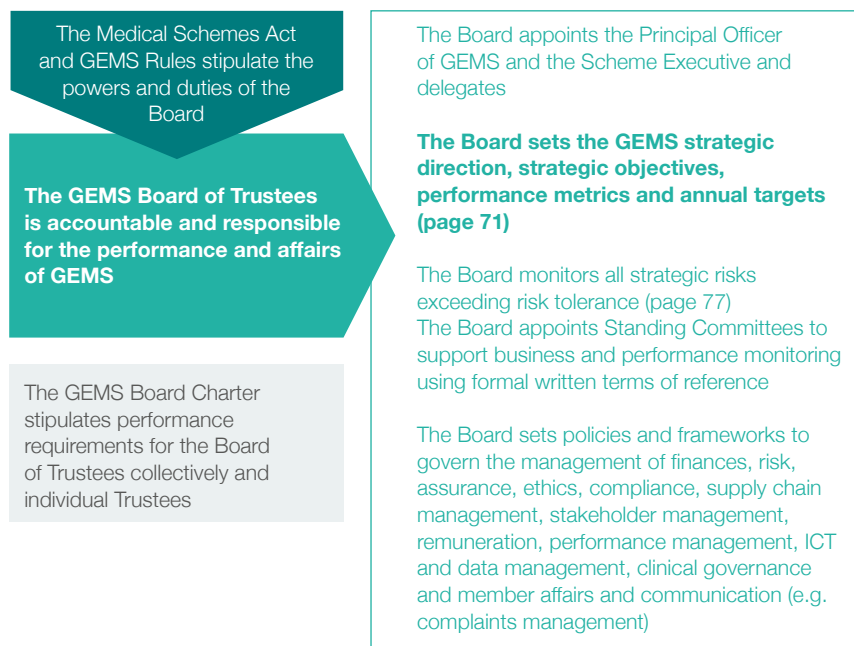
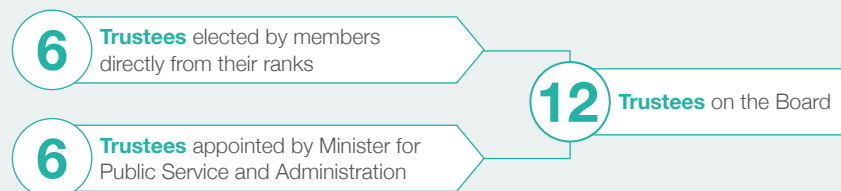
King IV Report on Corporate Governance, 2016:

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

The Scheme achieved an 88% score for the 17 principles of the King Report, i.e. 88% of the principles are satisfactorily applied through the Scheme's business practices. GEMS business practices are summarised from page 156.



# GOVERNANCE AND OUTCOMES MONITORING AT A GLANCE



The Board's performance is measured by means of an independent Board Effectiveness Assessment. The most recent review 2019/20 concluded that the Board and its Committees are functioning effectively. The Board encourages high performance of GEMS employees through target setting and appropriate performance management policies, page 176.

**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: Quarterly reporting to the Board**



## Structures and officers

The Board consists of 12 trustees: Six elected by Scheme members of the Scheme and six appointed by the Minister for the Public Service and Administration.

Trustees in 2020 were:

Name	Elected or appointed	Qualifications	Other significant positions held during 2020
<b>Mr Marthinus Brand</b> (18 August 1947)	Elected, tenure began 25 September 2019 and ends on 24 September 2025	BA, Stellenbosch University (SU) 1968, Hons BA: History, SU 1980, B Ed, SU 1986	N/A
<b>Dr Josef A Breed</b> (14 March 1951)	Elected, tenure began 30 July and ends 29 July 2020	BSc, Potchefstroom University for Christian Higher Education (PU for CHE), THOD (POK); BEd (PU for CHE), MEd (PU for CHE), PhD (North West University)	N/A
<b>Dr S Millicent Hlatshwayo</b> (9 January 1964)	Appointed, tenure began 20 February 2018 and ends 19 February 2024	BSc, Medical University of Southern Africa (Medunsa); MBChB (Medunsa)	Casualty doctor: Arwyp and OR Tambo Travel Clinic
<b>Mr Lekgema Joel Mankge</b> (8 March 1970)	Elected, tenure began 25 September 2019 and ends 24 September 2025	Senior Primary Teachers' Diploma – 2001 Potchefstroom/North West University; Further Diploma in Education Management – 2013 Nelson Mandela Metropolitan University; Diploma in Practical Labour Law – 2013 Nelson Mandela Metropolitan University; Advanced Management Development Programme – 2015 University of Limpopo in partnership with National School of Government. RSA; Diploma in Forensic and Investigative Auditing level 6 – 2017 Unisa; Education Management Law and Systems – 2012; Computer Certificate – 2004 Step Ahead Computer Training Centre; HIV/Aids Care and Counselling – 2002 Unisa; Labour Relations Management – 2004; Basic Public Relations Principles – 2012 Unisa; Basic Financial Life Skills 2012 Unisa; Personal Financial Management – 2013 Unisa; Strategic Management – 2013 Unisa.	DoE Limpopo
<b>Mr Rakgama Andries Billy Manoko</b> (6 June 1966)	Appointed, tenure began 20 February 2018 and ends 19 February 2024	BProc (1989) (University of the North); LLB (University of the North)	Founder and managing director: Lucky Manoko & Associates

Name	Elected or appointed	Qualifications	Other significant positions held during 2020
<b>Dr Esthras Tlou Confidence Moloko</b> (16 May 1959)	Appointed, tenure began 28 October 2016 and ends 27 October 2022	MBChB (Medunsa); BSc (Medicine), (Medunsa)	Chairperson: Health and Welfare Sector Education and Training Authority (HWESETA)
<b>Ms Nkobane Constance Ntshane</b> (17 May 1974)	Elected, tenure began 25 September 2019 and ends 24 September 2025	BA Hon Social Work– 2001, Unisa; Certificates: Gender Excellence, , Employee Assistance Programme, Employee Wellness Programme– all University of Pretoria	Department of Health Mpumalanga Wellness Manager
<b>Mr E Mpfariseni Erasmus Phophi</b> (6 October 1952)	Appointed, tenure began 26 September 2017 and ends 25 September 2023	BA (Human Resource Management); International Labour Organisation Course on Labour Relations and Performance Management in the Public Service; International Labour Organization Course on Advanced Negotiations Skills	N/A
<b>Dr Izak Jacobus van Zyl</b> (31 January 1951)	Elected, tenure began 30 July 2014 and ends 29 July 2020	BMil, Hons BCom (Personnel Management) MBA, PhD (Industrial Economics); Industrial Relations Development Programme	N/A
<b>Mr Nkosinathi L Theledi</b> (30 June 1963)	Appointed, tenure began 9 September 2013, and ends 08 September 2019	B Tech (Tshwane University of Technology); National Diploma Human Resource (University of Johannesburg); Public Management and Development (Wits Graduate School of Public Management); MTech (Tshwane University of Technology)	Secretary General: Police and Prisons Civil Rights Union
<b>Mr Jan Stephanus Roux</b> (8 January 1944)	Elected, tenure began 30 July 2014, And ends 29 July 2020	BSc; LSTD; BEd (Stellenbosch University)	N/A
<b>Dr Nomzamo Tutu</b>	Appointed, tenure began 30 July 2020 and ends 29 July 2026	MBChB; BSc; Postgraduate Diploma in Occupational Health; Postgraduate Diploma in HIV/Aids Management in the World of Work	Chairperson: Transformation Committee of the Engineering Council of South Africa Strategic Adviser to Busane Development Trust

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



## Board meetings in 2020

The GEMS Board of Trustees held 15 meetings during 2020 (2019: 12). Meetings from 30 April 2020 to 31 October 2020 were held virtually:

1. 26 February 2020 (quarterly meeting);
2. 27 February 2020 (in-committee meeting)
3. 30 April 2020 (quarterly meeting);
4. 8 May 2020 (continuation of 30 April 2020 meeting);
5. 30 June 2020 (interim meeting focused on the AGM);
6. 30 July 2020 (quarterly meeting);
7. 12 August 2020 (continuation of 30 July 2020 meeting)
8. 31 August 2020 (ad hoc meeting – BBBEE strategy elements);
9. 21-22 September 2020 (strategic planning meeting);
10. 23 September 2020 (interim meeting to consider benefit design recommendations);
11. 29 September 2020 (BAC for ambulatory dental, managed care, pharmacy network);
12. 31 October 2020 (quarterly meeting);
13. 9 November 2020 (continuation of 31 October 2020 meeting);
14. 3 December 2020 (in-committee meeting); and
15. 4 December 2020 (interim meeting focused on key approvals required for 2021)

The Board of Trustees also held one half-day workshop on risk identification and assessment on 21 September 2020 (2019: 1), but no AGM due to Covid-19. In 2020 (2019: 1), and:

## 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 corporate governance.

The standing committee structure is informed by:

- Statutory requirements.
- The King Report on Corporate Governance.
- The GEMS Strategic Plan Accountability and Strategic Oversight Framework.
- The GEMS operational structure.
- Cost effectiveness and value for money.

The committees are mandated by the Board of Trustees by means of written terms of reference on their membership, authority and duties. A standing committee responsibility matrix (RACI matrix) clarifies and demarcates the standing committees' responsibilities.

The 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 2020 were:

### Audit Committee

The Audit Committee is mandated by the Board of Trustees through a written Audit Committee Charter on its membership, authority and duties. The committee's charter was reviewed and approved by the Board of Trustees in December 2019 for 2020 and December 2020 for 2021.

The primary responsibilities of the Audit Committee include assisting 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 providers network. The Audit Committee considers and recommends the appointment of the external auditor and monitors and reports on its independence. The committee is also responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive, approval of the internal audit plan and the annual review and approval 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. The majority 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 2020, the committee members were:

Name	Designation	Qualifications	Recent work experience
<b>Mr Motshoanedi Johannes Lesejane</b> (29 February 1956)	Independent Member - Chairperson, appointed with effect from 1 January 2018	Chartered Director South Africa (CD SA)  CA (SA), Fellow Chartered Management Accountant (Global Management Accountant), BCom Hons Accounting Science, BCom Accountancy.	Role in 2018: Independent non-executive director, consultant, lecturer at Wits Business School
<b>Ms Carolynn Chalmers</b> (12 September 1968)	Independent Committee Member, appointed with effect from 1 April 2019	Postgrad Diploma in Marketing Management; BSc. Honours; Computer Science Masters; Bachelor of Computer Science	Consultant
<b>Ms Malande Sibongile Tonjeni</b> (15 August 1978)	Independent Committee Member appointed for a final term with effect from 1 April 2019 to 31 March 2022	CA (SA), BCom Accounting, BCom Hons Accounting, Postgraduate diplomas in Mining Engineering, Mining Tax, Banking Law, INSEAD Programme	Role during 2019: Independent non-executive director and trustee; and consultant

Name	Designation	Qualifications	Recent work experience
<b>Mr Rakgama Andries Manoko</b> (6 June 1966)	Trustee, appointed term began 6 March 2018, appointed as Audit Committee member from 28 June 2018	Gradum Baccalaurei Procurations, Gradum Baccalaurei Legum, Admitted Attorney, Corporate Governance, Commercial Law	Role during 2019: Founder and managing director: Lucky Manoko & Associates
<b>Dr Izak Jacobus Van Zyl</b> (31 January 1951)	Trustee, term as interim Audit Committee member began 27 October 2018 (to replace deceased member) and subsequently reappointed until 30 July 2020	BMil, Hons BCom (Personnel Management), MBA, PhD (Industrial Economics), Industrial Relations Development Programme	Most recent: Labour consultant  Previous employers: Chief Consultant (Labour Relations): ArcelorMittal SA; Chief Director (Labour Relations): Department of Labour

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 critical findings arising from audit activities.

The committee met seven times during 2020 (2019: 5). All meetings after 19 March 2020 were held virtually:

1. 6 February 2020 (quarterly meeting);
2. 19 March 2020 (special meeting);
3. 23 April 2020 (quarterly meeting);
4. 16 July 2020 (quarterly meeting);
5. 21 October 2020 (quarterly meeting);
6. 22 October 2020 (continuation of 21 October 2020 meeting); and
7. 20 November 2020 (special meeting).

The Principal Officer, the Chief Financial Officer of the Scheme, the Chief Audit Executive, the Scheme's outsourced internal auditor and the external auditor attend committee meetings on invitation and have unrestricted access to the Chairperson of the Audit Committee.

### Clinical Governance and Administration Committee

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

- Assess, decide and report on the approval of ex gratia applications and payments to members of the Scheme. The committee is mandated to approve ex gratia payments of more than R50 000 and where the condition and the withholding of therapy is life threatening, the treatment will result in the improved quality of life of the applicant, the treatment is clinically appropriate and based on internationally accepted evidence-based treatment guidelines and protocols or the applicant has proven that he or she cannot afford the treatment by any other means.

- Assist the Board in ensuring the implementation of the healthcare management strategic objective, namely: To improve the Scheme's clinical risk profile and contain claims experience; and
- Oversee the Scheme's product development and benefit design work.

The committee met over two days, every quarter, for a total of seven meetings in 2020 (2019: 6). All meetings after 29 January 2020 were held virtually:

1. 28 and 29 January 2020 (quarterly meeting);
2. 6 April 2020 (quarterly meeting);
3. 5 May 2020 (special meeting);
4. 13 May 2020 (6 April 2020 continuation meeting to deal with ex-gratia matters)
5. 8 and 9 July 2020 (quarterly meeting);
6. 5 August 2020 (special joint meeting with the Finance and Investment Committee focused on strategic planning and the Scheme's 2021 benefit design); and
7. 11 and 12 November 2020 (quarterly meeting).

For the year ended 31 December 2020, the committee members were:

- Dr MS Hlatshwayo (trustee, appointed - Chairperson, tenure began 6 March 2018)
- Ms NC Constance Ntshane (trustee, elected, tenure began 23 September 2019)
- Mr RA Manoko (trustee, appointed, tenure began 6 March 2018)
- Mr ME Phophi (trustee, appointed, tenure began 19 September 2016)
- Mr NL Theledi (trustee, appointed, tenure ended 26 September 2019)

### Finance and Investment Committee

The Finance and Investment Committee was set up by the Board in December 2013 and began its work in March 2014. It assists the Board in fulfilling its oversight responsibilities of the Scheme's investment activities and considers issues arising from investment decisions and activities. A key responsibility is monitoring the Scheme's organisational and financial performance. Oversight by this committee is necessitated by the Scheme's business model, which requires ongoing review of the contracting of service providers. As such, the committee monitors the Scheme's cash flow position, investment performance and compliance to the regulatory framework for medical scheme investments. It oversees the Scheme's information and communications technology function and the performance of the Scheme's contracted asset consultants and managers.

The committee met six times in 2020 (2019: 5). All meetings after 20 February 2020 were held virtually

1. 20 February 2020 (quarterly meeting);
2. 21 May 2020 (quarterly meeting);
3. 5 August 2020 (special joint meeting with the Clinical Governance and Administration Committee focused on strategic planning and the Scheme's 2021 benefit design);
4. 17 September 2020 (quarterly meeting);
5. 21 September 2020 (ad hoc meeting to consider the revised 2021 head office budget); and
6. 26 November 2020 (quarterly meeting).

Committee members in 2020 were:

- Dr ETC Moloko (Trustee, appointed - Chairperson, tenure began 28 October 2016)
- Mr M Brand (Trustee, elected, tenure began 23 September 2019)
- Dr JA Breed (Trustee, elected, tenure began 31 July 2014)
- Mr L Mankge (Trustee, elected, tenure began 23 September 2019)
- Ms NC Ntshane (Trustee, elected, tenure began 23 September 2019)
- Mr JS Roux (Trustee, re-elected, tenure began 30 July 2014);
- Dr IJ van Zyl (Trustee, elected, tenure began 30 July 2014) and
- Ms M Tonjeni (Independent Committee Member coopted from the Audit Committee, tenure began 1 April 2019).

### Risk Social and Ethics Committee

The committee has been mandated by the Board of Trustees to ensure sound corporate governance by providing oversight, assessment and review of the risk management, ethics management and compliance management aspects of the Scheme.

The committee's responsibilities include ensuring compliance with the Medical Schemes Act and its Regulations; patent and trademark legislation, and any other legislative framework relevant to the business of the Scheme.

The committee met four times in 2020 (2019: 5). All meetings after 19 February 2020 were held virtually:

1. 19 February 2020 (quarterly meeting);
2. 7 May 2020 (quarterly meeting);
3. 20 August 2020 (quarterly meeting); and
4. 17 November 2020 (quarterly meeting).

For the year ended 31 December 2020, the committee members were:

- Mr ME Phophi (trustee, appointed - Chairperson tenure began 19 September 2016)
- Mr M Brand (trustee, elected, tenure began 23 September 2019)
- Dr JA Breed (trustee, elected, tenure began July 2014)
- Mr L Mankge (trustee, elected, tenure began 23 September 2019)
- Dr ETC Moloko (trustee, appointed, tenure began 28 October 2016)
- Mr JS Roux (trustee, re-elected, tenure began 30 July 2014)
- Dr IJ van Zyl (trustee, elected, tenure began 30 July 2014)

### Dispute Committee

The primary responsibility of the committee is to independently consider and preside over any dispute referred to it by the Principal Officer for adjudication and to advise the Board of Trustees on the handling of disputes in general.

The Dispute Committee did not meet in 2020 (2019: 1):

For the year ended 31 December 2020, the committee members were:

- Rev F Chikane (independent member - Chairperson, appointed from 1 August 2017 to 31 July 2020)
- Ms M David\* (independent member, reappointed for second term from 1 April 2016 to 31 March 2019).

- Dr P Ford\* (independent member, reappointed for second term from 1 April 2016 to 31 March 2019).

At its meeting held on 29 April 2019, the GEMS Board of Trustees decreed that the Scheme would move away from the Dispute Committee structure to an alternative dispute resolution mechanism.

Should a dispute have arisen in 2020 or before the change in structure was completed, the two previous\* Dispute Committee members would have been asked to assist with the matter. Subsequently, the terms of the members would have been extended for the period of the dispute.

### Human Resources and Remuneration Committee

The primary responsibility of the committee is to ensure sound management of Scheme employees by providing oversight, assessment and review of the maintenance of human resources and remuneration policies. The committee also advises the Board on the annual cost of living adjustment for Scheme employees, the criteria to be used in benchmark exercises pertaining to annual remuneration surveys, the remuneration rates applicable to employees, trustees and independent committee members; the implementation of remuneration survey results and the implementation of performance reward measures for employees, and oversees the disclosure of the remuneration of trustees, independent committee members and members of the GEMS Executive Committee in the Scheme's annual integrated report.

The Human Resources and Remuneration Committee met five times in 2020 (2019: 5). All meetings after 5 February 2020 were held virtually:

1. 5 February 2020 (quarterly meeting);
2. 22 April 2020 (quarterly meeting);
3. 7 July 2020 (quarterly meeting);
4. 15 October 2020 (quarterly meeting); and
5. 19 November 2020 (special meeting).

For the year ended 31 December 2019, the committee members were:

- Mr NL Theledi (trustee, appointed - Chairperson, tenure ended 26 September 2019)
- Dr JA Breed (trustee, elected, tenure began July 2014)
- Dr SM Hlatshwayo (trustee, appointed, tenure began 6 March 2018); and
- Mr RA Manoko (trustee, appointed, tenure began 6 March 2018)
- Dr IJ van Zyl (trustee, elected, tenure began 30 July 2014);

In addition to the standing committees, the Board also appointed one ad hoc committee in 2020 to formulate recommendations on specific matters:

### Benefit Design Committee

Recommendations on the GEMS benefits and contributions for 2021 were developed by the GEMS Benefit Design Committee for the Board's consideration. The committee met twice in 2020 (2019: 2):

- 19 August 2020; and
- 15 September 2020.

Attendance of Benefit Design Committee meetings was open to all trustees and most attended.

## Trustee and Principal Officer meeting attendance in 2020

A – Meetings attended

B – Meetings that could be attended

	AGM	BOT MEETINGS		AC MEETINGS		BDC MEETINGS		CGA C MEETINGS			RSEC MEETINGS		FIC MEETINGS		HRR C MEETINGS		TRAINING		WORKSHOPS	
Trustee	AGM	A	B	A	B	A	B	A	B		A	B	A	B	A	B	A	B	A	B
Brand, M	-	14	14	-	-	2	2	-	-		6	6	6	6	-	-	3	3	1	1
Breed, JA	-	14	14	-	-	2	2	-	-		6	6	6	6	5	5	3	3	1	1
Hlatshwayo, SM	-	14	14	-	-	2	2	10	10		-	-	1	1	5	5	3	3	1	1
Mankge, LJ	-	14	14	-	-	2	2	-	-		6	6	6	6	-	-	3	3	1	1
Manoko, RA	-	14	14	7	7	2	2	10	10		-	-	6	6	5	5	2	2	1	1
Moloko, ETC	-	14	14	-	-	2	2	4	4		6	6	6	6	-	-	3	3	1	1
Ntshane, NC	-	14	14	-	-	2	2	10	10		-	-	6	6	-	-	4	4	1	1
Phophi, ME	-	14	14	-	-	2	2	10	10		6	6	-	-	-	-	2	2	1	1
Roux, JS	-	14	14	-	-	2	2	-	-		6	6	-	-	-	-	3	3	1	1
Theledi, N	-	14	14	-	-	2	2	10	10		-	-	-	-	5	5	2	2	1	1
Tutu, N	-	9	9	2	2	2	2	4	4		1	1	2	2	2	2	2	2	1	1
Van Zyl, IJ	-	14	14	7	7	2	2	-	-		-	-	-	-	5	5	2	2	-	-
Moloabi, BOS (Principal Officer)	-	15	15	7	7	2	2	10	10		-	-	-	-	5	5	1	1	1	1

## Independent committee members' attendance of Board and committee meetings

A – Meetings attended

B – Meetings that could be attended

	AGM	BOT MEETINGS		AC MEETINGS		BDC MEETINGS		CGA C MEETINGS			DISPUTE		RSEC MEETINGS		FIC MEETINGS		HRRC MEETING		TRAINING		WORKSHOPS	
Member	AGM	A	B	A	B	A	B	A	B		A	B	A	B	A	B	A	B	A	B	A	B
Lesejane, MJ	-	8	8	7	7	-	-	-	-		-	-	-	-	-	-	-	-	2	2	1	1
Chalmers, C	-	3	3	7	7	-	-	-	-		-	-	-	-	-	-	-	-	2	2	1	1
Tonjeni, MS	-	1	1	7	7	-	-	-	-		-	-	-	-	4	4	-	-	3	3	1	1

## King IV application register

PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>Ethical leadership</b>	
<b>1. The governing body should lead ethically and effectively</b>	<p>The GEMS Board Charter commits the Board to exercising effective and ethical leadership.</p> <p>The Board strengthened the Board Charter by including a detailed set of fit-and-proper requirements for trustees to meet. These requirements were developed specifically to meet GEMS' strict corporate governance requirements. The requirements cover:</p> <ul style="list-style-type: none"> <li>• Integrity, honesty and reputation;</li> <li>• Competence and capability; and</li> <li>• Financial soundness.</li> </ul> <p>The Board of Trustees acts in good faith in line with its fiduciary responsibilities.</p> <p>Trustees annually sign a code of conduct, declare interests on an annual and ongoing basis (e.g. during procurement).</p> <p>The Board leads the Scheme's ethical culture.</p>
<b>Organisational ethics</b>	
<b>2. The governing body should govern the ethics of an organisation in a way that supports the establishment of an ethical culture</b>	<p>The Board of Trustees has ensured that a code of ethics and business conduct and policies governing organisational ethics have been established and implemented.</p> <p>These policies clearly set out GEMS' ethical standards and requirements.</p> <p>The policies are reviewed and approved by the Board. The Board appointed the GEMS Risk Social and Ethics Committee and mandated the committee with written terms of reference.</p> <p>The Risk Social and Ethics Committee oversees and monitors the work performed under the Scheme's Ethics Management Programme.</p>
<b>Responsible Corporate Citizenship</b>	
<b>3. The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen</b>	<p>The Board appointed the Risk Social and Ethics Committee and mandated the committee with written terms of reference to oversee and monitor the Scheme's activities and their impact in relation to:</p> <ul style="list-style-type: none"> <li>• Economic transformation, specifically BBBEE and supplier development;</li> <li>• Social and economic development of sponsorships and donations; and</li> <li>• Reducing GEMS' environmental impact.</li> </ul> <p>The Board appointed the Human Resources and Remuneration Committee and mandated it with written terms of reference to oversee and monitor the Scheme's workplace activities, including employee relations, employment equity and employee learning and development.</p>

PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>3. The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen</b>	<p>The Audit Committee is responsible for monitoring the output of the Scheme's activities focused on the prevention and detection of and response to fraud, waste and abuse, and corruption.</p> <p>The Board of Trustees has ensured that policies governing supply chain management, workplace matters such as employment equity and employee relations, sponsorships and donations, environmental management, whistleblowing and the management of fraud, waste and abuse were developed, approved and implemented. The approved GEMS policies are cognisant of the Constitution of the Republic of South Africa and other laws.</p> <p>The Board of Trustees actively supports GEMS community development initiatives and attends CSI project events with Scheme management to gain first-hand knowledge of their impact.</p>
<b>Strategy and performance</b>	
<b>4. The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process</b>	<p>The Board of Trustees guided the development of the GEMS five-year strategic plan for 2017 to 2021. The Board reviews the strategic plan objectives, key performance indicators and targets annually.</p> <p>The GEMS strategic plan is anchored in the mandate of GEMS, which is to provide equal access to medical cover to all public service employees. The strategy maps out the Scheme's planned journey towards universal healthcare in NHI.</p> <p>The Board oversees and monitors the implementation of the approved strategic plan through quarterly reporting by Scheme management at Board and standing committee levels. The Board receives performance reports that consider outputs and outcomes.</p> <p>The Board annually performs a strategic risk assessment to coincide with the review of strategic plan objectives and targets. The Board monitors strategic risks that exceed risk tolerance and risk-bearing capacity. The Board has mandated its standing committees to monitor strategic risks that exceed risk appetite and that are within risk appetite.</p> <p>The Board annually approves the GEMS value creation statement on the recommendation of the Audit Committee.</p>
<b>Reporting</b>	
<b>5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects</b>	<p>The Board of Trustees approves the GEMS Integrated Reporting Policy and integrated reporting framework, which is based mainly on the International Integrated Reporting Framework.</p> <p>The Board of Trustees oversees that reports such as the annual integrated report, annual financial statements and other statutory returns are issued and comply with legislation.</p> <p>The Board has mandated the Audit Committee through a written Audit Committee Charter to recommend the introduction of measures to enhance the credibility and objectivity of the annual integrated report, including the financial statements and reports on the affairs of the Scheme.</p>



PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>Reporting</b>	
<b>5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short-, medium- and long-term prospects</b>	<p>The GEMS procedure for identifying, evaluating and prioritising material matters and determining the contents to be disclosed on each, is based on the International Integrated Reporting Framework.</p> <p>Key aspects discussed with the Scheme by stakeholders inform the identification, evaluation and prioritisation of material aspects for reporting in the annual integrated report.</p> <p>The information published in the annual integrated report is approved by the Board on the recommendation of the Audit Committee before publication.</p>
<b>Primary role and responsibilities</b>	
<b>6. The governing body should serve as the focal point and custodian of corporate governance in the organisation</b>	<p>The GEMS Board Charter defines the governance parameters within which the Board exists, sets out the role of the Board and specific responsibilities and duties to be discharged by the Board collectively, the procedural conduct of the Board as well as certain roles and responsibilities incumbent on trustees.</p> <p>The Board Charter is aligned to the Medical Schemes Act, the registered Rules of GEMS and King IV. The charter requires the Board to act specifically as the focal point for, and custodian of, corporate governance by managing its relationship with Scheme management and the stakeholders of the Scheme along sound corporate governance principles.</p> <p>The Board approves the Scheme's strategic plans and policies that give effect to the direction it provides.</p> <p>The Board meets regularly and monitors the performance of the Scheme's employees, administrators and other contracted service providers. The Board addresses a range of issues and ensures that discussion on strategy, policy, risk management, fraud management and operational performance are critical, informed and constructive.</p> <p>A governance report forms part of the annual integrated report and includes detailed disclosure on the number of Board and committee meetings held for each reporting period, the membership of the committees and attendance of Board and committee meetings by trustees. This report conforms to CMS requirements.</p>

PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>Board composition</b>	
<b>7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</b>	<p>The composition of the Board is governed by the Medical Schemes Act and the registered Rules of GEMS. Fifty percent of the Board members are elected directly by the principal members of GEMS and 50% are appointed by the Minister for Public Service and Administration.</p> <p>The registered Rules of GEMS empower the Board to introduce measures to ensure diversity on the Board in trustees appointed by the Minister for the Public Service and Administration. Should a vacancy on the Board have to be filled by the Minister, the requirements set out in the Rules of GEMS are provided formally and in writing to the Ministry. Members have an unfettered right to elect trustees from among themselves, provided that elected trustees conform to the fit-and-proper requirements set out in the Rules of GEMS.</p> <p>The Board approved a Trustee Training Policy that is implemented by the Company Secretary.</p> <p>The qualifications and experience of trustees and independent Audit Committee members, and their date of birth, period of office on the Board and other significant positions held, are disclosed in the integrated report.</p> <p>In keeping with the registered Rules of GEMS, the Board annually elects the Chairperson and Deputy Chairperson from among themselves at the first meeting of the Board taking place after the AGM.</p> <p>Trustees are required to declare interests annually and during procurement processes. Trustees are vetted periodically.</p>
<b>Standing committees</b>	
<b>8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment and assist with the balance of power and the effective discharge of its duties</b>	<p>The delegation framework set out in the Board Charter forms the basis for Board decision making on arrangements for delegation. The Board approved a Delegation of Authority Policy that further governs delegation to the standing committees of the Board by means of formal written charters or terms of reference.</p> <p>A RACI matrix clarifies and demarcates the standing committees' responsibilities. The matrix is reviewed annually by the Board.</p> <p>The Audit Committee Charter and the terms of reference of the other standing committees specify the committees' roles and responsibilities, composition, functions, tenures of members and reporting.</p>
	<p>The Audit Committee Charter and terms of reference of the other standing committees of the Board are reviewed and approved annually by the Board.</p> <p>A governance report forms part of the integrated report and includes detailed disclosure on the standing committees appointed by the Board, the roles and responsibilities of each standing committee and membership.</p> <p>The annual report of the Audit Committee conforms to the King IV recommended disclosures and is published with the annual integrated report.</p>

PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>Evaluation of performance</b>	
<b>9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness</b>	<p>The Board of Trustees has a formal process to review its effectiveness and that of its Chairperson, and the effectiveness of the Board committees and individual Board members. Board effectiveness assessments are performed every second year by an independent facilitator procured in line with the GEMS Supply Chain Management Policy.</p> <p>The Chairperson of the Audit Committee (independent member) leads the performance appraisal of the Chairperson of the Board.</p> <p>The high-level outcome of Board effectiveness assessments is disclosed in the annual integrated report.</p>
<b>Appointment and delegation to management</b>	
<b>10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities</b>	<p>The Chief Executive Officer, i.e. the Principal Officer of GEMS, is appointed by the Board of Trustees in keeping with Section 57 of the Medical Schemes Act. The Principal Officer is appointed for a fixed-term contract period that may be extended by the Board.</p> <p>The Principal Officer is not a member of any standing committee of the Board.</p> <p>He is responsible for the implementation and execution of the approved strategy, policy and operational planning and is the main link between the Board and Scheme management. However, trustees have access to Scheme executives through the work done by the standing committees.</p> <p>The Board annually revises the delegation of authority to the Principal Officer and this decision is formalised by Board resolution.</p> <p>The Principal Officer's performance is evaluated by the Chairperson of the Board.</p> <p>Although not a statutory requirement under the Medical Schemes Act, the Board has appointed a Company Secretary and Legal Counsel to provide professional corporate governance services to the Board.</p>

PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>Risk governance</b>	
<b>11. The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives</b>	<p>The GEMS risk management strategy is intimately linked to the strategy, whereby risks are reviewed by the Board annually with the revised strategy and targets.</p> <p>Risk management is an integral part of Scheme processes and is evident in sustainability, strategic project, process and operational risks. In particular, the Board of Trustees considers risk an integral part of the strategy-making process, thereby making risk-based strategic decisions.</p> <p>The Board approves the Risk Management Policy as well as the risk standard operating procedure.</p> <p>The Scheme has developed detailed risk appetite, risk tolerance and risk-bearing capacity levels against a comprehensive set of risk indicators. These levels are reviewed annually and approved by the Board of Trustees on the recommendation of the Risk Social and Ethics Committee.</p> <p>A risk maturity assessment is performed annually by an independent contractor. Additionally, the Board receives periodic independent assurance on the effectiveness of risk management from the internal audit function.</p> <p>A comprehensive disclosure is included in the annual integrated report that details the Scheme's arrangements for governing and managing risk, key focuses and future key focuses. Top risks are reflected in a heatmap with sufficient information on each risk, mitigation and important changes in the risk environment.</p>
<b>Technology and information governance</b>	
<b>12. The governing body should govern technology and information in a way that supports the organisation setting and achieving strategic objectives</b>	<p>The Board of Trustees assumes responsibility for the governance of technology and information.</p> <p>The Board considers the impact and importance of information and technology on achieving strategic objectives and operational excellence. This dependency is addressed in the approved strategic plan, which also specifies KPIs and targets on digital transformation.</p> <p>The Board has mandated the Finance and Investment Committee through formal written terms of reference to support the Board in exercising ongoing oversight of technology and information management.</p> <p>The Board of Trustees approves the ICT strategy, the ICT governance framework and all ICT policies.</p> <p>Management implements and executes effective information and technology management and a supporting organisational structure is in place to meet this requirement.</p> <p>Technology and information risks, including cybercrime risk, are addressed extensively in the strategic risk register.</p> <p>A comprehensive disclosure is included in the annual integrated report that details the Scheme's information and technology governance and management current and future focuses.</p>

PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>Compliance governance</b>	
<b>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 corporate citizen</b>	<p>As part of the primary responsibilities of the GEMS Board Charter, the Board sets and steers the Scheme's approach to the governance of compliance.</p> <p>The Board mandated the Risk Social and Ethics Committee through written terms of reference to support the Board in governing the Scheme's compliance with laws and regulations, the registered Rules of GEMS and other obligations making up the compliance universe by:</p> <ul style="list-style-type: none"> <li>Overseeing the development of policy that gives effect to the Board's direction on compliance.</li> <li>Overseeing the implementation of effective compliance management by Scheme management.</li> <li>Considering reporting on compliance matters and formulating recommendations on intervention.</li> </ul> <p>The Board approves the GEMS Compliance Policy and compliance framework.</p> <p>The Board has delegated the implementation of and management of compliance to Scheme management, which has a compliance coverage plan and reports quarterly to the Risk Social and Ethics Committee.</p> <p>The adequacy and effectiveness of the Scheme's compliance management function is periodically assessed by the Scheme's internal audit function.</p> <p>The information included in the annual integrated report discloses:</p> <ul style="list-style-type: none"> <li>Regulatory actions and developments.</li> <li>Non-compliance.</li> <li>The Scheme's current and future focuses for compliance governance and management.</li> </ul>
<b>Remuneration governance</b>	
<b>14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long term</b>	<p>GEMS is committed to developing, implementing and upholding remuneration strategies and practices that support its vision, mission, values and strategic objectives. The Board seeks to ensure that remuneration is fair, equitable, responsible and justifiable.</p> <p>The Board has appointed a standing committee, i.e. the Human Resources and Remuneration Committee, and has mandated it through formal written terms of reference to:</p> <ul style="list-style-type: none"> <li>Ensure sound people management of Scheme employees by providing oversight, assessment and review of the maintenance of relevant human resources and remuneration policies.</li> </ul>

PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>Remuneration governance</b>	
<b>14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long term</b>	<ul style="list-style-type: none"> <li>Advise the Board on the annual cost of living adjustment for Scheme employees, the criteria to be used in benchmark exercises on annual remuneration surveys, the remuneration rates applicable to employees, trustees and independent committee members; the implementation of remuneration survey results and the implementation of performance rewards for employees.</li> <li>Oversee the disclosure of the remuneration of trustees, independent committee members and members of the GEMS Executive Committee in the Scheme's annual integrated report.</li> </ul> <p>The Board approves the remuneration policies for trustees, independent audit committee members, employees and independent experts serving on Scheme advisory structures (such as the Scheme's healthcare advisory panels). The policies approved by the Board set the direction on the management of remuneration in the Scheme.</p> <p>The employee remuneration policy addresses and includes provisions for attracting, motivating, rewarding and retaining human capital. The policy balances short-term and long-term goals.</p> <p>A performance management policy approved by the Board sets the direction for performance practices and for rewarding performance. The Scheme strives to improve employee contribution to the Scheme's performance by linking rewards and recognition to performance management outputs. Employees are eligible and considered for performance rewards for sustained performance that is significantly above expectations. For the Principal Officer and executives, the awarding of performance bonuses is dependent on the achievement of a minimum individual performance rating, an unqualified audit report, the achievement of a surplus and a complaints ratio target approved by the Board.</p> <p>The annual integrated report discloses pertinent information on the remuneration policies approved by the Board of Trustees and the remuneration elements of trustees and executive management. The disclosures conform to the Medical Schemes Act, the Rules of GEMS and additional requirements communicated by the CMS from time to time. The information disclosed in the annual integrated report is presented at the AGM.</p> <p>The Board of Trustees oversees the execution of all human resources policies through the Human Resources and Remuneration Committee.</p>

PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>Assurance</b>	
<b>15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports</b>	<p>The Board established an Audit Committee in keeping with the provisions of the Medical Schemes Act and the registered Rules of GEMS.</p> <p>The Board of Trustees mandated the Audit Committee through a formal written Audit Committee Charter to adhere to high-quality standards of corporate accountability, to oversee the quality of the financial reporting process and integrated reporting, control systems and to maintain a high degree of integrity in both external and internal audit processes.</p> <p>The Audit Committee reviews the annual integrated report and considers the factors that may affect the integrity of the report. The scheme's internal and external auditors review key performance measures included in the report to confirm that they are reliable and do not conflict with the financial information contained in the report.</p> <p>The GEMS Chief Audit Executive leads the Scheme's combined assurance model. GEMS' assurance providers include external providers such as internal audit functions of the GEMS service provider network. The Audit Committee receives plans and reports to provide a view of combined assurance coverage from various assurance providers, including reports from the risk management function and the compliance function. Results stemming from such assurance are presented to the Audit Committee, with areas recommended for remediation noted and monitored for closure. Based on internal audit submissions, the Audit Committee annually confirms whether it is satisfied with the effectiveness of combined assurance arrangements.</p> <p>The Audit Committee is involved in the appointment of the external auditor and ensures that the appointment complies with Section 36(3) of the Medical Schemes Act. The committee annually approves the external auditor's engagement letter, audit plan and budgeted fees for the year.</p> <p>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. The Audit Committee ensures that the internal audit function of the Scheme is independent and has the skills and resources to perform its duties.</p>

PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>Assurance</b>	
<b>15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports</b>	<p>The Chief Audit Executive has access to the Chairperson of the Audit Committee and to the Chairperson of the Board of Trustees.</p> <p>The Chief Audit Executive is not a member of the GEMS Exco) but attends Exco meetings to stay informed.</p> <p>The internal audit methodology is aligned to the Institute of Internal Auditors International Professional Practices Framework to ensure conformance with a recognised industry code of ethics.</p>
<b>Stakeholders</b>	
<b>16. In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time</b>	<p>GEMS has multiple internal and external legitimate stakeholders and stakeholder relationship management and engagement are deemed critical to its success.</p> <p>The Board of Trustees sets the direction for stakeholder relationships. The Board reviews and approves the GEMS Stakeholder Management Policy every three years and annually approves the stakeholder management strategy, inclusive of the stakeholder engagement plan.</p> <p>The Board has mandated the Clinical Governance and Administration Committee through formal written terms of reference to support effective oversight and report on stakeholder management.</p> <p>The approved GEMS Stakeholder Management Policy directs the identification of and engagement with stakeholders, disclosure of information to stakeholders, the management of stakeholder perceptions and satisfaction, and the balancing of Scheme and stakeholder interests.</p>

PRINCIPLE	HOW GEMS APPLIES THE PRINCIPLE
<b>16. In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time</b>	<p>The Board has formally delegated the implementation and execution of stakeholder management to Scheme management through the Principal Officer Delegation. Scheme management reports quarterly on the outcome of stakeholder management activities to the Clinical Governance and Administration Committee and the Board of Trustees.</p> <p>Stakeholder risk is monitored by the Board through risk reporting against the approved strategic risk register. The Clinical Governance and Administration Committee is mandated by the Board to oversee stakeholder engagement and communication mechanisms.</p> <p>Disclosure in the annual integrated report includes information on arrangements for governing and managing stakeholder relations, key stakeholders and their interests, key engagement areas, and current and future focuses and engagement outcomes.</p>
<b>Institutional investors</b>	
<b>17. The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote the good governance creation of value by the companies in which it invests</b>	<p>The Board of Trustees approves the GEMS Investment Policy, investment strategy, annual investment mandate and returns targets.</p> <p>The Board has mandated the Finance and Investment Committee through formal written terms of reference to provide effective oversight of the Scheme's investment practices in compliance with the Medical Schemes Act, the Rules of GEMS, the Financial Policy and Investment Policy.</p> <p>In the selection of and ongoing interaction with investment managers, the Scheme considers the CRISA and encourages the investment managers to adhere to these principles. Investment managers are required to report on their environmental, social and governance activities.</p> <p>Scheme management is mandated to implement and execute the Investment Policy and to manage the contracts of the investment managers.</p> <p>The investment consultants and asset managers contracted by the Scheme attend the meetings of the Finance and Investment Committee to report formally on compliance to the investment mandate.</p> <p>The Board makes decisions on outsourced investment services.</p>

## Protecting and preserving value through ethical leadership

### Governance of ethics

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 Board monitors the tone at the top, the ethics culture of the Scheme and considers reports on ethics transgressions and how the Scheme responds to these.

The Board does this by:

<p>Setting requirements for itself, GEMS employees, contracted providers, members and healthcare providers in their dealings with GEMS:</p> <ul style="list-style-type: none"> <li>• Fit-and-proper requirements</li> <li>• Skills and qualifications</li> <li>• Conflict of interest</li> <li>• Zero tolerance to corruption and fraud</li> <li>• Preventing corruption, fraud, waste and abuse</li> <li>• Protecting human rights</li> </ul>	<ul style="list-style-type: none"> <li>• The Rules of GEMS (registered in terms of the Medical Schemes Act)</li> <li>• The GEMS Code of Ethics and Business Conduct</li> <li>• The GEMS Supply Chain Management Code of Conduct</li> <li>• Code of Conduct for Trustees and Independent Committee Members</li> <li>• GEMS ethics policies that include conflict of interest, vetting, supply chain management, fraud waste and abuse, whistleblowing and stakeholder engagement</li> <li>• Terms of reference for Risk Social and Ethics Committee</li> <li>• Ethics strategy</li> </ul>
Monitoring ethics culture risk as a strategic risk	Quarterly risk monitoring report (risk management section, page 77)
Reviewing the effectiveness of controls	The Audit Committee ensures that the effectiveness of the Scheme's ethics governance controls is reviewed regularly
Setting the ethics strategy and monitoring ethics programme implementation	The Risk Social and Ethics Committee monitors the annual ethics management plan that is based on the ethics strategy
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.

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

Scheme management discusses ethics and values and designs and implements policies and processes to achieve sound ethics management. 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 leadership collaboration and shared accountability and their benefits are apparent.

Scheme employees annually sign the Code of Ethics and Business Conduct and the Supply Chain Management Code of Conduct.

### **Highlights in 2020**

- Review of GEMS Code of Ethics and Business Conduct and adoption
- Review of Vetting Policy
- Integrating vetting information in ethics management processes
- Review of lifestyle audit procedure and guide for employees
- Employee ethics awareness training
- Quarterly ethics risk management reporting for contracted providers
- Launch of external ethics assessment covering internal and external stakeholders
- Internal audit review

### **Key focus areas in 2021**

- Ethics communication to external stakeholders
- Employee surveys and employee ethics communications
- Ethics strategy review and revised ethics management plans based on outcome of external ethics assessment
- Follow-up internal audit review and maturity assessment
- Policy revisions
- Ethics handbook
- Embedding ethics management standard operating procedures
- Annual vetting process

The Risk Social and Ethics Committee monitors compliance with GEMS Code of Ethics and Business Conduct, other social, ethical and legal requirements, and best practice.

### **Committee assurance**

The Risk Social and Ethics Committee is satisfied that it complied with its legal, regulatory and other responsibilities during 2020.

The outcome of the external ethics assessment was:

The ethics risk and opportunity profile revealed that GEMS has an overall under-developed ethical culture (scoring 46th out of 100 when compared to 70 organisations across various industries where a higher rank indicates better performance). This means that the organisation, although making ethics a part of the overall organisational culture, has not yet created enough critical mass to reach a high level of ethical culture maturity. Many employees also indicated that they can see the organisation improving in terms of its ethics focus, but that much still needs to be done to embed an ethical culture. Results indicated that the organisation appears to be very compliance focused, but not yet values-focused in terms of ethics." In respect of **ethics behaviour total risk score**, "GEMS risk score is at the 99th percentile when compared to the behaviour risk scores of organisations operating in South Africa. This indicates that GEMS has an outstanding ethics behaviour risk frequency, on par with the best organisations comprising the General South African Organisational Norm. This implies low ethics behaviour risk for GEMS with unethical behaviour being observed infrequently.

### **Compliance**

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

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

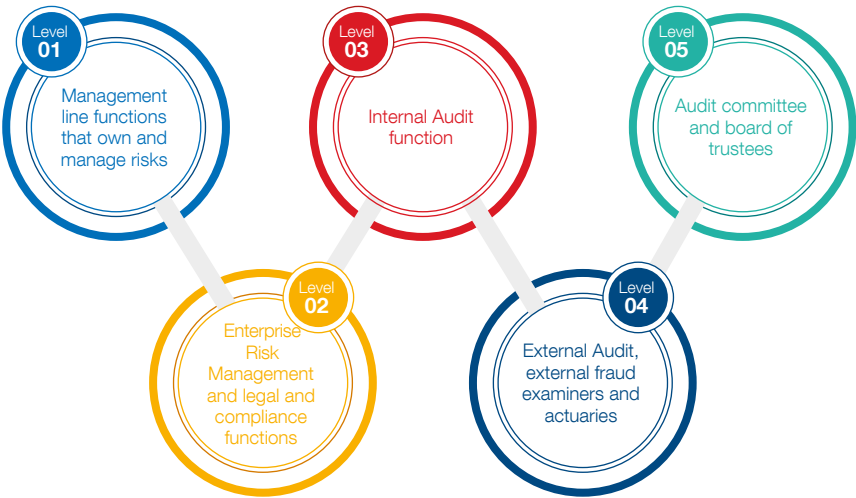
Effective management of compliance risk means meeting the GEMS compliance obligations and protecting GEMS from loss or damage, noting that it is not only an obligation but a \*source of rights and protection. It improves the way GEMS does business for and with its stakeholders and, as such, is vital for an ethical and sustainable business. It requires a holistic view on how applicable laws and non-binding rules, codes and standards relate to one another and their ability to affect GEMS' ability to create value over time.

The GEMS Board Charter requires the Board to set and steer the Scheme's approach to the governance of compliance.

The GEMS compliance function reports to the Audit Committee and the Risk Social and Ethics Committee. More information on the composition of the Audit Committee and the Risk Social and Ethics Committee and a summary of the committees' responsibilities can be found from page 149.

The adequacy and effectiveness of the Scheme's compliance management function is addressed periodically by the Scheme's internal audit function.

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



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

The Scheme has established a Compliance and Ethics Forum, comprising compliance and ethics champions from all Scheme divisions and the Scheme's service provider network. The forum monitors and complies with its compliance universe, including the Rules of GEMS and legislation.

Our 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.

The process of 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; and
- Monitoring compliance through the adequacy and effectiveness of control measures.

The risk of non-compliance is managed through:

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

Highlights for 2020:	Focus areas 2021:
<ul style="list-style-type: none"> <li>• Preparing for compliance to –POPIA - compliance project and staff training.</li> <li>• Improving the management of policy development and maintenance.</li> <li>• Implementing a compliance index to measure regulatory compliance and achieving a rating of 94%.</li> <li>• Providing guidance to the Scheme's service provider network to ensure the correct application of the Rules of GEMS.</li> <li>• Supporting regulatory engagements with the CMS.</li> <li>• Finalising the King IV application register.</li> <li>• Maintaining a Covid-19 deviation/exemption and decision log.</li> </ul>	<ul style="list-style-type: none"> <li>• Preparing for compliance to POPIA - compliance project</li> <li>• Our people</li> <li>• Our policies and procedures</li> <li>• Our systems</li> <li>• Our member communication</li> <li>• Regulatory interaction</li> <li>• Managing the risks.</li> <li>• Performing the actions required by the 2021 compliance coverage plan.</li> <li>• Publishing our King IV Report disclosure register.</li> </ul>

### Data and information governance

The GEMS Information and Communication and Technology Division reports to the Finance and Investment Committee and the Board of Trustees. The division is headed by the Chief Information Officer, who is supported by two senior managers, dedicated GEMS employees and contractors who support the distributed computing environment and several business application solutions used by Scheme business functions to serve members, including applications that provide members with access to their information.

The adequacy and effectiveness of our 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.

The successful achievement of the third phase of our strategic plan themed, 'innovate for member value proposition' and our strategic objective of becoming the blueprint for NHI, is premised on advanced ICT systems for enhanced member experience and decision making, data-driven healthcare management operational improvement and risk management.

2020 key focuses	Future focuses
<ul style="list-style-type: none"> <li>Development of an information management capability</li> <li>Aggregation and ownership of all GEMS data and intellectual property.</li> <li>Innovation through advanced analytics and real-time data management.</li> <li>Deployment and optimisation of our infrastructure and capacity.</li> <li>Maintenance and enhancement of information security mechanism.</li> <li>Management of business applications and business intelligence.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of digital strategy initiatives.</li> <li>Development of business intelligence data management and digital first initiatives.</li> <li>Further enhancement of provider and member digital services.</li> <li>Complete analysis and development of the core information management programme.</li> <li>Development and implementation of information security management capability.</li> <li>Adoption of fourth industrial revolution technologies such as cloud solutions, digitising on the inside and outside and positioning for NHL.</li> </ul>

## 2020 Remuneration Report

### Introduction

The Scheme has a dedicated Board committee to oversee remuneration, inclusive of trustee and independent committee members' remuneration, remuneration of executives and general staff and related matters. Information on the mandate, composition and attendance of meetings held by the Human Resources and Remuneration Committee in 2020 is provided on page 153 of the report.

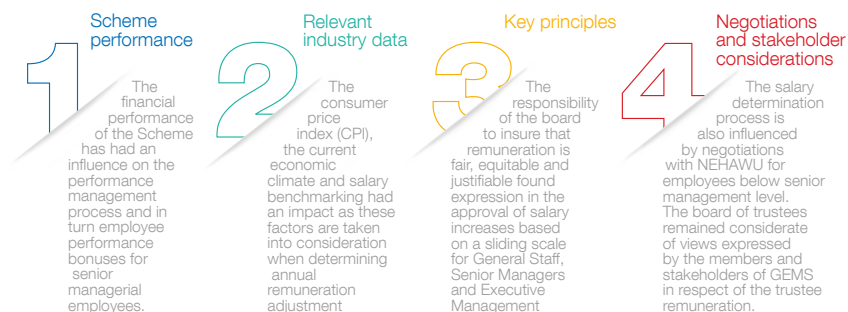
### The key factors that influenced remuneration decisions during 2020

#### The impact of Covid-19

For decision making on salary adjustments for the 2021 financial year, the Board considered the impact of the Covid-19 pandemic on GEMS' contribution income, the country's economic conditions, ongoing wage discussions for public service employees, uncertainties around the ultimate financial impact of Covid-19 and the 2021 GEMS contribution increase.

#### Other factors

### Other factors



### The key focus areas and key decisions of the Human Resources and Remuneration Committee in 2020 summarised:



A remuneration salary survey was used for the remuneration benchmark performed for general staff, senior managers, executive management and the Principal Officer under the auspices of the Human Resources and Remuneration Committee in 2020. The work was allocated to an organisation well versed and experienced in this area and the committee is satisfied with its independence and objectivity.

### Remuneration benchmarks

GEMS, as with other organisations, strives to attract and retain key talent, thereby driving business strategy with the right people. The risk of losing key talent is high in most organisations. Variation in pay is one of the key determinants in retaining or losing key individuals. It is not possible for organisations to determine if pay practices are aligned with those of other organisations without a benchmarking exercise. The GEMS benchmarking process is conducted against healthcare, financial and national industries as its products and services compare well to these.

### Key remuneration policy principles

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

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

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

The link between remuneration, including short-term incentives, and value creation is shown under the heading Performance framework and measures below.

### Meeting the stated remuneration policy objectives:

The GEMS Employee Remuneration Policy has met its stated policy objectives in that it supports the Scheme's commitment to attracting and retaining highly skilled talent. The total reward packages and benefits offered contributed to attracting and retaining key talent. A low staff turnover rate of 4.39% was recorded for the 2020 financial year. The GEMS performance management process further entrenches this commitment as it continues to reward high performers within the organisation.

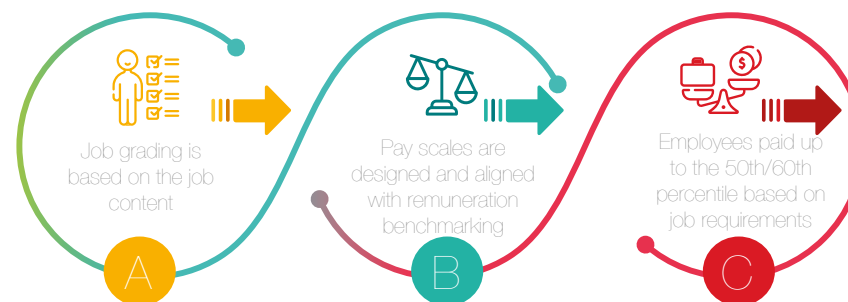
### Future areas of focus:

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

### Financial and non-financial benefits

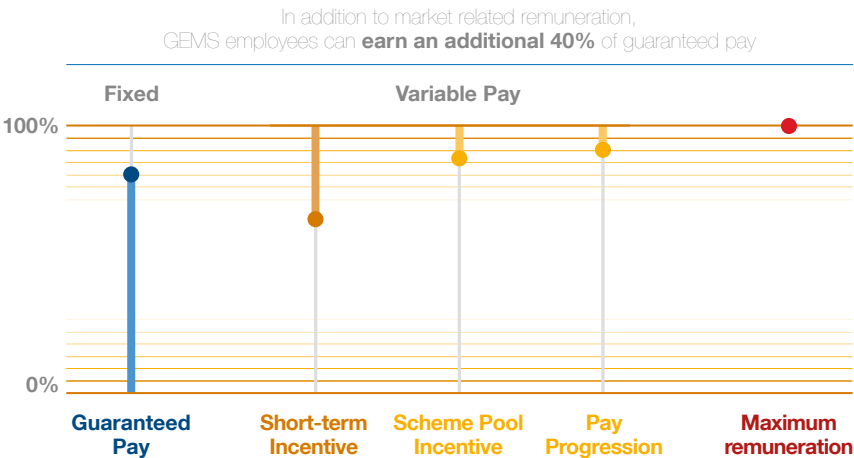
GEMS is committed to developing, implementing and upholding remuneration strategies and practices that support its vision, mission, values and strategic objectives, while pursuing the best interests of the Scheme. It ensures that remuneration is fair, equitable and justifiable.

In determining the appropriate level of remuneration:



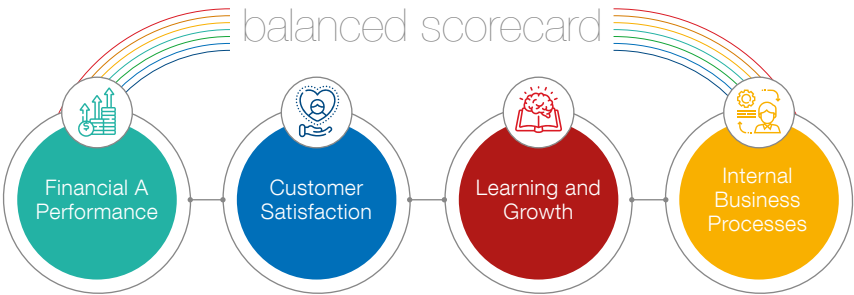
Remuneration is provided to employees in guaranteed and variable pay, the former including basic salary and benefits and the latter aligned to the achievement of business objectives and individual performance.

Pay Structure



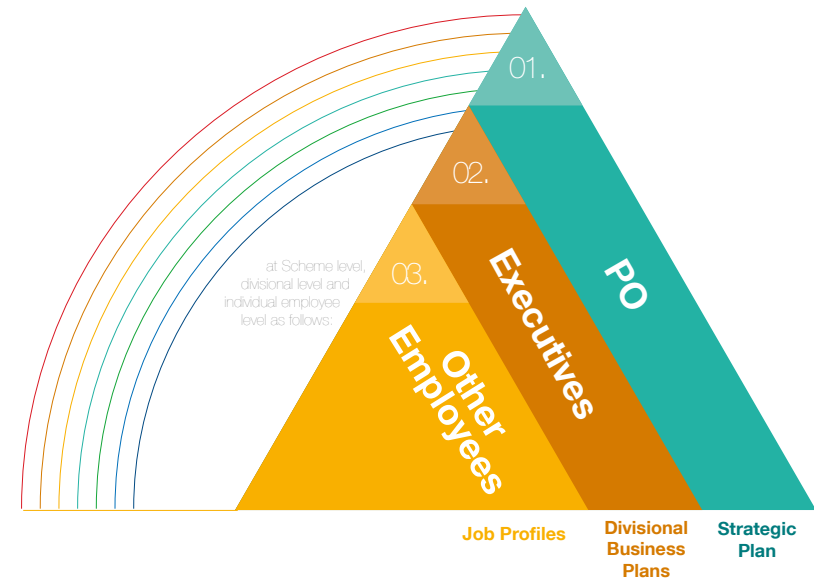
Performance framework and measures:

To assess the achievement of strategic objectives and positive outcomes, the Scheme uses a standardised and integrated three-tiered performance management system. A standardised balanced scorecard measures performance in four areas:



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

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



Annual employee performance contracting and assessment are done through performance scorecards made up of key performance areas and competencies. Key performance areas are aligned to the Scheme's strategic objectives and competencies that are based on occupational levels. The allocation of weightings in key performance areas and competencies is depicted below:

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

The Scheme strives to improve employee contribution to performance by linking rewards and recognition with performance management outputs. Employees are considered for performance rewards for sustained performance that is significantly above expectations. For



the Principal Officer and executives, the awarding of performance bonuses is dependent on the achievement of a minimum individual performance rating, an unqualified audit report, the achievement of a surplus and a complaints ratio approved by the Board.

An illustration of the potential consequences on total remuneration for executive management of applying the GEMS Performance Management Policy under minimum, on- target and maximum performance outcomes is below:

Performance bonus percentage	0%	10%	30%
Total including annual remuneration	R33 745 647	R37 120 212	R43 869 341

GEMS uses a three-tiered system as an institutional framework for managing and linking scheme performance to divisional and employee performance. The Scheme pool incentive and pay progression were implemented for the first time during the 2019 performance cycle completed in May 2020.

Targets for the pool incentive were approved in early-2019 and the targets that were met greatly exceeded the stretch target and were considered exceptional overperformance.

The pool incentive was paid to 280 employees as a once-off bonus for achievement of key targets, namely complaints ratio, reserve ratio and unqualified audit.

The pay progression methodology was also defined during 2019, with 55 employees receiving adjustments to their salaries.

#### Executive remuneration in 2020:

	Annual earnings	Bonus	Pool incentive bonus	Total remuneration 2020	Total remuneration 2019
Ms Jeannie Combrink	R2 474 330	R371 150	R74 230	R2 919 709	R2 697 138
Ms Karyna Pierce	R3 500 357	R525 054	R105 011	R4 130 421	R3 815 555
Dr Guni Goolab**	R3 142 756	-	-	R3 142 756	R6 052 864
Ms Gloria Nkadineng	R2 404 127	R240 413	R72 124	R2 716 664	R2 419 233
Dr Samuel Lewatle	R3 197 423	R479 613	R95 923	R3 772 959	R3 067 842
Mr Molapo Masekoameng	R2 369 873	R355 481	R71 096	R2 796 450	R2 486 936
Dr Vuyo Gqola	R3 197 423	R479 613	R95 923	R3 772 959	R3 095 529
Mr Evan Theys	R1 811 154	R181 115	R54 335	R2 046 604	R1 716 734
Ms Veni Singh	R2 369 873	R236 987	R71 096	R2 677 956	R2 258 405
Dr Stanley Moloabi	R5 072 000	R760 800	R152 160	R5 984 960	R5 022 000
Dr Phumelela Dhlomo	R2 267 820	R340 173	R68 035	R2 676 028	R1 143 231
Dr Selaelo Mametja*	R1 938 511	R290 777	R58 155	R2 287 443	-
<b>Total</b>	<b>R33 745 647</b>	<b>R4 261 176</b>	<b>R918 087</b>	<b>R38 924 910</b>	<b>R33 775 467</b>

\*Pro-rata salary – employed from 1 February 2020

\*\*Payment made on termination of office of the GEMS Principal Officer

During 2019, the Human Resources and Remuneration Committee looked into the end-of-contract process for the Principal Officer. Due to the strategic nature of the role, a restraint of trade was implemented for six months. Consideration was given to the payment of the Principal Officer's performance bonus for the 2019 financial year. A legal opinion was sought and consultations held, after which it was resolved by the Board of Trustees that:

The Principal Officer will be paid for the six month restraint of trade at 100% of the monthly salary payable for the six-month period to be paid by 31 January 2020, this amounts to R2 328 024.50 before tax.

The payment of the performance bonus will be completed in line with policy requirements to be paid by May 2020 should the requirements be met as stated below:

- The achievement of 70% of KPIs on the Scheme performance scorecard or a performance rating of above 3;
- An unqualified audit report;
- The Scheme achieving a target surplus or reserve ratio;
- Customer satisfaction measure; and
- Complaints management ratio percentage determined by the Board.'

#### Compliance statement

The Scheme complied with its approved Employee Remuneration Policy in 2020 and no deviations from it were reported. There are currently no voting results for the GEMS Employee Remuneration Policy.

The GEMS Performance Management Policy is still being implemented. The Scheme complied with the components of the policy that have been implemented and no deviations from the policy were reported.

#### Trustee remuneration in 2020

#### GEMS Trustee and Independent Committee Member Remuneration Policy

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

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

- Meet the Scheme's statutory obligations;
- Adhere to corporate governance standards;
- Address matters related to the Scheme's business model and requirements; and
- Guide Scheme management on stakeholder engagements considering the Scheme's complex stakeholder relations environment.

## Trustee and Independent Committee Member Remuneration Policy

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

Trustees and committee members are remunerated for preparation for and attendance of meetings. They are not remunerated for the following:

- Meetings not attended;
- Participating in the Scheme's annual Board effectiveness assessment;
- The attendance of training sessions;
- The attendance of Scheme events where trustees are not required to perform work and
- The attendance of member and stakeholder information and communication sessions.

Trustees and committee members are paid a fixed daily meeting fee for each day of quarterly and interim meetings. The fee is based on an average meeting duration time of six hours and 12 hours' preparation time. Trustees are paid a reduced daily meeting fee for attending ad hoc meetings.

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

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

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

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

### Remuneration benchmarks:

Trustee remuneration benchmarking compares remuneration from at least 10 of the largest closed and open medical schemes in the Industry.

The fixed daily meeting fee of trustees was increased for the first time since 2014 by a Board decision taken on 5 December 2017. An inflationary increase of 5% was last implemented in 1 January 2018.

## Trustee remuneration 2020

The remuneration paid in 2020 per trustee is shown from page 164. Meeting fees, travel and accommodation costs, training costs and other disbursements are disclosed separately per trustee in accordance with Regulation 6A of the Regulations of the Medical Schemes Act, 1998, as amended.

The amount disclosed for meeting fees of the following trustees include the following payments made in 2020 to correct an error in 2019 remuneration payments:

- Ms NC Ntshane: R109 800
- Mr LJ Mankge: R109 800
- Mr M Brand: R18 300


Trustee remuneration paid in 2020 was R8.3 million (2019: R7.7 million), an increase of 6.8% from 2019. Of this, R7.9 million (96%) was meeting fees and the monthly stipend. The balance was travel and accommodation costs and fees paid to trainers.

The GEMS trustees undertook additional duties voluntarily during 2020 to represent the Scheme at important stakeholder events and to support Scheme management at important engagements with key stakeholders such as unions.

Trustees did not receive remuneration for these activities, saving the Scheme about R366 000.

In 2020, trustee fees as a percentage of contributions were 0.02% and as a percentage of the Scheme's non-healthcare costs, 0.41%.

	Appointed or elected member	Attendance fees			Travel and accommodation		Reimbursement and allowances		Training (fees paid to trainers)		Total	
		2020	2019		2020	2019	2020	2019	2020	2019	2020	2019
		R'000	R'000		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>Mr JS Roux</b> Re-elected July 2014 – term expires 29 July 2020	Elected	553	478		19	305	7	20	7	34	586	837
<b>Mr NL Theledi</b> Term ended 26 September 2019 and restarted 5 December 2019, ending on 4 December 2022	Appointed	641	623		15	69	3	9	7	13	666	714
<b>Mr CJ Booyens</b> Deceased	Elected	-	96		-	14	-	5	-	11	-	126
<b>Mr EB de Vries</b> Term ended 29 July 2019	Elected	-	306		-	228	-	11	-	17	-	562
<b>Dr JA Breed</b> Elected July 2014 – term expires 29 July 2020	Elected	660	587		2	148	4	32	7	63	672	830
<b>Dr IJ van Zyl</b> Elected July 2014 – term expires 29 July 2020	Elected	641	712		32	107	18	29	7	13	697	861
<b>Mr ME Phophi (Deputy Chairperson)</b> Appointed 26 September 2017 – term expires 25 September 2023	Appointed	684	601		10	67	21	24	7	24	721	716
<b>Dr ETC Moloko</b> Appointed 28 October 2016 – term expires 27 October 2022	Appointed	646	549		7	69	5	8	5	22	662	648
<b>Dr SM Hlatshwayo (Chairperson)</b> Appointed 18 February 2018 – term expires 19 February 2024	Appointed	928	836		2	99	3	7	35	22	968	964
<b>Mr RA Manoko</b> Appointed 18 February 2018 – term expires 19 February 2024	Appointed	825	688		-	82	7	28	35	20	867	818
<b>Ms NC Ntshane</b> Appointed 25 September 2019 – term expires 24 September 2025	Elected	133			41	8	20	18	7	17	818	176
<b>Mr Lekgema Mankge</b> Appointed 25 September 2019 – term expires 24 September 2025	Elected	664	136		16	14	15	21	7	17	702	188
<b>Mr Marthinus Brand</b> Appointed 25 September 2019 – term expires 24 September 2025	Elected	572	194		19	25	4	6	6	17	600	242
<b>Dr N Tutu</b> Appointed 30 July 2020 – term expires 29 July 2026	Appointed	352	-		-	-	-	-	3	-	355	-
<b>Total</b>		<b>7 915</b>	<b>5 939</b>		<b>172</b>	<b>1 235</b>	<b>106</b>	<b>218</b>	<b>130</b>	<b>290</b>	<b>8 323</b>	<b>7 682</b>



# SECTION 15

## AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 December 2020.

The mandate of the Audit Committee requires it to adhere to high-quality standards of corporate accountability, to oversee the quality of the financial reporting process and control systems, and to maintain a high degree of integrity in both the external and internal audit processes. Subsequent to April 2020, all Audit Committee meetings were held virtually, so as to ensure continuity of execution of the Audit Committee mandate while remote working arrangements were in force.

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

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

The going concern basis was adopted in preparing the annual financial statements. Based on the 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 2020 annual financial statements and we are of the view that they comply, in all material respects, with the Medical Schemes Act, No 131 of 1998, and International Financial Reporting Standards. The committee received assurance that sound financial controls are in place and that fraud and ICT risks as they relate to financial reporting have been adequately addressed.

### External auditor independence and quality

The committee was involved in the appointment of the external auditor and following its assessment of the auditor, the committee was satisfied that the appointment of the auditor complies with Section 36(3) of the Medical Schemes Act, No 131 of 1998, as amended. Furthermore, the committee approved the external auditor's engagement letter, audit plan and budgeted fees for the year ended 31 December 2020. The Scheme maintains the Non-audit Services and Consulting Services Policy, which describes prohibited services by the external audit and those requiring prior approval of the Audit Committee. We are satisfied that other than the Audit Committee-approved limited assurance of selected KPIs included in this integrated report, the Scheme's external auditor has not performed any prohibited work for the 2020 financial year. Both the Scheme's audit firms (Deloitte & Touche and OMA Chartered Accountants) and the designated external audit partner have provided external audit services to the Scheme only since 2016, thus partner rotation was not deemed necessary for the period under review. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

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

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

## Design and implementation of internal financial controls

The Scheme's internal audit function reviewed the design and operating effectiveness of internal financial controls and the overall conclusion of the audit was 'satisfactory' with the overall objectives of the controls tested being achieved. Controls tested by internal audit did not identify any failures that led to material financial errors or losses, fraud and corruption. Based on this assurance by internal audit, we are satisfied that the finances and system of internal control are appropriately managed. Furthermore, the external auditors have issued an unqualified opinion that the 2020 annual financial statements are a fair reflection of the Scheme's activities and accounting practices have been applied appropriately. International Standard on Assurance Engagements 3402 – assurance reports issued by service auditors at the Scheme's administrators were received and their findings, which did not present material exposure to the Scheme, were considered accordingly.

## Key areas of focus during the reporting period

The committee continued to have cybersecurity controls and oversight thereof as one of its key areas of focus during 2020. The committee also held a special meeting on 20 November 2020 to specifically dedicate time and focus to risks and controls pertaining to insourcing of capabilities, ICT strategy and ICT governance.

The committee receives reports from internal audit on the implementation progress of forensic investigation (stemming from the 2017 tender investigations) 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 has been of a high standard throughout the financial year as evidenced by an unqualified external audit opinion.

## Combined assurance

The Scheme's Chief Audit Executive is charged with the responsibility for leading the Scheme's combined assurance model. GEMS' assurance providers coordinated during the period under

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

## Conclusion

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

## Assurance on this report:

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

Content and processes	Assurance provider	Outcome
Annual financial statements	External audit	Unqualified audit opinion
Principal members of future products (% on Emerald Value and % on Tanzanite One)	External audit	Limited assurance provided
Standardisation of basic benefits across GEMS range	External audit	Limited assurance provided
Percentage decrease in hospital admission rate on EVO	External audit	Limited assurance provided
Percentage decrease in hospital admission rate on Tanzanite One	External audit	Limited assurance provided
Alternative reimbursement model	External audit	Limited assurance provided
Product average affordability	External audit	Limited assurance provided
Standardisation of basic benefit package	External audit	Limited assurance provided
Material performance information disclosed in the 2020 annual integrated report	GEMS internal audit	Limited assurance provided



# SECTION 16

## OUR PEOPLE

Total number of employees	2017	2018	2019	2020
GEMS	310	285	309	351
Employees per office	2017	2018	2019	2020
Head Office	150	133	155	193
Client Liaison Office	160	152	154	158
Total	310	285	309	351
Employees per contract type	2017	2018	2019	2020
Contract	19	19	-	11
Permanent	263	266	309	340
Internship	28	-	-	-
Total	310	285	309	351
Employees per gender	2017	2018	2019	2020
Male	95	90	98	107
Female	215	195	211	244
Total	310	285	309	351
Turnover	5.40%	8.20%	4.80%	4.39%

## Union membership

A total of 189 GEMS employees, or 53.8%, belong to the union.

Chief officers making up the GEMS Exco in 2020 implemented the GEMS strategy under the leadership of Dr Stanley Moloabi:



### **Dr Stanley Moloabi<sup>14</sup> | Principal Officer**

(Chief Operations Officer during reporting period ending 31 January 2020)

#### **Qualifications**

Dr Moloabi is a qualified Medical Practitioner.

He obtained his MBChB at Medunsa, now Sefako Makgato University. He has a Diploma in Business Management from Damelin Management School. He also obtained a Certificate on Global Health Delivery online course from Harvard University. He attended and participated in a short course on leading in health systems: integrating effort, improving outcomes, receiving a certificate from Harvard

TH Chan School of Public Health, and various other Continuing Professional Development attendance courses.

#### **Experience**

Dr Moloabi rejoined GEMS on 1 June 2018. Until 31 January 2020, he held the position of Chief Operations Officer.

He started his career as a Medical Officer in the public sector then as a Private Family Practitioner, successfully running a clinical private practice for 13 years.

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

He has been GEMS' Principal Officer since 1 February 2020.

<sup>14</sup> Principal Officer with effect from 1 February 2020



### **Mr Evan Theys | Company Secretary and Legal Counsel**

#### **Qualifications**

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

#### **Experience**

Mr Theys is an admitted attorney with experience in the life insurance industry and as a company secretary, and has been in various sectors of the medical schemes industry for the past 16 years.

He joined GEMS on 1 February 2018 as the Company Secretary and Legal Counsel.



### **Ms Gloria Nkadameng | Chief Information Officer**

#### **Qualifications**

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

#### **Experience**

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

Currently, Ms Nkadameng is charged with providing strategic leadership, vision and direction to the ICT Division in rendering information and communication technology services to GEMS.



### Mr Molapo Masekoameng | Chief Audit Executive

#### Qualifications

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

#### Experience

Mr Masekoameng joined the Scheme in August 2014.

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

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

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



### Dr Vuyokazi Gqola | Chief Healthcare Officer

#### Qualifications

BSc (UKZN), BSc (Hons) Microbiology (UKZN), MBChB (UCT), Certificate in Global Health Delivery (Harvard University)

#### Experience

Dr Vuyo Gqola is a registered Medical Practitioner with the Health Professions Council of South Africa (HPCSA). She is currently studying towards her Masters in Business Administration (MBA) in Health Care Leadership at the University of Stellenbosch.

She has worked at various State health institutions, with particular experience in Paediatrics and HIV Management. She joined the managed care industry in 2010, and was appointed as GEMS Executive: Healthcare Management in September 2015.

She heads the Scheme's Healthcare Management Division which is responsible for managed care services, including clinical risk management, healthcare networks, provider relations, tariffs and billing, tariff negotiations, and healthcare strategic sourcing.



### Ms Karyna Pierce | Chief Financial Officer

#### Qualifications

CA (SA)

#### Experience

Extensive experience in directing organisational finance, operations and compliance functions.

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

She joined GEMS in 2007, responsible for implementing the Scheme strategy, in particular managing Scheme finances, investments, implementation and processing of financial, accounting and administrative requirements (inclusive of relevant policies and related compliance matters) and directing and oversight of Scheme actuarial work and external audits.



### Dr Selaelo Mametja | Chief Research Officer

#### Qualifications

FCPHM (Colleges of medicine of South Africa)  
MMED Public Health, University of Cape Town, Postgraduate Diploma in Health Management, University of Cape Town, MBBCh, University of the Witwatersrand

#### Experience

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

Prior to joining GEMS, in February 2020 she was the Head of Knowledge Management, Research and Ethics Department in SAMA. During her tenure she served on various working groups of the World Medical Association.

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



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**Dr Phumelela Dhlomo | Chief Marketing Officer**

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**Qualifications**

BPaed (SSTD), B.Com (Hons), PDMM, MBA, Mcom, PhD

**Experience**

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



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**Dr Samuel Lewatle | Chief Corporate Services Officer**

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**Qualifications**

Doctor of Business Administration, Master of Business Administration, National Education Diploma, Oxford Executive Leadership Certificate, Board of Healthcare Funders Trustee Certificate, Human Resources Management Certified Auditor. Various certificates in leadership/strategic management and coaching. Professional/ association registrations: South African Board for People Practice as a Master Human Resources Practitioner, Broad-based Black Economic Empowerment Association, Africa Supply Chain Management in Action (Ambassador), Coaching and Mentors of South Africa, Institute of Directors of South Africa and Institute of People Management.

**Experience**

Dr Lewatle has spent more than 20 years in senior and executive positions in both public and private sector organisations.

International experience in working and managing in countries in South Africa, East Africa and West Africa.

International training exposure in countries such as USA, France, Germany and UK.

Joined GEMS in March 2014, with key roles in human resources management, broad-based black economic empowerment, supply chain management/ procurement, facilities management, travel management and internal communication.



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**Ms Veni Singh | Chief Administration Officer**

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**Qualifications**

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

**Experience**

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

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



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**Ms Jeannie Combrink | Chief Compliance Officer**

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**Qualifications**

BA in State Administration, Human Resource Management, Public Administration and Political Science BA Hons in Public Administration.

**Experience**

Prior to joining GEMS, Ms Combrink worked as a Deputy Director: Conditions of Service in the Department of Public Service and Administration. Other highlights include serving at the Public Service Commission from 1993 to 1999. Prior to that, she formed part of the team that implemented PERSAL across the public service. She was part of the team tasked with establishing GEMS and formally became a Scheme employee in 2006. She is responsible for the Scheme's integrated reporting, compliance and ethics, fraud, waste and abuse and enterprise risk management functions.

Chief officers are supported by senior managers driving operational performance:

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**Ramola Balmakhun-Lovell** | Senior Manager: Office of the Principal Officer (Fund)**Qualifications**

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

**Experience**

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

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

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**Masingita Chavalala** | Senior Manager: Project Management**Qualifications**

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

**Experience**

Ms Chavalala has more than 16 years of experience in strategy and project portfolio management, programme management and business integration management. She started her career as a project consultant for a small management consulting firm in the financial services industry. Her professional experience also includes roles as Senior Project Manager for the Edcon Group and Deputy Director in the Office of the Minister of Economic Development (since merged with the Department of Trade and Industry). Ms Chavalala joined GEMS in 2015 as a Senior Manager responsible for the Scheme's Project Management Office.

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**Malinda Lubbe** | Senior Manager: Complaints Management**Qualifications**

B.Com (Law), LLB, Higher Diploma in Tax, Diploma in Labour Law, Certificate in Income Tax.

**Experience**

Ms Lubbe is an admitted attorney with more than 20 years' professional and operational experience, in Civil, Criminal, Corporate, Commercial, Labour, Tax and Intellectual Property law, Governance, Risk, Compliance and Ethics Management, with various positions held in the Legal and Financial Services Industry.

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**Thabo R Litabe** | Senior Manager: ICT Infrastructure Services and Operations**Qualifications**

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

**Experience**

Mr Litabe has more than 18 years of ICT technical and management experience obtained in the public and private sectors. Before joining GEMS, he held various strategic managerial positions - Senior Manager/Head of ICT Department at South African Pharmacy Council, ICT Manager at the National Gambling Board and Technical Specialist at various government departments and Central University of Technology. He joined GEMS in April 2016 and is responsible for ICT infrastructure services and operations

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**Selloane Noko** | Senior Manager: Governance and Secretariat Services**Qualifications**

SLDP (WBS); CIMB ½, Gimt/Unisa; Dip: PRP. Damelin); N6 Computer Literacy and Programming, Manpower Training College/TVET. Completed a number of governance courses including Diploma in Company Direction; Director Development, Institute of Directors South Africa; Trustee Development (WBS); Advanced Trustee Development, Gordon Institute of Business Science

**Experience**

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

She spent seven years of her 20 years' working experience in the medical schemes industry in charge of secretariat compliance, corporate governance and corporate advisory services and worked in various private and public sector entities responsible for board and committee administration, corporate secretariat services, company registrations, director registrations and statutory compliance services

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**Morne White** | Senior Manager - Finance**Qualifications**

CA (SA) ACMA (CGMA) MCOM

**Experience**

Mr White has 23 years' experience in various financial roles, the last 10 with GEMS. He was previously involved in the healthcare sector working for a large hospital group and an employee wellness company.

Experience gained over the years includes financial accounting, cash flow and investment management, forecasting and budgeting, financial system implementations, strategic planning and development of business plans.



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**Pierre Roux | Senior Manager: Legal and Compliance**

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**Qualifications**

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

**Experience**

Mr Roux has more than 30 years' experience in the legal profession, which includes medical scheme insurance, corporate, commercial, civil, and criminal law. Before joining GEMS, served in a number of roles in the United Kingdom, the most recent being:

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

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

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**Marjorie Nqala | Senior Manager: Tariffs and Compliance**

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**Qualifications**

MBA, BTech (Business Administration), BSc (Physiotherapy), Diploma (Personnel and Training Management)

**Experience**

Ms Nqala, has more than 20 years experience in the healthcare industry. She started her Physiotherapy profession and moved up the ranks in public and private institutions. Her journey of 14 years in managed care industry started when she joined Discovery Health, Clinical Policy Unit, as a Clinical Researcher. She moved to GEMS in 2012 as a manager in Healthcare Management and later as a Disease Risk Management Specialist, now she is Senior Manager responsible for Tariffs and Compliance.

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**Andre Cowley | Senior Manager: Risk Management**

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**Qualifications**

B.Eng, M.Eng, Certified Risk Management Practitioner, Certified Risk Management Professional

**Experience**

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

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**Ishmael Mogapi | Senior Manager: External Forensics**

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**Qualifications**

Bluris LLB  
General Management Programme, Gordon Institute of Business Science

**Experience**

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

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**Yashwin Singh | Senior Manager: Compliance and Ethics**

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**Qualifications**

B Proc LLM commercial law Certificate in Advanced Labour Relations Certificate Pensions Fund Law Compliance Practitioner SA

**Experience**

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

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**David Makgalo | Senior Manager: Stakeholder Relations**

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**Qualifications**

Bcom In Human Resource Management, UNISA 2012  
Cert: Entrepreneurship & Small Business Management, UNISA 2012  
Trustee Development Certificate, Wits Business School 2018  
Advanced Trustee Development, , Gordon Institute of Business Science 2019

**Experience**

Mr Makgalo started his career in the Public Service and worked in various Government Departments for period of 4 years specializing in Conditions of Service. He has 14 years being at the Government Employees Medical Schemes currently managing Stakeholders Relations within the Scheme. Has experience in General Human Resources, Stakeholder Relations, Public Relations and Complaints Management.

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**Dr Morwesi Mahlangu | Senior Manager: Medical Adviser**

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**Qualifications**

MBChB

**Experience**

Dr Mahlangu is an experienced General practitioner with a demonstrated history in the financial services industry and managed healthcare environment. Skilled in operations management, communication, airports, emergency medicine, aviation medicine and legislation and ICAO, she graduated from Medunsa with postgraduate qualifications in travel and aviation medicine

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**Dr Tryphine Zulu | Senior Manager: Disease Risk and Medicines Management**

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**Qualifications**

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

**Experience**

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

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**Thabiso Mpehlo | Senior Manager: Networks and Provider Relations**

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**Qualifications**

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

**Experience**

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

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**Megan Mncube | Senior Manager: Administration and Transaction Services**

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**Qualifications**

Degree in Human Movement Sciences and Psychology, University of the Witwatersrand; Sport Science Honours Degree, University of Pretoria; Commercial and Contract Law Certificate, University of Cape Town

**Experience**

Ms Mncube has four years' experience in client services and preauthorisation in the medical aid industry with Discovery Health, three years in international medical case management assistance with International SOS and three years in contract and operational management at GEMS

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**Baldwin Matsimela | Senior Manager: Marketing and Communication**

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**Qualifications**

Diploma in Public Management and Development, Postgraduate Diploma in Public Development and Management, Development Communication and various certificates in media and public relations from Wits School of Journalism and Public Relations Institute of Southern Africa

**Experience**

Mr Matsimela has more than 15 years experience in corporate communication, marketing, advertising, stakeholder management and media relations

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**Lindiwe Ngcobo | Senior Manager: Client Liaison Office**

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**Qualifications**

MBA, Postgraduate Diploma in Marketing, Postgraduate Diploma in Business Management

**Experience**

Ms Ngcobo has extensive experience in sales and marketing, customer service and experiential marketing, communications, stakeholder management, project management, strategic partnerships, accounts management, business tourism and marketing. She has worked in corporates and government, having started at British American Tobacco in sales and trade marketing before moving to Oxford University Press managing regional offices, the International Convention Centre Durban in sales and marketing, Brand South Africa and City of Tshwane as an executive director: stakeholder relations. She joined GEMS in April 2019 as Senior Manager: Client Liaison Office responsible for strategy implementation and operations oversight of the regions.

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**Riana Bredell** | Senior Manager: Procurement

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**Qualifications**

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

**Experience**

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

Her focus is on BBBEE, preferential procurement and the healthcare industry. She joined GEMS in 2015 and is currently responsible for SCM and the Scheme's BBBEE strategy implementation

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**Audrey Mareme** | Senior Manager: Corporate Services

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**Qualifications**

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

**Experience**

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

She has worked been group organisational development manager at Ericsson (Sweden and Sub- Sahara)





# SECTION 17

## ANNUAL GENERAL MEETING INFORMATION PACK

Notice is hereby given that the 14th Annual General Meeting (“the meeting”) of the Members of the Government Employees Medical Scheme (“GEMS”) will be held virtually at 15h00 on 31 August 2021.

The preliminary agenda is below:

**AGENDA: 14th GEMS Annual General Meeting | 31 August 2021, 15h00 | (To be held virtually via ZOOM)**

Item	Speaker
1. Opening and Welcome	Chairperson
2. Announcement of Agenda as finalised in accordance with GEMS Rules 28.1.5.1 to 28.1.5.6	Chairperson
3. Opening remarks by Chairperson followed by a presentation by the Principal Officer on the business of the Scheme for the financial years ended 31 December 2019 and 2020.	Chairperson Principal Officer
4. Matters for Decision	
a. Confirmation and adoption of the Minutes of the 13th GEMS Annual General Meeting held on 31 July 2019 at the Mmabatho Palms Hotel Casino & Convention Resort, Cnr. Nelson Mandela & Albert Luthuli Drives, Mmabatho/Mahikeng, North-West Province	Chairperson
b. Receipt and adoption of the Annual Financial Statements for the financial years ended 31 December 2019 and 2020, including the reports of the Board of Trustees and the external auditor of GEMS	Chairperson Mr. Motshoanedi Johannes Lesejane (Independent Chairperson of the GEMS Audit Committee)
i. Discussion of the highlights of the Annual Financial Statements	Mr. Dinesh Munu, Deloitte (GEMS external auditor)
ii. Discussion of the external audit process	
c. Appointment of GEMS' external auditors for the financial years ended 2020 and ending 2021 in terms of GEMS Rule 27.1	Chairperson Mr. Motshoanedi Johannes Lesejane (Independent Chairperson of the GEMS Audit Committee)
5. Matters for Noting	
a. Disclosure of GEMS Trustee Remuneration for the financial years ended 31 December 2019 and 2020	Deputy Chairperson
b. Addressing member issues raised at the 13th GEMS Annual General Meeting	Deputy Chairperson
6. Question and Answer Session (General questions only please, as personal matters should be directed to GEMS via its Call Centre, Walk-in Centres, email or post.)	Chairperson
7. Summary of Decisions	Chairperson
8. Closure	Chairperson

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

- “28.1.5 Any Member wishing to add, or object to, a motion to/on the provisional AGM agenda, may do so, provided that:
- 28.1.5.1 Such proposed motion or objection must reach the Principal Officer no later than five (5) weeks before the date of the AGM;
- 28.1.5.2 The proposed motion or objection must be accompanied by a written explanation, which clearly explains why the proposed motion or objection must be considered and the background giving rise to the proposed motion or objection;
- 28.1.5.3 The proposed motion or objection is not in contravention of, or in conflict with, the Act, these Rules or the objectives of the Scheme;
- 28.1.5.4 The decision as to whether or not a Member has satisfied the conditions specified in Rules 28.1.5.1 to 28.1.5.3 to allow for the addition, amendment or deletion of an item to/on/from the provisional AGM agenda, shall be that of the Principal Officer, who must make such decision in consultation and with the approval of the Board;
- 28.1.5.5 If the Principal Officer, in consultation and with the approval of the Board as contemplated by Rule 28.1.5.4, decides that a proposed motion should be added as a new item to the provisional AGM agenda, or that an existing item on the provisional AGM agenda should be amended or deleted (as the case may be), then a second notice, containing the final AGM agenda and proxy form, recording all new, amended and deleted items, must be sent to Members, to reach them by no later than three (3) weeks prior to the date of the AGM. The non-receipt of such notice by a Member shall not invalidate the proceedings at the AGM, provided that the notice procedure followed by the Board was reasonable; and
- 28.1.5.6 Should the Principal Officer, in consultation and with the approval of the Board as contemplated by Rule 28.1.5.4, decide not to add a new item to the provisional AGM agenda, or not to amend or delete an existing item on/from the provisional AGM agenda, then he/she shall notify the Member of his/her decision and the reasons therefor, which notice shall be delivered to the Member no later than three (3) weeks prior to the date of the AGM. The non-receipt of such notice by the Member shall not invalidate the proceedings at the AGM, provided that the notice procedure followed by the Board was reasonable. Should the Member be aggrieved by the Principal Officer's decision, the Member may refer a dispute to the Scheme's dispute committee in terms of these Rules or to the Council for Medical Schemes in terms of the Act.”

Members wishing to propose additional motions to, or to object to any existing motions on, the provisional AGM agenda, are required to submit their proposals and objections to the Scheme by post to Private Bag X782, Cape Town, 8000, email to [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za) or by facsimile to 0861 00 4367 for the attention of the Principal Officer under reference **“2021 GEMS AGM Agenda”**. Such proposals and objections must reach the Scheme by 16h00 on

27 July 2021. Members are further encouraged to submit their proposals and objections in full compliance with the GEMS Rules reproduced above. Member proposals and objections that do not comply, cannot be placed on the AGM agenda, as we are compelled to adhere to the registered Rules of GEMS.

An updated agenda and proxy form will subsequently be sent to Members by 10 August 2021. Please make enquiries at 0860 004 367 or [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za) if you have not received the agenda and proxy form by 10 August 2021. It is also important that Members note GEMS Rule 28.1.6 which provides that motions passed at the AGM shall be by way of an ordinary majority vote of those members present in person or virtually and those represented by proxy at the AGM, provided that only proxies received by the Scheme no later than one (1) week prior to the date of the AGM shall be recognized. For this purpose, completed proxy forms must reach the Scheme by 16h00 on 24 August 2021. and can either be posted to Private Bag X782, Cape Town, 8000, emailed to [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za) or sent by facsimile to 0861 00 4367 for the attention of the Principal Officer under reference “2021 GEMS AGM Proxy”. To ensure timeous delivery, members are advised to fax or email their AGM proxy forms to the Scheme.

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

In accordance with GEMS Rule 29.6, the Board of Trustees stipulates that, upon members' receipt of the updated agenda and proxy form by 10 August 2021, members wishing to attend the AGM will be required to register online for the AGM by 16h00 on 24 August 2021. Members who fail to register as such, will not be admitted to the meeting.

By order of the Board of Trustees.



Chairperson  
22 April 2021



## Minutes of the 13<sup>th</sup> GEMS Annual General Meeting

31 July 2019, 15h00

### Mmabatho Palms Hotel Casino and Convention Resort

(Cnr. Nelson Mandela and Albert Luthuli Drives,  
Mmabatho/Mahikeng, North West Province)

#### 1. Opening and Welcome

- 1.1 The Chairperson of the GEMS Board of Trustees, Mr Nkosinathi Theledi, opened the 13<sup>th</sup> Annual General Meeting of the Members of GEMS ("the meeting") at 15h00 on 31 July 2019 and welcomed the Members in attendance.
- 1.2 He conveyed the Board's special greetings to the Members in attendance, and on behalf of the entire staff compliment of GEMS, extended a message of kind wishes.
- 1.3 The Chairperson stated that an occasion such as the Annual General Meeting presented an opportunity for amicable interaction between the Scheme and its Members, to account and exchange ideas; hence, the Agenda's main features were well structured for this purpose.
- 1.4 The Chairperson welcomed:
  - 1.4.1 The Deputy Chairperson and members of the GEMS Board of Trustees, the Principal Officer and Chief Officers of the Scheme, as well as the Scheme's distinguished guests;
  - 1.4.2 The Member of the Executive Committee for Health in Bokone Bophirima;
  - 1.4.3 Mr Dinesh Munu, from Deloitte & Touche, who is the external auditor of the Scheme in collaboration with OMA Chartered Accountants Incorporated;
  - 1.4.4 Mr Bonaventure Thamsanqa Diniso from the Council for Medical Schemes ("CMS"); and
  - 1.4.5 The Scheme's stakeholders, who were attending as observers, including (but not limited to) the Public Service Coordinating Bargaining Council ("PSCBC").
- 1.5 The Chairperson highlighted that the Scheme's internal auditors, Entsika Consulting Services (Pty) Ltd, were also present to observe the proceedings and to provide assurance that the meeting was conducted in keeping with the GEMS Rules.

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

- 2.1 The Chairperson presented the Agenda for the 13th GEMS Annual General Meeting and informed the meeting that one of the purposes of the AGM was for the Scheme to report to its Members on the previous year's performance since the 2018 GEMS AGM held in Nelspruit, Mpumalanga, as required by the Medical Schemes Act 131 of 1998 ("the Act") and the GEMS Rules.
- 2.2 The Chairperson (during the final closure of the 2019 GEMS AGM) confirmed that the Scheme had a total of 711 747 (seven-hundred-and-eleven-thousand-seven-hundred-and-forty-seven) principal members as at the start of the 2019

GEMS AGM; hence, for the meeting to be properly constituted, a quorum of 71 Members was required. He further confirmed that the final number of Members in attendance was 341, causing the meeting to be quorate.

#### 3. Opening remarks by the Chairperson followed by a presentation by the Principal Officer on the business of the Scheme for the financial year ended 31 December 2018

- 3.1 The Chairperson reiterated that one of the purposes of the AGM was for the Scheme to report to its Members on the previous year's performance since the 2018 GEMS AGM held in Nelspruit, Mpumalanga, as required by the Act and the GEMS Rules.
- 3.2 The Chairperson provided the meeting with an overview of the Scheme's performance and activities for 2018, and highlighted the Scheme's aim was to be the number one medical scheme in South Africa that members could be proud of.
- 3.3 In addressing the meeting, the Chairperson highlighted the following aspects:
  - 3.3.1 The Scheme's current five-year strategic plan was in line with the government's policy position.
  - 3.3.2 During 2016, the Scheme's reserve ratio was critically low, which led to it being treated as a top priority. Accordingly, at the end December 2018, the Scheme exceeded its budget expectations and reached a reserve ratio of 24.7%, which was just short of the 25% reserve ratio requirement prescribed by the Act.
  - 3.3.3 By reaching the aforementioned reserve-ratio requirement, the Scheme assured its Members, the Minister for Public Service and Administration, and the Scheme's key stakeholders that GEMS was sustainable and able to meet its claims disbursing obligations.
  - 3.3.4 In order for the Scheme to be sustainable over the long term, Member and stakeholder expectations on benefit availability and affordability, service excellence as well as Member health outcomes was being addressed and would continue to be focus areas.
  - 3.3.5 The Scheme, with the support of the Board, was working with the PSCBC on various matters within the framework of an established joint working committee, which thus far focused on improving medical benefits for Public Service employees on salary levels 1 to 5.
  - 3.3.6 In pursuit of affordability, the Board was pleased that the average weighted GEMS contribution increase for 2019 was just above 7%, which was the lowest of its kind in the entire medical scheme industry for 2019. Moreover, additional benefits to the value of R832 million were allocated to Members for 2019, with a focus on vulnerable groups, in line with the National Health Insurance ("NHI") policy approach.
  - 3.3.7 During 2019, Members on the Sapphire Option were benefitting from the expanded private hospital care benefits, whilst a network extender benefit was made available to Members on the Emerald Option and the Emerald Value Option ("EVO").
  - 3.3.8 Reference was made to the new Service Management Programme, introduced in 2018 to improve Member experience and satisfaction. Through this programme complaints management was improved, with the added aim of improving access to healthcare cover.

- 3.3.9 The healthcare outcomes of the Scheme's Disease Management Programmes were benchmarked using the Organisation for Health Quality Assessment benchmarks, which showed that GEMS compared very well with the rest of the South African medical schemes industry.
- 3.3.10 The Scheme's Healthcare Screening and Prevention Programmes reached many Members. When compared to 2017, the number of screening tests for 2018 increased. These benefits were available on all the GEMS Options and Members were encouraged to make use of these as much as possible.
- 3.3.11 In an attempt to reduce the Scheme's non-healthcare costs, the Scheme invested in a 4 Green Star office building by constructing same, thereby also aiming to improve the Scheme's impact on the environment. This building was an important financial investment for Members. The Scheme was in the process of naming the building and requested Members to submit names for the Scheme's consideration. It was anticipated that this process would be finalised on 14 August 2019.
- 3.3.12 As far as governance and regulatory matters were concerned, following the CMS' completion of their inspection of the Scheme in 2018, the Scheme commented on their draft report and now awaited receipt of the final report.
- 3.3.13 In February 2018, the composition of the Board of Trustees was unexpectedly changed by the former Minister for Public Service and Administration, by the replacement of the former Board Chairperson and Deputy Chairperson. The replacement of the former Board Chairperson was still the subject of litigation, which was being monitored by the Scheme. The Members were given the comfort that the new Board was functioning well and would always seek to act in the best interest of all of the Scheme's beneficiaries.
- 3.3.14 On a sad note, the meeting was informed of the passing of Mr Daniel de Villiers in September 2018 and Mr Corn Booyens in April 2019, both Trustees of the Scheme. The Board appreciated the times enjoyed in their company and extended the Scheme's sympathies to their friends and families.
- 3.3.15 The important matter of the Board's composition remains unresolved, despite efforts over the past few years to address same, i.e. the issue of diversity and the fact that the GEMS Rules did not allow for labour movements in the PSCBC to elect Trustees to the Board. The Scheme submitted two applications to the Council for Medical Schemes for an exemption from the Medical Schemes Act, but these were declined. The Scheme had since lodged a formal appeal in this regard. In the interim, the Scheme was working with the PSCBC Working Committee to develop new Rules.
- 3.3.16 An area of critical importance for Members to take cognisance of was that Members of the Scheme, from all corners of South Africa, were required to take the electoral process seriously. Therefore, to effect change through the Scheme's processes, Members should fully participate in these processes, as complacency would not achieve the required outcomes.
- 3.3.17 The Scheme had committed itself to be part of, and positively contribute to, the transformation of the healthcare industry in South Africa.

- 3.4 The Chairperson thanked the Minister for Public Service and Administration, the PSCBC, the leadership of the various trade unions within the PSCBC, the National Department of Health and the National Treasury for constructively working with GEMS in 2018. He confirmed GEMS' belief that the partnerships formed would ultimately contribute to achieving the national health objectives.
- 3.5 The Chairperson advised that, during 2018, the Board of Trustees was confronted with difficult decisions, but demonstrated their willingness to provide clear guidance and to address challenges in a decisive manner to protect the interests of the GEMS beneficiaries. He confirmed that the Board maintained a results-driven approach and illustrated ethical leadership. He expressed his gratitude for the Board's ongoing support to engage stakeholders where Board level engagements were needed.
- 3.6 The Chairperson thanked the Chairpersons of the Board's sub-committees for the valuable leadership provided in their various areas of operation, to enhance the work of the Board, and for their contribution to the effective corporate governance of the Scheme.
- 3.7 On behalf of the Board of Trustees, the Chairperson expressed his sincere appreciation to the Principal Officer, Dr Gunvant (Guni) Goolab, for leading the Scheme's Executive Management team. He confirmed that Dr Goolab would be exiting the Scheme at the end of January 2020, and took the opportunity to thank him for the positive role played in driving the governance, operations and strategic direction of the Scheme. He stated that the Board was proud of the position in which Dr Goolab would be leaving the Scheme.
- 3.8 Due to the imminent departure of Dr Goolab, the Chairperson formally announced that the Board resolved to appoint Dr Stanley Moloabi to take over the baton from Dr Goolab. The meeting was advised that Dr Moloabi was currently the Scheme's Chief Operations Officer and a dedicated and results-driven healthcare executive leader with a highly successful background in implementing Board-led healthcare strategies. It was noted that Dr Moloabi's transition from Chief Operations Officer to Principal Officer would commence on 01 October 2019, and that he would fully take the reins of the Scheme on 01 February 2020.
- 3.9 The Chairperson referred to the 2019 GEMS Trustee Election, which was conducted over the last three months to replace those Trustees whose terms had ended. He confirmed that the Board received a preliminary report on 30 July 2019 from the EleXions Agency, responsible for conducting the entire process, and that a final report would be issued in due course. The meeting heard that the Board engaged the auditors, appointed by the Scheme to oversee the counting of the ballots in terms of the GEMS Rules, and that, although the auditors' preliminary report was issued this morning prior to the AGM, their final report would be circulated to the Board during that coming week. The Chairperson informed the Members that the trustee election results would be announced to Members within seven days of the Board's receipt of the final election report from the Scheme's auditors, as prescribed by the GEMS Rules.
- 3.10 Finally, the Chairperson confirmed that the 2019 GEMS Annual General Meeting was officially open, and invited Members to participate in the proceedings.
- 3.11 The Chairperson then invited the Principal Officer to give an overview of the business of the Scheme for 2018.
- 3.12 The Principal Officer welcomed all in attendance and stated that it was an honour and privilege to provide Members with an operational overview of the Scheme, and to elaborate on the several points mentioned by the Chairperson in brief.

- 3.13 The Principal Officer reflected on the Scheme's strategy, its performance and outcomes for 2018 (with some updates in respect of 2019), as well as the CSI initiative and the work done in collaboration with the PSCBC, in line with the relevant PSCBC resolutions.
- 3.14 He highlighted that the Mandate of GEMS required the Scheme to provide Public Service employees with healthcare cover that was efficient, cost-effective and equitable.
- 3.15 In respect of the Scheme's Vision, Mission and Values, the Principal Officer emphasised:
- 3.15.1 GEMS' Vision: To be aligned with the global focus on universal healthcare, which all winning nations were pursuing, and in the context of South Africa, the National Health Insurance ("NHI");
  - 3.15.2 GEMS' Mission: In addition to focusing on affordable and quality care, to increase the emphasis on Member well-being, and ensuring prevention and health; and
  - 3.15.3 GEMS Values: To ensure that Excellence, Integrity, Member Value, Innovation and Collaboration remained the Scheme's key priorities.
- 3.16 The Principal Officer informed the meeting that GEMS was in the third year of its five-year strategy, and in the first year of the second phase of its strategy, with a key focus on growth and efficiency. As part of this phase, the Scheme's priorities would include:
- 1.16.1 Simplifying its products, services and processes;
  - 1.16.2 Supporting stakeholder efforts towards healthcare reform in South Africa; and
  - 1.16.3 Consolidating options and risk pools in the medical scheme environment, in the lead-up to the NHI.
- 3.17 The Principal Officer made reference to the six objectives of the Scheme's strategy, i.e.:
- 3.17.1 To be an organisation that was effective in communication, proactive in decision-making and accountable;
  - 3.17.2 To advance financial strength and drive the Scheme to a position of long-term sustainability;
  - 3.17.3 To shape the transformation of the healthcare industry towards NHI, coordinated across the healthcare ecosystem;
  - 3.17.4 To be a strategic purchaser of healthcare services by leveraging GEMS' unique positioning and relationships;
  - 3.17.5 To be an agile data-driven Scheme that leveraged people, systems and processes to derive value for its Members; and
  - 3.17.6 To sustainably grow membership, ensuring inclusion and progressive cross subsidisation.
- 3.18 The Principal Officer proceeded to highlight the Scheme's performance against the Key Performance Indicator ("KPI") of each of the aforementioned objectives. The meeting heard that, as at the end of 2018:
- 3.18.1 The Scheme had achieved a Complaints Ratio of 0.17%, thereby exceeding its target of 0.25% in respect of same.
  - 3.18.2 The Scheme had achieved a Reserve Ratio of 24.6%, thereby exceeding its target of 18.4% in respect of same.

- 3.18.3 The Scheme, however, did not meet its target of 30% in respect of Member transfers from the Emerald Option to the Emerald Value Option ("EVO") in that 14.9% was achieved.
  - 3.18.4 The Scheme exceeded its target of 1800 in respect of the number of specialists contracted, having contracted 1860.
  - 3.18.5 The Scheme exceeded its target of 40 000 Members in respect of its Facebook following, having achieved 48 343 Members.
  - 3.18.6 The Scheme exceeded its target of 10% of baseline in respect of the number of Members making use of its Member App, having achieved 70 390.
  - 3.18.7 The Scheme, however, did not meet its target of 55% in respect of the percentage of level 1 - 5 employees enrolled on the Scheme, in that 48.2% was achieved.
- 3.19 The Principal Officer discussed the 2018 Scheme Profile and highlighted that, during 2018, the Scheme's:
- 3.19.1 Principal membership exceeded 700 000 (i.e. 705 182 as at the end of 2018) for the first time in the Scheme's history;
  - 3.19.2 Coverage of public servants increased;
  - 3.19.3 Average age per beneficiary increased from 31.87 to 32.12 years; and
  - 3.19.4 Pensioner ratio increased from 15.25% to 16.18%.
- 3.20 The Principal Officer referred to the challenges and issues faced by the Scheme during 2018, and informed the Members that:
- 3.20.1 The Scheme's coverage of level 1 to 5 employees remained a priority, which was dealt with through engagements with the PSCBC and which culminated into PSCBC Resolution 01 of 2018. During 2019, the Scheme enhanced the benefits comprising the Sapphire Option, which resulted in the creation of a new benefit option, which the Scheme aimed to launch in 2020, with a focus on level 1 - 5 employees.
  - 3.20.2 In respect of complaints management, the Scheme developed a Complaints Management Turnaround Plan with a focus on PMBs (i.e. PMB Query Management and Escalation). This resulted in a significant complaints reduction of 34% and an increase in compliments of 125%.
  - 3.20.3 From an affordability perspective, during the 2018 GEMS Product Development and Benefit Design process, the Scheme made several significant benefit enhancements to the total value of approximately R8.3 million, coupled with one of the lowest contribution increases to date.
  - 3.20.4 With regards to the issue of service standards, the Scheme established a Service Management Forum in an attempt to achieve service excellence through a variety of service interventions.
  - 3.20.5 In a recent media publication, serious allegations of racial profiling of healthcare providers by medical schemes and administrators were made. In response, GEMS made a formal submission to the Council for Medical Schemes and was participating fully in the CMS Section 59 Inquiry, which commenced on 29 July 2019 and to which GEMS would be making presentations.
- 3.21 In respect of the allegations of racial profiling and the subsequent CMS Section 59 Inquiry, the Principal Officer proceeded to give an overview of GEMS' approach to each investigative point identified by the CMS:

- 3.21.1 Practice Audits: Claim irregularities by healthcare providers were mainly identified through member tip-offs via the confidential member hotline and through system analytics. This information was then used to identify healthcare providers for audit.
- 3.21.2 Settlement Agreements: GEMS' emphasis was not on the recovery of monies lost as a result of irregular claims by healthcare providers, but on reporting such providers to the relevant authorities and ensuring that only valid claims were paid.
- 3.21.3 Racial Profiling: Race was not recorded on the GEMS system in relation to healthcare providers, nor was it included in the healthcare provider's file of the Board of Healthcare Funders (BHF). Decisions to sanction healthcare providers was not taken by one individual, but by a forum.
- 3.21.4 Payment of Services Declined: The GEMS Rules and Section 59(2) of the Medical Schemes Act placed an obligation on the Scheme to be aware of possible irregular claims and to prevent further loss by suspending payment, or terminating direct payment to healthcare providers.
- 3.21.5 Sanctioning of Providers: Where there was prima-facie evidence of irregular claims, the implicated healthcare provider was approached and given the opportunity to respond to the anomalies, prior to a decision of sanctioning.

3.22 The Principal Officer informed the meeting that Members repeatedly, through various sources, including Member surveys and AGMs, requested the Scheme to focus on certain key areas, i.e. affordability, access to clinically appropriate and preventative healthcare, high quality healthcare and improved healthcare outcomes and effective and efficient service delivery.

3.22.1 With regards to the issue of affordability, the Principal Officer advised that:

- 3.22.1.1 The Scheme was financially secure and strong.
- 3.22.1.2 At the end of 2018, the sum of Member contributions held by the Scheme in reserve was just over R9 billion, which was slightly below the statutory reserve-ratio requirement of 25%.
- 3.22.1.3 In June 2019, however, the Scheme exceeded the 25% statutory reserve-ratio requirement and currently held a total of R10.6 billion of Member contributions in reserve.
- 3.22.1.4 Since GEMS' inception to date, the Scheme received unqualified audits.
- 3.22.1.5 A reserve ratio of 25% or more was typically indicative of the Scheme's sustainability. This meant that the Scheme was able to pay any unexpected, high claims (e.g. hospital claims) on behalf of its Members. This also provided the Scheme with the ability to increase benefits and reduce contributions over time.
- 3.22.1.6 The trend found in most medical schemes (including GEMS) was that, in any given year, about 5% of beneficiaries were responsible for almost 50% of the claim costs. The top 10 hospital admission costs for 2018 totalled almost R50 million.
- 3.22.1.7 At the 2018 GEMS AGM, Members expressed their concern about the rate at which their benefits were exhausted during the year. In response, the Scheme introduced the Primary Care Extender Benefit on the Emerald Option, the Emerald Value Option ("EVO") and the Ruby Option, which resulted in

a 50% reduction of the benefit exhaustion rate during the first six months of 2019. This trend was anticipated to continue for the remainder of 2019.

- 3.22.1.8 In 2017, the Scheme introduced the Emerald Value Option ("EVO"), which was underpinned by care coordination and in line with the government's White Paper on National Health Insurance (NHI). At present, EVO had just under 200 000 beneficiaries. A Member on EVO at the end of 2018, who remained on same for 2019, experienced no contribution increase, after subsidy. Should a Member move from the Emerald Option to EVO, a contribution saving of up to 15% could be achieved. Members on EVO experienced a significant increase in positive health outcomes, when measured in terms of hospital admissions.
- 3.22.1.9 A key differentiator of GEMS was its ability to provide medical aid cover to Public Service employees and their dependents, who could previously not afford same.
- 3.22.1.10 GEMS had the unique ability to accommodate up to five generations of family members as beneficiaries on the Scheme.

3.22.2 With regards to the issue of access to clinically appropriate and preventative care, the Principal Officer advised that:

- 3.22.2.1 When compared to 2017, 2018 saw a 7% increase in preventative health screenings and vaccinations. Almost 300 000 screenings and vaccinations were conducted, with specific emphasis on cancer, cholesterol screenings and flu vaccinations.
- 3.22.2.2 GEMS' Primary Healthcare Network was already amongst the broadest. However, over the past few years, the Scheme focused on increasing its Specialist Network. At the end of 2018, the Scheme exceeded its 2018 target of 1 800 contracted specialists. In June 2019, the Scheme again exceeded its 2019 target by having just over 2 100 contracted specialists. During 2019, the Scheme specifically focused on increasing the number of general surgeons and anaesthetists on its Specialist Network.
- 3.22.2.3 During 2018, the Scheme paid approximately R5.5 million for GP consultations, R1 million for specialist consultations, 45 million medicine prescriptions, and 438 000 hospital admissions (translated into 1 200 admissions per day for every day of the year).
- 3.22.2.4 Most hospital admissions related to asthma, diabetes, high blood pressure, high cholesterol, TB and HIV. One in four of the Scheme's beneficiaries had one or more of these conditions.
- 3.22.2.5 The Scheme had the largest HIV programme outside of government, and was committed to the 90-90-90 strategy of the World Health Organisation by ensuring that at least 90% of patients identified with HIV were adequately treated by the end of 2020. GEMS was on track to achieve this goal.

- 3.22.3 With regards to the issue of high quality healthcare and improved healthcare outcomes, the Principal Officer advised that:
- 3.22.3.1 During a Health Quality Assessment, GEMS was compared to other leading medical schemes such as POLMED, Bonitas and Discovery. The assessment concluded that GEMS' management of HIV conditions exceeded the industry average. In addition, it was concluded that GEMS was ahead of the industry in managing hypertension and diabetes.
- 3.22.3.2 Across 13 conditions, with three outcome measures, hence almost 40 outcome measures, in respect of 65% of them, or two out of every three, GEMS performed better than the industry average.
- 3.22.3.3 Across the key focus areas highlighted by Members, i.e. affordability, access, quality and service, the Scheme added almost R6.5 billion worth of value for its Members, when compared to other medical schemes. This translated into savings of R1 100.00 per Member per month, and covered the wide beneficiary definition, low non-healthcare costs, income-based contributions, lower benefit depletion, EVO savings, lower co-payments, and pensioners on lowest income band.
- 3.22.4 With regards to the issue of effective and efficient service delivery, the Principal Officer advised that:
- 3.22.4.1 In 2018, the Scheme introduced the Service Management Forum with the goal of becoming the number one medical scheme in South Africa over the next 12 - 18 months.
- 3.22.4.2 Over the last 12 months the GEMS Call Centre showed significant improvement, as confirmed by the independently measured Voice of the Customer results.
- 3.22.4.3 In 2018, the Scheme had significant access to Members through its walk-in centres, call centre and electronic communication, and paid just over 91 million claim lines on behalf of Members.
- 3.22.4.4 Client Liaison Officers ("CLOs") were present in seven provinces to service department sites. The Scheme planned to reach the remaining two provinces in 2020. During 2018, the CLOs handled a significantly higher number of services and enquires, and on-site resolutions were reported at 89%.
- 3.22.4.5 Members were encouraged to access the Scheme's digital platforms through the GEMS website, Member app and portal. A similar approach was followed with healthcare providers in respect of the GEMS provider app and portal. As at the end of June 2019, a substantial increase in access through all of these channels was reported.

- 3.22.4.6 The GEMS Member Application Form was reduced from 16 to 10 pages, and a digital application process introduced on the GEMS website.
- 3.22.4.7 The aforementioned enhancements achieved a significant reduction in the turnaround time for processing Member applications. This translated into an increase in Member enrolment from just over 700 000 to 711 000 Members as at the end of June 2019. The Scheme anticipated that this amount would increase to 720 000 Members by the end of 2019.
- 3.22.4.8 Complaints decreased by 34% and compliments increased by 125%.
- 3.23 The Principal Officer advised that a Working Committee, comprising the Department of Public Service and Administration, the unions within the PSCBC and GEMS, was constituted and subsequently adopted the following resolutions:
- 3.23.1 Resolution 4 of 2017, which focused on the Scheme's strategy, administrative efficiency, financial sustainability, Member satisfaction, benefit offering, and Member education and recruitment.
- 3.23.2 Resolution 1 of 2018, which focused on the development of a benefit product, specifically for Members on salary level 1 - 5, that would enhance medical cover on an ongoing and accessible basis.
- 3.24 The Principal Officer informed the meeting that, to date, the Scheme had seen a significant improvement in the Member uptake of the Sapphire Option and its enhanced benefits, as well as in the Working Committee's uptake of the work towards the new benefit option for 2020. The meeting heard that the GEMS Rules were reviewed to accommodate the new 2020 benefit option and would be submitted to the Council for Medical Schemes at the end of Quarter 3 of 2019 for approval and registration.
- 3.25 The Principal Officer highlighted the benefit enhancements of the Sapphire Option, which included unlimited access to General Practitioner ("GP") coverage, improved medicine benefits, and private hospital care for 20 specified conditions (in addition to public hospital care). He indicated that, in developing the new 2020 benefit option, the option would be benchmarked against the leading products in the marketplace across Discovery, POLMED and Bonitas, with the intention to offer, whether in terms of GP-, specialist- or hospital benefits, better access to healthcare than any other medical scheme option for salary level 1 - 5 employees in South Africa. In addition, the Scheme believes that the new 2020 benefit option would set the benchmark for the basic benefit package for the NHI. The meeting heard that, when comparing the utilisation of the 2018 Sapphire benefits with that of the enhanced 2019 Sapphire benefits, a utilisation increase of 78% as at 30 June 2019 was reported.
- 3.26 The Principal Officer reported on the Scheme's progress towards internalising capabilities by highlighting the following:
- 3.26.1 In 2014, the Scheme insourced a number of activities, including Internal Audit, ICT and Corporate Services.
- 3.26.2 In 2015, the Scheme established the Office of the Principal Officer.
- 3.26.3 In 2016, the Scheme expanded its CLO units nationally.



- 3.26.4 In 2017, the Scheme built its own financial system and established the Research and Development Division.
- 3.26.5 In 2018, the Scheme established the Office of the Chief Operations Officer.
- 3.26.6 In 2019, the Scheme established the Risk Management and Compliance Division.
- 3.26.7 From 2020 onwards, the Scheme would insource the following services (in whole or in part):
  - 3.26.7.1 Phase 1: Events Management, Security and Cleaning;
  - 3.26.7.2 Phase 2: Provider Liaison Office, Actuarial and Administration; and
  - 3.26.7.3 Phase 3: Telemarketing and Health & Wellness Screening.
- 3.27 The Principal Officer indicated that, during the recent Board of Healthcare Funders ("BHF") Conference held in July 2019, GEMS won the prestigious Titanium Award for excellence in creating access to healthcare. The meeting heard that the Scheme subsequently received a letter from the PSCBC General Secretary, Mr. Frikkie de Bruin, congratulating it on receiving this "...well-deserved accolade..."
- 3.28 The Principal Officer reported on the Scheme's current Corporate Social Investment ("CSI") initiative in the Mahikeng area. He informed the meeting that, in line with the National Health Insurance ("NHI") pilot work, it was identified, specifically in quintile 1 to 5 schools, that many children were having difficulty with eyesight and were not able to see writing on the school-classroom board. The meeting heard that, since 16 July 2019, in preparation for the 2019 GEMS AGM, the Scheme conducted eyesight screening of 2 500 primary school learners in underprivileged schools in Mahikeng and surrounding areas, and that, from tomorrow, 01 August 2019, the Scheme would issue spectacles to those learners that were identified with this difficulty. The Principal Officer advised that the eyesight screening would continue for the remainder of 2019 and that the Scheme anticipated that it would assist 1 000 school learners in and around the Mahikeng area with spectacles.
- 3.29 From this perspective, the Principal Officer referred to the Chairperson's comments in respect of the inequalities in healthcare in South Africa, and stated that the transformation towards the realisation of universal healthcare was a fundamental priority for South Africa.
- 3.30 The Principal Officer highlighted that, the President of South Africa, in his 2019 State of the Nation Address ("SONA"), indicated that we all needed to come together to form a new social compact across government, business, labour, communities and civil society in order to address the triple-challenge of poverty, inequality and unemployment. He advised that, yesterday, 30 July 2019, it was announced that South Africa's unemployment rate reached a record-high of 29%, the highest since 2002. Accordingly, he stated that this placed a responsibility on each of us and all of us.
- 3.31 In closing, Dr Goolab referred to this being his last AGM as the Principal Officer of this great Scheme, the Government Employees Medical Scheme, and closed with thanks and appreciation on behalf of GEMS to:
  - 3.31.1 Firstly, to the Minister of Public Service and Administration and the officials of the Department of Public Service and Administration;
  - 3.31.2 The Minister of Health and the officials of the Department of Health;
  - 3.31.3 The Council for Medical Schemes, who was represented at the meeting;

- 3.31.4 All GEMS' key stakeholders, including the PSCBC, the union representatives within the PSCBC, and government departments;
- 3.31.5 The GEMS Board of Trustees and its Chairperson and Deputy Chairperson;
- 3.31.6 The Executives and staff of GEMS;
- 3.31.7 The Scheme's healthcare partners and service providers; and
- 3.31.8 Most importantly, the Scheme's valued Members, who comprised the Scheme and have placed their trust in GEMS.

#### 4. Matters for Decision

- 4.1 Confirmation and adoption of the Minutes of the 12<sup>th</sup> GEMS Annual General Meeting held on 31 July 2018 at the Southern Sun Emnotweni Arena, Riverside Mall, Government Blvd, Riverside Park, Nelspruit, Mpumalanga, 1200
  - 4.1.1 The Chairperson tabled the draft Minutes of the 12<sup>th</sup> GEMS Annual General Meeting held on 31 July 2018 for consideration by the meeting and mentioned that it would be taken as read by the Members at the meeting, given that the Minutes formed part of the abridged 2018 GEMS Annual Integrated Report that was distributed to Members for consideration well in advance of the meeting.
  - 4.1.2 The Chairperson then called on the Members at the meeting for the adoption of the Minutes by way of a show of hands.
  - 4.1.3 Mr Simphiwe Gada, a Member of GEMS in good standing, indicated that he was present at the 2018 GEMS Annual General Meeting held on 31 July 2018 in Nelspruit, and moved for the adoption of the Minutes of the 2019 GEMS Annual General Meeting, as presented.
  - 4.1.4 An unidentified male speaker, however, enquired whether the 2019 GEMS AGM was in fact quorate, as the GEMS Rules state this was an absolute requirement in order for the meeting to be recognised as valid.
  - 4.1.5 The Chairperson confirmed the current, total GEMS membership as approximately 710 000 Members. Therefore, according to the formula provided for in the GEMS Rules, the number of Members required to be in attendance at the AGM to ensure that was quorate, in other words, validly constituted, was 71 Members. The Chairperson indicated that it was not possible to give the exact number of Members in attendance at the AGM, as some Members were delayed and were still registering outside the main meeting hall. He confirmed, however, that the quorum was reached when the first 71 Members were registered, and that the number of Members registered thereafter would not make a difference to the fact that the quorum was reached. The Chairperson indicated that, once the final number of Members in attendance at the AGM was made available to him, he would inform the meeting accordingly.
  - 4.1.6 An unidentified male speaker, who attended the previous AGM in Nelspruit and who was a Member of GEMS in good standing, seconded the adoption of the Minutes of the 2018 GEMS AGM, without any of the other Members present at the AGM having objected to same.

## Decision

The Minutes of the 12th GEMS Annual General Meeting held on 31 July 2018 at the Southern Sun Emnotweni Arena, Riverside Mall, Government Blvd, Riverside Park, Nelspruit, Mpumalanga, were adopted by the Members of the Scheme as being a true reflection of what was discussed at that meeting, after a motion and a secondment in favour of such adoption was received from two respective Members, in good standing with the Scheme, without any of the other Members at the meeting having objected to same.

### 4.2 Receipt and adoption of the Annual Financial Statements for the year ended 31 December 2018, including the reports of the Board of Trustees and the external auditor of GEMS

#### 4.2.1 Discussion of the highlights of the Annual Financial Statements

4.2.1.1 The Chairperson called upon the Independent Chairperson of the GEMS Audit Committee, Mr Johannes (Joe) Lesejane, to provide an overview of the Scheme's Annual Finance Statements for the year ended 31 December 2018 ("AFS").

4.2.1.2 Mr Lesejane thanked the Members for the opportunity to provide feedback on the financial performance of the Scheme and indicated that he was supported by Ms Malande Tonjeni (GEMS Audit Committee Member), Ms Karyna Pierce (GEMS Chief Financial Officer) and Mr Dinesh Munu (External Auditor, Deloitte & Touche, with OMA Chartered Accountants Incorporated).

4.2.1.3 Mr Lesejane referred the Members to the audited AFS and proceeded to provide the rationale behind the numbers.

4.2.1.4 Mr Lesejane advised that the Scheme membership increased by 2% in 2018 and reiterated the importance of the Scheme's sustainability.

4.2.1.5 Mr Lesejane confirmed that, during the 2017 financial year, the Scheme incurred losses, largely due to fraudulent claims. However, he assured the Members that the Scheme's claims management processes were strengthened, thereby minimising the effect of fraudulent claims.

4.2.1.6 Mr Lesejane highlighted that the 2018 financial year saw a 7% increase in claims, when compared to 2017, which resulted in claim payments of R31.2 billion. He further highlighted that, at the end of the 2018 financial year, a surplus of R4 billion was recorded, which contributed significantly to the sustainability of the Scheme.

4.2.1.7 Mr Lesejane advised that the Scheme's investment strategy was developed in 2015, and that during the 2018 financial year, its cash and investments increased by R3.5 billion, which ultimately resulted in higher returns. With reference to the Chairperson's comments on the new GEMS building, Mr Lesejane informed the Members that it was acquired at a cash price of approximately R209 million. He emphasised that the increase in value of the building over time would be an advantage in that, should the Scheme ever need some cash, the building could be sold for more than it was bought for.

4.2.1.8 Mr Lesejane advised that the Scheme's investment income increased from R161 million per annum as at the end of 2017 to R500 million per annum as at the end of 2018.

4.2.1.9 Mr Lesejane referred to the 25% reserve-ratio requirement prescribed by the Medical Schemes Act 131 of 1998, which was aimed at ensuring the Scheme's sustainability. He highlighted that, should any challenge arise, the Scheme should have sufficient funds to continue paying claims and run its operations until such time as the challenge was overcome.

4.2.1.10 Mr Lesejane emphasised that GEMS managed to achieve a phenomenal turn-around in its reserve ratio by having increased same from 6% in January 2017 to 24.7% at the end of December 2018. He, however, reiterated the earlier statement by the Principal Officer that the resultant 24.7% did not fully meet the statutory 25% reserve-ratio requirement at the time. Notwithstanding this, he proceeded to highlight that the Scheme continued to not only fully meet, but exceed, the statutory requirement in June 2019. He added that, going forward, the Scheme would limit contribution increases in order to lighten the financial burden on Members, whilst still ensuring its compliance with the aforementioned statutory requirement.

4.2.1.11 Mr Lesejane informed the meeting that, as at 31 December 2018, Member funds had increased to R9.5 billion, which comprised cash, investments, the GEMS building and all monies owed to the Scheme.

4.2.1.12 Mr Lesejane highlighted that GEMS' non-healthcare costs, e.g. salaries and administrative expenses, were significantly lower than those of other medical schemes, representing a saving of approximately R1.5 billion per year for Members. He explained that, when compared to other medical schemes, GEMS had more money available to spend on the healthcare costs of its Members.

4.2.1.13 Mr Lesejane advised that the Scheme made a loss of R484 million in 2016, largely due to fraudulent claims, particularly in the KwaZulu-Natal area. He, however, confirmed that the Scheme was continuously finding ways to limit fraud, waste and abuse in order to protect Member funds. The meeting heard that the Claims Management Forum, comprising Scheme Officials and service providers, was established by the Scheme in 2016 in order to monitor claims behaviour and to focus on fraud, waste and abuse. The meeting noted that the work of this forum was one of the main reasons behind the Scheme's improved performance in 2017 and 2018.

4.2.1.14 Mr Lesejane emphasised that, as a result of the improved financial position of the Scheme, GEMS was able to provide Members with one of the lowest contribution increases in the industry in 2019, i.e. 7.09%, whilst adding an additional

R832 million in Member benefits. He proceeded to highlight some of the benefit additions, i.e.:

- 4.2.1.14.1 The benefit limit increases across all of the Scheme's benefit options;
- 4.2.1.14.2 The introduction of a Contraceptive benefit for Members on the Sapphire and Beryl Options;
- 4.2.1.14.3 The enhancement of the medical conditions that Members on the Sapphire Option would receive private hospital treatment for, which was aimed at the elderly, woman, children and the mentally ill;
- 4.2.1.14.4 The introduction of an Extender Benefit to cover shortfalls experienced by Members in respect of General Practitioners ("GPs"), acute medicine and pathology tests; and
- 4.2.1.14.5 The introduction of additional screening tests for childhood hearing and childhood optometry.
- 4.2.1.15 Mr Lesejane indicated that the GEMS Audit Committee, after due consideration of the AFS, recommended same to the GEMS Board of Trustees for approval. The meeting heard that the AFS was subsequently approved by the Board as well as the Council for Medical Schemes.
- 4.2.1.16 Mr Lesejane confirmed that the external auditor's opinion on the AFS was provided to Members as part of the 2018 GEMS Annual Integrated Report.
- 4.2.1.17 Finally, Mr Lesejane requested the Members to note and approve the AFS.
- 4.2.2 Discussion of the external audit process
  - 4.2.2.1 The Chairperson then called upon Mr Dinesh Munu from Deloitte & Touche, with OMA Chartered Accountants Incorporated, the Scheme's External Auditors for the year ended 31 December 2018, to present their audit opinion in respect of the AFS.
  - 4.2.2.2 Mr Munu introduced himself as the Audit Partner responsible for the audit of GEMS and thanked the Scheme for a successful audit. He proceeded to congratulate the Scheme for having met the 25% reserve-ratio requirement, as prescribed by the Medical Schemes Act 131 of 1998, and wished the Scheme a bright future.
  - 4.2.2.3 Mr Munu confirmed that Deloitte & Touche, with OMA Chartered Accountants Inc., were comfortable that the Scheme was being well managed and therefore recommended that the Members approve the AFS. He emphasised that Deloitte & Touche, with OMA Chartered Accountants Inc., believed the overall governance of the Scheme to be of a high standard.
  - 4.2.2.4 Mr Munu informed the meeting that Deloitte & Touche would have a black African female leading up the audit of GEMS, the second largest scheme in South Africa. He extended her

gratitude towards the Scheme for the privilege of being the audit senior and thanked the Scheme on her behalf for the opportunity.

- 4.2.2.5 Mr Munu discussed the AFS and highlighted that the Scheme had R12 billion worth of assets with a surplus of R9 billion, which gave him significant comfort that the Scheme was well-managed.
- 4.2.2.6 Mr Munu advised that the purpose of the audit was for Deloitte & Touche, with OMA Chartered Accountants Inc., to provide an audit opinion on the Scheme's financial statements, statutory return and compliance with the Medical Scheme Act.
- 4.2.2.7 Mr Munu confirmed that their audit did not produce any significant findings, hence, none were reported to the GEMS Audit Committee and the Council for Medical Schemes.
- 4.2.2.8 Mr Munu informed the Members that, for a scheme the size of GEMS, having more than 700 000 Members, a data driven audit was performed with reliance on computer systems. Therefore, Deloitte & Touche, with OMA Chartered Accountants Inc., tested the computer systems used by the Scheme's administrators, but did not record any significant findings.
- 4.2.2.9 Mr Munu emphasised that the GEMS Board of Trustees was responsible for the preparation of the Scheme's financial statements. He confirmed that the Scheme's Internal Auditors had given Deloitte & Touche, with OMA Chartered Accountants Inc., the assurance that there were no significant control findings, hence, from the combined assurance provided by the Scheme's Internal Auditors, Audit Committee, Risk Social and Ethics Committee and External Auditors, there were no significant findings.
- 4.2.2.10 Mr Munu confirmed that, since his appointment as the Audit Partner for GEMS three years ago, Deloitte & Touche, with OMA Chartered Accountants Inc., had issued clean audit opinions on GEMS, for which he congratulated Management and the Members. He also confirmed that there were no reportable irregularities, that Deloitte & Touche, with OMA Chartered Accountants Inc., were comfortable with the ethics of Management and the GEMS Board of Trustees, and that there were no significant disagreements with Management.
- 4.2.2.11 In conclusion, Mr Munu reiterated that the Scheme had a clean audit and did very well throughout the process.
- 4.2.2.12 The Chairperson thanked Mr Munu for his presentation and confirmed that the Scheme's Audit Committee was responsible for conducting day-to-day audit checks. In addition, he confirmed that the Scheme's External Auditors, i.e. Deloitte & Touche, with OMA Chartered Accountants Inc., were responsible for conducting external audits on the Scheme.

- 4.2.2.13 The Chairperson then called on the Members at the meeting for the adoption of the Annual Financial Statements for the financial year ended 31 December 2018. A Member of GEMS in good standing, Mr Mangwani Mashao, moved, and another, Ms Sheila Budaza, seconded the move for the adoption of the AFS, without any of the other Members at the meeting having objected to same.

#### Decision

The Annual Financial Statements of the Government Employees Medical Scheme for the financial year ended 31 December 2018 were adopted by the Members of the Scheme, after a proposal and a secondment in favour of such adoption was received from two respective Members, i.e. Mr Mangwani Mashao and Ms Sheila Budaza, in good standing with the Scheme, without any of the other Members at the meeting having objected to same.

- 4.3 Appointment of Deloitte & Touche, with OMA Chartered Accountants Inc., as the Scheme's external auditors for the year ending 31 December 2019 in terms of GEMS Rule 27.1.
- 4.3.1 The Chairperson called upon the Chairperson of the GEMS Audit Committee, Mr Johannes (Joe) Lesejane, to provide an overview on the appointment of the Scheme's external auditors.
- 4.3.2 Mr Lesejane confirmed that the external auditors were recused for this part of the AGM, due to the confidential nature of this discussion with the Members.
- 4.3.3 Mr Lesejane referred to the assurance provided to Members at the previous AGM in Nelspruit that the Scheme conducted a competitive bidding process and invited external auditors to bid for the position of External Auditor of the Scheme. He confirmed that, as part of its considerations, the Scheme considered the credibility and capacity of each bidder to audit a scheme of GEMS' size as well as the credibility of its Audit Partner. He reminded the Members that the Council for Medical Schemes was also satisfied that an accredited external auditor was appointed by the Scheme.
- 4.3.4 Mr Lesejane confirmed that Deloitte & Touche was appointed as the Scheme's external auditors, together with their B-BBEE partners, OMA Chartered Accountants Inc.
- 4.3.5 Mr Lesejane referred to the five-year contract between the Scheme and its external auditors, which provide for an annual review of their performance.
- 4.3.6 Mr Lesejane emphasised that, over the past year, the Scheme evaluated the efficiency, independence, objectivity and other professional qualities of its contracted external auditors and found it to be satisfactory; hence, the Scheme concluded and recommended that Deloitte & Touche, with OMA Chartered Accountants Inc., be allowed to serve as the Scheme's external auditors for another year.
- 4.3.7 The Chairperson thanked Mr Lesejane for the presentation and invited the Members to interact.

- 4.3.8 Ms Amelia Mahlatsi, a Member of GEMS in good standing, expressed her approval of the presentation and recommendation made by Mr Lesejane and stated that the Members should not hesitate to adopt the proposal for the continuation of the good work being done by the current external auditors.
- 4.3.9 Mr William Sefuti, another GEMS Member in good standing, commented that the Board's appointment of the external auditors were unfair to Members. He explained that the Members should have made the appointment, not the Board. He contended that the bids of the tendering companies should have been brought before the AGM for the Members to select the preferred bidder. He further contended that, in his understanding of the regulations, external auditors were only permitted to serve as such for three years, following which the external audit services should be re-procured. He explained that the current external auditors already served as such for three years and that this year will be the fourth. He reiterated that the Board's continued appointment of the Scheme's current external auditors would be unfair to Members and should not be allowed.
- 4.3.10 The Chairperson responded that Mr Lesejane duly explained the procurement and appointment processes in respect of the Scheme's external auditors, and reiterated that the procurement and appointment of the Scheme's external auditors were executed in line with the Scheme's policies. He confirmed that the Scheme's external auditors were appointed contractually for five years, subject to annual renewal by the Scheme; hence, the Scheme's fourth renewal of same. The Chairperson indicated that, should the Scheme at any time be dissatisfied with the performance of the external auditors for whatever reason, the Scheme could terminate the contract.
- 4.3.11 Mr Lunga, a Member of GEMS in good standing, indicated to the Members that the rules were clear and that the Scheme was well within its rights to renew the contract with the current external auditors for a fourth year. He confirmed that the Members understood that it was within their right to reject or approve the reappointment of the external auditors for the year 2019. He further confirmed that the Members took note of the "sweetener" introduced by the external auditors by appointing a black African female to lead the external audit for 2019, which was appreciated. He warned, however, that only if this gesture did not constitute "fronting", should the Members second the appointment of the Scheme's current external auditors for the year 2019.
- 4.3.12 The Chairperson thanked the Members and confirmed the appointment of Deloitte & Touch, with OMA Chartered Accountants Inc., as the Scheme's external auditors for the year 2019, without any of the other Members at the meeting having objected to such appointment.

## Decision

The appointment of Deloitte & Touche, with OMA Chartered Accountants Inc. as their sub-contractor, as the Scheme's external auditors for the financial year ending 31 December 2019, was approved by the Members of the Scheme, after a proposal and a secondment in favour of such appointment were received from two respective Members, i.e. Ms Amelia Mahlatsi and Mr Lunga, in good standing with the Scheme, without the other Members at the meeting, with the exception of Mr William Sefuti, having objected to same.

## 5. Matters for Noting

### 5.1 Disclosure of Trustee Remuneration

- 5.1.1 The Chairperson invited the Deputy Chairperson to brief the Members on the Matters for Noting.
- 5.1.2 The Deputy Chairperson of the GEMS Board of Trustees, Dr Millicent Hlatshwayo, presented an overview of the remuneration of the GEMS Board of Trustees and provided feedback on the progress made against the Action List that emanated from the 2018 GEMS Annual General Meeting held in Nelspruit.
- 5.1.3 The Deputy Chairperson highlighted that the GEMS Board of Trustees' fiduciary duties include:
  - 5.1.3.1 Taking all reasonable steps to protect the interests of the Scheme's beneficiaries;
  - 5.1.3.2 Acting with due care, skill, diligence and in good faith;
  - 5.1.3.3 Avoiding conflicts of interest; and
  - 5.1.3.4 Acting with impartiality in respect of all of the Scheme's beneficiaries.
- 5.1.4 The Deputy Chairperson further highlighted that the Board members were jointly and severally liable and took on significant personal risk when conducting the business of the Scheme on behalf of its Members.
- 5.1.5 Furthermore, the Deputy Chairperson reflected on the Board members' core values of taking care of the overall oversight of Scheme issues, and as far as competitive outsourcing was concerned, to ensure that people that were competitive in their field were requested to assist the Scheme.
- 5.1.6 The Deputy Chairperson noted that the Scheme was trying to insource some of the services currently provided by external service providers, and not to outsource. The Scheme was a low non-healthcare cost scheme, accordingly, non-healthcare costs were kept to the minimum, ensuring that Members got as much as possible out of their contributions. The Scheme advanced Broad-Based Black Economic Empowerment (B-BBEE) and ensured that medium to large companies that were awarded tenders, empowered small Black-owned companies. In addition, the Scheme was also enabling new entrants, panels of providers, joint ventures and contracting restrictions.
- 5.1.7 The Deputy Chairperson referred to the Remuneration Policy and advised that the Trustees and Independent Committee Members were remunerated for preparing and attending Board and Committee meetings, for which a fixed daily meeting and a monthly stipend was paid. Thus, should a Board member be off sick during any such engagements, he/she could

not be paid, based on the 'no-work-no-pay' principle. Furthermore, the Trustees were remunerated for 18 hours of work per meeting, which daily fee had not increased since January 2018.

- 5.1.8 The meeting noted that the global amounts paid in respect of the Scheme's Trustees for 2018 were:
  - 5.1.8.1 R5.7 million for meeting fees and monthly stipends; and
  - 5.1.8.2 R1.5 million for travelling, accommodation and training fees.
- 5.1.9 The meeting further noted that the fees listed above had decreased by 16.6%, when compared to 2017.
- 5.1.10 The Deputy Chairperson confirmed that Trustees were not remunerated for additional duties undertaken on a voluntary basis. The meeting heard that, if Trustees were to be remunerated as such, same would have amounted to R1.2 million for the year 2018.
- 5.1.11 The Deputy Chairperson advised that the global expenditure was informed by the number of Board and Committee meetings and the number of Committees supporting the Board. The Trustees' fees, expressed as a percentage, contributed to about 0.02% of the Scheme's non-healthcare expenditure.
- 5.1.12 The Deputy Chairperson further advised that the Board was driven by regulatory requirements, as well as the business cycle and requirements of the Scheme.
- 5.1.13 The Deputy Chairperson highlighted that the six Committees of the Board were informed by:
  - 5.1.13.1 Regulatory requirements (i.e. the Audit Committee and the Dispute Committee);
  - 5.1.14.2 Corporate governance, as informed by the King IV Report (i.e. the Human Resources and Remuneration Committee and the Risk Social and Ethics Committee); and
  - 5.1.15.3 The GEMS business model and the requirement to add value (i.e. the Finance and Investment Committee and the Clinical Governance and Administration Committee).
- 5.2 Addressing Member issues raised at the 12<sup>th</sup> GEMS Annual General Meeting
  - 5.2.1 The Deputy Chairperson informed the meeting that the 2018 GEMS AGM Action List comprised the issues raised by Members at the 2018 GEMS AGM.
  - 5.2.2 The Deputy Chairperson proceeded to provide Members with a high-level overview of the Scheme's progress in respect of same:
    - 5.2.2.1 In respect of the issue relating to Member education and communication, i.e. the issue of Members exhausting their cell-phone airtime due to the length of the Scheme's automated voice prompts, the Deputy Chairperson reported that the Scheme significantly reduced the length of its automated voice prompts.
    - 5.2.2.2 With regards to the issue of the need for the Scheme to have a 25% reserve ratio, the Deputy Chairperson confirmed that this percentage was a statutory requirement, prescribed by the Medical Schemes Act 131 of 1998, as extensively explained to Members by the Chairperson and the Principal Officer.



- 5.2.2.3 In respect of the issue relating to the quality of Scheme's service delivery, i.e. the issue of Members exhausting their benefits during the course of a financial year, the Deputy Chairperson confirmed the introduction of the GP Extender Benefit, which would afford Members greater access to GPs.
- 5.2.3 The Chairperson thanked the Deputy Chairperson for the presentation on the Matters for Noting and for the transparency and disclosure thereof to the AGM.

## 6. Question and Answer Session

- 6.1 The Chairperson gave Members the opportunity to ask general questions for clarification and requested them, for the sake of their own privacy, to address any personal issues to the GEMS Member Helpdesk, situated outside of the main meeting hall. Accordingly, the Chairperson indicated that Members were welcome to pose questions of a more strategic nature relating to the Scheme.
- 6.2 Mr Oupa Sebiloane thanked the Deputy Chairperson for her presentation and the opportunity to ask questions. He also thanked the Scheme for taking Members' issues seriously and effectively dealing with them, as it would be a waste of Members' time to attend the AGM to complain and then the Scheme did nothing. He commented that the report was promising, but that he believed that more could be done.
- 6.3 Mr Sebiloane highlighted that, from the presentations of the Chairperson and the Principal Officer, it was important for the meeting to note that the Scheme was growing in transparency and democracy. He commented that the Scheme's new building was worth celebrating and encouraged the Members at the AGM, who were called upon to make nominations or submissions for the name of the new building by 14 August 2019, to take this opportunity seriously, because GEMS, much as it is not necessarily where Members would want it to be, was the only hope for public servants.
- 6.4 Mr Sebiloane further encouraged the Members to participate in the Scheme's Trustee elections, as this would be in the interest of transformation of the Scheme.
- 6.5 Mr Sebiloane welcomed the Scheme's achievement of the statutory 25% reserve ratio, but stressed that the Scheme was expected to translate it into affordable benefits for its Members. He thanked the Scheme for same, knowing that it was not easy. He advised that, in 2016, when the Scheme was written off, to say, because of corruption, the PSCBC stood by the Scheme because it knew the Scheme's agenda to be correct. He further advised that the PSCBC challenged the Scheme to continue to champion the principles of ushering in the NHI in South Africa, without fail.
- 6.6 Mr Sebiloane, however, expressed his concern about the Scheme's slow response to the request of the Members who attended the AGM in Nelspruit, for a system, alerting Members when their benefits were running low, so as to avoid Members only becoming aware of same when their benefits were already depleted.
- 6.7 Mr Sebiloane indicated that the PSCBC was satisfied that GEMS was not part of the problem of racial profiling. He, however, expressed his discontent with any medical scheme that should be found to have subjected black professionals to racial profiling for claims payment purposes.
- 6.8 Mr Sebiloane noted the benefit enhancements made by the Scheme, but called for the further simplification of benefits to assist Members' understanding of same.
- 6.9 Mr Sebiloane called on the Members to be active participants as Members of the Scheme. He also called on the PSCBC and the Scheme to ensure the amendment of the GEMS Rules in order to usher the NHI, and to work with other medical schemes to ensure that, at the time when the NHI came into being, there were less challenges and a seamless transition.
- 6.10 In conclusion, Mr Sebiloane thanked the Scheme for having developed a low-cost benefit package to serve as a benchmark towards the implementation of NHI.
- 6.11 The Chief Operations Officer acknowledged Mr Sebiloane's comments and confirmed that the simplification of Member benefits was a key priority of the Scheme, as was evident from its engagements with the PSCBC and the work done in respect of the Sapphire Option. He further confirmed that the Service Management Forum would undertake various education initiatives, e.g. through Member newsletters and other forms of Member communication, to better explain the Scheme's benefit offering and to ensure Members' understanding of same.
- 6.12 Ms Tiny Moreosele, a Member of GEMS in good standing, enquired whether independent surveys are ever conducted to gauge the Scheme's performance levels.
- 6.13 The Chief Operations Officer responded that the Scheme regularly subjected itself to various independent surveys, which it then used to improve on areas of concern.
- 6.14 Ms Moreosele enquired as to the number of disadvantaged schools and learners that benefitted from the Scheme's AGM CSI initiative for the provision of eyesight screening and spectacles.
- 6.15 The Chief Operations Officer responded that:
- 6.15.1 The Scheme has various CSI initiatives.
- 6.15.2 The main CSI initiative took place on an annual basis in the area where the AGM was held.
- 6.15.3 Upon completion of a CSI initiative, the Scheme reported on same to Members via Member newsletters.
- 6.15.4 In preparation for the 2019 GEMS AGM, the Scheme conducted eyesight screening of 2 500 primary school learners in four (4) underprivileged schools in Mahikeng and surrounding areas. From tomorrow, 01 August 2019, the Scheme would issue spectacles to those learners that were identified with this difficulty. He reiterated that the eyesight screening would continue for the remainder of 2019, and that an estimated 10 000 school learners in North West would be tested by the end of 2019.
- 6.16 Ms Moreosele enquired as to what informed the Scheme's increases of Member contributions.
- 6.17 The Chief Operations Officer responded that:
- 6.17.1 GEMS endeavoured to remain as affordable as possible.
- 6.17.2 Member inputs at AGMs were duly considered when developing the Scheme's benefit offering for the following year.
- 6.17.3 By way of example, the GP Extender Benefit was derived from Members' inputs during previous AGMs.
- 6.17.4 Member inputs received by the Scheme, issues affecting access to health, inflation and economic challenges were among the issues considered by the Scheme during its product development and benefit design process, when contribution increases were determined.

6.17.5 Based on the aforementioned and other relevant information, the Scheme's actuaries calculated the extent of the benefit and contribution increases required.

6.17.6 The Scheme's product development and benefit design process, as well as the outcome thereof, was overseen by the Council for Medical Schemes.

6.18 Ms Desiree Mafulako commended GEMS on its healthcare screening programme and enquired whether the de-identified screening outcomes could be shared with the relevant government departments, either quarterly or every two years, as it would greatly assist the persons responsible for the development and management of the departments' employee health and wellness programmes.

6.19 The Chief Operations Officer responded that the Scheme was appreciative of Ms Mafulako's comments made in respect of GEMS' screening programmes, and advised that:

6.19.1 The Scheme, in collaboration with the Department of Public Service and Administration, shared some of the reports from GEMS' screening programmes, upon consolidation thereof and upon request from the provinces to provide feedback on same.

6.19.2 Following a screening event, it was common practice for the Scheme to submit a summary of same to the department where the screening took place.

6.19.3 The issue raised by Ms Mafulako would be followed-up to ensure that the reports from GEMS' screening programmes was adequately shared.

6.20 Ms Ntombizodwa, a Member of GEMS in good standing, enquired whether the Scheme had ever considered introducing a health and wellness programme through which Members' gym membership fees could be subsidised by the Scheme, as GEMS should be supportive of Members taking proactive steps towards living a healthy lifestyle.

6.21 The Principal Officer responded by agreeing that prevention was better than cure, and that more should be done towards Members' health and wellness. He informed the meeting that the Scheme's health-screening benefits were amongst the most comprehensive, but that the Scheme should evaluate its research methodology to evidence that health screenings were making a difference. He committed the Scheme to work harder towards publishing more data in the public domain around prevention, screening and making Members healthier.

6.22 With regards to the request for the Scheme to subsidise Members' gym membership fees, the Principal Officer responded that the Scheme previously attempted to introduce a lifestyle programme, but that the Council for Medical Schemes ("CMS") did not approve of same, as they believed such programme to fall outside the scope of business of a medical scheme, as defined by the Medical Schemes Act 131 of 1998, and would therefore be in conflict with same. He advised that other medical schemes had administrators that independently provided lifestyle programmes to medical scheme members as part of these administrators' independent product offering, as these administrators were not prohibited by the Act from doing so. These administrators were separate business entities from the medical schemes whose members they provided these lifestyle programmes to, and were therefore not bound by the same restrictions as medical schemes. However, the Principal Officer indicated that the issue of a lifestyle

programme would again be taken up with the CMS going forward in order to determine whether there was a way, within the Medical Schemes Act, that GEMS, as a medical scheme, could provide same.

6.23 Mr Ignatius Musoki, a Member of GEMS in good standing, commended GEMS for the progressive move in supporting the National Health Insurance ("NHI"). He stated that, when the time came, GEMS should be the one to administer the NHI, not any other company in South Africa.

6.24 The Principal Officer responded that:

6.24.1 GEMS was actively involved with the Council for Medical Schemes and a pilot project around the beneficiary registry.

6.24.2 The Scheme was working directly with the Department of Health to assist the Department in defining the basic benefit package for the NHI.

6.24.3 The Scheme, in collaboration with the PSCBC, was working on a new benefit option, aimed at salary level 1 - 5 Public Service employees, with the belief that this new benefit option would become a reference product for the NHI.

6.24.4 GEMS was recently approached by the Department of Health to assist with defining how to contract with GPs in an NHI environment.

6.24.5 Based on the above, it was evident that GEMS was already actively involved in supporting this very important goal of universal healthcare for all citizens of South Africa.

6.25 Mr Musoki commented that most Members wanted to participate in the 2019 GEMS Trustee Elections, but were prevented from doing so due to the following issues:

6.25.1 The inefficiency of the SMS voting platform;

6.25.2 The late receipt of ballot papers by Members; and

6.25.3 The Scheme's failure to bring the election process to Members' workstations, as promised.

6.26 Mr Musoki further commented that, in 2013, the Scheme informed the candidates that participated in the GEMS Trustee Elections of their performance prior to the AGM, but did not do so in 2019. He enquired whether this practice deviation could be clarified, and specifically, why the final result of the 2019 GEMS Trustee Elections could not be announced at the AGM today.

6.27 The Chairperson responded that the reason for the Scheme's inability to announce the final result of the 2019 GEMS Trustee Elections at the AGM today, was shared with the meeting during his opening statement. However, he proceeded to highlight that:

6.27.1 The Scheme, in collaboration with the PSCBC, attempted to create greater access to the Member-voting process in order for as many Members as possible to participate in the elections.

6.27.2 The Scheme enabled all its offices across South Africa to assist Member voting. However, it was not feasible for the Scheme to visit every Member workstation across South Africa.

6.27.3 Given the short space of time between the Scheme's interaction with the PSCBC (to ensure maximum Member participation in the elections) and the closing date of the elections, the Scheme's implementation of the additional Member-voting mechanisms negatively impacted on the electoral-process timelines. Accordingly, the EleXions Agency was only able to finalise their counting of the votes during the evening of 29 July

2019 and could therefore only provide the GEMS Board of Trustees with their preliminary report during the Board meeting on 30 July 2019.

6.27.4 The processes comprising the GEMS Trustee Elections was quite involved; hence, the Scheme wanted to ensure that the integrity of these processes was not undermined in any way.

6.28 Mr Lekgema Mankge acknowledged the good work done by the Principal Officer during his exciting journey with the Scheme. He commended the Principal Officer for his patience during the extensive Member engagements and in dealing with the matters raised, and thanked him on behalf of the Members for the good work that he, himself physically has done for Members.

6.29 Mr Mankge stated that the Members welcomed the decision of the GEMS Board of Trustees to appoint Dr Moloabi as the Scheme's new Principal Officer, and wished him all the best in his new position.

6.30 Mr Mankge suggested that, in future, the Scheme should consider announcing the outcome of the GEMS Trustee Elections to the Members at the AGM, as this would afford Members the opportunity to openly respond to same.

6.31 The Chairperson thanked Mr Mankge for his comments and suggestions, and informed the meeting that the Scheme requested the EleXions Agency and the auditors to provide it with their final elections reports by next week Thursday (08 August 2019) and Friday (09 August 2019) respectively. He confirmed that, within seven (7) days of its receipt of these reports, the GEMS Board of Trustees would interact with same in terms of the GEMS Rules in order to finalise the trustee elections, and should there be any issues, same would be communicated to the Scheme's Members.

6.32 Dr Lekgetho, a Member of GEMS in good standing, referred to the Scheme's financial statements, as presented, and in particular, to the R4 billion surplus, and enquired as to the consequences of dividing the surplus between the Members.

6.33 The Principal Officer responded by reminding Dr Lekgetho that the surplus was in fact R10 billion, not R4 billion. He explained that the surplus could only be distributed amongst Members if the Scheme is liquidated in terms of the Medical Schemes Act. He, however, reiterated that the function of the surplus was to:

6.33.1 Ensure the Scheme's sustainability;

6.33.2 Enable the Scheme to pay any unexpected, high claims, i.e. hospital claims, on behalf of its Members;

6.33.3 Enable the Scheme to increase benefits and, over time, reduce membership contributions; and

6.33.4 Protect Members in case of serious illnesses, e.g. ICU hospitalisation, cancers or motor vehicle accidents.

6.34 Dr Lekgetho then enquired as to the Scheme's reasons for the latest membership contribution increases, given the available surplus.

6.35 The Principal Officer responded that, in light of the fact that the Scheme had now reached the statutory 25% reserve-ratio requirement, the only reason for future membership contribution increases would be the escalating costs associated with the Scheme's benefit provision and enhancements. He highlighted that the Scheme had big plans to enhance the position of salary level 1 - 5 Public Service employees, but that it would cost a significant amount of money.

6.36 Dr Lekgetho enquired whether the Scheme took any action in respect of the fraudulent claims in KwaZulu-Natal, whether the culprits and victims were identified, and whether there were any consequences?

6.37 The Principal Officer responded that irregular activities were reported to the Health Professions Council, the Nursing Council, the Medical Council, the South African Policy Services, the Hawks and the National Prosecuting Authority (as the case may be). He also advised that same was confirmed in the Scheme's submission to the Council for Medical Schemes ("CMS") as part of the CMS' enquiry into medical schemes' application of Section 59 of the Medical Schemes Act 131 of 1998.

6.38 Mr Oupa Sebiloane, a Member of GEMS in good standing, congratulated the Scheme on winning the Titanium Award. He acknowledged that GEMS had one of the largest HIV programmes in South Africa and that life expectancy in South Africa improved significantly due to the important role played by GEMS in this regard. He endorsed the view that Member benefits should be transparent in that Members should be notified by the Scheme prior to their benefits being depleted. He requested the Principal Officer to strongly pursue the Members' plea for the Scheme to subsidise their gym membership fees.

6.39 An unidentified female speaker introduced herself as being a wellness manager in the Department of Health and confirmed her receipt of an award from GEMS, signed by Dr Goolab, for being a key stakeholder and a Member of GEMS in good standing for 10 years. She congratulated the Scheme for the improvements made to the Sapphire Option, especially in the area of mental health, where patients now had access to private hospitals. She requested the Scheme to improve Members' oncology benefits due to the various challenges faced by Members suffering from cancer. She also requested the Scheme to ensure the delivery of high quality healthcare to Members, and to curb the unethical business practices of healthcare providers.

6.40 The Chairperson responded by requesting the aforementioned speaker to provide the information in support of her requests to the Principal Officer, as it could assist the Scheme in curbing some of her concerns raised.

6.41 Ms Siphwe Nyamango, a Member of GEMS in good standing, highlighted some of the inadequacies of the Scheme's lower benefit options, e.g. Emerald, where Members were required to make co-payments and pay for X-rays, some medicines and vitamins.

6.42 An unidentified female speaker applauded the Chairperson and the GEMS Board of Trustees for their good work, but stated that there was room for improvement. She reiterated the comments and concerns raised by the previous speaker, Ms Nyamango. She highlighted that Members on salary level 1 - 5 were required to pay for maternity services in advance, which could range between R 5 000 to R 7 000. She requested the Scheme to consult the salary level 1 - 5 Public Service employees when developing the new benefit option for 2020.

6.43 The Chief Operations Officer responded that:

6.43.1 One of the key focus areas of the Scheme relating to the simplification of its product offering to Members, particularly the Sapphire Option, was the minimisation of Member co-payments.

6.43.2 GEMS had a network of doctors, contracted to render healthcare services to Members at rates covered by the Scheme, thereby avoiding Member co-payments. However, the challenge facing the Scheme was that not all doctors wanted to be part of the GEMS Network, causing them to render healthcare services to Members at rates higher than those covered by the Scheme, thereby resulting in Member co-payments.

6.43.3 The Scheme was investing a significant amount of time and effort into growing the GEMS Network, specifically at general practice level, optometry, dentists and even hospitals. The Chief Operations Officer encouraged Members to make use of the healthcare providers on the GEMS Network, which were widely accessible.

6.43.4 The issue of co-payments arose as a result of a court case, which nullified the Reference Price List ("RPL"), which was intended to regulate the fees charged by healthcare practitioners. Accordingly, in the absence of the RPL and a Network Agreement with the Scheme, healthcare providers could charge any fee they deemed fit. The Chief Operations Officer again encouraged Members to make use of the healthcare providers on the GEMS Network, as these providers charged the rate covered by the Scheme, thereby avoiding Member co-payments.

6.44 The Principal Officer responded to Ms Nyamango's request for the Scheme to fund vitamins, by advising that the Scheme would duly consider the request, and to the extent appropriate, fund same.

6.45 In closing, the Principal Officer thanked the Members for the kind words as he was leaving the Scheme, and emphasised that it was much appreciated and very good to hear.

6.46 Finally, the Principal Officer congratulated Dr Moloabi on his appointment as the new Principal Officer of GEMS.

## 7. Summary of Decisions

7.1 The Chairperson thanked the Members for their active participation in the AGM and for supporting the Scheme.

7.2 The Chairperson confirmed that the Minutes of the 2019 GEMS AGM would reflect that:

7.2.1 The Minutes of the 12<sup>th</sup> GEMS Annual General Meeting held on 31 July 2018 at the Southern Sun Emnotweni Arena, Riverside Mall, Government Blvd, Riverside Park, Nelspruit, Mpumalanga, were adopted by the Members of the Scheme as being a true reflection of the proceedings of that meeting;

7.2.1 The Annual Financial Statements of the Government Employees Medical Scheme for the financial year ended 31 December 2018 were adopted by the Members of the Scheme; and

7.2.1 Deloitte & Touche, with OMA Chartered Accountants Inc. as their sub-contractor, were re-appointed as the external auditors of the Scheme for the financial year ending 31 December 2019.

7.3 The Chairperson also confirmed that the Minutes of the 2019 GEMS AGM would reflect:

7.3.1 The disclosure of the remuneration of the GEMS Board of Trustees for the year 2018;

7.3.2 The actions taken by the Scheme in respect of the issues raised by Members during the 2018 GEMS AGM; and

7.3.3 The questions raised by Members at the 2019 GEMS AGM and the responses provided by the Scheme.

## 8. Closure

8.1 After all matters on the 2019 GEMS AGM Agenda were duly disposed of, the Chairperson thanked the Members for their patience, attendance and participation, and closed the 13<sup>th</sup> Annual General Meeting of the Members of GEMS at 17h37 on 31 July 2019.

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Date of approval by the Members of the Scheme

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Chairperson (signature)

Date

**ACTION LIST ON MEMBER ISSUES RAISED AT THE 2019 GEMS AGM  
HELD AT THE MMABATHO PALMS HOTEL CASINO & CONVENTION RESORT,  
MMABATHO/MAHIKENG ON 31 JULY 2019 AT 15h00**

No.	Issue (short description)	Classification of Issue	Responsible Lead		Scheme Response / Action Required	Progress	Status
	Members requested the Scheme to consider developing and implementing system alerts to notify members when their benefit limits are almost depleted, as such alerts will assist members when deciding whether or not to access healthcare services at a particular time.	System Changes	CAO		The Scheme will investigate the feasibility of this proposal and revert to members in due course.	<p>The Scheme implemented a system alert to notify members prior to their depletion of the benefit limit of three (3) Out-of-Hospital, non-Nominated Network Family Practitioner visits, afforded to members on the Tanzanite One benefit option.</p> <p>The Scheme considered the feasibility of implementing system alerts in respect of all benefit limits, but found it not to be feasible. However, members can view their current benefit usage by logging into their profile on the GEMS website or via the GEMS App.</p>	Finalised
	Members urged the Scheme to simplify its benefit structures in order to assist members' understanding and use of same.	Product Development & Benefit Design	CRO CFO		<p>The Scheme is working with the PSCBC and other stakeholders on a continuous basis in order to simplify the Scheme's benefit structures.</p> <p>During 2019, the Scheme specifically focused on the simplification of the benefit structures and the enhancement of the benefits of the Sapphire (new Tanzanite One) and Beryl benefit options. The Rule changes in respect of same were submitted to the Council for Medical Schemes on 01 October 2019 for approval and registration.</p>	<p>The simplification and standardisation of the Scheme's benefit structures commenced with the 2020 Product Development &amp; Benefit Design, and will continue in future years.</p> <p>The Rule changes in respect of the Sapphire (new Tanzanite One) and Beryl benefit options, providing for the simplification of the benefit structures and the enhancement of the benefits of these benefit options, were registered by the CMS on 15 November 2019 and 20 January 2020 respectively.</p>	Finalised
	Members urged the Scheme to simplify its benefit structures in order to assist members' understanding and use of same.	Member Communication	CMO		One of the initiatives forming part of the Service Management Programme is member education in respect of the Scheme's benefit structures. The GEMS website, member newsletters and other member communication channels will be used for this purpose.	<p>GEMS publishes a quarterly newsletter for member communication and education on benefit structures.</p> <p>An EVO toolkit was developed for members on the Emerald Value Option to aid their understanding of their benefits.</p> <p>The Scheme employed a dedicated resource to enhance the GEMS website and update content for member and stakeholder education.</p>	Finalised
	Members encouraged the Scheme to conduct regular member satisfaction surveys in order to identify and address any issues that may exist.	Member Communication	CMO		The Scheme conducts regular member satisfaction surveys in order to identify and address any issues that may exist.	The Scheme develops its marketing and communication activities to address issues identified through member satisfaction surveys.	Finalised



**ACTION LIST ON MEMBER ISSUES RAISED AT THE 2019 GEMS AGM  
HELD AT THE MMABATHO PALMS HOTEL CASINO & CONVENTION RESORT,  
MMABATHO/MAHIKENG ON 31 JULY 2019 AT 15h00**

No.	Issue (short description)	Classification of Issue	Responsible Lead		Scheme Response / Action Required	Progress	Status
	Members requested the Scheme to consider sharing the de-identified outcomes of healthcare screenings with those government departments responsible for employee health and wellness, as it will inform departmental programmes aimed at managing the health of government employees.	Healthcare Data Sharing	CHO		The Scheme shares some of its consolidated healthcare screening and disease prevalence reports with national and provincial government departments, upon request.	The Scheme will continue to share data on consolidated healthcare screening and disease prevalence with national and provincial government departments, upon request.	Finalised
	Members requested the Scheme to consider subsidizing their gym membership fees.	Gym Membership Fee Subsidy	CRO CFO		The Scheme developed a Lifestyle Programme, which was rejected by the Council for Medical Schemes due to concerns surrounding its compliance with the Medical Schemes Act 131 of 1998. The Scheme will continue to explore the possibilities in this regard.	The Lifestyle Programme project was closed.  However, preventative care benefits continue to be enhanced in line with the "Business of a Medical Scheme", as defined in the Medical Schemes Act 131 of 1998.  Other alternatives may be considered in future product development processes.	Finalised
	Members urged the Scheme to simplify the voting mechanisms to be used by members during trustee elections, and to make them more accessible to members.	Trustee Elections	CSLC		During the 2019 GEMS Trustee Elections, members were empowered to vote by means of USSD (SMS), email and postal ballots, and the GEMS website. The Scheme will continue to simplify the voting mechanisms to be used by members during trustee elections, and to make them more accessible to members.	As stated in the adjacent column, the Scheme will continue to simplify the voting mechanisms to be used by members during trustee elections, and to make them more accessible to members.  In order to achieve the aforementioned objectives, the Scheme will liaise with its Stakeholders for any comments, suggestions and recommendations that they may have.	In progress
	Members encouraged the Scheme to continue its efforts to minimise member co-payments to the extent possible.	Product Development & Benefit Design	CRO CFO		During the 2020 GEMS Product Development & Benefit Design, the Scheme took great care to ensure that member co-payments were kept to the minimum.  During the 2021 GEMS Product Development & Benefit Design, the Scheme will again do its utmost to ensure that member co-payments are minimised.	The "Extender Benefit" was further enhanced for the 2020 benefit year, which will further minimise members' exposure to co-payments and benefit depletion.  Minimizing co-payments continue to be a focus area during the annual product development and benefit design processes.	In progress
	Members requested the Scheme to consider funding vitamins under certain circumstances.	Product Development & Benefit Design	CRO CFO		During the 2021 GEMS Product Development & Benefit Design, the Scheme will consider funding vitamins under certain circumstances.	During the 2020 GEMS Product Development & Benefit Design, a number of enhancements were made in terms of chronic and acute medication and related formularies.  The annual product development and benefit design processes will continue to assess medication and related formularies across all benefit options.	Finalised



# SECTION 18

## Other Information

### Principal Officer's office and postal address

Dr. BOS Moloabi  
GEMS Vutomi House, 124 Mercy Avenue  
Menlyn Maine, Precinct

Private Bag X1  
Hatfield  
0028

### Registered office and postal address

GEMS Vutomi House  
124 Mercy Avenue  
Menlyn Maine Precinct

Private Bag X1  
Hatfield  
0028

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

Metropolitan Health Corporate (Pty) Ltd  
Parc du Cap  
Building 6  
7 Mispel Avenue

P.O. Box 4313  
Cape Town  
8001

### Actuaries' office and postal address

Insight Actuaries and Consultants (Pty) Ltd  
Block J, Central Park  
400 16th Road Midrand  
1682

### Auditors' office and postal address

Deloitte & Touche  
5 Magwa Crescent Waterfall City Midrand  
2066

### Independent Investment Consultant details

Mentenova (Pty) Ltd  
3rd Floor, Oxford and Glenhove Building 2  
114 Oxford Road  
Rosebank 2198

### Asset Managers' details

Taquanta Asset Managers (Pty) Ltd  
7th Floor, Newlands Terraces  
8 Boundary Road Newlands  
Cape Town 7700

Ninety One SA (Pty) Ltd  
36 Hans Strijdom Avenue  
Foreshore Cape Town 8001

Prudential Investment Managers South Africa (Pty) Ltd  
7th Floor, Protea Place  
40 Dreyer Street Claremont  
Cape Town 7735

Coronation Asset Management (Pty) Ltd  
7th Floor, MontClare Place  
Cnr Campground & Main Road Claremont  
Cape Town 7708

Sanlam Investment Management (Pty) Ltd  
55 Willie van Schoor Drive Tygervally  
Cape Town 7532

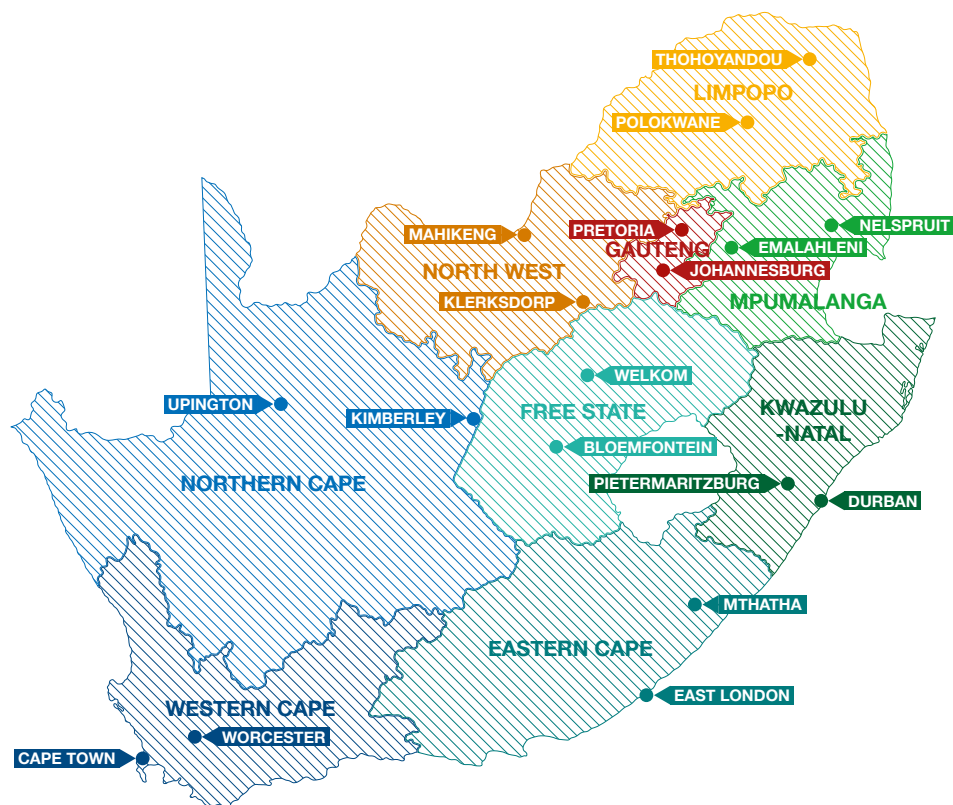
**AUDITED FINANCIAL STATEMENTS**  
The full audited Annual Financial Statements can be obtained from the Scheme's registered office, postal address, website and by email as stated below:

**REGISTERED OFFICE:**  
GEMS Vutomi House 124 Mercy Avenue,  
Menlyn Maine Precinct,  
Waterkloof Glen Ext 2, Pretoria

**POSTAL ADDRESS:**  
Private Bag X1 Hatfield  
0028

Scheme website: [www.gems.gov.za](http://www.gems.gov.za)  
Scheme email: [enquiries@gems.gov.za](mailto:enquiries@gems.gov.za)

# GEMS Walk-in Centres



## EASTERN CAPE

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

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

## FREE STATE

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

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

## GAUTENG

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

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

## KWAZULU-NATAL

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

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

## LIMPOPO

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

**Thohoyandou:** Unit G3, Metropolitan Centre

## MPUMALANGA

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

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

## NORTHERN CAPE

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

**Uptington:** 61A Mark Street

## NORTH WEST

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

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

## WESTERN CAPE

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

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





Use the QR code  
to download the  
GEMS Member App



**GEMS Contact Centre:**

0860 00 4367

**Client Liaison Officers:**

clo@gems.gov.za

**GEMS Emergency Services:**

0800 444 367

**GEMS Fraud Hotline:**

0800 212 202

**Fax:**

0861 004 367

**Email:**

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@GEMS\_NUMBER1

