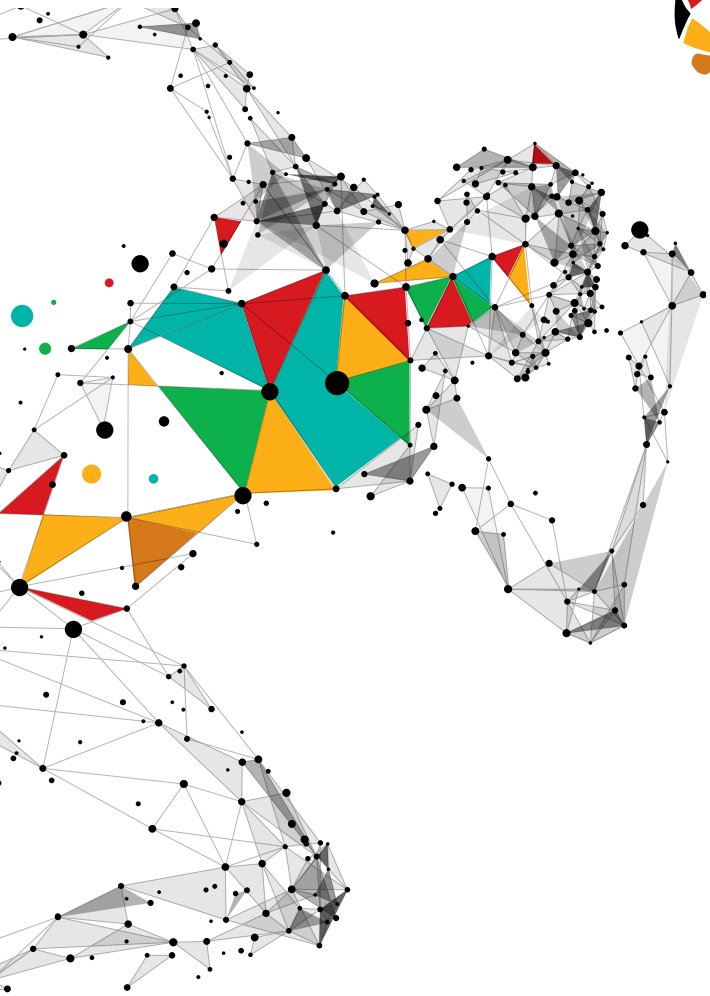
gems

Government Employees Medical Scheme



ANNUAL INTEGRATED REPORT

ABRIDGED

2016

Working towards a healthier you

Table of contents

The GEMS 2016 **Annual Integrated Report** is the 11th annual report issued by the Scheme with the first **report issued in the year 2007**.

Scope of the report

This report covers the operations of the Government Employees Medical Scheme for the financial year 1 January 2016 to 31 December 2016. The report was prepared to provide Members of the Scheme and the Scheme's Stakeholders with an assessment of the Scheme's performance and impact for the 12-month period and is intended to provide an understanding of the Scheme's strategic approach over the short and medium-term, pertinent issues impacting on the Scheme and the effectiveness of this approach.

There were no significant changes during the reporting period in the Scheme's operational structure, boundaries and the Scheme's supply chain.

- The GEMS' membership growth is reported in the Performance and Outcomes section on page 46.
- The changes in the delivery mechanisms of some of the Scheme's functions are discussed on the Scheme's business model on page 33.

No restatements of information provided in previous reports are contained in this report.

GEMS Integrated Reporting Framework

The GEMS Board of Trustees formally adopted an Integrated Reporting Policy and Framework on 28 July 2016. GEMS' Integrated Reporting Framework is entity specific and has as basis the Medical Schemes Act, the Registered Rules of GEMS, the South African Institute of Chartered Accountants (SAICA) Accounting Guidelines for Medical Schemes and the International Integrated Reporting Framework. The legislation and regulation are supplemented in GEMS' Integrated Reporting Framework by the GRI G4 Guidelines and the King IV Report Recommended Business Practices.

GEMS' Materiality Determination Process

GEMS is committed to ensuring that its members and other stakeholders have access to accurate and reliable information. The GEMS' Board of Trustees acknowledges its responsibility in assuring the integrity of GEMS' Annual Integrated Report. As such it has taken responsibility for determining the matters that materially impact the Scheme's ability to create value for its members and ensure the sustainability of the Scheme.

The purpose of the process is to ensure that only matters that substantively affect GEMS' ability to create value are identified and reported on. A material matter will usually be one that substantively affects, or has the potential to substantively affect GEMS' strategy, governance practices, performance, prospects or its important capitals.

These steps are taken to determine material matters:

Step One: Identifying relevant matters based on its ability to affect value creation

Information from the following sources is used to determine material matters:

- Board and Committees Agendas
- The Scheme's strategic objectives and performance scorecard
- The Scheme's strategic risk register and risk appetite matrix
- Membership growth and benefit enhancement opportunities available to the Scheme
- The Scheme's compliments and complaints reporting

Stakeholder feedback and input are also used in this process. This is obtained through a range of stakeholder activities and feedback sessions as well as informal interactions with various stakeholders.

Step Two: Determining the material matters and information to disclose

The identified material matters are reviewed and recommended for approval by the Governance, Risk and Ethics Committee and subsequently approved by the Board of Trustees for inclusion in the Annual Integrated Report. The Scheme's Materiality Determination Process is being refined and will, in future, include formal input processes to verify and prioritise aspects of each material matter.

List of identified material issues:

Material matters	Section of report	Impact
Fraud, waste and abuse	▶ Organisational overview: ➤ Internal Operating Context (page 27 and 29) ➤ GEMS Business Model and Value Creation (page 38)	Financial performance Affordability of member contributions
Service Provider Network performance	▶ Organisational overview: ➤ Internal Operating Context (page 28 and 31) ➤ GEMS Business Model and Value Creation (page 33)	Financial performance Member satisfaction
Supply-induced demand	▶ Organisational overview: ➤ External Operating Context (page 28 and 30)	Financial performance Sustainability
Complaints management	➤ Performance and outcomes (page 67)	Member satisfaction
Product development and benefit design	▶ Organisational overview: ➤ GEMS Business Model and Value Creation (page 34 and 35) ➤ Approach to Innovation (page 41)	Member health Member satisfaction
Member communication and education	▶ Organisational overview: ➤ Member Communication Platforms (page 22)	Member satisfaction Benefit utilisation
Trustee remuneration	➤ Governance and remuneration (page 71)	Sound governance
National Health Insurance and National Health Policy	▶ Organisational overview: ➤ External Operating Context (page 26) ➤ Performance (page 61)	Sustainability Corporate citizenship

The precautionary approach is not addressed by GEMS.

A guide to access the GEMS 2016 Annual Integrated Report

- The detailed main GEMS' 2016 Annual Integrated Report, inclusive of the Scheme's summarised annual financial statements for the period ended 31 December 2016 is available on the Scheme's website at www.gems.gov.za.
- The Scheme's complete Annual Financial Statements for the period ended 31 December 2016 are available on the Scheme's website at www.gems.gov.za and on the attached disc.
- A summary of the key matters reported in the main GEMS' 2016 Annual Integrated Report, inclusive of the highlights of the Scheme's financial performance, is made available to members of GEMS in hard copy and is also available on the Scheme's website at www.gems.gov.za.

Assurance

The Trustees received assurance on the report's contents and the accuracy thereof from both internal and external assurance providers. A combined assurance approach was followed, with coverage and outcomes by the relevant assurance providers contained in the table below:

Content and processes	Assurance provider	Outcome
Annual Financial Statements	External Audit	Unqualified audit opinion
Greenhouse Gas Assessment Audit	Sustainable IT Climate Standard	Level 2 Climate Standard Certification
(Impact on the environment)	Internal Audit	Occurrence and accuracy of reported items validated
Contribution cost research	External Audit	Limited Assurance provided
Spend on proportion of generics dispensed over branded therapeutics (percentage)	External Audit	Limited Assurance provided
Human immunodeficiency virus (HIV), pneumonia, and Tuberculosis (TB) admissions change (percentage)	External Audit	Limited Assurance provided
Take-up of GEMS workplace based exercise and health programme (absolute)	External Audit	Limited Assurance provided
Complaints ratio	External Audit	Limited Assurance provided
Member satisfaction as noted in terms of survey conducted by DMSA	External Audit	Limited Assurance provided
Participate in NHI Pilot Projects: Eastern Cape Province in 2016	External Audit	Limited Assurance provided
Cost-effective healthcare benefits with strategic sourcing	Internal Audit	Occurrence and accuracy of reported items validated
Material Matters Disclosed	Internal Audit	Occurrence and accuracy of reported items validated

King III Report of Corporate Governance

The Board of Trustees conducts the Scheme's business with integrity by applying appropriate corporate governance policies and practices. The Scheme aims to apply, where appropriate, the principles and recommended business practices in the King Report on Corporate Governance for South Africa (King III). The application of the relevant principles and practices during the reporting period was tested in 2016 by means of the Governance Assessment Instrument (GAI) procured from The Global Platform for Intellectual Property (TGPIP) and a compliance score of 93 % was achieved.

The Board resolved on 28 February 2017 to adopt the King IV Report on Corporate Governance with effect from 1 January 2018. During 2017, the King IV Report serves as best practice guide to the Scheme for purposes of transitioning to the King IV Report.

Statement by the GEMS Board of Trustees

The GEMS Board of Trustees acknowledges its responsibility to assure the integrity of GEMS' Annual Integrated Report.

The GEMS Board of Trustees has applied its collective mind in the preparation and presentation of the GEMS 2016 Annual Integrated Report.

The development of the GEMS 2016 Annual Integrated Report was guided by GEMS' Integrated Reporting Framework adopted by the Board on 28 July 2016.

Ms NM Ntsinde
25 April 2017

Highlights and lowlights of 2016

The Scheme's performance in relation to key business indicators in 2016, compared to the previous reporting periods, is summarised in the table below:

Key indicators	2016	2015
Principal members	**694,262**	674,673
Beneficiaries	**1,833,137**	1,781,770
Percentage of eligible public service employees on GEMS	**56.78 %**	55.35 %
Average age per beneficiary	**31.01**	30.78
Average family size	**2.64**	2.64
Pensioner ratio	**14.36 %**	13.70 %
Applications (monthly average)	**6,317**	6,214
Claim lines settled	**92.2 mil**	86.7 mil
Claim lines rejected	**11.2 %**	16.7 %
Average ratio of complaints to registered members	**0.24 %**	0.25 %
Annualised gross contributions	**R31,043,708,744**	R28,139,221,047
IBNR	**R960,000,000**	R812,090,000
Net surplus/(deficit) – YTD	**R484,651,051**	R5,314,213
Accumulated funds	**R2,176,074,017**	R2,660,727,068
Cash at the end of period (Rand) – excluding PMSA Trust funds	**R3,177,474,070**	R3,405,171,250
Non-healthcare expenditure	**5.70 %**	4.96 %
Reserve ratio (%)	**6.99 %**	9.46 %

> The Scheme's non-healthcare **expenditure** remains one of the **lowest** in the healthcare industry at **5.70.**

Highlights and lowlights of 2016 continued

Other noteworthy business indicators are:

Scheme healthcare networks

- **Specialists:** The Scheme's specialist network had shown satisfactory growth and by December 2016, the Scheme's specialist network consisted of:
  - 242 paediatricians
  - 318 obstetricians and gynaecologists
  - 304 physicians
  - 121 psychiatrists
  - 70 anaesthetists
- **Medicine Provider Network (MPN):** As at December 2016, the number of Providers increased from 2,056 in 2015 to 2,077 in 2016.

  Of all Scheme beneficiaries, 84.54 % (2015: 81.05 %) reside within a 10km radius of an MPN pharmacy.
- **Generic medicine spent during the year under review:**
  - 95 % – Sapphire and Beryl options
  - 84 % – Ruby, Emerald and Onyx options
- **GEMS Workplace Health and Wellness Programme uptake:** 42,853 members
- **Health screening tests conducted at health and wellness events nationwide:** 151,665

Foreword by Chairperson

> The conclusion of the **GEMS Three-year Strategic Plan** for the period January 2014 to December 2016 is an important **milestone** in the **ongoing development** of the Scheme.

Ms NM Ntsinde, Chairperson

A reflection on the results achieved under the strategic plan shows that the Scheme made significant advances in the areas of membership growth and health risk management. The Scheme's membership reached an all-time high of 694,262 principal members and 1,833,137 beneficiaries at the end of the period. Important health risk management interventions saw an increased number of members enrolling early in the Scheme's Maternity Programme and the HIV Disease Management Programme. The HIV Disease Management Programme performed well in respect of healthcare outcomes. The ongoing implementation of the Scheme's preventative care programme, consisting of health and wellness screening benefits and services, coupled with a workplace exercise programme, contributed to the effectiveness of the Scheme's health risk management interventions. Improvement was also seen in the quality of our interaction with members through services rendered by the Scheme's Client Liaison Office, and the continuation of Member roadshows first introduced in 2015.

The GEMS' specialist network was expanded with the introduction of new disciplines covered. The total number of specialists on the network at the end of the reporting period is 1,055.

The Scheme's cost-containment measures yielded good results. The Scheme's non-healthcare expenditure remains one of the lowest in the healthcare industry at 5.70%. However, the advances made by the Scheme to contain costs were inhibited significantly by the financial impact of increased levels of fraud, waste and abuse in 2016. The full extent of the challenge and its impact on the Scheme's financial performance became evident in the Scheme's hospital and associated services claims cost in the first quarter of 2016. The Scheme's response to this challenge was formulated after extensive investigation and analyses. This entailed the implementation of a Claims Management Programme overseen by the Board. The Programme is aimed at addressing underlying causes. These include anti-selective behaviour by beneficiaries, the submission of fraudulent claims, and supply-induced demand.

More detailed information on each of these challenges and the Scheme's strategic response can be found on page 27 to 31 of this report.

The Board supported this process by engaging with the Scheme's contracted administrators and managed care organisation. The engagements at

Foreword by Chairperson continued

top management and board level were conducted to ensure urgent attention to system weaknesses and failures. The overall result of the Claims Management Programme was a return to budgeted claims costs for Quarter 4 of 2016. Overall, however, the Scheme recorded a deficit for the financial year. The resultant Scheme reserve ratio was lower than the level approved by the Council for Medical Schemes for 2016. The Scheme's financial results are discussed on page 47 of the report.

Fraud, waste and abuse

The relationship between fraud, waste and abuse, maintaining affordable contributions and ensuring long-term sustainability was highlighted by the challenges experienced in 2016.

The Scheme's 2017 benefit design and pricing work was performed against the backdrop of the negative impact of the claims costs on the Scheme's financial results for 2016. Whereas the Scheme's budgets for the period of 2014 to 2016 essentially provided for a break-even position, enabling affordable increases for public service employees, the budget for 2017 was developed with the Scheme's long-term sustainability in mind. As such, the Board took the difficult decision to apply an average contribution increase of 14.98% for 2017 to enable the Scheme to build reserves in line with the Council for Medical Schemes's requirements.

Participation in National Health Agenda

The Scheme's participation in the National Health Agenda increased in 2016 through supporting the implementation of National Health Insurance (NHI) and the Competition Commission Health Market Inquiry.

The Scheme's submission on NHI to the National Department of Health was focused on a recommended approach to establish an NHI Fund and the implementation of a basic primary healthcare package. The Scheme also offered support in respect of the working committees established to drive the implementation of NHI.

The Scheme became a member of the Board of Healthcare Funders (BHF) in 2016 and participated in the BHF's work relating to the NHI. Extensive data and information submissions were made to the Health Market Inquiry and the Scheme conducted additional engagements with the analysts in the Health Market Inquiry team. The Scheme's submissions focused on the impact of the PMB Regulations and supply-induced demand.

Strategy review

Looking to the future, the Board commissioned an independent review of the Scheme's strategy and business model as part of the Scheme's medium-term strategic planning process. The Board changed the period of its medium-term strategic plans from three to five years. The Board guided the development of, and approved, the Scheme's new Five-year Strategic Plan:

- Organisational introspection.
- The identification of strategic issues affecting the performance of GEMS.
- An assessment of the challenges in the healthcare landscape.
- Considering the gradual implementation of NHI and its possible impact.
- Consensus on a clear vision and a set of key strategic objectives.
- A review of the Scheme's operating model and implementation structure.

The Board is confident that the successful implementation of the new Strategic Plan will provide the necessary foundation for long-term sustainability, the improvement of our product and service delivery offering to members and healthcare providers and stakeholder inclusiveness.

Whereas GEMS is well-positioned to contribute to the National Health Agenda, implementing the new strategic plan will enable the Scheme to contribute meaningfully to the goal of implementing Universal Health Care in South Africa.

10th Annual General Meeting

The Scheme's 10th Annual General Meeting of Members (AGM) was successfully held on 29 July 2016 in Tshwane. One hundred and forty-nine members were physically in attendance and 142 members were represented by proxy. The issues raised by members at the AGM were recorded and an action list was developed to ensure that all issues receive attention. The action list with an indication of progress made can be found after the draft Minutes of the 10th AGM on page 112 of this report.

Vote of thanks

I wish to thank Mr Colbert Rikhotso, who served as the Chairperson of the Board until 31 July 2016 for his ethical leadership and immense contribution throughout his tenure at GEMS.

Ms Nombulelo Mkhumane was elected as the Deputy Chairperson of the Board on 23 September 2016 and her willingness to take on this role, in addition to being the Chairperson of the GEMS Investment Committee, is appreciated.

Trustees who served on the Board in 2016 continued to demonstrate their commitment and resolve to stand in the service of all GEMS beneficiaries and to protect their interests. The Board exemplified ethical leadership and a willingness to address and resolve difficult challenges. I wish to thank you for your steadfast support in engaging stakeholders where board level engagement was needed. The robust deliberations that we enjoyed at both the Board and Committee level in 2016 contributed to responsible decision-making.

On behalf of the Board of Trustees, I wish to thank the Independent Chairperson of the GEMS Audit Committee, Ms Mmathabo Sukati, for leading the Scheme's Audit Committee.

The Board is appreciative of her valuable contribution to the effective corporate governance of the Scheme.

I also wish to thank Dr Clarence Mini, Mr Daniel de Villiers, Ms Lungile Zondi, Dr Kobus van Zyl and Ms Nombulelo Mkumane, for chairing the: Clinical Governance and Exgratia Committee Governance, Risk and Ethics Committee; Dispute Committee, Remuneration Committee and Investment Committee respectively during the period under review.

The Board and Scheme continued to benefit from the advice and input from independent Committee members who served on the GEMS Audit Committee and Dispute Committee. On behalf of the Board, I wish to thank them for their commitment, expertise and collective contribution to GEMS.

On behalf of the Board, I wish to express my sincere appreciation to Dr Gunvant (Guni) Goolab for leading the Scheme's Executive Management team during another challenging year. His decisive leadership in implementing the Scheme's Claims Management Programme; driving a multi-faceted team of professionals in the development of the new five-year strategy and his resolve to put GEMS on a sound and impactful footing are truly appreciated.

The Board is satisfied with the operational results achieved by the Scheme for the period ended 31 December 2016.

Material facts and/or circumstance that have occurred between the accounting date and the date of approval of the financial statements:

- After a thorough assessment of the financial advantages to the Scheme of owning fixed property, an open tender process was conducted to buy an office building. A preferred bidder was identified based on an assessment of the bids received and the investment opportunities available to the Scheme. Contract negotiations with the preferred bidder were concluded in March 2017. The Scheme's Head Office is expected to move to the new building by October 2018. The Scheme's key stakeholders were informed of the transaction and member communication will be issued in 2017 to provide members with more detailed information.
- Fraud and abuse is a cancer that is slowly eating up our Nation. GEMS, like other organisations, has not been spared from this cancer. The Board, working with management, had to deal with instances of irregularities involving members, providers and employees. Decisive action, including the investigation of these instances was taken and will continue into 2017 as these processes take time to finalise. Two Executives were placed on precautionary suspension as part of the process.

Organisational overview of GEMS

WHO IS GEMS

GEMS is registered as a restricted membership medical scheme in accordance with the Medical Schemes Act.

The Scheme's Head Office is situated at the Hillcrest Office Park, c/o Lynnwood and Dyer Road, Tshwane.

The Cabinet mandate underpinning the establishment of GEMS is summarised as follows:

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

VISION, MISSION AND VALUES

Our vision, mission and values were revised in 2016. While still aligned to our mandate, the Scheme's new strategic themes (refer to page 44) are reflected in the new statements:

MANDATE	To ensure that there is **adequate provisioning of healthcare coverage** to public service employees that is **efficient**, **cost-effective and equitable**; and to provide **further options** for those who wish to purchase more extensive cover	
	Old	**New**
Vision	An excellent, sustainable and effective medical scheme for all public service employees	An **excellent, sustainable and effective** medical scheme that **drives transformation** in the healthcare industry, aligned with the principles of **universal health coverage**
Mission	To provide all public service employees with equitable access to affordable and comprehensive healthcare benefits	To provide **all members** with **equitable access** to **affordable and comprehensive** healthcare; promoting **member wellbeing**
Values	Excellence, Member-centricity, Integrity, Value for money, Innovation	**Excellence, Member Value, Integrity, Collaboration, Innovation**

Organisational overview of GEMS continued

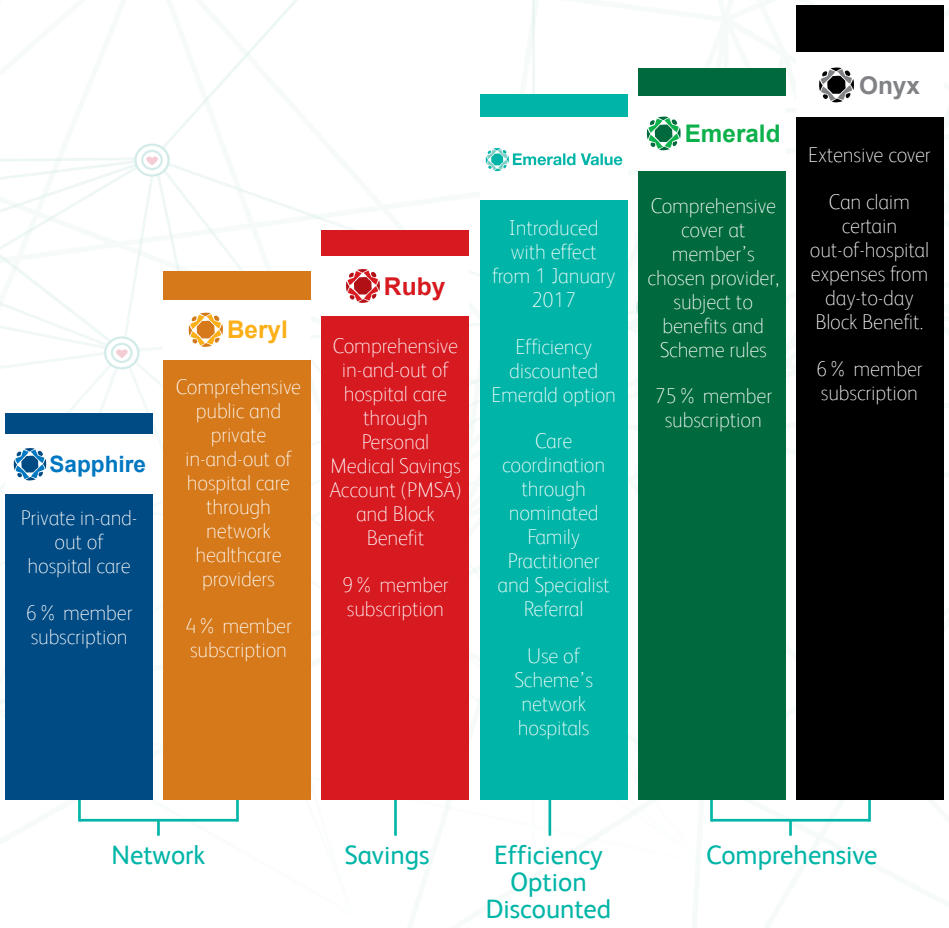
Our main activities, products, services and the market we serve

As a registered medical scheme, GEMS undertakes liability in return for contributions from members to:

- Provide for the obtaining of relevant health services.
- Grant assistance in defraying expenditure incurred in connection with the rendering of relevant health services.

Our product offering

GEMS offers six benefit options that were designed using a rigorous analytical approach taking into account the requirements of the Council for Medical Schemes, member affordability and benefit design assessment:



Organisational overview of GEMS continued

Our market

In adherence to the registered Rules of GEMS, persons employed under the Public Service Act, Act 103 of 1994, in National Departments, Provincial Administrations, Provincial Departments, or Government Components, as contemplated in Section 7(2) of the Act, are eligible to join GEMS. The registered Rules of GEMS further allow for persons employed by employers approved by the GEMS Board of Trustees to join the Scheme. Persons who retired from the service of the relevant employers are also eligible to join GEMS.

Membership of GEMS is not compulsory for employees employed under the Public Service Act, Act 103 of 1994, but is encouraged by an employer subsidy.

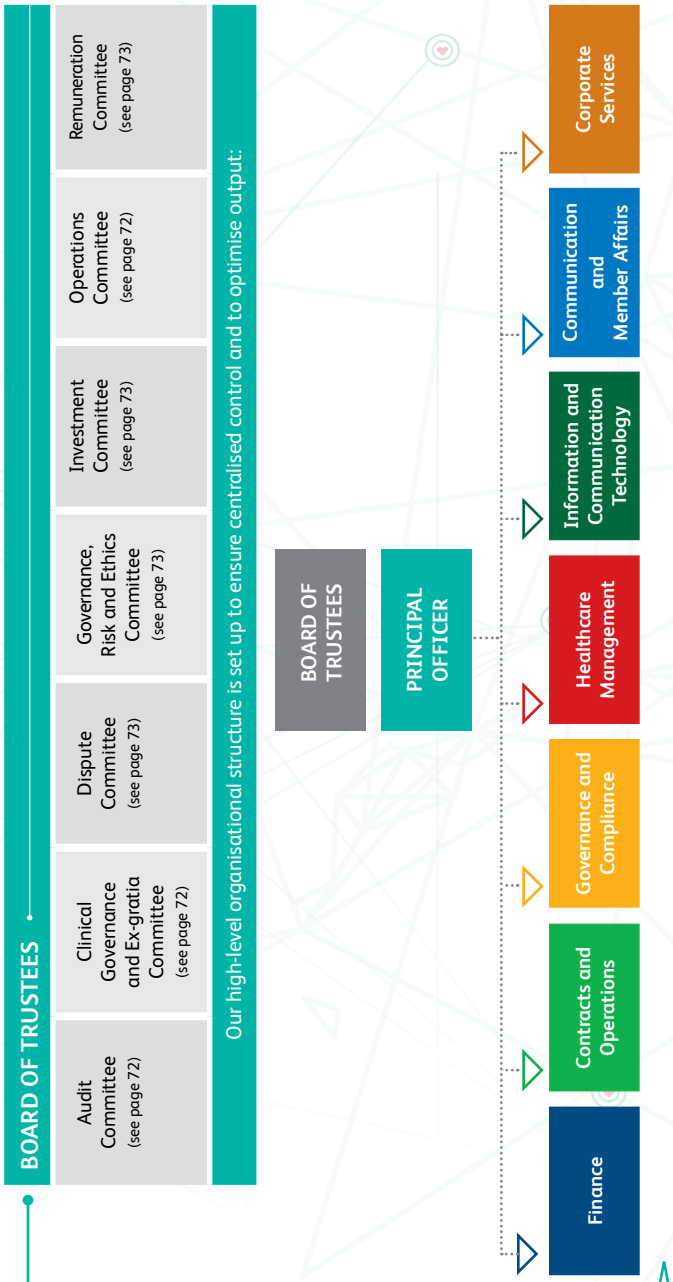
Currently, there are an estimated 433,000 public service employees who are eligible but not yet covered by GEMS.

In view of the membership eligibility matter between the Scheme and the Council for Medical Schemes, applications from employers such as public entities listed in the Schedules of the Public Finance Management Act, to become participating employers, have not been considered by the Board since 2009. The Scheme's membership eligibility criteria will be revised in 2017 in consultation with relevant stakeholders.

Structure and leadership

The GEMS governance structure enables the Board to oversee critical aspects of the Scheme.

Organisational overview of GEMS continued



BOARD OF TRUSTEES

The Trustees in office in 2016 were:

Back row (left to right): Dr EC Moloko, Dr I van Zyl, Mr CJ Booyens
Middle row (left to right): Mr DJ de Villiers, Dr JA Breed, Mr JS Roux, Mr N Theledi
Front row (left to right): Ms N Mkhumane (Deputy Chairperson), Dr CM Mini, Ms N Ntsinde (Chairperson), Mr EB de Vries

EXECUTIVE MANAGEMENT

Back row (left to right): Ms Karyna Pierce, Mr Samuel Lewatle, Dr Guni Goolab, Ms Masingita Chavalala (Acting), Mr Molapo Masekoameng
Front row (left to right): Dr Vuyokazi Gqola, Ms Zandile Nqweni-Chamane (Acting), Ms Gloria Nkadimeng, Ms Jeannie Combrink

Board of Trustees:

Name	Elected or appointed	Qualifications	Other significant positions held in 2016
Mr EB de Vries (21 July 1943)	Elected, tenure commenced 30 July 2013, ends 29 July 2019	BEd (PE Univ.); BA (Stellenbosch Univ.); Secondary Teacher's Cert. (Stellenbosch Univ.)	N/A
Dr CM Mini (6 November 1951)	Appointed 30 July 2014, tenure ends 29 July 2020	Bachelor of Medicine, Bachelor of Surgery (MBChB), Dip. Community Medicine, Dip. Palliative Care Medicine	Acting CEO: Board of Healthcare Funders
Mr ZC Rikhotso (12 January 1969)	Resigned 31 July 2016	BPharm (University of the North); MBL (Unisa)	Managing Director: Bakoni Healthcare Solutions
Dr ECT Moloko (16 May 1959)	Appointed 28 October 2016, tenure ends 27 October 2022	MBChB (MEDUNSA) B.Sc. (Med), Medical University of Southern Africa (MEDUNSA)	Chairperson: Health and Welfare Sector Education and Training Authority (HWSETA)
Mr CJ Booyens (25 February 1942)	Elected, tenure commenced 30 July 2013, ends 29 July 2019	BSc (UP); THOD Teaching Diploma (Pretoria Teacher Training College)	Trustee: Government Employees pension Fund
Mr DJ de Villiers (21 July 1955)	Elected, tenure commenced 30 July 2013, ends 29 July 2019	BA (Communication Science) (Potch. Univ.), Adv. Dip. in Labour Law (UJ)	N/A
Dr JA Breed (14 March 1951)	Elected, tenure commenced 30 July, ends 29 July 2020	BSc (PU for CHE), THOD (POK) BEd (PU for CHE), MEd (PU for CHE), PhD (NWU)	President: Suid Afrikaanse Onderwysers Unie (SAOU)
Mr K Ndaba (21 March 1968)	Terminated 29 July 2017	Exec. Dev. Prog. (UP), Post-grad. Dip.: Financial Economics (Univ. of London), Post-grad. Dip. Economic Principles (Univ. Of London), BAdmin: Public Admin. & Pol. Sc. (UDW), Cert. Snr. Exec. Progr. for Southern Africa (Joint Project Wits & Harvard)	Department of Public Service and Administration – Deputy Director General: Management of Compensation

Organisational overview of GEMS continued

Board of Trustees:

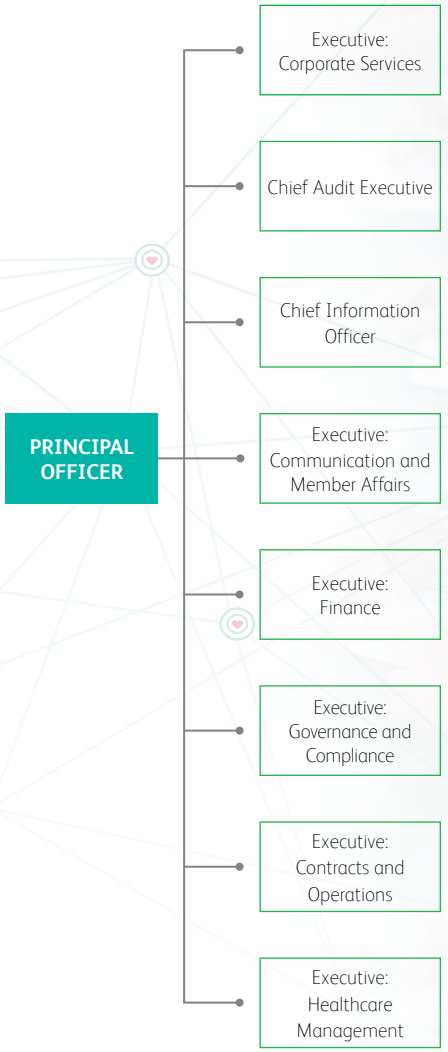
Name	Elected or appointed	Qualifications	Other significant positions held in 2016
Dr IJ van Zyl (31 January 1951)	Elected, tenure commenced 30 July 2014, ends 29 July 2020	BMil, Hons BCom (Personnel Management), MBA, PhD (Industrial Economics), Industrial Relations Development Programme	N/A
Mr NL Theledi (30 June 1963)	Appointed 9 September 2013, tenure ends 8 September 2019	BTech (TUT), ND. Human Resource (UJ), Public Mgt. & Dev. (Wits Graduate School of Public and Management), MTech (TUT)	Secretary General: POPCRU
Ms NM Ntsinde (21 December 1957)	Appointed, 30 July 2013, tenure ends 29 July 2019	BProc (Univ. of Fort Hare), MBA (Wits Business School)	University of KwaZulu-Natal Council Member; member of Finance Committee; Senior Appointments Committee; and EXCO (alternate)
Ms NH Mkhumane (3 June 1973)	Appointed 25 September 2014, tenure ends 24 September 2020	Dip. Law & Tax., IEIC (CIMA), Exec. Mgt. Dev. Prog. (WBS), Capital Proj. Mgt. Appraisal (Queens Univ. Canada), Bachelor of Commerce (UNISA) Certificates: Board Leadership (GIBS), Corp. Gov., Audit Roles, Supply Chain Mgt. & Prop. & Asset Mgt.	Chairman: South African Diamond and Precious Metals Regulator
Mr JS Roux (8 January 1944)	Elected, tenure commenced 30 July 2014, ends 29 July 2020	BSc, L.S.O.D, BEd. (Univ. of Stellenbosch)	N/A

Note: Trustees' qualifications are checked by means of the Scheme's annual vetting procedure.

Organisational overview of GEMS continued

Executive management

The Scheme's executive structure in 2016 consisted of the GEMS Principal Officer (Chief Executive Officer) and eight executives



Executive Management:

Name	Position	Summarised profile
Dr Guni Goolab	Principal Officer	Dr Goolab is a qualified medical practitioner, who graduated from the University of Witwatersrand (Wits) in 1985 and later completed an MBA with the University of Cape Town (UCT). He has served as the Principal Officer of the Government Employees Medical Scheme since 1 August 2013. During this period, GEMS has implemented its third three-year strategy with some key achievements including: ▶ The Scheme's new product development and benefit design process. ▶ The Scheme's new investment strategy.
Mr Samuel Lewatle	Executive: Corporate Services	Mr Lewatle, holds a Masters in Business Administration (MBA) from Oxford Brookes University (UK), Bachelor of Business Administration (BBA), National Diploma in Education, Certificates in Macro Economics and Industrial Relations, Certificate in Executive and Business Coaching and a Post Graduate Certificate in Executive Leadership. Mr Lewatle is responsible for the Corporate Service Division in driving the full human capital services that include Change Management, Performance Management, Remuneration, Strategic Human Resources planning and offices infrastructure planning and management.
Mr Molapo Masekoameng	Chief Audit Executive	Mr Masekoameng joined the Scheme in August 2014. He holds a 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 he is accredited by the Institute of Internal Auditors as a Certified Internal Auditor (CIA) and Certified Financial Services Auditor (CFSA). Mr Masekoameng is responsible for the Scheme's Internal Audit Function.
Ms Gloria Nkadimeng	Chief Information Officer	Ms Nkadimeng holds a Masters Degree in Automated Management Systems acquired in Havana, Cuba. Certificate in Business Management from the Centre for Business Management, Unisa. Currently, Ms Nkadimeng is charged with providing strategic leadership, vision and direction to the ICT Division in rendering Information & Communication Technology services to GEMS.
Ms Liziwe Nkonyana Resigned: 29 April 2017	Executive: Communication and Member Affairs	Ms Nkonyana holds a Masters in Public Management and Administration at the University of Pretoria, a BA Degree in Communication as well as a BA Hons Marketing Communication. She is responsible for communication, member affairs, public relations and marketing activities. She oversees the Scheme's Client Liaison Unit and all communications and marketing activities targeted at employees, members and service providers.

Name	Position	Summarised profile
Ms Karyna Pierce	Executive: Finance	Ms Pierce qualified as a Chartered Accountant in 2004 and completed a senior management course at the University of Pretoria. She is responsible for managing Scheme finances, Scheme investments, implementation and processing of financial, accounting and administrative requirements (inclusive of relevant policies) as well as the management of Scheme actuarial work. She also oversees all Scheme procurement and external audits.
Ms Jeannie Combrink	Executive: Governance and Compliance	Ms Combrink holds a BA Degree in State Administration, Human Resource Management, Public Administration and Political Science as well as a BA Hons in Public Administration. She was part of the team tasked with establishing GEMS and formally became a Scheme employee in 2006. She is responsible for managing the Scheme's corporate governance functions, including the provision of support to the Board of Trustees and Committees. She is also responsible for ensuring compliance with the regulatory framework applicable to the Scheme and the Scheme's stakeholder management function.
Ms Bella Mfenyana Resigned: 8 April 2017	Executive: Contracts and Operations	Ms Mfenyana holds a Masters in Business Administration, Programme for Management Development from Gordon Institute of Business Science, a Bachelor of Commerce in Economics from the University of the Western Cape (UWC) and has completed additional studies through the Insurance Institute of SA and the University of Pretoria. Recently, she completed the Executive Leadership Best Practice at Harvard University, Boston. Ms Mfenyana is responsible for overseeing and ensuring service delivery by all contracted service providers in line with their contracts and service level agreements and the business requirements of the Scheme. She is also tasked with the integration of the Scheme's business requirements with operational processes of the service providers so as to mitigate the financial risk and legal exposure of the Scheme. She also oversees the implementation of the fraud management plan of the Scheme.
Dr Vuyokazi Gqola	Executive: Healthcare Management	Dr Gqola holds a Bachelor of Medicine and Surgery (MBChB) from the University of Cape Town, a BSc degree, as well as a BSc Hons degree in Microbiology from the University of KwaZulu-Natal. She is a registered Medical Practitioner with the Health Professions Council of South Africa (HPCSA). Dr Gqola has years of experience at both private and public healthcare institutions. Dr Gqola's most recent employment was at Medscheme Holdings as a Senior Specialist: GEMS Medical Advisor since 2010. She was appointed as GEMS Executive: Healthcare Management in September 2015. She is responsible for the Scheme's managed care services including disease management programmes, tariff negotiations, healthcare provider relations, healthcare networks and strategic sourcing.

Our member services

Member servicing and communication platforms in 2016

Communication platform	Impact
Provincial member walk-in centres	These centres provide direct access to Scheme services and information to members. There were 638,388 visits to the 18 walk-in centres across the country recorded for the year.
Member self-service kiosks	A total of 88 self-service kiosks have been deployed across the country with a further 12 scheduled to be deployed by the end of March 2017. The kiosks are used for new member registrations and to issue tax certificates and claims statements to members.
Call centres	The call centres operated across the GEMS Service Provider Network remain the contact point used most frequently by members. During the course of 2016, a total number of 3,529,304 calls were recorded overall.
Electronic communication	The extent of interaction with members by means of electronic communication was significant and included 3,168,188 inbound and outbound emails.
Member newsletters	A member profile analysis informed the launching of five member newsletters, each targeted at a specific profile. The first newsletter of the year was distributed in May 2016 and another was produced in September 2016.
Client Liaison Unit (CLO Unit)	By the end of 2016, the CLO Unit was fully operational in Gauteng, KwaZulu-Natal, Eastern Cape, Free State and Limpopo. The Mpumalanga and North West offices are scheduled to open in 2017. The Unit increased its footprint across the provinces to 2,393 new sites while services at 607 sites were reactivated in 2016. The overall satisfaction level for services rendered to members by the i.e. CLO Unit was rated at 96.6 % in 2016. Health and wellness is at the heart of the Scheme's foundational principles and the Scheme activated 1,994 wellness events, coordinated via the CLO Unit's service engagements. The CLO Unit also drives member education sessions and workshops to improve understanding of benefit entitlements, Scheme rules and processes. The Unit hosted 165 focus group meetings to engage members around their understanding, expectations and experience of the Scheme. On this path of education, CLOs also inform members of and promote other channels such as the kiosks and the online platforms where members can have quick access to GEMS services.

Member servicing and communication platforms in 2016

Communication platform	Impact
Wellness screenings (Health and Wellness Days)	A total of 3,781 Health and Wellness days were held where members were able to engage with the Scheme while checking their health and wellness status through screening services.
GEMS Days	Five GEMS Days were held. GEMS Days are activation events held in partnership with Departments or unions, with the aim of bringing GEMS services closer to members and potential members while strengthening collaboration with our stakeholders to reach common objectives. Members are able to access all Scheme services such as membership services, contributions and debt query handling, Maternity Programme registration, wellness screening and chronic disease registration, at these events. The five events held were: ▶ Limpopo GEMS Day in partnership with DENOSA, where approximately 2,000 nursing professionals were engaged. ▶ Mpumalanga GEMS Day in partnership with the Provincial Department of Education, which had approximately 1,500 public service employees in attendance. ▶ Gauteng GEMS Day in partnership with the Provincial Department of Health. Approximately 1,200 public service employees were in attendance. ▶ Gauteng GEMS Day in partnership with SADTU, which attracted approximately 1,000 public service employees. ▶ KwaZulu-Natal GEMS Day in partnership with the Office of the Premier. Approximately 1,000 public service employees attended the event

> To provide all **public service employees** with equitable access to affordable and **comprehensive healthcare benefits**.

Member servicing and communication platforms in 2016

Communication platform	Impact
Lekgotla/Makgotla (Member Engagement Activities)	Lekgotla roadshows were held to engage members on key Scheme developments and receive their feedback and input. This initiative is part of the Scheme's drive to increase face-to-face interaction with members. Two Lekgotla roadshows were held in 2016, one in August/September to engage members on the introduction of underwriting, and another in November/December with the main objective of engaging members on the 2017 benefit changes, option selection processes and the introduction of the new Emerald Value Option. The roadshows covered six provinces. In total, 77 engagements were held with an average of 35 members attending each session. The August/September roadshow covered the following themes: ▶ Fraud, waste and abuse. ▶ Anti-selective behaviour and underwriting. ▶ Update on care coordination. ▶ Introducing the Scheme's new Emerald Value Option (EVO). The November/December leg of the roadshow covered the following themes: ▶ Benefit design process. ▶ Introduction of the 2017 benefits and changes to each option. ▶ Implementation of underwriting. ▶ Launch of the new EVO. ▶ 2017 value adds. ▶ 2017 contribution increases across all options. ▶ Guide to the option selection period. Although few, some members showed great interest in the new Emerald Value Option and were willing to make the switch on the spot. An over-arching concern was the issue of affordability, early depletion of benefits, out-of-pocket payments, and hospital shortfalls. Also under members' scrutiny in all the engagements was the unsatisfactory service received from the contact centre. The above were reported back to the Board and interventions such as member education on benefit preservation, GEMS networks and their role in limiting out-of-pocket payments are continuing through the face-to-face member education sessions and various Scheme communication platforms. The Scheme also feeds benefit suggestions received from members at the Lekgotla roadshows into the product development and benefit design processes for evaluation.
Stakeholder Engagements	In an effort to strengthen the relationship between the Scheme and Human Resources, Wellness and Salary Administration practitioners, six stakeholder engagements were held in five provinces namely Gauteng, Mpumalanga, Limpopo, KwaZulu-Natal and Northern Cape. These were attended by an average of 150 practitioners per session. HR stakeholder sessions were held to engage and provide feedback regarding Scheme processes as well as to explore partnering between the Scheme and HR Practitioners towards ensuring a healthy public service.

Membership profile

The following table summarises the membership statistics of the Scheme's benefit options as at 31 December 2016. The industry column shows the figures available for restricted medical schemes as reported in the Council for Medical Schemes Annual Report for 2015 – 2016.

Membership statistics	Sapphire	Beryl	Ruby	Emerald	Onyx	GEMS	Industry average or totals (Restricted schemes) 31 Dec 2015
Principal membership	43,197	28,509	76,118	506,907	39,531	694,262	**1,621,999**
Beneficiaries	138,768	75,041	204,339	1,345,015	69,974	1,833,137	**3,863,135**
Average family size	3.21	2.63	2.68	2.65	1.77	2.64	**2.38**
Average age of principal members	45.05	42.12	43.86	45.84	66.44	47.30	**Not available**
Average age of beneficiaries	28.56	29.32	28.32	30.33	54.42	31.50	**30.50**
Number of beneficiaries aged 65+ years	3,486	3,397	6,466	63,699	27,062	104,110	**Not available**
Percentage of beneficiaries aged 65+ years	2.51 %	4.53 %	3.16 %	4.74 %	38.67 %	5.68 %	**6.10 %**

Our external operating context

Our external environment is characterised by a changing landscape, requiring a new strategy to manage and leverage the changes. Stakeholder intervention, regulatory initiatives and cost pressures require the adoption of mitigating strategies. Important developments in the external operating context that are expected to have an impact on the Scheme's ability to create value are:

Issue	Impact
The imminent National Health Insurance (NHI) effect on the medical scheme landscape	The implementation of the NHI requires GEMS to alter the manner in which it currently conducts business, and to strategically position itself for the NHI.
The Public Service Coordinating Bargaining Council (PSCBC) Resolution 3 of 2015	The Public Service Coordinating Bargaining Council was established in terms of Section 35 of the Labour Relations Act to provide a platform for negotiation of matters of mutual interest between the State as Employer and Trade Unions. Matters of mutual interest include the conditions of employment of public service employees such as the medical assistance subsidy. The PSCBC resolved in 2015 to perform a review of GEMS, including a review of the efficacy of GEMS' operating model, and to determine whether the objectives for which GEMS was established are being met. The review commenced in 2016 and is still underway.
Industry trends and gaps	The medical schemes and health insurance industry is currently experiencing challenges such as increasing healthcare costs, changing member behaviour and an increased burden of disease. Several gaps exist in the South African medical schemes industry in respect of affordability, quality in the standard of healthcare and services delivery as well as accessibility challenges.
Review of Prescribed Minimum Benefits	The impact of Prescribed Minimum Benefits claims on GEMS is discussed in the Integrated Report, available on www.gems.gov.za. The Council for Medical Schemes has embarked on a process to review the Prescribed Minimum Benefits against the background of the work underway to implement National Health Insurance. GEMS will participate in the review by serving on the committees established by the Council for Medical Schemes and by making written submissions.
Other legislative and regulatory reform	Medical schemes and their stakeholders are preparing to comply with the Protection of Personal Information Act (POPIA). GEMS had developed a POPIA Compliance Plan to define the actions required from the Scheme and to work towards full compliance. The Health Market Inquiry is expected to conclude in December 2017. Focus areas of the investigation in 2017 include: ▶ Prescribed Minimum Benefits. ▶ Supply-induced demand. GEMS supports the objective of the Health Market Inquiry by means of responding to submission and information requests. An additional submission focusing on supply-induced demand was also made.

Our internal operating context

The main challenge in our internal operating environment in 2016 was the occurrence of an unusual and unexpected increase in claims volumes. To understand the challenge, rigorous investigations were performed through:

- Actuarial data analyses.
- Internal audit investigations.
- Operational investigations at the level of the Scheme's contracted Service Provider Network.
- Forensic investigations targeting specific concerns identified through the aforementioned investigations.

The underlying causes of the high claims volumes were identified to be:

Issue	Impact
Anti-selection	Beneficiaries that joined and left the Scheme in the same year had four times the average hospital admission rate when compared to the rest of the Scheme beneficiaries. There were 8,591 such beneficiaries in 2016. These beneficiaries claimed R149 million and contributed R30 million (loss ratio 487 %).
Fraud, waste and abuse	During 2016 the Scheme identified several areas of fraud, waste and abuse which contributed to the adverse claims experience during 2016. KwaZulu-Natal was flagged as the province with the highest prevalence of fraud, waste and abuse and in particular in respect of hospital cash back plans. The analyses identified the top claiming members and hospitals suspected of cash back plan fraud.
Increased utilisation, inefficiency and supply-induced demand	Over the past five years, over 20 new hospitals have opened. This translates to an 18,4 % increase in bed capacity. Over the same period, medical scheme membership has increased by 6 %. The increase in supply side capacity is outstripping the increase in demand. Investigative findings strongly indicated a correlation between supply-induced demand (availability) and the Scheme's hospital admission rate.
Service Provider Network systems and performance	Systems capability at some of the Scheme's contracted providers to apply preventative controls and to proactively identify adverse trends expose the Scheme to unanticipated claims volumes. Claims processing gaps that could increase the Scheme's claims risk exposure were identified. A review of managed care processes and clinical protocols highlighted areas of concern that could be placing the Scheme in a vulnerable position where hospital admission approvals are concerned.

Understanding the challenge and responding

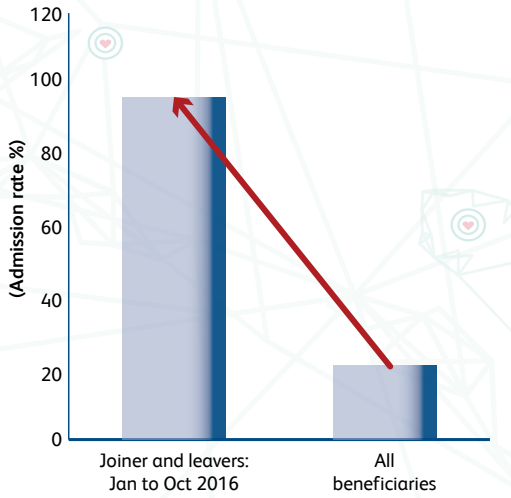
A multi-faceted **Claims Management Programme** was implemented.

The programme focused on:

- Continued identification and analysis of risk factors.
- Development of mitigation measures.
- Committing to a clear approach with firm time frames.

For the most part of 2016, the Scheme, together with its Service Provider Network, engaged in a rigorous process of research and analysis, review of processes and collaboration with industry players, which saw the introduction of several initiatives.

Hospital admission rate comparison



Affected members/dependants	Type of waiting period
Main members who resign from the Scheme with their dependants (without also resigning from the Public Service) and then re-join the Scheme at a later stage	Three-month general waiting period – subject to Scheme rule provisions
Dependants who are resigned from the Scheme and who are then re-registered by the main member at a later stage	Three-month general waiting period – subject to Scheme rule provisions
Dependants who join GEMS on a different date from the main member (excluding new-born babies and newly-adopted children)	Three-month general waiting period as well as 12-month condition-specific waiting period – subject to Scheme rules

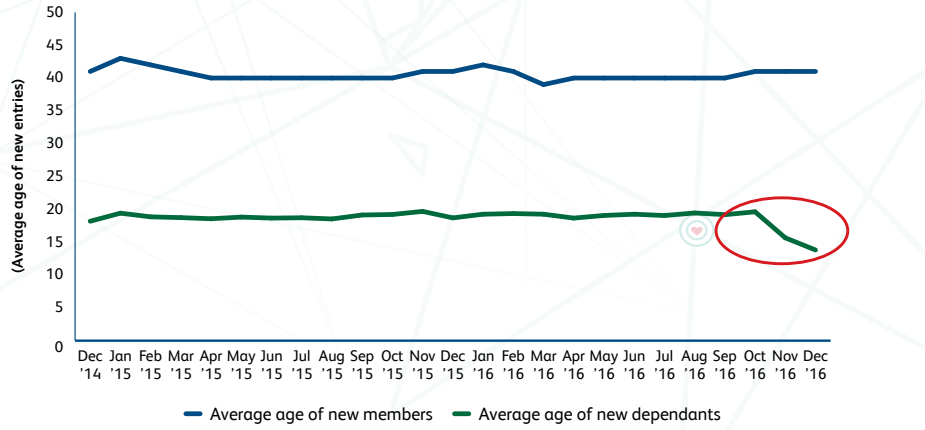
From the "go live" date on 1 October 2016, the Scheme received 12,434 member applications of which 10 % were underwritten. This is broken down as follows:

	1 Oct 2016 – 30 Dec 2016	
	Member	Dependants
Applications subjected to underwriting*	1,237	12,036
General Waiting Period (GWP)	771	10,417
Condition-specific Waiting Period (CSWP)	328	1,903

* The GWP and CSWP total will never be equal to the total applications underwritten as some application are subject to either one or both of these, some are not underwritten after interactions with the member and some applications are cancelled when members are informed that they will be underwritten.

The positive impact on the average age of beneficiaries since the implementation of underwriting is clearly demonstrated in the graph below and illustrates that the underwriting principles implemented are achieving the results the Scheme was expecting.

Impact of underwriting



Fraud, waste and abuse

One of the Scheme's Forensics Investigation Services providers was deployed to the KwaZulu-Natal province to investigate findings reported under the initial investigation.

HOSPITAL CASH BACK PLANS

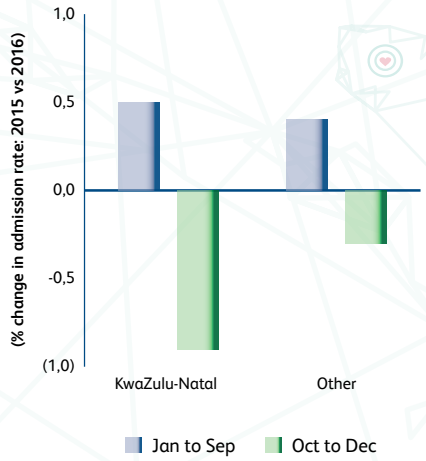
Members are being admitted to hospital to abuse hospital cash back plans	Models have been developed to identify these members and the providers facilitating their abuse	Payment to anomalous practices are suspended and Acknowledgement of Debt (AOD) are agreed upon

TRAWLING OF WARDS

Certain providers proactively trawl wards for patients irrespective of clinical need	Mechanisms have been developed with hospitals to prevent such abuse	Payment to anomalous practices are suspended and Acknowledgement of Debt (AOD) is agreed upon

The Scheme's efforts to control the admission rate were focused on KwaZulu-Natal during 2016. The decline in the admission rate towards the latter part of the year is most evident in the graph below:

Impact of scheme interventions

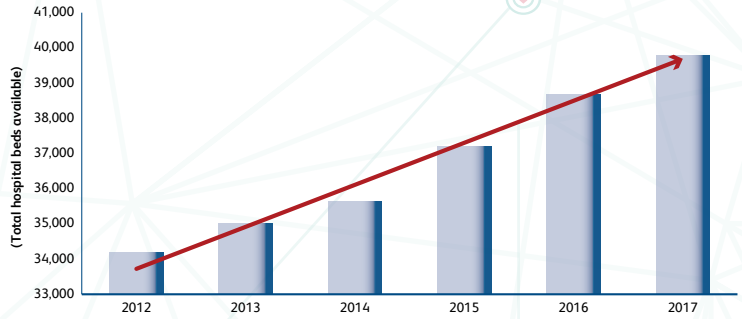


Increased utilisation, inefficiency and supply-induced demand

There is a strong correlation between supply-side capacity and the hospital admission rate experienced by the Scheme.

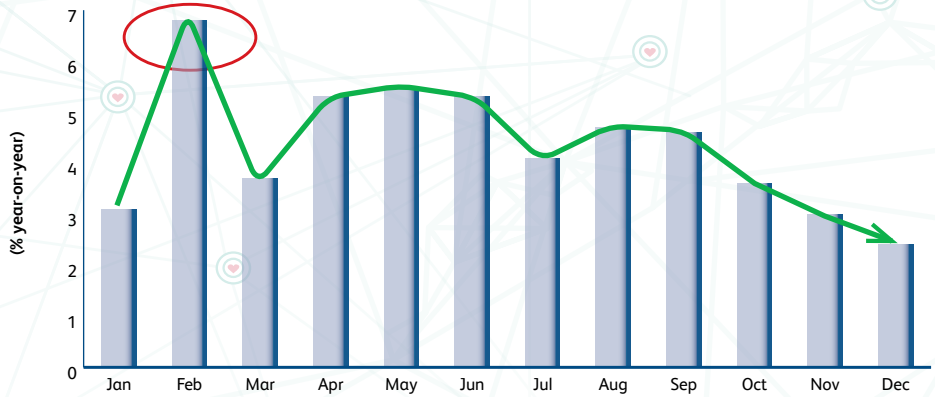
The hospital admission rate has increased by 2.4% in 2016, contributing significantly to the R0.9 billion overspend in claims for 2016.

Hospital beds



The Claims Management Programmes focused on the areas of concern to better understand the claim drivers and to implement corrective actions. Through this process, the Scheme managed to reduce the hospital admission rate increase from a peak of 6.8% in February 2016 to 2.4% year-on-year in December 2016. Despite the reduction, the increase was still higher than the budgeted increase for hospital admissions in 2016.

Hospital admission rate increase 2015/16



Service Provider Network systems and performance

As part of the Claims Management Programme, abnormal trends in the hospital admission rate were tracked on an ongoing basis, and remedial actions were formulated and implemented where necessary. Part of the remedial actions put in place helped to improve the automated pre-authorisation processes and clinical rules written into the managed care systems. In order to further manage inappropriate admissions, more efficient and effective admission criteria were formulated as part of the clinical protocol review process. Since August 2016, the proportion of declined preauthorisation requests has increased steadily. This trend continues and can be linked to the lower admission rate increase. More detail on the Scheme's claims management initiatives can be found on page 51 of the report.

Organisational overview of GEMS continued

Market positioning

GEMS is the largest restricted membership scheme and the second largest overall medical scheme in the South African medical scheme environment. This provides the Scheme with the size and scale to negotiate competitive rates with our service providers and the healthcare providers in the market.

The Scheme does an annual assessment of its benefits and contributions in comparison to other open and closed Schemes in the market. The table below summarises how GEMS compares on average to the medical schemes considered in the analysis, based on the average contribution per family:

GEMS option	% difference between GEMS average family contribution and average family contribution of competing schemes before subsidy
Sapphire	30 %
Beryl	16 %
Ruby	3 %
Emerald	26 %
Onyx	27 %
All	24 %

The Scheme also considers affordability based on the proportion of a member's salary spent on contributions before and after subsidy, as depicted in the table below:

Option	Proportion of salary spent on contributions before subsidy	Proportion of salary spent on contributions after subsidy
Sapphire	19 %	1 %
Beryl	16 %	4 %
Ruby	21 %	8 %
Emerald	21 %	9 %
Onyx	18 %	12 %
All	21 %	8 %
Previous year	20 %	8 %

Based on the results of the analysis, the Scheme is comfortable that GEMS' offering still provides good value for money when compared to other similar benefit options available in the market.

Business model and value creation

We create value for members by means of sustained low non-healthcare costs, initiatives aimed at reducing the price paid for healthcare services, by providing benefits and services for healthcare prevention and by managing a rigorous ex-gratia function to assist members who are in need.

Providers of healthcare services benefit from our expanded member base, especially in respect of those members who were not previously on a medical scheme.

Organisational overview of GEMS continued

Our key stakeholders benefit from having access to information based on the analysis of Scheme data and savings in respect of the medical assistance subsidy for certain groups of employees and former employees.

Our business model

The Scheme's business model is based on a high level of outsourcing of day-to-day operations, e.g. member administration services, are outsourced to professional administrators and other service providers. GEMS innovated and introduced the multi-party outsourced model to the medical schemes industry.

What differentiates our business model and creates competitive advantage:

- Central oversight
- Competitive outsourcing
- Selective insourcing
- Best-of-breed providers
- Low non-healthcare costs
- Advancing Broad-Based Black Economic Empowerment
- Enabling new entrants (panel of providers, joint ventures, contracting restrictions)

The Board of Trustees decided to in-source the full Finance function of the Scheme from 1 January 2017, which provides the Scheme with greater control over Scheme finances and greater flexibility to respond to the funding demands of the Scheme. During 2016 the Scheme implemented a new finance system and employed the necessary staff to enable the take-over of the full finance function from the Administrator – Member and Claims and took control of the various bank accounts of the Scheme from 1 December 2016. The additional costs incurred by the Scheme will be offset by savings negotiated in the fee paid to the Administrator – Member and Claims.

The business model infographic can be found on page 34 – 35.

How our business model creates value over time in a sustainable manner

The contribution of ex-gratia assistance to our members' health and well-being:

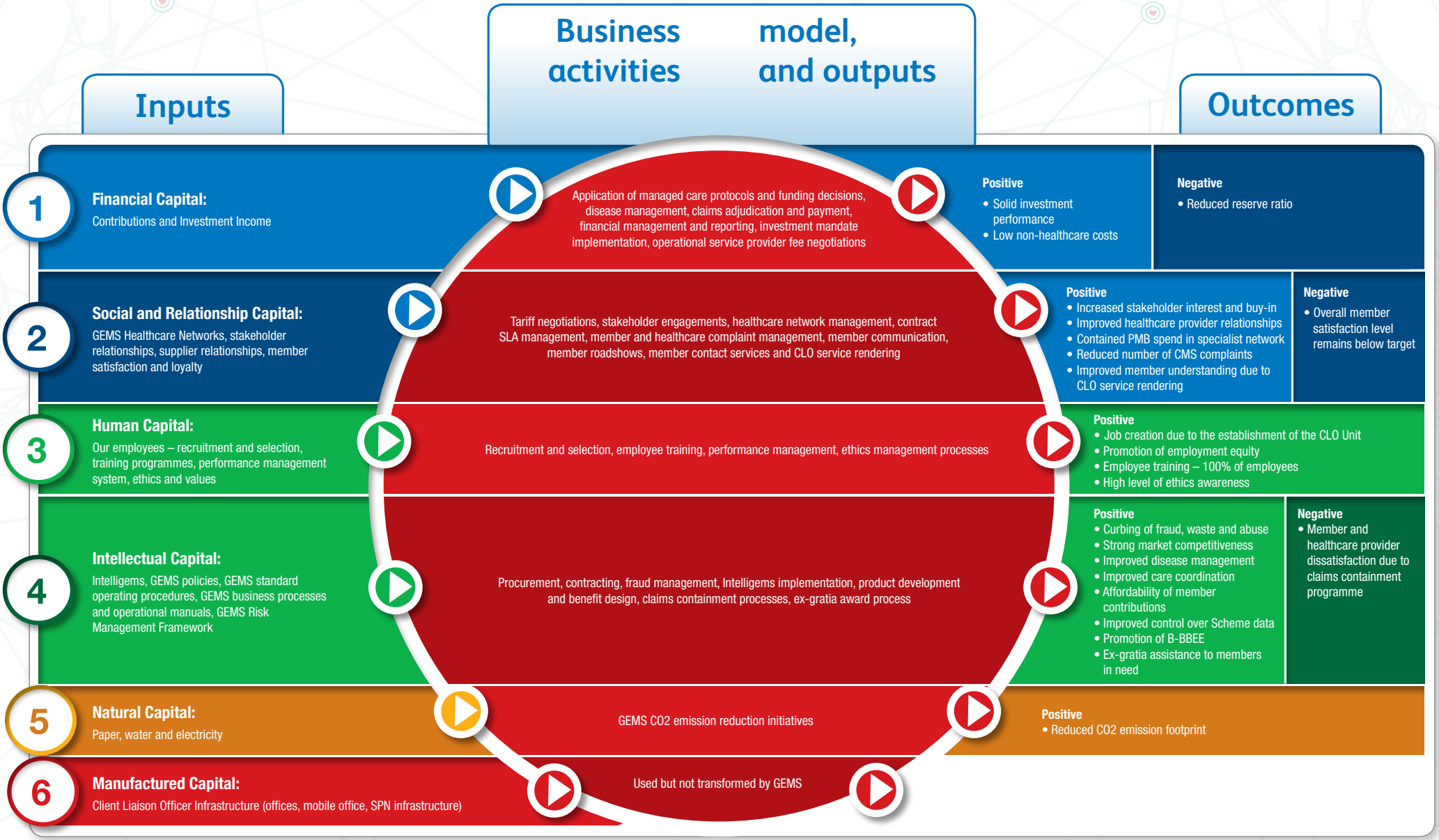
The Board of Trustees has established a Clinical Governance and Ex-gratia Committee to consider applications from members for ex-gratia payments in respect of healthcare services obtained by members and their dependants which do not form part of their benefit entitlements. The Scheme's ex-gratia function contributes to the health and well-being of members and their families by further enhancing access to healthcare services in a responsible manner. The total value of ex-gratia payments approved for the period ended 31 December 2016 was R24.4 million and a total of 1,870 beneficiaries were assisted.

The impact of our Broad-Based Black Economic Empowerment (B-BBEE) initiatives:

The purpose of this section is to give an indication of the extent to which GEMS promotes B-BBEE through preferential procurement. Together with this, GEMS also promotes exempted micro enterprises and qualifying small enterprises.

GEMS allocates 30 % of its bid evaluation criteria towards B-BBEE for bids and quotes above a certain threshold. This confirms GEMS' dedication towards promoting B-BBEE through procurement as part of promoting the country's larger socio-economic objectives.

Organisational overview of GEMS continued



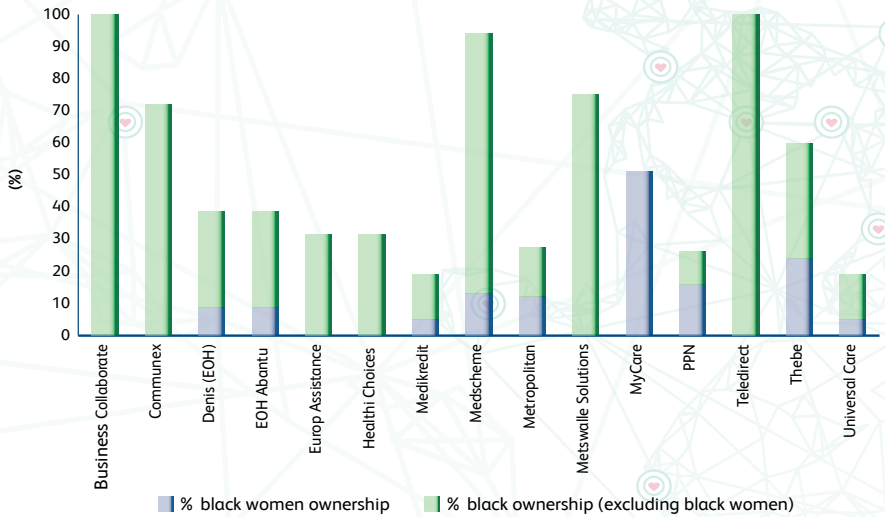
Organisational overview of GEMS continued

Once their SPN contracts are established, all GEMS SPN service providers must spend at least (5 %) of their fees paid by GEMS in respect of the services rendered to the Scheme on B-BBEE sub-contractors that are at least a Level 1, 2 or 3 contributor and/or promote individuals who are part of the black designated groups as defined in the Codes of Good Practice and employed for purposes of the project.

During the period under review, GEMS also provided in its procurement processes for both the old and the new Codes of Good Practice and accommodated the transitional phase between the two sets of Codes that expired during 2016.

Black ownership was identified as an important element within the GEMS procurement processes and during 2016 the average black ownership in the Scheme's Service Provider Network (SPN) was 52.25 %.

Average blackownership – SPNs



The graph above provides an overview of the black ownership of each of the contracted organisations in the SPN and also indicates more specifically black women ownership statistics of the SPN of the Scheme.

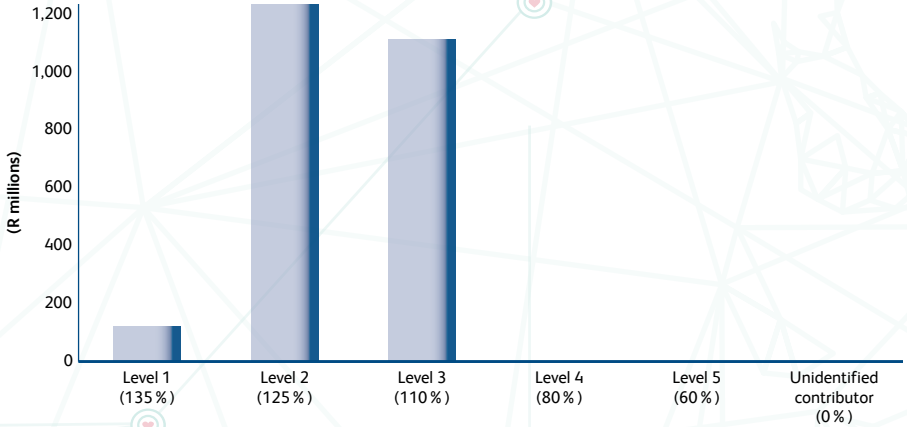
The majority of GEMS' spend on SPN contracted service providers achieved a level 2 rating which, even in the absence of any benchmark data, is considered as a very good result and an indication that the B-BBEE elements in the Scheme's Supply Chain Management Policy are adding value to the service providers involved in delivering these services to the Scheme.

A detailed record of the GEMS measured spend is maintained on an ongoing basis, highlighting the procurement spend on contracts entered into. This enables GEMS to view its tangible contribution towards B-BBEE through preferential procurement.

By the end of 2016 GEMS achieved the following average preferential procurement recognition levels in its spend in each of the categories on the next page:

Organisational overview of GEMS continued

B-BBEE level contributor – SPNs



Recognised spend percentage	2016 %	2015 %
Contracts <R200 000	102.43	106.94
Contracts >R200 000	114.51	115.48
Administration and Managed Care contracts (SPN)	120.06	124.12

The slight decrease in 2016 is due to some of the providers already having been assessed on the new B-BBEE codes which have had a slight negative impact on some of the ratings of the providers. This is being closely monitored and where providers' ratings have been negatively impacted, the Scheme have engaged to ensure they put measures in place to address this decline.

B-BBEE and GEMS audit services

GEMS has appointed one external audit service provider in 2016, which is a joint venture between Deloitte & Touche and OMA Chartered Accountants. Their respective B-BBEE status is:

Service provider	Level contributor status
Deloitte & Touche	Level 2
OMA Chartered Accountants	Level 1

Due to the nature of the support required from an internal audit perspective, GEMS decided to establish a panel of internal audit service providers from 1 January 2017 to assist with GEMS' requirements. These panel members and their B-BBEE status are:

Organisational overview of GEMS continued

Service provider	Level contributor status
Rakoma and Associates Inc.	Level 1
Entsika Consulting Services (Pty) Ltd	Level 1
PriceWaterhouseCoopers Inc.	Level 2

GEMS' internal audit service provider for the year ended 31 December 2016 was a joint venture between PriceWaterhouseCoopers Inc. and Rakoma and Associates Inc. whereas from 2017 they are contracted as separate service providers which confirms that the previous joint venture capacitated the B-BBEE company to such an extent that they were able to compete independently and were successful.

The systems and processes used to conduct our procurement activities

GEMS makes use of its appointed internal auditors to render procurement oversight to further enhance procurement governance. All procurement processes initiated and concluded during 2016 were declared free, fair, transparent and in line with the Scheme's Supply Chain Management Policy.

In the 2016 financial year, GEMS issued, evaluated and adjudicated 26 tenders in various threshold categories. During the year there was an increased participation by Exempt Micro Enterprises and Qualifying Small Enterprises in the GEMS bidding process, being equal to the number of large companies participating. More awards have been made to Qualifying Small Enterprises and Exempt Micro Enterprises than to large companies with a number of awards to joint ventures who responded to bids.

The impact of fraud, waste and abuse management activities

We recognise that fraud, waste and abuse impacts negatively on the Scheme's ability to create value. The GEMS Fraud Policy and Prevention Plan guides how we detect and prevent fraud waste and abuse, how allegations are investigated and the sanctions that may be imposed where fraud has been confirmed.

GEMS is committed to combat the scourge of fraud, waste and abuse by:

- Creating a culture of ethics and intolerance to fraud.
- Preventing, detecting and responding to fraud.
- Taking appropriate action, including sanctioning and recovery of irregularly paid claims, in instances where fraud have been confirmed.

The Scheme has established various platforms for the prevention of fraud, waste and abuse. Allegations of fraud, waste and abused are received through various sources including, but not limited, to tip-offs from the Vuvuzela Hotline, claims analytics and information obtained through industry collaboration.

All matters are recorded in a case management system in order to track the progress on the investigation and record all relevant supporting information.

Organisational overview of GEMS continued

Sanctions include termination of direct payment to healthcare providers, the reversal of irregular claims, reporting of healthcare providers to the relevant regulatory body, allocating matters to forensic field investigators for further investigation and the recovery of payments from healthcare providers and criminal prosecution.

During 2016, GEMS received 1,981 allegations of fraud, waste and abuse. All allegations were considered with a view to determine if GEMS is at risk. After an initial assessment, 808 allegations were classified as potentially containing evidence of fraud, waste and/or abuse and were allocated for further investigation to our Fraud Risk Management team.

Of the 808 matters investigated, sanctions were imposed in respect of 41% of the cases (industry norm: 33%). During 2016, GEMS sanctioned 16 members and 129 healthcare providers for a number of offences including the submission of claims for services not rendered, the submission of claims that do not correspond with the services rendered, collusion with members and over-servicing.

As part of the investigation process, GEMS provided forensics investigation firms with 154 cases, to obtain further evidence of fraud, waste and abuse and to advise GEMS on the likelihood of successful recoveries and/or convictions. In this regard, Acknowledgment of Debt (AOD) contracts have been signed with a number of service providers. The signing of an AOD does not preclude further action against offending healthcare providers.

Our forensic investigators reported 26 cases to law enforcement for further criminal prosecution. At the end of the reporting period, four cases resulted in successful criminal convictions.

Our corporate social investment initiatives:

Promoting education, wellness, healthcare awareness and the improvement of infrastructure and facilities in which these activities take place, is the heartbeat of GEMS' Corporate Social Investment initiatives (CSI). Special focus is given to rural and underprivileged areas where the need is greatest and impact can be optimised for the communities and individuals touched by our projects. Through a nomination process, members select charitable organisations within their communities, and it is from these that we then select the charity organisation we will support.

We are grateful to members who continue to make us aware of communities and organisations most in need.

School uniform drive

It is concerning that so many learners still go without proper uniforms, food, shelter and other amenities that contribute to optimal learning. Some of the charities sponsored this year tackled these circumstances. We were honoured to have the Department of Public Service and Administration (DPSA) invite us on a Ministerial drive to donate school uniforms to Thato Ya Batho School in the North West township of Themba, Hammanskraal. One hundred and forty-four uniforms were donated as well as 80 office chairs previously used by our Client Liaison Office.

Hygiene drive

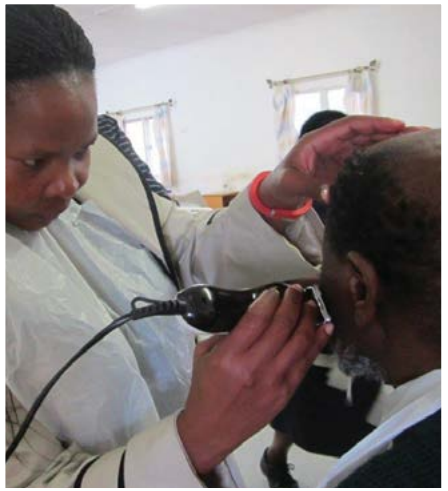
One of the other challenges that rob young girls of an equal opportunity to learn is the lack of feminine hygiene products. When we received a letter from one of our GEMS members regarding the Rosenhof High School, we knew we had to extend a helping hand. Based in Bloemfontein, the school takes care of vulnerable girls from across the country. We donated hygiene packs, toiletries and groceries sufficient for three months.

> Promoting education, wellness and **healthcare awareness**

AGM 2016/Mandela Day outreach

The Mandela Day initiatives provide GEMS with another opportunity to contribute positively to the communities we serve. The Board of Trustees has also committed to contributing to the event in the province in which our Annual General Meeting (AGM) takes place, in a meaningful way.

Organisational overview of GEMS continued



We spent a day at the Ekukhanyeni Assistance Living Centre, a home for the elderly in Thokoza Village, KwaMhlanga in the Mpumalanga province just over the Tshwane border.

We donated gas stoves, fridges, groceries and toiletries, a laptop, printer, wheelchairs, beds, tables, chairs and erected a borehole water system.

CSI GEMS Symposium

The annual GEMS Symposium is a flagship event aimed at bringing together thought leaders and experts in healthcare to discuss topical issues in the industry. Traditionally held in state-of-the-art convention centres in major metros, the Board took a decision to have the 2016 event hosted in Soweto, as a means of giving back to our communities and contributing to developing the township economy.

As with the AGM, we contribute where the Symposium is hosted, by giving time and resources to a local charitable organisation or project. The GEMS CSI budget for 2016 was R2,255,760 and of this budget R1,326,167 was spent. The initiatives were all derived from member suggestions which were called for in January 2016. The Scheme continues making a difference and being an integral part of the communities in which our members live.

Benefit Design

During 2014 the Scheme introduced a Product Development Committee which was tasked to proactively identify product enhancements and innovation that the Scheme can consider during Benefit Design. The product development process is a proactive process where resources are allocated to identify market changes and identify product development opportunities that present themselves. Within each cycle, GEMS should have a clear roadmap of new products and enhancements to be considered and whether they can be implemented in the short-term or longer term. This process also includes a review of member complaints and suggestions.

All of the suggestions considered through this process are screened against the criteria below. All product development ideas that are found to be in line with the screening criteria are then submitted to the Clinical Governance and Ex-gratia Committee and Benefit Design Committee for consideration and recommendation to the Board of Trustees:

- Current healthcare funding trends benchmarking.
- Competitor benchmarking.
- Reduce or eliminate out of pocket/co-payments by members.
- Impact/saving on the Scheme must be significant.
- Measurability of change and outcome.
- Ease of implementation.
- Positive impact on members.
- Advancement of innovation.
- Active payer/purchaser (Acting on behalf of members).
- Alignment to GEMS' mission, vision, values and strategy.

Strategy and resource allocation

Our strategy evolution

From 2008, the Scheme has been operating on the basis of medium-term strategic plans based on three-year periods. The main focus areas of the Scheme's **first** (2008 to 2010) and **second** (2011 to 2013) strategic plans was **membership growth** and the **aggressive containment of non-healthcare costs**. The Scheme's third strategic plan, spanning 2014 to 2016, represented an important shift towards the **containment of healthcare costs**.

The Three-year Strategic Plans were revised and updated annually considering performance against targets and changes in the Scheme's external and internal operating environment.

As a medical scheme that looks after the healthcare needs of more than 1.8 million lives, we recognise our enormous duty and responsibility to the beneficiaries of GEMS and to the broader society within which the Scheme operates. The annual strategic planning meetings allowed the Board to evaluate, consider and question the impact and results of the Scheme's activities.

Three-year Strategic Plan 2014 to 2016

The Scheme's Three-year Strategic Plan for the period 2014 to 2016 was developed in response to the following challenges:

- Rapidly increasing healthcare costs.
- A worsening clinical risk profile.
- Pressure on Government's wage bill and subsidies.
- Ongoing national health policy development and progress.
- Stakeholder objectives.

The strategic plan rested on four pillars:

Affordability	Making healthcare spending a progressively smaller portion of household income, while minimising member out-of-pocket spending on healthcare for government employees from all income groups.
Understanding members	Understanding member profiles and needs, promoting healthy behaviors through well-incentivised loyalty programmes that encourage members to lead healthier lives, minimising their risk of developing lifestyle-related diseases.
Healthier members	Promoting effective disease management of members and improving the clinical outcomes so that they remain healthy and productive members of the public service.
Partner to organs of the State	Working together with government bodies and leading industry players, both local and international, to bring about innovative methods and leading practices in healthcare for the ultimate benefit of society.

Strategy and resource allocation continued

The four strategic pillars were linked to nine strategic objectives, each with key performance indicators designed to support the achievement of the strategic objectives.

GEMS STRATEGY

Affordability | **Understanding members** | **Healthier members** | **Partner to organs of the State**

STRATEGIC OBJECTIVES (DIVISIONAL VIEW)

Communication and Member Affairs	**Governance and Compliance**	**Contracts and Operations**
1 To effectively market GEMS as the Medical Scheme of choice and significantly reduce the number of uncovered employees in the public service.	2 To maintain a sound governance system which is centered on high standards, compliance and sound stakeholder relations.	3 To ensure operational excellence, effective service framework and controls.
Finance	**Healthcare Management**	**Corporate Services**
4 To post surpluses, accumulated sufficient reserves and uphold sound accounting standards.	5 To improve the Scheme's clinical risk profile and contain the claims experience.	6 To maintain and enhance Scheme corporate services and workforce making GEMS an employer of choice.
ICT	**Internal Audit**	**Office of the Principal Officer**
7 Providing a reliable, secure and effective IT environment enabling business efficiency.	8 To enhance and protect organisational value by providing risk-based and objective assurance, advice and assistance.	9 To effectively manage the implementation of the strategy, risk and complaints management, centered on creating broad value for the Scheme, its members and partners.

> The Board is confident that the **successful implementation** of the **new** Strategic Plan will provide the necessary foundation for **long-term sustainability**

Strategy and resource allocation continued

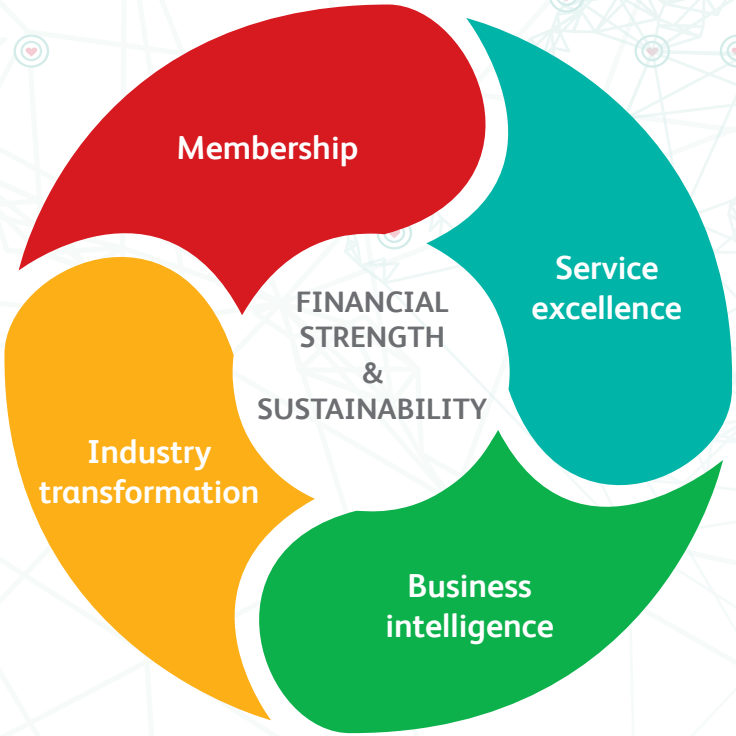
Changing for the future

An independent review of the GEMS strategy and business model was performed as part of the Board's medium-term strategic planning process. The review was informed by our:

- Changing landscape.
- Internal operating context and performance.
- Assessment of our performance.
- Assessment of risks.

The Board approved a new Five-year Strategic Plan for the period 2017 to 2021. The strategy will be executed in three phases with the ultimate goal of positioning GEMS for Universal Health Care.

The five strategic focus areas for the optimal positioning of GEMS for the future are:



> To post surpluses, accumulate sufficient reserves and **uphold sound accounting standards**

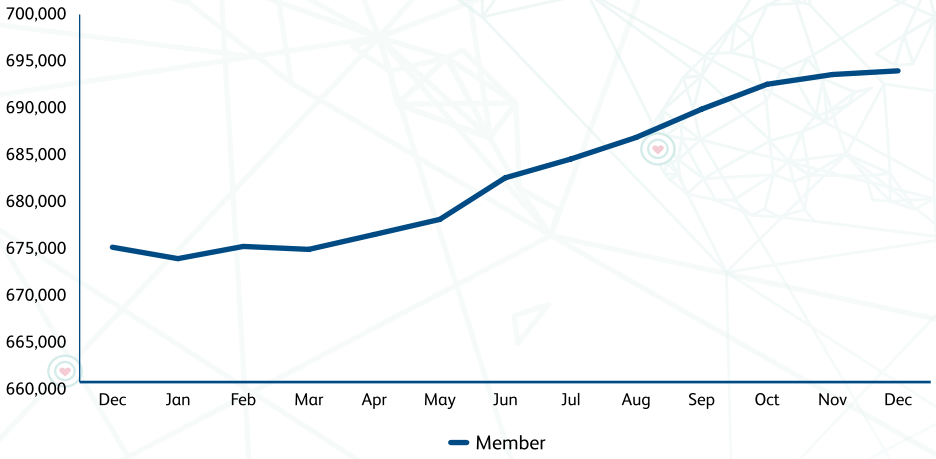
Performance against the GEMS Mandate

- **Adequate provisioning of healthcare coverage:** 57 % of eligible public service employees in 2016 were members of GEMS. This translates into 694,262 principal members and 1.8 million lives, making GEMS the largest closed Scheme in South Africa. GEMS has fulfilled the tenet of accessibility. The Scheme has not only made considerable inroads in covering public sector employees that previously had no access to healthcare cover, but has provided opportunity for lower level employees (46 % of the level 1 to 5 employees) to access comprehensive medical cover.
- **Efficient, equitable and cost effective:** GEMS is 10 – 24 % cheaper when compared to similar plans on other schemes. Opportunities for the future lie in the ownership and centralisation of beneficiary information, vertical integration to control costs, and further leveraging economies of scale. Centred on the principles of equity, efficiency and affordability, GEMS has continued to efficiently provide all public service employees with equitable access to affordable and comprehensive healthcare.
- **Provision of further options:** GEMS offers comprehensive cover options at competitive costs; however, opportunity lies in smarter products to be customised to incorporate geography, gender, age and technology. GEMS has continuously differentiated itself in the market, offering members choice and equal access to higher benefits and more extensive cover subject to their needs.

Performance against membership growth targets

GEMS achieved sustained membership growth during 2016.

Membership growth



Financial performance

The Scheme recorded a deficit of R484.7 million for 2016 (2015 surplus R5.3 million). This can mainly be attributed to the following factors which are reflected in the Statement of Comprehensive Income:

- Risk contributions (R35 million higher than budgeted).
- Net claims incurred (R0.9 billion higher than budgeted).
- Non-healthcare cost (R136 million lower than budgeted).
- Investment income (R31 million higher than budgeted).

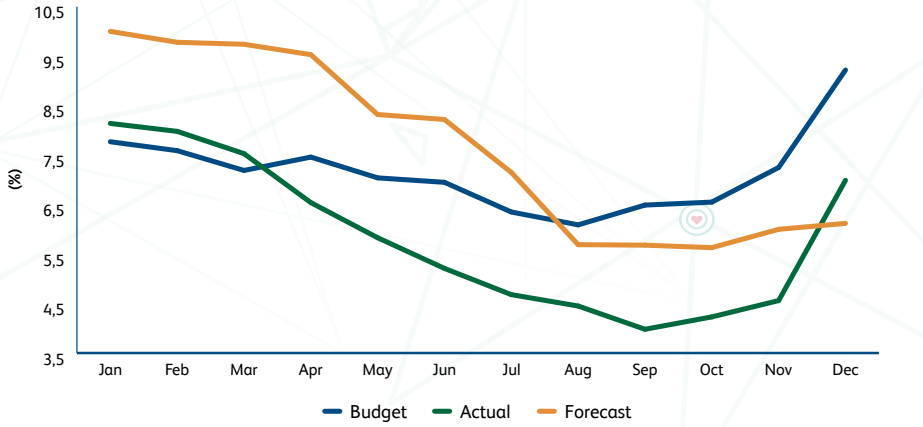
In the business world solvency is defined as the degree to which current assets exceed current liabilities and relates to the ability of an entity to settle its liabilities in the short-term (12 months).

The reserve ratio within the medical scheme environment relates to contributions and accumulated funds and is calculated as a scheme's accumulated funds as a percentage of its Annual Gross contributions. As such the reserve ratio fluctuates during the course of any financial year due to the formula applied. The Scheme commenced the year with reserves of R2.7 billion and although the negative claims experience had a significant impact, the Scheme was able to recover some of the earlier losses in the latter part of the year and finished the year with reserves of R2.2 billion.

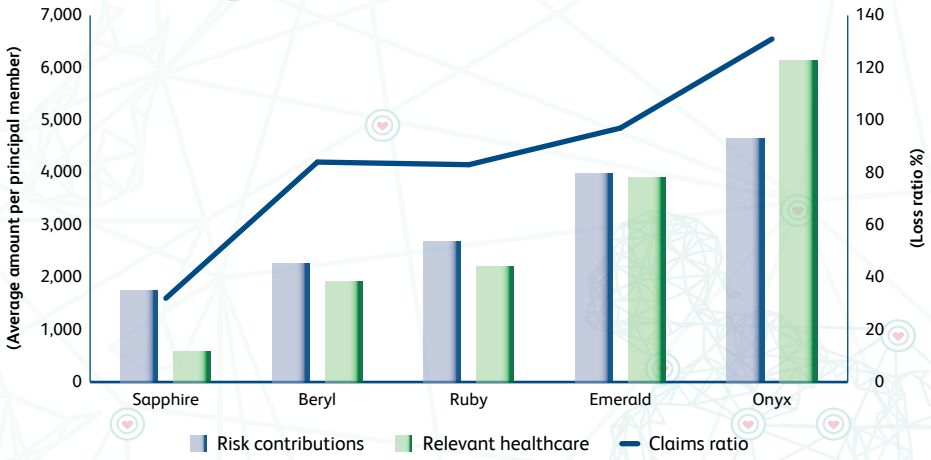
At no point during the year was the Scheme at risk of not being able to honour its commitments to members or suppliers. This highlights the importance of having these reserves in place to protect the Scheme, its members and providers during years where the Scheme does encounter an adverse claims experience as it did during 2016. The Scheme ensured that all key stakeholders, including National Treasury, the Department of Public Service and Administration and the Public Service Coordinating Bargaining Council were informed about the performance of the Scheme throughout the year. The Council for Medical Schemes was kept informed by means of regularly scheduled performance monitoring meetings as well as ad hoc meetings.

The graph below plots GEMS' solvency ratios for 2016. The Scheme's solvency ratio at 31 December 2016 was 6.99 % (2015: 9.46 %) which was below the solvency ratio approved by the Registrar of Medical Schemes for 2016 of 9.9 %.

Reserve ratios – 2016

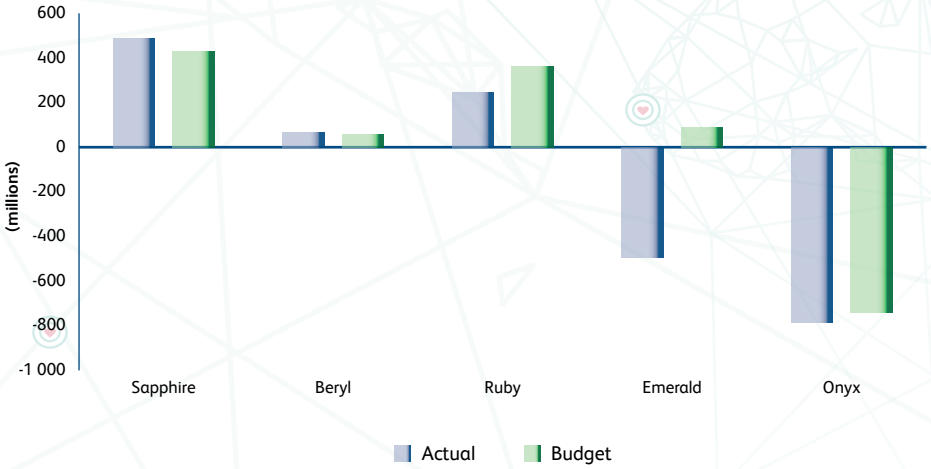


Contributions and claims – 2016



The claims ratio for GEMS overall was 96.6 % (2015: 95.7 %) for 2016, significantly higher than expected (93.7 %). The graph above summarises the net results of the various options against the budget for 2016 indicating a negative variance against the budget for most of the Scheme's options.

2016 option net result – surplus/(deficit)



The Office of the Registrar approved the Scheme's revised Recovery Plan for the Emerald and Onyx options during 2015. It was agreed that the Emerald and Onyx options' financial performance and compliance to Section 33(2)(b) of the Medical Schemes Act would be closely monitored throughout every financial year.

The Scheme submitted an updated business plan to the Council for Medical Schemes for consideration and approval during 2016. A number of factors had contributed to GEMS being unable to meet previously agreed solvency and other targets. These include:

- Unexpectedly high adverse claims experience in 2016.
- A slowdown in membership growth, which in turn results in accelerated ageing.
- The advent of pre-92 pensioners which had a significant impact on the Scheme's experience.

The Scheme is aware that contribution increases consistently above Medical Price Inflation (MPI) (rate at which the subsidy is increased each year) is deemed unsustainable and unaffordable to our members and the revised business plan takes this into account. The plan also considers the expected healthcare cost inflation and utilisation increases the Scheme might experience in future.

The Scheme aims to reach the statutory required reserve level of 25 % by 2022. The Emerald option is expected to return to a surplus position during 2017 but the Onyx option is not expected to be self-sufficient in the near future due to the demographics of the members in this option. All other options are expected to continue producing surpluses in the future.

Investment performance

During 2014, GEMS established an Investment Committee which is responsible for monitoring the performance of the Scheme's investments. The Committee is supported by the Scheme's Investment Consultant, to ensure that maximum returns are achieved with limited risk exposure of Scheme funds. Expert advice is provided to the Committee in developing an appropriate investment strategy and investment portfolio for the Scheme. This investment strategy is developed to ensure that the Scheme maintains a sound financial position, has enough liquidity to meet the liabilities of the Scheme as they become due and ensures compliance to all aspects of regulations 29 and 30 of the Medical Schemes Act 131 of 1998 as well as Annexure B. Compliance to the regulatory requirements are reported to the Investment Committee on a quarterly basis.

The investment strategy is executed using the services of two Asset Management companies who were appointed during 2015 and who are responsible for the following portfolios:

1. Money Market Portfolio
2. Segregated Absolute Return Portfolio

The main objective of a Scheme is to provide medical benefits to its members and for this reason a moderate risk appetite is adopted in the investing activities of the funds of the Scheme.

The Scheme has set a target to achieve an investment return in excess of inflation and this is achieved through a mixture of fixed deposits, investment in the Money Market and Absolute Return portfolios. The performance of the Asset Managers is monitored through monthly and quarterly reports to the Scheme to ensure they achieve the targets set for each of these portfolios. They are also required to present feedback to the Investment Committee at least once a year.

The Scheme performs a review of its investment mandate and strategy annually and this process is supported by inputs received from the Investment Consultant to ensure that the Investment Strategy delivers optimal returns on the funds of the Scheme. As a result of the review and the success of the current Asset Managers, a decision was made to appoint two additional Asset Managers in order to further enhance the Investment strategy of the Scheme.

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 reviewed the Scheme's alignment to CRISA on a quarterly basis in 2016.

Summary of investments held at year-end

	2016 R'000	2015 R'000
Current accounts	69,764	254,940
Call accounts	2,547,710	2,345,231
Fixed deposits	560,000	805,000
Asset manager investments	861,524	447,076
Medical savings account – Trust monies	577,622	459,251
Total	**4,616,620**	**4,311,498**

The Personal Medical Savings Account (PMSA), which is managed by the Scheme on behalf of its members, represents savings contributions (which are a deposit component of the insurance contracts), and accrued interest thereon, net of any savings claims paid on behalf of members in terms of the Scheme's registered rules and bank charges.

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

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

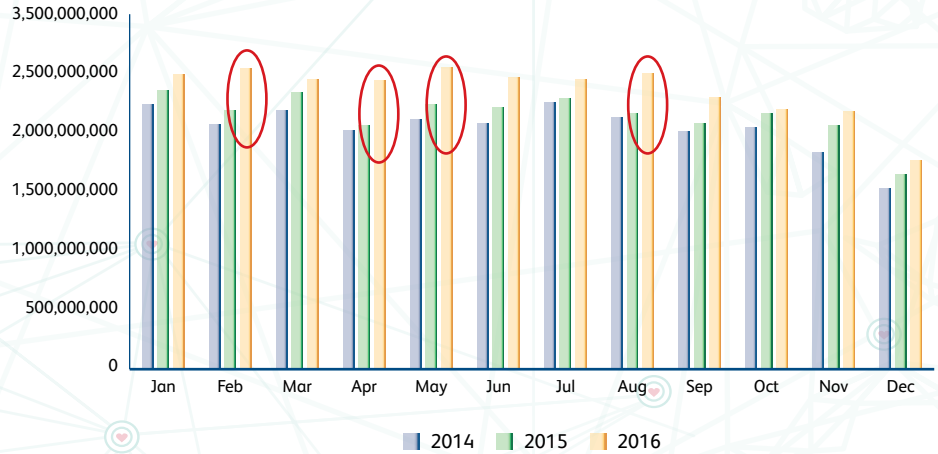
The Personal Medical Savings Accounts are invested on behalf of members in deposits held on call with Investec Bank. These monies are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

As at 31 December 2016 the PMSA balance managed by the Scheme on the members' behalf stood at R577 million.

Claims experience

In 2016 the Scheme settled claims to the value of R28.6 billion (92.2 million claim lines). This represents a 12.3% increase from 2015 during which GEMS settled claims to the value of R25.5 billion (86.7 million claim lines). The graph below represents the claims incurred by month compared to previous years and indicates the months where the Scheme had experienced the biggest year-on-year increases.

Monthly claims incurred



The Scheme initiated a project very early in 2016 after it became apparent that the Scheme was facing a substantial increase in the claims processed and paid versus the budget set for the year. The project involved Scheme Executives and Senior Managers as well as all service providers contracted by the Scheme. The project focused on the following areas where potential issues were identified by the Actuaries and Strategic Managed Care provider of the Scheme:

- **Hospital event utilisation** – Focus on strengthening authorisation processes to curb supplier-induced admissions as well as fraud, waste and abuse, particularly hospital admissions linked to cash back plans.
- **Associated hospital provider utilisation** – Focusing on curbing over servicing by specialists, pathology, radiology, clinical technology, physiotherapy and dieticians.
- **Tariff negotiations in Radiology, Pathology, Hospitals** – Focusing on limiting cost increases and using the size of the Scheme to negotiate better rates.
- **Independent claims review** – The Scheme appointed an external provider to review certain claims of the Scheme where high increases were seen and fraud, waste and abuse was suspected.
- **Early Warning Systems** – Using the 2016 claims experience to derive a set of measures that can be used to prospectively predict the claims experience of the Scheme in order to intervene at an earlier rather than later stage.

Report on Performance and Outcomes continued

Progress against the GEMS strategic plan performance indicators for 2014 – 2016

Strategic pillar	Strategic indicator	2014 target	Progress 2014	2015 target	Progress 2015	2016 target	Progress
Affordability	Contribution cost	Rate of contribution increase CPI +2 %	CPI+ 3.9 % for 2015	Rate of contribution increase: CPI +2.5 %	CPI+3.4 % for 2016	Rate of contribution increase: In line with MPI (8.6 %)	Average contribution increase of 14.98 % for 2017. Based on the Scheme's financial performance in 2016, an increase in line with MPI was not feasible
	Contribution cost	Benefit option plans contribution rates are maintained at 15 % lower than competitor plans offering similar benefit richness	Based on a benchmark exercise performed by the Scheme's Actuaries, GEMS' contributions are on average 15 % below those of other competing Schemes for similar options	Benefit option plans contribution rates are maintained at 15 % lower than competitor plans offering similar benefit richness	Based on a benchmark exercise performed by the Scheme's Actuaries, GEMS' contributions are on average 19 % below those of other competing Schemes for similar options	Benefit option plans contribution rates are maintained at 15 % lower than competitor plans offering similar benefit richness	Based on a benchmark exercise performed by the Scheme's Actuaries, GEMS' contributions are on average 24 % below those of other competing Schemes for similar options
	Cost-effective healthcare benefits with strategic sourcing	Strategic sourcing of health care services decrease cost by 5 % pa (Selected categories- Prosthesis, Devices, Medicines)	A list of 10 prosthetic products (identified by utilisation and cost) was developed and will become the 1st phase of Strategic Sourcing for Prosthesis and Appliances	Medicine, prostheses and appliance spend on selected items reduced by 5 % per annum starting in 2015 Implement strategic sourcing Prosthesis and appliances (2015)	The Strategic Sourcing capabilities of the Scheme were strengthened and the GEMS Strategic Sourcing Policy (Methodology) was finalised. A vitamin formulary, which comprises 46 multivitamins, will be implemented in 2016	Medicine, prostheses and appliance spend on selected items reduced by 5 % per annum Implement strategic sourcing: ▶ Prosthesis and appliances targets for selected categories ▶ Chronic medicines targets for selected categories	A cap fee strategy on hearing aids, wheelchairs and crutches was halted after an industry challenge A formulary for multivitamins for HIV and the Maternity Programme was implemented in April 2016. Savings achieved since implementation amount to R14.3 million
	Fraud and inappropriate claims (abuse)	Quantify cost of fraud and abuse	Initial work commissioned on quantification of Scheme's experience to fraud In 2014, this estimate amounts to approximately R1.2 billion	▶ Quantify cost of fraud and abuse for Q4 2014 to Q1 2015 ▶ Set targets for recoveries in 2015 & 2016 based on quantification	Policy revised to enhance provisions related to recovery and prevention	▶ Quantify cost of fraud and abuse ▶ Target 5 % per annum for top 5 causes of fraud and abuse in 2016 ▶ Track recoveries in 2016	Quantification conducted. Potential recoverable estimated at R103.5 million. The 2016 target is R50 million for recoveries. Disciplines targeted for 5 % reduction Acknowledgement of debt to the value of R23.6 million and R6 million collected. Forensic investigation in KwaZulu-Natal advanced

Report on Performance and Outcomes continued

Strategic pillar	Strategic indicator	2014 target	Progress 2014	2015 target	Progress 2015	2016 target	Progress
Understanding members	Sustainable Membership Growth	Members 700,000 Beneficiaries 1,900,000 50 % of level 1 to 5 employees	687,694 principal members were enrolled 1,838,199 beneficiaries enrolled 53 % were enrolled by end December 2014	Members 716,000 Beneficiaries 2,000,000	674,673 principal members 1,781,770 beneficiaries enrolled	Members 682,000 Beneficiaries 1,790,000	694,262 principal members 1,833,137 beneficiaries enrolled
				50 % of level 1-5 employees	46.15 % were enrolled by end December 2015	50 % of level 1-5 employees	60.2 % were enrolled by end December 2016
	Member responsiveness: Our service promise is delivered and executed	Reduce the ratio of complaints to registered members to 0.15 % and below CMS Industry average	The average ratio of complaints to registered members for the year was 0.15 %. A dedicated complaints management forum was established in 2014 and lead by the Principal Officer	Complaints ratio equal to or smaller than 0.15 % Conduct market research, through focus groups on key closed and open medical schemes and GEMS specifically in 2015	The average ratio of complaints to registered members for the year was 0.25 % in December 2015, the figure was 0.13 % for the month	Complaints ratio equal to or smaller than 0.15 %	The average ratio of complaints to registered members for the year was 0.24 %
		Member satisfaction ≥ 80 %	78 %, a downward trend was recorded over the past three years with affordability a major contributing factor to member dissatisfaction	Member satisfaction ≥ 80 %	The overall satisfaction score was 70 % and reflects a continuing downward trend The overall score of 70 % indicates that members are more positive than negative about their experience of GEMS but they cannot be said to be completely satisfied	Member satisfaction ≥ 80 %	The overall satisfaction score was 70 % and thus remained at the level recorded for the previous reporting period
	Promote and recognise healthy lifestyle behaviours	Disease screening testing increased by 10 % pa	Communication to members to promote disease screening was increased through all communication platforms. Data being tracked in 2014 showing a significant increase (>20 %) in screening activities compared to 2013. Approximately 463,225 screenings were conducted in 2014	Disease screening testing increased by 10 % pa	Due to a change in service providers, the figure cannot be determined	Disease screening testing increased by 10 % pa	162,842 screening tests performed in 2016

Report on Performance and Outcomes continued

Strategic pillar	Strategic indicator	2014 target	Progress 2014	2015 target	Progress 2015	2016 target	Progress
Understanding members	**Promote and recognise healthy lifestyle behaviours**	Set up loyalty programme	The target launch date was revised to Q3 2015. A review of product options, development and costing work commenced. The initial product design was discussed by the Board of Trustees on 5 December 2014	Launch programme in 2015 with an uptake of 5 % and an uptake of 15 % in 2016	Lifestyle programme design work finalised. The procurement process for administration services commenced	Launch programme in 2016 with an uptake of 5 % in 2016	The procurement process for administration services was concluded in 2016. The programme will be launched in 2017
		GEMS workplace-based exercise and health programme	Not reported in 2014	Not reported in 2015	Not reported in 2015	GEMS workplace-based exercise and health programme take up 10 % in 2016	42,853 members enrolled on the programme
Healthier members	**Claims ratio target reached**	Claims ratio target achieved by 2014: 89 %	The Scheme's claims ratio at the end of December of 94.22 % was significantly higher than the targeted ratio of 89.00 %, due to a budget variance on contributions, member choices (e.g. option changes) and a worsening claims experience	Claims ratio target achieved by 2015: 90 %	The Scheme's 2015 claims ratio was 95.68 %	Claims ratio target achieved by 2016: 92.3 %	The Scheme's 2016 claims ratio was 96.6 %
	Measure specific outcomes to monitor compliance on the management of key medical conditions	Disease Management Programme HIV/Aids: 85 % of total members who registered on ART that received a viral load result of "controlled" (1,000 copies or less) by December	Disease Management Programme 86,7 % for Q4 2014	Disease Management Programme HIV/Aids: 85 % of total members who registered on ART in June 2015 that received a viral load result of "controlled" (1,000 copies or less) by December	Disease Management Programme: HIV/Aids: 89.2 % of total members who registered on ART in June 2015 that received a viral load result of "controlled" (1,000 copies or less) by December Note: This measure is determined through a blood test done after the member has been registered on the programme for six months	Disease Management Programme HIV/Aids: 85 % of patients on first line treatment viral load undetectable	94 % for Quarter 4 of 2016
		Reduce HIV pneumonia and TB admissions by 5 % per annum	Pneumonia – decrease 17.4 % TB – decrease 17.8 %	Reduce HIV pneumonia and TB admissions by 5 % per annum	Pneumonia – decrease 2.0 % TB – increase 1.9 %	Reduce HIV pneumonia and TB admissions by 5 % per annum	Pneumonia – decrease 14.0 % TB – decrease 2.8 %

Report on Performance and Outcomes continued

Strategic pillar	Strategic indicator	2014 target	Progress 2014	2015 target	Progress 2015	2016 target	Progress
Healthier members		Maternity Programme Enrolment: 50 % (second trimester)	By the end of 2014, 65 % of beneficiaries had enrolled by the second trimester	Maternity Programme Enrolment: 60 % by second trimester	Maternity Programme Enrolment: By the end of 2015, 63.86 % of beneficiaries had enrolled by the second trimester Note: The % is calculated based on the due date of the member and the date by which they have been registered on the programme		By the end of 2016, 76 % of beneficiaries had enrolled by the second trimester
	Measure specific outcomes to monitor compliance on the management of key medical conditions	Disease Management Programme: New Disease Management Programme identified for Diabetes/ Orthopaedics	Meetings held with DBC on 23 October 2014 and CDE on 13 October 2014. Approach to DMP for GEMS in development for implementation as part of 2015	Disease Management Programme: New Disease Management Programme identified for Diabetes/ Orthopaedics	Terms of Reference for procuring the services were submitted to the Board of Trustees and approved on 30 October 2015 The tenders were issued in December 2015	Disease Management Programme: New Disease Management Programme identified for Diabetes/ Orthopaedics	The Scheme's approach for introducing a Disease Management Programme for Orthopaedics will be revised as the procurement process did not yield an acceptable solution The Scheme's diabetes disease management programme will commence in 2017
Partner with Organs of State	**Partner with leaders, experts in supporting GEMS pillars:** ▶ Government ▶ International ▶ Local ▶ Disease experts	Establish an industry-wide fraud initiative	Stakeholder engagement plan developed and meetings held with industry bodies (SAPC and HPCSA). Meeting held with large medical scheme to explore approach and areas of cooperation and Memorandum of understanding (MOU) was drafted	Establish an industry-wide fraud forum	Engagements with four large open schemes and one large closed scheme held in 2015 with a view to explore a common approach and potential areas of cooperation. A draft MOU was developed to take the process further. Discussions were also held with the Board of Healthcare Funders on a collaborative approach. An Industry Forum proposal was developed	Strengthen relationship and participate in industry-wide forums	The Scheme actively participated in the Healthcare Forensics Management Unit of the Board of Healthcare Funders in 2016 Collaborative meetings were held with the new Inspectorate Unit of the Health Professions Council of South Africa with a view to support and advance the handling of complaints relating to non-compliance and unethical behaviour by healthcare providers

Report on Performance and Outcomes continued

Strategic pillar	Strategic indicator	2014 target	Progress 2014	2015 target	Progress 2015	2016 target	Progress
Partner with Organs of State	Partner with leaders, experts in supporting GEMS pillars: ▶ Government ▶ International ▶ Local ▶ Disease experts	Participate in NHI Pilots	Meeting held with DoH (potential areas of collaboration identified). Meeting held in October with Eastern Cape DoH to discuss collaboration on NHI pilot, Emergency Medical Services (EMS), Call Centre capabilities and Chronic Medicine distribution. MOU signed by GEMS in December 2014	Participate in NHI Pilot Projects: Eastern Cape Province in 2015	A delegation representing the office of the MEC in the Eastern Cape Department of Health, visited the GEMS and SPN offices from the 25 – 27 November 2015 for an overview on the Scheme operations. The visit focused on the identified collaboration areas between the Scheme and the EC DoH which are Emergency Medical Services, Revenue Generation, Contact Centre Improvement and NHI pilot sites relating to Chronic Medicine Management	Participate in NHI Pilot Projects: Eastern Cape Province in 2016	Phase 1 of a revenue generation project was piloted at the Mthatha Regional Hospital. The project is now in its second phase whereby it will be rolled-out at all Public Hospitals in the Eastern Cape. The primary objective of the project is to increase revenue generation for services rendered to patients who have medical aid but are accessing state institutions for free. The Scheme supports the project by means of a real time validation platform to identify medical scheme members, case management and claims management services
		Participate in National Health Commission	Engagements held with the DoH to explore potential areas of collaboration in respect of Non-Communicable Diseases. Additional meetings held to ensure that the Scheme engages with DDG's of the DoH on communication and PHC	Participate in National Health Department forums: ▶ National Health Commission (NCD) ▶ Hospital Index/ DRGs	No further plans regarding the National Health Commission were announced In respect of the hospital index, the Scheme supported the National Department of Health in the OECD study on developing a globally comparable hospital cost index by providing the requested data Additional data was provided on HIV and male circumcision to the Department of Health	Participate in National Health Department forums: ▶ National Health Commission (NCD) ▶ Hospital research/ PMBs/Strategic sourcing of high cost medicines	The National Department of Health was supported by means of data submissions (de-identified) on HIV and male circumcision The Scheme supported the NHI workstreams of the National Department of Health by providing access to scheme data that is de-identified

Report on Performance and Outcomes continued

Strategic pillar	Strategic indicator	2014 target	Progress 2014	2015 target	Progress 2015	2016 target	Progress
General		Board effectiveness assessment rates Board as "Good, effective Board"	Assessment by independent firm confirmed the Board as a competent Board that is satisfactorily fulfilling its role and responsibilities	Board Effectiveness assessment rates Board as "Good, effective Board"	Assessment by independent firm confirmed that the Board of Trustees (BoT) met its expectations in terms of the performance levels defined in its mandate	Board effectiveness assessment rates Board as "Good, effective Board"	The assessment for 2016 is underway
		Elections of Trustees – certified free and fair	The 2014 Trustee Election was concluded on 9 July 2014 when the Board received the election report from The Elexions Agency and the audit oversight report from PwC-Rakoma. The auditors confirmed that the election was conducted in keeping with the applicable GEMS Rules and was free and fair	Elections of Trustees – certified free and fair	No trustee election held in 2015 The Scheme engaged with the Council for Medical Schemes during the course of 2015 on the approval of a set of Scheme Rules that will enable the Scheme to conduct an interim election in an effort to address equity representation on the Board. The matter was not concluded by the end of 2015	No target for 2016 as a trustee election was not required	Not applicable in 2016
		Annual Financial Statements (AFS) approved by Council for Medical Schemes, with unqualified Audit opinion	The 2013 AFS were completed and an unqualified audit opinion was received from the External Auditors. The Council for Medical Schemes accepted the Scheme's 2013 AFS submission	AFS for 2014 approved by the Council for Medical Schemes by July 2015 and unqualified audit opinion received	The Scheme achieved another unqualified audit for 2014 and the AFS for 2014 were approved by the Council for Medical Schemes	AFS for 2015 approved by the Council for Medical Schemes by July 2016 and unqualified audit opinion received	The Scheme achieved another unqualified audit for 2015 and the AFS for 2015 were approved by the Council for Medical Schemes

Report on Performance and Outcomes continued

Strategic pillar	Strategic indicator	2014 target	Progress 2014	2015 target	Progress 2015	2016 target	Progress
General		Financial performance in line with budget and CMS targets for 2014	The financial performance of the Scheme was not in line with the initial budget. The Scheme experienced a loss/deficit of R219 million versus a budgeted surplus of R325 million. However reserves stood at 10.02%, above the CMS target of 8.9% for 2014. Non-healthcare costs are well below the budgeted amount. A detailed analysis was completed and a revised financial position was presented to the Board for consideration on 30 July 2014. The financial performance against this revised budget was better than expected	Financial performance in line with budget and approved CMS targets for 2015	During 2015 the Scheme faced several challenges but still managed to report a surplus of R5.3 million. This was however below the budgeted surplus of R273million. Reserves stood at 9.46% for the year and are slightly below the Benefit Design budgeted expectations. Non-healthcare costs were well managed and reported at 5.00% for the year	Financial performance in line with budget and approved CMS targets for 2016	The Scheme reported a deficit of R485 million compared to the budgeted surplus of R201 million. Reserves stood at 6.99% for the year and were below the target of 9.9% approved by the Council for Medical Schemes Non-healthcare costs were well managed and reported at 5.7% for the year
		Supply Chain Management Policy revised to enable broader participation by new entrants	The Supply Chain Management Policy review was completed successfully and a new progressive policy is in place	Supply Chain Management Policy update to address broader participation and alignment to best practice overall	The revised Supply Chain Management Policy was implemented fully in 2015. The impact of the policy changes was assessed independently by the Scheme's Procurement Consultant. The resultant report was considered by the Operations Committee and the Board of Trustees and further work will be done in 2016 to consider recommended changes to the Policy	No target for 2016	Not applicable for 2016

> A dedicated email address **(complaints@gems.gov.za)** is available for the submission of member complaints to the Scheme.

Complaints

The most frequent reasons for complaints against the Scheme are: Rejected and unpaid claims, the adjudication of PMB claims, appliance and procedure authorisation decisions, delays in paying member refunds on settled accounts and additional controls introduced by the Scheme in relation to claims that are older than four months.

Complaints management process

The Scheme's compliments and complaints experience is deemed an important business indicator in respect of member and stakeholder satisfaction as well as scheme performance. The Scheme has a well-defined complaints management process which ensures that complaints are resolved and the root cause is addressed as far as possible.

A dedicated email address (complaints@gems.gov.za) is available for the submission of member complaints to the Scheme. Complaints received by means of other channels such as those submitted directly to the Service Provider Network contractors, the CLO Unit and the PO email address, are also channelled into the dedicated email address. A formal Complaint Management Standard Operating Procedure is in place and complaints are managed accordingly across the Scheme's Service Provider Network. To this end, the complaint collation and response process is managed centrally by the Scheme's contracted administrator for Member and Claims Services, i.e. Metropolitan Health. The Scheme reviews the complaints@gems.gov.za email address in order to confirm the accuracy of reporting by the administrator. The Principal Officer ensures that complaints are analysed to identify underlying causal factors that could be resolved through the enhancement of existing business processes

The Board of Trustees monitors the service failures, issues and concerns raised by members and receives quarterly and ad hoc reporting from the Principal Officer on the Scheme's performance against the following performance indicators:

Performance indicator	Target
▶ Ratio of complaints to registered members.	▶ ≤0.15 %
▶ Ratio of compliments to complaints.	▶ ≥15 %
▶ Complaints lodged against the Scheme with the Council for Medical Schemes relative to the medical schemes industry.	▶ CMS Complaints below overall CMS industry average complaints/do not appear in list of top 10 closed schemes with the highest number of CMS complaints.

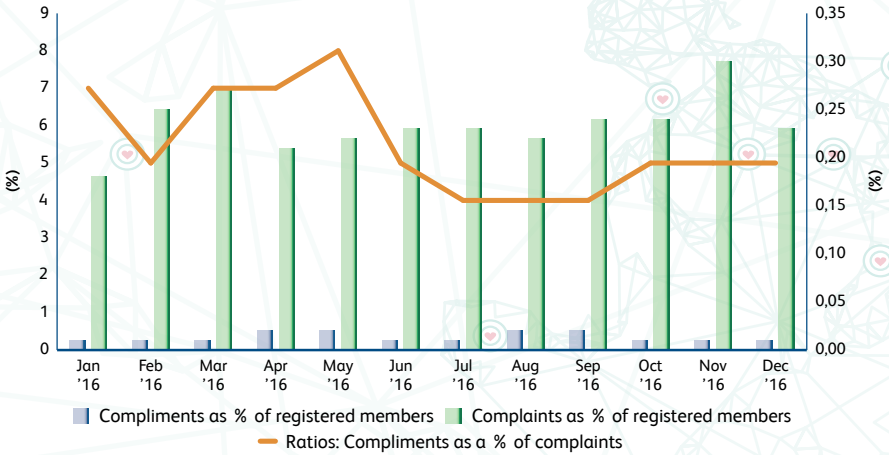
The Scheme's risk appetite matrix includes reporting on movements in the ratio of complaints to registered members.

Complaints statistics

During 2016 the Scheme received a total of 19,394 complaints. This shows a decrease of 5 % when compared to complaints lodged in 2015 (20,424). The Scheme's average ratio of complaints to the number of registered members for the year was 0.24 % (2015: 0.25 %) which was significantly outside the Scheme's risk tolerance level of 0.15 %. The majority of the complaints received were in respect of the payment of claims.

The graph below illustrates the complaints ratio for the year compared to membership growth:

Compliments and complaints ratios



Complaints/matters with the Council for Medical Schemes

For the period of 1 January 2016 to 31 December 2016, the Council for Medical Schemes (CMS) referred 746 complaints against GEMS in keeping with Section 47 of the Medical Schemes Act, Act No. 131 of 1998.

As compared to 2015, formal complaints against the Scheme have decreased by 9 % (2015: 824).

Of the total number of CMS complaints received, 307 complaints were referred directly to the Council for Medical Schemes. 45 complaints were unresolved by GEMS and directed to the Council. Complaints that were addressed by the Scheme but disputed at the Council for Medical Schemes accounted to 394. The table on the next page depicts the total numbers for 2016:

Total CMS Complaints 2016

Month	Referred directly to CMS without Scheme intervention	Unresolved enquiries directed to CMS	Addressed by the Scheme and disputed to CMS	Total
January 2016	44	6	15	**65**
February 2016	33	5	24	**62**
March 2016	29	2	24	**55**
April 2016	9	4	20	**33**
May 2016	19	3	27	**49**
June 2016	14	2	15	**31**
July 2016	14	4	23	**41**
August 2016	15	4	37	**56**
September 2016	30	4	49	**83**
October 2016	22	2	35	**59**
November 2016	31	4	52	**87**
December 2016	47	5	73	**125**
Total	**307**	**45**	**394**	**746**
Percentage	**41.15%**	**6.03%**	**52.82%**	**100.00%**

GEMS appeared in the list of 10 medical schemes most complained about as published in the Annual Report of the Council for Medical Schemes for the 2015-2016 financial year. The main causal factors of the increased complaints volumes reflected in the CMS Report was the introduction of care coordination by the Scheme in 2015 and clearing house challenges. Both the matters were successfully resolved by 1 January 2016.

In terms of Sections 48 and 49 of the Medical Schemes Act, 131 of 1998, as amended, any person who is aggrieved by a decision relating to a complaint or dispute may appeal such decision with the Council. During 2016, a total of eight appeals were lodged with the Appeals Committee; 62.5 % (five) of these were brought about by the Scheme while the other three were from complainants appealing against the decision of the Registrar. Thirteen appeals, some of which arose in previous years, were concluded during the reporting period and the Appeal Committee ruled in the Scheme's favour in 12 of these. No appeals were submitted to the Appeal Board of the Council in terms of Section 50(3) of the Medical Schemes Act, Act No. 131 of 1998, as amended.

> Good corporate governance is regarded as **critical** to the success of the business of the Scheme.

Governance and remuneration

Governance processes

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

The GEMS Board Charter defines the governance parameters within which the Board exists, sets out the role of the Board and specific responsibilities and duties to be discharged by the Board and Trustees collectively, as well as certain roles and responsibilities incumbent upon Trustees. As such, the GEMS Board Charter is aligned to the provisions of the Medical Schemes Act, 1998 (the Act), as amended; the Regulations promulgated under the Act and the registered Rules of GEMS. The full Board Charter is available at www.gems.gov.za.

The Board of Trustees has a process in place to perform annual reviews of its effectiveness of the Board and its Chairperson, as well as the effectiveness of the respective Board Committees. The Board Effectiveness Assessment concluded in 2016 confirmed; "The Board of Trustees met its expectations in terms of the performance levels defined in its mandate.".

The Board is responsible for providing strategic guidance to the Scheme. 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 an effective oversight through which performance can be monitored and ensure that the business of the Scheme operates efficiently and effectively. The Scheme's Three-year Strategic Plan for 2014 to 2016 and the one-year operational plan for 2015 was approved by the Board on 27 September 2014. The Board monitored the implementation of the approved Strategic Plan by means of quarterly reports from Scheme Management. Throughout 2016, the Board was kept informed of the status of the business by means of standardised presentations covering key business indicators, including membership growth and financial performance.

The performance targets in the Three-year Strategic Plan are reviewed annually by the Board and are adjusted based on changing realities and interrelated plans such as the business plans approved for the Scheme by the Registrar of Medical Schemes from time to time. A view of the Scheme's performance against the Three-year plan for 2014 to 2016 is provided from page 52 of the Board Report.

The Board of Trustees is responsible to govern the management of risk and a formal risk management process is in place in accordance with the Scheme's approved Risk Management Policy.

The Board monitored the implementation of the approved strategic and operational risk mitigation measures as well as the Scheme's changing risk environment during 2016 by means of quarterly and ad hoc reports from Scheme Management. The Board is comfortable that the residual risks facing the Scheme were managed throughout 2016 and that risk assessments and mitigation measures, aimed at safeguarding Scheme and member interests, were effective.

Good corporate governance is regarded as critical to the success of the business of the Scheme and the Board is unreservedly committed to applying the ethical values underpinning good corporate governance – transparency, fairness, accountability and responsibility – in all dealings by, in respect and on behalf of, the Scheme.

Structures and officers

The Board consists of 12 Trustees made up as follows:

- 50 %, i.e. six Trustees elected by the Members of the Scheme.
- 50 %, i.e. six Trustees appointed by the Minister for the Public Service and Administration.

> The primary responsibility of the Committee is to **independently consider** and **preside over** any dispute referred by the Principal Officer to the Dispute Committee.

Standing Committee structure and responsibilities

The Board of Trustees has established its own governance practices and standing committee structure that comply with the applicable governance and regulatory requirements. These committees fulfil key roles in ensuring good corporate governance. The Committees listed below are mandated by the Board of Trustees by means of written terms of reference as to their membership, authority and duties.

Audit Committee

The Audit Committee is mandated by the Board of Trustees by means of a written Audit Committee Charter as to its membership, authority and duties. The Committee consists of five members of which two are members of the Board of Trustees. The majority of the members, including the Chairperson, are not officers of the Scheme or of any of its service providers.

The Audit Committee carried out their responsibilities in terms of the Board-approved Audit Committee Charter during 2016. The external auditors and internal auditors reported formally to the Committee on critical findings arising from audit activities.

The Principal Officer, the Executive: Finance of the Scheme, the Chief Audit Executive, the Scheme's outsourced internal auditors and the external auditors attend Committee meetings upon invitation and have unrestricted access to the Chairperson of the Audit Committee.

Operations Committee

The primary responsibility of the Committee is to assist the Board of Trustees in ensuring the efficient operation of the Scheme by providing oversight, assessment and review of all aspects of the business and operations of the Scheme. Oversight by this Committee is necessitated by the Scheme's business model which requires ongoing review of the contracting of service providers to render scheme services. To this end, the Committee also assists the Board of Trustees in ensuring that seamless interaction takes place between the various service providers in order 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.

Clinical Governance and Ex-gratia Committee

The primary responsibilities of the Committee are to:

- Assess, decide and report on the approval of ex-gratia payments to members of the Scheme. The Committee is mandated to approve ex-gratia payments only 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 a financial inability to 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.
- Oversee the Scheme's product development and benefit design.

Governance, Risk 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 all governance and compliance aspects of the business 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 has also been mandated to ensure effective ethical governance, risk management and stakeholder management.

Investment Committee

The Investment Committee was set up by the Board in December 2013 and commenced its work in March 2014. The primary responsibility of the Committee is to assist the Board in fulfilling its oversight responsibilities of the Scheme's investment activities and consider issues arising from investment decisions and activities. As such, the Committee monitors the Scheme's cash flow position, investment performance and compliance to the regulatory framework applicable to medical scheme investments. The Committee is also responsible for overseeing the performance of the Scheme's contracted asset consultants and managers.

Dispute Committee

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

Remuneration Committee

The primary responsibility of the Committee is to ensure sound people management of Scheme employees by providing oversight, assessment and review of the maintenance of relevant HR and Remuneration policies of the Scheme. In addition, the Committee's responsibilities include advising 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; the implementation of performance reward measures for employees and overseeing the disclosure of the remuneration of trustees, independent committee members and members of the GEMS Executive Committee in the Scheme's annual integrated report.

In addition to the Standing Committees, the Board also appointed one ad hoc Committee in 2016 to formulate recommendations on specific matters:

Benefit Design Committee

Recommendations pertaining to the GEMS Benefits and Contributions for 2016 were developed by the GEMS Benefit Design Committee for the Board's consideration. The Committee met on two occasions (two: 2015) on the following dates:

- 23 August 2016
- 1 September 2016

Attendance of Benefit Design Committee meetings was open to all Trustees and most Trustees attended these meetings in 2016.

GEMS Trustees and Principal Officer: 2016 summarised attendance register

The numbers reported for actual meetings attended is based on signing of attendance registers and minutes of meetings. The number of meetings that could have been attended takes into account the appointment and tenure expiry dates of the respective individuals. The numbers are calculated based on pure attendance and tenure – irrespective of whether remunerated or not.

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

	Board meetings		Audit Committee meetings		Benefit Committee meetings		Clinical Governance and Ex-gratia Committee meetings		Dispute Committee		Governance Risk and Ethics Committee meetings		Operations Committee meetings		Investment Committee meetings		Remuneration Committee		Training		Workshops		Other	
Trustee	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Booyens, C	9	9			2	2	9	9							5	5			9		2	3		
Breed, J	9	9			1	2					4	4	8	8	3	5			12		2	3		
De Villiers, D	9	9			2	2	7	9			4	4							11		2	3	1	3
De Vries, EB	9	9			2	2					4	4					5	5	13		2	3		
Mini, C	9	9			2	2	8.5	9					7	8					12		2	3	3	3
Mkhumane, N	9	9	6	6	2	2									5	5	3	5	7		2	3		
Moloko, C	1	2	1	6	0	2							1	7	1	5	1	5	1					
Ntsinde, N	9	9			2	2	8.5	9					8	8					12		1	3	3	3
Ndaba, K	1	9			0	2									0	5	0	5	0		0	3		
Rikhotso, C	7	9			0	2									2	5			1		2	3	1	3
Roux, S	9	9			2	2	9	9			4	4							12		2	3		
Theledi, N	9	9			2	2							8	8			4	5	6		1	3		
Van Zyl, K	9	9	6	6	2	2											5	5		11		2	3	
Goolab, G (Principal Officer)	9	9	5	6	2	2	6.5	9	1	1	2	4	7	8	5	5	2	5	6		0	3	3	3

Governance and remuneration continued

A – Meetings attended B – Meetings that could be attended

GEMS Independent Committee members' attendance of board and committee meetings

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

	Board meetings		Audit Committee meetings		Benefit Committee meetings		Clinical Governance and Ex-gratia Committee meetings		Dispute Committee		Governance Risk and Ethics Committee meetings		Operations Committee meetings		Investment Committee meetings		Remu-neration Committee		Training	
Member	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Davids, M									1	1										
Eksteen, R			6	6																
Ford, P									1	1										
Sukati, M	7	9	6	6															1	
Msiza, F			5	6															1	
Lungile, Z									1	1										

External advisers who regularly attended Committee meetings:

- Clinical Governance and Ex-gratia Committee meetings were routinely attended by the Scheme's Strategic Managed Care Organisation, i.e. Universal Health, representatives of the Scheme's contracted administrator for Member and Claims Administration (Metropolitan Health), the Scheme's contracted Managed Care Organisation (Medscheme Health Risk Solutions), the contracted Dental Managed Care Organisation (Denis) and the contacted Optical Managed Care Organisation (PPN) and the contracted HIV Disease Management Programme service provider (Thebe and Metropolitan Health Joint Venture).
- Investment Committee Meetings were routinely attended by the Scheme's Investment Consultant, i.e. MenteNova Mohapi Joint Venture.
- The Scheme's contracted Actuary, i.e. Insight Actuaries and Consultants and contracted Peer Review Actuary, i.e. Willis Towers Watson Actuaries attended meetings of the Board and the Audit Committee when required.

Ethics

GEMS is a large business which managed in excess of R27 billion in member funds by the end of December 2016. The Scheme, by virtue of its size, has a large number of existing and potential suppliers who want to secure contracts with GEMS. The Scheme also has various other stakeholders with a significant interest in the Scheme's procurement environment.

GEMS must ensure that its governance and ethical processes are sound and above reproach.

The Board of Trustees reviews the Scheme's vision, mission and value statements on an annual basis to ensure that the Board's commitment to building and sustaining an ethical organisation is adequately reflected.

Governance and remuneration continued

The GEMS Governance, Risk and Ethics Committee is responsible for ensuring that an ethics framework for the Scheme, consisting of at least the following aspects, is designed, implemented and maintained:

- Ethics Policy, inclusive of policy measures on conflict of interest and the acceptance of gifts.
- Code of Conduct.
- A system for the declaration of interests and submission of confidentiality undertakings by Trustees Independent Committee Members and Employees of the Scheme.

An overarching GEMS Ethics Policy is in place, which sets the tone for the various policies, measures and mechanisms used to ensure that Trustees, employees, and contracted service providers meet the ethical expectations of the Scheme. These include measures on the acceptance of gifts, a GEMS Supply Chain Management ethics procedure consisting of the Supply Chain Management Code of Conduct and a declaration of interest process and the independent monitoring of procurement processes by the Scheme's internal auditors.

The Scheme's Ethics Policy was revised substantially in 2015 and the revised policy was implemented with effect from 1 January 2016.

The Scheme's first independent ethics risk and opportunity assessment was performed in 2016 by The Ethics Institute. The Scheme's summarised ethics risk profile:

- The Scheme is not faced with any severe ethics risk areas. A high-risk area is presented by the lack of a strong and clear ethical identity and culture.
- The Scheme's summarised ethics opportunity profile: Employees are fully aware of the value of ethics for the Scheme's reputation and should support the continued development of a strong ethics culture.

Remuneration Report

The Scheme has a dedicated Board Committee that is responsible for overseeing 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 Remuneration Committee is provided on page 73 of the Governance Report.

The key factors that influenced remuneration decisions in 2016:

- The financial performance of the Scheme has had an influence on the performance management process and in turn employee performance bonuses for senior managerial employees.
- The current economic climate continues to play a key role in determining annual remuneration adjustments as this has an influence during salary benchmarking processes. The Consumer Price Index (CPI), the salary market and salary benchmarking also had an impact as these factors are taken into consideration when determining annual remuneration adjustments.
- The Board of Trustees remained considerate of views expressed by the Members and Stakeholders of GEMS in respect of the trustee remuneration.

The key focus areas and key decisions of the Remuneration Committee in 2016 summarised:

- A remuneration analysis and benchmarking exercise was completed for Scheme Executives and implemented during the latter part of 2016.
- A comprehensive remuneration benchmark analysis, overseen by the Remuneration Committee, was conducted to review and align GEMS job profiles, job grading, remuneration and name title conventions across all employee levels in the Scheme.
- The Remuneration Committee played a key role in determining the 2017 annual salary adjustments for GEMS employees.
- The Committee had oversight of the implementation of a new Executive Performance Management Framework.
- The revision of the GEMS Performance Management Policy for Employees was overseen by the Remuneration Committee.
- Benchmarking of Trustee and Independent Committee Member meeting fees, including a comparator remuneration structure analysis was completed.
- In respect of the governance of remuneration, the Committee reviewed the application of the Principles and Business Practices as contained in the King III Report. The application of the relevant principles and practices was tested in 2016. A score of 98% was achieved in respect of remuneration.

The Scheme aims to attract, retain and motivate Executives of the highest calibre, while at the same time aligning their remuneration with member interests and best practice. The Scheme rewards Executives for their contribution to the strategic, operating and financial performance of the Scheme and ensures that remuneration is conducive to developing and retaining top talent and critical skills.

The Principal Officer's remuneration package is determined by the Board of Trustees with due consideration to the Scheme's financial performance, the Principal Officer's role and responsibilities, and the strategic imperatives of the appointment. The package may not exceed the remuneration packages attached to the upper quartile.

With effect from 1 January 2014, employees contribute to a compulsory retirement and risk arrangement in the form of a provident fund. Employees are allowed to choose their contribution rate on a scale of 5%, 6% or 7.5%. The employer matches the employee contribution rate. Under this arrangement, employees also have funeral cover, group income protection and group life cover. A medical assistance subsidy was introduced with effect from 1 August 2015 for GEMS employees. The medical assistance subsidy is adjusted on 1 January each year in accordance with medical price inflation.

The GEMS 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 is used to measure performance in four areas namely:

- Internal Business Performance
- Customer/Stakeholder Management Performance
- Financial Performance
- Learning and Growth

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

The system ensures that performance is measured holistically at three organisational levels i.e. Scheme level, divisional level and individual employee level as follows:

- The Principal Officer's performance is measured on the achievement of the Scheme Strategic Plan.
- Executives are measured on the achievement of Divisional Business Plans aligned to the Scheme Strategic Plan.
- Employees below Executives are measured on their job profiles and the achievement of operational business plans that are aligned to Divisional Business Plans.

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

Level of management	Key performance areas	Core/ managerial competencies	Total weight in % Of 100
Principal Officer	60%	40%	100
Executives	70%	30%	100
Senior management	80%	20%	100
Other employees	90%	10%	100

The allocation of weightings will be adjusted and 10% will be allocated to measure employees' performance in relation to the Scheme's values. This change will be implemented in 2018.

We strive to improve employee contribution to the Scheme's performance by linking rewards and recognition with performance management outputs. Employees are eligible and considered for performance rewarding in recognition of sustained performance that is significantly above expectations. For the Principal Officer and Executives, the awarding of performance bonuses is dependent upon the achievement of a minimum individual performance rating, an unqualified audit report, the achievement of a surplus and a complaints ratio of ≤0.15.

An illustration of the potential consequences on the 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%	6%	20%
Total including annual remuneration	R20,274,345	R21,490,806	R24,329,214

Remuneration benchmarks

Like other organisations GEMS strives to attract and retain key talent thereby driving forward business strategy with the right people. The risk of losing key talent is high in most organisations. Variations 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 other organisations if a benchmarking exercise is not completed. The need for benchmarking therefore becomes important in identifying pay practices in the market and aligning those to the GEMS pay practices. The GEMS benchmarking process is conducted against the Healthcare, Financial and National Industries as our products and services compare well to these.

Executive remuneration in 2016:

	Annual earnings	Bonus[1]	Total remuneration 2016	Total remuneration 2015
Guni Goolab	R4,223,174	R–	R4,223,174	R4,223,174
Bella Mfenyana	R2,170,226	R–	R2,170,226	R2,034,564
Karyna Pierce	R2,812,219	R–	R2,812,219	R2,799,016
Liziwe Nkonyana	R1,987,899	R–	R1,987,899	R1,978,567
Jeannie Combrink	R1,987,899	R–	R1,987,899	R1,978,567
Gloria Nkadimeng	R1,697,419	R–	R1,697,419	R1,689,450
Sam Lewatle	R1,781,867	R–	R1,781,867	R1,574,816
Molapo Masekoameng	R1,637,594	R–	R1,637,594	R1,629,906
Dr Vuyokazi Gqola	R1,976,047	R–	R1,976,047	R516,667[2]
Dr Stan Moloabi	R–	R–	–	R,946,754[3]
	R20,274,345	**R–**	**R20,274,345**	**R19,371,481**

[1] Due to the performance of the Scheme during 2016 no bonuses have been provided for the Executives of the Scheme.
[2] Pro-rata salary – appointed September 2015
[3] Pro-rata salary – resigned 30 June 2015

Compliance statement

The Scheme complied with its approved Employee Remuneration Policy in 2016 and no deviations from the policy were reported. 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

Overview of GEMS' Trustee and Independent Committee Member Remuneration Policy

Trustees and Independent Committee Members are remunerated for attendance of Board of Trustees meetings and meetings of Committees of the Board. Trustees and Independent Committee Members may also be reimbursed for costs incurred in respect of 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 Independent Committee members 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.

Trustees and Independent Committee Members are paid a fixed daily meeting fee for each day spent in a meeting. The fixed daily meeting fee is based on an average meeting duration time of six hours and 12 hours preparation time.

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 Chairpersons of the Audit Committee and the Dispute Committee) is calculated as the trustee fixed daily meeting fee X 1.5.

The GEMS Trustee and Independent Committee Member Remuneration Policy was reviewed by the Board in 2016 but was not amended.

Remuneration benchmarks

Trustee Remuneration benchmarking is conducted using the comparisons of remuneration from at least 10 of the largest closed and open medical schemes in the industry.

The fixed daily meeting fee of Trustees was not increased for 2014, 2015, 2016 and 2017.

Trustee Remuneration 2016

The remuneration paid in 2016 is shown in the table on page 86. Meeting fees, travel and accommodation costs, training costs and other disbursements are disclosed separately per trustee in accordance with Regulation 6A of the Regulations made under the Medical Schemes Act, 1998, as amended.

> The GEMS Trustees undertook **additional and unremunerated duties** in 2016

The total amount of trustee remuneration paid in 2016 was R7,542,000, representing an increase of 5.34% compared to 2015. Of the total amount paid in 2016, R6,255,000 (83%) was paid in respect of meeting fees and the monthly stipend. The balance represents travel and accommodation costs related to the attendance of meetings and fees paid to trainers.

The GEMS Trustees undertook additional duties on a voluntary basis during the course of 2016 to support Scheme Management in important meetings with key stakeholders, the Council for Medical Schemes, the large hospital groups and board members of some of the Scheme's contracted administrators. This included meetings with:

- The Council for Medical Schemes
- The Department of Public Service and Administration
- National Treasury
- The Public Service Coordinating Bargaining Council
- Top management of the large hospital groups.
- Board members of the holding companies of the Scheme's contracted administrators.

Trustees also attended the Scheme's CSI events scheduled to coincide with the AGM and Symposium. Trustees did not receive remuneration for undertaking these obligations, representing an estimated cost saving of R900,000 in 2016 to the Scheme.

In 2016, trustee fees expressed as a percentage of contributions was 0.02%. Expressed as a percentage of the Scheme's non-healthcare costs, it was 0.30%.

The GEMS Board of Trustees and the Committees meet more frequently than the governance structures of other medical schemes. The meetings held by the GEMS Board of Trustees and the Committees appointed by the Board are all necessary and convened in order to:

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

The close level of oversight maintained by the Board is an important factor in 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.

A further explanation on the number of meetings held by the GEMS Board of Trustees and the Standing Committees is next page to provide Members with a view on the statutory obligations fulfilled and the value derived from the meetings:

Board meetings

Board meetings: At least eight meetings are required each year to meet the requirements below:	
Legal requirements:	▶ Four quarterly meetings, i.e. in February, April, July and October, to review performance for the previous quarter, in keeping with the registered GEMS Rules. The Board also addresses other business requirements at the quarterly meeting, such as approving the Scheme's audited annual financial statements. ▶ A meeting in June every year to approve the AGM agenda as required by the registered GEMS Rules. The Board also addresses other business requirements at the June meeting. ▶ A meeting in September every year to finalise benefit design and pricing for submission to the CMS in keeping with regulated timeframes. The Board also addresses other business requirements at the September meeting.
Business requirements:	▶ A two-day strategic planning meeting in September every year. ▶ A meeting in December every year to finalise the annual revision of the Standing Committees' Terms of Reference, the Standing Committees' Composition, the revision of Principal Officer Delegations, employees' salary adjustments for the next year and operational mandates required by the Scheme. ▶ In trustee election years, two additional meetings are required to approve election procedures and to receive the election reports required in keeping with the GEMS Rules. ▶ Tender adjudication meetings are scheduled to coincide with existing scheduled meetings. ▶ Special meetings are scheduled from time to time to deal with urgent matters.

Committee meetings

The Board of Trustees is supported by seven Committees as described on pages 72 to 73 of the Governance Report. The Committees provided for in the Scheme's Standing Committee Structure are necessary to comply with legal requirements, good corporate governance standards and to meet the Scheme's business requirements as shown below:

Legal requirements and King III Report:	
Audit Committee	Section 36 of the Medical Schemes Act, King III Principle 3.1
Dispute Committee	Section 29(j) of the Medical Schemes Act, GEMS Rule 30
Remuneration Committee	King III Report, Principle 2.25 and Business Practice 150

Business requirements and good corporate governance standards

Committee	Value creation
Audit Committee	The Audit Committee supports the Board in ensuring that the Scheme's control environment is sound to protect the Scheme from risk. The Audit Committee oversees the work performed by the Scheme's assurance structures and plays an important role in protecting the interests of the Scheme's beneficiaries.
Clinical Governance and Ex-gratia Committee	The Committee met every six weeks in 2016 and meetings took place over two days due to the Committee's high case load. The work performed by this Committee contributes significantly to value creation for members. In 2016, ex-gratia payments to the value of R24.4 million were approved by the Committee. In 2016, the Committee was also responsible to oversee the implementation of the Scheme's Strategic Plan relating the Healthier Members Pillar, monitoring clinical outcomes and the development of the Scheme's product development and benefit design for 2017.
Dispute Committee	The Dispute Committee supports the Board in ensuring that the Scheme's dispute resolution process is sound and is applied consistently and correctly. The Dispute Committee also plays a valuable role in ensuring that persons referring disputes for adjudication are treated fairly and equitably.
Governance, Risk and Ethics Committee	The Committee meets once per quarter to oversee the Scheme's risk management function, stakeholder management activities, ethics performance, compliance to the applicable regulatory framework, trustee training and the Scheme's rule review processes. The existence of a Board Committee overseeing risk management is also in line with King III, Business Practice 59.
Investment Committee	The effectiveness of the Scheme's investment strategy has a significant impact on financial performance. The Committee meets once per quarter to keep the Scheme's investment activities, compliance to the relevant provisions of the Medical Schemes Act and investment performance under close review. This includes the investment performance of members' personal medical savings account funds.
Operations Committee	This is a unique Committee in the Scheme's Governance Structure. The Scheme's business model as outlined on page 35 of the report is unique in the medical schemes industry and the Committee assists the Board by guiding and overseeing the development of the Scheme's strategic plan and by maintaining close oversight of the Scheme's services, procurement and contracting functions. The Committee also keeps the implementation of the Scheme's Supply Chain Management Policy under close review and monitors the impact of the policy on the Scheme and the society within which the Scheme operates. The Committee monitors the Scheme's financial and operational performance as well as the member communication output of the Scheme. In 2016, the Committee guided the Scheme's strategic planning process. The close level of oversight maintained by the Operations Committee is instrumental in maintaining the Scheme's low non-healthcare costs.

Committee	Value creation
Remuneration Committee	The Remuneration Committee assists the Board in ensuring that the Scheme's remuneration policies and practices are fair, responsible and transparent. The Committee ensures that the Board's consideration of remuneration matters is informed by objective and independent reviews.

Five of the seven Committees, i.e. the Audit Committee, the Governance, Risk and Ethics Committee, the Investment Committee, the Operations Committee and the Remuneration Committee, meet once a quarter to review performance in the quarter and to formulate recommendations for the Board's consideration. In addition, the Audit Committee, Operations Committee and Remuneration Committee each has to conduct one additional meeting each year for specified purposes, such as the finalisation of the Scheme's annual financial statements and developing recommendations to the Board on annual remuneration adjustments. The Clinical Governance and Ex-gratia Committee meets every six weeks to consider member applications for ex-gratia assistance. The Dispute Committee meets at least once per year. Additional meetings depend on the referral of disputes to the Committee by Members.

In summary, the value realised over time by the Scheme's corporate governance structure and practices is:

- A sophisticated ex-gratia system to assist members in need.
- An 11-year track record of unqualified audits.
- The lowest non-healthcare costs in the industry.
- A unique business model and Supply Chain Management policy that supports B-BBEE.
- A rigorous procurement system that supports the successful execution of the Scheme's business model.
- A rigorous strategic planning process.
- Corporate governance systems and processes that are in line with best practice.
- A stakeholder inclusive approach that contributes to the Scheme's sustainability over time.

Travel and accommodation expenditure:

Five of the 12 trustees do not reside in Gauteng and therefore travel and accommodation costs for these Trustees to attend meetings at the Scheme's Head Office are higher:

- Mr CJ Booyens
- Dr JA Breed
- Mr EB de Vries
- Mr JS Roux
- Dr IJ van Zyl

The Board is also remunerated for incidental expenditure relating to the performance of their duties as trustees and for this purpose a fixed stipend of R1,150.00 per month was paid in 2016.

Governance and remuneration continued

Trustee remuneration paid

	Member appointed or elected	Attendance fees		Travel and accommodation		Reimbursement and allowances		Training (fees paid to trainers)		Total	
		2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Mr DJ de Villiers Re-elected July 2013 – term expires 31 July 2019	Elected	640	675	48	41	1	1	14	6	703	723
Mr ZC Rikhotso (Chairperson) Re-appointed September 2013 – resigned 31 July 2016	Appointed	214	500	59	52	1	3	11		285	555
Mr JS Roux Re-elected July 2014 – term expires 29 July 2020	Elected	605	623	339	317	10	16	3	6	957	962
Mr NL Theledi Re-appointed September 2013 – term expires 26 September 2019	Appointed	431	327	47	60	3	3	2	6	483	396
Mr CJ Booyens Elected July 2013 – term expires 29 July 2019	Elected	623	640	68	40	22	22	2	-	715	702
Mr EB de Vries Elected July 2013 – term expires 29 July 2019	Elected	397	414	278	304	17	18	5	13	697	749
Ms NM Ntsinde (Chairperson) Appointed July 2013 – term expires 29 July 2019	Appointed	840	675	48	96	7	10	75	1	970	782
Dr CM Mini Appointed July 2014 – term expires 29 July 2017	Appointed	814	771	23	71	17	9	54	14	908	865
Dr JA Breed Elected July 2014 – term expires 29 July 2020	Elected	466	414	95	79	15	25	3	12	579	530
Dr IJ van Zyl Elected July 2014 – term expires 29 July 2020	Elected	475	431	55	64	14	15	3	6	547	516
Mr K Ndaba Appointed July 2014 – terminated GEMS Rule 19.5.11 – 31 July 2016	Appointed	–			7					–	7
Ms NH Mkhumane Appointed September 2014 – term expires 24 July 2020	Appointed	518	353	–	18	1	1	55	1	574	373
Dr ECT Moloko Appointed 28 October 2016 – term expires 28 October 2022	Appointed	124								124	
Total		**6,147**	**5,823**	**1,060**	**1,149**	**108**	**123**	**227**	**65**	**7,542**	**7,160**

Matters of non-compliance

Late-paying employer groups

Nature

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

Cause

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

Corrective action

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

Minimum accumulated funds

Nature

In terms of Regulation 29(2), (3) or (3A) of the Medical Schemes Act of 1998, a medical scheme shall maintain a minimum accumulated funds level of 25 %. As prescribed by Regulation 29(4), where a medical scheme for a period of 90 days fails to comply with sub regulations 29(2), (3) or (3A) must notify the regulator of such non-compliance.

Cause

The Scheme's minimum accumulated funds ratio throughout the year was below the required target of 25 % as provided for in the Act and below what was subsequently approved by the Registrar on 6 August 2013. Reserves below the required 25 % prescribed by the Act may be an indication that a Medical Scheme may have solvency concerns which would impact on the Scheme's ability to pay claims.

Corrective action

The Scheme is, however, accumulating funds in accordance with a business plan approved by the Registrar. The Registrar was notified of the Scheme's performance throughout 2016 with the submission of quarterly performance reports and quarterly meetings with the CMS. The Scheme's solvency level at 31 December 2016 was 6.99 % (2015: 9.46 %) which was below the revised solvency level prescribed by the Registrar of Medical Schemes of 9.90 % (2014: 10.10 %). The factors influencing the reserves are described in detail in the Board of Trustees report.

Claims settled after 30 days

Nature

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

Cause

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

Corrective action

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

Benefit option

Nature

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

Cause

The Scheme's Emerald and Onyx options did not meet the self-sufficiency requirement in terms of Section 33(2) of the Medical Schemes Act. Loss making options adversely affect the financial performance of the Scheme and the solvency ratio. This was primarily as a result of the 2016 claims experience (Emerald claims ratio: 97 % and Onyx claims ratio: 131 %). The claims on the Onyx option were driven by the option's older demographic profile, which resulted in higher claims being incurred relating to chronic and lifestyle related diseases. The migration of the pre-1992 pensioners to this option in prior years also resulted in the financial performance being adversely affected during the financial year.

Corrective action

The Scheme is, however, accumulating funds in accordance with a business plan approved by the Registrar. The Registrar was notified of the Scheme's performance throughout 2016 with the submission of quarterly performance reports and quarterly meetings with the CMS. Part of the quarterly submission are actuarial reports for these specific options in order for CMS to see progress of the options against the business plan and budget for the year.

Statement of corporate governance

The Government Employees Medical Scheme 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.

The Scheme acknowledges its role within the medical scheme industry as well as its responsibilities to each individual beneficiary and the wider community. The Scheme recognises that sustainability can only be achieved 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 will affect the reputation of the Scheme.

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

Board of Trustees

The Board of Trustees is responsible for the stewardship and governance of the Scheme. The Trustees are proposed and elected 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, No 131 of 1998, as amended, and the Rules of the Scheme. The Trustees are representatives of the Scheme's members and are legally responsible for the management and strategic direction of the Scheme on behalf of the members.

The Board meets regularly and monitors the performance of the Scheme employees, administrators and other contracted service providers. The Board addresses a range of issues and ensures that discussion of items of policy, strategy, risk management, fraud management and operational performance are critical, informed and constructive.

The affairs of the Scheme are managed according to the Rules of the Scheme and also adhere to all aspects of governance as required by the Medical Schemes Act 131 of 1998, as amended. The Board is also committed to the principles of the Code of Corporate Practices and Conduct as set out in the King Report on Governance (King III). A collective board-effectiveness evaluation and peer review is performed annually. The Chairperson meets with individual Trustees on a one-to-one basis should the need arise.

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

Internal controls

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

Statement of corporate governance continued

The Scheme's Internal Audit function also performs an independent analysis of the controls of the Scheme as well as those of the service providers of the Scheme as part of its annual audit plan.

The Board appointed a Governance, Risk and Ethics Committee consisting of Board of Trustee members and senior management of the Scheme and it is their duty to assess the risk register and plans to mitigate the risks. This Committee reports to the Board of Trustees independently.

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

Ms NM Ntsinde
Chairperson
25 April 2017

Ms NH Nkhumane
Deputy Chairperson
25 April 2017

Dr. G Goolab
Principal Officer
25 April 2017

Statement of responsibility by the Board of Trustees

The Board of Trustees are responsible for the preparation, integrity and fair presentation of the Annual Integrated Report and Financial Statements of the Government Employees Medical Scheme.

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and include amounts based on judgements and estimates by Management.

Accounting policies applied by the Scheme are informed and updated, when required, based on Circulars issued by the Council for Medical Schemes, the Annual Medical Schemes Accounting Guide issued by SAICA and updates on the latest International Financial Reporting Standards (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 Scheme takes into account the King Report on Governance of South Africa 2009 (King III) and applies the principles 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 are responsible for ensuring that adequate accounting records are maintained. The accounting records disclose with reasonable accuracy the financial position of the Scheme, which enables the Trustees to ensure that the Annual Financial Statements comply with the relevant legislation.

The Trustees are also responsible for such internal control as the Trustees determine are necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining an effective system of risk management.

The Government Employees Medical Scheme operates in a well-established control environment, which is well documented and regularly reviewed. This control 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 the 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 Auditors, Deloitte & Touche and OMA Chartered Accountants Joint Venture (PTY) LTD., are responsible for auditing the Financial Statements in terms of International Auditing Standards and their unqualified report is presented with the Scheme's Annual Financial Statements.

The Annual Financial Statements for 2016 were approved by the Board of Trustees on 25 April 2017 and are signed on its behalf by:

Ms NM Ntsinde
Chairperson

Ms NH Nkhumane
Deputy Chairperson

Dr. G Goolab
Principal Officer

25 April 2017

Annual financial statements

The Financial information presented hereunder has been extracted from and is in agreement with the audited Annual Financial Statements of the Scheme for the 2016.

Statement of financial position

as at 31 December 2016

	Notes	2016 R'000	2015 R'000
Assets			
Non-current assets			
Equipment	3	11,942	7,846
Intangible assets	4	48,020	16,950
Financial assets at fair value through profit or loss	5	684,275	359,403
Total non-current assets		**744,237**	**384,199**
Current assets			
Financial assets at fair value through profit or loss	5	177,248	87,673
Trade and other receivables	6	305,114	318,107
Cash and cash equivalents		3,755,096	3,864,422
Scheme cash invested	7	3,177,474	3,405,171
Personal medical savings account trust monies invested	8	577,622	459,251
Total current assets		**4,237,458**	**4,270,202**
Total assets		**4,981,695**	**4,654,401**
Funds and liabilities			
Members' funds			
Accumulated funds		2,176,074	2,660,725
Current liabilities			
Personal medical savings account trust liability	9	656,318	493,715
Trade and other payables	10	1,188,560	498,824
Outstanding risk claims provision	11	960,000	1,000,800
Lease escalation reserve		743	337
Total current liabilities		**2,805,621**	**1,993,676**
Total funds and liabilities		**4,981,695**	**4,654,401**

Statement of comprehensive income
for the year ended 31 December 2016

	Notes	2016 R'000	2015 R'000
Risk contribution income	13	30,271,405	27,570,368
Relevant healthcare expenditure		(29,241,001)	(26,379,576)
Risk claims incurred	14	(28,543,347)	(25,740,758)
Accredited managed healthcare services	15	(697,654)	(638,818)
Gross healthcare result		**1,030,404**	**1,190,792**
Administration expenditure	16	(1,567,415)	(1,227,836)
Marketing services		(120,382)	(115,684)
Impairment losses on healthcare receivables	18	(65,767)	(52,382)
Net healthcare result		**(723,160)**	**(205,110)**
Investment income	19	261,773	224,112
Dividends income		6,713	317
Interest received on financial assets at fair value through profit or loss		47,803	4,709
Net realised gain on financial assets at fair value through profit or loss		5,224	220
Net unrealised gains/(losses) on financial assets at fair value through profit or loss		8,468	(3,865)
Interest received on Scheme cash invested		156,207	198,190
Personal medical savings account trust monies invested		37,358	24,541
Other income		17,478	11,055
Sundry income		17,478	5,219
Net interest adjustment of government grant		–	5,836
Other expenses		(40,742)	(24,743)
Investment management fees		(3,384)	(202)
Interest allocated to members' personal medical savings accounts trust monies		(37,358)	(24,541)
(Deficit)/surplus and total comprehensive (deficit)/surplus for the year		**(484,651)**	**5,314**

Statement of changes in funds
for the year ended 31 December 2016

	Accumulated funds R'000	Total members' funds R'000
Balance at 1 January 2015	2,655,411	2,655,411
Surplus for the year and total comprehensive surplus	5,314	5,314
Balance at 1 January 2016	**2,660,725**	**2,660,725**
Deficit for the year and total comprehensive deficit	(484,651)	(484,651)
Balance at 31 December 2016	**2,176,074**	**2,176,074**

Audit Committee Report

The mandate of the Audit Committee requires it to adhere to high quality standards of corporate accountability, to ensure the quality of the financial reporting process, control systems and risk management and to maintain a high degree of integrity in both the external and internal audit processes.

Audit Committee responsibility

The Committee confirms that it has an appropriate and formal Audit Committee Charter, which was approved by the Board of Trustees on 8 December 2015. The Committee has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein. The Committee met six times during the financial year. The Charter was subjected to a preliminary review in November 2016 for purposes of benchmarking to King IV. The Audit Committee and the Board of Trustees will conclude the review of the Charter in 2017 as part of a broader review of the Board's Standing Committee Responsibility Structure.

Membership and attendance

The Audit Committee of GEMS has been constituted in accordance with Section 36 (10) and (11) of the Medical Schemes Act, with five members, two of which are members of the board of trustees and the remainder, including the chairperson of the audit committee are independent committee members. The Chief Audit Executive and the external auditors have closed sessions with the Audit Committee as necessary, without management, on matters that they regard as relevant to the fulfilment of the committee's responsibilities. In addition, the Audit Committee agenda allows for a closed meeting of the members only.

Audit Committee Report continued

The Audit Committee comprised of the following members in 2016:

Name	Designation	Qualification	Number of meetings that could be attended in 2016	Meetings attended
Ms MA Sukati	Chairperson and Independent member – term commenced April 2012	BCom (Acc), BCom Hons (Acc), Post-graduate Diploma in Accounting, CA(SA), CIA, MBA (UP)	**6**	6
Ms NH Mkhumane	Trustee member – term commenced 25 September 2014	Dip. Law & Tax, IEIC (CIMA), Exec. Mgt. Dev. Prog., Capital Proj. Mgt. Appraisal, Bachelor of Commerce; Certificates: Board Leadership (GIBS), Corp. Gov, Audit Roles, Supply Chain Mgt. and Prop. & Asset Mgt	**6**	6
Ms NF Msiza	Independent member – term commenced 1 April 2013	BCom, H Diploma in Tax, MBA	**6**	5
Dr IJ van Zyl	Trustee member – term commenced on 30 July 2014	BMil, Hons BCom (Personnel Management), MBA, PhD (Industrial Economics), Industrial Relations Development Programme	**6**	6
Ms R Eksteen	Independent member – term commenced 1 November 2015	BCom (Law), LLB degree, Masters in Development Finance	**6**	6

Preparation of annual financial statements

The going concern basis has been adopted in preparing the Annual Financial Statements. Based on the 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.

Evaluation of financial statements and Auditor's Report

We have reviewed and discussed with the external auditor and management the audited 2016 Annual Financial Statements, and 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 was involved in the appointment of the external auditor and is satisfied with the independence of the auditor. We are of the opinion that the finances and system of internal control are appropriately managed. The Auditors have issued an unqualified opinion that the 2016 Annual Financial Statements are a fair reflection of the Schemes activities in the past financial year and accounting practices have been applied appropriately.

Integrated report

The Committee has reviewed the Annual Integrated Report and considered all factors that may impact on the integrity of the Report. We also reviewed and commented on the disclosure of sustainability issues raised in the Report to confirm that it is reliable and does not conflict with the financial information contained in the report.

Internal control and risk environment

The Government Employees Medical Scheme operates in a well-established control environment, which is well documented and regularly reviewed. This control 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 Scheme maintained the strategic risk register during the financial year and has effectively managed the risks to which the Scheme was exposed. The Scheme followed a combined assurance model to identify assurance providers on the risks that the Scheme is exposed to. Reports from internal and external audits indicated that the control environment and procedures are sound and functioning as intended, with opportunities identified for continuous improvements to the controls to respond to the elements of fraud, wastage and abuse.

The Scheme requires its administrators to perform an International Standard on Assurance Engagements (ISAE) 3402 – Assurance Report on controls at a service organisation - review of their computer control environment. The Scheme considers these reports and addresses any risks identified with the service providers.

The Committee has oversight of the financial reporting risks of the Scheme and confirmed through the various audit reports throughout the year that sound financial controls are in place and that the fraud and IT risks as they relate to financial reporting have been adequately addressed.

Internal audit

The Scheme's Chief Audit Executive reports functionally to the Audit Committee and administratively to the Principal Officer. Internal Audit forms an integral part of the Scheme's risk management process, system of internal control and leads the combined assurance coordination within the Scheme. The Internal Audit function has an appropriate and formal charter which was approved by the Audit Committee. We are satisfied with the working relationship between the Committee, the Schemes external auditors and internal auditors.

In addition, we are satisfied that the Internal Audit function of the Scheme is independent and has the relevant skills and resources to perform its duties.

The Committee, following consultation with the Scheme's Executive officers, approved the Internal Audit plan and budgeted audit fees for the year ended 31 December 2016. With respect to the evaluation of the adequacy and effectiveness of internal controls, the Committee received regular internal audit reports confirming the soundness of the system of internal control of the Scheme.

Information on the B-BBEE status of the audit firms appointed to support the Scheme's internal audit function can be found on page 37 and 38 of the report.

External audit

The Committee considered the matters set out in Section 36 of the Medical Schemes Act, No 131 of 1998, as amended and nominated Deloitte & Touche and OMA Chartered Accountants Joint Venture (PTY) LTD for appointment as external auditor of the Scheme.

We are satisfied that the external auditor is independent of the Scheme as set out in Section 36(3) of the Medical Schemes Act, No 131 of 1998, as amended. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

Any Non-Audit Services rendered by the external auditor are managed in accordance with the Scheme's Non-Audit Services and Consulting policy, which has the objective of confirming that the independence and objectivity of the external auditor is not impaired by the provision of such services.

The Committee ensured that the appointment of the auditor at the Annual General Meeting complied with the Medical Schemes Act, No 131 of 1998, as amended, and any other legislation relating to the appointment of auditors.

The Committee, following consultation with the Scheme's Executive officers, approved the engagement letter, terms, audit plan and budgeted audit fees for the year ended 31 December 2016.

Scheme's finance function

The Committee has reviewed the expertise, resources and experience of the Scheme's finance function and believes that the Executive: Finance and other relevant finance staff have the required competence and skills. Financial reporting has been of a high standard throughout the financial year.

Conclusion

The Committee has recommended the Annual Financial Statements to the Board of Trustees for approval which will be presented to the members at the forthcoming Annual General Meeting.

We wish to congratulate the Principal Officer and his management team on the continued adherence to good corporate governance by the Scheme. The Committee also wishes to thank the Board of Trustees for its support and the teams from internal and external audit for their value-adding contributions.

Ms M Sukati
Chairperson

13 April 2017

The Committee has recommended the **Annual Financial Statements** to the Board of Trustees for **approval** which will be presented to the members at the forthcoming **Annual General Meeting.**

AGM notice

Notice is hereby given that the 11th Annual General Meeting of Members of the Government Employees Medical Scheme ("**AGM**") will be held at the Steve Biko Centre, 2429 Mbeka Street, Ginsberg, King William's Town, Eastern Cape on **Monday, 31 July 2017 at 15h00**.

Please note that registration will commence at **13h00**.

The **provisional AGM agenda** is below:

Agenda

11th GEMS Annual General Meeting

31 July 2017, 15h00

Steve Biko Centre, 2429 Mbeka Street, Ginsberg, King William's Town, 5601

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 year ended 31 December 2016	Chairperson Principal Officer
4. Matters for Decision	
a. Confirmation and adoption of the minutes of the 10th GEMS Annual General Meeting held on 29 July 2016 at the CSIR International Convention Centre, Pretoria	Chairperson
b. Receipt and adoption of the Annual Financial Statements for the year ended 31 December 2016, including the reports of the Board of Trustees and the external auditor of GEMS	Chairperson
i. Discussion of the highlights of the Annual Financial Statements	Ms. Mmathabo Sukati (Independent Chairperson of the GEMS Audit Committee)
ii. Discussion of the external audit process	Dinesh Munu, Deloitte (GEMS external auditor)
c. Appointment of GEMS' external auditor for the year ending 31 December 2017 in terms of GEMS Rule 27.1	Chairperson Ms. Mmathabo Sukati (Independent Chairperson of the GEMS Audit Committee)
5. Matters for Noting	
a. Disclosure of trustee remuneration	Chairperson
b. Addressing Member issues raised at the 10th GEMS Annual General Meeting	Chairperson

Item	Speaker
6. Question and Answer Session (General questions only please, as there is a help desk at the AGM for Members to submit enquiries and complaints concerning personal and confidential medical scheme issues.)	Chairperson
7. Summary of Decisions	Chairperson
8. Closure	Chairperson

We respectfully draw the attention of Members wishing to place items on the AGM agenda, or to object to matters for discussion and/or resolution, to the provisions of GEMS Rule 28.1.5, as reproduced hereunder:

"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 or 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 therefore, 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 agenda items, or to object to any existing agenda items, are required to submit proposals to the Scheme by post to Private Bag X782, Cape Town, 8000, by email to enquiries@gems.gov.za, or by facsimile to 0861 00 4367 for the attention of the Principal Officer under reference "**2017 GEMS AGM Agenda**". Proposed motions must reach the Scheme by **16h00 on 26 June 2017**. Members are further encouraged to submit additional agenda items or to object to any existing agenda items in full compliance with the GEMS Rules reproduced above. Member proposals that do not comply cannot be placed on the final AGM agenda as we are compelled to adhere to the GEMS Rules.

A final AGM agenda and proxy form will be sent to Members by **10 July 2017**. Please make enquiries at 0860 004 367 or at enquiries@gems.gov.za, if you have not received the final AGM agenda and proxy form by 10 July 2017. It is also important to 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 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 will be recognised. For this purpose, completed proxy forms must reach the Scheme by **16h00 on 24 July 2017**, and can either be posted to Private Bag X782, Cape Town, 8000, or emailed to enquiries@gems.gov.za, or sent by facsimile to 0861 00 4367 for the attention of the Principal Officer under reference "**2017 GEMS AGM Proxy**". To ensure timeous delivery, Members are advised to fax or email their AGM proxy forms to the Scheme.

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

In accordance with GEMS Rule 29.6, the Board of Trustees stipulates that Members attending the AGM will be required to produce their **GEMS Membership card and ID or valid driver's license** at the AGM registration desk. Individuals who are unable to produce the required confirmation of their eligibility to attend, will not be admitted to the AGM.

By order of the Board of Trustees.

Ms. N Ntsinde
Chairperson

25 April 2017

Minutes of the10th GEMS Annual General Meeting
29 July 2016, 15:00 CSIR International Convention Centre, Meiring Naude Road, Brummeria, Pretoria

1. Opening and Welcome

a. The Chairperson of the GEMS Board of Trustees opened the 10th Annual General Meeting of the Members of GEMS ("the meeting") at 15h00 on 29 July 2016 and welcomed the Members of GEMS and the Board of Trustees present at the meeting.

b. The following invited guests were also welcomed:

i. Ms Mmathabo Sukati, the Independent Chairperson of the GEMS Audit Committee;

ii. Mr Zola Beseti from KPMG, the Scheme's external auditor for the year ended 31 December 2015;

iii. Mr Stephen Mmatli and Dr. Elsabe Conradie from the Council for Medical Schemes ("CMS");

iv. The Scheme's stakeholders, who were attending as observers, including the representatives from the Department of Public Service and Administration, the Public Service Coordinating Bargaining Council, National Treasury, the National Department of Health and the Department of International Relations and Cooperation;

v. The Scheme's internal auditors, i.e. PwC-Rakoma Consortium, who were there to make sure that the AGM was run in accordance with the GEMS Rules.

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

a. The Chairperson informed the meeting that the agenda was finalised in terms of the GEMS Rules, forwarded to Members in the second week of July 2016, and handed out to Members at the AGM registration desk.

b. The meeting noted that no Member motions were received by the Scheme, and that the Board finalised the agenda at its meeting on 29 June 2016.

c. The meeting heard that the GEMS Rules require all proxies held to be declared upfront at the AGM. The meeting further heard that the valid proxy forms received appointed Trustees as proxies, and that of the 202 proxy forms received, only 142 were valid.

3. Opening remarks by Chairperson followed by a presentation by the Principal Officer on the business of the Scheme for the financial year ended 31 December 2015

a. The Chairperson opened with a short presentation and highlighted that 2015 marked the first decade of GEMS' existence.

b. He gave the Members an overview of challenges experienced in 2015 and how the Board dealt with same, including the postponement of the implementation of the care coordination rules (i.e. the family practitioner nomination and specialist referral rules), the replacement of certain service providers in order to address some of the claims issues, and engagements with Members and stakeholders to better understand their requirements.

c. He highlighted the Public Service Coordinating Bargaining Council (PSCBC) resolution to review the Scheme's operation, and expressed the Scheme's commitment to provide the necessary support to the PSCBC during their review.

d. The Principal Officer highlighted the purpose and mission of the Scheme, which is to ensure that public services employees have access to quality and affordable healthcare.

e. He also highlighted the challenges faced by the Scheme in 2015, i.e. the significant increase in Member complaints received in respect of the family practitioner nomination/specialist referral processes; and the level of service rendered by the Scheme's clearing house provider for medicines, radiology and pathology; and the significant increase in hospital claims, presumably due to the increased hospital admission rate, rising hospital costs and fraud, waste and abuse.

f. He further highlighted the Scheme's stakeholder engagements and a number of its achievements under its objectives.

g. He then moved to report on the Scheme's strategy, which is underpinned by affordability, understanding Members in terms of keeping them healthy, healthy Members through the Scheme's disease management programmes, and the Scheme's stakeholder engagements, i.e. partnering with organs of state.

h. He subsequently moved to report on the Scheme's business indicators for 2015.

i. The Principal Officer informed the meeting that, although the implementation of care coordination was put on hold for 2015, the Scheme has embarked on a campaign to educate Members on the benefits of the family practitioner/specialist referral processes.

j. He mentioned that the Scheme is considering the introduction of underwriting and has submitted a proposal to the Board for consideration. He confirmed that stakeholders will be consulted extensively on this matter.

k. The meeting heard that the Scheme is working on a sub-option of the existing Emerald option, i.e. the Emerald Efficiency Discount option, which will offer the same benefits as the Emerald option, but with added care coordination, specialist referral and specialist and hospital networks.

l. The Principal Officer then continued to draw a comparison between the Scheme and the rest of the medical scheme industry insofar as some of the Scheme's positive elements/initiatives are concerned.

m. Finally, the Principal Officer thanked:

i. The Minister of Public Service and Administration, Adv. Ngoako Ramatlhodi and the Deputy Minister, Ms. Ayanda Dlodlo, as well as all the officials at the Department of Public Service and Administration for the guidance they provided;

ii. The officials at the Department of Health, under the leadership of Dr. Aaron Motsoaledi, for their support and guidance provided;

iii. All the GEMS stakeholders, including the Unions, PSCBC, CMS and Government Departments;

iv. The Board and Scheme Trustees for their continued guidance and support in the running of the Scheme;

v. The Executives and staff for their support, remaining focused and dedicating themselves to the sole purpose of pursuing the Scheme's operational plan;

vi. The Scheme's healthcare partners and service providers that make the delivery of healthcare services possible; and

vii. Most importantly, the Members who comprise the Scheme and entrusted GEMS to deliver a sound healthcare proposition that makes a difference to them.

4. Matters for Decision

d. Confirmation and adoption of the Minutes of the 9th GEMS Annual General Meeting held on 31 July 2015 at The President Hotel and Conference Venue, Bloemfontein.

i. The Chairperson tabled the draft Minutes of the Scheme's 9th Annual General Meeting held on 31 July 2015 for consideration.

ii. The meeting heard that the draft Minutes were included in the 2015 Annual Integrated Report that was distributed to Members for consideration.

iii. The Chairperson provided the Members with an opportunity to vote on the adoption of the Minutes by way of a show of hands.

Decision

iv. The Minutes of the Scheme's 9th Annual General Meeting held on 31 July 2015 were adopted by the meeting as a true reflection of that which discussed at that meeting, after a total of 191 Member votes in favour of such adoption were received.

e. Receipt and adoption of the Annual Financial Statements for the year ended 31 December 2015, including the Reports of the Board of Trustees and the external auditor of GEMS

i. The meeting noted that the full version of the Scheme's 2015 Annual Integrated Report, including the Annual Financial Statements for the year ended 31 December 2015, was made available electronically to Members, while an abridged version was printed and posted to Members.

ii. The Chairperson gave Ms Mmathabo Sukati (Chairperson of the GEMS Audit Committee) an opportunity to comment on the Scheme's Annual Financial Statements for the year ended 31 December 2015.

iii. Ms Sukati informed the Members that the Scheme's financial statements were prepared in accordance with the International Financial Reporting Standards and Council for Medical Schemes' requirements.

iv. She mentioned that the financial statements were approved by the Council for Medical Schemes and that no material issues were raised.

v. Members at the meeting noted the overview of the financial statements for the year ended 31 December 2015, as presented.

vi. The Chairperson then called upon Mr Zola Beseti (the external auditor of the Scheme for the year ended 31 December 2015) from KPMG to present the audit opinion of the external auditors. Mr Beseti commented on the audit process followed and confirmed that the financials were processed in accordance with the International Financial Reporting Standards and the Medical Schemes Act's requirements, and that the Scheme received an unqualified audit opinion for the period ended 31 December 2015.

vii. Mr Beseti concluded his presentation by stating that KPMG has expressed an unmodified audit opinion in respect of both the Scheme's 2015 Financial Statements and its 2015 Annual Statutory Return. He mentioned, however, that KPMG has identified a limited number of non-compliance issues pertaining to the Medical Schemes Act, which was reported on in KPMG's 2015 audit report.

viii. The Chairperson provided the Members with an opportunity to vote on the adoption of the Scheme's Annual Financial Statements for the year ended 31 December 2015 by way of a show of hands.

Decision

ix. The Annual Financial Statements of the Government Employees Medical Scheme for the financial year ended 31 December 2015 were adopted by the Members of the Scheme, after a total of 226 Member votes in favour of such adoption were received.

f. Appointment of Deloitte & Touche and OMA Chartered Accountants Incorporated Joint Venture as GEMS' external auditor in terms of Rule 27.1 of the GEMS Rules.

i. The Chairperson called upon the Chairperson of the GEMS Audit Committee, Ms Mmathabo Sukati, to give an overview on the appointment of the Scheme's external auditor.

ii. Ms Sukati advised the meeting that the external auditor fulfills a very important role by helping to safeguard Members' interests, confirming the Annual Financial Statements and reporting any irregularities to the CMS.

iii. The meeting noted that the Scheme followed an open tender process under the auspices of the GEMS Audit Committee, and noted the process followed by the Scheme in selecting the proposed external auditor.

iv. The meeting further noted that Deloitte & Touche and OMA Chartered Accountants Incorporated Joint Venture was the preferred bidder, and that it was recommended that they be appointed to audit the Scheme's Annual Financial Statements for the financial year ending on 31 December 2016.

v. The Chairperson provided the Members with an opportunity to vote on the appointment of the Scheme's external auditor, i.e. Deloitte & Touche and OMA Chartered Accountants Incorporated Joint Venture, by way of a show of hands.

Decision

vi. The appointment of Deloitte & Touche and OMA Chartered Accountants Incorporated Joint Venture as the Scheme's external auditor for the financial year ending on 31 December 2016 was approved by the Members of the Scheme, after a total of 230 Member votes in favour of such appointment were received.

5. Matters for noting

a. Disclosure of Trustee Remuneration

i. The Chairperson informed the meeting that at the previous two AGMs, Members raised concerns about the high level of Trustee remuneration and the number of meetings held by the Board and its Committees.

ii. He further stated that a copy of the 2015 GEMS Trustee Remuneration Report was provided to the Members at this AGM and published in the 2015 GEMS Annual Integrated Report.

iii. He then called on the Deputy Chairperson, Ms Nontobeko Ntsinde, to summarise some important factors from the 2015 GEMS Trustee Remuneration Report.

iv. Ms Ntsinde highlighted the fiduciary responsibilities of the Board in respect of the governance and strategic direction of the Scheme.

v. With respect to the Trustee remuneration paid by the Scheme during the period ended 31 December 2015, the Members at the meeting noted that:

1. The Scheme reduced the number of Board and Committee meetings held in the 2015 financial year; thus, saved on Trustee remuneration.

2. There was no increase in the fixed meeting fee paid to the Trustees between 2014 and 2016.
3. The number of Independent Committee Members was drastically reduced in order to contain the costs associated with them. Only those Independent Committee Members that are required by statute were retained.

6. Question and Answer session

a. The Chairperson gave Members an opportunity to ask general questions about the matters discussed in the 2015 GEMS Annual Integrated Report and at this meeting.

b. In response, Members raised the following concerns:

i. Members are dissatisfied with having to pay levies/co-payments at some healthcare providers (including pharmacies) for medication or consultations; and with their benefit packages not being sufficiently rich, which causes them to be exhausted early in the year.

The Principal Officer responded by advising Members to register for chronic benefits in cases where they require chronic medication, and reminded them that the Medicines Act requires pharmacies to offer generic medication as an alternative to original medication, as generic medication is more affordable than original medication and will limit co-payments by Members of medical schemes. He further informed the Members that medication not listed in the Scheme's formulary will attract co-payments.

ii. Members are finding it difficult to reconcile the Scheme's alleged affordability with the fact that their benefits are depleted within the first six months of a year.

The Principal Officer responded by stating that the Scheme's Clinical Governance and Ex-gratia Committee sits every six weeks and considers funding applications from Members who genuinely cannot afford to fund certain healthcare costs themselves.

iii. Members suggested that the Scheme should consider the age differences between Members when determining contribution and benefit levels, as the older Members tend to be sicklier and require more healthcare than the younger and healthier Members.

The Chairperson responded to this by stating that the model of a medical scheme's business is such that the younger and healthier Members subsidise the older and not so healthy Members.

iv. Members were pleased with the Scheme's GEMS day initiatives that were held in the various provinces, but indicated that more needs to be done to enhance disease prevention methods, where the Scheme should consider paying for pathology fees when Members go for screening or blood tests.

The Principal Officer responded by stating that the Scheme pays for these blood tests to the extent possible, and added that the Scheme is looking at better ways of dealing with pathology claims.

v. Members raised a concern regarding the Scheme's non-application of waiting periods, especially when it comes to maternity benefits, where persons have been joining the Scheme just for the baby showers that it has been providing to expectant Members. The Members suggested that the Scheme should consider introducing waiting periods, as the absence thereof is putting the Scheme at risk, and that these baby showers should be cancelled until the Scheme's financial position has stabilised.

The Principal Officer responded by stating that the point of cancelling baby showers is noted by the Scheme and that the introduction of waiting periods is a matter which the Scheme has considered and tabled before the Board of Trustees for further discussion and consideration.

He added that the Scheme will consult its stakeholders on the potential introduction of waiting periods.

vi. Members acknowledged that Family Practitioner Nomination is a good idea, but emphasised that the Scheme's communication around this was previously not well managed. They suggested that the Scheme should pursue this and embark on an awareness campaign throughout the country.

The Principal Officer thanked the Members for their support in respect of Family Practitioner Nomination and indicated that the Scheme has been engaging with Members on this and will continue to pursue this.

vii. Members stated that the Scheme was introduced to address the issues of affordability of and access to healthcare, but that the Scheme has become too expensive and unaffordable. They enquired as to what the Scheme will do to ensure that affordability remains key.

The Principal Officer responded by stating that affordability of healthcare is a global issue and that GEMS is supporting the directive issued by the Minister of Health for a universal healthcare system.

viii. Members expressed their unhappiness with the fact that benefits which are not used up in a certain year are not carried over to the following year.

The Principal Officer responded by stating that not all of the Scheme's benefit options have the advantage of carrying over unused funds, but that Ruby is the only benefit option where Members' savings, which are not used up in a particular year, are carried over to the following year.

ix. Members experience challenges when visiting pharmacies for medication, as some pharmacies inform them that they have to dispense according to the Scheme's Medical Pricing List and many do not have this list. The Members suggested that the Scheme should make this list available to all pharmacies.

The Principal Officer responded that the Scheme has noted this matter and will ensure that it is addressed.

x. Members raised a concern regarding the contact details of the Principal Officer, which are not listed on the website.

The Chairperson informed the Members that this may be an oversight, as both his and the Principal Officer's details are available on the CMS website. The Principal Officer responded by giving his email address as being po@gems.gov.za.

xi. Members raised a concern regarding day hospitals, which the Scheme does not pay for, and suggested that these cost less than other hospitals and would assist in reducing the high hospital claims experienced by the Scheme.

The Principal Officer responded that the Scheme encourages day procedures and will be engaging with the day hospital groups in the near future.

xii. Members need clarity on what GEMS is doing concerning the NHI and how that will affect the Members of the Scheme.

xiii. Members would like to see the Scheme's financials benchmarked against those of other schemes in order to gain an understanding of how GEMS fares in comparison with the industry.

xiv. Members would like to see the Board's responsibilities clearly defined in order to assist them in determining whether or not the Board's remuneration is well-justified.

xv. Members requested the Scheme to consider switching to a toll-free number, as they are made to hold for long periods when calling the call centres, which is very costly. They also found that the call centre agents are not fully equipped to deal with certain matters, especially around retirement and other issues they enquire about.

xvi. Members suggested that the Scheme should involve them in its benefit design process so as to enable them to contribute to the process and further their understanding of how the Scheme operates.

xvii. Members suggested that the Scheme should review the practice of determining Members' contributions with reference to the salary of the principal Member, as Members have realised that, in cases where a family unit comprise more than one person qualifying to be registered as the principal Member, such persons cheat the system by registering the one who earns the least salary as the principal Member, thereby resulting in lower Membership contributions being paid to the Scheme.

xviii. Members are unhappy about the fact that they do not always receive their monthly statements on time in order to identify irregular claims as and when they occur, and requested that this be addressed.

xix. Members requested that the text messages sent to Members when claims are received by the Scheme should be more specific and give detailed information that can be used by Members.

7. Summary of decisions

a. The Minutes shall reflect that:

i. The Minutes of the 9th Annual General Meeting of Members of GEMS held on 31 July 2015 at The President Hotel and Conference Venue, Bloemfontein were adopted by the meeting as an accurate reflection of the proceedings of that meeting;

ii. The Annual Financial Statements of the Government Employees Medical Scheme for the financial year ended 31 December 2015 were adopted by the Members of the Scheme at the 10th Annual General Meeting of Members of GEMS held on 29 July 2016; and

iii. Deloitte & Touche and OMA Chartered Accountants Incorporated Joint Venture was appointed as the external auditor of the Scheme for the year ending 31 December 2016.

The Chairperson responded to the Member concerns raised in paragraphs 6)b) xii) to 6)b) xix by advising that these concerns will be incorporated in the 2016 GEMS AGM list and reported on the Members in due course.

8. Closure

a. After all matters on the 2016 GEMS AGM Agenda were duly addressed, the Chairperson closed the 10th Annual General Meeting of the Members of GEMS at 17h56 on 29 July 2016.

Date of approval by Members of the Scheme

NM Ntsinde
Chairperson

Date

"**The** Annual Financial **Statements** of the Government Employees Medical Scheme for the **financial year** ended 31 December 2015 were **adopted** by the Members of the Scheme, after a total of **226 member votes** in favour of such adoption were received."

AGM notice continued

Action list on member issues raised at the 2016 GEMS AGM

Held at the CSIR International Convention Centre, Pretoria on 29 July 2016 at 15:00

Issue (short description)	Classification of issue	Scheme response and progress
1. Members indicated that the Scheme should enhance disease prevention methods and consider paying for pathology claims when Members go for screening or blood tests.	Benefit design	The Scheme funds preventative care and screening tests from Members' risk benefits. Preventative care benefits are communicated at healthcare provider conferences and engagements. **The Scheme holds ongoing engagements with healthcare providers on this matter.**
	Member education	The Scheme's communication efforts to educate Members on their preventative care and screening benefits will continue. **Member education sessions are held in provinces by CLOs as part of their performance targets. The sessions involve all educational aspects of utilising Scheme services and benefits. Inputs are also solicited from Government Departments on specific educational topics that require explanations for their employees.** **During 2016, the Scheme embarked on a targeted communication campaign to raise awareness among eligible Members in respect of the preventative screening tests that they are entitled to. This campaign will continue in 2017.**
2. Members raised a concern regarding the Scheme's non-application of waiting periods, especially for maternity benefits, where people join the Scheme for the "baby showers". Members suggested that the "baby showers" be cancelled until such time as the Scheme is in a financially stable position.	Benefit design	The Scheme has noted the issue raised and will be implementing general and condition-specific waiting periods from 1 October 2016.
	Gems Days	The Scheme has to attract and retain young and healthy Members and baby showers are part of that marketing component to increase the relevant Member enrolment. There are also contractual arrangements that are in place as part of the SLA signed with the provider.
3. Members suggested that further education and awareness programmes be conducted in respect of the Family Practitioner Nomination issue.	Member education	The CLOs and all Member-facing SPN agents are educating Members on the benefits of Family Practitioner Nomination as part of a standard presentation/call centre script. **During 2016, the Scheme's marketing campaign in respect of the new Emerald Value Option centred on Family Practitioner Nomination and Specialist Referral being the smart, affordable choice for Members. This campaign to educate Members on the benefits of coordinated care will continue in 2017.**
4. Members mentioned that they experience challenges when visiting pharmacies in that the Scheme requires pharmacists to dispense according to the Scheme's Medicine Price List, which some pharmacies do not have. Members accordingly suggested that the Scheme should consider availing this list to all pharmacies.	Healthcare provider engagements	The Scheme's Medicine Price List is shared with all Pharmacies and published on the GEMS website on a monthly basis.
	Member education	The Scheme will continue with Member education on this issue.
5. Members raised a concern regarding Day Hospitals, which the Scheme does not pay for, and suggested that the Scheme should consider funding same, as the costs associated with Day Hospitals are far less when compared to other types of hospitals.	Healthcare provider engagements	Day Hospital procedures are paid for by the Scheme and there are ongoing engagements with healthcare providers and hospital groups to promote the use of both Day Hospitals and doctors' rooms for minor procedures.
6. Members need clarity on what the Scheme is doing concerning the NHI and how it will impact on Members.	Member engagements	The Scheme supports the Government's policy on NHI and is currently assisting the Eastern Cape Department of Health with key aspects at their NHI pilot sights. The implementation of the Scheme's new five-year strategic plan (2017 to 2021) will position the Scheme to contribute meaningfully to the goal of implementing Universal Health Care in South Africa.
7. Members requested that the form of the Scheme's future financial reports to Members be amended to include a section in which the Scheme's financials are benchmarked against those of other schemes. This will assist Members' understanding of how the Scheme fares in comparison with the industry.	Financial reports	The Scheme will consider the inclusion of benchmarks in its future Annual Financial Statements.

AGM notice continued

Issue (short description)	Classification of issue	Scheme response and progress
8. Members would like to see the Board's responsibilities clearly defined in order to assist them in determining whether or not the Board's remuneration is well-justified.	Board remuneration	Members were provided with an exposition document on the Board's remuneration at the 2016 GEMS AGM. The existing exposition document will be enhanced to address this requirement.
	Member communication	An article on this issue will be published in the Q2 2017 Member newsletter.
9. Members requested the Scheme to consider the introduction of a toll-free number to prevent Members from incurring high telephone charges resulting from their calls made to the Scheme's call-centres.	Toll-free call centre number	The Scheme considered this service a few years ago. The costs associated with its introduction were deemed prohibitive for the Scheme to bear. However, the introduction of new, cost-effective and quicker engagement mechanisms such as the CLOs and Facebook, and in the near future, the GEMS App and interactive website, will assist in dealing with this aspect.
10. Members expressed their concern about the fact that the Scheme's call centre agents are not fully equipped to deal with certain matters, e.g. the impact of Members' retirement on the administration of their Membership on the Scheme.	Call centre staff training	A skills audit was performed to address the challenges. The Gemanathi Programme was introduced to empower the call-centre staff on how to perform their jobs with professionalism, pride and excellence, exceeding Scheme and Member expectations. This programme is aimed at equipping call-centre staff to accustom themselves with the GEMS Mission, Vision and Values. Part of the training comprised the various GEMS Member profiles, i.e. single with young dependants; married with young & adult dependants; married with young dependants; single with no dependants; and pensioners, and how to interact with each profile. **All SPNs have made changes to address the gaps and their progress is continuously monitored through the Scheme's quality assurance service provider.**
	Member education	The Scheme will consider this information when engaging with Members.
11. Members suggested that the Scheme should involve them in its benefit design process so as to enable them to contribute to the process and further their understanding of how the Scheme operates.	Benefit design	**Inputs received from Members through Member engagments and Lekgotlas were considered during the 2017 Product Development and Benefit Design process.** **The same process will be followed during the 2018 Product Development and Benefit Design process.**
12. Members suggested that the Scheme should review the practice of determining Members' contributions with reference to the salary of the principal Member, as some Members have realised that, in cases where a family unit comprise more than one person qualifying to be registered as the principal Member, such persons cheat the system by registering the one who earns the least salary as the principal Member, thereby resulting in lower Membership contributions being paid to the Scheme.	Member contributions	The contributions of principal Members and adult dependants are being aligned gradually by the Scheme. This will continue in respect of the 2018 benefit year.
13. Members are unhappy about the fact that they do not always receive their monthly statements on time in order to identify irregular claims as and when they occur, and requested that this be addressed.	Quality of Member services	Immediately upon the Scheme's receipt of a claim, a claim SMS is sent to the Member to enable him/her to monitor his/her and his/her dependants' claims. The Scheme has embarked on a data-cleaning project to ensure the delivery of Member mail to the correct address. The Scheme will enhance the current claims communication process by the end of Q1 2017. The enhancement will include changes to the primary and follow-up SMS sent to Members. Details of claims processed are also available on the log-in portal of the GEMS website for Members that have access to the internet.
14. Members requested that the SMS messages sent to them when claims are received by the Scheme should be more specific and give detailed information that can be used my Members.	Quality of Member services	The Scheme has reviewed the contents of the claims SMS for purposes of including information that is of greater relevance to Members. The contents of the follow-up SMS distributed to Members will be enhanced to inform Members of the status of the claim once it has been processed. This will inform Members of any irregular claims, giving them an opportunity to follow-up on these claims with the Scheme or Service Provider timeously. **The enhancements are scheduled for go-live in Q2 of 2017.**
15. Members raised a concern that the appointment of auditors appointed by the Scheme does not promote B-BBEE.	Promotion of B-BBEE	GEMS allocates 30 % of its bid evaluation criteria towards B-BBEE for bids and quotes above a certain threshold. The B-BBEE status of the audit firms appointed by the Scheme ranges from a level 1 to 2 contributor and is explained further on page 37 to 38 of the report.

Other information

Audited Financial Statements

The full audited Annual Financial Statements can be obtained from the Scheme's registered office, or Scheme website and by email as stated below:

Registered office:

Hillcrest Office Park
177 c/o Lynwood and Dyer Road
Hillcrest
Pretoria
0083

Scheme website:

www.gems.gov.za

Scheme email

You may also request a copy via the scheme email:
enquiries@gems.gov.za

gems

Government Employees
Medical Scheme

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Website
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