

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 provision 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 82) are reflected in the new statements:

MANDATE	To ensure that there is adequate provision 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 assessment, 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 well-being
 Values	Excellence, Member-centricity, Integrity, Value for money, Innovation	Excellence, Member Value, Integrity, Collaboration, Innovation

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.

Sapphire: This is the entry-level option. It provides out-of-hospital care such as visits to a GP, dentist and optometrist, maternity cover at private facilities, and in-hospital cover at public facilities. This option is designed to be inexpensive, with the 2016 average member contribution at R850. In 2016, the percentage of members subscribing to this option was 6%.

Beryl: This is an entry-level option where cover is provided by designated provider networks. This product offers members comprehensive in- and out-of-hospital benefits through a network of healthcare providers in both public and private hospitals. The 2016 average member contribution was R1,000. The percentage of members on this option in 2016 was 4%.

Ruby: This option offers comprehensive hospital benefits through a Personal Medical Savings Account (PMSA), hospital benefit and a Block Benefit. The average 2016 member contribution was R2,000, with 25% of this contribution going towards the PMSA. The percentage of members on this option in 2016 was 9%.

Emerald: This option is designed to provide comprehensive cover that offers access to care at the member's chosen provider, subject to benefits and Scheme rules. This is a higher-end option, with a 2016 average contribution of R2,200. The percentage of members on this option in 2016 was 75%.

Emerald Value: Introduced with effect from 1 January 2017, this option is an efficiency discounted option based on Emerald. Members on this option pay discounted membership fees in exchange for adhering to care coordination rules (family practitioner nomination and specialist referral) and are required to use the Scheme's hospital network.

Onyx: This is a top-of-the-range benefit option that offers extensive cover. On the Onyx option, the member can claim certain out-of-hospital expenses such as Family Practitioner (FP) and specialist visits, contraceptives or basic radiology, from their day-to-day Block Benefit. The 2016 average contribution was R3,400. The percentage of members on this option in 2016 was 6%.

Organisational overview of GEMS continued

Our market

In adhering 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.

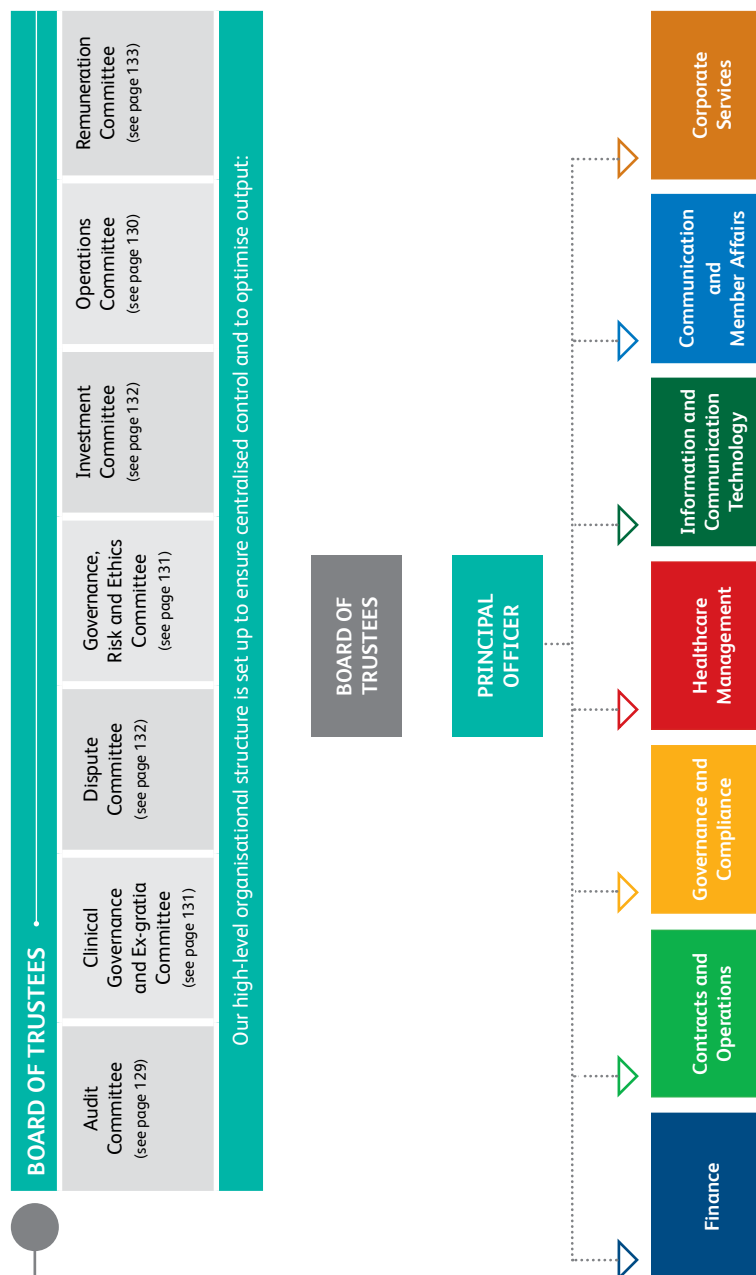
Currently, there are an estimated 433,000 public service employees who are eligible but not yet covered by GEMS.

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.

Our high-level organisational structure is set up to ensure centralised control and to optimise output.



Organisational overview of GEMS continued

Board of Trustees:




The Trustees in office in 2016 were:

Trustees	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


Trustees	Elected or appointed	Qualifications	Other significant positions held in 2016
Dr ECT Moloko (16 May 1959) 	Appointed 28 October 2016, tenure ends 27 October 2022	MBChB (MEDUNSA) BSc (Med), Medical University of Southern Africa (MEDUNSA)	Chairperson: Health and Welfare Sector Education and Training Authority (HWESETA)
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) 	Re-elected, tenure commenced 30 July 2013, ends 29 July 2019	BA (Communication Science) (Potch. Univ.), Adv. Dip. in Labour Law (UJ)	N/A

Organisational overview of GEMS continued

Trustees	Elected or appointed	Qualifications	Other significant positions held in 2016
Dr JA Breed (14 March 1951) 	Elected, tenure commenced 30 July 2014, 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
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

Trustees	Elected or appointed	Qualifications	Other significant positions held in 2016
Mr NL Theledi (30 June 1963) 	Re-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; SAIPA Board
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

Organisational overview of GEMS continued

Trustees	Elected or appointed	Qualifications	Other significant positions held in 2016
Mr JS Roux (8 January 1944) 	Re-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.



BOARD OF TRUSTEES

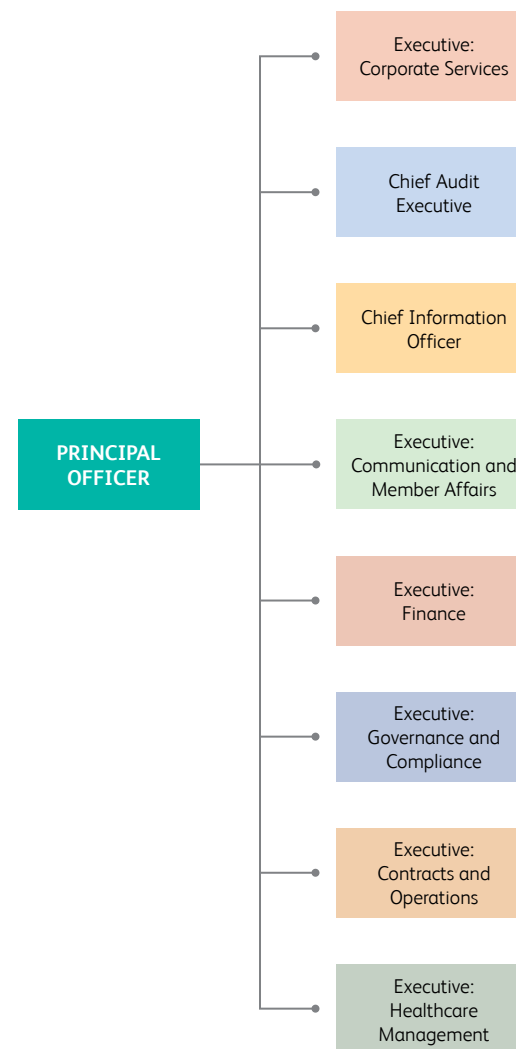
Back row (left to right): Dr EC Moloko, Dr I Van Zyl, Mr CJ Booyens

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

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






Organisational overview of GEMS continued

Name	Position	Summarised profile
Dr Guni Goolab 	Principal Officer	<p>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).</p> <p>He has extensive executive experience, having led a multinational healthcare company. Dr Goolab also has an extensive public and private healthcare background spanning nearly three decades. AstraZeneca was one of the fastest growing pharmaceutical companies in South Africa. During that period, three flagship products were launched that featured in the top 10 brands. From 2008 to 2013, he led the expansion of AstraZeneca into sub-Saharan Africa, with a particular focus on Nigeria, Ghana, Kenya and Angola.</p> <p>He has served as the Principal Officer of the Government Employees Medical Scheme since 1 August 2013.</p> <p>During this period, GEMS has implemented its third three-year strategy with some key achievements including:</p> <ul style="list-style-type: none"> ▶ The Scheme's new product development and benefit design process ▶ The Scheme's new investment strategy <p>A strengthened relationship with the National Department of Health and the Scheme's support for various national health initiatives.</p>
Ms Gloria Nkadameng 	Chief Information Officer	<p>Ms Nkadameng holds a Master's Degree in Automated Management Systems acquired in Havana, Cuba and a Certificate in Business Management from the Centre for Business Management, Unisa.</p> <p>Prior to joining GEMS, Ms G Nkadameng was Group Head Information and Communication Technology at the City of Johannesburg, Public Services Business Executive at Gijima, Enterprise Strategy Consultant at Microsoft and General Manager Information Management at the City of Tshwane.</p> <p>Currently, Ms Nkadameng is charged with providing strategic leadership, vision and direction to the ICT Division in rendering Information and Communication Technology services to GEMS.</p>


Name	Position	Summarised profile
Mr Molapo Masekoameng 	Chief Audit Executive	<p>Mr Masekoameng joined the Scheme in August 2014. He holds a BTech Degree in Internal Auditing (UNISA), a diploma in Treasury Management and Trade Finance (Institute of Bankers), International Executive Development Programme (Wits Business School) and is accredited by the Institute of Internal Auditors as a Certified Internal Auditor (CIA) and Certified Financial Services Auditor (CFSa).</p> <p>Prior to joining GEMS, Molapo worked as the Regional Internal Audit Director for Barclays Internal Audit – Southern Africa (Overseeing internal audit services for Botswana, Mozambique, Tanzania, Zambia and Zimbabwe) and most recently as Head of Internal Audit, Barclays Shared Services Africa. Other career highlights include more than two years' experience as the Chief Operating Officer of Absa Internal Audit and a two-year tenure as Head of Audit for Absa Retail Banking.</p> <p>Mr Masekoameng is responsible for the Scheme's Internal Audit function.</p>
Dr Vuyokazi Gqola 	Executive: Healthcare Management	<p>Dr Gqola has years of experience at both private and public healthcare institutions.</p> <p>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.</p> <p>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.</p> <p>She is a registered Medical Practitioner with the Health Professions Council of South Africa (HPCSA).</p> <p>She is responsible for the Scheme's managed care services including disease management programmes, tariff negotiations, healthcare provider relations, healthcare networks and strategic sourcing.</p>


Organisational overview of GEMS continued

Name	Position	Summarised profile
Ms Karyna Pierce 	Executive: Finance	<p>Ms Pierce qualified as a Chartered Accountant in 2004 and completed a senior management course at the University of Pretoria.</p> <p>She joined GEMS in 2007 as the Executive: Finance. Her career highlights include a five-year tenure as Head of Finance at the Competition Commission responsible for Strategic and Business Planning (finance area), People Management, Basic Administration and Compliance, Policy Implementation and Service Delivery. She was instrumental in placing the Scheme's financial management function on a sound footing. Her core competencies include:</p> <ul style="list-style-type: none"> ▶ Financial management ▶ Financial analysis ▶ Risk management ▶ Cash management ▶ Budgeting ▶ Auditing ▶ Regulatory compliance ▶ Efficiency improvements ▶ Supply chain management <p>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.</p>

Name	Position	Summarised profile
Ms Bella Mfenyana 	Executive: Contracts and Operations (Resigned 8 April 2017)	<p>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.</p> <p>Ms Mfenyana commenced her career as a Retirement Fund Consultant with Alexander Forbes Financial Services and thereafter joined Discovery Health as Fund Manager where she provided consulting advice to a portfolio of blue-chip corporate clients.</p> <p>She joined GEMS in 2006 to establish and head up the Scheme's Contracts and Operations Division. 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.</p>
Ms Liziwe Nkonyana 	Executive: Communication and Member Affairs (Resigned 24 April 2017)	<p>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.</p> <p>Prior to joining GEMS she worked as Head of Communication of the Competition Commission. Other career highlights include a two-year tenure as Deputy Director: Communication within the Presidency: National Youth Commission. She also worked as a Marketing Specialist in the Department of Labour between 1998 and 2002.</p> <p>Ms Nkonyana joined GEMS in 2006 and worked tirelessly to ensure the Scheme's continued Membership growth over the years. She is responsible for communication, Member affairs, public relations and marketing activities. She oversees the Scheme's Client Liaison Office and all communications and marketing activities targeted at employees, Members and service providers.</p>

Organisational overview of GEMS continued

Name	Position	Summarised profile
Mr Samuel Lewatle 	Executive: Corporate Services	<p>Mr Lewatle holds a MBA from Oxford Brookes University (UK), a Bachelor of Business Administration (BBA), a National Diploma in Education, certificates in macro economics, industrial relations and executive and business coaching and a post- graduate certificate in executive leadership.</p> <p>Mr Lewatle joined GEMS in March 2014 as Executive: Corporate Services. He has extensive experience, having worked for a multinational organisation as Africa Area: Human Resources Manager and locally for the Independent Development Trust (IDT) as Senior Manager/Acting General Manager, managing Members for his management/consulting business he established and managed for three years, and was the Executive Director: Human Capital for the National Development Agency prior to joining GEMS.</p> <p>His career highlights include working internationally and managing HR operations in countries such as Ghana, Nigeria, Kenya and Democratic Republic of Congo, achieving the Employer Brand Management accreditation and 'best company to work for' during the period 2009-2010 from Corporate Research Foundation (CRF).</p>

Name	Position	Summarised profile
Mr Samuel Lewatle <i>(continued)</i>		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.
Ms Jeannie Combrink 	Executive: Governance and Compliance	<p>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.</p> <p>Prior to joining GEMS, she worked as a Deputy Director: Conditions of Service in the Department of Public Service and Administration. Other highlights include serving at the Public Service Commission from 1993 to 1999. Prior to that, she formed part of the team that implemented PERSAL across the public service.</p> <p>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.</p>

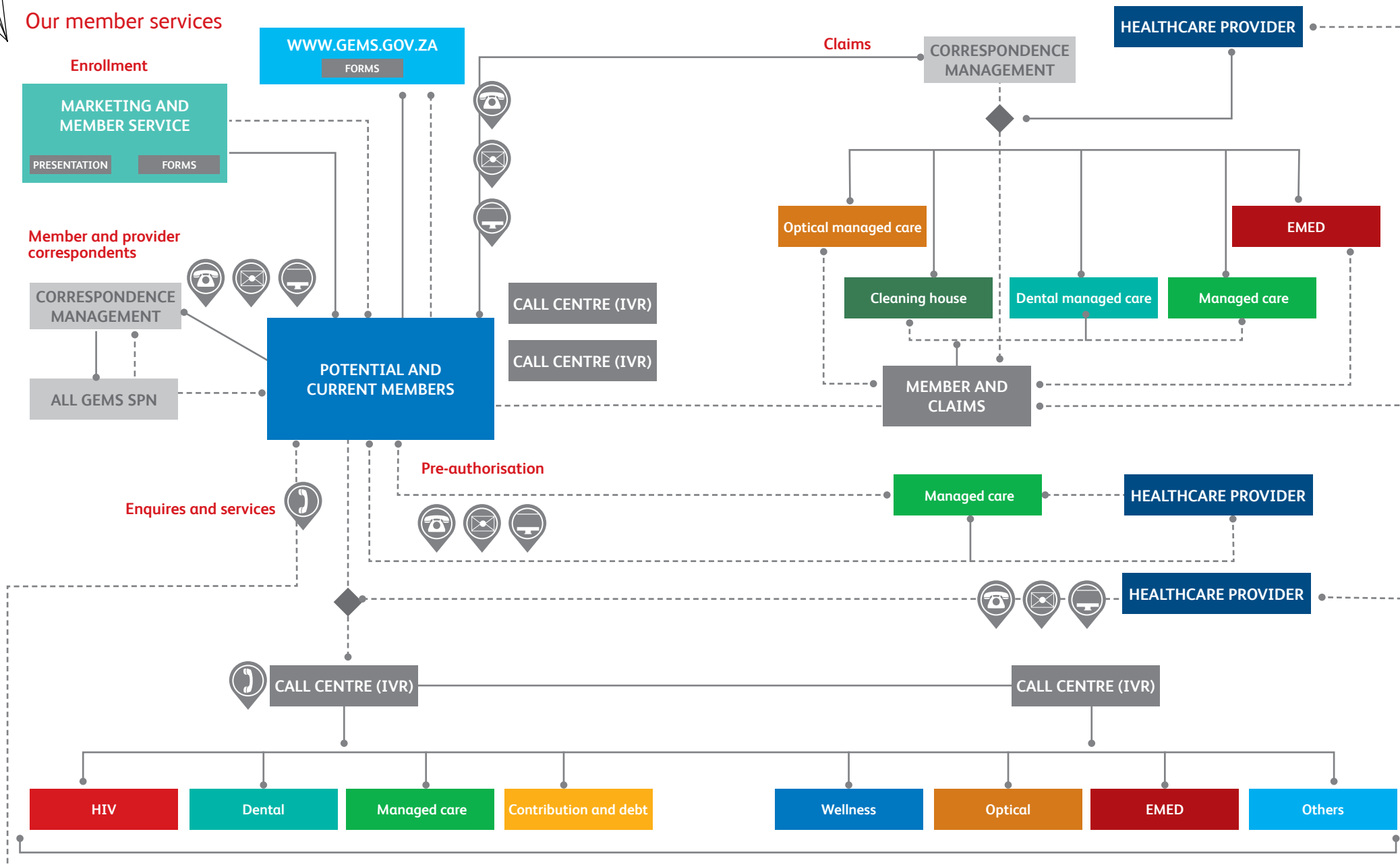


EXECUTIVE MANAGEMENT

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

Organisational overview of GEMS continued

Our member services



Organisational overview of GEMS continued

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	<p>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.</p> <p>The total breakdown of sites is as follows:</p> <ul style="list-style-type: none"> ▶ 22 - GEMS walk-in centres (this figure includes two kiosks in high traffic walk-in centres: Durban, Pretoria, Mthatha and Nelspruit) ▶ 38 - Pharmacies ▶ 22 - Provincial and academic hospitals ▶ 3 - Provincial buildings (DOH building in Bisho, Pollsmoor Correctional Centre and in the SAOU head office building) ▶ 3 - Thusong centres (Breyton Centre, Maponya Mall and in Witsieshoek) <p>The kiosks are used for new member registrations and to issue tax certificates and claims statements to members. The kiosks have been well-received by both members and potential members. 19,576 members received their tax certificates by using the self-service facility which assisted in decreasing call centre volumes.</p>
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	<p>The extent of interaction with members by means of electronic communication was significant:</p> <ul style="list-style-type: none"> ▶ 3,168,188 inbound and outbound emails were recorded ▶ 46,583,969 letters/statements were sent to members ▶ 4,673,972 inbound and outbound short message service (SMS) messages were recorded ▶ 2,473,992 website hits were recorded
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 saw a number of changes in the environment that required timeous communication to members. The editions were therefore timed to provide members with the relevant information. The edition distributed in May was timed to include all information pertaining to the 2016 medical subsidy and the September edition contained all relevant information on the underwriting changes introduced in October 2016.

Communication platform	Impact
Client Liaison Unit (CLO Unit)	<p>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.</p> <p>The Unit increased its footprint across the provinces to 2,393 new sites while services at 607 sites were reactivated in 2016.</p> <p>With the deployment of the CLO Unit to date, 16,077 service events were held, 222,194 service interactions of which 179,654 were with GEMS members and 42,540 were with potential GEMS members were undertaken. A total of 209,091 enquiries were received for investigation and finalisation with an average on-site query resolution rate of 83 % across all regions. The overall satisfaction level for services rendered to members by the CLO Unit was rated at 96.6 % in 2016.</p> <p>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. Further to this, the promotion of the exercise programme via the CLO Unit saw 397 such events held.</p> <p>The CLO Unit drives member education sessions and workshops to improve understanding of benefit entitlements, Scheme rules and processes. A total of 6,700 member education sessions were rolled out across the provinces. In addition to this, the Unit hosted 165 focus group meetings to engage members around their understanding, expectations and experience of the Scheme.</p> <p>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.</p>
Wellness screenings (Health and Wellness days)	<p>A total of 3,781 Health and Wellness days were held where public service employees were able to engage with the Scheme while checking their health and wellness status through screening services.</p> <p>A total of 44,772 HCT tests were conducted where members received counseling pre and post their HIV test.</p> <p>In total, 107,213 wellness screenings were conducted in 2016. These included blood glucose, blood pressure, cholesterol, waist circumference measurement and a determination of an individual's BMI.</p>

Organisational overview of GEMS continued

Communication platform	Impact
GEMS Days	<p>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 can access all Scheme services at these events, including: membership services, contributions and debt query handling, Maternity Programme registration, wellness screening and chronic disease registration. The five events held were:</p> <ul style="list-style-type: none"> ▶ 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.
Lekgotla/Makgotla (member engagement activities)	<p>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.</p> <p>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.</p> <p>The August/September roadshow covered the following themes:</p> <ul style="list-style-type: none"> ▶ Fraud, waste and abuse ▶ Anti-selective behaviour and underwriting ▶ Update on care coordination ▶ Introducing the Scheme's new Emerald Value Option (EVO)

Communication platform	Impact
Lekgotla/Makgotla (member engagement activities) continued	<p>The November/December leg of the roadshow covered the following themes:</p> <ul style="list-style-type: none"> ▶ 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 <p>The concerns communicated by members mainly related to affordability, early depletion of benefits, out-of-pocket payments and hospital shortfalls.</p> <p>Also under members' scrutiny in all the engagements was the unsatisfactory service received from the contact centre.</p> <p>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.</p>
Stakeholder engagements	<p>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.</p>

Organisational overview of GEMS continued

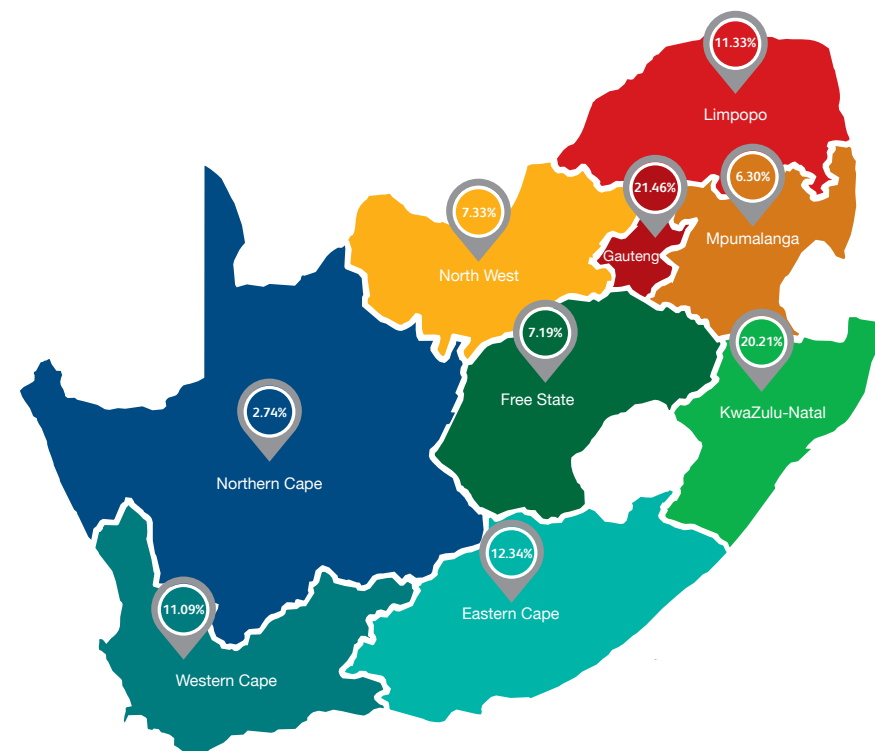
The GEMS Service Provider Network (SPN) in 2016

Service category	Provider
General managed care services and manages the Sapphire and Beryl networks	Medscheme Health Risk Solutions
Administration for Members and Claims	Metropolitan Health Corporate
Administration for Correspondence Management	Business Collaborate
Administration for Contribution and Debt Management	Medscheme Holdings
Emergency Medical Evacuation Dispatch Services	Europe Assistance
Management of the HIV/AIDS Programme	Thebe Health Risk Management
Dental Managed Care Services	Denis
Optical Managed Care Services	PPN
Health and Wellness Screening Services	Healthi Choices
Maternity Management Programme	Healthi Choices
Medicine Management Services	Universal Care
Strategic Managed Care Services	Universal Care
Pharmaceutical Benefit Management	Medikredit
Chronic Medicine Courier Services	Medipost Pharmacy
Marketing and Member Services	TeleDirect
Workplace-based exercise programme (GEMS Fitness)	EOH Abantu

Geographic areas of operation

The geographic location of the Scheme's membership is aligned to that of the public service and the geographical map below illustrates the spread of GEMS' membership base across the whole of South Africa.

Geographical distribution of current GEMS Members as of 31 December 2016

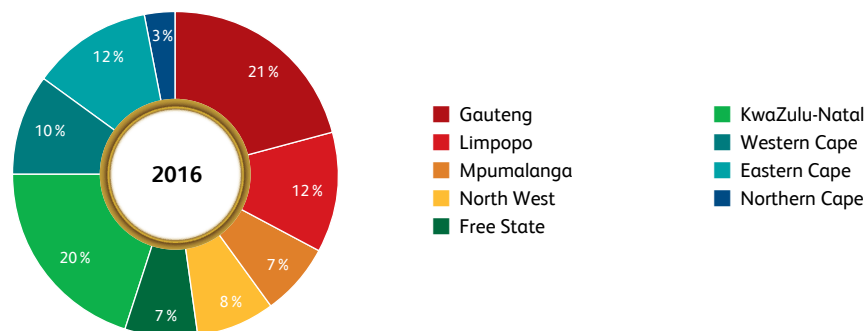


Gauteng – representing 21% (375,583) of beneficiaries – is the province which accounts for the largest percentage, followed by KwaZulu-Natal with 20% (362,728). The Northern Cape still accounts for the lowest number of beneficiaries at 3% (50,479) members. These statistics are also representative of public service departments spread across the country.

Organisational overview of GEMS continued

The following graph illustrates the trends in respect of the GEMS coverage of eligible employees across the provinces:

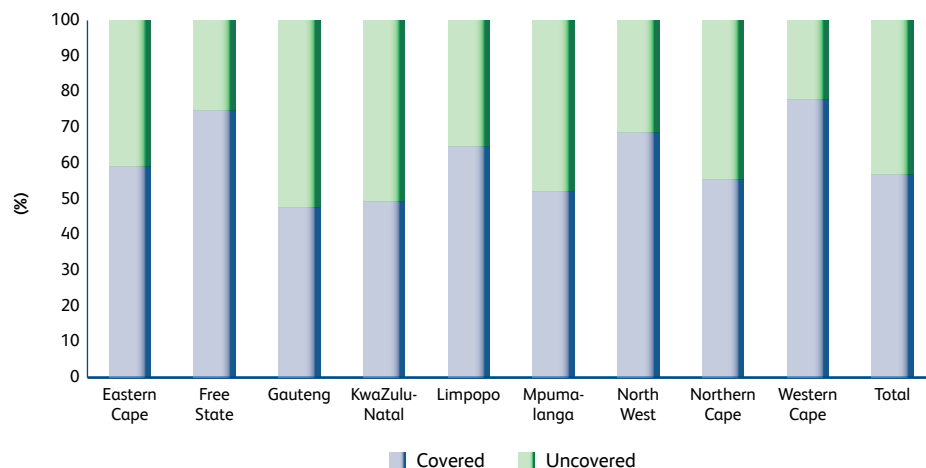
Beneficiary distribution by province – 2016



Provinces with low conversion rates are being actively targeted by the Scheme through various interactions, some of which are the following:

- ▶ Participation in Health and Wellness events of the various departments.
- ▶ Various GEMS days organised by the Scheme.
- ▶ The continued roll-out of CLO offices to new provinces.

Coverage of eligible employees as a % of members – 2016



Membership profile

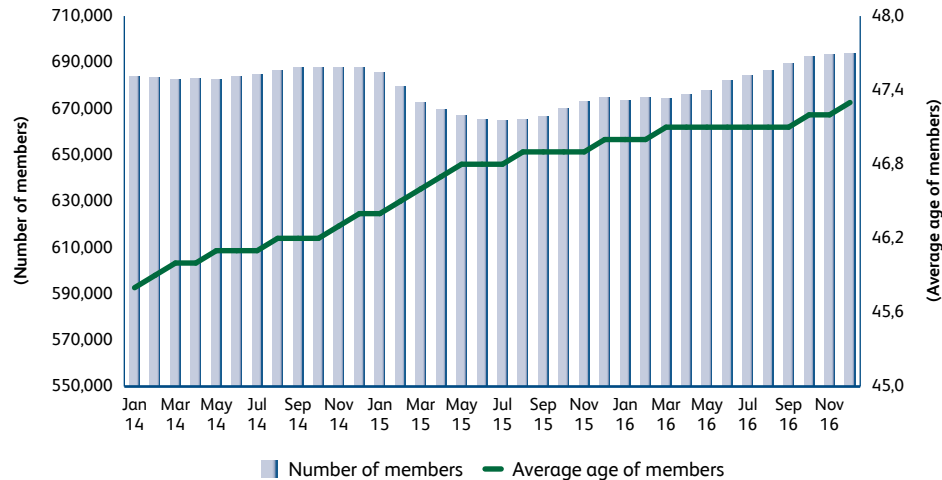
The following table summarises the membership statistics of the Scheme's benefit options as at 31 December 2016. The industry column shows the figures available for restricted medical schemes as reported in the Council for Medical Schemes Annual Report for 2015 – 2016.

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%

Organisational overview of GEMS continued

The graph below summarises the average age and total number of members over time. It is clearly visible that the Scheme is ageing which has a direct impact on the claims experience of the Scheme.

Number and age of principal members



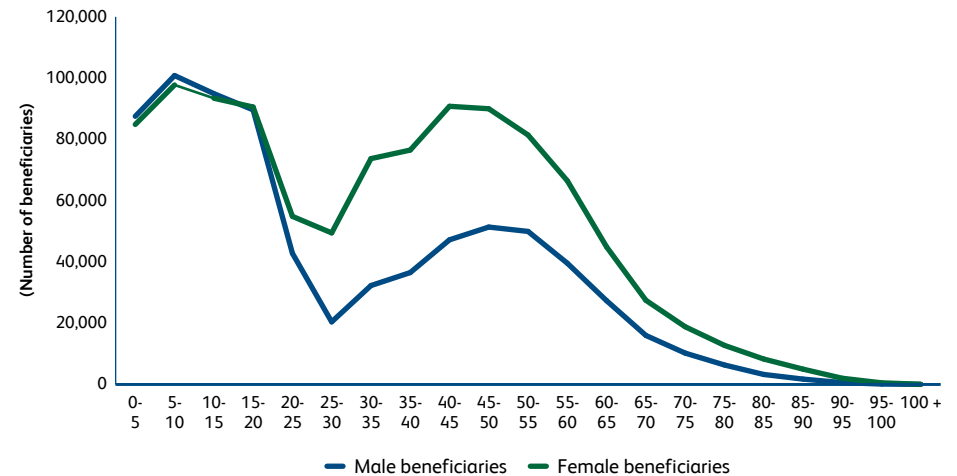
The average age of principal members on the Scheme as at December 2016 was 47.3 years (2015: 47.0 years) and that of beneficiaries (principal members and dependants) was 31.5 years (2015: 31.8 years) indicating that the Scheme experienced a slight reduction in the average age of all beneficiaries. This decrease in average age is expected to have a positive impact on the claims experience of the Scheme.

The oldest beneficiary on the Scheme is a female member on the Onyx option born in 1910 (aged 107).



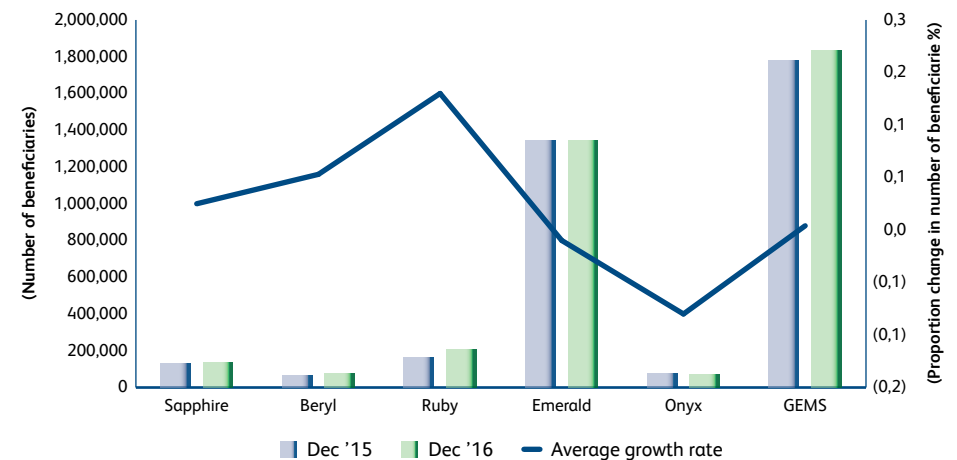
The graph below illustrates the split between male and female beneficiaries of the Scheme as at 31 December 2016 with the percentage of females at 58.5% being significantly higher than that of males at 41.5% which is not dissimilar to the 2015 experience.

Age and gender distribution of beneficiaries



During 2016 the Scheme saw a change in the membership distribution between the various Scheme options with more members opting for the Ruby option. The Emerald option is still the most significant option of the Scheme with 73% of members belonging to this option.

Changes in beneficiaries over time



Organisational overview of GEMS continued

Salary Level 1 to 5 Public Service Employees

The Scheme ended the year with 187,999 (2015: 181,676) level 1 to 5 employees split across all the options in GEMS. This represents 27.1% (2015: 26.9%) of the total membership on GEMS. The increase in the coverage of level 1 to 5 employees is due to the resignation of higher salaried employees.

Employees in the public service employed on salary levels 1 to 5 typically earn between R7,000 and R14,000 per month. For the period under review, the Sapphire option had 84.6% members on salary level 1 to 5 compared to 40.3% for the Beryl option. This is expected since the Sapphire option is the least expensive option and is fully subsidised for employees of salary levels 1 to 5.

Pensioners

In this section, we define “pensioners” as any beneficiaries older than 60 years. The reliance on age for purposes of this definition is in line with the reporting practice of the Council for Medical Schemes. The demographic analysis of the Scheme shows a persistent increase in pensioners over time.

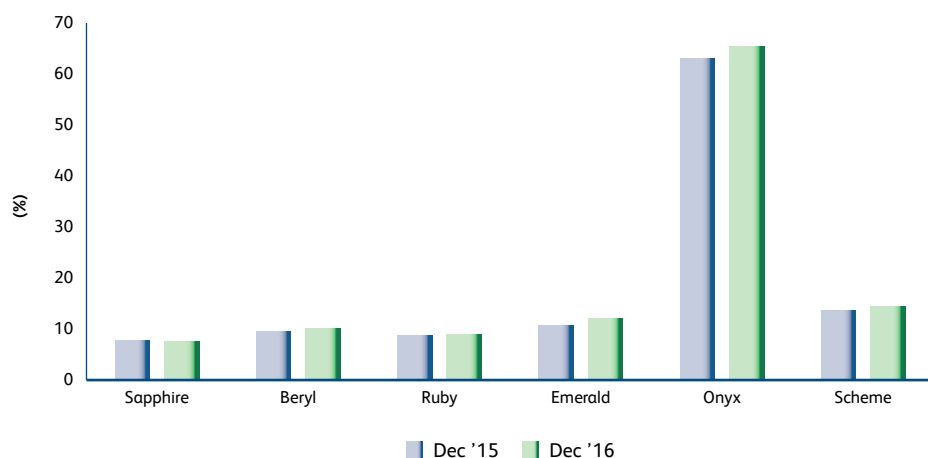
The total number of principal members older than 60 years increased with 7.8% from 92,406 in 2015 to 99,634 in the 2016 financial year. This trend was observed across all options. The pensioner ratio increased to 14.4% in 2016.

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.

Pensioner ratio per option



Key developments in the external operating context and their impact on the Scheme:

Issue	Impact
▶ The imminent National Health Insurance (NHI) and its 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	<p>The medical schemes and health insurance industry is currently experiencing challenges such as increasing healthcare costs, changing member behaviour, an increased burden of disease and increased levels of fraud.</p> <p>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.</p>
▶ Review of Prescribed Minimum Benefits	<p>The impact of Prescribed Minimum Benefit claims on GEMS is discussed on page 103 of this report.</p> <p>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.</p>
▶ Other legislative and regulatory reform	<p>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.</p> <p>The Health Market Inquiry is expected to conclude in December 2017. Focus areas of the investigation in 2017 include:</p> <ul style="list-style-type: none"> ▶ Prescribed Minimum Benefits ▶ Supply-induced demand <p>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.</p>

Organisational overview of GEMS continued

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	<p>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 (see graph opposite).</p> <p>There were 8,591 such beneficiaries in 2016.</p> <p>These beneficiaries claimed R149 million and contributed R30 million (loss ratio 487%).</p>
Fraud, waste and abuse	<p>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, providers and hospitals suspected of cash back plan fraud.</p>
Increased utilisation, inefficiency and supply-induced demand	<p>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.</p>
Service Provider Network systems and performance	<p>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.</p> <p>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.</p>

Understanding the challenge and responding

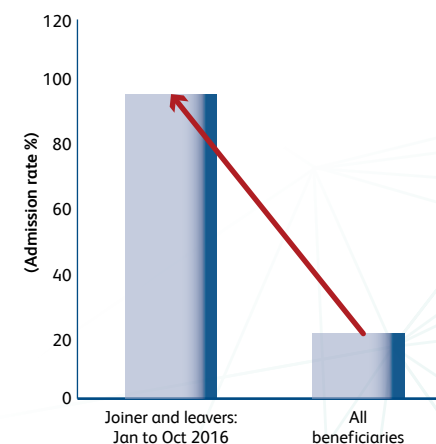
A multi-faceted **Claims Management Programme** was implemented. The programme focused on:

- ▶ 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.

Anti-selection

Hospital admission rate comparison



Organisational overview of GEMS continued

Underwriting was implemented to focus on the identified areas of concern.

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

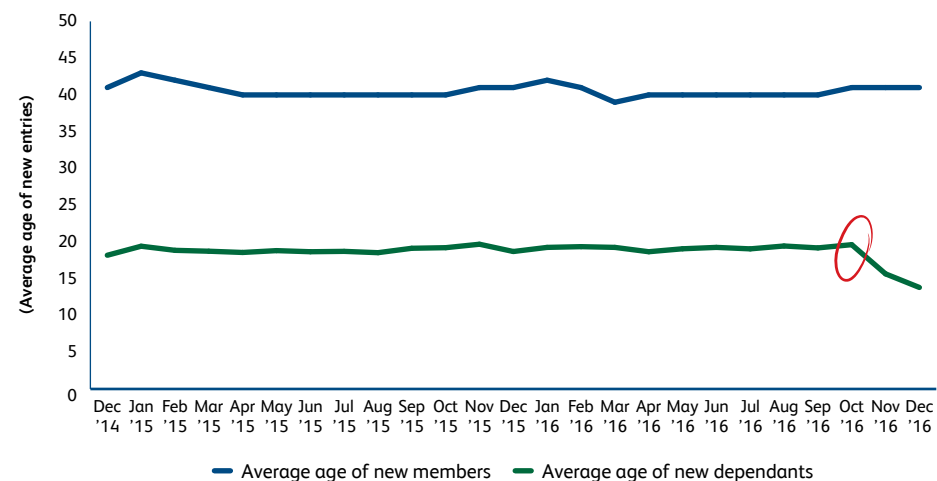
From the “go live” date on 1 October 2016, the Scheme received 12,434 member applications of which 10% were underwritten. This is broken down as follows:

	1 Oct 2016 to 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 applications 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 opposite 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 KwaZulu-Natal to investigate findings reported after 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) is agreed upon

TRAWLING OF WARDS

Certain providers proactively trawl wards for patients irrespective of clinical need

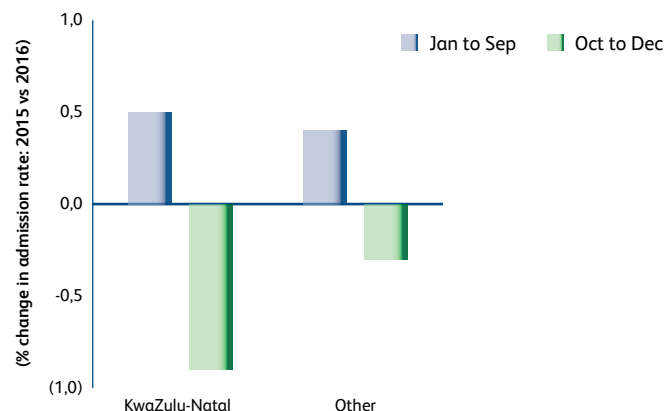
Mechanisms have been developed with hospitals to prevent such abuse

Payment to anomalous practices are suspended and Acknowledgement of Debt (AOD) is agreed upon

Organisational overview of GEMS continued

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

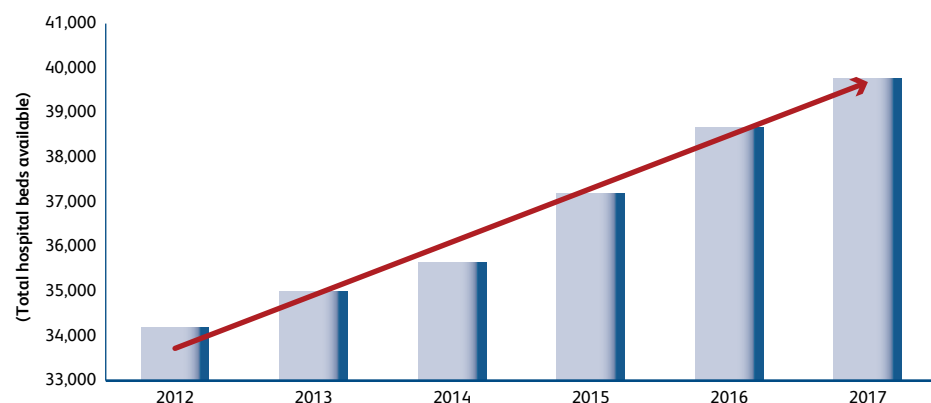
Impact of scheme interventions



Increased utilisation, inefficiency and supply-induced demand

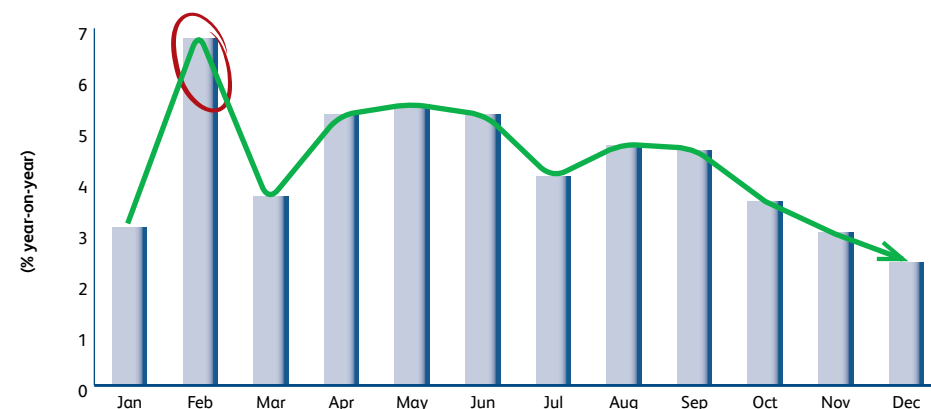
There is a strong correlation between supply-side capacity and the hospital admission rates experienced by the Scheme.

Hospital beds



The hospital admission rate increased by 2.4% in 2016, contributing significantly to the R0.9 billion overspend in claims for 2016. 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 hospitals 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. Remedial actions were formulated and implemented where necessary. Some of these remedial actions 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 43 of this report.

Market positioning

GEMS is the largest restricted membership scheme and the second largest overall 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:

Organisational overview of GEMS continued

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 performed by the Scheme's contracted actuary, 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 cost of healthcare services, by providing benefits and services for preventative healthcare and disease management, 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.

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.

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)

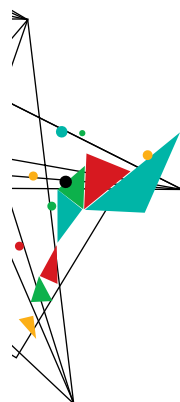
The Board of Trustees decided to in-source the full Finance function of the Scheme from 1 January 2017, which provides the Scheme with greater control over Scheme finances and greater flexibility to respond to the funding demands of the Scheme. During 2016 the Scheme implemented a new finance system 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.

Organisational overview of GEMS continued

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

The relevance of the six capitals to GEMS in 2016:

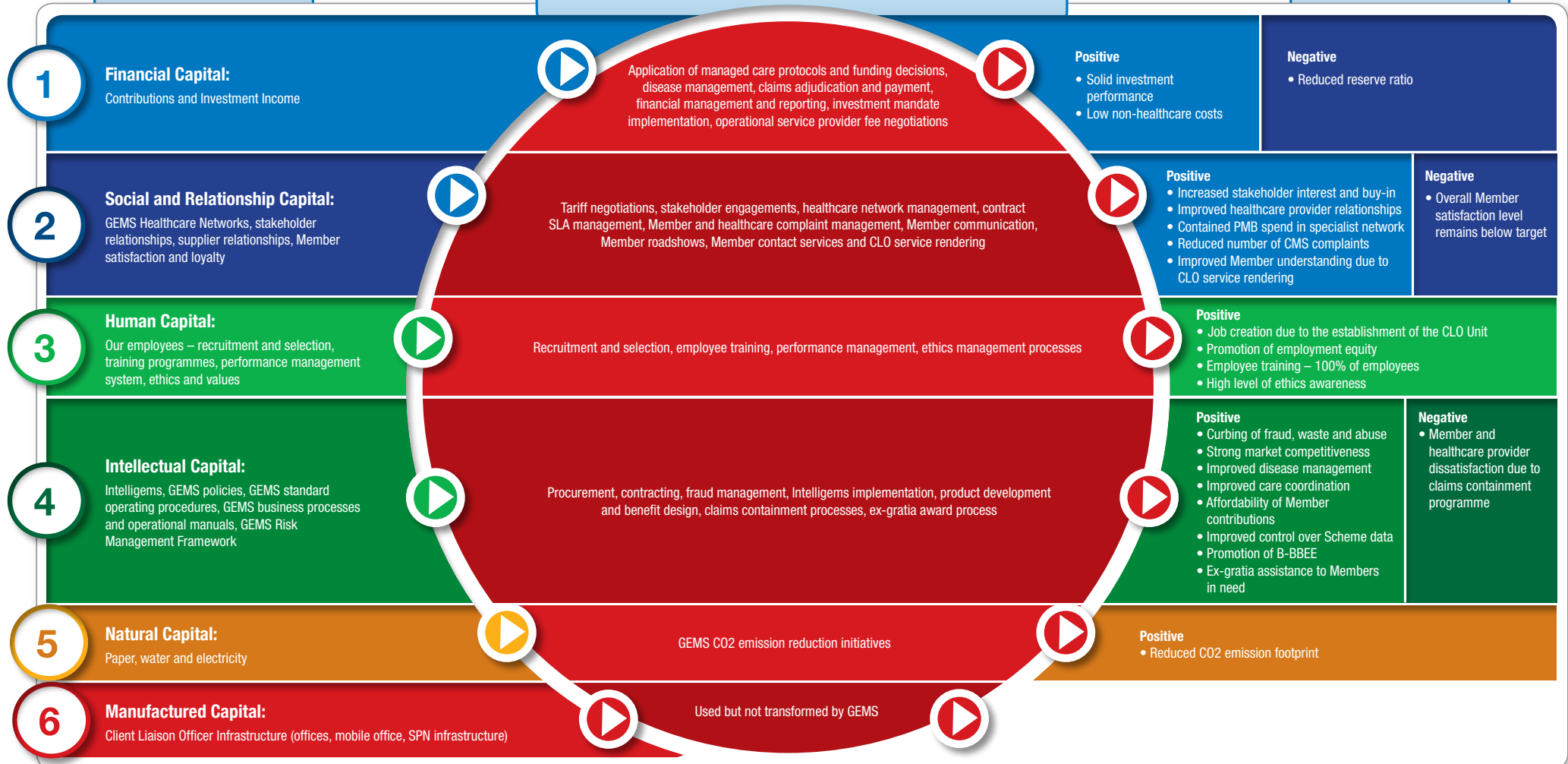
Capital name	Inputs in 2016
 Financial capital	<ul style="list-style-type: none">• Contribution income (See page 95)• Investment income (See page 91)
 Social and relationship capital	<ul style="list-style-type: none">• Stakeholder relationship management (See page 64)• Development of GEMS Healthcare Networks (See page 78)• Membership of Board of Healthcare Funders (See page 117)• Cooperation agreements with industry role players (See page 117)• SPN relationships (supply chain relationships) (See page 57)• Member satisfaction and loyalty (See page 113)
 Human capital	<ul style="list-style-type: none">• Recruitment and retention policies and systems (See page 64)• Employee training programmes and outcomes (See page 78)• Performance Management policies, systems and processes (See page 140)• Ethics management (See page 58)
 Intellectual capital	<ul style="list-style-type: none">• Implementation of Intelligems (See page 151)• Scheme policies, standard operating procedures, business processes and operational manuals, including Fraud Policy and Prevention Approach and the GEMS Supply Chain Management Policy and related GEMS business documents (such as bid invitation documents) (See pages 57 and 58)• Intellectual property developed in executing Scheme contracts, i.e. the development of clinical protocols of the Scheme• GEMS Risk Management Framework• GEMS members' health and demographic profile
 Natural capital	<ul style="list-style-type: none">• Use of resources such as paper, water and electricity (See page 59)
 Manufactured capital	<ul style="list-style-type: none">• Service Provider Network Infrastructure (See page 28 and 29)• Client Liaison Officer Unit Infrastructure (See page 31)



Business model, activities and outputs

Inputs

Outcomes



Organisational overview of GEMS continued

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

The Board of Trustees has established an Ex-gratia Committee (now called the Clinical Governance and Ex-gratia Committee) to consider member requests for ex-gratia assistance in respect of healthcare services for 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:

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.

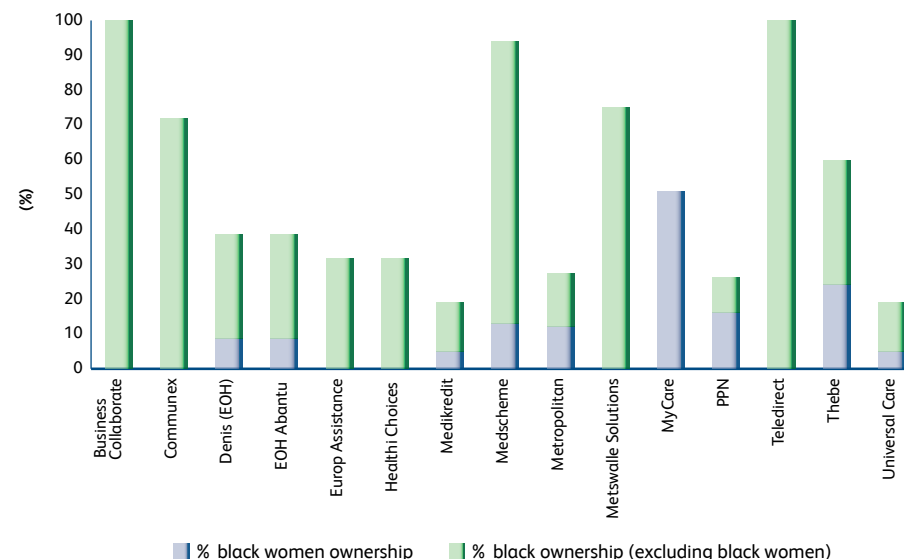
Once their contracts are established, all GEMS SPN service providers must spend at least (5%) of its fees paid by GEMS for services rendered to the Scheme on B-BBEE sub-contractors. These sub-contractors must be a Level 1, 2 or 3 contributor at least, and/or promote individuals who are part of the black 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. During 2016 the average black ownership in the Scheme's Service Provider Network (SPN) was 52.25%.

The graph below 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.

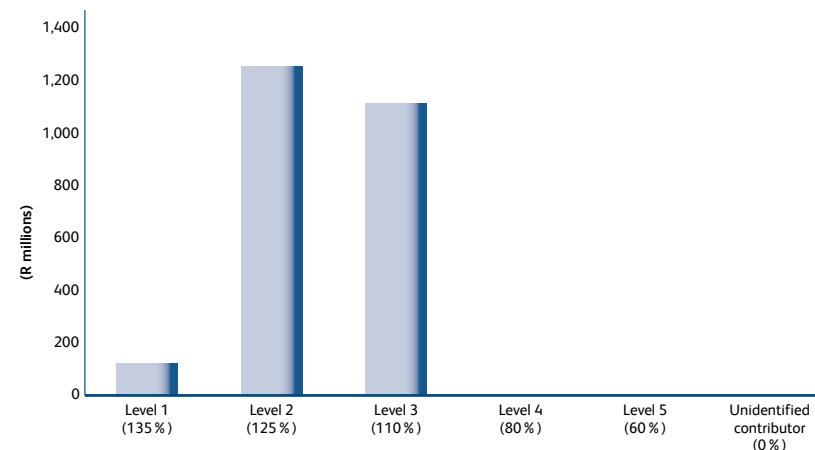
Average black ownership – SPNs



GEMS selects 'best-of-breed' service providers, procured through transparent tender processes, through whom the Scheme delivers professional healthcare-related services to its members.

The B-BBEE level of these service providers are depicted below.

B-BBEE level contributor – SPNs



Organisational overview of GEMS continued

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 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 below:

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 slightly 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 has 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:

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. This 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

To ensure governance in the procurement environment, GEMS has a Supply Chain Management Policy which is reviewed by the Board of Trustees from time to time.

A Supply Chain Management Policy review was conducted in December 2015 and became effective in 2016, with another major review being conducted during the first half of 2016. This was done to further the strategic objectives of GEMS and to enhance ease of use while not restricting access to services. The policy changes were fully implemented during 2016.

Over and above the administrative enhancements to the Supply Chain Management Policy, the objective of the two reviews was to:

Objectives

- Facilitate enhanced participation of small and other service providers in GEMS requirements through supportive bid requirements and engagement
- Promote the participation of smaller players in a market where large contracts are required
- Stimulate empowerment through procurement
- Enhance good governance in procurement
- Promote efficiency and effectiveness in the Supply Chain Management processes

The promotion of the objectives resulted in increased collaboration in procurement processes and higher success rates in the evaluation processes.

GEMS has developed a Procurement Conflict Matrix whereby it is identified annually which specific contracts may not be awarded to the

same service provider. This enhances governance and is applied where there is a perception of bias if the service provider executes both contracts, where there is a conflict due to legal restrictions or conflict of interest restrictions should both contracts be executed by the same service provider. Examples hereof are the internal and external audit service providers as well as the GEMS procurement service provider.

GEMS also places a restriction on the number and type of contracts one service provider may hold in certain categories, and on the percentage of the GEMS budget held through the combined value of its contracts. The purpose is to enable more service providers to do business with GEMS in an environment where the core contracts are large.

The industry has few players. To achieve GEMS' objective to grow and retain skills in the market, restricted service providers are allowed and incentivised to form joint ventures with non-restricted parties.

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 increased participation by Exempt Micro Enterprises and Qualifying Small Enterprises in the GEMS bidding process, 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.

Organisational overview of GEMS continued

GEMS is progressing with its journey to introduce eProcurement into its procurement environment to address enhanced efficiency and simplification of procurement processes. This process is expected to be completed by the end of 2017.

The key procurement process achievements for the year were:

- ▶ The establishment of three professional panels which expanded the number of service providers doing business with GEMS
- ▶ The establishment of the hospital network supporting the Emerald Value Option

The impact of our 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 proven.

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 has been confirmed.

The Scheme has established various platforms for the prevention of fraud, waste and abuse. Allegations of fraud, waste and abuse 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.

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.
- ▶ The recovery of payments from healthcare providers.
- ▶ Criminal prosecution.

During 2016, GEMS received 1,981 allegations of fraud, waste and abuse. 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.

At an employee level, an investigation into alleged irregularities in respect of one of the Scheme's tenders commenced in 2016. The process will be concluded in 2017.

Limiting our impact on the environment:

GEMS uses the environmental reporting methodologies prescribed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Emissions are reported as carbon

dioxide equivalent (CO₂e) per employee, per annum. Both the UK government and Eskom's published emission factors are used in calculating CO₂e. The GEMS' Environmental Management Manual specifies the GEMS' emissions sources and the data collection methodologies prescribed in the manual are applied.

The Scheme's CO₂/Employee level for 2016 was well below target, indicating that the Scheme's Environmental Management initiatives are working well.

The table below depicts the Scheme's CO₂e/Employee (expressed as Targets CO₂/Employee) as against its annual reduction targets for 2011, 2012, 2013, 2014, 2015 and 2016 respectively:

CO ₂ e source	2012 Targets (CO ₂ e base year)	2013 Targets	2014 Targets	2015 Targets	2016 Targets	2012 Actuals (CO ₂ e base year)	2013 Actuals	2014 Actuals	2015 Actuals	2016 Actuals
Scheme vehicles	0.101	0.096	0.091	0.087	0.082	0.101	0.121	0.164	0.384	0.453
Electricity	6.803	6.463	6.140	5.833	5.541	6.803	5.500	5.304	3.329	3.214
Paper	2.101	1.996	1.896	1.801	1.711	2.101	2.084	1.545	0.381	0.456
Water	0.036	0.034	0.032	0.031	0.029	0.036	0.034	0.035	0.030	0.019
Air travel	1.544	1.467	1.393	1.324	1.258	1.544	2.727	2.335	1.891	1.687
Car rental	0.069	0.066	0.062	0.059	0.056	0.069	0.079	0.099	0.098	0.157
Total	10.654	10.121	9.615	9.135	8.678	10.654	10.545	9.482	6.113	5.986



Organisational overview of GEMS continued

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. Individuals are also capacitated with skills, knowledge or resources to self-sustain, to play a vital role in their communities and to realise their full potential despite their circumstances.

As the lifeblood of the Scheme, members are at the centre of our selection of deserving CSI beneficiaries. Through a nomination process, members select charitable organisations within their communities, and it is from these that we then select the charity organisations we will support. The great need in our communities is demonstrated by the overwhelming number of entries we receive from members. While we do assist some of the organisations, it cannot be overemphasised that the need is much greater than even a Scheme of GEMS' size can meet – indicating once again that building our communities and uplifting the underprivileged is not a discretionary activity, but a priority of every GEMS member and every South African. 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. This can easily be a barrier to the education of our children. Some of the charities sponsored this

year tackled these circumstances. Where school uniforms are concerned, the effect on a child who does not have the required basics to feel part of a learning community can be devastating to their sense of belonging and their emotional well-being. 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.

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. With both events in July, we were able to double efforts, double the assistance and double the contribution by spending a day at the Ekukhanyeni Assistance Living Centre, a home for the elderly in Thokoza Village, KwaMhlanga in Mpumalanga just over the Tshwane border. We were able to assist Mr Sipho Ndala – a GEMS member who nominated the home for GEMS support – by donating gas stoves, fridges,

groceries and toiletries, a laptop, printer, wheel chairs, beds, tables, chairs and erecting a borehole water system. "I am grateful to GEMS. My father still lives here in KwaMhlanga, while I live and work in Pretoria. He is no longer well, and it gives me peace of mind knowing that the home can assist by taking care of him and the other elders in the community", Mr Ndala said.

On the day, GEMS employees and members of the Board also rolled-up their sleeves to cook lunch for the elderly, clean the facilities and provide personal grooming services. The GEMS wellness nurses and therapists were also on site to provide the elderly with screening services as well as neck and back massages.

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 Noordgesig Secondary School in Soweto was nominated by Mrs WJ Halters, a staff member at the school and a member of GEMS. The school is located in a disadvantaged area, and the challenge that pupils who attend the school are faced with everyday is the reality of learning on an empty stomach. The staff at the school started the Feeding Alive project, funding it from their own pockets when they could not secure support from sponsors. To assist the staff, who also volunteer their time to prepare the meals, GEMS contributed groceries to the food scheme, as well as individual hampers for 10 of

the most disadvantaged families who have children attending the school. We also donated toiletries and sanitary towels, and renovated classes that had been vandalised. To sustain the project beyond the provisions donated, we erected a greenhouse and provided seeds and implements to start a food garden.

The elderly are pillars of our communities. Not only do they provide social support by taking care of the young, thereby allowing the economically active family members to work, they have also become breadwinners and primary caregivers in families affected by HIV/Aids. Their well-being is the cornerstone of our communities. When we found out about the White House home for the elderly, based in Pinetown in KZN, we were moved to throw our weight behind the initiative. The project provides cooked meals for the elderly in the community. The Scheme donated groceries and appliances, and also provided for the paving of the yard as well as erecting a shaded area for the elderly.

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 invited in January 2016. The Scheme continues making a difference and being an integral part of the communities in which our members live.

Approach to innovation

The Scheme continues to place a strong emphasis on innovative development and maintenance of clinical protocols and policies. GEMS needs to keep abreast of the constant release of new, expensive and aggressively marketed medications such as biologicals. These, together with the ongoing changes in the regulatory environment, continue to present a challenge to the Scheme's sustainability.



Organisational overview of GEMS continued

To ensure that the Scheme continues to fund members' clinical needs appropriately, the Scheme established Expert Clinical Panels to advise on funding decisions. The members of the Scheme's Expert Panels have responsibilities which include inter-alia:

- ▶ Informing the Scheme's approach to funding benefit entitlements where claims are for healthcare interventions where clinical care is not standard
- ▶ Suggesting enhancements to the Scheme's clinical and funding protocols based on evidence that describes effective best practice
- ▶ The examination of current evidence-based data and guidelines
- ▶ Invitation of peers for review if necessary
- ▶ Assisting the Scheme's Clinical Governance and Ex-gratia Committee in its decision-making process

Three Panels were used in 2016 and executed their duties independently from each other. These are: the Oncology and Biologicals Panel, HIV Disease Management Panel and Cardiovascular Disease Management Panel.

During 2014 the Scheme introduced a Product Development Committee which was tasked with proactively identifying 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 gets a clear roadmap of new products and enhancements to be considered for implementation in the short or longer term. This process also includes a review of member complaints and suggestions.

All suggestions considered through this process are screened against the following criteria:

- ▶ 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.

Suggestions 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: