# NATIONAL ASSEMBLY

**FOR WRITTEN REPLY**

**QUESTION NO. 1970**

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**(INTERNAL QUESTION PAPER NO. 28)**

**Ms D Carter (Cope) to ask the Minister of Health:**

(1) With reference to certain media reports that the Government Employees Medical Schemes (GEMS) could be insolvent by year end (details furnished), why did the council of medical schemes avoid putting the scheme under curatorship, despite its longstanding failure to meet the minimum statutory requirements by the industry;

(2) whether he has found that the Council for Medical Scheme has in respect of GEMS (a) carried out its powers to ensure the proper and responsible governance of the scheme and (b) complied with its function of protecting the interest of the members of the scheme at all times?

###### NW2281E

**REPLY:**

(1) A scheme that fails to meet the minimum statutory solvency level is required, in terms of the Medical Schemes Act 131 of 1998, to report the nature and causes of failure to the Registrar, as well as the proposed course of action. The Office of the Registrar has been monitoring GEMS closely and been engaging with the scheme and its management regarding the turnaround strategy. Further, whilst the scheme has not met the minimum statutory solvency requirement for various reasons, such as exponential growth in membership without the inflow of reserves as well as increased utilization, it remains a going concern and can continue to operate and honour its obligations into the foreseeable future.

There are currently no governance concerns regarding GEMS and as a result there is no reason to put the scheme under curatorship. This regulatory intervention is typically instituted for schemes where governance failures are indicated. For such schemes, the CMS would have investigated the governance failures and would have satisfied itself that curatorship is the most appropriate regulatory response under the circumstances.

(2) (a) The CMS has put GEMS under close monitoring in terms of regulation 29 (3) of the Medical Schemes Act. The regulation requires a scheme to submit a business plan and projections on how it intend fulfilling the requirements of reaching the statutory solvency level of 25%. These business plans are then discussed with the schemes and the CMS give directives on how to improve the performance of the scheme.

Further, it should be noted that GEMS is a going concern and will continue to honour claims by its members. The scheme currently has reserves of R1.5bn and sufficient cash to pay claims. GEMS currently have assets in excess of their liabilities i.e. positive net asset value. Although they are below the minimum required statutory solvency level, there is no immediate threat to the ability of the scheme to continue as a going concern.

(b) In order to ensure that members continue to be protected, the scheme and its management have undertaken to implement measures to mitigate against the factors that have resulted in the negative performance noted recently. The scheme is on close monitoring by the CMS. The scheme has an approved business plan identifying the causes of failure e and a recovery plan. The CMS has been continually engaging with the scheme on its plans to improve the performance of the scheme to ensure the protection of members. They also submit monthly management account to the Registrar and attend quarterly monitoring meetings.

END.