

PORTFOLIO COMMITTEE ON PUBLIC SERVICE AND ADMINISTRATION

GEMS and Its Performance

16 May 2012



- The purpose of this presentation is to provide the Portfolio Committee on Public Service and Administration with an update on GEMS and its performance by focusing on:
 - A brief appraisal of the Scheme's background;
 - An overview of the performance in 2011;
 - An overview of the 2012 Strategic Plan; and
 - An update on Scheme's the performance in 2012.

- 
- The overarching mandate issued by Cabinet in 2004
- “The state as an employer seeks 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”
 - Mandate was informed by entrenched inequity, high costs, absent employer control/influence and limited access to scheme benefits by all employees

- Public Service Coordinating Bargaining Council (PSCBC) Resolution 7 of 2000 provided for the restructuring of medical assistance in the public service
- The feasibility of establishing a Scheme was tested in 2004
- Following Cabinet approval, the Scheme was registered in 2005 and commenced enrolling members in 2006
- A new Medical Subsidy Policy was introduced in July 2006 after agreement was reached in the PSCBC
- GEMS is a restricted membership medical scheme
 - Full registered under the Medical Schemes Act
 - Reports to the Registrar of Medical Schemes
 - Subscribes to the Medical Schemes Act 131 of 1998

- Corporate structure consists of:
 - Board of Trustees (50% elected by members; 50% appointed by the MPSA) that governs the affairs of the Scheme;
 - PO implements directives of the Board and manages the business; and
 - Scheme Executive which supports PO in monitoring and managing the service levels and contractual obligations of appointed service providers
- Efficient scheme 'head office' of 45 team members
 - Strategic and risk management are owned and managed internally
 - Operational activities outsourced (over 8 operational contracts)
 - Resources dedicated to ensuring effective member services
 - Performance of the scheme is constantly monitored
- 'Locus of control' always rests within the Scheme

- The purpose of this presentation is to provide the Portfolio Committee on Public Service and Administration with an update on GEMS and its performance by focusing on:
 - A brief appraisal of the Scheme's background;
 - **An overview of the performance in 2011;**
 - An overview of the 2012 Strategic Plan; and
 - An update on Scheme's the performance in 2012.

2011 Business Indicators

Membership statistic	GEMS	Industry average or totals (Restricted schemes) 31 Dec 2010
Principal membership	595,737	1,439,339
Beneficiaries	1,663,075	3,515,803
Average family size	2.79	2.44
Average age of principal members	43.6	Not available
Average age of beneficiaries	28.8	31.5
Number of beneficiaries aged 65+ years	49,206	Not available
Percentage of beneficiaries aged 65+ years	2.9%	5.1%
Percentage of female principals	65.5%	Not available
Percentage of female beneficiaries	47.2%	52.3%
Percentage of members earning less than R7,000 per month	23.2%	Not available

2011 Financials

Statement of Comprehensive Income

	Notes	2011 R '000	2010 R '000
Net contribution income	9	17,136,328	13,162,764
Relevant healthcare expenditure		(15,578,535)	(12,452,176)
Net claims incurred		(15,571,149)	(12,471,611)
Claims incurred	10	(15,573,091)	(12,473,398)
Third party claim recoveries		1,942	1,787
Net (expense)/income on risk transfer arrangements	11	(7,386)	19,435
Risk transfer arrangement fees/premiums paid		(39,343)	(85,608)
Recoveries from risk transfer arrangements		31,957	105,043
Gross healthcare result		1,557,793	710,588
Managed care services	12	(312,032)	(262,113)
Administration expenses	13	(653,979)	(555,758)
Marketing services		(92,503)	(79,938)
Net impairment losses on trade and other receivables	15	(35,080)	(17,105)
Net healthcare result		464,199	(204,326)
Other income		85,366	83,857
Investment income	16	80,799	82,294
Other income		4,567	1,563
Total comprehensive surplus/(deficit) for the year		549,565	(120,469)

2011 Financials

Statement of Financial Position as at 31 December 2011

	Notes	2011 R '000	2010 R '000
ASSETS			
Non-current assets			
Equipment	3	3,079	3,627
Current assets			
Trade and other receivables	4	439,345	116,544
Cash and cash equivalents	5	2,449,015	1,906,844
Total current assets		2,888,360	2,023,388
Total assets		2,891,439	2,027,015
FUNDS AND LIABILITIES			
Members' funds			
Accumulated funds		1,493,157	943,592
LIABILITIES			
Current liabilities			
Savings plan liability	6	147,581	106,602
Trade and other payables	7	593,510	504,398
Outstanding claims provision	8	656,900	471,866
Lease escalation reserve		291	557
Total current liabilities		1,398,282	1,083,423
Total funds and liabilities		2,891,439	2,027,015

2011 Financials

Statement of Cash Flows

	Notes	2011 R '000	2010 R '000
Cash flows from operating activities			
Cash receipts from members		17,101,952	13,450,460
Cash paid to suppliers, members and employees		(16,636,442)	(13,335,353)
Cash generated from operations	19	465,510	115,107
Net cash inflow from operating activities		465,510	115,107
Cash flows from investing activities			
Purchase of equipment	3	(686)	(2,996)
Proceeds on sale of equipment		5	16
Cash acquired through transfer of business	20	-	88,913
Interest income		77,342	82,294
Net cash inflow from investing activities		76,661	168,227
Total cash and cash equivalents movement for the year		542,171	283,334
Cash and cash equivalents at the beginning of the year		1,906,844	1,623,510
Total cash and cash equivalents at end of the year	5	2,449,015	1,906,844

Progress against 2011 Strategic Plan

- Exciting year filled with expected and unexpected developments
 - Over 320,000 calls, 33,000 emails and 55,000 walk in visits each month, with over 28,000 babies born
 - Growth continued and over 100,000 applications received
 - Scheme material translated into all official languages and plain language utilized in all member correspondence
 - Implemented technological services which would aide members' service experience (WAP statements)
 - More than 200,000 employees on Salary Levels 1 to 5 enrolled
 - More than 51% of all members did not previously access the subsidy
 - Over 55% of eligible employees are enrolled (58% with dependants)
 - Independent annual member satisfaction survey conducted
 - 84% of members satisfied with GEMS
 - 88% of members “trust that GEMS will always be there for its members, caring for them and having their best interests at heart”
 - Ranked 1st amongst medical schemes in the 2011 Ask Afrika Orange Index which measured service excellence across 92 organizations

Progress against 2011 Strategic Plan

- Ensured continuity at the level of the Board, despite 7 trustee changes
- Received unqualified audits for 2010 and 2011
 - All internal and external audits conducted through the year were positive
 - SLA audit found that over 90% of service levels were met
- Supply Chain Management Policy was amended to encourage BBBEE
- All procurement processes were found to be fair and compliant to Policy
- Applied the Chronic Medicine DSP rule to ARV's
- Introduced the Emergency Medical Dispatch and EMS Network
- Appeal Board ruled in GEMS favour on the Omphemetse appeal case
- Judge dismissed Tshwane Pharmacy's application for direct payment
- 2011 Symposium on NHI held successfully in East London
- Engaged Vietnamese officials and Zimbabwean professionals
- A job creation pilot, the Client Liaison Business unit, comprised of 40 unemployed youths was established on a budget of R6 million
- 95% of all indicators in the 2011 Strategic Plan

Challenges did arise!

- Needed to comply with financial targets approved by the Council
- GEMS Appealed the Registrar's rejection of GEMS 2010 AFS in respect of how IFRS 3 was applied to the accounting treatment of the transfer of MEDCOR's business to GEMS
- Appeal Committee ruled that the Registrar was right to reject the GEMS eligibility rule but not in substituting his own formulation
 - Appeal Board hearing took place in 2012 and the appeal was dismissed
- Equity representation on the Board was questioned by members at the 2011 AGM
- Chronic Medicine DSP Rule for ARV's challenged by pharmacies

Summary: Progress against 2011 Strategic Plan



- On review, it can be said that GEMS success is directly related to the strength of its governance and management structures, as well as to the rigorous strategic planning it undertakes.
- These traits have ensured that GEMS has established a track record of successfully implementing its annual strategic plans and fulfilling the objectives contained therein.

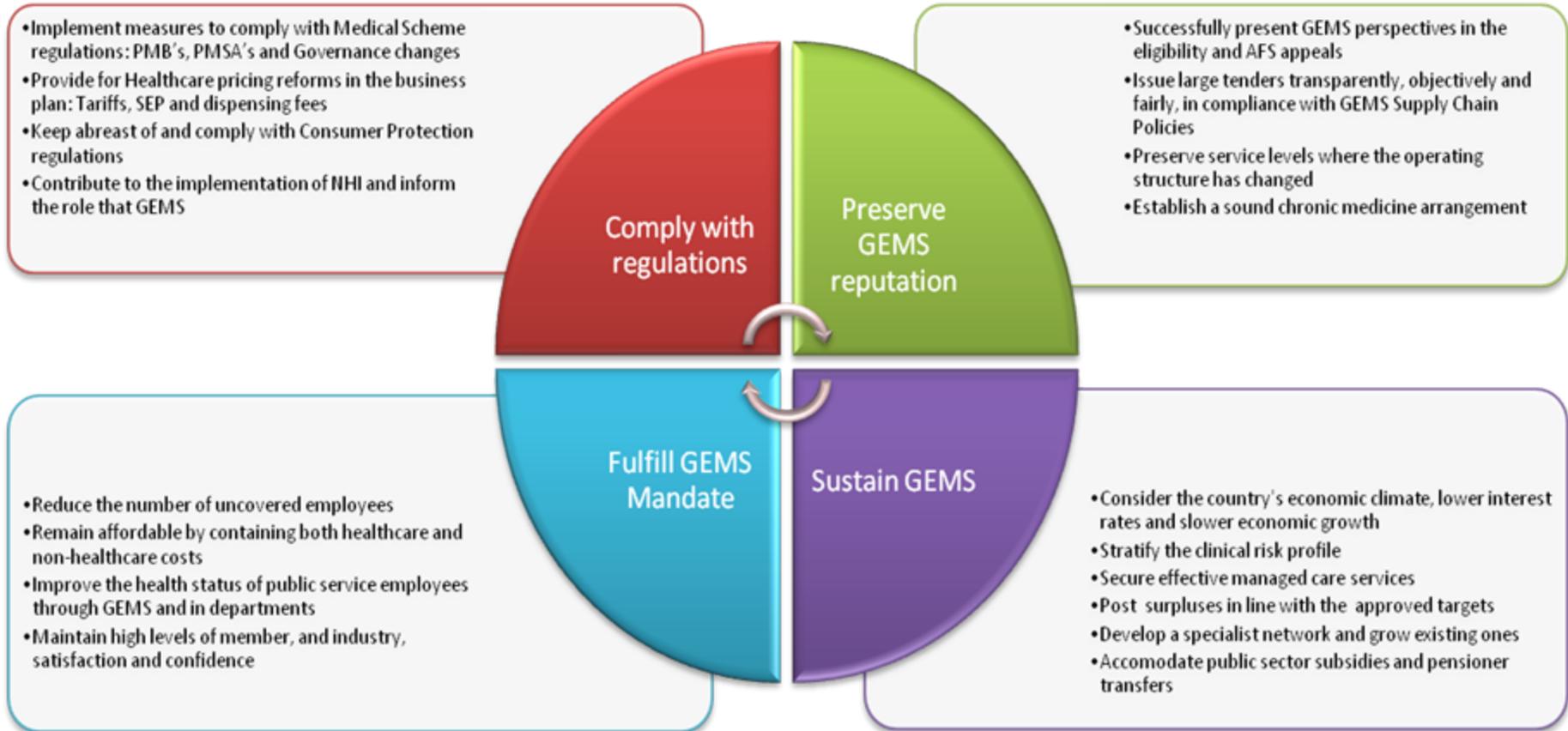
- The purpose of this presentation is to provide the Portfolio Committee on Public Service and Administration with an update on GEMS and its performance by focusing on:
 - A brief appraisal of the Scheme's background;
 - An overview of the performance in 2011;
 - An overview of the 2012 Strategic Plan; and
 - An update on Scheme's the performance in 2012.

- The context in which the Scheme operates in 2012 is complex
 - **Evaluating the economic climate**
 - **Keeping abreast of changes in the Regulatory Environment**
 - PMSA's, governance and the pricing of services
 - Consumer Commission interaction with medical schemes
 - **Monitoring the implementation of the National Health Insurance**
 - **Nurturing multifaceted Healthcare Provider Relations**
 - **Responding to developments in the Public Service**
 - Subsidy changes for active employees and pensioners
 - Equity and union representation on the Board
 - **Maintaining sound governance arrangements**
 - **Sustaining the Scheme's ethical environment**
 - Need to issue large tenders for healthcare services in 2012
 - **Optimising operational environment**
 - Reducing the number of uncovered employees
 - Sustaining member services
 - Managing the Scheme's health risk
 - Optimizing managed care services and structure

2012 Mission, Vision and Value Statements

- The mission, vision and values are important strategic statements which anchor the business
 - **Vision –**
 - *To be an excellent, sustainable and effective medical scheme for all public service employees.*
 - **Mission -**
 - *To provide all public service employees with equitable access to affordable and comprehensive healthcare benefits.*
 - **Value –**
 - *Excellence* *Clear communication*
 - *Consistent application* *Flexibility* *Innovation*
 - *Member-centricity* *Responsiveness* *Value for money*
 - *Prudence* *Simplicity* *Integrity*

“Preserving the Newly Defined Measure of Excellence”

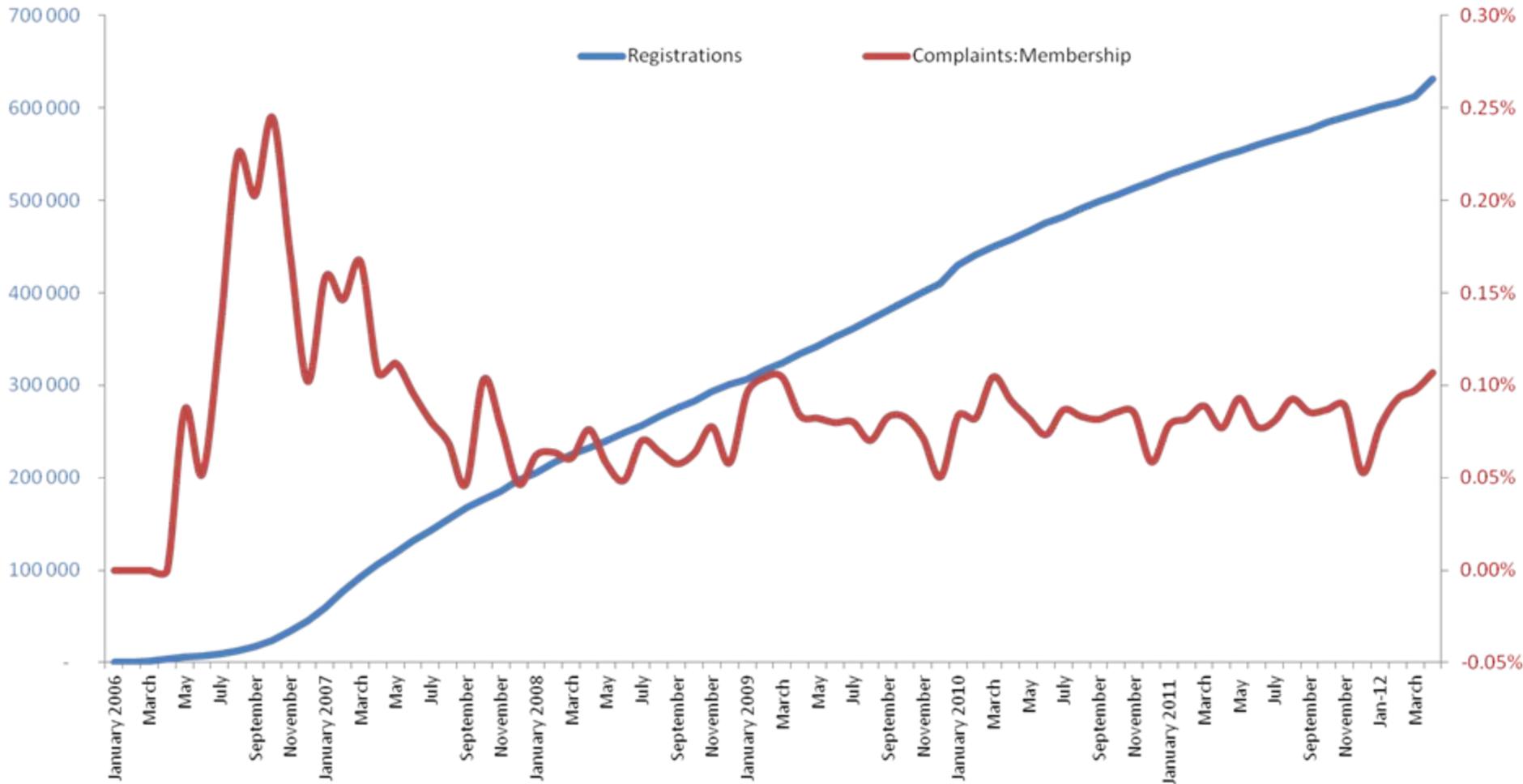


- The purpose of this presentation is to provide the Portfolio Committee on Public Service and Administration with an update on GEMS and its performance by focusing on:
 - A brief appraisal of the Scheme’s background;
 - An overview of the performance in 2011;
 - An overview of the 2012 Strategic Plan; and
 - An update on Scheme’s the performance in 2012.

Business Indicators



Registered Membership and Complaints:Membership



Business Indicators

	April 2012
Principal Members	631 683
Beneficiaries	1 724 235
Eligible members on GEMS	53.79%
% Members who did not use the subsidy before	54.71%
Average Age per beneficiary	29.05
Average Family Size	2.730
Pensioner Ratio	10.33%
Calls	290 569
Emails	27 587
Applications	14 015
Claim Lines Settled	6 482 826
Gross Contributions	1 739 773 907
Annualized Gross Contributions	20 729 446 846

Items Receiving Attention

- Concluding the Migration of the pre-92 Medihelp Pensioners
- Obtaining guidance from the:
 - MPSA: Board representation
 - MoH: Equity representation on Board's
- Managing operational delivery
- Finalizing the design of the 2013 Managed Care and Chronic Medicine services
- Encouraging staff and optimizing corporate services
- Engaging National Treasury on the cessation of backdated contribution collections
- Monitoring and supporting subsidy related changes
- Developing the specifications of an International Benefit
- Exploring new efficiency gains in respect of healthcare expenditure

- Business of GEMS is on a solid footing
 - Board decisions have and are being implemented
 - Controls are well maintained
 - Operational services are being delivered
 - Risks are continuously assessed and mitigated
 - Finances in a better position than budgeted
 - The strategic plan, mission, vision and values remain central to all work
- A Routine Section 44 Inspection was performed by the Council for Medical Schemes at the end of 2011
 - *“No serious issues were identified during the said Inspection.... Overall the Scheme must be commended for their achievements regarding proper governance principles....”*
- It is proposed that the Portfolio Committee on Public Service and Administration note this update on GEMS and its performance



Thank You

