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TO: ALL HEADS OF NATIONAL/PROVINCIAL DEPARTMENTS AND PROVINCIAL ADMINISTRATIONS

MESSAGE TO GEMS MEMBERS AND STAKEHOLDERS

1. An article published in *Business Day*, Monday, 22 August 2016, which questions the financial sustainability of GEMS, is totally misleading and has caused unnecessary concern for the members of the Scheme, as well as for healthcare service providers and other stakeholders.

GEMS is financially sound

2. The financial position of South Africa's fastest growing medical scheme, GEMS is sound. We would like our Scheme members and healthcare service providers to know that GEMS has and will always be well placed to honour its financial commitments to Scheme members and healthcare providers.
3. As at the end of 2015 accumulated funds held in reserve by GEMS, in line with legal requirements, totaled R2,6 billion while the reserve ratio was 9,46%. This means that GEMS remains in a good financial position.
4. The claims-paying ability and benefits offered by the Scheme is not under any threat. The Scheme's members and healthcare service providers who care for our members can rest secure in the knowledge that their interests will at all times be safeguarded by GEMS and its management.
5. It is important for members to know that GEMS exists solely for their benefit and that it has, as always, only their best interests at heart.

Growth costs money, but our size will ultimately work in favour

6. Because GEMS is a young, fast growing medical scheme our reserve levels have historically been under pressure. This is not unusual in the medical schemes industry and does not unduly endanger the Scheme or its members.
7. It is correct that the GEMS solvency ratio is not at the 25% level as required by the Council

for Medical Schemes (CMS). However, this is not a new situation and is not unusual within the healthcare funding industry with some of the largest, fastest-growing medical schemes reflecting a similar situation, which is generally attributed to the cost of funding unusually high membership growth.

8. The Scheme has a solid business plan in place, which was approved by the CMS during 2015. The plan, which is firmly on track, projects that GEMS will reach the required 25% solvency level in 2020. As the CMS is aware of the fact that the reserve requirement is unrealistically high, particularly for a young, fast growing scheme such as GEMS, it is at present reviewing the solvency ratio requirement for the industry.

What is different?

9. Claims have become a great deal higher in 2016. Like many other medical schemes GEMS is most concerned about the high claims being experienced throughout the industry.
10. These claims are placing many medical schemes, including GEMS, under considerable pressure. Within GEMS our claims ratio is at present above 90%. As part of our strategic plan, the Scheme has targets in place to manage the claims ratio while continuing to provide value for money for members.

What is GEMS doing to reduce the claims being experienced at present?

11. We have in recent months engaged extensively with stakeholders to pay particular attention to issues such as fraud, waste and abuse. We have also had a number of meetings with stakeholders and members to share our concerns and to ask for their active support and cooperation in working with us to stop the high claims spiral that can potentially harm the Scheme.
12. We have taken the necessary proactive corrective action. We believe that our transparent engagements with various stakeholders throughout the industry, along with the corrective measures that we are taking at present, might well have led to the publication of the story in *Business Day*.

AP 
DIRECTOR-GENERAL

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