

FOR PSA MEMBERS: **PUBLIC SERVICE COORDINATING BARGAINING COUNCIL (PSCBC)**

20-09-2022

Feedback: PSCBC Committee on GEMS – 16 September 2022

2023-Product development: Contribution increase

The Committee met on 16 September 2022 wherein the Government Employees Medical Scheme (GEMS) presented five options regarding the 2023-medical aid increase, namely, 9.5%, 7%, 6%, 5% and 0%, respectively.

- 9.5% will not result in any scheme deficit (SD) and will be ideal if GEMS wanted to maintain current reserves, although it was found to be steep for members considering the current economic conditions. The reserve ratio of the Scheme for 2023 is 46%, which is 16% above the 30% target reserve ratio.
- 7%, 6% and 5% will result in a SD of R1.9 bn, R2.4 bn, and R3 bn respectively, whilst 0% was not possible as it will bankrupt the Scheme within three years.

The GEMS presentation further indicated that the COVID-19 pandemic has created an unusual scenario wherein for the first time, the Medical Price Index (MPI) is higher than the Consumer Price Index (CPI). Members are aware that clause 6.3.2 of PSCBC Resolution 2/2015 provides that future adjustment of medical assistance for employees on GEMS and other medical services will be in accordance with the MPI of the particular year, which will be adjusted on 1 January of each year. Currently, the CPI is 7.8% whilst the MPI as of July 2022 was 4.5% although estimated to increase to 5% for August, which will be used for the purpose of medical-aid increase. Subsequently, usage of reserves is considered to minimise the impact of a medical-aid increase on members. The available reserves will enable the Scheme to absorb the deficit by implementing a lower percentage increase without affecting the sustainability of GEMS. It must be noted that salary level 1 to 5 receives a 100% medical-aid subsidy.

In pursuit of maintaining the founding principles of the Scheme of affordability and accessibility, labour will always be in support of the lowest possible increase and thus the option of 5% was the most favoured as it was indicated from the actuarial calculations that it was the lowest possible increase that can be implemented. However, the PSCBC requested time to consult on the matter before mandating the Benefit Design Committee to present the recommendations to the GEMS Board. Parties will thus engage before reverting to GEMS. Members will be updated on developments.

Employees who want to join the PSA can visit the PSA's website (www.psa.co.za), send an email to ask@psa.co.za or contact PSA Provincial Offices.

GENERAL MANAGER