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Mr Frikkie De Bruin,  
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Building A&B  
260 Basden Avenue  
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Dear Mr De Bruin,

## **GEMS WRITTEN RESPONSES FOLLOWING THE RECENT GEMS/PSCBC COUNCIL MEETING HELD AT PSCBC OFFICES ON 12 DECEMBER 2025**

The Government Employees Medical Scheme (GEMS) Board would once again like to extend its sincere appreciation for being invited to participate in a follow-up consultation meeting with the Public Service Coordinating Bargaining Council (the Council) which was held on 12 December 2025, at the Council's offices.

During the meeting of 12 December 2025, additional questions regarding the matters at hand were raised. In this letter, GEMS responds further to the questions and concerns raised during the follow-up consultation meeting.

(Please note that we have numbered the questions for ease of reference, they are not necessarily in the order asked at the meeting.)

### **Question 1**

Will GEMS continue with further consultations as the revised contribution increase of 9.5% does not make a difference.

### **Reply**

GEMS Board is showing commitment by continuing with these consultations and we have agreed to a meeting on 18 December 2025 where we hope the matter could be finalised.

In proposing a revision of the contribution increase from 9.8% to 9.5%, it may seem that this does not make a difference in terms of affordability, however, as demonstrated in the various scenarios presented at the meeting of 12 December 2025, any downward revision of the 2026 GEMS contribution increase will have significant and negative impact on the financial sustainability of the Scheme.

GEMS has to balance its contribution income with its claims exposure to ensure that the Scheme remains financially viable into the future.

## Question 2

Labour is concerned that the GEMS Board of Trustees is not taking the matter with the PSCBC seriously. Is GEMS showing a lack of sensitivity to the Council?

## Reply

All efforts are always made by GEMS to engage meaningfully with the PSCBC. This has been to varying degrees of success. Both parties have expressed a desire to strengthen the engagements going forward, meaning GEMS takes all matters with the PSCBC seriously. The effort to consult further on the 9.8% weighted contribution increase for 2026 despite it being approved by the Regulator is a demonstration of how GEMS Board is sensitive to matters raised by the PSCBC. The GEMS Board has a full understanding of the critical importance of affordability to members and all other matters raised by Labour and is committed to the consultation process in seeking amicable solutions.

## Question 3

GEMS has approached the PSCBC after the CMS approved the 9.8% for 2026. How and when did GEMS undertake the process of approval?

## Reply

Annually, the process to determine the subsequent year's contribution increases begin in Quarter(Q) 1, with the Product Development process which is finalised in Q2. Annually, the PSCBC is requested to make written submissions on Product Development at this stage, and this in GEMS' view is when consultations with the PSCBC begins. In Q3, the process transitions to Benefit Design leading to Board approval in Q3 which is guided by the claims profile and financial status which can be projected with Q4 anticipated performance. The financial of Q1, Q2 and Q3 therefore are a basis for actuarial forecast to comply with 1 October 2025 CMS submission deadline. These timelines are rigid as the Scheme was required to submit to the Council for Medical Schemes (CMS) in line with CMS Circular 24 of 2025 which required medical schemes to submit their 2026 Pricing and Business Plans by 1 October 2025. The Scheme made its submission on 30<sup>th</sup> September 2025.

## Question 4

How will GEMS implement the proposed 9.5% increase in contributions?

## Reply

Subject to the PSCBC agreeing with the GEMS Board on the proposal that will be made on 18 December 2025, the Scheme will engage the CMS on an urgent basis and provide a revised business plan on the 9.5% proposal.

It is important to state that GEMS has informed the CMS that these consultations with the PSCBC are underway and has already indicated that GEMS will likely submit a revised 2026 Pricing and Business Plan.

The submission is still required to be cognisant of the need for prudence in sustaining acceptable solvency levels and protecting the Scheme's financial sustainability whilst addressing member financial protection.

From an operational point of view, the implementation of the proposed 9.5% will be subject to the agreement made in the consultations and what the CMS deems acceptable.

It must however be noted that the implementation of the approved 9.8%, even if temporarily, cannot practically be changed.

### Question 5

GEMS was not created to generate profit. Does GEMS have a profit-oriented mindset?

### Reply

No, GEMS does not have a profit-oriented mindset. GEMS is a restricted, not-for-profit medical scheme for public service employees in South Africa, registered under the Medical Schemes Act. The Scheme belongs to members and does not pay dividends. During years when there are surpluses, these are reinvested into the Scheme's reserves for financial security and benefit of its members. The Scheme has demonstrated this by cushioning previous increases when it paid more than R 10 billion towards member's healthcare expenses from reserves in the past few years.

### Question 6

What actions is GEMS currently taking to reduce the reserve ratio requirement?

### Reply

During the consultation process underway, the Scheme has presented the initiatives it is taking to deal with matter. It must be recognised that the current 25% reserve ratio requirement is statutory and in terms of the **Regulations of Medical Schemes Act (131 of 1998) [the Act]**.

"Medical schemes are required by **Regulation 29(2) of the Act**, to maintain a minimum solvency ratio of **25%**. This means schemes must hold accumulated funds (reserves) equal to at least 25% of their gross annual contributions". This is therefore obligatory.

GEMS is currently engaging with the CMS to assess the feasibility of implementing a Risk-Based Capital reserving framework, which would result in the holding of lower reserves for large Schemes compared to the current regulatory framework. It should be noted that this is a long-term initiative that will require extensive engagement with the broader industry.

Discussions are currently underway to look at piloting the risk-based capital approach using GEMS as a test case. This however would be a Medical Schemes Industry initiative.

Below we outline engagements between the Scheme and the Council for Medical Schemes in relation to the RBC model matter.

DATE	PURPOSE
21 February 2025	Meeting with Registrar – Introduction of RBC pilot idea for GEMS
22 April 2025	Meeting CMS Technical team and Scheme Actuaries
May – June 2025	Finalizing MOU and submit Scheme additional technical information
29 July 2025	Discussion on additional technical information submitted
August 2025	Proposals submitted to CMS for consideration <ul style="list-style-type: none"> <li>- Exemption</li> <li>- Support below 25%</li> <li>- Change to regulation</li> </ul>
November 2025	CMS' response to the Scheme on the proposals <ul style="list-style-type: none"> <li>• CMS recommended the submission of a business plan if and when the reserve ratio falls below the 25%.</li> </ul>
December 2025	CMS & GEMS discussion on the way forward with RBC <ul style="list-style-type: none"> <li>• CMS expressed strong interest to pilot the implementation of RBC with GEMS. The pilot project will shape industry discussion</li> <li>• Further discussions are needed on when this can start</li> <li>• Sharing of Scheme data with CMS for the RBC the pilot project will be crucial</li> </ul>

## Question 7

The Principal Officer indicated that Non-Healthcare Costs (NHC) are budgeted to decrease by 6% for 2026. Could GEMS provide clarification on the norm related to the 6% decrease in Non-Healthcare Costs?

## Reply

The norm for the annual increase of Medical Scheme's Non-Healthcare Costs is a few per centum above Consumer Price Index (CPI).

The reduction of NHC budget by 6% is one of the Scheme's initiatives to ensure cost effectiveness. It must be emphasised that at GEMS, NHCs are not the main driver of annual contribution increases. Healthcare costs (Claims against Benefits) are the drivers.

GEMS Non-Healthcare Costs remain almost half that of Scheme's Industry levels at 5.6% in the last reporting year.

#### **Question 8**

Is the corrective increase presented in the various scenarios based on the assumption of addressing the 25% reserve ratio deficit?

#### **Reply**

Yes, the corrective increase/s is/are aimed at maintaining solvency in line with statutory requirements based on a plan that would be submitted to the CMS when required.

#### **Question 9**

GEMS was supposed to approach the Council for Medical Schemes to inquire about the possibility of lowering the GEMS reserve ratio to 20%. The Council expected various scenario analyses based on a 20% reserve ratio. GEMS is requested to have its actuaries provide these scenarios.

#### **Reply**

This question has been dealt with in the reply to Question 6.

#### **Question 10**

The unpacking of the weighted average of a 9.5% or 9.8% increase is required. What is the actual impact of these values?

#### **Reply**

An average contribution increase of 9.8% will enable the Scheme to return to the statutory solvency ratio of 25% within two years, while an increase of 9.5% would achieve the same outcome in three years. This has been explained in the scenarios presented by the Principal Officer at the consultation meeting of 12 December 2025

#### **Question 11**

What is the actual legal cost of GEMS? No case details are required, but the actual global figure spent by GEMS on legal matters is required.

## Reply

The Medical Scheme Sector is a very litigious environment. GEMS incurred legal expenses of R21.089 million in 2024 and R13.672 million in 2023. This must be read in the context of an organisation that is responsible for around R 60 billion in funds.

## Question 12

The initiatives undertaken by the Board of Trustees are insufficient. The Council (PSCBC) would like to add the following to the basket of initiatives:

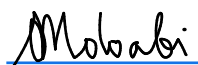
- a. The reduction of the reserve ratio.
- b. Drastic reduction of the level of remuneration of the GEMS Board of Trustees.
- c. Alignment of GEMS Executive's remuneration to the public service.

## Reply

Question 12 (a) has been dealt with fully as a response to Question 6.

With regard to Questions 12 (b) and (c), It is important to note that GEMS' Executive's, Board and its entire staff remuneration is benchmarked by Independent, external remuneration specialist providers to ensure that it remains competitive in the Medical Schemes Sector. GEMS uses the Paterson Grading System to determine levels of remuneration and this is regarded as best practice. GEMS is a complex Medical Scheme, and it must be in a position to attract and retain rare skills in a very competitive environment where specialist skills are in high demand.

Yours sincerely



Dr Stan Moloabi (Dec 17, 2025 09:06:24 GMT+2)

**Dr Stanley Moloabi**  
**GEMS Principal Officer**  
**OBO GEMS Board**