

Program and Budget Committee

Twenty-Eighth Session
Geneva, September 10 to 14, 2018

AFTER-SERVICE HEALTH INSURANCE (ASHI) LIABILITY

Document prepared by the Secretariat

Background

1. Following the discussions on agenda item 8, After-Service Health Insurance (ASHI) (document WO/PBC/26/6), during the July 2017 session of the Program and Budget Committee (PBC), the Assemblies of the Member States of WIPO requested the Secretariat¹

“(i) to continue to participate in the Finance and Budget Network’s ASHI Working Group; and

(ii) to monitor the specific proposals to be made by the Secretary-General to the United Nations General Assembly at its 73rd session and, based on these proposals, present concrete measures to the PBC, with reference to the updated ASHI liability as reported in the Financial Statements, at its 28th session, recalling WIPO’s membership in the United Nations Common System.”

¹ Document A/57/5 List of Decisions Adopted by the Program and Budget Committee.

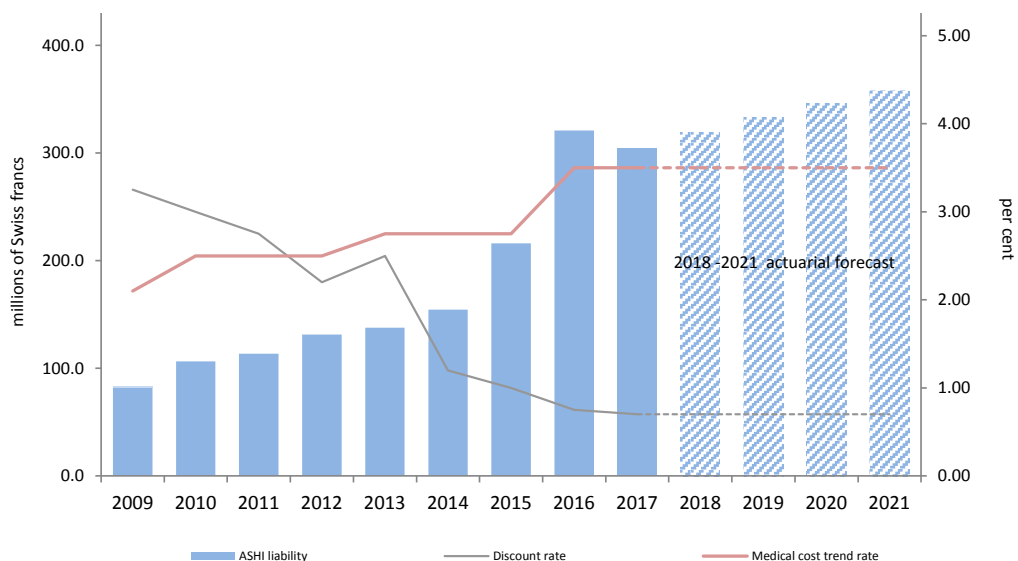
WIPO's updated ASHI liability and funding

2. The Working Group on ASHI of the Finance and Budget Network (FBN) has previously submitted reports to the 70th and the 71st sessions of the General Assembly (GA), both in the form of reports of the Secretary-General. The report to the 70th session (A/70/590) focused on the management and actuarial liabilities of ASHI and presented eight (1-8) recommendations. The report to the 71st session (A/71/698) provided a status update on the Working Group, and included a further seven recommendations (A-G) in respect of the existing eight recommendations made a year earlier. Recommendations from both reports were provided in the annexes to WO/PBC/26/6.

3. Both reports contained recommendations (6 and E) relating to the standardization of the general valuation methodology for ASHI liabilities across all organizations of the UN system. As a result, in early 2018 the Task Force on Accounting Standards of the FBN issued a number of common actuarial assumptions to be applied by organizations and thus ensure a more harmonized approach. These assumptions included yield curves for use in establishing discount rates. WIPO has applied these common actuarial assumptions to its ASHI liability calculations for the 2017 Financial Statements.

4. WIPO's ASHI liability is calculated in accordance with International Public Sector Accounting Standards (IPSAS). In July 2016 a new standard, IPSAS 39, was issued for employee benefits. In accordance with a recommendation of its External Auditor, WIPO has applied IPSAS 39 in 2017, prior to the required implementation date of January 1, 2018. Under this new standard, previously unrecognized actuarial losses are recognized in the statement of financial position, which has had the initial impact of increasing WIPO's ASHI liability. This change has aligned WIPO's accounting treatment of ASHI with that applied by the vast majority of UN system organizations. However, this is also expected to increase the volatility of the ASHI liability in the future, as changes in actuarial assumptions will be immediately recognized.

5. WIPO's 2016 ASHI liability as restated under IPSAS 39 was 320.9 million Swiss francs, compared to 154.3 million Swiss francs previously recognized in the 2016 financial statements. The liability fell to 304.4 million Swiss francs at the end of 2017, largely due to the impact of revised mortality tables from the UN system common actuarial assumptions. The following graph shows WIPO's ASHI liability since 2009 on an IPSAS 39 basis, and includes projections through to 2021 (assuming there is no change in actuarial assumptions). It also details how the key actuarial assumptions, the discount rate and medical cost trend rate, have moved since 2009:



6. Recommendation 7 of the Working Group report to the 70th session of the GA stated that organizations should adequately fund their ASHI liability and build reserves. In addition, recommendations in this report and the subsequent report to the 71st session (recommendations 8 and G respectively) advised on inter-agency collaboration via the FBN's Working Group on Common Treasury Services in order to leverage investment arrangements for funds earmarked for the coverage of ASHI, with a view to maximizing returns and minimizing fees.

7. Since 2014 WIPO has maintained a separate account for its funds allocated for the future financing of after-service employee benefit liabilities (including ASHI, repatriation grant and travel, and long-term accumulated annual leave). These funds have been generated by the Program and Budget charge applied to the cost of posts, and at the end of 2017 totaled 124.4 million Swiss francs. As at December 31, 2017, this funding covered 37.8 per cent of total after-service employee benefit liabilities of 329.3 million Swiss francs.

8. In 2015 WIPO's Policy on Investments was comprehensively revised and adopted by the Fifty-Fifth Series of Meetings of the Assemblies of the Member States of WIPO. The revised policy contains a specific investment policy for the funds allocated to finance after-service employee benefit liabilities, referred to as strategic cash. By February 2018, WIPO had fully implemented its investment strategy for its strategic cash balances. WIPO continues to actively participate in the Working Group on Common Treasury Services and explore opportunities for collaboration in this area.

Progress of the Working Group on ASHI

9. The Working Group has a mandate to complete its work in 2018, following which a report will be submitted by the Secretary-General to the GA at its 73rd session. Since 2017 the Working Group has focused its efforts on developing collective agreements with third-party administrators, analyzing access to national health insurance schemes of Member States, and considering other potential cost containment measures.

10. The Working Group has developed a template third-party administrator agreement for use by UN system organizations to ensure consistency in the terms and conditions of these agreements. The template agreement represents best practice in this area, and will help to maintain leverage with third-party administrators across the UN system. It includes significantly strengthened provisions in respect of accountability, control, reporting and communication, and details the scope of audits of the administrator's services. In addition, a provision has been specifically included for the sharing of third-party administrator information between UN system organizations, with the aim of increasing inter-agency co-ordination.

11. Recommendation 4 of the Working Group report to the 70th session of the GA proposed further exploration of the value of national health insurance schemes in the context of UN system health insurance plans. Incorporating these schemes into the UN system would envisage the national health insurance scheme acting as a primary plan for care covered under its design, with the organization's plan automatically acting as a supplementary plan to ensure coverage afforded to participants would remain unchanged. The Working Group has now completed a cost, benefit and opportunity analysis for the nine countries with the largest populations of UNJSPF retirees and beneficiaries, covering 50.5 per cent of the total population as detailed in the following table:

Country	Percentage of Total UNJSPF Retirees and Beneficiaries (as at December 31, 2017)
United States	14.8%
France	9.9%
Switzerland	6.7%
Italy	4.9%
Austria	4.5%
United Kingdom	3.1%
Canada	2.6%
India	2.2%
Thailand	1.8%
Total	50.5%

12. In the United States primary health insurance is provided by Medicare and the UN plans to fill in the gaps in Medicare coverage. The UN, while reimbursing participants in ASHI for their Medicare Part B premium, is able to effectively lower costs while maintaining ASHI benefits and coverage. The Working Group found that a number of factors present in the United States, including relatively undemanding eligibility criteria for the health insurance scheme combined with substantial coverage, were not present in other countries and as a result this model could not be replicated elsewhere.

13. Given the additional administrative load, participation in national health insurance schemes requires a relevant population of ASHI participants in the country if any cost benefit is to be achieved. WIPO's population of ASHI participants reside primarily in France and Switzerland. The analysis of the Working Group demonstrated that there was no cost benefit to be gained by UN system organizations from incorporating the national health insurance schemes of these two countries into their plans. In France, income-based contributions would lead to significantly higher overall costs compared to the current situation for organizations. In Switzerland, UN system employees who have not participated in the national health insurance scheme would, in most cases, not be considered eligible to do so on retirement. Additional complexities were also identified, including the reimbursement of medical costs incurred outside of the country.

14. The Working Group continues to review other potential cost containment measures, and has considered promotion of in-network care, promotion of healthy living, and preventative exams and screenings. The Working Group is holding ongoing discussions around the period of service required to be eligible for ASHI, and is also analyzing the possible impacts of an entitlement accrual system for new entrants, whereby the entitlement to a full organization share of contributions is accrued according to length of service.

Final report of the Working Group

15. WIPO remains committed to the ongoing efforts of the Working Group and will continue to actively participate in its work through to the end of its mandate in 2018. The final report of the Working Group, which will be submitted by the Secretary-General to the GA at its forthcoming 73rd session (Autumn/Winter 2018), is expected to contain further specific proposals for the future cost containment of ASHI.

16. The following decision paragraph is proposed.

17. The Program and Budget Committee (PBC) recommended to the Assemblies of WIPO, each as far as it is concerned, to request the Secretariat to continue to participate in the Finance and Budget Network's ASHI Working Group and to monitor any specific proposals to be made by the Secretary-General to the United Nations General Assembly at its 73^d session.

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