

Program and Budget Committee

Twenty-Fifth Session

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PROPOSALS ON AFTER-SERVICE HEALTH INSURANCE (ASHI) LIABILITY

Document prepared by the Secretariat

Background

1. Following the discussions on agenda item 10, the Proposed Program and Budget for the 2016/2017 Biennium (documents WO/PBC/24/11 and WO/PBC/24/16 Rev.), during the September 2015 session of the Program and Budget Committee (PBC), the PBC included the following text as part of its decision on this agenda item:

“The PBC recalled its earlier request at its 23rd session for the Secretariat to:

“(i) present to the 25th session of the PBC, concrete proposals to contain the After-Service Health Insurance (ASHI) liability. These proposals may take into consideration, but should not be limited to, the results presented by the Working Group on ASHI established by the High-level Committee on Management (HLCM) of the Chief Executives Board;”

Progress made by the Working Group on ASHI

2. General Assembly (GA) resolution A/RES/68/244, adopted in December 2013, requested the Secretary-General to undertake a survey of current health care plans within the United Nations system to explore all the options for increasing efficiency and containing costs, and to examine the option of broadening the mandate of the UN Joint Staff Pension Fund (UNJSPF) to include administration of ASHI benefits, and to report thereon at the 70th session of the GA. In response to this, the Finance and Budget Network (FBN) established a Working Group on ASHI, tasked with conducting a system-wide study on this issue.

3. The Working Group identified four principle areas (or pillars) to be studied as follows:

Pillar A – Cost analysis and administrative arrangements;

Pillar B – United Nations system ASHI framework review;

Pillar C – Determination and disclosure of the liability; and

Pillar D – Funding alternatives for the liability.

4. The study provided a comprehensive view of the current situation of the health plans and ASHI funds and liabilities of each agency, providing the basis for a further consideration of the options for increasing efficiency and containing costs. A report on the outcome of the study was prepared by the Working Group, and the report was submitted to the 70th session of the GA in the form of a report of the Secretary-General (A/70/590).

5. The report provides an overview and analysis of the key elements of the health insurance schemes applied across the United Nations system, focusing on the management and actuarial liabilities of ASHI, and presents eight recommendations for consideration by the General Assembly.

6. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) considered the report in February 2016. In its review of the report, ACABQ endorsed a number of the recommendations and also recommended that the GA request the Secretary-General to maintain the Working Group in order to study further options for increasing efficiency and containing costs. The Fifth Committee reviewed the report of the Secretary-General in March 2016 and endorsed the conclusions and recommendations contained in the report of the ACABQ. The eight recommendations of the Working Group, together with recommendations of the ACABQ are shown in the Annex. In most respects, the conclusions and recommendations of the ACABQ and Fifth Committee were aligned with the recommendations contained in the report of the Secretary-General, confirming that the recommendations of the Working Group, as endorsed by HLCM, were pertinent and valuable.

7. At its 26th meeting in February 2016, the FBN discussed the report of the Secretary-General and the main issues that had been raised during discussions with the ACABQ and confirmed the terms of reference for the continuation of the ASHI Working Group, subject to the outcome of any decisions taken by the General Assembly (paragraph 6 above). It was agreed that the Working Group would do the following:

- (i) continue to explore opportunities for collective negotiations with third-party administrators and health care providers, as well as underwriting reviews;
- (ii) endeavor to present additional information on national health insurance plans in the next phase of the study;
- (iii) continue to examine options for a system-wide approach to managing health insurance benefits and request the United Nations Joint Staff Pension Fund to share its best practice approach and its methods for centralization and administration of a complex multi-employer plan;
- (iv) consider whether the rationale for setting aside adequate budgetary resources for the expected future liabilities can and should be strengthened;
- (v) explore, through the Working Group on Common Treasury Services (WGCTS), opportunities for coordination to maximize returns and minimize management fees; and

- (vi) put forward proposals regarding further options for increasing efficiency and containing costs to the GA at its 71st session.

8. The FBN also agreed that it would request the Task Force on Accounting Standards to accelerate its work in respect of reviewing the ASHI liability valuation methodology and valuation factors, with a view to having standardized assumptions and methodologies to present to the FBN by the end of 2016.

9. The ASHI Working Group has accordingly resumed its work and WIPO continues to participate actively as a member of the Group.

Conclusions of the High Level Committee on Management (HLCM)

10. The HLCM, at its 31st session in March 2016, reviewed the note submitted by the FBN (document CEB/2016/HLCM/12) entitled "Outcome of the General Assembly deliberations on the report of the Secretary-General on managing after service health insurance liabilities". The HLCM expressed its appreciation for the work of the Working Group and took note of the outcome of the GA's deliberations on the report of the Secretary-General. It requested the FBN to follow up on the recommendations formulated in the report, as endorsed by the ACABQ and the Fifth Committee, taking into account the objective to contain costs and protect the interests of staff and retirees.

11. The HLCM reaffirmed the need for the Working Group to complete a comprehensive, UN system-wide analysis and follow-up action plan on the complex and multi-faceted subject of ASHI, informed by the inter-governmental discussion that took place in the GA, with a view to presenting a coherent and collective position, representative of the needs and specificities of all member organizations, in the next report of the Secretary-General to be submitted to the GA at its resumed 71st session.

Way forward

12. The Working Group has shown that ASHI-related costs could be reduced and contained without having to cut benefits. WIPO believes that the Working Group has already achieved a considerable amount in terms of the data acquired and analyzed from across the UN system and continues to make excellent progress. The Organization would need to remain committed to the efforts of the Working Group, which among other aspects lends greater efficiency to the data collection and analysis initiatives which are central to the identification of opportunities.

13. The Secretariat, in accordance with the mandate from its Member States and through its dialogue with other agencies, will continue to explore additional ideas for possible cost containment measures which could contain the growth of the ASHI liability. In addition, the efforts of the Organization to finance the liability which began in 2013 (document /WOPBC/20/6) will continue. As at December 31, 2015, monies set aside covered 62.8 per cent of the Organization's long-term employee liabilities included within the Statement of Financial Position. As agreed by Member States, these monies will be invested over a long-term period in accordance with the Investment Policy for strategic cash which was approved in 2015 (document WO/PBC/24/10).

14. WIPO recognizes that the provision of ASHI represents part of a package of benefits offered by the Organization which is designed to ensure that compensation offered to staff is attractive when compared with that offered by its main competitors. In addition, by accepting to work in the international civil service, many employees find themselves ineligible for health insurance under national social security or private schemes upon retirement and thus ASHI is provided in order to ensure that staff are not adversely affected with regard to access to healthcare as a result of their employment with WIPO. As a consequence, the introduction of

cost containment measures and their possible impact must be carefully considered. Furthermore, any unilateral implementation of such measures could be seen as WIPO's lack of commitment to the common system which includes the common compensation package. In line with the conclusions of the HLCM at its 31st session in March 2016 (see above), it would therefore be of utmost importance to ensure that due consultation processes are followed and that any measures envisaged are considered in close collaboration with the Working Group.

15. The following decision paragraph is proposed.

16. The Program and Budget Committee (PBC) recommended to the Assemblies of the Member States of WIPO and of the Unions, 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 the specific proposals to be made by the Secretary-General to the United Nations General Assembly at its 71st session.

[Annex follows]

EIGHT RECOMMENDATIONS MADE BY THE ASHI WORKING GROUP, GROUPED TOGETHER BY PILLAR

PILLAR A Cost analysis and administrative arrangements

Recommendation 1: Collective Negotiations with Third-Party Administrators (TPAs)

UN System organizations should negotiate with TPAs collectively in order to optimize pricing for administrative services and network access. To support collective negotiation, UN System organizations should explore the feasibility of establishing and maintaining a common database that captures demographic and plan information; summarized claims data; terms and conditions of TPA agreements; staff costs; and summarized fraud information.

Recommendation 2: Collective Negotiations with Health Care Providers

The self-administered plans (ILO, WHO, UNSMIS) have successfully conducted collective negotiations with health care providers in the Geneva area. Self-administered plans should continue to identify areas where collective negotiations with healthcare providers could result in material savings and/or operational improvements. These organizations should develop common standard processes enabling them to negotiate collectively with healthcare providers and provider networks in order to obtain best access to-and best pricing for quality healthcare, and to minimize pricing volatility.

These organizations should consider establishing a common database and provide additional information in relation to healthcare provider practices; terms and conditions of agreements; fraud information and quality assessments.

Recommendation 3: Underwriting Reviews and Negotiations with Insurers

To provide a robust basis for challenging insurers' terms and conditions, organizations with externally insured plans should perform periodic underwriting reviews, the results of which should be shared within the UN System for benchmarking purposes.

The ACABQ recommended that the GA endorse recommendations 1 to 3 of the Working Group and encouraged the Working Group to continue exploring opportunities for the consolidation of health insurance plans at the various levels.

PILLAR B UN System ASHI Framework Review

Recommendation 4: The working group proposes to continue to support organizations that will further explore the value of national health insurance schemes in the context of UN System health insurance plans in a framework whereby the UN system organizations' plans act as a supplementary plan to level up the present terms and conditions provided to active and retired staff. The working group proposes that organizations engage Member States regarding the opening of eligibility of officials for primary coverage under those schemes. This concerns mainly retirees and their eligible dependents, but might also be extended to active population in certain situations.

Organizations should evaluate the appropriateness, the practicality and the financial effects of incorporating into their health insurance plan the requirement to enroll in a national insurance scheme with national plans' contributions being borne by the organization's plan.

Pending the receipt of more information on national health insurance plans, the ACABQ did not recommend the endorsement of recommendation 4 of the Working Group. However, the Committee acknowledged the potential for savings, should the recommendation be implemented and expressed its expectation that the necessary information would be obtained in the next phase of the Working Group's study.

Recommendation 5: Broadening the UNJSPF mandate

Although the respective roles of the UNJSPF, including the Investment Management Division, should not be broadened, the Fund could, as per the ACABQ recommendation, be requested to share its best practice approach and its methods for centralization and administration of a complex multiple-employer plan with UN System organizations choosing to jointly provide ASHI coverage.

With regard to recommendation five, the ACABQ recommended that the Working Group continue to examine options for a system wide approach to managing ASHI benefits, without excluding a potential role for the Pension Fund, including sharing its best practices approach and its operating methods.

PILLAR C Determination and Disclosure of the Liability

Recommendation 6: Standardizing general valuation methodology and the establishment and application of key ASHI liability valuation factors.

Within the context of completing its work under pillar C, the Working Group should coordinate its efforts with the HLCM's FB Network Task Force on Accounting Standards to harmonize the general ASHI liability principles to establish factors and actuarial assumptions no later than end of 2017, for implementation in the 2018 actuarial valuations.

The ACABQ recommended that the GA endorse recommendation 6 of the Working Group, noting an expectation that, to the extent possible, measures would be taken to standardize the general valuation methodology for ASHI liabilities across all organizations of the UN system.

PILLAR D Funding Alternative of the liability

Recommendation 7: Adequate funding of the ASHI liability

The Working Group recommends that organizations adequately fund their ASHI liability and build reserves at a minimum to fund the additional cost accrued during the current periods, represented by service cost, plus the corresponding interest costs. For those organizations that are still following a pay-as-you-go approach in relation to their ASHI liabilities, this would mean to move to a pay-as-you-accrue approach, reflecting the true cost of current operations.

In addition, organizations could consider embedding a funding mechanism into the standard staff costs used for budgeting.

Organizations managing extra budgetary funds should ensure that no account with an unfunded ASHI liability is closed before the liability is cleared through application of available funds to the recognized liability.

Member States and other contributing stakeholders could also consider providing organizations, where required, a one-off payment or specific time-limited funding methods to cover historic shortfalls in ASHI funding.

With regard to recommendation seven, the ACABQ noted that this would represent a move from a pay-as-you-go approach for ASHI liabilities, to a pay-as-you-accrue approach for many UN System organizations. The Committee also noted that the GA still considered the existing pay-as-you-go approach to be a viable option. The Committee considered that the rationale for setting aside budgetary resources intended for current activities to provide for expected future liabilities had not been sufficiently justified and recommended the continuation of the pay-as-you-go approach.

The Committee also requested that ASHI liabilities be closely monitored in the future to ensure the accurate attribution of accrued liabilities to their respective sources of funding.

Recommendation 8 : Investment of reserves

The Working Group recommends that UN System organizations, through the Common Treasury Services Working Group (WGCTS) explore opportunities to cooperate in leveraging existing arrangements with external asset managers to maximize returns and minimize management fees.

The ACABQ recognized merit in recommendation eight to leverage the existing arrangements with external asset managers in the investment of reserves earmarked to cover ASHI liabilities for those organizations which had established such reserves, whilst not ruling out the possibility of establishing an inter-agency facility for the investment of accumulated reserves.

[End of Annex and of document]