

## Program and Budget Committee

**Twenty-Sixth Session**  
**Geneva, July 10 to 14, 2017**

### AFTER-SERVICE HEALTH INSURANCE (ASHI) LIABILITY

*Document prepared by the Secretariat*

#### Background

1. Following the discussions on agenda item 15, Proposals on After-Service Health Insurance (ASHI) (document WO/PBC/25/15), during the August 2016 session of the Program and Budget Committee (PBC), the PBC reached the following decision on this agenda item:

*“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:*

*(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 71<sup>st</sup> session and, based on these proposals, present concrete measures to the PBC at its 26<sup>th</sup> session, recalling WIPO’s membership in the United Nations Common System.”*

#### 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 70<sup>th</sup> 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 principal 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 70<sup>th</sup> session of the GA in the form of a report of the Secretary-General (A/70/590).

5. The report provided 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 presented eight (1-8) recommendations. The report was first considered by the Advisory Committee on Administrative and Budgetary Questions (ACABQ). The eight recommendations, along with the related conclusions and recommendations of the ACABQ, are shown in Annex I. The ACABQ 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.

6. The report of the Secretary-General, along with the related ACABQ report (A/70/7/Add.42), was considered by the GA in March 2016. The GA took note of the report of the Secretary-General, and endorsed the conclusions and recommendations contained in the report of the ACABQ. As a result the Working Group continued its activities, and for the remainder of 2016 focused on furthering its work on each of the eight existing recommendations.

7. A report on its further work was prepared by the Working Group and submitted by the Secretary-General to the 71<sup>st</sup> session of the GA (A/71/698). This report provided both a status update and a further seven recommendations (A-G) in respect of the existing eight recommendations made a year earlier. As previously, the report was first considered by the ACABQ. The new recommendations (with the exception of recommendation F which is specific to the UN), together with the related conclusions and recommendations of the ACABQ, are shown in Annex II. The ACABQ again requested that the Secretary-General maintain the Working Group, and report to the GA at its 73<sup>rd</sup> session.

8. In March 2017 the GA considered this second report of the Secretary-General, along with the related ACABQ report (A/71/815). The GA subsequently took note of the report of the Secretary-General, and endorsed the conclusions and recommendations contained in the report of the ACABQ. The Working Group thus has a mandate to continue its work through the rest of 2017 and into 2018, following which a report will be submitted by the Secretary-General to the GA at its 73<sup>rd</sup> session.

9. The Working Group has established a provisional work plan for the remainder of its mandate through to 2018. The Working Group will focus its efforts on the following areas: furthering collective negotiations with third-party administrators; completing information-gathering and analysis regarding access to national health insurance schemes of Member States; revisiting plan design and eligibility; and exploring options for achieving critical scale.

Way forward

10. 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 Working Group has already achieved a considerable amount in terms of data acquisition and analysis, and the exploration of reducing ASHI-related costs.

11. The areas of work identified for the remainder of the Working Group's mandate are expected to lead to further specific proposals for the future cost containment of ASHI. The provision of ASHI coverage is considered an essential element of the conditions of employment in the international civil service. As a consequence, the introduction of any proposed cost containment measures would require full and careful consideration with the Working Group.

12. The following decision paragraph is proposed.

13. *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 the specific proposals to be made by the Secretary-General to the United Nations General Assembly at its 73<sup>rd</sup> session.*

[Annexes follow]

## **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.

[Annex II follows]

## RECOMMENDATIONS MADE BY THE ASHI WORKING GROUP and the ACABQ

Recommendation A: It is recommended that the Working Group established by the Secretary-General under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination be maintained so as to ensure continuity in promoting terms and conditions of service aligned to best practice, cost containment and control in the area of third-party administration of health insurance plans.

Recommendation B: It is recommended that the Working Group pursue opportunities for the cooperation of organizations based in all locations in developing their health insurance plans' access to health-care provider networks in all regions, to ensure that best pricing for quality health care is achieved and pricing volatility is minimized.

Recommendation C: It is recommended that the Working Group urge organizations to adjust confidentiality clauses in insurance policies and contracts with third-party administrators that currently preclude the sharing of information within the United Nations system, and implement regular system-wide underwriting reviews aimed at enabling United Nations system organizations to leverage scale and technical experience in negotiating terms and conditions of insurance with health insurance carriers. It is further recommended that the Working Group promote risk pooling wherever practicable, including within captive insurance arrangements, where appropriate.

The ACABQ recommended that the GA endorse recommendations A, B and C.

Recommendation D: It is recommended that the consideration of expanding the mandate of the United Nations Joint Staff Pension Fund cease and that the Working Group concentrate its efforts on promoting consistency in health insurance plan design and plan consolidation along geographical and organizational lines for the purpose of attaining critical scale.

The ACABQ was of the view that the role of the UNJSPF to provide a cost-effective solution in terms of investing assets set aside to fund ASHI benefits could be explored by system organizations whose governing bodies had approved such funding. The ACABQ did not therefore recommend the endorsement of recommendation D.

Recommendation E: It is recommended that the Task Force remain actively engaged in harmonizing the principles guiding liability valuation.

The ACABQ recommended that the GA endorse recommendation E and looked forward to receiving information on actuarial valuations of ASHI liabilities of the UN system following a harmonized methodology.

Recommendation G: It is recommended that the Working Group on Common Treasury Services, established by the Finance and Budget Network of the High-level Committee on Management, continue to promote inter-agency collaboration with respect to the investment of funds earmarked for the coverage of after-service health insurance liabilities.

For those agencies which have set aside reserves for the coverage of their ASHI liabilities, the ACABQ welcomed the efforts of the Working Group on Common Treasury Services (WGCTS) to pursue opportunities for collaboration. The ACABQ recommended that the GA endorse recommendation G.

[End of Annexes and of document]