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FINANCE COMMITTEE

Hundred and Sixty-ninth Session

Rome, 6 - 10 November 2017

Funding of After Service Medical Coverage (ASMC) Liabilities

Queries on the substantive content of this document may be addressed to:

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EXECUTIVE SUMMARY

- At its 164th session in December 2016, the Finance Committee encouraged the Secretariat to further review the options to address the funding gap in the context of the considerations on this matter by the United Nations General Assembly, emphasizing the importance of adopting a common approach amongst the members of the United Nations Common System.
- This document gives details of UN system discussions, and provides additional information on the cost containment measures undertaken by FAO, for consideration by the Committee.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- This document has been prepared to provide an update on the discussions held at the UN ASHI working group level and the cost containment measures undertaken by FAO. It is presented for information and for any guidance the Committee may wish to provide.

Draft Advice

The Committee:

- **noted the update on the decisions taken by the United Nations General Assembly following its consideration of the Report of the After Service Health Insurance (ASHI) Working Group of the Finance and Budget Network;**
- **encouraged the Secretariat to further review these options in the context of the considerations on this matter by the United Nations General Assembly, emphasizing the importance of adopting a common approach amongst the members of the United Nations Common System; and**
- **urged the Secretariat to continue its efforts to contain costs of the current medical insurance plan.**

A. Introduction

1. In the fall of 2013, the United Nations General Assembly considered the report of the Secretary-General (A/68/353) and the related report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) (A/68/550) on managing after-service health insurance (ASHI) liabilities. Following its consideration of these two reports, the General Assembly approved resolution A/RES/68/244.

B. UN ASHI Working Group to Address the Funding Gap for ASMC

2. The 29th session of the Finance and Budget Network (FBN) took place on 27-28 June 2017 in New York and reviewed the Management and funding of the After Service Health Insurance (ASHI) liability, presenting an update from the ASHI Working Group.

3. The considerations of this matter by the FBN were presented in part VII of the report CEB/2017/HLCM/FB/8 and which is provided as an Annex to this document.

4. The Finance and Budget Network expressed appreciation for the work of the ASHI Working Group and the achievements of the Group so far, recognizing that the nature of the work is very complicated and involves varied stakeholder groups including human resources, finance, staff unions and Member States. The Network encouraged the Working Group to communicate regularly back to the FBN, particularly on any new recommendations of the Group, including in the areas of negotiations with Third Party Administrators and leveraging national health insurance schemes. The FBN also requested the Group to obtain more data related to portability of ASHI liabilities in order to determine if additional work needs to be undertaken by the FBN in this area, in coordination with the HR Network.

C. Cost-containment measures undertaken by FAO

5. The Organization has intensified the negotiations with the provider of medical insurance services and cost containment measures are being introduced in the medical plans.

6. To reduce potential high medical costs, the Rome-based agencies will organize detection campaigns focused on melanoma, breast cancer and dental preventions with the aim of detecting such cases earlier and improve the treatments.

7. FAO will continue looking into other cost-containment measures such as better case management and further negotiations with the health care providers and pharmacies.

29th Meeting of the CEB Finance and Budget Network
27-28 June 2017, United Nations, New York

CONCLUSIONS OF THE 29th MEETING OF THE FINANCE AND BUDGET NETWORK

(extracts from document CEB/2017/HLCM/FB/8)

VII. Management and funding of the After Service Health Insurance (ASHI) liability- Update from the ASHI Working Group

Presenter: Mr Pedro Guazo, Director Accounts Division/Acting Deputy Controller, United Nations

Documentation:

- *Managing after-service health insurance liabilities, follow-up report of the Secretary-General (A/71/698)*
- *Minutes of the ASHI Working Group face to face meeting, February 2017, Geneva*
- *Proposal for establishing an Insurance Group- Draft Terms of Reference*

Background:

74. In the period leading up to the seventy-third session of the General Assembly in 2018, the ASHI Working Group plans to continue its work, focusing its efforts on collective negotiations with third-party administrators; on opportunity, cost and benefit analyses regarding the incorporation of coverage under certain national health insurance schemes into United Nations system agency health insurance plan designs; on revisiting health insurance plan design and eligibility for after-service health insurance; and on achieving critical scale. The Working Group on ASHI considers that, by the time it submits its final report to the seventy-third session of the General Assembly in 2018, it will have completed its work, and will have provided impetus for the ongoing efforts and initiatives aimed at containing health insurance-related costs and controlling obligations in respect of ASHI.

75. The ASHI Working Group has proposed that an Insurance Group be established to coincide with the completion of the work of the ASHI Working Group and the delivery of the Secretary-General's report on Managing after-service health insurance to the General Assembly at its seventy-third session. The Insurance Group is proposed to be a standing body, established to ensure that the efforts and initiatives of the Working Group on ASHI are perpetuated and that United Nations system entities have a forum for extending their cooperation to other lines of insurance in relation to which efficiency and effectiveness can be strengthened, and to address insurance related matters globally and on an ongoing basis.

Discussions:

76. The Chair of the Working Group provided an update from the most recent discussions with ACABQ and the General Assembly (GA) regarding ASHI, highlighting the main outcomes from the 71st session of the GA which included, among others, the GA reconfirming the Pay As You Go

approach, making no commitment to funding of the ASHI liability; Member States challenging the cost apportionment of the ASHI premiums between staff and organizations, as well as the legal basis for the terms and conditions of ASHI with a view to reducing their liabilities; the GA welcoming the work that has been done with the Task Force on Accounting Standards on standardizing and harmonising assumptions for valuation of ASHI liabilities; and discussions on inter-agency cooperation including the role of the UNJSPF

77. The Chair of the Working Group also provided an update on the status of the work of the Group and the planned activities and related timelines until the final report is submitted to the General Assembly in the Fall of 2018, as discussed and agreed at a face to face meeting of the Working Group in Geneva in February 2017. An update was provided on the national health insurance surveys, noting that responses have been received from 10 countries to date, and that work in this area is planned to be completed in November 2017. An update was also provided on the achievements that have been made through collective negotiations with Third Party Administrators Allianz and Cigna, which has led to organizations being in a better position to leverage providers, leading to dollar savings, with work in this area scheduled to be completed by August 2017. Regarding plan design and eligibility, the Chair noted that discussions within the Working Group will be initiated in June 2017, in coordination with the HR Network, in an attempt to proactively come up with reasonable proposals to pre-empt any potential requests from Member States regarding plan design or eligibility.

78. Regarding the issue of portability, including transfer of entitlements and solvency, it was noted that coordination with the HR Network needs to be reinforced in this area, and that currently the default arrangement is that the recipient entity bears the liability, which can act as an obstacle to the transfer of staff within the UN system. During the FBN discussion, it was agreed that a more formal position on transfer of liabilities could be beneficial, to have a standard for all UN organizations rather than having bilateral negotiations, and that it is worth studying the volume of inter-organizational transfers and the associated ASHI liabilities to determine if the amounts are significant enough to warrant further work in this area.

79. The Chair of the Working Group also noted some of the critical challenges related to ASHI going forward including funding of the liabilities, inconsistencies in terms and conditions of insurance across the UN system, and insurance fraud prevention. Regarding inter-agency cooperation and coordination after the conclusion of the ASHI Working Group in August 2018, the Chair of the Working Group noted some areas that would be desirable for the UN system to continue looking at, including information sharing, the collection of statistics and breakdowns of costs, and analysis on the comparability of plans. In this connection, the Chair noted that the Working Group sees scope for continued inter-agency coordination and cooperation in the area of personnel insurance (including health, workers compensation, PA, Term Life, MAIP, Non-standard/aggravated risk insurance); as well as other non-personnel insurance such as property and casualty insurance, liability and special risk insurance. The Chair introduced the proposal of the Working Group to establish an Insurance Group, presenting Terms of Reference for two alternative models that had been proposed by the Working Group. The first model is to establish two separate groups to focus on personnel and non-personnel insurance, and the alternate model proposed was to establish a single group with two sub-groups. It was noted that the Working Group had considered the option of entrusting this work to the existing informal roundtable health-insurance group, however the Working Group was not in favour of this and preferred the option of establishing a formal institutional arrangement to ensure that the work continues and that there are formal reporting lines to the necessary bodies of the CEB. The Chair noted that the Working Group did not reach consensus on whether the Insurance Group(s) should be led by the FBN or the HR Network, and this would ultimately depend on the final model chosen.

80. During the FBN discussion it was noted that there are currently no statistics available on other types of insurance across the UN system and that this is one of the reasons behind the proposal to establish an Insurance Group, to collect data on how much each agency pays for premiums in order to assess whether there are any opportunities for collective negotiations or to achieve savings through economies of scale.

81. In general, the FBN recognized the validity of looking at other types of non-personnel insurance, however decided that it would be appropriate to defer the decision on the proposed establishment of an Insurance Group until 2018, closer to the time when the ASHI Working Group will conclude, in order to have a more accurate picture of what has been delivered and in which areas work needs to continue. It was recognized that in addition to the achievements made so far, the ASHI WG still has a lot of open deliverables. Some core issues that organizations still need to address include plan design and eligibility, including some potentially difficult decisions on structure and benefits; leveraging national health insurance schemes; and ASHI reserves and IPSAS compliance.

Conclusions and follow-up actions:

82. The FBN expressed appreciation for the work of ASHI Working Group and the achievements of the Group so far, recognizing that the nature of the work is very complicated and involves varied stakeholder groups including human resources, finance, staff unions and Member States. The Network encouraged the Working Group to communicate regularly back to the FBN, particularly on any new recommendations of the Group, including in the areas of negotiations with Third Party Administrators and leveraging national health insurance schemes. The FBN also requested the Group to obtain more data related to portability of ASHI liabilities in order to determine if additional work needs to be undertaken by the FBN in this area, in coordination with the HR Network.

83. The FBN agreed to keep as an open issue whether establishing an Insurance Group was necessary given the existence of other bodies such as the FBN, the HR Network and the roundtable health insurance group, and deferred further discussions on this proposal until closer to the time when the ASHI Working Group will conclude in 2018, in order to have a more accurate picture of what has been delivered and in which areas work needs to continue.