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PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1984-1985

Health insurance contributions by the Organization

Note by the Secretary-General

Introduction

1. The General Assembly, in paragraph 8, section III, of its resolution 37/126 of 17 December 1982, requested the International Civil Service Commission (ICSC) "to examine the need for raising the ratio of contributions by organizations of the United Nations common system for health insurance of staff members and the question of applying appropriate retroactivity".

2. The consideration of the matter by the ICSC in response to the Assembly's request is described in paragraphs 99 to 107 of its ninth annual report to the General Assembly (A/37/39). After examining the matter at both its seventeenth and eighteenth sessions, the ICSC decided that:

"... an average of staff contributions to health insurance expressed as a proportion of net remuneration and weighted by the number of staff members at the seven headquarters locations should be calculated. At duty stations where the ratio of staff contributions to net remuneration was higher than the average ratio for the seven headquarters duty stations, the executive heads might wish to propose to their legislative bodies appropriate cost-sharing formulae which would bring down the ratio of staff contributions to net remuneration at those duty stations to a level in line with the average applicable at the seven headquarters locations."

Background

3. The Organization provides health insurance coverage for the staff around the world through five basic plans: two commercially insured plans 1/ at New York; a

self-insured plan at Geneva; a local commercially insured plan at Vienna; a world-wide commercially insured plan 2/; and a self-insured non-contributory plan for locally-recruited staff at field duty stations (Appendix E to the Staff Rules). A contributory self-insured plan, mainly for locally-recruited staff is also available at Bangkok; however, consultations between the staff and administration are proceeding with a view to its replacement by an alternative plan, possibly by the world-wide commercially insured plan. Participation in the contributory plans is voluntary, while all local staff not covered by a contributory plan at designated duty stations are entitled to coverage under the Appendix E non-contributory plan. The premiums for the New York, Geneva and Vienna plans are set in the corresponding local currency and are based on the reimbursement experience produced from the utilization by subscribers at their respective locations. The premiums for the world-wide commercially insured plan are set in United States dollars and are based on the average claim experience by subscribers at more than 150 duty stations. The latter covers internationally-recruited staff at most duty stations and also covers locally-recruited staff at some locations of regional commissions, e.g., ECLA/Santiago, ECLA/Mexico. The non-contributory scheme covers locally-recruited staff at over 150 duty stations.

4. All the health insurance plans provide medical, hospital and dental coverage. In the case of the two New York plans, dental coverage is purchased separately while in all the other plans that coverage is an integral part of the scheme, including the non-contributory plan. The level of benefits is generally comparable in all contributory schemes and coverage is afforded anywhere in the world. Benefits under the non-contributory scheme are somewhat more limited and coverage is normally afforded only in the country of the duty station.

5. It is particularly important that the United Nations provide adequate, comprehensive health insurance coverage, keeping in mind that a large proportion of the staff at most duty stations are expatriate and cannot normally resort to the protection offered by national systems of health insurance, and furthermore may be unfamiliar with health care delivery and facilities at the duty station. The cost of health insurance plans at Headquarters and other locations has increased, for the United Nations as well as for comparable employers, owing to the very high cost of health care experienced by all. The reviews of health insurance costs and benefits made by the ICSC on the occasion of local salary surveys at headquarters duty stations and of the total compensation studies between the United Nations and the comparator national civil service for the Professional and higher categories have shown that benefits under United Nations plans are generally in line with those offered by the comparable employers for all categories of staff, while those employers often bear a much higher proportion of the costs.

6. The present equal cost-sharing formula was introduced in accordance with the decision of the General Assembly in operative paragraph 5 of its resolution 1095 A (XI) of 27 February 1957 and proved to be adequate for many years. However, subsequent developments in the financing of health insurance by other employers as well as in the increase in the cost of health care to the individual, led the organizations of the common system of the United Nations, as early as 1972, to conclude that the cost-sharing formula seemed to be out of line with the times, and

the Secretary-General and the staff so informed the 1971-1972 Special Committee for the Review of the United Nations Salary System 3/.

7. The adequacy of the 1957 formula was also reviewed by the Joint Inspection Unit (JIU) in 1977 in the context of its note on health insurance schemes in the United Nations system. 4/ In paragraph 72 of its note the JIU stated that "in the American region, where commercial schemes prevail and affiliation is voluntary, there is a strong feeling that the participants' share of premiums should be reduced".

8. The inadequacy of the present cost-sharing arrangement has become more apparent since 1977 as a result of the continuous and substantial increases in health care costs in New York and other areas, which have consistently outstripped the overall increases in cost-of-living indices. For example, between May 1978 and April 1983 the cost of health insurance under the Headquarters plans increased on the average by 123 per cent, while the cost-of-living index for New York increased by 49 per cent. Another premium increase is scheduled with effect from 1 January 1984.

9. The following table illustrates the increase in premiums and in the contributions paid by the staff, expressed as a percentage of net remuneration, registered over the last five years at Headquarters:

MAIN HEADQUARTERS PLAN 5/

<u>Type of coverage</u>	<u>Monthly premiums</u>			<u>Average monthly contribution by staff expressed as as percentage of net remuneration</u>	
	<u>May 1978</u> \$	<u>April 1983</u> \$	<u>Percentage of increase</u>	<u>May 1978</u>	<u>April 1983</u>
Family	132.41	285.70	115.8	5.2	6.4
Staff member only	46.67	106.99	129.2	2.0	2.9

10. Although the problem of the high cost of health insurance has been felt with particular severity in New York, it is not limited to Headquarters. The premiums of the world-wide contributory plan increased by 126 per cent between 1978 and 1983, while the cost of living world-wide, as measured by the weighted average of post adjustment (WAPA), increased by 42 per cent during the same period. The increase in cost for the Geneva and Vienna plans has also been higher than the increase in the overall cost-of-living indices for those cities, though to a lesser extent. In Geneva, the average increase in

cost was 25.6 per cent between January 1978 and April 1983 while the local cost-of-living index increased by 23.5 per cent. In Vienna, owing to structural changes in the plan, comparable data exist only for the period July 1981 through April 1983 when the cost of health insurance increased by 17 per cent on the average, while the local cost-of-living increased by 7.7 per cent.

11. The General Assembly, in introducing the present equal-sharing cost formula in 1957, made it applicable Secretariat-wide even though then, as now, the relative cost of health insurance was not uniform throughout the world. It was not considered equitable or desirable to differentiate between duty stations or categories of staff members in respect of a benefit which is essentially of a social nature. In overall terms, the Organization contributes approximately 50 per cent of the total cost of insurance and the staff 50 per cent. However, in recognition of the social nature of the health insurance subsidy, individual staff members contribute according to a sliding scale with higher subsidies of approximately 90 per cent of the premium cost being granted to those at the bottom of the salary scales, and with the subsidy declining progressively to 10 per cent of the premium cost at the higher salary levels, in respect of the Headquarters and the world-wide contributory plans. Similar results are achieved under the Geneva and Vienna plans through the application of a direct percentage to the salary.

12. In addition to the five insurance plans for active staff, the Organization provides health insurance coverage to eligible retirees and/or their eligible family members by means of an After-Service Health Insurance (ASHI) scheme, which was approved by the General Assembly with effect from 1967 6/. ASHI coverage is offered through the same four contributory health insurance plans available to active staff, depending on the place of residence of the subscriber. According to the eligibility requirements for participation in ASHI, subsidized health insurance coverage is made available to staff members and their eligible family members when (a) the staff member, at the time of retirement, had participated in a contributory health insurance scheme of the United Nations for a minimum period of 10 years; and (b) the staff member upon separation for disability had participated in a plan for a minimum of three years. ASHI coverage is also made available to eligible survivors of staff members who die in service after completing three years' participation in a plan. The pertinent provisions of the United Nations Joint Staff Pension Fund provide periodic retirement benefits to participants after a minimum period of five years, and participants are eligible for disability and survivors benefits immediately upon joining the Pension Fund. The fact that the time periods required for ASHI benefits are longer than those required by UNJSPF for periodic benefits deprives an increasing number of staff members - particularly those who join the Organization after age 50 - and/or their eligible survivors of an important element in the social security package offered by the United Nations. This has become an acute problem for those affected owing to the very high cost of health care they must bear in its entirety.

Recommendations

13. For the reasons indicated in the preceding paragraphs, the Secretary-General would have preferred an arrangement somewhat different from that recommended by the ICSC, namely a straight formula, applicable world wide, under which the Organization would contribute two thirds of the cost of health insurance and the staff one third. He is prepared, however, to accept the approach recommended by the Commission which seeks a common system arrangement for the subsidy provisions. Consequently, he strongly recommends that the General Assembly approve the arrangements proposed by the Commission and quoted in paragraph 2 above.

14. The effective date recommended by the ICSC for the implementation of the new arrangement is 1 January 1984. The General Assembly, in requesting the ICSC to examine inter alia "the question of applying appropriate retroactivity", reflected its concern about the serious problem already being faced by the staff in 1982 in meeting very high health insurance costs at New York and other locations, particularly since another substantial increase for the Headquarters plans - 22 per cent, in fact - was expected in April 1983. The Secretary-General shares that concern and, accordingly proposes an effective date of 1 January 1983.

15. The financial implications of the introduction of the new cost-sharing arrangement are estimated at \$1.2 million in 1983 for the regular budget and \$0.6 million for extrabudgetary programmes. For the biennium 1984-1985, the financial implications are estimated at \$2.6 million in 1984 and \$3.3 million in 1985 for the regular budget, and \$1.2 million and \$1.6 million respectively for extrabudgetary programmes. These estimates are based on the health insurance premiums paid by staff members that are in excess of the overall average of staff contributions to health insurance costs at the seven headquarters locations, as established by the ICSC, i.e., a ratio of staff contributions to net remuneration of 1.9 per cent in respect of insurance coverage for staff members only and of 3.8 per cent in respect of coverage for staff members with eligible family members.

16. The costs indicated in the preceding paragraph fall within the category of common staff costs. Should the General Assembly approve the recommendations, no additional appropriations under the various sections of the programme budget would be requested at this time either for the year 1983 or for the biennium 1984-1985. Instead, the additional expenditures incurred for the year 1983 as well as for the biennium 1984-1985 would be dealt with as follows: (a) for 1983 in the context of the final programme budget performance report for the biennium 1982-1983 to be submitted to the Assembly at its current session; and (b) for the biennium 1984-1985 in the first programme budget performance report to be submitted to the Assembly at its thirty-ninth session in 1984.

17. At the same time, the Secretary-General is of the opinion that the eligibility requirements for participation in ASHI should be modified, to bring them into line with the provisions of the United Nations Joint Staff

Pension Fund. Accordingly he intends, with the concurrence of the General Assembly, to make participation in ASHI available with effect from 1 January 1984, (a) to staff members who upon retirement, at age 55 or later, have participated in a United Nations contributory health insurance plan for a minimum of five years, provided that those staff members pay the full premium for the period for which their participation during active service fell short of the 10 year minimum for subsidized ASHI coverage - once their contributory in-service and after-service participation reached 10 years, they could be eligible to receive ASHI subsidy; and (b) to staff members separated for disability and to the eligible survivors of staff members who die in service irrespective of the period during which the staff member had participated in a contributory plan at the time of separation or death. In all cases, coverage would be available to those who are eligible to receive a periodic benefit from the UNJSPF or under the rules governing compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations (Appendix D to the Staff Rules).

18. The financial implications of the projected changes in the ASHI scheme should be very small. Retirees with at least five years but less than 10 years of participation in an insurance plan at the time of retirement would have to pay the full health insurance premium until the 10-year period has been reached and, therefore, any additional costs in the future related to this group should be largely offset by the higher initial contributions. In view of the small number of cases of disability and death in service, the additional cost related to this group is expected to be very low.

Notes

1/ In both plans hospital coverage is provided by a non-profit corporation, Blue Cross, affiliation in which represents discounts of around 20 per cent in the cost of hospitalization in the United States.

2/ Coverage provided by the same commercial company, which also insures other organizations of the common system.

3/ Official Records of the General Assembly, Twenty-seventh Session, Supplement No. 28 (A/8728), vol. II, annexes IX and XI.

4/ JIU/NOTE/77/2.

5/ This plan has over 5,800 subscribers. The other plan offered at Headquarters covers only some 280 subscribers. The plans differ in that the main one offers worldwide coverage while the smaller one is a health maintenance scheme offering coverage at the metropolitan area of New York only except for emergencies elsewhere. Premium rates for both plans are comparable.

6/ Official Records of the General Assembly, Twenty-first Session, Annexes, agenda item 81, Action taken by the General Assembly; document A/6605, para. 35 (b); document A/6521, para. 20; and document A/6491, paras. 18 to 20.