International Telecommunication Union

Agenda item: ADM 16

Document C14/76-E
5 May 2014
Original: English

Report by the Secretary-General

SEPARATION FROM THE SHIF AND IMPLEMENTATION OF THE NEW CMIP

Summary

Pursuant to Staff Regulation 6.2, the Secretary-General has the responsibility of establishing a scheme of social security for the staff, including provisions for health protection.

Due to a disagreement between ITU and the ILO related to the funding of the ILO/ITU Staff Health Insurance Fund (SHIF) without putting into question the principles of solidarity and mutualization of risks that have governed the Fund, ITU decided to withdraw from the SHIF and to implement a new staff health insurance scheme, called the ITU Collective Medical Health Insurance Plan (CMIP), as from 1 May 2014.

The present report presents the actions taken by the Secretary-General in this regard.

Action required

The Council is invited **to take note** of this document.

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References

Staff Regulation 6.2

Background

In 1952, the ITU joined the Staff Health Insurance Fund (SHIF) created at the ILO in 1922. In 2012, ILO, ITU's partner in the SHIF, expressed concerns about the higher costs to the SHIF attributable to the ITU insured persons when compared to the ILO insured persons. This financial situation is primarily attributable to three factors:

(i) the higher concentration, compared to the ILO, of ITU insured persons in the Geneva area, where healthcare costs are high;

(ii) the higher number of ITU insured persons in the 'retiree' category compared to the 'active' category (currently 838 retirees and 750 active staff); and

(iii) the lack of cost containment measures under the SHIF.

ITU and ILO could not agree on a solution to redress the SHIF's financial situation based on the principles of solidarity and mutualization of risks which have always governed the management of the SHIF according to ITU. Therefore, ITU mandated an independent consultant, Willis Employee Benefits Limited (Willis), to explore alternative solutions within the UN system, as well as in the market, that would enable ITU to provide its staff members with health protection (as required under Staff Regulation 6.2) under a medical insurance arrangement that:

(A) mirrors the medical care benefits which were enjoyed by ITU insured persons under the SHIF; and

(B) is viable and sustainable in the long term, particularly taking into account the ITU's financial situation and budgetary constraints, among other things.

Willis invited 12 insurers, all established in the management and provision of International Medical Insurance and some specifically for Inter-Governmental Organizations, to submit their offers to provide medical insurance for ITU in line with the criteria outlined above.

A Working Group constituted of ITU officials of HRMD, FRMD and JUR, as well as of the elected representatives of the ITU insured persons (both active and retired) and the Staff Council, reviewed the solutions proposed by Willis in order to identify and recommend to the ITU Secretary-General the most suitable and cost-effective medical insurance arrangement for ITU. In examining the different offers received from the insurers, the Working Group considered the cumulative effect of (i) ITU's budgetary constraints; (ii) the trend of increasing medical costs; and (iii) the composition of the insured population.

As a result of ITU's evaluation of these offers, ITU decided to withdraw its affiliation with the SHIF effective as of 30 April 2014, as well as to implement a new staff health insurance scheme effective as of 1 May 2014. It should be noted that, despite ITU's withdrawal, the SHIF has not been dissolved but continues to exist for the coverage of ILO insured persons.

For the implementation ITU's new staff health insurance scheme, ITU selected the insurer with the best offer, Cigna/Vanbreda International which has extensive experience in collective international medical insurance. Following such selection, ITU, Cigna and Vanbreda International negotiated and entered into an insurance agreement on the basis of the latter's proposal.

Under the ITU's new staff health insurance scheme, commonly referred to as the Collective Medical Insurance Plan (CMIP), Cigna is the insurer and Vanbreda International is the claims administrator. Vanbreda International administers medical insurance schemes for other organizations affiliated with the United Nations, such as WIPO, FAO, UN Field personnel (DPKO), and WTO.

Framework of the new ITU Collective Medical Insurance Plan (CMIP)

The Working Group has been working closely with Cigna, Vanbreda International, and Willis on the implementation of the new ITU Collective Medical Insurance Plan (CMIP), which became effective 1 May 2014.

The Swiss Franc is the currency of the CMIP.

Pursuant to the ITU's Staff regulations and rules, the CMIP is mandatory for all active staff with contracts of three (3) months or more. The CMIP also maintains the After Service Health Insurance coverage, which is optional for all eligible former officials and their survivors.

The CMIP is based on the following framework agreed to and recommended to the Secretary-General by the Working Group:

A. Maintain the three fundamental principles that formed part of the ILO/ITU SHIF, namely:

- Solidarity between insured risk groups (mainly between active staff and retired staff);
- Universal coverage of all persons eligible to be insured; and
- Freedom of choice of healthcare providers, with healthcare benefits provided everywhere in the world.

B. Maintain the eligibility conditions that existed under the ILO/ITU SHIF for:

- Active staff, both appointed and short-term (contracts of three months or more);
- Former officials who:
  - o are aged at least 55 years (58 years for those covered as of 1 January 2014 with mandatory retirement age of 65);
  - o have at least 10 years' UN service at the time of retirement; and
  - o had SHIF and/or CMIP coverage during last 5 years preceding separation;
- Former officials, as well as officials on special leave without pay, receiving disability benefits; and
- Eligible family members (both automatically and voluntarily covered) and survivors.

C. Define premiums based on a contribution model respecting solidarity between the two main groups of insured persons (i.e. active and retired staff), as follows:

- Maintain definition of remuneration that existed under the ILO/ITU SHIF;
- Establish a contribution base rate calculated as a percentage of each insured person's remuneration, which rate as of 1 May 2014 is equal to 3.91%;
- Establish additional contribution rates for automatically insured eligible family members, which rates as of 1 May 2014 are as follows:
  - o Plus 30% for dependent spouse (i.e. 1.17%);
  - o Plus 10% for one dependent child (i.e. 0.39%); and
  - o Plus 20% for two or more dependent children (i.e. 0.78 %).
- Maintain level of ITU subsidies as follows:
  - o 100% for eligible active staff; and
  - o 200% for eligible former and retired officials.

D. Maintain provisions that existed under the ILO/ITU SHIF governing a self-funded, voluntarily protected group of:

  - o Spouses/ Ex-spouses;
  - o Unmarried, unemployed children between 21 and 30 years of age; and
  - o Parents and parents-in-law.
- Rates applicable as of 1 May 2014 are as follows:

	Rates effective 1 May 2014:
- Spouses/ Ex-spouses	CHF 700 per month
- Unmarried, unemployed Children > 21 <30	CHF 280 per month
- Parents and parents-in-law	CHF 1 500 per month

Provide a schedule of benefits based on and mirroring the schedule of benefits in place under the ILO/ITU SHIF and which will be applied with cost consciousness. In this respect, the dental and optical limits which each ITU insured person accrued under the SHIF as of 30 April 2014 have been continued and credited under the CMIP.

E. Establish a statutory Management Committee that is responsible for the overall management of the CMIP, and constituted of:

- Equal number of representatives of ITU Management and insured persons (both active staff and retired staff), including:
  - o Two (2) titular representatives and one (1) substitute representative to be nominated by active staff through the ITU Staff Council;
  - o One (1) titular representative and two (2) substitute representatives to be nominated by retired staff through the Association of ITU Former Officials; and
  - o Three (3) titular representatives and three (3) substitute representatives to be designated by the Secretary-General.
- A Secretary of the CMIP will be appointed; and
- The Management Committee will decide on internal rules of procedure, to the extent not inconsistent or conflicting with the ITU's Regulations or the Benefits Description for the CMIP (discussed below).

F. Provide a legal framework for the Collective Medical Insurance Plan with:

- Two (2) legal documents which were promulgated on 30 April 2014 pursuant to Service Order No. 14/10, and which contain the applicable terms and conditions of the CMIP, provided by ITU pursuant to ITU's Staff Regulations and Staff Rules:
  - o Regulations of the Staff Health Insurance Scheme of the International Telecommunication Union (the "CMIP Regulations"), which reflects points A, B, C, D and H of the CMIP framework, as well as the cost-containment measures discussed below, among other things; and
  - o Benefits Description of the CMIP Benefits Plan, which reflects point E of the CMIP framework, as well as the cost-containment measures discussed below, among other things.
- An appeals procedure available to insured persons for non-medical decisions taken by the Management Committee, the relevant provisions of which are set forth in the CMIP Regulations; and
- An appeals procedure available to insured persons for medical decisions relating to the CMIP, the relevant provisions of which are also set forth in the CMIP Regulations.

G. Create a Guarantee Fund:

A Guarantee Fund for the CMIP will be created in the ITU balance sheet and will be financed by:

- The ITU share of the ILO/ITU SHIF Guarantee Fund; and

- Any other sources of funding specifically allocated by ITU to the Guarantee Fund.

The Fund will be used to ensure the long-term stability of the CMIP, by allowing withdrawals to finance any deficit that could occur between payments made and contributions received. A minimum level has been determined under the CMIP Regulations, in the absence of which corrective measures must be taken by the Management Committee in order to restore financial equilibrium of the CMIP by increasing contributions and/or adjusting benefits.

Funding, cost-containment measures, and implementation of the new ITU Collective Medical Insurance Plan (CMIP)

The Working Group recommended to the Secretary-General to immediately introduce cost containment measures applicable to both ITU and the insured population to ensure the solvency and sustainability of this new medical insurance scheme.

The ITU therefore determined that, effective as of 1 May 2014, the base contribution rate applicable to remuneration has been set at 3.91% (representing an increase of 18% over the contribution rate of 3.30% that existed under the ILO/ITU SHIF).

Additionally, an annual deductible, which is applicable to each adult insured member of the CMIP and capped at a maximum two adults per family, has been introduced as of 1 May 2014 as follows:

Annual deductible scheme		
Relevant Income range in CHF		**Annual deductible in CHF**
From	**To**	**Per adult***
1	10,000	30
10,001	20,000	90
20,001	30,000	150
30,001	50,000	250
50,001	70,000	400
70,001	100,000	550
100,001	and above	750

By contrast, the annual deductible is not applicable to children who are either (i) under the age of 18, or (ii) under the age of 21 and either handicapped or in full-time education.

The annual deductible is applicable to eligible medical expenses under the new ITU CMIP incurred by each adult insured member. However, optical, dental and hearing-aid expenses are exempted from and are not be subject to a deductible.

For each calendar year, the eligible medical expenses of an insured person and his/her adult insured dependants under the CMIP first have to meet their applicable deductible in full before such eligible medical expenses can effectively result in the payment or reimbursement of benefits under the ITU CMIP. The annual deductible is applicable in full and will not be pro-rated for the period of 1 May to 31 December 2014.

An information campaign has been and will continue to be implemented by ITU in conjunction with Cigna, Vanbreda International, and Willis, in order to inform all staff members and retirees of the details of the new CMIP system. Programmes are foreseen under the new scheme to help raise awareness on the efficient use of health care and provide enhanced services.

All insured persons have been called upon to use the CMIP responsibly and mindfully, bearing in mind that collective responsibility and spirit of solidarity and mutualization will directly impact on the performance of the plan and on future contributions.

It is also important to highlight that the effort of each insured person, active as well as retired, including family members, is going to significantly improve the financial performance of the plan. This is in line with the imperative of financial responsibility and discipline that is required of ITU by the Member States.

The CMIP will be monitored on a regular basis, at least yearly, and a report will be submitted by the Management Committee to the Secretary-General and as necessary to the Joint Advisory Committee, for their consideration. That report will be brought to the attention of the insured persons.

Any observed structural improvement in the costs of the plan will trigger a downward review of the deductible levels. With cost-containment measures and the responsible use of the CMIP by all insured, it is hopeful that this will be feasible in the shortest possible time-frame.