



منظمة الأغذية  
والزراعة  
للأمم المتحدة

联合国  
粮食及  
农业组织

Food  
and  
Agriculture  
Organization  
of  
the  
United  
Nations

Organisation  
des  
Nations  
Unies  
pour  
l'alimentation  
et  
l'agriculture

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

# FINANCE COMMITTEE

## Hundred and Thirteenth Session

Rome, 8 - 12 May 2006

### Review of the Staff Medical Insurance Plans

1. At its 107<sup>th</sup> session, the Finance Committee took note of the findings of a study undertaken by a consulting actuarial firm in 2001 which confirmed that the FAO Staff medical coverage was comparable to and competitive with other UN organizations. The Committee also noted that in the same study, the performance of the Medical Plans Administrator, Vanbreda, was summarized as follows: *"In general, we found that Vanbreda is providing high quality and effective administrative services for the FAO plans."*
2. The Finance Committee at its 109<sup>th</sup> session expressed concern regarding the increase in medical premiums and hence the cost to the Organization. The Committee requested the Secretariat to prepare an analysis showing the recent trends in premiums of similar UN system medical insurance plans and the main factors affecting FAO's medical insurance premiums.
3. During its 110<sup>th</sup> session, the Finance Committee considered the document on the "Costs of the FAO Medical Insurance Plans" and the major factors driving the recent increase in the plan premiums. The Committee reviewed the analysis of the increase in costs of the different UN system insurance plans and noted that the increase in FAO plan costs was not dissimilar to other medical plans in the UN system. The Committee further noted the cost containment measures currently in place including the reimbursement of reasonable and customary expenses only and the contractual obligation on the Insurer to establish a network of preferred providers with whom discount arrangements are made.
4. In noting the above, the Committee requested the Secretariat to provide it, at its next session, with the findings of the FAO-commissioned Review of the Staff Medical Insurance Plans, including an analysis of the major sources of claims' costs for the various categories/groups of participants including currency related issues.

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## REVIEW OF THE STAFF MEDICAL INSURANCE PLANS (HEWITT STUDY)

5. The Food and Agriculture Organization of the United Nations (FAO) has engaged Hewitt Associates to perform a review of FAO's Basic Medical Insurance Plan (BMIP) and Major Medical Benefit Plan (MMBP). As stated in the terms of reference, the purpose of the review is:
- To examine the Organization's medical scheme with a view of identifying possible approaches to cost-sharing between participants and the Organization over the longer term that ensures the financial sustainability of the plan;
  - To evaluate each of the developed approaches by determining the impact of each option on the share of contributions to be paid by the Organization and by the participants to the plan;
6. In order to fully ensure a sustainable plan for the future under comparable cost sharing conditions to other plans of the United Nations system, the Study will:
- Forecast the claims and premium levels for the next 5, 10, and 15 years for the participants and the Organization;
  - Compare the cost sharing arrangements of medical health plans in other selected organizations with the current cost sharing arrangement at FAO;
  - Provide at least six alternatives for contributions – with 10 year projections for each alternative – which will support the long-term sustainability of the plan.
7. Table I summarizes some of the preliminary findings from the data analysis part of the Study. It shows that, as expected, retiree claims are substantially greater than those for active staff, and that claims for staff in the field are lower than for staff at headquarters. While both are expected findings, the magnitudes of the difference are indeed important in both the short and longer terms. With retiree premiums covering only 27% of retiree claims costs, and staff premiums covering 56% of their claims, the current downsizing of the organizations' staff will put continued pressure on the participating Organizations (FAO, WFP, IFAD and ICCROM) to review the current structure of the plans under the changing environment to ensure their sustainability.

| Average Claims in \$; Ratio of Contributions to Claims |           |       |          |       |                          |       |
|--------------------------------------------------------|-----------|-------|----------|-------|--------------------------|-------|
|                                                        | Euro Plan |       | USD Plan |       | Euro and US Dollar Plans |       |
|                                                        | Claim     | Ratio | Claim    | Ratio | Claim                    | Ratio |
| Active Staff                                           |           |       |          |       |                          |       |
| Field                                                  |           |       |          |       |                          |       |
| General Service=GS                                     | \$3,130   | 0.48  | \$1,163  | 0.65  | \$1,443                  | 0.60  |
| Professional=PS                                        | \$3,283   | 0.58  | \$2,239  | 0.85  | \$2,494                  | 0.76  |
| Total                                                  | \$3,229   | 0.55  | \$1,681  | 0.78  | \$1,982                  | 0.70  |
| Headquarters                                           |           |       |          |       |                          |       |
| General Service=GS                                     | 3,399     | 0.44  | \$3,612  | 0.37  | \$3,417                  | 0.43  |
| Professional=PS                                        | 3,450     | 0.50  | \$2,955  | 0.52  | \$3,359                  | 0.50  |
| Total                                                  | 3,421     | 0.46  | \$3,195  | 0.46  | \$3,391                  | 0.46  |
| Total Active                                           | 3,382     | 0.48  | \$1,871  | 0.71  | \$2,645                  | 0.56  |
| Retired Staff                                          | 4,329     | 0.26  | \$4,389  | 0.27  | \$4,376                  | 0.27  |
| Total Active and Retired                               | 3,609     | 0.42  | \$3,217  | 0.39  | \$3,371                  | 0.40  |

Table I.

8. Once finalized by the actuaries, the findings of the Medical Plans Review Study will be presented to the Organization's Joint Advisory Committee on Medical Coverage (JAC/MC) for review.

### **INTERNATIONAL TENDERING OF THE MEDICAL INSURANCE PLAN CONTRACT**

9. The current five-year contract with Vanbreda International (the claims handler) and Assurances Générales de France (AGF) will expire on 31 December 2006. FAO is currently tendering the plan which covers staff in all Rome-based UN Organizations (FAO, WFP, IFAD and ICCROM). The bids are currently being reviewed by a Technical Evaluation Panel that will make a recommendation to the Director-General as to the ranking of the bidders based on technical as well as financial criteria. A decision will be made by 30 June 2006 regarding the selection of the successful bidder on the new contract.