

UN INCORPORATES USA MEDICARE PART B INTO ITS AFTER SERVICE HEALTH INSURANCE (ASHI)

Attention: ASHI Participants who are Citizens or Lawful Residents of the USA

Effective 1 January 2011, the United Nations now requires ASHI participants enrolled in a Headquarters US-based Plan to participate in the USA national health insurance scheme called Medicare Part B, if they are aged 65-75 and lawfully resident in the USA. It is not necessary to have contributed to U.S. Social Security to be eligible for Medicare Part B. The new requirement applies to eligible dependents as well.

It should be recognized that the importance of a United Nations after-service health insurance scheme for retiring employees relates in large part to the fact that many of them may not be able to benefit from the national social security schemes of Member States owing to their service with the United Nations. On the other hand, many former staff members, not just USA residents, are, in fact, eligible to participate in national schemes. For example, many European countries enrol their citizen residents in national health programmes. Appropriate arrangements to do so should be encouraged when there is a benefit to all in controlling the cost of health insurance premiums.

Background. Everyone who is age 65 and either a USA citizen or lawfully resident in the USA for the last five years is eligible to join Medicare. Medicare Part A covers hospitalization costs and is free for anyone who has paid into the U.S. Social Security system for 40 quarters (10 years). Part B covers the cost of visits to a doctor and everyone has to pay for it by means of a monthly premium (\$115.40 and up for 2011). As a result of the convergence of two concerns, one originating in the Governing Board of AFICS (NY), and the other in the United Nations, AFICS (NY) developed a position on incorporating United States Medicare Part B into the range of insurance options available to retirees under the After-Service Health Insurance programme (ASHI).

Some five years ago, an AFICS (NY) delegation visited the United Nations Controller to ask for a subsidy of the cost of Medicare Part B premiums. At the time, there was a concern about significant increases in premiums for retirees participating in Medicare Part B. Though voluntary at that time, such participation was “encouraged” by the UN because it significantly reduces the cost of its health insurance plans. Many retirees had voluntarily joined Medicare Part B after first becoming eligible at age 65. The United Nations and all participants in its health insurance plans were thus benefitting from the unreimbursed premiums some members were paying for Medicare Part B.

Upon reaching the age of 65, many retirees voluntarily joined Medicare Part B. They did so having been persuaded that it was in their best interest, as well as that of the Organization and ASHI – and to avoid penalties which accrue if enrolment is at a later date. Among the reasons that may have influenced their decision are the advantages of participating in a national scheme with which health care providers are accustomed. A large number of doctors participate. More importantly, consumers cannot be overcharged for health services, because the rates and conditions are set by the U.S. Government.

Also, some five years ago, the General Assembly, reacting to a recommendation of the Secretary General, decided in section III of its resolution 60/255 to recognize the accrued end-of-service liabilities reported by the Secretary-General and requested that the necessary steps be taken to disclose those liabilities in the United Nations financial statements. The Secretary-General, in documents A/60/450 and Corr.1 and A/61/730, had recommended approval, *inter alia*, to begin to recognize the liability of the United Nations for after-service health benefits, and to begin funding the liabilities related to the benefits. The recommendation was a logical consequence of an earlier decision by the General Assembly to adopt the International Public Sector Accounting Standards promulgated a few years earlier.

As of end December 2007, the latest year for which figures are readily available, the unfunded present value of future after-service health benefits amounts to some \$3.1 billion, comprised of \$2.4 billion in United Nations obligations and \$0.7 billion in retiree contributions. These unfunded liabilities are likely to be reduced somewhat this year by a General Assembly decision to transfer \$135 million of reserve funds into an independent segregated after-service health insurance reserve fund to meet long-term funding goals. At the time of this writing, official documentation on this matter is not yet available on the un.org website, although the General Assembly has concluded its work.

At its 67th session in 2012, the General Assembly expects to receive a further report on steps to be taken to deal with the financing of future after-service health benefits. In the meantime, the administrative leadership of the United Nations, in order to cut costs, wants all U.S.-based ASHI participants between the ages of 65 and 75 to participate in Medicare Part B. The proposal is detailed below.

Description of the Proposal (Source: document ST/IC/2011/3, dated 4 January 2011).

Effective 1 January 2011, the United Nations requires ASHI participants enrolled in U.S.-based plans, aged 65-75 and lawfully resident in the USA, to participate in the USA Medical Outpatient Services Plan, "Medicare Part B," if they qualify. Most former staff members and their dependents (including surviving spouses and eligible dependent children) are eligible to enrol in Medicare Part B, which relates to the cost of visits to a doctor. Upon confirmation of enrolment, the United Nations will reimburse the premium costs for all eligible participants, together with any penalties for late enrolment. Premiums consist of three elements: the base premium; a late penalty, if applicable; and a means test which adjusts the premium upward for those with higher income. ASHI participants who join Medicare Part B during the January-March 2011 enrolment period would obtain coverage from 1 July 2011, on which date premiums and entitlement to reimbursement would also begin. There are some 2430 retirees in this category. During the next five years it is estimated that another 1340 retirees who are not yet 65 will become eligible to participate.

Some 1470 ASHI participants are already enrolled in Medicare Part B, covering the premiums at their own expense. They would be reimbursed premium costs in arrears, with effect from 1 January. For this category of participant, current waivers of deductibles and co-pays under the United Nations schemes would continue to 30 June 2011, but from 1 July 2011 the normal ASHI deductible and co-pays would apply.

Retirees enrolled in Medicare Part B will continue to choose their doctors, whether or not those doctors participate in Medicare. Retirees will be encouraged to use doctors who participate in Medicare, but will not be required to do so. For those who do, Medicare will become the primary insurer; the current United Nations insurance schemes will pay any uncovered balance, subject to the current provisions of those plans. Those retirees in the 65-75

age group who are eligible to participate in Part B but decline to do so would have their ASHI claims adjudicated after 1 July 2011 as if they were participants in Part B. That will mean that their carriers (for the most part, Aetna and Blue Cross) may reimburse them as little as 20% instead of 80%.

The United Nations administration assumes that retirees will continue to use the doctors they use now. It also assumes the number of doctors who accept Medicare patients and those who opt out of Medicare will remain in the same proportion as previously. If these assumptions are realized in future, they calculate that their initial investment in Medicare Part B premiums will be recouped in two years, after which a significant portion of the projected unfunded costs of retiree health insurance will be avoided.

Retirees aged 75 and over, if not already enrolled in Medicare Part B, may decline to do so and will not incur a penalty under their present ASHI carrier. Those who wish to join will require pre-approval from the United Nations Health and Life Insurance Section, which would need to know the level of the expected premium and would have a say in determining how much it would pay. For example, a high premium due to high income and the late enrolment penalties attaching thereto would likely be turned down.

Reimbursement Procedures. Medicare premiums will be reimbursed by reducing the ASHI deduction from the monthly UNJSPF benefit payment. Where the after service health insurance contribution deduction is less than the Medicare premium, the balance will be paid by cheque or electronic fund transfer quarterly in arrears, unless the balance is less than \$100 a month, in which case the balance will be paid once a year in arrears. In order to receive the subsidy, participants will have to provide a copy of their annual Medicare statement to the Insurance and Disbursement Service of the UN Accounts Division.

AFICS Views. AFICS welcomes the proposal as a means to compensate current Part B participants, a development which is long overdue. It also supports the intention of the proposal to achieve a measurable and significant control over the costs of future health insurance premiums for all participants. Although we would have liked earlier notice and more data, we appreciate the opportunity afforded by the several consultation sessions with representatives of the UN administration. We also appreciate the comprehensive documentation provided to ASHI participants, and the two Town Hall meetings, scheduled for 1 and 8 February 2011.

To illustrate the impact of the proposal, the United Nations has provided the following illustrative table showing the average value of AETNA claims per subscriber per year during 2008 and 2009, with the approximate number of subscribers in parenthesis.

<u>AETNA Staff (2,100)</u>	<u>AETNA Retirees w/o Part B (2,300)</u>	<u>AETNA Retirees with Part B (1,000)</u>
\$12,500 (100%) (70%)	\$15,300 (122.4%)	\$8,750

As noted above, the United Nations expects to recoup the cost of subsidizing Part B premiums within two years.

When informed of the procedure outlined above, the AFICS (NY) Governing Board discussed the following issues, noting that lack of data from the United Nations prevented the Board from ascertaining any of the related financial implications.

(a) AFICS (NY) would prefer that ASHI participants aged 65 to 74 who are eligible to enrol in Medicare B be strongly encouraged to do so, but not be penalized with reduced ASHI coverage if they decline.

(b) AFICS (NY) asked if, as a minimum under the proposed 100% reimbursement procedure, the waiver for drugs be continued.

The United Nations could not immediately accept the issues stated above, but agreed to revisit the conditions of the reimbursement procedure in light of the experience gained by 30 June 2012.

AFICS (NY) also considered whether retirees who already participate in Medicare Part B and receive a 100% premium reimbursement should also continue to receive the present waivers of ASHI plan co-pays and deductibles indefinitely and in any event beyond 30 June 2011. Information subsequently provided by the United Nations revealed that a sampling of data on the value of co-pay and deductible waivers for those already participating in Medicare Part B has entirely offset the cost of their premiums. For this group of participants, the co-pay and deductible waivers have essentially paid for their Part B premiums.

It is likely that the United Nations will provide a similar premium re-imbusement scheme to retirees resident outside the USA, if participation in a national health insurance scheme is optional. If participation is mandatory, the United Nations has no incentive to subsidize premium costs. AFICS (NY) would appreciate receiving authoritative information on such optional participation schemes, and will forward it to the appropriate United Nations officials.

Denis G. Beissel