

**ILO-ITU  
STAFF HEALTH INSURANCE FUND**

**Report on the operations of the Fund  
in 2001**



The present report is hereby submitted to the executive heads of ILO and ITU and to the insured persons, pursuant to Article 4.7.1.(i) of the Regulations.

## Main events and trends in 2001

Before examining the operations of the Fund in 2001 in detail, the main events that occurred during the course of the year must first be underscored:

- An amended version of the SHIF Regulations and Administrative Rules, approved in 2000, came into force on 1 January 2001. It contains, in particular, a new Schedule of Benefits.
- Agreements including preferential rates for SHIF members and their families were concluded with several pharmacies in and around Geneva. These agreements have been adapted to the new pricing system for medication purchased in Switzerland which was implemented in July.

The agreement concluded with Sitex SA concerning hospitalization services at home in the canton of Geneva was renewed.

Details of these agreements were reported in the SHIF Newsletters.

- The Management Committee approved a work programme for the period 2001-2003 (see details in paragraph 5.2.3).
- Mr Yannick D’Haene, the Executive Secretary since April 1999, took up a new position with the International Social Security Association in 2001. Nevertheless, he continued in his position as Executive Secretary of SHIF until the end of the year. Following his departure, a procedure was implemented to recruit a new Executive Secretary. In the meantime, Mr Satoru Tabusa (ILO Human Resources Development Department) was appointed acting Executive Secretary of SHIF.

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## 1 The Management Committee and its officers

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**1.1** Pursuant to Article 4.1 of the Regulations, the Management Committee was composed of the following titular (T) and substitute (S) members. An asterisk (\*) next to the name indicates that this committee member also served on the Standing Subcommittee (established under Article 4.7.2 of the Regulations).

## Composition in 2001

### Representing insured persons

#### ILO

Mr D. Belau (S)  
Ms I. Cross (T)  
Ms M. Ecuwillon (S)  
Mr D. Gold (S)  
Mr K. Samson\* (T)  
Mr J.-F. Santarelli\* (T) – *Vice-Chairperson*

#### ITU

Mr J. Bacaly\* (T)  
Mr A. Taylor (S)

### Representing the Executive Heads

#### ILO

Mr C. Agbavwe (T)  
Mr A. Busca (T)  
Mr W. Jones\* (S) – until 31.03.2001  
Mr A. Lumley\* (S)  
Mr T. Geckeler (S) – as of 1.6.2001  
Ms K. Kamioka (T) – as of 1.6.2001  
Mr A. Castro Gutierrez (S) – as of 1.6.2001

#### ITU

Mr M. Rolland\* (T) – *Chairperson*  
Mr D. J. Goossen (S)

**1.2** The Management Committee met seven times in the course of 2001 and the Standing Subcommittee four times.

**1.3** At the 138th meeting (20 February 2001), Mr **Michel Rolland** was elected to office as Chairperson and Mr **Jean-François Santarelli** was elected to office as Vice-Chairperson for 2001.

**1.4** Mr **Yannick D’Haene** served as Executive Secretary of the Fund.

**1.5** Dr **H. Celton**, Director of the Joint Medical Service of ILO, ITU, UNOG and WHO, acted as Medical Adviser. Dr **R. Wabitsch** (ILO) and Dr **L. Rutishauser** (ITU) provided continuous direct assistance and support to the Fund.

**1.6** At its 143rd meeting (October 2001), the Management Committee decided to appoint the external auditors of ILO and ITU to audit the accounts of the Fund in accordance with Article 4.14 of the Regulations of the Fund.

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## 2 Financial situation

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### Introduction

After having recorded a net operating deficit in 2000, SHIF accumulated an operating surplus of USD 766 794 by the end of 2001 (before adjusting the level of accrued liability for unsettled claims) due mainly to the following reasons:

First of all, there was a slight increase in the total contributions recorded as a result of the favourable effect of exchange rate fluctuations and the increase in the number of contributing members.

Secondly, as compared to 2000, there was a reduction in the total benefits paid mainly due to some delay in processing claims for reimbursement that occurred at the end of the year.

To take account of this delay, SHIF increased the level of accrued liability for unsettled claims by USD 700 000 (see paragraph 2.4 for details). This increase of USD 700 000 appears under item 3 of the *Income and Expenditure Statement for the financial year 2001 (Annex II)*. The final result from the operational activities was a net surplus of USD 5 994 in 2001 as compared to a *net deficit* of USD 35 724 in 2000.

### 2.1 Financial reports

**2.1.1** As at 31 December 2001, the Fund had assets valued at USD 38 597 280 and liabilities of USD 6 547 258 (consisting essentially of accrued

liability payable in the following year for medical care provided but for which claims had not been submitted or processed during the reporting year – see paragraph 2.4).

The *balance sheet (Annex I)* provides details on assets, liabilities and the Guarantee Fund balance at the end of 2001 together with comparative figures for 2000.

The Guarantee Fund balance amounted to USD 32 050 022 at the end of 2001 compared to USD 29 184 545 at the end of 2000. This increase is mainly due to net revaluation of assets caused by a favourable fluctuation of exchange rates (the USD/CHF exchange rate went from 1.76 at the end of 2000 to 1.65 at the end of 2001).

**2.1.2** *Annex II* of the present report presents an *income and expenditure statement* for 2001. The first part of this statement reflects the Fund's *operating activities* (i.e. contributions collected and benefits paid).

It must be pointed out that the expenditure figures do not reflect the full amount of benefits to be paid for a given financial year. The expenditure figures in the statement represent the actual cash paid during the year only. Therefore an accrued liability for unsettled claims has been established to account for the estimated benefits payable in respect of medical care provided and for which reimbursement claims have not been submitted or yet been processed at the end of 2001. (See paragraph 2.4 for details.)

**2.1.3** *Contributions collected and benefits paid:* Figure 1 shows the status of the contributions collected and benefits paid for the year under review and for the years going back to 1993. The information relating to expenditure on benefits is analysed in detail in Chapter 4 of this report.

**Figure 1. Comparative table of contributions collected and benefits paid in 1993-2001**

(million USD)

YEAR	TOTAL CONTRIBUTIONS	TOTAL BENEFITS	NET TOTAL
2001	21 883 384,00	21 116 590,00	766 794,00
2000	20 984 385,00	21 819 924,00	-835 539,00
1999	21 822 069,00	20 676 071,00	1 145 998,00
1998	21 833 169,00	19 863 597,00	1 969 572,00
1997	21 556 453,19	20 722 113,33	844 339,86
1996	23 344 649,96	22 453 935,66	890 714,30
1995	23 566 363,61	22 141 335,77	1 425 027,84
1994	20 810 096,45	17 940 444,99	2 869 651,46
1993	19 367 560,87	16 987 031,91	2 380 528,90

It must be pointed out that these figures are susceptible to the exchange rate fluctuations of the Swiss franc and most other currencies against the US dollar.

This phenomenon explains the increase in total contributions collected in 2001, which amount to USD 899 002 (i.e. +4.28% compared to 2000).

The income and expenditure statement provides a basis for identifying the *average contribution paid* by Fund members. Taking the totals first, *which henceforth exclude voluntarily covered dependants*, the average contribution income per *contributing member* was USD 3 521.72 in 2001 as against USD 3 433.45 in 2000.

Although the number of contributing members increased slightly between 2000 and 2001, the difference in contribution income is partly due to the favourable effect of exchange rate fluctuations.

The total contribution income consists of the payments made by members and the organizations' contributions. The average amounts paid by contributing members and by ILO and ITU respectively (all categories combined), expressed in US dollars, were as follows:

	1999	2000	2001
Contributing members	1 589.78	1 483.32	1 518.49
Organizations	2 069.85	1 950.15	2 003.23
<b>TOTAL</b>	<b>3 659.63</b>	<b>3 433.45</b>	<b>3 521.72</b>

The total benefits paid in 2001 decreased by USD 703 334 as compared to the previous year due to the delay in processing claims for reimbursement. To take this factor into account, the accrued liability for unsettled claims was increased by USD 700 000 – see paragraph 2.4 below.

**2.1.4** The second part of the statement reflects transactions of the *Guarantee Fund investments and a temporary surplus fund balance*. The net income from investments (Item 10) amounted to USD 1 053 113 in 2001 as compared to USD 1 119 895 in 2000.

The revaluation of non-US dollar assets and liabilities at the end of the financial year is reported under Item 12 of the statement. **In 2001, the Fund recorded a revaluation gain of USD 1 806 371 as compared to a revaluation loss of USD 2 863 384 in 2000.**

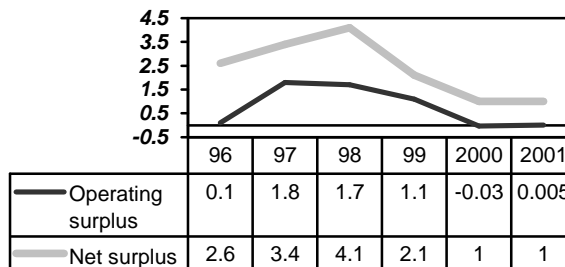
It should be noted that some of the assets and liabilities of the Fund are held in currencies other than the US dollar, which is the accounting and reporting currency of the Fund.

Assets and liabilities are thus revalued every month in US dollars, at the United Nations exchange rate.

Since Item 12 represents the net exchange/gain arising from revaluing assets and liabilities, it cannot be associated with either the investments or the operational activities of the Fund.

Consequently, in order to obtain a better picture of the financial situation of the Fund, *it is more meaningful to refer to Item 11 of the Income and Expenditure Statement for the net surplus (Figure 2)*. In 2001 surplus amounted to USD 1 059 108 as compared to USD 1 084 171 in 2000 and USD 2 151 692 in 1999.

**Figure 2. Operating surplus (million USD)**

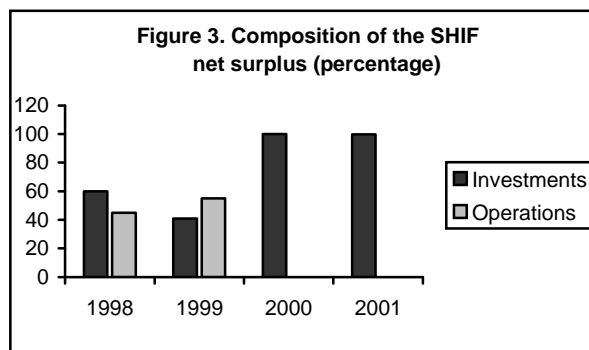


**2.1.5** The proportion of the net return on investments as against the net operating surplus has fluctuated considerably in recent years.

In 1998, the net return on investments exceeded the operating surplus, accounting for 59% of the net surplus of the Fund (before taking revaluation gain/loss into account).

In 1999, the situation was reversed, the net yield on investments dropping to slightly below the net operating surplus and accounting for 45% of the net surplus of the Fund.

In 2001, as in 2000, the net yield on investments represented almost 100% of the net surplus of the Fund (Figure 3).



## 2.2 Investments

**2.2.1** The Fund's investments are entrusted to two professional portfolio managers.

The first one, *Crédit Suisse Asset Management Ltd of London (CSAM)*, was appointed in 1991 by the ILO financial services in agreement with the Management Committee; the second one, *Fleming Investment Management Ltd of London*, which became *J.P. Morgan Fleming (JPMF) Ltd* in 2001, was appointed in 1994.

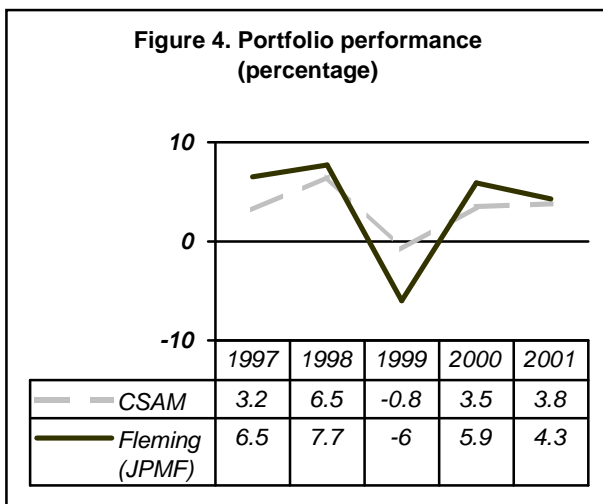
In August 2000, the investment bank *Fleming* was taken over by the *Chase Manhattan Bank of New York* and later the same year the latter merged with the US bank *J.P. Morgan Co.*

**2.2.2** Investment policy is aimed first at the protection of capital (asset value), and second at the long-term maximization of income. Both portfolios are administered in Swiss francs and are composed mainly of medium- and long-term fixed-income securities. The guidelines allow investment in other currencies as well, up to a maximum of 30% of the value of the portfolio.

**2.2.3** As at 31 December 2001, the book value of the CSAM portfolio was USD 17 181 685, and that of the JPMF portfolio USD 12 510 987. Portfolio market values at the same date were USD 17 156 652 and USD 12 583 536 respectively.

The predominant currency for both portfolios in respect of investments is the Swiss franc, even though the accounting currency of the Fund is the dollar. The US dollar figure quoted for the externally managed portfolios therefore depends on the exchange rates used to convert end-of-year value (USD 1.00 = CHF 1.76 at 31 December 2000, USD 1.00 = CHF 1.65 at 31 December 2001).

**2.2.4** *Portfolio performance*, based on market values expressed in Swiss francs, stood at **3.88%** for **CSAM** and **4.38%** for **JPMF** at the end of 2001. Since the portfolios were created, the average annual return has been 4.72% for CSAM and 5.32% for JPMF. The management fees collected by the portfolio managers are in both cases a fixed percentage of the market value that is paid at the end of each quarter.



**2.2.5** A temporary excess fund is managed by the ILO Financial Services Department.

The balance has accumulated in recent years.

As at 31 December 2001, the value of short-term investments managed by the Financial Services Department of the ILO amounted to USD 8 553 839.

The average performance of these investments was 6.31% in 2001 and 8.36% in 2000 (net of exchange gains or losses, and of administrative and bank charges).

The Management Committee discussed the possibility of transferring this capital into the portfolios managed by CSAM and JPMF. However, in accordance with the recommendations made by the Financial Services Department, it was decided to reconsider this possibility given that the short-term investments managed by the ILO have shown very positive results.

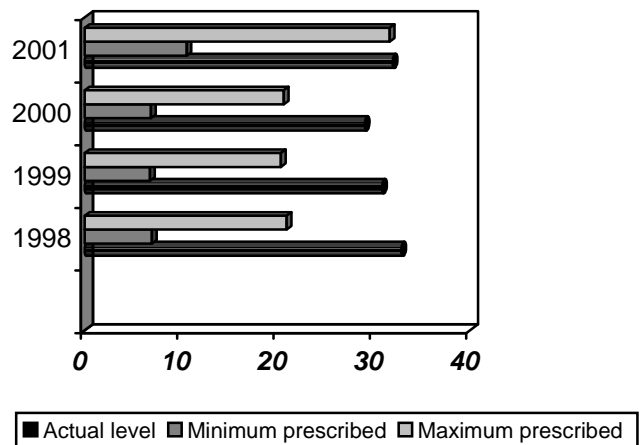
### 2.3 Guarantee Fund

**2.3.1** Article 3.8 of the Regulations in force as from 1 January 2001 sets the level of the Guarantee Fund at between one-sixth (= 6 months) and one-half (= 18 months) of Fund expenditure over the previous three financial years.

**2.3.2** At the end of 2001, the Guarantee Fund stood at USD 32 050 022 as against USD 29 184 545 in 2000 (**Annex III**). As a result of this increase (+9.8%), the level of the Fund is just over the maximum set at USD 31 781 293.

It is important to note that, calculated in Swiss francs (currency in which most benefit payments are made), the Guarantee Fund increased by 2.9% in 2001 (from CHF 51 364 797 at the end of 2000 to CHF 52 882 536 at the end of 2001).

**Figure 5. SHIF Guarantee Fund (million USD)**



### 2.4 Accrued liability for unsettled claims

It has been the practice to establish accrued liability for unsettled claims, given that the Fund's financial reporting for the operational activities is done on a cash basis rather than on an accrual basis. The accrued liability for unsettled claims for the 2001 financial year was evaluated by the Actuary taking account of the benefits paid per processing year since 1990. This liability was estimated at USD 6 200 000 at the end of 2001 as compared to USD 5 500 000 at the end of 2000.

This increase of USD 700 000 appears under Item 2 of *Assets and Liabilities Statement (Annex I)* and Item 3 of the *Income and Expenditure Statement for the financial year 2001 (Annex II)*. In accordance with the recommendations of the ILO External Auditor, these items have been reworded to read “*Accrued liability for unsettled claims*”.

## 2.5 Voluntary coverage of dependants

Under the Regulations, contribution rates in respect of voluntarily covered dependants (VCD) have to be set so as to make this group self-supporting, with no contribution being paid by the organizations for these persons.

In the context of an annual review, the Management Committee decided to base contribution rates for this group on the results of the last five financial years.

Pursuant to that decision, the level of contributions was set as follows as of 1 July 1997: children under 30 years of age: USD 110/month; spouses: USD 285/month; parents and parents-in-law: USD 485/month.

The number of voluntarily covered dependants stood at **723** at the end of 2001.

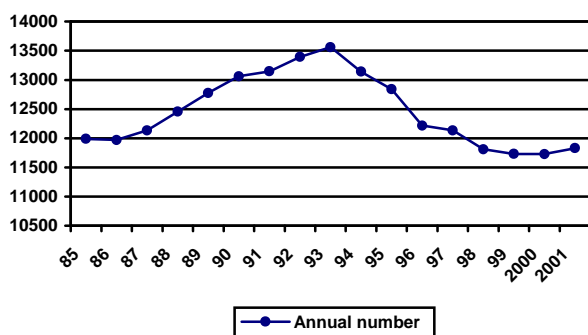
A summary of the annual and cumulative results of this group for the years 1996 to 2001 is set out in **Annex IV**.

## 3 Trends in membership

### 3.1 Overall trend (see Annexes IV and V)

The total number of persons insured at 31 December 2001 was 11 830 in 2001 as against 11 730 in 2000, excluding voluntarily covered dependants.

**Figure 6. Number of insured persons 1985-2001 (excluding voluntarily insured persons)**



After having stabilized between 1998 and 2000, the total number of insured persons rose slightly in 2001. In the course of that year the total membership was thus composed of 5 859 contributing members, 5 971 automatically covered dependants (**Annex V**) and 723 voluntarily covered dependants.

It is interesting to note that the average age by category of insured persons (excluding voluntarily covered persons) is as follows:

**serving contributing members:** 45 years  
 automatically covered spouses: 46 years  
 automatically covered children: 11 years

**retired contributing members:** 70 years  
 automatically covered spouses: 66 years  
 automatically covered children: 16 years

**3.2 ITU's share in Fund membership continued to increase between 2000 and 2001.** The following figures show the distribution of insured persons between ILO and ITU since 1997, expressed in percentage (see **Annex V**):

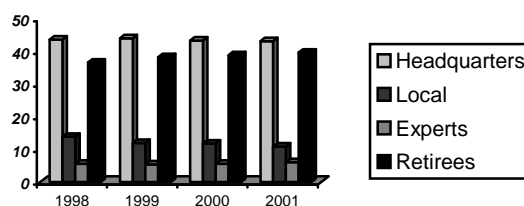
	1999		2000		2001	
	ILO	ITU	ILO	ITU	ILO	ITU
Headquarters + local staff + Turin	70.3%	29.7%	72.4%	27.6%	71.1%	28.9%
Experts	89.6%	10.4%	88.7%	11.3%	87.3%	12.7%
Retirees	75.5%	24.5%	74.5%	24.5%	75.0%	25.0%
Dependants	76.3%	23.7%	75.2%	24.8%	75.3%	24.7%
<b>Total</b>	<b>74.6%</b>	<b>25.4%</b>	<b>74.7%</b>	<b>25.3%</b>	<b>74.4%</b>	<b>25.6%</b>

**3.3** In the period from 2000 to 2001, the number of insured persons in posts at headquarters (ILO + ITU) increased slightly.

The number of insured persons in external offices showed a downward trend.

Meanwhile, the proportion of retired persons continued to rise, reaching 39.7% of the total of contributing members in 2001 as against 38.9% in 2000 (**Annex V**).

**Figure 7. Composition of membership (relative shares)**



**3.4** The number of dependants stood at 5 971 in 2001 as against 5 952 in 2000, which reflects a slight upward trend.

For many years the number of dependants per contributing member has been decreasing, dropping from a rate of 1.12 in 1997 to 1.02 in 2001. The steady decline in the number of dependants must be related to the steadily growing proportion of women carrying out professional activities on the one hand, and to the lower number of dependants of retired persons on the other hand.

The number of automatically covered dependants per serving official was 1.32 in 2000 and 2001, whereas the rate for retired persons was 0.56.

ITU officials appear to have the fewest dependants, the rate being 0.96 dependants per insured member in 2001 (as against 1.04 for the ILO).

It should be noted that there are still disparities among ILO officials. Although the number of dependants per serving contributing member at headquarters was 1.21 in 2001, it rose to 1.80 for field staff.

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## 4 Analysis of benefits paid

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**4.1** The total *benefits paid* (**Annex VI**) amounted to USD 21 108 044 in 2001, i.e. a decrease of 3.08% over the 2000-01 period.

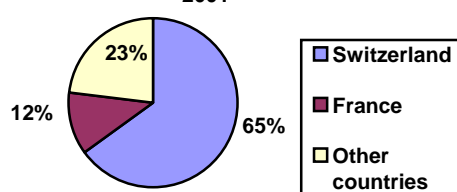
This decrease should be analysed while considering two factors:

First of all, a delay in processing claims for reimbursement that occurred during the course of the year led to a reduction in the total amount of benefits recorded in the *income and expenditure statement* compared with the previous year (see paragraph 2.1.2 for details).

Secondly, as the overall amount of benefits is calculated in US dollars, exchange rate fluctuations must be taken into account in this analysis.

It should be noted that medical costs reimbursed by SHIF in Swiss francs reflect the steady increase in health costs in Switzerland. The benefits paid for costs incurred in Switzerland represent almost two-thirds of the total, as reflected in Figure 8.

**Figure 8: Distribution by providing country for reimbursements made in 2001**



In order to better explain the increase in health costs in Switzerland, it is interesting to note that, according to a study conducted by the Federal Social Insurance Office (OFAS), the benefits paid under the terms of the compulsory LaMal health-care insurance rose from CHF 10 808.2 million in 1994 to CHF 14 620.5 million in 1999, which reflects a rise of 35.27%. According to OFAS forecasts, the rise in costs for 2001-02 will be 4.2%. In particular, sharp increases are expected for the following items of expenditure: doctors' surgeries, hospitals and medication.

**Annex VIII** shows the development of benefits paid, taking 1994 as the base 100. It appears that the benefits paid in 2001 fell by 3.73% as against those paid in 2000. We recall that this decline must be considered in the light of the delay in processing claims that occurred at the end of the year.

**4.2** In 2001 the benefits paid per *contributing member* (excluding voluntarily covered persons) amounted to USD 3 378.66.

The benefits paid per *insured person* (excluding voluntarily covered persons) amounted to USD 1 673.33.

**Annex XI** shows the movement of benefits paid per dollar of contribution for the various categories.

For **USD 100** paid to the Fund as contributions in 2000, for each category of insured person, the Fund paid out **USD 76** in the form of benefits to headquarters officials and field staff, **USD 36** to experts and **USD 127** to retirees.

### 4.3 Benefit statistics (**Annexes VI, VI bis, VII, VIII**):

*Compared to 2000, the items of expenditure (according to the Schedule of Benefits) show a slight decrease spread over all categories. Nevertheless, it is to be noted that the total of all the benefits calculated at 31 December 2001 and examined in detail in this section does not include the expenditure which remained to be paid at the end of the year owing to delays in processing claims for reimbursement. An adjustment to accrued liability for unsettled claims was made to take this difference into account (see paragraph 2.4). The comparison between 2001 and 2002 must therefore be made bearing this factor in mind.*

In 2001 **medical care** provided in hospitals constituted the single largest item of expenditure, accounting for 24.5% of the total as against 25.4% in 2000.



**Doctors' fees** constituted the second largest item of expenditure, amounting to 18.68% of the total in 2001 as against 19.53% in 2000.

The third largest item of Fund expenditure was **dental care**, amounting to 12.7% of the total in 2001 as against 12.6% in 2000, followed closely by **medication** – 12.4% of the total in 2001, as against 12.5% in 2000.

**4.4** The various expenditure items in **Annexes VI to VIII** are presented as per type of reimbursable benefits pursuant to the SHIF Schedule of Benefits.

For a more global analysis, it is necessary to group all the relevant codes into three main categories, namely **in-patient care**, **out-patient care** and **dental care**.

**4.5** The **in-patient category** (also known as institutional care) comprises the benefits for all types of institutional care.

This relates in particular to hospitalization for treatment, examination or diagnosis, long-term nursing care, post-operative convalescence and cures, including accommodation and medical care.

Inpatient care accounted for USD 7 894 211 in 2001, amounting to **37.4%** of total expenditure in 2001.

Expenditure should be analysed on the basis of the last five years and on average expenditure per contributing member (**Annex VI bis**). Using this figure, expenditure trends can be related to variations in the number of insured persons.

**Annex VI bis** shows a decline in the category of in-patient care of 2.3% between 1997 and 2001.

The sharpest *relative* decrease related to public wards at global fees (–40.88%). In the same period, the most significant increase was that of in-patient medical care, *the Fund's largest item of expenditure*, which rose by 19.59%.

It is to be noted that, on the basis of the distribution of benefits in relation to total expenditure, the percentage of in-patient medical care rose from 22.63% in 1997 to 24.5% in 2001.

**4.6** The **out-patient category** comprises doctors' services, psychiatry and psychoanalysis, medical imagery, laboratory tests, prescribed medications, physiotherapy and nursing care at home.

*Out-patient care constitutes the largest category of expenditure.* In absolute terms, these costs stood at USD 8 638 756 in 2001. The overall increase in total expenditure on this type of care fell by 5.23% compared to 2000, accounting for **40.9%** of Fund expenditure in 2001.

The largest single item in this category is still *'doctors' fees' (including psychiatry and psychotherapy)*, accounting for **20.4%** of the total in 2001. The second largest item was that of prescribed medications, amounting to **12.4%** of the total in 2001.

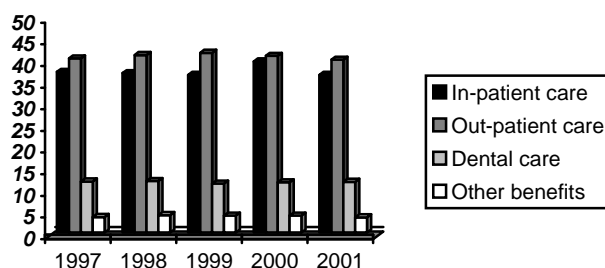
Taking the figures given in **Annex VI bis** as a basis, one notes that there was only one increase in the period from 1997 to 2001, namely prescribed medication (+8.3%). Nevertheless, this item fell by 4.8% compared with 2000.

**4.7 Dental care**, which constitutes the third category, represented **12.7%** of total costs in 2001, showing a slight decrease compared to 2000. Benefits paid for care provided by dentists but considered to concern cases of ordinary illness (as set out in the administrative rule relating to code 4) are not included in these figures. In the period from 1997 to 2001, the level of expenditure on dental care in relation to overall Fund expenditure remained practically unchanged at between 12 and 13%. This trend is due to the fact that the maximum ceiling for the reimbursement of dental care remained unchanged until the entry into force of the new Schedule of Benefits on 1 January 2001.

**4.8 Other benefits:** in relation to 2000, there were no increases in this category. Taking the data in **Annex VI bis** as a basis, two increases can be seen between 1997 and 2001: that relating to optical appliances/frames (+7.83%) and that relating to other appliances (+13.6%).

**4.9** The relative share of the three major categories (in-patient care, out-patient care and dental care) is given in Figure 9, which shows the respective expenditure on these three categories since 1997.

**Figure 9. Relative share of costs by major category (% of total)**



#### 4.10 Supplementary benefits

Recognizing that the amount payable by the contributing member may become considerable in cases of high medical expenses, the Fund pays an additional benefit to members who have incurred expenditure above a certain threshold in the previous calendar year. This threshold is set at USD 10 000 per family per year, representing a co-payment of USD 2 000 (20% of USD 10 000) per family per year.

A lower threshold of USD 3 000 (representing a co-payment of USD 600 per family per year) is applied to local staff except in Europe, the United States, Canada and Japan. This threshold is also applied to retired local staff.

Supplementary benefit takes the form of the reimbursement of 15% (additional to the 80% already reimbursed) of bills above the threshold (thus bringing the effective reimbursement level of such bills to 95%).

In the past, the expenses accrued during a calendar year above the threshold that gave entitlement to supplementary benefits were not paid until the end of that calendar year. Since 1999, with the introduction of the HIIS system, these benefits have been paid automatically to every insured person as soon as the threshold is reached.

The amount of supplementary benefits paid has experienced a net increase during the past two years, 59% in 2000 and 6% in 2001.

**4.11 Annex IX** gives the details of the number of recipients in recent years, by category. In 2001, supplementary benefits were paid to 533 members. In 2000, there were 662 such beneficiaries. The average amount paid was USD 1 769.75 in 2001 as against USD 1 341.71 in 2000.

Figure 10. Supplementary benefits

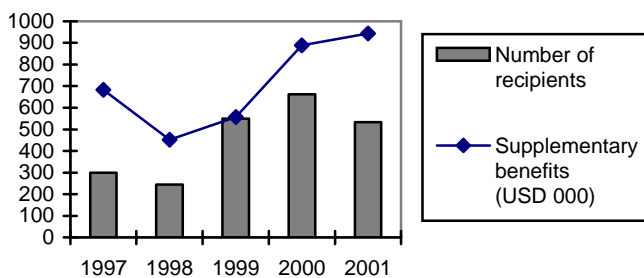


Figure 10 shows the total amount of supplementary benefits and the number of recipients in the period from 1997 to 2001.

**4.12** In the course of the year under review, no families sustained medical expenses exceeding the Fund's **annual maximum liability**, set at USD 150 000 (see **Annex X**).

For some cases involving high medical costs seen in the headquarters region, the SHIF Executive Secretariat conducted negotiations with the care providers in order to avoid any form of abuse vis-à-vis the insured persons concerned.

## 5 Administration

### 5.1 Prospects and trends of the Fund

With regard to the *economic and demographic developments*, the analysis contained in the previous report calls for the following additional remarks:

- **Health-care costs** continue to increase in all countries. In Switzerland (where most members of the Fund live) there have been particularly sharp increases over the past two years, which have led to a steep rise in the contributions applied by the Swiss health insurance systems. According to OFAS, premiums rose 9.7% between 2001 and 2002.
- **SHIF contribution rates** have not been amended since January 1990. Nevertheless, the general increase in costs has also affected SHIF's finances. Whereas, in 1998 and 1999, the Fund saw a surplus in the contributions received/benefits paid ratio, this ratio has changed considerably in the past two years. At present, the Fund's financial stability has been maintained as a result of investment income. Corrective measures may, however, prove to be necessary in the longer term.
- An **actuarial** review currently under way will provide the basis for a more in-depth and up-to-date analysis of prospects in the coming years.

With regard to *investments*, the Fund follows a "safety first" policy with the aim of achieving the maximum long-term performance.

In 2001, the Management Committee, in consultation with the ILO Financial Services Department, reviewed the guidelines concerning investments taking due account of portfolio performance. Furthermore, consideration was given to the possibility of reducing the level of short-term investments managed by ILO and increasing the externally managed portfolios.

### 5.2 Fund Secretariat

Mr Yannick D'Haene, Executive Secretary since April 1999, took up a new position with the International Social Security Association.

Nevertheless, he continued in his position as Executive Secretary of SHIF until the end of the year. Following his departure, a procedure was implemented to recruit a new Executive Secretary. In the meantime, Mr Satoru Tabusa (ILO Human Resources Development Department) was appointed acting Executive Secretary of SHIF.

### 5.2.1 Operation of the Secretariat

*The processing of claims for reimbursement was up to date overall during the year under consideration until the month of September.*

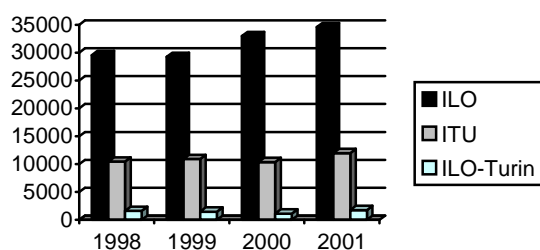
From then on, the ILO reimbursement unit recorded a certain delay associated with a post vacancy. Measures were taken to find a replacement. However, the large number of reimbursement claims received by SHIF at the end of the year led to an accumulation of the backlog.

As regards ITU, the unit responsible for processing reimbursement claims was up to date overall during the period under consideration.

From a quantitative point of view, the number of claims is increasing, with 48 315 claims having been processed for all the categories of insured persons combined (ILO-ITU-TURIN) as against 43 322 in 2000 and 41 580 in 1999.

Figure 11 represents the number of claims processed during the last four years by the three different units: ILO (headquarters), ILO (Turin) and ITU.

**Figure 11. Number of reimbursement claims processed by the Secretariat**



The increase in the number of reimbursement claims is due to the entry into force of the new Schedule of Benefits. Following this change, the processing of reimbursement claims had to be carried out using two systems (reimbursement conditions valid until 31 December 2000 and conditions valid as from 1 January 2001). This procedure therefore increased the overall number of claims recorded in the system.

### 5.2.2 Work programme

At the end of 2001, a large portion of the actions included in the work programme adopted by the Management Committee for 1999-2001 had been implemented according to the schedule timetable.

This was the case for:

- the operational implementation of the new Schedule of Benefits
- the new edition of the Regulations of the Fund
- the updating of the Fund's website and the periodic publication of an information letter for members (SHIF Newsletter)
- the follow-up to the report submitted in 1997 by the Internal Auditor
- the implementation of a procedure to recover benefits paid when a third party is considered to be responsible for the illness or accident
- the measures taken to develop a strategy to control health care expenditure.

During the year in question, the Management Committee set up a working group to study concrete measures to contain health care expenditure.

Following the recommendations made by this working group, SHIF adopted the following measures:

#### *Agreements with health-care providers*

- Agreements including preferential terms for SHIF members and their families have been concluded with several pharmacies in and around Geneva. These agreements have been adapted to the new pricing system for medication purchased in Switzerland that came into force in July.
- The agreement reached with Sitex SA concerning home medical care in the Geneva area was renewed.
- Negotiations were undertaken to renew the conditions of the agreement with the Hôpital de la Tour in Geneva.
- Measures were taken to examine the possibility of concluding agreements with the principal health-care providers in the field.

#### *Cost of medication*

- Efforts have been made to obtain reductions on the cost of prescribed medication, particularly in the new Swiss pricing system (in particular the elimination of the "patient charge").
- Furthermore, the Standing Subcommittee of the Management Committee began a revision of the non-exhaustive list of reimbursable medication for which provision is made in the Schedule of Benefits to make it more specific and consistent with the conditions applied by the health funds of other organizations of the UN common system.

### *Appointment of a Medical Controller*

- A Medical Controller was appointed by the Secretariat in accordance with the Management Committee to help the Medical Adviser with the analysis of reimbursement claims that require special attention to decide conditions of reimbursement. The Medical Controller acts under the medical responsibility of the SHIF Medical Adviser (namely the Director of the Joint Medical Service assisted by his ILO and ITU representatives).

At the end of the year in question, the Management Committee adopted an updated work programme for 2001-03.

This new programme takes up the four major fields of action established in the 1999-2001 work programme.

The text of this updated programme is contained in **Annex XII**.

#### **5.2.3 Entry into force of the new Schedule of Benefits**

Following the amendments made to the Regulations and Administrative Rules approved by the Management Committee and confirmed by a vote by insured members, the new Schedule of Benefits came into force on 1 January 2001.

All the codes relating to reimbursable benefits were changed and the new text was distributed to all insured members.

The most significant changes concern in particular the benefits relating to functional rehabilitation treatment, hospital stays, psychiatric treatment and long-term nursing care.

#### **5.2.4 Development of the new computer system (HIIS)**

After many years of preparation and research, the changeover from the old IBM computer system to a new model (HIIS – Health Insurance Information System) took place on 6 April 1999.

In 2001, as in 2000, efforts essentially consisted of developing the system's potential, particularly in respect of dealing with advances and the transmission of data to the Turin Centre.

At the end of the year, changes were made to prepare the HIIS system for the transition to the single European currency (euro).

Furthermore, improvements have been made in integrating the system with other sources of information. This is the case in particular for:

- The development of the Pre-HIIS software, making it possible to integrate into HIIS the administrative details recorded by the computer system of the Personnel Information and Payroll System (PERSIS) in order to facilitate the membership procedure and its follow-up.
- The conception and development of an HIIS application for the integrated management of the memberships of retired insured members (system for deducting contributions from pensions paid by the UNJSPF in New York, automatic electronic messages, editing of reports, etc.).
- The systematic registration of reports concerning the data necessary for the actuarial review and the development of new indices divided by year.

These measures contributed to an overall improvement in the performance of HIIS and, as a result, in the quality of work of its users.

#### **5.2.5 The Fund's website**

In October 2001, a new Fund website was designed to permit more practical consultation by both serving and retired members.

The site is available in three languages on the ILO public Internet site at the following address:

English: <http://www.ilo.org/public/english/bureau/pers/shif/index.htm>

French: <http://www.ilo.org/public/french/bureau/pers/shif/index.htm>

Spanish: <http://www.ilo.org/public/spanish/bureau/pers/shif/index.htm>

The ILO and ITU Intranet sites will also contain a direct link to the new SHIF site through the Human Resources Department page.

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## **6 Special cases**

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**6.1** Special cases correspond to situations which require interpretation and application of the Regulations and Administrative Rules, or which call for exceptions thereto, in accordance with Articles 1.7 or 2.2(3). They are studied by the Standing Subcommittee, which submits an annual report to the Management Committee concerning the decisions taken (*SHIF Case Law Database*). The Standing Subcommittee dealt with 23 special cases in 2001.

**6.2** The following cases are worth highlighting in view of their general applicability:

- (a) In 2000, three insured members submitted bills from various medical establishments exceeding the annual maximum liability authorized under article 2.6 of the Administrative Rules. The three cases were therefore referred to the Committee. The Fund is not required to pay any further benefits

when the expenditure approved exceeds USD 150 000 during a calendar year for an insured person and his or her dependants. The Committee nevertheless authorized the payment of some additional benefits.

Furthermore, in one case the Secretariat carried out negotiations with the service provider to reduce the excessive expense of a bill for extended hospitalization.

- (b) The Secretariat detected several cases of suspected or proven fraud.

In the case where the fraud was suspected, the Subcommittee decided to suspend the payment of benefits, in accordance with article 2.10.4 of the Regulations, until the facts were clarified.

Where the fraud was proven, a penalty was imposed, in accordance with Article 2.11 of the Regulations, in the form of the loss of certain entitlements to benefits. In the cases where fraud was found or suspected to have been committed by a serving official, the Human Resources Department of the organization in question was requested to consider taking disciplinary action.

One reimbursement claim was rejected because the insured person had altered the amount on the bill. The ILO Human Resources Department was requested to look into the case.

In addition, the Committee carried out an enquiry to check whether the prices charged by certain care providers in the field were in accordance with applicable rates. Following the enquiry, it appeared that for a certain number of bills the prices charged to insured persons were considerably higher than the usual rates. After having consulted the Medical Adviser, the Committee considered that, when certain costs appear to be excessive, the Fund should reduce the sum reimbursed in accordance with Article 2.4.2 of the Regulations.

- (c) According to the new Schedule of Benefits that entered into force on 1 January 2001, prescribed medication is reimbursable according to the conditions provided in Code 3 of the Administrative Rules. This Code includes a non-exhaustive list of products excluded from reimbursement.

To establish clear guidelines concerning the reimbursement of pharmacy items under Code 3, the Secretariat, with the collaboration of the Medical Adviser, drew up a list of non-reimbursable products. This list serves as a reference for the processing of reimbursements and is based on the documents *Compendium* and *Vidal*, used in Switzerland and France respectively (that is, in the regions where the Fund records approximately 80% of its expenses).

*Chairperson*

Antonio Busca

*Acting Executive Secretary*

Satoru Tabusa

Geneva, 4 July 2002