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EB/CAP/83/6
Supplement 1

April 17, 1984

To: Members of the Committee on
Administrative Policies

From: The Committee Secretary

Subject: Medical Benefits Plan Review

There is attached a supplement to the staff review of the Medical Benefits Plan (EB/CAP/83/6, 8/19/83) scheduled for discussion by the Committee on Administrative Policies on Thursday, April 19, 1984.

Att: (1)

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INTERNATIONAL MONETARY FUND

Medical Benefits Plan Review

Prepared by the Administration Department

and the Treasurer's Department

April 16, 1984

I. Management of Plan Finances

The Medical Benefits Plan Review (EB/CAP/83/6, 8/19/83) contained a discussion of the "Management of Plan Finances" (Section II.4, pp. 6-7), and a recommendation for future policy (Section IV.2, pp. 10-11). The conclusion of the review on this aspect of the Plan was that it would be preferable "for the Fund to treat the MBP reserve and cash balances in a manner similar to that of the Staff Retirement Plan, i.e., to pay both Fund and staff contributions into an employee benefit trust that will serve as an earning asset of the Plan." This proposal has subsequently been the subject of further careful review and analysis that has led the staff to conclude that the aim of enhancing the revenues of the Plan could be achieved without confronting the various legal and operational issues that the establishment of an employee benefit trust would raise.

It is proposed to impute interest on the undisbursed balance of contributions made to the Medical Benefits Plan by the Fund and by its participants. These contributions could be considered as if they were invested by the Medical Benefits Plan in the Fund's General Resources Account and earn interest at the rate of remuneration. The (notional) undisbursed balances of contributions to the Plan are reflected in the balances in the account "Estimated Liability for Medical Claims" in the Fund's books, reduced by the balance shown in the "Medical Plan Imprest Account" established by the Fund with Riggs National Bank to facilitate the settlement of claims. It is proposed that the imputed income to the Plan would be accrued and recognized as a liability of the Fund concurrently with remuneration payments, i.e., quarterly; as it reflects reduced remuneration expenditures, the cost would be charged to the Fund's operational expenses.

At the present rate of remuneration and estimated contributions to and disbursements by the Medical Benefits Plan, imputed income on unused contributions in the calendar year 1984 may be estimated at about US\$100,000, two thirds of which would accrue to the Fund, and one third to Plan participants, leading to a larger refund of, or a smaller increase in, premia than otherwise would be required to meet expenditures and maintain balances to cover unsettled claims outstanding at the end of the year.

II. Recommendations

The following is a compendium of those recommendations that require Executive Board action that were interspersed throughout EB/CAP/83/6 and in Section I above. The recommendations are submitted for favorable consideration by Executive Directors. The changes proposed in items 1-6 would be effective from May 1, 1984; item 7 would be effective from CY 1984.

1. Coverage for dependents residing in a staff member's household other than spouse and children will be limited to dependent parents or parents-in-law, with no more than two such dependents eligible for coverage. Furthermore, for these dependents, there will be a three-year waiting period for coverage for treatments arising from illness or conditions existing at the time of their enrollment in the Plan. "Other dependents" enrolled in the Plan prior to May 1, 1984 will continue to receive coverage under the Plan as at present.

2. Payment of benefits for hospital charges will not commence until the regular medical "deductible" has been met. In addition, enrollees will be required to meet 20 percent of the first \$1,000 of hospital charges incurred in a calendar year by each person covered under the Plan.

3. Reimbursement for the cost of diagnostic testing done on an outpatient basis within seven days of a scheduled hospital admission, and for surgery done on an outpatient basis, is increased from 80 percent to 100 percent.

4. A benefit will be added to the Plan to provide coverage for special care required for the terminally ill. This benefit will apply to any insured person who has a medical prognosis of a life expectancy of less than six months and will include coverage of inpatient care in hospice facilities as well as home hospice care and related services.

5. For a staff member retiring after May 1, 1984 with less than ten years of service, the initial monthly contribution in retirement will be that applicable to his Fund salary for the last pay period during which the participant was in active service. This contribution will increase pro rata with staff contribution rates.

6. For a staff member retiring after May 1, 1984 with ten or more years of service, the monthly contribution rate will be linked to gross annual pension as determined before commutation of any portion of that pension.

7. Imputed interest will be calculated on the undisbursed balances of contributions made to the Medical Benefits Plan. It will be calculated using the rate of remuneration and will be credited quarterly to the MBP.