Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2016/150

Audit of the Medical Insurance Plan at the Office of the United Nations High Commissioner for Refugees

There was a need to further strengthen governance arrangements and financial and operational management of the Medical Insurance Plan

9 December 2016
Assignment No. AR2016/162/01

Audit of the Medical Insurance Plan at the Office of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the Medical Insurance Plan (MIP) at the Office of the United Nations High Commissioner for Refugees (UNHCR). The audit covered the period from 1 January 2014 to 31 August 2016 and included a review of the functioning of the Management Committee of the Medical Insurance Plan (MIPMC) and the arrangements for financial and operational management of MIP.

There was a need to: strengthen governance arrangements over MIP; ensure adequate financing of After-Service Health Insurance liabilities; review MIP premiums, level of funds in the reserve fund, and administrative costs; provide additional guidance to field operations on the administration and implementation of MIP; and further enhance service delivery.

OIOS made seven recommendations. To address issues identified in the audit, UNHCR needed to:

- Amend the 2004 instruction setting up MIPMC to reflect current practice and ensure that MIPMC: (a) convenes every quarter; (b) prepares an annual management report; and (c) processes hardship cases expeditiously;
- Develop a funding plan for unfunded After-Service Health Insurance liabilities associated with MIP;
- Ensure that MIPMC: (a) reviews the insurance premium rates and the level of funds in the MIP reserve fund based on actuarial assessment; and (b) accurately determines the costs of administering the MIP scheme;
- Launch an information and outreach campaign particularly in countries with low MIP utilization rates to enhance staff awareness of actions to be taken if they experience health problems;
- Provide guidance to Representations to assist them in: (a) putting in place a system to establish the reasonable and customary costs for medical services; and (b) establishing a network of medical care providers and negotiating discounted prices to reduce the cost of healthcare;
- Guide Representations in putting in place an oversight system which ensures that: enrolments to MIP are monitored; ineligible dependents are discontinued; supporting documents for claims payments are systematically filed; and premiums are collected in a timely manner from retired beneficiaries; and
- Develop and implement a service level agreement covering performance indicators, such as ease of accessing quality medical care, minimum confidentiality requirements, efficient processing of claims, and effective response to emergency situations.

UNHCR accepted the recommendations and has initiated appropriate action to implement them.

CONTENTS

Audit of the Medical Insurance Plan at the Office of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Medical Insurance Plan (hereinafter referred to as MIP or the Plan) at the Office of the United Nations High Commissioner for Refugees (UNHCR).

2. MIP is part of the scheme of social security for staff established by the Secretary-General in accordance with the United Nations Staff Regulations. The objective of MIP is to assist subscribers and their eligible family members in meeting expenses incurred for certain health services, facilities and supplies arising from sickness, accident or maternity and which should be reimbursed within the limits laid down in the Plan's internal rules. The Plan is maintained by premiums from field staff and proportional contributions from UNHCR, as well as by interest revenue. Coverage under the Plan is limited to locally recruited General Service staff members and National Professional Officers in the field. The Plan is administered and implemented in accordance with the MIP Statutes and Internal Rules, last revised on 1 January 2016 through an Administrative Instruction.

3. The UNHCR Management Committee of the Medical Insurance Plan (MIPMC or the Committee), which is located at headquarters, determines the Plan's general administrative policies and conducts its operations in conformity with the provisions of the Statutes and Internal Rules. Two positions dedicated to MIP, one located in Budapest and one in Geneva, are funded by MIP, in addition to three regional medical advisors and three medical administrative assistants based in Bangkok, Dakar and Nairobi. The Representatives or Chiefs of Mission in the field have the responsibility for the day to day operation of the Plan, namely: enrolment, processing and reimbursement of claims, and financial control and accounting of settled claims and contributions to the Plan. Table 1 summarizes the financial and operational data relating to MIP.

Table 1
Financial and operational data on the UNHCR Medical Insurance Plan

Thousands of United States dollars

Key financial data/Year	**2012**	**2013**	**2014**	**2015**
Revenue				
Interest earned	201	216	138	98
Contributions	4,267	8,709	9,852	5,191
Total revenue	4,468	8,925	9,990	5,289
Expenses				
Payments to participants	4,979	5,538	5,497	6,008
Administrative costs	197	313	1,074	1,105
Total expenses	5,176	5,851	6,571	7,113
Net excess/(deficit) of revenue over expenses	(708)	3,074	3,419	(1,824)
Number of subscribers	6,058	6,254	6,797	7,218
Number of beneficiaries	22,627	23,089	25,037	26,719

4. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

5. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the Medical Insurance Plan at UNHCR.

6. The audit was included in the 2016 risk-based work plan of OIOS due to risks related to managing a health insurance scheme and processing of medical claim reimbursements in numerous UNHCR field locations globally.

7. The audit was conducted from April to August 2016. The audit covered the period from 1 January 2014 to 31 August 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk areas related to governance and overall management of the Plan, including compliance with the MIP rules. At headquarters, OIOS reviewed functions and activities pertaining to MIP in the Division of Human Resources Management (DHRM), including the Medical Service, and the Division of Financial and Administrative Management (DFAM). UNHCR offices in the field visited during the audit included the Representations in Venezuela, Uganda, Ethiopia, Iraq, Turkey, Israel, Kenya and Nigeria. Where relevant, financial and operational information pertaining to 2012 and 2013 has also been presented in this report to provide additional context and background.

8. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical review of financial and operational MIP data; and (d) sample testing of controls over high-value MIP claims selected judgmentally.

III. OVERALL CONCLUSION

9. OIOS concluded that there was a need for UNHCR to: strengthen governance arrangements over MIP; ensure adequate financing of After-Service Health Insurance liabilities; review MIP premiums, level of funds in the reserve fund and administrative costs; provide additional guidance to field operations on the administration and implementation of MIP; and further enhance service delivery.

IV. AUDIT RESULTS

A. Governance

Governance arrangements over the MIP scheme needed to be strengthened

10. MIPMC is required to convene every quarter. It is mandated to: (a) arrange for an internal audit of the accounts of the Plan; approve the Plan's accounts and balance sheet; and prepare an annual management report for the Plan; (b) oversee the management of the MIP fund (for reserves and investment) in accordance with rules governing the administration of the fund; (c) consider disputed cases and make appropriate recommendations to the Director of DHRM; and (d) consult the Controller regarding the investment of MIP funds.

11. OIOS review of the functioning of MIPMC indicated that satisfactory arrangements were in place for Committee oversight over the investment of UNHCR funds. However, shortcomings were identified in the following areas:

- During 2014 and 2015, MIPMC convened only twice a year and not every quarter. As a result, although financial information relating to the viability of MIP funds was presented to the

Committee and considered in detail during its meetings, MIPMC did not ensure that separate financial accounts and an annual management report were prepared for the Plan. It also did not arrange for the required annual audit.

- During 2014 and 2015, 12 hardship cases were referred to MIPMC for its advice and decision. Of these cases, the Committee provided advice on 9 cases. There were, however, delays in considering the cases, ranging from six months to three years, which was excessive.

- In Nigeria, $195,784 pertaining to medical advances to one staff member was showing as accounts receivable as of July 2016. A review of the case showed that the amount had been accumulating since May 2011 without adequate action to clear it. The matter had been referred to MIPMC whose decision was awaited. Also, a sum of $441,962 related to the same case had been approved by MIPMC in May 2013 under the hardship clause. In view of the significant value of MIP payments and the buildup of the receivable, MIPMC needed to expedite its deliberation on this case.

- MIPMC consisted of four official members and four alternates, four each from DHRM and DFAM. On the principle of equity, since MIP subscribers were paying a significant proportion of running the MIP scheme (20-25 per cent), their representation and active participation in the MIP scheme was necessary, and would be in line with a suggestion made by the Joint Inspection Unit on Health Insurance Schemes in the United Nations. UNHCR agreed to consider including MIP subscribers in the Committee.

12. DHRM and DFAM stated that MIP was not a separate entity to UNHCR and, therefore, separate accounts and balance sheets did not need to be maintained and undergo a separate audit. They also stated that the 2004 instruction on the Establishment of the Medical Insurance Plan Management Committee (IOM/053-FOM/055/2004), which contained these requirements, was no longer applicable following promulgation of the new Administrative Instruction on the MIP Statutes and Internal Rules in January 2016. However, UNHCR did not formally supersede the 2004 instruction by the 2016 instruction and, therefore, it continued to be officially valid and was still available on the UNHCR Intranet. Moreover, OIOS review of the new administrative instruction noted that it did not contain sufficient guidance on managing MIP funds (totaling $36.6 million as at December 2015), which was detailed in the annexes to the 2004 document.

(1) The UNHCR Division of Human Resources Management, in coordination with the Division of Financial and Administrative Management, should revise the 2004 instruction on Establishment of the Medical Insurance Plan Management Committee to reflect current practice, and enhance governance arrangements of the Plan by ensuring that the Committee: (a) convenes every quarter; (b) prepares an annual management report; and (c) processes hardship cases referred for its consideration in an expeditious manner.

UNHCR accepted recommendation 1 and stated that action would be taken to ensure that MIPMC convenes quarterly, prepares an annual management report, and processes hardship cases expeditiously. The 2004 instruction on the Establishment of MIPMC and its Addendum 2 concerning the rules governing the MIP reserve and funds would also be revised. Recommendation 1 remains open pending appropriate revision of the 2004 instruction, and submission of evidence that MIPMC meetings are convened quarterly, the annual management report is prepared, and processes are in place to ensure expeditious consideration of hardship cases.

B. Financial management

Action was required to ensure adequate financing of After-Service Health Insurance liabilities

13. In 2011, the Executive Committee (EXCOM) of the Programme of the High Commissioner approved a funding plan to provide for unfunded After-Service Health Insurance (ASHI) liabilities equal to 3 per cent of net base salary of all Professional and relevant General Service staff, with effect from 1 January 2012. For MIP participants, UNHCR opted to transfer lump-sums from the MIP reserve fund to the Staff Benefit Fund, and a sum of $6.9 million was accordingly transferred. Actuarial assessment indicated that, as of December 2015, overall ASHI liabilities for UNHCR were $546 million, including $121 million for MIP. As of 31 December 2015, UNHCR had funded a total of $41.2 million for ASHI in the Staff Benefit Fund, of which $6.9 million pertained to MIP.

14. Since an appropriate funding plan for ASHI liabilities for MIP participants had not been developed, UNHCR was exposed to the risk of inadequate funding of such liabilities.

(2) The UNHCR Division of Financial and Administrative Management, in coordination with the Division of Human Resources Management, should develop a funding plan for unfunded After-Service Health Insurance liabilities associated with the Medical Insurance Plan.

UNHCR accepted recommendation 2 and stated that a funding plan would be developed for unfunded ASHI related to MIP participants. Recommendation 2 remains open pending receipt of the ASHI funding plan related to MIP participants.

The MIP premiums, level of funds in the reserve fund, and administrative costs needed to be reviewed

15. The UNHCR MIP rules provide that the medical insurance premiums are made up of contributions from staff members and the Organization and should be set based on the overall claims experience of the Plan. In line with industry practice, to ensure that the solvency of the Plan is maintained, the premium rates should be adjusted periodically based on studies prepared by an independent external actuary. The loss ratio is the ratio of total claims paid plus administrative expenses incurred divided by the total premium collected from subscribers and the Organization for a specified period. A ratio of 1.0 or under is favourable, because it means that total premiums collected are sufficient to cover the total cost of the insurance scheme.

16. MIPMC is required to review administrative costs, benefits, premiums and coverage provided to members and make recommendations to the Director of DHRM for further consultations among other United Nations agencies. The Secretary-General in his report on the management of ASHI liabilities noted that: (a) on average, administrative costs represented 6.1 per cent of total expenditure across the United Nations system; and (b) the benchmark for health insurance plans not based in the United States is to maintain a reserve balance equivalent to about 6-8 average months of claim costs. The industry average for administrative costs in the United States was 5-8 per cent, depending on the size and design of the plan. For United Nations health insurance schemes managed out of the United States, the underlying cost of medical expenses is about 95 per cent of the premium, and administrative expenses make up the remaining 5 per cent. Any excess of premiums over claims and administrative expenses is maintained as a reserve that should be used to smooth out premium increases, provide contingency cover for any catastrophic claim requirements, and manage large fluctuations in premium requirements. According to UNHCR rules governing the MIP reserve and investment funds, MIPMC should ensure that the following reserves are maintained at stipulated percentages: (a) statutory reserve; (b) reserve for catastrophic risks;

(c) reserve for the increasing risk of ageing participants; (d) reserve for administrative expenditures; and (e) optional reserve.

17. Based on an analysis of data, including trends in administrative costs, changes in the volume of MIP funds, and overall premium collection and reimbursement patterns, OIOS observed that:

- The MIP premium rates remained unchanged in UNHCR from 1987 to 2015, and only a marginal change was applied on 1 January 2016. Except in 2012 and 2015, when a premium holiday was declared, a consistent trend was that the ratio of MIP expenditure to revenue (premiums collected) ranged from 55 to 65 per cent, indicating that premiums collected significantly exceeded the actual MIP reimbursements and costs. The premium rates were not adjusted taking into consideration actuarial assessments and claims experience. United Nations insurance plans managed out of New York periodically revised and, where required, adjusted insurance premiums. OIOS was also aware of another United Nations organization in Geneva that had revised its health insurance premiums in 2011.

- From 2004 to 2010, the loss ratio for MIP ranged from 0.41 to 0.61. However, the loss ratios for 2012 and 2015 were higher than 1.0, due to the granting of premium holidays. At the same time, two other United Nations health insurance schemes operating in Geneva had consistently maintained favourable loss ratios.

- The administrative costs for the MIP scheme as a percentage of expenditure ranged from 4 to 16 per cent between 2012 and 2015. Comparable figures for two other Geneva-based United Nations health insurance schemes were between 3.4 and 4.5 per cent. The current level of administrative costs for MIP at UNHCR were also significantly more than the norm of 6.1 per cent in the United Nations system, as mentioned above, and also in excess of the norm of 5 per cent for health insurance programmes managed out of the United States.

- The salaries of MIP Administrators numbering 300 were charged to the respective operations' staff budgets. Of these, 87 Administrators had processed more than 100 claims a year and accounted for approximately 83 per cent of the overall annual claims. OIOS observed that their involvement in MIP related matters was not accurately reflected in the budgets. Therefore, such costs remained hidden within the respective staffing budgets and were not attributed to running MIP, which meant that the MIP scheme was subsidized by other cost centres. This prevented an accurate assessment of costs for administering the MIP scheme and suggested that there was scope for proportionally attributing to the MIP cost centre some of the salary costs, at least in those field operations that were processing more than 100 claims annually.

- There was a rise in administrative expenditures in 2014 and 2015, due to the charging of six posts (three Regional Medical Advisers and three General Service posts) to the MIP cost centre on the basis of a decision taken by MIPMC. OIOS reviewed the job descriptions of the Regional Medical Advisers (RMAs) and noted that of the 25 tasks assigned to them, 22 pertained to occupational health and only 3 related to MIP. Two RMAs confirmed that 40-75 per cent of their time was devoted to MIP. The third one stated that her entire time was taken up by MIP related work. This suggested that (at least for two RMAs) costs not directly incurred by the insurance scheme were being charged to the MIP cost centre.

- UNHCR maintained healthy reserve fund balances of $38.4 and $36.6 million respectively in 2014 and 2015. However, UNHCR did not maintain separate reserves as required, but only one composite reserve which was not split into the five different types of reserves mentioned in the

MIP rules. In addition, for 2015, the average monthly claims were about $0.5 million and, accordingly, the MIP reserves should have been about $3-4 million (at 6-8 times the monthly average claims). As such, the current reserves at $36 million were about 9 to 12 times the industry average. No actuarial assessment had been undertaken to determine the ideal MIP fund size at UNHCR.

18. The main reason for the above condition was that UNHCR had not adequately reviewed benefit utilization trends, loss ratios and the level of MIP reserve funds. It had also not defined a specific requirement on the time interval for such reviews by MIPMC. Additionally, MIPMC had not sufficiently analyzed and considered the appropriate costs of administering the Plan and, as a result, current administrative costs were subsidized by other cost centres. As a result, excessive balances were maintained in the MIP reserve and the premium rates were not reflective of trends in claims, while at the same time administrative costs were increasing.

(3) The UNHCR Division of Human Resources Management, in coordination with the Division of Financial and Administrative Management, should: (a) ensure that the Management Committee of the Medical Insurance Plan regularly reviews the insurance premium rates and the level of funds in the Medical Insurance Plan reserve fund based on actuarial assessment and allocates reserves in line with UNHCR rules governing the Plan; and (b) provide guidance to the Committee to assist it in accurately determining the costs of administering the Plan.

UNHCR accepted recommendation 3 and stated that the implementation of this recommendation would be dependent on actions taken in relation to recommendations 1 (level of reserve funds) and 2 (funding of ASHI liability). Regarding the review of the insurance premium rates, UNHCR noted that it was important to coordinate with other participating United Nations organizations on a methodology to harmonize pay and benefits. A methodology for calculation of the costs to administer MIP at the field level would be proposed to MIPMC. Recommendation 3 remains open pending receipt of evidence that an actuarial assessment has been carried out and MIP reserve fund balances and premium rates determined accordingly, and that MIP administrative costs have been reviewed.

C. Operational management

There was a need to adopt measures to improve access to medical care for MIP subscribers and conduct awareness campaigns

19. MIP is intended to be used by locally-recruited staff members, retirees and their covered family members for medical and dental services available in the country of their duty station. Insurance coverage by itself, however, does not ensure sufficient medical care due to the lack of locally available medical facilities. To improve access to medical care, in 2014, UNHCR established the Regional Area of Care arrangement under the MIP scheme for countries where the quality and breadth of medical facilities prevent the MIP participants from accessing quality and adequate health care, without the need for a UNHCR-approved medical evacuation/referral. With improved access, insurance payments tend to rise as subscribers increasingly utilize medical care and services.

20. OIOS review of MIP operational and financial data highlighted that access to medical care was still a matter for concern, as can be seen from the following:

- From 2013 to 2015, the number of MIP beneficiaries increased from 23,089 to 26,719, representing a 16 per cent growth. In the same period, although medical care costs increased,

MIP reimbursements to participants did not register a corresponding increase as they rose from $5.5 million to $6.0 million, reflecting an increase of only 9 per cent. Hence, the increase in the number of MIP beneficiaries and the implementation of the Regional Area of Care arrangements did not result in a proportionate increase in MIP reimbursements, as could have been expected.

- The ratio of MIP reimbursements to MIP premiums collected reflects utilization of medical services. This ratio ranged from 29 per cent to 102 per cent in 2014 and from 35 per cent to 216 per cent in 2015 in 13 field operations that OIOS selected for a detailed analytical desk review. In South Sudan, Afghanistan, Sudan, Chad, the Democratic Republic of the Congo, Iraq and Ecuador, the ratio of MIP reimbursements to MIP premiums was below 40 per cent, indicating very low rates of utilization of MIP services. In 2015, only in Hungary, Kenya, Jordan and Turkey did the MIP reimbursements exceed the premiums collected. During discussions with UNHCR management, it emerged that the low rates of utilization in a majority of countries were most likely due to inability of staff to utilize MIP as adequate medical facilities were not available or could not be accessed.

- The 2014 UNHCR Staff Risk Appraisal Survey Report also highlighted the lack of access across several UNHCR locations as an issue. This survey further noted that staff were not adequately aware of the benefits they could seek from health insurance and that information campaigns were needed. Two of the three RMAs from whom OIOS obtained inputs during the audit were of the opinion that staff were poorly informed about their MIP entitlements and related obligations, and informed that some staff had difficulties completing a claim form.

21. The low rates of utilization occurred because staff were not adequately aware of the MIP benefits and therefore were not seeking treatment under Regional Area of Care arrangements or could not access medical facilities and, therefore, were not making MIP claims.

(4) The UNHCR Division of Human Resources Management should launch an information and outreach campaign particularly in countries with low Medical Insurance Plan utilization rates to ensure that staff are fully aware of actions to be taken if they experience health problems.

UNHCR accepted recommendation 4 and stated that staff would be reminded about MIP provisions and how to claim for benefits with an emphasis on the Regional Area of Care. Recommendation 4 remains open pending confirmation that an information and outreach campaign has been implemented.

There was a need to provide guidance on reasonable and customary cost of medical services as well as the requirement to establish a network of medical care providers and negotiate discounted healthcare prices

22. The administering office is delegated the authority to reimburse MIP claims on the basis of reasonable and customary charges applicable at the subscriber's duty station, up to the participant's annual MIP ceiling. Reasonable and customary refers to the prevailing pattern of charges for professional and other health services at the duty station where the service is provided as reasonably determined by the administering office. Further, the administering office is responsible for establishing a network of medical providers and negotiating discounted prices.

23. None of the eight countries visited during the audit had established a network of medical providers or negotiated any discounted prices with the providers. The Representations concerned had also not negotiated any ceilings for the various medical services. Consequently, the cost of medical care

provided to the subscribers varied significantly between providers. In addition, none of the operations reviewed had documented the average costs of the various medical services in the duty station.

24. In Kenya, OIOS observed that hospitals tended to charge UNHCR MIP subscribers at the highest rate. In Ethiopia, the Representation had processed (but not yet paid) five claims for treatment in Thailand and one for treatment in Germany, without applying the reasonable and customary care principle, which could have led to overpayments had OIOS not detected the anomaly during the audit. In another operation, the MIP Administrator stated that in the absence of Government control, doctors' fees could vary up to 300 per cent, and often he had to make a determination based on his knowledge and experience or by contacting a medical practitioner/hospital. The UNHCR Medical Service agreed that there was lack of guidance on what was reasonable and customary, and this presented a financial risk for UNHCR.

(5) The UNHCR Division of Human Resources Management should provide guidance to Representations to assist them in: (a) putting in place a system to establish and document the reasonable and customary costs for medical services; and (b) establishing a network of medical care providers and negotiating discounted prices to reduce the cost of healthcare.

UNHCR accepted recommendation 5 and stated that Representatives and MIP Administrators would be reminded about reimbursement requirements and screening of claims with an emphasis on the reasonable and customary costs at the staff member's duty station. UNHCR would also develop a network of preferred health providers, including by exploring opportunities to cooperate with other health insurance plans. Recommendation 5 remains open pending confirmation of the actions taken to ensure the establishment of: (a) reasonable and customary costs; and (b) a network of service providers, in field operations.

Controls over enrolment of beneficiaries and processing of claims in the field needed further improvement

25. The UNHCR MIP Statutes and Internal Rules require Representations to be responsible for enrolling subscribers and their eligible family members, ensuring compliance by subscribers with these rules, screening and processing their claims, and collecting subscribers' contributions.

26. OIOS reviewed 250 MIP cases in the eight country operations visited as part of the audit. The majority of the cases reviewed were processed in accordance with the rules, and no material weaknesses were identified in Venezuela, Israel, Turkey and Kenya. However, the following exceptions were noted in the other four operations reviewed:

- In Iraq, the Representation: (i) requested subscribers to complete the MIP enrolment form already before their appointment in all of the 32 cases reviewed, in violation of the MIP rules; and (ii) did not have procedures in place to ensure that new eligible family members of staff members were enrolled in a timely manner.

- Similarly in Uganda, the Representation: (i) requested the subscribers to complete the MIP enrolment form already before their appointment in each of the 32 cases reviewed; and (ii) did not enroll newborn dependents of active participants within 30 days of birth in 4 of the 32 cases.

- In Ethiopia, the Representation did not: (i) systematically comply with the established timelines and documentation requirements for MIP enrolment; (ii) ensure cessation of membership for

dependents who had exceeded the maximum age limit of 25 years; and (iii) ensure that MIP claims had the mandatory supporting invoices or receipts of payments for services rendered.

- In Nigeria, the Representation did not invoice two former staff members for their contributions and, therefore, did not collect contributions in advance for the period from January to June 2016 amounting to $991. Nevertheless, the Representation continued to settle their medical claims, and erroneously posted transactions under the active participants account in the UNHCR accounting system.

27. The above conditions were primarily due to inadequate oversight by management in the country operations concerned. The cited deficiencies, unless addressed, could lead to unauthorized or incorrect enrolment of beneficiaries and irregular payments.

(6) The UNHCR Division of Human Resources Management should provide guidance to Representations to implement a system of management oversight that ensures that: (a) requirements for enrolment to the Medical Insurance Plan are effectively monitored; (b) dependents on reaching 25 years are excluded from the Plan; (c) supporting documents for claims payments are systematically filed; and (d) premiums are collected in a timely manner from retired beneficiaries.

UNHCR accepted recommendation 6 and stated that Representatives and MIP Administrators would be reminded about MIP eligibility and reimbursement requirements. Recommendation 6 remains open pending issuance of guidance to Representations on claims processing, enrolment requirements, discontinuation of ineligible dependents, filing of supporting documentation, and timely collection of premiums.

There was a need to enhance the service delivery model for MIP

28. Sound arrangements for staff health insurance schemes entail not only good financial results and strong governance, but they should also be focused on providing participants with a high level of service. UNHCR headquarters and field offices are required to manage healthcare services, as well as promote and monitor adherence to standards, to ensure that UNHCR's workforce can access appropriate healthcare. Medical information on staff members should be treated confidentially and access granted only to authorized staff. The health insurance industry sets out standards for service delivery in terms of client orientation, transparency of information and timely settlement of claims.

29. OIOS review of the MIP service delivery model at UNHCR identified that:

- In one office, although the Representation ensured that documents containing confidential medical records were separated from the accounting records and filed in a safe and secure place, it did not ensure that access to MIP files was limited to only those staff who signed the MIP confidentiality statement. Whilst MIP Administrators and their supervisors were duty bound to keep such information to themselves, there was a risk that such information could be misused while deciding on staff missions, deployments, or extensions in service.

- UNHCR had not established any standards for processing of MIP claims, and no service level agreement existed - between DHRM and MIPMC on the one side and MIP participants on the other - that specified service quality standards. While most claims were dealt with and paid within 15-30 days, OIOS review of claims in field operations showed some significant delays of up to nine months in the processing and payment of claims.

- Except in Kenya, where staff members were provided MIP membership cards and could access treatment on credit, OIOS did not observe such a practice at other field operations reviewed. Staff at some operations faced difficulty in accessing quality medical care as hospitals demanded a large deposit upfront which was beyond the reach of the staff.

- Health insurance plans generally also provide for emergency medical assistance management, including coordinating emergency evacuation and repatriation and other travel assistance services. While the MIP rules provided for emergency medical assistance, in practice access to such services was difficult. For example, if a staff member required a letter of guarantee for a hospital over the weekend when the UNHCR country office was closed, they had to approach the Medical Service at headquarters. It was difficult for headquarters to make arrangements at short notice, and often assistance had to be sought from the Emergency Air Ambulance Services, which had a cost implication of Euro 2,500 per occasion.

30. The above deficiencies occurred because of a lack of a service level agreement containing performance indicators to monitor the accessibility, timeliness, minimum confidentiality requirements, and efficiency and effectiveness of managing MIP claims.

(7) The UNHCR Division of Human Resources Management, in coordination with the Management Committee of the Medical Insurance Plan, should develop and implement a service level agreement covering performance indicators, such as ease of accessing quality medical care, minimum confidentiality requirements, efficient processing of claims, and effective response to emergency situations.

UNHCR accepted recommendation 7 and stated that a service level agreement would be developed. Recommendation 7 remains open pending receipt of evidence of development and implementation of the service level agreement covering the required performance indicators.

V. ACKNOWLEDGEMENT

31. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

(*Signed*) Eleanor T. Burns
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Office of Internal Oversight Services

APPENDIX I

Management Response

Audit of the management of the Medical Insurance Plan at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
1	The UNHCR Division of Human Resources Management, in coordination with the Division of Financial and Administrative Management, should revise the 2004 instruction on Establishment of the Medical Insurance Plan Management Committee to reflect current practice, and enhance governance arrangements of the Plan by ensuring that the Committee: (a) convenes every quarter; (b) prepares an annual management report; and (c) processes hardship cases referred for its consideration in an expeditious manner.	Important	O	Submission to OIOS of: (i) the revised administrative instruction on establishment of the MIPMC; (ii) evidence that MIPMC meetings are convened quarterly; (iii) the annual management report; and (iv) evidence that processes are in place to ensure expeditious consideration of hardship cases.	30 September 2017
2	The UNHCR Division of Financial and Administrative Management, in coordination with the Division of Human Resources Management, should develop a funding plan for unfunded After-Service Health Insurance liabilities associated with the Medical Insurance Plan.	Important	O	Submission to OIOS of the funding plan for After-Service Health Insurance liabilities related to MIP participants.	30 September 2017
3	The UNHCR Division of Human Resources Management, in coordination with the Division of Financial and Administrative Management, should: (a) ensure that the Management Committee of the Medical Insurance Plan regularly reviews the insurance premium rates and the level of funds in the Medical Insurance Plan reserve fund based on actuarial assessment and allocates reserves in line with UNHCR rules governing the Plan; and (b)	Important	O	Submission to OIOS of evidence that: (i) an actuarial assessment has been carried out and MIP reserve fund balances and premium rates have been determined accordingly; and (ii) MIP administrative costs have been reviewed.	30 September 2017

[1] Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.
[2] Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

[3] C = closed, O = open
[4] Date provided by UNHCR in response to recommendations.

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Rec. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
	provide guidance to the Committee to assist it in accurately determining the costs of administering the Plan.				
4	The UNHCR Division of Human Resources Management should launch information and outreach campaign particularly in countries with low Medical Insurance Plan utilization rates to ensure that staff are fully aware of actions to be taken if they experience health problems.	Important	O	Submission to OIOS of evidence that an information and outreach campaign has been implemented.	31 March 2017
5	The UNHCR Division of Human Resources Management should provide guidance to Representations to assist them in: (a) putting in place a system to establish and document the reasonable and customary costs for medical services; and (b) establishing a network of medical care providers and negotiating discounted prices to reduce the cost of healthcare.	Important	O	Submission to OIOS of evidence of actions taken to establish and document: (i) reasonable and customary costs for medical services; and (ii) a network of service providers, in field operations.	31 December 2017
6	The UNHCR Division of Human Resources Management should provide guidance to Representations to implement a system of management oversight that ensures that: (a) requirements for enrolment to the Medical Insurance Plan are effectively monitored; (b) dependents on reaching 25 years are excluded from the Plan; (c) supporting documents for claims payments are systematically filed; and (d) premiums are collected in a timely manner from retired beneficiaries.	Important	O	Submission to OIOS of evidence of issuance of guidance to Representations on claims processing, enrolment requirements, discontinuation of ineligible dependents, filing of supporting documentation, and timely collection of premiums.	31 March 2017
7	The UNHCR Division of Human Resources Management, in coordination with the Management Committee of the Medical Insurance Plan, should develop and implement a service level agreement covering performance indicators, such as ease of accessing quality medical care, minimum	Important	O	Submission to OIOS of evidence of development and implementation of the service level agreement covering the required performance indicators.	30 June 2017

APPENDIX I

Management Response

Audit of the management of the Medical Insurance Plan at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
	confidentiality requirements, efficient processing of claims, and effective response to emergency situations.				

APPENDIX I

Management Response

APPENDIX I

Management Response

Audit of the management of the Medical Insurance Plan at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Division of Human Resources Management, in coordination with the Division of Financial and Administrative Management, should revise the 2004 instruction on Establishment of the Medical Insurance Plan Management Committee to reflect current practice, and enhance governance arrangements of the Plan by ensuring that the Committee: (a) convenes every quarter; (b) prepares an annual management report; and (c) processes hardship cases referred for its consideration in an expeditious manner.	Important	Yes	MIP Coordinator	30 September 2017	We agree and will ensure that the Committee: (a) meets every quarter (b) prepares an annual management report; and (c) processes hardship cases in a more expeditious manner. We confirm that the 2004 instructions on the Establishment of the MIP Management Committee and its Addendum 2 concerning the rules governing the MIP reserve and funds will be revised based on findings of an actuarial assessment.
2	The UNHCR Division of Financial and Administrative Management, in coordination with the Division of Human Resources Management, should develop a funding plan for unfunded After-Service Health Insurance liabilities associated with the Medical Insurance Plan.	Important	Yes	Deputy Director, Finance	30 September 2017	A funding plan for unfunded ASHI liabilities related to MIP participants will be developed.
3	The UNHCR Division of Human Resources Management, in coordination with the Division of Financial and Administrative Management, should: (a) ensure that the Management Committee of the Medical Insurance Plan regularly reviews the insurance premium rates and	Important	Yes	MIP MC Secretariat	30 September 2017	We agree, noting that the implementation of this recommendation is dependent of actions taken in relation with recommendations 1 (level of reserve funds) & 2 (funding of ASHI liability). Regarding the review of the

[1] Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

[2] Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

APPENDIX I

Management Response

Audit of the management of the Medical Insurance Plan at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	the level of funds in the Medical Insurance Plan reserve fund based on actuarial assessment and allocates reserves in line with UNHCR rules governing the Plan; and (b) provide guidance to the Committee to assist it in accurately determining the costs of administering the Plan.					insurance premium rates, it is also important to coordinate with other participating organizations (UN, UNICEF, UNDP) on a methodology in order to harmonize our pay and benefits. A methodology for calculation of the costs to administer MIP at the field level will be proposed to the MIP Committee.
4	The UNHCR Division of Human Resources Management should launch an information and outreach campaign particularly in countries with low Medical Insurance Plan utilization rates to ensure that staff are fully aware of actions to be taken if they experience health problems.	Important	Yes	Director DHRM	31 March 2017	We shall remind staff about MIP provisions and how to claim for benefits with an emphasis on the Regional Area of Care.
5	The UNHCR Division of Human Resources Management should provide guidance to Representations to assist them in: (a) putting in place a system to establish and document the reasonable and customary costs for medical services; and (b) establishing a network of medical care providers and negotiating discounted prices to reduce the cost of healthcare.	Important	Yes	Director DHRM	31 December 2017	We shall remind Representatives and MIP Administrators concerning reimbursement requirements and screening of claims with an emphasis on the reasonable and customary costs at the staff member's country of duty station. We will develop a network of preferred health providers, including by exploring opportunities to cooperate with other health insurance plans.
6	The UNHCR Division of Human Resources Management should provide guidance to Representations to implement a system of management oversight that ensures that: (a) requirements for	Important	Yes	Director DHRM	31 March 2017	We shall remind Representations and MIP Administrators concerning MIP eligibility and reimbursement requirements

APPENDIX I

Management Response

Audit of the management of the Medical Insurance Plan at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	enrolment to the Medical Insurance Plan are effectively monitored; (b) dependents on reaching 25 years are excluded from the Plan; (c) supporting documents for claims payments are systematically filed; and (d) premiums are collected in a timely manner from retired beneficiaries.					
7	The UNHCR Division of Human Resources Management, in coordination with the Management Committee of the Medical Insurance Plan, should develop and implement a service level agreement covering performance indicators, such as ease of accessing quality medical care, minimum confidentiality requirements, efficient processing of claims, and effective response to emergency situations.	Important	Yes	MIP MC Secretariat	30 June 2017	We shall remind Representations and MIP Administrators concerning MIP eligibility and reimbursement requirements