

ORGANISATION EUROPEENNE POUR LA RECHERCHE NUCLEAIRE
CERN EUROPEAN ORGANIZATION FOR NUCLEAR RESEARCH

Action to be taken

Voting Procedure

For recommendation	FINANCE COMMITTEE 358 th Session 14 December 2016	Two-thirds Majority of all Member States + 51% of the contributions of all Member States
For approval	RESTRICTED COUNCIL 183 rd Session 15 December 2016	Two-thirds Majority of all Member States

CERN HEALTH INSURANCE SCHEME:

PROPOSALS FOR MODIFICATIONS BY THE MANAGEMENT

The Finance Committee is invited to recommend and the Council to approve the Management's proposals for modifications to certain CHIS benefits, contributions and affiliation conditions as set out in sections I - V of this document, for entry into force on 1 July 2017.

INTRODUCTION

In accordance with the applicable legal framework, benefits and contributions relating to the CERN Health Insurance Scheme (CHIS) are decided by the Council on the proposal of the Director-General, submitted following internal consultation with the staff.¹

As, in addition to provisions relating to benefits and contributions, the CHIS Rules contain significant detail regarding matters that require regular updating, e.g., the procedures for the submission and processing of claims for reimbursement through the Third-Party Administrator, it is the responsibility of the Director-General to review and, as necessary, to adapt the CHIS Rules.²

Since the last overall revision of the CHIS Rules, a series of ad hoc amendments have been introduced rendering the Rules unduly complex. To improve readability, to ensure consistency with the legal framework in which the Scheme operates and to take into account recommendations from the Internal Audit, a global review of the CHIS Rules has been undertaken by the Management. The resulting proposals from the Director-General concerning affiliation, benefits and contributions were discussed at TREF at its meeting on 15 November 2016, and are now submitted to the Finance Committee for recommendation and to the Council for approval (see I – V below).

CHIS membership and contributions: reminder

The purpose of the CHIS is to provide health insurance coverage to its main members and their families.

The CHIS *main members* are:

- mandatory members: CERN's employed members of the personnel and students on CERN programmes;
- post-mandatory members: mostly beneficiaries of the CERN Pension Fund;
- voluntary members: associated members of the personnel affiliated on a voluntary basis.

The families of main members (spouses or registered partners and dependent children) are covered as *subsidiary members* of the scheme. They are also compulsory members of the scheme.

When a spouse earns an income resulting from a professional activity (including a pension) and wants the CHIS to be his/her primary health insurance, the main member must pay a supplementary contribution based on the actual income of the spouse. However, when subsidiary members have adequate primary health insurance coverage, no supplementary contribution is due, and the CHIS acts then as a complementary insurance.

¹ S IV 2.07 of the Staff Rules.

² CHIS Rules I 1.01 and I 1.02.

CHIS contributions are calculated as a percentage of a *CHIS reference salary* which, for members of the personnel is their gross salary, and for pensioners is their last gross salary when they left the Organization. These contribution percentages as well as the sharing of contributions between the member and the Organization are recalled in the next section.

I – Detailed breakdown of benefits packages and corresponding contributions

On the basis of a recommendation from the Internal Audit service, it is proposed that the current single benefits package be broken down into its four components and that the CHIS Rules clearly specify the allocation of contributions in respect of each component, namely:

- (a) Insurance against the consequence of illness, accidents and maternity (health insurance), with two types of cover (normal and reduced). Applicable to all members. Contribution: 11.77% of the CHIS reference salary (shared 1/3; 2/3 between the member and CERN for mandatory members and CERN retirees; voluntary members pay the full contribution);
- (b) Insurance against occupational illnesses and accidents. Applicable only to mandatory members. Contribution: 0.12% of the CHIS reference salary (paid in full by CERN);
- (c) Insurance against the consequences of dependence (Long Term Care, LTC). Applicable to mandatory members, CERN pensioners and their families. Contribution: 0.8% of the CHIS reference salary for mandatory members (paid in full by the member); 1.6% of the CHIS reference salary for beneficiaries of the Pension Fund (shared equally between the member and CERN);
- (d) Insurance against reduced earning capacity of a member of the family. Applicable only to current and former staff members. No specific contribution is assessed.

This proposal does not imply any change in benefits nor contribution rates but is purely a clarification of the existing contribution allocation, broken down by component.

II – CHIS membership for associated members of the personnel (MPAs)

The health insurance of MPAs is the responsibility of their home institute or, that failing, themselves.³ The financial risk related to their health insurance should not be borne by CERN's health insurance scheme. However, the possibility for associated members of the personnel present for more than 50% of their time at CERN to join the CHIS was introduced in the early 1960s, as at that time, it occasionally proved difficult to find adequate health insurance coverage in the Host States, as required by the Staff Rules and Regulations. MPAs in this position can either select normal cover (covering also their family, with an age limit of 65 years) or reduced cover (covering only themselves with limited benefits, without an age limit).

³ Article S IV 2.05 of the Staff Rules.

As evidenced by the low number of affiliations of MPAs (in 2015 approximately 255 out of 3970 eligible people, corresponding to 510 CHIS members when including their family members), use of the CHIS by this population is very small. Private market coverage is now available and affiliation to national health insurance schemes is also possible, including the Swiss LAMal whichever the person's country of residence (France or Switzerland).

Accordingly, the Management proposes, from 1 July 2017 onwards, to discontinue the possibility for MPAs (other than students on CERN programmes) to opt for CHIS membership.

As a transitional measure, MPAs who are affiliated to the CHIS prior to 1 July 2017 may maintain their affiliation, provided that they continue to fulfil the applicable membership conditions⁴. However, they will no longer contribute to nor be eligible for LTC (as this is mostly relevant for elderly people), or for occupational risk coverage (as this is the responsibility of their home institute).

As a natural consequence of the above, the “short-term insurance coverage”, designed as a solution for MPAs with a CERN contract of association of less than 3 months' duration, and very rarely used, will also be phased out.

III – Change in CHIS reference salaries for supplementary contributions

CHIS membership also covers the main member's spouse (or registered partner) and dependent children. Where the spouse earns a gross professional income or pension of 2,500 CHF per month or more, and chooses the CHIS as his/her primary health insurance, the main member is required to pay a supplementary contribution. This amount is determined on the basis of the spouse's income, i.e., 4.86% of a fixed CHIS reference salary per income bracket. However, whilst the maximum income bracket is currently set at 10,000 CHF and above, a number of dependent members have incomes greatly exceeding that amount, for whom proportional contributions should apply.

It is therefore proposed to re-define the income brackets in amounts of 2,000 CHF starting at 2,500 CHF (i.e., 2,500 – 4,500; 4,500 – 6,500, etc.) and to increase the open-ended upper income bracket significantly to 22,500 CHF and above. The CHIS reference salary will then be defined as the midpoint of each bracket (e.g., 9,500 CHF for the income bracket 8,500 – 10,500 CHF).

⁴ Possession of a Swiss legitimization card from the Swiss Federal Department of Foreign Affairs (i.e. more than 50% of the residence time in Switzerland or France), and, for normal insurance cover, being less than 67 years of age.

IV – Conditions applicable to retired couples where both spouses are former staff members

Individuals employed by CERN are mandatory members of the CHIS. This applies equally to couples (married or in legally registered partnerships) where both spouses are employed by CERN.

Under the current Rules, the first spouse to retire has the option of remaining insured by the CHIS as a main member or of becoming a subsidiary member (i.e., the dependent of the other spouse). Since the CHIS reference salary for the calculation of a main member's contribution (based on the last salary) is higher than that of a subsidiary member (based on actual income), most couples choose the latter option. Since CERN does not make any contribution to the health insurance of subsidiary members, it also makes no contribution to the health insurance of this set of people. This, however, is an anomalous situation as these people are former CERN staff and now beneficiaries of the CERN Pension Fund.

The Management therefore considers that, in such situations, subsidiary affiliation is not appropriate and proposes to discontinue this arrangement, thereby closing a historic loophole.

CERN retirees who are currently subsidiary members (around 80) will be re-integrated into the CHIS as main members when the revised CHIS Rules enter into force (on 1 July 2017). As a result, contributions for their CHIS coverage will be directly paid by them (rather than by their spouses), as well as by the Organization.

In the interest of equality of treatment compared to other couples (e.g. where one spouse is employed elsewhere but opts for the CHIS as primary health insurance), contributions for one of the spouses in such couples will be based on his/her total income (CERN pension plus any other income from a professional activity or pension) rather than on his/her last salary. The Organization will also contribute to their health insurance, as it does for all CERN pensioners, but solely on the basis of their CERN pension.

While the CHIS contributions payable by the Organization for its retired staff will increase slightly (by some 400 kCHF per year, or 0.6% of CERN's total contribution to the Scheme), there will be no increase in the number of members or in benefits and therefore no increase in expenses/reimbursements.

V – Conditions relating to the continuation of cover

Today, when a person ceases to be a mandatory member of the CHIS, he/she can request to remain a CHIS member for up to 12 months (paying the contribution in full). This applies even if the mandatory membership was extremely short (e.g. summer students).

It is proposed to limit this possibility to persons whose mandatory CHIS membership lasted at least 12 months. Failing that, the continuation of the cover will be possible for one month only.

Conclusion

The Finance Committee is invited to recommend, and the Council to approve, the Management's proposals for modifications to certain CHIS benefits, contributions and affiliation conditions as set out in bold print in sections I -V above.

Subject to the Council's approval, the Director-General will introduce the necessary changes into the CHIS Rules, for entry into force on 1 July 2017.

* * *