



OFFICE MEMORANDUM

To: The Managing Director
The Deputy Managing Directors

April 4, 2024

From: Catriona Purfield /s

Subject: **2024 Medical Benefits Plan—Annual Review of Finances**

*Attached is the staff report on the 2024 Medical Benefits Plan—Annual Review of Finances. The report recommends a 6.8 percent increase in premium contribution rates in line with the 2022 decision to strengthen the funding methodology for the plan. The increase in contribution rates would be effective May 1, 2024. **Your approval of the report by c.o.b., Wednesday, April 10, 2024 is appreciated. As usual, the report will be sent to the Board on a lapse-of-time basis.***

Background

The attached annual review shows that the Plan's finances have improved over the last 12 months. Although the costs of Plan enhancements implemented in CY2023 were slightly higher than expected, overall Plan costs increased by 5.4 percent, in line with market trend of 5.5 percent. It is anticipated that at the end of FY2024, the Plan reserve will be approximately \$65.9 million, about \$2.3 million higher than the amount originally envisaged. This more favorable financial position is consistent with the revised funding framework adopted in FY2022. The funding framework uses an index reflecting medical cost increases—rather than staff salary increases—to determine premium contribution rate adjustments. *Based on this index, a premium contribution rate adjustment of 6.8 percent is proposed for FY2025.*

The MBP's medium term financial projections no longer indicate a danger of depleting the Plan's reserve. The renegotiation of the Fund's contract with the MBP claims administrator (Aetna) is expected to produce cost savings and aid the plan's long-term finances while also allowing for improvements in the medical plan for local employees overseas. Although it is foreseen that the reserve will fall below the target reserve level by the end of FY2025, it is expected that, starting in FY2028, Plan costs will be below contributions and the reserve will gradually be replenished to reach its target level again by FY2031.

The 2024 Health and Wellbeing Scorecard showed that the health of plan participants mostly remained stable with improvements in some areas. Adult participants are generally complying with recommendations for preventive screenings as well as with medication regimens for chronic conditions. Regarding mental health, there was a reduction in the number of patients treated for mood disorders or depression and the share of mental health costs attributed to staff declined.

Issues raised in the review process: The report has been reviewed by FIN (Mr. Khawaja and Mr. Lakshmanan), LEG (Mr. Patterson), OBP (Mr. Balakrishnan), and comments are available on [eReview](#). Comments from the SAC (Mr. O'Sullivan) and IMFRA (Mr. Mordin) are attached. FIN requested to include scope for reviewing administrative/operational procedures for simplification in the upcoming three-year review of the Plan. The SAC noted their concern that U.S. healthcare costs have been outpacing inflation and the proposed premium contribution rate increase will be a significant burden on both the Fund and staff. Other comments and requests by reviewing departments have been addressed in the staff report.

Potentially controversial issues: The premium contribution increase of 6.8 percent may be viewed as high when considering the decline in overall inflation over the last 12 months. The increase is in line with the funding framework agreed during the FY2022 five-year review of the Plan. The funding framework will be reviewed again in FY2025 during the scheduled three-year review of the Plan.

Next steps: After management clearance and as per practice, the staff report would be distributed to the Board on a lapse-of-time (LOT) basis. Upon LOT approval from SEC, a Fundall, also attached, will be issued to announce the new contribution rates effective May 1, 2024.

Attachments (4)

cc: FIN, LEG, OBP, SAC, IMFRA,

Contributors: Johan Mathisen, Funda Sinani, Juan Sobalvarro



April 4, 2024

MEDICAL BENEFITS PLAN—ANNUAL REVIEW OF FINANCES

EXECUTIVE SUMMARY

This report provides the FY2024 review of the finances of the Fund's Medical Benefits Plan ("MBP" or "Plan"), elaborates on the cost drivers, and provides a projection of Plan financial performance over the next five years.

The review indicates that the Plan's finances have improved and that costs increased at a slightly lower rate than had been expected. The cost of Plan enhancements implemented in CY2023 were slightly above expectations but did not have an adverse effect on the Plan's finances. On a per employee/retiree basis, Plan costs increased by 5.4 percent, driven by a greater number of catastrophic claimants and by higher cost increases for outpatient facilities and prescription drugs. Plan reserves declined by \$8.7 million but ended FY2023 at a level that was \$2 million higher than had been projected earlier.

Updated financial projections show that the adoption of the new Funding mechanism in FY2023, which bases contribution increases on an index reflecting medical cost increases (rather than staff salary increases) has improved the Plan's long-term projections. Additionally, the renegotiation of the Fund's contract with Aetna, the MBP's claims administrator, is expected to produce savings that will aid the Plan's long-term finances and allow for improvements in the medical plan for local employees overseas. It is now expected that, although Plan reserves will fall below the target level in FY2025, they will stabilize and begin to grow again in FY2028 so that they return to the target level by FY2031.

The 2024 Health and Wellbeing Scorecard generally showed that staff health and wellbeing remained stable with improvements in certain areas. Compliance with recommendations for preventive screenings was better than the norm for adult participants. Similarly, adherence to medications for chronic conditions continued to exceed the norm. In mental health, there was a reduction in the number of patients with mood disorders or depression as well as a reduction in the share of mental health costs attributed to staff. However, there was an increase in patients being treated for anxiety disorders.

The report includes a recommendation for a FY2025 Plan contribution rate increase in accordance with the Actuary's trend index, of 6.8 percent. Although inflation has moderated, it is expected that healthcare inflation will remain high over the next few years.

Approved By
Catriona Purfield

Prepared by a staff team in the Human Resources Department led by Johan Mathisen and comprising Funda Sinani and Juan Sobalvarro in consultation with the Finance and Legal Departments and the Office of Budget and Planning.

CONTENTS

BACKGROUND	3
REVIEW OF FINANCES	6
A. Current Status and Five-Year Projections	6
B. Proposed Contribution Rate Adjustment	11
C. Risk Assessment	11
FY2025 THREE-YEAR REVIEW OF MEDICAL BENEFITS PLAN	11
FIGURES	
1. Medical Benefits Plan—Costs vs. Contributions, FY2018–FY2024	6
2. Medical Benefits Plan—End of FY Reserve vs. Plan Costs, FY2019–FY2023	7
3. Medical Benefits Plan—Costs by Service Category (FY2022–FY2024 YTD)	8
4. Medical Benefits Plan—Catastrophic Claims (FY2020–FY2024 YTD)	8
5. Medical Benefits Plan—Projected Plan Costs vs. Projected Contributions (FY2024–FY2029)	9
6. Medical Benefits Plan—End Year Reserve Projections, FY2023–FY2029	10
TABLES	
1. Medical Benefits Plan—Cost Impact of 2023 Plan Enhancements	5
2. Medical Benefits Plan—Funding Projection1, FY2023–FY2029	9
ANNEXES	
I. Health and Wellbeing Scorecard	14
II. Premium Rates for Other Dependents	22
III. Schedule of Monthly Enrollee Contributions	23

BACKGROUND

1. The Medical Benefits Plan (“MBP” or “Plan”) is the Fund’s self-insured health insurance plan with more than 6,700 active staff/retirees plus over 8,800 dependents. The purpose of the MBP is to promote and maintain long-term health and well-being by providing Fund employees, retirees, and their eligible dependents with worldwide insurance coverage for the diagnosis and treatment of medical conditions. MBP coverage is comprehensive and includes medical, dental, vision, and prescription drugs. The MBP is intended to function as a lifetime benefit for qualifying staff/retirees and their eligible dependents.

2. Plan benefits are fully paid by contributions from the Fund and Plan participants. Under the Plan’s cost-sharing ratio, the Fund contributes 75 percent of Plan costs and participants contribute 25 percent. Participants’ premium contributions are based on their annual salary or pension.¹

3. Since FY2023, annual premium contribution rate adjustments have been based on an index that reflects MBP annual cost increases as approved by the Executive Board (“Board”).² Consistent with the Plan Document, management continues to proactively monitor Plan finances and reserves the discretion to make appropriate adjustments as future developments warrant. The Board retains ultimate discretion to determine contribution increases as it deems appropriate.

4. The MBP maintains a reserve to cover Plan liabilities that have been incurred but not yet paid to mitigate month-to-month cash-flow vulnerability, with a view to help smooth year-to-year changes in contribution increases. Over time, the Plan’s reserve has increased to a level that is higher than needed to meet the reserve’s (actuarial) objectives. In FY2017, the Executive Board approved management’s recommendation to set the target MBP reserve at 40 percent of the Plan’s year-ahead projected expenses. Further, the Board approved that the Plan’s elevated level of reserves be addressed by enhancing Plan coverage and by continuing the practice of annually adjusting contributions according to annual increases in staff salaries.

5. The earlier approach led to a period during which Plan costs have exceeded contributions and the reserve has gradually declined towards the target reserve level. From FY2018 through FY2023, the reserve declined to \$76.6 million (51 percent of year-ahead projected expenses) from \$118.2 million (145 percent of year-ahead projected expenses). At the time of the five-year MBP review in FY2022, the Actuary³ estimated that if the funding framework that tied premium contribution increases to staff salary increases continued, the target reserve level would be reached in FY2024, and the reserve would continue to decline until depletion in FY2027. The change

¹ Total costs of health care include Fund contributions, participant contributions as well as participant out-of-pocket costs (such as deductibles, coinsurance, and copays). When referring to “Plan costs,” the reference excludes participant out-of-pocket costs.

² See *Medical Benefits Plan—Five-Year Review of the Plan and Annual Review of Finances (EBAP/22/19, 4/15/22)*.

³ The Fund’s Actuary for the purpose of the Medical Benefits Plan is Mercer.

in the Plan's funding framework has slowed the depletion of the reserve and although it is expected that the reserve will fall below its target level in the short-term, it will stabilize and gradually begin to increase over the longer term.⁴

6. Through CY2023, the administration of claims and service was contracted to Aetna International for MBP participants in the U.S. and Cigna International for international MBP participants (outside of the U.S.). Both contracts had been in place since January 1, 2018. In accordance with the Fund's procurement rules, a solicitation of proposals from claims administrators was issued in October 2022. After an evaluation of the proposals received, a recommendation to award the contract for claims administration to Aetna International as the sole administrator for both U.S. and international Plan participants was approved in May 2023, with an effective date of January 1, 2024.

7. The new contract did not impact U.S. participants but has meant a significant change for international participants, with some teething pains. It should be recognized that it will take some time for participants outside the U.S. to become accustomed to working with a different administrator after working with Cigna for many years. Implementation of the change for international participants began in the summer of 2023 and included various forms of communication to affected members from both HRD and Aetna. The change also required modifications to the Fund's systems to ensure that all Cigna participants were transitioned to Aetna by the January 1, 2024 effective date. Although the transition occurred on schedule, there have been issues raised by affected members that are being addressed. These concerns involve the breadth of the Aetna provider network as well as the need to learn new procedures for filing claims and contacting Aetna customer service. HRD continues to work closely with Aetna to address all concerns and expects that the experience of international participants should improve over the next several months.

8. In the context of the five-year review of the MBP in FY2022, the following changes were implemented in FY2023:

- As noted above, the anchor for annual premium adjustments was changed from annual staff salary increases to the mid-level Mercer AFG Trend Guidance Index.⁵ Also, the monthly contribution schedule was adjusted so that it would be less regressive, and there is a more even distribution of participants among the different income bands.
- Enhancements to Plan coverage were made for vision, hearing aids, dental/prosthodontics, and infertility treatment.

⁴ An inter-departmental working group convened for the purpose of the FY2022 five-year review of the Plan, recommended a change in the funding framework which management supported, and the Board approved. See *Medical Benefits Plan-Five-Year Review of the Plan and Annual Review of Finances (EBAP/22/19, 4/15/22)*. The working group did not recommend a change to the reserve target.

⁵ The Mercer AFG Claims Trend Guidance index is based on a review of data from multiple resources including Mercer's database of over one million health plan providers, the S&P/Milliman Health Indices, and the Oliver Wyman Carrier Trend report. The Trend Guidance index is updated twice a year. Management will use the last available midlevel trend index (but no later than February of each year) for purposes of making its recommendations. The index offers high, mid, and low-level trend estimates. The Mercer index was selected due to Mercer's experience as the Fund's MBP Actuary since 2006, and their knowledge of the Plan and its financial history.

- A Health and Wellbeing Scorecard was developed to track the health of Plan participants over time. An updated scorecard with data from FY2023 is included as Annex I.

9. A preliminary review of the impact of these changes on the Plan's finances is provided below. A comprehensive analysis and assessment will be undertaken in the context of the upcoming three-year review in FY2025.⁶

- **Anchor for Premium Contributions:** The alignment of the anchor used to set annual MBP premiums to healthcare costs has safeguarded Plan finances. By decreasing the difference between contributions and costs, the depletion of the reserve has slowed. The gap between contributions and Plan costs had declined from 11.3 percent at the end of FY2022 to 7.1 percent at the end of FY2023. The programed decline in reserves will ensure that adequate plan reserves are maintained while minimizing volatility and avoiding unexpected budgetary pressures for the Fund and Plan participants from disruptive year-by-year changes to premium contributions.
- **Plan Enhancements:** The Plan enhancements that were implemented in January 2023 were made to better align the MBP with industry benchmarks and to respond to participant feedback. These enhancements included: (i) increased allowances for eyeglasses and contact lenses as well as hearing aids; (ii) modified infertility treatment access that eliminates the requirement of an infertility diagnosis; and (iii) an increase to the frequency for replacement of dental prosthodontics (crowns, bridges, dentures) to 5 years from 8 years. It was estimated at the time that these enhancements would increase Plan costs by 0.60 percent annually. During the first year after implementation of these changes, the cost impact was slightly higher at 0.75 percent or about \$850,000 (Table 1). This was due to higher-than-expected utilization of the enhanced vision benefit. The additional costs are more than covered through savings under the new contract with Aetna (see below).

Table 1. Medical Benefits Plan—Cost Impact of 2023 Plan Enhancements

Enhancement	Cost Increase \$	Cost Increase (in percentage)
Eyeglasses, Contact Lenses	605,000	0.54
Hearing Aids	189,000	0.17
Dental Prosthodontics	(11,000)	-0.01
Infertility Treatment	63,000	0.06
Total	846,000	0.75 Percent
Sources: Aetna, IMF Staff calculations.		

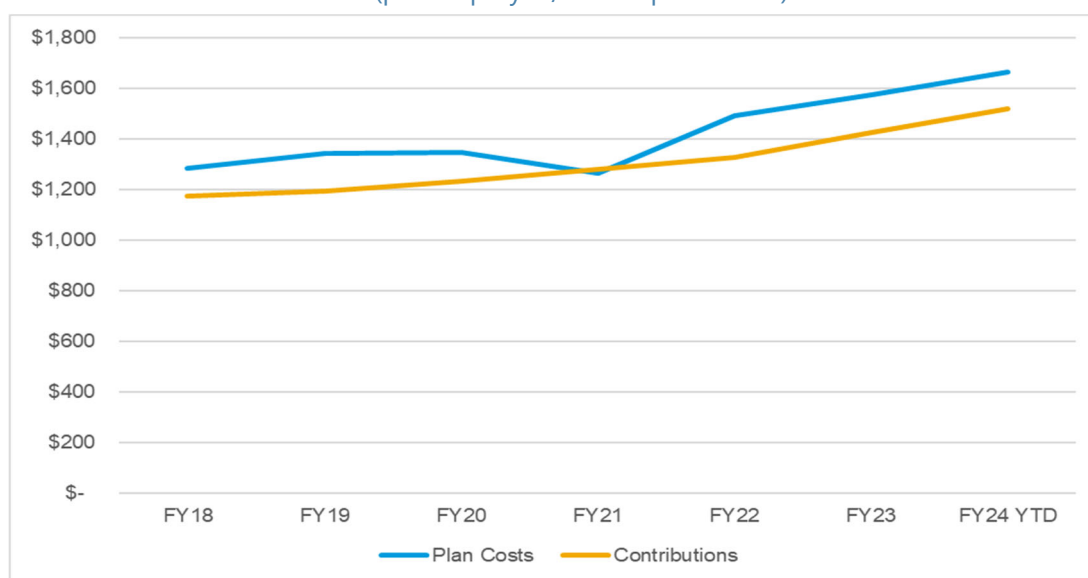
⁶ As recommended by the working group during the FY2022 five-year review, the Board approved a change in the frequency of reviews to every three years from every five years. See *Medical Benefits Plan-Five-Year Review of the Plan and Annual Review of Finances* (EBAP/22/19, 4/15/22).

REVIEW OF FINANCES

A. Current Status and Five-Year Projections

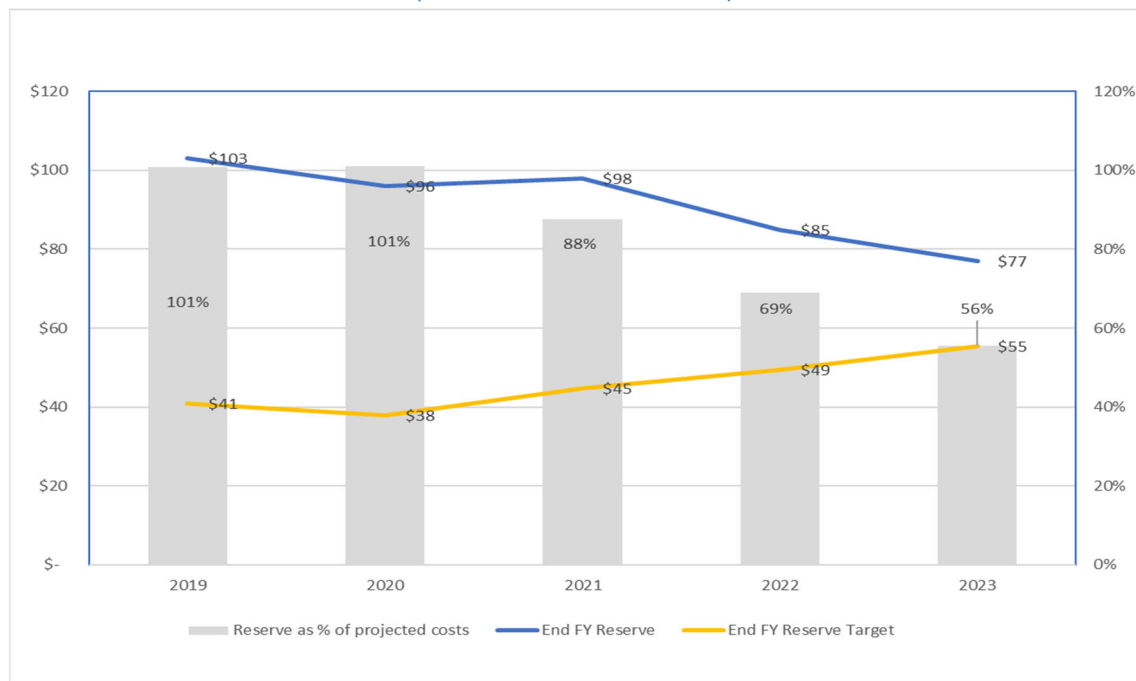
10. There were no significant changes in participant utilization patterns in FY2023 and Plan costs increased in line with market trends. Per employee/retiree per month (PEPM) Plan costs increased by 5.4 percent to \$1,575 in FY2023 from \$1,494 in FY2022 (Figure 1) compared to the market trend of 5.5 percent. Plan costs continued to rise during the first 9 months of FY2024 to \$1,657 PEPM at the end of January 2024. The Plan reserve declined by \$8.7 million to \$76.6 million (56 percent of the year ahead projected costs) at the end of FY2023 from \$85.2 million at the end of FY2022, \$2 million higher than earlier projections (Figure 2).

Figure 1. Medical Benefits Plan—Costs vs. Contributions, FY2018–FY2024
(per employee/retiree per month)



Source: IMF Staff Calculations.

Figure 2. Medical Benefits Plan—End of FY Reserve vs. End FY Reserve Target, FY2019–FY2023
(in millions of U.S. Dollars)

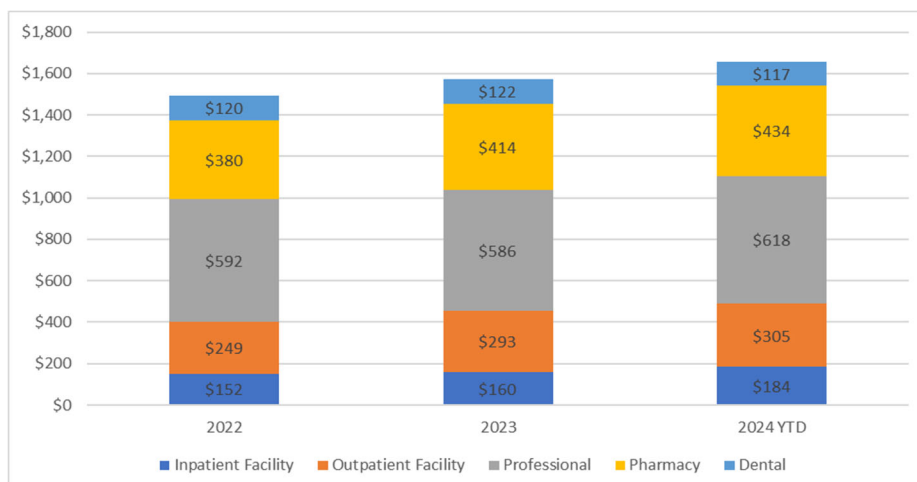


Sources: Mercer, IMF Staff Calculations.

11. The PEPM Plan cost increase of 5.4 percent was driven by cost increases in outpatient facility services, prescription drugs and catastrophic claims. The cost of outpatient facility services increased by 18 percent while prescription drug costs increased by 9 percent (Figure 3). The greater number of catastrophic claims between FY2022 and FY2023 also contributed to higher costs.⁷ The number of catastrophic claims increased to 140 in FY2023 from 124 in FY2022. The total cost of these claims increased to \$28.6 million in FY2023 from \$24.9 million in FY2022. Actuarial expectations were that the MBP would have had 147 catastrophic claims totaling \$28.1 million. Catastrophic claims accounted for almost half of the overall 5.4 percent PEPM Plan cost increase. The number of claims under this category has continued to increase in the first 9 months of FY2024 and is now projected to exceed the number of catastrophic claims for FY2023 by the end of the financial year (Figure 4).

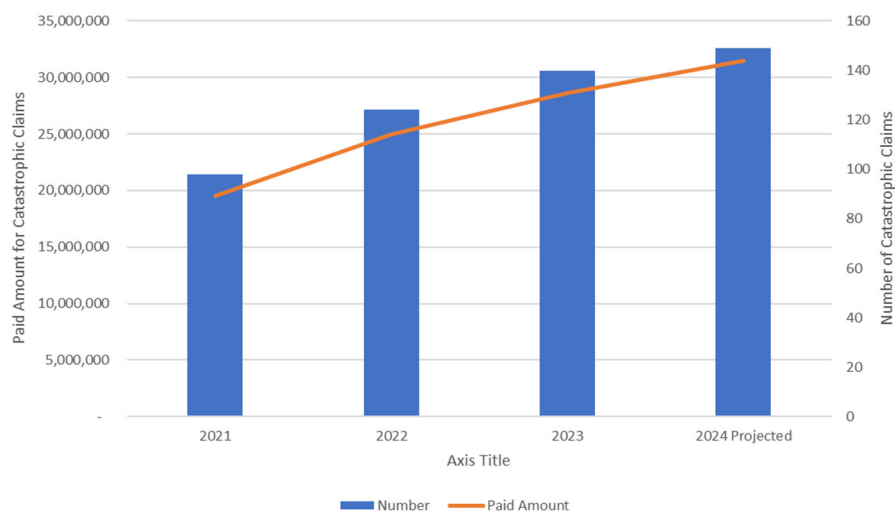
⁷ Catastrophic claims are claims exceeding \$100,000 for an individual participant during a twelve-month period. Catastrophic claims for FY2023 included six claims exceeding \$500,000 of which five were for cancer treatment and one was for newborn care.

Figure 3. Medical Benefits Plan—Costs by Service Category (FY2022–FY2024 YTD)
(per employee/retiree per month)



Source: Aetna.

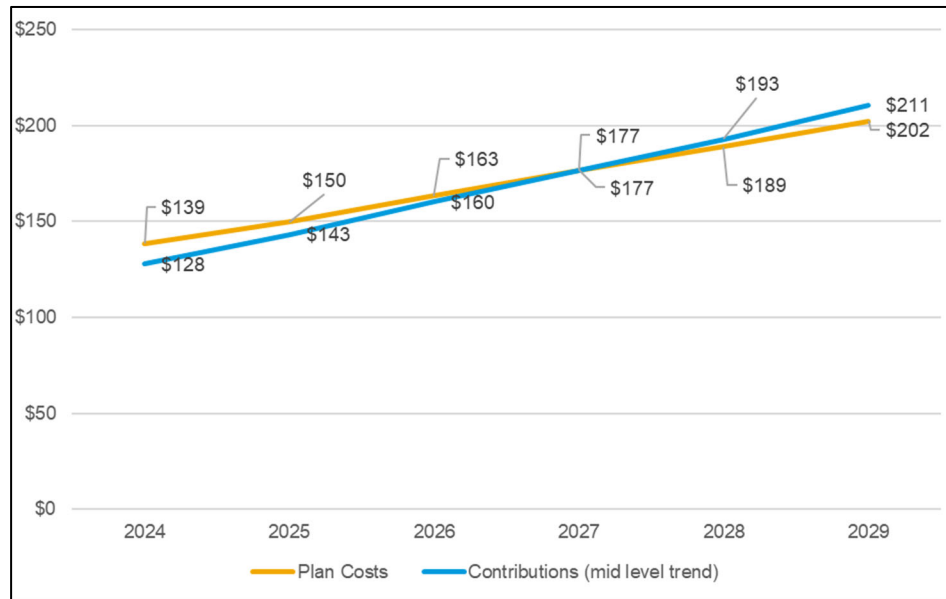
Figure 4. Medical Benefits Plan—Catastrophic Claims (FY2020–FY2024 YTD)



Source: Aetna.

12. By increasing plan contributions in line with an index that is based on Plan costs, the Plan's finances have improved. The Board approved a 6.1 percent increase in Plan contributions for FY2024 in line with the mid-level Mercer AFG Trend guidance index. The Actuary estimates that by the end of FY2024, the MBP reserve will be about \$65.9 million, \$2.3 million higher than the \$63.6 million that was estimated in the FY2022 five-year review. The gap between costs and contributions is expected to be about 7.7 percent by the end of FY2024 and is projected to have been eliminated by FY2027 (Figure 5).

Figure 5. Medical Benefits Plan—Projected Plan Costs vs. Projected Contributions
(FY2024–FY2029)
(in millions of U.S. Dollars)



Source: Mercer.

Table 2. Medical Benefits Plan—Funding Projection¹, FY2023–FY2029
(in millions of U.S. dollars)

	Financial Year						
	2023 ²	2024	2025	2026	2027	2028	2029
A. Beginning reserve	85.2	76.5	65.9	59.4	56.2	56.2	60.1
B. Contributions ³	113.9	127.9	143.2	160.1	176.7	192.9	210.7
Contributions (in percentage change) ⁴		12.3	12.0	11.8	10.4	9.2	9.2
C. Expenses ⁵	122.6	138.5	149.7	163.3	176.7	189	202.2
D. Net Change (B–C)	-8.7	-10.6	-6.5	-3.2	0	3.9	8.5
E. Ending reserve (A+B–C)	76.5	65.9	59.4	56.2	56.2	60.1	68.6
Ending reserve (in percent of one-year forward projected expenses) ⁶	55	44	36	32	30	30	32

Source: Mercer.

¹/ Projection is based on actual plan experience through September 2023.

²/ Actual figures for FY2023.

³/ Assumptions: Annual increases in contribution rates of 6.8 percent. No plan design changes.

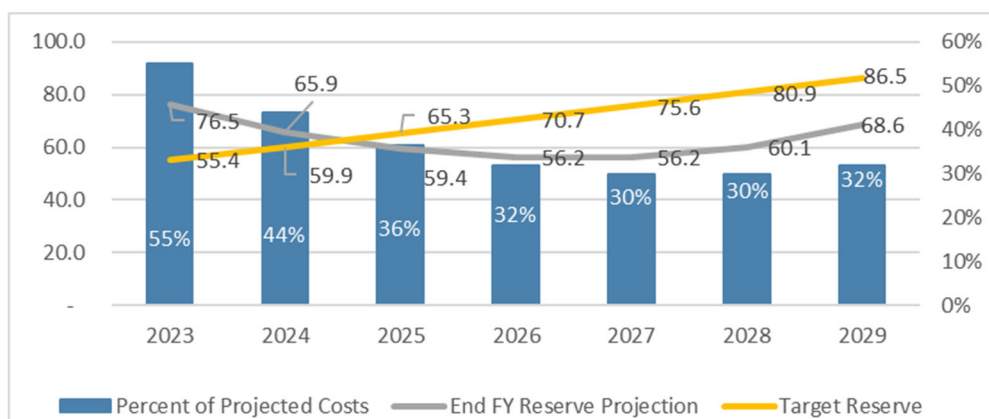
⁴/ Percentage is greater than assumed premium increases due to assumed increases in the number of pensioners and to shifts in the number of participants in each income band.

⁵/ Expenses, reflecting mostly claims, are assumed to increase in line with a blend of projected increases for plans of similar design and the MBP's own experience.

⁶/ Target reserve is 40 percent of projected costs.

13. As expected with the decision to modify the Plan’s funding mechanism in FY2022, the Plan’s projected finances over the next five years are anticipated to continue to show improvement. The renegotiation of the Fund’s contract with Aetna International, the MBP’s claims administrator, also had a positive impact on finances. The Actuary estimates that the new contract which took effect on January 1, 2024 will reduce Plan costs by 0.9 percent in FY2024, 2.6 percent in FY2025, and 2.8 percent in FY2026. Assuming contributions increase by the most recent mid-level Mercer AFG Trend Guidance of 6.8 percent, it is expected that the rate of reserve depletion will slow further. It is now projected that, although the reserve will fall below the target by the end of FY2025, reserve depletion will occur at a slower pace until FY2027 when Plan costs are expected to equal contributions. From FY2028 onward, Plan costs are expected to fall below contributions and the reserve is expected to be gradually replenished and reach the target reserve level by FY2031 (Table 2, Figure 6).

Figure 6. Medical Benefits Plan—End Year Reserve Projections, FY2023–FY2029
(in millions of U.S. dollars)



Source: Mercer.

14. Although inflation has moderated and is now much lower than what it was at its peak in June 2022, the Actuary, expects that healthcare costs will continue to remain elevated over the next few years. The Actuary advised that because provider reimbursement contracts are negotiated on a multi-year basis, reimbursement rates for some providers do not yet reflect the higher inflation of the last two years and the full impact of inflation will be spread out over several years. In addition, shortages of qualified labor have forced hospitals and other provider systems to increase employee compensation to ensure adequate staffing. Finally, new therapies such as new diabetes and weight loss drugs (GLP-1 agonists)⁸ have driven prescription drug trends higher.

⁸ GLP-1 agonists are medications that help lower blood sugar levels and promote weight loss such as Trulicity, Victoza, Ozempic and others.

B. Proposed Contribution Rate Adjustment

15. In accordance with the Board’s decision to anchor premium adjustments to the mid-level Mercer AFG Trend Guidance, staff proposes an increase of 6.8 percent for FY2025. At the lowest income bracket, the impact of this increase would be to raise the monthly contribution for family coverage by \$8.49 per month. At the highest income bracket, the increase would be \$43.62 per month. Premium contribution rates for other dependents and participants qualifying for the extension option will increase by 15 percent, in line with the recommendation previously approved by the Board.^{9,10}

C. Risk Assessment

16. The improved financial outlook resulting from the anticipated contribution increases and the new, more favorable contract with the claims administrator have reduced the risk that premium contribution increases will not be sufficient to sustain the reserve at an adequate level. The new funding framework, introduced at the start of FY2023, has functioned as anticipated and has slowed down the depletion of the reserve. The next comprehensive review of the Plan and its finances is scheduled for FY2025. Among other things, this review would assess the impact of the FY2023 recommendations and experience under the revised funding framework and recommend whether it should be continued or modified (see below).

17. There is a risk that with the anticipated contribution rate increases and lower Plan costs due to the new Aetna International contract, the Plan reserve will grow faster than anticipated. This will be considered during the upcoming comprehensive review of the MBP and appropriate measures to mitigate this risk will be recommended.

FY2025 THREE-YEAR REVIEW OF MEDICAL BENEFITS PLAN

18. The next three-year review of the MBP is scheduled to begin during the second quarter (Q2) of FY2025. In line with past reviews, an advisory task force (which would include the Staff Association Committee and the IMF Retirees Association) will be established to assist HRD to assess recent plan changes and recommend further plan enhancements and refinements. Among other things, it is envisaged that the review will cover the following issues:

- A review of Plan enrollment procedures to simplify enrollment of new staff and dependents to mitigate the risk of staff/dependents missing enrollment deadlines and not having medical coverage.

⁹ The extension option is offered to employees who separate from the Fund but wish to continue to be covered under the Plan for up to 18 months after separation.

¹⁰ See *Medical Benefits Plan—Annual Review of Finances and Proposed Changes (EBAP/20/32, 3/27/20)*.

- An assessment of the Plan's medium-term finances, which would include the recent change to the funding mechanism and target reserve level;
- A review of administrative/operational procedures regarding initiating, modifying, and terminating coverage to simplify transition to a new enterprise resource planning system (e.g., Workday).
- Possible plan enhancements, including a review of broad measures to enhance health and wellness; and
- Gaps in coverage.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. The Managing Director is authorized to increase FY2025 MBP contribution rates for all participants, with the exception of Other Dependents and those qualifying for the extension option, by 6.8 percent and applied to the contribution schedules for FY2025 as set forth in Annex II hereto.
2. The Managing Director is authorized to adjust the contribution rates for Other Dependents and MBP participants qualifying for the extension option as set out in Annex III hereto.

Annex I. Health and Wellbeing Scorecard

1. The Health and Wellbeing Scorecard compares U.S. claims data from the Fund's MBP claims administrator (Aetna) for calendar years 2022 and 2023. It presents data for active employees as well as retirees. The scorecard is divided into two sections: *Current Health Indicators* and *Health Care Utilization*. The current health indicators include information about the top medical and mental health diagnoses. It also includes information about the incidence of chronic conditions and the adherence to medications for the treatment of those conditions. A *risk score*¹, indicating the health risk of the Fund population in comparison to the norm² is also included.

2. The health care utilization section of the score card includes information about the compliance of staff and retirees with preventive care recommendations. These include recommendations on annual physical, vision, and dental preventive visits and, mammography, cervical cancer, and colon cancer screenings. A section on the utilization of four major categories of medical services (hospital admissions, surgeries, office visits, and emergency room visits) indicates how the Fund's utilization compares to the norm. Another section includes information on the top diagnosis types requiring prescription drugs for treatment. Finally, there is a section on mental health spending by type of member (employee, spouse, or dependent).

3. To provide more useful information and to protect patient confidentiality, the following changes have been made to this version of the scorecard:

- Cost allowed for the top medical diagnoses was changed from total amount allowed spent to cost allowed per patient.
- Chronic condition medication adherence includes norms for both 2022 and 2023.
- Prolonged sick leave utilization only shows two broad diagnosis categories.

4. Key findings for the active staff population include:

- The musculoskeletal diagnosis category continued to be the top category of diagnoses but there was only a small increase in the number of patients treated. This category includes diagnoses such as neck pain, lower back pain, shoulder pain, and knee pain.
- Anxiety disorders, the top diagnosis under the mental health category, increased 29 percent in total cost allowed and 10 percent in number of patients from CY2022.

¹ The risk score is an indicator of the expected cost of a patient based on their health risk compared to the average patient risk score of 1.0. Risk score is an indication of population health and is calculated using an algorithm that considers demographics and diagnoses.

² Normative data used for the risk score is from a database maintained by Optum Health and includes information on more than eighteen million members in the U.S.

- Adherence to medications for chronic conditions remained in line with norms except under the asthma/COPD category which showed that only about a quarter of members are adhering to their medications compared to the norm of 41 percent.
- The compliance with annually recommended preventive visits was low among staff and retirees. However, compliance with other preventive screenings including mammograms, cervical cancer and colon cancer screenings was better than the norm.
- Under the pharmacy category, the endocrine category showed significant increases in allowed expense (32 percent) and number of prescriptions (11 percent). This category includes high-cost medications for the treatment of diabetes (i.e., Ozempic, Mounjaro, Trulicity). Similarly, biological medications including vaccines for COVID-19, shingles, and hepatitis increased 111 percent in allowed expense and 55 percent in number of prescriptions.

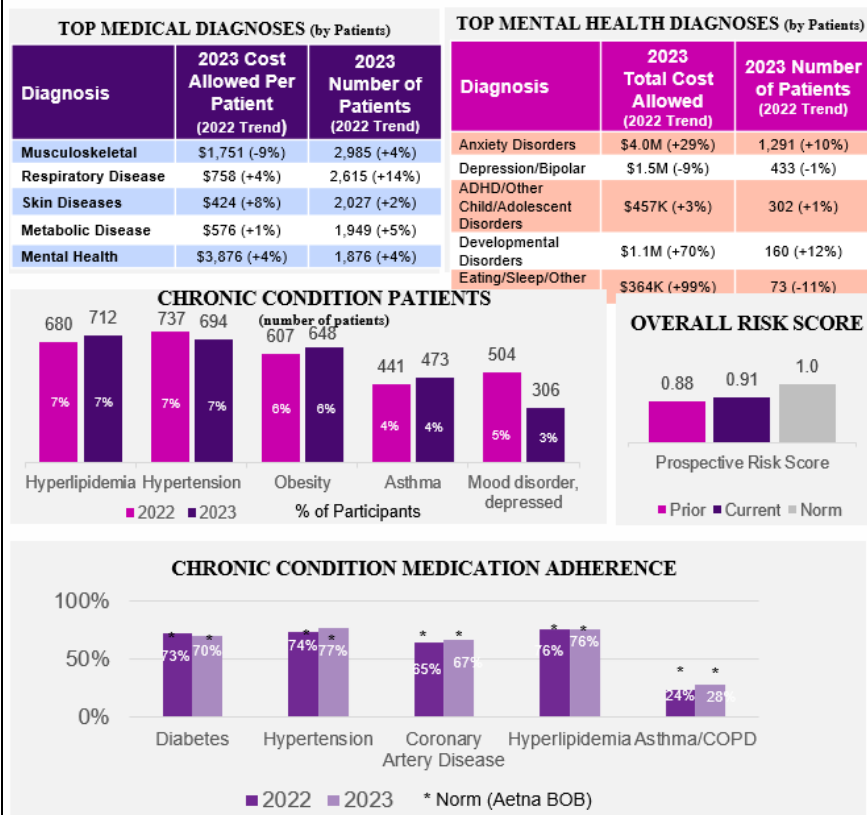
5. Key findings for the retiree population include:

- The number of patients with chronic conditions declined in all categories. The sharpest drop was in patients with hypertension which saw a reduction of 20 percent in the number of patients with that condition.
- Anxiety disorders continued to be the top diagnosis under the mental health category. The number of patients with that diagnosis increased by seven percent.
- Adherence to medications for chronic conditions declined in four of the five measured categories. It was below the norm for diabetes, coronary artery disease and asthma.
- Compliance with annually recommended screenings for cervical cancer and colon cancer was below the norm.
- Under the pharmacy category, the most noteworthy change was in the high increase in the number of prescriptions for biological medications which saw an increase of 88 percent.

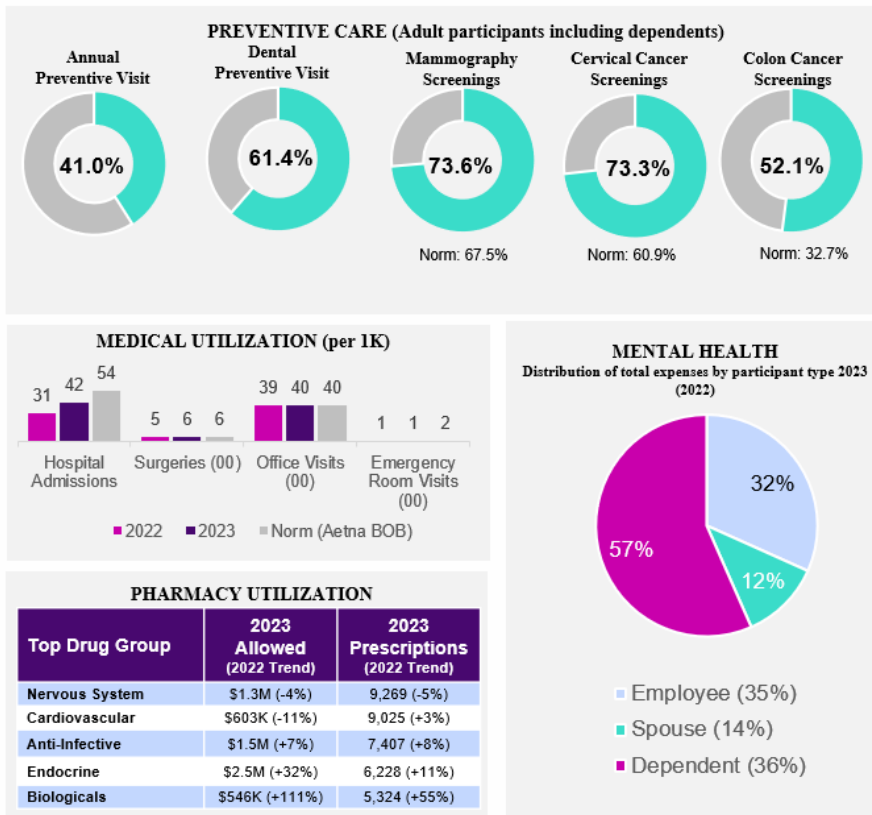
6. Although the 2024 Health and Wellbeing Scorecard shows an increase in patients being treated for anxiety, other aspects of mental health showed some improvement. The number of patients with mood disorders or depression declined. Also, there was a reduction in the share of mental health costs attributed to staff. This contrasts with results from the recent 2023 Health Survey which showed a sharp worsening in staff mental health since 2019. Staff will continue to implement the Mental Health Strategy and improve communication to staff regarding the many mental health resources available. Staff will also continue to monitor staff health and wellbeing to assess the effectiveness of the programs in place.

Annex I. Box I. Physical Wellbeing (Active Staff Including Dependents)

Current Health Indicators

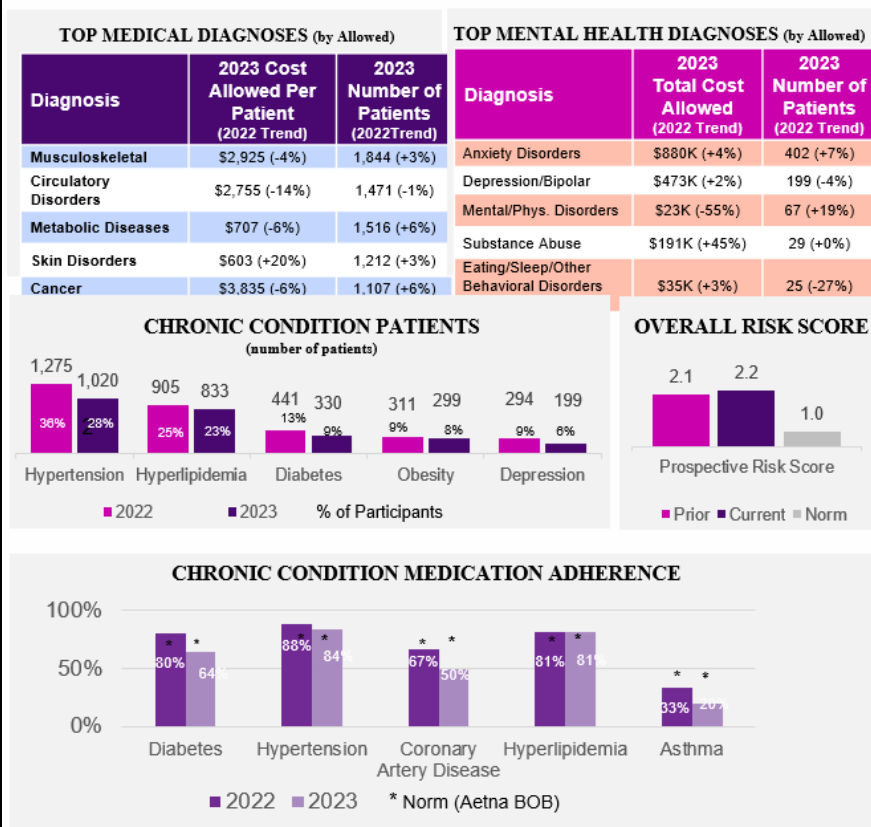


Health Care Utilization

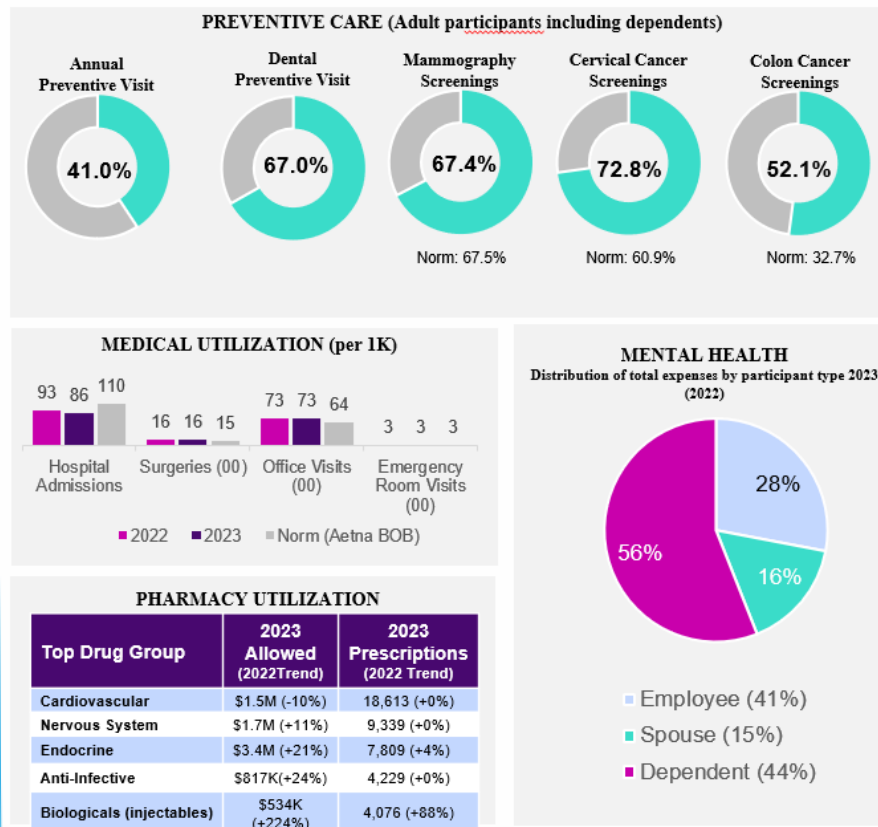


Annex I. Box II. Physical Wellbeing (Retired participants including dependents)

Current Health Indicators



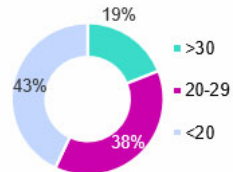
Health Care Utilization



Annex I. Box II. Leave Utilization

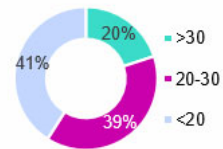
ANNUAL LEAVE UTILIZATION
(DAYS)

FY 2022



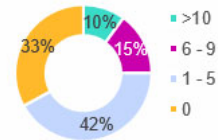
Percent of employees using the number of annual leave days

FY 2023



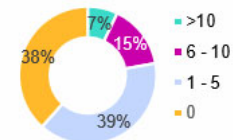
SICK LEAVE UTILIZATION (DAYS)

FY 2022



Percent of employees using the number sick leave days

FY 2023

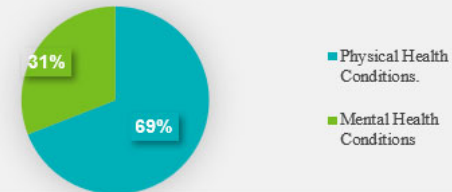


PROLONGED SICK LEAVE (PSL)

Diagnosis Category	2022 PSL Cases	2022 Lost Workdays	2023 PSL Cases	2023 Lost Workdays
Physical Health Conditions	6	97	11	129
Mental Health Conditions	16	209	22	273
Totals	22	306	33	402

Note: PSL cases noted for each year are those that began in that year and were closed by the end of CY2023. For 2022, six PSL cases began in 2022 but were not closed until 2023; they did not appear as 2022 cases in the 2023 Health and Wellbeing Scorecard.

Total Cases 2022-2023 by Diagnosis Category



Annex I. Box IV. Executive Summary (Active Staff)

- Overall prospective risk score increased from 0.88 to 0.91 but remains below the norm.
- The categories that experienced the highest increases in number of patients were respiratory disease and metabolic disease.
- The mental health diagnoses that saw the highest increases in cost and number of patients were anxiety disorders and developmental disorders.
- Compared to benchmarks, the Fund's screening rates of mammograms, colorectal, and cervical screenings are well above norms. Engagement for annual preventive visits continued to be low (40 percent).
- The percentage of plan membership being treated for the most common chronic conditions remained largely unchanged except in the depression category which experienced a reduction in number of patients treated.
- Among medical utilization categories, surgeries, office visits and emergency room visits held steady and were in line with norms. Hospital admissions experienced an increase but continued to be below the norm.
- Total Prolonged Sick Leave (PSL) cases increased to 33 during CY2023 from 22 in CY2022. Almost one-third of prolonged sick leave cases were related to mental health conditions.

Source: Aetna.

Annex I. Box V. Glossary

- Adherent/adherence – Adherence is the staff’s commitment to the available services. An example of adherent/adherence is a member that regularly takes their medication as prescribed, completes screenings for cancers that are recommended based on clinical guidelines (often age/gender), or completes their adult annual physical with their provider.
- Allowed – The total medical or pharmacy expense that includes the employer cost as well as the employee cost.
- Biologicals – Medications that come from living sources. They are more complex than other medications and tend to be injectable and more expensive. They are used to treat conditions such as cancer, autoimmune disorders, and diabetes.
- BoB – This acronym stands for Book of Business. Insurance carriers often use their “Book of Business” as a source of benchmarks/norms in the industry. In this scorecard, Aetna uses their book of business as a benchmark to compare against IMF’s data.
- Cases - In the preventive care utilization graphic, cases are the total number of patients recommended to undergo the specified procedure according to the U.S. Preventive Services Task Force.
- Child/adolescent disorders – For members below the age of 18 years, these disorders can include but are not limited to anxiety, depression, oppositional defiant disorder (ODD), conduct disorder, and attention deficit/Hyperactivity disorder.
- Developmental disorders – These are impairments in a person’s cognitive or behavioral progress. These disorders can impact everyday functioning and usually last through a person’s lifetime. Developmental disorders can affect physical abilities as well. Treatment for Autism rolls up into this category.
- Endocrine – Relating to or denoting glands which secrete hormones or other products directly into the blood (diabetic medications, growth hormones, thyroid medications and oral contraceptives are included in this category).
- Hyperlipidemia – High cholesterol/triglycerides.
- Medical Utilization per 1k – This is the average number of a service rendered per 1,000 members. The calculation takes (services/average members) *1000.
- Mood Disorders - Psychological disorder characterized by the elevation or lowering of a person's mood, such as depression or bipolar disorder.
- Nervous System – These disorders can include, but are not limited to, Alzheimer's disease, Parkinson’s disease, multiple sclerosis, and seizures.

- Norm – This is a measure that serves as a benchmark against actual IMF data. A norm serves as a gauge of performance for individual entities against a larger data set such as Aetna’s Book of Business.
- Outpatient visits – These visits are encounters or instances in which a member visits a physical location for one-day procedures or services. Typically, outpatient visits include urgent care and emergency room visits, however for IMF, we carve out emergency room visits. Examples of outpatient visits include minor surgeries or diagnostic imaging.
- Participant – An employee, retiree, spouse or dependent enrolled in the medical plan.
- Professional – Captures all provider/doctor encounters in an office setting as well as encounters with providers/doctors in outpatient and inpatient facilities.
- Prospective Risk Score – This is an indicator of the expected cost of a patient based on their health risk compared to an average patient risk score of 1.0. Risk score is an indication of population health and is calculated using an algorithm with inputs such as demographics and diagnoses. Chronic conditions such as diabetes impact a prospective risk score more than acute conditions such as sprains or strains.

Source: Aetna.

Annex II. Schedule of Monthly Enrollee Contributions

(For the Medical Benefits Plan as of May 1, 2024)

Annual Income in U.S. Dollars ¹	Coverage Types			
	Single	Couple	One-Parent Family	Two-Parent Family
42,155 & below	\$53.33	\$106.66	\$93.33	\$133.33
42,156 - 47,202	\$63.01	\$126.02	\$110.28	\$157.52
47,203 - 52,852	\$70.56	\$141.11	\$123.48	\$176.39
52,853 - 59,180	\$79.00	\$158.01	\$138.25	\$197.49
59,181 - 66,265	\$88.46	\$176.91	\$154.81	\$221.14
66,266 - 74,199	\$99.05	\$198.10	\$173.35	\$247.62
74,200 - 83,082	\$110.91	\$221.82	\$194.10	\$277.27
83,083 - 93,028	\$124.20	\$248.37	\$217.34	\$310.46
93,029 - 104,166	\$139.06	\$278.11	\$243.35	\$347.62
104,167 - 116,637	\$155.70	\$311.41	\$272.49	\$389.24
116,638 - 130,601	\$174.35	\$348.69	\$305.11	\$435.84
130,602 - 146,237	\$195.22	\$390.44	\$341.64	\$488.02
146,238 - 163,745	\$218.60	\$437.18	\$382.55	\$546.46
163,746 - 183,349	\$244.76	\$489.52	\$428.34	\$611.88
183,350 & above	\$274.06	\$548.13	\$479.63	\$685.13
¹ Fund net salary or gross pension, as applicable, on an annual basis.				

Annex III. Premium Rates for Other Dependents¹

(For the Medical Benefits Plan as of May 1, 2024)

Annual Income in U.S. Dollars ¹			Monthly Contribution for Each "Other Dependent"
42,155	&	below	\$330.76
42,156	-	47,202	\$350.72
47,203	-	52,852	\$392.66
52,853	-	59,180	\$439.60
59,181	-	66,265	\$492.80
66,266	-	74,199	\$551.63
74,200	-	83,082	\$617.61
83,083	-	93,028	\$692.21
93,029	-	104,166	\$754.50
104,167	-	116,637	\$823.60
116,638	-	130,601	\$823.60
130,602	-	146,237	\$823.60
146,238	-	163,745	\$823.60
163,746	-	183,349	\$823.60
183,350	&	above	\$823.60
¹ Fund net salary or gross pension, as applicable, on an annual basis.			

Premium Rates for Continuation of Coverage for the Medical Benefits Plan	
Coverage Types	Monthly Premium Rates
Single	\$823.60
Couple	\$1,647.21
One-Parent Family	\$1,441.32
Two-Parent Family	\$2,059.04

¹ Other dependents include parents and parent-in-law of active employees eligible for coverage under the plan.

Fundall:

Medical Benefits Plan: Annual Contribution Increase for FY2025

The Executive Board has approved an increase in contribution rates for the Medical Benefits Plan (MBP) of 6.8 percent effective May 1, 2024. The Board document on the Medical Benefits Plan-Annual Review of Finances can be accessed [here](#). The increase is based on the funding framework [approved](#) by the Executive Board in FY2022 which intends to preserve the long-term sustainability of the MBP.

The new schedule of premium contributions and additional information about the MBP can be found on [HRWeb](#). Payroll deductions using the new [contribution rates](#) will appear in the May xx, 2024 pay statement.

If you have questions, please submit them through [MyHR](#).

***Links will be updated once the Board approves.

Medical Benefits Plan—Annual Review of Finances 2024—Handling of Main Comments

FIN (Mr. Khawaja and Mr. Lakshmanan)

- In the next MBP report, FIN requested to include scope for reviewing administrative/operational procedures for simplification considering the technology blockers that were identified during 1HR.

Response: FIN will have an opportunity to bring this item forward as an expected participant in the working group that will be convened for the review. Other editorial suggestions from FIN were adopted as suggested.

LEG (Mr. Patterson)

- Editorial suggestions from LEG were adopted as suggested.

OBP (Mr. Balakrishnan)

- OBP did not have any comments.

Staff Association Committee (SAC) (Mr. O'Sullivan)

- The SAC requested a comparison of healthcare costs and salaries.

Response: It was noted to the SAC that this is beyond the scope of this staff report. The SAC was reminded that the issue of healthcare costs vs. salary increases was discussed and settled during the FY2022 five-year review when the Board endorsed breaking the link between salary increases and MBP premiums. The SAC was also reminded that the table of MBP premium contributions was made more progressive so that staff at higher salaries take on more of the burden of the new funding mechanism.

- The SAC requested further explanations on spending. The SAC was especially interested in more information about catastrophic claims.

Response: Further details on catastrophic claims were added to the paper.

- The SAC suggested using the plan reserve instead of implementing a large contribution increase.

Response: It was noted to SAC that even after a 6.8 percent increase in contributions, it is expected that about \$6.5 million will be drawn from the reserve in FY2025.

- The SAC requested a discussion on the scope to improve the efficiency of the system while keeping benefits unchanged.

Response: It was noted to the SAC that cost-saving options will be one of the issues considered during the upcoming three-year review of the MBP and that the SAC will be invited to participate in the working group for this review.

IMF Retiree Association (IMFRA) (Mr. Mordin and Mr. Swain)

- IMFRA requested information on savings due to the implementation of mandatory enrollment in Medicare Part B in CY2021.

Response: It was noted to IMFRA that the FY2023 staff report on the MBP's finances included an estimate of \$1.5 million savings during the first two years of the requirement and this estimate will be updated during the upcoming three-year review of the plan.

- IMFRA suggested considering the purchase of catastrophic claims insurance to protect the plan against the increasing number of claims in this area.

Response: It was noted to IMFRA that this was considered during the FY2022 five-year review of the plan, and this will be revisited during the upcoming review of the plan.

Other editorial suggestions from IMFRA were adopted as suggested.

SAC Comments

From: Sobalvarro, Juan <JSobalvarro@imf.org>
Sent: Wednesday, March 27, 2024 10:14 AM
To: O'Sullivan, Liam <LOSullivan@imf.org>; Mawla, Lila <lmawla@imf.org>; Nelson-Indre, Kathryn <KNelson@imf.org>
Cc: Mathisen, Johan <JMATHISEN@imf.org>; Sinani, Funda <FSinani@imf.org>; Jongbloed, Karina Angelica <KPanara@imf.org>
Subject: RE: FOR ACTION: 03/26/2024 at 05:00 PM - Medical Benefits Plan—Annual Review of Finances 2024 [Confidential]

Dear Liam,

Thank you for your review and comments. Please see our responses below.

Best regards,
Juan

From: O'Sullivan, Liam <LOSullivan@imf.org>
Sent: Tuesday, March 26, 2024 1:39 PM
To: Mawla, Lila <lmawla@imf.org>; Nelson-Indre, Kathryn <KNelson@imf.org>
Cc: Mathisen, Johan <JMATHISEN@imf.org>; Sobalvarro, Juan <JSobalvarro@imf.org>; Sinani, Funda <FSinani@imf.org>; Jongbloed, Karina Angelica <KPanara@imf.org>
Subject: RE: FOR ACTION: 03/26/2024 at 05:00 PM - Medical Benefits Plan—Annual Review of Finances 2024 [Confidential]

Apologies – I forgot to add SAC contributors (see below)

From: O'Sullivan, Liam
Sent: Tuesday, March 26, 2024 1:36 PM
To: Mawla, Lila <lmawla@imf.org>; Nelson-Indre, Kathryn <KNelson@imf.org>
Cc: Mathisen, Johan <JMATHISEN@imf.org>; Sobalvarro, Juan <JSobalvarro@imf.org>; Sinani, Funda <FSinani@imf.org>; Jongbloed, Karina Angelica <KPanara@imf.org>
Subject: RE: FOR ACTION: 03/26/2024 at 05:00 PM - Medical Benefits Plan—Annual Review of Finances 2024 [Confidential]

Thank you for sending this document for us to review. The increases in U.S. healthcare costs—which have been outpacing inflation—entail a significant burden on both the Fund and staff. While we understand the need to raise contributions to cover these higher costs, it is a significant drain for staff given the FY2023 management decision to set our salary structure almost 5 percent below the U.S. market benchmark—with the impact reinforced by the decision to set a merit increase that kept our actual salaries well below the mid-

points of the salary structure. This year's proposal further misaligns Fund salaries with the US market. The rationale that our salaries are high relative to international comparators in Germany, France and Japan, seems of little relevance or comfort when we have to pay healthcare costs in the U.S. market and those costs keep outpacing our salaries. In this context, we suggest that:

- **The board is shown a comparison of healthcare costs and salaries.** The board should see a comparison of the level of healthcare contributions, wages as measured by BLS, and the Fund salary structure in the last few years. This will enable staff to better track healthcare costs against salary increases in order to benchmark the real cost to staff of health insurance provision. **The requested comparison is beyond the scope of this paper and does not align with its purpose, which is to provide an update of the plan's finances. The issue of health care costs vs. salary increases was discussed and settled during the recent five-year review of the MBP, when the Board endorsed the working group's proposal to break the link between salary increases and MBP premiums. For the MBP, healthcare costs and not salaries are relevant. Having said that, the premium scale was also made progressive so that staff at higher grades faced more of the burden of the new funding mechanism.**
- **Further explanations of spending.** The paper would benefit from including further details on past and projected spending—particularly with regard to catastrophic claims. The need to raise contributions rests on the projections that healthcare spending will increase significantly in the coming years. If that is not the case, and what we see is just a particularly bad outturn of catastrophic claims, where the use of the reserve would be more appropriate rather than large contribution increases. We do not question that healthcare costs are indeed rising, just that the paper could provide further details of the underpinning of the projection. This is particularly important given that the recent HSEC survey on the health of Fund staff signaled an increase in future demand for healthcare services by Fund staff. **Please note that even after a 6.8 percent contribution increase for FY2025, plan costs will continue to exceed contributions. It is projected that about \$6.5 million will be drawn from the reserve in FY2025. We have added further details on catastrophic claims, which are included in the projections based on information and projections provided by our MBP actuary.**
- **Looking into options to improve the efficiency of the system.** The paper could discuss if there is scope to improve the efficiency of the system while keeping the benefits unchanged—through savings on administrative costs or reinsurance for catastrophic cases. **Among other things, cost-saving options could be considered during the upcoming three-year review of the MBP. The SAC will be invited to participate in the working group for this review.**

Many thanks,
Liam

SAC Contributors: E. Flores, J.Jara, J. Manning.

From: Mawla, Lila <lmawla@imf.org>