

Audit of cost reimbursement to IV offices

Federal Social Insurance Office

Key facts

The IV offices implement disability insurance (IV) at cantonal level. In addition, the Central Compensation Office (CCO) manages the IV office for insured persons resident abroad. The IV compensation fund reimburses the administrative expenses of all IV offices, including those of regional medical services. The annual total is around CHF 455 million. The funds are used to assess new applications for integration benefits and pensions, among other things. Almost 15,000 new pensions were registered in Switzerland in 2017. Around 400,000 people receive disability benefits in Switzerland, with around 219,000 receiving a pension and just under 90,000 receiving an investigative measure without disability benefits. The costs for cash benefits, individual measures and implementation costs amounted to approximately CHF 8.5 billion in 2017. The Federal Social Insurance Office (FSIO) supervises the cantonal IV offices and decides on the costs to be reimbursed.

The Swiss Federal Audit Office (SFAO) examined whether the compensation system promotes cost-effective action and whether the cost reimbursements to IV offices are appropriate. In addition, the SFAO assessed the supervisory procedure primarily in the financial area. The SFAO found that the framework conditions make economic incentives largely impossible in the compensation system. The cost reimbursements are nevertheless appropriate. There is potential for improvement regarding compensation procedures and future financial supervision. Overall, the result of the audit was good.

Suboptimal governance with limited liability

The current structures with IV offices as cantonal institutions under public law and thus an organisation governed by cantonal decrees or intercantonal agreements, financing by the IV fund and steering and supervision by the FSIO violate governance rules. The Federal Council already recognised this. It wanted integral federal responsibility for IV offices in the disentanglement of tasks and financing between the Confederation and the cantons (NFE). This desire failed at the level of both NFE and the revision of the Disability Insurance Act. The cantons are responsible for establishment, organisation and, at least in the area of personnel law issues, supervision. In contrast, liability for non-cost-effective management is not clearly assigned to the cantons. Moreover, the simultaneous responsibility of cantonal authorities for several types of social insurance and social welfare can lead to conflicts of interest.

With its recommendation, the SFAO wants to ensure clear relationships at least regarding cost responsibility. The cantons should be liable for the uneconomical performance of their IV offices.

Lack of economic incentives in the compensation system

Two compensation systems have been applied recently: the resource model until 2013, the budget ceiling from 2014. The budget values are determined, and the actual costs are compensated. The budget ceiling is not sustainable and should be replaced. The difficulty lies in the fact that the FSIO cannot establish competition or provide economic incentives with the prevailing framework conditions.

It is a dilemma that the effects to be achieved by the IV offices are to be weighted more strongly than the minimisation of administrative costs. For the FSIO, the focus is rightly on the cost-effectiveness of the overall insurance.

The SFAO recommends that the compensation system should be used to ensure that only the costs of economical management are compensated. For example, the changing workload within a cycle must be taken into account dynamically and deviating cost recordings corrected. Furthermore, planning certainty and trust should be strengthened with multi-year cycles.

Financial supervision has to be adapted to the changed budget procedure

The FSIO appropriately supervised and examined the IV offices in the existing financing systems. In the future, the FSIO wishes to increasingly ensure financial supervision with onsite checks. The move is in the right direction.

The SFAO recommends that the review intervals be aligned with the budget and financing procedure in a risk-oriented manner. In this way, the checks can have a prospective effect and will be less focused on correcting past results. The FSIO should draw up a review concept to cover the key risks within a cycle. It must take account of the IT pools of the IV offices.

The cost structure of the IV office for insured persons resident abroad is not comparable with that of cantonal IV offices

The different business activities of the two types of IV office are responsible for the lack of comparability. The costs could be compared on the basis of individual measures if need be. However, cost accounting with sufficient detail is lacking for this. The areas used by IV offices can already be compared now, for example. The SFAO found differences here also in the spot check.

Due to the significance of information technology and the scope of its costs, the CCO management intends to examine the economic efficiency of the various IT projects in depth. The SFAO welcomes this intention. The CCO has set out the costs in a report for each cost centre. This should be supplemented with an analysis of the need for the applications and economic efficiency, particularly regarding in-house production or external procurement (make or buy).

Original text in German