



RIKSREVISIONEN
The Swedish National Audit Office

RiR 2009:1 Summary

Special unemployment allowance in health insurance -
testing ill persons capacity for other work

Summary

The Swedish National Audit Office (NAO) has audited whether the Swedish Social Insurance Agency assesses the capacity of sick-listed people to do other work. Assessment of the capacity to do other work is integral to the correct application of the national sickness insurance.

A person who is unable to work due to illness is eligible for sickness compensation. Fundamental to the viability and credibility of sickness insurance is that sickness benefit is paid only to those who are entitled to it. In other words, those who are able to work are not to receive sickness benefit.

At the beginning of the period of sickness, the Social Insurance Agency assesses whether the person will be able to return to their current job. Most people are sick-listed for a short period of time, after which they return to their current occupation – normally a job, but it may be unemployment or studies for some people.

The fact that a person cannot do the job that they held or were trained for is not always sufficient to qualify them for sickness compensation. Sickness benefit is to terminate if they have the capacity to do other work. In other words, sickness insurance is not supposed to be tied to a person's current job.

A person who cannot return to their current employer but have the capacity to do other work needs a new job. Because a new job often cannot be arranged immediately, returning to the labour market through the detour of unemployment may be a necessary evil. The fact that the number of people who go from being sick-listed to unemployment has been strikingly low so far may be an indication that the return to the labour market is not functioning particularly well. Other indications that the return to the labour market is not working well is that sickness absence differs among various parts of the country and co-varies (at least previously) with unemployment. The Swedish NAO has earlier shown that the examination of a person's capacity to do a job at their current employer tends to take a long time.

A correct assessment of work capacity contributes to a well-functioning return to the labour market, as well as greater labour market mobility. In the view of the Swedish NAO, exploring how the Social Insurance Agency assesses the capacity of sick-listed people to do other work is an urgent matter. Thus, the Swedish NAO has audited such assessments within the scope of the “step model” used before July 2008. The Swedish NAO has not audited the quality of the decision data to which the Social Insurance Agency has had access or whether the actual decisions concerning sickness benefit are correct.

A rehabilitation chain has now replaced the step model. But it is possible to relate the results of the audit, which was based on the situation in 2007, to current circumstances.

Case management deficiencies

The Swedish NAO audit identified some deficiencies in the Social Insurance Agency's application of Steps 5-7 in the step model. During Step 5, the Social Insurance Agency is to assess whether the insured person has the capacity to do other work. During Step 6, the agency is to assess whether the person's capacity to do other work may arise or increase after rehabilitation. Step 7 involves an examination of the person's right to sickness or activity compensation¹.

The capacity to do other work is not examined on a regular basis

The audit shows that people who no longer can do their current job rarely leave sickness insurance. Only 18 percent of those who have been sick-listed for at least 90 days and reached Step 5 leave sickness insurance, i.e., are not granted sickness and activity compensation when their sickness benefit expires.

Administrative officers shall always examine a person's capacity to do other work as part of Step 5. The audit shows that officers do so in 77 percent of all cases. The capacity of employees to do other work is assessed in 71 percent of the cases, whereas the work capacity of unemployed people is nearly always assessed.

There are indications that sickness insurance is tied to a person's current job. That sick-listed people often want to retain their current ties with the labour market and employer is understandable. The Social Insurance Agency's administrative officers contribute to retaining those ties by not always assessing the work capacity of employees in the entire labour market. And when such an assessment is performed, the person has often been sick-listed for an unreasonable length of time. Frequently the attending physician also continues to assess a sick-listed person's work capacity in their original job even when they become unemployed or are no longer deemed able to continue at the job. Furthermore, there are indications that when sick-listing expires in Step 5 or 6, employees frequently return to their previous employer. One interpretation is that the Social Insurance Agency has made an erroneous assessment or that the employer has taken the employee back despite their reduced work capacity.

The audit shows that when the Social Insurance Agency assesses a person's capacity to do other work, they are more likely to return to the labour market and their period of sickness tends to be shorter.

The opportunity for rehabilitation is rarely examined

Administrative officers rarely determine that a person's capacity to do other work may be greater after rehabilitation. Only 39 percent of those who pass Step 5 – i.e., assessed as unable to do other work, at least without obtaining rehabilitation first – are given such an assessment, although the regulations state that they always should.

¹ Formerly the early retirement pension

The assessment is performed at a late stage

The capacity of unemployed people to do other work shall always be assessed. It goes without saying that the Social Insurance Agency must receive an application and doctor's certificate before actually starting the assessment. Thus, the assessment cannot be performed on the first day. But our audit shows that it takes an average of six months before the work capacity of unemployed people who have been sick-listed for at least 90 days is assessed in the entire labour market. While there was no rule in 2007 for when the assessment was to be performed, the Swedish NAO regards six months as an unreasonably long time.

It takes 18 months before (if ever) the work capacity of employees and self-employed people who have been sick-listed for at least 90 days is assessed in the entire labour market. The Swedish NAO has found that assessments in 2007 were generally performed much later than the deadline specified by the rehabilitation chain.

Differences among assessments are not analysed

The audit shows differences with respect to the likelihood that a person's capacity to do other work will be assessed, the results of the assessment and how long it takes to begin the assessment. The differences vary according to age, gender, employment, local government category and diagnostic category. On the basis of the sickness data to which we have access, we have been unable to identify reasonable explanations for some of the differences.

Not every difference necessarily reflects unequal treatment. But the audit demonstrates that the Social Insurance Agency does not adequately investigate the differences. Given the possibility that equal treatment criteria are not being met, the Swedish NAO views that as a deficiency. Conceivable causes of unequal treatment need to be investigated. If different categories of people are subject to varying demands when it comes to returning to the labour market, the Social Insurance Agency may be setting priorities for which the regulations do not provide scope.

Structural deficiencies

Case management system obstructs application of the step model

The Social Insurance Agency is responsible for maintaining a user-friendly IT system from which data associated with work capacity assessments may be obtained.

The case management system used by the agency's administrative officers does not show how far a particular case has progressed in the step model. Only by looking in the file can such data be obtained. Nor are there any options for seeing aggregate data about work capacity assessments.

The conflicting roles of doctors

The Social Insurance Agency can more easily assess a person's work capacity in the entire labour market if it has access to medical data that include an assessment of the person's capacity to do other work. Because the work

capacity of unemployed people is always to be assessed in the entire labour market, such data about them must always be available. Such data from the attending physician are available for 38 percent of all sick-listed people.

The Social Insurance Agency's survey found that many doctors have trouble combining their attending physician and sick-listing roles. Seventy percent of doctors find it difficult to assess work capacity. The survey also showed that it is hard for administrative officers to obtain doctor's certificates or assess their accuracy.

Interviews with Social Insurance Agency administrative officers and a study of the files show that the officers have to devote a great deal of time to obtaining doctor's certificates. The interviews also confirm that doctors are on the side of their patients. All in all, there are indications that the role of doctors may need to change so as to avoid inadequate certificates and minimize waste of time.

The government knows too little about return to the labour market and work capacity assessments

The government has called attention to the issue of return to the labour market and issued a number of directives, some of which to the Social Insurance Agency. In that sense, there are no grounds for criticizing the government's efforts. But the Swedish NAO has found that the government has not requested or received any feedback concerning the general application of the step model. Thus, the government has not obtained an overview of the situation.

Effects of the rehabilitation chain

The Swedish NAO has audited work capacity assessments in relation to the step model, which was replaced by a rehabilitation chain on 1 July 2008. The most important difference for employees and self-employed people is that the assessment of their work capacity in the entire labour market is to be performed within a specified period of time, no later than day 181. In the opinion of the Swedish NAO, discussing the rehabilitation chain in view of the audit results is wholly possible.

Because the rehabilitation chain includes deadlines, administrative officers are likely to perform their work capacity assessments earlier. Given that the assessments are to be performed with more types of activities – including labour market policy measures – in mind, more sick-listed people will probably be assessed as having the capacity to work.

Sick-listing that involves activity – such as cooperation that includes employers and action plans, as well as work capacity assessments – tends to end earlier than other sick-listing. But additional activity is insufficient to ensure that the rehabilitation chain will succeed better. The Social Insurance Agency also needs earlier access than that which the step model offers to data that include an assessment of the person's capacity to do other work. The audit shows that it often takes a long time to obtain such data. However, the rehabilitation chain has not provided the agency with new sanction options or changed the requirements to which case management is subject.

The audit demonstrates a gap between the situation as it was in 2007 and how the rehabilitation chain is intended to work. It took an average of 18 months in 2007 before the work capacity of employees who had been sick-listed for at least 90 days was assessed in the entire labour market. As of 1 July 2008, such an assessment is to be performed after 6 months. The question is whether the incentives provided by the rehabilitation chain are sufficiently different from the step model to generate the intended degree of change. The question remains open even after other reforms and regulatory amendments have been implemented.

Two scenarios are conceivable unless additional changes are carried out. The first scenario is that, in order to meet the deadlines, Social Insurance Agency administrative officers will make sickness benefit decisions based on less reliable data. The agency relies on other players, and it is doubtful whether doctors, employment officers, employers, etc., will be able to respond to its requests much faster than is currently the case.

The second scenario is that the Social Insurance Agency will comply with inquiry requirements and obtain sufficient data before making decisions. That would entail the risk that many sick-listed people will request and obtain extended sickness benefit past the 365-day limit normally specified by the rehabilitation chain.

In addition to rehabilitation, another change is that the opportunity for temporary sickness and activity compensation has been eliminated. People diagnosed with mental illness and those in the 35-54 age groups are most likely to receive sickness compensation. Whether they will meet the criteria for permanently reduced work capacity or find themselves without compensation remains unclear.

Recommendations

In the view of the Swedish NAO, the Social Insurance Agency has not ensured that its case management fulfils the requirement of assessing a person's work capacity in the entire labour market. Thus, the Swedish NAO is issuing the following recommendations to the agency:

- Ensure that an examination of a sick-listed person's work capacity in the entire labour market is always performed.
- Ensure that an examination of a sick-listed person's rehabilitation options for the purpose of increasing their work capacity is always performed.
- More systematically analyse variations in assessments of people's capacity for other work and remedy differences not supported by the regulations.
- Update the case management system so that useful data related to work capacity assessments may be readily obtained.

Considering the emphasis that the government has placed on returning people to the labour market, it should be better acquainted with the Social Insurance Agency's assessments of their capacity to do other work. The Swedish NAO is issuing the following recommendation to the government:

- Monitor the rehabilitation chain with respect to work capacity assessments. The greatest focus should be on groups of people who run the highest risk of finding themselves without sickness compensation.

There are indications that the dual role of doctors in treating patients and assessing their work capacity for sickness insurance purposes creates problems. The Swedish NAO is issuing the following recommendation to the government:

- Review the possibility of separating the task of doctors to assess a person's capacity to do other work from their responsibility to treat illness.