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Reform of social security institutions – merger – financial situation

Performance audit

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FULL REPORT (DE)

PRESS RELEASE (DE)

What we audited and why

From September 2021 to February 2022, we carried out an audit of the merger of social security institutions, covering the period 2018 to 2021. In December 2018, the Social Insurance Organisation Act reduced the number of social security institutions from 21 to 5. This was partly achieved by merging multiple bodies into three new institutions: the Austrian Health Insurance Fund (ÖGK), a public employees, railways and mining insurance authority (BVAEB) and a social security authority for the self-employed (SVS). The reform aimed to harmonise benefit levels within each social security institution and reduce administrative costs.

We assessed the intended reduction in administrative costs, the degree of progress made towards the harmonisation of benefits, and the state of structural integration. We also looked at the financial situation of the three institutions born of a merger (ÖGK, BVAEB and SVS) and that of the Pension Insurance Authority and the Austrian Workers' Compensation Board (PVA and AUVA), with particular regard to the impacts of the COVID-19 pandemic.

What we found

The assumption underlying the ex-ante impact assessment of the Social Insurance Organisation Act was that administrative spending on staff and overheads would decrease with the reform by 30 % between 2020 and the end of 2023, resulting in savings of around €1 billion. No saving targets were set for the newly created social security institutions (e.g. by statutory provisions).

Our assessment of the wider sharing of risk and the objective of increasing the capacity of social security institutions and exploiting synergies was broadly positive.

The plan to save €1 billion was not sufficiently justified to form the basis for the management of the social insurance institutions. We found that when political objectives and professional assessments of the consequences of a planned measure differed, the Ministry of Social Affairs had not developed other measures to achieve the objectives or adapted the objectives.

The progress of integration varied by subject area and institution. The merger process was not yet complete at the time of the audit. The ÖGK had taken steps to harmonise the benefits available to insured persons (statutes, coverage rules, contracts with national organisations). This is supposed to lead to an increase of €55 million in annual benefits. However, a single unified national health contract had not yet been concluded as planned, and nothing was yet foreseen.

The Social Insurance Organisation Act did not set up control bodies for social security institutions or the umbrella authority. The audit criteria as of January 2020 were less strict than those set for audit boards, which were abolished in 2019, and also differed from those applied to companies.

We considered it appropriate to set clear objectives, particularly with regard to any savings and the next steps to be taken, as well as a comprehensible recording of costs and benefits.

What we concluded

In view of the discrepancy between the actual development of administrative expenses and the forecasts in accordance with the Social Insurance Organisation Act, new, realistic targets should be set together with the umbrella organisation of social insurance institutions and measures should be taken to ensure that the targets are achieved.

As per the Social Insurance Organisation Act, there must be a full and uniform recording on the spending on the merger, integration and optimisation process so that the data can be used as a basis for economic rationalisation.

If there is no agreement during the negotiations on a single unified national health contract there should be legislative changes and legal framework should be revised (including what concerns delegation of the parties negotiating and contracting for, respectively, medical practitioners and the ÖGK).

Efforts should be made to ensure that a regulation on the secondment of insurance representatives to the administrative bodies of the BVAEB is issued in the near future.

Legal clarification should be obtained regarding the transfer of reserves for accident insurance for the self-employed from the AUVA (the largest accident insurance provider) to the SVS.

The statutory system of target management for social insurance institutions should be implemented; this should also include the objectives of the structural reform of the administrative costs of social insurance.

We also recommended that in appointment procedures, the necessary documents to document the main reasons for decisions should be comprehensibly documented and retained.