

SUMMARY OF REPORT 2017:10

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## Efficiency in Case Handling by the Swedish Social Insurance Agency

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Swedish Social Insurance Inspectorate

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# Summary

## Efficiency in Case Handling by the Swedish Social Insurance Agency

The Swedish Social Insurance Inspectorate (Inspektionen för socialförsäkringen, ISF) is an independent supervisory agency for the Swedish social insurance system. The objectives of the agency are to strengthen compliance with legislation and other statutes, and to improve the efficiency of the social insurance system through system supervision and efficiency analysis and evaluation.

The ISF's work is mainly conducted on a project basis and is commissioned by the Government or initiated autonomously by the agency. This report has been initiated by the agency.

### *Background*

Försäkringskassan, the Swedish Social Insurance Agency, administers large sections of Swedish social insurance and is the government agency responsible for the largest portion of State disbursements of compensation to private individuals. Försäkringskassan has over 8.4 billion SEK in administrative grants for this, and has nearly 14,000 employees. With these costs and this size, and with its central role for the social security system, it is of great importance that its operations are conducted efficiently.

Effective administration includes using its administration funds so that they are of the greatest possible benefit, and constantly striving to utilize opportunities for improvement. Previous studies of the administrative efficiency of other Swedish government agencies have shown varying degrees of potential for improvement in this regard, but in general it can be said that these studied agencies showed inefficiency in the range of 7 to 15 percent.

### *Objectives and methods*

The basic aim of this report is to study whether Försäkringskassan uses its resources efficiently in its case management or if there is a potential to improve efficiency.

The second aim of this report is to assess if the chosen method is suitable for future studies of the administrative efficiency in Försäkringskassan's case handling.

In this report the efficiency in local Försäkringskassan insurance centres (LFC in Swedish) from 2010 to 2013 is reviewed. Apart from the fact that they made up an essential part of Försäkringskassan's exercise of public authority, the choice of studying LFCs is due to the fact that these offices largely had similar working tasks with regards to the benefits being administered, had the same task of conducting activities, and were distributed across the country.

A total of 44 LFCs were included in the analyses. The case management covered by the study is the management of the following benefits: assistance benefit, care allowance for disabled children, disability allowance, sickness benefit, sickness compensation and disability pension for young adults.

The method used to calculate efficiency is known as the DEA model. It calculates the relative efficiency of the LFC offices. Accordingly, no conclusions about absolute – or theoretically possible – resource efficiency can be drawn based on this review; the LFCs that succeed best among those studied are those that the other LFCs are compared with. The model considers all the resources the LFCs had at their disposal and places them in relation to how much each LFC managed to produce in the form of decisions and other activities.

### *Findings*

The efficiency results for the LFC organization do not deviate markedly from other DEA studies of efficiency in public administration. With a relative inefficiency of almost 10 percent from 2010 to 2013, the potential for improvement is neither higher nor lower than other activities studied.

The potential for improvement, however, is not equally distributed among the LFC offices. Many LFCs were, relative to other LFCs, effective or only marginally ineffective, during the period studied. For the remaining LFCs, however, the review shows that there was significant potential for improvement. In some cases the potential for improvement was 25–40 percent. The distribution of inefficiency among the offices emphasizes the fact that efforts to increase efficiency does not necessarily need to be carried out for the entire organization, but should rather be based on the conditions and shortcomings of each individual office.

The results indicate that inefficiency can be explained to some degree by the size of the offices. A majority of the offices were either too large or too small in relation to the efficient offices they were compared with in the analysis. At the same time, however, the gains in efficiency that could have been achieved through changing the size of the offices can only explain around a third of the total differences in inefficiency.

The report also includes tests of whether the differences in efficiency could be due to the composition of the insured, or whether the situation in the individual LFCs could explain the differences in efficiency. However no such relations were found.

The quality in the case handling process has not been measured and is therefore not included in the analyses. No conclusions can therefore be drawn about how possible differences in the level of quality between different LFCs relate to the differences in efficiency.

It has been difficult to find data that reliably describes certain parts of the work carried out at the LFCs. Each new step in the review generated new questions regarding data quality. The exact results must therefore be interpreted with a certain level of caution. However, many sensitivity analyses with alternative model specifications has been conducted and these sensitivity analyses indicate that the overall results of the review are robust, since both the measured potential for improvement and the internal ranking of the LFC offices are relatively stable across the various model specifications.

### *Conclusions*

The results indicate that it is possible to increase the administrative efficiency in Försäkringskassan's case handling without supplying extra resources. The review is based on data from a period when Försäkringskassan had a different organization than today, but the conclusions and lessons drawn are still relevant, since in many respects the benefits being managed – and the management itself – are still the same.

The review also shows that, in order to conduct reviews like this one where different parts of the organization are compared, it is important for Försäkringskassan to have the necessary data describing the case handling process available.

In itself, the fact that the activities – like other public administration – show inefficiencies is not surprising. A more relevant question is if the organization is trying to identify such inefficiencies and, if such are found, working to reduce these. This is why the ISF finds that the method used could very well be used by Försäkringskassan in its constant work on improving efficiency in its operations. It is the opinion of the ISF that this opportunity to create a balanced measurement that take both resources and work efforts into consideration provides a truer image of efficiency at the office level than simple follow-up indicators. This will make it possible for Försäkringskassan to analyse with greater precision and reliability where there is potential for improvement in the organization, and thereby better utilize their resources for continuous work with efficiency improvements.

However, this imposes two overarching requirements on administration. If Försäkringskassan wants to make use of the full potential of the method, efforts to improve the quality and reliability of the data generated are required. If the data had been more reliable, this review – for example – could have been even more elaborate (e.g. regarding the development of the productivity of the LFCs over time).

The DEA method also presupposes comparable units. Since Försäkringskassan operations are largely the same now as during the period studied, there should – with sufficiently detailed and reliable data – be the potential to find comparable units in today's organization as well.

### *Recommendations*

Based on the results in this report, the ISF recommends Försäkringskassan to use the DEA-method in order to identify potential for improvement in the organization. The ISF also recommends Försäkringskassan to make sure that sufficient and reliable data are available, so that comparative analyses between different parts of the organization, such as the one in this report, can be conducted. An important part of the work will then also be to find explanations to the differences in efficiency.