

COUR DES COMPTES

**THE SOCIAL SECURITY
SYSTEM**

SYNTHESIS

This document is a synthesis intended to make the Report of the Court easier to read and comment on. Only the wording of the report itself has legal force.

September 2001

“Each year, the *Cour des Comptes* (French Court of Audit) shall draw up a report on the application of the social security financing acts. This report shall also present an analysis of all the accounts of the social security bodies subject to audit by it and shall draw up a synthesis of the reports and opinions issued by the audit institutions under its supervision. Said report shall be delivered to Parliament as soon as it is drawn up by the *Cour des Comptes*. Any replies to the observations formulated by the *Cour des Comptes* shall be appended to the report” (Article LO 132-3 of the Financial Court Code).

The present report meets this legal obligation: it is the fourth such report to be drawn up, although, following the act of 25 July 1994, the Court had previously drawn up three reports on the social security system with similar objectives. The aim of this report, like that of its predecessors, is to provide Parliament with information and analyses liable to enlighten the debates on the social security system and to formulate recommendations for submission to the government and the social security bodies*.

The report has four parts:

- Part 1 examines in depth the application of the 2000 Social Security Financing Act and the accounts of the social security system for the same year. It looks in turn at resources, expenditure, balances and the manner in which they are financed as well as the quality of the tools - studies and accounts – on which these diagnoses are based.
- Part 2 discusses a major topic, which this year is social security financing and the financial relations between the social security system and the State. The main subjects dealt with are: the changes in the structure of receipts and the consequences of these changes, especially the increases in taxes (in particular the CSG¹); the complex financial relations between the social security system and the State as a public authority, with in particular an analysis of the place of tax expenditures in social policy; and lastly the collection of receipts, with more particularly questions relating to the role of

* For a description of the scope and the main characteristics of the social security system, see the introduction to the September 2000 report of the Court on social security financing.

¹ Universal Social Security Contribution

the Central Agency for Social Security Bodies² (ACOSS) in the collection branch.

- Part 3 is, as usual, dedicated to risk management and to social security body administration. The topics examined under risk management are sickness insurance and retirement pensions for self-employed non-agricultural occupations, the terms of implementation of universal sickness insurance cover (the CMU), and means-tested family benefits; those discussed under social security body administration are the signing of procurement contracts in the core bodies and the operation of the regional sickness insurance funds (CRAMs);
- Finally, Part 4 summarises the activity of the CORECs and CODECs (regional and departmental audit committees for social security body accounts).

By way of introduction, the report looks at the actions taken to follow up some of the recommendations issued by the Court over the last few years. In view of the main topic of the report, these recommendations are concerned with two subjects: collection of social security contributions and management of the ACOSS.

The Court has issued recommendations on all topics examined in the report. The list of contents of the report and the text of the 107 recommendations are appended to this synthesis.



This synthesis groups the overall conclusions of the report under five major headings. Some concur with, and reinforce or supplement, the observations formulated by the Court in previous years; others are new and derive from the subjects examined in detail this year.

Accounts

The first conclusion again relates to the **accounts**. The reform aiming to obtain more reliable accounts, and established entitlement accounts, more quickly is well under way but needs to be completed as rapidly as possible. The Social Security Financing Act and the

² Agence centrale des organismes de sécurité sociale

presentation of the consolidated accounts must show all public contributions and taxes allocated to the payment of benefits and exemptions from contributions using the same nomenclature as that used in the document on relations between the State and the social security system appended to the initial Finance Act. The Court recommends the production of an appendix common to both acts.

This is the first priority, to which the Court again very vigorously draws attention. In the current situation, it is still not possible to make a reliable diagnosis of the state of the accounts. The different parties involved, the core bodies, the national funds and the public authorities, therefore need to regard application of the recommendations of the MIRCOSS (Interministerial Committee on the Reform of the Accounting of Social Security Bodies) as a very high priority. In particular, the 2001 accounts need to be properly established as established entitlement accounts, as planned, **paying particular attention to the estimation of provisions.**

The lack of clarity of the accounts does not alter the fact that the general scheme, which was in balance last year, is now **in surplus in terms of receipts and expenditure** for the first time in eleven years. This improvement is basically the result of the good employment situation.

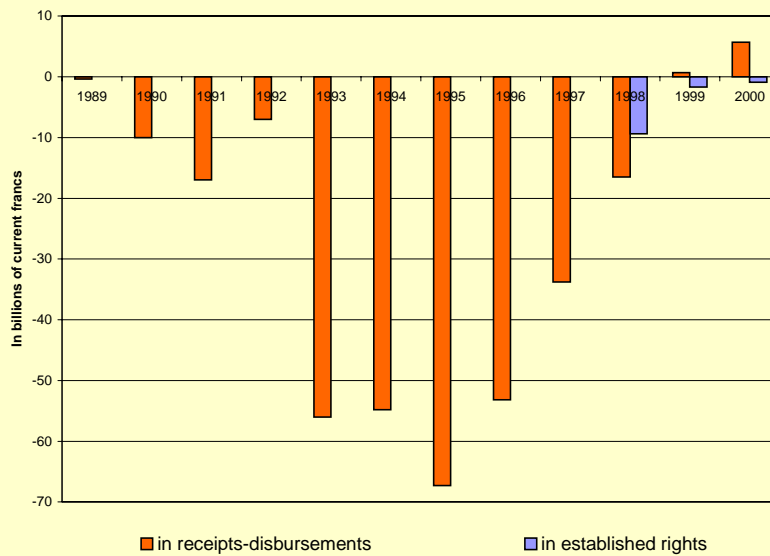
As a result of the employment situation, the resources of **all** the basic schemes (a wider grouping than the general scheme) came to FRF 1,886.3 billion (€87.6 billion) in 2000, with a 4.3% increase on 1999. For their part, the expenditure of the schemes affected by the Act (those with over 20,000 contributors or dependants of contributors) amounted to FRF 1,865.9 billion (€84.5 billion), with a moderate increase for family benefits (+ 1.3%), old age (+2.3%), industrial accidents and occupational illnesses (+0.6%), but with a sharp increase for sickness insurance (+6.1%).

This being the case, evaluating the result is fraught with uncertainty. The problems associated with the FOREC (which groups together and finances various exemptions from social welfare charges, in particular those associated with the reduction of working time), in particular the fact that the body responsible for its management has not yet been created, have obscured the significance of the 2000 accounts. Given the government's decision not to have the State cover the FOREC deficit, contrary to the initial choices, the latter must be regarded as conclusively the responsibility of the social security schemes. This decision does not affect the result in terms of receipts and expenditure, as

only the resources effectively received by the social security bodies are recorded in the accounts. On the other hand, the surplus in established entitlements featured in the June 2001 report of the Social Security Accounts Commission³ was obtained only because the inadequacy of resources is treated in the accounts as a receivable from the State. If one considers that it will in fact remain the responsibility of the social security system, the result of the general scheme in established entitlements is **slightly in deficit** in 2000: according to the Court's corrections, it comes to FRF

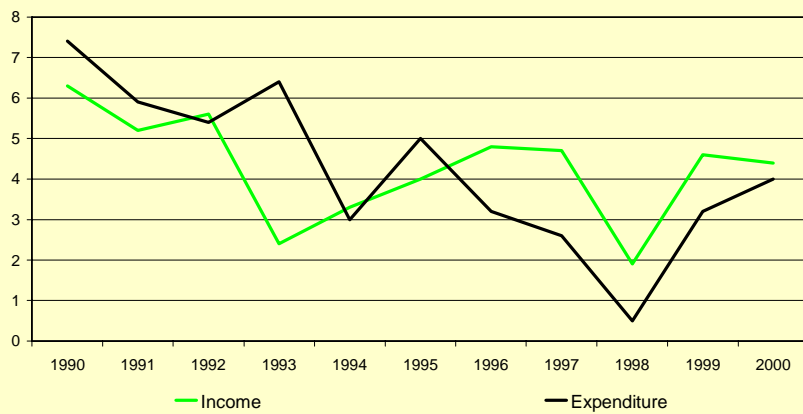
³ *Commission des comptes de la sécurité sociale*

Annual balance of the social security general scheme since 1989



Source : Social Security Accounts Commission . The 1999 and 2000 balances in established rights are corrected from the observations of the Court .

Annual growth in the consolidated income and expenditure of the general scheme since 1990 (%)



Source : Social Security Accounts Commission

Note: The growth in income of the general scheme in 2000 was 4.4% , while expenditure grew by 4%..

-0.9 billion (- €0.1 billion) (see graph above).

Since the last operation to clear the deficits of 1996 and 1997, the results for the 1998-1999-2000 financial years show a cumulated deficit of FRF 10.3 billion (€1.6 billion) in terms of receipts and expenditure and of FRF 12.0 billion (€1.8 billion) in established entitlements, despite the improvement in 1999 and 2000, as the FOREC deficit for 2000 remains the responsibility of the general scheme. These results were achieved over three years when economic growth was excellent and pension costs rose only slightly, in particular for demographic reasons. The equilibrium of the accounts clearly needs to be strengthened.

Production of an assessment of the general scheme and a statement of the variations in its liquidity would make a useful contribution to clarifying the debate on the evaluation of the results.

This clarification also needs to give a better understanding of the various legitimate approaches that can be used to appreciate the social security deficit or surplus: that of the accounts of the social security system, that of the Nation's accounts and that of the social protection account. The Court recommends that tables allowing a comparison of the three balances shown in each of these sets of accounts be drawn up and published.

Financing

Over the last twenty years, the way in which the social security system is financed has become extremely diversified (see graph below). The twofold movement of the rise in public contributions (in particular the CSG) and the reduction in social security contributions has been a positive development. But changes in the sources of financing and their allocation, changes that are never-ending and have no clear justification, make the financing complex, opaque and hard to understand. It is therefore essential **to simplify the financial relations between the State and the social security system by restructuring them** and, once they have been simplified, to stop altering them each year according to financing needs.

The creation of **funds** isolating either expenditures or receipts can contribute to this transparency, but only if their field is clearly defined and if their financing is appropriate to their mission, stable over time and enables them to be in equilibrium. The current funds for the most part fail to meet these conditions and are hence, on the contrary, an additional element of complexity. Moreover, they are too numerous and disparate:

Growth in social security resources* 1980 - 2000

in billions of francs (billions of €) and in %

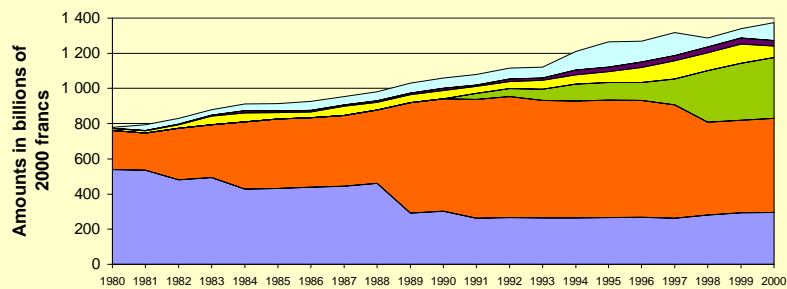
	1980		2000	Annual average growth 1980 to 2000	
	Current francs	2000 francs		in value**	real***
Basic schemes	572.9	1234.6	1993.6	6.4	2.6
including general scheme	361.9	779.9	1373.7	6.9	2.9
Supplementary schemes	63.3	136.5	328.3	8.6	4.5
Old Age Solidarity Fund			93.4		
Total social security	636.2	1 371.1	2415.3	6.9	2.9

* not consolidated, which explains the discrepancies in 2000 with the text of this synthesis and the tables in Section 1 of the Report, for the basic schemes and the general scheme.

** i.e. in current francs.

*** i.e. in constant francs. The estimates in 2000 francs were obtained from the retail price index for household consumption other than tobacco.

Changes in the resources* of the general scheme between 1980 and 2000



- Other (including all resources in the French Overseas Departments)
- Allocated taxes in metropolitan France
- State transfers and zero- and low-interest loans on inc. from capital in met. France (2 % in 1998)
- CSG in metropolitan France
- Contributions with no fixed upper limit in metropolitan France
- Contributions with a fixed upper limit in metropolitan France

* not consolidated

the ‘fund (*fond*)’ name and technique should be reserved solely for entities that have legal status and financial autonomy.

In addition, the Court stresses the need to encourage the introduction of the intended ‘route plan’ for the **Pension Reserve Fund** so that it can play its part when the time comes. The Fund’s financing should be clarified and stabilised (it needs to rise from the current figure of FRF 20 billion (€3.1 billion) to FRF 1,000 billion (€152.5 billion) by 2020) and its financial investment policy determined.

Lastly, there is a striking lack of logic in the methods of payment of the services that the State and the social security system supply to one another in the social domain, in particular in the family benefits branch. When it is done at all, the billing of such services is very variable and without any real foundation. Reorganisation is required, based on **consistent cost accounting principles**.

Collection

The collection bodies, both the general scheme, i.e. the ACOSS and the URSSAFs, and the supplementary schemes and schemes for the self-employed need to further develop **calculation base audits**. Likewise, knowledge and management of exemptions from social welfare contributions needs to be more precise, if only to know the exact debt of the State and of the FOREC as far as the reimbursement of such exemptions is concerned. Moreover, the exemption mechanism is very complex and every effort clearly needs to be made to simplify it. In general terms, the calculation base for social welfare contributions – its scope and its development over time – is not well enough known and not studied in sufficient detail. The Court will return to this question later.

A radical change is required in the **role of the ACOSS** to centralise and aggregate the accounts and to enable production of the information needed to understand and to pilot collection. The autonomy of the URSSAFs is not at variance with the need to improve the accounts and the collection policy by means of such changes. The role of ‘national leader’ played by the Central Agency needs to be strengthened. This will involve adopting the necessary provisions and statutory documents and improving the technical skills of the ACOSS staff.

“Tax expenditures” in the social domain

The report’s analysis of “**tax expenditures**”, i.e. tax exemptions and reliefs, in the social domain is the source of several observations. Their *raison d’être*, their estimation and their direct and indirect impact

are not well enough known and not studied in sufficient detail. This biases any appreciation of our social policy: if various tax exemptions and benefits are aggregated, the policy's scope and its effects (on the various groups of beneficiaries) are very different from what it commonly believed if tax expenditures are ignored. Greater resources should be dedicated to the detailed examination and the dissemination of analyses: this will initially give a better understanding of the situation and make it clearer, and it will subsequently enable public assistance in the social domain to be reorganised, at least in 'blocks', to make it more effective and fairer.

Controlling sickness insurance expenditure

The growth of sickness insurance expenditure in 2000 and the terms of application of the Social Security Financing Act illustrate the enduring difficulty facing the control of health expenditure.

The search for better control could be facilitated in the medium term by undertaking action programmes to complement the existing system:

- a **study and research programme** to investigate and to give a better understanding of the determinants of the health system and the way it affects the overall state of healthcare;
- an effort to **set the Financing Act within the framework of wider public health objectives** that cover several years and provide a better link between healthcare expenditure and actions relating both to hygiene and food behaviour and to prevention policies; this will involve making the content of Article 1 of the Act more precise and effective, at the cost of greater selectivity and stability in the choice and conduct of the priority programmes.

Furthermore, two particular conclusions emerge from the analyses conducted by the Court this year.

First, that the **new method of regulation** introduced by the 2000 Financing Act has not proved itself: firstly, delegation of the management of an out-patient expenditure objective to the CNAMTS, with three reports of balanced accounts during the course of the year, has not produced the expected results and raises fundamental problems; secondly, the other regulatory measures have either not been implemented at all, or inadequately implemented. This inadequacy of the tools to ensure adherence to the objective set by the Act – and this also applies to medicinal products expenditure – became manifest immediately the

unrealistic nature of this objective led the public authorities to retain the probable expenditure for 2000 as the basis of the 2001 objective laid down in the 2001 Social Security Financing Act.

Next, that **the medicinal products policy** must be profoundly modified. The mechanism needs to be more reactive: in particular the service rendered by each product, its price and its efficiency should be examined far more frequently. It is regrettable, moreover, that the public institutions responsible for analysing the therapeutic properties of medicines, measuring the medical service that they render and issuing marketing authorisations are unable to supply the medical profession with the objective information that they assemble when performing their missions. The result is that the task of providing information to prescribers is virtually left to the pharmaceutical industry alone. The State, in liaison with the universities and the sickness insurance system, should develop autonomous expertise in medical science. Lastly, it is essential to improve the terms under which the Transparency Commission operates, since the evaluations and re-evaluations made at this stage largely determine the decisions taken downstream and the growth of reimbursement expenditure.

The implementation of these three priorities – reactivity, dissemination of independent information, operational improvement in the evaluation of the medical service rendered and its improvement by new products – would stop the medicinal products market from being a market in which supply has too great an influence on demand, as is currently the case.

These remarks are all the more important as the increase in the rate at which medicinal products expenditure is growing makes control of this development a decisive element in regulating sickness insurance expenditure in general.

To this must be added the still unsatisfied need to reform the policy of bi-partite agreements between the sickness insurance system and the health professions, established by the Court in its previous report, and the limits that control over hospitalisation expenditure has come up against with in 2000, noted in this report. It therefore appears vital that thought now be given to ways of regulating each of the main items of sickness insurance expenditure.



SUMMARY AND RECOMMENDATIONS OF THE REPORT

Introduction

INTRODUCTION

ACTIONS TAKEN TO FOLLOW UP THE COURT'S PREVIOUS RECOMMENDATIONS

- I - Contributions and collection
- II - ACOSS

Part 1 – Funding and accounts

SECTION I

RESOURCES OF THE SOCIAL SECURITY SYSTEM IN 2000

- I - Payment of exemptions from social welfare contributions
- II - Resources of the schemes
- III - Other provisions of the Financing Act having an effect on the resources of the social security system

Recommendation

Social security contributions covered by the State through public contributions should be shown in the accounts, those covered by the FOREC being treated in the accounts as transfers, and a FOREC

consolidated account with the social security bodies should be established.

SECTION II
SOCIAL SECURITY EXPENDITURE IN 2000

- I - Expenditure objectives
- II - Expenditure by the family benefits branch
- III - Expenditure by the old age branch
- IV - Expenditure by the industrial accident and occupational illness branch
- V - Sickness insurance expenditure
- VI - Budget envelopes of the health establishments
- VII - Expenditure on out-patient medication

Appendix: Measures relating to the medicinal products policy

Recommendations

VI

An assessment should be made of the use of the FRF 2,000 million (304.9 € million) allocation granted in the State budget for 2000 to finance the replacement of absent hospital personnel: number of new staff employed, terms of recruitment.

A budget allocation should be made to fund replacement personnel in 2001, failing which this expenditure will be a sickness insurance responsibility under conditions not provided for in the 2001 Social Security Financing Act.

Expenditure on replacement personnel should be included in controlled hospital expenditure and the national sickness insurance expenditure objective (ONDAM), as the Court already requested in 2000.

Assessment of allocations for specific purposes should be introduced, while limiting the number of regional budgets affected.

An assessment should be made of the value of the multiyear commitments made by the regional hospitalisation agencies (ARHs) in the objective and resources agreements signed with public and private institutions.

VII

Initial and continuing training on prescribing, and objective information, should be developed. In particular, the opinions of the MA Commission and the Transparency Commission and the transparency sheets should be published, at the latest at the same time as the decision on acceptance for reimbursement. In addition, the drawing up of “good practice recommendations” on the prescription of medicinal products and the dissemination of such recommendations to prescribers require further development.

More room should be allowed in financial regulation for price variations, rather than for a system of end-of-year rebates. Prices should be re-examined frequently and at regular intervals, according to the arrival of new molecules, the widening of indications and the increase in the volumes sold.

Particular thought should be given to the more expensive medicinal products and classes.

It should focus on their efficiency, i.e. on the relationship between their cost and their efficacy, as the re-evaluation of the Medical Service Rendered (SMR) in reality focused only on the efficacy aspect and therefore did not extend to these usually innovative products; the discussion should be in public health terms. It should also allow price adjustments in accordance with market growth, which is these days much faster, in a sufficiently reactive manner.

Two measures should be added to the mechanism giving preference to the use of generic medicines, as announced by the Minister of Employment and Solidarity on 11 June 2001:

- a monthly update of the generic medicines list, on which the right of substitution is based, and its immediate publication;

- an amendment to Article R.5000 of the Public Health Code to authorise prescription by international non-proprietary name (INN).

Lessons should be learnt from the re-evaluation exercise:

- the SMR medical products re-evaluation exercise should be followed up effectively, beyond the limited measures already taken;

- the periodical reassessment, by class or category, of medical products with the same therapeutic purpose should be made mandatory.

The working conditions and the quality of the work done by the different commissions involved in the regulation of medicinal products should be improved:

- the steps already taken to encourage the independence of the experts involved on behalf of both commissions should be complemented;

- the resources of the Transparency Commission should be reviewed, so that they are proportionate to the central role it plays and in particular to its role in continuously re-evaluating medicinal products by therapeutic class;

- a set of internal regulations for this commission should be drawn up and published;

- intervention by the MA Commission well upstream of MA application should be introduced to help define the studies and trials to be conducted.

- the periodical post-MA evaluation of medicinal products in the light of their real conditions of use should be introduced.

SECTION III

BALANCES AND THEIR FINANCING IN 2000

I - Overall balances of the accounts

Box: Financial balance of the social security administrations and the social welfare contributions in the national accounts

II - Measures relating to the debt and the cash advance ceilings in the Financing Act

III - Transfers between social security schemes

Recommendations

The forecasts of the 2002 Social Security Financing Act should be presented exclusively in established entitlements, and the corresponding data for 2000 and 2001 supplied.

Account should be taken of the final decisions relating to the FOREC in the established entitlement accounts.

The national funds should speed up abandonment of the presentation of their accounts in terms of receipts and expenditure. Such a presentation ceased to be of economic significance once the changeover to established entitlements accounting became effective as from 1997-1998, although major progress still remains to be made in the calculation of deferred income, accrued expenses and provisions for expenditure.

The generalisation of the single codification of accounts to all general scheme funds from 1 January 2002 can thus be turned to account to speed up the abandonment of this presentation.

As the 2002 Social Security Financing Act will need to be presented in established entitlements, the Social Security Accounts Commission will present its comments exclusively in terms of established entitlements as from the financial year 2002.

A uniform approach should be maintained between the national funds and the government in defining the net result.

Definitions should rapidly be established for the mechanisms and procedures by which the consolidated accounts of the general scheme will in future be prepared and for the authority supervising them and responsible for making them up.

With this in mind, further thought will need to be given both between the parties concerned and with Parliament to define the objectives aimed at, to establish their legal framework and to provide for the conditions of achievement. The Court will then be able to assess the general scheme accounts under the best conditions.

SECTION IV

STATE OF ACCOUNTS AND ANALYSES

- I - Consequences of the recommendations of the Interministerial Mission for the reform of the accounting of the social security bodies
- II - Implementation of the new accounting rules: their current scope and limits
- III - Social security results in the accounts of the social security system, in the national accounts and in the social protection account.

- IV - Studies and research in the sickness insurance field

Recommendations

I

Two structures should be set up without delay: a permanent accounting mission and the High Council for Social Security Body Accounting.

The necessary thought should be given, in both of the preceding structures, on how to harmonise the accounting procedures of all bodies in the social protection field, as the MIRCOSS has recommended.

The tools enabling sub-annual accounts to be drawn up need to be available as from 2002.

III

In addition to the current balance of the social protection account, there should be a balance describing a capability or a financing need.

The methods used in the administrations - the National Public Accounts Directorate and the Social Security Directorate – to assess and to arbitrate between differing sources should be standardised, so that the accounts produced by the State bodies are identical when they deal with the same field and refer to the same concept.

Tables allowing comparison of the three balances should be drawn up, both before and after the two preceding recommendations are complied with. They should be published in the report of the Social Security Accounts Commission, in the nation's accounts and as an appendix to the Social Security Financing Bill.

IV

A precise account should be made of the study and research effort in the sickness insurance field.

There should be greater co-operation between the public statistics, study and research bodies, whether for their own activity or in their relations with the academic teams carrying out research on the socio-economics of health and of sickness insurance, particularly in the form of joint calls for tenders.

Improvement of the terms under which researchers can access the statistical and administrative databases is required, in particular as far as the SNIIRAM implemented by the CNAMTS is concerned.

There should be a clearer link between surveys of a sociological nature that are made from time to time and the representative statistical surveys of the entire population or of health professionals. Longitudinal analyses based on the follow-up of cohorts of patients and professionals should be introduced.

In the analysis of effective therapeutics, there should be better coverage of the most important pathologies, examining the behaviour of health professionals and patients in greater depth; a synthesis of this work needs to be made and related to the overall growth of sickness insurance expenditure.

Development is required in micro-economic studies at hospital level, particularly with regard to the variability of treatment practices and the resultant costs.

The experiments currently in progress in the sickness insurance field should be evaluated and others initiated.

Part 2 – Social security financing

SECTION V

THE SYSTEM OF SOCIAL SECURITY RESOURCES

- I - Overall growth of resources: overall panorama 1980-2000
- II - Appropriateness of resources to the type of expenditure
Appendix: Classification of the different expenditures of the general scheme in existence in 1980 and 2000
- III - Effectiveness of the taxes allocated to sickness insurance

Recommendations

III

The cost of road accidents to the sickness insurance system should be examined at regular intervals so that the contribution rate applicable to car insurance premiums can if necessary be adjusted.

Assessments of the effects of the policies on the pricing and taxation of alcoholic beverages and tobacco should be developed, as should studies of the cost of the pathologies generated by the consumption of these products.

The ACOSS should be required to reinforce its audits on the collection of the taxes on pharmaceutical laboratories and insurance companies, as laid down in its objective and management convention with the State.

SECTION VI

**FINANCIAL RELATIONS BETWEEN THE STATE AND THE
SOCIAL SECURITY SYSTEM**

- I - General framework
- II - Cash flow and state of debts between the State and the social welfare schemes
- III - Funds established in the social security sphere
- IV - CADES
- V - Billing of management costs between the State and the social security system

Appendix: Management costs at 1 January 2001

Recommendations

I

The appendices of the Finance Bill and the Social Security Financing Bill should contain a single table outlining the State's social commitments, the resultant net charges to the budget and the budgetary

and tax revenue allocated to the social welfare schemes, in results for the financial year that has ended and in forecasts for the current and the coming financial year.

II

The debt owed by the State to the ACOSS with regard to the mechanism for the gradual reduction of social welfare charges on low salaries for industries in the textile-clothing-leather-footwear sector should be cleared.

It should be ensured that the State's payments by way of reimbursement of benefits or exempted contributions are made more regularly over the course of the year and that the outstanding receivable from the State with regard to the RMI is significantly reduced.

Future amendments to the financial agreement between the State and the ACOSS should include payment by the State of the expenditure covering the first fifty wage-earners for businesses in urban free zones, and of the exemptions in the overseas departments.

III

The name 'fund (fond)' should be restricted to entities with legal status or financial autonomy.

IV

A better understanding and better auditing of the CRDS calculation base and CRDS collection are required, both on the ACOSS side and on that of the tax authorities.

There should be no further alterations to the CADES system (the Fund's existence and length of life, the CRDS calculation base, etc.)

The appropriate lessons should be learnt from the way auditing was organised in the CADES:

- for internal and external audits of the social security bodies;*
- for organising the audit of the investment activities of the social security funds for self-employed non-agricultural occupations.*

V

For the State

The tools for measuring the management cost of the different tax components should be extended to the taxes transferred to the social protection bodies so that the costs of the latter can be evaluated more precisely and regularly.

The modalities for setting the calculation and collection costs should be reviewed, on the basis of the real costs accrued.

A consistent policy should be adopted with regard to responsibility for costs effectively borne by social protection bodies for the management of State-financed solidarity benefits.

For the CNAF⁴

A cost accounting system should be introduced so that billing can be established at real cost.

SECTION VII

“TAX EXPENDITURES” AND SOCIAL POLICIES

- I - Issues arising from tax expenditures
- II - Incidence of tax expenditures on social security benefits

Recommendation

The sustained development of observation tools, evaluations, studies and publications on all forms of tax expenditure, old and new should be pursued – particularly those in the social policy field so that their direct and indirect effects can be measured, both expenditure by expenditure and in overall terms, and made known.

SECTION VIII

COLLECTION

- I - Collection, and audit of the calculation base in the different schemes
- II - Efficiency of collection of social contributions: comparison with that of the VAT collection
- III - Introduction of the RACINE system in the URSSAFs

⁴ National Family Benefits Authority

- IV - Management of exemptions from social security contributions linked to employment policy
- V - Conclusion: the role of the ACOSS

Recommendations

I

A calculation base audit strategy should be defined and implemented in the collection branch to work out the most effective audit actions.

A single tax return for the self-employed, for return to the tax authorities, should be implemented in the near future.

The necessary legal steps should be taken to reinforce co-operation between the different bodies involved in social protection of the self-employed.

These different bodies should together study the problems encountered in the development of electronic payment.

The possibility of making direct debiting mandatory for the self-employed should be studied.

The appropriate lessons should be learnt from the single bailiff experiments in progress.

The CNRACL and the IRCANTEC should make more systematic use of the legal remedies available to public bodies against debtor organisations.

II

For the State

The move to make the legal prerogatives of the URSSAFs and the tax authorities more alike should continue, in particular by extending to the collection bodies the possibility of making use of third party seizure.

The possibility of giving URSSAFs a right to communicate with third parties should be examined.

For the ACOSS

The effectiveness of the procedures for out-of-court and forced collection should be assessed.

A common collection information and monitoring system for all URSSAFs should be constructed, with the ACOSS able to aggregate its results for the entire branch. The standard of collection could then be measured in real time, by means of appropriate indicators, both for each URSSAF and for the entire branch.

Extension of the procedures for checking the documentary evidence (on URSSAF premises) should be added to the audit priorities as part of the objective and management convention project currently being drawn up.

III

The consequences of the RACINE system should be integrated in the each URSSAF's internal audit plan, particularly with regard to the respective competences of the director's services and those of the accountant; this development should be run and assessed nationally so that it is more clear-cut and consistent between the different URSSAFs.

Tools should be developed to enable each URSSAF to monitor and check the validity of the breakdown; the ACOSS should encourage exchanges of existing tools or tool projects and organise their mutual development and use.

On the inspiration of the few existing experiments, expert units competent for both accounting and collection should be set up in each URSSAF and run on a national basis.

IV

The returns of salaried staff affected by exemptions should be checked, to improve their standard.

URSSAF checks on exemptions declared by businesses should be enhanced.

An effort should be made to find less complex methods of return than the current form and its type codes.

For the ACOSS

The diversity of the URSSAF procedures for managing exemptions should be examined with a view to reducing unjustified disparities.

V

The RESEDA system should be evaluated to ensure that it meets the imperatives of ACOSS direct collection monitoring.

The State and the national funds should be required to provide the ACOSS with all the information required to centralise the accounting data and enter them in the accounts in the form of established entitlements.

The establishment of a collection branch account should be envisaged, with the necessary legislative changes. The ACOSS's powers to control and supervise accounting operations should at the same time be reinforced.

**Part 3 – Risk management and social security body
administration**

SECTION IX

RISK MANAGEMENT

- I - Means-tested family benefits
- II - Introduction of universal sickness insurance cover
- III - Retirement pension solidarity: the Reserve Fund
- IV - Health and social policy of the Agricultural Mutual Fund (MSA)

Recommendations

I

Thought should be given to indexation policies, in particular means-tested benefits (their value and their ceiling) and especially housing benefits.

The “core resources” should be renovated, taking particular care to be more neutral about the different categories of income.

The social and tax mechanism of day care allowances for young children should be revised to level out the debt service ratios to a greater extent and to increase the benefit’s visibility.

The amount of the family support allowance and the conditions under which it is granted should be re-examined, in particular in relation to alimony.

Greater account should be taken of differences in family expenditure, particularly in relation to place of residence.

II

An effort should be made to find a better definition of the means test reference period, taking all costs and benefits into account.

A solution should be found to the problem of beneficiaries’ rights being reviewed as a result of transfer from departmental medical aid.

The discrepancies between the projected and the real numbers of beneficiaries of the CMU and the supplementary CMU require explanation. Their impact on the health and social objectives of the Act should be evaluated.

The pertinence of the ceilings of the basket of care, in particular dental care, should be examined in the light of consumption and its linkage to the prior approval procedure.

The terms under which supplementary insurance organisations participate should be reconsidered.

The reality and the extent of refusal of treatment should be investigated.

The reality of the income-related threshold effect should be studied and the impact of the measures laid down in the Act to attenuate this effect should be evaluated.

III

The rules and practices governing Reserve Fund resources and expenditure should be decided on and stabilised.

The Fund's financial investment policy should be determined, taking into account the acceptable level of risk.

Thought should be given to the implementation of the most appropriate "generalised compensation over time" to preserve the equitable use of the Reserve Fund for retirement pensions.

IV

Better knowledge of the characteristics and needs of those covered by the funds is required so that there is a better appreciation of the necessary financial needs.

Inequalities between departments in relation to day care for young children should be reduced, either by completing the extension of the benefit paid by the MSA funds to the national plan or by having the MSA funds participate in the CNAF child welfare contracts.

No further assistance should be given to departmental federations of maisons familiales rurales d'éducation et d'orientation and to departmental federations for private agricultural education.

An effective audit should be introduced before subsidies are granted and a subsequent one to monitor their use.

The content of partnerships with the players in the general scheme should be improved. Resources for auditing the service provided and measuring its quality should be pooled with other bodies such as the CAFs, CRAMs or CPAMs. An effort should systematically be made to get departmental councils to participate financially in the tasks performed by the MSA on their behalf.

SECTION X

SCHEMES FOR SELF-EMPLOYED NON-AGRICULTURAL OCCUPATIONS

- I - Sickness insurance for self-employed non-agricultural occupations
- II - Pension schemes for self-employed non-agricultural occupations

Recommendations

I

The management of the scheme should be improved, this will involve:

- examining the possibility of simplifying the system's structures, for instance through grouping together some of the regional mutual insurance funds, particularly the small ones;

- continuing efforts to reduce cost disparities between the CMRs;

- linking the incentive agreement step better to that of the objective and management convention (COG) and the multiyear management agreements, and ceasing to reduce their significance through changes in the terms of application;

- re-examining the staffing of all CANAMs and CMRs, in view of the fall in the number of beneficiaries.

II

Thought should be given to the consequences, for the schemes, of the structural persistence of demographic and financial imbalances (their reciprocal relations, their organisation, their place in relation to the general scheme, etc.)

A normal situation should be arrived at in the overseas departments with regard to the collection of compulsory contributions from artisans and traders. In the new context created by the law of 13 December 2000, both the schemes and the public authorities must take a much firmer attitude, and in particular reinstitute legal actions.

Rapid transformation of the supplementary scheme for traders' spouses into an ordinary supplementary scheme is required.

When the new objective and management convention for the artisans' and traders' schemes is defined, lessons should be learnt from the previous one, so as to avoid some of its most obvious defects, namely setting objectives that are either out of one's reach or too easily achieved.

Hardware and software renewal should be speeded up in order to get out of the current situation. Both computer scientists and accounts managers will require training in the new products.

SECTION XI

ADMINISTRATION OF SOCIAL SECURITY BODIES

I - Procurement contracts signed by the social security bodies

II - Operation of the regional sickness insurance funds

Recommendations

I

It should be ensured that the regulatory changes applicable to State procurement contracts are adapted rapidly to the regulations for social security bodies, in particular those included in the new Public Procurement Code⁵.

When the size of the organisation justifies it, a single procurement service should be created.

The training drive and familiarity with the regulations should be reinforced, in particular through greater use of the UCANSS services, and procurement contracts included within the scope of internal auditing.

Effective use should be made of the tools currently available for checking the contracts threshold effectively, on the inspiration of the new way of calculating thresholds defined in Article 27 of the Public Procurement Code.

The legality check of the DRASSs should be targeted, not restricting it to an examination of the contract commission reports alone and extending it to an in-depth check of a limited number of contracts.

It should be ensured that payment times are strictly respected, that suppliers are informed of the payment date and that interest due on overdue payments is systematically liquidated.

II

Ways should be examined for shortening the delays and reducing the processing and funding application procedures addressed to the FNPEIS.

All funds should be encouraged to organise their legal departments so that full control of a set of cases is given to an identified

⁵ Code des marchés publics

member of staff with the task of co-ordinating the different people involved and with a guide as to the minimum attention to be given whatever the case in question.

The efforts aimed at providers of home help services should be continued and accentuated, in terms of encouraging them to group together and making their services more professional and of inspections.

Part 4: Activity of the regional and departmental audit committees for social security body accounts

SECTION XII

ACTIVITY OF THE CORECs AND CODECs

- I - Activity of the committees in 2000
- II - System management

Conclusion