



PRESS RELEASE

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PUBLIC FINANCES AND ACCOUNTS

SOCIAL SECURITY

The *Cour des Comptes* - French Supreme Audit Institution - hereby issues its annual report on the application of the Social Security Finance Acts.

France has been late in committing itself to a course of action for re-establishing the balance of public accounts, for which the administrations as a whole need to work together. Reduction of the Social Security deficit has continued, but at a slower rate than expected. Accepting a deficit of this kind in the long-term places a burden upon future generations.

The state of social security accounts continues to give cause for concern, in spite of the measures undertaken

After a clear downward trend in 2012, the rate of recovery of social security accounts began to stagnate. Deficit reduction was effected more by means of additional contributions than by savings on expenditure, which decreased only slightly. The deficit in the French general social security system and the old-age solidarity fund (*fonds de solidarité vieillesse*) – €16bn. in 2013 – is only partly due to weak growth rates; 57% of this deficit is structural. Social security debt continued to increase, reaching €162bn. at the end of 2013.

There is a danger that the deficit reduction objectives for 2014 may not be fulfilled, despite their limited nature and the fact that they have already been revised. The planned return to balance by 2017 is very uncertain, since it is to a large extent based upon a voluntarist macroeconomic scenario.

Consolidating the course of action implemented in order to rebalance social security accounts therefore appears to be a vital issue. This requires modernisation of the social security finance management framework and increased savings on expenditure, rather than new social security contributions.

However, progress remains possible as far as revenues are concerned, for example in the fight against social security contributions fraud, which should be given increased priority in terms of efficiency and equity. The amount of this fraud, which is broadly underestimated, could have reached between €20bn. and €25bn. in 2012, i.e. virtually doubling over an eight-year period.

More effective management of social security finances

Improved regulation of social security accounts and better control of expenditure presupposes an overall approach to the management of social security finance in the form of “Compulsory Social



Protection Act” that includes the collectively agreed social security schemes (unemployment insurance and compulsory supplementary pension schemes). Improvement in the quality of financial forecasts is also essential. Moreover, the scope of the national health insurance spending objective (ONDAM / *objectif national de dépenses d'assurance maladie*) needs to be widened.

Absorption of the social security deficit presupposes a marked increase in debt reduction, particularly as far as health insurance is concerned, where large savings are possible without compromising quality and equality of access to healthcare. A systematic examination of the expenditure of the various different branches is necessary in order to ensure the effectiveness and efficiency thereof.

Much stricter regulation of community healthcare expenditure

Compliance with the “community healthcare” (i.e. healthcare delivered outside of hospitals) secondary objective (€79.4 bn.), which represents 46% of the ONDAM, is easily achievable because of its in-built flexibility. This considerably weakens its regulating role. In order to make effective savings, much stricter control of community healthcare expenditure is both possible and necessary. The agreements entered into by the health insurance bodies with healthcare professionals should contribute thereto. Yet, the extension of the scope of the collective agreement policies implemented over the last 10 years has led to new expenditure, without the obligations defined in return always being adequate to the issues involved, or measurable in terms of their results.

This situation is illustrated by the inadequacies in the distribution of generic medicines. Whereas most European countries show very high penetration rates, France's results are still too modest. France has put in place a scheme that is for the most part based upon substitution by dispensing chemists. This mechanism is proving to be extremely costly (for two euros of savings, one euro is paid to the chemist) and has reached its limits. A strategy that mobilises the actors involved as a whole, and prescribing doctors in the first place, is needed in order to make additional savings, which could amount to €2bn. per year.

As far as medical insurance expenditure for medical devices provided in the community is concerned (€5bn. in 2012, without including corrective lenses and hearing aids), the *Cour des Comptes* observes that the cost thereof has doubled in constant euros in a space of just over ten years. In this field priority should be given to control of expenditure, efficiency and therapeutic innovation. A reduction in the current rate of growth of this expenditure, of only one percentage point as from 2015, would lead to savings of around €250M. by 2017.

Putting greater efficiency firmly into practice in hospitals

Far-reaching savings are possible in hospitals, which need to be made rapidly. This is the case with regard to emergency departments, for which an intake of more than 18 million patients was recorded in 2012, i.e. an increase of 30% over a ten-year period. This continuous increase led to a very large mobilisation of additional resources. Consolidation of the effectiveness of the system does not require new financing, but rather better articulation between hospitals and community healthcare. Since, among patients received by hospital emergency departments, one visit out of five did not lead to any subsequent medical consultation, the number of “avoidable visits” may be estimated at around 3.6 million. The reorientation of these patients to outpatient medicine could result in lower expenditure, in an order of magnitude of around €500M.

As far as maternity insurance is concerned, expenditure has been increasing at a sustained rate (multiplied by 2.5 since 1990 in current euros), with results in terms of public health that do not measure



up to this investment. There is a need to seek greater efficiency, in particular with regard to the average length of stay in maternity wards in France, which is clearly higher than the average among OECD countries. Bringing it into line with this average would lead to gross savings of €318M.

More generally, savings through management and reorganisation of hospitals need to be intensified. In this respect, medical and non-medical staff expenditures, - which reached almost €42bn. in 2012, constituting the largest item of expenditure for public health institutions (64%) -, represent a central issue.

Pensions for the self-employed: the need for higher contributions

Basic pension schemes for shopkeepers and skilled craftsmen provide conditions of retirement cover similar to those of employees. On the other hand, their contributions remain lower, due to differences in contribution levels and a phenomenon of proportionally greater under-declaration of revenues in tax returns. Due to an increasingly unfavourable demographic ratio, these schemes show a highly negative financial balance, which is set to deteriorate still further in the medium-term. The abolition of the business social security solidarity contribution in three years' time (*contribution sociale de solidarité*) makes it even more imperative to increase the contributions payable by the professions concerned.

Essential progress to be made in social security management

The reorganisation of the network of funds for independent workers' social security scheme (*régime social des indépendants / RSI*) needs to be continued, in order to improve the provision of service to self-employed persons and reduce management costs.

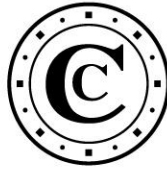
For its part, the situation with regard to the collection of social security contributions in Corsica gives cause for concern. Although the general social security system manages to successfully organise the collection of contributions, under conditions which have nevertheless deteriorated, the agricultural compulsory mutual social insurance scheme (*mutualité sociale agricole*) and the RSI are in a critical situation. This situation has arisen from collection procedures characterised by inadequate efficiency, in a context of tensions and dispute, in which willingness to pay has markedly declined.

Finally, as far as management of the managerial staff of social security bodies is concerned, changes in workforce levels and pay are insufficiently controlled. A more strategic approach and firmer management appear essential.

Recommendations

The *Cour des Comptes* sets out 92 recommendations, amongst which:

- **with regard to the course of action implemented in order to rebalance social security accounts**
 - consolidation of structural savings measures, in order to reduce the long-term rate of increase in expenditure;
 - reduction of the alert threshold in case of unplanned levels of health-insurance expenditure;
 - consolidation of social insurance bodies' means of action against contributions fraud, in particular by increasing their powers of investigation, placing new and more effective tools at their disposal and greatly increasing penalties;
 - making the fight against contributions fraud a priority for the RSI;




- **with regard to the Social Security Finance Acts and management of social security finance**
 - to transform the Social Security Finance Act into a Compulsory Social Insurance Cover Act extended to the collectively agreed social security schemes;
 - elimination of the in-built flexibility that can lead to overestimation of “trends” in the development of community healthcare expenditure.
- **with regard to urban community expenditure**
 - refocusing collective agreement policies on the essential issues (remuneration, access to healthcare, medical control of expenditure), within the framework of less fragmented negotiations;
 - bringing modes of remuneration as a whole, apart from remuneration for medical acts, into closer relation with improved organisation of urban community healthcare, with adjustment in accordance with results achieved;
 - to extend conditional approval to all professions, including doctors, in zones of excessive density;
 - to extend the scope of generic medicine prescription objectives with regard to performance-based remuneration, supplementing them with objectives in terms of prescription levels and adjusting the remuneration downwards in case of failure to fulfil objectives;
 - redefining the modes of remuneration of dispensing chemists by progressively revising the incentives downwards, in favour of generic medicines, and moving towards remuneration on a more fixed-rate basis that is less dependent upon sales volumes;
 - entering into price-volume agreements with producers of generic medicines;
 - implementing targeted price reductions on the most costly therapeutic classes of medicines for the health insurance system and automatic alignment of medicine prices without any improvement of medical services rendered;
 - introducing considerable price reductions for certain categories of medical devices within a short deadline
- **with regard to hospitals**
 - measuring and analysing “avoidable visits” to emergency departments by patients whose treatment could have been provided in urban community healthcare;
 - accelerating the reduction of the average length of stay in maternity wards, in order to bring it into line with that observed in other countries;
 - prompting hospitals to renegotiate local working time agreements in order to bring the actual length of working time into line with the legal length thereof;
 - implementing a performance-based adjustment, which is neutral from a budgetary point of view, of doctors’ remunerations
 - elaborating comparisons between public hospitalisation and private profit-based hospitalisation;
- **with regard to the skilled trades and shopkeepers**
 - increases in social security contributions;
- **with regard to social security management**
 - restoring normality under ordinary law with regard to social security contributions in Corsica, by implementing all means of enforced collection in a determined manner and avoiding any new “social debt reduction” plan.



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