



PRESS RELEASE

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PUBLIC FINANCES AND ACCOUNTS

SOCIAL SECURITY

The *Cour des Comptes* hereby publishes its annual report on the implementation of the Social Security Finance Acts.

Despite the persistence and amount of Social Security's abnormal deficits, the latter receded only slightly in 2014, as in 2013.

A marked slowdown in the speed of the deficits' reduction is expected in 2015. The goal of balancing social security accounts in 2017 is henceforth postponed for an indefinite period. The *Cour des Comptes* identifies the new possible fields of reform which could help restore Social Security's financial balance.

A modest reduction of Social Security deficits in 2014

In 2014, the general Social Security, which includes the main health insurance, family benefits, workers compensation and pension schemes for the private sector, was in deficit for the thirteenth year in a row. The deficit registered in 2014 (-€13.2bn.) was lower than that of 2013 by €2.2bn. This limited reduction was once again made possible only by increased levels of social contributions and taxes. Although social expenses have been consistently less dynamic in 2014, they still increase faster than GDP or the wage bill.

Return of social security accounts to balance postponed for several years

According to the most recent forecasts, sluggish growth combined with steady increase in expenditure should result in a marked slowdown in deficit reduction for 2015. This course of events means that return to balance is delayed, in the best case scenario, until after 2020.

In these circumstances, social security debt is continuing to grow, raising the prospect that an ever larger proportion of the latter will be financed on a short-term basis on volatile financial markets. It is paramount that this short-term debt be taken over by the Fund for amortisation of the social security debt (*Cades / Caisse d'amortissement de la dette sociale*).



Focussing on tighter control social expenses

Since 2012, €19.1bn of additional revenues has been drawn upon for reduction of social security deficits. Following this trend would be contrary to the current public policy that consists in encouraging competitiveness and employment by means of a vast company tax credit (CICE / *Crédit d'impôt pour la compétitivité et l'emploi*) and by further decreases of compulsory insurance contributions. The extension of such discounts on social contributions is a sensitive issue. Balance of social security accounts can only be achieved by more ambitious efforts with regard to control of expenditure, particularly within the national health insurance system, which in itself accounts for half of social security deficit.

The urgent need to curb health insurance expenditure through structural reform

While the health insurance deficit amounted to €5.9bn. in 2012, it is set to reach €7.2bn. in 2015. Although the target of the annual national health insurance spending set by Parliament (ONDAM / *Objectif national annuel de dépenses d'assurance maladie*) has improved in its structure, and despite its deceleration, effective spending has increased by +2.4% in 2014.

Tighter control of health insurance spending can by and large be achieved by two means: increased efficiency in services providing healthcare and tighter control of particularly dynamic items of health expenditure.

Enhancing the reorganisation of the health system

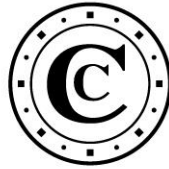
According to the *Cour des Comptes'* assessment, the initiatives undertaken over the last twenty years for reorganising the mapping of health structures have been disappointing. 37% of health expenditure is still taken over by hospitals and clinics. The organisation of outpatient services/community healthcare has changed little. Significant inequalities remain regarding access to health. Further reorganising of the supply of health care is thus required.

The network of maternity wards, which has been thoroughly reorganised since the end of the 1990s, still acknowledges vulnerable situations due to serious financial imbalances and shortages in hiring. The future of the 18 cancer-treatment centres (*centres de lutte contre le cancer*), is called into question by the financial weaknesses shown by some of them.

Firmer control of dynamic expenditure needs to go hand-in-hand with improvement of the quality of treatment provided

Expenditure due to nurses and masseurs/physiotherapists services represented €10.7bn. in 2014 and has increased by 5.7% per year since 2000 (in constant euros). Population ageing notwithstanding, its main factor is to be found in the vast increase in the number of professionals, are very unevenly scattered on France's territory. This situation calls for more effective provision of treatment.

The treatment of end-stage chronic renal failure, to take another example, represents €3.8bn. and is growing by 4.9% per year. However, prevention and provision of treatment modes that are most cost-efficient and best adapted to patients' needs (home-based haemodialysis and transplants) are insufficiently developed, while the majority of dialysis treatments is provided by overly paid medical centres.



Social solidarities require an overhaul

Coverage for medical expenses by basic compulsory medical insurance has deteriorated since the 1990s, patients suffering from long-term illnesses (ALD / *affections de longue durée*) aside. The proportion of healthcare expenditure reimbursed by the national health care insurance system was only 61.3% in 2012 and a mere 51% for community healthcare/outpatient services. However schemes providing access to supplementary cover for low-income households show qualified results, albeit faced with looming financial difficulties.

The vast diversity of rules regarding pensions for widows, which amount to €34bn., generates wide discrepancies between pensioners. Their modernisation has become highly necessary.

Improved management needs to be part of deficit reduction goals

Strategic organization management of the healthcare system by the central administration should be consolidated. The general social security network calls for continued reorganizing, while basic social security offices should be pooled together. Quality of health institutions' management processes needs to be improved and thus contribute to tighter expenditure.

A comparison of pensions and health insurance systems in France and Germany highlights greater collective involvement of German stakeholders

The French and German retirement pension and health insurance systems are based upon similar principles, which show close parallels in terms of their organisation and financing.

However, their financial balances show uneven performances: while the German health insurance system showed a surplus of €12bn between 2000 and 2014, France was registering a deficit of €105bn. in the meantime. Over the same period, the old age pension scheme for employees showed a surplus of €16bn. in Germany as compared with a deficit of €65bn. in France.

Amongst the roots of such discrepancies, the *Cour des Comptes* sheds light on the explicit priority of financial balance in Germany. Stakeholders (social insurance contributors and prescribers in particular) are made well aware of the responsibilities placed upon them, which highlights one of the foundational elements of the social security system in Germany.

Recommendations

Out of the 240 recommendations set out in the 2012, 2013 and 2014 reports on the social security system, 59% were implemented, thoroughly or partially.

This year, the *Cour des Comptes* sets out 55 recommendations, some of which are reiterated, aimed in particular at:

- returning to a sustained financial balance for Social security and reducing its debt in the near future;
- improving the structure of the national health insurance spending target (ONDAM) and consolidating its implementation;
- reinforcing the consistency and clarity of social security contributions;




- reorganising healthcare provision;
- improving control of health insurance expenditure;
- modernising social solidarity schemes;
- managing more effectively social security organizations.

[To read the full report click here](#)

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