

## *Summary*

# Agreements between the Government and SALAR within health and miracle care – voluntary participation but difficult to decline (RiR 2014:20)



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## Audit background

The Swedish National Audit Office (NAO) has audited how agreements between the Government and SALAR function as steering instruments within health and medical care. The agreements imply that the Government and SALAR should achieve something together. It is primarily county councils and municipalities which will perform the assignments which the Government and SALAR have agreed upon. In this manner the Government controls county councils and this has become increasingly common within health and medical care. Currently there are fourteen agreements within health and medical care. All agreements involve some form of financial compensation to the county councils, a total of SEK 5.8 billion.

*Reasons:* The Government and the Swedish Riksdag (Parliament) have expressed that stable conditions and a reasonable planning horizon are important prerequisites for avoiding short term solutions and promoting efficient operational development in municipalities and county councils. A pre-study conducted by the Swedish NAO during the autumn of 2013 revealed that the number of agreements between central government and SALAR within health and medical care had increased. Furthermore, it was revealed that agreements as steering instruments risk making governance of care services short term as the agreements are temporary measures not adapted to the planning of county councils.

*Purpose:* The purpose of the audit is to investigate whether use of agreements as steering instruments functions well within health and medical care.

*Implementation:* The audit relates to agreements as steering instruments within health and medical care, and thereby focuses on the overall picture of all current agreements rather than individual measures. The review is primarily based on document studies and interviews with representatives of the Government Offices of Sweden, SALAR and a number of county councils.

## Audit findings

The audit shows that agreements have become an increasingly common method for the Government to try to steer health care. The number of agreements has increased in recent decades. A historical analysis by the Swedish NAO also shows that the nature of agreements changed at the start of the 2000s. Then the Government changed from funding entire health care services to exert more detailed financial control with requirements for specific counterperformance from the county councils. The audit shows that the trend of steering through agreements has meant that the temporary government grants in health care are no longer exceptional occurrences.

The agreements function as a practical and flexible steering instrument which can be used to focus on important failings in care services at a low cost to central government. At the same time the



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audit reveals that the way of designing and using agreements restricts the ability of the county councils to steer care operations efficiently in the long run.

The overall assessment of the Swedish NAO is that the Government has made the phenomena of agreements a powerful steering instrument by introducing clearer financial incentives and more detailed requirements. It can be questioned whether the Government has applied this steering instrument responsibly and based on an overall holistic view.

By studying the structure of agreements and how they are implemented in the county councils, we have discovered that there are a number of problems in terms of how the agreements are used within health and medical care. There is a risk that agreements result in repression of the county councils' own governance of care services. The amount of simultaneously ongoing agreements and the large number of requirements which these entail means that the implementation in county councils becomes complicated. The endeavours to attain agreements also seems to result in solutions that are too simple and temporary for the complex problems in care services. There is also a risk that the work which is conducted through agreements is not managed further when they end. Performance compensation, that the county councils receive compensation based on a certain performance, means that county councils must take financial risks to participate. This form of compensation also risks counteracting the target of equal care throughout the country. The system of agreements also entails greater administration for all parties.

#### *Conclusions on the design of agreements*

Since 2006 central government has increasingly based compensation in the agreements on performance. However, we believe that it is important to ensure that the incentive-creation mechanism in these agreements does not detract from the objective of equal care throughout the country. The audit shows that these agreements have not impacted the equivalence between county councils in the desired direction. County councils that have received small rewards for several years say that they feel resigned and lack motivation to improve. Performance compensation also contradicts the principle of needs-based allocation on which municipal financial income equalisation is based.

The agreements are offered voluntarily to municipalities and county councils. Thus no party is formally bound by its commitments, and as a result on a few occasions there have been conflicts of opinion which could not be resolved. Through the "voluntary" agreement form, the Government has also had the opportunity to impose detailed requirements on county councils without this in any formal sense depriving them of their autonomy.

Another interesting audit finding is that requirements in agreements often correspond to formulations which are already expressed in the law or regulations. In these cases central government is sending several different steering signals at the same time to the county councils.



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### *Conclusions on the Government's use of agreements*

All agreements apply to significant problems and improvement areas within care. However, each new agreement must be handled by the same county council which is handling the ongoing agreements, and the accumulated burden of this cannot be disregarded. The audit also shows that even if the agreements are formally voluntary, it is difficult for both SALAR and the county councils not to act. By referring to the formally voluntary nature of the agreements, the Government can avoid applying the financing principle when giving additional assignments to county councils through agreements without guaranteeing funding.

The Government's steering through agreements has also entailed certain shifts in the roles of central government actors. The Government Offices has chosen a more operational role, which has led to a more peripheral role for the National Board of Health and Welfare, resulting in difficult situations during monitoring. The audit has shown that one requirement in an agreement was set lower than the regulatory provisions of the agency. SALAR's role also appears to be difficult to handle. SALAR is an interest organisation and not a government agency, but the agreements are designed in such a way that SALAR can act both as a purchaser and provider, and sometimes even assessor of results, when they allocate government grants to the own members. SALAR also increasingly obtains its funding from various central government grants. In the long run SALAR's double role could impact confidence in the organisation.

### *Conclusions on the county councils' implementation of agreements*

There have admittedly been attempts to increase the long term approach, but the audit still shows that the steering becomes short term as the agreements contain temporary investments which in most cases are also renegotiated annually. This means that the initiatives of the county councils to fulfil the requirements of the agreements are also short term. Health and medical care services are complicated but often the county councils are only allowed very limited time to implement measures.

The rising number of agreements, which also contain many requirements, are an increasing problem for the county councils. They find it difficult to receive and handle all steering signals. The agreements are not perceived as coordinated when they reach the county councils. For example, there is no weighting between them, nothing is more prioritised than anything else.

The uncertainty among county councils on whether they will receive any compensation within the framework of the performance-based agreements also causes problems and does not favour equivalence within care. Some county councils take the risk and make upward adjustments in the budget. Other county councils see this as too risky and set low levels. County councils which do not dare to invest also decrease their chances of actually fulfilling the requirements of the agreements.



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## Recommendations

All in all, the Swedish NAO assesses that the Government has used the agreements in a manner which controls what the county councils do within care to such an extent that it has disturbed the balance between county councils and central government in terms of steering of care. Therefore, the Swedish NAO makes a number of recommendations to the Government with the aim of structuring and using the agreements in a better manner within health and medical care in the future.

- **Reduce the number of agreements so that county councils can cope with implementing them.** There are several signs that too many agreements are currently ongoing. The Swedish NAO assesses that coordination is required within the Government Offices which focuses more on the content of the agreements, enabling a balanced assessment of the consequences of the total composition of agreements for the county councils. There must be more efficient coordination of agreements so that county councils also feel that the burden is easier to handle.
- **Provide county councils greater leeway and reasonable conditions to plan.** When an agreement is designed, the Government should avoid controlling how the county councils should fulfil its targets. Currently the agreements are adapted to the central government budget process. The Government needs to reduce the short term approach and instead find forms which enable county councils to incorporate the operations in their own steering and planning.
- Be restrictive with performance compensation in the agreements. Performance compensation creates particular difficulties for the county councils. It also sends contradictory control signals compared to the aims of the municipal equalisation system and municipal autonomy.
- **If performance compensation is to be used in the future, the Government should investigate and clarify how the county councils should report compensation.** It is unclear how the county councils can use the paid funds in the following year and at the same time comply with accounting legislation. This creates uncertainty which would be beneficial for all the parties involved to clear up.

