

Summary

Housing supplement and maintenance support to pensioners – are benefits delivered as intended? (RiR 2013:7)



DATE: 24-09-2013

Housing supplement and maintenance support to pensioners – are benefits delivered as intended?

The Swedish National Audit Office has investigated whether the management by the Government and the Swedish Pensions Agency of benefits supplementary to the old-age pension (housing supplement to pensioners, special housing supplement and maintenance support for the elderly) has fulfilled the Riksdag's intentions for the benefits and whether administration of the benefits is effective.

Audit background

Motive: Supplementary benefits to old-age pension, together with the minimum guaranteed pension, constitute individually targeted basic protection for old-age pensioners with limited means. The benefit level of the housing supplement and maintenance support for the elderly is affected by current income and housing cost. Since 2010 the benefits have been administered by the Swedish Pensions Agency.

The regulatory framework for supplementary benefits was changed and adapted to the new old-age pension system that came fully into force in 2003. The Riksdag considered that the changes were so extensive that the new system for housing supplement should be monitored and evaluated. No overall evaluation has taken place since then, but both the Swedish Social Insurance Agency and the Swedish Pensions Agency have on several occasions reported that many old-age pensioners do not apply for housing supplement despite being entitled to the benefit.

Further indications of problems concern the administration of the supplementary benefits. The benefits seem to be difficult to process and difficult for the old-age pensioners to understand. The Swedish Pensions Agency has drawn attention to the fact that processing of supplementary benefits is deficient in both quality and effectiveness, for example as regards incorrect payments.

Some measures have been taken to deal with the administrative problems. Since November 2012 pensioners no longer need to apply every year for housing supplements. The decision of the Swedish Pensions Agency is valid until further notice. The change means, however, that it will be even more important for the Swedish Pensions Agency to make correct decisions and ensure an effective control system.



DATE: 24-09-2013

Purpose: The audit has two overall purposes. The first purpose is to examine whether the supplementary benefits reach the group of old-age pensioners they are intended for. The Swedish National Audit Office is thus auditing whether the Government's and the Swedish Pensions Agency's measures have led to the benefits reaching those entitled to them.

The second purpose of the audit is to examine whether the administration of the supplementary benefits is effective. In this context an examination is made of whether the Government and the Swedish Pensions Agency has ensured low administration costs for the supplementary benefits and high benefit for the old-age pensioners who are affected by the system.

Implementation: The Swedish National Audit Office has assumed that the benefits are to reach old-age pensioners who need them so that they can meet their main support needs and to give them a satisfactory standard of housing. Moreover the Swedish National Audit Office assumes that effective pension administration is characterised by the right amount of money being paid at the right time at the lowest possible cost.

The audit has examined the Government's and Swedish Pensions Agency's measures in the areas concerned since 2003. The Swedish National Audit Office has also conducted interviews with representatives of the Government Offices and the Swedish Pensions Agency.

The Swedish NAO has obtained statistics from the Swedish Pensions Agency and calculated the income and asset level that determines the level of the benefits. The Swedish NAO has in addition engaged Statistics Sweden to investigate the number of pensioners who do not apply for the benefits despite being entitled to them, the "hidden statistics".

To investigate the reasons for incorrect payments the Swedish NAO carried out a case file review. The outcome of the case file review was then compared with the agency's planned control measures.

Audit findings

The overall conclusion of the Swedish National Audit Office is that the system for old-age pension supplementary benefits does not function well. The Swedish NAO further questions whether the benefits and basic protection as a whole are fit for purpose.

The system for old-age pension supplementary benefits does not function well.

Many pensioners lose out on the benefits. The audit found that a large group of pensioners lose out on benefits they are entitled to because they do not apply for them. This hidden statistic for housing supplement is estimated to be 37 per cent, which is a substantial increase since the last survey. The indications are that among pensioners entitled to maintenance support the volume of hidden statistics is even greater. The hidden statistics for maintenance support to the elderly have not been investigated before.



DATE: 24-09-2013

Even if the survey contains uncertainties and no exact number can be determined, the point estimate shows that 140,000 pensioners miss out on housing supplement. The Swedish National Audit Office audit also shows that half of them lose about SEK 930 housing supplement per month. The fact that many pensioners fail to claim large amounts is particularly serious in the opinion of the Swedish National Audit Office. The Swedish National Audit Office audit estimates the unclaimed amount to be as much as SEK 3 billion annually.

However, the Swedish NAO audit shows that the old-age pensioners who receive supplementary benefits mainly have low incomes and few assets. Hence the benefits reach pensioners with limited means.

There are several reasons for the hidden statistics.

The Swedish NAO's assessment is that the passivity of the Swedish Pension Agency and the Government has contributed to the increase in hidden statistics relating to the housing supplement. The Government pointed out the hidden statistics in 2005 and ordered action in the area. After 2007, however, the Government has not worked actively on reducing the hidden statistics. Nor has the Swedish Pensions Agency used more of its existing information channels, despite it being known that lack of knowledge seems to be the predominant for many people not to apply. The Swedish Pensions Agency attributed this to its work situation. There is a risk that a broad information campaign to all pensioners would lead to applications from many people who are not entitled to the benefits, which could cause an increased administrative workload in a situation where the agency was having difficulties in coping with the normal inflow. Despite the problems described above, the Swedish NAO does not find it reasonable that pensioners risk losing out on supplementary benefits due to ignorance of the regulations or simple lack of knowledge of their existence.

In addition the Swedish NAO finds that the increase in hidden statistics is in part due to the economic crisis in 2008 and the automatic balancing of income-based pensions, the fact that the number of pensioners born abroad has increased and amendments to the rules for supplementary benefits.

The Swedish Pensions Agency's costs were underestimated.

The Swedish NAO notes that the cost increases for processing the benefits was considerable. Administrative costs increased from SEK 180 million in 2010 to SEK 230 million in 2012. The agency has not succeeded in processing the supplementary benefits within the existing resource framework and in 2012 was forced to make preliminary decisions to manage payments of supplementary benefits. The Swedish Pensions Agency itself describes the handling of supplementary benefits as ineffective. In the opinion of the Swedish NAO both the Government and the Swedish Pensions Agency overstated the effectiveness potential in the regulatory framework at the time when the Swedish Pensions Agency was established.



DATE: 24-09-2013

Risks of decisions valid until further notice.

The Swedish NAO assesses that the possibility of making decisions on housing supplement valid until further notice would probably facilitate improved efficiency of operations. The need for supplementary and recovery operations may, however continue to be extensive. There is also a risk that the resource savings made in processing the decisions will instead lead to increased use of resources in recovery operations as well as a lower discovery rate for some sources of error than previously. The risk is assessed to be particularly great in cases where the cost of the existing housing is changed or incorrectly recorded, or where the pensioner has a lodger who is not reported by the pensioner or registered by the agency.

Legal compliance has been set aside in administration.

As part of its work on simplification the Swedish Pensions Agency decided that incorrect payments of less than SEK 2,000 would not be reviewed with reference to legislation on repayment obligation. The measure seems to be sound from the point of view of effectiveness but the Swedish National Audit Office has not found support for the decision being derived from the applicable legislation.

It is doubtful whether the basic protection is fit for purpose

The Swedish National Audit Office notes in the audit that the supplementary benefits seldom find their mark. The audit further notes that the regulatory framework is highly complicated and it is almost impossible for a pensioner to calculate the amount he or she is entitled to and how different amendments to the rules and income changes will affect the entitlement. The Swedish National Audit Office further notes that assets are difficult to check and that asset means testing creates some legitimacy problems. The Swedish National Audit Office notes overall that the function of the supplementary benefits as basic protection is not satisfactory and that there is good reason to review these benefits.

The supplementary benefits together with guarantee pension make up the basic protection of the national pension system. Guarantee pension forms the foundation and is paid to pensioners over the age of 65 who have no or low income-based pension. The guarantee pension has not been examined in this audit, but many people who receive the guarantee pension also receive one or more supplementary benefits. In the same way as supplementary benefits, the guarantee pension aims to meet pensioners' basic needs and it could be questioned whether four different benefits are necessary to fulfil this purpose. Hence the overall conclusion of the Swedish National Audit Office is that there could be an argument for a government review of the design of basic protection for old-age pensions.

The Swedish National Audit Office's recommendations

In view of its findings and conclusions the Swedish National Audit Office makes the following recommendations.



DATE: 24-09-2013

To the Government:

- The Government should consider investigating supplementary benefits and the guarantee pension that together make up the basic protection of the national pension system.
- The Government should resume the work of reducing the “hidden statistics”.
- The Government should clarify and simplify the regulatory framework for debt forgiveness and the criteria applying to incorrect payments under the Social Insurance Code in order to achieve consistent application of the law.

To the Swedish Pensions Agency

- The Swedish Pensions Agency should improve the information about the supplementary benefits. The Agency should draw up an action plan for how information about the benefits should be improved and reach the groups that do not apply at present.
- The Swedish Pensions Agency should guarantee control procedures for decisions valid until further notice. The Swedish Pensions Agency should draw up control procedures for the supplementary benefits so that sources of error not identified in the automated controls are taken into account. The control procedures should also be designed so that threshold values do not lead to excessive incorrect payments.

