SWEDISH NATIONAL
AUDIT OFFICE

REPORT NUMBER: RIR 2017:19
DATE: 26 SEPTEMBER 2017

RiR 2017:19

Over-utilisation of the dental care subsidy scheme due to overtreatment

Summary and recommendations

Do dentists carry out unnecessarily extensive and costly treatments? The question takes its cue from the Swedish NAO's mandate to promote efficient use of the State's resources, in this case intended for the central government dental care subsidy. The question is motivated with reference to the market for dental care that exists in Sweden, as well as the informational advantage of the dentist in relation to both the patient and the insurer, the Swedish Social Insurance Agency, as regards the patient's treatment needs and options. *Supply-induced demand* may arise in a market where it is difficult for the patient to determine the need for treatment and how appropriate various treatment options are, and where the care provider is responsible not only for the treatment but also for assessing the patient's need for treatment. This is an accurate description of the dental care subsidy.

The purpose of the audit is to study whether there is any overutilisation of the government dental care subsidy due to care providers giving more extensive and more expensive treatment than is allowed by the dental care subsidy. An important purpose of the performance audit activities at the Swedish National Audit Office is to

promote change aimed at better economy and resource utilisation.[1] If the audit can establish that overutilisation of the dental care subsidy exists then another important purpose is to propose ways to reduce the problem. Thus the audit questions are as follows: Is there any overutilisation of the government dental care subsidy due to care providers giving more extensive and more expensive treatment than is allowed by the dental care subsidy? If this is the case, can the Government and the Swedish Social Insurance Agency do more to reduce this overutilisation?

A clarification is that overtreatment may be difficult to discover, since the boundary between what is necessary treatment and what is overtreatment may be difficult to define. Thus, it should not be confused with what everyday language calls fraud and straight-out cheating, which are outside the scope of this audit. However, the fact that overtreatment may be difficult to discover, means that it is probably the commonest source of overutilisation of the dental care subsidy. It is therefore of extra interest to study.

To study the existence of overtreatment a field experiment carried out in 2015 in collaboration between researchers at the Department of Economics at Uppsala University and the Swedish Social Insurance Agency was analysed. The experiment covered 735 dental clinics, of which 369 randomly selected clinics received a letter informing them that their treatment in connection with a particular measure (measure 801, i.e. permanent tooth-supported crown, several per jaw) would be subject to subsequent checks. The information meant that the care providers already knew in advance that this treatment would be monitored to see if it was in compliance with the rules of the dental care subsidy. If the advance information leads to a change in the treatment pattern in the form of a reduction in the monitored measure, it is to be interpreted to show the existence of overtreatment. The treatment pattern of the other 366 control clinics that did not receive this advance information functioned as a comparison.

Audit findings

The findings show that overutilisation in the form of overtreatment mainly exists in the 10 per cent largest private dental clinics. Among them the use of the monitored measure (no 801) decreased by about 30 per cent. At the same time the use of a less extensive option, and less profitable for the care provider, increased. The effects correspond to a cost of overtreatment of about SEK 145,000 per year and clinic for the

1 Follow up of the Reform of the Swedish National Audit Office II, report from the Riksdag Administration 2008/09:URF3, p. 51.

measure in question. The cost is distributed approximately equally between the patients and the State via the dental care subsidy.

The circumstances in the experiment carried out indicate that the existence of overtreatment has probably been underestimated in the analysis. The fact that effects were found among the largest private care providers should therefore be interpreted to mean that overtreatment is probably greatest in this category, and not that overtreatment cannot exist among other care providers as well.

The total cost of overtreatment in dental care cannot be estimated on the basis of this audit. The measure studied (801) is not representative of all measures in dental care. However, the findings indicate that the costs of overtreatment in all probability exceed those mentioned with reference to carelessness and fraud in the dental care subsidy, i.e, SEK 104-178 million per year.[2]

The conclusions of the audit should be seen in the light of the fact that previous studies have succeeded to show convincingly the existence of overtreatment among care providers. The reason is partly the difficulties in defining what overtreatment is, and partly the methodological difficulties associated with differentiating patients with different care needs. In this audit both these problems were solved with an experimental design. The findings thus constitute an important basis, not only for the purpose of improving the chances of more effective utilisation of resources in the national dental care subsidy in Sweden, but also in a larger perspective, for other countries and other healthcare production.

Recommendations

As a result of the findings of the audit the Swedish National Audit Office recommends that the Swedish Social Insurance Agency improves its monitoring of the right of care providers to receive compensation via the dental care subsidy. However, if this monitoring is to be effective, there must be consequences for the care provider if non-conformances are found. Consequently, the Government should consider stricter sanctions for care providers that use the dental care subsidy incorrectly. The Swedish NAO also shares the Government's assessment that a price comparison service is needed for dental care, where the public can compare price levels between care providers. The Government has decided to instruct the Dental

2 Swedish Social Insurance Agency (2017).

and Pharmaceutical Benefits Agency to set up a price comparison service for dental care.[3]

Improve monitoring of the dental care subsidy

Research on unemployment insurance and other social insurance, such as sickness insurance and parental insurance, has shown that monitoring the right to compensation has a dampening effect on the utilisation of the insurance scheme.[4] There are two mechanisms behind this effect: the utilisation decreases as a direct consequence of an increase in refusals of compensation and the monitoring has a normative and behavioural impact in that those participating in the insurance scheme increase their efforts to avoid incorrect utilisation of the insurance. The findings of this audit is an example of the latter.

There is much to indicate that the work of the Swedish Social Insurance Agency to discover and take action against incorrect utilisation of the dental care subsidy could be improved. There are signs that indicate that the Social Insurance Agency underestimates the potential problem of overutilisation. In a recently completed review, the Social Insurance Agency establishes that there are no clear signs of overutilisation of the dental care subsidy.[5] In a reply to the Government in 2015, the Social Insurance Agency dismisses further fears of any major incidence of incorrect payments in the dental care subsidy.[6]

The Social Insurance Agency currently carries out random and targeted subsequent checks of dental care provided. The random checks constitute a considerable proportion of checks made and by definition cover a broad area and include all types of care providers, licenses and measures. As a consequence, the accuracy of these checks is low.[7] Even if random checks are necessary to obtain knowledge of how the targeted checks should be delimited, a higher proportion of targeted checks would allow more non-conformances to be discovered.

To address to a greater extent the part of overutilisation originating from a care provider giving more care than permitted by the dental care subsidy, the findings of this audit show that subsequent checks should be mainly directed towards private care providers. This is because the incentives for overtreatment are clearest among

---

3 2016/17: SoU20.
4 See ESO (2016) for a report.
5 Swedish Social Insurance Agency, 2017.
6 Swedish Social Insurance Agency, 2017.
7 Swedish Social Insurance Agency, 2016.

them. The findings also indicate that checks should target relatively expensive measures, where less extensive and less profitable alternatives are available. In addition, the checks should be directed at care providers whose price for a particular measure is relatively far above the reference price.

Furthermore, in its control activities the Social Insurance Agency should consider steering care providers towards different behaviour, by using the same strategy as in this audit. By means of advance information and monitoring dentists may change their treatment pattern in the direction desired. The objective of the checks will then rather be to achieve credibility of announced checks than to find non-conformances. The findings of this audit indicate that preventive checks may have a normative effect on care providers. The reduced use of the monitored measure continued even after the close of the control period. Thus, nothing indicated that the care providers resumed their old treatment pattern after the experiment,

Consider stricter sanctions for incorrect utilisation of the dental care subsidy

The Social Insurance Agency has two sanctions available in cases when care providers do not meet their obligations under the dental care subsidy scheme. Compensation paid may be withheld and a decision may be made on prior examination of payment to a particular care provider. New rules from 1 July 2017 imply some strengthening of the Social Insurance Agency's mandate in these respects.[8]

Incorrect utilisation of the dental care subsidy normally leads to recovery from the care provider. However, since 2013 the Social Insurance Agency applies a regime in which it is up to the individual case officer to decide whether recovery should be implemented or not. This applies in cases where only minor non-conformances have been discovered. In cases where non-conformances discovered are particularly serious and gross fraud could be suspected, the Social Insurance Agency can decide to report the care provider to the police. However, this is a very unusual measure. During the period 2013-2016 only 25 reports to the police were made.[9]

For the monitoring activities referring to the dental care subsidy to have the desired effect, non-conformances discovered must have consequences for the care providers. Recovery of the incorrect amount is not to be regarded as a sanction, and will therefore not have a deterrent effect for future incorrect utilisation. The Swedish National Audit Office considers therefore that the Government should consider

8 2016/17: SoU20.

9 Swedish Social Insurance Agency (2017).

strengthening sanctions in the dental care subsidy scheme. For example, the possibility should be considered for the Social Insurance Agency to prevent care providers deemed to be irresponsible from accessing the electronic system that handles payments from the dental care subsidy. Potentially stricter sanctions would strengthen the position of the patient in relation to the care providers, and also contribute to more equal competition between care givers.