

20 Invalidity Pension

- 20.1** Invalidity pension is payable to those who are incapable of work because of illness and who have sufficient social insurance contributions. In 2012, €603 million was paid to around 50,000 claimants.
- 20.2** The scheme was examined as part of the 2012 audit of the Social Insurance Fund. The audit reviewed the controls in place and analysed information on the Department's system. A sample of cases was also examined.

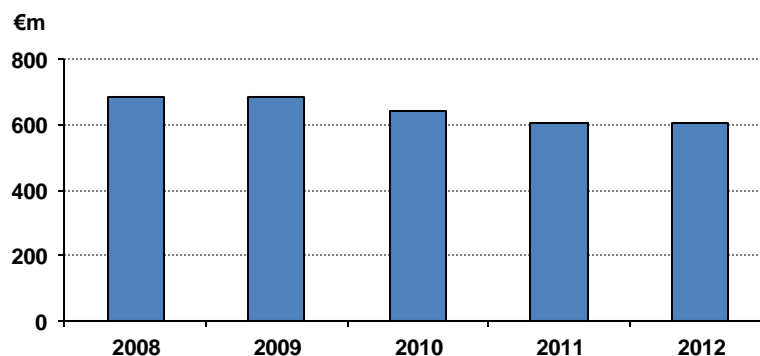
Scheme Structure

- 20.3** To qualify for invalidity pension, an applicant must have been incapable of work for at least 12 months and be likely to be incapable of work for at least another 12 months, or be permanently incapable of work. The Department requires medical evidence of the person's incapacity. There is also a requirement to have at least 260 paid PRSI contributions with at least 48 contributions paid or credited in the last complete tax year before the date of the claim.
- 20.4** The personal rate is €193.50.¹ In addition, the payment increases where there is an adult dependant. That increase is adjusted based on the dependant's means. Payments are also increased for child dependants. The average payment in 2012 was €12,070 (€232 per week).
- 20.5** There is a legal obligation on recipients to inform the Department of any change in relevant circumstances. As the payment is a taxable source of income, there is also an obligation to inform the Revenue Commissioners as soon as payments commence.

Expenditure Profile

- 20.6** Expenditure on invalidity pension has decreased by 12% since 2008 (see Figure 20.1).

Figure 20.1 Trends in invalidity pension expenditure, 2008 to 2012



Source: Department of Social Protection 2012 Annual Statistical Report

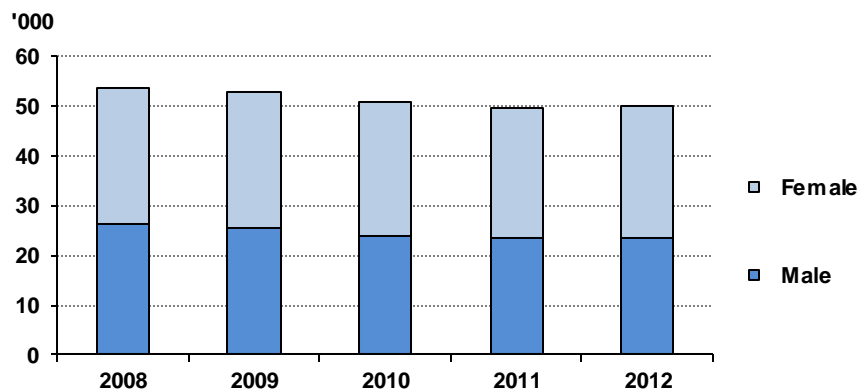
¹ For claimants aged 65, the personal rate increases to €230.30 which is in line with the State Pension (Transition) rate.

Claimant Profile

20.7 The number of recipients has decreased by 7% over the period 2008 to 2012 (see Figure 20.2). Analysis of the profile of 2012 recipients shows that at year end¹

- 53% of recipients were female
- 82% were aged between 50 and 65
- 72% were in receipt of the personal rate only.

Figure 20.2 Invalidation pension, 2008 to 2012



Source: Department of Social Protection Annual Statistical Report 2012

Scheme Administration

20.8 The scheme is administered centrally. Applications are examined and a medical report form is issued to the claimant for completion by their general practitioner or treating physician. A medical report form is not issued if the Department already has sufficient medical evidence from the claimant's entitlement to another medically based welfare scheme. Recipients of illness benefit are notified three months prior to expiry of that payment that they may apply for invalidity pension.²

20.9 All new claims are checked to ensure that the claimant satisfies the social insurance conditions and medical eligibility criteria. Departmental medical assessors carry out a desk review of the medical evidence. An 'in person' assessment may be recommended where it is considered that the evidence provided warrants it.

20.10 A previous medical assessment used to assess entitlement to another scheme can be used provided

- the claimant is not due a medical review under that other scheme prior to the payment of invalidity pension, or
- a 'do not review' status had been assigned under that other scheme.

20.11 If a previous medical assessment is used, procedures require that a new review status is assigned when the invalidity claim is approved.

20.12 Entitlement to payment is determined by a deciding officer. The applicant is informed in writing of the decision.

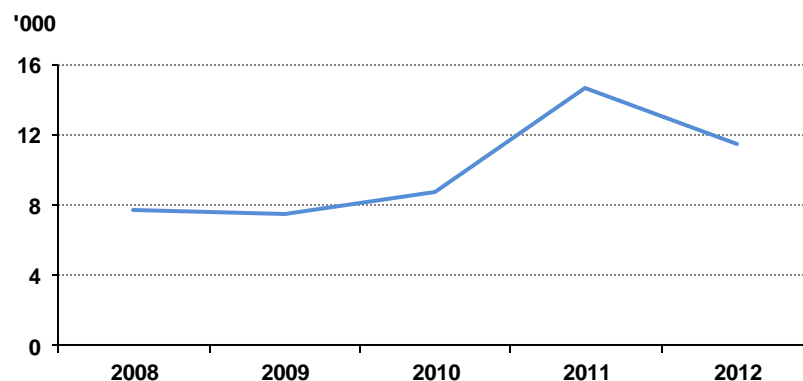
¹ Based on data from the Department's Statistical Report 2012.

² Since January 2009, illness benefit can be claimed for a maximum of two years provided the claimant has 260 weeks paid PRSI contributions. Claimants who have between 104 and 259 weeks paid PRSI contributions can claim for up to one year.

- 20.13** If a claim is refused on medical grounds, a claimant may supply further medical or other evidence and ask for a review of the decision. There is provision for appeal directly to the Social Welfare Appeals Office.

Timeliness of Processing of Claims

Figure 20.3 Applications received, 2008 to 2012



Source: Department of Social Protection Annual Statistical Report 2012

- 20.14** At April 2013, the average time taken to process an application, including review and appeal, was 58 weeks (35 weeks in 2012). Where the claimant appeals a decision, it takes on average 37 weeks to complete all stages of the appeal process.¹ The Department has stated that the reason for the increase in the average number of weeks was the elimination of a claim backlog resulting in an increase in the volume of review requests and appeals.
- 20.15** The Department has indicated that for claims received in the six months to June 2013, it has taken an average of 5.6 weeks to make a first decision.
- 20.16** The number of applications for invalidity pension in 2008 was 7,750, increasing by 89% to 14,620 in 2011. In 2012, there were 11,500 applications (see Figure 20.3).
- 20.17** In 2008, 28% of claims processed were disallowed or withdrawn. This increased to 79% in 2011 and remained at a relatively high level of 64% in 2012 (see Figure 20.4).

Figure 20.4 Outcome of claim decisions, 2008 to 2012

Year	Awarded	Disallowed/withdrawn	Total
2008	5,431	2,165 (29%)	7,596
2009	4,580	2,933 (39%)	7,513
2010	3,597	4,017 (53%)	7,614
2011	2,657	10,172 (79%)	12,829
2012	6,352	11,423 (64%)	17,775

Source: Department of Social Protection Annual Statistical Report 2012

- 20.18** The number of appeals received by the Appeals Office doubled in 2012 to 4,765 (2,285 in 2011). Of the appeals decided in 2012, the decision was revised in 76% of cases (see Figure 20.5).

Figure 20.5 Outcome of appeals for 2012

Status	Number of cases	
Appeals allowed		
Fully	1,031	
Partially	4	
Revised DO decision ^a	474	
	1,509	76%
Appeals disallowed	430	22%
Appeals withdrawn	52	2%
Total	1,991	100%

Source: Annual Report of Social Welfare Appeals Office 2012

Note: a Revised decisions being made by deciding officers before the appeals were referred to an appeals officer.

- 20.19** At 31 December 2012, 4,365 appeals had not yet been decided (1,582 at end 2011). For the majority of these (76%), the Appeals Office was awaiting information from the Department.

Take on Controls

- 20.20** Audit examination of a random sample of 25 cases put into payment found that
- Eight had been approved for payment based on medical assessment under other schemes for which a 'do not review' status was assigned. However, no invalidity pension review status was set for these cases.
 - One case had been put in payment in error. It had been refused on medical grounds and this decision was upheld on appeal.¹

Review of Claims in Payment

- 20.21** Procedures require that when a claim is approved for payment, a medical review status is assigned. This may be to review the case in one, two or three years, or a 'do not review' status may be assigned.
- 20.22** The review status at April 2013 of cases in payment is set out in Figure 20.6.

¹ The claim had been in payment for less than a month. An overpayment has been raised by the Department and a recovery plan put in place.

Figure 20.6 Medical review status of invalidity pension cases, at April 2013

Status	Number of cases	
'Do not review'	25,210	51%
Review in one year	8,731	17%
Review in two years	8,034	16%
Review in three years	58	—
Review status from other scheme	2,174	4%
No review status recorded	5,846	12%
Total	50,053	100%

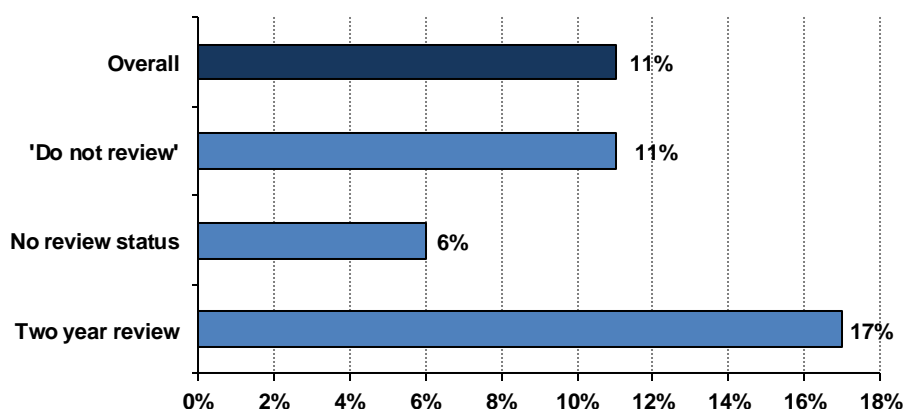
Source: Department of Social Protection

- 20.23 The audit examined a sample of 25 cases in payment. Eight of these had a review status of one or two years but only two had been reviewed as scheduled. The most recent reviews for the other six cases ranged from 1998 to 2010.

- 20.24 The Department has indicated that capacity for conducting medical reviews is limited and therefore, it is not possible to review all cases as scheduled. To address the risk of cases not being reviewed when scheduled, cases are selected for review annually, prioritised in terms of medical review status. The numbers reviewed depend on the resources available. In 2012, just over 1,000 medical reviews were completed (1,200 in 2011).

- 20.25 To assess the risk associated with not reviewing all cases due for review, the Department reviewed a sample of 170 cases in 2012. The sample included 'do not review' and two year review cases as well as cases with no review status. Subject to the results of on-going and possible future appeals in these cases, the results suggest that an overall average of 11% of reviewed cases may no longer be eligible (see Figure 20.7).

Figure 20.7 Department review of cases, % not entitled to payment^a, at June 2013



Source: Department of Social Protection

Note: a Includes cases where claimant has appealed.

Other Eligibility Checks

- 20.26** In addition to medical reviews of cases, claimants may also be asked by 'mailshot' to certify that they continue to be eligible for payment. Between 500 and 600 such checks have been completed each year between 2010 and 2012. Issues were identified with a quarter of the cases checked in that period. The Department has pointed out that as these checks are targeted at cases which are considered to represent a higher risk, the proportion of such cases where issues were identified would be expected to be higher than for the scheme as a whole.
- 20.27** The Department has indicated that the number of reviews of continuing eligibility via mailshot was relatively low for the period 2010 to 2012 when scheme resources were being prioritised for the transfer to a new system and the clearance of a backlog. Due to the progress in those areas, the use of continuing eligibility certificates has now been reinstated and 600 such checks were completed in the first six months of 2013.
- 20.28** Other checks are carried out where relevant information in relation to the claimant comes to the attention of the Department.

Earnings Exemptions

- 20.29** Up to February 2012, claimants could work part-time while retaining their full invalidity pension payment provided the work was for rehabilitative or therapeutic purposes and Departmental approval was obtained. This exemption has since been replaced by the partial capacity scheme.¹ However, those with exemptions at February 2012 will continue to receive invalidity pension until the expiry date of the exemption (currently 540 continue to have an exemption).
- 20.30** Each year, the Department identifies claimants who were also in receipt of earnings. In April 2012, 14,000 such claimants were identified. The 140 cases with earnings in excess of €20,000 were examined and 15 of these were identified for further investigation. Six of these claims were terminated.

Estimate of Level of Irregular Payment

- 20.31** The Department has not undertaken a fraud and error survey of the scheme. Therefore, an estimate of the level of irregular payments is not available. A survey was planned for April 2013 but is not now expected to commence until September 2013.
- 20.32** A fraud and error survey in the UK of a similar scheme (known as Incapacity Benefit) estimated the rate of fraud and error at 2.4% of expenditure in the period October 2009 to September 2010.²

Conclusions and Recommendation

- 20.33** Total expenditure on the invalidity pension scheme was €603 million in 2012 representing a decrease of 12% since 2008. The numbers in receipt of the payment has fallen by 7% to 50,000 over the same period.

¹ At February 2013, there were 800 people in receipt of partial capacity benefit.

² Fraud and Error in the Benefit System: Preliminary 2012/13 Estimates, Department of Work and Pensions, May 2013.

20.34 Once a claim has been put in payment, the main change in eligibility conditions that can occur is where a claimant recovers the capacity to work again. Therefore, a medical review of cases is a key control. The Department's procedures require that approved claims are allocated a medical review status indicating whether the claim should be reviewed in the future and, if so, when that review should take place. Around 12% of 50,000 cases in payment do not have a medical review status recorded. Due to resource constraints, the Department has not been able to review all cases as scheduled. Review of a random sample of certain categories of cases by the Department found that 11% of cases reviewed were no longer eligible.

Recommendation 20.1: The Department should ensure that a medical review status is assigned to all cases and that as far as possible medical reviews are carried out as scheduled. The results of the Department's review of a sample of cases should be used to inform its risk rating of categories of claimants pending the results of the planned fraud and error survey of the scheme.

Accounting Officer's Response: Agreed. The Accounting Officer accepts that claimants without any review status should be medically reviewed as soon as possible. The Department considers that a disability allowance or illness benefit medical review status is a valid indicator for invalidity pension claims, as the medical assessor bases the review status on expected duration of the condition rather than the scheme type.

Since August 2010, a medical review status has been assigned to all new claimants and to any cases that have been medically reviewed. The revised control strategy for the scheme, put in place in July 2012, requires that a number of 'do not review' cases are medically reviewed each year.

The Department is conscious of the need to increase its capacity to carry out medical control reviews. In addition to the ongoing efforts to retain current medical assessors and recruit additional capacity, the Department is examining additional options of engaging additional medical professionals on an agency basis and outsourcing of some medical assessment requirements. The Accounting Officer stated that cases are selected for medical review based on risk criteria. Once work on the sample of cases is concluded, consideration will be given to revising the risk criteria.