



Germany's Mandatory Long-Term Care Insurance

THE BASICS

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Public and Private Mandatory LTCI Coverage

- ▶ The public program is the “5th pillar” of Germany’s Social Security system. Since 1995. Reformed/improved in 2008 and again in 2014.
- ▶ 89% of the population is covered by the public insurance through 118 sickness funds (same as provide health insurance). Financed by income-related contributions.
- ▶ 11% of the population (including civil servants) receive coverage via private insurance companies (which all provide their health insurance). Financed by age-rated premiums.
- ▶ Everyone above age 2 is covered, by their own or parental/spouse contributions or premiums. Children covered until age 26.

Mandatory Contributions/Premiums

- ▶ Looks at first glance like a payroll tax but it's not, because not just employed people have to pay; everyone with any income must contribute.
- ▶ For employees, the employer pays half, but self-employed and pensioners pay the full percentage of income. And claimants continue to pay while in benefit.
- ▶ German employees gave up one paid holiday, which actually pays for the employer share.
- ▶ Initial contributions were 1.7% of income, in 2015 went up to 2.35% -- childless to 2.6%. Increased further to 2.55% in 2017 (2.8% childless).
- ▶ Required by law to be fully self-funding and solvent – and it is (unlike social insurance for LTCL in other countries).

Benefits in Cash or Service Reimbursement

- ▶ Five benefit levels, with choice of cash or service reimbursement at home.
- ▶ 78% choose cash for home care; down from 88% in 1995.
- ▶ Lowest level does not pay out monthly benefits but qualifies the recipient for ancillary benefits, e.g. respite, home mods, counseling, pension contributions for informal caregivers.
- ▶ 2017 monthly benefit amounts at Level 2 ranged from 689 euros for home care services or 316 euros in cash; 689 for day and evening care (a care center benefit); to 770 euros for nursing home care. Special circumstances could raise the max benefit to 878 euros.
- ▶ At highest level (5) home care benefits in kind ranged from 1,995 euros for home care services; 901 for cash; 1,995 for care center, and 2005 euros for nursing home care. Special circumstances could raise the max benefit to 2,286 euros.

Benefits Designed to be Basic, not comprehensive, not to Replace Unpaid Family Care

- ▶ Benefits cannot be used to cover cost of room and board. Also the LTCI benefit is not guaranteed to cover all service costs. In 2014, the average out-of-pocket cost for NF estimated at 1,792 euros monthly.
- ▶ Average monthly German Social Security pension for men in 2015 ranged from 1006 euros (former East Germany) to 1052 euros (former West Germany) and 521-705 euros for women.
- ▶ If NF residents cannot pay those costs, they must apply for means-tested benefits from the state where they live. Adult children may be required to contribute.
- ▶ Pre LTCI, 8.4 per 1000 relied on mean-tested assistance to pay for NF, down to 3.5 in 1998, up to 5.5 in 2013.
- ▶ States regulate provider reimbursement rates with providers (limit max charges) but do not “set” rates as Medicaid does.

Recent Reforms

- ▶ By 2008, inflation had seriously eroded benefits and reforms including contribution increase were needed.
- ▶ 2014 reforms introduced a new assessment tool, improved coverage for people with cognitive impairments in need of supervision but not “hands-on” personal care and improved informal caregiver benefits.
- ▶ Most recent contribution increases serve also to index benefits and will be enough to sustain the program until 2022 when an additional increase may be necessary.
- ▶ Also, reforms included .1% for pre-funding with a goal of building reserves to become available after 2035. This is to address population aging 16% (slightly higher than U.S. now) in 1995, now at 21% and expected to reach 32% by 2050.