



Popular initiative in Liechtenstein to introduce an income-related premium for statutory health insurance

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In 2011, the Liechtenstein government decided to reduce the State contribution to statutory health insurance. This had a significant effect on the premium fees. In March 2016, a popular initiative for a new contribution system was launched by a small political party. A taxable income-related premium instead of an equal premium is proposed.

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Description

The Liechtenstein healthcare system is currently financed via contributions from insured persons and from employers, by insurance excess, and by an additional fixed and guaranteed State contribution. Liechtenstein resident citizens are required by law to have medical insurance and therefore must be registered with one of the private medical insurance companies.

Children up to the age of 16 are exempted from contributions to the healthcare system, persons under the age of 20 pay only 50% of the premium, and the premium of people with an annual income below a certain threshold can be reduced by up to 40%.

Since the financial crisis of 2009 the State contribution to the statutory health insurance system has been reduced from 64 Mio. Swiss francs in 2010 to 41 Mio. Swiss francs in 2015 (i.e. approx. from 59 Mio. Euros down to 38 Mio. Euros). As a result, premium payments for individual contributors increased by 43% during that period – from 2,798 Swiss francs per year and person to 4,015 Swiss francs (approx. from 2,590 Euros up to 3,700 Euros).

In March 2016, the small political party Free List (Freie Liste) launched a popular initiative, proposing that health insurance premiums should depend on the taxable-income of individuals or families. This would replace the current

per capita system of equal premiums, and also the existing health insurance benefits for specific target groups, as mentioned above. (The popular initiative in Liechtenstein is a direct democracy policy instrument which allows the initiators to submit a proposal to the Parliament if a certain number of national electors support it; the Parliament is then free to accept the proposal or reject it.)

According to the initiators, the health insurance contribution would amount to about 4% of the taxable income of every taxpayer. Thus, a high taxable income would lead to higher fees whereas a low taxable income would reduce health insurance premiums. The initiators expect that about 75% of insured people would benefit from such a new system – especially households with children, pensioners, and generally people on a low income.

In April 2016, a political debate on the issue took place in the Parliament before the collection of signatures for the popular initiative was permitted. The following points were raised by the government and political parties in response to the Free List initiative proposal:

- The calculation of 4% of taxable income includes contributions from legal entities (companies). Without them the level would be significantly above 4%.

- In addition, only about half of citizens declare income tax which is high enough to be included in the contribution. Thus, the healthcare premium which would have to be paid by the other half of the citizens (high-earners) would be far above the forecasted 4%.

- Another critique is that the current system of health insurance contributions would have to be redesigned completely, since the health insurance companies would have to calculate the contribution on the basis of the individual's annual income-tax declaration. This would cause additional administrative costs and also involve the tax authorities in the process.

- There is much uncertainty regarding how such a taxable income-related premium system would affect the various sections of the population. Single- and 2-person households in full-time employment and with no children would probably face a substantial increase in their healthcare premium, compared to the current model.

Outlook & Commentary

Based on the national forecast of increasing health insurance costs over the coming years, the main question regarding this proposal is whether a taxable-income-based healthcare premium model would help to narrow the gap between low and high-earners. Moreover, it also raises the question whether it would guarantee a stable financial situation for the healthcare insurance scheme, allowing it to cope with future challenges.

The current healthcare premium system is already half a tax-financed system as the state contribution comes from national

tax income. Thus, unlike the Free List, the other political parties do not see advantages in the new initiative proposal.

If the initiative is accepted, the Parliament will have to work out concrete solutions on how to implement it.

Further reading

Governmental pre-analyses of the popular initiative:

<http://www.llv.li/files/srk/bua-048-2016-web.pdf>

Statement from the political party Free List (Freie Liste) in Liechtenstein: <http://www.freieliste.li/programm/sozial-wirtschaften/>

Statement from the political party "Fortschrittlichen Bürgerpartei" (FBP) in Liechtenstein: <http://www.fbp.li/home/news/parteipraesidium-klar-gegen-einkommensabhaengige-krankenkassenpraemien.html>

Press release on the popular initiative: <http://www.volksblatt.li/nachricht.aspx?id=109897&src=vb>

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