Austria: Announcement of major modification of the institutional structure of public social insurance providers

ESPN Flash Report 2018/46

Marcel Fink – European Social Policy Network July 2018

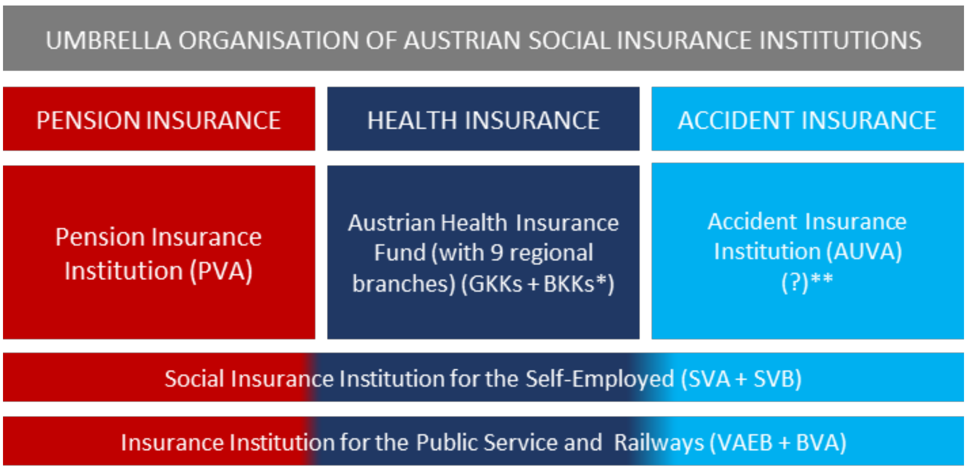
At the end of May 2018, the new Austrian centre-right government, in office since 2017, announced a reform of the institutional structure of public social insurance providers. This reform involves a substantial reduction in the number of social insurance institutions, but arguably does not thoroughly address the multitude of challenges evident in the current system. However, more details have to be awaited - these may be expected to be part of a related draft bill, announced for autumn 2018.

Description

Public pension, health and accident insurance in Austria is organised via so-called social insurance institutions (*Sozialversicherungsträger*). These institutions are structured by different occupational groups, social risks and partly also by Federal States (Bundesländer). Currently, 21 social insurance institutions exist, five of which are occupational health insurance funds, organising health insurance for employees of five large companies. The latter are, like the other social insurance institutions, public-law bodies and, at the same time, so-called "self-governing bodies" (*Selbstverwaltungsträger*); they have important regulatory functions.

In an "address to the ministerial council" (*Ministerratsvortrag*) (see Bundeskanzleramt 2018), the Austrian government announced plans for a reform of the structure of the social insurance institutions. The envisaged new organisational structure is shown in the diagram. Essentially, the plan involves a merger of the nine different regional health insurance funds (GKKs), currently one for each of the nine federal states (Bundesländer) and covering most private-sector employees, into one common "Austrian Health Fund" (ÖGK). The latter will, however, continue to have nine district branches, equipped with some managerial powers. The five company-based occupational health insurance funds (BKKs) will have the opportunity either to opt into the Austrian Health Insurance Fund, or to continue to exist independently as "private welfare providers".

Planned future structure of social insurance institutions:



*, ** Different options for future development; see explanation in text.

Furthermore, the insurance institutions for trade and industry (SVA) and for farmers (SVB) will be merged into a common insurance institution for the self-employed. Similarly, the insurance institutions for public service employees (BVA) and for the railway and mining industries (VAEB) will be merged into a joint insurance institution, administering pension, health and accident insurance for these groups. The government announced that the mergers of health insurance institutions are designed to enhance efficiency, resulting in cumulative savings in administrative costs of €1 billion by 2023. These funds will, according to the plans announced, be used to further upgrade public health services.

Regarding the accident insurance institution (AUVA), two different options for further development exist. The government announced that the AUVA must carry out organisational reforms by the end of August 2018, resulting in a reduction of the yearly budget by €500 million or nearly 40%. These reforms should make it possible to reduce the insurance contribution rate for accident insurance, fully covered by employers, from currently 1.3% to 0.8% of gross wages. If AUVA cannot decide on such a reform, the government announced that it will dissolve AUVA and transfer accident insurance to other health and pension insurance institutions.

Outlook & commentary

Debates on reforming the institutional structure of public social insurance have been on the agenda for some time in Austria. The previous coalition government of the Social Democratic Party (SPÖ) and Austrian People's Party (ÖVP), which left office in December 2017, presented a large-scale research study on the topic in summer 2017, commissioned by the Ministry for Social Affairs and conducted by the London School of Economics (LSE 2017).

When compared to the very broad conclusions and proposals made by the LSE, the reform plan now proposed by the government appears to concentrate on institutional issues in a very narrow sense, without at the same time comprehensively addressing broader structural problems of the Austrian social insurance, and especially of the health system (LSE 2017; OECD 2017). The reform proposal makes it very clear that the institutional "self-governance" bodies should be streamlined substantially with regard to the number of functionaries they employ. And within the self-governance committee of the newly formed ÖGK, employee and employer representatives should be equally represented in the future, whereas until now in the GKKs there was a ratio of 4 to 1 in favour of employee representatives. This change was particularly criticised by the Social Democrat opposition and by worker organisations, which argued that the primary goal of the reform was to increase the weight of employer interests.

On the other hand, the main points made by the LSE in its assessment are only vaguely, if at all, addressed in the reform proposal. This contains no details regarding risk-adjustment between different health insurance providers, nor between the nine regional branches of the ÖGK, while the regional branches of the ÖGK will still have the power to negotiate details of the agreements with contracted physicians, a system which clashes with centralised planning for budget and services. The plan seems to be to harmonise benefits only within the newly-merged insurance institutions, but not between them. Furthermore, the government is unclear about the direction of harmonisation (towards lower or higher quality of services?): this has been criticised by both health experts and opposition parties. It has also been asked whether the reform can truly lead to reductions in administrative costs totalling up to €1 billion by 2023, since the total administrative costs of health insurance currently "only" amount to approximately €490 million per year. Regarding the AUVA, it is unclear how this institution should cut spending by 40% without a significant reduction in the services provided, or increased coverage of costs by other insurance institutions.

Overall, the reform plan presented by the government comes with many question marks, and it is fair to say that, as it stands now, it does not appear to solve the major structural problems of the Austrian social insurance, particularly the health insurance system.

Further reading

Bundeskanzleramt (2018). *Address to the ministerial council: Future organisation of social insurance*, Vienna: https://www.bundeskanzleramt.gv.at/at.gv.bka.liferay-app/documents/131008/840064/19_16_mrv.pdf/384bca7e-7c2c-42c2-8387-bc2520242cb4

LSE (2017). *Efficiency Review of Austria's Social Insurance and Healthcare System*: https://broschuerenservice.sozialministerium.at/Home/Download?publicationId=424

OECD (2017). *State of Health in the EU, Austria, Country Health Profile 2017*: https://ec.europa.eu/health/sites/health/files/state/docs/chp_at_english.pdf

Author

Marcel Fink, Institute for Advanced Studies, Vienna