Long-term care insurance in Germany: Facing a paradigm shift in financing?

ESPN Flash Report 2020/63

THOMAS GERLINGER – EUROPEAN SOCIAL POLICY NETWORK DECEMBER 2020

Long-term care insurance covers only part of the LTC costs. The own contributions of the person in need of care can be very high, especially for residential LTC. Against this background, in October 2020 the Federal Minister of Health presented a plan for a reform of LTC. Reactions to this plan vary widely.

Description

The German statutory long-term care insurance scheme (LTCI) covers only part of the costs of long-term care (LTC). The shortfall, which varies depending on the degree of care and the type of benefit provided, must be paid privately by the person in need of care. If their regular income is not sufficient, the person in need of care must draw on their own savings or assets. If the required amount is not available or not sufficient, the person's children must pay the remaining costs. If the children are too overburdened financially, the missing amount must be paid by the municipalities via social welfare grants.

The private share of LTC costs has increased considerably since LTCI was established in 1995. As the level of benefits remained unchanged between 1995 and 2008, while prices of goods and services were rising, the purchasing power of benefits declined considerably during that period. The increases in benefits since then have not compensated for this decline. In 2017, the private costs of LTC were estimated at €11.2 billion (21.4% of total expenditure on LTC, estimated at €52.2 billion). Statutory LTCI covered some 68.1% and private LTCI 2.5% of total LTCI expenditure, while the remaining 8% came from various other financing sources such as civil servants' allowances (Rothgang & Müller 2019: 102).

At the same time, LTCI expenditure and the LTCI contribution rate, as well as the amount borne by those in need of care or their relatives, have risen significantly in recent years. In July 2020, the average total private contribution paid for LTC in residential homes, for people with care levels 2 to 5 (on a scale going from 1 to 5, describing the lowest resp. the highest need for care), was €2,015 per month on average. Of this amount, €786 is for LTC services, €774 for board and lodging and €455 for investment costs (Verband der Ersatzkassen 2020). Two years before, in January 2018, the average monthly private contribution was €1,772, of which €593 for LTC services, €716 for board and lodging and €463 for investment costs (Verband der Ersatzkassen 2018: 51). This means that the private contribution for LTC services has risen by almost €200 per month (around 30% in this short period alone). This increase is due mainly to an expansion of the number of beneficiaries and an improvement in benefits. However, to a lesser extent, it also reflects efforts to increase the wages of care workers and improve their working conditions. From the point of view of all those involved, these improvements were needed to increase the attractiveness of the LTC profession and to counteract the glaring shortage of LTC staff. As these measures will further increase spending, private contributions are likely to rise further if no changes are made to the financing of LTCI. The costs of LTC are already driving many people into poverty (e.g. Kochskämper 2019).

As a first step towards reducing the burden on children, the government has, with effect from 1 January 2020, limited the obligation to pay the remaining costs to those children earning more than €100,000 per year.

As a further step, the Federal Minister of Health (Jens Spahn, Christian Democratic Union) announced a major financing reform of LTCI in October 2020, as part of a comprehensive reform of LTC (BMG 2020). The reform would introduce an upper limit for the share to be borne by those receiving LTC in residential homes. In future, no person in need of care should pay more than €700 per month for inpatient care for more than 36 months. This share does not include the costs of board and lodging. Moreover, the federal government intends to ensure that only those outpatient care services and residential homes that pay their staff according to or at a level close to collectively negotiated rates will be allowed to provide care paid for by the LTCI (BMG 2020). In 2018, only 40% of residential homes, and only 26% of at-home LTC services, paid the wage rates stipulated in collective agreements (BMG 2020).

The reactions to the announced introduction of an upper limit on patients' payments varied widely. While the statutory health insurance funds welcomed the announcement, the plan met with clear criticism from private health insurance companies and employers' associations, among others. Welfare and patient organisations criticised the proposals as insufficient, as did the Social Democratic Party (SPD, a coalition partner in the federal government), the Greens and the Left Party. The latter even advocates a comprehensive reform that would cover LTC costs in full.

Outlook and commentary

The plan announced by the Federal Minister of Health represents a shift away from a capping of institutional expenditure towards a capping of expenditure by care recipients. However, the financial relief for LTC recipients under this plan is lower than it might seem at first glance:

- Many people in need of care already pay a monthly amount of less than €700. Moreover, around two thirds of care home residents die before they have been resident for 36 months. Only between 22.6 and 24.5% of residents stay four years or longer in a home (Rothgang & Müller 2019: 71). Thus, a considerable proportion of those in need of care would enjoy only very limited relief, if any at all.
- For many care home residents, the problem is that the investment costs, as well the costs of board and lodging, neither of which are covered by the reform, are higher than the costs they would have to pay if staying in their own homes.
- Many people in need of care will not be able to afford the costs they will still have to pay after the reform, and will continue to be dependent on supplementary social assistance.

Moreover, it is not currently clear how, and by whom, the missing private shares will be covered. A significant increase in the contribution rate to social LTCI is unlikely, as the government wants to limit the total share of social insurance contributions to 40% of gross wage costs. An increase in social assistance is also unlikely, since it would place too heavy a financial burden on many municipalities. It is therefore likely that a tax-funded federal subsidy will be introduced for the LTCI as part of the financing reform.

Further reading

BMG – Bundesministerium für Gesundheit (2020). Spahn: "Pflege ist die soziale Frage der 20er Jahre". Interview, Bild am Sonntag vom 04.10.2020. https://www.bundesgesundheitsministerium.de/presse/interviews/interviews/bams-041020.html

Bundestagsdrucksache 19/23483 (2020). Gesetzentwurf der Bundesregierung: Entwurf eines Gesetzes zur Verbesserung der Gesundheitsversorgung und Pflege (Gesundheitsversorgungs- und Pflegeverbesserungsgesetz – GPVG). Drucksache 19/23483 vom 19.10.2020.

Kochskämper, S. (2019). Wird Pflege immer teurer? Pflegeheimkosten und Eigenanteile, IW-Report, Nr. 41, Köln.

Rothgang, H. & Müller, R. (2019). BARMER GEK Pflegereport 2019: Ambulantisierung der Pflege, Berlin, Wuppertal: Barmer. https://www.barmer.de/blob/215396/a68d16384f26a09f598f05c9be4ca76a/data/dl-barmer-pflegereport-2019.pdf

Verband der Ersatzkassen (2020). Finanzierung der vollstationären Pflege: Leistungen der sozialen Pflegeversicherung und Eigenanteil am 1. Juli 2020. https://www.vdek.com/presse/daten/f_pflegeversicherung.html

Verband der Ersatzkassen (2018). vdek-Basisdaten des Gesundheitswesens 2017/18. https://www.vdek.com/presse/pressemitteilungen/2018/basisdaten.html

Author

Thomas Gerlinger (Bielefeld University)

The Flash Reports are produced by the European Social Policy Network (ESPN) established in 2014 to provide the European Commission with independent information, analysis and expertise on social policies in 35 European countries. The topics covered are identified by ESPN experts in the light of significant developments in their countries, or in some cases suggested by the Commission or the Flash Reports' editorial team (Eric Marlier and Slavina Spasova). The ESPN is managed by LISER (Luxembourg Institute of Socio-Economic Research), APPLICA and the OSE (European Social Observatory). More information on the ESPN: http://ec.europa.eu/social/main.jsp?catId=1135&langId=en.

Quoting this report: Gerlinger, T. (2020). *Long-term care insurance in Germany: Facing a paradigm shift in financing?*, ESPN Flash Report 2020/63, European Social Policy Network (ESPN), Brussels: European Commission.