Defusing the demographic "time-bomb" in Germany

Germany is one of only four countries with a dedicated insurance system for long-term care. But as the population ages rapidly and birth rates remain low, the system in its current form may not be sustainable. Jan Dirk Herbermann and Débora Miranda report.

When in 1998, Rainer Hammerling's parents became too frail to cope with daily life, Rainer decided to give up his job and look after them. "All I wanted to do was guarantee them a life in dignity until the end," he says. A professional masseur, specialized in caring for people living with HIV/AIDS, Hammerling was able to cope with his parents' steadily deteriorating condition, but it wasn't easy, partly because he found himself so isolated. "People didn't understand," he says. "They wanted to know why I didn't put my parents in an old people's home." And there were financial problems too. While his parents benefited from Germany's long-term care insurance, introduced in 1995, it did not fully cover his loss of income.

In Germany and many other countries, life expectancy is going up. More and more people live longer and enter an age when they may need care. At the same time birth rates have not been high enough to replace the population since the early 1970s and continue to be low. The result is less money for an increasing number of people in need of care.

"Between 1955 and 1965 we had a baby-boom. There will be a large group of old people getting frail in 20–25 years time," says Clemens Tesch-Römer, Director of the German Centre of Gerontology in Berlin. "We still do not have a good solution to this problem."

Long-term care insurance or *Pflegeversicherung* – as distinct from health insurance – covers the care needs of people who as a consequence of illness or disability are unable to live independently for a period of at least six months. Germany's long-term care insurance is a mandatory scheme with contributions divided equally between the insured and their employers. Eligibility is not based on age, but almost 80% of beneficiaries are 65 years old or older. Recipients are categorized according to three levels of dependency. According to the latest figures, of Germany's 82 million people, roughly 79 million have some form of long-term care insurance. Of those, roughly 88% are public and 12% private.

Most beneficiaries of Germany's long-term care insurance stay at home (69%). That way they can opt for a monthly cash payment – in 2012 between €235 (US$ 300) and €700 (US$ 930) – to cover their care needs or can receive in-kind benefits – in 2012 between €450 (US$ 600) and €1550 (US$ 2065) – in the form of professional care services. People can also give the money to a caregiver friend or relative. For the remaining 31% of beneficiaries living in care, these payments only cover a portion of the monthly cost of institutional (nursing home) care, Tesch-Römer says. If they can, recipients supplement the long-term care insurance with other insurance or pension schemes. If they can't, their families are obliged to step in and, if not, recipients must apply for social assistance as a last resort.

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> *John Beard*

Germany's long-term care insurance system is responsible for testing the quality of care in the country's 12 000 or so care facilities while recipients can choose which service they want and where. The system has also led to greater awareness. "The topics 'dementia', 'quality of care' and 'quality of life in old age' are now in the mainstream of public discourse," Tesch-Römer says.

Germany is one of four countries with a long-term care insurance system. The others are Japan, the Netherlands and the Republic of Korea. Other long-term care systems are funded by tax revenues to varying extents depending on the country. In countries with no system, the financial burden falls on the individuals in need and their families.

"Long-term care is a challenge for every country," says John Beard, director of the Department of Ageing and Life Course at the World Health Organization (WHO), which is devoting this year's World Health Day on 7 April to the theme of Ageing and Health. "It can be financed out of pocket, by government tax revenues or through insurance.

Konzept und Bild/Cathrin Bach

This elderly woman lives in a German nursing home

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UN Photo

Elderly people in the Republic of Korea, one of four countries with a long-term care insurance system

These four countries have opted for a mandatory insurance scheme, a system that ensures that everyone has at least some protection against these costs."

But while Germany's long-term care insurance system has received international recognition, its future sustainability is in doubt. According to the Organisation for Economic Co-operation and Development (OECD) approximately 20% of the German population is over 65 years old. In 2009, 2.24 million people were 65 years and over and that will nearly double to 4.35 million in 2050, when Germany is forecast to have the second oldest population in an OECD country after Japan.

Moreover, Germany's long-term care insurance is funded on a pay-as-you-go basis – whereby contributions are distributed immediately to fund care – which means that premiums have to be raised as the ratio of recipients to non-recipients increases. Some argue for a switch to a prepayment model that would allow a putative long-term care insurance fund to grow with its liabilities. But any reform that would involve an increase in contributions or require more government funding are difficult, not least in today's economic and political climate.

Jutta Berger-Knapp, manager of Diakonie-Pflege Verbund, a Berlin-based company with 650 staff focused on the provision of care at home, is well aware of this and has no illusions about the problems it poses. "At the moment the care insurers in Germany have enough money because the economy is in good shape and many people pay into the scheme. But the politicians know there is a time-bomb ticking," she says.

Defusing the demographic "time-bomb" is something the German government has pledged to do by reforming the current system.

Last October, Germany's parliament passed a new law that makes it easier for working people – like Rainer Hammerling – to care for dependent members of their families. Under the new rules people can work half time and continue to be paid 75% of their salary. To avoid people gaming the system, when the period of care is finished they are obliged to return to full-time work again with 75% salary until the caring time is balanced.

The new law is a clever way of spreading the cost and recognizes the central role of the family in the provision of care for the elderly, but the road to reform of Germany's long-term care insurance will not be easy.

For one, dependency is currently defined solely in terms of physical limitations taking no account of dementia. As a result, people who are physically fit but due to their mental condition unable to cope alone do not qualify. Another issue is poor coordination between health insurers and care insurers.

"People are released from hospital or rehabilitation but must wait sometimes weeks to be assessed by inspectors who assign a dependency ranking (levels 1–3)," says Berger-Knapp. "When inspectors finally do show up, they ask the person questions that do not always get an honest response, because", as Berger Knapp puts it, "who wants to admit he suffers from incontinence in front of an unknown inspector?" The risk is that they may not receive adequate services. "That is why it is essential for a relative to be present when an elderly person is assessed," she says.

"There are still many issues with such a system in Germany and other countries including sustainability, delivering care and protecting families from the potential costs. With the rapid ageing of populations, finding the right model for long-term care becomes more and more urgent," says Beard of WHO. "The new approaches that Germany is exploring may provide models for countries that have no long-term care safety nets."

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Along with the demographic shift, society is changing. When Hammerling started to care for his parents back in 1998, there was little support and understanding. Ten years later, when he joined Wir Pflegen (which means 'We Care' in German) in 2009, the picture was different. The nationwide association had recently been set up to support people who look after their dependent relatives. Hammerling is now their representative in the federal state of Berlin: "We are working so that people who care for their dependent relatives are valued more and receive more recognition," he says. ■