



## **Annual National Report 2010**

### **Pensions, Health and Long-term Care**

#### **Liechtenstein**

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**On behalf of the**  
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## 1 Executive Summary

The Liechtenstein social security system is of a very high level. The basic principles and many benefits are linked to the Swiss system. Due to the small size of the Liechtenstein territory, there are many persons insured in Liechtenstein, who actually are not resident there, i.e. Austrian and Swiss nationals.

In 2009 and early 2010, the following developments took place in Liechtenstein's pension, health and long-term care schemes.

Concerning old age, no major reforms were initiated. Only some minor adaptations were made. Most notably, Liechtenstein's Government revised the method of taking into consideration AHV (first pillar) insurance periods for part-time employees in Liechtenstein, who reside outside the country. Since the old method led to lower pensions for part-time employees residing outside Liechtenstein, as compared to those residing in the country, the EFTA Surveillance Authority considered this to be discriminatory and initiated proceedings against Liechtenstein. The Government now amended their legislation and the EFTA Surveillance Authority closed the proceedings.

In the field of health care no actual reform was undertaken. However, the discussions on how to reduce costs are omnipresent. There are different ways proposed how such a reduction could be reached, but stakeholders fundamentally disagree whether this should mainly concern doctors, hospitals, or patients.

In the field of long-term care, the Government implemented the first step of a reform decided several years ago to set up a sustainable system of preventive, home and institutionalised care for senior citizens. To cover the most urgent needs, namely the financing of home care, the Government has effectively introduced a new care allowance as of 1 January 2010. This whole reform will have to be introduced in stages in a long-term perspective.

The financial and economic crisis dominated the public debate and the political discourse in Liechtenstein. Against the background of a projected all time high state budget deficit for 2010, measures were discussed to relieve the budget pressure. Among them, the reduction or even abolishment of state subsidies to the first pillar pension scheme. A reduction of state subsidies is also discussed in the field of health care.

No relevant impact assessment was carried out in the reference period. Concerning old age, an expert report on the long-term financial stability of Liechtenstein's first pillar pension scheme, which was already presented at the end of 2008, has been still in the spotlight in 2009. The report concluded that Liechtenstein, with its three pillar pension system, is prepared to meet the challenges of the future. In Liechtenstein's first pillar, which was the focus of the study, no immediate need for action was considered. Nevertheless, the report assumed that in the long run, i.e. as of 2030, the first pillar pension fund has to fall back on its financial reserves. Therefore, the report suggested a number of measures in order to avoid a fallback. The financial crisis was not regarded to have a strongly negative impact on the financial stability of the first pillar pension funds.

## 2 Current Status, Reforms as well as the Political and Scientific Discourse

### 2.1 Pensions

#### 2.1.1 Overview of the system's characteristics

The old age pension system of Liechtenstein is based on three pillars. The first pillar is the statutory Old Age and Survivors' Insurance (Alters- und Hinterlassenenversicherung, AHV). The second pillar are employers' pension plans. And finally, the third pillar are voluntary private insurance arrangements, such as life insurances and other products by insurance companies or pension plans and the like by financial institutions. In the following, the main characteristics and basic financial and insurance data of Liechtenstein's first and second pillar pension will be outlined.

##### 2.1.1.1 First pillar

The first pillar (AHV) is a mandatory insurance for all individuals residing or working in Liechtenstein, as employee or self-employed person.<sup>1</sup> In 2008, more than 40,000 persons were actively insured, meaning that they paid contributions. This rather high number, compared to Liechtenstein's less than 36,000 inhabitants, is explained by the fact that more than half of Liechtenstein's employees commute from abroad, most notably from Switzerland and Austria.

The AHV is funded on a pay-as-you-go basis. Income is derived from contributions, taxes and investment income. Contributions must be paid by the employee and the employer (in equal parts), the self-employed and the economically non-active resident. In 2008, contributions in the amount of ca. CHF 198 million (Swiss franc), which equates to about EUR 139 million (Euro), were collected. The Government contributes to the AHV funds with 20% of the fund's annual expenditure, paid out of the general revenues, and with two thirds of the income from the capacity-linked levy on heavy goods vehicles (*LSVA-Abgabe*). In 2008, this was CHF 46.6 million (ca. EUR 32.7 million). Income from both contributions and the Governmental has steadily increased over the past 10 years.<sup>2</sup> This cannot be said about the third pillar of funding: investment income. In 2007, after the beginning of the financial crisis, the income from investments heavily dropped to only little more than CHF 5 million (ca. EUR 3.3 million). And in 2008, the AHV had to face severe investment losses: CHF 185 million (ca. EUR 130 million). This was the highest loss ever in the AHV funds history.<sup>3</sup> According to preliminary results for 2009, the tide turned and the AHV could once again draw profits from investments.

Eligibility to an AHV retirement pension is linked to the fulfilment of two conditions: the attainment of the pensionable age, i.e. 64 years, and contribution payments during at least one year. However, it is also possible to opt for early retirement at 60 years of age. By contrast, retirement can also be deferred up to the 70<sup>th</sup> birthday. In 2008, about 14,100 people received a retirement pension. Worth mentioning, out of the total beneficiaries, more than 5,200

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<sup>1</sup> For the legal basis see *Gesetz vom 14. Dezember 1952 über die Alters- und Hinterlassenenversicherung* (LGBI. 1952, Nr. 29).

<sup>2</sup> With only one slightly decrease in contribution income in 2003.

<sup>3</sup> It was the second time that the AHV made an investment loss. The first time was in 2002, after the burst of the dot-com bubble.

persons received an early retirement pension, which equals 37%. While the overall number of beneficiaries increased by 5% compared to 2007, the number of early pensioners increased by 13%.

The amount of the retirement pension depends, most notably, on the contribution period, i.e. the length of time contributions have been paid in, and on the relevant income, i.e. the annual average earnings. Moreover, the moment when pension payments starts is relevant, as the retirement pension is reduced for early retirement and increased for deferred retirement. In 2008, retirement and survivors' pensions at the total amount of ca. CHF 199 million (about EUR 139.5 million) were paid out.

Beneficiaries of retirement pensions who are in need, i.e. who meet a means test, and who reside in Liechtenstein can fall back on supplementary benefits (*Ergänzungsleistungen*). The costs for these benefits are paid half by the state and half by the municipalities. In 2008, about 370 persons received supplementary benefits to their retirement pension, which is an increase of about 1.6% from the previous year.

The AHV is administered by the Old Age and Survivors' Insurance institute (*AHV institute*). It is an agency under public law, which is subject to supervision by both Parliament and Government. To cover its administrative costs, the AHV institute levies a special contribution. This contribution must be made by the employer, the self-employed, the non-active insured, the voluntarily insured and, under certain circumstances, the employee. In 2008, the administrative budget closed with a surplus of CHF 1.04 million (ca. EUR 0.98 million).

### 2.1.1.2 Second pillar

The second pillar consists of employers' pension plans where it is distinguished between occupational pension plans for private sector employees and the plan for civil servants.<sup>4</sup> The pension insurance for civil servants was subject to a major reform in 2008, which entered into effect on 1 January 2009.<sup>5</sup> The reform was already discussed in the asisp Annual National Report 2009 on Liechtenstein and will not be discussed here anymore.

Obligatorily insured are private sector employees (private plans) and governmental employees as well as employees of associated corporations in Liechtenstein (plan for civil servants) who are subject to the first pillar pension scheme, who have turned 23 years of age and whose annual earnings exceeds a certain threshold. All these employees not subject to mandatory insurance and self-employed persons may opt for voluntary insurance. End 2007, about 30,500 people were insured under second pillar pensions for employees in the private sector and almost 3,700 persons were insured under the civil servants' pension scheme. 90.2% of the insured were actively insured, meaning that the paid contributions. This is a slight decrease as compared to 90.7% actively insured in 2007.

Liechtenstein's employer pension plans are usually fully funded schemes. They are financed by contributions of employers and employees (employer's contribution must be at least equal

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<sup>4</sup> Employer pension plans for private sector employees are legally based on the Act on Occupational Pension Schemes (*Gesetz über die Betriebliche Personalvorsorge*). The legal foundation for occupational pensions for employees of the Government of Liechtenstein is the Pension Insurance Act for Civil Servants (*Gesetz über die Pensionsversicherung für das Staatspersonal*), which is in turn based on the Act on Occupational Pension Schemes.

<sup>5</sup> Only the provision on same-sex life partnerships has not yet entered into force, since thus far no proper legal basis for the status of same-sex couples in Liechtenstein has been established. For the Implementation Regulation to the reform see *Verordnung vom 18. August 2009 über die Pensionsversicherung für das Staatspersonal* (LGBI. 2009, Nr. 224).

to employee's contribution), as well as by voluntary contributions of the self-employed. All of them are also required to pay an administrative fee. In 2008, employers' contributions to second pillar pensions (including the second pillar pension for civil servants) amounted to CHF 159 million (ca. EUR 111.5 million) and employees' contributions amounted to CHF 125.5 million (ca. EUR 88 million). Moreover, investment incomes contribute to the financing of occupational pension schemes. End 2008, the funds of all employers' pension plans amounted to an aggregated amount of CHF 3.4 billion (ca. EUR 2.38 billion), which means a reduction of 6.2% as compared to the previous year and is explained by losses of investment income due to the financial crisis.

Entitlement is normally triggered by the attainment of the pensionable age of the insured person. Most of Liechtenstein's employers' pension plans are defined contribution plans. The amount of retirement pensions depends on the accumulated capital and the annuity rate. Benefits may be either paid out as a lump sum or as a periodic payment. The plan for civil servants however is a defined benefit plan.<sup>6</sup> The pension rate depends on length of the career and the last wages.

Private sector employer pension plans are run by private pension institutions. The pension plan for civil servants is administered by a foundation under public law. Supervision of all plans is carried out by the Liechtenstein Financial Market Authority (*Finanzmarktaufsicht, FMA*).

### 2.1.2 Overview of reforms

In 2009 and 2010 (until April 2010) no major reforms of Liechtenstein's retirement pension system were initiated. There was however an amendment of the calculation of insurance periods for part-time workers, residing outside Liechtenstein. Besides, the legal basis for the management and supervision of public corporations was subject to a major reform, which also affected the authorities involved in the administration and supervision of Liechtenstein's retirement pensions. Both amendments will be discussed in the following points.

For the sake of completeness it shall be mentioned that as of 1 January 2009, a major reform of the pension insurance for civil servants entered into effect. Also as of 1 January 2009, the retirement age for women has been increased to 64 years of age. Both changes were initiated long ago and have already been intensely discussed in the asisp Annual National Report 2009 on Liechtenstein. Therefore, they will not be dealt with here anymore.

What is more, I reported in my previous asisp Annual National Report 2009 on Liechtenstein that Parliament and Government elaborated an agricultural act. It was the intention to provide the legal framework for a competitive and innovative agriculture in Liechtenstein. The act came partly into force in 2009 and partly in 2010. Under this new act, subsidies for low-income farmers are linked to the existence of retirement arrangements,<sup>7</sup> in order to stimulate farmers to plan for retirement. This relates most notably to second and third pillar arrangements or to liquid assets and cash.<sup>8</sup> The Government has been entrusted to elaborate the details on the requirement of retirement arrangements. Thus far, however, nothing happened.

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<sup>6</sup> Only associated corporations which are commercially oriented and municipalities can opt for a defined contribution plan.

<sup>7</sup> See Article 36 Act on Agriculture.

<sup>8</sup> Liechtenstein Government, *Stellungnahme der Regierung an den Landtag des Fürstentums Liechtenstein zu den anlässlich der ersten Lesung betreffend die Schaffung eines Landwirtschaftsgesetzes (LWG) sowie die Abänderung weiterer Gesetze aufgeworfenen Fragen (Nr 163/2008)*, 18 November 2008.

I also informed in my previous Annual National Report that the Government considered whether it shall continue to make use of an exception of the principle of equal treatment based on sex provided for under Directive 2006/54/EC of 5 July 2006 on the Implementation of the Principle of Equal Opportunities and Equal Treatment of Men and Women in Matters of Employment and Occupation (recast).<sup>9</sup> To be more precise, the Directive allows for different benefit rates between men and women, if necessary to take account of actuarial calculation factors which differ according to sex in the case of defined contribution schemes. Liechtenstein's Act on Occupational Pension Schemes (*Gesetz über die Betriebliche Personalvorsorge*) makes use of this exception of non-discrimination and allows for difference in treatment. Up to now, however, this provision, which affects second pillar pensions, had been left untouched.

### **2.1.2.1 Part-time workers residing outside Liechtenstein under the AHV**

In July 2009, Liechtenstein's Government revised the method of taking into consideration AHV insurance periods for part-time employees in Liechtenstein, who reside outside the country.<sup>10</sup> Under the old regime, such insurance periods were only taken into account on the basis of the working hours per calendar year. This was considered by the EFTA Surveillance Authority as being discriminatory, since part-time workers residing in Liechtenstein had their insurance periods calculated according to the working months per calendar year.<sup>11</sup> As a result, part-time workers residing abroad often acquired fewer insurance periods and hence received lower retirement pensions than workers in the same situation who lived in Liechtenstein. The amendment entered into force retroactively as of 1 January 2001. The EFTA Surveillance Authority has in the meantime closed the proceedings against Liechtenstein.<sup>12</sup>

Until end October 2009, almost 2,900 pensioners (including invalidity pensioners) applied for a recalculation of their pension benefit. The AHV institute expects that in about one third of the cases the investigations will lead to a pension raise. According to first estimations, the amendment will cause extra expenditure of about one to 2 % per year. This amounts approximately to CHF 2 to 4 million (EUR 1.4 to 2.8 million) per year.<sup>13</sup>

### **2.1.2.2 Establishing and harmonising the legal basis for the management and transparency of public corporations**

In 2007, Liechtenstein's Government began to work on the issue of corporate governance for corporations under public law. This work led to a framework act on the management and the supervision of public corporations, to the amendment of diverse laws on public corporations and to a code of legally non-binding recommendations on the management and the supervision of public corporations, which all entered into force on 1 January 2010. With this

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<sup>9</sup> Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend den Beschluss Nr. 33/2008 des Gemeinsamen EWR-Ausschusses Richtlinie 2006/54/EG des Europäischen Parlaments und des Rates vom 5. Juli 2006 zur Verwirklichung des Grundsatzes der Chancengleichheit und Gleichbehandlung von Männern und Frauen in Arbeits- und Beschäftigungsfragen (Neufassung)*, Nr. 118/2008 (Vaduz: 23 September 2008).

<sup>10</sup> *Verordnung vom 14. Juli 2009 betreffend die Abänderung der Verordnung zum Gesetz über die Alters- und Hinterlassenenversicherung* (LGBI. 2009, Nr. 210).

<sup>11</sup> See *Liechtensteiner Volksblatt*, *AHV-Verordnung angepasst*, 16 July 2009.

<sup>12</sup> See *Liechtensteiner Vaterland*, *ESA stellt Vertragsverletzungsverfahren wegen Diskriminierung von Grenzgängern ein*, 30 October 2009.

<sup>13</sup> *Ibid.*

legal reform, Liechtenstein aimed to introduce uniform, transparent and efficient management and supervision structures for its corporations under public law.<sup>14</sup>

A key element of the reform is a shift of competences from the Parliament to the Government, so that the Government can fulfil its constitutional obligations on the supervision of public corporations. The Parliament, in turn, has been assigned new powers to control the Government. This shift of competences was heavily discussed in Parliament and criticised, in particular, by deputies of the Progressive Citizens' Party (FBP), before it entered into force.<sup>15</sup>

This reform also affects the Old Age and Survivors' Insurance institute (AHV institute), which administers Liechtenstein's first pillar pension, and the Financial Market Authority (FMA), which supervises Liechtenstein's second pillar pension.<sup>16</sup> Concerning the AHV institute, supervision is now solely carried out by the Government. In contrast to this, for reasons of political independence the FMA remains the only corporation under public law which is supervised by the Parliament.

What is more, AHV institute and FMA laws have been reduced. A number of matters are now regulated in a uniform manner for all of Liechtenstein's public corporations by the framework act on the management and the supervision of public corporations. This relates for instance to the election of members of the management or the incompatibility of office rules. On the other hand, some matters are now not regulated by law anymore, but by the articles of association of the AHV institute and the FMA. For instance, the functions of the AHV management (*Verwaltungsrat*) can now be specified and extended by the articles of association.

Another change concerned the supervisory board (*Aufsichtsrat*) of the AHV. This body has been dissolved. Supervision is now carried out by an auditor, which is to be determined by the Government.

Also worth mentioning, the Government developed a job specification for the AHV management (*Verwaltungsrat*). This shall ensure that the members of the management possess qualifications required by law as for their professional, personal and social skills.

### 2.1.2.3 Indexations

The Old Age and Survivors' Insurance Act provides for an indexation of benefit rates every two years. Since the last indexation took place in 2009, there has been no adjustment in 2010. At the beginning of 2009, the minimum amount of the full old age pension was raised by about 3.2%, which resulted in annual extra costs of about CHF 8.2 million (almost EUR 5.5 million).

### 2.1.3 Overview of debates/political discourse

A new Parliament was elected in March 2009. The new Government became a coalition of the Progressive Citizens' Party (FBP) and Patriotic Union (VU). Currently, a governmental

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<sup>14</sup> Liechtenstein Government, *Vernehmlassungsbericht der Regierung betreffend die Schaffung und Harmonisierung von gesetzlichen Grundlagen zur Führung und Transparenz von öffentlichen Unternehmen (Schaffung eines Rahmengesetzes und Abänderung der entsprechenden Spezialgesetze)*, (Vaduz: 27 May 2008).

<sup>15</sup> See *Liechtensteiner Volksblatt (Wie weiter, Landtag?)*, 26 November 2009.

<sup>16</sup> See *Gesetz vom 19. November 2009 betreffend die Abänderung Gesetzes über die Alters- und Hinterlassenenversicherung* (LGBl. 2009, Nr. 358) and *Gesetz vom 20. November 2009 über die Abänderung des Finanzmarktaufsichtsgesetzes* (LGBl. 2009, Nr. 362).



programme for the period of 2009-2013 has yet to be presented. The head of Government, however, referred to a broader programme, which is not anymore linked to a 4 year period, but on long-term objectives. This programme is called *Agenda 2020* and should be available in the first half of 2010, but has not yet been finalised.

In the reference period, the discussion on old age pensions mainly concerned the financial stability of the first pillar retirement scheme AHV, and possible reforms of it. Since this discussion was heavily related to the financial crisis, it will be addressed later in this report (see point 3).

Political debates not connected to the financial crisis concerned the introduction of the levy of AHV contributions on periodic transitional payments, the question whether periods of child rearing should be acknowledged under second pillar pension schemes and the ongoing discussions on the AHV administrative contributions.

### **2.1.3.1 Transitional payments subject to AHV contributions**

With effect from 1 January 2009, the AHV institute levies AHV contributions on periodic transitional payments (*Überbrückungsgelder*). These are payments made by employers to former employees after the termination of the employment in order to temporarily alleviate the loss of income. Such payments can be found particularly in the public sector, for civil servants who take early retirement between age 60 and 64. The levy is the result of a policy change of the AHV institute, which considered transitional payments to be tantamount to termination payments and hence to be liable to contributions under AHV Act. The change affected about 200 civil servants who took early retirement. Liechtenstein's media paid much attention to the pensioners' concerns.<sup>17</sup> Representatives of the pensioners criticised that the change was not based on a formal decision by Parliament or Government. Moreover, they complained that the periodical payments were treated like one-time payments in that the contributions from the periodical payments were attributed to the last year of service. This entails that the pensioners still have to pay AHV contribution as non-economically active persons until their full retirement. The AHV institute replied that the Regulation to the AHV Act provides for a sufficient legal basis and that anything else than to treat periodical transitional payments like one-time termination payments would amount to unequal treatment. The discussion ceased in the course of the year. Changes to the new practice were not made.

### **2.1.3.2 Child rearing and second pillar pensions**

In the previous Annual National Report it was already reported about the discussion on whether to cover parents under occupational pension schemes, who stop working in order to devote time for child rearing. Such possibility does already exist in the occupational pension scheme for civil servants and was considered to be also introduced in schemes for private sector employees. Some proposed, for instance, that the Government temporarily, such as between three and five years, take over the payment of contributions to second pillar pension

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<sup>17</sup> See *Liechtensteiner Vaterland*, *AHV will zweimal Beitrag erheben*, 17 February 2009; *Liechtensteiner Vaterland*, *AHV beseitigt ungleiche Behandlung*, 18 February 2009; *Liechtensteiner Volksblatt*, *Weniger Geld für Frührentner*, 18 February 2009; *Liechtensteiner Vaterland*, *Brauchen wir überhaupt eine Regierung*, 19 February 2009; *Liechtensteiner Vaterland*, *Detaillierte Regelung wäre erwünscht*, 20 February 2009; *Liechtensteiner Volksblatt*, *Gesetzgeber ist gefordert*, 24 February 2009; *Liechtensteiner Volksblatt*, *Ist die AHV ein Sozialpartner oder ein Abzocker*, 25 February 2009; *Liechtensteiner Volksblatt*, *AHV nimmt Stellung*, 26 February 2009.

for parents who were affiliated to second pillar pension schemes already before stop working. Most experts however were rather critical towards such an extension.<sup>18</sup> Therefore, the matter seemed to rest.<sup>19</sup> But in June 2009 it was brought up again in Parliament. The Government reacted by promising that the issue will be discussed in the family council (*Familienrat*). Results have not yet been announced.<sup>20</sup>

### 2.1.3.3 AHV administrative contributions

Also the last report previous report illustrated a number of initiatives taken by the Government to ensure that the AHV institute, as a non-profit institution, does not accumulate too high reserves on their administrative cost accounting. As a first measure, in 2008 the Government lowered the contribution rate for administrative costs – from 4% to 3.6% of the total amount of premiums to be paid.<sup>21</sup> Besides, the Government proposed two further measures. First, to provide for deficit coverage out of the financial reserves built up by administrative contributions (*Verwaltungskostenreserven*), instead of mandatory deficit coverage out of the general AHV funds. This measure shall ensure that the high financial reserves on the administrative cost accounting are reduced by using them for offsetting losses. Second, the obligation for the Government to adapt the administrative contribution rate whenever financial reserves built up by administrative contributions equal less than one-third or more than two-third of the annual administrative costs. By introducing a minimum and maximum capital the Government wants to ensure, on the one hand, that there are always sufficient financial resources for covering deficits in the field of administrative costs and, on the other hand, that the agency does not violate its legal mandate by continuously making profits.<sup>22</sup> To date, both of the proposed measures have not passed Parliament.

It is worth mentioning that after many years of making profit with respect to the administrative cost accounting, the AHV institute forecasted losses for the year 2010. The projected loss is about CHF 0.7 million (EUR 0.5 million). This is mainly due to extra costs for IT, personnel and rent.<sup>23</sup> Nevertheless, Government, Parliament and AHV institute agreed about not increasing the contribution rate for administrative costs. This was not considered to be reasonable against the background of the current economical situation and the still high financial reserves of the administrative cost accounting. End 2010 the financial reserves are estimated to amount to about CHF 5 million (EUR 3.5 million). Nevertheless, during this discussion the Parliament expressed its intention to eventually implement the above mentioned minimum and maximum capital rule, as proposed by the Government.<sup>24</sup>

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<sup>18</sup> See Liechtenstein Government, *Postulatsbeantwortung der Regierung an den Landtag des Fürstentums Liechtenstein betreffend Familienförderung*, Nr. 85/2007 (Vaduz: 21 August 2007).

<sup>19</sup> Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend die Schaffung eines Gesetzes über die Ausrichtung von Familiengeld (Familiengeldgesetz; FGG), die Abänderung des Steuergesetzes sowie die Abänderung des Beschwerdekommisionengesetzes*, Nr. 110/2008 (Vaduz: 9 September 2008).

<sup>20</sup> Parliament of Liechtenstein, *Landtagsprotokoll vom 24. Juni 2009*.

<sup>21</sup> *Verordnung vom 25. September 2007 betreffend die Abänderung der Verordnung zum Gesetz über die Alters- und Hinterlassenenversicherung* (LGBl. 2007, Nr. 248).

<sup>22</sup> Liechtenstein Government, *Vernehmlassungsbericht der Regierung betreffend Abänderung des Gesetzes über die Alters- und Hinterlassenenversicherung, die Invalidenversicherung und die Familienzulagen (Einführung eines minimalen und maximalen Kapitals im Bereich der Verwaltungskosten der AHV-IV-FAK Anstalten)*, RA 2008/2885-6000 (Vaduz: 21 October 2008).

<sup>23</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend den Verwaltungskostenvoranschlag 2010 der AHV/IV/FAK-Anstalten*, Nr. 79/2009 (Vaduz: 29 September 2009).

<sup>24</sup> *Ibid.* and Parliament of Liechtenstein, *Landtagsprotokoll vom 21. Oktober 2009: Verwaltungskostenvoranschlag der AHV/IV/FAK-Anstalten*.

#### 2.1.4 Impact assessment

Liechtenstein is with about 36,000 inhabitants a rather small country. Accordingly, the number of universities or research institutions is very limited. There are four universities and colleges in Liechtenstein.<sup>25</sup> Between January 2009 and April 2010, none of them has carried out research in the field of social protection relevant for this report.

Moreover, Liechtenstein is *not* a member of a number of international organisations, most notably, the International Monetary Fund (IMF), the International Labour Organisation (ILO), the Organisation for Economic Cooperation and Development (OECD) or the World Bank. This is also a reason why Liechtenstein's pension system was not subject to assessments by international organisations in the relevant period.

The pension system, however, was part of a self-assessment by the Government of Liechtenstein in the context of its obligation to draft its fourth periodic country report under the UN Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).<sup>26</sup> The report only briefly touches on retirement arrangements for women. Despite being a self-evaluation by the Government, the author critically remarks that differences between men and women in the working world result in lower benefits in some parts of social insurance. As examples for the differences, the author names the lower labour market participation of women, more career interruptions, more part-time work, more limited occupational choices and lower wages. These differences have in particular an impact on social insurance schemes, such as the retirement pension scheme, where rights are gradually accumulated. Therefore, the author emphasises the importance of planning the retirement, in particular for women. Support in planning is offered by an association for women (*infra Informations- und Kontaktstelle für Frauen*), which is partly funded by the Liechtenstein Government.

What is more, the previous Annual National Report 2009 discussed the expert report on the long-term financial stability of Liechtenstein's first pillar pension system, written by the Institute for Insurance Economics at the University of St. Gallen, Switzerland. This expert report was already presented in November 2008. Nevertheless, it was in the spotlight during 2009. First, because it was asked whether the optimistic forecasts for the financial situation of the AHV are still valid against the background of the financial and economic crisis. Second, because this expert reports forms the basis for the work of the steering committee (*Steuerungsgruppe*), which is entrusted with the making of recommendation to guarantee the AHV's financial stability. So, since the expert report of the University of St. Gallen is still relevant in the discussion on reforms of Liechtenstein's AHV scheme, the main findings of the report will, once again, be outlined below.

On the basis of the data available in 2006, the report concluded that Liechtenstein's three pillar pension system is suitable to meet the challenges of the future. Liechtenstein's first pillar, which was the focus of the study, needs according to the authors no immediate action. This results from the extraordinary financial reserves of the AHV funds (in 2006, the fund had financial reserves of about CHF 2.2 billion (almost EUR 1.5 billion), with only about 14,700 beneficiaries of retirement or widows' pensions). Nevertheless, the report assumed that as of 2013, the yearly income from premium payment will be less than the yearly expenditure for

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<sup>25</sup> Hochschule Liechtenstein (University of Liechtenstein), Private Universität im Fürstentum Liechtenstein (Private University of Liechtenstein), Internationale Akademie für Philosophie (International Academy of Philosophy) and the Liechtenstein-Institut.

<sup>26</sup> Liechtenstein Government, *Vierter Länderbericht gemäss Artikel 18 des Übereinkommens über die Beseitigung jeder Form von Diskriminierung der Frau vom 18. Dezember 1979* (Naduz: 11 August 2009), retrieved from: [http://www.liechtenstein.li/4\\_laenderbericht.pdf](http://www.liechtenstein.li/4_laenderbericht.pdf).

benefit payment. In the first years this reduced income is absorbed by the increasing contributions of the Government (contributing 20% of the AHV's annual expenditures), and by expected rising investment profits. As of 2030, the AHV is supposed to fall back on its financial reserves, which are then being expected to be more than 3.3 billion CHF (almost EUR 2.2 billion).<sup>27</sup> This expected necessary tapping could be avoided by an annual relief of CHF 35 million (about EUR 23 million) of the AHV in the period 2030 to 2040.

Thus, the expert report concluded that while there is no need for immediate action, there is need for action in the long run in order to prevent a decrease of the AHV's financial resources. To this end, the report suggested a number of measures. These include measures to increase income, reduce expenditures, adapt automatisms and examine principles. In more detail, it is proposed to increase premiums, raise the labour force participation rate of persons between 60 and 65 years of age, increase the value-added tax rate, increase investment profits, increase the regular pensionable age, limit the spouse pension to 150%, reduce the Christmas bonus, reduce the minimum pension, adapt early retirement reductions, determine an average target rate for pensions, introduce a sustainability factor, adapt the indexation and change the funding. Since some of these measures need ten years or more to take full effect, the report recommended early planning.

During the presentation the authors of the study also addressed the current crisis. According to them, there is no immediate threat to the financial stability of the AHV scheme.<sup>28</sup>

## **2.1.5 Assessment of reforms, discussions and research**

### **2.1.5.1 Reforms**

The two reforms, which have been discussed in this report, can be considered positively. By taking into account insurance periods on the basis of the working months per calendar year, instead of working hours per calendar year, Liechtenstein's Government made an end to discriminatory treatment of part-time workers residing outside the country. Since the government could not bring forward any justifiable reasons for treating part-time workers differently, on the basis of their place of residence, this amendment was unavoidable; even if it meant an increase in expenditure.

The second reform concerned the establishment and harmonisation of the legal basis for the management and transparency of public corporations. The new rules seem to strongly contribute to a more transparent and more efficient management and supervision for Liechtenstein's corporations under public law. Although not member of the OECD, Liechtenstein complies with its new strategy in many regards with the OECD Guidelines on Corporate Governance of State-owned Enterprises. This relates most notably to chapter II of the OECD Guidelines, which defines the role of the State acting as an owner.

### **2.1.5.2 Discussions**

*Making transitional payments subject to AHV contributions.* The new practice of the AHV institute to consider transitional payments as income subject to AHV contributions must be appreciated. The old practice by which lump-sum payments and periodical payments upon the termination of an employment were treated differently had no reasonable justification. The

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<sup>27</sup> In a more optimistic forecast this fallback does not take place before 2039. In a more pessimistic, however, it is predicted that in 2022 financial reserves must be tapped.

<sup>28</sup> *Liechtensteiner Vaterland, Die Renten sind sicher*, 12 November 2008.

public discussion seemed to be caused, on the one hand, by an insufficient information campaign of the AHV institute, and, on the other hand, by a strong lobby of the early retirement pensioners under the pension scheme for civil servants.

*Child rearing periods and second pillar pensions.* It must be appreciated that Government and Parliament discussed the question whether child rearing periods should be taken into account, in one way or the other, under second pillar pension schemes. The question itself is however not easy to answer. Covering parents under occupational pension schemes who stop working in order to devote time to raise their children would contribute to the objective of enabling an adequate retirement income for all. In addition, it would make an end to a possible indirect discrimination, since it are mostly women who spend time at home raising children. On the other hand, it would foil efforts to enhance women's labour market participation. A look at other European countries shows that it is rather unusual to credit contributions for periods spent at home raising children under second pillar pension schemes.

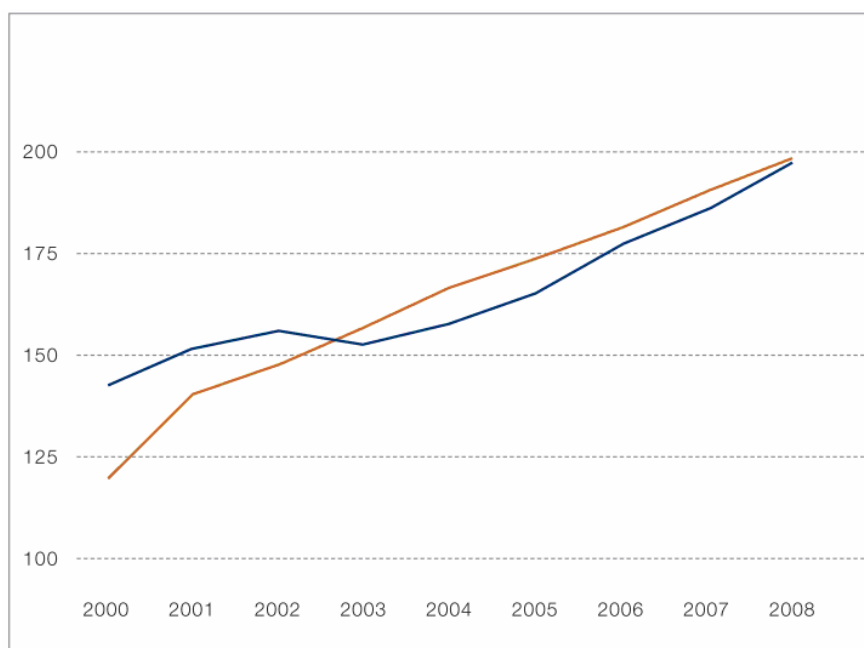
*Reform with respect to the AHV administrative contributions.* The reduction of the contribution for administrative costs and the suggested fallback on financial reserves of the administrative cost accounting in place of the general AHV funds shall ensure that the financial reserves of the administrative cost accounting are reduced. This is, according to the Government, necessary since the AHV institute is a not for profit institution. These measures seem to make sense – but only when at the same time the second proposed measure – i.e. obligation to adapt the administrative contribution rate whenever financial reserves built up by administrative contributions equal less than one-third or more than two-third of the annual administrative costs – is implemented. This is so, because only the latter measure would ensure that there are always sufficient financial resources for covering deficits in the field of administrative costs. The latest financial numbers confirm the necessity of not implementing the first proposed measure without the second one. End 2010 the financial reserves of the administrative cost accounting are estimated to amount to about CHF 5 million (EUR 3.5 million). This does not seem much against the background of yearly administrative costs of CHF 13.6 million (EUR 9.5 million) – estimation for 2010. In other words, the financial reserves would only cover the costs of about four months of administration. Moreover, for 2010 the AHV institute projected losses of the administrative cost accounting of about CHF 0.7 million (EUR 0.5 million).

### **2.1.5.3 Research**

The expert report by the Institute for Insurance Economics at the University of St. Gallen sketched maybe a too optimistic picture of the future development of Liechtenstein's first pillar pension scheme. This has nothing to do with the current crisis, but rather with the data on which the report is based. The report builds on the assumption that in 2006 the income from contributions based on employment amounted to CHF 174 million (EUR) and the expenditure for pension payments amounted to CHF 149 million (EUR). As from 2013 on, according to an estimation of the authors, the yearly income from contribution payment will be less than the yearly expenditure for benefit payment. Pursuant to information of the AHV institute, however, the turning point was already in 2003 – see Table 1. Since then, the expenditure for benefits exceeded every year the income from contributions. Preliminary numbers for 2009 show us that this trend has not changed in the last year.<sup>29</sup>

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<sup>29</sup> *Liechtensteiner Volksblatt, Ausgaben steigen schneller – Rentenvorbezug wird in Liechtenstein immer beliebter*, 17 February 2010.

Table 1: Relationship between contribution income and expenses (in million CHF)<sup>30</sup>

Source: Liechtensteinische AHV-IV-FAK, *Geschäftsbericht 2008* (Vaduz, 2009).

The author of the present report shares the authors' view, expressed during the presentation of their report, that there is no immediate threat to the financial stability of the AHV. We saw that in 2007 the funds' income from investments dropped to only little more than CHF 5 million (ca. EUR 3.3 million) and that in 2008 the fund faced investment losses of CHF 185 million (ca. EUR 130 million). Preliminary numbers for 2009, however, show that the investment losses of 2008 have almost been compensated.<sup>31</sup> Also the income from contributions steadily increased – even in 2008 and 2009.

What seems to be more critical than the current financial and economic crisis is the demographic development. It is expected that in 2050 there will be two people of working age for every one single pensioner. In international comparison this outlook seems to be less dramatic. And indeed, since about two thirds of all employees in Liechtenstein are foreigners, the demographic change will be slower than in most other European countries. However, it will be a challenge for the AHV.

## 2.2 Health Care

### 2.2.1 Overview of the system's characteristics

Every person residing or working in Liechtenstein is subject to mandatory health insurance.<sup>32</sup> In 2008, 36,014 persons were covered by the Liechtenstein health care system, of which ca. 95% are residing in Liechtenstein.<sup>33</sup> An insured person may seek treatment from every health care provider who has a contractual relation with the Liechtenstein Association of Health

<sup>30</sup> Vertical: contributions (blue) and benefits (red); horizontal: years 2000-2008.

<sup>31</sup> *Liechtensteiner Volksblatt, AHV legt deutlich zu – Vorläufige Zahlen: Rendite be.i den Wertschriften dürfte AHV zu kräftigem Plus verhelfen*, 17 February 2010.

<sup>32</sup> Article 7(1) of the Health Insurance Act (*Krankenversicherungsgesetz – KVG*) (LGBI. 1971 Nr. 50).

<sup>33</sup> *Statistisches Jahrbuch Liechtenstein 2010*, page 239.

Insurance Funds (*Liechtensteinischer Krankenkassenverband, LKV*). This contract allows the health professional to provide services subject to agreed tariffs with the insurance funds. If a professional association exists for a medical profession (e.g. chamber of doctors), it can conclude a contract with the *LKV* which is valid for all professionals which are member of this association.<sup>34</sup> This concept is subject to the principle of territoriality, which means that the *LKV* can only conclude agreements with foreign service providers, if the professional association agrees to it.

All health care providers being connected to the *LKV* can directly claim the reimbursement of their services with the four existing health insurance funds (*CONCORDIA, INTRAS, SWICA* and *freiwillige Krankenkasse Balzers*). Thus, the patient does not have to pay the treatment in advance (benefit-in-kind system). In case a health professional is not linked with the *LKV* (“private doctor”), the insurance funds reimburse 50% of the costs the insured had to pay to the service provider, who is also not bound by the tariffs of the *LKV*. For the rest, the patient has to cover the costs himself or take out a private insurance. Since 2004, only a restricted number of health care providers are allowed to be part of the public health care system (*Bedarfsplanung*).<sup>35</sup> It is the *LKV* and the chamber of doctors (*Ärztammer*) that decide on the number of doctors under the public system.<sup>36</sup> Currently, about 90 doctors having a permission from the Office for Public Health (*Amt für Gesundheit*) to practise in Liechtenstein are linked to the public health care system.<sup>37</sup> This number has been steadily rising in the past, as shown in the table below.

Table 2: Doctors in Liechtenstein 1950-2008<sup>38</sup>

year	practising doctors		
	doctors	thereof specialists	inhabitants / doctor
1950	10	1	1,375
1960	15	3	1,108
1970	15	4	1,432
1980	19	7	1,368
1990	28	14	1,031
2000	46	20	714
2001	62	28	540
2002	64	44	529
2003	65	44	527
2004	68	50	508
2005	79	60	442
2006	82	64	429
2007	82	63	431
2008	87	67	407

<sup>34</sup> See *Liechtensteiner Vaterland*, 20 March 2009, page 7.

<sup>35</sup> Between 1999 and 2004, a system of family-doctor was in place (*Hausarztssystem - Gesundheitsnetz Liechtenstein (GNL)*). A doctor was either part of the public system (100% reimbursement for patient) or not (0% reimbursement). This system was introduced after the accession to the EEA, a consequence of which was that doctors from other EEA States were increasingly settling in Liechtenstein.

<sup>36</sup> Article 16(2) KVG.

<sup>37</sup> List on website of *Amt für Gesundheit* ([http://www.llv.li/il-pdf-llv-ag-aerzteliste\\_maerz\\_0401.pdf](http://www.llv.li/il-pdf-llv-ag-aerzteliste_maerz_0401.pdf)).

<sup>38</sup> *Statistisches Jahrbuch Liechtenstein 2010*, page 246.

When it comes to hospital treatment, no contract is concluded with the *LKV*, but with the Liechtenstein Government, which has the responsibility to provide for hospitals, care homes and other institution in the field of health care. There exist several agreements with medical institutions outside of Liechtenstein, primarily Switzerland and Austria, in which the free access of persons insured under the Liechtenstein health care system is agreed. Also in this case, the medical institution has direct access to the Liechtenstein insurance funds and the patient does not have to pay in beforehand for the services. If an insured person seeks treatment in a foreign hospital without agreement, reference tariffs are applied, where the patient has to provide for a co-payment.

The Liechtenstein health care system is financed via contributions from insured persons and the employers (*Prämien*), co-payments (*Kostenbeteiligung*) for services and state subsidies (*Staatsbeitrag*).

The contributions are not calculated as a percentage of income, but per capita (*Kopfprämien*). Children up to the age of 16 are exempted from this rule. Persons under a certain threshold of income per year may profit from a reduction up to 40% of the amount of the contributions (*allgemeine Prämienverbilligung*). For couples the threshold is currently CHF 54,000 (ca. EUR 35,900) and for singles it is CHF 45,000 (ca. EUR 30,000). For persons in full employment in 2010, the contributions corresponding to CHF 239 (ca. EUR 166) per month are paid 50% by the employer and 50% by the employee.<sup>39</sup>

Persons between the age of 21 and 65 have to pay CHF 200 (ca. EUR 133) as yearly lump-sum co-payment plus 10% of the actual costs for every service. For 'original' medication the co-payment is 20%, if the medication could be replaced by generic medication and no medical assessment would oppose the application of the latter medication, otherwise also 10%. The maximum for co-payments per year is CHF 600 (ca. EUR 400). This total of CHF 800 (ca. EUR 530) is reduced to 50% for persons having reached the retirement age of 65. Persons up to the age of 21 do not have to pay co-payments for health care services.

The State finances the health care in particular via three instruments:

- Co-financing of health insurance funds by general reduction of contributions (*allgemeine Prämienverbilligung*), e.g. for children and retired persons.
- Replacement of contributions for economically weak persons by special reduction of contributions (*spezielle Prämienverbilligung*).
- Support for hospitals by general reduction of contributions (*allgemeine Prämienverbilligung*)

The amount of State subsidies (*Staatsbeitrag*) is fixed for every year based on Article 24(a)(2) KVG (Health Insurance Act (*Krankenversicherungsgesetz*)). In 2009, this amount was CHF 52 million (EUR 36 million) and for 2010 the amount was set for CHF 57 million (EUR 40 million).<sup>40</sup>

## 2.2.2 Overview of past/initiated reforms

In the programme of the Liechtenstein Government for the period of 2005-2009, three main objectives were mentioned with regard to reforms in the field of health:

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<sup>39</sup> Article 22(8) KVG.

<sup>40</sup> See discussion below under point 2.2.3.3.



- To guarantee access to a high standard of health care with an adequate insurance coverage,
- To increase the awareness and self-responsibility for a healthy lifestyle in connection with preventive measures in respect to health, and
- To guarantee the financial sustainability of the public health care system at a high level.

It was furthermore stated that the Government intends to continue the reforms in the field of health care.<sup>41</sup>

In order to reach these objectives, it was foreseen, amongst others, to introduce the Swiss tariff-system TARMED, which should facilitate the planning of costs and reduce costs to reach the objective of a sustainable public health system. In this context also more emphasis was to be put on prevention and the use generic-medication to reduce costs. Moreover, it was envisaged to increase collaboration with Switzerland in order to optimise the requirement planning for hospital care. Last but not least, the economic added value of Liechtenstein in the field of health care was to be assessed. To be able to fully grasp the current discussions, two issue have to be briefly outlined – the discussions of the TARMED and alternative health care models.

### 2.2.2.1 TARMED

In 2003, the Liechtenstein health care system caused costs of CHF 103 million (ca. EUR 72 million). Compared to 1996, this was an increase in 69%. It was the primary objective to stop this increase of costs. It showed that 30% of those costs were linked to service provided by doctors. In 2004, the Liechtenstein Government proposed to incorporate the Swiss tariff system called, TARMED, in Liechtenstein. The concept of this system is, that it lists all services provided by doctors and links a certain amount of “tax points“ to each of the services, which a doctor is allowed to use. There are points for the medical services as such and points for technicalities, like technical devices and other facilities. A bill would then consist of a number of codes. In the tariff agreement of the chamber of doctors with the *LKV*, the amount of one tax point will be negotiated and based on this value, a reimbursement by the health insurance funds will take place. Late in 2003, the Liechtenstein Government decided to introduce the TARMED in the beginning of 2005; but after negotiations with the chamber of doctors during 2004, it was decided to introduce it only in 2006 to give all involved parties more time to prepare for the new system. As a consequence, the chamber of doctors lodged claims against this decision before the Administrative Court and the Constitutional Court, which were rejected by both Courts in 2005. In October 2005, negotiations were taken up and in December of the same year, the chamber of doctors rejected the whole concept without really giving founded arguments.<sup>42</sup> In the end, the *LKV* and the chamber of doctors agreed in 2006 to a tariff system based on the current system, which has been accepted by the Government.

Even though the discussion of the introduction of the TARMED is currently in the fridge, it pops up in many discussions in the Parliament, in particular when the new budget for the health care system is to be established, as the TARMED is highly estimated by some members of Parliament. It is argued during these discussions that the costs in Switzerland

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<sup>41</sup> Prior major reforms were decided in 1999 and 2003.

<sup>42</sup> See Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 16. Dezember 2005*, page 2358.

would have risen much less than in Liechtenstein and that this is a result of the TARMED (3.8% vs 9.1%).<sup>43</sup>

The Liechtenstein Chamber of Doctors, however, clarifies in a publication that the costs only related to ambulant health care have risen more in Switzerland (3.4% vs 2.4%). Thus the TARMED would not work as expected and it sees itself confirmed in its position to have refused it. The Chamber of doctors argues that the high costs are purely related to hospitals and laboratories. It will be seen whether the new Government will take up this issue again.<sup>44</sup>

### **2.2.2.2 Alternative models of public health care**

In the past years initiatives were taken to assess alternative models concerning the access to health care – so-called ‘managed care models’. These models are based on a comprehensive approach in the health care provider chain, in the sense that a patient always has to see the ‘gatekeeper’ (general practitioner), who refers the person to other members in the chain if necessary (e.g. specialist doctor, hospital etc). Such a model has existed briefly in Liechtenstein (1999-2004), but was changed to the current system, where also doctors outside the public system are reimbursed at a reduced rate.

In 2008, also other models were discussed, for example, the bonus-malus system, of which certain aspects were taken on board in a new initiative (see below point 2.2.2.3). A model called ‘Telemed’, where a patient has to first consult a counsellor by telephone was never really an option for Liechtenstein. Some stakeholders are not satisfied with the current system and estimate it too costly. It will be seen whether the issue will be taken up by the new Government.

### **2.2.2.3. Raising awareness of costs and self-responsibility**

It was envisaged to introduce a bonus system for not using health services, e.g. not to seek a doctors advice for minor injuries. However, this does not concern preventive medical check ups which are supported by the Liechtenstein Government. For not seeking any health service during one calendar year, a bonus shall be paid directly from the insurance funds to the insured person. The level of such a bonus shall not exceed 1/12 of the insurance contributions the person has paid during that year. It was envisaged that this system enters into force on 1 January 2010.<sup>45</sup> However, to this very day, no such law has been enacted. It has to be seen whether the new Government will pursue this initiative.

## **2.2.3 Overview of current debates/political discourse**

### **2.2.3.1 Elections 2009 and new Government**

During the election campaign in the beginning of 2009, the topic of health-care was not a central issue; even though, all parties mentioned the necessity to review the current situation in respect to the reduction of costs in the social system in general. It was the Progressive Citizens’ Party (FBP) which elaborated most on this issue in its election programme. It

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<sup>43</sup> See Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 25. Juni 2008*, page 1249.

<sup>44</sup> See *Liechtensteiner Vaterland, Polemik hat in der Politik nichts zu suchen*, 10 May 2008.

<sup>45</sup> See *Vernehmlassungsbericht der Regierung betreffend die Abänderung des Gesetzes über die Krankenversicherung* of 26 August 2008.

reflected the idea to have a system in place which perfectly corresponds to the needs of the citizens by avoiding over and under saturation. Moreover the transparency aspect of costs has been emphasised.

As no governmental programme has been presented yet (see above point 2.1.3), it is, therefore, only possible to describe the policies and objectives that are currently discussed in the media or Parliament. These discussions concern mainly the extent of increase of state subsidies, the better targeting of the contributions reductions, the number of doctors in Liechtenstein and the transparency of the health care system in general.

### 2.2.3.2 Situation of health care system in general

In Liechtenstein there are about 36,000 persons insured for health care, which cause on average 3,631 CHF (ca. EUR 2,531) per person per year of cost for the insurance carriers. The carriers receive about CHF 3,856 (ca. EUR 2,688) per person per year via contributions, including co-payments, and state subsidies. Thus, in 2009 a plus of CHF 2.2 million (ca. EUR 1.5 million) could be booked for the health insurance funds in Liechtenstein. However, as the table below shows clearly, costs for the health insurance funds are steadily rising (see in particular third and seventh column).<sup>46</sup>

Table 3: Health insurance funds – Mandatory health insurance 1992-2008 (for translation see footnote 46)

Jahr	Versicherer	Versicherte	Brutto-	Prämien-	Kosten-	Staats-	Brutto-	Prämien-	Kosten-	Staats-
			leistungen	einnahmen	beteteiligung	beiträge	leistungen	einnahmen	beteteiligung	beiträge
			in 1.000 CHF	in 1.000 CHF	in 1.000 CHF	in 1.000 CHF	pro	pro prämi-	nur	pro
							Versicherten	pflichtiger Person	Erwachsene	Versicherten
							in CHF	in CHF	in CHF	in CHF
1992	14	34 409	45 996	*	*	16 608	1 337	*	*	483
1993	14	34 920	52 544	*	*	18 217	1 505	*	*	522
1994	16	35 298	54 067	*	*	18 590	1 532	*	*	527
1995	15	35 937	59 247	*	*	20 496	1 649	*	*	570
1996	11	33 150	61 109	*	*	21 148	1 843	*	*	638
1997	10	34 507	69 468	38 568	1 888	24 435	2 013	1 118	*	708
1998	9	33 101	68 204	50 680	1 713	24 169	2 060	1 531	*	730
1999	9	32 809	73 293	50 171	1 923	26 046	2 234	1 529	*	794
2000	5	33 080	79 402	48 698	3 630	27 750	2 400	1 472	*	839
2001	5	34 919	90 121	53 020	5 129	40 583	2 581	1 887	197	1 162
2002	5	34 990	94 003	57 473	4 909	43 122	2 687	2 040	188	1 232
2003	4	35 057	103 482	61 184	5 029	46 103	2 952	2 166	192	1 315
2004	4	34 993	102 702	67 678	7 743	45 315	2 935	2 422	294	1 295
2005	4	35 225	109 459	67 844	8 212	49 575	3 107	2 404	309	1 407
2006	4	35 519	115 502	68 772	8 469	50 619	3 252	2 409	315	1 425
2007	4	35 761	126 638	70 331	8 828	52 565	3 541	2 438	326	1 470
2008	4	36 014	130 781	75 659	9 061	54 131	3 631	2 591	330	1 503

Quelle: Krankenkassenstatistik

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This increase is due to several circumstances. Firstly, there are more elaborate and thus expensive treatments on offer due to better diagnostics and therapies. Secondly, more and more doctors are present in Liechtenstein, which leads to the fact that patients make use of the availability and go more often to doctors or seek a second or third opinion. Moreover, it is sometimes argued that doctors are not always very efficient, in the sense that too many

<sup>46</sup> Column (C) 1: Insurers, C2: Insured persons, C3: total gross benefits, C4: Incoming contributions, C5: Co-payments, C6: State subsidies, C7: Gross benefits per insured person, C8: Incoming contributions per persons who are obliged to pay contributions, C9: Co-payments per adults, C10: State subsidies per person. Source: Krankenkassenstatistik.

treatments or medications are prescribed. Thirdly, the costs for the patient (contributions and co-payments) are in no relation to the actual costs of the health insurance, which is reflected in the non-awareness of a patient what his treatment actually costs the insurance community which again leads to frequent use of the health care system by the insured. Lastly, one must not forget the development of the demographic situation.

In order to have a clear over view of the present situation and the future perspective of the Liechtenstein health care system, the Government has commissioned a report on the situation and development of the Liechtenstein health care system in 2008 (*Steuerungsgruppe "Weiterentwicklung des Gesundheitswesens"*). This report should lay down the foundations for a new strategy in the health care system in Liechtenstein. However, this report is not publicly accessible, including the Parliament. This fact has also been heavily criticised by many members of Parliament. A rather short abstract outline was given by the Government in Parliament during its session on 16 December 2009. No general concept has been proposed in this report, but some particular aspects were elaborated and further developed, which, according to the Minister, contain interesting ideas for future initiatives.<sup>47</sup>

### **2.2.3.3 State subsidies (*Staatsbeitrag*) and general and special reduction of contributions (*allgemeine und spezielle Prämienverbilligung*)**

Every year the amount of state subsidies has to be determined and is subject to heated discussion in Parliament. According to the Health Insurance Act, state subsidies are determined by two indicators, namely the development of costs in the field of health care and the financial situation of the state. In the past years, the amount of subsidies was rising from CHF 43 million (ca. EUR 30 million) in 2006 to CHF 52 million (ca. EUR 36 million) in 2009. This is a plus of CHF 9 million (EUR 6 million) over 3 years or an increase of 20%. Against this background, the discussion in the Landtag on the Government proposal to raise the subsidies by another CHF 5 million to CHF 57 million (ca. EUR 40 million), thus an increase of 33% over 4 years, took place in June 2009.<sup>48</sup>

Controversial opinions were brought forward, i.e. freezing the CHF 52 million and have the insured pay higher contributions. This would mean that the contributions would rise from CHF 231 (ca. EUR 153) to about CHF 400 (ca. EUR 279), an amount comparable to health care contributions in Switzerland. It was also thought about not increasing the state subsidies at all, but to invest the CHF 5 million in support of the special reduction of contributions (*spezielle Prämienverbilligung*) for specific needy groups of insured. Another idea for an increase of only CHF 2.5 millions for state subsidies and equivalent increase of contributions was also brought forward. However, none of these proposals found a majority in the parliament. The Government could convince a majority of the Landtag that it is necessary to increase the subsidies for 2010 for CHF 5 million, in order not to put too much burden on the insured in times of economic and financial crisis.<sup>49</sup> It was, however, emphasised by several deputies that for the subsidy in 2011, a new approach in dealing with increased costs in the field of health care has to be presented by the Government, i.e. in the view of an upcoming Agenda 2020 replacing a governmental programme.

The whole discussion about the share of costs in the field of health care also touched upon the amount of contributions to be paid by the insured. In terms of increase of contributions an

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<sup>47</sup> See Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 16. Dezember 2009*, page 1982-1990.

<sup>48</sup> See *Bericht und Antrag 44/2009*.

<sup>49</sup> See Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 24. Juni 2009*, pages 372-384 and 392-416.

increase of the state subsidies of less than CHF 5 million would have meant an increase of 10-15% of contributions. As stated above, a radical increase of 70% which would reach a similar amount as in Switzerland (ca. CHF 400 per person per month) was never a realistic option in Liechtenstein. As the proposed increase of the state subsidies was finally accepted in Parliament, the total increase of contributions resulted in the end rather moderate increase of 3.4 %, from CHF 231 (ca. EUR 153) in 2009 to CHF 239 (ca. EUR 166) for 2010.<sup>50</sup> In the discussion in Parliament it was often referred to the need of better targeting the general and special reductions.

### 2.2.3.5 Sustainability and Transparency

The above mentioned issues resulted in the general discussion of transparency and sustainability of the Liechtenstein health care system. As to the first issue, it seems that two positions are colliding in the public discourse, the first one heavily promoting the Swiss TARMED, which would have as a consequence that the costs of the ambulant sector would diminish, and the second one, clearly rejecting the TARMED, i.e. the chamber of doctors, as it actually would be more cost intensive and have the negative effect that some remote regions cannot afford anymore a proper ambulant care.<sup>51</sup>

In this respect, it was also proposed to publish anonymously the turnover of doctors and other medical personal. However, the chamber of doctors refuses to go along with such a proposal as these numbers could lead to wrong conclusions. It does not mean that the doctor with a higher turnover is abusing the system, but only that he has patients which have rare or complex diseases where treatment is expensive. This could end up in the fact that persons with such diseases would not anymore find a doctor who want to treat them, being afraid of stigmatisation. Other parties disagree that an “anonymous publication” could have such an effect.<sup>52</sup>

In the meantime, the LKV and the chamber of doctors are negotiating new tariffs for the doctors. It is the chamber’s position that the costs will steadily rise, but this cannot be stopped, if a high quality health care system is wanted. 90% of costs are caused by 5% of patients, namely the severely ill. Such costs will always exist.<sup>53</sup>

The LKV sees possibilities to save money when it comes to access to specialist doctors. More rigid criteria could be applied. In this context, the LKV was also considering restrictions in the catalogue of benefits or an increase in co-payments for patients. However, no negative aspects for the patients should result from this.<sup>54</sup>

Another expert report concerning specifically the sustainability of the financing of the Liechtenstein health care system was commissioned by the Liechtenstein Government.<sup>55</sup> This report is, however, not yet finalised.

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<sup>50</sup> See *Liechtensteiner Vaterland*, *Prämienerhöhung fällt moderat aus*, 2 December 2009.

<sup>51</sup> See website of the chamber of doctors (<http://www.gesundesliechtenstein.li/aerztekammer/AktuelleThemen/Gesundheitsreform/tabid/846/language/de-CH/Default.aspx>).

<sup>52</sup> Published in *Liechtensteiner Volksblatt* of 8 April 2010 and on the website of the *Liechtensteiner Ärztekammer* ([http://www.lkv.li/Portals/7/contortionistUniverses/1672/rsc/Posts\\_Link/Aerztekammer%20wehrt%20sich%20gegen%20Transparenz.pdf](http://www.lkv.li/Portals/7/contortionistUniverses/1672/rsc/Posts_Link/Aerztekammer%20wehrt%20sich%20gegen%20Transparenz.pdf)).

<sup>53</sup> *Liechtensteiner Vaterland*, *Unsere Politik bleibt die gleiche*, 6 June 2009, page 3.

<sup>54</sup> See *Liechtensteiner Volksblatt* of 25 January 2010 and website of LKV ([http://www.lkv.li/Portals/7/contortionistUniverses/1672/rsc/Posts\\_Link/Leistungskürzungen werden geprüft.pdf](http://www.lkv.li/Portals/7/contortionistUniverses/1672/rsc/Posts_Link/Leistungskürzungen%20werden%20geprüft.pdf)).

<sup>55</sup> See Parliament of the Principality of Liechtenstein, *Kleine Anfrage von Landtagsabgeordneter Albert Frick während der Landtagssitzung vom 18/19/20. November 2009*.

## **2.2.4 Impact assessment**

Reference is made to point 2.1.4, where the particular situation of Liechtenstein is explained. In none of the listed institutions and organisations, or other institutions in Liechtenstein any relevant assessment concerning the reforms in the health care sector in Liechtenstein were published.

## **2.2.5 Critical assessment of reforms, discussions and research**

The access to the Liechtenstein health care system is by no doubt very good. As statistics show practically everybody in residing or working Liechtenstein is covered by the system. Even though, contributions are relatively high, specific reductions for children and persons with low income compensate for this. Although, the scope of the reduction could be better targeted and the level could be higher.<sup>56</sup>

As to the financial sustainability, statistics show that the state contributed ca. 35% to costs of health care; in 2001 this grew up to 45% and passed in 2009, for the first time, the 50% mark. This indicates a steady increase in costs of health care, which is fully the burden of the state. It seems quite fair not to put the increase of health care costs on the shoulders of the patients, but at one point the state will not anymore be willing to carry the whole burden. Therefore, a halt should be imposed on the increase of costs. This view was expressed by the Government, the members of Parliament and other stakeholders. However, the ways how to reach this objective are very diverse.

It seems, thus, that the Liechtenstein Government has tightened the one or other screw to decrease costs in the health care system, but the major reform(s) is (are) still lacking. During 2005-2009 only adaptations involving the care recipients were enacted, but nothing with regard to the health professions, be it the ambulant sector, hospital care or laboratories. Following the discussions, it seems rather non-transparent where the actual increase of costs originates from.

The new Government will have to clarify this issue and take a more general stand to tackle this problem, most probably this will happen in the Agenda 2020. Basically, it can be welcomed to present a plan which is going further than the next elections. This opens the opportunity to follow the main objectives without making one step in front and two back, if the composition of Government changes after 4 years. Past experience in Liechtenstein, however, showed all stakeholders agree with the general objective of saving money and making the health care system more efficient. When it comes to putting actual reforms in place, no party involved (hospitals, doctors and patients) seems to accept cuts on its side. In the end, all interest groups will have to accept cuts in their field. Only transparency and the, in total, fewer expenses in field of health care may guarantee the sustainability of the system.

## **2.3 Long-term care**

### **2.3.1 Overview of the system's characteristics**

Liechtenstein has a high standard of service provision concerning institutionalised care. However, there is no complete system in place concerning long-term care at home, even though care is mostly provided by family members at home. A major part of the current care

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<sup>56</sup> See also criticism in the Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 25. Juni 2008*, page 1249.

concept is therefore still based on voluntary participation of care providers, in particular within the families, and on services provided by the family support associations (*Familienhilfevereine* and *spitalexterne Dienste (Spitex)*). The latter are organised on regional level, being supported by its federal association, which depend to a large part on honorary participation and donations. State and communes support the budget with 30% each. The remaining 40% self-financing part is accomplished via billable services towards insurance carriers, membership fees or donations. The yearly incurred cost of ca. CHF 5.8 million (ca. EUR 3.8 million) is to 90% cost for personal.<sup>57</sup>

As to cash benefits, two main sources relating to long-term care could be found in the Liechtenstein social security system until 31 December 2009: the helplessness allowance<sup>58</sup> (*Hilflosenentschädigung*) and the home care benefit (*Leistung bei häuslicher Pflege*).<sup>59</sup>

- The helplessness allowance is available for persons with residence in Liechtenstein, when they are helpless and are not entitled to a helplessness allowance under the accident insurance, irrespective of their economic circumstances. The allowance is not covering ailments of birth or invalidity. A person is considered to be helpless if he permanently requires a considerable degree of help from third persons or personal surveillance in order to carry out daily tasks, like getting up, getting dressed and undressed, nutrition, personal hygiene and social interaction. The term 'permanently' implies that the state of helplessness has been present without substantial interruptions during the previous three months for persons over the age of 65, for persons under this age the relevant period is one year.

Three levels of need of care are distinguished for persons below the age of 65, first, second and third degree (*leicht, mittel und schwer*). Persons above 65 only receive the allowance, if they are at least dependent to second-degree, except a first-degree dependency has already existed before reaching the age of 65. A first-degree dependence level is defined as either being unable to perform two daily tasks or being dependent on continuous supervisions or being dependent on special care due to a particular ailment or being able to keep social contacts only with the help of a third person due to a particular ailment. The second degree of dependency is defined as being unable to perform most of the daily tasks or being unable to perform two daily tasks and being dependent on continuous supervisions. A third degree of dependency refers to complete helplessness. This is the case when a person is unable to perform all daily tasks and needs continuous supervision.<sup>60</sup>

In 2010, the helplessness allowance amounted to CHF 456 (ca. EUR 302), CHF 684 (ca. EUR 454) and CHF 912 (ca. EUR 606) per month depending on the level of helplessness.<sup>61</sup> These amounts equal 40%, 60% and 80% of the minimum retirement pension level respectively. The allowance is financed from the general budget.

The helplessness allowance is not supplementing any other social benefit provided by Liechtenstein, meaning that the allowance is awarded irrespective of whether the recipient is entitled to a sickness benefit or a pension on any other basis.

It is administered by the Liechtenstein Old Age and Survivors' Insurance (AHV).

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<sup>57</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend Abänderung des Gesetzes über Ergänzungsleistungen zur Alters-, Hinterlassenen- und Invalidenversicherung (ELG) und weiterer Gesetze (Einführung eines Betreuungs- und Pflegegeldes bei Hauspflege)*, Nr. 162/08, page 11.

<sup>58</sup> Article 3(bis) of the Act on Supplementary Benefits (LGBI. 1965 Nr. 46).

<sup>59</sup> Article 13(e) of the Health Act (LBGI. 1971 Nr. 50).

<sup>60</sup> Article 41bis of the Ordinance to the Supplementary Benefits Act (LGBI. 1982 Nr. 5).

<sup>61</sup> According to information on the website of the AHV (<http://www.ahv.li>).

- The home care benefit was provided to persons who would otherwise require, on recommendation of a doctor, care in a curative or care home. The benefit should cover additional expenses for home work and other costs occurring in connection with treatment at home, which are not covered by the old age, survivors and invalidity insurance.<sup>62</sup>

The level of the benefit depended on the level of need of care and amounts to a maximum of CHF 100 (ca. EUR 66) per day. The levels of need are in accordance with the helplessness allowance. The benefit was financed out of health insurance contributions and State subsidies. It was administrated by the health insurance funds. The home care benefits was replaced by the care allowance on 1 January 2010.

The helplessness allowance and the home care benefit could not be accumulated.<sup>63</sup>

### 2.3.2 Overview of recent reforms

The above-mentioned currently available services and benefits in Liechtenstein are not sufficient to provide full scale coverage of persons in need for care, in particular with regard to care on a long-term basis. As the voluntary associations are cross-financed at a rate of 60% from the State and communes, they can provide their services at a lower rate. Still, even if home care was financed per month on average with CHF 3,000 (ca. EUR 1,990) and the benefits of the health insurance of maximum CHF 3,000 and the helplessness allowance (CHF 456 - 912), which totals about CHF 6,900 (ca. EUR 4,640), no home care comparable to institutionalised care could be afforded. Institutionalised care is supported with an amount of about CHF 9,000 (ca. EUR 5,970).

In addition, more and more private service providers enter the market in Liechtenstein and, thus, a system of quality and price assurance has to be found. Many of those providers come from outside Europe, in particular from Brazil (estimated 80 persons), and are performing valuable work in the care sector. Without them the system would already not work anymore. More and more care nurses are coming from the new EU Member States. Sometimes the legal status of these migrant workers is not clarified, which pushes them to the verge of illegality.<sup>64</sup>

As to the coverage of the cash benefits, there is a lack for persons above the age of 65, who are helpless on a light level. They are not entitled to the helplessness allowance. However, according to the definition of light level dependents, a financial support for their care seems appropriate. Furthermore, the amount of the home care benefit was rather low, as it has not been increased, not even been indexed, since the introduction of the benefit about 20 years ago. With this amount no proper home care can be financed. Even though the wish of the dependent persons is to be cared for close to their families, it is often not possible due to either personal or financial reasons. For many senior citizens the only solution is to seek access to a care home, for which additional financial means are provided by the State or communes.<sup>65</sup>

As a consequence, in May 2007, the Patriotic Union group (VU) of the Liechtenstein Parliament submitted a postulate concerning the improvement of the home care, in particular the financial support of care activity in the families. The Parliament welcomed the initiative and requested from the Government to initiate the necessary steps for the implementation. It was therefore envisaged to make or keep home care possible and affordable.

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<sup>62</sup> Article 62 of the Ordinance to the Health Act (LGBI. 2000 Nr. 74).

<sup>63</sup> See Article 62(4) of the Ordinance to the Health Act.

<sup>64</sup> *Postulat betreffend die Besserstellung der ambulanten Pflege and Bereuung, insbesondere der finanziellen Unterstützung der pflege und Betreuungsarbeit in den Familien* of 20 June 2007.

<sup>65</sup> *bid.*



In addition, the change of the demographic situation, entailing a decrease of possibilities for care within the family, and an over proportional increase of dementia and old-age depression convinced the Liechtenstein Government for the need to revise the current care system.<sup>66</sup> For this purpose, the Government has set itself two objectives, namely to guarantee “ageing in dignity” and “the ability to live in self-determined and independent way, as circumstances of life allow”. To put these principles into practise, the Government envisaged the set up of a sustainable system of preventive, home and institutionalised care for senior citizens.<sup>67</sup>

According to the Liechtenstein Government, such a revision can however only be addressed as a long-term perspective, as it will entail substantial changes in the social security system of the country. In the view of future reforms, a whole concept has been elaborated together with the care providers, in order to find a way to create a more efficient and effective framework for home care, including individual analysis and consulting of care measures, coordination of care services and service providers, provision of services on the weekends and during night time, and an eventual evaluation of provided care services. In this context, it is also envisaged to create a pool of care personal in order to assure the availability of the necessary human resources.<sup>68</sup>

In concreto, to cover the most urgent needs, namely the financing of home care, the Liechtenstein Government introduced a new care allowance which replaced the ‘home care benefit’ of the Health Insurance Act as a measure in the short term. It is financed from general taxation, so no specific contributions are levied. A person qualifies for this benefit if he/she can show a confirmation of a doctor that he/she is more than two months physically or mentally impaired and needs support to perform daily tasks. The new care allowance has been created as new chapter under the Supplementary Benefits Act and administrated by the Old Age and Survivors’ Insurance (AHV). This new set of rules has entered into force on 1 January 2010.<sup>69</sup> Below, the whole approach of the three pillar reform will be presented, with particular focus on the new care allowance.

- Prevention: Under prevention basically all measures are to be understood, which avoid or delay the dependency on care. Reinforced preventive measures shall not only avoid phenomena like loneliness, dementia or depression, but also address issues like safety at home. Scientific research shows that every second senior citizen after the age of 70 was subject to a domestic accident, mostly a fall, from which every seventh victim became permanently dependent on care. Therefore, an initiative has been started in collaboration of the Amt für Gesundheit and the Fachgruppe für Senioren, dealing with the issue to reduce sources of potential danger in the household (*Sturzprophylaxe*). International studies confirm that the reduction of fall of senior citizens is the most effective way to prevent cases of care. On request, a subgroup of the Fachgruppe für Senioren (*Gruppe SenSen*) will check the household for potential sources of danger at hand of a checklist (furniture, stairs, loose cables, etc). The senior citizen can than receive advice how to increase safety in his living space.<sup>70</sup>

As a second project, the central Information- and Consulting Centre for questions regarding old-age (*Informations- und Beratungsstelle für Altersfragen, IBA*) will be established, which shall give advice when it comes to issues on prevention, ambulant or institutionalised care and

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<sup>66</sup> See *Postulatsbeantwortung der Regierung an den Landtag des Fürstentums Liechtenstein betreffend die Besserstellung der ambulanten Pflege and Bereuung, insbesondere der finanziellen Unterstützung der pflege und Betreuungsarbeit in den Familien* of 6 Mai 2008, Nr 64/2008.

<sup>67</sup> Ibid, page 18.

<sup>68</sup> See *Liechtensteiner Vaterland* of 8 Mai 2008 (*Betreuungs- und Pflegegeld kommt*) and of 4 December 2008.

<sup>69</sup> See *Liechtensteiner Vaterland* of 12 December 2009 (*Individuelle Betreuung wird möglich*).

<sup>70</sup> See *Liechtensteiner Vaterland* of 25 January 2008 (*Sturzfrei durch den Lebensabend*) and *Liechtensteiner Ärztekammer, Schenkelhalsfraktur, Schicksal?*, on website <http://www.aerztekammer.li>.

its related financing. After an initial project phase in the beginning of 2008, this centre shall gather all issues concerning (long-term) care in its realm, including the Sturzprophylaxe.<sup>71</sup>

- Home care: Home care signifies all measures of care, which are provided at the living space of the dependent person. The Liechtenstein Government saw most need for changes in this field with regard to both aspects organisation and financing. The leading idea behind the envisaged reform is that senior citizens should be enabled to remain as long as possible in their homes. The choice of a care institution shall not be taken based on financial reasons, but purely on the need for qualified care, which cannot be provided at home. Moreover, the home care should be complementary to the concept of prevention and institutionalised care.<sup>72</sup>

Currently, persons who are permanently in need of care (for more than 2 months), confirmed by a doctor, have access to the new care allowance, which is considerably higher than the former home care benefit, namely up to CHF 180 (ca. EUR 120) per day. This amount will be regularly indexed to prices. Half of it is financed by the State and communes. The maximum level of the benefit is set at this amount, as it comes close the costs of institutionalised care. It is envisaged that at that point the limits of possible home care are reached. The benefit is not means-tested, as this would put the dependent person in a worse position at home than in a care home, which should be avoided. The helplessness allowance is granted in addition and shall not reduce the care allowance. With regard to other benefits, the basic rule is that the allowance is granted in addition, except stated the opposite in other legislation (i.e. diverse invalidity benefits). The care allowance is not taxable, however, the allowance is to be taxed from the caring person as income and accordingly social contributions have to be paid.

As to the financial aspects of the allowance, based on a current amount of persons reliant on care in middle or heavy dependence (ca. 100-120 cases) the amount to be spent per year would equal CHF 3 million (ca. EUR 1.2 million). It, however, has to be taken into account that the allowance will also be paid out for persons in light dependence due to all reasons for dependence, including birth ailments and invalidity. It is therefore not possible to exactly predict how many persons will de facto be entitled to the allowance. Recent calculations estimate about 100 cases more. As the level of the benefit for light dependence is lower than for middle or heavy dependence the additional costs are estimated between CHF 1.5 and 2 million (ca. EUR 1 and 1.3 million). Moreover, with the extension of home care, other benefits of the Health Act will be used more frequently. However, on the other end, there will be fewer beds needed in the institutionalised care (30 beds less) which will estimately reduce costs to about CHF 5.5 million (ca. EUR 3.7 million).<sup>73</sup>

- Institutionalised care: Institutionalised care comprises all forms of support in a care home. Basically, the system of institutionalised care is well established in Liechtenstein. Next to the four care homes of the Stiftung Liechtensteinische Alters- und Krankenhilfe (LAK), institutionalised care is also offered in two other institutions, one of those is the Liechtenstein state hospital.

According to an analysis concerning future need of care facilities of 2007, an increase of the number of persons in need of care of nearly 50% until the year 2020 has been predicted.

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<sup>71</sup> See *Liechtensteiner Vaterland, Bedürfnisse der Senioren beachten*, 6 March 2008, *Liechtensteiner Vaterland, Unterstützung bis ins Hohe Alter*, 8 March 2008, and *Liechtensteiner Vaterland, Erfahrung austauschen*, 6 December 2008.

<sup>72</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend Abänderung des Gesetzes über Ergänzungsleistungen zur Alters-, Hinterlassenen- und Invalidenversicherung (ELG) und weiterer Gesetze (Einführung eines Betreuungs- und Pflegegeldes bei Hauspflege)*, Nr. 162/08, page 22.

<sup>73</sup> See *Liechtensteiner Vaterland*, *Betreuungs- und Pflegegeld stösst im Landtag auf vollste Zustimmung*, 13 December 2008.

Therefore, the LAK, in collaboration with the Familienhilfen and the communal health care providers, has developed a concept of enlarging the availability of places for senior citizens in need for care, taking into account the demographic changes, quality requirements and the expected changes with regard to the home care. In 2005, the supply quota was set at 230 places, while it is to be expected to rise to 275 in 2015 and even 310 in 2020, which equates to a growth of 48%. In addition, the infrastructure of care homes will have to cope with short-term capacities for week-end or holiday periods or rehabilitation. Already included in those figures are the effects of the reform of the home care system, which should save about 30 places in a care homes.

It is, therefore, envisaged to build new care homes or to modify and enlarge already existing ones to be able to guarantee necessary availability, including short-term patients, and high standard of care. This should result in an equally distributed care throughout Liechtenstein at a uniform level. Recently, one care home has been finalised (*Haus St. Florin* in Vaduz<sup>74</sup>), two more new care homes (one in Triesenberg<sup>75</sup> and *Haus St. Martin* in Eschen<sup>76</sup>) are being built and another existing one is the process of being redesigned (*Haus St. Mamertus* in Triesen<sup>77</sup>). In addition to this, so called “satellites” are planned (realisation envisaged until 2013-14), being a kind of branch to care homes, providing living space for senior citizens who do not need fully institutionalised care, but do not have or want the option of home care.

The financing of the care institutions is provided for by public money (State and communes), contributions of concerned persons and payments from sickness insurance funds (based on Article 60 of the Ordinance to the Health Act). The estimated costs for the projects are CHF 9,218,980 (ca. EUR 6 million) (*Triesenberg*), CHF 27,800,000 (ca. EUR 18.5 million) (*Haus St. Martin*) and CHF 23,500,000 (ca. EUR 15.6 million) (*Haus St. Mamertus*).

### 2.3.3 Overview of debates/political discourse

#### 2.3.3.1 Elections 2009 and new Government

During the election campaigns the topic long-term care was quite central. All parties mentioned the necessity to review the current situation of the long-term care coverage in their programs for the period 2009-2013. It was the Patriotic Union Party (VU) that proposed the three pillar model in 2007, which was also welcomed by the Progressive Citizens' Party (FBP).<sup>78</sup>

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<sup>74</sup> See *Liechtensteiner Vaterland*, *Das Gefühl von zuhause vermitteln*, 12 June 2008, and *Sozialzentrum St. Florin wird bezogen*, 19 November 2008.

<sup>75</sup> See *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend einer Subvention und eines Staatsbeitrages an die Errichtung des Pflegeheimes der Gemeinde Triesenberg*, Nr. 135/2007.

<sup>76</sup> See *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend einer Subvention und eines Staatsbeitrages an die Errichtung des Pflegeheimes und Sozialzentrums „Haus St. Martin“ in Eschen*, Nr. 19/2007.

<sup>77</sup> See *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend einer Subvention und eines Staatsbeitrages an die Errichtung des Pflegeheimes und Sozialzentrums „Haus St. Mamertus“ in Triesen*, Nr. 168/2008.

<sup>78</sup> See, in particular, election programs of the Patriotic Union (*Vaterländische Union*) and the Progressive Citizens' Party (*Fortschrittliche Bürgerpartei*).

### 2.3.3.2 Other discussions concerning the new care allowance

In general, the proposal to introduce a care allowance to improve the situation for home care is greeted by all consulted parties in the process. It is basically accepted by the communes to add the share of 50% for the financing of the benefit. It furthermore has been emphasised that the care allowances should be indexed regularly to take inflation into account.

Some stakeholders would have preferred a means tested benefit. However, according to the Government, this would lead to a much worse position of a person receiving home care than in being in a care home, where the means test is not applied. In the view of the Government, this seems not to be an appropriate approach. It has to be emphasised that the dependant person has to contribute 30% of the costs anyway.

It is also discussed whether the benefit should be paid directly to the care provider and not to the person in need of care, in particular old persons suffering from dementia would not anymore be able to administrate their financial issues. It should be guaranteed that the care provider actually receives the money and is able to pay social contributions and build up an own insurance record (i.e. for a future old age pension). Another issue is, whether the benefit should be available retroactively, in case when family members were not aware of the benefit or the degree of dependency of the concerned person.

During 2009, discussion heated up in Parliament whether there should be a right to such the care allowance in cases of family reunion. Some deputies feared that families would bring their dependent parents from abroad to Liechtenstein and “abuse” the system, as these persons have never contributed to the social system in Liechtenstein. It was, therefore, proposed to link the benefit to actual contributions paid to the AHV funds. This proposal was, however, rejected by the majority of deputies based on the argument that the rights family reunion is anyway subject to certain conditions, and if they are fulfilled, access to social benefits cannot be refused. This would be discriminatory.<sup>79</sup>

As to the organisation level, it was criticised that the new Fachgruppe is going to be integrated under the umbrella of the Familienhilfe, and does not exist independently. According to the Government, this, however, seems to be a positive decision in order to keep the valuable synergies between or within the organisation. However, it was criticised in this context that the result would be that one and the same organisation that is responsible to classify a person as dependent on care, would also control whether this classification was also done correctly. The Government does not see any problems, as the classification is based on an objective recommendation of a doctor.<sup>80</sup>

### 2.3.4 Impact assessment

Reference is made to point 2.1.4 where the particular situation of Liechtenstein with regard to analysis from within and outside of Liechtenstein is presented. So far, none of the relevant institutions has published an impact assessment of the three pillar long-term care reform.

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<sup>79</sup> See *Liechtensteiner Vaterland* of 27 June 2009, *57 Millionen Staatsbeitrag*, and *der Landtag schont Versicherte*, and *Landtagsprotokolle* of 25 June 2009, pages 462-477 and of 26 June 2009, pages 462-477.

<sup>80</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend Abänderung des Gesetzes über Ergänzungsleistungen zur Alters-, Hinterlassenen- und Invalidenversicherung (ELG) und weiterer Gesetze (Einführung eines Betreuungs- und Pflegegeldes bei Hauspflege)*, Nr. 162/08, page 31.

### 2.3.5 Critical assessment of reforms, discussions and research

First of all, it has to be welcomed that the Liechtenstein Government agreed in 2007 to tackle a major reform with the objective to set up a comprehensive scheme for long-term care.

In February 2009, a new Parliament (*Landtag*) was elected in Liechtenstein. The Patriotic Union (VU) won the election while the Progressive Citizens' Party (FBP), which is a conservative party too, came in second. In March 2009, both parties agreed to continue their coalition Government.

As it was the Patriotic Union that initiated the reform in the long-term care sector, the work was continued as it was to be expected. Nevertheless, due to a necessary second reading of the proposal for the introduction of the new care allowance in Parliament, it was unlikely that it would be introduced in mid-2009 as foreseen. The care allowance became, thus, only effective as of 1 January 2010.

At this place, only the introduction of the care allowance should be discussed, as other issues related to the set-up of the three pillar scheme – prevention, home care and institutionalised care – are not yet concrete enough.

It has to be noted as a positive feature that the care allowance is 40% higher than its predecessor, the home care allowance. Moreover, also the personal scope of application has been extended to light-level dependent persons. It is therefore difficult to foresee how many more cases will occur, as it is not known how many persons in Liechtenstein are dependent at this stage.

Even, if the benefit will provide broader coverage and a higher level, one has to ask whether there are enough care personnel available. This issue was mentioned during the discussions in Parliament in 2007, namely that nurses from Brazil and Eastern European countries were providing care services in Liechtenstein, whose legal status is however not clarified. No mention of this issue is made in the proposal for the introduction of the care allowance. One would need to think rather sooner than later about adaptations in immigration and labour law in this respect, in particular concerning their remuneration and the issue of social dumping in this sector.

It is also not completely clear how the service providers shall be coordinated between the different decision making bodies (health care institutions, AHV institute, family support associations) and service providers (see Article 3duodecies of the proposed amendments). Moreover, no legal review of a decision taken by an institution is foreseen.

The care allowance will probably have a positive effect on the institutionalised care, as fewer places in care homes will be needed. This is actually a very far-sighted approach, in particular as the demographic situation in Liechtenstein (and the rest of Europe) will change significantly in the next 20-30 years. Moreover, new care homes are currently being built, which should provide sufficient beds for the years to come.

Still, one has to wait for the upcoming initiatives of the new Government in relation to this benefit and the further approach as to the preventive phase and the set up of satellite homes in relation to institutionalised care and more concrete numbers for the financing of the whole scheme. The Agenda 2020, which is supposed to be published in May 2010, may already give further information about how the new government foresees to plan for the future.

### 3 Impact of the Financial and Economic Crisis on Social Protection

#### 3.1 General economic situation<sup>81</sup>

The current recession in world economy had its first deep impact during the winter months 2008/2009 showing a collapse in world trade. Also Liechtenstein did not stay unaffected by these events, even though the effects tuned out later than in bigger neighbouring states, as traditionally small market economies are hit with a certain delay of several months by such a crisis.<sup>82</sup> The general effects of the crisis shall be illustrated here at hand of three areas, namely external trade, public finances and (un)employment rates.

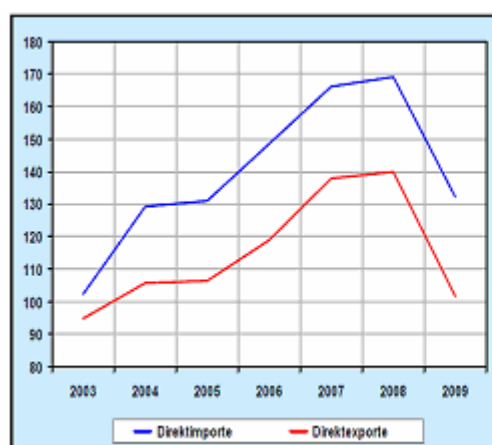
##### 3.1.1 External trade – exports/imports

While enjoying double digit increase of exports during 2006 and 2007 (10.5% in 2<sup>nd</sup> half 2006, 10.6% 1<sup>st</sup> in half 2007 and 21.2% in 2<sup>nd</sup> half 2007), the second half of 2008 already resulted in a 2.6% decrease of direct exports from Liechtenstein. 2009 resulted in a major drop of 27.4%. Not all sectors are equally concerned, while e.g. the car industry is in deep crisis, the food industry stays nearly unaffected.<sup>83</sup> This is due to the fact that the demand in exporting countries for specific goods decreased due to the crisis and, thus, those imports were reduced.

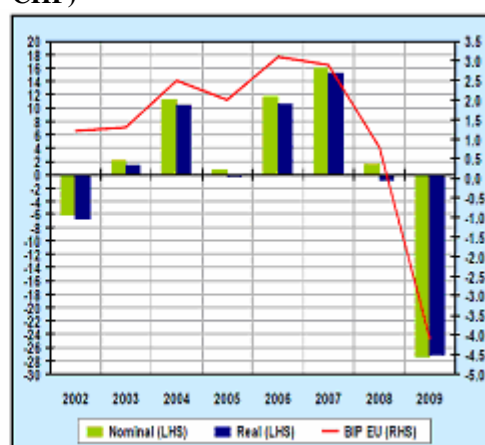
For direct imports into Liechtenstein, a similar drop occurred of 21.4% in relation to the previous year.

Table 4: Liechtenstein external trade

(a) Direct imports and exports (total 2, nominal, index 2000=100)<sup>84</sup>



(b) Direct exports (Total 2) and GDP EU (GDP: CRPY in %, cash flow in mio. CHF)<sup>85</sup>



Source: Eidgenössische Zollverwaltung (EZV), Eurostat (GDP EU in 2009: estimation EU Commission), KOFL calculations.

<sup>81</sup> The data used in this section is taken from a report by Konjunkturforschungsstelle Liechtenstein (KOFL) of 5 February 2010 (available on the KOFL website: <http://www.kofl.li>), except where indicated otherwise.

<sup>82</sup> Statement of the Liechtenstein head of Government in *Liechtenstein Vaterland, Jeder muss seinen Beitrag leisten*, 22 January 2009.

<sup>83</sup> See *Liechtenstein Vaterland, Unterschiedlich von Krise betroffen*, 12 January 2009.

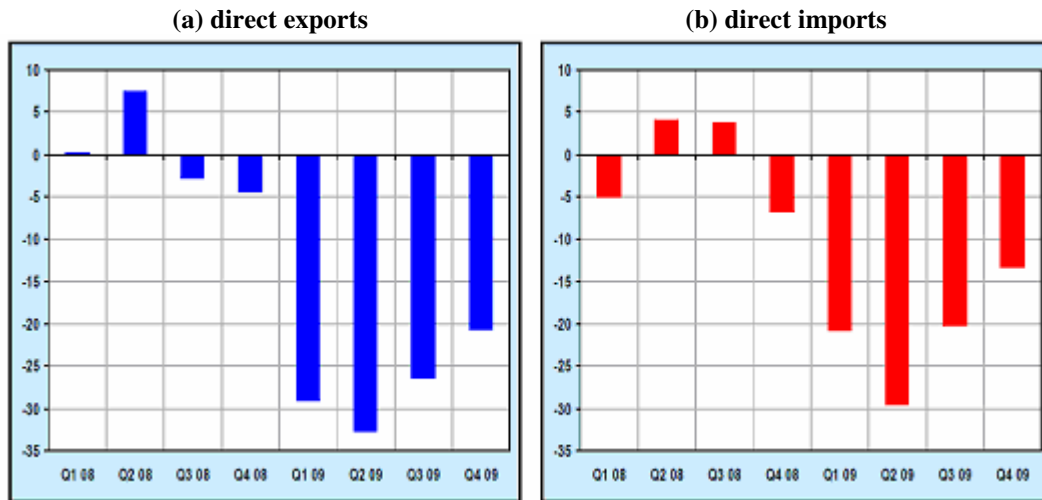
<sup>84</sup> Blue line: direct imports; red line: direct exports.

<sup>85</sup> Green column: nominal; Blue column: real; red line: GDP EU.

The tables above illustrate the decrease of direct imports and exports in Liechtenstein (a) and the particular situation for exports from Liechtenstein into the EU-27 (b). From the left table it becomes clear that the export level dropped to the level of 2003 before the boom years. The right table shows the parallel development of exports with the economic development in the EU-27, its closest export partner. Another element in this development is the strong position of the Swiss Franc, which had negative influence on exports, i.e. to the Euro zone countries.

For illustration of real external trade see the tables below, split up in yearly quarters.

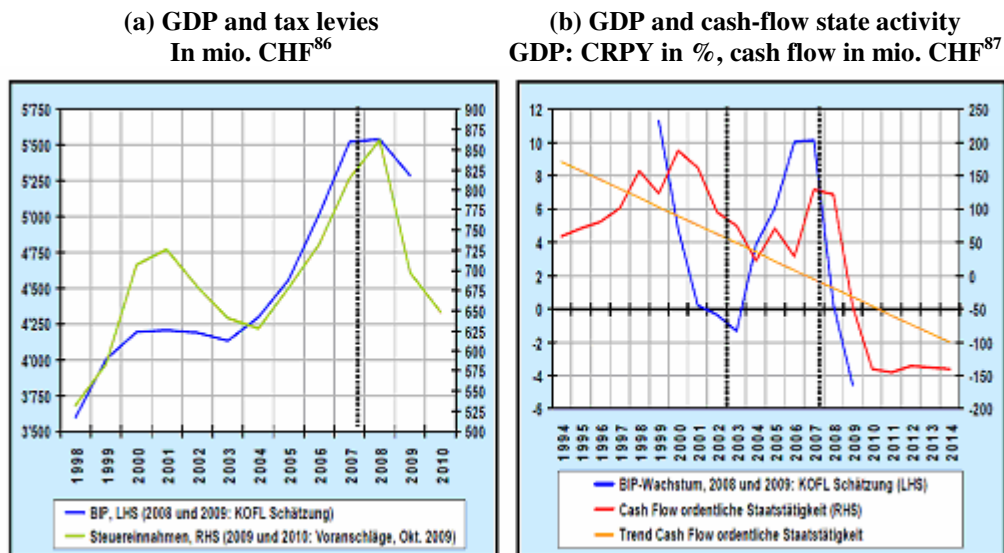
Table 5: Real external trade (Total 1) - changes compared to same quarter in the preceding year, in %



Source: Eidgenössische Zollverwaltung, KOFL calculations.

### 3.1.2 Public finances

Table 6: Public finances (Total 1)



Source AS: VGR, FL, GDP for 2008 and 2009: KOFL estimation, state proposal 2010 and finance planning 2010-2014, October 2009.

<sup>86</sup> Blue line: GDP (LHS) (2008 and 2009: KOFL estimation); Tax levies, RHS (2009 and 2010: estimations, October 2009.

<sup>87</sup> Blue line: GDP growth, 2008 and 2009: KOFL estimation (LHS), red line: cash-flow cash-flow state activity (RHS); orange line: Trend cash flow state activity.

The global recession has repercussions on the public finances in Liechtenstein, in particular tax revenues. The tax cut for the years 2009 and 2010 is significant and shows parallels with the general development of economy (table (a) below). This will entail structural deficits in the public finances for the years 2010-2014 (without counter steering in the budget). Table (b) shows the continuous reduction of surplus in the budgeted between 1994 and 2014.

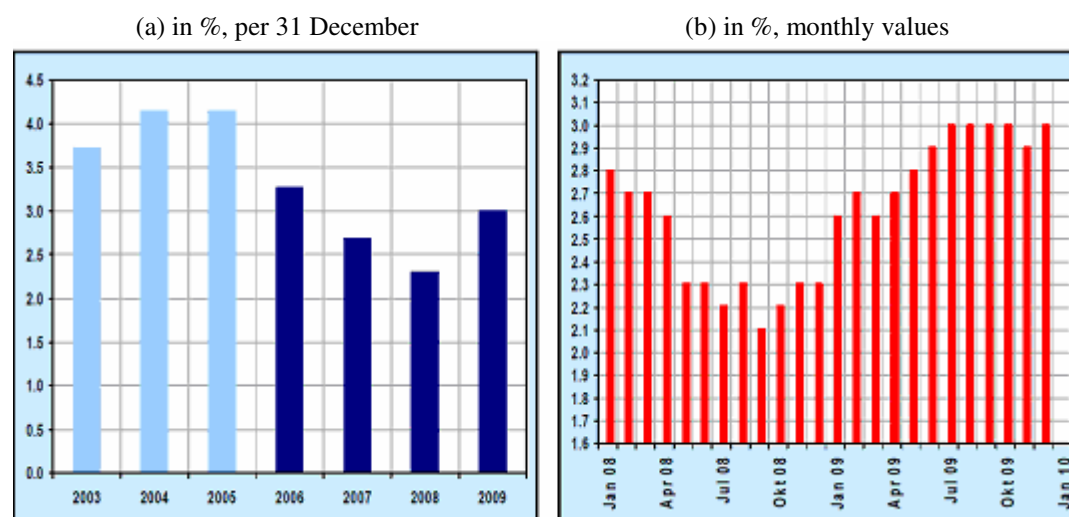
### 3.1.3 Employment and labour market

In 2008, Liechtenstein had an increase of 2.6% of full-time-equivalent employment (part timers transposed in full time jobs). However, the most recent data of November 2009 shows that the employment dropped by 2.6% below the level of the preceding year.

When it comes to unemployment, Liechtenstein counted 545 unemployed persons in December 2009, which are 128 Persons or 30.7 % more than in December 2008. Due to the introduction of a period for “short time” work (*Kurzarbeit*) during the first half of 2009 (ca. 1200 persons)<sup>88</sup>, a higher increase could be prevented. Mostly concerned of unemployment was age group of 25-49.

By the end of 2009, the unemployment rate counted 3% after 2.3% in 2008 (see Table (a) below). The development of unemployment rates during 2009 is reflected in Table (b) below.

Table 7: Labour market: unemployment rate



Source: unemployment statistics 2008, Labour Market Office Liechtenstein, KOFL calculations

### 3.1.4 Outlook for 2010-2011

The recovery of the Liechtenstein economy primarily depends on the developments in its international environment. Even though in the beginning of 2010 a weak recovery of world economic situation is to be expected, there are still risks, in particular in the banking sector, where e.g. “bad credits” could pop up any time again. Also exchange rates bear risks that could affect Liechtenstein economy in respect to its exporting activity to Eurozone countries, which are its most important export market.

<sup>88</sup> See *Liechtenstein Vaterland, Jeder muss seinen Beitrag leisten*, 22 January 2009.



### 3.2 Financial crisis and pensions

As mentioned above, the financial crisis heavily hit the funds of Liechtenstein's statutory and non-statutory pension schemes. Concerning the AHV funds, income from investments dropped in 2007 to only about CHF 5 million (ca. EUR 3.3 million), and in 2008 the losses from investment amounted to CHF 185 million (ca. EUR 130 million) – the highest loss ever in the AHV funds history. In 2009, however, the AHV once again made high profits from investment. The overall loss of 2008 (CHF 139 million (ca. EUR 97 million)) could therefore almost be compensated by an overall profit of CHF 270 million (about EUR 190 million) in 2009.<sup>89</sup> Also second pillar pension funds were confronted with heavy investment losses. The pension insurance for civil servants, for instance, faced investment losses of CHF 93 million (EUR 65 million), which led to an overall loss of CHF 138 million (EUR 97 million) in 2008.

The losses of the AHV funds in 2008 together with a projected state deficit for 2010 – it is expected to reach the all time high of CHF 180 million (EUR 126 million) – caused a discussion in Parliament and media about measures to be taken in order to guarantee the stability of the first pillar pension scheme. The discussion, however, was also, although due to a rather small extent, due to the presentation of an expert report end 2008, on the long-term financial stability of the AHV – see above point 2.1.4. It is virtually impossible to clearly separate these two reasons for the debate on reforms, as shown below.

First of all, no measures were taken with respect to pension schemes as a reaction to the crisis until 2010. However, some measures were discussed and one has even been announced by the Government.

The Government basically takes the point of view that the AHV funds are safe and that there is no need for ad hoc measures, but the need for the elaboration of a comprehensive concept for the long-term stability of the system. The Government bases its position on the results of the expert report of the University of St. Gallen and on the fact that the financial reserves of the AHV are still enough to pay out benefits for more than ten years without any income – which is indeed in an international comparison rather high. Still, against the background of the high projected state deficit for 2010 – mainly due to the financial and economic crisis – the Government presented in December 2009 measures in order to relieve the budget pressure. Amongst these measures is a reduction or even the abolishment of the Government's contribution to the AHV funding.<sup>90</sup> We already illustrated that currently the Government has the legal obligation to contribute to the AHV funds with 20% of the fund's annual expenditure. A complete abolishment would lead to savings of about CHF 50 million (EUR 35 million). However, thus far a reduction or an abolishment of this contribution has not been finally decided.

Further measures, which have not yet been announced, but which were publicly discussed include the following ones:

- Increase of the retirement age. This measure was already suggested in the expert report of the University of St. Gallen. The public discussion, however, only started when Prince Hans-Adam II proposed to increase the regular retirement age from 64 to 70.<sup>91</sup> Polls showed that the population strongly rejects this measure.<sup>92</sup> The chamber of

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<sup>89</sup> It is referred to “almost” compensated because in 2008 the AHV funds had to liquidate reserves of about CHF 160 million (EUR 112 million).

<sup>90</sup> See *Liechtensteiner Volksblatt, Versicherte müssen bluten*, 18 December 2009 and *Liechtensteiner Volksblatt, Rente kommt nicht zur Ruhe – Fürst Hans-Adam II belebt Diskussion um Erhöhung des Renteneintrittsalters*, 5 January 2010.

<sup>91</sup> *Liechtensteiner Vaterland, Auszug aus Geburtstags-Interview mit Fürst Hans-Adam II von und zu Liechtenstein – „Wir sollten das Rentenalter schrittweise hinaufsetzen“*, 13 February 2010.

commerce and the chamber of industry proposed to increase the retirement age only according to a person's occupational strains and stresses.<sup>93</sup>

- Abolishment of the Christmas bonus. The Christmas bonus was introduced in 1992 as an additional payment at the rate of 25% of the December pension payment. In 1998 it was increased to 100%. The expert report already suggested to reduce the bonus again. End of 2009, interviews with the director of the AHV institute and the Hereditary Prince Alois triggered a public discussion.<sup>94</sup>
- Increase of premium rate. To raise employers' and employees' contribution to the AHV was also proposed by the expert report in 2008 and discussed in the media in 2009.<sup>95</sup> The premium rate has been left unchanged in Liechtenstein for more than 40 years.
- Reduce the number of early retirement pensioners. In 2008, 37% of all pensioners were early retirement pensioners. This number seems to have even increased in 2009 by 11.5%, so that the early retirement pensioner rate is now almost 40%. The Hereditary Prince Alois publicly addressed the problem, which has also been identified by the expert report.<sup>96</sup> Somewhat surprisingly, a broad discussion on this issue did not take place.

### 3.3 Financial crisis and health care

In the field of health care there is no data yet available for Liechtenstein for the year 2009, which could show any effects of the crisis in the field of health care. Nevertheless, the discussions in Parliament were held against the background of the crisis, in particular as to the future financing of the system.<sup>97</sup> It became clear that the Government as well as the Members of Parliament are aware that things have to change. The amount of state subsidies to the system has reached a crucial point, which the Members of Parliament are not anymore willing to increase, without being presented a "real" reform of the general financing concept by the Government and eventually putting certain restrictions on the access/benefit level.

In times of crisis, it will be seen how much burden the Government is willing to put on the insured persons. As the amount of contributions is disproportionately small compared to the actual costs of health care, an increase is probably to be expected, which would go hand in hand with a better targeted special reduction of contributions, in order not to put the main burden on already needy people. A first indication of strategy can be expected in the Agenda 2020 (for a more detailed discussion see above points 2.2.3.3 - 2.2.3.5).

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<sup>92</sup> *Liechtensteiner Vaterland, Wochenumfrage*, 23 February 2010. See also *Liechtensteiner Volksblatt, Volksblatt-Umfrage: Was halten Sie von der Rente ab 70 Jahren?*, 20 February 2010.

<sup>93</sup> *Liechtensteiner Volksblatt, Flexible Lösung bevorzugt – Erst mit 70 Jahren in Rente? – Wirtschaft reagiert zögerlich und setzt auf Flexibilität*, 20 February 2010. See also *Liechtensteiner Volksblatt, Wenig Freude an der Rente ab 70*, 20 February 2010.

<sup>94</sup> See *Liechtensteiner Volksblatt, Starke Zunahme der IV-Bezüger*, 30 October 2009; *Liechtensteiner Volksblatt, So kann Liechtenstein Millionen einsparen*, 21 November 2009; *Liechtensteiner Volksblatt, In eigener Sache*, 23 November 2009; *Liechtensteiner Volksblatt, „Wünsche mir, dass die Bürger auch unpopuläre Reformen mittragen“ – S.D. Erbprinz Alois im traditionellen Volksblatt-Neujahrs-Interview*, 31 December 2009; or *Liechtensteiner Volksblatt, „Sozialverträglich sparen“ – Staatshaushalt: Batliner fordert konkrete Sparvorschläge von Regierungschef Tschütscher*, 18 January 2010.

<sup>95</sup> *Liechtensteiner Vaterland, Panik ist fehl am Platz*, 18 April 2009.

<sup>96</sup> *Liechtensteiner Volksblatt, 2010 das Jahr der Reformen: Bildung, Staatshaushalt, Sozialsysteme: Erbprinz Alois sieht viel Handlungsbedarf*, 31 December 2009.

<sup>97</sup> See, in particular, Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 24. Juni 2009*, pages 372-384 and 392-416.

### **3.4 Financial crisis and long-term care**

The same can be said in the field of long-term care. No data for the year 2009 is yet available to illustrate any consequences of the crisis. The new care benefit became effective as of 1 January 2010. Even though, this was in middle of the crisis, there was no hesitation to postpone or cancel the benefit. The reason might also be that a reduction of costs is expected as a consequence for the institutionalised care.

It has to be seen whether the rest of the planned reform, in particular the aspects of institutionalised care, are pursued according to the timetable or postponed.

## 4 Abstracts of Relevant Publications on Social Protection

### [R] Pensions

- [R1] General trends: demographic and financial forecasts
- [R2] General organisation: pillars, financing, calculation methods or pension formula
- [R3] Retirement age: legal age, early retirement, etc.
- [R4] Older workers activity: active measures on labour market, unemployment benefit policies, etc.
- [R5] Income and income conditions for senior workers and retired people: level of pensions, accumulation of pensions with earnings from work, etc.

### [H] Health

- [H1] Health expenditures: financing, macroeconomic impact, forecasting, etc.
- [H2] Public health policies, anti-addiction measures, prevention, etc.
- [H3] Health inequalities and access to health care: public insurance coverage, spatial inequalities, etc.
- [H4] Governance of the health system: institutional reforms, transfer to local authorities, etc.
- [H5] Management of the health system: HMO, payments system (capitation, reimbursement, etc.)
- [H6] Regulation of the pharmaceutical market
- [H7] Handicap

### [L] Long-term care

**[R1; R2]** LIECHTENSTEINISCHE AHV-IV-FAK, Geschäftsbericht 2008, 2009, p. 62, retrieved from:

[http://www.ahv.li/fileadmin/webmaster\\_files/Jahresbericht/AHV\\_Jahresbericht\\_2008.pdf](http://www.ahv.li/fileadmin/webmaster_files/Jahresbericht/AHV_Jahresbericht_2008.pdf)

“Annual report 2008”

*The annual activity report of the Old Age and Survivors' Insurance (AHV), the Invalidity Insurance (IV) and the Family Allowance Office (FAK) reports on the agencies' activities of the preceding year. Most notably, the report gives in depth information on the insurances' financial and legal situation in the accounting year. This includes, for instance, details on annual returns, on developments of the funds, on financial reserves, on insured people and beneficiaries, and on current legal developments. What is more, an outlook on future developments of the insurances is provided.*

**[R1; R2]** FINANZMARKTAUFSICHT LIECHTENSTEIN, Jahresbericht 2008, 2009, p. xvi + 88, retrieved from: [http://www.fma-li.li/file/FMA\\_JB08\\_Web\\_1.pdf](http://www.fma-li.li/file/FMA_JB08_Web_1.pdf)

“Annual report 2008”

*The annual report of the Financial Market Authority Liechtenstein (Finanzmarktaufsicht, FMA) gives an overview of the agency's activities throughout the preceding year. Part of the FMA's competences is the supervision of second pillar pension plans. In this regard, the annual report provides a concise review of Liechtenstein's employers' pension plans. Amongst others, information is given on the number of plans, the number of insured people and beneficiaries, the amount of contributions, as well as the financial situation and the investments of the plans. What is more, an outlook on the situation of Liechtenstein's second pillar pension plans for the coming year is included.*

**[R1; R2; R5]** LIECHTENSTEIN GOVERNMENT, Ressortbericht 2008: Soziales, 2009, p. 13, retrieved from: [http://www.llv.li/pdf-llv-rk\\_rb2008\\_soziales.pdf](http://www.llv.li/pdf-llv-rk_rb2008_soziales.pdf)

“Departmental report 2008: Social affairs”

*The departmental report informs about developments in the field of social affairs during the reporting period. Moreover, the activities of the social service office (Amt für Soziale Dienste) are outlined. Concerning the elderly, the report includes information on old age policy, income support, complementary benefits and first pillar retirement pensions.*

[H] Health

**[H1; H5; H6]** GOTTLIEB-DUTTWEILER INSTITUT, Gesundheitsmarkt und Gesundheitsstandort Liechtenstein, March 2008

“Health market and health centre Liechtenstein”

*This scientific study which was established by the Gottlieb-Duttweiler Institute from Zürich, Switzerland, on request of the Liechtenstein Government in March 2008, and identified seven trends with which the Liechtenstein health care system will have to cope with in the future.*

- *The demographic situation, as people become older and need constant treatment and care*
- *The spread of chronic diseases*
- *The free choice of patients of their treatment and diagnosis*
- *The knowledge of patients in the field of health care – keyword "critical patient"*
- *The technical development which involves more and more expensive treatments*
- *Globalisation and the mobility of patients*
- *Competition in the field of health care*

*The study sees new perspectives for Liechtenstein in the above mentioned issues to come. The provision of specialist treatments, the creation of high standard care homes/wellness centres and the collaboration in research projects with other countries, to name a view.*

## 5 List of Important Institutions

**Liechtensteinische Alters- und Hinterlassenenversicherung, Invalidenversicherung und Familienausgleichskasse (AHV-IV-FAK Anstalten)** – Institutions for Old Age and survivors' pensions, invalidity pension and families' compensation

Address: Gerberweg 2, Postfach 84, 9490 Vaduz, Fürstentum  
Liechtenstein  
Phone: 00423 (0) 238 16 16  
Fax: 00423 (0) 238 16 00  
E-mail: [ahv@.ahv.li](mailto:ahv@.ahv.li)  
Webpage: <http://www.ahv.li>

*The AHV, as part of the AHV-IV-FAK institutions, is an institution under public law, which administers Liechtenstein's first pillar pension of the same name. The institution registers all insured persons and their employers, collects premiums and disburses benefits. Moreover, whenever needed, the AHV provides its expertise to the Government. The AHV yearly publishes an activity report, which gives an overview over the legal and financial situation of the insurance. Information on the webpage is in German only.*

**Finanzmarktaufsicht Liechtenstein (FMA)** – Financial Market Authority Liechtenstein

Address: Heiligkreuz 8, Postfach 279, 9490 Vaduz, Fürstentum  
Liechtenstein  
Phone: 00423 (0) 236 73 73  
Fax: 00423 (0) 236 73 74  
E-mail: [info@fma-li.li](mailto:info@fma-li.li)  
Webpage: <http://www.fma-li.li>

*The FMA is an authority governed by public law. Its main task is the supervision of Liechtenstein's financial market. In addition, the FMA implements relevant EEA law into domestic law (in cooperation with the Government) and represents Liechtenstein in international bodies (also in cooperation with the Government). Worth mentioning, the FMA supervises second pillar pension plans and pension funds. The FMA often also plays a key roll in Liechtenstein's law making process. In the FMA's fields of activities, Government and Parliament rely on the FMA's expertise; see for instance the role of the FMA in the reform of the second pillar pension scheme for civil servants. Main recurring publication is the FMA's annual report, which devotes one section to employer pension plans and pension funds. Information on the webpage is available in German and English.*

**Liechtenstein-Institut** – Liechtenstein Institute [unofficial translation]

Address: Auf dem Kirchhügel, St. Luziweg 2, 9487 Bendern, Fürstentum  
Liechtenstein  
Phone: 00423 (0) 373 30 22  
Fax: 00423 (0) 373 54 22  
E-Mail: [admin@liechtenstein-institut.li](mailto:admin@liechtenstein-institut.li)  
Webpage: <http://www.liechtenstein-institut.li>

*The Liechtenstein-Institute is a private, not for profit organisation, which was founded in 1986. It is engaged in teaching and research in the areas law, political science, economics, social sciences and history. From time to time, research projects with relevance for social policy are carried out. Working papers can be downloaded for free from the webpage. However, information on the webpage is in German only.*

**Amt für Statistik – Office of Statistics**

Address: Äulestrasse 51, Postfach 684, 9490 Vaduz, Fürstentum  
Liechtenstein  
Phone: 00423 (0) 236 68 76  
Fax: 00423 (0) 236 69 31  
E-mail: [info@as.llv.li](mailto:info@as.llv.li)  
Webpage: <http://www.as.llv.li>

*The Office of Statistics is part of the Government of Liechtenstein. Since 1 January 2009, the Agency has been re-established as an independent governmental agency. Between 1976 and 2008 it was part of the Office of Economic Affairs. The Office of Statistics is entrusted by law to provide statistics to the Government, the municipalities and the public. Statistics are to be provided in the field of society, economy and environment. In more detail and worth mentioning, statistics as to social security, health, public finances, employment and unemployment and economic development must be produced. Annually, about 60 publications are issued. The most important recurring publication is the annual statistical report (Statistisches Jahrbuch). Most publications can be downloaded from the website for free. Information on the webpage is in German only. Some publications are also available in English.*

**Amt für Gesundheit – Office of Public Health**

Address: Äulestrasse 51, Postfach 684, 9490 Vaduz, Fürstentum  
Liechtenstein  
Phone: 00423 (0) 236 73 31  
Fax: 00423 (0) 236 75 64  
E-mail: [info@ag.llv.li](mailto:info@ag.llv.li)  
Webpage: <http://www.llv.li/llv-ag-home.htm>

*The Office of Public Health is part of the Government of Liechtenstein. It is entrusted to deal with all issues related to health. This concerns in particular initiatives for prevention (“bewusst(er)leben”) and preventive check-ups, the provision of health services, licensing doctors including the recognition of professional qualifications of health professionals of other EEA States, etc. Once a year, the Office issues a report (Abschlussbericht). The information on the website is only available in German.*

**Liechtensteinischer Krankenkassenverband (LKV) – Liechtenstein Insurance Funds’ Association [unofficial translation]**

Address: Auring 52, Postfach 281, 9490 Vaduz, Fürstentum Liechtenstein  
Phone: 00423 (0) 233 43 00  
Fax: 00423 (0) 233 43 01  
E-mail: [lkv@lkv.li](mailto:lkv@lkv.li)  
Webpage: <http://www.lkv.li>

*The LKV is the umbrella organisation of the four health insurance funds in Liechtenstein. Its main tasks is the negotiation of tariffs with the health professionals and set up contracts with them, to defend the interests of the four insurance funds, representing the funds in public, participation in diverse expert commissions, collecting statistics and, last but not least, being an information pool for the health service providers and patients. The LKV provides information, in particular regular up-dates on changes in the Health Act and the related ordinances. Once a year, a summary of all legislative changes of effect for health care is issued as information directed to the insured persons (Merkblatt für Versicherte). The information on the website is only available in German.*

**Ärzttekammer** – Medical Association [unofficial translation]

Address: Haus St. Laurentius, Bahnstrasse 20, 9494 Schaan, Fürstentum  
Liechtenstein  
Phone: 00423 (0) 236 48 80  
E-mail: [office@aerztekammer.li](mailto:office@aerztekammer.li)  
Webpage: <http://www.aerztekammer.li>

*The Chamber of Doctors was set up primarily to improve the trust between doctors and patients, to improve the medical support in general in Liechtenstein, to guarantee a high level of qualifications of health professionals, to support the relations of doctors amongst each other and to guarantee a professional behaviour of doctors. It covers all doctors which have received the permission of the Office of Public Health to perform the profession of a doctor in Liechtenstein. On its website it provides information for patients and doctors, and up-dates on issues where the Chamber of Doctors is involved. In particular all relevant legal; Acts and ordinances are provided for on the website and can be downloaded. The information is provided in German only.*

**Konjunkturforschungsstelle Liechtenstein (an der Hochschule Liechtenstein) - KOFL** – Liechtenstein Economic Research Institute [unofficial translation]

Address: Fürst-Franz-Josef-Strasse, 9490 Vaduz, Fürstentum  
Liechtenstein  
Phone: 00423 (0) 265 13 29  
Fax: 00423 (0) 265 13 01  
E-mail: [info@kofl.li](mailto:info@kofl.li)  
Webpage: <http://www.kofl.li>

*The KOFL is set up as the centre of research in relation to economic development in Liechtenstein. It provides research, reports and statistics on economic development in Liechtenstein on macroeconomic issues and financial policy. The projects, papers articles and other publications are available on the website. Most of them are only available in German language. Some of these publications also touch upon the social situation in Liechtenstein, e.g. the impact of economy on health and pensions and vice versa.*

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*The social security systems in Liechtenstein are mainly under the responsibility of the Ministry of Social Affairs. These competencies contain inter alia Social Policy (e.g. equalisation of disabled people), income support, complementary benefits and first pillar social insurances (e.g. disability insurance, old-age and survivors insurance).*



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- (1) to improve the knowledge and understanding of the situation prevailing in the Member States (and in other participating countries) through analysis, evaluation and close monitoring of policies;
- (2) to support the development of statistical tools and methods and common indicators, where appropriate broken down by gender and age group, in the areas covered by the programme;
- (3) to support and monitor the implementation of Community law, where applicable, and policy objectives in the Member States, and assess their effectiveness and impact;
- (4) to promote networking, mutual learning, identification and dissemination of good practice and innovative approaches at EU level;
- (5) to enhance the awareness of the stakeholders and the general public about the EU policies and objectives pursued under each of the policy sections;
- (6) to boost the capacity of key EU networks to promote, support and further develop EU policies and objectives, where applicable.

For more information see:

<http://ec.europa.eu/social/main.jsp?catId=327&langId=en>