



Annual National Report 2009

Pensions, Health and Long-term Care

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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 2008 and early 2009, Liechtenstein's social security was subject to two major reforms. As to retirement pensions, the second pillar pension scheme for civil servants was adapted to allow for a more flexible and more autonomous pension insurance. To this end, competences from the Government have been transferred to the pension fund's board of trustees and Liechtenstein's Financial Market Authority. As to the funding, the Government's guarantee and the possibility for special *ex-post* contributions by the Government were abolished. Instead, the Government's contribution rate was increased. A complete shift from a defined benefit scheme to a defined contribution scheme, which was vividly discussed throughout the year 2008, was eventually not introduced.

In the field of health care no major reform was undertaken. Some minor issues were implemented such as prevention programmes ("*berwusst(er)leben*") and preventive medical check-ups. Furthermore the emphasis to use generic medication was introduced and, for reasons of transparency of costs, a system where the patient is able to receive a copy of the bill the doctor submits to the health insurance funds was put into place.

In the field of long-term care, the Government has set itself two objectives in 2007, 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 practice, the Government envisaged the set up of a sustainable system of preventive, home and institutionalised care for senior citizens. This is a long-term reform which has to be introduced in stages. To cover the most urgent needs, namely the financing of home care, the Liechtenstein Government decided to introduce a new care allowance.

The two major reforms (pensions and long-term care) were also part of the public debate and political discourse in Liechtenstein. Government, Parliament, union, employers' association, media and the general public took part in this discussion, in particular the reform of long-term care during the 2009 parliamentary election campaign.

An impact assessment was only carried out in the area of pensions at the end of 2008, concerning the long-term financial stability of Liechtenstein's first pillar pension scheme. The expert report was produced by the Institute for Insurance Economics at the University of St. Gallen, Switzerland, on behalf of the Liechtenstein Government. 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, there is no immediate need for action. Nevertheless, the report assumes 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 suggests a number of measures in order to avoid a fallback.

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 consists of employers' pension plans where it is distinguished between occupational pensions for private sector employees and for civil servants.¹ And finally, the third pillar covers voluntary private insurance arrangements, such as life insurances or other products by insurance companies or pension plans or other products by financial institutions.

In the following, the main characteristics of Liechtenstein's first and second pillar pension will be outlined. In 2008, the second pillar pension for civil servants was subject to a reform. Therefore, the legal framework will be discussed in more detail in subchapter 2.1.2.1.

The first pillar (AHV) is a mandatory insurance for all individuals residing or working in Liechtenstein, as employee or self-employed person. In 2007, more than 40,000 persons were actively insured, meaning that they paid contributions.

The AHV is funded by 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 2007, contributions in the amount of ca. CHF 187 million (Swiss franc), which equates to about EUR 124 million, were collected. Also tax income is used by the Government to contribute to the AHV's financing. The Government adds 20% of the annual expenditure. In 2007, the Government paid CHF 44.5 million (ca. EUR 30 million). A further source of funding is investment income. In 2007, due to turbulences on the financial markets, the income from investments was only little more than CHF 5 million (ca. EUR 3.3 million). In addition, a special contribution is levied to cover the administrative costs. 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 2007, the income of the administrative cost accounting amounted to CHF 12.3 million (ca. EUR 8.1 million). The statutory retirement insurance is funded on a pay-as-you-go basis.

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. Beneficiaries of retirement pensions who are in need, i.e. who meet a means test, can fall back on supplementary benefits (*Ergänzungsleistungen*). In 2007, the benefits of retirement and survivors' pensions amounted to nearly CHF 191 million (about EUR 126.5 million).

Two conditions have to be fulfilled to qualify for AHV retirement benefits: the attainment of pensionable age, i.e. 64 years, and the contribution payments during at least one year. However, it is also possible to opt for early retirement at 60 years of age. By contrast,

¹ 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.

retirement can also be deferred up to the 70th birthday. In 2007, about 13,400 people received a retirement pension.

The AHV is administered by the Old Age and Survivors' Insurance (Alters- und Hinterlassenenversicherungsanstalt, AHV). The agency is subject to supervision by both Parliament and Government. In 2007, the costs for administration were CHF 11.4 million (EUR 7.5 million).

The mandatory insurance under employer pension plans (second pillar) exists for all employees who are subject to the first pillar pension scheme, who have turned 23 years of age, whose annual earnings exceeds a certain threshold and whose employment contract exceeds three months. All employees not subject to mandatory insurance and all self-employed may opt for voluntary insurance. In 2006,² almost 28,000 people were actively insured under second pillar pensions for employees in the private sector and almost 3,000 people were actively insured under the civil servants' pension scheme.

Employer pension plans are financed by contributions of employees and employers (employer's contribution must be at least equal to employee's contribution), as well as by voluntary contributions of the self-employed. All of them are required to pay an administrative fee. In 2006, contributions to second pillar pension (including the second pillar pension for civil servants) amounted to CHF 263 million (about EUR 174 million). Moreover, investment incomes contribute to the financing of occupational pension schemes. In 2006, the funds of all employers' pension plans amounted to an aggregated amount of CHF 2.87 billion (EUR 1.9 billion) Employers' pension plans are usually fully funded schemes.

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.

Entitlement is normally linked to the attainment of pensionable age. In 2006, there were about 3,000 pensioners under the second pillar pension scheme for private sector employees. And almost 600 people received a retirement pension under the occupational pension scheme for civil servants.

Employer pension plans are run by private pension institutions. Supervision is carried out by the Liechtenstein Financial Market Authority (*Finanzmarktaufsicht, FMA*).

2.1.2 Overview of reforms

2.1.2.1 Reform of the second pillar pension for civil servants

The Pension Insurance for Civil Servants is the second pillar pension scheme for governmental employees and employees of associated corporations in Liechtenstein. It provides benefits in case of retirement, invalidity, death and dismissal. For many years, the insurance has been subject to criticism; in particular, for not meeting anymore the requirements of a modern, flexible, transparent and financially strong pension scheme. As a consequence, by the end of 2006, the Liechtenstein Government published a Draft Law for Comments (*Vernehmlassung*), in order to amend the Pension Insurance Act for Civil Servants.³ However, in 2007, there was no follow up to this draft in the Parliament. Therefore,

² Statistical data as to second pillar pensions is only available of 2006. The data of 2007 will be published in the Financial Market Authority annual report of 2008.

³ Liechtenstein Government, *Vernehmlassungsbericht der Regierung des Fürstentums Liechtenstein betreffend die Abänderung des Gesetzes über die Pensionsversicherung für das Staatspersonal (Pensionsversicherungsgesetz; PVG) und des Beschwerdekommisionsgesetzes*, RA 2006/2395-0381 (Vaduz: 3 October 2006).

early in 2008, a citizens' initiative (*Volksinitiative*) to reform the pension scheme for civil servants was started, requesting, first, a shift from a defined benefit scheme to a defined contribution scheme and, second, no more special contributions (*Sonderbeiträge*) by the Government. After having collected the necessary signatures, the initiative was debated in the Parliament. It, however, did not obtain consent for the elaboration of a draft law based on the demands of the citizen's initiative. In the meantime, the Government submitted a Report and Request (*Bericht und Antrag*) to the Parliament – requesting and supporting a reform of the Pension Insurance for Civil Servants, based on the draft law of 2006.⁴ The Government's initiative suggested a more flexible and autonomous pension insurance and an adjustment of its financing. The members of the Parliament, in general, welcomed this proposal.⁵ After some adaptations by Parliament, most notably the shift of supervision to the Financial Market Authority Liechtenstein (*Finanzmarktaufsicht, FMA*), the pension reform was passed on 22 October 2008.⁶

The first key element of the pension reform is that the pension scheme for governmental employees remains a defined benefit scheme. By contrast, associated corporations (*angeschlossene Betriebe*) which are commercially oriented and municipalities can opt for a defined contribution plan.⁷ This was one of the major issues in the whole pension reform discussion. Parts of Parliament, parts of the population and certain stakeholders, such as the Chamber of Commerce and Industry, wanted to completely transform the pension insurance into a defined contribution plan.⁸ The main arguments were that this would help to secure financial stability, facilitate administration and increase transparency and, lastly, most other second pillar pension plans in Liechtenstein are already defined contribution plans. Yet Government, union and the majority of the Parliament were not convinced by these arguments.⁹ Also the Government's initial proposal of 2006 to create a defined contribution plan at least for governmental employees with a fluctuating level of employment was abandoned after the comments submitted by the stakeholders. The compromise was eventually to stick to the defined benefit plan for governmental employees and to provide a choice for municipalities and certain associated corporations.

⁴ Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend die Abänderung des Gesetzes über die Pensionsversicherung für das Staatspersonal (Pensionsversicherungsgesetz, PVG) und des Beschwerdekommisionengesetzes*, Nr. 31/2008 (Vaduz: 1 April 2008).

⁵ Parliament of the Principality of Liechtenstein, Protokoll über die öffentliche Landtagssitzung vom 28./29./30. Mai 2008, Teil III, Abänderung des Gesetzes über die Pensionsversicherung für das Staatspersonal (Pensionsversicherungsgesetz; PVG) und des Beschwerdekommisionengesetzes (Nr. 31/2008); 1. Lesung, 30 May 2008.

⁶ Gesetz vom 22. Oktober 2008 betreffend die Abänderung des Gesetzes über die Pensionsversicherung für das Staatspersonal (LGBl. 2008, Nr. 353).

⁷ Article 4b Pension Insurance Act for Civil Servants.

⁸ See, amongst others, Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 28./29./30. Mai 2008, Teil I, Bericht der Regierung zum Initiativbegehren in Form einer einfachen Anregung zur Abänderung des Pensionsversicherungsgesetzes für das Staatspersonal (Nr. 62/2008)*, 28 May 2008; Josef Sele, *Initiativbegehren zur Abänderung der Pensionsversicherung für das Staatspersonal (in Form einer einfachen Anregung)*, 24 January 2008.

⁹ See, amongst others, Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend die Abänderung des Gesetzes über die Pensionsversicherung für das Staatspersonal (Pensionsversicherungsgesetz, PVG) und des Beschwerdekommisionengesetzes*, Nr. 31/2008 (Vaduz: 1 April 2008); Liechtensteiner Vaterland, *Die soziale Verpflichtung des Staats*, 20 May 2008, 3; Parliament of the Principality of Liechtenstein, Protokoll über die öffentliche Landtagssitzung vom 28./29./30. Mai 2008, Teil III, Abänderung des Gesetzes über die Pensionsversicherung für das Staatspersonal (Pensionsversicherungsgesetz; PVG) und des Beschwerdekommisionengesetzes (Nr. 31/2008); 1. Lesung, 30 May 2008.

The second key element is that the Pension Insurance Act for Civil Servants now only provides for a certain margin for premiums, in place of premiums at a fixed percentage rate.¹⁰ Within this margin, the board of trustees (*Stiftungsrat*) must determine the percentage rate. This should allow for more flexibility, in particular as to the financial situation of the pension fund. The margin for employees' contributions is between 7% and 9% and for employers' contributions between 8.6% and 11%.¹¹ The old percentage rate was 7.5% for both. This implicates two things: first, premium rates will be increased. And second, employers will in future contribute more to the funding of the pension scheme than employees. The latter is also formulated as a principle in the act: employees' and employers' contributions must always be at the ratio of 45% to 55%.¹² The increase in premiums was motivated by the precarious financial situation of the pension fund and the abolition of the special contributions by the Government (see next paragraph). The change in ratio was justified by the prevailing ratio of occupational pension schemes in Liechtenstein's private sector and, once more, by the abolition of the Government's special contributions.

The third key element is that both the Government's guarantee (*Staatshaftung*) and the special *ex-post* contributions by the Government (*Sonderbeiträge*) were abolished. Before the reform, the Government was obliged to make a contribution of not more than 3% of the insured wages, in case the fund's financial state made it necessary. Since the fund has been underfunded for many years, special governmental contributions have been a common occurrence. This has been subject to a lot of criticism, amongst others by the initiator of the citizens' initiative, and was said to be an unfair subsidy. This reform abrogates the Government's guarantee and, in return, increases premiums and changes the premium ratio.

The fourth element concerns the supervision of the pension insurance. Instead of the Government, supervision will in future be carried out by Liechtenstein's Financial Market Authority.¹³ Yet for the formal pronouncement of decisions (*Aufsichtsverfügung*), the FMA needs the consent of the Government. The necessary consent is supported with two arguments: first, the FMA is as an associated corporation itself subject to the pension insurance. And second, both the FMA and the pension insurance are public corporations, which impose supervision by the Government. As mentioned above, the change in supervision was added at a rather late stage in the legislative procedure. This might explain why after the passing of the pension reform, members of Parliament publicly second-guessed this passage. In particular, they criticised that the Parliament will not be involved in the supervision anymore, while the Government still will be.¹⁴

As to the benefits, the pension reform caused, most notably the following changes: first, the dismissal pension (*Entlassungspension*) was abolished without replacement. Second, the indexation clause was changed. Thus far, the Government was authorised to adapt pension payments to inflation. In future, the board of trustees will be in charge of this. And, contrary to the previous rule, the board of trustees is only allowed to index the benefits if the financial state of the pension funds allows it. Third, entitlement to survivors' pension will be extended to life partners (*Lebenspartner*). Life partners are defined as two persons who are not married or related to each other, but who have been living in a joint household for at least five continuous years before death. Moreover, the deceased must have supported the surviving partner to a large extent; a written statement about mutual support must be filed in the lifetime

¹⁰ Articles 18 and 19 Pension Insurance Act for Civil Servants.

¹¹ This applies to employees who are 23 years of age or older.

¹² See Article 15 (3) Pension Insurance Act for Civil Servants.

¹³ Article 14f Pension Insurance Act for Civil Servants. See also Gesetz vom 21. November 2008 über die Abänderung des Finanzmarktaufsichtsgesetzes (LGBl. 2008, Nr. 372).

¹⁴ Liechtensteiner Vaterland, *Staatliche Pensionskasse leidet erheblich unter Finanzmarktkrise und Börsenturbulenzen*, 23 October 2008.

with the pension insurance.¹⁵ This inclusion of life partners was undisputed. Quite controversial, however, was a possible extension to same-sex life partners. From the very beginning, the Government aimed at the immediate inclusion of same-sex life partners into the Act, but decided to delay the entry into force of the inclusion until a proper legal basis for the status of same-sex couples in Liechtenstein was established. In Parliament opinions were divided – while some members militated against an inclusion, others advocated the immediate entry into force of this provision. But eventually, the Government's proposal was approved.

The pension reform entered into effect on 1 January 2009 – with the exception of the provision on same-sex life partnerships.

2.1.2.2 Legal amendments under the first pillar pension

In 1996, Liechtenstein's first pillar pension scheme (AHV)¹⁶ was reformed. Part of the reform was an increase in the retirement age for women. Since 1 January 2009, this increase of the retirement age to 64 years applies for women born after 1945 which equals now the retirement age for men, which was decreased in 2001 from the age of 65 to 64.

By the end of 2007, the Government of Liechtenstein adapted the legal framework for the investment of assets of the AHV. As of 1 January 2008, the Old Age and Survivors' Insurance has the possibility to invest up to 15% in precious metals, title investments in the real economy and alternative investments, such as hedge funds or private equity.¹⁷ The previous threshold was 5%. According to the Government, this raise should allow for an increased diversification of investments and a reduced dependency on single markets.

Moreover, a reform of the contributions for administrative costs was initiated. Under the Old Age and Survivors' Insurance, administrative costs are met by a special administrative contribution. This contribution must only be used to cover administrative costs. The administrative contribution has to be paid by the employer, the self-employed, the voluntarily insured, the non-active insured and, under certain circumstances, the employee. The rate of the contribution is determined by governmental decree.

In the past eight years, the administrative cost accounting of the Old Age and Survivors' Insurance constantly drew a profit. Since this agency is a non-profit institution under public law, the Government looked for measures to ensure that the agency does not accumulate too high financial reserves.

As a first step, and with effect from 1 January 2008, the Government lowered the contribution rate for administrative costs – from 4% to 3.6% of the total amount of premiums to be paid.¹⁸

As a second step, in October 2008 the Government published a Draft Law for Comments (*Vernehmlassung*), in order to amend the Old Age and Survivors' Insurance Act.¹⁹ Currently the act stipulates that in case the administrative contributions do not cover the administrative costs, the deficit must be covered by the Old Age and Survivors' Insurance Funds.²⁰ By

¹⁵ Article 35a Pension Insurance Act for Civil Servants.

¹⁶ Gesetz vom 14. Dezember 1952 über die Alters- und Hinterlassenenversicherung (LGBI. 1952, Nr. 29).

¹⁷ Verordnung vom 13. November 2007 über die Abänderung der Verordnung zum Gesetz über die Alters- und Hinterlassenenversicherung betreffend die Anlage des Vermögens (LGBI. 2007, Nr. 288).

¹⁸ Verordnung vom 25. September 2007 betreffend die Abänderung der Verordnung zum Gesetz über die Alters- und Hinterlassenenversicherung (LGBI. 2007, Nr. 248).

¹⁹ 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).

²⁰ See Article 49bis (3) Old Age and Survivors' Insurance Act.

contrast, the Government's proposed amendment would provide for deficit coverage out of the financial reserves built up by administrative contributions (*Verwaltungskostenreserven*). Moreover, whenever those financial reserves equal less than one-third or more than two-third of the annual administrative costs, the administrative contribution rate has to be adapted by the Government. This measure shall ensure that the high financial reserves are reduced by using them for offsetting losses. 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 constantly making profits.

2.1.2.3 Retirement arrangements of farmer as a precondition for subsidies

In 2007 and 2008, Parliament and Government discussed the creation of an agricultural act. It was the intention to provide the legal framework for a competitive and innovative agriculture in Liechtenstein. Moreover, agriculture should be stimulated to contribute to the public interest, most notably through landscape conservation, conservation and enhancement of biodiversity and protection of population against forces of nature. At the end of 2008, this new act – which incorporated existing agricultural laws and provided for a consistent strategy – passed Parliament and came into effect by 1 January 2009.²¹ Under this new act, subsidies for low-income farmers are linked to the existence of retirement arrangements.²² Retirement arrangements shall be interpreted as first, second or third pillar pension arrangements, liquid assets or cash. The reason behind this condition for governmental assistance is that farmers should be stimulated to plan for retirement. Farmers are covered by the Old Age and Survivors' Insurance. But, as self-employed, they are not mandatorily insured under second pillar pensions. According to the Government, little is known about retirement arrangements of farmer. But it is assumed that it is below average.²³ More details on the requirement of retirement arrangements are to be established by the Government.

2.1.2.4 Indexations

The Old Age and Survivors' Insurance Act provides for an indexation of benefit rates every two years. As the last indexation took place in 2007 and consumer prices increased, the Government raised the minimum amount of the full old age pension by about 3.2% for 2009.²⁴ This is estimated to result in extra costs of about CHF 8.2 million (almost EUR 5.5 million), which will be covered by the Old Age and Survivors' Insurance, the Government and the municipalities.

As to the second pillar pension scheme for civil servants, right before the coming into force of the pension reform, the Government adjusted the pensions to the inflation.²⁵ As mentioned above, as of 2009, the pension insurance's board of trustees will be in charge. Pensions were increased by 3.4% in 2009.

²¹ Landwirtschaftsgesetz (Act on Agriculture) vom 11. Dezember 2008 (LGBI. 2009, Nr. 42).

²² See Article 36 Act on Agriculture.

²³ 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.

²⁴ Verordnung vom 18. November 2008 über die Anpassung der Leistungen der Alters-, Hinterlassenen- und Invalidenversicherung an die Lohn- und Preisentwicklung (LGBI. 2008, Nr. 281).

²⁵ Verordnung vom 25. November 2008 über die Ausrichtung einer Teuerungszulage auf die laufenden Pensionen (2009) (LGBI. 2008, Nr. 292).

2.1.3 Overview of debates/political discourse

2.1.3.1 Elections 2009 and new Government

In February 2009, a new Parliament (*Landtag*) was elected in Liechtenstein. Contrary to the elections of 2005, the Fatherland Union (*Vaterländische Union*) won the election. The Progressive Citizens' Party (*Fortschrittliche Bürgerpartei*), which is a conservative party too, came in second. In March 2009, both parties agreed to continue their coalition Government, headed by a new Prime Minister. The Free List (*Freie Liste*) is the third and by far smallest party in Liechtenstein. In the February elections it won only one out of 25 seats in Parliament. Its influence will be rather negligible in the coming years.

During the election campaign, retirement arrangements or labour market participation of the elderly were no issue. Nevertheless, the parties positioned themselves on social policy issues. As to retirement pensions, it is striking that both big parties expressed almost identical positions in the election manifestos. Both emphasised the importance of a secure future for retirement pensions, in particular of the Old Age and Survivors' Insurance (*Alters- und Hinterlassenenversicherung, AHV*). At the same time they pointed out that self-responsibility must be strengthened. Moreover, both parties urged for more coordination of social security agencies and better control mechanisms for the receipt of benefits. It is interesting to observe that labour market participation of the elderly was not mentioned in the election manifestos.

Thus far, a Government programme for the tenure 2009-2013 has not been publicised. From the election campaign and the outcome of the elections, no change in old age policy is to be expected.

2.1.3.2 Implementation EC Directive 2006/54

In 2008, Government and Parliament consulted on the implementation of 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). The Government noted that most of the provisions are already implemented into national law, since it is only a recast of existing EC Directives. However, with regard to Paragraph 9(1)(h) of the EC Directive, Liechtenstein's Government considered whether it should continue to make use of the exception. In more detail, Paragraph 9(1)(h) allows to set different levels of benefits, 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. Since September 2008, the Government has been contemplating to make an end to this exception.²⁶

2.1.3.3 Child rearing and second pillar pensions

In April 2006, members of Parliament of the Progressive Citizens' Party request the Liechtenstein Government to examine further measures for the support of families. Amongst others, it was requested to investigate whether parents who stop working in order to devote

²⁶ 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)

time for child-rearing should be covered by occupational pension schemes.²⁷ The Government entrusted the Liechtenstein Financial Market Authority (*Finanzmarktaufsicht, FMA*) with this investigation. In 2007, the Financial Market Authority came to the conclusion that such an extension of coverage would be tantamount to a change of the whole second pillar system. The FMA, most notably, pointed out that second pillar pensions are organised by employers. In case of non-active parents one can ask who would be responsible for the pension plan. Additionally, it was emphasised that employers pay at least half of the contributions to employer pension plans and that the basis for these contributions is the employees' wages. This would pose some serious questions when non-active parents were to be included into the personal scope of application. Finally, the FMA argued that, concerning second pillar pension, the Government provides only for the broad legal framework. The elaboration of details is left at the discretion of employers and employees.²⁸ Subsequently, the Government demanded a further expert opinion. After this second opinion was also in the negative, in September 2008 the Government decided to let the matter rest.²⁹

2.1.4 Impact assessment

Liechtenstein is with ca. 35,000 inhabitants a rather small country. Accordingly, the number of universities or research institutions is very limited. There are four universities and colleges in Liechtenstein.³⁰ Between January 2008 and April 2009, none of them has carried out relevant research in the field of social protection.

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. As a consequence, Liechtenstein's pension system was not subject to assessments by these institutions.

Liechtenstein, however, strongly cooperates with scientific institutions from the neighbouring countries, primarily from Switzerland. In 2007, the Government of Liechtenstein entrusted the Institute for Insurance Economics at the University of St. Gallen, Switzerland, with the elaboration of an expert report on the long-term financial stability of Liechtenstein's first pillar pension system. This expert report was presented in November 2008.

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 no immediate action. This results from the extraordinary financial reserves of the Old Age and Survivors' Insurance (*Alters- und Hinterlassenenversicherung, AHV*). The fund has 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 assumes that as of 2013, the yearly income from premium payment will be less than the yearly expenditure for benefit payment. In the first years this reduced income absorbed by the increasing contributions of the Government contributing 20% of the

²⁷ See Liechtenstein Government, *Postulat über die Familienförderung*, 19 April 2006.

²⁸ See Liechtenstein Government, *Postulatsbeantwortung der Regierung an den Landtag des Fürstentums Liechtenstein betreffend Familienförderung*, Nr. 85/2007 (Vaduz: 21 August 2007).

²⁹ 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 Beschwerdekommmissionsgesetzes*, Nr. 110/2008 (Vaduz: 9 September 2008).

³⁰ 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.

AHV's annual expenditures, and by expected rising investment profits. As of 2030, the AHV has to fall back on its financial reserves, which are then being expected to be more than CHF 3.3 billion (almost EUR 2.2 billion).³¹ This supposed 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 concludes 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 suggests a number of measures. These include measures to increase income, reduce expenditures, adapt automatism 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 recommends early planning.

Accordingly, the Government has set up a task force which has to analyse this report in detail and, in particular, assess the proposed measures. Subsequently, this task force is instructed to recommend the Government actions to be taken. Thus far the task force has not reached its conclusions.

2.1.5 Assessment of reforms, discussions and research

2.1.5.1 Reform of the pension scheme for civil servants

The 2008 reform of the pension scheme for civil servants aimed, primarily, to secure the financial stability of the scheme, to modernise the scheme, and to provide for more flexibility within the scheme; objectives, which are basically in line with the objectives of the OMC. It has to be assessed whether the measures adopted are adequate to reach these objectives.

As illustrated in subchapter 2.1.2.1, the financial situation of the pension fund shall be improved by increasing premium rates, prescribing a higher premium rate for the employer than for the employees, and allowing for a flexible adjustment of premium rates according to the financial situation. It is striking that in order to secure the financial stability first and foremost measures as to the income have been taken. As to the expenditures, only the dismissal pension was abolished and the pension indexation mechanism was adapted. This abolishment, however, is of no practical relevance, since there has not been one single case where a person has received a dismissal pension.³² Other measures, such as the promotion of longer working lives, have not been taken into consideration.

In the past, the pension fund for civil servants was constantly underfunded. The Government alleviated the problem by making special *ex-post* contributions. After the reform, such special contributions are not allowed anymore. Still, employer contributions were increased by the reform. At first sight, little has changed: the Government now pays in advance what it before had subsidised afterwards. A closer look, however, reveals that the annual income from the

³¹ 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.

³² See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend die Abänderung des Gesetzes über die Pensionsversicherung für das Staatspersonal (Pensionsversicherungsgesetz, PVG) und des Beschwerdekommmissionsgesetzes*, Nr. 31/2008 (Vaduz: 1 April 2008), Commentary to Paragraph 39.

increased employer premiums will be higher than what the Government has previously paid annually under the designation 'special contributions'. So, the pension fund's income will rise, which mitigates, in combination with other smaller measures, the problem of underfunding. Still, the employer, i.e. the Government, bears the brunt of the reform.

The shift of some competences from the Government to the pension plan's board of trustees must be appreciated. It is now the board of trustees which determines the premium rate and adapts pension payments to indexation. In doing so, the financial situation of the pension fund must be borne in mind. This is a novelty. Therefore, there will be more flexibility. And this, in turn, fosters the financial stability.

A big issue in the pension reform debate was the possible shift from a defined benefit to a defined contribution plan. As illustrated above, this issue was vividly discussed in Parliament, media and the public. Without participating in this discussion, it should be reckoned that the solution agreed upon, i.e. no general shift, but opting for associated corporations and municipalities, poses some questions in the light of the objectives of the OMC. One might doubt whether the possibility for some governmental entities to opt for a defined contribution plan whereas other entities do not have such an option, is in the spirit of equality and fairness. Such a distinction did not exist under the old pension scheme for civil servants. Moreover, one can ask whether this distinction would not interfere with the objectives of a more simplified administration and of more transparency.

In the light of equality and the fight against social exclusion, it clearly must be appreciated that the entitlement to survivors' pensions has been extended to life partners. Same-sex life partners are, nevertheless, still excluded. The legal basis for an inclusion has been provided for by this reform. But an entry into force has been made subject to the elaboration of the legal basis for the general status of same-sex couples in Liechtenstein.

All together, the reform has been a step towards a better funded and more flexible pension scheme for civil servants. Whether this step will be sufficient to meet future challenges remains to be seen.

2.1.5.2 Diverse legal amendments

This section gives a short comment on reforms which were introduced or discussed in 2008/2009.

Reform as to the contribution for administrative costs: 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 Old Age and Survivors' Insurance (*Alters- und Hinterlassenenversicherung, 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 is a non-profit institution. The financial reserves of the administrative cost accounting, however, are about CHF 5 million (about EUR 3.3 million). This does not seem much against the background of yearly administrative costs of CHF 11.4 million (EUR 7.5 million) (see subchapter 2.1.1.) In other words, the financial reserves would only cover the costs of five months of administration.

Retirement arrangements of farmer as a precondition for subsidies: Under the OMC, which promotes an adequate retirement income for all, incentives for farmers to take care of their retirement income must be appreciated. This in particular against the background that farmers usually pay rather low contributions to the AHV, i.e. first pillar pension, and thus receive minimal retirement pensions.

Indexations: Due to high increases in consumer price indices, indexations of pensions as of 1 January 2009 are justified to secure an adequate level of retirement income. In this context it is worth mentioning that old age poverty seems to be no issue in Liechtenstein. End 2007, there was not one single person age 65 or more which received social assistance; and only one person between age 60 and 64.³³ This means that that virtually no one falls back on the last-resort financial assistance programme. And with regard to supplementary benefits under the AHV, which support needy pensioners, no increase can be observed over the past years.

Implementation EC Directive 2006/54: To stop making use of the exception to the principle of non-discrimination in Liechtenstein's second pillar pensions would definitely promote equal treatment between men and women. And it would therefore be in line with the objectives set out in the OMC.

2.1.5.3 Expert report AHV

The expert report by the Institute for Insurance Economics at the University of St. Gallen sketched basically a realistic picture of the future development of Liechtenstein's first pillar pension scheme. During the presentation of this report, the experts also addressed the current financial crisis and its impact on their report. According to the authors, the influence of the crisis on Liechtenstein's Old Age and Survivors' Insurance will be rather low. Also this opinion seems to be realistic. In 2007, the AHV was already confronted with heavy losses on income from investments. Nevertheless, the AHV made an annual profit of CHF 46.43 million (more than EUR 30 million). This was mainly due to the Government's regular contributions to the AHV funding. And in April 2009, it was still estimated that the financial reserves of the AHV are still enough to pay out benefits for more than ten years without any income.³⁴

What seems to be more critical than the current financial crisis is the ageing of the population. It is expected that in 2050 there will be two people of working age for every one 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 is a challenge. In particular for the AHV, since the first pillar pension insurance is funded on a pay-as-you-go basis.

2.2 Health

2.2.1 Overview of the system's characteristics

Every person residing or working in Liechtenstein is subject to mandatory health insurance.³⁵ In 2007, 35,761 persons were covered by the Liechtenstein health care system, of which 96% are residing in Liechtenstein.³⁶ An insured person may seek treatment from every health care provider who has a contractual relation with the Liechtenstein Association of Health Insurance Funds (*Liechtensteinischer Krankenkassenverband, LKV*). This contract allows the health professional to provide services subject to agreed tariffs with the insurance funds. If a

³³ See Regierungsrat Hugo Quaderer, Kleine Anfragen: Altersarmut in Liechtenstein, Landtagssitzung vom 19-21 September 2007.

³⁴ See Liechtensteiner Vaterland, *Panik ist fehl am Platz: Interview mit dem Direktor der AHV*, 18 April 2009, 3.

³⁵ Paragraph 7(1) of the Health Insurance Act (*Krankenversicherungsgesetz – KVG*) (LGBl. 1971 Nr. 50).

³⁶ See website of LKV (www.lkv.li): *Krankenkassenstatistik 2007*, page 16.

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. 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 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 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*).³⁷ It is the *LKV* and the chamber of doctors (*Ärztammer*) that decide on the number of doctors under the public system.³⁸ Currently, more than 80 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.

When it comes to hospital treatment, no contract is concluded with the *LKV*, but with the Liechtenstein Government, which has the responsibility to provide 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 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 for services and state subsidies.

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 level of income may profit from a reduction up to 40% of the amount of the contributions (*Prämienverbilligung*). For couples the current level is CHF 54,000 (ca. EUR 35,900) and for singles it is CHF 45,000 (ca. EUR 30,000). For persons in full employment, the contributions corresponding currently (2009) to CHF 231 (ca. EUR 153) per month are paid 50% by the employer and 50% by the employee.³⁹

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.

³⁷ 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.

³⁸ Paragraph 16(2) KVG.

³⁹ Paragraph 22(8) KVG.

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 is fixed for every year based on Paragraph 24a (2) KVG (Health Insurance Act (*Krankenversicherungsgesetz*)). In 2008, this amount was CHF 45 million (ca. EUR 30 million) and for 2009 it is CHF 52 million (EUR 35 million).

2.2.2 Overview of 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:

- 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.⁴⁰

In order to reach these objectives, it was foreseen 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 the use generic-medication to reduce costs. Emphasis was also put on measures in the field of prevention. 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.

2.2.2.1 Generic medication

Starting in 2007, the co-payment rate with regard to original medication is set at 20%, if the medication could be replaced by generic medication and no medical assessment would oppose the application of that medication. For generic medication the rate is only 10%. Via this measure, the Liechtenstein Government intended to make the use of generic medication more attractive which should decrease the costs in this field.

2.2.2.2 Prevention

In 2007, a three year initiative was launched by the Liechtenstein Government focussing on preventive health care. It promotes healthy lifestyle, which extends from the general raise of

⁴⁰ Prior major reforms were done in 1999 and 2003.

awareness of the factor health in specific projects or information campaigns to target-group oriented measures, like focussing on health of children etc. The initiative is called “*bewusst(er)leben*” (“conscious living”).⁴¹ This project focuses on three main topics: sufficient movement in 2007, healthy nutrition in 2008 and mental health in 2009. The initiative raises the awareness of citizens that a healthy lifestyle makes life more enjoyable. In this context, not only information seminars are organised and related information is provided in form of folders and documents on the website, but also active activities are organised (bicycle tours, cooking classes etc). A fourth aspect has been included in the campaign: health at work (*Gsund schaffa*). Once a year employers are awarded a price for their initiatives in improving the working climate.

- With 1 January 2008, the new preventive check-up system is provided for in Liechtenstein. These medical tests are held for all persons over the age of 17 in five year intervals and shall establish a risk profile of a person’s health. The doctor assesses the individual situation of each person and proposes target oriented preventive measures. Moreover, the doctor can be consulted in respect to other issues like smoking and drinking habits and lack of physical movement.⁴²

2.2.2.3 Raising awareness of costs and self-responsibility

Since 1 September 2008, the Liechtenstein Government and the Chamber of Doctors offers to the insured persons the possibility to receive a copy of the bill, which the doctor is submitting to the respective insurance fund. This measure should make the system more transparent for the patient and also raise the awareness of the actual costs of health care. The service does not entail any additional costs for the patient.⁴³

2.2.2.3 Relations with Switzerland

A pilot projected was started in 2008 with the hospital St. Gallen. It is possible for patients from St. Gallen hospital to receive treatment in the Liechtenstein hospital without additional costs for the patients, as the tariffs are now agreed upon. For Liechtenstein patients it is already possible for 30 years to seek treatment in St. Gallen and be reimbursed by the Liechtenstein health insurance funds. With this new agreement the free flow of patients between these institutions has been established. This agreement bears many advantages for the Liechtenstein hospital as it will be better occupied. Moreover, it can profit from common seminars and other projects for the education together with the Swiss hospital. It was even thought of buying medication together in bigger quantities to have better prices.⁴⁴

⁴¹ See website www.bewussterleben.li.

⁴² See *Presseportal Liechtenstein* of 7 January 2008, *Liechtensteiner Vaterland* of 30 November 2007 and *Liechtensteiner Volksblatt* of 8 March 2008.

⁴³ Office of Public Health: www.llv.li/amtsstellen/llv-ag-krankenversicherung/llv-ag-kopie-der-arztrechnung.htm.

⁴⁴ See *Liechtensteiner Vaterland* of 7 February 2008.

2.2.3 Overview of debates/political discourse

2.2.3.1 Elections 2009 and new Government

During the election campaigns 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 which elaborated most on this issue in its election program. It reflects 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.

2.2.3.2 Reduction of contributions

The current system of reduced contributions (*Prämienverbilligung*) is based on the objective to improve the income situation of the insured person. It is thus linked to the need of the insured. However, the contribution reductions are based on the gross income and not on the net income. This approach is similar to a contribution system which is income related. It seemed to the Government that this system is social just, but also that some adaptations are necessary, for example, life-partners should be set on equal footing to married spouses and families with children have to be supported more.⁴⁵ This initiative has however been rejected in the Liechtenstein Parliament and seems to be on ice for the moment.⁴⁶

2.2.3.3 Introduction of TARMED

In 2003, the Liechtenstein health care system caused costs of 103 million CHF. Compared to 1996, this was an increase of 69%. It was the primary objective to stop this increase of costs. It showed that 30% of the costs were linked to services provided by doctors. In 2004, the Liechtenstein Government decided 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 stating any arguments.⁴⁷ 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.

⁴⁵ See *Vernehmlassungsbericht der Regierung betreffend die Abänderung des Gesetzes über die Krankenversicherung* of 30 April 2007.

⁴⁶ See Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 25 Juni 2008*, page 1257.

⁴⁷ See Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 16 Dezember 2005*, page 2358.

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 would have risen much less than in Liechtenstein and that this is a result of the TARMED (3.8% vs 9.1%).⁴⁸

The Liechtenstein Chamber of Doctors 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.⁴⁹

2.2.3.4 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 above under self-responsibility). 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.

2.2.3.5 Raising awareness of costs and self-responsibility

Already in the health reform in 2000 the principle of efficiency has been incorporated in Paragraph 19 KVG. This principle is based on the presumption that the service providers have to limit the treatments to the needs of the patient. The insurance funds will check the invoices accordingly and when estimated that certain services went beyond this scope, reimbursement could be denied. To this end the LKV and the chamber of doctors created a Commission whose task it is to assess the invoices (*paritätische Vertrauenskommission*).

Costs of public health care increasing by 9.6% in 2007 compared to 2006. Therefore, the Liechtenstein Government proposed in 2008 to reconsider and improve measures of cost efficiency and create new incentives for the service recipient to improve the awareness of costs and self-responsibility of the insured persons in Liechtenstein. Paragraph 22(3) KVG already includes the possibility for insured persons to reduce the contribution to health care by agreeing to a higher rate of co-payment in case health care is needed (up to CHF 1,500 (ca. EUR 1,000) instead of CHF 800 (ca. EUR 530) under the standard system). This system is first and foremost directed to quite “healthy” persons. The new proposal shall offer an even bigger amount up to CHF 2,000 (ca. EUR 1,300), like in Switzerland where this system was

⁴⁸ See Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 25 Juni 2008*, page 1249.

⁴⁹ See *Liechtensteiner Vaterland* of 10 May 2008, page 13.

assessed by the Government as a success. However, in order to avoid abuse of the system (e.g. to change back to the normal system when higher expenses are to be expected like for a planned operation), the insured has to choose this option for a duration of at least three years. Moreover, it is 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 is envisage that this system enters into force on 1 January 2010.⁵⁰

2.2.4 Impact assessment

Reference is made to point 2.1.4, where the 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 level could be higher.⁵¹

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 burdened on 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 also expressed by the Government and some members of Parliament.

In the period 2005-2009, three reforms were initiated by the Government to keep the expenses in the field of health care low. First, the introduction of preventive measures by raising the awareness of people of the actual high costs of health care in form of having the possibility to obtain a copy of a bill of the treating doctor. In addition, a healthy life style is promoted (initiative *bewusst(er)leben*).

Secondly, an emphasis was put on more generic medication. Statistics for the year 2007 show that increase of costs for medication in 2007 was less than a third compared to the increase in the past years.⁵² It seems that this measure stabilised the costs in this sector.

Lastly, the Government intended to introduce the TARMED, a major reform, to keep costs in the ambulant sector low. This proposal, however, was not accepted. Too diverse were the views on the actual consequences.

⁵⁰ See *Vernehmlassungsbericht der Regierung betreffend die Abänderung des Gesetzes über die Krankenversicherung* of 26 August 2008.

⁵¹ See also criticism in the Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 25 Juni 2008*, page 1249

⁵² See *Statistisches Jahrbuch Liechtensteins 2009*, covering data of 2007, page 242.

It seems, thus, that the Liechtenstein Government has tightened the one or other screw to decrease costs in health 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. The new Government will have to clarify this and take a more general stand to tackle this issue accordingly.

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 concept is therefore 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 high degree 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 CHF 5.8 million (ca. EUR 3.8 million) is to 90% cost for personal.⁵³

As to cash benefits, two main sources relating to long-term care can be found in the Liechtenstein social security system: the helplessness allowance⁵⁴ (*Hilflosenentschädigung*) and the home care benefit (*Leistung bei häuslicher Pflege*).⁵⁵

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

⁵³ 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.

⁵⁴ Paragraph 3(bis) of the Act on Supplementary Benefits (LGBI. 1965 Nr. 46).

⁵⁵ Paragraph 13(e) of the Health Act (LBGI. 1971 Nr. 50).

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.⁵⁶

In 2008, 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.⁵⁷ 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).

The home care benefit is 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.⁵⁸

The level of the benefit depends 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 is financed out of health insurance contributions and State subsidies. It is administrated by the health insurance funds.

The helplessness allowance and the home care benefit cannot be accumulated.⁵⁹

2.3.2 Overview of reform

A comprehensive three pillar system for long-term care

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, therefore, a system of quality and price assurance has to be found. Many of those providers come from outside the country, in particular from Brazil (estimated 80 persons), and are performing valuable work in the care sector. Without them the system would not work anymore. Also more and more care nurses are coming from the new EU Member States, whose legal status is not clear.⁶⁰

⁵⁶ Paragraph 41bis of the Ordinance to the Supplementary Benefits Act (LGBI. 1982 Nr. 5).

⁵⁷ According to information on the website of the AHV (www.ahv.li).

⁵⁸ Paragraph 62 of the Ordinance to the Health Act (LGBI. 2000 Nr. 74).

⁵⁹ See Paragraph 62(4) of the Ordinance to the Health Act.

⁶⁰ *Postulat betreffend die Besserstellung der ambulanten Pflege and Bereuung, insbesondere der finanziellen Unterstützung der pflege und Betreuungsarbeit in den Familien* of 20 June 2007.

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 is 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.⁶¹

As a consequence, in May 2007, the *Vaterländische Union* group 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.

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.⁶² 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.⁶³

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.⁶⁴

In concreto, to cover the most urgent needs, namely the financing of home care, the Liechtenstein Government envisages to introduce a new care allowance which will replace the ‘home care benefit’ of the Health Insurance Act as a measure in the short term. The new care allowance will be created as new chapter under the Supplementary Benefits Act and administrated by the Liechtenstein Old-Age Pension Administration (*AHV*). This new set of rules is foreseen to enter into force by mid-2009. 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

⁶¹ Ibid.

⁶² 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.

⁶³ Ibid, page 18.

⁶⁴ See *Liechtensteiner Vaterland* of 8 Mai 2008 (*Betreuungs- und Pflegegeld kommt*) and of 4 December 2008.

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 then receive advice how to increase safety in his living space.⁶⁵

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 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*.⁶⁶

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.⁶⁷

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 will be considerably higher than the former home care benefit, namely up to CHF 180 (ca. EUR 120) per day. This amount will be regularly indexed. Half of it will be 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 more 100 cases. 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 1-1.3 million). Moreover, with the extension of home care, other benefits of

⁶⁵ See *Liechtensteiner Vaterland* of 25 January 2008 (*Sturzfrei durch den Lebensabend*); Liechtensteiner Ärztekammer, (Schenkelhalsfraktur, Schicksal?) on website www.aerztekammer.li.

⁶⁶ See *Liechtensteiner Vaterland* of 6 March 2008 (*Bedürfnisse der Senioren beachten*), *Liechtensteiner Vaterland* of 8 March 2008 (*Unterstützung bis ins Hohe Alter*) and *Liechtensteiner Vaterland* of 6 December 2008, page 3.

⁶⁷ 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.

the Health Act will be used more frequently. However, on the other hand, there will be fewer beds needed in the institutionalised care (-30 beds) which will reduce costs to about CHF 5.5 million (ca. EUR 3.7 million).⁶⁸

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. 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. Currently, on care home has just been finalised (*Haus St. Florin* in Vaduz⁶⁹), two more new care homes (one in Triesenberg⁷⁰ and *Haus St. Martin* in Eschen⁷¹) are being built and another existing one is the process of being redesigned (*Haus St. Mamertus* in Triesenberg⁷²). 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 Paragraph 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*).

⁶⁸ See *Liechtensteiner Vaterland* of 13 December 2008, page 5.

⁶⁹ See *Liechtensteiner Vaterland* of 12 June 2008 (*Das Gefühl von zuhause vermitteln*), and of 19 November 2008 (*Sozialzentrum St. Florin wird bezogen*).

⁷⁰ 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.

⁷¹ 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.

⁷² 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.

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 Fatherland Union that proposed the three pillar model in 2007, which was also welcomed by the Progressive Citizens' Party.⁷³

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. This seems not to be an appropriate approach to the Government. It has to be emphasised that the dependent 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.

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.⁷⁴

2.3.4 Impact assessment

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

⁷³ See, in particular, election programs of The Fatherland Union (*Vaterländische Union*) and the Progressive Citizens' Party (*Fortschrittliche Bürgerpartei*).

⁷⁴ 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 Fatherland Union (*Vaterländische Union*) won the election while the Progressive Citizens' Party (*Fortschrittliche Bürgerpartei*), which is a conservative party too, came in second. In March 2009, both parties agreed to continue their coalition Government.

As it was the Fatherland Union who initiated the reform in the long-term care sector, a continuation of the work can be expected. Nevertheless, a second reading of the proposal for the introduction of the new care allowance is still to be held in Parliament. It is, however, unlikely that this will still happen before the summer break to be introduced in mid-2009 as foreseen. Moreover, as the Parliament will consist of different members, some new amendments might be taken on board. In any event, the introduction of the care allowance will probably only be realised in 2010.

At this place, only the proposal for 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-IV, family support associations) and service providers (see Paragraph 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.

3 Financial Crisis

The financial crisis has affected first and second pillar pension schemes in Liechtenstein. Immediate measures were, however, not taken. The Government, the Financial Market Authority and representatives of the first and second pillar pensions' administrations tried to calm the worried population. Even though investment losses of pension funds were admitted, it was promised that the insured savings and pensions were assured.⁷⁵

In more detail, under the first pillar pension AHV it was estimated that the financial crisis caused losses of investment income of more than 15%. These have been the highest losses of investment income ever. The impact of the losses of investment income can be illustrated best with the following example: in mid-2008 the financial reserves of the AHV were still enough to pay out benefits for 11.44 years without any income. In April 2009, the financial reserves are estimated to last for only 10.27 years.⁷⁶ Nevertheless, investment income is only one part of the AHV's funding, next to premium payment and Government subsidies. More serious consequences are to be expected, if the financial crisis hits Liechtenstein's real economy – which has so far not happened.

There have not been any public discussions of effects of the financial crisis in respect to public health or long-term care.

The Liechtenstein labour market has so far not been adversely affected by the global economic crisis. The unemployment rate was stable in 2008 and the beginning of 2009. To be more precise, the average unemployment rate in 2008 was 2.3%. The highest rate was documented in January 2008 with 2.6% and the lowest in May, June and September with 2.1%.⁷⁷ The latest statistics for unemployment rates in 2009 are 2.6% for March and 2.7% for April. This rather low and stable unemployment rate in 2009 was explained with positive developments in the employment rate of Liechtenstein's financial services providers.⁷⁸

⁷⁵ See, *inter alia*, *Liechtensteiner Vaterland (Sieben Kassen mit Unterdeckung)* of 18 October 2008 and *Liechtensteiner Volksblatt (Keine Sorgen um die Altersvorsorge)*.

⁷⁶ See *Liechtensteiner Vaterland (Panik ist fehl am Platz: Interview mit dem Direktor der AHV)* of 18 April 2009, page 3.

⁷⁷ See *Liechtensteiner Vaterland (Durchschnittliche Arbeitslosenquote im Jahr 2008 beträgt 2,3 Prozent)* of 18 April 2009, page 3.

⁷⁸ See *Liechtensteiner Vaterland (Liechtensteiner Arbeitsmarkt präsentiert sich stabil)* of 5 May 2009, page 3.

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‘Die soziale Verpflichtung des Staats’ *Liechtensteiner Vaterland* 20 May 2008

‘Das Gefühl von zuhause vermitteln’, *Liechtensteiner Vaterland*, 12 June 2008

‘Sieben Kassen mit Unterdeckung’, *Liechtensteiner Vaterland*, 18 October 2008

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‘Panik ist fehl am Platz: Interview mit dem Direktor der AHV’, *Liechtensteiner Vaterland*, No. 3, 18 April 2009.

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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.

[R1] ACKERMANN Walter, & LANG Daniel, «*Alterssicherung in Liechtenstein: Prognosen, Handlungsbedarf, Maßnahmen und Empfehlungen*», 2008. Not published. Comprehensive summary presented in Vaduz, on November 11, 2008, available at:

www.ahv.li/fileadmin/webmaster_files/Aktuelles/AHV_2040_Praesentation_fuer_Interessierte.pdf

“Old age security in Liechtenstein: forecasts, need for action, measures and recommendations”

This expert report was produced on the authority of the Government of Liechtenstein. The authors, Ackermann and Lang from the Institute for Insurance Economics at the University of St. Gallen/SUI, examined the long-term financial stability of Liechtenstein's first pillar pension scheme. Their conclusion was that Liechtenstein, with its three pillar pension system, is prepared to meet the challenges of the future. In Liechtenstein's first pillar there is no immediate need for action. This can mainly be traced back to the extraordinary financial reserves of the Old Age and Survivors' Insurance (Alters- und Hinterlassenenversicherung, AHV). Nevertheless, the report assumes that in the long run, i.e. from 2030 on, the AHV has to fall back on its financial reserves. Therefore, the report concludes that whereas there is no need for immediate action, in the long term there is need for action. To this end, a number of measures are suggested.

[R1; R2] LIECHTENSTEINISCHE AHV-IV-FAK, «*Geschäftsbericht 2007*», 2008.

“Annual report 2007”

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 2007*», 2008.

“Annual report 2007”

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.

[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

[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
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
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 Barenden, Fürstentum
Liechtenstein
Phone: 00423 (0) 373 30 22
Fax: 00423 (0) 373 54 22
E-Mail: 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 69 37
Fax: 00423 (0) 236 69 31
E-mail: 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
Webpage: <http://www.llv.li/amtstellen/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 00
E-mail: lkv@adon.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 - Chamber of Doctors [unofficial translation]

Address: Haus St. Laurentius, Bahnstrasse 20, 9494 Schaan, Fürstentum Liechtenstein
Phone: 00423 (0) 236 48 80
E-mail: 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 - 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
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.

Ressort Soziales – Ministry of Social Affairs

Address: Regierungsgebäude, Peter-Kaiser-Platz 1, Postfach 684, 9490 Vaduz, Fürstentum Liechtenstein
Phone: 00423 (0) 236 64 41
Fax: 00423 (0) 236 60 67
Webpage: <http://www.llv.li/amtsstellen/llv-rfl-soziales.htm>

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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These are:

- (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/employment_social/progress/index_en.html