



## Country Document 2013

# Pensions, health and long-term care

## Liechtenstein

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On behalf of the  
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## 1 Executive Summary

In February 2013, a new Parliament was elected in Liechtenstein and the Progressive Citizens' Party (*Fortschrittliche Bürgerpartei*) won the election. The Fatherland Union (*Vaterländische Union*) came in second. Both parties can be considered as conservative parties. In March 2013, both parties agreed to continue their coalition Government, headed by a new Prime Minister. In the agreement they committed to a reduction of costs in the public health care system, the new orientation of the State Hospital, to create a sustainable pension system and develop a concept to keep the high quality standards in the long-term care sector.

Regarding the pension sector, not only the newly elected Government, but also the Parliament and the Hereditary Prince expressed their view that the system has to be put on a more sustainable basis. Ideas on a higher pensionable age, a longer working life in a system with a flexible pensionable age, and higher contributions have been discussed.

The discussion has also been a reaction to the publication of the so-called Generation Report (*Generationenbilanz*), a study on the sustainability of Liechtenstein's fiscal policy in times of crisis. The authors of the Generation Report came to the conclusion that, although Liechtenstein's public finances are among Europe's soundest, the first pillar pension system AHV faces big challenges, such as a demographic problem and a negative sustainability gap. Therefore the authors suggest taking immediate steps to secure the sustainability of Liechtenstein's first pillar pension system.

In the health care sector, the Government's intentions were primarily to reduce the State subsidies. As compensation measures, drastically higher co-payments were envisaged as well as collecting contributions from young persons' between 16 and 21 years of age. However, these measures were rejected by Parliament. It is up to the new government to find a solution for this.

Another discussion on how to reduce costs in the health care sector has eventually ended and the reform measure have been put in place: after many years of debate, the Chamber of Doctors (*Ärztammer*) agreed to a new tariff system for health care providers that has been introduced in two steps: on 1 October 2012 and 1 July 2013. Still subject to discussion is the future of the Liechtenstein State Hospital (*Landesspital*). Due to capacity problems and an outdated medical-technical infrastructure, a renovation or new construction has been envisaged for many years. The latest proposal, i.e. building a new hospital whereby the capacities of the hospital should be extended but not its medical competences, was rejected by referendum. A new commission is now looking into new solutions.

A few years ago, Liechtenstein initiated a major reform of its long-term care system. This reform has been based on three pillars: prevention, home care and institutionalised care. In recent years many measures of this reform programme have been implemented, amongst which the extension of capacity of institutionalised care and the establishment of an information and advice centre for elderly people to prevent or delay the dependency on care. Despite extending the capacity of institutionalised care, the reform's priority is to enable people to live at home as long as possible. Problems still exist with the home care infrastructure. More precisely, Liechtenstein lacks sufficient, qualified care personnel. The new government committed in its coalition agreement to find solutions to guarantee sufficient capacities not only in institutionalised care but also in home care. This means primarily to create more care personal. The merge of family assistance associations can only have been a first step. Further initiatives are to be expected in the coming years.

## 2 Pensions

### 2.1 System description

#### 2.1.1 Major reforms that shaped the current system

Liechtenstein's **first pillar** pension, the AHV, has existed since 1954. Originally, it was designed as a very basic insurance, which only provided for a modest base of retirement income. In the following decades, the benefit rate has been raised and additional payments have been introduced. For instance, in the 1960s and 1970s, the old age pension rate has been increased substantially. In 1965 supplementary benefits (*Ergänzungsleistungen*) for needy pensioners were introduced. In the early 1990s, the Christmas bonus, an extra payment before Christmas, was introduced. This bonus had been raised considerably during the 1990s.

In the mid-1990s, there was a substantial change from a spouses' pension system to an individual pension system. On that occasion, the raise of the retirement age of women had been initiated: since 2009 the retirement age of women has been 64 and equals the retirement age for men, which was decreased in 2001 from the age of 65 to 64.

Also in the mid-1990s, the possibility of early retirement had been introduced. In the early 2000s, early retirement rules were made more attractive: early retirement already from the age of 60 onwards, low reductions, monthly possibility to take early retirement, etc.

In 1989, Liechtenstein has introduced an *obligatory second pillar* pension scheme for the private sector. Occupational pension plans for private sector employees are intended to allow the lower- and middle-income insured to continue their standard of living. In 2006, the second pillar pension scheme for the private sector was reformed. Transparency rules and information obligations have been introduced. Rights of employers and employees have been strengthened.

Employees of the Government of Liechtenstein are also subject to a second pillar pension scheme. Their scheme has been put on a new basis in 1989, on the occasion of the introduction of the obligatory second pillar pension for the private sector. In 2009, reforms were taken to make the scheme more flexible and autonomous. For instance, instead of a fixed percentage rate, the law now only provides for a certain margin for contributions, within which the schemes' board of trustees can fix the rate.

#### 2.1.2 System characteristics

Liechtensteins' old-age pension system is based on three pillars. The first pillar is the statutory Old-Age and Survivors' Insurance (*Alters- und Hinterlassenversicherung*, hereafter referred to as "AHV"). The second pillar consists of employers' pension plans. The third pillar consists of voluntary private insurance arrangements, such as life insurance and other products by insurance companies, or pension plans and the like by financial institutions. In this chapter, the first and the second pillar will be described.

The **first pillar** (AHV) is a mandatory insurance for all individuals residing or working in Liechtenstein. Its legal basis is the Act on the Old-Age and Survivors' Insurance (*Gesetz über die Alters- und Hinterlassenversicherung*, LGBI. 1952, No. 29).

The AHV is funded on a pay-as-you-go basis. Revenues are derived from (1) contributions, (2) taxes and (3) investment income. Regarding the first source, contributions must be paid by

the employee and the employer, the self-employed, and the economically non-active resident. In an international comparison rather unique: in general, there is no minimum or maximum on earnings subject to *AHV* contributions. In particular the absence of a contribution ceiling makes that *AHV* contributions are collected even from very high income. Since there are maximum rates for pension benefits, the principle of solidarity plays a bigger role in Liechtenstein's *AHV* than in many other countries' first pillar pension schemes. Regarding the second source, the State contributes to the *AHV* funds with 20% of the fund's annual expenditure, paid out of the general revenues, and with two thirds of the revenues from the capacity-linked levy on heavy goods vehicles (*Leistungsabhängige Schwerverkehrsabgabe – LSVA-Abgabe*). This Government contribution has been fundamentally reformed in 2011, with effect from 2015, and will be discussed later on.

Eligibility to an *AHV* retirement pension is linked to the fulfilment of two conditions: the attainment of the pensionable age, *i.e.* 64 years, and contribution payments during at least one year. However, it is also possible to opt for early retirement at 60 years of age. By contrast, retirement can also be deferred up to the age of 70.

The amount of the retirement pension depends, most notably, on the contribution period, *i.e.* the length of time contributions have been paid, and on the relevant income, *i.e.* the annual average earnings. Moreover, the moment when pension payments start is relevant, as the retirement pension is reduced for early retirement and increased for deferred retirement.

Beneficiaries of *AHV* retirement pensions who are in need, *i.e.* those who meet a means test, and reside in Liechtenstein can fall back on supplementary benefits (*Ergänzungsleistungen*). This is a measure against poverty in old age. The costs for these benefits are paid half by the State and half by the municipalities.

*AHV* retirement pensions are subject to taxation. Supplementary benefits for the needy are tax exempted. Indexation of *AHV* pensions is based on the consumer price index. Index-based pension adjustments are only mandatory, if the consumer price index is 3% higher than the consumer price index at the last adjustment. Pension indexations are prohibited, if the assets of the *AHV* funds in the previous year are less than five times the funds' annual expenditure.

The *AHV* is administered by the Old-Age and Survivors' Insurance institute (*AHV* institute), an agency under public law, which is subject to supervision by both Parliament and Government. To cover its administrative costs, the *AHV* institute levies a special contribution. This contribution must be made by the employer, the self-employed, the non-active insured, the voluntarily insured and, only under certain circumstances, the employee.

The mandatory **second pillar** consists of employers' pension plans. The legal basis for occupational pension plans for private sector employees is the Act on Occupational Pension Schemes (*Gesetz über die betriebliche Personalvorsorge*, LGBl. 1988, No. 12). The legal foundation for occupational pensions for employees of the Government of Liechtenstein is the Pension Insurance Act for Government Employees (*Gesetz über die Pensionsversicherung für das Staatspersonal*, LGBl. 1989, No. 7).

Obligatorily insured are private sector employees (private plans) and governmental employees as well as employees of associated corporations in Liechtenstein (plan for government employees) who are subject to the first pillar pension scheme, who have turned 23 years of age and whose annual earnings exceed a certain threshold. All those employees not subject to mandatory insurance and self-employed persons may opt for voluntary insurance. However, in case of voluntary insurance, the employer is not obliged to financially contribute to the insurance.

Liechtenstein's employer pension plans are usually fully funded schemes. They are financed by contributions of employers and employees (employer's contribution must be at least equal to employee's contribution), as well as by voluntary contributions of the self-employed. All of them are also required to pay an administrative fee. Moreover, investment incomes contribute to the financing of occupational pension schemes.

Entitlement is normally triggered by the attainment of the pensionable age of the insured person. Most of Liechtenstein's employers' pension plans are defined contribution plans. The amount of retirement pensions depends on the accumulated capital and the annuity rate. Benefits may be either paid out as a lump sum or as a periodic payment. The plan for government employees, however, is a defined benefit plan.<sup>1</sup> There, the pension rate depends on the length of the career and the last wages. Second pillar pension benefits are subject to taxation. Indexation depends on the pension plan.

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

### **2.1.3 Details on recent reforms**

#### **AHV reform**

In 2011, a reform of Liechtenstein's first pillar pension system, the *AHV*, passed the Parliament.<sup>2</sup> The reform will be implemented between 2012 and 2016. The aim of the pension reform was to consolidate public finances. The State subsidies to the first pillar pension system have increasingly become a burden to Liechtenstein's national budget. In 2010, the Government subsidies were by 145% higher than in 2000.

Therefore, the current system where the Government contributes to the *AHV* funds with 20% of the fund's annual expenditure will be repealed. From 1 January 2015 on, the annual subsidies will be fixed at CHF 50 million (*ca.* EUR 40.6 million) – plus indexation, plus extra contribution of annually CHF 2 million (*ca.* EUR 1.6 million). This should reduce State subsidies and should allow for higher planning reliability. According to first estimates, this measure will save CHF 15 million (*ca.* EUR 12.2 million) of the national budget in 2015, when the measure is implemented, and even more in the years thereafter.

For the *AHV* the reduction of the State subsidies results into a loss of revenues. Therefore, compensation measures were taken. These measures include (1) higher reduction rates for early retirement pensions, (2) the adaptation of the indexation mechanism, and (3) an increase of certain *AHV* contributions.

Regarding (1), in future the reduction rates will be based on actuarial calculation – which has not been the case so far – and will be as follows:

- 5.5% instead of 3% at age 63
- 10.6% instead of 7% at age 62
- 15.2% instead of 11.5% at age 61 and
- 19.5% instead of 16.5% at age 60.

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<sup>1</sup> Only associated corporations which are commercially oriented and municipalities can opt for a defined contribution plan.

<sup>2</sup> See LGBl. 2011 No. 541, LGBl. 2011 No. 542 and LGBl. No. 545, all of 15 December 2011.

The new rule will become effective from 1 January 2016 on.

The *AHV* fund's savings due to higher reduction rates will depend on the early retirement behaviour of the insured. If the early retirement behaviour of the insured does not change, the savings will be CHF 0.24 million (*ca.* EUR 0.2 million) in 2016. If the higher reduction rates prevent people from early retirement, the savings will obviously be greater. For instance, if there are 5% less early retirements, it is estimated that savings will amount to CHF 1.34 million (*ca.* EUR 1 million) in 2016.

Regarding (2), from 2012 on, indexations of *AHV* pensions will be only based on the consumer price index. Up to 2011, pensions were adjusted to the development of wages *and* consumer prices. The Government assumes that the wage index will continue to be higher than the consumer price index and therefore expects savings for the *AHV* funds. Moreover, index-based pension adjustments will only be mandatory if the consumer price index is 3% higher than the consumer price index at the last adjustment. The old rule that adjustments should be made every two years has been repealed. In addition, the new law prohibits pension indexations if the assets of the *AHV* funds in the previous year are less than five times the funds' annual expenditure. For information: in 2012, the assets of the *AHV* funds were 10.59 times the annual expenditures.

The Government estimates that the annual savings of this reformed indexation mechanism would amount to CHF 0.66 million (*ca.* EUR 0.5 million) in 2013 and to CHF 6.96 million (EUR 5.6 million) in 2020.

Regarding (3), *AHV* contributions of employers and self-employed people have been raised by 0.2 percentage points by 1 January 2012. Thus, the employers' share of the *AHV* contributions rose from 3.8% to 4% and the *AHV* contribution of the self-employed rose from 7.6% to 7.8%. The employees' share of the contributions (currently 3.8%) has not been raised. Employers and self-employed, in turn, have enjoyed a reduction of their family allowance contributions by 0.2 percentage points. In other words, the financial burden for employers and self-employed remains the same. The contribution shift from the Family Allowance Fund to the *AHV* Fund is argued by the steady and stable expenditures of the family allowance insurance in the past decade.<sup>3</sup>

#### **Administrative contributions to the AHV**

The *AHV* institute levies a special contribution to cover its administrative costs. In past years, profits from the special contributions were made, so that high financial reserves on the administrative cost accounting were built up. Since the *AHV* institute is a not-for-profit-institution, the Government intended to reduce the financial reserves on the administrative cost accounting, without threatening its financial stability. As a first step, and with effect from 1 January 2008, the contribution rate for administrative costs was lowered – from 4% to 3.6% of the *AHV* contribution rate.<sup>4</sup> As a second step, and with effect from 1 January 2012, further

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<sup>3</sup> For the background of the reform see Liechtenstein Government, *Vernehmlassungsbericht der Regierung betreffend die Neuregelung des an die Alters- und Hinterlassenenversicherung (AHV) ausgerichteten Staatsbeitrages sowie der Einführung von Maßnahmen zur finanziellen Sicherung der AHV*, RA 2010/3024-6000, February 2011; Liechtenstein Government, *Bericht und Antrag der Regierung betreffend die Neuregelung des an die Alters- und Hinterlassenenversicherung (AHV) ausgerichteten Staatsbeitrages sowie der Einführung von Maßnahmen zur finanziellen Sicherung der AHV*, No. 61/2011, May 2011; Liechtenstein Government, *Stellungnahme der Regierung zu den anlässlich der ersten Lesung betreffend die Neuregelung des an die Alters- und Hinterlassenenversicherung (AHV) ausgerichteten Staatsbeitrages sowie der Einführung von Massnahmen zur finanziellen Sicherung der AHV aufgeworfenen Fragen*, No. 107/2011, September 2011.

<sup>4</sup> See also LGBI. 2007 No. 248 of 25 September 2007.

measures were taken.<sup>5</sup> First, there is more flexibility for the Government: instead of up to 4%, the Government is now authorised to levy administrative contributions of up to 5% of the AHV contribution rate. Second, whenever the financial reserves of the administrative cost accounting 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. Third, instead of mandatory deficit coverage out of the general AHV funds, deficits of the administration of the AHV institute must now be covered by the financial reserves on the administrative cost accounting.

This new mechanism has already been triggered. End of 2011, the financial reserves of the administrative cost accounting equalled less than one-third of the annual administrative costs. Therefore, with effect from 1 January 2013, the Government increased the contribution rate for administrative costs from 3.6% to 4.2% of the AHV contribution rate.<sup>6</sup>

## 2.2 Assessment of strengths and weaknesses

### 2.2.1 Adequacy

The coverage of Liechtenstein's first pillar system is quite high. It covers everyone residing or working in Liechtenstein. In addition, voluntary insurance is possible. In terms of figures this means: around 40,000 persons are actively insured and pay contributions. This rather high number, compared to Liechtenstein's almost 37,000 inhabitants, can be explained by the fact that more than half of Liechtenstein's employees commute from abroad, most notably from Switzerland and Austria.

Basically, the first pillar retirement pension rate depends on the contribution period and the average annual earnings. In 2013, the full retirement pension amounts to a minimum of CHF 1,160 (*ca.* EUR 941) and a maximum of CHF 2,320 (*ca.* EUR 1,900). The full retirement pension is paid after 43 years of insurance. In an international comparison, the minimum pension of the first pillar is rather low.<sup>7</sup> However, not least due to a mandatory second pillar pension scheme and to private savings, old age poverty is not an issue in Liechtenstein. In 2012, 402 pensioners received the supplementary benefit for needy pensioners (*Ergänzungsleistung*). This means that only about 2.3% of all AHV retirement pensioners receive this benefit for the needy pensioners.<sup>8</sup> The number of recipients of supplementary benefits to a low-income pension has been steady in recent years. In addition, opinion polls amongst Liechtenstein's senior citizens show that only 1% of the respondents complain to not be able to afford things they want.<sup>9</sup> Experts conclude that Liechtenstein does not have the problem of old age poverty. Some experts even go so far as to conclude that there is no poverty at all in Liechtenstein.<sup>10</sup> Recent numbers indeed show that only about 3% of Liechtenstein's households need social assistance. It is remarkable, that the number of social assistance receiving households dropped by 10%, as compared to five years ago.<sup>11</sup>

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<sup>5</sup> See LGBl. 2011 No. 506 of 21 November 2011.

<sup>6</sup> See LGBl. 2012 No. 296 of 4 October 2012.

<sup>7</sup> See Simonetta Renga, Dora Molnar-Hidassy and Genoveva Tisheva, *Direct and Indirect Gender Discrimination in Old-Age Pensions in 33 European Countries*, December 2010, p. 12.

<sup>8</sup> See AHV-IV-FAK, *Geschäftsbericht 2012*.

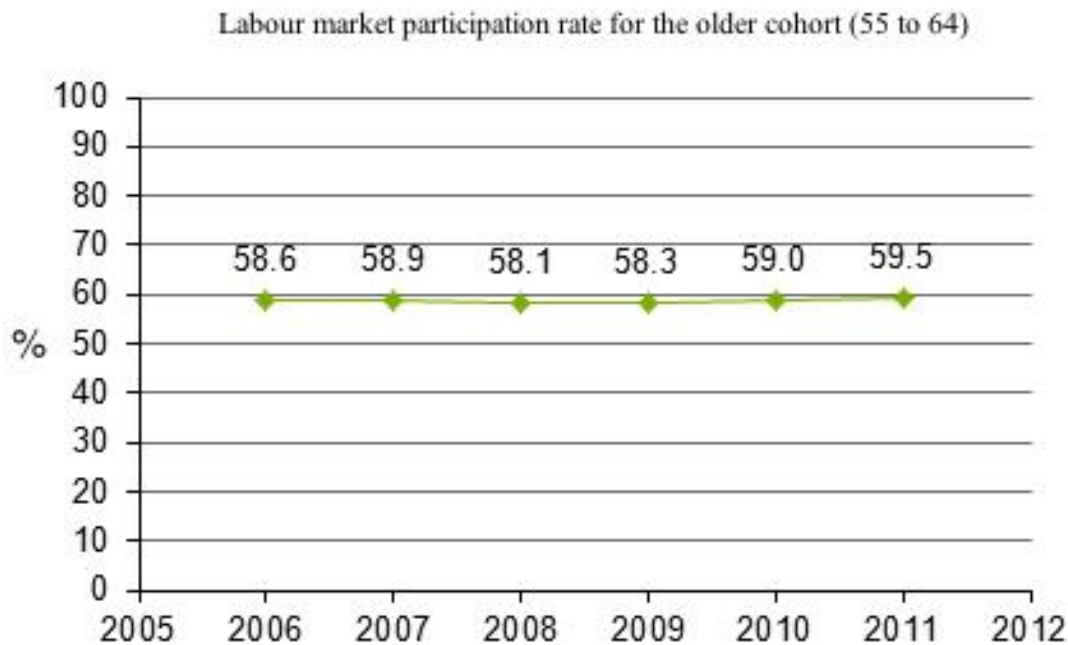
<sup>9</sup> Liechtensteiner Vaterland, *Eine Altersmedaille mit zwei Seiten*, 16 November 2010; Liechtensteiner Volksblatt, *Altersarmut und Ausgrenzungen*, 16 November 2010.

<sup>10</sup> In the original language it reads: "*Es gibt keine Armut.*" See Wilfried Marxer, *Zahlen und Fakten zur Menschenrechtssituation in Liechtenstein: Statusbericht 2011*, Vaduz, 2011, p 52.

<sup>11</sup> Liechtensteiner Vaterland, *Die Armut wird leichter akzeptiert*, 28 February 2012.



The labour market participation of the elderly has been steady in recent years. The labour market participation rate for the older cohort (55 to 64) is almost 60% in Liechtenstein.<sup>12</sup> This means that Liechtenstein's employment rate among older people is above the EU average (below 50%).



Source: Amt für Statistik, *Nachhaltige Entwicklung: Erwerbsquote älterer Arbeitnehmer*: [http://www.llv.li/amtstellen/llv-as-liechtenstein\\_nachhaltige\\_entwicklung/llv-as-liechtenstein\\_nachhaltige\\_entwicklung-erwerbsquote\\_aelterer\\_arbeitnehmer.htm](http://www.llv.li/amtstellen/llv-as-liechtenstein_nachhaltige_entwicklung/llv-as-liechtenstein_nachhaltige_entwicklung-erwerbsquote_aelterer_arbeitnehmer.htm)

It should be mentioned that certain statistical data, like average pensions in first and second pillar schemes or the gender pension gap, are not available for Liechtenstein. This may be surprising given that these data are usually collected by States and international organisations. However, Liechtenstein is a rather small country and Liechtenstein is *not* a member of a number of international organisations<sup>13</sup> and has *not* ratified international treaties which would make the collection of such data necessary, such as the European Social Charter or ILO Conventions No. 102 and No. 128.

### 2.2.2 Sustainability

In 2012, contributions in the amount of *ca.* CHF 215 million (*ca.* EUR 175 million) were collected. This means a significant increase, i.e. 6.3 %, in contribution income compared to 2011. The reason for this is, first, an increase in economy-wide earnings and, second, a rise in contribution rate by 0.2 percentage points since 1 January 2012.<sup>14</sup> The State subsidy has risen again: in 2012 it amounted to more than CHF 56 million (*ca.* EUR 45 million). Also the third source of income saw a significant increase in 2012. Investment profits amounted to more than CHF 155 million (*ca.* EUR 126 million). Only in 2011, the AHV faced investment losses of almost CHF 30 million (*ca.* EUR 24.5 million). This means that in 2012 the AHV generated income of almost CHF 427 million (*ca.* EUR 347 million). Since expenditures for

<sup>12</sup> See Amt für Statistik, *Nachhaltige Entwicklung: Erwerbsquote älterer Arbeitnehmer*: [http://www.llv.li/amtstellen/llv-as-liechtenstein\\_nachhaltige\\_entwicklung/llv-as-liechtenstein\\_nachhaltige\\_entwicklung-erwerbsquote\\_aelterer\\_arbeitnehmer.htm](http://www.llv.li/amtstellen/llv-as-liechtenstein_nachhaltige_entwicklung/llv-as-liechtenstein_nachhaltige_entwicklung-erwerbsquote_aelterer_arbeitnehmer.htm)

<sup>13</sup> Liechtenstein is for instance no member of the ILO and OECD.

<sup>14</sup> For more details on this rise in contribution rate see the asisp country document on Liechtenstein 2012.

retirement and survivors' pensions amounted to CHF 245 million (*ca.* EUR 199 million), the AHV concluded with a respectable profit in 2012.

However, forecasts with respect to the future development of the AHV system are less positive. In early 2013, researchers of the German University of Freiburg published a report on the sustainability of Liechtenstein's fiscal policy in times of crisis.<sup>15</sup> This so-called "generation report" (*Generationenbilanz*) is the second in a series (after 2007) and was commissioned by the Government of Liechtenstein. The authors come to the conclusion that Liechtenstein's public finances are among Europe's soundest. The three major households of Liechtenstein, i.e. the State, municipalities and social insurance, have built up total financial reserves of almost 100% of the GDP. However, concerning the budgetary forecasts there are differences between the three households. While the forecasts for the State and municipalities are optimistic, social insurance – and here in particular the AHV – will face big challenges. According to the generation report, the implicit public debt, i.e. uncovered future government expenditure grounded in promises, amounts to 132.3% of the GDP. This means that, after deducting the financial reserves, Liechtenstein faces a negative sustainability gap of 36.9% of the GDP. A closer look reveals that while the State and the municipalities face a positive sustainability gap of 6.7% and 4.3%, the AHV faces a negative sustainability gap of 68.6% of the GDP. These differences can be explained by the recent reforms of State finances, which also negatively affected the AHV.

Also the demographic situation in Liechtenstein appears to be better than in other European countries. The age dependency ratio is 21, as compared to 34 in Germany. This means that there are five people of working age for every person aged over 64 in Liechtenstein, whereas there are only three people of working age for every person aged over 64 in Germany. Yet Liechtenstein also faces a demographic problem. According to the generation report, it is expected that the age dependency ratio will almost triple to 57 by 2060. Instead of five only two people of working age will then correspond to one person aged over 64.

The expenditures for the AHV old age pensions, including supplementary benefits (*Ergänzungsleistungen*), are expected to rise from 5.1% of the GDP in 2010 to 9% of the GDP in 2060. This is a rather strong increase in comparison to health expenditures, which are estimated to rise from 1.7% to 2.4% of the GDP in the same period.

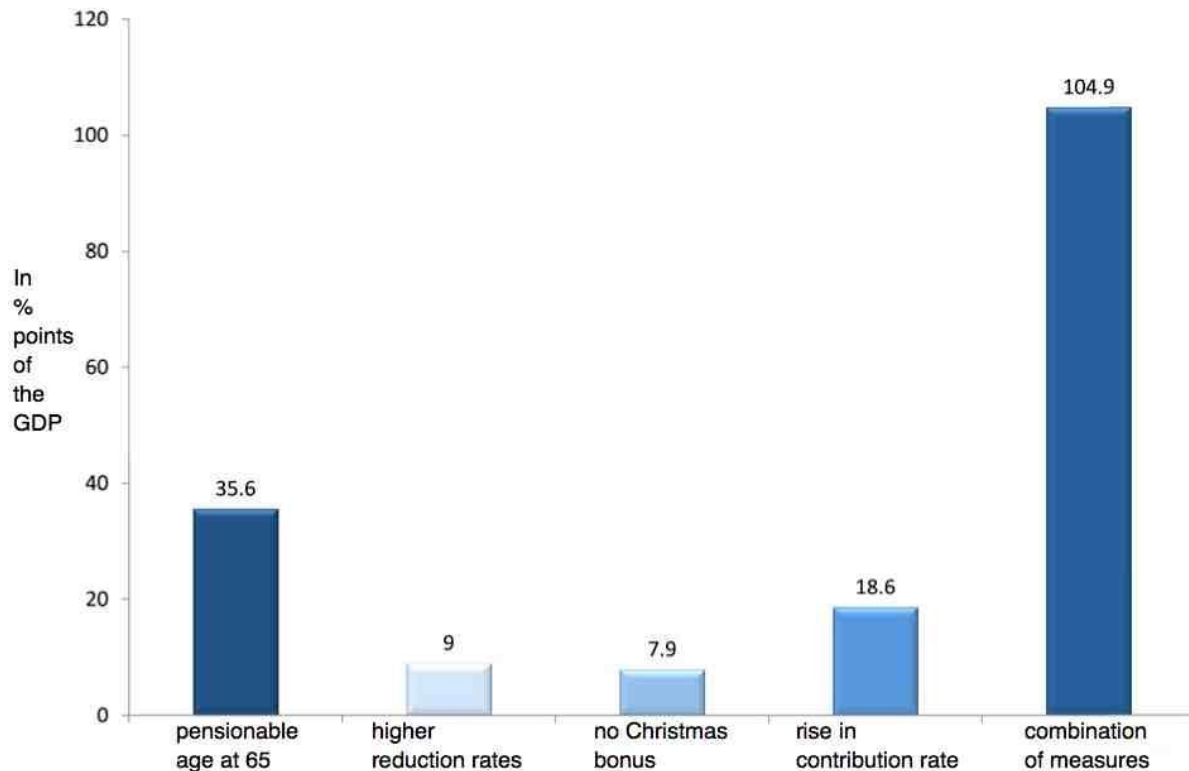
The authors come to the conclusion that immediate steps need to be taken to secure the sustainability of Liechtenstein's first pillar pension system. Four options are scrutinized: (1) increase of the pensionable age from 64 to 65, (2) higher reduction rates for early retirement pensions, i.e. reduction rates at Swiss level, (3) an abolition of the Christmas bonus, i.e. the extra monthly pension made before Christmas, (4) an increase of the AHV contribution by 1 percentage point.

As can be seen from the table below, an increase of the pensionable age by one year would have the strongest effect. With this measure the negative sustainability gap could be reduced by 35.6 percentage points of the GDP. The other three measures would reduce the negative sustainability gap to a far lesser extent. However, none of these single measures would be able to put the AHV on a sustainable financial basis. Only a combination of the assessed measures could do so. According to the authors, already a partly combination of some of these four measures would be able to provide for sustainability of the AHV.

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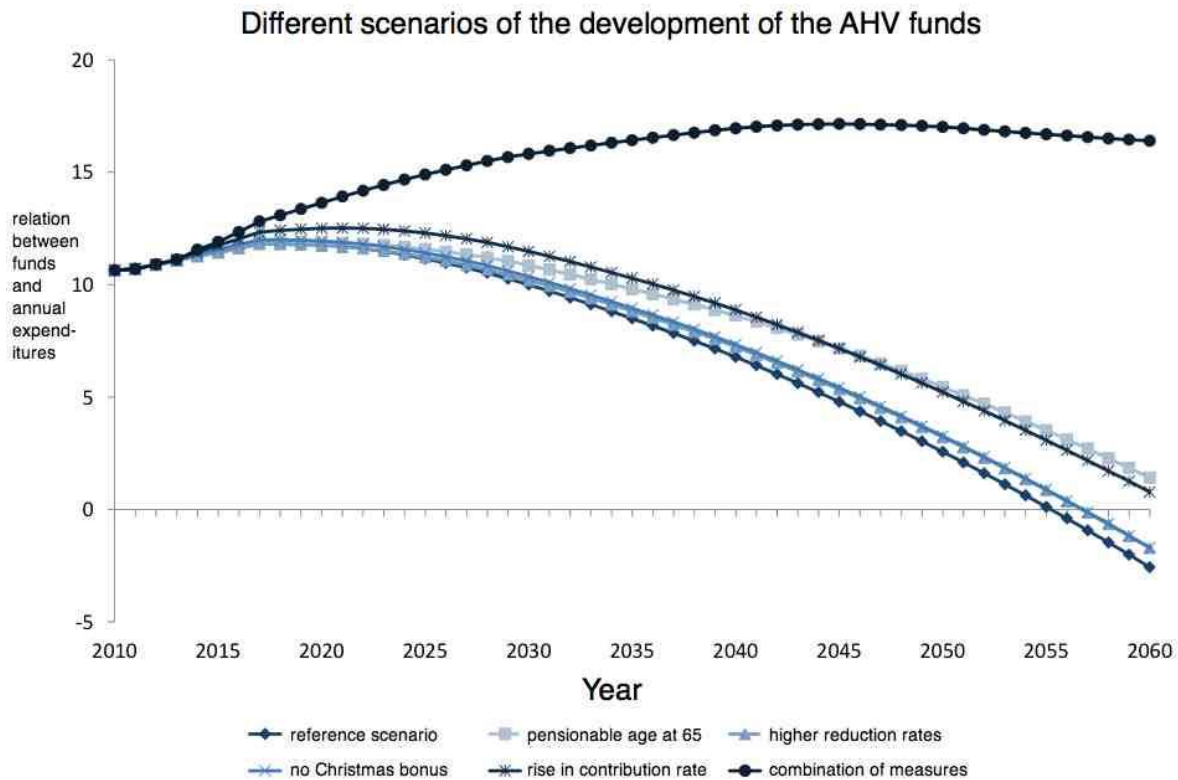
<sup>15</sup> Bernd Raffelhüschen, Stefan Moog and Lucia Gaschick, *Die Nachhaltigkeit der liechtensteinischen Fiskalpolitik in Zeiten der Krise: Die Generationenbilanz 2012*, February 2013, retrieved on 6 October 2013 at: [http://www.regierung.li/fileadmin/dateien/downloads/Generationenbilanz\\_FL\\_2012.pdf](http://www.regierung.li/fileadmin/dateien/downloads/Generationenbilanz_FL_2012.pdf).

### Impact of different measures on the negative sustainability gap of the AHV



Source: Bernd Raffelhüschen, Stefan Moog and Lucia Gaschick, *Die Nachhaltigkeit der liechtensteinischen Fiskalpolitik in Zeiten der Krise: Die Generationenbilanz 2012*, February 2013: [http://www.regierung.li/fileadmin/dateien/downloads/Generationenbilanz\\_FL\\_2012.pdf](http://www.regierung.li/fileadmin/dateien/downloads/Generationenbilanz_FL_2012.pdf)

Another way of illustrating the impact of the different measure is to look at the assets of the AHV funds in relation to the AHV's annual expenditures. In 2012, the assets of the AHV funds were almost 10.6 times the annual expenditures. With a combination of all four assessed measures, this relation could even be improved in the long-run. By contrast, only implementing one of these measures would lead to a negative ratio between the AHV funds assets and the AHV's annual expenditures in the long-run.



Source: Bernd Raffelhüschen, Stefan Moog and Lucia Gaschick, *Die Nachhaltigkeit der liechtensteinischen Fiskalpolitik in Zeiten der Krise: Die Generationenbilanz 2012*, February 2013: [http://www.regierung.li/fileadmin/dateien/downloads/Generationenbilanz\\_FL\\_2012.pdf](http://www.regierung.li/fileadmin/dateien/downloads/Generationenbilanz_FL_2012.pdf)

### 2.2.3 Private pensions

Since 1989, there has been an *obligatory* second pillar pension scheme for the private sector in Liechtenstein. Basically all AHV insured with earnings above a certain threshold are covered. In addition, voluntary insurance is possible. Today about 40% of the pensioners receive a second pillar pension.<sup>16</sup> In future this percentage will raise and occupational pension plans will play a bigger role in old age income.

The financial situation of Liechtenstein's private pension institutions has improved. Out of 29 private pension institutions, including the pension fund for government employees, only two were underfunded by December 2012. In December 2011, seven private pension institutions were underfunded.<sup>17</sup> A particular problem is the pension fund for government employees – more on that below in the chapter on reform debates.

End of 2011, the funds of all employers' pension plans (including the plan for government employees) represented an aggregated amount of CHF 4.3 billion (*ca.* EUR 3.5 billion), which is the highest amount ever. Compared with the previous year, the assets of the occupational pension plans went up by 5.6%. This increase can be explained by steadily increasing contribution payments and the recovery of the financial markets.<sup>18</sup>

<sup>16</sup> Liechtensteiner Volksblatt, *VU-Initiative zu AHV-Staatsbeitrag knapp abgelehnt*, 26 April 2012.

<sup>17</sup> Finanzmarktaufsicht Liechtenstein, *Geschäftsbericht 2012*, p 41-42.

<sup>18</sup> Amt für Statistik, *Statistisches Jahrbuch Liechtenstein 2013*, p 255.

## 2.2.4 Summary

The current financial situation of Liechtenstein's first pillar pension scheme and most of its second pillar pension institutions is very positive. Old age poverty appears not to be an issue. Due to mandatory occupational pension schemes for more than 20 years, more and more pensioners receive old age income from different sources. This provides for more security, since the first and second pillar schemes are funded differently (pay-as-you-go AHV scheme and funded occupational plans). Liechtenstein already raised the women's retirement age and equalised it with men's. Reforms have been undertaken to limit the State subsidies to the AHV funds. Higher reduction rates for early retirement pensions, lower indexations, and a slight increase of certain AHV contributions have been or will be introduced.

However, there are still challenges ahead. Currently, the average pensionable age is about 61 years of age for women and about 62 years of age for men. This is only European average. The average pensionable age has dropped over the years. More and more people make use of early retirement. In 2012, out of more than 17,000 retirement pensioners, more than 7,500 persons received an early retirement pension, which equals to almost 44%. In 2008, only 37% of all pensioners received an early retirement pension.<sup>19</sup>

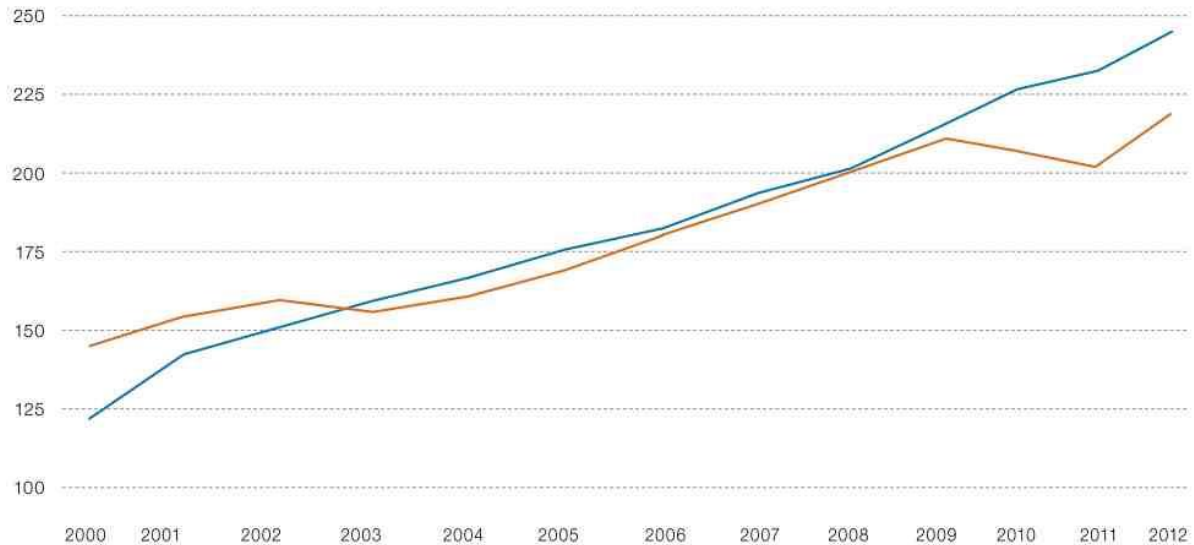
While the effective retirement age drops, the life expectancy rises. In 2011, the life expectancy at birth was 79.5 years for males and 84.2 years for females. Only 14 years before, in 1997, life expectancy at birth in Liechtenstein was 71.9 years for males and 80.4 years for females. Although the age dependency ratio is still lower than in most European countries, Liechtenstein faces a demographic challenge.

Despite the currently excellent financial situation of the AHV funds, there is need for action. The funds' high profits in 2012 can be attributed to investment income and State subsidies. However, the situation on the financial markets is not predictable and State subsidies will be cut down by 2015. It is therefore of utmost importance that expenditures and contribution income reach a balance. In 2012 the total income from contributions was more than 30 CHF million (*ca.* EUR 24 million) less than the total expenditure for pensions. This follows the general trend: since 2003 the AHV pays out more than it collects from the contributions of the insured. For this development, please refer to the table below.

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<sup>19</sup> AHV-IV-FAK, *Geschäftsbericht 2012*, p 21. See also Liechtensteiner Vaterland, *Das junge Leid*, 22 June 2013.

Expenditures (blue) and contribution income (red) in million CHF



Source: AHV-IV-FAK, Geschäftsbericht 2012, page 23

## 2.3 Reform debates

Reform debates in 2012 and 2013 focused on three issues: first, sustainability of Liechtenstein's first pillar pension scheme, the *AHV*; second, sustainability of the second pillar pension scheme for government employees; and third, reform of the early retirement mechanism for government employees outside the second pillar pension scheme for government employees.

### Sustainability of the first pillar pension scheme

In 2012 and 2013, there was some significant public debate on the 2011 *AHV* reform and on further reform measures to be taken in order to make the first pillar pension scheme more sustainable.

As outlined above, the 2011 *AHV* reform provided for reducing the State subsidies to the *AHV* scheme. Instead of contributing to the *AHV* funds with 20% of the fund's annual expenditure, from 1 January 2015 on, the annual subsidies will be fixed at CHF 50 million (*ca.* EUR 40.6 million) – plus indexation, plus extra contribution of annually CHF 2 million (*ca.* EUR 1.6 million).

However, this rule will only be in force between 2015 and 2017. Beyond 1 January 2018, there is no provision made for State subsidies to the *AHV*. The reason for this time limitation is that the Progressive Citizens' Party (FBP), then junior partner in the coalition Government, wanted to put political pressure on the Government to sustainably reform the *AHV*. This has been heavily criticised by the Patriotic Union Party (VU), then senior partner in the coalition Government, which accused the FBP of playing political games over the financial stability of the *AHV*.<sup>20</sup> In spring 2012, the VU introduced a legislative initiative to eliminate the time

<sup>20</sup> The decision of the Parliament was only possible because also deputies of the Patriotic Union Party (VU) voted in favour of the amendment to time-limit the measure.

limitation for the State subsidies.<sup>21</sup> In more detail, the VU wanted to continue the CHF 50 million rule (plus indexation, plus extra contribution) beyond 2017. This initiative was dismissed by the Parliament.<sup>22</sup> Instead, the FBP will await the recommendations of an expert group, which should provide scenarios on how to proceed with the State subsidies. These recommendations are expected to be delivered in 2014.<sup>23</sup>

As a kind of reaction to the legislative initiative on State subsidies of the VU, in spring 2012 the FBP introduced a postulate on the demographic development and its impact on public finances and social institutions.<sup>24</sup> With this postulate, the FBP wanted to gain insight into the demographic development, the development of the AHV funds, the costs for the pension, the long-term care and the health care system, etc. Many of these questions have been answered by the Generation Report (*Generationenbilanz*), which has already been discussed above.

After the Parliamentary elections of February 2013, the sustainability of the AHV was high on the agenda. In his speech to the newly elected Parliament, Hereditary Prince Alois expressed his view on reforming the AHV. He rejected the idea of higher contributions and lower benefits. Instead the Hereditary Prince is in favour of a longer working life. He suggested to change from a fixed retirement age to a fixed minimum amount of contribution periods.<sup>25</sup>

One month later, the newly elected Parliament expressed its fundamental views on the AHV reform. According to the Parliament, a reform of the AHV is inevitable. In order to guarantee its sustainability, the retirement age of 64 needs to be raised at least to 65. Members of Parliament expressed that also the Hereditary Prince's proposal of introducing a minimum contribution period instead of a retirement age as well as also a raise of AHV contributions could be an option. A reduction of benefits, however, appears to be rather disputed. Also the wish to reduce State subsidies was expressed in the statements of the Members of Parliament.<sup>26</sup>

### **Sustainability of the second pillar pension scheme for government employees**

The pension plan for government employees got into financial difficulty. By 1 January 2012, the underfunding amounted to CHF 313.6 million. This equals a coverage ratio of 66.9%, meaning that only 66.9% of the pension plan's obligations are covered by plan's assets. The table below shows the development of the plan's obligations and its assets between 1996 and 2011.

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<sup>21</sup> Parliament of the Principality of Liechtenstein, *Initiative betreffend die Abänderung des Gesetzes über die Alters- und Hinterlassensversicherung*, 26 March 2012. See also Liechtensteiner Vaterland, *Planungssicherheit wiederherstellen*, 28 March 2012; Liechtensteiner Vaterland, *FBP gefährdet Sicherheit der AHV*, 24 April 2012.

<sup>22</sup> Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 25. April 2012 - Abstimmungsergebnisse*.

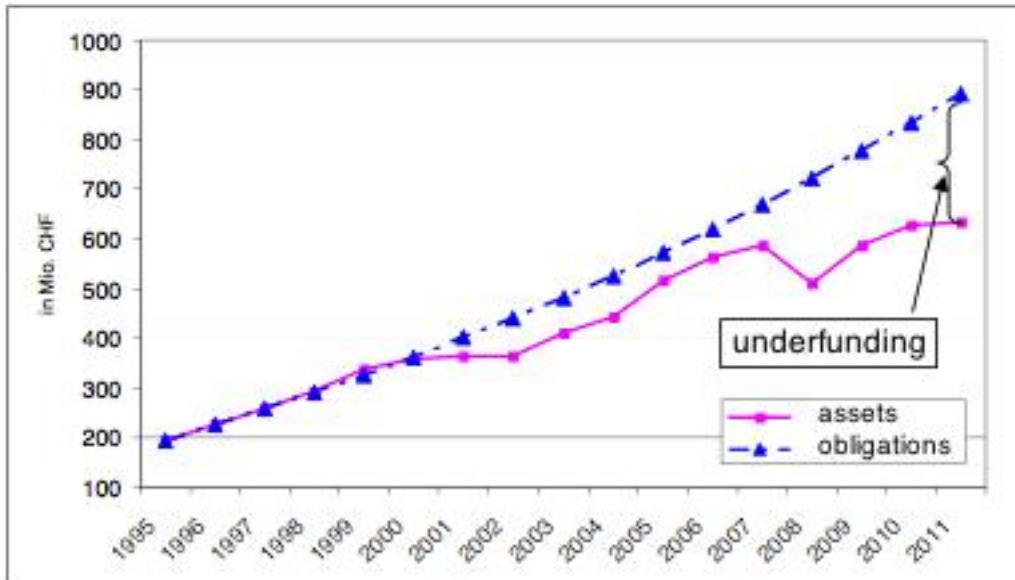
<sup>23</sup> Liechtensteiner Vaterland, *Staatlicher AHV-Beitrag bleibt unklar*, 26 April 2012.

<sup>24</sup> Parliament of the Principality of Liechtenstein, *Postulat zur demographischen Entwicklung und deren Auswirkungen auf die öffentlichen Finanzen und die sozialen Institutionen*, 4 April 2012.

<sup>25</sup> Liechtensteiner Volksblatt, *Altersvorsorge: Erbprinz Alois regt längere Beitragszeiten an*, 28 March 2013.

<sup>26</sup> Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 24. April 2013*. See also Liechtensteiner Vaterland, *Der Regierung den Standpunkt vermittelt*, 25 April 2013; and Liechtensteiner Volksblatt, *Aktuelle Stunde: Wegweisende AHV-Diskussion*, 25 April 2013.





Source: Liechtenstein Government, *Vernehmlassungsbericht betreffend die Schaffung eines Gesetzes über die Errichtung einer Vorsorgeeinrichtung für die betriebliche Alters-, Invaliden- und Hinterlassenenversicherung für die Staatsangestellten sowie die Ausfinanzierung der Deckungslücke der Pensionsversicherung für das Staatspersonal*, 4 October 2012.

This development can be traced back to many factors, such as the demographic development, difficult investment environment, and the plan as a defined benefit scheme.<sup>27</sup>

As a consequence of the financial difficulties, the Government, the Parliament and all other relevant stakeholders discussed a reform of the pension plan for government employees. The Government assured to finance the underfunding. In order to provide for long-term sustainability, the Government suggested to put the whole pension plan on a new footing. In more detail:

- The pension plan for government employees should change from a public law structure to a private law structure. This means that the special legal basis, i.e. the Pension Insurance Act for Government Employees, should be repealed and instead the pension scheme should fall under the Act on Occupational Pension Schemes – which is already the legal basis for pension plans of private sector employees.
- The pension plan for government employees should change from a defined benefit to a defined contribution plan.
- Individual saving accounts should be established in order to make the system more transparent and the future pension more predictable for the insured.
- The pension rate should be reduced. The Government suggested a 10% reduction, meaning that the replacement rate will be reduced from 50.4% of the wage to ca. 45%. However, in order to protect legitimate expectations of employees who are to retire within the next 15 years, the government will provide for compensation measures. These compensation measures are estimated to cost CHF 51 million.
- A value fluctuation reserves should be build up, to which employer, employees and retirees should contribute over the next ten years.

<sup>27</sup> Liechtenstein Government, *Vernehmlassungsbericht betreffend die Schaffung eines Gesetzes über die Errichtung einer Vorsorgeeinrichtung für die betriebliche Alters-, Invaliden- und Hinterlassenenversicherung für die Staatsangestellten sowie die Ausfinanzierung der Deckungslücke der Pensionsversicherung für das Staatspersonal*, 4 October 2012, p. 38 ff.



According to the Government's proposal, all three (the Government, the insured and the retirees) should make a contribution: the Government- by making up for the underfunding, the insured - by a reduction of their benefits (ca. CHF 200 million - ca. EUR 160 million) and the retirees - by contributing to the value fluctuation reserves over the next ten years.

The Government's proposal was heavily discussed in the Parliament.<sup>28</sup> As a consequence, the Government suggested, amongst other measures, the following changes:

- The Government should not contribute to building up a value fluctuation reserve
- Orphans' pension beneficiaries will be exempted from contributing to building up a value fluctuation reserve
- Political influence on the new pension fund should be reduced, by adapting the appointment mechanism for the pension fund's board.
- The insured income will be limited by seven times the maximum AHV pension. This means that income above this ceiling will not be insured anymore.<sup>29</sup>

This reform passed the Parliament in September 2013, with final amendments of the last Government proposal. These final amendments have not been published yet.

### **Early retirement of government employees**

The early retirement mechanism is not part of the second pillar pension plan for government employees. Instead it is based on the Act on Salary (*Besoldungsgesetz*, LGBl. 1991, No. 6) and paid directly by the employer, i.e. the State.

The Government intends to change the early retirement mechanism for government employees. In more detail, in the future the earliest possibility to retire for government employees should be 62 years of age instead of 60. The possibility to retire at the age of 58 – if this is in the State's interest and subject to authorisation by the Government – should continue to apply. The latter allows the Government to use early retirement as an instrument for personnel cutbacks in the light of reorganisations, restructuring or austerity measures. Next to a raise of the early retirement age, also the calculation of the early retirement is intended to be reformed. The new calculation mechanism should lead to less attractive early retirement payments.

The Government estimates that by 2018, the expenditure for early retirement of government employees will be only one-third of today's expenditures.<sup>30</sup> The union of public employees already expressed its discontent with the legislative proposal.<sup>31</sup> Recently, the Government's proposal has already been discussed for the first reading in Parliament,<sup>32</sup> however, no decision has yet been taken.

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<sup>28</sup> Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 23. Mai 2013*; Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 24. Mai 2013*.

<sup>29</sup> Liechtenstein Government, *Stellungnahme zu den anlässlich der ersten Lesung betreffend die Schaffung eines Gesetzes über die Betriebliche Vorsorge des Staates sowie die Ausfinanzierung der Deckungslücke der Pensionsversicherung für das Staatspersonal aufgeworfenen Fragen*, 12 July 2013. See also Liechtenstein Government, *Stellungnahme zu den anlässlich der ersten Lesung betreffend die Schaffung eines Gesetzes über die Betriebliche Vorsorge des Staates sowie die Ausfinanzierung der Deckungslücke der Pensionsversicherung für das Staatspersonal aufgeworfenen Fragen*, 30 April 2013.

<sup>30</sup> Liechtenstein Government, *Vernehmlassungsbericht der Regierung betreffend die Anpassung des Besoldungsgesetzes (Frührentierung)*, RA 2011/1754-0311 (September 2011).

<sup>31</sup> Personalverband öffentlicher Verwaltungen Liechtensteins, *Stellungnahme: Vernehmlassungsbericht der Regierung betreffend die Anpassung des Besoldungsgesetzes* (Vaduz, 11 November 2011).

<sup>32</sup> Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 24. Mai 2013*.

## 3 Health care

### 3.1 System description

#### 3.1.1 Major reforms that shaped the current system

The current public health care system is based on the Health Insurance Act of 1971 and the Health Insurance Regulation of 2000.<sup>33</sup> In 1999, the Liechtenstein public health system was changed into an open system of family-doctors (*Hausarztssystem*).<sup>34</sup> Accordingly, a doctor was either part of the public system (100% reimbursement for patient) or not (0% reimbursement). This system was introduced after the accession of Liechtenstein to the European Economic Area (EEA), a consequence of which was that doctors from other EEA States were increasingly settling in Liechtenstein. Therefore, since 2004, only a restricted number of health care providers are allowed to be part of the public health care system, which is related to the actual need of health service providers in relation to the population (*Bedarfsplanung*).<sup>35</sup>

The Liechtenstein Health Insurance Funds' Association (*Liechtensteinischer Krankenkassenverband – LKV*) and the Chamber of Doctors (*Ärztammer*) decide on the number of doctors under the public system.<sup>36</sup> Currently, about 119 doctors having a permission from the Office of Public Health (*Amt für Gesundheit*) to practise in Liechtenstein are linked to the public health care system.<sup>37</sup>

#### 3.1.2 System characteristics

Every person residing or working in Liechtenstein is subject to mandatory health insurance (*obligatorische Krankenpflegeversicherung – OKP*).<sup>38</sup> In 2012, 36545 persons were covered by the Liechtenstein health care system, of which ca. 97% are residing in Liechtenstein.<sup>39</sup> An insured person may seek treatment from every health care provider who has a contractual relation with the Liechtenstein Health Insurance Funds' Association (*Liechtensteinischer Krankenkassenverband – LKV*). This contract allows the health professionals to provide services subject to agreed tariffs with the insurance funds. If a professional association exists for a medical profession (*e.g.* Chamber of Doctors), it can conclude a contract with the *LKV*, which is valid for all professionals which are member of this association. This concept is subject to the principle of territoriality, which means that the *LKV* can only conclude agreements with foreign service providers, if the national professional association agrees to it.

All health care providers being connected to the *LKV* can directly claim the reimbursement of their services with the three existing health insurance funds (currently *CONCORDIA*<sup>40</sup>, *SWICA*<sup>41</sup> and *freiwillige Krankenkasse Balzers - FKB*<sup>42</sup>). Thus, the patient does not have to pay the treatment in advance (benefit-in-kind system). In case a health professional is not linked with the *LKV* (a so called “private doctor”), the insurance funds reimburse 50% of the

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<sup>33</sup> Health Insurance Act (*Krankenversicherungsgesetz – KVG*) (LGBI. 1971 No. 50) and Health Insurance Regulation (*Verordnung zum Krankenversicherungsgesetz – KVV*) (LGBI. 2000 No. 74).

<sup>34</sup> Amending Act of 11 November 1999, LGBI. 1999 No. 208.

<sup>35</sup> Amending Act of 10 December 2003, LGBI. 2003 No. 241.

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

<sup>37</sup> List on website of *Amt für Gesundheit* ([http://www.llv.li/il-pdf-llv-ag-aerzteliste\\_november.pdf](http://www.llv.li/il-pdf-llv-ag-aerzteliste_november.pdf)), list dates of September 2013.

<sup>38</sup> Article 7(1) of the Health Insurance Act (*Krankenversicherungsgesetz – KVG*) (LGBI. 1971 No.. 50).

<sup>39</sup> Office of Statistics, *Krankenkassenstatistik 2012*, p 21.

<sup>40</sup> <http://www.concordia.li/content/concordiali/en/home.html>.

<sup>41</sup> <http://www.swica.ch/>.

<sup>42</sup> <http://www.fkb.li/>.

costs the insured had to pay to the service provider, who is also not bound by the tariffs of the *LKV*. For the rest, the patient has to cover the costs himself or claim a private supplementary insurance (*Zusatzversicherung – “OKP plus”*). In case of an explicit reference to a specialist doctor outside the *OPK* due to lack of specialist knowledge of doctors within the public health system, the Health insurance fund would also reimburse 100%.

When it comes to hospital treatment, no contract is concluded with the *LKV*, but instead with the Liechtenstein Government, which has the responsibility to provide for hospitals, care homes and other institutions in the field of health care. As there exists only one rather small hospital in Liechtenstein (*Landesspital*), ca 20 agreements with medical institutions outside of Liechtenstein, primarily in Switzerland and Austria, have been concluded, in which the free access of persons insured under the Liechtenstein health care system is agreed.<sup>43</sup> In this case, the medical institution has direct access to the Liechtenstein insurance funds and the patient does not have to pay in beforehand for the services. If an insured person seeks treatment in a foreign hospital without agreement, reference tariffs are applied, where the patient has to provide for a co-payment.

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

The contributions are not calculated as a percentage of income, but per capita (*Kopfprämien*). Children up to the age of 16 are exempted from this rule, persons until the age of 20 pay only 50%. Persons under a certain threshold of annual income may profit from a reduction up to 40% of the amount of the contributions (*allgemeine Prämienverbilligung*). For couples the threshold is currently CHF 54,000 (ca. EUR 45,000) and for singles it is CHF 45,000 (ca. EUR 37,000).<sup>44</sup> For persons in full employment since 2013, the contributions corresponding to CHF 265 (ca. EUR 215) per month, are paid 50% by the employer and 50% by the employee.<sup>45</sup>

Persons aged between 21 and 65 have to pay CHF 200 (ca. EUR 165) as a 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 500). This total of CHF 800 (ca. EUR 665) is reduced to 50% for persons having reached the retirement age of 65. Persons up to the age of 21 do not have to pay co-payments for health care services.

The State finances health care in particular via three instruments, accounting for about 25% of State subsidies in the health care sector:

- Co-financing of health insurance funds by general reduction of contributions for children (*allgemeine Prämienverbilligung*).
- Replacement of contributions for economically weak persons by special reduction of contributions (*individuelle Prämienverbilligung*).

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<sup>43</sup> See list on website of the *LKV* (<http://www.lkv.li/Links/tabid/1018/language/de-CH/Default.aspx>), last consulted on 15 October 2013.

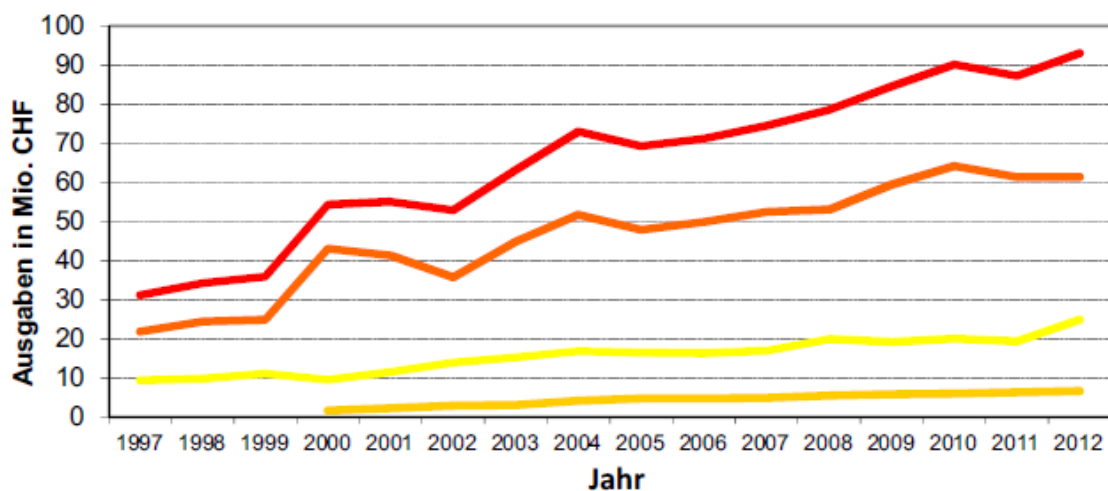
<sup>44</sup> See website of *Amt für Gesundheit* ([http://www.llv.li/pdf-llv-ag-merkblatt\\_praemienverbilligung.pdf](http://www.llv.li/pdf-llv-ag-merkblatt_praemienverbilligung.pdf)), dated 1 January 2013.

<sup>45</sup> Article 22(8) KVG and see website of *Amt für Gesundheit* [http://www.llv.li/amtsstellen/llv-ag-versicherung/llv-ag-versicherung-krankenversicherung\\_neu/llv-ag-versicherung-krankenversicherung-praemien.htm](http://www.llv.li/amtsstellen/llv-ag-versicherung/llv-ag-versicherung-krankenversicherung_neu/llv-ag-versicherung-krankenversicherung-praemien.htm)), last consulted on 15 October 2013.

- Support for hospitals to reduce costs for health insurance funds (*allgemeine Prämienverbilligung*).

The remaining 75% are located to the health insurance funds. The amount of State subsidies (*Staatsbeitrag*) is fixed for every year based on Article 24(a)(2) KVG (Health Insurance Act (*Krankenversicherungsgesetz - KVG*)). While the amount was increasing every year reaching its peak in 2010 with CHF 57 million (ca. EUR 43 million), in 2011, the amount was lowered to CHF 54 million (ca. EUR 41 million) and frozen at that level until 2013.<sup>46</sup> A more substantial reduction to CHF 42 million (ca. EUR 34 million) is planned for the coming year (see discussion below).<sup>47</sup>

In 2012, the State invested in total CHF 93.1 million (ca. EUR 75.6 million) into the public health care system. The table below shows the total development of transfer payments from the State in Million CHF over the years (dark red graph).



Source: Amt für Statistik, Krankenkassenstatistik 2012, page 14.

The light red graph illustrates the share for the health insurance funds; the yellow graph the share for the hospitals and the orange graph the insured persons via *Prämienverbilligungen*.

### 3.1.3 Details on recent reforms

#### Major revision of the public health care system

In 2010, a substantial analysis has been presented by the Government to outline the problems of the public health care system.<sup>48</sup> The reason for this was the continuous rise in costs of the system, where one should have analysed to the reasons why they were rising and then seek for ways on how to lower these costs. In 2010, health care services of a value of CHF 157.5 million (ca. EUR 128 million) were provided in Liechtenstein's public health care system. This is an increase of more than 70% compared to the year 2000.<sup>49</sup> This sum is financed as

<sup>46</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung betreffend den Staatsbeitrag an die Kosten der obligatorischen Krankenpflegeversicherung der übrigen Versicherten für das Jahr 2013*, No. 63/2012.

<sup>47</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung betreffend den Staatsbeitrag an die Kosten der obligatorischen Krankenpflegeversicherung der übrigen Versicherten für das Jahr 2014*, No. 26/2013.

<sup>48</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend die Gesamtschau und Weiterentwicklung des liechtensteinischen Gesundheitswesens*, No. 51/2010.

<sup>49</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend die Abänderung des Gesetzes über die Krankenversicherung*, No. 20/2012, p 7.

explained above under point 3.1.2. As the State pays more than 50% of these costs via different channels, the contributions for the insured are kept artificially low. As a consequence, it seemed that the system is no longer self sustainable the way it is currently financed.

Therefore, early in 2012, the Government proposed some fundamental reforms to change the financing of the public health care system.<sup>50</sup> The red thread throughout the proposal was the reduction of the subsidies of the State and the increasing of the contribution part of the insured by raising the contributions as well as the co-payments and franchises in relation to consumed services. Thus, the insured should be made aware of the costs involved in medical treatment and should learn to economise consuming medical services. Moreover, the entitlement conditions for beneficial exemptions to co-payments (*speziellen Prämienverbilligungen*) should be lowered to allow a broader range of the low-income population to profit thus making the measure socially just.

As point of departure, the Government envisaged a massive reduction of the State contributions by CHF 20 million (ca. EUR 1.65 million) down to CHF 34 million (ca. EUR 28 million) per year as of 2015. Moreover, the way of how the State subsidies have been set in the past has been criticized in this context (see discussion under point 3.1.3.2). This reduction would have a consequence that contributions and co-payments have to be risen. This would result in an increase of 10%, up to 20% for co-payments and lowering the ceiling from CHF 600 (ca. EUR 487) to CHF 500 (ca. EUR 406) per year. In addition the total annual franchise should be raised from CHF 200 (ca. EUR 165) to CHF 1,500 (ca. EUR 1,281). This means that in total max CHF 2,000 CHF (ca. EUR 1,650) would have to be paid by a patient for medical services per year compared to CHF 800 (ca. EUR 649) before. Moreover, for young persons' until the ages 21 for the first time contributions and co-payments would have to be paid, at a rate of 50% of grown up population.

These main changes were to be foreseen to enter into force on 1 January 2014, if the Liechtenstein Parliament adopted them. The proposal had its first reading in March 2012 where it was heavily discussed. Basically everybody agreed to lower the overall State subsidies, but the approaches on how to compensate for this financial loss in the system were very different. Some fractions insisted that the system has to become transparent first in order to know where the money was going (see the discussion on doctors tariffs below). Others emphasised the importance of educating the population to economise medical services and preferred the increase of the co-payments.<sup>51</sup>

In the second reading on 19 December 2013, the reduction of the State subsidies was adopted, but the increase of co-payments and contributions of the insured was rejected.<sup>52</sup> This led to an odd situation as the Parliament agreed to save a substantial amount of money, but did not state where from the difference in financing shall be drawn. It can be expected that the new Government will bring in a new proposal for a solution probably in 2013.

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<sup>50</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend die Abänderung des Gesetzes über die Krankenversicherung*, No. 20/2012 and See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein zu den allsächlich der ersten Lesung betreffend die Abänderung des Gesetzes über die Krankenversicherung aufgeworfene Fragen*, No. 148/2012.

<sup>51</sup> See Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung* of 23 March, p 1439.

<sup>52</sup> See Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung* of 19 December 2012, p 2370-2375.

### State subsidies

Every year the amount of State subsidies to the *OKP* has to be determined (Article 24(1) KVG) and is subject to debates in the Parliament. According to the Health Insurance Act, State subsidies are determined by two factors, namely the development of costs in the field of health care and the financial situation of the State. In the past years, the amount of subsidies was rising until CHF 57 million (ca. EUR 46 million) in 2010. Regarding the amount of subsidies in 2011, the Government and the Parliament agreed on a slight reduction to CHF 54 million (ca. EUR 44 million), which was kept also in 2012.<sup>53</sup> For 2013, the Government proposed to keep the amount at the same level as for the following year a substantial review of the whole *OKP* financing was scheduled.<sup>54</sup> However, a majority of deputies took initiative to reduce the amount for another CHF 2 million (ca. EUR 1.65 million) down to CHF 52 million (ca. EUR 42 million).<sup>55</sup> Moreover, it was also agreed not to increase the contributions of the insured, as, in the view of these deputies, the insurance funds had acquired too many reserves, which are far beyond the requirements for safeguard measures and should therefore be used.

For the amount for 2014, the Government proposed a reduction of another CHF 10 million (ca. EUR 8 million), which should be compensated mostly by an increase of contributions of the insured.<sup>56</sup> A comparison with the Swiss cantons showed that the insured in Liechtenstein still pay much less contributions and therefore such an increase could be justified.<sup>57</sup> In total numbers, the increase would amount to CHF 28 (ca. EUR 23) per months or CHF 336 (ca. EUR 273) per year and per insured person (see table below). This was accepted by a majority of 23 out of 25 votes in the Parliament.<sup>58</sup>

The table below shows the possible contribution rates for the insured persons (second column) in case the State subsidies will be decreased to amounts stated in Million CHF (first column). One can see that a future reduction of the subsidies to CHF 34 Million (ca. EUR 28 million) would increase the current contribution by CHF 50 (ca. EUR 41) per month to a total of CHF 315 (ca. EUR 256). It will have to be seen whether the new government will find some alternative solutions to soften the burden of the individual insured persons.

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<sup>53</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend den Staatsbeitrag an die Kosten der obligatorischen Krankenpflegeversicherung der übrigen Versicherten für das Jahr 2012*, No. 70/2012.

<sup>54</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend den Staatsbeitrag an die Kosten der obligatorischen Krankenpflegeversicherung der übrigen Versicherten für das Jahr 2013*, No. 63/2012.

<sup>55</sup> Liechtensteiner Volksblatt, 21 June 2012, p 2.

<sup>56</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend den Staatsbeitrag an die Kosten der obligatorischen Krankenpflegeversicherung der übrigen Versicherten für das Jahr 2014*, No. 26/2013.

<sup>57</sup> See also Liechtensteiner Vaterland, *Kleinere Kuchen backen*, 10 August 2013.

<sup>58</sup> See Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung* of 20 June 2013, p 696.

| Staatsbeitrag in Mio.<br>CHF | Prämie pro<br>Monat<br>Erwachsene | Monats-<br>prämie, Δ zu<br>2013 in CHF |
|------------------------------|-----------------------------------|--|
| 52                           | 265                               | 2013 = Basis                           |
| 50                           | 271                               | 6                                      |
| 48                           | 276                               | 11                                     |
| 46                           | 282                               | 17                                     |
| 44                           | 287                               | 22                                     |
| 42                           | 293                               | 28                                     |
| 40                           | 298                               | 33                                     |
| 38                           | 304                               | 39                                     |
| 36                           | 309                               | 44                                     |
| 34                           | 315                               | 50                                     |
| 32                           | 321                               | 56                                     |
| 30                           | 326                               | 61                                     |
| 28                           | 332                               | 67                                     |
| 26                           | 337                               | 72                                     |

As of 2015, the new amount of State subsidies will be determined differently and only be brought before Parliament every three years.<sup>59</sup>

### **New tariffs for doctors**

The background: In 2003, the Liechtenstein health care system caused costs of CHF 103 million (ca. EUR 78 million). 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 those costs were linked to service provided by doctors. In 2004, the Liechtenstein Government proposed to incorporate in Liechtenstein the Swiss tariff system called, TARMED. In December 2005, the Chamber of Doctors rejected the whole concept without any founded arguments. In the end, the *LKV* and the Chamber of Doctors agreed in 2006 to a tariff system based on the existing system, which was accepted by the Government. Nevertheless, the discussions of introducing a different tariff system never silenced.

The reform: The *LKV* and Chamber of Doctors finally agreed on a new tariff system for doctors in the end of August 2010. Even though not the whole package was agreed upon, the most important tariffs were concluded, in particular for ambulant care, including a solution to the long-disputed automatic indexation of cost of living for the doctors. This proposal was accepted by the Government in November 2010.

However, in the following, the Chamber of Doctors accused the Government of a “breach of contract” in relation to an automatic indexation mechanism which was amended by the Government as follows: in the first four years after the introduction of the new tariff there will be no inflation adjustment for the doctors. In the following years, an increase by tax-point-value (*Taxpunktwerte*), based on inflation adjustment of civil servants, will take place, but only if the cumulative inflation rate during those four years reaches at least 4.0 %. Consequently, if the salaries of civil servants in Liechtenstein during past four years only raise by 3.9 %, the doctors go empty-handed.

After long discussions, the first chapters of the new tariff was eventually introduced on 1 October 2012. These were the tariffs concerning general medical care. The tariffs of specialists followed on 1 July 2013. This new tariff system, containing also max tariffs, should decrease costs and increase the transparency as to which medical services were

<sup>59</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung an den Landtag des Fürstentums Liechtenstein betreffend den Staatsbeitrag an die Kosten der obligatorischen Krankenpflegeversicherung der übrigen Versicherten für das Jahr 2014*, No. 26/2013, p 22-33.



provided by doctors or which medication has been prescribed. This would facilitate the work under control procedures as set out under the next point below.

### **Economic Efficiency/Expedience and Effectiveness-Assessment**

In May 2012, the Parliament adopted the reinforcement of the *Economic Efficiency/Expedience and Effectiveness-Assessment (Wirtschaftlichkeits-Zweckmässigkeits-Wirksamkeits Verfahren - WZW-Verfahren)* which obliges the health insurance funds to document the auditing control in a yearly report. It foresees that as a basic rule the Office of Public Health is responsible for assessing the yearly reports of health insurance funds in the light of economic efficiency. The purpose of the *WZW-Verfahren* is that the service providers shall reduce the treatments based on the necessity of each individual patient, which has to be documented. The health insurance funds inform the *LKV* about their reimbursements and based on this information, the *LKV* will publish statistics and assess whether the individual service provider was acting in accordance with the principles of the *WZW-Verfahren*.<sup>60</sup> The Chamber of Doctors may be consulted. In case of unjustified services, the reimbursement may be claimed back from the service provider.

The proposal was controversial, in particular as to the publication of the results. 66 doctors took the case to the Administrative Supreme Court, claiming that the law would infringe their right of data protection. This claim was rejected by the Court by decision of 18 February 2013. The doctors brought their case before the Constitutional Court<sup>61</sup>, where the decision has not yet been taken.

## **3.2 Assessment of strengths and weaknesses**

### **3.2.1 Coverage and access of services**

Liechtenstein has a very good public health care system, with high emphasis on universal access, affordability and quality of services. The coverage of the population is nearly full, however, due to the size of the country, the whole specialised health care is provided abroad, in hospitals in Austria, Switzerland and Germany. Many agreements have been concluded with hospitals in these countries that provide treatment to persons insured in Liechtenstein and the insurance funds in Liechtenstein reimburse treatments as if they were provided on its territory.

The out-patient care is provided by a certain number of doctors that is determined as explained under point 3.1.2, currently 119. This number has been steadily growing in the past, while the number of doctors in relation to patients is getting smaller every year. In 2000 there were more than 500 patients per doctor, while in 2012 there are only 358 patients per doctor. Often the public argues that there are still too many doctors working in Liechtenstein, which is the cause for high costs of the system.

### **3.2.2 Quality and performance indicators**

There is no data available on such indicators in Liechtenstein. Moreover, Liechtenstein is not a member of a number of international organisations, most notably, the International Monetary Fund (IMF), the World Bank, the International Labour Organisation (ILO), or the Organisation for Economic Cooperation and Development (OECD). This is also the reason

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<sup>60</sup> The Liechtenstein Constitutional Court is currently assessing whether this is in line with the Constitution in the light of data protection, as the claimant allege that the number of doctors is so low that one could establish the identity of the doctors in question.

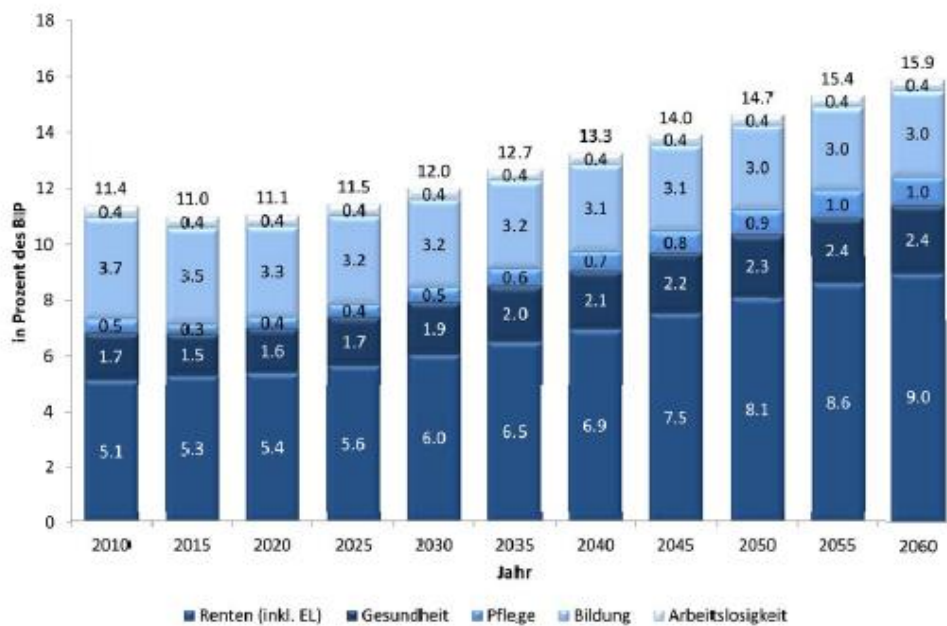
<sup>61</sup> See Liechtensteiner Vaterland, *Ärzte wollen Klarheit*, 27 February 2013, p 1.



why Liechtenstein's health care system was not subject to assessments by these international organisations in the relevant period.

### 3.2.3 Sustainability

One major issue in the recent past has been the financing of the system, which by more than 50% came out of the State budget in order to keep it accessible and affordable for the insured persons. A change of attitude could be observed by the Government in 2010 when a major review of the health care system has been initiated, starting with reducing the amount of state subsidies for the first time. This is also done in the view of the potential growth of ca. 40% of expenses foreseen in the perspective until 2050 (see table below, dark blue fields).



Source: Bernd Raffelhüsch, Stefan Moog and Lucia Gaschick, *Die Nachhaltigkeit der liechtensteinischen Fiskalpolitik in Zeiten der Krise: Die Generationenbilanz 2012*, February 2013: [http://www.regierung.li/fileadmin/dateien/downloads/Generationenbilanz\\_FL\\_2012.pdf](http://www.regierung.li/fileadmin/dateien/downloads/Generationenbilanz_FL_2012.pdf)

Compared to other Swiss cantons, which are the comparator for Liechtenstein due to the similarities between the Swiss and the Liechtenstein health care system, it seemed that Liechtenstein's insured persons still pay lower contributions. Therefore, an increase of contributions will be coming in the next 2-3 years, probably introduced gradually. The first step was the blocking of the increase of co-payments and lifting of the franchise. The major increase will come in 2015, when the State subsidies will actually be lowered to CHF 34 million (ca. EUR 28 million). Then a 20% increase of the contributions from the present level will be introduced.

In this context, it was often mentioned in discussions that also the doctors have to contribute to lower the costs in the public health care system. This should be done by reducing the provided treatments to necessary care and also using more generic medicine (see also asisp National Report of 2011). The *WZW-Verfahren* has been introduced to give national authorities the possibilities to check that this is actually done and to publish the results to show where substantial costs occur. Due to the small size of Liechtenstein and the comprehensible number of doctors, the later fear that their medical assessment might be influenced by financial pressure and the patient will be the "victim" of this. It will have to be seen what the Liechtenstein constitutional Court will decide and whether its decision entail any substantial changes to the control system.

### 3.2.4 Summary

Liechtenstein has a well-developed high quality health care system, which is however limited to the size of the country and therefore certain specialised services have to be conducted abroad. One major issue to be solved is the sustainability of the system, as the contributions of the individual insured have been kept artificially low in the past and the State had to subsidise the system with more than 50%. Therefore, there are reforms in the pipeline which aim at making the system more sustainable.

## 3.3 Reform debates

### The State hospital

The Liechtenstein State Hospital (*Liechtenstein Landesspital – LLS*) was built in its present form more than 30 years ago. In three decades of medical progress, requirements have changed. Therefore, in July 2008, the Government set up a working group with the aim of laying the groundwork for the possible renovation or new construction. Many reports and initiatives were prepared over the years, and were reported on in the past asisp National Reports. In 2011, the Parliament adopted a proposal for the construction of a new hospital, however, a negative result of a referendum stopped this project. Consequently a new board of the hospital was appointed on 1 January 2012.

The Parliament expected that by the end of the year a new strategy for the LLS should be presented by a special Commission dealing with this issue in the Parliament (*Besondere Landtagskommission - BLK*).<sup>62</sup> In November 2012, also the Government presented a new strategy (*Eignerstrategie*) for the hospital.<sup>63</sup> A main emphasis is put on keeping the high quality standards of services and that the hospital shall stick to mostly emergency cases. The discussion in the Parliament showed that there are several possibilities, all depending on which service the LLS should be providing in the future (emergency care, birth, ...) and then which hospital(s) would be a fitting addition to it. A collaboration with several hospitals is also possible, but it seems to be a preference to have one main hospital (*Zentrumsspital*) (ev. a university hospital) in addition to other small ones. In any case the right to get treatment abroad as before should not be restricted for Liechtenstein citizens.

The selection of such a main hospital is the focus in 2013 and has not yet been finalised. This will still be an issue in 2014.

### Major revision of public health care system (continued)

The newly elected Government will have to deal with the parts of the health care reform that had been rejected in December 2012. As the question of lowering the state subsidies has been committed to in the coalition agreement, it is now to establish a strategy on how to distribute the burden equally or in a fair manner over the insured persons, doctors, and insurance funds. At the cut-off date no concrete initiatives have been presented by the Government. As the substantial decrease of the state subsidies will take effect in 2015, a proposal will have to be made at the latest early in 2014.

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<sup>62</sup> See Liechtenstein Government, *Bericht und Antrag betreffend Standortevaluation eines allfälligen Neubaus des Liechtensteinischen Landesspitals*, No. 147/2012; Liechtensteiner Volksblatt, *Landtag fordert bis Ende Jahr ein Spitalskonzept unter BLK-Aufsicht*, 21 June 2012.

<sup>63</sup> See Liechtenstein Government, *Eignerstrategie der Regierung des Fürstentums Liechtenstein für die Stiftung liechtensteinisches Landesspital*, No. 136/2012.

## 4 Long-term care

### 4.1 System description

#### 4.1.1 Major reforms that shaped the current system

Liechtenstein always had a high standard of service provision concerning institutionalised care. Already 2007, Liechtenstein has initiated a major reform of its long-term care system. In recent years this reform has been implemented step by step. However, until 2010, there was no complete system in place concerning long-term care at home, thus care was mostly provided informally by family members at home. A major part of the care concept was based on voluntary participation of care providers, in particular within the families, and on services provided by the family support associations (*Familienhilfevereine* and *spitalexterne Dienste (Spitex)*). The latter are organised on regional level, being supported by its federal association, which depend to a large part on honorary participation and donations. State and communes support the budget with 30% each. The remaining 40% self-financing part is accomplished via billable services towards insurance carriers, membership fees or donations.

In the field of long-term care, the Government implemented the first step of a reform which was decided upon several years ago and aimed at setting up a sustainable system of preventive, home and institutionalised care for senior citizens. To cover the most urgent needs, namely the financing of home care, the Government has effectively introduced a new care allowance as of 1 January 2010. This whole reform will have to be introduced in stages in a long-run perspective. Having established the financial framework for home care, the next challenge is to find a solution for the provision of sufficient care personnel.

#### 4.1.2 System characteristics

Long-term care is provided in Liechtenstein either in care institutions or at home. There are five care institutions and one point of information: Haus St. Florin in Vaduz, Haus St. Laurentius in Schaan, Haus St. Mamertus in Triesen, Haus St. Martin in Eschen, and Alters- und Pflegeheim Schlossgarten in Balzers, as well as the Kontakt- und Beratung Alterspflege (KBA) in Vaduz. All these institutions – except for the Alters- und Pflegeheim Schlossgarten – are run by the Foundation for Old-age and Invalidity Assistance (*Liechtensteinische Alters- und Krankenhilfe – LAK*). Since recently, the *LAK* is a foundation under public law. In addition to operating care institutions, the *LAK* serves as central contact point for consultation and execution of tasks in relation to long-term care. It is mainly funded by the municipalities and the Government.

Care at home is predominantly provided by family members, commercial carers and by family assistance associations (*Familienhilfevereine*). Commercial carers usually come from outside Europe, in particular from Brazil. However, more and more nurses are coming from the new EU Member States.<sup>64</sup> Sometimes the legal status of these migrant workers is not clarified, which pushes them to the verge of illegality. Family assistance associations are organised on the regional level, being supported by their federal association (*Verband Liechtensteinischer Familienhilfen*). State and municipalities support the budget of the six family assistance associations by 30% each. The remaining 40% self-financing part is accomplished via billable services towards insurance carriers, membership fees or donations.

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<sup>64</sup> Parliament of the Principality of Liechtenstein, *Protokoll über die öffentliche Landtagssitzung vom 20. Juni 2007*, p 1098-1117.

There are two kinds of cash-benefits relating to long-term care: (1) the helplessness allowance (*Hilflosenentschädigung*) and (2) the care allowance (*Pflegegeld*).<sup>65</sup>

(1) Helplessness allowance is available for persons with residence in Liechtenstein, when they are helpless and when they are not entitled to helplessness allowance under the accident insurance. Helplessness allowance is granted irrespectively of the applicant's economic circumstances. The allowance is not covering ailments of birth or invalidity. A person is considered to be helpless if he/she permanently requires a considerable degree of help from a third person or personal surveillance in order to carry out daily tasks, i.e getting up, getting dressed/ 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 aged 65 and older, 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 receive the allowance only if they are at least dependent in the second degree, except a first-degree dependency has already existed before reaching the age of 65. A first-degree dependence level is defined as either being unable to perform two daily tasks or being dependent on continuous supervisions or being dependent on special care due to a particular ailment or being able to keep social contacts only with the help of a third person due to a particular ailment. The second degree of dependency is defined as being unable to perform most of the daily tasks or being unable to perform two daily tasks and being dependent on continuous supervisions. A third degree of dependency refers to complete helplessness. This is the case when a person is unable to perform all daily tasks and needs continuous supervision.<sup>66</sup>

In 2013, the helplessness allowance amounts to CHF 464 (ca. EUR 385), CHF 696 (ca. EUR 578) and CHF 928 (ca. EUR 770) per month depending on the level of helplessness. 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 irrespectively of whether the recipient is entitled to a sickness benefit or a pension on any other basis. It is administered by the Old-Age and Survivors' Insurance institute (*AHV* institute).

(2) The care allowance has been introduced on 1 January 2010 and replaces the home care benefit (*Leistung bei häuslicher Pflege*). Eligibility to care allowance depends on residence in Liechtenstein, as well as on physical or mental disorder of at least one month and the associated need for support to perform daily tasks.<sup>67</sup> The age of the applicant is irrelevant. 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 attendance allowance is granted in addition and shall not reduce the care allowance. 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.

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<sup>65</sup> Both benefits have their legal basis in the *Gesetz vom 10. Dezember 1965 über Ergänzungsleistungen zur Alters-, Hinterlassenen- und Invalidenversicherung* (Act on Supplementary Benefits), (LGBI. 1965, No. 46).

<sup>66</sup> Article 41bis *Verordnung vom 1. Dezember 1981 zum Gesetz über Ergänzungsleistungen zur Alters-, Hinterlassenen- und Invalidenversicherung* (Ordinance to the Supplementary Benefits Act), (LGBI. 1982, No. 5).

<sup>67</sup> Article 3octies *Gesetz vom 10. Dezember 1965 über Ergänzungsleistungen zur Alters-, Hinterlassenen- und Invalidenversicherung* (Act on Supplementary Benefits), (LGBI. 1965, No. 46).

The care allowance can only be used for paying the expenses for carers. To this end, a payment on account is made by the AHV institute, which administers the care allowance. Subsequently, after receiving the invoices, a settlement of accounts is made. The amount of the care allowance depends on the degree of care dependency. At maximum, it equals CHF 180 (ca. EUR 150) per day. This amount will be regularly indexed to prices. The maximum level of the benefit is set at this amount, as it comes close to the costs of institutionalised care. It is envisaged that at that point the limits of possible home care are reached.

The care allowance is financed from general taxation, so no specific contributions are levied. Half of it is financed by the State and half by the communes.

#### **4.1.3 Details on recent reforms in the past 2-3 years**

See point 4.1.1 and 4.1.2 above.

### **4.2 Assessment of strengths and weaknesses**

#### **4.2.1 Coverage and access to services**

As in any other European State the demographic situation is pointing towards an increase of the older population for which potential care facilities and human resources have to be foreseen. Even if there are currently sufficient places in care homes in Liechtenstein, it is estimated that this will be the case until 2018, but then 75 more places are necessary.<sup>68</sup> Since July 2013, the 5 family assistance associations and 10 local communities work together to create a care personal pool, where specific service provisions has been agreed on.<sup>69</sup> The family assistance of Balzers however decided to go a different route and teamed up with the care home Schlossgarten, to coordinate their services and human resources.<sup>70</sup>

The efforts of Liechtenstein's Government in the field of care to set up a system on three pillars must be appreciated. One area of concern, however, is the availability of sufficient, qualified care personnel, in particular for home care. As already criticised in the last asisp Annual National Reports, the availability of care personnel had so far not been tackled with the same urgency and attention as the introduction of the care allowance.

Also in autumn 2012, the LAK has been set up anew as a foundation with participation of the Liechtenstein Government.<sup>71</sup> The Government expects that the LAK provides excellent qualitative services in stationary and ambulant care, in particular also concerning preventive measures. Moreover, the LAK has to review the need of care places on a regular basis and provide the Government with information about this. The LAK is providing training for care personal.

#### **4.2.2 Quality performance indicators**

There is no data available on such indicators in Liechtenstein. Moreover, Liechtenstein is not a member of a number of international organisations, most notably, the International Monetary Fund (IMF), the World Bank, the International Labour Organisation (ILO), or the Organisation for Economic Cooperation and Development (OECD). This is also a reason why Liechtenstein's long-term care system was not subject to assessments by these international organisations in the relevant period.

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<sup>68</sup> Liechtensteiner Vaterland, *Vorhandene Pflegeplätze decken Bedarf bis 2018*, 26 June 2013.

<sup>69</sup> Liechtensteiner Volksblatt, *Liechtensteiner Familienhilfen gehen gemeinsam an den Start*, 15 January 2013.

<sup>70</sup> Liechtensteiner Volksblatt, *Familienhilfe: Gemeinde Balzers entwickelt ihr eigenes Modell*, 23 January 2013.

<sup>71</sup> See *Beteiligungsstrategie der Regierung des Fürstentums Liechtenstein für die Beteiligung and der LAK*. <http://www.lak.li/Portals/0/Content/PDF/LAK/Beteiligungsstrategie-Regierung.pdf>.

### 4.2.3 Sustainability

In 2012, 376 persons received Liechtenstein's helplessness allowance. This means that the number of helplessness allowance recipients has held steady in recent years: 2010 - 379 recipients; 2008 - 371 recipients. As a result, the expenses for the attendance allowance have held steady as well: in 2012 - CHF 3.62 million (ca. EUR 2.9 million); in 2011 - CHF 3.61 million (ca. EUR 2,9 million); and in 2010 - CHF 3.69 million (ca. EUR 3 million).<sup>72</sup>

In 2010, 244 persons received care allowance. The costs for this new benefit amounted to CHF 7 million (ca. EUR 5.8 million) in 2010.<sup>73</sup> This means that the actual costs for the first year were between 40% and 55% higher than what the Government estimated before the introduction of the care allowance – also because more people than expected receive the new benefit.<sup>74</sup> There is a trend of an increasing number of persons claiming care allowance. In 2012, 326 persons received care allowance. The costs for this new benefit amounted to CHF 7.6 million (ca. EUR 6.2 million).<sup>75</sup>

As the benefits are financed out of the funds of the Old-Age and Invalidity pension, see above under point 2.2.2 for further analysis of the sustainability of the scheme.

### 4.3 Reform debates

In its coalition agreement the new government committed to find solutions to guarantee sufficient capacities not only in institutionalised care but also in home care. This means primarily to attract more care personal. The merge of family assistance associations can only be seen as a first step. Further initiatives are to be expected in the coming years.

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<sup>72</sup> See AHV-IV-FAK, *Geschäftsbericht 2012*.

<sup>73</sup> See AHV-IV-FAK, *Geschäftsbericht 2010*.

<sup>74</sup> See Liechtenstein Government, *Bericht und Antrag der Regierung betreffend Abänderung des Gesetzes über Ergänzungsleistungen zur Alters-, Hinterlassenen- und Invalidenversicherung (ELG) und weiterer Gesetze (Einführung eines Betreuungs- und Pflegegeldes bei Hauspflege)*, No. 162/08 (November 2008).

<sup>75</sup> See AHV-IV-FAK, *Geschäftsbericht 2012*.

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## Annex – Key publications

### [Pensions]

FINANZMARKTAUFSICHT LIECHTENSTEIN, Geschäftsbericht 2012, 2013, Vaduz, page 104, retrieved from:

<http://www.fma-li.li>

*“Annual report 2012”*

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 other information, information is given on the financial situation of the second pillar pension plans, on combating fraud in this regard, and on the future developments. The report is usually available for public in May of the subsequent year.

LIECHTENSTEINISCHE AHV-IV-FAK, Geschäftsbericht 2012, 2013, Vaduz, page 60, retrieved from:

[http://www.ahv.li/fileadmin/webmaster\\_files/Jahresbericht/AHV\\_Jahresbericht\\_2012.pdf](http://www.ahv.li/fileadmin/webmaster_files/Jahresbericht/AHV_Jahresbericht_2012.pdf)

*“Annual report 2012”*

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 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. What is more, an outlook on future developments of the insurances is provided. The report is usually available for public in May of the subsequent year.

RAFFELHÜSCHEN, Bernd, MOOG, Stefan and GASCHICK, Lucia, Die Nachhaltigkeit der liechtensteinischen Fiskalpolitik in Zeiten der Krise: Die Generationenbilanz 2012, February 2013, page 72, retrieved from:

[http://www.regierung.li/fileadmin/dateien/downloads/Generationenbilanz\\_FL\\_2012.pdf](http://www.regierung.li/fileadmin/dateien/downloads/Generationenbilanz_FL_2012.pdf)

*“The sustainability of Liechtenstein’s fiscal policy in times of crisis: the generation report 2012”*

This “generation report 2012” (Generationenbilanz 2012) was commissioned by the Government of Liechtenstein. It is the second report of that kind. The first was published in 2007. The report analyses Liechtenstein’s public finances and its demographic situation, in order to assess the sustainability of Liechtenstein’s major households, i.e. the State, the municipalities and the social insurance. In addition, the impact of possible consolidation measures is being analysed.

### [Health care]

AMT FÜR STATISTIK, Krankenkassenstatistik 2012, retrieved from:

[http://www.llv.li/pdf-llv-as-ikk\\_2012](http://www.llv.li/pdf-llv-as-ikk_2012)

*“Health insurance funds statistics 2012”*

Statistics concerning the performance of the health care funds in Liechtenstein.

LIECHTENSTEINISCHE ALTERS- UND KRANKENHILFE (LAK), Jahresbericht 2010, 2012, retrieved from:  
[http://www.lak.li/Portals/0/Content/PDF/Jahresberichte/LAK\\_Jahresbericht\\_2012.pdf](http://www.lak.li/Portals/0/Content/PDF/Jahresberichte/LAK_Jahresbericht_2012.pdf)

*“Annual report 2012”*

The LAK informs about activities, policies, financial issues and statistics concerning the institutions which are covered by the umbrella of the LAK.

LIECHTENSTEINISCHES LANDESSPITAL (LLS), Geschäftsbericht 2012, retrieved from:  
[http://www.landesspital.li/Portals/31/docs/LLS\\_Jahresbericht\\_2012.pdf](http://www.landesspital.li/Portals/31/docs/LLS_Jahresbericht_2012.pdf)

*“Annual report 2012”*

The hospital management informs about activities, policies, financial issues and statistics concerning the LLS.

MARXER, WILFRIED (2013): Sozialpolitiken der Welt: Liechtenstein. In: Markus Porsche-Ludwig, Wolfgang Gieler und Jürgen Bellers (Hg.): Handbuch Sozialpolitiken der Welt. Berlin: Lit Verlag (Politik. Forschung und Wissenschaft, 31), S. 338-342.

*“Social policies in the world: Liechtenstein”*

Description of the Liechtenstein social system and related policies.

*This publication is commissioned by the European Union Programme for Employment and Social Solidarity – PROGRESS (2007-2013)*

*This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the Europe2020 Strategy goals in these fields.*

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