



**World Health  
Organization**

**Centre for Health Development**

WKC Policy Series on Long-Term Care No. 3: Germany

## **Germany's difficult balancing act: universality, consumer choice and quality long-term care for older persons**

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### **Context**

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Long-term care (LTC) is predominantly covered by LTC insurance (LTCI) in Germany. In 1995, LTC was separated from statutory health insurance, making LTCI the “fifth pillar” of the social security system. LTCI is mandatory: about 90% of the population is enrolled in social LTCI. Enrolees in social LTCI contribute a share of their salary (3.05% for people with children, 3.30% for people aged 23 and above without children). Contributions are pooled on an aggregate level. In 2015 and 2017, Germany expanded the eligibility criteria and benefits of LTCI, leading to an increase in social LTCI beneficiaries from 2.67 million in 2015 to four million in 2019. Expenditures for social LTCI increased from €29 billion in 2015 to €44 billion in 2019.

Germany offers LTC based on need regardless of age, income, wealth, personal circumstances and medical diagnosis. Individuals are assigned to one out of five “care degrees” using a standardised needs assessment. The care degree defines the benefits that an individual receives. Germany's LTCI system provides partial coverage, with in-kind benefits ranging from care degree 1 (€125 per month), to care degree 5 (€2005 per month). Co-payments for those in residential care amounted to approximately €1830 per month in 2019.

Beneficiaries can choose between home care and residential care. About 80% of beneficiaries opt for home care over residential care; among these, some two thirds are cared for exclusively by relatives and the remainder are cared for by home care providers. Social LTCI funds contract with home and residential care providers on the type, content and amount of services, staffing and quality criteria, and price levels. Beneficiaries covered by social LTCI enjoy free provider choice among all facilities which have contracts with state associations and social LTCI funds.

In 2009, Germany introduced an external, standardised quality assessment with mandatory public reporting of all LTC providers. Following criticism of a lack of transparency and validity, it introduced a new quality assessment in 2019. In its latest LTC reform in 2021, Germany introduced financial support to nursing-related expenditures for nursing homes. Support increases with length of stay, starting at 5% for nursing-related expenditures in the first 12 months, to 70% for stays beyond 36 months.

## Key findings

- Germany spent 2.2% of its GDP on LTC in 2019, ranking above the OECD average of 1.5%.
- About 5% of the population (4.25 million) received LTC benefits in 2019. This is a steep increase from about 1 million in 1995 (around 1.6 million after the integration of residential care in 1996).
- Major difficulties include balancing an increasing number of beneficiaries and expenditures, an increasing financial burden on beneficiaries through co-payments and on enrolees through contributions. Germany augmented the 2015 contribution rate to social LTCI from 2.35% (2.60% for enrolees without children) to 3.05% (3.30% for enrolees without children) in 2019 to accommodate increasing expenditures. The latest reforms will augment the contribution rate for enrolees without children from 3.30% to 3.40%, and the federal budget will contribute €1 billion annually from 2022.
- Germany offers LTC based on need regardless of age, income, wealth, personal circumstances and medical diagnosis. Individuals are assigned to one of five “care degrees” using a standardised needs assessment.
- The system provides partial coverage, and beneficiaries make co-payments with their own financial resources.
- The system favours home care over residential care. The majority of beneficiaries opt for home care which offers cash, in-kind benefits or a combination of both. Beneficiaries can choose between home care and residential care and enjoy free choice among all providers that are contracted by the social LTC insurance.

## Best practices

- **Separating LTC from health care.** Germany introduced a separate insurance system for LTC in 1995. This has made LTC a sector of its own and reflects the different nature of LTC. In general, health care covers medical costs, such as GP visits, surgery, and medication, and LTCI covers other expenditures that promote activities in daily living. This separation may result in coordination challenges, however.
- **Focusing on keeping people in their homes.** Germany offers complimentary benefits to allow people to stay at home for as long as possible. This might increase the dependence on informal care.
- **Balancing provider choice and regulation.** Beneficiaries covered by social LTC insurance enjoy free provider choice among all providers that are contracted by the social LTCI.
- **Quality assessment with mandatory public reporting of all nursing homes.** Providers are assessed by an external, standardised assessment in regular intervals. In 2019, Germany started to phase in a new system to improve the transparency and validity of the assessment, and to set a stronger focus on outcome indicators.

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## Lessons for other settings

- **Ensuring sustainability.** Germany has to find the appropriate balance among increases in beneficiaries and public expenditures, the contribution rates for enrollees, and co-payments for beneficiaries. Almost a third of the population is projected to be 65 years and older by 2060, and about 13% of the population will be 80 years and over. Increases in the birth rate and immigration are unlikely to offset population ageing and an increasing dependency of beneficiaries on contributors.
- **Balancing public and out-of-pocket expenditures.** Germany provides partial coverage of LTC expenses. This keeps LTC expenditures lower than in countries with comprehensive coverage, such as the Netherlands and Sweden. At the same time, it can pose financial difficulties for beneficiaries and increase their dependence on informal care. This may result in reduced labour market participation, early retirement and reduced financial contributions to the welfare system of informal carers, most of whom are female.
- **Strengthening the LTC workforce.** Germany suffers from a workforce shortage in LTC. Around 80% of the LTC workforce is female and less than one-third works full-time. Increasing training opportunities and wages and instituting nationally uniform staffing regulations in residential care are expected to make the LTC sector more attractive. However, the inpatient sector competes with the LTC sector and offers higher wages, and the policies are likely to result in increasing expenditures.

- **Promoting competition based on quality and strengthening regulation.**

Germany offers free provider choice, which may promote quality of care while reducing prices. However, beneficiaries require accessible, transparent and valid quality information and a sufficient number of providers to ensure choice. Regulation defines the minimum quality standards and can align the provision of LTC with broader societal goals. Germany is currently harmonizing and improving regulations on quality (e.g. staffing in residential care), while also introducing a new quality assessment tool.

The WKC and the OECD have produced a report summarizing key findings from nine country case studies on "Pricing long-term care for older persons". The cases represent a range of health care systems and experiences in organizing and financing long-term care (LTC) for older persons. The report identifies best practices and policy lessons, which demonstrate the benefits of investing in quality LTC in the context of ageing populations. The summary report and case studies can be found here: [https://extranet.who.int/kobe\\_centre/en/project-details/pricesetting2](https://extranet.who.int/kobe_centre/en/project-details/pricesetting2)