

Data, analysis, perspectives | No. 1, 2017

# GKV – a better option

Expanding the statutory healthcare (GKV) obligation to public-sector employees would save billions in public funds

- Subsidies for civil servants are a growing burden on public budgets:  
Annual federal and state government expenditures are expected to exceed € 20 billion by 2030. Doctors and private health-insurance companies benefit from this
- The integration of public employees into the statutory health-insurance system (GKV) would save federal and state governments a total of € 60 billion by 2030
- The admission of public employees into the statutory health-insurance system would enable a reduction in contribution rates of 0.34 percentage points
- Membership in the GKV system would also be beneficial for most civil servants' households
- For the self-employed, an obligation to participate in the public healthcare system would remove hardships for low earners without burdening the GKV

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The division of the German health-insurance system into statutory (GKV) and private health insurance (PKV) has long been controversial. The border between the two systems is erected not only on the basis of income (income threshold for compulsory health insurance), as professional groups, public employees and self-employed individuals generally do not fall under the compulsory-insurance obligation – regardless of income. A large majority of citizens regard it as unfair that these comparatively high-earning professional groups are not included in the solidarity-balancing provisions of the statutory health-insurance system. Given their on-average-higher incomes, civil servants and the self-employed deprive the solidarity-based system of additional resources. However, this is often an unintentional act, as membership in the GKV is a comparatively unattractive proposition for civil servants and the self-employed alike.

“The subsidies are not included as part of the civil service fundamentals protected by the constitution. They can thus be converted into contributions in a system of employer participation.”

Prof. Dr. Thorsten Kingreen,  
University of Regensburg, Chair for Public Law,  
Social Law, and Health Law

The state typically picks up 50 percent of health costs for public employees in the form of subsidies – for pensioners, this rises to 70 percent – meaning that their additional health insurance must pay only for the remaining costs. PKV premiums for civil servants are thus lower than for other privately insured individuals. Furthermore, public employees voluntarily seeking insurance under the GKV system find it difficult under the existing GKV contribution rules. Should they

decide to participate in the GKV, civil servants receive no employer supplement, but must instead pay the GKV contribution entirely on their own. In the case of the self-employed, minimum-contribution regulations come into play that make it difficult for low earners to decide to join the GKV.

Federal- and state-government subsidy expenditures are already at a high level, and are forecast to increase significantly in the future. For this reason, various alternatives to the current public-employee health-insurance system have long been the subject of sustainable-budget discussions. Now, in a study conducted by the Berlin-based IGES Institut, the Bertelsmann Stiftung has examined the potential financial effects of introducing a health-insurance obligation for civil servants – analogous to that for conventional employees – for the public budget and the finances of the GKV.

The study's calculations addressed multiple variations and models for the introduction of a GKV insurance obligation for civil servants. In parallel, the study also examined the potential financial effects of a financially eased (yet compulsory) GKV membership for self-employed individuals, who today as voluntary GKV participants are often unable to pay their membership contributions. The key findings are presented in this Spotlight Healthcare report.

## Subsidies are an increasing burden on public budgets

Federal and state governments will have to reach ever deeper into their pockets in the future. According to the Bertelsmann Stiftung study, their annual expenditures for healthcare provided to public employees, pensioners and subsidy-eligible family members will nearly double by 2030, from €11.9 billion in 2014 to an estimated €20.2 billion. On the federal level, annual subsidy expenditures will rise by 46 percent by 2030, to €6.6 billion, while in the federal states (Länder), according to the Bertelsmann Stiftung prognosis, costs will rise by 83 percent in the same time

frame, to €13.6 billion (see Figure 1) – if the health-insurance model for civil servants does not change. The larger the number of pensioners in comparison to active public officials, the more dramatic the rise in forecast subsidy expenditures will be.

### Civil servants important for the PKV system and doctors

Around 85 percent of civil servants hold private health insurance. For the PKV, this represents an important share of business. Nearly half of the approximately 8.8 million people fully insured through the PKV system are public employees, pensioners or their family members. On average, they have to pay only about 6.4 percent of their income for the private insurance.

Doctor's fees for privately insured civil servants are determined by the German Scale of Medical Fees (GOÄ) used for all private patients. The medical services are thus on average 2.6 times as expensive as the same services provided to those with statutory insurance. Private practitioners, head physicians and hospitals (thanks to the fees paid by head physicians) thus benefit significantly from the system of care for civil servants. According to IGES Institut calculations, such care produces additional revenue of about € 6 billion per year.

### Low earners face particular burdens

Within the GKV, civil servants must pay an average of 14.8 percent of their income as contributions. As a consequence, only 15 percent of public employees are insured under the statutory system. Choosing the GKV is typically beneficial only for those with serious preexisting conditions or with many children insurable there without paying additional contributions.

Among PKV- and GKV-insured civil servants alike, the lower the income, the higher is the percentage share of income that must be applied to covering healthcare costs (see Figure 2). For the 20 percent of civil servants who earn less than € 30,343 per year (Quintile 1/bottommost fifth), this is an average of 16.2 percent of annual income in the GKV, or 10.2 percent in the PKV. For the highest 20 percent of earners (more than € 61,274 per year), this is 9.1 percent in the GKV and 4.6 percent in the PKV.

### Estimated increase in annual subsidy expenses, in billions of € (2014 to 2030)

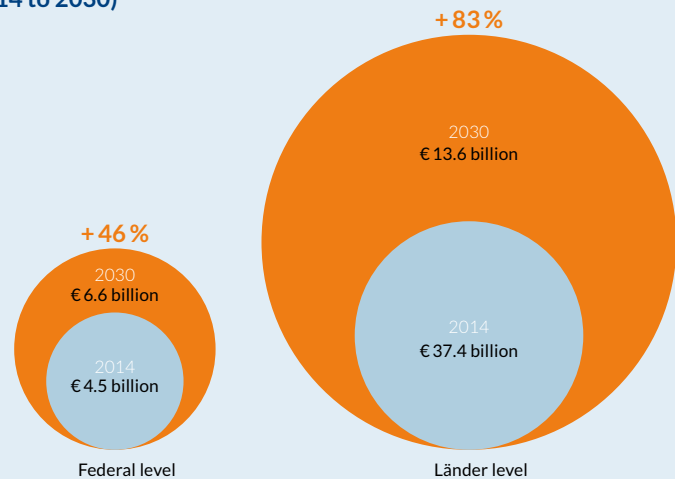


Figure 1 | Source: IGES on the basis of data from Länder statistical offices, Länder finance ministries and Länder courts of audit

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### Average civil-servant healthcare contributions, by income quintile, as share of income (2014)

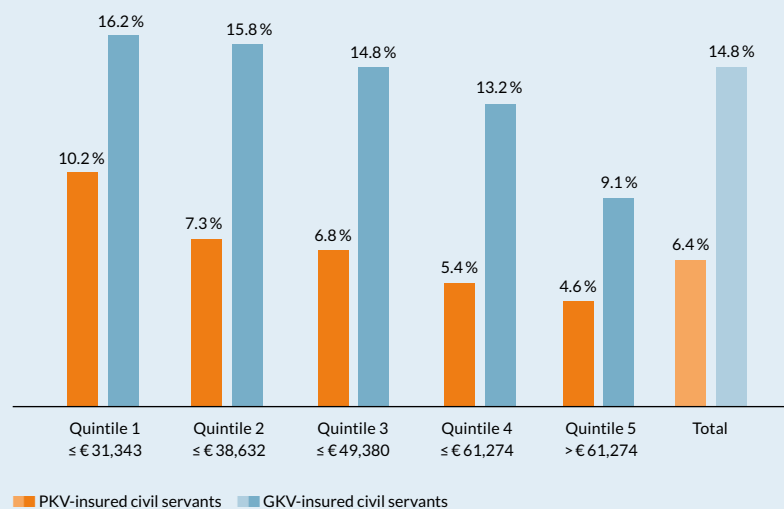


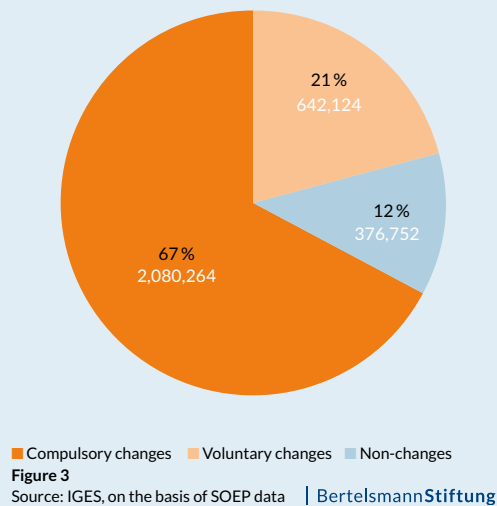
Figure 2 | Source: IGES, on the basis of SOEP data

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### GKV insurance for public employees would relieve federal and Länder budgets

The expansion of the general compulsory health-insurance system to include civil servants, taking into account the applicable income threshold, would result in a shift of about 2 million currently privately insured civil servants and pensioners, or about two-thirds of this population as a while, into compulsory GKV coverage. Another roughly 20 percent would financially benefit from a voluntary transfer into the GKV. Of the currently

### System changes among privately insured civil servants



3.1 million civil servants and pension recipients currently in the PKV, only about 377,000 (12 %) would be likely to stay in the PKV (see Figure 3). Of the currently 980,000 privately insured family members, about 89,000 would remain.

Overall, then, of the 3.65 million civil servants and pensioners, nearly 90 percent would be in the statutory health-insurance system, including 2.72 system-switchers and 543,000 individuals who are already GKV members today.

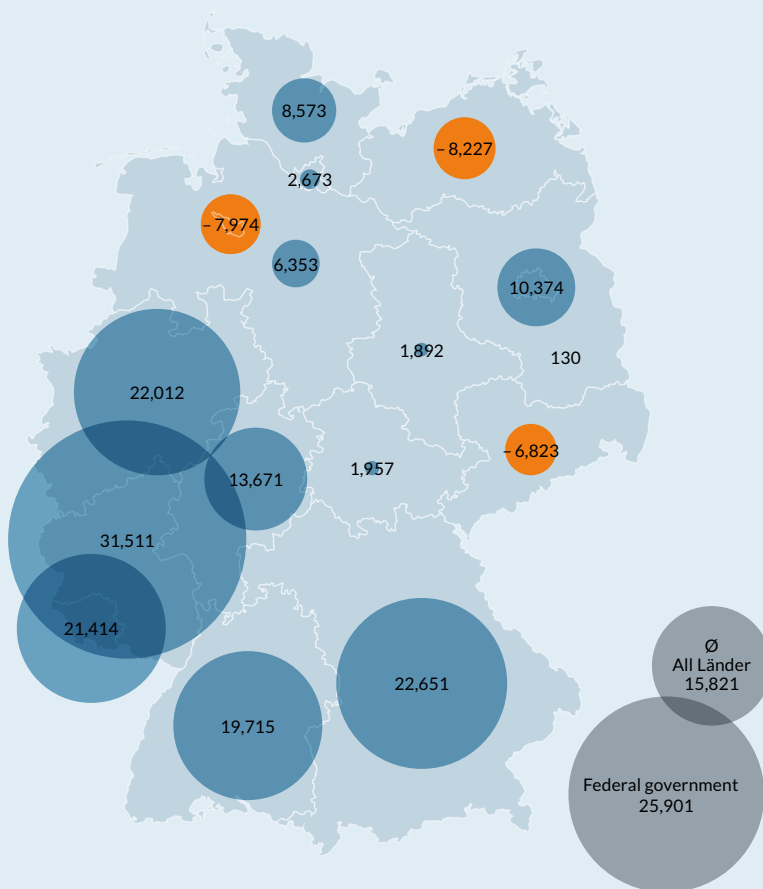
The expansion of the compulsory health-insurance system would significantly relieve strain on public budgets. In the study's basis year (2014), federal and Länder governments would have already saved € 3.20 billion: Instead of spending € 12.87 billion for subsidies, these entities would have disbursed only € 9.67 billion in the form of GKV employer supplements or contributions to PKV premiums, according to the Bertelsmann Stiftung study. A bit more than half the savings (€ 1.68 billion) would fall to the Länder, with slightly less (€ 1.56 billion) accruing to the federal government. The Länder would also benefit more over the long term. By 2030, the sum of their annual savings would reach € 33.15 billion, while the federal government's savings would total € 27.16 billion. Together, this would be more than € 60 billion.

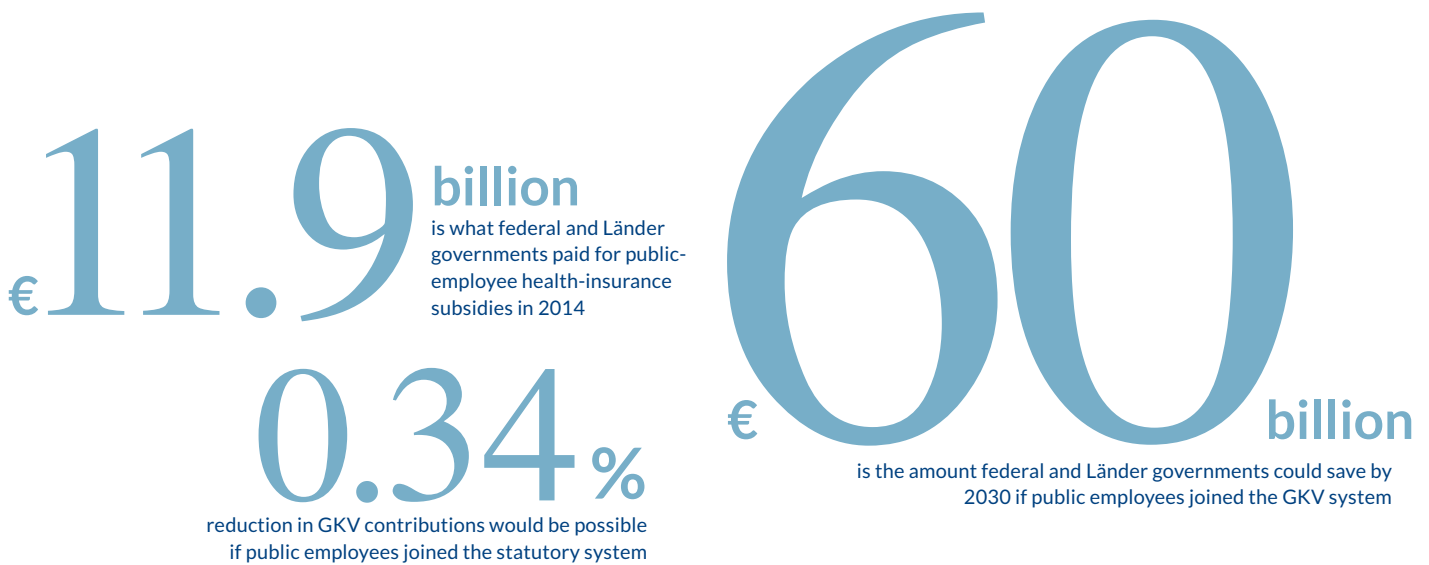
### NRW would see particularly strong gains

Not all Länder would immediately benefit from the inclusion of public employees in the statutory health-insurance system – and in the medium term, not all would benefit to the same degree: The larger the share of pension recipients in relation to the number of active civil servants, and at the same time the higher the average subsidy level per person, the more financial relief the individual federal state could expect to receive. All western German states (with the exception of Bremen) – particularly Bavaria, Baden-Württemberg, North Rhine-Westphalia and Rhineland-Palatinate – tend to show a high share of pensioners and a high level of expenditures. An examination of the amount of expected financial relief per subsidy recipient shows the highest such level in Rhineland-Palatinate (see Figure 4). North Rhine-Westphalia shows the highest level of absolute savings due to the large number of those eligible for subsidies (see Figure 5).

On the contrary, for Länder with relatively few pensioners and low subsidy expenditures per person, the introduction of the compulsory

### Value (discount rate 2 %) of net expenditure increases and decreases, per subsidy recipient, in € (2014 – 2030)





“With the coming wave of retirement, health-insurance subsidy costs will rise significantly. These will be completely tax-funded, but will have a stronger cost-increase dynamic than pensions. Action on this issue is urgently needed!”

Reiner Holznagel  
President of the Taxpayers' Association

health-insurance system for public employees would initially lead to higher expenditures. This is true of Bremen as well as all eastern German states where, as yet, relatively few civil servants have entered retirement. In the medium term, however, Brandenburg, Saxony-Anhalt and Thuringia would benefit. Only Bremen, Mecklenburg-Western Pomerania and Saxony would be left with a balance of slightly higher overall expenditures through 2030 (see Figure 5).

#### Expansion of compulsory health-insurance system would enable reduction in contributions

All individuals insured under the statutory system would benefit from the expansion of compulsory health insurance to include civil servants. The addition of 2.7 million public employees with an average of nearly €38,000 in contribution-eligible annual income would significantly strengthen the GKV from a financial perspective. The additional contribution income of nearly €15.2 billion per year would exceed the €11.8 billion in expendi-

#### Total net expenditure increases and decreases, in billion €, (2014 – 2030)

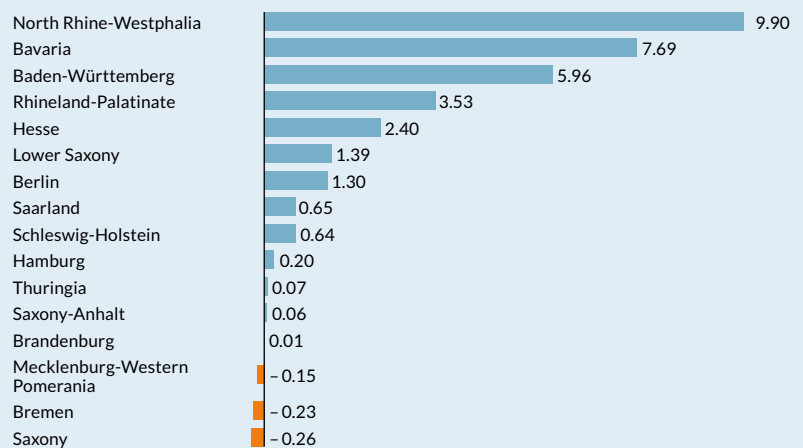


Figure 5 | Source: IGES on the basis of data from Länder statistical offices, Länder finance ministries and Länder courts of audit

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tures for the new members and their insured family members by €3.4 billion (see Figure 6).

With this additional net income, contribution rates could be reduced by 0.34 percentage points. This does not take into account the aging reserves of the 2.7 million public employees that would switch from the PKV into the GKV – a sum of around €72 billion. Because the aging reserves should additionally serve to defray higher health-care expenditures in old age, it would be appropriate to transfer these gradually from the PKV into the GKV as well – which could contribute to yet further financial relief. The aging reserves could also be used to help compensate doctors for income losses resulting from the loss of most civil



servants as private patients, or to financially accompany the transition to a unified remuneration schedule for medical services.

### GKV overall less expensive for public employees too

A general compulsory health-insurance obligation would on average leave public-employee households in a slightly better financial position. Currently, active public employees pay an average of € 241 per month in the PKV for themselves and all their family members, while pensioners pay an average of € 247 per month (as of 2014). As a result of the subsidy payments, PKV premiums for those eligible for subsidies are lower than those

In contrast, the contributions paid by those newly obligated to be in the GKV as well as voluntarily switching public employees would total around € 8.14 billion. The premiums paid by public employees staying in the PKV system would increase by around € 1.30 billion, as the public employees now would also be forced to insure the

**Effects of statutory health-insurance obligation for public employees, in billion € (2014)**

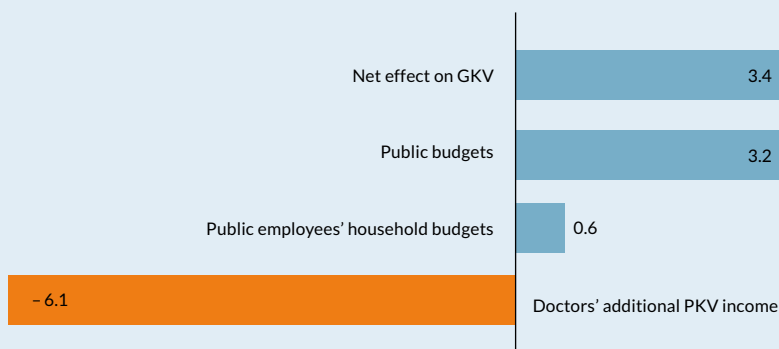


Figure 6 | Source: IGES on the basis of SOEP data, as well as data from Länder statistical offices, Länder finance ministries, and Länder courts of audit | BertelsmannStiftung

for the population of all PKV members, who pay an average of € 292 per month.

As a result of a switch into the GKV, civil servants would initially see financial relief thanks to the discontinuation of their previously paid PKV premiums. For 2.7 million switchers, this would amount to a total of € 7.43 billion. Due to the assumed cessation of subsidies, public employees who decided to remain privately insured would receive employer contributions from the federal or Länder governments that totaled € 1.15 billion. For those civil servants that are already voluntarily insured through the GKV, contribution payments would be diminished as a consequence of the changed contribution calculus (taking into account only work income, not rental or other income) as well as additional employer contributions totaling around € 1.44 billion. Taking these factors together, public employees and pensioners would see overall relief of around € 10 billion.

**Effects of GKV subsidy tariffs in billion €**

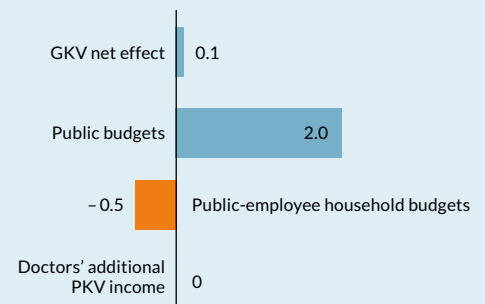


Figure 7 | Source: IGES on the basis of SOEP data, as well as data from the Länder statistical offices, Länder finance ministries, and Länder courts of audit | BertelsmannStiftung

share of treatment costs that previously had been covered by the subsidies. Together, that totals € 9.43 billion.

The financial relief exceeds the additional financial costs related to system migration by a total of € 575 million per year. Divided among 3.6 million public employees and pension recipients, that is € 162 per person annually, or nearly € 14 per month (as of 2014).

### Variants: Subsidy-eligible tariff for the GKV

If civil servants were to be brought into statutory health insurance without abolishing the subsidy system, it would be necessary – just as in the PKV – to create a subsidy-eligible tariff within the GKV. The financial effects of this variant were also calculated: The financial relief accruing to public budgets would in this case, at around € 2 billion, would be more than one-third smaller. Public employees household budgets would on average see no financial relief; indeed, expenditure would be slightly higher. Because doctors would no longer have to give up the additional income from private billing, the GKV would see hardly any financial relief (see Figure 7).

## Compulsory insurance for the self-employed would eliminate hardships, without burdening the GKV

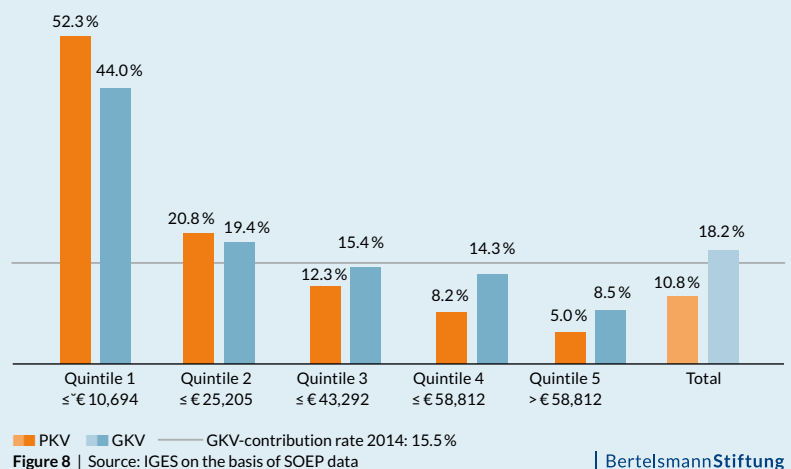
The study also examined the effect of introducing a statutory health-insurance obligation for the self-employed. Currently, 57 percent of self-employed individuals are insured through the statutory system, and 43 percent privately insured. However, GKV contributions or PKV premiums are disproportionately burdensome for both groups, particularly for low-earning self-employed people. In the statutory health-insurance system, self-employed people must themselves pay the full contribution amount (employer and employee share), paying an average of 18.2 percent of their income, while privately insured self-employed pay only 10.8 percent of their income for their health insurance.

Self-employed people with low incomes face special burdens here because the contributions of those voluntarily insured within the GKV are not based on their actual income, but rather on a notional minimum income. This leads to social hardships particularly for those in solo self-employment, who are often unable to afford the health insurance. (see Figure 8).

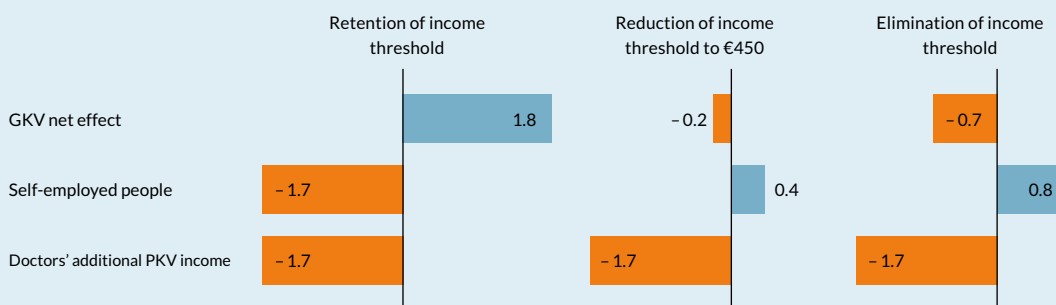
Through a health-insurance obligation for self-employed analogous to that covering the conventionally employed, two-thirds of the currently PKV-insured self-employed (nearly 1 million people) would become statutorily insured. Another group of almost 5 percent (about 79,000 people) would presumably switch voluntarily into the GKV due to the financial advantages. According to the Bertelsmann Stiftung calculations, the health-insurance obligation alone would not itself reduce

the degree of hardship as long as the minimum-contribution assessment threshold, currently a monthly € 2,179 (as of 2016), was retained. If this was to be abolished, low-earning solo self-employed individuals too would pay contributions on the basis of their actually available income. This would save the self-employed around € 800 million per year, but would cost the GKV around € 700 million. The balance would be relatively even if the low-end threshold for contribution-eligible income (currently € 450) was reduced. In any case, doctors would have to forego private-insurance-related additional income of about € 1.7 billion (see Figure 9).

Average contribution payment by the self-employed, as share of income



Effects of health-insurance obligation for the self-employed, in billion €



## Recommended action

## Compulsory health insurance for all professional groups

The costs for subsidies provided to public employees and pensioners represent an ever-greater burden for public budgets. Private health insurers and doctors profit from this. A large majority of citizens deem it unfair that a high-earning professional group such as public employees are not covered by the insurance obligations of the statutory health-insurance system. Introducing compulsory health insurance for all professional groups would relieve financial burdens both for public budgets and those in the statutory health-insurance system, and would strengthen the solidarity aspects of the GKV. For these reasons, the following recommendations for action are offered:

### Removal of subsidies

- › The elimination of health-insurance subsidies can be viewed as a sustainable budget-management measure at both the federal and Länder level.

### Changes in social insurance law

- › Expansion of the health-insurance obligation in the social-security code (SGB IV) to all professional groups, particularly public employees, pensioners and the self-employed.

- › Reduction of the benchmark income governing self-employed people's minimum GKV contribution to the low-income threshold (currently €450).

### Transfer of the aging reserves to the GKV

- › The aging reserves in private-insurance contracts (72 billion for public employees, 27 billion for the self-employed) that were not taken into account in the study's calculations should also be channeled gradually into the GKV, in order to buttress the transition to a unified medical-service fee schedule, among other reasons.

### Imprint

Publisher:  
Bertelsmann Stiftung  
Carl-Bertelsmann-Str. 256  
33311 Gütersloh  
www.bertelsmann-stiftung.de

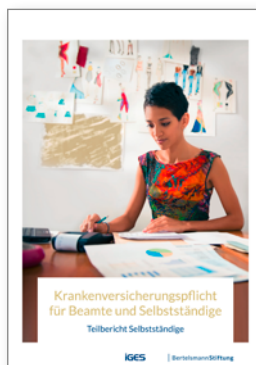
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Photos: Shutterstock/  
Alexander Raths  
Design: Dietlind Ehlers  
Editors: Burkhard Rexin,  
Claudia Haschke  
Translation: Barbara Serfozo  
Printing: Druckhaus Rihn

ISSN (Print): 2364-6101  
ISSN (Online): 2364-611X

Publication date:  
January 2017



SPOTLIGHT GESUNDHEIT is an initiative of the "Improving Healthcare – Informing Patients" program at the Bertelsmann Stiftung. Published several times a year, SPOTLIGHT HEALTHCARE addresses topical issues in healthcare. The Bertelsmann Stiftung is committed to promoting a healthcare system relevant to public needs. Through its projects, the Stiftung aims to ensure the provision of needs-based and sustainable high-quality healthcare in which patients are empowered by access to readily understandable information.

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