

PRESS RELEASE

Reforming the social long-term care insurance: Refocusing benefits, generation fair financing

- Despite increased contribution rates, the financial situation of long-term care insurance remains under financial pressure due to the benefits' expansion as a result of the second long-term care strengthening act of 2017. Demographic ageing will further increase spending pressure in the future.
- Without substantial reforms to long-term care insurance, contribution rates will have to rise significantly. Such reforms should focus on precisely targeted expenditure limits and ensuring funding is fair across generations.
- Care classifications should be limited, and the benefit surcharge and relief allowance should be abolished. With a cohort-specific funded scheme, the financial burden of care can be distributed in a way that is fairer across generations, and the level of benefits in the social long-term care insurance can be stabilised in the long term.

Berlin, 27.05.2026 – The social long-term care insurance (SPV) should be reformed in such a way that funding is fair across generations, the personal responsibility of those in need of care and needs-based care is ensured at the same time. “Long-term care insurance is not designed to cover costs comprehensively: It is intended to prevent social hardship, but not to relieve people of their responsibility to contribute their own funds towards care costs,” explains Monika Schnitzer, chair of the German Council of Economic Experts. “Older generations should contribute to care costs according to their means, so that the demographic-driven increases in expenditure are not primarily borne by younger generations.” If a cohort-specific funding scheme is introduced within the SPV it will contribute to this and will also stabilise the level of benefits.

Following the reform under the second long-term care strengthening act (PSG II) in 2017, SPV expenditure has risen sharply. The reform significantly expanded benefits and greatly simplified the care classification system. Demographic ageing will continue to place significant pressure on SPV expenditure in the future. Unless swift action is taken, continuous increases in contribution rates will be necessary. This will lead to a significant redistribution of costs at the expense of younger generations. A reform of the SPV must resolve the trade-off between the scope of benefits, the level of the contribution rate and the level of co-payments by those in need of care. A single measure will not be able to address all three dimensions simultaneously; rather, a bundle of measures is necessary.

Reforms to curb the rise in expenditure

To curb the rise in expenditure in the SPV, firstly, care classifications should be limited to the level recommended by the Expert Advisory Board in 2013. This would lower the number of people recognised as requiring care and the average level of necessary care. Secondly, benefits that are not sufficiently targeted should be discontinued. These include, among other things, the benefit surcharge for inpatient care, which is granted without taking income and wealth into account. The relief allowance across all care levels could also be abolished, as this

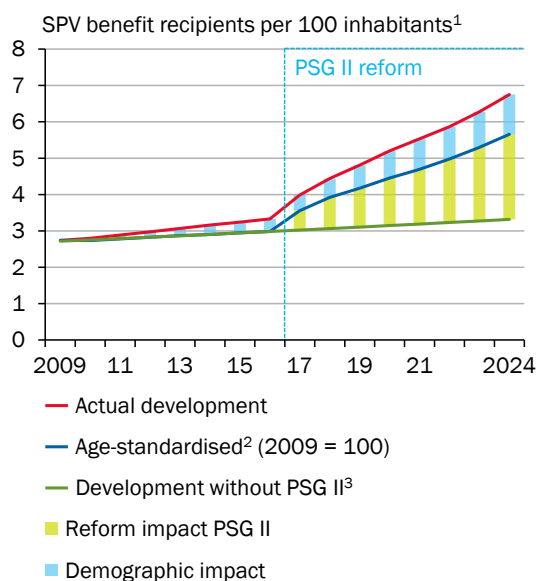
benefit overlaps with other SPV benefits and involves considerable bureaucratic effort. Together, these two benefits (the benefit surcharge and the relief allowance) most recently accounted for 15 per cent of the SPV's total expenditure.

Strengthening generation fair financing through a new funded scheme

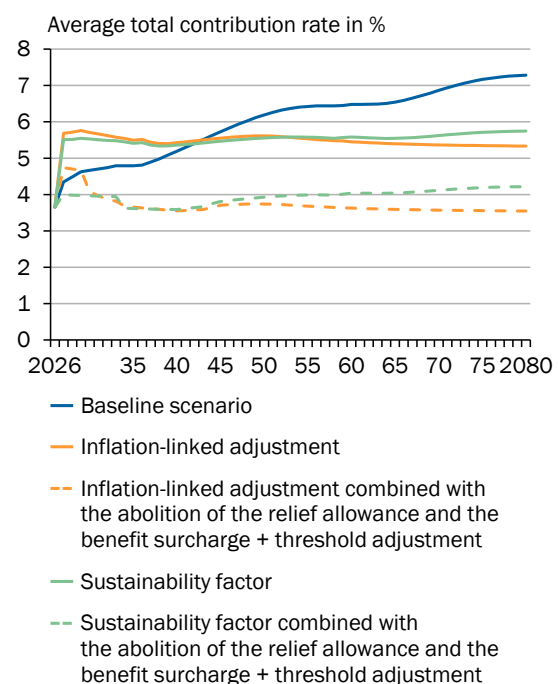
The long-term care provision fund is currently ill-suited to provide substantial support for financing the SPV. It is too small, lacks reliable political safeguards, is only available to a limited extent during periods of particularly high demand, and only generates low returns. Capital funding in the SPV should therefore be reoriented, and a new long-term care provision fund (PVF II) with cohort-specific capital funding should be established to stabilise the level of benefits. Individual cohorts would pay additional contributions, which would be available to cover the future long-term care benefits of these cohorts and would smooth out the continuous increase in contribution rates. If cohort-specific capital funding is combined with the proposed reforms to curb the rise in expenditure, the contribution rate would be stabilised in the long term roughly at the current level.

The impact of past and future reforms within the social long-term care insurance (SPV)

The impact of the second long-term care strengthening act (PSG II) reform on the development of the need for care



Trend in the average total contribution rate to the SPV³
(share of the cost contribution rate + supplementary contribution rate)



1 – From 2011 onwards: results based on the 2011 census; from 2022 onwards: results based on the 2022 census.

2 – The basis is the age-standardised time series, which is extrapolated from 2017 onwards using the linear trend from 2009 to 2016

3 – Details of the assumptions underlying the various scenarios can be found in chart 76 in chapter 4 of the Spring Report 2026

4 – Weighted average of the age-specific total contribution rates, weighted by cohort size (the number of insured persons per age group).

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