TOUGH FISCAL DECISIONS REQUIRED

1. Exports support economic recovery
2. The federal budget under increasing fiscal pressure

Productivity 3. Firms in Germany and Europe: Productivity differences and dynamics

SR 2026 4. Social insurance under pressure to reform

SR 2026 5. Statutory health insurance: curbing rising expenditure, stabilising revenue side

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This is a translated version of the original German-language executive summary “Finanzpolitik vor harten Entscheidungen”, which is the sole authoritative text. Please cite the original German-language executive summary if any reference is made to this text. This translation was generated using AI.

1. Public finances in Germany are coming under growing pressure. In the **federal budget**, projected revenue will not be sufficient to cover the planned spending in the longer term. ↘ ITEMS 81 FF. Owing to the additional special funds and, above all, the increased defence expenditure, the Federal Government's net borrowing will rise significantly until 2030 and will remain at a high level for a prolonged period of time unless the exemption rule for defence spending can be phased out. The debt ratio and interest payments will rise accordingly. In this case, the debt ratio would reach almost 100 % of gross domestic product (GDP) in 2040, according to calculations by the German Council of Economic Experts (GCEE). Phasing out the defence exemption clause confronts fiscal policy with a **consolidation task of historic magnitude** and will require tough decisions.

   In its Spring Report 2026, the GCEE examined the **social insurance system** in detail. Past benefit expansions, the introduction of new entitlements, and increasingly also demographic change, are exacerbating the financing problems. ↘ ITEMS 315 FF. According to the GCEE's simulations, the total social insurance contribution rate will rise to around 45 % by 2030 under current legislation and to around 50 % by 2040. Higher social insurance contributions make labour more expensive, weaken incentives to work and dampen output growth. The projected development **shifts the financing costs** between generations **to the detriment of younger cohorts**.

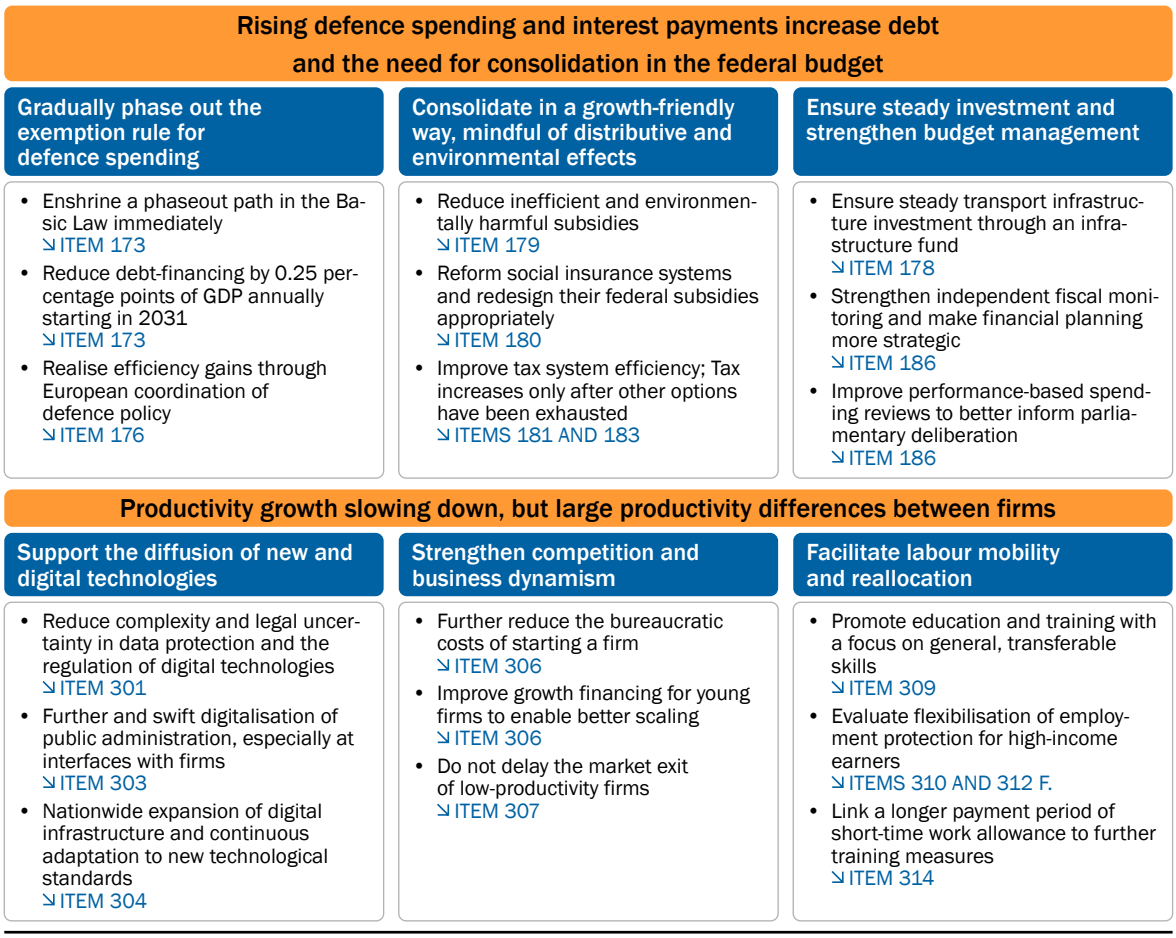
   This GCEE Annual Report focuses on how the sustainability of public finances, and thus the state's capacity to act, can be secured without triggering macroeconomic disruptions. ↘ CHART K1 The urgently needed reforms and consolidation measures should be designed so that they do not weigh on output growth and distribute the burdens equitably across generations and social groups.

2. **The currently comparatively robust economic activity does little to alleviate the crisis in public budgets.** ↘ ITEMS 1 FF. The German economy has recovered more quickly than expected from the energy price shock triggered by the Iran war. The GCEE thus expects GDP to increase by 1.3 % in 2026 and by 1.0 % in 2027. This is driven in particular by an unexpectedly strong development of exports and by debt-financed government spending.

3. With regard to the longer-term determinants of productivity, this GCEE Annual Report includes the National Productivity Report, which analyses **productivity differences across firms, the diffusion of new technologies and business dynamism in Germany**. ↘ ITEMS 228 FF. The productivity dispersion observed in Germany is broadly comparable to that in other European economies. However, productivity in some areas of the German economy could be raised through wider diffusion of technological innovations and a more efficient reallocation of labour from less productive to highly productive firms.

↘ CHART K1

Challenges, **goals** and **measures** discussed in the GCEE Annual Report 2026/27



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1. Exports support economic recovery

4. **The global economy has so far held up well despite the Iran war.** Although the energy supply shock has pushed inflation up in many economies, aggregate economic activity in the world's most important economic regions has continued to expand. ↘ ITEM 8 One contributing factor was that the price of crude oil rose less sharply over the summer than initially expected. At present, however, prices for crude oil and natural gas are well above the level expected in spring 2026. The global economy is supported by strong investment related to artificial intelligence (AI). ↘ ITEM 13 Nevertheless, the outlook for the global economy remains subdued: uncertainty about how the Iran war will unfold and how it will affect global energy prices and supply chains remains high. ↘ ITEM 10 Price pressure due to more expensive energy is likely to persist for the time being, eroding purchasing power. In addition, tighter monetary policy weighs on financing conditions. This places an additional burden on aggregate economic activity worldwide. ↘ ITEM 23 The GCEE expects real global GDP to grow by 2.7 % in 2026 and 2.6 % in 2027. Global consumer price inflation is likely to be 3.5 % in 2026 and 3.0 % in 2027. ↘ CHART K2 ↘ ITEM 16

5. Germany's economic recovery is continuing despite higher energy prices. **In 2026, real GDP is likely to rise significantly for the first time since**

2022. For 2026, the GCEE expects real GDP growth of 1.3 % compared with the previous year. For 2027, real GDP growth of 1.0 % is expected. Consumer price inflation is projected at 2.8 % in 2026 and 3.3 % in 2027, ↘ CHART K2 core inflation is likely to be 2.4 % and 2.8 %, respectively. However, because the prices of imported goods are rising faster than those of domestic production, domestic purchasing power is increasing more slowly than real GDP.

6. Compared to the GCEE Spring Report 2026, the **forecast for real GDP growth in 2026 is 0.8 percentage points higher**. Much of this upward revision is due to the fact that exports have performed more strongly than was expected in spring 2026. In addition, the revision of past GDP data by the Federal Statistical Office in July 2026 showed that the German economy has developed noticeably better since 2024 than previously reported. ↘ BOX 4

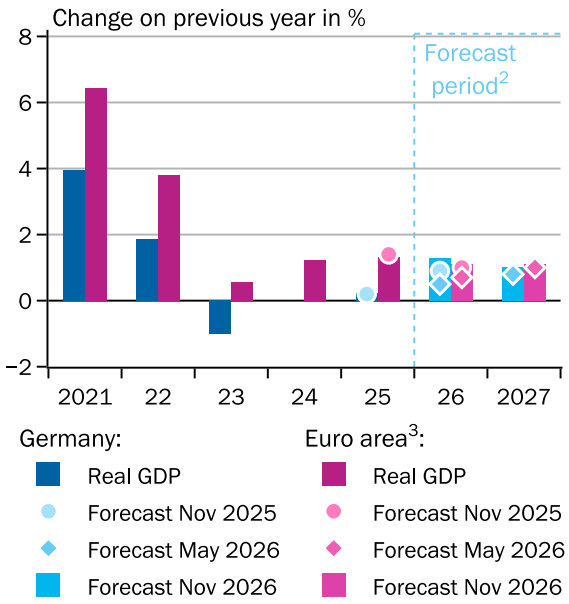
7. **Real GDP growth in 2026** is likely to be driven mainly by **increasing government consumption expenditure** and **strongly increased exports**. Stronger external demand is likely to continue to provide support throughout the forecast period. Order books in the German industry have improved since the second half of 2025. This is likely to continue to boost exports, although they are likely to expand at a somewhat lower rate in 2027 than in the current year. In addition, private investment in machinery and equipment is likely to grow again in 2027.

   Following the weak development of public gross fixed capital formation in construction and in machinery and equipment in the first half of 2026, **public spending on infrastructure and defence** is likely to **support gross fixed capital formation** over the forecast period. By contrast, residential construction investment is likely to decline this year and to edge up only slightly in 2027. Overall, real gross fixed capital formation is likely to increase only slightly in the current year and not to pick up significantly again until next year. **Private household consumption spending** is likely to **remain subdued throughout the forecast period**, albeit on an improving trend. The main reason is that real disposable income is likely to rise only slightly over the forecast period. In addition, government consumption spending is likely to continue to increase in 2027, albeit somewhat more weakly. Overall, domestic demand is likely to increase more weakly in the current year than in 2025, before driving real GDP growth more strongly next year. A key downside risk to the forecast for German GDP lies in particular in a renewed energy supply shock in the event of a further escalation in the Middle East. ↘ ITEM 27 An unexpectedly strong demand from the European Union (EU) could be an opportunity for German economic activity. ↘ ITEM 78

↘ CHART K2

Economic outlook for Germany, the euro area and the global economy

GDP[1] in Germany and the euro area



Key economic indicators (in %)

	2025	2026[2]	2027[2]
Germany			
GDP growth[1]	0.2	1.3	1.0
Inflation rate	2.2	2.8	3.3
Unemployment rate[4]	6.3	6.4	6.3
Wage growth[5]	4.9	3.6	3.6
Budget balance[6]	– 2.9	– 4.1	– 4.3
Euro area			
GDP growth[1,3]	1.3	1.1	1.1
Inflation rate[7]	2.1	3.0	2.9
Global economy[8]			
GDP growth[1,3]	2.8	2.7	2.6
Inflation rate	3.0	3.5	3.0

1 – Constant prices. 2 – Forecast by the GCEE. 3 – Values are based on seasonal and calendar-adjusted quarterly figures. November 2025 forecast without Bulgaria. 4 – Registered unemployed in relation to civil labour force. 5 – Change of gross wages and salaries (domestic concept) per employees' hour worked. 6 – In relation to nominal GDP; territorial authorities and social security according to national accounts. 7 – Change of the Harmonised Index of Consumer Prices. 8 – Aggregation according to the weights in Table 1.

Sources: Eurostat, Federal Statistical Office, national statistical offices, own calculations
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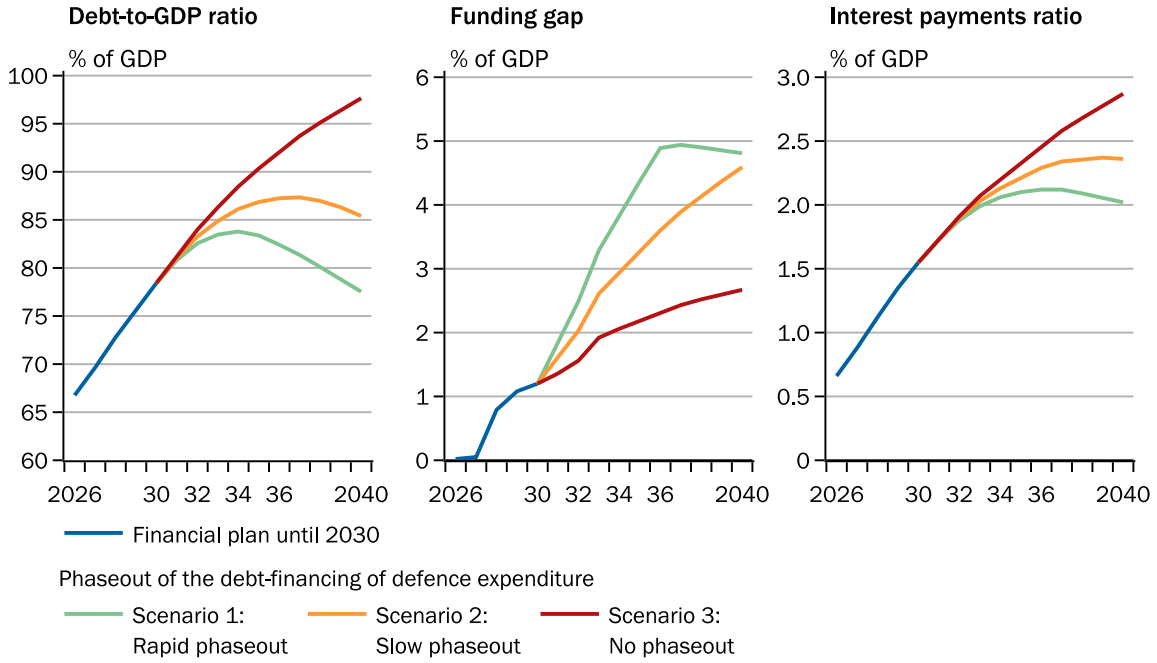
2. The federal budget under increasing fiscal pressure

8. Federal spending will rise significantly in the coming years due to **rising defence spending and interest payments**. ↘ ITEMS 90 F. According to the Federal Government's financial plan, net borrowing will rise up to 2030 as a result of the debt-financing of defence spending. At the same time, growing interest obligations are widening the **funding gaps in the core budget**. ↘ ITEM 91 Extensive debt-financing of defence spending over a prolonged period would initially limit the growth of the funding gaps, but significantly increase the Maastricht debt-to-GDP ratio and the interest burden, and thus the long-term burden on the federal budget. ↘ ITEM 103 If the exemption rule for defence spending were to be used continuously, the general government Maastricht debt ratio could rise to around 98 % of GDP by 2040 with a funding gap of around 2.7 % of GDP emerging in the core budget. ↘ CHART K3

9. In order to stabilise the debt-to-GDP ratio, the **debt-financing of defence spending should be phased out**. ↘ ITEM 173 A rapid phase-out of the debt-financing of defence spending, by raising the threshold above which defence spending can be financed by borrowing under the exemption rule by 0.5 percentage points of GDP annually starting in 2031, would limit the rise in debt and lead to a debt ratio of 77.5 % of GDP in 2040. However, this would cause the funding gap in the annual budget to rise to 4.8 % of GDP in 2040 and require

↘ CHART K3

Projected debt ratio, funding gap and interest payments ratio[1]



1 – Projections up to 2030 based on the Federal Government's financial plan. From 2031 onwards, own assumptions (see ↘ BOX 10). The interest payments ratio and the funding gap refer only to the Federal Government's core budget, while the debt ratio refers to general government as defined by Maastricht. Because the revision of the national accounts by the Federal Statistical Office in July 2026 is not taken into account in the 2030 financial plan and the projection, the ratios shown deviate from the GCEE's economic forecast.

Sources: BMF, BMWE, BRH, Deutsche Bundesbank, Federal Government, Federal Statistical Office, German Finance Agency, Independent Advisory Board of the Stability Council, Ochsner et al. (2026), OECD (2023), Poghosyan (2014), Werding et al. (2026)
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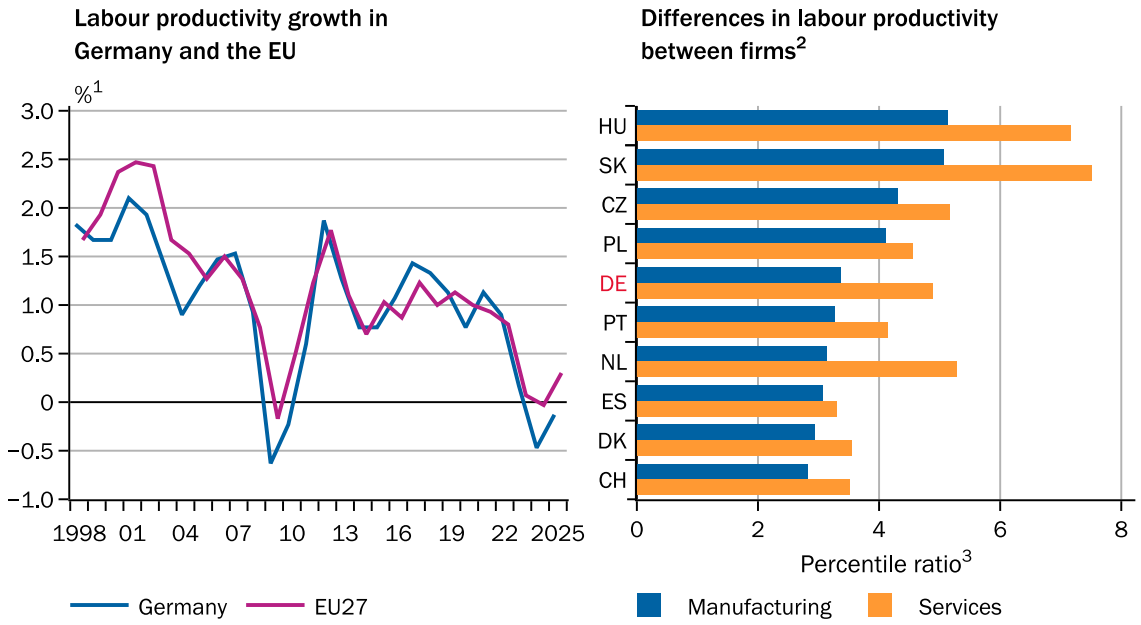
additional revenue or expenditure cuts. A slower phase-out by 0.25 percentage points of GDP annually would stretch the need for consolidation in the core budget over a longer period and thus smooth contractionary macroeconomic effects. Under this phase-out path, the funding gap would amount to around 3.3 % of GDP in 2035 and rise to 4.6 % of GDP by 2040. ↘ CHART K3 The Maastricht debt ratio would peak at around 87 % of GDP in 2037 and decline thereafter. ↘ ITEM 107 The macroeconomic costs of a slower phase-out would be comparable to those of a faster phase-out, but spread over a longer period. ↘ ITEM 123

10. The projected funding gaps are of historic magnitude and require immediate consolidation measures. Binding paths for a phase-out of the debt-financing of defence spending under the exemption rule and for a stringent consolidation should be set within the current legislative period in order to avoid the considerable negative effects on society that would arise from a late and necessarily rapid consolidation. ↘ ITEMS 174 F.

Consolidation should be carried out in a growth-friendly manner, also taking into account distributional consequences as well as environmental and climate effects. ↘ ITEM 178 The measures discussed by the GCEE to reduce subsidies, to reform social insurance and the transfer system and to increase the efficiency of the tax system have a consolidation potential of up to 2.2 % of GDP. ↘ ITEMS 179 FF. However, these measures would not fully close the funding gap arising until 2040. An increase in value added and income taxes could therefore become nec-

↘ CHART K4

Productivity growth declining, large productivity differences



1 – Three-year averages. 2 – In the period from 2010 to 2020. HU-Hungary, SK-Slovakia, CZ-Czechia, PL-Poland, DE-Germany, PT-Portugal, NL-Netherlands, ES-Spain, DK-Denmark, CH-Switzerland. 3 – Ratio of the 90th to the 10th percentile of labour productivity within 2-digit industries, according to the Statistical Classification of Economic Activities in the European Community (NACE Rev. 2).

Sources: Eurostat, IWH-CompNet, own calculations
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essary in the medium term. ↘ ITEM 183 However, tax hikes should only be used once the aforementioned options have been exhausted. Strong institutions and processes can support the consolidation effort and safeguard its growth-friendly design. To this end, evidence-based budget management practices should be strengthened. ↘ ITEM 186 Public investment should be safeguarded from consolidation pressure and sustained for the long term, for example using an intermodal transport infrastructure fund. ↘ ITEM 178

↘ DIFFERING OPINION ITEMS 187 FF.

Productivity

3. Firms in Germany and Europe: Productivity differences and dynamics

11. Large and persistent productivity differences exist across firms in the same industry, in Germany as in most other economies. In Germany, a **frontier firm is typically around 3.5 to 5 times more productive than a low-productivity firm**. ↘ CHART K4 RIGHT These differences are particularly pronounced in services and in industries that exhibit high market concentration and in which firms make intensive use of digital technologies. ↘ ITEMS 248 FF. In these parts of the European and German economy, productivity differences often go hand in hand with a less efficient allocation of inputs ↘ ITEMS 260 FF. across firms and with a slow diffusion of knowledge and technologies ↘ ITEM 277 from the frontier to all firms.

12. Given these large differences, there is considerable potential to improve aggregate productivity through faster diffusion of new technologies, a more efficient allocation of labour and capital and, more generally, stronger business dynamism. Productivity growth is a key determinant of the long-term output growth prospects. As productivity growth in Germany and Europe has been declining for some time ↘ CHART K4 LEFT, it appears all the more urgent to tap at least part of this unexploited potential. On the one hand, laggards can catch up and improve their productivity by adopting the technologies, practices and knowledge of more productive firms. On the other hand, labour and capital can be reallocated in a targeted manner from low-productivity to high-productivity firms. As a result, productive and new firms grow, while low-productivity firms shrink or even exit the market. In reality, however, both adjustment processes often remain incomplete due to frictions and institutional barriers. In particular, firm creation and destruction in Germany is comparatively low.

13. There are three areas of economic policy action for facilitating diffusion of new technologies and for accelerating the reallocation of labour and capital. In data protection and regulation, a reliable and attractive regulatory framework for the use of digital technologies such as artificial intelligence is needed. ↘ ITEMS 300 F. In competition policy and market access, it is important to preserve sufficient competitive pressure on incumbent firms in order to stimulate productivity improvements and to facilitate firm entry. ↘ ITEMS 305 F. In labour market policy, an increased mobility of workers can improve the allocation of labour and facilitate better knowledge transfer between firms. ↘ ITEMS 308 F.

4. Social insurance under pressure to reform

SR 2026

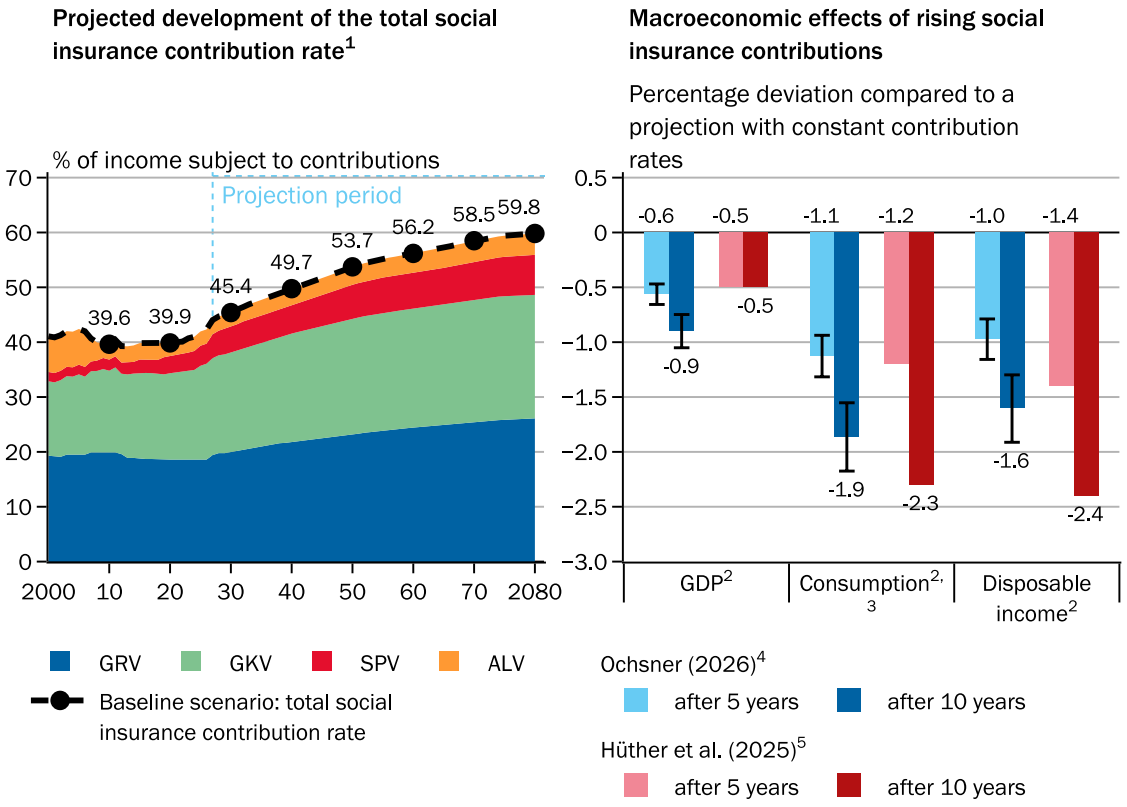
14. Social insurance, covering unemployment, accident, statutory pension, statutory health (GKV) and social long-term care (SPV) insurance, forms the central pillar of social protection in Germany. It protects households against major life and employment risks. The sum of the contribution rates levied on insured persons' income subject to contributions across all social insurance schemes ("total social insurance contribution rate") amounts to 42.3 % in 2026. **This contribution rate is likely to rise substantially in the coming decades as a result of demographic change.** Simulations by the GCEE suggest an increase to 45.4 % in 2030. ↘ CHART K5 LEFT By 2040, the contribution rate rises to 49.7 %. The increase continues thereafter, albeit at a slower pace. ↘ ITEM 346

The simulations also show that, over their working lives, younger cohorts will have to spend a significantly higher share of their lifetime labour income on social insurance contributions than older cohorts. ↘ ITEM 349 Rising contributions thus, in combination with the current debt-financed fiscal policy, shift burdens onto today's younger and unborn generations. Against this backdrop, both intergenerational distribution conflicts and the trade-off between an adequate benefit level and long-term financial sustainability become significantly more acute.

15. The burden of taxes and social insurance contributions on labour income in Germany is already very high by international standards. Persistently rising social insurance contribution rates widen the wedge between households' net wages

↘ CHART K5

Projected contribution rate development and macroeconomic effects



1 – GRV-Statutory pension insurance, GKV-Statutory health insurance, SPV-Social long-term care insurance, ALV-Unemployment insurance. Values for GKV and SPV include average supplementary contributions or contribution surcharges and reductions based on the number of children. 2 – In 2020 prices. 3 – Private consumption only. 4 – Medians with 90 % confidence intervals are shown. 5 – No measures of uncertainty are provided.

Sources: BA, BMAS, BMF, BMG, DRV, Federal Statistical Office, Hüther et al. (2025), Ochsner (2026), SIM.24
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Data (CSV)

and firms' labour costs. ↘ ITEM 350 For households, this reduces disposable income, dampening private consumption and incentives to work. For firms, labour costs rise, weighing on labour demand and investment. ↘ ITEMS 360 AND 372 **The rising total social insurance contribution rate is therefore expected to dampen GDP by around 0.5 % to 0.9 % by 2035 relative to a scenario in which the contribution rate remains constant.** ↘ ITEM 379 ↘ CHART K5 RIGHT

16. **To limit the increase in contribution rates, it is essential to slow expenditure growth and stabilise the revenue base.** ↘ ITEM 381 Reforms should therefore alleviate demographically driven expenditure pressure, particularly in the statutory pension insurance (GRV). ↘ ITEM 383 Measures that increase labour volume, such as longer working lives, higher labour force participation and stronger incentives to extend working hours, can help to strengthen the revenue side. ↘ ITEM 396 Sustainably strengthening the contribution base requires reforms to boost productivity growth. ↘ ITEM 397 Expanding the contribution base to include additional types of income, as proposed by some, would be inappropriate for insurance branches with a wage-replacement function. ↘ ITEM 388 Non-contributory benefits (NBL) should be financed from tax revenue if they fulfil clearly justified functions for society as a whole. At the same time, it should be examined whether individual NBL are justified. ↘ ITEMS 389 AND 394

↘ DIFFERING OPINION ITEMS 398 FF.

5. Statutory health insurance: curbing rising expenditure, stabilising revenue side

17. The health insurance scheme in Germany is designed to ensure reliable access to medically necessary care and to protect those affected from excessive financial burdens resulting from high treatment costs. Around 90 % of the population are insured under the GKV. It is financed on a solidarity basis through income-related contributions in a pay-as-you-go system and provides benefits regardless of individual health risk. ↘ ITEMS 426 FF. Private health insurance (PKV) charges income-independent contributions that are calculated on risk-based criteria and are partly saved to fund higher healthcare costs in old age. ↘ ITEMS 440 FF. At 11.7 % of GDP, healthcare expenditure in Germany is among the highest in Europe. ↘ ITEM 447 Indicators of healthcare efficiency show that, **despite this high level of expenditure, Germany** ranks **only around the OECD average for key health indicators**. ↘ ITEM 452

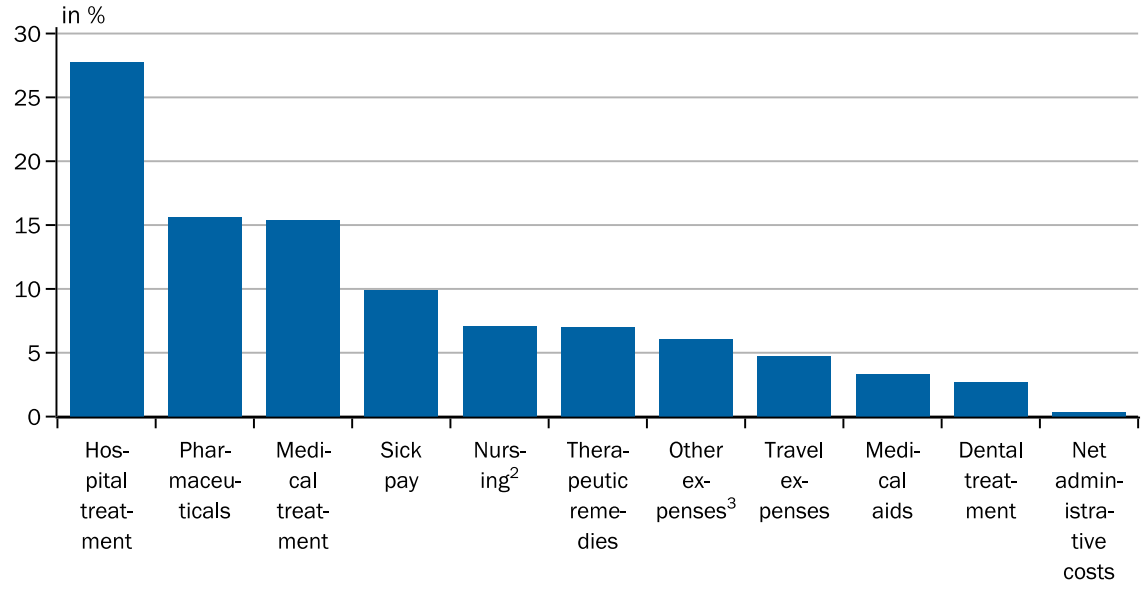
18. Expenditure in the GKV rose by around 64 % in real terms between 2005 and 2025. ↘ ITEM 430 Over the same period, income subject to contributions increased by only just under 31 % in real terms. To cover expenditure, the average contribution rate for the GKV was therefore raised from 14.2 % to 17.1 % over this period. It is expected to reach 17.5 % in 2026. ↘ ITEM 432 The rise in the social insurance contribution rate is therefore largely driven by the increase in the GKV contribution rate. **Under current legislation, the average GKV contribution rate is expected to rise to 19.8 % by 2040.**

    The rise in expenditure in the GKV is due, on the one hand, to general economic, social and technological trends. These include demographic ageing, ↘ ITEM 454 income growth, ↘ ITEM 455 the spread of unhealthy lifestyles, ↘ ITEM 456 and medical and technological progress. ↘ ITEMS 458 F. On the other hand, institutional factors in the German healthcare system also contribute to this rise, in particular moral hazard effects resulting from comprehensive insurance coverage and limited instruments for managing the provision of benefits. Expenditure on hospital treatment and medicines has risen particularly sharply recently. ↘ CHART K6

19. **In the GKV, the rise in expenditure should be limited by using the available funds less inefficiently.** In the hospital sector, reforms aimed at greater specialisation, clear quality standards and reducing the dependence of funding on case numbers offer considerable potential for reducing inefficiencies. ↘ ITEMS 487 FF. In addition, the rise in expenditure on medicines could be dampened by consistently aligning the pricing of innovative medicines with their additional therapeutic benefit. ↘ ITEM 493 By contrast, higher general cost-sharing by insured persons is suitable only to a limited extent, as it may also reduce the use of necessary services. ↘ ITEMS 481 FF. To mitigate the rise in expenditure in the long term, health prevention in Germany, which is underdeveloped by European standards, should be strengthened through binding standards for healthy nutrition in day-care centres and schools, restrictions on advertising, for example for

↘ CHART K6

Share of expenditure in the total increase in GKV expenditure between 2005 and 2025[1]



1 – Values for 2025 based on the preliminary financial results. 2 – Treatment care and home nursing care. 3 – Rehabilitation and preventive care, early detection measures, pregnancy/maternity and other expenses.

Sources: BMG, Federal Statistical Office, own calculations
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products harmful to health, and higher taxes or minimum prices on tobacco, alcohol and foods and beverages high in sugar. ↘ ITEMS 476 FF.

Reforms to increase revenue can also help stabilise the GKV, but they cannot replace the necessary structural adjustments on the expenditure side. The burden on the GKV arising from NBL could be reduced either by increasing federal subsidies or by reducing these benefits. ↘ ITEM 495 Abolishing non-contributory co-insurance for spouses who are not raising children could also contribute to this. At the same time, this would increase incentives for second earners to work. ↘ ITEMS 496 F. Expanding the contribution base could broaden the revenue base of the GKV, but could also trigger shifts into the PKV. Including civil servants into the GKV could strengthen its financing. ↘ ITEMS 499 F.

6. Social long-term care insurance: refocusing and generation-fair financing

20. The need for long-term care is a fundamental risk. It entails considerable organisational and financial burdens for those affected and their relatives. In Germany, around six million people were in need of long-term care in 2024 according to the definition of social law. ↘ ITEMS 518 FF. **Long-term care is provided through a mix of informal, outpatient and institutional care.** ↘ ITEMS 524 FF. Around 74 % of those in need of care are cared for at home by relatives or outpatient care services. Informal care is provided predominantly by people of working age, and especially by women. ↘ ITEM 525

The pay-as-you-go SPV scheme was introduced in 1995. It is designed as partial insurance, meaning that it covers part of the costs of long-term care. ↘ ITEMS 533 FF. Those in need of care must bear the remaining costs themselves. Owing to wage increases in the care sector, out-of-pocket payments for institutional care, which affects around 14 % of those in need of care, have risen significantly in recent years. ↘ ITEMS 549 FF. These must be financed from income and assets or through private supplementary provision. ↘ ITEMS 552 FF. If these resources are insufficient, there is an entitlement to means-tested social assistance in the form of "help with care". ↘ ITEM 557

21. Expenditure in the SPV has risen sharply, particularly since 2017. ↘ ITEMS 541 FF. This is primarily due to the second long-term care strengthening act (PSG II), which both made access to benefits under the SPV easier and expanded the scope of those benefits. ↘ CHART K7 LEFT The rise in expenditure has subsequently led to higher contribution rates, while demographic ageing has so far contributed only to a limited extent to expenditure growth. In future, however, it is likely to become the main driver. ↘ ITEMS 564 FF. As the share of very old people increases, the number of those in need of care rises, and with it the number of benefit recipients. At the same time, the share of people of working age is declining, meaning that income subject to contributions cannot keep pace to the same extent. This gives rise to a **structural financing problem in the pay-as-you-go SPV** scheme, which is likely to lead to further increases in contribution rates over the long term. ↘ ITEMS 564 FF.

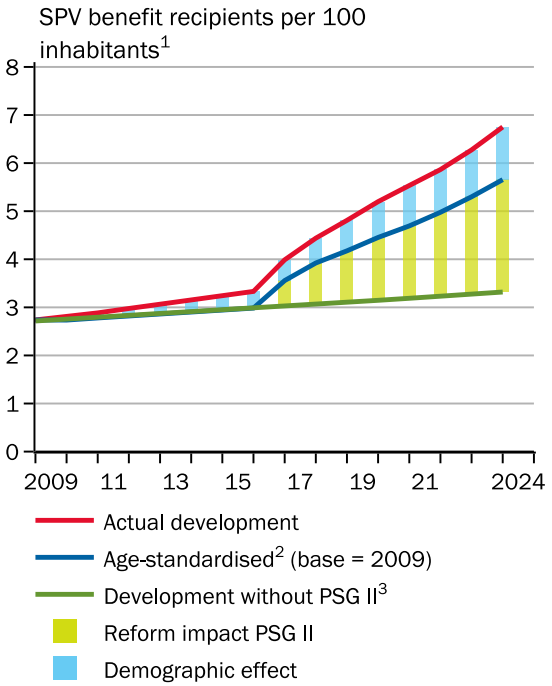
22. Previous reforms of the SPV have primarily aimed to improve care provision. Future reforms should make financing more equitable across generations and take account of needs-based care as well as the personal responsibility of those in need of care. In doing so, the trade-off between the scope of benefits, the level of the contribution rate and the level of out-of-pocket payments must be resolved. This cannot be achieved through a single measure; rather, a package of measures is needed.

23. To limit expenditure growth, access to benefits under the SPV should be made more restrictive. To this end, the definition of long-term care need, which was revised in 2013, should be reviewed and aligned more closely with expert recommendations. This would reduce the number of people in need of care and, at the same time, lower the average care grade. ↘ ITEMS 576 FF. In addition, poorly targeted benefits should be reduced. This applies in particular to the benefit surcharge for full-time institutional care ↘ ITEMS 586 FF. and to the relief allowance, ↘ ITEMS 579 FF. which together accounted for around 15 % of total expenditure in the SPV in 2025. Aligning benefit indexation with cost developments, which are determined largely by wage developments, would stabilise the benefit level over the long term and counteract rising out-of-pocket payments, but it would significantly increase contribution rates. The resulting financial burden would fall primarily on younger generations and would exacerbate intergenerational distribution conflicts. ↘ ITEM 349 To stabilise the benefit level of the SPV and make its financing more equitable across generations, cohort-specific capital funding should therefore be introduced within the SPV. ↘ ITEMS 591 FF. ↘ CHART K7 RIGHT If cohort-specific capital funding is combined with the proposed reforms to dampen expenditure growth, the contribution rate would be stabilised at approximately

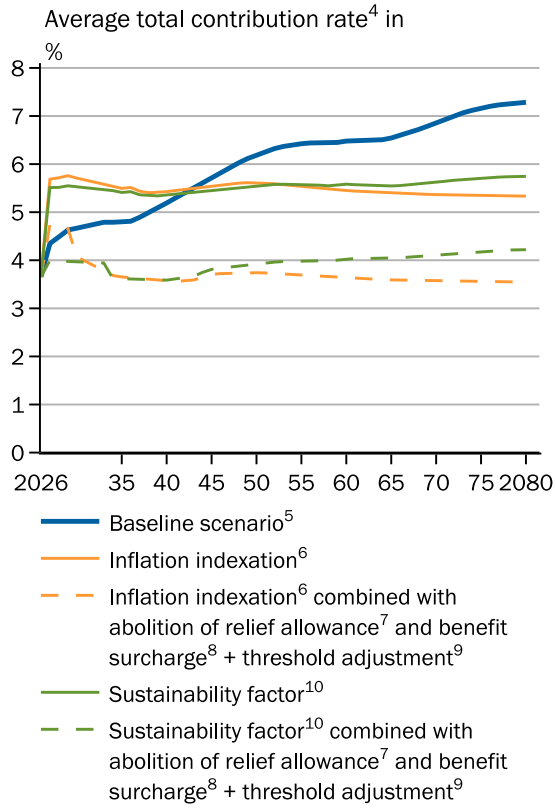
↘ CHART K7

Effects of past and future reforms in the SPV

Impact of the PSG II reform on the development of the need of care



Trend in the average total contribution rate[4] to the SPV (pay-as-you-go 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 year 2009 was used as the base year for age standardisation. 3 – The basis is the age-standardised time series, which is extrapolated from 2017 onwards using the linear trend from 2009 to 2016. 4 – Weighted average of the age-specific total contribution rates, weighted by cohort size (number of insured persons per age group). 5 – Continuation of current legislation, based on expected demographic trends and assuming that benefits are indexed to gross wage growth. 6 – Cohort-specific capital funding with inflation indexation. 7 – The expenditure volume of the relief allowance is not reported separately in the BMG financial statistics. The category "additional outpatient care and respite services" serves as an approximation. The calculated uptake of these services in 2023 was around 40 % of those in need of care receiving outpatient care and is assumed to remain constant over the simulation period. 8 – Cap on the personal contribution towards care-related expenses according to § 43c SGB XI. 9 – The thresholds within the individual modules of the NBA determine how the points actually achieved in the assessment are converted into weighted NBA points, thereby influencing the total score in the respective module. In this scenario, these thresholds are raised to the level recommended by the Expert Advisory Board in 2013 for modules 1, 4 and 6, in addition to the (PG) scenario. 10 – Cohort-specific capital funding with wage indexation and a sustainability factor. The sustainability factor is calculated from the annual change in the care dependency ratio multiplied by a beta factor of 0.5. The care dependency ratio is defined as the ratio of people in need of care to contributors.

Sources: BMG, Federal Statistical Office, SIM.24, own calculations
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Data (CSV)

its current level over the long term.

↘ DIFFERING OPINION ITEMS 600 FF.

↘ CHART K8

Challenges, goals and measures discussed in the GCEE Spring Report 2026

Demographics increase financing pressure on social insurance

Curb the rise in expenditure

- Curb pension increases in the GRV, for example by strengthening the sustainability factor, and expand funded pension provision ↘ ITEMS 383 F., (GCEE Annual Report 2023 items 421 ff.)
- Reduce inefficiencies in the GKV without impairing the provision of medically necessary services ↘ ITEM 392
- Maintain partial insurance in the SPV and make it more targeted ↘ ITEM 386

Strengthen the contribution base

- Increase the labour volume, among other things through a longer working life and the abolition of spousal income splitting and of mini-jobs ↘ ITEM 396
- Strengthen productivity growth through reforms ↘ ITEM 397

Separate the financing of insurance benefits and of societal tasks

- Review the necessity of non-contributory benefits ↘ ITEM 389
- Full tax financing of non-contributory benefits for societal tasks ↘ ITEM 389

Statutory health insurance: Strong rise in expenditure leads to rising contribution rates

Improve the efficiency of health expenditure

- Reform hospital care towards more specialisation, clearly verifiable quality standards and a lower dependence of financing on case numbers ↘ ITEMS 487 FF.
- Expand outpatient care to avoid inpatient treatment ↘ ITEM 491
- Align the pricing of innovative medicines more consistently with the added therapeutic benefit ↘ ITEM 493

Strengthen the prevention of health-damaging behaviours

- Higher taxes or minimum prices on tobacco, alcohol and foods high in sugar ↘ ITEMS 476 FF.
- Introduce binding standards for healthy nutrition in nurseries and schools; restrict advertising for health-damaging products ↘ ITEMS 476 FF.

Stabilise revenue

- Increase incentives to work for second earners by reforming the non-contributory co-insurance of spouses ↘ ITEMS 496 F.
- Index the federal subsidy for non-contributory benefits ↘ ITEM 495
- Examine the inclusion of civil servants in the GKV ↘ ITEM 500

Social long-term care insurance: Demographic ageing strains intergenerational fairness

Improve targeting

- Raise the thresholds for care grade assessment to levels recommended by experts ↘ ITEMS 576 F.
- Abolish benefits that are not well targeted, such as the benefit surcharge and the relief allowance ↘ ITEMS 579 AND 586

Increase personal responsibility in financing care

- Greater use of income and assets to finance care ↘ ITEMS 580 FF.
- Targeted support for hardship cases through means-tested care housing allowance or “help with care” ↘ ITEM 588
- Limit co-payments and make them predictable through rule-based indexation of SPV benefits ↘ ITEM 589

Defuse intergenerational distributional conflicts

- Introduce cohort-specific capital funding ↘ ITEMS 594 FF.
- Implement a long-term investment strategy with broad international diversification and a higher share of equities ↘ ITEM 596
- Stop payments into the existing Long-Term Care Provision Fund and use it to partly finance the older cohorts of people in need of care ↘ ITEM 598

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