ASISP Annual National Report 2010: Pensions, Health and Long-Term Care. France

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1 Executive Summary

2009 has not been marked by important legislative changes in the French pension system. The main measure legislated in the largest statutory scheme – the *régime general* – has been a reform of the pension bonuses offered to compensate women for maternity. However, the political debate around pension reform has continued to be very lively and a negotiation about a reform of statutory pension schemes is set to take place as from April 2010 and could lead to legislative changes in autumn 2010. The political debate has revolved around two main issues. On the one hand, policy-makers have discussed the possibility to replace all existing pay-as-you-go schemes by a single notional defined-contribution (NDC) system. However, the NDC issue lost momentum after it became clear that the current government is not interested in such radical overhaul of the pension system under the current legislature. In order to be politically viable, a switch to NDC would require a further harmonisation in the rules governing different schemes. The second major issue which has been at the centre of the political agenda has been the Government's plan to introduce parametric changes in order to curb future deficits in statutory schemes and to promote longer working lives. The Government is considering either to increase the statutory retirement age and/or to increase the length of contribution required to get a full pension. The need to take into account the link between workers' status in the labour market and their pension entitlements continues to be absent from the political debate, while it is clear that younger cohorts will have difficulties to have full contributory records due to structural changes in the labour market.

The law entitled *Hôpital, patients, santé, territoires* (Hospital, patients, health and territories - HPST), presented by the Government at the end of 2008 was finally adopted in July 2009. It is a continuation of the decentralisation and regionalisation trend observed over the past years, as well as managerialisation of hospital trends. As shown with the strong debate and lobbying around this law, the main critique to be made on the recent French reforms of the health care sector is the ongoing absence of capacity of the State to regulate the sector against the will of the medical profession. Of special importance is the incapacity to improve equal access to health care in the French system. Inequalities in Health is one of the major drawbacks of the French health care system, but it does not seem to be preoccupying so much the Government since no serious attempt to overcome these have been implemented, and all the little efforts planned within the HPST law have been withdrawn under the pressure of the medical profession.

Due to the postponement of the long-term care reform, debates in the past year have continued to revolve around the creation of this new social insurance branch for the dependency risk

The Government estimates the loss in revenues for social security in 2009 and 2010 due to the economic crisis at EUR 21 billion. The "crisis deficit" represents approximately 65% of the deficit in 2009 and 75% of the deficit in 2010. So far, social protection schemes have officially considered as an automatic stabiliser during the economic crisis. The Government has decided: first, not to increase contribution rates or taxes used to finance social security (particularly the General Social Contribution – CSG – *Contribution Sociale Généralisée* which is also levied on capital income); second, not to finance social security's deficits via the budget; and, finally, it says that it does not intend to make significant cuts in social protection schemes.

2 Current Status, Reforms as well as the Political and Scientific Discourse during the previous Year

2.1 Pensions

2.1.1 Overview of the system's characteristics and reforms

The French pension system is characterised by a very high degree of occupational fragmentation.

The scheme that covers the largest population is the general private-sector pension scheme (the so-called *régime général*), which covers all wage-earners of the private sector (around 60% of the workforce). This first pillar provides basic defined-benefit pensions which are financed by social security contributions calculated as a percentage of gross wage (14,95% up to a certain ceiling and 1,7% without a ceiling in 2010)[1]. Benefits are calculated on the basis of the annual average wage of the 25 years of highest pay, of the duration of insurance as well as of a replacement rate which is itself dependent on the duration of insurance and on the age of the insured person (with a maximum rate of 50%). The minimum retirement age in the *régime général* is set at 60. However, since the 2003 Fillon reform, workers who have started to work before age 16 or age 17 and who have a long contribution record (42 years)[2] have the possibility to retire at age 58 and draw a full pension from the *régime général*.[3] While the duration of insurance required to get a full benefit was set at 40 years in 2008 (or 160 trimesters), the Government has decided – as part of the "*rendez-vous 2008*" planned by the 2003 Fillon reform[4] – to increase this duration each year by one trimester between 2009 and 2012 (See table 1).

Table 1: Duration of insurance required to get full pension

Year	Trimesters
2009	161
2010	162
2011	163
2012	164

In addition to this statutory scheme, wage-earners of the private sector must also become registered with a mandatory supplementary pension scheme (*régimes complémentaires obligatoires*). Since the *régimes complémentaires* were established by collective agreements, social partners have an exclusive responsibility for their day-to-day management. Like the *régime général*, these schemes operate on a pay-as-you-go basis. Contributions are paid to independent pension institutions which have to comply with rules set by two federations managed by the social partners. The first federation, *ARRCO*[5], regroups all the institutions which subsidise complementary retirement benefits for all employees. The second federation, *AGIRC*[6], supervises pension institutions which finance supplementary pension benefits for managers (the "*cadres*"). Thus, managers get different benefits and have to pay different

1 http://www.urssaf.fr/employeurs/baremes/baremes/taux_des_cotisations_du_regime_general_01.html.
2 For a more detailed description of the scheme, see ALBERT, Christophe, « 2004 à 2006, trois ans de retraite anticipée au régime général », Retraite et Société, 54, juin 2008, pp. 160-182.
3 This scheme is called "retraite anticipée pour longue carrière".
4 See PALIER, Bruno, NACZYK, Marek and MOREL, Nathalie, « Review of the National Strategy Report on Social Protection and Social Inclusion 2008-2010. France », October 2008.
5 Association des Régimes de Retraites Complémentaires.
6 Association Générale des Institutions de Retraites des Cadres.

contribution rates from other wage-earners. The supplementary schemes are so-called "point schemes." Participants in the schemes earn pension points based on their individual earnings as well as on a "price of the point"[7] in return for the contributions they pay into the system. The pension points are filed in the records of the pension manager during the participant's career and at retirement the supplementary pension benefit is calculated by multiplying the sum of the pension points by a "pension-point value"[8]. The value of the "price of the point" and the "pension-point value", both of which determine the level of the pension received, is regularly modified by the social partners, after taking into account changes in the overall economic and demographic situation. Since the beginning of the nineties, the social partners have decided to reduce the purchasing power of ARRCO/AGIRC benefits, by bringing about changes in the indexation of the "price of the point" and of the "pension-point value"[9]. In 1993, the social partners decided to index the "price of the point" to a much higher value than the wage inflation, while it had traditionally been indexed to that indicator. This means that the acquisition cost of ARRCO/AGIRC pension points is much higher for current workers than it was for previous cohorts. Moreover, the social partners decided to decrease the value of the point by indexing it to price inflation rather than to wage inflation. Between 2003 and 2008, the price of the point was indexed again to the evolution of the average wage, but the pension point value continued to be indexed to price inflation. On 23 March 2009, the current agreement governing ARRCO and AGIRC[10] has been prolonged until 31 December 2010. As a result of the agreement, the price of the point will continue to be indexed on wage inflation, while the value of the point will continue to be indexed on price inflation. Therefore, future pensioners will get a lower amount of benefits for the same amount of contribution paid.

Retirement age in ARRCO and AGIRC also remains unchanged as a result of this agreement. Traditionally, the retirement age at ARRCO and AGIRC has been set at 65. However, given that the statutory retirement age (i.e. in the *régime général*) was set at 60 in 1982, social partners negotiated the possibility of drawing a full supplementary pension at age 60. Since the 2003 Fillon reform introduced early retirement at age 58 for workers with full contribution records, the social partners have negotiated the possibility for workers to receive an ARRCO or an AGIRC pension without a cut in the benefit level, from the moment when the full statutory pension is drawn.

The principles regulating old-age pensions are different for other categories of workers. Farmers (3% of the workforce) and the self-employed (12%) also receive a defined-benefit basic pension, calculated on the basis of an annual average income (instead of an annual average wage). However, the first pillar in these schemes is much more heavily subsidised by the state budget than the *régime général*. Until recently, most of the self-employed did not draw pensions from a second pillar. The 2003 Fillon reform has altered this state of affairs: all

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7 See next footnote.

8 The pension benefit *P* is equal to the number of pension points acquired during the working period multiplied by the "pension point value" *PV*. Pension points are calculated by multiplying the reference wage *W* by the contribution rate *CR* and by dividing these two elements by a "price of the point" *PP* whose value is changed regularly by AGIRC and ARRCO. The full pension is obtained at age 60, but benefits can be drawn from age 55 by applying a "reduction coefficient" *RC*, which depends on the retirement age and the total contribution period. The benefit formula can thus be represented as follows:

$$P = \left(\Sigma \frac{(W * CR)}{PP} \right) * PV * RC(\text{age, contribution period})$$

9 See WILLARD Jean-Charles, « Pilotage des régimes en points : le cas de l'AGIRC et de l'ARRCO », Retraite et Société, n°56, 2008-4, pp. 194-201 and D'YVOIRE Arnaud « Une technique au service des partenaires sociaux : l'exemple de l'AGIRC et de l'ARRCO », Lettre de l'Observatoire des retraites, n° 14, March 2005.

10 i.e. the 13 November 2003 agreement. See http://www.agirc-arrco.fr/documentation/textes-agirc-et-arrco/.

the self-employed (including farmers) now have to pay additional social security contributions in order to receive a supplementary defined-contribution pension in the future.
The organisation of the pension system for public sector employees has traditionally differed considerably from private sector schemes, as generous retirement benefits have always been guaranteed by a single pillar. Each category of public sector employees (20% of the labour force) must join a specific pension plan. The degree of fragmentation along occupational lines is very high for these pension arrangements[11]. Although all pension arrangements have their own rules, they share significant characteristics. All of them are PAYG and offer defined-benefit pensions. Benefits are calculated on the basis of the wage earned during the last six months of the worker's career and the maximum replacement rate is fixed at 75%. Rights are acquired after a minimum contribution period of 15 years. While the length of insurance required to get full benefits is the same in civil servants' pension schemes as in the *régime général* (i.e. 162 trimesters in 2010), it continued to be lower for members of so-called *régimes spéciaux*[12] (154 trimesters in January 2010; 155 trimesters in July 2010[13]).

The specific architecture of the French pension system has not left much space for the development of fully-funded pension plans. As all statutory benefits are earnings-related, be they provided by a single pillar or by two different pillars, pensioners have been generally able to maintain their income status. The 2003 Fillon reform has tried to promote the creation of private pension arrangements, by introducing a legal framework which allows for the creation of individual savings plans which are intended exclusively for pension savings and are available to all individuals, particularly to wage-earners. Coverage by different funded pension schemes has been steadily growing in recent years[14]. According to the most recent available figures[15], individual retirement plans (*PERP*) covered approximately 2.05 million people on 31 December 2008 (compared to 1.88 million in 2006 and 2 million in 2007), while enterprise-level or industry-level voluntary pension schemes (*PERCO*) covered 444,000 people in 2008 (compared to 201,000 in 2006 and 334,000 people in 2007). Coverage by enterprise-level or industry-level mandatory defined-contribution (DC) pension schemes (art. 83) also increased to approx. 3.5 million workers (while approximately 2.7 to 2.8 million workers were covered by such schemes in 2006 and 3 million people in 2007).

Over the last few years, early retirement has become an important issue in French retirement policy[16]. Given its impact on the financing of the pension system, increasing labour market participation of the elderly has become a government priority. The 2009 bill on the financing of social security (*Loi de financement de la Sécurité Sociale - PLFSS- pour 2009*)[17] included a

11 Civil servants and the military get benefits from the *Régime des Agents de l'Etat*, local government employees from the *CNRACL,* while people such as miners, rail workers, electricity and gas employees who are employed in state-owned firms or by the state are members of *régimes spéciaux*. Most of these schemes are managed directly by the responsible firm or organisation, while some of them are managed by an independent pension fund (CNRACL, miners, Opéra de Paris, Comédie Française, seamen, etc.).

12 i.e. special pension schemes covering people who are employed in state-owned firms or by the state – e.g. miners, rail workers, electricity and gas employees, Comédie Française, Opéra de Paris, etc.

13 As a result of the 2007 reform of the *régimes spéciaux*, the length of insurance will increase by two trimesters every year until December 2012 and by one trimester every year from July 2013.

14 For a presentation of these different schemes, see PALIER, Bruno, NACZYK, Marek and MOREL, Nathalie, « Review of the National Strategy Report on Social Protection and Social Inclusion 2008-2010. France », October 2008, pp. 8-10.

15 AUBERT Patrick, BARTHELEMY Nadine, CHRISTEL Virginie, DUCOUDRE Bruno, LABORDE Charline, « Les retraités et les retraites en 2008 », Etudes et Résultats, Drees, n° 722, April 2010.

16 For a presentation of the different pathways to early retirement, see PALIER, Bruno, NACZYK, Marek and MOREL, Nathalie, « Review of the National Strategy Report on Social Protection and Social Inclusion 2008-2010. France », October 2008, pp. 5-8.

17 http://www.assemblee-nationale.fr/13/dossiers/plfss_2009.asp
http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000019942966.

number of measures aiming at promoting longer working lives: a) increase in the pension bonus rate – *surcote* – to 5%, b) lifting of restrictions to the accumulation of remunerated employment with pension for pensioners aged 65 or more as well as on pensioners aged 60 or more who draw a full pension); c) increase to 70 years (previously 65 years) in the age at which private-sector companies can send a worker to retirement without having to ask for his or her consent; d) in order to force companies to negotiate on older workers' employment, introduction of a 1% contribution on the wage bills of companies that will not have reached an agreement by 2010. The 2010 bill on the financing of social security (*Loi de financement de la Sécurité Sociale - PLFSS- pour 2010*)[18] confirmed the last measure and introduced the 1% contribution for all companies employing more than 50 workers that did not reach an agreement by 31 December 2009. By May 2010, 163 companies employing more than 300 workers which had not reached an agreement or which had not introduced an action plan on the issue had been forced to pay the penalty imposed by the state[19] [20].

2.1.2 Overview of debate/political discourse

Recent political debates on the evolution of the French pension system have centred around three main themes: the reform of pension bonuses offered to compensate women for maternity, the introduction of notional defined-contribution pensions and, finally, the introduction of parametric changes such as an increase in the statutory retirement age and an increase in the length of contribution required to get a full pension. A negotiation about a reform of statutory pension schemes is set to take place as from April 2010 and could lead to legislative changes in autumn 2010.

The autumn 2009 has been marked by a reform of family-related benefits in the *régime général*. This reform followed debates about this issue which took place in 2007 and 2008 and which resulted in the publication of a report by the COR (*Conseil d'Orientation des Retraites*) in December 2008 (See Annual Report 2009). All French pension schemes have traditionally offered pension bonuses to pensioners who have had children. Until its reform in autumn 2009, the *régime général* offered mothers a "length of insurance" bonus of up to two years per child (MDA - *majoration de durée d'assurance*). In the civil servants' schemes, women get a one-year length of insurance bonus for children born before 2004 if they stopped working for at least two years at birth. Finally, almost all schemes offer 10% pension bonuses for people who have had at least three children[21].

However, bonuses offered to compensate women for periods of maternity have been recently called into question on the ground that they discriminate against men. The revelation by the media[22] of the fact that the Highest Court (*Court of Cassation*) had decided in February 2009 to grant the *régime général*'s length of insurance bonus (MDA) to a male worker triggered a debate about a reform of the scheme and ultimately resulted in its reform in autumn 2009. The Court of Cassation motivated its decision on the grounds that article 14 of the European Convention on Human Rights stipulates that "the enjoyment of the rights and freedoms set forth in this Convention shall be secured without discrimination on any ground such as sex". The Government initially hesitated whether to reform the scheme in 2009 or in 2010 (as part

18 http://www.securite-sociale.fr/chiffres/lfss/lfss2010/lfss2010.htm.
19 Les Echos, « Seniors. Cent soixante-trois entreprises de plus de 300... ». 19 May 2010.
20 A list of all branch-level agreements is available on: http://www.travail-solidarite.gouv.fr/emploi-des-seniors,599/1242,1242/dossiers,1243/liste-actualisee-des-accords-de,8650.html.
21 For a general description, see http://www.observatoire-retraites.org/index.php?id=118.
22 La Tribune, 28 May 2009, "Les avantages familiaux sur la sellette"; Le Monde, 31 May 2009, "Retraite: les droits accordés aux mères menacés".

of a larger pension reform package – see below), but it became clear in August 2009 that a reform of the MDA would be included in the 2010 bill on the financing of social security (*Loi de Financement de la Securité Sociale 2010*). After negotiations with the social partners, the Government decided to split the two year bonus into two different parts. The first part, which offers a one-year length of insurance bonus for every child, is exclusively reserved for women, because it is explicitly linked to delivery[23]. The second part, which also grants a length of insurance bonus of one year, is to be divided between people (mother and father) who have actively taken part in the education of a child during the four years that followed its birth.

Keeping the link between the pension bonus for children and maternity (retained in the first part of the bonus) has been an explicit demand of part of the UMP[24] rank-and-file, who emphasise the need to preserve family values[25]. Moreover, all main stakeholders in the pension system– i.e. trade unions, MEDEF (France's main employers' association) and the powerful UNAF (National Union of Family Associations) – have been in favour of maintaining an element in the pension system that will compensate women for the disadvantages they face in the labour market[26]. During the legislative process, questions were raised by trade unions about two key issues. The first issue was the possible conflicts the allocation of the pension bonus might generate between parents[27]. The solution that has been finally adopted stipulates that parents will have to decide about the allocation of the pension bonus in the six months following the 4th birthday of the child. In case of a conflict, the national old-age insurance institution (*Caisse Nationale d'Assurance Vieillesse – CNAV*) will allocate the bonus to the parent who proves to have taken part in the child's education for the longest period of time. In case such a state of affairs is impossible to prove, the bonus will be divided equally between the two parents. The second problem unions raised during the legislative process had to do with whether the new length-of-insurance pension bonus would also be counted as part of the length-of-insurance requirements to get an early entitlement[28]. Although initially opposed to allowing this possibility, the Government finally conceded to the unions during the autumn[29].

The second major debate concerning the evolution of the pension system has revolved around plans to transform the current system into a notional-defined contribution (NDC) system. While the idea of replacing current pension schemes by a single NDC system had already been proposed in the past by right-wing politicians such as Alain Madelin or François Bayrou but also by Laurence Parisot, MEDEF's president[30], the issue gained momentum in 2008 after two French economists, Antoine Bozio and Thomas Piketty, who are generally considered to be close to left-wing political organisations, published on their own initiative a report in which they argue that the French pension system needs to be profoundly reformed[31]. In order to simplify a system they judged too complex, the authors proposed to replace all existing

23 See article L. 351-4 of the Social Security Code (Code de la Securite Sociale).

24 Right-wing political party, which currently commands a majority in the French Parliament and of which the French President is a member.

25 E.g. Les Echos, 14 August 2009, "Attention à ne pas démanteler la politique familiale".

26 Les Echos, 03 September 2009, "Retraites des mères : les partenaires sociaux esquissent une solution". Les Echos, 11 September 2009, "Retraites des mères : les positions se rapprochent".

27 Les Echos, 09 October 2009, "Retraites des mères: les syndicats veulent encore des aménagements".

28 Since 2003, workers who have started to work at age 16 or before and who have a full contribution record before the statutory retirement age, can retire at age 58.

29 Les Echos, 27 October 2009, "Retraites des mères: le gouvernement prêt a des concessions".

30 BICHOT Jacques, "Retraites: et pourquoi pas un régime unifié par points ?", Les Echos, 09 October 2007.

31 BOZIO Antoine and PIKETTY Thomas, « Pour un nouveau système de retraite. Des comptes individuels de cotisations financés par répartition », Paris, Editions Rue d'Ulm/Presses de l'Ecole Normale Supérieure, 2008.

schemes by a single NDC scheme for all workers (public sector, private sector and non-wage-earners). The upshot of the reform would be that the pension system would become much more transparent and that it would be better suited for a flexible labour market. The authors also emphasised the fact that such a system does not preclude redistribution, and that, on the contrary, it makes it more transparent and better targeted.

The NDC issue has been high on the political agenda during the last two years, and the fact that the *Conseil d'Orientation des Retraites* (COR) has been asked by MPs of the current majority[32] to assess the technical feasibility of the introduction of an NDC system has been a clear sign of it. After a series of meetings during which different notes were presented to the members of the COR[33], the COR has published a final report in January 2010[34].Given the fact that the COR is a non-partisan body and that its role is to feed the pension debate with as reliable information and data as possible, the COR's report cannot be considered as a blueprint for reform. The report includes some simulations realised by the National Old-Age Insurance Institution (CNAV and the National Institute of Statistics (INSEE which show that without an increase in the statutory retirement age (currently set at 60 years) replacement rates would drop for most workers. However, the report's main conclusion is that a move is technically feasible, but it would involve difficult political choices concerning the overall architecture of the pension system, the objectives that it should achieve in priority (financial sustainability, intergenerational equity or redistribution) and the mode of transition from the old system to a new system.

In fact, it has become clear over the last year that the current government is not interested in such radical overhaul of the pension system under the current legislature. The fact that a move to an NDC system is not a priority of the Government was first signalled in June 2009, when Nicolas Sarkozy announced his plan to reform the pension system in 2010 (by organising a "*rendez-vous des retraites 2010*") and mentioned the statutory retirement age and the length of insurance as parameters that would be examined. Sarkozy did not mention a move to an NDC system as a possible option for reform[35]. This lack of mention was particularly significant because the COR was due to start debating about the NDC system on June 30th, i.e. one week after Sarkozy's announcement[36]. The will to introduce an NDC system lost momentum during the year. A note presented by the general secretariat of the COR in December 2009 underlined the technical and legal complexity of the move. One of the main problems is how to take into account elements of solidarity that exist in current schemes (e.g. how to take into account periods of unemployment, sickness and maternity, all of which vary from one scheme to another). The note emphasised that taking into account these elements would require important changes in existing rules with the risk for the Government of incurring supplementary costs[37]. Officials working within the executive declared to the press that "apart from its complexity, such a reform will not solve the problem of the deficit"[38]. A move to NDC in the very near future was officially excluded by the Government in January 2010, after Xavier Darcos, the Minister for Social Affairs, declared that such a reform would not solve the main issue the French pension system faces, i.e. the employment rate of elderly

32 Les Echos, "Retraites: des pistes de réforme face à un déficit qui explose", 21 January 2009.
33 http://www.cor-retraites.fr/rubrique2.html.
34 http://www.cor-retraites.fr/article363.htm.
35 La Tribune, "Retraites : "2010 sera un rendez-vous capital, tout sera mis sur la table"", 23 June 2009.
36 Les Echos, "Le Conseil d'orientation lance le débat sur la retraite par points", 30 June 2009.
37 http://www.cor-retraites.fr/article360.html.
38 Les Echos, "Retraites : le régime par points ne fait pas recette", 16 December 2009.

workers[39] and after François Fillon declared that such a systemic reform was "a utopia" and "the best way to do nothing"[40].

The third major debate which has been taking place in France during the past year concerns the introduction of parametric changes in the statutory schemes, in order to curb future deficits. In June 2009, Nicolas Sarkozy announced that the current right-wing government would seek to reform statutory pension schemes in 2010 and that three main parameters would be taken into account : the length of insurance needed to get a full pension, the statutory retirement age and the rules concerning "hard working conditions" (*pénibilité du travail*). However, the detailed measures that are going to be taken are to be negotiated between April 2010 and July 2010. A legislative text should be submitted to Parliament in September 2010[41]. The official negotiation has been preceded by the publication of renewed projections by the COR on 14 April 2010. These projections, which take into account the impact of the crisis, show that the cumulated sum of annual borrowing requirements for the pension system will add up to between 77% and 118% of GDP by 2050.

So far, there is no consensus among the different actors involved in pension policy about which measures could be taken. Since Sarkozy's speech in June 2009, the signals sent by the Government concerning the concrete measures it is ready to take have been unclear. The official objective of the Government is to increase employment rates among the elderly[42]. The Government does not exclude an increase in the statutory retirement age (currently set at 60 years), but it also mentions the possibility to increase the length of insurance required to get a full pension (which should reach 41 years in 2012). The Government is supported in these aims by MEDEF, France's main employers' association, which already pushed for an increase in the retirement age during the 2009 AGIRC-ARRCO negotiation (see Annual Report 2009). However, apart from the CFE-CGC trade union which represents managers and engineers (the *cadres*), all unions unequivocally oppose a rise in the retirement age. Unions argue that the Government cannot raise the retirement age or increase the length of insurance, if it does not offer the guarantee that elderly workers will be able to work longer in their current jobs or that they will be able to find new jobs, if they are unemployed. Consensus is also unlikely to emerge with the main opposition party, the Socialist Party (*PS – Parti Socialiste*) which is split on the issue whether the retirement age should be increased[43].

Two other issues are set to be raised during the 2010 negotiation : the introduction of possible retirement compensations for "hard working conditions" and the parameters that define the benefit formula in civil servants' and public-sector workers' schemes. In the last years, trade unions have been asking for the creation of early retirement schemes that would be financed by the companies employing workers in hard working conditions. The social partners conducted difficult negotiations on "hard working conditions" (*pénibilité du travail*) since 2005, but these broke down in July 2008. The Government might use the issue to try to persuade unions to accept an increase in the retirement age. The Government has also announced it was considering changing parameters in the benefit formula of civil servants and public-sector workers. Currently, the pensions of these occupational categories are calculated on the basis of the wages they earned during last six months of their career (compared to the "best 25 years" in the private-sector scheme). Such a change is strongly opposed by public-sector unions.

39 Les Echos, « Xavier Darcos écarte une reforme "systémique" », 27 January 2010.

40 Le Figaro, François Fillon : « Nous sommes déterminés à faire des efforts sans précédent », 30 January 2010.

41 Le Monde, "Retraites : début d'une réforme à haut risque", 13 April 2010.

42 Le Monde, "Retraites : le gouvernement privilégie l'allongement de la durée du travail", 14 January 2010.

43 Les Echos, "Martine Aubry fait machine arrière sur l'âge légal", 27 January 2010.

2.1.3 Impact assessment

The debate concerning a reform of the French pension system has been used as an opportunity to ask the COR to produce new projections on the evolution of the mid-term and long-term financial situation of the pension system. These simulations have deliberately been trying to take into account the effects of the financial and economic crisis on the pension system. The report is based on the same demographic[44] and the same legal assumptions as the November 2007 projections[45]. This means that the COR projections do not take into account the effects of possible changes introduced in the pension system in 2010. However, the COR has changed its economic assumptions and has retained three different scenarios, which differ from each other on two variables, i.e. unemployment rates and productivity growth rates. In the "A" scenario, the long-term unemployment rate reaches 4,5% and productivity growth rate is set at 1,8%. In the "B" scenario, unemployment rates also reach 4,5%, but labour's productivity growth rate is set at 1,5%. Finally, in the "C" scenario, the long-term unemployment rate is set at 7% and the trend for labour's productivity growth is set at 1,5%. These three scenarios have been chosen "to illustrate the uncertainties that currently exist on the long-term perspectives of the economy after the crisis"[46].

The COR's mid-term projections show that the borrowing needs of the French pension system (*besoin du financement du système*) will reach 1,7% of GDP in 2020 ("A" scenario), 1,9% ("B" scenario) or 2,1% ("C" scenario). This is a significant increase compared to COR's 2007 projections which predicted that the annual borrowing needs of the system would reach 1% of GDP in 2020. The largest part in the degradation of the financial situation of the French system is to occur in 2009 and 2010, because the estimated deficit of the French pension system is to reach 1,7% of GDP (EUR 32 billion) in 2010. According to COR, this situation is largely explained by a drop in employment rates, and as a result by the income perceived by pension schemes.

The COR's long-term projections now show that the borrowing needs will reach 1,7% of GDP in 2050 (i.e. EUR 72 billion) if the crisis has no long-term effects on growth and unemployment rates ("A" scenario). This results corresponds to the COR's 2007 projections. However, if the crisis is assumed to have a long term effect on these two variables, the annual borrowing needs of the French pension system will reach either 2,7% of GDP in 2050 (i.e. EUR 103 billion - "B" scenario) or 3% (i.e. EUR 103 billion - "C" scenario). These results are based on the assumption that the "rate-of-return" in the AGIRC-ARRCO supplementary schemes (See section 2.1.4 for more information about the "rate-of-return" in these schemes) will remain constant. However, if the rate-of-return is assumed to decrease, the borrowing needs of the whole French pension system will be lower: 1% of GDP in the "A" scenario, 2% of GDP in the "B" scenario or 2,3% in the "C" scenario. However, a lower "rate-of-return" in these schemes also means lower benefit levels, which affects the adequacy of pensions.

While the COR's 2007 report also included projections about the evolution of replacement rates for standard private-sector workers (See Annual Report 2009), the 2010 report does not include new estimations of replacement rates. However, the report provides an indicator of the evolution of the relative purchasing power of old-age pensions compared to that of the average wages in the economy. According to COR, if one chooses the year 2008 as a

[44] Demographic assumptions are based on INSEE's (National Institute of Statistics) most recent demographic projections which date back to 2006.

[45] CONSEIL D'ORIENTATION DES RETRAITES, "Retraites : 20 fiches d'actualisation pour le rendez-vous de 2008", *Cinquième rapport*, November 2007 (see: http://www.cor-retraites.fr/article321.html).

[46] CONSEIL D'ORIENTATION DES RETRAITES, "Retraites: perspectives actualisées à moyen et long terme en vue du rendez-vous de 2010", Huitième rapport, April 2010 (see: http://www.cor-retraites.fr/article368.html).

reference point (base 100), the ratio between the average net pension and the average net wage will decline by 6% ("A" scenario), 4% ("B" scenario) and 3% ("C" scenario) in 2020. In the long run (year 2050), the purchasing power of pensions relative to wages might decline by 23% ("A" scenario), 16% ("B" scenario), 15% ("C" scenario), assuming that the AGIRC-ARRCO "rate-of-return" will remain constant. If this rate-of-return diminishes, the ratio might even decline by 29% ("A" scenario), 21% ("B" scenario) or 20% ("C" scenario). These figures show that the purchasing power of pensions relative to wages is set to decline in the future. The figures also show the crucial influence of the AGIRC-ARRCO pensions on the income of pensioners. Changes in the rate-of-return in these schemes – which are determined by the indexation of pensions – may have a strong effect on the income of future pensioners.

While labour market participation of the elderly has become one of the main issues French policy-makers have to deal with in order to improve the financial sustainability of the pension system, the impact of measures taken in 2009 and 2010 to promote longer working lives cannot be assessed at the moment. However, recent research has continued to evaluate the effects of the 2003 Fillon reform which included measures both aiming at the promotion of longer working lives (*surcote* – pension bonus for deferred retirement, *cumul emploi-retraite*, *retraite progressive* – progressive retirement) and an early retirement scheme for workers with long careers (*retraite anticipée pour longue carrière*). In 2008[47], a study had shown that the *surcote* (pension bonus for deferred retirement) had almost no impact on the behaviour of workers, since it had attracted only 5% of wage-earners in 2005, 6% in 2006 and 7,6% in 2007, while, before the introduction of the *surcote*, 7% of the insured decided to work after they had already reached the required length of contribution required to get a full pension. The most recent data suggests that the *surcote* starts to attract more workers, since 9% of workers decided to retire with a *surcote* in 2008[48]. However, it must also be noted that the proportion of workers retiring with a decrease in the level of the pension (*décote*), if the worker retires before having reached the statutory retirement age or the length of insurance required to get a full pension) has increased from 5% in 2005 to 6% in 2008[49]. The high take-up rate in the early retirement scheme for long careers (*retraite anticipée pour longue carrière*) also continues to have a negative impact on the age at which people decide to receive their pension from statutory schemes (*âge de la liquidation de la pension*). While workers took up their statutory pension at age 61.9 in 2003, this figure has gone down to 61.3 in 2005 and 61.1 in 2006 and 2007[50].

2.1.4 Critical assessment of reforms, discussions and research carried out

The financial sustainability of the French pension system is now clearly at the centre of the political agenda. Because it is based to a very large extent on the PAYG mode of financing, the French pension system had been relatively spared by the financial crisis. The most remarkable effect of the financial crisis was that the assets of the reserve funds have dropped: the *Fond de Réserve des Retraites*, the state-run buffer fund posted a -24,9% loss in its assets in 2008, but in 2009 the assets increased by 15%. The reserve funds of the AGIRC and ARRCO supplementary schemes have also been affected, but the social partners have not provided the information about the evolution of these assets in 2009. Despite being relatively

47 ALBERT, Christophe, GRAVE, Nathanaël, OLIVEAU, Jean-Baptiste, « Surcote : les raisons d'un échec relatif », *Retraite et Société*, 54, juin 2008, pp. EUR 33-63.

48 AUBERT Patrick, BARTHELEMY Nadine, CHRISTEL Virginie, DUCOUDRE Bruno, LABORDE Charline, « Les retraités et les retraites en 2008 », *Études et Résultats*, Drees, n° 722, April 2010.

49 AUBERT Patrick, BARTHELEMY Nadine, CHRISTEL Virginie, DUCOUDRE Bruno, LABORDE Charline, « Les retraités et les retraites en 2008 », *Études et Résultats*, Drees, n° 722, April 2010.

50 http://www.securite-sociale.fr/chiffres/lfss/lfss2010/2010_plfss_pqe/2010_plfss_pqe_retraite_4_3.pdf.

spared by the financial crisis, the French pension system is not spared by the economic crisis that has resulted from the financial crisis. As a result of lower growth and higher unemployment, the deficits of the social insurance schemes have all increased. Another noticeable effect of the economic crisis is the fact that the debt has shot up. While debt represented 63,8% of GDP in 2007, it reached 75,8% in the third quarter of 2009 (INSEE data). The debt will increase further, because the French Government has decided to use its good credibility on financial markets to take out a "great loan" (*grand emprunt*) in order to boost investment in public infrastructure, higher education and new technologies. The scale of the deficits and that of the debt, but also the uncertainty about the speed and the extent of the expected economic recovery have contributed to a dramatisation of the financial situation of the French pension system and have prompted the Government to start a debate about a possible reform of the pension system in 2010.

Over the last two years, the Government has been trying to focus the debate on one of the main challenges in the French pension system face, i.e. the labour market participation of the elderly. Increasing elderly workers' employment rates is indeed vital to ensure the financial sustainability of the system. The employment rate of those aged 55-64 reached 38,3% in 2008[51]. This is way below the 50% Lisbon target. A set of measures tightening eligibility to early retirement schemes and providing incentives for postponing retirement has been taken in the 2009 bill on the financing of social security (LFSS 2009 - see part 2.1.1). The 2010 bill on the financing of social security (LFSS 2010) did not include new measures aimed at tackling early retirement of elderly workers, but it has underlined the will of the Government to implement the measures voted in the 2009 bill (LFSS 2009), particularly the introduction of a 1% contribution on the wage bills of companies that will not have reached an agreement on the employment of elderly workers by 2010. It is too early to assess the impact these measures will have on elderly workers' employment rates, but given the deteriorated situation in the labour market it is quite unlikely that the 50% Lisbon target will be reached in the near future.

Labour market participation of the elderly is also at the centre of the debate about a 2010 pension reform. An increase in the length of insurance required to get a full pension or an increase in the retirement age are seen as possible incentives for workers to work longer. Despite there being a controversy about the impact of an increase in the statutory retirement age (See Annual Report 2009), it would seem that such an increase could have a more potent effect on the labour market participation of the elderly than an increase in the length of insurance. While an increase in the length of insurance only has an influence on the supply of labour – because workers may indeed want to work longer in order to get an adequate pension level – an increase in the statutory retirement age may also have an impact on the demand of labour. If the retirement age is set at 60 years, employers know there is a risk that their workers will want to retire at that age and may as a result stop investing in the skills of elderly workers well before that age. An increase in the retirement age may have a cognitive impact on employers and send them a signal that workers aged 55 or more are still valuable resources and that investing in their human capital can still be beneficial for the company. An indicator of the possible need to increase the retirement age is the difference between the employment rate of workers aged 55-59 (56,3% in 2008) and those aged 60-64 (16,3% in 2008)[52]. There is clearly a gap between the two figures, which would seem to suggest that the current statutory retirement age (60 years) does contribute to a lower labour market participation of workers aged 60-64.

[51] http://www.insee.fr/fr/themes/tableau.asp?reg_id=98&ref_id=CMPTEF03135.

[52] http://www.securite-sociale.fr/chiffres/lfss/lfss2010/2010_plfss_pqe/2010_plfss_pqe_retraite_4_1.pdf.

However, technical changes in the statutory retirement age or in the length of contribution may still prove insufficient to boost elderly workers' employment rates. A crucial condition for the success of the strategy towards active elderly workers lies in the improvement of the working conditions of elderly workers. The working environments should be improved to meet the specific physical and psychological needs of workers who are reaching the end of their career. Moreover, more should be done on the investment in the skills of elderly workers. These issues are currently underestimated in the debate about pension reform.

If the measures that are likely to be taken this year do not have a significant impact on the labour market prospects of elderly workers, their consequence might be that the level of future pensioners' benefits will decrease and thus the adequacy of pensions will worsen. So far, the 2007 COR's projections of future replacement rates predicted a relatively limited drop for standard workers (assumed to have a full contributory record of 40 years) in the *régime général*[53] and more serious drops in the ARRCO and AGIRC schemes. However, the assumption according to which future pensioners will have a 40 year contribution record at retirement (and even a higher one with the gradual increase in the length of insurance required to get a full pension) seems relatively unrealistic for the growing proportion of workers who enter the labour market relatively late or are employed under temporary contracts, especially if the retirement age is kept at age 60. Providing simulations of replacement rates for these groups of workers – particularly women and younger age cohorts who have much more flexible career patterns than average production workers – would certainly help develop a better strategy to ensure the adequacy of pensions for them, be it based on changes in the parameters of the pension system or on labour market reforms.

Strangely enough, the necessity to pay more attention to the link between workers' status in the labour market and their status in terms of social protection seems also to be absent from the debate about the possibility to introduce the NDC technique into the French pension system. While such a reform would indeed bring a very well needed simplification of the French pension system, it is questionable whether in the long term an NDC will prove the right solution for providing workers with adequate incomes in retirement. In a context in which an increasing number of workers are employed in non-standard working arrangements and have to experience many spells of unemployment, it becomes increasingly difficult for a large part of the workforce to contribute to the pension system and even to benefit from non-contributory periods. Even if pensioners could get 'free' contributions for non-contributory periods such as unemployment, maternity, etc. – as suggested by Bozio and Piketty -, a large proportion of the workforce – which arguably is the one that is most needy – might end up not benefiting from such redistributive elements. For instance, workers employed on fixed-term contracts who experience many spells of unemployment often fail to qualify for unemployment benefits and as a result decide not to become registered as unemployed. If the issue of adequacy is to be taken seriously in the French pension reform debate, more attention should be paid to the issue of the link between labour market status and status in terms of social protection.

[53] According to the COR's 2007 projections, the net replacement ratio will decline from about 83,6% (55,9% from *régime général* and 27,6% from ARRCO) for a standard worker retiring in 2003 to about 76,8% (51,8% from *régime général* and 25% from ARRCO) in 2020 and 73,5% in 2050, assuming a more generous indexation in AGIRC and ARRCO than the one introduced by the social partners in the mid-nineties (See Annual Report 2009 for more details). In case the unfavourable indexation mechanisms in ARRCO were to be maintained, the net replacement ratio would decline to about 75,6% (51,8% from *régime général* and 23,8% from ARRCO) in 2020 and 64,4% in 2050 (50,1% from *régime général* and 14,3% from ARRCO).

2.2 Health

2.2.1 Overview of the system's characteristics and reforms

System characteristics[54]

In France, the supply of health care is partially private (primary or ambulatory health care, certain hospitals or clinics – around 20% of the beds), and partially public (80% of hospital beds, but very few primary health care centres). It guarantees the patient's free choice of doctor, as well as the status of the liberal practice of medicine. In France, ambulatory care includes both general practitioners and specialists. 49% of the doctors in the ambulatory care sector are specialists. The compartmentalisation between ambulatory and hospital medicine is very marked, with the risks of a lack of coordination, of redundancy or even of contradictions in treatment. The number of hospital beds remains high in France (7.1 hospital beds per 1,000 inhabitants and 3.6 beds for acute cases in 2007)[55].

Expenses are mainly assumed by the different health insurance funds and financed by social contributions and a specific tax, CSG (*Contribution Sociale Généralisée*). It is financed by 19 basic sickness insurance funds, among which the CNAMTS (*Caisse Nationale d'Assurance Maladie des Travailleurs Salariés* - National Sickness Insurance Fund for the Salaried Workers) is the most important one covering 80% of the population. Basic sickness insurance funds are compulsory but do not cover all the costs, and are thus complemented by mutual health insurances, private and facultative (85% of the French population has one).

To qualify for sickness insurance, the insured person must have worked a minimum number of hours in salaried employment during the period preceding the treatment. Each individual is supposed to be registered to the health insurance fund corresponding to his occupation. The coverage has been extended in 1999 to everybody by the creation of the CMU (*Couverture Maladie Universelle* – Universal Sickness Coverage), an income-tested health insurance. Sickness insurance covers the insured and his/her dependants (*ayants-droits*: spouse or common-law husband or wife, and children under 16, or 20 if they are still in full-time education or are disabled).

Cash benefits (*prestations en espèces* or *indemnités journalières*) are intended to compensate for loss of earnings because of inability to work due to sickness. They are paid as from the third day of sick leave (*délai de carence*) for a maximum period of three years. The *régime général*'s sickness cash benefits amounts to 50% of employees' gross wages up to a 'ceiling', and are regularly uprated (EUR 2,885 per month in January 2010). The level of wage replacement is supplemented either by the employers (depending on the result of collective bargaining) or by the complementary schemes (mainly *Mutuelles*).

Benefits in kind (*prestations en nature*) are delivered by the sickness insurance schemes through reimbursement for medical and pharmaceutical expenses, dental treatment, dentures, artificial limbs and so forth, and directly for hospital expenses. In ambulatory health care, provision is delivered on the basis of fee-for-service (*paiement à l'acte*). The fees for medical care and treatment are decided through agreement negotiated between the social security agencies (or funds) and medical practitioners' professional organisations.

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54 This presentation of the system's characteristics is based on: Jean-Jacques Dupeyroux, Michel Borgetto, Robert Lafore, 2009, "Droit de la sécurité sociale" Paris, Dalloz-Sirey - Collection Precis dalloz (16th edition) and Bruno Palier, 2010, *La réforme des systèmes de santé*, Paris, PUF, Collection Que sais-je? (fifth edition).

55 (Source: OECD, Health data, 2009).

For medical and pharmaceutical expenses, the insured person initially settles the bill out of his/her pocket and is then partly reimbursed. Medical care and treatment are reimbursed at up to 65% of the charge in average. The remainder (co-payment), known as the *ticket modérateur*, varies between 20% and 60% of the total expense; it has to be paid by the patient. This system is supposed to encourage people to moderate their demands. However, complementary insurance *(Mutuelles)* very often reimburses the cost of the *ticket modérateur*. Today, 85% of people pay for a complementary health care insurance. A further 7% of the French population gets an income tested free complementary insurance (*Couverture Maladie Universelle Complémentaire*).

When in-patient care is required, the insured person pays a daily fixed amount to cover the cost of food and accommodation (*forfait hospitalier* = EUR 18 per day in 2010). Since 2008, public hospitals receive funding based on their activity (*tarification à l'activité*) from the Regional Hospital Agencies (*Agence Régionale de l'Hospitalisation)* and *the Sécurité sociale* to cover their medical expenses.

Reforms

Since the beginning of the 1970s, in France, health care expenditures have increased much faster than the economy grew. The first main response to this trend has not been retrenchment, but has long been to increase social contribution paid to health insurance funds. By the mid 1980s, increasing the social contribution appeared an economic dead end, and attempts were made to limit the growth of health insurance expenditure and to reduce the deficits of the health insurance funds. Cost containment policies in the French health insurance system have two main aspects: the introduction of a capped budget for health expenditures and a decrease in health risk coverage.

In the 1980s conventional negotiations between the Government and medical professions took place, the Minister for Social Affairs tried to impose a 'global volume envelope' in order to try to link the growth of expenditure in ambulatory care to economic growth. This goal was accepted by the Sickness insurance fund (CNAMTS) which then negotiated with the medical unions in exchange for the creation of the so-called "sector 2" (*secteur 2*). Doctors in this sector are able to charge higher fees than those reimbursed by the sickness funds (on "over-billing", see next sections), the difference being paid directly by the patient. But only one medical union accepted this system. The biggest union was clearly against it. Because of this opposition, the global volume envelope was never implemented. In 1983 a global budget for hospitals was introduced in an attempt to control costs in this sector.

After the 1988 presidential election the new government, headed by Michel Rocard, wanted to negotiate regulation. This strategy also corresponded to a reorientation of regulation away from a financial to a medicalised logic, based on the medical evaluation of therapeutic activities. It was only introduced in the new convention signed in October 1993. An objective of cost growth was fixed (3,4%), as were "medical references". If a doctor did not conform with these therapeutic norms he could be penalised. But these changes were limited. The main point is that doctors could not be penalised automatically if the aimed fixed rate was overshot.

The limited effects of such negotiated cost containment policies in France explain the introduction of a capped budget for all health insurance expenditures in the 1996 reform (*plan Juppé*) which imposed an annual vote on national health spending objectives (ONDAM – *Objectif National de Dépenses d'Assurances Maladie* – National Target for Sickness Insurance Expenditures) on every sector of the health insurance system (ambulatory and hospital care).

Meanwhile, the public coverage of health expenditures has decreased between 1980 and 2010, from 79,4% to 76% in general, but more specifically on ambulatory care expenditure (see below), because of the reduction of reimbursement rates for patients and of the creation of direct patient co-payments for health care services (creation of the hospital flat rate co-payment in 1982, increases in patients' co-payment for medical consultation, drugs and medical analysis). The 2004 reform again raised the co-payment for patients: it planned to increase the hospital fee by EUR 1 per year until 2007. It has been increased again in 2010, up to EUR 18 per day. The 2004 reform also introduced a new EUR 1 co-payment for medical consultation (called *franchise* because it cannot be reimbursed by the Mutual insurances), and it implemented de-reimbursement of drugs. Unless you are under acute care (and then almost fully covered), the level of patient co-payment was raised to 30% for medical consultation, to 40% for drugs and to 20% for hospitalisation. In 2008, new *franchises* have been created on drugs (EUR 0.50 per box), biological exams and transportation (EUR 2 per act and per transport).

If patients have to pay more out of their pocket, doctors have benefitted from increase in the value of their fees. In 2002, France's general practitioners (GPs) actually went on strike for higher fees (EUR 20 per consultation). The raising of the fees was accepted by the new Minister for Health, at a time when the deficit of the health insurance system was already growing! Since then, the fees for doctors have been regularly increased, to reach the level of EUR 23 per consultation for generalists in 2010, and EUR 27 for the specialists in 2010. The most recent example being that in 2010, a strike has been organised by the general practitioners, who then obtained the most recent increase of their fees (from EUR 22 to EUR 23).

Beyond trying to control costs, the governments have also tried to reorganise the French health care system. In 2004 a new law on health insurance was voted by the French Parliament in a context of a huge deficit of the health insurance system (EUR 10.6 billion in 2003, EUR 11.6 billion in 2004; EUR 8.3 billion expected for 2005). This reform embodied no new constraint for doctors (for their activity, for prescriptions or for installation) and gave specialists the right to get higher fees when patients consult them directly, without being addressed by a GP. The main effort was again being asked from patients, in the form of raising co-payments and taxes, and asking them to choose a *médecin traitan*" (regular treating Doctor) and see him/her first before doing anything else.

In France the 1996 reform made it possible for GPs to act as gatekeepers for patients who agree to contract with them (*médecins référents*). However this system was replaced by another (*médecin traitant*) in 2004, geared to making GPs the "drivers" of patients in the health system. All French insured persons now have to choose their *médecin traitant* (it is usually a GP, but it can be a specialist). It will cost them more if they consult a specialist directly without being addressed by their main GP. In 2010, the health insurance funds was only reimbursing 30% of the consultation fees when the visit to doctor was not authorised by the *médecin traitant*.

In the hospital sector, one sees trends of managerialisation of the hospital sector and the creation of new State agencies. In France this managerialisation process began with the 1991 law. The purpose of the law was to make hospital regulation take into account the real activity of hospitals (importing into France the "Diagnosis Related Group" method from the US). With this reform each hospital's budget was to depend upon an evaluation of its activity and its prospective development, both to be negotiated with the State. Since the beginning of the 1990s, two new tools for evaluation have been introduced: the "Programme of Medicalised Information Systems" (geared to evaluating the activity of each hospital and to introducing payment systems based on diagnosis related groups) and "Medical References" for

ambulatory care (containing therapeutic norms and norms for prescription). The 1996 reform further promoted and generalised the evaluation of therapies in the health insurance system with the creation of a National Agency for Accreditation and Evaluation in Health (ANAES), recently incorporated within the new top authority on health (*Haute Autorité en Santé*) created in 2004. Regional hospital agencies (*Agences Régionales d'Hospitalisation*) have also been created to distribute budgets between hospitals, based on an evaluation of the performance of every hospital. These agencies also have the right to close inefficient hospitals after an accreditation enquiry.

The law entitled *Hôpital, patients, santé, territoires* (Hospital, patients, health and territories - HPST), presented by the Government at the end of 2008 and was finally adopted in July 2009 is a continuation of this decentralisation and regionalisation trend, as well as managerialisaiton of hospital trends. This law lead to the creation of Regional Health Authorities (*Agences Régionales de Ssanté*) as of 1 April 2010, in charge of directing and coordinating health policies at the regional level, and to give more power to the hospital directors (this latter point being fiercely criticised by the medical profession, and being progressively amended by the Government during parliamentary debates). The idea is to reenforce the power of the hospital director, in order to better support a coherent policy and a better articulation between the various establishments (public and private) on the same territory. In the same direction, Regional Health Autorities (A*gences Régionales de Santé*) have been created to be in charge of the health policy at the regional level. They should coordinate and improve prevention policy; they should control and improve the territorial distribution of health professionals and try to better articulate ambulatory care and hospital. They would also be in charge of the control of the quality of health care by collecting data on health and by improving professional practices. Brought under the authority of a new pilot of health policies to the regional level (with the image of a "prefect" of health), joining together various local administrations, the objective is to set up a true coherent policy of health at regional level, including guaranteeing equal access to health care, a better effectiveness of the expenditure or a better distribution of professionals on the territory. It took a long time to adopt this law because of the various protests by the medical profession, especially opposed to the attempt at restricting their freedom of settlement, or to the empowerment of hospital directors (who are not doctors but civil servants).

In June 2009, the main health insurance fund (CNAMTS), for its part, has proposed an important new modality of pay for GPs, with the establishment of the contract for improvement of individual practices (CAPI), adopted in late 2009 by one third of doctors concerned. The contract is supposed to promote premium payment based on performance. In this frame GPs are being rewarded with a bonus of up to EUR 7 per patient if they achieve the objectives set in an agreement in compliance with following recommendations formulated by the High Authority for Health: Vaccination against influenza for persons of more than 65 years, screening breast cancer for women over 50 years, increased generic prescriptions and better monitoring of chronic diseases (diabetes and hypertension).

2.2.2 Overview of debates/political discourse

The main debate on the French health care system has been around the new law on *Hôpital, patients, santé, territoire*. In 2007 and early 2008, debates (within EGOS, *Etats généraux de l'Organisation de la Santé*) have been organised to prepare this new structural reform that was presented at Parliament in February 2009. Most of 2009 was spent in discussing the legislation in Parliament, where a lot of amendments have been proposed under the pressure of French doctors. As a consequences of these pressures, attempts at better regulating doctors'

settlement in France (in order to fight inequalities of access) has been blocked, as well as the empowerment of hospital directors or the supervisory board (*conseil de surveillance*).

As stated in a recent report produced by IRDES for the Health Policy Monitor[56]: "The major issue which created a lot of conflict was the distribution of power between health insurance funds and new Regional Health Authorities (ARS). Until now the national and regional health insurance funds were the only interlocutor/actors in negotiating with physicians and defining the politics of care provision in the ambulatory sector. With the fear of losing ground and power, they did everything to limit the power given to the *Agences Régionales de Santé*, but have not been successful".

The IRDES continues in summarising the positions of the various actors in the debate:

"Physicians: Reactions by physicians have differed; those working in public hospitals and in the ambulatory sector have reacted with a rare vehemence to this law. There were many demonstrations before and during the debate in Parliament. Hospital physicians feared mainly that they will lose their managerial power in hospitals with new management rules and in a more competitive environment where they may lose their advantages. Ironically the physicians in private clinics and famous surgeons joined the movement when the amendment was voted for controlling extra fees for patients in private clinics. They have been successful in lobbying to remove this amendment. Ambulatory care doctors on the other hand were of course fiercely against the idea of imposing limits to the physicians' liberty of installation".

"Patient associations: Initially supporting the law, patient associations were extremely disappointed by the modifications made under pressure by the medical profession. In particular concerning the chapter on access to care, patients are the losers of the legislative process. The major patient association has published an open letter to the parliamentarians ("Letter to the parliamentarians who stopped representing us") deploring the refusal of several amendments:

- The refusal to take any official measures to detect and sanction doctors who refuse to treat patients with CMU coverage,
- The refusal to control overbilling in private clinics,
- The refusal to introduce more strict measures to force doctors in ambulatory-care to improve after-hour care."

The way the French Government has dealt with the swine flue has also lead to an important public debate in France. The minister has been fiercely criticised for having bought way too many vaccines (95 million) when only 5 million shots have been realised.

The annual report of the *Cour des comptes* (Public Financial Auditing Court) on the French social protection system[57] was in 2009 focused on the hospital sector. As every year it underlined the recurrent problem of the deficit of the *Sécurité sociale* (EUR 1.4 billion for health insurance) due to an increase of 3,5% in health expenditure in 2008, despite an increase in resources. The accumulated deficits are amounting to an increasing debt which is more and more costly to reimburse. As for hospital, the Court criticises the disparities in hospital management's result, the lack of efficiency in the management of certain hospitals. The report expressed the hope that future reforms will help improve the management of hospitals into poles, as well as the diffusion of good practices. It also criticises the complexity and opacity

[56] http://www.hpm.org/en/Surveys/IRDES_-_France/14/Update_on_new_regional_health_governance.html;jsessionid=4675F73701BFC05FAC126E0710083883

[57] http://www.ccomptes.fr/.

of the implementation of the tariff system based on hospital activity (*Tarification à l'activité)* in France.

2.2.3 Impact assessment

The last report of the *Commission des comptes de la Sécurité sociale* (Commission on Social Security Accounts) published in September 2009 states that the deficit of the compulsory health insurance has been: EUR -5.9 billion in 2006, EUR -4.6 billion in 2007, and EUR -4.2 billion in 2008. The deficit should be more important in 2009 because of the economic slow down and because of the swine flue. There is however no data produced so far on final accounts for 2009. First trends for 2010 show a deep increase in health expenditure: + 4,1% during the first trimester, when they are supposed to grow only by 3%.

Next to future financial problems to come, inequalities in health are still also a major problem for the French health care system. France has a very high social gradient in health. As a study published by the French institute for statistics (INSEE) in 2005 has shown, life expectancy at the age of 35 years is 7 years higher for male white-collar employees (*cadre*s) than for male blue-collar workers. If this gap is lower and stable among women, it has increased among men over the last 15 years[58]. Recent research confirms these data. As explained below, this research identifies the organisation of the health care system and its reforms as one of the cause of inequalities in health[59].

This increase can partly be explained by the health care financial reforms. In order to ensure the financial viability of the system, all governments since the 1990s have decided to limit and diminish the re-imbursement guaranteed by compulsory health insurance, thus leaving more costs to be covered by French patients. This has given a growing importance to out-of-pocket payments, which are partly covered by the voluntary/complementary health insurances. As shown by IRDES, complementary health insurance covers 12,9% of the expenditure, and 9,1% of the costs remain to be paid by the insured. However, only 84,9% of the French population are covered by a complementary scheme, 7,4% are covered by the complementary universal sickness scheme (CMUC) and 7,7% do not have any complementary insurance[60]. The remaining ones are to be found among low income groups. As shown by the French Observatory on inequalities (*Observatoire des inégalités*), 10% of workers and employees of small companies do not have complementary health insurance (*mutuelle*) and 22% of the poorest do not have such insurance, whereas the rate is at 7,7% for the whole population. Among the persons living under the poverty rate (60% of median income) and being under the age of 50, 21% have not seen a doctor during the year before, whereas the rate is 17% for the rest of the population. 53% of the poorest did not consult a specialist, whereas it was only 40% for the rest of the population[61]. These data indicate a postponement (and sometimes even renouncing) of access to health care system in France for the poorest, despite the implementation of the universal sickness scheme (CMU). Recent

58 INSEE PREMIERE, 2005, "Les differences sociales de mortalité", juin, numéro 1025.

59 See Fassin D., Bataille P., Herbert C. et al. *Lutter contre les inégalités sociales de santé: politiques publiques et pratiques professionnelles*. Rennes : Presses de l'EHESP, 2008 ; Or Z., Jusot F., Yilmaz E., The European Union Working Group on Socioeconomic Inequalities in Health (2009), "Inégalités sociales de recours aux soins en Europe: Quel rôle pour le système de soins ?", *Revue Economique*, 60, 2 : 521-543 and HADA F., RICARDO C., TOURAINE M-S., *Les inégalités face à la santé.* Paris : Fondation Jean Jaurès : 2009 : 71p.

60 IRDES, "L'Enquête Santé Protection Sociale 2006, un panel pour l'analyse des politiques de santé, la santé publique et la recherche en économie de la santé", *Questions d'économie de la santé*, numéro 131, avril 2008.

61 OBSERVATOIRE DES INEGALITES, (http://www.inegalites.fr/).

studies reported also by the *Observatoire des inégalités* show moreover that a lot of doctors refuse to treat patients with CMU, mainly because they cannot overcharge them (implement a "*dépassement d'honoraire*").

Another critical issue in the access to health care is the fact that the distribution of doctors is very uneven on the French territory, as this has also been pointed out several times by the High Council for the future of Health Insurance *(Haut Conseil sur l'Avenir de l'Assurance Maladie)*. The density of liberal specialists is 88 for 100,000 inhabitants in France, but only 34 in the *Département* Lozère and 244 in Paris[62]. This is partly due to the fact that in France, doctors can settle where they want, with no regulation. In 2006, the Government announced in the media his intention to develop a way to refuse installation where too many doctors were already settled, but doctor apprentices went on strike and the Government withdrew his proposal. Within the new law *Hôpital, patients santé et territoires*, the Government was planning new forms of incentives for doctors to settle in cities and regions which are lacking of doctors. However, due to protest by the medical profession, the Government has again withdrawn any coercive measure as reported above.

2.2.4 Critical assessment of reforms

The critical assessment of the French health care system is still the same. As shown with the strong debate and lobbying around the law *Hôpital, patients, santé et territoires*, the main critique to be made on the recent French reforms of the health care sector is the ongoing absence of capacity of the State to regulate the sector against the will of the medical profession. As mentioned in section 2.2.2, when it was presented the law contained a lot of orientation fitting with the objectives agreed in the OMC (better distribution of doctors over the territory to improve equality of access, limiting overbilling to restrain financial discrimination, empowerment of hospital directors and creation of regional health agencies to improve the coherence and consistency of health policies, better coordination between ambulatory and hospital care, improved prevention…). However, during the long lasting discussion of this law (which started in February 2009 and finished in July 2009), the medical professions organised several strikes in hospitals, mass demonstrations and intense lobbying, so that on the 12th of May, the French President, Nicolas Sarkozy, felt obliged to announce many concessions to the medical professions (such as a weakening of the future power of the hospital directors), that all undermine the main innovation within the law.

Of special importance is the incapacity to improve equal access to health care in the French system. Inequalities in Health is one of the major drawbacks of the French health care system, but it does not seem to be preoccupying so much the Government since no serious attempt to overcome these have been implemented, and all the little efforts planned within the Law *Hôpital, patients santé et territoires* have been withdrawn under the pressure of the medical profession.

As stated in the previous section, these inequalities are partly due to the increasing role of the private complementary health insurance, not accessible to all. The publicly funded scheme to compensate for the lack of a complementary health insurance (CMU see above) is not preventing discrimination and inequalities in access to health though.

Indeed, various tests and studies[63] accomplished under the authority of the *Fonds CMU* have shown that doctors who are allowed to overbill their patient (charging a fee which is higher than the standard fixed tariff reimbursed by the health insurance fund) tend to deny access to

62 Haut Conseil pour l'Avenir de l'Assurance Maladie, premier rapport, janvier 2004.

63 Fonds CMU, DIES, 2006, "Analyse des attitudes de médecins et de dentistes à l'égard des patients bénéficiant de la Couverture Maladie Universelle complémentaire".

their practice to CMU holders. A test implemented by the fund in charge of the financing of the CMU has shown that 41% of the specialists and 39% of the dentists (most of them practicing over-billing), refuse to treat patients covered by the universal sickness scheme (CMUC) since they cannot overbill them[64]. Overbilling has become a major phenomenon in the French health care system. A report elaborated by the General Inspectorate of Social Affairs (IGAS) in the year 2007 shows an important increase in the practice of over-billing in the past 10 years and which has shown that out of around EUR 18 billion of fees paid to doctors in the ambulatory sector, more than EUR 2 billion are due to the practice of overbilling[65]. Here again, the Government planned to try to limit overbilling by creating a formal and better controlled sector were overbilling would be accepted but regulated. Under the pressure of the medical profession, all regulation has been postponed until 2013…

The other pitfall of the dominance of the medical profession over the health care policy decision-making is that all measures aimed at guaranteeing the financial sustainability of the French system add on the burden of the patients (increase of *franchises* and co-payment, increasing role of private health insurances) whereas many attempts at regulating the supply of health is opposed by the professions. As mentioned already, in April 2010, general practitioners went again on strike, and obtained a new increase in their fees, without any counter concession.

2.3 Long-term care

2.3.1 Overview of the system's characteristics and reforms

French public provision for the long-term care needs of the dependent elderly and the disabled relies on a two-pronged system. On the one hand, the health insurance scheme covers the cost of health care provided in an institutional setting to the dependent elderly or to disabled patients. It also finances long-term care units in hospitals, as well as nursing care provided in the patient's home. Such health care costs are paid for directly by the health insurance scheme, i.e. patients do not need to advance the money themselves.

On the other hand, two schemes, essentially financed by the State and by local authorities, provide social benefits to the dependent elderly and to the disabled to help them meet some of the cost of care that is not covered by health insurance, whether that care is provided in institutions or in a domiciliary setting.

The dependent elderly can receive the *Allocation Personnalisée d'Autonomie* – APA (Personalised Autonomy Benefit) which is a universal benefit for people over 60 that came into force in 2002. This benefit is calculated based on a "help plan" designed for each individual, on the basis of the assessment of the person's needs. The APA benefit is intended to cover part of the cost of the "help plan", the rest (about one quarter of the total amount on average) is paid by the beneficiary through user fees which increase proportionally to the elderly's income. Elderly people with an income below EUR 689.50 per month do not pay user fees. The benefit amount thus varies both according to the person's level of dependency (established by a socio-medical team, using a nation-wide unified grid – the AGGIR grid) and according to the elderly's financial resources.

In June 2009, 1,117,000 dependant elderly received the APA benefit, of which 61% lived in their own homes and 39% lived in an institutional setting. The average amount of the "help

[64] Fonds CMU, DIES, 2006, "Analyse des attitudes de médecins et de dentistes à l'égard des patients bénéficiant de la Couverture Maladie Universelle complémentaire".

[65] IGAS, 2007, "Les dépassements d'honoraires médicaux", rapport, avril.

plan" for people living at home was EUR 494 per month (EUR 1,009 on average for the most dependant and EUR 348 for the least dependant), of which around EUR 120 is covered by the beneficiary through user fees (DREES, 2009[66]).

For the disabled, a new benefit came into force in January 2006, called the *Prestation de Compensation du Handicap* – PCH - (Disability compensation benefit) which aims to better cover the needs of the disabled whatever the causes of the disability and the age or life-style of the person. This benefit is intended to help cover the needs of the disabled person whether those needs have to do with professional insertion, home adaptation, human and technical aids, etc. This benefit replaces the previous ACTP (third person compensatory benefit) although those who already received the ACTP can continue to remain under that scheme if they so wish.

End of June 2009, 71.700 people were receiving the PCH, compared to 43,000 in 2008, which represents a 67% increase over a year. This sharp increase can be attributed both to the fact that some people who previously were covered under the ACTP scheme transferred to the PCH benefit, as well as to the fact that this new benefit is open to a larger category of people than the former ACTP scheme (the ACTP was only open to people over the age of 20, whereas the PCH can also be claimed by children regardless of age). The average monthly cost of this benefit was EUR 980 in June 2009.

There were also 99,600 recipients of the former ACTP scheme at that date, thus amounting to a total of 171,300 recipients of disability benefits in June 2009 (DREES, 2009).

The financing of long-term care policy is borne by the health insurance system (60%) and the *départements* (20%). The state intervenes mostly through fiscal measures. The *Caisse nationale de solidarité pour l'autonomie* – CNSA – (National Solidarity Fund for Autonomy) which was set up in 2005 receives specific contributions (a fraction of the General Social Contribution - CSG – *Contribution sociale généralisée*, as well as the Solidarity Contribution for Autonomy - CSA), which are added to the other sources of financing (Vasselle, 2008[67]).

The mix and overlap of competence between the different actors in the field of long-term care (*départements*, state, CNSA, health insurance, etc.) is thus important and complicate decision-making and long-term planning with regards to the financing of long-term care, and raise issues as to the long-term sustainability of this mode of financing. However, the creation of the CNSA in 2005 has helped to centralise a greater share of the resources devoted to long-term care by the various actors.

Several issues have become the focus of public debate: 1) insufficient public resources; 2) the lack of a coherent mode of financing and governance; 3) an insufficient number of places in institutions, and 4) the excessive remaining costs that individuals have to meet themselves. The issue of the quality of the care provided has recently also come into the limelight.

In order to deal with the insufficient number of places in institutions, the *Plan Solidarité-Grand Âge* was adopted in 2006 and is due to last until 2012. It was initially intended to provide an extra EUR 2.3 billion to the health insurance scheme, but its cost has been re-evaluated to EUR 4 billion (of which EUR 0.9 billion for the creation of extra places and EUR 2.6 billion for the medicalisation effort). As of 2008, the number of beds created annually in institutions for the dependent elderly has been raised from 5,000 to 7,500 in order

66 DREES, "L'allocation personnalisée d'autonomie et la prestation de compensation du handicap au 30 juin 2009", Etudes et Résultats, n°710, November 2009.

67 VASSELLE Alain, «Rapport d'information fait au nom de la mission commune d'information sur la prise en charge de la dépendance et la création d'un cinquième risque», Sénat, n°447, Annexe au Procès verbal de la session du 8 juillet 2008.

to maintain the same equipment ratio despite the ageing of the population (467 places per 1,000 inhabitants over 85 years old) (Vasselle, 2008).

The other issues (insufficient public resources; lack of coherent mode of financing and governance; excessive remaining costs that individuals have to meet themselves) have so far not been dealt with. The President announced at the end of 2007 that a bill would be proposed to the Parliament early 2008 concerning the creation of a fifth social insurance branch, aiming at covering the loss of autonomy for the disabled and the elderly. A senatorial information mission was set up in order to follow up on the preparatory work around this proposed scheme. The senatorial mission published its report in July 2008 (the 2008 Vasselle Report). However, the adoption of the bill relative to this fifth social insurance scheme ("*l'assurance cinquième risque*") has been postponed several times, first to October 2009, then to the first half of 2010, and now it has been announced that it will not be discussed before 2011, after the pension reform has been passed at the end of 2010.

2.3.2 Overview of debates and the political discourse

Due to the postponement of the long-term care reform, debates in the past year have continued to revolve around the creation of this new social insurance branch for the dependency risk and especially around the report published by the senatorial information mission (Vasselle report) in July 2008. This report puts forward a certain number of proposals structured around four main axes:

1. A more equitable effort towards those receiving domiciliary care:
   - Raise the benefit ceiling for certain targeted groups (isolated people and those suffering from neuro-degenerative diseases)
   - Improve the AGGIR-grid so that it can be applied in a more homogenous way across the country, or even replace it with a new system
   - Place greater demands on those with higher assets by giving them the choice, when they become dependent, between receiving the APA benefit at 50% of its normal level or receiving a full APA but having EUR 20,000 taken off their inheritance (based on the fraction of assets above EUR 150,000).
2. Containing the costs that have to be met by individuals themselves and promoting more efficient spending in institutions.
3. Defining the articulation between national solidarity and private insurance.
   - Set up a joint procedure between public agencies and private insurances for the release of benefits in case of dependency
   - Guarantee the "portability" of contracts from one private insurance to another
   - Allow for fiscal deductions on complementary contributions towards dependency made to private pension saving funds
   - Open up the possibility to convert life insurances into dependency insurances at no extra cost to the individual
   - Think about ways to open the possibility for people with low or medium incomes to take out a private insurance
4. Reinforcing and simplifying the governance of long-term care policy.
   - Set up an equal share of financing of the APA between the State (CNSA) and the *départements.*
   - Modify the process of equalisation of resources of the APA financial envelope in order to guarantee a more equal burden on the *départements*.

This idea of a stronger reliance on private insurance has become quite predominant in the public debate, even more so now in the aftermath of the economic crisis, with the Government highlighting the difficulty in financing such a reform in the present context of economic crisis and important public deficits.

The French Federation of Insurance Companies (FFSA) has been lobbying strongly for the expansion of private insurance in the field of long-term care and has put forth a number of proposals to that effect, urging the Government to act faster on this issue.

The development of private insurance receives some opposition from the political Left who favours a universal public social insurance scheme and warns against the idea of "punishing" those with higher assets (by cutting in half the amount of their APA benefit or by reclaiming EUR 20,000 from their inheritance – see proposal above) as this runs counter to the principle of national solidarity and runs the risk of recreating the same problems (especially that of non take-up) that existed with the former *Prestation Spécifique Dépendance* (PSD)[68].

France has nonetheless already become the biggest market in Europe for private insurance in the field of long-term care, with over 3 million people insured, making it the second biggest market in the world behind the US (Vasselle, 2008).

2.3.3 Impact assessment

Amongst the main issues that have been at the forefront of public debate, the issue of the costs that users have to meet themselves for the care they receive, especially in institutions, has been particularly central.

As was mentioned in the French 2009 annual report, the most recent opinion survey carried out by TNS-Sofres on the topic of old age[69] shows that an overwhelming proportion of the population (76%) feels it would not be able to cover the monthly average costs for residential care if one of their parents were to resort to this solution.

This survey also indicated that there is a real lack of confidence on the part of the population regarding the public authorities' capacity to deal with the issue of dependency. Thus, nearly three out of four people (71%) feel that the public authorities in France do not deal satisfactorily with the problem of dependency. This opinion has been in constant progression since 2004 (+16 points over the past five years). Furthermore, this critique has become increasingly severe: in 2004, less than one French out of five (14%) strongly condemned the action of the public authorities ("not at all satisfactory"). In 2009, 22% denounced a serious deficit of public policy. The constant postponing of public action in the field of long-term care financing can be expected to worsen the population's perception of the public authorities' action on this issue.

A report came out in October 2009[70] providing an analysis of the out-of-pocket costs charged to residents of residential homes for the frail elderly. This report shows that there are wide differences in costs from one establishment to another, and that the actual costs that residents must meet are considerably higher than the figures usually presented. Based on the survey

[68] Fondation Terra Nova, « Prise en charge des personnes âgées dépendantes : une politique solidaire et responsable est possible », May 2009.

[69] TNS-Sofrès, «Le Baromètre- Les Français et le grand âge - vague 5 », étude réalisée pour la Fédération Hospitalière de France, May 2009.

[70] BRANCHU Christine, VOISIN Joëlle, GUEDJ Jérôme, LACAZE Didier, PAUL Stéphane; Etat des lieux relatif à la composition des coûts mis à la charge des résidents des établissements d'hébergement pour personnes âgées dépendantes (EHPAD), Inspection générale des affaires sociales (IGAS), 01/10/2009, 144 p.

they carried out in four *départements*, the authors of the report show that the sum of EUR 1,500 often presented as the average monthly costs that residents must meet themselves[71] corresponds in fact to some sort of irreducible minimum which only applies to people who limit their spending as much as possible and who live in residences in rural areas where both the land and the infrastructure have already been paid off. In urban areas, remaining costs for residents of EUR 2,900 per month is not unusual and does not correspond to particularly luxurious services. The average amount lies around EUR 2,200, which is much higher than the average pension level which lies at around EUR 1,200 per month. This puts a strong pressure on the dependant elderly's savings and most importantly on their relatives.

However, the authors warn against putting these two figures together (average cost and average pension), as there is in fact no link between the two. As they show, except for those who depend on social assistance, there is no direct link between the out-of-pocket costs for residents and their income level: people with high income can be admitted into residential homes habilitated to receive elderly people who depend on social assistance and which offer reasonable tariffs and quality services, while many elderly with limited income are faced with very limited local choice between high priced residences.

The dependant elderly can receive different types of financial help: fiscal benefits, housing benefits and social aid benefits for accommodation. However, these three schemes are very heterogeneous, there are attributed by different financing instances (the State for the fiscal benefits, the National fund for family benefits for the housing benefits, and the regional authorities for the social aid benefits) and are not articulated with each other. Furthermore, they have not been created specifically for the purpose of meeting the needs of residential care for the elderly and follow their own individual logics. There are thus wide disparities in terms of what the elderly receive, based on geographical factors, type of residence and access to information.

The authors of the report thus highlight the often great difficulty for the dependant elderly and their relatives in meeting out-of-pocket costs for residential care, not least as it is very difficult to predict in advance the length of stay in residential care, and thus the total cost for the elderly and his/her relatives.

Another issue that has come to the fore is that of the quality of the care provided, both in institutional and in domiciliary settings.

With respect to institutional care, the above-mentioned report shows how random the system is with respect to costs and quality: high tariffs by no means guarantee a satisfactory quality, just as low tariffs do not exclude it.

Another report also published by the General Inspectorate for Social Affairs (*Inspection Générale des Affaires Sociales – IGAS*) in October 2009[72] provides a survey of quality in the field of – non-medical - domiciliary care services for the elderly. The authors show that while quality is emphasised at all levels, there is actually no coherent mode of quality control. First of all, no unified legislation on domiciliary care services exists. These can be set up under two different types of legislation, and the quality requirements imposed are further laid down in a variety of texts and procedures. Domiciliary care companies themselves sometimes set up their own certification procedures and labels. According to the authors of the report, all these rules and regulations are simply piled up on each other without bringing any added value and remain purely procedural, not least as quality controls are only carried out in the form of desk

[71] This figure is given for instance in the 2008 Vasselle report.

[72] ROUSSILLE Bernadette, STROHL Hélène, RAYMOND Michel, Enquête sur les conditions de la qualité des services d'aide à domicile pour les personnes âgées, Inspection générale des affaires sociales (IGAS), 02 October 2009, 145 p.

audits and never based on interviews with the recipients. The authors also highlight the limited power of the *Conseil Général*[73] over the domiciliary care providers despite being in charge of the Personalised Autonomy Benefit (APA). This problem is further accentuated by the implication of numerous state services in this field without any real coordination between them. Finally, quality control is rendered difficult by the fact that domiciliary care is often provided through private (person to person) contracts. This is paradoxically the case for the most dependant elderly in need of a large number of care hours, who, although they would benefit more than others from relying on an operational provider to coordinate their service needs, often resort to direct employment (private person to person contracts) as a less costly option.

2.3.4 Critical assessment of reforms

It is as yet not possible to provide a critical assessment of the reforms carried out as these have been once again postponed and although the Vasselle report outlines some reform proposals (cf. above 2.3.2), the content of the bill that will eventually be presented is not yet known.

What can be said about the present situation, however, is that access to care still remains an issue, both because of a lack of places in institutional settings and because of the high out-of-pocket costs that remain for individuals and their family.

As regards the cost of care, despite an increase in public coverage for the costs of long term care, households stand for at least EUR 7 billion per year over what is covered through public schemes to meet the cost of long-term care: EUR 650 million in co-payments (*ticket modérateur*) for domiciliary care provided through the APA scheme, EUR 700 million in copayments for care provided in institutions, and EUR 5.7 billion for accommodation in long-term care facilities (Vasselle, 2008). This - according to the Vasselle report - low-range estimation of the cost for households does not take into account spending on services that are not included in the domiciliary care aid plans (Vasselle, 2008), i.e. all the domiciliary personal services (home-help, house-cleaning, etc.) which elderly people whose needs are not covered or insufficiently covered through the APA scheme must buy privately.

The use of such supplementary domiciliary personal services has admittedly been facilitated by the development of tax-deduction schemes, but the possibility to make use of this scheme remains very much income-related, with high-income earners benefiting more than other groups from this possibility. This raises issues in terms of equality of access to what are essentially publicly financed (or at least strongly subsidised) services (cf. CERC, 2008[74]).

Furthermore, the issue of the quality of care provided, both in institutional and domiciliary settings, is not addressed in these reform proposals.

[73] Assembly of the *département.*

[74] CERC (2008), Les services à la personne, Rapport n° 8, La documentation française, 2008.

3 Impact of the Financial and Economic Crisis on Social Protection

The crisis has clearly had an impact on the financing of social protection programmes. In 2008, the deficit of *régime général* (i.e. the most encompassing public social security scheme[75]) reached EUR 10.2 billion. According to governmental projections[76] that have been carried out before the submission of the project on the 2010 bill on the financing of social security (*Projet de loi de financement de la sécurité sociale 2010* – PLFSS 2010), the deficit of the *régime général* will attain EUR 23.5 billionin 2009 and EUR 30.6 billion in 2010, if the measures introduced by PLFSS 2010 are taken into account. Without these measures, the deficit would reach EUR 33.6 billion. It is estimated that the general health insurance scheme (managed by the CNAM – Caisse Nationale d'Assurance Maladie) will run a EUR 11 billion deficit in 2009, while the general wage-earners' pension scheme (managed by the CNAV – Caisse Nationale d'Assurance Vieillesse) should run a EUR 8.1 billion deficit[77]. These deficits are largely due to the impact of the crisis on the revenues of the social protection system. The Government estimates the loss in revenues for social security in 2009 and 2010 due to the economic crisis at EUR 21 billion. The "crisis deficit" represents approximately 65% of the deficit in 2009 and 75% of the deficit in 2010.

So far, social protection schemes have officially considered as an automatic stabiliser during the economic crisis. The Government has decided: first, not to increase contribution rates or taxes used to finance social security (particularly the General Social Contribution – CSG – *Contribution Sociale Généralisée* which is also levied on capital income); second, not to finance social security's deficits via the budget; and, finally, it says that it does not intend to make significant cuts in social protection schemes[78]. One of the few cases of an increase in taxes is the introduction of the *forfait social* ("social flat contribution") which will be levied on occupational private savings schemes and on company-level private pension schemes[79] The Government justifies its decision not to increase contributions and taxes because it could affect employment and growth[80] (see IRP 2009, p. 72). However, the decision not to finance via the budget the deficits incurred by social security schemes, means that social protection schemes need to take loans and such an important increase in their debt casts doubt on their long-term sustainability.

Apart from the impact it has had on current revenues of social security schemes, the crisis could also indirectly affect the future revenues of the schemes, because of its impact on the assets of the French pension system's buffer funds. This may of course affect the long-term sustainability of the French pension system. As already stated in the French Annual National Report 2009 (p. 11 and p. 28), the public pension schemes' buffer fund (*FRR - Fond de Réserve pour les Retraites*) which is supposed to contribute to the financing of statutory pension schemes between 2020 and 2040 had reported at the end of March 2009 that its long-term annual performance (beginning in 2004) had become negative (-1,2%). However, since

75 Which includes health insurance and work accident insurance (CNAMTS – Caisse Nationale d'Assurance Maladie), pensions (CNAV – Caisse Nationale d'Assurance Vieillesse) and family benefits (CNAF – Caisse Nationale des Allocations familiales).

76 http://www.gouvernement.fr/gouvernement/conseil-des-ministres-du-14-octobre-2009 ; http://www.securite-sociale.fr/chiffres/ccss/2009/ccss200910presse.pdf.

77 http://www.securite-sociale.fr/chiffres/ccss/2009/ccss200910presse.pdf (P. 7).

78 http://www.securite-sociale.fr/chiffres/ccss/2009/ccss200910presse.pdf (p. 4).

79 See the Report on Implementation of the French National Reform Programme, p. 77.

80 http://www.securite-sociale.fr/chiffres/ccss/2009/ccss200910presse.pdf (p. 3).

approximately mid of March, the value of FRR's assets has gone up, with positive results during the second (+10,5% compared to -6,5% during the first quarter) and the third quarter (+9,2%) of 2009[81]. As a result, the long-term annual performance (beginning in 2004) is again positive (+2,6%).

[81] http://www.fondsdereserve.fr/IMG/pdf/Actifs_performances_au_30_septembre_2009.pdf.

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4 Abstracts of Relevant Publications on Social Protection

[R] Pensions

- [R1] General trends: demographic and financial forecasts
- [R2] General organisation: pillars, financing, calculation methods or pension formula
- [R3] Retirement age: legal age, early retirement, etc.
- [R4] Older workers activity: active measures on labour market, unemployment benefit policies, etc.
- [R5] Income and income conditions for senior workers and retired people: level of pensions, accumulation of pensions with earnings from work, etc.

[H] Health

- [H1] Health expenditures: financing, macroeconomic impact, forecasting, etc.
- [H2] Public health policies, anti-addiction measures, prevention, etc.
- [H3] Health inequalities and access to health care: public insurance coverage, spatial inequalities, etc.
- [H4] Governance of the health system: institutional reforms, transfer to local authorities, etc.
- [H5] Management of the health system: HMO, payments system (capitation, reimbursement, etc.)
- [H6] Regulation of the pharmaceutical market
- [H7] Handicap

[L] Long-term care

[R1] CONSEIL D'ORIENTATION DES RETRAITES (COR), « Retraites : Perspectives actualisées à moyen et long terme en vue du rendez-vous de 2010, Huitième rapport », Paris : COR, April 2010, 98 p. http://www.cor-retraites.fr/article368.html

"Pensions: Update of mid-term and long-term projections for the 2010 pension negotiation"

This report presents COR's most recent financial projections for the French pension system. The report has been specially prepared to serve as a basis for the 2010 negotiation on a reform of statutory schemes. The first part presents the assumptions of the projections. In the "A" scenario, the long-term unemployment rate reaches 4,5% and productivity growth rate is set at 1,8%. In the "B" scenario, unemployment rates also reach 4,5%, but labour's productivity growth rate is set at 1,5%. Finally, in the "C" scenario, the long-term unemployment rate is set at 7% and the trend for labour's productivity growth is set at 1,5%. These three scenarios have been chosen to illustrate the uncertainties that currently exist on the long-term perspectives of the economy after the crisis. The second part presents the results of the projections which are run both for the mid run and the long run. The third and final part presents the conditions under which the financial equilibrium of the system can be reached in the mid run and in the long run.

[R1; R2] CONSEIL D'ORIENTATION DES RETRAITES (COR), « Retraites : annuités, points ou comptes notionnels ? Options et modalités techniques - Septième rapport ». Paris : COR, January 2010, 261 p. http://www.cor-retraites.fr/IMG/pdf/doc-1276.pdf

"Pensions: Annuities, points or notional accounts? Technical options and details - Seventh report"

This is a report that has been prepared by the COR to assess the feasibility of the introduction of notional accounts in the French pension system. The main conclusion of the report is that such a move is feasible from a technical and a legal point of view, but that such a transition would need widespread political support to be implemented. The first part of the report outlines the main features of the current pension system. The French pension system is characterised by a multiplicity of schemes, the importance of redistribution, but also by a trend towards a convergence of rules within the different

schemes. The second part analyses the major options for a new retirement system: the different methods of calculating pensions (annuities – i.e. DB, points, notional accounts) are presented and this part provides an assessment of the consequences of the different benefit formulas for the running/governance of the pension system. The third part examines the technical details of a move to a point system or to a notional accounts system. This part starts with shedding light on the challenges that can arise during the transition and with a presentation of the different options for a transition (immediate or gradual transition). The report also studies the ways in which mechanisms of solidarity can be introduced in point systems and in notional defined contribution systems. Finally, the report assesses the feasibility of a reform from a legal and a technical point of view and evaluates the effects of the choice of different parameters in the new system, via the presentation of simulations carried out by the CNAV (National Old-Age Insurance Institution), INSEE (National Institute of Statistics) and the general secretariat of COR.

[R1; R3; R4; R5] NORTIER Frédérique, ESNAULT Christelle. « La Retraite en France : statistiques, définitions, tendances, projections ». In : Observatoire des retraites – Les chiffres de la retraite, Dossier spécial, n°5, June 2009, 120 p.
http://www.observatoire-retraites.org/uploads/tx_orpublications/LORC5.pdf
"Pensions in France: statistics, definitions, trends, projections"

This special issue provides a synthesis of the main statistics that are available about the French pension system. It includes accounting tables of the different pension schemes, a presentation of demographic ratios, of financial equilibria and projections of mandatory schemes and of the "Fonds de Réserve des Retraites" (state-run buffer fund). The paper also includes data about the situation of the active population (rates of activity, evolution of wages, etc.), about retirement behaviour (employment rates of workers aged 50-64, early retirement, long careers, "cumul emploi retraite") and about the situation of pensioners (number of pensioners in different schemes, benefit levels, living standards of pensioners, poverty rate). A chapter is also devoted to right of information issue.

[R2; R3; R4; R5] STERDYNIAK Henry, « Retraites: À la recherche de solutions miracles… », Revue de l'OFCE, 2009/2, 109, April 2009.
"Old-age pensions: In search of miracle solutions…"

This is an article that discusses current development in the French pension system and adopts a critical stance towards the reform proposals that have been put forward in 2008 and 2009. On the one hand, the author discusses Bozio's and Piketty's suggestion to introduce a unified system of individual notional accounts. The author shows that, even though the system would be automatically in balance, this would be at the cost of a dramatic fall in pensions' levels, which would widen as people live longer. On the other hand, the author discusses Hairault et al.'s suggestion (see below) to postpone the retirement age by introducing substantial financial incentives. While both proposals claim that they increase the free choice of retirement age and ensure actuarial neutrality, the author argues that they do not account for differences in 60 year-old workers' employability and life expectancy. By basing pensions' levels on individual choices, the proposals would free society and firms of their current responsibilities: ensuring a parity in the living standards of pensioners and workers as well as ensuring a decent pension to all workers, including those firms which do not want to hire anymore.

[R2; R5] BOZIO Antoine and PIKETTY Thomas, « Pour un nouveau système de retraite. Des comptes individuels de cotisations financés par répartition », Paris, Editions Rue d'Ulm/Presses de l'Ecole Normale Supérieure, 2008.
"For a new pension system. Individual contribution accounts financed on pay-as-you-go basis"

In this book, two French economists put forward a strategy for a thorough reform of the French pension system. The two authors start with the diagnosis that the French system is too fragmented and too difficult to understand for the majority of French citizens. Moreover, it faces difficulties in its long-term financing. As a result, the system arouses a feeling of fear and insecurity among citizens, while the initial aim of pay-as-you-go systems is to offer guarantees that funded schemes cannot offer. The authors propose to replace all existing schemes by a single NDC (notional defined-contribution) scheme for all workers (public sector, private sector and non-wage-earners). The authors claim that such a system would among other things: a) improve the transparency of the French pension system; b) be better adapted to an increasing occupational mobility; c) offer better benefits to households with long employment careers. In order to support their claims, the authors make simulations of replacement rates for various profiles of workers (with low or high wages and with long careers).

[R2; R5] LECLERC Dominique, « Avis sur le projet de loi de finances pour 2010 au nom de la commission des affaires sociales : régimes sociaux et de retraite ». Paris : Sénat (Rapport, 103), 2009, 47 p. http://www.senat.fr/rap/a09-103-3/a09-103-31.pdf
"Opinion on the draft budget law for 2010 on behalf of the Committee on Social Affairs: pension and benefit systems"

This report which has been produced by the French Senate assesses the financial effects of the reform of the "régimes spéciaux de retraite" (special pension schemes which cover employees in state-owned firms). Even if the Government set the main guidelines of the reform, the negotiation on the concrete measures was decentralised and conducted within each firm. According to preliminary estimates made known to the rapporteur of the Committee, it appears that the cost of the concessions granted to employees of the SNCF (National Railway Company) and RATP (Paris Public Transport Network) will be almost equivalent to the expected savings from the reform. The Senate's Committee of Social Affairs highlights the fact that this may confirm its feat that the gains from the reform of the special pension schemes could ultimately be much lower for the community than the initial estimates which were too optimistic.

[R3; R4] D'AUTUME Antoine, « Les Seniors et l'emploi en France ». In : DARES - Travail et Emploi, n°118, April-June 2009, 5 p.
"Elderly workers and employment in France"

Based on statistical data, this study takes stock of the situation of elderly workers in France. France, which is increasingly aware of the low employment rate of workers aged 55-64, has been establishing incentives for individuals to extend their working lives, since the 2003 Fillon pension reform. Yet it fails to improve this rate, while other European countries have achieved striking success. The article discusses three possible explanations for the low employment rate of older workers: lower productivity, high wages and early retirement.

[R3; R4] BENALLAH Samia, LEGENDRE François, « Les "Décotants" du régime général en 2005 : qui sont-ils ? » In: CNAV - Retraite et société, n°57, June 2009, 20 p.
"Workers retiring with a "pension penalty" in the regime general in 2005: who are they?"

The reasons for retiring with a "decote" (i.e. pension penalty for workers retiring before having reached the required length of contribution to get a full pension) are quite different for women and for men. The pension penalty affects primarily women who are out of the labor market, because they are less skilled, less healthy and often unemployed. Women's probability of retiring with a pension penalty increases with the reference wage. Men who retire with a pension penalty generally are situated in the median in the distribution of skills and in the distribution of wages. They are more often unemployed or in ill health.

[R3; R4] BENALLAH Samia, METTE Corinne, "Âge moyen de départ en retraite : tendances récentes et évolutions attendues". CNAV - Retraite et société, n°58, November 2009, 18 p.
"Average age of retirement: recent trends and expected developments"

Using statistical data, this paper describes the evolution of the age at which people start to take their pension from the "régime général" (private-sector wage-earners' scheme which covers 60% of the population). The average age of the insured in the "régime général" at the time of retirement has changed significantly over the last fifteen years. On average, the insured started taking their pension at age 61 in 2007 compared to age 62 in 2001. In 2007, just as in 2001, women retired on average at age 61.5, i.e. one year after men (60.5 years on average). Measures like the early retirement scheme for workers with a long career have contributed to lower the average age of retirement. Improved financial incentives for postponed retirement (such as the "surcote" – pension bonus) should contribute to increasing the average age of retirement. This article concludes with an analysis of the barriers to raising the statutory age of retirement and analyses the many parameters on which the evolution of the statutory retirement age depends.

[R3; R4] HAIRAULT Jean-Olivier, LANGOT François and SOPRASEUTH Thepthida, « Le faible taux d'emploi des seniors. Distance à l'entrée dans la vie active ou distance à la retraite? », In : Revue de l'OFCE, 2009/2, 109, April 2009.
"The low employment rates among the elderly. Distance from entry to the labour market or distance to retirement?"

In a recent work (Hairault et al., 2006), the authors of this article have claimed that the short distance to retirement constitutes one of the main economic mechanisms behind the low employment rate of older workers. As a result, they argued that delaying the retirement age could boost employment at the end of the working life. Their view has been challenged by Benallah et al. (2008) who underline that the distance to retirement found in their previous work could actually reflect the distance from entry to the labour market (experience effect). In this paper, the authors propose what they see as more convincing identification strategies in order to strengthen their previous results. The paper proposes econometric estimations of different factors affecting early retirement, based on a sample of men aged between 15 and 59 from the "Enquête Emploi" (French labour market survey) from the years 1990-2002.

[R5] BONTOUT Olivier, BRUN Amandine, RAPOPORT Benoît, « Les Droits à la retraite des jeunes générations ». In : DREES - Dossiers solidarité et santé, n°10, 2009, 45 p. http://www.sante.gouv.fr/drees/dossier-solsa/pdf/article200910.pdf
"Pension entitlements of young generations"

> *In this study, the DREES (research department of the Ministry of Health) analyses trends in the evolution of the age of education completion and in the activity rates and durations of employment of workers aged 30. Based mostly on INSEE (National Institute of Statistics) data, the study offers a comparison between different cohorts. The age of education completion and the age at which youths actually enter the labour market are key moments for the accumulation of pension rights. The DREES observes a decrease in the length of contribution of workers aged 30. The average contribution length of workers born in 1970 and aged 30 is lower by 7 trimesters than that of the cohort born in 1950. Since the seventies, increasing difficulties in the integration of young people into the labour market have led to a sharp decline in the average period of employment before age 30. When the generation born in 1934-1943 and that born in 1964-1973 are compared, the drop in the length of contribution is about 2.6 years (three years for men, with a drop from 12 to 9 years and 2.3 years for women, with a drop to 7.1 years from 9.4 years).*

[H] Health

[H1] HAUT CONSEIL POUR L'AVENIR DE L'ASSURANCE MALADIE (H.C.A.A.M.). « Rapport du Haut Conseil pour l'avenir de l'assurance maladie 2009 **».** Paris : HCAAM : 2009/09 : 163 p., tabl., ann.,
http://www.securite-sociale.fr/institutions/hcaam/rapport2009/hcaam_rapport2009.pdf.
"Report of the High Council on the Future of Health Insurance 2009"

> *In its 2009 report, the Haut Conseil pour l'Avenir de l'Assurance Maladie assesses the accounts of health insurances, analyse the role played by various financiers (public and private ones) in the system, analyses medical control and devotes important analysis to overbilling ("dépassement d'honoraires").*

[H3] CHADELAT Jean.-François, TABUTEAU Didier (eds) « Les dix ans de la CMU (1999-2009) **».** Actes du colloque Fonds CMU – Chaire Santé. 2009/09/08 Paris : Editions santé ; Paris : Les Presses SciencesPo : 2009 : 76p.,
http://www.editionsdesante.fr/services/livres/edocs/00/00/11/A2/document_ouvrage.phtml.
"Ten Years of Universal Sickness Scheme (1999-2009)"

> *The Act of 27 July 27 1999 created the CMU, achieving the goal of universal health insurance. But the reform had another ambition: to allow free access of populations most disadvantaged to the health system. On the occasion of the tenth anniversary of the Act, the CMU Fund and Chair of Health at Sciences Po, in partnership with Médecins du Monde, coorganised a conference to draw a review of this major reform. The proceedings of this conference trace the genesis of the CMU and consider the place of this new device within the whole social protection system. It also analyses the limits and shortcomings of this new measure, including difficulties for foreigners, and the denials of care to beneficiaries benefiting from the supplementary CMU.*

[H3] HADA François., RICARDO Christophe., TOURAINE Marisol.,« Les inégalités face à la santé **».** Paris : Fondation Jean Jaurès : 2009 : 71p.
"Inequalities in health"

The progress in improving the health status does not benefit all: France, more than its European neighbours, suffers from increasing inequalities - especially of social nature - in health. However, far more than the question of balancing the budget, health is a mirror of our society. At a time when the Government imposes decisive choices in this area, the Jean-Jaurès Foundation and the Socialist Group of the National Assembly initiated a joint reflection on these inequalities in health.

[H4; H5] CLEMENT Jean-Marie, La nouvelle loi Hôpital patients santé et territoires : analyse critique et perspectives. Bordeaux, Les Études Hospitalières, 2009, 131 p.
http://www.leh.fr/edition/page005003483.html
"The new law on Hospital. Patients, Health and Territories: analysis, critical view and perspectives"

The new law No 2009-879 of 21 July 2009 on the reform of the hospital and on patient health and territories, (known as the HPST), goes far beyond the hospital sector, it concerns the whole field of health care and medico-social care. This book synthesises the main elements of the law. From prevention to chronic care, all facets of health care delivery are concerned. The changing role of the state is emphasised, as wella sits consequences for health professionals and all health care providers. The State, through its decentralised regional authorities, grouped into regional health agencies, will therefore be more able to impose its policies to the overall health and medico-social care.

[H4; H5] COUTY Edouard, KOUCHNER Camille, LAUDIER Anne, TABUTEAU Didier, *«* La Loi HPST, Regards sur la réforme du système de santé *»*. Presses de l'EHESP, 2010, 400p.
"The law on Hospital, Patients, Health and Territories (HPST). An eye on the reform of the health system"

The law of 21 July 2009 on the reform of the hospital and on patient health and territories (known as HPST) is expected to drastically modify the French health system. The four titles of the Act (Upgrading of health facilities, Access for all to quality care, Prevention and public health and Territorial organisation of the health system) are the subject of comments written under the direction of the book editors. Each review traces the evolution of key provisions under the previous legislation and parliamentary debates, and comes ahead of changes in the health system. These comments are themselves extended through the eyes of people who, like Claude Evin, Miche. Legmann, Jean-Marie Bertrand and many other leading experts on health, display their personal thoughts on the subject.

[L] Long-term care

[L] LE BIHAN-YOUINOU, Blanche, « La prise en charge des personnes âgées dépendantes en France. Vers la création d'un cinquième risque ? », in : Informations sociales, 1/2010 (n°157), p.124-133.
"Long term care for the dependant elderly in France. Towards the creation of a fifth risk?"

This article provides a brief overview of the history of elderly care policy in France, and presents the orientations that are presently put forward for the development of a' fifth risk' based on the social insurance model. It shows that the aim of the potential

reform is not to create a real social insurance scheme but rather to develop new complementarities between a public scheme that will remain insufficient to cover the needs of the dependant elderly and private schemes to lessen the burden on relatives.

[L] BRANCHU Christine, VOISIN Joëlle, GUEDJ Jérôme, LACAZE Didier, PAUL Stéphane. « Etat des lieux relatif à la composition des coûts mis à la charge des résidents des établissements d'hébergement pour personnes âgées dépendantes (EHPAD) ». Inspection Générale des Affaires Sociales (IGAS), 01/10/2009, 144 p.
http://www.ladocumentationfrancaise.fr/rapports-publics/094000473/index.shtml
"A status report on the composition of the out-of-pocket costs charged to residents of residential homes for frail elderly"

This report, which offers a survey of the costs met by the dependant elderly or their relatives in case of residential care, is the result of an inquiry set up by the General Inspectorate for Social Affairs (IGAS) as part of the work programme that was adopted for 2009. The first chapter provides an account of all the information collected during the visits that were carried out in the four 'départements' under study, covering 17 residential homes for dependant elderly people (EHPAD) and 3 long-term care units (USLD). Based on this information, chapter 2 identifies some of the main issues, namely the level of the out-of-pocket costs for the resident, and the link between the costs and the content of the service (or more specifically the lack of transparency and absence of link between costs and quality). The last chapter offers some elements of response to two questions that are likely, according to IGAS, to become key issues for the future: Which tools could be used to reduce the out-of-pocket costs for the residents and their relatives? Can the price of a stay in a residential home for dependant elderly people evolve under pressure of a different ratio between supply and demand? The report shows that in fact there is a growing inadequacy on the supply side (with the construction, especially in urban areas, of more luxurious and expensive residences with prohibitive tariffs) and all indicators point towards a further increase in costs for the elderly.

[L] DEBOUT, Clotilde, LO, Seak-Hy, « L'allocation personnalisée d'autonomie et la prestation de compensation du handicap au 30 juin 2009 », In: DREES - Études et Résultats, n°710, November 2009, 6 p. http://www.sante-sports.gouv.fr/IMG/pdf/er710-4.pdf
"The personalised autonomy benefit and the disability compensation benefit on 30 June 2009".

This short publication provides a statistical overview of the autonomy (APA) and disability (PCH and ACTP) benefits on 30 June 2009: number of recipients, benefit levels, break-down between institutional and domiciliary care and between the different types of benefits, evolution over the past few years…It shows that the increase in the number of APA recipients has been less than in past years (only +2,1% instead of +4,4% in previous years), while there has been a very sharp increase (+67%) in the number of recipients of the PCH disability benefit between 2008 and 2009.

[L] FOUQUET Annie, LAROQUE Michel, PUYDEBOIS Cédric**,** « La gestion de l'allocation personnalisée d'autonomie. Synthèse des contrôles de la mise en oeuvre de l'APA réalisés dans plusieurs départements »**,** Inspection Générale des Affaires Sociales (IGAS), 02/10/2009, 108 p.
http://www.ladocumentationfrancaise.fr/rapports-publics/094000474/index.shtml
"The management of the personalised autonomy benefit. A synthesis of the controls carried out in several *départements* regarding the implementation of the personalised autonomy benefit".

> *The personalised Autonomy Benefit (APA) came into force on 1st of January 2002 to provide financial support to the dependant elderly to meet their care needs. This report, which is part of IGAS' 2009 annual work programme, presents the results of control audits carried out in 4 'départements'. It develops an analysis and formulates recommendations along six themes: transversal elements of analysis; organisation of the instruction and decision process; medico-social evaluation; financial management; pricing of home help services and institutional care; steering, information systems and dissemination of good practice. It makes recommendations regarding the modification of legislative texts and of good practice, and calls for a strengthening of the role of the CNSA (National Solidarity Fund for Autonomy).*

[L] ROUSSILLE Bernadette, STROHL Hélène, RAYMOND Michel, « Enquête sur les conditions de la qualité des services d'aide à domicile pour les personnes âgées ». Inspection Générale des Affaires Sociales (IGAS), 02/10/2009, 145 p.
http://www.ladocumentationfrancaise.fr/rapports-publics/094000475/index.shtml
"An investigation of the quality in home-help services for the elderly".

> *This report deals with the issue of the quality in the field of - non medical - home help services for elderly people (cleaning, help with daily activities, etc). The authors of this report discuss the different legislative rules and regulations and the application of European directives in the field if services, as well as the quantitative development of jobs in this field. They highlight the difficulty in controlling and evaluating the quality (controls and audits based on desk audits, never on interviews with the recipients; limited power of the Conseil Général over the providers despite being in charge of the personalised autonomy benefit (APA); employment based on private (person to person) contracts; implication of numerous state services without any real coordination…). The report sets forward a number of proposals destined to simplify the national rules and norms while reinforcing control on the implementation of these regulations to reduce the risks of non-quality, and to improve quality.*

5 List of Important Institutions

Caisse Nationale d'Assurance Maladie des Travailleurs Salariés – National Health Insurance Fund for the Salaried Workers

Address: 50 avenue du Professeur André Lemierre, 75986 Paris Cedex 20
Webpage: http://www.ameli.fr/l-assurance-maladie/statistiques-et-publications/

The National Health Insurance Fund for the Salaried Workers is the main health insurance funds, providing health care coverage to 80% of the French population. CNMATS has one research unit, in charge of statistics and research. It regularly publishes "Points de repères" which gather statistical data on health in France, and a journal: "Pratiques et organisation des soins".

Caisse Nationale d'Assurance Vieillesse (CNAV)

Address: 110 avenue de Flandre, 75951 Paris cedex 19
Webpage: http://www.cnav.fr

CNAV is the social protection administration that manages private-sector wage-earners pension scheme. CNAV has different research units. One unit compiles and analyses statistical data. Another unit specialises in research over ageing. Main publications include: "Retraite et Société", "Cadr@ge", "Les Cahiers de la CNAV".

Caisse Nationale de Solidarité pour l'Autonomie (CNSA) – National Solidarity Fund for Autonomy

Address: 66 avenue du Maine, 75682 Paris cedex 14
Phone: 33 (0)1 53 91 28 00
Webpage: http://www.cnsa.fr/

The CNSA is a public agency that was set up in 2005. It is both a "fund" in charge of distributing financial resources, and an "agency" providing technical expertise. Its mission is to finance the social benefits geared towards the dependent elderly and the disabled; to guarantee equal treatment across the country and for all types of disabilities; and to provide technical expertise, information and guidance in order to survey the quality of services.
Main recurring publications:
The Annual Report (le Rapport Annuel): This report presents all the actions that have been carried out during the year and takes stocks of what has been achieved since the creation of the CNSA. It also addresses future orientations.
The Letter (La Lettre): The Letter is published on a quarterly basis and provides information on ongoing activities and projects, publishes interviews of people involved in the field, etc.

Commission des comptes de la Sécurité sociale (CCSS) – Commission on Social Security Accounts.

Webpage: http://www.securite-sociale.fr/chiffres/ccss/ccss.htm

This institution is not an administration with specific staff working for it, and has therefore no specific mail address. Created in 1979, the Commission on social security accounts has the role of analysing the accounts of the social security funds. It also looks at the accounts of the complementary pensions. The Commission is chaired by the minister in charge of the social security. It meets at least twice a year, on the initiative of its president: the first meeting is held between on April 15th and on June 15th and a first estimate of the accounts of the general scheme of social security is published; the second meeting proceeds between on September 15th and on October 15th. The accounts of the whole of the mandatory schemes of social security are presented and analysed by the Commission. Since the adoption of the

financing law of social security, the second meeting is held around on September 20th. It is devoted to the examination of the accounts which are used as framework for the financing law of social security.

Cour des Comptes – Financial Auditing Court

Address: 13 rue Cambon, 75001 Paris
Webpage: http://www.ccomptes.fr/fr/CC/Accueil.html

The missions of the Cour des comptes are defined by the Constitution in paragraph 1 of article 47-2:"The Cour des comptes shall assist Parliament in monitoring Government action. It shall assist Parliament and the Government in monitoring the implementation of Finances Acts and of Social Security Financing Acts as well as in assessing public policies. By means of its public reports, it shall contribute to informing citizens. […]"As an administrative jurisdiction, the Cour des comptes fulfils these missions in full independence. The Cour monitors that Ministers respect the budget appropriations voted by both assemblies. It checks results in terms of expenditures as well as receipts. It contributes to the accurate awareness of the State's financial situation. It proceeds in a similar way for the whole social security system that complies with organisational rules and budgetary principles that are far different from those of the State".Every year, the Cour releases a report on the implementation of the Social security financing Act.

Direction de la recherche, des études, de l'évaluation et des statistiques (DREES)

Address: Mission publications et diffusion, 14 avenue Duquesne, 75350 Paris 07 SP
Phone: 0033.1.40.56.80.54
E-mail: drees-infos@sant.gouv.fr
Webpage: http://www.sante-sports.gouv.fr/etudes-recherches-statistiques/etudes-recherches-statistiques-sante/direction-recherche-etudes-evaluation-statistiques-2-.html

DREES is the research unit of the Ministry of Health, but it publishes reports on social protection issues in general. Main publications include: "Études et resultats", "Revue française des affaires sociales", "Dossiers Solidarité et Santé" and working papers.

Haute Autorité de Santé – French National Authority for Health

Address: 2, avenue du Stade de France, 93218 Saint-Denis La Plaine Cedex
Phone: 00 33 1 55 93 70 00
Webpage: http://www.has-sante.fr/

The Haute Autorité de Santé (HAS) - or French National Authority for Health - was set up by the French Government in August 2004 in order to bring together under a single roof a number of activities designed to improve the quality of patient care and to guarantee equity within the health care system. HAS activities are diverse. They range from assessment of drugs, medical devices, and procedures to publication of guidelines to accreditation of health care organisations and certification of doctors. All are based on rigorously acquired scientific expertise. Training in quality issues and information provision are also key components of its work programme. HAS publishes various reports.

Haut Conseil sur l'Avenir de l'Assurance Maladie – High Council for the future of Health insurance

Address: Ministère de la santé, de la jeunesse, des sports et de la vie associative, 18 place des Cinq Martyrs du Lycée Buffon, 75696 Paris Cedex 14

Webpage: http://www.sante.gouv.fr/htm/dossiers/hcaam/sommaire.htm

The High council, chaired by Bertrand Fragonard, brings together 58 members representing the unions and employers, the Parliament, the State, the health insurance funds, the mutual insurance companies, the professions and health care institutions, the users, as well as qualified personalities. The High council for the future of the health insurance has four missions: to assess the system of health insurance and its evolutions; to describe the financial situation and the prospects for the health insurance and to appreciate the requirements to ensure their viability in the long term; to take care of the cohesion of the system of health insurance regarding the equal access to care of high-quality and a just and equitable financing, to formulate, if necessary, the recommendations or reform proposals likely to answer the objectives of financial solidity and social cohesion. HACCM publishes an annual report and specific positions (avis).

Institut de Recherches èÉconomiques et Sociales (IRES) – Institute of Economic and Social Research

Address: 16 Boulevard du Mont d'Est, 93192 Noisy-le-Grand cedex
Phone: 0033 1 48 15 18 90
Webpage: http://www.ires.fr/

IRES is a research institute whose aim is to provide studies on social and economic issues for trade unions. On the one hand, it prepares studies agreed upon by all trade unions. Its scientific programme is defined every four years. On the other hand, it prepares studies commissioned by individual trade unions. The institute employs approximately 30 researchers. Main publications include: "La Revue de l'IRES", "La Chronique Internationale de l'IRES", "La lettre de l'IRES" and working papers.

Institut de Recherche et Documentation en Économie de la Santé (IRDES) – Institute for Research and Information in Health Economics

Address: 10 rue Vauvenargues, 75018 Paris
Phone: 00 33 1 53 93 43 00
Webpage: http://www.irdes.fr/

IRDES's primary mission is to provide high quality research and information for those who are interested in the future of health care systems. IRDES's multidisciplinary team monitors and analyses trends in the behaviour of consumers and health care professionals from a medical, economic, geographic and sociological perspective. In addition, IRDES provides access to health information for general public through its documentation centre.
IRDES develops and conducts periodic and targeted surveys on populations, health care professionals, and institutions, to collect data on medical care production and consumption. Partnership agreements also enable it to make use of surveys conducted by other organisations (National Institute of Statistics and Economic Studies, sickness funds, IMS France.) IRDES publishes various working papers.

Ministère du Travail, des Relations sociales, de la Famille, de la Solidarité et de la Ville – Ministry of Labour, Social Relations, Family and Solidarity

Address: 127, rue de Grenelle, 75007 PARIS 07 SP, France
Webpage: http://www.travail-solidarite.gouv.fr/

Ministère de la Santé et des Sports – Ministry of Health and Sports

Address: 14, avenue Duquesne, 75350 PARIS 07 SP, France
Phone: + 33 (0) 825 302 302
Webpage: http://www.sante-jeunesse-sports.gouv.fr/

L'Observatoire des Retraites – Pensions Observatory

Address: 16-18 rue Jules César, 75012 Paris
Phone: 0033 1 71 72 12 00
Webpage: http://www.observatoire-retraites.org/

The Observatoire des Retraites has been created in 1991 by AGIRC and ARRCO schemes. Its main objectives are to:

- *promote studies and analyses of the French pension system and of foreign pension systems*
- *improve access to reliable and non-partisan information on pension systems.*

The main publication of the Observatoire des Retraites is the "Lettre de l'Observatoire des Retraites" which is published several times every year.

Observatoire Français des Conjonctures Économiques (OFCE) – The French Economic Observatory

Address: 69 quai d'Orsay, 75340 Paris cedex 07
Phone: 0033 1 44 18 54 00
Webpage: http://www.ofce.sciences-po.fr

The OFCE is both a university research centre and an institution for forecasting and *evaluating public policies. It brings together over 40 French and international researchers, including several internationally renowned research fellows and three Nobel Prize laureates. The OFCE is organised into four departments – Analysis & Forecasting, Research, Innovation & Competition, and Globalisation. The OFCE publishes both a quarterly review ("Revue de l'OFCE") and a monthly newsletter ("Lettre de l'OFCE") with in-depth analyses of pertinent subjects and issues of debate, as well as working papers. The Observatory also publishes annually several documents that bring together contributions from its specialists: L'Économie française, L'état de l'Union européenne, and the Report on the State of the European Union.*

Secrétariat général du Conseil d'orientation des retraites Conseil d'Orientation des Retraites (COR) – Pension Orientation Council

Address: 113, rue de Grenelle, 75007 Paris
Phone: 0033 1 42 75 65 50
Webpage: http://www.cor-retraites.fr/index.php

The COR is a structure created by the Jospin Government in 2000 that gathers representatives of the main stakeholders in the pension system (trade unions, employers' associations, pensioners' organisations, family associations, MPs, civil servants, directors of public pension administrations as well as experts). COR regularly feeds the pension debate by publishing reports and documents that are considered as highly reliable and serve as a basis for the preparation of pension reforms. All COR documents are publicly available on the internet.

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(1) to improve the knowledge and understanding of the situation prevailing in the Member States (and in other participating countries) through analysis, evaluation and close monitoring of policies;
(2) to support the development of statistical tools and methods and common indicators, where appropriate broken down by gender and age group, in the areas covered by the programme;
(3) to support and monitor the implementation of Community law, where applicable, and policy objectives in the Member States, and assess their effectiveness and impact;
(4) to promote networking, mutual learning, identification and dissemination of good practice and innovative approaches at EU level;
(5) to enhance the awareness of the stakeholders and the general public about the EU policies and objectives pursued under each of the policy sections;
(6) to boost the capacity of key EU networks to promote, support and further develop EU policies and objectives, where applicable.

For more information see:
http://ec.europa.eu/social/main.jsp?catId=327&langId=en