



## ASISP Annual National Report 2013: Pensions, Health and Long-Term Care. France

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# Country Document Update 2014

## Pensions, health and long-term care

### France March 2014

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On behalf of the  
**European Commission**  
DG Employment, Social Affairs  
and Inclusion

Gesellschaft für  
Versicherungswissenschaft  
und -gestaltung e.V.



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## 1 Executive Summary

Pension reform has again been high on the political agenda in France in 2013. In the winter of 2013-2014, the Ayrault government introduced a new pension reform which included: an increase in employee and employer contributions, a gradual increase in the minimum contribution required for a full pension from 41.5 years for people born in 1955 to 43 years for people born in 1973, the creation of a personal account for the prevention of hard working conditions (*compte personnel de prévention de la pénibilité*) as well as a series of changes aimed at improving pension adequacy for women, youths and workers employed in non-standard forms of employment. Despite these compensatory measures and despite suggestions by recent official reports that replacement rates cannot be expected to decline dramatically in the future, this new reform will make it harder for workers to reach the minimum contribution period required to get a full pension. Both the official projections of replacement rates and the government's calculations about the long-term financial situation of public pension schemes are based on very optimistic macro-economic assumptions (for example regarding the level of growth and of unemployment). It is clear that more reforms will be needed in the future. Promoting longer working lives should be a priority both in order to ensure the sustainability and the adequacy of pensions. In this context, it would seem reasonable to increase the statutory retirement age – and reform it by transforming it into a flexible, and not a minimum, retirement age – so as to send a clear signal both to employers and employees that they will need to work longer.

In 2012 and 2013, there has not been any important reform of the French Health care system, since the most important reform was adopted in 2009 (*loi HPST*) and since the government was concentrated on the pension reform in 2013. Moreover, deficits have started to decrease in the health care sector, thus leading to no important measures in that field. In Summer 2013, the government has launched a collective discussion on “National Health strategy” that will be presented in Summer 2014. In late 2013, some decisions have been taken regarding pharmaceutical goods on one hand, and aiming at increasing resources on the other.

While LTC has been a central topic in the political debate for many years now, and while there have been many promises made to reform the LTC system in order to find a sustainable mode of financing and a simplified mode of governance, the reforms have been continuously postponed and a clear consensus on the mode of financing has yet to emerge.

The government elected in 2012 has announced that long-term care would be one of its priorities, and that a reform would be undertaken to better cover the needs of the dependent elderly. Three reports have been published since then, but no major decision have been decided yet, except for an increase in tax paid by retired people, supposedly aimed at financing LTC.

## 2 Pensions

### 2.1 System description

#### 2.1.1 Major reforms that shaped the current system

The current institutional design of the French pension system is still largely a legacy of decisions made by policy-makers during the post-war period, although the system has been gradually reformed since the early 1990s. The *régime général de sécurité sociale*, which covers all private-sector employees, was established by government legislation in October 1945. At the same time, public-sector workers - both in the civil service and in nationalised enterprises – managed to obtain the creation of separate schemes which offered higher benefits than the *régime général*. Other occupations also fought for separate pension schemes so as to pay lower contribution rates. Pension arrangements for the self-employed (craftsmen, tradesmen, manufacturers, and the learned professions) became compulsory in 1948, and those for farmers in 1952. In addition to these statutory schemes, the social partners in the private sector negotiated a series of collective agreements that led to the creation of supplementary occupational pension schemes, which became mandatory for all private-sector workers in the early 1970s. Overall, the post-war French pension system was strongly fragmented along occupational lines.

While until the mid-1980s reforms usually made statutory and supplementary pension arrangements increasingly generous (for example through a decrease in the minimum statutory age from 65 to 60 years in 1981), reforms introduced since the early 1990s have aimed to address the challenges posed by population ageing and led to cuts in benefits. In 1993, the right-wing Balladur government made eligibility for a full pension in the private-sector *régime général* more stringent (through an increase in the minimum contribution period) and changed the way benefits were calculated. The left-wing Jospin government created a pension reserve fund (*fonds de réserve pour les retraites*) in 1999. In 2003, the right-wing Raffarin government brought about a major reform that affected all pension schemes, except a few special schemes (*régimes spéciaux*) in the public sector. The most conspicuous change of that reform was the gradual equalization of the contribution period required for a full pension between the civil servants' schemes and the *régime général*. The 2003 reform also introduced a number of tax incentives for private retirement savings. Left unaffected in 2003, *régimes spéciaux* were later modified by the Fillon government in 2007. In 2010 and 2012, two new reforms affected statutory retirement schemes. All these legislative reforms have also been accompanied by regular changes in the mandatory supplementary pension schemes managed by the social partners in the private sector.

#### 2.1.2 System characteristics

The French pension system has been overwhelmingly financed on a pay-as-you-go (PAYG) basis and is still characterised by a relatively high degree of occupational fragmentation. The *régime général* covers all private-sector wage-earners (around 60% of the workforce) and provides a basic defined-benefit pension which replaces a maximum of 50% of the 25 years of highest pay. It is complemented by non-statutory but mandatory supplementary PAYG pension schemes (*régimes complémentaires obligatoires*) established by collective agreements. These are hybrid schemes in which benefits are tightly linked with the amount of contributions paid into the system. Civil servants and employees of public-sector companies are covered by special schemes and receive relatively generous defined-benefit pensions

which offer a maximum of 75% of the wages earned during the last six months of the worker's career. Benefit indexation is based on price inflation. While pensions are subject to the standard income tax rates, they are subject to a lower rate of the "generalised social contribution" (CSG – *contribution sociale généralisée*) than other forms of income.

To be eligible for a pension, employees need to reach the minimum statutory retirement age. Except for some special schemes, the minimum retirement age was set at 60 years and 4 months beginning of 2012 and is due to gradually increase to 62 years by 2017. A full pension is only provided to those workers who have reached the minimum duration of insurance. In most schemes, this duration was set at 41 years in 2013 and is due to increase to 41.5 years for workers born in 1955 or later. For those workers who are past the minimum retirement age but who retire before reaching the minimum duration of insurance, benefit levels are lowered proportionally to the number of missing trimesters (*décote*). However, a full benefit is offered whatever the duration of insurance from 65 years for people born before July 1<sup>st</sup> 1951 although this parameter is to be gradually increased to reach 67 years for workers born in 1955. Symmetrically, when people have contributed more than required, they get a pension bonus (*surcote*). Workers with long careers – i.e. those who started working before age 20 and who have a long contribution record (at least the minimum duration of insurance) – can retire early (age 56 at the earliest) and draw a full pension from the *régime général* (and aligned schemes).

Next to these contributory schemes, the French pension system offers two types of statutory minimum pensions. One is a non-contributory minimum pension (*minimum vieillesse* or *allocation de solidarité aux personnes âgées*) for which all residents above the age of 65 are potentially eligible after a means test. The second one is a minimum pension for a full career (*minimum contributif*) which is offered only to workers who have reached the minimum contribution period. The extensive role of PAYG schemes in France had until recently left little room for the development of supplementary funded pension plans, but these have expanded in recent years, particularly the voluntary personal pension plans (PERP – *Plans d'épargne retraite populaires*) and voluntary occupational pension plans (PERCO – *Plans d'épargne retraite collectifs*) introduced by the 2003 pension reform.

### 2.1.3 Details on recent reforms

In recent years, the French pension system has undergone several waves of reforms. In November 2010, the right-wing Fillon government introduced a reform of statutory pension schemes, whose most significant measure was a gradual increase of the minimum statutory retirement age from 60 to 62 years by 2018. The reform also tightened eligibility criteria for the pre-existing early retirement scheme for workers with long careers, while simultaneously creating a right to early retirement (from age 60) for workers with a partial incapacity to work. Faced with growing budgetary pressures, the same right-wing majority decided in November 2011 to accelerate the pace of the 2010 reform and to increase the minimum statutory retirement age to 62 years by 2017 instead of 2018.

In the summer of 2012, the new left-wing Ayrault government decided to reintroduce the possibility to retire at age 60 (instead of 61 or 62 as planned by the 2010 reform) for those people who started working before age 20. This was done through changes in the early retirement scheme for workers with long careers<sup>1</sup> and was to be financed through a gradual increase in social security contributions. The decree also enlarged the non-contributory

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<sup>1</sup> Prior to this 2012 reform, it was possible for a worker to retire before age 60 if he or she had started working before age 18 and had paid social security contributions for two more years than the required minimum contribution record (i.e. in 2012 43 years instead of 41 years). Following the 2012 reform, workers can retire at age 60, if they started working at age 18 or 19 and reached a full minimum contribution record.

periods that are taken into account in the calculation of workers' contribution record: two additional semesters of maternity leave and of unemployment can now be taken into account. Finally, in the autumn of 2013, the Ayrault government put forward a new pension reform which included: an increase in employee and employer contributions (by 0.3 percentage points each between 2014 and 2017), a gradual increase in the minimum contribution required for a full pension from 41.5 years for people born in 1955 to 43 years for people born in 1973 (i.e. effectively for those retiring from 2035), the creation of a personal account for the prevention of hard working conditions (*compte personnel de prevention de la pénibilité*) as well as a series of changes aimed at improving pension adequacy for women, youths and workers employed in non-standard forms of employment. The reform was passed by Parliament in January 2014.

## **2.2 Assessment of strengths and weaknesses**

### **2.2.1 Adequacy**

The French pension system has been traditionally relatively successful at ensuring a high level of income maintenance of retired workers. This has also been emphasized this year by official reports published before the preparation of the 2013 pension reform. Thus, the *Conseil d'Orientation des Retraites* (COR) – an independent public institution that which gathers government officials, the social partners and other stakeholders – has highlighted in its Twelfth Report<sup>2</sup> the fact that French pensioners have had “a standard of living that is close on average to that of the working-age population” (p. 41). Using data collected by the French National Institute of Statistics (INSEE) through surveys on “fiscal and social income”<sup>3</sup>, the report shows that, in 2010, the average standard of living of pensioners was 1,914 euros per month and per unit of consumption versus 2,002 for active – employed or unemployed – people, i.e. a ratio of 95.5% (p. 47). While until the 1970s, the standards of living of elderly people were much lower than those of the active age population, they increased substantially by about 20 to 30 percentage points between 1970 and 1996 to reach 96.8% in 1996. Since then the ratio has been stable as the living standards of both categories have increased in the same (p. 48).

The report also shows that the situation of pensioners is also similar to that of the working-age population in terms of inequality and poverty. In 2010, 10% of pensioners had a standard of living of less than 960 euros per month and per household member, whereas 10% of pensioners had more than 3,078 per month and per household member, thus a P90/P10 *ratio* of 3.21. For the active population, the first two indicators were 955 euros and 3,147 euros, thus a P90/P10 ratio of 3.29. The poverty rate – set at 60% of median income – was 10.2% both for pensioners and the active population (p. 47). In purely nominal terms, the COR has shown that 10% of pensioners received a pension of less than 521 euros per month whereas 10% receive a pension of more than 2,495 per month (p. 42). Typically, women hold the lowest pensions. As other statistics show, the average level of women's benefits is only 72% of that of men<sup>4</sup>. Women have typically had interrupted working careers and have been unable to achieve a full contribution record<sup>5</sup>.

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<sup>2</sup> COR, “Retraites: un état des lieux du système français”, Douzième rapport, January 2013, Paris: Conseil d'Orientation des Retraites (see: <http://www.cor-retraites.fr/article418.html>)

<sup>3</sup> Enquêtes « Revenus fiscaux et sociaux ».

<sup>4</sup> DREES 2013, “Les retraités et les retraites”, Paris: Direction de la recherche, des études, de l'évaluation et des statistiques, p. 57 (<http://www.drees.sante.gouv.fr/IMG/pdf/retraite-edition-2013.pdf>)

<sup>5</sup> DREES 2013, “Les retraités et les retraites”, Paris: Direction de la recherche, des études, de l'évaluation et des statistiques, p. 23 (<http://www.drees.sante.gouv.fr/IMG/pdf/retraite-edition-2013.pdf>)

In addition, the COR report summarised the most recent calculations of replacement rates based on administrative data (pp. 44-45)<sup>6</sup>. These are calculations of replacement rates for the generation born in 1942, as the data are from the EIR 2008 (Echantillon Inter-Régimes 2008) – a survey commissioned by the DREES, a research unit of the French Ministry of Labour. The calculations show that the median net replacement rate of (public- and private-sector) workers born in 1942 is about 74.3% if the final salary of their carer is defined as the average salary earned during the last five years spent in full-time employment before the take-up of the pension. 1 quarter of the 1942 cohort have replacement rates lower than 62.9% whereas one quarter have replacement rates higher than 84.7%. Replacement rates decrease with the level of income at the end of the career. The median replacement rates for public- and private-sector workers are very similar (75.2% and 74.5% respectively).

While these calculations of replacement rates are for generations that are already retired, the COR's official reports published in 2012 and 2013 have not included projections of future replacement rates. However, the COR carried out some projections that have been presented during its meetings<sup>7</sup>. This type of projections matters as the 2013 pension reform will further increase the minimum contribution required to get full benefits, which may lead to lower replacement rates in the future. Moreover, the social partners have signed collective agreements in the AGIRC and ARRCO schemes as a result of which these supplementary pay-as-you-go benefits will be indexed below the level of inflation from 2013 until 2015.

The COR's 2013 projections do not take yet take these most recent legal changes into account. When preparing its projections, the COR has tried to elaborate some "typical cases" of different types of workers. 8 typical cases have been presented – four private-sector workers (Cases 1 to 4) and four public-sector workers (Cases 5 to 8). Case 1 is a "cadre" (high-ranked white-collar employee – typically engineer or manager) with a continuous career. Case 2 represents a "non-cadre" (blue-collar worker or lower-ranked white-collar worker) with a continuous career. Case 3 is a "non-cadre" with an interrupted career due to unemployment spells incurred both around age 45 and after age 55. Case 4 is a female non-cadre "non-cadre" with career interruptions due to maternity leave (2 children around age 30). For public-sector workers, an important variable is the bonuses they have access to. Case 5 is a civil servant belonging to category B with bonuses reaching around 25%-30% of his/her base salary. Case 6 is a civil servant belonging to category A with bonuses reaching only 10% of his/her base salary (typically school or university teachers). Case 7 represents a civil servant belonging to category A with bonuses reaching as much as 50% his/her base salary at the end of his/her career. Case 8 is typically a policeman who has the right to retire early at age 50 or 52 years.

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<sup>6</sup> See also ANDRIEUX, Virginie and CHANTEL, Cécile "Les taux de remplacement du salaire par la retraite pour la génération 1942", *Dossier Solidarité et Santé* n°33, November 2012. Paris: DREES.

<sup>7</sup> SECRETARIAT GENERAL DU COR (2013) "Projections de taux de remplacement pour les generations 1950 à 1990 sur la base de case types", February 26<sup>th</sup> 2013. ( <http://www.cor-retraites.fr/IMG/pdf/doc-1898.pdf> )



Table 1: Projected net replacement rates for generations 1950 to 1990

Generation	<i>Gross final salary</i>	1950	1960	1970	1980	1990
<b>PRIVATE SECTOR</b>						
<b>Case 1 (cadre)</b>	<i>2.7*nationwide average wage</i>	56%	57%	53%	51%	51%
<b>Case 2 (non-cadre)</b>	<i>0.9*nationwide average wage</i>	75%	77%	72%	70%	69%
<b>Case 3 (non-cadre with unemployment)</b>	<i>0.8*nationwide average wage</i>	83%	90%	72%	74%	82%
<b>Case 4 (woman with 2 children)</b>	<i>0.8*nationwide average wage</i>	74%	77%	72%	70%	69%
<b>PUBLIC SECTOR</b>						
<b>Case 5 (B no mobility)</b>	<i>1.1*nationwide average wage</i>	68%	69%	69%	70%	70%
<b>Case 6 (A – limited bonuses)</b>	<i>1.5*nationwide average wage</i>	76%	77%	77%	77%	77%
<b>Case 7 (A – large bonuses)</b>	<i>2.7*nationwide average wage</i>	54%	54%	55%	55%	55%
<b>Case 8 (policeman with large bonuses)</b>	<i>1.2*nationwide average wage</i>	75%	68%	54%	54%	54%
<i>Source: Secrétariat general du Conseil d’Orientation des Retraites (2013) “Projections de taux de remplacement pour les generations 1950 à 1990 sur la base de case types”, February 26<sup>th</sup> 2013. ( <a href="http://www.cor-retraites.fr/IMG/pdf/doc-1898.pdf">http://www.cor-retraites.fr/IMG/pdf/doc-1898.pdf</a> )</i>						

While the idea of trying to elaborate some “typical cases” of different groups of workers is laudable, the COR’s projections are based on very strong assumptions. First, all pensioners are considered to have belonged only to one type of public pension scheme over their whole career, i.e. which means there is no mobility between the public and private sector. Second, the assumptions concerning France’s long-term macro-economic performance are based on the COR’s “scenario B”, meaning that the long-term labour productivity should grow at 1.5% annually and that the unemployment rate should stabilize at 4.5% over the long run, i.e. from about 2030<sup>8</sup>. Third, the age of entry into the labour market is assumed to be:

- in the private sector, 17.4 years for “non-cadres” and 18.9 years for “cadres” for the generations born after 1950, compared to 19.6 years for non-cadre and 20.4 years for “cadres” for the generations born after 1974. After that, the age of entry into the labour market is assumed to remain constant.
- In the public sector, 19.5 years for generations born after 1950 and for generations born in 1960 or later, 20.25 years. After that, the age of entry into the labour market is assumed to remain constant.

<sup>8</sup> COR, “Retraites: un état des lieux du système français”, Douzième rapport, January 2013, Paris: Conseil d’Orientation des Retraites (see: <http://www.cor-retraites.fr/article418.html>)

Given these general assumptions, all the “typical cases” developed by the COR are assumed to have been able to reach a full contributory record over their career and are thus able to benefit from a full pension. This seems *quite* unrealistic when youths enter the labour market increasingly late, or are also employed under temporary contracts. It also seems quite optimistic to assume that the unemployment rate will stabilize at 4.5%. The COR should be encouraged to develop a few additional “typical cases” with more realistic assumptions. Projections would then be much more likely to show a decrease in future replacement rates. It should be added that, in its current projections, the COR assumes that ARRCO and AGIRC pensions will have constant “rates of return” when these have been decreasing steadily ever since their creation after World War II and have even decreased more dramatically with the signing of the 2013 collective agreement that will lead to a benefit indexation below the level of inflation from 2013 until 2015. The COR’s assumptions regarding the ARRCO and AGIRC schemes are completely unrealistic. By contrast, in the public sector, the rising replacement rates (cf. table 1) can be explained to a large extent to the increased role played by the *Etablissement de Retraite Additionnelle de la Fonction Publique (ERAFP)*, a mandatory fully-funded created in 2003 in order to cover civil servants’ bonuses<sup>9</sup>.

Although the COR’s projections regarding future replacement rates have been strikingly unrealistic, the 2013 reform proposed by the Socialist Ayraud government has tried to address some of the issues related to the adequacy of future pensions. While the government has decided to increase the contribution record required to get a full pension to 43 years by 2035, it has also decided to introduce some compensatory measures. First, it creates a personal account for the prevention of hard working conditions (*compte personnel de prévention de la pénibilité*), as workers employed in such conditions typically have lower life expectancies. Second, it introduces a series of changes aimed at improving pension adequacy for women, youths and workers employed in non-standard forms of employment, namely: an extension of the periods of maternity leave that can be validated for the calculation of an old-age pension; the validation of periods of unemployment that have been spent without benefits; the validation of all trimesters spent in an apprenticeship; the possibility for students to buy up pension credits at a preferential rate, etc. All these measures will indeed improve the future adequacy of pensions. Yet, in a context of an increase of the minimum contribution period required for a full pension, it is difficult to understand why the government has not resorted to increasing – or at least reforming – the statutory retirement age. If workers are to meet the minimum contribution record required to get a full pension, they will need to work longer. This needs to be clearly signalled both to employees and to employers. The best signal is an increase in the statutory retirement age, be it a minimum age or perhaps better a *flexible* retirement age. Increasing the employment rates of elderly workers would also help improve the financial sustainability of public pension schemes.

### 2.2.2 Sustainability

As in previous years, the financial sustainability of *statutory* pension schemes has continued to be weakened by a low growth rate and a steady increase in the number of pensioners. However, the deficits have also continued to be reduced, largely as a result of the rapid increase in the statutory minimum retirement age legislated by the right-wing Fillon government in 2010 and 2011. According to results published by the *Commission des comptes de la sécurité sociale* in September 2013, the deficit of the *régime général* pension scheme

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<sup>9</sup> Pay-as-you-go public sector schemes have traditionally covered/replaced only the fixed part of civil servants’ income package. Civil servants could pay voluntary contributions in the *Préfon*, a fully-funded pension scheme, but since the 2003 reform they also have to pay mandatory contributions on their bonuses into the *ERAFP*.

(i.e. the scheme covering private-sector employees) reached 6.0 billion euros in 2011 and 4.8 billion in 2012 compared to 8.9 billion euros in 2010<sup>10</sup>. It was projected to reach 3.3 billion euros in 2013 and 3.7 billion in 2014. The *Fonds de Solidarité Vieillesse*, which pays for all non-contributory pensions (or pension credits) has also incurred an important deficit in recent years: 4.1 billion euros in 2010, 3.4 billion in 2011, 4.1 billion in 2012 with projected deficits of 2.7 billion euros in 2013 and 3.7 billion in 2014. The projections for 2013 and 2014 are based on the hypothesis that economic growth will reach 0.1% in 2013 and 0.9% in 2014 and that the total wage bill (*masse salariale*) will increase by 1.3% in 2013 and 2.2% in 2014. The rate of inflation is assumed to be 0.8% in 2013 (compared to an assumption of 1.75% in the bill for the financing of social security in 2013 – *Loi de financement de la sécurité sociale 2013*) and 1.3% in 2014.

In the same as statutory schemes, the supplementary pay-as-you-go *ARRCO* and *AGIRC* schemes have also continued to be affected by France's weak economic performance. Whereas the ARRCO had a surplus of 355 million euros in 2010 and the AGIRC had a deficit of 709 million in 2010, both schemes posted deficits both in 2011 and 2012. Thus, the ARRCO had a deficit of 1,695 million euros in 2011 and a deficit of 0.986 million euros in 2012<sup>11</sup>. By contrast, the AGIRC had a deficit of 1,774 million euros in 2011 and a deficit of 1,599 million euros in 2012. These larger deficits are partly due to a lesser use of the schemes' reserve funds to cover deficits. The changes in the indexation – i.e. indexation below the level of inflation – of the schemes' benefits introduced by a collective agreement signed by the social partners in March 2013 should bring about 2 billion euros par year in both schemes by 2015. The contribution rate is also to be increased by a 0.1 percentage point in 2014 and 2015. This measure should also bring about 1 billion euros of revenue<sup>12</sup>. The social partners are to review the financial situation of the two schemes on an annual basis.

As the Conseil d'Orientation des Retraites (COR) has made new projections on the financial situation of public and supplementary pay-as-you-go schemes, it is clear that they will continue facing difficulties in the future. The COR's 2012 report<sup>13</sup> has shown that, regardless of the macro-economic scenario that is retained (cf. scenarios A, B, C – from the most optimistic to the most pessimistic), the pay-as-you-go pension schemes would face an overall deficit of around 1% of GDP by 2020 (i.e. more than 20 billion euros).

The 2013 pension reform has been presented by the government as a way to address these mid-term and long-run financial imbalances. The main measure aimed at limiting the rise in public expenditure on pensions in the long term is the planned increase to 43 years by 2035 in the minimum contribution period required to get a full pension. This increase will start being effective only from 2020, because increases in the minimum contribution period until 2020 had already been enacted by previous pension reforms. The government assumes that the increase in the minimum contribution period will make economies of 5.4 billion euros by 2030 and 10.4 billion euros by 2040<sup>14</sup>.

<sup>10</sup> COMMISSION DES COMPTES DE LA SECURITE SOCIALE, « Les comptes de la sécurité sociale : Résultats 2012, Prévisions 2013 et 2014 » [http://www.ladocumentationfrancaise.fr/docfra/rapport\\_telechargement/var/storage/rapports-publics/134000345/0000.pdf](http://www.ladocumentationfrancaise.fr/docfra/rapport_telechargement/var/storage/rapports-publics/134000345/0000.pdf) p. 9

<sup>11</sup> <http://www.agirc-arrco.fr/l-agirc-et-larrco/chiffres-cles/> Accessed November 3<sup>rd</sup> 2013.

<sup>12</sup> Le Figaro (2013) “Syndicats et patronat se sont entendus sur des mesures difficiles”, March 15<sup>th</sup> 2013.

<sup>13</sup> COR (2012) *Retraites : perspectives 2020, 2040 et 2060. Onzième rapport du Conseil d'orientation des retraites*. Paris: Conseil d'Orientation des Retraites (accessible on: <http://www.cor-retraites.fr/article386.html>)

<sup>14</sup> GOUVERNEMENT, « Projet de loi garantissant l'avenir et la justice du système de retraites », Etude d'impact, NOR : AFSX1322587L/Bleue, September 17<sup>th</sup> 2013, p. 28.

But much of the government's strategy for reducing deficits in the public pension system relies on an increase in the resources that are used to finance benefits. One important change is an increase in the pension contribution rates of employers and employees. The pension contribution rate will increase by 0.15 percentage points in 2014 for both workers and employers, and subsequently by 0.05 for both categories for another three years. By 2017, pension contribution rates will have increased by 0.3 percentage points both for employers and employees<sup>15</sup>. This increase in contribution rates is to bring 4.6 billion euros of additional revenue by 2020 and 6.8 billion by 2040 for statutory pension schemes<sup>16</sup>.

The second increase in resources for the public pensions will come from the taxation of the 10% pension bonuses accrued by pensioners who brought up three children or more. Until now, these bonuses were tax exempt. The government assumes that the tax will bring 1.3 billion euros of additional revenue by 2020 and 1.7 billion by 2040<sup>17</sup>.

Although the government assumes that the 2013 reform will allow to reduce deficits to 0.4 billion by 2020 and to achieve equilibrium by 2040<sup>18</sup>, it is striking that some measures – such as the introduction of a personal account for the prevention of hard working conditions (*compte personnel de prevention de la pénibilité*) are not entirely funded<sup>19</sup>. Moreover, as already mentioned in the section on “adequacy”, the COR's and the government's assumptions on France's long-term macro-economic performance seem overly optimistic.

### **2.2.3 Private pensions**

Given projected decreases in the replacement rates of public pensions, the role of private funded pension schemes is generally thought to become more important in the future. Private pensions have traditionally played a very marginal role in the income packages of French pensioners, due to the relative generosity of public schemes. Thus, despite a relative increase in coverage of private pensions in recent years, contributions to fully-funded private pension plans still represent only 4% of all pension contributions, whereas benefits derived and paid out from such plans amount only to 2.3% of all pensions that are paid-out<sup>20</sup>.

In the public sector, *all* civil servants are covered since 2003 by the *ERAFP*. This pension fund replaces the variable part – i.e. bonuses – of their income package. In the private sector, occupational pension schemes for wage-earners – including the defined-contribution “art. 83” schemes and the defined-benefit “art. 39” schemes<sup>21</sup> – currently have about 830,000

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[http://www.legifrance.gouv.fr/content/download/5225/78617/version/1/file/ei\\_avenir\\_justice\\_retraites\\_cm\\_1\\_8.09.2013.pdf](http://www.legifrance.gouv.fr/content/download/5225/78617/version/1/file/ei_avenir_justice_retraites_cm_1_8.09.2013.pdf)

<sup>15</sup> It should be noted that this is the second legislated increase in pension contribution rates since 2012. Indeed, in order to finance the reintroduction of the possibility for workers to retire at age 60 if they started working at age 18 or 19 and reached a full minimum contribution record, the Socialist Ayraud government had already decided to increase social security contributions by 0.2 percentage points in 2013 and by 0.5 percentage points by 2017. But this was the first increase in statutory pension contribution since 1993.

<sup>16</sup> GOUVERNEMENT, « Projet de loi garantissant l'avenir et la justice du système de retraites », Etude d'impact, NOR : AFSX1322587L/Bleue, September 17th 2013, pp. 25-26. [http://www.legifrance.gouv.fr/content/download/5225/78617/version/1/file/ei\\_avenir\\_justice\\_retraites\\_cm\\_1\\_8.09.2013.pdf](http://www.legifrance.gouv.fr/content/download/5225/78617/version/1/file/ei_avenir_justice_retraites_cm_1_8.09.2013.pdf)

<sup>17</sup> Ibid., p. 26

<sup>18</sup> Ibid., p. 28

<sup>19</sup> Ibid., p. 28

<sup>20</sup> DREES 2013, “Les retraités et les retraites”, Paris: Direction de la recherche, des études, de l'évaluation et des statistiques, p. 11 (<http://www.drees.sante.gouv.fr/IMG/pdf/retraite-edition-2013.pdf>).

<sup>21</sup> For a presentation of the different types of private plans, see NACZYK, Marek and PALIER, Bruno “France: Promoting Funded Pensions in Bismarckian Corporatism?” In Bernhard EBBINGHAUS (Ed.), *The Varieties of Pension Governance. Pension Privatisation in Europe*. Oxford: Oxford University Press 2011.

annuitants and 4 million subscribers. Personal (non-occupational) pension plans have about 860,000 beneficiaries of a lifetime annuity and 3 million subscribers, including 2 million in the PERP, which were introduced by the 2003 Fillon reform. Finally, among the self-employed, there are 160,000 annuitants and 1.4 million subscribers of fully-funded pension plans<sup>22</sup>.

Apart from the ERAFP, coverage of private fully-funded schemes has been mostly based on voluntarism, which leads to significant inequalities in the coverage of private pensions. Although data on differences in coverage are difficult to obtain, a new report sheds light on inequalities in access to the PERCO schemes. These are schemes established at the company level or industry level, which are institutionally linked to profit-sharing schemes (*participation*). Following a reform enacted in 2010, 50% of the bonuses that workers get through profit-sharing schemes (*participation*) are automatically transferred to their PERCO, unless they decide otherwise. The problem is that PERCO and profit-sharing schemes are far from covering all French workers. In 2011, only 16.6% of private-sector wage-earners have been covered by a PERCO, while approximately 43.6% of French workers benefited from profit-sharing (*participation*)<sup>23</sup>. These are overwhelmingly workers employed in large firms, which means that workers employed in small firms will be at a disadvantage. More should be done to encourage participation of workers employed in small firms in profit-sharing schemes and in the PERCO. Perhaps, policy-makers should develop a regulatory framework that would encourage the creation of industry-level pension funds with mandatory contributions, as has been done in Belgium with the 2003 Vandenbroucke reform.

#### 2.2.4 Summary

The French pension system has been traditionally relatively successful at ensuring a high level of income maintenance of and preventing high levels of poverty among retired workers. With reforms introduced since the early 1990s, replacement rates can be expected to decline in the future. Even though the COR's official reports might suggest the contrary, its projections are based on very optimistic assumptions regarding the structure and evolution of the labour market. Given the difficulty to reach an increasingly high minimum contribution period for a full pension, it would seem reasonable to reform and increase the statutory retirement age so as to send a clear signal both to employers and employees that they will need to work longer. An increase in the retirement age would also help improve the financial sustainability of pay-as-you-go pension schemes. Although the French government claims that the 2013 reform will allow public pension schemes to achieve balance in the long term, its macro-economic assumptions seem overly optimistic and it is clear that more reforms will be needed in the future. Given the pressure on replacement rates in public schemes, more needs to be done to improve coverage of *all* workers by fully-funded collective schemes.

### 2.3 Reform debates

2012 and 2013 have been dominated by discussions over the announced 2013 pension reform. The government announced as early as July 2012 that it would reform the pension system in 2013. To prepare the reform, the COR published two new reports in December and January

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<sup>22</sup> All figures from DREES 2013, "Les retraités et les retraites", Paris: Direction de la recherche, des études, de l'évaluation et des statistiques, p. 11 (<http://www.drees.sante.gouv.fr/IMG/pdf/retraite-edition-2013.pdf>).

<sup>23</sup> DARES, "Participation, intéressement et épargne salariale en 2011 : une baisse de 4% des montants distribués", *Dares – Analyses*, nr 68, November 2013. <http://travail-emploi.gouv.fr/IMG/pdf/2013-068.pdf>



2013<sup>24</sup> and a team of experts (Commission for the future of the pension system)<sup>25</sup> published a report on pension reform in June 2013. This was then followed by a “social conference” with the social partners in June 2013. The government eventually presented its blueprint for pension reform in August 2013<sup>26</sup>. Although European authorities issued country-specific recommendations on French pension reform in the spring of 2013, the French government and a wider part of the French political elite strongly criticised any intervention from the European level, arguing that the French public and social partners would not accept a reform that seems to be dictated from above<sup>27</sup>.

The government made it clear already in July 2012 that it would seek to find a balance between the aims of ensuring the adequacy and sustainability of the pension system. Thus, In its terms of reference<sup>28</sup>, the “Commission for the future of the pension system” was asked to suggest measures that would: a) “help consolidate the pay-as-you-go system for all generations by ensuring its financial balance” (by 2040); b) “make the system fairer” and c) “improve the coherence between different schemes and the transparency of the pension system”.

For a long time, there were discussions about whether the government would decide to further increase the statutory minimum retirement age. The opposition and some MPs within the parliamentary majority suggested that the increase in this parameter that is currently taking place should be accelerated and that the minimum statutory retirement age should increase to 62 years by 2015 instead of 2017<sup>29</sup>. But, in March 2013, the Prime Minister has already announced that he will not change the statutory retirement age<sup>30</sup>. Apart from the difficulty to break election promises (“returning to a retirement age of 60”), the other difficulty with any increase in the statutory retirement age is that this is a *minimum* age, which blocks the possibility for people who worked more than 40 years to retire earlier. This is a reason why the government has opted for increasing the minimum contribution period, and this after 2020<sup>31</sup>. Another possible option for retrenchment that was initially discussed was to index statutory pensions below inflation as has been done in the supplementary ARRCO and AGIRC schemes, but this type of measure was too unpopular with MPs within the parliamentary majority<sup>32</sup>.

Apart from the retrenchment of pensions, much of the debate has focused on the resources that should be made available to finance the pension system. For a long time, the government considered increasing the preferential rate of the “generalised social contribution”

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<sup>24</sup> COR (2012) *Retraites : perspectives 2020, 2040 et 2060. Onzième rapport du Conseil d'orientation des retraites*. Paris: Conseil d'Orientation des Retraites (accessible on: <http://www.cor-retraites.fr/article386.html>)

<sup>25</sup> <http://www.gouvernement.fr/presse/installation-de-la-commission-pour-l-avenir-des-retraites-par-le-premier-ministre>

<sup>26</sup> <http://www.vie-publique.fr/actualite/alaune/retraites-2013-mesures-annoncees-par-premier-ministre.html>

<sup>27</sup> Le Figaro, “Hollande ne se laissera pas « dicter » ses réformes par Bruxelles”, May 30<sup>th</sup> 2013.

Les Echos “Retraites : la voie est dégagée sur l’âge légal, pas sur les cotisations”, July 1<sup>st</sup> 2013.

Les Echos (2013), « Daniel Cohen : « L’effort prévu pour 2014 est le maximum envisageable », September 25<sup>th</sup> 2013.

<sup>28</sup> See [http://www.social-sante.gouv.fr/IMG/pdf/cahier\\_des\\_charges\\_Commission\\_avenir\\_des\\_retraites\\_final.pdf](http://www.social-sante.gouv.fr/IMG/pdf/cahier_des_charges_Commission_avenir_des_retraites_final.pdf)

<sup>29</sup> Les Echos, “Jean-Marie Le Guen (PS) défend la retraite à 62 ans dès 2015”, March 5<sup>th</sup> 2013.

<sup>30</sup> Le Journal du Dimanche, “Les retraites ? A l’automne”, March 30<sup>th</sup> 2013.

<http://www.lejdd.fr/Politique/Actualite/Ayrault-Les-retraites-A-l-automne-Interview-599247>

<sup>31</sup> Les Echos, “Retraite : la durée de cotisation en débat”, February 28<sup>th</sup> 2013.

<sup>32</sup> Les Echos, “Au PS, la désindexation des pensions inquiète plus que l’allongement de la durée de cotisation”, March 7<sup>th</sup> 2013.

(*Contribution Sociale Généralisée* – CSG) from which pensioners can benefit<sup>33</sup>. As emphasized by the COR, “in 2008, about one third of pensioners have been exempted [from paying the CSG] and half of them have paid the full rate”<sup>34</sup>. But, as French public opinion has become increasingly hostile to increases in general taxation, the government decided to abandon this possibility in September 2013<sup>35</sup>. Instead, the government has preferred: a) taxing the bonuses of those pensioners who raised three or more children and b) increasing contribution rates, even though this is clearly not favoured by employers’ associations due to their worries about the impact of non-wage labour costs on the competitiveness of French companies<sup>36</sup>.

Discussions about pension reform will undoubtedly continue over the next few years. Some discussions will focus on the implementation of aspects of the 2013-2014 reform. Thus, in January 2014, the government set up a “steering committee” (*comité de pilotage*) on the personal account for the prevention of hard working conditions (*compte personnel de prévention de la pénibilité*), which is to be implemented from January 1<sup>st</sup> 2015. A crucial aspect of the implementation of this personal account will be the definition of the thresholds from which a task or job is considered as “hard” (*pénible*). The steering committee – which includes representatives of trade unions and employers associations – is to help the government to prepare these definitions, which will be eventually set by decree<sup>37</sup>.

Discussions will also focus on possible future pension reforms. As the government has decided to opt for a parametric pension reform, a number of right-wing and centrist politicians have criticised it for not deciding to promote the creation of a unified pension scheme for all French workers<sup>38</sup>. The UMP (*Union pour un Mouvement Populaire*) right-wing party has also called for the introduction of a unified scheme by 2023<sup>39</sup>. The introduction of a unified system – possibly based on a notional defined-contribution design – is thus not entirely off the political agenda and is likely to come back over the next few years.

Two other issues that will also be debated are: 1) family-related pension rights (*droits familiaux de retraite*), e.g. pension bonuses given for the education of three or more children, etc.; 2) the regulation of “salary savings” (*épargne salariale*) of which the PERCO is an instrument. Indeed, within its 2013 pension reform bill (“bill guaranteeing the future and fairness of the pension system” - *Projet de loi garantissant l’avenir et la justice du système de retraite*), the government has announced that it will submit a reform to the parliament on the issue of family-related pension rights six months after the promulgation of the 2013 reform bill<sup>40</sup>. Regarding *épargne salariale*, the government had announced in July that it would hold

<sup>33</sup> Les Echos, “L’exécutif aux aguets”, March 7<sup>th</sup> 2013.

<sup>34</sup> COR, “Retraites: un état des lieux du système français”, Douzième rapport, January 2013, Paris: Conseil d’Orientation des Retraites, p. 42.

<sup>35</sup> Les Echos, “Hollande passe du « ras-le-bol fiscal » à la « pause fiscale »”, September 2<sup>nd</sup> 2013.

<sup>36</sup> Les Echos (2013), « Geoffroy Roux de Bézieux : « Ce projet de loi de finances 2014 est une occasion ratée, un budget pour rien », September 11<sup>th</sup>.

See the reform proposals of France’s main employers association, the MEDEF: MEDEF (2013) “24 propositions pour équilibrer durablement nos régimes de retraite” <http://www.la-croix.com/Actualite/France/Medef-24-propositions-pour-equilibrer-durablement-nos-regimes-de-retraite-2013-07-25-990779>

<sup>37</sup> Les Echos, “Retraite : le chantier épineux de la pénibilité est lancé”, January 7<sup>th</sup> 2014.

<sup>38</sup> Les Echos “Philippe Vigier, : « Sur les retraites, il faut envoyer un signal à la jeunesse », October 8<sup>th</sup> 2013.

Les Echos, “François Bayrou: « On est dans une perpétuelle incohérence »”, October 9<sup>th</sup> 2013.

<sup>39</sup> <http://www.etats-generaux-ump.fr/wp-content/uploads/2013/10/2013-09-30-UMP-Etats-G%C3%A9n%C3%A9raux-Retraites.pdf>

<sup>40</sup> Gouvernement, « Projet de loi garantissant l’avenir et la justice du système de retraites », Etude d’impact, NOR : AFSX1322587L/Bleue, September 17<sup>th</sup> 2013, p. 66. [http://www.legifrance.gouv.fr/content/download/5225/78617/version/1/file/ei\\_avenir\\_justice\\_retraites\\_cm\\_1\\_8.09.2013.pdf](http://www.legifrance.gouv.fr/content/download/5225/78617/version/1/file/ei_avenir_justice_retraites_cm_1_8.09.2013.pdf)

a negotiation with social partners on the future of these schemes<sup>41</sup>. A “steering committee on performance-related pay, salary savings and employee shareownership” (*Comité d'orientation de la participation, de l'intéressement, de l'épargne salariale et de l'actionnariat des salariés* - Copiesas) has been put in charge of drafting proposals for a reform of épargne salariale. Their publication is expected by the end of the first semester of 2014<sup>42</sup>.

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See also BONNET, C. et al. (2013) “Réformer le système de retraites: les droits familiaux et conjugaux”. Paris: Institut des Politiques Publiques <http://www.ipp.eu/wp-content/uploads/2012/08/retraites-droits-conjugaux-familiaux-rapport-IPP-juin2013.pdf>

<sup>41</sup> Les Echos, « Dialogue social, emploi, salaires... huit chantiers sont lancés », July 11st 2012, page 2.

<sup>42</sup> Le Figaro, “La grande réforme se fait attendre”, December 24<sup>th</sup> 2013.



## 3 Health Care

### 3.1 System description

#### 3.1.1 Major reforms that shaped the current systems

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 below), 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).

#### 3.1.2 System characteristics<sup>43</sup>

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

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<sup>43</sup> 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* (16<sup>th</sup> edition) and Bruno Palier, 2012, *La réforme des systèmes de santé*, Paris, PUF, Collection *Que sais-je?* (sixth edition).

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.

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 3,031 per month in January 2012). 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.

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 inpatient 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 2013). 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.

### 3.1.3 Details on recent reforms

Meanwhile, the public coverage of health expenditures has decreased between 1980 and 2012, from 79.4% to 75.5% 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 one 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 one co-payment for medical consultation that cannot be reimbursed by the Mutual insurances (called *franchise*), 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 two 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 2012, and EUR 27 for the specialists in 2013.

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. 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 traitant* (regular treating Doctor) and see him/her first before doing anything else. 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 2012, 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 managerialisation of hospital trends. This law led to the creation of Regional Health Authorities (*Agences Régionales de Santé*) 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 reinforce 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 Authorities (*Agences 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 the 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).

In 2011, the main measures have again been financial, planning some decrease in drugs’ price, further efficiency gains in hospitals, and some changes in sickness pay. On the resources side, the government has planned some new resources (up to EUR 1,9 billion) for the Health insurance systems coming from the reintegration of overtime in the calculation of general relief for low wages (yield of EUR 600 million); the reduction in the abatement of CSG-CRDS from 3% to 2% (yield of EUR 595 million); the increase of the “social package” for private firms from 6 to 8% (yield of EUR 410 million); the homogenisation of the base of the social contribution of corporate “Contribution sociale de solidarité” in the financial sector (yield of EUR 150 million) and the imposition of the “complément de libre choix d’activité” to the CSG (yield of EUR 140 million).

A new legislation, *Loi Fourcade*, which amends the *Loi HPST* has been passed in 2011. The main measures aim on the one hand to better provide the juridical base for *Maison de Santé* (Health centers) in order to develop medical collective practice, but also to better protect doctor’s freedom (medical secret, freedom of installation, no penalties for not helping areas where doctors are lacking, no obligation to announce in advance when the doctor will be absent, etc.).

In 2012 and 2013, there has not been any important reform of the French Health care system, since the most important reform was adopted in 2009 (*loi HPST*) and since the government was concentrated on the pension reform. In 2012 and 2013, Health insurance funds deficits have been more or less contained, thus limiting government's attention to health care reforms.

In Fall 2012, the new socialist government put pressure on the sickness fund organization (UNCAM) to negotiate an agreement with doctors' organizations in order to regulate overbilling. An agreement was signed in October 2012: it creates a new contract (*contrat d'accès aux soins*) limiting the amount of overbilling for doctors of the second sector. It is a voluntary contract, like the "Territory Health Pact" (*Pacte santé territoire*) proposed by the new Health Minister to attract doctors in under-served areas.

In Fall 2013, the Parliament has adopted the general objective to increase public health care expenditure by 2,4 %. Amongst the economies announced, almost one billion would be due to control of the cost of drugs. On the revenue side, the government has planned an increase of resource of 1,5 Billion Euros, partly due to the changes in the taxation levels of private health insurances contracts.

## 3.2 Assessment of strengths and weaknesses

### 3.2.1 Coverage and access to services

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 seven years higher for male white-collar employees (*cadres*) 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<sup>44</sup>. Recent research confirm these data. As explained below, these recent research identify the organisation of the health care system and its reforms as one of the cause of inequalities in health<sup>45</sup>.

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<sup>46</sup>. The remaining ones are to be found among low income groups. As shown by the French Observatory on inequalities (*Observatoire des inégalités*), 10% of

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<sup>44</sup> INSEE PREMIERE, 2005, "Les differences sociales de mortalité", juin, numéro 1025.

<sup>45</sup> 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: 71 p.

<sup>46</sup> 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, April 2008.

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<sup>47</sup>. 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 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*”).

The measures decided in 2010 and 2011 aimed at further increasing co-payment as well as the trend to increased *dépassement d'honoraires* can only reinforce these traits whereby the most needy have not the same access to health care than the rest of the population.

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<sup>48</sup>. 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 its intention to develop a way to refuse installation where too many doctors were already settled, but doctors apprentices went on strike and the Government withdrew his proposal. Within the new law *Hôpital, patients santé et territoire*, 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 and the *Loi Fourcade* has eliminated all possibilities for government and regional agencies to put pressure on doctors.

### 3.2.2 Quality and performance indicators

France is showing amongst the highest life expectancy rate. As stated by the OECD (Health at Glance, 2013), French people enjoy a relatively long life expectancy relatively to other OECD countries ( 82 years against 80 years in average in the OECD countries) and population generally enjoys good access to quality care. If on average, the out of pocket payment seems quite limited, the assessment changes if one considers the out of pocket payment for “small risk” (only 55% being covered by the Health insurance scheme, and for acute disease (around 100%).

### 3.2.3 Sustainability

According to the government's perspective, (but also to OECD comparative assessment, see Health at Glance, 2013), France is amongst the few countries that have containing health expenditure over the last years. So the government is quite optimistic about its capacity to master health care expenditure in the future (see quotation from the Social security budget below).

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<sup>47</sup> OBSERVATOIRE DES INEGALITES, (<http://www.inegalites.fr/>).

<sup>48</sup> Haut Conseil pour l'Avenir de l'Assurance Maladie, premier rapport, janvier 2004.

### 3.2.4 Summary

In 2012 and 2013, there has not been any important reform of the French Health care system, since the most important reform was adopted in 2009 (*loi HPST*) and since the government was concentrated on the pension reform in 2013. Moreover, deficits have started to decrease in the health care sector, thus leading to no important measures in that field. In Summer 2013, the government has launched a collective discussion on “National Health strategy” that will be presented in Summer 2014.

As the “Loi de financemnt de la Sécurité sociale” for 2014 states: “The significant slowdown in growth medical expenses began in 2008 has continued since. The progression remains significantly below 3 % per year for the last three years: 2.2 % in 2012 after 2.5% in 2011 and 2.4% in 2010. It is the historical decline in expenditure of drugs, coupled with a slowdown in ambulatory care, that is the cause of slow growth in 2012. Only expenditures transport of sick people and medical goods remain dynamic.”

### 3.3 Reform debates

Despite the EU recommendation on the necessity for France to “increase the cost-effectiveness of healthcare expenditures, including the areas of pharmaceutical spending”, few attempt for this have been undertaken in France. However, the cost for drugs for 2014 are planned to be cut by 1 billion EUR.

Two main projects have been launched: a “national health strategy” has been planned, and for its elaboration a Commission has been settled, but has not produced any results yet.

The main debates in France on Health care systems have recently been on Doctors extra billing, on possible frauds and on hospitals spending.

As amply demonstrated by research, there is no explicit references to EU social policies when reforming French health care, despite some orientation of reforms that fit the OMC guidelines<sup>49</sup>. One can however signal that the government is emphasising the budgetary constraints to explain its Sickness insurance policies.

In January 2014, President Hollande announced a big “pacte de responsabilité” that will give further social contribution reduction to employers. In order to compensate for this and to accelerate the control of public deficits, the government has announced 50 Billions of cuts in public expenditure over the next three years. The exact details of such cuts are not announced yet, but debates show that health expenditures should be drastically more controlled or even cut.

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<sup>49</sup> See Caune, H., Jacquot, S., Palier, B., ‘Boasting the National Model’ in *The EU and the Domestic Politics of Welfare State Reforms. Europa Europae*, Jacquot, S., Graziano, P., Palier, B., Palgrave, 2012.

## 4 Long-term care

### 4.1 System description

#### 4.1.1 Major reforms that shaped the current system and system characteristics

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.

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 regardless of 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 wish.

On 31<sup>st</sup> of December 2011, 184 917 people were receiving the PCH, compared to 7 180 in 2006<sup>50</sup>. 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). Average spending per beneficiary was EUR 760 per month during the first trimester of 2013<sup>51</sup>.

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 – which identifies 6 levels of dependency, with only the first 4 levels being taken into account for the granting of the APA benefit) and according to the elderly's financial resources.

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<sup>50</sup> <http://www.data.drees.sante.gouv.fr/TableViewer/tableView.aspx> (accessed on 19-11-2013)

<sup>51</sup> [http://www.drees.sante.gouv.fr/IMG/pdf/pch\\_2\\_2013\\_t1-2013.pdf](http://www.drees.sante.gouv.fr/IMG/pdf/pch_2_2013_t1-2013.pdf) (accessed on 19-11-2013)



On December 31st 2011, there were 1,200,254 people above the age of 60 who received the APA dependency benefit. 60% of APA beneficiaries lived at home, and 40% in special accommodation for the elderly. The average amount of the help plan granted to people receiving domiciliary care was EUR 487 per month (of which around 20% are covered through user-fees), and 517 euros for institutional care (of which around 33% are covered through user-fees)<sup>52</sup>.

The fast increase (partly unforeseen) in the number of APA recipients since it came into force in 2002 (when there were only 469,000 beneficiaries) has put a strain on public finances, especially for the départements who finance over two thirds (72%) of the cost of the APA, the rest being covered by the National Solidarity Fund for Autonomy – CNSA. Today, altogether EUR 22 billion are spent on long-term care.

For many years now, a number of issues have been highlighted by professionals, by the CNSA, in the public debate, and by the government. These issues relate to the costs born by the dependent elderly and their relatives, especially for institutional care, to the lack of coordination between the different actors in charge of long-term care which makes access to services particularly difficult for the dependent elderly and very geographically unequal, to the insufficient provision of institutional care and to the quality of domiciliary care.

To address these issues, the government had announced in 2007 that long-term care would be one of its priorities under its five year term in power, and that a reform would be undertaken to better cover the needs of the dependent elderly.

#### **4.1.2 Details on recent reforms in the past 2-3 years**

The President had 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<sup>53</sup>). 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, then to autumn 2011, by which point the idea of a fifth social insurance branch had been more or less abandoned following some new reports (the Rosso-Debord 2010 report<sup>54</sup> - cf. Annual National Report 2011 – and the Vasselle 2011 report<sup>55</sup>).

The 2011 Vasselle report to the Senate sought to assess the progress made since the 2008 Vasselle report (cf. Annual National Report 2010), and to revise the positions that it had put forward in the 2008 report, the position of the government having since changed on the issue of the creation of a fifth social insurance branch.

Among the guidelines adopted by the Senate based on this report are:

- The rejection of the proposal to create a fifth branch of social security given the worsening situation of public finances,

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<sup>52</sup> DREES (2013) « Allocation personnalisée d'autonomie (APA) : données trimestrielles sur les bénéficiaires, les montants moyens et les GIR » available from <http://www.drees.sante.gouv.fr/donnees-concernant-l-allocation-personnalisee-d-autonomie,10961.html> (accessed 19-11-2013)

<sup>53</sup> cf. Annual Report 2010 France.

<sup>54</sup> Rosso-Debord, Valérie (2010), Rapport d'information déposé par la commission des affaires sociales en conclusion des travaux de la mission sur la prise en charge des personnes âgées dépendantes, Assemblée nationale, n°2647, 23 juin 2010.

<sup>55</sup> Vasselle, Alain (2011), Rapport d'information fait au nom de la mission commune d'information sur la prise en charge de la dépendance et la création du cinquième risque, Sénat, n°263, 26 janvier 2011.

- The principle of a “mixed public-private financing”, combining a “high base level of solidarity” with (non-compulsory) private insurance involved in a complementary manner,
- Widespread coverage of the population by private insurance through the reorientation of life insurance policies or retirement plans towards a dependence guarantee, along with the integration of a dependence guarantee in the supplementary health coverage contracts,
- The possibility to reclaim part of the dependency benefit on the inheritance of the more wealthy elderly to finance part of the personal autonomy allowance (APA)
- The introduction of a second day of solidarity,
- The alignment of the General Social Contribution (CSG – Contribution Sociale Généralisée) rate paid by retirees on that of working people.

There is thus a clear re-orientation of the debate away from the idea of setting up a fifth social insurance scheme, the government having highlighted the difficulty in financing a new social insurance scheme in the present context of important public deficits.

Some of these proposals were immediately discarded by the Minister of Solidarity and Social Cohesion, Mme Bachelot-Narquin. Indeed she noted that the setting up of a compulsory private insurance was no longer viewed as an alternative. The consultations had shown that none of the actors involved were really in favour of such an option. The idea of reclaiming some of the APA benefit on the inheritance of those people with higher assets has also been progressively abandoned, as well as the idea of introducing a second “day of solidarity” contribution which only applies to salaried workers. The proposal to restrict the benefit to the most dependent only (i.e. excluding those people classified in level 4 of the AGGIR-grid) has also been rejected. The idea to raise the general social contribution (CSG) by 0.1% (which would bring in an extra EUR 1.3 billion) did not meet the President’s approval either as he does not want to take up the idea of aligning the general social contribution rate of retired people on that of working people as that would possibly alienate its elderly electorate.

Further to these two reports, a national debate was launched in February 2011, involving a six months consultation process with parties, trade unions, associations, representatives from religious groups, etc. Four task groups were set up to deal with different aspects of long-term care. The first group addressed the issue of ageing and the place of elderly people in society. The second group dealt with the demographic and financial forecasts of long-term care. The third group dealt with care facilities and support for the elderly, addressing amongst other things the use of the new care technologies and examining the transformation of professions in the care sector. Finally, the fourth group sought to develop a strategy for the long-term care coverage of the dependent elderly. The issue of financing (new modes of financing and the cost for individuals and families) was at the center of this group’s reflexions. These consultations provided the basis of a report submitted to the President in July 2011<sup>56</sup>. This was intended to lay the ground for the proposal of some preliminary measures to be integrated in the Social Security Funding Bill in 2012 (voted in the autumn of 2011).

However, no financial measures were integrated in the Social Security Funding Bill and the government announced that any new measure would be postponed to early 2012. Beginning of January 2012 the government announced that reform plans had been dropped. According to the government, it would be irresponsible to set up new measures given the economic crisis and dire state of public finances<sup>57</sup>.

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<sup>56</sup> RAHOLA, Axel, Rapporteur du Comité interministériel de la dépendance (2011), *Synthèse du débat national sur la dépendance*, Ministère des Solidarités et de la Cohésion sociale.

<sup>57</sup> Le Monde (05-09-2011), « Le discret enterrement de la réforme de la dépendance ».  
Le Monde (06-01-2012), « Roselyne Bachelot renonce à la réforme de la dépendance ».

In 2013, the government introduced a new Additional Solidarity Contribution for Autonomy (CASA). This takes the form of an extra 0.15% tax that is levied on the income of pensioners who pay income-tax, on top of the 0.15% tax they already paid (this was expected to bring in 450 million euros in 2013 and 640 million in 2014). However, this new Additional Solidarity Contribution for Autonomy has not been allocated to LTC, but was instead rechanneled on “an exceptional basis” to the Old Age Solidarity Fund in 2013. The 2013 Social Security Financing Bill indicates that this will be the case in 2014, too. The Minister in charge of elderly people has justified this with the fact that since the reform of LTC has not yet been passed, money cannot be affected to any LTC scheme<sup>58</sup>.

A new consultation was also launched, and three reports were submitted on March 11<sup>th</sup> 2013 which were intended to feed the reflection of the Government in the preparation of the law for the adaptation of society to population aging, which had been announced by the President. This law is expected to focus on improving anticipation (through a better articulation with the health system in order to improve the prevention of loss of autonomy) and on the adaptation of society (especially by improving accommodation, urban planning and access to transportation). It should also aim at improving support to those suffering from a loss of autonomy, with a special focus on developing home-help services. This reform was to be presented at the end of 2013.

This, however, was postponed, and on October 14<sup>th</sup>, 2013, Prime Minister Ayrault announced that a law on “the adaptation of society to ageing” would be presented in the Spring of 2014, for implementation in 2015.

Prime Minister Jean-Marc Ayrault indeed presented his reform project for “the adaptation of society to ageing” on February 12<sup>th</sup>, 2014. This project proposal will be sent to the Economic, Social and Environmental Council (CESE) before being presented to the council of Ministers on April 9<sup>th</sup>, and adopted by the Parliament by the end of 2014 in order to come into force in 2015<sup>59</sup>.

This reform (645 million euros) will be financed by the Additional Solidarity Contribution for Autonomy (CASA) introduced in 2013.

375 million euros will be spent on the APA benefit in order to help the elderly remain longer in their own homes. The amount of the APA benefit will thus be raised by 400 euros for the most dependent, and by 150 euros for the least dependent. Furthermore, the amount of co-payment (*ticket modérateur*) will be reduced by up to 80% in some cases.

25 million euros will also be devoted to improving the wages of the low-waged domiciliary care providers.

140 million euros will be spent on subsidizing technical aids to help the elderly, and especially those with the most modest incomes, to remain longer at home.

80 million euros will be devoted to adapting private housing to the needs of dependent people and to renovating intermediary forms of elder homes – named “autonomy residences” - for the elderly who need help but not to the extent that they need to be in a nursing home.

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<sup>58</sup> [http://www.liberation.fr/economie/2013/10/02/financement-de-la-dependance-le-gouvernement-accuse-de-detournement\\_936401](http://www.liberation.fr/economie/2013/10/02/financement-de-la-dependance-le-gouvernement-accuse-de-detournement_936401)

<sup>59</sup> <http://www.gouvernement.fr/presse/projet-de-loi-pour-l-adaptation-de-la-societe-au-vieillessement>  
<http://www.lefigaro.fr/retraite/2014/02/12/05004-20140212ARTFIG00127-le-gouvernement-lance-une-petite-reforme-de-la-dependance.php>  
[http://www.lemonde.fr/sante/article/2014/02/12/le-gouvernement-presente-sa-reforme-de-la-dependance\\_4365163\\_1651302.html](http://www.lemonde.fr/sante/article/2014/02/12/le-gouvernement-presente-sa-reforme-de-la-dependance_4365163_1651302.html)

Regulations on private dependency insurances will also be introduced, as well as special help for informal carers (up to 500 euros per year in order to cover the cost of some time off).

## **4.2 Assessment of strengths and weaknesses**

### **4.2.1 Coverage and access to services**

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. Since no LTC insurance has been implemented, the situation has not changed in this respect.

Another critical issue relates to the governance of the system. As the system stands today, there are a great number of actors involved in the financing and organisation of long-term care which makes the system very difficult to understand and make good use of for the dependent elderly and their relatives, and also creates many inequalities between beneficiaries.

On December 31st 2011, there were 1 200 254 people above the age of 60 who received the APA dependency benefit. This represents around 8% of the population over the age of 60. 722 048 recipients (or 60%) of the APA benefit lived at home, 478 206 (40%) were in institutions<sup>60</sup>.

Between 2007 and 2011, the institutional capacity for LTC has increased by 5,3%. On 31<sup>st</sup> of December 2011 there were 10 481 LTC institutions, with a total capacity of 720 500 places. The institutional care capacity (number of beds) for inhabitants aged 75+ is 101 per thousand, but this hides strong geographical disparities, for example the coverage is 31 per 1000 in Paris but 185 per thousand in the Lozère department<sup>61</sup>.

### **4.2.2 Quality and performance indicators**

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. Indeed, despite the APA benefit, the remaining cost that users have to meet themselves remains high – between 2200 and 2900 euros a month for institutional care, and 1400 euros on average for domiciliary care. Since no reform has been implemented, the situation has not changed in this respect.

Another critical issue relates to the governance of the system. As the system stands today, there are a great number of actors involved in the financing and organisation of long-term care which makes the system very difficult to understand and make good use of for the dependent elderly and their relatives, and also creates many inequalities between beneficiaries.

Another issue has to do with the strong socio-economic differences that prevail in France with regard to the risk of dependency or rather with respect to healthy life expectancy<sup>62</sup>. This is a reflection both of the strong inequalities that prevail in access to healthcare throughout the life-course, but also of the LTC system since the costs of LTC services remain excessively high for those on low incomes.

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<sup>60</sup> <http://www.drees.sante.gouv.fr/donnees-concernant-l-allocation-personnalisee-d-autonomie,10961.html>

<sup>61</sup> DREES (2013), "Enquête auprès des établissements d'hébergement pour personnes âgées en 2011(EHPA 2011, DREES) »

<sup>62</sup> <http://www.inserm.fr/espace-journalistes/esperance-de-vie-en-bonne-sante-dernieres-tendances>

### **4.2.3 Sustainability**

The lack and constant postponement of a LTC insurance and / or of a stable mode of financing bears heavily upon the sustainability of the LTC in France.

The issue of a LTC reform is particularly pressing in light of the forecasted evolutions. A recent publication by the DREES / Ministry for Social Affairs<sup>63</sup> has compared different long-term projections for the number of dependent people, based on two different methods. In the first method (developed by a researcher at DREES), the hypotheses underpinning the projections are based on a comparison of the projected evolution of life expectancy for men and women at age 65 until 2060 and the projected evolution of healthy life expectancy. Three scenarios are developed, an optimist, an intermediary and a pessimist scenario. According to the intermediary scenario, there would be 2,3 million beneficiary of the Allocation Personnalisée d'Autonomie – APA (Personalised autonomy benefit) in 2060, compared to 1,2 in 2012. Differences between the 3 scenarios are moderate until 2030 but increase thereafter when the baby-boom generation reaches the age of 80.

The second method (work carried out by INSEE) looks both at the projected increase in dependent elderly people, but also at their family environment (how many will still have a non-dependent spouse) and their living environment, using dynamic micro-simulations to make projections up to 2040.

The transition of individuals from autonomy to the various levels of dependence and ultimately to death are modelised, based on individual characteristics: sex, age, number of children, relative education level (compared to the cohort's average). Results indicate that the length of time spent receiving the APA benefit would increase from 4 years today to around 5 years in 2020, and to 6 years in 2040. The proportion of people having experienced a state of dependence before their death would also increase, from 25% today to 32% in 2020 and 36% in 2040.

This study further suggests that the proportion of dependent elderly receiving informal care from family members is likely to decline. Today, 80% of dependent elderly above the age of 60 living at home receive regular help from a relative. This is particularly due to the baby-boom generation become very old. While today this generation are the ones who are potential care-givers, when they reach the age of 80 their children will be fewer, more will be still professionally active (not least women) and thus less available, and also the children will be older due to increases in life expectancy and possibly less healthy or even deceased. All these factors are likely to lead to a deterioration in the ratio between the dependent elderly and potential informal care-givers.

This analysis also indicates a stronger progression of the number of dependent elderly in institutions compared to home care. The average increase in the number of dependent elderly in institution would be 2,2% per year compared to 1,9% for those living at home. Between 2010 and 2040, the proportion of dependent elderly in institutions would increase from 35% to 37%.

Another publication by INSEE<sup>64</sup> has projected the increased financing needs for the APA benefit by 2040, taking into account a) the total financing need for the beneficiaries, b) the proportion of these needs which would fall below the APA ceiling and c) the proportion of the cost which would effectively accrue to public funds since the APA benefit depends on the

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<sup>63</sup> DREES (2013), « Projection des populations âgées dépendantes. Deux méthodes d'estimation », Dossiers Solidarité et santé, n°43, septembre.

<sup>64</sup> INSEE (2013), « L'Allocation personnalisée d'autonomie à l'horizon 2040 », INSEE Analyses, n°11, septembre.

household's income. Thus calculated, the cost of the APA scheme would increase from 0,4% of GDP in 2010 to 0,6% of GDP in 2040 (according to an intermediary scenario, or 0,5% in the optimistic scenario, 0,7% in the pessimistic scenario).

#### **4.2.4 Summary**

While LTC has been a central topic in the political debate for many years now, and while there have been many promises made to reform the LTC system in order to find a sustainable mode of financing and a simplified mode of governance, the reforms have been continuously postponed until 2014. However, a clear consensus on the long-term mode of financing has yet to emerge.

### **4.3 Reform debates**

As described above, there has been much discussion around the need to reform the system in the past six years at least, but the reform has been repeatedly postponed. Some elements of reform are now due to be introduced in 2015, but while they will improve the solvency of the dependent elderly who receive domiciliary care, this reform does not yet amount to a real reform of LTC financing.

Another reform proposal has been promised during the second half of this presidential mandate to reduce the cost of LTC for users of residential care.

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## Annex – Key publications

BAC Catherine, BONNET Carole, Les Trajectoires professionnelles et la retraite des femmes, Cnav - Retraite et société, 63, août 2012.

*“Women’s occupation trajectories and pensions”*

Pension levels of women are lower than those of men: the reason is their lower participation in the labour market and their still dominant role in the education of children. This special issue focuses on the pension gap between men and women by analysing their career paths, especially after childbirth and after age 50.

BARTHELEMY Nadine, BENALLAH Samia, MAMACHE Mehdi, Les Motivations de départ à la retraite : stabilité entre 2010 et 2020, DREES - Etudes et résultats, 838, April 2013.

*“Why people go into retirement: stability between 2010 and 2020”*

Interviewed in 2012 about their initial motivations for retiring, the majority of new retirees who took up a pension in the régime général between 01/07/2010 and 30/06/2011 went into retirement with a full pension in order to enjoy their retirement as long as possible. Their motivations do not differ from those of retirees who left two years earlier. In 2012, over 80% of pensioners feel they have been well informed about their rights at the time of retirement, although some issues, such as a pension decrease (décote) or pension bonus (surcote), remain unknown.

BRIDENNE Isabelle/JAUMONT L., Les Bénéficiaires du Sasp : spécificités, profils et évolutions, CDC - Questions Retraite & Solidarité - Les études, 4, juillet 2013, Paris: page/retrieved from:

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*“Beneficiaries of Sasp: specificities, profiles and evolutions”*

The Office for the Solidarity Allowance for the Elderly (*Service de l’allocation de solidarité aux personnes âgées - Sasp*), which is managed by the Caisse des Dépôts, guarantees an income of 787.26 euros per month for a single person in 2013. To be eligible, recipients cannot have any other right in a French public pension scheme. The population of beneficiaries in 2012 has an average age of 73 years. Two-thirds are women, often single. This article analyses particularly the diminishing number of beneficiaries.

BONNET Carole, BOZIO Antoine, LANDAIS Camille, Réformer le système de retraite: les droits familiaux et conjugaux, Paris : Institut des politiques publiques, 2, 2013.

*“Reforming the pension system: family and marital rights”*

For the Institute for Public Policy, the debate on the reform of the pension system cannot ignore the issue of family and marital rights. These play an important role in the pension system, as their amounts have significant distributional effects, especially towards women. The authors of this report analyse the cost of these family and marital systems. They suggest options for reform so as to reconcile instruments and policy objective. Through different scenarios, they try to establish the cost of reforms.

COR, Retraites : perspectives 2020, 2040 et 2060. Onzième rapport, December 2012, Paris: Conseil d’Orientation des Retraites.

*“Pensions: Perspectives in 2020, 2040 and 2060”*

After specifying the scope of and the assumptions behind its projections, the COR presents the financial prospects of the pension system, the retirement prospects of the insured and the conditions for reaching a financial equilibrium in the pension system. This eleventh report is supplemented by a twelfth report published in early 2013.

COR, Retraites : un état des lieux du système français : douzième rapport, Paris: Conseil d’Orientation des Retraites, January 2013

*“Pensions: an overview of the French system”*

This twelfth report of the COR proposes a diagnosis and provides benchmarks for policy-makers who want to initiate a debate on the evolution of the French pension system. It responds to a request by the Government at the end of the Social Conference in July 2012. It recalls the characteristics of the French pension system and analyses its consistency with the objectives assigned to it: maintaining satisfactory standards of living among pensioners, making the system transparent, ensuring intergenerational equity, intra-generational solidarity, increasing employment of elderly workers and reducing the pension gap between women and men.

DREES, Les Retraités et les retraites en 2011 : édition 2013, Paris : Drees (Etudes et statistiques), 2013.

*“Pensioners and pensions in 2011”*

The DREES offers an overview which is based on 2011 data. More than 15 million people living in France or abroad draw benefits from one of France’s public pension schemes. The 2013 edition focuses on those who take up their pension for the first time, on the recipients of disability pensions, on the motivations of retirement, as well as the differences in the pension rights accrued by different generations.

GOVILLOT Stéphanie, Le Passage de l’emploi à la retraite : travailler pendant la retraite, une situation qui se développe, Insee Première, 1449, June 2013.

*“Transition from employment to retirement: working in retirement, a situation that is increasingly prevalent”*

Between age 55 and 60, there are fewer retirees in 2012 than in 2006. Two-thirds of retirees have moved directly from employment to retirement. For others, the end of their careers varies between periods of transitional unemployment, family stress, health problems or disability that forced them to leave their job, and retirement. Combining work with a pension is spreading: in 2012, 7% of retirees aged 60 to 69 years were concerned, while those aged 50 to 59 years were still planning to stop working at 61.4 years on average.

MOREAU, Yannick, Nos retraites demain, équilibre financier et justice: rapport au Premier ministre. Paris : Premier Ministre, 2013.

*“Our pensions tomorrow, financial equilibrium and fairness: Report to the Prime Minister”*

The Commission on the future of pensions submitted its report to Prime Minister Jean-Marc Ayrault in June 2013. Emerging ideas include: extending the contribution period, further harmonisation of public-sector and private-sector statutory schemes and the creation of an "individual account for hard working conditions" (« compte individuel pénibilité ») in the context of employment policy for elderly workers. The report proposes short-term measures to restore the financial balance of the pension system: raising new revenue, harmonising the maximum rate of CSG levied on pensioners with that levied on the working-age population, changing the level of pensions by exceptionally indexing pensions below the level of inflation, changing the duration of activity through changes in the statutory retirement age or the minimum contribution period required to get a full pension. This report is subject to consultation with the social partners at the second social conference, on 20 and 21.06.2013.

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