

# In Focus

## Healthcare in Germany

May 2015

Welcome to the latest edition of In Focus. In this issue, we examine the private medical insurance market for employers with expatriate workforces in Germany. This includes the common challenges faced in sourcing appropriate coverage, along with a selection of available solutions.

This will be of particular interest to HR/Reward decision makers with employees based in Germany. It will assess the cultural norms, risks and backdrop which are relevant to organisations with expatriate staff in this location.

### The Environment

As the largest national economy in Europe, and fourth-largest by nominal GDP in the world, it's unsurprising that Germany is becoming an increasingly popular location for UK and US based organisations to setup subsidiary operations. It is ranked 14<sup>th</sup> in the 'Ease of Doing Business Index', ahead of Canada, Malaysia and the United Arab Emirates (World Bank Group). A strong and well educated labour market, underpinned by robust infrastructure and transport links, makes Germany a natural option for many employers across various sectors to expand into. In the United Nation's Human Development Index (HDI) which measures countries by life expectancy, literacy, education, standards of living and quality of life, Germany ranks 6<sup>th</sup> of 187, above Singapore, Sweden and the United Kingdom. Just 4.8% unemployment in 2015 (RTT News), and an average salary of \$2,600 USD per month make it an appealing prospect for would-be employees too. This, combined with free movement of labour across the European Union has made Germany an almost perfect destination for employers and employees who are considering expansion into mainland Europe.

Germany's economic success as a net exporter (the third largest exporter in the world with 2013 exports valued at \$1.493 trillion USD according to CIA Worldfactbook) indicates that manufacturing is still a key revenue generator, but service, telecommunications and technology all feature heavily, showing that its economy is highly diversified.

### Access to Health Insurance

All residents of Germany are required to have health insurance and long-term care insurance, most of which is provided by the statutory health insurers; although this may also be provided by private health insurers in certain circumstances. Germany has seen significant legislative change in its Health and Statutory Sickness funds in the last 8-10 years. Specifically since the Health Reform (Law on Improving Competition in Statutory Sickness Funds - GKV-WSG of 26 March 2007) Act (Gesundheits-Reformgesetz-Wettbewerbsstaerkungsgesetz) was legislated, bringing substantial changes to social security health insurance and also to private health insurance. This brought about compulsory health insurance for all local residents of Germany.

Generally speaking, health insurance is obligatory for everyone residing in Germany. The premium contributions are split between

the employee and employer through payroll deductions where the employee is automatically enrolled in the state system, if his/her salary is below the threshold limit. From 2007, health insurance has been obligatory for self employed people in addition to the employed, although self employed can opt for private schemes, as can employed people reaching over the salary threshold requirements (the upper limit for contributions for salary level required to opt out of the statutory system is €53,550/£39,417/\$58,830USD). Employees may opt out of State Health Insurance (SHI) and take out a comprehensive Private Medical Insurance (PMI) policy in its place, once their salary meets the threshold.

Employees may also be exempt from the state healthcare scheme, if their employer can prove to the authorities that the employee is on secondment (i.e. the employee is going abroad from his/her headquarters and the work is time-limited). This exemption will also be true of employees with a global medical policy, where the contract is formed outside of Germany – in the UK headquarters for example.

As is common within the European Union, holders of the European Health Insurance Card (EHIC) are entitled to medical treatment under the same terms as German citizens. However, please note that if they plan to stay in the country longer than a year (or become employed in Germany), they should sign up for full insurance.



## Suitability of Cover

Whilst state insurance exists for long term residents of Germany (whether nationals or expatriates), employers should be aware that for higher earners and professionals, having a PMI policy that also covers treatment outside of Germany is becoming more popular. Employers should consider that the state insurance system has come under considerable pressure during the last few years, with successive Governments looking to cut the cost of healthcare. Also, co-payment/co-insurances have consistently been increasing for various types of medical treatment and prescribed medication - a trend likely to continue into the future, with global medical inflation and an ageing population. Specifically, with treatment for Dental Care, Periodontics and Orthodontics and vision care, the Statutory Health Insurance (SHI) only covers a relatively small proportion of the cost.

Employers should note that despite good SHI provision, private prepaid plans as a percentage, equated to 39.9% of private expenditure on health in 2012, according to the World Health Organisation. Private Medical Insurance (PMI), including International PMI policies often cover Dental Treatment and Vision Care up to € thresholds that would at least meet the typical cost of such treatment and care.

Jelf International and our Worldwide Broker Network (WBN) partners can source and implement health insurance for your expatriate and local employees in Germany, and have access to numerous recognised insurers providing a range of cover levels.

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## Considerations for Employers

- ♦ Can you rely on the EHIC and Travel Insurance if your workers are spending more time in Germany?
- ♦ For expatriate employees in Germany, will a local insurance policy suffice or be at the benefit level they are accustomed to in their home country?
- ♦ Are your employees likely to travel or work outside Germany for long periods of time, or do they have dependents who are located outside Germany?

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