

**Social insurance:** Security for the whole life.

# well insured

social security in austria 2013



wirtschaftsmuseum

An information leaflet of the  
Austrian Museum for Social and Economic Affairs  
compiled for the Main Association of  
Austrian Social Security Institutions



[www.sozialversicherung.at](http://www.sozialversicherung.at)

# The social safety net

The welfare state offers protection for everyone. The social safety net ensures medical care, rehabilitation and security in old age and in emergencies.

### Social insurance

Health insurance  
Accident insurance  
Pension insurance  
Unemployment insurance

Social  
insurance  
in a narrow  
sense

Social  
insurance  
in a broader  
sense

- ▶ **Compulsory insurance**
- ▶ **Benefits** granted on fulfilment of the conditions for entitlement
- ▶ Mainly financed by **contributions**

### Public assistance

Family benefits, child benefit, care benefit, maternity benefit, ...  
Benefits for members of the armed forces, benefits for victims of war, benefits for victims of the Nazi regime, ...

- ▶ **Non-contributory state support** for families and certain persons
- ▶ **Benefits** granted on fulfilment of certain legal provisions
- ▶ Financed by general **taxation**

### Social welfare

Disability benefits  
Retirement and care homes  
Monetary assistance, ...

- ▶ Non-contributory **“last resort”** element of the social security system
- ▶ **Provision of a subsistence minimum** in cases of need or emergency
- ▶ Financed by general **taxation**

## Institutions

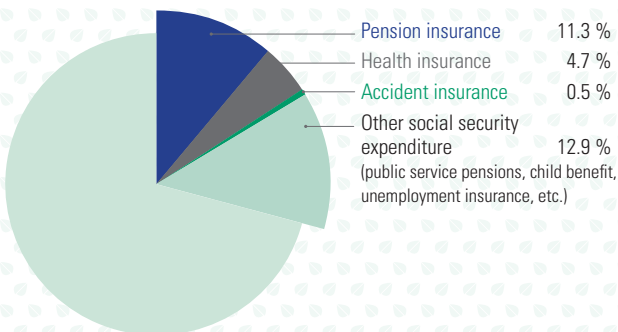
The Social Insurance System is an important pillar to maintain social cohesion in modern society. The roots of its organisation go back as far as the middle ages.

### Main Association of Austrian Social Security

Pension Insurance	Health Insurance	Accident Insurance
Pension Insurance Institution	9 District Health Insurance Funds	6 Occupational Health Insurance Funds
Social Security Institution for Trade and Industry		Accident Insurance Institution
Social Security Institution for Farmers		
Insurance Institution for the Austrian Railway and Mining Industries		
Insurance Institution for Austrian Notaries	Insurance Institution for Public Service Wage and Salary Earners	

### Proportion of Social security expenditure to gross domestic product in 2011

Social security expenditure: EUR 88.3 bn = 29.4 % of GDP



# Independent administration

Independent administration means that the state transfers certain administrative responsibilities to those groups of people who have a direct interest in these tasks.

## In Austria there are various forms:

Independent administration of professional and employees' associations established by law  
e.g.  
Chambers of Commerce, Labour, Agriculture, Medical Doctors and Pharmacists

Independent administration of local authorities



Independent administration of the Social Insurance System



## The independent administration of the Social Insurance System ensures:

- ▶ **independence** from state administration.
- ▶ **inclusion** of important societal groups.
- ▶ **democratic** and customer-friendly administration.
- ▶ **unbureaucratic** and cost-saving organisation.
- ▶ **stronger feeling** of solidarity.
- ▶ **relief** and decentralisation of state administration.

The Austrian Social Insurance system has been independently administrated since its inception in the second half of the 19th century: representatives of the insured and the employers manage the system. The state has a regulatory function.

# Solidarity

Solidarity is an act of conscious consideration, based on the knowledge that human beings depend on each other.

## Solidarity amongst friends:

- ▶ informal
- ▶ personal
- ▶ simple structure
- ▶ emotional
- ▶ integral

## Solidarity amongst strangers:

- ▶ institutionalised
- ▶ societal
- ▶ complex structure
- ▶ neutral
- ▶ specialised



## Solidarity is the basis for social insurance

- ▶ **Contribution-wise** there is a transfer from high to low earners.
- ▶ **Benefits** provide a balance between those worthy of protection and those less needy..
- ▶ **Many family members** are provided with insurance cover for free.
- ▶ **In the pension insurance system**, there is a transfer from employed persons to pensioners = contract of the generations.
- ▶ **Employers and employees** both contribute to the system's financing.

## Compulsory insurance

Compulsory insurance is characteristic of the Austrian social insurance system, which thus includes practically all employed persons.

**Gainful employment leads to compulsory insurance, providing insurance cover.**



### **Compulsory insurance means that ...**

- ▶ **insurance** is established by law.
- ▶ **insurance** cover begins immediately without any waiting period (even in cases of previous serious illnesses).
- ▶ **the large number** of insured persons guarantees an optimum spread of risks.
- ▶ **close dependants** are insured on a non-contributory basis.
- ▶ **contributions** do not depend on individual risk.
- ▶ **the large community** of insured persons strengthens the negotiating power of the social insurance system versus its negotiating partners (doctors, pharmacists, ...).

### **Obligation to insure means ...**

- ▶ **that everybody** has to take out insurance on his/her own.
- ▶ **that there is risk selection** between high and low risk persons (no obligation to contract).
- ▶ **higher or additional premiums** for women, children and the chronically ill.
- ▶ **higher administration costs.**

## No exclusion of risks

Medical benefits are available to all insured persons irrespective of their individual risk.

### Social insurance

Social insurance must not reject insurance **established by law**.

Social insurance **must not turn away people due to high risk** (people with AIDS, severely disabled persons, ...).

### Private insurance

Private insurance companies can **reject high risks** (because of a higher occupational risk of accidents, old age, previous illnesses, ...).

Private insurance companies regularly **exclude benefits under particular circumstances**, such as delay in the payment of premiums.

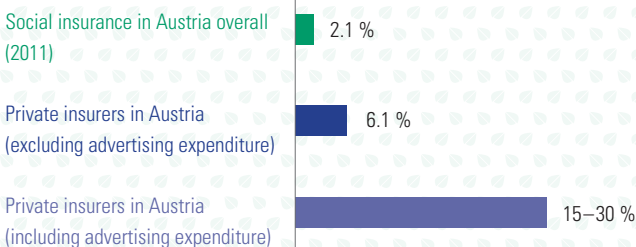


Social insurance – both regarding contributions and benefits – does not distinguish between high and low earners, young or old persons, males and females, or the healthy and the chronically ill. Private insurance generally provides additional insurance for certain services (e.g. special hospital rooms, additional pensions).

# Not profit-oriented

Social insurance is legally required to use contributions effectively as well as economically and primarily follows social rather than market objectives.

### Administration costs as a percentage of total expense



Social insurance provides **high-quality services for all insured persons**. EUR 97.9 of every EUR 100 in contributions is returned to insured persons in the form of benefits.

#### Pay-as-you-go system

State pensions are financed by means of the pay-as-you-go system.

This means that **current pensions are mainly financed through contributions of the working population**.

The rest is financed through general taxation.

- ▶ **No** investment or inflation risk
- ▶ **Fast** and economical collection of contributions
- ▶ **Stronger** feeling of solidarity
- ▶ **Low** administrative expenses

#### Funded system

Under the funded system **everybody has to save towards his or her own pension themselves**.

This system is mainly to be seen as an addition to the state pension system, to make up for income losses in old age.

- ▶ **Everybody** has to save towards his/her pension
- ▶ **Premiums** and benefits vary
- ▶ **Investment** and inflation risk
- ▶ **High** administrative expenses



# Protection

Social insurance in Austria, with its three branches health, accident, and pension insurance, provides comprehensive protection. Almost the total Austrian population is covered by at least one branch of social insurance.

### The three branches of Austrian Social Insurance

 = 2 million people

**HEALTH INSURANCE** in case of illness and maternity, for approx. 8.4 million people



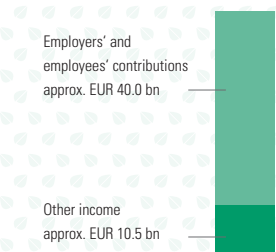
**ACCIDENT INSURANCE** in case of accidents at work and occupational diseases, for approx. 6.1 million people



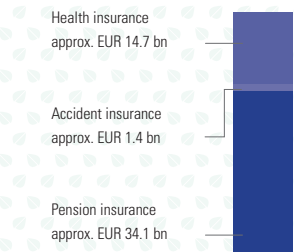
**PENSION INSURANCE** providing for old age and surviving dependants, for approx. 5.8 million people



### Total income of the social security system in 2011



### Total expenditure of the social security system in 2011



Other income e.g.:

State payments, mainly for contribution-free insurance periods in the pension insurance system (approx. EUR 6.6 bn), compensation for compensatory supplement expenses in the pension insurance system (approx. EUR 1.0 bn), deductibles paid by insured persons (approx. EUR 0.1 bn), reimbursements for maternity benefits (approx. EUR 0.3 bn)

# Provision for old age

Approximately 3.6 million employed persons are insured in the pension insurance system. Every month roughly 2.2 million pensions are paid out. The social pension insurance system is by far the most important form of provision for old age in Austria. It ensures a fairly comprehensive protection of one's standard of living in old age.

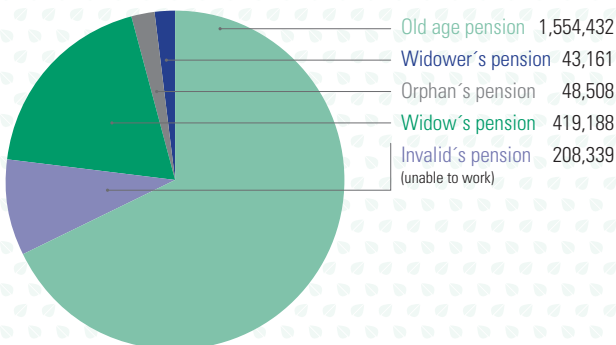
### Social pension insurance benefits:

- ▶ **Retirement Pension**
- ▶ **Early Retirement Pension** after an extended period of insurance (with transitional arrangement)
- ▶ **Reduced Capacity to Work Pension** (incapacity to work)
- ▶ **Manual Labour Pension**
- ▶ **Surviving Dependants Pension**
- ▶ **Rehabilitation Measures**
- ▶ **Health Care**

The entitlement to a pension depends on how long a person has been insured, on the assessment basis and (in the case of retirement pensions) on the person's age.

### Pensions by type

(all pensions as of December 2012: 2,273,628)



# Long-term financing

Increasing life expectancy and a low birth rate are changing the age structure of the population. The resulting challenges for the pension system can be managed, if timely reforms adapt the system to the new situation.

## Change in the relation between

Education – Work – Pension

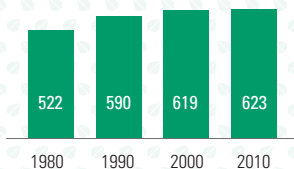


## Proportion of pensioners in % of the total population



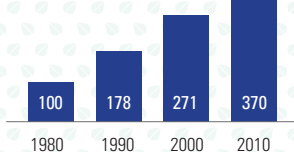
## Development of the pension per employee rate

(number of pensions per 1,000 persons gainfully employed)

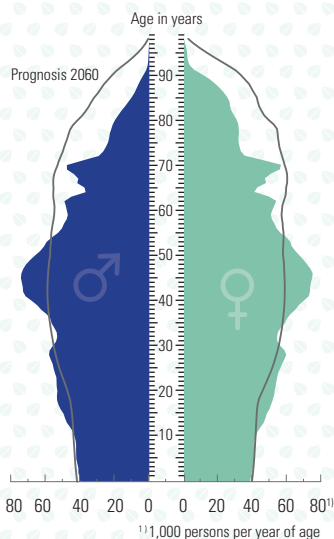


## Development of gross domestic product

(1980 = 100)



## Population pyramid 2010 and forecast for 2060



# Provision in case of accidents at work

The number of persons insured in the accident insurance system was on average 6.1 million people in 2011. The accident insurance scheme is financed through employers' contributions (95.7%); the remaining 4.3% is financed by the Austrian State and the Families' Compensation Fund.

### **Social accident insurance benefits:**

- ▶ **Prevention** of Accidents at Work and Occupational Diseases
- ▶ **Occupational Medical Care**
- ▶ **Medical Treatment** after Accidents
- ▶ **Rehabilitation**
- ▶ **Compensation** after an Accident at Work and for Occupational Diseases; e.g. disability pension, benefits for surviving dependants, integrity compensation

### **Protection for schoolchildren and students**

Since 1977 schoolchildren and students have been included in the social accident insurance system. Accidents which are connected with education or training will lead to receipt of a social accident insurance benefit: e.g. accidents on the way to and from school, accidents which take place during lessons or lectures, excursions, or school skiing trips.

For benefit to be claimed the accident insurance institution must be notified of the accident. The Head of the school or educational institute has a statutory duty to register accidents. The insured schoolchildren and students need not pay contributions. The insurance is funded by general insurance contributions and the Families' Compensation Fund.

### **An example**

A schoolchild suffers a complex leg fracture on a ski course and has to be recovered by helicopter. A fortnight of in-patient hospital treatment at a specialist accident hospital is necessary, followed by a 21-day stay at a rehabilitation centre.

**The overall cost amounts to approx. EUR 16,600.–**

## Protection in case of illness

Today, roughly 8.4 million people, or 99.9% of the population, are protected by social health insurance.

### Social health insurance services:

#### ► Preventive care

- Mother-Child Passport
- Medical examinations for young persons
- Medical examinations
- Preventive measures

#### ► Sickness

- Treatment by doctors and dentists
- Hospital care
- Medicines
- Home medical care
- Psychotherapy
- Clinical psychology
- Medical rehabilitation
- Ergotherapy
- Sickness benefit
- Reimbursement (e.g. doctor of one's choice)
- Contributions towards expenses (e.g. dentures)

#### ► Health aids (e.g. shoe inserts) and aids for the disabled (e.g. wheelchairs)

#### ► Maternity

- Hospital care
- Maternity allowance

### Examples of costs of operations

(without costs of care, rehabilitation or sickness benefit, ...):

Appendix operation	EUR 880.–
Hip operation	EUR 6,130.–
Cardiac valve surgery	EUR 11,440.–

A monthly contribution of, on average, EUR 81.– provides an insured person and his/her dependants with comprehensive cover: treatment by general practitioners, hospital care, ...

Roughly 25% of the persons covered are dependants, who are insured without paying contributions.

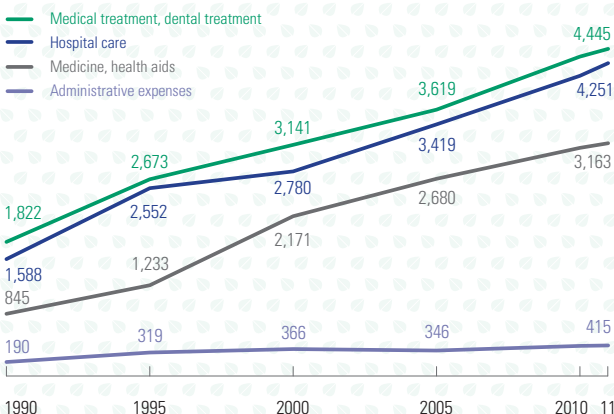
## Access to benefits

With the e-card, medical services – which otherwise often involve paying large bills – can be consumed without cash payments. This principle is called benefit-in-kind principle.

- ▶ **Health insurance institutions** enter into contracts with doctors and other parties (pharmacists, physiotherapists, ...)
- ▶ **Doctors under contract** are obliged to treat patients that have an e-card. They later get paid for their services by the health insurance institution.
- ▶ **Most insured people** have to pay a service charge of 10 euros per year, civil servants and self-employed persons have to pay a deductible of 20% of the doctor's bill. There are various exemptions.
- ▶ **The benefit-in-kind principle** offers simple and unbureaucratic access to medical services.

## Largest expenditure items of social health insurance

(1990 – 2011 in EUR mill.)



## www.sozialversicherung.at

Austrian Social Insurance is also present on the Internet! This enables customers to contact the social insurance institutions fast and unbureaucratically. "Electronic Social Insurance (eSV)" – the future-oriented initiative by all social insurance institutions to provide a customer-friendly Internet service.

### ESV – electronic social insurance

- ▶ **Information** on health, accident, and pension insurance
- ▶ **Forms** and brochures for download
- ▶ **Statement of your insurance data**, queries regarding insurance status
- ▶ **Up-to-date graphs** on the Austrian Social Insurance System
- ▶ **Health advice**
- ▶ **Quiz** on social insurance and health
- ▶ **Feedback**
- ▶ **Account statement** (pension account)



### e-medication: simple, safe

Medicines either prescribed by the doctor or available without prescription at the pharmacy are recorded electronically. Potential interactions can thus be checked more easily and already be taken into account for prescriptions.

When handing out an over-the-counter drug, the pharmacists can also see whether there might be any problem with existing medication.

- ▶ All **active ingredients** prescribed and handed out **have been matched**.
- ▶ The printout of a patient's personal medication gives a **clear overview of all current drugs**.
- ▶ Doctor and pharmacist can detect **potential interactions** even more easily.
- ▶ **The e-card** is the key to the **safely locked medical data**.
- ▶ A common project, where all **major participants** in the health system have **pooled their knowledge** and experience.

# www.sozialversicherung.at

The Austrian social insurance system provides customer-oriented and conscientious protection against the risks of diseases, old age and unemployment . It, thus, has a major influence on social peace, welfare and democracy and is a guarantor for social security in Austria. In an international comparison, Austria ranks amongst the top nations regarding quality of life and the health system.

The health insurance system primarily bears the cost of medical services, disregarding the amount of contributions made. After retirement, the pension insurance system broadly safeguards a person's standard of living. Accident insurance prevents accidents at work and occupational diseases and treats their effects. Benefits are financed through employers' and employees' contributions and, in the case of pensions, also partly by general taxation.

We put great emphasis on preventive care and raising awareness of the importance of healthy living. It is our aim to further a health-conscious attitude towards one's own body at work and in the private sphere. Improving working conditions in order to avoid accidents, occupational diseases and premature retirement, as well as rehabilitation, are also major objectives.

This brochure gives you a concise overview of the system, its principles and its organisation.

**Dr. Hans Jörg Schelling**

Chairman

Main Association of Austrian Social Insurance Institutions

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