Guillaume Filhon illustrated key concepts in the organization of the Social Security System in France.

The presentation was enlivened by cartoons and questions from the public which cannot be duplicated here.

He defined Social Security in France as encompassing a number of programs, including Pensions and Health Care.
Three key elements of Filhon’s presentation were:

- French citizens are the recipients of a broad array of publicly funded health and income security benefits.
- Health care is universal, covered under social security but physician driven. The physicians are not state employees. Individuals pay the physician and are reimbursed under social security according to an established scale.
- While taxes are high, most citizens believe they receive very comprehensive services, ranging from free education to free medical care and help in old age.
Power Point Information
Provided by Guillaume Filhon
The French Social Security
I. General issues

II. Health

III. Pensions
1. General issues
The Structure General Schemes

Parliament

Minister in charge of social security
Minister in charge of Finance

National level
- CNAV
- CNAM
- CNAF

Regional level
- CNAV (Ile de France)
- CRAV (Alsace-Moselle)
- CRAM

Local level
- CGSS (DOM)
- CPAM
- CAF
- URSSAF

ACOSS
UCANSS
HEALTH PUBLIC HEALTHCARE: 70%
Insurances (mutuality and private insurance): 30%

RETIREMENT Pag Schemes: 97%
Private funded Schemes: 3%
THE FRENCH MODEL OF SOCIAL SECURITY
ACCORDING TO THREE ANALYSES

CLASSIC

Private  Beveridge  March

TITMUS

Public  Occupational  Fiscal

E-Andersen

Liberal  General  Nordic

Source: Actuarial and Statistical
Figure 3: Structure of social protection expenditure in EU-27, 2005

Social benefits: 96.2%
- Old age: 39.9%
- Disability: 7.6%
- Sickness/Health care: 27.5%
- Family/Children: 7.7%
- Survivors: 4.3%
- Housing: 2.2%
- Unemployment: 5.8%
- Admin. costs: 3.1%
- Other expenditure: 0.7%
- Social exclusion: 1.2%
Social Protection financial burden across Europe: a fourth of the average GDP

EU, 27.2% of the GDP in 2005.

Great national differences 32.0% of the Swedish GDP, 31.5% of the French GDP, 12.4% of the Latvian GDP, 12.5% of the Estonian GDP.

EUROSTAT May 2008.
Figure 2: Expenditure on social protection in PPS* per capita, 2005

* Purchasing power standards (PPS): unit independent of any national currency that removes the distortions due to price level differences. PPS values are derived from purchasing power parities (PPPs), which are obtained as weighted averages of relative price ratios in respect of a homogeneous basket of goods and services, comparable and representative for each Member State.

** Data for Portugal refers to 2004

Source: Eurostat-ESSPROS
Part des cotisations dans le financement de la protection sociale

En % des ressources


Source : Comptes de la protection sociale, ministère du Travail et des Affaires sociales
## All contributions

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Salaried</th>
<th>Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generalised Social Contribution (CSG)</td>
<td>750</td>
<td>0</td>
</tr>
<tr>
<td>Reimbursment of social debt (CRDS)</td>
<td>50</td>
<td>0</td>
</tr>
<tr>
<td>Illness insurance</td>
<td>75</td>
<td>1280</td>
</tr>
<tr>
<td>Old age (basic scheme)</td>
<td>655</td>
<td>980</td>
</tr>
<tr>
<td>Widow insurance</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Old age (complementary scheme)</td>
<td>300</td>
<td>450</td>
</tr>
<tr>
<td>Family benefits</td>
<td>0</td>
<td>540</td>
</tr>
<tr>
<td>Occupational decease and work accident</td>
<td>0</td>
<td>150</td>
</tr>
<tr>
<td>Unemployment (3)</td>
<td>202</td>
<td>383</td>
</tr>
<tr>
<td>Housing (3)</td>
<td>0</td>
<td>95</td>
</tr>
<tr>
<td>Apprenticeship</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>Professional formation</td>
<td>0</td>
<td>165</td>
</tr>
<tr>
<td>Transportations</td>
<td>0</td>
<td>250</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2042</strong></td>
<td><strong>4343</strong></td>
</tr>
</tbody>
</table>

« Brut » 10 000, + 10 salaried people, Paris
## Contributions

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>10000</td>
</tr>
<tr>
<td>Cost for the employer</td>
<td>14343</td>
</tr>
<tr>
<td>Perceived salary</td>
<td>7899</td>
</tr>
<tr>
<td>Employer burden</td>
<td>43%</td>
</tr>
<tr>
<td>Salaried burden</td>
<td>21%</td>
</tr>
<tr>
<td>Perceived salary/employer cost</td>
<td>55%</td>
</tr>
</tbody>
</table>

« Brut » 10 000, + 10 salaried people, Paris
Authorities

Parliament

Government

Board

Chief Executive Officer

Supervisory Board
Authorities Process

Parliament

Law, Finance for Social Security

Supervisory board

Government

Pluri-annual Objectives and management agreement

Trustees Board and CEO
Pyramide of ages of the french population
In 2006 and in 2050
<table>
<thead>
<tr>
<th>Année</th>
<th>Santé</th>
<th>Vieillesse et survie</th>
<th>Maternité et famille</th>
<th>Emploi et divers</th>
<th>Ensemble</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959</td>
<td>4,7</td>
<td>5,4</td>
<td>4,1</td>
<td>0,3</td>
<td>14,5</td>
</tr>
<tr>
<td>1965</td>
<td>6,1</td>
<td>6,6</td>
<td>4,1</td>
<td>0,5</td>
<td>17,3</td>
</tr>
<tr>
<td>1970</td>
<td>6,6</td>
<td>7,3</td>
<td>3,5</td>
<td>0,5</td>
<td>17,9</td>
</tr>
<tr>
<td>1975</td>
<td>7,8</td>
<td>9,1</td>
<td>3,7</td>
<td>1,0</td>
<td>21,4</td>
</tr>
<tr>
<td>1980</td>
<td>8,4</td>
<td>10,3</td>
<td>3,8</td>
<td>1,9</td>
<td>24,2</td>
</tr>
<tr>
<td>1985</td>
<td>9,3</td>
<td>11,4</td>
<td>3,8</td>
<td>3,0</td>
<td>27,3</td>
</tr>
<tr>
<td>1990</td>
<td>9,2</td>
<td>11,2</td>
<td>3,4</td>
<td>2,6</td>
<td>26,4</td>
</tr>
<tr>
<td>1994</td>
<td>9,8</td>
<td>12,4</td>
<td>3,7</td>
<td>2,8</td>
<td>28,6</td>
</tr>
</tbody>
</table>

* Hors prestations fiscales.

Source : Comptes de la protection sociale, ministère du Travail et des Affaires sociales
Poids des prestations et cotisations sociales dans le PIB

En % du PIB

Source : Comptes de la protection sociale, ministère du Travail et des Affaires sociales
SUCCESSIVE DEFICITS OF FRENCH SOCIAL SECURITY SCHEMES

Total: 107.6 milliards d’euros

Source: Access
II. Health Care
A BRIEF SUMMARY OF HEALTHCARE ORGANISATION

- Medications: reimbursed depending on their proven utility (depending on the color of the stamps on the boxes)

- Members of the health professions are self-employed outside of hospitals

- Family physicians are chosen by insured people: a soft gatekeeper

- Specialists are divided in two lists: the normal convention (average) and the convention of 2nd grade (very famous)
A BRIEF SUMMARY OF HEALTHCARE ORGANISATION

- Care for long-term illnesses is totally reimbursed
- Part of the salary reimbursed in case of absence because of illness (or child illness)
- Professional illnesses and industrial accidents get free healthcare and annuity pension
- Hospitals are budgetized that is, paid based on pre-established agreements according to services provided
The first pillar of health providers

Physicians though self-employed and autonomous receive payments from public funds

- Generalists, specialists, paramedics who work in their own offices represent about 30% of the healthcare costs.

- There are agreements between national healthcare schemes and physicians

- Practitioners are fee for service and their judgments are respected. This can cause inequalities and increased financial burdens

- Every pre-defined service correspond to a tariff that is reimbursed by the National Health Scheme
2nd Pillar of health providers: hospitals

- 50% of the financial cost.

- Historically well settled across the whole national territory with numerous community hospitals and a few university hospitals.

- Hospital furnish emergency services, surgery, ambulatory services, chemotherapy etc.

- Essentially public funded, but even if private, it will have a contract of public service.
The government in Health service

- A law of finance, which includes objectives for Health services
- The French government:

1. Organises services offer, mainly in regions
2. Determine the general objective and policy for health improvement prevention, sanitation survey, addictions (tobacco, alcoholism, toxico-dependency...),
3. Universities for health professionals – physicians, nurses, paramedics
4. Medicine policy (authorisation, tariffs and efficiency control),
## Tableau 2

Structure du financement de la dépense de soins et de biens médicaux

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sécurité sociale (1)</td>
<td>77,1</td>
<td>77,1</td>
<td>77,1</td>
<td>77,0</td>
<td>76,8</td>
<td>76,6</td>
</tr>
<tr>
<td>CMU-C organismes de base et AME</td>
<td>1,1</td>
<td>1,2</td>
<td>1,4</td>
<td>1,3</td>
<td>1,4</td>
<td>1,4</td>
</tr>
<tr>
<td>Mutuelles (2)</td>
<td>7,3</td>
<td>7,7</td>
<td>7,6</td>
<td>7,7</td>
<td>7,8</td>
<td>7,9</td>
</tr>
<tr>
<td>Sociétés d'assurance (2)</td>
<td>3,3</td>
<td>2,7</td>
<td>3,1</td>
<td>3,1</td>
<td>3,2</td>
<td>3,2</td>
</tr>
<tr>
<td>Institutions de prévoyance (2)</td>
<td>1,6</td>
<td>2,4</td>
<td>2,6</td>
<td>2,6</td>
<td>2,4</td>
<td>2,5</td>
</tr>
<tr>
<td>Ménages</td>
<td>9,6</td>
<td>9,0</td>
<td>8,3</td>
<td>8,4</td>
<td>8,4</td>
<td>8,5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

(1) Y compris déficit des hôpitaux publics.

(2) Y compris prestations CMU complémentaires versées par ces organismes.

Sources : DREES, Comptes de la santé.
<table>
<thead>
<tr>
<th>PAYS</th>
<th>CLASSEMENT (position)</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>1</td>
</tr>
<tr>
<td>Italie</td>
<td>2</td>
</tr>
<tr>
<td>Saint-Marin</td>
<td>3</td>
</tr>
<tr>
<td>Andorre</td>
<td>4</td>
</tr>
<tr>
<td>Malte</td>
<td>5</td>
</tr>
<tr>
<td>Singapour</td>
<td>6</td>
</tr>
<tr>
<td>Espagne</td>
<td>7</td>
</tr>
<tr>
<td>Oman</td>
<td>8</td>
</tr>
<tr>
<td>Autriche</td>
<td>9</td>
</tr>
<tr>
<td>Japon</td>
<td>10</td>
</tr>
<tr>
<td>Norvège</td>
<td>11</td>
</tr>
<tr>
<td>Portugal</td>
<td>12</td>
</tr>
<tr>
<td>Monaco</td>
<td>13</td>
</tr>
<tr>
<td>Grèce</td>
<td>14</td>
</tr>
<tr>
<td>Islande</td>
<td>15</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>16</td>
</tr>
<tr>
<td>Pays-Bas</td>
<td>17</td>
</tr>
<tr>
<td>Royaume-Uni</td>
<td>18</td>
</tr>
<tr>
<td>Irlande</td>
<td>19</td>
</tr>
<tr>
<td>Suisse</td>
<td>20</td>
</tr>
<tr>
<td>Belgique</td>
<td>21</td>
</tr>
</tbody>
</table>

Rank of the United States: 37th

After:
- Chile,
- Costa Rica,
- Dominican Republic...
<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maladie (1)</td>
<td>-11.6</td>
<td>-8.0</td>
<td>-5.9</td>
<td>-6.0</td>
</tr>
<tr>
<td>Accidents du travail</td>
<td>-0.2</td>
<td>-0.4</td>
<td>-0.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>Vieillesse</td>
<td>0.3</td>
<td>-1.9</td>
<td>-1.9</td>
<td>-4.7</td>
</tr>
<tr>
<td>Famille</td>
<td>-0.4</td>
<td>-1.3</td>
<td>-0.9</td>
<td>-0.7</td>
</tr>
<tr>
<td>Total Régime général</td>
<td>-11.9</td>
<td>-11.6</td>
<td>-8.7</td>
<td>-11.6</td>
</tr>
<tr>
<td>Fonds de solidarité vieillesse</td>
<td>-0.6</td>
<td>-2.0</td>
<td>-1.3</td>
<td>-0.3</td>
</tr>
</tbody>
</table>

(1) Avant prise en compte des mesures d’économie annoncées le 4 juillet 2007
II. PENSIONS

A. Organisation and governance
The French pension schemes organisational characteristics

A complex organisation

Basic schemes (2/3)

Complementary schemes (1/3)

Special schemes + public services schemes

Individual Savings
Corporate schemes

Pay As you Go scheme

Law of finance for Social security
The French pension schemes organisational characteristics

Importance of the general scheme: respective size of beneficiaries

- Salaried people schemes: 81.43%
- Non salaried people schemes: 18.57%

- Local collectivities: 3.62%
- Other special schemes: 5.83%
- Civil servant and military: 9.36%
- Self employed people: 9.59%
- Farmers: 8.98%
- Salaried people in agriculture: 11.24%
- General scheme: 51.38%

Total of beneficiaries: 20,937,549

Source: Actariat et Statistiques
The French pension schemes organisational characteristics

Importance of the general scheme: respective size of contributors

- Salaried people schemes: 81.43%
- Non salaried people schemes: 18.57%

- Local collectivities: 7.38%
- Civil servant and military: 10.04%
- Self employed people: 7.33%
- Farmers: 2.48%
- Salaried people in agriculture: 2.72%
- Other special schemes: 2.10%

Total of contributors: 24,486,180
The basic national pension scheme for salaried people (Cnav)

Financial aspects

- Cnav receipts: more of 83 billions of Euros
  - 70% = contributions
  - 30% = taxes and apparented

**NB:** contribution rate for salaried people: 25% du salaire brut

- Cnav expenses: more of 85 billions of Euros
  - 90% = pensions
  - 8.8% = others (social care expenses and help for other schemes)
  - 1.2% = administrative burden
II. FOCUS ON PENSIONS

B. Sustainability
GDP evolution (In billions of euros)
Active population evolution (in thousands of people)
National Stock Exchange evolution

CAC40 depuis sa création au 31/12/87

Maxi le 4/09/2000 = 6944.77
Evolution of Cnav's results
1980 - 2010
Pessimistic Economic Scenario

En millions d'euros
ESPÉRANCE DE VIE

C'EST DÉSESPÉRANT!
THE ABAQUE:
REFORM and EQUITY

Choix 2040 : Prélèvements, Age, Niveau de la retraite

Axe horizontal : ratio pension moyenne nette sur salaire moyen net
Ratio 2040 à réglementation constante
Ratio actuel

Augmentation des prélèvements en équivalent point de cotisation / salaire brut

Ages de cessation d'activité et de départ à la retraite

- scénario de référence + 5,5 ans
- + 1 an + 4,5 ans
- + 2 ans + 3,5 ans
- + 4 ans + 1,5 ans
- + 6 ans - 0,5 ans
- + 9 ans - 3,5 ans

Durée de la retraite, estimation *)

*) Variation de la durée de la retraite par rapport à 2000 ; estimation approchée, fondée sur la baisse de la mortalité et l'allongement de l'espérance de vie en projection, et tenant compte des hypothèses des âges de cessation d'activité dans le scénario de référence.
ON EN A BAVE MAIS ÇA FONCTIONNE !
Reforms already made

1993:
- FOR GENERAL SCHEME
- Parametric reform
  - pensions and salaried taken into account indexed on PRICES
  - From 37.5 years to 40 years of contribution period
  - Average salary calculated from the 10 to the 25 best years
  - Creation of the Solidarity Fund for elder People
Reforms already made

2003:

- All schemes are converging
- Individualisation of the pensions
- Diverses measures:
  - concerning the pension calculation
  - destined to increase the elder people rate of activity
  - Individualisation of the pension right

⇒ Objective: financial equilibrium in 2020
MAIN MEASURES

- For all: 160 trimesters (40 years) of contributions for civil servant in 2008, 41 in 2012, 42 in 2020
- Warrantee of a minimum of 85% of the minimum salary
- Possibility of erlay retirement for those who started to work at the age of 14, 15 or 16
- Possibility of purchasing years of studies
- Indexation of pensions on prices
MAIN MEASURES

- Increasing contributions for pensions
- drop (5% a year) and overvalue (3% a year beyond 60)
- Encourageing pension funds - individual (PERP) or collective trough companies (PERCO)
- Evolution of the compulsory retirement age (from 60 to 65 years)
- Increasing the age of retirement and developing active ageing
CONCLUSION:
The french Social Security System

- Social security risks cannot be ruled by the market essentially because of inequal access to information
  (for more see: Nobel Prize pr. J.E. Stiglitz, Noble Prize pr. K. Arrow, LSE pr. N. Barr etc.)

- Healthcare: A system which is solid, cheap, fair and effective, but present weaknesses on cost controls and which losses are directly put on national debt

- Pension: A system which is secured for people against financial crisis and inflation, cheap, where social risk is collectively taken, but which presents direct weaknesses to demographic pressures

- Moral hazard issues are at stake (free riders, those who eat the dinre are not those who pay the bill, issue of generational equity etc.)
Thank You for your Attention
guillaume.filhon@cnnav.fr