

Health care reform in Germany: Not the big bang

Country: Germany

Survey no: (8)2006

Reported by: Bertelsmann Stiftung, Gütersloh

Health Policy Issues: System Organisation/ Integration, Benefit Basket, Funding / Pooling, Quality Improvement, Political Context, Remuneration / Payment, Responsiveness, Role Private Sector

Current Process Stages



1. Abstract

On October 25, 2006, the German government presented a comprehensive health care reform bill. The law is due to come into force in April 2007 and aims to promote competition in health insurance and health care delivery, to increase efficiency, and to improve quality through more incentives for better coordination of care. However, with the legislative process still ahead, discussions are ongoing: the envisioned health fund has been postponed to 2009.

2. Purpose of health policy or idea

The "Statutory Health Insurance Competition Strengthening Act" (SHI-CSA), due to come into force in April 2007, aims to strike a balance between the need for reform and the explicit commitment to safeguard universal access to essential health care regardless of the ability to pay. Key elements of the planned health care reform are:

- **Guaranteed right to health insurance:** The number of uninsured individuals in Germany has been climbing in recent years. About 200,000 individuals, or 0.2 % of the total population, have no insurance coverage. Since both public and private insurers are currently not obliged to sell insurance, they can reject individuals who have no coverage or who have lost their insurance due to unemployment, divorce, or low-income jobs. From April 2007, insurers will have to offer at least a basic benefit package to all persons.
- **Incentives for better coordination of care:** To promote integration and cooperation between health care providers, start-up financing for integrated care contracts will be extended until the end of 2008. Further, to encourage better cooperation not only between health care providers but also across health, social and long-term care services, the law creates the possibility to bring together long-term care and non-medical health care professions (such as speech therapists, occupational therapists, etc.) under the roof of integrated care contracts.
- **A unitary contribution rate and more tax based funding:** The new law envisages a unitary health insurance contribution rate to be determined by ministerial decree, replacing rates currently set separately by each of the 250 sickness funds in Germany. Moreover, these income-related contributions will be supplemented by tax revenues that are to cover health insurance of children. Contribution rates and tax revenues will flow into the health fund (see figure "Health fund" below), a new health insurance financing tool (c.f. HPM report "[Health financing reform idea: health fund](#)").

However, the introduction of the health fund has been postponed to the year 2009 (originally it was to be established in 2007). Critical aspects such as the additional premium that health funds can charge their insured if

their expenses are higher than their revenues from the health fund, or the role of private health insurers, are still being debated.

- **Preservation of two parallel health insurance systems:** Both statutory health insurance and private health insurance can offer full-cover insurance.

More competition in health insurance and health care delivery

Changes under the new legislation are to promote competition and increase choice in all areas of the health care sector. Specifically, the law is to

- **widen choice for insured individuals:** From April 2007 on, health insurers can offer their insured a wider variety of tariffs and health insurance plans such as GP contracts, integrated care schemes, benefits-in-kind or cost-reimbursement plans, deductible health plans, etc.;
- **intensify competition between sickness funds and between health care providers:** Framework conditions will become more flexible for sickness funds and health care providers. They will be given more freedom in negotiating the price and quality of services i.e. through selective contracting. The aim is to raise efficiency and to improve quality of care. Moreover, greater freedom in contracting is to encourage sickness funds to offer health care service packages that better suit the respective risk- and income structure of their insured population;
- **Introduce clause allowing competition in the private health insurance market:** The bill foresees a portability provision that allows individuals in case of change of insurer to carry along accrued reserves for old age. This has not been possible so far and was a major reason why individuals did not switch private health insurers in the past; and to
- **foster competition in the pharmaceutical sector:** Fixed prices for pharmaceuticals will be replaced by maximum reimbursement rates. Sickness funds and/or pharmacies are allowed to negotiate discount prices with producers of pharmaceuticals.

Main objectives

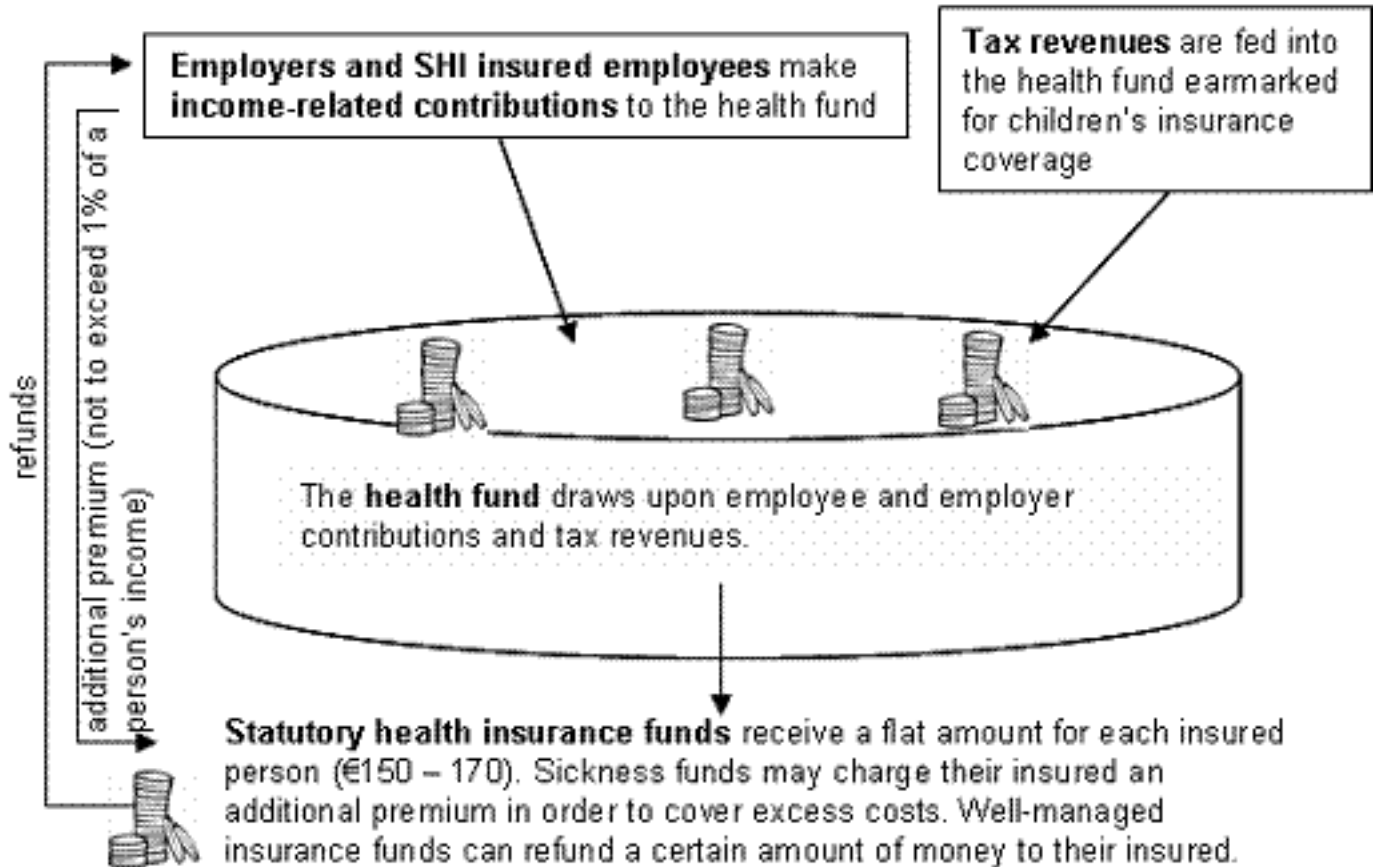
- Increasing efficiency through intensified competition among sickness funds and between providers of health care, as well as through decreased bureaucracy and faster decision-making
- Improving quality by promoting modern forms of care such as DMPs, integrated care, palliative care
- Ensuring access to affordable health care by guaranteeing each individual the right to basic health insurance
- Promoting competition between sickness funds and securing sustainable financing of the health care system through introduction of a new health insurance financing tool, the health fund

Type of incentives

Financial incentives include the extension of start-up financing for population-oriented integrated care until the end of 2007, a new remuneration system for physicians, the possibility for sickness funds to negotiate discount prices with drug manufacturers.

Non-financial incentives include among others the option for selective contracting between sickness funds and

The (statutory) health fund outline



providers, the obligation for public and private health insurers to offer a basic health insurance package to non-insured individuals, the new portability clause in the private health insurance market.

Groups affected

Health insurers, providers, patients

3. Characteristics of this policy

Degree of Innovation	traditional	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	innovative
Degree of Controversy	consensual	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	highly controversial
Structural or Systemic Impact	marginal	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	fundamental
Public Visibility	very low	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	very high
Transferability	strongly system-dependent	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	system-neutral

Degree of innovation / Structural or systemic impact: Several ideas that would have had a fundamental structural or systemic impact such as plans to incorporate private health insurers into the health fund have been considerably watered down, postponed or abandoned altogether. Political debates and interest groups lobbying have forestalled more ambitious reforms envisioned by health policy experts.

Degree of controversy / Public visibility: Ideas for health care reform have been debated intensely between and within political parties, health care providers, sickness funds, employer associations and other stakeholders since March 2006. Media coverage has been extraordinarily intense.

Transferability: Some of the proposed reform measures such as incentives for integrated care, selective contracting, etc. could be transferred to countries with similar health care systems. However, measures that aim at changing the role of private health insurance or the organisational structure of the Federal Joint Committee are strongly system-dependent.

4. Political and economic background

The grand coalition declared health care reform one of its top priorities for 2006. With regard to health care the **coalition agreement** of November 2005 stipulates among others

- enhancement of Germany's reputation as a health care business location;
- greater emphasis on prevention and rehabilitation;
- promotion of patient rights and widening of patient choice;
- development of a health care financing approach that ensures the long-term sustainability of the system;
- preservation of the pluralist health insurance system (full-cover public and private health insurance);
- promotion of competition in the areas of health insurance and health care provision; and
- promotion of modern forms of care such as integrated care, DMPs, and palliative care.

5. Purpose and process analysis



Origins of health policy idea

The government declared health care reform one of its top priorities in March 2006. The main purpose of this reform is to increase efficiency and quality of health care through competition in health insurance and health care delivery. The main driving force behind this idea is the government. Other stakeholders such as sickness funds, provider associations, and private health insurers also see the need for reform but they strongly oppose structural changes proposed by the government (see section "Stakeholder positions").

Many ideas put forward in this reform proposal follow earlier legislation and plans (c.f. HPM reports "[Integration of care after 2004 reform act](#)", "[Proposals for SHI reform](#)") in that they aim at increasing, and reconciling, quality and competition.

Initiators of idea/main actors

- Government
- Parliament

Social Democrats	very supportive	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	strongly opposed
Opposition parties	very supportive	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	strongly opposed
Bundesrat	very supportive	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	strongly opposed
Providers			
Physicians	very supportive	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	strongly opposed
Payers			
Statutory health insurers	very supportive	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	strongly opposed
Private health insurers	very supportive	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	strongly opposed
Scientific Community			
Health policy experts	very supportive	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	strongly opposed

Influences in policy making and legislation

In late October, the cabinet draft of the SHI-CSA entered the parliamentary hearing process. It is now being discussed by the parliamentary groups, health policy experts, interest groups, and the federal states. The final reading of the bill will probably take place at the end of January 2007.

It is expected that both the upper house (representatives of the federal states) and the lower house of parliament will propose several amendments to the health care bill. Modifications and changes touch upon the risk adjustment mechanism, the role of private health insurance, the organisation of the Federal Joint Committee, and others. Both Bundestag und Bundesrat need to ratify the bill. Therefore, their influence in the legislative process is quite strong. Since health care reform is such a controversial issue, it is not foreseeable at the moment if the law will be indeed ratified as planned in April 2007.

Legislative outcome

pending

Actors and influence

Description of actors and their influence

Government

Ministry of Health	very strong	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	none
Leaders of federal states	very strong	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	none

Parliament

Christian Democrats	very strong	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	none
Social Democrats	very strong	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	none
Opposition parties	very strong	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	none
Bundesrat	very strong	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	none

Providers

Physicians	very strong	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	none
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Payers

Statutory health insurers	very strong	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	none
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Private health insurers

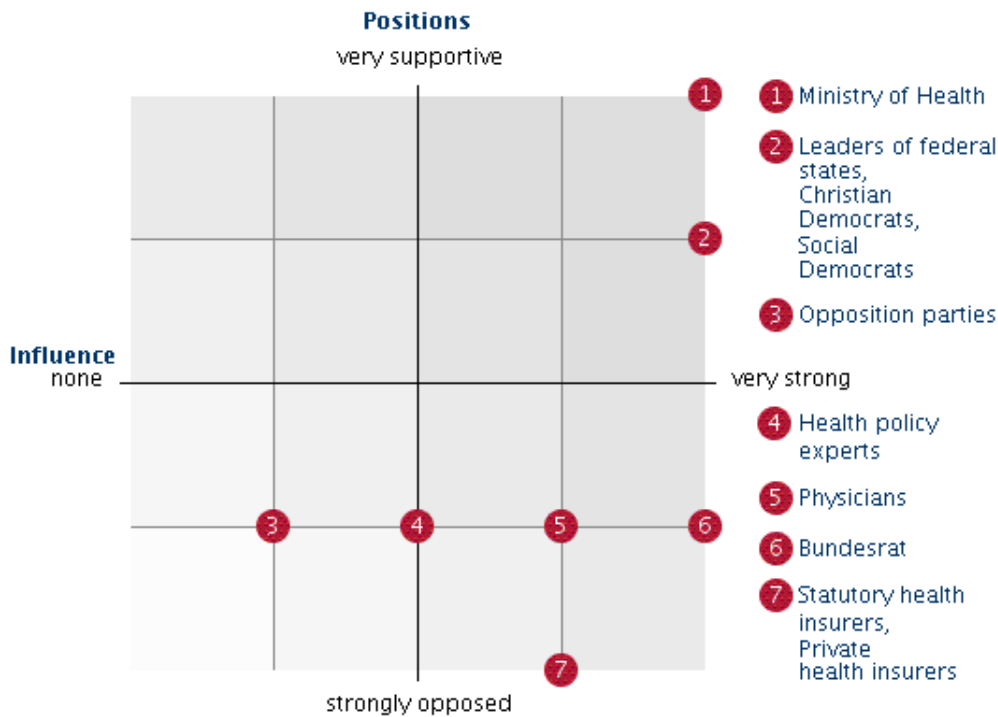
very strong none

Scientific Community

Health policy experts

very strong none

Positions and Influences at a glance



Adoption and implementation

Key players in the implementation process will be those affected most fundamentally, i.e. sickness funds, private health insurers, and health care providers. They all complain that they were not adequately involved in the preparatory process.

6. Expected outcome

The SHI-CSA bill includes some incentives to improve access, quality and efficiency of health care such as the incentives for integrated care, selective contracting, and the right to basic health insurance. However, differing political views, power games between political decision-makers, and intense lobbying of politicians by various stakeholder groups have forestalled far-reaching reforms. Especially in the area of health care financing, debate will continue. All in all, the current bill does not live up to the expectations of health policy experts and the public because reforms are not based on health care needs and technical evidence-based assessment.

Quality of Health Care Services

marginal fundamental

Level of Equity

system less equitable system more equitable

Cost Efficiencyvery low very high

The incentives for integrated care can improve the **quality of health care services**. By 30 September 2006, 3000 integrated care contracts had been signed and it is expected that this number will rise further.

The reforms will increase the **level of equity** since every individual will have a guaranteed right to health insurance. **Cost-efficiency** might improve if sickness funds make use of their greater contracting freedom (i.e. selective contracting with providers that offer services at lower prices than other providers, the possibility for sickness funds to negotiate discount prices with drug manufacturers).

7. References**Sources of Information**

- Coalition agreement between the CDU, CSU and SPD, 11 November 2005. Available in English at www.bundestag.de/aktuell/archiv/2005/koalition/vertrag_en.pdf
- Lisac, M. and S. Schlette: "Health care reform in Germany: is Bismarck going Beveridge?". In Eurohealth, Vol. 12 No. 3, pp. 31-32.
- Federal Ministry of Health: Die Gesundheitsreform (Health care reform). Available at www.die-gesundheitsreform.de (in German only)
- For more information on the legislative process visit the Web site of the Committee on Health in the lower house of parliament at www.bundestag.de/htdocs_e/committees/a14/function.html, and the Web site of the upper house of parliament at www.bundesrat.de/cln_051/nn_6898/DE/presse/pm/2006/161-2006.html?__nnn=true (in German only).
- Articles in various German newspapers, e.g. www.faz.de, www.sueddeutsche.de, www.ftd.de
- Comments and opinions of various stakeholder groups and health policy experts on the reform bill, available at www.bundestag.de/ausschuesse/a14/anhoerungen/029-034/stll_eingel/index.html (in German)

Reform formerly reported in

[Health financing reform idea: health fund](#)

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