

Volume 4 / Issue 5 / 2009 - Country Focus: Germany

The Healthcare System in Germany

Reunification in 1990 transformed Germany, by a significant margin, into Europe's largest country, with 16 states (Länder) and an area of over 350,000 square kilometers. With 83 million people, Germany has Europe's largest population and its biggest economy. The country lies in the heartland of the European landmass, bordering the Baltic Sea and the North Sea. Its western neighbours are Belgium, France, Luxembourg and the Netherlands. Poland and the Czech Republic lie on the east, Denmark on the north, while Austria, Liechtenstein and Switzerland are on its south.

Healthcare delivery in Germany is decentralised. Each State shares responsibility with the federal government for maintenance and modernisation of hospitals. On their part, State health insurance funds have some rights over operational costs.

Of Germany's 2,083 hospitals, about 40 percent are public, and 60 percent private. Roughly two-thirds of the latter are non-profit. There are some 400 private for-profit hospitals in the country. In addition, there are about 1,240 rehabilitation facilities.

Compulsory Insurance

Germany has the world's oldest universal healthcare system. Its origins date back to Bismarck's Health Insurance Act of 1883. Although originally designed to serve low income workers and certain categories of civil servants, over 92 percent of the population is currently covered by a 'Statutory Health Insurance' plan. This provides a standardised level of coverage through any one of approximately 1,100 sickness funds, which are both public and private.

The basic insurance package is financed by a combination of employee and employer contributions, as well as government subsidies determined by a beneficiary's income level. All German workers pay about 8 percent of their gross income to a sickness fund of their choice, until they reach the retirement age of 65. Their employers pay about the same amount. Some large corporations offer in-house insurance plans.

Population (million)	82.3	mid-2008
Live births/1,000 pop.	8.3	2007
Deaths/1,000 pop.	10.1	2007
Life expectancy (years)	77.2 (male) and 82.4 (female)	2006
GDP (billion EUR)	2,458	2008
Total healthcare expenditure (% GDP)	10.4%	2007
Total healthcare expenditure per capita (EUR)	3,070	2007
% of healthcare system financed by public funds	76.9%	2007
Number of CT scanners (per million inhabitants)	16.7	2006
Number of MRIs (per million inhabitants)	7.7	2006
Number of hospital beds (per 1,000 inhabitants)	6.1	2007
Length of stay (average in days)	8.3	2007
Number of practising physicians (per 1,000 inhabitants)	3.48	2007
Number of practising nurses (per 1,000 inhabitants)	7.8	2006
Number of Internet users	50.43 million (61.1% of population)	2007
Percentage of population with broadband access	29.8%	April 2008
Percentage of individuals using the Internet for interacting with public authorities	NA	

Hospitals And Rehabilitation Facilities: 2008

	Number of facilities	Number of cases	Days of care	Length of stay (days)
Hospitals total	2,083	17,510,570	142,534,888	8.1
General hospitals	1,781	16,003,278	129,423,617	7.6
Other hospitals	302	526,303	13,111,271	24.9
Rehabilitation facilities	1,239	2,000,526	50,866,304	25.3
Total inpatient facilities	3,322	19,524,105	193,421,192	9.9

Source: Federal Medical Registry, Federal Statistical Office, 2009

Others, notably those with jobs in small firms, as well as people working in universities or R&D facilities, often opt into the so-called Ersatzkassen (or self-governing plan).

The government covers health insurance contributions for the unemployed and those with low income.

This income-linked contribution system, which lies at the heart of the Welfare State, is known in Europe as 'solidarity'. Its eventual purpose is to make sure that everyone receives the same level of care, regardless of income or social status, and that no one is left out. Payments to sickness funds stops after retirement, although coverage continues until death.

Moreover, unlike the US, the German health insurance system lacks 'deductibles', for instance, before coverage kicks in.

Private Insurance

Nevertheless, Germans in higher income groups (as well as the self-employed) have the choice of paying a tax, and opting out of the basic plan in favour of 'private' insurance. In addition, public sector employees such as teachers, firemen and police are partly reimbursed by the State, with coverage of the balance provided by subscriptions to private insurance.

Private insurance premiums are linked to health status rather than the level of income. Another key difference is that contributions for 'private' insurance continue, even after retirement.

The government strictly regulates the private insurance sector. Insurers cannot hike premiums, for example, if a beneficiary gets sick or older.

Reimbursement

Both sickness funds and private insurance provide coverage for physician fees, acute and chronic care hospital costs, as well as part of dental care. Patients within the former may consult any general practitioner or specialist accredited to their sickness funds, which then settles the fees directly with the healthcare provider. Hospital bills for diagnostic tests, treatment, and drugs are also settled directly between the funds and the hospitals.

Privately insured patients, however, are billed directly by physicians and hospitals, and have to then file for reimbursement by the insurance companies.

Although reimbursement of providers is on a fee-for-service basis, the actual sums are determined retrospectively, in order to ensure that spending targets are not exceeded. These kind of budgetary concerns began in 1975 and have since intensified.

Physicians: Service Provision

According to World Health Organization (WHO) statistics, Germany has an average of 358 physicians per 100,000 inhabitants.

Private physicians provide ambulatory care, and independent hospitals (many not-forprofit) provide the majority of inpatient care. Some categories of specialists have 'reserved' beds at specific hospitals, where they perform operations, leaving aftercare to the hospital staff.

Although some physicians accept only private patients, most require accreditation by all insurance providers. Some physicians charge higher fees for private patients and it is at the insurer's discretion to refuse to cover unreasonable amounts.

Hospital Stay on the Decline

The average length of hospital stay in Germany has decreased in recent years to about eight days, largely driven by the fact that hospital reimbursement is based on the number of hospital days spent by a patient as opposed to diagnosis or procedures or diagnosis.

Healthcare Expenditures

Contributions to State-regulated sickness funds cover about 68 percent of overall healthcare costs. Income taxes, contributions from private health insurance and copayments (above all for medicines where insurance covers only 90 percent of the price) cover the remainder.

In spite of efforts at cost containment, healthcare expenditures in Germany have risen relentlessly, from 179.3 billion euros in 1995, to 204.1 billion euros in 2000 and 236.2 billion euros in 2005. In 2007, spending on healthcare reached 244 billion euros.

On the other hand, as discussed under the 'Cost-containment' heading below, health spending as a share of GDP is showing some signs of success.

A breakdown of spending for the years 1992, 2000 and 2007 is provided on p. 42, in order to permit both an analysis of key expenditure categories in 2007, and assess medium- and longer-term trends.

Hospital Interventions And Length Of Stay: 2001-2007

	2000	2001	2002	2003	2004	2005	2006	2007
Number of cases (in millions)	12.19	12.26	12.36	12.31	12.23	12.03	12.14	12.57
Short visits: 1 to 3 days (in millions)	4.71	4.90	5.07	5.26	5.41	5.40	5.63	5.94
Average length of stay (days)	9.7	9.4	9.3	9	8.6	8.6	8.4	8.3

Source: Federal Medical Registry, Federal Statistical Office, 2009

HEALTH EXPENDITURE IN GERMANY (million euros)

	1992	2000	2007	shares	shares	shares
Total spending (excluding capital commitments)	150 907	204 163	243 981			
Services of curative and rehabilitative care	89 174	112 992	130 679	59	55	54
Services of long-term nursing care	13 301	24 815	30 307	9	12	15
In-patient long-term nursing care	9 710	14 808	19 287	73	60	64
Day cases of long-term nursing care	-	81	111		0	0
Long-term nursing care: home care	3 592	9 906	10 609	27	40	36
Ancillary services to health care	6 134	9 287	11 302	4	5	5
Clinical laboratory	2 281	2 893	3 588			
Diagnostic imaging	2 190	3 415	4 172			
Patient transport and emergency rescue	1 663	2 070	3 631			
Medical goods dispensed to out-patients	30 113	38 063	40 233	20	19	20
Pharmaceutical and other medical non-durables	23 183	28 869	38 184	77	74	78
Therapeutic appliances and other medical durables	6 930	10 005	11 049	23	26	22
Prevention and public health services	5 463	6 617	8 914	4	3	4
Health administration and health insurance	7 812	11 500	13 457	5	6	6
Other	0	0	0	0	0	0

Source: Federal Medical Registry, Federal Statistical Office, 2009

Based on the figures above, it is clear that just over half spending today is dedicated to curative and rehabilitative care. About one-fifth is accounted for by medical products in out-patient settings and a sixth on long-term nursing. The bulk of the balance consists of prevention/public health services and health administration (together with a tenth of spending) followed by ancillary services (five percent); roughly equal shares in the latter are held by clinical lab services, diagnostics and transport/emergency rescue.

The trends however, indicate that the greatest economies are being sought in the largest spending category – curative and rehabilitative care, whose share of total spending has declined from almost 60 percent in 1992. However, much of this saving was achieved in the 1990s. Between 2000 and 2007, the share of curative and rehabilitative care dropped only marginally, from 55 percent to 54 percent.

The share of out-patient medical goods in spending has also been constant since 1992, at 20 percent, with approximately even breakdowns between pharmaceuticals and appliances. This is also the case with prevention/ public health services and health administration, at about 10 percent, and on ancillary services (five percent).

In contrast, the savings made on curative and rehabilitative care have been transferred to long-term nursing, whose share has gone up steadily, from nine percent in 1992 to 12 percent in 2000 and 15 percent in 2007. Within this category, home nursing has shown gains at the expense of in-patient care, although not steadily. Its share of total spending on long-term nursing, rose by almost half from 27 percent in 1992 to 40 percent in 2000, but has since fallen to 36 percent - possibly due to correcting an excessive speed of transformation.

Cost-Containment

Traditionally, reimbursement rates for specific health provision services were determined through negotiations between sickness funds and regional associations of medical professionals. Since the mid-1970s, hospitals have had to contend with overall spending targets, based on government budgets and negotiated annually through a commission which is composed of representatives of the funds and physicians as well as hospitals, pharmacies, insurance funds and the healthcare industry.

In order to keep costs down, ceilings on hospital expenditures have been linked to the average age of the local population (served by a specific facility) as well as caps placed on wage increases. The government has also sought to force drugs firms to provide sickness insurance providers a higher discount on medicines. Co-payments have been introduced to encourage rational use of medicines and services and control costs.

HEALTH EXPENDITURE IN GERMANY (million euros)

	2000	2001	2002	2003	2004	2005	2006	2007
Health spending as share of GDP in %	10.3	10.4	10.6	10.8	10.6	10.7	10.5	10.4
Health expenditure per inhabitant in Euros	2,590	2,690	2,770	2,850	2,830	2,900	2,970	3,070

Source: Federal Medical Registry, Federal Statistical Office, 2009

Overall, after climbing from 9.6 percent of GDP in 1992 to 10.6 percent ten years later, the share of healthcare spending peaked at 10.8 percent the next year and had declined to 10.4 percent in 2007. Per capita expenses have however risen, from 2,770 euros in 2002 to 3,070 euros in 2007.

Nevertheless, the key facet of such costcontainment - government moves to impose limits on hospital expenditure and the number and type of medicines that physicians are allowed to prescribe – has fuelled fears of a lowering in the standards of healthcare.

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