

Volume 10, Issue 4 / 2008 - Privatisation

The Privatisation of Hospitals in Germany: Lowering Confidence of Germans in Their Hospitals?

Authors:

Nils Böhlke und Thorsten Schulten,

Researchers at the Wirtschafts und Sozialwissenschaftliches Institut (WSI)

within the Hans Boeckler Foundation in Düsseldorf, Germany

Email: Thorsten-schulten@boeckler.de

Nils-Boehlke@boeckler.de

There is no other country in Europe that has seen such an enormous wave of hospital privatisations over the last years of Germany. Traditionally the German hospital market was dominated by public clinics but has always included a significant proportion of private not-for-profit hospitals that are mainly owned by the two big Christian churches and other welfare organisations. However, since the early 1990s, the number of private for-profit hospitals has increased continuously and has led to the emergence of a few leading private hospital corporations such as Rhön-Klinikum, Helios and Asklepios.

While in 1991 46% of the hospitals were public, in 2006 this proportion was reduced to 34.1%. On the other hand the share of hospitals with a private for-profit owner increased from 14.8% to 27.8% over the same time period. The percentage of private not-for-profit hospitals remained relatively stable (Figure 1). Most studies expect a continuation of this trend so that eventually up to 40% of the hospitals will be run by private for-profit hospital chains. Already more than half of the remaining public hospitals have modified their legal status to private law institution.

This is often the first step towards the sale of the entire hospital to a private company. Additionally many public hospitals outsource services such as cleaning, laundry, catering or lab research to private companies or subsidiaries.

Until the late 1990s private hospital companies primarily bought small hospitals. Still almost half of the beds and almost 58% of the employees can be found in public hospitals and just 12% in private for-profit hospitals (Figure 2).

However, since 2000 privatisations have affected an increasing number of larger hospitals. The largest privatisations so far were the purchase of the State enterprise Hospitals Hamburg (LBK Hamburg) in 2005 and the privatisation of the university clinic in Marburg-Giessen in 2006. Regarding the latter, it was the first time that a university hospital was privatised making Germany a privatisation forerunner in Europe. This has increased the share of bed capacity of private for-profit hospitals almost to U.S. levels.

In most other countries privatisation trends are limited to the outsourcing of certain services or the development of Public-Private-Partnerships (PPP) while the purchase of entire hospitals is still an exception. In Sweden, the former social-democratic led government even prohibited further privatisations of hospitals in 2004. Only France traditionally has an even larger for-profit hospital sector.

Motivations of Hospital Privatisations

The reasons for the wave of hospital privatisations in Germany are manifold. The most important issue behind this development is some fundamental changes in the hospital funding system. Since the early 1970s the hospitals have been funded by the so called dual financing system (duale Finanzierungssystem). While operational costs are funded by health insurance contributions, investments are supposed to be covered by the German Federal States. In order to keep health insurance contribution rates stable, far reaching reforms of the funding system have been decided since the 1990s. This primarily comprises the introduction of budgets on running costs as well as the implementation of a system of casebased lump sums. This so called DRG System (Diagnosis Related Grouping) shifted the financing from daily rates to lump sums for certain diagnoses. The reorganisation of the funding system has led to tremendous financial pressure on hospitals. According to the hospital rating report 2008 of the RWI Economic Institute, more than one third of the hospitals will experience budget deficits in 2008. The overall deficit will amount to a sum between 1.3 and 2.2 billion euros. For many municipalities, hospital privatisations seem to be the only way out of this financial quagmire.

The strongest boost for privatisation comes from the lack of investment by the Federal States, though. According to the German Hospital Association (Deutsche Krankenhausgesellschaft) this has piled up to 50 billion euros. Health economist Michael Simon estimates that it might even be twice as high. While in 1984 2.6% of the GDP was invested in hospitals, in 2004 it was just 1.3%. Hospital investments were among the lowest in Europe. Therefore it is hoped that privatisations will help to overcome this large investment gap.

Consequences of Privatisation

The general trend towards a contractualisation of hospital services has far reaching consequences on employees and patients. This impact is exacerbated by the increased importance of private for-profit hospitals. Since about 60% of the operational costs of a hospital are labour costs, it makes economic sense to rationalise and reduce personnel costs. Since the beginning of the 1990s the number of employees (measured in full-time equivalents) in the hospital sector has decreased by nine per cent. As the number of cases has risen significantly over this time period, work is a lot more intense nowadays.

In private for-profit hospitals the workload is exceptionally high (Figure 3). In 2006 a nurse in a private for-profit house had to care for 515 occupied beds in days, 65 more than her colleague in a public clinic. The difference is even bigger for physicians: in private for-profit clinics doctors have to treat 30 % more patients than in public hospitals. A similar ratio can be observed for the medical-technical staff that includes physiotherapists, psychologists, pharmacists and social workers. Furthermore, according to a patient survey by a leading health insurance this has significantly deteriorated patient satisfaction levels.

The privatisation of hospitals also has severe consequences on relations within hospitals. Usually private for-profit hospitals dismiss general collective agreements for the public sector and conclude collective agreements at company level. Studies suggest that these agreements usually implement much broader wage dispersion. Thus physicians earn the same or even more in private for-profit hospitals while nurses earn significantly less. The overall problem for employers and unions in private as well as public establishments is the capping of the budget system by the government, though. This leads to very little financial leeway for wage increases. Therefore unions and employers collectively demand the abolition of capped budgets.

Conclusion

Due to bad experiences by employees and patients, hospital privatisations in Germany become more and more contested. In recent years almost all larger hospital privatisations have faced local anti-privatisation initiatives supported by trade unions and other social organisations. In many cases these initiatives have tried to organise a referendum to prevent hospital privatisations. The best known example has been the initiative against the majority privatisation of the LBK Hamburg in 2004, after which the hospitals were finally sold despite the fact 76.8% of the voters voted against it. In some cases, as, for example, Dresden (2008), Meissen (2006), Zwickau (2003) and Northern Friesland (2002) these initiatives were able to successfully prevent the privatisation.

Even though only a few studies have been released so far on the impact of hospital privatisations on the quality of care in Germany, the resistance against privatisations indicates that patients view it as controversial and expect for-profit hospitals to favor their earnings over the quality of care. Hence the status of Germany as a hospital privatisation forerunner has probably lowered Germans' confidence in their hospitals.

So far, it is rather uncertain if the protests by patients and staff will be able to reverse the trend towards hospital privatisations. The future developments will depend very much on whether or not German politics will find a way to reduce the huge investment gap in public hospitals. However, the readiness to allocate more money to the hospital system is still rather limited, so that privatisation will continue to be seen as a possible solution to funding problems. Therefore, the protests are no longer only against privatisation but more and more also against capped hospital budgets and in favour of spending more money for German hospitals.

Published on : Fri, 22 Aug 2008