PKV
Verband der Privaten
Krankenversicherung

Private and Public Health Insurance in Germany
Current Status, Future Priorities and Strategic Targets

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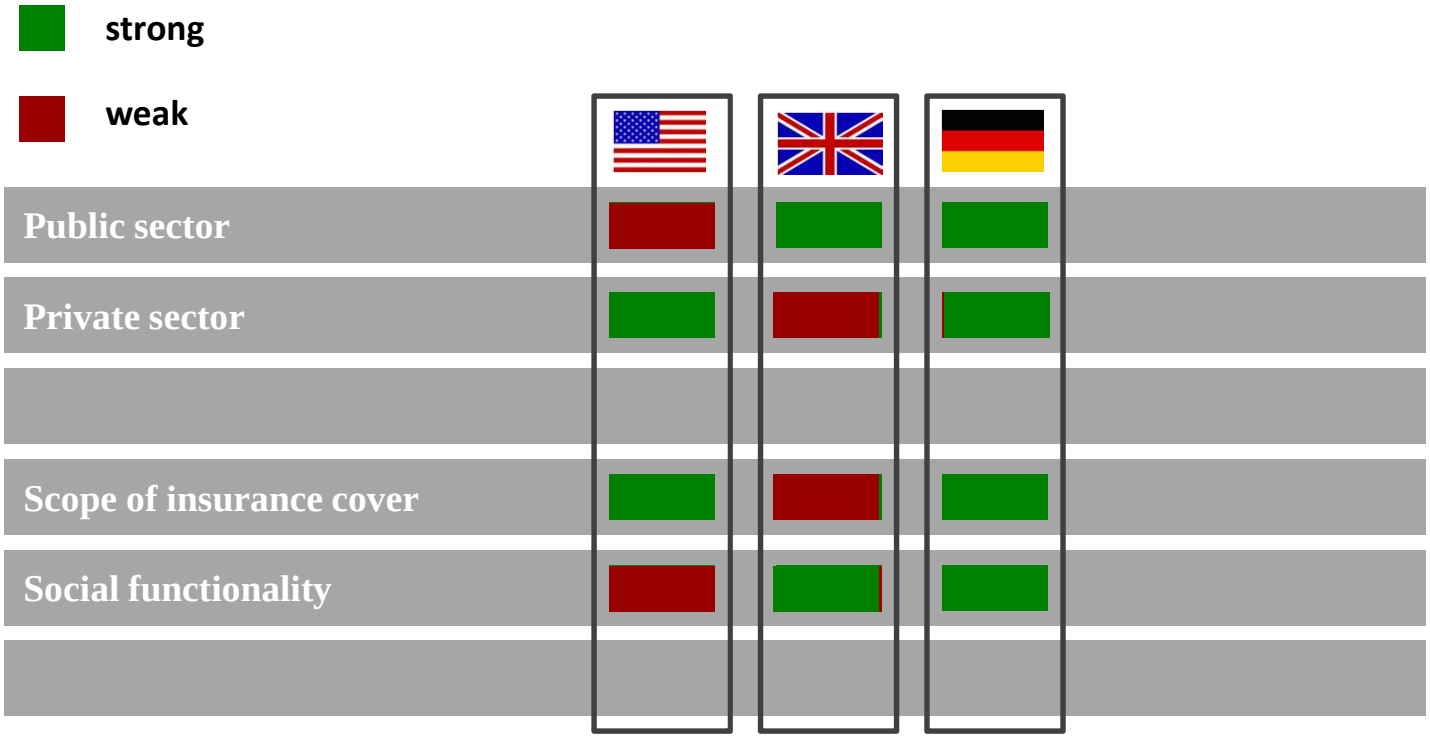
Conclusions

1. Typology of international health care systems: USA, UK, Germany

Strengths and weaknesses of health care systems:



Source: IGSF 2005; WIP (2013);
* existent, but very low

1. Typology of international health care systems: Germany

The advantage of the dual system:

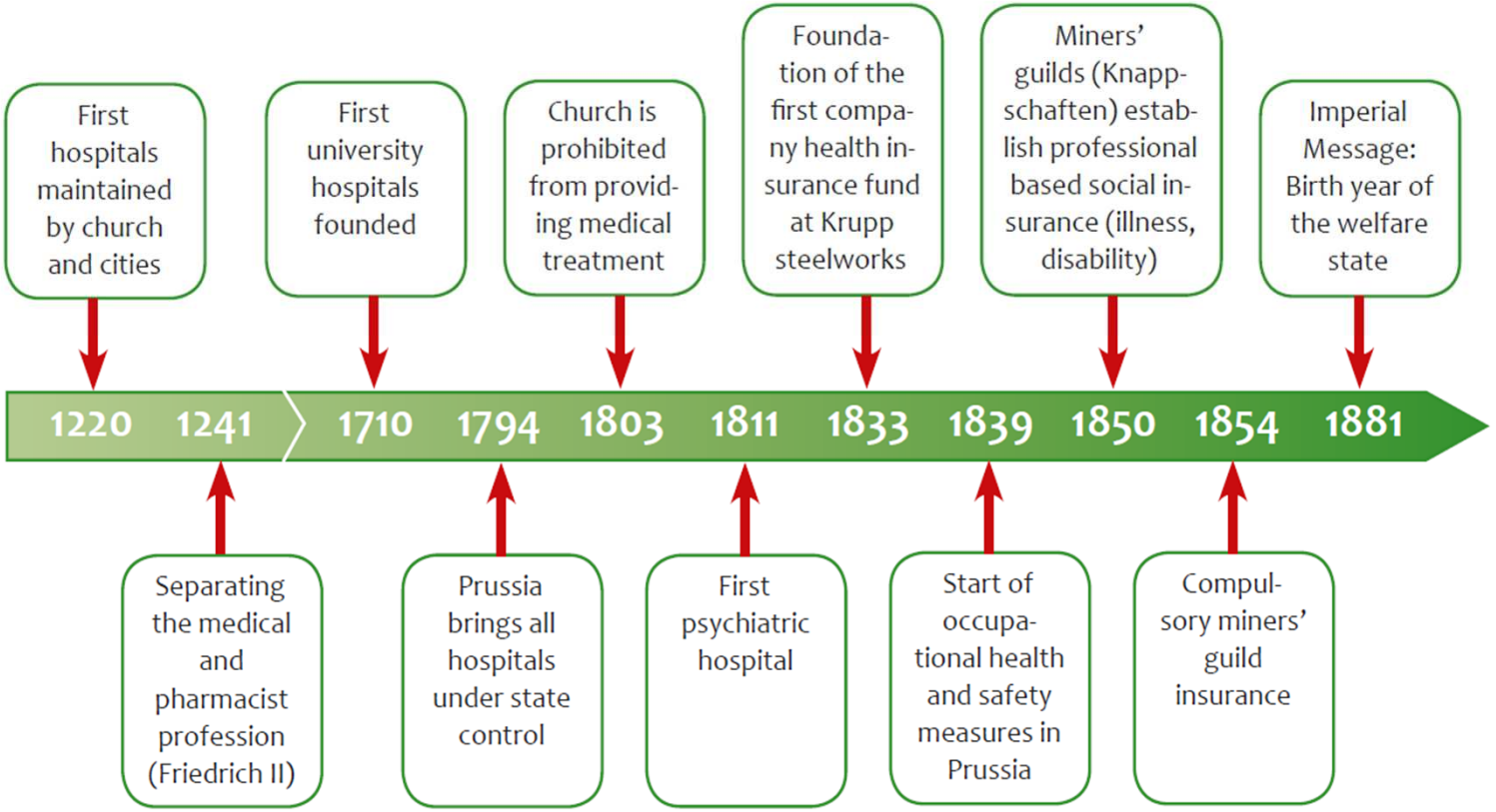
- Germany combines the strengths of the public and the private system.
- Two insurance systems within one health care system.
- There is not a two-class-system of medicine: the insured go to the same doctors into the same hospitals and enjoy basically the same standard of medical care.

The SHI and the PHI act as a mutual corrective:

- Obligation to social responsibility:
  - Solidarity between healthy and sick (SHI = PHI)
  - Solidarity between rich and poor (SHI → PHI)
  - Solidarity between young and old (PHI → SHI)
- Motor of innovation / high standard of quality (PHI → SHI)
- Different fee scales / Surplus of 10,5 bn Euro per annum (PHI → SHI)

2. A brief history of the German health care system

Health Care Before Bismarck



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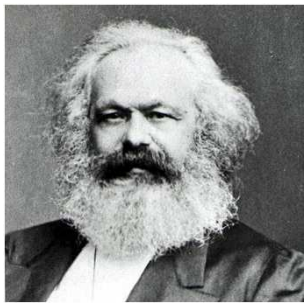


The culmination of the socio-political situation in Germany in the 19th century:

- **Karl Marx**: Political revolution from the bottom up (social pressure)
- **Otto von Bismarck**, Chancellor: Social reform top down

1881: "Imperial Message" as foundation of social security system (in addition to the private system).

1883: Establishment of statutory health funds for workers by Bismarck.

1885: About 11% of the total population is covered by more than 18 000 sickness funds – the average number of contributing members per fund was below 300.

1892: First comprehensive regulations between health funds and health care providers were established. Health funds could decide whom to contract as a statutory health insurance physician (SHI-physician).

1914: Health, pension and accident insurance became integrated into the "Imperial Insurance Code" (RVO).

1989: The RVO was transformed into the "Code of Social Law" (SGB), divided into 12 sections. The fifth section (SGB V) covers social health insurance.

3. Current status: Structural data (2014)

Statutory Health Insurance (SHI)
(since 2007: insurance obligation)

- 70,27 M insurants (87,3 %)

Private Health Insurance (PHI)
(since 2009: insurance obligation)

- 8,89 M insurants (11,4 %)
- 23,1 M supplementary PHI

Limit of income threshold for compulsory insurance:
4,462,50 Euro per month / 53,550 Euro per annum

- Employees with an income **below** the upper limit for mandatory insurance cover
- Familiy members pay no contributions (17,4 M)

- Employees with an income over the **upper** limit for mandatory insurance cover
- Familiy members pay premiums
- **Civil servants** (with financial support) + family (4,3 M)

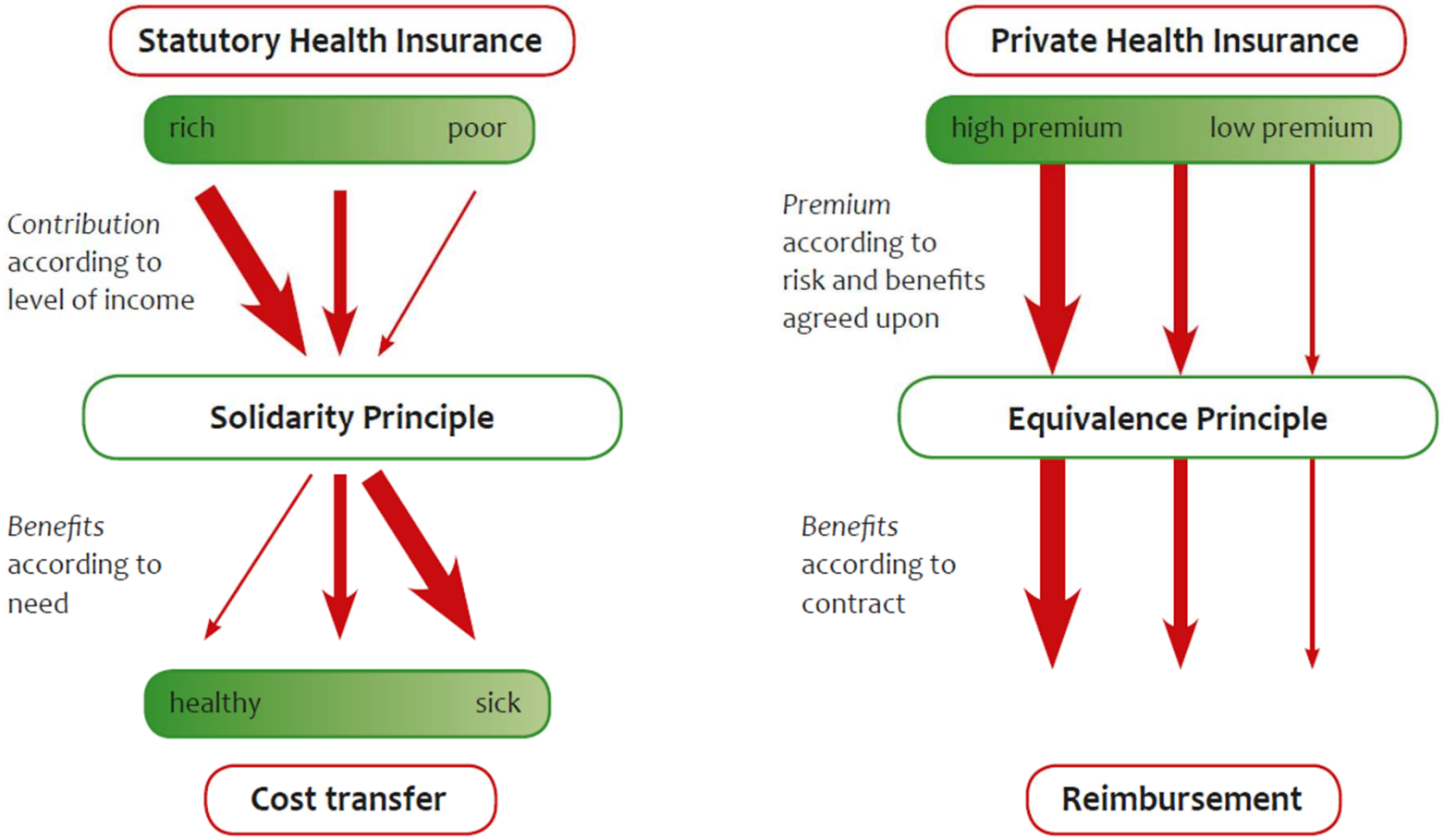
- Self-employed persons + family
- Students

- Self-employed persons + family
- Students

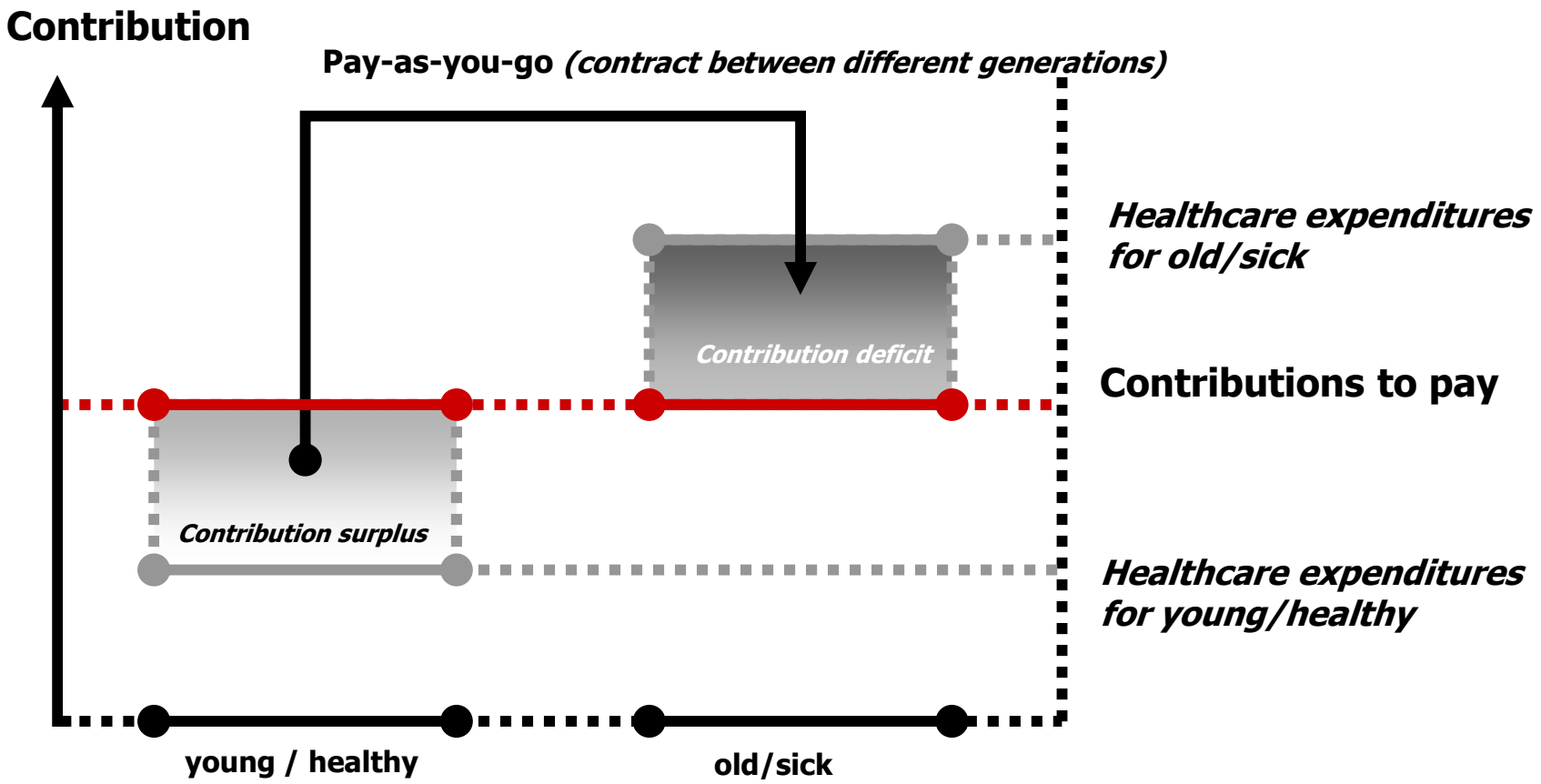
3. Current status: Structural differences

Statutory Health Insurance (SHI)	**Private Health Insurance (PHI)**
▪ 132 insurers under public law	▪ 42 insurers under private law
▪ guiding theme: protection	▪ guiding theme: individual responsibility
▪ mandatory contracting	▪ medical examination
▪ solidarity principle	▪ priciple of equivalence
▪ social aims	▪ 18 mutuals / 24 joint-stock companies
▪ benefit-in-kind	▪ (cost) reimbursement
▪ income-related contributions	▪ risk-adjusted premiums
▪ no relation between contribution and benefit	▪ premium-related benefits
▪ uniform benefits	▪ free coice of benefits
▪ possibility of ex post limitation of benefits	▪ lifelong coverage without ex post limitations of benefits
▪ pay-as-you-go method of funding (2014: 10,5 M Euro government subsidies)	▪ capital cover system (2013: 190 bn Euro)

3. Current status: Structural differences – Solidarity and Equivalence Principle

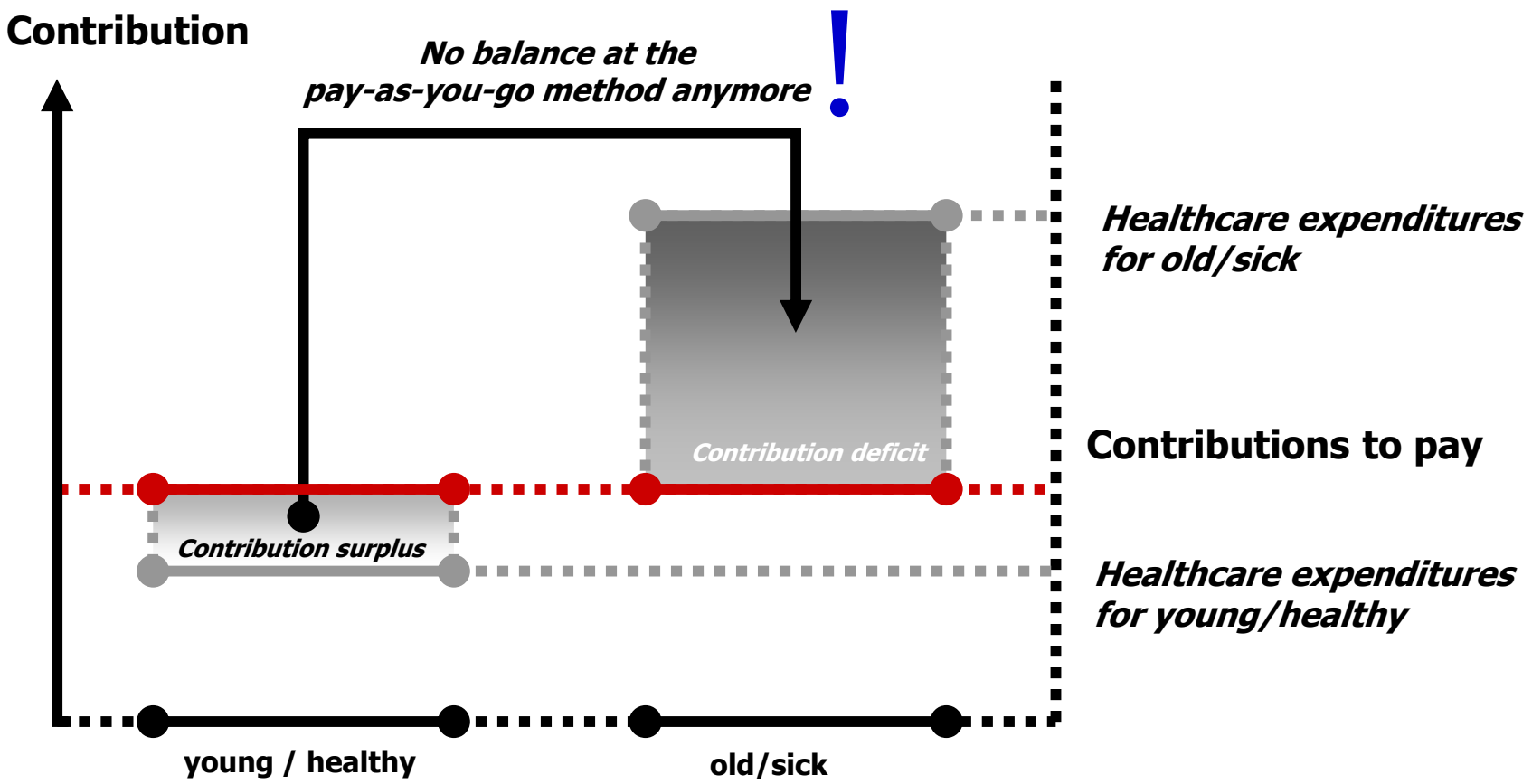


3. Current status: Structural differences – Pay-as-you-go Method of Funding (SHI)



3. Current status: Structural differences – Pay-as-you-go Method of Funding (SHI)

No savings for the demographic change



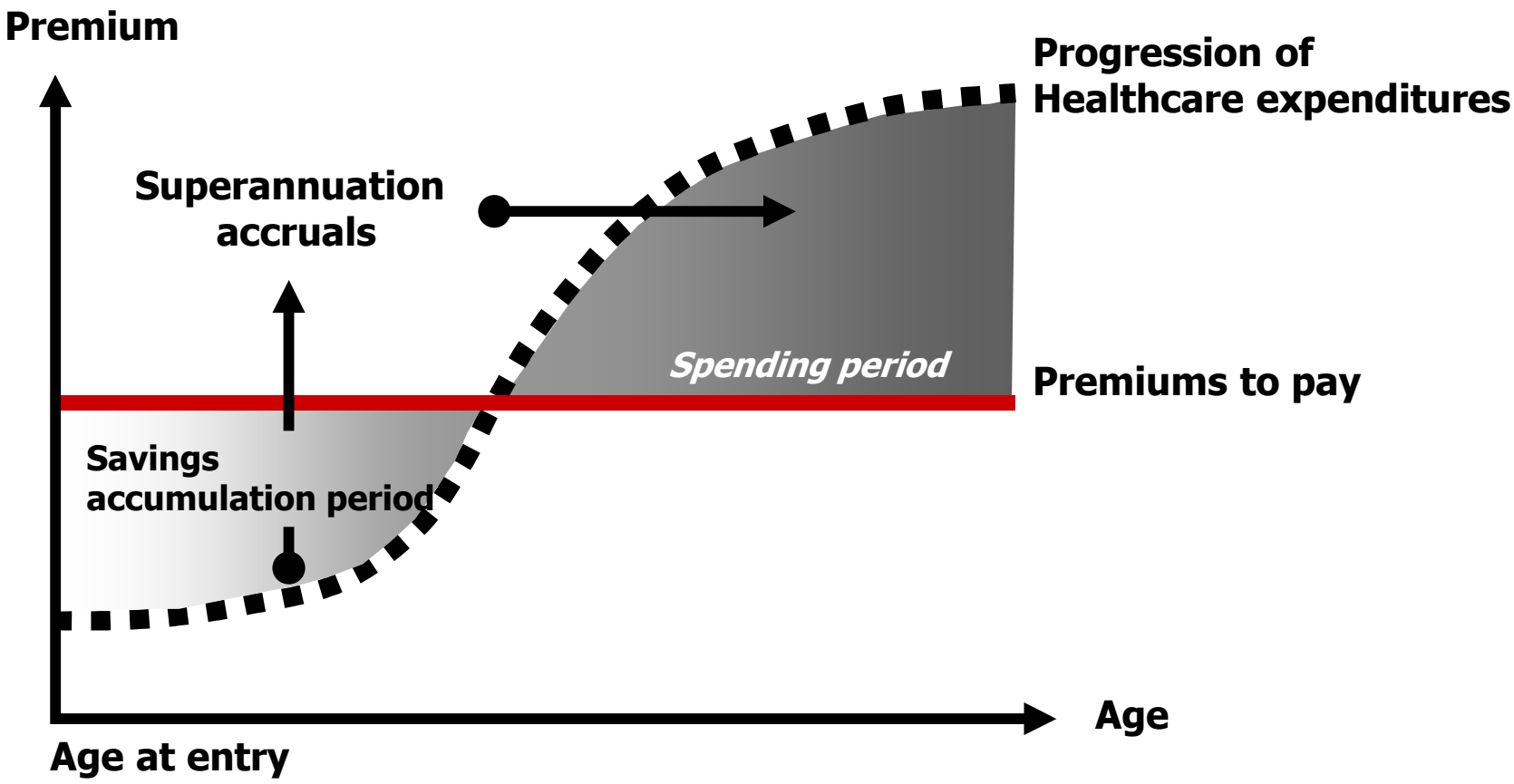
3. Current status: Structural differences – Pay-as-you-go Method of Funding (SHI)

Measurements of the SHI:

Trend towards cost-control and basic coverage.

- Government subsidies and public financing
- Explicit rationing (limitation of benefits, e.g. dentures)
- Implicit rationing (fixed budgets = shifting the rationing to the doctors)
- Increase of the income-related contributions

3. Current status: Structural differences – Capital Cover System (PHI)



3. Current status: Structural differences – Capital Cover System (PHI)

Reasons for increasing expenditures:

- age-related health care utilization
- price development by inflation
- progress in medical technology = increasing health care utilization
- increasing life expectancy

Measurements of the PHI:

- capital cover principle and saving superannuation accruals
- additional interests to superannuation accruals
- statutory 10 %-additional charge to the superannuation accruals
- if needed modification of the life table = premium adjustment (after consent of a trustee)

4. Future priorities: Demographic change

Ageing societies vs. young societies:

- The German population is ageing. Each insured person needs contribution from the health insurance for a longer period of time, while there are fewer working people to bear the burden of taxes or contributions.

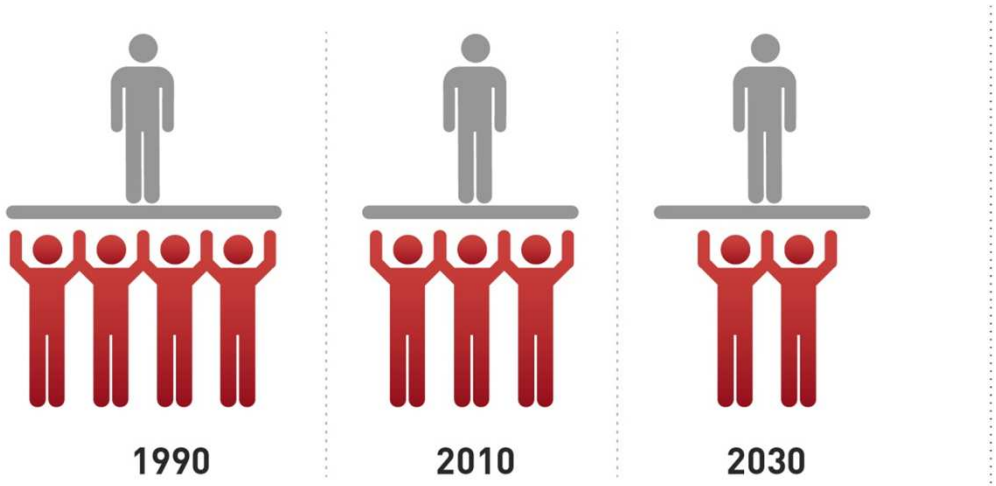
- The SHI is not financially prepared for the demographic change.

- The ageing provision of the PHI is constituted in order to counteract the rising medical expenses resulting from the increasing age of the insured's (capital cover in 2013: 190 bn Euro).

Population in Germany

Demographic change until 2030

Number of employed persons who „finance“ a pensioner



*** Details:**
Rentenbericht 2005: Verhältnis 1 : 4 in 1991; 1 : 3 in 2006; 1 : 2 in 2030
Statistisches Bundesamt: Verhältnis 1 : 3,4 in 2008; 1 : 2,3 in 2030; 1 : 1,8 in 2050 (Annahme: Renteneintrittsalter 67 Jahre)
Deutsches Institut für Altersvorsorge: Verhältnis 1 : 3 in 2010; 1 : 1,9 in 2030; 1 : 1,6 in 2050
Demografiebericht der Bundesregierung 2011: Verhältnis 1 : 4,2 in 1990; 1 : 2,9 in 2010; 1 : 1,5 in 2060

→ Demographic change is preprogrammed

→ The financial principles of state health insurance reach their limits

→ „Generation contract“ is out of balance

Tomorrow's diseases in Germany – Part I

Disease	2007	2050	
Diabetes and secondary diseases (cases)	4.1 to 6.4 M	5.8 to 7.8 M	+ 20 to 22%
Dementia (cases)	1.1 M	2.2 M	+ 104% !
Heart attack (new cases per year)	0.31 M	0.55 M	+ 75%
Stoke (new cases per year)	0.19 M	0.30 M	+ 62%
Cancer (new cases per year)	0.46 M	0.59 M	+ 27%

Source: Beske (2007)

Tomorrow's diseases in Germany – Part II

Krankheiten	2007	2050	
Hearing loss (cases)	8.8 M	11.2 M	+ 28%
Osteoporosis (cases)	8.3 M	10.4 M	+ 26%
Arthrosis (cases)	13.6 M	14.9 M	+ 10%
Glaucoma (new cases per year)	1.1 M	1.6 M	+ 43%
Long term care (Persons in need of care)	2.25 M	4.5 M	+ 100% !

Source: Beske (2007)

4. Future priorities: Supply structures and funding sustainability

Top issues:

- Health literacy
- Shortage of doctors and nurses
- Supply in rural areas
- Improving the quality of long term care
- Oversupply / undersupply / wrong incentives
- Advances in medical technology
- Funding sustainability in an ageing society

5. Strategic targets: Strengthening of the dual system

Strengthening the three levels of competition:

1. Competition between the statutory health insurance funds.

2. Competition between the private health insurance companies.

3. Competition between the systems of the SHI and PHI.

The threefold of competition leads to:

- Short waiting times and quick access to care.
- Low out of pocket costs (low additional payments).
- Free choice of doctors and hospitals.
- Referrals are not obligtory / gatekeeper system.
- No pre-defined lists of prescription drugs.
- Comprehensive care provision.
- High standard of quality.
- Immediate access to advances in medicine.

5. Strategic targets: Comparison of systems in the EU

The catalog of benefits in Germany is very comprehensive
- Elements of the state catalog of benefits -

Source: IGSF 2005; WIP (2013);
* existent, but very low

Conclusions

Choosing a benchmark: are the international models a solution?

Thesis I: There are three typical models of health care systems. A public dominated system (NHS), a private dominated system (USA), and the dual system (Germany).

Thesis II: The duality of statutory and private health care system leads to the checks and balances of both: high standard of quality and social functionality.

Thesis III: The key to a socially equitable and high-quality medical system results in the connection of one health care system with two insurance systems and three levels of competition.

The dual system enables everyone to an immediate access to advances in medicine and protects them against large individual out-of-pocket expenses.

Çox sağ olun.

More information:

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