Escalating costs and falling receipts spell trouble

A huge financial deficit is fuelling demands for healthcare reform. Sound familiar? No, it is not the NHS in Britain but Germany's once respected health service. **Mathias Huter** reports

Germany's health system is facing a huge deficit after health insurance companies reported a €1.2bn (£0.83bn; \$1.5bn) shortfall for the first quarter of 2006. The federal health minister, Ulla Schmidt, has warned that the deficit could be much higher by the end of the year, and some have estimated that it could reach €7bn, out of a total budget of €145bn.

And with the health ministry saying that health insurance contributions may have to rise to plug the financial gap, calls for long awaited healthcare reforms have been increasing.

"If the government doesn't react immediately, insurance fees will rise to a new record in the next year. This would be a horrific scenario," said Dieter Hundt, president of the Confederation of German Employers' Associations.

The huge deficit in Germany's health service has been blamed on higher spending on drugs and hospital treatment and a drop in the number of people paying health insurance contributions.

Under the current system all employed Germans have to pay compulsory health insurance. The amount depends on a person's earnings, but the national average is 13.2% of income.

In the past five years, as Germany has entered recession, 1.6 million jobs—all of which carried with them compulsory health cover—have disappeared. In May the unemployment rate stood at 10.8%.

Demographic change is also burdening the system. The proportion of Germans who are elderly is rising, and with that so is the public health system's expenditure.

The amount paid out by the public health insurers rose by 4.8% in the first quarter of 2006, but revenues were up by only 0.2%. In 2005 the sector saw a profit of €1.8bn. The government has said it will cover this year's loss by pumping €4.2bn into the health system.

But Angela Merkel's grand coalition government of the conservative Christian Democratic Union and the Social Democrats is under pressure to reform the system as soon as possible and deal with the growing deficit.

German Chancellor Angela Merkel is under pressure to deal with huge deficits in the health system

Germany has one of the most expensive public health systems in the world, but it is seen by many health experts as one of the least efficient.

There are roughly 3700 doctors for every million inhabitants; the figure in Sweden is 2780. The number of dentists per person is high too, about twice that of neighbouring Switzerland.

The system has also been identified as being rife with corruption that costs the state huge sums of money every year. In May the corruption watchdog organisation Transparency International said that fraud, waste, and corruption were endemic in the German health system and cost billions of euros each year (www.transparency.de/2006-05-16_Gesundheit.911.0.html).

The biggest selling German newspaper, *Bild*, reported a case where a doctor had claimed €12 000 in travel expenses for treating people in a nursing home

that was in the same building as his surgery (www.bildtonline.de, 5 Jun, "So werden die Krankenkassen abgezockt").

Transparency International said that industry and pressure groups had enormous influence in the health sector and that relationships between firms and doctors and other bodies were not transparent.

The drug industry has also come in for criticism. Critics say the German market has too many drugs: about 60 000. Countries such as Switzerland have only a quarter of that number. The critics argue that every year companies introduce thousands of new drugs that, while marketed as new, are

plans. But the Christian Democrats want to concentrate only on the public sector.

There is also disagreement about alternative methods of funding health care. The Christian Democrat Volker Kauder has put forward a plan under which employees, self employed people, and retired people should pay fees, set according to their income, into a pool. From this pool money would be distributed to public insurance companies at €150 to €170 per insured person. In some cases the companies would give rebates to people if it was judged that their contribution was disproportionate to their use of the system.

Mr Kauder said: "The important point is that everyone in this country should be insured and everyone should contribute, appropriate to their financial capabilities."

But this has been criticised by some, who would rather see insurers' costs reduced. "This new model, which the coalition already seems to agree on, doesn't solve any of the problems the public health insurers are facing," Mr Hundt said. "It is absolutely necessary to lower costs for public insurers, since Germany has the most expensive system in the world."

Others have appealed to people not to misuse the system. Volker Beck, leader of the Social Democrats, said: "People needn't try to get every treatment they can."

But Vice Chancellor Franz Müntefering, a Social Democrat, has pledged not to restrict entitlements in reforming the system.

"Our health system is good, and everyone has the right to use it if they need to, no matter how much money they have."

As the *BMJ* was going to press the ruling coalition seemed to have reached an agreement on financing the social care system through tax money rather than through fees. It is proposed that from 2008 or 2009 health care for children will be paid for through tax revenue, although how long this scheme would run for is still being negotiated. Agreement on other parts of the reform package is not expected before early July—and it may be a long time coming. Insiders say that several controversial issues remain to be resolved where the two parties' ideas differ widely. □

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