



## Position Paper

### **Need for a Sustainable Healthcare System in Germany**

#### **Exec. Summary**

- In Germany, reforming the healthcare system remains high on the political agenda because it shows basic structural and governance flaws.
- Despite major reforms, the healthcare system in Germany does not possess a solid financing basis. To the contrary: Due to the shrinking revenues related to the world economic crisis and recent financial commitments to hospitals and physicians financial pressure in the statutory health insurance is continuously growing.
- The German healthcare system must be reformed fundamentally: First steps are the introduction of more competitive elements and less regulation.
- The underlying conditions for innovation in Germany must not deteriorate. The benefit assessment must be methodologically appropriate and transparent. In pharmaceutical research the adequate reward of innovation must be retained.

#### **The Issue**

In Germany, scarcely one legislative period passes without some striking regulatory change in the healthcare system. The government is confronted with rising costs of maintaining inhabitants' health due to demographic change and medical progress. Despite major reforms, the overall cost of healthcare in Germany has been outgrowing the funding base for some time and is heavily depending on the employment market situation. The fundamental challenge of how to finance the healthcare system in the future sustainably prevails unsolved. In his present arrangement, the German healthcare system shows basic structural and governance flaws which must be improved.

#### **Background**

Despite ongoing reforms of the German healthcare system, the opportunity has been missed to sustainably reorganize the basis for financing the statutory health insurance system, taking account of demographic developments and medical and technical progress. As a matter of fact, the world economic crisis and the latest financial commitments to hospitals and physicians steadily raise the financial pressure within the statutory health insurance. In 2011 for the statutory health insurance system (SHI) a deficit of 11 billion Euro is estimated. In an effort to introduce significant cost-savings into its healthcare system, therefore, the German government is implementening a number of measures for the pharmaceutical market: The mandatory rebate on reimbursement medicines will be increased from six to 16 percent and government prices for pharmaceuticals will be frozen retroactively to the levels in place on August 1, 2009. Both will be in place until December 31, 2013. Furthermore, the government will require that all new medicines be assessed within three months of initial launch to determine if the product has added therapeutic value (value dossier). If the product is deemed to have added value, than the pharmaceutical company will enter into centralized rebate negotiations with the association of sick funds. If a government price cannot be agreed to than the product will face international reference pricing. A product that is determined not to have added value will be placed into reference group.



Despite major reforms, the healthcare system in Germany does not possess a solid financing basis taking account of demographic developments and medical and technical progress. Still, financing the statutory health insurance system is dependent on the level of income. The introduction of an individual extra contribution rate has not sufficiently changed the situation.

## **Our Position**

The German healthcare system is in need of fundamental reform in order to be able to adequately meet the enormous challenges of demography and medical and technical progress in the long term.

A financial reform of the statutory health insurance must concentrate on decoupling healthcare cost and labor cost. This can be achieved by converting employer contribution to salary. Thus, allowing for greater individual responsibility. In the future, the SHI catalogue would concentrate on the benefits of basic care, supplemented by an optional range of services to be determined individually. A transition to flat rates independent of income would be introduced. Social balance would be ensured by means of the taxation system. Extraneous insurance benefits would be excluded and likewise financed by taxation. Greater individual responsibility and greater self-determination by the insured would be increased by the introduction of individual benefit packages through optional rates above the statutory basic provision.

As far as the pharmaceutical market is concerned, the widely non-transparent regulatory system of the statutory health insurance system needs to be dismantled and systematically reorganized in order to allow competitive, fit-for-purpose instruments to emerge. Contractual competition would prevail, where possible. It would be entirely subject to the rules of cartel, competition and contract law.

Additionally, the underlying conditions for innovation in Germany must not deteriorate. A methodologically appropriate and transparent benefit assessment would also continue to allow the best possible provision of patients with innovations. In pharmaceutical research the adequate reward of innovation must be retained in the future as mayor strengths of the German system.