Statutory health insurance in Germany: a health system shaped by 135 years of solidarity, self-governance, and competition

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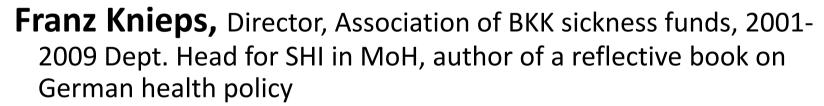
2002 - 2017

Health Care Management

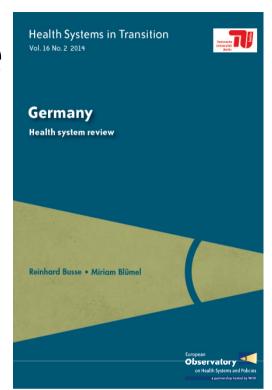
### Author team's experience

**Reinhard Busse,** Chair Health Care Management, TU Berlin & Co-Director of European Observatory on Health Systems and Policies, lead author of "HiT" on Germany (2000, 2004, 2014) and many other articles on German health system





**Till Bärnighausen,** Chair Public Health, University Heidelberg, expertise in many health systems in middle- and low-income countries, author of "One hundred and eighteen years of the German health insurance system: are there any lessons for middle- and low-income countries?" (2002)



## Background of paper

- 1. Germany hosting G20 summit this week
- 2. Large interest in original SHI/ Bismarckian system (not the least because of UHC) around the world and 135<sup>th</sup> birthday very soon
- 3. Basic principles of German-style SHI not well understood (regulation is sometimes simply copied); while lots of details are available ("HiT")
- 4. Growing interest in performance assessment and need to link it to health system context
- 5. Aim therefore to: focus on "recent" developments (not individual reforms) of German health system, put/explain them in historic perspective and assess current system regarding performance

### Structure of paper

#### 1. Introduction

### 2. The first 110 years (1883-1993)

- 2.1 From compulsory workers' insurance to population health coverage
- 2.2 From cash-benefits to services-in-kind
- 2.3 Self-governmental structures: from appeasement of workers to joint decision-making bodies

### 3. The past 25 years (1993-2017)

- 3.1 The attempt to improve a solidarity-based system through competition
- 3.2 From cost-containment to quality (and achieving universal coverage along the way)
- 3.3 Self-governance and the Federal Joint Committee
- 3.4 The German health insurance system in 2017

# 4. Balancing solidarity and competition (How does the German health care system perform?)

### 5. Conclusions and recommendations

+ boxes on public health, the system in 1933-45 and in East Germany ...

## Key messages (I)

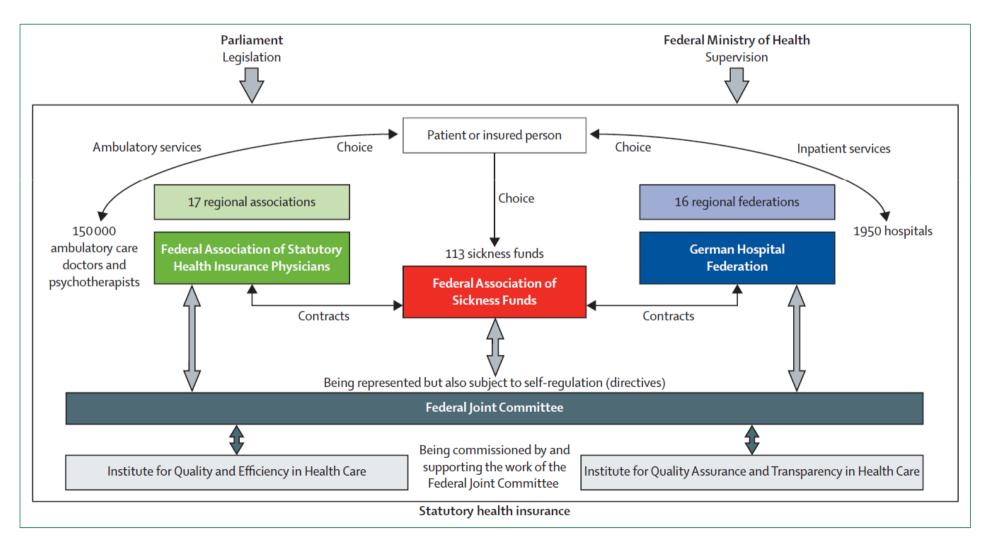
- In 1883, Germany became the first country in the world to establish a social health insurance system based on solidarity; continued expansion and improvement over 135 years have shaped a system with universal coverage and a generous benefits basket.
- The key principle of self-governance initially applied only on the payer's side; a payer-provider joint system of governance was introduced in 1913, and further developments culminated in the founding of the Federal Joint Committee in 2004.
- Beginning with the introduction of choice among payers (sickness funds) in 1993, elements of competition and a market orientation have been gaining momentum but have not threatened the principle of solidarity and the strong degree of self-governance of the system.

1871-1918 German Empire and World War I	Extension of population and benefit coverage  1881: Kaiser Wilhelm I's "Royal Proclamation on Social Policy"  1883: Establishment of SHI by Bismarck's "Health Insurance Act", covering initially 10% of population  1911: Health, pension and accident insurance became integrated into the "Imperial Insurance Code" (in force from 1914)  1913: Berlin Convention on Ambulatory Care, the first step towards joint self-governance in SHI system  1913: 35% of population are covered by SHI	
1919-1933 Weimar Republic	Strengthening of medical profession 1923: Imperial Committee of Physicians and Sickness Funds 1925: Majority of population (51%) is covered in SHI 1931-1933: Special presidential directives on ambulatory care; create regional associations of SHI physicians and a "total payment" for ambulatory care	
<b>1933-1945</b> Nazi regime and World War II	Fundamental structures of SHI remained, but  1933: Withdrawal of self-administration and exclusion of socialist and Jewish workers from the committees of the sickness funds 1933-1938: Work prohibition for Jewish physicians; denied access to health care for Jews and other minorities 1934: regional associations of SHI are merged into one National Association of SHI Physicians 1934-1935: Redefining organizational framework along the rules of Nazi-dictatorship: centralization of sickness funds, welfare organizations, and community health services by the Nazi Party 1941: SHI coverage for retired persons	
1945-1989 German Separation	West: Continuation of SHI system in the Federal Republic of Germany (FRG) 1955: Restoration of self-administration of sickness funds (after a long and fierce debate) 1960-1964: Failed reform acts 1972: Hospital Care Financing Act 1972/1975/1981: SHI coverage for farmers, students, disabled and artists 1977: First Cost Containment Act 1988: Health Care Reform Act	East: Strong focus on public health in the German Democratic Republic (cf. panel 5) 1945: Establishment of the Central administration for the East German health care system 1950: "Central Planning Act" - introduction of universal health coverage, managed by two national social insurance agencies 1974: Introduction of disease management programs 1989: Only few weeks before the fall of the Berlin wall, a "National Health Conference" decided to implement substantial health care reforms with increased investment
1989-today German Re-unification	Transfer of the FRG health care system to the eastern part of Germany  1989: Transformation of the "Imperial Insurance Code" of 1914 into the "Code of Social Law" (Sozialgesetzbuch – SGB), divided into books; the fifith book (SGB V) covers SHI  1990: Re-unification Acts  1993-2017: cf. table 1	
Empire — Republic — dictatorships — German separation and unification:  SHI resiliance with expansion of population & benefits coverage  SHI resiliance with expansion of population & benefits coverage  100 Million and unification:  101 Million and unification:  102 Million and unification:  103 Million and unification:  104 Million and unification:  105 Million and unification:  106 Million and unification:  107 Million and unification:  108 Million and unification:  109 Million and unification:  100 Million and unification:  100 Million and unification:  101 Million and unification:  102 Million and unification:  103 Million and unification:  104 Million and unification:  105 Million and unification:  106 Million and unification:  107 Million and unification:  108 Million and unification:  109 Million and unification:  100 Million an		

SHI resiliance with expansion of population & benefits coverage

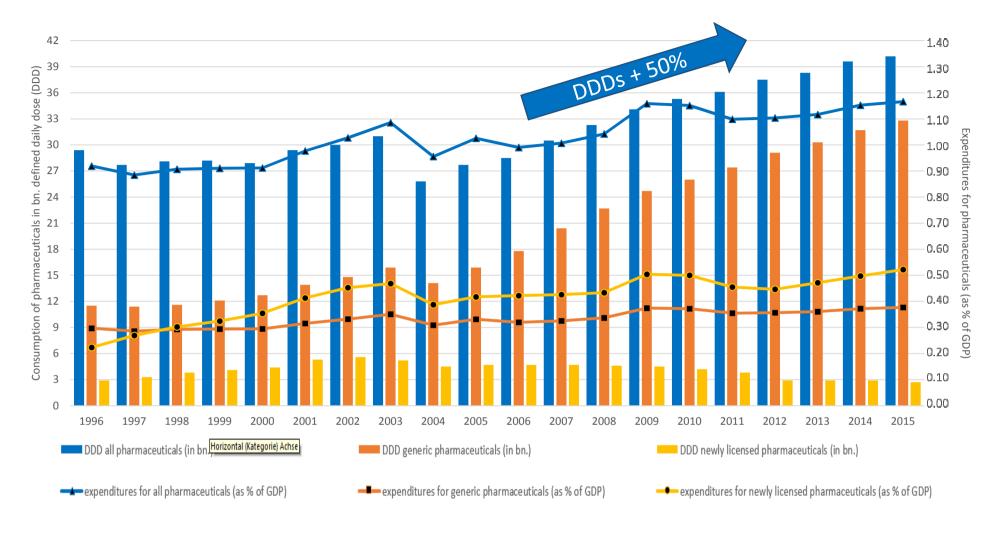
Year	Reform	Contents and selected measures	
Christian Democratic-Liberal coalition (Chancellor: Helmut Kohl, CDU); Health Minister: Horst Seehofer (CSU)			
1993	Health Care Structure Act	<ul> <li>Free choice of sickness funds for most members of the statutory health insurance, supported by the introduction of a risk-adjusted compensation scheme to redistribute contributions equitably among sickness funds (as of 1996)</li> <li>Needs-based health workforce planning for ambulatory care doctors and accreditation requirements for statutory health insurance doctors</li> <li>Abolition of full-cost cover principle for hospitals</li> <li>Introduction of legally fixed budgets or spending caps for the major sectors of health care</li> <li>Increased copayments for pharmaceutical products and differentiation according to price (1993) and pack size (1994)</li> <li>Introduction of a positive list of pharmaceutical products</li> </ul>	
1994	Statutory Long-Term Care Insurance Act	<ul> <li>Introduction of statutory long-term care insurance as of 1996 managed by sickness funds or private health insurance companies</li> </ul>	
1996, 1997	Health Insurance Contribution Rate Exoneration Act; First and Second Statutory Health Insurance Restructuring Acts	<ul> <li>Reduction of all contribution rates by 0.4% percentage points</li> <li>Reduction of benefits (eg, rehabilitative care, health promotion, dentures for persons born after 1978)</li> <li>Increased copayments (eg, hospital care, pharmaceutical products, medical aids, ambulance transportation, and dentures)</li> <li>Introduction of hospice care benefit</li> <li>Increased possibilities for non-collective contracts between sickness funds and providers</li> </ul>	
Social Democratic-Green coalition (Chancellor: Gerhard Schröder, SPD); Health Ministers: Andrea Fischer (Greens, 1998–2000), Ursula Schmidt (SPD, 2001–05)			
1998	Act to Strengthen Solidarity in Statutory Health Insurance	Dentures for persons born after 1978 reintroduced     Lowering copayment rates for pharmaceuticals and dentures	
2000	Statutory Health Insurance Reform Act of 2000	<ul> <li>Removal of ineffective or disputed technologies and pharmaceuticals from the statutory health insurance benefit package</li> <li>Option for selective contracting (integrated care)</li> <li>Separate budgets for general practitioners and specialists in ambulatory care</li> <li>Mandatory collection of quality indicators for hospitals</li> </ul>	
2001	Act to Reform the Risk Structure Compensation Scheme in Statutory Health Insurance	Introduction of disease management programmes and linkage to risk-structure compensation scheme	
2002	Case Fees Act	Introduction of German-styled diagnosis-related group system for inpatient services as of 2003	
2004	Statutory Health Insurance Modernisation Act	<ul> <li>Exclusion of over-the-counter drugs and prescription eyeglasses from the statutory health insurance benefit package</li> <li>Transferring financing of family planning and family policy services not related to insurance to the federal budget</li> <li>Copayment of €10 per quarter for the first doctor or dentist visit (abolished in 2012) and other increases in copayments</li> <li>Option for supplementary insurance within statutory health insurance (in cooperation with private health insurers)</li> <li>Shifting the contribution rate towards the insured (by charging them 0.9% extra, thereby moving away from the 50:50 employee-employer split)</li> <li>Creation of the Federal Joint Committee (replacing the Federal Committee of Physicians and Sickness Funds and similar entities)</li> <li>Founding of the Institute for Quality and Efficiency in Health Care</li> </ul>	

# Self-governance and competition (among providers and payers): the central role of the Federal Joint Committee



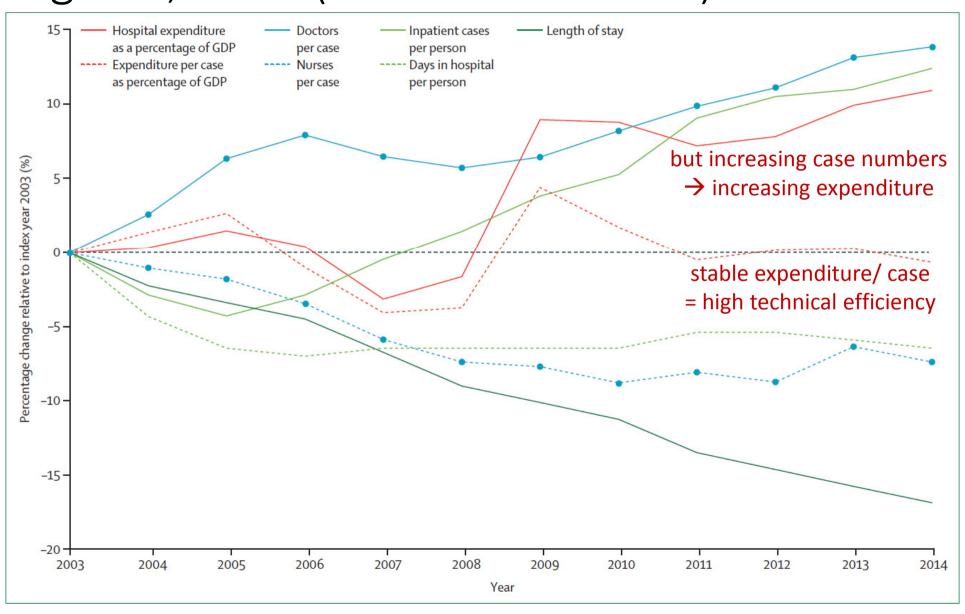
### Key messages (II)

 Joint self-governance has developed alongside competition and has contributed to a system with good access to health care; however, joint self-governance has also jeopardized continuity of care and has led to an oversupply of pharmaceuticals and inpatient care.

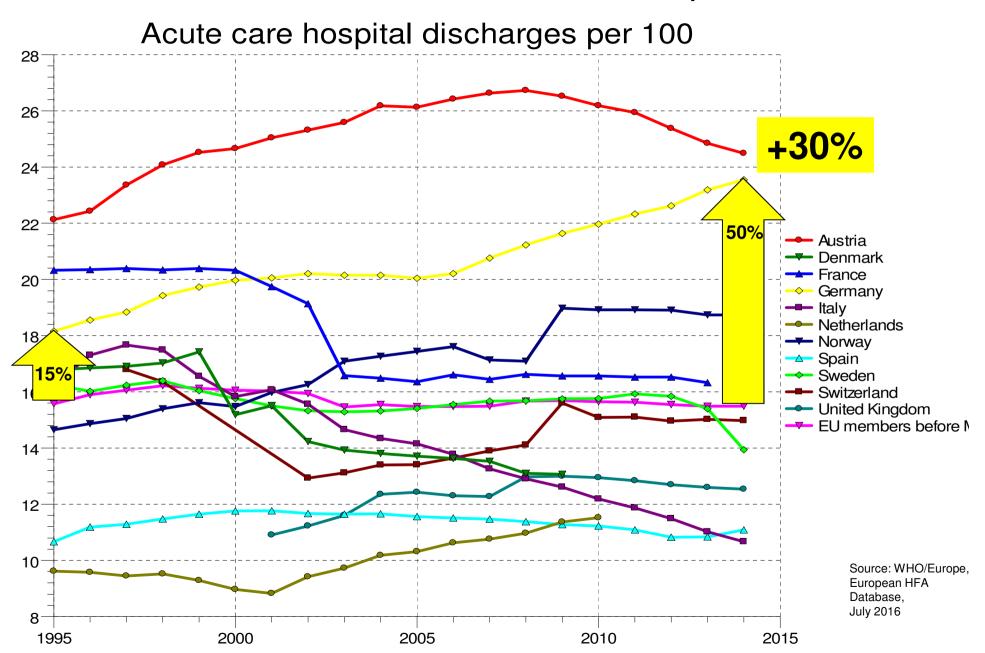


Unfortunately hidden in the appendix: the increase in pharmaceutical consumption by 50% (while costs increased "only" 20%)

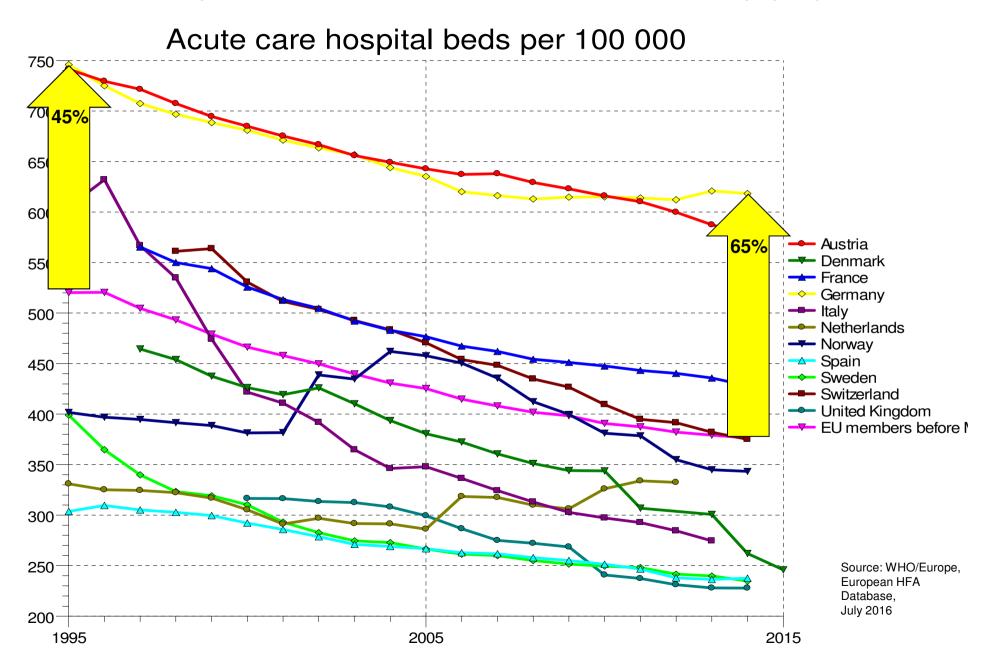
# Important hospital utilization and cost figures, 2003 (DRG introduction) - 2014

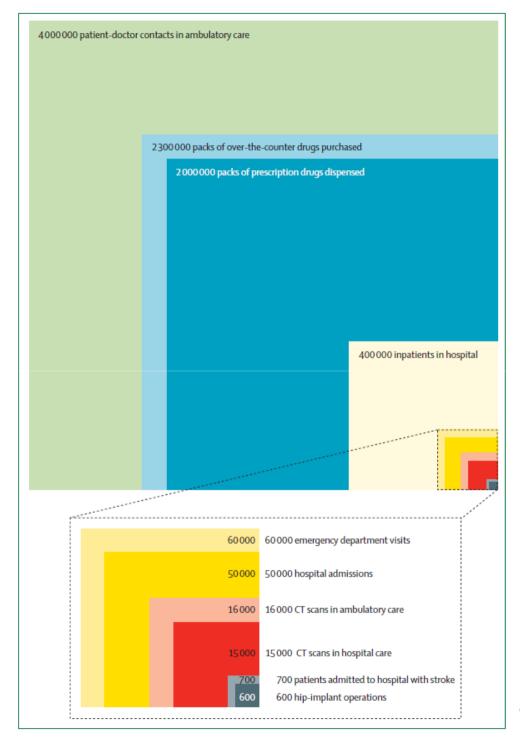


### ... which differentiates Germany ...



### ... mainly due to a massive bed supply





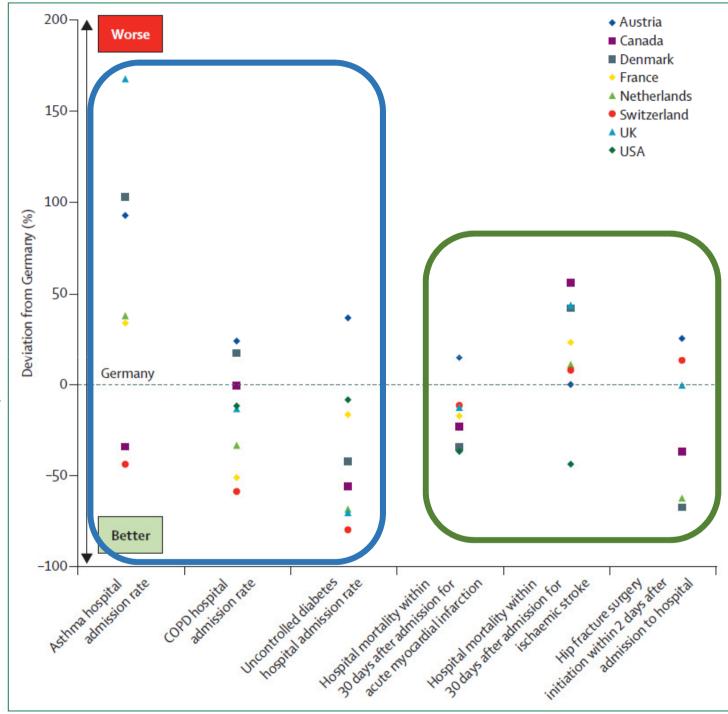
1 in 200 Germans spent the day as inpatients (vs 1 in 500 Danes)\* and 1 in 20 see an ambulatory care doctor every day

<sup>\* 1.74</sup> bed days/ year/ capita in Germany vs 0.71 in Denmark

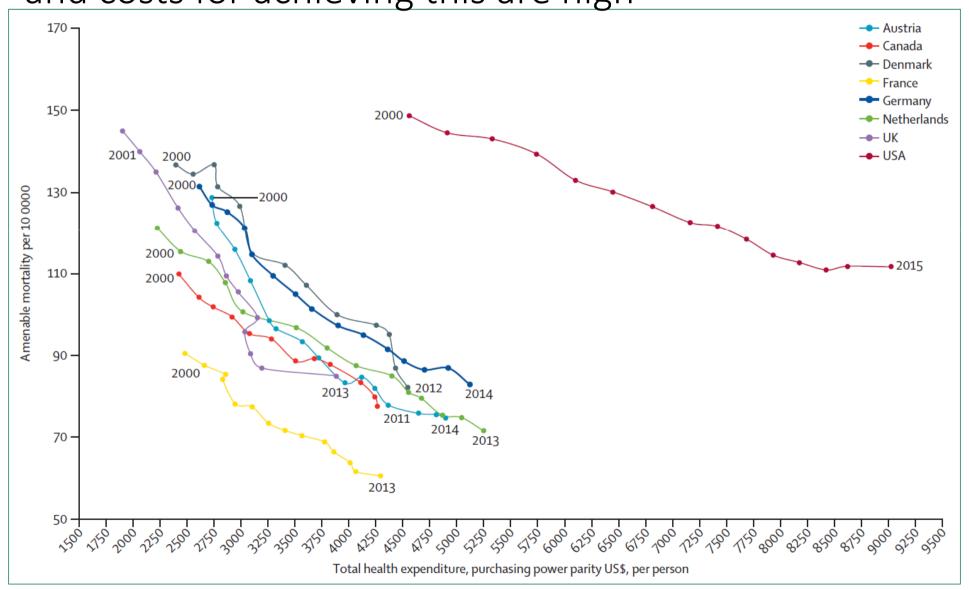
# Key messages (III)

- Joint self-governance has developed alongside competition and has contributed to a system with good access to health care; however, joint self-governance has also jeopardized continuity of care and has led to an oversupply of pharmaceuticals and inpatient care.
- Since the late 1990s, the German health care system has moved towards integrated care and evidence-based health care, with new financial incentive schemes for both sickness funds and providers to improve quality and efficiency of care.

And what about the quality? The large ambulatory care sector should people out of hospital – but doesn't ... and inpatient quality is also mixed



Amenable mortality has declined (but is still higher than in many other countries) ... and costs for achieving this are high



## Key messages (IV)

- Joint self-governance has developed alongside competition and has contributed to a system with good access to health care; however, joint self-governance has also jeopardized continuity of care and has led to an oversupply of pharmaceuticals and inpatient care.
- Since the late 1990s, the German health care system has moved towards integrated care and evidence-based health care, with new financial incentive schemes for both sickness funds and providers to improve quality and efficiency of care.
- The German health care system has proven to be remarkably resilient and capable of extensive changes, while modernising gradually rather than through radical reforms; however, today it faces the same challenges as health systems in other developed countries, such as population ageing and increasing chronic disease burdens.

### Recommendations (I)

"Germany's pragmatic policymaking style with its limited state control of the health system means that the legislator is charging the same actors with solving the problems that they created in the first place ...

[T]he practice of setting policy objectives at the federal level but leaving it to self-governing actors to work out the specifics might need to be reassessed. ...

[Q]uality and efficiency targets might need to be spelled out specifically in the law and ... the definition of details and implementation need[s] more vigilance and enforcement in case the self-governing actors are too slow, too unambitious, or simply too divided."

### Recommendations (II)

In addition to quality improvement, we recommend the following key actions:

- redefine the legal framework for statutory health insurance and private health insurance to address inequities in financial contributions;
- close the gap between ambulatory and inpatient care, with particular attention to issues that fall between the two sectors (e.g. emergency care and care for highly specialised cases);
- reduce total hospital capacity and centralise services in those hospitals that consistently provide high-quality care;
- 4. reform the payment system for doctors to further address imbalances between regions (e.g. rural vs. urban, areas with low vs. high shares of privately insured persons) and specialties;
- strengthen primary care vis-à-vis specialists in ambulatory service provision, and
- 6. explore and test new roles for health professionals such as nurses.