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Univ.-Prof. Dr. Günter Neubauer

Health Care
– what kind of market is this?

Milano, 14. June 2011

IfG

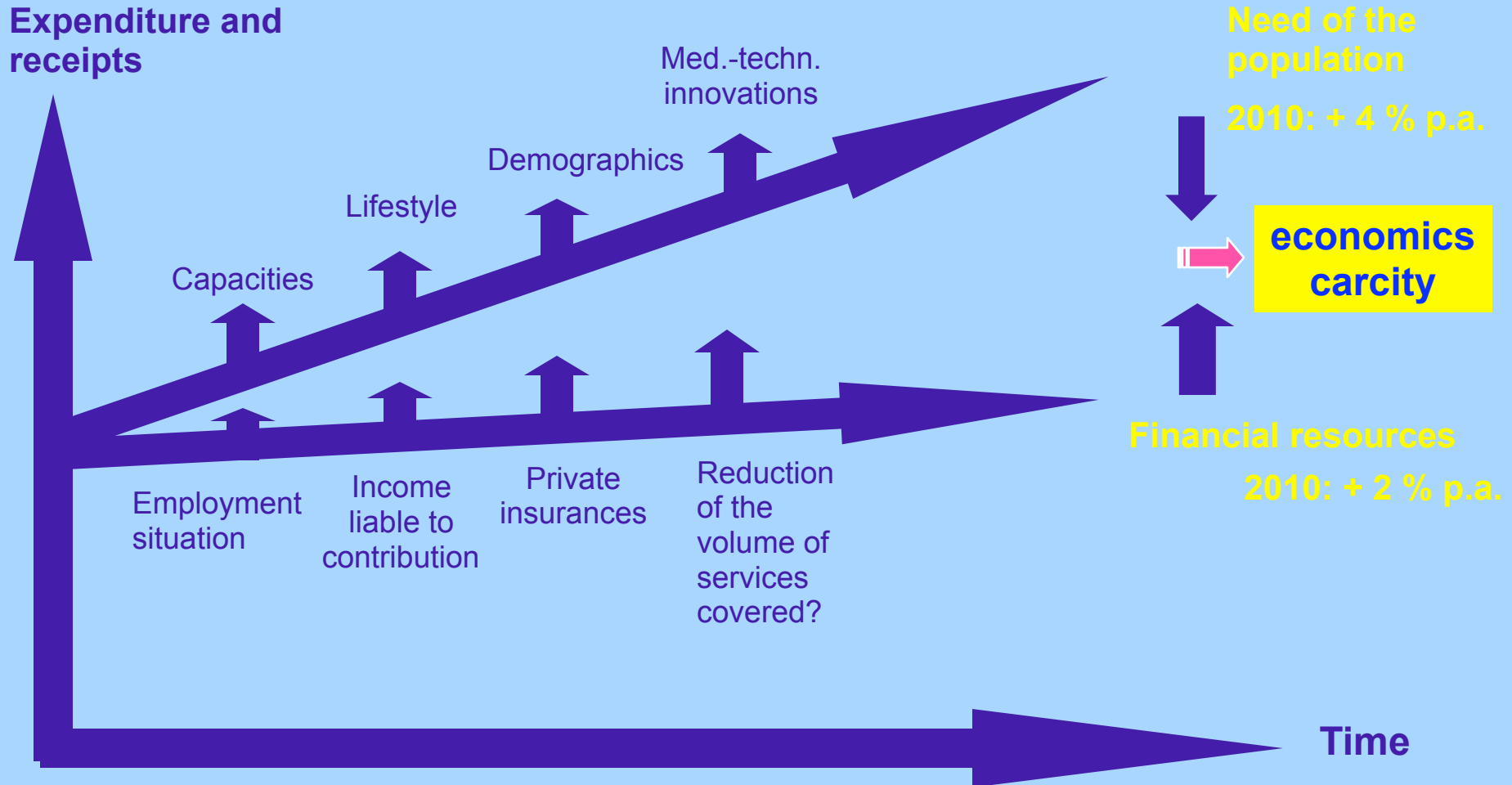
Institut für Gesundheitsökonomik

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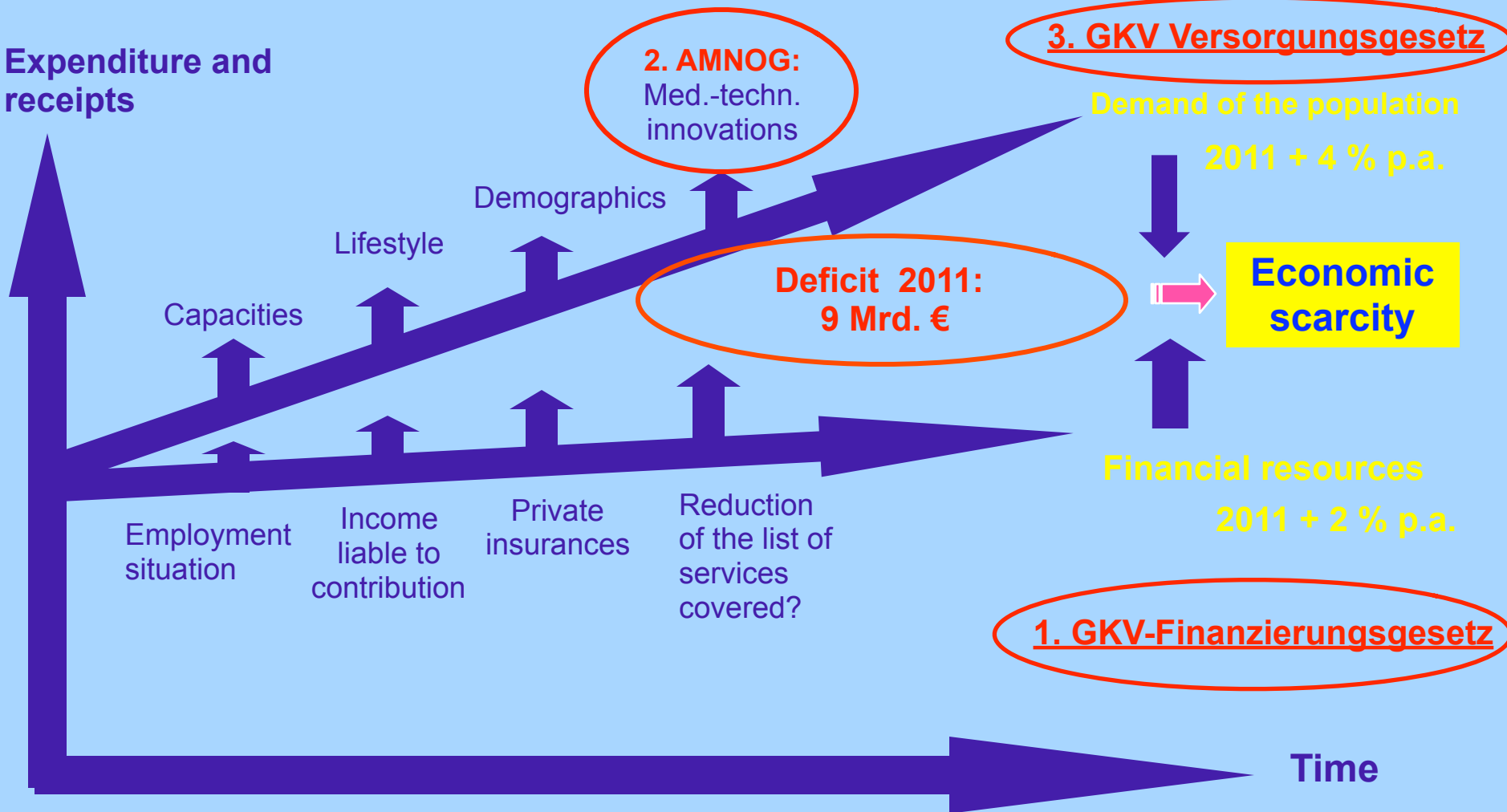
1. The global socio-economic problem in health care
2. The idea of a social market economy
3. Supply regulation vs. consumer empowerment (demand driven)
4. How to implement competitive market in health care-experiences of Germany
5. The future: Reform cycles will continue (not only in Germany)

1. The global socio-economic problem in health care: an enduring gap between med. need and financial resources



Reforms in Germany 2010/11 to solve the problem by regulations

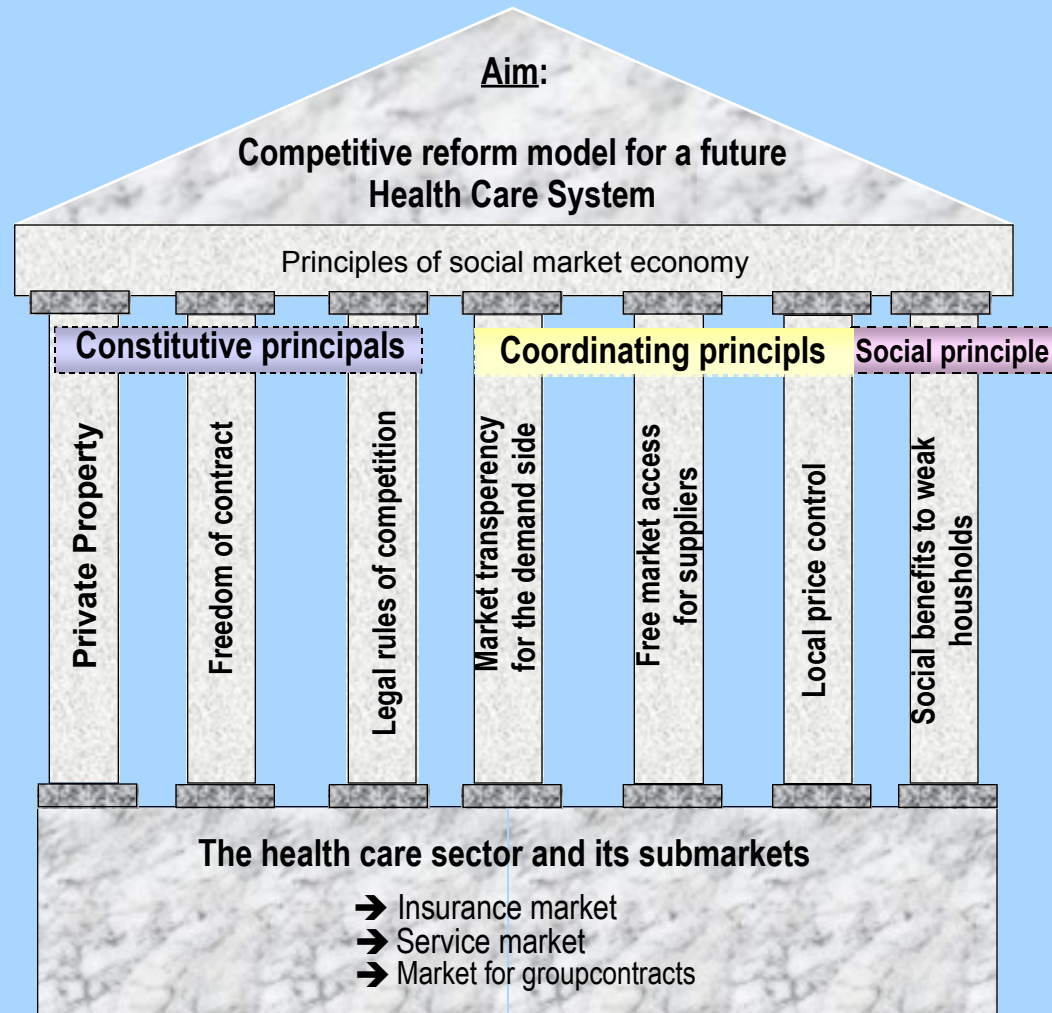
Expenditure and receipts



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2.1 Conception of Social Market Economy



2.2 The constitutive principles

- a) Private owned suppliers (physicians, hospitals!)
- b) Freedom of contracting (not in emergency case)
- c) Clear rules for competitors (market power, liability)

2.3 Coordinating principles (working competition)

- a) **Competitive pricing (no fixed prices by authorities, but price schedules) and free choice to insured and patients)**
- b) **Free market access (no imperative capacity planning, but forecasting!)**
- c) **Transparency of prices and quality for the demand side – patients and insurances (including observing authorities)**

2.4 Social principle

Obligatory insurance for all citizens

Income transfer to weak households

Transfers financed out of taxes

Priority setting by the parliament

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3.1 Supply regulation

Follows the logics of state planned economy:

- Capacity planning: who – what – where
- Investment financed by taxes - dominated by political priorities
- Bureaucracy to control providers activities
- Low incentives for good performance - low efficiency -
- Formal equity of access to care
- Priorities to nomenclatura...

3.2 Consumer empowerment (demand driven)

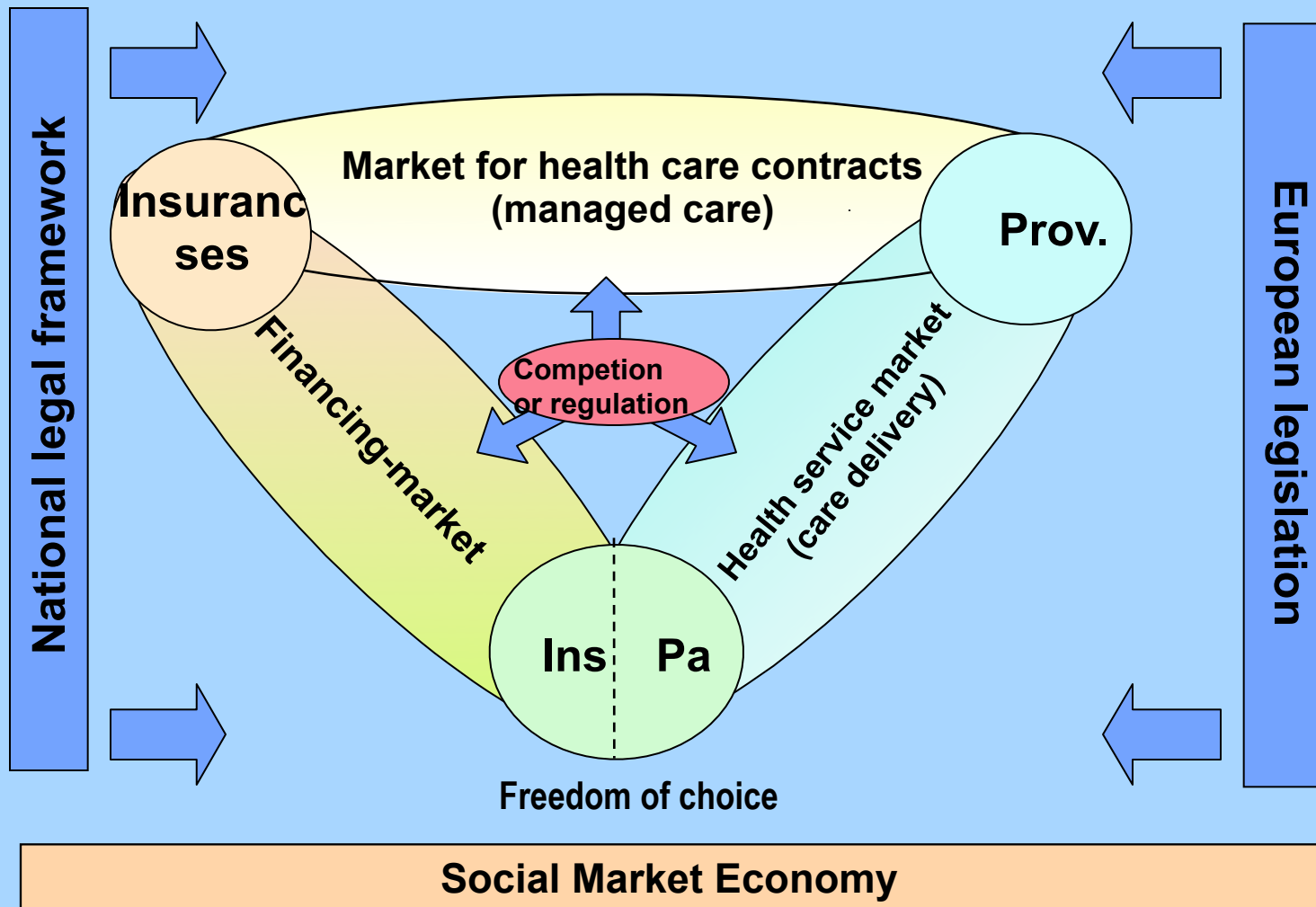
- a) **Social transfers to low-income households forces the government to set up priorities**
 - Who should be eligible
 - What volume of services should be guaranteed

- b) **Follows the logics of competitive market**
 - High efficiency for demanded services
 - Low supply for „orphan“ services and areas
 - 10-15% mobile consumers move the market
 - Preferences for quality competition (new technologies!)
 - Price competition leads to market concentration

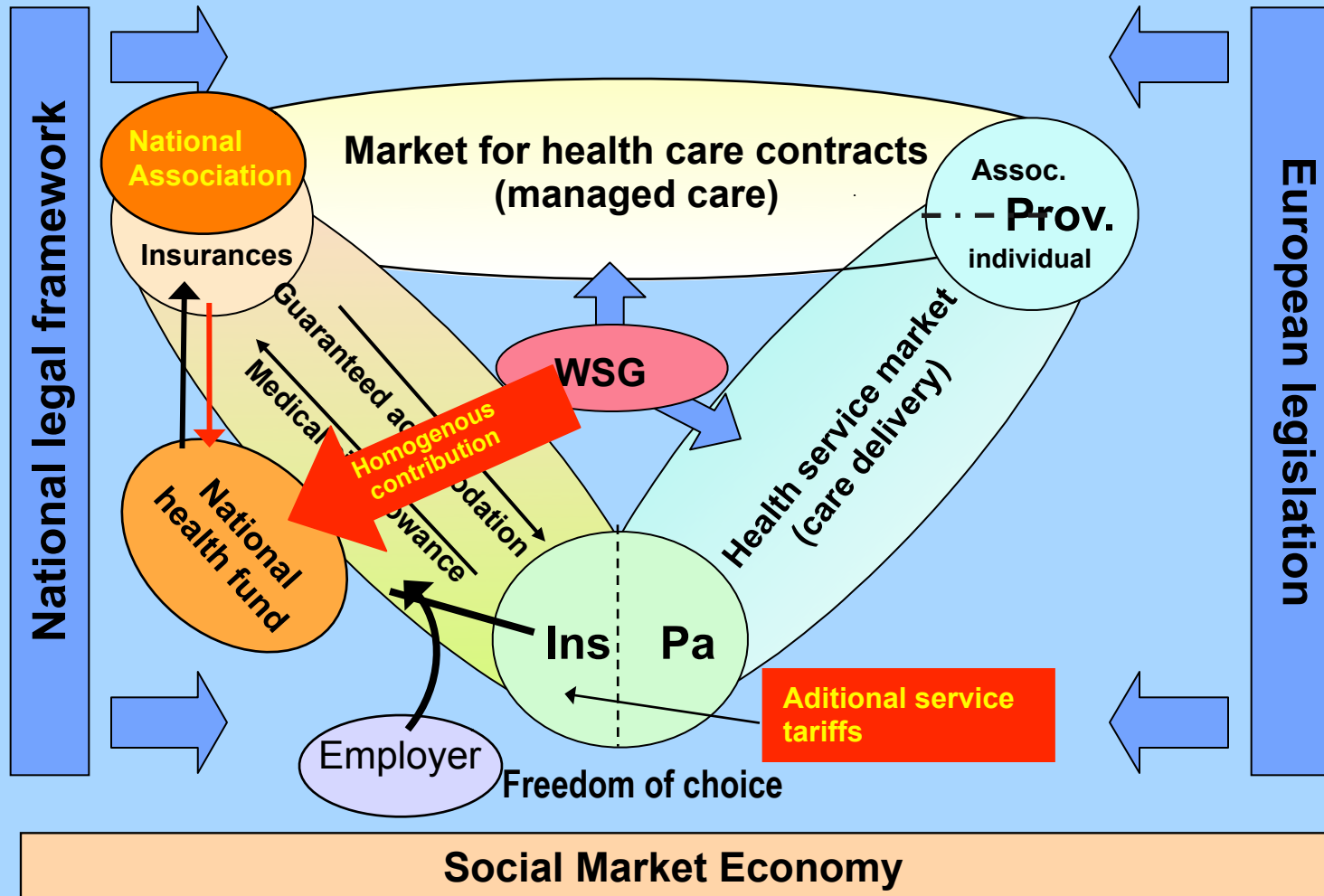
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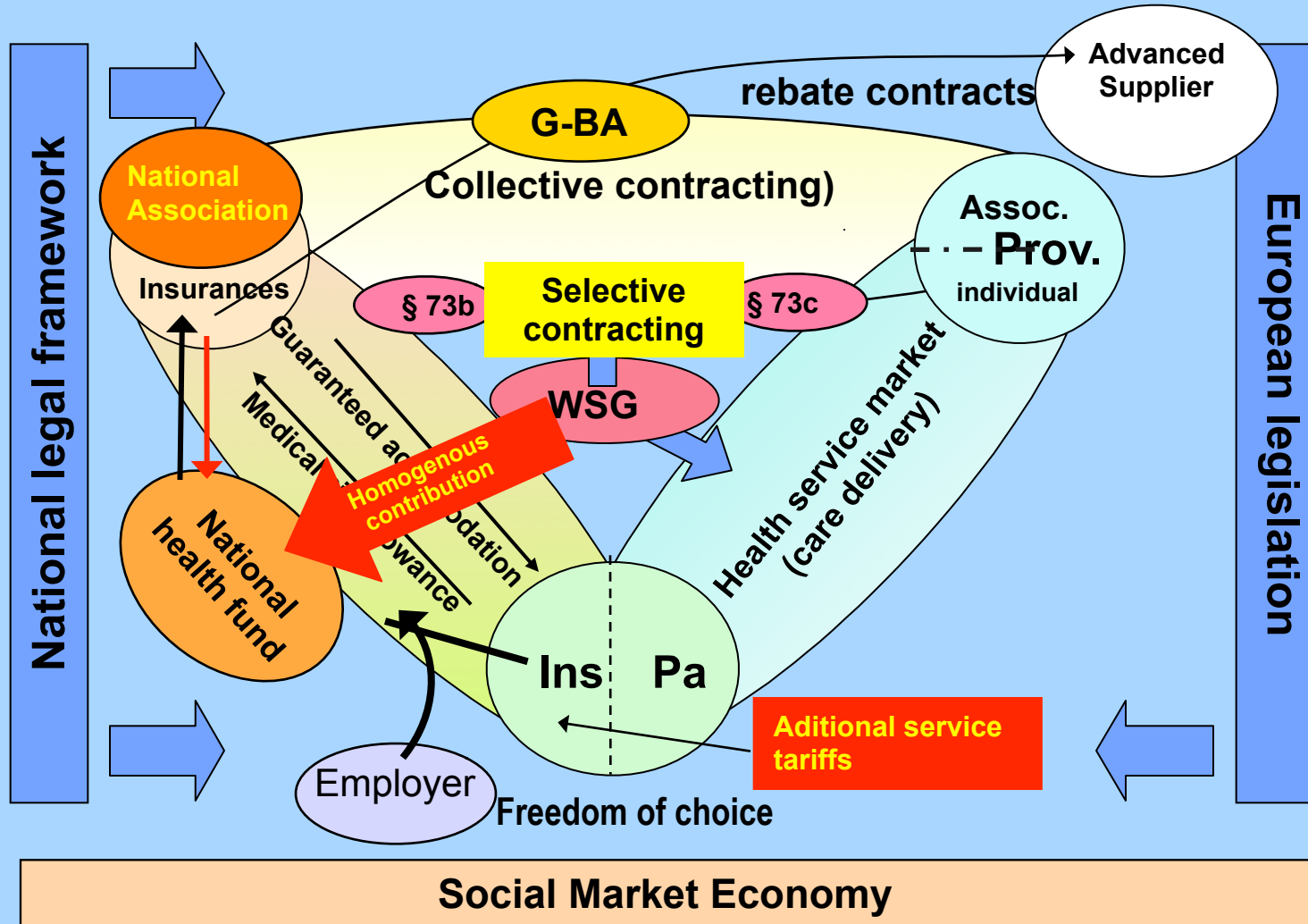
4.1 German health care: an overview



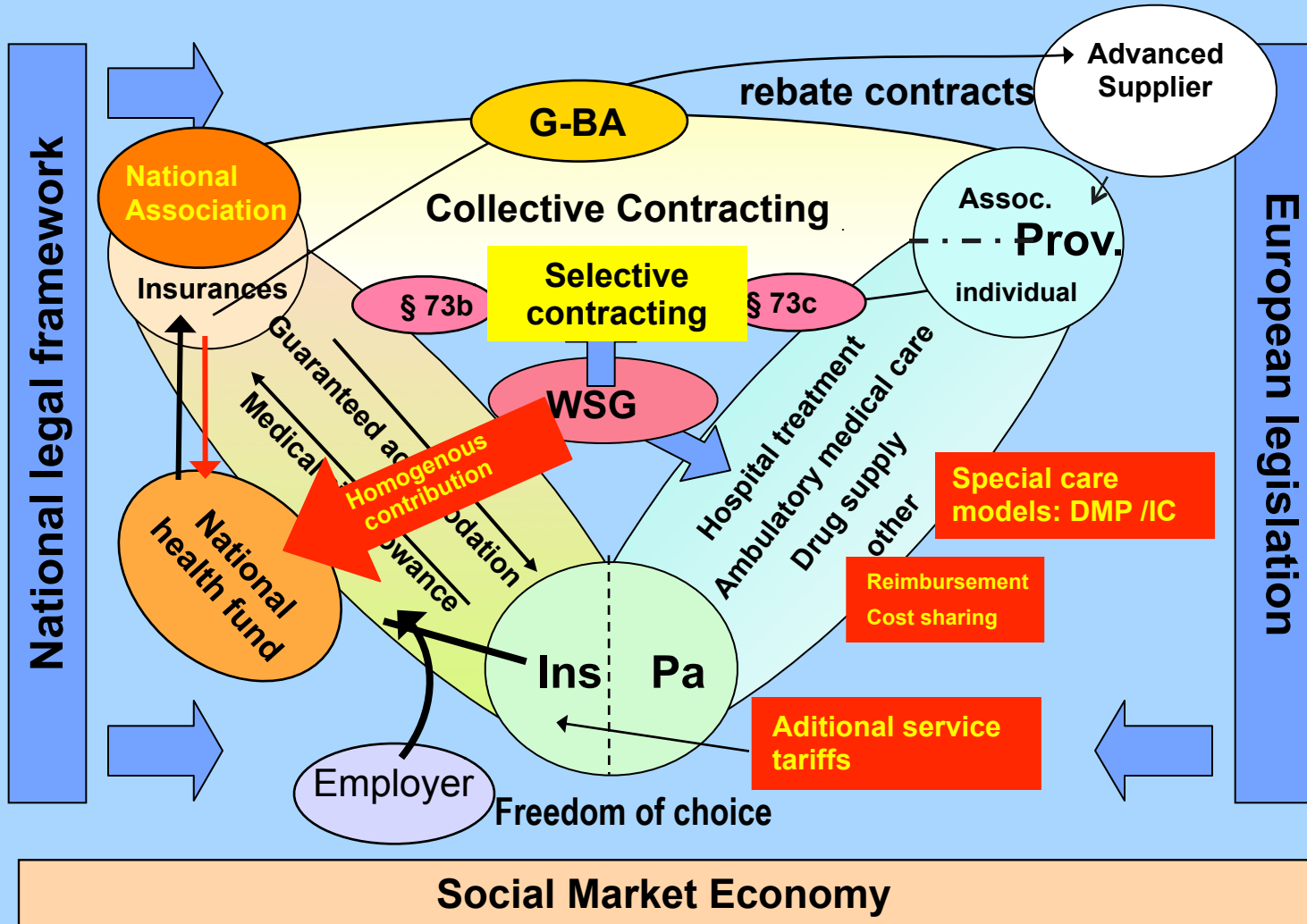
4.2 Competition in the insurance market



4.3 Competition in the contracting market



4.3 Competition in the services market



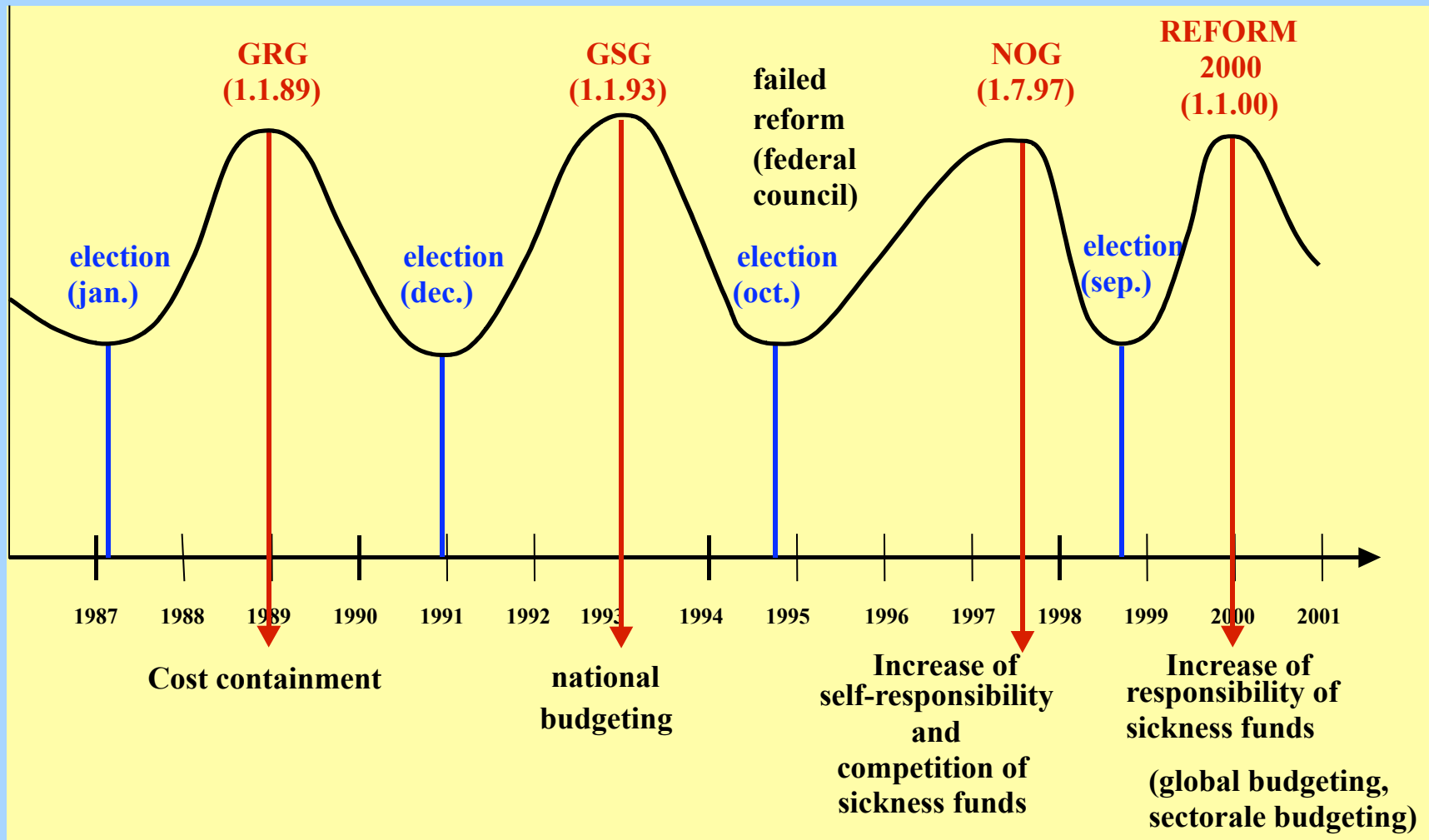
4.4 General shortcomings - capacity planning still dominates

- No working price competition (quality competition dominating)
- Strict financial regulations to sickness funds (by a national funds)
- Wrong philosophy in health policy: more regulated competition is welcome but market competition is off limits

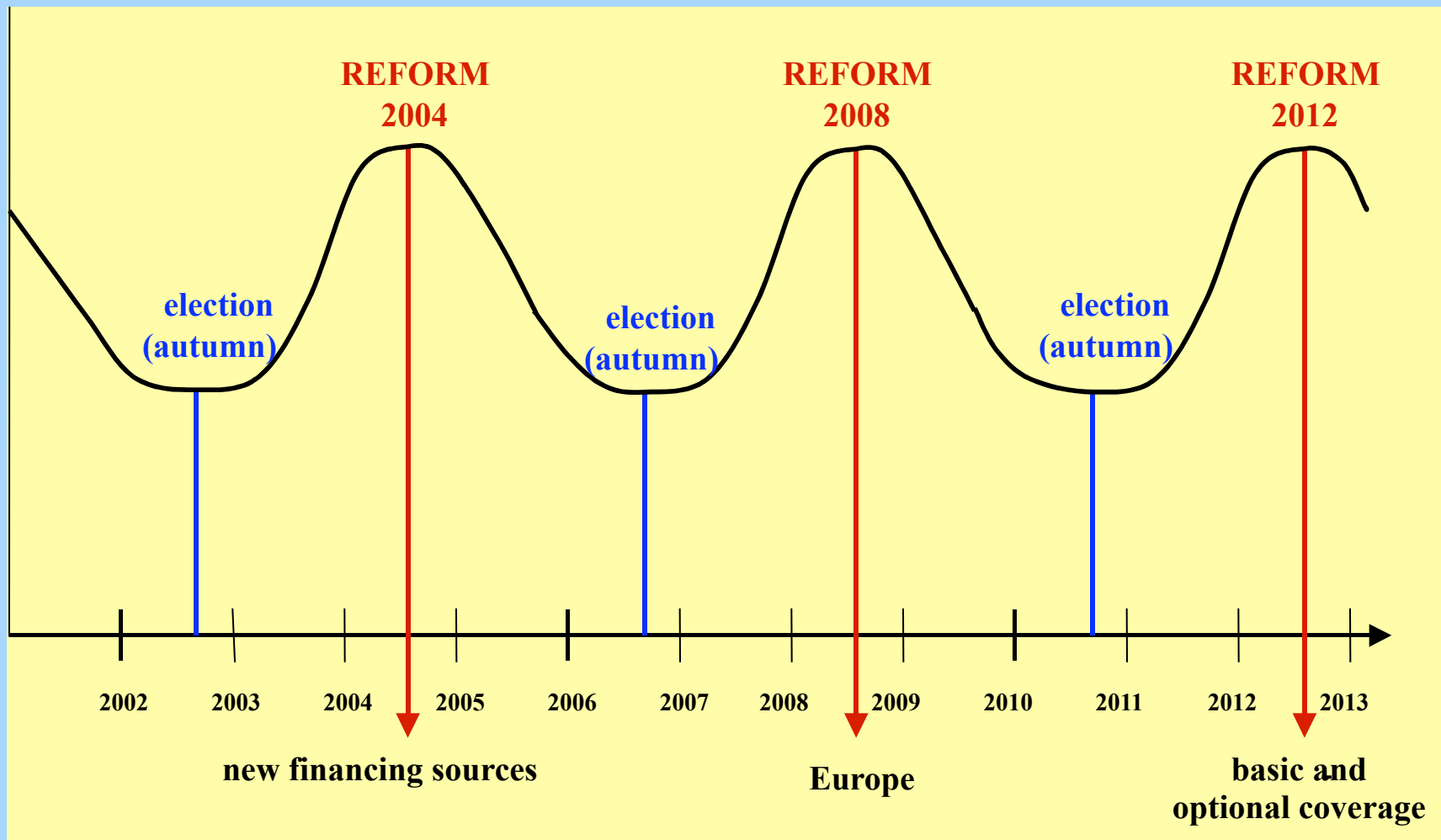
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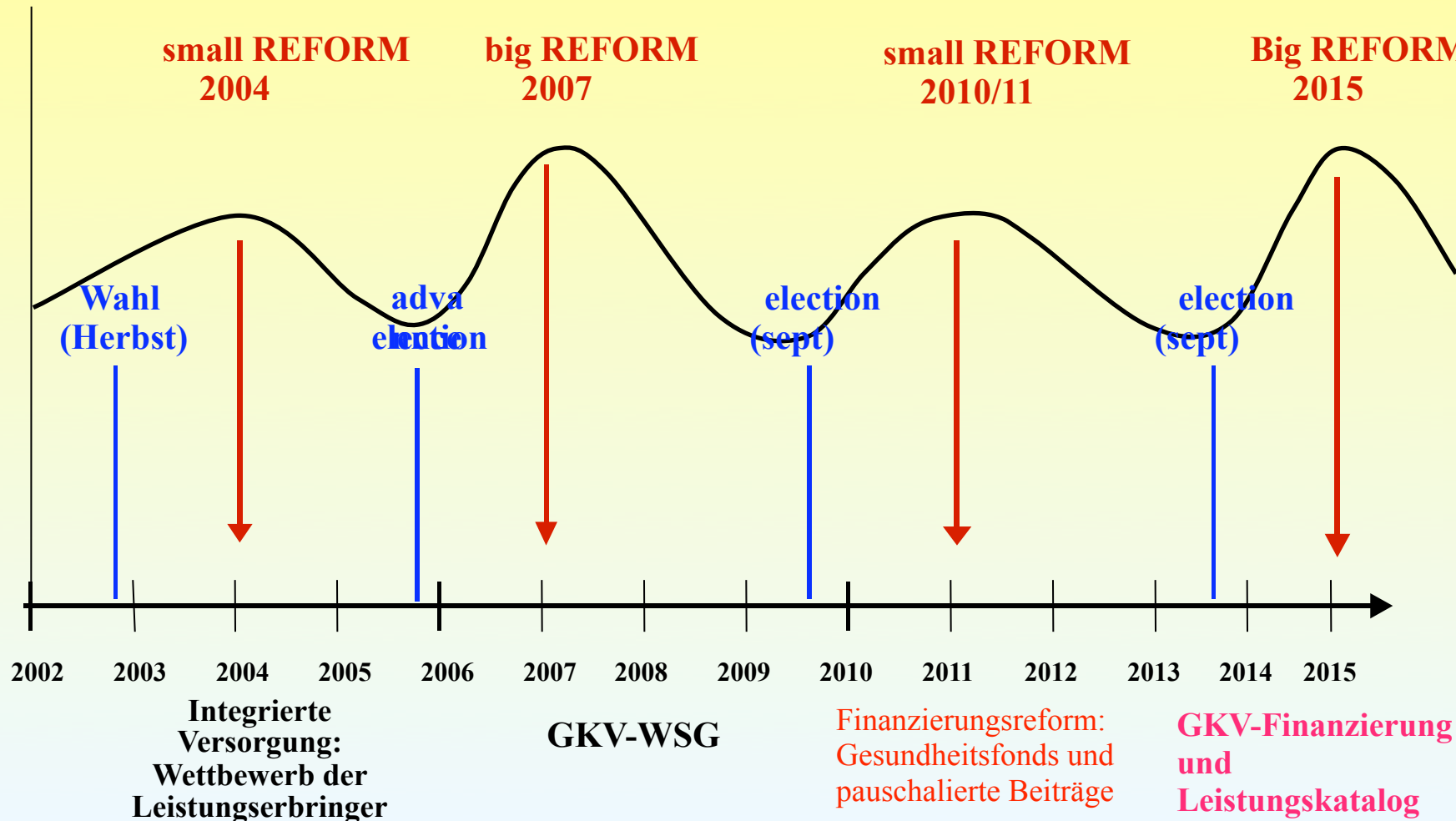
Federal election cycles and health reform cycles in Germany 1987 - 2001



Federal election cycles and health reform cycles in Germany 2002 – 2012 (forecasting from 2003)



The reality: after the reform 2010/11 is before the reform 2014/15!



Thank You for Your attention!



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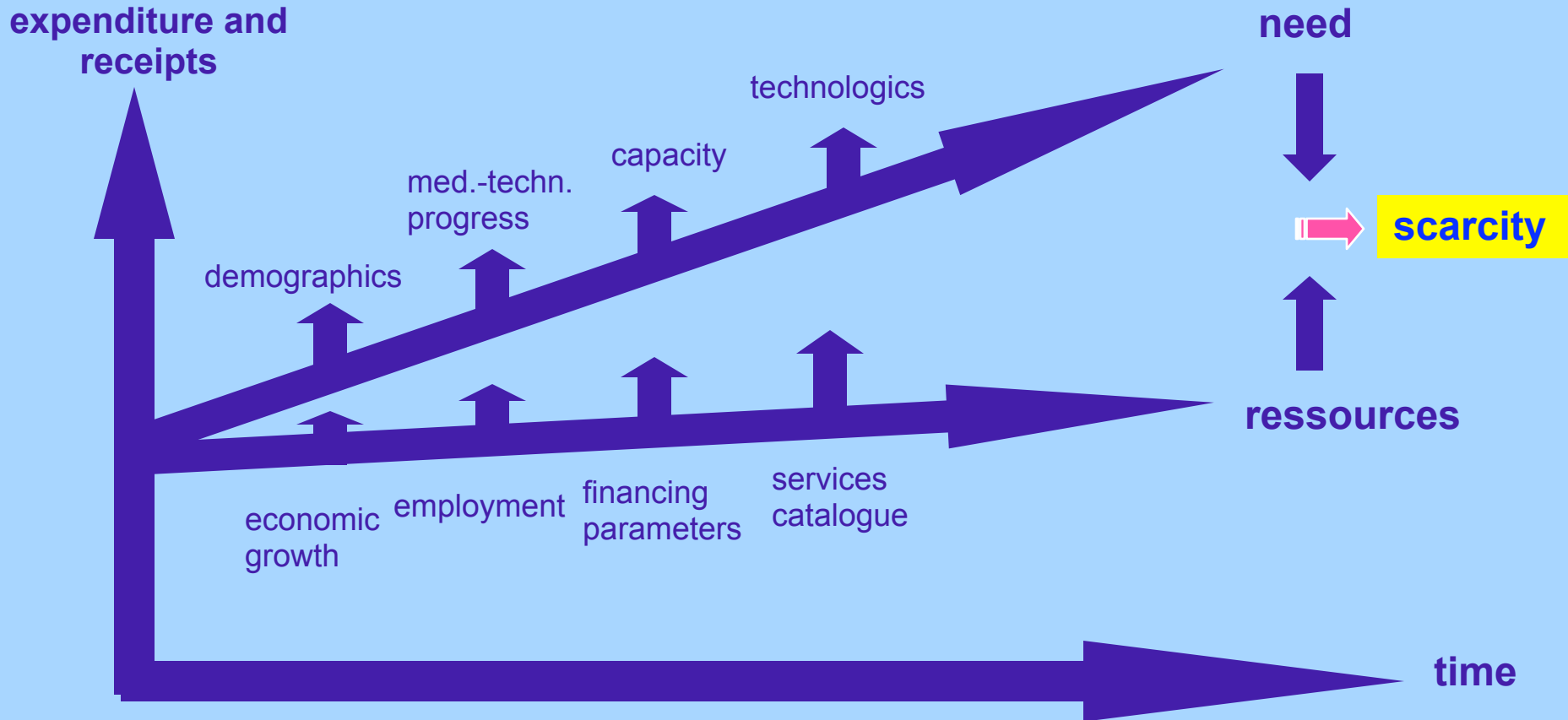
Introducing a German DRG-Prospective Payment System for Hospitals

Paper presented by

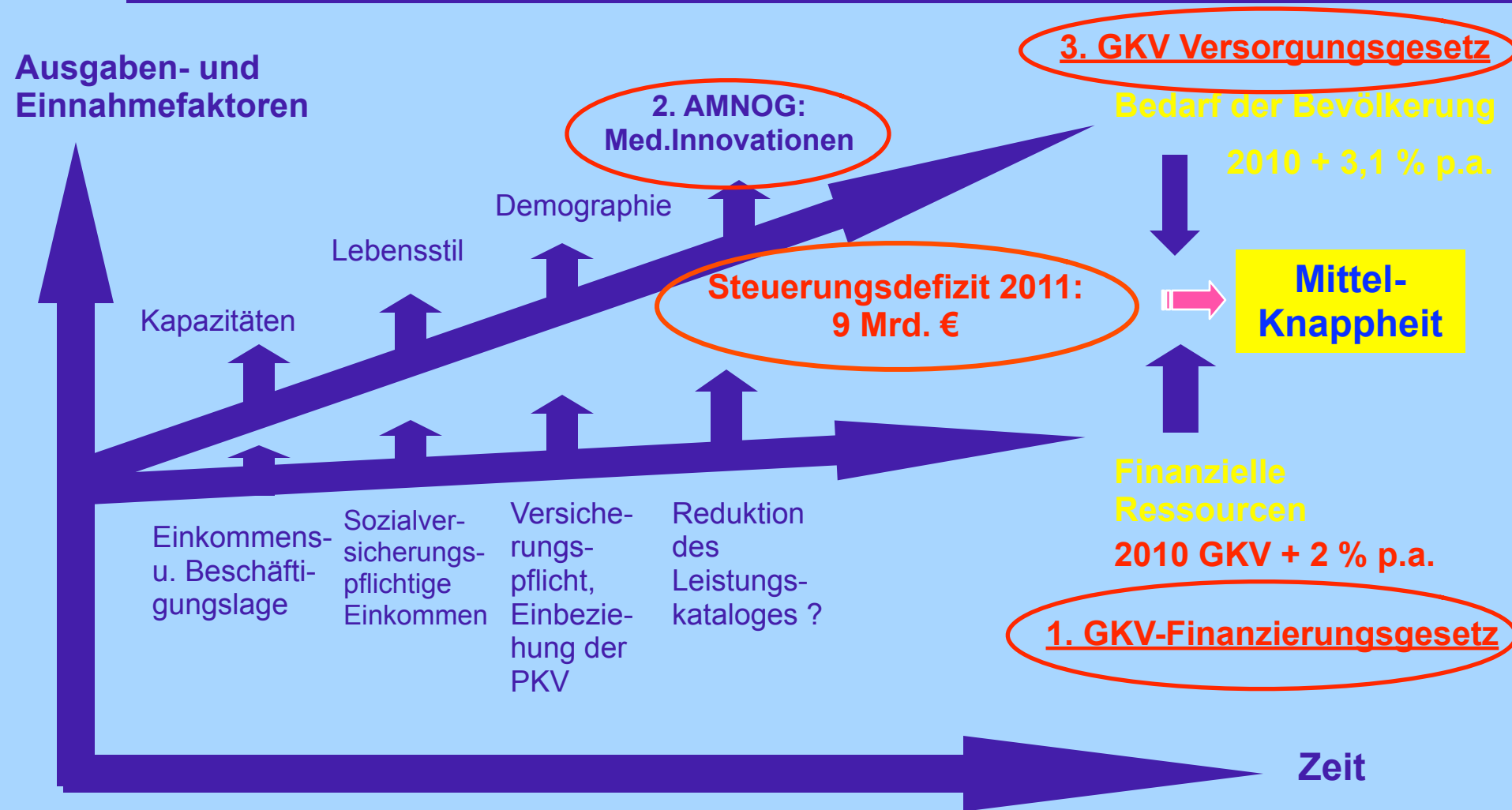
Prof. Dr. G. Neubauer

Member of the Advisory Council at the Department of Health 1990-1998

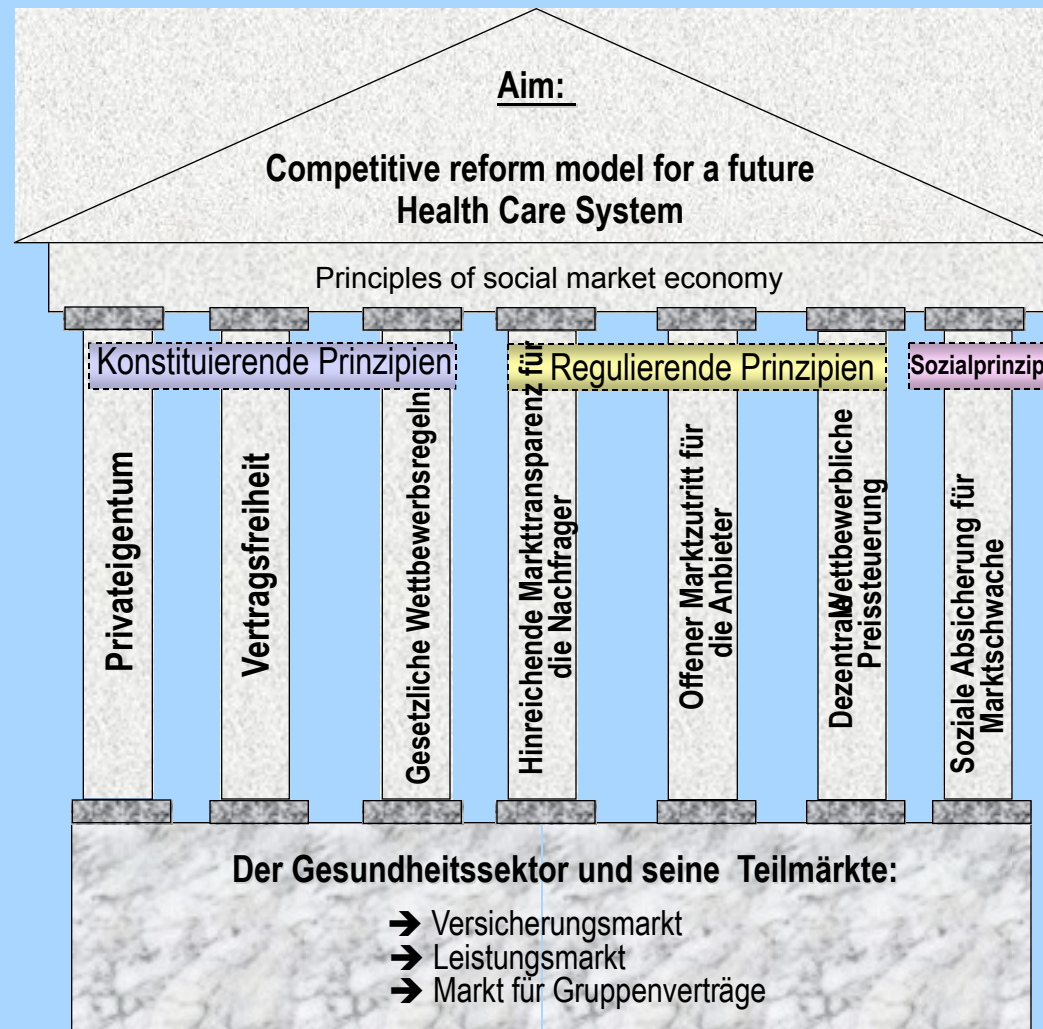
The fundamental economic problem of Social Health Insurance provision



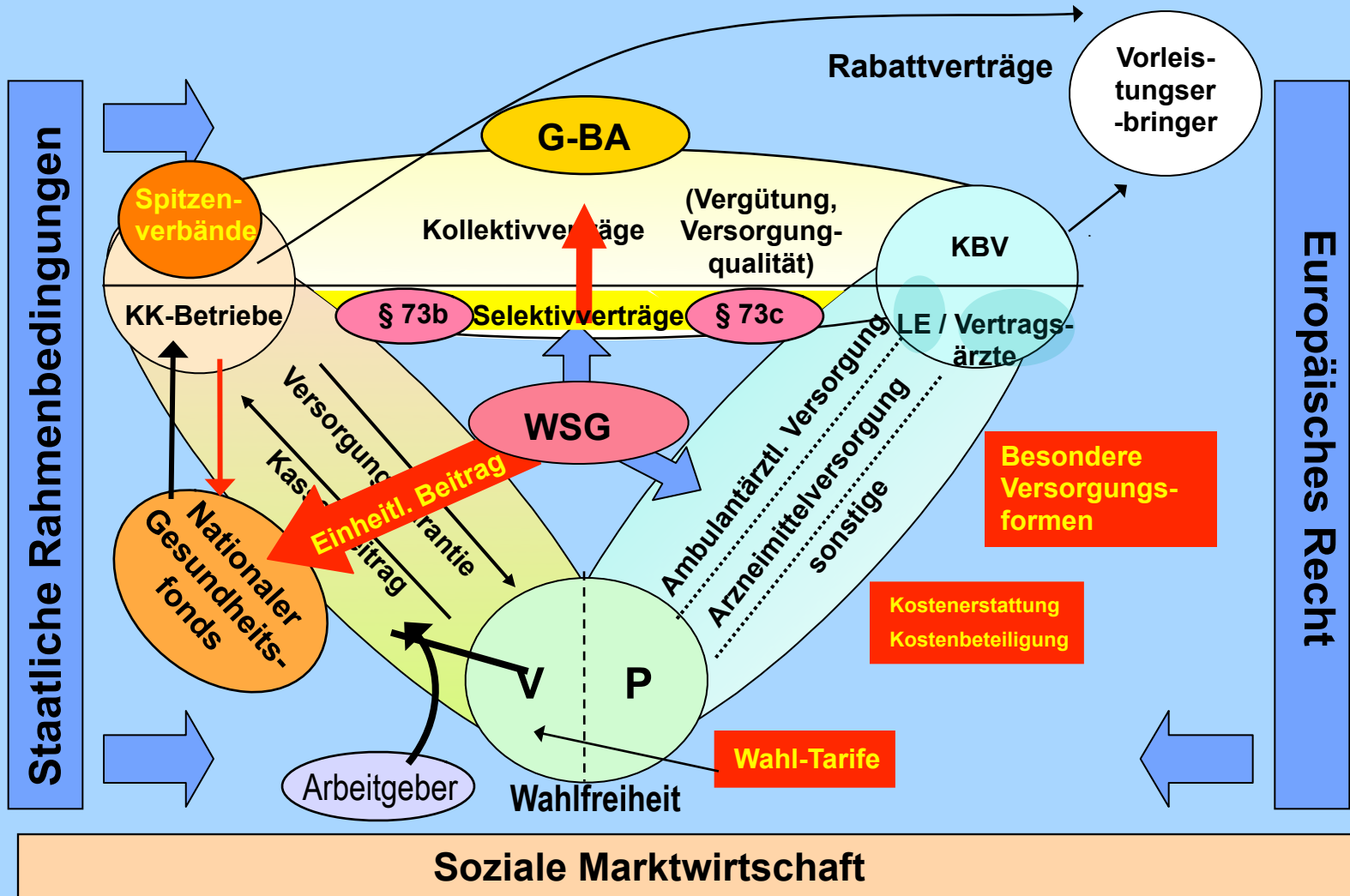
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2.1 Conception



4.3 Competition in the contracting market



4.4 Competition in the service market

