

## Germany's need for health-care reforms

Angela Merkel will soon become the first female chancellor of Germany and the first chancellor who has grown up in the east of the country. However, the political price for her appointment is high. The Social Democrats demanded eight of the 14 policy portfolios, including the health ministry, in return for Gerhard Schröder stepping down as chancellor. Will the grand coalition partners be able to agree how to cure Germany's health-care system of its ills, or will political stalemate mean that Germans will endure further erosions to their once first-rate health service?

The health-care system in Germany is expensive, though the quality of care is high. Every person in employment has to pay into the *Krankenkassen*, the statutory health insurance programme—which is made up of seven large associations of not-for-profit insurance funds that compete for the public's contributions—or opt out and pay into private health insurance. Over the past 10 years, the *Krankenkassen* have accrued debts of €8.3 billion. Germany's ageing population, coupled with its 5 million unemployed, means that too few people are paying into the system, which covers the health-care costs for 90% of the population. According to the European Observatory on Health Systems and Policies, the average insurance premium rose to 14.3% of gross wages in 2004, up from 10.5% in 1975. Importantly, half of every premium is paid by employers; this additional cost makes it difficult for German companies to compete in a global marketplace and has contributed to high unemployment in the country.

Ulla Schmidt has been health minister since 2001 and is likely to keep her job in the new grand coalition. Her main objective during the Schröder years was to contain costs, which, she hoped, would lead to a reduction in the statutory monthly payments. Her target was to reduce the average monthly premium from 14.3% of gross wages in 2004 to 13.6% in 2005 and then to 12.6% in 2006. To meet these goals, the Statutory Health Insurance Modernisation Act was passed in October, 2003. This piece of legislation, which was the result of a year-long negotiation between all the major political parties, aimed to improve the efficiency of the health system, mainly by shifting more costs to users.

Needless to say, the result has been controversy. The public now has to pay for over-the-counter drugs and

make a contribution towards prescription medications, a move that disadvantages those with chronic diseases. In addition, patients now pay €10 the first time they see a doctor during each 3-month period. In the past, German patients have routinely sought second, third, or even fourth opinions for mild complaints; politicians hoped that the €10 fee would make patients think twice about whether they really need to visit their doctor. The Statutory Health Insurance System Modernisation Act should shave €23 billion off the statutory health insurance system's yearly expenditure by 2007, of which €20 billion would be saved by directing costs to users and €3 billion would be saved by measures targeting health-care providers and the pharmaceutical industry.

Pharmaceutical spending is one area the new grand coalition will likely scrutinise. At the moment, the Institute for Quality and Efficiency can only assess the benefits and risks of taking a drug. Unlike its UK counterpart, the National Institute for Health and Clinical Excellence, its remit does not include measuring cost-effectiveness. This may well change. The next few years will also be a crucial time for the "diagnosis-related groups" system of billing, which was introduced recently. Hospitals are now paid a one-off fee for every patient, the value of which varies depending on the illness, rather than being paid €150–400 per day per patient, as used to happen. Many German doctors are unhappy about this change and about the bureaucracy that it has created.

Merkel's election campaign focused on the need for radical economic change. However, her failure to secure a clear mandate from the electorate means that it is unlikely that the new coalition government will make drastic changes to the statutory health insurance system. Indeed, the Christian Democrats' proposal to introduce a flat-rate, per head, health-insurance premium has already been withdrawn from the coalition negotiations. Similarly, the Social Democrats' "citizens' insurance" proposal—in which the current statutory health insurance system is extended to cover the entire population, including civil servants, the self employed, and farmers, who are currently exempt—is also likely to be shelved. The pressure is now on the grand coalition to come up with an alternative that is financially viable and that continues to deliver the very best care to patients. ■ *The Lancet*

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