Health Care Reform in Germany: Assessing Severe Intergenerational Imbalances

Bernd Raffelhüschen

University of Freiburg, Germany
and University of Bergen, Norway

1 The Problem Set: Double Aging, Cost Push and, Eroding Contributions

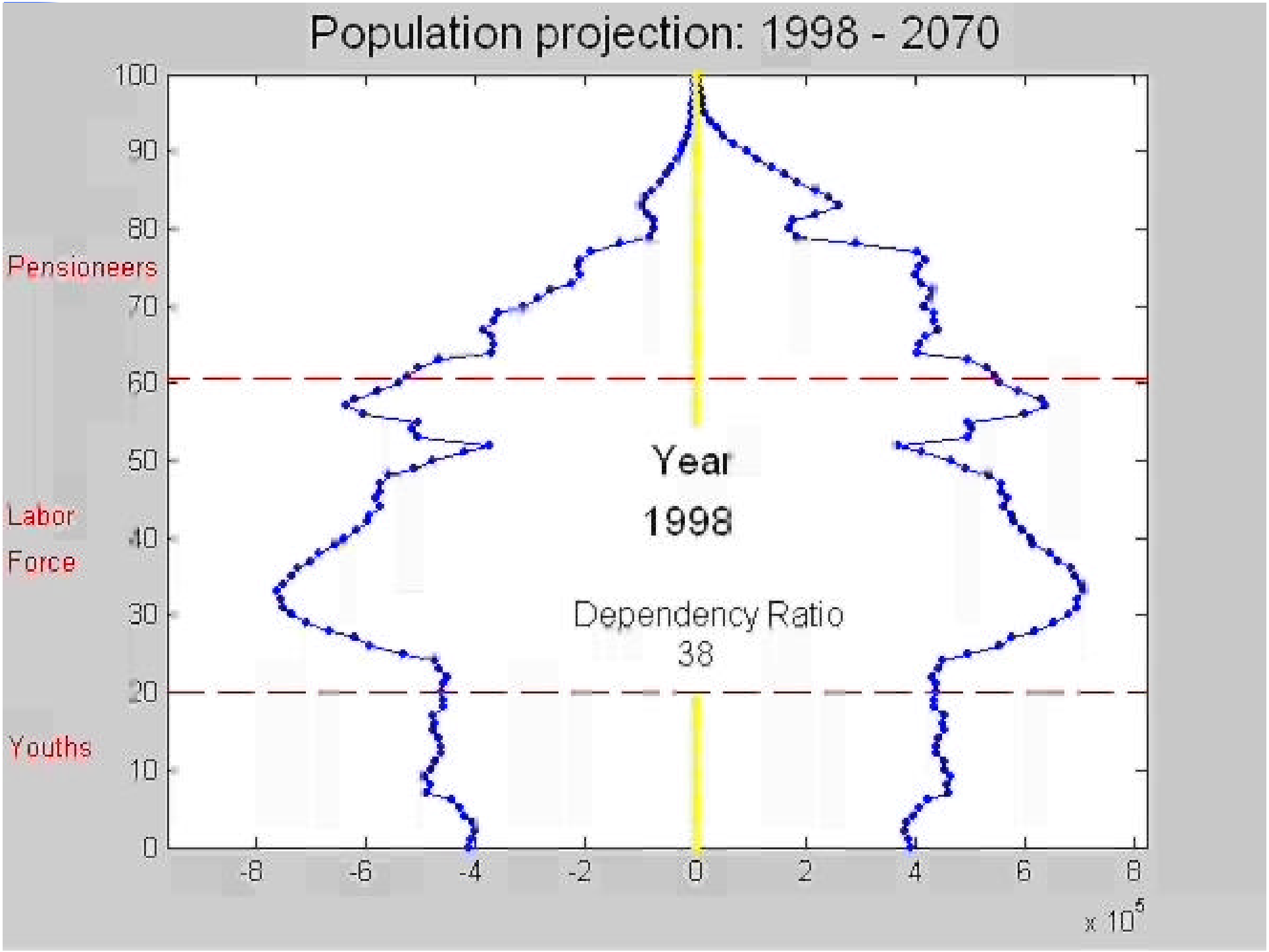
2 The Result: No Sustainability and – Same Medal, Opposite Side – No Generational Contract in Health Care

3 How to reform the system: Revenues

4 How to really reform it: About Expenditures and Incentives

5 Where it`s even worse: Long Term Care

Speech given at the IAAHS-Colloquium 2004 in the German Hygiene Museum, Dresden, Germany


Population projection: 1998 - 2070
Pensioneers
Labor Force
Youths
Year
1998
Dependency Ratio
38
100
90
80
70
60
50
40
30
20
10
0
-8
-6
-4
-2
0
2
4
6
8
x 10^5

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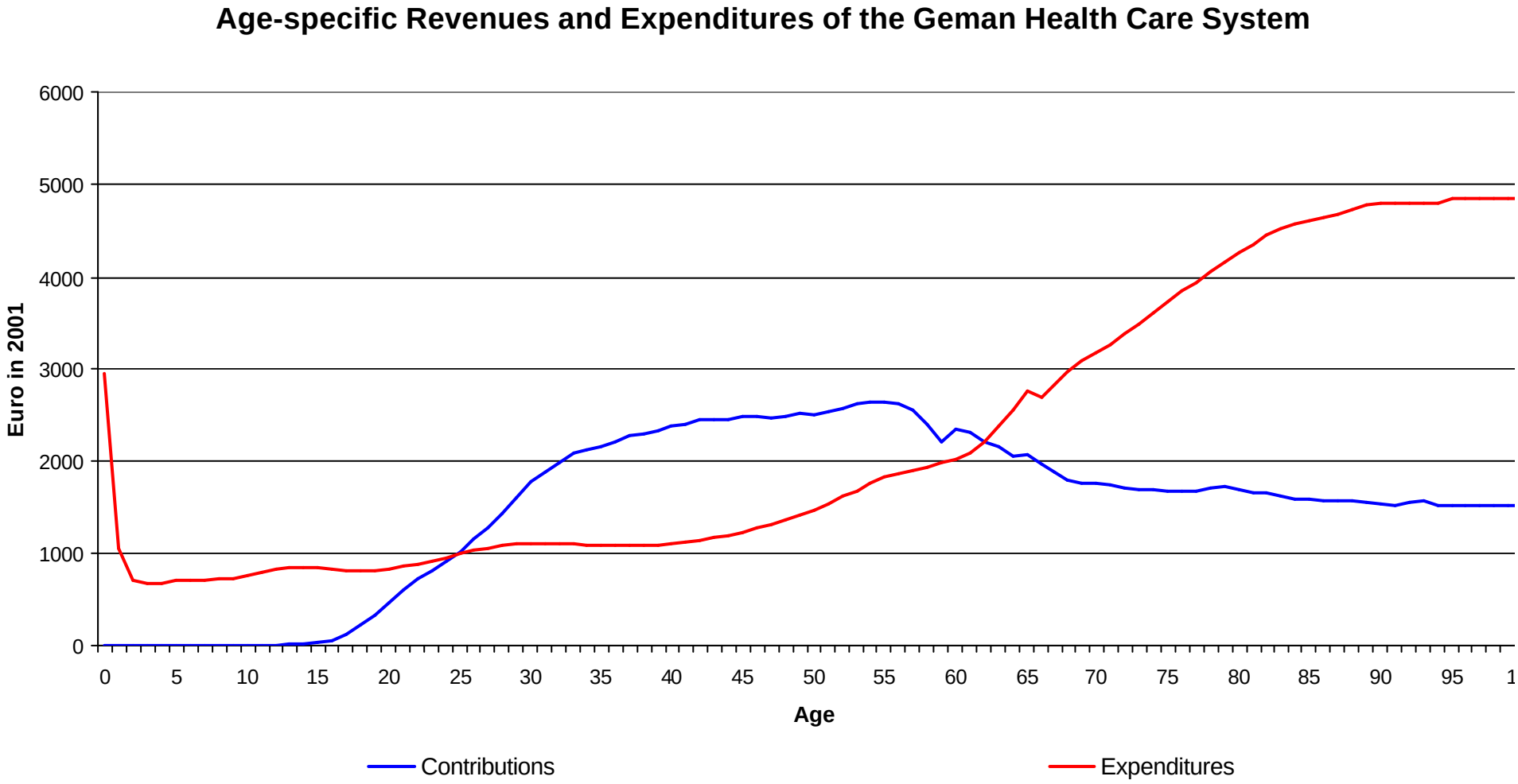
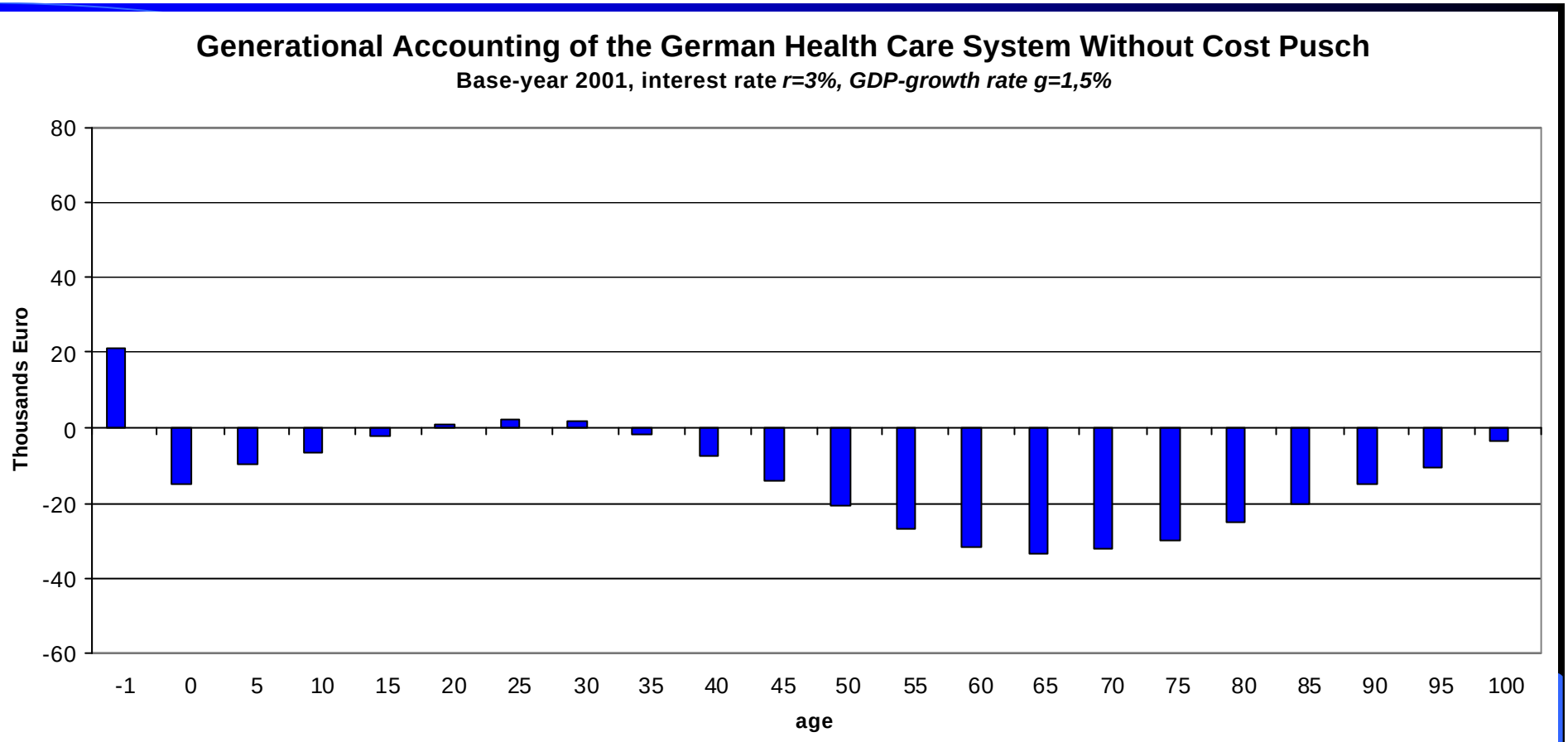
Why Health Care should be a generational contract taking from the working aged and giving to those older or younger:

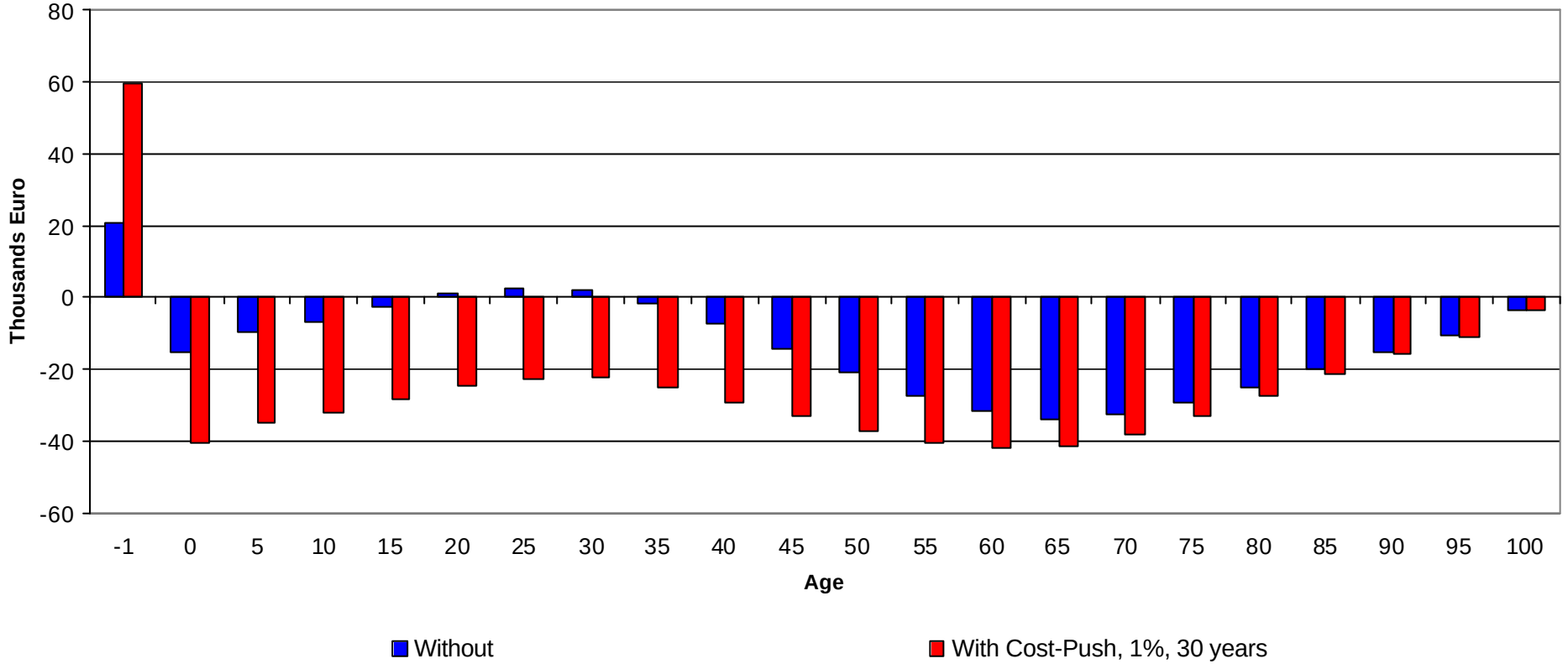




Under unrealistic optimistic assumptions, the health care system is indeed a (minor) generational contract, taking from those aged 20 to 30 and giving to those older or younger!

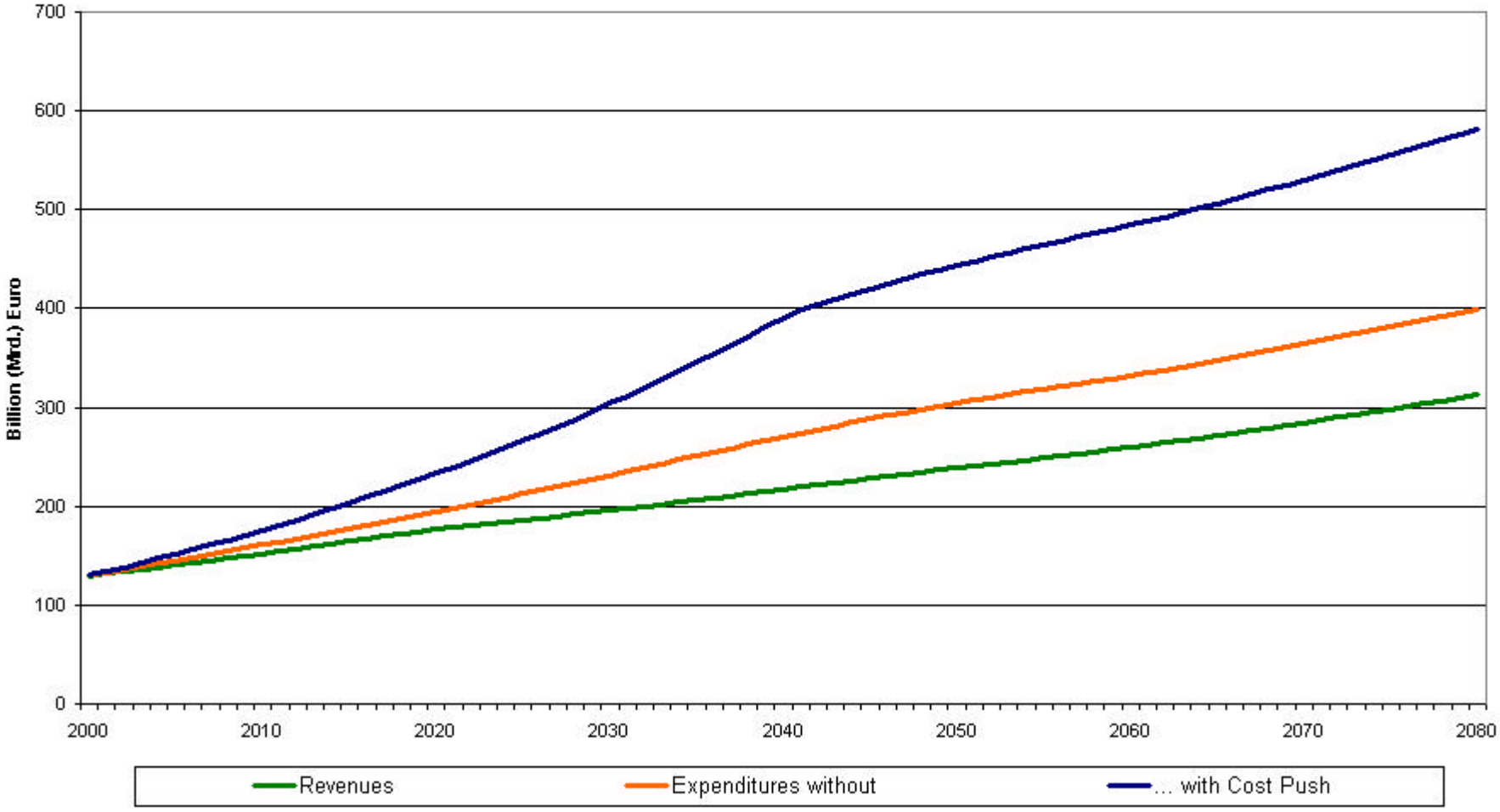
Generational Accounting of the German Health Care System

Base-year 2001, interest rate r=3%, GDP-growth rate g=1,5%



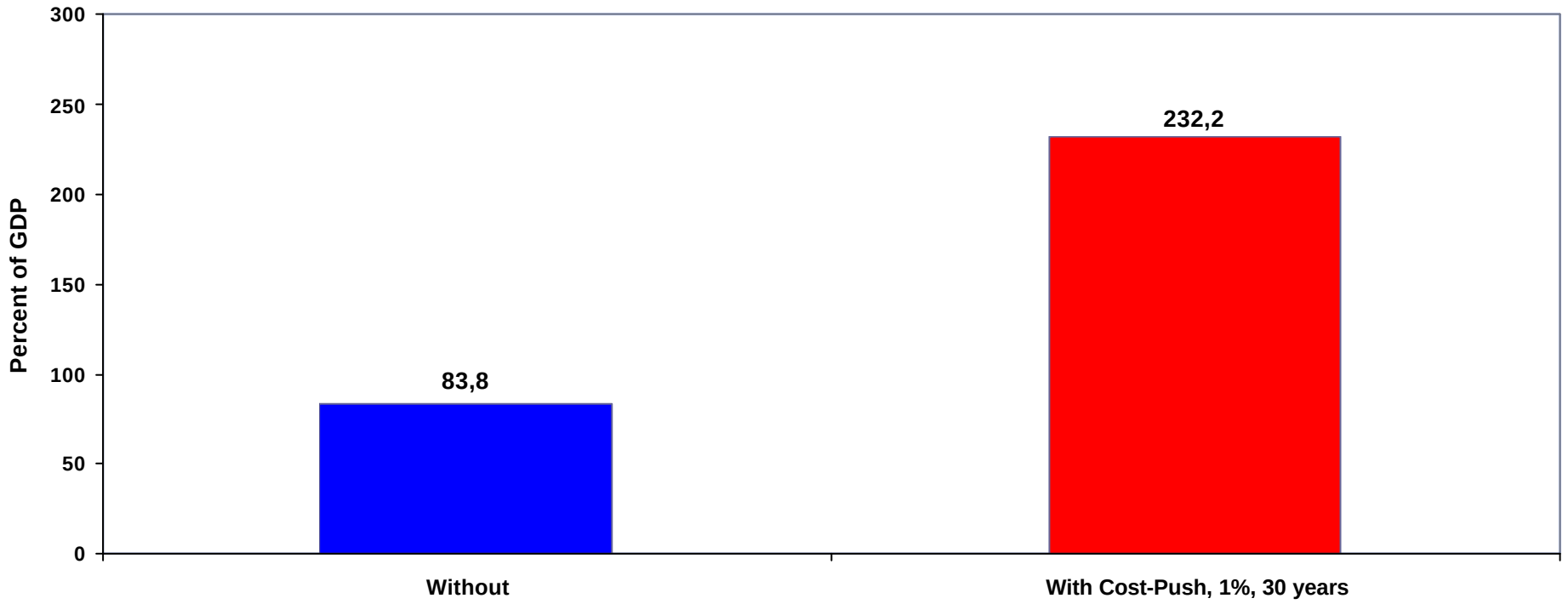
From a realistic viewpoint, there is no generational contract but a self service of the living to the burden of future generations!

Contibution Revenues and Expenditures to the German Health Care System 2000-2080



Sustainability Gap of the German Health Care System

Base-year 2001, interest rate r=3%, GDP-growth rate g=1,5%



Implicit Public Liabilities of the German Health Care System amount to:

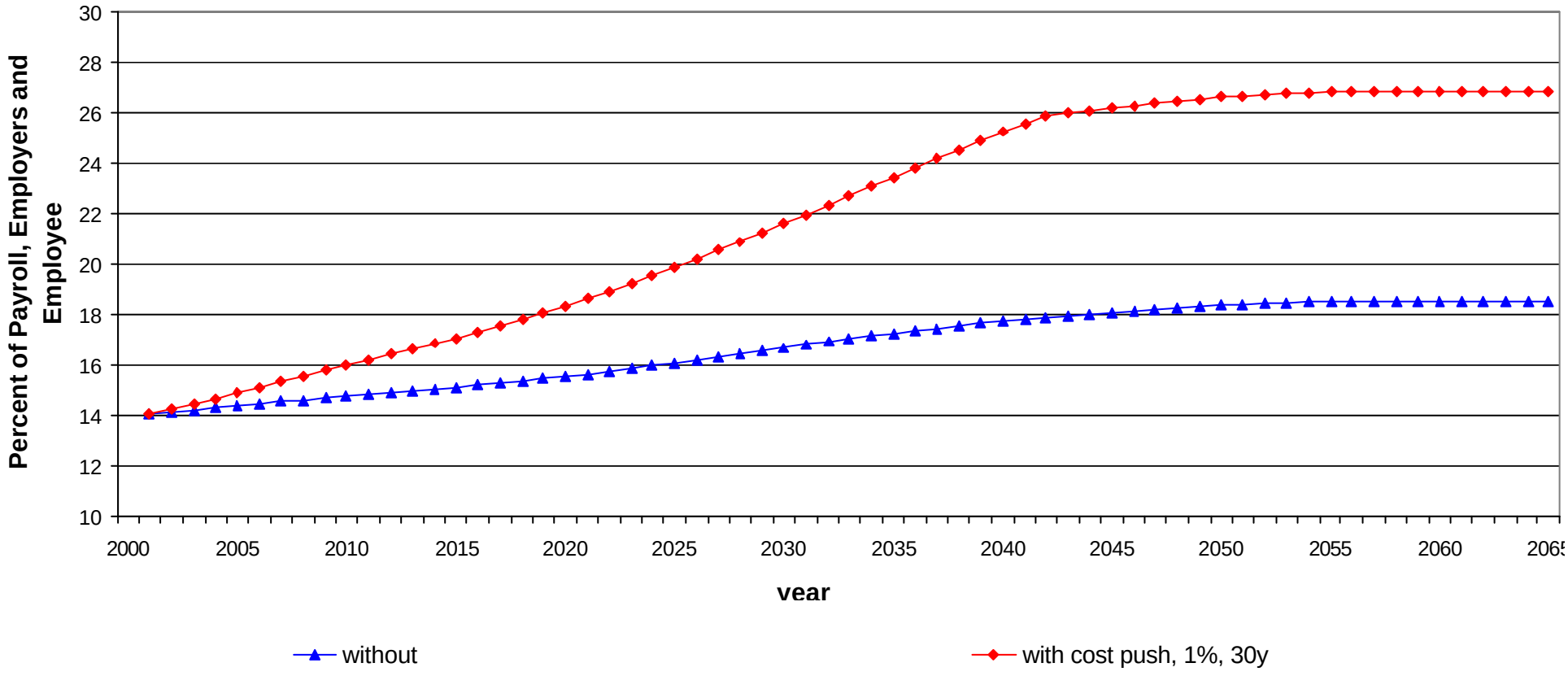
4,000,000,000,000 Euro

To compare:

- GermanTelekom: 64,200,000,000
- Public Sector: 1,200,000,000,000
  (statistically documented)

Contribution Rates for Health Care, Percent of Payroll

Base-year 2001, *r=3%, g=1,5%*



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The Public Debate – So Far

- “Bürgerversicherung”
  - Broadening Individual Eligibility
  - Raising Eligible Income
  - Widening Eligible Income

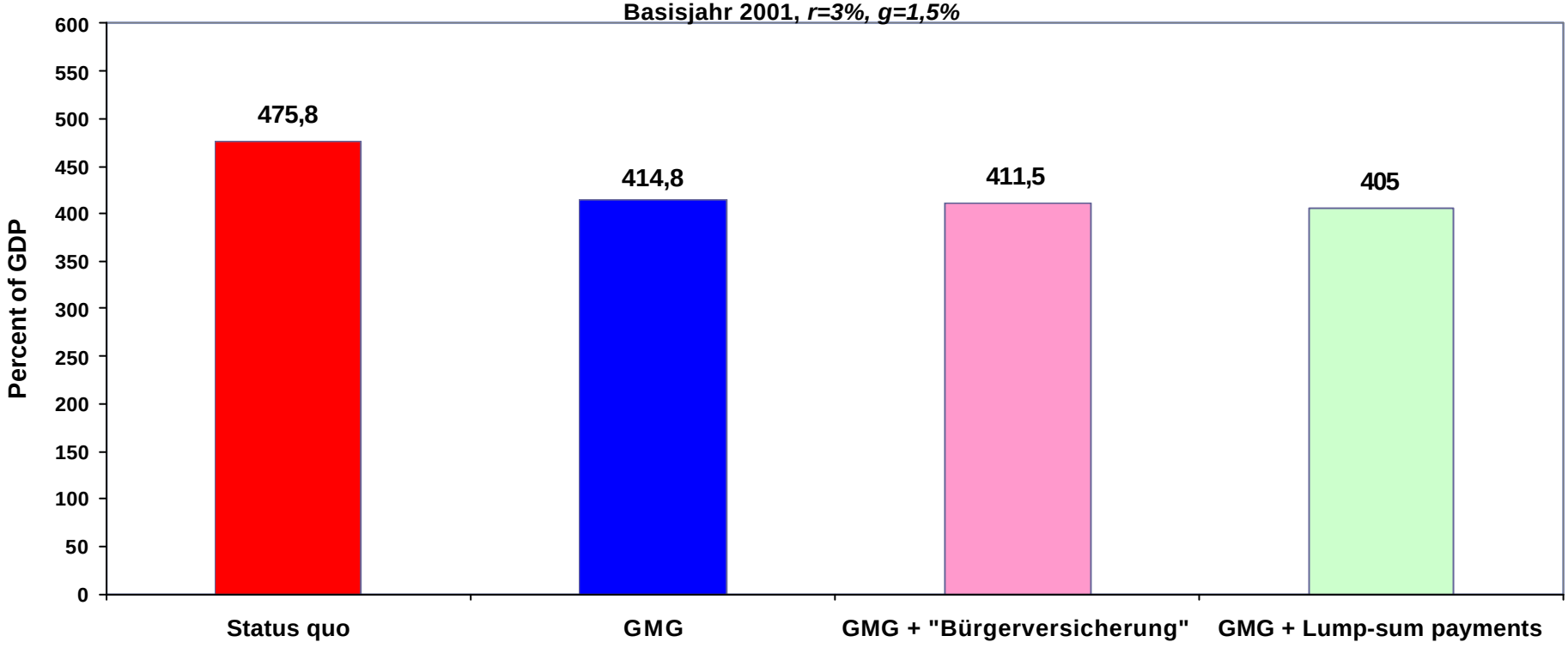
or

- “Gesundheitsprämie”

  Strengthen Individual Equivalence through lump-sum contributions

Sustainability Gap of Status quo, actual reform (GMG), "Bürgerversicherung" and lump-sum contributions

Basisjahr 2001, *r=3%, g=1,5%*



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„Freiburg Agenda“ for a Market-orientated Reform Proposal:

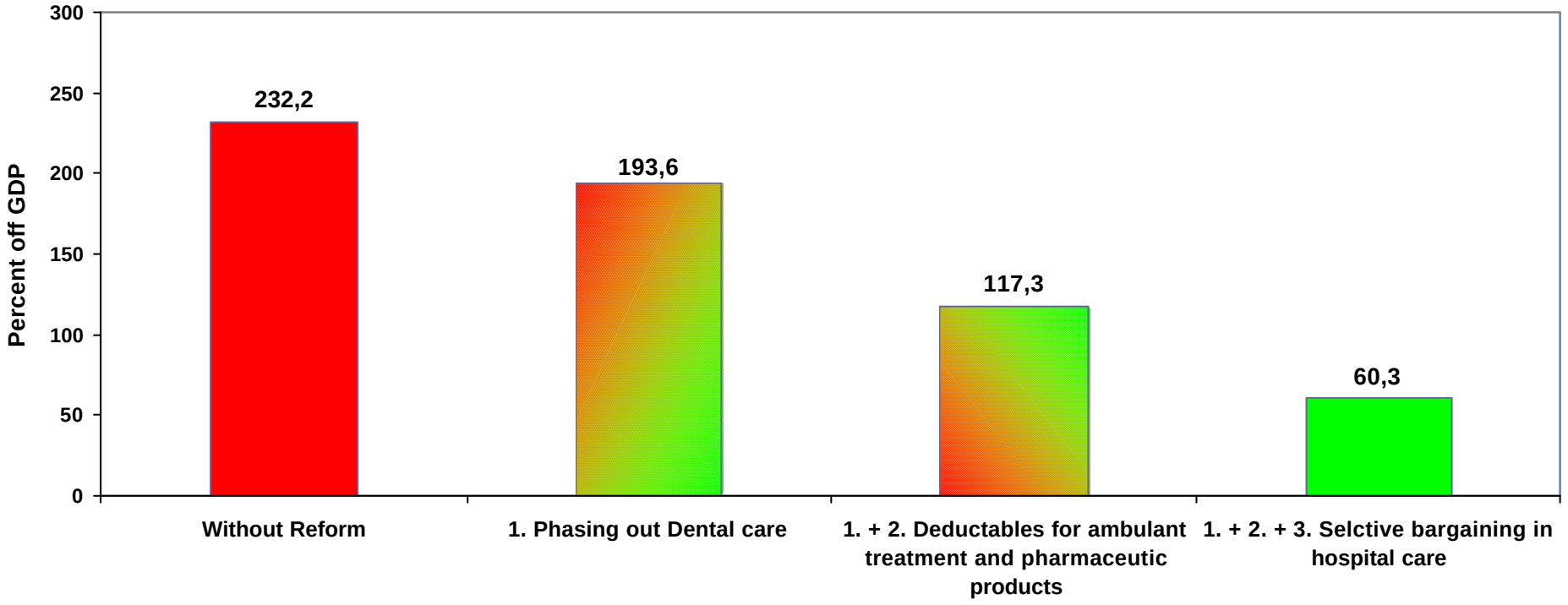
1. Avoiding cost-push in hospital treatment through selective contracting, that is, introducing prices competition

2. Phasing in deductables of 900 € p.a. for ambulant treatment and pharmacy products

3. Phasing out dental care compensation

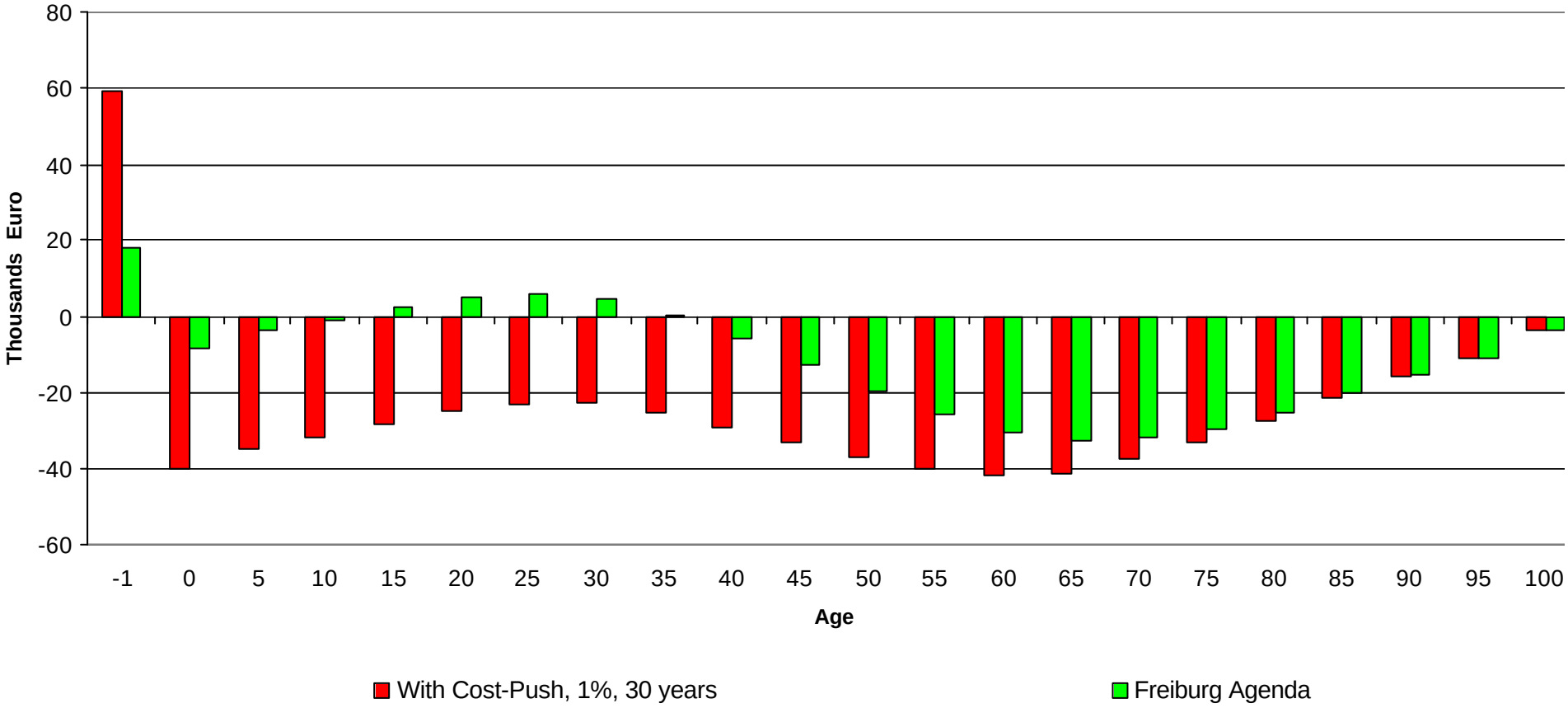
Impact of the Freiburg Agenda on the Sustainability Gap

Base-year 2001, *r=3%, g=1,5%*



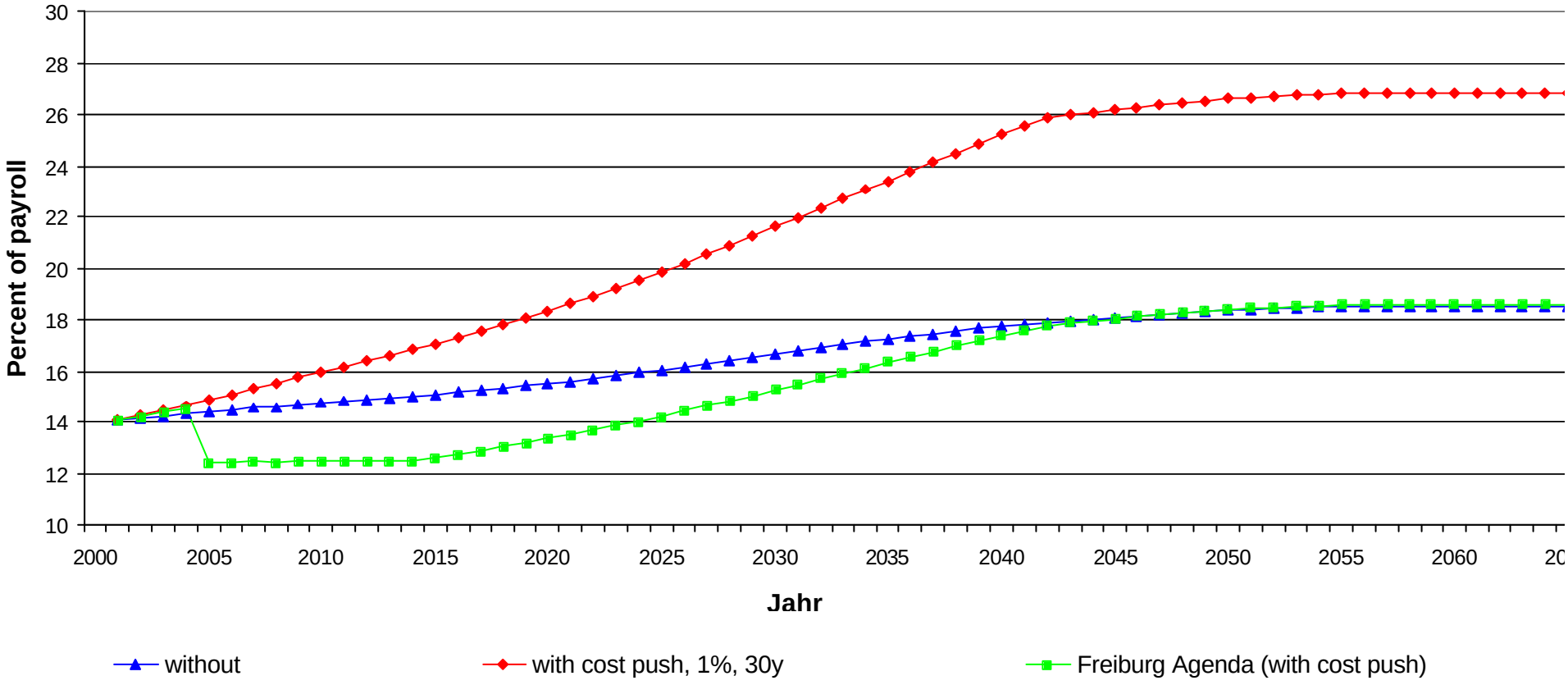
Generational Accounting of German Health Care, Status quo and Freiburg Agenda

Basisjahr 2001, *r=3%, g=1,5%*



Contribution Rates for Health Care: Freiburg Agenda vs. Status quo

Base-year 2001, *r=3%, g=1,5%*



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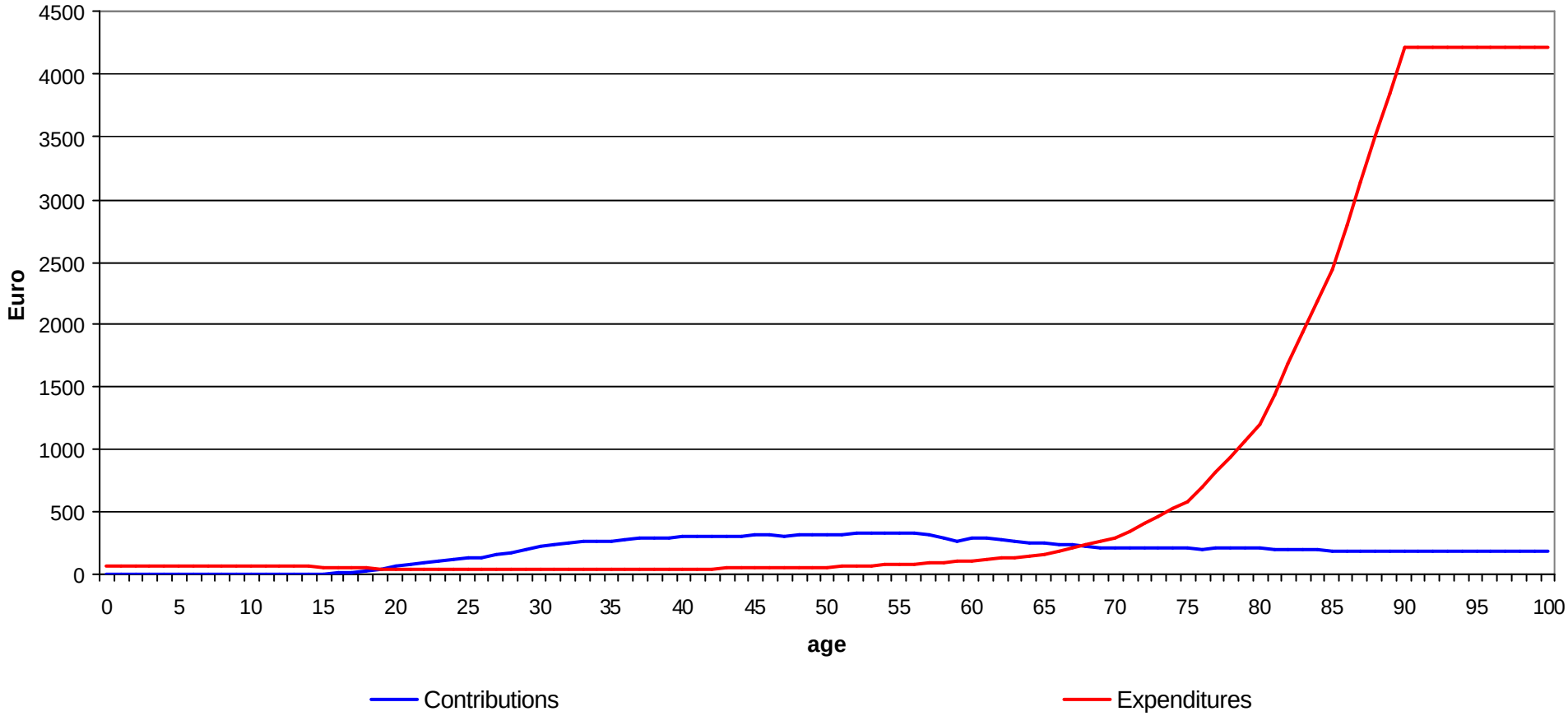
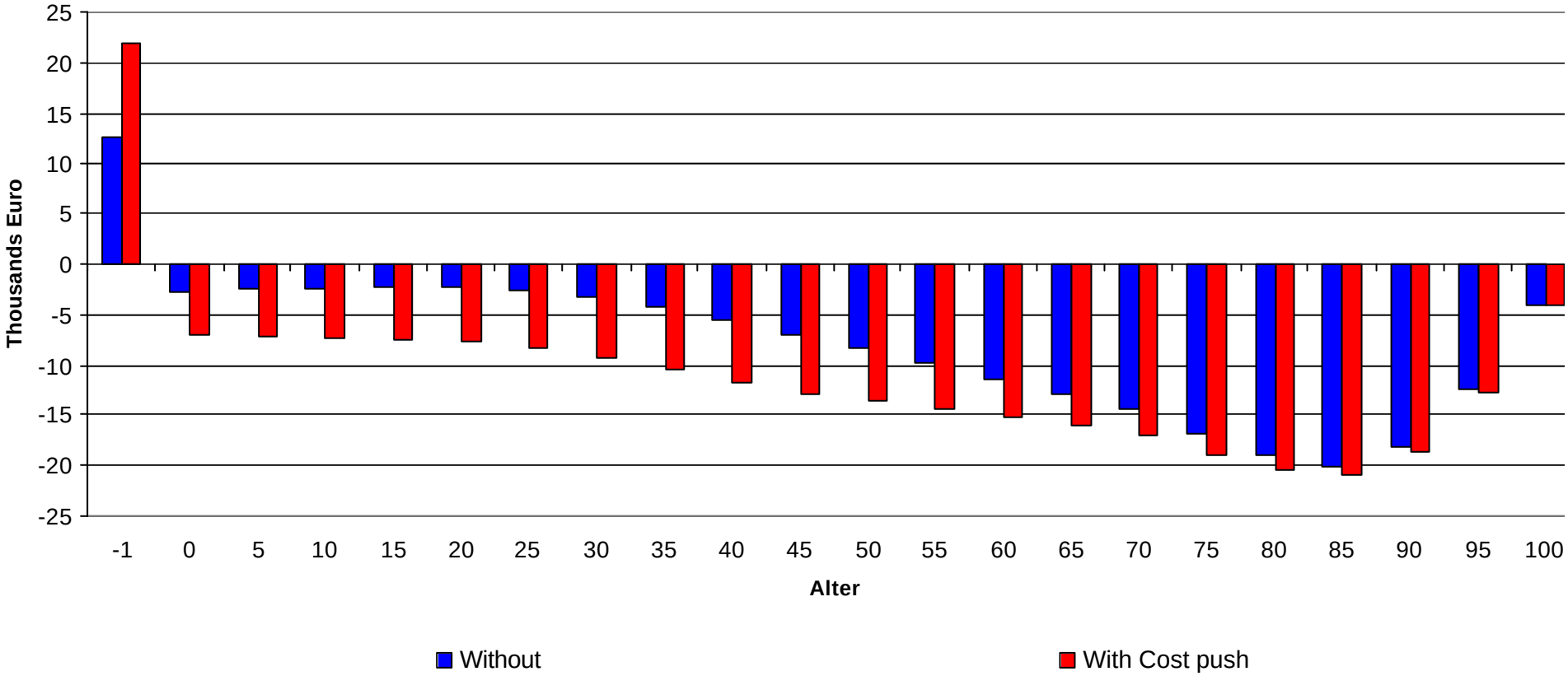
Age-specific Revenues and Expenditures of the German Long-term-care System



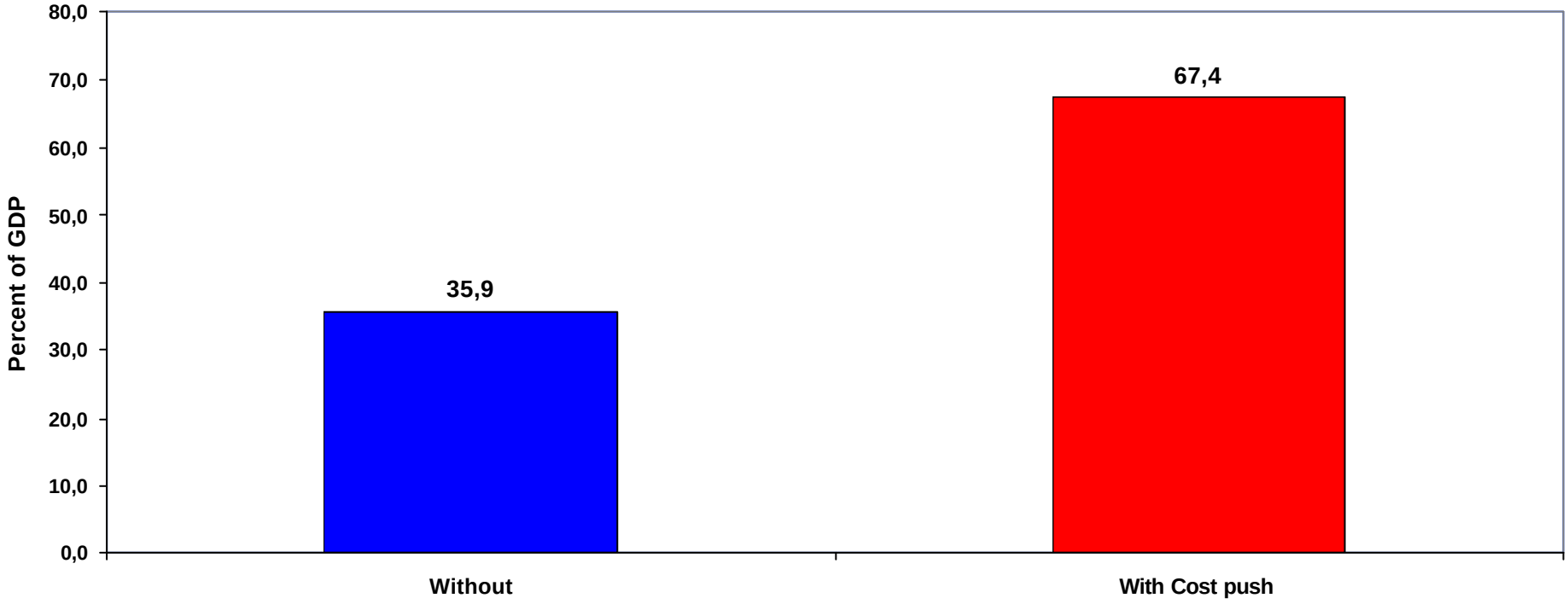
Generational Accounting of the German Long-term Care System

Base-year 2001, interest rate r=3%, GDP-growth rate g=1,5%



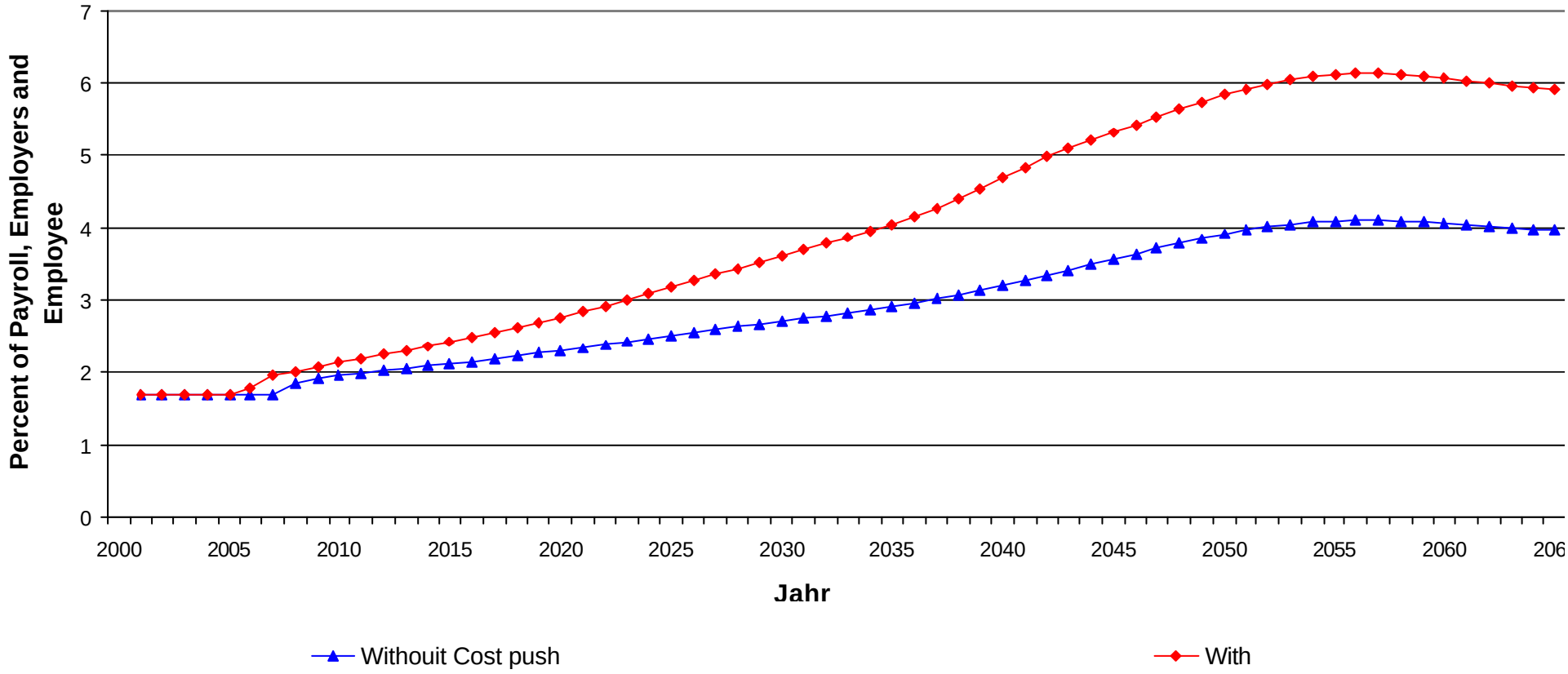
Sustainability Gap of the German Long-term Care System

Base-year 2001, interest rate r=3%, GDP-growth rate g=1,5%



Contribution Rates for Health Care, Percent of Payroll

Base-year 2001, r=3%, g=1,5%



Conclusion

- Aging phenomenon is much more pronounced in the Germany/Europe than in e.g. the US
- Social protection via health and long-term care in Germany is on a high level – but totally unsustainable
- Appropriate reform proposals **should** include two ingredients:
  - 1) cutting back implicit demands in the medium and long-run through incentive-orientated measures in public plans
  - 2) immediate strengthening of funded private insurance systems

No fun to be young in Germany!