

# Convention on Health Analysis and Management

## CHAM 2016

### Germany: how much to spend on treatment?

*Daniel Bahr, Francesca Colombo, Thomas Pollmächer*  
*Moderator: Sylvie Ouziel*

#### **1. How to measure the efficiency of the healthcare system?**

It is relatively simple to measure the efficiency of an industrial or economic tool when the costs and revenue are objectively measurable. In the healthcare sector, it is necessary to specify the scope of the desired benefits. Increases in life expectancy are relatively simple to measure; on the other hand, “healthy life years” are more complex to evaluate, especially within the context of international comparison.

#### **2. The healthcare system’s economic balance put to the test of time and demographics**

In Germany, strictly economically speaking, the healthcare system is not unprofitable. Nevertheless, the aging population may greatly complexify the maintenance of economic balance. The political authorities may one day be required to tell the German people that they will need to contribute more funding to a healthcare system on the verge of implementing cutbacks. Citizens may find it difficult to give up the freedom to choose their practitioners and treatment types.

#### **3. The benefits and drawbacks of the German decentralized system**

Of course, a decentralized system has the drawback of a certain degree of dispersion when capital and structural decisions must be made. Regionalization is also a source of inequality, as well as a barrier to resource optimization on the national level.

Conversely, allotments to the Länder offer a certain degree of flexibility when it is necessary to adapt local care capacities. The population’s characteristics and needs varies significantly from one Land to the next. The lack of centralization may also be a benefit for Germany.

#### **4. Funding by activity in Germany: a price set by the market or creating a competitive market?**

Pricing by activity does not set a price that has meaning in a free market system, but is rather the interpretation of a rigid centralized system. While the idea of having a single price for all treatments of the same kind may seem logical, it might also be useful to allow a certain degree of flexibility. Nevertheless, it should not be forgotten that pricing by activity has its place in terms of the steering and forecasting of healthcare expenditure.



Pricing by activity does not reflect the prices set by the market, but requires facilities to adapt their costs. Regardless, hospitals do not operate within a freely competitive system. Thus, although the price may not be set by a free market, nor does it require hospitals to take part in this free market.

## **5. Comparison with France**

The German and French healthcare systems are among the most efficient in the OECD. Their level of accessibility is high, but that only provides a notion of their volume. Deeper reflection should allow the permissible value of a healthcare system to be evaluated. In Germany, the cost of the healthcare system in relation to the number of inhabitants is higher than in France. In this light, there is potential for improvement, such as by reducing hospitalization times. On the other hand, while the French system may be more stable, it is more restricted than the German, which stifles innovation.