The structure of the health care system in Germany is highly decentralized, as each of the sixteen states shares responsibility with the central government. The central state operates as supervisor, enabler, and monitor; the regional governments decide policy and how to deliver services and care. The principle of solidarity is adhered to, as the government takes responsibility for ensuring universal access and the citizens contribute according to their means. German citizens are mandated to pay into plans, which are either state-run or private.

The majority (85%) of citizens buy into state regulated plans, which are employment-based. Of these public plans, large companies offer in-house coverage while those employed in the technology and science fields, in small firms, and as blue-collar workers often prefer the self-governing substitute plan. Individuals are free to choose from the numerous insurers, and the funds must accept any applicant. Citizens making more than $3,800 monthly can opt out of the national plan, as can the self-employed at any income level. Premiums for private plans are based on risk, but they do offer more flexibility in terms of coverage options. There are also supplemental private insurance plans offered to all citizens, which cover copays and other hospital fees. Public and private plans are viewed as equal in quality.

State regulated insurance plans cover about 68% of healthcare expenditures, which total 10.3% of the GDP, one of the highest in Europe. A small income tax, private insurance plans, and out-of-pocket costs cover the rest. The state premiums are income-based at roughly 14% of an employee’s gross income, and are shared equally by the employee and employer. This effectively decreases the cost burden on low-income citizens. Additionally, many workers in the public sector are covered by an added private fund because the government will not pay the usual 50% of the insurance premium. As health insurance is employment based, the state covers the unemployed through a separate fund and welfare benefits.

National government oversight allows for effective cost control. For example, the governments can establish strict limits on hospital expenditures to help to stabilize costs, although budget caps have the potential to limit care. As the third largest pharmaceutical market
in the world, there are a number of cost containment policies regarding prescription drugs as well. This proves controversial, for limiting the number and type of drugs sold and prescribed can restrict recommended drug treatments, often the case if the treatment is expensive. Additional cost containment measures include caps on insurance advertising expenditures, which are restricted to about $4 per person per year.

German citizens contribute a relatively large portion of their paycheck for healthcare, so in turn they expect immediacy and value for their money. As individuals are free to visit any physician they would like, this mindset also penalizes bad service and raises quality of care. Waiting lists and lines are unheard of, and 89% of physicians utilize electronic medical records. German citizens are provided with full benefits, as well as automatic long-term care. The plan allows for relatively low co-payments, which is not a major tool of cost containment in Germany. Children and those individuals with incomes below a ceiling of about $1,100 a month are exempt from co-pays. The maximum yearly total co-payment is 2% of income for any individual.

The German health care system is currently facing a number of challenges, such as increasing costs due to neglect of preventive care and a decrease in competition and choice because of health plan mergers. Nevertheless, German solidarity has allowed the health care system to avoid fierce price and underwriting competition and political gridlock. Germany has been able to combine consumer choice and universal access without a public sector monopoly. The system also limits profit motive in the private market, resulting in lower costs and keeping the focus on care.

Prepared by: Adam Dougherty

Resources:
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