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Sustainability of health care financing – lessons learned from Germany

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Lesson 1:
Do not allow private health insurance to select risks

- Part of the population may opt out of social insurance
- Income dependent contributions in the public system
- Risk-rating in the private system
- Individual choice results in
  - … higher-than average health risk in social insurance
  - … higher-than average income in private insurance
- Constant drain on financial sustainability in social insurance

Lesson 2:
Multiple-payer systems outside the US are not evil

- Germany social health insurance relies on multiple not-for-profit payers (sickness funds)
- Extensive regulation to neutralize incentives for cherry-picking
- Consumer choice keeps payers on their toes
- Pronounced incentives for coming up with innovations
  - Decentralized negotiations with providers – including pharmaceutical industry
  - Integrated care, primary care, disease management

Lesson 3:
Policy makers appreciate social insurance

- Governance of social health insurance is at least one step away from policy makers (regulation of last resort)
- Many operational decisions are being made on the micro- and the meso-level
- Policy makers are able to shift some of the blame for rising health care costs and rising contribution rates to sickness fund managers and health care providers

Lesson 4:
Raise income-dependent contributions on total income

- Community rating:
  - Pro: Paid out of disposable income
  - Con: Less equitable than other forms of financing
- Income-dependent contributions:
  - What kind of income (income from employment in Germany)?
  - Some kind of maximum level (income ceiling in Germany)?
- More restrictions on income base, less sustainability

Lesson 5:
Make social health insurance mandatory

- Social insurance is not universal by default
- Individual mandate needs to be monitored
  – Good risks subsidize bad risks
  – Free riders may try avoid coverage
- Some trade-offs involved
  – Restriction of consumer choice
  – Administrative costs for monitoring defaulters