Prof. Dr. Michael Wittland

Insights into the German health care market

Drivers that motivate German health care management to invest in new technologies

Webinar, June 21st

Topics

Topic 1 **The German health care market**

Overview, fundamentals and recent trends

Topic 2 **Hospitals**

Input and output, stakeholders and arguments

Topic 3 **Nursing homes**

Input and output, stakeholders and arguments

Topic 4 **Outpatient care**

Input and output, stakeholders and arguments

The German health care market

Overview

Different sectors with different regulations, lack of cooperation!

~ 376 billion €
were spent for health care in 2017

~ 214 billion € (+ ~ 32 billion €)
by health insurances (private)

~ 37 billion €
by long term care insurances

~ 94 billion €
for hospitals

~ 55 billion € (+ ~ 26 billion €)
for medical practices (for dentists)

~ 49 billion €
for pharmacies

~ 34 billion €
for nursing homes

~ 19 billion €
for outpatient care

Source: Destatis (2019)

The German health care market

Fundamentals: Imperative of efficiency

Services have to be necessary and efficient!

- **The German compulsory health care insurance pays only for necessary, efficient services**
- **SGB V § 12: Wirtschaftlichkeitsgebot:**

  (1) Die Leistungen müssen ausreichend, zweckmäßig und wirtschaftlich sein; sie dürfen das Maß des Notwendigen nicht überschreiten. Leistungen, die nicht notwendig oder unwirtschaftlich sind, können Versicherte nicht beanspruchen, dürfen die Leistungserbringer nicht bewirken und die Krankenkassen nicht bewilligen.

  (2) Ist für eine Leistung ein Festbetrag festgesetzt, erfüllt die Krankenkasse ihre Leistungspflicht mit dem Festbetrag.

  […]

The German health care market

Fundamentals: High degree of regulation

"Reducing" staff
only up to a given limit!

- **Several regulations** determine market participants, prices, processes and quality
- Recent regulations especially address the **degree of staffing**:
  - Determined minimum levels for nurse staffing in hospital:

Department		During the day	During the night
Intensive care	PPUG PHK-limit	2.5 : 1 (2021: 2 : 1) 8 %	3.5 : 1 (ab 2021: 3 : 1) 8 %
Geriatrics	PPUG PHK-limit	10 : 1 20 %	20 : 1 40 %
Trauma surgery	PPUG PHK-limit	10 : 1 10 %	20 : 1 15 %
Cardiology	PPUG PHK-limit	12 : 1 10 %	24 : 1 15 %

The German health care market

Fundamentals: High degree of regulation

"Reducing" staff
only up to a given limit!

- (Individual) Quantitative requirements for nursing homes calculated based on the degree of need for help, for example:

Need for help	Staff ratio
Grade 1	12.160 : 1
Grade 2	4.424 : 1
Grade 3	2.766 : 1
Grade 4	2.204 : 1
Grade 5	1.820 : 1

- General qualitative requirements for nursing homes: 50 % of patient-side staff has to be higher qualified
- Monitoring and penalties

The German health care market

Recent trends: Staff shortage

Very high pressure due to staff shortage!

- There is an **increasing lack of physicians, nurses** and further qualified employees (Forecast 2030 based on status quo: Demand 4.9 million FTEs, supply 3.6 million FTEs (Source: RWI (2019))
- Due to recent legislative initiatives and the demographic ageing of the German society the situation will even become worse, especially for nursing homes and outpatient care
- Several employers start to pay bonuses
- Surveys about what employees want show that **especially working conditions play a pronounced role**

The German health care market

Recent trends: Economic pressure

Very high pressure
due to economic situation!

- **Hospitals** (“hospital rating report” 2019, based on data from 2016 and 2017):
  - 12 % of the hospitals run the risk of insolvency
  - 28 % make no profit (compared to 13 % in 2016)
  - Number of cases remains static
- **Nursing homes** (“nursing home rating report” 2017, based on data from 2015):
  - 2 % of the nursing homes run the risk of insolvency
  - 10 % make no profit (compared to 20 % in 2013)
  - Number of people in need for care increases
- **Outpatient care**

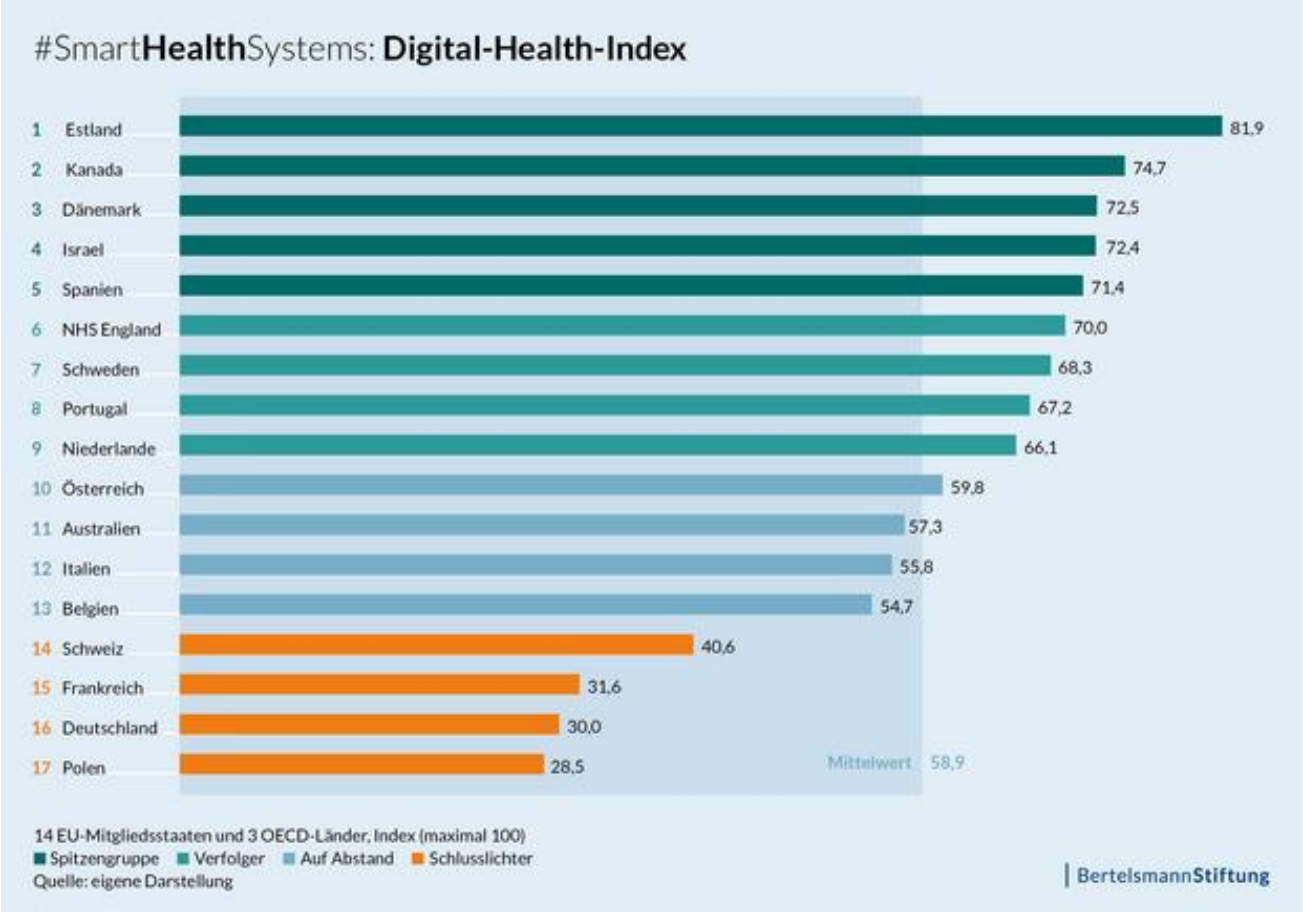
Sources: RWI (2019), RWI (2017)

The German health care market

Recent trends: Incentives

Need for improvement!

- **Degree of digitalization in health care in Germany needs improvement:**



Source: Bertelsmann Stiftung (2018)

The German health care market

Recent trends: Incentives

Additional funding for new technologies!

- **“Pflegepersonalstärkungsgesetz”** (commencement in 2019): **Innovations in information technology** in nursing homes and outpatient care **are co-financed** to foster digitalization, for example in documentation, billing, route scheduling, interdisciplinary cooperation, quality management and education
  - Co-financing: 40 %, up to € 12,000, are sponsored, 60 % have to be financed by the organization itself
  - Offered for the years 2019 to 2021
- Several additional incentives – for all types of organizations – are provided especially by the federal states

The German health care market

Recent trends: Incentives

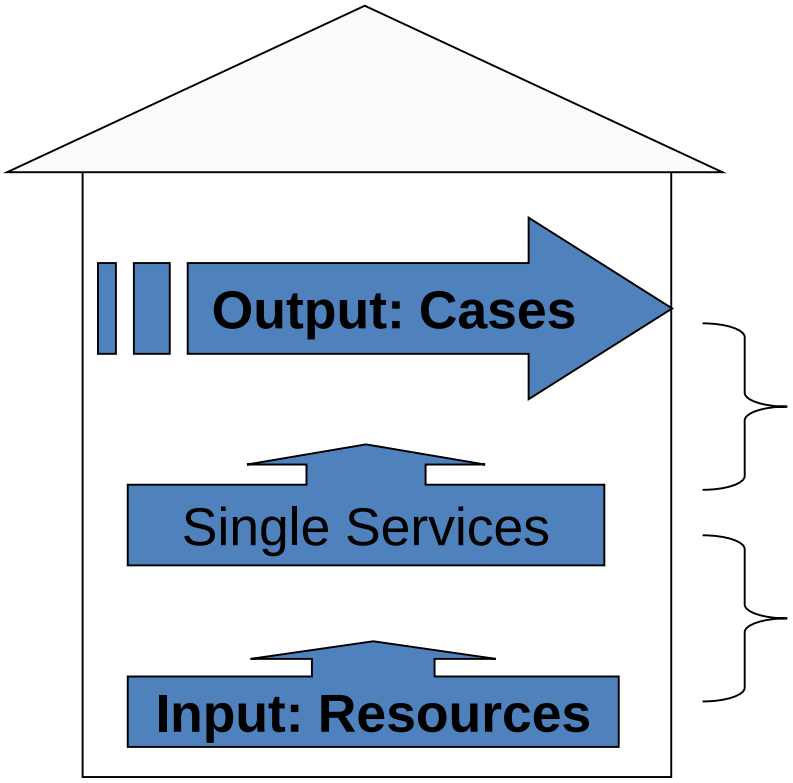
Additional funding for new technologies!

- **“Digitale Versorgung Gesetz”** (in discussion):
  - Doctors are enabled to prescribe **health-related apps**, the health care insurance has to pay for it; a prescription is possible if
    - Step 1: The app is user friendly, data protection and transparency issues are addressed (→ temporary permission for one year)
    - Step 2: The app has a positive influence on treatment (→ basis for long-term permission and price negotiations)
  - All health care insurances have to offer **electronic patient records** until 2021
  - Health providers are paid for using electronic patient records and have to invest in a **technical infrastructure**
  - **Telemedicine** is supported
  - **Documents are digitalized**

Hospitals

Input and output

Save resources?
Change treatment?



Internal medical efficiency

Technical efficiency

Total efficiency

<u>Compensation scheme:</u>
DRG system since 2004:
Case-based lump sum

Modification from 2020 on:
Refund of expenses for labor costs for nurses

Hospitals

Stakeholders and basic arguments

Hospital top management team
Medical director
Nursing director
Commercial director and/or CEO

Medical departments
Physician leaders

Physicians

Nursing departments
Nursing leaders

Nurses

Administration

Purchasing department

Buying agent

Hospitals

Stakeholders and basic arguments

Overall quality
Efficiency
Working conditions

Hospital top management team
Medical director
Nursing director
Commercial director and/or CEO

Costs
Reduced complexity

Medical departments
Physician leaders

Nursing departments
Nursing leaders

Administration

Physicians

Nurses

Purchasing department

Specific quality
Amount of cases
Working conditions

Specific quality
(Efficiency)
Working conditions

Buying agent

Hospitals

Stakeholders and basic arguments

Owner:
?

Patient:
Quality!

Overall quality
Efficiency
Working conditions

Paying authorities:
Safe Money!
Influence!

Hospital top management team
Medical director
Nursing director
Commercial director and/or CEO

Costs
Reduced complexity

Medical departments
Physician leaders

Nursing departments
Nursing leaders

Administration

Physicians

Nurses

Purchasing department

Buying agent

Buying syndicates

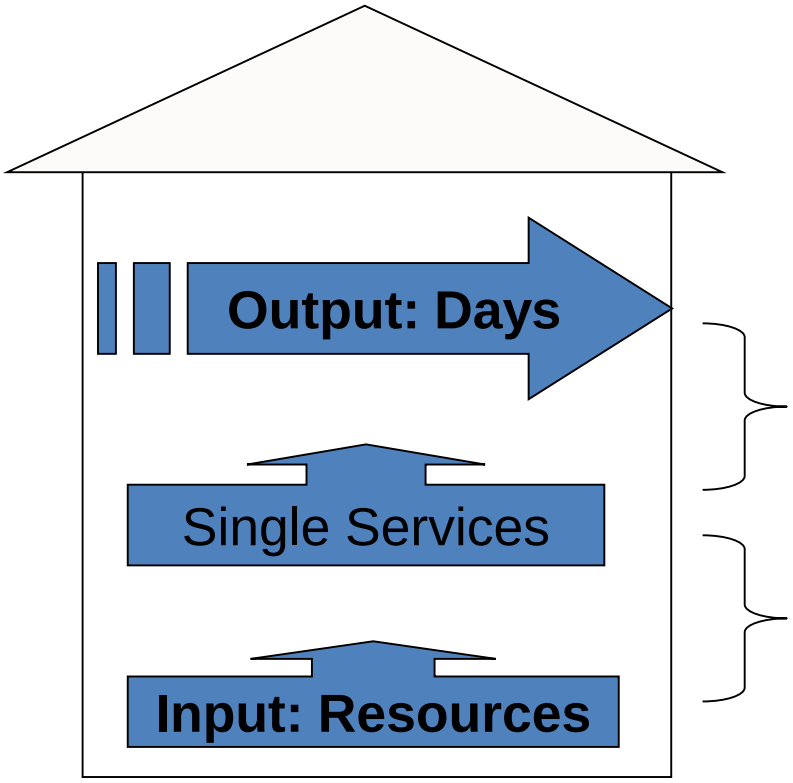
Specific quality
Amount of cases
Working conditions

Specific quality
(Efficiency)
Working conditions

Nursing homes

Input and output

Save resources?



Internal efficiency

Technical efficiency

Total efficiency

<u>Compensation scheme:</u>
Fees per day
set in negotiations

Penalties for organizations that employ not enough (qualified) (nursing) staff

Nursing homes

Stakeholders and basic arguments

Nursing home management
(Nursing home director)
Leading nurse
(Commercial director and/or CEO)

Nursing departments
Nursing leaders

Nurses

Administration

(Purchasing Department)

(Buying agent)

Nursing homes

Stakeholders and basic arguments

Overall quality
Efficiency
Working conditions

Nursing home management
(Nursing home director)
Leading nurse
(Commercial director and/or CEO)

Costs
Reduced complexity

Nursing departments
Nursing leaders

Administration

Nurses

(Purchasing Department)

Specific quality
Working conditions

(Buying agent)

Nursing homes

Stakeholders and basic arguments

Owner:
?

Overall quality
Efficiency
Working conditions

Paying authorities:
Safe Money!
Influence!

Nursing home management
(Nursing home director)
Leading nurse
(Commercial director and/or CEO)

Patient:
Quality!
Safe Money!
Go home!

Costs
Reduced complexity

Relatives:
Quality!
Safe Money!

Nursing departments
Nursing leaders

Nurses

Specific quality
Working conditions

Administration

(Purchasing Department)

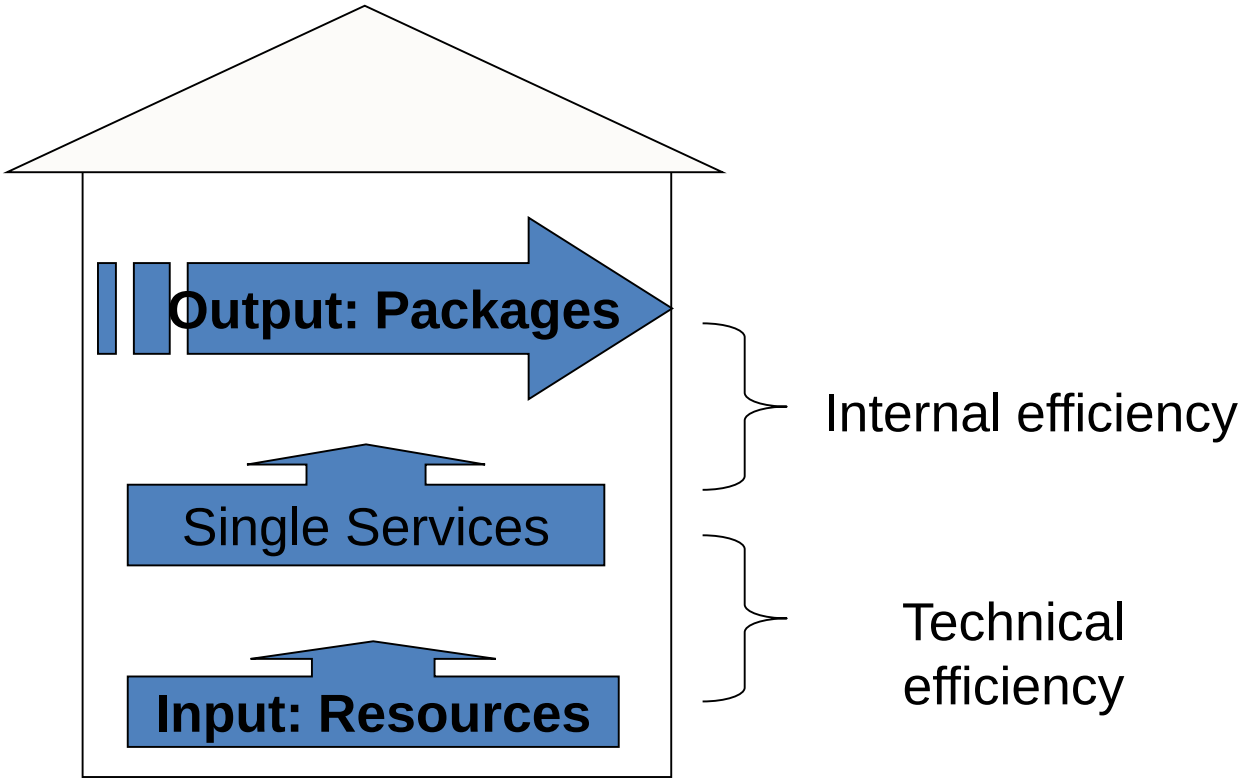
(Buying agent)

(Buying syndicates)

Outpatient care

Input and output

Save resources?



Compensation scheme:
Fees for single services/ service-packages

Outpatient care

Stakeholders and basic arguments

Outpatient care management
(Outpatient care director)
Leading nurse
(Commercial director and/or CEO)

Nurses

Administration

(Purchasing Department)

(Buying agent)

Outpatient care

Stakeholders and basic arguments

Overall quality
Efficiency
Working conditions
Prescriptions

Outpatient care management
(Outpatient care director)
Leading nurse
(Commercial director and/or CEO)

Costs
Reduced complexity

Nurses

Specific quality
Working conditions

Administration

(Purchasing Department)

(Buying agent)

Outpatient care

Stakeholders and basic arguments

Owner:
?

Overall quality
Efficiency
Working conditions
Prescriptions

Paying authorities:
Safe Money!
Influence!

Outpatient care management
(Outpatient care director)
Leading nurse
(Commercial director and/or CEO)

Patient:
Quality!
Safe Money!

Costs
Reduced complexity

Nurses

Relatives:
Quality!
Safe Money!

Specific quality
Working conditions

Doctor:
Safe Money!

Administration

(Purchasing Department)

(Buying agent)

(Buying syndicates)

Concluding remarks I

- **High need and potential of increased use of new technologies**
  - A recent study by a consultancy and a managed care federation suggests that **34 billion € could have been saved in a fully digitized health care system in 2018 in Germany**, based on the following digital solutions (ordered by decreasing amount of anticipated savings):
    - Paperless data
    - Online interaction
    - Process management/workflow automation
    - Outcome transparency and decision support
    - Patient self-care
    - Patient self-service

Source: McKinsey & Company (2018)

Concluding remarks II

- Several **incentives set by regulation**
- Several **stakeholders with different objectives**
- **Efficiency issues** can be **opposing to quality issues**
- **Buying syndicates** (and tenders) play a pronounced role
- Critical **success factors for implementing new technologies**:
  - Understanding the specific needs
  - Involving front line staff
  - Fast success
- **Limitation**: High degree of **generalization**!
  - Upper echelon approach: Decision-makers are different, personality matters
  - Diverse workforce: New technologies can be seen as a threat or a chance

Thank you very much for your attention

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I look forward to meet you during the “Deep Dive” in Hannover!