

Germany cuts health care spending, raises premiums

July 6 2010, By VERENA SCHMITT-ROSCHMANN , Associated Press Writer

(AP) -- Faced with a ballooning deficit in Germany's health care system, Chancellor Angela Merkel's government decided Tuesday to raise premiums and cut into the profits of doctors, dentists, hospitals and pharmaceutical manufacturers.

The decision comes after months of wrangling within Merkel's coalition over a fundamental overhaul of the system and after a series of political blows to the chancellor and plummeting support in the polls.

While government officials said Tuesday's decision was an achievement reached harmoniously, the opposition immediately criticized the reform saying it basically consists of everybody paying more.

Germany's once highly regarded mandatory [health insurance](#) covers about 72 million people, or 90 percent of the population. It has already gone through a series of reforms to stabilize its financial base. Costs are rising swiftly because of ever more sophisticated treatments and an [aging population](#).

Health Minister Philipp Roesler said the world is still envious of the German system because of its high quality and only average cost compared to other countries.

"However, our system is facing a challenge brought on by demographic changes and progress in medical technology," he said.

To deal with a projected euro11 billion (\$13.9 billion) hole in 2011, the government decided to increase premiums to 15.5 percent of workers' gross pay, up from 14.9 percent with contributions split between employers and employees. The hikes are to bring in about euro6 billion (\$7.6 billion).

In addition, Roesler announced cuts of about euro3.5 billion spread out among hospitals, physicians, dentists, insurers and [pharmaceutical companies](#).

Whatever additional money is needed - next year or in the future - is to come from an extra premium insurers can ask for from their clients, Roesler said. In contrast to the general 15.5 percent premium the government sets, employers do not contribute to those extra payments.

The idea behind the highly complicated split-revenue system is to free employers from rising health care costs. To save the poor from being overwhelmed financially, the government is to subsidize their extra premiums if they exceed 2 percent of their income.

Roesler called this a "package of measures to develop financing of the federal [health care system](#) into the future."

Opposition politician Claudia Roth of the Greens called the model "complicated, expensive and unjust."

Social Democrat Karl Lauterbach, an opposition health care expert, told rbb radio the government must ask the rich to pay more and revise the system more fundamentally.

The system is expected to pay out some euro173.4 billion this year, according to recent estimates.

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