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The social health economy

A REGULATORY FRAMEWORK FOR A HEALTHCARE SYSTEM TO MEET THE CHALLENGES OF THE FUTURE

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INHALT

INTRODUCTION

What form should the healthcare system in Germany take in the future? What must we do today to ensure that, not only now but also in the decades to come, the sick can be cared for and the population can have access to medical attention, while more emphasis is placed on prevention, in a system combining high quality with affordability for all? What kind of regulatory framework for healthcare is needed in order to reconcile seemingly divergent aims such as orientation towards the patient, humanity and justice, on the one hand, with economic viability and competition, on the other?

In 2006 the Konrad-Adenauer-Stiftung's Innovations in Healthcare discussion group published a position paper in German and English entitled *Better Health Care at Affordable Prices – Higher Quality and Greater Efficiency through Competition. Arguments for Strengthening the Citizens' Position in the Health System*.[1] It outlined ten theses, or benchmarks, for a future system of healthcare whose prime orientation would be towards the patient and the health needs of the population, and set out an economically and politically feasible approach to the achievement of these aims.

The members of the discussion group presented the theses at many meetings with politicians and leading figures from commercial and industrial enterprises and professional associations, and their arguments met with a wide measure of agreement.

In order to continue the discussion of a healthcare system for Germany capable of meeting the challenges of the future, to stimulate the making of proposals and to place the ongoing debate on reform on a more concrete footing, the discussion group has supplemented its original positions by the presentation of this second paper on a regulatory framework for a *social health economy*. The two documents are complementary and, in the view of the members of the

discussion group, constitute the foundation for further debate on a modern system of care. The theses advanced in this paper flesh out the contours of the regulatory framework for a *social health economy*, although certain consequences ensuing from the Basic Law, social and competition law and other statutory provisions need to be pursued in greater depth.[2]

The reform measures introduced in the last few years have resulted in some welcome initial developments towards a regulatory framework for the German healthcare system based on the principles of a market economy, as outlined in the theses presented in this paper. However, although the reforms undertaken so far are a step in the right direction, they do not yet go far enough to make the healthcare system "future-proof". It is essential to proceed resolutely with the approach already embarked upon and to develop it further, at European as well as German level.

The underlying idea of this paper is the need for a change to the adoption of a value-based competitive framework with the emphasis on safeguarding and promoting quality in a system of care specifically directed towards meeting individual health needs.

This is an approach that points the way to the future, even though the "economization" inherent in it is the target of vehement criticism from many quarters. The critics fail to see that there is no practical alternative to a socially compatible regulatory framework based on market-economy principles of the kind reflected in the proposed *social health economy*, a model that has thoroughly proved its worth in the social market economy.[3] Healthcare in Germany is still of very high quality and virtually unrivalled anywhere in the world. Yet the limits are plain for all to see. Today there is already talk of rationalization, prioritization and rationing – a sign of increasing shortage of resources. Market-economy incentives have been shown again and again to be effective control systems in a wide variety of spheres for the avoidance of misdirected efforts and the sustainable promotion of quality and efficiency.

Another point overlooked by critics of a market-economy framework is that a *social health economy*, far from being "less ethical", is in fact conditional on a robust ethic that can withstand pressures. It is compatible with traditional Western values and conforms to the principles

inherent in the Christian and humanistic image of man. It contributes not less, but more, to humanity in society, because inefficiencies are immoral and ethically unjustifiable; this is true of the economy and society in general and of the healthcare system and all other social welfare sectors in particular. Specifically, it is no longer acceptable for resources to be wasted when goods as fundamental to human existence as health are at stake.

However, a health economy must satisfy certain clear-cut contextual conditions if it is to merit the description "social". It presupposes a strong state which, in its function as a "guarantor state" rather than a "care state", lays down the contextual conditions and ground rules and monitors compliance with them. The state must ensure that the quality of healthcare is satisfactory, that criteria such as equality of opportunity, social justice and fairness are observed, and in particular that social hardship is avoided. An important additional consideration is the need to allow adequate freedom and flexibility for providers of health-related services.

The state should set qualitative health objectives but not be responsible for their implementation; this should be a matter for the actors on the health market, albeit under state supervision. These actors must not only possess the necessary competence in their specific fields and the associated ability to compete, but also display a high level of both social and communicative capability.

Lastly, members of the health insurance schemes (insured persons) and patients, together with their families, as "customers" in the *social health economy*, must be enabled to act responsibly. For this purpose, it will be necessary to ensure that the concept of the mature citizen, which is already accepted as a matter of course in many areas of society, is also applied to a greater extent than hitherto in the healthcare sphere. Increasing importance is coming to be attached to health education and information, as well as to aspects of prevention and to the promotion of health. Individual responsibility for a person's health must be strengthened. Everyone should to the best of their ability share responsibility for their own health, thereby making a significant contribution to the enjoyment of a healthy life. Individual responsibility and an obligation of care on the part of the state are thus essential components of the *social health economy*.

THESIS 1

DIVERSITY OF HEALTHCARE PROVISION WITH ITS MARKET-ECONOMY STRUCTURES MUST BE REINFORCED IN A *SOCIAL HEALTH ECONOMY*.

The ongoing debate on health policy shows that trust in the current healthcare system has been eroded. Insured persons and patients alike find themselves in a state of uncertainty and many health professionals are frustrated.

The upheavals of the last few years have left profound traces in their wake. As efforts to satisfy the growing, changing and ever more individualized demand for health benefits in an ageing population while at the same time not imposing too heavy a burden on the solidarity-based system of health insurance, pressure on spending has constantly increased. On the one hand, the financial "thumbscrews" have now been firmly tightened, while, on the other, vigorous protests have resulted in a partial loosening of the "reins", so that not only hospitals but also family doctors have been provided with additional funds under the latest reforms. Yet neither the service providers nor the service users have been permanently pacified by these measures, let alone has there been any solution to problems such as raising efficiency without prejudicing quality, or applying a system of remuneration consistent with the services provided and offering appropriate incentives while also satisfying the requirements of thrift.

The future regulatory framework must therefore provide for freedom and flexibility so as to give new approaches and innovative conceptions a chance. Medicine is changing, with new treatments constantly being developed. Moreover, medical advances pay no heed to traditional forms of organization and sectoral boundaries. Progress is impeded by sector-specific regulatory structures in relation to remuneration systems, economic viability analyses, demand planning exercises and the like. Such processes must be either modified or abandoned.

At the same time, the expectations and needs of insured persons and patients are changing on account of the increasing diversity of individual lifestyles in an open and dynamic society. The plurality of healthcare expectations and demands must therefore be matched by an equal diversity of services and benefits.

Demographic change is another factor that makes for an increasing emphasis on health issues in society. The expected increase in demand for healthcare services will impose an even heavier financial burden on society.

The future changes on the demand side will necessarily entail modification of structures and processes to a greater extent than hitherto if efficient, affordable care tailored to the needs of the population is to be guaranteed. This is the only way to ensure that everyone can benefit from medical progress in an ever more demanding environment.

In accordance with the principles of the social market economy, which has proved its worth even in crisis situations, in the field of healthcare a *social health economy* appears to be an appropriate regulatory framework for ensuring patient welfare, maximizing benefit to the community and at the same time satisfying the requirement of economic viability.

THESIS 2

"COST CONTAINMENT LAWS" HAVE RESULTED IN A PUBLIC PERCEPTION THAT HEALTH SPENDING IS A MERE COST FACTOR. IN FUTURE, HEALTH SPENDING MUST BE SEEN MORE AS AN INVESTMENT IN "HUMAN CAPITAL". THE PERCEPTION OF HEALTHCARE SPENDING MUST THEREFORE CHANGE.

Advances in medical technology and the challenges of demography have until now been seen as mere cost factors – a perception that, all things considered, is hardly conducive to an innovative environment. An excessively narrow view is still taken of the economic importance of healthcare, which is usually regarded only as an entry on the debit side. It is only in the last few years, on account of low growth rates in the traditional industrial sectors, that at least the rudiments of a new conception have appeared. The health economy is increasingly recognized as a growth market. Another element of this realization has been the fact that individuals are increasingly willing to spend more on health, over and above the scope of reimbursable healthcare benefits.

One is justified in hoping that healthcare can develop into a sector of the economy relatively immune to the fluctuations of the economic cycle and with a high growth and employment potential. It is an engine of the economy which must be considered and measured in a different way, since its contribution to aggregate value-added and the level of employment is probably greater than that recorded by current measures.

Improved health is an important precondition of higher productivity and greater prosperity. Healthy growth to adulthood and healthy ageing, coupled with reduction of avoidable invalidity, disease and mortality, are just as beneficial to the population's quality of life as the competitiveness of the national economy. Like spending on education, health expenditure is an investment in a society's "human capital". To this end, the available resources should be used so as to maximize the benefit to both the individual and the community and so as to achieve the greatest possible gains in terms of health.

This calls not only for transparent organizational structures and processes. After all, a strong state, as a "guarantor state", monitors such factors as quality, social equality, equality of opportunity and fairness, and ensures that all actors in the healthcare field can rely on the freedom and flexibility which they need. Lastly, as a part of its legislative competence, the state also guarantees the observance of values at all levels, from that of the individual doctor-patient relationship to the organization of healthcare enterprises and markets.

THESIS 3

IN HEALTHCARE AS ELSEWHERE, "CONSUMER SOVEREIGNTY" IS THE ENGINE OF DESIRABLE CHANGE.

Only a few years ago, combining the words "health" and "economy" unleashed intense defensive reactions, but today the opportunities and risks presented by the combination are being seriously debated. A crucial aspect of this development has been the evolution of the roles of the relevant market entities. Something that few had expected is now increasingly in evidence: everything is coming to centre on the patient. It is not very long since an expert-dominated supplier market was the rule, but we are now witnessing ever growing autonomy on the part of insured persons, patients and their families.

The increasing use of the Internet has contributed substantially to this situation. Some 40% of patients already seek information online about their condition before visiting the doctor and then use the web to learn more about their diagnosis and proposed treatment after the consultation. This trend will become even more marked in the next few years. New web-based forums also now rate healthcare and social welfare provision in terms of quality, content, service level and value for money. In addition, traditional forms of communication such as brochures and media reports, as well as personal recommendations, remain available. As people have come to see themselves as mature citizens in

charge of their own lives, this attitude has increasingly taken root in the field of healthcare as elsewhere.

The evolution of the population's needs and demands, bound up with manifest shifts in individual spending patterns, demonstrates the appreciable structural changes to which the healthcare sector is subject. Furthermore, as stated earlier, people are willing to contribute from their own pockets to health and social benefits. This represents only the beginning of a trend, as until now any private health commitment by individuals has tended to be seen as a problematic expression of social inequality and injustice as reflected in a two-tier system of medical care. Tax incentives can induce insured persons to increase the extent of their individual healthcare provision. A possible model is the system of contributory retirement pensions and the associated fiscal concessions, especially as regards the accumulation of capital sums.

In view of the high value attributed to health both by individuals and in terms of the economy as a whole, the health economy is to a great extent an "economy of trust". To enable insured persons, patients and their families to tread this new path, a new culture of trust is needed in the field of healthcare, and must in turn be based on reliable and generally accepted ethical values. Healthcare enterprises can make an appreciable contribution in this respect by ensuring that ethics, in addition to a professional culture of communication, is deemed an integral part of their corporate strategy from the outset.

By the avoidance of misdirected incentives and inefficient structures, as well as the promotion of competition directed towards securing better quality and lower prices, a future regulatory framework for the healthcare sector will help to reduce the existing social imbalances in the field of health (which are after all present in all societies). The opening up of markets previously regulated by the state to market-economy competition is advantageous to the consumer, as the examples of the postal service and the IT and telecommunications sectors have shown. A similarly favourable result can be expected in the case of a *social health economy* too.

THESIS 4

THE HEALTHCARE SECTOR IS IN THE THROES OF RADICAL CHANGE. PROVIDERS OF HEALTH-RELATED PRODUCTS AND SERVICES MUST EXPOSE THEMSELVES TO QUALITY AND PRICE COMPETITION.

In view of the far-reaching changes taking place on the demand side, providers in the health economy would be well advised to adopt a welcoming attitude to the new challenges. Whereas insured persons and patients are interested solely in solving their problems and obtaining a favourable outcome, a large number of healthcare providers continue to adhere to outdated structures. The vision of many remains centred on their own institutions.

Insured persons and patients want to see their health problems solved by the provider who can best satisfy their wishes and expectations. Efficient providers on the healthcare market will succeed in supplying their goods and services at a good price/performance ratio and, in the longer term, in developing and offering a "brand-based healthcare" of outstanding quality.

"Brand-based healthcare" presupposes structured processes in the organization of treatments. For this reason, a combination of different methodological and technological approaches is essential. In this connection, appropriate system partnerships are a significant element in successfully meeting the challenge of change.

In view of the complexity of structures and processes in the healthcare sector, information technology is particularly important. IT is the technical foundation of brand-based healthcare. Without it, a successful system partnership between the various actors in the fields of industry, service and medicine would be inconceivable. Mastery of the complex logistics of the health economy is thus a key component of success.

The change from the traditional institution-based system to one governed by innovative processes requires providers on the healthcare market to come together; this is the only way to ensure that the multiplicity of suppliers results not in a confusing fragmentation of offers as in the existing situation, but in a network of provision within which "consumers" can easily find their way. Some initial positive examples can already be discerned: more and more hospitals are developing into comprehensive complexes offering a wide range of health-related goods and services, including such facilities as patient hotels, specialty and specialist clinics, health centres, medical care centres, diagnostic centres, wellness centres, conference venues and health malls.

For a long time, preserving the existing stock of institutions and organizations was a prime concern of the healthcare sector, even when policymakers had already begun to consider the need for change in the regulatory framework. Economic pressure constantly increased, but resources were channelled as before into the traditional structures. For years on end, anything new or innovative ran into the buffers of the established, ossified institutions. This held back progress in a manner whose effects are still being felt today, albeit to a significantly decreasing extent.

Healthcare providers must develop new business models consistent with the changed needs of society. A one-size-fits-all approach will no longer be acceptable in the future. The diversity of goods and services offered must conform to the varied range of user expectations. Differentiated solutions are required. Increased mobility, efficient IT systems, telemedicine, novel forms of cooperation and new professional profiles constitute the basis for innovative structures and models in line with demand.

THESIS 5

STATUTORY AND PRIVATE HEALTH INSURANCE MUST COMPETE WITH EACH OTHER ON QUALITY AND EFFICIENCY.

Today's statutory and private health insurance funds are becoming more and more alike, and should in the future be enabled by a new regulatory framework to compete with each other in the benefits they offer.

The duality of private and statutory health insurance is increasingly proving to be obsolete. A new regulatory framework for the health insurance system is needed, with a common market for all providers and with prices determined by competition, as well as a greater diversity of benefits and more choice for insured persons.

Alongside a high-quality system of basic care with solidarity-based funding, supplementary insurance arrangements will become more widespread. In the future, the statutory health insurance funds will meet the cost of basic health benefits and essential medical care. Any additional benefits will be covered by appropriate supplementary insurance and/or be paid for privately.

Social hardship must be prevented by the fiscal treatment of health expenditure, thus avoiding the present situation in which the poorer sections of society are at a disadvantage in terms of morbidity and mortality rates.

A common insurance market calls for a single statutory framework for all health insurance funds as well as a unified state system of supervision to replace the current separate supervisory arrangements for private and statutory funds. It also requires a large number of detailed new provisions, including, for example, compulsory risk structure equalization.

A health insurance system based on a regulatory framework with new priorities will yield significant improvements, as the increasing competition will help to solve many acute problems, especially those facing the statutory health insurance funds, thus ultimately benefiting all insured persons.[4]

THESIS 6

HEALTH IS A HIGH-PRIORITY CROSS-CUTTING ISSUE. BECAUSE ITS ECONOMIC EFFECTS EXTEND TO MANY DIFFERENT SECTORS, IT IS AN IMPORTANT ENGINE OF INNOVATION.

Healthcare is developing into one of the principal spheres of the economy and as such has favourable effects on a number of other sectors. It has the potential to become an important engine of economic innovation, for instance in the construction and housebuilding sector, the medical devices industry and the specialist medical trade, information technology, the food industry, health tourism and the sports and leisure trade. Other potential beneficiaries are the automotive industry, especially in connection with research on accident prevention and vehicle safety, and many other fields to which the slogan "health in all policies" applies.

For all the differences observed, however, healthcare is an economic sector *sui generis*, which contributes substantially to the creation of value-added and to employment, so that in these terms it is perfectly justifiable to compare it with the automotive industry, engineering or tourism.

It is comparatively independent of the fluctuations of the economic cycle, because the demand for health-related services is constant. This has the consequence of stable growth and a relatively secure labour market. Moreover, unlike many other sectors healthcare is virtually unaffected by the threat of transfers to other countries.

Many spearhead technologies are used in the healthcare sector, for instance in medical engineering and the pharmaceutical industry. Achievements in research and development outstrip those in most other spheres of the economy.

The sector is substantially "globalization-proof"; its value-added is on the whole of local origin, especially where not only large but also many small and medium-sized enterprises are involved. Healthcare's stability is its particular mark of distinction in the balanced portfolio of sectors that make up the economy as a whole.

THESIS 7

HEALTHCARE PROVIDES MORE JOBS THAN ANY OTHER SECTOR OF THE ECONOMY. THIS POSITIVE TREND ON THE LABOUR MARKET MUST CONTINUE TO BE ENCOURAGED.

Approximately one worker in ten in the EU is employed in healthcare. This means that it is already the sector with the most jobs. Some 70% of health spending is accounted for by wages and salaries. Growing awareness of health issues and changed expectations on the part of the population are leading to a demand for new products and services, with the consequence of changes in the employment situation in the healthcare sector.

New professional profiles are emerging, for example in telemedicine, health promotion and nursing, in nutritional advice or in management. In addition, the changed orientation of non-medical therapy-related professions, such as speech therapy, physiotherapy, hospital logistics or nursing science in general, is vigorously boosting activity on the labour markets for health workers. In inpatient and outpatient care, prevention, the proactive care of the chronically sick and institutions offering high-tech inpatient treatment, employment opportunities for skilled workers abound in fields other than the established professions.

In this context, new ideas must be injected into the public debate on the alleged cost explosion in healthcare and the

associated rise in non-wage labour costs. These last costs can be reduced by new funding approaches. However, even health spending with wage- and salary-dependent funding has greater, multiplicative effects on economic growth than an increase in expenditure on pensions.[5]

The experience of other countries shows that a greater division of labour in the health sector results in the creation of attractive new professions and an increase in comparatively stable employment. Active promotion of these new health-related jobs is also an important measure for making therapeutic professions, such as those of doctors and nurses, more attractive again, so that their numbers will remain sufficient in the future to provide for the care of all sections of the population throughout the country.

THESIS 8

NEW SYSTEM PARTNERSHIPS AND THE DIGITAL INDUSTRIALIZATION OF MEDICINE RESULT IN INDIVIDUALIZED HEALTHCARE PROVISION TAILORED TO THE DIVERSITY OF PERSONAL HEALTH-RELATED INTERESTS OF INSURED PERSONS AND PATIENTS.

Scientific and technical innovations lead to rapid progress in medicine; organizational and structural innovations can make for similar advances in the healthcare system. The existing, traditional organization of healthcare provision can no longer satisfy the justified demand for quality and efficiency. The aim must be to arrive at an improved health system better suited to the satisfaction of individual needs.

Good medical care at affordable prices for all can be provided in the future only if the creativity of the actors in the healthcare sector is aroused and stimulated by appropriate competition-oriented contextual conditions. For instance, firms can be encouraged to a greater extent than hitherto to undertake essential modernization. For this reason, in the reorganization of the healthcare system it is increasingly necessary to espouse some of the fundamental innovative principles practised in industry today – in particular, that of "individualized standardization".

The forthcoming competition on the healthcare market will compel providers of the relevant services to concentrate on optimizing their solutions to health-related problems.

A particular focus of interest will be healthcare management. Quality and efficiency can be enhanced by the application of up-to-date notions of service and technology. System partnerships between industrial and service enterprises on the one hand and medical care providers on the other will lead to a system of healthcare more closely matched to the individual wishes of insured persons and patients.[6] The use of modern management methods and technologies in the field of health continues to lag appreciably behind their application in other sectors.

Through individualized standardization, modern technology permits the implementation of patient-centred treatment approaches. A revolution is therefore currently under way in the organization of healthcare, combining the principles of today's industrial society with those of the future network society in the interests of patients.

The new forms of cooperation and networks call for an ethical foundation in healthcare that is no longer confined to traditional medical ethics but is also reflected in corporate and organizational ethics.

THESIS 9

TRADITIONAL STATUTORY STRUCTURES IMPEDE THE HEALTH ECONOMY. THEY MUST BE REPLACED BY A REGULATORY FRAMEWORK THAT PERMITS ECONOMICALLY VIABLE WORKING AND PERMANENTLY SAFEGUARDS QUALITY.

"Normalization" of the healthcare sector must be facilitated by policymakers through the elimination of obstacles. For example, the dual system of hospital funding must be abolished and replaced by single-source financing.

The fiscal treatment of healthcare services also needs to be reconsidered in a situation of increasing competition. Special provisions, such as exemption from value-added tax and state support for investment, were originally introduced with the best of intentions and incorporated in a rigid social welfare system, but are now proving more and more dysfunctional in their effects. For instance, the VAT exemption prevents service providers from deducting input tax. This means that intermediate inputs for, say, hospitals are taxed at an average rate of 14% (for a mix of goods and services subject to differing rates). As a result, the intermediate input percentage for German hospitals is appreciably lower, at 30 to 35%, than in other sectors of the economy and for the hospitals of our European neighbours.

The exemption of healthcare services from value-added tax, coupled with the inability to deduct input tax, is seen to pre-

sent an obstacle to division of labour and to efficiency, thus impeding innovation in the health system. For this reason, the proposal that a reduced VAT rate of 7% be imposed on all healthcare services, offset by the right to deduct input tax, must be taken seriously and considered in detail.

Calculations show that the overall monetary effect of the imposition of a reduced rate of value-added tax would afford scope for the introduction of single-source funding for hospitals. The saving of 2.3 billion euro in health insurance would offset the subsidy of some 2.7 billion euro currently provided under the Hospital Funding Act less the approximately 430 million euro of VAT paid on this sum. The burden on the state would be reduced, thus compensating for the loss of revenue resulting from the input tax deduction.[7]

Another example of the impediments resulting from traditional sectoral provisions is the selective effect of antitrust legislation on healthcare organizations. On the demand side, the regional market is dominated by established health insurance funds, some of which have a market share exceeding 50%. Hospital operators, for example, cannot meet this demand by an appropriately organized regional supply structure because as currently applied the antitrust laws prevent the formation of powerful regional consortia in a single enterprise.

A number of traditional regulatory and legislative codes and provisions stand in the way of the necessary root-and-branch modernization. Professional codes are no less to blame than the criminal and civil law, the law of liability, the law governing insurance and data protection, and many other laws and regulations. For instance, the rapid introduction of telemedicine is impeded by the blanket ban on in absentia treatment and by other bureaucratic restrictions. Another example is the inadequate relaxation of the ban on multiple ownership of pharmacies. Again, the limitation of certain functions in the healthcare system to specific professional groups is no longer appropriate in the current situation and presents an obstacle to modern forms of cooperation capable of meeting the demands of the future among the various actors in the field of healthcare.

THESIS 10

A *SOCIAL HEALTH ECONOMY* WILL STRENGTHEN EUROPE AS A BUSINESS LOCATION. THE BUILDING BLOCKS OF A FUTURE EUROPEAN HEALTH INSURANCE SYSTEM MUST BE ASSEMBLED.

Approximation of the social welfare systems and of the benefits which insured persons are entitled to receive from healthcare providers and funding institutions, irrespective of country of residence, is an important aim in the completion of a single European economy. The Beveridge and Bismarck systems are drawing closer together.

In view of the provision for national autonomy in the organization of social welfare systems and the current significant differences in the efficiency of the individual systems, new approaches suitable for Europe-wide application must be sought. An example might be the formulation of EU-wide standards for the scope of supplementary insurance packages, which would provide insured persons with uniform health cover throughout the territory of the European Union regardless of the extent of benefits allowed for under national systems.

Differences in national benefit packages and possible overlaps with supplementary insurance packages would be offset by differential premium levels for identical products in the individual countries. Each EU Member State would still be

able to provide incentives for its citizens to purchase these products by way of separate transfers and fiscal measures.[8]

The debate in the last few years on the further development of statutory health insurance has often had too narrow a focus. It is a matter not only of providing for the healthcare needs of the German population in a changed environment, but also of arriving at solutions appropriate for the future in an ever more open European Single Market. At the same time, it is essential to ensure that people are entitled to receive help in existentially threatening situations such as, in particular, illness even if their individual financial resources are insufficient to meet the cost. The fundamental principles of a future European health insurance system must therefore be consistent with the satisfaction of these requirements, which are a consequence of the European Single Market.

Hence the importance of compulsory insurance extending to all persons living in the European Union. In return, the health insurance funds must be required to insure anyone irrespective of their individual situation. Compulsory insurance and the obligation to contract are inseparable elements of a social health insurance system.

The core of the insurance system is compulsory application of the principle of solidarity between the healthy and the sick. This applies to all members of society, as everyone is at risk from illness. Solidarity with the socially disadvantaged, with spouses and partners who are not economically active and with children must be governed by the state transfer system, as this is the only way to achieve a maximum of social justice.

NOTES

1| Henke, K.-D., Lohmann, H. et al.: Bessere Medizin zu bezahlbaren Preisen. Mehr Qualität und Effizienz durch Wettbewerb. Plädoyer für die Stärkung des Bürgers im Gesundheitswesen. Published by the Konrad-Adenauer-Stiftung. Sankt Augustin and Berlin 2006. Also available in English: Better Health Care at Affordable Prices – Higher Quality and Greater Efficiency through Competition. Sankt Augustin and Berlin 2006.

2| On this point, see for example Gethmann et al.: Gesundheit nach Maß – Eine transdisziplinäre Studie zu den Grundlagen eines dauerhaften Gesundheitssystems. Forschungsberichte der Interdisziplinären Arbeitsgruppe der Berlin-Brandenburgischen Akademie der Wissenschaften, Vol. 13, 2005, p. 147 ff.

3| Jenaer Aufruf zur Erneuerung der Sozialen Marktwirtschaft. Published by the Konrad-Adenauer-Stiftung. Sankt Augustin and Berlin 2008.

4| In this connection, see in particular: Henke, K.-D.: Zur Dualität von GKV und PKV. In: Henke, K.-D. (ed.): Gesundheitsökonomische Forschung in Deutschland. Themenheft Jahrbücher für Nationalökonomie und Statistik, Vol. 227, issue 5/6, Stuttgart 2007, pp. 502-528.

5| In this context, see also the simulations using the DIW [German Institute of Economic Research] version of the econometric model of the economic cycle produced by the economic research institutes concerning the macroeconomic effects of an increase in health insurance contribution rates dating from the 1990s; Sachverständigenrat für die Konzertierte Aktion im Gesundheitswesen, Sondergutachten 1997, Gesundheitswesen in Deutschland, Kostenfaktor und Zukunftsbranche, Vol. II: Fortschritt und Wachstumsmärkte, Finanzierung und Vergütung, Baden-Baden 1997/98, p. 45 ff. and appendix to Chapter 1.

6| On this point, see: Lohmann, H., Rippmann, K.: Medizin im Zentrum des Wettbewerbs: Systempartnerschaften in der Gesundheitswirtschaft. In: Preusker, U., Lohmann, H. (eds.): Geschäftsmodell Systempartnerschaften: Die Digitale Industrialisierung der Medizin. Heidelberg 2009, pp. 1-6.

7| On the fiscal treatment of healthcare benefits, see firstly: Neubauer, G., Beivers, A.: Steuern zahlen hilft sparen. In: Preusker, U., Lohmann, H. (eds.): Geschäftsmodell Systempartnerschaften: Die Digitale Industrialisierung der Medizin. Heidelberg 2009, pp. 115-124; and secondly: Richter, W.: Zur zukünftigen Finanzierung der Gesundheitsausgaben in Deutschland. In: Perspektiven der Wirtschaftspolitik, in press. This includes the following passage [translated]: "There are powerful economic arguments in favour of making health-related services, or at least those which are not medically essential, subject to VAT. They would then no longer be rendered less expensive in relative terms, thus correspondingly distorting demand. On the other hand, the Sixth Value-Added Tax Directive stipulates that hospital and medical care shall be exempt from VAT. Hence any contemplated simple extension of compulsory VAT to healthcare would be incompatible with European law."

8| On this point, see in particular: Maydell, B. v.: Enabling Social Europe. Berlin 2006.

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