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## **Higher Quality and Greater Efficiency through Competition Arguments for Strengthening the Citizens' Position in the Health System**

**Positions of the discussion group 'Innovation in Health Care' of  
the Konrad Adenauer Foundation**

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# Content

Introduction	7
Better Health Care at Affordable Prices Higher Quality and Greater Efficiency through Competition: Arguments for Strengthening the Citizens' Position in the Health System	9
Thesis 1 A contractual principle instead of budgetary regulation	11
Thesis 2 Legal obligation to transparency	13
Thesis 3 Elimination of competition distortion	14
Thesis 4 Reasonable prices create competitive advantages	15
Thesis 5 New forms of health service supply	16
Thesis 6 Overcoming outdated insular healthcare structures	18
Thesis 7 The healthcare guarantee remains a social responsibility	19
Thesis 8 Maintaining social justice and quality-based healthcare	20
Thesis 9 Organizational ethics and changes in corporate culture	22
Thesis 10 Urgent improvements in medical education	24
Concluding Remarks	26
The Authors	27

# Introduction

The quality of healthcare in Germany is of a high standard. Ensuring stability and further improvement is the central concern of a responsible health policy that targets the needs of sick people.

In view of increasing financial restrictions within the health service a new operational framework is required in order to create lasting improvements in quality and efficiency. The objective is to guarantee access to good healthcare for everyone, today and in the future.

Health is an important fundamental value and one of the highest goods. The way sick people are treated is a very clear indicator of the level of human and social warmth within a society. Health policy has to be built around these reference points.

This paper outlines key points for a future healthcare system in Germany. It defines an objective focused on the sick person and their needs; and it describes an economically and politically viable way to attain this objective.

We hope this paper makes a productive contribution to the ongoing debate on healthcare reform, not only in Germany.

# **Better Health Care at Affordable Prices**

## **Higher Quality and Greater Efficiency through Competition: Arguments for Strengthening the Citizens' Position in the Health System**

How can we guarantee ongoing access to modern medicine for everyone in Germany in the future? The answer to this question is one of the central challenges facing our society at the beginning of the 21st century. Increases in life expectancy, the existing high standards in health care, and advances in health care and medical technology are most certainly positive developments. However, fundamental changes in the healthcare system have become essential as a result of growing demands for healthcare services and increasing healthcare expenditures, whilst financial resources are limited. Financial and healthcare coverage during illness is a social achievement which has to be maintained. Nevertheless, a new framework is required. In a time of high unemployment, low economic growth, and ailing financial conditions in many federal states and communities, the financing of healthcare has to be sustainable and suited to the needs of all generations. It also has to be separated from wages and salaries. In addition to this, reforms are necessary in the expenditure sector.

Making good health care at affordable prices available to all in the coming years can only be achieved on the basis of a consistently developed competitive healthcare system. This is why the existing rigid and overregulated system has to be replaced by a dynamic, yet socially responsible, system based on competition. This applies to the reorganization of insurance systems for both healthcare and long-term nursing care, as well as to the providers of healthcare and nursing services.

The German legal framework already provides openings for the formation of a more competition-oriented healthcare system. This leeway should be put to greater use. The reform efforts of recent years, in particular the public healthcare system modernization law which came into effect in 2004, contain steps in the right direction. But crucially necessary reforms have to be introduced with speed and determination in order to secure the healthcare system for the future.

Humanitarian and economic aspects are not contradictory terms in this context. Strengthening market economy elements in the health sector does not lead to disadvantages for the patients. On the contrary, it ensures that healthcare remains at a high standard in the long run. Demographic change, medical advancements, and increasing health care expectations present new ethical challenges for the healthcare system. A new operational framework is required in order to be able to effectively meet these challenges for the well-being of sick and needy people. Curing illness and reducing pain and suffering are ethically legitimated goals of medicine. The way a society treats its sick is a good indicator of that society's sense of humanity. Healthcare policy must continue to remain true to these basic values in the future.

The following theses contain concrete measures on how a competition-oriented, patient-friendly, cost-effective, and socially supportive healthcare system can be put into practice.

## Thesis 1

**In order to improve quality and efficiency and safeguard their long-term continuity, a new contractual principle must replace the present budgetary method of regulating the healthcare system.**

By adhering to the still valid guiding principle of ‘uniform and mutual’ contractual activities between service providers and state health insurance companies, responsibility for the consequences of actions becomes dissipated in the mass of collective regulations. The present regulatory framework offers only very inadequate saving incentives, whilst efficiency and quality are insufficiently encouraged. The overwhelming profusion of prescriptive regulations often stifles the creativity of individual incentives from the very start. In order to meet challenges and at the same time achieve high quality services at affordable prices, entrepreneurial activity must be encouraged at all levels of healthcare management.

The role of the state must change from being a ‘provider’ to becoming a ‘guarantor’. The future task of the ‘guarantor state’ is to create a competitive operational framework for the healthcare system whilst safeguarding and monitoring quality and standards of care.

In the healthcare system of the future the state would regulate *which* standard services are guaranteed by law, but not *how* they must be carried out. Healthcare services will be delivered on the basis of competition among the different healthcare providers, and it will be irrelevant whether the healthcare providers are private or state sponsored. It is the state’s duty as guarantor, and not as provider, to create the framework for fair and patient-oriented competition.

In the future, the state would steer the healthcare system by monitoring the achievement of qualitative healthcare objectives, not by controlling the administration of medical and technological services.

## **Thesis 2**

**All providers of healthcare services must be legally bound to transparency through the publication of qualitative results, thereby enabling patients to choose with greater autonomy and self-responsibility between different service options.**

In the future healthcare services must target the needs and interests of the patients more directly. This will entail greater transparency in the quality and prices of services offered, so that patients can differentiate and make more informed choices between good and poor services and service providers. A gradual and competent approach to a liberal and quality-oriented healthcare system is essential.

The use of evidence-based medicine, clinical treatment paths, and treatment guidelines improves the quality of health care and increases efficiency. Within the future framework of the market-oriented system the state would regulate equality of opportunity among providers of healthcare services and safeguard the interests of patients through regular publications of rendered healthcare services. Competition will ensure the desired efficiency of management and programmes.

The legal foundations for this development are already in place today. It is the responsibility of all the people involved to transform the aims into reality.

### **Thesis 3**

**The current competition distortion created by direct and indirect subsidies for the various providers of outpatient, inpatient, and rehabilitative services must be eliminated along with the bureaucratic rules and regulations governing the allocation of public subsidies. This is the only way to create the necessary conditions for fair competition, and consequently a better environment for the increased commitment of private investment in the healthcare sector.**

Competition distortion is currently caused by the dual financing system of hospitals as well as by state subsidies which compensate for the losses and liabilities of university clinics. Bureaucratic contracting regulations for public subsidies and investments also impede quality and efficiency in health care provision.

Consequently, the state will have to withdraw from institutional patronage and make monistic financing of healthcare services via prices, i.e. insurance contributions, a rule. This reorganization does not mean that costs and insurance contributions will automatically increase, since financing from a 'single source' results in greater economic efficiency.

## **Thesis 4**

**Efficiency and quality must bring rewards: providers of good and reasonably-priced health care enjoy a competitive advantage and will gain an edge over providers of lower quality and overpriced medical services.**

Good health care at affordable prices must have priority. It develops in a modern system through the integration and interlinking of services. Medicine in general is becoming more interdisciplinary and inter-professional, and this requires new, forward-looking integrative forms of cooperation.

In this respect it is particularly important to connect medical services in regional areas via ‘portals’, i.e. linking decentralized healthcare centres with medical competence centres in the cities. Since the quality of complex services corresponds with the number of cases, the future of the healthcare system does not lie in preserving small medical units at all costs.

It is far more important to use the advantages of modern technology, for instance tele-medicine, in order to link decentralized centres with major state-of-the-art facilities. This applies mainly to ‘technological’ and not to ‘attendant’ medicine.

The future task of the state is not to ensure the continued existence of all healthcare institutions. Its task is to protect the interests of the patients and guarantee their health care within the framework of a new insurance supervision assignment.

## Thesis 5

**The proposed contract system must broaden the scope of possibilities allowing any individual health insurance company or group of companies to place their demands for service complexes in treatment, either at complex prices or at case-based flat rates, with any healthcare provider (physicians, groups of physicians or hospitals).**

In a contractual system preventive, outpatient, inpatient, rehabilitative, and long-term palliative care, as well as pharmaceuticals and other therapeutic services and products, are combined as treatment or service packages. The present separation of the various healthcare sectors has to be overcome by optimizing treatment sequences from the beginning to the end of an illness, or within a given time frame. A great number of services and treatment packages would be combined into so-called ‘containers’ in order to streamline the contractual relationship and improve market transparency. It also has to be possible for the providers and groups of providers to team up and form supra-regional ‘brand-name medical pools’ enabling them to cooperate with nationwide health insurance companies or groups of health insurance companies.

To this end the state should further relax the existing regulations on integrated care (for instance, according to § 140a-e SGB V) in order to create the necessary conditions for a differentiated supply of ‘brand-name medicine’.

The method of remunerating the different service providers with their various services would certainly be different in this competitive system of service provision, for instance via network budgets or combined budgets. It is also conceivable that the insured person might decide to opt for a package with certified doctors and hospitals and consciously abandon his right to free choice of phy-

sician, in order to be treated 'by the best' and at more favourable prices.

In every case the contractual obligations must ensure that the insurance companies exclude no one from basic insurance, and that the insured persons are able to exercise their freedom of choice.

## **Thesis 6**

**The outdated strict demarcations between outpatient, inpatient, and rehabilitative health care must be overcome by reciprocal openings in the healthcare structures which have so far been isolated because of different methods of financing and reimbursement.**

In many industrial countries health care is offered in a variety of healthcare facilities depending on the respective patient's needs. In Germany there is a continuing tradition of strict divisions between the sectors. This structure, with its various forms of guaranteeing healthcare services resulting from competition, would no longer be appropriate in a contractual system. Therefore it must also be possible for hospitals to treat patients as outpatients without restriction, and registered doctors in private practice must be able to work in hospitals more than in the past.

Thus, the state's future task would be to adapt the remuneration system in such a way as to overcome competition distortion in the areas of financing, payments, and taxation. This includes a fundamental reform of the risk structure compensation scheme.

## **Thesis 7**

**Guaranteeing healthcare for everyone in the event of illness must remain a social responsibility, but without unduly impeding competition.**

In a competition-oriented system of the future there will be no more room for demand cartels, provider monopolies, or state protected 'preserves'. This means that central demand planning by the 'associations of health scheme doctors' (Kassenärztliche Vereinigung) and central hospital planning by the state must be gradually phased out and transformed into a newly established system of supervision. A regulatory authority is essential for this, and in the future this role could be assumed by the existing federal social insurance authority (Bundesversicherungsamt). The associations of health scheme doctors would also be dissolved in this process. The providers of healthcare services will have to prove themselves with their various goods and medical services within the healthcare market. Healthcare providers who breach the set quality regulations would be prevented from further activity.

The state must guarantee nationwide healthcare by means of a suitable operational framework and related incentives for the health insurance market. This could be done, for example, by obliging healthcare insurances to contract with service providers or to cooperate with other insurers who are capable of doing this. Fair competition will be guaranteed by an appropriate operational framework which will prevent ruinous and distorting conditions for all participants in the healthcare market. By exercising their respective choices the insured and the patients will decisively influence the future development of prevention, curative treatment, rehabilitation, long-term nursing, and palliative medicine.

## **Thesis 8**

**The necessary reforms in healthcare involve ethical questions and value judgements. Social justice and patients' rights will continue to be safeguarded in the future through a new, competition-oriented operational framework ensuring high quality health care at up-to-date standards of expertise.**

Although the German healthcare system provides excellent services of high-level quality and efficiency, improvements are possible and necessary in a variety of areas. Poor quality and perpetual inefficiency in the health system are synonymous with a waste of limited resources which result in a loss of health care for the people as a whole. Such losses can be neither economically nor ethically justified. A lasting increase in quality and efficiency must be ensured by means of an improved operational framework.

Guidelines and orientation points are indispensable for the patients' well-being and for ensuring social justice in the healthcare system. Healing sickness and reducing suffering are ethically high goals of medicine and are principles of a humane society. Consequently, they must be supported by an appropriate repositioning of healthcare policies.

Competitive market structures have proven effective in many areas and, in conjunction with state supervision and accompanying social controls, they correspond to the humanistic Christian concept of mankind which goes hand in hand with responsibility and co-determination. A stronger competition-oriented framework could also provide incentives in the healthcare system which lead to greater efficiency and quality, and consequently to better care for patients.

Strengthening responsible actions on the part of all participants in the healthcare system – patients, doctors, health insurance com-

panies, facility providers, and legislators, among others – is an ethically justified priority. Establishing a suitable framework of general conditions which satisfy the specific needs of the chronically ill, terminally ill, and the dying represents a particular ethical and social challenge. Exclusion of the weak who are especially in need of protection and care, must be expressly prevented, and competition in health care must be regulated accordingly.

## **Thesis 9**

**In a competitively organized healthcare system, organizational ethics are of particular significance. In this regard, a change in corporate culture is necessary and must be promoted within healthcare companies.**

Economization in the health sector presents the participating companies with great opportunities – and for good reason: the personnel intensive health sector is seen as a growing market. However, economization requires a special sense of societal responsibility. For this reason ethics must become an integral part of corporate and communication culture. Many people view the present dramatic changes in the health system as a threat to humanity. In the light of increasing competition this presents a particular challenge to businesses actively involved in healthcare provision. Anyone wishing for long-term success in the healthcare sector is dependent on winning the trust of the people. The patients depend on being provided with criteria and information enabling them, as far as possible, to assess the service standards offered and the reliability of the providers. The economy of health is an economy of trust.

Innovative medicine inevitably provokes reflections on medical and custodial ethics in the field of clinical practice. Society quite rightly expects that the people involved in diagnosis, therapy, and caring reach ethically justifiable and humane decisions to the benefit of the patients, even in extremely difficult situations. Solving ethical problems requires a previous understanding of fundamental ethical principles, rules, and norms which are then applied in concrete situations. This involves not only ethical knowledge, but above all communicative skills on the part of medical and nursing staff.

The prevailing medical ethics of physicians and carers has to be expanded into an organizational ethic which embraces all of the people involved in the healthcare economy.

## **Thesis 10**

**The current rate of progress in research and development leads to a doubling of medical knowledge every five years. This creates challenges which the current organizational structures for education, further training, and continuing education in medicine are unable meet. The structure of education, further training, and continuing education must be made more flexible and be adapted to medical realities.**

Medical education in Germany takes place at over 30 university clinics. Despite numerous attempts, there has been little success in eliminating fundamental deficits, especially in the area of practical training. The recent amendment to the regulations governing practice licensing for doctors includes a variety of positive elements for which accompanying scientific monitoring is envisaged. Urgent support is needed in the area of practical training for doctors, which should increase the inclusion of the outpatient sector in the shape of ‘integrated care’ pilot projects.

In Germany the further training of junior doctors also suffers due to deficits in structure and reliability. The actual activities and use of junior doctors result far more often from bottlenecks in staffing than from the envisaged goals of ongoing vocational training. Achievement ratings in further education and training frequently fail to reflect the level of actual hands-on experience, and authentic control over the achievement of further training goals occurs only in part. Further education and training for medical specialists must encompass the entire spectrum of the field involved. Given the increasing specialization of institutions providing health care, fewer and fewer individual institutions cover the spectrum of illnesses required for advanced educational purposes. The solution lies in establishing inter-institutional advanced education programmes with fixed-term rotation schedules and structured learn-

ing content in which individual practices, standard care hospitals, maximum care clinics, and palliative medical units participate. On the organizational side this requires standardized commencement dates for trainees. In addition to this, a standardized examination system should ensure that the specialists have actually achieved the required advanced educational goals.

The dynamic advances in medical knowledge mean that it is vital for physicians to participate in ongoing education. Through the introduction of obligatory Continuous Medical Education (CME), a first, long overdue step has been made in the right direction. However, the stipulated ongoing education requirements must be complemented by the introduction of meaningful instruments designed to monitor the achievement of the specific continuing education goals. The key here is more a question of acquiring and extending competence (Continuous Professional Development – CPD), rather than simply the participation in continuous education measures. This task could be assigned to the newly founded institute for quality and economic efficiency in the health service (Institut für Qualität und Wirtschaftlichkeit im Gesundheitswesen).

## **Concluding Remarks**

The aim of the theses presented here is to stress the urgency of the need for a fundamental reform in healthcare reform in Germany, and to sketch out workable possibilities for attaining a sustainable form of organization.

In many instances the theses tie in with already known facts and legal possibilities based on existing social legislation (SGB V). All of the people involved should demonstrate the courage of their convictions by implementing the currently available competitive elements in the health system to a greater extent.

Legislators face the challenge of acting as a motor and creating the legal foundations for greater competition in the healthcare sector.

There are numerous arguments in favour of this: for instance, seeing healthcare as a service sector which not only creates growth and jobs, but above all generates a solidly founded, future-oriented healthcare system for the well-being of sick and disadvantaged people.

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