

The Importance of Health Sector in Economies of Countries: The Case of Germany

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Abstract

In order to understand the importance of health sector, it is needed to investigate it's scope. By this way, possible contribution of health sector to a country's economy can be analyzed in a better way. In recent years, this sector has become a locomotive of the German economy. Although the global financial crisis in 2008 caused the crisis in Europe and consequently the Euro crisis, the German health sector has continued to grow. More than 25% of the new jobs emerged in the health sector despite the economic crisis. In the introduction part of this study, detailed information about the health sector is provided. In the second part, one of the important components of the health sector: statutory health insurance sector is handled. In the third part of this article, attention is given to the importance of private health insurance sector which is the other important element of the health insurance sector. Moreover, its substantial contribution to the community is discussed. Finally in the last section, conclusions and the results derived are presented.

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1 Introduction

Health sector is responsible for providing the production and marketing of products and the services required for protecting, remedying, and preserving health. This sector covers diverse areas. The leading fields are as follows (Bundesagentur für Arbeit, 2011: 17):

- Ambulatory and stationary treatments are the main areas which are offered in hospitals, institutions in which precautions against illnesses are taken, rehabilitation centers, nursing-care centers, doctors' surgeries, and pharmacies.

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- Pre-service² and supplier industries such as pharmaceutical industry, medicine and gerontological technology manufacturers, and biotechnology and genetic engineering services.
- Retailers and wholesalers of medical, orthopedic, and artisan products necessary for health.
- Sectors close to the health sector including health tourism, spa and wellness, sports, and leisure activities.

A worldwide known consulting firm Roland Berger authorized by the German Ministry of Economic Affairs obtained the result that the global health sector is expecting to grow 6% for each year. Furthermore, the worldwide turnover of the health sector may increase three fold until the year 2030 so that it will possibly reach nearly 20 trillion US-Dollar. In recent years, the German health sector has become an important locomotive of the country's economy (ÄrzteZeitung, 2012). Despite economic fluctuations since 2008, this sector persists its dynamic growth. On the basis of the annual turnover; it is recognized that about 260 billion Euros were spent in 2008 on the health care issue. Moreover, 4.3 million people found more than 800 job opportunities in the health sector in that year. Consequently, 12% of the Gross Domestic Product (GDP) was gained from the health care system in 2008 (Bundesagentur für Arbeit, 2011: 5). According to the statistics of the Federal Ministry of Health, the expenses involved in health care reached 287 billion in 2010. This market has grown by 10.38% from the year 2008 to 2010 based on the revenue (Bundesministerium für Gesundheit, 2013c). Regarding the employment in health system, 4.8 million people were engaged in jobs in the year of 2010 (Statistisches Bundesamt, 2013).

In an interview in one of the leading German daily newspaper Frankfurter Allgemeine Zeitung, the Federal Health Minister Dr. Philipp Rösler explained the relationship between work and health. He stated that a good health is an important factor of productivity which provides a huge benefit for the country's economy. The existing German health care system consisting of medical acute care and fully developed rehabilitation services makes an essential contribution to preserving the economic productivity which gives people the ability to meet their own needs. The health care system is a dynamic business sector with high innovation strength that is of significant economic importance. The number of employed people between 2000 and 2008 has increased by around 500,000.

The downside of the health care system is that it is based on a wage-related financing system. This system is constituted of wage-based contributions of employers and employees. Expenditure increase should automatically be charged by the labor factor. The Minister highlighted that the aim should be decoupling of the health care costs and the additional labor costs³. Moreover, the Minister clarified the reason why the health care sector in Germany is among the most growing industries. He stated that the most important factors driving this trend are the medical equipment progress and the demographic development. Furthermore, there is also a growing health care consciousness

²In German Vorleistung: Pre-Service industries primarily offer pre-service products required for the health sector. The leading services are consisting of procurement of products to pharmacies, technological means in medicine, industrial optics products, and medical laboratories.

³Non-wage labor costs include extra vacation payment, christmas bonuses, surcharges for night work, company bonus for heat, dirt, and special risks, family bonus, housing allowance, relocation allowance, divorce allowance, etc.

among members of the German population. Hence, the health care protection is gaining importance. For example, the demand for wellness centers is increasing with every passing day (Bundesministerium für Gesundheit, 2010).

It is evident that the nursing care industry is the biggest job creator among the health care sector in Germany. It is expected that until 2030 more than 3 million people in Germany will be in need of care. If people live longer, obviously the demand for nursing services will also increase. In this respect, it is assumed that a growing demand for nursing staff will emerge and more jobs will result in this field. But, it will be a great challenge to provide adequate patient-centered care services for the increasing number of old people in need of care. This particularly brings to mind the question of finding nursing staff who have enough motivation for nursing the old people in need of care. At the same time, the aim should be avoiding or at least delaying the occurrence of the need for nursing care with improvements in acute care, rehabilitation, and as well as expanded preventive services. It is essential, therefore, to provide enough staff with the appropriate set of skills for increasing the demand for medical and nursing services. Also, the Minister indicated that the quota for enrolling students in medical studies and nursing care branches should be increased (Bundesministerium für Gesundheit, 2010).

In 2005, German companies in the health care sector exported goods worth about 55 billion Euros. The largest portions of this money were consisted of pharmaceutical products with a percentage of 49% and medical equipment with 19%. Other than these exports from Germany, there were imports of an amount around 47 billion Euros to Germany. As a result, there was a trade surplus of about 8 billion Euros in 2005 (Bundesministerium für Gesundheit, 2013b).

The economic importance of the health care industry reaches far beyond the direct shares of added value and employment. Such a health care sector contributes to better health state of its population. That's why, the health care sector is also the source of strength for the economy's productivity and thus create further added value. Germany has a society with demographic change, in which the labor force is ageing day by day. In 1991, only 9.6% of the labor force were 55 years and older. In 2012, this number has already reached over 15%. This trend continues to increase, especially in the coming years it is likely to persist growing based on the laws and regulations as well as the actual retirement age.

Examining the health sector as an economic factor does not mean that the real significance of the health for people and their life quality is neither ignored nor low attention has been paid to this issue. On the contrary, these are two sides of a coin in which interactions between each are seen. A comprehensive, demand-oriented, and efficient health care system is an essential element of a social system. Also, most of the people in a society including the politicians gives high importance to the health issue which is one of the main driving forces for the growth of the health sector. Health economists define health as a cross-sectoral issue that should be handled by these sectors as an overall social goal (health in all policies) (Bräuninger & Stobbe, 2012: 2).

1.1 Operational Structure of the Health Sector

Germany has one of the world's best health care systems which offers comprehensive health services. The important point in the German health system is that it consists of two classes. These classes are statutory or private health insurance systems. People in Germany can take out either one. People can benefit from the services offered by the system that they belong in case they have health problems. Individuals who fail to fulfill

the terms of private health insurance must be a member of statutory health insurance. Unemployed or low-income people are given statutory health insurance by the German government. Other individuals, people with sufficient income accomplishing certain conditions, have the right to choose the private health insurance. People who do not fulfill the conditions are forced to be member in the statutory health insurance system. Health care institutions prefer customers who have private health insurance. The reason of this situation is that these institutions charge private health insurance companies more than statutory insurance companies (Stern, 2013).

1.2 General Overview of the Health Sector and Distribution of its Employees by Gender

A noticeable issue in the health sector is that the proportion of women is significantly higher than the ratio of men in the population of employees. It is an important fact that in the year 2010 this figure made up 74%. For example, when examining the ratios of men and women concerning some professions in the health sector some important findings are obtained. Looking at statistics, the proportion of women is 41% among dentists, 44% among doctors, and 50% among artisans⁴ in the health sector. On the other hand, the most intensive occupied professions among women are medical technical assistantship (medizinisch-technische Assistenten⁵) by 92%, pharmaceutical commercial assistantship (pharmazeutisch-kaufmännischen Assistenten⁶) by 98%, pharmaceutical technical assistantship (pharmazeutisch-technischen Angestellten⁷) by 98%, and finally dental assistantship by 100%. Regarding to the reports of Federal Statistical Office in Germany, about 4.8 million people were employed in 2010 in the health care system. Comparing to the previous year, it can be seen that nearly 91,000 new jobs have emerged in 2010. Leading professions in these increased employments are staff positions in the care of the elderly, nursing jobs, and openings for physiotherapists. Except dental technicians and engineers working in the health sector, there is an increase in the number of staff in other jobs in the health sector. Employment in health and nursing services⁸ rose by 20% in the last decade. This situation clearly shows that this sector provides a significant contribution to the German economy. One out of every ten social insurance carrier works in the health care sector (Bundesagentur für Arbeit, 2011: 3-6).

Another point to bear in mind in this context is that in contrast to the economic problems in Europe in 2010 and 2011, the growth in the German health sector has continued. According to a published article in one of the leading weekly newspapers in Germany, worldwide famous US-Hungary citizen and financial investor George Soros stated that the Euro crisis is a direct consequence of the financial crisis occurred in 2008 which has

⁴Some of important professions in the health sector for artisans are jobs for optometrists, orthopedic technicians, dental technicians, and other health artisans.

⁵These assistants help doctors in giving necessary instructions to the patient when doing X-ray operation, collecting blood for tests, etc.

⁶These assistants are responsible for sales of products in pharmacy and organizational tasks.

⁷In Germany these assistants work in hospitals or in pharmacies. Duty of this kind of staff is generally preparing special prescribed drugs. As an example: if the product for a particular type of skin disease is not available in pharmacies or in drug markets, these assistants prepare it according to the prescription of the doctor.

⁸In Germany the nursing care and health care sectors are handled separately.

affected the whole world. Because the banks and credit institutes went bankrupt in this crisis, the countries necessarily undertook the tasks of granting credits (Soros, 2011 and Brost, 2011). Due to the crisis in Europe, the financial sector and some other sectors has been shrinking while the health care system has persisted to grow. Thus, new occupation opportunities has emerged. The health sector in Germany has gradually become the locomotive of economic growth (Handelsblatt, 2011).

Furthermore, one of the Germany's leading daily newspapers Die Welt reported in 2011 that the health sector has been booming. According to this news 70,000 new job opportunities emerged in 2012 in the health sector which had the highest growth compared to other sectors. In addition, more than 25% of the new emerging jobs in Germany took place in this sector in 2012. In general, the health sector has a structure which is highly independent from the economic developments (Siems, 2011). In addition to the health expenditures mentioned before, the costs made by individuals for their own health should also be taken into consideration. For example; joining fitness centers, going to spa and leisure facilities, etc. are added to the other previously defined expenditures which in total makes this sector in Germany a marketplace with a turnover of 400 billion Euros. The German Federal Minister of Health stated that the health sector provides high-quality products and services which should be exported to other countries. The German health care institutions and companies may increase their volume of sales by building, organizing, and supplying functioning hospitals, proving medical technology, counseling and treatment of patients over phone (Telemedicine), and supporting with various treatment methods of diabetes (Bräuninger & Stobbe, 2012 and Hamburger Abendblatt, 2012).

1.3 Leading Occupations in the Health Sector

Staff in important jobs of the health sector handled in the statistics can be listed as follows (Bundesagentur für Arbeit, 2011: 17 and Statistisches Bundesamt, 2011):

- Doctors and dentists
- Medical (laboratory) assistants
- Masseurs
- Midwives
- Nurses for handicapped people¹⁰
- Health engineers¹²
- Pharmaceutical production engineers
- Pharmaceutical-commercial employees¹³
- Cleaning and kitchen staff in health institutions
- Courier services for pharmacies
- Pharmacists
- Non-medical practitioners
- Physiotherapists
- Nurses' assistants⁹
- Health care technicians¹¹
- Employees in therapeutic professions
- Dietitians
- Nurses
- Medical bath attendants
- Nurses for the elderly
- Social workers

⁹In German Krankenpflegehelfer: Their duties are observing patients and fulfilling their needs.

¹⁰In German Heilerziehungspfleger: Taking over duties such as caring, educating, counseling, and accompanying mentally and physically disabled people.

¹¹In German Gesundheitshandwerker: optometrist, orthopedic technicians, dental technicians, and other health technicians.

¹²In German Gesundheitsingenieure: These people ensure environment-related health protection. Some of their tasks are infection protection and air pollution, hygiene, and drinking water quality control.

¹³In German pharmazeutisch-kaufmännische Angestellte.

- Medical-laboratory and pharmaceutical technical assistants
- Health-saving professions¹⁴, for example disinfectors, sanitation inspectors, and pest controllers.

1.4 Institutions Available in the Health Sector

In 2009, there were approximately 230,000 companies and businesses in the German health sector (Bundesministerium für Gesundheit, 2013c).

If the distribution of the company numbers by branches is analyzed, the following picture emerges:

- 2,041 hospitals (October 2011)
- 144 statutory health insurance institutions (October 2012)
- 43 private health insurance companies (2012)
- 86,620 doctor's surgery (in the 3. quarter of 2010)
- 21,238 pharmacies (2011)
- 23,660 nursing care facility (end of 2009): 11,634 facilities offer stationary treatment services and 12,026 institutions for ambulant treatment services.
- About 500 biotechnology companies
- 11,000 medical technology companies (2011)
- 1,250 companies (each of these companies provided more than 20 employment opportunities in 2011)
- 10,000 small businesses (2011)
- Approximately 975 pharmaceutical companies

Turnover made in the branches of the health sector are as follows:

- Medical technology: 20.0 billion Euro (2010)
- Pharmaceutical industry: 37.8 billion Euro (2009)
- Biotechnology: 1.07 billion Euro (2008)

2 Statutory Health Insurance Sector

2.1 Beginning of the Statutory Health Insurance Sector and Today

Former German chancellor Otto von Bismarck entered into force the first social security laws so that the first statutory health insurance became effective on July 15, 1883. In the early years of the statutory health insurance, only 10% of the population were insured. Today more than 85%, i.e. almost 70 million people, have statutory health insurance whereas almost 9 million people have private health insurance coverage. The remaining individuals are insured in special health insurances. For example, special free health services (freie Heilfürsorge) are offered to the members of the German army. The prisoners also benefit from this insurance coverage. Statutory health insurance in Germany does not function as a single institution or as a monopoly. This system consists of many independent statutory health insurance companies and people can freely choose and change between these companies (Bundesministerium für Gesundheit, 2012d). German statutory health insurance system has played leadership function for other

¹⁴In German gesundheitssichernde Berufe.

countries since its establishment. The important point of the statutory health insurance is that it is based on the Principle of Solidarity. In more details, the risk distribution is formed by taking from the rich and granting to the poor, from men to women, from employed single people to families, and from employed people to retired people. In short, this system protects financially weak people by claiming more from the financially strong individuals. To achieve this goal, the system demands a premium which is based on certain percentage rate of the monthly income. Here, the implementation of the social solidarity by law in the area of health insurance coverage in the case of Germany is shown. The premium paid by individual does not depend on the number of the insured people, individuals age, or disease risk. Premiums paid by people is dependent on the individual's economic performance. This is measured by the income of an individual (Krankenkassen Deutschland, 2013). For this, people can benefit from services provided by the statutory health insurance in order to meet their own health needs. In other words, the premium paid does not depend on the received health services. However, quality and scope of health services is regulated by law. These offered services must be adequate, appropriate, and economical for the German government. Therefore, received services for the treatment of illnesses should not exceed the required amount. This and many other rights and obligations are determined in the Volume 5 of the Social Insurance Code (Fünftes Buch Sozialgesetzbuch – SGB V). In the statutory health insurance the contributions, i.e. the premiums, are shared by employer and employees. The amount paid by employees is directly cut from their monthly incomes. Non-earning spouse and children of an insured employee are also covered by the statutory health insurance so that they can also use all offered services. Thus, they are also insured in the statutory health insurance (Stern, 2013).

2.2 Operational and Organizational Structure of the Statutory Health Insurance

The most important principle of the statutory health insurance in Germany is that everyone is obliged to have health insurance. That means, it is impossible in Germany to be not insured. By having the statutory health insurance, people want to have insurance against the financial risks which may occur due to the costs related to any kind of disease. Basically, every worker or intern must be insured. A person having statutory insurance can choose his/her insurance company. Other than this, other groups of people can also have insurance under certain circumstances. Some of these groups are as follows (Krankenkassen Deutschland, 2013):

- People who get unemployment money or social help
- Companies in agriculture and forestry and family members working in these
- Artists and journalists
- Teenagers accommodating in private or governmental social institutions (for example houses for problematic teenagers)
- Disabled people

The statutory health insurance premium in Germany was determined as 15.5% of the gross monthly salary as of January 1, 2011. In this case, the share of the employer is 7.3%, while the employee must cover 8.2% (Stern, 2013). The additional contributions or premiums requested by the statutory insurance companies depending on their financial situations, efficiencies, and range of services' regulation form the competitive parameters of the new financing system. Due to the increase in the competition for customer

acquisition between institutions in the statutory health insurance system, the right for the insured people to freely choose the institutions that they will belong to came into force in 1996. Moreover, the risks previously caused because of the customer portfolio have been decreased by a system developed in 1994. This system prevents statutory insurance firms' gaining competitive advantage. More clearly, this developed system avoids the statutory health insurance institutions' acquiring healthy and well-earned people and on the other hand neglecting people with acute and chronic diseases from their portfolios. Therefore, the aim of this system concerning risk balancing is to compensate the differences in health care expenditures caused by different risks in portfolios of insured people in statutory insurance companies. After the health fund entered into force in 2009, a new system for the risk structure adjustment according the morbidity rate of the insured people has been implemented. Thus, statutory health insurance companies can get constant basic money for each insured person and also addition or reduction of financial aid according to the age, sex, and morbidity rate of the insured people from the health fund (Bundesministerium für Gesundheit, 2013a).

The request for health care services of the statutory health insured person does not depend on the amount of the premium paid or the person's age. However, the proposed treatment to the insured should be economical and the expenditures should not exceed the required amount for medical treatment (Lukac, 2012a). The most important principle in the German health insurance system is that the insured people have the right to choose the doctor for their treatment. In many of the countries in Europe the right to choose the doctor freely is restricted or even not available. Free choice of doctor in Germany covers only the contracted doctors and dentists. Only in case of emergency service can be get from the doctors who are not in this list (PKV, 2008: 11).

2.3 Types of the Statutory Health Insurance Institutions

When the statutory health insurance companies are examined from the organizational aspect, it is obvious that they operate in divided parts. There are various types of statutory health insurance firms which have different orientations such as regional, occupational, or sectoral due to historical reasons, Six different type of statutory health insurance institutions in Germany are listed below:

- General statutory health insurance institutions (Die Allgemeine Ortskrankenkassen)
- Statutory health insurance institutions of businesses (Die Betriebskrankenkassen)
- Statutory health insurance institutions for guilds (Die Innungskrankenkassen)
- Statutory health insurance institutions for agriculture workers (Die Landwirtschaftlichen Krankenkassen)
- Statutory health insurance institutions for mining, railways, and sea transport workers (Deutsche Rentenversicherung Knappschaft-Bahn-See)
- Substitutional statutory health insurance companies (Die Ersatzkrankenkassen)

While the number of health insurance institutes in Germany were almost 35,000 at the end of the 19th century, this number was around 1,700 in the 1990s. As of January 2012, it is identified that the number of institutions providing health insurance services fell down to 146. The largest share of the statutory health insurance companies, which constitute numerically the greatest part in these 146 institutions, is statutory health insurance institutions of businesses. When the statutory health insurance sector is analyzed in terms of the number of insured people, it is recognized that most of the people belong to substitutional statutory health insurance companies with a percentage of approximately

36%. This ratio is around 35% in general health insurance institutions. The statutory health insurance institutions of businesses which have 18% of the insured people in their constitutions are in the third place (Bundesministerium für Gesundheit, 2013a).

2.4 Service Catalog Provided by Statutory Health Insurance Institutions

There is not a list of the services in the form of a catalog provided by the statutory health insurance companies. The service catalog is included only as a framework law in the 5th Volume of the Social Insurance Code (Fünftes Buch Sozialgesetzbuch – SGB V). In general the statutory health insurance covers all costs necessary for medical treatment. Diagnostic measures, drugs, auxiliary medical products, preventive check-up, nursing care, daily sickness benefits (Krankengeld), and other services are within its scope. The services that an insured person can benefit do not depend on the amount of the premium paid by this person. In this situation, the most important issue is that the measures taken are necessary and appropriate for the treatment purpose. Statutory insured patient should primarily be examined by contracted doctors. However, insured people with serious sicknesses should be transferred to hospital. These people can benefit from all kinds of services required for medical care. In this context; doctor treatment, patient care, nursing care, drugs, and other assisting medical products and tools are available in the coverage. Other than these, other services like accommodation in multi-bedded room, food and beverage supply, also if necessary for medical reasons a companion will be given to stay with the patient.

A crucial point to remember is that the statutory health insurance is based on the Principle of Economic Efficiency. It is important to clarify this issue. Statutory health insurance institutions are not responsible for responding every request. A person insured in the statutory health insurance must make additional payments for treatment (doctor's surgery charge about 10 Euros in 3 months) and drugs except the monthly premium. Also, he/she must be aware of the situation that the insurance companies sometimes do not meet the costs for some special treatments. In the case of situations which are at the limit or uncertain concerning the subject of meeting the costs of services, a committee composed of experts makes the judgements. Among the duties of the Medical Review Board (Medizinische Dienst der Krankenversicherung) of the statutory health insurance are the application of the Principle of Economic Efficiency, protecting patients from yet unknown, dangerous, not proven methods, and controlling if the health care institutions meet the quality standards adequately or not. If the statutory health insurance company does not cover the costs of some special benefits, the patient can seek justice by legal ways. Before going this way, it is necessary to know which services are met by statutory insurance company (Westhoff, 2013).

The German Federal Health Ministry made the following statements concerning the services catalog: The most important services of the services catalog are medical examination by doctors and dentists, psychological treatment services, services for providing drugs, bandages, auxiliary medical products and tools, nursing care at home, treatment at hospital, medical rehabilitation and other related services. Contracted doctors are obliged to examine statutory health insured patients. Service requests related to some examinations and tests of the insured people examined by contracted doctors are not regulated in detail in the Volume 5 of the Social Insurance Code (Fünftes Buch Sozialgesetzbuch – SGB V). However, this situation is described in more detail in binding

regulations of the Principle of Self-Governance of the Federal Joint Committee. The Federal Joint Committee is the highest decision-making authority.

This board consists of contracted doctors, dentists, representatives of hospitals and statutory health insurance institutions. In addition, representatives of patient organizations have consultation status. The Federal Joint Committee makes regulations in a variety of service areas related to statutory health insurance institutions, service providers (such as doctors), and patients. The remuneration of doctors' services to be covered are determined through a uniform evaluation measurement done by the evaluation committee that make up financial burden on the statutory health insurance companies. Another important duty of the Federal Joint Committee is to decide on whether new medical diagnostic and therapeutic methods will meet the determined requirements or not. So, statutory health insurance companies can put these new techniques in their service catalogs and use in treatment of patients. The remuneration of new medical diagnostic and therapeutic methods is also set with a unique type of evaluation measure by this committee. According to a decision of the Federal Constitutional Court even the services required for life-threatening diseases or sicknesses in this category are not defined by Federal Joint Committee; if there is a possibility of recovery, then it is necessary that the undefined method is applied and all the costs are covered. This subject is clarified in the Volume 5, §2 1a of the Social Insurance Code (Fünftes Buch Sozialgesetzbuch – SGB V) which assures the realization of this situation (Bundesministerium für Gesundheit, 2012b).

2.5 Financial Situations of Statutory Health Insurance Companies

In 2011, statutory health insurance companies had total income of 183.6 billion Euros while the total expenditures reached 179.6 billion Euros. Thus, the statutory health insurance companies had capital accumulation of almost 4.0 billion Euros through the good financial performance they have demonstrated. By the New Drugs Law and the Financing Law of the statutory health insurance sector that the Federal Government has put into force in 2010, limitations in medical expenditures have been provided. Moreover; while the expenditures made for medical services increased 2.6% compared to the previous year, despite 1% decrease in administrative expenses of the statutory health insurance companies there was an increase of nearly 3.9 billion Euros in other expenditures (Bundesministerium für Gesundheit, 2012a).

One of the leading German newspapers *Frankfurter Allgemeine Zeitung* reported that statutory health insurance companies have made more than 1 billion Euros profit in the first half of the year 2012. In addition, it was indicated that total reserves of these institutions in the first half year of 2012 exceeded 20 billion Euros. These institutions can use their reserves primarily for stability of their economic performances. Substitute health insurance companies (*Die Ersatzkrankenkassen*), which are among the most preferred institutions by insured people, made reserves of 568 million Euros in the first sixth months of 2012. While the total reserves of general statutory health insurance institutions (*Die Allgemeine Ortskrankenkassen*), which are among the secondly most preferred institutions, have accumulated to 550 million Euros in the first half of 2012, this number was 630 million Euros at the end of year 2011 (Mihm, 2012). Statutory health insurance institutions continue to make profit despite the increase in medical expenditures. They can increase their savings by this way. The strong German economy has a major role in the formation of such a good picture. Increases in the profit ratios occur due to low unemployment and reflection of increases in salaries to premiums (Spiegel, 2012). Due to

these two important factors (employment and salary rise), there is increase in the amount of the total money flowing to social security institutions and health fund (Mihm, 2012). According to a news of the German magazine Focus due to these positive developments, discussions about the possibility of decrease in the insurance premium rates and cancellation of the requested fee of 10 Euros paid for every quarter year when a statutory insured person visits a doctor's surgery have inflamed again (Focus, 2012).

3 Private Health Sector

3.1 Status of the Private Health Sector

In December 2010, there were 43 registered members in the Association of Private Health Insurance in Germany (Verband der Privaten Krankenversicherung). The conditions to be a member of this association are to operate in Germany and to be approved by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) or the Regional Supervisory Authority (Landesaufsichtsbehörde) (PKV, 2012: 9).

At the end of June 2011 nearly 41 million private health insurance policies (PKV, 2012: 22) were purchased in Germany with a population of 81.8 million in 2011 (Statistisches Bundesamt, 2012). This number does not include policies for life, automobile, earthquake, fire, etc. The number of private health insurance policies in Turkey was only 1,073,967 as of 2011 (TSREŞB, 2012a). As can be seen when the private health insurance sectors in these two countries are compared, major differences stand out.

Everyone can not take out private health insurance. It is impossible to enter insurance as long as the set conditions are not fulfilled. Private health insurance is frequently the most preferred health insurance type by young and single people. Because, insured people pay low premium and they can get more comprehensive and high quality service than statutory health insurance sector in their youth. The most important entry requirement for this insurance type is that the person to be insured should have a minimum annual income of 50,850 Euros in 2012. The annual incomes of self-employed and civil servants do not have importance in their entry to private health insurance. Apart from this if they desire, students can be exempted from the statutory health insurance upto the age of 25. Thus in accordance with the law, students can take out private health insurance with their own desire. An employee with private health insurance must change his/her insurance type to statutory health insurance when his/her annual income decreases below the above given annual income limit for entering private health insurance. Another important restriction is that a 55 years old person insured in private health insurance must not change his/her insurance to statutory health insurance in case of unemployment. The aim of age limit is to avoid misuse of private health insurance. Because, otherwise people would take the advantage of lower premiums in private health insurance in their young ages and then they would like to change their insurance to statutory health insurance before reaching old ages which causes high medical costs, i.e. before the age of 50 (Lukac, 2012b).

Premiums paid in private health insurance are calculated according to the Principle of Equity in which every person is responsible from him/herself without being dependent on income. The average premium paid depends not only on the extent of desired service, but also mainly on health condition and insurance entry age of the individual. The insurance premiums that people pay are calculated based on their statistical probable life periods and current health conditions. So, the premium that an individual will pay, in the absence

of any disease remaining from the past, will be lower the earlier the person takes out insurance. People who fail health control (Gesundheitscheck) are considered with only premium increase, restricted insurance coverage, or within the scope of basic insurance coverage (Basistarif) (Lukac, 2012c).

3.2 Products Provided by Private Health Insurance Sector

People with moderate and high incomes insured in statutory health insurance can improve the quality of health care services in the following years by purchasing additional insurance coverages. Consequently, in addition to the limited services in the statutory health insurance people can purchase additional service packages in dental, outpatient treatment and optional service choice offered in hospital. Moreover, private health insured people can benefit from additional insurance services because of their adequate financial opportunities. The key insurance products among these additional health insurances are daily sickness benefits insurance and hospital daily benefits insurance. For example, in daily sickness benefits insurance people can benefit from the daily charge individually agreed in their contracts. Furthermore, in order to avoid loss of income for the days a patient stays in hospital an additional insurance can be made. Also, to extend the coverage of nursing care an additional nursing care insurance can be made (PKV, 2012: 35).

In December 2010, almost 9 million people have taken out comprehensive health insurance which is a product in private health insurance. Additional insurance type has the largest number of insured people. This situation can occur because of the limitations in statutory health insurance (PKV, 2012: 22). By purchasing additional insurances offered by private health insurance companies people can minimize the financial load in terms of health that can occur in the following years. Statutory health insurance usually meets dental treatment costs. But, for example if a filling is needed to be done, statutory health insurance coverage includes only gold colored dental filling which is not pleasant-looking and also unhealthy. But, a pleasant looking and better quality filling can be purchased by additional dental insurance and this filling is cheaper. The Association of Private Health Insurance explains the raise in the number of additional insurance to two reasons. First reason is that the limitations in the coverage of services provided by statutory health insurance creates the thought that making additional health insurance is necessary. The second reason is that cooperations between statutory and private health insurance companies have been provided by the Law of Modernizing the Statutory Health Insurance which became effective in 2003. Consequently, acquiring additional health insurance has been made uncomplicated. Since the scope of health services that statutory health insured people get is limited, they can benefit from additional insurances. Moreover, people having comprehensive private health insurance can also benefit from these additional health services since their insurance coverages do not include the services offered by additional health insurances (Stern, 2013).

3.3 Service Catalog Provided by Private Health Insurance

Statutory and private health insurance systems in Germany enable people to benefit from high quality health care services. Statutory and private health insurance companies have broad networks of fully equipped hospitals and doctor's surgeries which people can use available services. Therefore, when the German health system is compared with other countries' systems it is evident that this system has a much more better performance.

Private insured people make a huge contribution to the provided comprehensive services, because these people pay much higher charges for medical services than the statutory insured people (Wissenschaftliches Institut der PKV). Since the premiums obtained from statutory insured people only are not enough for the survival of private health institutions (i.e. hospitals and doctor's surgeries), with the contribution of private health insured people these institutions feel financially more secure (Niehaus, 2009). By the high payments that private health insurance companies make the health care system strengthens. In this way, hospitals and doctor's surgeries can afford necessary expenses for modern medical equipments and highly developed treatment methods in medicine. If technological highly developed medical equipments are provided, it would be beneficial for both statutory and private health insured people. According to the annually made survey by the Scientific Institute of the Association of Private Health Insurance Companies, health institutions obtain additional revenue due to higher charges get from private health insured people. For example, almost 10.9 billion Euros additional income has been made by these higher payments (PKV, 2013). All the doctors and health institutions (i.e. hospital and rehabilitation facilities) prefer private health insured people, because they get more money for medical treatments from them (Private Krankenversicherung Überblick, 2013).

Private health insurances also provide all the services offered by statutory health insurances. Apart from these services, in private health insurance system additional health care services are offered in various forms according to the coverage of insurance. Staying in one-bedded room in hospital, examination by Professor or specialist doctor can be given as examples for additional services (Gesellensetter, 2009a & 2009b). The scope of services provided by private health insurance is determined in the contract done between insurance company and the individual. Privately insured person has the right to choose his/her doctor freely. Furthermore, in addition to basic services offered by statutory health insurance high quality services can also be included in private health insurance coverage (PKV, 2009).

Another important difference of private health insurance from statutory health insurance is that the individual can arrange the insurance coverage according to his/her needs. Beyond that, doctor examination, inpatient treatment, and dental treatment services provided by private health insurance in Germany also apply abroad. Moreover; if indicated in the insurance contract, previously determined money for the days stayed in hospital are paid to the patient in private health insurance. On the other hand, people insured in statutory health insurance must pay their share of costs for the period that they stay in hospital. Such a fee is not charged from the insured people in private health insurance. Another advantage of privately insured people is that the waiting time for services such as examination and treatment is shorter than the waiting time of statutorily insured people. Private insurance covers all the expenditures necessary not only for dental treatment, but also for prosthesis, implants, and orthodontic treatments (Bundesministerium für Gesundheit, 2012c und Private Krankenversicherung Überblick, 2013).

3.4 Financial Situation of Private Health Sector

German private health sector achieved a revenue of totally 17.5 billion Euros in the first six months of 2011. Forecasts suggest that this number would be 34.9 billion Euros at the end of 2011 (PKV, 2012: 24). On the other hand when the premiums of the health sector

in Turkey obtained on the basis of sales channel in June 2011 are investigated, it is observed that this number is only 869,590,827 TL (TSREŞB, 2012b). While Germany has a private health insurance market of almost 35 billion Euros, Turkey could not still reach 1 billion Lira in this sector (PKV, 2012: 24).

The premiums obtained in the private health sector were much higher than the insurance benefits costs in 2010. The same situation repeated in the first half of 2011. This situation clearly indicates that private health insurance companies work profitably (PKV, 2012: 24).

An important point concerning financial resources of companies in the private health insurance sector to recognize is that in addition to the large amount of premium incomes (33.240,6 million Euro), the money taken from the reserves for premium refund (2.914,6 million Euro) and the revenues obtained from investments (7.165,6 million Euro) also play important roles (PKV, 2012: 39).

The reserves increased by the right investment policies pursued by Private Health Insurance Association. The reserve for old ages of all policy holders reached 170 billion Euros at the end of 2011 by increasing 7.6%. While 146 billion Euros of this number was obtained from only health insurance sector, 24 billion Euros was gathered by the people who have nursing care insurance. As these numbers indicate even in the financial crisis period in Europe the private health insurance sector in Germany functioned properly in providing required financing resources for old ages effectively. Due to the demographic development in Germany it is necessary that each private health insured person should form financial resources for his/her own seniority. So, the problems caused due to increasing health expenses of citizens in their old ages can be solved by the application of old age reserve accumulation method by private health insurance companies. Solving the problem of increasing medical expenses in old ages with a method like this is especially important for increasingly aging German society (PKV, 2011: 3).

Discussions about the usage of accumulated reserve of statutory health insurance by politicians, which reached 20 billion Euros at the beginning of 2012, have started in Germany. Where as some of the politicians indicated that the government budget can be relieved by the utilization of this money, other politicians stated that the social assistance (sozialpolitische Hilfen) can be financed. As these two examples clearly indicate; while the reserves acquired for prevention purposes due to demographic developments can be used like a toy by the politicians in statutory health insurance, the aging reserves are protected from misuses of politicians in private health insurance sector (PKV, 2011: 3-4).

4 Conclusions

According to the results of a study made by globally famous consulting firm Roland Berger, 6% growth in global health sector is predicted for each year. Other than this, it is specified that the turnover of health sector can be tripled worldwide until 2030 and thus its revenue can be approximately 20 trillion Dollars. In order to comprehend the importance of health sector, its contribution to a country's economy should be understood. In this context; while 4.8 million people found jobs in health sector in 2010, this sector contains more than 800 occupational groups. It is observed at first sight that the financial contribution of the sector to country's economy is 287 billion Euros in 2010. But, according to the information obtained as a result of detailed investigations it is identified that the sector is a market of 400 billion Euros. As the German Federal Minister

of Health underlined, German health sector can increase its income by opening up foreign markets. Moreover, the health sector has been an important locomotive of German economy in the last years and its contribution to the country's economy has been increasing. While the crisis in Europe, caused by the global financial crisis occurred in 2008, continues as Euro crisis, German health sector pursues growing with firm steps. Since more than 25% of the newly formed job opportunities is in this sector, people can find the possibility of working even in economic crisis times. As great economical problems were faced by other European countries in 2012, this sector attracts attention from some other sectors with 70.000 new job opportunities.

Another important point drawing attention at the end of this study to the reality that German health sector operates as a system which is much more qualified and more profitable compared to many other countries. Another important point standing out as a result of this study is the reality that German health sector has a much more high quality and profitable health system when compared with most of the other countries. German health insurance system works in two major elements. One of these elements is statutory health insurance and the other is private health insurance. The fact that German health insurance sector is profitable can easily be seen from the reserves. While private health insurance sector built 170 billion Euros as reserves, statutory health insurance sector accumulated reserves of more than 20 billion Euros until the first half of the year 2012. Although the service coverage of statutory health insurance is much limited, it is evident that it provides better quality service when compared with other countries.

According to the laws each individual should belong to either one of these two insurance systems. However, there are exceptions such as the members of German army have the insurance provided by military. On the other hand, people having private health insurance can get service according to the contract they made with their insurance company. In general, privately health insured people are more advantageous than people having statutory health insurance. Other than getting better services, these people can get medical examination in hospitals or private surgeries without waiting in a queue. The reason for this is that; although the same service given to a statutory health insured person is given to a person having private health insurance, he/she is charged more. Despite private health insurance companies are charged more, these companies work very profitably which can be observed from the reserves of 170 billion Euros accumulated in 2011. As can be seen, the German health sector that continues its development as a sector giving very high quality service and which is very profitable can grow more by opening to foreign markets and expand its share in this sector worldwide.

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