An interview with the health economist Prof. Dr. Dr. Wilfried von Eiff:

Giving instead of Taking
A growth market with Risks and Side-effects

Professor von Eiff, your interests lie in the area of health economics. Why has this relatively young discipline become so important today?

von Eiff: The healthcare system is an important growth market with great economic importance and it carries a great deal of socio-political clout. Economists face a particular challenge here, since market principles and market-oriented guidance only apply to a limited extent in the healthcare system. This is due, among other things, to the fact that we have a market in which the customers - i.e. the patients - do not possess consumer sovereignty; if the patients are not themselves physicians, they are unable to evaluate the quality of the medical treatment provided to them. If a customer purchases a faulty washing machine, the consequences of this mistake can be resolved and the costs are manageable. In the healthcare system, however, wrong decisions can result in permanent damage to the patient's health, or even in death. To this extent, market principles apply only to a very limited degree in the healthcare sector.

Health economics has another important meaning, since the healthcare system always functions as infrastructure for the economy. The more efficient a healthcare system is, the more likely it is that people will be in a position to be productive. If someone is cured quickly and as a result returns to work within a short space of time, he is (from a purely economic point of view) able to make a contribution toward the gross national product. If, however, he is ill for a long time, or if the healthcare system is not able to treat the illness quickly and as required, this person will leave the productive process and be cut off from his social surroundings.

Which brings us to the subject of financing.

von Eiff: We have a specific problem in the healthcare system: increasing demand, caused by an ageing society, faces chronic under-financing. Our jointly-financed system is not sustainable. From the point of view of the economist, the imperative would be to transform the principle practiced to date - that of solidarity of claims (i.e. the principle of giving and not of taking) - into a principle of "help for self-help solidarity". That would, however, be a task for the politicians. A system of that kind cannot refinance everything the individual desires, meaning that, in the long-term, the integration of personal contributions and personal responsibility into the system will be unavoidable, not least for educational reasons.

Is the latest healthcare reform on the right course with regard to the fair distribution and optimal use of healthcare resources, which are in short supply?

von Eiff: It is clear to me that the current reform will demand additional reform measures. The largest problem in the current reform compromise is, in my view, the fact that the necessity of an adjustment to the social system (from an allocation-oriented system to a capital-based financing system) is being ignored. This discussion has become entangled in the political jungle. If the problem of sustainable financing is not solved, then we will in fact face huge generational conflicts. We will stir up a situation in which the (now continually ageing) generation is no longer able of its own accord to provide refinancing, and is thus dependant on state assistance. In addition, the number of people paying into this system is continuing to dwindle. This number has fallen annually by 300,000 since 1994. This means that we will at some point have a societal structure in which 30 % are paying-in and 70 % are claiming. That will not be financially feasible, nor will it be possible to implement this structure in socio-political terms.

How, in your opinion, can the problem of chronic under-financing be solved?

von Eiff: The financing problem can only be solved by converting the allocation- oriented financing system into a system of capital-based financing. The concept demonised in healthcare insurance with the term “per capita lump sum”, is the only practicable and realistic option. This approach would lead to a great deal more honesty and much greater transparency and would also significantly alter the socio-political responsibility incumbent upon the state. In a system geared toward capital coverage, every individual renders a contribution and those unable to afford this receive a government transfer payment, which would be transparent and open. In this model, the health insurance funds would also receive the money that they actually need without incurring debts, without limiting the quality of the services provided and without the need for rationing.

Which course would politicians now have to set in order to introduce sustainability into the system?

Firstly, they would need to have the honesty to admit to themselves that a capital-funded approach is the correct one. Secondly, a way has to be found which entails as few difficulties for the population as possible in the interim, while at the same time guaranteeing the quality of the medical treatment. During the transitional period, we will have a group of people within the state that obtains services under the old system – these are those who are over 70 today. There will also be a second group, which obtains parts of services under the old system and at the same renders low-level personal contributions – this group would be those who are between the ages of 55 and 70 today. In another group, the shift between these contributions will be a mirror image: they will render higher personal contributions and withdraw less from the system. There will also be a fourth group, which will pay exclusively into a capital-funding-based system. This would mean that those entering work today would no longer be affected

by the allocation system, but would instead immediately pay into a new capital fund. This would be the fairest option, in particular for those under the age of 25 today.

Then we would have a free healthcare market?

von Eiff: Then we would have a healthcare market that can be refinanced in the long term. Every individual would then provide provisions for the future according to what he could afford. This affects healthcare insurance, pension insurance and, increasingly often, nursing care insurance.

Are we, as many experts predict, headed in the direction of industrialisation in the healthcare market?

von Eiff: Industrialisation is a somewhat unfortunate term. “Best practices” that could be applied to advantage in the healthcare system can be derived from every sector, not just from industry. We can learn from the automobile industry, for example, how best to organise processes and the hotel sector can teach as just as well how to deal with guests. Let me give you an example: Imagine you are checking into a hotel and there are three other guests in your room, all with contagious diseases. No hotel guest would be prepared to accept this; hospital patients do. The services provided in this “milieu”, such as the comfort of the rooms or the option of being able to relax in a garden, encourage the healing process. We know from studies that single rooms are the best way of curbing hospital infections. If four or eight patients share the same toilet, bacteria that may, under certain circumstances, make the patient more ill than he was previously are transferred.

Will the hospital of the future consist purely of single rooms?

von Eiff: In my point of view, hospitals will not be able to avoid having to improve their structural, functional arrangements and the level of comfort they provide for patients. As I see it, this is not an economic problem - on the contrary: it will be an economic problem for the hospitals if they do *not* do this. Patient hotels will dictate the standard of comfort and facilitate more effective forms of hygiene: keyword MRSA.

Considerable importance is attributed to innovations in the growth market “health”. Your task at the Institute is to evaluate the costs and effects of these medical innovations?

von Eiff: Medical innovations are necessary in order to make diagnosis and treatment more effective, but of course they are expensive. As an Institute we evaluate innovations from three angles: 1. How can one ensure that innovations that are of benefit to the patients are created in the first place. 2. How can innovations assert themselves in the healthcare system, i.e. we evaluate an innovation with regard to its contribution to patient benefit, risk reduction, costs reduction, socio-political direction etc. 3. What hurdles stand in the way of innovations and how can these hurdles be overcome.

Can you give us some examples of such hurdles?

von Eiff: One hurdle can be the pricing by the manufacturer. If the initial price is too high, the market will not be able to afford the product. A second hurdle is that a proportion of innovations are not paid for through the accounting system. A third hurdle is that an innovation is not recognised as such, possibly because it is not communicated properly and in a convincing manner.

What possibilities are there for overcoming such hurdles?

von Eiff: Using approaches such as “coopetition” we can, for example, influence the initial pricing and we are developing new business models for refinancing, such as capitation or the creation of private-public-partnerships. In this way, clinics are able to obtain innovations and at the same time spread the costs. It would also be thinkable for the manufacturer of medical devices to be involved in a hospital and, for example, to assume the responsibility for an entire endoscopy unit and manage it from the technical and organisational side, while the hospital manages the medical side. Such models will become increasingly important in the future, since we will not otherwise be able to place innovations in this under-financed market. It is interesting that such models are already widely practiced abroad, especially in Eastern states. This is because the situation there is far more extreme than it is here, in that a great demand for medical services faces the problem of very modest financial power. A situation of this kind leads to manufacturers also entering into operator responsibility. I can imagine such models, which already exist in Poland, Hungary or Romania, here in Germany too.

One last question: legal experts are playing an increasingly large role in the healthcare system. You yourself set up a range of events at the University of Münster under the banner “Medicine, economics, law”. Are we facing increasing juridification in medicine?

von Eiff: Yes, without a doubt. We are dealing with an increasing juridification in medicine and preventative medicine. The number of malpractice suits has increased in the last few years, and we estimate that approximately 50,000 – 55,000 such suits are filed each year. Around 50 % of cases result in a hearing, and in around a third of these cases the court decides against the physician or hospital. This affects mainly surgery, gynaecology and plastic surgery. What is interesting is that around 70 % of errors can be attributed to flawed organisational processes and around 35% to errors in medication; only in around 15 % of cases does a practical error on the part of the physician play a role. Functional organisation on the other hand plays a decisive role. If we want to minimise risks in the medical practice system or the hospital system, we must develop a system of organisation that enables people to not make any mistakes.

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