

New Competitive Bidding Programs for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies in Germany

Deregulation and market consolidations will eventually result in new opportunities for investors

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Since April 2007 German insurance companies and sickness funds use competitive bidding as an alternative to outdated price schemes and fee for services. Consequently, the former regulated market for Durable Medical Equipment, Prosthetics, Orthotics, and Supplies is open for competition.

The situation after 10 months is of little help in meeting the challenge of competition and is widely considered a messy situation for stakeholders and patients.

The enthusiasm for competition as a promising trigger for new efficiencies within the German health care system has yet to generate an embrace of the principles of entrepreneurship as a necessary means to achieve competitive ends.

As an organizational challenge for Germany's health care system, entrepreneurship and competition violates comfortable traditions of self governance by which health insurance companies and provider associations do business.

As a national project, it inflicts new roles and missions on stakeholders who are quite content with business as usual. In Germany, the objectives of health care delivery must be consistent with the health system's basic principles — solidarity, equity, and efficiency — that are protected in constitutional law.

A set of institutional obstacles to competition in Germany lies in the realm of organizational as well as managerial skill. Health insurance companies as well as medical device companies and provider associations that bargain collectively have little idea how to begin to manage competition because doing so has never been their job.

"Throughout most of its hundred-plus-year history the German system has been resolutely non-competitive, therefore it is unsurprising that the consequences of this innovation have so far been unspectacular" says Thomas Bade, General Manager of Germany based Salenus GmbH.

The German market for home health care, orthopedic and rehabilitation equipment is by far the largest in Europe. The market comprises a broad range of products for the disabled, sick, or elderly people as well as for those injured in sports activities or accidents. The products include everything from bandages and care beds to wheelchairs and walking aids.

Germany's demographic development and aging population have led to growth in outpatient services and products. The total market volume for home health care, orthopedic and rehabilitation equipment is about € 4,5 billion per year.

Having embraced managed competition last year, insurance carriers and providers now ponder whether and how to move market theory into health care practice.

"They all need their list of programs for brochures and websites that prove that they're part of the reform community, but health insurance companies and provider associations have no coherent strategy for where they want to go with competition, what their goals are, and how they get there", underlines Thomas Bade.

Open competition is still restricted in Germany, however, by quasi-governmental control of the health care market. The relationship between insurance companies, care providers and customers leads to asymmetric information which impedes open competition on the market. In addition stakeholders and institutions will be challenged and battered by policy and judicial decisions of the European Union.

In the past, fixed prices for care packages and product groups meant that price-competition is out of question. The sovereignty of the care market's consumers is limited, as the availability and offer of the services is standardized in care packages, providing the receivers with no influence in the negotiation process between insurance funds and care providers.

Whether a product or home care service is traded on the market depends on whether it belongs to the care package and thus on the definition powers wielded by insurance companies.

Over time new generations of stakeholders and hopefully, foreign investors bring new ideas into the domestic policy debates; for the German health care system this might be hostile to the institutional cartels and oligopolies of yesterday and today.

"True competition requires losers as well as winners, and Germany is not yet ready for that," says Thomas Bade.

The Germans still look to the generic logic of market efficiencies by means of competition as maintaining normative issues as well as societal consensus. Although Germanys health care system still seems highly regulated, the new laws have opened the market to many new investment and structuring opportunities that would have been unthinkable a few years ago.

The current German government invites private investments in the German health care service system. It expects that private investment will render the system far more efficient and will increase competition in relation to price and quality.

The current legal framework will encourage the emergence of larger, even conglomerate health care entities that provide out-patient services, medical and non-medical services, medical devices, medications, etc. throughout the country. Such entities are expected to trigger an increase in competition.

Salenus has developed process analysis and contractual agreements for health insurance companies. Salenus offers proactive contraction programs for international corporations and analyses economic forces that affect services and payment for the home care and out-patient markets. The single most important attribute of international consulting is the ability to apply and integrate domestic experience and expertise to a unique international setting.

Salenus (GmbH) is a management and consulting company for health care industries. The company is located in Fürth, Germany and offers a wide range of benchmarking health care programs and services that keep pace with the rapid changes in Germany's health care system. The primary goal of the consultation is to determine the system's financial sustainability and make recommendations for improvements to all stakeholders.

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