

2015 health care outlook Germany

Population aging and the increasing prevalence of lifestyle-related chronic diseases are expected to boost health care demand in Germany in 2015, even as the federal and regional governments continue to attempt to hold down spending growth in health care budgets² and reduce existing overcapacities in the health care provider market.

**Estimated health care expenditure:
\$411.5 billion in 2013**

**Health care as a share of GDP:
11.3 percent in 2013¹**

Germany's total health care expenditure as a percentage of GDP fell to 11.3 percent in 2013, the lowest level since 2008. However, it is forecast to rise gradually in 2014 to 2018, to 11.7 percent of GDP. Total estimated health care spending in 2013 was €326.6 billion/US\$411.5 billion; spending is expected to increase in 2014-2018 by an annual average of 3.8 percent (in local-currency terms) to €373 billion/US\$470 billion.³

There are concerns that the Russia/Ukraine crisis and the effect of current and potential sanctions may place economic stress on Germany and other European Union countries. That stress may constrain future government health care spending and lead to even more stringent pharmaceutical price controls.

The German health care system is funded by government and private contributions. The public system is largely financed by wage deductions, with the rest coming from government subsidies. Only about 12 percent of the population has a full private health insurance, while the majority of residents are covered by the public health insurance system. But more than 20% of the publicly insured population have an additional private health insurance to improve their health care.⁴ Although Germany's public system will likely continue to play a dominant role in health care in 2015 and beyond, the proportion of private spending is expected to rise gradually as the government remains focused on the steady consolidation of public finances.⁵

One of Germany's biggest challenges to health care cost containment is its aging population. The proportion of people 65 or older already exceeds one in five, and is expected to rise to over 22 percent by 2018 – pushing up demand for treatment of age-related conditions and elderly care, and putting considerable stress on the overall health care budget. Germany is second only to Japan in terms of its old-age dependency ratio, at an estimated 32 percent in 2013 compared with Japan's 39 percent.⁶

¹ *Industry Report, Healthcare: Germany*, The Economist Intelligence Unit, June 2014

² *Ibid*

³ *Ibid*

⁴ Federal Statistical Office: 21,5% in 2010 (latest published figure, but continuously increasing)

⁵ *Industry Report, Healthcare: Germany*, The Economist Intelligence Unit, June 2014

⁶ *Ibid*

Although Germany's ratio of 3.8 doctors per 1,000 people is higher than the OECD average, the number of health care graduates has fallen over the past decade, resulting in recruitment problems.⁷ As Germany and other European Union countries seek to address rising levels of consumer demand, the competition for health care professionals at all levels is expected to intensify.

Like numerous developed nations, Germany is instituting health care cost containment and process optimization programs, including value-based pricing models and pay-for-performance mechanisms. In addition, provider consolidation is taking place, evidenced by an increasing tendency towards hospital mergers and the creation of strategic partnerships to concurrently increase capabilities.



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To learn more about the global trends and issues impacting the health care sector, please visit our 2015 global health care sector outlook at www.deloitte.com/healthcareoutlook.

⁷ *Industry Report, Healthcare: Germany*, The Economist Intelligence Unit, June 2014

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