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## German Government Strikes Deal on Health System Overhaul

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The deal came early Thursday morning after seven hours of haggling between members of Chancellor Angela Merkel's Christian Democrats (CDU) and her coalition partners in government, the Social Democrats (SPD).

However, the core of the reform -- the implementation of a new, centralized fund into which salary-linked contributions are to be paid by workers and employers -- has been delayed until 2009.

"We are pleased to announce an agreement that aims for a wide-reaching reform to reshape Germany's health care system," Merkel said in the middle of the night after marathon talks. "We have taken a big step forward in what is a really complicated matter."

Social Democratic Party leader Kurt Beck hailed the deal as a "good compromise." He added that although his party would have liked the reforms to go further, both sides had realized that a decision had to be made now.

Despite the centralized fund delay to 2009, Health Minister Ulla Schmidt (SPD) defended the deal. "It really is a major reform," she told radio broadcaster RBB.

She did say, however, before the centralized fund is established in January 2009, premiums would increase for the insured.

"We are going to have problems next year; we've said that from the start," Schmidt added.

The opposition Green party as well as insurers in the public health care scheme have called the reform announced Thursday "anti-social."

### Expensive health care scheme

The main thrust of the reform is to ensure better funding of private and public health care. Germany's health costs are the world's third highest behind the United States and Switzerland, according to the Organization for Economic Cooperation and Development.

Analysts said the health care system will not be able to cope with increased costs due to Germany's ageing population, the high rate of unemployment and fewer people paying into the system.

The public health system, which serves about 70 million Germans, is frequently in debt. More than 8 million people pay for health care provided by a parallel private system.

Merkel said the key feature of the reforms -- the introduction of the new overall health fund -- would be delayed until the beginning of 2009, a year later than originally planned.

Contributions to the overall fund, including extra state money to finance health care for children, will be distributed to the publicly funded health insurance companies.

Insurers will be able to charge increased health insurance contributions if what they receive from the overall fund does not cover their costs. The amount by which they can be increased, which has been one of the main sticking points in the negotiations, was fixed at 1 percent of the insured person's gross salary.

The need for a new health care framework is made more acute by a planned rise in value-added tax by 3 percent to 19 percent beginning in January, putting more stress on a health care system in which costs have increased more than 50 percent over the past decade to about 25 billion euros (\$32 billion).

Merkel's Christian Democrats have fallen to a six-year low in popularity as squabbling over health care reform between the two sides of the unusual power-sharing coalition prevented agreement from being reached.

Some political commentators said the disagreements risked splitting apart the unusual power-sharing coalition, which emerged from the almost tied scores for the two main groupings in the general election in September last year.

Thursday's health reform deal comes after Merkel and fellow coalition party leaders agreed in July to raise company and worker health contributions by half a percent from 14.2 percent of gross pay in 2007 to boost insurers' funds.

source:<http://www.dw-world.de/dw/article/0,2144,2195222,00.html>

Published on : Fri, 6 Oct 2006