

# Workers pay the price for Germany's health care "reforms"

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**9 July 2010**

After months of controversy within the governing coalition, the cabinet agreed on Tuesday to a package of so-called health care reforms. The measures aim to cut the deficit facing the health insurance funds at the expense of the working class and the most vulnerable—pensioners, students and the poor—following the pattern of the austerity measures adopted in June.

In the short term, health insurance contributions will rise from the current 14.9 to 15.5 percent of worker income, bringing in an additional income of six billion euro. While the employer contribution will rise from 7 percent to 7.3 percent, the share workers pay will increase to 8.2 percent from 7.9 percent.

The measure sets the stage for workers to pay a much higher share. In the long-term, the employer's contribution will remain frozen at 7.3 percent of employee income. All future cost increases in health care will thus be passed on to the individual worker.

This will be done using the so-called "additional contribution" introduced by the then Social Democratic Party (SPD) Health Minister Ulla Schmidt in 2007, which allows insurance companies to demand additional contributions without limit. Formerly these additional contributions were pegged to 1 percent of worker income (with a contribution ceiling of €3,750).

"The projected additional contribution will have a particularly drastic effect on those on middle and low incomes", commented Ulrike Mascher, president of VdK, an organization representing people with disabilities, pensioners and patients.

The funding of future increases by means of the additional contribution has created a mechanism that undermines the previous system of joint financing by employers and employees. At the same time, it introduces by the back door a capitation scheme that Health Minister Philipp Rösler and the Free Democratic

Party (FDP) have been seeking for a long time.

The larger the additional contribution becomes, the smaller the difference between the overall contribution rate of low wage earners and those on higher incomes. In fact the reform may well mean that high income Germans will see a decline in their health care costs, since it allows them to claim the expenses as tax write-offs.

Rösler has announced that federal funds would be used to balance out the health insurance costs when the additional contribution exceeds two percent of applicable income. But this is a sham. Firstly, he expects such balancing adjustments to be payable no earlier than 2014. Second, such measures can be dropped at any time due to the financial crisis. In any case, the FDP categorically excludes any tax increases to finance these balancing payments.

The changes adopted mean that in the next year, more than two thirds of the €11 billion estimated deficit facing the various health insurance funds will be shifted onto the shoulders of individual contributors, while the employers are able to escape making any further contributions.

Nevertheless, the health reforms have met with harsh criticism from employers angered over the demand they increase their contribution from 7.0 to 7.3 percent.

The lion's share of ruling class criticism, however, evinced disappointment that Merkel had not gone nearly far enough in its attacks.

*Spiegel Online* wrote last Friday, "Such compromises have hardly anything to do with a desire to change. What is even worse: the coalition has chosen the most despondent and contradictory bureaucratic solutions".

*Welt Online* argued along similar lines: "This is not

the promised change of system, which the coalition has agreed after months of to-ing and fro-ing”. Instead, the government has employed the simplest means: increasing contributions. “The coalition could not even bring itself to make substantial cuts affecting doctors, clinics and the health funds”.

Business daily *Handelsblatt* sees the health reform as the “climax of the government’s discouragement and lack of reforms.... Instead of a comprehensive structural reform, it has simply increased contributions”.

The paper places the healthcare reforms in a long series of “broken election promises”. “Not only citizens are experiencing an unprecedented series of disappointments, but so are the employers of the country”, writes *Handelsblatt*. “What was planned as a strategy of sustainable growth, in reality is a billion euro aviation tax, cuts in energy tax breaks and a fuel tax”.

The calls for the current government coalition to be replaced are growing louder. A growing share of the ruling elite now think that a government that includes the SPD—either in a coalition with the Greens, with or without the Left Party, or in coalition with the Christian Democratic Union (CDU)—would be better suited for the cuts it is demanding in working class living standards.

After all, it was the SPD-Green coalition that got the desired economic structural reforms under way with its “Agenda 2010”. Under a grand coalition of the SPD and CDU, the ruling class reasons, controversial projects could be more easily implemented than under the present coalition of the CDU and FDP.



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