German insurance bankruptcy threatens the elderly and sick

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The German health insurance fund City BKK recently declared bankruptcy. The insolvency is a product of the healthcare "reforms" of successive German governments over the past 10 years. Elderly and sick people who depend on regular healthcare must now fear for their insurance coverage.

In early May, the Federal Insurance Authority announced that it would close down City BKK on July 1, because of bankruptcy. Although the 170,000 people insured by City BKK have a legal right to join another insurance company, they themselves have to find an alternative company by July 1 in order not to lose their insurance coverage. Many disabled patients will be confronted with significant difficulties in this process.

During recent weeks there were numerous reports that health insurance companies, particularly those in Hamburg, Stuttgart and Berlin, were trying to fend off the usually older and seriously ill members of City BKK, because the companies were unwilling to pay the costs of treatment. In Berlin, a long line of elderly and sick people gathered in front of an office of the AOK health insurance company, waiting for hours to be allowed entrance into the building to apply for membership.

According to an article published in the Berlin newspaper *Tagesspiegel*, major health insurance companies have tried to deter applicants by means of bureaucratic chicanery in Berlin, where City BKK has 92,000 members. For instance, applicants had been sent to offices with very short opening hours, were harassed with demands for unnecessary documents, or intimidated with the threat that certain pharmaceuticals and treatments would not be paid for by the new insurance. They were also advised to apply for membership in other health insurance funds.

Spiegel Online reported on May 19 that since the announcement that City BKK would close, only 40,000 of its formerly 170,000 members had found other health insurance. According to Ellis Huber, CEO of the health insurance company Securvita, they had already received 400 complaints from angry members. He called the rejection of insurants by other companies a "huge disaster" for the health insurance business.

In the middle of the month, a crisis meeting of representatives from statutory health insurance companies promised to improve their treatment of City BKK members without giving any firm commitment. The new Health Minister Daniel Bahr (Free Democratic Party, FDP) threatened that if insurance companies failed to find a solution within a few days, the ruling coalition "would have to debate next week on…what sort of consequences would follow".

The aim of these statements was to calm down the enraged customers of City BKK. While Bahr criticised their treatment, Philipp Rösler, FDP chairman and minister of economic affairs, stated that the closure of health insurance firms was an intended product of government policy.

Christian Democratic health expert Jens Spahn told the *Rheinische Post*, "We want competition between health insurance companies. This also means that unsuccessful ones will disappear from the market. The coalition considers this shake-out a desired consequence of the principles of competition".

During the past two years, the number of health insurance companies has already shrunk from 200 to 155. In 2009, then-Undersecretary of the Health Ministry Marion Caspers-Merk announced, "In the long run, a total of 50 to 80 health insurance companies would be acceptable".

Until now, however, the reduction in numbers was achieved mainly by takeovers and mergers. City BKK is the first health insurance company to close due to bankruptcy.

This is a direct consequence of the 2009 healthcare reform introduced by the grand coalition of the CDU/CSU and Social Democrats.

As a result of those reforms, all health insurance premiums are gathered into a healthcare fund from which health insurance companies receive a fixed sum. Additional funds for elderly and chronically ill patients are in practice minimal, meaning that insurance companies with insufficient revenues have to demand additional premiums, paid solely by insurants.

This is a vicious circle for insurance companies with a large number of elder and sick insurants. Because their expenditures are very high, they have to demand additional premiums, which drive younger members, who need fewer benefits, into the cheaper insurance companies.

This is what drove City BKK into bankruptcy. Due to the large number of older and sick members, the company's costs exceeded its budget from the healthcare fund. To close the gap, the company demanded an additional €15 per month. Since January alone, 20,000 members, mostly younger and healthier ones, left City BKK.

Other statutory health insurance companies are confronted with similar problems. The financial position of company insurance funds will be further hit by City BKK's insolvency, because they will be held liable for its amassed debts and will attempt to regain this money by increased premiums and a reduction of benefits.

As a result, an increasing number of people will not be able to afford adequate healthcare. On May 16, Spiegel online reported that statutory insurance companies are estimating that in the next few years additional premiums will become standard, and will rise as high as €70 per month.

Currently, most health insurance companies are still trying to avoid demanding additional premiums because they fear losing members to other insurance companies.

Another consequence will be job cuts for workers at the insurance companies. Through the Federal Insurance Authority, the German government urges insurance companies that are losing members to reduce administration costs. On May 4, the German *Financial Times* wrote, "Basically it means: Layoffs".

It is also unclear what will happen to the 400 employees of City BKK. According to the union Verdi, older and long-time employees are protected against layoffs and have to be offered other positions in the system of company insurance funds. Younger employees, however, will lose their jobs on July 1. They have no protection, no transition regulations and no social compensation plan.

In total, the consequences of City BKK's bankruptcy illustrate the brutal impact of the German government's cuts in the healthcare sector. Step by step, the principles of solidarity (premiums based upon income) and parity (one half paid by the employer, the other by the employee) embodied in a healthcare system, the roots of which can be traced back to the 19th Century, are being dismantled.

This process had already started under the Social Democratic Party/Green Party government of Gerhard Schröder (SPD), whose Hartz reform package contributed greatly to the financial burden on the health system. In 2005, shortly before Schröder was voted out of office, his government made the first step to break up parity financing by introducing a special premium of 0.9 percent of income to be paid solely by the employee.

At this time, Angela Merkel's CDU demanded a standardised premium, which would have meant that anyone, whether rich or poor, would have to pay the same insurance premium. Then, in 2005, the grand coalition of the CDU and SPD agreed to dismantle the solidarity insurance scheme, step-by-step, by means of the healthcare fund.

City BKK's bankruptcy shows where this process leads. The elderly and sick who require more frequent and costlier treatment will increasingly be denied health insurance or face exorbitant fees.

This development is taking place throughout Europe and the world. The representatives of big business are intent on turning back the conditions of workers decades or even centuries. In Great Britain, the government is leading a frontal attack on the National Health Service. In the US, the Obama administration is cutting costs at the country's already meagre health programs Medicare and Medicaid.