German parliament’s plan for hospital reform paves the way for closures

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Last week, a so-called Hospital Reform program was adopted in the Bundestag. The bill will facilitate the widespread closure of clinics and significantly worsen the provision of general healthcare.

The ruling coalition of the Social Democratic Party (SPD), Greens and Free Democratic Party (FDP) prevailed in the vote. Voting in favor of the bill were 374 deputies, with 285 against and one abstention. The opposition parties—the Christian Democratic Union (CDU), Christian Social Union (CSU), the far-right Alternative for Germany (AfD), the Left Party and deputies of the Alliance Sahra Wagenknecht (BSW)—had announced their intention to oppose the bill prior to the vote.

All the opposition parties basically agree on the need to reduce the number of hospitals and care services. Disagreements about the issue mainly concern financing, with some of the parties of the opinion that the new measures do not go far enough. The reform still has to pass Germany’s second house, the Bundesrat. Although it does not require approval in principle, it can be delayed in the Bundesrat mediation committee.

Germany’s Health Minister Karl Lauterbach (SPD) left no doubt about the objective of the reform. In an interview with *Bild am Sonntag*, he stated, “It is quite clear that in ten years at the latest we will have a few hundred hospitals less.” Allegedly, there is “no medical need” for these clinics. According to Lauterbach, one in three beds already lie empty, and there are not enough staff.

In fact, the vacancy rate is not due to a lack of medical demand. It is due to the disastrous austerity policies of recent decades, which have ensured that many clinics today suffer from an acute shortage of staff and serious financial problems. According to current estimates, there could be around 80 clinic insolvencies by the end of the year. This has been a long time coming and could have been prevented with appropriate public funding.

The reform that has now been adopted is accelerating the process of closure. The key points of the law are flat-rate fees and service groups. The flat-rate fees supplement expands the flat-rate payments that continue to apply. In the future, up to 60 percent of hospital financing will be based on these flat rates, the exact amount of which is determined by the hospital’s facilities. For this purpose, 65 service groups (such as cardiology, oncology) have been defined. Treatments can only be billed if the clinic has been assigned to the corresponding service group and has the prescribed, usually very expensive, equipment and appropriately qualified personnel.

Cost pressure and chronic underfunding remain and are being enshrined in law because flat rates per case will continue to exist and, in addition, the conditions for reserve funding must be met. Furthermore, the years 2023 and 2024 have been set as index years for the reserve budget. This means that the budget will not be adjusted even if the number of cases increases.

Numerous experts point out that the combination of flat rates per case and reserve financing is insufficient to finance the number of hospitals necessary to meet demand. The chairman of the German Hospital Federation (DKG), Gerald Gass, noted that “neither the basic care hospitals in rural areas are stabilized, nor the concentration of highly specialized treatments in centers” are being supported.

Large parts of the reform’s financing remains unclear. What is clear, however, is that a large share of the costs will be covered directly by statutory health insurance contributions, i.e., by the insured. It is assumed that the compulsory contribution rate will increase by at least 0.8 percent in the coming year. However, depending on the health insurance company, the increase could be much higher.

At the same time, the reform increases pressure on hospitals to make cuts. To this end, the hospital reform allows different hospitals to merge by the end of 2030 without any proper legal review. This is stated in the final amendments to the law proposed by the government. Around 50 changes were made to the law right up to the end.

In future, an exception to merger control under the Act against Restraints of Competition (GWB) is to be regulated for the merger of clinics. This is intended to achieve the goals of the hospital reform program more quickly. In the past, mergers have enabled providers to close or merge individual areas and thus save on personnel. However, some mergers were rejected for antitrust reasons. Mergers in the hospital sector are now being fully deregulated.

This will further increase the number of layoffs at hospitals. Already, the tense financial situation is leading to more and more layoffs at hospitals, while doctors and nursing staff are already working at their limits.

Recently, the Jewish Hospital Berlin (JKB) laid off 74 nursing assistants, some of whom have been employed there for over 30 years and make up almost 20 percent of the nursing staff. The management of the JKB justified this step with a deteriorating economic situation.

With the entry into force of the GKV Stabilization Act, which was passed in 2022, the financing of nursing staff is to be reorganized. Nursing assistants without appropriate training are no longer to be retained, although they carry out important tasks such as providing meals, cleaning and relieving the workload of nursing professionals.

According to press releases, the JKB wants to compensate for these services in part by external providers whose employees are not subject to JKB contracts. Cynically, management recommended that the dismissed employees apply to the external service provider. However, the majority of the work will certainly be passed on to the remaining nursing staff.

This is an example of the role played by the Verdi public service trade union. In January, Verdi announced that it had "fought" for a contract that would improve working conditions for employees. It allegedly included significantly improved staffing levels and a compensation system offering compensation in the form of compensatory days off or bonus payments. In fact, as in other clinics, this is nothing more than window dressing to pacify the employees at JKB.

The Regioned clinics in Bavaria are another example. Here, redundancies are pending after three sites are taken over by the Sana clinic group. The exact number of redundancies has not yet been officially announced, but it is estimated to be between 150 and 200.

At Gesundheit Nord, a municipal hospital group, 120 physician posts are to be cut—80 of them at the Bremen-Mitte clinic and 40 at the Bremen-Ost clinic. Once again the poor economic situation was cited as the reason. Bremen's senator for health, Claudia Bernhard (Left Party), is considered a strict advocate of radical austerity measures in the healthcare sector and explicitly supports Lauterbach's hospital reform.