

# Advisory report on the impact of the COVID-19 pandemic on the statutory health insurance scheme, addressed to the Budget Committee of the German Parliament

Compliance audit/performance audit

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**FULL REPORT (DE)** 

## What we assessed and why

In March 2020, after Parliament had declared a national epidemic, the Federal Government took steps to mitigate the impact of the COVID-19 pandemic and avoid strain on the healthcare system. These steps imposed a burden on the federal budget and the funds of the statutory health insurance schemes that form the key pillar supporting the overall stability of the German healthcare system. The health insurers receive financial resources from a Health Fund managed by a federal authority. This Fund is fed by contributions and an annual federal grant of €14.5 billion. In 2020, after a rise in spending during the pandemic, the federal grant was increased by €3.5 billion, to be supplemented by €5 billion in 2021. The Health Fund is legally required to hold a liquidity reserve, currently 20 % of average monthly expenditure. Germany also has private health insurance companies; a small part of the population is only enrolled in such schemes. Private health insurers receive no public grants. We audited the impact the pandemic had on the Health Fund, its liquidity reserve and the statutory health insurers. We reported our findings, in respect of the annual federal grant and its impact on the federal budget, to the parliamentary Budget Committee. The report covers the situation up to October 2020.

## What we found

The steps taken to contain the pandemic in Germany led to considerable restrictions on public life and an economic slump, which also had an impact on the statutory health insurers' level of contributions. The panel of experts responsible for annual estimates of health insurers' revenues forecast only a small increase in contributions to €221.4 billion for the entire year 2020. This was €4.2 billion less than projected before the pandemic. In the second quarter of 2020, the health insurers' expenditure on services declined considerably in some areas, mainly dental services, physiotherapy, speech therapy, early detection, preventive and rehabilitation measures, and hospital treatment. Hospitals kept capacities free for COVID-19 cases from mid-March and postponed elective surgery and treatments. However, the savings were eaten up by extra expenditure, especially on PPE and increased nursing care. When service provision had stabilised from July 2020, the Federal Ministry of Health estimated expenditure would reach €257.8 billion in 2020, 4.3 % more than in 2019.





To make up for declining revenues, the Health Fund had to make compensatory payments from its liquidity reserve. The compensation payments for hospitals were reimbursed from the federal budget and have totalled €8.9 billion so far. Other compensation payments and expenditure on more than 12 000 additional intensive care beds with ventilation facilities have so far amounted to about €1.8 billion. In addition, hospitals received €93 million for bonuses to nursing staff particularly impacted by the pandemic. Expenses for laboratory diagnostics rose as a result of testing for the coronavirus after contact with infected persons or after returning from risk areas abroad. So far, €104 million has been made available from the Health Fund for this purpose.

At the beginning of 2020, the liquidity reserve of the Health Fund stood at €10.2 billion; at the end of the financial year on 15 January 2021 the reserve totalled €6.4 billion. For 15 January 2022, a further decline in the liquidity reserve to €5.2 billion has been projected.

## What we concluded

The impact of the COVID-19 pandemic will continue to materialise in 2021. A pandemic-related federal budget grant of €5 billion will be provided to reduce the burden on health insurers' members in 2021. In addition, health insurers are to transfer reserves of €8 billion to the Health Fund. We acknowledged this one-time intervention in assets was based on statutory law, and in any case these reserves were mainly fed by allocations from the Health Fund. In this way, the financial situation of the statutory health insurers had been stabilised for the time being. However, the liquidity reserves held by statutory health insurers were nearly exhausted. The liquidity reserve would no longer significantly exceed the statutory minimum level. In 2021, other pandemic-related increases in spending may put compliance with the minimum reserve levels for 2022 at risk. Since, at this moment, the further course of the pandemic cannot be forecast, the financial impact on the health insurers remains uncertain. We urged the Federal Ministry of Health to carefully monitor action and to take the appropriate steps to stabilise the health care system.