



POSITION PAPER

**The Effectiveness of the Health Economy:
A case study of the Federal Republic of Germany**

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Usually, the population associates the health care system with providing medical care and health care for patients. Stereotypically, this image includes excessively high costs and the need to curb them. Completely disregarded is the fact that the health care system is not only a cost factor but also a growing industry. Its economic importance is impressively demonstrated by its contribution to employment value-added, and exports. 16.6% of the labor market, 12.0% of gross value-added, and 8.3% of exports in the overall economy in 2019 are already impressive figures that other industries do not have (1).¹ The German Federal Ministry for Economic Affairs and Energy regularly publishes facts and figures on the core and extended sectors of the healthcare industry and the associated collectively and individually financed healthcare services. These reliable data are available nationally and at the regional level down to the individual county (2). For example, it can be seen that the health economy in Mecklenburg-Western Pomerania and Schleswig-Holstein makes a particular contribution to regional employment and gross value-added, while in southern Germany, the industrial locations of the health economy are in the foreground. Thus the data refer to the state's economy, in particular employment. The northern states profit a lot from tourism, while the industry is in the foreground in the South (3). The figures do not refer to health needs and demands between different regions. The economic importance of health care is also reinforced by the fact that healthy aging increases the population's productivity and triggers a growing demand for services and goods (4). It can be seen that healthcare is not only a cost factor but also an economic sector that makes a stable long-term contribution to the national product and, above all, to employment, alongside tourism, the education sector, the energy

industry, and the automotive industry. The described economic footprint is further strengthened because this economic sector stabilizes the national economic power due to the low input ratio. Finally, it can be shown that the industry grows one percent faster over time than the German economy as a whole (5). Despite the regular and systematic statistical coverage of the health economy by the German Federal Ministry for Economic Affairs and Energy and the independent economic research institute WifOR ([Wirtschaftsforschung, https://www.wifor.com/en/](https://www.wifor.com/en/)), additional aspects require further investigation. For example, the question arises as to whether a healthier society also generates savings. However, there are hardly any reliable calculations on this assumption. There is a lack of meaningful medical results. This requires calculations for specific disease patterns for different population groups and, if possible, differentiated by region. Therefore, a frequent question relates to the health benefit, somewhat superficially also referred to as the "health dividend" of the health care system. In Germany, we have taken a major step forward with institutionalized benefit measurement through the German Medicines Market Reorganization Act (GMMRA) and the associated Institutes for Quality Assurance, Efficiency, and Evaluation of Medical Interventions. Nevertheless, there are increasing complaints about the associated increase of bureaucracy in the self-administration and thus in the healthcare system. Increasing transparency seems to be increasing bureaucratization even more. It is a pity that competition hardly plays a role in this context. The health insurance funds mainly manage themselves, and the SGB V does not allow them to organize health care entrepreneurially. The health benefits of the health economy are not equally apparent, as is the case with calculations of value-added, employment, and exports based on

¹ All data in the entire article are for Germany, except the three tables for a few SEE countries in the Appendix.

The statistical basis for all of these figures are from an article published in 2019 by Henke et al. (1)

standardized national accounts. On the way to more transparency, comprehensibility and an evaluation of the benefits of the health care industry, attention should therefore be drawn to only a few selected and easily comprehensible ways as examples. New tasks include suitability for everyday life and the elderly as a care goal that is gaining in importance. The health economy includes medical devices and prosthetics, combined with sports and fitness equipment, weight and blood pressure measurement, home emergency call systems, and the measurement of irregular body states (digital health). In these more medical-technical areas, given their economic benefits here and there, they can even be expected to be self-financing. Another path is more strongly oriented toward individual physical functioning in ophthalmology, using the example of highly successful cataract operations. The healthcare industry contributes a great deal to a better quality of life in this area. Accidents in the home, in sports, or traffic, completely different segments can also be isolated in the context of the health economy and analyzed in terms of their health benefits. Often overlooked is that these small-seeming sectors include many medium-sized companies that have turned healthcare into an industry. More than 45 million people are wearing spectacles in Germany. More than 800,000 cataract operations (6) also have to be managed technically, even if the focus is on vision, hearing, or mobility for the individual. Assisted living and age-appropriate assistive technologies also contribute to better health or everyday fitness in the familiar and neighborhood environment. Accessible health is not just a buzzword but a prerequisite for open access to healthcare services (7). In the case of chronic illnesses, the focus is on new technologies that are often initially paid for individually before they come into widespread use as standard services. The progress usually starts with

the consumption of expensive goods by people who can afford them. Increasing demand may reduce the prices and, together with empirically-based benefits, will be used by the sickness funds to support their use by larger insured groups. An example of the automobile industry is similar in that rich people buy expensive cars and use technical equipment earlier and more often. Still, after a certain period, the average population can use the goods and services because the prices went down. In the case of interventions that can be scheduled, special clinics with their particularly sophisticated medical equipment play a unique role. Elective surgery is essential for health tourism, i.e. export, particularly in some countries in Central and South Eastern Europe, including Croatia. Especially it applies to procedures and services financed out-of-pocket (e.g. dental care and the already mentioned cataract surgery). Plastic surgery and aesthetic treatments are another rising part, and cross-border health care could be mentioned in this context, as well.² During the Covid pandemic another issue came up concerning the elective surgical procedures. To increase the capacity of intensive care, elective surgery was postponed in many cases to a later period of time. Last but not least, reference should be made to medical services and aids, medications, and the rapid medical-technical progress in general and especially in university hospitals. Here, too, the public rarely perceives the healthcare system as a sui generis branch of industry. Yet, the healthcare industry is an indispensable prerequisite for the provision of healthcare to the population. This is particularly true for the pharmaceutical industry and indirectly included through expenses for drugs that are usually included in health spending in which over-the-counter drugs are not always included. The benefits of those mentioned above and other treatments result from the products and services of the health economy, which must be available

² The author thanks Jadranka Božikov for the information about this background.

millions of times in terms of type and scope. Thus, the population's health care and its health assistance belong inseparably together with the health economy. Of course, one should never forget that ethical and humanitarian principles have to be respected (8,9). Supporting everyday

competence combined with the skills and abilities of older people, i.e., successful aging, remains an ongoing challenge in aging societies. New ways in the health economy contribute significantly to this and are still underestimated in their importance for the aging population's health care (10).

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Appendix

The role of health economy in some SEE countries (Croatia, Montenegro and Slovenia) based on empirical data and in comparison with the EU is presented in Tables 1-3 bellow.

Source: Henke, K-D, Legler B. The economic importance of the healthcare sector. Health economy reporting in the Balkan states – Empirical data for Croatia, Slovenia and Montenegro, Opatija, September 2018.

Health expenditures, share of health expenditures in GDP, Gross Value-added (GVA) of health economy, and share of health economy in GDP are documented in Table 1 for 2015. The figures stem from own calculations based on Eurostat (2018) and WHO (2018). Table 2 refers in the long run from 2011 to 2015 and includes the growth rate of the labor force in the health economy. The sources are the same as in Table 1.

A comparison with other sectors (Tourism and Finance) is shown in Table 3. The health economy is a key segment of the Croatian and Slovenian economy in 2016 compared with Tourism and Finance. These data stem from Eurostat (2018).

What are the benefits of the health economic accounts?

- Established and continuous monitoring of the health economy.
- Facts and figures as a basis for political decision-makers.
- Early warning tool for special developments. (Anomalies in growth dynamics, Value-added losses, employment declines).
- Comparability with other major sectors of the economy.

Table 1: Measurements of the Health Economy: expenditures and shares of health economy in the overall economy in Croatia, Slovenia and Montenegro compared to the European Union (EU). Source: WiFOR calculations based on Eurostat (2018) and WHO (2018)

	 Croatia	 Slovenia	 Montenegro	 EU
 Health expenditures in 2015	3.2 bn. EUR	3.3 bn. EUR	216 ml. EUR	1,470 bn. EUR
Share of health expenditures in GDP	7.3 %	8.6 %	5.9 %	9.9 %
GVA of Health Economy in 2015	3.1 bn. EUR	3.4 bn. EUR	209 ml. EUR	1,312 bn. EUR
Share of Health Economy in GVA	6.7 %	8.5 %	5.3 %	9.9 %

Source: WiFOR calculations based on Eurostat (2018), WHO (2018).

Table 2: Health economy reporting also includes time series analyses and thus enables statements to be made on economic dynamics. Data for Croatia, Slovenia and Montenegro compared to the European Union (EU). Source: WiFOR calculations based on Eurostat (2018) and WHO (2018)

	 Croatia	 Slovenia	 Montenegro	 EU
Growth rate of health expenditure (2011 – 2015, p.a.)	1.1 %	1.5 %	1.8 %	
Growth rate of Health Economy GVA (2011 – 2015, p.a.)	1.3 %	1.7 %	3.7 %	2.5 %

Source: WiFOR calculations based on Eurostat (2018), WHO (2018).

Table 3: Comparison of the Health Economy with other sectors (Tourism and Finance): Shares of Gross Value-Added (GVA) and Labor force in the overall economy in Croatia and Slovenia are shown. Source: WiFOR calculations based on Eurostat (2018)

				 Tourism	 Finance
 Croatia	3.1 bn EUR Gross value added in 2016	GVA share of overall economy	8.1 %	4.7 %	4.1 %
155.500 Labor force in 2016	Labor force share of overall economy	8.6 %	6.0 %	1.1 %	
 Slovenia	3.4 bn EUR Gross value added in 2016	GVA share of overall economy	9.8 %	2.4 %	2.5 %
119.500 Labor force in 2016	Labor force share of overall economy	12.2 %	4.1 %	1.2 %	

Source: WiFOR calculations based on Eurostat (2018).

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