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Social Policy and the Global Crisis: Consequences and Responses
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Proposal for stream 11.3. Post-crises Health Policies: Challenges and Opportunities

The Global financial crisis: A Challenge for the hospital industry

“The Financial Crisis Takes a Toll on Hospitals [...]”, (American Hospital Association 2009);

“Increasing risks instead of increasing rates of return [...]; hospitals have to pay for their usage of new financial instruments like ‘swaps’ [...]”, (Financial Times Germany 2009);

“Germany’s university hospitals suffer economic crisis”, (The German University Hospitals Association 2009).

Messages like these one found with increasing frequency during the last months. Indeed, the recent capital crisis has severe impacts on hospitals. Inpatient care has developed to a capital intensive and dynamic market good which financing depends vastly on the capital market. The hospital branch is a branch with high investment needs: Due to technological and demographical developments – medical progress and an ageing society – the investment needs of hospitals have increased tremendously in the past years. At the same time, however, the financial requirements of hospitals are no longer met by public authorities. In Germany, for instance, public subsidies declined by 34.48 % during the years 1998 to 2008. Given these developments, the German hospital sector has turned out to be attractive for private investors, the more as the ageing society promises stable growth prospects. Private hospital companies, venture capitalist, financial investors, and strategic investors (medical engineering or pharmaceutical companies) have entered the stage. Public authorities in turn welcomed the new actors as they promised smart solutions for communities facing severe financial constraints.

In the last years, the share of hospitals with a private legal form has risen sharply. While this development is quite new in Germany, private investors and hospitals listed at Wall Street are definitely well known in the United States for decades. The negative impacts of a welfare provision which depends on the capital market, however, come to stand out lucidly these days in both countries: Due to the financial crisis, the complex means of financing hospitals does not work out, and their burden of debts has increased tremendously. As a result, hospitals in the US are filing bankruptcy or are even considering closing down. For the patients, in turn, this development has severe consequences, especially for the (still) uninsured: the abilities to access health care get restricted and costs for health care are on the rise.

The proposed presentation will compare the process of privatizing hospitals in Germany and the US, enquiring why we could observe an ‘Americanization’ of the hospital

sector in Germany, that is the evolution of a hospital governance heavily relying on private provision and with close relationship to the capital market. Although the recent financial crisis has shown the ambivalences of private welfare provision, an end of this trend is not yet recognizable in the German hospital sector. While in other cases (e.g. the energy market) a renaissance of the public provision is announced, this is not the case in the hospital branch. Quite to the contrary, it is to be expected that the financial crisis will foster the process of privatization. Both, the financial constraints of communities and the willingness of private investors to enter this branch, seem to hamper a revival of public provision in this area.

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