

Medical Savings Accounts: A Way Forward?

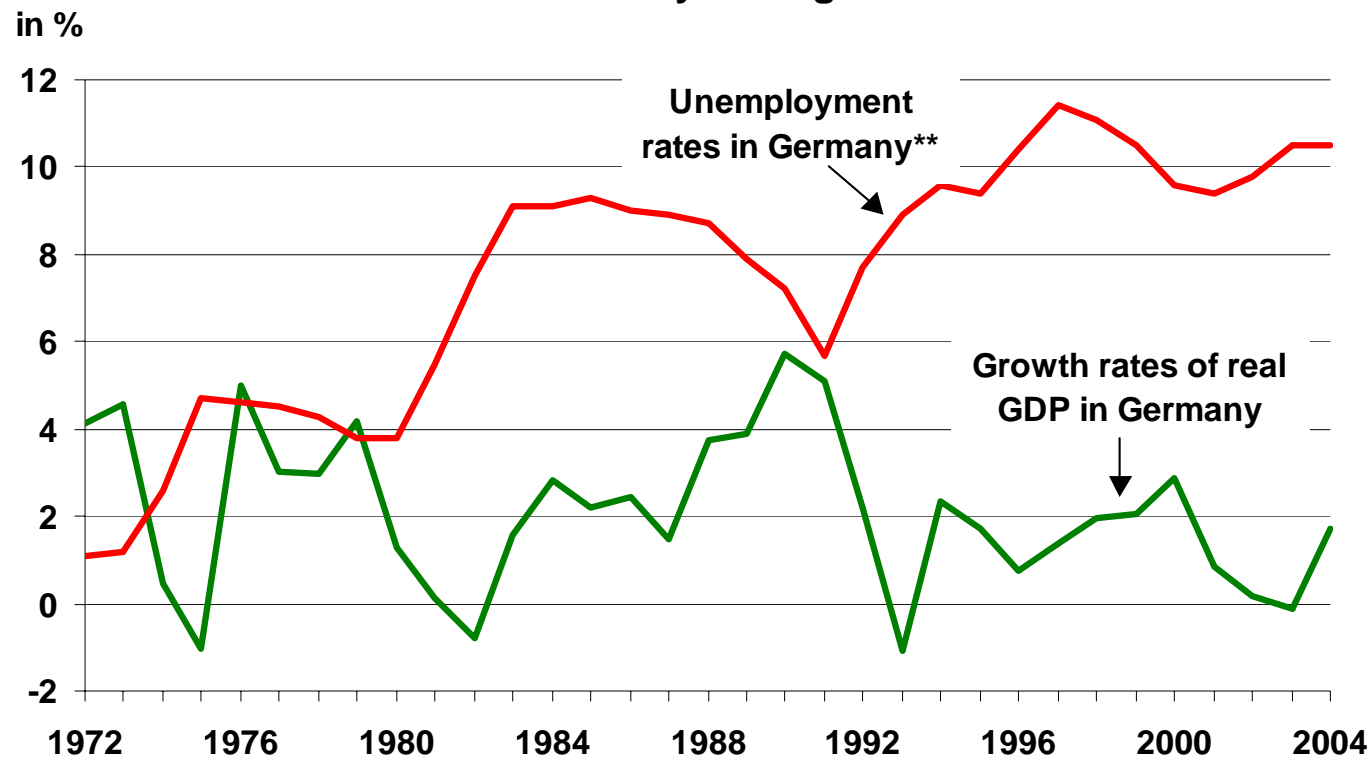
Civitas – Health Policy Roundtable

Michael Seitz

May 11th, 2005

Unemployment and the Business Cycle: Ratcheting Upwards

In Germany, unemployment rose in every recession
but remained sticky during recoveries*



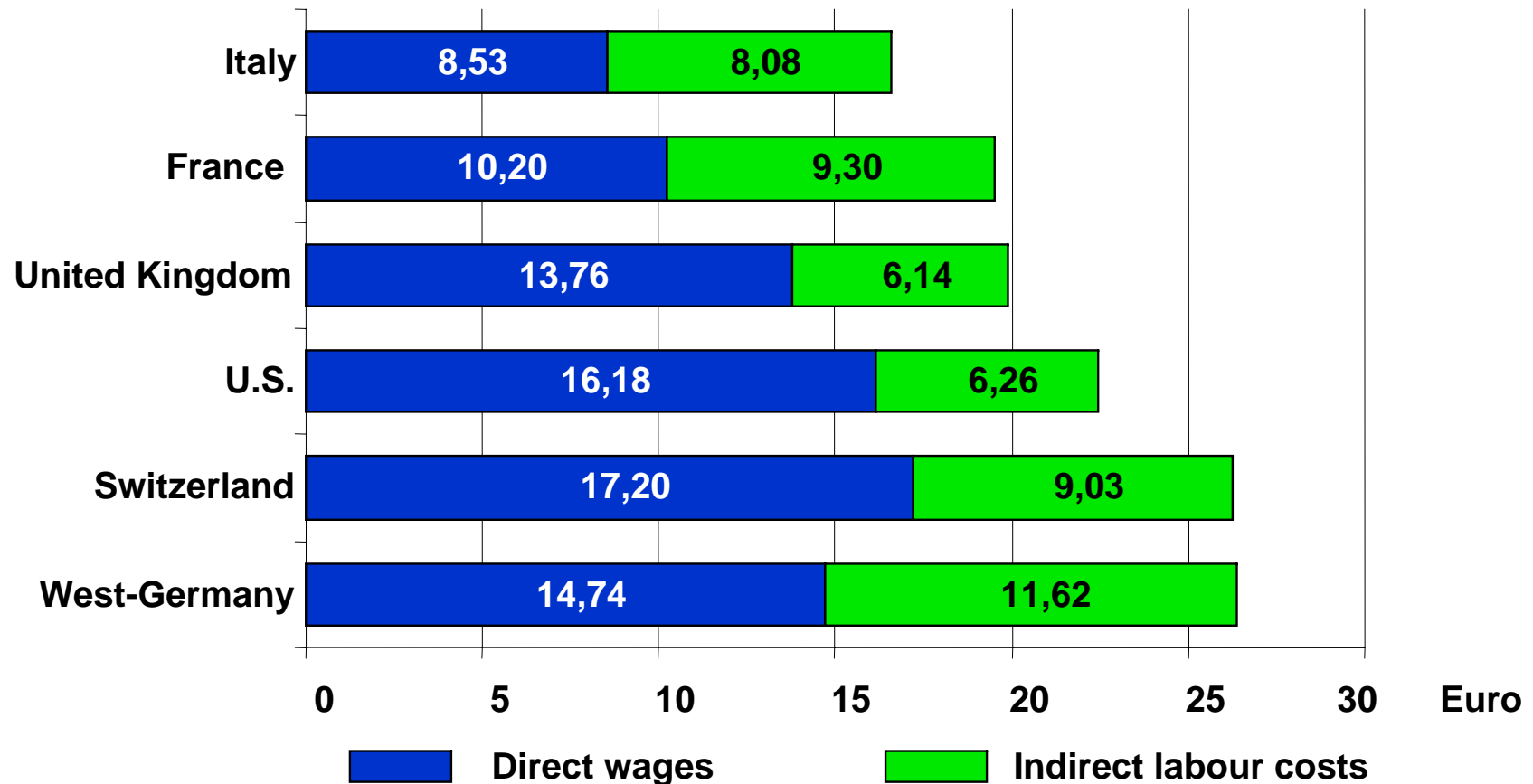
* Prior to 1992: West Germany

** Unemployment Rate: Share of officially registered unemployed of all dependent civilian labor force (traditional German definition of unemployment rates)

Source: Statistisches Bundesamt, Bundesagentur für Arbeit

The Labor Cost Gap is the Welfare State Trap

Hourly labour cost per worker hour in manufacturing industries 2002



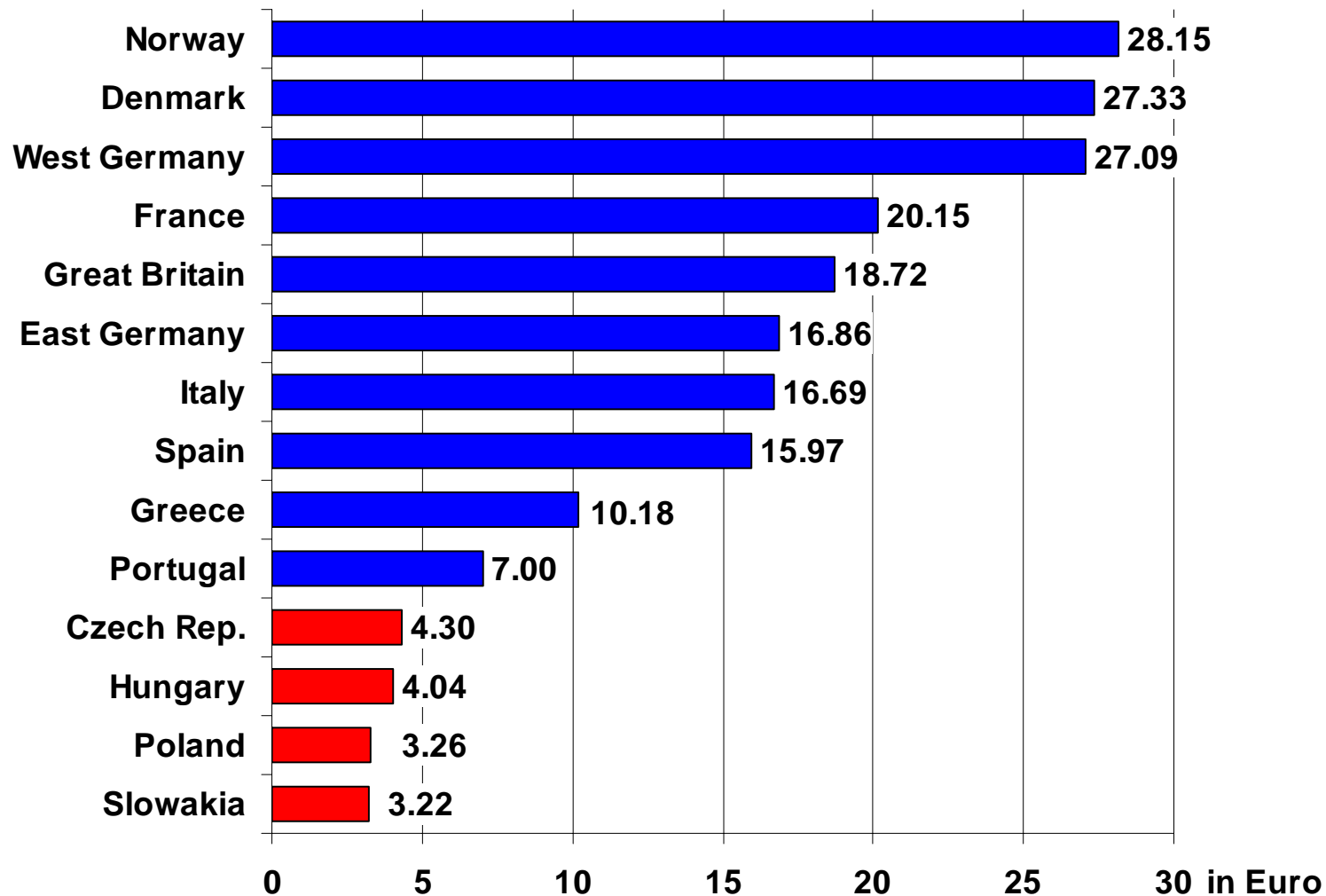
Conversion of currencies with official exchange rates

Source: Schröder, Christoph: Industrielle Arbeitskosten im internationalen Vergleich.

In: iw-trends 3/2003, Cologne 2003

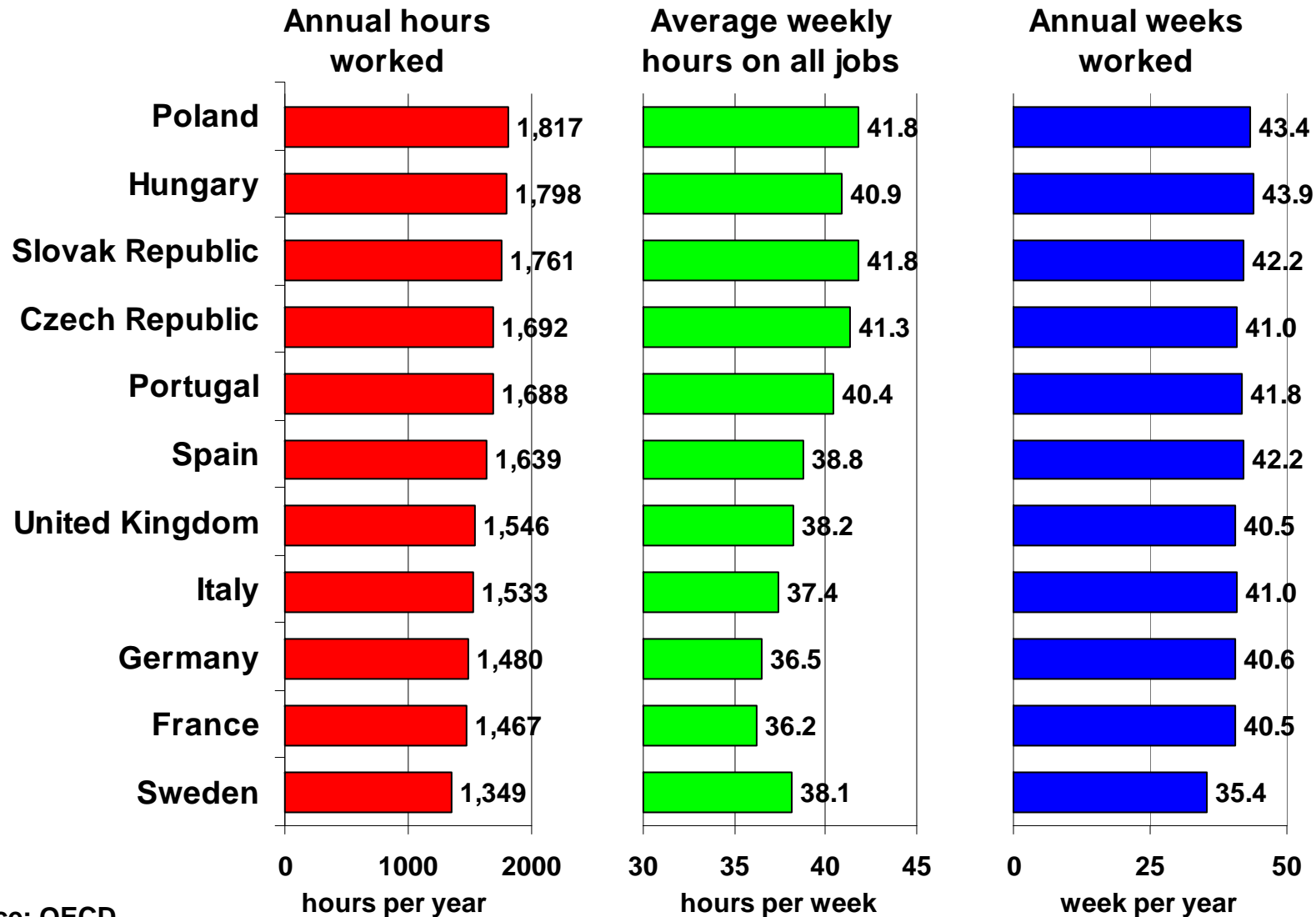
Labor Cost Competition

Labor Costs per Hour in Manufacturing 2003



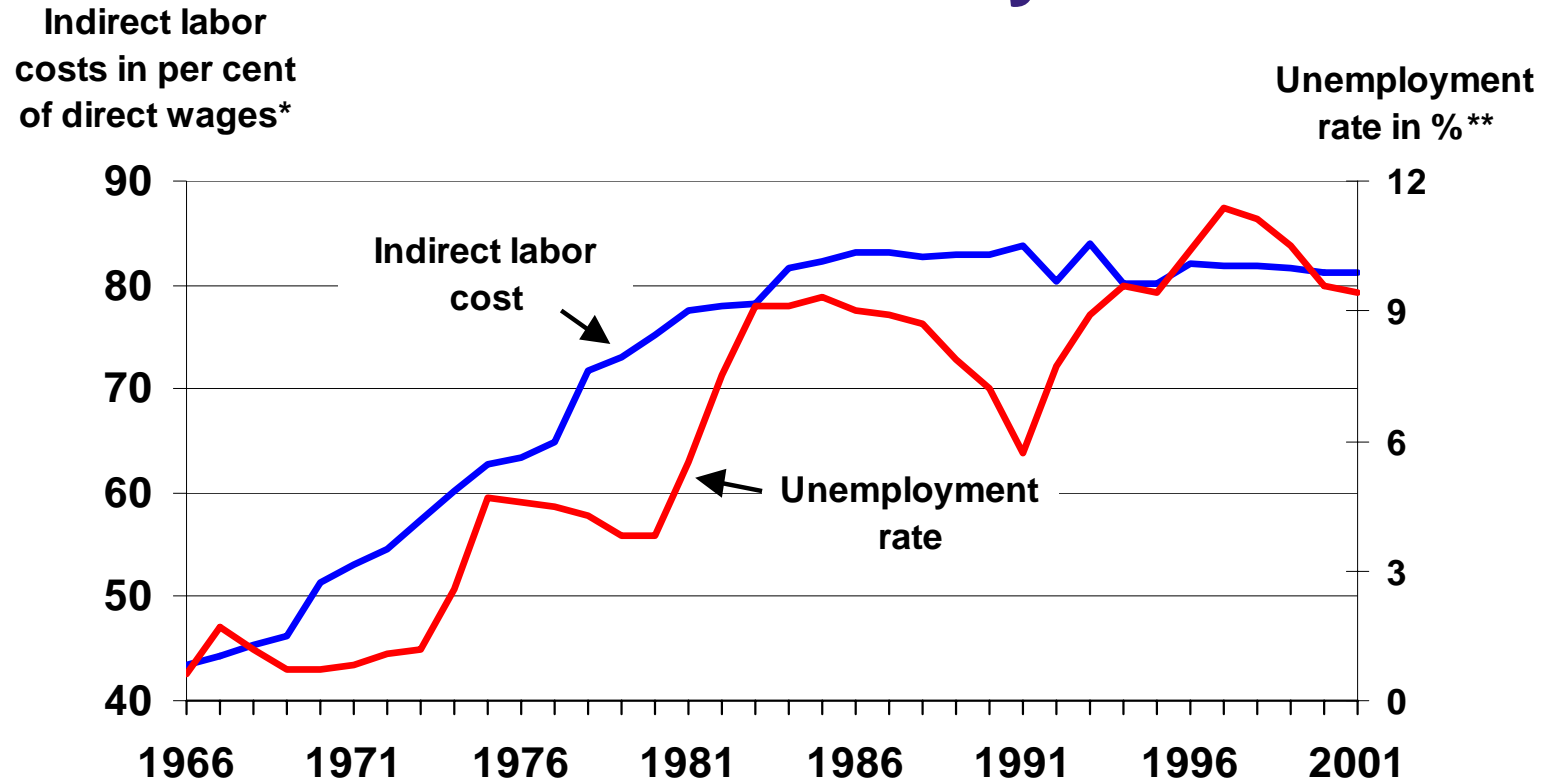
Source: IW Cologne 2004

Hours worked 2002



Source: OECD
Employment Outlook

Indirect Labor Costs and Unemployment in Germany

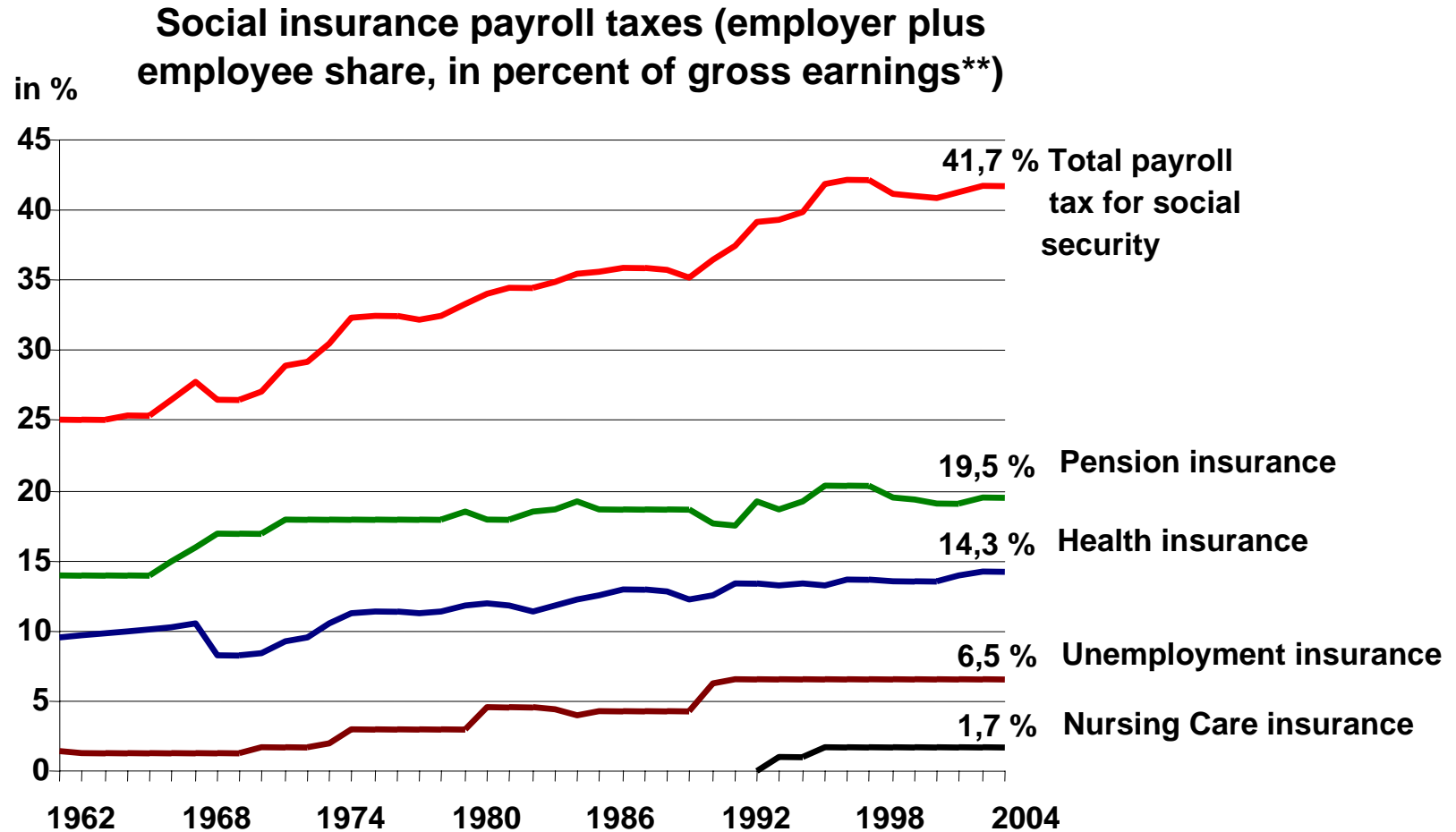


* West Germany

** Unemployment rate: share of officially registered unemployed of all civilian labor force (traditional German definition of unemployment rates), prior to 1992 only West Germany

Source: IW Koeln: Institut der deutschen Wirtschaft (IW): Deutschland in Zahlen, Cologne, various editions; Bundesagentur für Arbeit: Arbeitsmarkt in Zahlen, Nürnberg, various editions

Cost Dynamics in German Social Security*

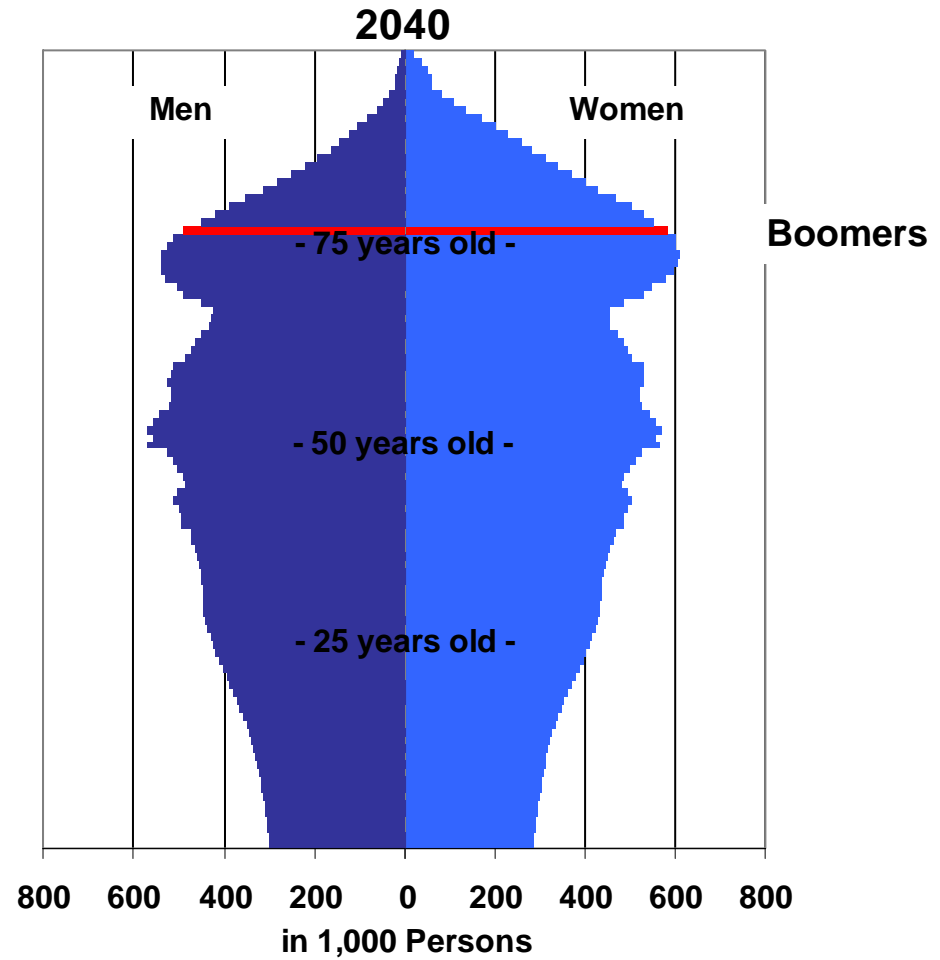
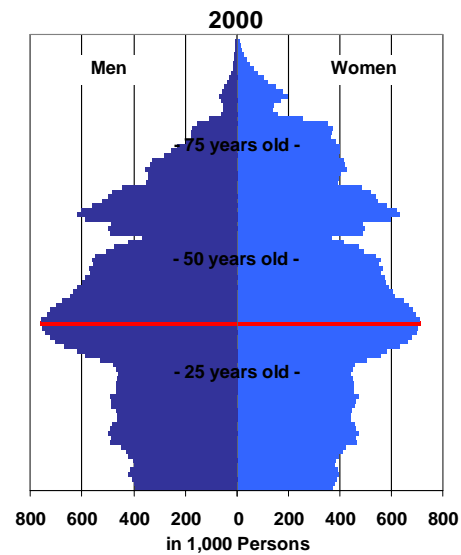
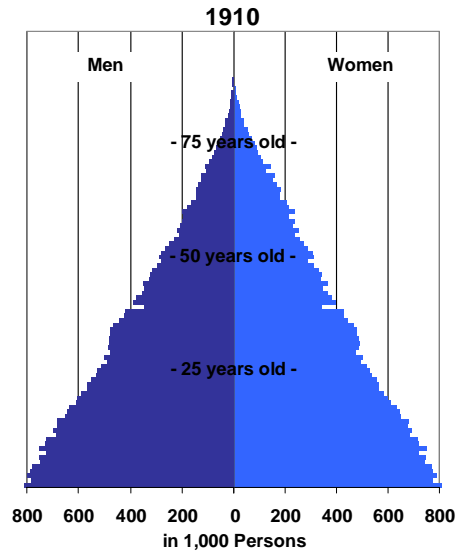


* Data refer to January 1 of each year; payroll taxes prior to 2001 refer to West Germany.

** In Percent of gross earnings up to contribution limit (for West Germany in 2004: €61,800 p.a. in case of pension and unemployment insurance, €41.850 in case of health and nursing care insurance);

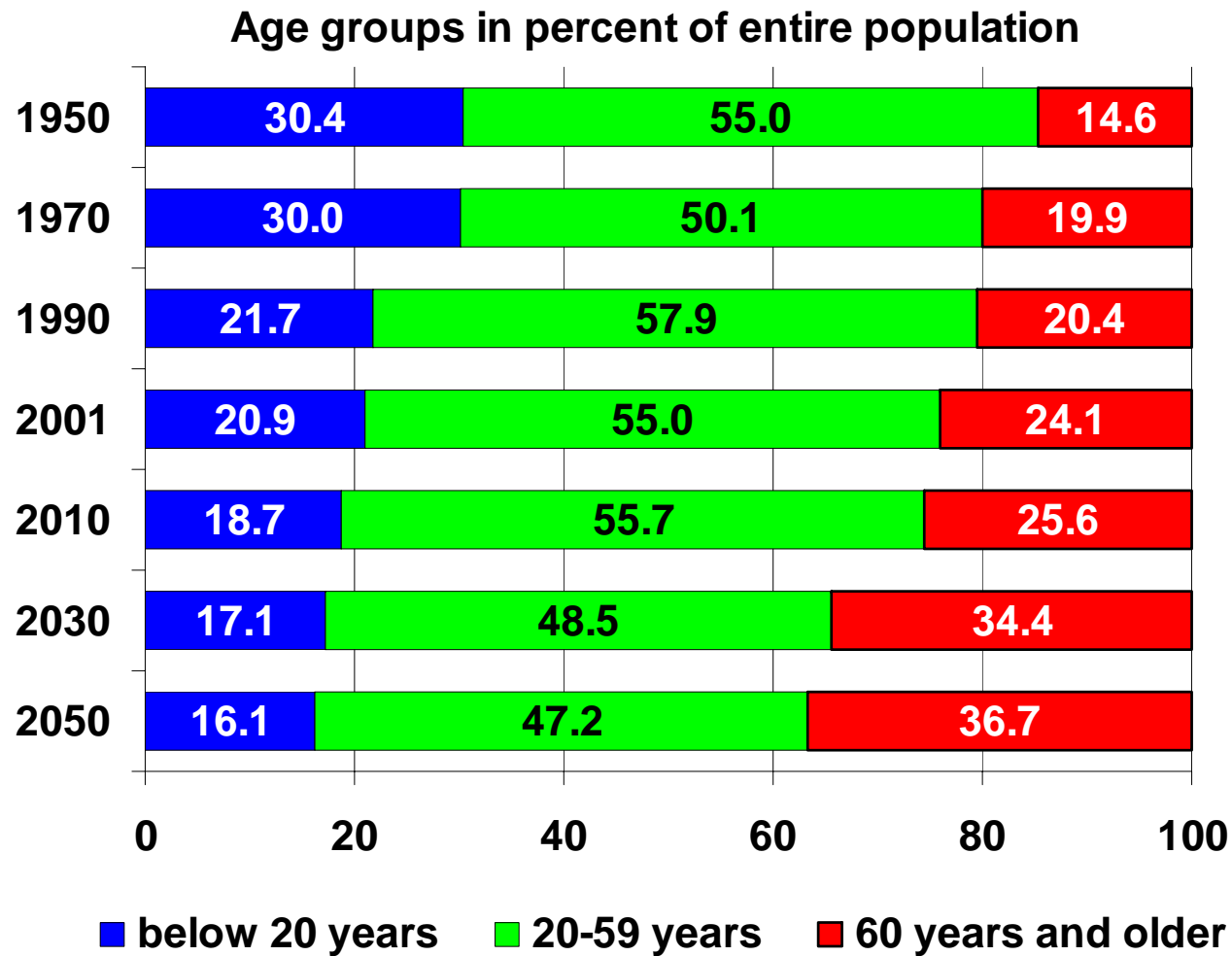
Source: Bundesversicherungsanstalt für Angestellte: Beitragssätze zur Sozialversicherung, Berlin 2004

Age Structure in Germany



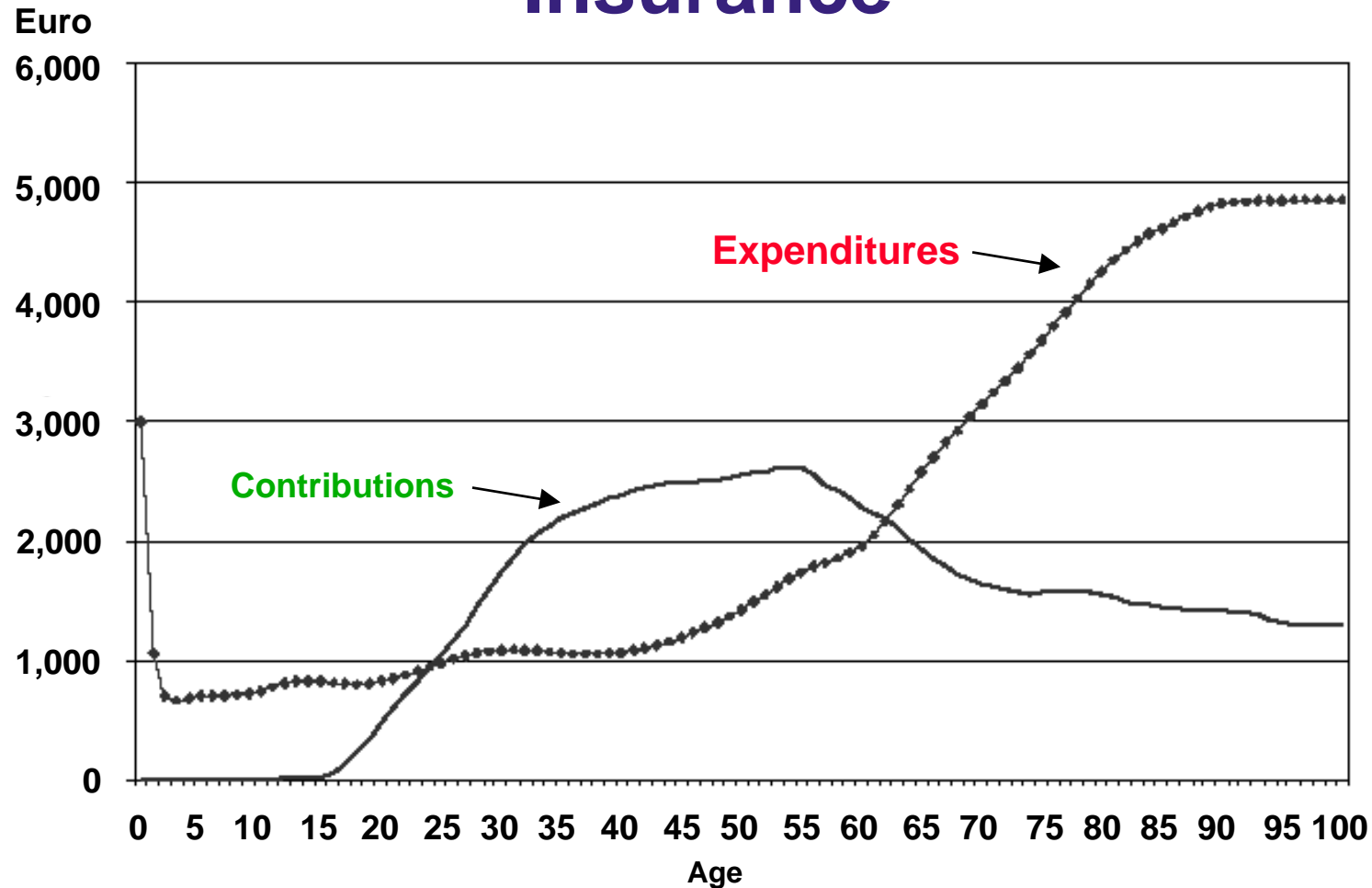
Source: Statistisches Bundesamt

Demographic Trends in Germany



Source: Statistisches Bundesamt: 10th coordinated population projection, Wiesbaden 2003

Age Specific Contributions for and Expenditures by German Public Health Insurance



Source: Oberhauser, Raffelhüschen, Ehrlicher, Francke: Die Nachhaltigkeit der gesetzlichen Kranken- und Pflegeversicherung: Diagnose und Therapie. Freiburg 2003

From Welfare State to Social State

Consumer model:

Instead of being a passive recipient of a one-size-fits-all entitlement, the individual is empowered to become a discerning buyer of social security products.

Social Savings Account and empowerment towards individual responsibility:

Contributions to social security systems are deposited in an individual Social Savings Account which is vested in the employee.

Efficiency without loss of social security:

Minimum coverage mandatory, additional coverage optional. Free choice of providers for mandatory and optional coverage leads to an efficient supply structure.

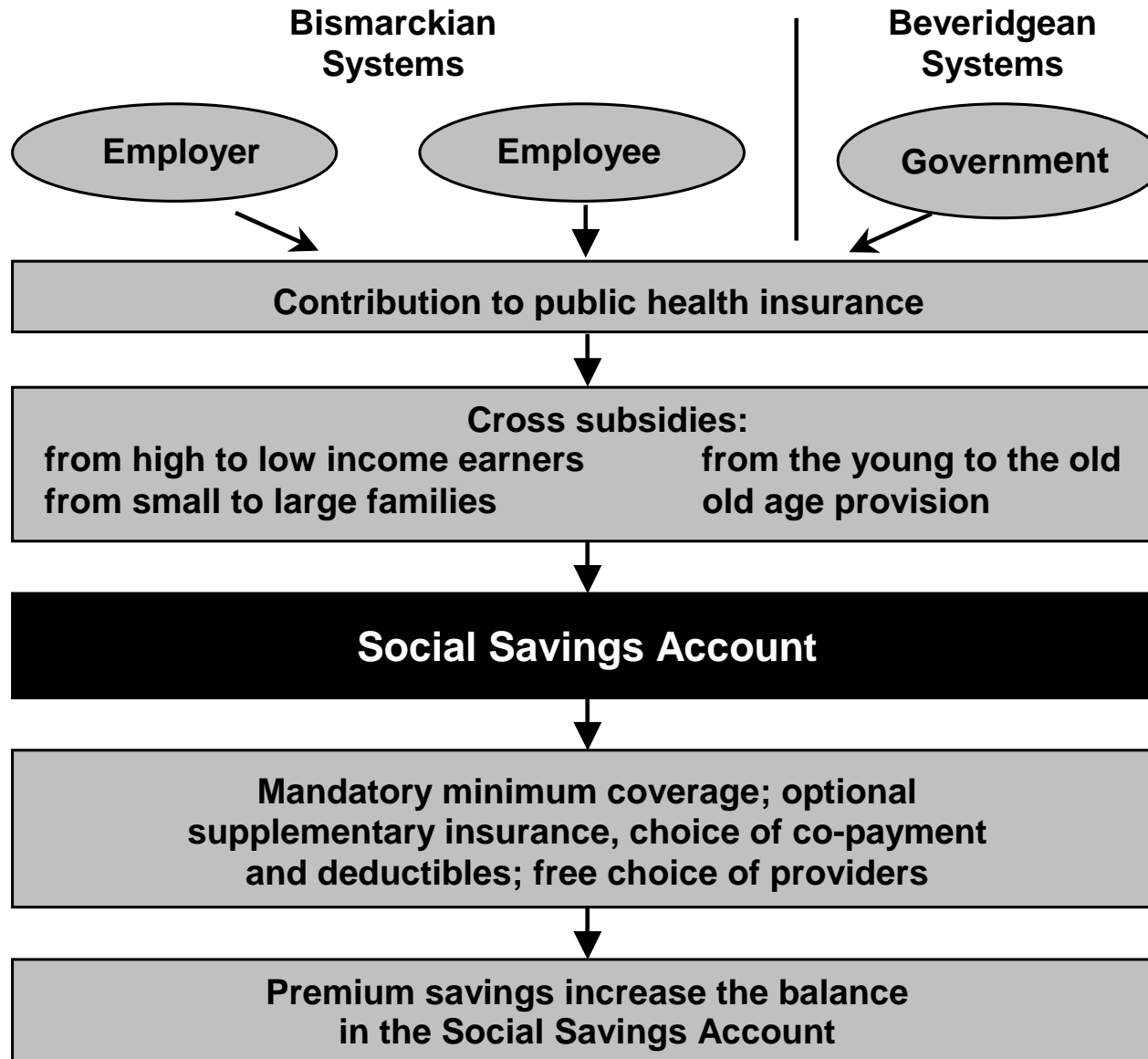
No consumption of saved premiums:

Savings can be used for social security or they remain in the Social Savings Account.

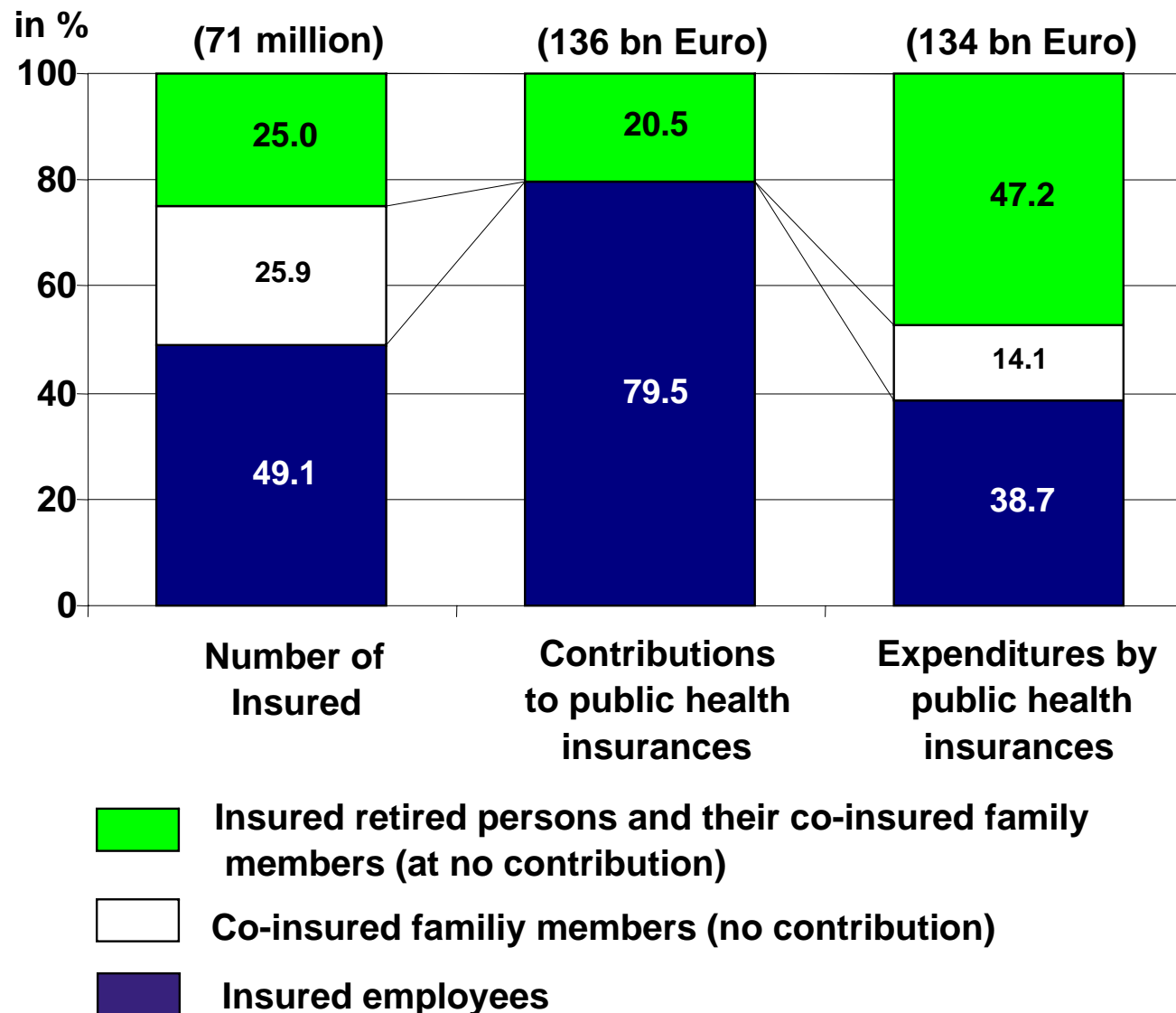
Institutional change instead of destruction:

Social security agencies can evolve into competitive suppliers of social insurance products.

The Social Savings Account - Health



Hidden Cross-Subsidies in German Health Care



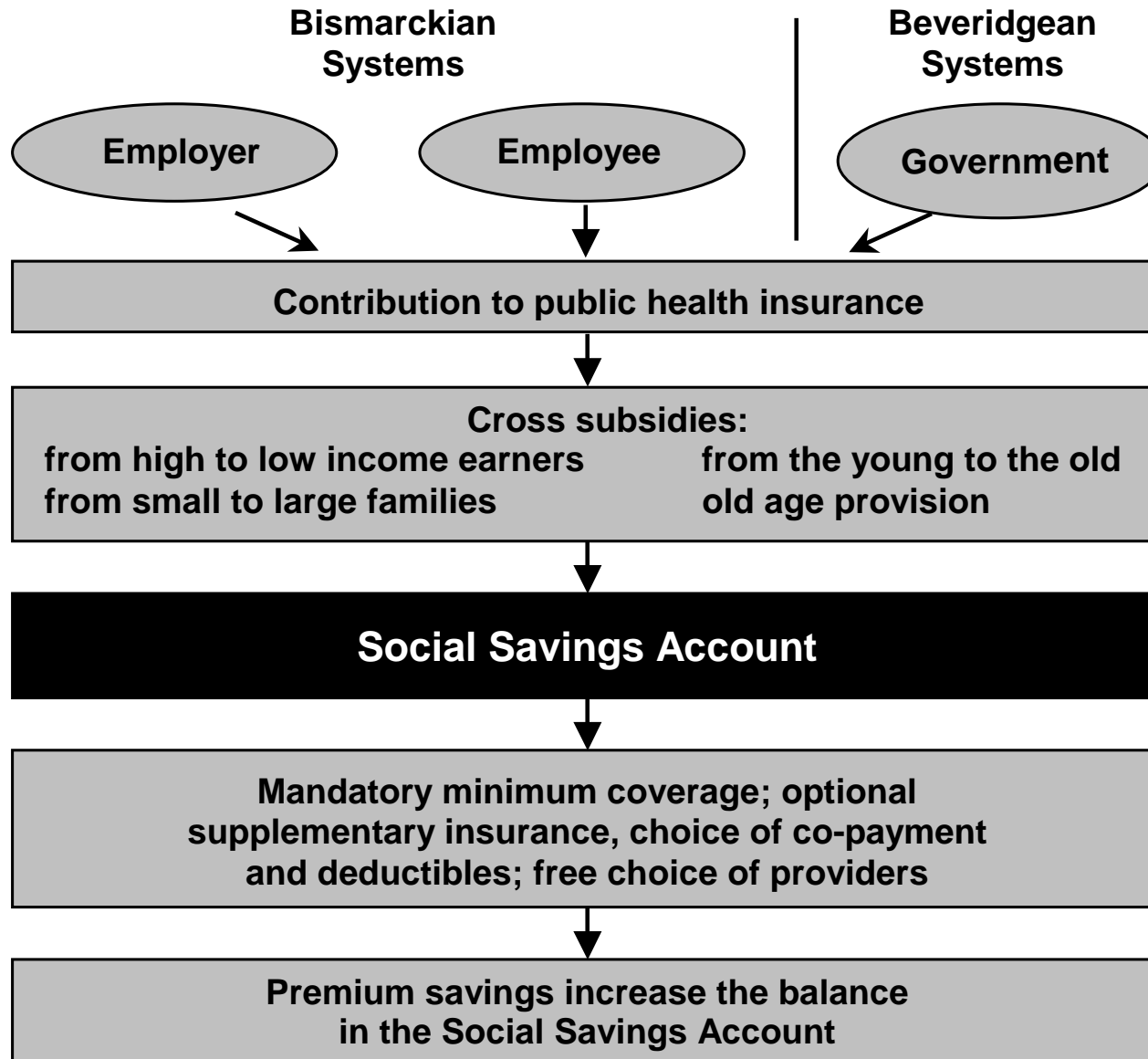
2002

* There are also cross-subsidies

low income earners and from males to females

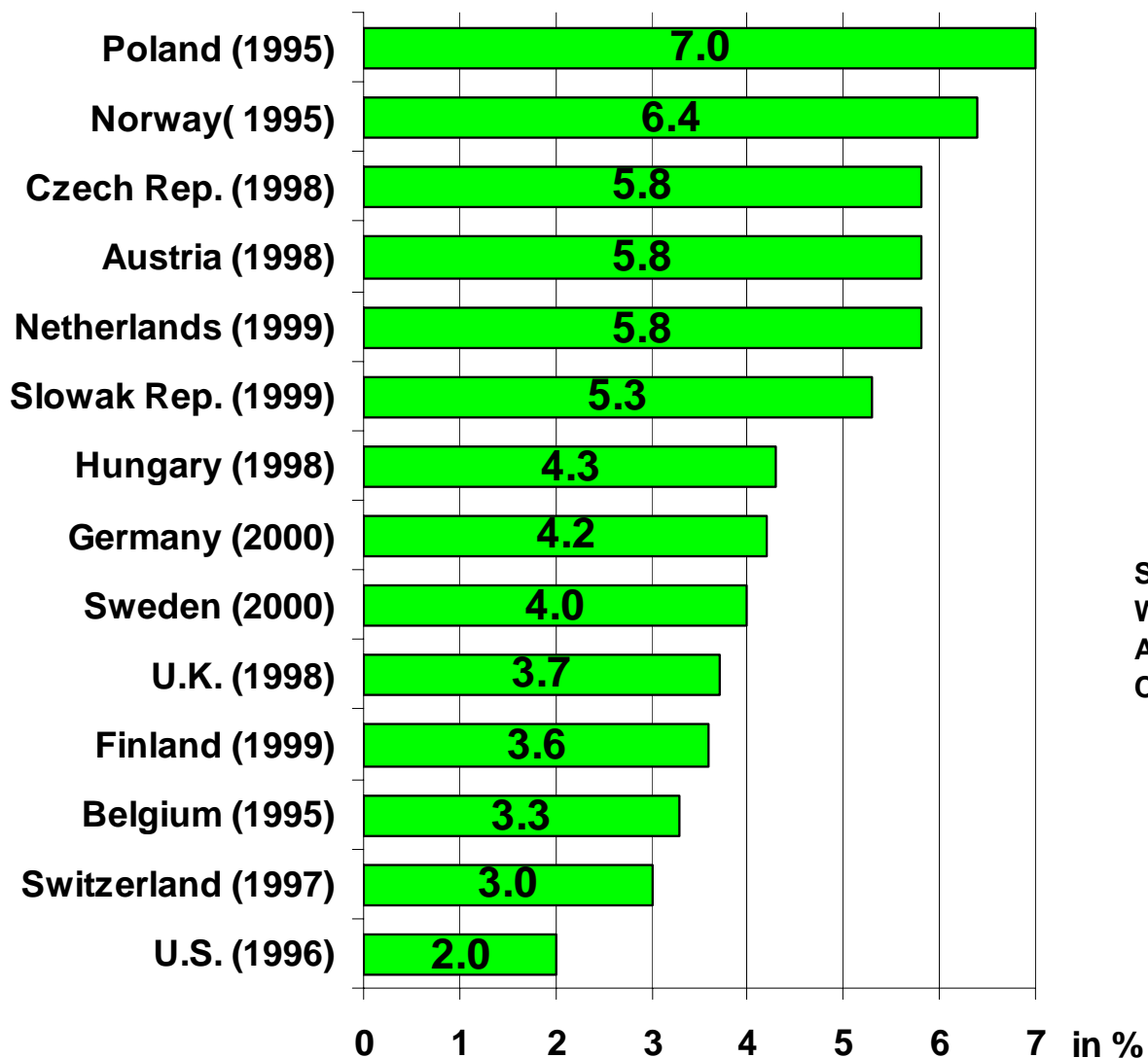
Source:
Bundesministerium für Gesundheit und Soziale Sicherung, own calculations

The Social Savings Account - Health



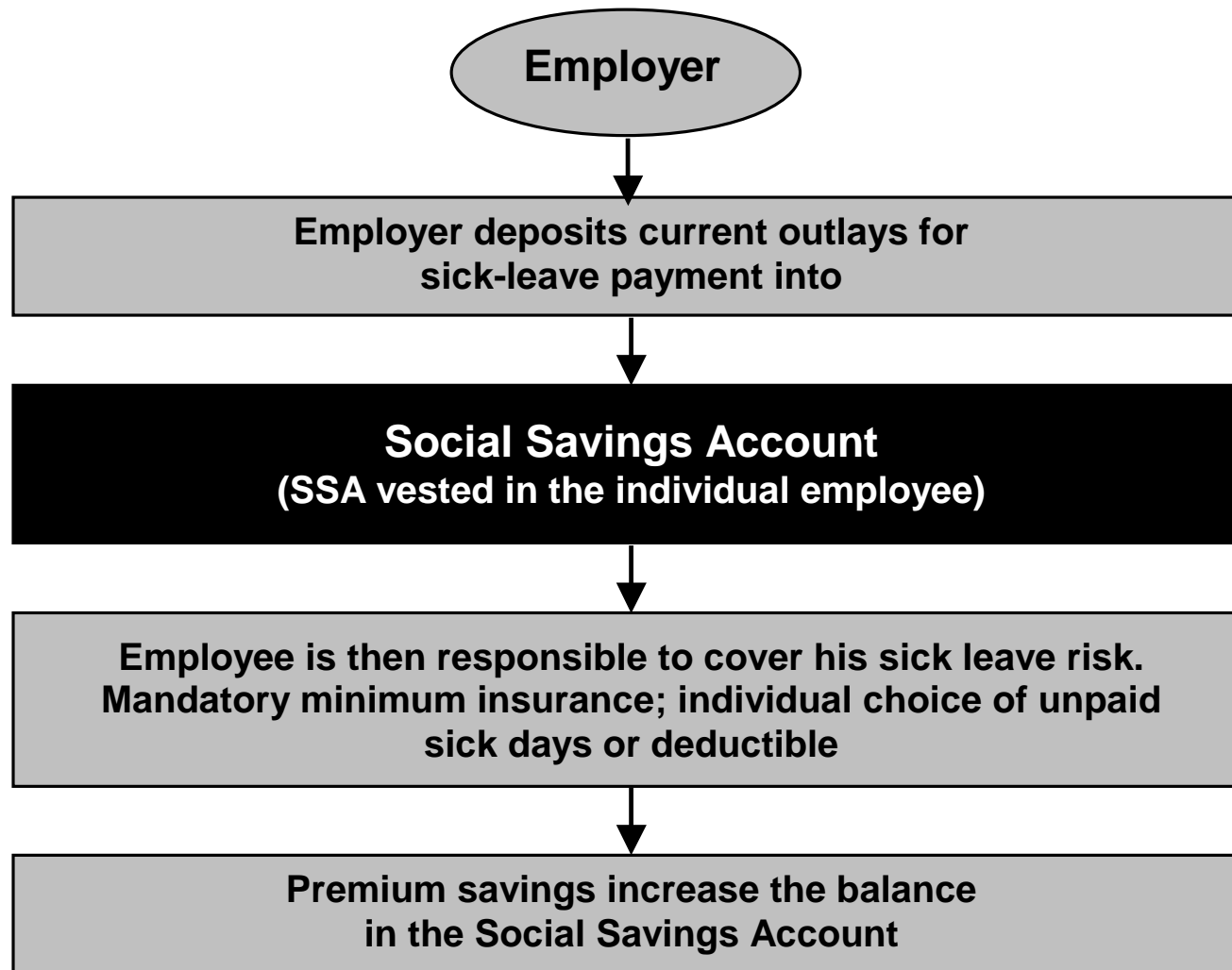
Absenteeism in selected Countries

Sick leave duration in per cent of working days

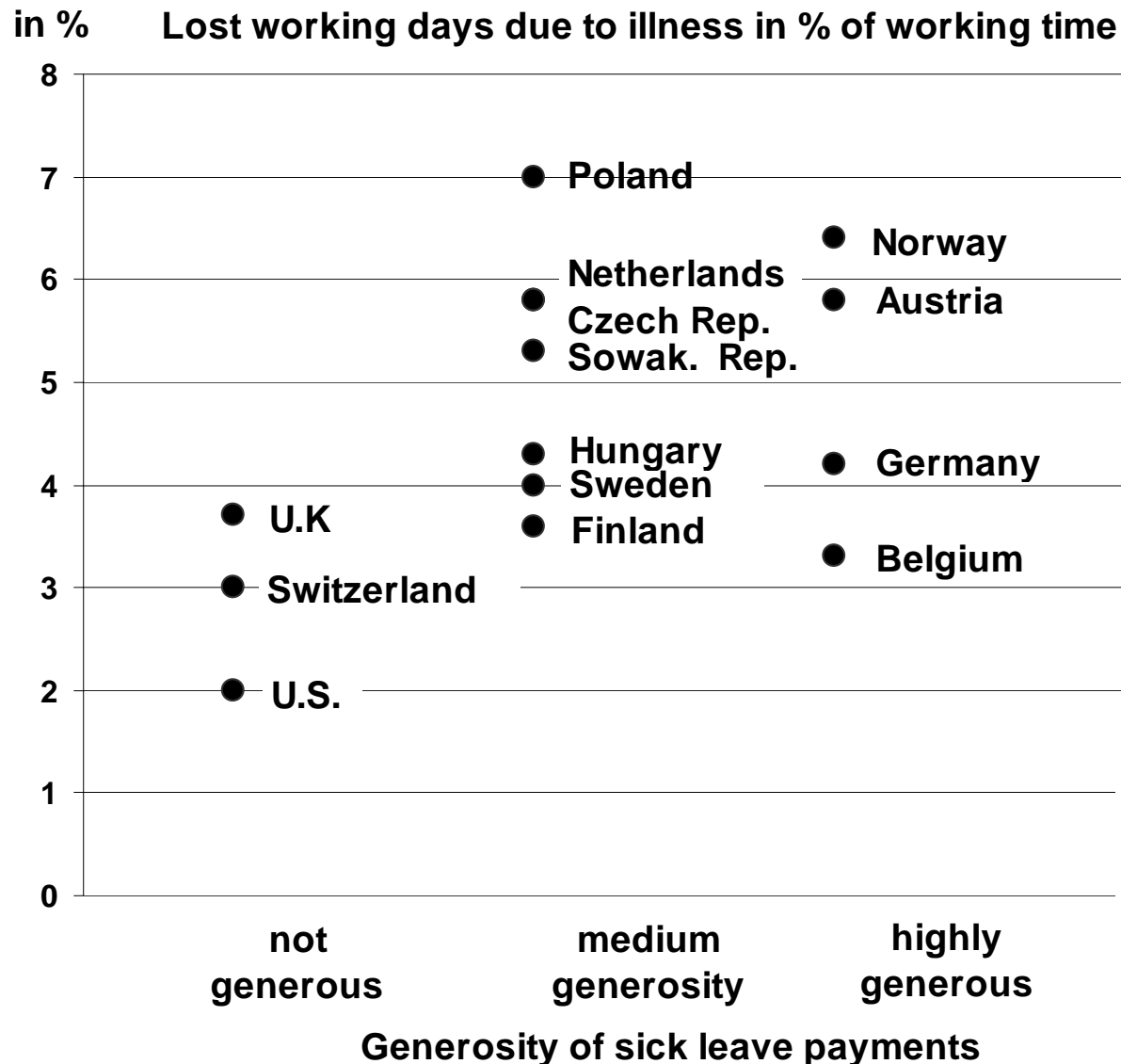


Source: Osterkamp, Rigmar:
Work Lost Due to Illness -
An International Comparison.
Cesifo Forum 4/2002

The Social Savings Account- Sick Leave Pay

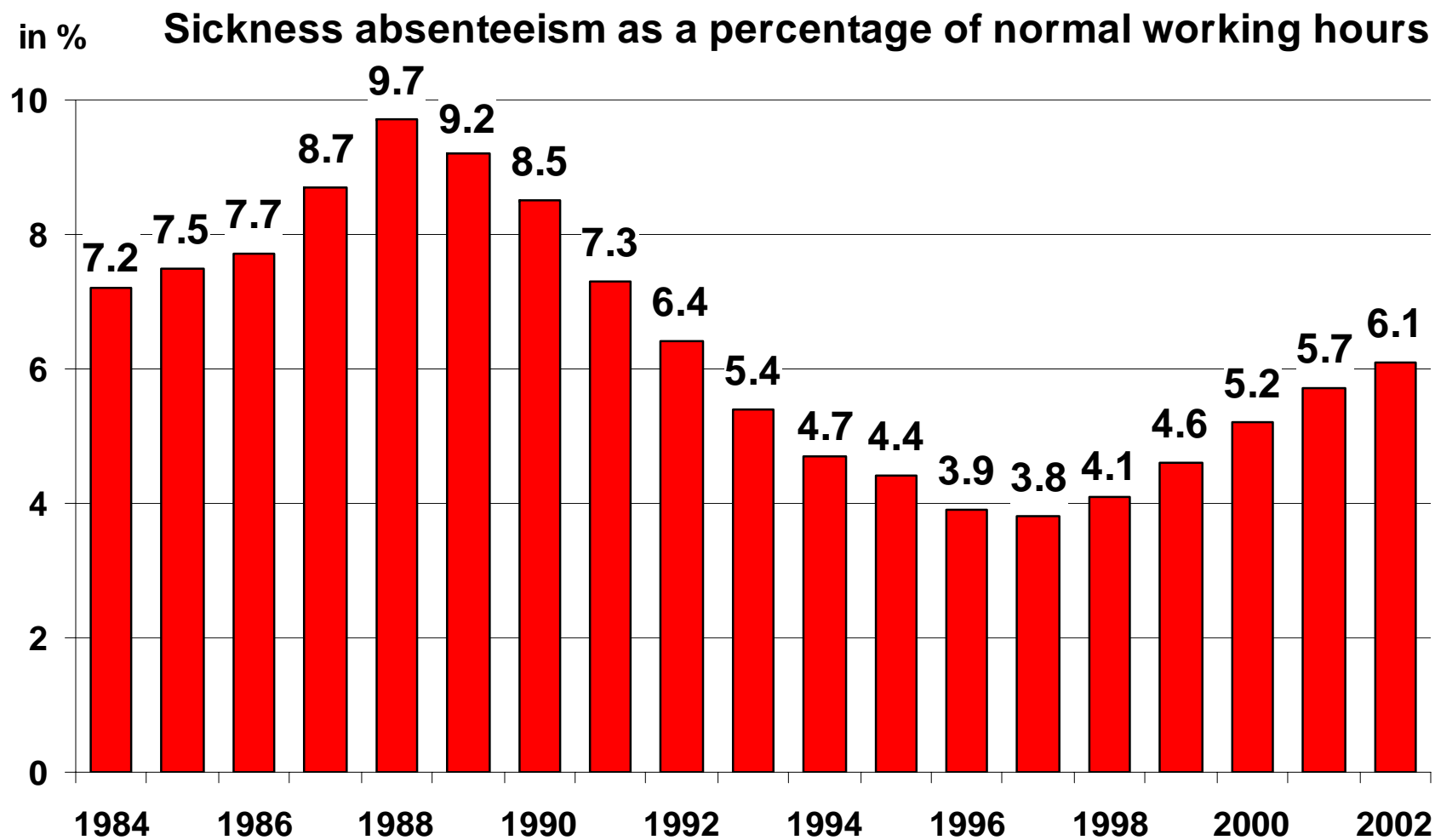


Lost Working Days due to Illness vs. Generosity of Sick Leave Pay 1998-2000



Source: Osterkamp, Rigmar: Work Lost Due to Illness - An International Comparison. Cesifo Forum 4/2002

The Fall, Rise and Relapse of Sweden



Source: Nordiske Arbeidsgiverforeninger, Stockholm

From Welfare State to Social State:

Empowerment, Individual Responsibility and Effective Compassion

Wilfried Prewo

www.cne.org