

Types of Transaction Costs in Forms of Medical Care in Germany: Development of a Typology

Renger Fabian^{1,2*} and Czirfusz Attila¹

¹St Elisabeth-University Bratislava, Slovakia

²Medical Care Centre Dr Renger / Dr Becker Heidenheim, Germany

ABSTRACT

Introduction: Transaction costs in forms of medical care is a new perspective in health science. Healthcare Management itself seems to get a new role of importance in these days.

Objectives and research findings: In an increasingly competitive environment, cost optimisations need to be the focus of science and practice. Especially in the field of healthcare. Without the money of the insurances most people would not be able to get medical care in Germany.

Core work concepts: The development of a convincing typology as a new approach in this field of expertise. Transaction costs play a big role in this context.

Methodology: Developing a typology and defining types without losing sight of the specific features of forms of medical care is tried and within this the using of typology development.

Outcome: The formation of three different informative types of transaction costs is achieved with this paper and it generates new areas for researchers additionally.

Summary: Knowledge of the three types of transaction costs is helpful for theory and practice in the upcoming field of health care science.

*Corresponding author

Fabian Renger, Medical Care Centre Dr Renger / Dr Becker Heidenheim, Germany. Tel: +49 7321 939613.

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Introduction

The topic of healthcare is considered diverse and multifaceted. The reason for this is not only developments in medicine and care but also changing requirements on the part of insured persons, who (naturally!) have an influence on the treatment, therapy and care regime and the underlying provision and funding of care [1]. Accordingly, public attention is focused not only on the care itself but also on its potential for development. The innovations bring with them new or modified regulations, which require administration on the part of the service providers and also the cost bearers. The costs of this administration are referred to as transaction costs, are changeable both in varying arrangements and over time and are thus considered open to influence [2]. The corresponding arrangements can be accessed by the market, i.e. by an external service provider (for payment) or executed within the internal hierarchy (hierarchical, i.e. within the company). A distinction is made between market transaction costs and

managerial transaction costs. Transaction cost theory itself is – much like the study of property rights a significant part of new institutional economics [3-14].

Figure 1: Forms of transaction Costs

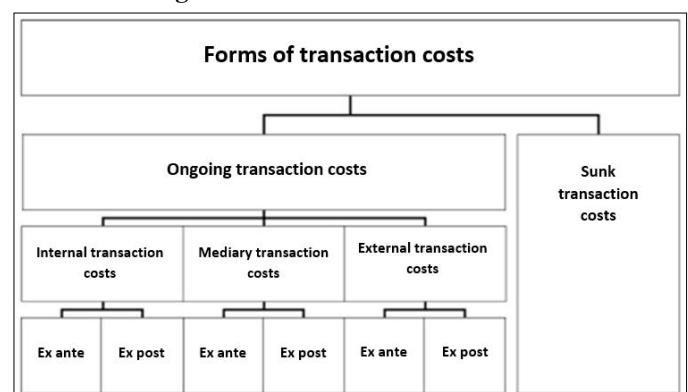


Figure 1: from n.a. 2022, www.monitor-versorgungsforschung.de

Figure 2: Healthcare Promotion Acts

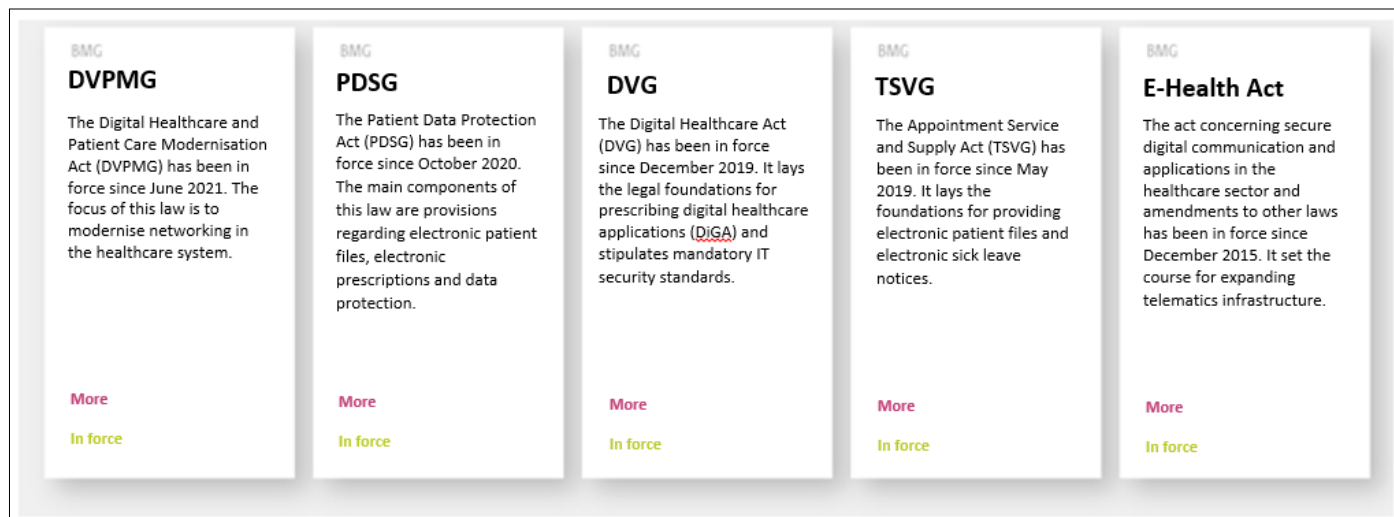


Figure 2 from [15].

Figure 3: SHI Benefits Payouts

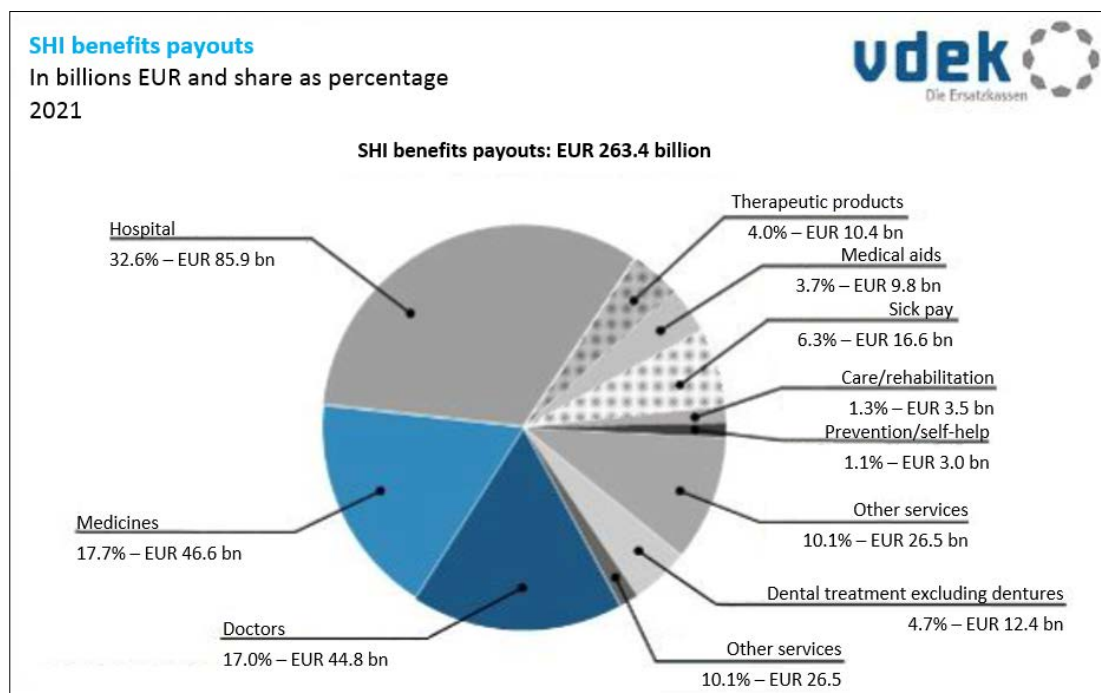


Figure 3 from [16].

Objectives and Desired Research Findings

The objective of the paper is to provide an overview of medical care in Germany and develop a typology as an approach to the topic of related transaction costs. The purpose of doing so is to reveal where the individual players are positioned in terms of the transaction costs and what potential for improvement there is in specific types of care.

Methodology of Typology Development/Statistics

Figure 4: Typological Table of Transaction Costs

Allocating factors as part of the typology (estimated) [factor 1 = high, factor 5 = low]							
Forms of medical care	Ex ante			Sunk transaction costs	Ex post		
	Internal transaction costs	Mediary transaction costs	External transaction costs		Internal transaction costs	Mediary transaction costs	External transaction costs
GPs in single-handed practice	2	3	4	0	4	3	2
GPs in group practice	1	3	4	0	5	3	1
Medical care centres	4	3	3	0	5	4	3
Hospitals	3	4	4	0	2	3	2
Private clinics	1	2	1	0	2	2	2
Medical centres	2	2	2	0	1	2	1

Formation of Types of Transaction Costs

Type 1: High TCs/GPs in Single-Handed Practice/Hospitals GPs in Single-Handed Practice

Even though most doctor's surgeries are currently operated as single-handed practices, cooperative forms of professional activity are increasing in significance. With the GmbH having become the most common form of non-medical company in Germany and non-medical freelancers such as tax consultants and lawyers long being able to make use of the GmbH as a legal form, doctors can now also generally use the legal form of GmbH. There are, however, strict limits that they need to observe. For SHI-accredited doctors in particular, the legal form of GmbH following acquisition of the practice comes with many disadvantages in terms of billing. For doctors who decide in favour of a GmbH with full knowledge of the professional challenges, the main features of the GmbH are described below [14].

The Practice GmbH is A Joint-Stock Company

It has liable capital (at least EUR 25,000, half of which needs to be paid in when the GmbH is founded), with which it is liable vis-à-vis third parties. The involvement of a notary and a memorandum of association are required for the foundation of the company. The individual doctor can found a joint-stock company such as the GmbH after purchasing the practice. The doctor thus becomes sole shareholder of the practice and has just as much freedom to make decisions as any other entrepreneur [14].

The legal form of GmbH for a doctor's surgery is established for a specific purpose. It has full legal capacity, i.e. it can bear rights and obligations. The legal capacity is obtained by registry in the commercial register. Following registration and payment of the full share capital, the GmbH's liability is limited to the share capital. The personal property of the doctor is shielded from entrepreneurial risks in the event of a practice transfer [14].

Every GmbH has at least two executive bodies: the managing director and the general meeting. If the managing director is also a shareholder, they are referred to as a managing shareholder. As managing director, the doctor must act to the standard of an ordinary prudent business person in the conduct of their tasks [14].

What this means for doctors in practice is specified in concrete terms in only a few cases; for example, there are certain deadlines that need to be observed if the company/doctor's surgery is experiencing a crisis. If the doctor as managing director fails to

act to the standard of an ordinary prudent business person, there is a risk that the GmbH is entitled to a claim against the managing director owing to a breach of duties [14].

Hospitals

In 2017, there were 1,942 hospitals in Germany. This number has been falling for some years. In 1998, there were only 2,263 clinics, in 2009 only 2,080, and in 2011 only 2,045. The number of hospital beds and the utilisation of bed capacity is also decreasing. Overall, clinics provided exactly 501,475 beds in 2016 – over 2,500 beds less than in 2012. The number of care and rehab facilities was 1,149 in 2016.

Patients are spending less time in the clinic than they did in the past. The length of stay fell from 10 days (1998) to 7.3 days on average (2017). This is because clinics are no longer paid on the basis of the length of the patient's stay, but instead on the basis of specific case-based lump sums, 'Diagnosis-Related Groups' (DRGs).

On the other hand, the number of stays is increasing: in 2012, hospitals in Germany provided inpatient care for 18.6 million people. In 2017, the number had already risen to 19.4 million [17].

Type 2: Medium TCs/Medical Care Centres (MCCs)/Group Practices (GrPs)

Medical Care Centres

Number and Statistics for MCCs in Germany

There are currently roughly 8,000 medical care centres and group practices throughout Germany – 4,200 of these facilities could be considered MCCs [18].

Difference between MCC and Group Practice (BAG)

According to the Professional Association of German Surgeons, prior to the introduction of MCCs in 2004, the classic form of cooperative medical association was the 'group practice' or BAG ('Berufsausübungsgemeinschaft' – akin to a professional cooperative). In contrast to a so-called shared practice (see below), medical work is performed jointly in the BAG, and the company is a joint enterprise. This mostly takes the legal form of a partnership organised under the German Civil Code (GbR) or a registered partnership (company). Each partner in the company participates in business decisions and in the value and profit, but is ultimately also liable for the company's obligations with their own private assets. Details on the options for forming a BAG can be found in the Authorisation Regulation for SHI-Accredited Doctors [1, section 33]. The term 'group practice' is no longer used there [19].

The medical care centre (MCC) as a form of medical cooperation was anchored in section 95 of the German Social Code (SGB) with the SHI Modernisation Act in 2004. The reason behind this change was the legislator’s intention to promote medical care provision in rural areas and to create a legal basis for the former multi-disciplinary outpatient clinics of the GDR (Polikliniks) to continue operating (Renger 2012a; Renger 2012b; Renger 2012c, Renger, Czirfusz 2017b). The main difference from the BAG is that an MCC can be run not only as a registered partnership or GbR but also as a cooperative or GmbH. Since MCCs were first launched, there have been numerous adjustments and modifications. The first alliances in MCCs involved SHI-accredited doctors and hospitals in particular. Recently, it has also become possible for municipalities to found MCCs in a publicly owned legal form [19].

The main difference between a BAG and an MCC is therefore the legal form, and the issue of who holds the SHI-accredited medical licence. While in the BAG each partner has their own personal licence and the group’s licence is thus based on the sum of these individual licences, in the case of the MCC, the MCC operating company is itself directly the holder of the licence. They are referred to as an institutional licence [19].

Group Practices

Group Practice/Professional Group Practice

The BAG Exists in Various Forms

It can be restricted to one single practice location as a local BAG, or be operated across multiple sites as an ÜBAG. It can cover one discipline or multiple disciplines, i.e. include several doctors from one or multiple specialist groups. The professional group practice may also relate to just one specific subsection of the medical services provided. In this case, it is referred to as a partial BAG. For SHI-accredited doctors, however, there are special requirements that apply for the different forms, based on section 33(2) and (3) Authorisation Regulation for SHI-Accredited Doctors (Ärzte-ZV) [20].

Shared Practice

Within a shared practice, two single-handed practices are operated

independently (a shared practice between multiple single-handed practices or BAGs or between a single-handed practice and BAG is also possible, but for the sake of simplicity, the case of a shared practice between two single-handed practices will be assumed). In this case, two single-handed practices merely use shared rooms (such as reception area, cloakroom and toilets, sonography room or staff room), and possibly also practice inventory, etc. and/or non-medical personnel. Otherwise, the individual practices are fully independent: each individual practice keeps its own patient files in separate patient records, concludes its own treatment contracts and does its own invoicing, etc. At the level of the shared practice, only the shared costs are divided according to usage. Thus, the primary purpose of the shared practice is to reduce costs while allowing autonomous and independent practice operation to be maintained [20].

While the old terms could easily lead to confusion between the shared practice and group practice, the now standardised terminology is easier to work with [20].

Type 3: Low TCs/Private Clinics and Medical Centres

Private Clinics

In Germany, there are roughly 5,800 clinics. In addition to the special types of university clinic and rehab clinic, there are also private clinics. They are operated by a private company rather than being publicly owned [21].

As the name implies, private clinics can be accessed exclusively by private patients and self-payers. Owing to the higher reimbursement rates of treatment costs by private health insurance companies, private clinics can offer enhanced comfort such as single rooms with equipment such as television and phone, technical equipment, the best medical products and greater levels of personal care. If you are privately insured, you can enjoy certain advantages over those with statutory health insurance, as more costs are covered [21].

Figure 5: Private Clinics in Germany

Overview of Germany’s largest private clinics.

Name	Year	Clinics	Revenue (EUR)	Patients	Beds	Staff
Helios Kliniken	2018	216 ¹	6,000,000,000	5,291,000	36,090	100,144
Asklepios	2018	160	3,408,000,000	2,266,000	26,651	35,327
Sana Kliniken	2018	59	2,703,000,000	2,156,000	11,243	34,293
Rhön Kliniken	2018	5	1,233,000,000	850,147	5,369	16,985
Ameos	2018	80	843,000,000	n.a.	10,000	15,700
Schön Klinik	2018	17	835,000,000	300,000	5,150	10,200
Mediclin	2018	36	645,000,000	122,053	8,359	10,524
SRH Kliniken	2018	16	622,500,000	964,250	4,375	8,059
Paracelsus Kliniken	2018	27	ca. 400,000,000	90,000	3,718 ²	4,500

¹ Clinics, medical care centres and prevention centres

² Number from 2016

Figure 5 from [22].

Medical Centres

Medical Centres as a Regional Brand

‘The extended medical and pharmaceutical offers and additional facilities are of interest to patients and customers in many respects. Especially when they are in a convenient location and the infrastructure enables easy access. The practices are able to run very profitably in most cases,’ explains Georg Heßbrügge, Head of the Health Markets and Health Policy division at apoBank [23].

Various Founders of Medical Centres

However, only one third of the founders of medical centres are healthcare professionals, and over half are investors. One reason for this could be that realising a property is considered a highly complex task, especially if it takes place at the same time as setting up a professional practice or moving. 'We believe there are advantages, however, when doctors jointly present themselves as investors and are also involved in the property. They then not only have independent control over the medical facility but also own the entire foundation of the entrepreneurial success with the value of their own practice and share in the property,' says Heßbrügge. apoBank implements such overall concepts with proven financing solutions that can deal with this complexity and minimise risks for those involved [23].

The analysts at apoBank are certain that the growing need for healthcare resulting from demographic change and the challenges of providing care in rural areas will result in an increase in forms of cooperation in the healthcare professions such as medical centres in the future. According to Heßbrügge, 'The next generation of healthcare professionals also appreciate the flexible working options that such cooperations offer. Unlike MCCs, medical centres also give the people running the practice greater freedoms. For doctors and pharmacists wanting to shape their own future and to have entrepreneurial success, medical centres provide a very good commercial foundation overall. [23-25].

Summary

For 'Type 1: High TCs/GPs in single-handed practice/hospitals', certain formalities must be complied with, which become particularly evident in times of crisis. For hospitals of this type, this also applies with regard to administration.

For 'Type 2: Medium TCs/medical care centres (MCCs)/group practices (GrPs)', the main difference is the legal form, and the issue of who holds the SHI-accredited medical licence.

For 'Type 3: Low TCs/private clinics and medical centres', people with private insurance enjoy some cost advantages compared with those with statutory insurance.

Medical centres provide an excellent commercial basis for doctors and pharmacists.

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