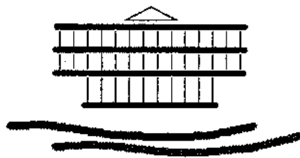

International Reform Monitor

Reforms reported by GERMANY

1.1. Health care reform

Six-Monthly Survey
No. 1 / 1999

June 1999

1 Reforms concerning Social Policy Issues

1.1. Health Care

1. Title (please insert a header)

- Bill on structural reform in the public health insurance

2. Initiators

- Federal government

3. Funding

- Reform aims at cost containment, no additional funding envisaged

4. Beginning, expected end and duration

- Legislation is in process; law to come into effect 1st January 2000.

5. Background and rationale of the reform, expected results

- The public health insurance is financed by earnings-related contributions. The contribution rate applies to monthly earnings from 630 DM/$ 329 up to 6.375 DM/$ 3334 (western Germany). Earnings above this threshold are not subject to health insurance contributions. The threshold is of importance in another way as well: employees earning more are allowed to opt out of the public health insurance and insure with a private company.
- On average, the contribution rate for public health insurance presently is 13,9% of gross earnings, equally shared by employer and employee. As the health funds' expenditures rose more rapidly than the insured persons' earnings, the contribution rate had to be raised several times from 8,2% in 1970 to the present level. The overall social security contribution rate (health, unemployment, pensions, nursery) on average amounts to 41,8% of gross earnings and is thus considered a main obstacle in creating employment. One of the main goals of government is therefore to lower the overall social contribution rate to considerably less than 40%.
- Since the mid-70s there have been many attempts to reach cost containment by budgeting, curbing treatment paid for by the insurance funds or introducing co-payments. Amongst them were the 1988 "Gesundheitsreformgesetz", the 1993 "Gesundheitsstrukturgesetz", the 1997 "Beitragsentlastungsgesetz" and the 1997 first and second "GKV-Neuordnungsgesetz". All of these reforms only brought about temporary success in cost containment thus making new reforms unavoidable

6. Country specific context

The German health system has a long tradition. It is based on the social insurance model for the provision of health care, which has been in place in Germany since 1881. It is in principle similar to the systems now operating in Austria, France the Netherlands and Japan. Its characteristics are:

- There is a compulsory coverage for most employees, apprentices, pensioners and those on social benefits with income below a threshold level by non-profit public sector health funds. Dependants are automatically insured so that the system covers about 90 per cent of population (72 million people).
- The system is self-governing, with incorporated bodies representing health funds, sectors and hospitals negotiating important aspects of health policy.
- A key aspect of this statutory health system is the solidarity principle with contributions linked to gross wages (up to a threshold, see above) without reference to health risk and with household dependants co-insured without additional contributions.
- Voluntary health insurance for those with income above a statutory level and for the self-employed.
- Co-existence of private risk-based health insurance with the solidarity based statutory system. For those who opt out of the statutory system private health insurance is available with premium based on risk profiles. In theory, once somebody chooses to be insured privately, there is no way back into the public health insurance. In 1998, a total of 7,1 million people were fully covered by private health insurance and a further 7,4 million had supplemental policies in addition to their compulsory coverage.
- There is a freedom of choice of physician and hospital in both the compulsory and private systems.
- There is a clear-cut division between in-patient and outpatient care. As a rule, hospitals are not allowed to do conduct outpatient care; established physicians are not allowed to conduct stationary care.

7. Target groups and target regions

- Entire health sector (health insurance funds, insured persons, suppliers)

8. Content and objectives

- The main aim of the reform is to prevent the increase in contribution rates for health insurance. Furthermore the reform wants to improve efficiency and quality in the health sector.
- These goals are to be achieved by restricting expenditures by a global budget, strengthening general practicioners role, giving up the dual hospital-funding (states: investment, insurance funds: running costs), integrating in-patient and out-patient care, introducing a positive list for drugs, restricting the

number of suppliers, emphasising health prevention and introducing a stricter technology assessment.

9. Concrete changes vis-à-vis the status quo

The reform brings about changes in most fields of public health care. For a short description, the most important changes have been selected:

- The expenditures will be restricted by a global budget from the year 2000. It will be based on the 1998 expenditures of 250 Mrd. DM ($ 131 billion) plus increases and is to increase by the same rate as the insured persons' wages increase each year. Thus the earnings-related contribution rate is to be kept stable. Restricting expenditures by budgets is not a new property to the German health sector, however. The change will be that now a *global* budget is to be introduced whereas the budgets have been *sectoral* before. So far, there have been guidelines setting growth in health expenditures at the rate of increase in contributions in principle, but containing many exceptions. The reform will restrict these exceptions.
- The dual financing of hospitals will be abolished. So far, states are responsible for planning and financing hospital investment. The health insurance funds finance running costs, often unnecessarily high due to doubtful investment decisions by the states. Step by step the insurance funds are to take over the investment costs for hospitals. By 2008 they will be fully responsible for the complete hospital funding. In turn, they will be given authority in hospital planning and steering hospital capacity, including the closure of hospitals. They will only partly be compensated for the investment cost by the states.
- The general practitioners role will be strengthened. So far, everybody is allowed to consult any specialist directly; it is even possible to consult many specialists on the same topic. ("Doctor-hopping"). This won't change in principle, but financial incentives are to be set to only consult a specialist after referral by a general practitioner. In addition, general practitioners will benefit from a special budget share.
- The number of suppliers in the health sector is to be reduced. From 2003, the establishment of new physicians will be more severely restricted. Furthermore, insurance funds will be entitled to buy and close down the practice of physicians willing to give up their profession.
- A "positive list" will be introduced. From 2002 onwards, only drugs contained in this list will be paid for by the public insurance funds.
- In-patient and outpatient care will be more closely interrelated. Hospitals will be allowed to conduct ambulant treatment in more cases. So far, outpatient care by hospitals is only allowed as an exception.

10. Major conditions for success

- Financing the health expenditure without increasing the contribution rate will only be possible if the contribution base doesn't shrink. However, high unemployment, an increasing share of part-time jobs and jobs not liable to contributions put pressure on the public health insurance revenues.
- Only if labour income and efficiency gains can keep pace with the additional cost incurred by demographic change and expensive treatment technology, the global budget will be met without rationing medical treatment.

11. Arguments raised by opponents of the reform

- By strictly relating the expenditures to the contributions, the expenditures won't follow the medical needs of the population. As the budget increase is too low considering the demographic change, rationing and waiting lists might be introduced.
- In giving the insurance funds (instead of the states) planning authority over hospitals, the regional supply guarantee will be at stake.
- By setting financial incentives to only consult specialists on referral, directly consulting a specialist of ones own choice would actually be made more expensive. Thus, the patients' free choice of doctors would be restricted. Furthermore, first seeing a general practitioner before consulting a specialist would in many cases double the consultations thus creating additional cost.
- A positive list would not guarantee cost containment but its establishment would create additional bureaucracy and thus additional cost. Moreover, a positive list will be problematic concerning new medicaments. It would take a couple of months to decide whether or not new medicaments will be included into the list. First, patients would have to wait too long for newly developed medicaments. Second, this would deter pharmaceutic industry from research and development.
- Competition between insurance funds is too limited; in many respects they are to act "together and uniformely".
- Whereas the reform will put a heavy strain on doctors, insurance funds will have to bear too little a burden.
- The reform as a whole leads to more bureaucracy in the health sector.
- The reform has been done half-heartedly. There are still too many obstacles for introducing new models of health care like Health-Maintenance-Organisations.
- By restricting expenditures, the expected growth in the health market will be weakened.

12. Effects on other policy fields

- No direct effects on other policy fields

13. First results

- No results yet

14. Personal judgment

- The major players in the health sector haven't been sufficiently involved in the construction of the reform. As a result, there is a large-scale campaign against the reform by pressure groups; public support is lacking, especially as practitioners make best use of their influence to fight the reforms.
- There are many steps in the right direction, but is no consistent implementation of these reform ideas. A more stringent structural reform would have been necessary.
- On the whole the reform emphasises central planning too much and gives too little space for competition. One example is the future role of insurance funds. Instead of competing against each other, they are to

act together and uniformely.

15. General available references

- The federal ministry for health is can be contacted via http://www.bmgesundheit.de. Unfortunately, it hardly provides any web - sites in English.

International Reform Monitor

Reforms reported by GREAT BRITAIN

2 New Deal – part of welfare to work programme

Six-Monthly Survey
No. 1 / 1999

June 1999

2 Reforms concerning Labour Market Policy Issues

1. Title (please insert a header)

- New Deal – part of welfare to work programme

2. Initiators

- Labour Government 1997 onwards – Department for Education and Employment

3. Funding

One-off windfall tax on the profits of utilities privatized by Conservative Governments 1979-1987, amounting to £5 in 1997

4. Beginning, expected end and duration

- Over 4 years, 1998-2002

5. Background and rationale of the reform, expected results

- The reform has both immediate and wider goals, against which it will subsequently be judged:
- Labour had an election pledge to reduce youth employment by 250,000 as one of their five flagship policies on which they promised to deliver in the first five years.
- Labour also made clear when elected that its main aim was to reduce unemployment and tackle poverty through 'welfare to work'. Full employment would not be secured through job creation or Keynsian demand management, and poverty will not be addressed through taxation and redistribution. Instead a mixture of welfare reform and training measures to enhance skills would in the words of Gordon Brown in 1997, create 'employment opportunity for all"
- Hence Labour has immediate goals of reducing unemployment (especially youth unemployment), but the New Deal policy is a part of a range of interlocking policy instruments which seek permanent change in competitiveness and the national psychology. The aim is to continue the programme of 'modernization' initiated by Thatcher, but in ways which both invest in skills and provide opportunities for the poor to escape dependency.

6. Country-specific context

- The New Deal must be understood as part of a wider shift to 'New Labour'. Labour's 1992 election defeat was traumatic in forcing a more radical rethink of traditional policies. This led to John Smith to institute a Commission on Social Justice which suggested that the global economy required a rethink of Labour's traditional Keynsianism demand management and redistributive welfare strategies. The arrival of Tony Blair took this a stage further who adopted some of the electoral tactics and also the policies of Clinton's New Democrats, notably their welfare to work policy.
- Though New Labour is imitative of American welfare to work there are crucial differences. The British system is nationwide and does not abolish entitlement to a 'national minimum' established by the 1945-51 reforms, whereas the US Personal Responsibility and Work Opportunity Act does revoke such federal provisions established (ironically perhaps) under the 1930s New Deal, replacing them with local discretion.
- It also builds on trends towards disciplinary welfare and reinforcement of work incentives initiated by the previous Conservative government, most notably Restart interviews and the 1996 Job Seekers Allowance, which replaced National Insurance and imposed requirements on the unemployed to demostrate job search as a condition for receiving benefit.

- Since the New Deal forms part of a broader project, which Tony Blair has called the 'Third Way', its relative success or failure will therefore be one significant test of the viability of such a project. Broadly speaking, this seeks to combine a neoliberal approach to flexibility with a more interventionist state which aims to enhance education and skills of the population, combined with radical welfare reform.
- Labour took power at a time when unemployment was falling of its own accord, and when most economic indicators were favourable. It was therefore a good moment to raise revenue and develop a policy aimed at the unemployment problem.

7. Target groups and target regions

- Four groups and somewhat different schemes for: (1) 18-24 year olds, (2) Adults 25 years old or more, (3) Lone parents, (4) Disabled claimants. Although all these groups will benefit, just over £3 billion of the £5 billion has been earmarked for unemployed young people.

8. Content and objectives

- The policy aims to have long term effects in reducing unemployment and welfare dependency, enhancing labour market flexibility, and leading to a highly skilled workforce able to compete in a global economy. In macroeconomic terms, the policy seeks to lower the level of unemployment at which inflationary pressures emerge for higher wages, and at the same time achieving gains in productivity.
- For young people unemployed for 6 months or more, access through a Gateway (the Restart interview introduced by the previous Conservative government) involving intensive support for up to four months, to one of the following (1) full-time employment, usually in private sector; or (2) 6 months placement in the voluntary or, (3) for an Environmental Taskforce, both on wage or benefits plus £15 week; or (4) full-time education or training (usually up to National Vocational Qualifications (NVQ)) level II. Although there are in theory 'options' there is strong pressure to 'opt' for employment, as the intention is that 40% will be assisted directly into jobs. Employers will receive grants of a £60 pound weekly subsidy 6 months, and in return employees will receive one day a week training. There is 'no fifth option of an inactive life on benefit'. Failure to participate can lead to a two week loss of benefits.
- The scheme for adults is similar but applies to those unemployed for 2 years or more. The employer subsidy is £75 a week. Linked to this also are 5 pilot 'Employment Zones' in high unemployment areas, launched in February 1998, which seek to merge training and benefits resources to create 'personal job accounts' in which people can obtain innovative advice, learning and support from business.
- The schemes for lone parents and disabled people are 'voluntary'. Lone parents are offered a trial work without penalty, and thus the scheme is more voluntary, based on officials devising a package which offers claimants more from full-time work than they could receive on benefits, and access to child care (which government policy is also seeking to expand). Projects for disabled people are less prescriptive and are based on project bids to assist disabled people into work. More controversial have been proposals to tighten up social security rules for disabled people (current welfare reform legislation) and impose stricter availability for work tests.
- As well as reducing unemployment, and enhancing flexibility and skills, a major objective is to reduce expenditure on social security benefits, 11 billion on lone parents and 8 billion on the unemployed annually.
- In addition to this, there is a desire that differentials should open up between low wage employment and those on benefits 'to make work pay' (Margaret Thatcher), which is why the government has resisted calls to raise benefit levels.

9. Concrete changes vis-à-vis the status quo

- The most significant shift is towards large-scale public expenditure, funded through the one-off taxation of profits of privatized utilities
- The New Deal is one element in a growing integration of policy for employment, education and training, and welfare reform of which the minimum wage (described in next section), is also an integral element, as laying down a basic 'floor' for low waged employment.
- The element of compulsion is arguably the most innovative element, which borrows from US workfare, but does offer some 'options' to unemployed people, although these are considerably

circumscribed. Previous Conservative governments had shied away from compulsion.

- Otherwise the policies build firmly on the immediate past, including the rejection of Keynsian macroeconomic employment strategies, the emphasis on training as a panacea for unemployment and the subsidy given to employers (reminiscent not just of Labour governments of the 1970s, but of the late 18th century Speenhamland system!). The policies built on the framework established by the Conservatives of the Job Seekers Allowance, merging National Insurance and Income Support for unemployed, and reinforcing job search, and also the local 'Project Work' pilot schemes of the Major government. This showed that 23% more people than normal left work registers when their JSA was at risk.

10. Major conditions for success

- The outcome is likely to be affected by factors outside the control of the system, particular the short term fate of the British economy (even though the policy itself has long term objectives). The Chancellor of the Exchequer's strict macroeconomic policy of 2.5% inflation and a strong pound could be seen as working against the grain of the New Deal. Although full-scale recession has not hit the economy, as some expected, the slow down of growth and strength of the pound sterling has benefitted services in the South East and harmed manufacturing areas. The National Institute of Economic and Social Research predicts losses of 0.3 million manufacturing jobs Jan 1998 to Dec 2000. It is not clear yet how this will impact on the New Deal but it is bound to have some effects
- Within the scheme itself, success is dependent on good quality placements which lead to full-time jobs. Previous training schemes often failed on both counts, leading to widespread cynicism about them from the unemployed. Locally training schemes will be delivered through Training and Enterprise Councils (TECs), which are voluntaristic and employer dominated organizations, which is a major reason why the government introduced subsidies to encourage participation. It remains to be seen how far the New Deal will overcome these problems, including both the perceptions and attitudes of both employers and the unemployed themselves.
- The final conditions for success depends on whether the grand hopes placed on training and education are realistic or not, or whether they need a different macroeconomic framework and social security strategy.

11. Arguments raised by opponents of the reform

- On the whole the prgramme has been welcomed, but details criticised or the broader assumptions and policy context in which it is expected to operate. Critics argue that it is not a panacea for reducing unemployment and improving Britain's competitiveness, or for tackling long-standing problems of poverty and social exclusion
- Some critics argue that the measures would ideally need a job-creation programme to make it work properly, and other measures to tackle chronic lack of investment. Otherwise, as with previous schemes, any benefits are likely at most to be short term. The subsidy to employers has also attracted criticism as in the past there has not been evidence that this has led to the creation of new jobs, rather the recycling of vacancies in order to claim the money. Some advocate a training levy on employers as an alternative way forward and a reorganization of local TECs, perhaps with stronger union representation.
- One of the most controversial issues is the emphasis on compulsion. Although the Gateway offers options, these are cascaded so that paid work is the preferred first option to voluntary work, education and training. The option of staying on benefits is not sanctioned. It thus breaches the principle of British 'voluntarism' in the labour market (war-time apart), that dates from the Poor Law's abolition of the 18th Century Speenhamland system. Opponents claim that this tends to drive people into low wage jobs or work on inadequate benefits, and also depress wages at the lower end of the labour market. Also that it represents a curtailment of citizenship rights, particularly for young people, that may later be generally extended. The premium of getting people into jobs may also work against enhancing skills through training as a less favoured option to immediate paid work. Critics of employer-dominated TECs do not have faith that they will overcome the inadequate schemes of the past, which they also supervised. There are also concerns that the normal work of the local Employment Service will suffer as a result of giving priority to the New Deal eg Finn (1998) argues that developing the ES's core service is crucial to the New Deal's success
- The appropriateness of welfare to (full-time paid) work as the preferred strategy towards single parents has been criticised by those who feel that single parents should also have options of combining part-time care and paid work, or even to opt for full-time child care. The axing of a former premium benefit rate to single parents attracted strong criticism, and was a factor behind

the early departure of the Minister responsible, Harriet Harmann.

- Welfare to work has also been criticised by those who, like Roy Hattersley, would also like to see social security benefits increased and measures to reduce widening income inequalities.
- Critics also argue that it is unrealistic to expect the policy to work while Gordon Brown as Chancellor operates such a tight macroeconomic policy through the Bank of England monetary committee.

12. Effects on other policy fields

- As suggested above, the New Deal is but one element in an interlocking set of New Labour policies which aim to promote *both* greater competitiveness *and* social inclusion. These include:
- The strict macroeconomic policies pursued by Chancellor Brown.
- Welfare reform and 'stricter benefits regime' (We plan to highlight these in our next 6 monthl report).
- Taxation policies which offer mildly redistributive incentives to the working poor.
- 'Skills revolution' - the priority given to primary education and lifelong learning (of which New Deal is a part) which is seen as a way of 'modernizing' Britain and making it both more competitive and socially inclusive.
- The New Deal signals a significant shift in priorities for public expenditure, from consumptionist (indirectly productive) to measures intended to be directly productivist (education and training), in this case on unemployment levels, wage levels, flexibility and inflationary pressures, and competitiveness generally. Since public expenditure is not to rise, and there is a commitment to expanding NHS expenditure for political reasons (electoral and internal party pressures), savings must be made on benefits.

13. First results

- As mentioned economic indicators and unemployment were initially favourable so it is hard to tell whether any initial success was due to the added effects of the New Deal. Similarly as economic growth in manufacturing stalled, any adverse effects cannot necessarily be seen as the fault of the New Deal itself.
- The government's initial results show significant widening of access to training schemes and movements from benefits into work. By Novemenber 1998, according to DfEE figures, 100,000 unemployed young people had moved on to one of the 4 options, and 60,100 adults had done so with 4,200 finding jobs. As far as the 'voluntary' scheme for single parents was concerned, in October 1998 this was launched as a nationwide scheme, at which time 24,372 'agreements to participate' had been secured, with 5,689 lone parents securing jobs. Employers also showed considerable interest, but with more favourable attitudes to younger than older unemployed people. There was also criticism of how the scheme was operating for lone parents (Labour Research 1998).
- It is too soon on the basis of these figures to say whether the 'supply side' revolution is on its way to being realized. The key results will be how many will move on to unsubsidized jobs, though even then we can't assume they wouldn't have done so anyway.

14. Personal judgement

- In many ways the programme marks a welcome shift from previous non-interventionism, with targeting of significant resources and an attempt to coordinate policy across a range of government areas to address jointly the issues of Britain's competitiveness and welfare issues such as social exclusion. However there is considerable continuity with the past, and too much is being expected of training alone to perform the tasks asked of it. Competitiveness for example, might also be tackled by addressing the long term problem of lack of manufacturing investment. Job creation measures might also be initiated in public services, the voluntary sector and environmentally friendly directions. Social exclusion might also address wider issues of widening inequalities in income and wealth, and the problems of poverty experienced by those who either

do not find jobs or like the retired have withdrawn from the labour market.

- The other criticism is the rather 'old fashioned' value placed on paid work as an absolute value. This might be questioned if we are seen as shifting to a post-industrial society, and from feminist perspectives that much work of social value is unpaid care. Thus many single parents feel that welfare to work might take them away from the essential child care work they already do. Labour's policy is based on rather traditional conceptions of how families, social security systems and the labour market should work together. The New Deal could have widened the concept of 'socially valued work', especially in relation to the informal and voluntary sectors, and missed an opportunity to do so. However, in the long term it has perhaps enhanced prospects of reconceptualizing citizenship in ways which link together policies for minimum income and approved forms of social participation.

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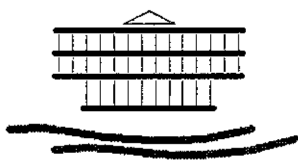

International Reform Monitor

Reforms reported by ITALY

1.1 Health Care Reform (1999)
1.2 a) Transformation of the severance pay into shares or bonds
b) Changes in fiscal treatment of pension funds ...
1.4 a) Minimum Income Support
b) Economic condition indicator-Ise-

Six-Monthly Survey
No. 1 / 1999

June 1999

1 Reforms concerning Social Policy Issues

1.1. Health Care

1. Title (please insert a header)

➡ Health Care Reform (1999)

2. Initiators

➡ The Health Care Reform was mainly introduced upon instigation of the Italian Health Minister Rosy Bindi, under the left-wing D'Alema Government.

3. Funding

➡ The Reform should not imply any further expenditure. In fact, the foreseen rationalisation and control provisions should obtain savings, mainly attainable through the following measures: (i) assistance standards redefinition, (ii) an entrepreneurial-like self-management of the ASL with obligation to respect budget constraints, (iii) exclusive professional relation of physicians with the NHS.

4. Beginning, expected end and duration

➡ Theoretically, the Reform should be enforced next year. However its real accomplishment depends on regional authorities who should make operative the provisions foreseen in the Law by Decree, the definition of which shall be object of future government measures.

5. Background and rationale of the Reform, expected results

➡ The Health Care Reform is introduced against a background characterised by (i) a huge deficit, whose coverage has been object of harsh negotiations between State and Regions; (ii) a not- yet-satisfactory and homogeneous quality of health care services, particularly in big cities and in the South; (iii) an only-partial accomplishment of the 1992 Health Care Reform, with particular reference to the introduction of a new model of health care delivery, namely free competition between public and private providers. In other words, the 1992 Reform introduced a partial difference between the role of buyer, assigned to the ASL, and the role of providers, assigned to any structure – either public or private – accredited with the NHS.

6. Country-specific context

➡ Country-specific context indicators refer to the financial and structural situations, notably to (i) the deficit dimensions and to (ii) the regional gaps in health care quality,

structural equipments and human resources. In the '90s, the sector deficit was about 7-8 % of the public health expenditure. That is mainly due to (i) an underestimation of the real territorial needs; (ii) scarce regional financial control; (iii) regional assignments of health assistance levels apart from the ones provided by the national health system. Moreover, compared to the national average, the South is lagging behind by two percentage points in equipment of in-patient care beds, number of employed in the NHS, (public and private) hospitals, diagnostic and care instruments.

7. Target groups and target regions

- Population, physicians, Regions and Municipalities.

8. Content and objectives

- The Reform aims at a better health care quality and efficiency through the introduction of new rules and regulations in the NHS organisation. In synthesis:
- Assistance levels: Definition of essential and uniform assistance levels, covering all medical care, which are necessary, adequate and effective and are based on a principle of cost-effectiveness. The hypothesis is based on the assumption of service plethora – with reference to their clinic utility – which justifies the rationing of unnecessary care. The Reform defines the assistance levels contextual to their financing, namely the average level of public spending granted to each citizen.
- Public-private relation: The Reform provides the same rules for the whole national territory in order to define the public and private structures qualified to supply health care on behalf of and in account for the NHS. Moreover, every physician or medical structure is subject to a control system to verify the real professional status. There will be a system of "quality certification", whereby the NHS exercises its function of citizens' protection at three levels: (i) granting of activity licences and definition of minimum requirements, (ii) institutional eligibility (further technological conditions), (iii) list of health care providers (where citizens may book for, thus exercising their free choice).
- NHS integrative funds: The Reform provides the introduction of a new form of financing, notably "NHS integrative funds". The NHS shall refund the health care costs not covered by the essential and uniform assistance levels and supplied by specialists and accredited structures. Namely: dentistry and thermal cares, tickets for diagnostics, intra-moenia examinations, elderly nursing.
- Medical staff: Public hospital doctors will have to choose between an exclusive professional relation with the NHS, except for their intra-moenia activity, or a totally free-lance profession out of the NHS. The exclusive relation is both an essential condition for the medical structure management and also a preferential condition for didactic and research assignments. The Reform introduces the principle of a unique career and level for the medical profession and states that general directors of hospitals will no longer have a 'tenure', but will be periodically examined by a medical commission which will evaluate both the financial results and the service quality hospitals supply to citizens. Moreover, the Reform provides: (i) an ongoing training service for all professional activities and (ii) the pension age rising to 65 years (67 years).
- Integration and districts: Districts become the key levels of medical assistance, integrated by sub-contracted physicians. Districts, within the limits of their budget resources, will have financial and managing autonomy. The medical team (general practitioners, paediatrics, ambulatory specialists and first aid stations) will provide 24-

hour assistance to citizens every day (holidays included).

- Corporatisation: With regard to the ASL (Local Health Care Unit) the Reform grants its public legal personality, entrepreneurial self-management and obligation to respect its budget constraint. ASLs will operate through private law acts. ASL managers shall be appointed for 3/5 years. In order to maintain their assignments, they must produce, withinin 18 months from appointment, the Certificate of Attendance of ad hoc regional courses.
- Funding: The Reform defines a mixed funding system for public and private structures: by tariff (for non-chronic in-patient care and for ambulatory care) and by standard-cost (for particular forms of assistance defined by Regions, namely: emergency, transplantations, prevention, rare illness, integration between hospitals and territorial assistance, with particular reference to long-term and chronicle pathologies, experimental programs). In this way the system tries to reduce the perverse mechanism of case-based funding (Drg), which has sometimes caused the non-motivated reduction of in-patient average length of stay, with expensive ripercussions on the territory, and the phenomenon of repeated hospital admissions.

9. Concrete changes vis-à-vis the status quo

- Contextual definition of essential and uniform assistance levels and their funding.
- Creation of a quality certification system for health care operators.
- Introduction of NHS integrative funds.
- Enhancement of health care services, with particular reference to social assistance.
- Exclusive professional relation for all NHS physicians and pension age rising.

10. Major conditions for success

- Real financial control on the part of resource suppliers (namely Regions).
- Cooperation on the part of physicians, in terms of exclusive professionale relation with the NHS.
- Effective monitoring of medical activity and eligibility standards.

11. Arguments raised by opponents of the Reform

- The main arguments against the Reform may be synthezed as follows: (i) excessive State presence, in opposition to the general fiscal federalism and the administrative decentralisation *in fieri*, (ii) introduction of a neo-bureaucracy, with more control tasks on medical activity. In particular:
- Poor attention to the modifications agreed upon with Regions and excessive government role.
- The Reform test refers to too many future legislative provisions.
- The intra-moenia free profession is not supported by adequate public structures.
- The assistance levels are uncertain, as they depend on the annually available economic resources. Hence, the integrative funds are uncertain too, because of the assistance levels indeterminacy.
- The eligibility system depends too much on a national centralised committee.

- The private sector plays a marginal role compared to the public sector, because of the contractual agreements rigidity. Therefore, free competition between public and private sectors is highly uncertain.
- A unique career for physicians sounds unconstitutional because professional changes of this importance should come from contractual agreements.

12. Effects on other policy fields

- The introduction of new rules on a better health care quality and efficiency and the enhancing of districts' activity on the territory should rationalise both the health care expenditure and the social one, with positive effects on the public budget. However, such issue will, mainly, depend on the real spending control. Moreover, the pension age rising for physicians should have positive consequences on employment, because of the new job opportunities available to young people.

13. First results

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14. Personal judgement

- Provided the meaningful expected goals (spending control, physicians' co-operation and effective medical activity monitoring) are achieved, the Health Care Reform should prove advantagious to citizens and physicians. Indeed, the new rules, ascribing more responsibilities to physicians, should improve their personal engagement in the health care system, thus improving its smooth functioning. Moreover, the periodical monitoring on medical activity should prompt their committment to the advantage of users. Finally, the "quality certification" system and the "providers list" should guarantee citizens both the possibility and the right to freely choose among the different health care structures (either public or private) and an easier access to the structures themselves.

15. General available references

- Camera dei deputati , Servizio Bilancio dello Stato, Verifica delle quantificazioni. Schema di decreto legislativo recante: "Norme per la razionalizzazione del Servizio sanitario nazionale". N.322 – 11 maggio 1999.
- La riforma della Sanità – Decreto legislativo approvato dal Consiglio dei Ministri il 18 giugno 1999.

1.2. Pension and Social Security

1. Title (please insert a header)

- Transformation of the severance pay into shares or bonds issued by the firm, to be deposited within the pension fund joined by the firm

2. Initiators

- Government

3. Funding

- The Reform implies a reduction of tax revenues, estimated to be 50 billion Lire ($ 27 million) for 1999 and 100 billion Lire ($ 54 million) for each year from 2000 up to 2002. This reduction will burden the central government budget.

4. Beginning, expected end and duration

- Beginning: 1999
- End: 2002 included
- Duration: 4 years

5. Background and rationale of the Reform, expected results

- The severance pay is a peculiar institution of the Italian system of industrial relations. It has played the role of a deferred salary, a form of forced saving with the pourpose of creating a stock of wealth at retirement (with the possibility to access it when working), and a form of low-cost financing for firms as the return on these funds has always been negligible (1.5% plus 75% of the inflation rate).
- From 1993 a series of reforms has been transforming the nature of this allowance, and trying to make it a source of funding for pension funds. The latest Reform aims to transform the entire severance pay accumulated from 1999 up to 2002 into shares and/or bonds issued by the firm, which are then transferred to the pension fund joined by the firm.
- This way the severance pay can gain market returns; trade unions can, to some extent, choose the financial instruments in which to invest their savings; while firms don't suffer from loosing a low-cost source of funds and are pushed to access the capital market.

6. Country-specific context

- Italy is trying to create and develop its private pension system based on pension funds and the Reform represents a way to encourage pension funds in addition to fiscal incentives.

7. Target groups and target regions

- The Reform covers all private sector employees.

8. Content and objectives

- On the basis of free mutual agreements between firms and workers, the amount of the severance pay accumulated from 1999 up to 2002 can be transformed into shares and/or bonds issued by the firm and transferred to the pension fund joined by the firm.
- The Reform considers three different cases. Firms quoted in the stock market can transform the severance pay into shares, bonds, convertible bonds or cum warrants, provided that these instruments are all quoted and traded in regulated markets. Firms not yet quoted can transform the severance pay into convertible bonds, only if some conditions are satisfied; among these, firms must request to enter the Stock Exchange and, if this doesn't happen, convertible bonds must be transformed into ordinary bonds and the debt must be repaid in one year under worse conditions. Finally, firms that do not intend to be quoted in the stock market can transform the severance pay into bonds, convertible bonds or cum warrants provided that the pension fund which receives the assets sells them to a qualified financial operator within the following two years. If this doesn't happen, all assets must be repaid in a year under worse conditions.

9. Concrete changes vis-à-vis the status quo

- The Reform is in line with the recent trend of playing down the role of the severance pay as a source of funding for firms and using it to develop pension funds. The main change with respect to the previous legislation is that now firms can transform directly the severance pay into shares and bonds.

10. Major conditions for success

- High stock market returns should create the conditions for a large success of the Reform with workers. As for firms, fiscal incentives are essential to persuade them to tranform the existing severance pay into shares and bonds. However, fear of loosing ownership could induce them to transfer liquidity rather than assets to the pension fund. As for pension funds, conditions must be provided to allow low-cost hedging and portfolios re-positioning.

11. Arguments raised by opponents of the Reform

- Although the transformation of the severance pay into shares and/or bonds is strictly subject to the approval of the financial managers of the pension funds, the possibility can arise that the assets issued by firms be treated differently than other assets, undermining the correct risk-return position and the long-term performance of the funds.
- Moreover, the Reform can introduce a form of discrimination between closed and

open pension funds, as for the latter the severance pay is not necessarily available as a source of contribution.

- Finally, four years of implementation may be not sufficient to bring about significant effects.

12. Effects on other policy fields

- Incentives for firms to be quoted on the stock market.
- Larger capitalization of firms and better ratios between equity and debt.
- Development of financial markets.
- More efficient allocation of long-term savings.
- More efficient allocation of financial flows within firms.

13. First results

14. Personal judgement

- There is widespread consensus on the two main objectives of the Reform (to encourage the creation of pension funds and contribute to the thickening of capital markets). But, there are also doubts that the Reform is too ambitious in trying to get the two objects simoultaneously.

15. General available references

- D.Lgs. April, 21, 1993, n° 24
- Lex August, 8, 1995, n° 335
- D.Lgs. February, 24, 1998, n° 58
- Lex May, 17, 1999, n° 144
- Government proposal, June, 16, 1999