

**Fiscal Federalism in the context of key
social sectors namely Health and
Education
German Case**

Delhi, January 2016

Education

Exclusive State power to legislate and administrate (from nursery to universities), funding by states, no federal interference allowed by Basic Law!

Exemptions:

- Legal entitlement to a place in nurseries (Federal law)
- Vocational training (Federal legislation as part of the competency for economic policy)
- Admission to institutions of higher education and requirements for graduation in such institutions.
- **Co-financing of important projects in science, research and university teaching**
- Cooperation for the assessment of the performance of educational systems in international comparison

Standing Conference of the Ministers of Education and Cultural Affairs of the States

- **founded before the Federal Republic was constituted.**
- unites the State ministers responsible for Education, Science and cultural affairs
- deals with "issues relating to educational policy at school and university level and research policy, as well as cultural policy of supraregional importance, with the aim of achieving joint opinion and decision-making and of representing joint concerns". Main Tasks:
 - to agree on the equivalence and comparability of certificates and final qualifications,
 - to work towards safeguarding quality standards in schools, vocational training and higher education,
 - to promote cooperation among educational, scientific and cultural institutions.

Activities and Organization

The Standing Conference

- coordinates via resolutions, recommendations or state agreements
- represents common interest of the German States in relation to the Federal Government, the EU, the OECD and UNESCO
- cooperates with the Federal Government in matters of the joint tasks of the BL, foreign cultural policy, international and European collaboration in education and science

Several subcommittees

Hugh secretariat, over 200 employees!

Health

- **Extensive legislative power of the Federation**
- **The main objectives, standards and the funding system is determined by the Federation**
- **Important role of the partly autonomous, self-governing Social Security System and organizations of medical professions**
- **Hospital planning and funding of hospital capital investments by the states**
- **Some supervisory competences at State level.**

Public Health insurances

Principles:

- Social security system (118 independent statutory insurances) for more than 90 % of the population
- (Rest of population has to pay itself and should be insured by private companies)
- General rules, organisation, minimum standard of services and basic contribution rates laid down in Federal laws
- System financed by contributions on wages, payed by employers and employees nearly 1 : 1
- **Autonomy:** board ½ elected representatives of employers and ½ employees, board decides over extra services and extra contributions payed by the employees
- Competition among insurances

Expenditures and Funding

- Insurances must pay the necessary costs especially for medicine, doctors and hospitals
- Contracts with pharmaceutical industry and service providers, if necessary compulsory arbitration
- Equalization system between insurances according to risk of the insured members
- Federal grants ~ 5 % of expenditures, compensation for not insurance related services

Hospitals

- **Hospitals are owned by private companies, churches, charitable organizations, municipalities and states**
- **Owners get the profit and carry losses**
- **States are responsible for hospital planning (location, specialization and capacity)**
- **States should finance capital investments of hospitals**
- **All other costs are covered by fixed agreed payments of the insurances according to the DRG-system (diagnosis related groups)**
- **Hospitals, not recognized by the State hospital plan, get no money from the social security system or the States**

Conclusion

- **Barely fiscal connections between Federation and States in matters of education and health.**
- **Both levels of Government are acting relatively independent.**
- **Coordination concerning legislation via Federal Council.**
- **Special role of the standing committee of education and cultural affairs. It acts instead of a Federal ministry.**

Thank you for your attention!