2.1 Major private hospital companies

The ongoing restructuring of the German hospital sector has led to the emergence of some major private hospital companies. Among them there is a group of four large corporations including Asklepios, Rhön-Klinikum, Fresenius and Sana Kliniken which together account for nearly one third of all private hospitals. Since all of these four companies are following a strategy of continuous expansion they are expected to acquire a much larger market share in future. Thereby, the restructuring of the hospital sector does not only include privatisations but also mergers and acquisitions among private hospital companies. The largest takeover of a private hospital so far took place in October 2005, when the medical care company Fresnius bought the private hospital chain Helios Kliniken.

The German hospital market is so far almost exclusively dominated by German companies. However, since privatisation and restructuring will continue this might also attract more foreign healthcare companies to the German market. A first major acquisition made by a foreign company took place in August 2006 when the Swedish healthcare company Capio announced the takeover of Deutsche Kliniken GmbH, which is one of Germany’s largest private hospital companies (cf. Capio 2006).

2.2 Drivers for privatisation

The reasons for the growing number of privatisations in the German hospital sector are manifold. On the one hand there are more general reasons such as changes in the overall political and economic framework conditions. On the other hand there are some more specific reasons which have to do with changes in the regulation of the German healthcare system and the system of hospital financing and their impact on the financial situation of public hospitals.

Among the more general reasons there is first of all the difficult financial situation of most public authorities in Germany, which often have to deal with large debts and high budget deficits. At the end of 2005, the total public debt of all German municipalities amounted to 83.8 billion euro while there was a public deficit of 2.3 billion euro. The financial situation of the German federal states was even worse with a total debt of 468.2 billion euro and an annual budget deficit of 24.1 billion euro.

There are many reasons for the ongoing crisis of public finances: it is partly caused by the consequences of German unification as well as by a relatively weak economic performance, persisting high unemployment and increasing social welfare payments during the 1990s. Moreover, it is also caused by a certain fiscal and tax policy in Germany which in recent times has favoured tax cuts – especially for companies and groups with higher incomes. This policy has further contributed to maintaining the weak economic performance of the German economy and has undermined the tax income of public authorities (cf. Truger 2004).

Although the crisis of public finances is rooted in political decisions, it is usually treated as a “constraint” for political action. Against that background the German federal states, which according to the German Hospital Financing Act have the main responsibility for hospital planning and the financing of hospital investments, have been less and less active in fulfilling