



A Game Changer for Financial Investors in the German Health Care Sector

The Schedule Service and Supply Act aims to improve service levels within the statutory health insurance system.

On March 14, 2019, the German Bundestag passed the Schedule Service and Supply Act ("Terminservice- und Versorgungsgesetz, TSVG"), generally aiming to improve service levels within the statutory health insurance system. Together with those regulations, the TSVG contains a set of rules that are of high interest for private equity investors active in the German healthcare sector.

The now approved rules and regulations affect the investment into medical supply centers ("Medizinische Versorgungszentren, MVZ"), via hospitals and nonmedical dialysis suppliers which are the only inroads into the statutory health supply system available for—and, in fact, largely used by—sponsors (the others being nonprofit organizations and municipalities which by definition are no viable options for investors).

The new law states that the incorporation of an MVZ via a nonmedical dialysis supplier shall only be applicable to an MVZ providing subject-related medical care (i.e., medical care in connection with dialysis services or overall care for renal patients), thus making these investment vehicles unavailable for the establishment of MVZs in other disciplines, such as ophthalmology or radiology.

The incorporation of MVZs via hospitals has not been restricted for any disciplines in human medicine, but the establishment of dental MVZs will be affected by a newly designed quota system: Generally, one hospital (including all MVZs owned and operated by it) may not exceed a share of 10 percent in the supply of dental services in the respective planning area (Planungsbereich) of the Association of Statutory Health Insurance Dentists (Kassenzahnärztliche Vereinigung) where the MVZ is located. In planning areas with a deficiency of dental supply, the quota is 20 percent; in planning areas with a surplus of dental supply, the quota is 5 percent. The quota system will not be applied retroactively to MVZs which have been incorporated already, but it comes into effect in case of an expansion of such MVZs.

On April 12, 2019, the TSVG bill was approved by the Federal Council (Bundesrat) and is expected to enter into force in the course of April 2019.



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