Markets for eHealth: Perspectives from innovators and entrepreneurs

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The panel discussion indicated that the features of the German healthcare system pose obstacles to entrepreneurial innovation.

INTRODUCTION

A study by the Organisation for Economic Co-operation and Development (OECD) found that Germany spends over 11% of its gross domestic product (GDP) on healthcare, with only the USA (17%) and Switzerland (12%) having a higher health expenditure as a share of GDP (2017, 135). Accordingly, there is an increasing need for innovation to reduce the burden of healthcare costs, especially for an aging population. Using eHealth could potentially reduce the cost of health expenditure in Germany by up to 12% (PWC 2017, 13). This makes eHealth an attractive market for entrepreneurs.

Hence, at the end of the conference's first day, the "Markets for eHealth: Perspectives from innovators and entrepreneurs" panel discussed innovation and digitalisation in Germany. The consensus between the panellists was that Germany is lagging behind in health sector digitisation. Or, as Janis Reinelt, chair of the panel and business developer at Aicura Medical, put it: "The German health system is still in the 80s and has a lot of homework to do".

DRIVERS OF INNOVATION

Different perspectives were presented at the panel on the potential drivers of this much-needed eHealth innovation in Germany.

Docdirekt, an app offering telemedical services, is a pioneer in telemedicine in Germany. This is not because no one has thought of offering telemedical services through an app before. But until one year ago, there was a ban on remote treatment within physicians' professional codes in Germany's federal states. Docdirekt, however, is an app by the association of statutory health insurance physicians in the federal state of Baden-Württemberg (KVBW). It was launched after the medical chamber of Baden-Württemberg became the first of the federal states to lift the ban on remote treatment for pilot projects approved by the medical chamber. Therefore, Docdirekt offers services only to patients

with statutory insurance in Baden-Württemberg, as panellist Clemens Schricker, who is part of the project management team controlling Docdirekt within the KVBW, explained during the panel. The example of Docdirekt illustrates that driving innovation is much easier when navigating the complex German healthcare system as a statutory body under public law.

In contrast, Mr. Reinelt, a business developer at a startup, says he doesn't expect innovation from within the system; instead startups should revolutionise the German healthcare system. And indeed, the government is lagging behind in providing patients with what would be the main use case of eHealth, an electronic patient record.[1] Berlin startup Vivy has seen the opportunity and launched their app, an electronic health record, although it is not the same as the government-planned electronic patient record. While, in a health system with public and private actors that are heavily intertwined, innovation certainly needs to be pushed by the public sector, the pressure to innovate seems to be coming from private actors.

BUSINESS MODELS

Having said that, startups can only be drivers of innovation if they have a business model. Despite this, panellist Farina Schurzfeld, co-founder and CMO at Selfapy, a Berlin start-up offering online therapy programmes, said that they didn't have a business model at the beginning. But she explained that their first deal with a health insurance company was crucial for the startup. Similarly, panellist Yannick Schmid, business intelligence analyst at Vivy, said regarding the business model, which involves partnering with insurance companies: "I think there's hardly any other way in Germany". In fact, other startups in Germany, such as the diagnostic app Ada, are also partnering with insurance companies (TK 2018).

This is also because eHealth users in Germany expect their insurance company to pay for medical services, as Ms. Schurzfeld explained. Patients are only willing to pay for the service themselves when they are desperate for help and under such conditions, eHealth is not the best choice, she says regarding their online therapy programme.

A different way of financing an app was presented by Annika Mierke, who is responsible for the design of the disease management app MyMate&Me, which is available to affected children at the Charité Hospital. Given its rather small target group and the fact that it was not available in an app store, MyMate&Me was sponsored by pharmaceutical companies Novartis and Nordic.

[1] According to the E-Health-Gesetz, the electronic health card was supposed to be provided with the function of the electronic patient record by 1 January 2019. However, according to the Terminservice- und Versorgungsgesetz insurance companies are obliged to provide insured persons with an electronic patient record only before 2 January 2021.

The UK has a different healthcare system to Germany, which also means that Solutions4Health, a digital healthcare provider, has a different business model, as Stan Thompson, director of strategy at Solutions4Health, explained. While in Germany, there is an obligation to have health insurance and every person pays an insurance fee depending on what they earn, in the UK the National Health Service (NHS) is paid for by taxes. Therefore, Solutions4Health's business model does not depend on the number of insurance companies they partner with but on whether the NHS takes on Solutions4Health as a healthcare provider. Mr. Thompson says this makes the business model much more reliable. In Germany, it is hard for a startup to predict whether an insurance company might be willing to partner with them when pitching for funding, Ms. Schurzfeld agreed.

OBSTACLES TO INNOVATION

Startups also face other obstacles to innovation in Germany. The healthcare system is complicated, and historically evolving systems can present national barriers to market entry, even within the EU, making internationalisation harder. Hence, venture capitalists investing in German health startups are scarce, as Ms. Schurzfeld explained. And when they find an investor, the usual e-commerce startup rules do not apply, as Mr. Reinelt reminded attendees, referring to the high stakes in eHealth. "Move fast and break things" may not be a wise saying in a market where failure may be fatal or result in data relevant for a very long time being misused, he said.

While Germany was characterised as state-of-the-art by the panellists in terms of data protection, as entrepreneurs they criticised continuing ambiguities regarding the General Data Protection Regulation (GDPR). These ambiguities, the agreed, result in startups spending more money on legal advice relative to big players and therefore hinder innovation.

CONCLUSION

Therefore, the question arises of whether the German healthcare system, described as "a weird system, somewhere between public and private" by Mr. Reinelt, is inimical to innovation. The panel discussion showed that in eHealth there are high barriers to market entry and that insurance companies take an active role in shaping the market. In the future, it will be interesting to see whether patients feel pressure to share more data with insurance companies due to the rewards offered or simply due to imbalances in negotiation power and the growing societal expectation to share data in general. Any ensuing data protection questions, however, were not one of the main topics discussed by

the panellists. Although Germany is lagging behind in the digitalisation of the healthcare sector, time will tell whether the current discourse on data protection will make future eHealth applications more secure for patients in the long term. Until then, we may see further evidence of the benefits of eHealth and observe an exciting growing market, with an estimated market demand for telemedicine solutions in Germany of almost 3.5 billion euros (European Commission 2018, 74).

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