

The Third Way – A Solidarity Pact Without Functionaries
Version A, Carsten Thumulla, Copyright 2006

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The Third Way – A Solidarity Pact Without Functionaries

Health care and pension systems are facing an ever increasing number of problems. They can no longer be resolved with more money only.

The objective of this paper is to introduce the idea of a solidarity pact that can do without a costly administrative body, and which can be adjusted to changing requirements in a democratic manner by its participators. The Third Way shall be a social one with a small administrative body. It is supposed to offer its participators democratic leverage for an adjustment of the system, and, in the case of opting out, shall not lead to a total loss of the capital paid in over decades.

Problem analysis

Statutory health insurances are causing significant administrative efforts and expenses. In part, these are also imposed on businesses and the state. It is generally assumed that more administration as well as more rules and regulations lead to higher social security and more justice. Functionaries of health insurance funds and professional associations bring about a continuous increase in system complexities, thus safeguarding their position. The social systems have turned into a plaything of politics and an easy prey for functionaries. And the persons concerned exert the least influence.

Private health and pension insurance funds are profit-oriented and pursue the interests of capital investors. They are therefore not socially oriented.

Both systems let their members run into an “age trap”. They collect money in good years and enforce payments just when their support is needed.

- Functionaries determine the amount of payments and what is to be paid for.
- The insurants cannot exert any control over the costs. The system is arranged in such a way that cost control and economical use of services are not possible.
- The insurants have no democratic ways and means of co-determination.
- The system is getting out of hand, and those concerned cannot wield any influence.
- A social system has turned into a straitjacket with a social façade.
- Health insurance companies produce costs in the form of nonsensical social entertainment and publication of magazines.
- The system is optimized for maximum turnover, not for efficient implementation of funds at hand.
- There is no efficient “brake“ curtailing arbitrary and unnecessary use of services.
- Self-employed persons are permanently mobbed and forced to disclose their financial circumstances even before filing their tax return.
- The insurance companies do not accept the fiscal offset of capital income with potential financial losses. This means that they only accept for themselves the positive results of taxation and not the losses incurred.
- In cases of dispute, the insurants are exposed to the caprice and arbitrariness of the insurance companies because the latter have already collected the money which then has to be fought over. The insurant in turn has to invest money, energy and time in order to receive a return of payments already deposited. The insurant thus funds both parties of a potential lawsuit.
- Just like the private system, the existing state-run system lets its members run into a trap. Those who have made regular payments over decades cannot change health insurance providers at some point any longer because the funds deposited are not owned by the insurant but by the insurance company.
- The system has taken on a life of its own. It attempts to generate costs and thus turnover – which is strengthening its power position – with the argument of providing for potential risks. It offers worthless courses and bicycle trips. It turns into a mere distributor of products.
- New approaches are urgently needed, because the cartel consisting of functionaries, lobbyists and politicians is about to destroy the achievements of the social systems of the last century.
- As the number of insurance cases and claims increase with the insurant’s age, a dependence is generated which is abused by the insurance companies by exerting pressure on the insurant. Insurants who have funded the services of the insurance companies over decades are being treated like recipients of benefits exclusively. In this case, their contribution to the solidarity system doesn’t count at all. The pressure

exerted on the elderly by both systems is not consistent with the potential risk. Part of the pressure results from increasing difficulties encountered when trying to change health insurance providers. In this respect, both systems – otherwise opposed to each other – are collaborating in a quasi-cartel.

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Requirements for a new concept

- The new insurance scheme must be open for all interested parties.
- The new insurance scheme must operate at international level.
- # An assessment of medical treatment and therapy methods by functionaries must not be necessary nor possible.
- It must not be allowed that a social security fund turns into an instrument of power in the hands of functionaries who are only supposed to manage the fund.
- If someone renders decisions, then these must be obligatory for the decision maker as well. There must not be functionaries who are insured elsewhere and who render decisions that are not valid for themselves.
- Rules and regulations have to be so simple that no administrative body is required, and that no decision-dependent injustice can result.
- Each participator must have an overview of financial contributions and costs.
- // Each participator can determine his own contributions within democratically set limits.
- Economic thrift shall be reflected in capital formation.
- Each participator must be allowed to opt out at any time; they shall not be forced to stay due to age concerns. When opting out, the capital deposited shall not be lost in its entirety; a part of the excess deposits shall be paid out.
- The insurance scheme shall be social, without one of its parts living at the expense of another. A certain pressure must be exerted against unnecessary spendings.
- The insurance scheme shall generate only a minimum of administrative costs and shall have a minimum potential for litigation.
- The system shall develop in such a way that, in case of illness, each participator shall pay only 10 to 20% of their costs. The major burden shall be shouldered by the social contingent of the insurance scheme.
- The system must operate without functionaries. A set of rules and regulations, adjustable by the participators within certain limits according to the societal development, shall replace the functionaries.
- // It shall combine the solidarity approach with the capital-forming approach. The system generates an individual capital stock which can be withdrawn by the participator when opting out, or which can be disbursed in the form of a retirement pension.
- // Strong and weak payors shall get along in harmony within an insurance scheme. For that purpose, it is necessary that social contributions are equal for all participators, and that capital performances are geared to the deposits.
- Democratic adjustments of the insurance scheme shall only have effects in the future.
- // Strong payors shall receive proportionally more benefits or form more capital.

A catalog of benefits can be determined in the startup contract.

// Not in version A

Solution approach

The fundamental idea of the solution approach is to develop an algorithm capable of managing an insurance scheme, and which – thanks to a regulating mechanism, a “controller” – keeps this scheme so stable that adjustments are only necessary over longer periods of time. As democratic polls require a certain effort, it seems sensible to carry out the principal regulatory work with such an algorithm. This algorithm must provide simple and comprehensible nominal values with which the participators can set the control mechanisms. For the time being, only the amount of contributions paid in and the amount of payments for basic care shall be specified. If it is possible to devise an algorithm that keeps a mutual insurance scheme stable and whose regulative behavior can be adjusted via the amount of contributions paid in and the amount of payments for basic care, then it would be possible to form a democratic consortium around this core that can get along with lesser organizational efforts.

Furthermore, the consequences of all decisions that are necessary in an organization run by classical bureaucratic standards shall consistently be imposed on the causative participator via financial retroactive effects. This shall take place on a conceptual basis and not by enforced stipulations which would only lead to a cascade of new problems.

External persons must not gain influence over the pact. All activities in conjunction with contractual terms and conditions must be carried out by participators. Gateways for external influences, e.g. by non-participators, have to be shut; democratic polls should not allow external persons to carry out internal organizational tasks.

As an organization via the Internet is not yet possible at this stage, an attorney is appointed for the management of the insurance fund. His tasks have to be clearly defined. He must be easily replaceable. He will also be available for potential legal problems. He is the only person who does not, or better should not, need a partnership nor participatorship.

The pact shall disburse payments-in to those in need. As evidence of neediness, only the willingness to contribute a co-payment shall count. In the case of increasing expenses, the disbursement rate, in the following termed “social contingent“, has to decrease, because the pact cannot disburse more than it collects. The controller must be constructed in such a way that it consistently attempts to keep a certain minimum amount per participator for basic social care in the accounts.

If the algorithm as designated above would exist, the scenario could look something like this:

- New participators are coming together under a specific startup contract.
- The contract consists of fixed, unalterable parts on the one hand, and variable parts on the other which the participators can adjust according to societal circumstances.
- The startup contract appoints an attorney in charge of accounting and documenting revenues and expenses. He is booking all transactions strictly according to the existing set of rules and regulations and also checks for abuse on a regular basis.
- Each deposit of a payment in the topically relevant field turns the depositor into a participator. The deposit cannot be rejected.
- Underpayment under the minimum can be reimbursed by the attorney.
- Overpayment over the maximum is apportioned to the corresponding time period.

- Disbursements require a co-payment. This effectively reduces spendings and organizational efforts to a considerable degree; the disadvantage is, though, that the participator has to keep money in stock.
- The attorney collects and documents notifications of change. Those who have been participators for more than a year can file a notification of change. If the number of notifications of change exceeds the percentage of participators as stipulated below, the attorney schedules a fixed date for a poll on contract changes which has to take place at the end of a predetermined time period.
- A supplementary contract is worked out by way of a democratic process.
- Each participator is entitled to inspect and photocopy the documentation of the attorney's activities pertaining to the insurance fund. Personal data of other participators are exempted.
- The attorney receives the financial expenditures for organizing the poll on contract changes from the fund assets.
- Democratic functions must not have any negative retroactive effects on participators.
- A special mechanism must be implemented for unanticipated problems.

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Accounting program and simulation of the controller

Here I publish a first draft of an accounting program. This allows for automatic booking so as to be able to test the controller of the algorithm and, at a later point, make predictions with regard to the expected behavior in the case of democratic changes. The program in Borland Delphi CLX and VCL runs under Windows and Linux.

Download

The program [Sozialpakt](#) (Solidarity Pact) runs under Windows. An index file is created, and the program is unzipped and ported to the file. At first, the program has to create a "Solidarity Pact". In doing so, data files are created which end with the suffix "*.soz". Now debits and credits can be booked. If no pact is created, that is, if all "*.soz" data files are deleted, one can open a "*.aut" data file for automatic booking. All data files can be viewed with a text editor. The data file "A_Sozialpakt.soz" contains the master data. The cash data files contain the cash data, and the data files with the participators' names contain the data on the participators. The [Simulationen](#) contain these data which were compiled under specific circumstances; the diagrams shown below are the result of these data files. The program [Graphikkonsole](#) generates data files that can further be processed to result in diagrams, e.g. with the program "Grace".

[Sozialpakt A Beispiele](#) contains the auto data files which were used for these simulations.

If a new pact shall be created, all "*.soz" data files have to be deleted or moved to another file.

The program "Linux" requires the enclosure of some libraries and should be translated when Kylix is installed. At Borland, there is a free Delphi version available for download.

[Sozialpakt A Quellen](#)

First controller

The behavior of the program was tested in five scenarios. The effect of the second controller is switched off or set to zero. The file data to this end are included.

1. Four participators are paying in 100 units per month over a time period of two years. Expenses are only incurred for accounting fees. The cash sum total amounts to 10,000 units, and the social contingent amounts to 95%.
2. Each month, a disbursement of 80 units is added. The social contingent is thus reduced to only 80%. This means that a participator will have 80% of his bills reimbursed by the solidarity pact.
3. A heavy debit charge, 800 units every other month, is added. The social contingent is reduced to a poor 57%, but the cash sum total rises to about 3,500 units.
4. The solidarity pact is made to collapse under extreme debit charges – 880 units per month – which are counterbalanced by only 400 units in deposits. The social contingent collapses to 33%, but the cash sum total, after an initial collapse, is rising to 1,400 units.
5. Usually, debits and credits are held in balance. The cash sum total amounts to 5,000 units, and the social contingent, as expected, remains at 50%. Each participator thus will have 50% of his bills reimbursed by the solidarity pact.

The simulation shows that the set controller is very stable. In practice, a startup behavior in between the second and the third case will ensue. The stationary case – with debits and credits in balance – is shown in the yellow curve. The deposits per participator have to approximate the average expenses per participator; smaller deviations are balanced by this main controller. On a long-term basis, debits and credits will have to be in balance in each fund. An adjustment of revenues to the average expenses is not yet taking place in this program. If debits and credits are in balance, the development of the fund's cash sum total is positive, and the social contingent remains stable. A noticeable fact is that, under fluctuating debit charges in close vicinity to the balance, the social contingent shows a better development than the cash sum total. In this respect, the controller could still be optimized. However, this is only a problem in the case of small communities.

In practice, another important setting will come into action. As a social contingent of 50% of each bill is not really much, each participator will strive to place his funds as effectively as possible. There will be only a few unnecessary costs incurred by the pact. For this reason, the social contingent will rise when there are sufficient revenues, and the participators will tend towards higher spendings. With this controller set, a stable social contingent will result, allowing for a slow adjustment of revenues. Therefore, with regard to the control rate, a democratic process will suffice to adjust revenues. This can be agreed upon in the startup contract. Thus, as influence on the principal regulatory behavior, an adjustment of debits and credits will suffice. In the case of deficiency or shortfall of this adjustment, the principal regulatory behavior is stable.

Grafik 1: Solidarity pact: development under different liabilities

Cash sum total [units] and deposited social contingent [%]

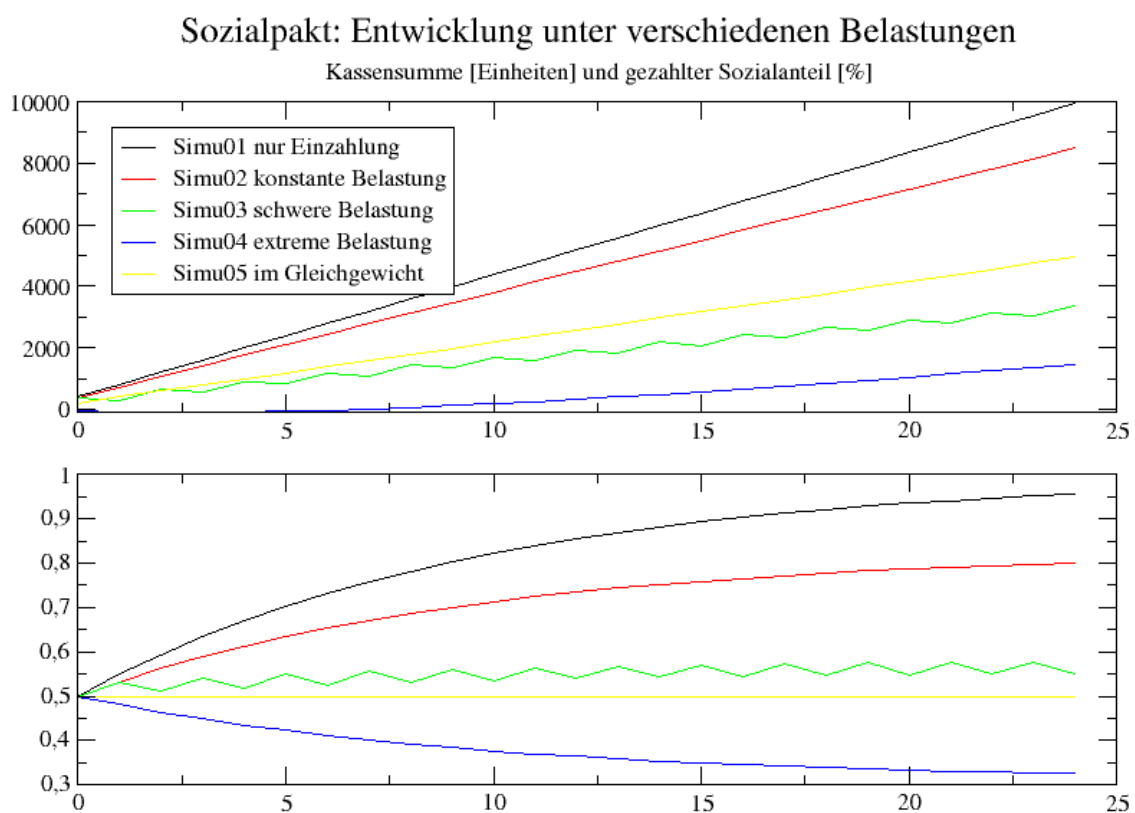
Simu01 deposit only (black)

Simu02 constant debit charge (red)

Simu03 heavy debit charge (green)

Simu04 extreme debit charge (blue)

Simu05 in balance (yellow)



Second controller

As the cash sum total increases in an unchecked manner, another controller or limiter is required. The accrual of the cash sum total shall be limitable to an adjustable amount per participator. This amount should be stipulated in such a way that services can be rendered for sure. A regulation requirement to that degree would be included. The amount per participator can be smaller in the case of large communities than in the case of small ones.

As expenses are always incurred, and as these expenses are rising when the social contingent rises, an increase of the social contingent in the case of a rising cash sum total will suffice as controller. This second reference value is added to the first contingent in an adjustable ratio. The green, red and black curve show each a differing influence, in terms of strength and effect, of the second controller. In the case of the black curve, a safe limitation of the cash sum total to 500 units per participator is taking place, i.e. to 2,000 units. Only the transient

response of this controller is unfavorable, because no one would accept a decreasing social contingent in the startup behavior of the pact.

Grafik 2:

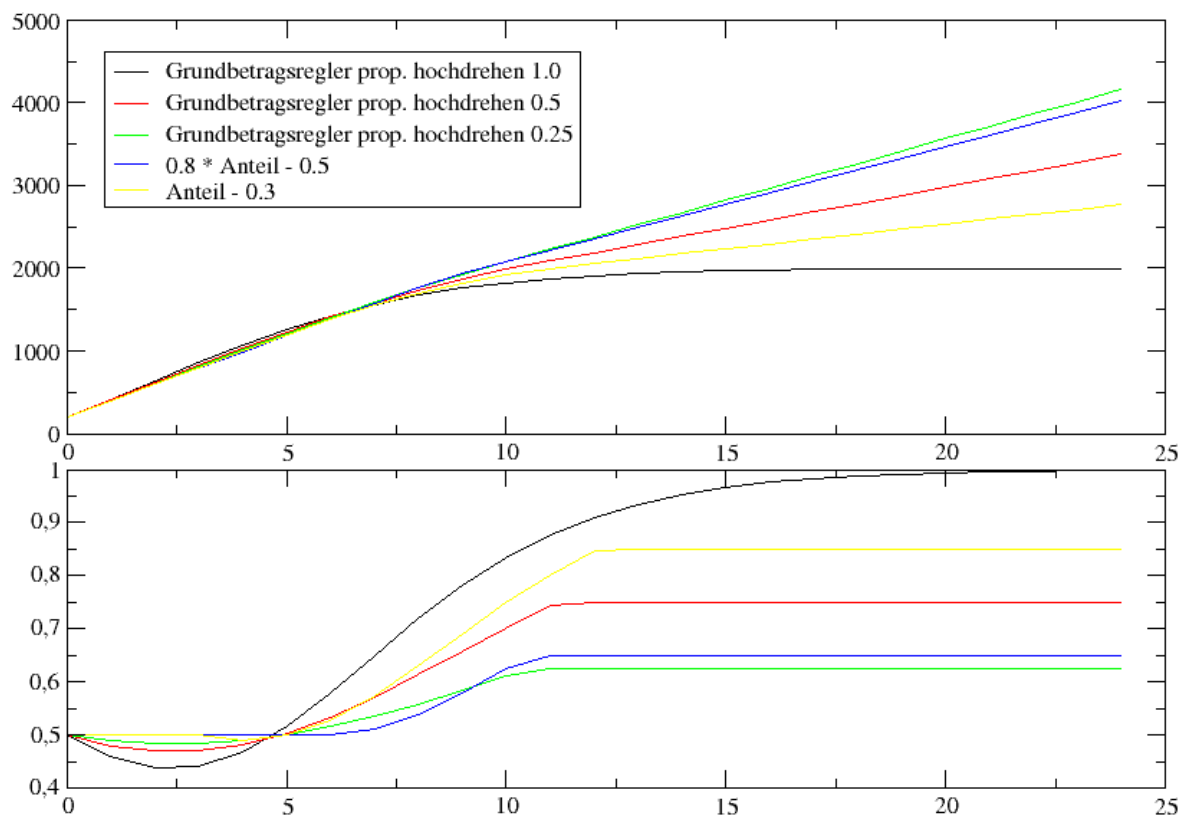
Basic amount controller prop. turn upwards 1.0

Basic amount controller prop. turn upwards .5

Basic amount controller prop. turn upwards .25

.8 * contingent - .5

contingent - .3



The transition behavior between the controllers was enhanced with the “weighting of the controller contingents”.

Grafik 3: Solidarity pact: development under different liabilities

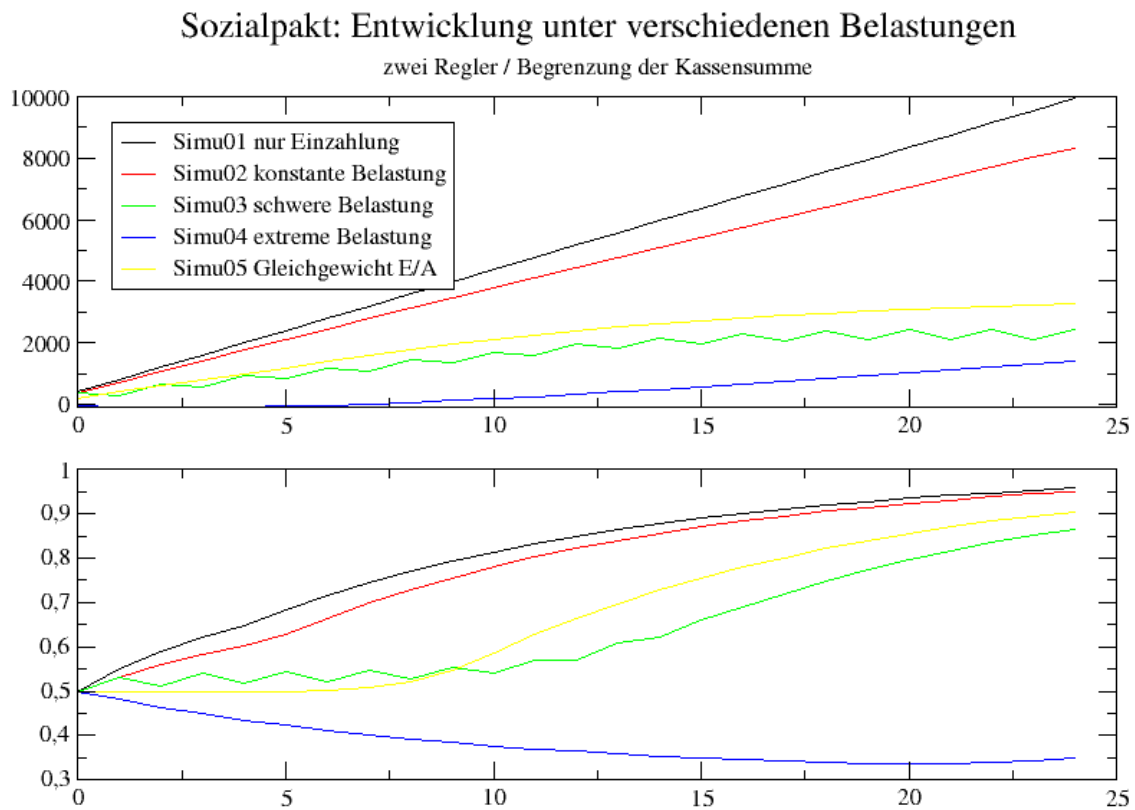
Simu01 deposit only

Simu02 constant debit charge

Simu03 heavy debit charge

Simu04 extreme debit charge

Simu05 debits and credits in balance



Grafik 4: Solidarity pact: development depending upon weightings

Comparison of weightings of original values

SimuC 80 controller with weighting .8

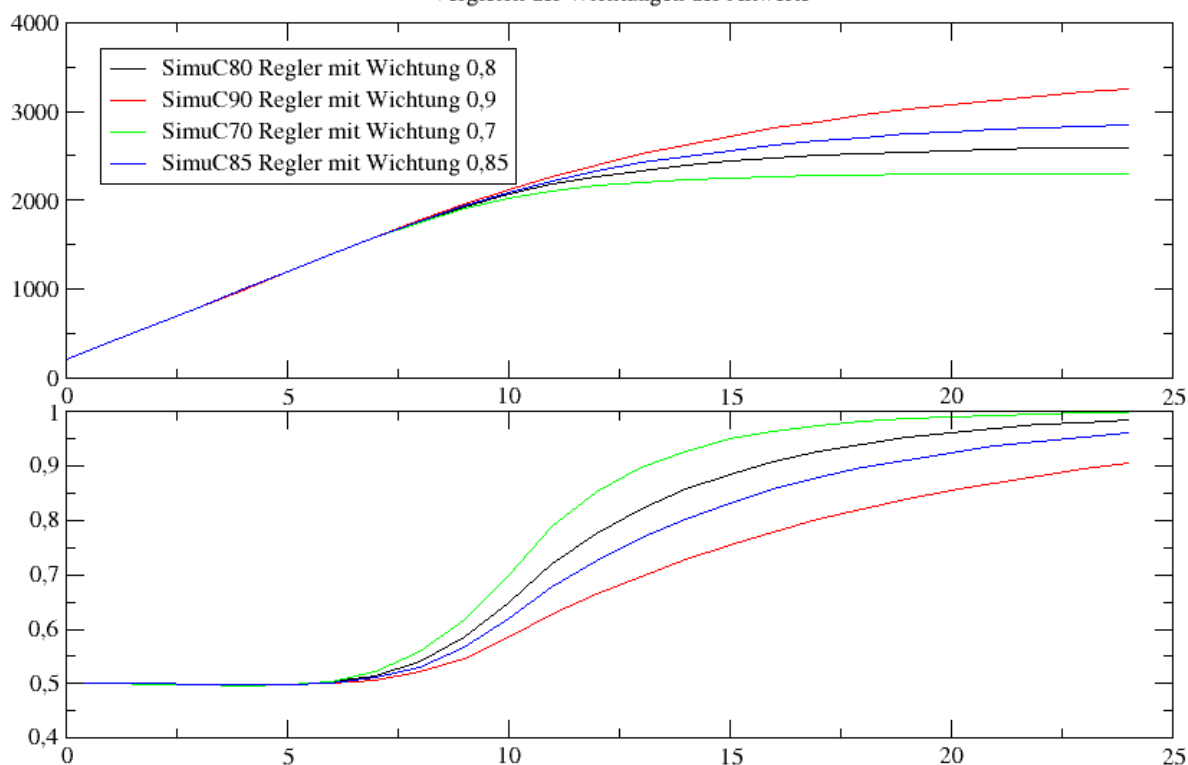
SimuC 90 controller with weighting .9

SimuC 70 controller with weighting .7

SimuC 85 controller with weighting .85

Sozialpakt: Entwicklung in Abhängigkeit der Wichtungen

Vergleich der Wichtungen der Altwerte



The controller attenuation is realized with a sliding averaging. The weighting of the original value can be set in the startup data. Too little weighting of the original value will lead to a fast transient oscillation but also to a good retainment of the basic social care amount. Stronger weighting of the original value leads to a slower regulation and less inequalities in disbursements in the case of strong increases. The regulation with less weighting of the original value results in a worse basic value, but the behavior of the participants which amplifies the regulative effect must be added to this, because the participants will try to engage in spendings in the case of good social contingents, and vice versa, to save funds in the case of bad social contingents. For now, this behavior cannot yet be simulated. The curve with a weighting of the original value amounting to .85 seems feasible to me.

Limitation of the relative social contingent

In order that the participants can limit the relative social contingent in democratic ways, such a limit value is designated. An excessive social contingent bears the hazard of unnecessary spendings and abuse. (Missing in the sample program)

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A startup contract

Here is an example for a startup contract.

1. Consortium

1.1.

Under this contract, the participators Aaaaa, Bbbbbb, Ccccc, Ddddd, Eeeee and Fffff shall engage in a consortium, hereafter called “solidarity pact” with the objective of mutual support in case of illness and neediness, as of today, Xxxxxday, the DD.MM.YYYY.

1.1.1.

The place of jurisdiction is Hhhhh.

1.2.

The participators shall appoint the attorney Rrrrr as legal counsel of this pact for the duration of five years.

1.3. Accounting program

1.3.1.

The attorney shall book all financial transactions with the program “Sozialpakt Version A.1.0”.

1.3.2.

Upon signing this contract, each participator listed in 1.1. shall receive a copy of the program and the sources in translatable condition.

1.3.3.

The current accounting program and its sources in translatable condition shall be lodged with the notary Mr./Mrs. Nnnnn, address Aaaaa.

1.3.4.

Each participator who has demonstrably deposited funds for more than one year shall be handed a copy of the program and the sources by the attorney or notary. The costs for photocopying, which can only be levied by the notary, must not exceed the equivalent of half a working hour.

1.4. Deposits and basic care amount

1.4.1.

Each participator deposits 150 euros per month in the account no. Kkkkkkkk BIC Bbbbbbbb of the Bbbbb Bank.

1.4.2.

The participators stipulate the amount for basic care to be set in the accounting program at 3,000 euros per participator.

1.4.3.

Several partial payments within a month shall count as one single deposit.

1.4.4.

The participators stipulate the maximum relative social contingent at 85%.

1.5. Disbursements

1.5.1.

The solidarity pact shall render payments exclusively for:

- services of licensed physicians for the participator
- physiotherapeutic and comparable services for the participator
- medications personally required by the participator

1.5.2.

The solidarity pact shall not render payments for:

- services based exclusively on homeopathic grounds
- services for family members of the participator
- services rendered after opt-out

1.5.3.

The bill shall be settled after deposit of a co-payment calculated from the current relative social contingent. Clause 1.5.3. is not changeable with a supplemental contract.

Co-payment = amount of bill * (1 – relative social contingent)

Example: A bill of 3,000 units is supposed to be settled. The relative social contingent amounts to 80%.

The participator deposits his co-payment, 600 units, and the attorney then pays out 3,000 units to the renderer of service.

In the case of an incomplete deposit of the co-payment, the attorney pays the bill with the corresponding social contingent.

Payout = deposited co-payment + (deposited co-payment / co-payment to be deposited * relative social contingent)

If the participator deposits 300 units, the attorney pays out 1,500 units to the renderer of service.

1.5.4.

For infants, services shall be paid on the same terms and conditions as for the mother up to the end of the ninth month after birth. Thereafter, deposits have to be made for the new participator. For payouts, the mother's relative social contingent shall apply.

1.5.5.

Payouts shall be limited by the available cash sum total. If the cash sum total is exceeded, it shall be apportioned in equal relative parts to the unpaid bills. With this payout, the services of the pact with respect to the bills are rendered in full.

2. Attorney

2.1.

The attorney shall book all financial transactions with the program "Sozialpakt Version A.1.0." and reconcile the account predetermined for that purpose.

2.2.

Every six months, the attorney shall send out to every participator their account data file, the

cash data files for that time period, and the master data file.

2.3.

The attorney shall pay for services of licensed physicians or their representatives in financial issues after the participator has deposited his co-payment. In the case of infringement of this provision, he shall pay damages amounting to the double of the uncollectible claim.

2.4.

The attorney shall randomly check disbursements to renderers of services for any abuse of the solidarity pact:

- billing of services not rendered
- illegal arrangements between participators and renderers of service
- reimbursements of renderers of service to participators
- illegal assignment of funds as per 1.5.1.
- illegal use of funds as per 1.5.2.

2.5. Fees

2.5.1.

The attorney shall receive a fee of one euro for each deposit entry.

2.5.2.

The attorney shall receive a fee of five euros for each disbursement entry.

2.5.3.

The attorney shall receive a monthly lump sum fee of one euro for each participator.

2.5.4.

For representing the solidarity pact in legal issues, the attorney shall receive fees stipulated by the BRAGO fee scale regulations dated DD.MM.YYYY.

2.5.5.

The attorney shall have his expenditures, incurred by informing participators and conducting democratic polls, reimbursed by the pact funds.

2.6.

The attorney shall allow each participator listed in 1.1., or each participator who has demonstrably deposited funds for more than a year, inspection of the accounting data files and the bank account.

2.6.1.

Personal data of other participators and information allowing inference to their illnesses and treatments shall be exempted from this disclosure.

2.6.2.

The data under 2.6.1. shall only be handed out to participators who are active in an existing council of elders, if those data are required for fulfilling the task of that council. The participator shall be responsible for the proper use of the data.

2.6.3.

The disclosure must contain all information required for a judgment of accounting accuracy

and for simulation of the pact's future behavior.

2.7.

After expiry of the five-year term as per 1.2., the attorney shall designate two or more attorneys for another five-year term. He can participate in the election in third rank.

2.8.

The attorney shall be entitled to give each interested party information about the current terms and conditions of the solidarity pact. This includes:

- current social contingent
- number of participators
- deposits as per 1.4.
- services and restrictions as per 1.5.
- startup and supplemental contract

2.9.

In the case of abuses disclosed, the attorney shall be the solidarity pact's legal representative in court.

3. Democratic changes

3.1.

This startup contract can be complemented by a supplemental contract. The attorney shall organize a democratic poll to that degree. This point is not changeable with a supplemental contract.

3.2.

This startup contract shall only be complemented by one supplemental contract at any time. Each new supplemental contract shall suspend the previous one. Those parts of the previous supplemental contract that are supposed to stay valid shall thus require authorized approval again.

3.3.

Clauses of the supplemental contract having a retroactive effect shall require the explicit consent of all participators. This point is not changeable with a supplemental contract.

3.4.

Retroactive corrections caused by accounting errors or neglect of contract clauses shall not require the consent of all participators as per 3.3. As a basic principle, they have to be conducted by a council of elders. They shall require the consent of 85% of the participators after having been worked out and proposed by the council of elders.

3.5.

The supplemental contract can change clauses of this startup contract by means of democratic polls. The following majorities are required:

- Changes having a retroactive effect: 100%, clause 3.3.
- Retroactive corrections: 85%, clause 3.4.
- Changes pertaining to the accounting program: 85%
- Changes pertaining to the terms and conditions for the participators such as deposits and disbursements: 75%, clause 1.5.

- Changes pertaining to the attorney or his fees: 60%, clause 2.

4. Unanticipated problems

4.1.

In the case of problems that cannot be resolved or controlled via the startup and supplemental contract, the attorney can conduct the election of a council of elders.

4.2.

Only participators can be elected to the council of elders. This point is not changeable with a supplemental contract.

4.3.

Only those participators can be elected to the council of elders that have not yet been active in such a council and who have demonstrably deposited funds for at least one year.

4.4.

The council of elders shall have expenditures for external services required to fulfill the designated task reimbursed from the pact's funds.

4.5.

The members of the council of elders shall work on a volunteer basis. This point is not changeable with a supplemental contract.

4.6.

At the election of the council of elders, its task is outlined in precise terms. This point is not changeable with a supplemental contract.

4.7.

The council of elders shall exist for half a year, unless another term is agreed upon at the election. After expiry of this term, the council of elders is disbanded. This point is not changeable with a supplemental contract.

4.8.

The council of elders shall work out a solution that establishes majorities for the poll to be carried out by the attorney, in case the majorities for the poll about the solution have not already been democratically established in the course of the election of the council of elders.

5. Entry – joining the pact

5.1.

Those who have made a deposit as per 1.4. shall become a participator. The attorney sends him a copy of the startup contract and the current supplemental contract.

5.2.

After one year of regular deposits, the participator shall have all the rights and duties of the participators listed in 1.1. Clauses 2.6., 4.3., 5.3. and 6.2. which relate to that shall be adjusted when this clause is changed.

5.3.

The new participator shall receive disbursements in the month of his joining the pact with the initial value of the relative social contingent, with 50%.

The participator shall receive disbursements after his joining the pact, calculated according to the following ramp function:

(missing in the sample program)

contingent new = contingent previous month + (relative social contingent - contingent previous month) / (12 - month of deposit)

contingent new	new contingent of the participator in the month to be calculated
contingent previous month	contingent of the participator in the previous month
relative social contingent	current relative social contingent
12	twelve months; from one year of participation to full partnership as per clause 5.2.
months of deposit	number of months with documented deposits

6. Opt-out

6.1.

Each opt-out shall take place to the terms and conditions of opt-out that were valid at the time of joining the pact. This point is only changeable by consent of all participators as it falls under 3.3.

6.2.

The payout shall take place at the earliest after the participator has demonstrably deposited funds for at least one year.

6.3.

When opting out, the participator shall receive a contingent of his basic care amount in relationship to the withdrawn social contingents. (missing in the sample program)

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Supplemental contract

The following changes, as examples, are possible in a democratic manner. The attorney organizes a democratic poll about an amendment contract. This could include:

- The participators appoint the attorney Ssss to the legal counsel of the pact for the next five years.
- The participators agree to a change of deposit fees to 2 euros.
- The participators agree to a change of the deposit lump sum from 150 euros to 180 euros.
- The participators agree to a change of the accounting program from Version A.1.0. to Version A.2.3.
- The participators agree to a new catalog of services as per 1.5.1. and 1.5.2.

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Organization of democratic adjustments

Particular attention has to be paid to the quality of democratic polls. There are yes/no decisions and the determination of reference values such as amount paid in and amount for basic care.

For the Boolean decisions, examples for the majority situation are entered into the contract. The relevant points of issue are prepared for the poll by the attorney by informing the participants of the consequences to be expected. These values are simply subject to a poll.

The analog values should be established by averaging. The simulation option of the program allows, in combination with the experiences that are saved in the master data file as history, a prediction of the pact's development and a recommendation of beneficial values. A recommendation for these values is worked out for the poll, and an attempt is made to estimate the consequences for higher and lower values. With this information, the participators conduct a poll about the new reference values. An average determination should provide the new values.

The following democratic adjustments are possible, among others:

- election of the attorney
- choice of the savings bank
- determination of the types of investment
- convening a council of elders
- amendment and change of clauses of the startup contract
- adjustment of amounts paid in and amounts for basic care
- change of terms and conditions for entry and opt-out

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Attack scenarios and defense strategies

Too easy admission of new participators

The entry of new participators shall not be restricted by assessments and bureaucratic regulations. Potential shielding against unearnest and deliberately interfering interested parties can be achieved by tightening the entry ramp and worsening the terms and conditions for opt-out. However, these measures will also deter actual interested parties so that a successfully working pact has to be kept as open as possible.

The regulation makes sure that a mass migration from statutory and private systems will lead to a decreasing relative social contingent, thus stopping the influx. The result will be a balance between the different pacts, just like there will be a balance with the other systems. Over time, the terms and conditions for entry and opt-out will settle in such a way that a change will only come about in the case of serious interest. Full participatorship is only attained after one year. This should effectively hinder any interference attempts.

A limiting value for the relative social contingent will make sure that the latter will not increase too much. A pact with a very high social contingent is very attractive for interested parties. However, this includes interested parties with pre-existing diseases who only change insurances because they want some surgical operation to be paid for, after which they will opt out again. If they would stay in the pact, this would not be a problem. With the limiting value,

the participators keep the relative social contingent below a certain value in a democratic manner. The controller then works in the invisible range above this value. Its limiting function is weakened, and the cash sum total could further increase because the expenditures do not increase.

The participators can determine that no new participators are admitted who have already been participators in three solidarity pacts. In this way, one can deter, or keep in the pact, interested parties who only change providers because of diseases already known.

This pact would work well with a community of equally interested parties. In the beginning, the indicated catalog of benefits will be necessary. Cures, homeopathic medicine and pseudo-medicinal allurements are often points of issue. Pacts can be formed that either include or exclude that. The objective should be to be able to do without a catalog of benefits. For this purpose, one could reach an agreement that purely cosmetic surgeries will be subsidized at only 80% of the relative social contingent. This would act as a brake for interventions not worth supporting or endorsing. Of course, pacts can also be formed that aim at advancing specific interventions or treatments in particular.

Legal attacks

Prohibition

The pact is based upon a contract conclusion, with each citizen at liberty to join or not. At this time, a prohibition of consortia of that kind should not be possible. Members of a statutory or private insurance fund can also, in addition, deposit payments in a solidarity pact, just like one pact does not exclude participatorship in another pact. This can indeed be sensible and worthwhile. If, for example, statutory and private insurance funds provide homeopathic services or additional benefits only at extra charge and to additional terms and conditions, then it is now possible to form a pact for precisely these services and benefits. Smokers, athletes, obese and other mobbed groups of people now have the chance to “close ranks”. Athletes can form a pact which will only cover their specific risks. This considerably simplifies participator and service issues.

Compulsory membership

In the statutory system, compulsory membership is already existent. As long as the state does not conclusively answer the question why he would release only citizens in the high income range and allow them to join the more efficient private system, the pressure in the direction of complete freedom of choice will further increase. This pressure has already led to the point that the change between statutory insurance funds has become possible. No longer has an insurance fund the guarantee of life-long payments. In the future, citizens will be able to change between statutory and private insurance funds and, hopefully, a new fallback system as well. In any case, the solidarity pact is geared up for this in the future.

At this time, there are about 350,000 citizens in Germany without health insurance. The solidarity pact is intended to offer those who have no place in the statutory and private system a fallback or fail-safe protection system. Moreover, citizens who do have health insurance can organize their additional safeguards via such a pact.

Payment fund

The payment fund now discussed can only be implemented for statutory insurance funds. Voluntary contracts cannot be put under the control of this specific fund.

Provision

Provision for old age is an essential concern of the pact. The pact will be further developed in this regard.

Security of funds

Where there is money, vultures linger around. For the disposition of the account, particular provisions have yet to be made. Investment strategies for the reserves of the pact should be included in the startup contract.

Fiscal recognition

The recognition of deposits as provision expenses could be problematic at first. Over time however, I don't see any problems because the payments are demonstrably used for provision. Tax legislation will make allowances for the new situation.

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The pact from the perspective of the participator

- If I don't become ill, I will have forfeited a part of my stake for risk management as a social contingent; when I opt out, I will get back a portion.
- If I become ill, I will have forfeited my stake in full. I can provide a considerably higher amount for treatments.
- I myself determine the services and benefits I consider needful for my health.
- The administration of the solidarity pact is accounting work only.
- I exert influence on the formation and future of the community.
- A critical point is that I'll always have to keep a certain amount of money in reserves.
- As participator, I am considerably better off than if I were alone.
- I am not accountable to the solidarity pact when it comes to my personal income.
- I benefit of safeguards against political intervention into the social system.
- I know the terms and conditions under which I can opt out. These terms and conditions cannot be changed against my will.

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The pact from the perspective of society

- Our risk is limited as the controller provides for a stable cash position of the fund. We can never spend more than we take in.
- Expenditures in extreme cases are limited by the cash sums. Debts are not incurred.
- If the payments deposited match the mean expenditures, all that remains are the fees. These are paid on a monthly basis.
- Setting the amount for basic care for each participator is provided by the controller.

- If no services or benefits are withdrawn, the basic care amount will materialize, and the relative social contingent rises against 1 until a balance with new expenditures is achieved.
- The points of action for democratic adjustment to changing circumstances are existent.
- We can influence the influx of new members with democratic methods.
- Growth shall be adjusted to zero. For that reason, the difference will be subdivided each month.

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The pact from the perspective of the attorney

- The major work task is simply and clearly defined.
- I receive a fixed share for each deposit entry.
- I receive a fixed share for each disbursement entry.
- I receive a basic flat rate for each participator.
- I safeguard the pact against abuse.
- I organize the democratic polls.
- I represent the consortium in legal issues at a customary fee.

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Behavior of several solidarity pacts

The exemplary startup contract contains the clauses 1.5.1. and 1.5.2. The ideal case that all services are paid for, and that deposits are only limited by the participator's co-payments, has not been implemented in the example. There will be participators, though, who will unite and would like to pay for all services and benefits. Whether this will result in higher expenditures per participator and thus in a lower social contingent at the same amount of payment, must turn out in practice.

As the participator will get his basic amount paid out when opting out, he will be able to change to a pact that will better meet his demands. He only leaves the amount of money in the pact that will, on average, be required to secure his health – his risk share for the time of his participatorship. The insurance concept is thus implemented. The resulting competition between the pacts will lead to a meticulous comparison of medical services and financial benefits of the pacts. Well organized pacts will register an influx whereas inefficient pacts will lose participators. Altogether, a stable system consisting of new contracts will emerge that will be able to complement statutory and private insurance funds. The points of criticism as mentioned above were largely avoided with this design, and the demands of a new system were implemented to a large extent. Capital formation and flexible payment amounts are subject to future versions.

In the course of development of these pacts, it will slowly turn out what is important and what isn't. The incipient optimization process might not go past the two existing systems without a trace, either. Pressure could arise which could lead to the disclosure of costs for the members in the statutory system. Moreover, the example of withdrawal of the basic care amount when opting out could set a precedent and catch on. We can only hope that the age trap will slowly lose significance in this way.

The design of the pact took into consideration that, during normal operation, no debts can be incurred. The pact fulfills its regulatory functions with a small amount of basic funds: 'one can only spend what is there to be spent / building up a reserve', and, with arriving at the basic care amounts: 'good reserves >> good social services and benefits / keeping the reserves'. Money shall not be borrowed. The basic problem of the existing system is the guaranteed disbursement which is intended to be curtailed by limiting services and benefits and bureaucratically controlling all deposits. This will have its limits even though credit can be raised. No structural problems can be mastered by borrowing money. In recent times, though, the realization prevailed that only the involvement of the members in their own costs is an efficient criterion for the necessity of expenditures. Admittedly, the linear involvement introduced here is not the ideal scene either, yet it avoids many senselessnesses which would otherwise arise due to the high amount of regulations required.

The pact could also work on an international basis. Nowadays this is very important. Those who temporarily work in, or want to permanently emigrate to, other countries will avoid a number of problems with this solution. The pact is also suitable for a supplemental assurance of specific occupational categories and high-risk groups. In addition, service packages are feasible that will only fund specific therapies and treatments. Not least, the model is also in general applicable for insurance funds, capital formation and fund schemes that have nothing to do with health care.

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Additional control concepts

It is feasible to integrate additional controllers into the accounting program.

The attorney might receive a higher disbursement lump sum for randomly checking expenditures for any abuse. An amount consistent with the expenses incurred would be sensible, because a prescription does not require the same control efforts as costly treatment.

New members join the pact according to a ramp function heading for the target value. In the case of temporary payment defaults and opts-out, the same soft transition would be desirable.

The main controller could be superseded by a controller slowly adjusting the amount paid in to the development of the financial situation and changing mean health care expenditures. At this time, a participators' poll in intervals of several months is sufficient.

Capital formation within the pact must take into consideration that participators who have funded the fund's social contingents over a long period of time must benefit more when they are in need. Although this counteracts the concept of social balance, it still encourages social behavior. A fine-tunable control function would be sensible for that purpose. If this were successful, payment amounts could be deregulated. In that case, the participators do not deposit a fixed payment amount but rather an amount within a democratically determinable range.

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