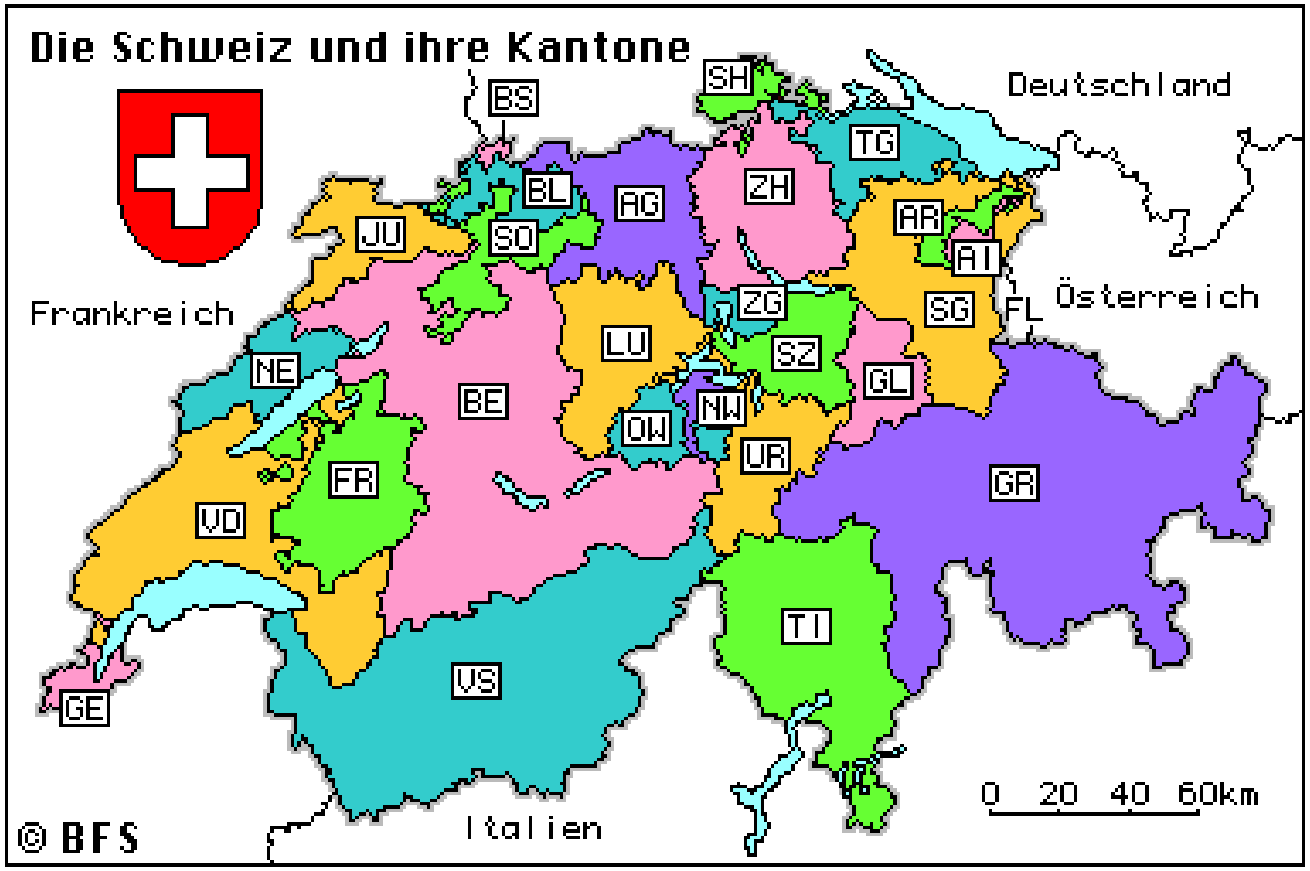
Swiss Health Care System and Sickness Insurance

1. Parties involved

- Insured persons
- Insurers
- Providers
- State

The 26 Cantons of Switzerland



Confederation

Sickness and Accident Insurance (Art. 117 Federal Constitution)

Confederations decrees regulations about sickness and accident insurance.

Sickness and accident insurance can be declared compulsory for the population or for parts of it.

Cantons

In the absence of federal legislation, the cantons are responsible for health provision.

Providers

Ambulatory sector:

- admission of health professionals by **cantons**
- definition, under which conditions which kind of admitted professionals can provide for compulsory sickness insurance by **sickness** insurance law

Hospital and nursing home sector:

- admission of providers, hospital/nursing home planning by **cantons**
- definition, under which conditions admitted institutions (planned capacities) can provide for compulsory sickness insurance by **sickness insurance law**

Insurers

- Company incorporated according to the civil law (Association, trust, limited Co.)
- Company incorporated according to public law

- Private insurances that are surveilled by the Private insurance Authority

- 92 health insurers (87 Compulsory Sickness Insurance)
- 80 % of the insured persons covered by the 10 biggest insurers

Rules applying to all sickness insurers

- Obligation to insure everybody in compulsory insurance
- No risk selection
- No profit
- Possibility of offering supplementary insurance services
- Institutional and technical control by FOPH

Insurers and providers

- Tariff negotiations between (groups of) providers and insurers, generally on cantonal level
- If there is no agreement: Tariff is fixed by cantonal government
- Possibility of appeal to Federal Council

Insured persons

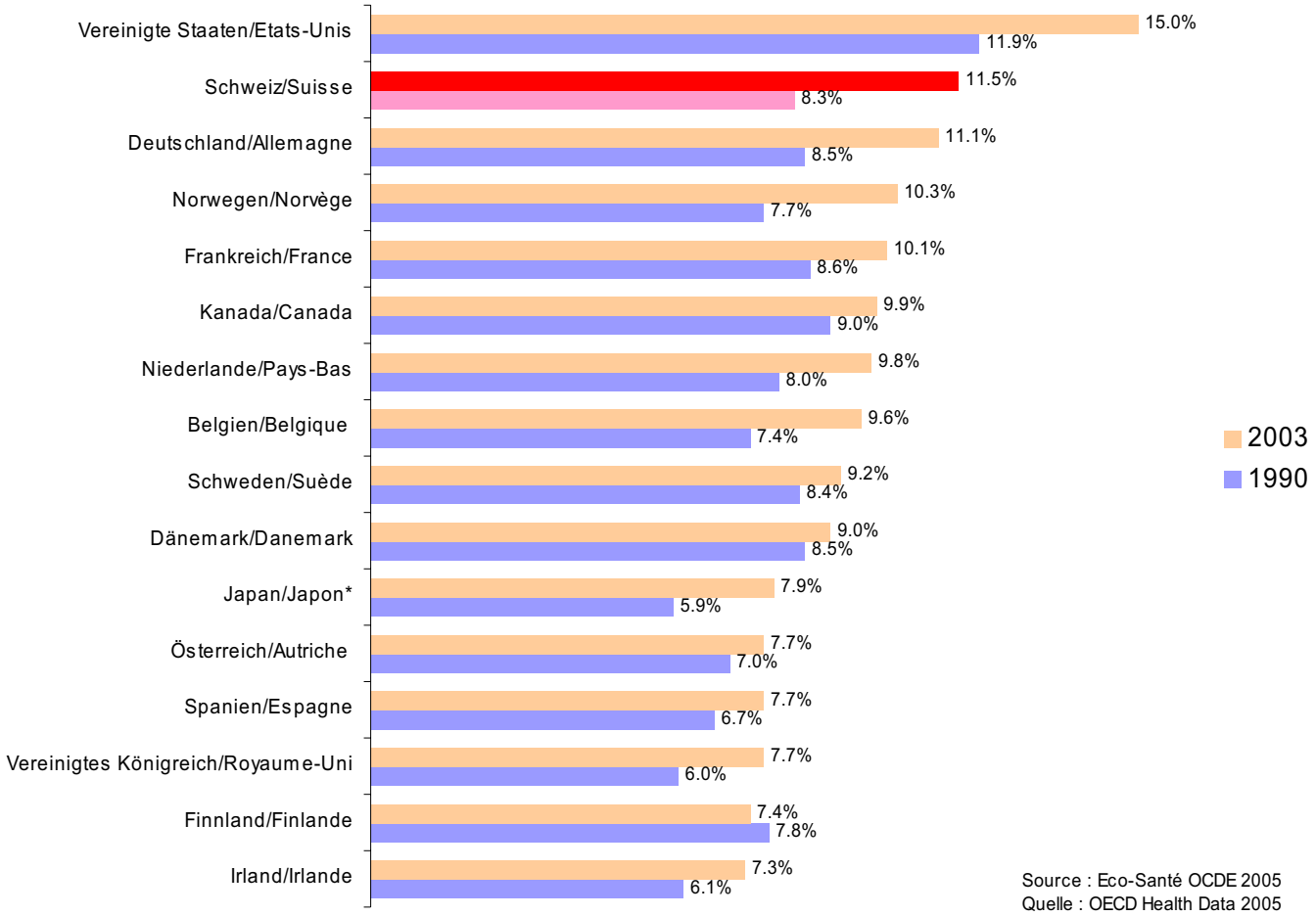
- Every person living in Switzerland has to be insured
- Same premiums for women and men independently of age in the same region (exceptions are children and young adults (less than 25 years))
- Possibility of choosing particular insurance types (restricted choice of providers, bonus insurance)
- Accident risk must be insured apart for those not working

2. Health Care System and Sickness Insurance

- Costs
- Financing

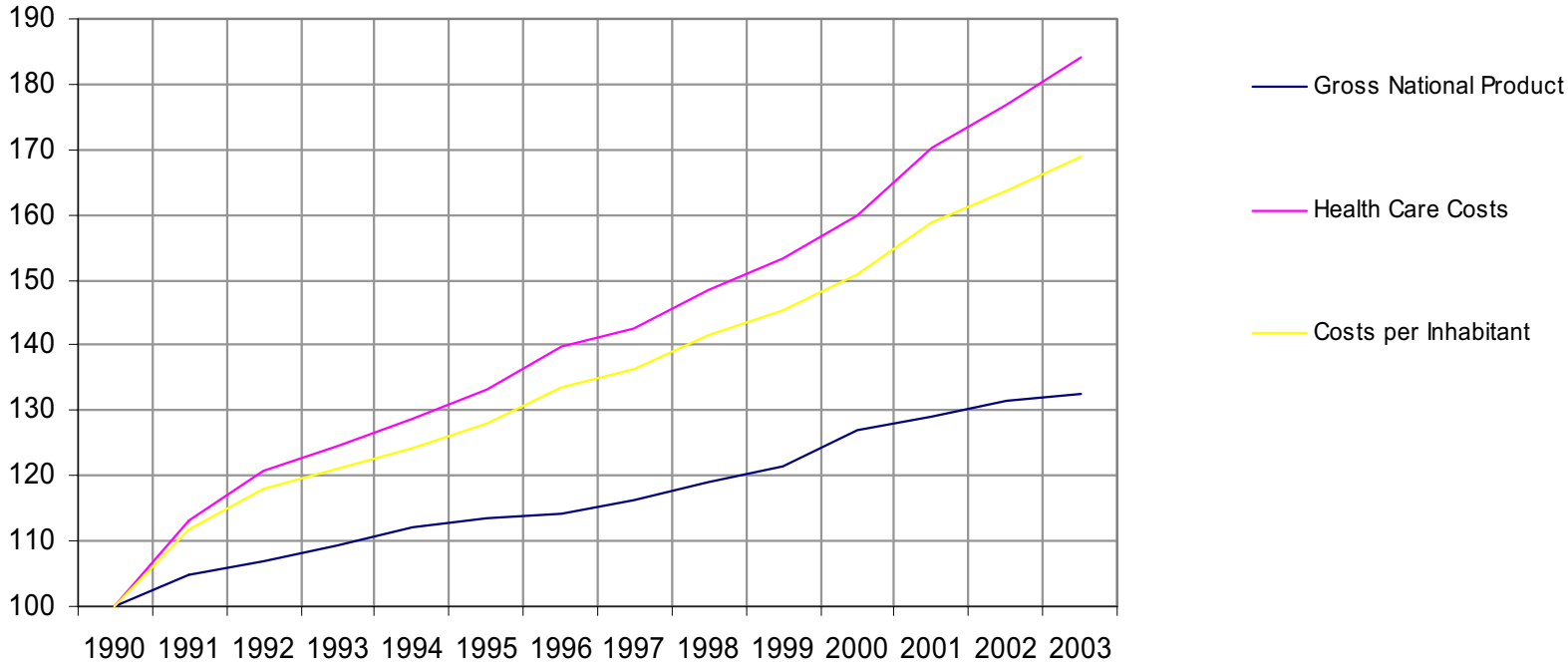
Poll about Quality of Health Care System 2005

Health care: Percentage of Gross Domestic Product

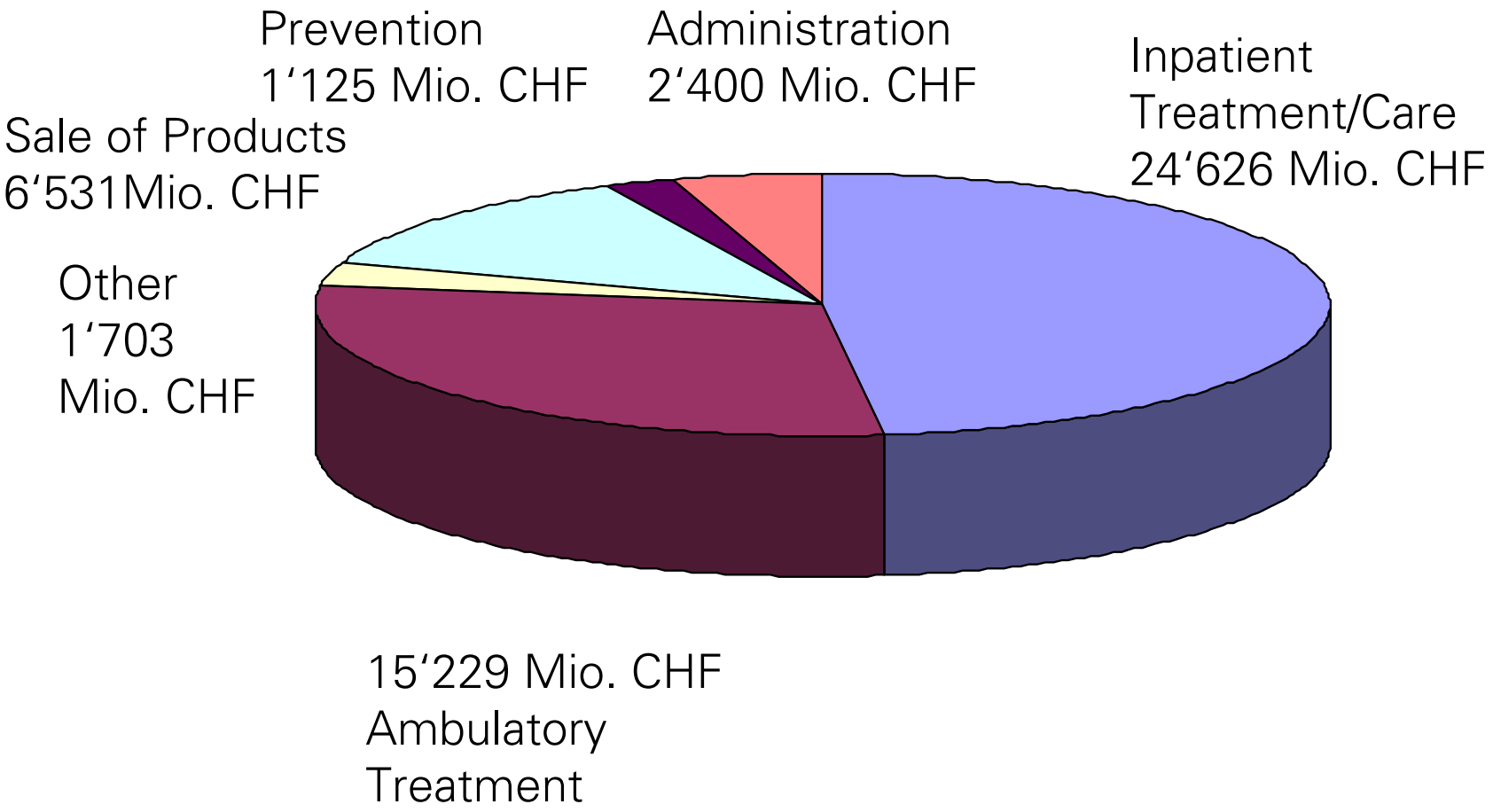


Source : Eco-Santé OCDE 2005
Quelle : OECD Health Data 2005

Development of Cost Indices

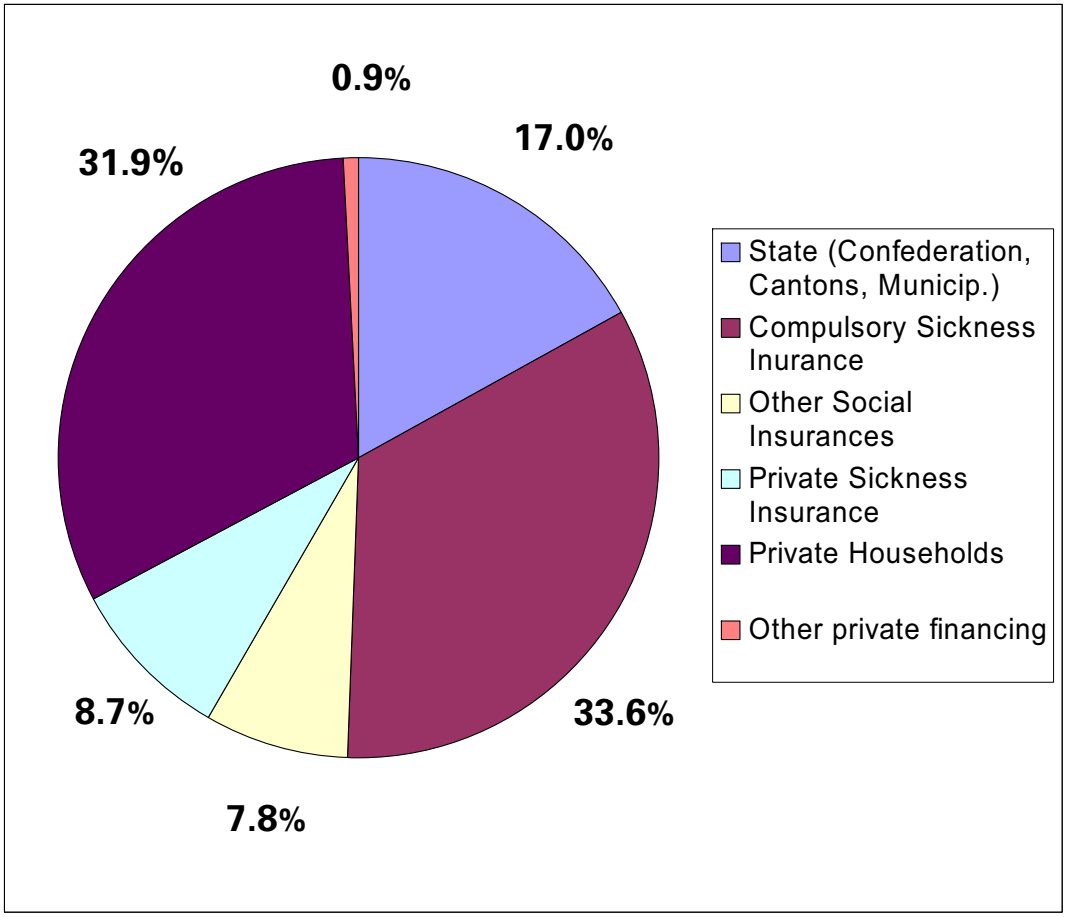


Expenses of Swiss Health Care System (2004: 51.7 Bil.)



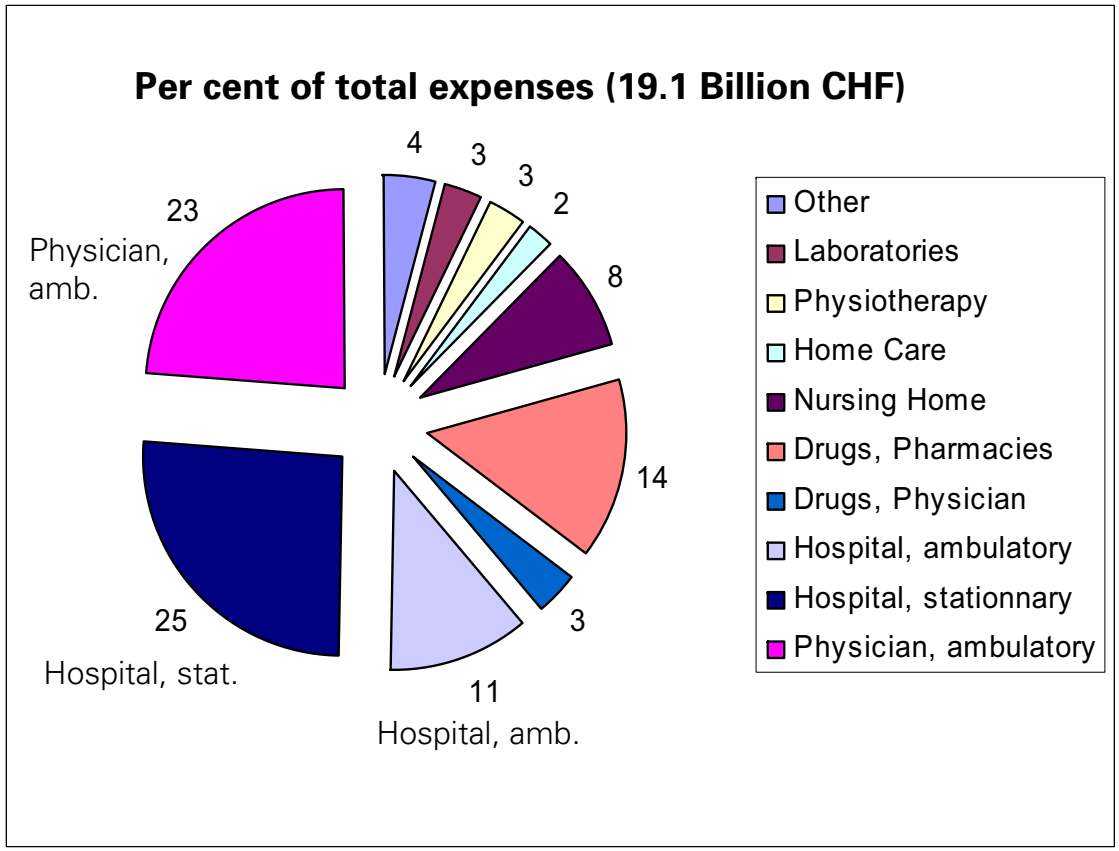
… and Financing (Direct Payers)

Expenses 2004: 51.7 Billion CHF

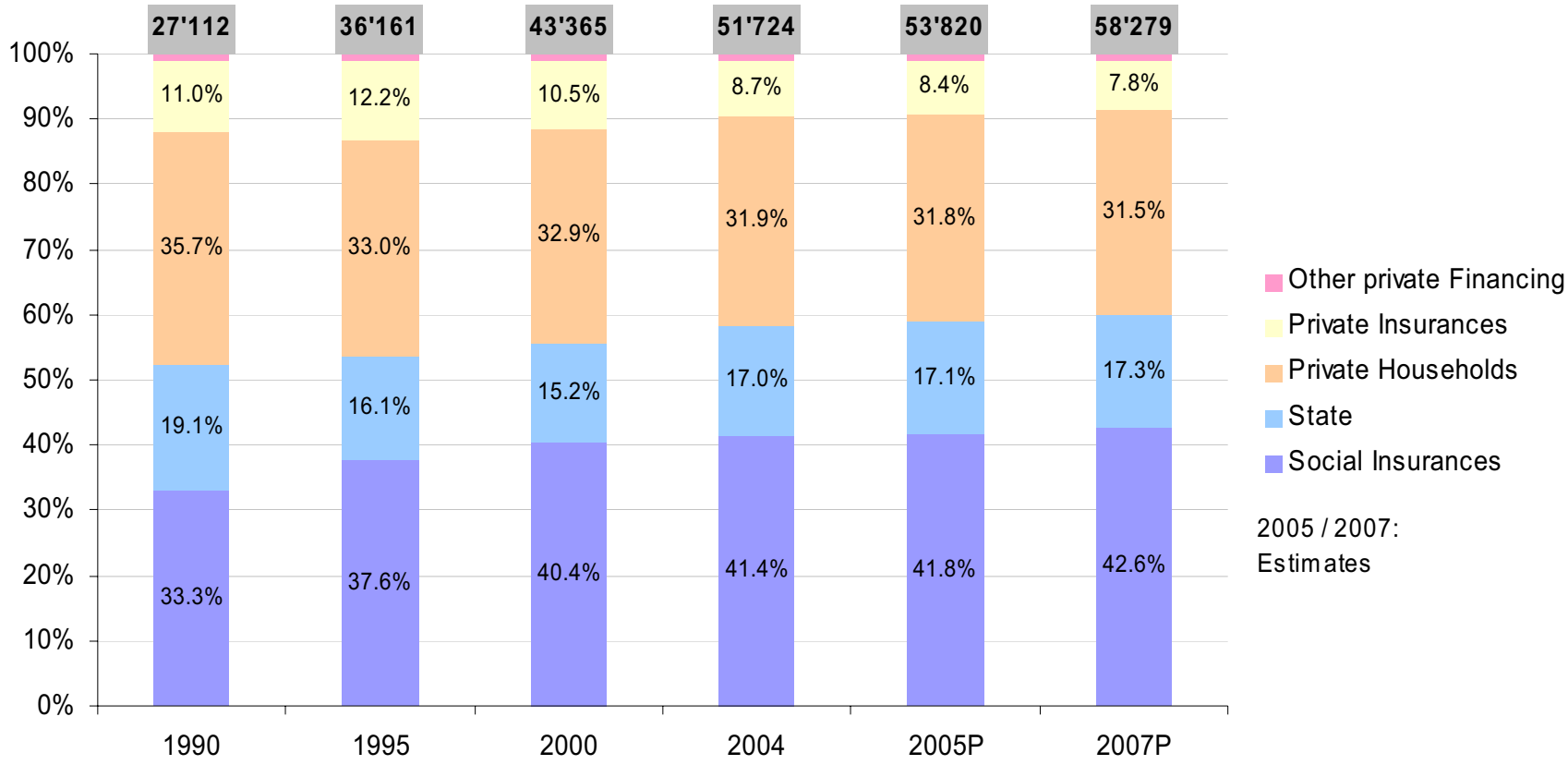


BFS 2006

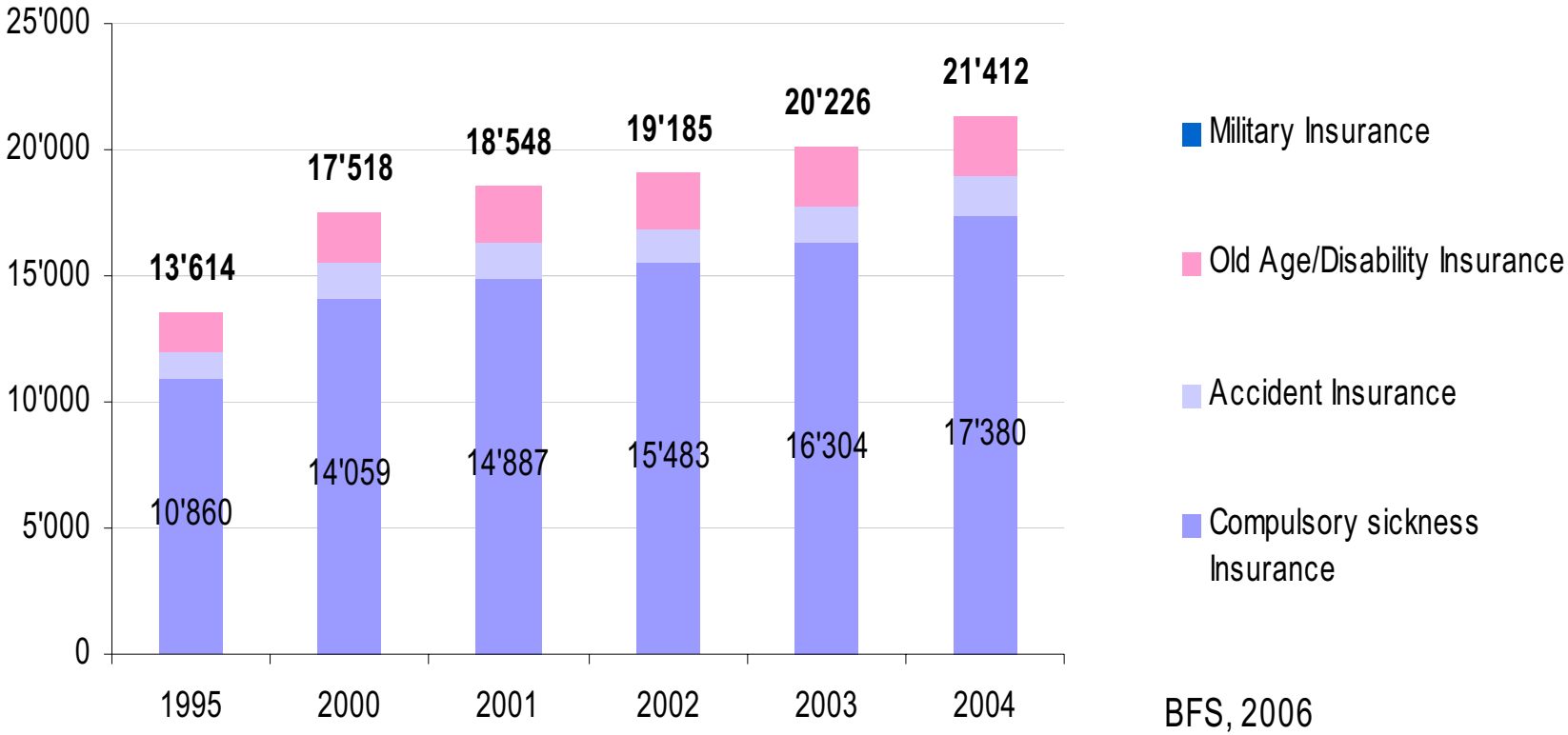
Expenses of Compulsory Sickness Insurance 2004



Increasing Share of Social Insurances

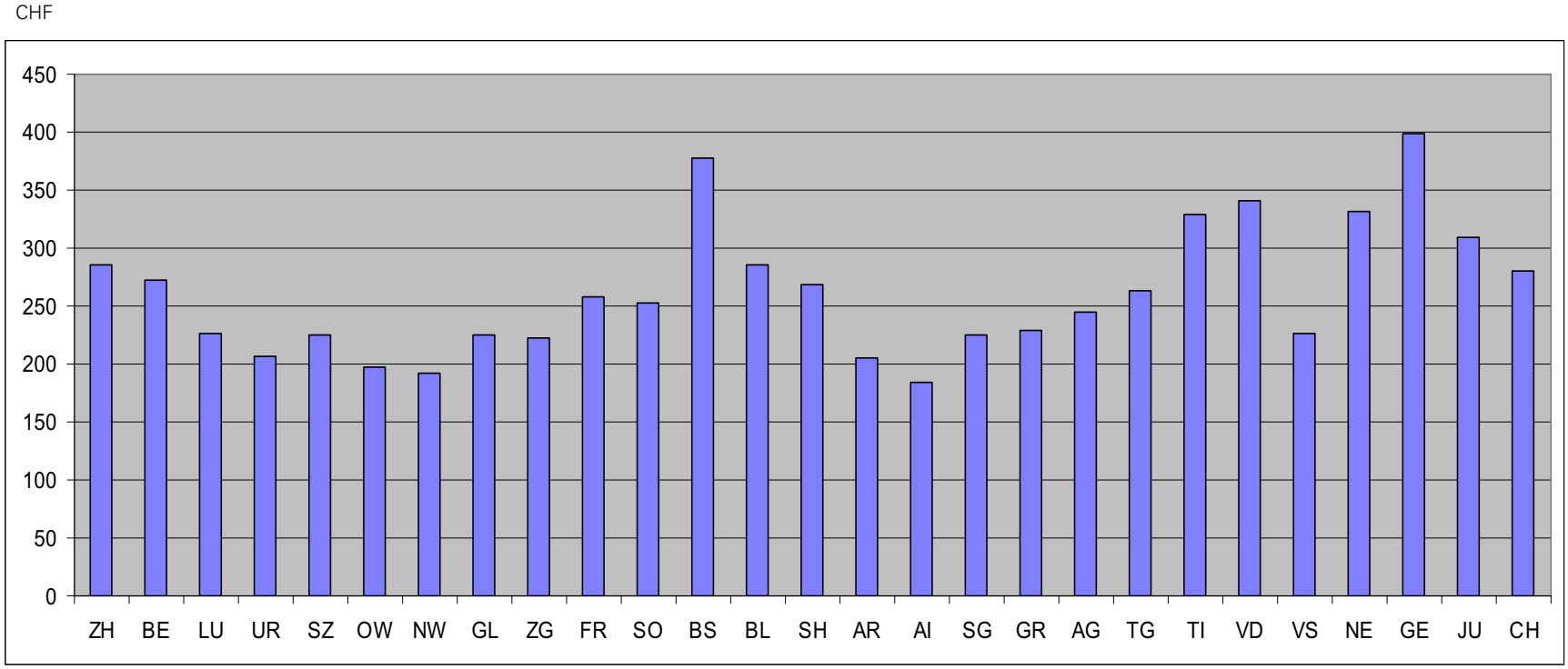


Health Care Expenses (net) of the Social Insurances



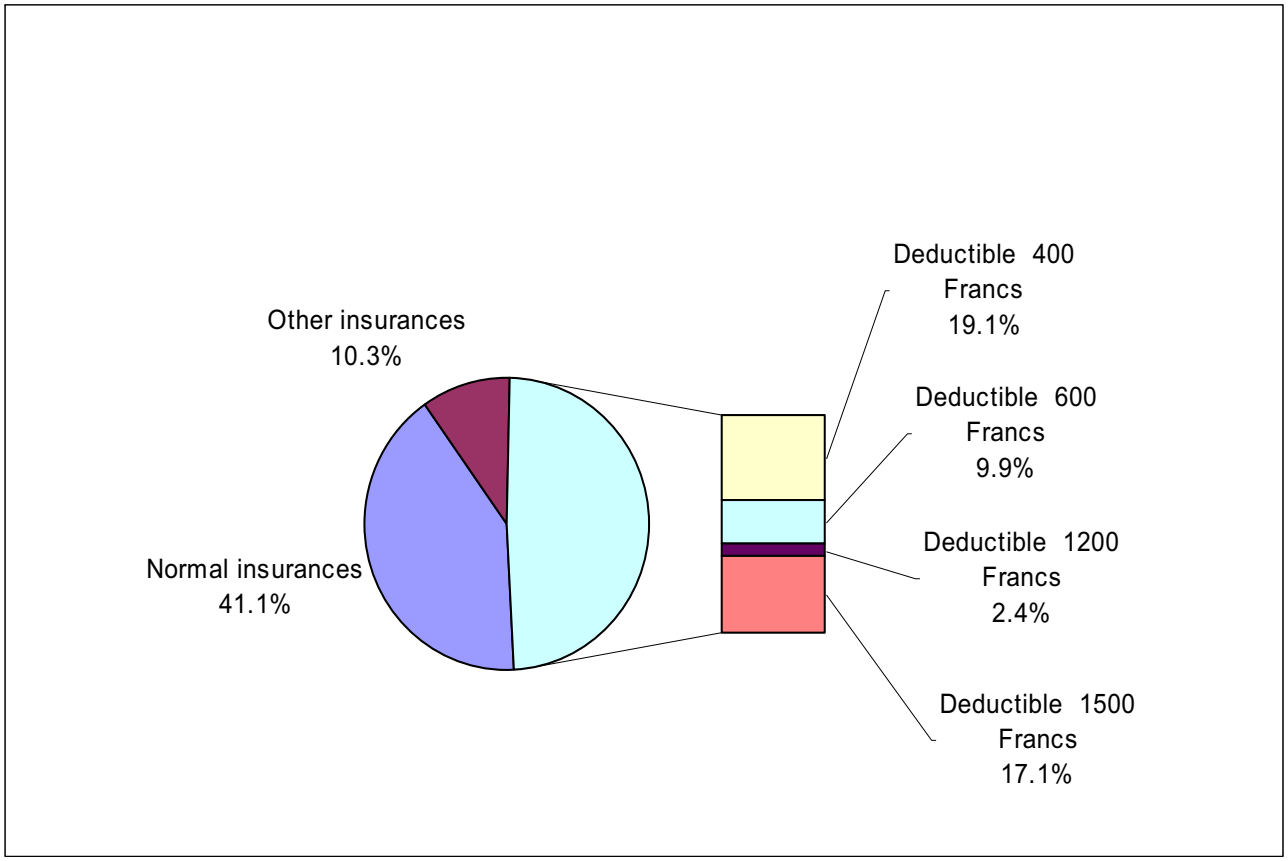
BFS, 2006

Sickness Insurance: Average Premium by Canton



Average premium for an adult person per month 2004

Insurance types (2004), adults



3. Revision of the Sickness Insurance Law

Cost containment by economical incentives

- Promoting competition between providers and between insurers
- Increasing responsibility

Regulations with a time limit

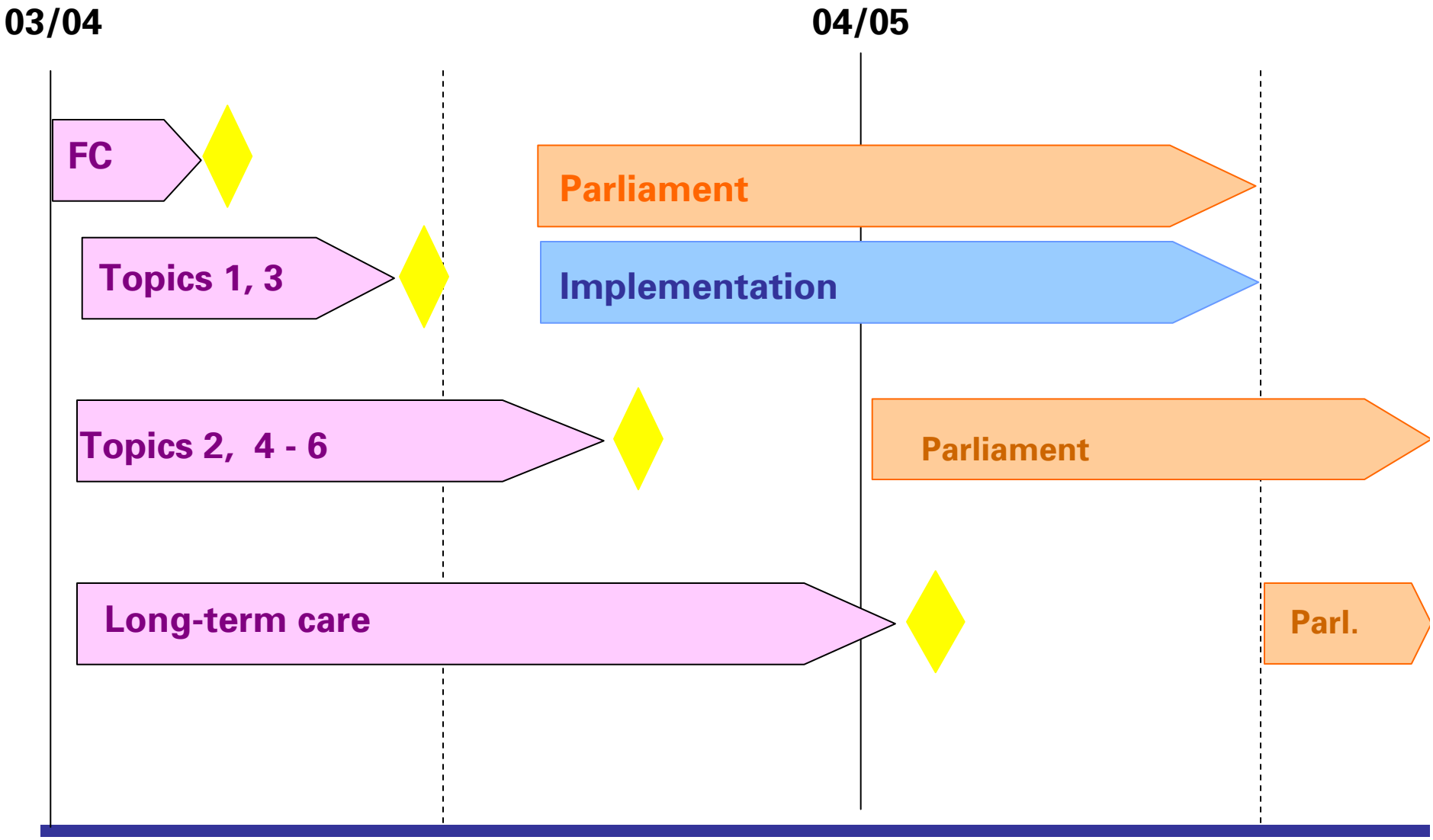
Extension of regulations which were limited in time

- law about cantonal contributions to the treatment of insured persons with a supplementary insurance in public and subsidized hospitals: 31.12.2006
- article about restricting admission of providers: 3.7.2008
- article about risk adjustment: 31.12.2010

State of the discussion

December 2003	Failiure of the 2nd revision of the sickness insurance law in parliament
February 2004	Federal Council decided reform plans
May 2004 and September 2004	Adoption of the messages of the Federal Council in 2 packages (4 + 2 messages)
June 2004	Start of parliamentary discussion of package 1
October 2004	Adoption of a part of package 1 by both chambers of parliament; beginning of discussion about the remaining proposals
February 2005	Adoption of the message of the Federal Council about financing long-term care

Schedule


03/04
04/05
FC
Parliament
Topics 1, 3
Implementation
Topics 2, 4 - 6
Parliament
Long-term care
Parl.

Topics of the revision

1

Strategy ✓
- ✓ Risk equalisation, Care
- ✓ Hospital financing, urgent
- ✓ Elements of supervision
- ✓ Limits to Admission
- ✓ „Black sheep“

2

Freedom to contract ?

3

Premium reductions ✓
- **(✓)** Discharging families
- **(✓)** Non-payment of premiums

4

Co-payment ?
- Deductibles
- Co-insurance

5

Hospital financing
- Financing of services
- Dual, with fixed ratio
- Hospital planning

6

Managed Care ?
- Integration in nets
- Incentives
- Duration of contracts

7

Financing of long-term care
- Partition of financing between Cantons and Sickness Insurance

Part 1

Strategy and urgent topics

Insurance card (Introduction planned in 2008)

Basis for a later health card

Properties:

- New social insurance number
- Contains administrative data in order to simplify billing process
- Emergency data with consent of insured person

Purpose:

- Simplifying administrative process
- Improvement of information and comfort of the insured person

Risk equalisation – Solution until 31.12.2010

Continuation of the present formula for 5 more years

Features

- Condition of competition between insurers
- Retrospective and based on the features age and sex
- Net redistribution between Insurers 2004: 1‘003 Million CHF

- While actual risk equalisation formula is extended until 2010: Criteria to complete formula have to be examined.

1) Sickness Insurance statistics 2004

Financing of care : solution until 31.12.2006

Tariff freeze until the new regulation comes into force

- Tariff limits to reimburse care services (basic care as well as nursing care) provided by nursing care institutions and home care organizations shall be frozen.
- In 2004, sickness insurance came up for 1.573 Billion CHF to cover care services provided in nursing institutions an 0.365 Billion CHF to cover care services provided by home care organizations

Hospital financing: solution until 31.12.2006

Prolongation of the urgent law about cantonal contributions to the treatment of insured persons with a supplementary insurance in public and subsidized hospitals

Contents:

- Application: hospitalizations in a private or semi-private department of a public or subsidized hospital of the canton of residence
- Contribution of the canton corresponding teh tariff sickness insurance pays for the treatment in the general department

Additional decisions of the federal parliament

- Continuing restricted admission of providers (admission only in case of necessity)
- More severe sanctions against providers working uneconomically or providing services of poor quality

Part 2

Contractual freedom - proposal

Admission contract as condition to provide in the ambulatory sector at the expense of mandatory sickness insurance

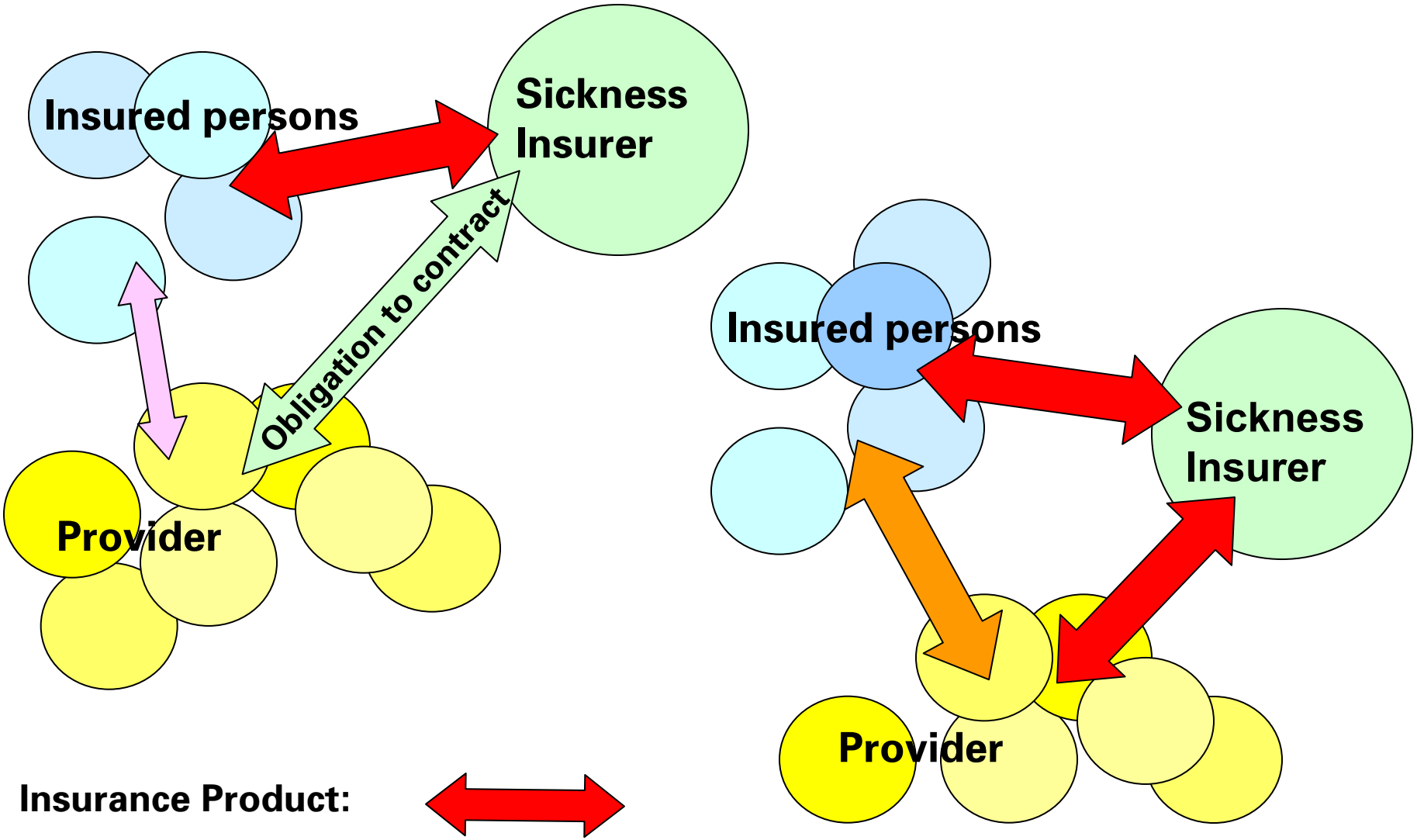
Freedom to contract between insurers and providers

Limits: health care delivery, cartel legislation

Guarantee of health care delivery by cantons

Confederation defines the number of providers needed to secure health care services (upper and lower limit). Within these limits, canton decides about minimal number of providers. Insurers have to contract with at least this minimal number of providers fixed by the canton.

Contractual freedom - Proposal



Application of contractual freedom: proposal

- For all providers of the ambulatory sector
- Also for the ambulatory sector of hospitals
- **Not applicable** for the stationary sector of hospitals and for nursing homes

Advantages contractual freedom

- Means **mutual freedom** to choose the partner to contract (no right to have a contract of admission)
- A **condition** for being allowed to provide on the expense of mandatory sickness insurance would be introduced
- Promotes **competition** and therefore cost containment
- Improves **quality** (efficiency)
- Lets expect a **better distribution** in covering medical services
- Avoids **scarcity** of providers in certain medical areas
- Makes a **differentiated tariff and price policy** possible
- Reduces **overcapacities**
- Eliminates «black sheep»
- Promotes **networks**

Disadvantages of contractual freedom

- Causes, as any change, insecurity
- Does not promise a contract of admission to the providers
- Asks more commitment of each involved partner
- Removes «guarantee of income» of the providers
- Reduces transparency for the insured persons
- Restricts free choice of the provider as far as re-imbursment is concerned

Limits to contractual freedom

Pre-conditions

- Guarantee of health care delivery
- Guarantee of access of the whole population

Duties of the cantons

- Watch about equal distribution
- Consider services offered in neighboring cantons
- Consider interaction of different ambulatory services

Duties of insurers

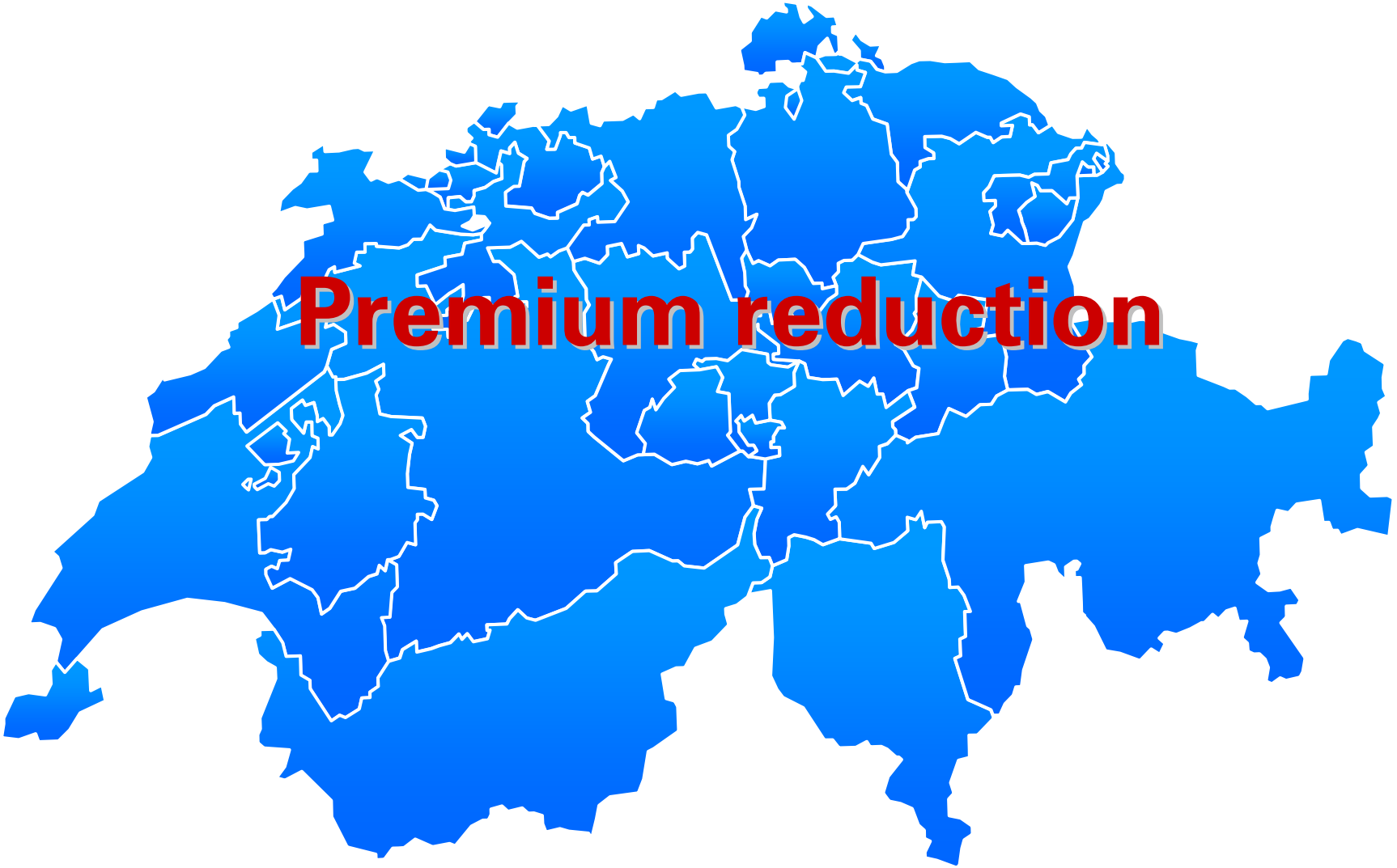
- Contracting with the minimal number of providers fixed by the canton

Alternatives

- The only alternative to the freedom to contract is the limitation of providers by planning.
- Free access of Swiss and foreign providers in combination with fee-for-service re-imbursement and free access of insured persons to each provider results inevitably in cost increase.

-> Therefore: freedom to contract

Part 3



Premium subsidies today

- Subsidies to persons in an economically modest condition – social corrective of the per capita premium
- Financing (2004: 3.169 billion)* paid by confederation and cantons
- Cantons decide about system
- Support of 31.7%* of the insured persons, 40% of households

• Sickness Insurance Statistics 2004

Adjustment decided in 2004: Privilege to children and young adults in education

- Cantons reduce premium of children (0-18) and young adults (19-25) in education at least by 50 percent, for lower and medium incomes.

Part 4

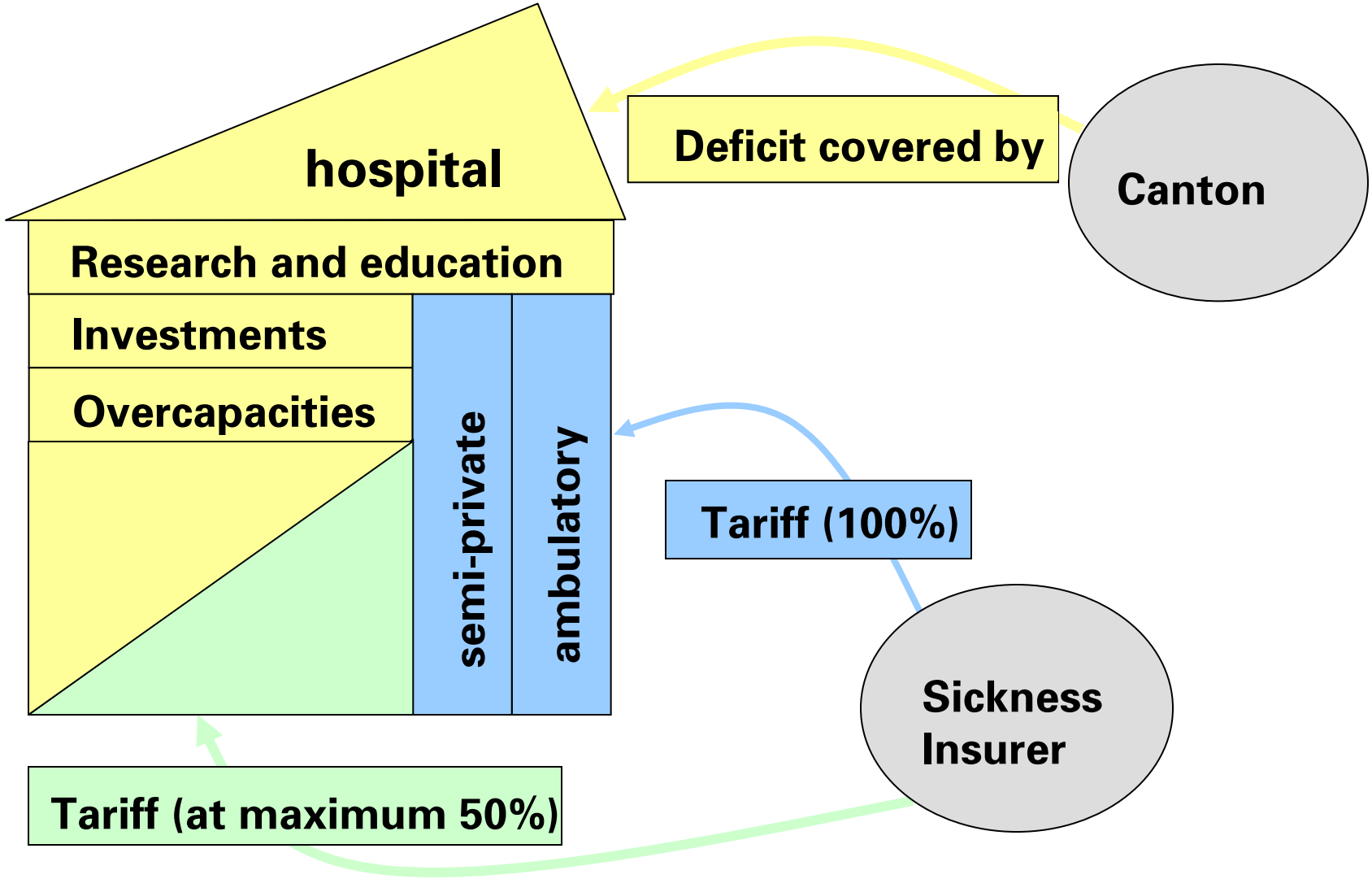
Co-insurance – proposal of the federal Council

Raising co-insurance from 10 to 20 percent

- Only for adult persons, children stay at 10%
- Upper limit per calendar year stays at 700 Franks
- Extended competence to lower co-insurance for certain services (as an incentive)

Part 5

Hospital financing today (public hospitals)



Hospital financing: proposal of the Federal Council

Flat rate payments related to services

Not objects (hospitals) but subjects/services) shall be financed

Fixed ratio of financing by cantons and insurers

related to services, no discussion about covering costs

Equal treatment of public and private hospitals

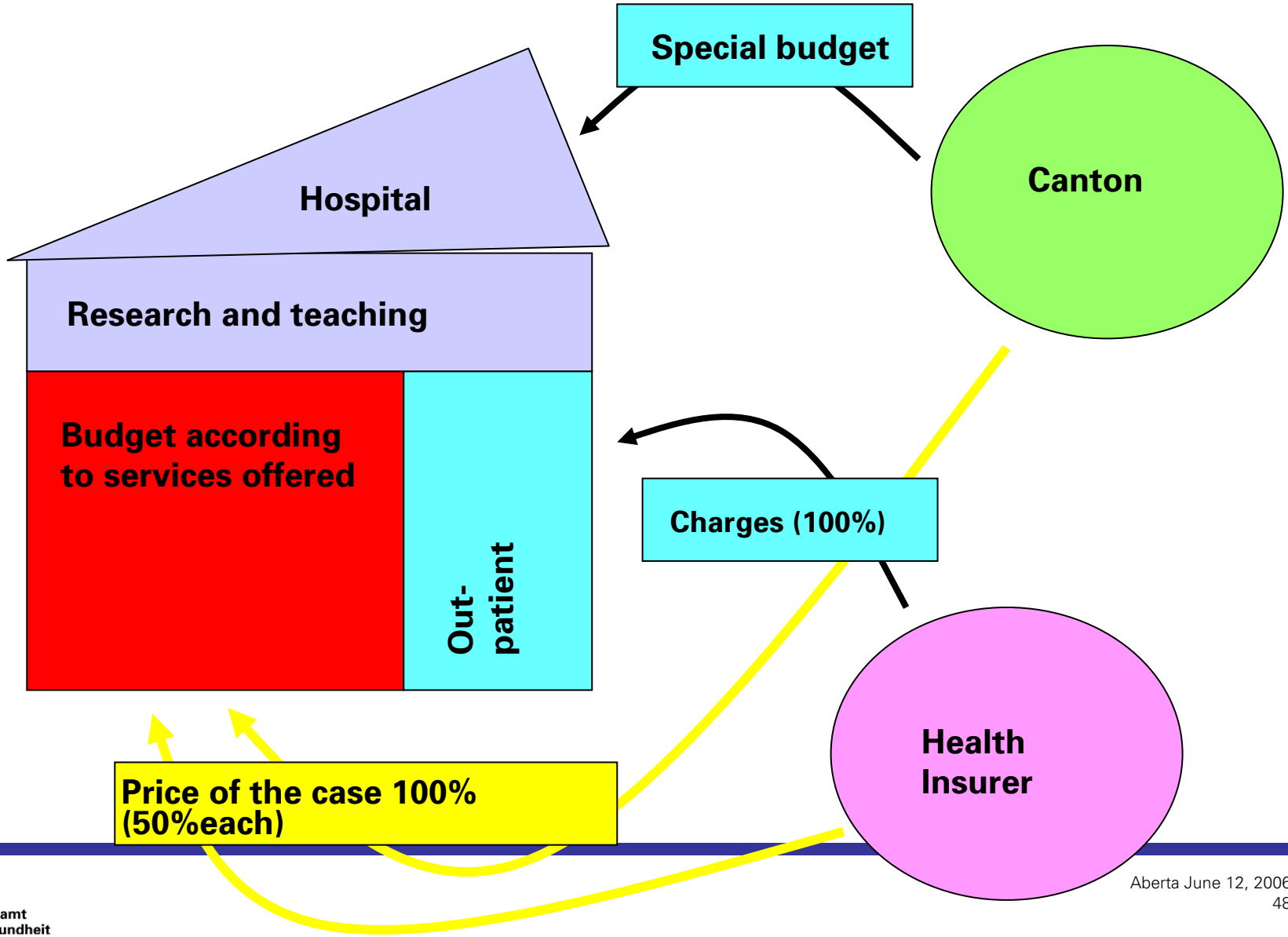
Financing not dependent of hospital ownership

Equal rule of financing of treatments inside and outside the canton

Strengthening of hospital planning

Planning of highly specialized treatments by cantons in common

Federal Council proposal 2004 „dual fix“



Number of Hospitals

	Public	Private subsi-dized	Private Not subs.	Private Total	N.N.	Total
1998	154	105	118	223	22	399
1999	152	92	129	221	19	392
2000	137	97	137	234	5	376
2001	135	95	133	228	3	366
2002	125	100	137	237	3	365
2003	117	99	135	234	3	354

Consequences

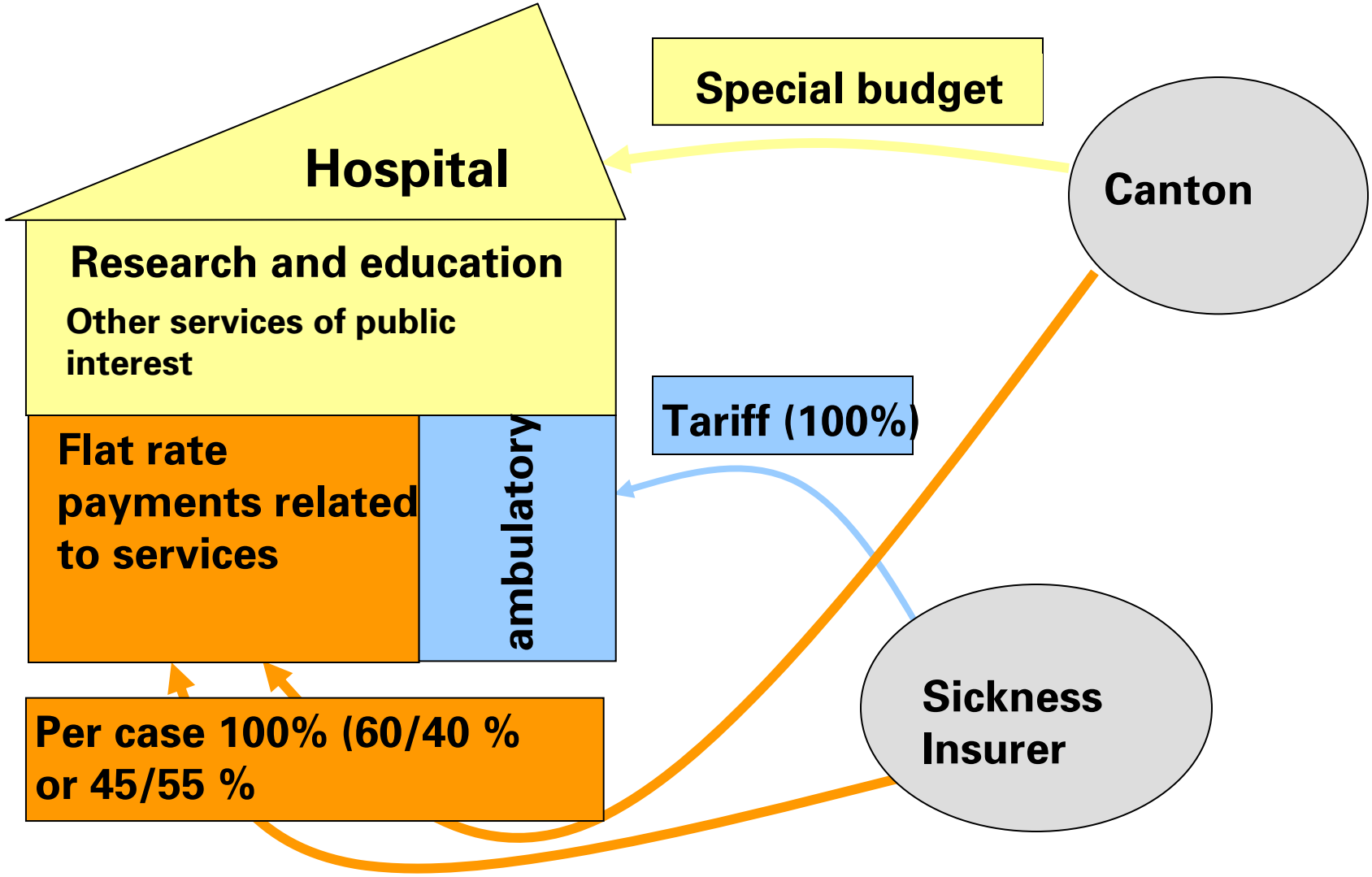
Financing of services with a fixed ratio canton/insurer means:

- Financial control on level „product“, definition of the products;
- Financing by the canton is directly dependent of the development of tariffs and quantities.

Financing of services with a fixed ratio canton/insurer and renunciation of covering deficits means:

- Hospitals are independent of public means (decisions about investment, financial an personnel management);
- Planning based primarily on services;
- Coordination of planning with neighbouring cantons, and
- More consideration about „Make-or-buy“-decisions.

Hospital financing: proposal of the Council of States

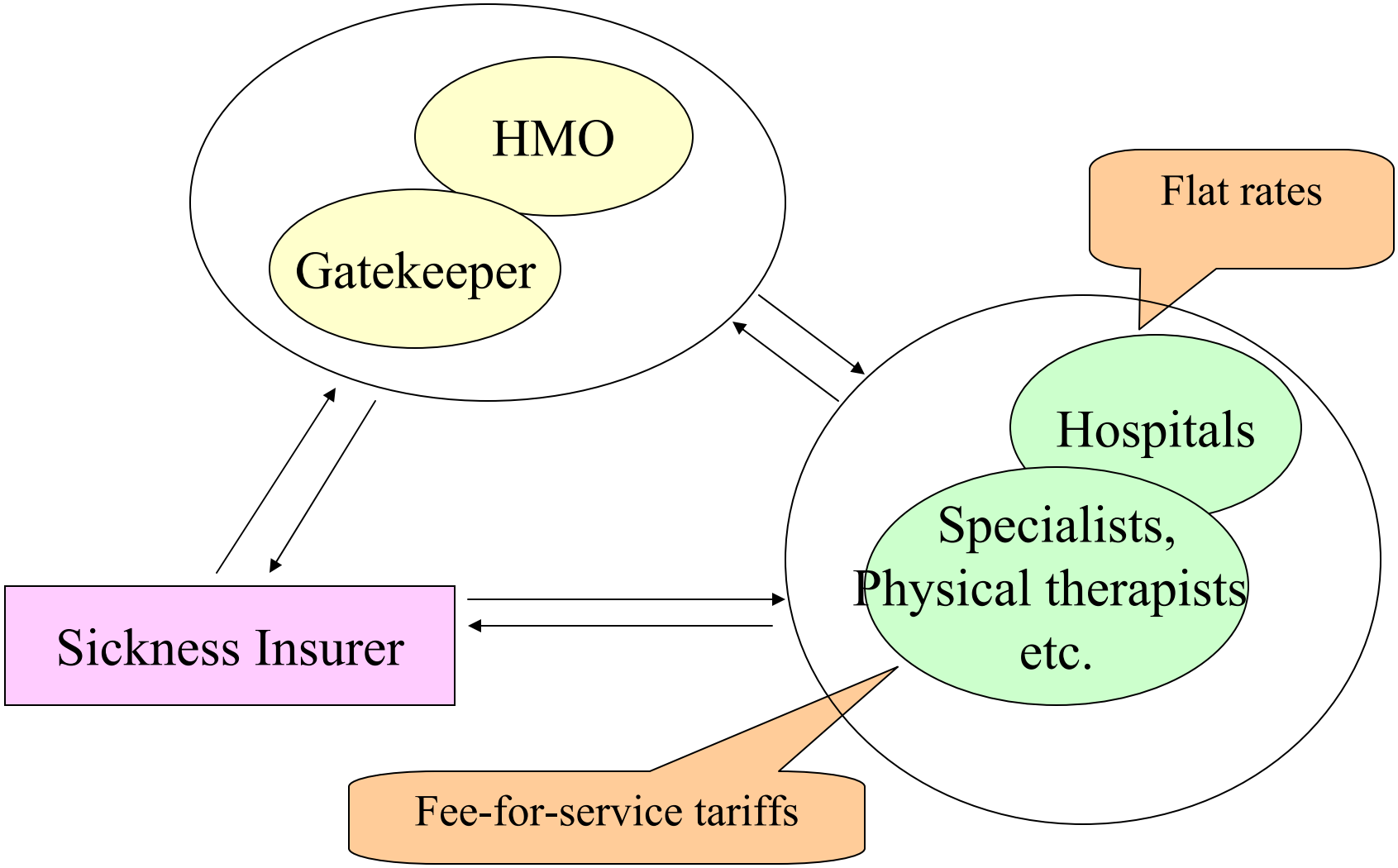


Proposal of the commission of the Council of States

- Planning, obligation to contract with the hospitals according to cantonal planning, continuation of responisbilities regarding tariffs
- Insurers can, for their insured, contract with other hospitals; no obligation to contract
- Financing of services of common interest by cantons
- Financing of services according to sickness insurance by insurers
- Tariffs based in services (Hospital: flat rates; ambulatory: fee-for-service or flat rates)

Part 6

Managed Care today



Managed Care – Proposal of the Federal Council

Integrated networks als special insurance plan

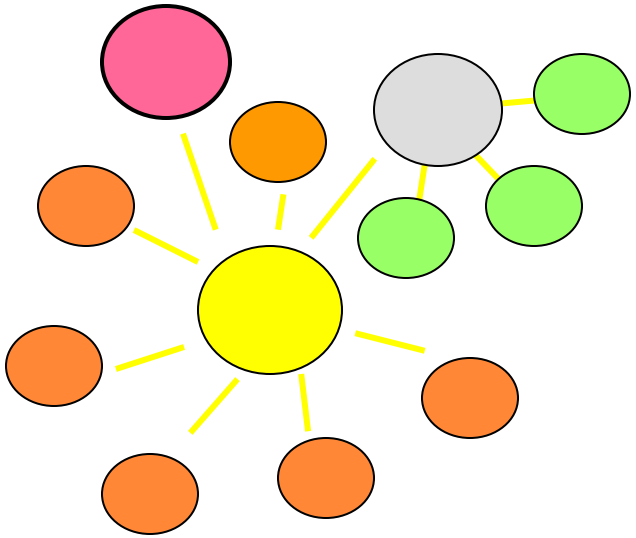
Properties:

- Voluntary for all implied persons
- Whole chain of treatment
- Financing by capitation
- Budget responibility

Incentives to join:

- Lower co-payments (insured persons)
- Lower premiums
- Quality of heatlh care (insured persond and providers)

Managed Care – Proposal of the Federal Council



Minimal regulation

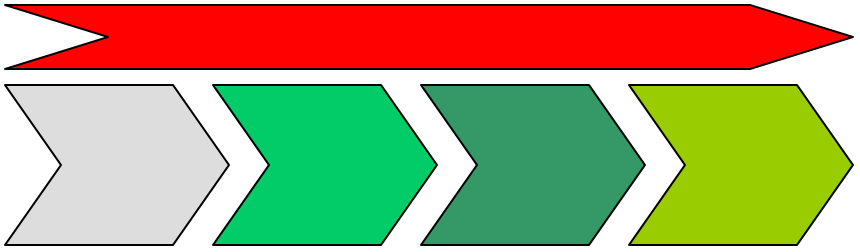
More market

Data / Transparency

Networks

Care Management

Communication



Part 7

Financing of care today

Costs

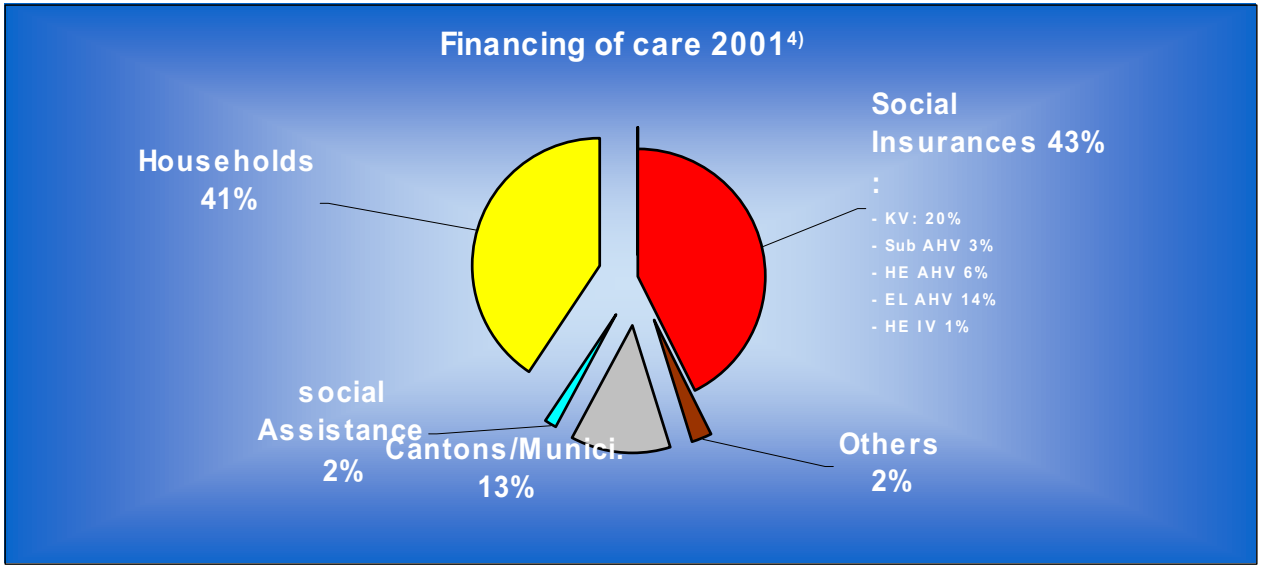
Costs 2002[1)]
- Nursing homes: ca. 6 Bil.
- Home care org.. : ca. 1 Bil.

Average increase p.a. 1995-2002[2)]
- Nursing homes: 5.1%
- Home care org.: 4.8%

Increase 1995-2002[2)]
- Nursing homes: 42%
- Home care org: 39.1%

Expenses sickness insurance 2002 (gross)[3)]

- Nursing homes: ca. 1.4 Bil.
- Home care org.: ca. 0.3 Bil.



Year 2002:
- Nursing homes: 78'838 inhabitants and 1'103 extern[5)]
- approx. 140'000 persons receiving home care[6)]

1) BFS: Kosten des Gesundheitswesens, Pressemitteilung vom 27. Februar 2004, Tabelle 3.
2) Eigene Berechnung aufgrund BFS: Kosten des Gesundheitswesens.
3) BAG: Statistik der obligatorischen Krankenversicherung 2002, Tabelle 1.16.
4) Teilrevision KVG, Erläuternder Bericht zur Neuordnung der Pflegefinanzierung, Tabelle 3.
5) BFS: Statistik der sozialmedizinischen Institutionen 2002, Tabelle F.3
6) BSV: Spitex-Statistik 2002, Tabelle 6.4.

Financing of care – Proposal of the Federal Council

Features of the message:

- Care services with a therapeutical or palliative purpose or in connection with treatment of a sickness (**nursing care**): **full re-imbursement** by sickness insurance.
- **Services of basic care** (ADL)**: contribution** of sickness insurance
- For people over 65 needing home care : extending the right to claim a helplessness allowance of old age insurance.
- Extension of the **supplementary allowances of old age insurance** for people needing care in a nursing institution.