Final Report: Study Tour of Switzerland

June 11 – 15, 2006

Alberta Health and Wellness

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Executive Summary

From June 11 to June 15, 2006 a delegation from Alberta, led by the Honourable Iris Evans, Minister of Health and Wellness, traveled to Switzerland on a study tour, at the invitation and expense of the Swiss government. The delegation was composed of:

- Honourable Iris Evans
  Minister of Health and Wellness
- Alyssa Haunholter
  Executive Assistant to Minister Evans
- Mark Kastner
  Communications Director, Alberta Health and Wellness
- Neil Wilkinson
  Board Chair, Capital Health
- Dr. Chris Eagle
  Executive Vice-President and Chief Clinical Officer, Calgary Health Region
- Sheila McKay
  President, College and Association of Registered Nurses of Alberta (CARNA)
- Annette Trimbee
  Assistant Deputy Minister, Strategic Directions Division, Alberta Health and Wellness

The delegation approached the study tour recognizing that Alberta shares some challenges with Switzerland in terms of health system management. Delegates anticipated that sharing experiences with their Swiss hosts would provide them with the opportunity to see how the Swiss are addressing some of those challenges, and to discover new and innovative approaches to the challenges we face here in Alberta.

Switzerland's health system, like Alberta's, has at its foundation, a premise that all citizens should have access to basic services. Both jurisdictions are concerned about current spending levels and the rapid rate of growth in health system costs. Both jurisdictions would like to see more health promotion and illness/injury prevention activities occurring so that population health is improved, and preventable demand on the health system is reduced. Albertan and Swiss health officials are exploring ways to ensure appropriateness, in terms of funding and use of health services and products.

Switzerland's population is culturally and linguistically diverse. Health services use differs according to both culture, and geography. For example, the French speaking population are heavy users of the health system compared to the German speaking population. Urban dwellers tend to use the health system much more heavily than those living in disconnected rural valleys.

There are also notable differences between Alberta and Switzerland. Alberta is a province within a federal system, and Switzerland is also a federation. However, the organization and practice of government differs immensely between the two jurisdictions. Switzerland's population is more than double that of Alberta, but Alberta occupies 16 times more land

than Switzerland. Government, demography and geography shape the health system and have an impact on the solutions considered appropriate.

Alberta and Switzerland do not have the same issues in terms of infrastructure, technology and workforce resources. Alberta faces waitlists and labour shortages; Switzerland is in quite a different situation.

Ultimately, the study tour was comprehensive, well planned and very productive. The Swiss hosts took great care of the Alberta delegation, and provided exposure to diverse perspectives. Delegates interacted with federal and cantonal politicians, officials, hospital administrators, clinicians, insurers and business representatives. Meetings covered key issues such as health system governance, accountability, financing, wellness, workforce, and pharmaceutical policy. The delegation also had the opportunity to tour the University Hospital Centre of Canton Vaud, in Lausanne. The following are among the important lessons learned:

THE NEED FOR HEALTH RENEWAL

- Although Switzerland is proud of its performance, the country's ability to afford health system costs in the future is a concern. Most of the renewal ideas relate to improving the understanding of costs, increasing competition, managing the system better, investing in life-long health and getting the incentives right.
- The Swiss system is the second most expensive system in the world and has substantial excess capacity in both the public and private sectors. While this overcapacity, allows for essentially no wait times for any procedures, it comes at the cost of investment in wellness programs and public health.
- Some aspects of the Swiss health system are quite inefficient. A number of small health systems are run by tiny Cantons. Small insurance providers tend to be inefficient and put an added resource strain on the system.
- Switzerland has a large pharmaceutical industry. As a result, health care is viewed as a positive investment and a way of maintaining Switzerland's leadership role in science and technology. Switzerland dedicates 11-12 per cent of its GDP to health[1] but delegates were told that health spending generates 15 per cent of Swiss GDP.
- 92 insurance companies offer health insurance. Swiss residents must choose an insurance plan and pay premiums based on the actuarial rating for their canton, as well as a percentage of the costs per service. 80 per cent of the population is covered by the 10 biggest insurance companies.
- A major topic of debate right now is whether to move to a single insurer. A new insurer would take on the assets and liabilities of existing insurers. Its governing and supervisory boards would be composed of public authority representatives, health care providers, and the insured. Insurance premiums would be based the economic

[1] Total health expenditures were 11.5 per cent of GDP for Switzerland in 2003, compared to 9.9 per cent of GDP in Canada, according the *OECD in Figures 2005 – Health Spending and Resources*. http://ocde.p4.siteinternet.com/publications/doifiles/012005061T002.xls

circumstances of insured persons. Perspectives on the "right" approach to health insurance vary:

  - The Alberta delegation met a cantonal health minister who was an advocate for a single public insurer. This minister's vision for the Swiss health system was based on a single public insurer that would provide compulsory, comprehensive coverage to all citizens. Individuals could choose to purchase supplemental coverage too, but it would be delivered privately, apart from public insurance.
  - Delegates also met with a federal health minister opposed to a move to a single public insurer. The federal minister expressed concern about growth in what is considered basic coverage and expressed strong support for fully privatized delivery and funding of health care, driven by market forces.
  - The santésuisse agency anticipates that liberty of choice among insurers will be lost; that one national premium may lead to a race to the top effect among cantons; that contradictory composition of governing boards will weaken the insurance industry's negotiating power; and that monopoly will kill innovation and be detrimental to quality of care. Because premiums would be income-based, the middle class would bear the heaviest burden.

- Another agency, economiesuisse, is a think-tank with a broad economic perspective. It is very concerned about sustainability and is an advocate for change that would have a broad influence across sectors. This would provide a unified voice and would minimize the tendency for two camps to develop. One such camp favours a cost focus as a distraction from the real mission in health care, quality; while the other camp would demand cost containment without impacts. The economiesuisse agency advocates financial incentives to encourage people to stay well and supports competition within the health system, among providers, based on quality and cost.

PHARMACEUTICAL POLICY

- Although the pharmaceutical industry is a significant economic driver for Switzerland, there is a willingness to aggressively pursue better drug prices. Switzerland pays more than other European countries for the same drug products. As home to the some of the world's biggest pharmaceutical companies, it is reasonable to assume that Switzerland should be able to get better prices.
- Drugs are only considered for listing if they are proven to be safe and cost-effective. Switzerland's basic list of drugs covered has 2600 products (compared to 3600 products on Alberta's Drug Benefit List). Medicines for alternative therapies are covered on that list, even when the treatments are not.
- Switzerland is engaged in some innovative initiatives to slow the rate of growth in drug costs. For example, a co-payment, usually 10 per cent, is required of patients at the pharmacy. The co-payment increases to 20 per cent if a patient chooses a brand name product when a lower priced generic available. Recently, a policy requiring that prescribing physicians must inform patients of the increased co-payment or pay it themselves has had significant impact. Use of generics has gone up (from 3 to 15 per cent), and more importantly, brand name prices are being reduced to match generic prices.

PUBLIC HEALTH

- The Swiss health system is very illness focused. Despite some attempts to focus on health promotion and on the determinants of health, population health is not a large part of the system. In 2003, prevention and wellness represented just 2.1 per cent of health expenditures.
- Comparative studies of OECD health systems rank Switzerland as having one of the best in the world. The Swiss population is homogeneous and has a high socioeconomic status. With the exception of smoking, the Swiss population has few significant health risks. The non-medical determinants of health are favourable in Switzerland and this is one of the reasons why their health system appears to achieve so much.
- Health promotion is generally approached through the work of organizations that operate like NGOs, but are in fact arms of government.

HEALTH WORKFORCE AND SERVICE DELIVERY

- Delegates were encouraged to learn that, in terms of workforce strategies, Alberta is making good progress in important areas. Health services in Alberta are much more integrated across programs, facilities and geographic regions. Alberta is also further along in using team care approaches and electronic communications e-technology.
- The Swiss health care system is still very physician-centered. Swiss nurses are not self-regulated. Nurses in Alberta can and do have higher status and influence.

Host Organization

A delegation from the Province of Alberta traveled to Switzerland at the invitation of Presence Switzerland, a government-sponsored organization tasked with the mission of promoting Switzerland's image abroad and promoting good relations with other countries. One of Presence Switzerland's key activities is to design and organize study tours to Switzerland for foreign opinion leaders.

Presence Switzerland works to convey knowledge about Switzerland, to create understanding and empathy for the country and to highlight its diversity and attractiveness. Presence Switzerland acts within a broad network to carry out and coordinate this task. Its Swiss partners include Pro Helvetia, Switzerland Tourism, OSEC, seco, swissinfo and youth and sports organizations. Swiss embassies and consulates as well as Swiss schools are among the main partners of Presence Switzerland abroad. The following is an excerpt from their website:

> **Inviting destinations, impressive moments: Presence Switzerland shows foreign opinion leaders a diverse, modern and innovative Switzerland.**
>
> "Welcome to Switzerland", is the motto every year for about 1,500 guests from abroad. The delegations are from many walks of life - students, politicians, media workers -and focus on a wide variety of topics, from Switzerland as a financial location to transport policy and culture. The programmes for the foreign delegations are organised and designed by Presence Switzerland in close co-operation with Swiss missions abroad or with Swiss partners.

Source: www.presence.ch/e/400/400.php

Presence Switzerland also develops and produces basic information about Switzerland under the "swissworld" label, a key information tool of which is the official Swiss Internet portal, www.swissworld.org.

Additional information about Presence Switzerland is available at www.presence.ch.

Alberta Delegation

The delegation was composed of:

- Honourable Iris Evans
  Minister of Health and Wellness
- Alyssa Haunholter
  Executive Assistant to Minister Evans
- Mark Kastner
  Communications Director, Alberta Health and Wellness
- Neil Wilkinson
  Board Chair, Capital Health
- Dr. Chris Eagle
  Executive Vice-President and Chief Clinical Officer, Calgary Health Region
- Sheila McKay
  President, College and Association of Registered Nurses of Alberta (CARNA)
- Annette Trimbee
  Assistant Deputy Minister, Strategic Directions Division, Alberta Health and Wellness

Swiss Federal Office of Public Health

The Alberta delegation spent Monday, June 12 at the Swiss Federal Office of Public Health (FOPH). The office is Switzerland's national authority in health matters, and is part of the Federal Department of Home Affairs.

The FOPH represents the country in international organisations and in dealings with other countries and is responsible - together with the cantons - for public health and the development of national health policy in Switzerland. The FOPH manages the social health care and accident insurance system, including supervising the insurance companies. It also specifies which services are paid for by compulsory health insurance.

The FOPH accepts the World Health Organization's definition of health: health is not merely the absence of disease, but a state of complete physical, mental, and social well-being.

The FOPH has four primary divisions: Health Policy, Health and Accident Insurance, Public Health and Consumer Protection. The organization's of responsibilities include:

- Issuing legal directives on consumer protection (particularly related to food, chemicals, therapeutic products, cosmetics) and supervising their implementation;
- Monitoring transmissible diseases and for radiological protection in Switzerland and issuing the necessary regulations;
- National programs for reducing substance abuse (tobacco, alcohol, illegal drugs) and promoting healthy lifestyles (nutrition and exercise, health and the environment);
- The national HIV/AIDS programme;

- Issuing regulations governing basic and advanced training of doctors, dentists, pharmacists and veterinary surgeons and awarding the corresponding degrees; and
- Legislation on biological safety, research on humans (including stem cell research) and transplantation medicine, and supervision of these fields.

PRESENTATIONS BY FOPH

INTRODUCTION TO THE SWISS HEALTH SYSTEM AND ITS SPECIFICITIES

Presentation by Mr. Gaudenz Silberschmidt
Head of Division, International Affairs, Swiss Federal Office of Public Health

- The Constitution of the Swiss Confederation gives the federal government jurisdiction over health and accident insurance. Government has the right to declare health and accident insurance mandatory for the full population or specific parts of the population. Within the limits of its powers, the federal government takes measures for the protection of health.
- The federal government's powers within the health system are: controlling epidemics; prevention (in specific sectors); control of foodstuffs, narcotics, and toxic substances; radiation protection; health system legislation; and supervision of insurance companies.
- Within the Swiss federation, cantonal authorities are responsible for protecting health in the absence of federal legislation, for providing health care, for disease prevention, health education, and licensing of health professionals. As a result, Switzerland has 26 health systems and each canton's health system is unique.
- Positive aspects of the Swiss health system include: health outcome indicators that are among the best in the world, and continue to improve (with exceptions in the areas of mental health and substance abuse); highly satisfied Swiss health care consumers, who face minimal wait times; no accumulated deficit. Health is one of Switzerland's most important economic activities; and Swiss biomedical research is excellent.
- Challenges facing the Swiss health system include: financing; growing inequities in health; demographic challenges (i.e., due to an aging population and immigration); quality assurance; and shortages in health care personnel.
- Prevention and wellness are under-funded: they represented only 2.1 per cent of Swiss health expenditures in 2003.

HEALTH SYSTEM GOVERNANCE, ACCOUNTABILITY AND FINANCING

Presentation by Ms. Marie-Thérèse Furrer
Economist, Section Tariffs and Service Providers, Swiss Federal Office of Public Health

- Swiss residents are satisfied with their health system. In 2005, 26 per cent of residents rated the system "very good", 41 per cent "good", and 23 per cent "rather good".
- Switzerland has 92 health insurers, 87 of which offer the compulsory health insurance. 80 per cent of the population is covered by the 10 biggest insurance companies.

- All insurers are obliged to insure everyone with compulsory insurance. They cannot engage in risk selection or make profit off of compulsory insurance. The FOPH provides institutional and technical control. Private, supplemental insurance is permitted.
- The Swiss refer to health insurance as “sickness insurance”. Several revisions to the sickness insurance laws are being considered. For example, economic incentives for cost containment, including promoting competition between both providers and insurers, and increasing the responsibility taken by individual Swiss.
- Switzerland is moving to implement a new health insurance card that will include a new social insurance number, administrative data to simplify the billing process, and with the consent of insured persons, emergency data. The objectives are to simplify the administrative process and improvement information and comfort for insured persons.
- The federal parliament is introducing more severe sanctions again health care providers who work uneconomically and who provide poor quality services. It is also working to encourage inter-cantonal collaboration on hospital planning to increase efficiency: for example, neighbouring cantons could contract for speciality services together.
- Compulsory insurance must include a consistent set of benefits. But, individuals have some choice in terms of how those benefits are packaged. For example, individuals can choose to restrict provider choice and to purchase bonus insurance.
- Compulsory insurance primarily covers inpatient hospital services and ambulatory physician visits.
- Insurers and providers work out premium levels together, usually at the cantonal level. Cantonal governments can fix rates if agreement is not reached. Cantonal decisions can be appealed to the Federal Council. Premiums vary by canton and range from about $175 to $368 Canadian, per adult, per month.
- Compulsory insurance premiums are rated within regions on a community by community basis. Children (under 18 years of age) and youth (19 to 25 years of age) pay lower premiums.
- Under systems designed by each canton, the federal and cantonal governments provide premium subsidies for low and medium income residents, as a “social corrective of the per capita premium”. In 2004, subsidies were provided to 31.7 per cent of the population, to the tune of 3.169 billion SwF ($2.916 billion Canadian).
- Premium levels for low and medium income children and youth were reduced by at least 50 per cent in 2004. At the same time, co-insurance for adults has increased.

Meeting with Mr. Pascal Couchepin

Federal Councillor, Head of the Federal Department of Home Affairs

The Alberta delegation met with Mr. Pascal Couchepin on June 13, 2006. As a Federal Councillor and Head of the Federal Department for Home Affairs, Mr. Couchepin oversees the Federal Office of Public Health.

Mr. Couchepin has represented Canton Valais on the Swiss Federal Council, as a member of the Free Democratic Party, since March 1998. He was President of the Council in 2003, Vice-President in 2002, and Head of the Federal Department of Economic Affairs from 1998 until 2002. He has been Head of the Federal Department for Home Affairs since 2003.

Mr. Couchepin's discussion with the delegation focused on pharmacare. He reinforced the significance of pharmaceutical industry for Switzerland. He also shared that Switzerland's unique approach to brand/generic policy. This policy has prompted letters from other countries about the impacts. This reinforces the global nature of the pharmaceutical business.

Many of the world's major pharmaceutical companies are based in Switzerland. For example, Hoffman-La Roche and Novartis. There has traditionally been a high rate of consumption of brand name pharmaceuticals in Switzerland, and very low usage of generic (and less expensive) equivalents. In fact, pricing structures allow pharmacists to earn more by dispensing expensive pharmaceuticals than lower cost product. Revision of the relevant law is underway to encourage pharmacists to dispense a cheaper equivalent medicine instead of the brand product. In order to ensure that this does not adversely affect pharmacist income, (the pharmacy margin, which allows pharmacists to be reimbursed according to the cost of the prescription filled), will be replaced by a payment for services rendered (such as filling a prescription, providing information, advice and patient care).

The topics of pandemic, antiviral drugs and vaccines came up. Timeliness of delivery of pandemic vaccine is a concern; four to six months is required from the time the manufacturer receives the seed stock to begin production until vaccine is 'in the arms' of the public. The actual production stage is three months; the rest of the time is required for testing to ensure the product is safe, effective and meets regulatory requirements.

Finally, Mr. Couchepin expressed concern about the rate at which basic coverage of health services is growing. He believes that basic coverage should offer a minimal level of services, and that the rest should be left to the market.

Meetings at Canton Vaud

The afternoon of June 13 was spent in Lausanne, Canton Vaud. The Alberta delegation met with a cross section of health sector representatives, including the canton's Deputy Chief of Public Health Services, the chief of Hospitals, the chief of Medico-Social Services and Health Networks, the Cantonal Medical Officer, and representatives from the University Hospital Centre. The delegation also toured the University Hospital Centre.

The afternoon left the Alberta delegation felling encouraged by Alberta's progress in the health system. Alberta's health services are much more integrated across programs, facilities and geographic regions. We have made notably more progress with team care and electronic communications technology.

MEETING WITH CANTON VAUD HEALTH SECTOR REPRESENTATIVES

This meeting was hosted by Mr. Pierre-Yves Maillard, Head of Department of Health and Social Affairs of Canton Vaud. The meeting focused on hospitals in Canton Vaud, as well as the long-term care services provided in the canton, which has a population of 643,000. The canton currently spends about $3.6 billion Canadian on health care annually.al health and public versus private clinics and hospitals.

Mr. Maillard's perspective on health care differed significantly from that of Mr. Pascal Couchepin, who had met with the delegation in the morning. Mr. Maillard indicated his belief that basic coverage of health services should grow. He would prefer to see minimal offerings from private insurers, and advocated a move to a single, country-wide insurer – similar to Canada's system of publicly-funded health insurance.

There are two broad categories of hospitals in Switzerland: "recognized of public interest" (RPI) hospitals, which are public or private non-profit facilities; and non-RPI hospitals, which are private for-profit or non-profit facilities. Government is obliged by law to consider the non-RPI hospitals when it plans public hospitals, but private hospitals cannot legally be subsidized. There are presently 9 RPI hospitals and 10 non-RPI hospitals in the canton, to a total of 2975 acute care beds and 605 rehabilitation beds. The vast majority of these beds are in the RPI hospitals (2160 and 450, respectively). This number of beds is not sustainable. One proposed solution to this problem would be to limit private hospitals to upgraded private insurance services only.

Financing of RPI hospitals in Canton Vaud is a 1980s model, inspired by Québec's system. A prospective and global budgeting system is used, with hospital revenues guaranteed by state and health insurance funds, through monthly financial allotments. Revenues are retrospectively adjusted at the margins, based on variation in activity. Hospitals manage their budgets freely and are responsible for both profits and losses.

Canton Vaud's population is aging. About 15 per cent of the canton's population is over the age of 65 (98,400 out of a total of 643,000). The population of seniors is projected to increase much more rapidly than the total population over the next ten years: by 27 per cent, as compared to 11 per cent for the total population. Life expectancy in Switzerland in 2002 was approximately 82 years for females, and 78 years for males.

Continuing care services in Vaud currently include home care services (1500 FTEs), day centres (400 places), short stay wards (70,000 days), sheltered housing (under development) and nursing homes (long-term 5450 beds).

UNIVERSITY HOSPITAL CENTRE OF CANTON VAUD

The Alberta delegation visited the University Hospital Centre of Canton Vaud (CHUV). They were hosted by Mr. Patrick Genoud, Associate Director of Care for the hospital. The delegation had the opportunity to visit the cardiology and heart surgery department, adult surgery intensive care and the interdisciplinary emergency centre.

The Swiss health system operates on a more traditional, physician-centred model, which was evident during the hospital visit. This leaves Swiss nurses, who are not self-regulated, with little influence and status, compared to Alberta's nursing workforce.

Delegates were particularly interested to note that the emergency room they visited was extremely calm. Rather than separating treatment areas only by curtains, patients were placed in nice rooms. However, it still takes six (6) hours to be admitted to a hospital bed from emergency.

Interestingly, many Swiss hospitals have additional facilities underground, for protection from atomic bombs.

Additional information about CHUV is available online at www.chuv.ch/dsi (in French only).

Meeting with santésuisse

The Alberta delegation spent the morning of July 14 meeting with representatives from santésuisse. Delegates noted santésuisse's proud history and the efficiency with which the organization operates as the umbrella association for the Swiss social health insurance sector.

The meeting with santésuisse also reinforced the reality of the challenge Alberta faces in defining "basic health services". Defining what is basic is difficult in Alberta and elsewhere because "basic health services" are a grey zone reflecting societal values which change over time.

ABOUT SANTÉSUISSE

As the umbrella association for the Swiss social health insurance sector, santésuisse is responsible for protecting the interests of its members (all health insurers in Switzerland) and representing them to federal and cantonal authorities. santésuisse formulates and represents the position of members regarding welfare, health policy, and social issues.

The origins of santésuisse are in the Concordat of Swiss Health Insurers, whose foundation stone was laid in 1891. The first regulations for health insurance companies covering the whole of Switzerland were established in 1914. An umbrella association of all health insurance companies across Switzerland was created in 1985. Since 2002, it has been operating under the name santésuisse.

santésuisse represents around 7.2 million insured persons. It supports a targeted cooperation with the organisations and institutions involved in the healthcare sector to develop joint solutions in the health care sector. As a trade association, santésuisse promotes understanding for health insurers in politics and in the public sector.

One of santésuisse's central functions is to supply members and the public with information. The association has the dual objectives of establishing a positive image for Swiss health insurers in society and fulfilling its information mandate. Target groups include association members, the interested public, media, politicians, internal personnel, students and teachers.

santésuisse describes its vision as a free, socially just and affordable health care system. santésuisse believes the health system should be characterised by freedom of choice for the insured, who are competent and financially responsible. Access to high-quality medical care must be possible for the population as a whole. Finally, santésuisse is committed to a competition-oriented health care system and it is against cost explosion and increases in premiums.

Prior to the study tour, the Alberta Minister was asked to provide santésuisse with discussion topics. Minister Evans provided three topics of interest (Pharmaceutical Health Policy, Health System Governance, Accountability and Financing; and Public/Private Clinics and Hospitals). The ensuing discussions are summarized below.

1. PHARMACEUTICAL HEALTH POLICY

- *What is being done in Switzerland to encourage appropriate use of drugs?*

Tools such as market regulation, improved information sharing, and high co-payments, have been introduced to encourage the appropriate use of drugs.

- *How is the use of generic products being promoted?*

Generic products are also being promoted by a variety of tools: information and promotion; regulations (for example, lower co-payment rates for generic drugs); contracts; information mail out by insurance companies.

- *Are there collaboration strategies being considered by the European Union (EU) as a means of controlling the rapid escalation of drug costs in Europe?*

While there is much discussion about how collaboration might occur in the EU, little action has been taken to date. For the most part it's business as usual, and high rates of growth are being experienced in all countries. National autonomy is a key issue, as well as the variety of different national strategies, which include global budgeting, promotion of the generic market, late market entrance, and official price discounting.

- *What strategies do you have in place, or are you evaluating, as a means of dealing with new and expensive drugs used in treating rare diseases?*

Regulation is limited. Outpatient treatment is impacted by the "Spezialitätenliste", a binding drug list; recommendations by the "Vertrauensarzt" (physicians who work with the insurance companies); negotiations between insurance and drug companies; and decisions by insurance companies.

For inpatient treatment, "anything goes" with the consent of swissmedic and an official physician. swissmedic is the central Swiss supervisory authority for therapeutic products. Though independent in its organization, management and budgeting, swissmedic is linked to the Federal Department of Home Affairs.

2. HEALTH SYSTEM GOVERNANCE, ACCOUNTABILITY AND FINANCING

Governance

- *Overall, how is Switzerland's health system governed? That is, are there universal laws in place which hold that health system operators, providers and insurance companies accountable to the elected government? What is the role of the different levels of government in running the health system?*

Switzerland's health system is primarily governed by two laws. Enacting laws over health insurance is the jurisdiction of the Confederation under Article 117 of the Constitution. The federal *Health Insurance Act* (HIA), which has been in force since 1996, requires all Swiss residents to have basic health insurance.

The federal government also authorizes and monitors health insurers through the Federal Office of Public Health (FOPH), which is part of the Federal Department of Home Affairs.

The 26 cantonal governments are responsible for hospital policy, or the planning of hospital care; hospital financing (including contributing at least 50 per cent of operating costs to public facilities); implementation of targeted subsidies for individuals; and for enforcing the HIA stipulation that all Swiss residents hold basic health insurance.

Health System Accountability

- *What reporting and disclosure mechanisms are in place for ensuring accountability to the elected government and the public on the part of health service organizations and insurance companies?*

Health insurance companies are accountable to the FOPH, which ensures insurers comply with the law and its provisions. The FOPH may issue general instructions and ask health insurers for information and documents. It supervises the financial position of insurers, who must provide the FOPH with reports, budgets, annual accounts and premium rates for the coming year. Premium rates are only effective once they are validated by the FOPH.

- *What sanctions and penalties exist under Swiss law for ensuring that health organizations and insurance companies comply with ethical and legal requirements?*

The FOPH can withdraw authorization to provide health insurance from health insurers who do not comply with legal requirements.

Health System Financing

In 2002, Switzerland spent 47,959 billion SwF on health care, ($43.7 billion Cdn.). Hospitals accounted for 35.6 per cent and professional remuneration accounted for 30 per cent of health care spending.

Health care in Switzerland is financed by:

- Premiums. Premiums are independent of income and federally regulated and vary from insurer to insurer, from canton to canton, and regionally within cantons.
- Contribution to costs, or co-payments. Insurance holders pay an annual franchise of 300 to 2500 SwF ($274 – $2285 Canadian), and an excess charge of 10 per cent, up to a maximum of 700 SwF ($640 Canadian) per year.
- Federal, cantonal and local taxes. Revenue from taxes cover subsidies to hospitals, nursing homes and home care providers, as well as subsidies for compulsory health insurance premiums.

- *How are decisions made as to which health services and benefits are considered to be "basic" and those which are considered to be "supplemental"?*

The *Health Insurance Act* defines the scope of benefits. Basic health services include those delivered in the event of illness, maternity, and accidents (unless costs are covered by

accident insurance), as well as certain preventive measures. Dental benefits are not covered by basic health insurance, unless treatment is linked to a serious illness.

Health services are only covered as basic benefits if they are proven to be effective, appropriate and efficient. Switzerland does not have a list specifying the treatments or benefits that are subject to compulsory insurance (except maternity, preventive and dental treatment). If coverage is contested, an expert commission makes recommendations. The Federal Department of Home Affairs makes the final decisions, and releases them publicly.

- *How are health insurance premium levels regulated (decided upon)?*

Premiums are community rated, so they are independent of income and individual risk. Premiums reflect the different cost structures between regions and cantons. There are three age categories: 18 years and under, 19 to 25 years, 26 years and over. Premiums are dependent on health care costs and are fixed by the insurer. They are validated by the FOPH.

- *How is relative risk pooled or equalized among insurance companies so that sicker individuals are protected against discrimination or exclusion?*

Risk compensation, based on age and sex of the insured, has been introduced to avoid risk-picking. Insurers with a good risk structure pay into the risk compensation fund, which pays out to insurers with a bad risk structure. The fund is managed under the HIA.

3. PUBLIC AND PRIVATE CLINICS AND HOSPITALS; THE ROLE OF THE PRIVATE SECTOR

Minister Evans provided the following definition of "private delivery" to santésuisse: in Alberta, "private delivery" refers to the delivery of health services through privately owned and operated for-profit health service providers and not-for-profit health service providers (e.g., religious groups).

The role of the private sector versus the public sector

There are no substantial differences between public and private hospitals in terms of their roles in the Swiss health system or the medical services they offer. However, there are notable differences in how public and private hospitals are financed. Public hospitals benefit from public subsidies that cover at least 50 per cent of their operational costs and investments. Private hospitals and clinics, on the other hand, are primarily financed by sources other than public subsidies. The majority of costs incurred by private hospitals are covered by compulsory medical and nursing care insurance (for hospitalizations in the general wards). Private, supplementary insurance covers hospitalization in semi-private and private wards, including the additional hospital costs and private doctors' fees for semi-private and private hospitalizations in both public and private hospitals.

Cantonal governments are responsible for hospital planning, which includes determining how many hospitals and beds are needed in a canton for a sufficient supply of medical

treatment and nursing care. The proportion of private hospitals in a canton is regulated by the *Health Insurance Act*. (HIA, Article 39, paragraph 1d.)

In most of the rural regions and smaller cantons, only public hospitals are available. Larger cities, including Zurich, Berne, Lausanne and Geneva, have both public and private hospitals, as well as university hospitals. There are a total of five university hospitals in Switzerland, located in Zurich, Basle, Berne, Lausanne and Geneva.

The presence of private hospitals, which the cantons legally do not have to subsidize, has interesting and notable implications for cantonal budgets. There has been a tendency among cantons, as it is seen as being in their best interest, to close the public hospitals they are required to co-finance, when budgeting demands that they reduce over-capacities.

For example, in the canton of Berne, Switzerland's second largest canton, prior to 2000, 29 public hospitals (including the university hospital) and 11 private clinics were in operation. Due to considerable over-capacity in the hospital sector, eight public hospitals, all in rural areas, were closed within three years. The number of private clinics remained unchanged. Of the 11 private clinics, eight are located in the city of Berne and its surrounding areas. Including the public university hospital, three other public hospitals are also located in the city of Berne. There have been no indications that the canton's Ministry of Public Health and Social Welfare intends to close public hospitals in the city of Berne or to take any private hospitals off of the cantonal hospital list (which would force them to close down). The differential financing of hospitals creates an unfortunate imbalance between the public and private sectors, and it leaves a bitter taste in the mouths of both insurers and the insured population. Insurers must pay more than twice as much for hospitalizations in the general ward of a private clinic compared with a similar stay in a public hospital. So, especially in cantons or regions with many private hospitals, the population gets charged with higher premiums for their medical and health care insurance.

santésuisse has repeatedly argued that cantons should be obliged to contribute to every hospitalization in a facility that is included on their cantonal hospital list, public or private. However, this position has not been heard by the national politicians, due to the intense opposition of the cantons, especially those with many private hospitals.

- *How are quality and safety of health services regulated and enforced, particularly when private delivery is prevalent?*

Guaranteeing quality and safety, and engaging in certified quality management is mainly the responsibility of hospitals and clinics. Conditions regarding quality and safety under the HIA are valid for all hospitals, public or private, that bill treatments and services to insurance.

Under Article 58 of the HIA, the Swiss Federal Council can establish systematic, scientific regulations regarding quality standards and the appropriate supply of services covered by compulsory insurance. The Council can transmit these regulations to the professional organizations or other institutions, and must identify the measures by which quality or the appropriate supply of services is to be ensured or re-established.

Most contracts signed between santésuisse (on behalf of insurers) and public and private hospitals contain regulations about hospital obligations to secure and guarantee quality care. Many hospitals (particularly in German-speaking Switzerland) are managing quality through system maintained by the organization Outcome. Outcome's quality-check system reviews treatment of various diagnoses and medical indications. It does not differentiate between public and private services; facilities in both sectors are held to the same standard.

- *Do Swiss residents have the ability to "queue-jump", or pay for faster service, using their own money?*

Article 44, paragraph 1 of the HIA forbids to doctors, hospitals and other health care professionals from charging more than the official fees and prices for medical treatments and services which fall under this law ("tariff protection"). The regulation applies to ambulatory treatments and general ward hospitalizations in all public and private hospitals that are on a cantonal hospital list (HIA, article 39, paragraph 1d).

However, queue-jumping probably does happen, mainly in private clinics. Queue-jumping would occur without the knowledge of other patients or the insurers, and only in rare cases, especially since patients would have to invest their own money. It is likely that patients with supplementary insurance for hospitalization in a semi-private or private ward receive some preferential treatment, and may be able to "queue-jump" if they are on a waiting list, as long as there is no emergency among general ward patients who are on this list.

- *How do private sector provider organizations set fees for their services? How are fees and profit margins regulated?*

Under article 43, paragraph 3 of the HIA, hospitalization fees in general wards are negotiated with the health insurers through santésuisse's regional branches, which act on behalf of all insurers who are members of the association. This applies to all public and private hospitals on a cantonal hospital list, based on the hospital planning of every canton.

For ambulatory treatment and general ward hospitalization, profit margins are not permitted in tariff and fee calculations. Only costs determined by article 49, paragraph 1 of the HIA (see next question for description) can be included fees charged by hospitals to insurers.

For the calculation of the imputable costs and finally of the fees and tariffs, santésuisse has created its own hospital tax calculation system which is typically the main basis in negotiations. Aside from calculation of the imputable costs, santésuisse also requires benchmarking for hospitals practicing equal or similar treatments. Based on the benchmark, hospitals whose costs are too high per case may be penalized with a reduction of their fees.

Private hospitals can include a profit margin in the fees charged to patients hospitalized in semi-private and private wards. These fees do not fall under the HIA and must be negotiated with each insurer. The difference between the costs of hospitalization in a semi-private or private ward versus hospitalization in a general ward is the responsibility of the patient or his/her supplementary insurance (if s/he has supplementary insurance).

- *How do public and private (for profit) provider organizations compare in terms of what they charge or are paid for their services?*

Under article 49, paragraph 1 HIA regulations, for hospitalizations in the general wards, fees on charge of the compulsory basic medical and nursing care insurance include:

For public hospitals	*For private hospitals*
Maximum 50% of imputable operational costs, excluding costs due to over-capacities, for instruction and research and for investments. Presently, coverage of the determined imputable costs varies from 44% to 49%, with a national average of about 47%.	Maximum 100% of imputable operational costs, excluding costs due to over-capacities and for instruction and research, but including the costs for investments. Presently, coverage of the imputable costs can only be estimated. It could be around 92% to 96%.

In the past, most hospital fees were fixed by price per day. Today, more and more hospital contracts establish fixed fees per case. The fee per case can either be fixed according to department (e.g., internal medicine, surgery, gynaecology, etc.) or by diagnosis-related group (DRG). Presently, hospitals, insurers (including santésuisse on behalf of all the insurers) and cantonal health department representatives, as well as the Conference of the Ministers of Public Health are working toward introduction of "Swiss DRGs".
Hospitalization costs paid by compulsory, basic insurance from santésuisse member insurers, for their customers in the canton of Berne (2004):

Public hospitals*		Private hospitals*	
Total amount Per day	Sfr. 356,9 millions Sfr. 277.80**	Total amount Per day	Sfr. 283,9 millions Sfr. 822.60***

* Not including psychiatric clinics and specialised clinics for rehabilitation
** Coverage degree of 46% of the imputable operational costs, excl. investments
*** Coverage degree of 92% of the imputable operational costs, plus investments

4. OTHER TOPICS OF INTEREST

- *The Minister is very interested to learn as much as possible on preventive health and wellness measures as well. What initiatives are being taken to promote wellness and positive behaviour? Are there financial incentives? What impact have they had?*

Under the *Health Insurance Act*, insurers and cantons work together on health promotion. The Stiftung Gesundheitsförderung Schweiz (SGS) is a joint body created to endorse, coordinate and evaluate steps aimed at promoting good health and preventing illness. The SGS is financed by a small charge on insurance premiums, and is monitored by the FOPH.

- *We have read about a proposal for a Uniform National Health Insurance Scheme that will be put to a popular initiative vote sometime in 2006. We are interested in the proposal's status, as well as:*
  - *How would such a scheme work?*
  - *What would be the impact on the existing health insurance industry?*
  - *What would be the impact on patients?*

If passed, the Uniform National Health Insurance proposal will see the federal government create a single health insurer within the next three years. The new insurer would take over the assets and liabilities of existing insurers, and its governing and supervisory boards would be composed of public authority representatives, health care providers, and the insured. Insurance premiums would be based the economic situation of insured persons.

santésuisse anticipates that liberty of choice among insurers will be lost; one national premium may lead to a race to the top effect among cantons; contradictory composition of governing boards will weaken the insurance industry's negotiating power; and monopoly will kill innovation and be detrimental to quality of care. Because premiums would be income-based, the middle class would bear the heaviest burden.

santésuisse admits this initiative addresses some symptoms, but argues it is the wrong tool for addressing the underlying problems that are causing the cost explosion in health care.

economiesuisse

On June 14, 2006, the delegates met with Mr. Thomas Pletscher, Executive Board Member, Head of Legal and Competition Department and Dr. Stefan Brupbacher, Issue Manager, Health and Regional Policy for economiesuisse.

economiesuisse has over 30,000 members, including trade and industry associations, cantonal chambers of commerce and private enterprises. It represents over 1.7 million jobs. economiesuisse's goals are to preserve entrepreneurial freedom, to improve Swiss global competitiveness as a manufacturing, service and research location, to promote sustainable growth, to safeguard Swiss prosperity, and to ensure high employment levels.

Dr. Brupbacher gave a presentation entitled, *Switzerland's Health Care System: The View of Business*. He provided a general assessment of the health system and discussed how to improve the efficiency of service providers (such as hospitals) and reduce moral hazard. Moral hazard occurs when someone who is insured against risks purposely engages in risky behaviour, knowing that any costs incurred will be compensated by the insurer.

economiesuisse is concerned about the sustainability of Switzerland's health system. Residents have equitable access to health services because insurance coverage for effective care is compulsory, and premiums are subsidized for lower-income residents. But, the health system is very costly. Costs are driven up by the occurrence of moral hazard,

inefficiencies among providers, and while there are no waiting lists, significant choice in treatment comes with a price tag. Like what is being advocated in Alberta, economiesuisse believes Swiss patients must take more responsibility for their own health and health care.

The failures of the current system, specifically related to hospital planning, are because competition is not promoted, and planning is not based on the efficiency of the service providers. Since there acute care is segregated among cantons, there is no domestic market for competition, which leads to regional and labour politics dominating resource allocation and an oversupply of hospitals and acute care providers.

There are problems associated with information asymmetry at two levels: between the patient and hospital; and between service providers and cantons / government / the health insurance industry. There is also a lack of quality and cost data, and transparency.

economiesuisse recommends a roadmap for improving the system that identifies social, financial and economic goals. The social goal is universal coverage of high cost treatments to allow high accessibility. Risk based insurance premiums must be avoided. The two financial goals aim to assure sustainability of the system: (1) reduce avoidable demand by increasing responsible behaviour; and (2) increase efficiency through competition. The economic goal is to reap the benefits of excellent position of Switzerland's health sector.

economiesuisse would like to see a national regulator that, among other things, defines both cost and quality benchmarks, determines thresholds for selective contracting, and assures competition among hospitals.
The benchmarks and selective contracting would enhance competition based on quality and cost. Costs would be based on Diagnosis-Related Groups*, which will be introduced in Switzerland in 2009. Quality indicators, reflecting both process and outcome, would be adopted by the regulator based on recommendations developed by expert advisory groups. economiesuisse would like to see all hospitals reporting on case costs by 2009 and on quality indicators by 2011.

Benchmark reports would be released annually by each hospital unit and mandatory contracts would be awarded to hospitals that cumulatively reach the pre-defined threshold. Other hospital units would have to negotiate contracts with health insurers. For example, the top 75 per cent of facilities could be designated for public funding. Geographic access guidelines would also need to be in place to protect services to rural populations.

While recognizing that competition is not a zero-sum game, economiesuisse argues their recommendations would allow Switzerland to benefit from their comparative advantage for health care, and would be advantageous for several reasons. Transparency would be improved, and patients would be able chose from all hospitals across Switzerland. Cost comparisons and the use of DRGs would reduce oversupply, so cantons would be able to

* **Diagnosis-Related Group (DRG)** A classification system that groups patients based on diagnosis, surgical procedures, presence or absence of complications, and other necessary indicators and then reimburses health care providers fixed amounts for all care given.

cut taxes and reduce spending, while continuing to own and run hospitals. Hospitals would be able to focus on care instead of political goals. Cost comparisons would also have a positive economic impact, by encouraging process innovation. Similarly, quality comparison promotes technical innovation and strong hospitals.

With respect to moral hazard, changing lifestyles are impacting health system sustainability. Poor lifestyle choices are a significant issue. For example, obesity leads to multi-morbidities, and over time, higher health costs. There is a need for prevention, and particularly for increased individual responsibility. Healthy behaviour can be encouraged through education, changes to socio-economic situations, or financial incentives. Because economiesuisse has some evidence that people respond to financial incentives, it proposes market-based solutions to this issue. Examples include bonus systems for health care plans; case management of health insurance; Health Savings Plans; and higher deductibles and co-payments. However, there are questions about the ethics of financial incentives for healthy behaviour. Additionally, current Swiss laws limit innovation in this area.

Overall, Switzerland has a sound health care system with mandatory care, tax subsidies for lower-income residents, and co-payments for areas with choice. However, efficiencies must be increased to avoid rationing, assure financial sustainability, and promote the health sector. Efficiency can be achieved through quality and cost competition among hospitals and long-term care facilities, and reduced moral hazard. As insurance premiums for more and more residents are subsidized, market-oriented reforms are growing increasingly difficult.