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# Reasons for Change - Situation in Switzerland

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# Current situation indicates a reason for change in redistribution

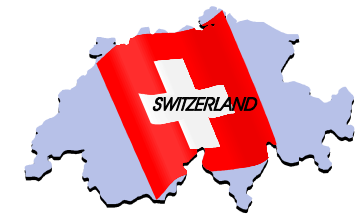


- Funding: Health insurance is privately funded through individual payments from residents to payors
- Redistribution/risk adjustment: No risk selection by payors is allowed for basic health insurance therefore risk compensation is a must. Current system is based on age group „equalization“ – **true risk/cost is not taken account of!**
- Financing: Competition between the about 100 payors is fierce and mainly driven by complementary private insurance. Government checks/influences premium for basic (compulsory) health insurance only

Risk redistribution does not take into account high cost cases of severe illnesses such as AIDS, diabetes etc.

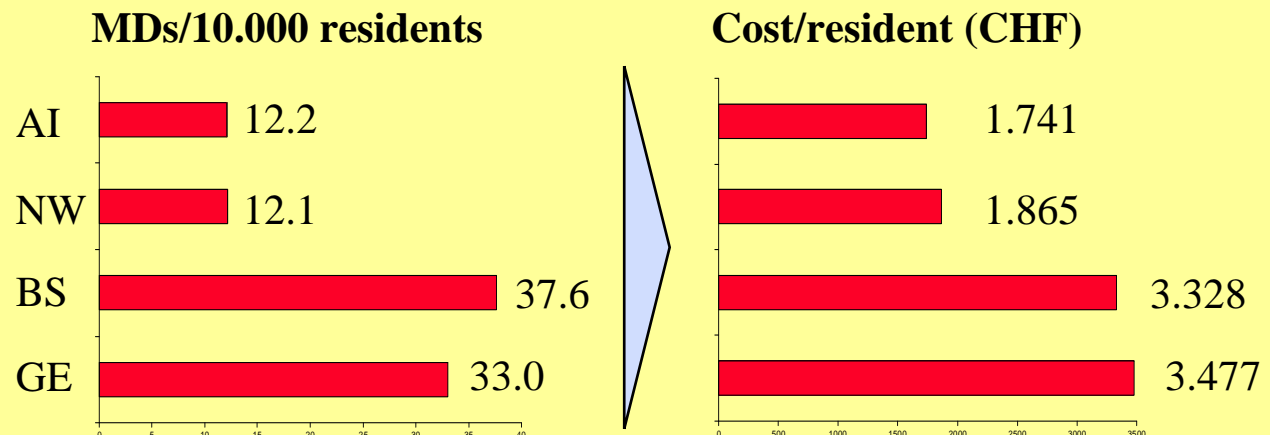
→ Residents with severe illnesses usually join large, service-orientated insurers while those in good health join low-cost low-service insurers which leads to **increasing price difference**

# Current situation indicates a reason for change in contracting



- Contracting: Contracting for hospitals and doctors is mainly government driven and payors cannot restrict usage of approved providers. Some exceptions which have evolved are HMO (basic coverage) and so-called „hospital-lists“ (PPO - only available for complementary coverage)
- Providing:
  - MD practices function as private (for profit) providers getting no funding from the government
  - Two groups of hospitals exist: basic health service coverage includes partially state-funded institutions, additional coverage is provided by private hospitals working on a for profit basis (privately funded)

Compulsory contracting of MDs has substantial consequences as **cost per resident is primarily driven by number of doctors in the area**



# Current situation indicates need for change to stabilize cost



- Consumer status:
  - Health insurance can be freely chosen, as long as it provides services in the region of residency
  - Basic insurance coverage (in-/out-patient treatment, medication etc.) is compulsory for all residents - out-patient treatment/medication etc. are subject to a 10% and CHF 500 deductible (higher deductible can be chosen), in-patient treatment is basically fully covered (public ward at public hospital)
  - HMO-coverage and other alternative insurance coverages (PPO) are available from select payors (i.e. SWICA) and typically limited to areas in/around larger cities for HMO or rural areas for PPO
  - Complementary insurance coverage is available in a wide choice for „alternative medicine“, dental treatment, (semi-) private hospital treatment etc. All of these services typically have a 10% (out-patient) or a choice of fixed (CHF 1000 to CHF 5000) deductible (in-patient)
- Profession status: Medical professions exist as employment (i.e. in public hospitals), self-employed (i.e. in private hospitals) and owners (i.e. general practitioners). MDs move between the different stages often starting off with employment in public hospitals

**Medical cost and thus premiums are growing at an annual rate of 4-6% (period of 1997-2004) – so far no measure successful in limiting cost growth**