

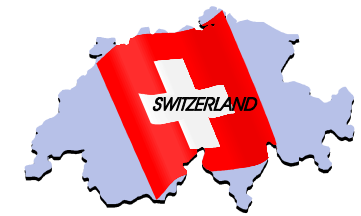


Current reforms/reform proposals - Situation in Switzerland

**Presentation at the International Health Summit (Part II)
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Reform proposals for payor side with limited cost impact



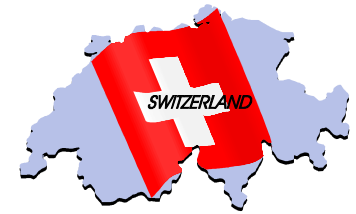
Reforms/proposals

- Funding: To limit the negative social effects of ever increasing insurance premiums an **income-based system** is being proposed (similar to German model)
- Redistribution/risk adjustment: Large health insurers are pushing for a more adequate risk equalization by creating a **pool for high cost cases** (in addition to the age group based model)
- Financing: As an alternative to the fragmented competing payors a **“one payor” system** is being proposed to decrease administrative cost (i.e. to avoid cost for switching payors, marketing etc.)

Perspective on reforms/proposals

- Funding: Viable solution from a government/social perspective which leads primarily to higher tax-burden for middle-/upper-class. Clearly **not a solution for growing cost**
- Redistribution/risk adjustment: Could **limit some unjustified price differences** between payors. Will not limit increasing cost and thus overall premium
- Financing: Administrative cost is at 5-6% of premium thus even a 20-30% reduction here would have virtually **no effect on overall cost** and zero effect on cost development (even assuming that government could be more efficient than competing private entities)

Reform proposal for contracting is interesting but faces opposition



Reforms/proposals

- Contracting: As health cost seems linked to “MD-density” health insurers are looking for options to abolish the contractual obligation (for both practitioners and public hospitals)
- Providing: The parliament has taken several attempts at moving the remaining (~50%) public funding for public hospitals from taxes to health insurers

Perspective on reforms/proposals

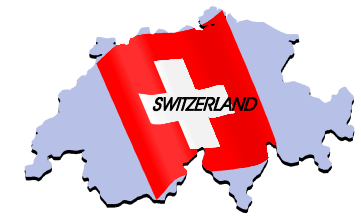
- Contracting: Apparently the **most effective solution to limit cost development**. Has created enormous political and social counter movements due to fear of decreasing health services (i.e. closure of some hospitals/practices, long lines etc.)
- Providing: This is a **classical cost transfer** leading to an increase in overall social cost for residents with no cost control effect attached

Reforms in consumer and profession status are limited



- Consumer status:
 - **Basic insurance coverage** seems to have **limited options for additional reform**. Largest effect was achieved through a 10% and CHF 500+ deductible, which clearly led to basic cost consciousness with the general public but obviously did not reduce the cost of long-term treatments (which is one the major cost driver). Current studies indicate that the deductible would have to be set at CHF 3.000 in order to be effective in terms of overall cost reduction and switching between different deductibles would have to be (heavily) restricted (i.e. 3-5 years)
 - **HMO model seems partially successful** (SWICA analysis shows lower cost/capita in HMO segment but proving whether the main source is “indirect” risk selection or real cost management due to capitation model is not easy). Almost 50% of the SWICA insurance base is using alternative insurance coverage (HMO/PPO) with HMO giving the biggest advantage in terms of **cost (29% lower than clients in basic insurance)**
 - **PPO model** shows similar effects as the HMO model but with a **cost difference of 17%**
- Profession status: Regulation has been introduced on an education level (“numerus clausus” for medical students) but the effects are yet to be seen (philosophy: if you cannot control demand, limit supply)

Targeted reforms in medication and care launched or to be launched



Situation

- Medication: More than 25% of total (basic) health care cost is spent on medication. Price differences for the 100 most important products show a 15-34% higher price in Switzerland compared to other WE countries (comparison to US shows even more significant price differences).
- Care: Cost of home care and care homes for the elderly is the fastest growing health insurance cost item in Switzerland (~20% over the last 4 years)
- Density/coverage of health services: The density of technological installations (i.e. magnetic resonance devices) and hospitals is very high in certain regions and even overall (i.e. US has 1-2 devices for extracorporeal shockwave therapy per state while Switzerland has one in every canton)

Proposed reforms

- Medication: Unjustified price differences should be abolished either through regulation or by liberalizing the medication market (thus allowing for direct [re-]imports)
- Care: Health care and care for the elderly need to be clearly divided as the first area is supposed to cover a risk while the second covers a continuous service for decades
- Density: A rigorous approach to new technical and hospital installations with the definition of competence centers (i.e. certain heart operations in ONE hospital only) should be introduced to avoid oversupply and the resulting creation of new needs (i.e. magnetic resonance analysis for any “head ache”)