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How does «Medicare for all» work in Switzerland?

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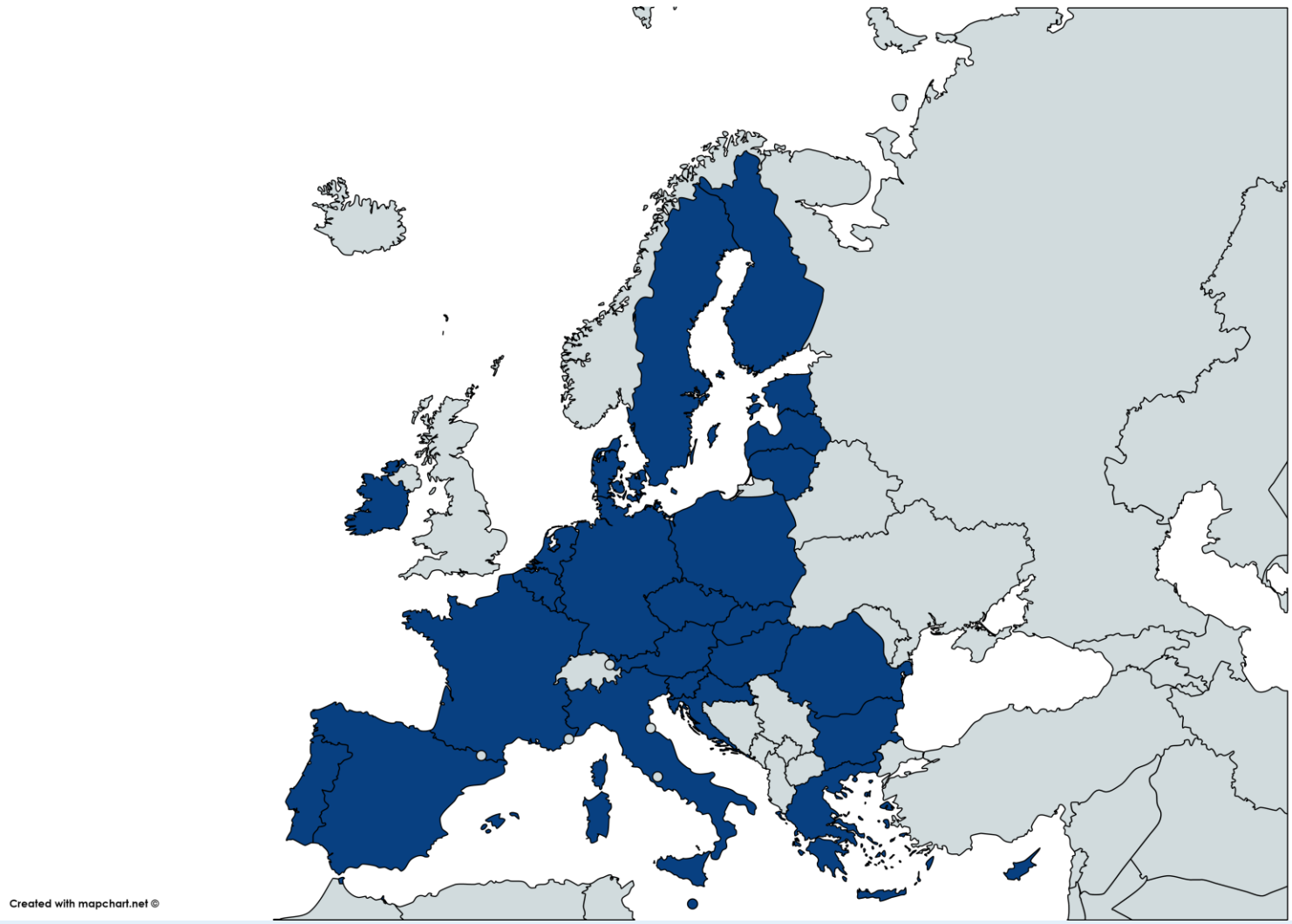
At a glance

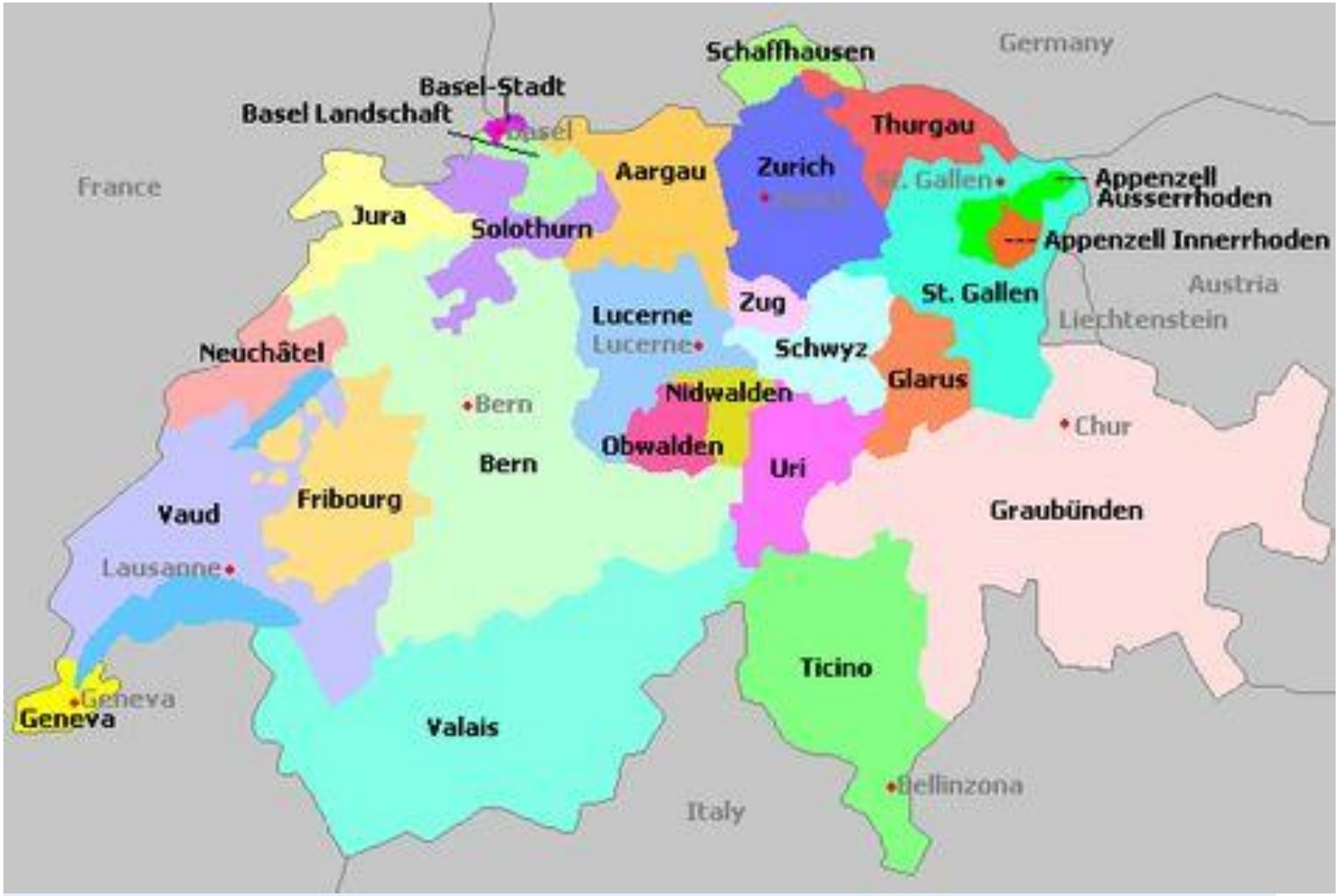
Main characteristics of the Swiss healthcare system

- **Coexistence of social and private insurance**
  - Mandatory social health insurance → universal access to healthcare
  - On top: supplementary private health insurance
- **Social elements**
  - Equal insurance premiums per capita (not risk-related)
  - Premium reductions for persons in modest economic conditions
- **Competitive elements**
  - No single-payer model: only private insurance companies
  - Level playing field between public and private healthcare providers
- **Cost-control**
  - Hospital planning and quotas for physicians from other countries
  - Price regulation by State authorities
  - Efficiency controls on health service providers

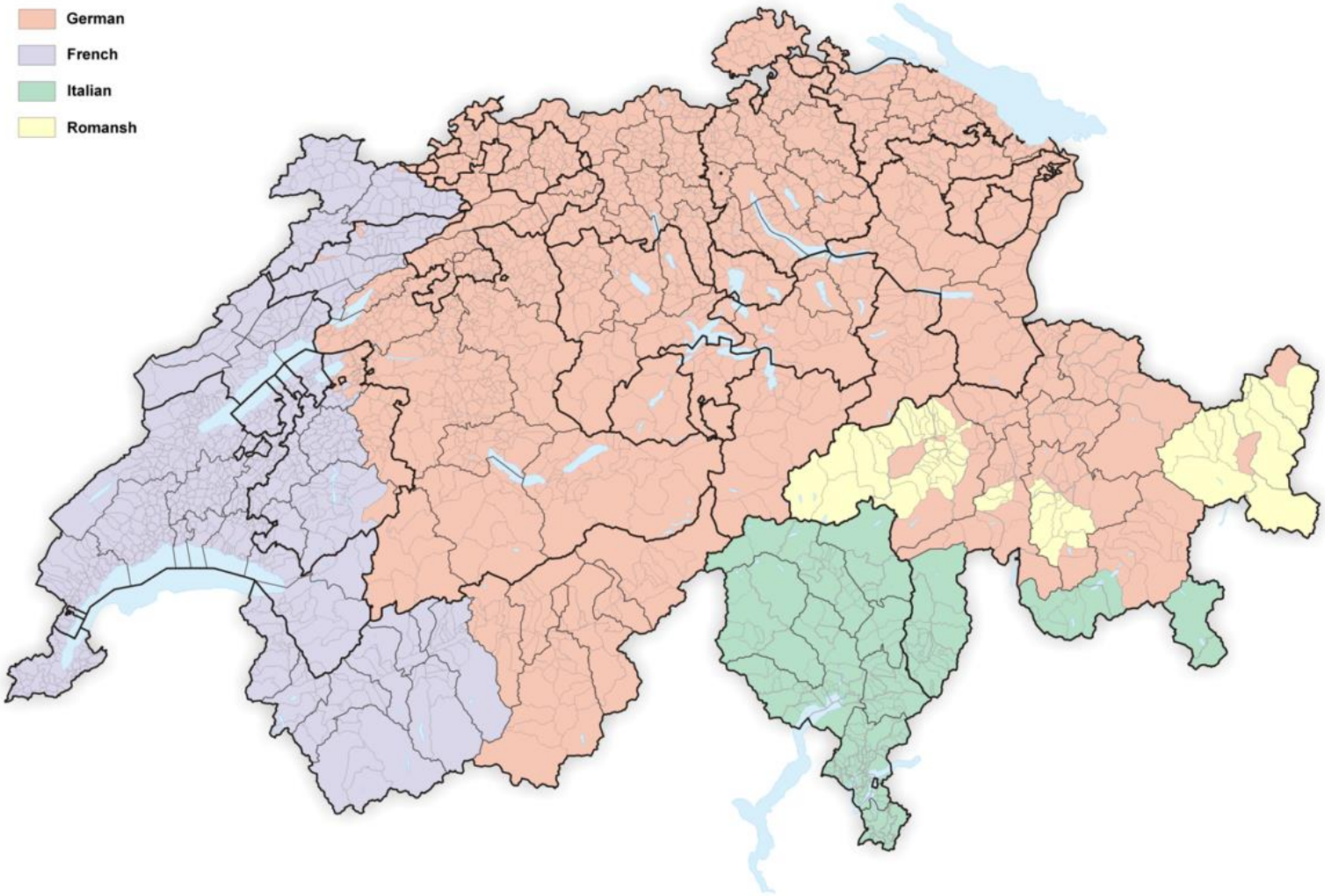
Political map of the European Union (EU)



Political map of Switzerland



Languages of Switzerland



Demographic, economic, and health data

	Switzerland	USA
Population	8,570,000	328,200,000
Over age 65	18 %	15.6 %
GDP per capita	80,000 USD	60,000 USD
Health: share of GDP	12.3 %	17.1 %
Health: expenditure per capita	9,600 USD	13,300 USD
Life expectancy	83.6 years	78.6 years
Potential years of life lost	2,990	6,547

Source: OECD Statistics – all data from 2017

Constitutional foundations

Division of powers in the Federal State

Amendment X to the United States Constitution

The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people.

Art. 3 Swiss Cst.

The Cantons are sovereign except to the extent that their sovereignty is limited by the Federal Constitution. They exercise all rights that are not vested in the Confederation.

Constitutional foundations

Federal powers for health insurance

US Jurisdiction

- 2012: U.S. Supreme Court, NFIB v. Sebelius – judicial review of the Patient Protection and Affordable Care Act (ACA)
  - Individual mandate tax: valid exercise of Congressional **power to tax**
  - Medicaid expansion by the states: unconstitutional
- 2017: Repeal of the individual mandate tax by the Tax Cuts and Jobs Act
- 2018: U.S. District Court of Texas declares entire ACA unconstitutional

Art. 117 Swiss Cst.

[1] The Confederation shall legislate on health and accident insurance.

[2] It may declare health and the accident insurance to be compulsory, either in general terms or for individual sections of the population.

Social health insurance

Introduction of social health insurance

- Federal Act on Health Insurance of 1994, effective 1996
- Existing **private insurance companies** can apply for permission to exercise social health insurance (today: 51 companies)
- Private insurers exercise a public service → **no single-payer model**

Individual mandate

- Every person with **residence** in Switzerland has to be insured
- **Free choice of insurers** – insurer can be changed every year
- Enforcement: cantons assign persons who fail to comply with their insurance obligation to an insurer

Broad coverage

- All costs of **medical services** that serve to diagnose or treat an illness and its consequences, outpatient and inpatient

  → performed or ordered by physicians
- **Pharmaceuticals**, medical devices, laboratory tests: positive lists

Health insurance companies

Obligations

- To **offer** social health insurance to every person who applies for it
- To **provide** coverage according to the law
- To **control** the necessity and efficiency of healthcare services
- To **build up** sufficient reserves to ensure solvency
- To **limit** administrative costs to what is necessary for an efficient management of social health insurance (~ 4.5% of total premium volume)

  → strict **oversight** by the Federal Office of Public Health

Supplementary private health insurance

- In addition to social health insurance
- Coverage for **additional services** like free choice of physicians in hospitals, private hospital rooms, fast track treatments, high tech medical devices, dental treatments, visual aids, etc.

  → Lucrative market: ~ 80% of the population

Insurance premiums

Calculation of premiums

- Principle: **equal premiums** for each person → **not risk-related**
- Exceptions
  - Differentiation between **cantons** according to their health service costs
  - Lower premiums for **children and young adults** (up to 25)
  - Lower premiums for insurance models with **restricted choice** of healthcare providers
  - Lower premiums for **non-utilization** of health services
  - Lower premiums for insurance models with higher **copays** (standard: 300 CHF + 10% of exceeding costs, max.700 CHF)

Risk compensation scheme

- **Risk factors** of the pool of insured people of each insurer are calculated according to age, sex, hospitalization in the previous year, et al.
- Insurers with added risk factors below the average pay a **levy** – insurers with added risk factors above the average receive **compensation**

Premium reductions

Social and economic background

- **Per capita** premiums – not based on income or wealth
- Detached from taxes and employment

Average monthly income per household (2017)	**9'917 CHF**
Average monthly premium per household (2017)	**646 CHF = 6.5 %**

Source: Federal Office of Statistics

Right to premium reductions

- Persons in «**modest economic conditions**» = low and middle income
- Cantons have a margin of appreciation to determine the reductions
- Cantons have to inform people about their right to premium reductions
  → 2018: 2.2 Mio. People = **26%** of the population

Financing of premium reductions

- Cantons (~ 42%) and Confederation (~ 58%) = 4.5 Billion CHF (2018)
- Payment goes **directly to insurers**

Volume control of health providers

Hospital planning

- **Hospital market**: two thirds public hospitals / one third private hospitals
- Only hospitals on a **cantonal list** may provide treatment at the expense of social health insurance
- Cantons put hospitals on the list according to the **expected demand** of their populations for medical treatments
- For **highly specialized medicine**: inter-cantonal planning
- Criteria for hospital selection: **quality and efficiency**
- Cantons have to treat **public and private hospitals** equally

  → bias of Cantons as planners and owners of public hospitals

Outpatient treatments

- **System of quotas** for physicians by each canton
- Physicians with a three year training in Switzerland are **exempt from quotas** → indirect discrimination of EU citizens?

Price regulation

Hospital care

- **Flat rate tariffs**: diagnosis related groups (DRG) defined by a public company owned by the Cantons, hospitals and health insurers
- Tariffs are **negotiated** between the hospital and insurer associations for each Canton
- Tariffs are based on a **benchmarking** between hospitals
- **Cantonal governments** approve tariff agreements or determine the tariffs in the absence of an agreement

Outpatient care

- Usually **service-related tariffs**
- Tariffs are **negotiated** between the physician and insurer associations for the whole country
- **Federal government** approves tariff agreements or determines the tariffs in the absence of an agreement
- Federal Government is entitled to **correct inappropriate tariffs**

Price regulation

Pharmaceuticals, medical devices and laboratory tests

- Prices are set by the **Federal administration** (Federal Office of Public Health or Federal Department of Home Affairs)

  → maximum prices
- Unilateral decisions – de facto preceded by **negotiations** between authorities and industry
- Prior consultations of interdisciplinary **expert commissions** required

Pricing of pharmaceuticals

- Relative method: comparison with
  - effectiveness and costs of **other drugs** applied for the same disease
  - prices in **other countries**: Austria, Germany, France, UK, Netherlands, Belgium, Sweden, Finland
- In case of therapeutic progress: costs for **research and development** and **innovation bonus** during maximum 15 years

Reform projects and ideas

Cost containment

- **Hospital planning** on regional or federal level – not by each Canton
- **Uniform tariff system** for hospital and outpatient care
- New price models for **pharmaceuticals**
- **Global budgets** for hospitals and other healthcare providers?

Quality of healthcare

- **More transparency** with regard to the quality of healthcare providers
  → better quality control by insurers, cantons and patients
- **Minimum case numbers** for hospitals and physicians
  → more quality and efficiency

Change in perspective due to COVID-19?

- **Upholding hospital capacities** for emergencies
- Keeping **production of essential drugs** at home

Thank you for the attention!

Questions?