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Swiss popular initiative for a single health insurer. . . once again!☆

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ABSTRACT

The article describes a recent Swiss popular initiative, aiming to replace the current system of statutory health insurance run by 61 competing private insurers with a new system run by a single public insurer. Despite the rejection of the initiative by 62% of voters in late September 2014, the campaign and ballot results are interesting because they show the importance of (effective) public communication in shaping the outcome of a popular ballot. The relevance of the Swiss case goes beyond the peculiarities of its federalism and direct democracy and might be useful for other countries debating the pros and cons of national unitary health insurance systems versus models using multiple insurers.

After this electoral ballot, the project to establish a public sickness fund in Switzerland seems definitely stopped, at least for the next decade. Insurers, who opposed the initiative, have effectively fed the "fear of change" of the population and have stressed the good outcomes of the Swiss healthcare system.

However, the political pressure favoured by the popular initiative opened a "windows of opportunity" and led the federal Parliament to pass a stricter regulation of health insurers, improving in this way the current system.

1. Purpose of health policy

On September 28th 2014, Swiss voters rejected the citizens' initiative "For a public health insurance fund", which proposed replacing the 61 insurers that currently run the compulsory health insurance system with one single, public health insurance fund.

Promoters of the initiative criticised several aspects of the current system.

Firstly, per capita health expenditure is high and in 2012 amounted to more than 6000 USD PPP, or over 11% of the GDP. Secondly, in-patient care funding has a significant level of public participation (55% of DRG-based payments to hospitals), but insurers and providers negotiate tariffs on their own, without involving public authorities. Thirdly, integration between healthcare providers is poor: the system seems fragmented, with weak incentives for cooperation or to develop prevention programmes [1].

Further criticisms raised against the current system refer more specifically to the lack of transparency in the insurance sector. A first area of debate is the fact that insurers simultaneously administer both the not-for-profit compulsory health insurance contracts, and the for-profit voluntary supplementary insurance policies, making it difficult for public authorities either to guarantee

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separation between the two areas of activity, or to avoid making cross-subsidies between them. Another major transparency-related problem arose in 2008, as citizens and politicians discovered that health insurers, which have to establish fully funded "community-rated" premiums in each Canton, had in fact set premiums higher than the actuarial levels in some Cantons, while in others the premiums were systematically lower. Since the actuarial reserves of each insurer are managed at the national level, the population of some Cantons ended up in paying over a decade a fraction of health expenditure related to citizens living in other Cantons. Although not explicitly illegal, this practice of cross-subsidisation, which had lasted for years, was strongly censured by the citizens and local politicians of those Cantons that were paying too much, and became a strong argument in favour of the initiative.

Finally, further criticisms highlighted the unhealthy competition between health insurers (driven by cream skimming), a major aspect of which is related to poor risk adjustment, which has been based on a formula (defined in 1993) that has not been improved over the last two decades [2]. Despite the reform of risk adjustment accepted in 2007, but implemented only in 2012 [3], the 61 insurers still compete in terms of selecting good risks instead of improving services, and making extensive use of the selective contracting tools available [4]. The gap between the lowest and the highest premiums offered by different insurers, for the same coverage, in the same region, can therefore exceed 100%.[1] Other efficiency arguments raised by the promoters of the initiative mentioned the estimated savings that would result from the following cost reductions: the abolition of marketing costs (190 million euro); the elimination of the administration costs incurred by people switching annually from one insurer to another (80 million euro); the potential economies of scale related to insurance system management; the major reduction in the paperwork of healthcare professionals; and the estimated 1.65 billion euro/year in savings arising from the improved integration of prevention and of health care delivery.

Countering these arguments, opponents of the initiative specified several strengths of the Swiss health system. Firstly, the Swiss are generally very healthy (life expectancy is 83 years; 81% of people say that they are in good health), and access to healthcare services is easy and timely. Moreover, administrative costs amount to only 5% of total mandatory insurance costs, so the only ways by which to reduce health expenditure are: (1) reduce the prices and/or quality of the insured services; (2) reduce the delivery of unnecessary health care (improved control of moral hazard); and (3) shrink the mandatory benefit basket. Another argument was that many health systems with one single insurer, or with a national health service, are facing heavy debts and serious funding problems, while Swiss insurers do not have any debt. Finally, several pro-market arguments were used, arguing that: public services are less efficient than private ones, and tend to develop a bureaucratic mentality; the current possibility of switching insurer represents a strong incentive to offer good services; and the initiative would lead to a system with less – or no – freedom to choose provider or to have direct access to this provider.

2. Political and economic background

The Swiss health system is greatly appreciated by patients and by the population as a whole. Moreover, direct democracy, and the features of the Swiss political process, make it very difficult to implement major political reforms in the healthcare sector [5]. This is confirmed both by the lengthy legislative processes inside Parliament, and by popular ballots.

Despite these difficulties the healthcare and the health insurance systems remain at the centre of political debate, and are a recurring topic of citizens' initiatives.

The main economic elements of the basic health insurance system are [4,6]:

- Mandatory insurance reimbursements amount to less than 40% of providers' revenues; other payers are the Federal and Cantonal government (35%), families out-of-pocket (20%), and complementary insurance (5%);
- Insured parties choose both their insurer and the deductible (ranging from 280 to 2337 euro/year[2]; no deductible is the default-option for children); above the deductible, there is a 10% co-payment, up to a maximum of 654 euro/year (327 for children);
- Cantonal premium allowances subsidise the purchase of mandatory health insurance by middle- and low-income families (approximately 30% of the population receives a full or partial subsidy).

3. Health policy process

Public regulation of health insurance in Switzerland dates back to the beginning of the 20th century (the first organic federal law was approved in 1911 and implemented in 1914). Insurance cover levels of the population developed over time, reaching almost 100% before the 1994 approval of the new federal health insurance law, which introduced mandatory insurance coverage at the federal level by 1996. Since then, two citizens' initiatives have already tried to replace the current system of multiple private insurers:

- In 2003, 73% of voters rejected the citizens' initiative "Health at accessible prices" (which proposed a system of public insurers, and a funding mechanism secured partly by additional specific funds from Value Added Tax, and partly by contributions paid by insured families on the basis of their income and net wealth) [7];
- In 2007, 71% of voters rejected the citizens' initiative "For a single and social health insurer" (which proposed replacing the private insurers with one public insurer, and linking premiums to family payment capacity) [8].

[1] Premiums are available at http://www.priminfo.ch/praemien/index.php?sprache=d.

[2] Exchange rate used: 1 euro = 1.07 CHF.