

Interview: Alexander Biach – Chairman, Hauptverband (Main Association of Austrian Social Security Institutions)



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Alexander Biach, chairman of the Main Association of Austrian Social Security Institutions, discusses handling the responsibility for Austria’s Europe-leading social security coverage, current inefficiencies that need to be ironed out, and his blueprint for creating a faster, less complicated, more cost-effective, and equitable social insurance system.

Last May, you were appointed chairman of the Main Association of Austrian Social Security Institutions. Tell us more about this appointment and what have been your first impressions?

Firstly, it has been a big honor for me to deal with the trust of 8.9 million Austrians, all of whom are insured by our system. Austrians receive from our organization a pension, medical treatment, and in the case of accidents, treatment and rent, which implies that all possible issues facing the lives of Austrians are financially covered. This includes 99 percent of the inhabitants of the country. We have the highest coverage of citizens of any country in Europe, which has been highlighted by studies by the OECD and the London School of Economics. We are also one of the countries with the lowest unmet medical needs which means that residents have access to the best medical benefits by simply presenting their electronic card.

It is a big responsibility and it is not so easy due to limitations of the overall budget, like in many other European nations. Our budget comes from both payments from employers and employees, around 15 percent for each. Health insurance, pensions and accident insurance combined have a budget of around EUR 60 billion. If we offer medical assistance or a service, we negotiate with all our

partners involved that is to say doctors, the pharmaceutical sector, and all other health service providers. Austria has a tradition of the so-called social partnership which means that employers and employees have elected representatives, and I believe our model has helped us weather recent financial crisis.

How does this propensity towards collaboration help you keep social security at a time when health spending has never been greater and when Austria actually spends more on healthcare in proportion to GDP than other European countries?

We ran a study on our system with the aim of generating savings. There are for example some new laws regarding what you can offer in terms of biosimilars and generics, and if we believe that there are alternatives in the pharmaceutical sector for social insurance, they should be taken as it is cheaper for us and it is our duty to offer them. When there are no alternatives and the level of innovation of a product has been proven, we will spend what needs to on such products, after some negotiation of course. So we first look at the legality of the transaction, we verify that the product has necessary EMA permission, and we then look to see if there is any existing innovation. We have a commission of doctors, professors and KOLs, and they try to prove the value of the new drug. If it is proven and if there are no health restrictions, we then discuss prices. If there are several offers for that product / treatment, we can better compare and negotiate. Our responsibility in the end is that every citizen has to be offered this product at a fair price.

Prices of drugs are getting higher and higher, hence the importance of this three-step negotiation process. It has so far been a success, not only for the people who receive the best medicine, but also for social security and democracy in this country. We have very low rates of strikes in Austria and wages are not the only reason for people to go on strike; it is also about the health system and coverage they receive. If we do not offer health coverage to children or others, then we will have protests, and this is not a good basis for democracy. I think we offer stability to the political system and democracy here.

What level of trust do Austrians have in their social security system?

There is a very high level of trust in our system – over 80-90 percent – which has been cited by a recent study by the London School of Economics. In contrast, compared to other European countries, we have the highest hospital visitation rates. Per every 1,000 inhabitants, over 250 people visit a hospital per year. Some go many times per year, but as you can imagine, this is one of the system's inefficiencies.

This rate of trust is one of the highest in Europe. If someone has an accident or falls ill abroad, they always want to come back to be treated in Austria. The healthcare system covers about 99.9 percent and this trust has historically grown. Employers and employees are the owners of the Austrian social security system, it is not the government or the ministry of health who run the system. We are an association of employees and employers, and it is actually a general assembly of these two parties that elected me as chairman. For pensions, we do need some external support for financing, but the healthcare system especially in the external inpatient sector is completely financed by employers and employees. As long as they finance it, it is their right to say who manages it.

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On your election, you committed to a fast, uncomplicated, cost-effective, equitable social insurance system. What is your blueprint for bringing this about and where do you identify areas for improvement?

I have held the position for five months now and I have identified some fields where we can improve upon in terms of efficiency. We want to cut down on bureaucracy, modernize the system, and make it fairer. The first reforms we took were to look at where benefits for insured persons differ in the different regions in Austria. We have 18 different health insurance companies under the roof of the insurance association. In addition, we have one accident insurance company and two pension insurance companies, which brings the total to 21. People pay the same amount for health insurance everywhere in Austria: 7.65 percent, but they receive different benefits. For example, for child welfare in Vienna you receive about EUR 500, but in upper Austria, which is not so far away, you receive EUR 3,320. That is not fair and it is totally inefficient. If the calculations were centralized, we would only have to do so once. This is the reason why we started in May to look into these differences, and we have identified 23 areas where harmonization is possible. Two avenues are then considered: you can lower the benefits – which wasn't going to be easy to inform Austrian people they would have lowered coverage – or you can raise benefits – but you have to find the money for it. We decided to go with the latter. We have to date harmonized 18 of the 23 different areas for a total price of EUR 45 million out of a total budget of EUR 17.5 billion. We have also implemented an efficiency program in order to calculate once and not 18 times. Here we have found EUR 120 million in savings, which funds the extra expenditure, as it is important that we finance the harmonization on our own.

Why has it taken so long for this to happen?

All these different structures did not start out at the same moment. Some of them came after the Second World War or others like the self-employed began in the 80s. We had to establish a system for all these benefits and create uniform fees, and now we are starting to grow together. It always takes a lot of discussions to move everyone in the same direction. There are 22 different organizations, and we cannot just tell them what to do! We have had to engage in negotiations. Each organization has its own general assemblies and if they decide they want to offer greater benefits because they live in upper Austria for example, you cannot really tell them no.

I understand your predecessor left due to the lack of pace of reform. It seems today we are finally seeing some movement in terms of simplifying these structures. How is your management approach different?

I think my experience comes from dealing with such big organizations. I began working on a reform with the chamber of commerce at the beginning of 2000-01, which is a huge organization. You have to find some sort of Austrian compromise. The second very positive experience I had was with the restructuring of the Austrian railways. There was one big company which wasn't very transparent. There were also EU directives for separating. It is not so easy to convince everyone to do this. It took a long time, but now we have a structure that is accepted and works.

An important part of creating a sustainable social security administration is dealing with the harmonization of procurement. Thinking of hospitals and outpatient settings, what can you do to improve harmonization, both in terms of prescribing and procurement?

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There is a lot to do still. I have so far only spoken of the positive side, but there is also a real lack of efficiency in Austria. The main problem is that we have a double way of financing the healthcare system. The healthcare system for the external inpatient sector (going to a doctor with an e-card) is regulated by us. We make contracts and try to harmonize things. Then, the nine regions of Austria finance the hospitals at a level of EUR 7 billion, while we finance another EUR 5 billion coming from our EUR 17.5 billion total budget. We cannot decide as social insurance what happens with this

money, only the regions can do that. As a result, they do the procurement. It also differs from region to region, and there is an evident lack of harmonization. I have a lot of faith in the new government to fix this. We had a health reform in 2013 where we put all the payers together at one table with the idea of financing additional projects. They also decide what equipment is needed, but they don't procure it. It would be easier for the new government to give this organization more power. The other two ways would be either to take power away from the regions or to give all power to the regions, but this would be quite a challenge as it would create nine different healthcare systems.

Regarding the prescription side, I would like to motivate insured people to ask for more generic products. A small insurance company from the railways ran an experiment. They told their insured persons they should ask for generics when visiting their doctors, and if the doctor gives it to them, they get EUR 1 back from their insurance company. By doing this, they saved EUR 2 million and they gave back EUR 1 million to their insured persons. This could be a model for getting more into the generic sector. However, we have to be very careful as this should not result in lower quality healthcare. I also do not want to harm innovation.

We unfortunately have situations where pharmaceuticals are being re-exported because of different pricing reference systems across Europe, and this should not be happening. We need to offer medicine at a high level to all Europeans, not only because of the price level. Additionally, we have to win the fight against the relocation of production and R&D. Pharmaceutical companies are already in the US and Japan, and they might go to China. We have to find a way to keep them in Europe. This is the most important task.

By harmonizing further such matters at the European level, we keep brains here. Our competitive advantage in Europe is the quality of the people we have. If we only have a sales and commercial office, it is not sufficient because headquarters don't care so much about keeping a branch with only four or five people. They are not researchers or developers, and they only have to sell a pharmaceutical product. This is not what we need for Europe as a whole to stay competitive. I think Austria, especially Vienna, is a very good region for highly qualified workers. We have the best living conditions and the best education. The advantage Europe has is the quality it produces.

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