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Pius Z  ngerle of curafutura, one of the two largest Swiss health insurers   associations, explains the unique Swiss health insurance ecosystem and the main issues on his agenda for 2021 beyond the global pandemic.

Pius, could you introduce us to curafutura and the general characteristics of the health insurance ecosystem in Switzerland?

For context, it is important to understand that basic health insurance is compulsory for all residents in Switzerland. Currently, there are more than 50 insurers in Switzerland offering plans for this compulsory basic insurance, and there are two insurers   associations. curafutura is one of them, and we have four members, CSS, Helsana, Sanitas and KPT    which, together, represent 42 percent of the Swiss market. Helsana and CSS are two of the largest health insurers in Switzerland, covering more than 2.5 million people altogether in the compulsory insurance. The second association collects the other insurers, who have the other 58 percent of the market. The basic insurance tends to cover around 40 percent of healthcare consumption and everything beyond that needs to be covered either out of pocket or through additional insurance plans.

The overall health insurers   landscape is very fragmented. Some insurers only insure around 10,000 people, for instance. This is typically Swiss: our country is organized into cantons, and there

are large cantons like Zurich and Bern but we also have very small cantons with only around 40,000 people, so our industries are often very localized. The Swiss political system allows for communities and cantons to operate very autonomously, and so there are always many influences and perspectives to consider on any topic. On one hand, this may be a disadvantage for industry, but on the other side, we have a very well-established and stable system that has led us to the top of the rankings across many measures of societal welfare. Even if we encounter problems, in the long run, we find the solutions together as a society â?? and these are robust solutions that deliver what they need to.

Looking at healthcare, for instance, even during the global pandemic, while Switzerland has seen periods of high case numbers, we have never had to implement the sort of lockdowns seen in China, Spain, or even in the UK. There was no overly strong federal government intervention.

The ecosystem of basic insurance is also very competitive because every Swiss resident is able to change their insurer every year, and every insurer is obliged to release anyone that wants to leave and to accept anyone that wants to enter. Therefore, insurers are incentivized to compete in terms of service delivery and so on.

Why do you think the Swiss health insurance market has not faced pressures to consolidate, as in many other countries?

Ultimately, it comes down to the robustness and stability of the Swiss regulations pertaining to health insurance provision, which provide the space for even the smallest health insurers to survive. Small insurers are supported by reinsurers, which gives them the stability required to comply with regulations and to compete with the large players. As for the large players themselves, there is not really a way for them to acquire smaller players. By law, insurers in Switzerland are not owned by shareholders, they stand alone as independent associations, so there is no way for a bigger player to acquire a smaller player by, for instance, buying them up.

However, the increasing digitalization of the entire healthcare field may prove to be a challenge for smaller players. If they are not, at their current scale, able to provide the digital solutions increasingly expected by customers, they may find it difficult to continue operating.

What is on the agenda for curafutura in 2021?

Beyond navigating the global pandemic, we have four main issues on our agenda.

The first is the new financing of the inpatient and outpatient sectors. Switzerlandâ??s inpatient sector is currently over-resourced due to the way the hospital sector is being financed. Cantons currently cover 55 percent of all inpatient costs but zero percent of outpatient costs. This of course incentivizes insurance payers and their patients to prefer inpatient services, which is not ideal because of the high costs associated with hospitalization. A new proposed legislation would standardize the financing system across outpatient and inpatient sectors, with cantons covering 25 percent of both sectors and insurers covering the remaining 75 percent. This is being debated in the parliament and we hope that this will pass about mid-2022.

The second is Tarmed, the tariff system for medical ambulatory care throughout Switzerland. In Switzerland, many doctors that work in private practices on a fee-for-service basis. In conjunction with the Swiss Medical Tariff Commission for the Accident Insurers and the Federation of Swiss physicians, we have developed a new tariff structure called Tardoc, which is now awaiting approval

from the Swiss government.

The third is the implementation of a new tariff system for the pharmacy sector, which is called LOA-V (Leistungsorientierte Abgeltung). Swiss pharmacies generate revenues from providing services to the customer and from the margins on pharmaceuticals. The current margin system is progressive, meaning that the higher the manufacturing price of the product, the higher the fees that pharmacies (and doctors) receive. We want to change this to a flat rate system where pharmacies and doctors receive a fixed amount per unit dispensed. This will rework the incentive structure completely. We hope, for instance, to encourage pharmacies to offer more generics, where possible, instead of the originators. This will free up the financial resources needed to invest in truly innovative therapies like cell and gene therapies, for instance. We are looking to rebalance the spend.

The fourth is our concern over articles 71a-71d of the Ordinance on Health Insurance (HIO), which allows for basic insurance to reimburse the cost of medicinal therapies where the therapy has not been approved by Swissmedic or has not been included on the so-called specialties list (Spezialit stenliste) â?? which is managed by the FOPH â?? on a case-by-case basis. Typically, basic insurance reimburses only the drugs that are positively listed on this list, and only drugs approved by Swissmedic can be listed.

As insurers, we want to see fair and affordable pricing, and we are willing to pay the â??right priceâ? for the right therapies that bring value to patients. When it comes to novel therapies, we are also looking for solutions where the industry accepts some of the risk. We do not want to pay high prices upfront for therapies where we might not know what could happen ten years into the future. In addition, as a payer organization, we have to keep the overall and long-term stability of the healthcare system in mind. Cost containment is an important consideration. Where we can, we want to find cost savings to offset the aspects of healthcare that are becoming more expensive.

You also have dialogues with the pharma sector. What are some of their main concerns at the moment?

With the generics sector, it has been challenging and relatively unattractive for companies to enter the market due to the pharmacy margin structures, which is why that is one of the issues on our agenda this year.

For the innovators, their portfolios can be roughly split into two groups. The first is the novel products, and the companies complain about the long timelines for approval and reimbursement. Pricing is also a challenge because the Swiss market is a reference market for many other European markets so prices negotiated here will affect the prices received in other markets. If prices are too high, it affects reimbursement and market access. If the prices are too low, it affects the commercial performance in other markets.

At the same time, healthcare costs have risen significantly for patients, both in terms of out-of-pocket payments and insurance premiums. In the past, we saw growth rates of four to five percent, which are not sustainable for the country. Actually, they are around one to two percent. As a result of the growing cost, there have been many political discussions about reducing healthcare costs.

A final message?

The system will evolve â?? more high-potential therapies, more personalized medicine, higher cost â?? and as payers, we are committed to providing solutions that cover the needs of the Swiss

population. We already see a lot of innovation entering the system and we hope that all stakeholders will come together to improve the healthcare system for the future in a sustainable way.

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