

Classification of Healthcare Systems

The attached table, *Classification of Healthcare Systems*, separates healthcare systems according to organizational structure and four measures of success:

- The percent of the population covered
- Relative per capita costs
- Health outcomes relative to the United States
- Waiting times.

One interesting finding is that every nation in the group with consistently low waiting times also has a private health insurance industry.

A seemingly obvious question might be; why then, does the United States, the nation with the largest, most sophisticated health insurance industry on the planet, perform so differently relative to other measures?

The answer is not simply that other nations' insurance industries are "heavily regulated." It is that they are regulated in a manner that alleviates problems associated with "free-riders" and adverse selection, and do so in an environment of market-based competition. Because money flows differently in market-based systems, infrastructure in these systems is developed more in response to patient utilization patterns rather than in response to political process.

The enclosed sheet shows the regulations of the Swiss LAMal. The same set of regulations can be found in some form in every other Multi-payer Universal Enrollment Healthcare System. The Position Paper titled *Cut Costs or Go Home* describes how those regulations promote price-based market competition.

These findings reinforce the importance of a private health insurance industry and the value of alleviating the problems associated with "free-riders" and adverse selection.

CLASSIFICATION OF HEALTHCARE SYSTEMS

THE EFFECTS OF A HEALTH INSURANCE INDUSTRY AND "MCGU" POLICY SET ON VARIOUS HEALTHCARE SYSTEMS

	Totally Nationalized	Single payer	Multi-payer Universal Enrollment*	The United States
Near 100% coverage	Yes	Yes	Yes	No
Low per capita healthcare costs	Yes	Yes	Yes	No
Healthcare outcomes better than the United States	Yes	Yes	Yes	N/A
Waiting times	Sometimes	Range from low to excessive	None	Waiting times for the un- insured can be infinite
Substantial private health insurance industry	No	No	Yes	Yes
Private health insurance industry guided by MCGU Policy Set*	N/A	N/A	Yes	No

*MCGU Policy Set
Mandatory enrollment
Community ratings
Guaranteed issue
Uniform benefits pkg

Healthcare delivery in Switzerland,

Francesca Colombo, TOWARDS MORE CHOICE IN SOCIAL PROTECTION? INDIVIDUAL CHOICE OF INSURER IN BASIC MANDATORY HEALTH INSURANCE IN SWITZERLAND, LABOUR MARKET AND SOCIAL POLICY - OCCASIONAL PAPERS N0.53, 18-Sep-2001 Head of Publications Service, OECD, 2, rue André-Pascal 75775 Paris, CEDEX 16, France

[http://www.oilis.oecd.org/OLIS/2001DOC.NSF/43bb6130e5e86e5fc12569fa005d004c/c1256985004c66e3c1256acb00548723/\\$FILE/JT00112830.PDF](http://www.oilis.oecd.org/OLIS/2001DOC.NSF/43bb6130e5e86e5fc12569fa005d004c/c1256985004c66e3c1256acb00548723/$FILE/JT00112830.PDF)

Table 4. Main provisions of the LAMal by objective

OBJECTIVES OF THE LAMal			
Solidarity	Cost containment		Quality of health care services
	Demand side measures	Supply side measures	
<ul style="list-style-type: none"> • Universality and access: <ul style="list-style-type: none"> - Art. 3. All residents in Switzerland are compelled to take up basic health insurance. - Art 106. Subsidies are means-tested and paid by Cantons directly to low-income individuals. The cost of such subsidies is shared between the Confederation and the Cantons. • Elimination of cream skimming incentives. <ul style="list-style-type: none"> - Art 4. LAMal- Insurers are compelled to accept all individuals without making reservations. - Art 61. Insurers cannot risk adjust premiums for basic health insurance. Insurers can only apply three premium echelons per Canton reflecting variations in health cost. 3. Non-profit requirement . <ul style="list-style-type: none"> - Art 13. Insurers offering basic health insurance cannot pursue or realise profits in this branch of operations. 	<ul style="list-style-type: none"> • Adequacy of benefits: <ul style="list-style-type: none"> - Art 32. The adequacy and cost-effectiveness of medical benefits must be demonstrated according to scientific criteria - Art 56. Insurers can refuse to pay benefits provided beyond need. • Competition on the financing side: <ul style="list-style-type: none"> - Art 4. Individuals are free to choose insurer and to move across insurers. - Art 105. A risk equalisation system was set up to compensate insurers for differences in cost arising from differences in risk structures linked to the age and sex structure of insurees. • Cost sharing: <ul style="list-style-type: none"> - Art 64. All individuals share in the cost of health services. - Art 62. Individuals can choose special forms of basic health insurance: <ul style="list-style-type: none"> a) "Assurance à option": higher deductibles coupled with lower premiums. b) "Assurance avec bonus": annual premium reductions if no claims are made during the period. 4. Other <ul style="list-style-type: none"> - Art 22 and Art 61. The Swiss Federal authorities exercise a control over insurers' administrative costs and approve premium levels. 	<ul style="list-style-type: none"> • Hospital planning and global budgets. <ul style="list-style-type: none"> - Art 39. Introduction of hospital planning. Cantons and Sickness funds share the costs of hospital services. - Art. 51. Cantons can allocate resources to hospitals through global budgets. • Tariff conventions <ul style="list-style-type: none"> - Art 46. Tariffs conventions negotiated between insurers and providers associations are subject to approval on the basis of economy and equity criteria. • Managed care <ul style="list-style-type: none"> - Art. 41 and Art. 62. Insurees may limit their choice of providers and thus obtain reductions in premiums (HMO and IPA options¹⁴). Managed care is meant to contain costs by shifting the risks of medical expenditures from insurers to providers. 	<ul style="list-style-type: none"> • Basic package of services <ul style="list-style-type: none"> - Art 25-32. The Law specifies the services included in the basic compulsory health insurance package. Services must be adequate and cost-effective. • Quality monitoring <ul style="list-style-type: none"> - Art 58. The Federal Council can carry out scientific and systematic controls to ascertain the quality and adequacy of health care services provided under the LAMal.

Mandatory enrollment- Art. 3, Community Rating- Art. 61, 64, Guaranteed Issue- Art. 4, Uniform benefits- Art. 25-32, Re-insurance- Art. 105