Managing Intellectual Capital and Innovation for Sustainable and Inclusive Society
27–29 May 2015
Bari • Italy

make learn
TIIM

Management, Knowledge and Learning
Joint International Conference 2015
Technology, Innovation and Industrial Management

HEALTHCARE SYSTEM IN THE MODEL OF A LIBERAL COUNTRY ON THE EXAMPLE OF SWITZERLAND

Lukasz Jasinski
Maria Curie Sklodowska Uniwersity, Poland
lukasz.jasinski.skywalker@gmail.com

Abstract:
In the end of September 2014 there was a referendum held in Switzerland on changing the existing healthcare system on a state based single-payer healthcare system. Although this system is not completely based on the market principles, it differs in a few aspects from the solutions applied in the other European countries, where the state is responsible for the access to the medical services. The main purpose of this work is to present the healthcare system under conditions of a liberal country (on the example of Switzerland). The work will present the advantages and disadvantages of this kind of system (as well economical as social). On this basis there will be made an attempt to formulate the recommendations on the form and principles of functioning of the healthcare systems in the other countries. The Swiss case is important because it shows, that if the market powers are allowed to act unrestrained, they will ensure high quality of goods and services and although in the Swiss healthcare system many key areas are subject to regulations, there are still less regulations than in the other countries. Following documents were used for the purpose of the researching part: the ranking Euro Health Consumer Index (2013) evaluating the quality of the European healthcare systems and the report OECD Health at Glance (2013) on the world healthcare systems.

Keywords: Swiss healthcare system, European healthcare systems, health insurance, health, market

1. INTRODUCTION

In the centre of Europe, there is a small country, Switzerland, which nature has endowed very poorly. It has no coal mines, no minerals, and no natural resources. But its people, over the centuries, have continually pursued a capitalistic policy. They have developed highest standard of living in the continental Europe and their country ranks as one of the world's great center of civilization (Mises, 2006, p. 90). With that words, the Austrian economist Ludwig von Mises described briefly Switzerland in the 1950s, which till today is reputed to be a prosperous country with a high standard of living. It is reflected also in the sphere of healthcare considered one of the best in the world. Although at present description of a country or its politics as "liberal" does not mean the same as e.g. in the 19th century, Switzerland did not excessively embrace interventionism or create a welfare state on such scale as it used to be in France or Sweden. However, in our times even in countries with strong liberal traditions there are attempts to increase the role of the country in the name of greater purposes or well-being of the society. It was also the case in Switzerland, where in the end of 2014 there was held a referendum on changing the current healthcare system on a single-payer state system. The Swiss rejected this possibility with 62% votes "against" to 38% votes "for", what encourages to get closer acquainted with the Swiss healthcare system.

2. HEALTHCARE SYSTEMS IN THE ECONOMIES OF DEVELOPED COUNTRIES

Following two healthcare systems in Europe are the most popular (Schreyögg, Bäumler & Busse, 2009, p. 218):

- social health insurance (SHI) systems (in other words Bismarck system) and
- tax-financed systems (described as Beveridge model).

In the insurance model the means come from particular sources, usually compulsory health insurance premiums. The premiums are paid individually by the insured (Switzerland) or by the employer and the employee (Netherlands, Germany, Belgium, Poland). The collected means may be spend by one central fund (Poland) or by a bigger number of decentralized individual funds (Germany). For the paid premiums the insured acquire the right to the basket of guaranteed services. For additional charge they can benefit from a wider range of medical services, purchasing additional private insurance (France, Switzerland) or by direct payments. In the countries with the insurance system the market of private health services is more developed than in the supply system.

In turn, the purpose of the supply system is to create a public access to health services financed by taxes. Thus, the citizens do not pay the target premiums. The state is responsible for the organization of health services. Such situation is the case among others in the Nordic countries (Denmark, Norway, Sweden and Finland), where the public sector fills the role of both purchaser and provider (Magnussen, Vrangbæk & Saltman, 2009, p. 15). Moreover, the patients are not burden with cost sharing for the medical services as it is the case in the insurance systems. Such construction causes, that the vast majority of costs is paid by the public sector. Detailed information on countries applying particular systems is presented in Table 1 and Table 2.

In the economic reality there are no „pure" models. Moreover, such phenomena as growing costs of healthcare or aging society force individual countries to introduce changes in their own healthcare systems such as strengthening the role of the private sector or burden patients with copayment for the services.

Table 1: Healthcare models of the individual countries

Insurance model	Supply model
Austria, Belgium, Czech Republic, France, Germany, Greece, Hungary, Japan, South Korea, Luxemburg, Mexico, Netherlands, Poland, Slovakia, Switzerland, Turkey	Australia, Canada, Denmark, Finland, Island, Ireland, Italy, New Zealand, Norway, Portugal, Spain, Sweden, Great Britain

Source: own elaboration based on Wagstaff, Social health insurance vs. tax-financed health systems evidence from the OECD, World Bank 2009, p. 31

The most financial means on healthcare are spend by the high developed countries, such as United States, Countries of Western Europe and Nordic countries. In turn, Central and Eastern Europe

Countries have to catch up a big distance despite of higher dynamics of expenditures. Also the negative dynamics of expenditures on healthcare in the last years in the so called PIIGS countries (Portugal, Italy, Ireland, Greece and Spain) is important to emphasize. The PIIGS countries, where the level of the public debt requires significant cuts in the central budgets, have felt the effects of crisis exceptionally hard. Relatively higher dynamics in relation to OECD countries can be observed in the Asian countries (Japan, South Korea).

Table 2: Profile of expenditures on healthcare in the individual countries

Country	Healthcare expenditures per capita w 2011 (according to purchasing Power parity in USD)	Annual average pace of growth of expenditures on health in 2000-2009	Annual average pace of growth of expenditures on health in 2009-2011	Share of expenditures on health as % of GDP in 2011
USA	8 508	3,4	1,3	17,7
Norway	5 669	2,8	0,5	9,3
Switzerland	**5 643**	**1,9**	**1,4**	**11**
Netherlands	5 099	5,5	1,0	11,9
Austria	4 546	2,2	0,2	10,8
Canada	4 522	3,5	0,8	11,2
Germany	4 495	2,1	2,1	11,3
France	4 118	2,1	0,7	11,6
Belgium	4 061	3,7	0,6	10,5
Sweden	3 925	3,4	1,8	9,5
Great Britain	3 405	5,3	-1,8	9,4
Finland	3 374	3,9	1,6	9,0
OECD Countries	3 322	4,1	0,2	9,3
Japan	3 213	2,8	4,9	9,6
Spain	3 072	4,1	-0,5	9,3
Italy	3 012	1,6	-0,4	9,2
Portugal	2 619	1,8	-2,2	10,2
Greece	2 361	5,3	-11,1	9,1
South Korea	2 198	9,3	6,3	7,4
Czech Republic	1 966	5,9	-0,8	7,5
Poland	1 452	7,1	1,2	6,9
Russia	1 316	b. d.	b. d.	6,2
China	432	b. d.	b. d.	5,2
India	141	b. d	b. d.	3,9

Source: own elaboration based on Health at glance 2013. OECD indicators.

3. HEALTHCARE SYSTEM IN SWITZERLAND IN COMPARISON TO THE OTHER SYSTEMS: CHARACTERISTICS, DISADVANTAGES, ADVANTAGES

With regard to the above presented models, the healthcare system functioning in Switzerland can be qualified to the insurance model, where the main regulator is state. However, in contrast to the other countries (Sweden, Great Britain) the degree of interference is in few spheres smaller or minimal, what enables the market to be shaped more freely through individual decisions taken by its participants. Patient in the Swiss healthcare system is to a large extent client, he is not only a petitioner with the right to the public healthcare. Prof. Regina Herzlinger from the Harvard University describes the Swiss system as a consumer - driven healthcare system (*consumer-driven healthcare*), where consumer control will reward innovate insurers and providers for creating the higher-quality, lower cost services we want and deserve (Herzlinger, 2004, p. XVII).

From 1996 health insurance in Switzerland is compulsory (basic service basket). Premiums are paid individually by the insured, who according to their own preferences (without the participation of the employer) decide on the choice of the insurance company acting in their canton. Basic service basket

is strictly defined and the insurance companies cannot achieve profits on compulsory insurance and deny the possibility of a insurance cover. The amount of the premium as itself is not determined from above, however the insurance companies have to determine a fixed premium for individual age groups and regions. Apart from the basic insurance there is a possibility of purchasing an additional insurance, which is free and relates to healthcare from beyond the basic package (Daley & Gubb, 2007, p. 5).

After a closer analysis solutions applied in Switzerland can hardly be termed as liberal because of the multitude of regulations for suppliers and consumers. More acting freedom have the insurers on the market of additional health insurance, where they can draft risk and achieve profits. In turn, the insured apart from the compulsory insurance have the possibility to choose the insurance company. A problem consists for them surely the amount of the premiums from the basic package growing on average about 5% yearly (Daley & Gubb, 2007, p. 6), caused among others by consist extension of the basic basket, whereas the insurance companies do not apply any exclusions. The Swiss model is a solution more based on social solidarity than on market competition (Jost, 2009). Basic characteristics of the Swiss system are shown in Table 3.

Table 3: Chosen characteristics of the Swiss healthcare system

Characteristic	Description
Main scope of basic insurance (compulsory)	Sickness insurance, accident insurance, maternity insurance; examples of services: access to healthcare professionals of basic medical insurance and medical specialist; stay at the hospital; outpatient care; nursing care; examination, treatment and nursing care by the patient at home; rehabilitation services; physiotherapy and ergotherapy up to a set level; consultations for diabetics; costs of transportation and live saving up to set levels; serious and inevitable dental treatment; supplemental medicines
Main scope of additional insurance (voluntary)	Dental services; free choice of any hospital for the „basic“ treatment; bigger comfort and privacy during the treatment by ensuring single rooms; guarantee of treatment by the most experienced healthcare professionals
Structure of expenditures according to their allocation (2011)	Stay at the hospital (28%), outpatient care (34%), long term treatment (20%), medical devices (11%), other services (7%)
Structure of financing of health expenditures (2011)	Central and local government expenditures (19%), social insurance (46%); direct expenditures of patients (26%); private insurance (9%), other(<1%)
System for equalization of risk	The purpose of this system is to reduce the differences in the costs of health services incurred by different insurance companies. The insurance companies with a „worse“ risk portfolio receive compensation from a special fund provisioned by the insurance companies with “better” risks
Structure of employment	There are about 542 000 people working in the healthcare system (13,5% of the country’s population). Employment structure: hospitals (30%), nursing homes (29%), market of outpatient services (19%), pharmaceutical market (11%), market of medical devices (11%)
Forms of cost sharing for the medical services	Well-developed in the basic insurance. Amount and form of cost sharing depends on the kind of provided services. Cost sharing relates among others to such services as outpatient services, hospital services, dental services, medical transport, live saving and medicines. This expenditures are additionally passed on the family budgets.

Source: own elaboration based on Health at glance 2013. OECD indicators i OECD Reviews of Health Systems. Switzerland 2011.

Despite of many limitations and regulations the Swiss healthcare system is considered to be one of the best in the world, confirmation of it are high positions is different kinds of rankings evaluating healthcare systems. In one of more prestigious rankings (*EuroHealth Consumer Index*) Switzerland took second place overtaken only by Netherlands. *EuroHealth Consumer Index* evaluates European healthcare systems according to six criteria: patient rights and information, accessibility (waiting times for treatment), outcomes, range and reach of services provided, prevention and pharmaceuticals.

Switzerland is distinguished by its accessibility to medical services, for which it collected maximal number of points (like Belgium) and for achieved results (second result together with Netherlands and Sweden, the most points collected Island). However, Switzerland ranks relatively moderately as far as prevention is concerned. Of course, every ranking has its own methodology of awarding points and as a result some scoring „positions" may be disputable. Regardless from that, this rankings are an interesting research tool enabling to compare individual systems according to some approved criteria. Detailed comparison of healthcare systems in the chosen countries is shown in Table 4.

Table 4: Comparison of healthcare systems in the chosen countries

Countries / Evaluated subgroup	Netherlands	**Switzerland**	Island	Denmark	Norway	Germany	France	Sweden	Austria	England	Czech Republic	Spain	Italy	Slovakia	Poland
A (points)	142	**113**	125	142	138	125	117	117	117	129	79	92	104	113	83
B (points)	188	**225**	150	163	125	200	188	100	200	125	175	113	138	175	125
C (points)	226	**226**	250	214	238	202	190	226	167	167	179	179	179	143	119
D (points)	150	**113**	131	138	138	100	113	138	113	131	106	125	75	75	69
E (points)	89	**94**	104	83	99	78	94	104	73	99	73	94	99	68	68
F (points)	96	**81**	57	76	76	90	76	71	81	67	71	62	57	76	57
Total score EHCI 2013	870	**851**	818	815	813	796	777	756	750	718	683	663	651	649	521
EHCI 2013	1	**2**	3	4	5	7	9	11	12	13	15	18	20	21	31
EFW 2012	34	**4**	37	19	30	28	58	32	31	12*	42	51	79	45	48
IEF 2012	15	**4**	23	10	32	18	70	20	24	14*	26	49	86	57	50
PD 2014	73	**37**	119	45	56	84	94	35	81	95 *	46	79	121	47	53

Source: own elaboration based on EuroHealth Consumer Index 2013, Economic Freedom of the World 2012, Index of Economic Freedom 2012 and The Economist World Debt Comparison (http://www.economist.com/content/global_debt_clock?page=7); *- data for Great Britain.

Explanations for table: A- patient rights and information, B- accessibility (waiting times for treatment), C- outcomes, D- range and reach of services provided, E- prevention, F- pharmaceuticals, EHCI 2013 – position in ranking *EuroHealh Consumer Index* 2013, EFW 2012- position in ranking *Economic Freedom of the World* 2012, IEF 2012- position in ranking *Index of Economic Freedom* 2012, TPD- public debt in the chosen countries in 2014 as GDP percentage.

From data in the table above can be deducted, that high position in ranking achieved countries applying the insurance model (Switzerland, Netherlands) as well as the supply model (Nordic countries). An important difference between this groups of countries are better results in the first group in the area of „accessibility", what undoubtedly is down to more market solutions. Also a big share of GDP in some countries is worth noting, what can influence the quality of functioning of the healthcare system, especially among countries with the supply model (Italy, Spain). The example of Switzerland is an argument confirming that a country can have in some aspects a market system, that although highly regulated, leaves in few areas a freedom of choice giving their participants a feeling of independence, which is not to be found in other European countries. It can be a guide for Slavic or Balkan countries.

4. CONCLUSIONS FOR THE OTHER COUNTRIES FROM THE SWISS HEALTCARE SYSTEM

Based on the above analysis there can be an attempt made to formulate some recommendations for the countries wanting to improve their efficiency and quality of functioning of their own healthcare systems based on the Swiss experiences.

Question of responsibility of an individual for own health

For such situation to exist consideration should be given to system conditions creating such attitudes in the society. The Swiss do not have one service provider, they can choose between insurance companies competing with each other, what influences their decisions. Such situation does not mean the lack of access to health services, but only a fact, that such access cannot be ensured by private entrepreneurs, which need such services and create demand for them.

Question of access to medical services

In the market system, satisfying of specific needs is usually more effective than in the public one because of the functioning of the price system (of final goods as well as of production factors), economic calculation applied by the entrepreneurs and the loss and profit mechanism being for the entrepreneurs some kind of feedback on the efficiency in satisfying the needs of the society. Analogically, in the system without prices the decision makers are not able to observe, what attention people pay to different services. That means, they cannot know, which of them occur excessively and which shorten (Goodman, Musgrave & Herrick, 2004, p. 6). The market system leads also to the social development through creating positive incentives in the society, such as responsibility or saving, what is not to be found in the public systems, where the political allure of free is so strong that an alarming number of people choose to become wards of the entitlement/welfare state rather than captain their own destiny (Pettergew, L.S., Vance C.A., 2013).

Another important aspect of a good healthcare system is the form of access to medical services. Lack of insurance does not have to mean and usually does not mean automatically no access to medical services. As M. N. Rothbard wrote, there is one simple entity, in any sort of free society, that provides "universal access" to every conceivable good or service, and not just to health or education or food. That entity is not a voucher or a Clintonian ID card; it's called a "dollar" (Rothbard, 2006, p. 128-129). Of course, money can be exchanged on insurance but it cannot be the only way to make use of medical services. Money or means at disposal of people allow them to satisfy their needs according to their own preferences, what furthers the market processes. In some sense also the institution of family, which bears many healthcare costs to protect the health of its members, can be considered to be some kind of insurance. In Switzerland direct payments have a big share in financing access to health services (26% in 2011).

Moreover, lack of public healthcare does not have to mean lack of healthcare for the poorest one, a good example of what were the so called "fraternal societies" from the 19th and early 20th century. This institutions ensured the working-class among others access to medical care. The principle behind the fraternal societies was simple. A group of working-class people would form an association (or join a local branch, or "lodge," of an existing association) and pay monthly fees into the association's treasury; individual members would then be able to draw on the pooled resources in time of need. The fraternal societies thus operated as a form of self-help insurance company (Long, 1993).

Right for the public healthcare

Such right is an example of a positive right created by man. From the other hand there are natural rights, such as right to live or right to freedom. In contrast to the natural rights, the existence of positive rights (especially compulsory rights as in case of public health insurance) implies certain economic effects in the society as obligation to pay for the possibility to make use of services guaranteed by a given law. Necessity to bear costs precedes purchasing certain right. In turn, natural right does not incur any costs for an individual, there is also no formal process to purchase it. Positive rights can be useful in the question of healthcare or even be indispensable for people, under the condition, that they will base on voluntarism and freedom of agreement.

Question of risk selection by the insurance companies

Equally important seems to be to restitute the insurance companies the possibility to select risk, apply exclusions and limitations in agreements. It results from the fact that a private enterprise can offer insurance against events over whose outcome the insured possesses no control (Hoppe, 2009). Within the health insurance the insurance companies include the "accident" risk, whereas the limitations and exclusions can be more applied to "sickness" risks. Insurance has therefore an

important informative function. If the insurer denies the individual the insurance e.g. as a result of health state, it means that this individuals should make use of some other form of medical services such as medical subscriptions, healthcare organizations (institutions functioning on similar principles as the past "fraternal societies") or direct payments for services. Such situation will not create the lack of possibility to make use of medical services but solely delegate this task to the other market institutions, profits of which do not depend on appropriate selection of risk, just the opposite, it depends on taking over the risk not accepted by the insurance companies. Some exception may constitute services related to live saving, however, they do not have to be compulsory. In case, when the individual needs to make use of such services and is not insured, he would have to bear certain costs for the provided services. Such situation would certainly urge most people to buy such insurance.

„Design" of healthcare system

The last important question is the form or shape of market of private providers and consumers of health services. It should be considered, that all attempts to regulate or determine principles from above will not work. Specific order of the market reflects from one hand the needs of the clients, from the other hand possibilities to satisfy them by the providers. No subject (private or public) has enough information to effectively satisfy needs of all individuals and the only entity having the "potential" to do it is the market. Free institutions do not have to be ideally delineated. They arise from spontaneous order in the absence of or in the vacuum of the retreating state (Steinreich, 2006, p. 75-85).

5. SUMMARY

Healthcare system to be effective has to base on the freedom of agreement. Only in this way the best solutions will be promoted and the not effective one eliminated from the agreements. On the other hand, also certain conditions are important, such as low taxes or limitation of social benefits, which effectively raise this taxes and maintain them on the level hindering the economic development (especially among small companies). Healthcare or wider social care should not exclusively remain in the public hands but also be controlled by the market. Similar problems with effectiveness in many countries among other Poland can be observed e.g. on the question of pensions. The Swiss case is important because it shows, that if the market powers are allowed to act unrestrained, they will ensure high quality of goods and services. Although in the Swiss healthcare system many key areas are subject to regulations, there are still less regulations than in the other countries, what affects higher quality of services. Despite of the fact, that to real liberalism Switzerland still has a long way to go, this country has a chance to create a unique healthcare system and in this way it may become a precursor of changes. Maybe in a couple of years, in the next referendum, Switzerland will give the world further guides as to the shape of such system.

REFERENCE LIST

1. Daley V., Gubb J. (2007), *Healthcare systems: Switzerland*, CVITAS Institute for the Study of Civil Society, London.
2. Goodman, J.C., Musgrave G.L. & Herrick D.M. (2004), *Lives at risk: single payer national health insurance around the world*, Rowman & Littlefield Publishers.
3. Herzlinger, R. (2004), *Consumer-driven health care. Implications for providers, payers and policy makers*, Jossey-Bass, San Francisco.
4. Hoppe, H.H. (2009), *A Four-step healthcare solution*, Ludwig von Mises Institute. Retrieved from http://mises.org/library/four-step-healthcare-solution
5. Jost T.S. (2009), *The experience of the Switzerland and the Netherlands with individual health mandates: a model for the United States?*, Washington and Lee University. Retrieved from www.law.wlu.edu/deptimages/Faculty/Jost%20The%20Experience%20of%20Switzerland%20and%20the%20Netherlands.pdf
6. Long, R.T. (1993), *How government solved health care crisis.* Retrieved from http://www.freenation.org/a/f12l3.html
7. Magnussen, J., Vrangbæk, K. & Saltman, R.B. (2009), *Nordic health care systems. Recent reforms and current policy challenges*, Open University Press, Maidenhead.
8. Mises, L.v. (2006), *Economic policy. Thoughts for today and tomorrow*, Ludwig von Mises Institute, Auburn.

9. Pettergew, L.S., Vance C.A. (2013), *High cost of „free".* Retrieved from http://mises.org/library/high-cost-free
10. Rothbard, M.N. (2006), *Making Economic Sense*, Ludwig von Mises Institute, Auburn.
11. Schreyögg, J., Bäumler, M. & Busse, R. (2009), *Balancing adoption and affordability of medical devices In Europe*, „Health Policy", nr 92.
12. Steinreich, D. (2006), *Lives at risk: single-payer national health insurance around the world. Book review*, „Quarterly of Austrian Economics 9(3).