Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
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Swiss Financial Market Supervisory Authority FINMA

Press release

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New hospital financing scheme leads to premium reductions in supplementary hospital insurance

Following the introduction of the new hospital financing scheme and the resultant cost reductions, the Swiss Financial Market Supervisory Authority FINMA has conducted a comprehensive tariff audit. This will lead to premium reductions amounting to CHF 240 million in supplementary health insurance in 2014. Most striking are the premium reductions in 'general ward throughout Switzerland' insurance products, which on average can drop by 40% in 2014.

The revised Health Insurance Act (KVG) came into force on 1 January 2012. Its coming into force brought about several changes in the financing of hospital services that subsequently had a considerable impact on supplementary hospital insurance. Following these changes in the legal framework, and since FINMA is responsible for supervising health insurers offering supplementary health insurance, FINMA saw the need to take action. As an exceptional measure, it requested health insurers to submit all their 2013 supplementary hospital insurance tariffs for re-evaluation.

Substantial cost reductions ...

Reliable figures were available to FINMA for the first time in the first quarter of 2013 to analyse the impact of the changes in hospital financing. Based on the financial statements for 2012, the product costs in supplementary health insurance had decreased considerably by a total of CHF 582 million. Cost reductions in the 'general ward' hospital insurance model came to a solid 73%, while 'semi-private ward' products showed a decrease of 16% in costs. The hospital insurance model 'private room' on the other hand fell by 18%.

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… result in premium relief

The exceptional tariff audit announced by FINMA in the second quarter and the ensuing dialogue with insurers have resulted in premium reductions amounting to CHF 240 million. By conducting this audit and in line with its statutory mandate, FINMA has ensured that premiums for supplementary insurance are neither abusively high nor that they pose a risk to solvency. (See FINMA fact sheet).

Cost relief for 'general ward' products was substantial. Tariffs dropped extensively, on average by 40%. The reductions were less evident in products that include 'general ward' coverage and a number of outpatient supplementary services. This affects about one million policyholders. In total, 3.7 million policyholders will benefit from premium reductions amounting to a total of CHF 172 million.

The picture is different for 'semi-private' and 'private' room products. There will be no change in tariff for 80% of those products in 2014, the reason for this in part being unsatisfactory earnings in previous years. This is the case for approximately 100 million policyholders. Premiums for 11% of the products that provide coverage for approximately half a million policyholders will drop by an average of 7% which corresponds to about CHF 68 million. On the other hand, 9% of the products will increase on average by less than 6% (CHF 27 million, 485,000 policyholders). The increase in tariffs is necessary to cover the future effects of aging policyholders.

Reduce losses and increase reserves

The tariffs approved by FINMA for 2014 are in line with legal requirements, even if the policyholders only benefit from part of the overall cost relief through a reduction in tariffs. This is due to loss-making products in supplementary hospital insurance that may now be able to pick up. In 2011, underwriting income in the sector for in-patient treatment products (after deducting administrative costs and building up reserves) was -7% and went up to +2% in 2012 following the introduction of the new hospital financing scheme (with respect to premiums).

Part of the cost reductions will go to company profits which is permitted in private health insurance. The tariff audit conducted by FINMA showed that the profit margins calculated by the insurers are not abusively high and also that the amount calculated for administrative costs is not disproportionate. FINMA found no signs of abusive or concealed skimming of profits.

Tariffs will be monitored

The calculation of premiums is nonetheless based on future prognoses. Uncertainty will continue to surround the development of service costs in health insurance. This has been confirmed by various surveys FINMA has conducted at insurance companies, hospitals and associations. In particular, the steady increase in health costs, the faltering negotiations in setting hospital tariffs, cantonal hospital lists that are only valid for a limited period and hospital quota restrictions, and the unforeseeable effects of flat-rate payments (SwissDRG) have been pointed out. The sector thus fears that against this backdrop the cost reductions identified will be needed in part to cover an increase in costs in other areas. FINMA will continue to closely observe future tariff developments when performing its supervision work.

Tariff audit in a sector with 56 insurers

The extraordinary tariff audit conducted by FINMA analysed all supplementary insurance products. About half of all the health insurers involved submitted tariffs that FINMA approved directly. In 22 cases, FINMA requested some extensive corrections after the first round of tariff auditing. Following intensive discussions with the insurers, they all followed FINMA's guidelines and it was therefore not necessary to initiate proceedings to reduce tariffs.

On 1 January 2013, 21 insurers were active mainly in the supplementary health insurance business. Another 16 general health insurers were active in both general health insurance and supplementary insurance, while 19 life or non-life insurers offered private health insurance as a sideline. The total premium volume in 2012 of FINMA-supervised health insurers amounted to CHF 9.6 billion. Supplementary hospital insurance products represented a premium volume of CHF 3.5 billion.

Supervision of supplementary health insurance: protection from insolvency and abusive practices

In the supplementary health insurance business, FINMA’s statutory mandate is to protect policyholders from the risks posed by insolvency and from abusively high tariffs. This is reviewed by implementing various supervisory tools and requesting reports on financial stability, corporate governance and product control. Products are audited in accordance with legal provisions setting out that tariffs can neither be abusively high nor too low to jeopardise solvency. In addition, supplementary health insurers must build up reserves to stabilise their company’s financial situation. Those reserves can only be used for this purpose and not, for instance, to pay dividends or cross-subsidise.

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