

**Abstract for “New Directions in American Health Care” conference for “Lessons from Abroad” panel**

**Title: The Swiss Experience with Managed Care in a Managed Competition Setting**

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The theory of “managed competition” holds that competition among insurers can achieve society’s cost and quality goals for the health care system, provided that the market is organized to expose consumers to the (marginal) costs of their coverage choices, but also to alleviate information asymmetries and concentrated market powers that place consumers at a disadvantage.

Since a comprehensive reform which took effect in 1996, all individuals in Switzerland are subject to what is known in American parlance as an “individual mandate” to purchase health insurance. The Swiss choose among competing private plans, but the market for this compulsory basic social insurance is highly structured and regulated. Although publicly-funded subsidies are available for low-income individuals, each individual bears the cost at the margin if he selects a more expensive plan. Switzerland has thus had more than a decade’s worth of experience with a health care financing system organized in large part in accordance with the principles of managed competition.

Managed competition ideas have also influenced actual and proposed reforms in the United States, including the Medicare Advantage program, the recent Massachusetts state reforms, and the national reform proposals that have been floated by the Obama White House and Congressional Democrats. Often, managed competition’s American advocates take it for granted that managed *competition* will inevitably lead to the growth of managed *care*. (For a recent example of this point of view, see Enthoven, 2008.) While managed care takes a myriad of organizational forms, they all share the defining characteristic that health plans selectively contract with a limited set of health care providers, thus placing restrictions on their enrollees’ choice of provider.

In the Swiss experience, however, managed competition has not resulted in the dominance of managed care. Although Swiss law permits companies to offer coverage with restrictions on choice of health care provider, and a variety of models built around selective contracting have emerged, Swiss managed care plans have captured less than a tenth of the market for basic compulsory social insurance. (Zweifel, 2004.)

This paper will explore the Swiss experience with managed care since the 1996 reforms in order to elucidate:

- The characteristics that predispose individual Swiss to receive their health coverage through managed care plans,
- The factors underlying the marked unevenness of managed care penetration across different Swiss regions,

- The cost and quality performance of Swiss managed care plans, in so far as that information is available,
- The organizational forms taken by Swiss managed care plans, including some consideration of how they are similar to and different from forms that have emerged in the U.S. market, and
- What characteristics of the broader Swiss health care delivery and financing systems have influenced, and perhaps limited, the development of Swiss managed care, including consideration of how the Swiss institutional setting compares to that of the U.S.

Citations:

Enthoven, Alain. 2008. "Health care with a few bucks left over." *New York Times*, December 27, 2008 online version, <http://www.nytimes.com/2008/12/28/opinion/28enthoven.html?scp=2&sq=Enthoven&st=cse>

Zweifel, Peter. 2004. "Innovation and risk selection in deregulated social health insurance." *Journal of Health Economics*, vol. 23 (2004) 997-1012.