

Zeitschrift: Swiss review : the magazine for the Swiss abroad
Herausgeber: Organisation of the Swiss Abroad
Band: 28 (2001)
Heft: 1

Artikel: Healthcare : thin line between quality and cost consciousness
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DOI: <https://doi.org/10.5169/seals-906683>

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Thin line between quality and cost

INTERVIEW: ALICE BAUMANN AND LUKAS M. SCHNEIDER

One of the central issues on the political agenda is the stabilisation of healthcare costs. Spiralling health insurance premiums are a particular cause of concern among the general population. But, as a debate among protagonists demonstrates, effective measures to brake costs are difficult to implement.

In 1996, when the Health Insurance Law came into force, the Federal Council promised comprehensive healthcare at an affordable cost. Yet according to OECD statistics, Switzerland operates the third most

expensive healthcare system behind the USA and Germany at a cost of 10.3 percent of gross domestic product. Ms Sommaruga, what went wrong?

Simonetta Sommaruga: First I should like to emphasise that the Health Insurance Law represents a major step towards solidarity in our society. But it has three great weaknesses: There is no incentive now for members of insurance schemes to save. This also applies to service providers. The more the doctor prescribes and examines, the more he earns. Nor is there any incentive for health insurance companies to create innovative, lower-cost insurance cover models. In judging the healthcare system we must not lose sight of two essential points: Firstly, higher costs do not show whether the population is healthier. Secondly, high life expectancy is not so much dependent on medical services as on economic and social living conditions.

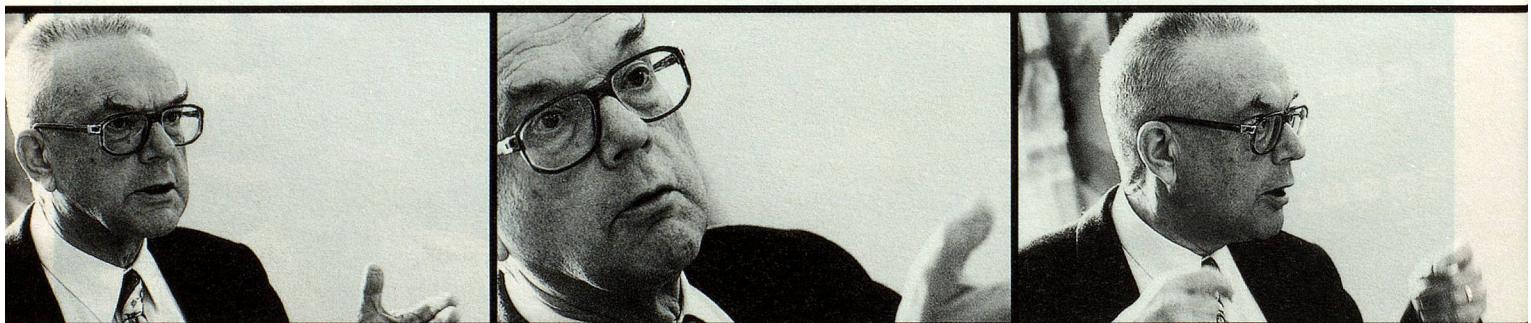
Mr Senn, do you share this view?

August Senn: I believe that we in Switzerland have a very good healthcare system. Prosperity includes good health. But the question is whether we can continue to afford this high level of comfort under the current basic insurance system. Certainly we can save, but healthcare cannot be financed merely by cranking up efforts at cost-cutting. The problem of costs is directly exacerbated by the fact that basic insurance incorporates as many benefits as possible. This is where we must draw the line.

Sommaruga: But reducing the benefits offered by basic insurance is nothing less than a manoeuvre to divert us from the main problems. An extension of basic health insurance cannot be blamed for rising healthcare costs. Lifestyle is not a driving cost factor. The fact is that the highest costs are incurred in the fields in which most doctors practice, and the lowest costs in those with the least number of practitioners.

Mr Streit, as a doctor you are bound to have thoughts on the deficiencies of the Health Insurance Law.

Reinhold Streit: The Health Insurance Law was presented to voters under the banner of cost-saving through broader-ranging benefits. This has turned out to be wrong. We must examine the additional insurances and distinguish between the desirable and the essential. We must be clear on the fact that costly paradigm shifts in medical research will occur over the next few years in more than just the drugs sector. It is therefore essential to discuss the imminent explosion of costs now: What do we want and how much



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expensive healthcare system behind the USA and Germany at a cost of 10.3 percent of gross domestic product. Ms Sommaruga, what went wrong?

Simonetta Sommaruga: First I should like to emphasise that the Health Insurance Law represents a major step towards solidarity in our society. But it has three great weaknesses:

Your association's position paper also calls for basic insurance to be trimmed back...

Senn: Yes, but only by introducing additional models. The benefits must be expandable in the case of life-threatening illnesses. On the other hand, benefits which come under the heading of lifestyle and minor complaints must be limited.

are we willing to pay for healthcare? I believe that our present lifestyle is worse than in former times. We have offered no incentives for people to behave differently. We must ask ourselves whether the community should bear the consequential costs of extreme sports, excessive nicotine consumption and the like. Over

Consciousness

the next few years rationing will be an inevitable topic of discussion.

The Health Insurance Law was passed with two main objectives in mind: Quality enhancement and cost reduction. The latter was to be achieved through the introduction of market-economy instruments. Four years on, however, we must admit that the principle of "More competition – lower prices" is apparently not in force. Why is this?

Senn: The Health Insurance Law provides for competitive conditions. But they are not or cannot be realised. For example, health insurance companies are not free to structure their tariffs and benefits.

Sommaruga: Everyone talks about competition! One current example is the ban on the parallel import of patented medicaments. No such ban exists within the European Union (EU). We in Switzerland still pay twice or three times higher prices for drugs and therefore wanted to introduce competition by facilitating the authorisation of imports. But the very factions who were crying loudest for competition have used every

Senn: Don't forget that we are one of the leading countries in the production of pharmaceuticals and medical products and that this is currently the most important export branch! In this area we are the world leaders after the USA. It is understandable for this industry to want to protect its patents. Nowhere else in the world are parallel imports of patented medicaments permitted from one country to another. They only exist within the EU.

Sommaruga: But I still don't understand why Swiss consumers should pay twice or three times higher prices for medicines. Also, the aim is not to eliminate patents. The problem is the sealing-off of markets with patents. Next March an interesting initiative will be up for vote which offers consumers a genuine alternative for reducing the cost of drugs.

Streit: We are now concentrating heavily on medicaments. With rising healthcare costs, there is nowhere we can make major corrections. The cost spiral is not so much attributable to an increase in prices of medicaments already on the market, but to the

The speakers

August Senn, 55, CEO of Grünenthal Pharma AG. Since 1997 Vice President of the Association of Pharmaceutical Importers (VIPS).

Simonetta Sommaruga, 40, since 1999 SP National Councillor for Berne. Long-standing director of the Foundation for Consumer Protection and President since 2000.

Dr. Reinhold Streit, 66, practising gynaecologist until the end of 1999. President of the Canton of Berne Society of Medical Practitioners since 1992.

and non-profitable patients. For example, hospitals are subject to a lump-sum compensation which only partly covers patient costs. In a truly free market we would have to accept a system which could no longer be labelled a social health insurance scheme. Although I am of centre-right persuasions, I believe that competition in the healthcare sector has its limits. We must cater to the

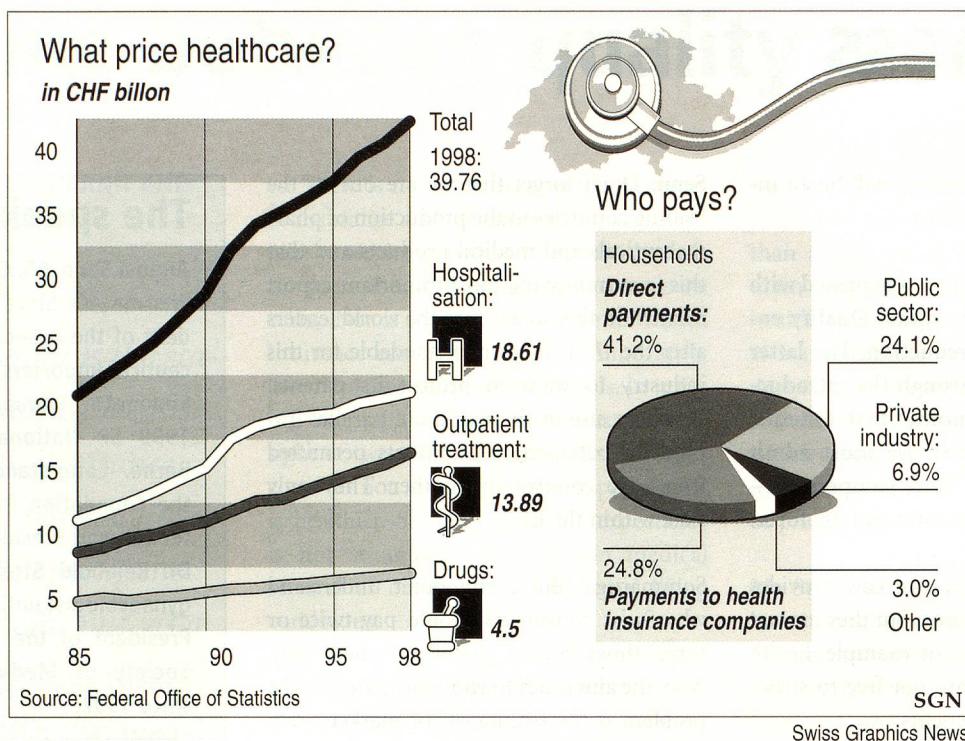


Simonetta Sommaruga: "The fact is that the highest costs are incurred in the fields in which most doctors practice, and the lowest costs in those with the least number of practitioners."

weapon they have to oppose it. This to me is a fundamental problem of Swiss healthcare: Whenever and wherever changes are to be made or costs to be cut, those who represent the affected interest vehemently oppose such moves. Needless to say, this impedes the introduction of free-market elements.

appearance of new drugs. We cannot give our patients old drugs which have more side-effects and are less effective. We need these new drugs in order to improve treatment. Yet these products are bound up with high research costs. The competition is good, but we must be under no illusions on one point: Competition creates profitable

needs of non-profitable patients. Nowadays healthcare is often viewed from the economic viewpoint alone. We doctors are called on to act as guardians of quality. Yet quality requirements can also be responsible for rising costs. So it is important not to over-emphasise them. For me, quality is a central and key reason for competition in



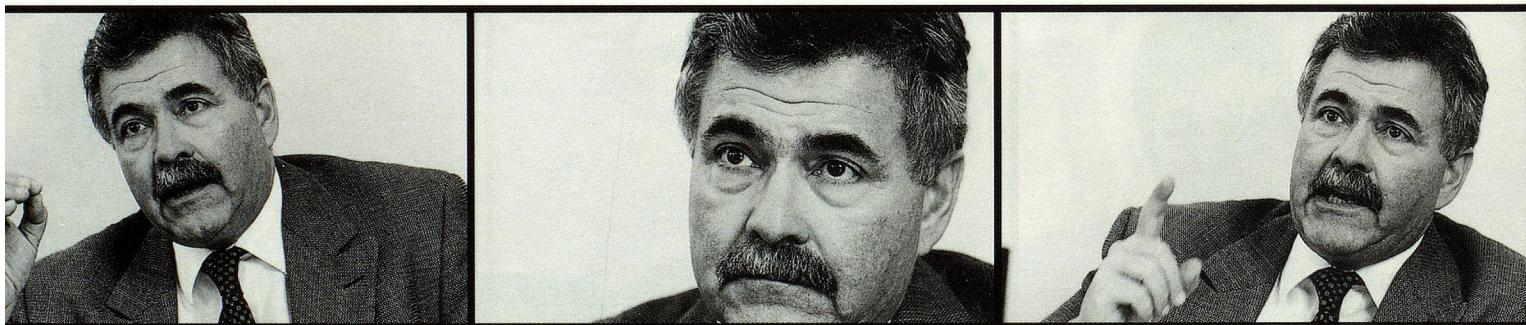
the healthcare sector to be kept within limits.

Sommaruga: I think it is wrong to believe that quality automatically leads to higher costs. Naturally we should not allow doctors alone to define what is meant by quality. Insurance scheme members and patients must also be allowed to define their concept of

operation and long-term course of therapy. Finally, patients are also entitled to lodge their opinions and complaints with a neutral ombudsman.

Streit: Controlled quality is important: I have no quarrel with that aspect of your proposals. Quality assurance exists in medical practices in several guises. Think of the

All service providers need to provide consumers with comprehensive information. This includes the pharmaceutical industry and has nothing to do with advertising. But in the healthcare business, costs are rising inexorably due to medical research and the demands of patients. Ms Sommaruga said herself that the Health Insurance Law contains no incentives. But we must create



August Senn: "Prosperity includes good health. But the question is whether we can continue to afford this high level of comfort under the current basic insurance system."

quality. Quality management includes allowing doctors to monitor the efficiency of their treatment regularly and in a scientific manner. I should also like to see the introduction of patient questionnaires. Service providers should be visited at regular intervals by independent auditors. Also, a second opinion should be sought prior to every

certification options. And you can change doctors if you are unhappy with your present practitioner. By the way I am not saying that quality in principle increases costs. In many cases it reduces them.

Senn: I agree with Ms Sommaruga that quality can still be significantly improved.

them. In my opinion the only solution is to set a limit on the basic insurance. It should offer essential benefits but no fully comprehensive coverage. At present we treat basic insurance as if it covers everything. We must therefore design new supplementary insurance models.