

# Health and the Economy

a series of country snapshots



## How does Switzerland's health sector contribute to the economy?

**Health matters.** The health sector is an important and innovative industry, as well as a source of stable employment for many people. Health systems support active and productive populations, reduce inequities and poverty, and promote social cohesion. A strong health system makes good economic sense and underpins the overall sustainable development agenda.

Countries around the world are grappling with the health, economic and fiscal implications of the COVID-19 pandemic. As they begin to recover from the crisis, difficult decisions will need to be made about how to allocate scarce resources. These snapshots share valuable evidence for policy-makers on how investing in health sectors and health systems helps to achieve national economic objectives.

This snapshot is part of a series developed by the European Observatory on Health Systems and Policies in collaboration with the WHO Barcelona Office for Health Systems Financing. It draws on cross-country comparable data and country-specific analysis and expertise to explore how well the health sector in Switzerland contributes to the economy – and how it can do more, especially in the context of COVID-19.

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# How does the Swiss health sector contribute to the economy?

## Switzerland spends a lot of money on health care, but the health sector is also a major contributor to the Swiss economy

Health spending in Switzerland is amongst the highest in the European region and the world. In 2020, current health spending accounted for 11.8% of the total gross domestic product (GDP). This is markedly above the European Union (EU) average of 8.5% and third in the region after Germany (12.8%) and France (12.2%), as seen in Fig. 1 (WHO, 2022). At the same time, the health share of the government budget accounted for only 11.1% in 2020, well below the health share of government budget of Ireland (20.5%), Germany (19.8%), or Sweden (18.8%) (WHO, 2022) (see Fig. 1).

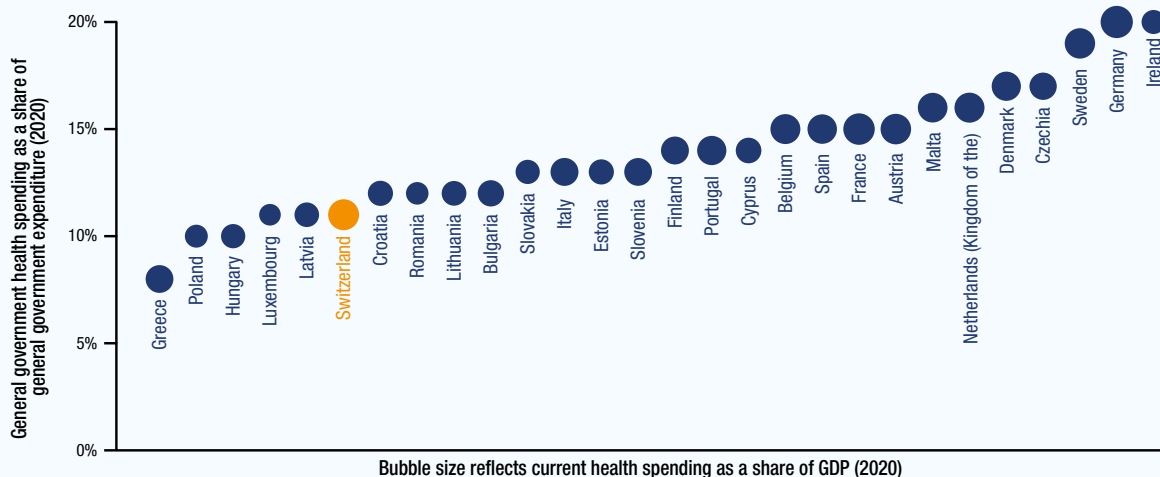
In terms of health spending per person, Switzerland ranks first in the European region with US\$ 10 310 purchasing power parity (PPP), which has more than doubled in nominal terms since 2000, when it was US\$ 3529 PPP (WHO, 2022). Several reasons can explain the increase, including an ageing demographic, medical-technical progress, growth in the volume of services, wage growth, and recent costs associated with the COVID-19 pandemic (see Box 1).

In addition to high spending on health care, the health sector itself plays a major role in the Swiss economy. The health sector, including long-term care and social institutions, contributes approximately 8.0% of the annual GDP in 2021 (Federal Statistical Office, 2022c). The pharmaceutical and medical devices industries are both important sources of public revenue and significantly contribute to the country's high GDP. In 2020, these two industries generated 6.3% of annual GDP and constituted the second most important industrial sector after machinery (FDFA, 2022). In 2017, 38% of Switzerland's exports were medicines and pharmaceuticals. Together with chemical industries, they are responsible for almost 50% of all Swiss annual exports (PwC, 2018). Moreover, Switzerland is a popular destination for health tourism. In 2021, about 2.5% of all inpatient stays were by patients abroad, which is below pre-pandemic numbers, but the demand for medical tourism is increasing again (Federal Statistical Office, 2022b). This includes both wellness and medical tourism. The country's tourism board is currently actively promoting Switzerland to visitors seeking health treatment.

### Box 1 Health, COVID-19 and the Swiss Economy

Although it is still too early to assess the full impact of the COVID-19 pandemic on the Swiss health system, the Swiss federal government considerably increased expenditure in response to COVID-19. The confederation paid for additional medical equipment and COVID-19 testing, and employed military personnel in the health sector. In addition, the confederation covered expenses for COVID-19 vaccinations in 2021. Total direct costs of the COVID-19 pandemic are estimated to be approximately 5.5 billion Swiss Francs for both 2020 and 2021. However, this is probably a low estimate, as the costs to cantons and individuals have not been systematically evaluated and quantified (FOPH 2022b). Overall health system costs grew by 7.3% in 2021 and should theoretically abate in 2022 and 2023, but predictions are uncertain and difficult to make (Anderes & Graff, 2021).

**Fig 1** Switzerland has one of the highest current health expenditures as a share of GDP in the region, however Switzerland's share of government budget committed to health is comparatively low



Source: WHO, Global Health Expenditure Database (2022).

Note: GDP, gross domestic product. \*Gross National Income (GNI) is used in place of GDP for Ireland.

## The health sector in Switzerland is a stable source of jobs, now and in the future

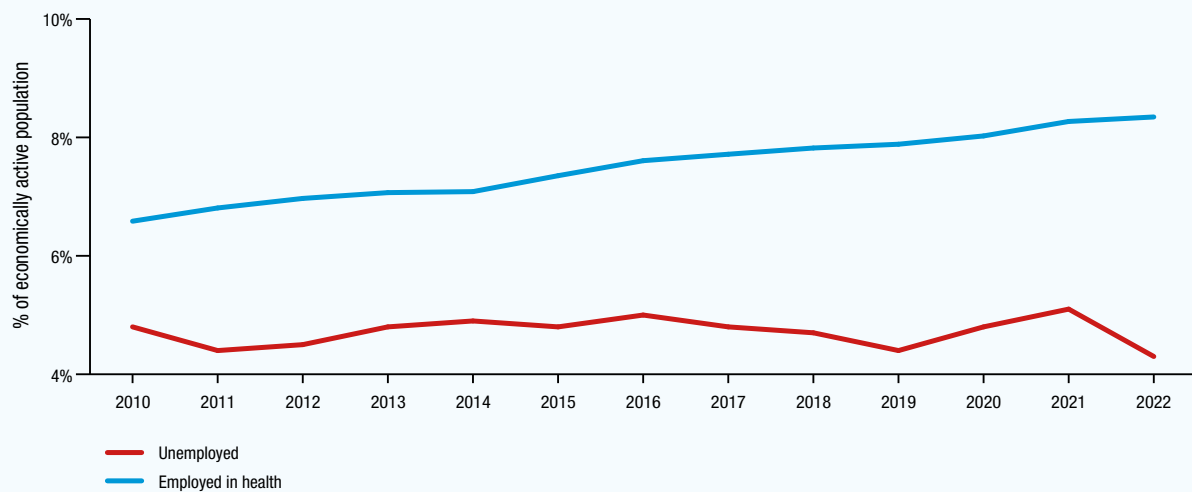
Health sector employment in Switzerland has grown in the last 10 years, despite labour market fluctuations (Fig. 2). In 2022, the health sector employed over 4.32 million people, accounting for 8.3% of Switzerland's economically active population and up from 6.58% in 2010 (Eurostat, 2022a; Federal Statistical Office, 2022d).

Switzerland has relatively high numbers of physicians and nurses, with 4.3 physicians and 17.9 nurses per 1 000 people in 2018, above the EU average (World Bank, n.d.). Nonetheless, there is a shortage of general practitioners, especially in rural areas. In all, 185 600 people were employed in the care and support sector in Switzerland in 2019. It has been estimated that by 2029, Switzerland will need 222 100 care workers, which corresponds to an additional requirement of 36 500 people (+20%) (Merçay, Grèneg & Dolder, 2021). According to a reference scenario by the Swiss Federal Statistical Office, the expected growth of the population aged 65+ is around 70% between 2018 and 2050. In absolute numbers,

this means that in 2050 about 2.7 million people will be in the age group 65+, compared with 1.6 million at the end of 2019 (Federal Statistical Office, 2020, 2022a). This means a likely strong demand for health and care workers in the long term, creating the potential for many new jobs. The pharmaceutical industry is also a large source of employment, with 53 000 people working in the sector in 2021 (Statista, 2023).

The Swiss health care system relies heavily on health professionals trained abroad. In 2021, 38.4% of working doctors in Switzerland were trained abroad; mostly in France, Germany, Italy and Austria. However, Switzerland is currently taking steps to expand national training capacities and reduce its reliance on foreign-trained professionals.

Given the constrained staff availability and to control rising staffing costs, there are increasing efforts to improve the efficiency of care. For example, interprofessional care models improve the quality of services, increase patient-

**Fig 2** Jobs in the Swiss health sector have remained stable despite labour market fluctuations

Source: Eurostat (2022a), Eurostat (2022b), Federal Statistical Office (2022d).

centredness, and use health care resources more effectively and efficiently. Some regional initiatives have recently implemented such interprofessional models using, for example, advanced practice nurses (APNs) in primary care. However, reimbursing APN services is a barrier

to wider implementation. The current fee-for-service scheme (TARMED) reimburses only those services provided by physicians, whereas APN services in primary care are only remunerated through separate negotiations with the insurance companies.

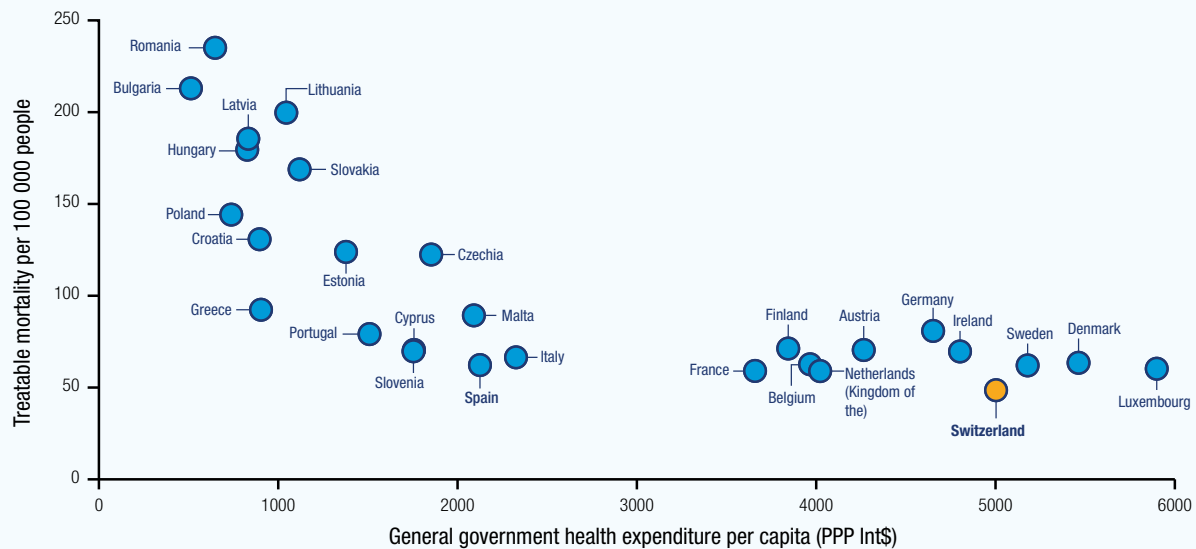
## Switzerland achieves outstanding population health outcomes and manages to keep people in the workforce at older ages

The Swiss health system achieves excellent health outcomes. With a treatable mortality rate of 48.5 in 2020, Switzerland has the lowest treatable mortality rate in the European region among countries with available data (Eurostat, 2020). This means that 48 deaths per 100 000 people could have been avoided through access to quality health care – much lower than the EU27 (27 member states of EU as of 2020) average of 91 deaths per 100 000 (Eurostat, 2020). This suggests that the Swiss health system in general is effective and resources are put to good use. Moreover, treatable mortality has been falling over the past decade, reflecting the continuous improvement in the quality of health care in the country and the steady increase in health spending. Indeed, Switzerland's average life expectancy was among

the highest in western Europe at 83.8 years in 2021. The 2021 average life expectancy has increased from 74 years in 1990, but is slightly lower than in 2019, when it was 84 years, probably as a result of the COVID-19 pandemic (World Bank, 2022).

Keeping people healthy across the life course contributes to a larger, healthier, and more productive workforce and enables people to participate in the labour market for longer. For example, in 2021, 75.8% of people in Switzerland aged between 55 and 64 years participated in the labour market, well above the EU average of 64% (Eurostat, 2021). Also, the retirement age is among the highest in Europe at 65.4 years for men and 64.1 years for women in 2020, only

**Fig 3** Switzerland invests in health and achieves the lowest treatable mortality rate in the EU



**Source:** Eurostat (2020); WHO, Global Health Expenditure Data Base (2022), OECD (2020b).

**Notes:** PPP Int\$, purchasing power parity in international dollars. For Switzerland, US\$ per capita are used.

exceeded by Sweden (OECD, 2021). This is especially important given an ageing population, but differences between countries are, of course, also a result of policies outside the health sector, for example, the legal retirement age, early retirement options, and pension payment schemes.

However, there is room for improvement. According to the World Bank's Human Capital Index, a child born in Switzerland in 2020 can expect to be 76% as productive by age 18 years relative to a child with complete education and full health (Human Capital Index 0.76) (World Bank, 2022). This is above the EU average of 73% and on a par with France, but behind countries like the United Kingdom (78%) or the Kingdom of the Netherlands (79%). Contributing to a healthy start to life, Switzerland's infant mortality rate is good but can be improved: at 4 per 1 000 live births in 2020, it is lower than the G20 average of 11.9 per 1 000 live births but higher than Germany (3.7), Italy (2.9) and Spain (3.2) (World Bank, 2022). Vaccination rates in Switzerland vary across cantons and some people are hesitant about childhood vaccinations. In 2017, the Swiss Government adopted a national immunization

strategy to improve public awareness and access to vaccines, but more could be done to invest in preventive and public health services to improve child health.

Switzerland also has significant inequalities in treatable mortality by language region and income group. French and Italian speaking regions have lower treatable mortality rates. The inequality may be partially explained by financial barriers to accessing necessary care, which particularly affect low-income households and undocumented migrants.

The Federal Council strategy *Health2030* defined new health policy priority areas in 2019, addressing current and future challenges in the Swiss health system. Promoting health literacy, ensuring healthy ageing through improved prevention of non-communicable disease, promoting child and adolescent health, as well as improving the quality of care through enhanced coordination are on the agenda. The strategy also emphasizes controlling costs and protecting low-income households, and picks up on some of the key investment areas to ensure a healthy population and workforce.

## Steady increases in mandatory health insurance premiums and high out-of-pocket payments are burdensome, particularly among low-income households

The goal of universal health coverage is to ensure that everyone can use the health services they need without experiencing financial hardship (United Nations, 2015). Universal health coverage is central to health and well-being, alleviates poverty, reduces socioeconomic inequalities, contributes to health security, and boosts economic growth (Cylus, Govin & Smith, 2018). Financial protection, which is central to universal health coverage and health system performance, is measured using two indicators: catastrophic health spending and impoverishing health spending.

According to Switzerland's Health Insurance Law, health insurance is mandatory for all residents. Coverage is close to 100% and the system guarantees access to a comprehensive set of services, including outpatient physicians' appointments, laboratory tests, radiological examinations, drugs on the list of basic medicines, inpatient stays, obstetric care. In addition, basic health insurance covers physiotherapy, nutritional counselling, speech therapy, rehabilitation

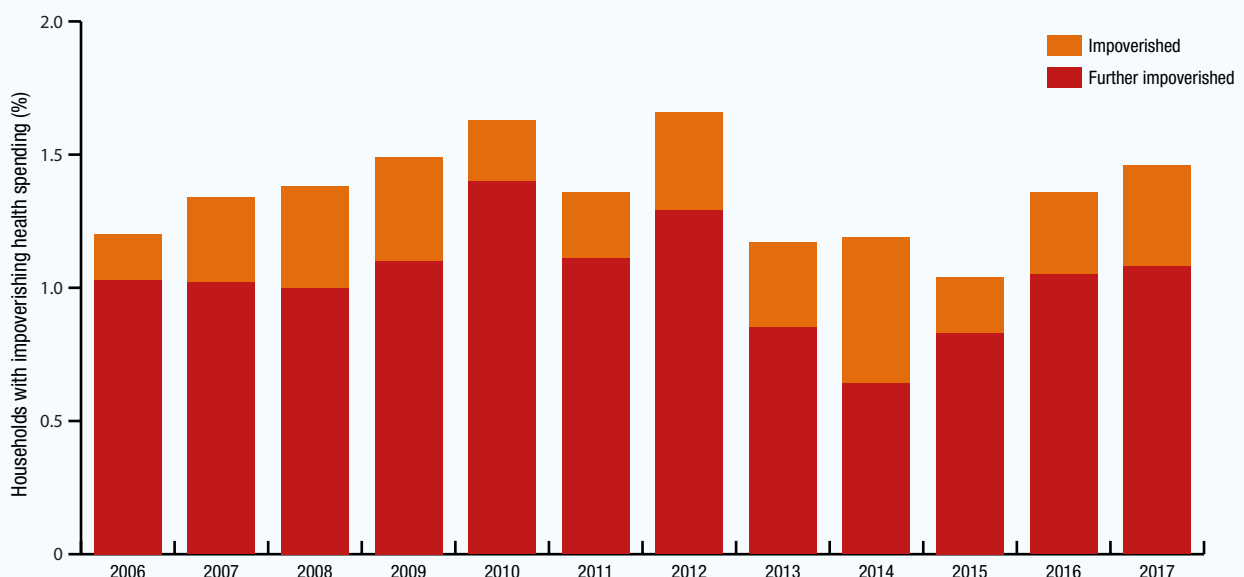
and even complementary medicine for certain conditions if prescribed by a doctor. The comprehensiveness of covered services leads to high monthly premiums in basic health insurance, but multiple mechanisms are in place to protect people from financial hardship. For example:

- Maternity care and some preventive services are exempt from cost-sharing
- Children and students up to the age of 25 years are exempt from co-payments for inpatient care and pay a lower insurance premium
- Low-income households pay subsidized health insurance premiums

As the mandatory health insurance (MHI) scheme covers most necessary health services, private health insurance is supplementary and voluntary.

Financial hardship in Switzerland is low, but some European countries such as Spain do better. In 2017 (the latest year for which data are available), 2.7% of households experienced catastrophic

**Fig 4** Proportion of households impoverished, further impoverished as result of paying out of pocket for health care in Switzerland



Source: WHO Regional Office for Europe (2019), unpublished financial protection data.



health spending and 1.5% were impoverished or further impoverished after out-of-pocket payments (Fig. 4). Cuts to public spending are starting to erode MHI financial protection for low earners. The amount of subsidies granted to eligible individuals has been lowered in recent years and the income threshold that determines subsidy eligibility has also been lowered by some cantons.

Out-of-pocket (OOP) payments as a share of current health spending are generally high in Switzerland and reached 22% in 2020, similar to the EU average of 19% (WHO, 2022). Some services and products are not included in the MHI scheme and must be paid for OOP, for example dental care. Private insurance is available for these services, but usually at a high cost. Financial protection and fairness of financing

are increasingly important issues as rising MHI premiums and OOP payments place a large financial burden on lower- and middle-income households. This could lead to adverse health outcomes and could impact the overall economic and social situation of affected households.

As explored in Box 1, the COVID-19 pandemic posed an additional burden on health system finances. During the pandemic, the Federal Council quickly decided to bear the costs of most of the severe acute respiratory syndrome coronavirus 2 antigen-detection rapid diagnostic tests and the vaccine roll-out. This policy has shifted in 2022, and part of OOP spending now goes towards private COVID-19 tests that the federal government no longer covers.



# Key lessons

## **Greater investment in public health initiatives would contribute towards a healthier and more productive workforce**

The Swiss health system is well-resourced and a major contributor to economic growth. Despite high levels of spending, there is scope to improve children's health, such as improving the under-5 mortality and vaccination rates. Also, the management of chronic diseases and the provision of services for vulnerable groups could be improved. Currently, little health budget is spent on public health and preventive services. More services to prevent non-communicable diseases could improve the health status of the population. This would help to assure healthy ageing and reduce costs associated with treatment and long-term care. By investing in health promotion and public health initiatives, Switzerland could use cost-effective approaches to improve population health and maximize human capital and productivity, further contributing to the overall well-being of the population.

## **Strengthen domestic health worker training capacity and implement integrated care models for more efficient use of staff**

The health sector is a stable long-term source of employment. Switzerland is heavily reliant on health professionals trained abroad, due to limited domestic training capacity. This means that Swiss citizens miss out on employment opportunities in the Swiss health sector, and it renders the health system vulnerable to global skill shortages. Switzerland has recently started developing strategies to ensure that the health workforce is fit for the future. Thinking one step further, integrated care models are an opportunity to use the existing health workforce efficiently and to provide high-quality person-centred care. Integrated care requires a high degree of interprofessional collaboration, but there are current barriers to implementing these new ways of working.

## **Ensure sustainable financial protection through equitable mandatory health insurance premium subsidies and lower out-of-pocket payments**

Enhanced financial protection would have multiple benefits, for example improved health, improved productivity of the workforce and reduced long-term costs to the health and welfare systems. In the current health system, less well-off households are required to weigh up the need for basic health care against the financial implications of seeking care. High OOP expenditure creates significant barriers to access for the least well-off. This is because MHI premium subsidies have been eroded with time and there is high cost-sharing at the point of use. Additional exemptions and better MHI premium subsidies for groups at risk of foregoing care because of financial constraints could improve financial protection. Moreover, rethinking MHI cost-sharing could invite wider discourse on the value of care, encouraging high-value and discouraging low-value care.

# Description of the health system

Switzerland ensures access to health care through a system of MHI, which has been compulsory for every resident since 1996. The Swiss health system is highly decentralized. The federal level defines the legal framework for managed competition in the statutory health system and supervises developments at lower levels of the system. Cantonal governments are responsible for the provision of health care and for the implementation of federal policies. Several coordination bodies exist to improve the collaboration of cantons among each other and with the federal government. Popular initiatives and referenda play a prominent role in influencing health policy-making, at both the local and national levels. Certain reforms of the health system require a positive referendum

by the Swiss population. MHI is offered by competing non-profit insurers overseen by the Federal Office of Public Health. It covers most general practitioner and specialist services, home care, physiotherapy (if prescribed), and some preventive care, as well as several pharmaceuticals and medical devices. Hospital services are also financed by MHI, although vastly subsidized by the cantons. Routine dental care (except for children) is excluded from public coverage. Financial flows are split between different government levels and social insurance schemes. Resources are collected mostly through taxes and MHI premiums, with a substantial part allocated to the various social insurance schemes, in particular to subsidize MHI premiums for lower-income households.

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Key indicators	Switzerland	EU Average
People aged 65 and above (% of total)	18.7	20.8
Life expectancy at birth (years)	83.1	80.4
GDP per person (PPP US\$)	72 000	46 225
Current health spending per person (PPP US\$)	10 310	3 260
Health spending paid out-of-pocket (% of current health spending)	22	19

Source: World Bank (2022); WHO, Global Health Expenditure Data Base (2022).

Note: GDP, gross domestic product; PPP US\$, purchasing power parity in US dollars. Data for 2020.



The European Observatory on Health Systems and Policies is a partnership hosted by WHO that includes international agencies, national governments, decentralized authorities and academic research institutes. It supports and promotes evidence-informed policy-making, using comparative analysis of European health systems and trends to give decision-makers insights into how their own and other systems operate; what works better or worse in different contexts; and why. Ultimately the Observatory aims to help countries strengthen their health systems to improve their peoples' health and well-being. It engages directly with policy-makers and works with a range of experts, not least its Health Systems and Policies Network whose members provide key knowledge and insights into health systems in countries.

## WHO Barcelona Office for Health Systems Financing

The WHO Barcelona Office is a centre of excellence in health systems financing for universal health coverage. It works with Member States across WHO's European Region to promote evidence-informed policy-making. A key part of the work of the Office is to assess country and regional progress towards universal health coverage by monitoring financial protection – the impact of out-of-pocket payments for health on living standards and poverty. Financial protection is a core dimension of health system performance and an indicator for the Sustainable Development Goals. The Office supports countries as they develop policy, monitor progress and design reforms, and is part of the Division of Country Health Policies and Systems of the WHO Regional Office for Europe.