Healthcare Sector Overview

Overview of the framework conditions and challenges in the healthcare sector

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Introduction

In 2023, Switzerland's hospital landscape comprised 275 healthcare facilities. These are divided into 101 general hospitals, 51 rehabilitation clinics, 49 psychiatric clinics, and 74 other healthcare facilities. In 2023, outpatient consults increased slightly to 23 million (+0.1%). Inpatient hospitalizations remained unchanged at 1.5 million. In general, there is a trend towards a shorter length of stay in the inpatient sector and, in some cases, a shift from inpatient treatment to outpatient procedures. With a total of around 38,000 beds and 186,000 employees (in full-time equivalents), the healthcare sector generated operating expenses of CHF 36.1 billion (+5.3%). This corresponds to around 4.5% of Switzerland's gross domestic product (GDP).

With the introduction of the major hospital reform on January 1, 2012, Swiss hospitals were exposed to tougher competition in the provision of basic care. The greater competitive pressure is manifested both in the provision of services and in the autonomous financing of services by so-called listed or contract hospitals.

The Swiss hospital landscape can alternatively be divided into the following four categories of service providers:

- **University Hospitals**
- **Cantonal hospitals**
- **Regional Hospitals**
- **Private hospitals**

Hospital Financing Since 2012

The financing system in place since 2012 is based on performance-related flat rates, so-called case rates. These are distributed according to the SwissDRG tariff system. Among other things, this is intended to implement the requirements of true-cost pricing (bench marking) and quality. The aim of the hospital financing system is no longer to finance hospitals as institutions, but to finance their services to patients.

The cantons have been assigned various tasks, duties, and competencies, including the keeping of cantonal hospital lists. Public or private hospitals that are included on the hospital list receive cantonal contributions towards the costs of medical treatments. The current hospital financing system defines the division of costs between the cantons (minimum 55%) and health insurance companies (maximum 45%).

Whereas the public sector used to finance hospital buildings and facilities before 2012, the corresponding costs are now covered by hospital revenues. In addition, hospitals were generally obliged to cover their financing or investment needs independently on the credit or capital markets.

The latter aspect in particular has led to some need for adaptation and the development of appropriate know-how in the various management and executive bodies of hospitals. Whereas in the past, the cantons normally took over the provision of capital for public hospitals or procured outside capital in their own name and acted as counterparties, it is now the hospitals that have to or would have to cover their financing needs independently on the credit and/or capital markets.

While some cantons revised their hospital strategy some time ago, reducing the number of hospitals and thus preparing themselves for competition and the free choice of hospital, corresponding efforts in other cantons were not successful or have not even been initiated yet. In addition, infrastructure investments that are often postponed require modernization, which should also optimize processes and result in increased efficiency. Optimal orientation towards patient needs, coupled with technological progress, requires a future-oriented investment policy and ultimately additional capital requirements.

Outlook

It is safe to assume that numerous adjustments such as hospital closures and hospital mergers will continue to change the Swiss hospital landscape in the future. Today, regional hospitals in particular are exposed to stronger competition than cantonal hospitals. In the future, therefore, a continuous reform process in the regulatory environment of the healthcare sector is to be expected.

Moreover, it cannot be ruled out that cantons which already largely fulfill the requirements of the new hospital financing will build up pressure at the federal level accordingly in order to stop the deficit and liability guarantees set up in other cantons. In this way, they want to prevent cantons that have so far been inactive in this area from continuing to provide their hospitals with explicit liability and deficit guarantees, thus distorting real solvency ratios. When assessing creditworthiness in the healthcare sector, it is therefore essential to pay attention to current developments in the regulatory and political environment and to reflect the corresponding risks in the rating.

This was also evident during the Corona pandemic, which led to postponements of elective interventions and additional expenses at many hospitals. A large number of financial support measures were implemented by most cantons. The contributions of the cantons for the Corona pandemic year 2020 totaled more than CHF 1.1 billion, of which about half was borne by the cantons of Geneva, Vaud, Aargau, and Bern. However, these compensation payments were not sufficient across the board to avoid financial loss statements for the 2020/2021 financial years.

The shift from inpatient to outpatient treatment, the change in hospital lists (including minimum case numbers for individual hospitals) and the setting of new billing rates are challenges with which hospitals are familiar. In addition, a steadily increasing proportion of patients with basic insurance can be observed. Furthermore, the entire healthcare industry is confronted with an accelerating worsening of the existing shortage of specialists in medical professions.

The future of the Swiss healthcare system is facing a comprehensive transformation, characterized by the introduction of new systems such as TARDOC and EFAS. The new TARDOC tariff system will replace the current TARMED system as of January 1, 2026. In order to avoid undesirable cost effects, TARDOC is to be introduced gradually and cost-neutrally over three years and accompanied by monitoring. The EFAS system was approved in the referendum on November 24, 2024 with 53.31% of the votes. The aim of EFAS is to standardize the financing of outpatient and inpatient services. It will be implemented in two phases: Uniform funding for outpatient and inpatient services is to be introduced from 2028, and care services are also to be integrated into the funding system by 2032. Thanks to joint financing, cantons and health insurance companies will cover the costs.

In addition to TARDOC and EFAS, the Swiss healthcare system will also be subject to structural adjustments in the future. Hospital mergers and closures will continue to change the hospital landscape, particularly for regional hospitals that are in competition with larger cantonal hospitals. Another key issue remains the shortage of specialists in medical professions. Additional measures are required here in order to guarantee the security of care.

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