

Healthcare and social services

With its high degree of regulation, healthcare and social services is distinct in many respects from all other branches of industry, as its players operate more or less independently of cyclical fluctuations in the global economy or only feel their effects after a considerable delay. In addition, healthcare services are considered to be "superior goods" which enjoy greater demand as incomes grow. In an environment of intense political debate over growing costs in healthcare in recent years, performance in individual sectors has primarily been shaped by ongoing regulatory intervention in the system, as revealed by our survey of more than 180 providers in the industry.

Hospitals still on course for growth

The hospitals we surveyed reported renewed increases in operating costs for 2007. Overall, capacities were better utilized and rates increased slightly, a combination of factors which improved cost coverage. Payrolls were expanded significantly once again, while investment budgets were boosted slightly over the previous year. The medium-term outlook for Swiss hospitals will hinge largely on the reform of hospital financing, which aims to enhance the transparency of quality and costs among service providers through the introduction of a flat-rate fee per case. For 2008, hospitals anticipate a similar trend to last year, with another sharp increase in operating costs and expanding payrolls.

Medical and dental practices feeling pressure on rates

The business environment for medical and dental practices looks decidedly more bleak, according to the results of our survey. While cost coverage already went down significantly in 2007 for the dentists we surveyed due to declining capacity utilization, the medical practices responding to our survey expect a tangible deterioration in their cost coverage for 2008. A pronounced drop in rates is mostly to blame for this development, which goes back to the new "Tarmed" price tariff introduced in 2004. Meanwhile, the political discussion around the looming shortage of general practitioners has intensified amidst the freeze on new medical practices which went into effect in 2002. Nevertheless, the Council of States agreed to a two-year extension of the freeze on new medical practices in its last winter session.

Nursing homes and old age homes supported by demographic trends

Growth continues unabated in nursing homes and old age homes. On all the indicators we surveyed – including operating cost, cost coverage, rates, staffing and investments – the homes reported positive growth for 2007. With the health insurance law passed in 1996, which expanded the number of reimbursed care services as well as the range of service providers, the costs of care also continued to rise, despite the reference fee schedule enacted by ordinance on a limited time basis in 1998. Meanwhile, reform of healthcare financing remains in parliamentary negotiations at present but will likely keep the industry occupied for some time to come. Significant growth over the medium to long term for this sector is assured by virtue of irreversible demographic trends alone. ■

