

Health insurance premiums are rising – how to respond?

CIO Essentials

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- Next year, health insurance premiums will rise by 4.4%, while key interest rates are likely to remain at 0.0%. Savers are thus facing a loss of purchasing power in 2026.
- However, households have the opportunity to defend themselves against this gradual loss of purchasing power by shifting from savers to investors and engaging in financial markets.
- The volatility of equities is significantly higher than that of a savings account. Investors can better position themselves against such volatility with a broadly diversified, income-generating portfolio held over a longer period.



Last week, Health Minister Elisabeth Baume-Schneider announced that health insurance premiums will increase by an average of 4.4% in 2026. This year, premiums are rising by 6.0%, and since 2000, the average annual increase has been around 4.0%. It is therefore not surprising that the fear of rising health insurance premiums ranks first in the UBS Worry Barometer 2024, ahead of climate change and retirement provision.

The national consumer price index presents a very different picture. Over the past 25 years, annual inflation in Switzerland has averaged only 0.6%, and in the health care sector, prices have actually declined by 0.1 percent during this period.

At first glance, this seems contradictory, because with health insurance premiums, we do not only pay for potentially higher prices or benefit from lower prices. Primarily, premiums are rising because, as a society, we consume more health care services every year. While the Swiss economy has grown by 1.9% per year since 2000, the health and social sector has recorded an annual increase of 3.3%. For individual households, however, this is only a small consolation, as they still suffer from higher health

insurance premiums.

Two days after Baume-Schneider's announcement, SNB President Martin Schlegel held a press conference. At its September monetary policy assessment, the Swiss National Bank (SNB) kept its key interest rates stable at 0.0%. Since the beginning of 2024, the National Bank has reduced rates by a total of 1.75 percentage points. Schlegel justified this low interest rate level with low inflation and the currently uncertain outlook. We also expect low inflation of 0.5% next year and weak growth burdened by US tariffs, so the SNB is likely to keep rates at 0.0% for the next 12 months.

This means that savers will again face a situation next year that they know all too well from the past decade. At first glance, the situation does not look so bad: They receive hardly any interest on their savings accounts, but inflation is also close to zero. However, given the rise in health insurance premiums, savers are likely to face a loss of purchasing power.

The increase in health insurance premiums is likely to continue as the aging of society progresses. For medications, even higher prices are expected in Switzerland,

as pharmaceutical companies are under pressure to lower prices in the US.

However, households have the opportunity to defend themselves against this gradual loss of purchasing power by shifting from savers to investors and engaging in the financial markets. Swiss equities have gained an average of around 6.5% over the past 10 years and as much as 8.0% over the past 50 years.

The volatility of equities, however, is significantly higher than that of a savings account. Investors can better position themselves against this volatility with a broadly diversified portfolio that they hold over a longer period. Additionally, investors who rely on a regular income face the challenge that neither savings accounts nor bonds can guarantee this income in a zero-interest environment. As an alternative, an income-generating portfolio can be considered, including dividend stocks—that is, shares of companies that pay out a high dividend.

Appendix

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