



Federal Policy on appliances for the disabled Evaluation of the provision of hearing aids in invalidity insurance (IV) and in old age and survivors' insurance (AHV)

Key facts

In accordance with federal legislation, in invalidity insurance (IV), aids with a simple and purposeful specification will be provided. Additional costs caused by any other specification will be borne by the insured person.

In invalidity insurance (IV), insured persons who meet the medical criteria will be provided with a hearing aid up to the price of CHF 1,570 (simple monaural unit) and up to CHF 4,065 (very complex binaural unit). Aside from the hearing aids, included in these amounts are also the services of the acoustician (6-8 consultations). Added to this, are the social insurance costs for two compulsory medical specialist's reports of approximately CHF 750. More complex provisions are envisaged for children. Thus Swiss invalidity insurance globally provides probably one of the best and most generous schemes (medically and technically).

The old age and survivors' insurance (AHV) covers only the costs relating to a monaural fitting and in addition it makes provision for cost-sharing amounting to 25% by the person insured. The battery costs and repairs are covered in invalidity insurance (IV) but not in the old age and survivors' insurance (AHV). As a rule in invalidity insurance (IV) one can apply for a new unit every six years, in old age and survivors' insurance (AHV) every five years. Approximately 90% of those acquiring a unit for the first time do so when they are older than 50.

In April 2006, the Swiss Federal Audit Office (SFAO) took the decision to carry out an evaluation of the provisions of aids in invalidity insurance (IV) and old age and survivors' insurance (AHV) using hearing aids as an example. Hearing aids are a significant expense item of both social insurances and these expenditures have sharply increased in the last few years.

Good level of use and high level of satisfaction

The level of use is an indicator for the utility of hearing aids. A representative, scientific investigation in 2006 confirmed the high quality of the Swiss provision model. 85% of the approximately 9,000 respondents wore their hearing aids regularly, i.e. either daily or at least on one day per week. Only 3% never wore their hearing aids. 5% of those with binaural units used only one of both units.

With a level of use of approximately 85%, Switzerland belongs to those countries with the highest regular use of hearing aids. The number of unused hearing aids is low in comparison to other countries. Even the level of satisfaction is high in comparison to other studies.

The investigation documents small but statistically significant differences in the case of duration of use and the level of satisfaction between the monaural and binaural provisions in the case of symmetrical hearing loss. The SFAO noted that the difference in usage was small but the additional expense, however, could be considerable.

Whether or not the good system lead to those with impaired hearing being better integrated in working life than in comparable countries was not examined. But there are indeed many other, important factors which can influence successful integration.



Massive and uncontrolled spending growth

From 1995-2005 expenditures on hearing aids in invalidity insurance (IV) and old age and survivors' insurance (AHV) doubled, whereby they went up considerably more than health care costs.

In the 2005 social insurance statistics, a total of CHF 114 million was reported for hearing aids in invalidity insurance (IV) and old age and survivors' insurance (AHV). Added to this, are the IV and AHV expenditures for the required medical specialist's reports amounting to CHF 23 million. Up to now these expenditures were never revealed. The SFAO estimates that insured parties in Switzerland are willing to finance better services than are prescribed by specialists through additional payments amounting to approximately CHF 60 million per annum. The SFAO's full costing calculation shows that total direct expenditures for supplying hearing aids in Switzerland amounts to over CHF 200 million per annum (2005).

In an international perspective strongly medicalised and extensive range of services

When supplying hearing aids in Switzerland, two extensive medical reports and 6-8 consultations with the acoustician are required as a rule. IV allowances relating to acoustician services (fitting and servicing) are three to four times higher than in Germany and in the case of supplying the hearing aids, amounts to between CHF 970 and CHF 1,965. The catalogue of acoustician services financed by the IV is extensive. For example, the comparative fitting is covered by the invalidity insurance also in the case of hearing aids provided at private initiative. The legality of this coverage is sketchy. Allowances paid to specialists are covered in the TARMED medical tariff agreement. These allowances are three to four times higher in Switzerland than in the two countries under comparison - Norway and Germany. The question is whether this comprehensive range of services satisfies the criteria of simple specification.

Against the service providers, the Federal Social Insurance Office (FSIO) is relatively weak

The information asymmetry between the Federal Social Insurance Office and the service providers should be denoted as a significant problem. In the tariff negotiations in 1999, the FSIO had only insufficient, independent information for calculating the service flat rate to acousticians. In calculating the time required for the services, the FSIO and the price supervisor were dependent upon the information from the acousticians. In calculating the tariff, very small acoustician transactions were used as a basis, and the additional payments from the insured parties were not taken into account. No international comparisons were carried out. This tariff which promised to reduce costs by 25%, was accepted and authorised in this form by the price supervisor. The SFAO evaluation shows that the objective of the FSIO with the 1999 hearing aid tariff was not reached. For more than seven years the tariff agreement remained unchanged whereas hearing aid technology and the market expenditures underwent rapid changes. Finally in 2006, and thanks to pressure from the price supervisor, the media and politics, it was possible for hearing aid (hardware) tariffs to be reduced. Remuneration for acoustician services has remained unchanged since 1999.

The SFAO notes that the information asymmetry in the tariff negotiations restricted the room for manoeuvre of the Federal Social Insurance Office (FSIO), and that the FSIO has limited possibilities to effectively assert the financial interests of social insurance. The analysis of the judgements of the Federal Insurance Court by the SFAO reveal in contrast that the FSIO time and again capitalised on its room for manoeuvre so as to restrict the expenditures of social insurance. In 13 out of



18 Federal Insurance Court judgements, additional provisions were approved. The FSIO, for example attempted without success to abolish reimbursement of battery costs in IV.

High increase in numbers in the last few years – important market potential for the future

Turnover and profits are showing growth in the hearing aid business. There has been strong growth in the acoustician sector and even the number of medical specialists has gone up in the last few years. The number of people benefiting from hearing aids nearly doubled from 1995-2005. Along with the increase in numbers, the supply levels also increased. The number of hearing aids supplied by the IV/AHV increased 27% in the period from 2001-2005, binaural hearing aids from the IV were up by as much as 73%. According to the statistics of the association of wholesalers, the number of hearing aids sold increased by 20% in just two years and increasingly expensive hearing aids are the ones being sold.

The greater acceptance of hearing handicaps witnessed by hearing aids being worn must be categorised as positive because it promotes integration in society. Experts, referred to by the World Health Organisation (WHO) estimate the proportion of people with hearing problems in the population at large in Western Europe to be approximately 10%. However, the requirements of the population in terms of hearing aids have not been scientifically supported. There were approximately 156,000 adults wearing hearing aids in 2002 in Switzerland according to a health survey. The hearing aid industry and the service providers see tremendous growth potential in the hearing aid market. The Federal Social Insurance Office (FSIO) must ensure through appropriate measures that in future social insurance gives priority to financing the services which are of the greatest utility.

The SFAO has identified several system-inherent factors concerning expenditure growth which provide leads for specific measures for improved expenditures controls.

Incentives for best possible units instead of simple units

The current system is clearly dominated by incentives for best-possible units instead of simple units. The role of specialists is crucial because distribution by social insurance is always indicated on a medical basis. The analysis of the SFAO shows that in the course of just a few years there has been a clear move away from indicating low-priced units to more expensive ones. The medical guidelines have not changed during this period but medical practice has changed towards more costly units. Between 2001 and 2005 the proportion of hearing aid expenditure in the most expensive category indicated grew from 36% to 50%. This picture is reflected in the cantons as well. A central goal of the 1999 hearing aid tariff for IV and AHV (50% of the units indicated to be from the middle category) has thus not been fulfilled. In addition the move towards binaural units is striking. The numbers of these units increased in the corresponding years in IV from 57% to 73%. In just a few years these shifts have generated significant additional expenditures for social insurance. The current system provides incentives for ever more complicated provisions. Can these provisions continue to be qualified as ones with simple and purposeful specifications in accordance with legislation?

There are countless examples of hearing aids which, after being on the market for a year or two, drop in price and thus may be provided more inexpensively. However, the acousticians are given incentives to sell the most costly appliances and the insured persons in Switzerland to a large extent make additional payments so as to acquire the latest technology. At least half of the hearing aids sold are more costly than the models prescribed.



With the IV and the AHV, Switzerland has two very different systems for distributing hearing aids. Nonetheless there is, in the case of aids, the guaranteed acquisition of rights for AHV insured parties who initially received hearing aids under IV. The expenditures on hearing aids in the 60-64 years age group increased twice as fast between 2001 – 2005 as the age groups just below and above this category. The acquired rights provide false incentives and lead to unequal treatment of insured parties shortly before and after retirement.

Policy changes are needed

The SFAO notes that IV expenditures on hearing aids have risen enormously and that the FSIO must introduce improved cost control measures. The SFAO has identified and quantified several system-inherent factors which are responsible for the expenditure increases. The criteria of simplicity when supplying hearing aids must in future be increasingly taken into account. There are not enough incentives concerning economy with the resources of the social insurance.

The SFAO thus recommends that the system should be simplified (administrative savings) and thereby making it easier to control. This can be achieved by restricting the catalogue of services to those which are necessary (element of simplicity) and abolishing the three-tier system of indications and the acquired rights in the case of hearing aids. The catalogue of services of the acousticians and the specialists must be redefined with the goal of abolishing duplication in addition to eliminating unnecessary services and examinations. Continuous expenditure controlling is a necessity.

It is within the powers of the FSIO to get a grip on expenditures using appropriate measures. If the FSIO wishes to retain control also in the future of tariffs, the catalogue of services and medical guidelines, it must acquire the know how, i.e. for example by referring systematically to legal, medical, audiological and economic reports when examining services and tariffs. Should this not be the case, then shifting hearing aids to health insurance should be examined.

With this in mind, the SFAO has made eight recommendations with an annual savings potential of up to CHF 36 million (cf. chapter 8). The demographic ageing of the population and the improved acceptance of hearing aids have lead to pressure being placed on social insurance and measures are required to guarantee the economy of the provision of hearings aids.

The Federal Social Insurance Office has commented positively on the implementation of the recommendations. But it does not want to abolish the acquired rights and the three-tier indication model because this would, in its opinion, amount to cutbacks in benefits. The SFAO's recommendation to abolish the three-tier indication model is directed at the natural tendency to prescribe provisions from the most expensive indication category. In accordance with the recommendations of the SFAO, in cases where special social insurance benefits are needed, a written, medical explanatory statement will be required.

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