



Tarmed – the tariff system for out-patient medical services Evaluation of the achievement of goals and the federal government's role

Key facts

A nationwide fee-for-service tariff system – a significant achievement

After more than 15 years of complex technical and organizational work by the tariff partners, Tarmed (*tarif médical*) has been used since 1.1.2004 for the invoicing of all out-patient medical services, both in doctors' practices and in hospitals throughout Switzerland. Thanks to Tarmed, the 26 obsolete cantonal tariff systems became dispensable. Roughly CHF 6 billion are invoiced via Tarmed annually in compulsory health insurance and approximately CHF 1 billion annually in the other three social insurances (2007). Tarmed consists of approximately 4,300 individual services (tariff items) and represents the most extensive fee-for-service catalogue in the world.

Achievement of Tarmed's goals evaluated by the SFAO

Pursuant to its 2008 annual programme, the Swiss Federal Audit Office (SFAO) performed an evaluation of the achievement of Tarmed's goals, with the following results:

- **Goal of cost realism:** partially achieved. Due to negotiated solutions in certain areas and obsolete or missing calculation foundations, cost realism is very much called into question. The tariff partners agree on one thing: a thorough revision is urgently needed.
- **Goal of improved transparency:** achieved. The potential of the now available data is not being used for objective analyses (e.g. to improve cost realism), however. Instead, the tariff partners are arguing about the validity of data that does not originate from their own database ("data parity"). The existing statistics are incomplete.
- **Goal of financial upgrading of medical services:** not really achieved, with the exception of psychiatry. While longer consultations are remunerated slightly better than in the past, the income differences between technical specialists and basic suppliers is increasing rather than decreasing.
- **Goal of cost neutrality:** achieved. Cost neutrality was operationalized by the tariff partners (approved by the Federal Council) and monitorized in doctors' practices. The analysis confirms that the goal has been achieved in a statistical sense, i.e. the expenditures are increasing at the same rate as before the introduction of Tarmed.
- **Goal of tariff adjustments:** not achieved. The Tarmed 2010 revision project has been blocked for years, and there is a danger that the required annual corrections to Tarmed will be delayed indefinitely with reference to this revision project.

Primacy of negotiation and nationwide fee-for-service system

Tarmed is not a tariff prescribed by the Confederation. The Health Insurance Act requires tariffs and prices to be negotiated in agreements between insurers and service providers. A nationwide, uniform tariff structure with respect to fee-for-service tariffs is intended. The following associations have developed Tarmed on behalf of the four social insurances:

- Santésuisse: Association of Swiss Health Insurers
- FMH: Swiss Medical Association
- H+: Association of Swiss Hospitals



- MTK: The Medical Tariff Commission pursuant to the Accident Insurance Act, with its secretariat, the Central Service for Medical Tariffs

The four tariff partners developed Tarmed at their own risk and expense; in the 1990s, they spoke of a CHF 7 million development project. Tarmed was sold to the National Association of Statutory Health Insurance Physicians for several million francs.

Cost realism: Systematic and precise, but several striking weaknesses

The Health Insurance Act provides that tariffs be structured appropriately and calculated according to business management criteria. The associated ordinance further provides that at most the costs transparently accounted for which are required for efficient provision of services shall be included in the tariff. These elements are referred to as "cost realism" in this report.

When the tariff structure was established, the catalogue of all medical services was first compiled, then models and surveys were designed for the tariff partners to determine prices according to business management criteria. Tarmed represents major progress: out-patient medical services are invoiced according to uniform criteria throughout Switzerland. Every minute of medical action now has a specific, comprehensible price. This ensures objective comparability of the invoiced services.

The models and key data for the business management calculations of the medical and technical services were examined, and the following significant weaknesses in Tarmed's cost realism were found:

- Unsystematic determination of time values, i.e. of the times required to perform a service. Transparent and (universally) accepted criteria and methods for the time values are missing.
- Some productivity factors included in the calculation of the medical services are not comprehensible.
- Different tariff point values should only reflect cantonal cost differences such as wages and rents. The analysis shows, however, that the differences in the tariff point values are due to historical factors.
- Substantial leeway for doctors with respect to invoicing, with possibilities such as: all-inclusive (or pooled) and separate invoicing, invoicing of time items and action items, overlaps in the time values of individual items.
- Lack of possibilities for patients to check the Tarmed invoices, although required by the Health Insurance Act. Even after nearly ten years of Tarmed, the invoices are still full of incomprehensible codes and details. Key information, such as the total invoiced time, is missing.
- Despite an extensive catalogue of services with approximately 4,300 tariff items, analogous items for certain services that have not (yet) been tarified are still being used. Even services included in the service catalogue for compulsory health insurance by the responsible commission are still not tarified in Tarmed.
- In the case of action items, the turnovers and income may be increased by productivity gains (lower actual times than specified time values); in the case of time-tariff services, such productivity gains are not possible.



Technically oriented disciplines benefit from these weaknesses, while basic providers – who largely invoice according to time items – are disadvantaged by them.

Examined case studies – substantial leeway for service providers

The SFAO commissioned an examination of the cost development and cost reality of 11 service packages by means of case studies. For some service packages, the remuneration is considered to be rather low, while it is considered to be rather high for others. A conclusive evaluation of cost realism is only possible if, in addition to Tarmed data per service package (prices), representative cost data of an efficiently run practice are also available. The tariff model is based on an individual practice, not a group practice (network of physicians).

1. Too high remunerations can be explained mainly with reference to the following factors:
2. Too high time values i.e. specified times in minutes for the performance of a service: the higher the time value, the higher the remuneration for the service.
3. Too low productivity factors: the lower the productivity factor, the higher the remuneration. If the physician is in fact more efficient, his or her income increases.

Too low remunerations can be explained mainly with reference to the following factors:

1. Key data for the technical services are from the 1990s with obsolete foundations
2. Reduction of tariff point value: the average is CHF 0.89 instead of CHF 1, which was used as a basis for the calculation model
3. Halving of the remuneration for the last 5 consultation minutes, which was approved in 2000

High legal requirements for approval by Federal Council

The Health Insurance Act provides that the Tarmed fee-for-service system shall apply throughout all of Switzerland and that the Federal Council shall approve the tariff agreement, once it has verified economic efficiency and equitableness. When the first version was approved, the Price Supervisor issued recommendations to the Federal Council for calculating Tarmed. Although only a few recommendations were implemented by the tariff partners, the Federal Council approved the tariff schedule.

The lead agency, the Federal Office of Public Health (FOPH), emphasizes the foreseeable impact on premiums when conducting its material review of the tariff's economic efficiency. The economic efficiency of the individual services or service packages is de facto not reviewed.

For its review of the economic efficiency of Tarmed services, the FOPH has neither a concept nor the necessary resources.

Necessary tariff adjustments are neglected – 2010 revision delayed indefinitely

The tariff partners, in their role as Tarmed Suisse, are responsible for ongoing tariff adjustments. In recent years, however, these have been limited to minor adjustments to individual items. Tarmed is thus moving continuously away from cost realism. The tariff partners agree, however, that a fundamental revision of Tarmed is necessary. The revision project Tarmed 2010 has existed for three years, but only as a project outline; the project itself is blocked. H+ and especially FMH emphasize correct measurement in terms of business management, while Santésuisse is demanding that an agreement on cost management be concluded before the revision is undertaken. Since all decisions by Tarmed Suisse must be made unanimously, Tarmed 2010 is



blocked, and tariff adjustments are limited to the lowest common denominator. Necessary ongoing improvements are delayed with reference to the Tarmed 2010 revision project.

Upgrading of basic supply – difficult goal for FMH alone

A fundamental conflict of goals exists with respect to the cantonal policy goal of financially upgrading basic suppliers and cost neutrality. Historical differences between the cantons persist due to cost neutrality. With respect to income differences according to specialities, the analysis shows that such differences have increased instead of decreased between 2003 and 2006. The SFAO has noted that improvements for the benefit of specialists were undertaken in the negotiations shortly before the 2004 Tarmed version, due to pressure from the operationally active physicians ("Tarmed reengineering"). For instance, remuneration for services in the operating theatre was increased. For the FMH, the financial upgrading of the numerically stronger basic suppliers is a difficult goal, since it means that some of the income basis of operationally active specialities must be reduced.

Recommendations: Yes to primacy of negotiation, but with the possibility for the federal government to take provisional measures

The SFAO wants to retain the primacy of negotiation, but believes it necessary to strengthen the role of the federal government. The current "ex ante approval" by the Federal Council and the material control by the FOPH are very formal. The federal government only enters the picture once the tariff partners have found a solution. The Federal Council currently has no legal basis for intervening when action is blocked and tariffing problems arise. The Swiss Federal Audit Office recommends the following measures:

1. The Federal Government should make better use of its legal competence and set out principles for tariff adjustments.
2. Where the tariff partners fail to reach agreement, the Federal Council should enforce provisional tariff solutions.
3. Invoicing using analogous items should be prohibited. Provisional tariff solutions must be found more quickly.
4. The Price Supervisor should be given observer status in Tarmed Suisse. Where the tariff partners fail to reach agreement within a specified time period, the Price Supervisor should forward problematic cases to the Federal Council for provisional tariffing.
5. The Federal Council should commission a concept for the statistical analysis of the invoiced and remunerated medical services.
6. The Federal Council must impose simplification of the invoices sent to patients so that they can be checked more easily, as provided by the Health Insurance Act.

The recommendation by the Federal Council to strive for uniform tariff point values across cantons has still not been pursued eight years later. Even today, there are no concrete plans on how to implement this recommendation.

Statements on the recommendations of the SFAO

The statements on the recommendations of the Swiss Federal Audit Office are diverse. They can be found in annexe 9 of the final report which, in the meantime, has been proof-read.



While Santésuisse, the Conference of Cantonal Health Directors, the Federal Office of Public Health (FOPH), the Swiss Federal Statistical Office, and the Price Supervisor welcome the respective recommendations in principal and suggest specific improvement, the Swiss Medical Association and even more so the FOPH have raised objection. The main discrepancy concerns the upgrading of the role of the Confederation. The Health Insurance Act may serve as a framework for the tariff partners, but tariff autonomy was the relevant principle. The recommendation to apply preliminary tariffing when the tariff partners can't come to an agreement is objected to because of the concurrent role of the Federal Council as the regulatory authority. No special solution was required for Tarmed in the Health Insurance Act, which regulates other tariffs as well. The recommendation that prohibits invoicing using analogous items is received critically, mostly because the report does not appraise the meaning of this problem.

Nevertheless, the SFAO adheres to its recommendations. Due to the required unanimous agreement of the tariff partners in Tarmed Suisse, they block each other to the degree of complete inaction. The intention of the recommendations is to eliminate the weak points stated in the report and to facilitate the identification of tariff problems. Preventing Tarmed from rapidly becoming obsolete is precisely how the primacy of negotiation can be ensured. The Federal Council must make use of its legal justification contained in the Health Insurance Act (Art. 43 para.7) by establishing the principles aimed at an economic calculation and an appropriate structure, and also for the adjustment of the tariff. With the support of the FOPH and the Price Supervisor, the Federal Council must effectively fulfil its legal assignment (art. 46 para. 4) in supervising the maxim of profitability and equity of the tariff contract. The tariff structure and the number of tariff points for each position are a part of that. On the other hand, the tariff point value and the detailed implementation modalities remain in the responsibility of the Cantons.

The SFAO supports most other concerns expressed in the statements. First and foremost, the necessary additional resources need to be assessed. A possible amendment to the legal foundations regarding data supply to the Swiss Federal Statistical Office and ensuring the Price Supervisor's role as observer in Tarmed Suisse is to be considered.

In view of the diverse opinions expressed by the federal authorities and the tariff partners, there definitely is a significant need for action for the Finance Delegation and, subsequently, for the parliamentary Commissions of Social Security and Health.

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