

Conference
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Growth through Internationalisation

**Switzerland – potential Market for Swedish Medical
Technology?**

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Introduction

THE SWISS HEALTH SYSTEM IN A NUTSHELL

The Swiss Health system is good but comparatively expensive



- Similar Population size – Switzerland 8 Mio; Sweden 9.8 Mio
- Sweden has almost the tenfold of the land area of Switzerland (SE 449.964 km²; CH 41.290 km²).
- According to OECD, Switzerland has one of the world's best AND most expensive health care systems.
- Switzerland is slightly higher (11,1%) in health expenditures per gross domestic product (GDP) compared to Sweden (11,0%) but with significantly higher private expenditures.
- Subject to criticism by experts are the high health costs, the strongly regulated competition and the high proportion of out of pocket payments that Swiss patients have to afford.

Growth in insured lives

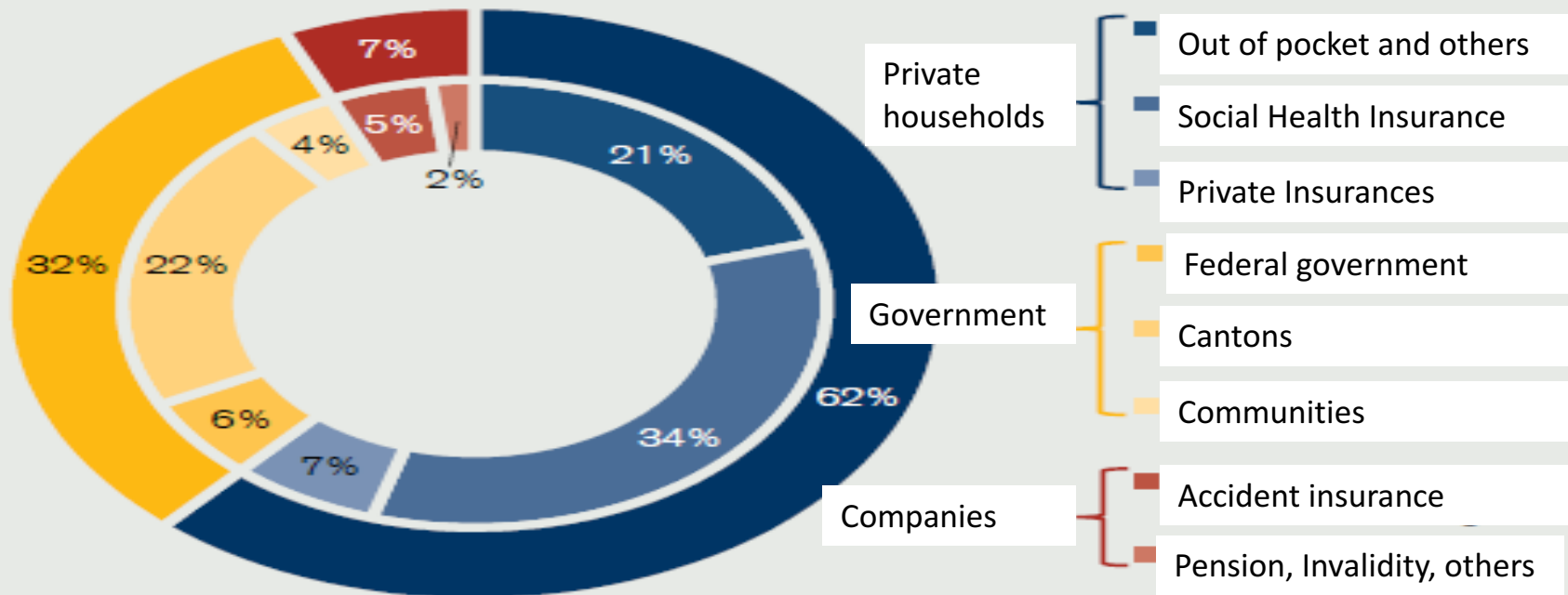
- Non-insured rate below 1%

	2001	2010	2011	10/11
Insured, in 1000	7'301	7'780	7'863	+1.1%
Premium debit, Mio. CHF	13'997	22'051	23'631	+7,2%
(Av.) Per adult , CHF per year	2'260	3'305	3'499	+5,9%
(Av.) Per child, CHF per year	653	871	918	+5,4%

Breakdown of insured lives by share on funding

Funding source in health care

Proportion of funding body in %



Source:

Bundesamt für Statistik, Credit Suisse

Breakdown of insured lives by share on funding in CHF (cont')

- Health Insurance (KVG, Basic Insurance) without cost sharing) 17,4 Bill. Fr. (33,6%)
- Complementary Insurance 4,5 Bill. Fr. (8,7%)
- Households (direct and per cost sharing) 16,5 Bill. Fr. (32,0%)
- Public domain (Federal government, Cantons, Communities) 8,8 Bill. Fr. (17,0%)
- Other social security insurances (Accident, AHV = Pension, IV = invalidity) 4,0 Bill. Fr. (7,8 %)
- Other 0,5 Bill. Fr. (0,9%).

Health Insurance in Switzerland

– basic considerations



Health insurance is divided into compulsory basic health insurance, which is part of the social insurance system, and voluntary supplementary health insurance, which forms part of the private insurance market.

Compulsory basic health insurance

- Health care insurance (basic health insurance) is generally compulsory for all residents of Switzerland, no matter what their nationality is. Basic health insurance is governed by social insurance law.
- The benefits that health insurance companies must provide are exactly prescribed by law / in the ordinances.
- The list of benefits is definitive, i.e. anything going beyond this list cannot be covered by basic health insurance.
- The cover provided by this basic insurance includes:
 - medical expenses,
 - costs in a hospital's general ward,
 - medication, pregnancy-related benefits and
 - emergency treatment abroad (at most, twice as much as the same treatment would cost in Switzerland).
- Anyone wanting benefits beyond this must take out a (voluntary) supplementary health insurance policy.

Health Insurance in Switzerland

– basic considerations (cont')

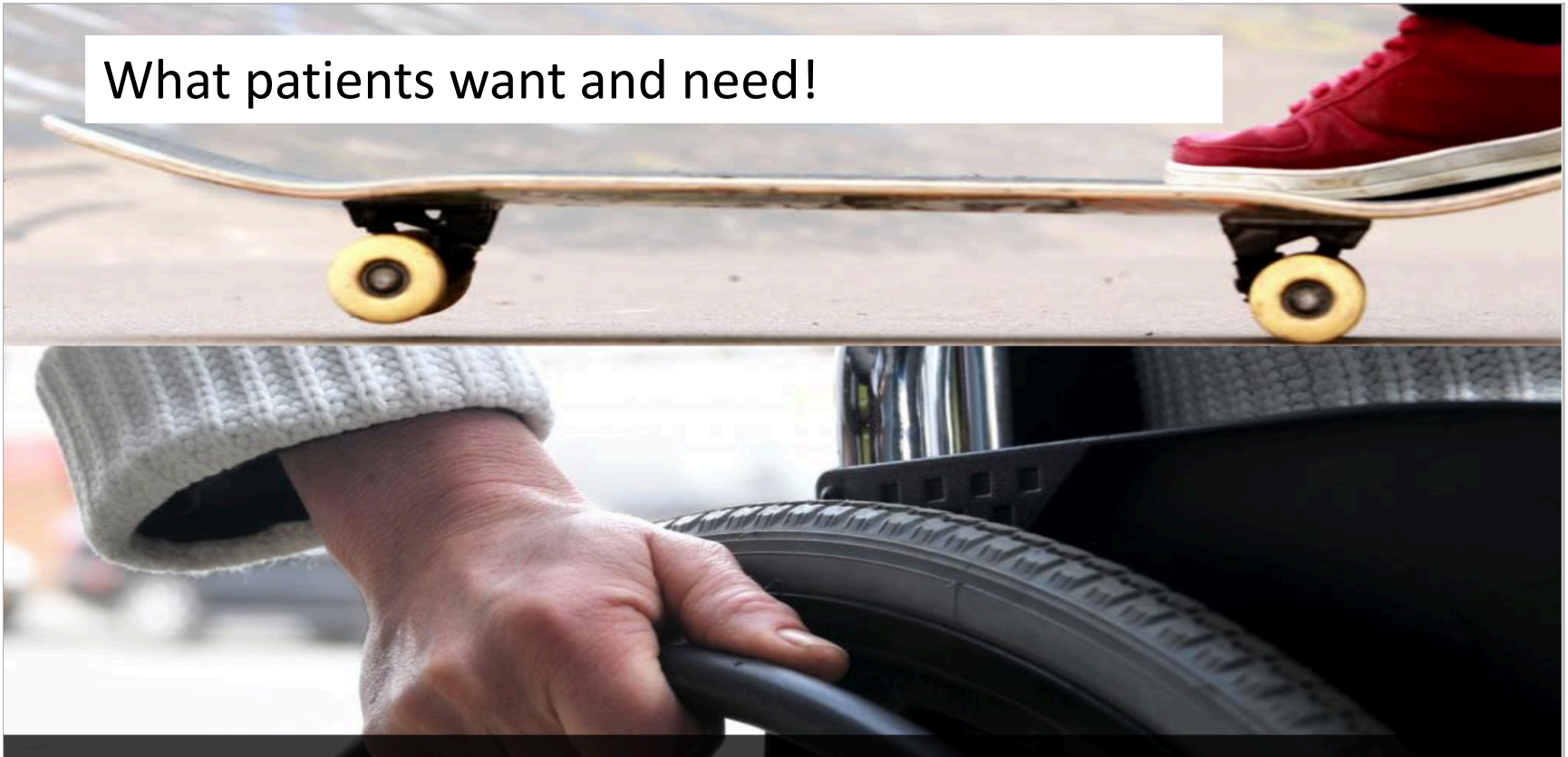


Compulsory basic health insurance (cont')

- The Health Insurance Act (Krankenversicherungsgesetz, KVG) contains two ways in which insured persons help bear costs: non-refundable payment thresholds and deductibles.
- **Non-refundable payment threshold called a "franchise":**
 - The insured persons must bear the initial costs arising for doctor's visits, hospital stays and/or medication themselves.
 - The health insurer does not start covering costs (less the deductible) until the agreed threshold is exceeded.
 - The franchise only has to be paid once per calendar year.
 - The insured person can set the threshold higher than the legally prescribed level (CHF 300); this means lower premiums.
- **Deductibles:**
 - In addition to the franchise (an annual amount), there is a deductible, i.e. a certain percentage (10%) of the payments that is not included in the franchise.
 - The deductible is limited to a maximum of CHF 700 per year.
- Compulsory basic health insurance is not operated on a profit-making basis. Premium levels are based on recommendations by health insurers that must be approved by the Federal Office of Public Health (BAG).

Changing need...

What patients want and need!



The priorities can change during the course of life!

Health Insurance in Switzerland

– basic considerations (cont')

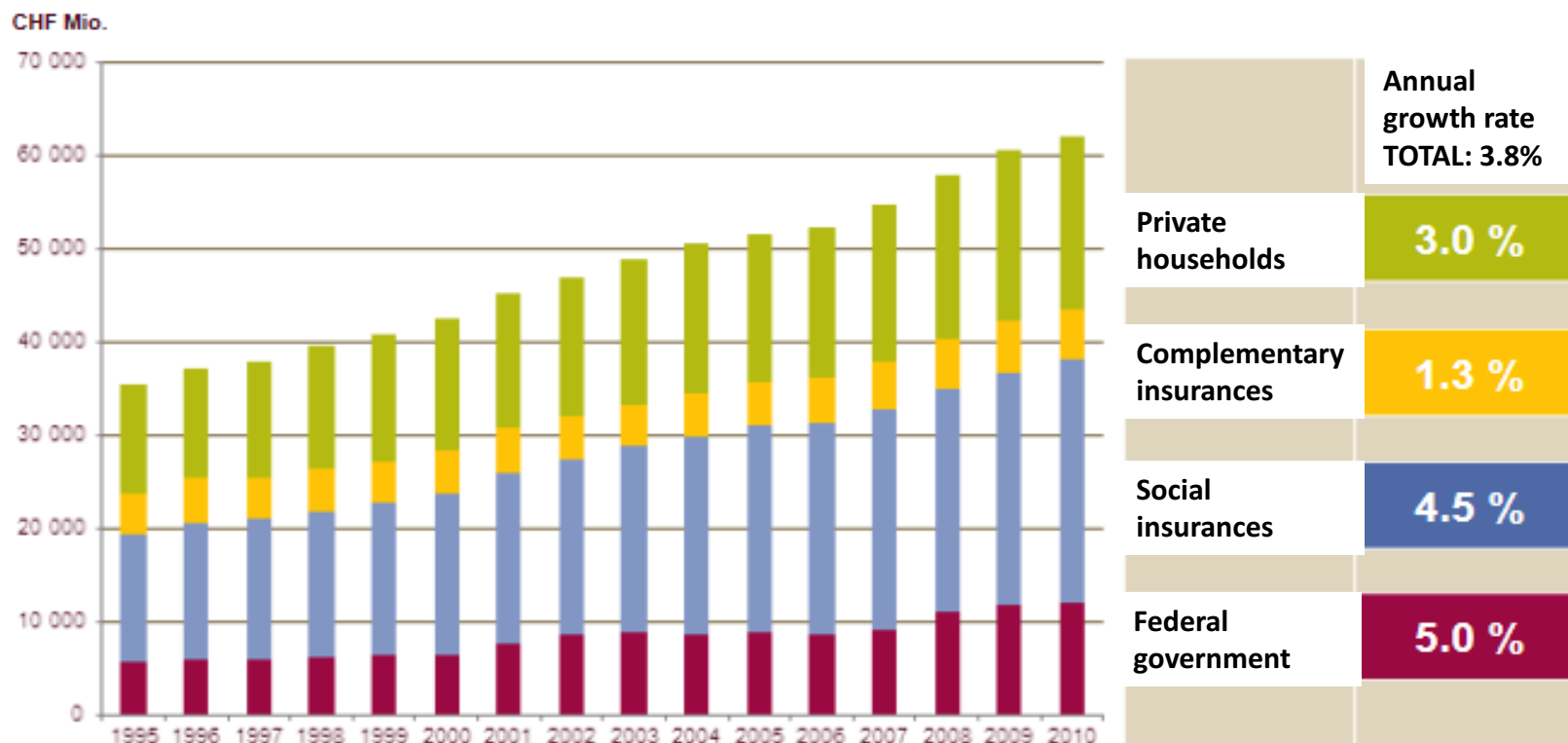


Voluntary supplementary health insurance

- Supplementary health insurance is governed by private law (Insurance Contracts Act, VVG) and is voluntary.
- The principle of contractual freedom applies. Each insurance company is free to decide if it will accept any given person for cover, and if so, under which conditions.
- In the area of supplementary health insurance, health insurers can provide individual benefits that are not included in basic health insurance.
- Health insurance companies adapt these policies to customers' personal needs and preferences.
- Supplementary health insurance policies primarily cover:
 - Costs for the private or semi-private ward of a hospital.
 - Customers who want to benefit from alternative treatment methods offered by paramedical therapists.
 - Supplementary health insurance policies are often also taken out in order to cover dental work and to conclude a daily benefits insurance policy.
- The premiums for supplementary health insurance policies are set at different levels according to the amount of risk involved and the individual package of benefits.
- They must be approved by FINMA

However, Additional Insurances grow disproportional (less)

Financing of health care costs by direct payment entity in 2013



*) Quelle: Bundesamt für Gesundheit, BAG 2012, Durchschnittliche jährliche Wachstumsraten 1995 - 2010

14. Mai 2013 BBV+, Initiativen Zusatzversicherungen | M. Willer

MedTech Market

THE CLIMATE FOR MEDTECH IN SWITZERLAND

Swiss - Swedish trade relations – room for improvement!!!



- Sweden provides 1,2% (1,4 Mio CHF; 12,7 Mio SEK) of their exports to Switzerland and imports 0,8% (1,5 Mio CHF; 13,0 Mio SEK) in total.
- 18'400 Swiss employees work in Sweden; 12'400 Swedish employees work in Switzerland (2014)
- About 7% of the total exports are Medical Technology; the Imports are unknown low
- Switzerland is on rank 9 of the most important foreign investor countries for Sweden; conversely Sweden is on rank 18 for Switzerland

Think about...



Switzerland is not
Netherlands !



Swiss Market for medical technologies - robust and largely independent of cyclical fluctuations



- Despite a population of only 8 million, Switzerland has a considerable need for high-quality medical technology.
- The demand for equipment will continue to grow, partly due to demographic change.
- In 2015, the Domestic demand was 8.5 billion Swiss francs (CHF) (8.0 billion Euros), with the trend rising...
- The local producers cover only a small part of domestic demand – in 2015 ~4.5 billion Euros (4.0 billion CHF)
- The trade surplus is at 5.1 billion Euros (5.6 billion CHF).

Market for medical technology in Switzerland (in Billion EUR ¹) in%	2014	2015	Change 2015/14
Turnover ²⁾	13.3	14.1	6%
Import ³⁾	4.9	5.0	2%
Export ³⁾	10.6	10.6	0%
Domestic demand	7.6	8.5	11,0%

1) nominal change based on the Swiss franc; 2) estimate, including parts and components; 3) only finished products

Medical technology market in Switzerland is likely to continue to expand

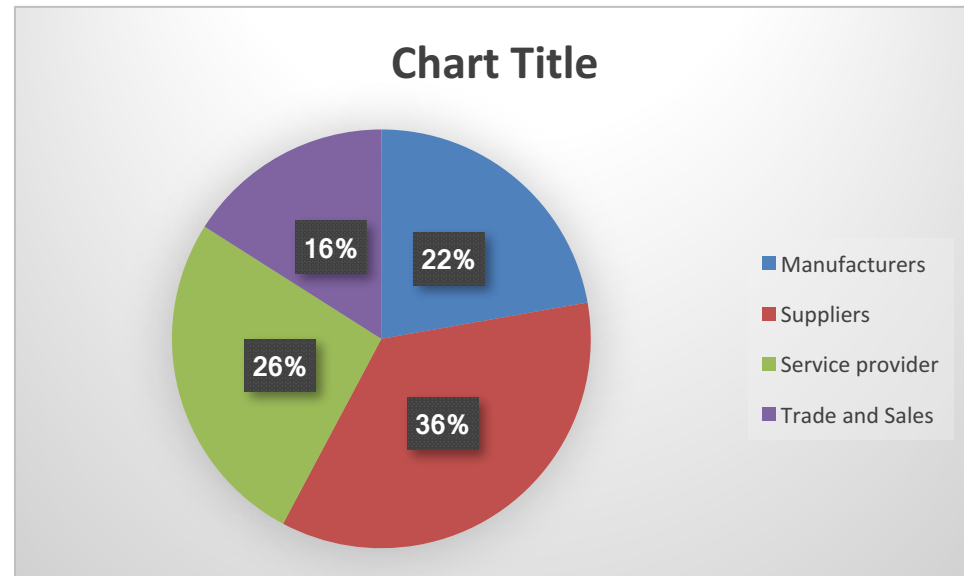


- Recent market analysis (2016) suggest:
 - Domestic demand 2016 and 2017 could grow by about 5% each.
 - The most important growth driver is the demographic development - as in many industrialized countries.
 - Civilization/Life-Style diseases also increases - diabetes, hypertension or cardiovascular disease.
 - Rising prosperity leads to an expansion of healthcare utilization – Despite the financial crisis, Switzerland has been generating budget surpluses for years and impresses by a consistently low unemployment rate.
 - Their success formula: self-responsibility, research, development, quality and reliability.
 - New treatment methods also provide for demand impulses - Swiss buyers of medical technology place particular emphasis on innovative technologies and products that are of high quality and long-lasting.
 - However, the pressure on cost savings has also increased in the Swiss health care system...!

Source: <http://www.faz.net/aktuell/wirtschaft/erfolgsmodell-die-schweizer-und-ihr-wohlstand-13232890.html>
http://dievolkswirtschaft.ch/content/uploads/2016/12/kt_2016_12_d.pdf

Strong presence of foreign corporations

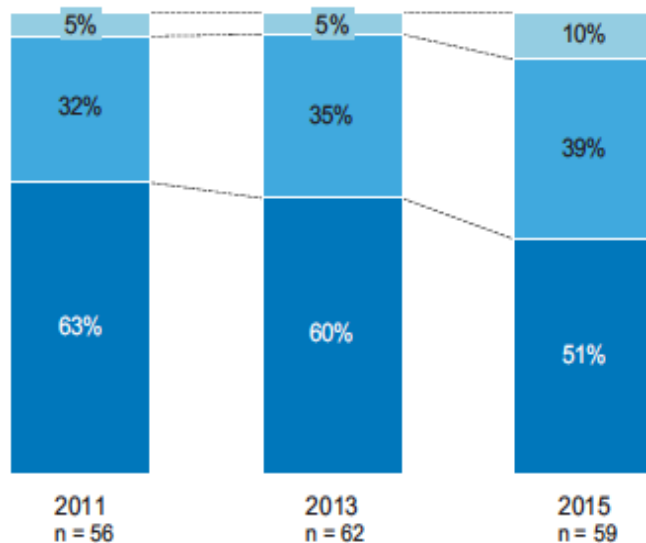
- Traditionally, Switzerland has a strong Medtech industry: a constant growth rate of around 6% annually since 2010, well above GDP growth.
- Appreciation of the Swiss franc in January 2015 pushed the entire industry strongly under pressure –however, the companies still expect growing sales by around 7% in 2017.
- Overall, 54,500 people worked in the MedTech industry! – accounting for a labour productivity of 260,000 CHF per employee.
- The most important production goods of the strongly export-oriented industry are prostheses, implants and orthopedic products.
- In 2015 the sector counted:
 - some 300 manufacturers and
 - 480 suppliers
 - about 550 distributors and service providers.
 - Of these companies, 41% employ fewer than 10 employees, only about 80 employ more than 250.



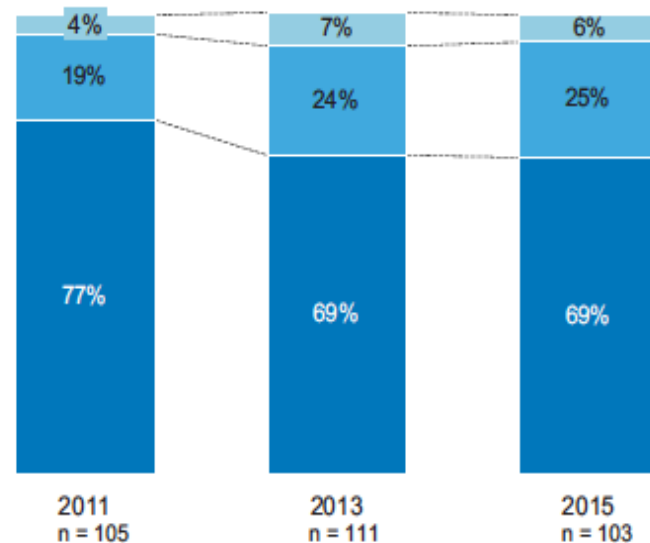
MedTech companies produce more and more (abroad) as well

- In recent years, MedTech manufacturers have increasingly build up their production capacities abroad; Almost half of the manufacturers Produced 2015 (also) abroad.
- This tendency can only be seen in a weaker form among the suppliers, since the proximity to the manufacturers in Switzerland for them has a high relevance.
- A large proportion of manufacturers and suppliers continue to produce despite a tougher market environment (for example strong Swiss francs) exclusively in Switzerland.

Production sites of Manufacturers (in %)



Production sites of Suppliers (in %)



Production only abroad Production in Switzerland and abroad Production only in Switzerland

Many Global Players producing in Switzerland



No.	Company	Core activities in Switzerland	Head office	Employees in Switzerland	Sales growth (in %)	R&D / Sales (in %)
1.	J&J Medical	Diabetes therapie, Otorhinolaryngological diseases, Cardiology, Neurology, Orthopeadics, Trauma, Wound care	USA	4'150	-8.7%	6.4%
2.	Roche Diagnostics	In-vitro diagnostics	CH	2'370	0.4%	11.1%
3.	Biotronik ¹⁾	Cardiology	GER	1'220	n.a.	n.a.
4.	Sonova	Hearing instruments	CH	1'200	5.8%	6.3%
5.	Medtronic	Diabetes therapie, Otorhinolaryngological diseases, Cardiology, Neurology, Orthopeadics,	IRL	1'150	7.0% ²⁾	7.2%
6.	Zimmer Biomet	Dental care, Orthopaedics, Trauma	USA	1'100	28.3% ³⁾	4.5%
7.	B. Braun	Wound care, consumables for hospitals	GER	993	11.4%	4.3%
8.	Dentsply Sirona	Dental care	USA	840	-8.5%	2.8%
9.	Ypsomed	Diabetes therapy, drug-dispensing systems	CH	807	9.9%	7.9%
10.	Straumann	Dental care	CH	763	12.4%	5.0%

1) Unlisted company; no detailed data available

2) Combined growth figure of both companies – Medtronic and Covidien (Acquisition of Covidien)

3) Growth figure includes acquisition of Biomet

Comments:

- Considered are the MedTech business of the particular companies
- Applied exchange rates: EUR/CHF 1.08261 (31.12.2015), USD/CHF 0.99081 (31.12.2015)
- Acquisitions and Sales have not explicitly considered (Exception Medtronic)

Source: Swiss Medical Technology Industry Report 2016 - SMTI 2016 based on annual reports of the companies

The reciprocal mobility



Import of selected medical devices into Switzerland (in EUR million)

Product group	2014	2015
Electro diagnosis apparatus and - equipment	186,7	220,0
X-ray machines, etc.	153,7	183,8
Sterilisers	11,0	12,5
Wheelchairs	12,5	14,5
Dental instruments, etc.	118,4	141,3
Syringes, needles, catheters, cannulae, etc.	339,6	385,8
Ophthalmic instruments	43,3	50,5
Other instruments, apparatus and equipment	834,6	980,8
Therapy devices, respiratory devices, etc.	129,5	145,8
Medical furniture, etc.	k.A.	62,0
Orthopedics, prostheses, etc.	1.354,5	1.579,2
Sum	3.183,9	3.776,1

- The most important production goods of the strongly export-oriented industry are prostheses, implants and orthopedic products.
- Important suppliers are the Netherlands and France, in addition to the USA and Germany.

Hospitals are the largest buyers of medical technology



- The main customers of medical technology – the almost 300 Swiss hospitals, of which more than half are publicly funded.
 - The five university hospitals have an excellent international reputation and are very well equipped - Cantonal, municipal and private hospitals are technology follower of these!
- Private clinics and practices represent only 15 to 20% of all medical technology demand but more likely to invested in high-priced equipment (keyword: health tourism).
- A dampening effect on innovation have the introduced Swiss-DRGs in the hospital financing:
 - Since 2012, not anymore the actual costs are reimbursed but rather a diagnosis-dependent flat-rate amount.
 - This has led to increasing incentives to use as inexpensive methods as possible and to procure fewer new technologies.

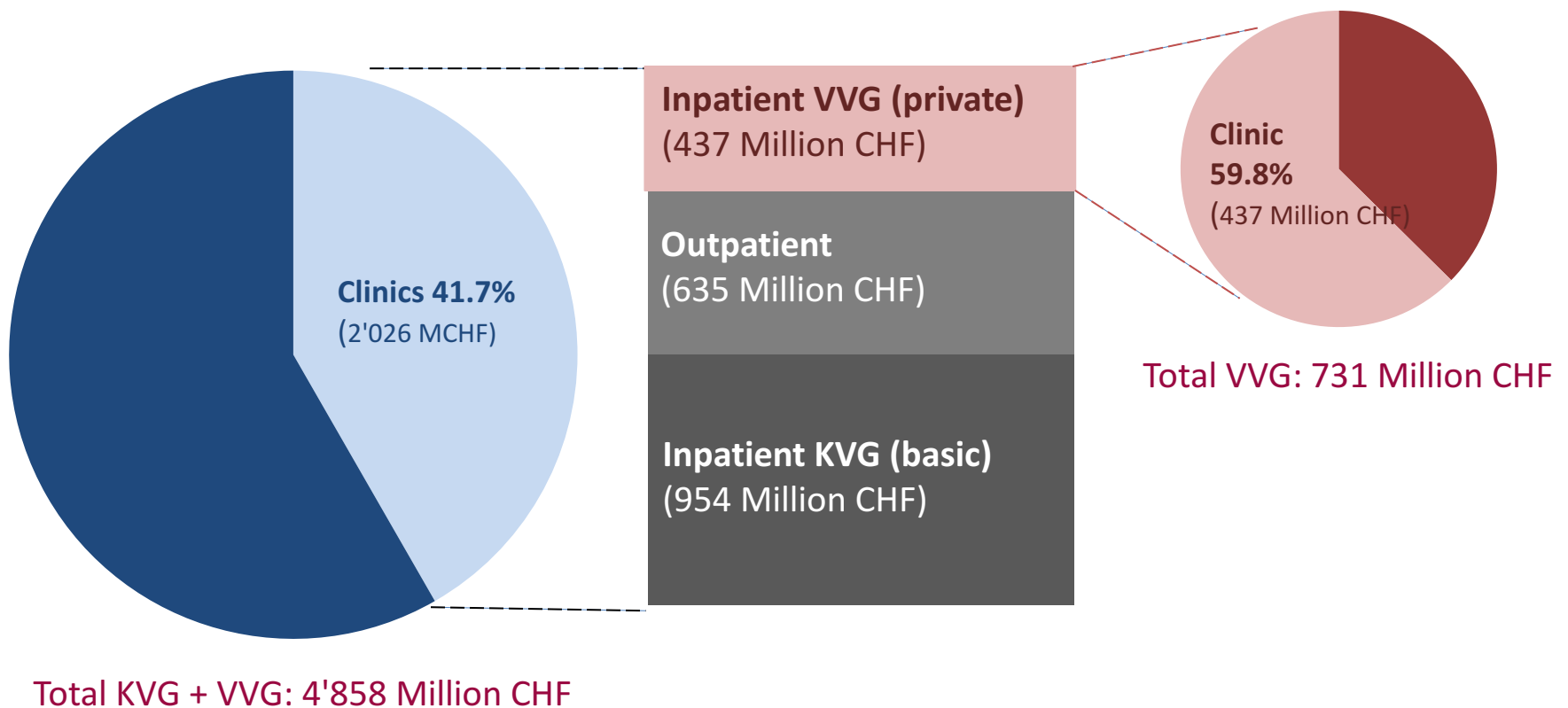
Hospitals are the largest buyers of medical technology (cont')



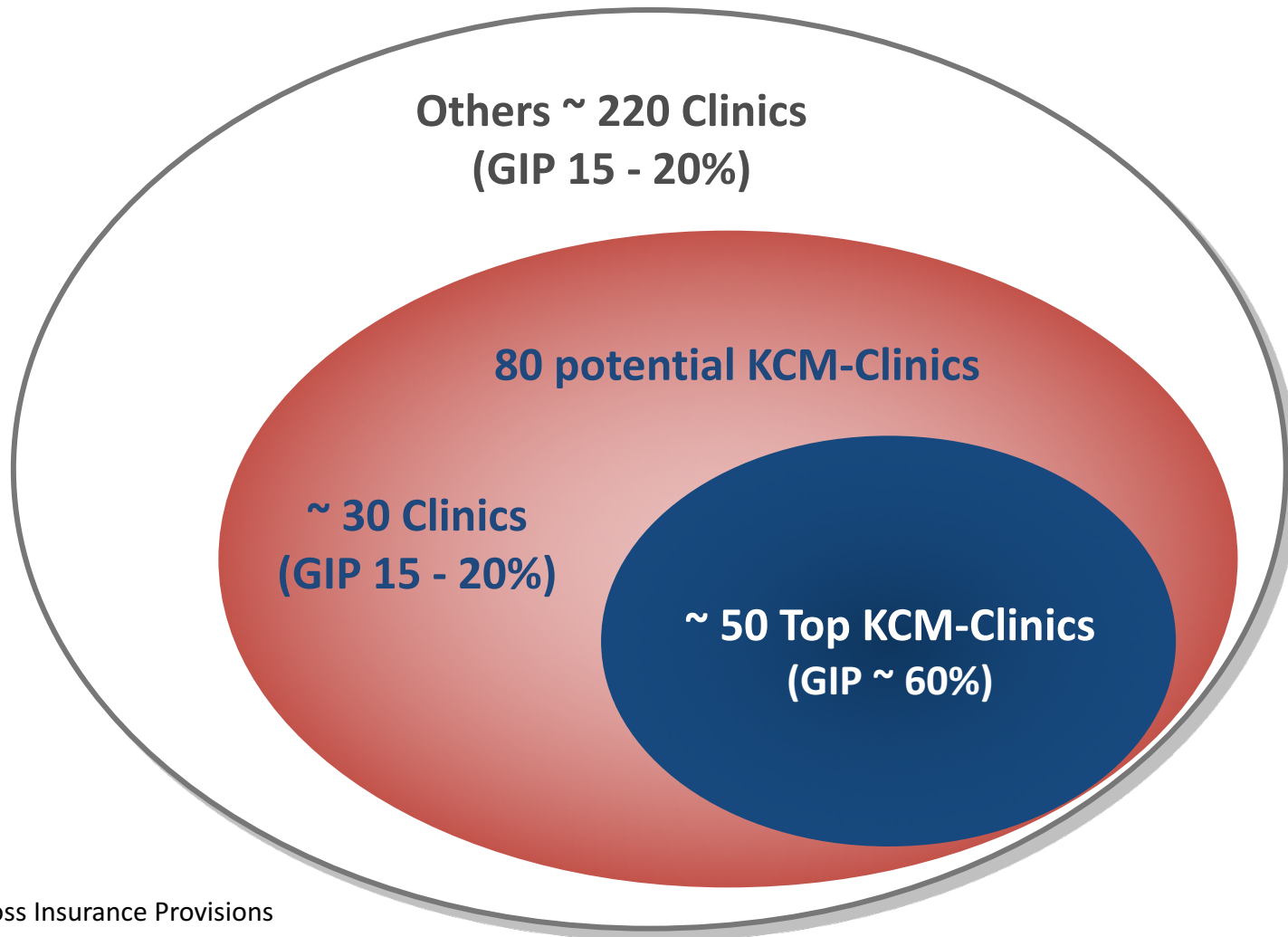
- In order to save costs, customers are increasingly purchasing their products through purchasing companies (GPO) or selected, larger providers.
 - Small manufacturers are thus reduced to second-tier suppliers.
- Beside expectations on high-quality – a great importance is also given to a good after-sales service!
 - Hospital are interested to receive services from a single source.
 - Increasing opportunities for manufacturers of medical technology to create innovative, holistic services along the (self) supply of diseases.

Clinics are partners with the highest performance value, especially for additional insurances

Porportion of clinic provisions of the total provisions of health insurances (Helsana only)

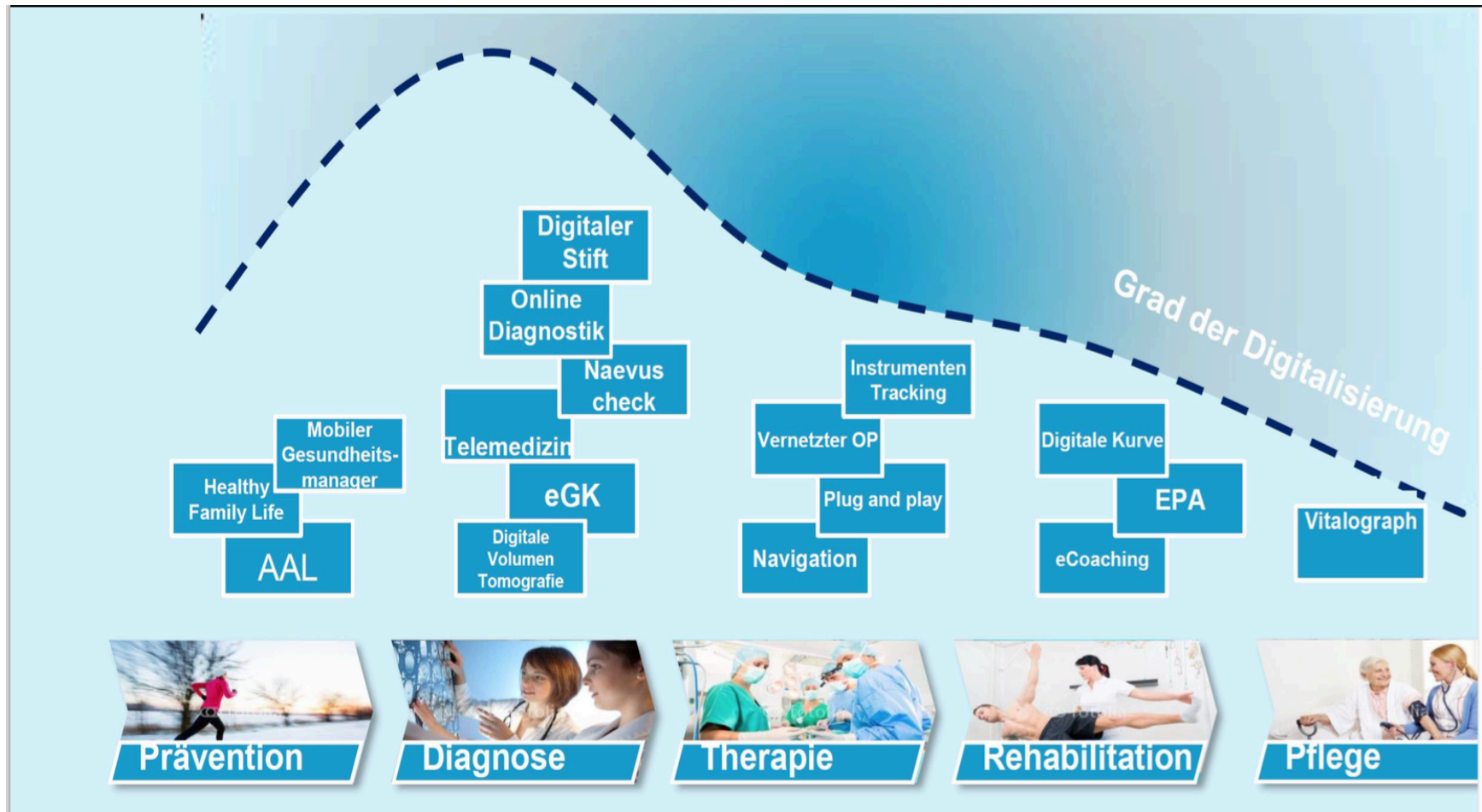


Future trends: Key Clinic Management Approach (KCM) as the basis for strategic partnerships



GIP = Gross Insurance Provisions

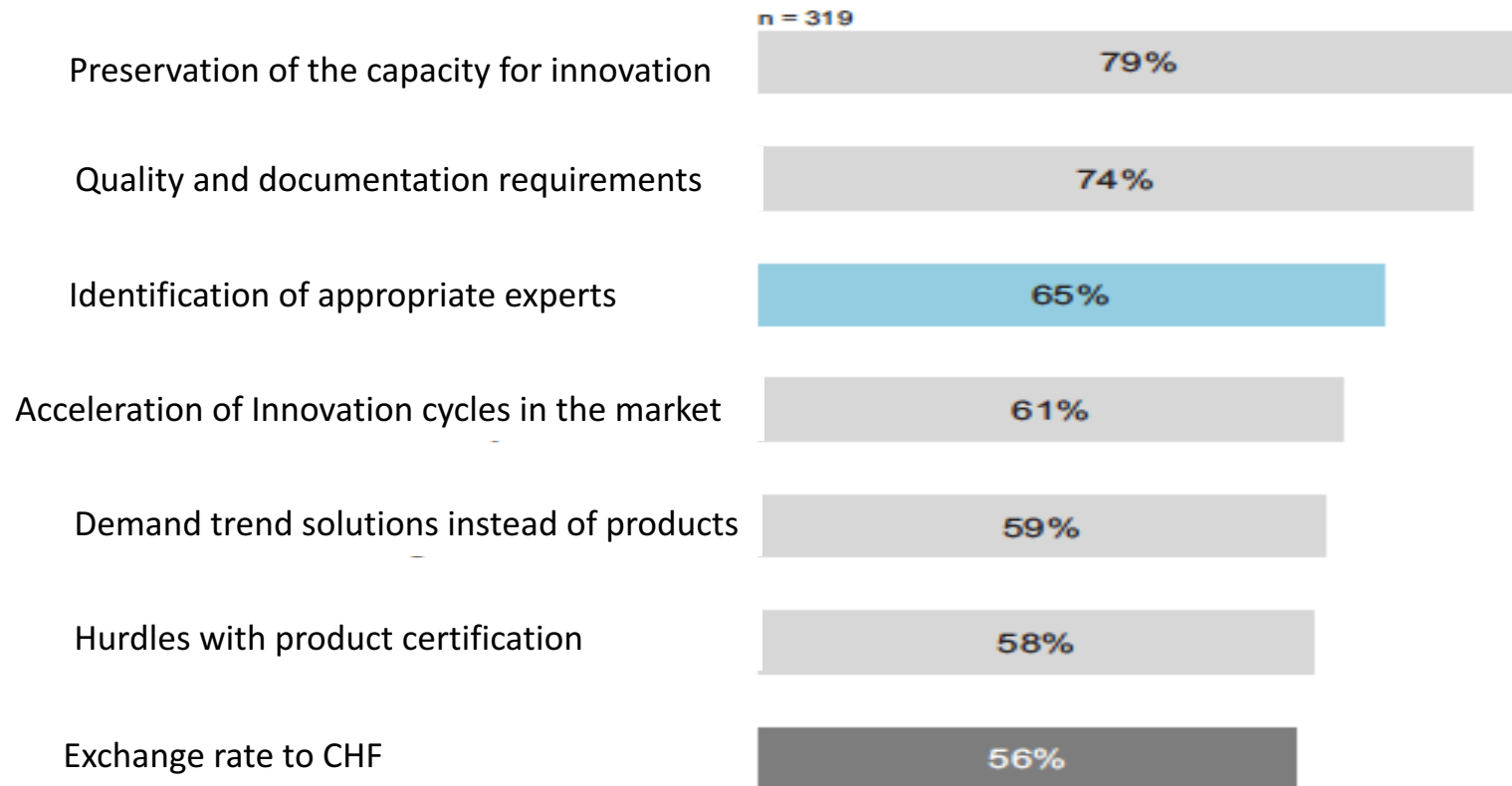
Digitization along the care supply chain



The Top-7-Challenges for MedTech-Companies



The intensifying general conditions challenge the Swiss MedTech-Companies increasingly more to ensure to preserve the high capacity for innovation!



Innovation & Market access

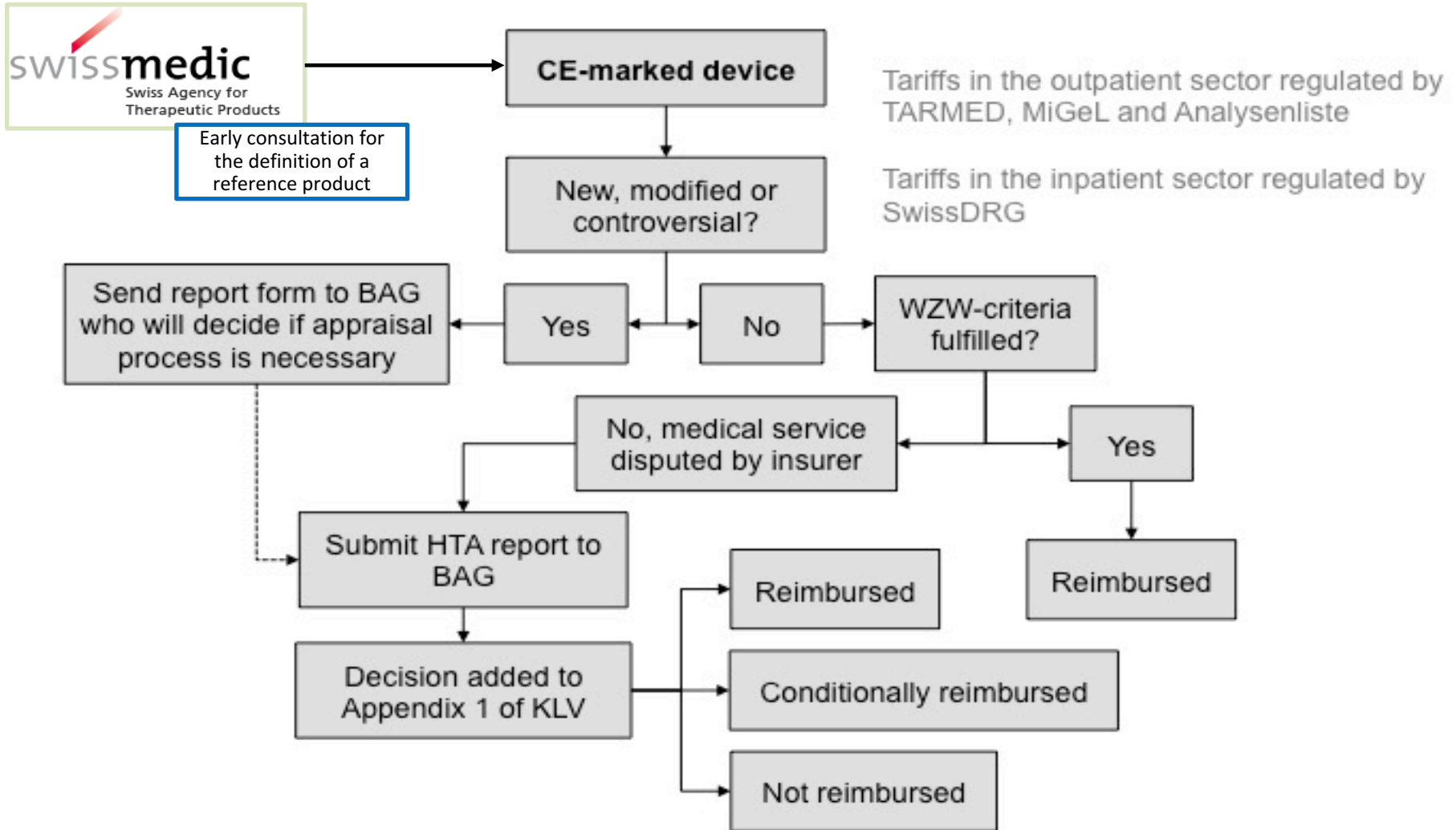
Market environment & competition

Resources & Know how

MedTech Market Access

THE TO REIMBURSEMENT IN SWITZERLAND

Market Access for Medical Devices in Switzerland



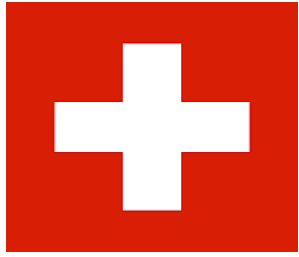
Business practice

- Public hospitals generally procure medical technology through calls for tenders, which are published regularly in the portals <http://www.simap.ch> and <http://www.infodienstauschreibungen.ch> or in the local official web pages.
- Detailed information on the requirements for medical technology trades can be found in the Guideline on Medical Device Regulation at the Swiss Institute for Therapeutic Products (<http://www.swissmedic.ch>).
- Customs issues are answered by the Federal Customs Administration (<http://www.ezv.admin.ch>).
- The Swiss Association for Standardization (<http://www.snv.ch>) and the Electrosuisse Association (<http://www.electrosuisse.ch>) provide information on standards.

Important addresses in Switzerland



Organisation name	Internet address	Comment
Ministry of Health (Bundesamt für Gesundheit)	http://www.bag.admin.ch	Decision making body for reimbursement
State Secretariat for Economic Affairs SECO	https://www.seco.admin.ch/seco/en/home	SECO is the federal government's centre of excellence for all core issues relating to economic and labour market policy
Swissmedic	http://www.swissmedic.ch	Swiss agency for the authorisation and supervision of therapeutic products (medicinal products and medical devices)
Fasmed – Swiss MedTech association (Dachverband Schweizer Medizintechnik)	http://www.fasmed.ch	240 Members
Medical Cluster	http://www.medical-cluster.ch	416 Members, thereof 58 manufacturer, 167 suppliers, 20 wholesalers.
H+ - Association of the Swiss hospitals (Die Spitäler der Schweiz)	http://www.hplus.ch	Unites 236 Hospitals and Care institutions
Association of the private clinics (Verband der Privatkliniken)	http://www.privatehospitals.ch	
IFAS	http://www.ifas-messe.ch	Trade Fair for the Healthcare Market, Zurich; Next date: 23.-28.10.18
Swiss Medtech Expo, Luzern	http://www.medtech-expo.ch	2. Edition: 19.-20.9.17
MBG - Med Buyers Guide	http://www.medbuyersguide.ch	List of suppliers for hospitals, clinics, doctors, etc.



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