

# Audit of supervision in the insurance sector

## Federal Office of Public Health

### Key facts

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The Federal Office of Public Health (FOPH) supervises health, accident and military insurance. At the end of 2019, there were 57 health insurers for a total of CHF 32.2 billion in premiums. In addition, there were 27 accident insurers, including the Swiss National Accident Insurance Fund (Suva). Net accident insurance premiums amounted to over CHF 5 billion. Suva also manages military insurance on behalf of the Confederation. Its services totalled CHF 178 million in 2019.

The Swiss Federal Audit Office (SFAO) audited the organisation and supervision of the FOPH's insurance division in terms of completeness and efficiency. It examined the implementation of the FOPH's supervision in three areas: data protection at health insurers, risk equalisation, and premiums charged by accident insurers.

The results are positive. The supervision performed by the FOPH complies with the law. It is largely based on a risk-based approach and on systematic internal coordination. Nevertheless, the SFAO identified a significant opportunity to strengthen federal supervision of the cantons' payment of health insurance premium subsidies. It also identified potential for improvement in all three areas examined.

#### **Supervision is organised in a rational manner and focuses on the risks of non-compliance**

The FOPH carries out its insurance supervision via three sections dedicated to health insurance, a section for accident and military insurance, a legal section and an audit service. The internal allocation of resources is rational, coordinated and transparent. It is based on the complexity, financial burden and legal scope for control on the part of the FOPH. The SFAO would like to highlight the division's flexibility in handling new tasks without additional resources. It recommends that the division's representatives who work with health insurers be rotated to minimise the risk of a loss of independence.

The legal framework for health insurance limits the FOPH's supervision to the risks of non-compliance. The supervision of health insurers is based on risk-oriented supervisory instruments, including a financial data intervention concept and a tool for selecting insurers to be audited. The SFAO welcomes the recent inclusion of cross-sectoral risks (cyberattacks, business continuity). Recently, the review of the premiums charged by accident insurers also started to be based on a risk-based approach.

#### **Increased possibility of monitoring the granting of federal subsidies to the cantons**

The law provides for individual health insurance premium reductions through government subsidies. These reductions are paid for by the cantons, which compensate the insurers directly. However, the cantons receive a contribution from the Confederation. In 2020, this amounted to CHF 2.9 billion.

Supervision of the payment and use of federal subsidies to reduce health insurance premiums is not sufficiently restrictive for the cantons. The FOPH should require the cantons and their auditors to provide explicit certification of compliance with the federal subsidy criteria.

### **Three possibilities for improving the FOPH's supervision**

In terms of the implementation of supervision, three areas require particular attention. Firstly, the FOPH examines compliance with data protection requirements in relation to the Federal Act on Health Insurance (HIA). The SFAO is aware of the FOPH's proactive role in setting up and supervising health insurers. It notes the high security risks and the risk of improper use of insured individuals' personal data. The SFAO believes that the roles of the Federal Data Protection and Information Commissioner (FDPIC)<sup>1</sup> and the FOPH should be clarified and that there should be an exchange of information.

In addition, the complexity of risk equalisation in health insurance has greatly increased with the introduction in 2020 of the morbidity indicator for pharmaceutical cost groups. The FOPH and the HIA Collective Institution took the necessary organisational and technical measures to achieve the objectives in time. The SFAO believes that a quality assurance system could be established between the various parties involved to ensure the long-term reliability of risk equalisation data. The SFAO also calls on the FOPH to coordinate its risk analysis and control activities with the HIA Collective Institution.

Finally, the FOPH's supervision of the uniform application of accident insurance legislation appears adequate, despite the principle of self-regulation. The comparison by the FOPH of risk statistics and the basic tariffs offered by accident insurers over several years makes it possible to detect unjustifiable excesses between actual net premiums and expenditure. In order to increase efficiency, the SFAO recommends including data on tariff premiums adapted to client companies' prevention measures and accident risks ("based on experience") in the risk statistics of accident insurers. The SFAO points out that the reference statistics for the tariff review were not up to date and recommends that the time limit be reduced from three to two years in consultation with the parties concerned.

**Original text in French**

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<sup>1</sup> It should be remembered that the total revision of the Federal Act on Data Protection was adopted by Parliament on 25 September 2020. It reinforces the FDPIC's powers. These new provisions are due to come into force in 2022.