AHPP **April 19, 2016**

The Impact of Taiwan NHI's 20-Year Journey: How has the market responded and will respond?

Taiwan National Health Insurance: Overview and Future Challenges

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Taiwan

Taiwan - 2014

- Socio-economic and demographic characteristics
  - **High-income economy**
    - GDP per capita: USD 20,958 (ranked 36th, IMF)
    - 6.61% of GDP on health (2%+ since 1994)
  - **Rapid aging population**
    - **12.0% (of 23.43m) aged 65+**
    - Low fertility rate
      - **Total fertility rate: among the lowest**
        - » TFR: 1.065 (2012: 1.270)
    - Good life expectancy
      - M/F: 76.9/83.4

Source: MOHW, "NHE in 2013", 2014; IMF, 2014
MOIA, "Statistical Yearbook of Interior in 2013", 2014.

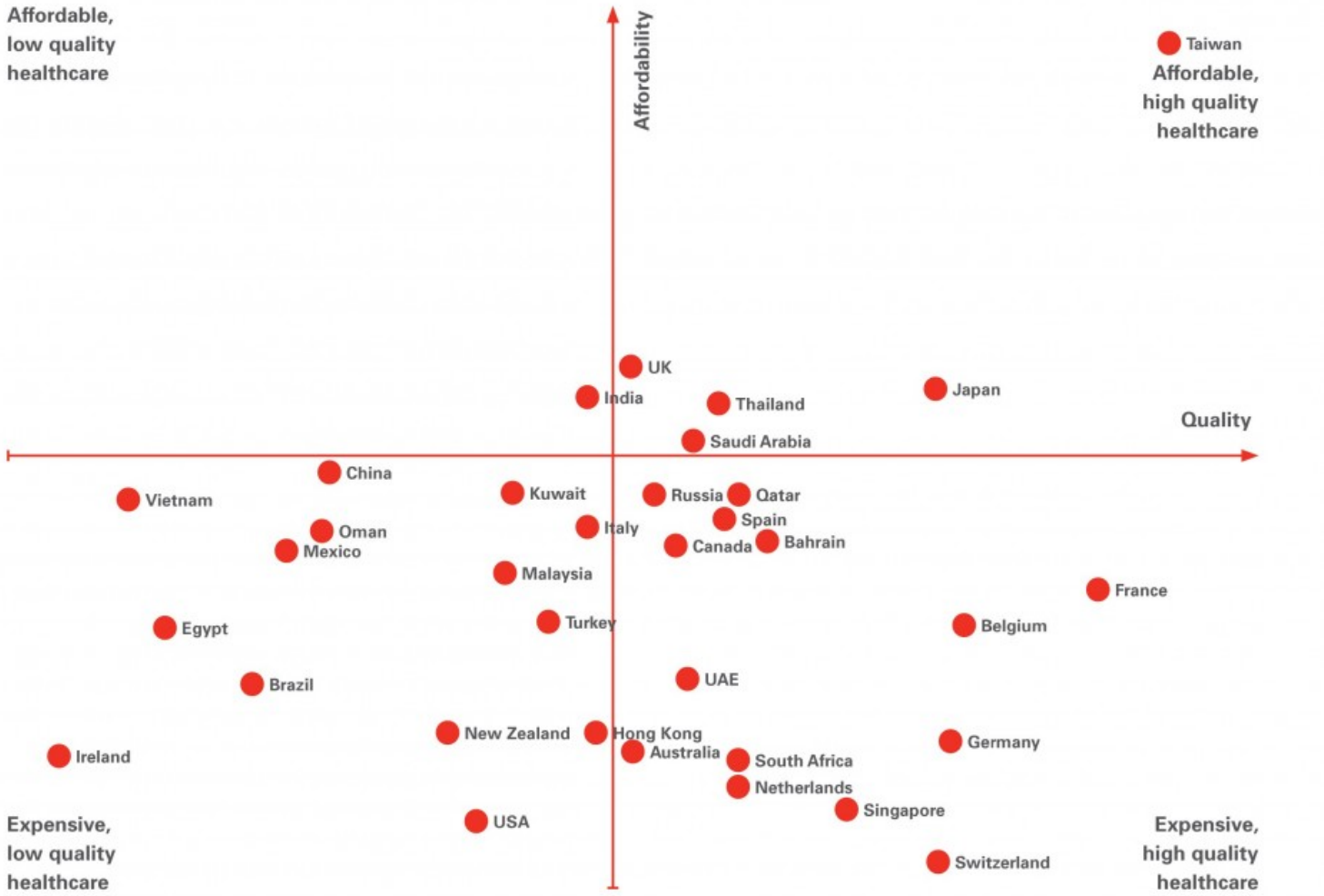
NHI in Taiwan

" A car, with parts imported from countries around the world, but domestically made in Taiwan"

- Hong-Jen Chang, former CEO of BNHI

Taiwan tops the expat health care chart

(2014 HSBC Expat Explorer Survey)



The New York Times

OP-ED COLUMNIST

Pride, Prejudice, Insurance

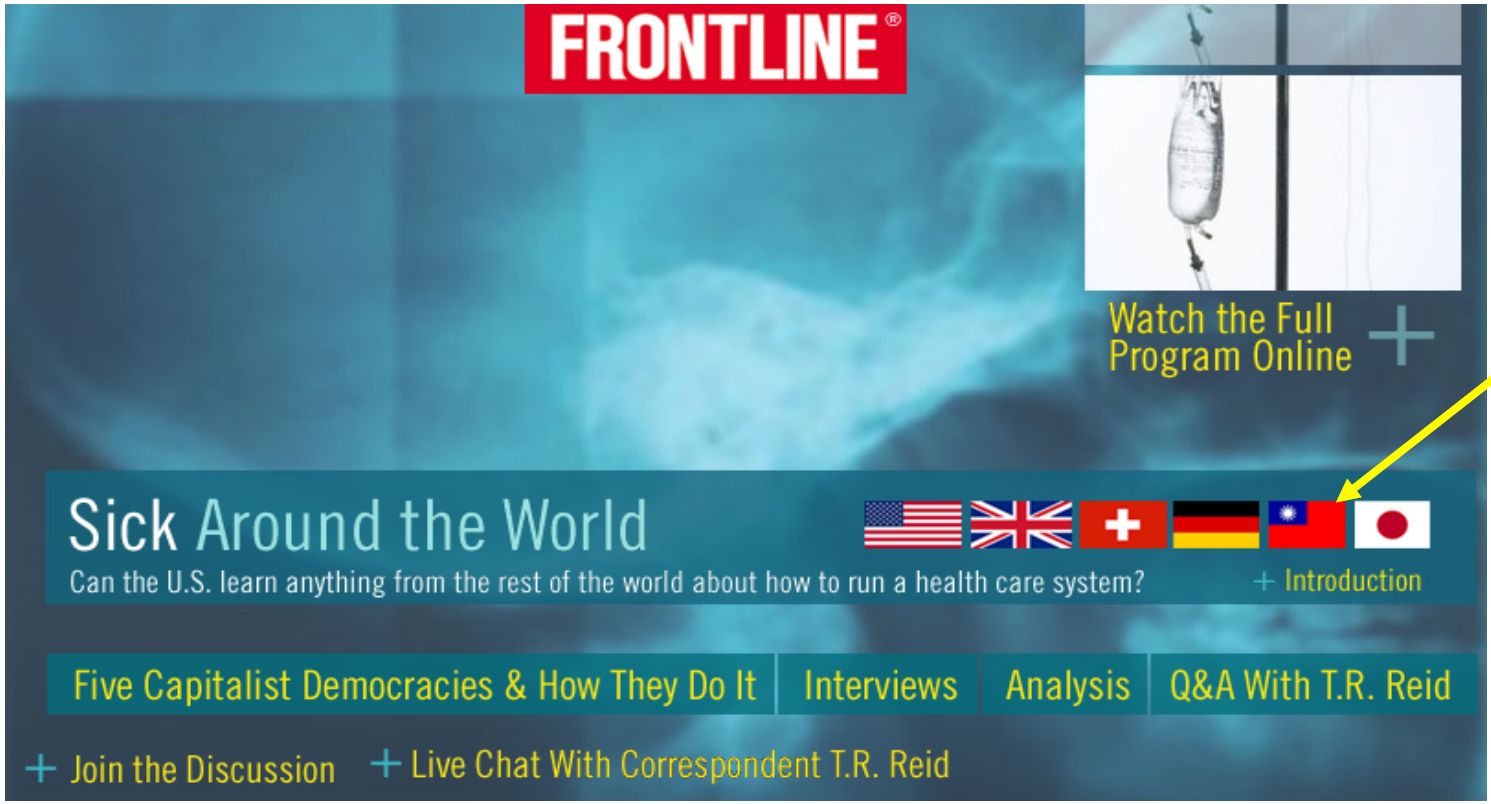
By PAUL KRUGMAN

Published: November 7, 2005

Taiwan model - lesson for US

Taiwan, which moved 10 years ago from a U.S.-style system to a Canadian-style single-payer system, offers an object lesson in the economic advantages of universal coverage. In 1995 less than 60 percent of Taiwan's residents had health insurance; by 2001 the number was 97 percent. Yet according to a careful study published in Health Affairs two years ago, this huge expansion in coverage came virtually free: it led to little if any increase in overall health care spending beyond normal growth due to rising population and incomes.

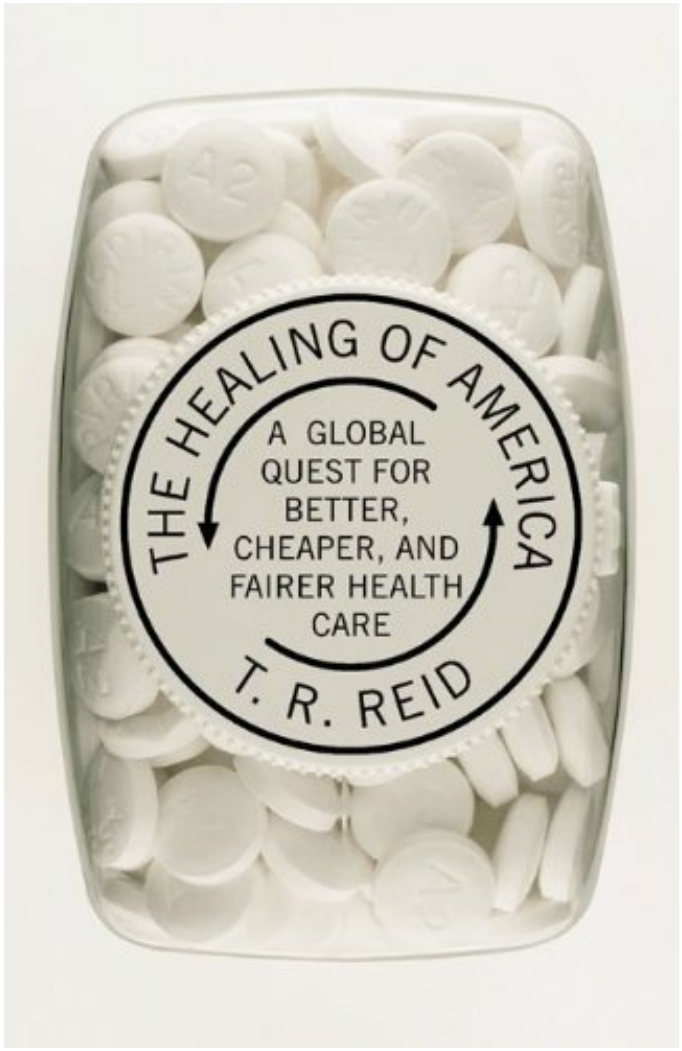
Before you dismiss Taiwan as a faraway place of which we know nothing, remember Chile-mania: just a few months ago, during the Bush administration's failed attempt to privatize Social Security, commentators across the country - independent thinkers all, I'm sure - joined in a chorus of ill-informed praise for Chile's private retirement accounts. (It turns out that Chile's system has a lot of problems.) Taiwan has more people and a much bigger economy than Chile, and its experience is a lot more relevant to America's real problems.



Taiwan

PBS production by T.R. Reid

http://www.pbs.org/wgbh/pages/frontline/sickaroundtheworld/



T.R. Reid -- Former Washington Post bureau chief in London and Tokyo, T.R. Reid has spent a lot of time abroad studying foreign cultures.

BMJ | 12 JANUARY 2008 | VOLUME 336

ATLANTIC CROSSING **Uwe E Reinhardt**

Humbled in Taiwan

Taiwan's highly efficient system of national health insurance should humble and inspire the US

Tagging along with Tsung-Mei Cheng, an expert on Taiwan's health system, on her recent visit to Taiwan's Bureau of National Health Insurance, turned out to be a bit humbling for me as someone who focuses mainly on the US health system.

The bureau is the government agency that administers Taiwan's single payer national health insurance system. Its staff members fret when hospitals and walk-in clinics fail to submit completed claims within the required 24 hours after delivery of service. Private health insurance companies in the United States count themselves lucky if high priced actuaries can tell them in the middle of the year what the carrier ultimately will have to pay the providers of health care for services rendered in the previous year. Taiwan's bureau can track almost in real time what goes on in the nation's healthcare system. In the US even a vague idea of what has been going on a year or two ago can be

in Taiwan jumped from roughly 57% of the population before 1 March 1995 to virtually the entire population. For US policy makers and presidential contenders—who for half a century now have engaged in a perpetual "national conversation" on universal health insurance, only to see the number of uninsured people grow apace over the years—the speed of Taiwan's move to a national health insurance system seems downright surreal.

Taiwan's system is financed in roughly equal share by the government, employers, and households in a complex scheme that includes subsidies, payroll taxes, and premiums paid by self employed people. Health care is delivered by a mixed system that includes private clinics, private non-profit hospitals, and public hospitals, among which patients have full freedom of choice. The main tool for cost containment has been sectoral global budgets; while effective in the short run,

"Loss of health insurance and fear of bankruptcy over medical bills is a growing fear among millions of Americans; it has not been in Taiwan since 1995"

top tier, US style care for the rich funded by private insurance, a social insurance system for the employed middle class with highly variable quality of care, and much less or nothing for millions of uninsured poorer citizens.

Taiwan could much improve its health system by allocating an additional, say, 1-2% of its gross domestic product to health care. Some of the additional funds could be used to reduce patients' own spending, which is still higher than that in most European nations. Furthermore, much more should be allocated to the administrative budget of the Bureau of National Health Insurance, which now accounts for only an inadequate 1.5% of total spending on the health insurance system, compared with the 10% to 12% that premium commercial insurers in the US spend on administration, in addition to another 8% or so for marketing and profits. Recent research indicates that Taiwan's healthcare system devotes

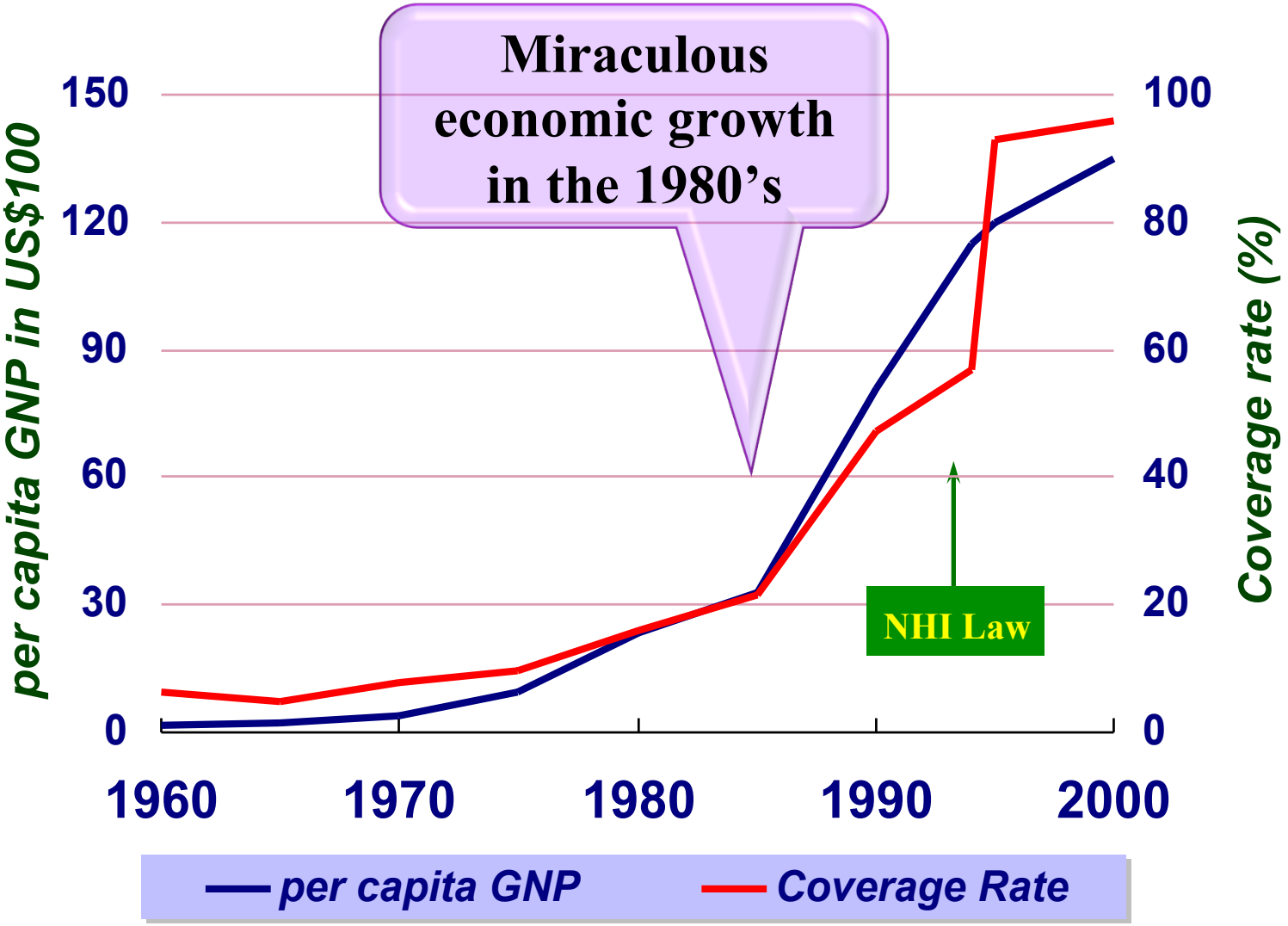
A highly efficient system with low adm cost

-PharmaCloud- **-My Health Bank-**

Moving to the Cloud

Source: Huang (2015)

THE BIRTH OF TAIWAN's NHI



Source: TL Chiang

Taiwan NHI – Major Features

- **Public single-payer approach**
  - **National Health Insurance Administration**
    - Uniform fee schedule, payment varies by accreditation level of providers
      - Mainly FFS-based under global budget
      - DRG gradually phased in
- **Compulsory payroll-tax financed**
- **Comprehensive service coverage**
- **Freedom of choice**

Taiwan NHI – Major Features

- **Public single-payer approach**
  - National Health Insurance Administration
- **Compulsory payroll-tax financed**
  - Plus **a supplementary tax levied on 6 categories of non-payroll income** introduced in 2013
  - Supplemented by government direct subsidies (25%) and employer contributions (38%)
- **Comprehensive service coverage**
- **Freedom of choice**

Dual- track premium system

Premium

Basic premium

- Premium rate: **4.69%**
- Premium base: **payroll**

Supplementary premium

- Premium rate: **1.91%**
- Premium base: 6 categories of **non-payroll income**

Taiwan NHI – Major Features

- **Public single-payer approach**
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  - Supplemented by
    - **Government direct subsidies (25%)**
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Health care use and supply of physicians, 2013

An average of 12 visits per capita
OECD avg: 8.2

	No. of physician visits per capita	No. of physicians per 1,000 population
Korea	14.6	2.17
Japan	12.9	2.29
Taiwan	12.1	1.79
Germany	9.9	4.05
Canada	7.7	2.48
Australia	7.1	3.39
France	6.4	3.1
United States	4.0	2.56
Finland	2.6	3.02
OECD average	6.6	2.80
OECD median	6.4	2.76

high no. of visits (OECD avg 8.2 visits) produced by a rather small no. of physicians

Data source: OECD Health Data, 2015; Data for Taiwan, MOHW 2013
For physician visits, year of data for Japan and Canada is 2012 and for US is 2010.
For physician-population ratio, year of data for Japan and Canada is 2012.

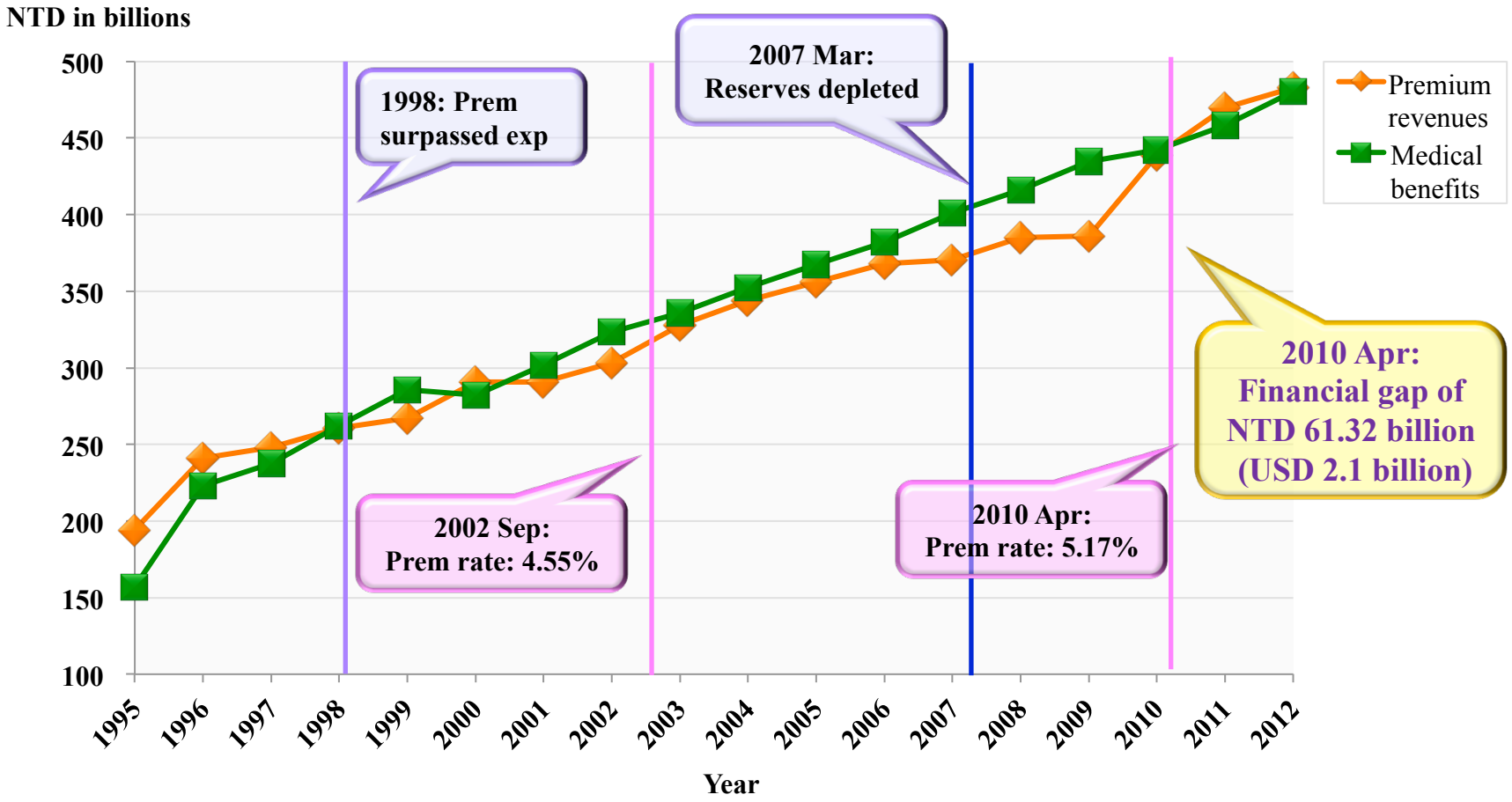
Market-Driven Delivery System

- Predominant private sector
  - 84% of hospitals and 66% of hospital beds
- Large hospital OPD
  - Compete with clinics in ambulatory services
- Lack of coordination in service provision
- **No gate-keeping mechanism**

Financial insolvency and inequity

CGUCM
Chang Gung University College of Management
Department and Graduate Institute of Health Care Management

NHI premium income and medical expenditure



Source: National Health Insurance Annual Statistical Reports, 2013.

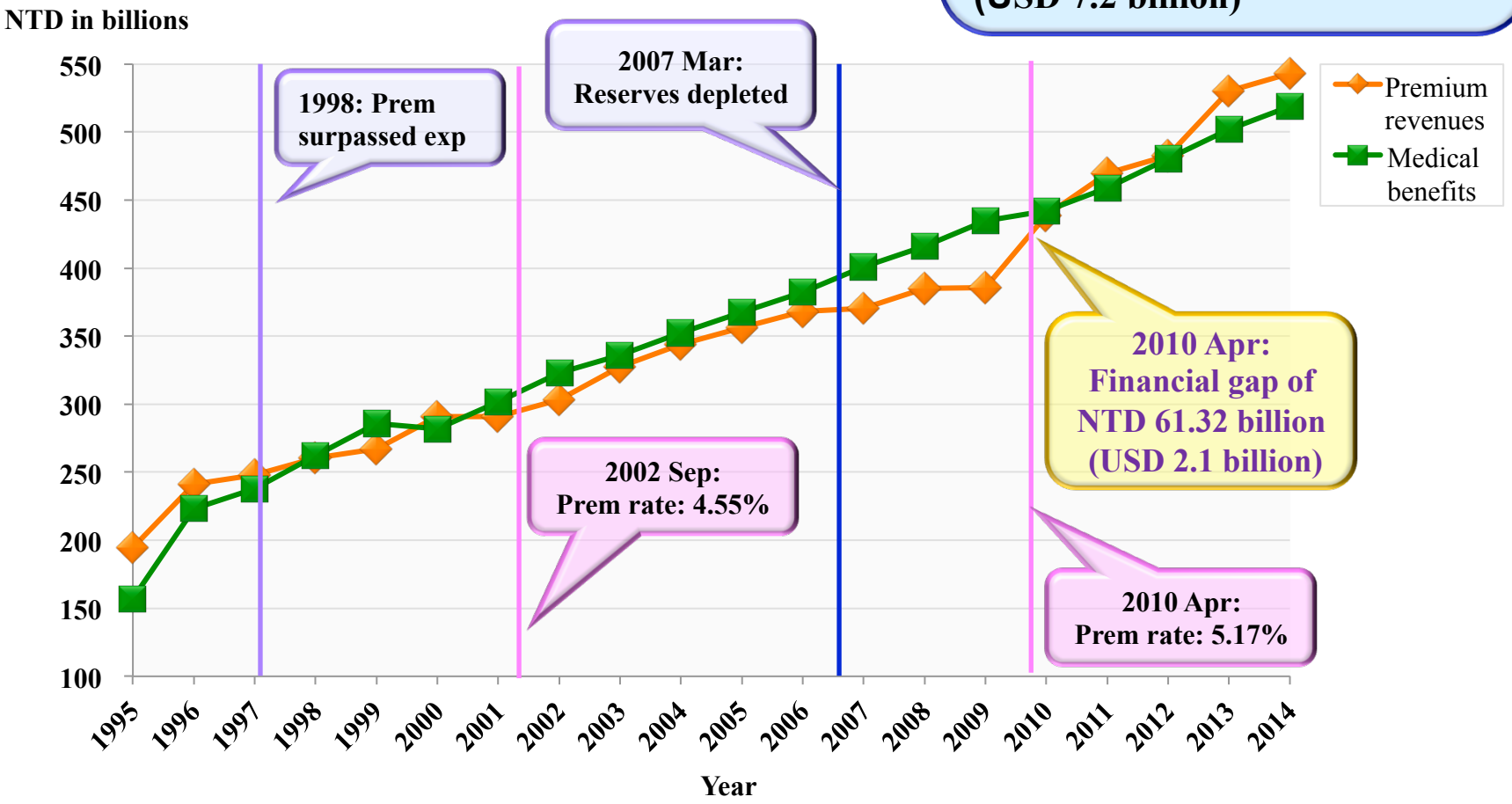
“Consensus”

- No bankruptcy
- No cut-back on benefits
- No increase in premium

健保不能倒、給付不能少、保費不能調

NHI premium income and medical expenditure

Starting Jan 2013
Prem rate: 4.91% (payroll) + 2% (non-payroll)
2015 Aug:
Reserves 215.7 billion (USD 7.2 billion)

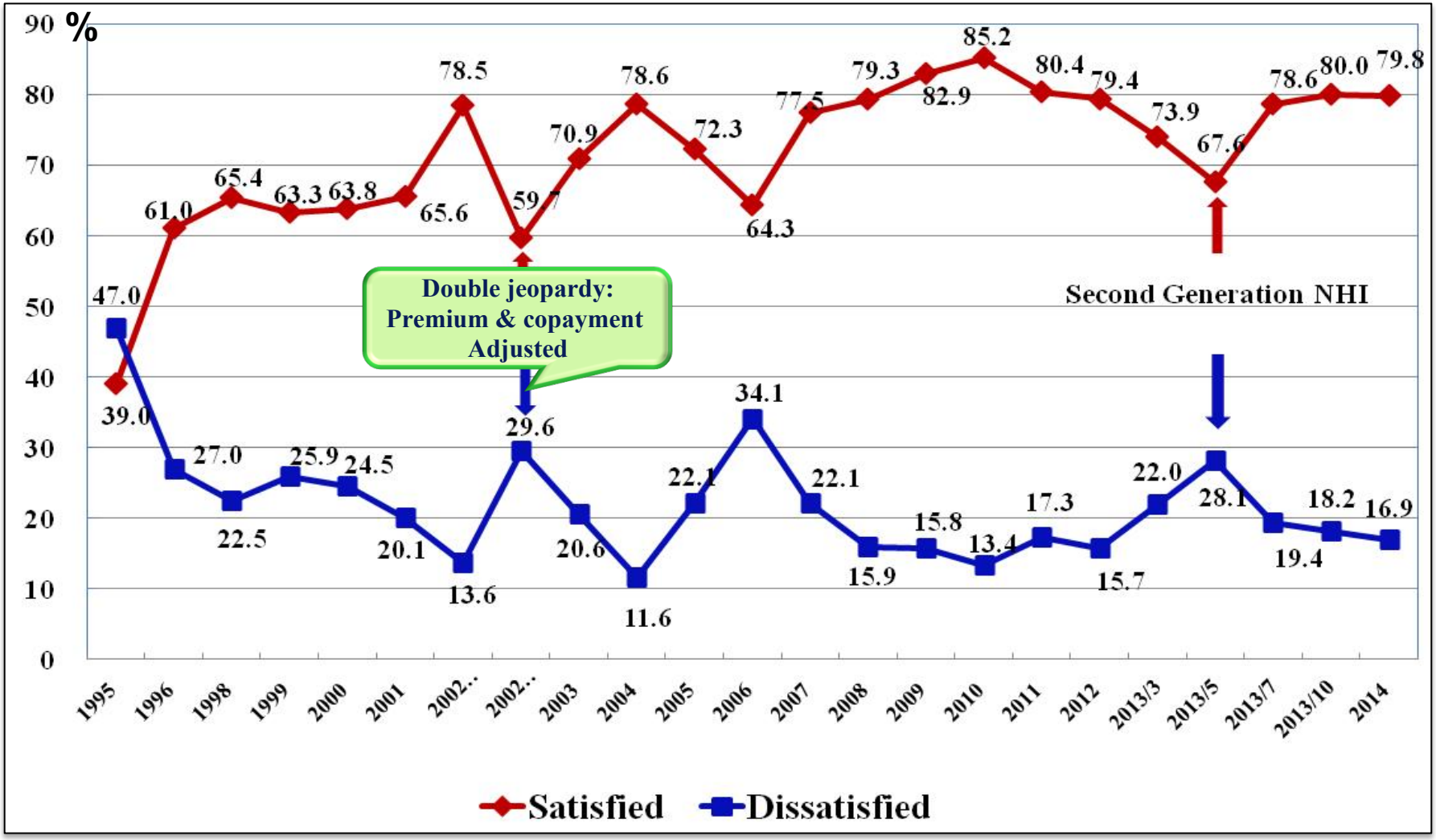


Source: National Health Insurance Annual Statistical Reports, 2014.

System performance assessment

- Public satisfaction rate
- Efficiency
- Equity

High Public Satisfaction

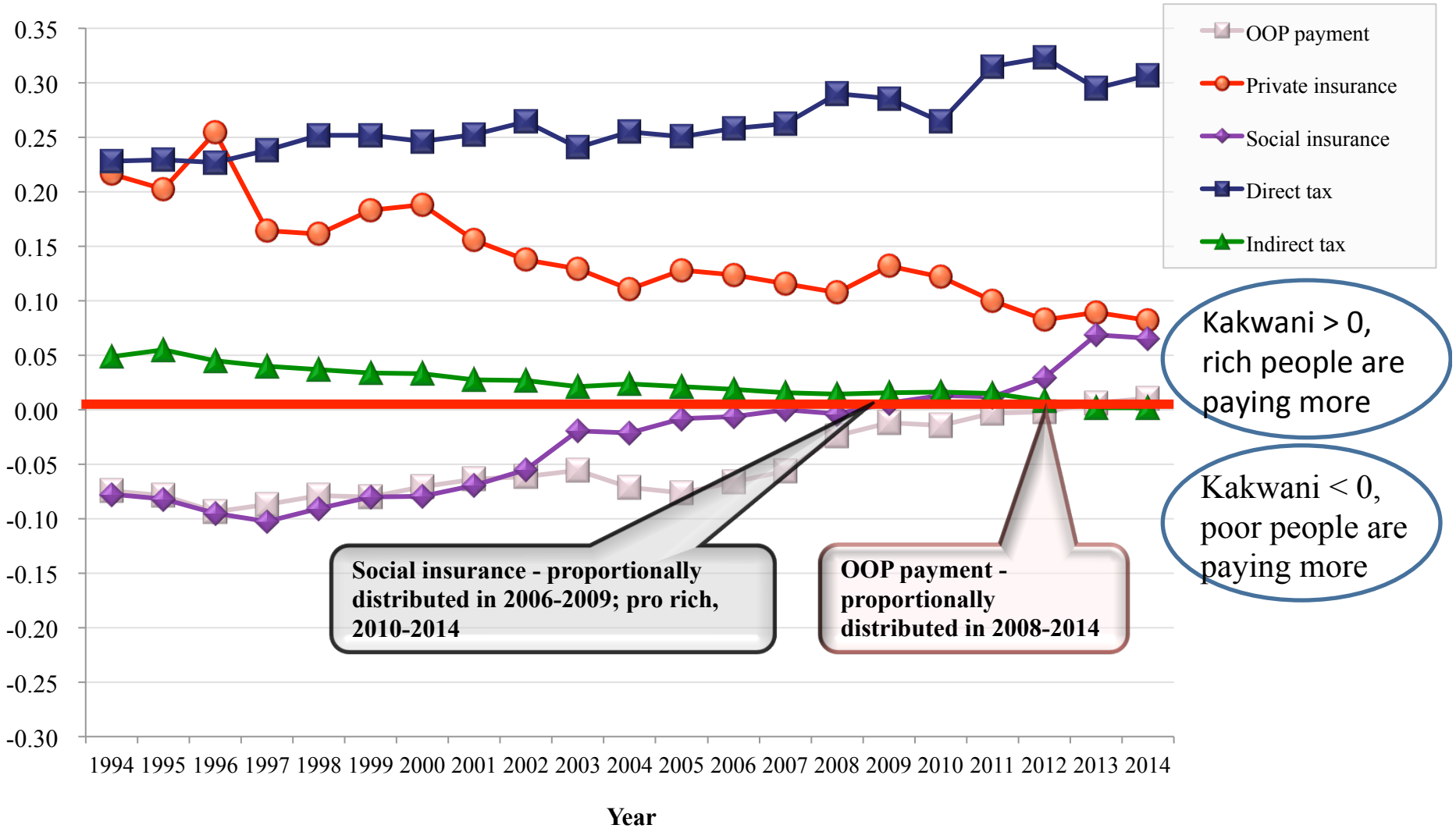


Source: NHIA, 2015

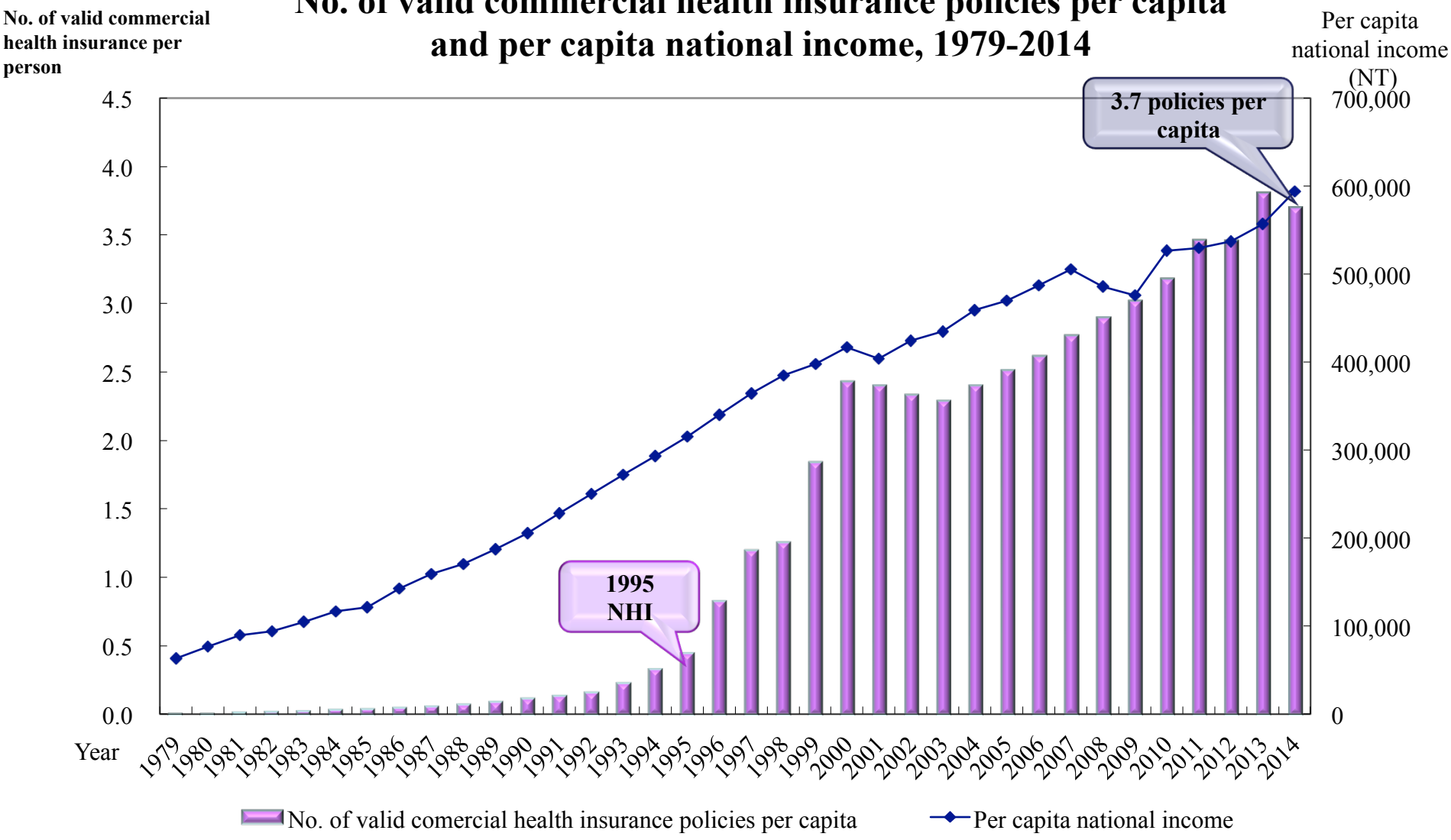
Taiwan NHI – System performance

- Efficiency
  - **Administrative efficiency**
    - Uniform schedule, claim filing procedures
    - IC Smard card for real-time monitor
    - Adm exp: **1.07%** (total medical bill)
      - Adm exp is a separate budget appropriated by the government
  - Allocative efficiency?
    - Geographical location
    - Service sectors
  - Technical efficiency?
    - High no. of visits produced by a rather small no. of physicians

Progressivity indices for Taiwan, 1994-2014

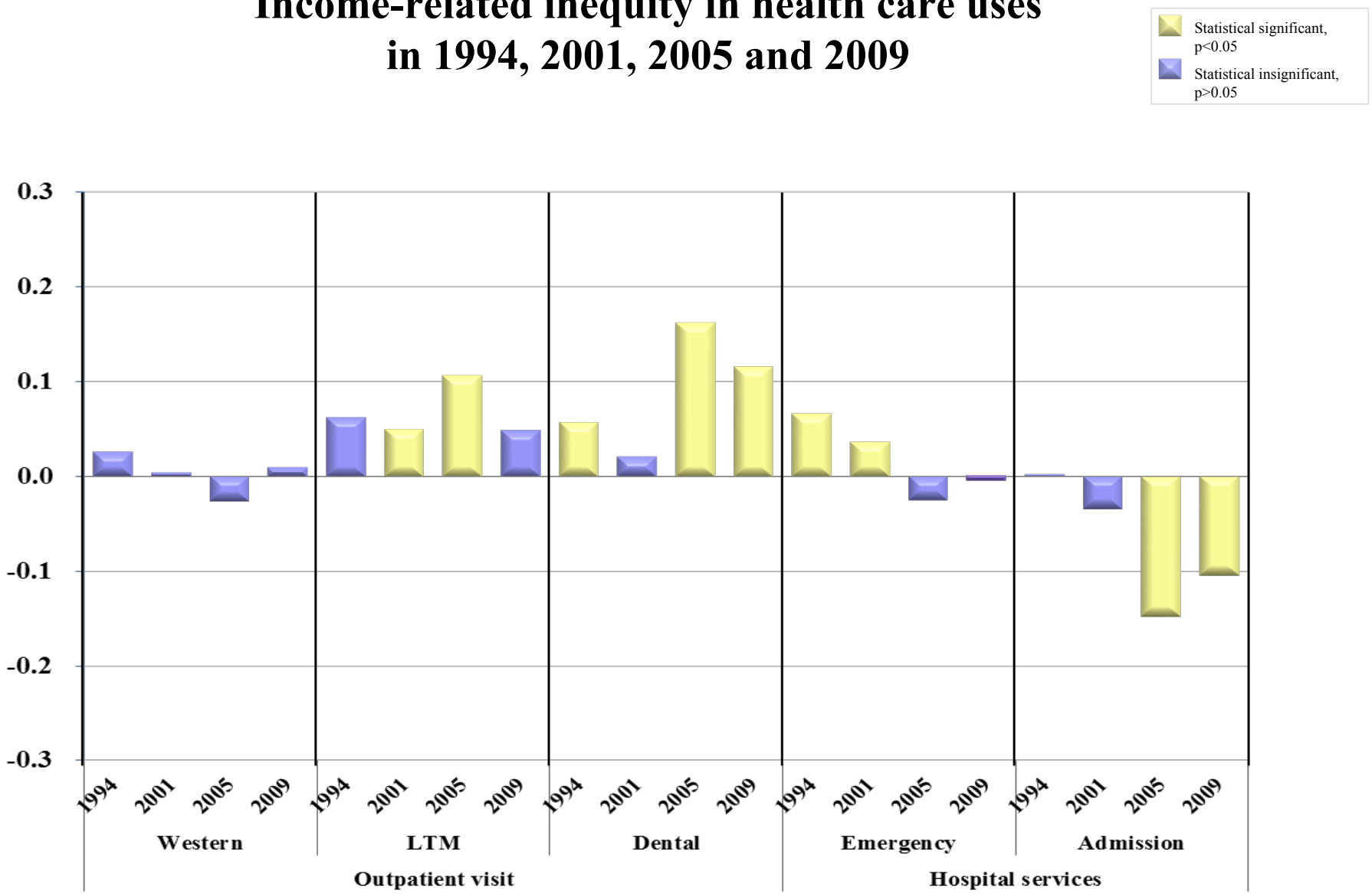


No. of valid commercial health insurance policies per capita and per capita national income, 1979-2014



Source：No. of valid commercial health insurance policies per capita: Annual report of life insurance Republic of China 2014, Taiwan Insurance Institute. Per capita national income: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC.

Income-related inequity in health care uses in 1994, 2001, 2005 and 2009



Unintended system responses

- **Fragmented delivery system**
  - Dominated by **private sector providers**
  - Overuse (abusive uses) of the finite sources
    - 15 OPD visits per insured per year!
    - Futile care
      - USD 2b+ on renal dialysis and ventilation
- **Distortion in specialty choices**
  - Difficulty in recruiting residents for major specialties

Unintended system responses

- **Impact on service market**
  - Declining trend for small private hospitals
  - Expansion of large-scale hospitals

Polarized patient service-seeking behavior

Thanks for your attention

CGUCM
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Department and Graduate Institute of Health Care Management