

# Taiwan's Health Reforms: Lessons for USA and Maine

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October 18, 2010

# Background Information on Taiwan

- Land size: about 1/3 of Maine
- Population: 23 million people (about 18 times of Maine population).
- Income (GDP per capita, 2009)-- \$32,000 (PPP basis)

Income (GDP per capita in 1995 when NHI was implemented) -- \$13,000 (PPP basis)

# Major Problems Confronting Taiwan in late 1980's

- Majority of Taiwanese had no health insurance, many lack adequate access to health care.
- Taiwan had multiple health insurance plans, but they only covered civil servants, farmers, and workers (but not their families).
- High health cost inflation
- Uneven quality of health services.
- Inefficiency, waste, and abuse in health care.

# Taiwan's Goals for Reform

- Provide health insurance coverage for all Taiwan residents.
- Improve equitable access to health care, particularly for poor and low-income people and residents in remote areas.
- Improve quality and efficiency of health care.
- Control health expenditure inflation so health spending is affordable and cost of health insurance is sustainable.

# Taiwan's Reforms

- Universal coverage, pool risks nationwide, equity in finance:
  - Mandate all employers and individuals to join NHI.
  - Finance by premium contribution based on a payroll tax
  - Government subsidizes the poor, the veterans, farmers and self employed
- Equal access: uniform comprehensive benefit package, include dental, Chinese medicine, and home care.
- Built-up supply in under-served areas.
- Providers: continue to pay on fee-for-services basis, but introduced uniform fee schedule and global budget.
- Single payer—government (Bureau of NHI)

# Single Payer Allowed Taiwan to Organize:

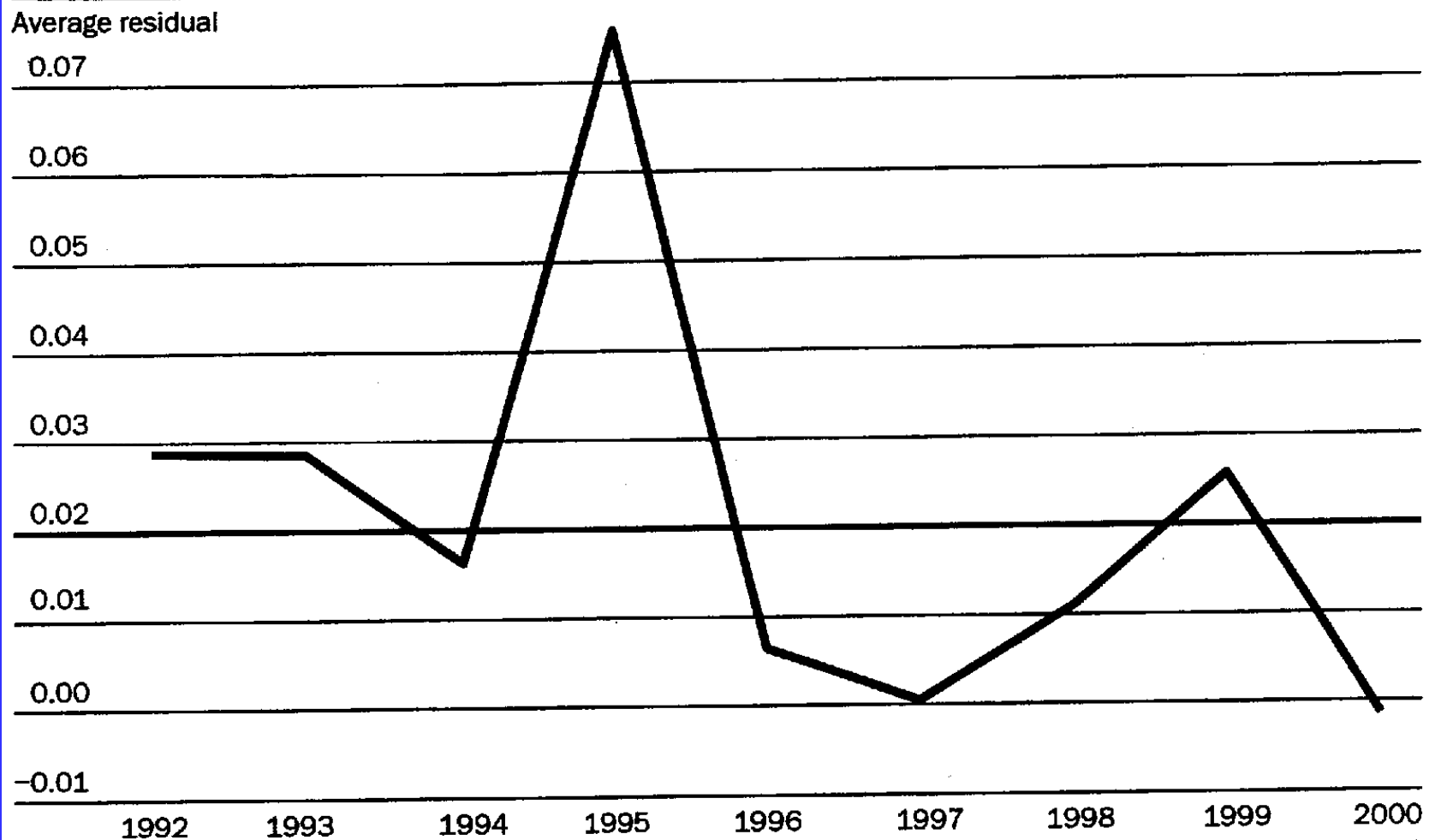
- Uniform administrative procedures for patients' access (Smart Care card) and claim payment → reduce paper work and administrative expenses
- Uniform electronic patient records → improve the continuity and effectiveness of health care and reduce repetition of tests
- Uniform claim records → Can produce complete profile of providers' medical practice and billing; reduce fraud, over-charges, over-treatments and billing.

# Taiwan's NHI achievements

- Expanded insurance coverage from less than 60% to 92% of the population in a year. Now it's close to 100%.
- Improved the access to health care for the poor and people living in remote areas.
- Narrowed the disparity between the rich and poor in utilization rates.
- Shifted the emphasis to prevention and primary care.
- Improved the health outcomes for poor and low income people when they have strokes and heart attacks.

## EXHIBIT 2

### Residuals For Total Health Spending Per Person In Taiwan, In Real Terms, 1992-2000

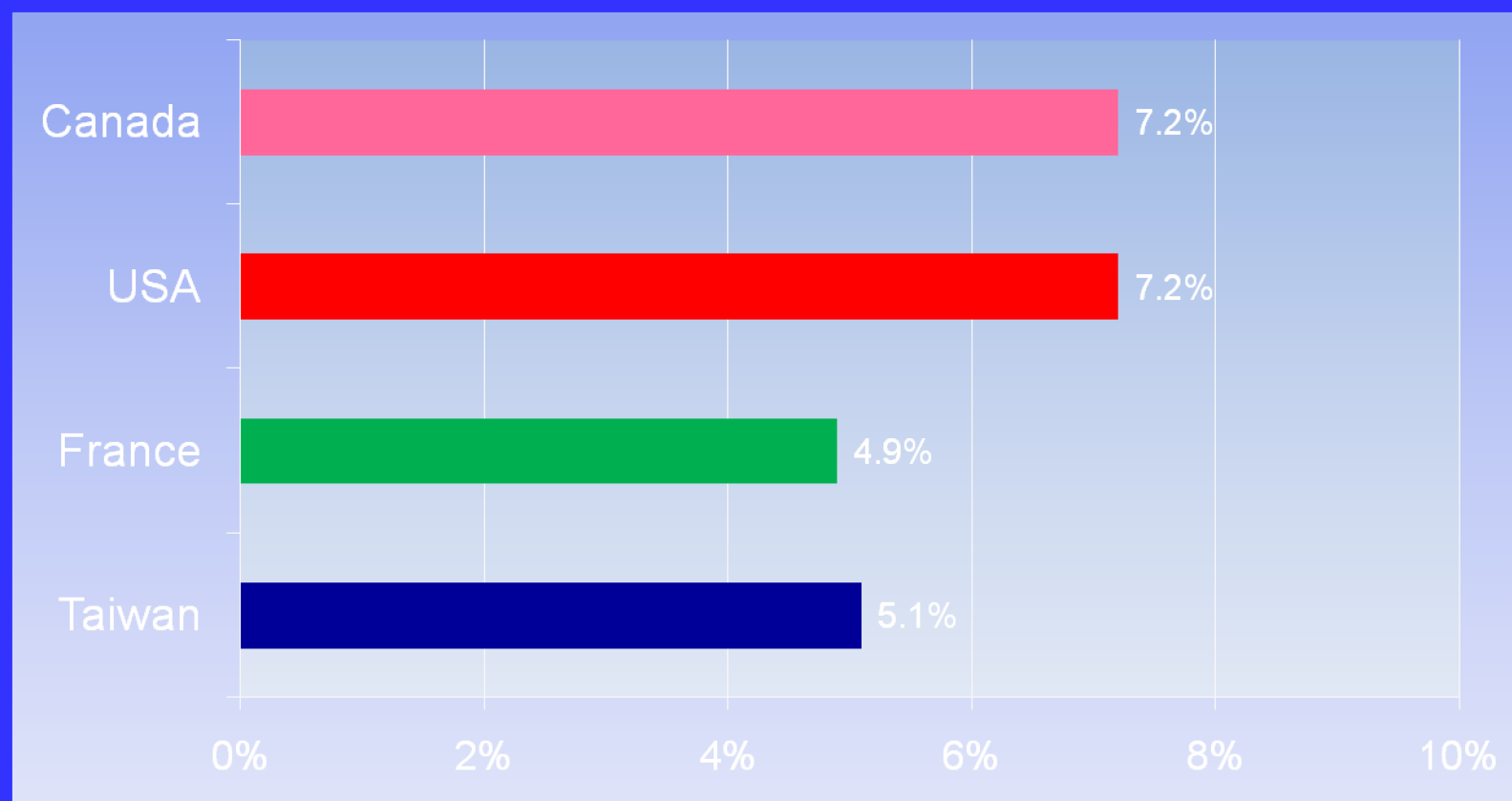


**SOURCE:** Residual was computed based on Taiwan's national health expenditures estimated by the authors (see text for details).

**NOTES:** When Taiwan's National Health Insurance was implemented in 1995, the residual jumped from its historical average of 0.02, then dropped.



# Growth Rates of Medical Expenditures in Selected Countries from 1997 to 2006



Source: OECD Health Data

# Public Satisfaction Ratings for NHI



Source: National Health Insurance In Taiwan 2010

# Remaining Challenges Confronting Taiwan

- Establish an Integrated Delivery System care to improve quality and efficiency of health care.
- Assure fairly uniform quality of health services and remove current inappropriate care (many visits and over-use of drugs).
- Address the deficit of the NHI Fund due to an omission in the NHI law.

# Major Problems confronting USA

- Lack of universal health insurance coverage—now mostly addressed by Obama's Affordable Care.
- Uneven quality of health care
- Inefficiencies—emphasis specialty treatment rather prevention and primary care, duplication of tests, over-treatment, waste, abuse, and fraud.
- Significant share of physician time and health expenditure spent on myriad of administrative requirements imposed by multiple insurance plans.

# Lessons for USA and Maine (I)

- Taiwanese health SYSTEM was broken and archaic. Is the current US system in a similar situation?
- We know how to fix a broken system and modernize it for the 21th century. Taiwan is a case among the advanced economies.
- Taiwan still has an archaic health care delivery system that needs fixing.

# Lessons for USA and Maine (II)

- Universal health insurance coverage with comprehensive services is possible, but must have law that mandates everyone to be insured.
- Single payer can control health expenditure inflation:
  - Taiwan now spends 6.1% of its GDP on health.
  - NHI if financed by premium assessed as 4.55% of payroll.
- Public satisfaction can be high and sustained in a single payer system.
- Fee-for-service payment is inflationary and wasteful, but providers strongly resist reform. Taiwan had to resort to a global budget method ( a “second best” solution).
- Payment method must be reformed if Taiwan wants to move to an modern integrated delivery system.
- Some co-payment are necessary to moderate demand for “unnecessary” services and drugs.

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