A Single-Payer Universal Social Insurance System: The Taiwan Experience

Jui-fen Rachel Lu
(rachel@mail.cgu.edu.tw)

Chang Gung University, Taiwan
March 4-5, 2011

International Conference on Health Care Reform: Asia-Pacific Experiences and Western Models
Taiwan - 2009

• Socio-economic and demographic characteristics
  – High-income economy
    • GDP per capita: USD16,353
    • 6.87% of GDP on health (2%+ since 1994)
  – Lowest total fertility rate country
    • TFR: 1.03
  – Rapid aging population
    • Low fertility rate
    • good life expectancy
      – M/F: 75.5/82
    • Pop size: 23.12 million
Road map

• NHI in Taiwan
  – Historical development
  – Major features
  – System performance

• Rising up to future challenges
  – 2nd generation NHI

• Final words
Taiwan NHI - historical development

• Taiwan implemented NHI in 1995
  – Merging three major social insurance programs
    • Labor Insurance (LI), 1950
    • Government Employee Insurance (GEI), 1958
    • Farmer Insurance (FI), 1989
    • Low income insurance, 1990
  – Expanding the coverage to the uninsured (43% pop), mainly the unemployed and the retired
Taiwan’s NHI

THE BIRTH OF TAIWAN’s NHI

per capita GNP in US$100

Coverage rate (%)

per capita GNP

Coverage Rate

Taiwan’s NHI

Source: TL Chiang
Taiwan NHI – Major Features

- Public single-payer approach
  - Bureau of NHI
    - exp budget
      - NTD 443.2 billion (USD 15 billion) in 2010
    - Direct saving through market power
      - Uniform FFS payment schedule with global budgets
      - Uniform electronic claim filing and review system
        - Smart card
  - Avoid cost shifting and risk selection
Taiwan NHI – Major Features

• **Universal coverage**
  – Compulsory social insurance scheme
  – 99% coverage rate

• **Compulsory payroll-tax financed**
  – Government subsidies: 26%
Taiwan NHI – Major Features

• Public single-payer approach
• Universal coverage
• Compulsory payroll-tax financed
• Comprehensive service coverage
• Freedom of choice
Taiwan NHI – System performance

• High public satisfaction rate
  – +70%

• Efficiency
  – Administrative efficiency
    • Uniform schedule, claim filing procedures
    • IC Smard card for real-time monitor
    • Adm exp: 1.51% (total medical bill)
  – Allocative efficiency
    • Improved – remote areas

• Equity performance
Progressivity for health financing by sources
Taiwan, 1994-2008

- Direct taxes
- Indirect taxes
- Social insurance
- Private insurance
- OOP payments


OOP payment - proportionally distributed in 2008.
Income-related inequity in health care utilization, Hong Kong, South Korea and Taiwan 2000-2001

What is the major challenge ahead?
Financial insolvency
Financial gap of NTD 40.29 billion (USD 1.38 billion)

2G NHI reform proposal
- household income base

• Goal
  – Mend the financial gap
  – Improve financial equity

• Features
  • Expand premium base
    – gross hh income: payroll and other sources of income
  • Eliminate the complicated and inequitable classification system of the insured
  • Lessen the financial burden of hh with more dependents
Taiwan's top fashion model, Lin Chih-ling, an unexpected driver for the birth of a new national health insurance (NHI) system.

- Local news media has reported that Lin needs to pay only NT$604 in monthly premium despite her annual income of more than NT$43 million.
2G NHI reform proposal
- household income base

• Significant premium increase for high income households and singles
• Administrative feasibility is highly questioned
  • Time lag and complicated tax return system
• Ruling KMT party legislators refused to support the drastic changes proposed in the reform bill
  – forthcoming elections
Dual-track premium system (1.5G NHI)

**Premium**

- **Basic premium**
  - Premium rate: 4.91%
  - Premium base: monthly payroll

- **Supplementary premium**
  - Premium rate: 2%
  - Premium base: 6 categories of non-payroll income
2G NHI legislation passed on Jan. 4, 2011

• Revisions of 106 articles to NHI Law
  – Dual-track premium system
    • An increase of NTD 20.8 billion per year
  – Differential payment system
    • new drugs and medical device not fully covered by NHI
  – NHI drug expenditure target

• Health Minister resigned
Health Care Reform
- Always An Unfinished Agenda
Final words

- Taiwan’s reform efforts in establishing a rather equitable health system may provide valuable lessons for countries going through rapid economic and political transition

- **Future challenge remains**
  - **Financial sustainability**
    - Rapidly aging population
    - Economic stagnation