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Health Care Abroad: Taiwan

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William Hsiao is a professor of economics at the Harvard School of Public Health and co-author of the 2004 book "Getting Health Reform Right." He served as a health care adviser to the Taiwan government in the 1990s, when officials decided to reform that country's health care system and to introduce universal coverage. He spoke with Anne Underwood, a freelance writer.

Q. Taiwan instituted universal insurance in 1995. What was the health care system like before?

A. Only a portion of the people were insured, including civil servants, employees of large firms and farmers. The military had its own system of coverage. But 45 percent of the population did not have insurance, and they faced financial barriers to access to health care. President Lee Teng-hui felt strongly that he wanted to do something concrete and visible for all the citizens. He thought of introducing national health insurance to touch the lives of all the people. There was a sense in Taiwan that health care is needed by everyone and a country has to assure everyone equal access.

Q. How did you become involved in the health care reform process?

A. The government initially appointed four Taiwanese professors to lead a task force of technical experts. But the four professors all had different ideas. It was like a wagon drawn by four horses, with each going in a different direction and nobody driving. After a year of this, government officials realized there was a problem. In addition, they wanted someone who understood health systems and health care abroad and what lessons other countries could offer to Taiwan. The domestic experts did not have much international experience.

I was invited to a three-day workshop, where they tested me. At the end, I was put in charge of the task force of four professors and 16 other technical experts. It turned out to be a big advantage that I'm not Taiwanese and had no aspirations of getting a job in Taiwan. At the end of the day, our recommendations and findings were perceived as more objective and free of self-interest.

Q. What was your assignment as head of this task force?

A. We had to design a national health insurance plan for Taiwan, based on international experience. Government officials wanted to understand how other advanced countries fund and

organize health care and learn from their successes and failures, so I made a study of the systems in six high-income countries - the United States, the U.K., Germany, France, Canada and Japan.

Q. And what was your conclusion at the end of this study?

A. We adopted a single-payer system along the Canadian lines. I did not invent it. I'm just in the transfer-of-knowledge business.

Q. Why did you choose the Canadian model?

A. Canada has a single-payer system with universal insurance coverage. It offers people free choice of doctors and hospitals, and it has competition on the delivery side between public and private hospitals. The quality of health services is very high, and people were very satisfied with the system from the 1980s through the mid-1990s.

Unfortunately, in the early-to-mid 1990s, Canada went through a severe recession for four or five years. The budget became very tight. The government underfunded national health insurance, which led to long waiting lines for elective surgery, MRIs and so forth. But when Canada adequately financed its N.H.I., it was a very good system.

Q. In Taiwan, can people choose any doctor or hospital they want?

A. Yes, any provider. Americans talk about choice. But in fact, insurance plans in this country restrict what providers you can go to. Canada gives its citizens more choice of providers. So does Germany. So does England. So does Taiwan.

Q. How comprehensive is the coverage?

A. It covers prevention, primary care and hospitalization, among other things.

Q. I've read that it also covers Chinese massage, acupuncture, traditional herbal medicine, mental health care, dental, vision and long-term care.

A. Yes, these services are covered. We tried to design a benefit package that would give people what they value. For many Taiwanese, that includes traditional Chinese medicine. Though Chinese medicine is not 100 percent proven to be medically effective, people believe in it. And some therapies have been proven effective. For example, when acupuncture is given in certain spots, it stimulates the brain to release opiates.

Q. The Taiwanese system also covers home care.

A. You need home care by visiting nurses for people who are chronically ill or bedridden. It's not rocket science to recognize this. Some people argue that the patients should pay for home care themselves. But if people have to pay out of pocket, they might not ask for visiting nurse services and their illnesses may get much worse. Then they will need to be hospitalized.

Q. Is the system very expensive?

A. Expensive is a relative term. Taiwan spends 6 percent of G.D.P. on health care, compared to 16 percent in the United States.

Q. *How much do people have to pay?*

A. If you're employed, your employer pays 60 percent of your premium. The employee pays 30 percent, and the government subsidizes 10 percent. The government fully subsidizes the premiums for the poor and gives partial subsidies to veterans, the self-employed and farmers.

Q. How much is the typical premium?

A. The total insurance premium for employed workers is 4.6 percent of wages. That's much lower than in the United States, where the average is between 12 and 20 percent of wages for those who are covered by their employers.

Q. *Are there co-pays, too?*

A. Yes. The task force felt that service should not be totally free or else people might waste services. For example, we studied what happened in Taiwan when some insurance policies gave prescription drugs free to everyone. One-third of the drugs dispensed were never taken but thrown away. You can imagine, if you have free office visits, some people will say, "I have this little ache. I'll go see the doctor because it's free." We wanted to moderate this waste.

Q. How high are co-pays?

A. The charge is \$2 for a visit to a clinic and about \$4 to a hospital outpatient department. The co-pay for hospitalization is now 10 percent for the first 30 days and 20 percent for the days beyond 30 days. For prescriptions, it's 20 percent of the cost of the drug, but capped at \$6 for each prescription. Taiwan also sets a ceiling on the total co-pays, so patients won't face bankruptcy.

Q. *How long did it take to implement this program?*

A. Less than a year. Mr. Lee pushed through the legislation in four to five months, because an election was coming. Then he asked for the new system to be implemented six months after that - and they did it.

Q. *What percent of the population is now insured?*

A. Within the first year, Taiwan managed to insure 95 percent of the population. That increased that by another percent or so each year, until they reached 98 percent. They had trouble with that last 2 percent, because some were living overseas and others were homeless. The government literally sent people to find the homeless under bridges and enroll them. Now they have close to 99 percent enrollment.

Q. Has this translated into better life expectancy or lower complication rates from major diseases?

A. There is evidence of positive health results for select diseases, like cardiovascular disease and kidney failure. But overall, it's really difficult to say that national health insurance has improved the aggregate health status, because mortality and life expectancy are crude measurements, not precise enough to pick up the impact of more health care. That said, life expectancy is improving, and mortality is dropping. And everyone now has access to good health care.

Q. What does the system do particularly well?

A. In addition to covering everyone, it has a uniform system of electronic health records. Every patient has a Smart Card. When you go in for services, the physician puts the card into his computer. You give him the code to access your records, which are all stored on the card - what medications you've taken, what tests, along with the results, the last time you saw another physician. With a single, unified electronic system, it improves treatment and it also vastly reduces claims processing. Hospitals and doctors get paid in a week or two. It's a paperless system. That's why it keeps administrative costs down to 2.3 percent of the total premium. In the United States, it's more than 10 percent.

Taiwan was also able to control health-expenditure increases very well in the early years. Unfortunately, now that the government budget is tight, it is overdoing it.

Q. What are the system's weaknesses?

A. In the legislative process, compromises had to be made. First, the president yielded on payment reform, so Taiwan kept its fee-for-service payment system. Unfortunately, that encourages doctors and hospitals to give more treatment in order to boost their income.

Second, the Taiwanese system doesn't have a systematic way to monitor and improve quality of care.

Third, in the legislative process, they rejected a provision to adjust the premium automatically when the national health system depletes its reserves. In every country, health care costs are increasing faster than wages. When that happens, the premium has to go up. But that provision wasn't incorporated into the law. As a result, the system is running a deficit. National health insurance tries to cut the fees for hospital and physician services. But eventually these fee reductions will adversely affect the quality of health care.

Q. What's the most important lesson that Americans can learn from the Taiwanese example?

A. You can have universal coverage and good quality health care while still managing to control costs. But you have to have a single-payer system to do it.