

TAIWAN'S CONTROVERSIAL NATIONAL HEALTH INSURANCE

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Executive Summary

1. Despite strong social controversy, Taiwan's second-generation National Health Insurance (2G NHI) took effect in January 2013. 2G NHI is expected to temporarily address the NHI insolvency issue with a new 2% supplementary premium.
2. Since the NHI was established in 1995, the NHI has been constantly criticized by different social groups for a variety of issues; however it is the most favored social policy in Taiwan and enjoyed increasing public satisfaction rate from 68% in 2001 to 87% in 2010.
3. Equal access to broad medical services, low premiums and copayments by patients, low healthcare expenditures for the government, and almost zero waiting time for needed care are the major achievements of Taiwan's NHI.
4. The NHI's biggest and long-term problem is its financial deficit. Four years after the introduction of NHI, the NHI started to have annual deficit and on an increasing scale in recent years. The second problem is the over-usage of medical resources, as reflected in the high number of clinic visits by patients, the over-prescription and unnecessary medical services provided by doctors.
5. The third problem is the NHI's occupation-based premium system: individuals in different occupations receive different premium subsidies from the government, resulting in some low income families having to pay higher premium than some high income families.
6. The fourth problem is the constraint in doctors' and nurses' salary increase caused by the NHI payment system, thus discouraging physicians to work in five important medical departments.
7. The root cause of the NHI deficit is NHI expenditure outpacing growth in premium revenue. Both the Kuomintang and Democratic Progressive Party

administrations delayed the premium rate increase until the last minute to avoid losing support from the general public and business owners.

8. To increase revenue and ensure equity, the Taiwanese government will do well to change its system from occupation and individual salary based to total family income based. Stricter rules are needed to curb excessive usage of medical resources as well.
9. However, Taiwan's rapidly aging population and long stagnated economy will seriously challenge the reform of the NHI.