

Special Report: Health care in Taiwan

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TAIPEI, Taiwan — Liu Hsiao-ling, a 58-year-old Taipei retiree, has Taiwanese friends who live in Chicago.

When they get so sick they need to see a doctor, they head for O'Hare and hop a plane for a 20-hour, cross-Pacific trip to Taiwan.

"The airline tickets are less expensive than getting treated in the U.S.," said Liu, as she sat in a hospital lounge in Taipei waiting to pick up her prescription. "And they say going to the doctor in Taiwan is much better than in America."

That's a damning indictment of America's overpriced, broken health care system — and a vote of confidence in Taiwan's.

So as politicians bicker in Washington over public options, "death panels," and all the other details of health care reform, this East Asian "tiger" may offer some useful lessons.

Taiwan has one of Asia's most highly-praised systems. Passed in 1995, it's a single-payer insurance system similar to Canada's. (Single-payer means only the government reimburses doctors and hospitals for the costs of health care).

Though far from perfect, its merits become clear in a few key statistics: Taiwan spends just 6.5 percent of its gross domestic product on health care; the U.S. spends more than 15 percent.

Ninety-nine percent of Taiwan's 23 million population is covered; in the U.S., more than 45 million people remain uninsured. The administrative costs of Taiwan's system are a meager 1.5 percent, versus 20 to 30 percent for many U.S. insurance companies.

What it looks like

One misconception about "single-payer" plans like Taiwan's is that they eliminate free competition.

In fact, that's only true for the health insurance market, where the government becomes the dominant or only player. (In Taiwan, there is private insurance, but only for "gold-plated" plans targeting the wealthy, offering priority or tailored care better than what you can get through the national plan).

Health providers, on the other hand, work in a crowded market of both public and private facilities that compete fiercely for patients. The catch is, since reimbursement fees are standardized, doctors and hospitals don't compete on price.

It's like a town of a hundred hamburger joints, where the price of a hamburger is set at \$1 — the restaurants would compete for customers based on how juicy, tasty and big their burgers are.

So it goes with Taiwan's health care. "Absolutely, there's competition in Taiwan's system," said Tsung-Mei Cheng, a Taiwanese-American health policy expert at Princeton University, and former adviser to Taiwan's government. "Don't ever think that a government-run system rules that out. But they compete on the basis of quality — what you can do for a patient — not on price."

Taiwan's national plan covers both Western and Chinese medicine, including acupuncture. It pays for abortions, but only in cases of sexual assault. And it covers 60 days of end-of-life care, either at home or in a hospice or hospital.

Revenues from Taiwan's plan come from a combination of individual payroll deductions, employer and government contributions, with additional funds coming from a "sin tax" on cigarette sales.

Every participant gets a "smart card" that contains their basic medical data. They can use that card at any clinic or hospital in the country, handing over a small co-pay. When swiped along with a doctor's and hospital's card, the smart card accesses a unified, national database that's a powerful tool for tracking health trends, such as the spread of swine flu.

Taiwan's health care technology is considered possibly the best in the world. But Americans' privacy concerns would likely prevent anything similar being adopted in the U.S. — certainly, not on a national scale.

How does the Taiwan government pay health providers for care? The details are eye-glazing. But basically, the government sets what it calls a "global budget" to cap overall health care costs. Reimbursements are doled out at government-set fees. Taiwan plans reforms that would further cut costs and reward quality over quantity of health-care delivery.

Such talk sets policy wonks' hearts a-pattering. But the real test of a health care system is with its patients. There, Taiwan passes with flying colors.

In the latest poll last year, more than 80 percent of Taiwanese expressed satisfaction with the system. Approval ratings have stayed over 63 percent since 1998, except for a brief drop earlier this decade when premiums were hiked.

Room for improvement

That's not to say health care in Taiwan is flawless. In a nutshell, the system is underfunded and overused. It's been in deficit since 2007, with the government forced to borrow from banks to cover costs.

Meanwhile, with co-pays so low, many Taiwanese — particularly the elderly — go see a doctor for every minor ache and pain. So much so that some clinics have become a lively social scene for gray-hairs.

Princeton's Cheng said a Taiwan health official once told her a popular joke making the rounds at his ministry: A bunch of elderly patients are sitting in a clinic; one looks around and asks "Where's Old Mr. Lin?" Another responds: "He couldn't make it today, he's sick."

Another problem, says Cheng, is that people jam popular, university-run hospitals where they think they can get the best care, while some rural clinics are so empty "you can catch sparrows on the doorstep," to quote a Chinese saying.

The "hot" facilities — like Taipei's National Taiwan University Hospital — have a chaotic, cattle-yard feel. Patients throng into registration and prescription lines. And they

barge into doctors' offices while they're seeing patients, leaving little room for privacy. The government has tried to raise co-pays at popular urban hospitals to encourage more use of local clinics, but to little effect.

Finally, Cheng says while low administrative costs are a good thing, Taiwan's are actually too low — there's not enough spent on research and development.

Others make similar points. According to research by two U.S. health experts, doctor visits average 14 per year in Taiwan, far more than in most industrialized countries — but a standard visit is less than 5 minutes in length. "In these brief visits, the physician's focus is on treating symptoms and prescribing medications, not listening to patients," wrote Karen Davis and Andrew Huang.

Back at the Taipei hospital, Mrs. Liu agrees the system is often abused. "Some people go to the doctor too much, get too much medicine — and then don't even use that much of it," she says. "It's a bit wasteful."

For all those drawbacks, Taiwan's system has huge advantages in terms of social harmony, say health policy experts here. Mr. Wen, from the Center for Health Policy Research and Development, said one key achievement is financial security, especially for the unemployed or poor, who would otherwise be "catastrophically hit" if they had major diseases or health issues.

Taiwan's system "has created equity within society," said Wen. "Everyone is covered. That's a very powerful element."

A window of opportunity

How did Taiwan get there? For one thing, the politics of health care played out on the island far differently than in the U.S.

Before 1995, more than 40 percent of Taiwanese had no insurance. Those who did received it through a patchwork of insurance plans that tacked on health coverage as an added benefit, usually for government employees or workers at state-run firms.

As Taiwan got rapidly richer through double-digit growth in the 1960s, 70s and 80s, Taiwanese began to demand better social benefits.

At that time, private insurance companies weren't interested in offering health insurance, because the administrative costs were too high. That meant that when politicians mooted a government-run, single-payer system, there wasn't the fierce opposition from the insurance industry that you see in the U.S.

Princeton's Cheng says that the island seized an opportune moment to pass its plan — just after democratization, with its blossoming demands from NGOs and civic groups, but before the Asian Financial Crisis dried up government coffers in the late 1990s.

Taiwan's then-government, still run by the authoritarian Kuomintang, rammed the health care reform plan through ahead of the island's first direct presidential election in 1996. It was, in part, a bid to co-opt the European-style social welfare platform of the rapidly-rising opposition Democratic Progressive Party, Cheng said.

Contrast that to the politics in the United States, where support for any health care reform could cause a lawmaker to lose mucho campaign dollars from big insurance companies and drug firms, and votes from anti-government conservatives — or, somewhat ironically, from elderly Medicare recipients who fear any change to their benefits.

In short, in Taiwan reform was a vote-getter, in America it's a vote-loser.

Confucius says: health care is good

Taiwan's success is all the more remarkable, considering the ethnic stereotype that Chinese don't care about the welfare of strangers — meaning anyone aside from relatives and those with whom they have *guanxi* (personal and professional networks of mutual obligation).

By way of explanation, Michael Chen, the vice president and CFO of Taiwan's Bureau of National Health Insurance, points to another Chinese tradition: Confucianism.

"Throughout Chinese history, one of our founding doctrines, [Confucianism] says the government has to take care of the people, no matter what," said Chen. This has bred fundamentally different attitudes toward government.

"It's a natural thing, to take any of your problems to the government," said Chen. "That's Chinese tradition throughout history. So we are obliged to make sure 100 percent of the population is covered."

Princeton's Cheng agrees that China's historical legacy played a role. "The government is viewed as a paternalistic figure," she said. "People look to the government for help, and they are also much more accepting of government authorities."

Contrast that with what Cheng calls America's "frontier mentality" — the self-reliant, "don't tread on me" sentiment that bridles at any government curb on individual freedom, and holds tax-collectors and other government bureaucrats in contempt. "America was made up of a bunch of rebels," said Cheng.

Taiwanese experts look with some puzzlement on American talk of government-run "death panels," and other highlights of last summer's vocal town hall meetings. "There are a lot of myths in the debate on health care in the U.S.," said Chen, the Taiwan health official. He cited the beliefs that a single-payer system would be more expensive, reduce patients' freedom of choice and amount to "socialized" medicine.

Actually, he said, it's easier to control costs with a single-payer plan, and the island's system offers patients their choice of doctors and free-market provision of care.

Taiwan listened closely to foreign experts when designing its own health care system. Fifteen years later, maybe it would be a good idea for America to listen to Taiwan.