

# Taiwan National Health Insurance

**Introduction of NHI and its impact to the commercial insurance and the experiences that can be related to Philippines market**

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# Agenda

1. Introduction of Taiwan's National Health Insurance (NHI)
  - Overview of Taiwan NHI
  - NHI's achievement
  - Structure of NHI
  - NHI's challenge
2. NHI's impact to commercial insurance
  - NHI-CI product
  - Product approval process
  - 2<sup>nd</sup> generation NHI-CI
3. What experiences of Taiwan NHICI can be related to Philippines market

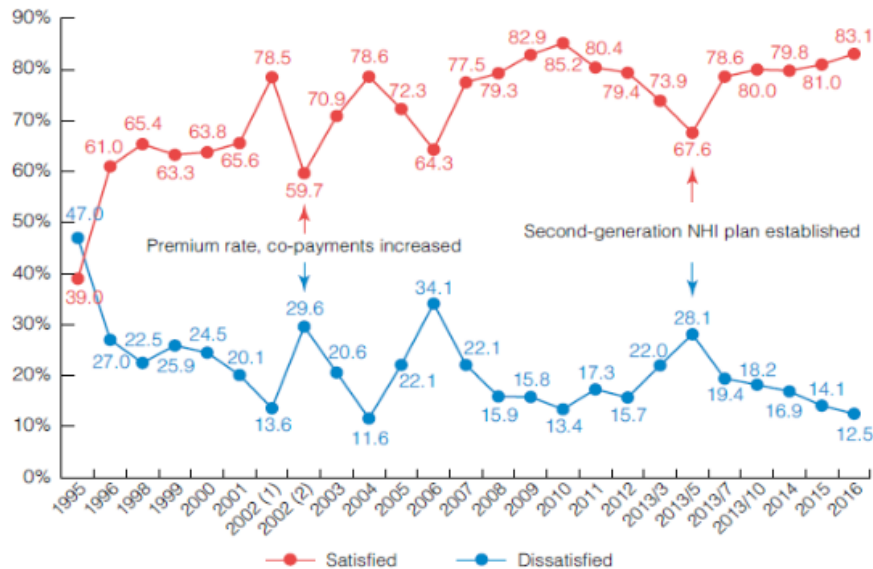
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# Overview of Taiwan's NHI

- Implemented in 1995, NHI is a government-run, single-payer, premium-model, mandatory social health insurance scheme
- Bringing overnight the 41% previously uninsured covered with excellent, timely health care
- Satisfaction rate of 83.1% in opinion survey 2016



Source: National Health Insurance Administration Ministry of Health and Welfare

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# NHI is one of the best social insurances

- Taiwan's Progress on Health Care by Uwe E. Reinhardt (July 27, 2012)
- Documentary featuring Taiwan's 'medical miracle' to premiere (June 26, 2012)
- Health Insurance Is for Everyone by Fareed Zakaria (March 26, 2012 )
- GPS Special: Global Lessons: The GPS Road Map for Saving Health Care



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# NHI is one of the best social insurances

- Reflections on the 20th Anniversary of Taiwan's Single-Payer National Health Insurance System (March 2, 2015)
- Taiwan has a well-run health system (November 13, 2014)
  - 69% expats in Taiwan agree that organizing health insurance is relatively easy compared to a global average of 55%
  - 67% expats spends less on healthcare than they used to (higher than a global average of 27%)
  - 64% expats agree that healthcare in Taiwan is of high quality (higher than a global average of 38%)
- United States Senate Subcommittee Hearing – Access and Cost: What the US Health Care System Can Learn from Other Countries (March 11, 2014)



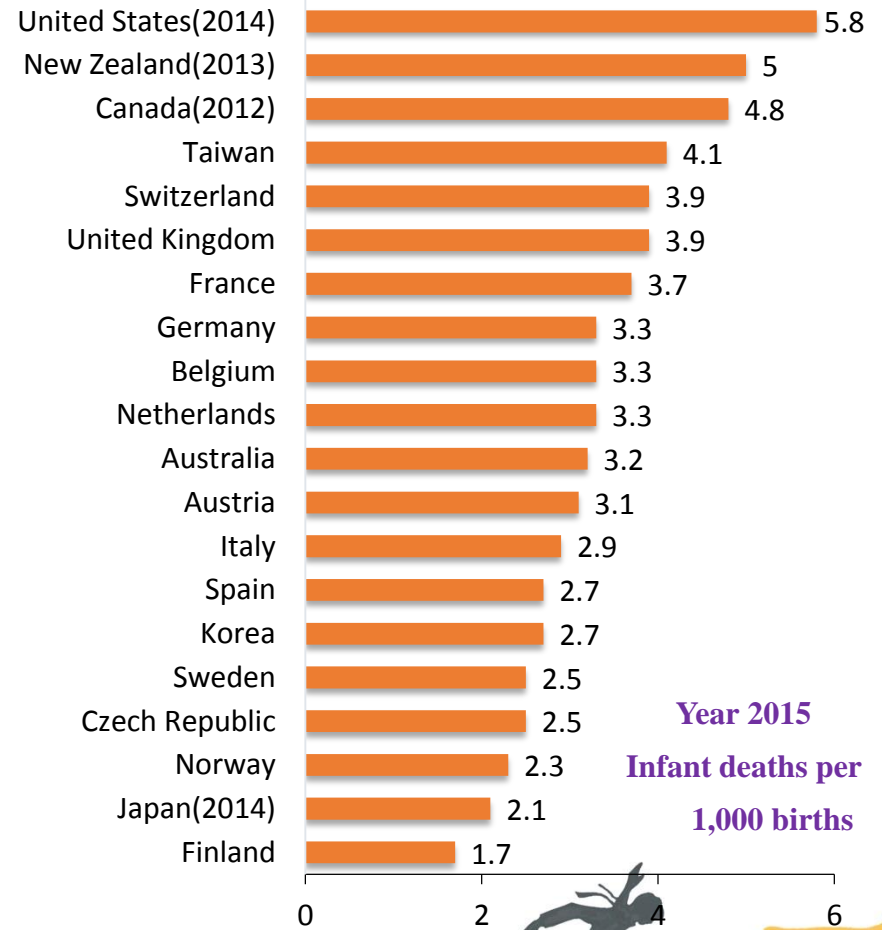
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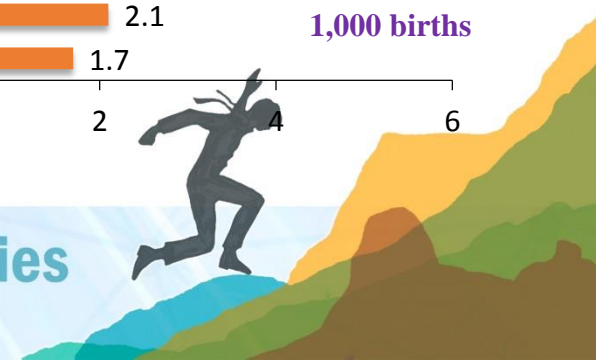
# Indicators of overall health status

	2015 Life Expectancy	
	Female	Male
Japan	87.1	80.8
Spain	85.8	80.1
France	85.5	79.2
Korea	85.2	79.0
Switzerland	85.1	80.8
Italy	84.9	80.3
Australia	84.5	80.4
Finland	84.4	78.7
Norway	84.2	80.5
Sweden	84.1	80.4
Canada(2013)	83.8	79.6
Austria	83.7	78.8
Taiwan	83.6	77.0
Belgium	83.4	78.7
New Zealand(2014)	83.3	79.7
Netherlands	83.2	79.9
Germany	83.1	78.3
United Kingdom	82.8	79.2
Czech Republic	81.6	75.7
United States(2014)	81.3	76.5
Mexico	77.7	72.3



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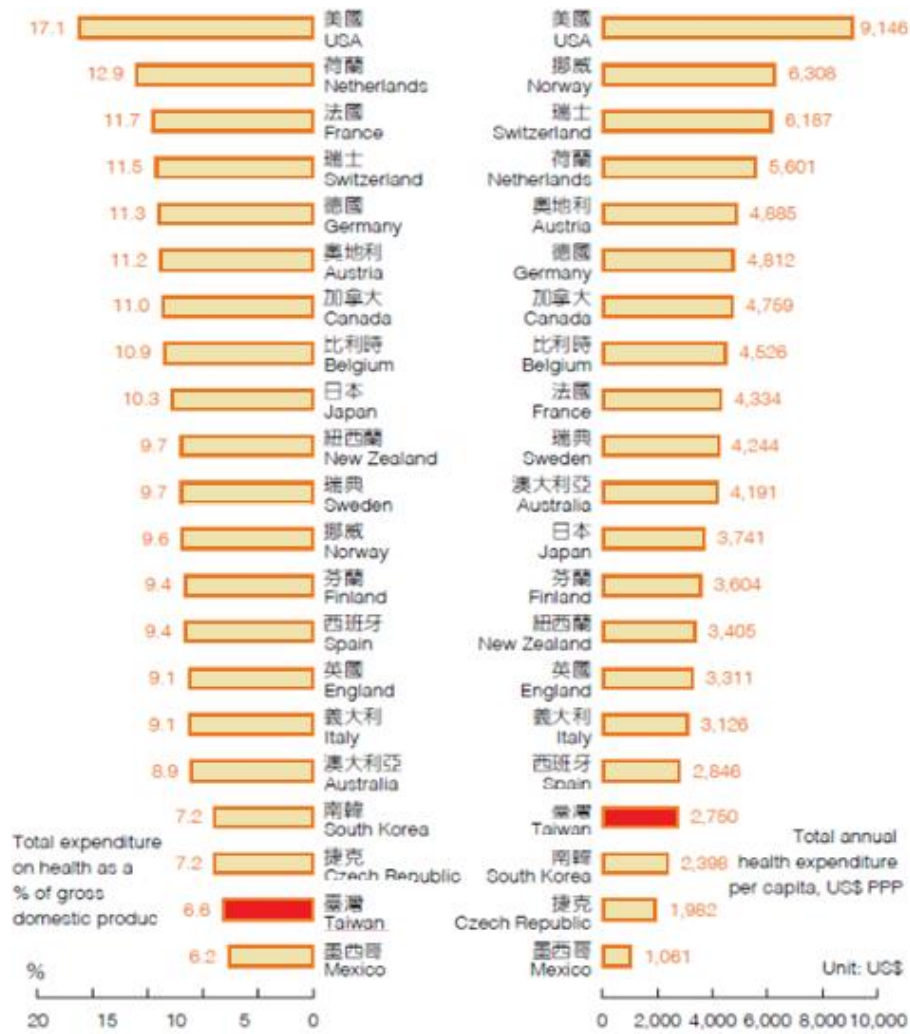


# NHI's achievement

- Most egalitarian health system
  - The poor and disadvantaged people living in the remote area are getting the same access of health care
  - 99% of Taiwanese citizens are covered
  - Foreigners who have permits and are living in Taiwan for more than 6 months are covered
- Cost efficient are among the lowest of all OECD countries, total health expense is around 6.6% of total GDP in 2015
- A good health IT system
  - Quantitative evidence generated for decision making



# Indicators of overall health spending



The World Bank website (2015) and the Ministry of Health and Welfare website (2015)

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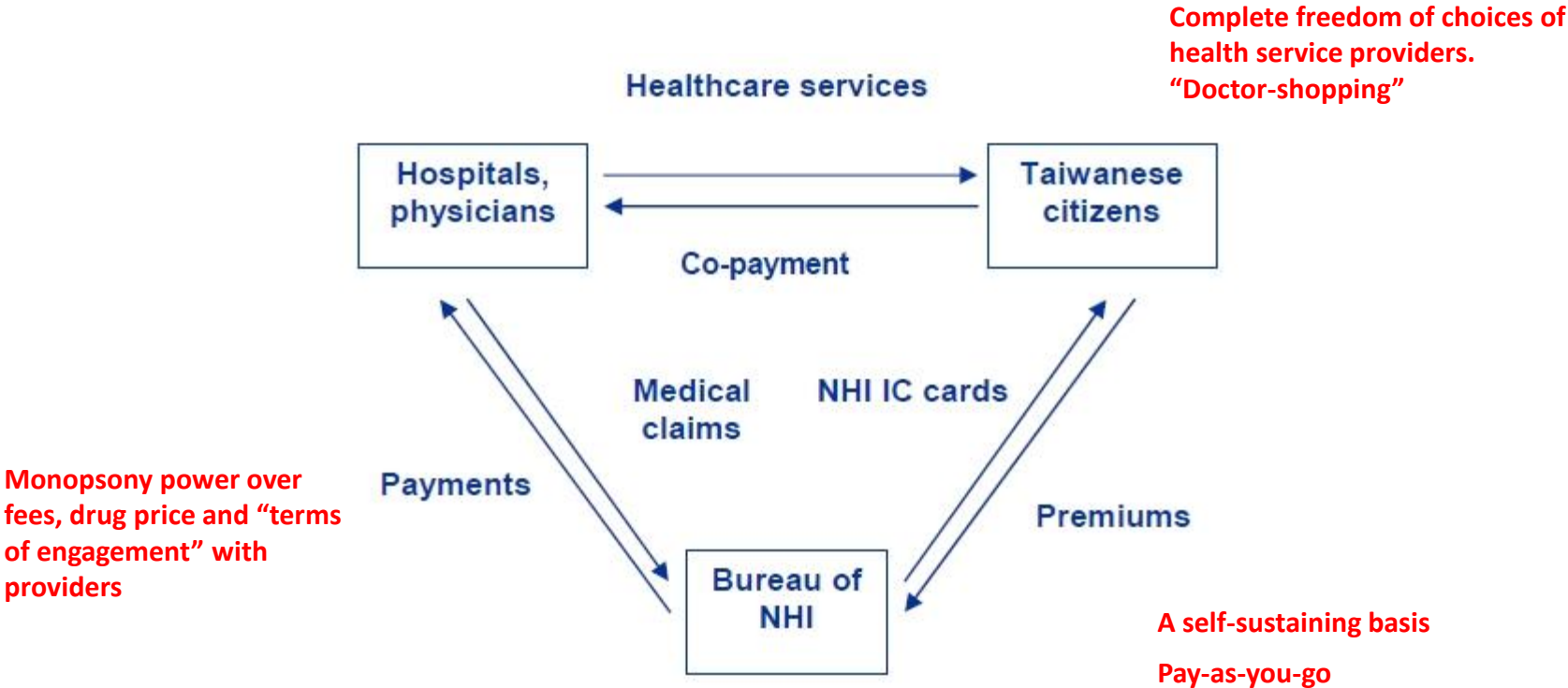


# NHI's achievement

- Easy access and freedom of choices
  - More than 92.6% of Taiwan's health care providers are contracted under NHI
  - Complete freedom of choices among providers and therapists
  - Remove financial barriers to health care
  - Within minutes and also accessible in the evening
- Basically no waiting list from NHI
  - Average waiting time for medical procedure (Great Britain)
    - 50 percentile of waiting time for inpatient – 6.3 weeks
    - Cataract surgery – 8 months
    - Operation of hip joint – 11 months
    - Operation of knee – 12 months



# Structure of Taiwan's NHI



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# Administration

Extremely low administration expense: 1.5% of total spending

## ➤ Powerful IT Platform

- All service providers are required to submit claims electronically within **24** hours after delivery of services
- All data in IT system can be linked with other health administrative functions and are monitored in real time
  - Quickly detect infectious diseases such as SARS
  - Prevent duplicative services, fraud and abuse



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# Administration

Extremely low administration expense: 1.5% of total spending

- IC Card: Credit card size smart card introduced in 2002



IC Chip:

Encrypted within the chip is your basic medical data & treatment history. Readable only with a healthcare practitioners' corresponding card machine

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# Benefit

- Benefits are comprehensive, including:
  - Inpatient care
  - Ambulatory care
  - Dental care (excludes – orthodontics and prosthodontics)
  - Prescription drugs
  - Traditional Chinese medicine
  - Day care for mentally ill
  - Certain preventive medicine/checkups
  - Limited home health care
  - Laboratory tests
  - ...



# Cost of the insured

- For low-income and disadvantaged people, the government subsidizes 100% of the premium
- In 2002, Taiwan's Supreme Court ruled that no one in Taiwan could be denied of care because of a lack of ability to pay
  - For those temporarily unable to pay premium, Bureau of NHI has a fund for those to take out interest-free loans to pay the premiums



# Total health spending

- Organization for Economic Cooperation and Development (OECD) statistics 2015 shows Taiwan's total national health spending is 6.6% GDP
  - More than 92.6% of Taiwan's health care providers are contracted under NHI
  - Single-payer system : efficient services and low price health care
  - Strict on claim review
  - Ultimate cost control mechanism: global budgets
  - Low admin cost



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# Payment of health service providers

- Payment by the NHI
  - Fee-for-services basis (uniform, national fee schedules)
  - Same as all open end health insurance systems, NHI experienced rapid increase in the volume of services
  - Experimented other payment method such as diagnosis-related groups, payment linked to clinical outcomes etc.
  - Ultimate cost control – global budget
- Patient user fees and copayments
- Proceeds from the sale of products and services are not covered by NHI





# NHI's challenge

## NHI financial imbalance

- Expenditures have outpaced its revenue by an average of 2% since 1998
  - **Political obstruction:** premium shall be review/revised every 2 years based on actuarial assessments
  - Aging population:
    - Age 65 and above increased by 38% in 10 years while their medical expenses becomes 4.6 times higher
    - 10.8% among all insured but account for 34.4% of all expenses
  - Critical illness:
    - Approved CI patients increased by 119% in 10 years
    - 3.8% among all insured but account for 26.9% of all expenses
    - Cancer, kidney dialysis and ventilator support etc.
  - Expensive drugs and treatments



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# NHI's challenge

Accessibility in exchange for quality?

- “Fast-food health care” – serious negative impact on both quality of care and the medical environment
  - 15 physician's visit per capita a year
    - three-minute patient visit
  - Inpatient setting
    - 5 - 10 patients per nurse
    - 112 - 150 patients per social worker
  - Fill 74 prescriptions per hour for pharmacists



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# NHI's challenge

## Solution?

- Introduce a more active and flexible cost containment measures and monitor quality of care
  - Eliminate waste, fraud and abuse and link quality of care with payments
- Need a growing health workforce
  - More nurses 4.5 per 1,000 population (OECD average: 9.6 per 1000)



# NHI's challenge

## Solution?

- Better communication to convince the public
  - A financially sustainable and balanced NHI is essential to keep this precious asset for Taiwan
    - Individual seeks to maximize own interest with no regard for the commonly owned property
- Well planned strategies to educate the general population the importance of preventive health care and self-care

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# NHI's impact to commercial insurance

- NHI provides very comprehensive medical coverages and services
  - No commercial insurance provide actual medical services now and instead will only focus on cash benefits to pay for the following not covered by NHI
    - Copayment
    - Nutrition food
    - Upgrade ward (semi-private, private) or special nurse
    - Better, more expensive, or experimental medicines
    - Prosthetic legs, breasts and teeth



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# NHI's impact to commercial insurance

- Critical illness and cancer products are popular supplement commercial insurance
  - To ease the burden of copayments and other expenses on top of basic medical needs
- Medical expenses insurance: daily cash is favored compared to actual expense reimbursement



# NHI's impact to commercial insurance

- Research shows that there is a complementary effect existing between NHI and commercial insurance
  - Public understand more about medical insurance and the need for supplementary coverage
  - Public are willing to pay for personal health and accident insurance after the inception of NH
- Hannover Re's new approach of the Critical Illness (CI) product in Taiwan

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# NHI-CI product

## Common sale problems in CI products

- Hard for agent to explain
- Frequent complaints in CI products
- Definition of diseases and obscure medical terms are hard to comprehend and intimidating for clients
- No standard claim procedures
- Incidence rates rely on foreign countries' experiences



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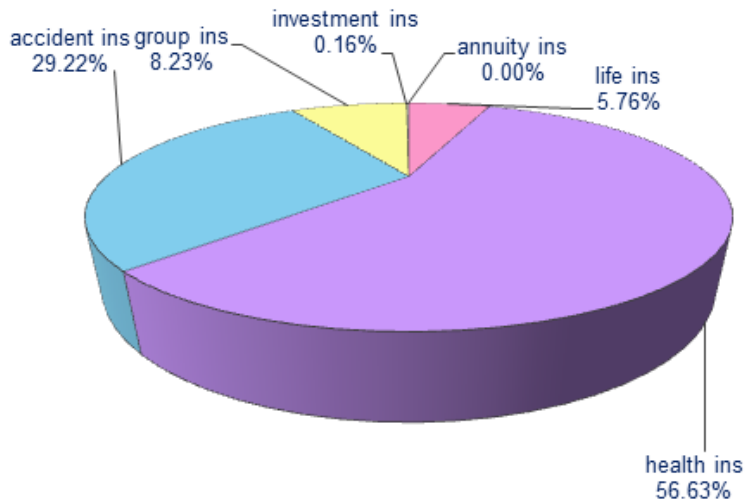


# NHI-CI product

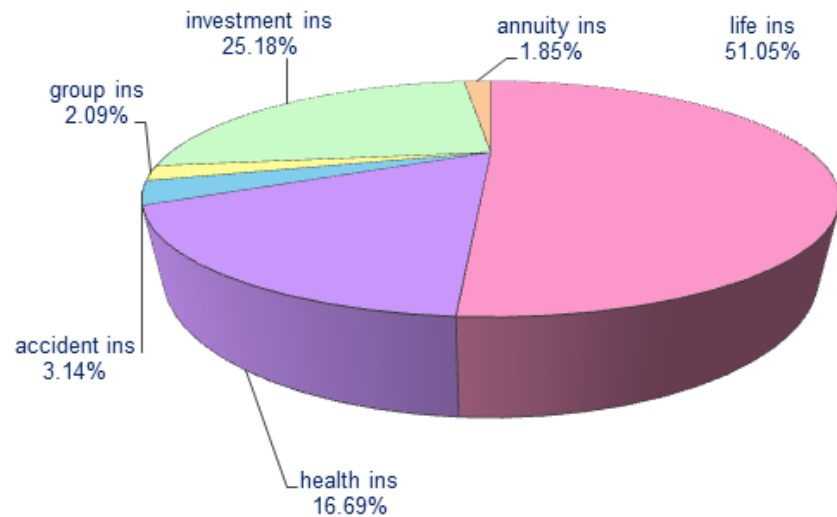
Common sale problems in CI products

Complaints accepted by IB and TII

claim



non-claim



	life ins	health ins	accident ins	group ins	investment ins	annuity ins
claim	5.76%	56.63%	29.22%	8.23%	0.16%	0.00%
non-claim	51.05%	16.69%	3.14%	2.09%	25.18%	1.85%

Source: [www.ib.gov.tw](http://www.ib.gov.tw) (year 2011)

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# NHI-CI product

## What is NHI-CI?

- The coverage of NHI-CI is determined by government with the following criteria: (exempt from co-payment)
  1. Requirement for long-term treatment
  2. High aggregate medical expenses
  3. Not subject to abuse
- Whether an insured qualified for NHI-CI or not will be determined by the NHI Bureau (Doctors' review committee)
- Cover more than 100 diseases and 400 ICD codes categorized in 30 groups



# NHI-CI product

## Hannover Re's new approach

- New product design – supplementary CI insurance “NHI-CI”
  - For NHI, only 3.8% CI benefit qualifiers (exempt from co-payment) but account for 26.9% of all NHI expenses and the number of CI qualifiers increased by more than 100% in last 10 years
  - Clean definition - same as NHI
    - No CI definition dispute
    - “NHI-CI” sales talk focus on easing the additional medical expenses (e.g. Hemophilia)
  - No claim dispute
    - Simple claim procedure - first diagnosis and then approval from BNHI
    - Fair 3<sup>rd</sup> party to review CI claim and BNHI is taking tight control
  - Taiwanese data used for incidence rates study (local experience)



# NHI-CI product

Average NHI-CI cost per person in 2013

Avg. costs per person of the most expensive diseases in 2013 (IP+OP)

Order	Disease	Nb. person	Avg. cost per person (TWD '000)	Times of premium rate*
1	Hemophilia	1,010	3,306.7	166
2	PMV	22,831	679,0	34
3	Renal failure	78,644	482,1	24
4	TPN for enteral resection	107	495,7	25
5	Burn	6,807	426,6	21

- Times of premium rate = avg. cost per person / avg. premium per person, where avg. premium per person is 19,965 in 2013

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# NHI-CI product

## Product approval process

- Insurance industry in Taiwan is highly regulated and provides no flexibility
  - Valuation/pricing interest rates, model policy provisions, investment restriction
    - Apple Care+ rejected in Taiwan
  - All innovative/new product required filing for approval
    - No consistent process and sometimes depends on the subjective judgement from product review committee member(s)
  - NHI data not open to public and only available for academic research purposes (very high barrier)
    - Through university and industry cooperation project



# NHI-CI product

## Product approval process

- Insurance industry in Taiwan is highly regulated and provides no flexibility
  - The whole approval process took 3 years
    - Rejected twice
    - Required to share this innovative product concept to the whole industry
  - The product design approved at the end is very different than what we wanted
    - Congenital disease, occupational disease excluded
    - Potential coverage changes



# NHI-CI product

## Over consumer protection

- Taiwan's regulation emphasized too much on consumer protection
  - Waiting period is restricted and longer waiting period needs special approval
    - 90 days for cancer and CI (Major 7) products
    - 30 days for other diseases
  - Computer-Processed Personal Data Protection Law
    - It is difficult/prohibited to collect record of health-examination via physical examination center due to Computer-Processed Personal Data Protection Law
    - High health-examination rate: health examination is required in the accordance with Occupation Safety and Health Law (every year for age 65+, every 3 years for age 40-64 and every 5 years for age below 40)

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# NHI-CI product

## Second generation NHI-CI

- Revamp design to avoid anti-selection
  - Claim experiences: product launched at the end of 2014
    - Incurred claims: 82% in the first policy year and 18% thereafter
    - Out of all claims in the first policy year, 71% are cancer claims
    - 1<sup>st</sup> year anti selection is quite high, same as all cancer products in Taiwan
  - **ROP** for the first or the first 2 policy years to avoid anti selection
- Incorporated of long term care concept
  - NHI-CI annuity
- Different payments for mild, moderate and severe NHI-CI instead of one lump sum payment for all diseases





# How can NHICI be related to Philippines Market?

- ▶ **What experience we can learn from the NHICI product?**



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# How can NHICI be related to Philippines Market?

## Standardization?

- For Critical Illness product, one of the most common complaint is that it is hard to understand
  - Product benefits are too complicate (death, accelerated CI, additional CI, etc.)
  - The disease definitions are complicate
  - Underwriting and claim procedure is complicate
- Diagnostic shifts and developments in medical treatment impact the definitions in CI products.
- Insurers all face the dual challenge of finding definitions that will not result in a drastically different number of admissible claims as diagnosis and treatment options change – and that price the product in a sustainable way



# How can NHICI be related to Philippines Market?

## Standardization?

Countries and Region	Contract Wording	Disease Names and Definitions
Taiwan	Yes	Yes (7 major and xxx diseases)
P.R. China	Yes	Yes (6 basic and 25 major diseases)
Singapore	No	Yes (37 diseases)
UK	Yes (best practice)	Yes (27 diseases and TPD)
Malaysia	No	Yes (36 diseases)
Philippines	No?	No?

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# How can NHICI be related to Philippines Market?

## Standardization?

The benefits of standardization of CI definitions are obvious:

- Clear and consistent description of CI coverage across the industry enhances consumers' confidence in CI products
- It also bring industrywide consistency to claims assessment by reducing incidences where one insurer pays a CI claim while another rejects it due to wording differences
- Companies need to focus more on service and other value added benefits instead of the technical merits of different definitions
- Less training and education needs on sales force and customers

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# How can NHICI be related to Philippines Market?

## Standardization?

NHICI product provides an alternative way to solve the standardization issue.

- Consistent CI names and descriptions with the social health system
- Consistent claim conclusions
- Better claim experience due to its transparency and efficiency

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# How can NHICI be related to Philippines Market?

## More Security, More Peace of Mind

- Critical illness product provides financial protection and peace of mind when they have very severe disease.
  
- From a board sense, commercial insurance is a part of the social security system.
  
- If the underwriting and claims rules of commercial CI insurance and Philhealth can keep consistent, customers can get more security and more peace of mind
  - To better align the underwriting claim procedure
  - Commercial insurance can be sold as a supplement to the social insurance
  - Insurance companies can use the data from social insurance to improve their pricing and reduce anti-selection



# Thank you for your attention.

Question or comments?

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