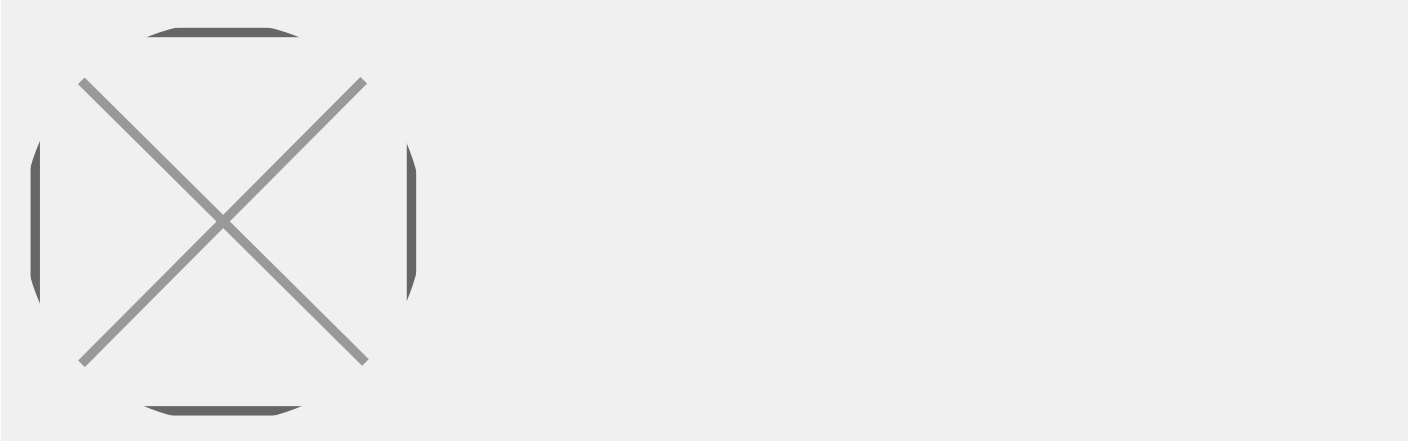
Interview with Chih-Liang Yaung, Minister of Health, Taiwan Department of Health



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Paul Krugman, who won the 2006 Nobel Prize in economics, said that the Taiwanese health care system is the best in the world. Despite this, you are now drafting a second generation of legislation, so what are the issues that need to be addressed in this legislation?

In any program you need to have some compromise. Even fifteen years after implementing the NHI we still have a lot of issues. For example, it is very difficult to increase the premium rate. There is one commission that decides the premium rate and another commission that decides the budget. So who is accountable? The Taiwanese healthcare system is one of the best in the world, but last year we had a $60 billion NT (U$ 1.88 billion) deficit. My predecessors were never able to adjust the premium rate – it is a very sensitive political issue. Because of Taiwan's aging population, new drugs and technological advances, a premium increase is inevitable, yet raising the rate is political suicide. Taiwan only spends 6% of its GDP on healthcare, yet we have very modern hospitals and a low premium rate, so it is inevitable that the country builds up a deficit.

So how can we provide comprehensive cost-effective care? Our president has promised to increase healthcare expenditure from 6.2% to 7.5% of GDP. There are a number of advantages to the second-generation NHI legislation. One is that it will allow us to combine the two commissions. That way, once you decide the premium, you can then decide how much you are going to spend. There are many groups within the commissions that will influence the premium rate, such as the labor unions, the farmers unions, the fishermen unions, the consumer unions and the hospital associations. We have an agreement that without the NHI cost negotiation commission's approval

we cannot adjust the premium rate, but there is no link between expenses and decided premium contribution.

A second issue is equality in contribution. Contribution is currently divided into six categories. For example, those with employees only contribute 30% and the employer pays 60%, Government pays 10%. Members of unions, on the other hand, pay 60% and the Government pays 40%. The first generation of the NHI makes patients pay according the number of heads in the household, which is unfair because those with families pay more. The second generation NHI of legislation will use a flat rate for each household. The third issue is transparency of information. Consumer groups are vying to make the records of hospitals and the supervisory commission available to the public and we are working to make this happen. A fourth is payment reform. We will enforce payment according to performance (P for P) or pay for outcome (P for O). For example, by using Diagnosis Related Groups (DRGs) the Ministry of Health no longer needs to set the price for drugs and the consumer can decide what healthcare package to choose. It is a free market system. Within three years we will make all payments through DRGs.

What do you think of the reputation of Taiwan's healthcare system internationally and what can other countries learn from Taiwan's system?

When we attend international conferences, I honestly feel as though most people are quite envious of Taiwan's healthcare system. In the United States, employees pay 1.45% of their income to Medicare, but in Taiwan you only pay U$ 20 to see a doctor. The approval rating for our healthcare system is very high – around 80%. But I must say that it may be difficult for foreign countries to learn from Taiwan, especially developing countries with small formal sectors, undeveloped IT systems and unsophisticated medical care systems.

I think China would like to learn from the Taiwanese system however. I have been invited to China more than 60 times and I have become very familiar with healthcare system there. I advised the Chinese never to allow private insurance companies or HMOs operate in China. This is the problem with the current United States system. In Taiwan we have private health insurance, but private companies do not provide direct medical care to patients: they only provide cash repayment. If you have been hospitalized, the insurance will pay your medical fees, but in the United States the insurance companies provide direct medical care. This is a big problem. I think President Obama's healthcare plan is going to run into trouble because there are too many private health care providers, which allows for asymmetric information. They can charge as much as the physician in the hospital asks for. Our system in Taiwan is single-buyer single-payer health care, which is very important because it allows for cost containment.

Taiwan's biotech industry is growing tremendously but it is relatively new compared to the information technology sector. What strategies has your department put in place to help

promote this industry?

First, we have tried to harmonize our health care regulations with other countries. We have set up programs to support medical centers and research universities. We have created Academia Sinica, the Taiwanese NIH, which promotes clinical trials. For example, we are very close to finishing the Phase I clinical trial for Enterovirus 71, a disease most prevalent among preschool children. We have invested $600 million NT (U$ 18.8 million) in this year alone to develop electronic medical records, which will allow for the universal exchange of medical information.

Your popularity in Taiwan is quite strong. Why do you feel the pharmaceutical companies in Taiwan respect you?

I don’t know. I haven’t seen the facts and figures, but people tell me that I am one of the more popular cabinet members right now. There are not many complaints about the healthcare system in Taiwan. The pharmaceutical industry is a very complicated one. I think that probably the best solution is for the free market to take charge. After the patent expires, let the market decide.

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