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Taiwan: Surprising Lessons From a Small Island
By John Reichard, CQ HealthBeat Editor

In the middle of May, two Taiwanese officials, Hou Sheng-Mou and Michael S. Chen, came to Washington facing a tough assignment: promote single payer health care in a city where it's widely regarded as a non-starter in the debate over revamping the U.S. system.

Their visit didn't command much attention from reporters covering that debate; countries like the Netherlands or Switzerland that have universal coverage based on strong private health care systems loom larger as potential models for a U.S. overhaul.

Adding to their challenge was that Drs. Hou and Chen hoped to influence U.S. policy in a forum unlikely to compel much attention by mainstream media — an event organized by Michigan House Democrat John Conyers, Jr., a lawmaker who isn't widely perceived as specializing in health care issues and who, until recently, was regarded as little more than a fringe liberal by the mainstream media.

But to ignore the event meant missing a chance to consider a nation that has successfully grappled with the challenges the United States now faces — intolerable health cost increases and a large uninsured population.

It also meant missing a glimpse of the surprising power the single-payer idea still holds in parts of America's own health policy community, and the role U.S. academics played in Taiwan's adoption in 1995 of single-payer health care. The academics' enthusiasm for the single-payer approach endures more than a dozen years later, despite the emphatic rejection by Congress in 1994 of government-run health care.

Hou and Chen found a friendly audience when they visited the Rayburn House Office Building May 22 to speak at the afternoon forum organized by Conyers' staff. By the time it was over, remarks by the Taiwanese officials and various academics had clearly energized single payer advocates in attendance.

Struggling to Be Heard

Senior government officials may be celebrities of sorts in their own countries, but they seem all but anonymous when they venture abroad. Seated for an interview at a table outside the Capitol Hill Starbucks on the morning of the forum, Hou and Chen, vice president of Taiwan's Bureau of National Health Insurance, seem far removed from the trappings of power. Hou, in fact, is removed from power — he stepped down as Minister of Health a few days earlier with the change of government in Taiwan.

The pair struggle to be heard above the din of nearby caffeine-fueled conversations and the roar of a fire engine flying past. But if they feel any sense that their efforts are futile, they do

not show it. Wearing ties designed to look like American flags to honor their hosts, they patiently answer question after question about health care in Taiwan, rejecting American notions about what a single-payer system means.

“In Taiwan, we have no waiting lists,” says Hou. “In Taiwan, the doctor works on Saturday. They operate on Saturday afternoon.” Moreover, the government does not tell its citizens where they must go for care, he said. Sophisticated information technology is a part of the health system. Each resident of the country carries a “smart card” to entitles them to health care.

“With the smart card you can go to any clinic at any time without an appointment,” Hou said. And there is no “gatekeeper” denying access to specialists, a frequent complaint among Americans about U.S. managed care companies.

This freedom of choice helps improve quality because providers must compete to attract patients, Hou says.

The smart card also contributes to the quality and efficiency of the system by giving doctors a medical profile of the patient and by automating payment. When a provider swipes the card, the patient’s medical history and medications show up on the computer screen and the government is billed for the provider’s services.

Under the Taiwanese system, “everyone is included and at a very reasonable cost,” Hou summarizes.

Controlling Costs

The climate now in Taiwan is a marked contrast with its situation before its adoption of a single-payer system of universal coverage in 1995. Only 59 percent of the population had health insurance at the time, and health costs were growing at double-digit rates. Now 99 percent of the Taiwan population is covered and health costs are growing between 4 and 5 percent annually.

Hou says the single payer approach is key to keeping costs generally affordable because everyone is in the same insurance pool. That means premium money left over because of the relatively low costs of healthy people can be used to pay for the care of sick people. In a system of multiple smaller insurers, sicker people have a hard time finding affordable coverage because insurers try to make money by appealing to good risks and avoiding bad ones.

Taiwan also relies on global budgets to keep costs under control. Payments are based on a point system that measures the level of health care resources being used. The payment rate per point drops if doctors are ordering so many appointments, tests, and procedures that the cap is likely to be exceeded. Points are recalibrated every three months and doctors respond to changes, seeing fewer patients if point values drop, Hou says. But payment rates for critical care are not adjusted based on utilization, he adds.

Having just one payer eases uniformity of billing and payment systems unlike a system in which multiple insurers compete for profits. Administrative costs average below two percent of all health spending in Taiwan. In the United States, however, administrative costs gobble up 15 to 30 cents of the health care dollar, analysts say.

The single-payer scheme also gives the government strong leverage to set prices. Doctors “are paid much less than in the United States,” Hou says. “The private sector is rather

weak. We are good in bargaining.”

Taiwanese citizens have access to modern medical technology including things like bone marrow transplants, joint replacement surgery, cataract surgery and coronary artery stents. But Hou says patients pay more out-of-pocket for more advanced technology, such as ceramic rather than metal joint implants. The system is more cautious than U.S. payers are about adopting new technology, he says.

Hou is anxious not to offend his American hosts, however. “There are also good things about the United States. I do not mean to criticize the U.S.,” which has the best medical schools and the best technology, doctors, and pharmaceutical innovation, Hou says.

But there is a missing ingredient in the United States when it comes to universal coverage. “What you do not have is political commitment.”

For single-payer advocates at least, there’s no question Capitol Hill is generally hostile terrain. Many analysts say single-payer systems are underfunded and that adopting one in the United States would choke off the profits needed to fund America’s position as the world’s leader in medical innovation.

Aside from philosophical and economic objections, drug and insurance companies happen to be the source of campaign donations that prop up the political careers of many lawmakers.

There is now greater interest in covering the uninsured through tax code changes to subsidize the purchase of private coverage. But if that strategy doesn’t pan out, the seemingly moribund single-payer idea could yet make a comeback, propelled by the enthusiasm of ardent academics, liberals and labor groups.

Single-payer fans are convinced that theirs is the one model that can eliminate enormous waste in health care spending from administrative costs and geographic variations in methods of delivering treatment that drive up expense and add nothing to quality. They say the savings not only can cover the uninsured but also tame what many economists regard as the nation’s leading fiscal challenge — rising health care costs.

The term ‘single payer’ by itself does not mean government-run. It simply means that all health care bills are paid by a single organization. That entity is usually the government, but the doctors and hospitals it pays may be in private practice or privately owned.

In the minds of Republicans and many Democrats, however, single-payer is no less than a radical attack on the nation’s private enterprise system, an approach that would eliminate the nation’s private health insurance industry and the thousands of jobs and billions in shareholder value it represents.

Praise from Johns Hopkins, Princeton Analysts

People might think the single-payer approach is bureaucratic and inefficient, but speakers at the forum extolled the efficiency of Taiwan’s system.

Only 1.6 percent of Taiwan’s health care spending goes to administrative costs, while those expenses consume 15 to 30 percent of health care spending in the United States, speakers said. “What is not spent on administration can be spent on other things,” noted Tsung-Mei Cheng, a Princeton University-based health policy analyst who helped design Taiwan’s

single-payer plan. "It's like night and day, or heaven and hell, pardon the word," she said of the difference in administrative costs.

The nation's health information system allows timely monitoring of medical conditions for which patients are seeking treatment, assisting efforts to counter threats to public health, speakers said.

Benefits under the system are comprehensive, Cheng said. They cover "everything under the sun," from bone marrow transplants to coronary artery stents to cataract surgery, she said. Female life expectancy on the island exceeds that of the United States by two months, she added.

A payroll tax of 4.5 percent helps fund the system but employees don't pay it all; employers and the government also chip in to help pay it. A surcharge on tobacco and lottery revenues also helps fund the system.

And the switch to universal coverage hasn't led to health care gobbling up a big share of Taiwan's Gross Domestic Product. Health care accounted for 4.8 percent of GDP before universal coverage was adopted in 1995 and now stands at around 6 percent, Cheng said. In comparison, the United States spends 16 percent of its GDP on health care and has some 45 million uninsured people.

The lesson of Taiwan and other countries with single-payer systems is that "universal coverage is possible without breaking the bank," said Gerard Anderson, a health policy professor at Johns Hopkins University who helped Taiwan plan its system. "We have our 45, 47, 48 million Americans without health insurance coverage and yet we spend twice as much per capita as most other industrialized countries."

Countries with single-payer systems also "are able to control health care expenditures over a period of time" at growth rates the same or lower than that of the United States, Anderson added. "And when they go in and decide they are not spending enough money on health care compared to other industrialized countries, they can take action to do this."

Laura Morlock, another health policy expert at Johns Hopkins University, said that health care is the most popular government service in Taiwan. But the system faces challenges as well, she noted.

Despite Successes, Struggles Too

"Perhaps the greatest challenge at the moment is their attempt to balance revenues and medical expenditures," she said. Medical care expenditures are growing at about 5.5 percent while their revenues are growing at an average rate of 4.7 percent. "The shortfall is only about 10 days of their expenditures, still you don't want that situation to increase." To insulate those who set premium charges from political pressures, rate increases should be tied automatically to medical expenditure levels, she said.

Hou's view is that considerably more money needs to be pumped into the system. Spending 6 percent of GDP on health care is "too little," he said. That figure instead should be "seven or eight."

Cheng from Princeton observed in a recent interview with the public TV program "Frontline" that there is "tightness everywhere" in the Taiwanese system because of public resistance to premium increases. Over the history of its national health insurance program, premiums have risen just once, producing a seven percent increase. The "tightness" consists of a lack

of funding for research and development, slower adoption of new technology, and lower ratios of doctors and nurses to the general population, she said.

Chen, the vice president of Taiwan's Bureau of Health Insurance, said lawmakers in Taiwan will soon consider a "second generation" national health insurance bill expanding the tax base for funding the system. "That would solve much of our problem," he said. Instead of taxing only salaries, a resident's entire income would be taxed but the slice would drop from 4.55 percent to 3.5 percent.

But the enthusiasm for the Taiwan model seemed little diminished by talk of such challenges at the forum sponsored by Conyers.

The Michigan Democrat is the sponsor of legislation ([HR 676](#)) that would bring a single-payer system similar to Taiwan's to the United States. The measure would provide health care to all individuals residing in the United States, virtually wipe out the for-profit health insurance industry and disqualify other for-profit providers from participating and create global budgets to control costs.

U.S. Prospects

Despite American antipathy toward single payer systems, HR 676 boosters seemed upbeat that they could make the bill part of the emerging debate over overhauling U.S. health care.

Momentum is building for single payer health care, claimed Robert Zarr, president of the Washington, D.C. branch of Physicians for a National Health Program. "Let it be clear that there is growing support," he said. Citing a survey published March 31 in the *Annals of Internal Medicine*, Zarr said that 59 percent of doctors now support the creation of a national health insurance plan in the United States.

Physicians experience fewer hassles because they don't have to deal with multiple insurance companies, and single-payer systems like Taiwan's offer easy access to providers, advocates of the systems say.

Doctors in the U.S. may seem to have greater freedom to order tests like advanced medical imaging, but Zarr said some countries offer more MRI and CT scans. They also have higher ratios of nurses and doctors to patients, he said.

Advocates added that the single-payer concept is hardly foreign in America — Medicare is a single-payer system and is popular among seniors.

But even ardent single-payer backers acknowledge that U.S. adoption would be a stretch right now. Cheng of Princeton said she thinks adoption of such a system would likely occur gradually. As an example of a potentially gradual approach, she pointed to the universal coverage plan developed by Sen. Hillary Rodham Clinton, D-N.Y., which involves competition between government and private coverage.

Asked whether the Taiwan model could be adopted in the United States, Hou noted that one key difference is that in Taiwan, the insurance industry was not particularly opposed to a single payer system, unlike the U.S. insurance industry. Taiwanese insurers were more interesting in offering life insurance than health insurance, he said.

Another important difference may be economics. Taiwan turned to a universal coverage system on the heels of years of strong economic growth. The United States, of course, is

mired in an economic slowdown.

Moral Fervor

But to single-payer die-hards, such talk is beside the point. To them, the real issue is one of morality, the idea that a decent society simply does not permit millions of its citizens to go without adequate health care.

The right leadership is crucial, said one member of the audience who stood up to address the forum.

It turned out be none other than Uwe Reinhardt, the German-born Princeton professor who is perhaps academia's most passionate advocate for single payer health care. Reinhardt, as it happens, is married to Taiwan-born Cheng, both of whom are now U.S. citizens.

Reinhardt recalled attending the five-year celebration in Taiwan of its adoption of a universal coverage system. Taiwan's president, he said, recalled the gratitude of elderly farmers on a visit to the countryside who grasped his hands and said, "Thank you, thank you, now when I go to sleep I don't have to worry" about having money for care. "And the president stood there, and tears were rolling down his cheeks. And that's what it will take. We need in America a president who cares about the American people like that."

Reinhardt said Americans "act more and more like a people sharing a geography. You don't have the ethos that goes with being a nation. In Canada, in Taiwan, they view health care as the cement that makes a nation out of a group of people, rich or poor, when they are sick.

"The other thing we need to recover in this country is a sense of shame.

"All the details, the technical details, we can cover that ... what we cannot do is get the politics straight. And the politics is just another name for moral tradeoffs," Reinhardt said.

Hou made a similar point in his interview. In Taiwan, "the social value has it that the government must take care of the people, while Americans believe in self-reliance," he said. Self-reliance is "respectable," but the facts show "that it can not solve the problem of the uninsured.

"With strong political leadership, national health insurance is definitely not beyond reach, not so far-fetched," Hou said.

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