

Chapter 2 Financial Status

The main source of revenues for the National Health Insurance scheme is premium revenues, which is made collectively by the insured, the group insurance applicants, and the governments. In recent years, the aging of the overall population, bringing in of new medical technologies, and increased care for major disease patients have led to a substantial increase of medical expenditures. Premium revenues have long been inadequate to meet medical expenditures; the BNHI is facing a serious financial challenge. To ease the financial deficit, the BNHI opts to tap new resources and economize on expenses rather than adjust premium rates. Although this may not be enough to achieve financial equilibrium, it may effectively delay the time for premium rate adjustments.

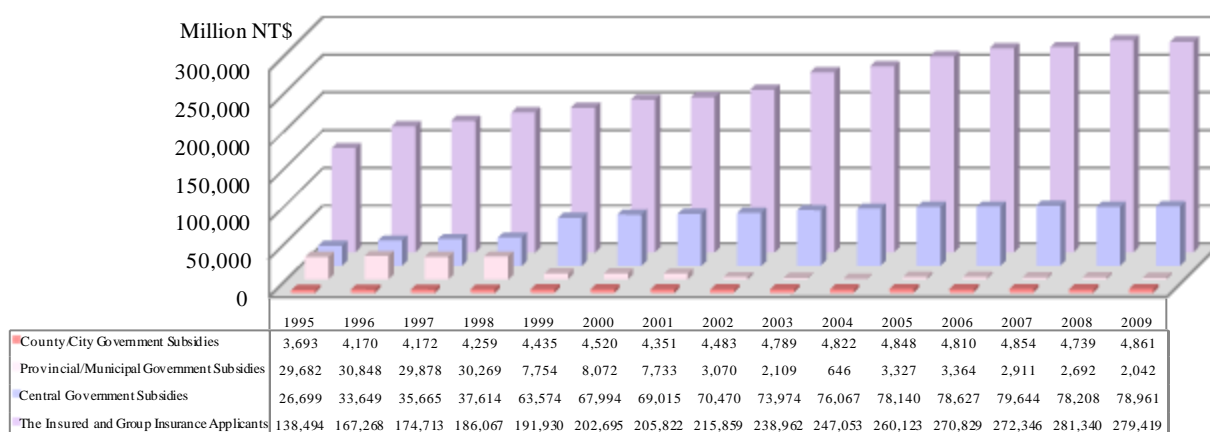
I. Premiums Collected

Average annual increase was 3.2% in 1999-2009.

Premiums worth NT\$365 billion were collected in 2009, a decrease of NT\$1,696 million from the previous year or 0.5% of which contribution from the insured and the group insurance applicants went down by NT\$1,921 million or 0.7%; contribution from the central government subsidies increased by NT\$753 million or 1.0%; contribution from the provincial and municipal government subsidies went down by NT\$650 million or 24.2%; and contribution from the county and city government subsidies went up by NT\$123 million or 2.6%. Compared to 1999, premiums collected increased by NT\$98 billion with an average annual increase of 3.2%.

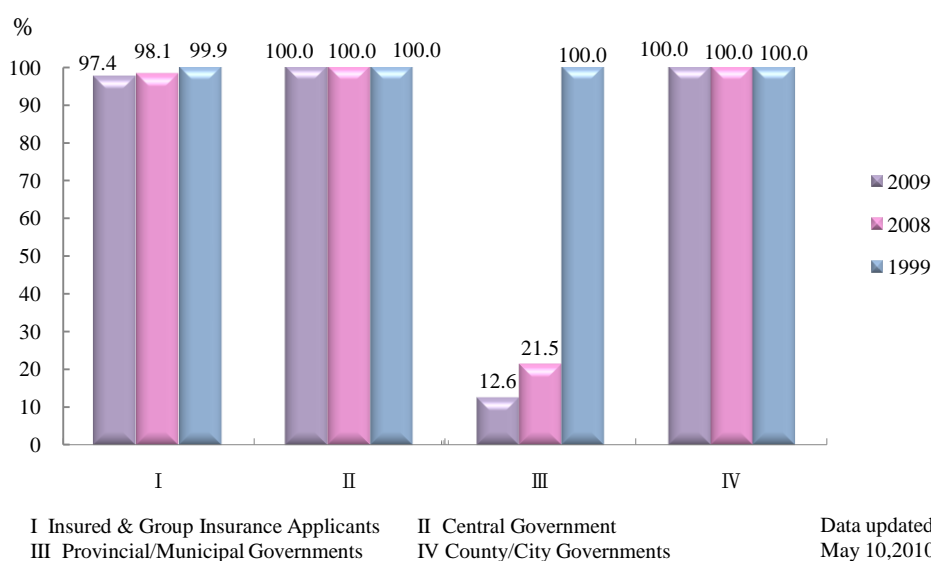
Due to government reorganization, the central government became responsible for the subsidies formerly borne by the Taiwan Provincial Government and Fujian Provincial Government in 1999 and 2001. Taipei County was upgraded to a direct-controlled municipality in 2008; the subsidies borne by Taipei County were transferred from the city/county governments to provincial/municipal governments.

Figure 11 Historical Premium Collected by Source



The collection rate for premiums collected was 94.4% in 2009; 97.4% for the insured and group insurance applicants and 85.8% for government subsidies. Broken down by various levels of governments, collection rates were 100% for the central government, 9.1% for the Taipei City government, 2.6% for the Kaohsiung City government, 23.7% for the Taipei County government, 100% from the other city/county governments and 100% for the Kinmen and Lienjiang County governments.

Figure 12 Premiums Collected



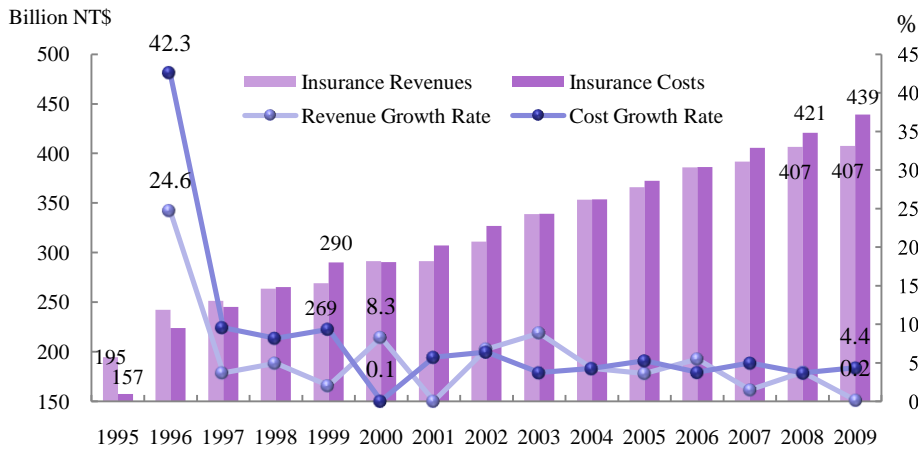
II. Financial Revenues and Expenditures

The average annual increase of insurance revenues was 5.4% from the implementation of the NHI scheme; the average annual increase of insurance costs was 7.6%; the financial gap had been widening.

The NHI scheme operates under the principle of balanced revenues and expenditures. In other words, premium revenues need to be able to cover medical expenses. Short-term discrepancies are to be covered by the reserve fund and long-term financial balance is to be achieved by setting reasonable levels of premium rates based on actuarial valuation.

Premium rate was slightly adjusted from 4.25% to 4.55% in 2002; the rate had not been adjusted since then. Although premium revenues had increased a little due to the increase in salaries, the increase of premium revenues was far more than that of medical expenses. The widening financial gap had become a problem that both government and the public must face.

Figure 13 Financial Status of BNHI (Accrual Basis)



On the accrual basis, the insurance revenues in 2009 increased NT\$716 million from the previous year and the average annual increase of insurance revenues was 5.4% from the implementation of the NHI scheme. The insurance cost increased by NT\$19 billion from the previous year and the average annual increase of insurance costs was 7.6% from the implementation of the NHI scheme. The deficit was NT\$32 billion, which was made up using the reserve fund according to regulations; the accumulated deficit was -NT\$58 billion, which should be made up using the reserve fund.

In addition, the year 2009 administrative fee was NT\$6 billion or 1.4% of medical expenditures; which was under the legal limit of 3.5%. Other insurance revenues came from lottery income (NT\$1 billion), contributions from tobacco and alcohol (NT\$19 billion) and others (NT\$705 million).

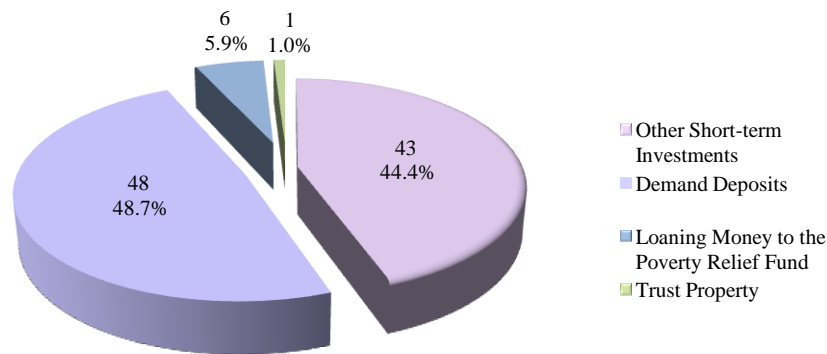
III. Fund Operation

Average annual decrease was 4.1% in 1999-2009.

National Health Insurance is funded on a pay-as-you-go basis which does not have the capacity to make any long-term investment plan. At the present, the funds are mostly used to pay current medical benefit payments. The cash that temporarily stays with the Bureau is invested on short-term securities on the principle of achieving a balance between liquidity, risk and profitability.

As of the end of 2009, the working capital for the NHI scheme was NT\$10 billion, a decrease of NT\$5 billion from 1999 with an average annual decrease of 4.1%. The working capital included NT\$5 billion in demand deposit, NT\$4 billion in other short-term investments, NT\$572 million in NHI poverty relief fund loans, and NT\$94 million in trust property.

Figure 14 Fund Operations
2009



Unit: 100 Million NT\$

IV. Reserve Fund Balance and Operation

Deficits had been showed in 1999-2009, except 2002, 2003, and 2004.

In 2009, the revenues for the NHI reserve fund were NT\$20 billion and the expenditures were NT\$21 billion, yielding a deficit of NT\$616 million. The sources of revenues included premium delinquency charges of NT\$558 million and the lottery income and contribution for the tobacco and alcohol of NT\$20 billion. The only item in expenditures was expenses for medical services. As of the end of 2009, the accumulated balance of the NHI reserve fund was NT\$820 million, including demand deposit of NT\$153 million, NHI poverty relief fund loans of NT\$572 million, and trust property of NT\$94 million.

V. Charges Due to Late Payments

Average annual decrease of charge receivables due to late payment was 10.6% in 1999-2009.

The charge for late payments was reduced from 0.5% per day to 0.2% on July 15, 1999 and again to 0.1% on June 18, 2003. Due to the adverse effects of the international financial crisis on the national economy, there had been an increase in beneficiaries qualifying for non-payment of delinquent charges in times of economic adversity. Charge receivables decreased by 11.2% in 2009; the average annual decrease was 10.6% in 1999-2009. The collection rate was 61.1%. Category 1 had the highest collection rate at 71.4%; followed by Category 6 at 49.9%. The collection rates of Categories 2 and 3 were 40.5% and 41.1%, respectively.

Figure 15 Charges Imposed on the Insured and Group Insurance Applicants due to Late Payment
2009

