Part Ⅳ Medical Benefits

Medical expenditure of the National Health Insurance (NHI) scheme is based on service volume. In addition, there is a gradual process to advance expenditure by case-payment and the global budget payment system. The global budget payment system was implemented in stages in July 1998, starting with dental clinics followed by Chinese medicine outpatient services and western medicine clinics. The global budget payment system started to apply to hospitals in July 2002. Expenditure by case-payment that allocated more RVU for higher medical resource consumption was implemented in July 2004 and is currently applicable to 53 items. Furthermore, in order to enhance quality of care, a project aimed at improving medical expenditure for diseases began in 2001 with the expectation of developing expenditure methods which would ensure quality of medical services in a cost efficient manner. At the present, 5 items are covered, including breast cancer, tuberculosis, diabetes, asthma, and hypertension.

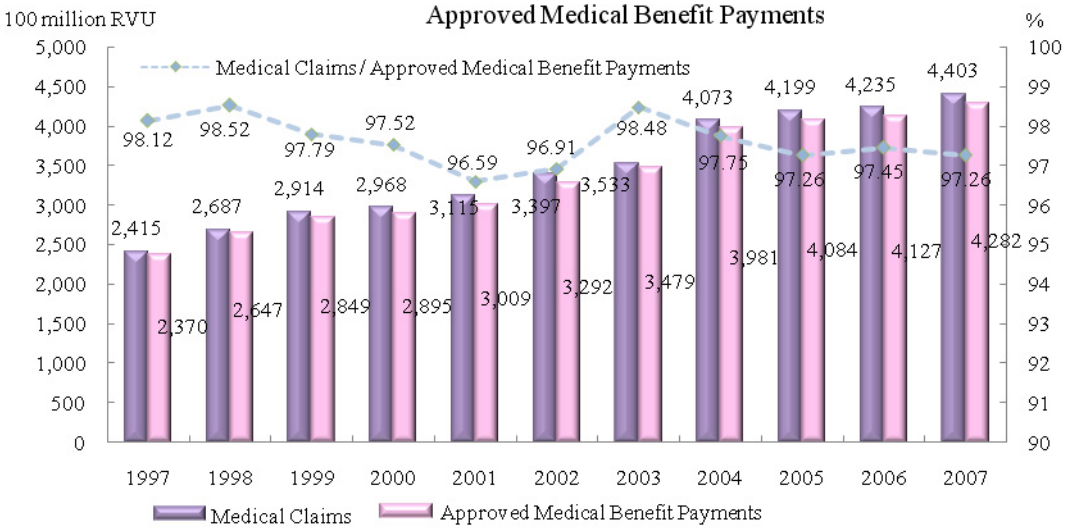
According to the "Regulations Governing Examination of Medical Care Services for National Health Insurance Medical Care Institutions", applications, complete with relevant documents, for cases serviced by a medical services institution under the NHI in the current month should be submitted in paper or electronic format by the 20th of the following month. Applications in electronic format may be divided in two stages, one from the 1st to the 15th of the month and the other from the 16th to the month end, and submit the relevant documents (summary reports) by the 5th and the 20th of the following month. For filing of inpatient cases, if the insured has not checked out of the hospital at the end of the current month, the expenses should be filed altogether after the insured has checked out. For chronically hospitalized patients, filing may be done every two months. Monthly filing is also allowed if deemed necessary.

Medical services institutions under the NHI should finish filing within the specified period, leaving no incomplete applications or errors. The insurer should process the provisional payments within the time limit since receiving the documents and deliver the review results within 60 days. If the results cannot be delivered in time, a provisional payment of the full amount should be made. Any disagreement against the review results of the medical services raised by the medical services institutions under the NHI may be disputed within 60 days since the arrival of the notice from the insurer. The insurer should review the dispute cases within 60 days of receiving such complaints. For the sectors operating under the global budget payment system, if a medical services institution under the NHI disagrees with the dispute results and is qualified for a second review, it may apply for a one-time second review within 15 days of receiving the dispute results. The insurer

should deliver the review results within 45 days of accepting the application for a second review.

I. Historical Medical Benefit Claims and Approved Medical Benefit Payments

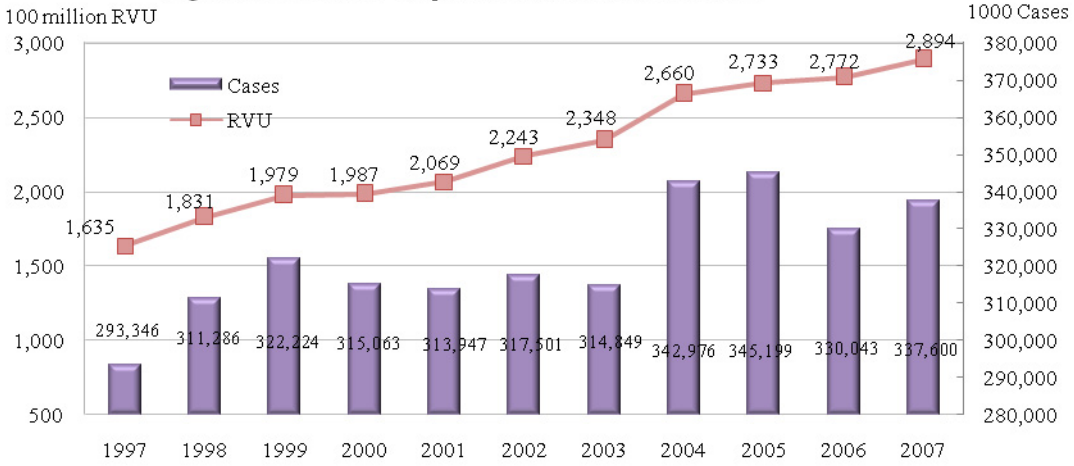
Figure 24 Historical Medical Benefit Claims and Approved Medical Benefit Payments



The medical benefit claims were 440 billion RVU in 2007, 289 billion RVU for outpatient services and 151 billion RVU for inpatient services, showing an increase of 4.0% from the previous year. The approved medical benefit payments were 428 billion RVU, 283 billion RVU for outpatient services and 145 billion RVU for inpatient services, showing an increase of 3.8% from the previous year. Compared to the data from the year 1997, the medical benefit claims has increased by 82.3% while the approved medical benefit payments in RVU has increased by 80.7%.

II. Outpatient Medical Benefit Claims

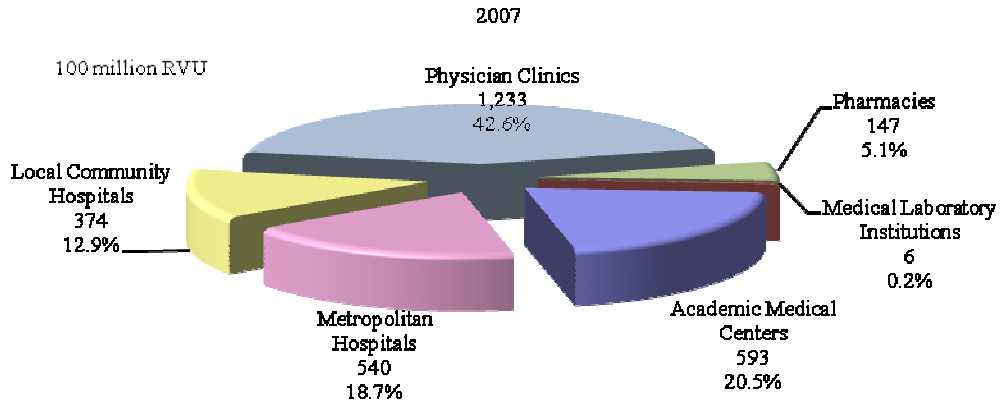
Figure 25 Historical Outpatient Medical Benefit Claims



A total of 338 million of outpatient service cases were filed in 2007, showing an increase of 2.3% from the previous year and an average of 28 million cases per month. The outpatient medical benefit claims were 289 billion RVU, an increase of 4.4% from the previous year. The average number of points filed was 24 billion RVU per month and 857 RVU per case.

Broken down by contracted category, physician clinics & dental clinics had the highest amount in total outpatient medical benefit claims at 123 billion RVU (42.6%), followed by academic medical centers at 59 billion RVU (20.5%) and metropolitan hospitals at 54 billion RVU (18.7%). The average number of points filed per case was the highest for academic medical centers at 1,941 RVU, followed by metropolitan hospitals at 1,538 RVU and local community hospitals at 1,142 RVU.

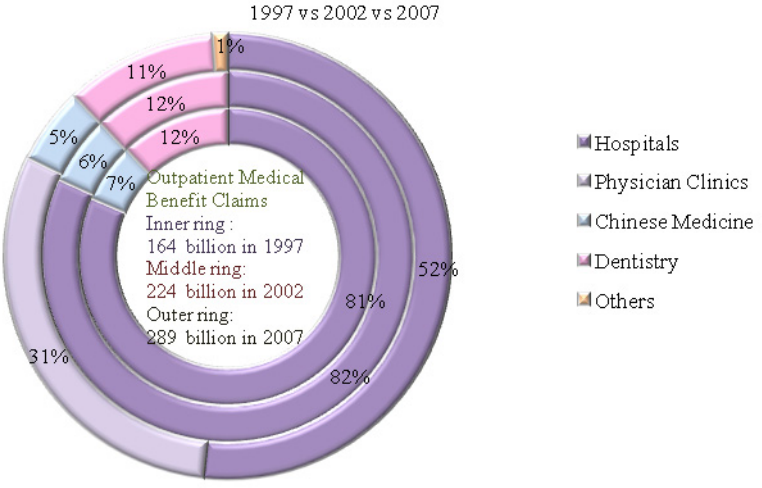
Figure 26 Outpatient Medical Benefit Claims by Contracted Category



The grand total of outpatient medical benefit claims was 289 billion RVU in 2007.

Broken down by global budget payment system, hospitals had the highest amount in total claims at 150 billion RVU (51.7%). Physician clinics came in second at 89 billion RVU (30.6%), followed by dentistry at 32 billion RVU (11.1%). The average number of points filed per case was highest for other sectors at 1,683 RVU, followed by hospitals at 1,599 RVU and dentistry with 1,099 RVU.

Figure 27 Outpatient Medical Benefit Claims by Global Budget Payment System

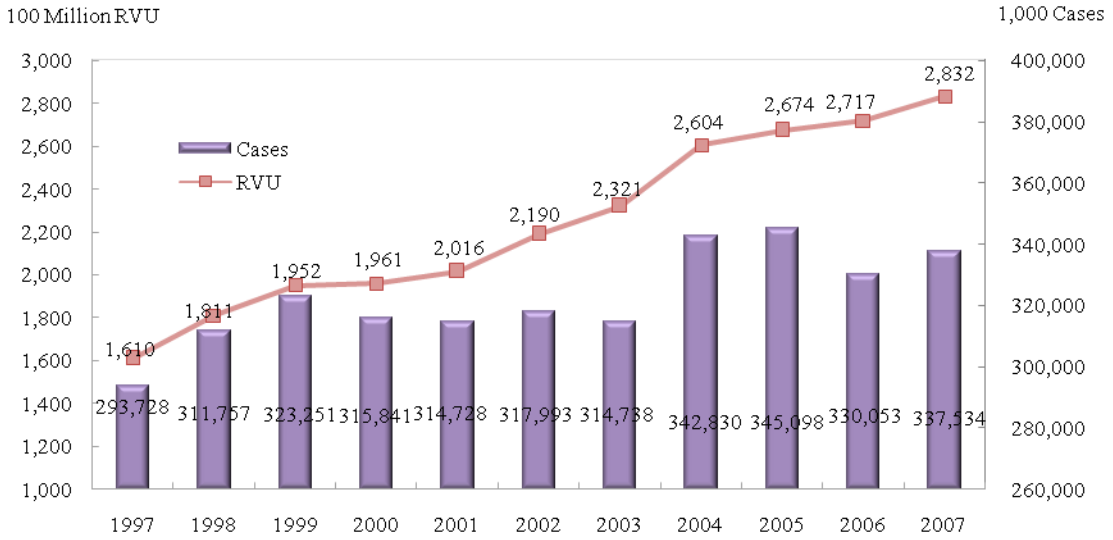


The global budget payment system was not implemented comprehensively in 1997 and 2002.
Medical institutions were divided into three sectors: western medicine, dentistry and chinese medicine.

III. Approved Outpatient Medical Benefit Payments

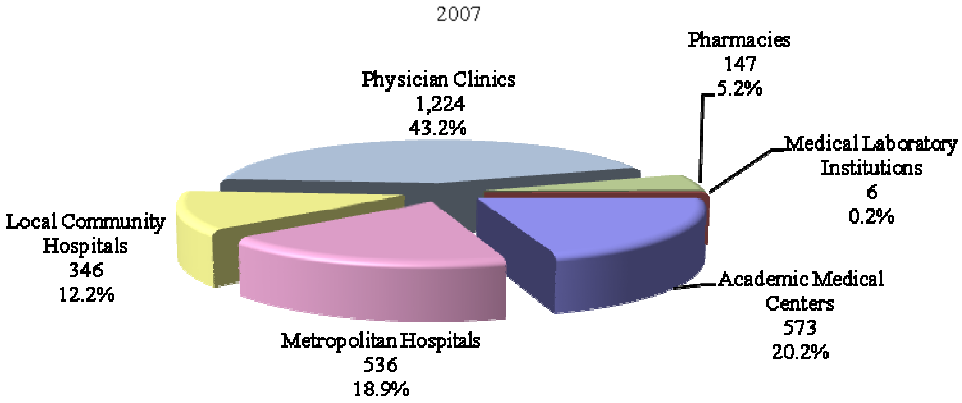
The approved outpatient medical benefit payments were 283 billion RVU in 2007, an increase of 4.2% from the previous year. The average number of points approved was 24 billion RVU per month and 839 RVU per case.

Figure 28 Historical Approved Outpatient Medical Benefit Payments



Physician clinics & dental clinics had the highest amount in total approved outpatient payments at 122 billion RVU (43.2%). Academic medical centers came in second at 57 billion RVU (20.2%), followed by metropolitan hospitals at 54 billion RVU (18.9%). The average number of points approved per case was the highest for academic medical centers at 1,875 RVU, followed by metropolitan hospitals at 1,472 RVU and local community hospitals at 1,103 RVU.

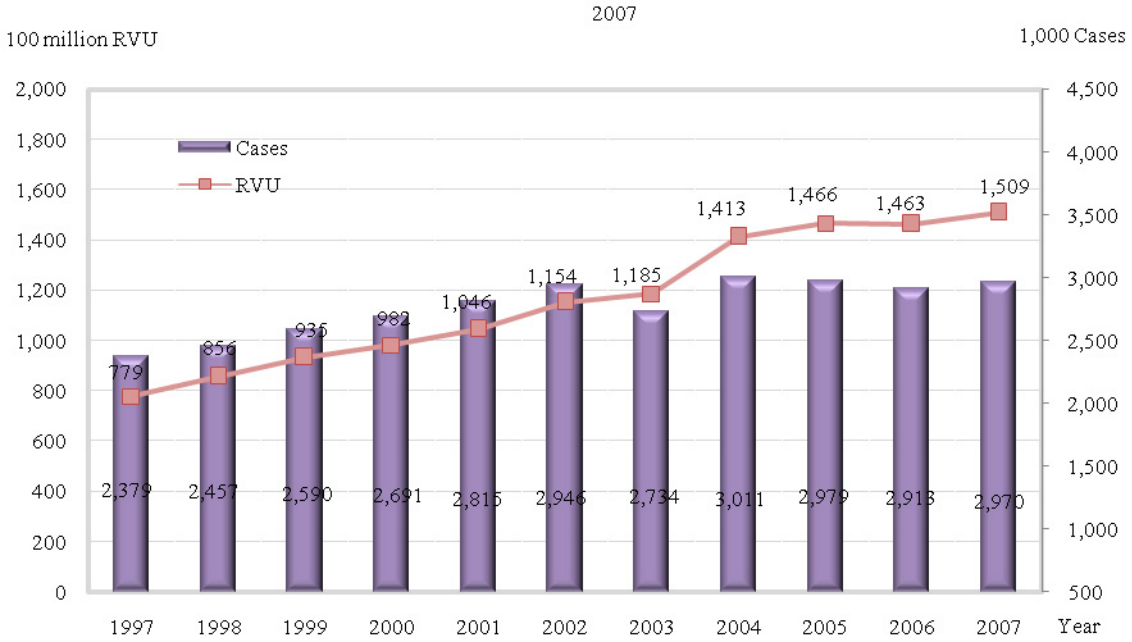
Figure 29 Approved Outpatient Medical Benefit Payments by Contracted Category



The grand total of approved outpatient medical benefit payments was 283 billion RVU in 2007.

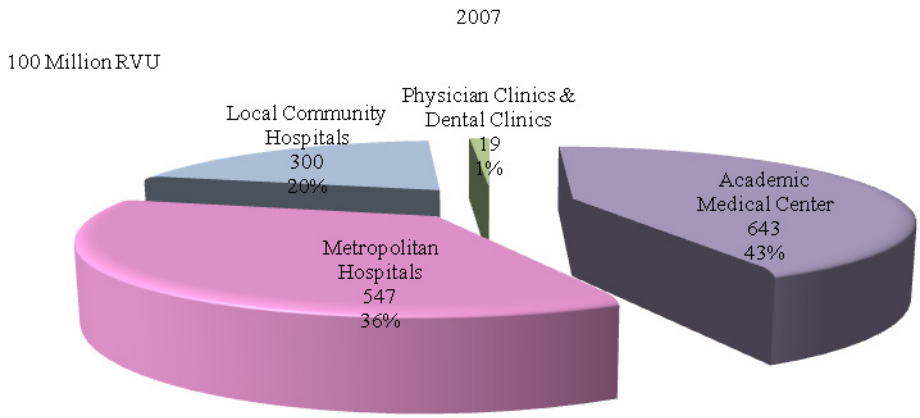
IV. Inpatient Medical Benefit Claims

Figure 30 Historical Inpatient Medical Benefit Claims



The approved inpatient medical benefit payments were 151 billion RVU in 2007, an increase of 24.8% since 1997. The number of filed inpatient service cases was 3 million cases, an increase of 93.6% since 1997.

Figure 31 Inpatient Medical Benefit Claims by Contracted Category

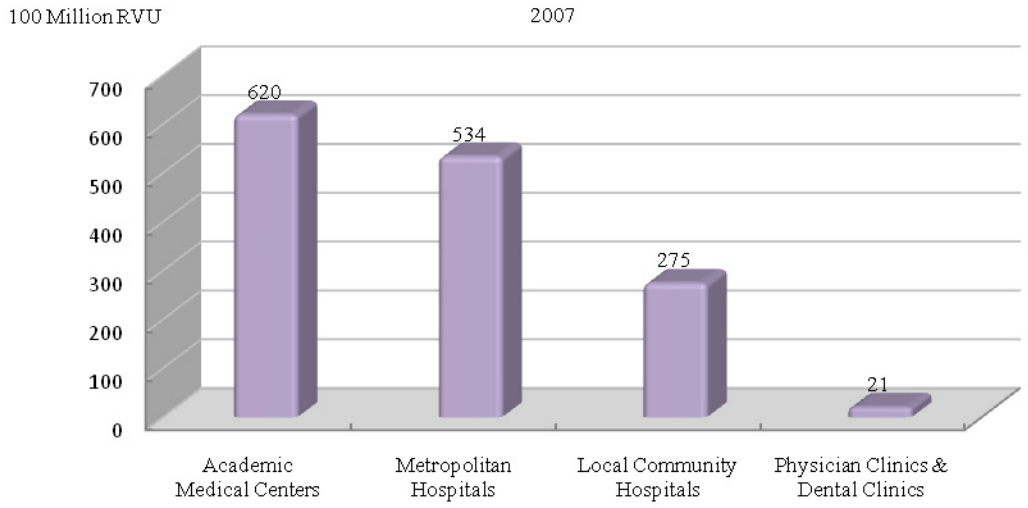


In 2007, metropolitan hospitals had the highest amount in total inpatient service cases filed at 1,200,705 cases, followed by academic medical centers at 960,159 cases and local community hospitals at 743,510 cases. Academic medical centers had the highest amount in total inpatient medical benefit claims at 64 billion RVU (42.6%), followed by

metropolitan hospitals at 55 billion RVU (36.3%) and local community hospitals at 30 billion RVU (19.9%). The average number of points per case was the highest for academic medical centers at 66,999 RVU, followed by metropolitan hospitals at 45,571 RVU and local community hospitals at 40,312 RVU. The average number of days per stay was the highest for local community hospitals at 13.0 days, followed by metropolitan hospitals at 9.5 days and academic medical centers t 8.9 days.

V. Approved Inpatient Medical Benefit Payments

Figure 32 Approved Inpatient Medical Benefit Payments by Contracted Category



Academic medical centers had the highest amount in total approved inpatient payments at 62 billion RVU (41.1%) in 2007. Metropolitan hospitals were second at 53 billion RVU (35.4%), followed by local community hospitals at 28 billion RVU (18.2%). The average number of points approved per case was highest for academic medical centers at 65,427 RVU, followed by metropolitan hospitals at 43,516 RVU and local community hospitals at 40,328 RVU. The average cost of hospital stay per day was highest for academic medical centers at 7,296 RVU, followed by physician clinics & dental clinics at 6,259 RVU and metropolitan hospitals at 4,597 RVU.

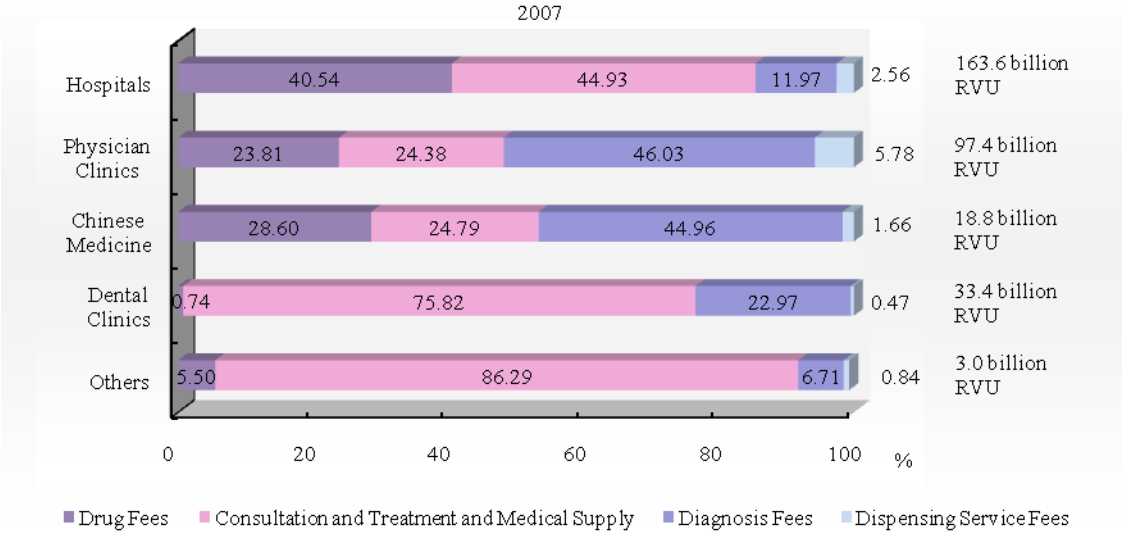
VI. Detailed Medical Expenses

(1) Outpatient Services

In the breakdown of the detailed outpatient medical expenses by global budge payment system in 2007, the highest amount for hospitals was 74 billion RVU for consultation and treatment and medical supply (44.9%), followed by drugs at 66 billion RVU (40.5%). For physician clinics, the highest amount was 45 billion RVU

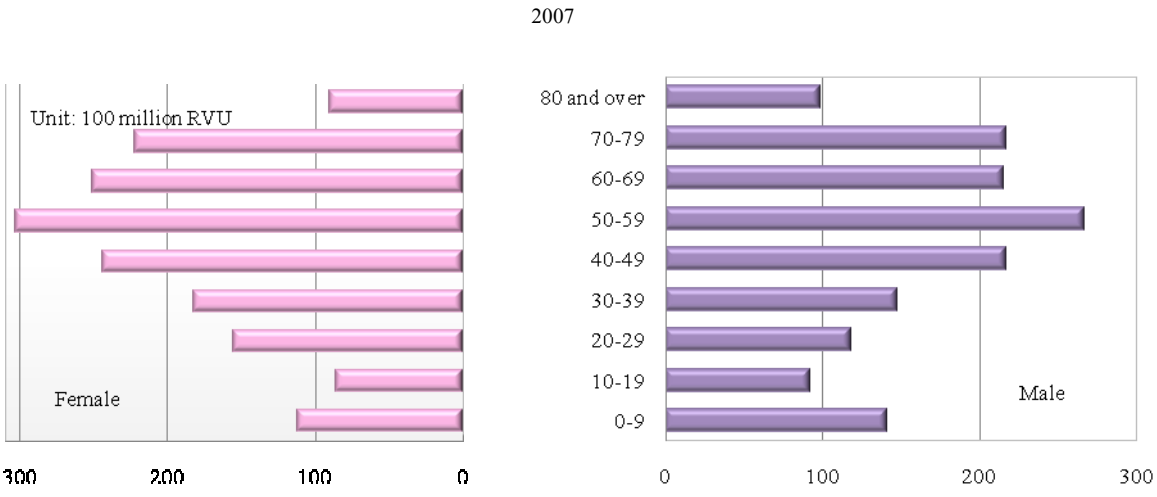
for diagnosis (46.0%), followed by consultation and treatment and medical supply at 24 billion RVU (24.4%). For Chinese medicine, the highest amount was 8.4 billion RVU for diagnosis (45.0%), followed by drugs at 500 million RVU (28.6%). For dentistry, the highest amount was 25 billion RVU for consultation and treatment and medical supply (75.8%), followed by diagnosis at 8 billion RVU (23.0%). Others had consultation and treatment and medical supply as the highest expenses at 3 billion RVU (86.3%).

Figure 33 Detailed Outpatient Medical Expenses by Global Budget Payment System



Broken down by gender and age, both male and female had the highest medical expenses in the 50~59 age group, male with 27 billion RVU and female with 30 billion RVU. Medical expenses were higher for male than for female in the 0~9, 10~19, and 80 and over age groups. Medical expenses were higher for female than for male in the other age groups.

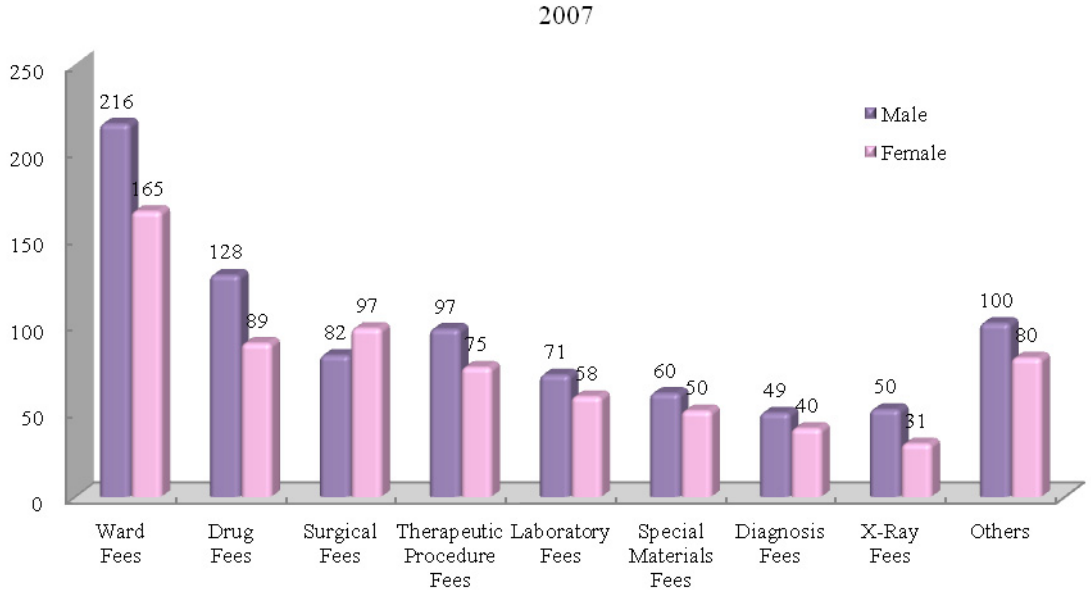
Figure 34 Outpatient Expenses by Gender and Age



(2) Inpatient Services

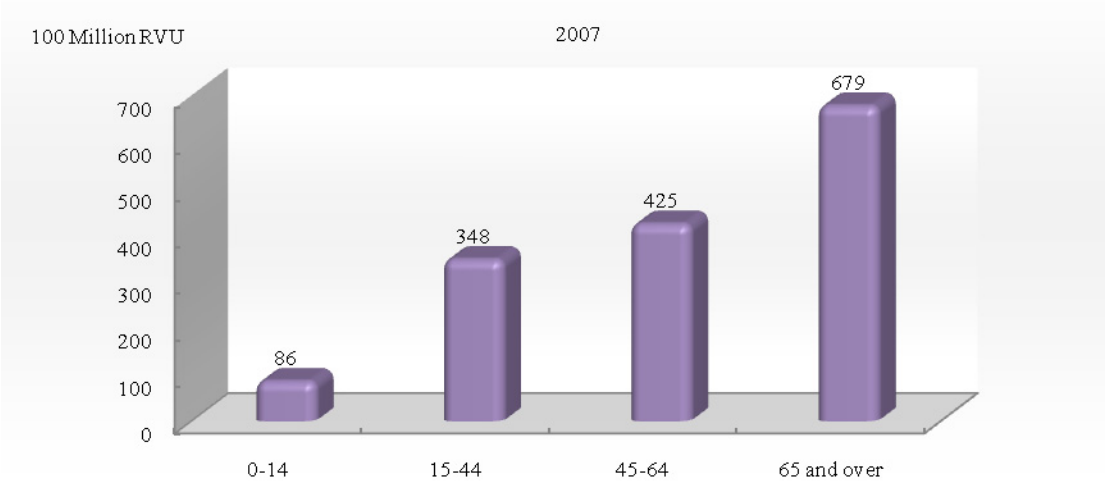
In the breakdown of the detailed inpatient medical expenses in 2007, the highest amount was for wards at 38 billion RVU (24.8%), followed by drugs at 22 billion RVU (14.1%) and surgeries at 18 billion RVU (11.7%).

Figure 35 Detailed Inpatient Medical Expenses



Broken down by gender, inpatient medical expenses were 85 billion RVU for male and 69 billion RVU for female. The top three expenses were wards, drugs, and therapeutic procedures for male and wards, surgeries, and drugs for female. For both male and female, those categories accounted for more than 50% of the total inpatient medical expenses.

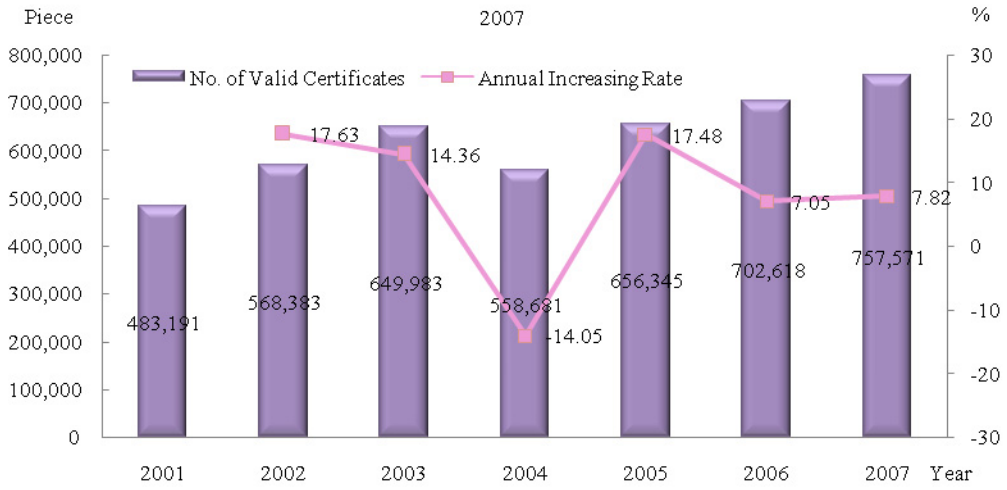
Figure 36 Inpatient Medical Expenses by Age



When grouped by age, medical expenses for age 0~14 accounted for 5.6% of the total medical expenses, age 15~44 22.7%, age 45~64 27.6%, and age 65 and over 44.2%. For age 0~14, the highest expense was wards, followed by therapeutic procedures and drugs. For age 15~44, the highest expenses was wards, followed by surgeries and drugs. For age 45~64, the highest expense was wards, followed by drugs and surgeries. For age 65 and over, the highest expense was wards, followed by therapeutic procedures and drugs.

VII. Numbers of Major Illness/ Injury Certificates Issued

Figure 37 Historical Numbers of Valid Major Illness/ Injury Certificates Issued



At the end of 2007, the number of valid Major Illness/ Injury Certificates issued was 757,571, showing an increase of 54,953 from the end of the previous year or 7.8%. Cancer patients held the highest number at 335,826 (44.3%), followed by chronic psychotic disorder patients at 187,875 (24.8%) and patients with generalized autoimmune syndrome requiring lifelong treatments at 58,135 (7.7%). Compared to the data at the end of 2001, the number of valid Major Illness/ Injury Certificates issued increased by 56.8%.

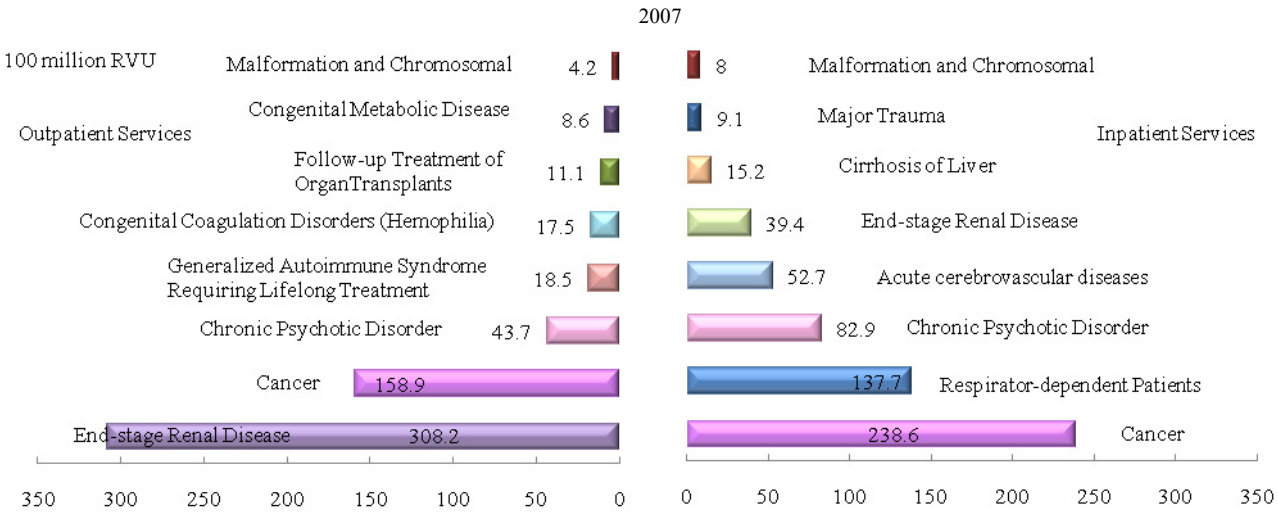
VIII. Medical Benefit Claims of Major Illness/ Injury

The outpatient medical benefit claims of major illnesses/ injury were 59 billion RVU in 2007. The highest amount came from patients with end-stage renal disease at 31 billion RVU (51.9%), followed by cancer patients requiring active or long-term treatments at 16 billion RVU (26.8%) and patients with chronic psychotic disorder at 4 billion dollars (7.4%).

The inpatient medical benefit claims of major illnesses/ injury in 2007 were 62 billion RVU. The highest amount came from patients with cancer that required

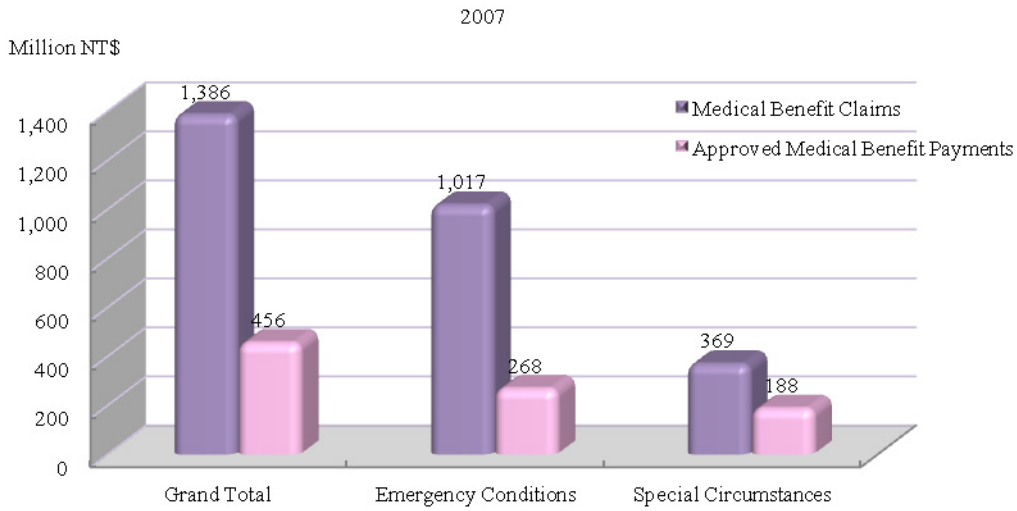
aggressive or long-term treatments at 24 billion RVU (38.8%), followed by respirator-dependent patients at 14 billion RVU (22.4%) and patients with chronic psychotic disorder at 8 billion dollars (13.5%).

Figure 38 Medical Benefit Claims of Major Illness/ Injury



IX. Medical Benefit Claims and Approved Medical Benefit Payments of Cash Reimbursements for Out-of-Plan Services

Figure 39 Medical Benefit Claims and Approved Medical Benefit Payments of Cash Reimbursements for Out-of-Plan Services



The medical benefit claims of cash reimbursements for out-of-plan services were NT$1,386 million in 2007, increased by 2.7% from the previous year. The approved medical benefit payments of reimbursement were NT$456 million, increased by 12.0% from the previous year. For emergency conditions, NT$1,017 million were filed, an

increase of 1.3% from the previous year, and NT$268 million were approved, an increase of 17.0% from the previous year. For special circumstances, NT$369 million were filed while NT$188 million were approved, showing increases of 6.7% and 5.5% from the previous year respectively.

Note:

1. Data in this chapter was last updated on May 31, 2008.
2. The detailed medical expenses in this chapter include the medical benefit claims and copayment.
3. Patients' copayment does not include registration fees.
4. Prior to the implementation of the global budget payment system, 1 RVU was equal to NT$ 1. After the global budget payment system was implemented, 1 RVU for any item under general services should be calculated according to the Point Value of Global Budget Payment System in this chapter. For other items, 1 RVU was equal to NT$ 1 in principle.