

A Study on the Long-Term Care Policy in Taiwan

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Abstract: This paper aims to examine the suitability of the long term care (LTC) policy in Taiwan. The LTC Policy was adopted the Insurance system owing to following to the Health Insurance Model Policy in Taiwan since 2009, However, the Long-Term Care Policy was changed from the Insurance to the Tax system caused by the authorized Party Government changed. In fact, According to the contents of Long Term Care Services Law, there are a lot of controversies about the financial resource between the Insurance and Tax system, and there have their own different method in every country; however, the world's major national policy on long-term care are difference also, some are adopted to the tax system such as Sweden, France, and Austria etc.; some are used in insurance system, such as Japan, Germany, and Korea...etc.; However, Whether the content of Government Long-Term Care Policy was suitable? Can it promoted smoothly? Can financing sources are sufficient and stable?... The methodology in this study adopted the Literature Analysis, and found those elements such as the government's power of administration and implementation should be the most important factors.

Key words: long-term care policy; insurance system; tax system

JEL codes: H

1. Introduction

The meaning of the LTC tax policy is to use of the Government's tax revenues to pay all costs for the long care required to achieve the purposes of long-term care for the elderly. The LTC insurance policy transfer to the tax policy after the political party rotation of Taiwan in May 2016.

According to the statistical data of the Ministry of Health and Welfare in of Taiwan in 2015, the number of disable population will up 755,000 people, which, elderly population is 483,000, It estimates will increased to about 620,000 people in 2021. In addition, there are about 430,000 disable population are taken care of by families on their own community, the ratio of long care by children is the highest 56%, followed by the spouse 34%. Most of people are concerned, the long-term care of the elderly is a time-consuming and costly and very difficult, and therefore, how to made a properly and good care for the elderly, the government's LTC policy is very important.

The Ministry of Health and Welfare made a planning of long-term care insurance system which as follow the health insurance mode in 2008, it adopted the universal insurance mode, and the fulfillment of the LTC insurance

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policy was follow and reference by the health care practices, according to the service to payment, and premium rates proposed for health care one-fourth or one-fifth, it almost 1% to 1.23%, and the tentatively paid by employers 60%, Government 10%, popular people 30%, but a large of enterprise rebounded and reducing to 30%, so it is necessary to further discussion or adjustment. However, the LTC insurance policy is still planning as not yet to take action, the LTC insurance system was replaced by the LTC tax system owing to the government authorize change in 2016.

The population ageing is a serious problem in Taiwan, so the Government must have a long-term care policy for the elderly, the Executive Yuan have already adopt to the LTC tax system based on the financial sources are more convenience in 2016, it except to achieve the policy goal under the practice of authorize public power. For Government forced to the long care issues, and try to solve the concerned problems, people are should give support certainly, so the methodology in this study adopted the Literature Analysis, and try to know those problems such as are the policy suitable? Can the policy promoted smoothly?... etc.

2. Literature Review

Some of the important researches about the long-term care are as the following:

Wu Sue-hohn (1998)

According to the Wu's study, it was from the existing problems of the long-term care in Taiwan, to the try to know the changes of social welfare systems as well as the reformation of the long-term care in the world. Besides that, it was try to made a strategy principle and specific proposal about the LTC policy in Taiwan, as for the reference in planning of LTC policies of the Government.

Yuan, Chen Huizi (2005)

Owing to the population aging and the number of LTC need increasing fast in recently years, however, the long-term care service system are not reach perfect, this research try to adopt the implementation and experience by Japan style (social security insurance system of nation) and the United Kingdom style (social security tax system of nation) as the reference for the planning development and implementation strategy of the LTC policy in Taiwan.

Cheng-Yen-hui (2009)

According to the international experience of LTC policy in German, Japanese, Dutch, and Korean, Cheng's study try to make an analysis and comparison between the financial mechanism and sources of financing of LTC insurance system. The mainly findings and recommendations included those factors such as the payments depend on the number of amount; payment standard should reflect reasonable cost structure, account services, and special services. The funds should be come from the multiple sources, including revenue premiums and Government subsidy-oriented structure is 90%, the other sources of 10%. In addition, the financial control mechanisms include to those factors such as the care fee pay was limited, adopted management system, fractional reserve deposit system, pay levels and pay adjustment and so on.

Li Yu-chun (2013)

Owing to the lack of long term care services support in Taiwan, the long-term care issue has increasing attention among concerned department in recent years. The LTC services mainly provided to elderly people as objects in the past, although there are nearly 40% on the long care as not elderly in need. According to the survey of the Ministry of Interior, the mainly three problems on elderly life are the health concerned (34.35%), spouse's

care (18%), and economic trouble (16.67%); so the Ma Government would promoted to a long-term care insurance in 2008, also the LTC insurance policy became to the important policy while promoted by the Government. Besides that, Li's study had summarized two series of survey by the Department of Health, and try to know the challenges on the LTC insurance policy, its main objectives is to estimate the public need for long-term care or disability needs, as well as the description of the LTC insurance system in detail.

Hsieh Ming-jui (2016)

The LTC policy was adopted the insurance system early in Taiwan, however, the long term care insurance system transfer to tax model for the authorized party was changed after the May, 2016. According to the long-term care law, the financial source of LTC were follow the insurance or the tax system, it exist a lot of controversies, each countries also have their own different ideal in the world, some of them adopted tax system such as Sweden, France, and Austria; and some are used in insurance system such as Japan, Germany, and Korea. However, if the Government adopted the tax system, the financial source come from the legacy tax, real estate tax, and government budget, and the government or the people all need to know the concerned problems such as: Are the policies suitability? Can the policy go forward smoothly? And so on. Also, the Government's administrative ability and executive power are the important factors to influence the LTC policies go smoothly in the future.

3. The Government's LTC Tax Policy

The Government adopted the LTC tax policy in May 2016, the content can be explains as followings:

3.1 Background

According to the LTC planning in the government, its financial resources are based on the tax revenue and public budgets, and raising funds for 300 to 400 billion yuan for the long care service in each year, and set a cross-sectors long care team in the Government Centre.

The idea of local long care service is good, however, it need to pay about 400 billion yuan of funds in long care service annually, so the financial sources is a important factor to the LTC policy was fulfill in the future; if the financial resource of Government were need to adjust by the higher legacy tax and business tax, it is necessary to consider those problems such as the rich people may stay at overseas, Enterprise may avoidance tax etc., so the content and fulfillment of income tax should be amendment in the near future.

The other side, if the LTC insurance transfer to the tax system, it is necessary to combine the financial planning between the Ministry of Finance and Ministry of Health and Welfare in order to fulfill the promotion and implementation of policies well.

3.2 Financial Resource of LTC Tax System

According to the LTC tax system, the financial resource in government are base on the increasing to the legacy tax 10%, business tax 0.5%, and real estate tax, as the implementation of long-term care policy, so the Government's financial resource of LTC policy are come from the tax revenue.

However, owing to the growth rate of elderly population is rising fast in Taiwan, the budget amount 40 billion yuan annual is not enough to support the LTC policy, and it is a big difference with the 110 billion yuan of LTC insurance policy, it mean that is the LTC tax system cannot math with the huge amount. In addition, according to the estimation by the Taipei Veterans General Hospital Medical Center for the elderly, the mild disability population of about 720,000 people in Taiwan, if all of them were apply to the full long care service, it has over the fee of 40 billion yuan, and the above does not include those people in moderate and severe disability

population, that is the LTC tax systems may not be able to match with its enormous care costs required.

The Government announced to the 21 items priority Bill among the four Bill category in the May 2016, the disputative problem is the financial resource of the LTC tax system, but the Government has negate the planning of insurance system, and advocates tax system, and the financial resource are come from the legacy tax, real estate tax, tobacco tax, and public budget, and began to implementation after the day of May 20, 2016; However, the Government need to consider the problem that specified tax whether enough to covers all the long care funds.

3.3 Problems of the LTC Tax System

According to the LTC tax system, the Government need to consider those problems such as was the financial source adequate? stable? and timing?...etc., it explains are as follows.

3.3.1 Adequacy of the Tax Source

According to the plans of the Executive Yuan, the Government will increase Legacy tax 10%, Business tax 0.5% in order to cover its long care requirements. However, the currently tax revenue average about 25 billion yuan on the legacy tax annual, but the heritage tax increased to 50%, the amount of legacy tax were less than 30 billion yuan in 2008, therefore, even improve legacy tax 10%, it has limit to help the requirement of long care; Besides that, legacy tax is a national tax, which 80% needed referred to the local government using, the Central government retained 20% only, how can complement the gap of long care fee?

3.3.2 Difficult to Ensure Service Continuity

According to the tax regulations, its amount was subject to the regular basis and the limited budget, so the protection of the long care was limited relatively. For example, Japan has adopted the tax system early, and later mixed-mode switch to insurance, taxes, and still can't meet. If the government adopted the tax system in Taiwan, owing to the financial sources can be instability, it mean that ensure the LTC service continuity are not easy.

3.3.3 Administrative Burden

In General, the LTC tax system must be restricted by the government's regulations, the strict control and examination are not easy to conducive community input, and if the providing services focused on government agencies and non-profit units, along with the rapid aging of the population, disability population, the long care scale is bound to expand, and the Government Administration power may be difficult to bear.

3.3.4 LTC Tax System Produced Financial Crowding Effect Easily

The financial source of long care will effect by tax revenue in the LTC tax system, the budget provision also must has political competition with other resources, so the stability and the sufficient of long care sources were will be impact by the different political situation; In other words, the object and range of long care services was limited by the competition, and the existing budget scale may can't support the huge funding of long care, which the long care service cannot get universal in the country.

3.3.5 The LTC Tax System Budget Was Limited

The long care service of LTC tax system was limited by Laws specification, the fund of LTC have competition with other policy funding for the budget was limited, and the tax burden rate is 12% in Taiwan, it below to the 17%-19% in those countries such as Japan and Korea, it far below to the 31%-48% of the Europe countries; the government's statutory spending accounted for annual expenditure ratio up 70%, it has almost get to the approximation of the ceiling in borrowing, and the funding of the 10 years long care plans on the base of public budget, only for the specific conditions of people for priority service, it cannot universal to all people.

4. Suitability to the LTC Tax System

The Government announced to the document that the LTC tax system was the main system of long-term care for the elderly in 2016, however, although this kind of tax system is simple to do in the practice, but we need to consider those problems such as the adequacy of the financial resources and stability of the tax system, as well as the feasibility of the policy, that is why the suitability of policies were require further consideration. The other side, government's administrative efficiency and execution ability are the important factors affecting to the successful practices of the policy. Therefore, whether the Government's long care system is effective? Or can the policy promote successfully? It can be discussion from the viewpoints such as the levying of taxes, tax amount, timing, and content appropriateness, as well as the Government's executive power are as followings:

4.1 Content of Tax Levied

The different LTC policy, the difference financial resource, and according to the LTC tax system in DPP, a successful policy of promoting is mainly based on the financial resources are adequacy and stability, and regardless of the insurance or tax system, there are different advantages and disadvantages simultaneously.

According to the Government's LTC tax content, its financial resources come mainly from the levy of taxes for the following projects, namely:

- (1) The business tax increased from 5% to 5.5%.
- (2) The legacy tax increased from 10% to 20%.
- (3) The tobacco tax.
- (4) The real estate tax.
- (5) The public budgets.

4.2 Amount of Tax Levied

It is necessary to consider the fact that the revenue adequacy and stability if the Government levied tax in order to increases the financial source of LTC tax system, namely:

- (1) Are the financial source adequacy?
- (2) Will the tax revenues ensure that LTC service continuity?
- (3) Can the administration of personnel and funds to be able to load?
- (4) Can the tax system make the financial crowding effect?
- (5) Will the LTC tax revenue budget limited?
- (6) Is necessary to promote LTC policy by added taxes?

4.3 Tax Timing

It is necessary to consider the problem of appropriateness of timing if the government adopted the LTC tax system, namely:

- (1) The business in domestic economic was downturn, the housing market continued to deteriorate, is it appropriate timing if increase to the business tax?
- (2) The legacy tax is almost for the local governments, can the 10% legacy duty increasing could solve the LTC tax source?
- (3) The LTC financial sources may result in crowding effect under the poor economic situation.
- (4) The domestic housing market is still in a period of recession, trading volume and price were fell, the real estate taxes are relatively inadequate in 2016.
- (5) Is it necessary to add tax to promote to the LTC policies? So the people need to consider the suitability of

tax timing.

4.4 The Executive Power of the Government

Whether the government adopt to the insurance or tax system in the LTC financial source, basically all have their advantages and disadvantages, therefore, can the LTC policy go forward smoothly, not on the system itself, but different in each country conditions, as well as the execution power by the Government's attitude and ability.

According to the foregoing analysis, is the LTC policy suitability? Can the LTC tax system practice successful of the Government? It depends primarily on the Government's appropriateness policy, as well as on the governance and implementation of the policy.

5. Conclusions

According to the analysis and description of the foregoing, the results and conclusions of this study are as follows:

(1) The number of disabled population in Taiwan accounted for more than one-fourth of the elderly population in 2015, for the domestic population aging was fast, how to make a good care system of the elderly and disabled population depends on the Government's LTC policy. Government's LTC policy was build model of community, universal, affordable long care service, so that the elderly are willing to support aging in place, and provide real-time convenience of health care services. The LTC policy is not a political slogan only, Government must be implement policies in order to support the aging and elderly people.

(2) The LTC tax system is to use of the tax revenue of the financial source in order to achieve to the domestic purposes of long-term care for the elderly. Public long care revenue was based on the increasing to the legacy tax 10%, business tax 0.5%. However, it is necessary to consider those factors such as revenue sufficient, service continuity, administration burden, financial crowding effect, budget constraints, and tax adding etc., and how to ensure that the LTC tax system practice popularity is the important factors to the Government.

(3) There are many kind of methods to solve those problems in the LTC policy, but in the interests of political parties under consideration the supremacy, the most important considerations may not be a national policy to promote, not the interests of the people, but only a political party's ideology of declarations. In addition, according to the insurance and tax policy between the KMT and DPP, the different systems, and therefore the policy response were different also, so the choice between the insurance and tax system is to achieve the policy objectives, and not in response to political ideology.

(4) According to the LTC policies in the major countries of the world, some of them was used insurance system, and some of them adopted the tax system, which one is better, it depending on each country situation. Therefore, whether the Government's LTC policy was suitability, it is necessary to consider the comprehensive of the tax system, levying taxes is sufficient, and levy timing appropriateness. However, can the policy go forward smoothly, it is not on the system itself, but different in national conditions, as well as the Government's attitude to the policy and ability to the execution.

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