

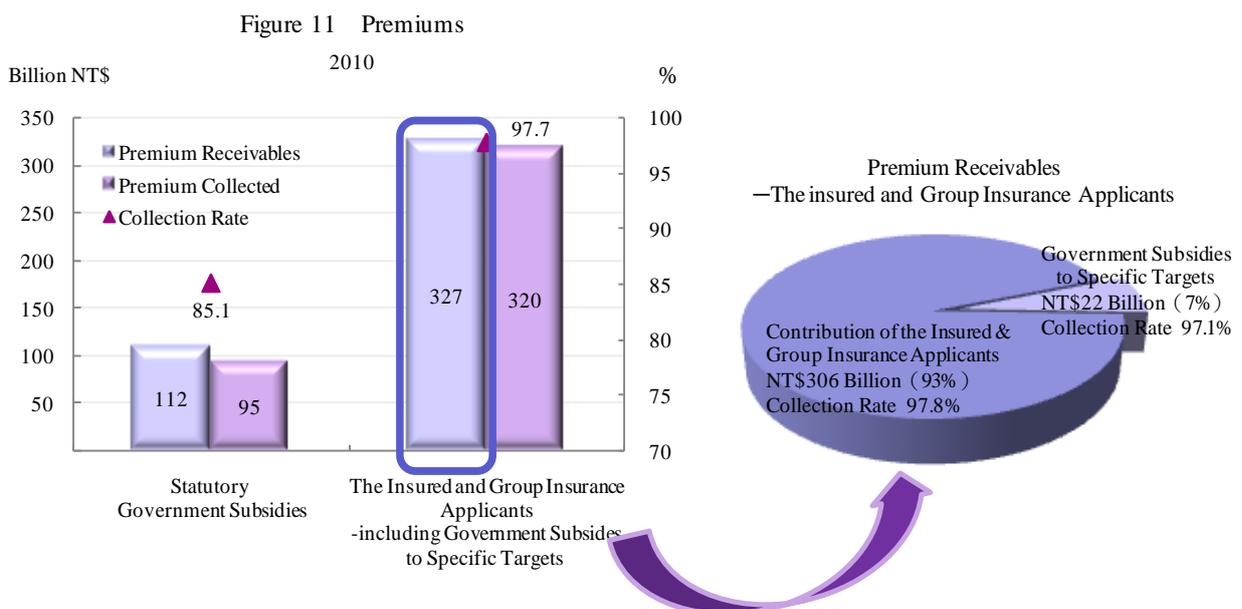
2. Financial Status

The main source of revenues for the National Health Insurance scheme is derived from premium revenues, which is made collectively by the insured, the group insurance applicants, and the governments. In recent years, factors such as 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, and the BNHI is facing a serious financial pressure. To ease the financial deficit, the BNHI plans to tap new resources and cut expenses. Furthermore, premium rate were adjusted on April, 2010 to prevent the deficits gap from widening. In order to expand the premium basis and ensure better fairness and reasonability in premium contributions, the NHI has also been actively promoting reform of the financial system (i.e., 2nd Generation NHI).

(1) Premium Collections

i. Premiums

Premium receivables were NT\$439 billion in 2010, and NT\$415 billion was collected, with a total collection rate of 94.5%. Contribution from the insured and group insurance applicants totaled NT\$327 billion, including NT\$22 billion of government subsidies to specific targets; NT\$320 billion was collected, including government subsidies to specific targets of NT\$21 billion. Collection rate was 97.7%. Contribution from the governments (statutory government subsidies) were NT\$112 billion, and NT\$95 billion was collected, for a collection rate 85.1%.



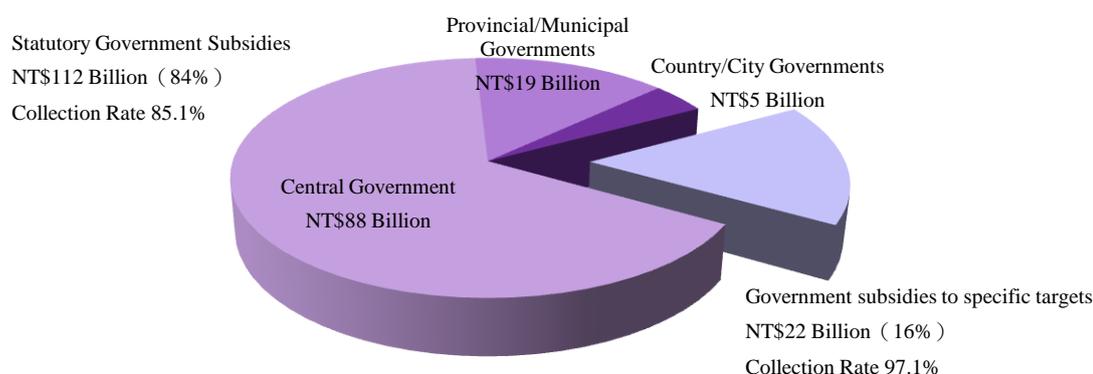
In April 2010, the Bureau announced simultaneous adjustments of the premium rate, the average premium applicable to NHI Category 6 beneficiaries and the insured payroll related

amount for the highest grade. The premium receivable for 2010, therefore, increased by 13.5% from the previous year; contributions from the insured and group insurance applicants (including government subsidies to specific targets) increased 14.2%, and contributions from the governments (statutory government subsidies) increased 11.5%. To reduce the economic impact on society caused by the premium adjustment, the government also offered subsidies for the premium differences. Compared with the previous year, the actual contribution by the insured and group insurance applicants increased 10.4% after deducting government subsidies to specific targets. Government subsidies to specific targets increased by 123.5% from the previous year. The premium collected increased by 12.6% over the previous year. Compared to 2000, premiums collected increased by NT\$132 billion, with an average annual increase of 3.9%.

ii. Government Subsidies

Government subsidy receivables (including statutory subsidies and subsidies to specific targets) were NT\$133 billion or 30.3% of premium receivables, NT\$116 billion was collected, for a collection rate of 87.0%. Statutory government subsidy receivables were NT\$112 billion, and NT\$95 billion was collected, for a collection rate of 85.1% (central government subsidy receivables were NT\$88 billion, a collection rate of 100%; NT\$19 billion for provincial and municipal governments, and NT\$2 billion was collected, a collection rate 10.5%; NT\$5 billion for county and city governments, collection rate of 100%), subsidy to specific targets receivables for contribution of the insured and group insurance applicants subsidized by governments were NT\$22 billion, NT\$21 billion was collected, for a collection rate of 97.1%.

Figure 12 Government Subsidy Receivables

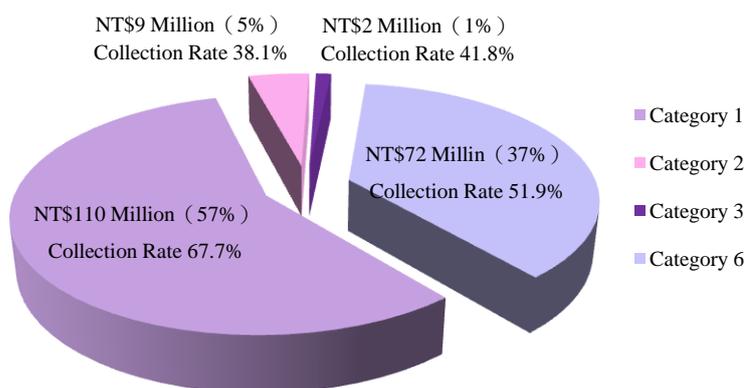


iii. Delinquent Charges

Delinquent charge receivables were NT\$192 million in 2010, a decrease of 13.7% over the previous year. Category 1 accounted for 57.0%, Category 6 49.9%, and

Categories 2 & 3 accounted for 5.9%. NT\$116 million was collected, a decrease of 15.0% over the previous year. The collection rate was 60.1%, thereby showing no significant difference compared to 2009.

Figure 13 Delinquent Charges
2010



Delinquent charge receivables were NT\$192 million in 2010, collection rate 60.1%.

(2) Financial Revenues and Expenditures

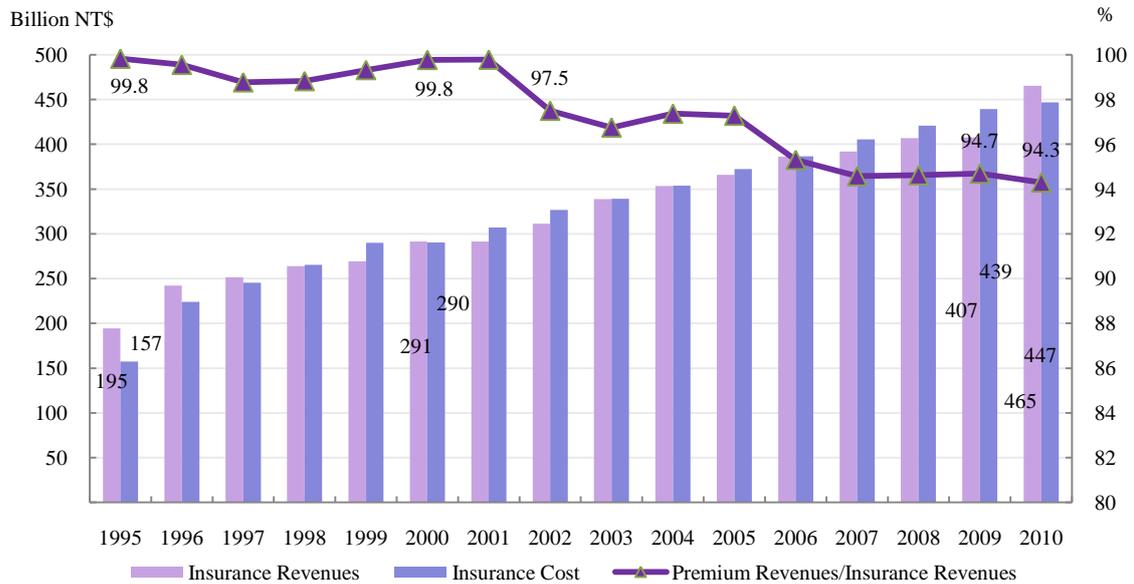
In recent years, NHI-related expenses have grown significantly. This is mainly due to an aging population, the introduction of new medical technologies and additional medical care offered to patients with major diseases. On the other hand, the premium rate has remained unchanged for seven consecutive years since its last adjustment, to 4.55%, in 2002. Premium revenues, therefore, were insufficient to cover medical expenses. In order to prevent the deficits gap from widening, the premium rate was adjusted to 5.17% in April, 2010.

i. Accrual Basis

In terms of accrual basis, the insurance revenues were NT\$465 billion in 2010, an increase of 14.2% from the previous year. Insurance costs were NT\$447 billion, an increase of 1.7% from the previous year. The surplus was NT\$19 billion. As of the end of 2010, the accumulated balance was -NT\$40 billion, which should be covered using the reserve fund.

The average annual increase of insurance revenues was 4.8% from 2000, of which premium revenues, including delinquent charges, increased by 4.2%. The average annual increase of insurance costs since 2000 was 4.4%. Medical expenses increased 4.6%. The proportion of premium revenue, including delinquent charges, to insurance revenue showed a decreasing trend, falling by 5.5 percentage points since 2000.

Figure 14 Financial Status — Accrual Basis

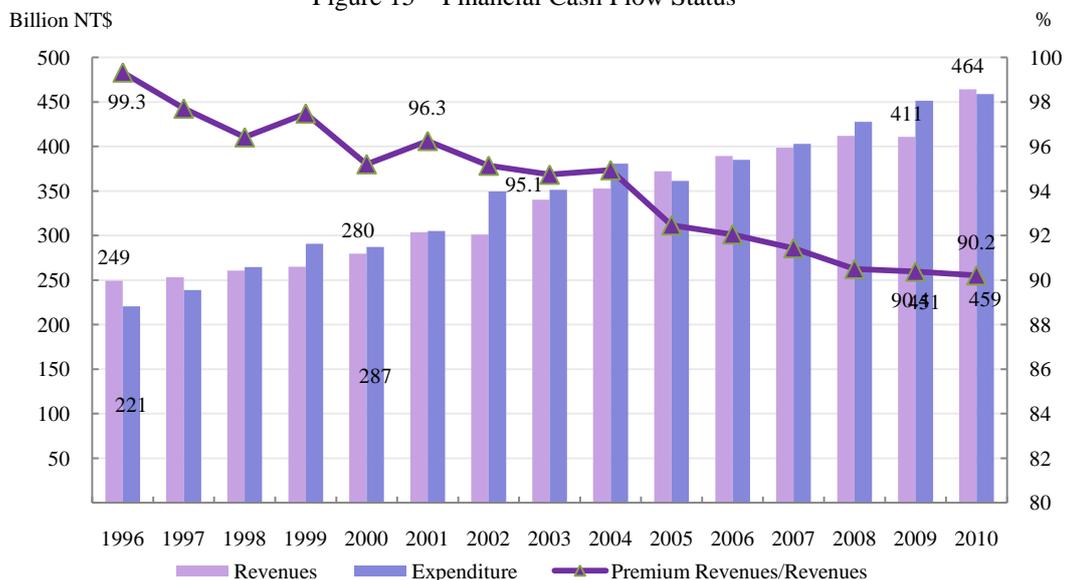


ii. Cash Basis (Cash Flow)

In terms of cash basis, revenue was NT\$464 billion in 2010, an increase of 13.0% from the previous year. Expenditures were NT\$459 billion, an increase of 1.7% from the previous year. The loan was NT\$8 billion. There was a NT\$3 billion deficit. As of the end of 2010, the accumulated balance was NT\$7 billion.

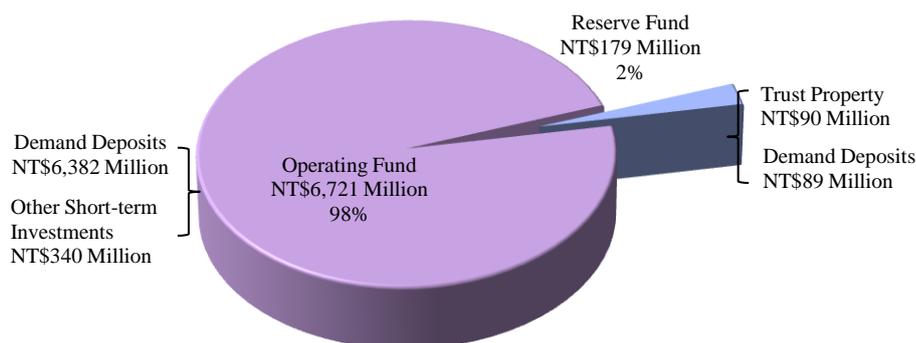
Since 2000, there has been an average annual increase in revenue of 5.2%. Premium revenue, excluding delinquent charges, increased 4.3%. The average annual increase of expenditures since 2000 has been 4.8%. Medical expenses the main source of expenses also increased 4.8%.

Figure 15 Financial Cash Flow Status



As of the end of 2010, the working capital for NHI scheme was NT\$6.9 billion, which included NT\$6.5 billion in demand deposit, NT\$340 million in other short-term investments, and NT\$90 million in trust property.

Figure 16 Fund Operation
2010



In 2010, revenue from the NHI reserve fund was NT\$25 billion, mainly coming from the lottery income and contribution for the tobacco, accounted for 98% of the total income. The other 2% was from the premium delinquent charge. The expenditure, amounting to NT\$26 billion, was fully used to cover the deficits in medical expenses. The deficit was NT\$640 million in 2010. As of the end of 2010, the accumulated balance was NT\$179 million.

Notes:

1. Data in this chapter was last updated on May 5, 2011.
2. The "premium receivable" in this chapter means the premium amount that has been corrected based on the queries/requests by the insured or the group insurance applicants.
3. In this chapter, statutory subsidies provided by the different levels of governments shall be determined in accordance with the subsidy levels prescribed in the National Health Insurance Act.
4. "Government subsidies to specific targets" (non-statutory subsidies from the government) in this chapter means the separately-budgeted government subsidies for premium payments, which were originally payable by the insured or the group insurance applicants pursuant to the National Health Insurance Act.
5. 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, respectively. Taipei County was upgraded to a quasi special-municipality in 2008. The subsidy level was therefore upgraded to the provincial/municipal level.