

National Health Insurance and precautionary saving: evidence from Taiwan

Shin-Yi Chou^a, Jin-Tan Liu^b, James K. Hammitt^{c,*}

^a*Department of Humanities and Social Sciences, New Jersey Institute of Technology,
Newark NJ and National Bureau of Economic Research, New York NY, USA*

^b*Department of Economics, National Taiwan University, Taipei, Taiwan*

^c*Department of Health Policy and Management and Center for Risk Analysis, Harvard School of
Public Health, 718 Huntington Avenue, Boston, MA 02115-5924, USA*

Received 27 March 2001; received in revised form 27 November 2001; accepted 27 November 2001

Abstract

By reducing uncertainty about future medical expenses, comprehensive health insurance can reduce households' precautionary saving. We examine this effect using Taiwan micro-data spanning the 1995 introduction of National Health Insurance. The effects of National Health Insurance are identified using employment-based variation in prior insurance coverage. Replacement of the households' prior insurance coverage with National Health Insurance is exogenous to the household, so our estimates are not subject to selection bias. Compared with the preceding government insurance programs, National Health Insurance reduced saving by an average of 8.6–13.7% with the largest effects for households with the smallest saving.

© 2002 Elsevier B.V. All rights reserved.

Keywords: National Health Insurance; Precautionary saving; Prudence

JEL classification: D1; H4; I1

1. Introduction

The possibility of economic adversity leads households to save more and consume less than they would otherwise. Because health expenditures can be large

*Corresponding author. Tel.: +1-617-432-4030; fax: +1-617-432-0190.

E-mail address: jkh@hsph.harvard.edu (J.K. Hammitt).

relative to income, persistent and generally increase with age, they make a significant contribution to a households' uncertainty about its future economic circumstances.¹ The introduction of comprehensive health insurance, by reducing uncertainty about the magnitude of future out-of-pocket health expenditures, can substantially reduce the demand for precautionary saving and so increase current consumption. We investigate this effect by studying the 1995 introduction of National Health Insurance (NHI) in Taiwan.

Numerous theoretical studies have examined the precautionary-saving motive when future income or expenses are uncertain (see e.g. Leland, 1968; Sandmo, 1970; Drèze and Modigliani, 1972; Skinner, 1988; Zeldes, 1989a,b; Kimball, 1990; Caballero, 1990, 1991; Deaton, 1991). Most empirical studies have focused on uncertain future income and provide mixed evidence of precautionary saving. There have been few empirical studies testing the impact of social health insurance on saving behavior.

We use a natural experiment associated with the creation of NHI to examine the effect of reduction in uncertainty about future medical expenses on household saving and consumption behaviors. Before the implementation of NHI, health insurance in Taiwan had been provided through employment-based government programs.² A majority of the working population had almost complete coverage under Labor Insurance or Government Employees' Insurance. Two major differences between these government-sponsored policies enable us to exploit the variation with respect to uncertain health expenditures to identify the effect of NHI on saving. NHI covers workers after retirement and family members. Prior to NHI, only government employees received these benefits. As a result, the introduction of comprehensive coverage under NHI had a smaller effect on government-employed than on other households.

We estimate the effect of NHI on precautionary saving using a 'difference-in-differences' approach. We compare the change in saving for a treatment group with the change in saving for a control group. The change in saving for the control group accounts for any systematic structural change while the experimental group's change reflects both the systematic structural change and the impact of the policy intervention. Prior to NHI, a household could obtain health insurance for all household members if either the husband or wife worked in the government sector. Accordingly, we define treatment and control groups based on the husband's and wife's joint employment status.

¹In the US, total health-care spending was equivalent to 16% of disposable personal income in 1997 (Bureau of Economic Analysis data). In Taiwan, medical care and health expenses were roughly 7.6% of household disposable income in 1998 (Survey of Family Income and Expenditure data). Feenberg and Skinner (1994) have shown that medical expenses are persistent, so that modest annual health costs can gradually deplete a family's resources.

²With the exception of supplementary coverage for selected conditions such as cancer or accidents, there is virtually no private health insurance in Taiwan. For detailed description of health insurance in Taiwan, see Peabody et al. (1995) and Chiang (1997).

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات