Abstract

To contain escalating healthcare spending has become a great challenge for many countries around the world. Among all factors influencing medical costs, extensive studies have shown that adoption of healthy lifestyles such as not smoking, moderate drinking, eating healthy food, and exercising regularly can contribute to good health and lower the odds of having diseases that result in higher medical spending. The goal of this paper is to explore the relationship between modifiable risk factors and healthcare costs in Taiwan. A two-part model is employed to estimate the association between modifiable risk factors and medical expenditures. A logit model is used in the first stage of estimation and a generalized linear model is used in the second stage of estimation. Linking the 2001 National Health Interview Survey (NHIS) and the claims data in the National Health Insurance Research Database (NHIRD) in Taiwan, I find some significant associations between several lifestyle variables and medical expenditures. Former smokers are found to have higher probability of using medical care and incur higher medical expenses. People with exercise habits are less likely to use inpatient care services, and they incur lower inpatient expenses. Therefore, healthcare policies promoting non-smoking and physical activities should be used in Taiwan to curb rising expenditures and to achieve better care for people with chronic diseases.

**Keywords:** Modifiable health risk factors; Medical expenditures; Lifestyle; Taiwan