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May 2, 2012

South Korea Health Care System

South Korea formed a Universal Healthcare system in 1977 which is controlled by the government and managed under the NHIC (National Health Insurance Corporation). This system is funded just like most other countries that have universal healthcare; through taxation. Every person has to pay 5% taxes that go directly into the healthcare system. Even though South Korea has a Government controlled Universal program, Private health Insurance companies still exist. The Universal healthcare system does not cover everything; patients still need to pay small out of pocket expenses for every visit. Even though most visits or procedures are relatively inexpensive, it can become pricey and overwhelming with serious illnesses. Some of the major private insurance companies include Prudential, Samsung, MetLife, Shinhan and Allianz.

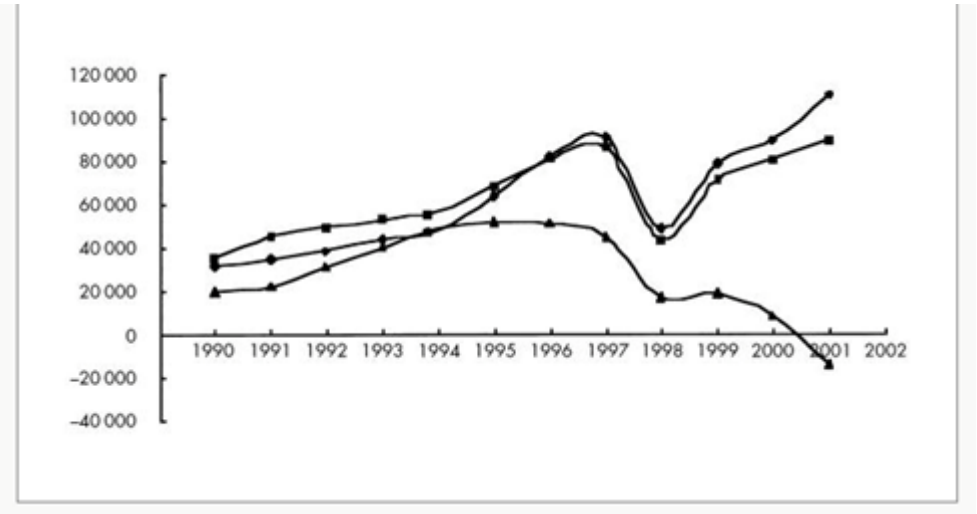
As of 2006, 96.3% of the population of South Korea is covered under the National Health Insurance Program. This equals 47,409,600 people broken up into two categories: Employee-insured = 28,445,033(57.7%) and Self-employed-Insured = 18,964,567(38.6%). The remaining 3.7% of the population is covered under Medical Aid which is funded jointly by the central and local governments since 1979. Medical Aid is very similar to the U.S.'s Medicaid since it is mainly for low income families that are unable to pay for their medical expenses. Medical aid has also recently been expanding its coverage to those with disabling and chronic illnesses. Starting 2008, a long-term insurance program is available for elderly with difficulties performing activities of daily living due to geriatric disease.

Brief History of National Health Insurance		
1963-1979	1981-2000	2000-2008
• Legislation of Medical Insurance Act. • 1977 - Medical Insurance program for companies with more than 500 employees. • 1979 - Expanded to companies with more than 300 employees, and public officials and private school employees.	• Pilot project for the self-employed medical insurance in three rural areas. • Medical insurance program for urban areas introduced. (Achievement of universal coverage) • 1989 - Integrated into a single insurer, National Health Insurance Corporation. • Implementation of separation for prescribing and dispensing of drugs.	• The Co-payment Ceiling System introduced burden on households against catastrophic or high-cost diseases. • Costs of meals during hospitalization covered by the NHI program. • Introduction of Long-Term Care Insurance.
Source:http://www.nhic.or.kr/portal/site/eng/menuitem.fd048f262dcc8b39092e6d14062310a0/		

There are three main regulators of the healthcare system in South Korea: MIHWAF (The Ministry of Health, Welfare and Family Affairs), NHIC (National Health Insurance Corporation) and HIRA (Health Insurance Review Agency). The MIHWAF plays the main supervisory role and directs operations of the NHIC. The NHIC manages the daily operations of South Korea's Healthcare and deals directly with patients and the hospitals. The HIRA is most equivalent to a Quality Control department since it evaluates the healthcare performance and double checks medical billing and claims.

Even though the spending of the National Health Care program is one of the lowest in the Organization for Economic Co-operation and Development, it is now increasing at the fastest rate in the OECD. It is critical to increase economic efficiency through introducing gatekeepers, reforming the payment system, reducing drug expenditures, promoting healthy aging, and shifting long-term care out of hospitals.

South Korea's chart of total revenue and disbursements



Numbers on the y-axis represent thousands of US dollars. Diamonds represent total disbursements; squares, total receipts; triangles, total reserve.

Since 1996, Korean NHI (National Health Insurance) began to experience significant deficits. Although the government constantly raised the basic insurance premiums to cover the deficit, many health policy experts predicted that by increasing only government funding would not be enough to solve the deficit problem. In fact, Korean government has never tried to intervene in the clinical autonomy of medical doctors.

A major factor why the Korean NHI is experiencing deficits is due to a growing problem with the Healthcare system in which doctors are scheduling over-the-top, medical procedures even when they are not necessary and the excessive prescribing of drugs. One example of this is the cesarean delivery rate in South Korea is around 40% while in the U.S. it is around 30%. A cesarean delivery is a more involved and expensive approach over the traditional method. South Korea also has more MRI machines per population than anywhere else in the world (This is also due to the high cost of each MRI examination causing these procedures to be a highly ordered exam by doctors in Korea). The reason for these overused practices is so the doctor can earn more money. An

average doctors salary in South Korea is about 1/3 that of a doctor in the U.S. so ordering more exams and prescribing more drugs allows them to bump up their salary. This has also created new financial difficulty within the system forcing the government to require the NHIC to help partially fund South Korea's Medical Aid Program.

Since the system is heavily focused on primary care, cancers or chronic illnesses are not fully covered under the system. This is where Private health insurance comes into play in the South Korean society. Private insurance companies have many specific products that cover secondary or tertiary cares. Despite the universal system, private medical sectors consume 90% of the medical resources, particularly in terms of hospital beds. As a result, it was almost impossible for the government to do research on the insured, or monitoring and regulating the service providers. Most of the research done for specific diseases or cancers has been done by private insurance companies or private medical providers for their own benefit. Moreover, due to the cost containment- centered policy, no actuarial role is recognized significantly in any of the subdivisions of the Ministry of Health and Welfare. In fact, it is known that there is no actuaries in the National Pension Service Department. According to the Financial Supervisory Service, as of November 2011, there are 527 actuaries that are registered and licensed, all from private sectors.

Under a universal system, it is not difficult to collect information on management and delivery of medical services. Since reimbursement is based on FFS (Fees-for-service), both private and public providers should submit day-to-day data on activities, services, and quality. As NHI and HIRA have to deal with data and information in process of reviewing and paying those claims, and in conducting medical utilization and quality of care reviews, no independent entity is needed to collect data. However, some are collected by specialized organizations. For example, data on cancer-related data and information are collected by NCC, National Cancer Center, and communicable diseases, by KDCD, Korean Centres for Disease Control. Personal health data, including a person's income and property, used in calculating premiums, are kept by NHI and many civil groups monitor its security.

The biggest difference from the health insurance system of the U.S. is that South Korea has a universal health insurance system under which every Korean citizen is automatically enrolled with health insurance at birth. Like the U.S., the employees pay half the premium and the employers pay the other half, and the self-employed cover themselves 100%. In 2007, each family in Korea paid around $700 a year for the premium. Below is the comparison between South Korea and the U.S., as the most known universal system carrier, the U.K. is attached to make an interesting comparison between two universal systems.

South Korean Average monthly contributions, 2000-2007 (in $)

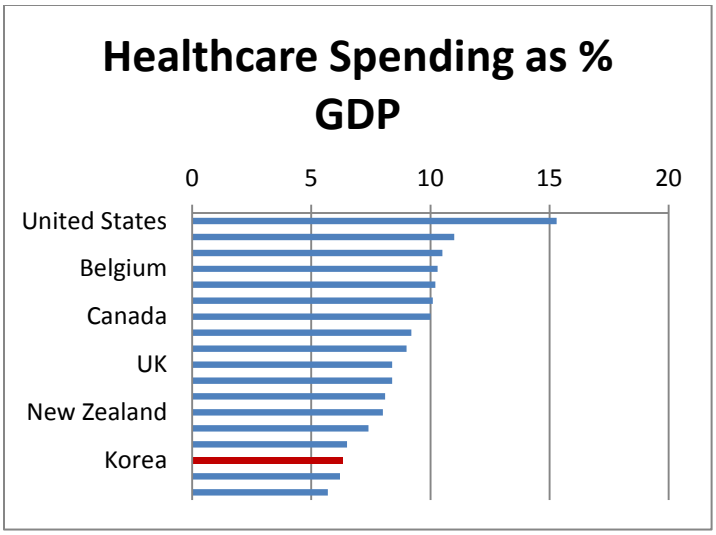
Classification	2000	2001	2002	2003	2004	2005	2006	2007
Self-employed								
Household	$ 31.67	$ 36.25	$ 39.07	$ 43.39	$ 45.81	$ 46.87	$ 49.68	$ 55.05
Per capita	10.96	12.98	14.65	16.80	18.25	19.23	21.05	24.06
Employees								
Household	24.23	28.83	35.20	44.58	49.67	52.95	57.09	62.43
Per capita	7.68	9.54	12.22	15.72	17.75	19.00	20.71	23.45

Source: NHIC, 2009, currency conversion $1 = 1,000₩

Comparison of the U.K., South Korea, and the U.S.

	The U.K.	South Korea	The U.S.
Population	62,041,708	48,456,369	308,745,538
Life expectancy(M/F)	79.4 (77.2/81.6)	78.6 (75.0/82.2)	78.2 (75.6/80.8)
GDP Per Capita	$ 38,592	$ 22,778	$ 48,387
Number of Hospital beds (per 1000 population)	2.7	6.8	2.2

Source: OECD 2009, IMF 2011



Source: OECD Health Data 2008

Another interesting point is that there is no meaning in being in- or out-of-the-network system in Korea. 90% of the health care institutions in Korea are private, for-profit. Once any health care institution provides health care services to the insured and collects the co-payments from them, it can ask NHIC to pay for the rest of the costs, and any additional for care benefit expenses, thereafter. HIRA (Health Insurance Review and Assessment Services) will then review and evaluate the adequacy of the services, medical fees, and expenses, and report the results to NHIC. Based on that, the NHIC prepares the reimbursements to medical care and pharmaceutical services.

There has been a movement in the U.S. for health care reform, possibly implementing a universal system. While in South Korea, they are moving towards greater involvement of private medical sectors. Even the best provision has both good and bad sides, and cannot satisfy the whole population. Although a universal system and a private controlled system are considered the opposite of each other, both systems have done their best to achieve their common goal of providing high-quality, affordable care to the majority, if not all.

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