

# Korean Health Care System and Fiscal Consolidation Efforts in Health Sector

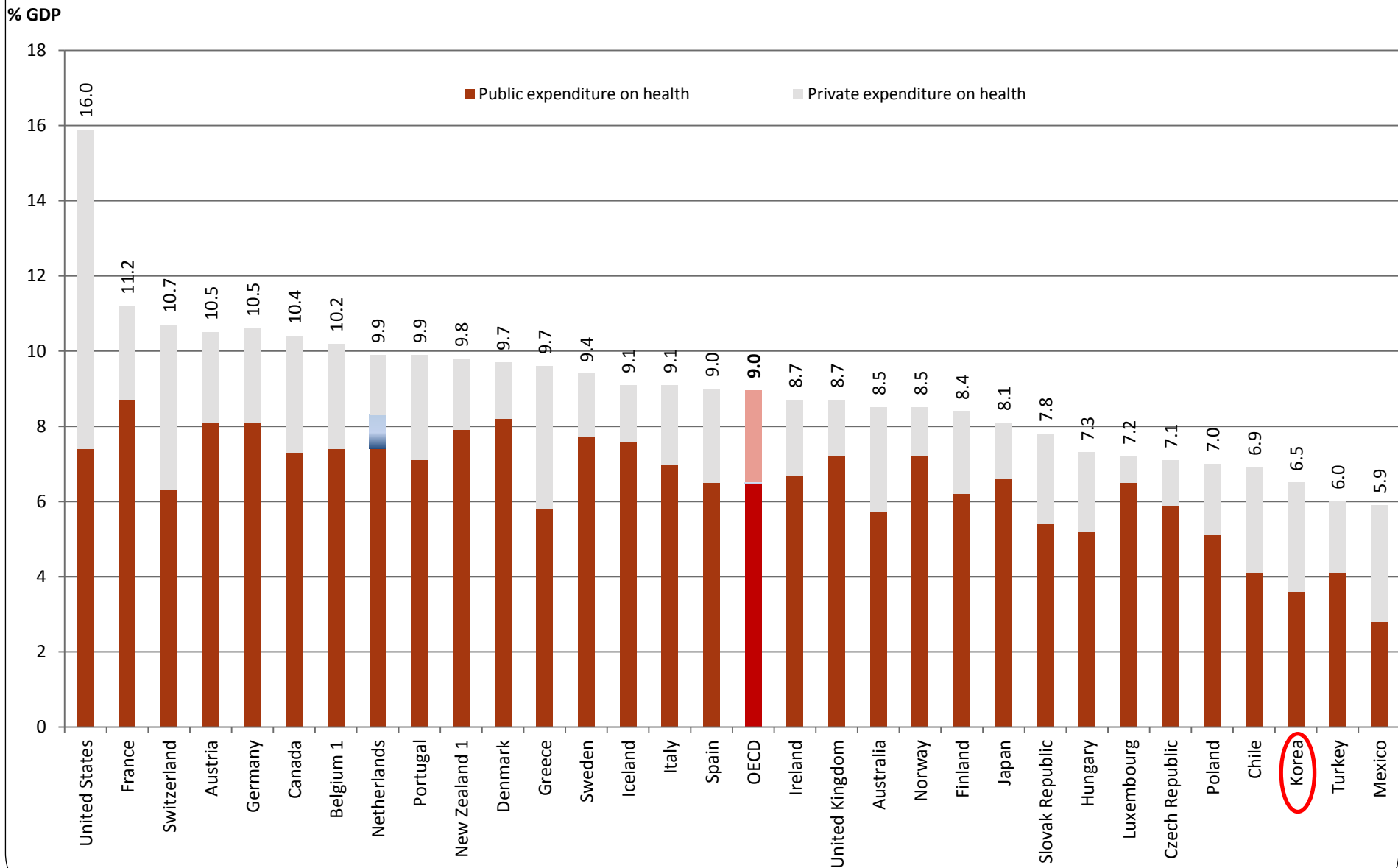
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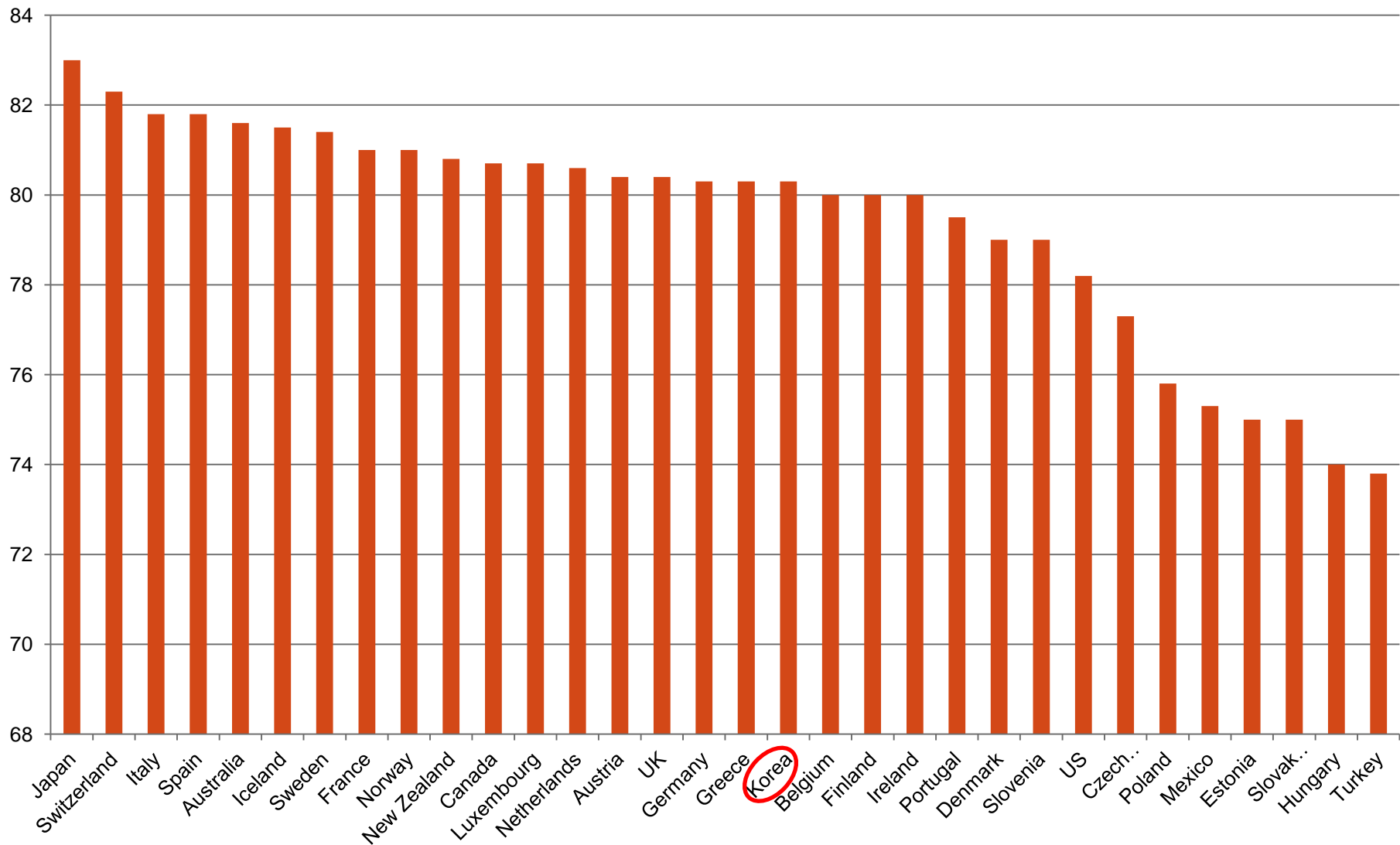
# Korean Health Care System

- Social Health Insurance System
  - compulsory National Health Insurance (NHI) with universal coverage
- Start at 1977 → achieve universal coverage at 1989 → form a single-payer system in 2000

# GDP to Health Care Expenditure (2008)



# Life Expectancy at Birth (2009)



# Korea Health Care Financing

	2008
<b>Total Public Sector</b>	<b>55.5%</b>
Government Subsidy	16.9%
Social Insurance Payments	38.6%
Employers and employees	29.7
Self-employed and others	8.9
<b>Total Private Sector</b>	<b>44.5%</b>
Payment by patients for non-covered services	21.0%
Co-pay by patients for covered services	13.7%
Private insurance and others	9.7%
<b>Total</b>	<b>100.0</b>

# Revenue Side

- **NHI contributions:**

- employees: 5.64% of salary, shared equally b/w employer and employee
- self-employed: based on income, assets, living standards, and labor participation

- **Government Subsidy**

- 20% of expected revenue from NHI contributions
- general budget: 14%
- earmarked tax (tobacco tax): 6%

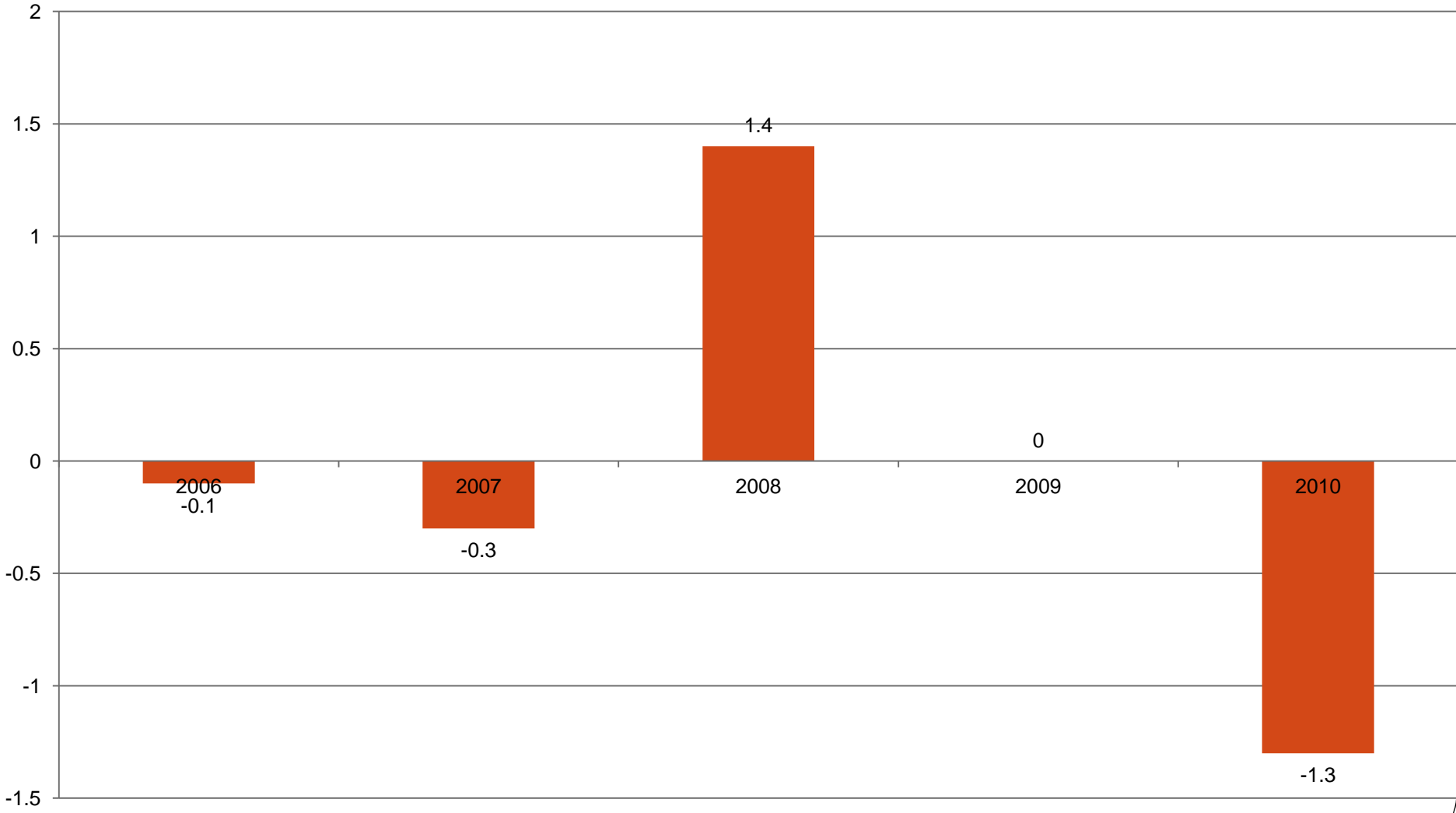
# Expenditure Side

- GDP to total health care expenditure is relatively low (6.9% as of 2009), but rapidly growing.
- Increased benefit package
- Increased fees for medical services after health care reform in 2000
  - integration of multiple insurers into a single-payer system
  - separation of prescribing and dispensing b/w doctors and pharmacists
- **No mechanism to control health care expenditure.**

# Deficits in Health Care Fund

## NHI fiscal balance

1000 billion won





# Fiscal Risk Factors in Health Care

- **Demand Side**

- Rapid aging: population of age 65+ is projected to increase up to 40% in 2050
- Increases in income
- Patients' preference for tertiary hospitals

- **Supply Side**

- New advanced technologies in health and medicine
- Fee-For-Service (FFS)

# Fiscal Consolidation Efforts: Revenue Side

- Increase in contribution rates
- Stricter qualification for dependent eligibility: 1<sup>st</sup> and 2<sup>nd</sup> line dependents
- Expand tax base for contributions: from earned income to gross income (include pension, income from financial assets, real estates, etc)
- Government subsidy

⇒ Limited!

# Fiscal Consolidation Efforts: Expenditure Side

- Need to reform **provider payment system**
  - FFS & pilot programs for DRG system
  - Recognize the problem, but no action!
- **Pharmaceutical expenditure** control
  - reference pricing
  - substitution for generic drugs
  - improve drug pricing system
- Strengthen **primary care system**
  - prevention
  - chronic disease management & community care

# Questions for Other Countries

- **Revenue aspect**

- Social insurance contributions: tax base, eligibility of dependents
- Government subsidy: size and conditions
- Other source of revenue: sin tax

- **Expenditure aspect**

- Prospective payment system: opposition of medical care providers
- Drug cost control
- Expenditure target or ceiling: penalty?

rewards?

# Questions for you - cont'd

- **Institutional and managerial aspect**
  - Responsibility for the health care budget
  - Decision making process in provider reimbursement rate, contribution rate, and public service coverage
  - Fiscal projections on long-term health care expenditure