

Korea's Single Payer Insurance Reform

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1. Greetings

Thank you very much Mr. Chair and the Secretariat for giving me this opportunity to talk about Korea's experience as a single payer insurer. Also I would like to thank Dr. Joe Kutzin for his excellent speech on the comparison of the health financing system. Now, I would like to present on our experiences and challenges.

2. History of Korea's National Health Insurance

(2) After the Korean War, we have achieved an economic miracle of Han River.

(3) Korea has first introduced the National Health Insurance in 1977. Even though we started with a humble beginning, owing to the rapid economic growth, Korea could have expanded to the entire population within 12 years.

In the process of the rapid expansion of NHI, more than 360 insurance societies came out in 1988. Of those, 1 was for the civil servants and teachers, about two thirds were for the residence-based affiliates, and the others were for the corporation-based affiliates.

(4) This slide shows the increase of the population covered by NHI.

3. Integration Reform in 2000

(5) Some insurers, however, had to be troubled with chronic financial problem, especially in the areas and corporations with low income level. There had been a mechanism of risk sharing, named "Fiscal Stabilization Fund", in which contribution revenues were reallocated across the insurance societies. But the problem of inequity was not solved only with this fund.

This evoked the social voices that the multiple insurers ought to be integrated into a single one in order to solve the cost rising problem as well as to establish the fair system to impose the contributions.

After all, in 2000, the integration reform of the multiple insurers was performed.

4. Governance of NHI

After undergoing the fierce and diverse social consensus, Korea's NHI system has been changed in a radical manner.

(6) At the moment, the governance of NHI is as shown in this slide. With regard to NHI, the Ministry of Health and Welfare is in charge of deciding the policy direction, legislation, and managing the NHI organizing bodies. In reality, the Ministry is taking a role of an effective insurer, under which the supreme National Health Insurance committee decide benefit coverage, contribution rates, reimbursement policy, and so on.

In 2000, the National Health Insurance Corporation was established as a single legal insurer which is non-profit agency with 162 regional branches. The main roles of NHIC are collecting the contributions, paying to the providers, and contracting the fee level with providers. NHIC is negotiating the conversion factor of RBRVS which decide the fee level in an annual basis. NHIC is also negotiating the drug prices with the drug companies.

Peculiarly, NHIC is in charge of comprehensive collection of the contribution of Korea's five major social insurances, which are the NHI, the national pension, the Workers' compensation, the Employment insurance, and the Long term care insurance.

In the same time to NHIC, Health Insurance Review and Assessment service was set up in 2000. Taking over the former organization's role, HIRA is taking the role of claims review, assessing the quality of care provided, deciding payment arrangement, such as the relative scales of RBRVS, DRGs, and auditing the fraud.

5. Changes after the integration

(7) After the Integration Reform, the equity has remarkably increased. This figure shows the change of the contribution rate by income level. After merging of the insurers, the new rule of collecting the contribution brought the changes in contribution. (8) The contribution rate of those whose income level was in the lowest decile decreased more than 30% after merging of the insurers, but whose income level was highest increased more than 20%. (9) As the result, the equity has continuously improved in terms of Kakwani index. (10) We could widen the benefit coverage after the reform.

(11) In addition to the equity, I would like to stress on the improvement of efficiency. The rate of administrative cost to the total health expenditure decreased dramatically after the Integration Reform.

(12) However, the total expenditure of the NHI has continuously increased for the last decades.

6. Causes of the cost rising

(13) We regard the main causes of cost rising as first, the aging of the population in the highest rapidity among the member countries, secondly, the characteristic health care delivery systems highly depending in acute care sectors, and finally, the payment system mainly relying on the fee for services manner. Private sector dominant health care providing system is making the problem more difficult to solve.

Because the health care cost was relatively low among the member countries, the current level of expenditure of NHI compared to GDP is not absolutely high. But within a social insurance system relying largely on the contributions by the employee and the employers, it is not easy for the insurer to catch up the rapidity of the expenditure increase.

7. Plan of Reform

Especially in the last year, the financial deficit reached 1.2 trillion Korean won which was about 2.5 % of total expenditure of previous year.

(14) To solve the cost pressure, at this moment, the Ministry is planning the additional reform in collaboration with NHIC and HIRA. The strengthening of primary care sectors, expansion of the DRG payment system, expansion of pay for performance in a wide manner, and the decrease of pharmaceutical price are included in the plans.

8. Advantages of single payer insurance system

(15) We expect the single payer insurance system would make these plans more plausible. Because the majority of providers belong to the private sectors, it has not been easy for the Ministry to drive the reformative actions.

Even though the NHIC could not have controlled the volume of the services, it could have contain the fee level low. The NHIC has exerted its bargaining power as a single unified in front of the private sector dominant health care providers.

Within the single unified system, I would like to emphasize that the strength comes from the power of data gathered at a unified clearing house. HIRA has collected the information of all the health care services delivered to the patient. Fortunately relying on the far advanced information and communication technologies and resident registration number used nation-widely, we can link the data to produce the valuable information without difficulties. This is giving the sound ground of performance measurement and pay-for-performance.

Of course, 10 years was not sufficient to achieve the purchasing power enough to manage the rapidly rising cost. In order to attain the purchasing power in reality and expand it, the policy goal including the volume control and efficiency improving should be embedded in the reimbursement in the more continuous and the more direct manner. This could be achieved by defining the governing bodies' mandates in a more detailed manner.

Thank you very much!