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A Necessary New Health Care System in Korea: A Theoretical Review

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Abstract

Korea is currently faced with severely declining birth rates and an increasing aging population. In particular, the decrease of the productive population is expected to have a huge effect on health insurance finances, and demands from different industries to revise the health insurance policy paradigm based on the past fairness are growing. This article aims at diagnosing Korea's health care environment theoretically, by analyzing the critical juncture. It also presents future goals and directions for Korea's health insurance policies by comparing them to this newly constructed paradigm. Results of the literary analysis show that first, in the new paradigm, efficiency and productivity are pursued as the core values. The essence of the insurance premium levying system, improvements of the operating system and wage structure, and allowing exemptions of combined examinations are designed to overcome problems with internal inefficiency and institutional productivity. Second, instead of the treatment-oriented approach of the old paradigm, an attempt was made in the new paradigm to focus on disease prevention and management. This is a preventive approach that promotes disease prevention and customizes health improvement projects using large scale data in order to achieve sustainable medical welfare. Third, the new paradigm is being converged into a global level health insurance policy paradigm. This reflects the OECD recommendations well and is expected to develop at an international level through exchange and cooperation.

Keywords: *health insurance policy, policy paradigm, critical juncture, paradigm shift*

1. Introduction

Korea's health insurance policies have placed an importance on values such as fairness and accessibility and view medicine as a long-term public good. The medical insurance program that was introduced in 1977 became a nation-wide health insurance program in just twelve years, the shortest period in the world for this to occur. Even after 37 years, it has maintained its original low cost-low payment-combined examination-treatment oriented system. However, it has become difficult to guarantee sustainable development with the traditional policy paradigms due to the prolonged economic stagnation and high aging and low birth rates. Thus, a change in the health insurance policy paradigm has been demanded by various parts of society[1, 2].

Health spending has seen a near relentless rise over recent decades and had reached 9% of GDP by 2008 [3](Figure 1).

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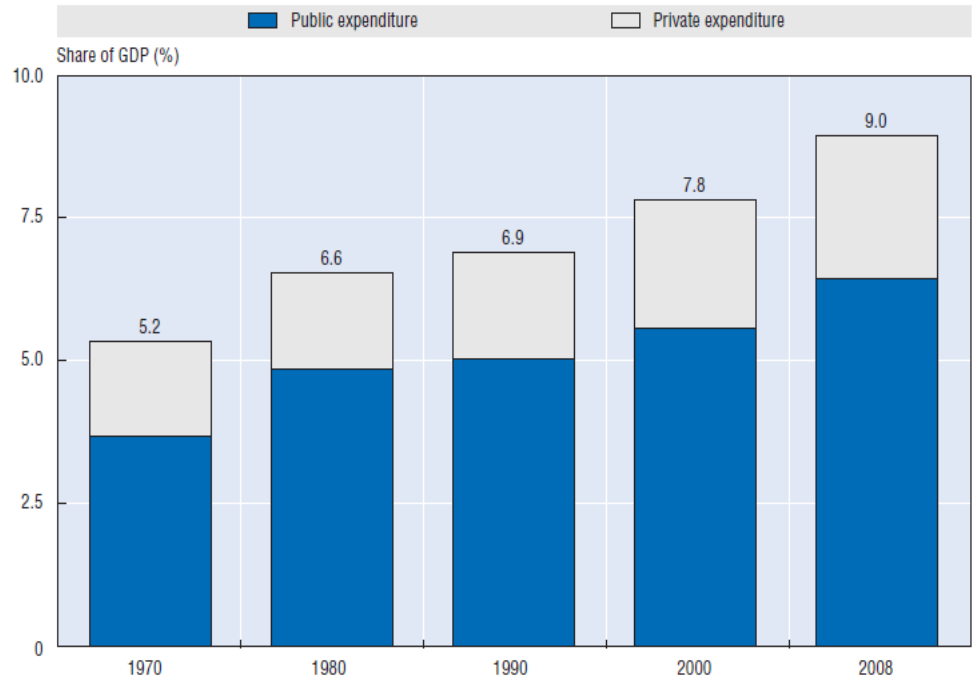

Product (GDP) Across OECD Countries. *Source: OECD (2011)*

Advanced countries such as Japan are already reducing public expenditure and increasing investments in disease prevention and health improvement policies as strategies to reduce health care demands and as a long-term solution for the high aging and low birth rate issues[4-6]. According to the recent article "Evaluation on the Quality of Korean Health and Medicine" by the OECD, Korea has been focusing on policy alternatives that can reduce health insurance expenses and simultaneously make improvements in their quality. Korea's health insurance policies are at a crucial juncture that requires reforms, and policy prioritization is urgently needed to achieve this.

This study diagnose Korea's health insurance policy environment from the perspective of the critical juncture theory through literature reviews. It compares advanced paradigms in order to identify limitations in the old paradigm of the health insurance policies of the national insurance system with a view to suggest major features and future directions guided by the new paradigm that the Korean health insurance policies could adopt.

2. Theory

1.1. A Critical Juncture: Rapidly Changing Health Insurance Policy Environment of Korea

According to institutionalism, critical junctures refer to "events that set processes of institution/policy change in motion." Rapid changes in policies or systems in critical junctures that consist of a crisis, ideational change, and radical policy change[7] are set off by crises[8, 9]. Crises offer an environment for those making the changes to fight over current perspectives and policies in order to bring about a focus on new ideas that replace the current paradigm and ultimately change policies. Critical junctures that are set off like this create an occasion to establish changes and processes that will lead to institutional arrangement selection from among the alternatives[8].

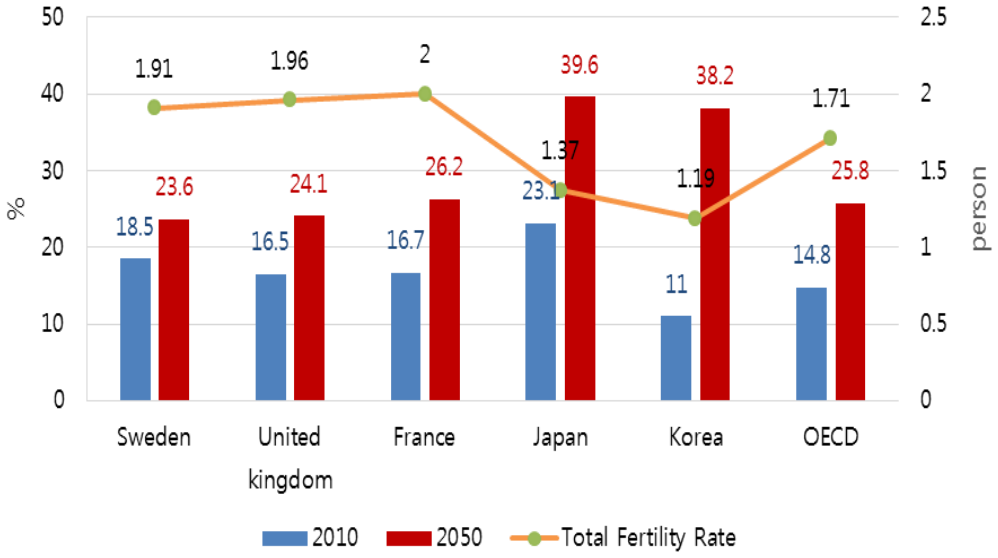

Figure 2. International Comparison of the Elderly Population Ratio and Birth Rate (2010, 2050). *Source: OECD (2010)*

From the theoretical perspective of critical junctures, Korea's health insurance policy environment is faced with the following crises. First, insurance finances are worsening due to the rapid increase in low birth rates and the aging population. As the population group that pays for the insurance reduces, the elderly population that receives the benefits of the insurance is growing in an explosive manner [10](Fig. 2). In particular, the five year income from insurance between 2014 and 2018 will increase by an annual average of 7.4%, but health insurance payouts will increase by 9.7%. Thus, it is expected that the deficit in 2018 will reach 2 trillion won[11]. According to the OECD report, real per capita health spending grew at an annual growth rate of 3.9% for the OECD average. Among some of the lower income countries of the OECD, relatively strong long-term economic growth was more than matched by considerable increases in spending on health. This was the case in Ireland, Korea, Poland and Turkey [3] (Fig. 3).

Second, with the increase of income, the political, social, and national demands for insurance policies to expand qualitatively and not quantitatively will grow. Disease structures have shifted towards chronic diseases, leading to increasing demands for qualitative guarantees and diverse medical services (Table 1).

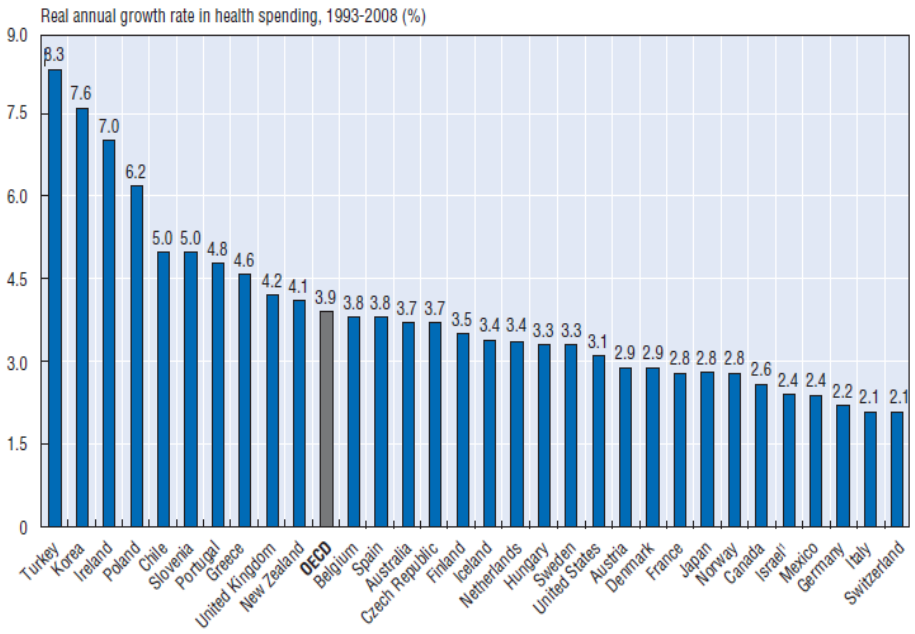

Figure 3. Annual Growth in Per Capita Health Expenditure, 1993 to 2008.
Source: OECD (2010)

Third, considering the prolonged economic stagnation, there are growing demands to construct an efficient financial system that minimizes the rise in insurance premiums[2]. After 2000, while Korea's healthcare expenses increased twice than before, Korea's health insurance contribution was 5.89%, which was the lowest in OECD countries in 2010[3]. Thus, a low payout and reduction of primary medical institutes are necessary. This structure makes it difficult to offer disease prevention and customized health improvement services. The realization of this crisis has spread not only to the policy experts of the Korean health insurance sector, but also to the policy-makers[12]. As a result, full-fledged discussions on converting the health and medicine policy paradigm have begun (Fig. 4).

1.2.Limitations of the Old Health Insurance Policy Paradigm

Korea's old health insurance policy paradigm focused on quantity rather than quality and fairness rather than efficiency[13]. As the old paradigm focused on providing a common medical insurance system in a short period of time, the focus was on suppliers rather than on patients. It also focused on treatment rather than prevention. The old health policy paradigm, called the "77 paradigm" because it was introduced in 1977, contributed to achieving a nation-wide health insurance in just 12 years during the period when Korea was developing as a country. However, this old health insurance policy paradigm has the following limitations[1, 14, 15]:

- Low guarantee: a low level of guarantee compared to the rise of chronic diseases.
- Low cost insurance: low insurance premiums result in low payouts and a concentration on large hospitals.
- Common financial leaks: Because medical expense reviews and payments operate separately, this results in a waste of administrative energy and financial inefficiency.

- System was not suitable for preventive projects: the system focuses on the acute phase of disease treatment and therefore has a poor medical expense reduction effect for preventing diseases and improving health.
- Unfair payout structure: Unfair payment of insurance premiums (currently 6 types of payments) causes complaints among subscribers.
- High growth of the private insurance market: Concerns over low coverage results in an increase in private insurance subscribers.

Table 1. Yearly Conditions of Healthcare Costs on Chronic Diseases *Source: WHO (2014)*

	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average annual growth rate
Chronic diseases medical fee(A)	46.8	56.6	64.7	72.8	85.2	106.5	123	136.9	152.4	15.71
Total medical fee(B)	188.3	207.4	225.1	248.6	284.1	323.9	348.5	393.3	436.3	10.45
Ratio(A/B)	24.9	27.3	28.7	29.3	30.0	32.9	35.3	34.8	34.9	4.76

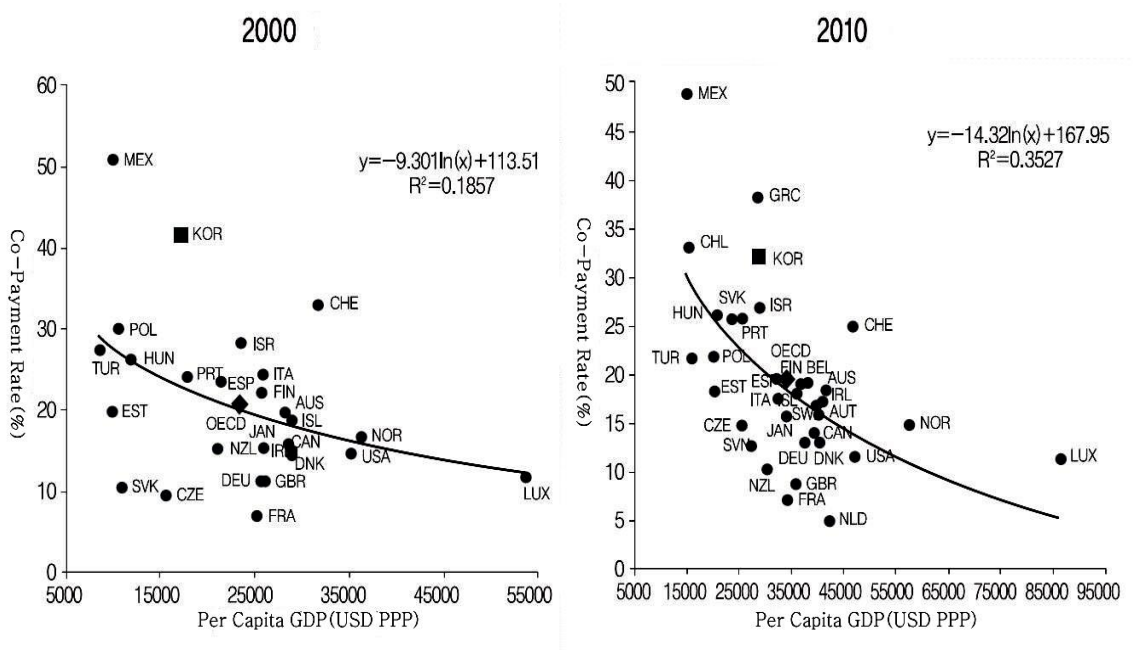

Figure 4. Co-Payment Rate Per Capita GDP in 2000 and 2010 Across OECD Countries. *Source: OECD (2011)*

1.3. Trilemma of Korean Bureaucratic Politics

In 1963, military regime legislate the Medical Insurance Law for securing legitimacy and it wasn't until 1977 that it took an earnest effect. In the 1970s, side effects that were caused by sudden industrialization and economic growth occurred and Korea instituted medical social security system to form a part of the 5-year economic development plan. When an economic model is in difficulty from the view of critical junctures, the windows of opportunity open and the agents compete on the viability of the prevailing paradigm [6]. Major change in policy ultimately depends on the actors that draws social consensus and gather new ideas and the actors are the most typical bureaucracy department of Korea's healthcare system, the Ministry of Health and Welfare and National Health Insurance Service. Former is the central department which manages and oversees the program's operation through policy formation and implementation and latter is the single insurer, affiliated organization, Ministry of Health and Welfare that supply health insurance to the whole nation. But, as it was mentioned, because of the changed environment of health and medical treatment and the limit of old paradigm, they faced the trilemma which are coverage increase, medical care cost increase, and quality improvement of medical care. In result, two institutions are recently paying attention on change of paradigm of health and medical treatment and health care reformation.

1.4. Rise of the New Health Insurance Policy Paradigm

Because critical junctures are accompanied with institutional arrangements related to paths or trajectories, they are very difficult to change[16]. The process of change also requires a short or long period depending on the contents of the policy[17]. In order to make these reforms in light of the limitations of the old paradigm that has continued for 37 years, and advance this policy into the global health and medicine sphere, the Ministry of Health and Welfare constructed the new "advanced paradigm" which has the following features[11, 14, 18].

- Improved fairness of insurance premium payments: changes in the insurance premium levying system to make it income-oriented in order to procure fairness and financial resources.
- Reform operation system so that there are no leaks in the insurance finances: create reforms so that the insurance provider and the Health Insurance Corporation can check the medical expense claim of the institute at the medical expense billing stage.
- Promotion of disease prevention and health improvement projects using large scale data: Provide health management services customized to the life styles of people using the constructed national health information database.
- Reforms on unfair payout structure: strengthen primary medicine and improve the income structure where the rich get richer and the poor get poorer among suppliers, by establishing a classification of the functions of medical institutes.

Allow exemption of the typical combined examination: in principle, the policy should cover medical examinations, but also allow non-covered elements as rare exclusions for new medical technology and treatments of terminal cancer patients.

2. Future Study

From the perspective of critical junctures, Korea has recognized the onset of the social and economic crises and has attempted to adopt a paradigm shift by identifying the

problems associated with the old paradigm. However, financial support is the most important element to effectively apply the new paradigm. The problem is that Korea is expected to have a reduction in the productive population and, thus, a deficit in the insurance premium income by 2016. Therefore, policy prioritization based on the new paradigm must be established as soon as possible. Additionally, follow-up measures that reduce health insurance expenses must also be provided. Follow-up research should conduct an in-depth examination of the health insurance policy practices that apply the new paradigm.

4. Conclusion

From the theoretical perspective of critical junctures, Korea's health insurance policy environment is faced with the following crises. First, insurance finances are worsening due to the rapid increase in low birth rates and the aging population. Second, with the increase of income, the political, social, and national demands for insurance policies to expand qualitatively and not quantitatively will grow. Third, considering the prolonged economic stagnation, there are growing demands to construct an efficient financial system that minimizes the rise in insurance premiums. Korea's old health insurance policy paradigm focused on quantity rather than quality and fairness rather than efficiency. As the old paradigm focused on providing a common medical insurance system in a short period of time, the focus was on suppliers rather than on patients. It also focused on treatment rather than prevention.

Since the 2008 global financial crisis, eleven of the 34 OECD member countries between the years 2009 and 2011 have reduced their health insurance expenses or are making structural reforms by adjusting the medical insurance fee or changing incentives[19]. As long as the economic crisis continues, this pressure to reduce public finances will continue, even during the recovery phase. The OECD is focusing on improving the productivity and efficiency of the health insurance policies as the solution to improve patient welfare amidst the low economic growth rates and stagnation in procuring financial resources for health and welfare. To obtain this, stronger primary examination systems, a disease prevention-oriented approach, multi-disciplinary treatment to deal with compound chronic diseases, and an introduction of the diagnosis of related groups have been suggested[20].

The suggestions by Korea's new health insurance policy paradigm according to the literature review are as follows. First, the core values found in all areas were efficiency and productivity. Reforms to the insurance fee levying system, operation system, and payout structure and the concept of allowing exclusions of combined examinations are made to overcome the internal inefficiency problems and to increase productivity[21]. Second, rather than the treatment-oriented approach of the old paradigm, the new paradigm aims at focusing on disease prevention and management[22]. Promoting disease prevention using large scale data and customizing health improvement projects are aimed at procuring the sustainability of medical welfare through a preventive approach[23]. Third, the new paradigm involves converting this into a global level health insurance policy paradigm. The new paradigm reflects the OECD recommendations and will evolve into a more global level policy through exchange and cooperation[24].

Most importantly, for the adoption of the new paradigm, a high level of responsibility from the insurance subscribers who have become important members for the prevention and management of diseases, the construction of a governance cooperation system based on the support and participation of the medical sector, industries and people, and setting up the policy prioritization must be achieved as soon as possible.

Conflict of Interests

None declared

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