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Finding the Perfect Fit

Insights into the South Korean Healthcare System

Healthcare spending in South Korea is far below the Organisation for Economic Cooperation and Development (OECD) average. According to OECD records, the average healthcare spending among OECD countries amount to 9.5% of their gross domestic product (GDP) in 2012 while Korea only spends 7.1% of its GDP on the same services. The number of doctors and nurses working in hospitals is also below the OECD average of 3.1 physicians per 1,000 people, as Korea only has 2.4 physicians per 1,000 inhabitants. In terms of nurses, the ratio is almost half: 4.36 nurses per 1,000 people as compared to the OECD average of 9.26. Despite these numbers, Korea's life expectancy at birth is 80.3 years, while infant mortality is 3.5 per 1,000 births in comparison to 78.2 and 6.5 respectively in the US. Every person is covered by Korea's National Healthcare Insurance (NHI) and the overall patient satisfaction is much higher as well. What are the secrets behind the cost effectiveness of the Korean healthcare system?

NHI

The NHI is run by the government. In order to implement and effectively execute a public healthcare policy, the country must first have a stable economy. A common misconception is that a stable healthcare system only arises once the country's economy has boomed. On the contrary, the Korean GDP per capita was US\$1,034 when NHI for workers was first introduced in 1977. When its coverage was expanded to the entire population in 1989, the GDP per capita was US\$5,438. Although Korea experienced phenomenal economic growth at that time, Koreans didn't pay much attention to healthcare.

The reason behind the implementation of Korea's public health insurance system, despite a struggling economic background, was North Korea. After the Korean War, North and South Korea were in a race for supremacy. When North Korea announced that its citizens would have access to free healthcare, then South Korean President, Park Chung-hee, instructed the government to develop South Korea's NHI.

However, the struggling economy was a major hindrance at that time and the general public didn't want to pay additional taxes to the government. Moreover, it was difficult to calculate the income statuses of the population and decide the appropriate contributions to the newly established NHI. President Park, with his "We Can Do It" attitude, went against the wishes of healthcare providers and pushed for low healthcare fees. Thus, Korea introduced its NHI programme to employees of big companies, where it was easy to attain income statuses. To ease public burden, low premiums were set, resulting in low coverage. Over time, the insurance system has continued to improve, but the so-called "Three Lows" of low insurance fees, low premiums, and low benefits are

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Insights into the South





Perfect Fit

Korean Healthcare System

By Dr Kwangmo Yang

still known as the cornerstones of the Korean healthcare system.

High accessibility

Statistically, Korea has fewer doctors compared to other OECD countries. Yet, Korean doctors complain that there are too many doctors in the healthcare profession. This is a prevalent view among many, except the specialists in public health and hospital administrators themselves. Rural areas have fewer clinics, which are usually undersupplied, but high-speed trains, like the Korea Train eXpress, and excellent highways make tertiary healthcare easily accessible for majority of the citizens.

On average, each Korean doctor treats 6,000 patients per year, which is more than double of the OECD average. The secret lies in the patient's consultation time. The average consultation period is less than ten minutes, even for Oncology patients and there is constant criticism from the mass media on the "three-minute consultation" guideline for general consultations. Earlier this year, medical news journal, the *Korean Doctors' Weekly*, conducted a survey on 1,000 Korean adults, which concluded that 52.1% of the respondents didn't like the short consultations. However, in view of keeping medical fees low, short consultations are inevitable. In a similar vein, increasing the number of doctors under the present Korean healthcare system is a difficult task due to the current low costs of healthcare.

NHI crisis

Given the rapidly decreasing birth and marriage rates, Korea is one of the fastest ageing nations in the world. There is speculation that the average working age could increase to 50 years, 30 years from now. Current medical spending is 7.1% of GDP, but that figure is rapidly increasing.

These changes boil down to whether Korea can sustain the current health insurance or not. Deficits are expected to reach US\$160 billion by 2020 and there are major concerns about increasing the low premiums.

Impending social discord, a diminishing workforce and a growing elderly population are some major concerns looming on the horizon, but not many Koreans are paying attention to these issues.

Efforts to promote the medical industry and its outcome

Promoting the medical industry is one of the long fostered wishes of the current government. It is known as President Lee Myung-bak's election pledge, but the intent dates back to former President Kim Dae-jung. The medical industry includes the manufacturing sector, like pharmaceutical companies, and the service sector, like hospitals.

There are two reasons behind promoting the medical industry. One is the effective usage of increasing medical expenditure and the other, its effect on the economy. Reports have revealed that the medical industry is the single largest market in the world. In fact, the automobile market, which Korea excels in, accounts for US\$1.6 trillion in revenue per year, while the healthcare industry is almost triple that at US\$4.7 trillion annually.

However, the Korean medical industry is still young and the government's efforts are still ongoing to bolster it. The government provides grants to research-oriented hospitals to encourage medical scientists to win Nobel Prizes. They also help pharmaceutical companies to break into foreign markets.

The so-called "Korean fever" has brought about a positive effect on the medical industry and approximately 80,000 medical tourists come to Korea every year. Demand for aesthetics is soaring and the majority of medical tourists visit Korea to undergo cosmetic surgery, but plans are in place to increase the number of patients from Russia and China, who seek advanced healthcare. In addition, the practice of Korea's telemedicine using advanced IT has been highly praised by many individuals from different countries.

Free trade zones, like Songdo in Incheon, have foreign investment-friendly policies. However, the Korean government only recognises major hospitals, like Johns Hopkins, and there has been much controversy surrounding hospitals entering Korea because of the fear of privatisation in healthcare. Therefore, the Korean government is strongly against private hospitals entering the Korean market.

Too many regulations on healthcare providers

Many undeveloped countries use the Korean healthcare system as a benchmark, but nothing is perfect. The Korean healthcare system is maintained by pressing heavy regulations upon providers. For example, the recent "frame law" to enforce placing framed patients' rights in hospital lobbies brings animosity towards the government's demands.

Decision making based on populism by policy makers and politicians are problematic too. Some doctors who make mistakes find themselves under the media spotlight and can easily be turned into policy making tools.

Recently, the government introduced a policy where specialists can only consult patients firsthand, depending on their symptoms. If these regulations are violated in any way, doctors' licences could be suspended and the hospitals may be liable for fines.

Conclusion

The government assumes a leadership role in the Korean healthcare system. Stakeholders' comments are heard as a mere formality and their legitimacy is in question. Objectively speaking, the Korean healthcare system appears to be in good standing. However, whether the Korean government can promote healthcare as a viable industry in the next generation requires further evaluation. **SMA**



Dr Kwangmo Yang graduated from Yonsei University of Medicine in Wonju, and Yonsei University Graduate School in Seoul with a postgraduate degree in Urology.

He is currently Editor-in-Chief of the Korean Doctors' Weekly, a renowned Korean newspaper specialising in healthcare. Dr Yang

is also a medical blogger and works as a full time journalist for Korea Healthlog, which he established in 2007. Korea Healthlog was selected as Digital Heritage Award Winner 2009 by the Korean National Commissioner for UNESCO for promoting open and easy to understand public health information.

Prior to Korea Healthlog, Dr Yang practised at Severance Hospital, Seoul, as a physician. He has a significant interest in the use of information technology to increase quality patient care and lower healthcare costs, and enjoys reporting on these topics.