



Discussion on the Roles of Public and Private Health Insurance

ABSTRACT

At the conference hosted by the Korea Insurance Research Institute (KIRI), ‘the lack of control for non-covered medical cost’ was raised as the common cause of the current crisis faced by the public and private health insurers. A consensus was built that the legal foundation is necessary to form the public-private partnership to make concerted efforts. While the public insurer demanded a comprehensive review on covering co-insurance expenses of public health insurance by the private indemnity health insurance, the private insurers contended that covering co-insurance expenses from public health insurance is essential, given that co-insurance expenses are higher in Korea than other countries. In the future, it is necessary to extend the roles of the public and private health insurance in order to increase the welfare of the society to address issues such as aging and COVID-19. To this end, it is important to have continuous dialogue between the public and private sectors.

Korea has been responding to rapidly growing public demands for healthcare coverage by expanding coverage of the national health insurance and increasing participation in private indemnity health insurance. However, the health insurance system now faces many challenges in terms of continuity due to growing fiscal burdens of the public sector and rising loss ratios and premiums in the private sector. Although there are conflicting interests between the supply (medical providers, insurers) and demand (patients, the insured), the rapidly aging society makes the public and private insurers ever more interdependent calling for a stronger public-private partnership.



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Accordingly, KIRI held a policy conference(October 29, 2021), 「The roles and issues of the national and private health insurance in the era of population aging」 to diagnose the causes of the crisis and challenges that the public and private insurers are currently facing and seek measures to achieve co-existence of the two systems as the country enters a super-aged society by 2025. Through the conference, the public and private insurers agreed that the current health insurance system is facing a continuity issue. However, as to the causes behind the issue, opinions were diverged between the public and private sector.

A consensus reached by both public and private insurers is one of the main factors of the current crisis is ‘the lack of control for non-covered medical cost’. In this respect, both parties agreed to prepare a blueprint while communicating with each other as responsible partners. In addition, the key part here would be to lay the legal foundation for the public-private partnership and selectively address the issues around the non-covered medical cost depending on the urgency and importance. In particular, it would be necessary to modify coverage structure for those non-covered medical services where excessive supply and abuse are serious such as multifocal lenses in cataract surgery and practices related to spinal disorders. These non-covered medical treatments should be covered through the national health insurance and monitored continuously. Furthermore, it would be important to collect and analyze the data to make the fee schedules standardized for non-covered medical treatments. The public and private insurers shared the view that strengthening monitoring system and consumers(patients)’ rights to know through the standardization and public disclosure of non-covered medical treatments is essential. While both parties expressed a common interest in introducing a screening system for insurance claims on non-covered items, the public insurer objected to the suggestion that the HIRA(Health Insurance Review & Assessment Service) which has a well-established screening system and infrastructure should take the role for the screening.

On the other hand, the public and private insurers were divided over the argument that the abnormal coverage structure (coverage for co-insurance



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expenses of public health insurance, etc.) of the private indemnity insurance had not only caused an increase in insurance payment in the private sector but also a deterioration of fiscal soundness in the national health insurance service. The public insurer insisted that the coverage structure of the private indemnity insurance is based on the situation in the 2000s when the health insurance coverage was very low and asked a comprehensive review of the coverage structure based on the current situation. The public insurer also argued that the abnormal coverage structure had negative effect on the fiscal soundness of the national health insurance. On the other hand, the private insurers contended that the level of private medical expenses in South Korea is higher compared to that of major countries, and in particular, the medical expenses billed directly to the patient compared to the total medical expenses accounted for more than half(55% in 2019). In this line of reasoning, covering the co-insurance expenses of public health insurance by the private indemnity insurance is essential in order to complement the public healthcare coverage.

In the future, to better cope with a growing demand for healthcare services in the era of population aging and the prolonged COVID-19 pandemic, it is necessary to expand the roles of the public and private health insurance to promote the general welfare of society. To this end, it is important to lay the ground work for continuous discussions among various stakeholders.

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