

The limitation of the insurance-based system towards UHC: The case of Unintentional Contributions Arrears under the South Korean National Health Insurance system

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World Health Organization (WHO) regarded South Korea (hereafter, "Korea") as an exemplary case which achieved Universal Health Coverage (UHC) in a short period with its National Health Insurance (NHI) system. The Korean government is exporting its NHI model through the Official Development Assistance (ODA) to many Low-and Middle-Income Countries (LMICs) that are considering the Korean NHI system as a model to follow for the achievement of UHC.

The Korean NHI covers outpatient and inpatient services, and prescription drugs. Even though the benefit coverage of NHI has been continuously extended, the coverage rate of NHI has been stagnated at around 60-65%¹. It means that NHI patients still have to pay 35-40% of the total expenditure with their Out-Of-Pocket (OOP) payment. This is the reason why 80%² of the population is pushed to subscribe to private insurance for the co-payments and non-covered expenses. As a result, they suffer from the burden of the private insurance premium in addition to the NHI contribution. The basic driving force is the private-dominated, market-oriented healthcare system; 94% of the hospitals are private and the remaining 6% are public³. Primary care is almost entirely provided by private clinics. Most of their services, at all levels, whether public or private, are reimbursed as a Fee-For-Service (FFS) base. The physicians can make a greater margin by providing services that not covered by the NHI but are covered by private health insurance.

However, in promoting the scheme it has never been highlighted that almost 10% of the Korean population is failing to pay the contributions and 60% of them just can't pay the arrears. As a result, many of them cannot access to healthcare and social services and are even being punished by the government for their arrears through disposition⁴. Therefore, the Korean NHI system has a fundamental limitation towards achieving UHC, let alone universal health care.

¹ National Health Insurance Corporation (NHIC). 2004-2017. *Survey on Medical Expenses of National Health Insurance Patients*. Seoul (in Korean).

² National Health Insurance Corporation (NHIC). 2018. *A Basic Analysis of Korea Health Panel Study in 2016*. Seoul (in Korean).

³ National Medical Center (NMC). 2017. *Public Healthcare Statistics*. Seoul (in Korean).

⁴ http://www.koreanlii.or.kr/w/index.php/Disposition_for_arrears

Korean NHI system

Segmentation between NHI system and Medical Aid program

In Korea, besides the NHI system, there is a Medical Aid for the poor which is a kind of public assistance program. NHI covers 97% of the population and the remaining 3% of the poor are covered by the Medical Aid. While NHI is social insurance with mandatory enrollment and compulsory contributions, the Medical Aid is financed by government through its funds.

As in many other countries with a selective and residual public assistance program, the Medical Aid has produced a wide range of non-take-up due to the strict beneficiaries' criteria. Since the beginning of the NHI in 2000 when previous social health insurers were merged, the population coverage of Medical Aid has been controlled by the government to around 3%⁵. Considering the poverty rate of Korea (17%),⁶ it is easy to imagine how the remaining 14% of the poor would be struggling to pay the NHI contributions. Many of them become unintentional defaulters. People with Unintentional Contributions Arrears (UCAs) in Korea are in the dead zone between the people who are in the NHI system and those in the Medical Aid program.

The government has encouraged stigma and discrimination against the Medical Aid beneficiaries and the people with UCAs through a "moral hazard" frame. The vulnerable population has suffered not only from the 'redistribution' problem, i.e., the lack of access to necessary services due to insufficient income/wealth redistribution but also from the 'recognition' problem, i.e., the stigma and discrimination towards them which illustrates the non-recognition by society.

On the other hand, the government has been focusing on the benefit coverage expansion for the NHI beneficiaries. The Medical Aid beneficiaries and the non-take-up population, including those with UCAs, have been treated as 'second-class' nation under the 'National' health insurance system.

⁵ National Health Insurance Corporation (NHIC). 2018. *Medical Aid Statistics*. Seoul (in Korean).

⁶ OECD (2019), Poverty rate (indicator). doi: 10.1787/0fe1315d-en (Accessed on 09 September 2019)

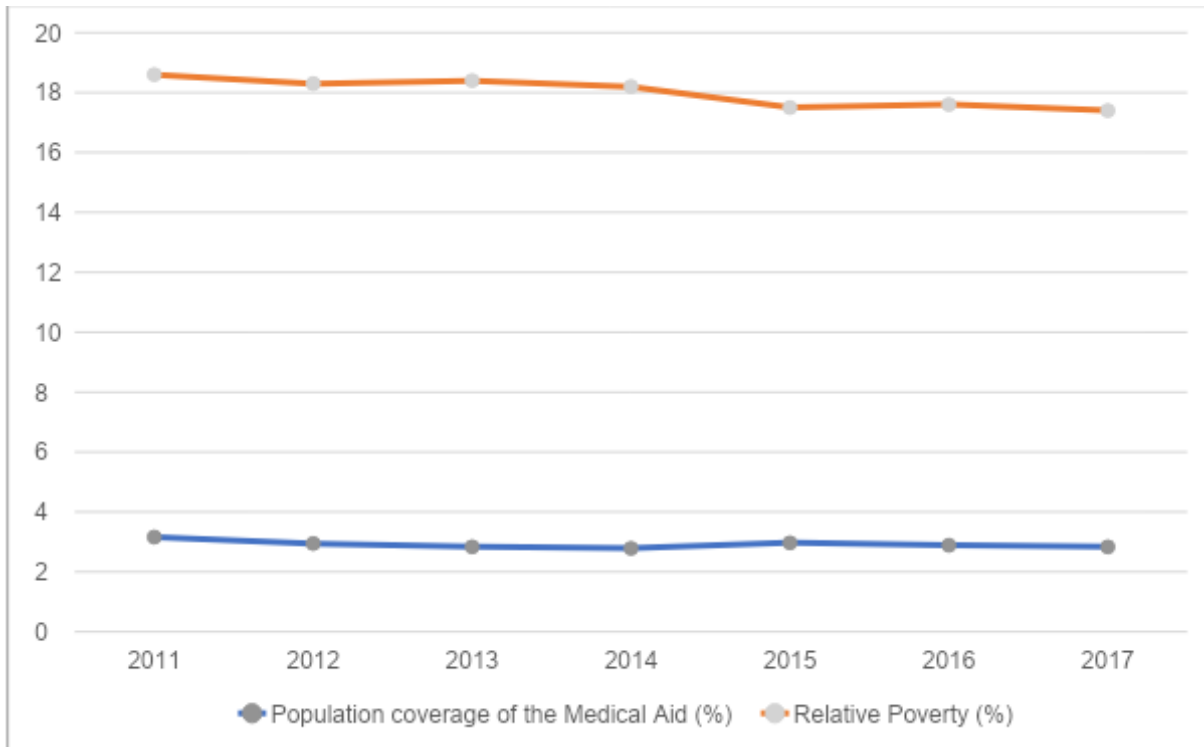


Figure 1 The gap between the population coverage of the Medical Aid and the relative poverty in Korea (2011-2017)

Sources: Statistics Korea. *K-indicator*. <http://www.index.go.kr/unify/idx-info.do?idxCd=8005> (Updated on 11 June 2019); National Health Insurance Corporation (NHIC). 2018. *Medical Aid Statistics*.

Understanding the issue of UCAs⁷

The problem is structural, rather than exceptional

The quantitative analysis of NHI data of 2015 reveals that almost 10% of Korean population (2.16 million households, minimum 4.05 million people) is failing to pay the contributions and 60% of them (1.16 million households) just can't pay the arrears. It means the problem is structural, rather than exceptional.

Even though the problem of UCAs under the Korean NHI system has been huge, the Korean government has been ignoring this problem. They believe that it will erode the fundamental principle of NHI entitlement if they grant 'exceptions' to them.

The most vulnerable population fail to pay their contributions

The quantitative analysis of NHI data shows frequent changes and short durations with regards to NHI entitlements of people who are in arrears with their NHI contributions. This

⁷ These results are based on the People's Health Institute (PHI) report in 2017 titled "Unintentional Contributions Arrears under the Korean NHI system: The quantitative and qualitative survey results and policy proposals (in Korean)." <http://health.re.kr/?p=3903>

reflects their unstable employment and fragile family relationships.

The qualitative analysis of in-depth interviews with them confirms that the most vulnerable people fail to pay their contributions, and their vulnerabilities are aggravated due to the arrears, through the denial of the NHI and other welfare benefits, the government's disposition (through attachment of bankbook, seizing of assets and so on) for the arrears, and even the stigma towards them.

The most serious problem is that the denial of the NHI benefit leads to denial of other tax-based public services including the compensation of medical expenses for pregnant women, and the attachment of the bankbook for the disposition leads to the discontinuance of other tax-based public allowances, including the ones for the low-income workers and parents.

The institutional arrangements of the Korean NHI system do not allow for effective prevention or resolution of UCAs

The institutional analysis of the Korean NHI system reveals that the Korean government is implementing only patch-work policies or programs to prevent or deal with the UCAs. Most policies focus on dealing with the UCAs after people have defaulted, rather than on preventing the arrears, and also try to 'punish' rather than 'support' people. The coercive nature of collection of arrears is justified in the name of 'fairness.' But considering that these people are just not able to pay the contributions and arrears due to their economic situation, policies or programs that are punitive in nature, are ineffective to prevent or deal with the UCAs.

The comparative institutional analysis with other social insurance schemes in Korea (National Pension, Employment Insurance, and Occupational Health and Safety Insurance) and other insurance-based healthcare systems, including in Taiwan and Japan, finds that UCAs are inevitable in insurance-based systems as it presumes the stable employment environment.

If the NHI and the Medical Aid continue to be operated in current way in Korea, which is experiencing an unstable labor market, deepening social inequality and rapid family disintegration, then the issue of UCAs will also continue in the future. Unintentional defaulters are part of the vulnerable population that has always existed in our society, and those facing such multilayered vulnerabilities are likely to increase in the future.

Insurance-based systems only cover the entitled people as defined by the law, and among them, those who have paid their contributions. This principle has a fundamental limitation towards UHC, as illustrated in the case of UCAs in the Korean NHI system. To achieve UHC, we need a genuinely universal system based on the granted health rights, rather than on entitlements through insurance. An insurance-based, contributory system cannot realise UHC. It would be a tax-based, non-contributory system, with robust public provisioning of healthcare which is free at the point of use, that will ensure universal health care, without any exclusion of the vulnerable population.