

HEALTHCARE REIMBURSEMENT OUTLOOK IN KOREA

PRICING AND OUT-OF-POCKET SPENDING FOR HEALTHCARE SERVICES

South Korea's healthcare system leverages the efficiency of the private sector through an intermediary mechanism known as public insurance. The mandatory involvement of private healthcare providers in the national healthcare framework sets apart South Korea's system, given the limited presence of public healthcare providers in the country. The coverage of these private providers determine the healthcare expenditure by the population of Korea.

REIMBURSEMENT PROCESS IN SOUTH KOREA

Since the implementation of the mandatory health insurance system in the 1970s, insurance coverage in South Korea has been extended to both outpatient and inpatient care across all levels, ranging from physician clinics to tertiary care hospitals. Approximately 97% of the population is enrolled in the National Health Insurance Service (NHIS). Moreover, the pricing and reimbursement systems are heavily modulated by the Health Insurance Review & Assessment Service (HIRA) and NHIS.

- Pharmaceutical companies voluntarily submit their product lists for reimbursement by NHIS.
- When seeking approval for a new drug, they apply to HIRA.

Pharmaceutical company



Pricing and evaluation

Health Insurance Review & Assessment Service (HIRA)



Results of review

Covers 14% premiums

National Health Insurance Service (NHIS)



Payment for services

Services claims

Healthcare provider



- HIRA performs an economic evaluation and assesses the benefits of including the drug in the list.

- As per HIRA's assessment results, NHIS negotiates with the pharmaceutical company on pricing.
- Pays up to the maximum reimbursement amount.

- NHIS insurance authorities negotiate and come to a final price for the insurer.
- Responsible for providing various healthcare services and products, which is paid for by NHIS.

DETERMINATION OF PRICES:-

After obtaining approval for a pharmaceutical product, companies may apply to HIRA. HIRA assesses their eligibility for reimbursement, considering pharmacoeconomic factors. NHIS engages in negotiations with the companies to determine reimbursement prices. A re-evaluation can be requested within 30 days of receiving HIRA results if the company disagrees with the review, and HIRA is expected to complete the re-evaluation within 120 days of the request. The results are given to MoHW that then includes it in the list.

Evaluates service cost

Ministry of Health and Welfare (MoHW)



- MoHW has 2 arms, HIRA and NHIS, that are responsible for health insurance coverage.
- Responsible for the operation of health insurance policies and maintaining the healthcare system.

Insured individual



Insurance benefits

Premium contribution

Co-payments

Healthcare services

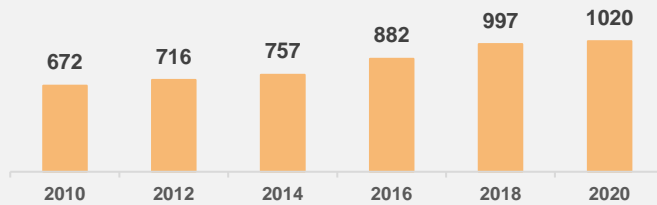
- ~20% of the medical expense is to be paid by the individual.
- Most of the population is enrolled in private health insurance services as NHIS does not cover all treatments.

REIMBURSEMENT PAYERS

- After the inclusion of a product in the covered services of NHIS, its MRP may reduce if the product volume significantly surpasses the company's initial forecast during the negotiations with NHIS.
- NHIS is responsible for premium collection on the 10th of the following month and reimbursement to providers. HIRA deals with product pricing review and claims from healthcare providers.
- NHIS relies predominantly on insurance premiums paid by enrollees and government subsidies (14%), with the remaining funding sourced from health promotion funds generated through the tobacco tax (6%).
- Not all services are covered by NHIS, necessitating patients to cover the entire cost. Consequently, 67.6% of the population has enrolled in at least one private health insurance plan. As a result, despite the government covering payments through NHIS, out-of-pocket (OOP) spending for healthcare in South Korea remains high.

OOP SPENDING ON HEALTHCARE

In 1,000 US dollars



- As a percentage of total health expenditure, out-of-pocket (OOP) spending decreased from **34.11%** in 2011 to **29.18%** in 2020.
- South Korea exhibits the highest OOP expenses among OECD countries.
- In 2021, 12% population spent more than **10%** of the total household expenditure on healthcare, while 2.9% spent more than **25%**.

DRAWBACKS OF HEALTHCARE REIMBURSEMENT SYSTEM IN SOUTH KOREA

Low reimbursement for the services provided	NHIS' reimbursement to providers is intended to include capital and operating costs, although providers contend that the reimbursement falls below the production cost, leading to financial losses. This situation may contribute to providers and healthcare workers receiving lower compensation for their services.
Private insurance	Numerous private insurance companies extend benefits to patients only when they need to be hospitalized as a part of their treatment. Services such as home care nursing and long-term care are omitted from insurance packages, posing a burden for patients. Consequently, many individuals feel compelled to opt for inpatient hospital services.
Lack of covered services	Pharmaceuticals related to oncology or rare diseases often face exclusion from reimbursement. Risk-sharing agreements are established with pharmaceutical companies producing these products, where companies may be required to reimburse a portion of the cost to NHIS. Consequently, this results in increased expenditures for the insurer concerning these drugs.

The reimbursement system for products and services covered by NHIS is advantageous for the Korean population. However, despite majority of the population being covered by the public health insurance system, OOP expenditure on healthcare as a percentage of total household expenses remains elevated.

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- 02 Diagnosis and Treatment Paradigm:** Analysis of diagnosis and treatment algorithms adopted in clinical practices.
- 03 Current and Future Landscape:** Current treatments and latest pipeline landscape assessment for a particular therapy area.
- 04 Humanistic, Economic Burden, and Unmet Need Analysis:** Impact of a disease on the patient's mental and economic well-being.
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