

KOREA's Medical/Health sector – Major trends in an aging society

SEOUL: The Korean medical/health sector has entered a growth stage propelled by general economic growth and the improved standard of living. Korea will therefore continuously be in a position of strong demand for elderly care equipment and facilities.

In spite of rapid economic development, the service environment of Korea's medical/health sector is not as good as those of other OECD member countries. In terms of medical and health expenditure relative to GDP in 2004, Korea's proportion of 5.6 per cent is far below the OECD average of 8.9 per cent. However, it jumped to 6.3 per cent in 2006. The result is mainly explained by the fact that personal charge rates, except for the public support, is very high at 36.9 per cent, compared to the OECD average of 20.5 per cent and Norway at 15.7 per cent.

When it comes to the number of medical doctors, Korea has 1.6 doctors per 1,000 inhabitants compared to 3.1 as the OECD average.

Life expectancy dramatically improved

Despite this unfavourable situation, life expectancy at birth has dramatically risen to 77.4 years in 2005, up from 52.4 years in 1960s. Compared to the OECD average of 78.1 years and Norway 79.67 years, life expectancy at birth in Korea is converging to that of more developed countries. It is implied that the quality of medical services has improved during the said time period, despite the lack of properly developed medical infrastructure.

On top of that, due to the economic development and the improved standard of living in Korea, the growth rate of medical spending has increased significantly in recent years. All of these and other relevant statistics indicate that the Korean medical/health sector has now entered a growth stage propelled by general economic growth and the improved standard of living.

Health Care for an Aging Society

Korea is heading straight towards an aging society. According to the Korea National Statistical Office (NSO), the number of those aged 65 years or older will dramatically increase from 9.1% in 2005 to 37.3% in 2050. This estimate was calculated based on the historical and current trend of demographic data and survey on future births. Considering that it would take Korea only 19 years to become an aging society (Japan 24 years, UK 47 years, Norway 76 years, Sweden 85 years) it is very evident that Korea must urgently prepare itself for new times.



Figure 1: Demographic change in Korean population,
Source: KHIDI 2008

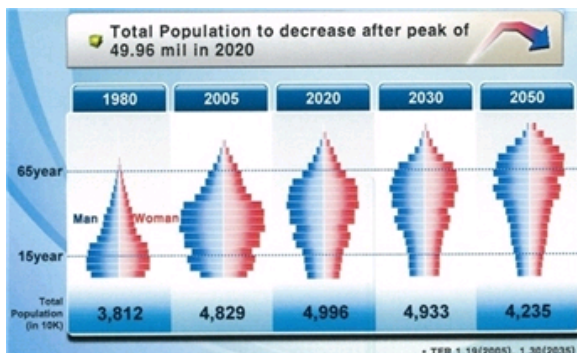


Figure 2: Democratic forecast of Korean population,
Source: KHIDI, MHW (2007)

Shortfall in systems, infrastructure and skills

Medical service infrastructure and systems in Korea are not yet well prepared for this future demand. Most of all, there is not sufficient experience and skills available for providing medical services to senior citizens, and social infrastructure is not yet ready for the coming strong demand. Hence, the Korean government will make huge investments to launch a new insurance program from July 2008.

A certain part of the medical fee will be covered as a subsidy, benefiting both hospitals and potential patients. Since there are some prerequisites for qualifying for this subsidy, service providers should find the required and competitive/attractive medical aides for elderly patients.

Government insurance policy for elderly people

The government insurance policy for elderly people, now called Long-term Care Insurance, is ultimately designed for providing home and facility based supports to seniors suffering from geriatric diseases and dementia, as well as for reducing the support burden of other family members. Though current coverage for diseases and qualified people is somewhat limited, it is to be continuously expanded to other diseases and a greater number of senior people over time.

The outline of the insurance system is as follows:

- § *Insurance payer:* National health insurance program – the whole population 4.05 per cent of amount of contributions (0.2 per cent of income)
- § *Covered population:* Population of 65 years or above and younger people who suffer geriatric diseases
- § *Benefits:* Population authorized long-term care category (1~3 levels based on care needs assessment)

The supports/benefits of the long-term care insurance can be divided as below:

Home based support

- § Visiting home helper service
- § Visiting bathing service
- § Visiting nursing service
- § Day & night (around the clock) care
- § Short stay care
- § Assistive products

Facility based support

- § Long-term care facility
- § Long-term care equipment
- § Group home

For this supply, Korea will continuously be in a position of strong demand for elderly care equipments and facilities.

Background

Korea has been recognized as one of the world's fastest developing countries so far. It is, according to IMF figures, the world's 12th biggest economy with USD 1,250,490 million GNI (PPP) in 2007 (Norway is USD 219,710 million), as well as the 11th largest trading power at USD 700 billion. A World Economic Forum (WEF) report in October 2007 evaluated Korea as the 11th most competitive nation globally.

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