

IMPROVEMENTS TO INDEMNITY HEALTH INSURANCE TO BE INTRODUCED IN JULY NEXT YEAR

The FSC announced the introduction of improvements to the current indemnity health insurance system beginning in July next year, which will help prevent moral hazard and lower premiums for the insured. The FSC expects that the improved structures will help ensure that indemnity health insurance plans can continue to provide important social safety nets alongside the state-operated national health insurance (NHI) service.

BACKGROUND

Indemnity health insurance policies provide important social safety nets as they offer coverages to health care costs that are not covered by the NHI. As of the end of 2019, some 38 million individuals were covered by indemnity health insurance plans. When it was first introduced in 1999, the availability of fully covered plans guaranteeing no out-of-pocket expenses created moral hazard of excessive hospital visits and medical testing. Excessive use of health care services by a few has been pushing up premiums for others while insurers have seen a spike in loss ratios. A continuation of this trend in indemnity health insurance raises concerns about rising premiums and the sustainability of indemnity health insurance services. As such, the FSC has prepared the following measures to address these issues.

KEY MEASURES

I. LOWER PREMIUMS WHILE GUARANTEEING THE SAME LEVEL OF COVERAGE

(COVERAGE) New indemnity health insurance policies will provide the same level of coverage as previously available on most types of illnesses and injuries with the maximum coverage of about KRW100 million for both in- and outpatient services.¹ However, in order to prevent moral hazard of excessive and unnecessary use and provision of medical services, out-of-pocket expenses and deductions for outpatient services will be increased.

(PREMIUM) Due to the increase in out-of-pocket expenses and outpatient deductions, insurance premiums will be significantly lower compared to the previous levels.² Considering high levels of loss ratios, it is expected that premiums of newly available indemnity health insurance policies will be much lower in the future compared to the current levels.

¹ KRW50 million for NHI-covered services and KRW50 million for those not covered by NHI.

² Approximately 10% lower than indemnity health policy premiums available in 2017, 50% lower than standard indemnity health insurance premiums since 2009, etc.

II. IMPROVE EQUITY IN PREMIUM PAYMENTS OF NON-COVERED SERVICES

(NON-COVERED SERVICES) The current integrated management system for insurance coverage of both NHI-covered and non-covered services will be managed separately with differential premium rates applied to non-covered services plans. The introduction of differential premium rates for non-covered services will help address the equity problem in which excessive use of non-covered medical services by a few can have a significant impact on the premium payment burdens on all insurance subscribers. In this regard, five levels of differentiated premium scales will be introduced on non-covered services plans. However, the differentiated premium scales will not be applied to the essential medical service users defined by laws, such as those with cancer, cardiac conditions, dementia and cerebrovascular diseases, to ensure the provision of continuous and sufficient medical services for them.

III. STRENGTHEN COMPATIBILITY WITH NATIONAL HEALTH INSURANCE SERVICE

Indemnity health insurance needs to be compatible with the state-operated NHI service and evolve alongside the changes taking place in medical technologies and how health care is delivered in practice. As such, the resubscription period of new indemnity health insurance plans will be reduced from the current fifteen years to five years, which in essence will help strengthen their compatibility with the NHI service while ensuring that the new plans maintain more up-to-date coverage scope required by changes in health care policy.

SCHEDULE

The FSC will introduce revisions to the supervisory regulations on insurance businesses in January 2021, which will pave the way for insurers to launch indemnity health insurance 4.0 in July next year.

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