

# Ministry of Health and Welfare of Korea

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*The director general of Korea's Bureau of Health Industry explains what has led to Korea's excellent healthcare system, and the competitiveness of the country's pharmaceutical sector.*

### **Can you provide our readers with an overview of Korea's healthcare system?**

Focused on its domestic market, Korea's healthcare industry historically did not flourish as we would have hoped. In the past, medical services were rarely exported. For pharmaceuticals, generic drugs had experienced a much greater focus than new drugs, and for medical devices and cosmetics Korea had not been competitive in the global market. In recent years, however, the Korean government and the industry have made great strides to establish and expand the industry's presence in global markets. As a result, 11 Korean medical institutions were available as of 2013 in many countries around the world, including the Middle East. In 2013 alone, about 210,000 foreign patients came to Korea for medical treatment. As shown in the figures above, Korea's health industry is achieving tangible results for its globalization effort.

For pharmaceuticals, Korea has just started to develop new drugs, some of which are being exported. When Korea makes the best use of its enormous human capital in this sector, namely medical technology and advanced IT industry, it can join the ranks of global health powerhouses.

### **What factors have led Korea to having one of the best healthcare systems in the world?**

Korea is a country which set up its national health insurance system within the shortest time span from 1977 to 1989 and has achieved a high level of medical coverage at affordable costs.

With employer-sponsored health insurance being introduced in 1977 for employers hiring more than 50 employees, Korea has completed its national health insurance system by beginning to cover the self-employed in urban areas in 1989.

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Korea's insurance program, for which the National Health Insurance Corporation exists as a single payer, is universal health insurance, and its services are provided mainly by the private sector. With about 97 percent of the population under the NHI program, the remaining population is covered by the medical aid program. With the nation's health spending to its GDP (7.4 percent in 2011) lower than the OECD average of 9.3 percent in 2011, its health outcomes are relatively better.

When it comes to recent trends in Korea's healthcare policies, the government has put forward a vision to expand health coverage, providing coverage to four major serious diseases: cancer, heart disease, cerebrovascular illness and rare and incurable disorders. These had previously not been covered and expanding coverage in three uncovered fees: fees for treatment by selected doctors, for a hospital stay at non-standard rooms and for nursing care by professional care-givers.

In addition, the government endeavors to introduce new policies that better reflect this sector so that Korea's healthcare industry can quickly adapt itself to the ever-changing environment and bring its ideas to the market.

### **What is the importance of foreign attractiveness as Korea becomes an increasingly popular hotspot for medical tourism?**

Despite their excellent technology and capabilities, Korean medical institutions have expressed difficulties establishing and expanding their global presence due to a lack of institutional frameworks and funding.

In this context, on August 1, 2014, the Korean government made and distributed the "Guidelines for Medical Institutions' Global Expansion" that provides legal clarification of the scope, method and procedures for medical institutions in pursuit of global expansion. The "Global Healthcare Fund" was also created to provide better funding for hospitals who seek to move overseas.

### **What competitive advantages does Korea offer in terms of healthcare service, cost, quality of pharmaceuticals and medical technology?**

The best thing about Korea's medical services can be summed up as "advanced medical technology, low cost and short wait times". Korea ranks higher than other advanced countries in terms of success rates of liver transplantation and five-year relative survival rates of seven cancers. The costs of medical operations range from one-third to two-thirds of those in other countries. Wait times in doctors' offices are quite short, and big-sized hospitals provide patients with one-stop medical services. Korea is proud of having a pharmaceutical industry which has a 120-year history, its own manufacturing facilities, advanced technologies and a relatively higher market share in its domestic market.

As the Korean government involves reimbursement pricing and the private sector increases its R&D investment, Korean drugs have proven cost-effective. IMDs, biosimilars, quality generic drugs made by its local makers contribute to enhancing public access to medicines and saving the nation's healthcare expenditures.

Due to expensive prices of original drugs, population ageing and consequently increasing chronic disease, governments around the world are witnessing an increase in their healthcare spending. Under such circumstances, our quality drugs at competitive prices can become a great solution.

IT-based medical equipment, like ultrasound imaging systems and healthcare wearable devices, is another sector where Korea has global competitiveness. As for 3D ultrasound imaging devices, Korea has made a remarkable achievement: it is the first country that has successfully commercialized ultrasound imaging systems in the world. Korea also secures the highest market share in the global

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OB/GYN markets. As for healthcare wearable devices, Korea is expected to become a global leader since it has advanced technical prowess in the IT sector like consumer electronics and smartphones.

### **What are your current priorities today?**

As I said earlier, Korea's healthcare industry has just entered a phase where it begins to produce tangible outcomes out of its overseas expansion: there is an increase in the number of foreign patients coming to Korea and of Korean hospitals going abroad. What is now left to be done is to create a virtual cycle involving R&D, commercialization and global expansion in a holistic manner to ensure that the private sector for itself can build on this momentum in this sector. To this end, the government is working on expanding R&D investment, building legal frameworks and healthcare infrastructure, and formulating policies for deregulation and incentives that will help the industry's global expansion.

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