

# HARNESSING NATIONAL HEALTH ACCOUNTS TO STRENGTHEN POLICYMAKING

A Compendium of Case Studies

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# KOREA: ADDRESSING INEQUITIES IN FINANCIAL ACCESS TO CARE AND PHARMACEUTICAL COST INFLATION

## Establishing Strong NHA Production Capacity and Linkages to Policy

**N**HA are fully institutionalized in Korea, with 28 years of data available. What is notable is that the institutional “home” for NHA has changed over time in response to the location of expertise for production. Korea has a highly skilled production team and various mechanisms are in place to facilitate the uptake of insights from the data produced to inform policy debates. In particular, NHA have been used to identify ways to remedy inequities in financial access to care and address the cost inflation of pharmaceuticals. The NHA Focal Point, who has several linkages with the policy-making process, aids in facilitating the translation of data into policy-relevant insights. Such insights from NHA have improved government accountability and transparency over health spending issues.

### NHA Institutionalization in Korea

In the early 1990s the institutional “home” for NHA was the Korea Institute of Health Services Management (KIHSM), predecessor of the Korea Health Industry Development Institute (KHIDI). This changed to the Korea Institute of Health and Social Affairs (KIHASA) Management (1998–2003) after joining the OECD. As of 2004, however, NHA is housed at Yonsei University, commissioned by the Ministry of Health and Welfare. This shift was due to the technical expertise available at Yonsei. Thus, whereas previously NHA tables were produced by the KIHSM and the KIHASA in a two-dimensional manner (i.e. by financing and function), the NHA team at Yonsei has succeeded in constructing three-dimensional tables required by the System of Health Accounts (SHA). Currently, the organization officially responsible for NHA production is the Ministry of

### Key Points

- In Korea, NHA has been used to inform debates about financial access to care and the need to control costs in the pharmaceutical sector
- Korea’s institutional “home” for NHA, Yonsei University, has sufficient production capacity and technical expertise; the “home” of NHA in Korea has shifted over time, according where the required skills and expertise have resided
- Translation of data to inform policy has been facilitated by broad dissemination to a variety of stakeholders, as well as by having a Focal Point on the production team who is actively engaged in policy-making; this ensures that data can be readily publicized and shared broadly by a well-informed audience, and actively feed into the health policy making process.

Health and Welfare. The Ministry contracts the production of NHA out to Yonsei University which is responsible for producing the full set of NHA tables and matrices (Jeong, 2004).

The NHA technical team at Yonsei University is led by Professor Jeong, the NHA Focal Point, and five assistants (three doctoral and two Masters students). About two professors have joined annually from other universities. In addition to production, the team is also responsible for issuing government press releases on NHA data, publishing and distributing NHA annual reports among researchers and institutions, and responding to technical questions about NHA figures, etc. The production team comprising the NHA Focal Point, Professor Jeong, and several assistants, collects administrative as well as survey data produced by various organizations and maps them into the SHA tables according to the SHA manual. Following a learning-by-doing approach, the team carefully documents their methods and processes. Although the team does not work on NHA full-time, its members appear to have sufficient knowledge to avoid production interruptions from occurring in the event of staff turnover. Once produced, the data are shared with the Ministry of Health and Welfare, and the OECD.<sup>43</sup>

There are many ways in which NHA data have been shared and where insights from the data have been taken up to contribute to key policy debates:

- *Publicity:* NHA data are posted on Korea's health accounts website<sup>44</sup> and press releases are issued after the annual publication of the NHA report.
- *Use of data beyond NHA:* While the NHA Focal Point responds to policy-oriented questions, other researchers use OECD Health Data to run analyses and contribute to important policy discussions. Korea thus has a tradition of using data beyond NHA to inform policy. These analyses may not be directives of the Ministry of Health and Welfare, but instead may be taken on independently by the researchers themselves.
- *NHA Forum:* Developed in March of 2008 to discuss production and for data diffusion, the NHA Forum is attended by members of the Ministry of Health and Welfare, and several researchers from the KIHASA, the National Health Insurance Corporation (NHIC) and professors from a few universities. Thus far, the NHA Forum has not been extremely active but there are plans to make greater use of it as a discussion forum to highlight technical queries and other concerns. For example, there has been a growing interest by the NHIC (Korea's single payer) on production of the data. Nevertheless, there is a need to expand the Forum's audience and users and as a result, the NHA Forum (under the Korean Association of Health Economics and Policy) has planned various activities including workshops this year. Importantly, opinions and suggestions of the NHA Forum members are reflected in the production process.

While there is no Steering Committee per se to validate and conduct quality assurance of the data, results are discussed at the NHA Forum and the Ministry reviews the validity of the

<sup>43</sup> Jeong, Hyung-Sun. 2011. Personal Communication. Professor, Department of Health Administration, College of Health Science, Yonsei University. August 11 2011.

<sup>44</sup> [www.healthaccount.kr](http://www.healthaccount.kr)

methodology and the estimates made.<sup>45</sup> It is significant that insights from the data have been regularly invoked in important policy discussions and debates. An example of this is the frequent citing of data in discussions of public shares of total health financing compared to other OECD countries. With the impending presidential elections, political parties have cited NHA and OECD Health Data figures to highlight Korea's low public health spending as a proportion of total health expenditures (THE)—see example below. Specifically, while the public share as a proportion of total pharmaceutical spending remains at about the OECD average, its share of inpatient expenditures falls far below the OECD average.<sup>46</sup> Figures such as these make the case for shifting public health spending from pharmaceuticals towards inpatient care.

There are other ways by which the potential for NHA to add-value has improved:

- *Linkages*: The NHA Focal Point has previous experience working at the Ministry of Health and Welfare and currently has an advisory role there. These linkages facilitate the uptake of insights from the data. He is also currently a member of the Committee for Health Insurance Policy, which is the highest committee determining the National Health Insurance contribution rate and fee schedule. This provides an opportunity for NHA results to be publicized and broadly shared with a well-informed audience, actively feeding into the health policy-making process.<sup>47</sup>
- *Recognized Standards*: Further improving the uptake of insights from the data is Korea's use of international standards and techniques. Figures are consistent with SHA guidelines, an international standard, adding credibility and legitimacy to the numbers. Unlike other countries, Korea does not employ competing methodologies which may produce alternative results.<sup>48</sup>
- *Use of other data*: Recognizing that many inputs beyond NHA can inform health sector decision making, the NHI Statistical Yearbook is among the most important data sources used for NHA, along with a dozen others. NHA uses data from private health insurance, automobile accident insurance, injury compensation insurance, as well as data from National Health Insurance (NHI) and Korea's Medical Aid Program.
- *Regional sharing*: Korea's results and experiences with NHA are disseminated and shared at the OECD/Korea Policy Centre or APNHAN network meetings. Korea promotes capacity building for developing countries in the region by hosting annual meetings on the SHA methodology and by inviting public servants to Korea for a training course on SHA, during which Korea's experience was shared with participating countries.<sup>49</sup>

## Using Insights from NHA to Inform Policy

- *Financial access to care*: Korea has been characterized as having low public financing for health (55.9% of THE, compared to the OECD average of 71.9%) with high OOP payments (32.4% of

<sup>45</sup> Jeong, Personal Communication, already referred to.

<sup>46</sup> *ibid*

<sup>47</sup> *ibid*

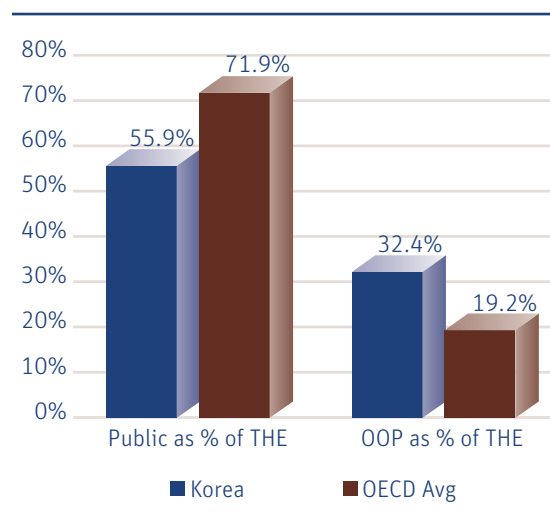
<sup>48</sup> *ibid*

<sup>49</sup> *ibid*

THE, compared to the OECD average of 19.2%). These figures (Figure 5) have been cited as an area to be addressed in Korea's NHI scheme.

Although the services covered have gradually expanded, benefits remain relatively low and public funding is limited, leaving beneficiaries with relatively high co-payments.<sup>50</sup> Insights from health resource tracking data have thus helped inform policy debates around financial access to care and revealed the need for increasing the depth and breadth of the benefit package.

**Figure 5. Health Expenditure: Korea and OECD Average (2009)**



Source: Korea NHA.

- Pharmaceutical policy:* NHA revealed that pharmaceutical expenditures reflect a large proportion of THE, standing at about 23% compared to the OECD average of 17%. This result has been cited as evidence of the high drug consumption by Koreans. In response to this finding, various measures to contain costs in the pharmaceutical sector have been introduced since 2006, including: a selective (positive) list of NHI-covered drugs; de-listing of drugs deemed not to be cost-effective; and price-cutting measures to lower the purchase price of drugs.

Policymakers in Korea use insights from health resource tracking data to make broad comparisons of how Korea performs relative to OECD countries by highlighting health spending levels and trends. For example, while Korea's health status stands at about the average level of OECD countries, its health expenditures are quite low as shown by the international comparison of NHA figures. As noted above, Korea's public share of health spending, which accounts for 54.9% of THE, is far lower than the average of the 24 OECD countries which produce SHA cross-tables (74.0%), (Jeong et al, 2009).

Data and resource tracking have thus helped provide answers to the following key policy questions:

*At the national level*

- How can Korea improve financial access to care and reduce the health financing burden borne by households?
- How can Korea contain cost inflation in the pharmaceutical sector?
- How can Korea re-prioritize public health spending (i.e. shift public health expenditures from pharmaceuticals to inpatient care)?

<sup>50</sup> *ibid*



*At the international level*

- How does Korea compare with OECD countries in terms of health spending levels and trends?

## Lessons Learned

*“Home” of data production and oversight:* The Ministry contracts the production of NHA out to Yonsei University which is responsible for producing the full set of NHA tables and matrices. The “home” of NHA has shifted over time and where it sits today reflects the broad production expertise at Yonsei.

*Translation:* The able production team at Yonsei responds to key technical questions. The NHA Focal Point (as well as other researchers using OECD Health Data) conducts analyses to answer key policy questions and inform debates at the national-level. Further facilitating “translation” and uptake of insights from the data to inform policy is the NHA Focal Point’s key role as an advisor in government policy committees, which frequently use the data to inform debates at the highest levels.

*Accountability and transparency:* Opinions and suggestions of NHA Forum members, including the Ministry of Health and Welfare, are reflected in the production process. This lends credibility to the numbers and enhances the quality of data produced. Furthermore, the production of NHA and their linkages to policy have helped to increase accountability and transparency within government (in responding to the needs for healthcare priorities and programs, for example).

Korea has encountered several challenges on the production-side. For the first few years, the main production challenge was to construct a multi-dimensional matrix while data remained insufficient to do so. With this problem now resolved, a major goal is building consensus on methodology and production, diffusing the results and enlarging the number of NHA users. Various workshops are currently being planned in order to expand NHA’s audience base and users. In addition, an online discussion forum for the OECD’s System of Health Accounts (SHA) is now available on the homepage of the Korean Association of Health Economics and Policy. Although there have been an increasing number of users among policy makers as well as academic researchers compared to previous years, few of them seem to fully understand the SHA and are able to fully utilize the data.<sup>51</sup> As Korea continues to address these challenges, it will further ensure that uptake of the data to inform and guide policy can be conducted on a routine basis.

## References

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<sup>51</sup> *ibid*