



Keynote Address (10:00 ~11:20 Auditorium of East Building)

Session chairs: Prof. Sumio Yamada

Prof. Tetsuhito Kojima

THE PRESENT AND FUTURE OF KOREAN HEALTHCARE INDUSTRY

Young-Joon Seo¹⁾

1) Department of Health administration, College of Health Sciences, Yonsei University, Kangwon-do, Korea

The present of Korean healthcare industry

Healthcare industry has been understood as a broad concept which includes pharmacy and healthcare appliances as well as healthcare services together with a narrow idea which refers to only healthcare service industry. When healthcare industry is defined as healthcare service industry, the recent argument of healthcare industry advancement in Korea has been mainly focused on changing the healthcare paradigm from a regulated healthcare system to a free market system such as deregulation, allowing for-profit hospital corporations and vitalization of a private health insurance market without having a clear goal or seeking the ideal model. Advancement of healthcare industry from the stance of the hospital which is playing an important role specially in the healthcare provider group has implicated that the health-related systems and policies should be established to contribute to the national economy through attracting overseas patients and creating employment as a highly profitable industry by developing an advanced healthcare technology and human resources. Furthermore, the individual hospitals internally feel they need to enhance competitiveness by improving all of the hardware and software systems as a world-class.

Competitiveness of Korean healthcare industry has been told to be weak compared to the international competitors even though clinical technology reaches world class in many areas. We can find the reason in the following several aspects. First, Korean healthcare industry have difficulties in marketing because there are a lot of limitations such as price control, regulation of advertising, etc. Second, by serving the large number of patients for a low margin of profit due to low medical fee, it is difficult for hospitals to care each patient delicately to meet their personal needs. Third, because financial resources of the healthcare industry mainly consist of public health insurance, supplementary private insurance and out-of-pocket money, the scale of domestic healthcare market is limited and it is difficult for healthcare providers to invest boldly in the clinical research and high-tech medical services (market scale of current domestic healthcare service industry is 5.6% in GDP, compared to about 10% of the advanced countries). Fourth, because the scale of medical-related support industry such as pharmaceutical and life sciences is small and its quality is not high, it does not exert a synergistic effect as neighbor industries.

The prospects of Korean healthcare industry

There are several factors that can have a significant effect on future Korean healthcare industry. First, due to rapid aging population, demands for health and aged care, and health promotion (estimated \$70billion market in 2010) will dramatically increase and result in heavy financial burden to the individual household as well as the government. Second, the development of information technology and life sciences will bring the emergence of medical complex combined with BT, IT, pharmacy, and also make it easier to access to the U-healthcare. Third, the change of reimbursement system from fee-for-service to capitation and prospective payment system will drive hospital administrators to emphasizing more cost-effective management. Fourth, demands for the environmentally-friendly healthcare will be grown in the care

delivery process as well as hospital construction due to the global warming, resources depletion, air pollution, etc. Fifth, the quality assessment of healthcare that eventually converts into accreditation system will be more reinforced, and most of the hospital information will be released to the consumers and insurers to use as a selection criteria. Finally, facing a turbulent environment caused by kin competition among healthcare institutions, introduction of for-profit hospital corporations, growth of private health insurance market, and performance-based payment from third part payers, healthcare institutions will try to recruit and maintain high quality staff and to implement diverse management strategy.

Future strategies of Korean hospitals

Korean hospitals have made various efforts so far in order to survive under the turbulent environment of healthcare market. However, it is true that many hospitals have still followed physician-centered traditional hospital management, and that operating systems of the hospitals are also far from those of advanced countries. In order for the Korean healthcare system and hospitals to be advanced, there are some national tasks to be solved. First, the government has to build advanced healthcare system that all the people can receive good quality of care without worrying about medical bills by increasing public insurance coverage dramatically from the current 65% to 90% level. Second, the government should change the paradigm that has focused on disease treatment to the disease prevention and health promotion. Third, Integrated Delivery System (IDS) which is defined as a network of organizations that provides a coordinated continuum of care to a defined population should be established in order to deliver appropriate care to the people at right time at right place. Fourth, the government should actively foster the complex healthcare industry which bundles up BT, IT, pharmacy, and business. Fifth, the government should free unnecessary regulation that has restrained the hospital's autonomy and creativity, while intensify the hospital's responsibility for patient's safety and environmentally-friendly care. In addition to the government role, hospitals themselves also have to make efforts to improve their internal effectiveness. First, hospitals should build customer-oriented care delivery system through restructuring and reengineering of the hospital. Second, hospitals should generate synergy effect through networking with other healthcare institutions - vertical and horizontal integration, and integration of oriental-western medicines, etc. Third, customer-centered marketing should be strengthened. To do this, hospitals build customer database and should strengthen the formal and informal contacts with target customer groups. Fourth, hospitals should establish the culture of labor-management cooperation by improving the quality of workers' life and open management. Fifth, hospitals should provide a personalized patient-centered care through case management system. Finally, hospitals should strengthen the relationship with the local communities through formal and informal communication and economic contribution to the community.

Conclusion

The advancement of the healthcare industry in Korea could be accomplished when government, consumers and providers

agree on what the most desirable healthcare system in Korea should be in the future and how it is achieved. It means that the true advanced health care system will be created when all the stakeholders in healthcare market clearly recognize their rights and responsibility, and extend mutual understanding and cooperation with sharing the goal of 'Healthy and Welfare State of Korea'.