

INDEMNITY HEALTH INSURANCE 4.0 TO BE AVAILABLE FROM JULY 1

The FSC announced the availability of indemnity health insurance 4.0 from July 1 with upgrades and improvements from the previous system. The indemnity health insurance 4.0 will offer a much more equitable premium payment system according to one's own needs and use of health care services, lower premium levels by about 10 to 70 percent compared with the previous services and provide those that are already covered an opportunity to easily switch to the newly available coverage plan.

As the indemnity health insurance service first became available in 1999, about 39 million individuals as of the end of 2020 were found to be covered by indemnity health insurance coverage. With about 75 percent of the population using the indemnity health insurance service, it provides important social safety nets alongside the state-operated national health insurance (NHI) program.

KEY DETAILS

I. LOWERING PREMIUMS WHILE ENSURING THE SAME LEVEL OF COVERAGE

(COVERAGE) Indemnity health insurance 4.0 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.

II. IMPROVING THE PREMIUM PAYMENT SYSTEM

(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

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

² Approximately 10% lower than indemnity health policy 3.0 launched in 2017, 50% lower than indemnity health insurance 2.0 launched in 2009 and 70% lower than indemnity health insurance available prior to 2009

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 used 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. PROVIDING OPPORTUNITY TO EASILY SWITCH INSURANCE POLICY

Individuals who are currently covered under their existing indemnity health insurance plans can easily switch to indemnity health insurance 4.0 that offers lower premium costs through a simplified screening process. Individuals who have switched to indemnity health insurance 4.0 and have not claimed insurance payouts for six months may withdraw their new contract and switch back to their previous policies.

FURTHER PLAN

The authorities will work to ensure that both new and current insurance users are able to sign up for or switch to indemnity health insurance 4.0 seamlessly, while monitoring its impact on cost reduction.

In addition, the authorities will strengthen cooperation with health authorities to help prevent excessive and unnecessary use of medical services and to lower insurance cost burdens for the insured.

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