



Systematic healthcare reform:

A new fixed-rate system & committee

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Korea to restructure national insurance system

During a press briefing at in central Seoul on 25 July, Minister of Health and Welfare (MOHW) Cho Kyoo-hong laid out his ministry's plans for a systematic overhaul of Korea's national healthcare system.

Namely, the medical insurance benefits co-pay system, which has remained as is for two decades, will be restructured into that of a **fixed-rate system**, and institutional improvements like expanding income deductions for elderly will be implemented from 2025.

Co-pays

		Outpatient	General hospitals	Specialized treatment centers
Previous	Co-pay (value)	1000 KRW	1500 KRW	2000 KRW
Updated	Co-pay (rate)	4%	6%	8%



Source: MOHW

Though citing increased burden on the system due to Korea's rapidly ageing population – and the expansion of insurance coverage, etc. – MOHW said it will be able to further expand medical coverage for low-income and vulnerable demographics, by reorganizing the medical use management system.

MOHW will do this in two main ways. **First**, it will move to introduce a differential self-payment system that increases the self-payment burden for outpatient treatments exceeding 365 times per year, but allow exceptions to be made for patients with clear medical needs (e.g., patients with rare or incurable diseases)

Second, MOHW will revamp its categorization system to separately manage the number of benefit days per type of care (i.e., outpatient treatment, hospitalization, and medication).

Meanwhile, in order to minimize systematic shock of moving to a fixed-rate system, the health maintenance fee for out-of-pocket expenses will be doubled from 6,000 KRW/mo to 12,000 KRW/mo.

In addition, the criteria for dependents for medical aid will be continuously relaxed, and measures will be prepared to improve the system, which has been criticized for including non-transferable expenses in recipient's incomes and encouraging people to drop out of benefits.

The Ministry of Science and ICT (MSIT) announced on 23 July that it, along with the Ministry of Health and Welfare (MOHW), will commence the "Joint AI Learning-based New Drug Development Acceleration Project (R&D)" that was introduced earlier this year.

The project will tackle over two dozen tasks - most notably the creation of a joint learning online platform for innovative drug development.

**Government
kickstarts AI-
driven drug
development
scheme**



The platform's model will be based on the EU's machine learning ledger orchestration for drug discovery (MELLODY) project, and will leverage a federated learning model to decentralize and utilize data from multiple entities (private enterprise, research institutions) such that proprietary information is not exposed.

Contributors to the project by feeding data will be a group of 20 local universities (to focus on development of an ADME/T prediction AI model for discovering drug candidates) and a group of biopharma firms with backgrounds in drug development; Daewoong Pharmaceutical Co. and Dongwha Pharm Co. Ltd. were both named as leads on this front.

The Yoon Suk-yeol government will reportedly back the platform, dubbed 'K-MELLODY), with support to the tune of nearly 35 billion KRW (approx. 25 million USD) over the course of the next four years of its development. Including a total of 26 research projects, the government expects to develop a full federated AI-based learning platform that can safely utilize proprietary data to speed up drug discovery and development in a major way.

'Korean Chip 2.0' pharmacogenetic transfer initiative launched

The National Institute of Health (NIH) transferred its Korean Customized Genome Analysis Chip v2.0 ('Korean Chip v2.0') to eight Korean biopharma firms earlier this month, with the goal of improving testing data for commercialization.

The recipients are MacroGen, Teragen Bio, Invitae Biocore, Central Veterans Hospital, DNA Link, SCL Healthcare, Hancom Care Link, and Samkwang Labtree.

As countries globally develop genome chips tailored to their populations, Korean Chip v2.0 aims to reduce the technology gap with leading nations and enhance Korean precision medicine research efficiency.



The NIH developed v2.0's predecessor - Korean Chip v1.0 - in 2015. It facilitated 450,000 genome analyses, 154 publications, and a reported 360 million KRW (approx. 260,000 USD) in royalties.

Korean Chip v2.0 builds on v1.0's 20 years of Korean genome data and includes mutations related to clinical diagnosis, drug metabolism, and other pharmacogenetics data. **The NIH plans to further expand technology transfers to boost population-specific medicine research and commercialization.**

The program will analyze genomes of approximately 27,000 Koreans and East Asians, **focusing on disease diagnosis and drug reactions with high Korean genome representation.**

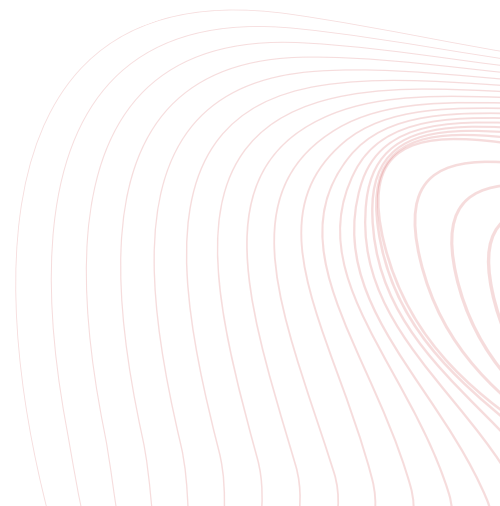
During its regular meeting this month, the Special Committee on Medical Reform said on 24 July that it is preparing a reform plan for health insurance and actual loss insurance, slated for release in Q4.

For this purpose, a new subcommittee called the 'Sub-committee Committee on Medical Reform' was set up, holding its inaugural meeting on the same day.

The Yoon government announced a plan to establish a fair compensation system for essential medical care and improve non-covered management and actual loss insurance back in February, as part of its 'Four Major Tasks of Medical Reform' initiative.

The new committee is comprised of a mix of academics, medical professionals, and patient group/insurance industry reps., Officials from MOHW and the Financial Services Commission are also involved.

Actual loss insurance, medical coverage gaps to be improved



Stalemate rages on between government, doctors

As Korea's medical sector standoff enters its sixth month of conflict without resolution, doctors nationwide suspended services on 26 July, demanding the plan to raise medical school admission quotas be scrapped.

Over 30,000 junior doctors and medical students have left their posts because of the government's policy stance. Doctors warned that the medical field is becoming incapable of providing proper education and pleaded for the health minister to revoke the recent quota hike.



Source: Office for Gov't Policy Coordination

Meanwhile the government has been attempting to recruit an additional 7,645 residents since June, despite ongoing opposition from medical professionals.

However, with only 364 applicants, significantly below the usual 3,000 new doctors annually, concerns about a medical vacuum are growing. As many as 95.5% of surveyed fourth-year med students have refused to take the practical exam for Korea's National Medical Licensing Exam as a form of protest.

Despite these issues, the government plans to accelerate medical reforms, focusing on hospitals run by specialists and nursing manpower, while restructuring general hospitals to prioritize severe cases over mild ones.

Contact us to know more of Korea's latest healthcare policies

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