

THE EFFECTS OF MARKETIZATION OF LONG-TERM CARE SERVICES FOR OLDER PEOPLE IN KOREA

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Backgrounds

- Ageing of Korea's population
: Speed (7% → 14%: 18 years)
- Weakening influence of Confucianism and traditional culture of 'filial piety'
- Growth of women's participation in the labour market → Dual earner model
- Existing LTC system's inability to meet the care needs of older people

Introduction of new LTCI

- Kim Dae-Jung (1998–2003) Government decided to introduce a new LTC system
- Roh Moo-Hyun (2003–08) Government passed the LTCI for the elderly bill ('The Long-Term Care Insurance for Older People Act') in the National Assembly in 2007

Scheme of the LTCI in Korea

1. Source of Financing

- (1) Contributions of the LTCI (50-60%) + (2) service users' co-payments (15-20%) + (3) the central government's tax, including social assistance for the poor elderly (20-30%)

2. Insurance Contributors

- ▶ Compulsory to all adults registered under the National Health Insurance (NHI)

3. Eligibility

- ▶ 65 years old or over (Adults under 65 years old with age-related diseases are eligible)

4. Criteria of Eligibility

- Standard assessment of a 52-item questionnaire
- Eligible grades 1 (Critical), 2 (Substantial) and 3 (Moderate) allocated
- Set and administered at a national level

5. Insurer & Roles

- National Health Insurance Corporation
- Setting and levying contributions, managing finances, assessing and issuing grades, overseeing services

Characteristics of LTCI for Korea (NHIC, 2016; Chon, 2014)

Year	-July 2008
Financing	- Contributions of LTCI: compulsory for all adults registered under the NHIC --Central and local taxes --Service users' co-payments: 15% (domiciliary services) or 20% (institutional) of the their costs
Insurer and its roles	-National health insurance corporation (central and local branches) : setting and levying contributions, managing finances, assessing and issuing grades, overseeing services
Regional differences	-No difference in contribution of LTCI and benefit levels
Population coverage	-Unconditional for those aged 65+ -Conditional for adults aged under 65 with age-related diseases (the disabled excluded)
Beneficiaries	-7.0% (2015)
Assessment for grading	-Standard assessment of a 52 item questionnaire
Eligibility levels	-Eligible benefits: grades 1 , 2, 3, 4 or 5

Literature Review

- **Reliance on private market**

(Randall & Williams, 2006; Culyer et al., 1990...)

Pros: Government inherently inefficient,
Competition: responsive to user needs,
cost efficient, and incentives to innovate

Cons: Inability of market to achieve key social
goal such as universal access to care,
Competition for profits: increased system
costs and undercut access to and
the quality of care

The marketization of care

- It refers to “the government measures that allow, support, or facilitate the participation of for-profit and not-for-profit providers in the care market and promote the market principles of competition and choice”

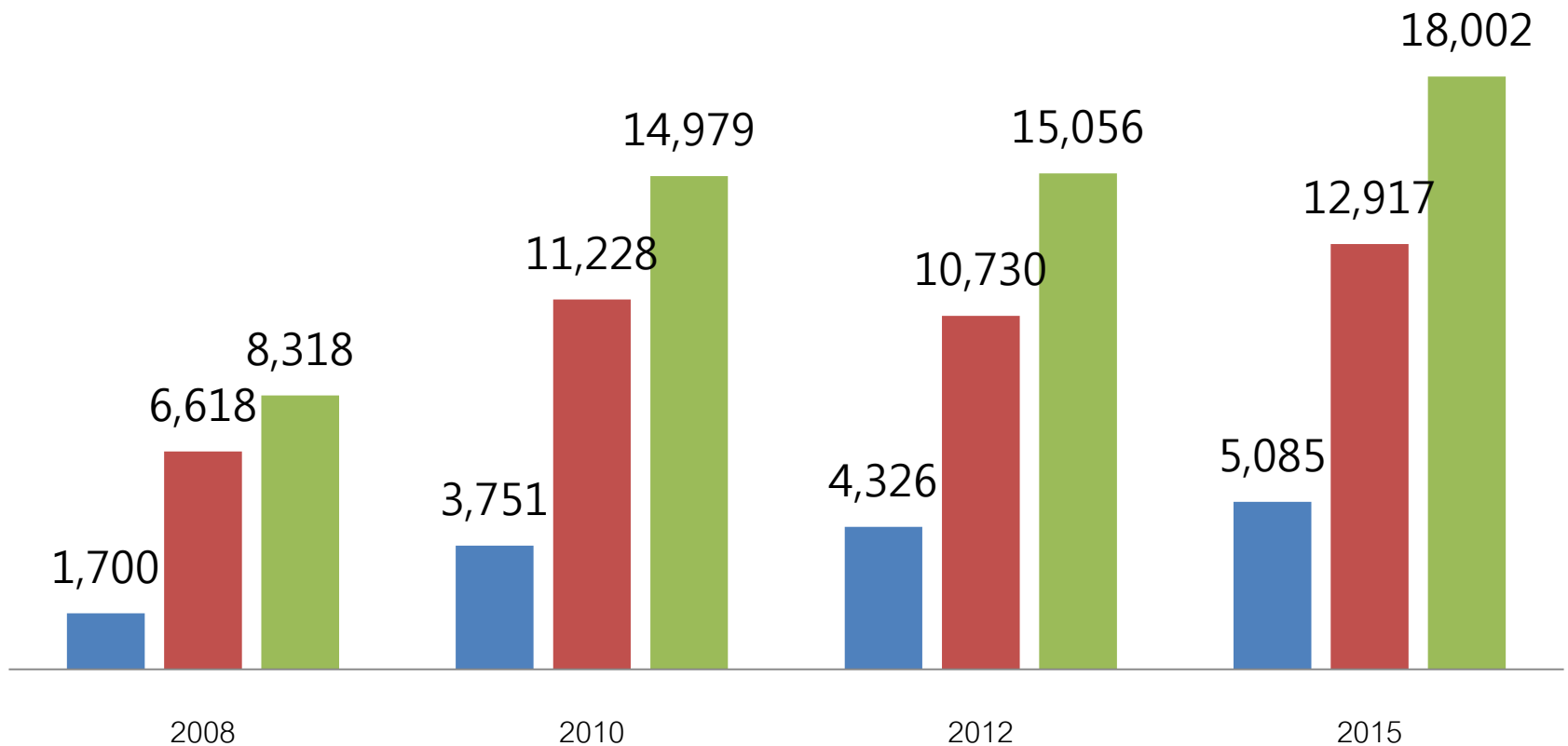
(Brennan et al., 2012:379)

Market-friendly & Deregulatory Policies

- Government strongly promoted **private sector** participation in the expansion of the LTC infrastructure
- Opened the LTC market to **'for-profit' organizations**
- **Legal requirements** for establishing service-providing organizations and training organizations **were relaxed**
- Market mechanisms such as **competition** among service providers and choice of service users were emphasized

Rapid increase in the numbers of LTC service providers

■ Institutional SP ■ Domiciliary SP ■ Total LTC SP



The Study

- **Aims:** To understand the effect of the marketization of LTC services on the provision of home visiting services under the Korean LTCI system.
- **Research Questions**
 - ✓ How have provider managers experienced the marketisation of long-term care services for the elderly?
 - ✓ How have provider managers experienced the competition between service providers and its influence on the quality of services?

Methodology

- Semi structured In-depth Qualitative Research
- 17 home-visiting service provider managers
(organisational matters: finding cases, assessment, making contracts, supervising...)
- Locality: one city in Kyeonggi province
- Interview consent form and recoding
- Data analysis: Atlas-Ti Software, Thematic analysis (Flick, 2006)

TABLE 1

Characteristics of the Home Visiting Service Provider Mangers Interviewed

	Age	Sex	Working backgr ound	Opening year	Number of care workers	Ownersh ip	Number of cases
P1	52	F	Social worker	2008	11	NPO	20
P2	49	F	Social worker	2008	6	NPO	7
P3	47	M	Social worker	2008	33	NPO	36
P4	47	F	Social worker	2008	21	FPO	34
P5	44	M	Social worker	2008	55	FPO	65
P6	48	M	Social worker	2008	1	FPO	3
P7	49	F	Nurse	2008	22	FPO	20
P8	52	F	Social worker	2008	24	NPO	50
P10	58	M	Social worker	2008	13	NPO	18
P11	51	F	Social worker	2008	10	FPO	10
P13	44	F	Social worker	2009	-	FPO	-
P15	49	M	Social worker	2008	40	FPO	80
P16	52	M	Social worker	2009	25	FPO	26
P17	52	F	Social worker	2010	13	NPO	15
P18	28	F	Social worker	2009	50	FPO	49
P19	44	F	Social worker	2010	5	FPO	5
P20	52	M	Social worker	2008	64	FPO	96

Findings

1. Severe Competition to Find and to Increase the Number of Service Cases
2. Prevalence of unprincipled behavior and unlawful activities
3. Degradation in the Quality of Care Services

1. Severe Competition to Find and to Increase the Number of Service Cases

- Monopolistic position in the LTC market (Subsidies, Little SP)
 - Stable situations changed significantly
 - : receive payment based entirely on the number of cases that they are in charge of and the service time spent
 - : severe competition between SPs owing to the over-supply of SP, and this has led to enormous difficulties in finding and increasing the number of cases

“It was easy to increase cases at the beginning... At that time, the competition between service providers was low because the number of service providers was small ... But our number of cases has not increased, because many care workers are trying to find service cases for their own organizations... Every elderly client counts at the moment” (P5).

- Caseloads have continuously decreased and that SP have considerable financial difficulties in running their organizations

→ Some SP Considered to close down their organizations or sell them to larger organizations, with their value largely determined by the number of case

- “Service providers who have less than 30 cases experience a number of serious difficulties. Some of them gave up altogether and closed their organizations. Many service providers regret starting their companies in the first place” (P10).

2. Prevalence of unprincipled behavior and unlawful activities

- SP actively engaged in “recruiting drives” by visiting elderly welfare centers or hospitals, providing free meals, and otherwise helping single or poor elderly

“At the two elderly welfare centers, I provide free meals for the elderly... The elderly like the free meals very much... We persuade the elderly there to use our services...” (P19).

- Unprincipled behavior and unlawful activities by service providers, care workers and service users or their caregivers have frequently occurred in the field

(1) Illegal or unethical behavior by SP

- to increase their caseloads or to appropriate other SP' cases
- exempting service users of the copayment fee (15% of total home care costs), providing gifts such as cakes, rice, and air conditioners to prospective clients, and giving allowances to the elderly

- “So as not to have even one case appropriated from us, service providers have to shower the elderly clients with gifts... We must fight by fair means or foul... But really we’re harming ourselves...” (P7).

(2) Unprincipled behavior by care workers

- Care workers being used as a means of increasing the number of service cases
:when introduces or secures a new elderly client for the SP, the SP may give money as a reward
- Surprisingly, care workers involved in introducing their elderly clients to other service providers that offer more money as a reward. Furthermore, some care workers openly demand and negotiate fees for providing new cases to service providers

“Care workers ask me how much money I am able to give to them as a reward for bringing new clients. If I can’t meet their expectations, they move to other providers. There are many cases like this” (P5).

(3) Unprincipled behavior by service users

- frequently ask for exemption of their copayment fee (15% of total home care costs), suddenly discontinue the use of services and to move to other service providers, frequently ask for care workers to be changed, and are often disrespectful to care workers

- “A family member of a potential client called me and asked me only whether I would be demanding the 15 % copayment fee... Service users may suddenly call our office, tell us that they no longer require our services, and then simply call other service providers, make a contract, and use their services instead. It’s really difficult” (P1).

3. Degradation in the Quality of Care Services

- Most interviewees state that the quality of LTCI services are poor
- Three main reasons for the poor quality
 - (1) Unprincipled behavior and unlawful activities by service providers negatively affect the quality of services provided

- “When service providers exempt the copayment fee of their clients, they will do less than has actually been arranged or agreed upon. This is business, and so service providers have to make profits, not lose money... Service quality can’t be improved; on the contrary, it’s getting worse” (P2).

(2) the difficult financial situation that many service providers face contributed to the poor quality of services such as the lack of training for care workforce

“Under the present income structure, it is difficult to train care workers. We simply can’t afford to hire an outside expert to train our staff...” (P1)

- (3) the shortage of trained care workers and their levels of stress also contributed to the poor quality of care services. Since the turnover of care workers is high and recruiting and retaining qualified care workers is difficult

“Recruiting care workers is demanding work. Elderly clients can evaluate their care workers very well ...[but] it’s simply the case that new care workers can’t work at the same level as advanced care workers...The clients often ask me to change their care workers because the quality of service that they receive is so low”
(P8)

Discussion & Conclusion

- Limitation: Undoubtedly small-scale research
- The findings appears to indicate that the Korean LTC market is **in serious disorder**. All three stakeholders appear to employ unlawful activities and unprincipled behaviors **in order to maximize their individual interests**.
- In particular, many of the interviewees their serious concern that elderly clients have come to be regarded as merely **a means of making money** for service providers rather than people in need of professional care and who should be treated with compassion.

- Nevertheless, SP also noted that it is virtually **impossible for service providers to survive in the LTC market without committing unlawful activities since there are too many competing service providers using such tactics** to generate and bolster their profits. These seem to negatively affect the quality of services
- Policymakers should be aware that overdependence on market forces and an absence of a proper supervisory system could give rise to excessive competition among service
- In particular, the government should be actively involved in **establishing and administering regulation and inspection systems (Le Grand & Bartlette, 1993)**