

March 2021

Mental health in South Korea

An evolving market offers long-term promise for insurers



- 01 Foreword
- 02 Executive summary
- 03 Mental health in South Korea: an overview
- 06 South Korea's mental health insurance market: status and opportunities

Foreword

Our physical and mental wellbeing has been brought starkly into focus by the greatest health and economic challenge to our society of recent times. The COVID-19 pandemic highlights the critical role that insurance plays in strengthening resilience. The experience has changed consumers' attitudes to mental health as people have been forced to remain at home and avoid social interactions for extended periods. Feeling depressed or experiencing emotions beyond our control can create extreme stress. Households need to plan carefully to ensure they can access risk protection to provide access to care and financial support for mental stress or illness.

A survey conducted by Swiss Re across four markets in Asia at the height of the first wave of the pandemic in April 2020 found that nearly 50% of respondents felt somewhat or extremely concerned about their mental health, and 27% felt anxious or overwhelmed about their and their family's financial situation.¹ However, low awareness of mental illness, ageing populations, delays in childbearing, weak economic growth and social stigma hinder effective treatment of mental health conditions.

Re/insurance has an important role in extending risk protection for mental health disorders in South Korea. With a better understanding of the types of mental illnesses, challenges in tackling mental illness, and factors that influence insurance purchasing decisions, re/insurers can work with governments and consumers to strengthen mental health diagnostic and treatment provision. This report is a comprehensive study of South Korea's mental health and offers recommendations to support the development of insurance solutions. In this exceptional time in history we see a unique window of opportunity for insurers to close the mental health protection gap in South Korea.

At Swiss Re, we seek to build societal resilience through knowledge sharing.



Marianne Gilchrist
Head of Global and L&H South Asia, Swiss Re

¹ In April 2020, Swiss Re surveyed 2500 consumers in Singapore, Hong Kong, Australia and China.

Executive summary

South Korea has high rates of mental illness and suicide, a significant social challenge.

South Korea has been known for more than a decade as a country with high prevalence of mental illness. More than a quarter of South Koreans have experienced at least one mental illness during their lifetime, and the country has the highest suicide rate in the Organisation for Economic Co-operation and Development (OECD).² The causes are varied but include several pressures specific to South Korea. These include risks from low mental health awareness, an ageing population, demanding working environments and a vulnerable young population. Prevalent mental illness comes at a high social cost: the economy loses USD 4 billion every year from depression alone. There is an urgent need to strengthen the societal protection net for mental health.³

Public insurance coverage has shortfalls in mental illness treatment provision.

Recognising the costs and risks of mental illness, the South Korean government is active in promoting mental health initiatives, including a series of Five-Year National Mental Health Plans published since 1995. It has incorporated mental illness into the public national health insurance (NHI) scheme, but NHI treatment provision has shortfalls, including high out-of-pocket (OOP) payments and limited access to alternative treatments for mental illness. These service gaps create opportunities for private insurers. Private mental health insurance is in its infancy in South Korea, but the insurance sector could offer policy propositions to alleviate the financial burden of mental illness on patients while promoting greater treatment capacity.

Recent developments in South Korea open the door for insurers.

The prospects for private mental health insurance are improving as the market evolves. Although the inherent complexity of mental illness poses persistent difficulties when insuring mental health risk, big-data-enabled condition-tracking apps can help insurers to better understand consumer behaviour. South Koreans' increasing willingness to openly discuss mental health is another important step towards greater awareness and knowledge. The outbreak of COVID-19 in 2020 has proved an enabler for discussion of mental health in South Korea and people have popularised the phrase "COVID blues" to capture the mental health burden of the pandemic.

Insurers will play an important role in helping close society's mental health protection gap over the long term.

The combination of a large potential risk pool and imperfect public insurance coverage offer an opportunity for insurers. Given the early stage of market development, insurers can identify and target consumers with the greatest concerns about mental health coupled with the highest trust in insurance. The insurability of mental illness should increase over the long term as a consequence of greater public awareness, better experience data and further developments in medical diagnosis. Insurers can play an indispensable role in closing the mental health protection gap.

² M. J Cho et al., "Prevalence and Correlates of DSM-IV Mental Disorders in South Korean Adults: The Korean Epidemiologic Catchment Area Study 2011", *Psychiatry Investigation*, 2015.

³ S. M. Change, J. P. Hong & M.J. Cho, "Economic burden of depression in South Korea", *Social Psychiatry and Psychiatric Epidemiology*, April 2011.

Mental health in South Korea: an overview

Mental illness can affect one in every five people worldwide in any given year, but it often goes undiagnosed.

Mental illness is prevalent in South Korea and it has the highest suicide rate in the OECD.

South Korea has several specific risk factors that can trigger mental illness.

Good mental health is the state of wellbeing in which individuals can realise their potential, deal with normal stresses of life, work productively and contribute to society, according to the World Health Organization (WHO).⁴ However, data suggest in any given year one in every five people in the world has a mental illness,⁵ experiencing symptoms that affect one's ability to function. There are challenges associated with classifying mental illness, since many present similar symptoms, and certain mental illnesses can also trigger physical symptoms. Additionally, there is a common misconception that mental illness is a phase that passes with time. However mild, mental illness does not improve if left untreated.

Prevalence

South Korea has been known for more than a decade as a country with high prevalence of mental illness. Its suicide rate is the highest in the OECD by 2017 data, at 23 deaths per 100 000 people compared with 14.5 in the US, 14.9 in Japan, and 7.3 in the UK.⁶ More than a quarter (27.6%) of South Koreans have experienced at least one mental illness in their lifetime, above the world average of 20%. Anxiety disorder and depressive disorder are two of the most common mental illnesses, with lifetime prevalence rates of 8.7% and 7.3% respectively.⁷

Risk factors

South Korea has specific socio-economic risk factors for mental health in addition to those typically found worldwide, such as family history or physical illness. These include:

1. **Low awareness and knowledge of mental illness:** Social stigma used to play an important role in preventing people from admitting to poor mental health. More than three quarters of elderly people in South Korea believe mental illness such as depression means a person is weak, whereas in the US only 6% of older people believed this.⁸ Younger generations are more open to discussion of mental health and the vast majority believe mental illness is common, but people's limited knowledge of mental illness still hinders understanding of the issue and willingness to receive treatment. South Korea has the second-lowest level of anti-depressant drug consumption of all OECD countries at 22 daily doses per 1 000 population, compared with an OECD average of 63 daily doses per 1 000 as of 2017.⁹ Although factors such as choice of treatment method can affect drug prescription, given South Korea's high prevalence of mental illness, such low consumption can still shed light on the treatment gap.
2. **Ageing population:** South Korea is one of the world's fastest-ageing countries with a 15% share of population aged 65 or older in 2019, compared with 9% globally.¹⁰ Studies show that the negative effects of mental illness such as depression tend to increase as people age because such illness often accelerates the loss of ability to perform daily tasks.¹¹ Equally, declining physical function can lead to deterioration in mental health in the elderly, creating a feedback loop between ageing and mental health.
3. **Working culture:** South Korea has some of the highest working hours per employee among OECD countries, ranked third in 2019.¹² Increased working hours, particularly when unintentional or unwanted, lead to higher employee stress levels. One study found prevalence of depressive symptoms was lowest among those working 40 hours per week, at 38%, but increased to 54% for

⁴ Promoting mental health: concepts, emerging evidence, practice, WHO, 2004.

⁵ Mental illness webpage, Mayo Clinic.

⁶ Suicide rates, OECD.

⁷ M. J Cho et al., op. cit.

⁸ South Korea's mental health problem-that Koreans don't admit, OZY, 9 February, 2018.

⁹ Pharmaceutical consumption, OECD.

¹⁰ Population ages 65 and above, The World Bank.

¹¹ N Kondo, M Kazama, K Suzuki, Z Yamagata, "Impact of mental health on daily living activities of Japanese elderly", *Preventive Medicine*, vol 46, issue 5, p 457-462, May 2008.

¹² Working hours, OECD.

those working above 68 hours per week. Job stress explained 20–40% of the link between long hours and depression.¹³

4. **High risk in the young population:** South Korea is a country of intense competition with high expectations put on young people, which often results in a high level of stress. In 2018, suicide was the most common cause of death for young people aged between 9 and 24: the suicide rate per 100 000 young people stood at 9.1 in 2018, up from 7.7 in 2017.¹⁴ Persistent labour market slack has led to high unemployment among young adults. The number of unemployed 15–29 year olds has risen by almost 16% since 2013.¹⁵ As economic conditions have worsened during COVID-19, fear of job loss and rising unemployment will likely add further pressure to mental resilience among adolescents and young adults.

Mental healthcare facilities and the public protection scheme

The Mental Health Act in 1995 laid the foundations for a shift to community-based mental healthcare, from the historical system of long-term hospital-based treatment for mental illness. However, the number of psychiatric hospital beds in South Korea still far outstrips that of other advanced economies (Japan being the main exception). South Korea had 126 mental hospital beds per 100 000 population in 2018, compared to OECD average of 67.¹⁶ Community-based treatment has not yet caught up, as South Korea has only 0.26 community facilities per 100 000 population compared to 67.8 in the UK.¹⁷

Mental healthcare facilities in South Korea range from care units in general hospitals, psychiatric clinics and community rehabilitation centres to psychiatric nursing homes. The government also runs community centres for mental care, targeting patients with severe mental conditions such as schizophrenia, repetitive depression or bipolar disorder who are receiving care under governmental programmes.

NHI provides universal healthcare coverage for the entire population, irrespective of where the treatment is received. For mental illness, NHI covers treatment costs including medication, counselling and Cognitive Behavioural Therapy (CBT) with some OOP costs. Despite having what is viewed as very high quality healthcare and broad NHI coverage, high OOP costs are a challenge. The share of OOP medical expenses in South Korean households reached 35.2% as of 2011, the highest level in the OECD and much higher than the OECD average of 19.6%.¹⁸

Patient journeys for diagnosis

South Korea's medical community fully accepts the Diagnostic and Statistical Manual of Mental Disorders, Fifth Edition (DSM-5) system for diagnosis and research. The international disease code of the WHO International Statistical Classification of Diseases and Related Health Problems, 10th revision (ICD-10) is also used by doctors for prescription, insurance claims and examination of disability ratings. In practice, clinicians make assessment of diagnosis and severity using the DSM system, which classifies mental disorders based on descriptive features of symptoms reported by patients.

South Korea is moving towards community-based mental healthcare, but progress is slow.

A wide range of mental healthcare facilities are available in South Korea.

NHI coverage include mental health but with potentially high OOP expenses.

Both DSM-5 and ICD-10 are accepted diagnosis standards in South Korea.

¹³ Y. Yoon, J. Ryu, H. Kim, C. won Kang, K. Jung-Choi, "Working hours and depressive symptoms, the role of job stress factors", *NCBI*, 13 July 2017.

¹⁴ Yonhap, "Suicide remains leading cause of death for S.Korean teens, youths", *The Korea Herald*, 27 April 2020.

¹⁵ Statistics Korea, CEIC.

¹⁶ Psychiatric care beds, OECD data.

¹⁷ Sungwon Roh et al, "Mental health service and R&D in South Korea", *International Journal of Mental Health System*, 2016.

¹⁸ H. S. Jeong, "Korean National Health Accounts and Total Health Expenditure in 2011", p. 345, 2013.

Psychiatric interviews, mental exams and laboratory tests can all be used to support diagnosis.

For diagnostic purposes, a psychiatric interview is conducted with patients in which psychiatrists observe patients' behaviour such as appearance, attitude, eye contact and physical movement, to understand the symptoms. They also conduct a mental status examination to investigate the patient's psychopathology and assess their functional level during a psychiatric interview to support the clinician's assessment. Additional laboratory tests, such as electro-physiologic and psychological assessments, can also be used to support diagnosis if requested by psychiatrists. Such assessments are only partly reimbursed by NHI if deemed necessary by medical doctors. To manage the subjectivity in self-reporting, patients' medical records are often cross-checked to corroborate the severity of the condition.

Low awareness of mental illness often stops patients from seeking help.

Early diagnosis is of great importance for mental illness as timely intervention can prevent further deterioration and reduce the future care burden. However, a lack of awareness and knowledge of mental illness means many patients only visit a doctor when symptoms are severe enough to interfere with their ability to study or work.

South Korea's mental health insurance market: status and opportunities

Mental illness comes at a high social cost.

Current market status

Mental illness is a heavy burden in South Korea. The economic cost from depression alone is estimated to be around USD 4 billion per year.¹⁹ On top of the direct medical cost, depression creates productivity losses and even loss of human life. Recognising the need to safeguard mental wellbeing, the government has launched several initiatives to raise awareness and promote mental health education. These include a series of Five-Year National Mental Health Plans since 1995 and the National Strategy for Suicide Prevention, active since 2004.

Almost no private mental illness insurance exists in South Korea at present.

The development of private mental health insurance faces several obstacles, including lack of awareness, the complexity of many mental illnesses, and a lack of experience data for insurers' use. South Korea's private mental health insurance market is in a very early stage of development with very limited private policy covers for adults. Only some medical reimbursement products purchased after January 2016 offer additional coverage for mental illness on top of NHI, while the payment condition is under review by the government without clearly defined guidelines.

COVID-19 has broadened public awareness of mental health.

In the past year, the experience of COVID-19 has increased public awareness of mental health. The stress caused by the pandemic and mobility restrictions have paradoxically served as a catalyst for more open discussion of mental illness. This offers insurers an opportunity to step into the market.

COVID-19 has worsened mental health in South Korea.

COVID-19 and mental health in South Korea

The pandemic crisis has taken a toll on mental health in South Korea. According to a government survey covering nearly 4 000 residents in Seoul in Q3 2020, 40% of respondents felt that their mental condition had worsened since the outbreak.²⁰ A smaller-scale survey showed that about 45% of respondents passed the clinical threshold for depression or anxiety.²¹

Public agencies have supported mental health awareness this time.

To support mental resilience, multiple government agencies launched initiatives to educate people and offer support schemes to those in need of help.²² Such support schemes are important to both those infected and at the risk of being infected as severe mental pressure is often experienced during pandemics, which can have a long lasting impact on mental health. For example, one study found that over half of 2015 MERS survivors experienced mental illness one year after recovery.²³

The pandemic has opened up discussion of mental health.

Today, South Koreans are more comfortable discussing mental health and even coined the term "Corona blues" to refer to a widespread deterioration in mental health. This trend is in line with a Swiss Re consumer survey conducted after the COVID-19 outbreak across the world. This found around 50% of people were more concerned about their mental health than prior to the pandemic. Respondents from all markets surveyed expressed increased willingness for open discussion.²⁴

¹⁹ S. M. Change, J. P. Hong & M. J. Cho, Economic burden of depression in South Korea, *Social Psychiatry and Psychiatric Epidemiology*, April 2011

²⁰ I Sajid, "40% of S.Koreans face mental health issues due to Covid-19", *AA*, 30 September 2020

²¹ H-S Lee et al. "Deterioration of mental health despite successful control of the Covid-19 pandemic in South Korea", *Psychiatry Research*, 13 November 2020.

²² Eg, the Psychological Support Group Network of the Ministry of Health and Welfare provides information on hotlines for the current mental health crisis; the response system is different for people with COVID-19 and their families versus the quarantined and general public. The National Center for Disaster Trauma, a subdivision of the NCMH, released leaflets warning about possible mental health problems, as well as guidelines to cope. S-J Jung, J-Y Jun, "Mental health and psychological intervention amid Covid-19 outbreak: perspective from South Korea", *Yonsei Medical Journal*, April 2020.

²³ Hye Yoon Park et al, "Posttraumatic stress disorder and depression of survivors 12 months after the outbreak of Middle East respiratory syndrome in South Korea", *BMC Public Health*, 15 May 2020.

²⁴ In April 2020, Swiss Re surveyed 2500 consumers in Singapore, Hong Kong, Australia and China about COVID-19.

The road ahead

Opportunities exist for insurers in the mental health insurance market.

Development of mental illness insurance policies lags far behind that of physical illness insurance in South Korea. Private insurers may have limited experience in mental illness and treatment. We believe a starting point for developing new propositions would be to seek to address gaps in NHI coverage where provision is inadequate to meet demand. Insurers can also focus on accumulating customer experience data, support the government in promoting mental health awareness, and identify the “right” client to target. We explain the current challenges in the mental healthcare market and where opportunities lie for insurers in South Korea.

Insurers can consider expanding financial coverage to fill areas of shortfall in NHI.

Fill NHI service gaps to promote better treatment options

Challenge: in contrast to physical illness, where medication is the major form of treatment, alternative treatments play an important role in mental illness. While NHI covers the cost of various mental illness treatments, the limited scope of coverage and payment arrangements often lead hospitals and clinics to opt for medication-led treatments out of concern for cost effectiveness. One example is counselling services. NHI reimbursement rates for medication and counselling are similar, despite the fact that counselling is a more time-intensive service for medical doctors to provide. Hospitals and clinics can be reluctant to offer counselling services, and patients often find it difficult to secure enough counselling time. Although counselling services are available from psychologists and counsellors other than medical doctors, their services are out of the scope of NHI and come with high costs.

However, extra caution is warranted to target only treatments that have clearly defined claims triggers.

Opportunity: insurers can respond to NHI coverage shortfalls by offering coverage for treatment methods that it does not fully cover. On the one hand, this would guide patients, because policies with well-designed financial coverage will motivate people to seek the most appropriate treatment option, leading to reduced recovery times and costs. On the other hand, it would promote more resources being dedicated to treatments that are effective but not adequately covered by NHI within the healthcare system, allowing hospitals and clinics to expand service capacity. However, when designing policies, insurers would need to target treatment methods with well-controlled standards for claim conditions, to ensure they can screen and manage any overuse of service.

Insurers can leverage tech developments to tackle difficulties in insuring mental illness.

Leverage technology to facilitate condition tracking and disease understanding

Challenge: a lack of experience data on most mental illnesses makes designing and pricing mental health insurance products a challenge. This is compounded by insufficient knowledge of treatment costs, estimated recovery times and uncertainty around the future development of key population parameters such as prevalence trends, triggers and comorbidity rates.

Tech solutions can help insurers better understand patient conditions, particularly when adapted to the local market.

Opportunity: insurers can use technology to strengthen their knowledge of patients’ conditions and the prevalence and comorbidity of various types of mental illness. Technologies such as tele-psychiatry have great potential.²⁵ In the field of psychiatry, using video-recording to carefully observe a patient’s facial expressions and speech has been found to be more insightful than detailed physical examination and for some patients, such as those with severe depression, remote treatment enabled by tele-psychiatry can be a preferred option. In addition, digital devices and applications that enable continuous healthcare management are useful for patients’ condition tracking and early diagnosis. For example, remote monitoring devices can track the daily volatility of individuals’ mood, sleep cycle, and flag up unusual changes in individuals’ behaviour. As data around patient conditions continue to accumulate, insurers will gain experience of the prevalence and morbidity of various types of mental illness. This can help to not only improve underwriting but also provide tailored recommendations to assist customer journeys. However, since most of the

²⁵ Tele-psychiatry uses a telecommunication device to provide psychiatric services to people who are separated from a psychiatrist or those who feel more comfortable at home. It offers convenience and better accessibility to patients. American Psychiatric Association. Please note that tele-psychiatry is not legally allowed in South Korea at the time of this report, but is viewed as a promising field to develop in the future.

South Korea’s mental health insurance market: status and opportunities

apps are developed overseas there are limitations in applying them directly to South Korean customers. Insurers could consider developing localised applications with features designed to improve accessibility among local users.

Promoting mental health awareness will be a long-term task for insurers.

An integrated health policy is recommended given low awareness and limited budget.

Insurers can foster a target market of engaged consumers to grow the customer base.

Improve mental health awareness

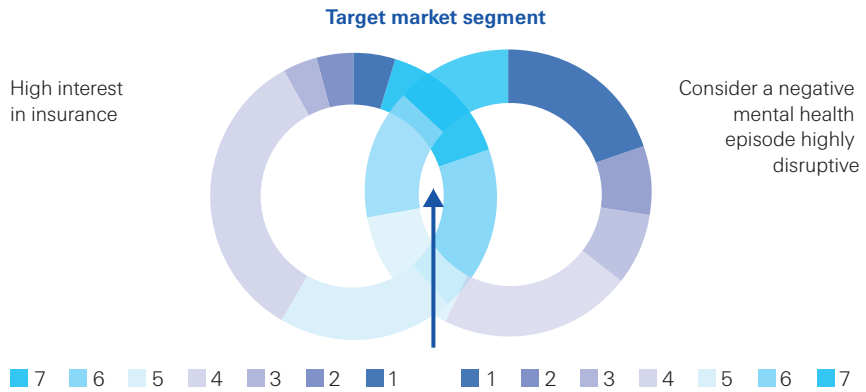
Challenge: despite increasing willingness to discuss mental health, promotion of mental health awareness will be an ongoing task for society. Eliminating discrimination and stigma associated with mental illness will be key to unlock potential demand for mental health insurance.

Opportunity: the insurance industry can work proactively with the government to promote mental health education and fair treatment in education and workplace. Given the relatively low level of mental health awareness and consumers’ budget constraints, an integrated insurance solution that combines both physical and mental health would be a good route for mental health coverage. An example of such policy would be the Mind+ proposition from FWD, the first comprehensive health policy covering both mental disease and critical physical illness in Hong Kong market²⁶. From the supply side, insurers need to build a psychologically safe environment that demonstrates empathy and willingness to support clients and enable mental health conversations. This could include training for sales agents in raising mental health awareness among customers and responding to people with mental health concerns in a careful manner.

Identify and target a consumer market segment

In the long term, insurers have an opportunity to develop the market for mental health insurance in South Korea. Success will rely on fostering a target market of engaged consumers for whom mental health insurance is beneficial. The findings from a Swiss Re mental health consumer survey in 2020 identified a target consumer profile for mental health insurance. This market segment comprises consumers that have high interest in insurance in general, and who consider a negative mental health episode highly disruptive (see Figure 1).²⁷ We estimate this segment constitutes around 21% of the total portfolio, and has the highest probability of converting mental health concerns to insurance purchase.

Figure 1
The target market segment for mental health insurance



Source: Swiss Re Institute²⁸

²⁶ *Mental Health in Hong Kong: An opportunity for insurers to close the protection gap*, Swiss Re Institute, November 2020.

²⁷ Swiss Re mental health consumer research conducted in April 2020 covered seven countries in Europe, North America and Asia Pacific. Countries included Germany, France, UK, US, Canada, Japan and Australia, and interviewed 4013 consumers in total.

²⁸ Base: all respondents (n=4013). 1 refers to lowest level of interest in insurance/ least likely to consider a negative mental health episode highly disruptive. “High interest in insurance” and “consider a negative mental health episode highly disruptive” are calculated by taking the highest interest expressed for self/ family. Survey questions: “How disruptive might mental health symptoms be for you and your immediate family?” and “We’d like to ask you to indicate your preliminary interest in an idea for an insurance product”, “Imagine you could buy an insurance product which included elements of support for mental health...what would your general level of interest be in such a product for yourself and/or immediate family?”

Published by

Swiss Re Management Ltd
Swiss Re Institute
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 2551
Email institute@swissre.com

Authors

Julia Chen
Viola Wang

Editor

Alison Browning

Managing editor

Irina Fan
Head Insurance Market Analysis

The authors would like to thank the following for their contribution to this report: Seungmi Choi, Shin Whi Lee, Grace Li, Huey Fang Chen, Lucy Hartley, Matthew Riddell, Matt Singleton, JiEun Baek, Kathy Yu and Sharon Yiu.

The editorial deadline for this study was 21 February 2021.

The internet version may contain slightly updated information.

Graphic design and production:
Corporate Real Estate & Logistics / Media Production, Zurich

© 2021
Swiss Reinsurance Company Ltd
All rights reserved.

The entire content of this study is subject to copyright with all rights reserved. The information may be used for private or internal purposes, provided that any copyright or other proprietary notices are not removed. Electronic reuse of the data published in this publication is prohibited. Reproduction in whole or in part or use for any public purpose is permitted only with the prior written approval of Swiss Re Institute and if the source reference 'Swiss Re Institute, "Mental health in South Korea: an evolving market offers long-term promise for insurers" is indicated. Courtesy copies are appreciated.

Although all the information used in this study was taken from reliable sources, Swiss Re does not accept any responsibility for the accuracy or comprehensiveness of the information given or forward-looking statements made. The information provided and forward-looking statements made are for informational purposes only and in no way constitute or should be taken to reflect Swiss Re's position, in particular in relation to any ongoing or future dispute. In no event shall Swiss Re be liable for any loss or damage arising in connection with the use of this information and readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements whether as a result of new information, future events or otherwise.

Order no: 1507750_20_EN

Swiss Re Management Ltd.
Swiss Re Institute
Mythenquai 50/60
P.O. Box
8022 Zurich
Switzerland

Telephone +41 43 285 2551
Fax +41 43 282 0075
institute@swissre.com
institute.swissre.com