

Viability and Problem of the Quasi-market Delivery System in Long-term Care Insurance: Lessons from the Korean and Japanese Cases

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ABSTRACT

Today, East Asian countries such as Japan and South Korea are confronted with serious and complex challenges arising from the rapidly ageing. Japan has already been well-known as an ageing society with the highest life expectancy. In Korea, its life expectancy is now sharply increasing, while the fertility rate has become the lowest. Accordingly, Korea is soon expected to be one of the most aged societies at the middle of the 21th century.

Despite these Asian countries' Confucian culture, wherein family responsibility for the elderly has been stronger than their Western counterparts, they have developed the insurance-based care system; Japan launched the long-term care insurance for the elderly in April 2000, and Korea has then followed the same route by implementing it from July 2008.

However, the implementation of the long-term care insurance in both countries faces the common problem, i.e. insufficient and ineffective public infrastructure for care service delivery. The states in Japan and Korea as a low social spender and a regulator have thus chosen a strategy to develop the quasi-market system for service delivery in terms of their regulative power.

Given the salience of neo-liberalism in public sector reform, the quasi-market system in which a mixed economy of providers (from the statutory, voluntary and private sectors) compete to offer social services has been considered as a viable option to meet the rapidly increasing demand of long-term care - rather than the state's direct provision due to its bureaucratization, inefficiency, and the constraint of state financing. In this sense, this paper will evaluate the viability of quasi-markets for the delivery of the long-term care insurance by comparing two Asian countries.

In doing so, it will focus on whether the quasi-market delivery of long-term care can provide more efficient and qualified service with equitable access as the quasi-market theory assumes. Attention is also paid to whether this option for the development of the quasi-market system will be sustainable from a long-term perspective, especially taking into account the limited financing of the insurance program and the rising demand of long-term care. Finally, this paper will examine what kind of institutional design under the quasi-market system will promote further universal and high-quality provision.