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Letter to the Editor

Are the Public Health Centers Real Threats to Private Clinics in Korea?

Jin Yong LEE [1], ***Min-Woo JO*** [2], ***Hyun Joo KIM*** [3], ***Minsu OCK*** [2], ***Hyemin JUNG*** [4], ****Sang Jun EUN*** [5]

1. *Public Health Medical Services, Seoul National University Boramae Medical Center, Seoul, Korea*
2. *Dept. of Preventive Medicine, University of Ulsan College of Medicine, Seoul, Korea*
3. *Dept. of Public Health, The Graduate School of Konyang University, Daejeon, Korea*
4. *Dept. of Health Policy and Management, Seoul National University College of Medicine, Seoul, Korea*
5. *Dept. of Preventive Medicine, Chungnam National University School of Medicine, Daejeon, Korea*

***Corresponding Author:** Email: zepplin7@cnu.ac.kr

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Dear Editor-in-Chief

The competitive relationship among health care providers has been recognized as a serious problem in healthcare delivery system in Korea (1). Some researchers and Korea Medical Association (KMA) raise the issue that the more serious problem in primary care is that private clinics are even competing with public health centers (PHCs), as well as hospitals. They believe that PHCs take away patients from private clinics and this is unfair competition (2, 3). They point out that private clinics are in conflict with the Korean government because they own and operate PHCs. However, little is known about the level of competition between clinics and PHCs.

The purposes of this study were to estimate the market share between private clinics and PHCs, and to evaluate PHCs can be really threaten to private clinics. We used the 2011 National Inpatient Sample (NIS) database, published by the Health Insurance Review and Assessment Service (HIRA), which is a representative sample of the HIRA claim data including 1% of annual outpatient claims (about 400 thousands outpatients). Each claim in the database is designed to represent 100 claims (4). Totally 3,071,658 outpatient claim cases of 52 simple or minor disease groups (SMDGs) designated by the Ministry of Health and Welfare (MoHW) in Korea, the MoHW recommends that patients in these categories visit primary care clinics, if possible (1), were extracted from 5,031,572 outpatient services claim cases which did not have a history of a hospital admission in 2011. We analyzed the market share using the proportion of the number of outpatient visits and of total healthcare expenditure among private clinics and PHCs. Healthcare costs presented as total claim cost which is the sum of costs reimbursed from the National Health Insurance Service and out-of-pocket money paid by a beneficiary. Lastly, we calculated the additional annual visits and the additional annual revenues of which each private clinic would have if the visits of PHCs converted to clinics.

There were 307 million visits (70.5% of total visits) and their total claim costs were 4,050 million USD (63.9% of total claim costs). PHCs occupied only 2.6% of total visits and 2.1% of total claim costs (85 million USD). The average claim costs per visit of private clinics were higher

than that of PHCs (P<0.001). PHCs located in metropolitan areas occupied only 1.3% of total visits and 0.7% of total claim cost whereas PHCs in non-metropolitan areas took 5.7% and 5.4%, respectively. The estimated economic losses of private clinics due to PHCs were 106 million USD as a total and 3,795 USD per clinic. According to region, there were ranged 49 to 704 visits and additional gains of 635 to 1,780 USD.

PHCs occupied limited market share and their financial effects on private clinics was not so much therefore it is difficult to accept the hypothesis that PHCs are real threats to private clinics. Though PHCs were occupying very small proportion of visits and revenues in case of 52 SMDGs, the interpretation could be different by the positions of each stakeholder. The stakeholders who support PHCs could regard these results as PHCs are taking very small portion of patients and doctors in local clinics are over-reacting to the activities of PHCs. However, protestors against to PHCs could pay more attention to total size of revenue and average medical fee. They can believe that 85 million USD is very big pie, which is the evidence that PHCs are significant threats to private clinics. How much financial impact on private clinics where PHCs' patients convert to clinics? The estimated economic losses of private clinics were 3,795 USD per clinic. PHCs in metropolitan areas had low market share than those of non-metropolitan areas. It is because many people are living in metropolitan areas whereas there are small number of PHCs and a lot of private clinics. If PHCs' patients convert to private clinics, total revenue increase would be 1,780 USD per clinic in metropolitan area while private clinics in non-metropolitan areas would get additional 9,340 USD per clinic. Even though financial losses due to PHCs in non-metropolitan areas are bigger, why do we feel the level of competition in metropolitan areas looks more serious? It might be because of deep distrust against PHCs. For example, the medical fee in case of utilizing PHCs is cheaper than that of private clinics. Therefore, if PHCs expand the outpatient services, patients could choose PHCs instead of private clinics. Besides, PHCs are providing vaccination for the elderly or children with free of charge or discounted rate of charge. In these cases, doctors in local clinics can feel PHCs are doing unfair competition and are a serious threat. Private clinics and PHCs are the most important two pillars that make up the primary care in Korea. If local clinics and PHCs collaborate and cooperate to provide primary healthcare to Korean Citizens, the level of primary care in Korea would remarkably increase. Therefore, excessive competition between clinics and PHCs is not desirable and all stakeholders should make an effort to generate synergic effects between them.

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