A Plan for the Delivery of Nursing Homes in Korea

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Abstract

With its rapid modernization and the unparalleled rate at which its society is aging, South Korea faces the need for a dramatic increase in its supply of elderly care services. Among these, nursing homes are considered an essential alternative provision because Korea can no longer rely on traditional familism or medical facilities for the care of its older people. It is necessary, therefore, to prepare a plan for the delivery of nursing homes in Korea. This paper has identified the elderly care context and analyzed existing elderly care facilities of Korea in terms of the supply and utilization rates of nursing homes, according to region and type of facility. On the basis of this analysis, a plan for the delivery of nursing homes in Korea has been proposed in order to improve the welfare status of older people as well as the efficient utilization of health care resources.

Keywords: elderly care facility; nursing home

1. Introduction

Compared to that of other developed countries, the proportion of older people in South Korea is growing at an unparalleled speed. People aged 65 and over were 7.2% (3,395,000) of the total population in 2000 and are expected to total over 14% by 2019 (Korea National Statistical Office, 2001). Therefore, a rapid increase is anticipated in the number of older people who will need care. However, as Korean society modernizes, the average family size is decreasing and women, who have been the major ‘caregivers’ within the family, are working outside the home in larger numbers. As a result, it has become more difficult to find proper caregivers for older people in the family. Medical facilities like hospitals are a poor alternative, because hospital service for older people who need nursing care is not cost-effective. It has to be taken into account that the national health expenditure of Korea is increasing sharply. Consequently, nursing homes are considered an essential alternative because Korea can no longer rely on traditional familism nor medical facilities for the care of its older people. However, the ratio of available nursing home beds to older people in Korea is very low compared to that of developed countries such as the U.S, U.K and Japan. It is necessary, therefore, to prepare a plan for the delivery of elderly care services in Korea including the supply of nursing homes.

This paper first identifies the elderly care context and analyzes elderly care facilities of Korea in terms of the supply and utilization rates of nursing homes according to region and type of facility. On the basis of this analysis, a plan for the delivery of nursing homes in Korea is proposed in order to improve the welfare status of older people and efficient utilization of national resources.

2. The Elderly Care Context in Korea

2.1 Increase in elderly population

Life expectancy at birth in South Korea increased from 65.8 years in 1980 to 75.9 years in 2000. In the same period, the total fertility rate declined from 2.8 to 1.47, and the overall crude death rate fell from 7.3 to 5.3 per 1000. These demographic trends suggest that the proportion of older people, while small at the moment compared to that of other developed countries, will continue to grow rapidly. The percentage of the population aged 65 and over increased from 5.9% in 1995 to 7.2% in 2000, due to the increase in the average life span and reduction in the birth rate. From the ‘population pyramid’ graphs (Figure 1), it is anticipated that there will be a ‘graying revolution’ in Korea as the large middle-aged group moves into the elderly range in the near future. Japan is already undergoing a graying revolution, while India has longer to wait before it becomes an aging society.

According to the United Nations’ definition, ‘aging society’ means that the percentage of older people is more than 7%, and ‘aged society’ means it is at least 14%. Korea became an aging society in 2000, and will be an aged society by 2019 (Table 1); it will take only 19 years for Korean society to make this leap, which is the fastest aging speed of any developed country (Figure 2). This unparalleled speed of aging will bring about
many problems related to elderly care.

### 2.2 Growth in the proportion of older people living alone

Older people living alone are much more likely to require formal care services from professional care agencies than are those who live with their families. The proportion of older people living alone in Korea appears to be increasing (Table 2). It increased from 8.9% in 1990 to 16.2% in 2000. In other words, one sixth of Koreans aged 65 and over could be said to be living alone in 2000. Though this proportion is still low compared to those of western countries such as the US and UK, it is higher than that of Japan, which is one of the most aged societies in Asia. A national survey conducted among Koreans insured under the National Pension Program revealed that 73% of the non-elderly respondents said they would prefer to live apart from their children after their children’s marriages (Choi, 1996:7). All these indications point to Korea’s need to increase rapidly the amount of formal care services available for its older people.

### 2.3 Women’s increasing participation in occupational and social activities

The rate of women’s participation in occupational and social activities has increased steadily and is likely to go on increasing (Table 3). This phenomenon tends to make it more difficult to care for older people within the family because, up to now, women have been the major caregivers for frail older people in their families. Table 4 shows that the employment rate among Korean women in 1997 was almost the same as that of Japan.
2.4 Economic difficulties of older people

The National Pension program covering most Korean workers, which only started in 1988 and is to begin paying pensions in 2008, cannot provide benefits for current Korean retirees. As shown in Table 5, more than 40% of Koreans aged 65 and over are dependent on their children for their living expenses, while the major income sources of older people in Japan, the US and the UK are pensions.

Most elderly Koreans take it for granted that they will receive economic support from their children. However, contrary to this expectation, an increasing number suffer from financial difficulties because of their children’s unwillingness or inability to provide economic support. These factors further illustrate Korea’s need for a public care system for older people.

Table 5. Major Income Sources of Korean Older People, 1998 (%)

| Income sources                  | Percentage |
|---------------------------------|------------|
| Independent types               |            |
| Earnings from work              | 23.3       |
| Public/Private pension          | 2.5        |
| Savings                         | 2.4        |
| Property                        | 5.9        |
| Dependent types                 |            |
| Children’s support              | 40.5       |
| Public or private assistance    | 5.2        |
| Others                          | 20.1       |
| Total                           | 100%       |

Source: KIHASA, A Survey of the Elderly’s Livelihood Status and Welfare Demand, Korea, 1998

2.5 Health care system and national health expenditure

The Korean health care system is characterized by the dominance of private provision and finance. More than 80% of the system’s total beds are provided by the investment of the private sector. Of the total health expenditures, more than 65% are financed by the private sector, most in the form of direct patient payments. This is the same even under the universal health insurance. Older people have to pay about 20-30% of their medical costs1, like any other group without any special exceptions. This makes it more difficult for them to cope with their frail health and poor economic status.

Another feature of the Korean health care system is that medical charges are based on the Fee for Service scheme. The more services provided, the higher the fee; therefore many institutions manipulate this system to increase earnings by providing excessive diagnostic & treatments and profitable service items even to elderly patients. One weakness of this system is that it can lead to higher national health expenditures.

Expenditures on health have risen rapidly in Korea over the last twenty years, due to rising income levels and the gradual expansion of health insurance coverage since 1977, the year that the government introduced mandatory health insurance. Measured as a proportion of GDP, health expenditures have almost doubled from 2.7% in 1970 to 5.1% in 1999 (OECD Health Data 2001). The increase in medical expenditures for older people also can be one reason for this. The percentage of the medical expenses for older people to the total ones was 5.4% in 1985, but it increased to 10.3% in 1993 (Kim, 1996). Considering the fact that medical services for older people are not fully developed, medical expenditures are expected to grow steadily in the future as the number of older people and the supply of medical services for this group increase. It is necessary, therefore, to control the medical expenses of older people for the sake of the national economy.

3. Delivery Patterns for Nursing Homes

3.1 Patterns of care for older people

Care services for older people in Korea vary from medical services in acute care hospitals to home care. They can be divided into two categories: formal and informal care services. Formal services are delivered by trained professionals and require payment. And informal services, usually delivered by nonprofessional family members, are becoming less common due to rapid modernization and the deconstruction of the family structure in Korea. As a consequence of this change, formal care services are emerging as an important source of elderly care.

Formal care services are classified into two types: institutional care, which provides older people with care services for long periods in institutions such as hospitals or nursing homes; and community care which is sporadic care provided in the home, day care centers, and nursing homes in the community. Nowadays, community care,
often referred to as “aging in place”, is considered a good alternative for elderly care because institutional care deepens the dependency of older people and separates them from their families. Furthermore, institutional care is considered to be expensive. However, the expansion of community care is limited. If an older person is very dependent and frail, community care is neither sufficient nor cost-effective for him. Figure 3, showing the relationship between community and institutional care, shows why the one cannot substitute fully for the other.

Institutional care is composed mainly of hospital and nursing home services. As shown in Table 6 and Figure 4, the number of hospital beds in developed countries is decreasing, while that of nursing home beds is increasing. This is because hospital care is more expensive than nursing home care, and the care environment in the hospital is not suitable for elderly people receiving long-term care. In many developed countries, the provision of continuing care in hospitals has been questioned both in terms of suitability and economic viability. As a consequence, large reductions have been made in the number of hospital beds devoted to continuing care (OECD, 1996:296). These lessons learned in western countries indicate that Korea has to increase the nursing home services instead of hospital services for elderly care.

3.2 Nursing homes in Korea

In general, long-term care facilities for older people in Korea are regulated by Elderly Welfare Laws. These facilities vary in type, providing residential services, nursing care, leisure services, and/or home-based care (Table 7). Some facilities provide multiple services.
This paper will focus on nursing care facilities, rather than including those that provide residential or leisure services. Elderly Care Hospitals, though included in nursing facilities, have also been excluded from this discussion because they mainly provide medical care, and are regulated as hospitals under Medical Laws.

A nursing home (nursing facility) is a kind of institutional facility for older people (65+) who require continuing care due to their disabilities. In 2000, there were 9,312 nursing home beds in Korea, accommodating only 0.28% of the elderly population (Korea Association of Senior Citizen Welfare Institutions, 2002). Nursing homes are classified in two groups, according to the dependency level of the older people using these facilities: Intermediate Nursing Homes (INH) serve those requiring general nursing/social services, and Special Nursing Homes (SNH) serve frail older people, usually suffering from stroke or dementia. Each group is categorized again into two or three types according to the fee scale: Charge-free, Low-fee charging and Full-fee charging facilities (Table 7). To be admitted to Charge-free or Low-fee charging nursing homes, patients must be of low income, as assessed by a means test.

4. Planning for the Provision of Nursing Homes in Korea

Over the last several decades, there has been a steady increase in the number of nursing home beds. However, the proportion of nursing home beds to the number of older people in Korea is still quite low compared to that of other developed countries such as Japan, the US, and the UK. In Korea, it was 0.28% in 2000, whereas in Japan it was 1.34% in 1999 (MHW, 2001), in the US it was 5.2% in 2000, and in the UK it was 2.13% in 1993. Moreover, the occupancy rate of these facilities in Korea is approximately 84.8% (see Table 8), which is somewhat low compared to Japan's occupancy rate of 99% in 1999. There are many reasons for the low occupancy rate in nursing homes in Korea: the traditional value of filial piety still prevails in Korea; most existing facilities are of very poor quality; and most facilities do not accept older people who have children caring for them, in accordance with the admission criteria of the Livelihood Protection program. Anyway Korea needs to raise both the supply and occupancy rate of nursing homes as soon as possible for the sake of elderly welfare and efficient use of national health care resources.

At the present time, there is a greater need for Charge-free or Low-fee charging nursing homes rather than Full-fee charging ones. This is because most elderly Koreans are indigent. As shown in Table 8, the occupancy rates of Charge-free and Low-fee charging facilities are higher than that of Full-fee charging ones, probably for this reason. Therefore, the government and society must play active roles in the provision of care for older people. Figure 5 shows that Charge-free facilities have made up the majority of nursing homes, and this will likely continue to be the case in the near future. However, the public sector will not be able to bear all the rapidly increasing financial burden of elderly care indefinitely. Even in developed countries, continuing care is effectively a personal or family responsibility, with the state's role confined to providing a safety net for those with insufficient resources and a lack of family support (OECD, 1996:299). In the long run, Korea can expect to see a similar combination of public and private funding for its elderly care services.

According to a national survey (n=30,000) conducted in 2002, 4.4 percent of the elderly 60 and over preferred to reside in an Elderly housing facility or Nursing facility (Table 9), and the percentage was higher among the urban (5.2%) than the rural residents (3.0%). This result indicates that the demand for elderly care facilities in Korea is increasing in the urban area, although the overall demand for elderly care facilities is not as high as that in developed countries. The percentages of the elderly wanting charging (full-cost or low-cost) and free facilities were 1.6% and 2.8%, respectively. This means...

Table 7. Care Facilities for Older People in Korea, 2002

| Classification               | Facilities                                    |
|-----------------------------|-----------------------------------------------|
| Elderly housing facility    | Residential Home (R.H)                         |
|                             | Charge free R.H                               |
|                             | Low-fee charging R.H                          |
|                             | Full-fee charging R.H                         |
|                             | Silver Housing (S.H)                          |
|                             | Low-fee charging S.H,                         |
|                             | Full-fee charging S.H                         |
| Nursing facility            | Intermediate Nursing Home (I.N.H)              |
|                             | Charge free I.N.H                             |
|                             | Low-fee charging I.N.H                        |
|                             | Full-fee charging I. N.H                      |
|                             | Special Nursing Home(S.N.H)                   |
|                             | Charge free S.N.H                             |
|                             | Full-fee charging S.N.H                       |
| Leisure facility            | Elderly Welfare center, Elderly Center,       |
|                             | Elderly School, Elderly Leisure Hostel        |
| Home based care facility    | Home Care Support Center, Day Care Center,    |
|                             | Respite Care Center                           |

Source: Elderly Welfare law, Korea, 2002
that Charge free facilities are preferred to Full-fee charging or Low-fee charging facilities for the care of older people. Especially in rural area, the preference rate for the Full-fee charging facilities recorded only 0.6 percent (Korea National Statistical Office, 2003:57) and the occupancy rate of them was very low compared to the Charge free care facilities (Table 8). It is said that a major reason for the low occupancy rate of Full-fee charging facilities in spite of the low supply rate has been the high cost ($1150/month in 2002) for the admission to those facilities. A number of residents in Full-fee charging facilities moved into Low-fee charging ones because they could not afford to pay the fee, although they were not eligible for Low-fee charging facilities. Consistent with this, a survey (n=202) conducted in 2001 in Daegu, which is one of the 7 metropolitan cities in Korea, revealed that 49 percent of the elderly expected their living expenses per month as $42-$830, while only 11.5% of them expected those as $1,250 or more (Moon, 2001:44). Full-fee charging facilities will be commonly used only when senior Koreans can afford high expenses based on national pension and long-term care insurance systems.

Figure 5 also shows that the proportion of Special Nursing Homes has expanded sharply since they were introduced in 1997. This means that there are many older people with high level of dependency. These facilities primarily serve very older people suffering from severe chronic diseases like paralysis or dementia. The rapid increase in the most elderly segment of Korea’s population will require a significant increase in the number of Special Nursing Homes.

As shown in Table 8, the occupancy rate of nursing homes in metropolitan areas (90.2%) is higher than that in rural areas (61.7%), even though the metropolitan supply rate of nursing homes (0.31%) is higher than the rural supply rate (0.26%). This is because housing problems, and phenomena such as the rise of individualism and the nuclear family system, have driven older people into these institutions. The rapid modernization of metropolitan areas suggests that the need for nursing homes there is even more urgent than in rural areas. Of course, a large number of nursing facilities will be needed in rural areas as well; the number of elderly over the age of 70 living alone in rural areas (190,000) is larger than that in urban areas (165,000) (Korea National Statistical Office, 2001). On the basis of the discussion above, a strategic plan for the delivery of nursing homes in Korea has been proposed, and is shown in Table 10. The scheme is
divided into a short-term plan and long-term plan. Of course, the timing of provision is closely related to the types, providers and locations of care facilities for older people. The short-term plan calls for the provision of many Charge-free nursing homes, funded by the public sector, and Low-fee charging nursing homes, funded by public & private sectors in metropolitan areas. In the long run, many Charge-free nursing homes funded mainly by the public sector will be needed in rural areas, and Low-fee charging nursing homes funded by public & private sectors will be needed in both areas. On the other hand, Full-fee charging nursing homes will not be in great demand in Korea for the time being.

5. Conclusion

This study began with a discussion of the problems Korea faces in the care of its older people. As mentioned before, Korean society is experiencing rapid modernization and an unparalleled rate of aging, so it is necessary to increase dramatically the supply of elderly care services in the near future. Among these, nursing homes are considered an essential alternative provision, because Korea can no longer rely on traditional familism nor medical facilities for the care of its older people. The number of nursing home beds available today is extremely low, making the provision of a large number of nursing homes an important priority for Korea.

Based on the existing elderly care context, a strategic plan for the delivery of nursing homes in Korea has been proposed. The plan addresses the issues of progressive development (when), types of facilities (what), number of beds (how many), funding source (who) and service area (where) (Table 10). Furthermore, the plan has been divided into its short-term and long-term components, because the timing of provision can be a precondition for the types, numbers, payers and locations of elderly care facilities.

Considering the fact that most elderly Koreans are indigent, the government and society will have to participate actively in the provision of nursing home care. In the long run, however, market forces will lead to more private funding of elderly care services. Many developed countries have pursued the privatization of nursing home services for the sake of economic efficiency. Even in the UK, with its collective social security norms and entitlement approach to health care, the state has played a relatively minor role in the direct provision of long-term care, since the emergence of the Thatcher government of the Conservative Party, in 1979. In order to utilize national healthcare and welfare resources efficiently, privatization is necessary to a certain extent in providing elderly care services. Consequently, the Korean welfare state would have to develop by means of a shared responsibility on the part of the state, the community and the family, for providing care for the elderly.

With regard to community care, Korean society needs to develop domiciliary care programs such as respite care or daycare services, while expanding institutional care programs. This would prevent unnecessary or premature institutionalization, in addition to ensuring more effective and efficient care for older people in many cases. Domiciliary care services that can supplement or support the family’s care function would be especially desirable in Korean society, in that they would be more consonant with upholding the traditional value of filial piety. In urban areas, public daycare centers are needed most urgently, and in rural areas, public home-based care is more urgently needed. In the long term, however, rural areas require nursing homes to accommodate the large number of frail older people living alone there. In all areas, the concept of “ageing in place” or “community care” should be a priority.

As far as the types of nursing care facilities are concerned, special nursing homes, which serve frail older people suffering from chronic illness, are needed more than intermediate nursing homes. The history of care services for the elderly in developed countries like Japan, the US, and the UK can be summarized as that of specialization. As their economies developed and the societies aged, the Homes for poor older people were replaced by nursing homes delivering specialized care for the elderly. At the same time, the burden of national health expenditures and the need for a better care environment led to the shift from a large number of hospital beds for older people to nursing home beds. These experiences indicate that Korea also will need a significant number of special nursing homes, providing special care for frail older people.

Along with these considerations, the vitalization of nursing homes will be important in the Korean context. The degree of vitalization can be related to the occupancy

| Parameter   | Short term plan | Strategy | Long term plan |
|-------------|-----------------|----------|----------------|
| When        | Charge-free N.H | Low-fee  | Charge-free N.H |
|             |                 | charging N.H |                |
| How many    | Many            | Few      | Not a few |
| Who         | Public > private | Private  | Many        |
| Where       | Metropolitan>   | Metropolitan> | Public > private |
|             | rural           | rural    | Public & private |

Table 10. Strategic Plan for the Provision of Nursing Homes in Korea
rates of nursing homes. If the occupancy rate is not high enough, it is not necessary to increase the number of nursing home beds. As mentioned before, the current occupancy rate of Korean nursing homes is low; therefore their vitality must be addressed. Government subsidies must be increased, the care environment must be improved, the nursing homes must be advertised properly, admission criteria must be amended reasonably, and chronic elderly patients in hospitals must be transferred to nursing homes for the proper development of nursing homes in Korea.

There is no overall blue print related to the allocation model of elderly care facilities for the efficient utilization of limited welfare resources in Korea. Individual researchers propose different aspects of elderly care facilities that are only related to their fields of study. There is no agreed supply plan for the elderly care facilities. The present study proposes a short-term and long-term supply plan of elderly care facilities according to the type, provider, and location, and can serve as a preliminary criterion for setting a priority in allocating national welfare resources. Further research on the quality of care facility is recommended in order to improve the care environment for the frail elderly. In all cases, the planning of care facilities for older people should be based on the patient needs, cost effectiveness, and care efficiency.

Notes

1. As of 1994, 95.2% of the Korean population covered by compulsory medical insurance program had to pay 20-30% of the medical fee when they used medical services, whereas 4.8% covered by Medical Assistance program did not need to pay at all. The Medical Assistance program is a public assistance program for the poor. As of 1994 this program covered 21% of all those aged 65 and over.

2. Full-fee-charging nursing home beds were not counted.

3. As indicated sardonically by Johnson and Grant (1985), these facilities are as good as 'human junkyards', 'houses of death' and 'warehouses for the dying' (Olson, 1994: 33).

4. This is given to those who are of low income as judged by a means test, regardless of age. The level and types of benefits vary according to the status of the recipients.

5. The proportion of people having their own houses in urban area is no more than 67.7% whereas that in rural areas is over 78.9% (Korea National Statistical Office, 2001)

6. Surveys on nursing homes in rural areas (2002) show that 50-60% of residents in Low-fee and Full-fee charging nursing facilities have come from urban areas. This means that nursing home beds in urban areas are in very short.

7. Whereas the number of elderly people over 70 in rural areas (828,538) is less than in urban areas (1,167,146). (Korea National Statistical Office, 2001)

8. One of the most important factors in the supply of elderly care facilities is the affordability for the nursing home fee. In developed countries such as Japan, the U.K., and the U.S., the cost is typically shared by each individual and the government. So the growth of elderly income as well as the establishment of national paying system for the welfare cost is needed for the development of nursing facilities. The national pension program in Korea, which started in 1988 and will pay more than 2.5 million people by the year 2008, will contribute to the growth of economic power of the elderly. On the other hand, a long-term care insurance system, which can cover a large portion of nursing fee, is under consideration and is expected to start in 5-10 years. These two factors will be the underpinning for the development of nursing industry. Based on these, the borderline between short-term and long-term plans is set as year 2008-2013 in this paper.

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