A Study on the Role Allocation of Private Insurance for Enhancing the Sustainability of Long–Term Care Insurance

The finances of LTC insurance for the elderly, which have been implemented since 2008, are rapidly deteriorating. As benefit expenditures increase rapidly, the premium rate is also rising rapidly. In 2020, the elderly long-term care premium rate increased from 0.21% in 2008 to 0.68%, increasing by 3.24 times.

This study analyzes sustainability through forecasting demand for LTC and changes in financial and insurance premium burdens, and review plans to reform the financial method as a way to actively respond to the increase in cost burden. Find ways to share the role of private insurance.

As a result of the analysis, it is expected that the expenditure of LTC will increase by 7% every year, and the necessary insurance premium should increase from 380,000 won per year in 2021 to 940,000 won in 2030, 6.5 million won in 2050, and 16.99 million won in 2065. (average annual growth rate: 9.0%). By 2046, it is expected that the necessary insurance premium based on the method of Pay as You Go Method will exceed premiums based on the method of Funding Method. In that case, it is expected that the issue of equity of premiums between generations could be raised.

This study suggests raising the accumulation rate as possible as sooner by reorganizing the current financial method, which is operated as PAYG method to alleviate the burden of insurance premiums on households at the time of the peak of the elderly population ratio. If it is difficult to convert to the Funding Method, it is suggested to carefully consider the plan of partly introducing an alternative private insurance system as in Germany.