



# Health Care Reform in Asia: Key issues in Japanese Health Care

Professor Masako Ii  
Hitotsubashi University  
masako@econ.hit-u.ac.jp

3 October 2011

International Monetary Fund  
OAP/FAD Conference:  
Public Health Care Reform in Asia

“The use of market mechanisms in Germany and Japan is an important factor explaining the low excess cost growth observed in these countries – both of which score relatively high in the indices for choice of insurer, choice of provider, and private provision.”

[Fiscal Affairs Department, IMF. *Macro-Fiscal Implications of Health Care Reform in Advanced and Emerging Economies*, 2010.]

“Australia, Korea, Japan and Switzerland perform best in transforming money into health outcomes.”

[OECE Economics Department . *Health care Systems: Efficiency and Institutions*. OECE Economics Department Working Papers, 2010.]

# Health Care System in Japan

## 1. Good access to health care

Universal health insurance system since 1961

- Can visit any medical institutions regardless of type of health insurance, residence, and referrals
- No gate-keeper system
- Long waiting time

## 2. Closed-system operation of hospitals

Unified payment to hospitals and physicians

## 3. Fee-for-service under a national uniform price schedule

Official prices for medical treatment

- Control of healthcare expenditures by the government

## 4. Dominance of (non-profit) private hospitals

- The payments doctors receive for medical services are the same nationwide, with rates set by the central government.
- There are few incentives for quality improvement and little competition among providers on quality

According to Table 2

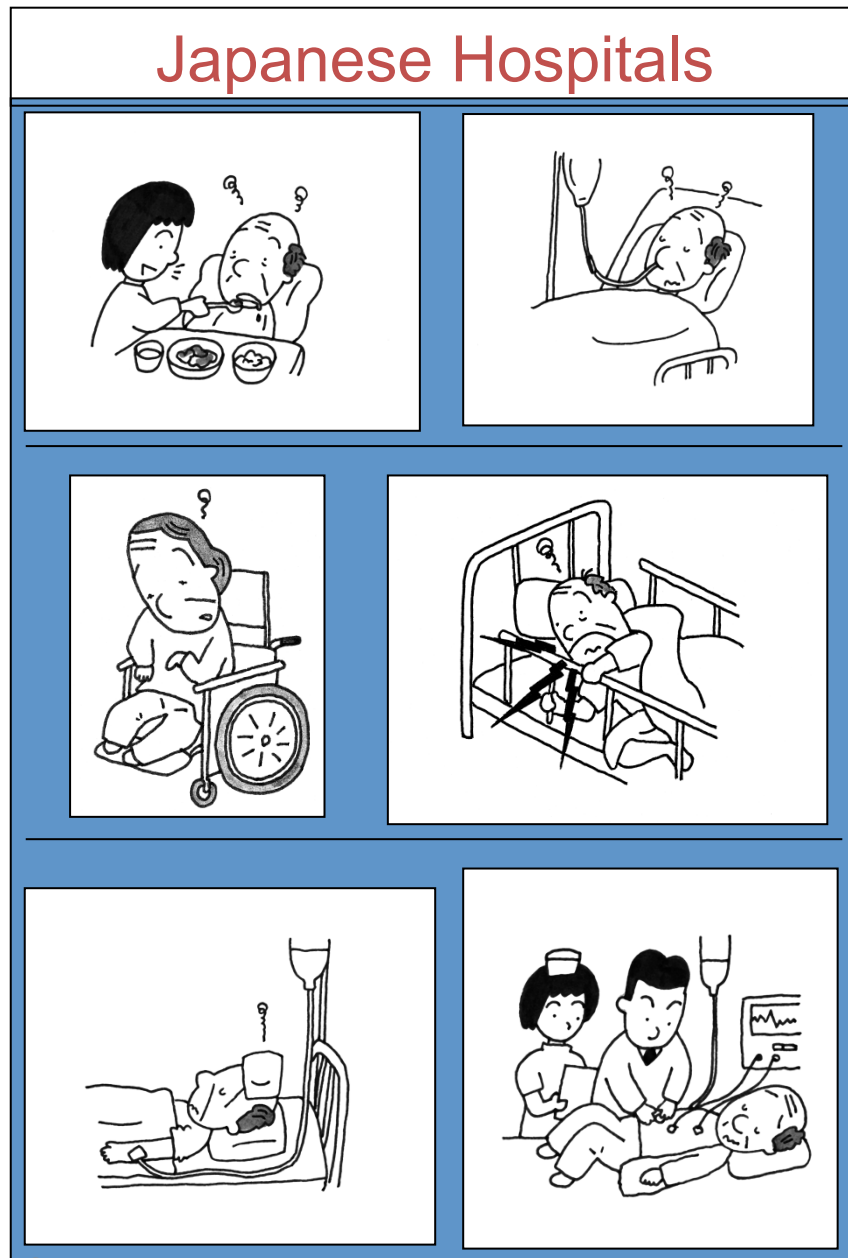
Total health care expenditure/GDP is low in Japan.

Is Japan's total health care expenditure lower than other OECD countries?

## The characteristics of Japanese health care system

1. Lack of clear definition of a hospital
2. Large number of the hospital beds
3. Low physician and nurse/bed ratio
4. Long average length of stay in hospital
5. Frequent medical usage among the elderly
6. Frequent use of CT and MRI

*Lack of clear definition of a hospital*



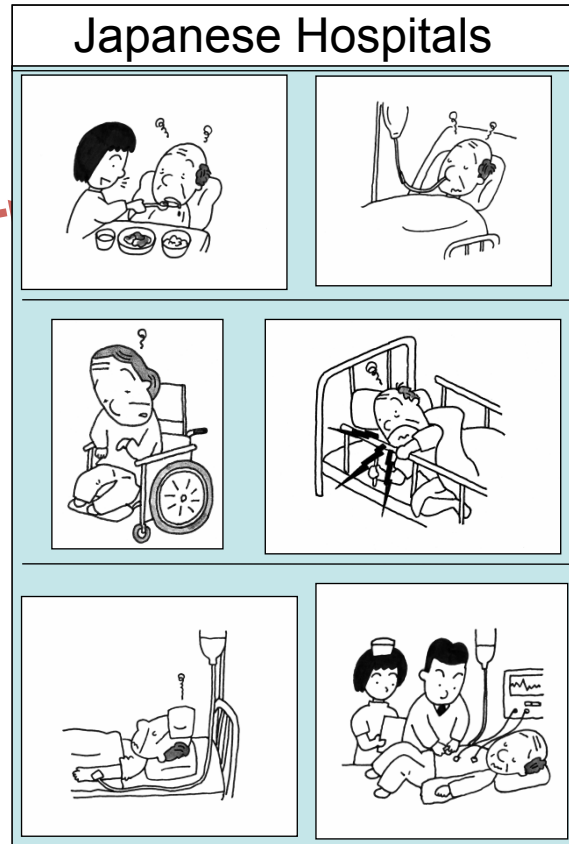
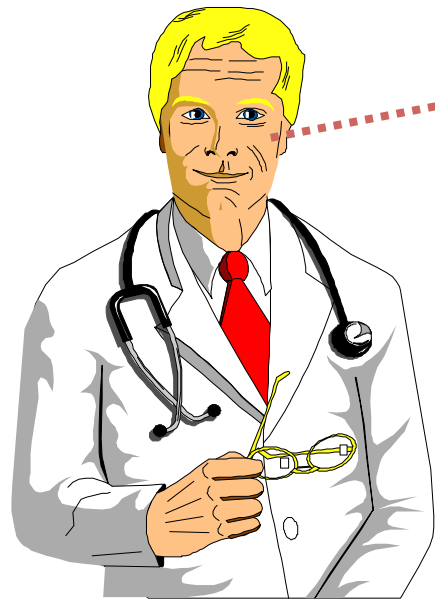
Social hospitalization is prevalent.



Hospitals are used mainly for nursing care rather than medical services.

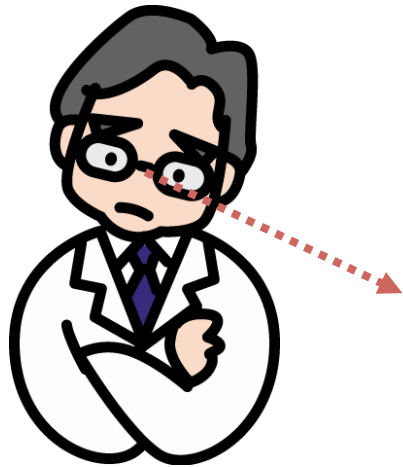


From the point of view of other countries,



Japanese hospitals seem to be a combination of **hospital & nursing home**.

# From the point of view of Japan,



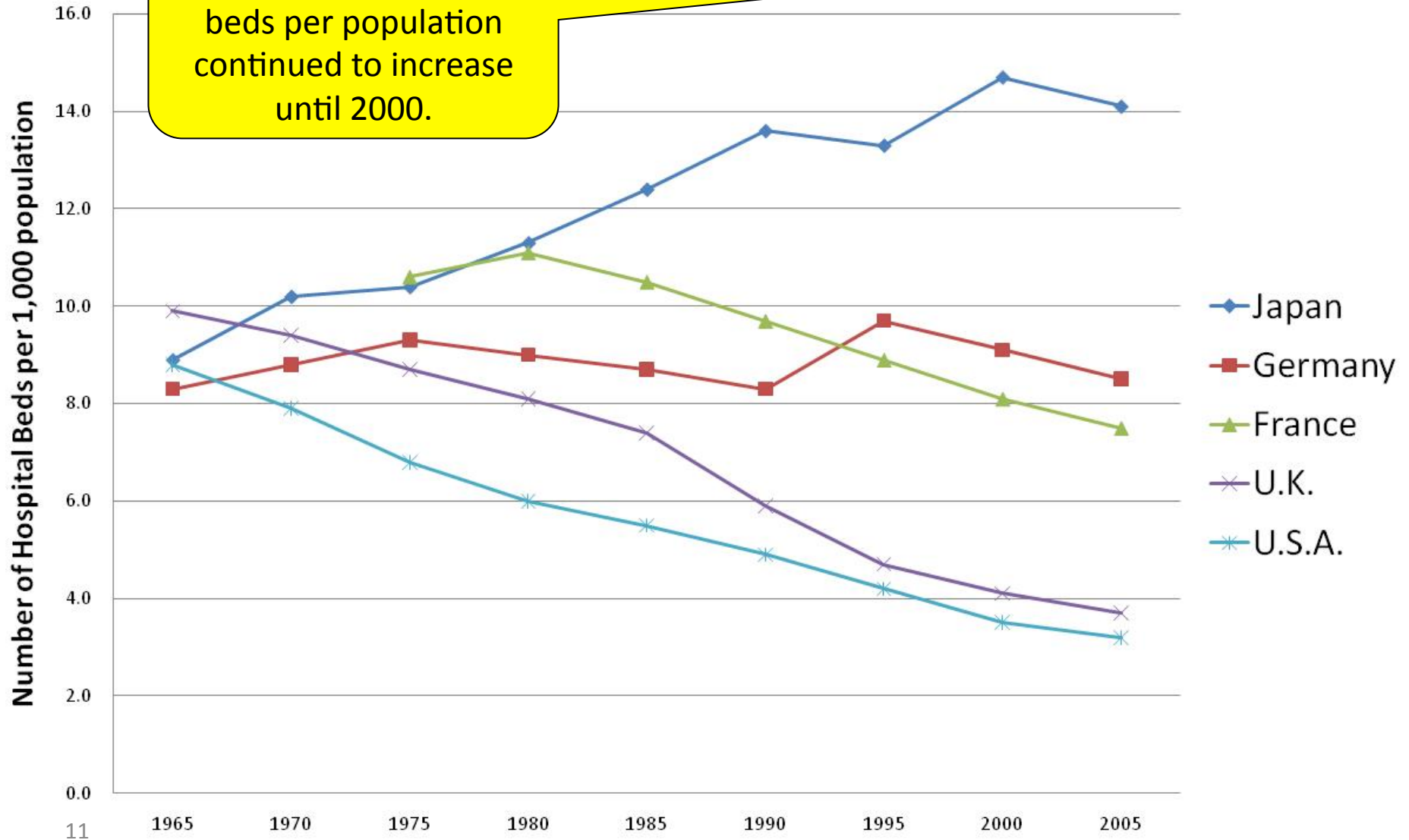
In countries like the U.S., hospitals seem to be a combination of **ICU** & **very active acute care unit**.



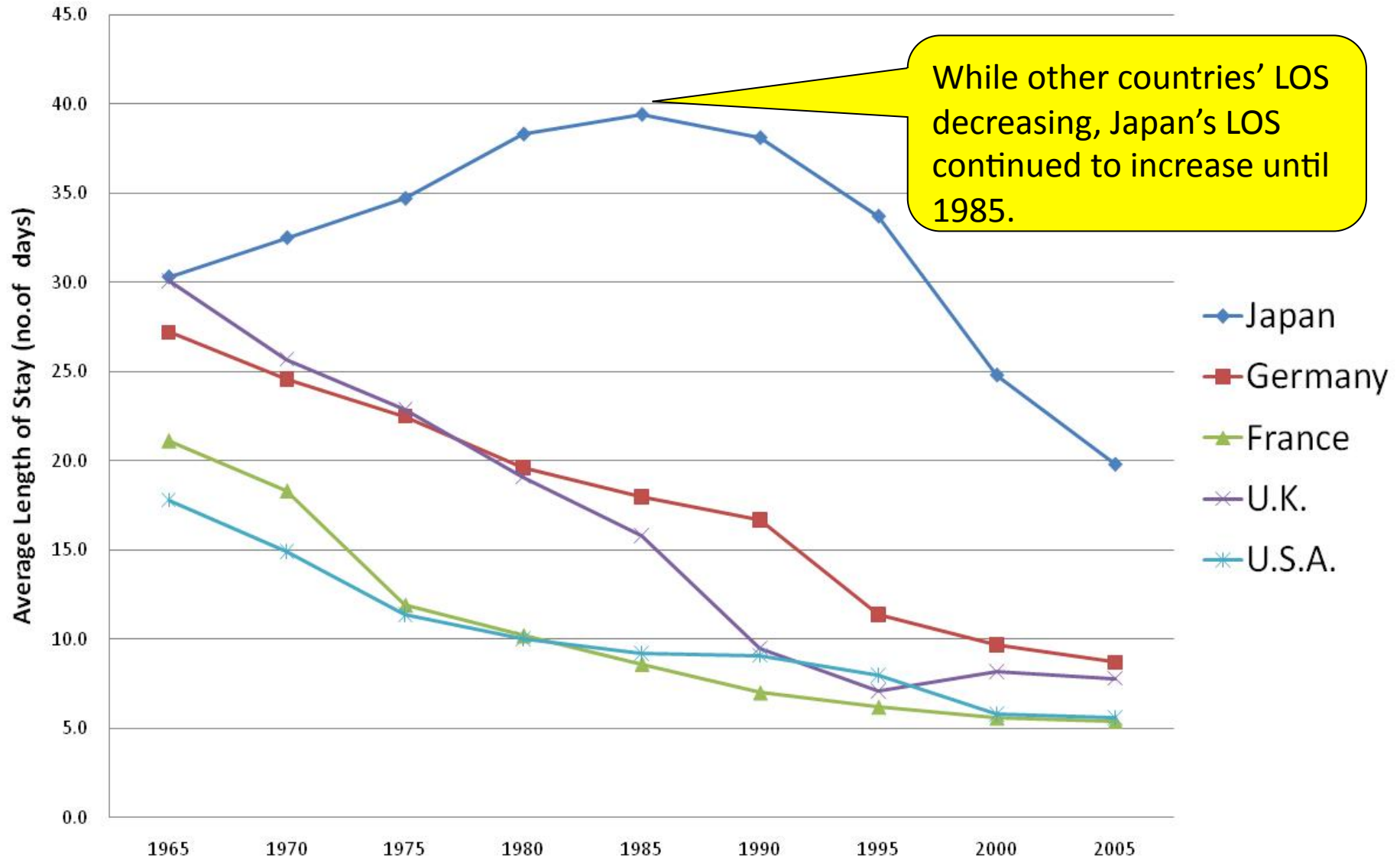
*Large number of the hospital beds*

## Hospital Beds: International Comparison

In Japan the number of beds per population continued to increase until 2000.

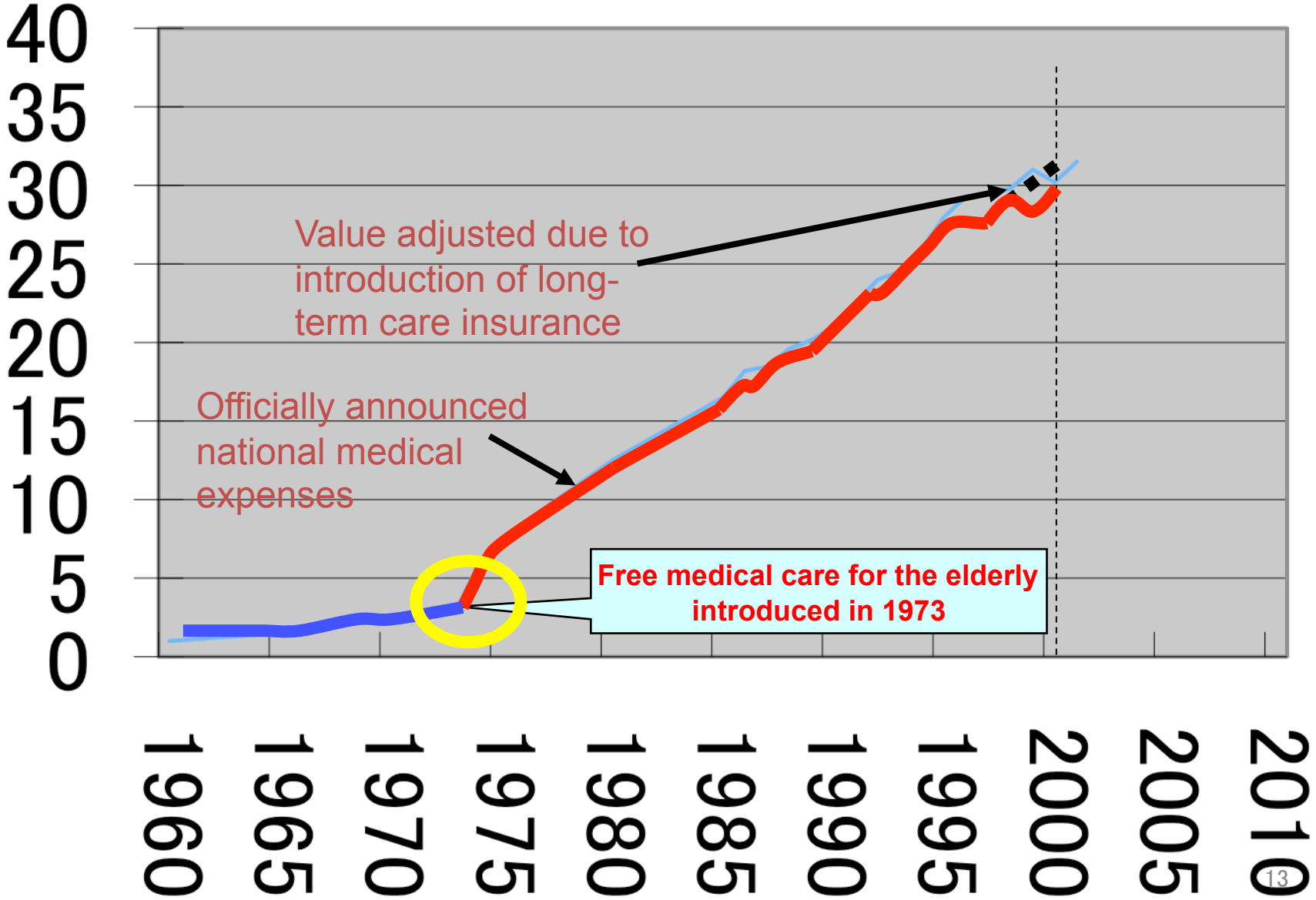


## Average Length Of Stay: International Comparison

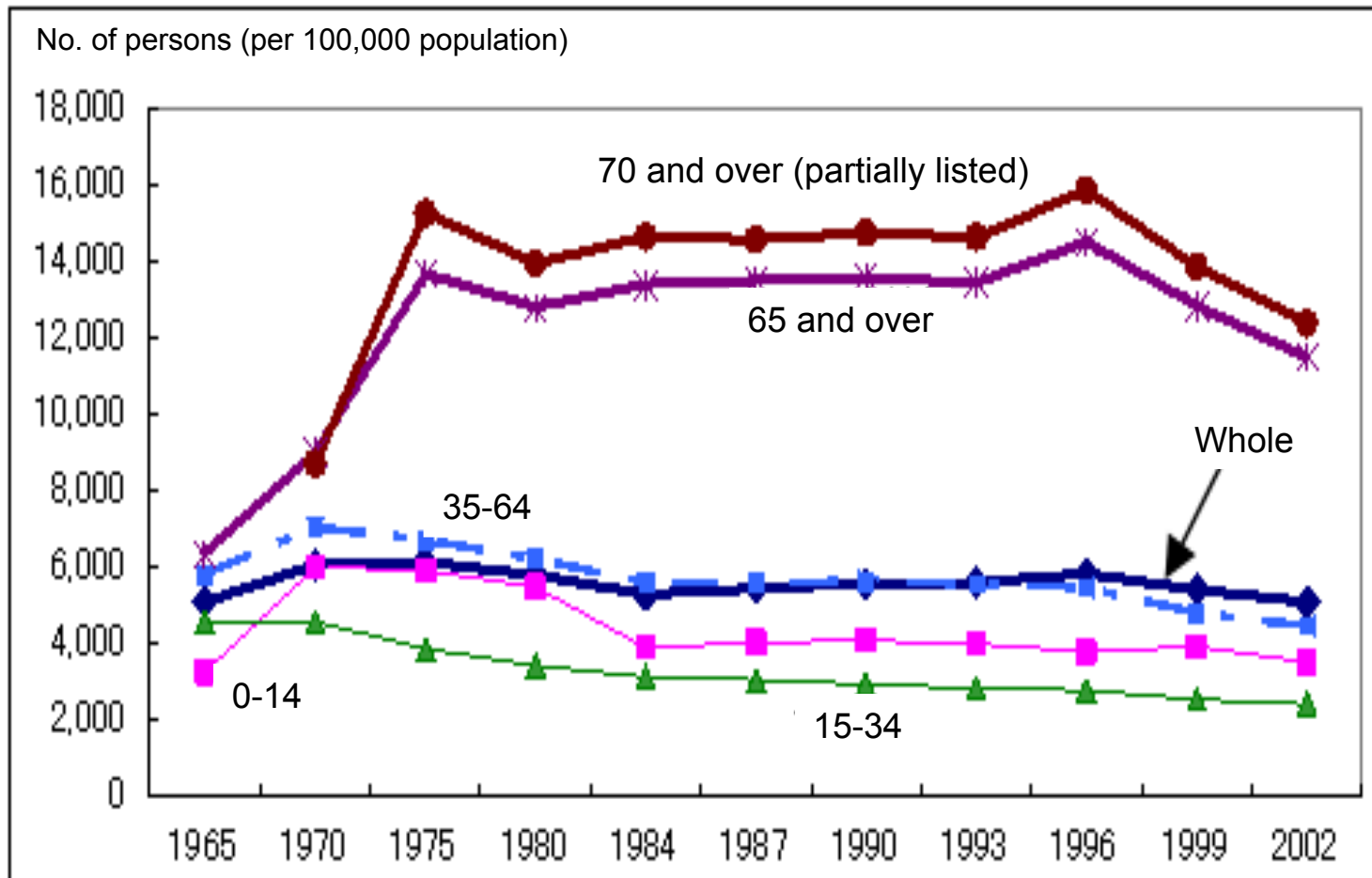


*Frequent medical usage among the elderly*

# Trillion yen Trends in National Medical Expenses

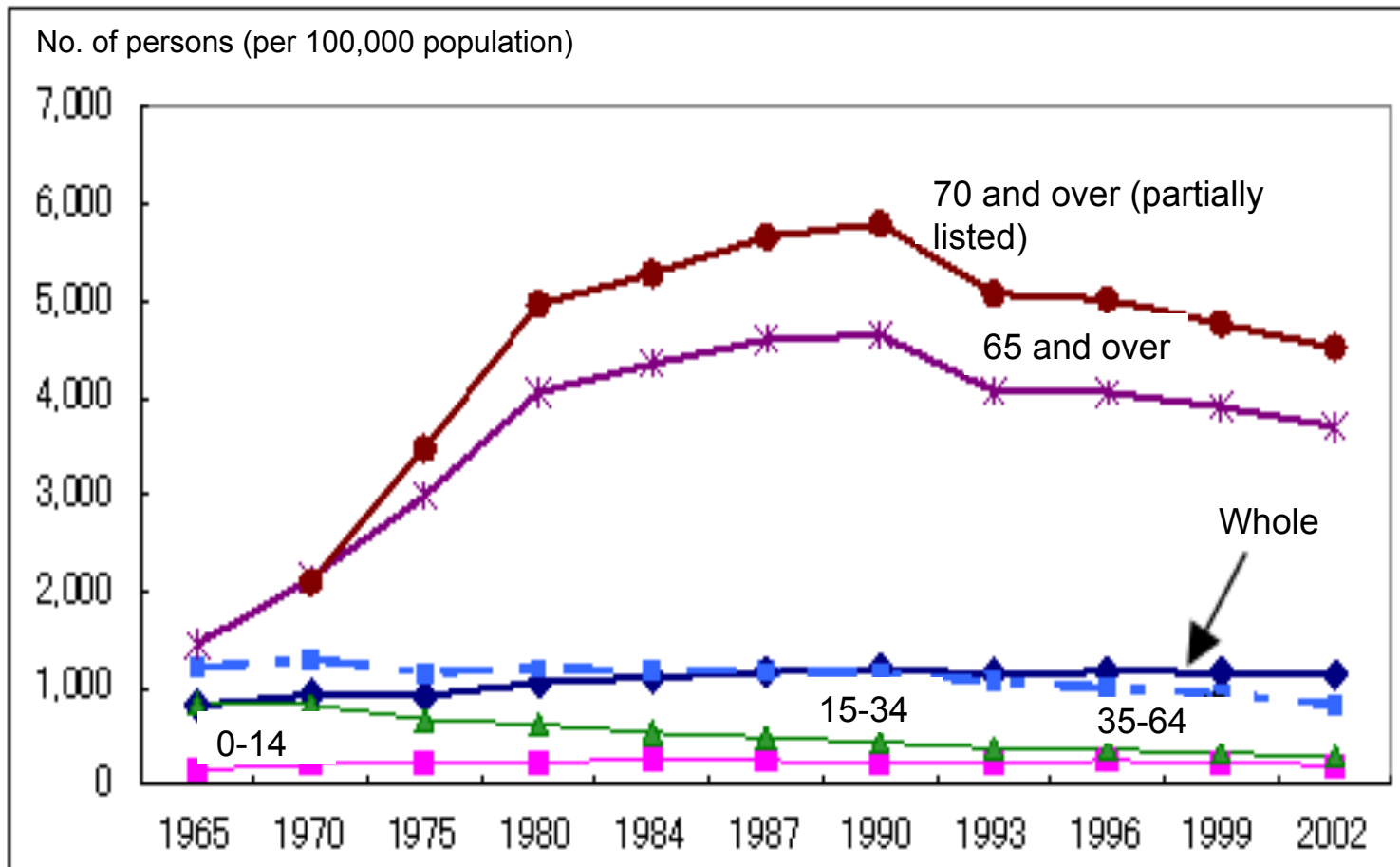


# Outpatient Visits per 100,000 population



Source: Cabinet Office, *Structural Reform Evaluation Report 5*

# Inpatients per 100,000 population



Source: Cabinet Office, *Structural Reform Evaluation Report 5*

## The characteristics of Japanese health care system

1. Lack of clear definition of a hospital
2. Large number of the hospital beds
3. Low physician and nurse/bed ratio
4. Long average length of stay in hospital
5. Frequent medical usage among the elderly
- 6. Frequent use of CT and MRI**



# Other features

Table 2

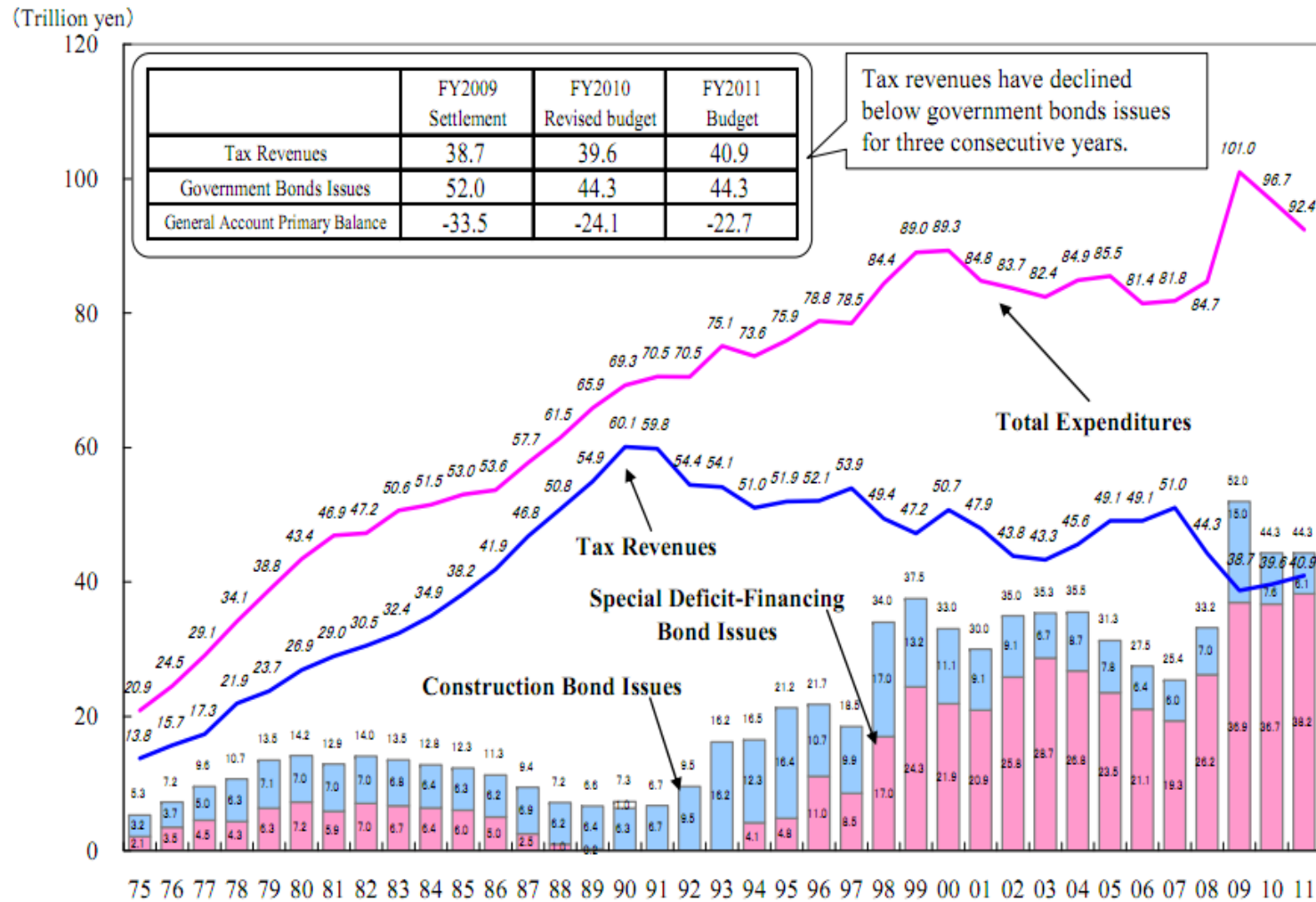
Expenditure on prescription drug/total health care expenditure

Prices of the drug covered by the insurance are the highest in the world.

# Japanese elderly use a significant portion of healthcare expenditure

- People aged 65 or over, occupy 22% of the total population uses 54.6% of the total expenditure.
- Per capita health expenditures among the elderly are almost 4 times as much as the amount spent for the 0-64 age group.

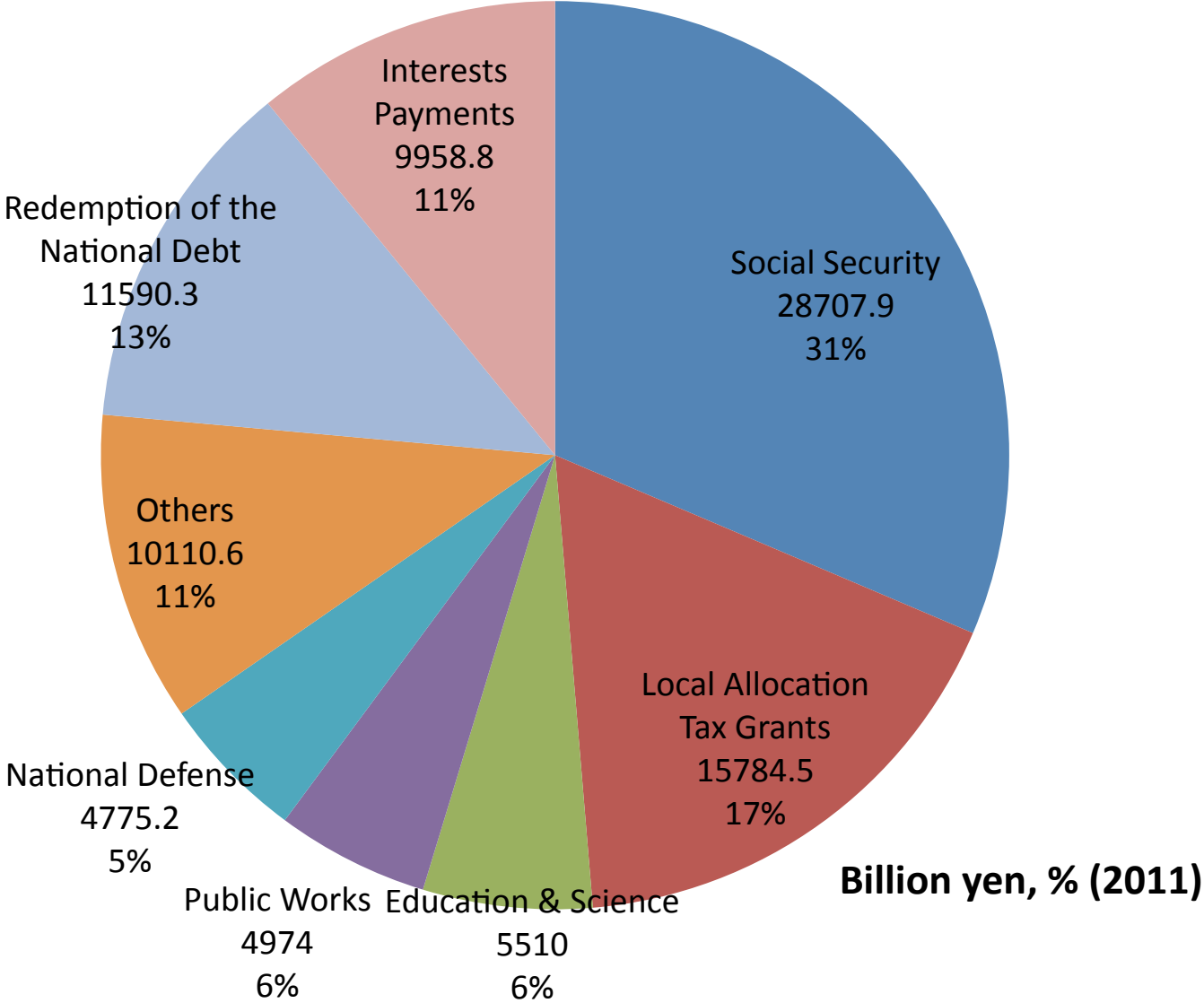
# General Account Tax Revenues and Government Expenditure



(FY)

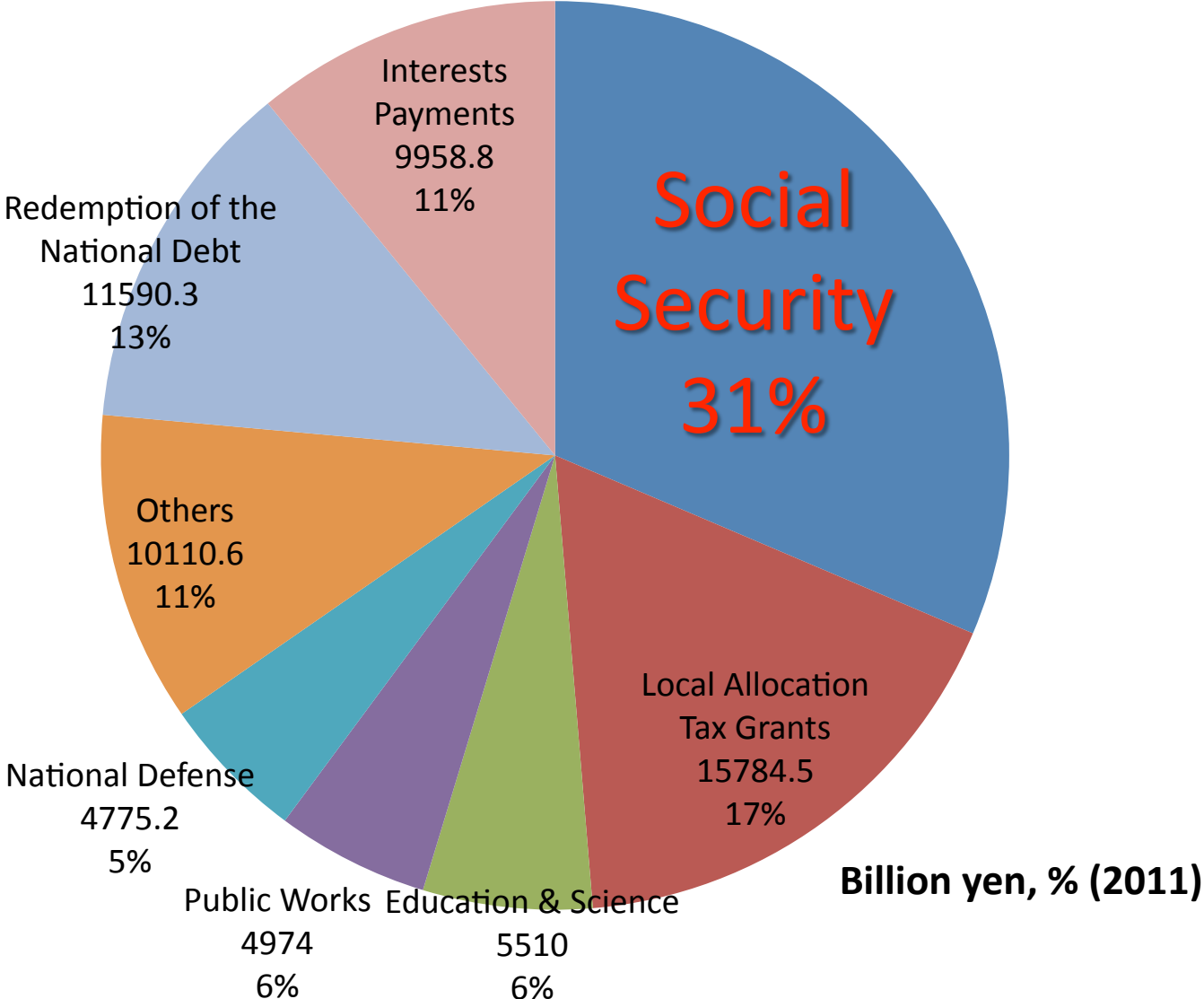
# Japanese Government Expenditure

¥ 92.4 trillion (2011)



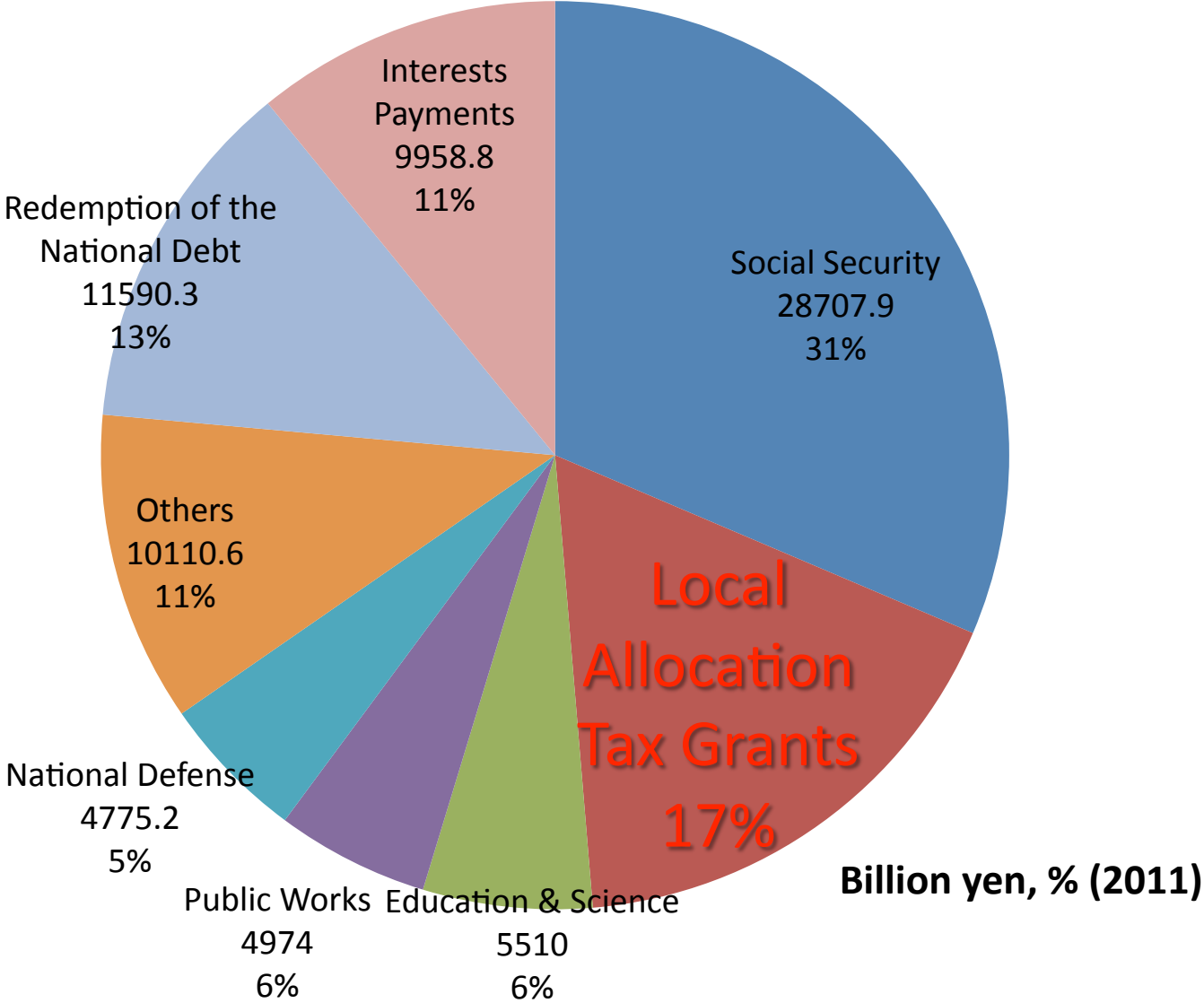
# Japanese Government Expenditure

## ¥ 92.4 trillion (2011)



# Japanese Government Expenditure

¥ 92.4 trillion (2011)



Local Allocation Tax Grants is the second largest.

It is used to finance health and long-term care insurance, to finance employing personnel including doctors and nurses at public hospitals and to construct public hospitals.

# National Medical Expenditure

**¥ 34.1 trillion (2007)**

It counts only medical services covered by the public health insurance.

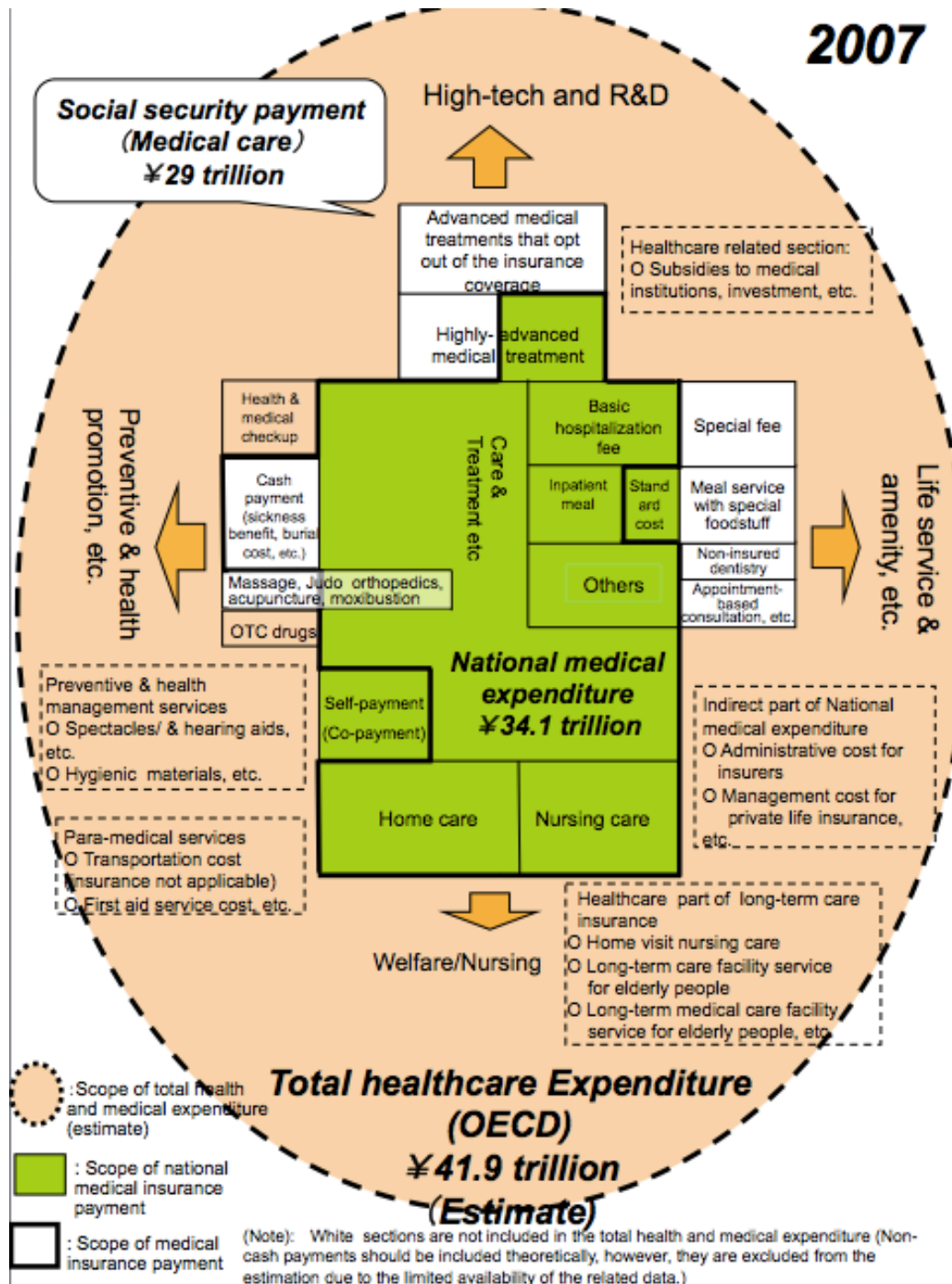
The following items are *not* included

- natural birth, non-insured dentistry
- health checkups, vaccinations,
- over-the-counter medicines
- subsidies to medical institutions or investment
- operation of medical insurances



- One of the problems in the Japanese medical and long-term care statistics is absence of clear systematic concept such as SNA.
- It is necessary to re-organize relevant statistics by positioning OECD's SHA (System of Health Accounts) as a backbone statistics on medical expenses

2007



# National Accounts: health sector (2007)

1. Fixed capital formation

for the health sector: Not available

2. General Government Final Consumption

Expenditure (Health): 35.3 trillion yen

3. Households Final Consumption

Expenditure (Health): 11.9 trillion yen

Total: 47.2 trillion yen

What is the weakest point of Japanese health care system?

# Inefficient primary care system!



Table 1 shows that Japan does not have a system of family doctor

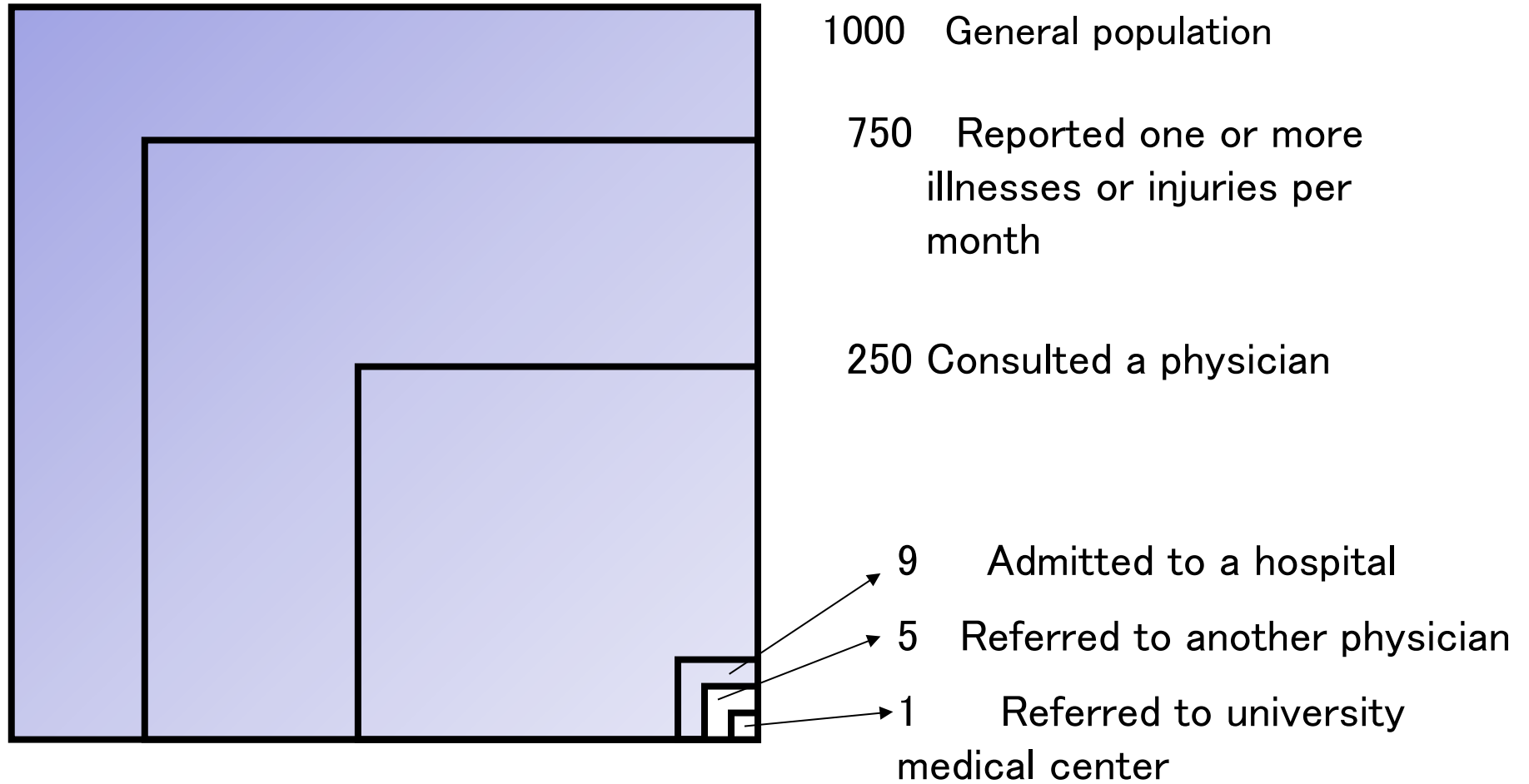
- Traditionally Japanese primary care has been managed by specialists who are self-trained to be generalists.

Family doctor, specialist in primary care. Such countries as Canada, Australia, UK, Netherlands, Singapore, Malaysia, Korea, Taiwan have a strong system to train family doctors/GPs as key players to provide continuous, comprehensive, person-centered care in the community.



# How people seek medical care in an average month

*(Based on White KL, et al. 1961 and Green et al. 2001)*



# Without family doctors

- Common to visit general hospitals or university medical center for minor illnesses such as headache or flu.
- Elderly often suffer from various symptoms and they often visit specialist for each episode of illness
  - ex. cataract (eye doctor), high blood pressure (heart doctor), backache (orthopedist) etc.
- Even more serious is: Many people who have health problems but do not consult doctors.

# Japanese healthcare system needs in this aging era

A good collaboration between specialists in the hospitals and community based primary care physicians.

# Another weakness of Japanese health care

We do not have health register systems for the whole population.

# Suggestions

- IMF recommends Japanese government to construct sound systems to train family doctors in the community
- Democratic party has been discussing introducing social security numbers.