

Japan's Health Care Financing

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BBC Online News (4 March 2008)

- Japan, the world-most aged country, is going to reduce the size of silver goblets presented to centenarians on the “Elderly day” (middle of September).

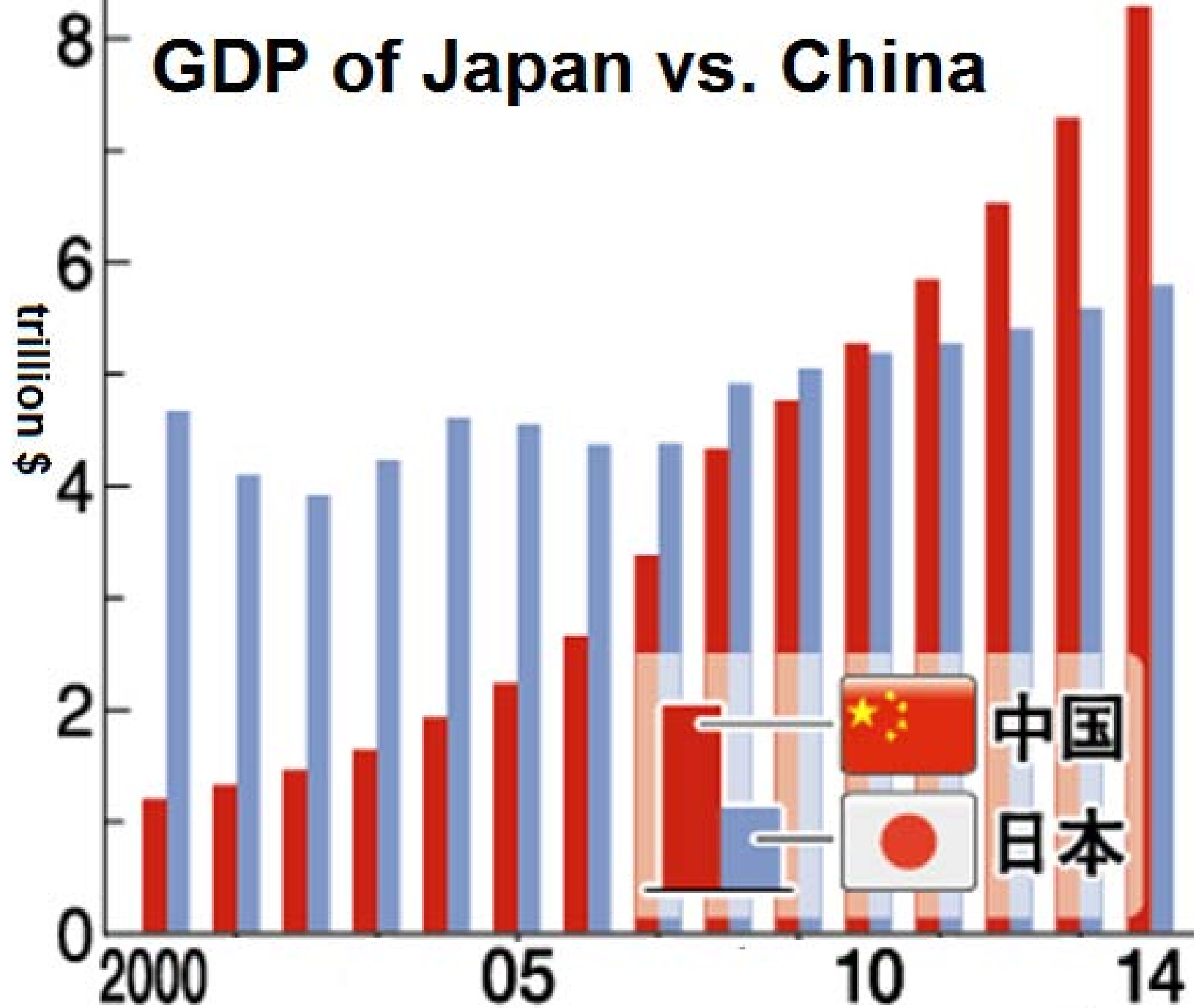


- The country with more than 20000 turns 100 yo this year is suffering from financial crunch. The silver goblets, the size so far has been 10.5 cm will be reduced to 9cm this year.
- [aftermath] “Missing centenarians” problem is jolting the country in the summer of 2010

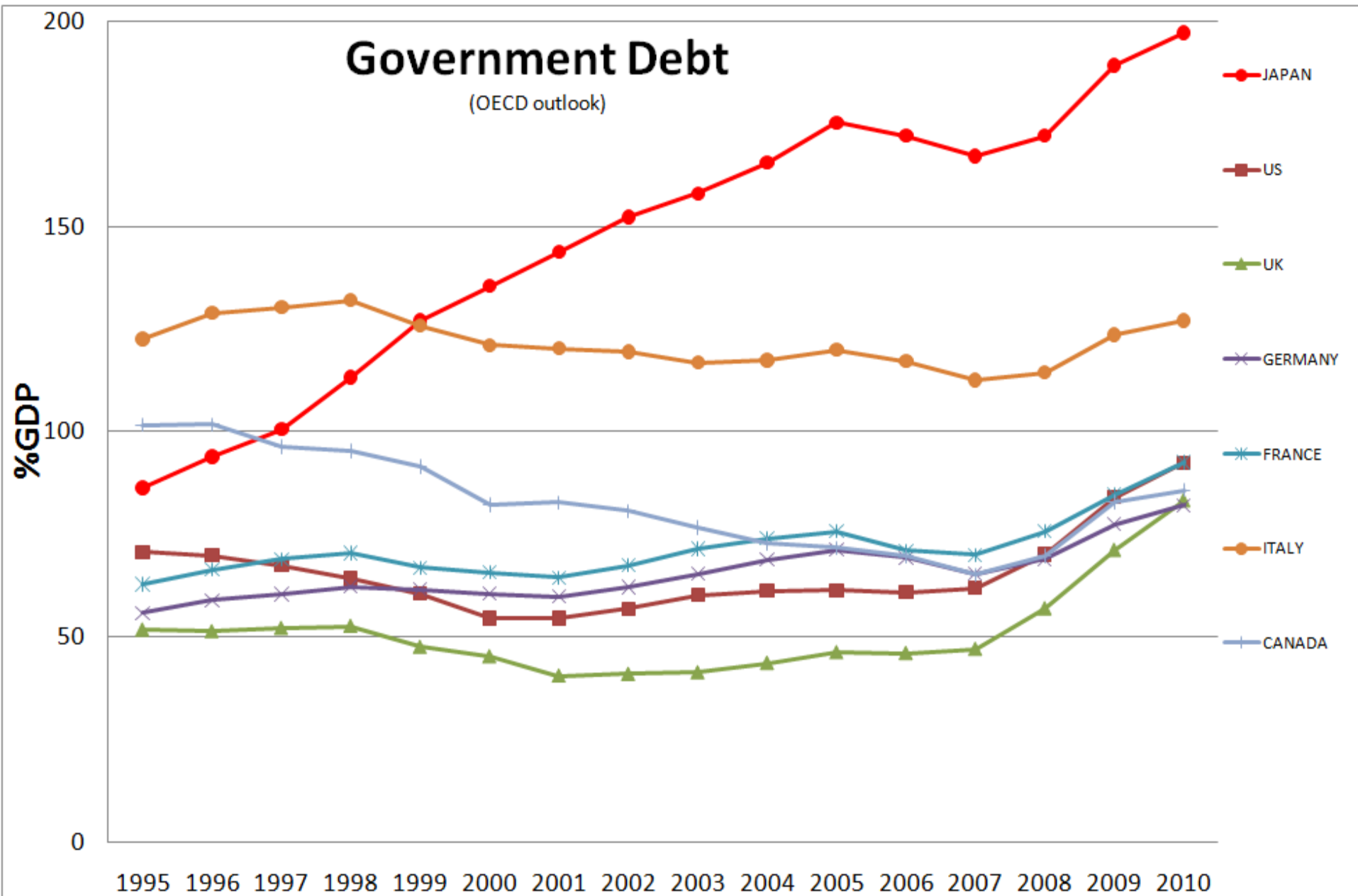
History of Japan's finance

- Around 1980 → "A hundred million all in middle class". arguably the most *egalitarian* country in human history due to *heavy tax* (the highest marginal tax rate 86%!)
- Around 1990 → "Bubble economy" → widening gap of assets (real estate, etc) → *reduced* tax rate (except consumption tax introduced in 1989)
- The lost 20 years → stagnant economy → widening rich and poor → low tax revenue → accumulating debt

GDP of Japan vs. China



credit crunch

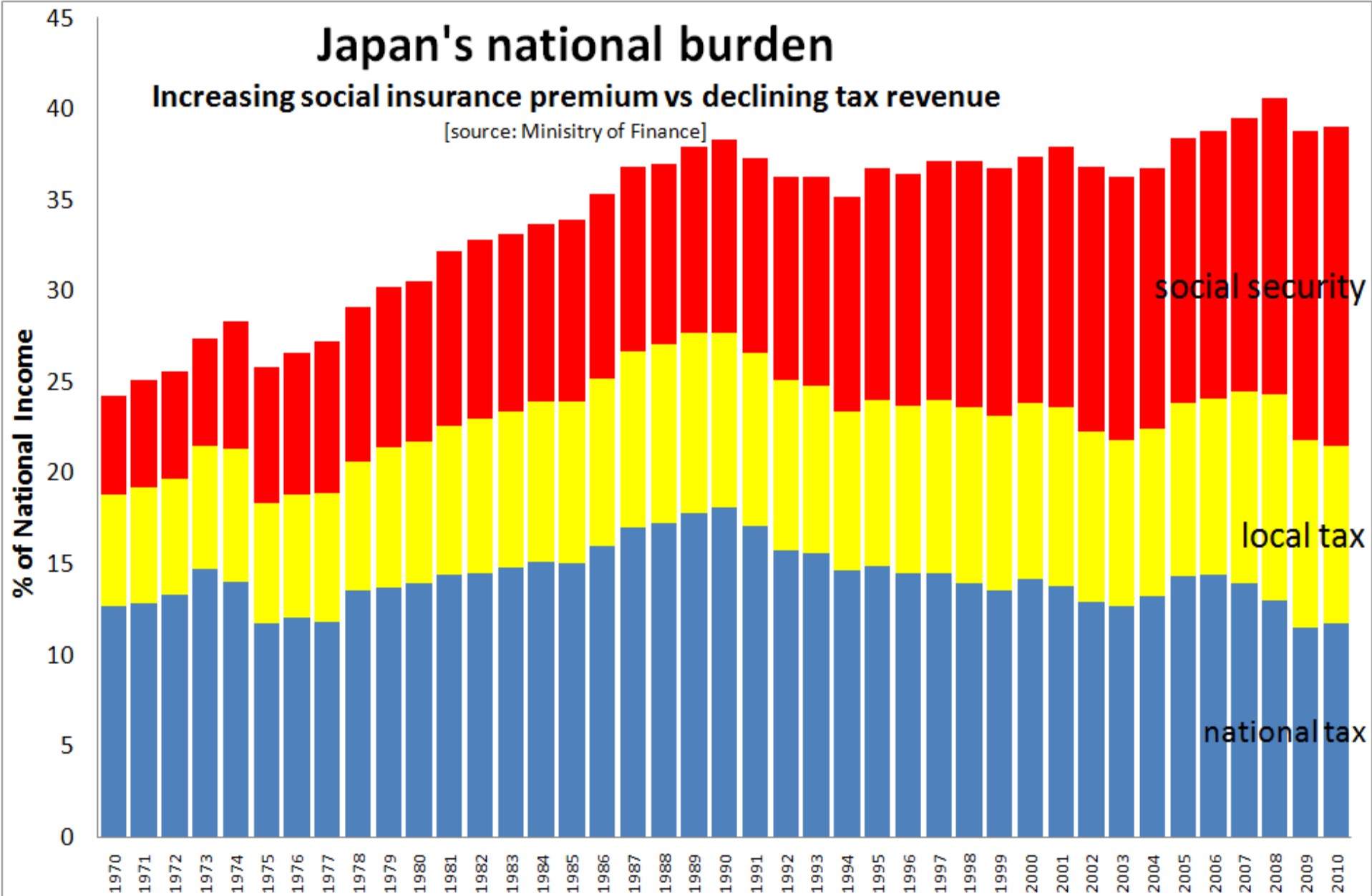


Social Security↑ Tax↓

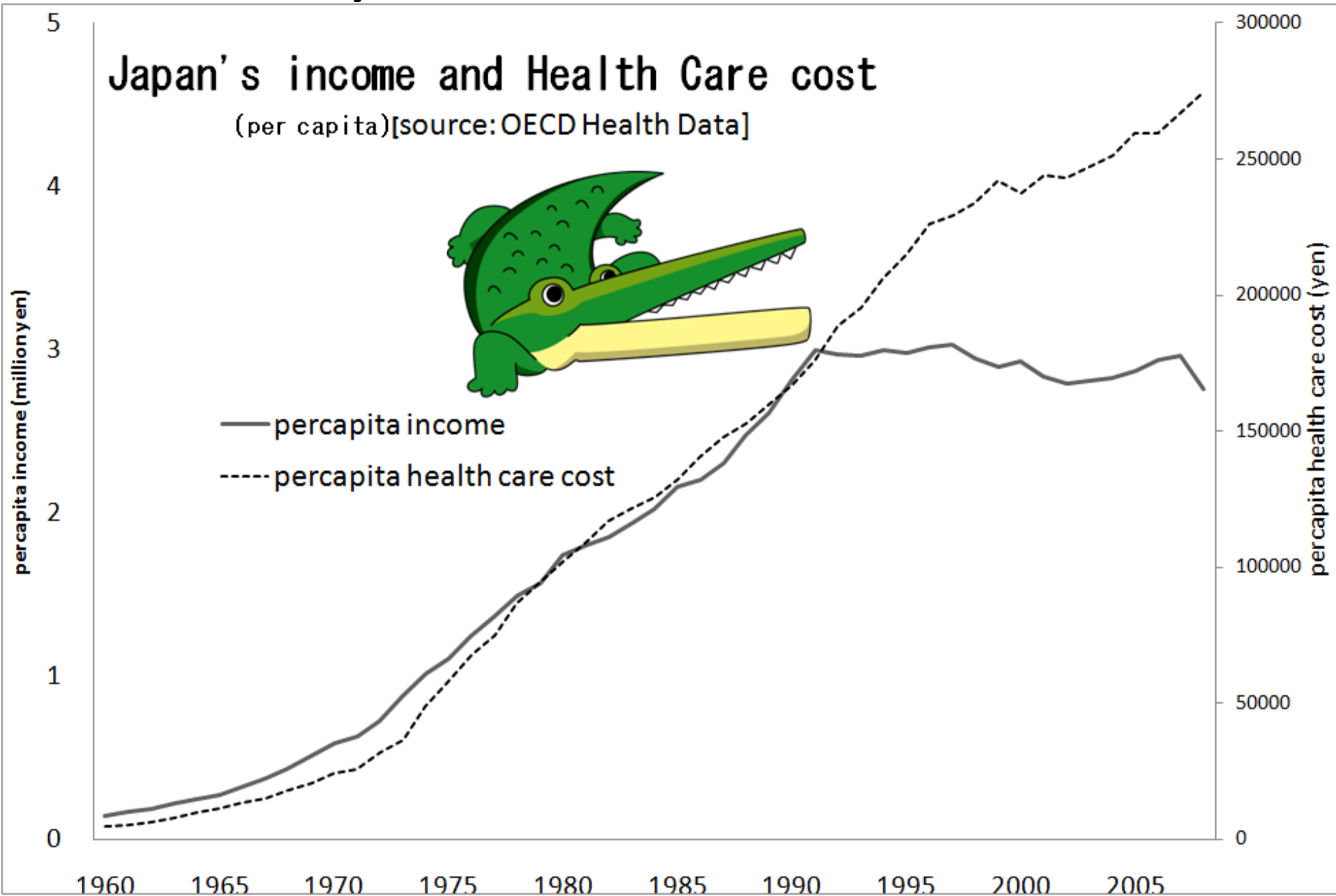
Japan's national burden

Increasing social insurance premium vs declining tax revenue

[source: Ministry of Finance]



Lost 20 years and crocodile's mouth



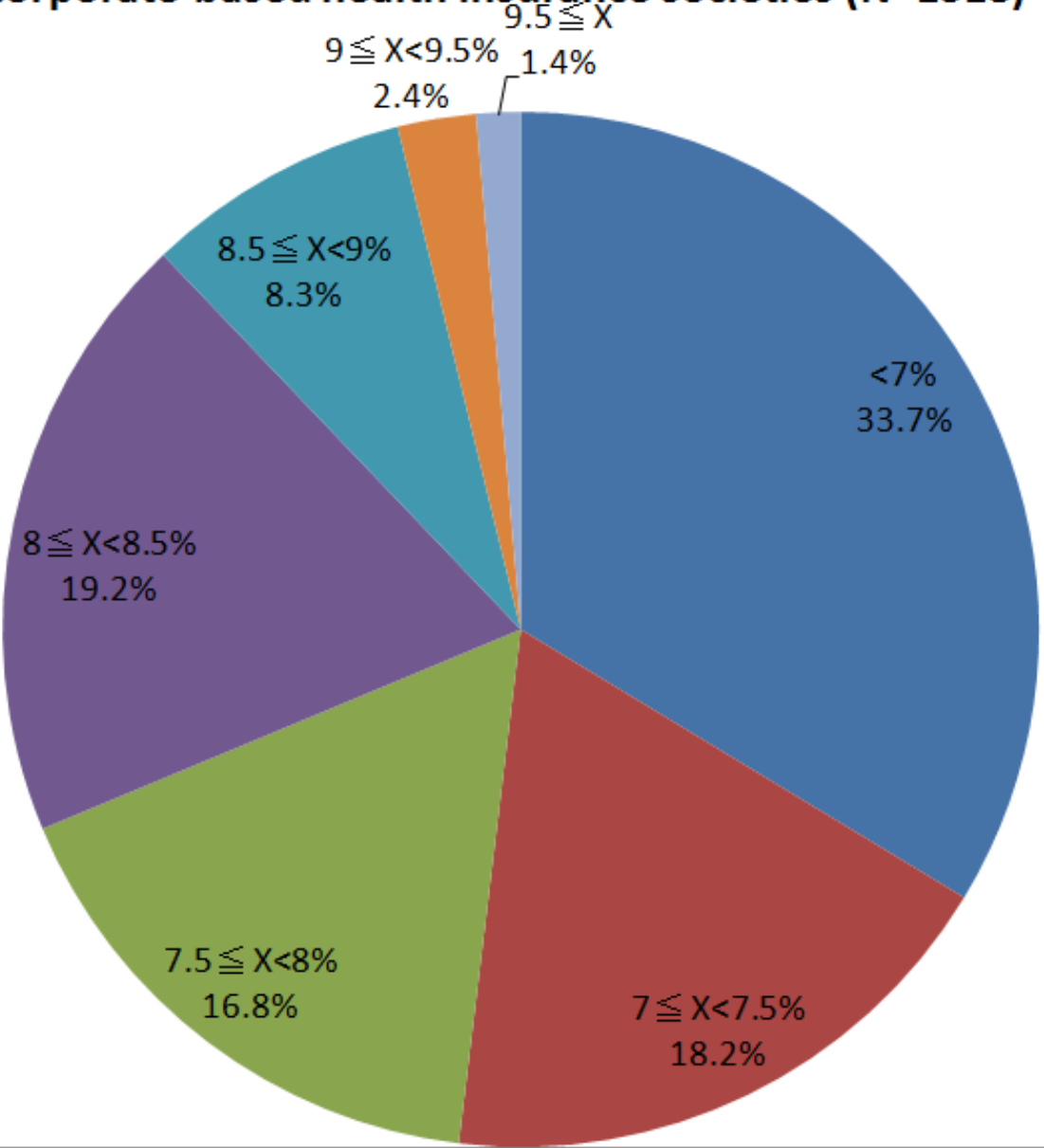
Japan's health care financing system

- ***Fragmented*** insurers (similar to Korea before 2000)
 - 1500 corporate-based Health Insurance Societies
 - 167 trade-group-based National Health Insurance Societies (NHI societies)
 - 1800 municipal NHI (cities, towns and villages)
 - 90 Mutual Aid Associations (MAA) for civil servants
 - the giant Japan Health Insurance Association (JHIA) covering small-medium corporations
- Separate insurance system for the elderly >75yo (likely to be abolished by 2012 due to unpopularity)
- LTCI for >65 uniform by municipal governments

Premium structure

- Employees' health insurance
 - fixed % of monthly wages (up to 1.21 million yen) + bonuses (up to 5.4 million yen/year)
 - ex. JHIA:9.3% (+1.5% LTCl for >40yo)
 - ***NOT RELATED TO N of family***
 - ***Working couple will pay double premium***
- Municipal NHI
 - fixed % of annual ***household*** income + fixed premium/beneficiary (+ real estate tax in some cases)
 - ex. Osaka city: 11.4% of annual income + 25564yenXN +43895 yen (3 million yen, 4 family->488,151 yen/year)
capped at 560,000 yen/household

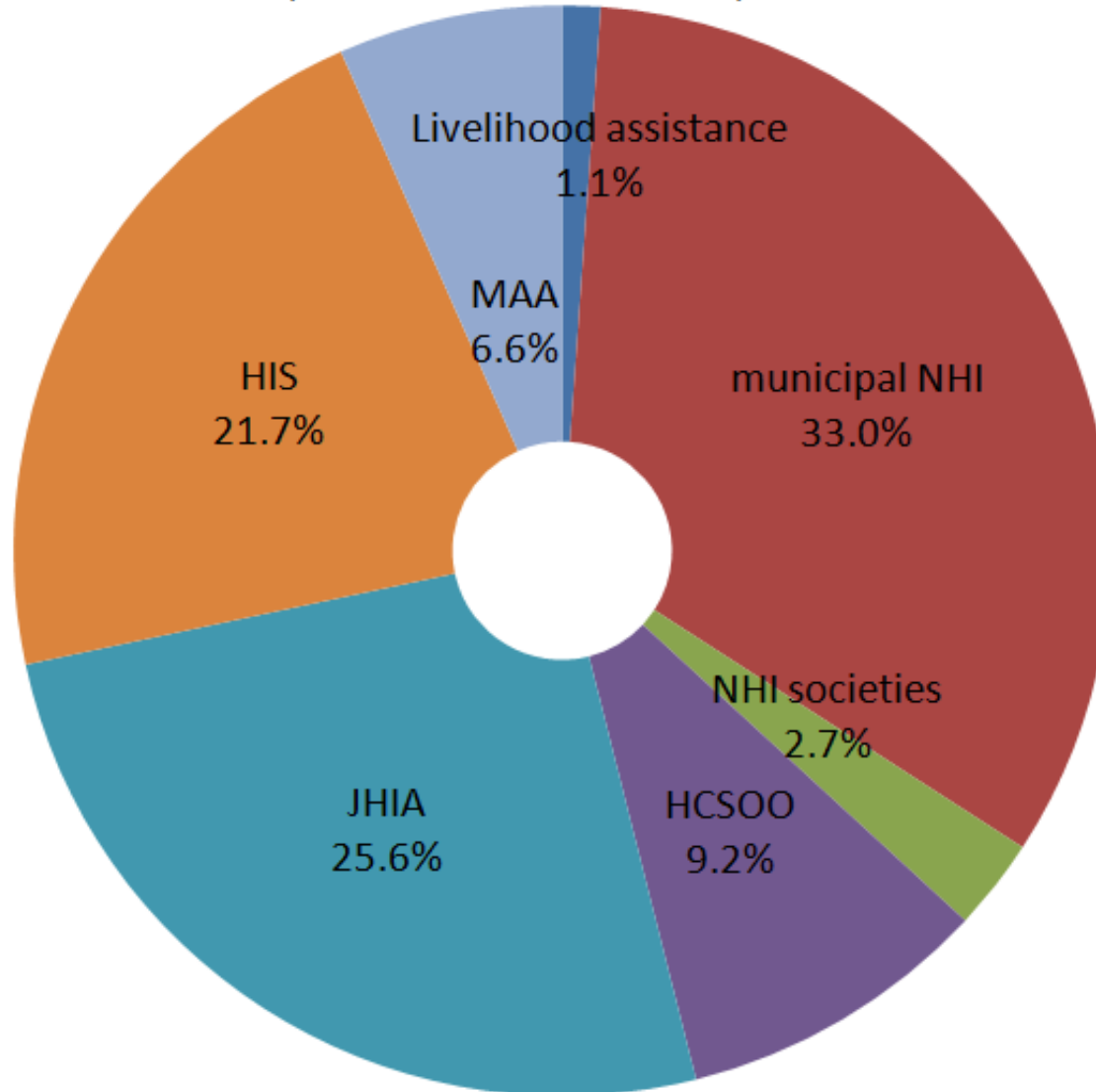
**Distribution of premium %
in corporate-based health insurance societies (N=1518)**



How fragmented?

Distribution of population coverage by health insurance

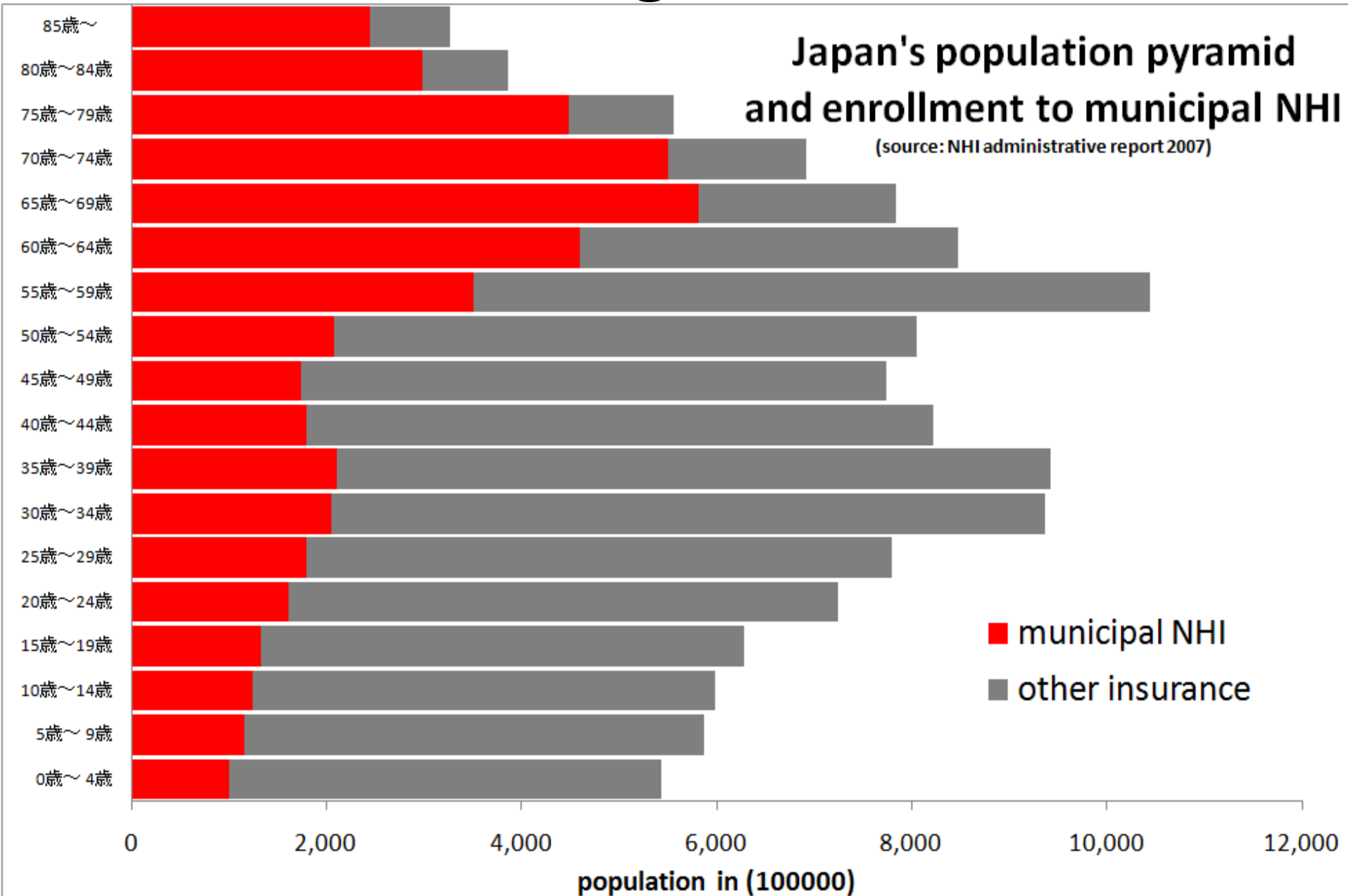
(as of April 2008, NHI:National Health Insurance, HCSOO: Health Care System for the Old-Old, JHIA: Japan Health Insurance Association, HIS: Health Insurance societies, MAA: Mutual Aid Association)



Skewed age structure

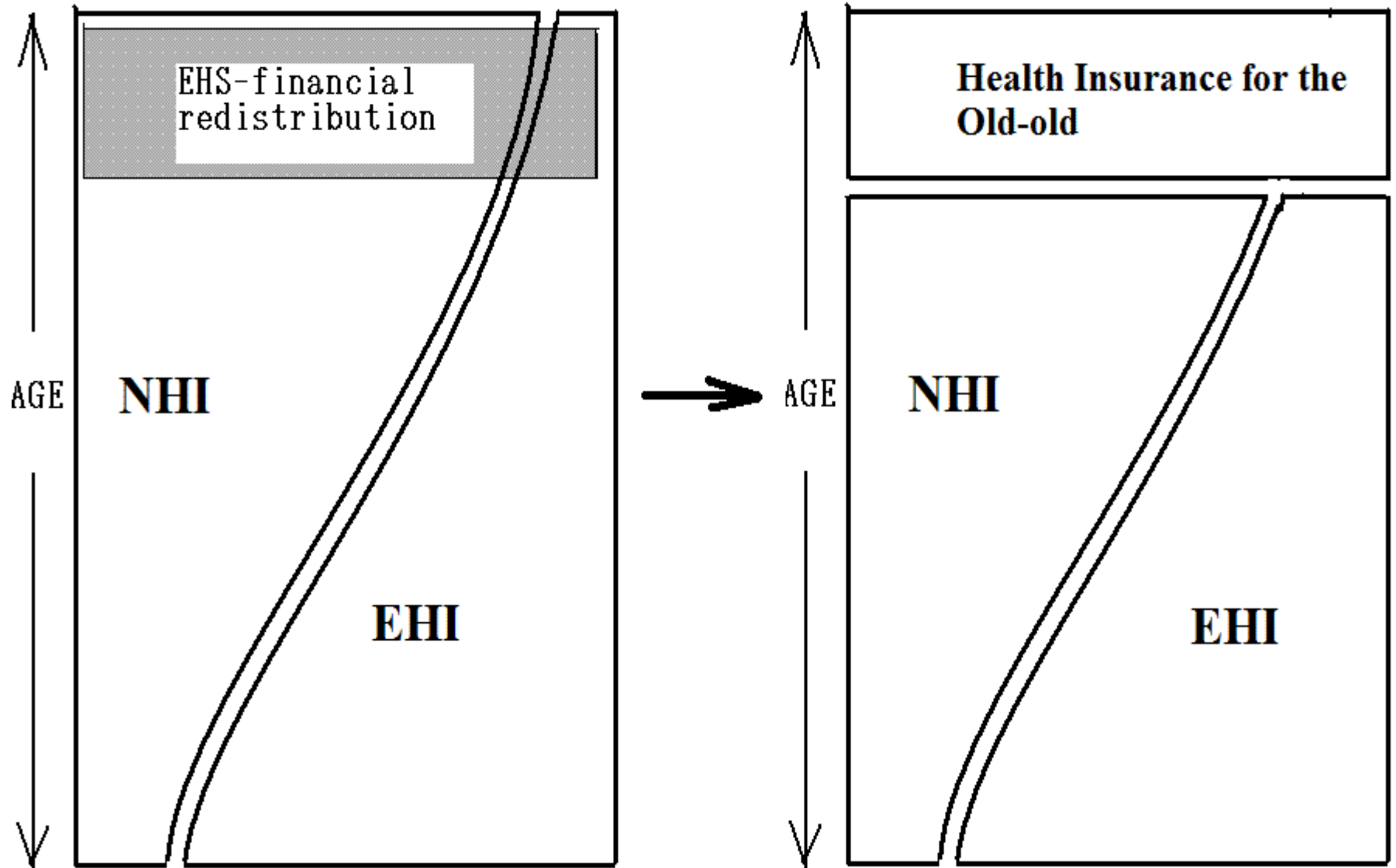
Japan's population pyramid and enrollment to municipal NHI

(source: NHI administrative report 2007)



2008 Reform

Establishment of the Health Insurance for the Old-old in 2008

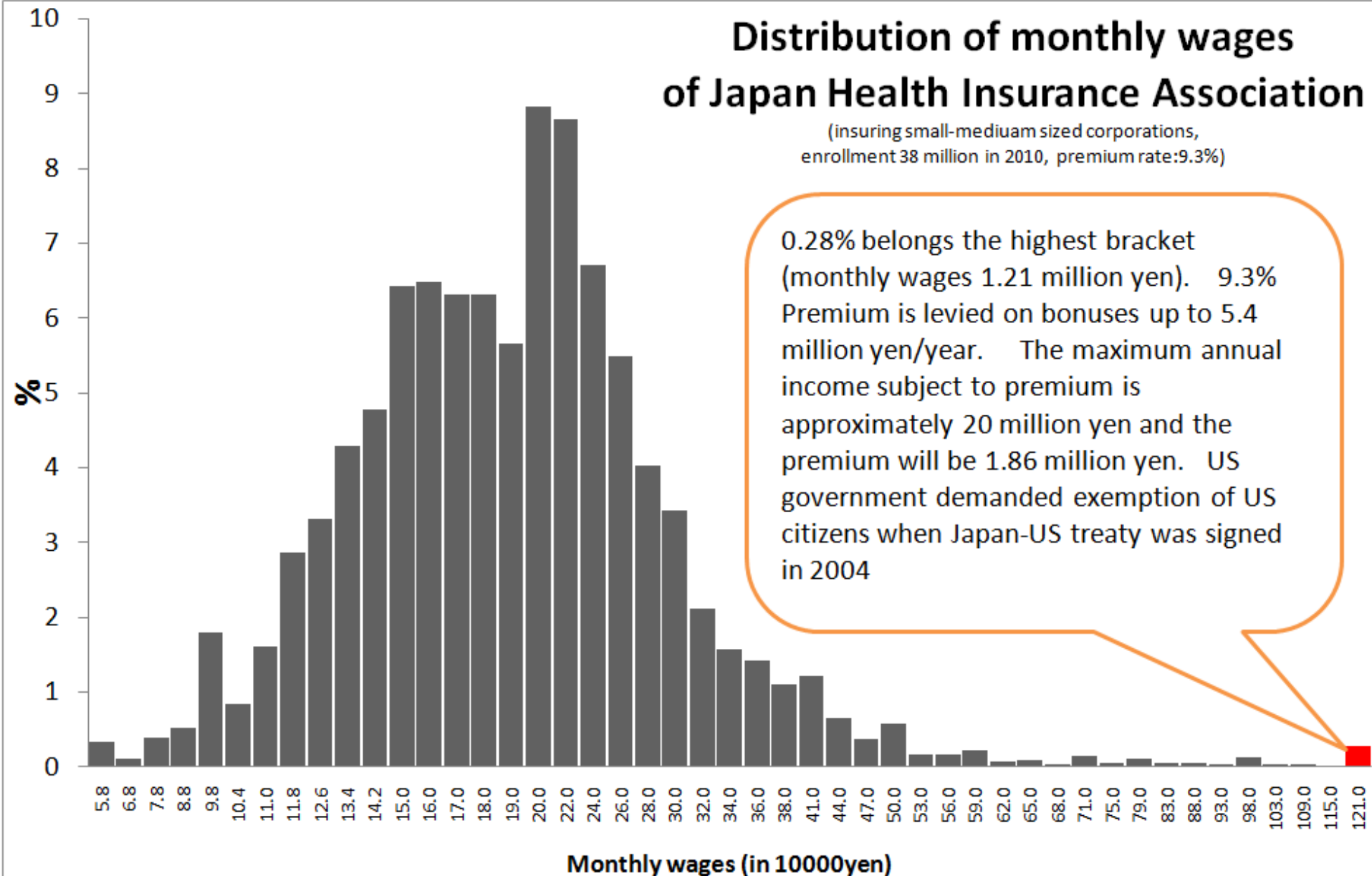


Employees' wages

Distribution of monthly wages of Japan Health Insurance Association

(insuring small-medium sized corporations,
enrollment 38 million in 2010, premium rate:9.3%)

0.28% belongs the highest bracket
(monthly wages 1.21 million yen). 9.3%
Premium is levied on bonuses up to 5.4
million yen/year. The maximum annual
income subject to premium is
approximately 20 million yen and the
premium will be 1.86 million yen. US
government demanded exemption of US
citizens when Japan-US treaty was signed
in 2004

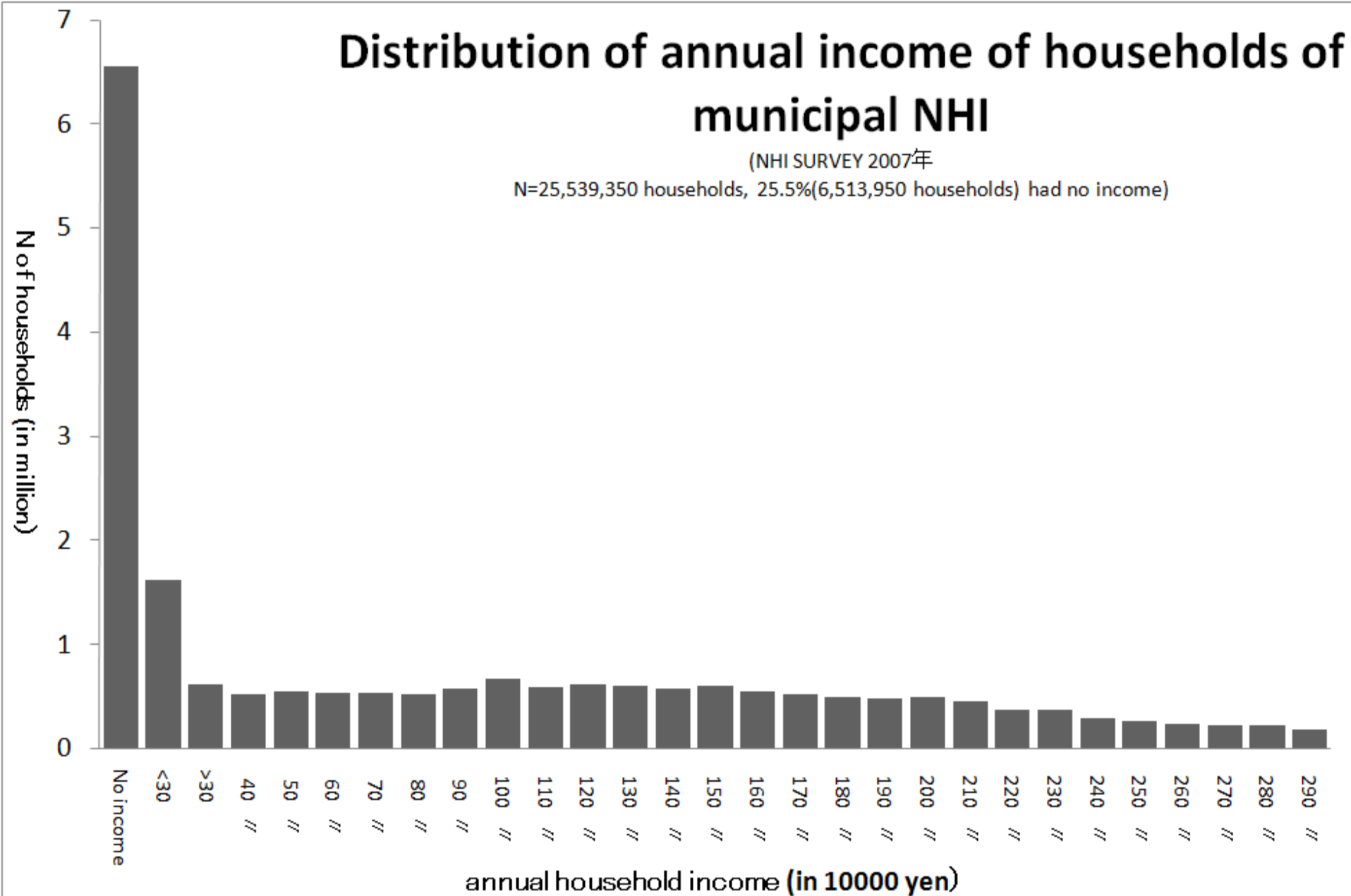


“Reported income” of NHI

Distribution of annual income of households of municipal NHI

(NHI SURVEY 2007年)

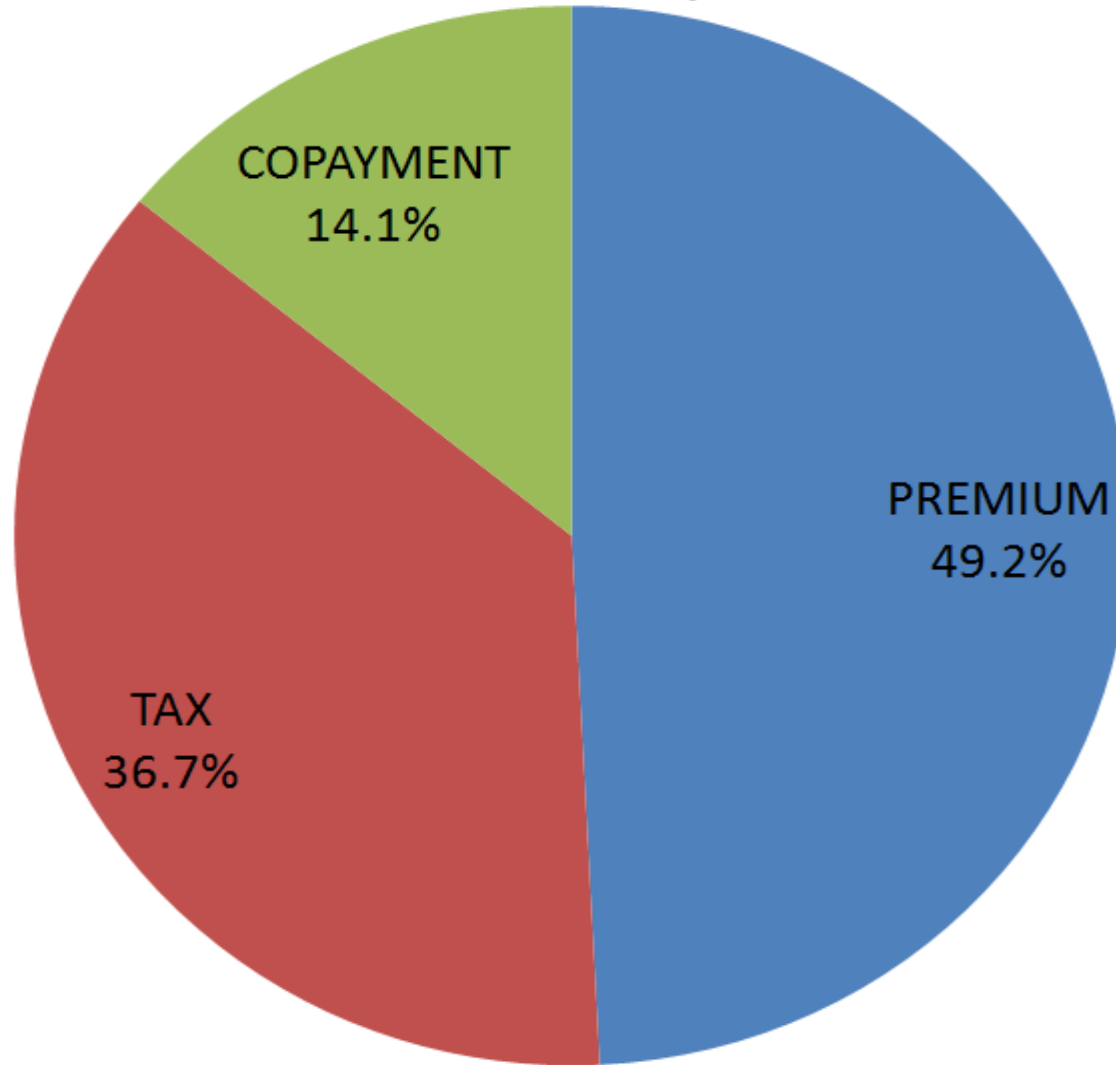
N=25,539,350 households, 25.5%(6,513,950 households) had no income



How the money paid?

Financial sources of Japan's health care expenditure

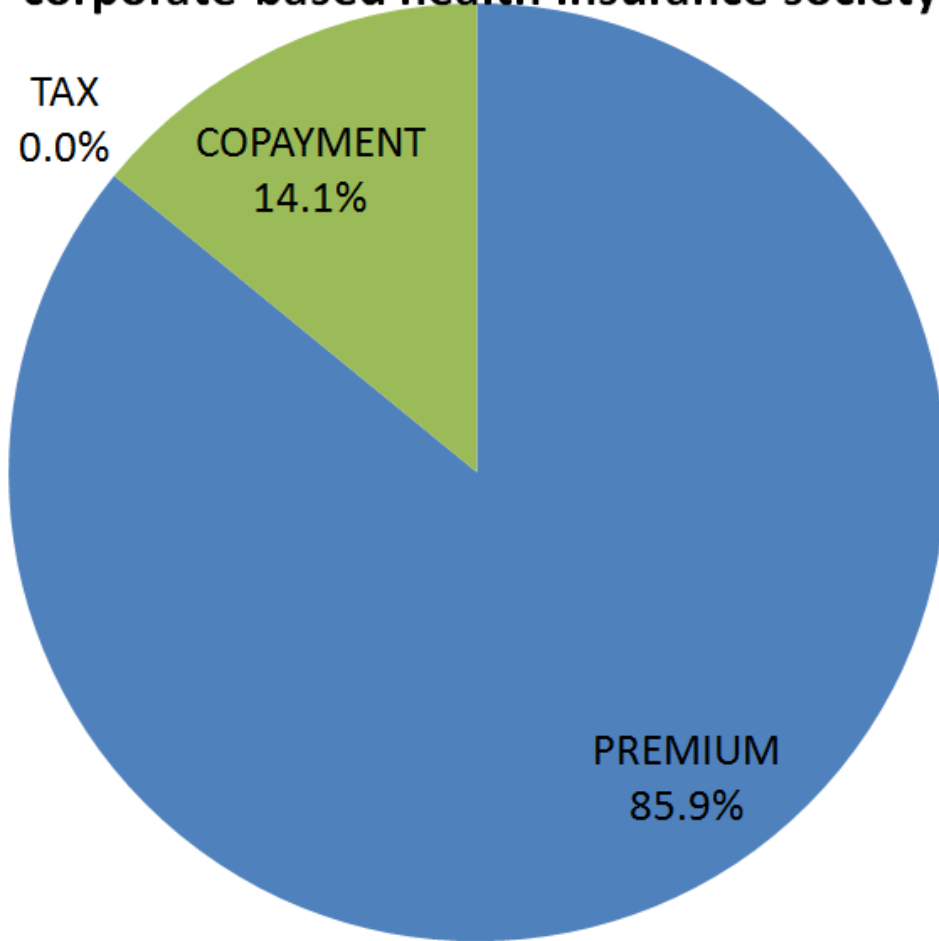
source: National Health Expenditure 2007



Who pays how much?

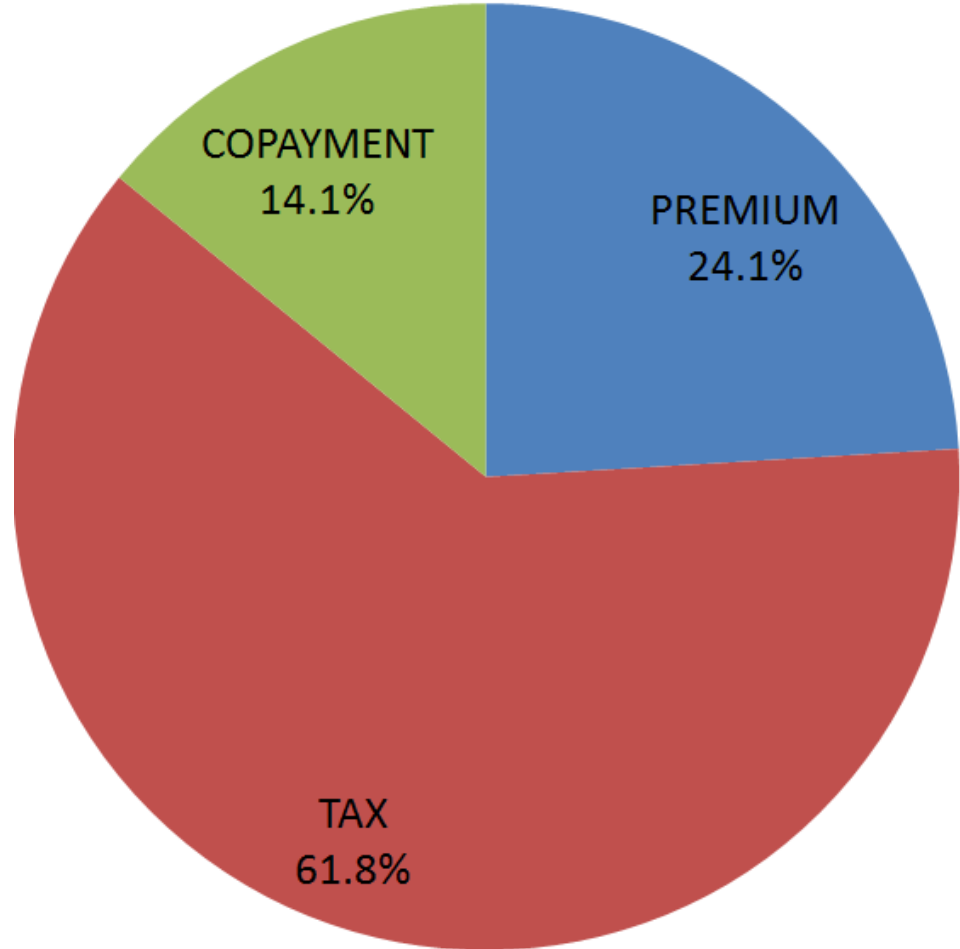
Financial sources of

corporate-based health insurance society



Financial sources of municipal NHI

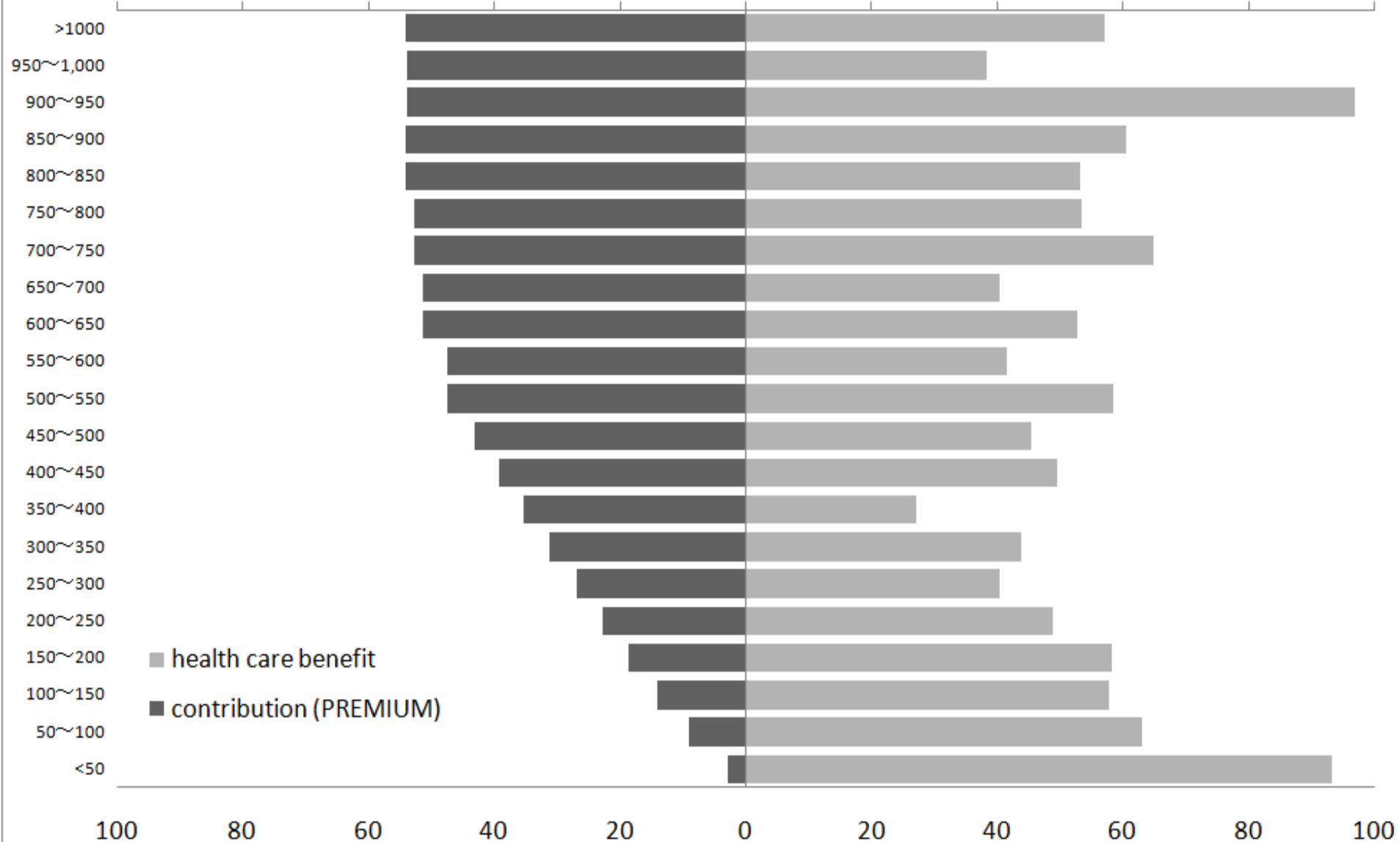
source: NHI administrative reports



Income redistribution

contribution<- (in 10000 yen)->health care benefit

(source: MHLW Income redistribution survey 2005 + NHI administrative report 2007)



Fate of the Health Care System for the Old-old (>75)

- Policy discussion over the reform of the elderly care in 2002 (3 options: 1) continued enrollment, 2) separate system, 3) total unification)->2) adopted
- Outcry of the elderly in 2008 (bad naming, ageism, premium withheld from pension, the new reimbursement for terminal care)<- exacerbated by political campaign
- Overwhelming victory of the Democratic party in August 2009-> abolishment in their manifesto
- Likely to be abolished by 2012. The option of continued enrollment appears favored.

Bitter lessons

- Separate “Elderly system” is now politically unacceptable.
- A success is the mother of failure (LTCL in 2000: good guys vs. Elderly system: bad guys)
- Can we turn a failure into a success??
- What are we going to see in 2013?