Policy Forum

Long live the health care system in Japan

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Summary **In Japan, a cost-containment policy has been implemented with health care system reform. Increasing medical expenses are inevitable due to aging of the population, health transitions, and expanded and advanced medical services. Policies such as the introduction of regressive reimbursement for inpatient services as part of social insurance, the reduction in the number of hospital beds, fewer medical examinations, and curtailed usage of medical tests have jeopardized the accessibility and quality of medical services, especially for the elderly. Compared to other developed countries, both the proportion of the government's payment of health expenses and the proportion of health expenses in proportion to GDP are lower in Japan. To confront the challenges of an aging society in terms of finances and the health care system, policymakers from the Ministry of Health should take a comprehensive approach instead of a mere cost-containment policy.**

Keywords: Health care system, Japan, Cost-containment policy

In Japan, medical service fees were reduced 2.7% in 2002, when health care system reform was implemented. Although it was excused as "a burden equally borne by citizens, doctors, and the government" by Prime Minister Koizumi, the reform actually focused on the cost-containment and went against citizens and doctors: the proportion of total medical expenses borne by the national government and businesses decreased while that borne by individuals and local governments increased (Figure 1). To examine the rationality of such a cost-containment policy, two aspects should be determined: factors leading to increasing medical expenses and Japan's health care system in comparison to the rest of the globe.

Generally, medical expenses have been rising in developed countries due to increasing population, aging of the population, use of advanced medical technology, and health transitions. As is clear, progress in medical science and technology leads to prolonged life expediency and health transitions. There has been a dramatic shift in the distribution of mortality and the disease burden from infectious diseases to chronic lifestyle-related and debilitating diseases such as cancer, diabetes, and cerebral and cardiovascular diseases. Expensive advanced medical technologies such as MRI, PET, ultrasonography, computerized axial tomography, and endoscopy have been increasingly used in diagnosis and treatment. Medicine has become available for diseases that were not previously treatable and conditions that had not been viewed as "diseases." Like other developed countries, Japan is also already an aging society. According to a national census in 2005, the proportion of elderly over age 65 in the total Japanese population increased to as high as 19.5%. The elderly are more likely to use a number of medical services. The synergy of those factors definitely contributed to rising medical expenses.

Citing the necessity of reform, policymakers from the Ministry of Health stated that the large number of hospital beds and long hospitalizations, frequent

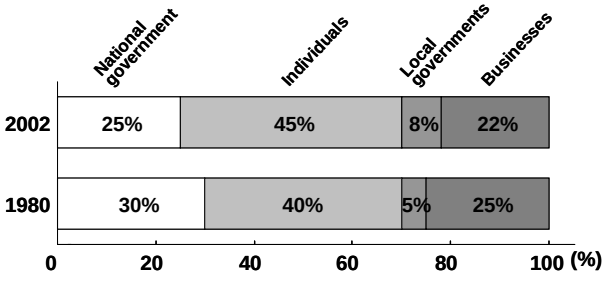

Figure 1. Proportion of medical expenses paid by the national government, individuals, local governments, and businesses in Japan (Source: Ministry of Health, Japan).

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medical examinations, and expanded usage of medical tests led to poor efficiency of the health care system in Japan. However, these issues require a comprehensive approach rather than a simply cost-containment policy.

The large number of hospital beds and long hospitalizations are attributed to "socialized hospitalization," which refers to the fact most patients prefer the hospital to their homes due to the poor rehabilitation environment at home. Policymakers should take social circumstances including a profound tendency towards nuclear rather than extended families, small living spaces, and household income into consideration. The current policies, such as the introduction of regressive reimbursement for inpatient services as part of social insurance and the reduction in the number of hospital beds, have increased the burden of patients as well as their families.

There are both positive and negative aspects to frequent medical examinations. Under the national health care system, patients can receive health care services they need from hospitals and doctors everywhere at their convenience. Although this may lead to relatively substantial use of health care services to some extent, such a system no doubt ensures universal accessibility and the achievement of health outcomes. To reduce the frequency of medical examinations as part of the reform, policymakers from the Ministry of Health have proceeded to consider the exclusion of a small portion of medical fees from reimbursements provided by social insurance. Such a cost-containment measure may potentially result in patients with a mild disease developing a more serious form of the disease and result in even higher medical expenses. What the policymakers should consider is implementation of a long-term health education program on common diseases and lifestyle-related diseases through schools, communities, and the media in order to improve citizens' behavior with regard to effective use of health care services.

During the reform, policymakers strictly restrained the categories and frequency of use of medical tests. This could limit the use of medical tests but it also hinders diagnosis and the quality of health care services since doctors' judgment on the use of medical tests is based on each patient's case rather than a regimented standard. A systematic study on this issue should be conducted in order to provide evidence for policymakers.

Additionally, relatively high drug expenses remain an important contributor to increasing medical expenses, which seems to be intentionally overlooked by policymakers. Compared to other developed countries, drug expenses in Japan have accounted for as much as 31% of total medical expenses (Figure 2), at the root of which is the high price of drugs as part of reimbursements provided by the national insurance system. For example, a capsule of Rythmodan, a drug used to treat arrhythmia, costs 14.3 yen in the UK and 66.8 yen in the US but is as expensive as 90.5 yen in Japan; similarly, 100 mL of Omnipaque, a contrast medium for arteriography, costs 5,244 yen in France and 12,854 yen in the US and yet commands a high price of 14,709 yen in Japan. With the high price of drugs fixed by the Ministry of Health, the ordinary profit rate of the pharmaceutical industry was as much as 22.1% even despite Japan's being in a recession. A rational approach to cost-containment would be to adjust drug prices and facilitate drug distribution rather than to reduce medical fees.

Influenced by exaggerated pieces in the media, such as recent reports that total medical expenses in Japan have already exceeded 30 trillion yen, most Japanese tend to misunderstand the health care system as well as the country's medical expenditures and yet rising medical expenses remain a heavy financial burden for the country. Policymakers asserted that medical expenses, and especially those of the elderly, had increased considerably. According to the Ministry of

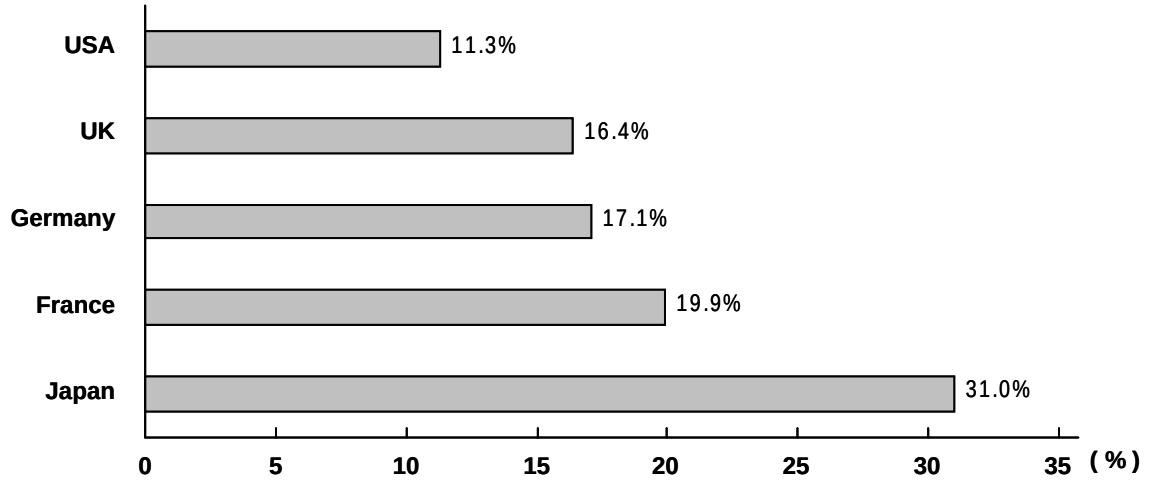

Figure 2. Proportion of drug expenses out of total medical expenses in developed countries (Source: Central Social Insurance Medical Council, Japan).

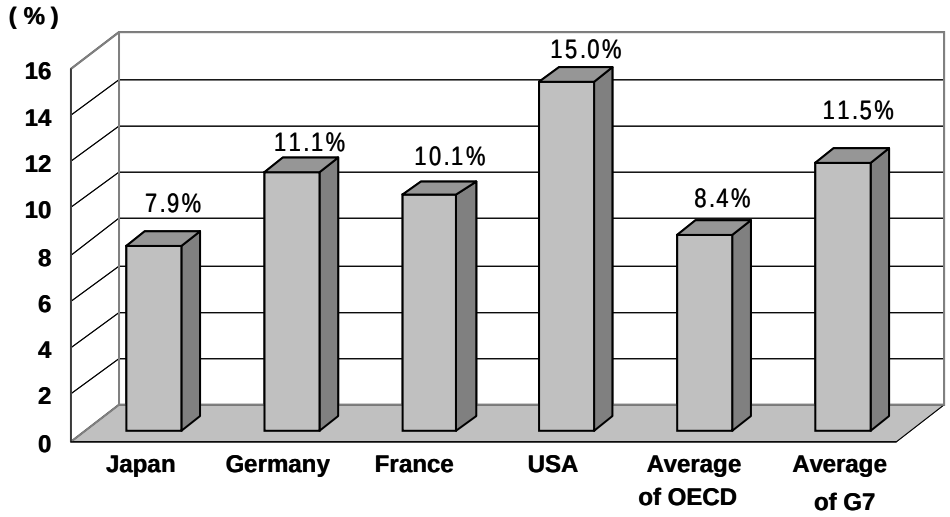

Figure 3. Medical expenses in proportion to GDP in developed countries (Source: OECD Health data from 2005).

Health, medical expenses totaled about 31.5 trillion yen, accounting for 7.9% of GDP. In fact, however, this proportion is the lowest of the developed countries (Figure 3). According to survey data from 2002, individuals paid as much as 45% of medical expenses while the national government only paid 25%. The national financial budget for health care is only approximately one-tenth of that of the US. Given the consequences of an aging society and the status of other developing countries, investment in health care needs not to be limited but to be augmented in Japan.

The cost-containment policy threatens the health care system in Japan, which was once world-renowned for its high quality and best overall health system. Increased payments by individuals have worsened accessibility to health care services particularly for the lower income and the elderly. Moreover, the reduction in medical service fees [paid to doctors by national insurance] (2.7% in 2002, 1.0% in 2004, and 3.16% in 2006) has hampered the management and the financial status of hospitals and clinics. Approximately 90% of government hospitals, 80% of national and public hospitals, and 25% of private hospitals have suffered deficits in recent years. With the sale of independent hospitals, the streamlining of national and public hospitals, and the bankruptcy of some small and medium-sized private hospitals, the health care system has approached the verge of collapse, especially in terms of obstetricians, pediatricians, and emergency services at the community level. Both individuals and doctors were sacrificed to achieve the current cost-containment policy. Ironically, the cost-containment policy of the Ministry of Health has been a godsend to pharmaceutical firms thanks to relatively high drug profits, while hospitals and clinics have suffered. Drug profits should be adjusted in relation to medical service fees.

In conclusion, a priority on the agenda of policymakers should be the quality of health care services and health attainment of all citizens rather than curtailing medical expenditures. Right now, both policymakers and Japanese citizens have to reconsider reform of the health case system: a rigorous cost-containment policy carries a strong presumption against the long life of the health care system in Japan, as shown by earlier lessons from the United Kingdom.

Reference

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