

# Developments and Evaluations of Health Care System and Social Protection in Japan

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# 1. Overall Characteristics of the Social Protection Development in Japan

# Characteristics of the Japanese Experience of Social Protection

- 1. Social Protection System Building  
in the Fast “Catch-up” Economy
  - provides a different model  
from other industrialized countries
- 2. Fast Speed of Aging as a result of  
the Sharp Decline of the Fertility Rate
  - typical pattern in the developing countries

# Rapid Aging in Japan

Ratio of People over 65 years old

7.1%(1970)



12.1%(1990)



23.1%(2010)



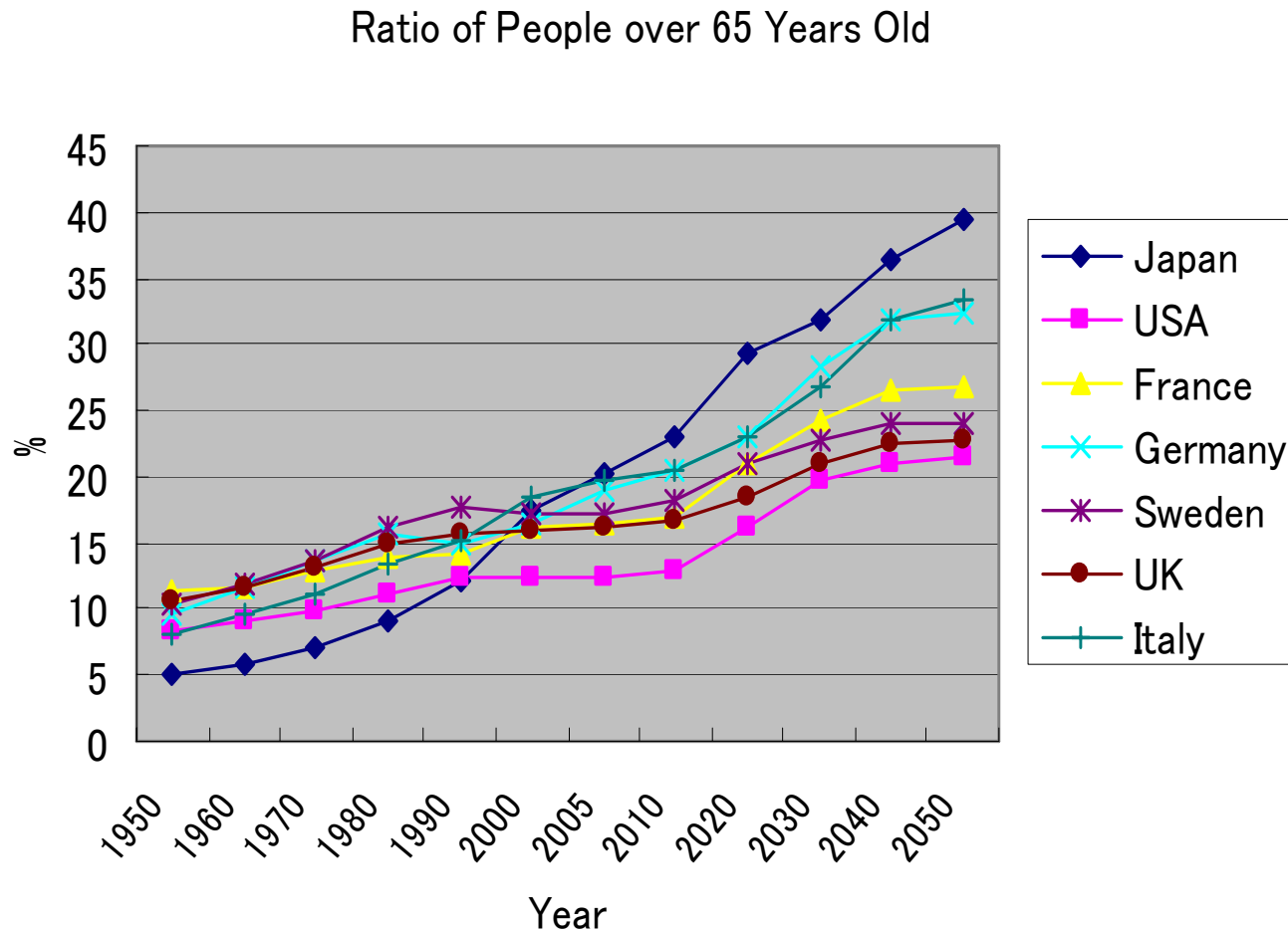
31.3%(2030)



39.6%(2050)

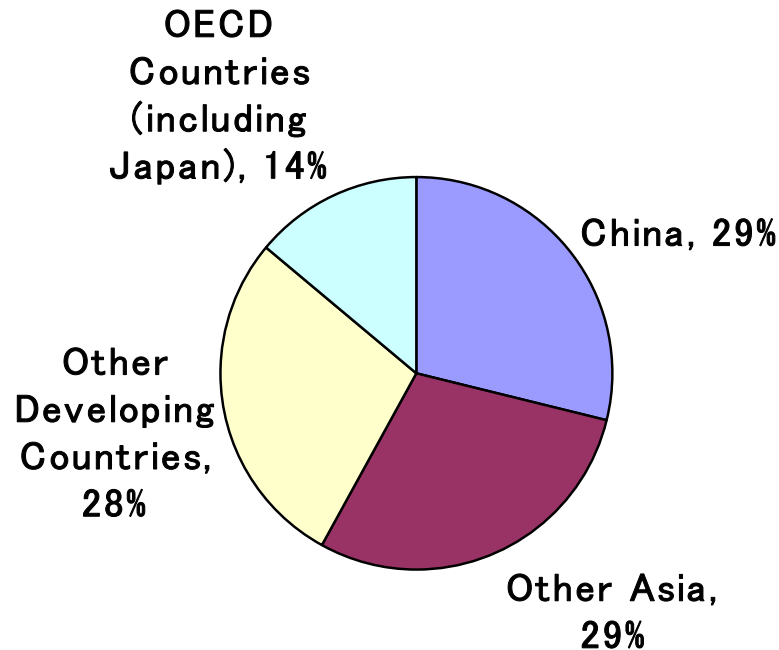
# Rapid Aging in Japan and International Comparison

—Japan as a “front runner” in Aging—



# “Global Aging”

## Increase of People over 60years old by 2030

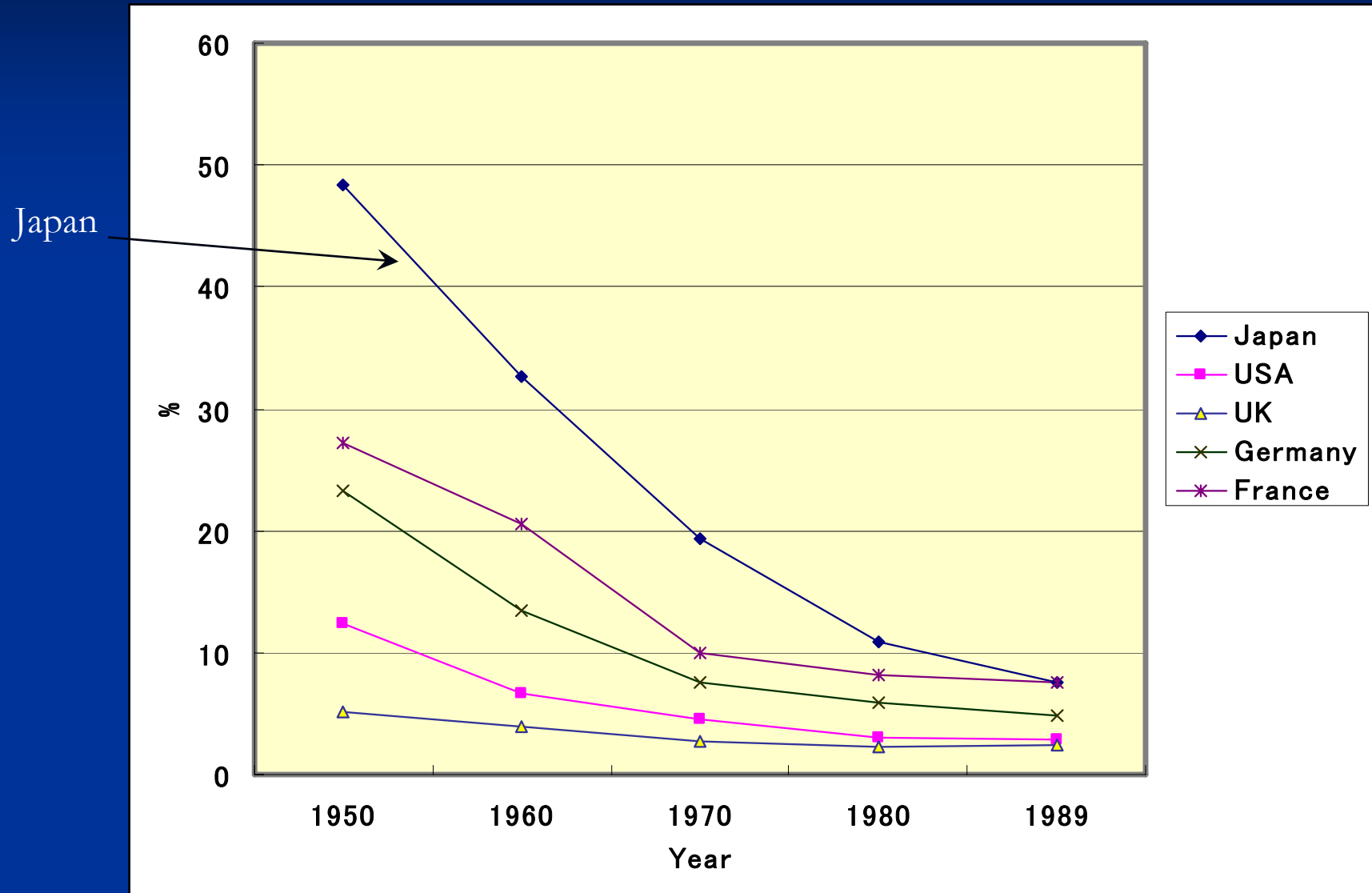


(Source) World Bank, *Averting the Old Age Crisis*, 1994)

# Characteristics of the Evolution of Social Protection in Japan

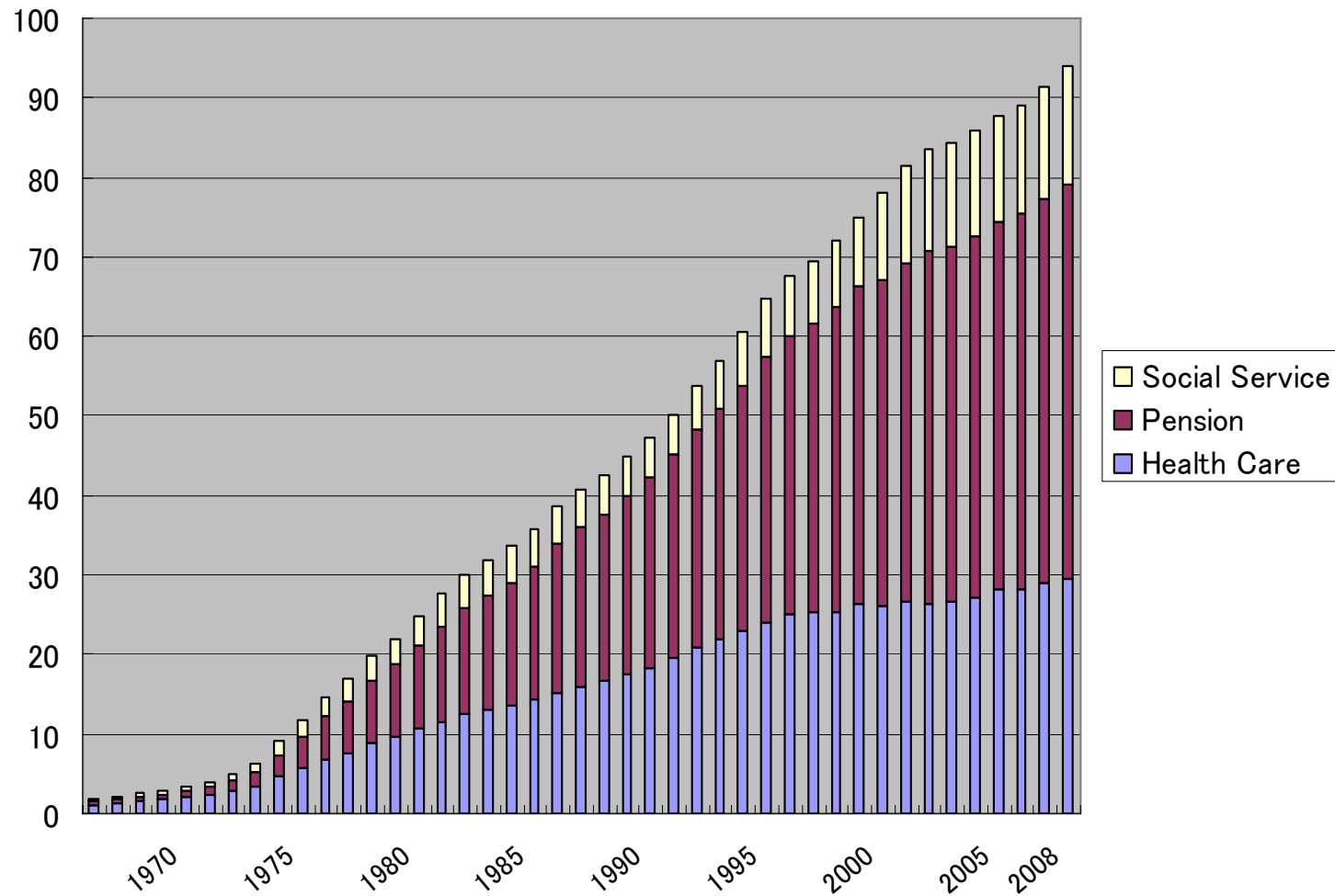
- 1. Started from a German Social Insurance Model  
→ Gradual Shift towards a More Universalistic Model with tax-subsidies from the government
- 2. Incorporation of the Informal Sector (farmers, self-employed) into the Social Insurance System at an Early Stage
- 3. Health Insurance preceding Pension System  
→ Rapid Growth of the Pension System at a Later Stage

# Ratio of Population in Agriculture: International Comparison



# Trend of Social Security Expenditures in Japan

Trillion  
Yen



# Composition of Social Security in Japan

	Health Care	Pension	Social Service (Social Welfare)
1970	<u>58.9%</u>	24.3%	16.8%
1980	<u>43.3</u>	42.2	14.5
1990	38.9	<u>50.9</u>	10.2
2000	33.3	<u>52.7</u>	14.0
2008	31.5	<u>52.7</u>	15.9

# Relationship with the Economic System

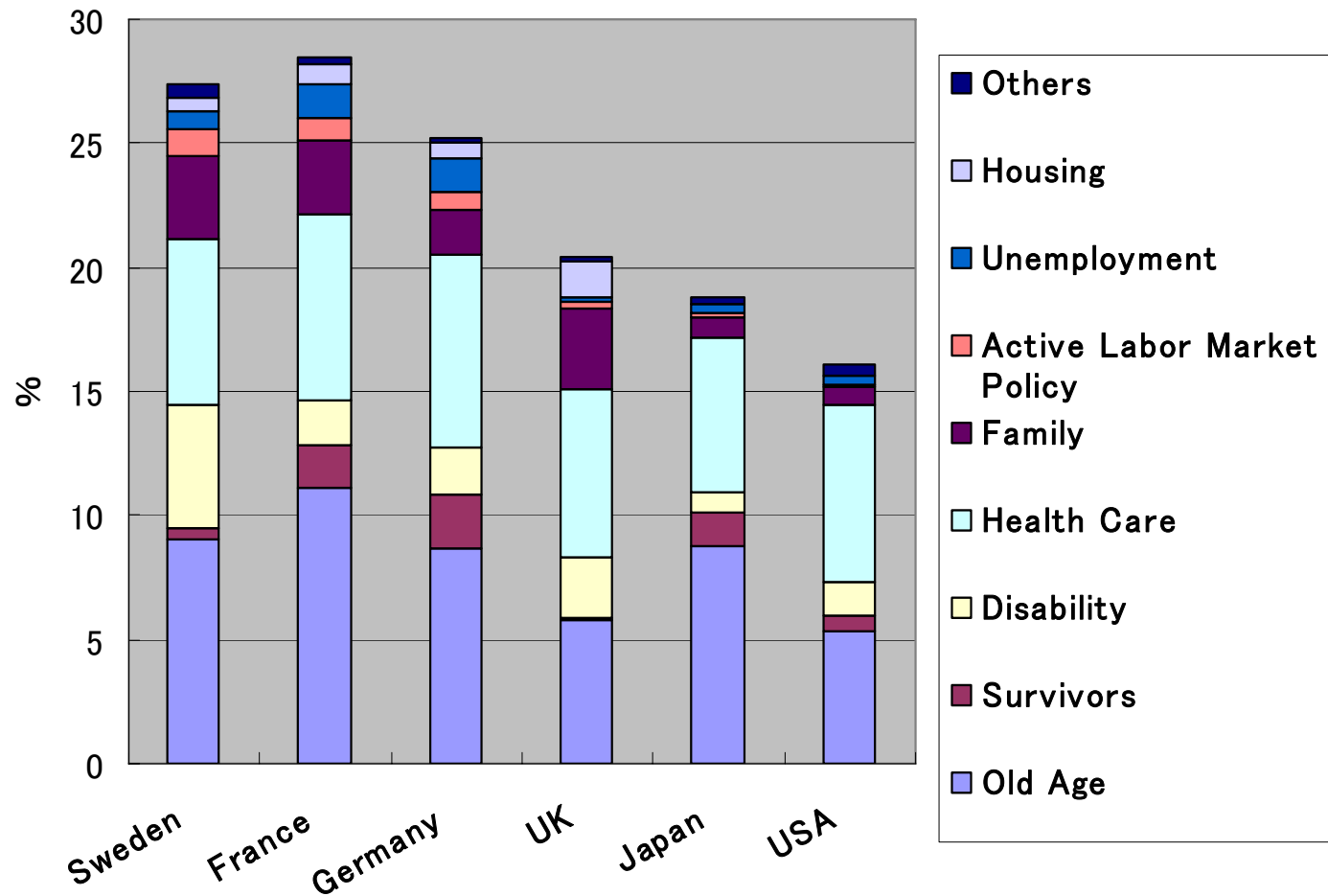
- A) Universal Insurance System as an Industrial (or Economic) Policy
  - Contribution to High Economic Growth
    - ▪ ▪ Complementary relationship of Social Protection and economic growth
- B) Younger Population Structure as an Advantageous Condition
  - Serious Issues of Rapid Ageing at a later stage
    - ▪ ▪ Common Phenomena in Developing Countries
- C) Social Protection as an Integral Part of the Japanese Employment and Management System
  - (ex. life-time employment, low unemployment rate, "Japan Inc." system )

# Summary of the Overall Characteristics of Social Protection in Japan

- Universal Coverage
- Social Insurance based
- Relative Emphasis on Health Care and Pension,  
rather than Social Welfare
- Relatively Low Spending of Social Protection  
among the Industrialized Countries
  - ← Dependence on Family and Company

# Social Protection Expenditures : International Comparison (2007)

% of  
GDP



(Source) OECD Social Expenditure Database

# 2. Characteristics of Health Care System in Japan

inside the health care system

# Characteristics of the Health Care System in Japan

- Mixture of Public Finance and Private Delivery  
(80% of hospital beds are private)
- Unique System of Community-based Health Insurance  
("National Health Insurance")
  - active incorporation of farmers and the self-employed through the subsidies by the national government
- Regulated Fee Schedule System
  - significant both in cost-containment and resource allocation
- Prioritized Resource Allocation to GPs (Primary Health Care)  
cf. Political power of JMA
  - financial squeeze of hospitals (particularly large-scale hospitals)

# Health Care Expenditures as the ratio of GDP (2007)

■ USA	16.0%
■ France	11.0%
■ Germany	10.4%
■ Sweden	9.1%
■ UK	8.4%
■ Japan	8.2% (2006)

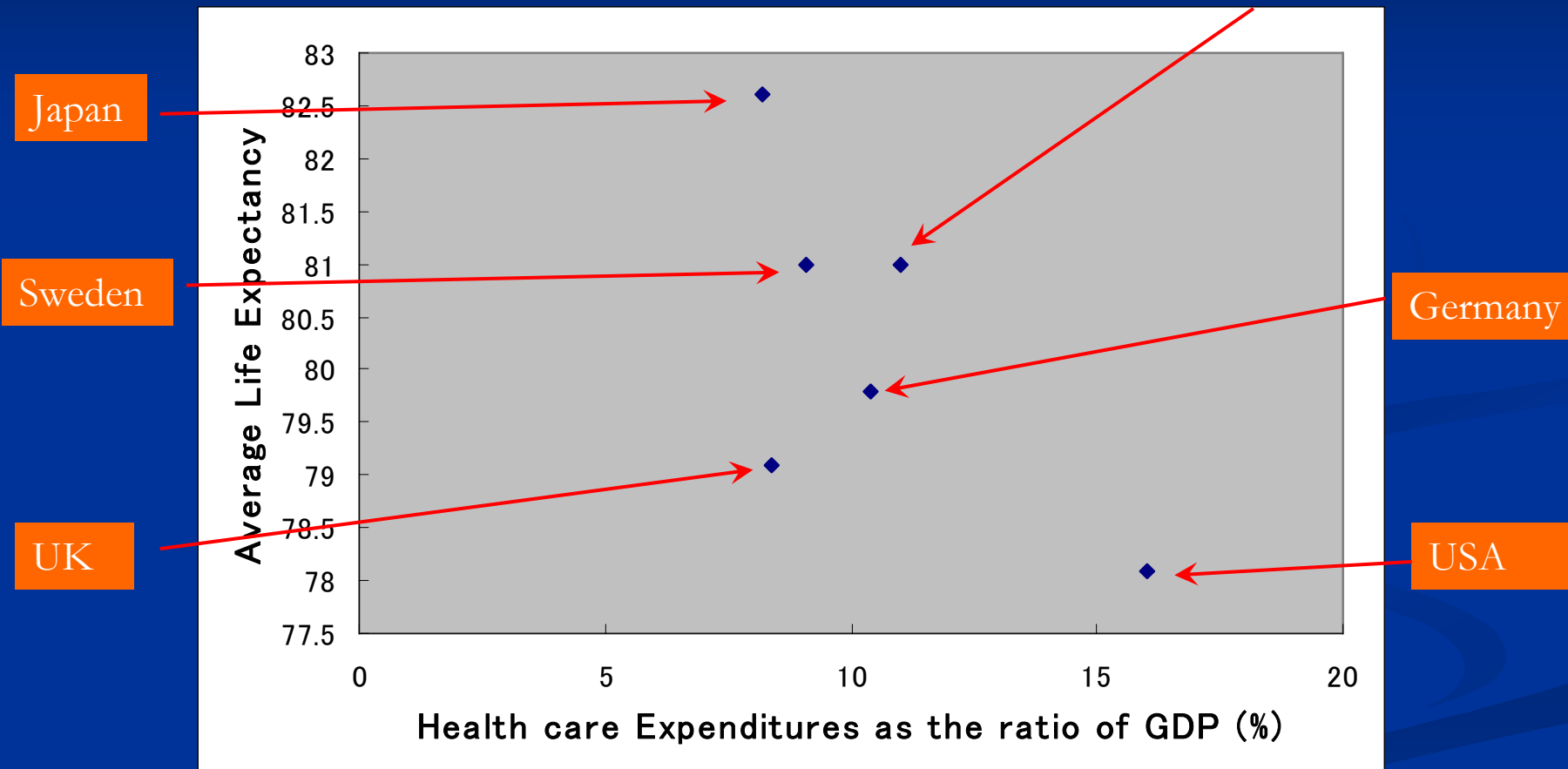
(OECD Health Data)

# Disability-adjusted Life Expectancy

(WHO, *World Health Report 2000*)

- 1 Japan 74.5
  - 2 Australia 73.2
  - 3 France 73.1
  - 4 Sweden 73.0
  - 5 Spain 72.8
  - 6 Italy 72.7
  - 7 Greece 72.5
  - 8 Switzerland 72.5
  - 9 Monaco 72.4
  - 10 Andorra 72.3
- cf. 24 USA 70.0

# Health Care Expenditures as the ratio of GDP and Average Life Expectancy (International Comparison)



(note) Health Care Expenditures as the ratio of GDP: 2007 (2006 for Japan). Average Life Expectancy: 2007 for Japan, France and Sweden, 2006 for USA and Germany, 2005 for UK. Data from OECD.

# Overall Health System Attainment

(WHO, *World Health Report 2000*)

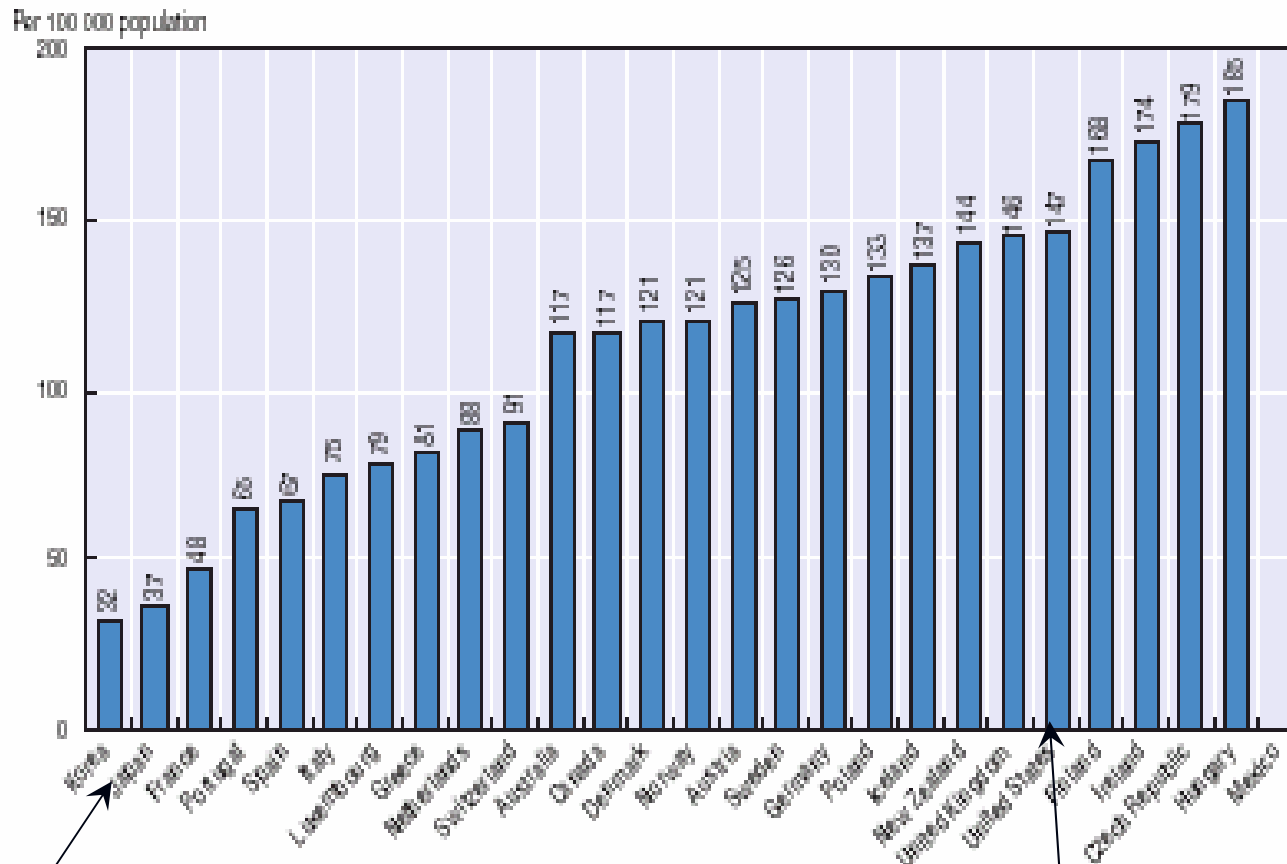
- 1 Japan 93.4
- 2 Switzerland 92.2
- 3 Norway 92.2
- 4 Sweden 92.0
- 5 Luxemburg 92.0
- 6 France 91.9
- 7 Canada 91.7
- 8 Netherlands 91.6
- 9 United Kingdom 91.6
- 10 Austria 91.5                      cf. 15 USA 91.1

# Why Health Care in Japan is relatively cost-effective?

- Factors inside the health care system
  - universal coverage → early access to health care and its function as a “prevention”
  - cost-containment by the regulated fee schedule system
- Factors outside the health care system
  - Life style including Food
  - Community and Social Capital?

# Ischaemic Heart Disease, Age Standardized Mortality Rate

Figure 5. Ischaemic heart disease, total population, age standardised mortality rate, 2000

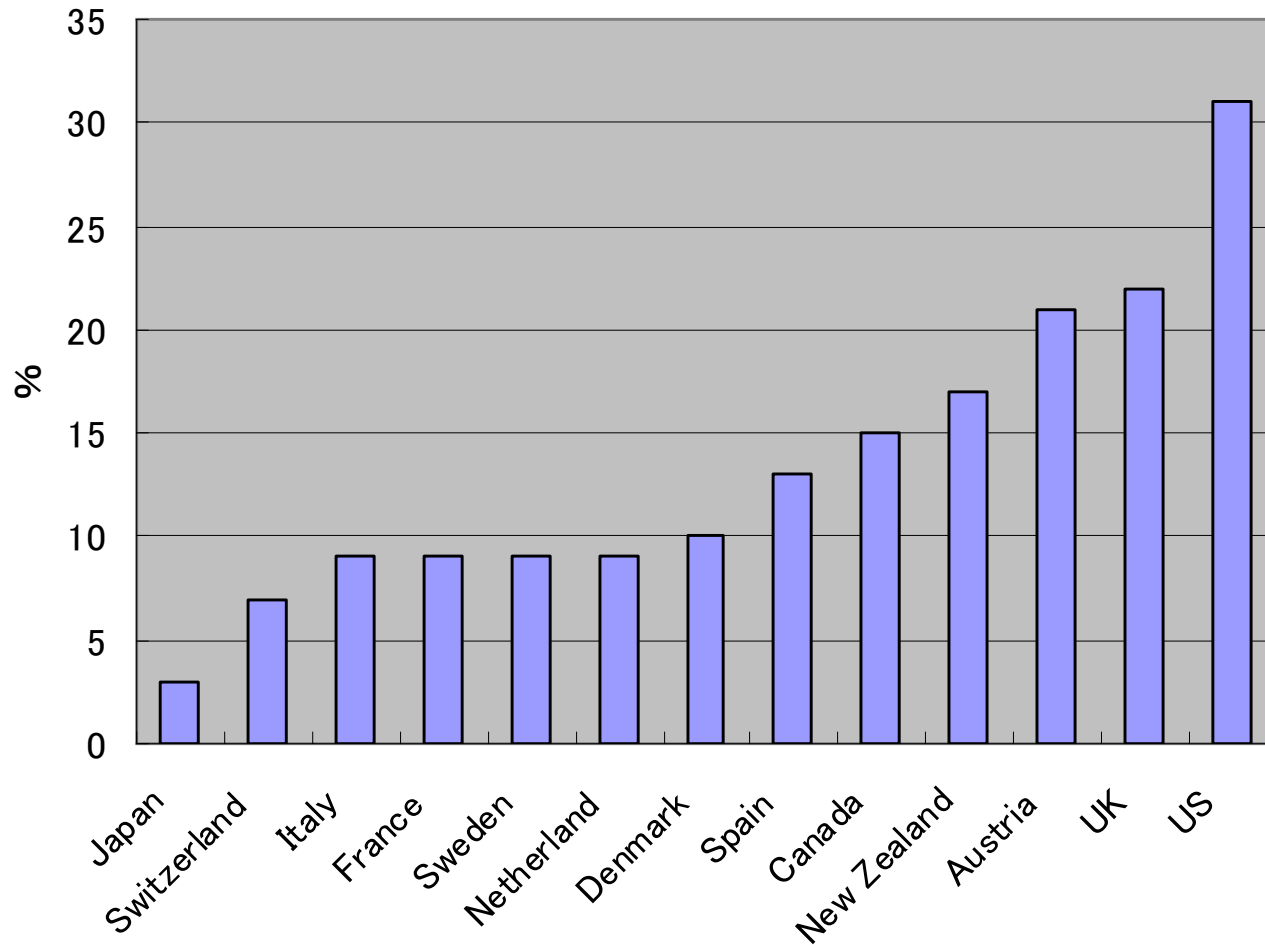


Source: OECD Health Data 2003.

Japan

USA

# Obesity Rates among the Adult Population



(note) BMI>30, % of adult population, mainly 2000 data.

(source) OECD, *Towards High-Performing Health Systems*, 2004.

# Utilization of Health Care Services: International Comparison (OECD, Health Data 2009)

	Outpatient visit (/year)	Rate of Hospitalization (/100,000)	Average Length of Stay (days)	Ratio of inpatient health care expenditures (%)	Number of Hospital Beds (/1000)
Japan	13.6 (06)	103.0 (00)	34.1 (07)	38.3 (06)	13.9 (07)
USA	3.8 (06)	124.0 (00)	6.3 (07)	19.4 (07)	3.1 (07)
UK	5.0 (07)	150.9 (98)	8.1 (07)	---	3.4 (07)
Germany	7.5 (07)	235.1 (00)	10.1 (07)	34.5 (07)	8.2 (07)
France	6.3 (07)	230.0 (99)	13.2 (07)	37.0 (07)	7.1 (07)
Sweden	2.8 (06)	181.0 (96)	5.8 (07)	29.7 (07)	---

# Overall Evaluation of the Japanese Health Care System

- Successful in terms of "Access and Quantity" and Cost-Effectiveness
  - ▪ ▪ one of the good examples of the health care system of the developing economy
- Problems and agenda in terms of
  - 1) quality of care (including biomedical research)
  - 2) increasing costs caused by rapid speed of ageing  
(health care costs for the elderly (over 65) =52.0% in 2007)
  - 3) patients' rights and access to medical information
  - 4) psycho-social support for patients
  - 5) resource allocation to hospitals (esp. inpatient care)

# Responsiveness of Health Care System

(WHO,2000)

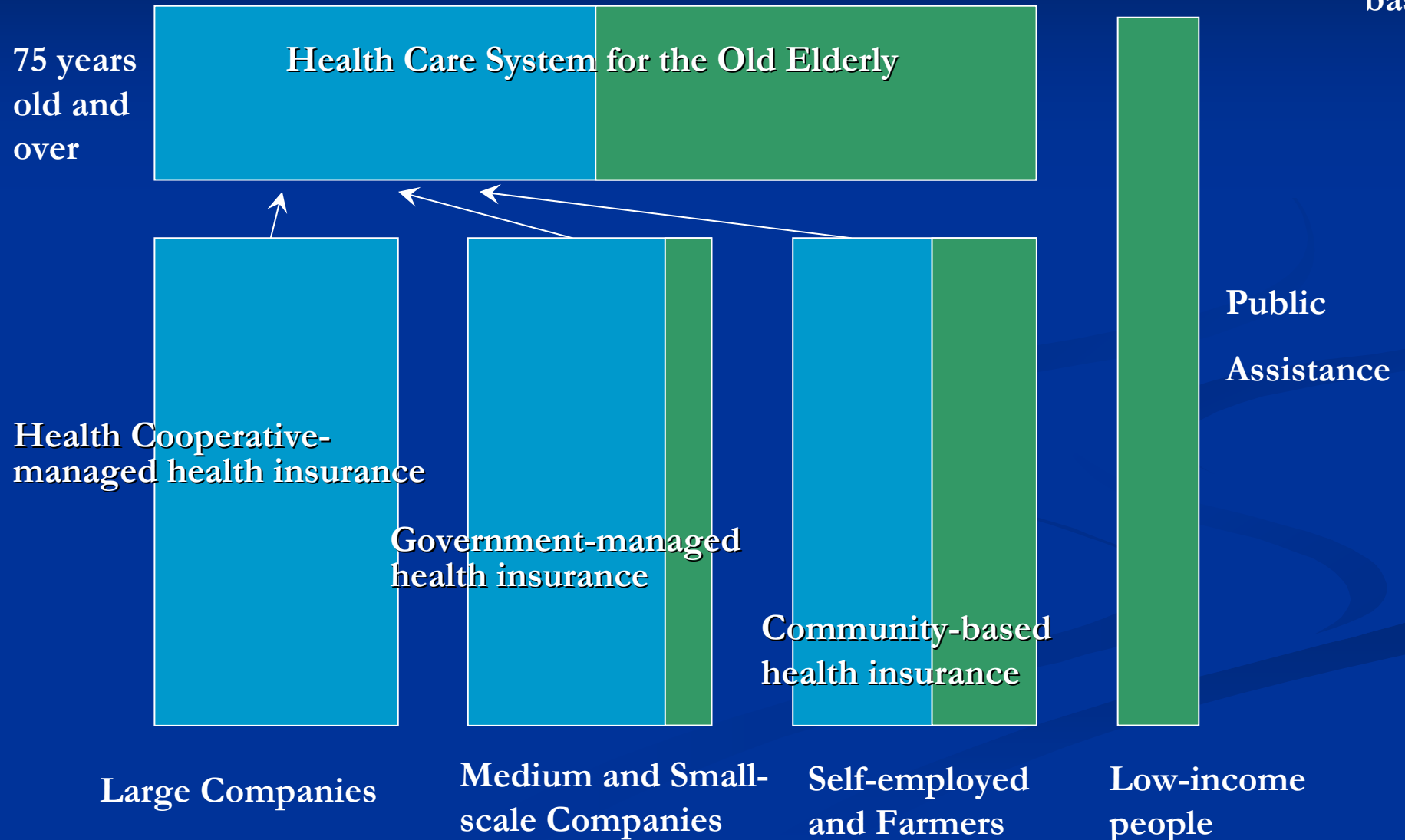
1	U.S.	8.10
2	Switzerland	7.44
3	Luxemburg	7.37
4	Denmark	7.12
5	Germany	7.10
6	Japan	7.00
7	Canada	6.98
8	Norway	6.98
9	Netherlands	6.92
10	Sweden	6.90

# Overview of the Public Health Insurance System in Japan

- Basic structure of Public Health Insurance scheme:
  - 1) employees of large companies → Health Cooperative-managed health insurance
  - 2) employees of medium and small-scale companies → Government-managed health insurance
  - 3) self-employed and farmers → Community-based health insurance managed by municipalities
- Tax subsidies to Community-based health insurance (43% of the total costs) and Government-managed health insurance (13%)
- The elderly over 75 belong to the “Health Care System for the Old Elderly” which are financed by 1) taxes (50%), 2) contributions from the above schemes (40%) and 3) contributions from the elderly over 75.
- Co-payment Rate by the patients is 30% of health care costs (10% for the elderly over 75 years old), which has been increased in recent reforms. There is a fixed “ceiling” per month regarding the co-payment.
- All the prices of health services (fee schedule) are determined by the government.

# Basic Structure of Public Health Insurance Scheme in Japan

 =tax-based



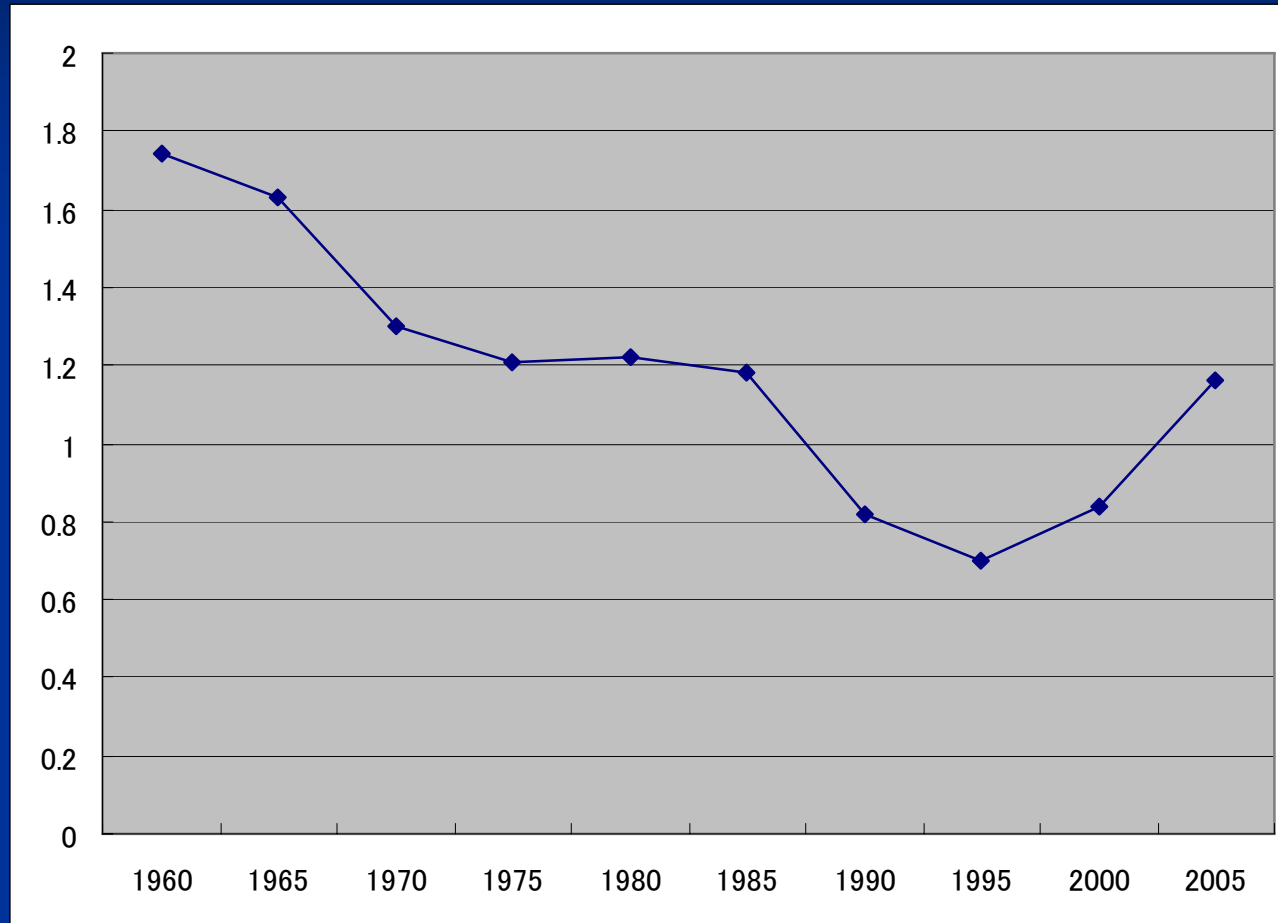
# Long-term Care Insurance for the Frail Elderly People (2000~)

- Managed by the municipal government
- Financed both by social insurance contributions(50%) and tax subsidies (50%; national government 25%, prefecture 12.5%, municipal government 12.5%)
- Frail Elderly People are judged into 5 categories according to the necessity of long-term care
- Various Service Benefits, and No Cash Benefits

# Social Welfare (Social Services and Public Assistance) in Japan

- 1) Limited Role and Under-developed in the Social Protection System of Japan until recently
  - ←Predominance of the Social Insurance (Health Care and Pension)
  - Background: Stigma towards the recipients of Public Assistance and the Role of Family as Primary Care Givers
- 2) Increasing Demands for Social Services for the Frail Elderly People and Childcare →Implementation of Long-term Care Insurance in 2000 and other policy responses
- 3) Recent Increase of Income Inequality in Japan and the Important Roles of Public Assistance for low-income people.

# Ratio of People receiving Public Assistance(%), chronological trend



Decline in the times of high economic development and recent increase

→ necessity of reforms

### 3. Historical Evolution of Health Care System and Social Protection

# Stage 1: Departure

- Founding of the Social Protection in the wartime period  
→ starting point for the postwar economic growth
- 【Health insurance】
  - scheme for the employed (1922)
  - Community-based Insurance(1938) for farmers and self-employed and its expansion (1942)
- 【Pension】  
scheme for the employed(1942-44)

# Stage 2: Establishment: 1960s

- Universal Social Insurance Coverage in the midst of High Economic Growth
- 【Health insurance】
  - all local communities covered by National Health Insurance (1961)
  - Universal Coverage
- 【Pension】
  - scheme for farmers and self-employed (1961)
  - Universal Coverage

# Stage 3: Institutional Arrangements for the Aging Population: 1980s

- 【Health insurance】

Health Services System for the Elderly (1982)

- 【Pension 】

Introduction of the "Basic Pension " system (1985)

- ▪ ▪ financial arrangements between the schemes for the employed and the self-employed (plus farmers)

# Stage 4: Rearrangements and Reforms

## 1990s~; Super Aging, Fewer Children and Low Economic Growth

- 1990 “Gold Plan” (ten-year strategy for health and welfare for the elderly)
- 1994 “Angel Plan” (programs of the support for childcare and bringing up children)
  - ~1999: “New Angel Plan”
- 1997 Long-term Care Insurance Law for the Elderly  
→2000 Implementation
- 2003 Law for the support for bringing up the Next Generations
- 2003 Plan for the Independence and Opportunities of the Young People

# Overall Assessment of Social Protection

## Development in Japan; Positive Aspects

- 1) Realization of Universal Coverage at an Earlier Stage of Economic Development
  - Contribution to Economic Development  
(complementary relationship of social protection and economic development)
- 2) Active incorporation of Farmers into Social Insurance Scheme
  - ▪ ▪ the importance of community-based health insurance system
- 3) Internationally high evaluation of Health Care system and Longevity

# Overall Assessment of Social Protection

## Development in Japan;

### Negative Aspects

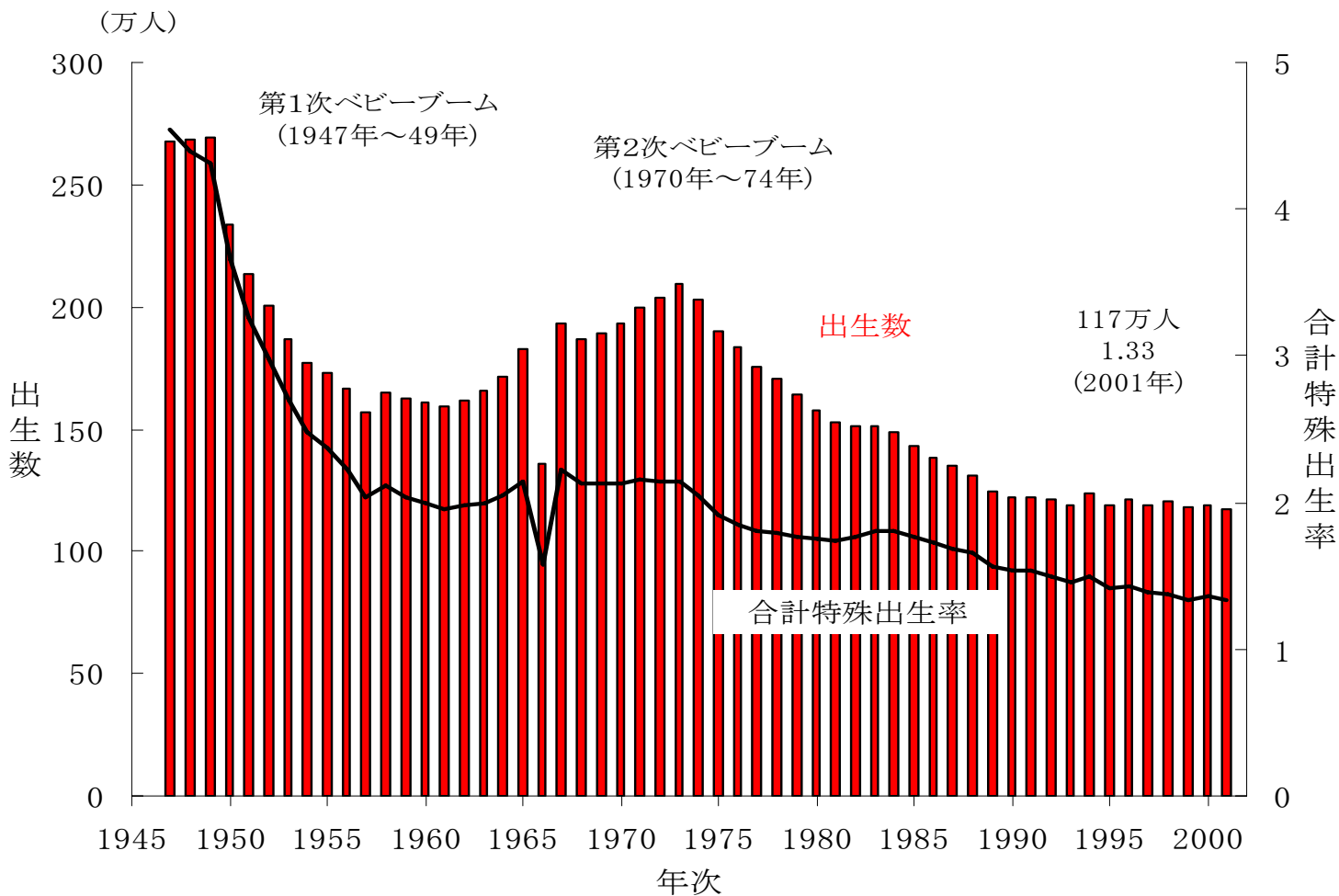
- 1) Misconception about the Future Aging and Low Fertility  
→ Financial Problems in Pension System
- 2) Dependence on Family Care and the Delay in the development of Social Services
- 3) Increase of Income Inequality in recent years and Insufficient Support for Children and Young People

## 4. Current Agenda and Future Prospects

# New Environments surrounding Social Protection in Japan

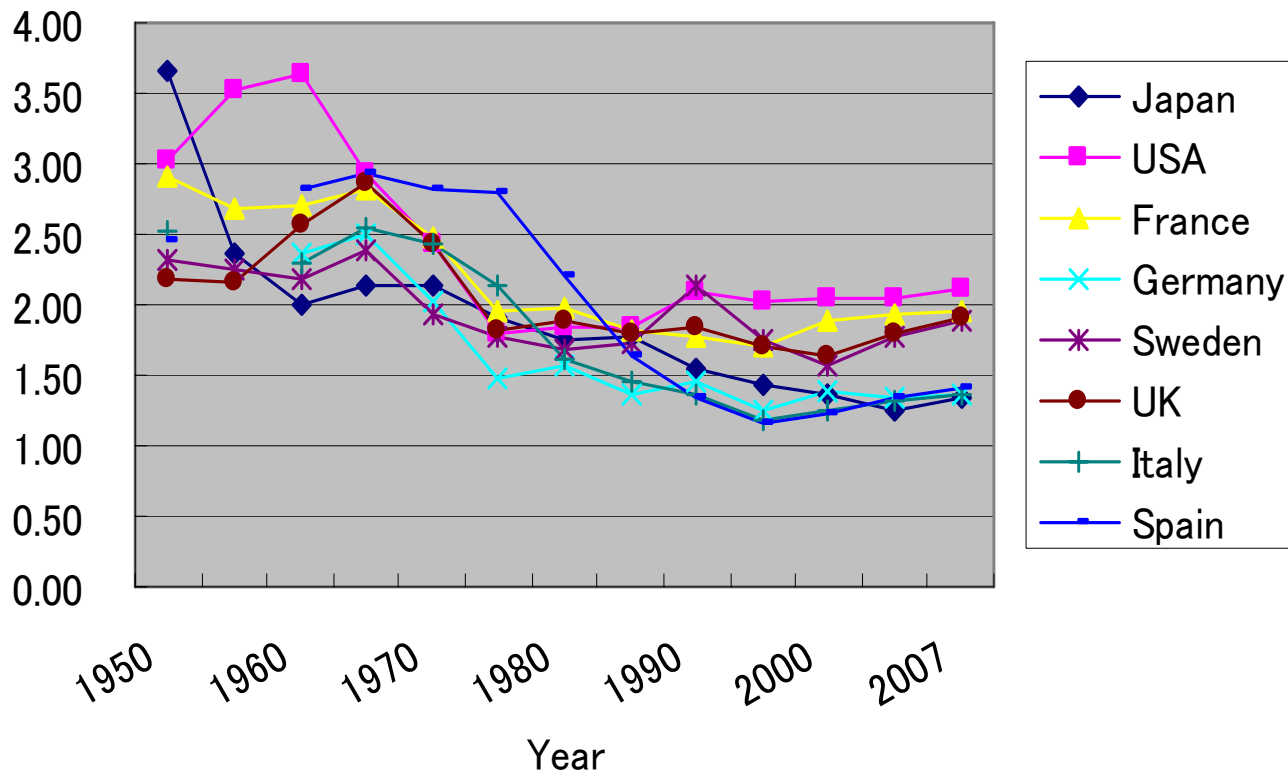
- Low Economic Growth  
& Rapid Speed of Aging plus Lower Fertility
- “Individualization” of Society
  - A) Fluid or Unstable Employment
  - B) Increase of Working Women and Diversification of Family Structure
- → Reorganization of Social Safety Nets are necessary  
ex. Active labor Policies, Support for Childcare, Support for Young People etc.

# Decline of Fertility rate in Japan (1.37 in 2008)



# Trend of Fertility rate in Industrialized Countries

Fertility Rate in the Industrialized Countries



(2007)

USA 2.12

UK 1.90

France 1.96

Sweden 1.88

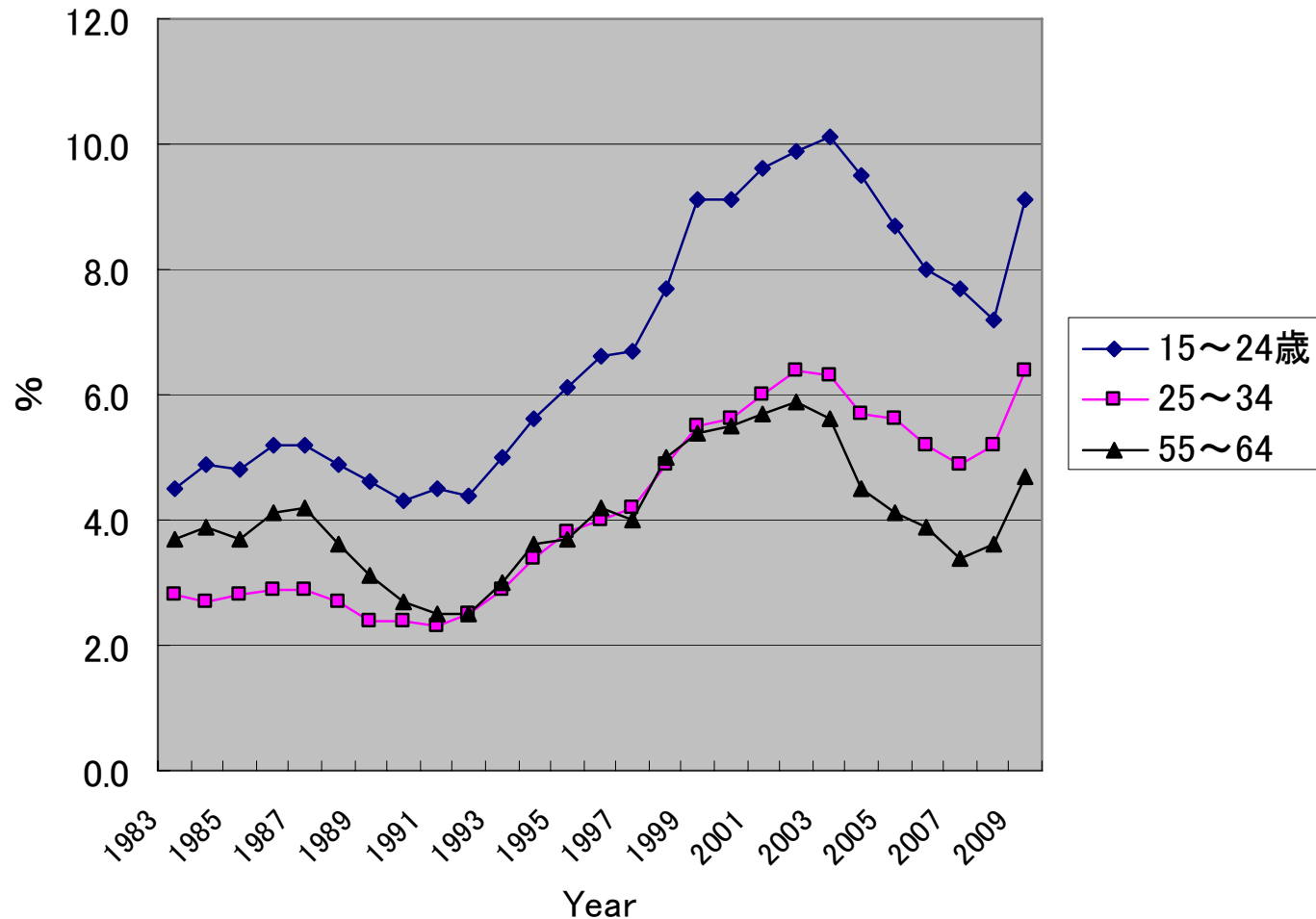
Spain 1.40

Germany 1.37

Italy 1.37

Japan 1.34

# High Youth Unemployment Rate in Recent Years



# Directions of Social Protection Reforms in Japan

- 1. Importance of Support at the early stage of life-course
  - Support for Childcare and Family
  - Support for Young people
- 2. Rearrangements of the Public-Private Mix of Social Security
  - More on Social Services and Health Care
  - Basic Income Support should be Strengthened
- 3. Importance of Community

# 5. Towards Sustainable Welfare Societies in Asia

# “Sustainable Welfare Society”

- A society where quality of life of individuals and distributional justice are realized in a sustainable manner for a long period of time under the finite natural resources and environments
- Integrations of welfare policy and environmental policy are critical.

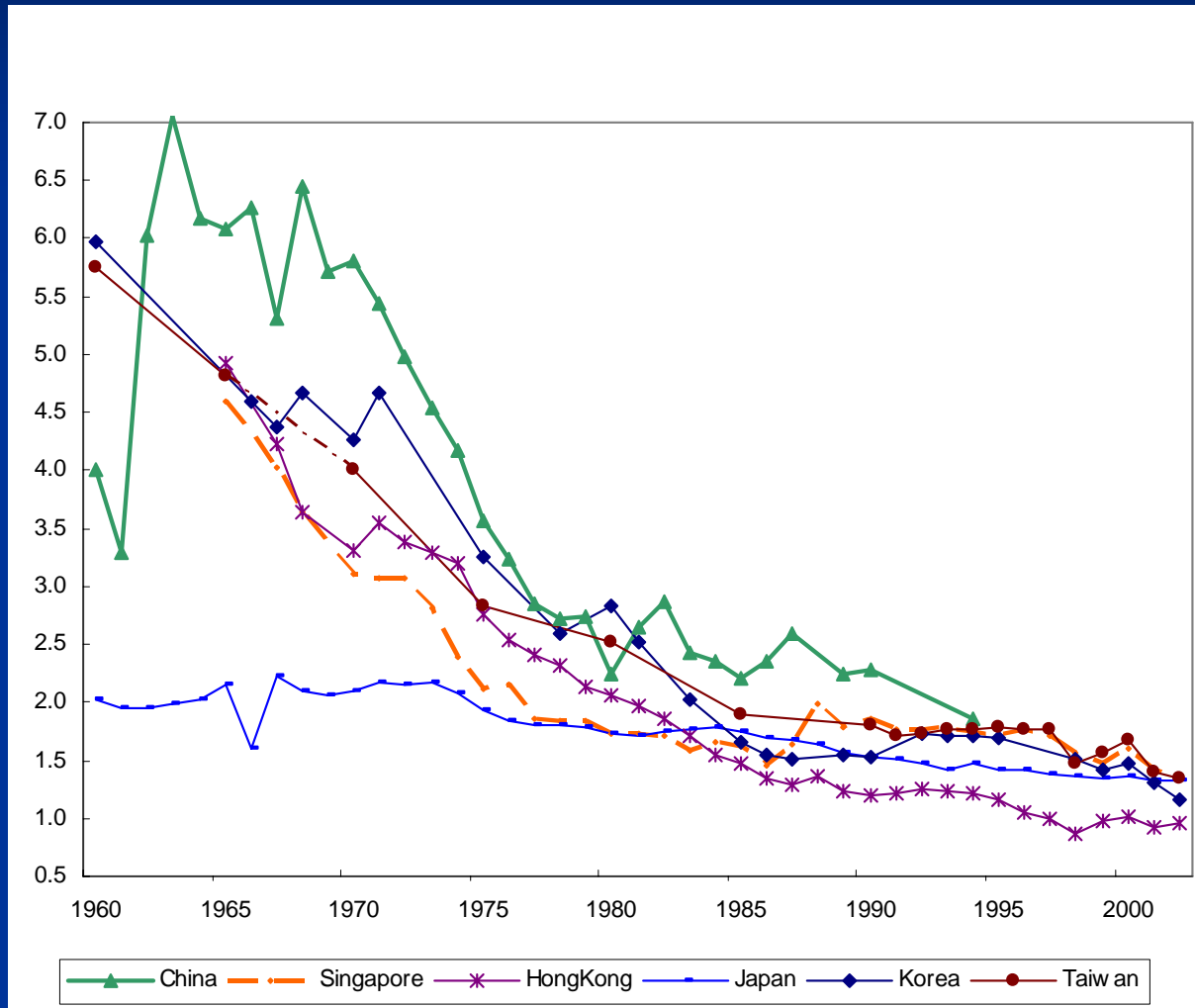
# Possibilities of Sustainable Welfare

## Societies in Asia:

### Trend of Population

- Aging and Stabilization of Population in Asia in the middle of 21<sup>st</sup> Century
  - ex. ▫ Population in Japan began to decrease in 2005
  - Korea around 20s
  - China in 2033 (1.5 billion)
  - East Asia as a total in 2035 (2.1 billion) [UN forecast]
- → Possibility of Environmental Sustainability and “Steady-state Society” in Asia, if relevant environmental policies are implemented.

# Fertility Rate in East Asian Countries



Source: United Nations Population Division (2000). Database on Fertility Patterns.

# Environmentally Sustainable Society and Aged Society

	Environmentally Sustainable Society	Aged Society
Characteristics	“Steady-state Society”	
	Environmental Sustainability ↑ finite resources	Stable Population ↑ aging and low fertility rate
Major Concept	Circulation	
	between human beings and nature	inter-generational
Time Scale	super long-term	long-term

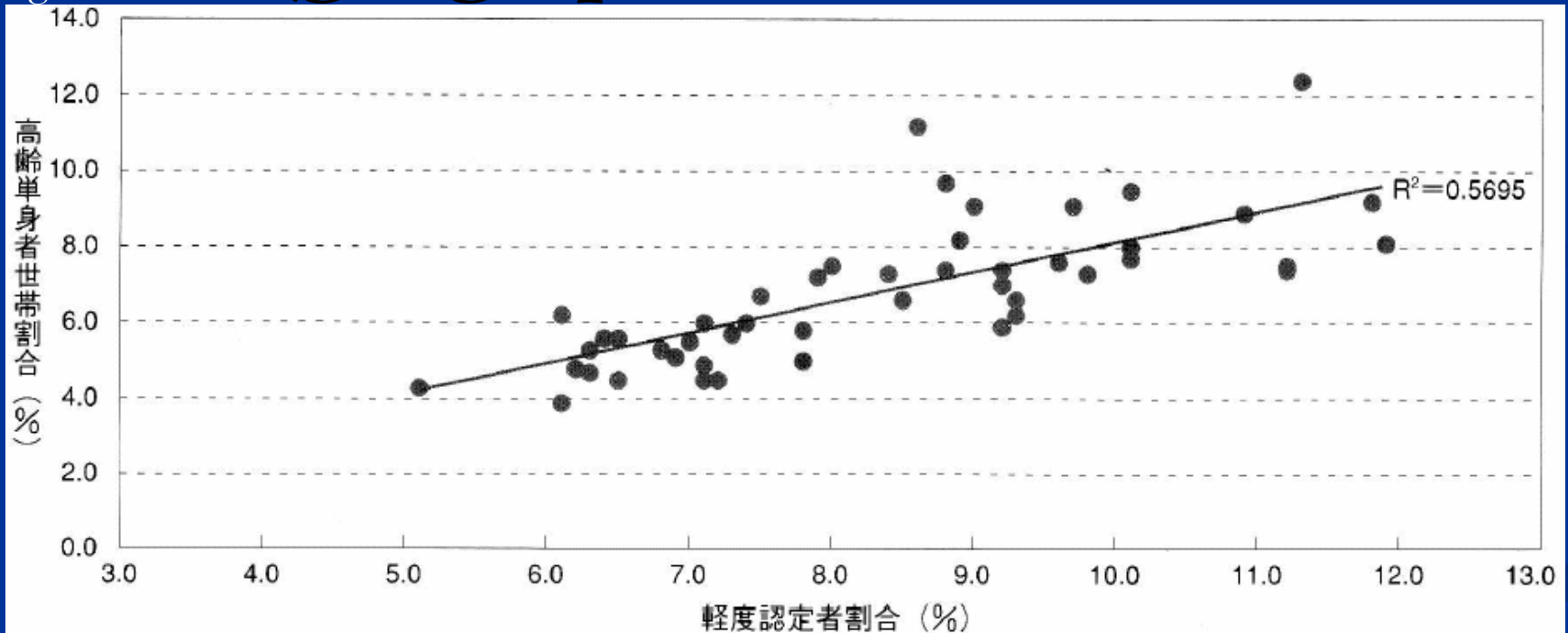
# Asian Welfare (& Environment ) Network

- 1) International Cooperation in the areas of Social Protection  
ex. Projects by JICA (Japan International Cooperation Agency)
- 2) Active Communications and Comparative Research in the areas of Social Protection and Environmental Policy → Networking and Various Policy Recommendations
- 3) Possibilities of Social Protection System beyond nation-state Level ■■■ “Asian Welfare Community”

# Appendix 1: Importance of Community

# Relationship of the Ratio of Elderly People Living Alone and the Incidence of Long-term Care Needs (geographical variations)

Ratio of the Elderly People Living Alone

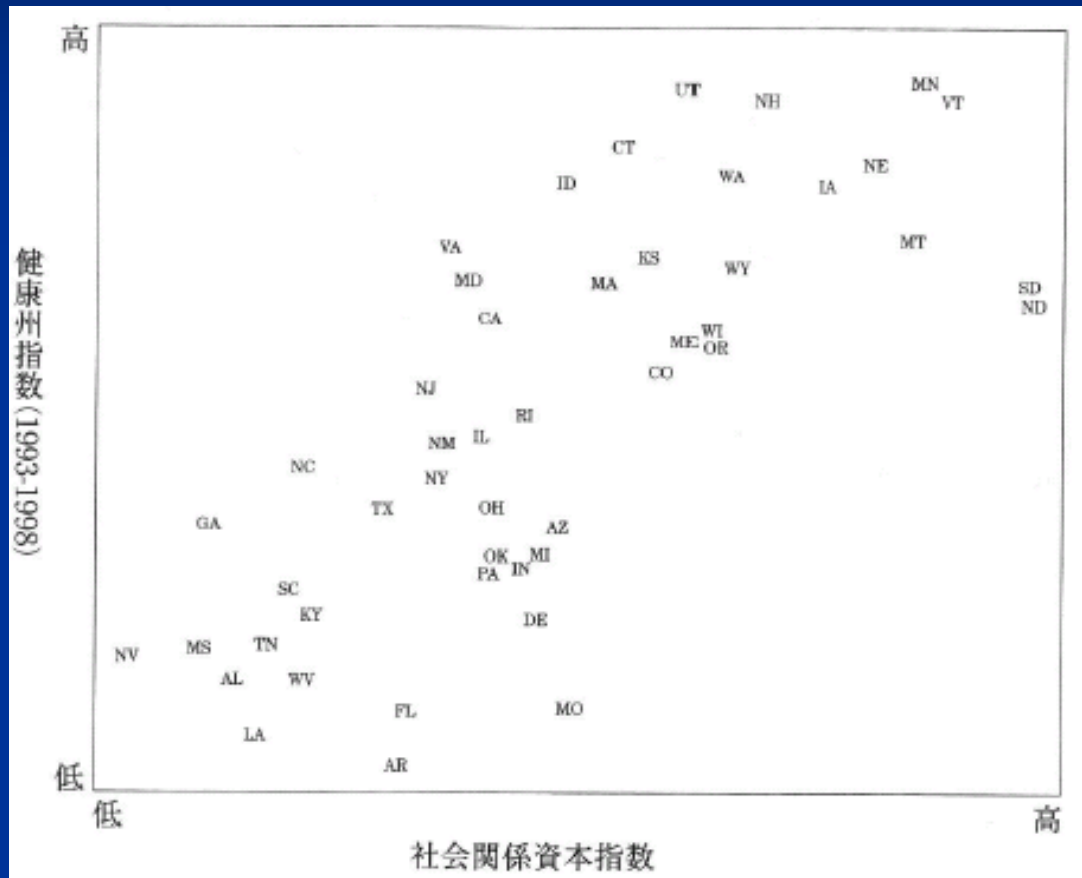


(注) 厚生労働省老健局「介護保険事業状況報告」及び総務省統計局「国勢調査」より厚生労働省政策統括官付政策評価官室作成  
軽度認定者割合は2003年の値、高齡單身世帯割合は2000年の値

→Incidence of Elderly People who need Long-term Care

# Social Capital and Health: A Case in the United States

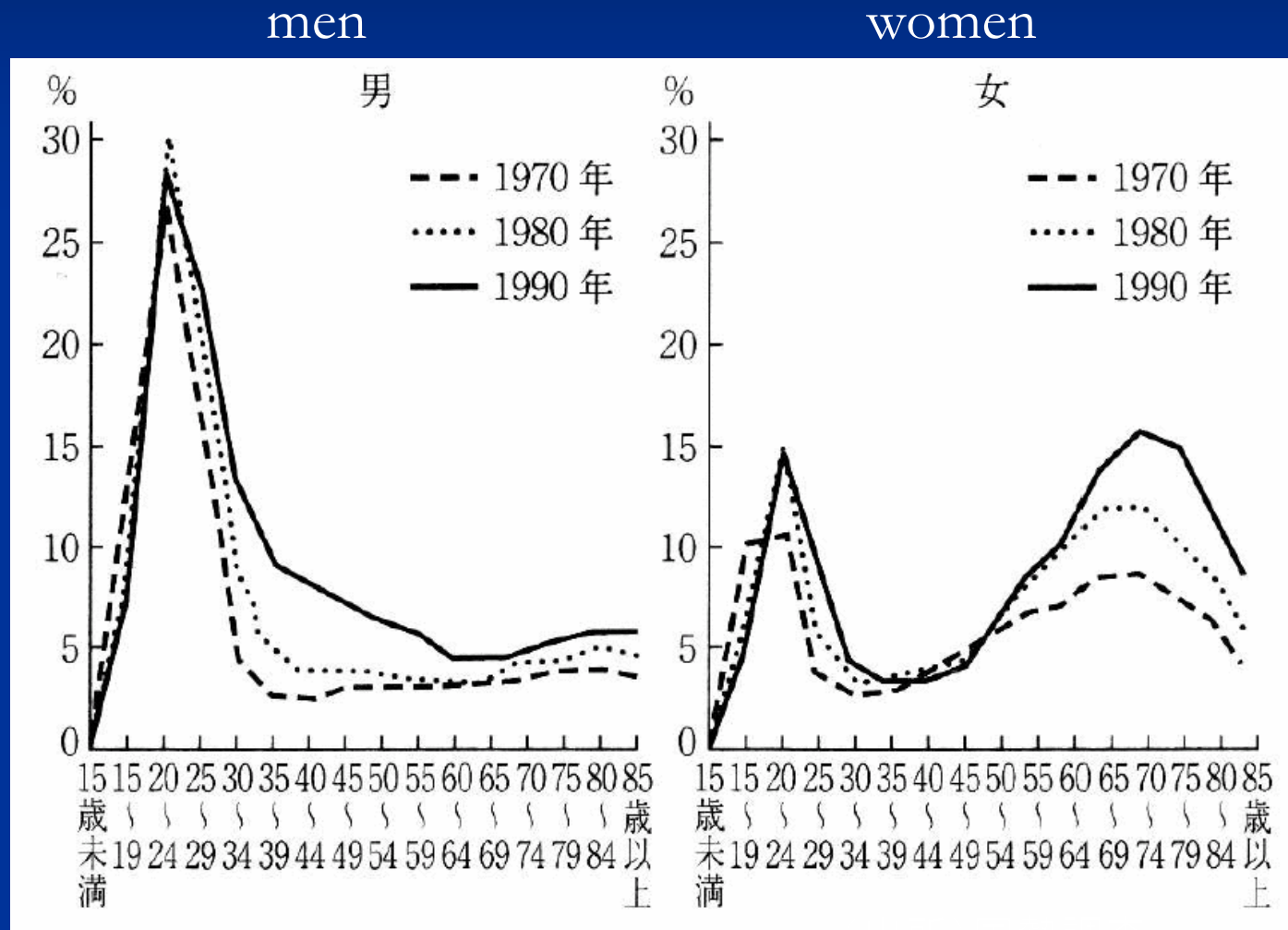
Health  
Index  
(1993-  
1998)



Social Capital Index

(source) Putnum(2000)

# Increase of Elderly People Living Alone (particularly women) in Japan



- Importance of Community Relationship
  - Correlation with Health and Effective as “Prevention” of Long-term Care
  - Inter-generational Relationship is one of the significant elements
- ← “Three Generation Model of the Human Beings”

# Integrated Care of Elderly people and Children (ex.1 Nagakusa Day Care Center in Aichi Prefecture)



# Integrated Care of Elderly people and Children (ex.2 Nisseki-En Care Homes in Chiba Prefecture ["Toy Museums" open to surrounding Community])

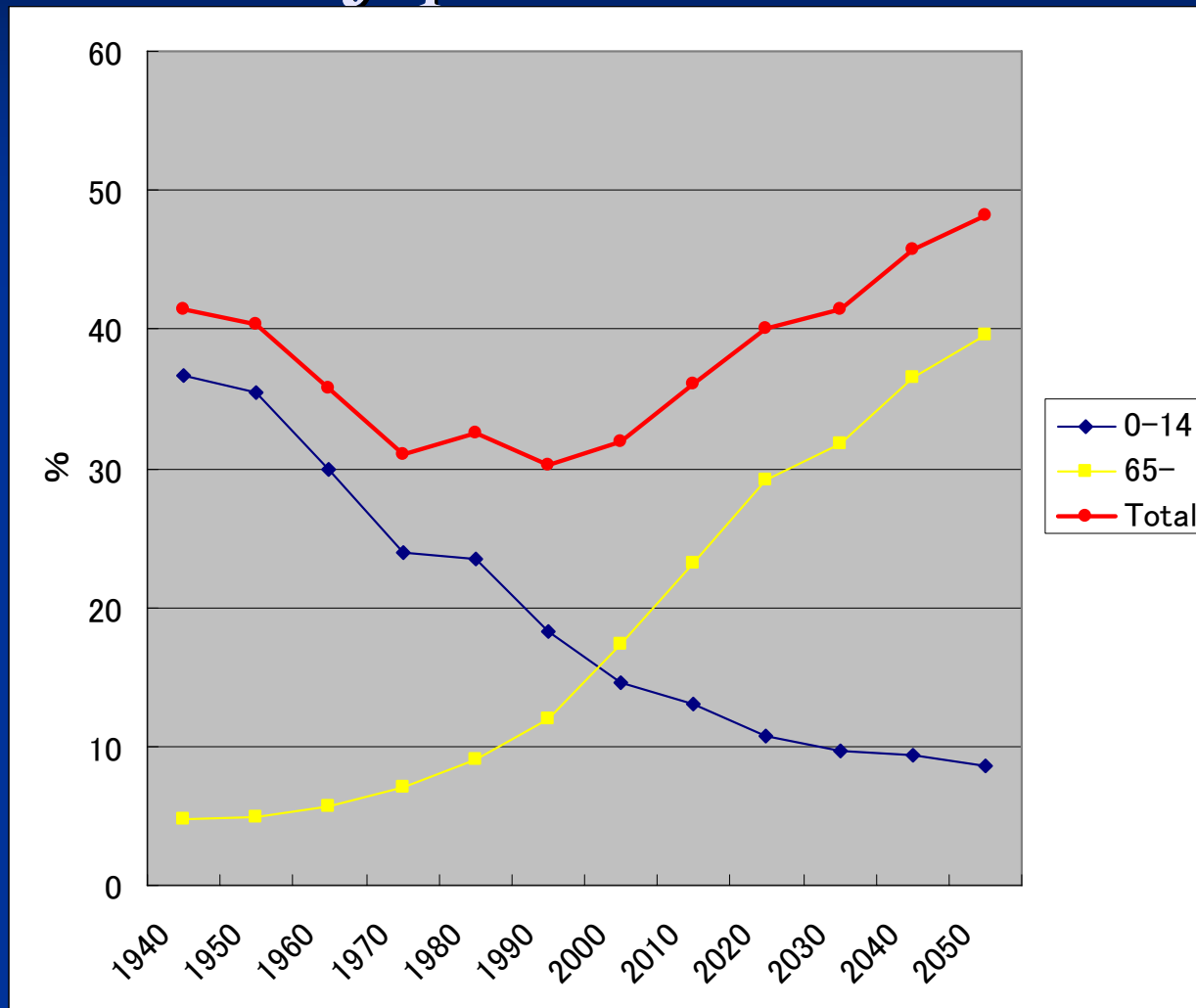


# Importance of Community Space friendly for Elderly People

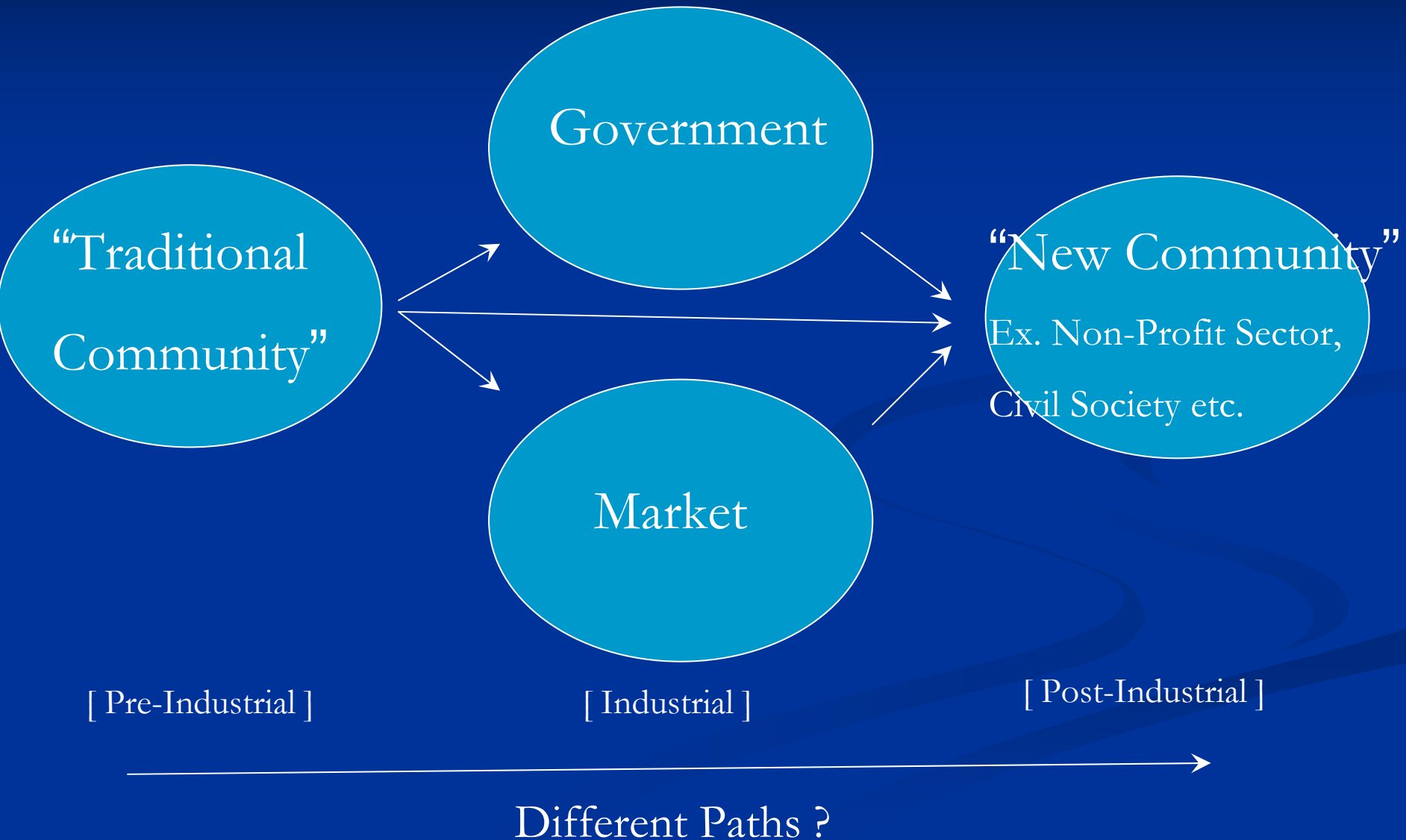


Sugamo Shopping Street known as “Harajuku (famous shopping district for young people) for Grandma ”

# Chronological Change of the Ratio of Children & Elderly People among the Total Population in Japan (1940—2050)



# Evolution of the Relationship of Community, Government and Market



# Developments of “Social Business” in Japan

- Business to solve the various social problems
- Rise in recent years (240 billion yen in 2008) and is expected to grow
- Active in the areas of community building, social services, education and environment etc.
- Many of them are small-scaled → Agenda in finance and sustainability

# Appendix 2:

## Social Protection in Asian Countries

# Grouping of Social Security in Asian Countries (1)

## ■ Group 1

- Countries that have achieved economic development comparable to the developed countries, including Japan.
- Countries in this group have achieved some sort of universal coverage of social protection, and have been dealing with new challenges such as aging population and streamlining of social security systems
- Examples: Singapore, Taiwan, South Korea

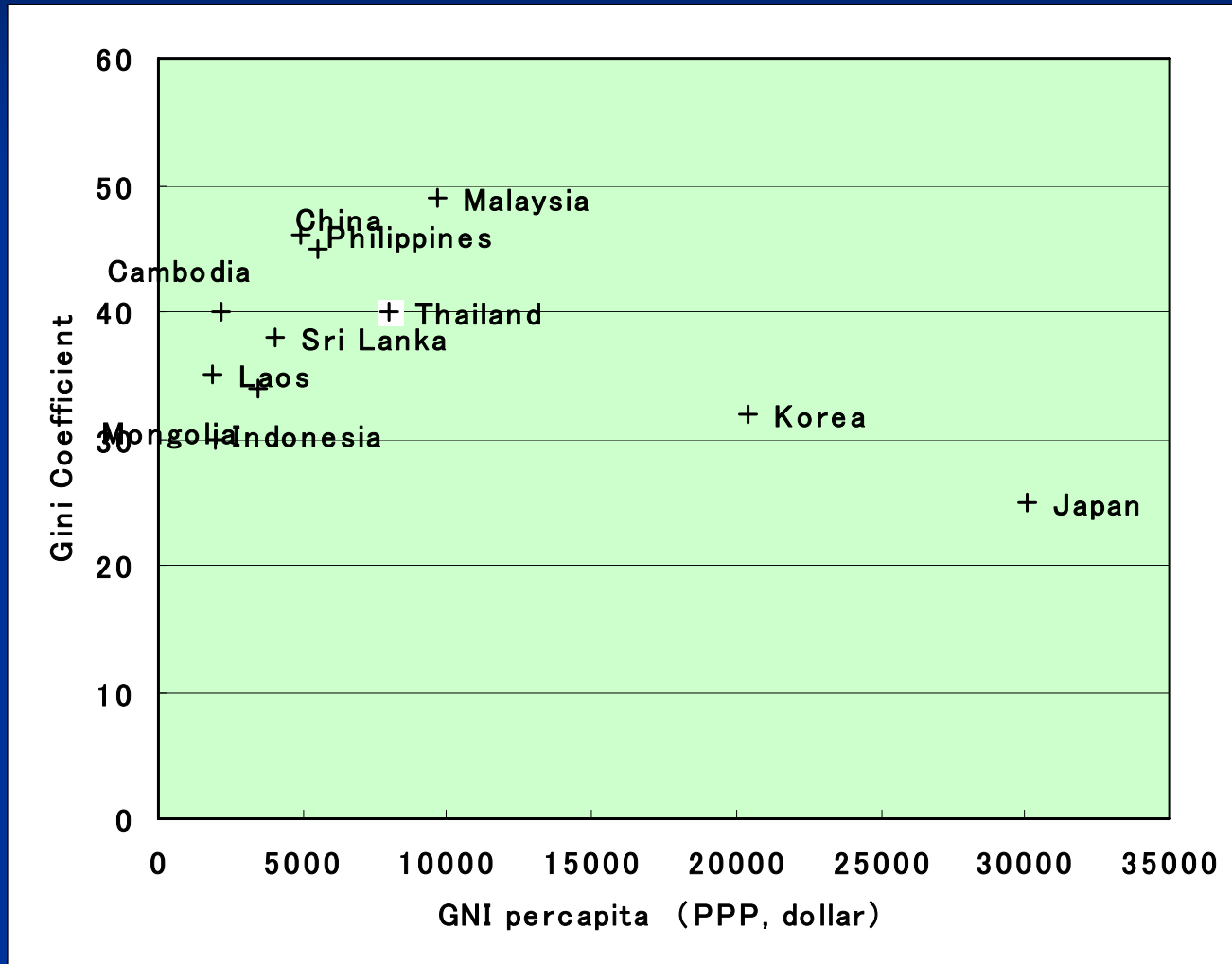
## ■ Group 2

- Countries that are on the path to industrialization, as well as to the achievement of universal coverage in their social protection systems.
- In these countries, a certain level of social protection is provided for the employed while the majority of their population working in agriculture and the self-employed are not covered by social protection systems.
- Examples: Malaysia, Thailand, Philippines, Indonesia

# Grouping of Social Security in Asian Countries (2)

- Group 3
  - Countries that are in the primary stage of industrialization.
  - In these countries, social protection is provided for a limited number of people, such as certain types of civil servants and military personnel. Their health care services are still prioritized to the improvement of public health, especially the prevention of infectious diseases.
  - Examples: Vietnam, Laos, Cambodia, Myanmar
- Group 4
  - Countries that cannot be categorized into any of the above groups due to the extraordinary size of their population.
  - Examples: China, India

# Per Capita GNI and Gini Coefficient in Asian Countries: Inverted U-shaped Curve?



Based upon the data from World Development Report 2006

# Two Axis for Understanding Social Security in Asian Countries

- (1) “Vertical” Axis:  
= Economic Development and Social Security
- Evolution of Social Security System as a Policy  
Response to Industrialization, Urbanization, Change of  
Family Structure etc.
- → “Linear” Model of Development of Social Security

# Two Axis for Understanding Social Security in Asian Countries

- (2) “Horizontal (or Diversity)” Axis:
  - = Elements of Diversity which cannot be explained by Linear Development Model
- a) Degree of National Integration or Ethnic Diversity
- b) Institutional Influences of Colonial Powers
- c) Social and Cultural Elements
  - ex. Roles of Family, Religious Organizations etc.

# Thank you very much!

Questions & Comments are welcome.

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