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

Yoshinori HIROI

Chiba University, Japan

hiroi@le.chiba-u.ac.jp
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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

Ratio of People over 65 Years Old

Year


%
“Global Aging”
Increase of People over 60 years 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

Japan
Trend of Social Security Expenditures in Japan

Trillion Yen

Social Service
Pension
Health Care
## Composition of Social Security in Japan

<table>
<thead>
<tr>
<th>Year</th>
<th>Health Care</th>
<th>Pension</th>
<th>Social Service (Social Welfare)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>58.9%</td>
<td>24.3%</td>
<td>16.8%</td>
</tr>
<tr>
<td>1980</td>
<td>43.3</td>
<td>42.2</td>
<td>14.5</td>
</tr>
<tr>
<td>1990</td>
<td>38.9</td>
<td>50.9</td>
<td>10.2</td>
</tr>
<tr>
<td>2000</td>
<td>33.3</td>
<td>52.7</td>
<td>14.0</td>
</tr>
<tr>
<td>2008</td>
<td>31.5</td>
<td>52.7</td>
<td>15.9</td>
</tr>
</tbody>
</table>
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

(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


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. Andora 72.3

cf. 24 USA 70.0
Health Care Expenditures as the ratio of GDP and Average Life Expectancy (International Comparison)

Overall Health System Attainment


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

(figure) BMI>30, % of adult population, mainly 2000 data.
## Utilization of Health Care Services: International Comparison

*(OECD, Health Data 2009)*

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

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>U.S.</td>
<td>8.10</td>
</tr>
<tr>
<td>2</td>
<td>Switzerland</td>
<td>7.44</td>
</tr>
<tr>
<td>3</td>
<td>Luxemburg</td>
<td>7.37</td>
</tr>
<tr>
<td>4</td>
<td>Denmark</td>
<td>7.12</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
<td>7.10</td>
</tr>
<tr>
<td>6</td>
<td>Japan</td>
<td>7.00</td>
</tr>
<tr>
<td>7</td>
<td>Canada</td>
<td>6.98</td>
</tr>
<tr>
<td>8</td>
<td>Norway</td>
<td>6.98</td>
</tr>
<tr>
<td>9</td>
<td>Netherlands</td>
<td>6.92</td>
</tr>
<tr>
<td>10</td>
<td>Sweden</td>
<td>6.90</td>
</tr>
</tbody>
</table>
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

- Health Cooperative-managed health insurance
- Government-managed health insurance
- Community-based health insurance

- Large Companies
- Medium and Small-scale Companies
- Self-employed and Farmers
- Low-income people

- 75 years old and over

Health Care System for the Old Elderly

Public Assistance

= 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.
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

$\rightarrow$ 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)

第1次ベビーブーム
（1947年～49年）
第2次ベビーブーム
（1970年～74年）

出生数
合計特殊出生率

年次

(万人)

合計特殊出生率

第1次ベビーブーム
（1947年～49年）
第2次ベビーブーム
（1970年～74年）

出生数

117万人
1.33
（2001年）

1.37 in 2008

出
生
数
Trend of Fertility rate in 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

[Graph showing unemployment rates for different age groups from 1983 to 2009.]
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 21st Century
  - 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

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Environmentally Sustainable Society</th>
<th>Aged Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Characteristics</td>
<td>“Steady-state Society”</td>
<td></td>
</tr>
<tr>
<td>Environmental Sustainability</td>
<td>↑ finite resources</td>
<td>Stable Population</td>
</tr>
<tr>
<td>Major Concept</td>
<td>Circulation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>between human beings and nature</td>
<td>inter-generational</td>
</tr>
<tr>
<td>Time Scale</td>
<td>super long-term</td>
<td>long-term</td>
</tr>
</tbody>
</table>
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 → Incidence of Elderly People who need Long-term Care

(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、高齢単身世帯割合は2009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

![Graph showing the increase of elderly people living alone among men and women in Japan. The graph includes data for 1970, 1980, and 1990, with a focus on different age groups.](image)
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

"Traditional Community"

Government

"New Community"
Ex. Non-Profit Sector, Civil Society etc.

Market

[ Pre-Industrial ]  [ Industrial ]  [ Post-Industrial ]

Different Paths?
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.

hiroi@le.chiba-u.ac.jp