



5. Medical Cost Optimization Measures

Updated: December 2018

What is Japan Health Policy NOW?

Created in 2015 by Health and Global Policy Institute (HGPI), Japan Health Policy NOW (JHPN) is the only centralized platform in the world on Japanese health policy available in both Japanese and English.

As the world's attention turns to Japan, one of the world's fastest ageing countries, there is increasing interest in Japanese health policy and a growing need to share information on Japan's health policy with the world. JHPN is committed to addressing this need by delivering factual information about the Japanese health system, Japanese health policy stories of interest, recent Japanese health policy news, and a resource list for those who want to learn more about Japanese health policy.

For more information, please see
<http://japanhpn.org/en/jhpn/>

5.1 Medical Cost Optimization Measures | Medical Cost Optimization Plans

Japan is implementing a variety of cost-optimizing measures in order to suppress excessive increases in medical costs. Among them are Medical Cost Optimization Plans, which set out general targets and medical cost estimation methodology. In line with the targets and methods indicated in the National Medical Cost Optimization Basic Policies, each prefectural government must also prepare its own Medical Cost Optimization Plan.¹

The initial National Plan was executed in two phases. The first phase spanned FY2008 to FY2012 and the second, FY2013 to FY2017. The goals of these five-year phases were to "reduce the length of average hospital stays" and to "improve the implementation rates of Specific Medical Examinations." A third phase was created following the completion of the second, slated to last from FY2018 to FY2023. With optimization as the stated goal, this six-year phase will continue to promote efforts to improve the implementation rates of Specific Health Examinations, while newly including "efforts to prevent the worsening of diabetes," "promotion of the use of generic drugs," and "the appropriate use of pharmaceuticals (including issues related to redundant prescriptions and concomitant use)." The new phase also takes into account hospitalization cost estimates based on the results of promoting functional differentiation of hospital beds.

The Concrete Direction of the National Medical Cost Optimization Basic Policies from 2018 Onwards

At the end of FY2017, a Ministerial Notice was issued on the Basic Policies for Medical Cost Optimization. In terms of a concrete direction for these policies, the notice discussed the calculation formulas used by prefectures to estimate medical cost targets (outpatient expenses and inpatient expenses) as well as efforts taken by prefectures to promote the optimization of medical costs (numerical target-setting when possible). Specific issues discussed in that notice are listed below:

- **Outpatient Medical Expenses**

Prefectural medical cost targets are to be set based on historical trends. From FY2023 these targets will reflect the effects of medical cost optimization efforts. These effects will be reviewed in two stages. In the first stage, Japan will review medical cost reductions achieved via efforts to meet national targets for Specific Health Examinations and Specific Health Guidance implementation rates as well as targets for the use of generic drugs. In the second stage, Japan will work to reduce regional disparities in medical costs per capita by strengthening incentive measures for health-promotion such as the implementation of point-based healthcare systems and also by promoting efforts to reduce redundant prescriptions.

- **Inpatient Medical Expenses**

Japan will estimate inpatient expenses based on the outcomes of efforts to differentiate hospital beds by function and promote collaboration among medical facilities. Regarding the functional differentiation of hospital beds, Japan will work to shorten the amount of time that patients spend in

¹ Ministry of Health, Labour and Welfare "Revision of Basic Policies for Medical Cost Optimization / Plans for Medical Cost Optimization"
<http://www.mhlw.go.jp/file/05-Shingikai-12401000-Hokenkyoku-Soumuka/0000148008.pdf> (Accessed 2017, Nov.27)

advanced-acute and acute beds and lengthen the amount of time spent in recovery beds. In terms of regional disparities among inpatient expenses, because a strong correlation exists between hospitalization costs and the numbers of beds in each region, prefectural governments are being asked to formulate Medical Cost Optimization Plans consistent with their Regional Medical Care Visions. Ultimately, Japan will aim to cut hospitalization costs in half.

- Visualizing Regional Disparities

The National Government will conduct data analyses using Japan's National Database (NDB) to bring into view prefectural disparities among medical costs, generic drug usage, and redundant prescriptions / concomitant drug usage. Summarized results from these analyses will be provided as datasets to prefectural governments as reference material for analyses.

5.2 Medical Cost Optimization Measures | Disease Prevention and Health Promotion by Insurers

The Health Science Council's Community Health and Nutrition Team released an interim report on September 15, 2005, entitled "Future Promotion of Lifestyle Disease Countermeasures." That report cited challenges such as the following regarding the promotion of lifestyle disease countermeasures: insufficient sampling reliability of populations at risk for lifestyle diseases and insufficiently thorough health guidance; the need for thorough, evidence-based health examinations and guidance; the need for further improvements in the quality of health examinations and guidance; insufficient presentation of concrete strategies and programs by the National Government; and insufficient general understanding of the current situation / insufficient data for policy evaluations. The creation and strengthening of lifestyle disease countermeasures was deemed necessary in order to address these issues.² To that end, "Specific Health Examinations" and "Specific Health Guidance" were formulated in April 2008. Furthermore, in order to successfully "extend the nation's healthy life expectancy," (an important measure within the Japan Revitalization Strategy), it was decided that health insurance associations would be required to draw up and implement Data Health Plans and that corporations would be required to promote corporate wellness efforts.³

Specific Health Examinations / Specific Health Guidance

The Japanese government has formulated treatment plans for medical practitioners—Specific Health Examinations and Specific Health Guidance—in an effort to tackle lifestyle diseases, which are causal factors in approximately 60% of deaths each year in Japan. Specific Health Examinations and Specific Health Guidance focus on treating metabolic syndrome in adults ages 40 to 74. This is done through a two-step process. Patients first receive Specific Health Examinations. For patients identified as being at high risk for developing lifestyle diseases and who can expect preventative effects from lifestyle changes, public health nurses then provide Specific Health Guidance, supporting the re-examination of lifestyle choices. The MHLW created this program with the goal of reducing the number of people suffering from lifestyle diseases such as diabetes by 25% between FY2008 and FY2017. Based on that goal, individual insurers are expected to create plans to promote Specific Health Examinations and Specific Health Guidance for enrollees. These plans are created based on basic measures laid out by the national government such as Specific Health Examinations.

At present, the actual implementation rate for Specific Examinations among all insurers is 50.1%. When broken down by insurer type, implementation rates vary considerably, with municipal sections of the NHI at 36.3%, the National Health Insurance Association at 46.7%, the Japan Health Insurance Association at 45.6%, National Seamen's Insurance at 46.8%, Health Insurance Societies at 73.9%, and Mutual Aid Associations at 75.8%. Although rates for Health Insurance Societies and Mutual Aid Associations exceed 70%, rates remain low for other insurers, such as municipal sections of the NHI. Implementation rates for Specific Health Guidance, when compared to rates for Specific Health

² Ministry of Health, Labour and Welfare "Future Promotion of Lifestyle Disease Countermeasures (Interim Summary)" <http://www.mhlw.go.jp/shingi/2005/09/s0915-8.html> (Accessed 2017, Nov.21)

³ Ministry of Health, Labour and Welfare "Section 1: Background and Aims of the Data Health Plan" <http://www.mhlw.go.jp/file/06-Seisakujouhou-12400000-Hokenkyoku/0000069365.pdf> (Accessed 2018, Feb.7)

Examinations, are significantly low for every single insurer, with municipal sections of the NHI at 23.6%, the National Health Insurance Association at 8.9%, the Japan Health Insurance Association at 12.6%, National Seamen's Insurance at 6.9%, Health Insurance Societies at 18.2%, and Mutual Aid Associations at 19.6%.⁴ One reason for low Specific Health Guidance implementation rates is that same-day blood test results are unavailable, so it can take several months from screening to guidance.⁵

Data Health Plans

In response to the development of advanced population aging and following Japan's monetary and fiscal policies as the "Third Arrow" of Abenomics, the Japan Revitalization Strategy was announced, setting "extension of the nation's healthy life expectancy" as an important goal. During the first phase of this initiative, between FY2015 and FY2017, in order to realize that goal and as a new approach for disease prevention and health promotion, all health insurers were required to prepare and publish Data Health Plans. These plans laid out strategies that each insurer would take to maintain and improve the health of its enrollees based on analyses of health and claims data. As of April 2018, the second phase of Data Health Plans was implemented and is now headed for full-scale implementation. Similar initiatives are also required for the municipal sections of NHI. By preparing and utilizing Data Health Plans, it is hoped that health insurers will move toward the operation of more effective healthcare programs.

One goal for the creation of Data Health Plans is to promote the effective and efficient implementation healthcare programs via plan-do-check-act (PDCA) cycles based on analyses of health and claims data. Another goal is the realization of healthy workplaces through collaborative health programs in which businesses cooperate with insurers on initiatives to create healthy working environments and improve the health awareness and lifestyle habits of employees.⁶ This goal is clarified within the Basic Policies on Economic and Fiscal Management and Reform 2016 ("Big-Boned Policies") approved by a Cabinet order in 2016 which states that "Further collaboration between corporate wellness and data health measures will be promoted by corporations." There are high hopes for preventative medicine and health promotion measures implemented by insurers.

Corporate Wellness

Corporate wellness is the act of thinking about employee healthcare from an administrative perspective and undertaking strategic actions. It has been pointed out that increasing national medical costs will further worsen the fiscal situations of insurance associations and other insurers. This will lead to increases in insurance premiums, in turn requiring increased contributions from insured individuals and corporations. In addition, as the working-age population shrinks in concert with continual birthrate decline and ageing of the population, there is concern that the overall health of the working population will suffer, reducing the abilities of companies in Japan to secure human resources and leading to overall decreases in corporate productivity. For corporations, the maintenance and improvement of employee health combined with optimization of medical costs and improvements in productivity can all be considered investments in the future.⁷

⁴ Ministry of Health, Labour and Welfare "2015 Fiscal Year Implementation Status of Specific Health Examinations and Specific Health Guidance" <http://www.mhlw.go.jp/file/06-Seisakujouhou-12400000-Hokenkyoku/0000173319.pdf> (Accessed 2018, Feb.2)

⁵ Ministry of Health, Labour and Welfare "Future Measures for Increasing the Implementation Rates of Specific Health Examinations and Specific Health Guidance" <http://www.mhlw.go.jp/stf/shingi/2r9852000002e0cn-att/2r9852000002e0hh.pdf> (Accessed 2018, Feb.2)

⁶ Ministry of Health, Labour and Welfare "Primer on the Creation of Data Health Plans" <http://www.mhlw.go.jp/file/06-Seisakujouhou-12400000-Hokenkyoku/0000178352.pdf> (Accessed 2018, Feb.2)

⁷ Ministry of Health, Labour and Welfare "The Corporate 'Workplace Wellness' Guidebook ~ Recommendations for Promoting Health Through Collaboration

In addition, the promotion of employee health can improve a corporation's public image, increase productivity, contribute to organizational revitalization, and improve corporate performance. The Ministry of Economy, Trade and Industry (METI) has selected corporations that are strategically engaging with corporate wellness, recognizing one company in each industry as a "Corporate Wellness Brand." Through this initiative, the government is building the social capital of companies and encouraging them to further promote corporate wellness.

In July of 2017, MHLW published the "Collaborative Health Guidelines for the Promotion of Data Health and Corporate Wellness." These guidelines summarize the significance of collaborative health efforts, and offer practical examples for both business owners and insurers such as health insurance associations on what efforts may be effective for promoting employee health, advancing business-insurer collaborations, and putting corporate wellness techniques into practice. In other words, these guidelines aim to make "Data Health" implemented by insurers such as health insurance associations and "Corporate Wellness" implemented by business owner, function more effectively when utilized in combination.⁸

The Promotion of Incentives for Individuals and Insurers

The strengthening of incentives for individuals and insurers is yet another way to encourage preventative medicine and health promotion.

As an incentive for encouraging preventative medicine practices and health promotion in individuals, some insurers in Japan are implementing "healthcare points" systems or offering support such as for insurance payments. For example, enrollees who make the effort to receive Specific Health Examinations or who improve their examination results might receive health-related goods or discount coupons for future examinations.⁹

In terms of strengthening incentives for insurers in order to make it easier, among other things, for them to fully apply their functions according to their unique characteristics, the following measures were included within policy revisions such as that of the National Health Insurance Act of 2015: (1) the establishment of insurer effort support systems for residence-based NHI, and the evaluation of objective indices and creation of subsidies for initiatives such as those aimed at preventing the worsening of diabetes; and (2) comprehensive reviews (implemented from FY2018) of the systems used for calculating financial support for people aged 75 and over who are enrolled in health insurance or mutual aid associations that evaluate insurers based on not only their reported results from Specific Health Examinations or Specific Health Guidance, but also on multiple other indices such as cancer treatment initiatives or collaborations with businesses. Reforms of the system for calculating contributions from health insurance associations and mutual aid associations for those aged 75 and over were implemented from FY2018, emphasizing incentives for insurers' efforts such as those aimed at disease prevention and health promotion. The reforms are expected to have far-reaching but minor implications in terms of penalties for many insurers, while introducing step-wise reductions in insurers' financial contributions according to their level of achievement on certain indices.

and Cooperation ~ (Rev.1st ed.)" http://www.meti.go.jp/policy/mono_info_service/healthcare/kenkokeiei-guidebook2804.pdf (Accessed 2018, Feb.9)

⁸ Ministry of Health, Labour and Welfare "Data Health and Collaborative Health Guidelines for Promotion of Corporate Wellness" <http://www.mhlw.go.jp/stf/houdou/0000170819.html> (Accessed 2018, Feb.9)

⁹ Ministry of Health, Labour and Welfare「Insurer Incentives」http://www.mhlw.go.jp/file/05-Shingikai-12601000-Seisakutoukatsukan-Sanjikanshitsu_Shakaihoshoutantou/0000163331.pdf (Accessed 2018, Nov.28)