Health Insurance System | Japanese Health Insurance System

Japan's constitution, executed in May of 1947, expressly declares that citizens have a right to health and that it is the state's responsibility to ensure this right can be realized.[1] The government's commitment to health for all led to universal health care coverage in 1961.[2]

Characteristics of the Japanese health insurance system include:[3]

- **Mandatory coverage** for anyone who permanently resides in Japan for three months or more. This includes both Japanese citizens and non-Japanese citizens.
- Enrollees have **no choice of health insurance programs**. Plans are designated according to the enrollee's employment status, age, and residence. If the enrollee is not head of household, then the plan is dependent on the head of household's employment status, age, and residence.
- There are **no restrictions on access**. Regardless of the plan, enrollees can receive care from any medical provider as frequently as they would like.
- **Benefit packages are essentially the same**. Although some packages offer preventive or health promotion add-ons, these benefits do not serve to affect enrollment since enrollees cannot choose between plans. **Benefits include** hospital care, outpatient care, mental health care, prescription drugs, home health care, and dental care.
- **Copayments are the same across all plans**. Cost-sharing varies according to age. Children under 3 have a 20% copayment and persons over 70 with low incomes have a 10% copayment[4].
- The **premium rate varies between plans.**
- An out-of-pocket threshold **protects enrollees from catastrophic costs**. For people of working age, the average limit on out-of-pocket payments is 90,000 yen per month (approx. $724 at 1 dollar equal to 124 yen). The threshold and post-threshold co-payment varies dependent on age and income. The mechanism ensures financial risk protection within the health care system.
- C**entral administrative offices** have been established in each prefecture as the intermediary between providers and insurance companies. They evaluate and process claims from providers, then send bills to insurance programs.
- Japan's health **insurance schemes cross-subsidize each other** in order to financially stabilize the plans due to the variation in enrollee income level across schemes.

Free Access and Freedom of Practice

Patients are essentially free to receive care from the facility of their choosing. For example, a woman who works at a firm in Tokyo can visit a specialist at the university hospital near her office, then, in the same week, be seen by a physician at a clinic near her home in Kanagawa Prefecture. According to guidelines, a referral letter is required to be seen at a large hospital; however, as is often the case, patients pay a fee of a few thousand yen to be able to be seen without a referral. Physicians, as well, have the freedom to open medical practices. Furthermore, a physician who has a license to practice medicine can open a specialty medical practice in any medical specialty regardless of whether or not the physician holds a license in that area of medicine. For example, it is possible that a surgeon can practice as an orthopedic surgeon and an internist. It is, therefore, not uncommon to see signs outside of clinics that list several different medical specialties.

There are over **3000 health insurance funds** divided between **three insurance schemes**: employer based health insurance, residence-based National Health Insurance (NHI), and health insurance for persons over 75. Each scheme contributes to a common fund that is used to support the other schemes.[5]

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[1] Article 25 of the Constitution declares that "all people shall have the right to maintain a certain standard of healthy and cultured life" and that "the state shall try to promote and improve the conditions of social welfare, social security, and public health" for this purpose.

[2] Ikegami N. Universal health coverage for inclusive and sustainable development. Washington, D.C.: World Bank Group, 2014.

[3] Tatara K, Okamoto E, Allin S. Health systems in transition. Copenhagen: World Health Organization, European Observatory on Health Systems and Policies, 2009.

[4] Thomson, S., Osborn, R., Squires, D., & Jun, M. (2013). INTERNATIONAL PROFILES of Health Care Systems, 2013. *Commonwealth Fund Pub*. No. 1717, p.75–83

[5] MHLW. Health and Medical Services. http://www.mhlw.go.jp/english/policy/health-medical/health-insurance/index.html (accessed on 15 April 2015)

Employer based health insurance is further divided into three groups. The first group covers employees of large companies through over 1400 plans. If a plan faces financial hardship, it is eligible for a government subsidy. The second group covers public sector employees and is not eligible for any government subsidization. The third group covers employees of small to medium-sized companies and contains only one plan, the National Health Insurance Association. Subsidies from taxes and contributions from large employers are combined with employer and enrollee contributions within this plan.

NHI covers the self-employed, unemployed, and retired persons under 75. These plans are currently administered through municipalities, but administration will be transferred to prefectural offices in 2018. Enrollees contribute to these plans through premiums, but nearly half of benefit expenditures are covered by tax subsidies. Due to the significant increase in retired persons under 75, the rise in part-time workers not covered by employer-based insurance, and the decline in the number of farm, forestry, and fishery workers, this scheme is the most fiscally unstable of the three as the number of enrollees who may not or cannot pay has increased.

Health insurance for persons 75 and older was instituted in 2008 and requires that all people in this age group, even the employed and dependent, enroll. This scheme is administered at the prefectural and municipal levels. This scheme effectively moved the oldest of the older population from NHI to an independent system to increase transparency and accountability surrounding healthcare costs and payments for the growing older population. Enrollees pay a premium, which is deducted from their pensions, that is set based on healthcare expenditures by the prefecture for this population segment during the previous two years. In addition to premium contributions, which cover about 10% of total costs, this scheme is supported by government subsidies and by subsidies received from the two schemes listed above.

Health Insurance System | Long-term Care Insurance

Long-term care insurance (LTCI) was launched in Japan in 2000 and, as of January 2015, provides benefits to over five million persons 65 years and older, about 17% of this age population.[6] Japan's LTCI is a mandatory program that provides benefits for the long-term care of older persons (as opposed to programs that offer benefits to younger persons with disabilities).

Distinctive characteristics of this program include:

- The program is public. **All persons aged 40 and over contribute** by paying a premium that varies according to income.

- **All persons aged 65 and over can access benefits**. Persons 40 and over with disabilities related to aging, such as cerebrovascular disease, are also eligible to access benefits. Everyone, regardless of income, has the same benefits. Coverage for those over 65 begins once people turn 65 regardless of need or income.[7,8]

- **Benefits, which include institutional, home and community-based services**, are accessed through a care manager. The results of a standardized questionnaire on activities of daily living and a report from the enrollee's physician are reviewed by a local committee that determines the beneficiary's level of need and corresponding quantity of services. Each level of need has its own service ceiling after which individuals and families pay most costs with benefits for low income individuals. Need levels are reassessed every two years or upon request following a change in health.

- All services are subject to a 10% copayment.

- Enrollees can choose between care managers as well as service providers. This freedom of choice services as an important way to **control quality**. This of course is less effective in areas with fewer case managers and service providers.[9]

- The program is **administered by municipalities**, which sets premiums and licenses providers.

- **Providers** range from for-profit companies to non-profit companies. **Fees** for services are established by the federal government and are reviewed once every three years.

Long-term care insurance faces the following policy challenges:

- Despite great demand for services, human and financial resources as well as government regulations that restrict the building of new facilities leave would-be residents on **long waitlists**. Residents of the largest and most populated **urban areas will face the greatest shortage of care facilities** due to the expected increase in older residents.

Dementia

As in the case in several other countries, Japan is expecting to see an increase in the number of persons with dementia. According to government estimates, in 2025, there will be 7 million people with dementia comprising 20% of the 65 and older population. Effective prevention and treatment is still under development making care for persons with dementia a major issue. Under the leadership of Prime Minister Abe, the Comprehensive Strategy for the Promotion of Dementia Measures (also called, "New Orange Plan") was established in January 2015 signaling a sense of urgency. Another issue that will require attention is "the old caring for the old," which refers to instances where, for example, an 80 year-old wife is caring for her 85 year-old husband. Leaving the workforce to care for older persons is yet another issue that is expected to grow increasingly serious as the number of persons with dementia increases.

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[6] Ministry of Health, Labour and Welfare. Long-term care benefits: Monthly report. Retrieved from : http://www.mhlw.go.jp/toukei/saikin/hw/kaigo/kyufu/2015/01.html (accessed on 15 April, 2015).

[7] Campbell, J.C., Ikegami, N., Gibson M.J. (2010). Lessons from Public Long-term care insurance in Germany and Japan, Health Affairs, 29(1): 87-95

[8] Tamiya, N., Noguchi, H., Nishi, A., Reich, M.R., Ikegami, N., Hashimoto, H., Shibuya, K., Kawachi, I., Campbell, J.C. Population ageing and wellbeing: lessons from Japan's long-term care insurance poliy. *The Lancet.* 2011. 378(9797): 24–30

[9] Ikegami N. Universal Health Coverage for Inclusive and Sustainable Development. Washington, D.C.: World Bank Group, 2014

- There is a **health worker shortage** that leaves care facilities, including short-term respite facilities, understaffed.[10] The Ministry of Health, Labor and Welfare (MHLW) predicts that there will be a shortage of 300,000 workers by 2025. Low wages contribute to the small number of workers in this sector and the MHLW has proposed various initiatives to address this situation.
- Attitudes toward labor market expansion to include **care workers from other Asian countries** are shifting. In 2008 and 2009, Japan signed trade agreements with Indonesia, the Philippines, and Vietnam in order to increase the number of workers from these countries.
- The LTCI's effect on carer burden has yet to be extensively evaluated. Factors that may affect carer burden could include service availability, community engagement, and emotional support.

[10] Matsuyama, K. (February 20, 2015). Tokyo's Elderly Turned Away as Nursing Homes Face Aid Cuts. *Bloomberg*. Retrieved from: http://www.bloomberg.com/news/articles/2015-02-19/tokyo-s-elderly-turned-away-as-nursing-homes-face-aid-cuts (accessed on 20 August 2015)

Health Insurance System | Private Health Insurance

Despite the generous benefits and coverage provided by the public health insurance system, private health insurance is a growing segment of the private insurance industry in Japan with much of private health insurance is delivered alongside life insurance. Previously, private health insurance was limited in use to coverage of orthodontics and other high cost cosmetic procedures; yet, as the life insurance industry has grown larger, private health insurance as a supplementary service product has also grown.[11]

Plans on the market today include insurance to cover chronic diseases and hospitalization. These plans provide the insured with a lump sum upon diagnosis of, for example, cancer or upon long-term hospitalization. Private health insurance policies can be divided into three categories: medical insurance purchased independent of life insurance, medical riders upon a new or existing life insurance policy, and complementary medical care insurance that covers copays for services provided within the public health insurance system. The Life Insurance Association of Japan, to which all life insurance firms operating in Japan belong, estimated that 29.98 million stand-alone medical insurance policies, 94.52 million medical riders (for surgery and hospitalization), and 1.72 million complementary medical insurance policies were active in 2013 via a life insurance company. Cancer insurance has gained traction in Japan with 21.16 million cancer insurance policies in effect in 2013.[12]

Private health insurance in Japan continues to be a niche sector and is not projected to expand widely in the near future.[13] Reasons for this include the public health insurance system's generous out-of-pocket pay cap, extensive coverage of health services, and provision of open access to medical providers.[14] On the other hand, the changing disease structure and increased health policy focus on cancer,[15] the leading cause of death in Japan, may have some effect on the demand for these services.

[11] Thomson, S., Osborn, R., Squires, D., & Jun, M. (2013). International Profiles of Health Care Systems, 2013. *Commonwealth Fund Pub*. No. 1717, p. 75–83.
[12] Figures from Life Insurance Association of Japan
[13] Tajika, E. and Kikuchi, J. (2012). The Roles of the Government and Private Insurances in Healthcare Systems: the theoretical framework and the overseas case studies. Policy Research Institute, Ministry of Finance, Japan, Public Policy Review. Vol 111, No.1
[14] Tajika, E. and Kikuchi, J. (2012). The Challenges of Japan's Public Healthcare System and the Potential of Private Medical Insurance. Policy Research Institute, Ministry of Finance, Japan, Public Policy Review. Vol 111, No.2
[15] Japanese Association of Cancer Registries. *Cancer Registry in Japan.* Retrieved from http://www.jacr.info/publicication/document/CRIJ_eng.pdf (accessed on 16 April, 2015)