

# Is the Japanese Medical Payment System Sustainable?

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## Introduction

Since the medical expenditure has been increasing rapidly, it has been becoming a serious financial concern in Japan. According to Ministry of Health, Labour and Welfare [1], the medical expenditure was over 39 trillion yen or 8.3% of the GDP in fiscal year 2012. Based on the data of the WHO [2], this figure was not particularly large among major countries at this point in time. The medical expenditure per capita was 177 thousand yen for people younger than 65. On the other hand, for those 75 or older, it became 5 times as large and reached 892 thousand yen. As a result, it is predicted that it will continue to increase rapidly as ageing the population. Currently, Japan has instituted mandatory public health insurance. Patients age 75 or older just pay 10% of their medical expenditures and monthly limits also exist for patients. The public expenditure and the amount of health insurance premiums reached 39% and 49%, respectively. The direct payments by patients was just 12% of the total medical expenditure. The public expenditure and the amount of health insurance premiums are mainly paid by the younger generation (age 65 or younger), and it is predicted that the number of the younger generation will decrease in the future. Hence, the financial sustainability of the medical payment system is one of the most important and serious problems for the Japanese society.

In June, 2015, the advisory committee of the Ministry of Health, Labour and Welfare [3] submitted the very important report, "Japan vision: Healthcare 2035", to Minister Yasuhisa Shiozaki. "Sustainable financing" of the Japanese medical system is one of the most important parts of this report. It describes that "we must develop sustainable funding sources..., and new approaches to funding." The suggested actions are "Establish a financial support mechanism to complement public insurance" and "Transfer authority to prefectures" by 2035. It mentions necessity of tax increases to health hazard items such as alcoholic drinks, cigar, salt and sugar. In addition to that, it even proposes that standard medical expenditures considering social structures shall be assigned to prefectures by 2035. If an expenditure of a prefecture exceeds a predetermined amount, the prefecture will be able to cut the payments to hospitals and clinics in that prefecture to satisfy the determined quota.

The policy seems too radical in practice. It is impossible to change the age structure in a short period time. So, the best strategy

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is improving efficiencies of hospitals and medical treatments to control expenditures without deterioration of treatment outcomes. One of the most noticeable characteristics of the Japanese medical system is the long the length of stay (LOS) in hospital. The Japanese LOS was the longest among OECD countries [4] and much longer than those of major countries such as France, Germany, the United Kingdom and the United States. Hence, controlling medical expenditures by reducing the length of stay (LOS) in hospital has become a very important issue.

Recently, we analyzed the LOS of type 2 diabetes patients for educational hospitalization [5,6]. The number of diabetes patients have been increasing and the potential population with diabetes age 20 or over reached as much as 16.2% and 9.2% for the male and female population, respectively [7]. The medical expenditure for diabetes was 1.2 trillion yen and the third-most costly disease [1]. Moreover, diabetes as comorbidities makes risks of various diseases higher. However, as pointed out by the American Diabetes Association [8], the risk of diabetes can be reduced and controlled by improvements of lifestyles. We found out the LOS for some hospitals were unreasonably long and could not find any benefits of long LOS. We concluded that it would be possible to control the medical expenditure without deterioration of treatment outcomes by reducing the LOS.

Diabetes is just one example. "Japan vision: Healthcare 2035" mentioned that that "Information support healthcare and

disease management through analysis of check-up and treatment data” by 2025 and “Utilize the data network to develop a policy evaluation process” by 2035 as actions to be taken. If the efficiencies of hospitals and medical treatments are improved

by these actions, it might be possible to sustain the Japanese medical system. For this purpose, it is necessary to analyze other diseases and necessary incentives to improve the efficiencies of hospitals and medical treatments in the future studies.

## References

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