

Towards Fully-fledged Reform of Japan's Medical Care System

Japan's total medical expenses are already approaching the 40 trillion yen level, and are expected to increase annually in future. While the domain of medical care has traditionally been regarded as off-limits, the implementation of systemic reforms in this area and the realization of increased efficiency in the allocation of medical resources have become urgent issues against the rapid aging of Japan's population and the difficult state of the nation's public finances. How can we increase the quality of Japan's medical care while controlling spiraling medical expenses? In this issue of *My Vision*, we seek pointers towards fundamental solutions.

MyVision

C O N T E N T S

Expert Opinions

How should we realize the high quality of medical care while controlling medical expenses?

Rethink the health insurance system Review the scope of insurance coverage decided by the Central Social Insurance Medical Council

Hiroshi Yoshikawa
Professor, Graduate School of Economics, The University of Tokyo

Aging in place: realizing prevention to end-of-life care in the community

Ryosuke Tsuchiya
Chair Person of The Board, Kanagawa Prefectural Hospital Organization

Classify pharmaceuticals according to effectiveness

Satoko Hotta
Professor, International University of Health and Welfare Graduate School

Insurers hold the key to increased efficiency

Koichi Kawabuchi
Professor, Tokyo Medical and Dental University

Toshiaki Akatsuka
Advisor, National Federation of Health Insurance Societies (Former Director, Denso Health Insurance Society)

How should we realize the high quality of medical care while controlling medical expenses?

What should we do to control Japan's spiraling medical expenses?

What measures should we take to enable us to increase the quality of medical care while limiting medical expenses within a reasonable scope?

In this issue of *My Vision*, we seek opinions from academics and practitioners in the fields of macroeconomics, medical economics, and public policy, and a Health Insurance Society official.

Interviewer: Nao Toyoda, NIRA Senior Researcher

Editor: Kazuyoshi Harada

Period of interviews: March - April 2015

Rethink the health insurance system

Hiroshi Yoshikawa

Professor, Graduate School of Economics, The University of Tokyo

Japan's system of medical care is highly regarded, having achieved the world's longest average lifespan among the nation's population at a level of medical expenditure (as a percentage of GDP) similar to the average level for other developed nations. However, the nation's medical expenditure is expected to increase 1.5-fold by 2025, when Japan's baby boom generation reaches the age of 75 and above. The funding of this expenditure is an issue that must be addressed. It is essential that we somehow control the increase in medical expenditure, which is rising annually.

We must ensure, however, that the quality of Japan's medical care does not decline as a result of robust controls on the financial front. In order to do so, we should rethink the basic concepts of the health insurance system and redesign it in order to enable support for funding for the treatment of major health risks to be shared between all users. One of the mainstays of Japan's public health insurance system, the little-known High-cost Medical Expenses Benefits System, places an upper limit (the standard figure is 93,000 yen) on monthly medical expenses to be borne by the patient in order to ensure that high-cost medical treatment does not place excessive pressure on household budgets. This system will be rationalized with the introduction of the Social Security and Tax Number System this fall. The system should be designed to enable the costs to be borne by the patient to be cumulative, with no more than an upper limit amount to be paid to the clinic or hospital. A total lifetime amount for medical expenses should also be set as an upper limit for expenses to be borne by the individual. This type of system would offer peace of mind to the Japanese public. Alternatively, we should consider doing away with the current 30% level of payment by the individual in the case of small risks such as colds and cuts, and increase the individual burden, for example by setting a fixed amount.

Another issue to be addressed is the correction of the disparity in medical expenses between regions which would remain even after

adjustment for illnesses and the rate of aging of the population. It has been indicated that differences in the number of hospital beds and the number of physicians between Japan's regions affects medical expenses in each region. It will be important for Japan's regions to display leadership and to forge plans giving consideration to regional characteristics in cooperation with regional medical associations and university hospitals in the formulation of the Vision for Regional Medical Care which is now under discussion. I have high expectations regarding the initiatives of regional medical associations in particular. ■

A specialist in macroeconomics, Professor Yoshikawa makes proposals for the resolution of issues facing Japan's economy from the perspective of Keynesian economics. He stresses that innovation rather than population decline will be the chief factor influencing the nation's economic growth.

Aging in place: realizing prevention to end-of-life care in the community

Satoko Hotta

Professor, International University of Health and Welfare Graduate School

It has been pointed out that policies which make the reduction of costs their target tend not to succeed. It is essential that we make our primary target the realization of increased quality of life (QOL) in a sustainable form, and seek a model in which costs are reduced as a result of our efforts to take the living out of our natural spans into our own hands.

Most people in Japan do not wish to have their lives extended artificially, and want to die in their own homes. Despite this, by international standards, many people in Japan spend the last chapter of their lives unconscious, confined to a hospital bed. We need to collect and share stories of peaceful death in the community where the patient lived, and of the fact that this way of passing does not involve significant costs.

A large-scale apartment complex in Tokyo's Shinjuku Ward in

which the percentage of elderly residents has climbed beyond 50% has established a “community infirmary” office which responds to the various minor anxieties related to medical and nursing care which arise in the daily lives of the elderly. It is reported that this initiative organized by community nurses has become a hub of mutual support that is forming links within the local community, to the extent that residents no longer needlessly call out ambulances, as was the case in the past.

A physician in Higashiomi City in Shiga Prefecture is creating the conditions for his patients to die peaceful deaths by asking them what they want to do when they are no longer able to eat in order to clarify their wishes, and sharing this information with their families and the people around them.

Making it possible to continue to live securely with dignity and aging in place even when illness makes life difficult requires different competencies of specialists than standard acute phase medicine. The key will be to present the patient with an outlook for the future and offer choices based on the principle that it is the patient who guides the care, while transcending the standpoints of patient and specialist, working to strengthen a feeling of “team spirit” between the two as residents of the same community. ■

Professor Hotta took her present position in April 2015, following terms as a Visiting Professor at Utrecht University and a Researcher at The Netherlands Institute for Social Research, and as a Researcher at the Japan Institute for Labour Policy and Training.

Insurers hold the key to increased efficiency

Toshiaki Akatsuka

Advisor, National Federation of Health Insurance Societies
(Former Director, Denso Health Insurance Society)

Japan’s Health Insurance Societies are the only organizations in the country that possess data concerning medical examinations and medical expenses, and are able to quantitatively analyze medical data and perform cost-benefit studies. Health insurers should play a major role in correcting increasing medical expenses. Denso Health Insurance Society works in cooperation with companies to offer services that encourage members to improve their lifestyles in order to maintain their health and prevent illness.

For example, follow-up surveys of medical data for the past 10 years show that the medical expenses of individuals measured as having BMI of 25 or above are twice those of individuals with BMI in the healthy range in 10 years’ time. Medical expenses are four times higher if these individuals develop high blood pressure. If medical expenses are considered by the specific field of medicine, expenditure on dental care is seen to be the highest. Patients with gum disease also have a high rate of concurrent illnesses, and insurance offices which have made efforts to promote preventive dentistry have been successful in reducing total medical expenses per person. Focusing on preventive dentistry increases dental expenses, but reduces total medical expenses. In addition to improving members’ quality of life, it is beneficial from the financial perspective. Making information of this type visible to members is having an effect in changing thinking.

Japanese companies are world leaders in terms of quality control and increasing efficiency, but the nation’s medical care industry is conservative, and even today is lagging behind on the system and IT fronts. The initiatives that I have mentioned are examples of success in the application of the type of QC activities and process management that would be employed in a manufacturing plant to healthcare, enabling medical expenses to be controlled by managing health risks and convincing health insurance society members of the potential

benefits through the presentation of data and evidence at the upstream process stage, before symptoms worsen.

There is no decisive measure that will reduce medical expenses. The key will be to accumulate and analyze medical examination and treatment data, and to link clinics and hospitals and verify the effectiveness of processes from prevention to treatment through the use of IT and the sharing of data, all the while considering how to make the system more efficient. ■

During his period of service with Denso Health Insurance Society, Mr. Akatsuka actively pushed ahead with the introduction of the use of IT, for example through the creation of a system able to electronically cross-reference medical examination data and health insurance claim data.

Review the scope of insurance coverage decided by the Central Social Insurance Medical Council

Ryosuke Tsuchiya

Chair Person of The Board, Kanagawa Prefectural Hospital Organization

The process of development of new treatments and new drugs is ongoing, in addition to which the number of elderly citizens with chronic diseases is increasing as a result of the extension of the lifespan. We should accept the consequent increase in medical expenses as a given, and focus our attention on how best to allocate the burden of financing these expenses between tax, insurance and individual payments. Certainly it will be necessary to curb wasteful medical expenditure, but over-prescription or redundant prescription of drugs and similar instances of excessive expenditure amounts to no more than several tens of billions of yen, against a total medical expenditure approaching 40 trillion yen. If we nitpick over these numbers, we risk ignoring the essential issues.

The biggest issue here is changing the fact that insurance coverage extends even to treatments which have little scientific basis. In order to do so, it will be necessary to change the way that the Central Social Insurance Medical Council decides on the scope of public insurance coverage and payments for medical treatment. The way that the Council decides on drug prices is something like labor-management negotiations, a complex and unscientific process. It would be a good idea to institute a two-stage process, in which, prior to the review by the Council (which is highly susceptible to political pressure), medical experts decided on its legitimacy. This would mean that it would no longer be necessary to extend insurance coverage to treatments the effectiveness of which cannot be verified by medical data, which would help to control medical expenses. In addition, we could prevent insurance coverage being extended to colds and other minor ailments that can be cured by rest, and apply it instead where it is truly necessary.

I am also in favor of mixed treatment (the combination of treatment that is covered by public insurance and treatment that is not covered by public insurance) as a further development in this direction. People who are not in agreement with this type of system argue that it is unfair, and will only allow the rich to receive treatment, but this argument does not take the fundamental principle into consideration. We should allow people to take their own risks and pay their own way in the case of treatments the effectiveness of which has not been proven, and view it as an opportunity to obtain data from clinical trials as an adjunct to tests.

Dr. Tsuchiya is a surgeon. He makes policy proposals regarding the direction of reforms of Japan’s medical and nursing care systems and the future design of the nation’s social security system from the perspective of a practitioner and a hospital director.

Classify pharmaceuticals according to effectiveness

Koichi Kawabuchi

Professor, Tokyo Medical and Dental University

17,700 pharmaceuticals are covered by the Japanese health insurance system. Very few nations extend public health insurance coverage to this many drugs. In order to correct Japan's rapidly increasing pharmaceutical expenses, it will be necessary to create a win-win situation for the pharmaceutical industry, physicians, medical organizations and health insurance pharmacies, encompassing insurers and patients also, and little by little establish a trend towards social change. This is essential, because simply encouraging a shift towards generic drugs would dampen the motivation to develop new drugs. The main point to be observed here would be to reform the drug price system by instituting a framework in which the entities which do the work receive the remuneration, while giving consideration to cost versus benefit.

What I would propose is a three-tier classification of drugs in relation to insurance coverage based on their effectiveness. For example, drugs that could potentially become over-the-counter drugs (Third Tier) would be subject to insurance coverage, but the amount to be paid by the patient could be increased to between 50% and 90%. In actual fact, 129 prescription drugs could be reclassified as over-the-counter (OTC) drugs. The market scale here would be approximately 1.5 trillion yen, and the initiative would allow us to reduce medical

expenses. OTC drugs are taken for granted throughout the world, but their scope is limited in Japan. The Second Tier would cover long-term listed drugs that are out of patent, and for which generic versions have already been developed. Here, we could decide on a fixed upper limit price, and the patient would pay the excess.

High-priced drugs with outstanding records for effectiveness and safety and revolutionary new drugs would be classified in the First Tier. Here, because development costs are so high, I would propose the type of system in use in the U.S. and Germany, in which manufacturers are able to freely set prices, in order to boost development incentives. However, because these drugs would remain expensive access would be limited, and so the burden on patients could be eased by reducing the amount to be paid by the individual to the 10% level.

Changing the scope of application of public health insurance and the rate of payment by the individual by classifying drugs into several groups on a scientific basis, as described above, would enable us to harmonize fiscal discipline with strategies for growth. ■

Professor Kawabuchi stresses the necessity for the implementation of structural reforms by the government in order to ensure the sustainability of medical and nursing care benefits, which are increasing at a faster rate than public pensions. His areas of specialization are medical economics, medical policy, and management in the medical industry.

This is a translation of a paper originally published in Japanese. NIRA bears full responsibility for the translation presented here. Translated by Michael Faul.

About this Issue

Towards Fully-fledged Reform of Japan's Medical Care System

It is predicted that the rapid aging of Japan's population and progress in medical technology will result in an increase in the nation's medical expenses in the future. The guarantee of excellent, advanced medical care in order to ensure a healthy, long-lived population and to assist individuals battling intractable diseases is an urgent issue for Japanese society. At the same time, it will be essential to consider how to reconcile the control of increases in medical expenditure with improvement of the quality of medical care in order to realize a sustainable medical system and improve the severe state of the nation's public finances.

At present, measures to control expenditure on social security are under discussion by the government and within the ruling party, looking towards the achievement of the government's target for fiscal soundness, the realization of a primary balance surplus in fiscal 2020. It is expected that a variety of proposals designed to increase the efficiency of medical expenditure will be included in the measures for the realization of fiscal soundness to be compiled by the government in June, and there is increasing attention focused on these proposals. For this issue of *My Vision*, we therefore asked specialists and practitioners in public finance and various fields of medicine their opinions regarding what we must do, from a medium- to long-term perspective, in order to increase the quality of medical care while controlling medical expenses.

The shared perspective that becomes apparent in this issue of *My Vision* is that it is not enough to simply apply measures to con-

trol expenditure; it will rather be necessary to go back to the drawing board and reconsider the philosophies behind the various mechanisms that support the health of Japan's citizens. For example, we might consider the best direction for the application of health insurance, redesigning the system to enable the financing of treatment for major medical conditions to be supported by all members of the system, and insurers could begin to implement fully-fledged efforts to increase the quality of life of their members. In the area of end-of-life care, specialists could propose modes of care which would enrich the lives of patients, and the patients themselves could select the care that they wished to receive. Giving consideration to Japan's future aging society, it will be essential for individuals involved in medical care and Japan's citizens themselves to look squarely at the issues and discuss not just how to cure illnesses, but also how to create an environment that promotes health and enables individuals to choose their way of living.

The opinions of the experts collected in this issue of *My Vision* contain numerous suggestions that it will be necessary to ponder deeply if we are to realize a sustainable and high-quality medical system.

Yuri Okina, NIRA Executive Vice President
(Vice Chairman of the Japan Research Institute, Limited)

National Institute for Research Advancement (NIRA)

4-20-3 Ebisu, Shibuya-ku, Tokyo 150-6034, Japan

(URL: <http://www.nira.or.jp/english/>)

(Facebook: <https://www.facebook.com/nira.japan>)

For more information: info@nira.or.jp

Tel +81-3-5448-1710 Fax +81-3-5448-1744