Column1

The Public Health Care Insurance System in Japan

The Japanese health care system, whose universal coverage was attained in 1961, provides compatibility between universal access to services and universal financial coverage. The insurance scheme is based on a "social insurance" model and is divided into three pillars.

1st pillar: Employer-based scheme

The first pillar, the employer-based "Health Care Insurance (HCI)" admits big companies to establish its health care insurance association as an independent entity. Each HCI association functions as an insurer financed by earnings-related contributions shared evenly between employers and employees. Currently, there are about 1,500 HCI associations with approximately 30 million participants. Public-sector employees enroll in a similar scheme called the "Mutual Aid Association (MAA)." For small companies that cannot establish HCI associations on their own, the national government provides "Japan Health Insurance Association." This scheme is financed by (1) earnings-related contributions divided equally between employers and employees and (2) the subsidy from general revenue (13% of the total benefit expenditure); this program currently has about 36 million participants. Employer-based schemes also cover employee dependents.

2nd pillar: Community-based scheme

The second pillar is the community-based "National Health Care Insurance (NHCI)," with municipal governments functioning as insurers. Each municipal government sets its contribution level, which is based on participants income and assets. Approximately 1,800 municipalities with roughly 50 million participants finance NHCI through (1) participants' contributions and (2) the subsidy from general revenue (43% of the total benefit expenditure).

3rd pillar: Health care insurance for seniors

The third pillar is the "Health Care Insurance for Seniors (HCIS)", established in 1983 and restructured in 2006. Under the new system launched in April 2008, each prefecture has a health care insurance association that functions as the insurer for all people aged 75 and over, and this scheme is financed by (1) contributions from insurees — people aged 75 and over, (2) statutory appropriated contributions by 1st and 2nd pillar insurers and (3) the subsidy from general revenue (50% of the total benefit outlay). Approximately 13 million seniors participate in this system.

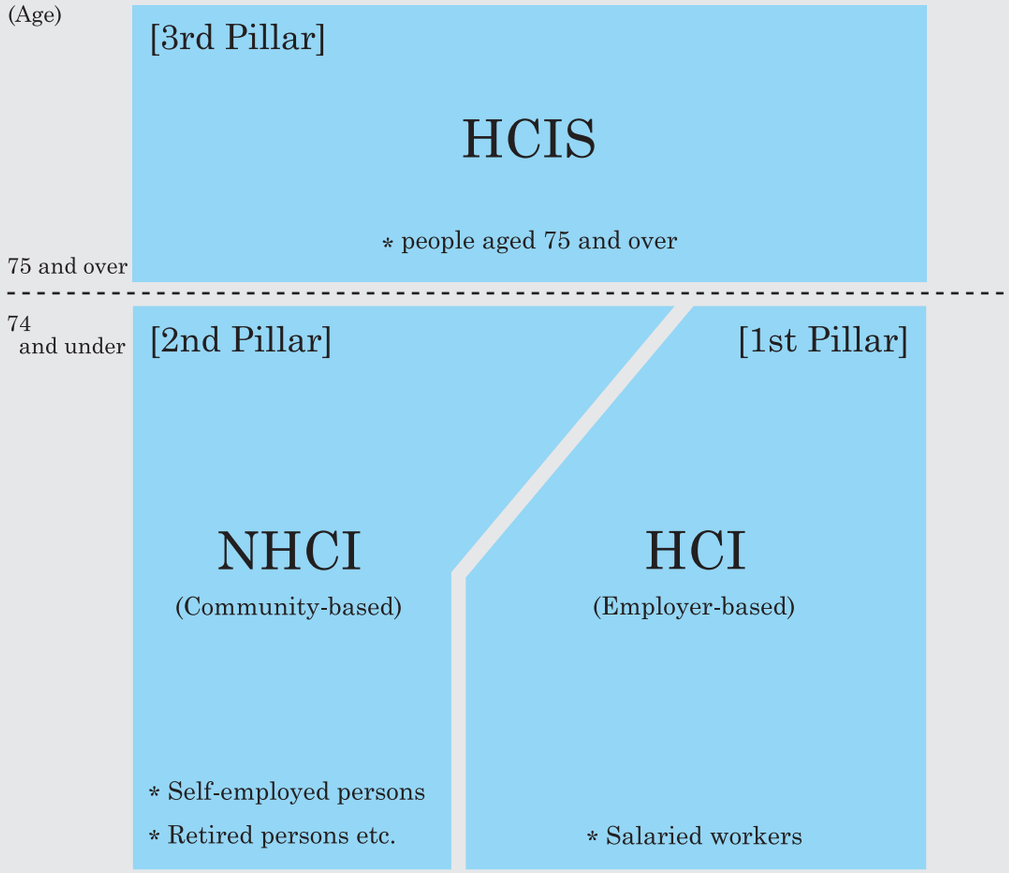
All three pillars are mandatory schemes and cover a broad range of medical and health care services including hospital care, physician, dentist and pharmacist services, prescription drug costs and some preventive care services. The fee payment rule is identical for all schemes and providers are mostly reimbursed on a fee-for-services system based on the price list set and revised by the Ministry of Health, Labour and Welfare. The copayment by patients is at a fixed-rate of total cost of medical services and drugs, and is (1) 10% for seniors aged 70 and over for the time being, (2) 20% for preschool children and (3) 30% for others. People aged 70 and over with high income, however, pay 30%.

Challenges

For decades, Japan has managed to balance cost-containment with broad coverage. Japan's health expenditure as percentage of GDP is approximately 8%, relatively low among OECD countries. The rapidly aging population, however, has posed a sustainability challenge along with issues of quality of care, misalignment of medical resources among regions and specialties (e.g. a shortage of pediatricians and obstetricians), medical safety and enhanced transparency of medical information exchanged between the doctor and the patient. The system for keeping continuity with long-term care also needs to be improved.

Health Status

Structure of Medical Insurance System



HCI ..... Health Care Insurance
NHCI ..... National Health Care Insurance
HCIS ..... Health Care Insurance for Seniors

Frailty and Long-Term Care

5.