

Lessons from Japan's universal healthcare system

~Financial stability in the face of population aging~

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Japan's healthcare system: an overview

- Japan achieved institutional universal healthcare coverage in the 1960s.
 - An extremely broad portion of healthcare is covered by the public system. (Exclusions are very few. Plastic surgery is one)
 - The state's aim is to provide medical services in a fair, equal, and low-cost manner.
- In 2000, Japan established a long-term care insurance system
- Compared to other developed nations
 - Japan provides thorough free access that is unparalleled
 - The system is very highly regarded internationally by healthcare leaders (WHO), media (Newsweek), and healthcare professionals (The Lancet).

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Japan's major accomplishment with social health insurance, from a global perspective, has been its successful pursuit of the normative goals of ① expansion of coverage and ② containment of costs while ③ improving equity in the health system over time. Japan offers several lessons for other countries.

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from The LANCET “Japan: Universal Health Care at 50 Years”
(Published: August 30, 2011)

Japan's system performs better than any other developed nation

							
Healthy Life expectancy (HALE, 2019)	1	11	10	7	23	29	69
Overall Health Performance (1997)	1	4	11	6	14	9	15
Infant mortality rate (for every 1000 births, 2019)	1.9	2.1	2.4	3.8	3.2	3.7	5.7
Healthcare expenditure as a percentage of GDP (2020)	5	6	22	4	2	12	1

Sources: WHO (HALE, health performance), OECD (infant mortality, healthcare expenditure)

Japan's long-term care system has performed well, despite the aging population

- In 2000, Japan implemented mandatory public long-term care insurance (LTCI), which covers people 65 and over who require care for whatever reason.
- The system is one of the most generous in the world in terms of coverage and benefits.
- Despite the rapid increase in Japan's older population, the system has been effective and manageable. The country has been able to constrain expenditure growth to the rate of the target population.
- The system provides services only — not cash for care.
- The most popular service is adult day care
 - Adult day care has 1.9 million users (6.5% of the population of 65+)
 - Helps support frail older people and their carers by lessening the burden on families

Japan gradually expanded the system's coverage post-1961

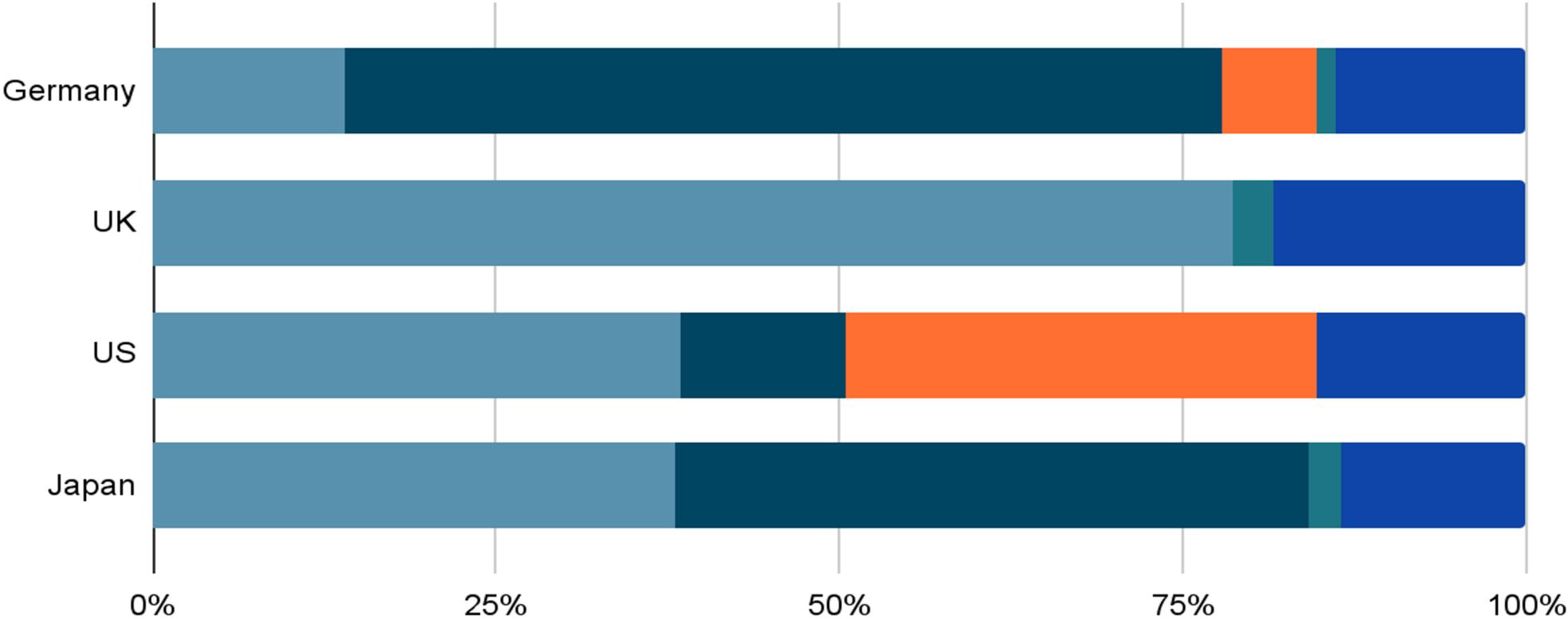
- The UHC was established in 1961. At first, the coverage was limited. There was a cap on the number of drugs that could be administered. Antibiotics, for example, were not covered.
- Later, coverage was expanded in line with economic growth, and by the late 1970s, limited medical care was almost completely eliminated.

	 (1961, when UHC achieved)	 (2020)	 (2020)
Per capita GDP	\$600 (about \$3000 in current prices)	\$70000	\$7000
Ratio of healthcare expenditures to GDP	2.9%	3.2% (public) / 6.1% (total)	4.4%

Healthcare is mostly covered by the public sector in Japan

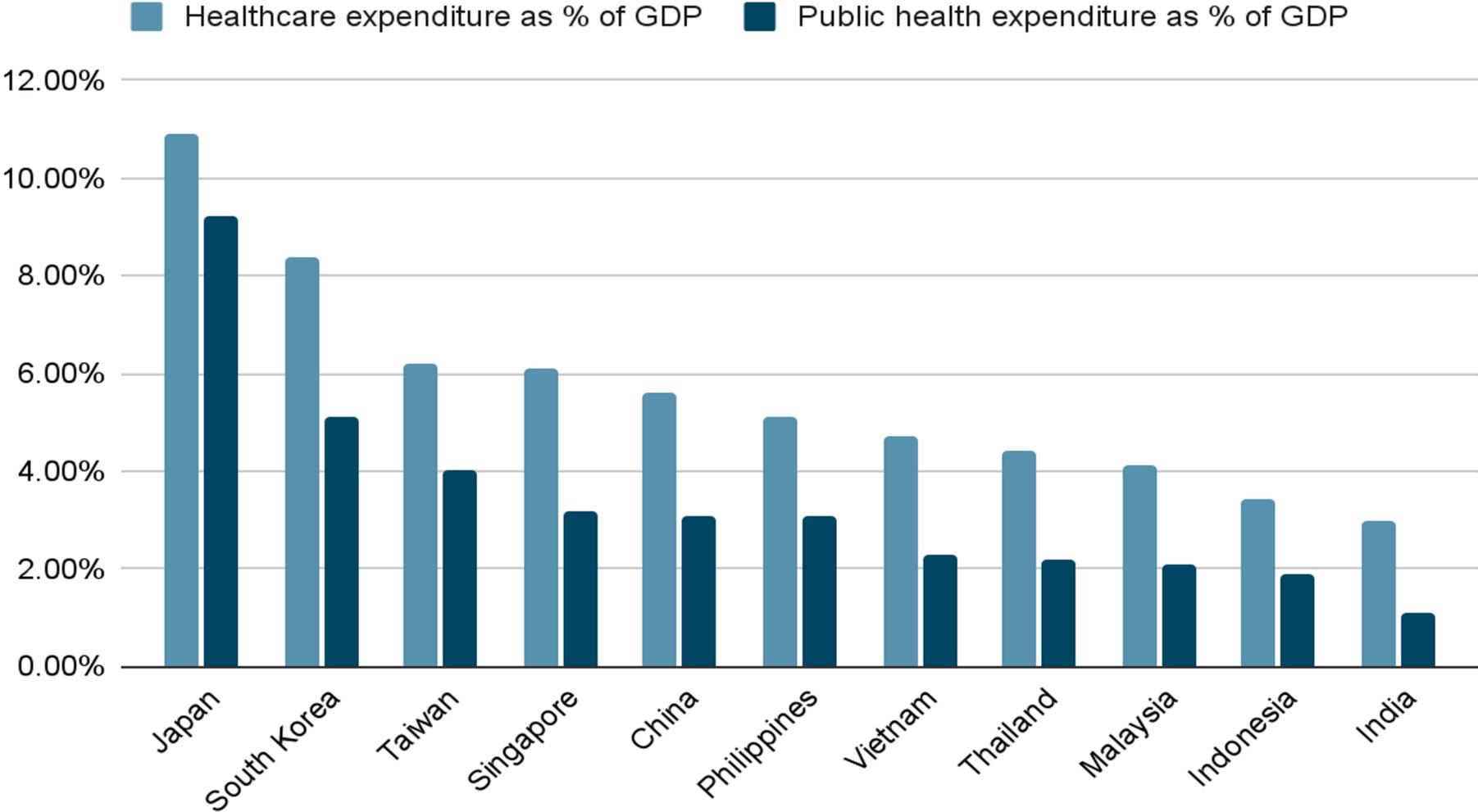
Source of Financial Resources for Healthcare

- Government Expenditure
- Public healthcare system
- Mandatory private insurance
- Voluntary private insurance
- Personal Burden



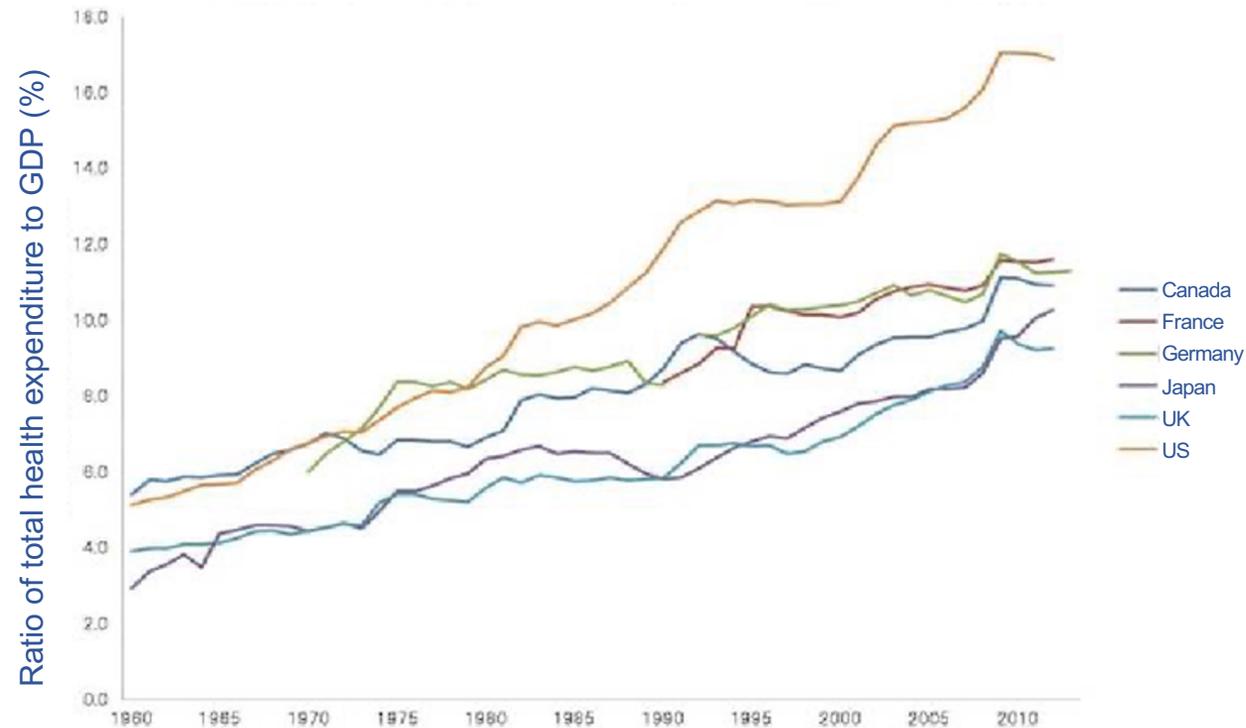
Source: OECD (2018)

Japan's healthcare expenditures compared to other Asian countries



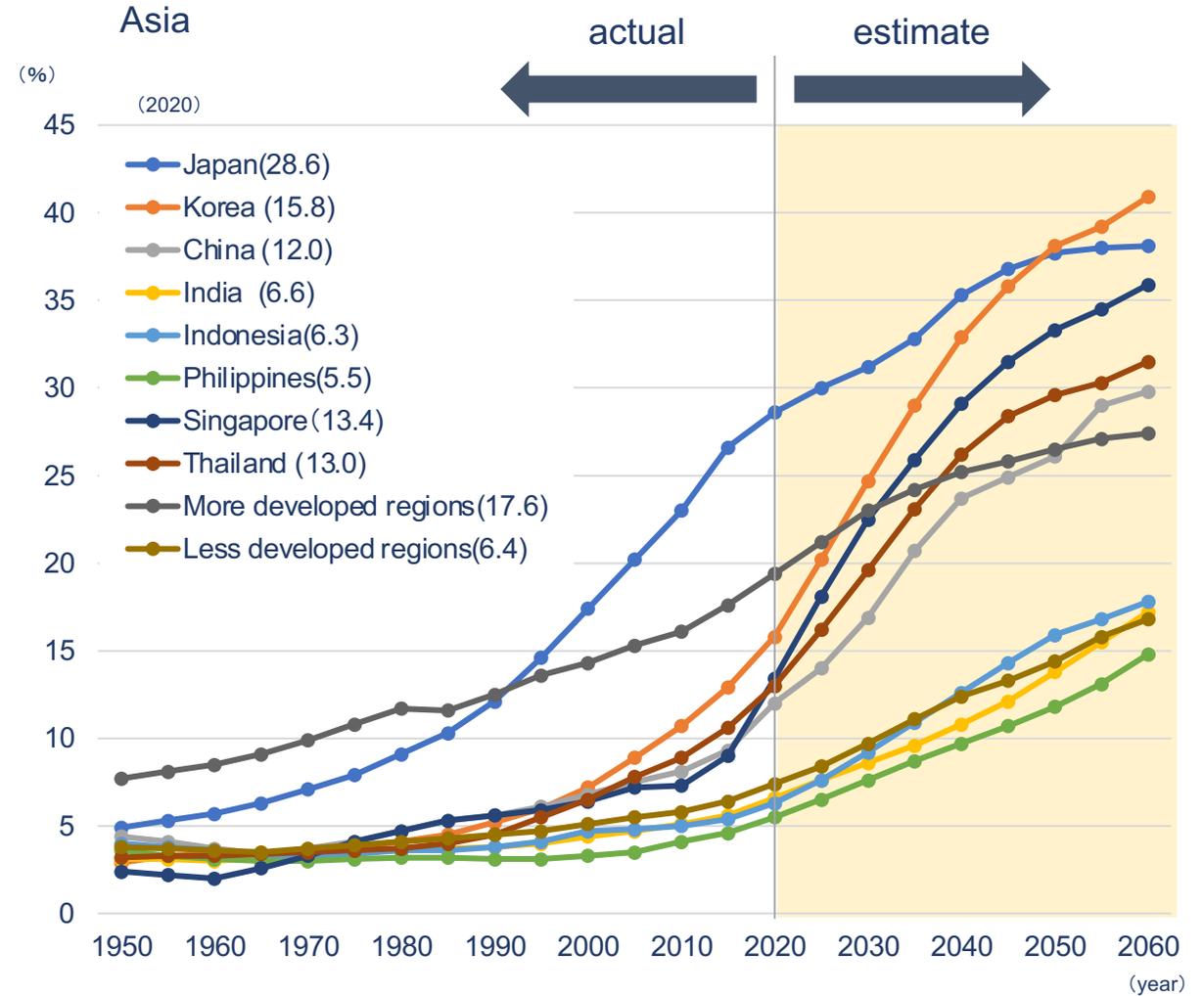
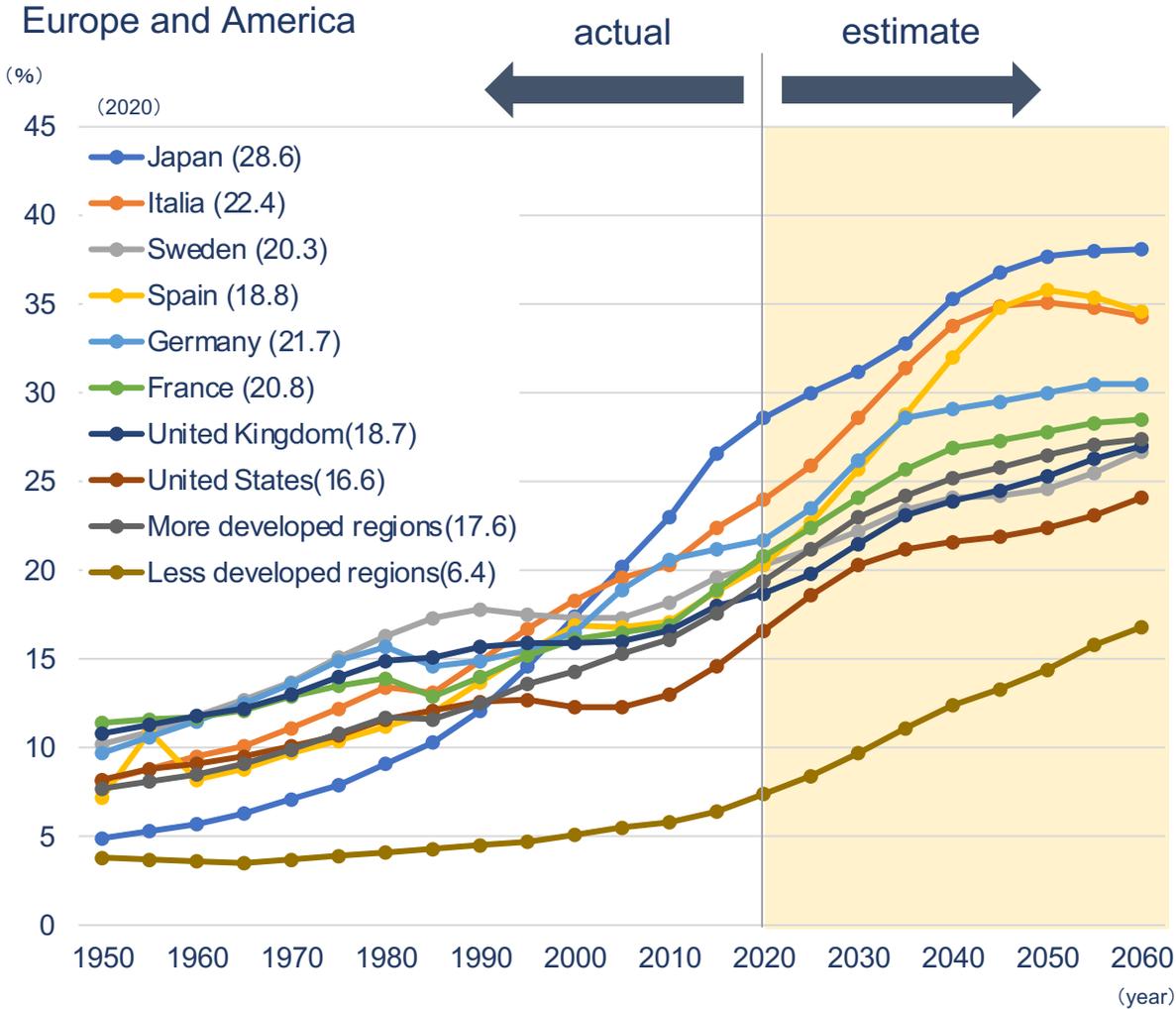
Health expenditure to GDP ratios are rising globally

Changes in the ratio of total health expenditure to GDP



- Although the extent varies from country to country, the ratio of health expenditures to GDP in developed countries is increasing, at least in the medium to long term.
- Containing health expenditures within a range proportional to GDP growth cannot be achieved without sacrificing the health care coverage afforded to the public in terms of both quantity and quality.
- The OECD expects that health spending will outpace GDP growth until 2030; health spending will increase at an average annual rate of 2.7% across the OECD.

Changes in the percentage of the population over 65



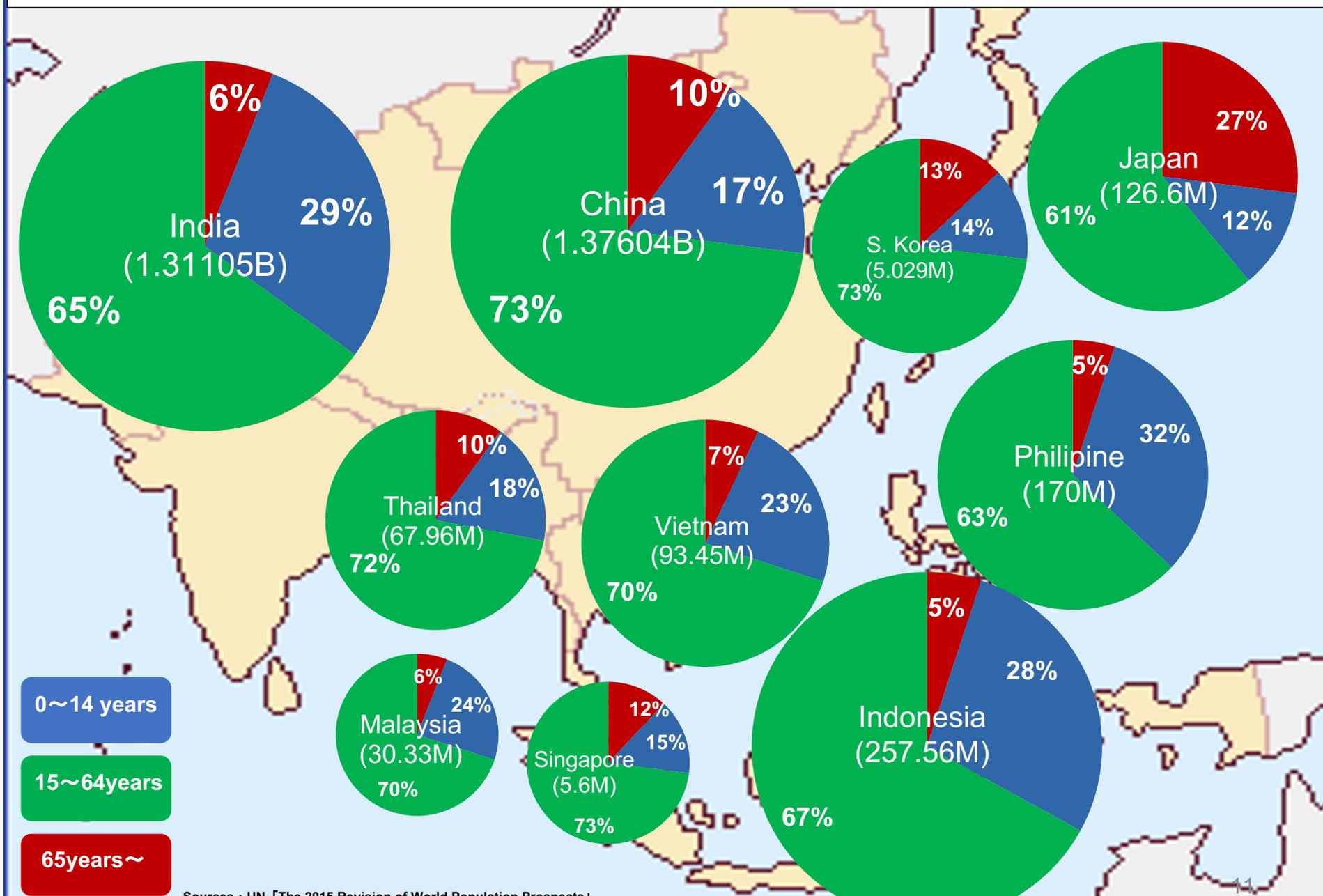
Sources : UN 「The 2022 Revision of World Population Prospects」

Note:

More developed regions : Northern America, Japan, Europe, Australia/New Zealand

Less developed regions : Africa, Asia(excluding Japan, Central and South America, Melanesia, Micronesia, Polynesia)

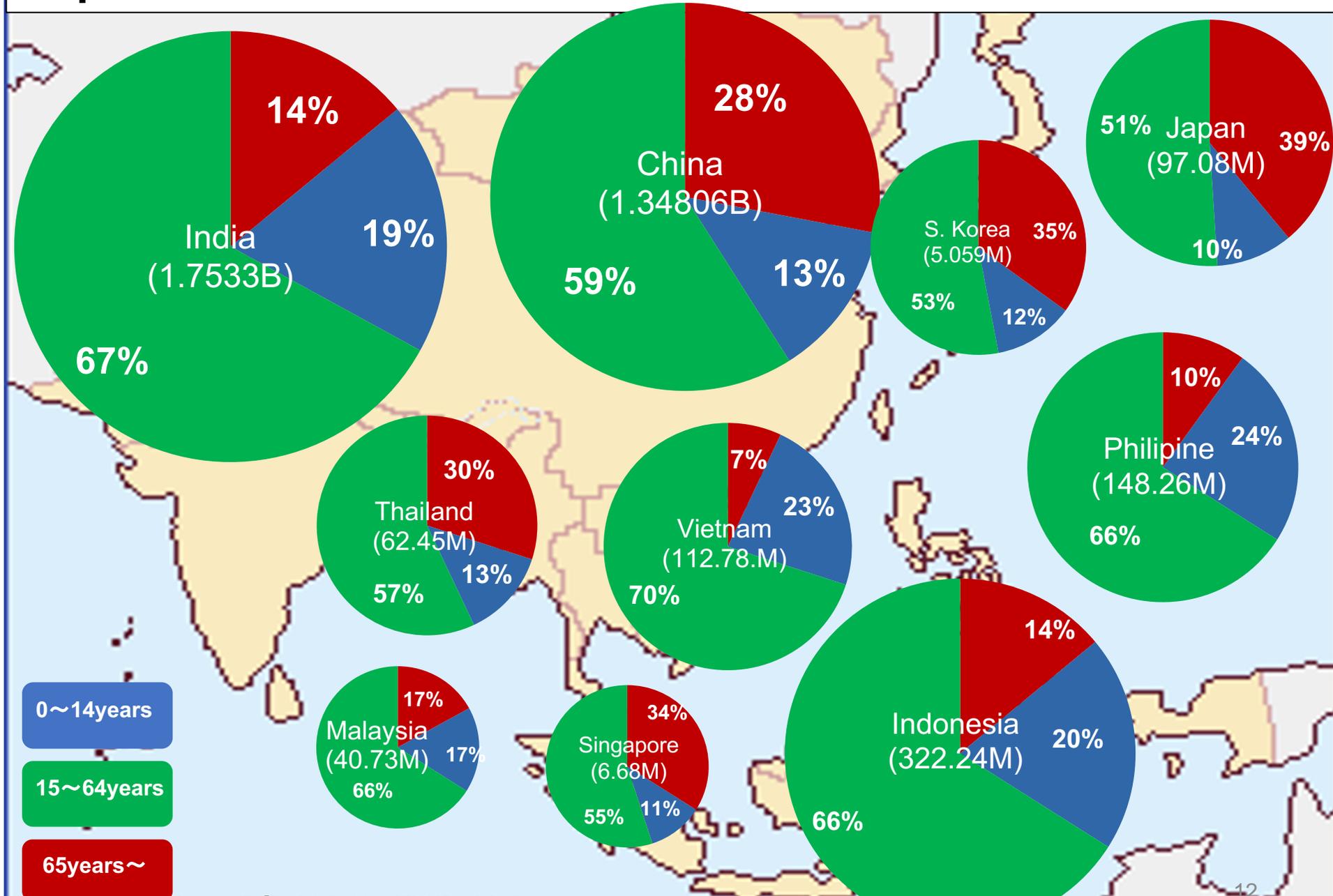
Population structure of the Southeast Asia in 2015 (Categorization by Age)



0~14 years
 15~64 years
 65 years~

Sources : UN 「The 2015 Revision of World Population Prospects」
 National Institute of Population and Social Security Research 「Population Prospects」 (Jan 2012)

Population structure of the Southeast Asia in 2050 (Categorization by Age)



0~14years
 15~64years
 65years~

Sources : UN 「The 2015 Revision of World Population Prospects」
 National Institute of Population and Social Security Research 「Population Prospects」 (Jan 2012)

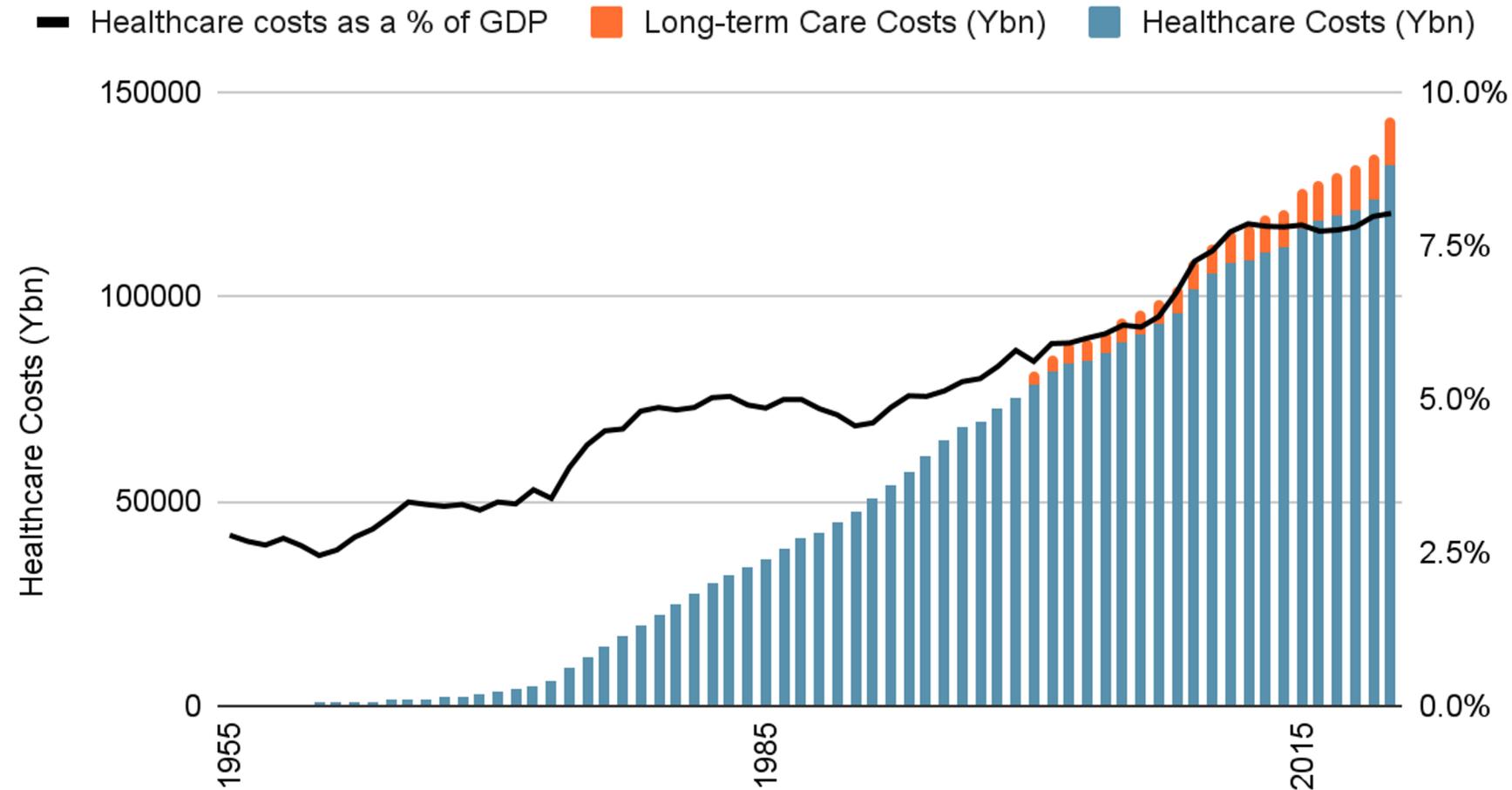
Technological innovation drives a rise in health expenditures

- From a health economics perspective, the main driver of rising health expenditures is technological innovation (sophistication) in medicine.
- Better health care, made possible by global advances, specifically includes the following:
 - (1) Medical treatment that can treat previously incurable diseases
 - (2) Medical treatment that is less invasive (i.e., less burdensome to the patient, causes less interruption in social life, and ensures a high quality of life)
- These advances contribute greatly to the quality of life of all people.



Changes of health expenditure and long-term care insurance benefits

Healthcare and Long-Term Care Costs



Healthcare reforms must balance two imperatives



Ensure that the people are able to receive the medical care they require without any worries



Ensure that the people are able to receive the medical care they require without any worries



Potential reforms

1. Revision of benefits and copay
2. Functional specialization of medical institutions
3. Promotion of preventive care and health maintenance

What other nations can draw from Japan's experience

- **Japan's universal healthcare and pension system was created very early post-war.** The long-term care insurance system was launched before the arrival of an aging society.
- **Such a large institution can only be built when the economy is growing steadily and when society is developing.** Japan was able to lay the foundations for its social security system before the full-scale aging, depopulation and global economic stagnation. Japan will face further difficulties in the future, but it will probably be able to survive.
- **Asian countries will face a faster aging population and declining population than Japan. Before that time comes, it is most important to build a foundation for a strong social security system that can withstand the changing times.**



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