

# Medical Technology Leadership Forum

## Prof. Ikegami's Overview of Japanese Healthcare System: Comments

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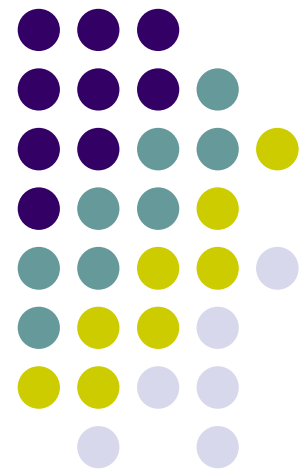
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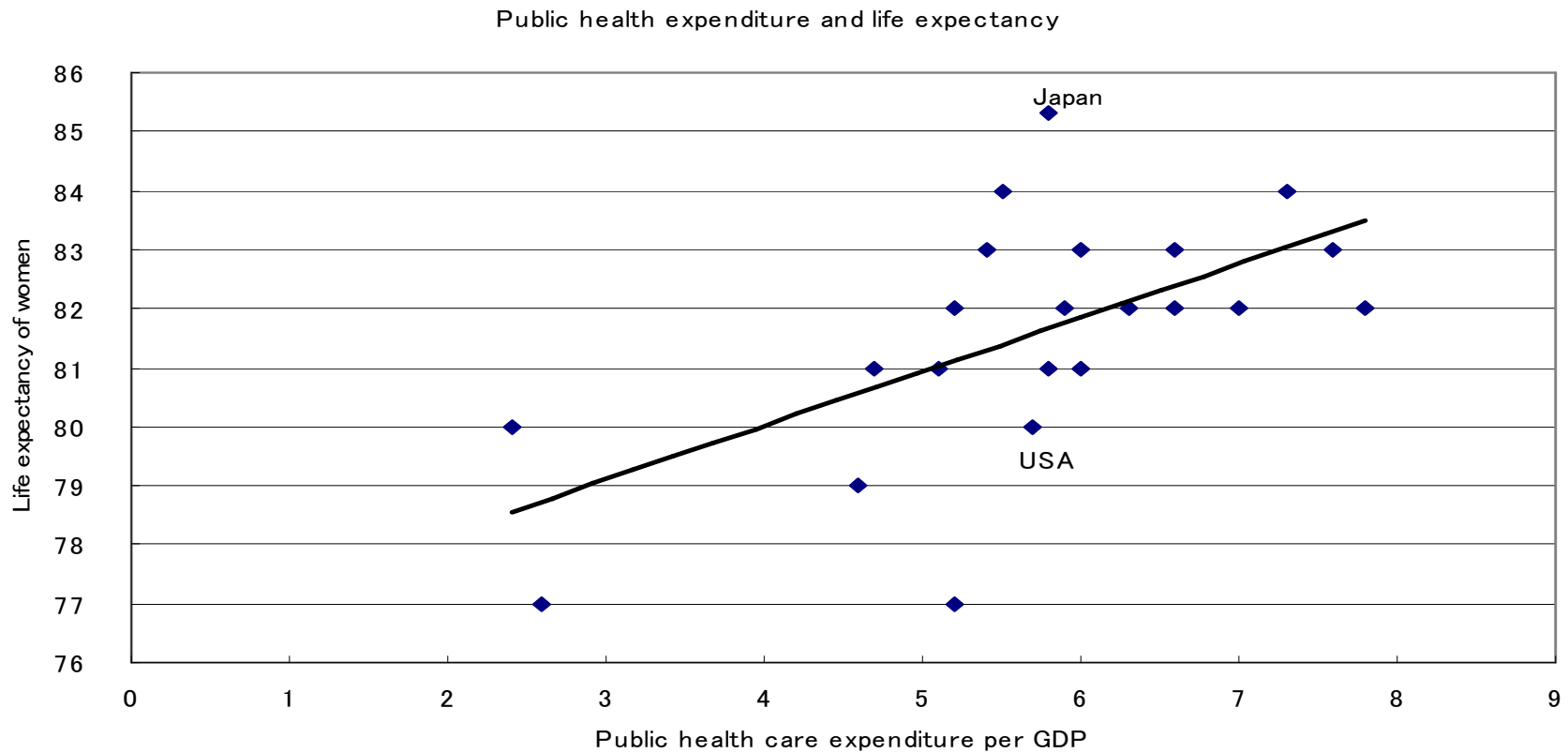


## The present system; assessment

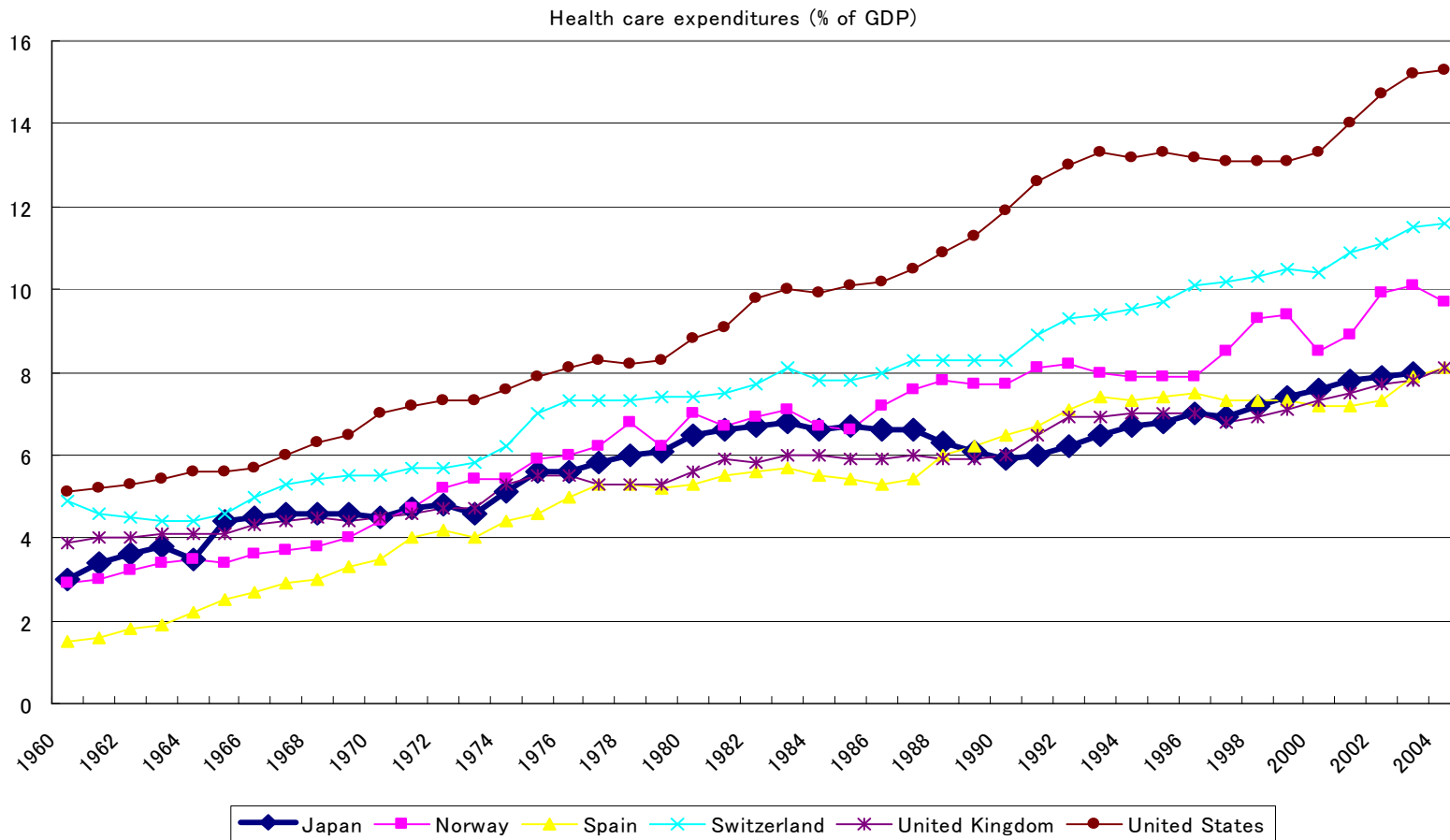


- Level of health care expenditures is still low, but is projected to increase rapidly with aging;
- Despite excellent health indices, there is still room for improving the allocation of health care services;
- No waiting lists in the sense that one can be seen on the same day is not sufficient.
- People want the better services with extra costs, which is basically prohibited by the government.
- Egalitarian system without competition is desirable for the less qualified service providers.

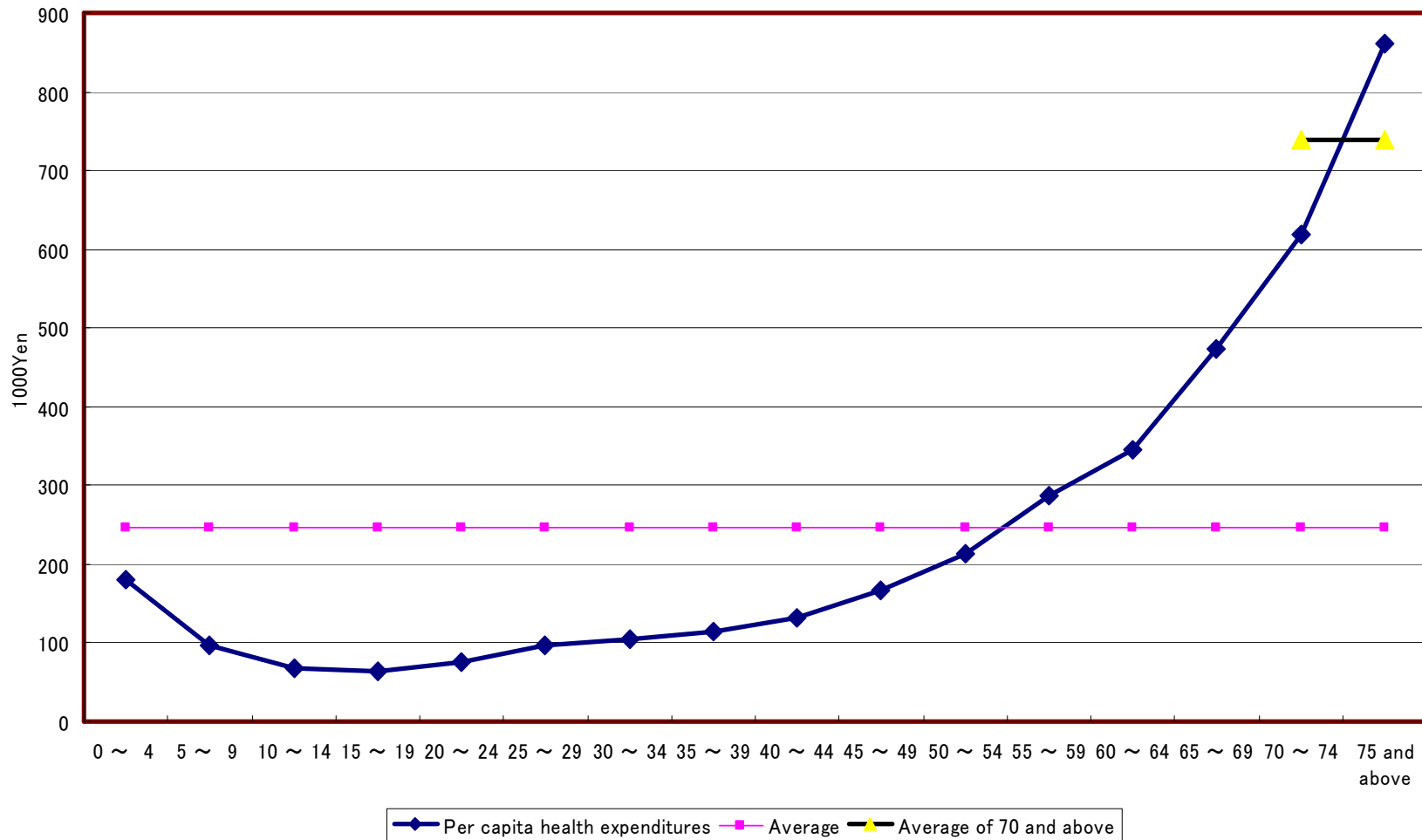
# Public health spending is roughly related with the life expectancy, but there are large variations across OECD



# Health care expenditures are growing in OECD countries



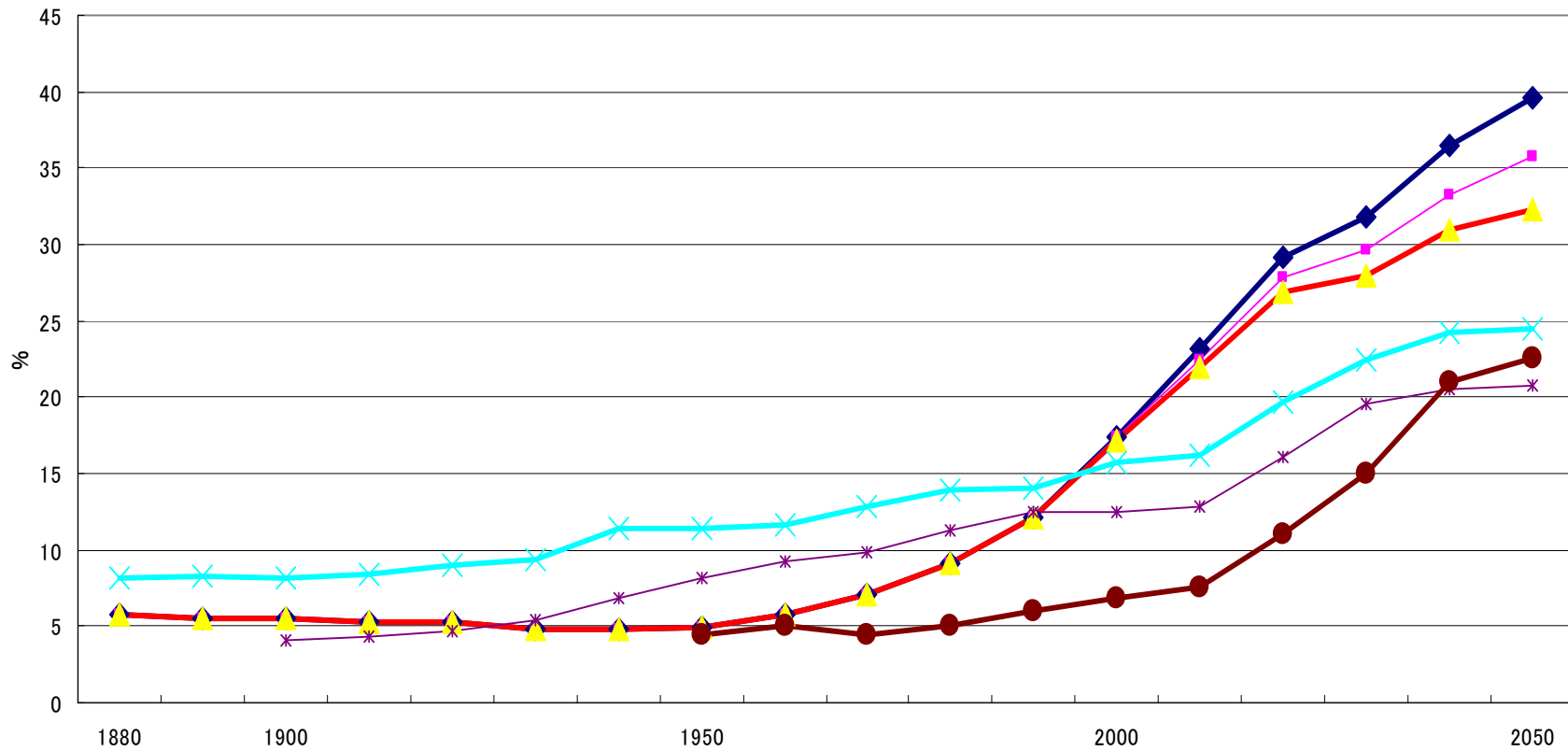
# The elderly are the heavy consumers of health services, and.....



# Japan has the highest ratio of the elderly, and the speed of the aging is accelerating



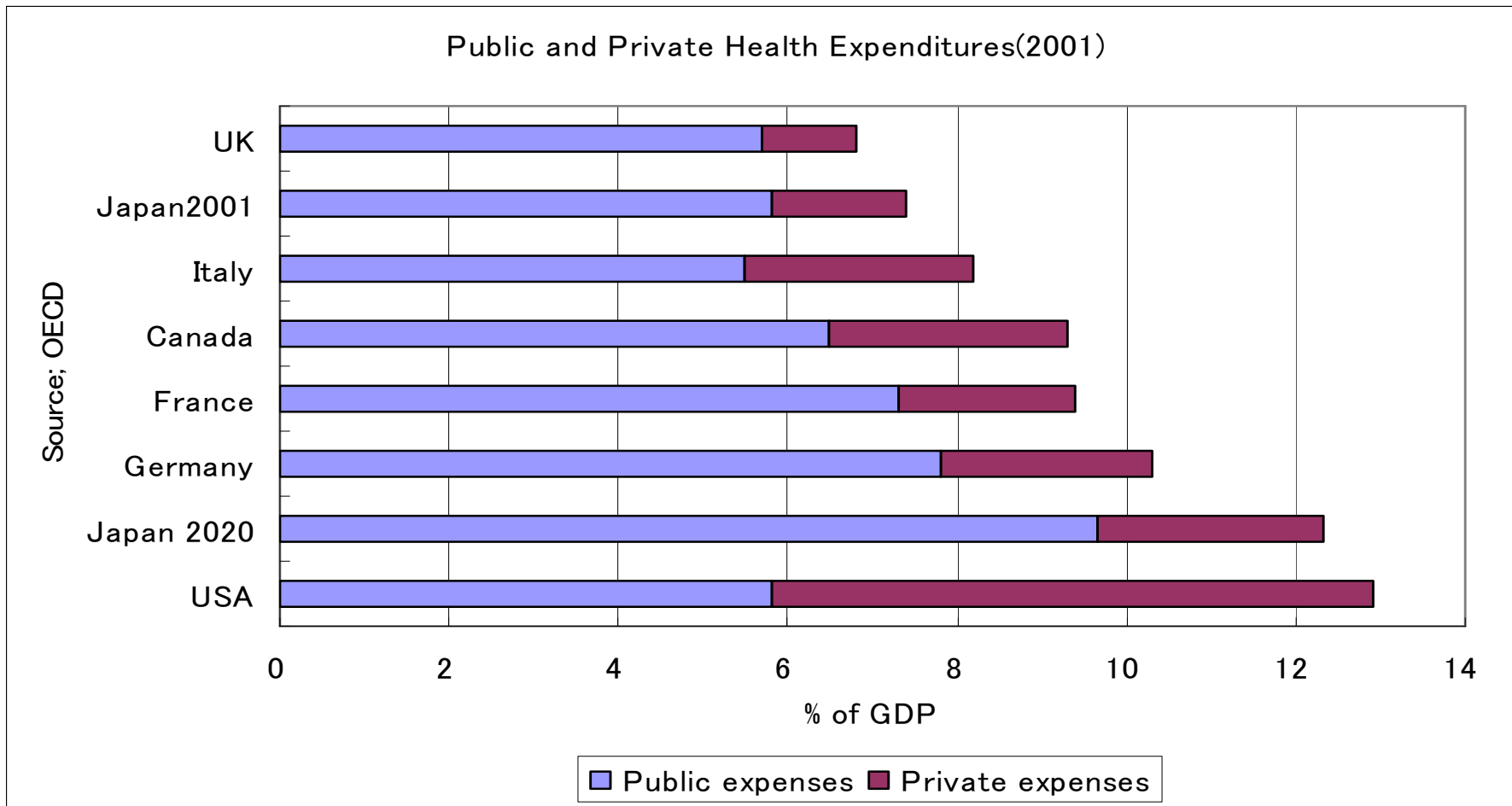
International Comparison of the Ratio of the Elderly



Source: Population and Social Security Institute

Japan(2006) Japan (2002) Japan (1997) France USA China

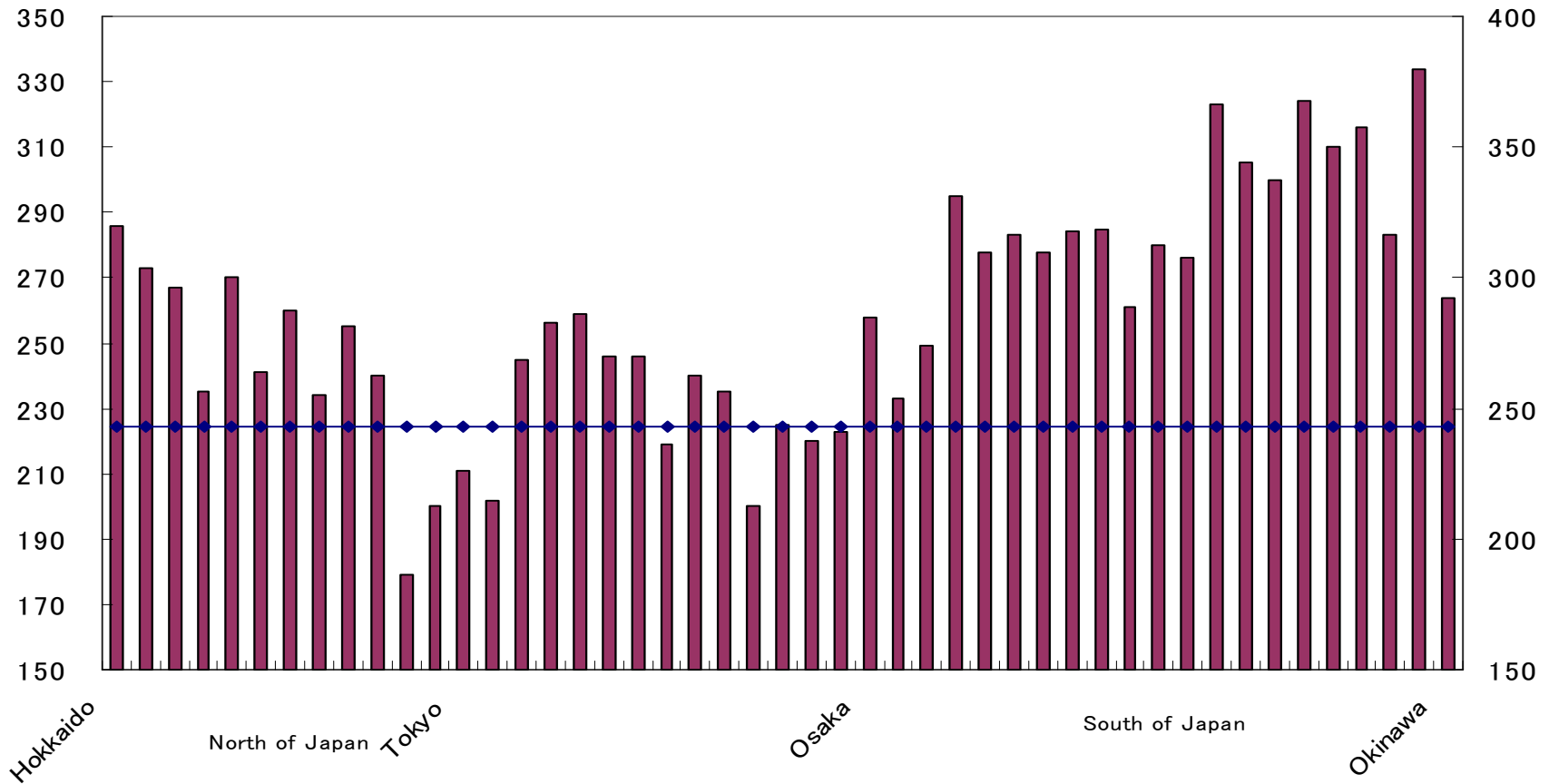
# Japan's Health Expenditures will reach the US level by 2020, other things being equal.



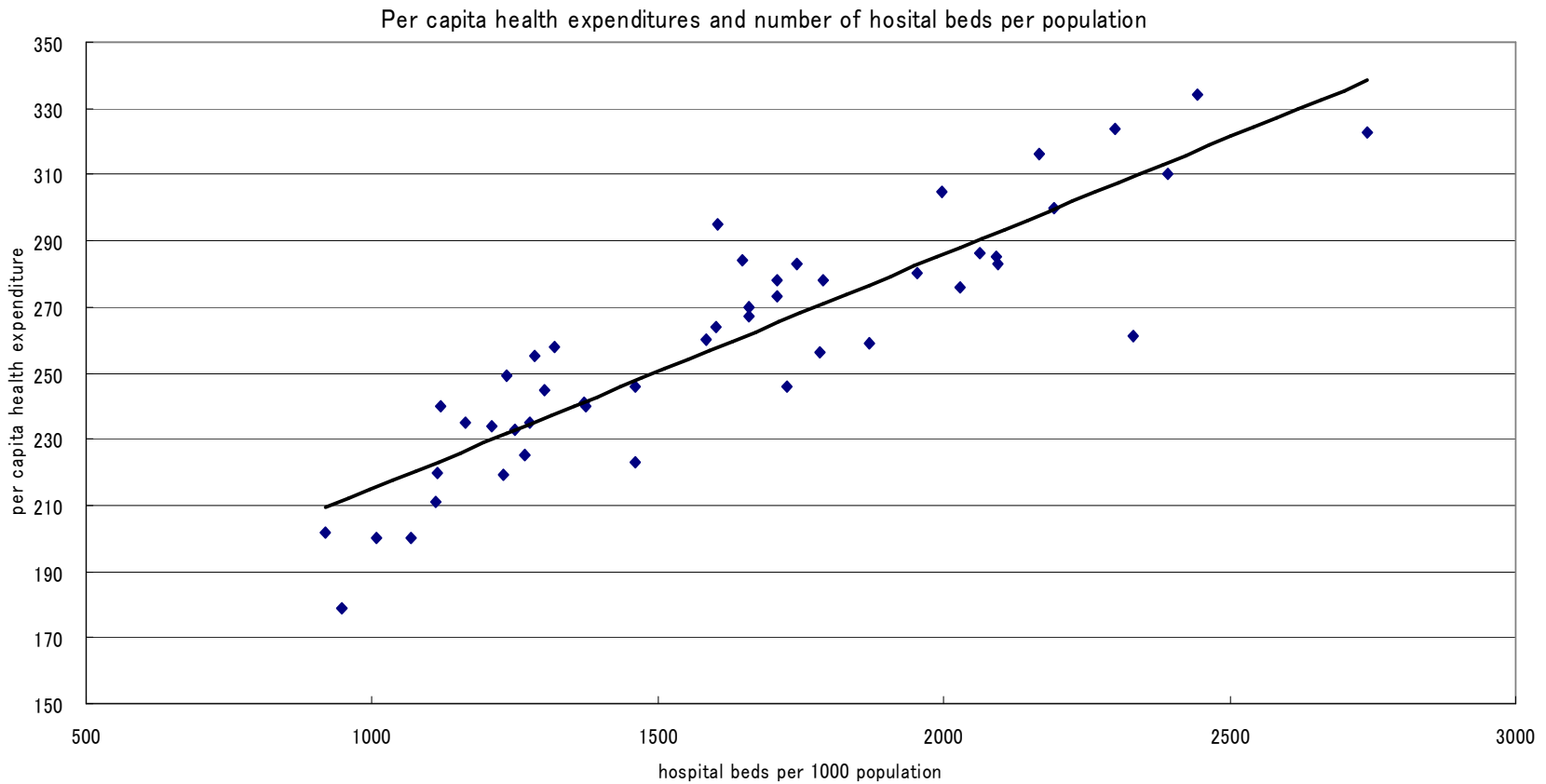
# Significant regional differentials in per capita health expenditures; an indicator for inefficiency



Regional differentials in per capita health expenditures



# Regional differentials in health costs can be explained by number of beds indicating “supply creates the demand”



# The ratio of medical staffs to population in Japan is not necessarily low, but they are occupied by the high ratio of hospital beds



International comparison of indicators relating health care provision (1995–96)

	Hospital beds per 1000 population	Average duration of hospitalization days	Number of medical staffs per patient	Number of doctors per 1000 population	Number of nurses per 1000 population
<b>United States</b>	<b>3.37</b>	<b>6.5</b>	<b>5.5</b>	<b>2.59</b>	<b>8.04</b>
Norway	3.29	6.3	4.35	2.79	13.92
Canada	3.62	7.5	2.8	2.13	8.92
Italy	5.13	8.4	3.15	5.37	5.47
France	4.46	5.8	1.52	2.93	5.89
Germany	6.74	11.5	1.88	3.35	9
<b>Japan</b>	<b>10.16</b>	<b>29.2</b>	<b>1.15</b>	<b>1.84</b>	<b>7.38</b>

Source: OECD Health Data

## What has to be done to improve the quality of services while restraining the cost?



- Public expenditures have to be restrained, but the total health care expenditures can expand freely;
- Greater demand for the best care can be costly, and need not be fully covered by public health insurance.
- Optimal combination of public and private health expenditures is a key for the health care reform
- Public expenditures are for universal services, mainly on acute chronic, while private expenditures are for selective cares;

## If extra-billing outside of public health insurance is restricted,....



- Physicians' earnings are gradually cut for budget consolidation, while work load increases, resulting in an “exit” of physicians from hospitals to self-managed clinics, or leaving the country.
- Shifting of physicians from risky operation areas to the easier ones.
- Research and development in health care services are limited, and depending on imports

## Growth in health care service industries is limited by heavy government regulations



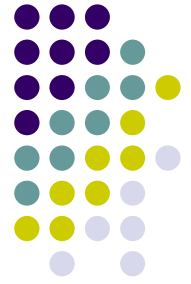
- Quality differences in the health care services are not reflected in an official prices;
- Insufficient information on quality of health care mainly due to a lack of incentive by hospitals;
- Restriction of combining public and private insurances in the same treatment; if a patient chooses treatments not covered by the public health insurance, he has to pay all the costs including those covered by the insurance.

# Is the regulation for the equality of patients or doctors?



- How to improve the incentives for hospitals to improve the quality of health care services under budget restraints;
- The Regulatory Reform Council proposals are;
- The first-class hospitals officially admitted are granted additional payments (10-20%) for health care services from the patients;
- Clean evaluation on the health care services and the qualification of the hospitals is deprived if unnecessary treatments on patients are found;
- Only way to expand health service industries under the continuous government fiscal consolidation policy.

# How to spread out the best practices in the health care services?



- Patients are badly needed the information on the better hospitals and clinics;
- Corporate firms usually have a brand in their services for guarantee of the quality;
- A franchised chain of hospitals under the same brand nationwide will be beneficial to patients;
- However, prohibition of the share holding of hospitals makes M&A quite difficult and preventing dynamic efficiency in the medical service markets;

## **Transfer of decision-making to prefectures does not help, unless the room of decision-making is expanded by regulatory reform....**



- More transparency in the hospital management,
- From the fees for service to DRG-PPS
- Flexible combination of public and private health expenditures based on the consumers' choice.
- Liberalizing the method of financing the hospitals, and encourage the M&A in order to spread the best practice of hospital management.
- Improving the process for the admission of drugs, materials for medical services.....

# Japan' average days for admission of drugs is longer even accounting for small number of staffs in the health authorities

