

Healthcare Reform under the New Japanese Government from a Comparative Perspective*

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Introduction

This is a brief interim report of my ongoing research, the purpose of which is to analyze healthcare reform under the new Japanese government from a comparative perspective. Today, like many developed nations in the world, Japan is facing a variety of serious healthcare problems in the face of an increasingly aging society as well as austere economic conditions. Under these circumstances, public opinion demanding healthcare reform is growing stronger year by year. In Japan, as in other nations, the healthcare reform issue has become one of the top priorities in government policy. This study will attempt to analyze healthcare reform in Japan under the new government that was established in September 2009.

Firstly, this study will examine some of the acute problems of the healthcare system in Japan including care for the elderly in the context of a rapidly aging society. There are a host of other problems such as the shortage of medical doctors and nursing care workers, the rise in national medical expenditures as well as individual medical ex-

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penses, lowered standards and inefficiency in medical services, regional and income gaps in medical care, and various medical malpractices, to name just a few.

Secondly, the author will examine how the power shift from the long-entrenched LDP government to the new coalition government is affecting healthcare reform. The new government has been screening some of the old policies and proposing new policy alternative, a process that is now in progress. Policy alternatives among major political parties as expressed in the last general election's party manifestos and platforms will also be analyzed. In addition, public opinion polls relating to healthcare reform will be examined.

In conclusion, the author will attempt to delineate the future directions and pending issues in healthcare reform in Japan and analyze them from the perspective of comparison with other developed nations such as the United Kingdom and the United States.

The Birth of the Hatoyama Government

The new DPJ government came into existence in September 2009, putting an end to the almost half-century rule of the LDP-led government. The DPJ won an overwhelming victory in the general election at the end of August 2009. It formed a coalition government with the Democratic Socialist Party and the New People's Party, and Yukio Hatoyama became the new Prime Minister. Everyone in Japan was quite excited about the prospect of a radical change and had high hopes of better changes for the better government policy formulations. For example, the new government's budget screening (*jigyō shiwake*) was looked upon with great interest and expectations. However, Japanese people soon became disillusioned when the Hatoyama government was completely engulfed in the long-pending security issue of the Futenma Air Base in Okinawa and failed to resolve it in a

satisfactory manner. Partly because of bad planning, partly because of disagreement within the ruling coalition, the Futenma Air Base issue became deadlocked, and the Hatoyama cabinet finally resigned in June 2010. Mr. Naoto Kan took over, but now, only a few months later, Japan may be facing yet more political turmoil. There will be a DPJ regular presidential election on September 14, 2010, and there is a possibility that Mr. Kan may not be reelected as president, which would mean that he would have to step down from the post of Prime Minister. The battle between the two candidates, Prime Minister Kan and the veteran politician Ichiro Ozawa is very fierce. Prime Minister Kan is more favorably viewed by public opinion whereas Ozawa has staunch support among party members and various interest groups. Whichever candidate wins, there will be great political turmoil, and it may be the beginning of a great political party realignment.

Current state of the Japanese healthcare system

The Japanese healthcare system is characterized by fairly high international ratings: overall efficiency ranks within the top ten of all WHO member states, and Japanese life expectancy rates rank among the top in the world, especially for Japanese women.

However, domestically, there are a number of dissatisfactions and various systemic problems. Japanese people are worried about the future of the Japanese healthcare system. This is particularly conspicuous among the younger generations who will have to shoulder the burden of high costs in the future healthcare system. There is a wide gap between international evaluations and domestic realities. The Japanese healthcare system is in a state where a comprehensive overhaul may be necessary. Some observers and specialists argue rather pessimistically that it is on the verge of total collapse.¹

There are a host of acute problems associated with the Japanese

healthcare system. The following are some of the major problems pointed out by many specialists.

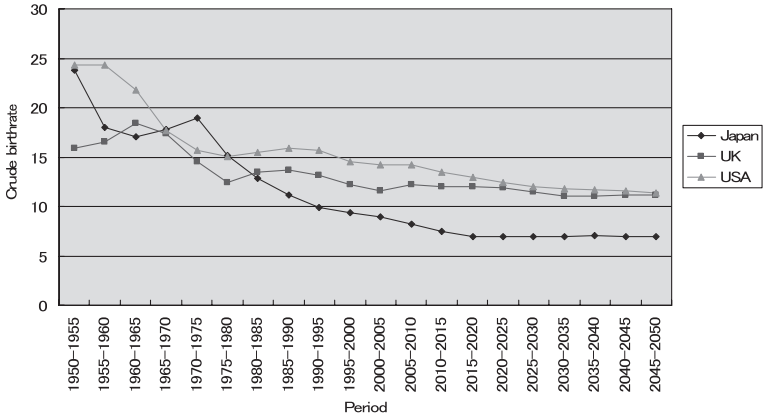
1. Lack of medical doctors, especially surgeons, gynecologists, and pediatricians
2. Uneven regional and departmental distribution of doctors
3. Overworked and underpaid doctors
4. Lack of nurses and other medical workers
5. Introduction of foreign nurses and their reception
6. Management crises in hospitals
7. Rising total medical expenditures
8. Lack of medical graduates and nursing graduates

The author believes that Japan's healthcare problems are caused by a combination of factors. First, there are demographic factors: a rapidly aging society (*kōreika*) compounded by a rapidly declining birth rate (*shōshika*). Second, there are economic factors: Japan's standstill economic growth and declining national income. Japan's economic success is a thing of the past, a reality which Japanese people are unwilling to accept. Third, there are political factors. The half-century-long self-complacent rule of the LDP came to an end, but last year's change of government brought a lot of confusion. The new government is in many ways quite inexperienced in governing, let alone formulating and implementing effective policies. Lastly, the present antiquated healthcare system itself fails to meet the challenging needs of Japan's changing demographic structure, economic austerities, and waves of globalization.

1 See, for example, "Tokushū : Iryō Hōkai wo Kuitomeru," *Sekai*, February 2008, 71-131; Fujita, Kōichirō, *Iryō Daihōkai*; Murakami, Masayasu. *Iryō Hokai no Shinhannin*. "Iryō Hakai," *Shūkan Tōyō Keizai*, November 1, 2008, 36-107.

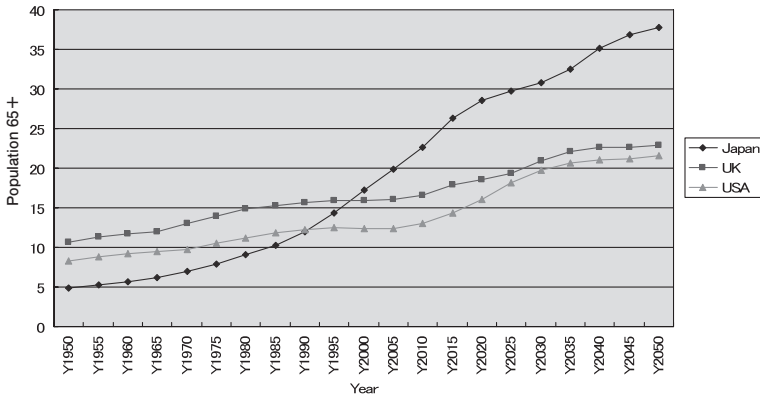
Demographic factors

Japan's aging and the declining birthrate both surpass those of other developed nations such as the United Kingdom and the United States. (See Figures 1, 2) The ratio of Japan's aged population is rap-



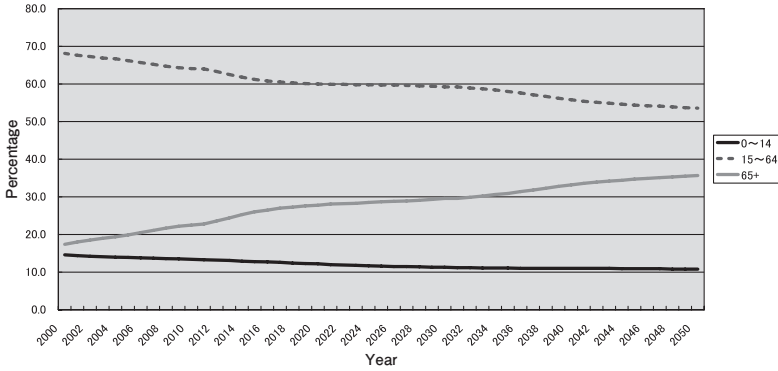
Source: World Population Prospects

Figure 1 Crude Birthrate 1950-2050, Japan, UK, U.S.A.



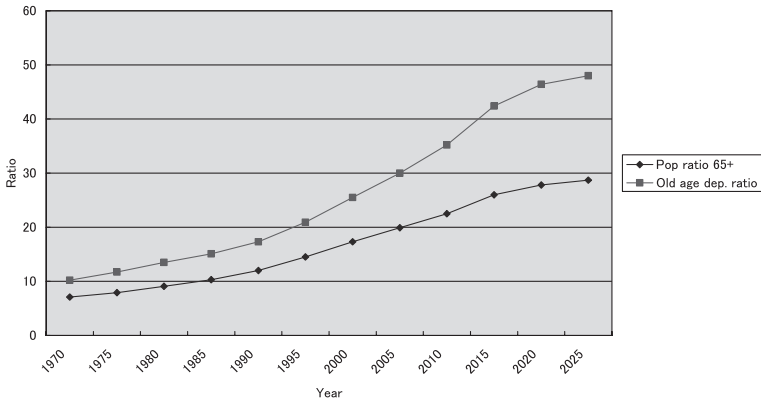
Source: World Population Prospects

Figure 2 Population Ratio 65 or above, Japan, UK, U.S.A.



Source: World Population Prospects

Figure 3 Japan's Demographic Change



Source: World Population Prospects

Figure 4 Population Ratio of 65 or above and Old Age Dependency Ratio

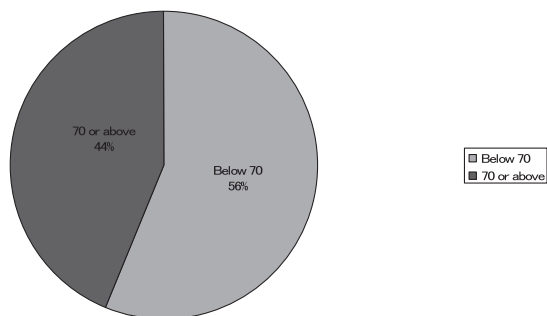
idly rising and the old age dependency ratio is also rapidly rising—25 in 2000, expected to rise to about 50 in 2025. The ratio of the population 65 or older to the total population is increasing rapidly. It was about 18 in 2000 and expected to rise to almost 30 in 2025 and 36 in 2050. (See Figures 3 and 4) This means a much smaller working pop-

ulation has to support the aged population. The speed of both Japan's aging and declining birthrate is much faster than that of many developed nations.

Economic factors

Healthcare costs are rising with the increase in the elderly population. A recent government report shows that medical expenditures amounted to 35.3 trillion yen. Medical expenditures for those 70 or older accounted 44% while those of the population below 70 were 56%. (Figure 5) The medical expenditure per person by age group in 2009 shows that the population 70 or more, especially 75 or more, far exceeds that of the younger population. (Figure 6) The total healthcare cost is rising over the years, especially for those 70 or older.²

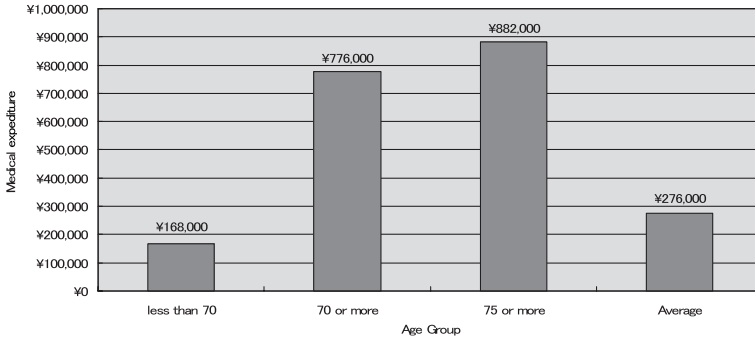
Internationally, Japan's total healthcare expenditure against GDP is not necessarily high among OECD nations. (See Figure 7) In fact, Japan's 8.1 percent ranks lowest among G7 countries. (See Figure 8) The speed of health expenditure rise is not nearly as fast as that of



Source: Asahi Shimbun, August 17, 2010

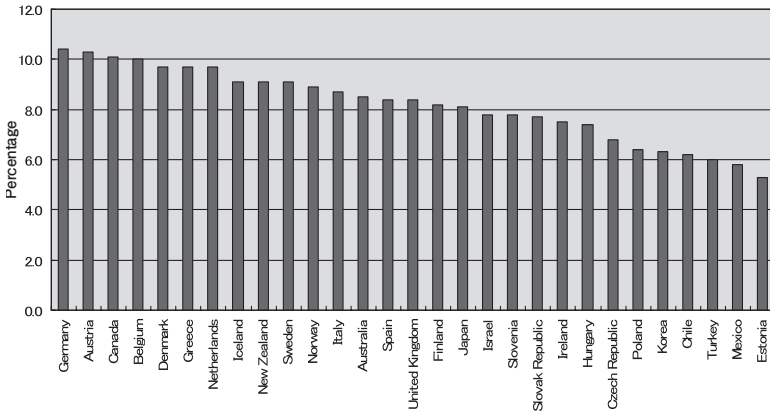
Figure 5 Japan's Medical Expenditure 2009, 35.3 Trillion Yen

² *Asahi Shimbun*, August 17, 2010.



Source: Asahi Shimbun, August 17, 2010

Figure 6 Japan’s Medical Expenditure by Age Group

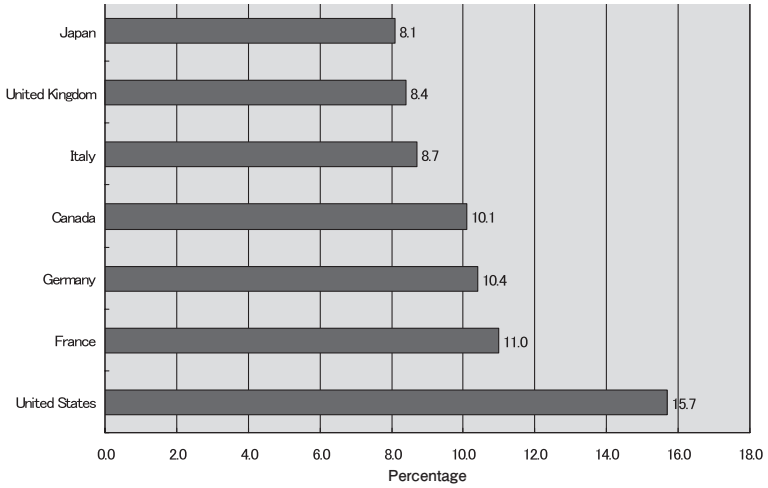


Source: OECD Health Data

Figure 7 Total Expenditure % to GDP in 2007

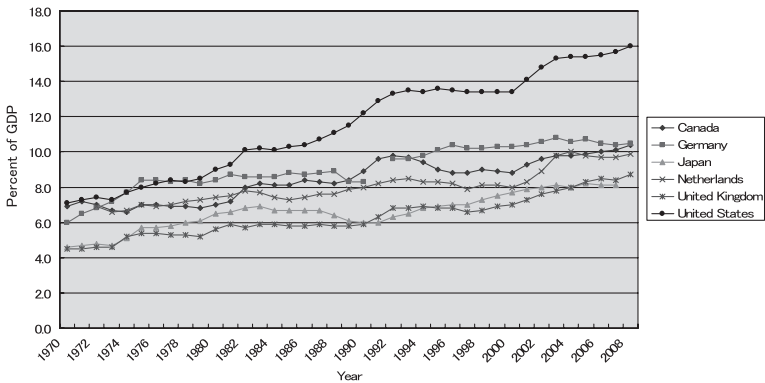
the United States. (See Figure 9) Per-capita health expenditure as compared to that of the United States has been about 40 to 50% over the past thirty years. (See Figure 10)

Despite all these figures, Japan’s rising healthcare costs weigh heavily on the stagnant Japanese economy. Japan is currently suffering from a 20-year long deflation (or stagflation) resulting in decreasing



Source: OECD Health Data

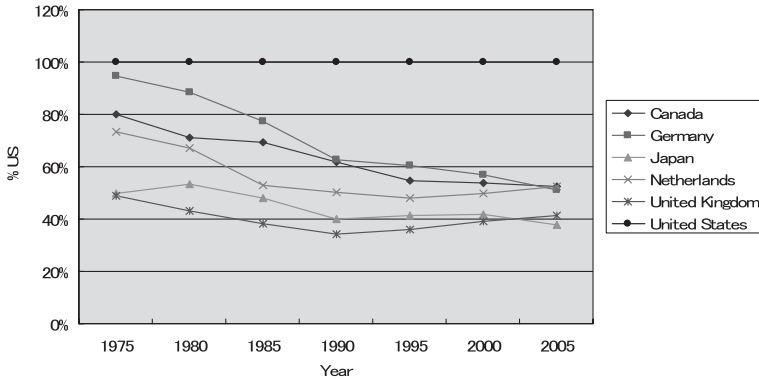
Figure 8 Total Expenditure on Health % to GDP in G7 Countries



Source: OECD Health Data

Figure 9 Medical Expenditures, Major Countries

government revenues, huge government deficits, and the biggest accumulated government debt among the industrialized countries. The unemployment rate is rising and the income level of those employed



Source: OECD Health Data

Figure 10 Per-capita Health Expenditure as Compared to the U.S.

is decreasing in actual terms. Those unable to pay health insurance premiums and medical expenses are increasing.

Political factors

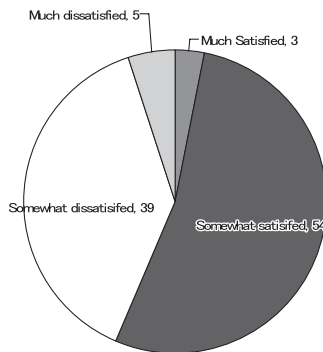
Japan has had frequent changes of government since Junichiro Koizumi, the last long-term Prime Minister, stepped down in 2006. There have been five prime ministers in the last four years—very uncommon in other developed countries: Prime Ministers Abe, Fukuda, Aso (from the LDP), and Hatoyama, Kan (from the DPJ), and yet another change may occur later this month depending on the outcome of the DPJ presidential election. This frequent change of government undoubtedly inhibited reform initiatives, not only in healthcare areas, but also in economic and other areas.

The birth of the DPJ-led government last year gave Japanese people hopes for a more liberal, humanistic approach to government policy, but so far, it has resulted only in confusion and disillusionment. The DPJ's manifesto has been only partially implemented, and there has been intra-party discord, regarding whether or not the party

should stick to the original manifesto of 2009 or modify it more realistically in view of financial constraints. The original manifesto was modified to some degree in preparation for the July 2010 House of Councilors election. The presence of the so-called twisted or dead-locked Diet (*nejire kokkai*) is not helpful in formulating constructive government policies.

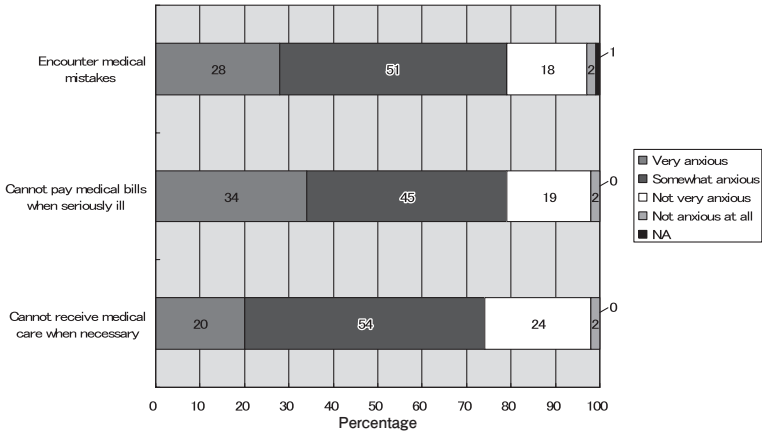
Public opinion

According to a recent public opinion survey conducted by the Health and Global Policy Institute Japan, it is rather surprising that approximately 60 % of the public are more or less satisfied with the current healthcare system. (See Figure 11) However, more than 80% of the public are dissatisfied with the decision-making process and incomprehensibility of the healthcare system, while the majority is satisfied with the medical services and treatments. Nearly 80% of the public are worried about the future of the healthcare system, (See Figure 12) and anxiety about healthcare is most prevalent among people in their 20's and 30's and has not decreased much over the years. The public is evenly divided between those who prioritize economic



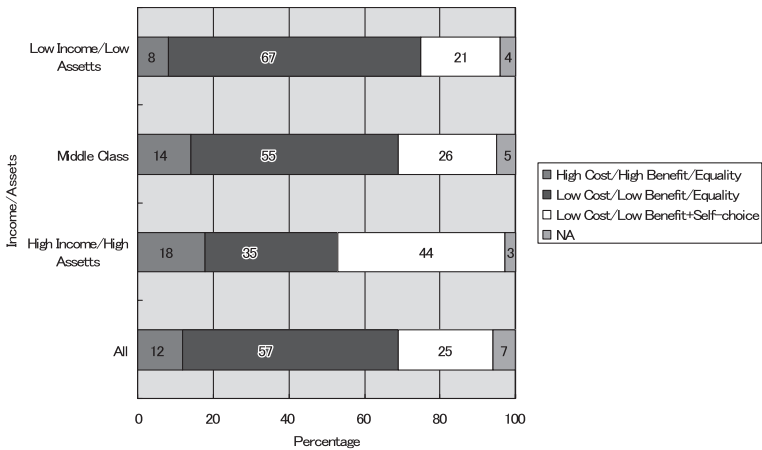
Source: HPIJ Public Survey

Figure 11 Satisfaction with the Present Healthcare System



Source: HPIJ Public Survey 2010

Figure 12 About 80% of people are worried about the future of their healthcare.



Source: HPIJ Public Survey

Figure 13 Desirable Healthcare System

growth and those who prioritize social security. The high income/asset population tends to prioritize economic growth, whereas the low income/asset population tends to prioritize social security. There is also a difference in attitudes toward cost/benefit and equality among different income/assets groups. People with low income/assets seem to want a low cost/low benefit with equality system whereas people with high income/assets seem to want a low cost/low benefit system with flexibility of self-choice. On the average, most Japanese seem to want a low cost/low benefit with equality system. (See Figure 13) The majority of the public see a number of problems with the healthcare system targeted for the so-called latter-stage elderly.³ However, this system is going to be abolished and replaced by a new system.

Conclusion

Almost a year has now passed since a dramatic changeover to the DPJ-led new government. What has the new government achieved? To this question, the author's answer is quite negative. To name a few accomplishments, a new healthcare plan has been outlined for the "latter-stage" elderly (75 or older). The government has recently raised remuneration for medical services by 0.19% in fiscal year 2010. But, on the whole, very little has been implemented or accomplished because of the political turmoil caused by the power transition. The new government needs to create a carefully thought-out road map for a future healthcare system and policy. What Japan needs desperately now is political stability and continuity, which would be conducive to a long-term vision and consistency of government policies.

3 See 2010 Public Opinion Survey on Healthcare Policy conducted by Health and Global Policy Institute, <http://www.hgpi.org/>

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