

CIGS
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How to restore the sustainability of Social Security System

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2004 Pension Reform was fictitious

In 2004 pension reform, the LDP & NK coalition government promised 100 year sustainability, under unrealistic economic conditions.

Wage increase = 2.5% Pension assets investment yield = 4.1%



The current pension benefit is about 30 % over the affordable level.



MHLW wishes to raise the pension starting age from 65 to 70.
The average pension period would shorten from 18 years to 13 years.



If the politicians do not decide to cut the pension benefits sufficiently, how can we squeeze the additional financial resources?

Revise the age discrimination in the healthcare insurance

The Democratic Party pledged to abolish the Late Elderly Health System, which had been introduced in 2008 by the LDP & NK.

	Patient copayment ratio
Working generation and Children (0~64)	30%
Early elderly (65~74)	10% < 20% by law >
Late elderly (75~)	10%

The working generation is forced to bear most of healthcare cost for 65 or older through premium and tax, while the elderly own a large portion of financial assets in Japan.



The patient copayment ratio of the elderly should be raised to at least 20% with support programs for the poor elderly.

(ex.) In 2009, National Medical Expenditures was 36 trillion Yen, including 20 for the elderly.

Cut down the medical reimbursement fee

The LDP & NK coalition government continued to cut down the medical reimbursement fee during 2002 ~2009. The medical circles allege that such unacceptably low fee has caused so-called “Medical Care Collapse”.

Whether the medical reimbursement fee as a whole is too low or not can be determined from the balance of payments situation of social medical corporations. Because the social medical corporations are obliged to provide unprofitable medical services and their medical service portfolio nearly reflects the whole medical reimbursement fee structure.

The social medical corporations could make a reasonable profit even in 2009, when the fee was at the bottom. Many medical corporations continue to make record profits.

What is “Medical Care Collapse”?

- ① Mismatching allocation of medical care resources
- ② Huge deficit of health insurers

Consolidated data of social medical corporations

N = 161

	FY 2009	FY 2010	Growth Rate
Operating revenue	1,041 billion ¥	1,105 billion ¥	6.2%
Operating Profit	37 billion ¥	60 billion ¥	60.9%
Operating margin	3.58%	5.43%	

(Note)

Total assets as of FY 2010 1,081 billion ¥

Net assets of FY 2010 405 billion ¥

< Net assets ratio 37.5% >

Badly fragile health insurers

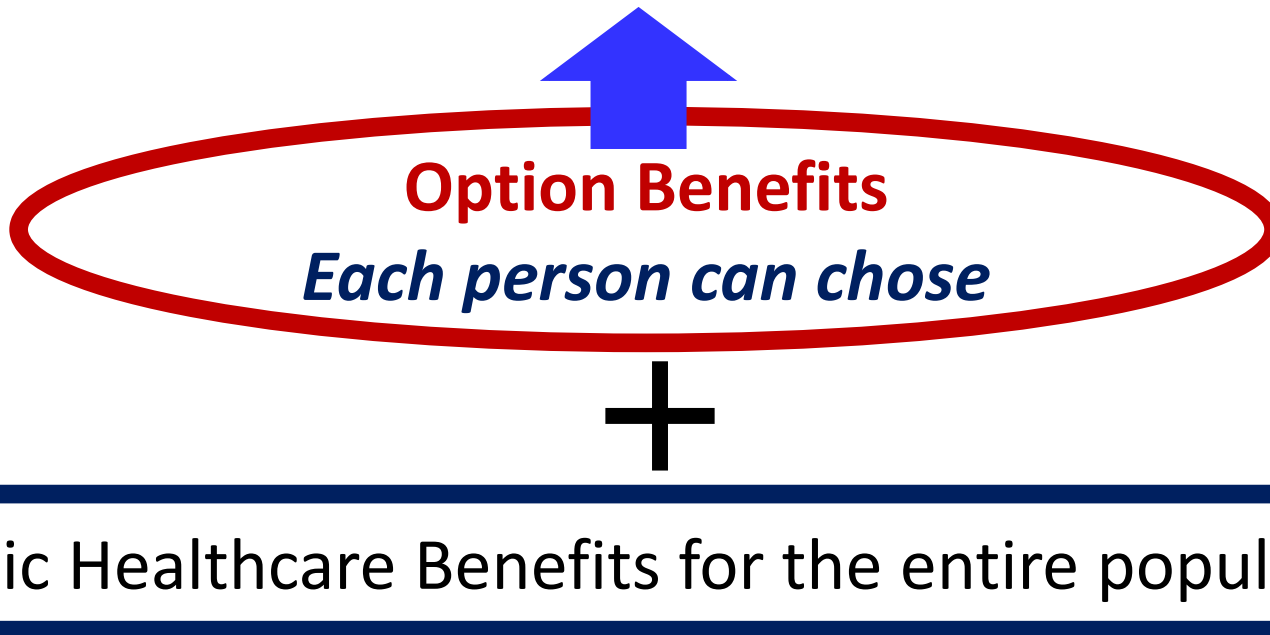
Health insurance classification	Fund Balance < billion ¥ >				
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Health Insurance Associations (47)	▲ 229	▲ 489	254	56	198
Health Insurance Societies (1,435)	▲ 319	▲ 523	▲ 415	▲ 609	▲ 578
National health insurance Municipalities (1,723)	▲ 238	▲ 325	▲ 390	N/A	N/A



In 2010, the health insurance law was revised to force Health Insurance Societies to support Health Insurance Associations fiscally. However, such fiscal adjustment is not sustainable anymore.

Amend the public health insurance into two-tier structure

Encourage health care management by individual and let the rich spend more

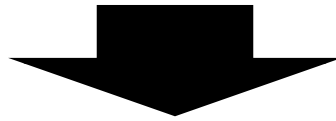


- ◆ Option Benefits should be designed as a part of the public system
- ◆ Private insurance companies can provide Option benefits under certain regulations to improve healthcare access and keep equality.

<Problem>

The intergenerational conflicts of interest have become more serious as well as the redistribution conflicts among people in different income brackets, because of the falling birthrate and the aging population.

Therefore, as long as we keep the current uniform benefits system throughout the nation, it will be more difficult to reach a consensus on health reform.



<Solution>

The government should grant each person a right of choice on the balance between benefits and premium.

The current balance may be called “Standard Plan”.

The higher premium an insured person pays, the richer benefits he or she can get. If an insured person prefers the less premium plan, he or she needs to pay more copayments at physician visit.

Additional financial resources ④

Promote Vertical Integration (Nagano Kouseiren Model)

Virtually Integrated Healthcare Network



Population as of April 2012
2,134,738
The number of service sites/units
55

Nagano is the healthiest prefecture due to Nagano Kouseiren health promotion programs.

	Average life expectancy <Average of male & female>	Age distribution adjusted Medical expense INDEX by prefecture
Nagano prefecture	83.16 (No.1)	0.880 (No.3)
National average	82.27	1.000
The worst prefecture (No.47)	80.54 Aomori Prefecture	1.212 Fukuoka Prefecture



To promote Nagano Kouseiren model across the country can save the national medical expenses by more than 10%

Nagano Kouseiren can make profit without subsidy

～FY 2010 (million Yen)～

	①Operating revenues	85,765	Profit Margin excluding subsidy
	Medical care	79,257	
	Home care	1,049	
	Long term nursing care	3,787	
	Others	1,672	
	②Operating expenses	83,445	3.1%
	③Operating income <①－②>	2,320	
	④Non-operating income	350	
	⑤Ordinary income <③＋④>	2,670	Profit Margin including subsidy
	⑥Extraordinary gain or loss	505	
	Government subsidy	1,151	
	⑦Tax	1	
	⑧Net income <⑤＋⑥－⑦>	3,174	3.7%

Additional financial resources ⑤

Cut down the subsidies to municipal public hospitals

Integrate public hospitals by each healthcare regional market

Let them pursue the Nagano Kouseiren model

Total of municipal public hospitals (billion Yen)

		FY 2007	FY 2008	FY 2009	FY 2010
Total income		4,027	3,990	3,999	3,979
	Patient service and etc	3,501	3,446	3,446	3,451
	Operating expense subsidy (1)	537	560	569	547
Total expense		4,222	4,171	4,106	3,978
Net profit or loss		▲195	▲182	▲107	1
Net loss carried forward		▲2,002	▲2,137	▲2,157	▲2,071
	Facility Construction subsidy (2)	177	197	221	223
	Total of subsidies (1)+(2)	714	757	790	770

Additional financial resources ⑥

Profits accumulated by Social Welfare Corporations

	Social Welfare Corporations N=16,304 <FY 2009>	Toyota <FY 2010>
① Revenues	7,496 Billion Yen	18,994 Billion Yen
② Net income	445 Billion Yen	408 Billion Yen
② ÷ ①	5.9 %	2.1 %
③ Total assets	16,199 Billion Yen	29,818 Billion Yen
④ Net assets	12,853 Billion Yen	10,920 Billion Yen
④ ÷ ③	79.3 %	36.6 %

(Note) Y. Matsuyama estimated FY 2009 of Social Welfare Corporations, based on actual financial statements of about 1,200 social welfare corporations.

An example of SWC financial structure <FY2010>

