The long-term care insurance of Japan: institution and finance

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Outline of my talk

• Financing social security in Japan

• The long-term care (LTC) insurance: institution

• The long-term care (LTC) insurance: financing

• Summary
Financing social security in Japan

Japanese Public Finance Fact Sheet

2017
Ministry of Finance
Japan’s GDP is about 500 trillion yen; the budget of the central government is about 100 trillion yen; social security budget is by far the biggest of the expenditures.

### 1. General Account Budget for FY2017

#### (1) Breakdown of Expenditures

- Total Expenditure: 97,454.7 billion yen (100.0%)
- National Debt Service: 23,526.5 billion yen (24.1%)
- Interest Payments: 9,160.6 billion yen (9.4%)
- Social Security: 32,473.5 billion yen (33.3%)
- Others: 8,427.8 billion yen (8.7%)

- Out of the total expenditure, the sizes of social security expenditure and national debt services have increased in recent years, while the proportion of other policy expenses (public works, education and science, and national defense, etc.) has decreased during the same period.
- National debt services, local allocation tax grants, and social security expenditures now account for more than 70% of the total expenditure.

#### (2) Breakdown of Revenues

- Total Revenues: 57,712.0 billion yen (100.0%)
- Income Tax: 17,564.0 billion yen (30.4%)
- Corporation Tax: 12,391.0 billion yen (21.6%)
- Consumption Tax: 17,158.0 billion yen (30.5%)
- Other Revenues: 10,220.0 billion yen (18.5%)

- In the FY2017 budget, tax revenue (general account) is estimated to be around 58 trillion yen. Tax and other revenues, which should, under normal circumstances, fully finance the government expenditure in a given year, account for about two-thirds of the revenue only. As a result, the remaining one-third relies on debt financing (i.e., revenue generated by issuing government bonds), which constitute a burden for future generations.
Japan is aging; but an important thing is just not the people 65+ years old are increasing, but those 75+ are, too, increasing. And the cost of LTC of 75+ is much higher than the younger elderly.
The proportion of people 75+ continues to increase to reach 25% in 2050.

Source: Ministry of health, welfare and labor.
The total amount of social-security benefits is about 110 tr. yen, of which social security contribution is 65 tr. yen; and the rest, 44 tr. yen is born by the government, both central and local; **THIS IS THE MOST IMPORTANT CAUSE OF FISCAL DIFFICULTIES OF JAPAN.**
The long-term care (LTC): institution

• Japan started the long-term care insurance (LTC) in 2000. It replaced the housing and other various cares hitherto offered to the old by local governments (municipalities).

• From an institutional perspective, local governments’ means-tested welfare services for the old was replaced by an “insurance,” which helped socialize the LTC and has made the LTC accessible to the old, irrespective of being rich or poor.
Insurers: municipalities, about 1500. Each insurer collects contribution, tests the individual eligibility of LTC needs and pays the benefits.

Insured: “40+” pay contribution, and basically “65+” receive benefits.

Source: Ministry of health, welfare and labor.
The insured

- The insured under the Long-Term Care Insurance System are (1) people aged 65 or over (Category 1 insured persons) and (2) people aged 40-64 covered by a health insurance program (Category 2 insured persons).
- Long-term care insurance services are provided when people aged 65 or over come to require care or support for whatever reason, and when people aged 40-64 develop aging-related diseases, such as terminal cancer or rheumatoid arthritis, and thereby come to require care or support.

<table>
<thead>
<tr>
<th>Eligible persons</th>
<th>Primary insured persons</th>
<th>Secondary insured persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>Persons aged 65 or over</td>
<td>Persons aged 40-64 covered by a health insurance program</td>
</tr>
<tr>
<td></td>
<td>32.02 million</td>
<td>42.47 million</td>
</tr>
<tr>
<td></td>
<td>aged 65-74: 15.74 million</td>
<td></td>
</tr>
</tbody>
</table>

- Requirement for service provision
  - Persons requiring long-term care (bedridden, dementia, etc.)
  - Persons requiring support (daily activities requires support)

- Percentage and number of persons who are eligible for services
  - 5.69 million (17.8%)
    - aged 65~74: 0.72 million (4.4%)
    - aged 75~: 4.97 million (32.1%)
  - 0.15 million (0.4%)

- Premiums collection
  - Collected by municipalities (in principle withheld from pension benefits)
  - Collected together with medical care premiums by medical care insurers
Note: LTC is on top of health care insurance

Outline of the Healthcare Insurance System

Medical care system for the elderly aged 75 and over

- Age 75 or over
- About 14 mil people
- 47 insurers (extended association)

Approx. 13 trillion yen

System to address the imbalance in the payment of medical expenses for the under 75

- About 14 million people
- Approx. 6 trillion yen (aforementioned)

Retired persons
Healthcare System (interim measures)

Retired salaried employee
- About 2 mil people

Age 75

National Health Insurance
(municipality controlled NHI + NHI society)

- Individual proprietor, Pensioner, Irregular employer, etc
- About 39 mil people
- About 1,900 insurers

Approx. 10 trillion yen

Public-corporation-run Health Insurance

- Salaried employee of SMEs
- About 35 mil people
- 1 insurer

Approx. 4 trillion yen

Society-managed, employment-based Health Insurance

- Salaried employee of Large Corporation
- About 30 mil people
- About 1,500 insurers

Approx. 5 trillion yen

Mutual aid association

- Civil officer
- About 9 mil people
- 85 insurers

*1 Numbers of members and insurers are preliminary figures as of the end of March 2011
Eligibility test and services of the LTC insurance

Source: Ministry of health, welfare and labor.
Services offered by the LTC insurance

Varieties of Long-term Care Insurance Services

- **Home-visit Services**
  - Home-visit Care, Home-visit Nursing, Home-Visit Bathing Long-Term Care, In-Home Long-Term Care Support, etc.

- **Day Services**
  - Outpatient Day Long-Term Care, Outpatient Rehabilitation, etc.

- **Short-stay Services**
  - Short-Term Admission for Daily Life Long-Term Care, etc.

- **Residential Services**
  - Daily Life Long-Term Care Admitted to a Specified Facility and People with Dementia etc.

- **In-facility Services**
  - Facility Covered by Public Aid Providing Long-Term Care to the Elderly, Long-Term Care Health Facility, etc.

Source: Ministry of health, welfare and labor.
Community-based integrated care system

(For reference) Community General Support Centers

- Comprehensive consultations and support
  Provides a wide variety of consultations and cross-section support to residents

- Abuse prevention and early detection, rights advocacy

- Comprehensive, ongoing care management support business
  - Daily individual guidance and consultation for care managers
  - Guidance/advice on difficult cases
  - Building of community care manager networks

- Team approach

- Certified social worker, etc.

- Public health nurse, etc.

- Development of multifaceted support (across systems)
  - Connects with necessary services, from government agencies, public health centers, medical institutions, child consultation offices, etc.

- Prevention of long-term care
  - Care management business
    - Care management for subjects of long-term care prevention projects (creation of care plans, etc.)

Preventive long-term care support

Creation of care plans for persons requiring support

Source: Ministry of health, welfare and labor.
The Community-based Integrated Care System Model

In case of illness:
Health Care

- Hospitals
  - Acute phase, recovery phase, chronic phase
- Outpatient/in-patient care
  - PCP, clinics with in-patient facilities
  - Regional affiliate hospitals
  - Dental care, pharmacies

Visits/Moving in

- Home Visit
  - Long-Term Care, Home Visit Nursing
  - Outpatient Day Long-Term Care

- Multifunctional Long-Term Care in a Small Group Home
  - Short-Term Admission for Daily Life Long-Term Care
  - Equipment for Long-Term Care covered by Public Aid
  - 24-hour Home Visit Service
  - Combined Multiple Service (Multifunctional Long-Term Care in a Small Group Home + Home Visit Nursing)

When care becomes necessary...
Nursing Care

- Facility/Residence services
  - Nursing care homes
  - Geriatric health services facilities
  - Community living care for dementia patients
  - Living care for persons at government-designated facilities, etc.

- Preventive Long-Term Care Services

Livelihood support/preventing long-term care
So that seniors can continue active, healthy living

- Senior clubs, residents’ associations, volunteer groups, NPOs, etc.

* The Community-based Integrated Care System is conceived in units of every-day living areas (specifically equivalent to district divisions for junior high-schools) in which necessary services can be provided within approximately 30 minutes.
The long-term care (LTC): financing

- The LTC insurance has made the care of the old, often confined to individual family members, a more open, public-assisted one. One of the success stories of Japanese LTC insurance is that dementia is now widely shared among the public as one of the most difficult and often unavoidable problems on the way toward aging.

- The LTC insurance has been well received by the public and the contents/structure of services are standardized. Moreover, unlike health care, for-profit organizations are permitted to join the market and to offer services in Japan.

- However, the success has its costs and a closer inspection of the LTC insurance is necessary.
The long-term care (LTC) insurance: financing

- We examine the problems of the Japanese LTC insurance from financial perspectives. There are two issues to look at.

  - **Cost sharing**: So far the cost paid by the beneficiaries has been suppressed by various supports, especially by public subsidies. In a sense Japanese LTC insurance has been too easy to be sustained with advances of aging.

  - **Coordination of health and LTC**: a part of health care costs of the old needs to be taken over by the LTC. But this coordination has not been settled in Japan, and the LTC does not work toward saving the overall costs of taking caring the old.
Cost-sharing mechanism:
10%: out-of-pocket of a beneficiary of the remaining 90%
50%: insurance premiums; 50%: public subsidies (taxes)
The total costs of the LTC insurance was 3.6 tr. yen when it started in 2000, but it is more than 10 tr. yen in 2015. The average contribution amount of 65+ (per month) increases from 2911 yen to 5514 yen.

Source: Ministry of health, welfare and labor.
Trends and the Future Prospects of Long-Term Care Benefits and Premiums

- The municipal governments formulate Long-term Care Insurance Service Plan which designates 3 years as one term and is reviewed in every 3 years.
- As ageing proceeds, premiums estimated to rise to 6,771 yen in 2020 and 8,165 yen in 2025. In order to maintain sustainability of the Long-Term Care Insurance System, it would be necessary to establish the Community-based Integrated Care System, and to make services more focused and efficient.

<table>
<thead>
<tr>
<th>Operation period</th>
<th>Benefits (Total Cost)</th>
<th>Insurance premiums (national average per month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2000</td>
<td>3.6 trillion</td>
<td>2,911 yen</td>
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<tr>
<td>FY 2001</td>
<td>4.6 trillion</td>
<td></td>
</tr>
<tr>
<td>FY 2002</td>
<td>5.2 trillion</td>
<td></td>
</tr>
<tr>
<td>FY 2003</td>
<td>5.7 trillion</td>
<td></td>
</tr>
<tr>
<td>FY 2004</td>
<td>6.2 trillion</td>
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<td>FY 2005</td>
<td>6.4 trillion</td>
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<tr>
<td>FY 2006</td>
<td>6.4 trillion</td>
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<tr>
<td>FY 2007</td>
<td>6.7 trillion</td>
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<td>FY 2008</td>
<td>6.9 trillion</td>
<td></td>
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<tr>
<td>FY 2009</td>
<td>7.4 trillion</td>
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<td>FY 2010</td>
<td>7.8 trillion</td>
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</tr>
<tr>
<td>FY 2011</td>
<td>8.2 trillion</td>
<td></td>
</tr>
<tr>
<td>FY 2012</td>
<td>8.9 trillion</td>
<td></td>
</tr>
<tr>
<td>FY 2013</td>
<td>9.4 trillion</td>
<td></td>
</tr>
<tr>
<td>FY 2014</td>
<td>10.0 trillion</td>
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<tr>
<td>FY 2015</td>
<td>10.1 trillion</td>
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<tr>
<td>FY 2016</td>
<td>10.4 trillion</td>
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<tr>
<td>FY 2020</td>
<td>6,771 yen</td>
<td></td>
</tr>
<tr>
<td>FY 2025</td>
<td>8,165 yen</td>
<td></td>
</tr>
</tbody>
</table>
And yet, the costs are projected to be doubled over a decade or so.

Source: Ministry of health, welfare and labor.
Insurance payment according to care needs

<table>
<thead>
<tr>
<th>Care Level</th>
<th>Premium Limit (¥)</th>
<th>Recipient 1 person average expense (¥)</th>
<th>Premium Limit占支出的比（％）</th>
<th>Exceeding Premium Limit人数（人）</th>
<th>Premium Limit占支出的比（％）</th>
<th>User占支出的比（％）</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essential 1</td>
<td>50,030</td>
<td>19,695</td>
<td>39.4</td>
<td>1,034</td>
<td>0.2</td>
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<tr>
<td>Essential 2</td>
<td>104,730</td>
<td>35,879</td>
<td>34.3</td>
<td>529</td>
<td>0.1</td>
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<tr>
<td>Intermediate 1</td>
<td>166,920</td>
<td>70,771</td>
<td>42.4</td>
<td>8,355</td>
<td>1.0</td>
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<tr>
<td>Intermediate 2</td>
<td>196,160</td>
<td>98,464</td>
<td>50.2</td>
<td>16,858</td>
<td>2.2</td>
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<tr>
<td>Intermediate 3</td>
<td>269,310</td>
<td>148,145</td>
<td>55.0</td>
<td>7,863</td>
<td>1.7</td>
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<tr>
<td>Intermediate 4</td>
<td>308,060</td>
<td>180,352</td>
<td>58.5</td>
<td>7,490</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>Intermediate 5</td>
<td>360,650</td>
<td>223,054</td>
<td>61.8</td>
<td>5,861</td>
<td>2.9</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>47,990</td>
<td></td>
<td></td>
<td></td>
<td>1.3</td>
</tr>
</tbody>
</table>
Payment scale

There are maximum insurance payment to each care-level.

Monthly maximums are about:
- Support 1  50,000JPY
- Support 2  100,000JPY
- Care-level 1  16,700JPY
- Care-level 2  26,931 units/month
- Care-level 3  36,065 units/month
- Care-level 4  38,065 units/month
- Care-level 5  360,000JPY

* 1 unit: ¥10 to ¥11.26 (subject to regions and service types)
Summary

• The LTC insurance is a success: the idea before the insurance was that caring the old is your family matter and that the care is basically borne by women at home.; this has been, to my view, very much wiped out and caring the old is now being done on more standardized platform. Yes, caring your parents is a family matter, but you now know the menu of services and have access to it. In this process, dementia related problems has been shared among the public and those suffering dementia have been gaining a “civil right.”
Summary

• The problem of the Japanese LTC insurance is it is too good an “insurance” to keep going. In fact, it has so much been supported by public subsidies; so the costs of the LTC are passed to the budget and most (or entire portion) of the subsidies has been paid by public debt, thus passing the costs to younger generations. The correction of this financing is urgent.

• Due mostly to time constraint I didn’t say about the coordination issue of the old people’s health and LTC. But this is now looming to be as big a problem as the subsidies issues. End-of-life health care in co-ordination of the LTC is one acute issue now on the discussion table in Japan.
Japan’s social-security policies: a reference
Appendix: overall structure of health insurance and expenditures

**Detailed Data 1**

**National Medical Care Expenditure of OECD Countries (2012)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Total medical care expenditure in GDP (%)</th>
<th>Rank</th>
<th>Per capita medical care expenditure ($)</th>
<th>Rank</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A</td>
<td>18.9</td>
<td>1</td>
<td>8,745</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>11.8</td>
<td>2</td>
<td>5,099</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>11.6</td>
<td>3</td>
<td>4,288</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>11.4</td>
<td>4</td>
<td>6,080</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>11.3</td>
<td>5</td>
<td>4,811</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>11.1</td>
<td>6</td>
<td>4,896</td>
<td>5</td>
<td></td>
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<tr>
<td>Denmark</td>
<td>11.0</td>
<td>7</td>
<td>4,698</td>
<td>7</td>
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</tr>
<tr>
<td>Canada</td>
<td>10.9</td>
<td>8</td>
<td>4,602</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>10.9</td>
<td>8</td>
<td>4,419</td>
<td>10</td>
<td></td>
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<tr>
<td>Japan</td>
<td>10.3</td>
<td>10</td>
<td>3,649</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>10.0</td>
<td>11</td>
<td>3,172</td>
<td>20</td>
<td>*</td>
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<tr>
<td>Sweden</td>
<td>9.6</td>
<td>12</td>
<td>4,106</td>
<td>12</td>
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<tr>
<td>Portugal</td>
<td>9.5</td>
<td>13</td>
<td>2,457</td>
<td>23</td>
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<tr>
<td>Slovenia</td>
<td>9.4</td>
<td>14</td>
<td>2,667</td>
<td>22</td>
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<tr>
<td>Spain</td>
<td>9.4</td>
<td>14</td>
<td>2,988</td>
<td>21</td>
<td>*</td>
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<tr>
<td>Norway</td>
<td>9.3</td>
<td>16</td>
<td>6,140</td>
<td>2</td>
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<tr>
<td>U.K.</td>
<td>9.3</td>
<td>16</td>
<td>3,289</td>
<td>18</td>
<td></td>
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<tr>
<td>Greece</td>
<td>9.3</td>
<td>16</td>
<td>2,409</td>
<td>24</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Total medical care expenditure in GDP (%)</th>
<th>Rank</th>
<th>Per capita medical care expenditure ($)</th>
<th>Rank</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>9.2</td>
<td>19</td>
<td>3,209</td>
<td>19</td>
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</tr>
<tr>
<td>Australia</td>
<td>9.1</td>
<td>20</td>
<td>3,997</td>
<td>13</td>
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<tr>
<td>Finland</td>
<td>9.1</td>
<td>20</td>
<td>3,559</td>
<td>16</td>
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<tr>
<td>Iceland</td>
<td>9.0</td>
<td>22</td>
<td>3,536</td>
<td>17</td>
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<tr>
<td>Ireland</td>
<td>8.9</td>
<td>23</td>
<td>3,890</td>
<td>14</td>
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<tr>
<td>Slovakia</td>
<td>8.1</td>
<td>24</td>
<td>2,105</td>
<td>27</td>
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<tr>
<td>Hungary</td>
<td>8.0</td>
<td>25</td>
<td>1,803</td>
<td>29</td>
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<tr>
<td>Korea</td>
<td>7.6</td>
<td>26</td>
<td>2,291</td>
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<tr>
<td>Czech Republic</td>
<td>7.5</td>
<td>27</td>
<td>2,077</td>
<td>28</td>
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<tr>
<td>Israel</td>
<td>7.3</td>
<td>28</td>
<td>2,304</td>
<td>25</td>
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<tr>
<td>Chile</td>
<td>7.3</td>
<td>28</td>
<td>1,577</td>
<td>30</td>
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<tr>
<td>Luxembourg</td>
<td>7.1</td>
<td>30</td>
<td>4,578</td>
<td>9</td>
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<tr>
<td>Poland</td>
<td>6.8</td>
<td>31</td>
<td>1,540</td>
<td>31</td>
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<tr>
<td>Mexico</td>
<td>6.2</td>
<td>32</td>
<td>1,048</td>
<td>33</td>
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<tr>
<td>Estonia</td>
<td>5.9</td>
<td>33</td>
<td>1,447</td>
<td>32</td>
<td></td>
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<tr>
<td>Turkey</td>
<td>5.4</td>
<td>34</td>
<td>984</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>OECD average</td>
<td>9.3</td>
<td></td>
<td>3,484</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: “OECD HEALTH DATA 2014”
*Note: 1. The rank in this table indicates the rank among OECD member countries.
2. The figures marked with "*" indicate the figures for 2011.*
Outline of the Healthcare Insurance System

Medical care system for the elderly aged 75 and over

- Approx. 13 trillion yen
- Age 75 or over
- About 14 mil people
- 47 insurers (extended association)

System to address the imbalance in the payment of medical expenses for the under 75
(about 14 million people)  APPROX. 6 TRILLION YEN (AFOREMENTIONED)

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Age 75

- Retired persons
- Health insurance system (interim measures)
  - Retired insured employee
  - About 2 mil people

National Health Insurance
- Municipality controlled NHI + NHI society
  - Individual proprietor, Pensioner, Irregular employer, etc
  - About 39 mil people
  - About 1,900 insurers
  - Approx. 10 trillion yen

Public-corporation-run Health Insurance
- Salaried employee of SMEs
  - About 35 mil people
  - 1 insurer
  - Approx. 4 trillion yen

Society-managed, employment-based Health Insurance
- Salaried employee of Large Corporation
  - About 30 mil people
  - About 1,500 insurers
  - Approx. 5 trillion yen (total)

Mutual aid association
- Civil officer
  - About 9 mil. people
  - 85 insurers

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*1 Numbers of members and insurers are preliminary figures as of the end of March 2011