



Japan: Health Care Presentation

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Overview

Increase in health care expenditure due to an aging population (avg. life-span 83.7): 11.2 percent of its GDP in 2015, 3rd of 35 OECD countries; behind U.S. (16.9 percent) and Switzerland (11.5 percent).

Payment schedule: Fee-for-service, expenditure potentially affected by supply-side factors: medical suppliers tend to increase inducement by 7.5% in response to a 1% reduction in medical fees (Yuda, 2013, significant in high-density areas - comp. pressure).

General statistics: \$4,152/capita, (\$126 out of pocket) compared to US: \$9,364/capita (\$1,034 out of pocket); 2.4 physicians/capita compared to US: 2.6/capita*.

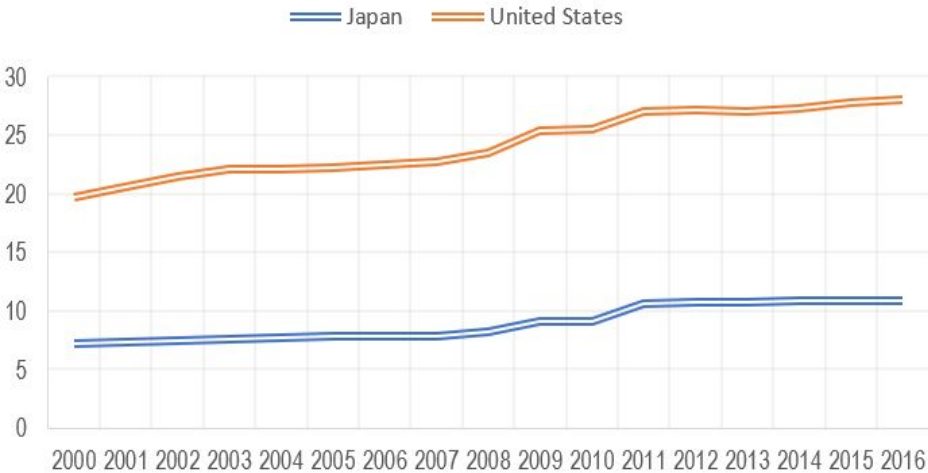
Cost Containment:

- fee schedule is revised every other year by the government, following stakeholder negotiations. Looks at: the overall rate of increase or decrease of benefit prices, drug and device prices, and prices of services on an item-by-item basis. Govt. does not control quantity: consumption larger than other OECD countries.

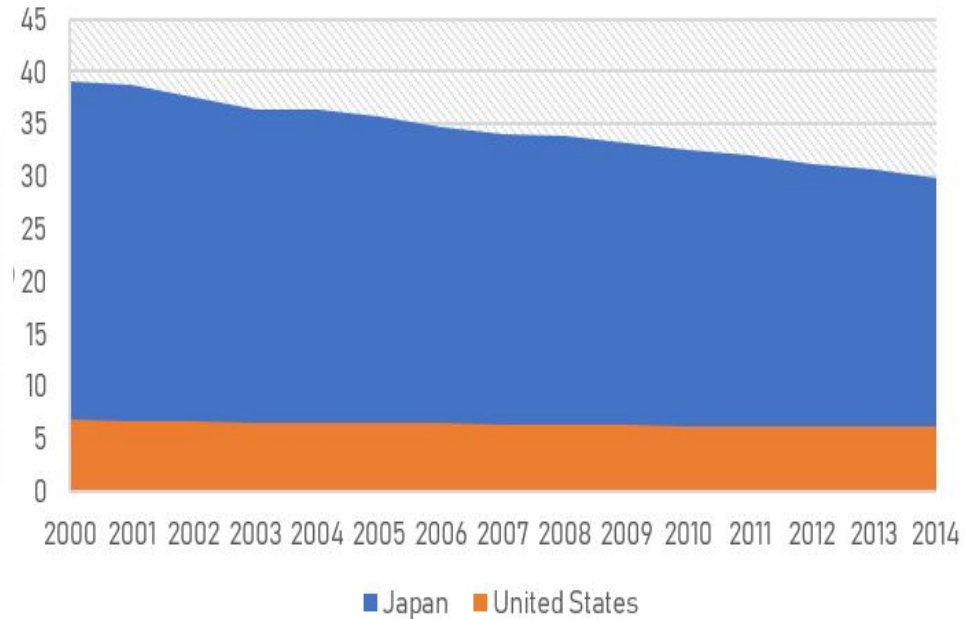
*data as of 2014 (from commonwealthfund.org)

Health Utilization & Expenditure

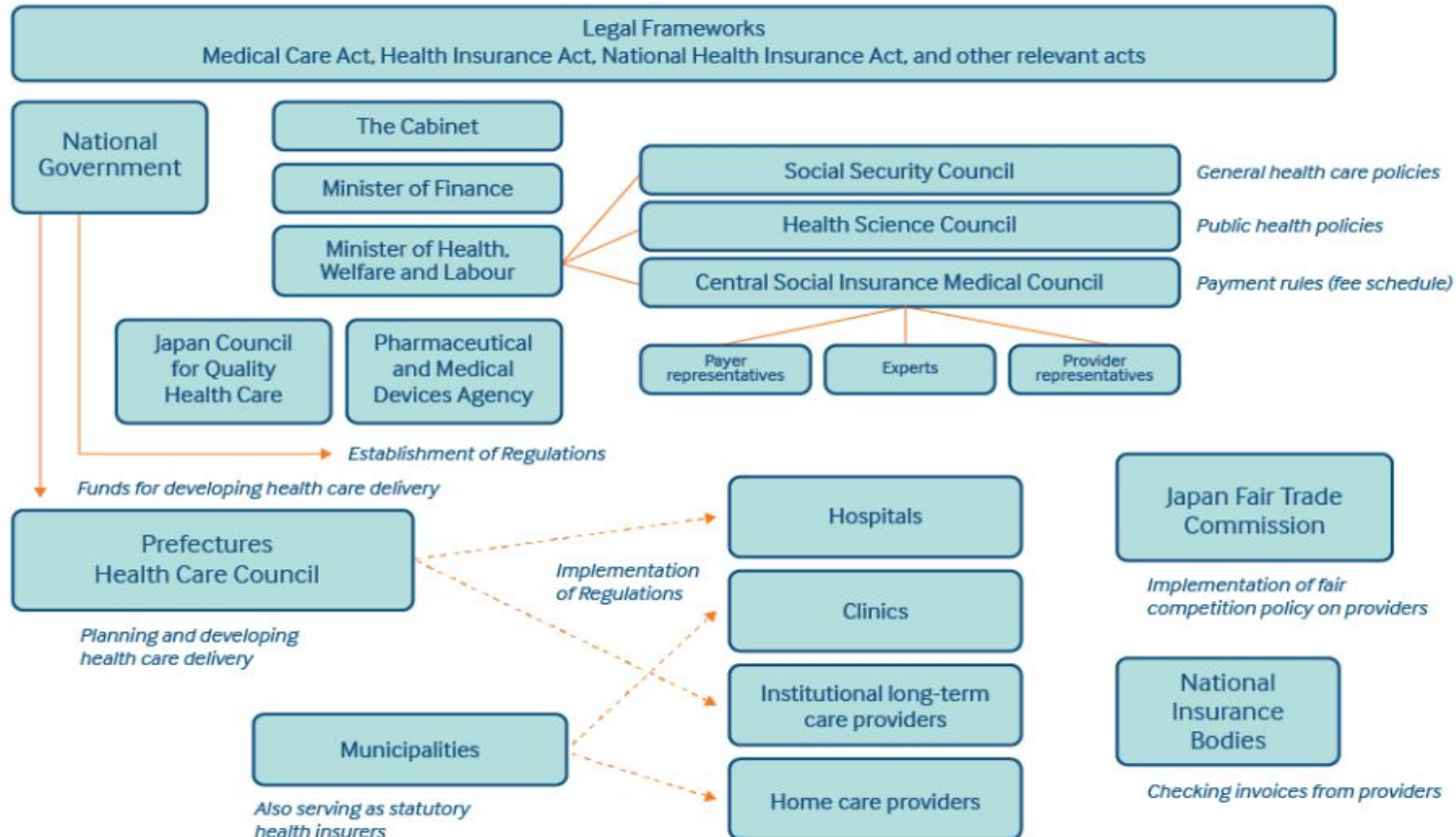
HEALTHCARE EXPENDITURE AS % OF GDP



Inpatient care - average length of stay (in days)



Organization of the Health System in Japan



Note: This chart illustrates a very simplified structure of the complex health care governance in Japan.

Health Insurance

- ▷ **Mandatory** by law, but **not enforced** by penalty (10% uninsured); universal health coverage beginning 1961;
- ▷ Two main groups:
 - Employees' Health Insurance for employees of private firms and public organizations, and their dependents;
 - National Health Insurance (NHI) for the self-employed, retirees, and their dependents.
- ▷ Public health insurance (SHIS): **70/30 coinsurance**; Seniors' insurance (SHSS): **90/10 coinsurance***
- ▷ Monthly premium is **scaled** to household income*
- ▷ Private insurance is **supplementary*** and only covers copay, non-covered costs by public health insurance, and (fixed-cost) hospitalization & surgery

* = according to article by Paulsen from Journal of Generic Medicines (2006)

Hospital Market

- ▷ Hospital: any facility with 20 or more beds¹
 - Establishing a hospital requires government approval
 - Facilities with fewer than 20 beds only require notifying the government
- ▷ 13.2 hospital beds per 1,000 people (highest in the OECD, US: 2.8 per 1,000)²
- ▷ Types of hospitals:³
 - Local Public Hospitals (LPHs)
 - Other Public Hospitals (OPHs)
 - Private Hospitals (PRHs)
- ▷ Public and private facilities receive same payment for services according to government fee schedule⁴
- ▷ Public hospitals expected to undertake less profitable medical services then compensated by local/national government⁵

Table 1 Number of hospitals, beds, and staff in Japan (2011)

| Ownership | Hospitals | Beds | Staff |
|------------------|---------------|-------------------|-------------------|
| LPH, n (%) | 968 (11.2) | 232,934 (14.7) | 313,747 (16.4) |
| Per hospital (n) | | 262.2 | 324.1 |
| OPH, n (%) | 685 (8.0) | 248,717 (15.7) | 362,531 (19.0) |
| Per hospital (n) | | 363.1 | 529.2 |
| PRH, n (%) | 6,952 (80.8) | 1,101,422 (69.6) | 1,233,460 (64.6) |
| Per hospital (n) | | 158.4 | 177.4 |
| Total, N (%) | 8,605 (100.0) | 1,583,073 (100.0) | 1,958,018 (100.0) |

Note: Data from Survey of Medical Institutions. Ministry of Health, Labour and Welfare; 2002–2013. Available from: <http://www.mhlw.go.jp/toukei/list/79-1a.html>. Accessed April 15, 2015.⁸

Abbreviations: LPH, local public hospital; OPH, other public hospital; PRH, private hospital.

Hospital Market (Continued)

- ▷ Overuse/Misuse of Emergency Service
 - Low cost of hospitalization may induce moral hazard, encourage hospital visits for minor conditions, and reduce access for those with serious conditions
 - Two small-scale studies estimated that between 50% and 80% of patients at Japanese emergency rooms were considered mild cases¹
 - Another study indicated that of the 6 million ambulance utilization in Japan during 2014, 49% were for minor conditions²

Physician Market

- ▷ Medical School (6 years)
 - High School Students take the standardized Common Achievement Test (CAT) for admission
 - ~7% acceptance rate (2006)
- ▷ Residency (2 years)
 - Students and hospitals matched through algorithm similar to US
 - Limited by law to 40 hours / week for first year
 - Contrary to US, hospitals are permitted to offer higher salaries to attract promising residents
 - This has been led to mal-distribution of talented physicians at high paying hospitals (University Hospitals pay \$80,000/year vs. non-University Hospitals at \$114,000)

Sources: [Tadahiko Kozu, MD](#) (2006)

[Taiji Enari & Hideki Hashimoto](#) (2013)

Physician Market (Continued)

- ▷ Postgraduate Study & Specialization (optional, 5 or more years)
 - New policies instituted by Japanese Medical Specialty Board (JMSB) have prompted criticism because they increase the requirements for specializing in certain subfields (e.g. internal medicine)
- ▷ Career
 - Japan has 30% fewer physicians per capita than OECD average
 - Median salary \$125,000 / year at mid career
 - Shortage is particularly acute in rural areas
 - Ministry of Health, Labor, and Welfare (2006): Japanese physicians worked 66.4 (± 18.0) hours/week and physicians younger than 30 years old worked an average of 77.3 hours/week

Sources: [The Economist](#) (2011)

Pharmaceutical Market

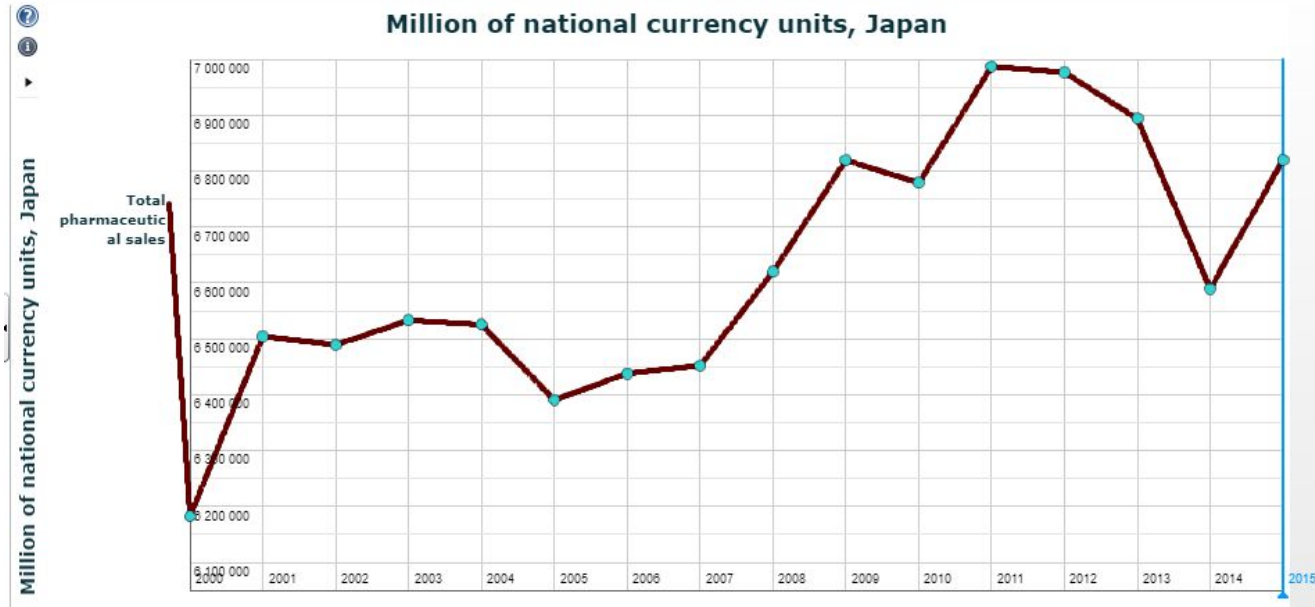
- ▷ Second-largest pharmaceutical market in the world, accounting for about 10% of global drug sales
- ▷ R&D
 - Growth in pharmaceutical R&D has slowed dramatically in recent years (to 2% in 2017)
 - Some economists attribute this to government policies designed to increase the prevalence of generic drugs (goal of 80% in 2020 from 56% currently)
 - Patent law prevents granting extensions on pharmaceutical IP after 20 years
- ▷ Advertising
 - DTCA which mentions specific brands is prohibited
- ▷ Regulatory Review and Clinical Trials
 - In the early 2000s, new drugs entered the Japanese market approximately three years after the US and European markets due to a long regulatory review period
 - Government initiatives have reduced this lag to less than one year by establishing new agencies, hiring additional personnel, and loosening some restrictions
 - Previously required that drugmakers present data from Japanese-specific clinical trials before approval
 - Now, only require clinical trials from any East Asian site before approving drugs, lowering entry cost for foreign drugmakers and helping to reduce lag
 - Pharmaceutical and Medical Device Act (2014) & Abenomics

Sources: [Reuters](#) (2017)

[Conducting Clinical Trials in Japan: A CRO Perspective](#) (2013)

[Paek et al.](#) (2011)

Pharmaceutical Market (Continued)



Total Pharmaceutical Sales (in millions of Japanese Yen)
Data Sourced from OECD.Stat