



## **JRI news release**

### **The Need for a Truly "Fundamental" Reform of the Medical Care System**

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### **Overview**

The cabinet approved a basic policy on the medical insurance system and medical reimbursements system on March 28, 2003, setting out directions for the reform of the medical care system proposed by the Ministry of Health, Labour and Welfare (MHLW).

However, if the reforms implemented were exactly those proposed by the MHLW, it would be difficult to realize the goal of building a stable and sustainable medical care system. There are four reasons:

**(i) The proposed reforms effectively leave the problem of contributions to medical care for the elderly untouched.**

The system of joint insurance premiums the idea behind which is to pass on a given proportion of the burden of payments to the elderly to the working generations after the fact, is essentially the same as the present system of contributions to medical care for the elderly and will not help to reduce the burden on the working generations.

**(ii) The financial position of the national health insurance system is bound to deteriorate.**

Transferring the burden of medical care costs for retired persons aged 64 or younger onto the national health insurance system threatens the financial sustainability of the national health insurance system.

**(iii) There is a risk that the quality of medical care will decline.**

The experience of other countries suggests that the introduction of a system that seeks to control the growth of medical care costs is highly likely to lead to a decline in the quality of medical care.

**(iv) The reforms postpone the resolution of key problems, describing them as "issues for the future".**

The disclosure of important data and information relating to the distribution and allocation of future medical care costs is essential for the discussion of specific reform proposals, and this information should be disclosed without delay.

A truly "fundamental" reform of the medical care system should not only eliminate any anxiety over the future among the people of Japan, but should restore their faith in the system. To this end, the following three measures should be implemented with a view to allowing a clear medium-to-long term forecast of future medical costs, and the government should set about reforming the medical care market which has, until now been treated as sacred ground.

**(i) The creation of an all-embracing social security system**

A comprehensive social security system embracing pensions, medical care and nursing care should be created with a view to relieving anxiety over the future among the people of Japan.

**(ii) The setting of an upper limit on the insurance premiums burden**

An upper limit should be set on the burden of insurance premiums in respect of payments to the elderly so as to clarify the outlook for the future growth of the burden and eliminate any perceptions of unfairness in the distribution of the burden between generations.

**(iii) The promotion of rationalization**

The government should promote rationalization, chiefly by introducing the principles of free competition into the medical care market, e.g. through the

establishment of a Japanese version of the DRG, with a view to maintaining the quality of medical care while curbing costs.

The benefits of a "fundamental" reform of the medical care system on these lines would include a 20-30% reduction in Japan's national medical care costs through the promotion of rationalization. Moreover, setting an upper limit on the insurance premium burden should make it possible to avoid the imposition of too heavy a burden on the elderly and the working generations.