




新時代戰略研究所

## POST COVID-19

# RECOMMENDATIONS TO REALIZE A SOCIAL SECURITY SYSTEM FOR ALL GENERATIONS

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# Looking to the FUTURE

*A note from this project's sponsors*

## FOREWORD

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The health and wealth of the Japanese labor force are primary sources of international competitiveness for the manufacturing and services sectors, and one of the key reasons that many foreign companies choose to invest in Japan. In the face of an aging workforce and a global health pandemic, the sustainability of health and retirement is becoming an increasingly important issue for businesses and their employees. It is our belief that ensuring the long-term sustainability of the social security system will support economic growth, relieve fiscal pressures, and meaningful add to a higher quality of life for Japanese citizens. Doing so will require the ingenuity of the private sector and the cooperation of numerous stakeholders.

It is on this premise that the American Chamber of Commerce in Japan (ACCJ) has worked with the Institute for New Era Strategy (INES) to bring together key leaders in business, government, and academia to discuss the future shape of social security in Japan. What follows are the recommendations resulting from significant discussion amongst the public and private sectors, leveraging the insights and advice of experts from academia.

*Support for this research was provided by the American Chamber of Commerce in Japan (ACCJ).*

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Building a more sustainable  
health & retirement system for  
the future





# INTRODUCTION

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The novel coronavirus pandemic has illuminated several challenges facing the sustainability of Japan's social security system. With the aging of the population continuing to accelerate, our human and material resources for healthcare and retirement have been insufficient. In addition, during this crisis, significant financial stimulus needs to be mobilized on the back of Japan's stagnating economy, but as most of this money derives from the issuance of government bonds, it is impossible for the government to spend as much as it desires. Much of Japan's social security system was established in a post-war period where priorities were predominantly infectious diseases and acute illnesses. Over time, the system has evolved to address the treatment of chronic illnesses and Japan's aging demographics, but discussions on securing the necessary resources for this fundamental evolution have been insufficient.

On a positive note, as we continue to evolve as a data-based society, we have begun to grasp the impact of COVID-19 in real time with the active cooperation of civil society. While this is an encouraging sign that bodes well for the future of Japanese society, the state of Japan's infrastructure has been inadequate when compared to other countries. For example, in evaluating the Government's uniform provision of 100,000 yen per person, clearly there is an unrealized opportunity to take a needs-based approach predicated on the integration and application of data.

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*...we must take this opportunity to reform outmoded systems and ways of thinking...*

Amid this pandemic, there have been two fundamental ways of thinking about social distancing policies. One is for society to confer the government with vast authority to monitor the social and economic activities of each individual. The other is for the government to proactively disclose and share information, so that civil society can understand the situation and how it may evolve in an accurate and thorough manner, before proceeding with the active cooperation of civil society. Although some temporary measures may be unavoidable in emergency situations, Japan must pursue the latter option in the medium to long term. Only by doing so can we remain the society that our predecessors have created, where our people can freely and actively determine our own future.

This is not merely a matter of theoretical reflection but a very real choice that is facing us. The novel coronavirus is a major crisis for mankind, but even more importantly, the real danger lies in making the wrong choice for our future. In order to ensure that we make the right choice, we must take this opportunity to reform outmoded systems and ways of thinking that have been overly tailored for a society in the past and are no longer relevant for our future.

In the following sections, we present a set of recommendations to realize a social security system for all generations by focusing on three specific areas that we consider to be extremely important: active utilization of data technology, shifting financial resources towards healthcare and retirement needs, and raising the health and financial literacy of society. With Japan's

fiscal strains exacerbated by the novel coronavirus, now is the time for Japan to tackle these challenges. Strong political will and leadership are required to share a vision for the future with the public, face reality, and make the right choices for a better future.



#### ACTION 1

### ACTIVELY UTILIZE DATA TECHNOLOGY

- Pursue the adoption of information usage rights centered on advancing the interests of civil society
- Integrate existing databases and systems onto comprehensive interoperable data platforms to enhance the usefulness of available data
- Through broader private-public partnership, pursue the collection of data that benefits even the most vulnerable populations, building the infrastructure necessary to collect data that supports a stronger evidence-base for the use of medicines and medical technologies
- Support programs to expand the role of telehealth, virtual care, and digital therapeutics in providing healthcare to vulnerable populations



#### ACTION 2

### SHIFT FINANCIAL RESOURCES TOWARDS HEALTHCARE AND RETIREMENT NEEDS

- Secure the necessary financial resources to sustain Japan's social security system, determining appropriate individual burdens based on ability to pay, while providing new options for tax-deferred investing
- Further explore opportunities to accelerate innovation in healthcare by better understanding and optimizing expenditures from a system-wide perspective



#### ACTION 3

### RAISE THE HEALTH & FINANCIAL LITERACY OF INDIVIDUALS AND CIVIL SOCIETY

- Expand initiatives at all life stages targeted at raising health and financial literacy and understanding of Japan's social insurance system

ACTION 1

# ACTIVELY UTILIZE DATA TECHNOLOGY

## BACKGROUND

New technologies, such as Artificial Intelligence (AI), have evolved remarkably due to rapid improvements in image recognition, sensors, and machine learning research. The era where multiple aspects of our reality can be utilized in the form of digital data has finally arrived. Data collection and analysis used to be notorious for its time lag, but today's technologies have made it possible for us to grasp our current situation in real time. These forms of digital data are tremendously useful in not only the design and operation of government systems but also in the business sector, where they can be utilized to enrich society, revitalize the economy, and create new industries by allowing us to accurately understand the present and make plans for the future.

Nevertheless, the handling of digital data has always been steeped in privacy-related issues. A shared principle of our society is the value we place on individual rights, and it is a matter of fact this data should be utilized in a manner that preserves the dignity of every individual. Although the GDPR framework is now adopted throughout Europe, it is of paramount importance for even more countries to participate in the adoption of appropriate regulations on personal information protection.

While many forms of digital data exist in Japan, the individual's prior consent is not obtained in many cases, making it impossible to utilize these vital data. Even if the data is in the government's possession, it is still difficult for this data to be utilized owing to considerations of individual dignity.

## JAPAN ELECTRONIC HEALTH RECORD READINESS

Japan's health care system ranks in the lower tiers for technical and operational readiness and data governance readiness to develop national information from Electronic Health Records (EHRs) (2016).



Source: OECD (2016). Managing New Technologies in Healthcare.

## RECOMMENDATIONS

### RECOMMENDATION 1

#### PURSUE THE ADOPTION OF INFORMATION USAGE RIGHTS CENTERED ON ADVANCING THE INTERESTS OF CIVIL SOCIETY

To tackle these issues, we must begin considering our new technologies and legal concepts such as “information usage rights” as soon as possible. Building on successful case studies from the past, we need to actively pursue initiatives focused on civil society and individuals that would allow them to grasp a holistic view of society with the cooperation of every individual and the support of platform operators. Where possible, these rights should empower users to own their own data. For example, in healthcare, platforms to access

one's own data could pave the way for novel consent mechanisms that enable large scale medical research for both academia and industry.

### RECOMMENDATION 2

#### INTEGRATE EXISTING DATABASES AND SYSTEMS ONTO COMPREHENSIVE INTEROPERABLE DATA PLATFORMS TO ENHANCE THE USEFULNESS OF AVAILABLE DATA

The integration of databases that currently exist separately from one another will expand their collective analytical scope and enhance their usefulness. It is essential to establish platforms that not only connect medical checkups with medical treatments and nursing care data, but which allow the relevant personnel to obtain comprehensive information on the various activities of individuals from the time they were



## RECOMMENDATION 1

### PURSUE THE ADOPTION OF INFORMATION USAGE RIGHTS CENTERED ON ADVANCING THE INTERESTS OF CIVIL SOCIETY

#### CURRENT ISSUES

- Japan has significant amounts of data at hand, but very often fails to obtain the consent of individuals in advance, making it impossible to make use of the data. Moreover, even for data held by the government, in practice, it remains difficult to use the data considering the dignity and rights of the individual.
- The integration of fragmented databases will broaden the possible scope of analyses and increase the value and usefulness of databases. However, we have yet to reach the stage in which we have a platform that would enable us to establish a unified understanding of everything that happens to the person starting from their birth to death, let alone the linkage of health checkup, medical, and nursing care data.
- One reason for this is that many companies generating data have a negative view of the European (EU)-type “data portability rights,” because there is no benefit provided in transferring data. In order to solve this problem, there needs to be a mechanism in which a portion (e.g., a few percent) of the compensation obtained by individuals in data transfers is returned to companies that generated the personal data.

#### RECOMMENDED DIRECTION

- With privacy concerns in mind, new technologies and legal concepts such as “the right to use of information” should be implemented as soon as possible.

*\*“The right to use of information” is a concept similar to the “data portability right” in the European Union (EU), but differs in that it requires companies that generate personal data to return a part of the remuneration obtained by individuals through data transfer.*



born to the time they die. It is critical that the approach ensures interoperability across organizational boundaries and the adoption of a cloud-based infrastructure that can support the safety and longevity of the integrated data sources.

In healthcare, data silos prevent patients, healthcare providers and medical researchers from accessing data. This presents major safety concerns for patients who may be treated at multiple institutions, where vital information may be contained within a data source to which a doctor treating a patient does not have access. It also limits medical research, as it may be impossible to make connections between multiple data sources that could lead to new disease insights. As such, platforms can be regarded as a fundamental or public infrastructure. The

government needs to offer active support for these pioneering initiatives in the short term in order to facilitate discussions on specific operational matters and approaches concerning information usage rights as well as the introduction of these initiatives into the wider society. We also believe that these initiatives will create future investment opportunities, including the discovery of new industrial possibilities and the democratization of data as a catalyst for revolutionizing the data industry.



## RECOMMENDATION 2

### INTEGRATE EXISTING DATABASES AND SYSTEMS ONTO COMPREHENSIVE INTEROPERABLE DATA PLATFORMS TO ENHANCE THE USEFULNESS OF AVAILABLE DATA

#### CURRENT ISSUES

- If we only follow the lead of Europe, America and China, Japan cannot surpass other countries in efforts to accelerate a data revolution. Japan needs a "strong catalyst" to develop data-related markets such as big data, IoT, and artificial intelligence.
- With a persistent budget deficit and accumulating government debt, there is a limit to how much money can be expended on the fourth industrial revolution. If a scheme such as data securitization can be implemented, it could become a catalyst for accelerated growth for big data, IoT, and artificial intelligence if we can harness the power of finance, including Japan's 1,800 trillion yen in personal financial assets, as well as money from around the world.
- When investing in big data, IoT, artificial intelligence, etc., the collection and maintenance of large scale, high quality data is expensive, and in many cases, venture capitalists and others are hesitant to collect and maintain the necessary funds for data collection and maintenance, even for projects with future earnings potential.

#### RECOMMENDED DIRECTION

- In real estate, there are "collective investment schemes" such as "real estate REITs" and real estate securitization, and it is well known that the legislative changes that enabled them have been the catalyst for real estate development. In a similar vein, similar "collective investment schemes" could be created for rights derived from big data, IoT and artificial intelligence. For instance, the equivalent of a real estate REIT in Big Data would be a "Big Data Investment Trust" (BDIT). In establishing such a scheme, we could consider "data securitization" as a catalyst for the data industrial revolution.
- Japan would be the first country in the world to develop a legal framework for a "collective investment scheme" that allows for the collection of money from an unspecified number of investors (domestic and foreign) for rights derived from big data, IoT and artificial intelligence (AI), while allowing for the distribution of profits.

**RECOMMENDATION 3**

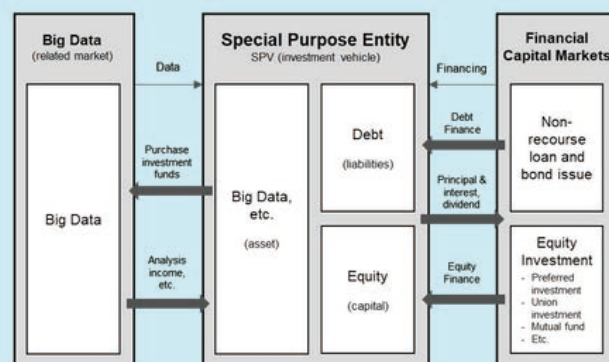
**THROUGH BROADER PRIVATE-PUBLIC PARTNERSHIP, PURSUE THE COLLECTION OF DATA THAT BENEFITS EVEN THE MOST VULNERABLE POPULATIONS, BUILDING THE INFRASTRUCTURE NECESSARY TO COLLECT DATA THAT SUPPORTS A STRONGER EVIDENCE-BASE FOR THE USE OF MEDICINES AND MEDICAL TECHNOLOGIES**

Digital data is not only for the purpose of observing the big picture. It should also be actively utilized to identify the needs of individuals that may not be visible from a broad overview of the status quo and to render assistance to vulnerable groups in society. In that sense, it is absolutely essential for there to be close collaboration between businesses, the government, civil society, and patients (e.g., patient groups and related parties in the case of supporting terminally ill patients) as well as other affiliated parties in various fields with knowledge of where the data is, how to collect it, how to store it securely and how to evaluate its value in an appropriate manner. To achieve this, it is also important to work on ensuring both individual organisations and national institutions have access to the information infrastructure required for accumulating data on a local and a decentralized scale.

There are many areas of healthcare that will benefit from such efforts. National data on pharmaceutical products and medical equipment can facilitate more rigorous verification and the appropriate evaluation efficacy, and support the identification of technologies without significant medical need or limited clinical benefits and those with genuinely high levels of need. Linkage of primary and secondary healthcare data, coupled with new data sources such as genomics, wearable devices, or daily activity tracking, will enable new approaches to understanding disease diagnosis, progression, spread, and epidemiology.

**RE-IMAGINING DATA INFRASTRUCTURE INVESTMENT SCHEMES**

The equivalent of a real estate REIT in Big Data would be a "Big Data Investment Trust" (BDIT). This type of "collective investment scheme" could be created for rights derived from big data, IoT and artificial intelligence to catalyze a data revolution in Japan.

**RECOMMENDATION 4**

**SUPPORT PROGRAMS TO EXPAND THE ROLE OF TELEHEALTH, VIRTUAL CARE, AND DIGITAL THERAPEUTICS IN PROVIDING HEALTHCARE TO VULNERABLE POPULATIONS**

The novel coronavirus pandemic has highlighted the challenge of accessing healthcare for the most vulnerable in the population. Those with high risk comorbidities, or who live in remote areas were either unable to attend essential checkups and access emergency care, or faced the risk of infection if visiting in person. The Japanese government rightly supported telehealth in this period, and it is essential for patient well-being that this continue post-covid. To realize the full benefit, it is essential to couple the support for telehealth with support for digital prescriptions and to enable pharmacies to offer home delivery of important medications, all while expanding the overall role of digital technologies in delivering care. These measures will help support the ageing population long after covid, and enable new approaches to triaging, screening and following up with patients, customizing the patient experience, and improving the ability of doctors to monitor and communicate directly with their patients.



## RECOMMENDATION 3

THROUGH BROADER PRIVATE-PUBLIC PARTNERSHIP, PURSUE THE COLLECTION OF DATA THAT BENEFITS EVEN THE MOST VULNERABLE POPULATIONS, BUILDING THE INFRASTRUCTURE NECESSARY TO COLLECT DATA THAT SUPPORTS A STRONGER EVIDENCE-BASE FOR THE USE OF MEDICINES AND MEDICAL TECHNOLOGIES

### CURRENT ISSUES

- In Japan, large-scale public healthcare data is being accumulated across multiple platforms including the national database (NDB), nursing care DB, DPCDB, MIDNET and other anonymous databases, in addition to nominal databases such as the National Cancer Registry DB, Incurable Disease DB, and Specific Pediatric Chronic Disease DB. However, apart from the linkage of the NDB and nursing care DB, there is not necessarily an active debate on the linkage of the databases and their utilization in society.
- Utilization of these DBs is expected to bring great benefits not only to specific companies but also to society as a whole through the development and evaluation of drugs and medical devices. However, under the current concept and operation of the "public interest purposes" for third-party provision of data, access to these databases is extremely limited, primarily only open to academic researchers.
- In order to utilize these DBs, it is necessary to establish a system to cope with tasks such as DB management, prompt review of information provision, user support, and confirmation of results on the premise of securing anonymity, but the fact remains that, structurally speaking, we are not ready for expansion of the system as resources are not sufficient in terms of both personnel and costs.
- Although private-sector-based DBs already exist and are being used in some parts of the country, there has not been sufficient discussion on the division of roles between the public and private sectors, the system of cooperation, and cost sharing for future DB utilization

### RECOMMENDED DIRECTION

- Promote further enrichment of DBs, including the necessary linkage of DBs, in order to maximize the value of information extracted while paying maximum attention to ensuring anonymity.
- Rules and frameworks for the provision of third parties should be institutionalized at an early stage in order to promote the use of the information for public interest purposes by a wider range of actors, through discussions between the public and private sectors on the "public interest of use."
- Prompt review of information provision, user support (application support, training on basic knowledge of the database and points to keep in mind when analyzing it, etc.) is necessary. Discussions should be held on the division of roles between the public and private sectors, associated coordination efforts, and cost sharing in order to secure the personnel and financial resources necessary to develop a safe environment for use.
- In cases where it is difficult to collect sufficient cases of intractable or rare diseases in Japan alone, a system of collaboration with overseas databases should be established, while considering the importance of anonymity.
- While accumulating data on drugs and medical devices, efforts will also be made to build an information base for more rigorous verification and appropriate evaluation of efficacy, identifying technologies without significant medical need and limited clinical benefit, as well as those with high need.



## RECOMMENDATION 4

SUPPORT PROGRAMS TO EXPAND THE ROLE OF TELEHEALTH, VIRTUAL CARE, AND DIGITAL THERAPEUTICS IN PROVIDING HEALTHCARE TO VULNERABLE POPULATIONS

### CURRENT ISSUES

- As the recent COVID-19 has made abundantly clear, digital health in Japan has fallen far behind the rest of the world.
- While Japan was an early adopter of electronic health records, the effort was nullified by a delayed adoption of the practice and data sharing across the country. The same is true for the proliferation of online practices and digital prescriptions.
- On the other hand, the public's ICT literacy has risen, and according to a survey by Ministry of Internal Affairs and Communications, 75.7% of people in their 60s, 53.6% of people in their 70s, and 23.4% of people in their 80s and older use the Internet. All these groups have shown an increase in internet usage between 2010 and 2016, but again, ICT literacy among senior citizens is not necessarily high.
- Seniors are also at higher risk for new coronavirus infections, while a higher proportion of them are receiving medical and nursing care. These are the people who must maintain social distance but are in a difficult position to do so.
- The development of 5G has laid the groundwork for the development of tele-surgery and other technologies that take advantage of "ultra-low latency."

### RECOMMENDED DIRECTION

- The widespread use of online medical care and digital prescriptions needs to be considered for those who are not necessarily ICT literate, such as the elderly. However, this should be done in a way that raises the literacy of the population (especially the elderly) in relation to ICT. Even in countries with advanced ICT systems in healthcare, such as Estonia, the ICT literacy of the elderly was not high from the beginning and required support from the government (e.g. training) and family members.
- We should also urgently move forward with online health care for those who need help the most for illnesses, disabilities and incurable diseases.
- The role of digital therapies is becoming increasingly important. For example, a therapeutic app for smoking cessation recently received an informal approval from the Ministry of Health, Labour and Welfare. These new types of "digital therapeutics" are rapidly advancing in the United States. With limited downsides to the use of these technologies, it is desirable for them to gain further traction and seek approval for additional uses in the future.
- Furthermore, it is necessary to spread Japan's advanced medical technology, such as tele-surgery, to the world on a universal basis.



## ACTION 2

## SHIFT FINANCIAL RESOURCES TOWARDS HEALTHCARE AND RETIREMENT NEEDS

### BACKGROUND

One policy-related task we must prioritize is the optimization of future social security expenditure, particularly healthcare expenditure, which is expected to continue growing in the coming years. In order to ensure that future generations can inherit the advantages offered by Japan's national health insurance system, it is essential not only to rebuild our healthcare system in a manner that would allow it to cope with future demographic trends, but also to reform the underlying funding policies that support this system appropriately, creating incentives for new technologies that can keep the population healthier, for longer.

### RECOMMENDATIONS

#### RECOMMENDATION 5

**SECURE THE NECESSARY FINANCIAL RESOURCES TO SUSTAIN JAPAN'S SOCIAL SECURITY SYSTEM, DETERMINING APPROPRIATE INDIVIDUAL BURDENS BASED ON ABILITY TO PAY, WHILE PROVIDING NEW OPTIONS FOR TAX-DEFERRED INVESTING**

Although the government is currently considering a review of the upfront costs incurred by people over the age of 75 for healthcare services, it is also necessary to review the High-Cost Medical Expense Benefit and the Special or Specified Medical Care Coverage systems while providing targeted assistance to households that are genuinely struggling financially. There should also be a review of the current age-based co-payment

system, and the introduction of an income or asset-based ability to pay system.

While strengthening the public insurance system, the foundation of Japan's medical system, at the same time it is necessary to encourage expansion of private savings (through iDeco, NISA, etc.) and private insurance coverage (by raising the maximum cap), while considering the introduction of a mechanism that can offset part of the increased cost incurred by individuals.

As individual burdens are assessed based on ability to pay, priority should be placed on improving investment returns to support individuals by raising their ability to pay. Encouraging increased investment-related wealth creation by individuals can be accomplished

#### SOCIAL SECURITY BUDGET OVER "INTENSIVE REFORM PERIOD"

The 5-year total savings from drug price revision reached 509.6B yen (75 percent of total savings) in 2020. A more system-wide perspective is necessary in approaching healthcare system budget reforms.

FY Budget	Saving Target	Saving by NHI price revision
2016	– 170 B yen	– 175 B yen
2017	– 140 B yen	– 20 B yen
2018	– 130 B yen	– 176 B yen
2019	– 120 B yen	– 29 B yen
2020	– 120 B yen	– 109 B yen

Source: Japan Ministry of Finance.

through increasing tax deferred investment opportunities and improving the overall investment environment for retail investors. The Government should consider increasing limits on defined contribution plans and allowing matching in addition to top-up schemes. DC plan default investment options should be designed to encourage investment. NISA schemes should continue to evolve to be more inclusive with a wide degree of investment options and longer-term focus. All retail investment options, both taxable and tax deferred, should be evaluated to ensure that products and distribution offer investors the most efficient and transparent experience possible, allowing investors to optimize their investment decisions and retain as much of their investment returns as possible.

#### RECOMMENDATION 6

#### FURTHER EXPLORE OPPORTUNITIES TO ACCELERATE INNOVATION IN HEALTHCARE BY BETTER UNDERSTANDING AND OPTIMIZING EXPENDITURES FROM A SYSTEM-WIDE PERSPECTIVE

Currently, once a medical fee, medical technology, or other reimbursed service has been added to Japan's national health insurance system, there are few opportunities to thoroughly reassess its appropriateness. To ensure the continued advancement of patient care, it is important to create a market environment that encourages the active replacement of outdated medical treatments or services with new ones, by more deeply



#### RECOMMENDATION 5

#### SECURE THE NECESSARY FINANCIAL RESOURCES TO SUSTAIN JAPAN'S SOCIAL SECURITY SYSTEM, DETERMINING APPROPRIATE INDIVIDUAL BURDENS BASED ON ABILITY TO PAY, WHILE PROVIDING NEW OPTIONS FOR TAX-DEFERRED INVESTING

##### CURRENT ISSUES

- Japan's outstanding public debt (as a percentage of GDP) is over 200%, and the state of fiscal and social security finances is extremely concerning. On the other hand, the number of people receiving public assistance has increased from a low of 880,000 in 1995 to 2.14 million in 2017, and poverty is rapidly increasing in Japan, especially among the older generation.
- For efficient and effective redistribution, market mechanisms (including the expansion of private savings) should be used and financial support should be concentrated on those who are really in need, while a slight reduction of financial support should be made for those with high incomes and certain assets, yet we have yet to see this happen.
- Even if we try to offset some of the increased out-of-pocket costs of medical and nursing care with private savings, Japan does not have a medical investment account system, and there are no corresponding tax measures available.

##### RECOMMENDED DIRECTION

- From the perspective of determining burdens based on ability to pay, Japan should consider measures to appropriately set individual burdens (out-of-pocket costs and taxation, etc.), in accordance with an individual's level of income and assets, while actively utilizing the My Number System, etc.
- In line with the concept of setting burdens based on ability to pay, Japan should consider appropriate burdens for households with high financial capacity in reviewing the high-cost medical care benefit system, uninsured combined medical care benefit system and the level of "income equivalent to that of an active worker." At that time, it will be important to consider the expansion of private investments (e.g., iDeCo and NISA), as well as mechanisms (including tax measures) to partially offset the increased out-of-pocket expenses for medical and nursing care costs, with reference to the medical savings account systems of overseas countries.

evaluating the comprehensive value and effectiveness of all healthcare expenditures.

Furthermore, in addition to reassessing current expenditures from a system-wide perspective, we should consider measures by which Japan can achieve greater efficiency in care delivery. Specifically, we should more broadly focus on the role of value-based healthcare practices, while establishing a stronger primary care system, strengthening the role of family physicians in providing efficient and appropriate care.



## RECOMMENDATION 6

FURTHER EXPLORE OPPORTUNITIES TO ACCELERATE INNOVATION IN HEALTHCARE BY BETTER UNDERSTANDING AND OPTIMIZING EXPENDITURES FROM A SYSTEM-WIDE PERSPECTIVE

### CURRENT ISSUES

- Social security benefit costs (e.g., medical care, long-term care, and pensions), which are covered by taxes and insurance premiums, currently total around ¥120 trillion. According to estimates by the Cabinet Office and others, this will increase by 1.5 times to about ¥190 trillion in 2040 (e.g., the current ratio of GDP is 21.5% in 2018, but will increase by about 24% in 2040).
- In terms of national health care costs per capita by age group (based on data from 2014), of the 554,000 yen per capita cost of medical care for the elderly (65-74 years old) the public cost to the government is about 78,000 yen, but out of the 907,000 yen per capita medical costs for the elderly in the latter stages of life (over the age of 75), the amount of public expenditure to be borne by the government is about five times as much, at 356,000 yen annually.
- In the case of inpatient care the Diagnosis Procedure Combination (DPC) system was introduced in April 2003. However, it is a mixture of flat payment and fee for service, which is different from the diagnostic group classification (DRG) system in the United States. Under the DPC system, health care costs could be inflated in the fee for service portion of the system.
- In outpatient medical care, payment is largely pay-as-you-go fee for services. More comprehensive mechanisms for payment have not progressed, and a family doctor system has not yet been established.

### RECOMMENDED DIRECTION

- With regard to the medical care system for the elderly in the latter-stage of life (over the age of 75), Japan should consider a system (a medical care version of macroeconomic indexing) that gently adjusts the growth of medical fees based on the macroeconomic indexing introduced in the 2004 pension reform in order to equalize the burden across generations while increasing the sustainability of medical care finances, taking into account the capacity of the working-age population which is expected to continue to decline.
- In doing so, in order to ensure that the level of insurance premiums for the working-age population does not increase alone with the increase in support payments for the elderly in the latter-stage of life, measures such as raising the level of premiums for the elderly in the latter stages of life (75+) and increasing the number of people eligible for insurance for the elderly in the latter stages of life with a co-payment ratio of 20 percent or more will be implemented automatically, instead of having decisions made on a case-by-case basis.
- Comprehensive reimbursement of medical fees should be promoted not only for inpatient treatment but also for outpatient treatment. To achieve this, we need further analysis to make the compensation system more evidence-based, relying on analyses of claims data and other evidence.
- In outpatient medicine, reform is needed to establish a strong family doctor system.



## ACTION 3

## RAISE THE HEALTH & FINANCIAL LITERACY OF INDIVIDUALS AND CIVIL SOCIETY

### BACKGROUND

The ability to make our own choice is premised upon the creation of an informed civil society. To achieve this, it is essential to raise the literacy levels of all citizens. For instance, it is imperative for everyone to be able to properly understand the structure of responsibilities and benefits across the entire society and imagine how one's individual actions may affect society. As an example, a citizen must be able to recognize that staying healthy is not only beneficial for himself, but it can also reduce the burden on the entire society. Therefore, we need to fully understand the necessity of staying healthy, preventing diseases, and supporting the rest of society.

Furthermore, as the benefits provided under public insurance, such as medical care and long-term care, currently exceed individual contributions, there is an urgent need to support the general public in understanding that in order to ensure the sustainability of universal coverage, it is necessary to consider contributions based on ability to pay. As medical costs have continued to increase, civil society seems reluctant to step forward to take responsibility for this burden. As such, individuals need to understand that if these conditions continue, the universal health insurance system that supports our society will no longer be able to be maintained, and future generations will

not be able to recover from this decision. It is essential that we all understand the decisions facing us today.

### RECOMMENDATIONS

#### RECOMMENDATION 7

#### EXPAND INITIATIVES AT ALL LIFE STAGES TARGETED AT RAISING HEALTH AND FINANCIAL LITERACY AND UNDERSTANDING OF JAPAN'S SOCIAL INSURANCE SYSTEM

To achieve this, Japan should expand initiatives that are targeted at raising health and financial literacy levels in various settings, including elementary, secondary, and lifelong education. This would allow everyone to understand the size of the risk to oneself in the event of illness or injury, the balance between the public medical insurance costs one bears in normal times and the cost

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*...we need to fully understand the necessity of staying healthy, preventing diseases, and supporting the rest of society...*

borne by society on one's behalf in the event of illness or injury, and how this changes over time and based on the ability to pay. Moreover, it is essential for everyone to have the opportunity to learn more about the strengths and weaknesses of Japan's system based on the systems that exist in other countries.

Financial literacy should be also be improved to encourage Japanese citizens to move from a

savings to an investment mindset. The Government should encourage and partner with the financial industry to provide education to raise the financial literacy of Japanese retail savers and investors.

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*...if these conditions continue, the universal health insurance system that supports our society will no longer be able to be maintained...*



## RECOMMENDATION 7

EXPAND INITIATIVES AT ALL LIFE STAGES TARGETED AT RAISING HEALTH AND FINANCIAL LITERACY AND UNDERSTANDING OF JAPAN'S SOCIAL INSURANCE SYSTEM

### CURRENT ISSUES

- Individuals do not have a clear understanding of the combination of public help, mutual aid and self-help depending on the level of risk, and the structure of benefits and burdens on society as a whole and are not able to imagine how one's individual actions may affect society.
- Citizens should be able to act on the understanding that being healthy is not only for them, but also reduces the burden on society, and for this reason, it is necessary to maintain one's health, as well as to act in the broader interest of society.
- Far more is paid for by public insurance than is borne by beneficiaries for publicly funded services such as health care and long-term care, and there is little opportunity for people to actually understand that a proportionate share of the cost, based on income and assets as well as public funds, is essential if publicly funded services are to remain stable and sustainable.

### RECOMMENDED DIRECTION

- Expand specific initiatives to enhance health literacy in primary, secondary, and lifelong education, and increase opportunities to learn in-depth about, for example, the magnitude of the risks posed by illness and injury, the balance between the costs they bear in normal times and the costs supported by society when they are sick or injured through public medical insurance, changes in age and ability to bear these costs, and the benefits and challenges in Japan while considering systems in other countries.
- The Japanese government should take the lead in encouraging the financial industry to educate its individual savers and individual investors to improve their financial literacy, while working more closely with the financial industry in order to do so. The GOJ should also work more closely with universities and other institutions in efforts to improve financial literacy.





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