According to the OECD Health Statistics 2016 database released in June, Japan's total health spending accounted for 11.2 percent of its GDP in 2015, ranking third out of 35 OECD members and trailing only the U.S. and Switzerland. | ISTOCK

NATIONAL

Japan's buckling health care system at a crossroads

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The inauguration last month of Donald Trump as U.S. president and his plan to repeal the 2010 Affordable Care Act, known as "Obamacare," has left many people here wondering: How does Japan compare?

In Japan, health care has long been likened to air and water — givens often taken for granted. Like all other developed countries except the United States, Japan has universal coverage, which means everyone is covered by the public health insurance program.

The government has long boasted that Japanese health care is first-class, affordable and helps extend its high life expectancy rates. In 2016, Japan was ranked first in the world in this category, with the average life span hitting 83.7 years.

"Our nation has achieved an average life expectancy and health care standards that are at the world's top levels," the health ministry declares on its website, citing four main features of the system: insurance for everyone — regardless of pre-existing conditions or economic status; free access, meaning patients are free to choose any hospital nationwide; high-level care at low cost; and the use of public money to maintain it.

But a closer look at the system tells another side of the story.

As informal surveys by The Japan Times show, the Japanese health care system, the basic structure and regulatory mechanism of which have changed little since universal coverage was achieved in 1961, has its own set of shortcomings and flaws compared with systems abroad.
Not only that, its rapidly aging society and shrinking ranks of premium-paying workers, coupled with the arrival of new drugs and technologies fetching phenomenal prices, are putting immense strains on the system, experts say, making its sustainability uncertain.

Under the Japanese system, everyone must join a public insurance program through their employer or municipal government and pay a monthly premium that is determined by income. In exchange, they receive access to government-approved medical procedures and prescription drugs, for which they pay 30 percent of the cost or less.

Though premiums have risen over the years, medical services have been affordable for most people. Unlike in the U.S., stories of people going bankrupt due to medical bills are unheard of — at least so far.

A case in point is an unprecedented decision made by the government in November to halve the official price of Opdivo, a biotechnology-driven lung cancer drug.

Costing ¥35 million per year per patient, there were fears that its widespread use could drain state coffers. But while the move sent shock waves through the nation's pharmaceutical industry, not to mention knocking down stock prices of Ono Pharmaceutical Co., which developed and markets Opdivo, patients have remained totally unaffected.

Under the public insurance program, people undergoing costly treatments are exempted from paying more than a certain amount determined by their income level.

In fiscal 2014, patient payments made up 11.7 percent of all medical expenditures, which hit a record ¥40.8 trillion. Premiums paid by the insured and employers made up 48.7 percent, and the rest — 38.8 percent — was funded by local and state tax revenues, according to the health ministry.

John Campbell, professor emeritus of political science at the University of Michigan and a noted expert on Japan's health care system, says Japan has some lessons to teach the U.S. — the only Organisation for Economic Co-operation and Development (OECD) member without universal health coverage.

"We should learn from Japan that covering everyone in a systematic way is necessary to hold spending down as well as being the right thing to do," Campbell said by email. "The most distinctive aspect of the decision-making process is that the overall amount for spending is decided first, in a negotiation between the Ministry of Finance, the Liberal Democratic Party, the Ministry of Health, Labor and Welfare and the Japan Medical Association."

The JMA is a nationwide group of mostly independent practitioners that wields a huge amount of influence over health care policy.

"After that, there is an intense process to implement that decision setting prices for each separate procedure and medication. No one else does it this way," he said.

Campbell said that Japan's system has been effective in holding down outlays, while giving the government overwhelming, if not total, control over detailed policy decisions. On the other hand, the system has defied reform.

"The odd side (of Japan's system) is that this process dominates health care policymaking in Japan, so as to exclude other kinds of policy decisions," he said. "Ever since I started studying health care in Japan, about 35 years ago, there have been many calls for 'radical reform' of medical care, and nothing much happens."

Yusuke Tsugawa, a physician and research associate at Harvard University who specializes in health care economics, takes a different view of the Japanese system. He says the days Japan can boast low-cost, high-quality health care are over, pointing to the nation's soaring medical spending in relation to its gross domestic product.

According to the OECD Health Statistics 2016 database released in June, Japan's total health spending accounted for 11.2 percent of its GDP in 2015, ranking third out of 35 OECD members and trailing only the U.S. (16.9 percent) and Switzerland (11.5 percent). Japan's ranking shot up from eighth the year before in large part because it

previously had not counted spending on nursing care for the elderly — for which a separate insurance program was launched in 2000 — as part of its health care costs.

“The argument that Japan’s health care is low-cost and has helped achieve longevity is no longer true,” Tsugawa said by phone. “We know through research that longevity is not caused by health care systems, but mostly by diet, education, daily lifestyle habits and genes. Cost is now becoming a weakness of Japan’s health care.”

He said Japan has avoided the kind of political instability over health care seen in the U.S. thanks to tight government controls.

For decades, insurance coverage and prices have been set by Chuo Shakai Hoken Iryo Kyogi Kai (the Central Social Insurance Medical Council), better known as Chuikyo, set up under the health ministry. Made up mostly of industry representatives including the JMA, drug industry groups and insurers’ associations, Chuikyo reviews the prices for all medical procedures and drugs available in Japan every two years, and generally works to lower prices for older ones. The government wants to introduce a yearly review from fiscal 2018 to further rein in costs.

But the downside of this long-running system is that, while the government controls the cost of medical goods and services, it doesn’t control the volume of services provided, Tsugawa said. This has fostered a culture in Japan of patients seeking more care than necessary because access is unlimited, he explained.

This high demand serves the interests of hospitals and clinics, who need to increase the amount of services available to make up for the narrowing profit margins resulting from Chuikyo’s price cuts, he said.

This explains why doctors in Japan are always busy, handling dozens of patients daily and sparing little time to communicate with them. It also explains why tests are so commonplace at clinics and hospitals.

“What this cycle of price cuts has caused over the past 50 years is that, Japan has the highest number of MRIs and CT scanners (per 1 million people) in the world and three times more outpatient visits than in the U.S., and the length of hospital stays in Japan is three times longer than in the U.S.,” Tsugawa said. “The sheer volume of medical services consumed in Japan is huge.”

Tsugawa added that Japan needs to reform its medical policy to place more focus on theory and evidence instead of relying on “hunches and guts,” which has long been the policymaking norm. That can reduce waste in the system and alleviate the shortage of doctors and nurses in some parts of the country without significantly increasing overall resources, he said.

Dr. Takaaki Ishiyama, professor at the Hospital Medicine Department at Uonuma Institute of Community Medicine in Niigata Prefecture, said universal coverage is the biggest advantage of Japan’s health care system, especially when compared with the U.S.

“In the U.S., there’s no universal health care, and the disparity both in the quality and quantity of care people can access is huge,” said Ishiyama, who practiced as a hospital physician in the U.S. for eight years before assuming his current post 1½ years ago.

“I had so many experiences of not being able to use the drug I wanted to use for patients because they couldn’t afford them — often even the $4 prescription drugs (generics that qualified patients can buy at major retailers). It was extremely frustrating,” he said.

But Japan also has a lot to learn from the U.S., especially its superb and standardized education and training systems for doctors, Ishiyama said, adding that Japanese medical education focuses too much on nurturing specialists.

So-called family doctors in Japan are not well trained at detecting illnesses when faced with myriad symptoms, he said, because any independent doctor can claim to practice internal medicine regardless of specialty or training.

Japan will also need to reconsider its easy access to care, with the postwar baby-boom generation scheduled to enter their 80s in 2025, Ishiyama said.

“We will need to step back from the current ‘all you can eat’ system where there’s a lot of waste,” he said. “We need to brace for more patients in the coming years with less money on hand.”