

***Insurance Times:*** Japan faces meltdown in its universal health insurance

August 7, 2001, Vol. XX No. 16

by Kenji Hall  
Associated Press

TOKYO — Dr. Katsura Nakakawaji's daily ritual starts at 9:30 a.m. with a visit from a 70-year-old patient. The man wants ultrasound and massage for his joints, which are arthritic and sore. He doesn't really need the treatment, and Nakakawaji suspects the main reason he comes is to chat with other elderly patients, all regulars, in the waiting room.

"He comes every day because it costs him close to nothing," said Nakakawaji, whose clinic is in a quiet, upscale neighborhood. "But he doesn't realize that someone has to pay for his visits."

That someone is the government — and the government is running out of money.

Japan's public and private insurance programs guarantee medical care for nearly all of the nation's 126 million people. Patients can be treated at almost any hospital or clinic. Insurance plans rarely resist paying for treatments ordered by doctors. Infants get free health care.

But the program, often held up as a shining example of Japan's postwar economic miracle, is on the brink of collapse. "The insurance system will fall apart unless the government can completely overhaul it," said Hiroyuki Uchiyama, an official at the Health, Welfare and Labor Ministry who oversees the program.

The threat of a meltdown comes as Japan's population is rapidly graying, meaning tax revenues are dwindling while costs are increasing, and as its economy stumbles along in a decade-old stagnation.

It also comes at a time of declining public faith in the medical profession. A rise in botched surgeries, accidental deaths and other mishaps and cover-ups at hospitals has brought attacks in the media and broken down the long-standing taboo of questioning doctors.

Prime Minister Junichiro Koizumi, who took office in April, has vowed to shake up the system. A reform proposal, already two years overdue, is expected this fall.

Koizumi's biggest challenge will be to revive the state-run insurance program, which covers one-third of all Japanese. Its finances have been in the red for seven of the past eight years. By the end of this year, the program will have run up a record \$4.9 billion debt and exhausted the reserves that have kept it afloat.

Japan's problems are piling up even though its medical costs remain low compared with most other developed countries, thanks to a government price list that regulates what doctors can charge for surgery, treatments and drugs. The Organization for Economic Cooperation and Development says Japan spent 7.2 percent of its gross national product on health care in 1995, compared with 14.2 percent by the United States and 10.4 percent by Germany. Britain's was 6.9 percent.

Low-cost health care for the masses has been vital to Japan's rise after World War II from a poor, malnourished nation to an economic powerhouse.

Infant mortality is among the lowest in the world, and life expectancy was 84 years for women and 77 years for men in 1999, up from 54 years for women and 52 years for men in 1947.

But longevity is also at the root of Japan's current predicament.

Last year, Japan spent more than one-third of its \$243 billion health care bill on one-sixth of the population — the 21.9 million Japanese aged 65 and older.

In five years, one in four Japanese will be in that category, giving Japan the world's oldest population. In 25 years, the elderly will account for half of Japan's medical bill.

Waste is a problem because of the low cost to patients. Many get surgery they don't need and tests they have had before and take medicine for conditions that aren't serious or chronic. Hospital stays average 40 days, the longest in the world. Shigeaki Hinohara, a director at St. Luke's Hospital in Tokyo, said doctors often draw blood and give injections, tasks that would cost much less if left to nurses.

Because hospitals pay pharmaceutical companies less for drugs than they charge patients, many doctors prescribe pills when a low-fat diet and exercise would do the trick.

"It's all standard practice for doctors. They do it so they can charge higher rates," said Hinohara, who has lobbied for reforms for decades. "There has to be a change in the laws. But there also has to be a change in thinking."

So far, the government has been reluctant to act.

Four years ago, it raised co-payments for most people from 10 percent of the doctor's bill to 20 percent. And the elderly, who once had free health care, now pay a small fee for doctor visits.

Among proposals under consideration are spinning off insurance for the elderly and increasing their co-payments and premiums to spread cost consciousness.

Other proposals would tighten price controls on drugs to limit profits hospitals can make from prescriptions and force doctors to share patient charts with one another as a way of avoiding excess tests.

But there is no consensus. The Japan Medical Association, private insurance carriers and the Keidanren, the country's biggest business organization, each have their own reform plan, which would preserve parts of the system they benefit from.

Doctors may represent an even bigger hurdle.

Many have become wealthy under the current system and will resist changes that threaten their status, said Nakakawaji, the physician. But he predicts market forces and public demand will force an overhaul.

"Change will come," he said. "It's inevitable."