

# Overview of Medical Service Regime in Japan

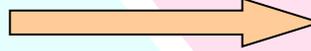
- 75 years or older  
10% copayment  
(Those with income comparable to current workforce have a copayment of 30%)
- 70 to 74 years old  
20% copayment\*  
(Those with income comparable to current workforce have a copayment of 30%)
- Start of compulsory education to 69 years old  
30% copayment
- Yet to start compulsory education  
20% copayment

\* Frozen at 10% for the 12-month period from April 2008

**Patient (insured)**



(2) Receive service & copayment



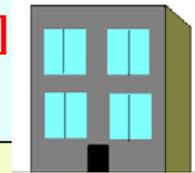
(3) Clinical service

(5) Reimbursement

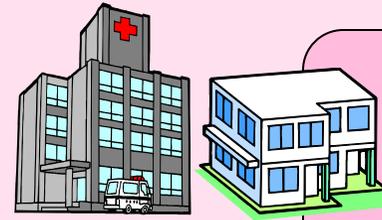
(1) Insurance contribution



**Insurer**



**[Medical Service Regime]**



Hospital  
Clinic } **Medical Care Act**



Physician } **Medical Practitioners Act**  
Dentist } **Dental Practitioners Act**  
Pharmacist } **Pharmacists Act**

Public health nurse } **“Act on Public Health Nurses, Midwives and Nurses”**  
Midwife }  
Registered nurse }

**Other healthcare professionals**

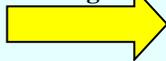
[Those with national qualification are governed by respective acts]

**Administrative bodies**



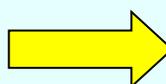
**National  
Prefectural  
Municipal  
governments**

Public funding



Public funding

Supportive contribution



**Respective insurer**

**[Medical insurance system]**

(Principle schemes)	(Number of insurers)	(Number of enrollment)
-National Health Insurance	1,888	Approx. 39,000,000
-Japan Health Insurance Association administered health insurance	1	Approx. 35,000,000
-Association/union administered health insurance	1,458	Approx. 30,000,000
-Mutual aid association	85	Approx. 9,000,000

\* Numbers of insurer and the enrolled are as of the end of March 2011

-Advanced Elderly Medical Service System 47 Approx. 14,000,000

\* Number of those enrolled is as of the end of March 2011

# Outline of the Healthcare Insurance System

Medical care system for the elderly aged 75 and over

Approx. 13 trillion yen

- Age 75 or over
- About 14 mil people
- 47 insurers (extended association)

System to address the imbalance in the payment of medical expenses for the under 75  
(about 14 million people) approx. 6 trillion yen (aforementioned)

Retired persons  
Healthcare System  
(interim measures)

- Retired salaried employee
- (About 2 mil people)

**National Health Insurance**  
(municipality controlled NHI + NHI society)

- Individual proprietor, Pensioner, Irregular employer, etc
- About 39 mil people
- About 1,900 insurers

Approx.10 trillion yen

**Public-corporation-run Health Insurance**

- Salaried employee of SMEs
- About 35 mil people
- 1 insurer

Approx. 4 trillion yen

**Society-managed, employment-based Health Insurance**

- Salaried employee of Large Corporation
- About 30 mil people
- About 1,500 insurers

Approx. 5 trillion yen (total)

**Mutual aid association**

- Civil officer
- About 9 mil. people
- 85 insurers

\*1 Numbers of members and insurers are preliminary figures as of the end of March 2011

\*2 Amounts are benefits based on the budget for FY2012.

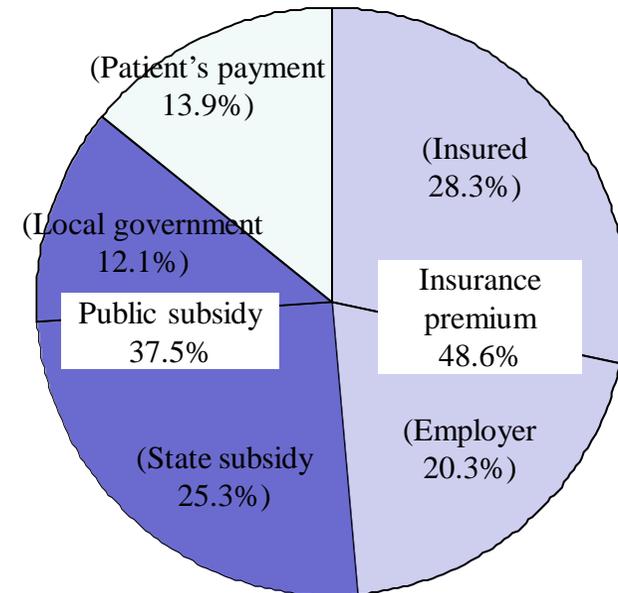
# Meaning of the Universal Health Insurance Coverage System

- Our country has realized the world's highest level of life expectancy and healthcare standards through the universal health insurance coverage system.
- It is necessary to ensure a safe and secure living of the citizens continuously by firmly maintaining the universal health insurance coverage with the current social insurance system.

## [Characteristics of Japanese universal health insurance coverage system]

- 1. Covering all citizens by public medical insurance**  
(In the U.S., about 18 million people are expected to be uninsured after health insurance reform by the Obama administration.)
- 2. Freedom of choice of medical institution (free access)**
- 3. High-quality medical services with low costs**  
(In the U.S., medical expenses per person are more than double those in Japan. In case of the elderly in Japan, the amount paid at a medical institution is about 40,000 yen if he or she receives 10 million yen of medical services per month.)
- 4. Based on the social insurance system, spending the public subsidy to maintain the universal health insurance coverage**

Proportion of the burden of national medical expenses in Japan (by resource) (FY2009)



- Other countries such as Germany, France, and South Korea have adopted the social insurance system.
- In countries adopting a tax-financed system, it is pointed out that citizens can not choose a medical institution and waiting time to take medical care is long.

For example, general physicians (registered family physicians) perform primary medical care in the U.K. The problem is that it takes long time to take medical care. Enabling patients to consult a general physician within 48 hours is set as a goal. Average waiting time of patients from they are referred to a hospital until they are treated by a specialist: 8.6 weeks (2009)

# Comparison of Each Insurer

	Municipality controlled National Health Insurance	National Health Insurance society	Public-corporation-run health insurance	Society-managed, employment-based health insurance	Mutual Aid Association	Medical system for the elderly aged 75 and over
Number of insurers (End of March 2011)	1,723	165	1	1,458	85	47
Number of members (End of March 2011)	35.49 mil. (20.37 mil. Households)	3.27mil.	34.85 mil. (The insured 19.58 mil. Dependents 15.27 mil.)	29.61 mil. (The insured 15.57 mil. Dependents 14.03 mil.)	9.20 mil. (The insured 4.53 mil. Dependents 4.67 mil.)	14.34 mil.
Average age of members (FY2010)	49.7	39.0	36.3	34.0	33.4	81.9
Average income (total compensation) (FY2010) (* 1)	¥910,000 ¥1,580,000 per household (FY2009)	¥3,470,000 ¥7,430,000 per household (*2) (FY2008)	¥1,370,000 ¥2,420,000 per household (*3)	¥1,960,000 ¥3,720,000 per household (*3)	¥2,290,000 ¥4,670,000 per household (*3)	¥800,000 (FY2010)
Amount used to work out the premiums per member (FY2010)	¥740,000 (*4) ¥1,290,000 per household (FY2009)	- (*5)	¥2,090,000 (*6) ¥3,700,000 per household (*3)	¥2,810,000 (*6) ¥5,330,000 per household (*3)	¥3,190,000 (*6) ¥6,510,000 per household (*3)	¥670,000 (*4) (FY2010)
Healthcare expenses per member (FY2010) (*7)	¥299,000	¥176,000	¥156,000	¥138,000	¥140,000	¥905,000
Average premium per member (FY2010) (*8) <amount including employers' contribution>	¥81,000 ¥142,000 per household	¥126,000	97,000 yen <193,000 yen> 172,000 yen <344,000 yen> per insured person	93,000 yen <207,000 yen> 177,000 yen <394,000 yen> per insured person	112,000 yen <224,000 yen> 227,000 yen <455,000 yen> per insured person	¥63,000
Government subsidies (Fixed rate portion only)	50% of benefits, etc.	42% of benefits, etc. (*9)	16.4% of benefits (*10)	Fixed amount contribution to those associations that are in financial hardship	Nil	Approx. 50% of benefits
Amount of government subsidies (*11) (Average based on FY2012 budget)	3,445.9 billion yen	284.2 billion yen	1,182.2 billion yen	1.6 billion yen	Nil	6,177.4 billion yen

(\*1) Means "total income, etc." (an amount worked out by subtracting work-related expenses, salary earners deduction, and public pension deduction and so on from the total earning).

Under the municipality-managed national health insurance scheme and medical care system for the latter-stage elderly people, this is "total income and forestry income" plus "brought-forward deduction in relation to miscellaneous income" and "amount of separate transfer income". The figure is worked out based on, in case of municipality-managed national health insurance scheme, "National Health Insurance Survey" and "Survey of Insured Persons under the Medical Care System for the Latter-stage Elderly People" in case of medical care system for the latter-stage elderly people.

The figures for national health insurance association are the data for your reference worked out by adding up the standard taxable income for municipal locality tax (total income after such deductions as basic deduction and income deduction including dependent family deduction and spouse deduction etc), basic deduction, and "income deduction other than basic deduction (such as dependent family deduction, spouse deduction etc)" (an estimated amount calculated using the figure obtained by dividing the amount of income deduction for each bracket (excluding basic deduction) applicable to "standard taxable income for those who have salary income and businesses income etc" worked out from "FY2009 survey of the current taxation status etc with respect to municipal locality tax" conducted by Ministry of Internal Affairs and Communications by number of tax payers).

As for Kyokai Kenpo, association-managed health insurance, and mutual aid association, the figure is a reference value worked out by subtracting an amount equivalent to salary income deduction from "an amount to be used to work out the insurance premium per subscriber" (the amount obtained by dividing the total amount of standard remuneration with the number of subscribers).

(\*2) The amount per household is worked out by multiplying the amount per subscriber with average number of person per household.

(\*3) Means an amount per insured person.

(\*4) This is the standard taxable amount (a base to calculate the insurance premiums) worked out by old provisory method. Being a method used to calculate the bases on which the insurance premiums of the medical care system for the latter-stage elderly people and most municipality-managed national health insurance schemes are worked out, the old provisory method calculates the amount by subtracting basic deduction etc from the amount of total income (the amount worked out by subtracting work-related expenses, salary earners deduction, and public pension deduction etc from the total amount of earning).

(\*5) Not included because, with regard to national health insurance association scheme, the calculation method to work out the income and insurance premiums is widely different from one insurer to another. According to the data from 2009 income study, the standard trade-by-trade taxable incomes for municipal locality tax are 6.41 million yen for medical practitioners national health insurance association, 2.21 million yen for dentists national health insurance association, 2.18 million yen for pharmacists national health insurance association, 1.25 million yen for general trades national health insurance association, and 0.70 million yen for building industry related national health insurance association. The average amount of the whole sector, calculated based on the number of insured persons for each association, is worked out to be 2.15 million yen (no income study was conducted in 2010).

(\*6) This is the amount obtained by dividing the whole amount of standard remuneration with the number of subscribers.

(\*7) Figures for healthcare expenditure per subscriber for Kyokai Kenpo and association-managed health insurance scheme are preliminary ones. In addition, figures for mutual aid association are healthcare expenditure assessed by the assessment/payment agent.

(\*8) The insurance premiums per subscriber for municipality-managed national health insurance scheme/the medical care system for the latter-stage elderly people were estimated based on the insurance premiums arranged/set out for the year; and, premiums of employee insurance were estimated based on the insurance premiums cited in the final accounts of expenditures and revenues. The amount of insurance premiums does not include the portion for aged care.

(\*9) Average based on FY2012 budget

(\*10) The rate of government subsidies for Kyokai Kenpo to June 2010 in the FY2010 budget was 13.0% excluding the contribution to the latter-stage elderly people medical care system.

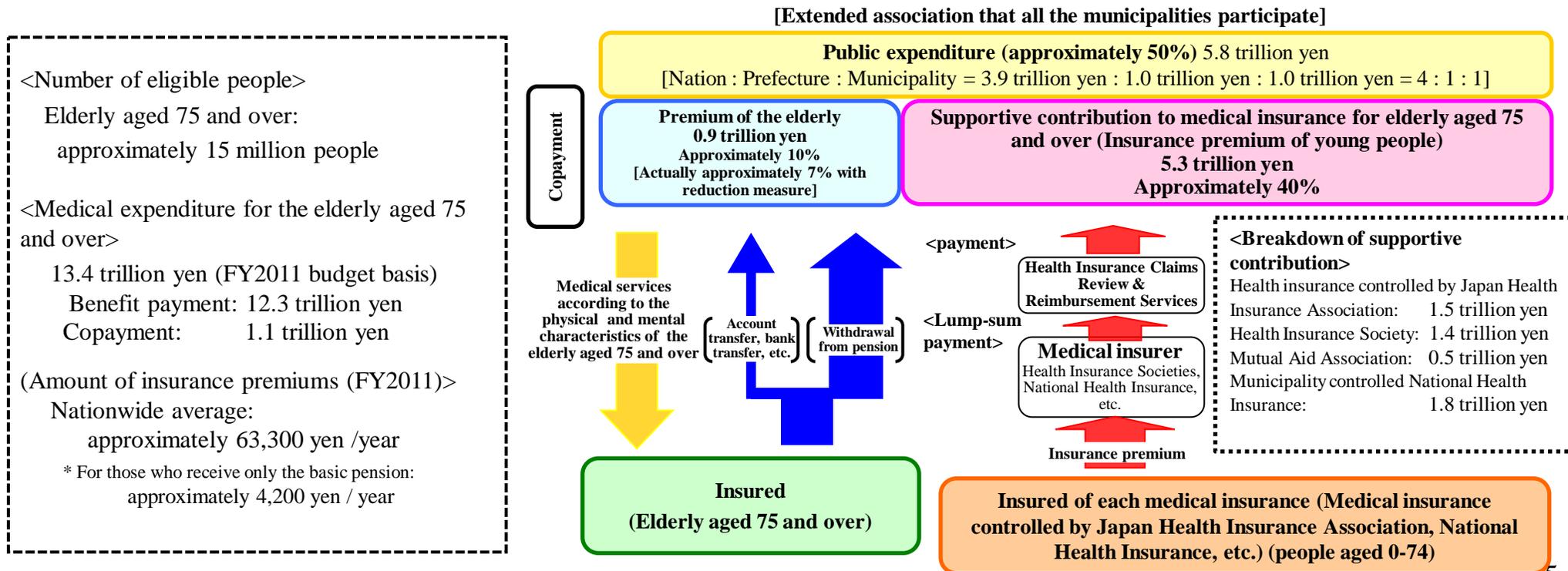
(\*11) State subsidies and grants for the long-term care insurance levy, specified health examination/specified healthcare guidance, etc., are not included

# Current Medical Service System for the Elderly

## Summary of system

- In anticipation of increasing medical expenditure with aging of society, from the viewpoint to clarify the burden between aged and young generations, the medical insurance system for the elderly aged 75 and over was enacted in April 2008.
- At the same time, in order to adjust the imbalance among the insurers due to the uneven distribution of the elderly aged between 65 and 74, a system to adjust the finance of insurers was introduced.

## Structure of Medical Care System for the Elderly aged 75 and Over



# National Health Insurance & Health Insurance Benefits

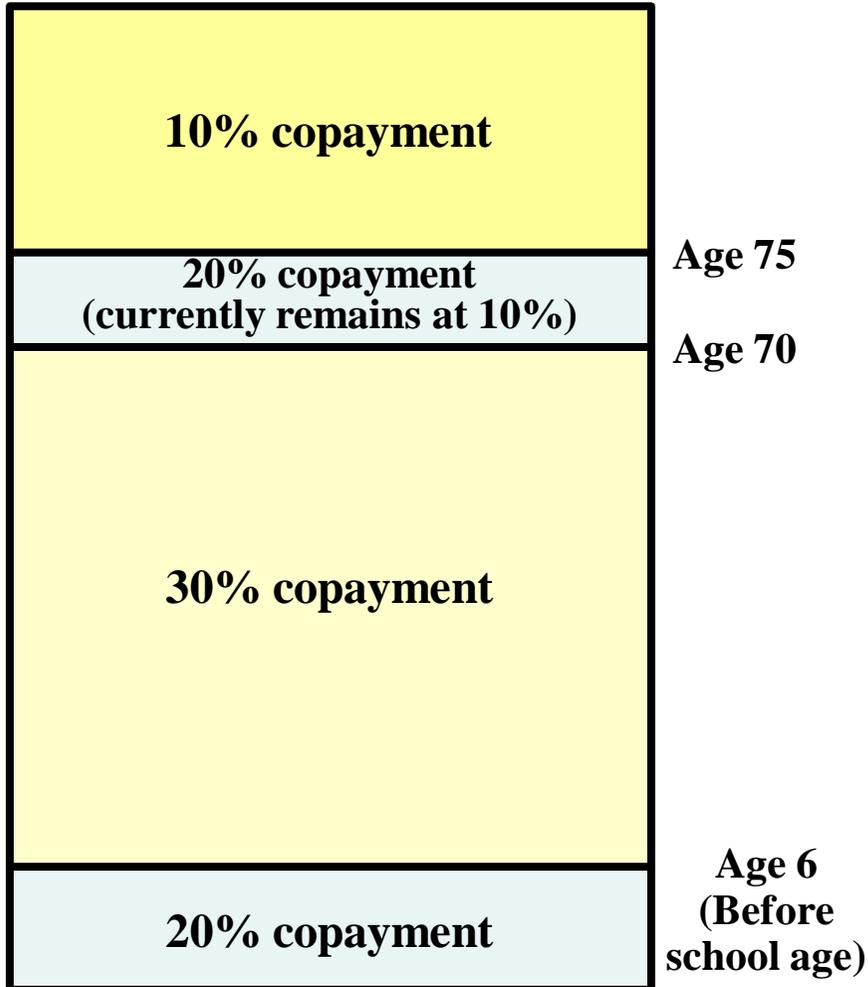
(As of April 2012)

Payment		National healthcare insurance (local authority)	Healthcare insurance		
Healthcare payments	Healthcare Benefits Visiting nursing healthcare	Until the entry into primary school: 80% After junior high school to 69 years: 70% 70-74 years: 80%* (those whose taxable income is more than average taxable income of the active workforce (1,450,000 yen per year): 70%)			
	Meals during hospitalization expenses	Standard amount borne for meals: ¥260 per meal Low income persons after the 90th day of hospitalization: ¥160 per meal	Low-income persons: ¥210 per meal Persons of particularly low income (70 years old and over): ¥100 per meal		
	Living care during hospitalization (65 years old and above)	Living care standard fee: ¥ 460 per meal (meal cost)* + ¥320 (residential cost) Particularly low-income persons: ¥130 per meal (meal cost) + ¥320 (residential cost) (* ) ¥420 at the insurance medical institutions that calculate living care during hospitalization (II)	Low-income persons: ¥210 per meal (meal cost) + ¥320 (residential cost) Persons receiving senior citizens welfare benefits: ¥100 per meal (meal cost) + ¥0 (residential cost) Note: The amount borne by patients with serious diseases will be the living care standard fee		
	High-cost medical care expenses (with individual limit)	Aged under 70 years	Aged 70 to 74 years	Hospitalization	Outpatients (per person)
		(High income) ¥ 150,000 + (medical expenses – 500,000) × 1% (¥ 83,400) (General) ¥ 80,100 + (medical expenses – 267,000) × 1% (¥ 44,400) (Low income) ¥ 35,400 (Figures in parenthesis are for the fourth month onwards)	(Working income level) (General*) (Low income) (Particularly low income)	¥ 80,100 + (medical expenses – 267,000) × 1% (¥ 44,400) ¥ 44,400 ¥ 24,600 ¥ 15,000	¥ 44,400 ¥ 12,000 ¥ 8,000 ¥ 8,000
Cash payments	Lump-sum allowance for childbirth	Contents of benefits are decided by separate regulations. (Most insurers pay ¥420,000 (¥390,000 if the additional payment set out in the maternity medical care compensation scheme does not apply.)	Lump-sum allowance for childbirth	¥420,000 paid in the instance of the insured person or their dependent giving birth (¥ 390,000 if the additional payment set out in the maternity medical care compensation scheme does not apply)	
	Lump-sum funeral allowance, burial costs		Lump-sum allowance for childbirth and nursing		
	Invalidity benefit	Contents of benefits are decided by separate regulations. (Most local authorities pay at a rate between ¥10,000-50,000) Practiced by most local authorities	Burial costs	Fixed amount of ¥50,000 paid in the instance of the insured person dying	
			Family burial costs	Fixed amount of ¥50,000 paid in the instance of the insured person's dependent dying	
Maternity allowance	Voluntary benefit (Not practiced by any local authorities)	In the case that the insured person becomes unable to work because of medical treatment being received for a cause not related to work, an amount approximate to two thirds of that persons standards daily wage will be paid daily for a maximum period of 1 year and 6 months. During the maternity leave taken by the insured person, an amount approximate to two thirds of that persons standards daily wage will be paid daily for a maximum period of from 42 days prior to the birth to 56 days after the birth.			

\* Since April 2008, patients' on-the-spot copayment has not been changed from 10%; maximum monthly copayments of high-cost medical care has not also been changed as shown in this table.

# Patients Copayment for Medical Expenditure

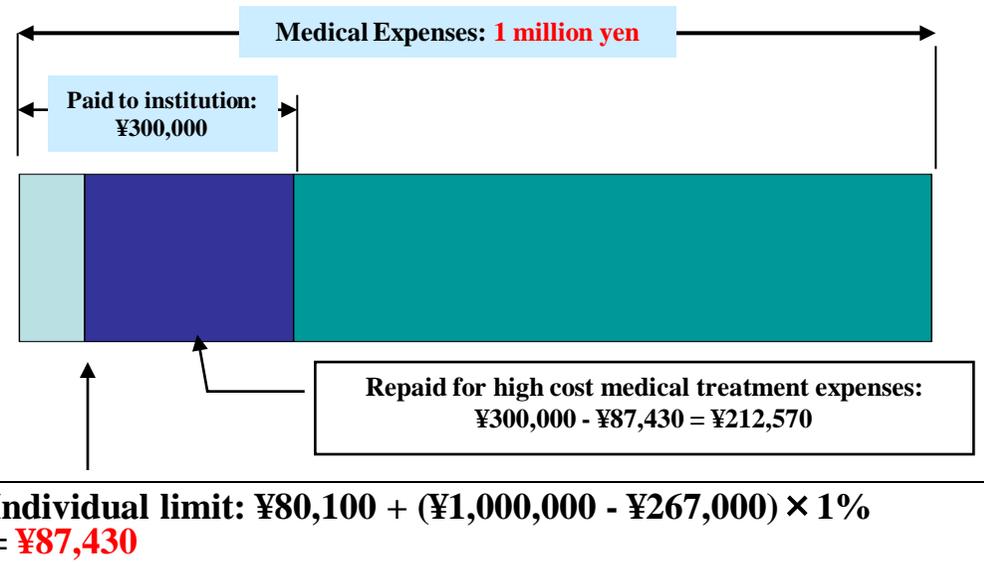
[Ratio of patients copayment for medical expenditure]



## ○ High Cost Medical Treatment System

A system that any amount that exceeds the fixed monthly limit will be paid in order to ensure that the financial burden on the patient does not become too great.

<Common Example: Case of a person with Employee Insurance (30% copayment) on a general income>



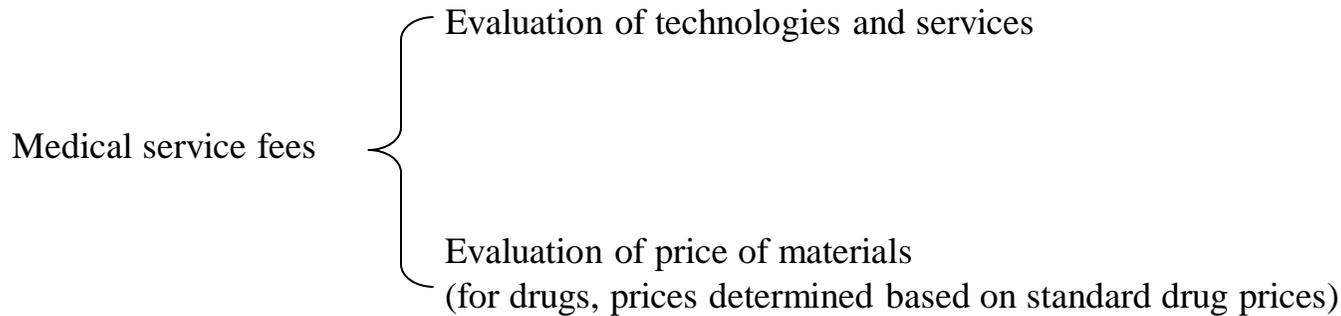
Note: There are three levels of maximum monthly copayment, i.e. standard, high-income earner and low-income earner, depending on the income of the insured person.

# Medical Service Fees System

## (1) Structure of medical service fees

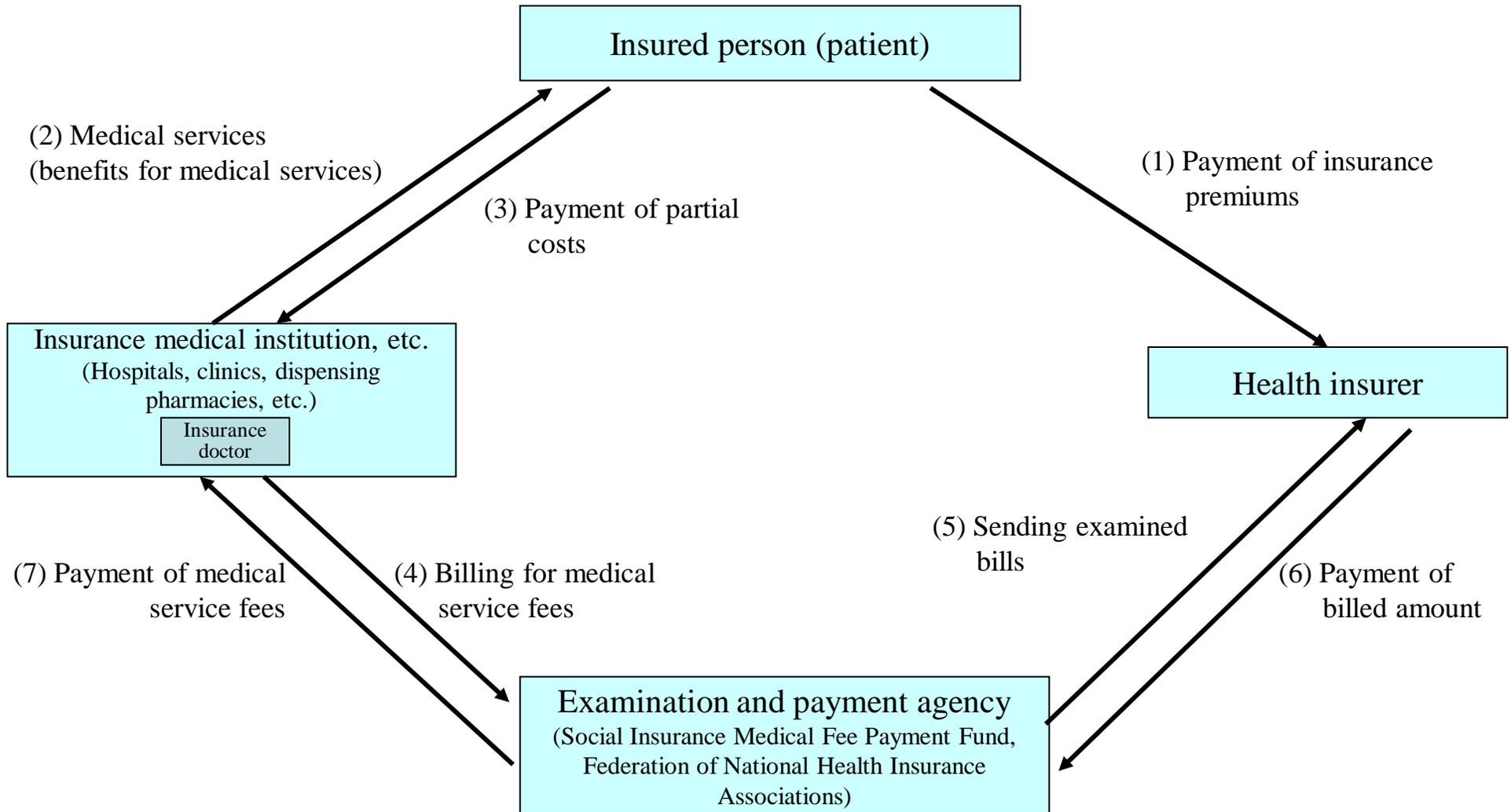
- Medical service fees are the fees received by medical institutions and pharmacies serving insured persons, as the price of insured medical services.
- Determined by the Minister of Health, Labour and Welfare based on discussions in the Central Social Insurance Medical Council (announced by the Minister of Health, Labour and Welfare)

## (2) Contents of medical service fees



- The medical service fees grading table is used to evaluate costs by grading individual technologies and services (10 yen/point; covered in announcements)
  - \* Types of grading tables: medical, dental, prescription drugs

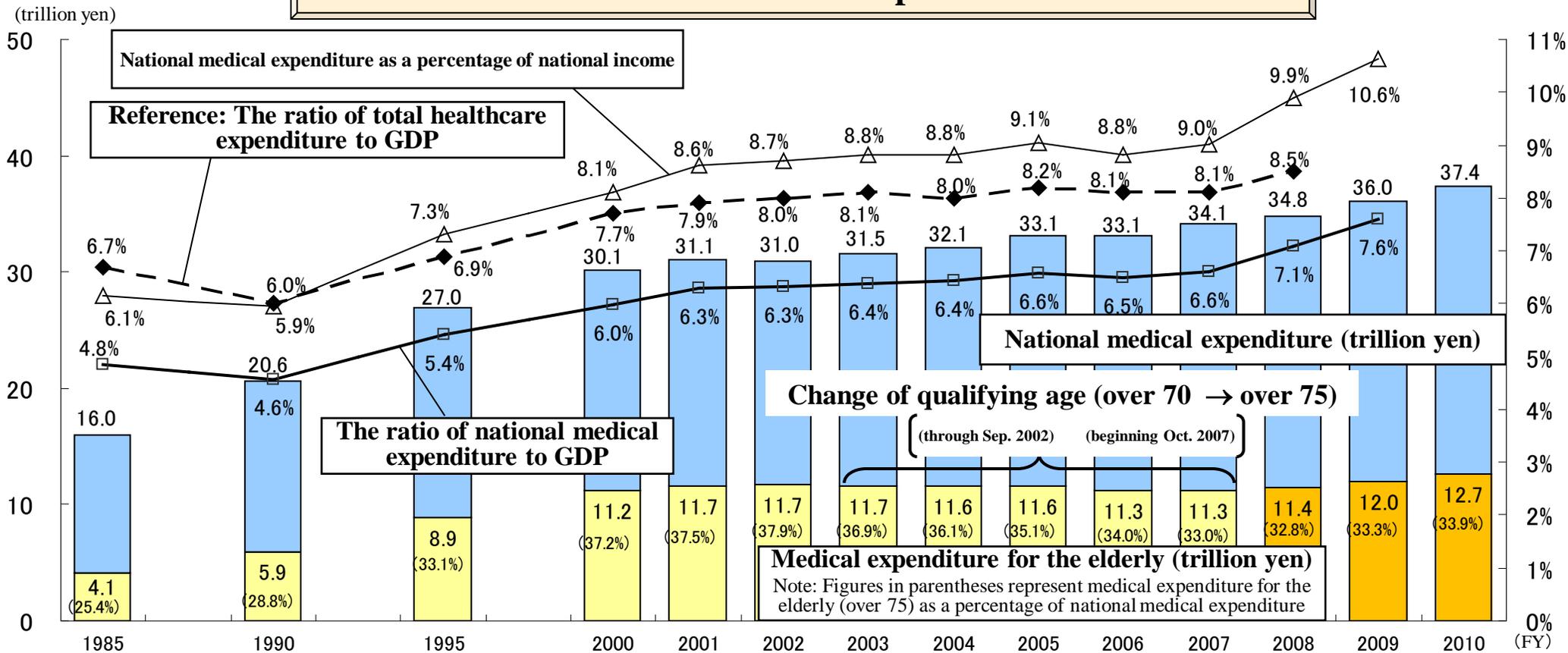
# Outline of Insured Medical Treatment



Medical service fees first are categorized into medical, dental, and prescription drug fees.

Specific medical service fees are calculated at a cost of 10 yen/point, adding points corresponding to each item, in principle for each medical action conducted. (This is referred to as a fee-for-service system.) For example, when hospitalized for appendicitis, costs are totaled for initial examination, hospitalization fees for the number of days hospitalized, appendix surgery costs, testing costs, and prescription drug costs, and the insurance medical institution receives from the examination and payment agency the amount derived by subtracting from the total the patient copayment amount.

# Trends in Medical Expenditure



Revisions to medical service fees: 0.2% (2000), ▲2.7% (2002), ▲1.0% (2004), ▲3.16% (2006), ▲0.82% (2008), 0.19% (2010)

Major system changes:

- Introduction of long-term care insurance system
- Introduction of 10% copayment for the elderly
- Thorough application of 10% copayment for the elderly
- 30% personal copayment for employed persons etc.
- 30% copayment for persons with income equivalent to employment income etc.
- Expansion of measures to reduce the burden of infant patients (less than 3 years of age → children before school age)

## <Year-on year growth rates>

	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
National medical expenditure	6.1	4.5	4.5	▲1.8	3.2	▲0.5	1.9	1.8	3.2	0.0	3.0	2.0	3.5	3.9
Medical expenditure for the elderly (over 75)	12.7	6.6	9.3	▲5.1	4.1	0.6	▲0.7	▲0.7	0.6	▲3.3	0.1	1.2	5.2	5.5
National income	7.2	8.1	▲0.3	2.0	▲2.8	▲1.5	0.7	1.6	0.5	2.6	0.9	▲7.1	▲3.6	-
GDP	7.2	8.6	1.7	0.9	▲2.1	▲0.8	0.8	1.0	0.9	1.5	1.0	▲4.6	▲3.7	-

Note 1: National income and GDP are from "National economic accounting" published by Cabinet Office (Dec. 2010). Being used to compare the medical expenditure among OECD countries, total healthcare expenditure is a type of medical expenditure which covers wider areas such as preventative services and so on. The ratio of average medical expenditure of OECD countries to GDP was 9.5% in 2009.

Note 2: The FY2010 figures for national medical expenditure and medical expenditure for the latter-stage elderly people are estimated figures worked out by multiplying previous year's National medical expenditure and Medical expenditure for the latter-stage elderly people respectively with the rate of increase of approximate medical expenditure for the year in question; figures in italic represent the rate of increase of approximate medical expenditure.

# Structure of National Medical Expenditure (FY2009)

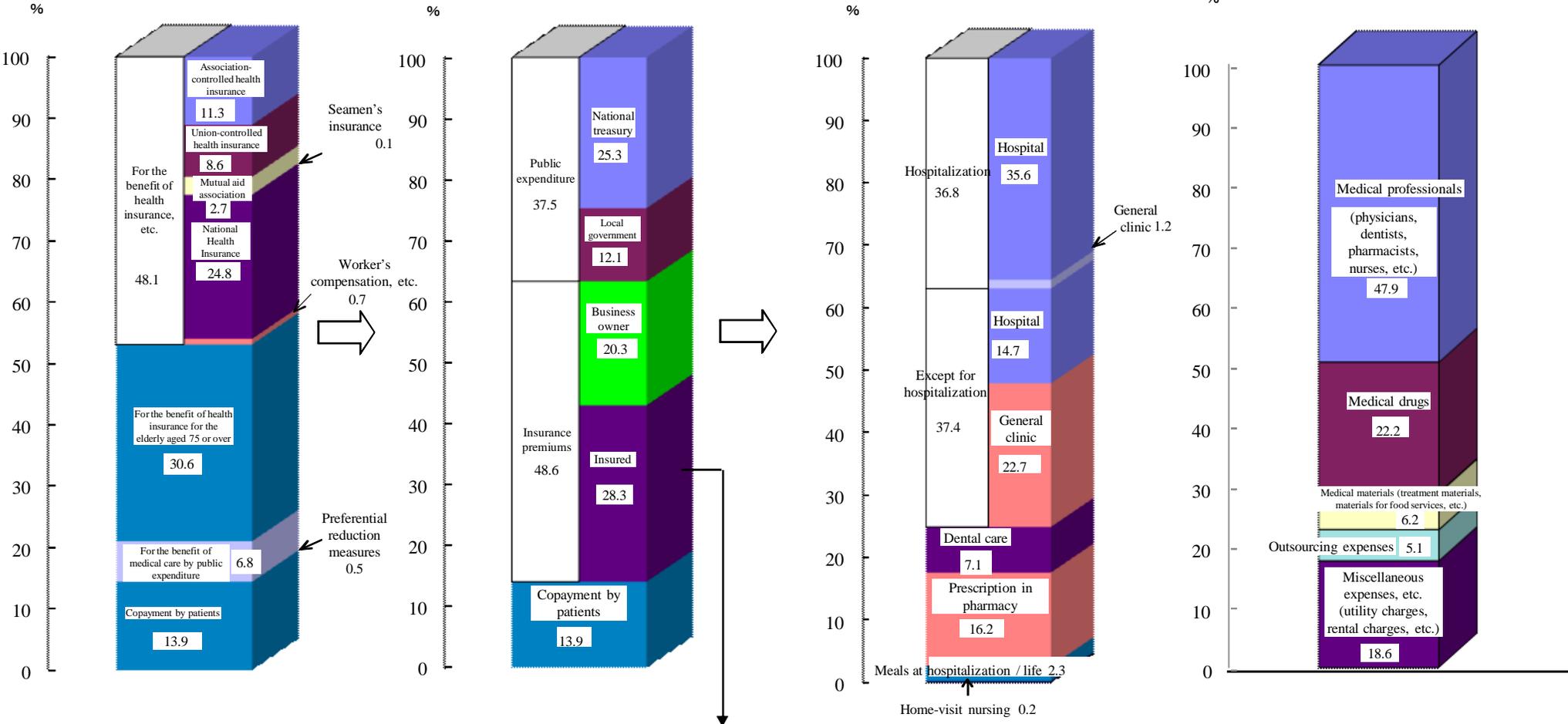
National medical expenditure: 36.67 trillion yen  
Medical expenditure per person: 282,400 yen

Breakdown of system-specific national medical expenditure

Share of national medical expenditure (by financial resource)

Distribution of national medical expenditure

Cost structure in medical institutions



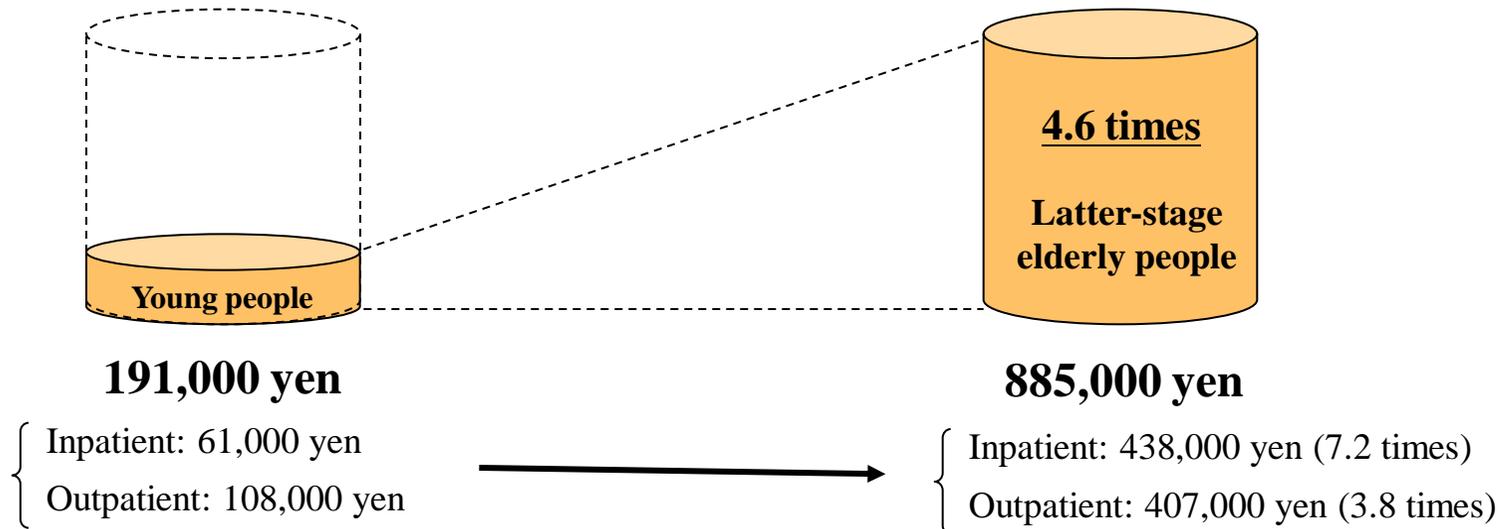
● Insurance premiums of the National Health Insurance are included in the insurance payment of insured.

● Estimates based on the results of the Survey on national medical expenditure and medical economy in FY2009 (July 2009)

# Characteristics of Medical Expenditure for the Latter-stage Elderly People

- Per-person medical expenditure for the latter-stage elderly people, i.e. people aged 75 and over (medical care system for the latter-stage elderly people related medical expenditure) is 885,000 yen; that is 4.6 times as much as the medical expenditure for young people, i.e. less than 75 years old, which is 191,000 yen per person.

## [Comparison of Health Expenditures per Person (FY2009)]



- ◆ When looking at the difference of medical expenditure between the elderly and the young in various countries, that for the elderly is something around 3-4 times as much as the young in the US and Europe.  
[Germany: 3.7 times (2006), the US: 3.7 times (2004), and France: 3.3 times (2006)]  
[Note: The definition of “the elderly” for these three countries mentioned above is “people aged 65 and over”]

Source: “Latter-stage elderly people medical care program yearbook”, “OECD Health Data 2010”, “Federal Republic of Germany/ Federal Statistics Agency Data,” etc.

# Financial Situation of Health Insurance

(Unit: 100 million yen)

		FY2007	FY2008	FY2009	FY2010	Remarks
National health insurance	Income	127,797	124,589	125,993	128,019	- The “balance taking into consideration of the transfer from general account (compensation at account closing)” before FY2008 did not include the transfer from general account (compensation at account closing) related to the finance equalization grants to Tokyo Metropolitan Government, therefore, the definition is different from that of numerical values at account closing after FY2009.
	Expenditure	129,087	124,496	125,927	127,726	
	Balance	-1,290	93	66	293	
	Balance in consideration of the amount transferred to the general account (deficit portion)	- 3,620	- 2,383	- 3,250(*)	-3,900(*)	
Public-corporation-run health insurance scheme (formerly government-managed health insurance)	Income	71,052	71,357	69,735	78,172	
	Expenditure	72,442	73,647	74,628	75,632	
	Balance	- 1,390	- 2,290	- 4,893	2,540	
	Remaining reserve fund	3,690	1,539	- 3,179	- 638	
Association-managed health insurance	Income	62,003	63,658	61,718	62,854	- Figures for FY2010 is estimated figures based on audit.
	Expenditure	61,403	66,847	66,952	67,008	
	Balance	600	- 3,189	- 5,234	- 4,154	
Medical system for the elderly aged 75 and over	Income		98,517	111,691	116,434	- Balance calculated by subtracting current year’s National Treasury Expenditure adjusted amount to be settled next fiscal year (159.9 billion yen) from the balance of FY2008 is 140.8 billion yen.
	Expenditure		95,510	110,974	118,001	- Balance calculated by adding the balance between current year’s National Treasury Expenditure adjusted amount (180.9 billion yen) and previous year’s National Treasury Expenditure adjusted amount (159.9 billion yen) to the balance of FY2009 is 50.7 billion yen.
	Balance		3,007	717	- 1,567	- Balance calculated by adding the balance between current year’s National Treasury Expenditure adjusted amount (33.9 billion yen) and previous year’s National Treasury Expenditure adjusted amount (180.9 billion yen) to the balance of FY2010 is -9.7 billion yen.