Key elements of reform

- Support independence of every citizen based on mutual assistance and cooperation
- Simultaneously implement functional enhancement and thorough prioritization/rationalization of benefits
- Emphasize fairness not only among generations but also within a generation
- Give higher priority in reform to (1) children and young people, (2) medical and long-term care services, (3) pension, and (4) measures against poverty and income inequality
- Expand allocation of consumption tax revenue to four fields: pension, medical care, long-term care, childcare <four costs of social security>
- Simultaneously achieve stable financial resources for social security and fiscal consolidation

⇒ Incrementally raise the consumption tax rate (national and local) to 8% in April 2014 and to 10% in October 2015
- Enhance the base for the social security system through employment promotion

Reform directions

1. Increase investment for the future (support for children and child raising)
   - Establish a new system to support children and child raising

2. Enhance both security of medical/long-term care services and insurance system’s safety-net functions
   - Establish an integrated community care system
   - Enhance safety-net functions of medical/long-term care insurance systems
   - Simultaneously revise medical service fees and long-term care fees

3. Enhance measures against poverty and income inequality (build a multilayered safety net)
   - Comprehensively promote review of measures for the needy and the public assistance system
   - Create a total accumulation system

4. Build a social security system meeting diverse work styles
   - Extend social insurance to part-time workers
   - Consider a new pension system

5. Realize a society with participation of all the people and decent work
   - Consider legislation concerning fixed-term labor contracts, part-time work, and elderly employment

6. Secure stable financial resources for social security system
   - Increase the consumption tax rate (e.g. secure stable financial resources to ensure that 50% of the basic pension is funded by the national treasury)

Need to enhance social security function to meet social/economic changes

- Because of relatively heavy benefits to older people, livelihood risks of working generations are not sufficiently covered.
- Measures against poverty problems and widening income inequality are insufficient.
- Most of social security costs are financed with deficit-covering government bonds, passing the burden on to future generations.
Resolution of the problem of the waiting-list children (quantitative expansion of childcare and after-school children's clubs).
Improvement of expertise of childcare staff and reinforcement of structure

- Increase the volume of childcare service while maintaining quality
  (childcare service provided by preschools [provisionally called “kodomo-en”] designated by the government)
- Make various childcare services (e.g. small facilities, Childcare Moms) to meet regional needs
- Expand after-school children’s clubs to increase the number of places where children can stay until their parents return home

Establishment of a system to provide high-quality school education and childcare in an integrated manner (integration of kindergarten and day nursery)

- Build integrated facilities (provisional name) that combine advantages of both kindergarten and nursery (integration of facilities)
- Unify school education and nursery benefits to preschool children (establishment of preschools, [integration of benefits])
  → Elimination of double administration and integration of benefits in order to make the system easier to use for citizens, service providers and municipal governments

Enhancement of support to help child-raising parents in communities

- Enhance community-based childcare support, e.g. by building more places for consultation and exchange for parents and children (community childcare support centers, e.g. Childcare Square) and places for temporary childcare
- To allow expectant mothers to give birth to children safety and with peace of mind, give them access to necessary examinations for maternity health check-ups in any municipality

Systematic enhancement of childcare support in accordance with the needs of local people under the responsibility of every municipality
Enhance security of medical/long-term care services

A society where anyone can receive suitable medical and long-term care services regardless of place of residence

When you get sick
- Acute-phase hospital
- Subacute-/recovery-phase rehabilitation hospital
- Local partner hospital

When you leave hospital
- Group homes (capacity for 16–37 people)
- Multifunctional small facilities (0.25–2 sites)
- Day services, etc.

<Integrated community care system>
(for a community with 10,000 people)

Total management
- Home medical care coordination center
- Community General Support Center
- Care manager

Medical care
- Home medical care, etc. (Daily capacity 17–29 patients)
- Home-visit nursing (Daily capacity 29–49 patients)

Long-term care
- Long-term care workers (207–356–375 people)

Living support and preventive care
- Old people’s clubs, residents’ associations, preventive care, living support, etc.

Direction of reform
- Enhance inpatient medical care through intensive input of medical care resources into highly acute phase
- Improve home medical care and build an integrated community care system

Reform concept
- Promotion of smooth shift from medical care to long-term care
- Coordination of counseling and other services
- Enhanced security of medical/long-term care services

- Division of roles among local hospitals, key hospitals, and recovery-phase hospital, leading to closer collaboration
- Earlier rehabilitation in society enabled by smooth process from onset and hospitalization to recovery phase and discharge from hospital

*The figures for the present are as of 2011, and target figures for 2025.
Enhance the insurance system’s safety-net functions

- Provide security regardless of work style
- Reduce burden on patients receiving long-term, expensive medical care
- Consider income inequality in strengthening financial base and enhancing insurer’s functions
- Improve inter- and intra-generational fairness

Mutual assistance = More powerful safety-net functions of social insurance

Major reforms under review

- Extend employees’ pension and health insurance programs to more part-time workers
  - By subscribing to an employee’s pension program, one can receive an employee’s pension in addition to basic pension
  - By subscribing to a health insurance program, one can receive sickness and injury allowances and maternity allowance
  - Since half the insurance premiums is paid by the employer, the subscriber pays smaller amounts of insurance premiums than subscribers of National Pension and National Health Insurance.

- Add benefits to basic pension recipients with low income
- Shorten eligible period to more closely link insurance premiums paid to benefits
- Remove the measure to pay pensions higher than regular amounts by suspending an indexed pension under exemption law
- Exempt mothers on maternity leave from payment of employees’ pension insurance premiums

- Review the high-cost medical care benefit system
  - Consider revenue source and measures needed for improvement of the high-cost medical care benefit system (aim to set annual payment limits for patients, following the adoption of a system to provide in-kind outpatients’ payments)

- Review the elderly medical care system
  - Review the elderly medical care system based on report by the Elderly Medical Care System Reform Council
  - Regarding medical care subsidies for patients of intractable diseases, aim to establish a fairer and steadier support system (including expansion of the scope of rare/intractable diseases eligible for subsidies), with legislation in view

- Stabilize the financial base of National Health Insurance and long-term care insurance
  - Reduce the burden of insurance premiums on low-income insured persons of municipal National Health Insurance and long-term care insurance
  - Increase financial support for municipal National Health Insurance as the last strongholds of universal health insurance and promote prefecture-based financial management in order to stabilize the financial base
Enhance measures against poverty and income inequality (build a multilayered safety net)

- Help all those wishing to work find employment
- Give detailed consideration to low-income earners (fine-tuned measures using social security benefits, etc.)

A society in which all citizens can participate

Major reforms under review

Employment measures

[First net: Social/labor insurance]
- Establishment of total accumulation system (provided that data integration platform, e.g. identification number system, is introduced)
  - Reduce the burden by setting limits based on the entire family livelihood rather than by individual systems (e.g. medical care, long-term care, childcare, disability)
- Extension of social insurance to part-time workers and enhancement of measures for low-income earners

[Second net: Job-seeker support system]
- Implementation of job-seeker support system
  - Support those not eligible for employment insurance benefits through a system whereby they can receive benefits while engaging in vocational training, and help them swiftly find jobs

[Third net: Public assistance]
- Employment assistance for public assistance recipients
  - Help public assistance recipients in cooperation with Hello Work Offices to allow them to swiftly find jobs and become independent
  *Enhance measures to prevent inappropriate receiving of public assistance

Establish and implement “Living Support Strategy” (provisional name)
- Integrated implementation of measures for the needy and review of the public assistance system

(1) Promotion of measures for the needy
  i) Develop a mid-term national plan for assisting the needy
  ii) Systematize life independence support services for the independence of the needy

(2) Review of the public assistance system
  Specifically discuss and promote the review of the public assistance system, including revision of the law, with local governments

Reduction of insurance contribution

[Health insurance]
- Further reduction of insurance premiums of low-income earners in municipality National Health Insurance (up to approx. ¥220 billion)

[Long-term care insurance]
- Further reduction of the insurance premiums of Primary Insured Persons to be paid by low-income earners (up to approx. ¥130 billion)
Build a social security system meeting diverse work styles

Major reforms under review

- **Extend social insurance to more part-time workers**
- **Exempt mothers on maternity leave from payment of insurance contribution**
- **Unify employees’ pensions**
- **Review the No. 3 insured person system of the pension**
- **Review the old-age pension for active employees**

**A social security system fair to diverse life styles, including child bearing and rearing**

- **Extend the employees’ pension and health insurance to more part-time workers**
- **Exempt mothers on maternity leave from payment of employees’ pension insurance contribution**
  - Reduce financial burdens before and after childbirth and create an environment where mothers can comfortably work even after childbirth
- **Unify employees’ pension systems**
  - Include public servants and private school employees in the employees’ pension

- **Review the No. 3 insured person system**
  - Continue discussion on measures to eliminate the feeling of unfairness in consideration of the directions of a new pension system (splitting method).
- **Review the old-age pension for active employees**
  - Examine the possibility of setting the amount of income above which the pension begins to be reduced for persons in their early 60s to the same amount as for persons in their late 60s

- **Create a new pension system**
  - Promote discussions and infrastructure improvement for a national consensus toward the establishment of a new pension system that combines “earnings-related pension” and “minimum-guaranteed pension,” followed by the submission of a bill to the 2013 Diet session
Formulate a comprehensive vision setting as policy the direction of measures needed for ensuring fair treatment in order to stabilize employment of non-regular workers and improve their treatment.

- Clarify rules on the use of fixed-term labor contracts
- Further promote equal and balanced treatment for part-time workers
- Consider measures to secure jobs for all those wishing to work until the age of 65
- Enhance employment support for new graduates and so-called freeters
- Support early employment through the job-seeker support system

- Allow non-regular workers to make full use of their capabilities and work with peace of mind
- Create a system whereby jobs are secured for all those wishing to work until the age of 65
- Ensure stable employment of young people, who create the future
- Support early employment through the job-seeker support system and improve job stability
Increased expenditure on children and child raising allows every generation to approve of their burden.

A sustainable social security system is established with enhanced functionality to create a society where every citizen can live with peace of mind.

The burden is shared among every generation so that it would not be passed on to future generations.
Incrementally raise the consumption tax rate (national and local) to 8% in April 2014 and to 10% in October 2015

- Expand allocation of consumption tax revenue to the four costs of social security (pension, medical care, long-term care, and childcare) from the current three elderly costs (basic pension, elderly medical care, and long-term care)

- Clarify the use of consumption tax revenue (use consumption tax revenue to finance social security)

- Pass the entire consumption tax revenue to the people and not use it to enlarge government

Secure stable financial resources for the social security system by 5% consumption tax increase

- **Enhanced social security**
  - **Approx. ¥2.7 trillion more**

- **Stable social security:** Protecting current social security system
  - **Approx. ¥10.8 trillion more**
    - 50% of pensions funded by the national treasury (incl. redemption costs for government compensation bonds for the pension) **Approx. ¥2.9tn**
    - Reduce burdens passed on to future generations **Approx. ¥7.0tn**
    - Current social security expenses involving increases due to aging (natural increase) and failure to secure stable financial resources
    - Increase in social security expenditures due to consumption tax increase **Approx. ¥0.8tn**
    - Increase in pensions and medical service fees along with price increases

- **Children and child-raising measures**
  - Resolution of the problem of the waiting-list children (quantitative expansion of childcare and after-school children's clubs), etc. **Approx. ¥0.7tn**
  - Up to little under ¥1.6tn

- **Enhancement of medical/long-term care**
  - Intensive input of medical care resources into highly acute phase (expanded inpatient medical care), enhancement of home medical/long-term care (from hospitals/institutions to communities and homes), etc. **Up to approx. ¥0.6tn**

- **Improvement of pension system**
  - Added benefits to low-income earners, shorter eligible period to receive benefits, etc. **Up to approx. ¥1.4tn**
  - Expansion of measures against poverty and income inequality (measures for low-income earners, etc.)
  - Reduction of social insurance contribution for low-income earners, total accumulation system, etc.
Enhance, prioritize and rationalize social security

To improve the function of social security, examine its prioritization and rationalization along with enhancement

Major reforms under review

Total budget required in FY 2015 (public expenditure) = approx. ¥2.7 trillion (up to ¥3.8 trillion minus up to ¥1.2 trillion)

**A Enhancement**

- Implementing new systems for children and child raising
  - Quantitatively expand and structurally enhance day care for infants aged 0-2 years (resolution of the problem of the waiting-list children)
  - Provide high-quality school education and childcare (integration of kindergarten and day nursery)

- Prioritization, rationalization and functional enhancement of structure to provide medical and long-term care services
  - Establishment of an integrated legal framework for systematic review of medical/long-term care service fees and infrastructure building
  - Differentiate, strengthen and coordinate functions of hospitals and hospital beds and enhance in-home care (approx. ¥870 billion)
  - Expand in-home long-term care services (approx. ¥250 billion)
  - Increase manpower for the above prioritization (approx. ¥240 billion)

- Strengthening of the safety-net functions and prioritization of benefits in medical and long-term care insurance systems through functional enhancement of the insurers, and measures for regressiveness
  a. Expansion of the scope of application of the employee’s health insurance, and stabilization, strengthening and regional widening of the financial base of the National Health Insurance
    - Extend employee’s health insurance to more part-time workers
    - Transfer fiscal management of the National Health Insurance from the municipal level to the prefectural level and strengthen the financial base
    (Further reduction of insurance premiums by low-income earners, etc. [up to approx. ¥220 billion])
  b. Reinforcement of the factors of burden according to the person’s capacity to bear the cost of long-term care insurance, attention to low-income earners, and prioritization of benefits
    - Further reduction of the insurance premiums of Primary Insured Persons to be paid by low-income earners (up to approx. ¥130 billion)
  c. Others (up to approx. ¥0.4 trillion for total accumulation system)

**B Prioritization and rationalization**

- Reduce average length of hospital stay (approx. ¥130 billion less)
- Promote appropriate outpatient consultation (approx. ¥120 billion less)
- Provide preventive long-term care and prevention of aggravation and prioritize long-term care facilities (shift to in-home care)
- For the sustainability of the high-cost medical care benefit system, discuss its source of financing and measures needed for its improvement through a mutual support system of high-cost medical care benefits for insurers and prioritization of benefits.
  - Review the elderly medical care system (based on report by the Elderly Medical Care System Reform Council, etc.)
  - Establish a burden system that is fair to both the elderly and the young generations, introduce assistance calculation by the total remuneration rate, and review the self-pay burden

**Pension**

- Earnings-related pension (social insurance system)
- Minimum-guaranteed pension (tax financed)

**Establishment of a new pension system**

Everyone will join the only public pension system, which is comprised of the “earnings-related pension” and “minimum-guaranteed pension.”

- Earnings-related pension (social insurance system)
- Minimum-guaranteed pension (tax financed)

**Improvement of the current system**

- Strengthening the minimum-guarantee function (along with review of pension benefits for high-income earners)
  - Add benefits to low-income earners, increase the amount of the disability basic pension, shorten the eligibility period
  - Extension of employees’ pension to part-time workers
  - Review of the No. 3 insured person system
  - Unification of employees’ pension systems
  (Items under ● have no impact on public expenditure.)

- Review of pension benefits for high-income earners
  Examine along with additional benefits for low-income earners
  If the reduction starts from an annual income of ¥20 million (and the portion paid by public expenditure is reduced to zero for those with an annual income of ¥15 million or over), the public expenditure will be about ¥60 billion less.

- Elimination of exceptions to the indexed pension
  - Eliminate the exceptional level in 3 years to achieve a 2.5% reduction in pension payments and about a ¥0.1 trillion reduction in public expenditure annually

- Examination of macroeconomic slide
  - With a simple macroeconomic slide by minus 0.9% each year, public expenditure will decrease by ¥0.1 trillion annually.
  - Consideration of increase in the upper limit of standard remuneration
  * Consider raising pensionable age (medium- to long-term issue)
    - If pensionable age for the basic pension is raised, public expenditure will decrease about ¥0.5 trillion annually for each year raised.
### Medical/long-term care

<table>
<thead>
<tr>
<th>Section</th>
<th>FY 2011</th>
<th>FY 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>[Medical care]</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of hospital beds, average length of hospital stay</td>
<td>1.07 million beds, about 19-20 days</td>
<td>[Highly acute phase] 0.22 million beds, about 15-16 days</td>
</tr>
<tr>
<td>Number of doctors</td>
<td>0.29 million people</td>
<td>0.32-0.34 million people</td>
</tr>
<tr>
<td>Number of nurses</td>
<td>1.41 million people</td>
<td>1.95-2.05 million people</td>
</tr>
<tr>
<td>In-home medical care, etc. (per day)</td>
<td>Capacity for 0.17 million people</td>
<td>Capacity for 0.29 million people</td>
</tr>
<tr>
<td><strong>[Long-term care]</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of users</td>
<td>4.26 million</td>
<td>6.41 million (1.5-fold)</td>
</tr>
<tr>
<td>In-home long-term care</td>
<td>Capacity for 3.04 million people</td>
<td>- 3% less in total as a result of preventive care and prevention of aggravation</td>
</tr>
<tr>
<td>Multifunctional small facilities</td>
<td>Capacity for 0.05 million people</td>
<td>- Decrease in inpatients (shift to long-term care): 0.14 million people more</td>
</tr>
<tr>
<td>Regular visiting/on-demand response services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential services</td>
<td>Capacity for 0.31 million people</td>
<td>Capacity for 0.61 million people (2.0-fold)</td>
</tr>
<tr>
<td>Specified facilities</td>
<td>Capacity for 0.15 million people</td>
<td>Capacity for 0.24 million people (1.6-fold)</td>
</tr>
<tr>
<td>Group homes</td>
<td>Capacity for 0.16 million people</td>
<td>Capacity for 0.37 million people (2.3-fold)</td>
</tr>
<tr>
<td>Long-term care facilities</td>
<td>Capacity for 0.92 million people</td>
<td>Capacity for 1.31 million people (1.4-fold)</td>
</tr>
<tr>
<td>Special nursing homes</td>
<td>Capacity for 0.48 million people (incl. units for 0.12 million [26%])</td>
<td>Capacity for 0.72 million people (1.5-fold) (incl. units for 0.51 million [70%])</td>
</tr>
<tr>
<td>Health services facilities</td>
<td>Capacity for 0.44 million people (incl. units for 0.02 million [4%])</td>
<td>Capacity for 0.59 million people (1.3-fold) (incl. units for 0.29 million [50%])</td>
</tr>
<tr>
<td>(+long-term care sanatoriums)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term care staff</td>
<td>1.40 million people</td>
<td>2.32 million to 2.44 million people</td>
</tr>
<tr>
<td>Home-visit nursing (per day)</td>
<td>Capacity for 0.29 million people</td>
<td>Capacity for 0.49 million people</td>
</tr>
</tbody>
</table>

### Numerical assessment of service improvement

#### [Children and child raising]

- **Resolution of the problem of the waiting-list children for day nurseries to meet potential childcare needs**
    - (Childcare service usage rate for children aged under 3): 2011: 0.75 million (23%), 2014: 1.02 million (35%) by 2017
  - Extended childcare service: 2010: 0.79 million, 2014: 0.96 million
  - Certified preschools: 2010: 358 sites (2009), 2014: 2,000 sites or more
  - After-school children's clubs: 2010: 0.81 million, 2014: 1.11 million

#### [Medical/long-term care]

- **Improvement of community childcare capabilities**
  - Community-based childcare support centers: 2010: 7,100 sites, 2014: 10,000 sites (incl. those independently run by a municipality)
Children and child raising
Establishment of a new system for children and child raising

Medical/long-term care
(1) Structure to provide medical services
(2) Establishment of an integrated community care system
(3) Medical care and long-term care insurance systems
- Reduction of premiums to Municipal National Health Insurance by low-income earners, enhancement of the financial base, etc.
- Reduction of the insurance premiums of Primary Insured Persons to be paid by low-income earners, etc.
- Review of the high-cost medical care benefit system
(4) Elderly medical care system
(5) Measures for intractable diseases

Pension
(1) Establishment of a new pension system
(2) Permanently fixing the national government's burden regarding the basic pension at 50%
(3) Elimination of exceptions to the indexed pension
(4) Strengthening of the minimum-guarantee function
(5) Extension of employees' pension to more part-time workers (along with health insurance)
(6) Unification of employees' pension systems
(7) Improvement of other existing systems

Employment promotion & decent work

Poverty & income inequality
(1) Review of measures for the needy and the public assistance system
(2) Verification of public assistance standards

Medical innovation

Measures for people with disabilities

Social Security Reform Roadmap

2012
Submission of new law

2013
Simultaneous revision
Bill submission considered
New medical care plan (FY 2013-17)
Revision of medical service fees
Revision of long-term care fees

2014
Bill submission
Simultaneous implementation with fundamental tax reform

2015
Early implementation by securing a permanent source of financing (incremental implementation, starting with feasible measures, e.g. Children and child raising Council [provisional name] and basic national policy)
Simultaneous revision
Bill submission considered
Source of financing and measures for improvement considered
Permanent fixing the national government's burden regarding the basic pension at 50% using consumption tax revenue after consumption tax increase
Ensuring 50% burden sharing with budget expenditure and "government compensation bonds for the pension" (provisional name) in FY 2012
Continuing discussion on how to deal with the issue for the period from FY 2013 until consumption tax increase

Bill submission
Simultaneous implementation with fundamental tax reform

Bill submission

Bill submission
Elimination in 3 years (FY 2012-14), with implementation in FY 2012 scheduled in October

Bill submission

Bill submission considered

Bill submission considered

<Continuing discussion>

Bill submission

Formulation of comprehensive vision for non-regular workers

Review of public assistance standards as needed

Revision of Medical Care Act & Pharmaceutical Affairs Act considered

Revision of medical service fees

<Revision of Medical Care Act & Pharmaceutical Affairs Act considered>