

# Maintaining Sustainability of Social Protection Schemes for the Elderly amid Population Ageing in Japan

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## Key points of my presentation:

To gain the public's trust in social protection schemes, securing fiscal sustainability is of foremost importance.

To that end...

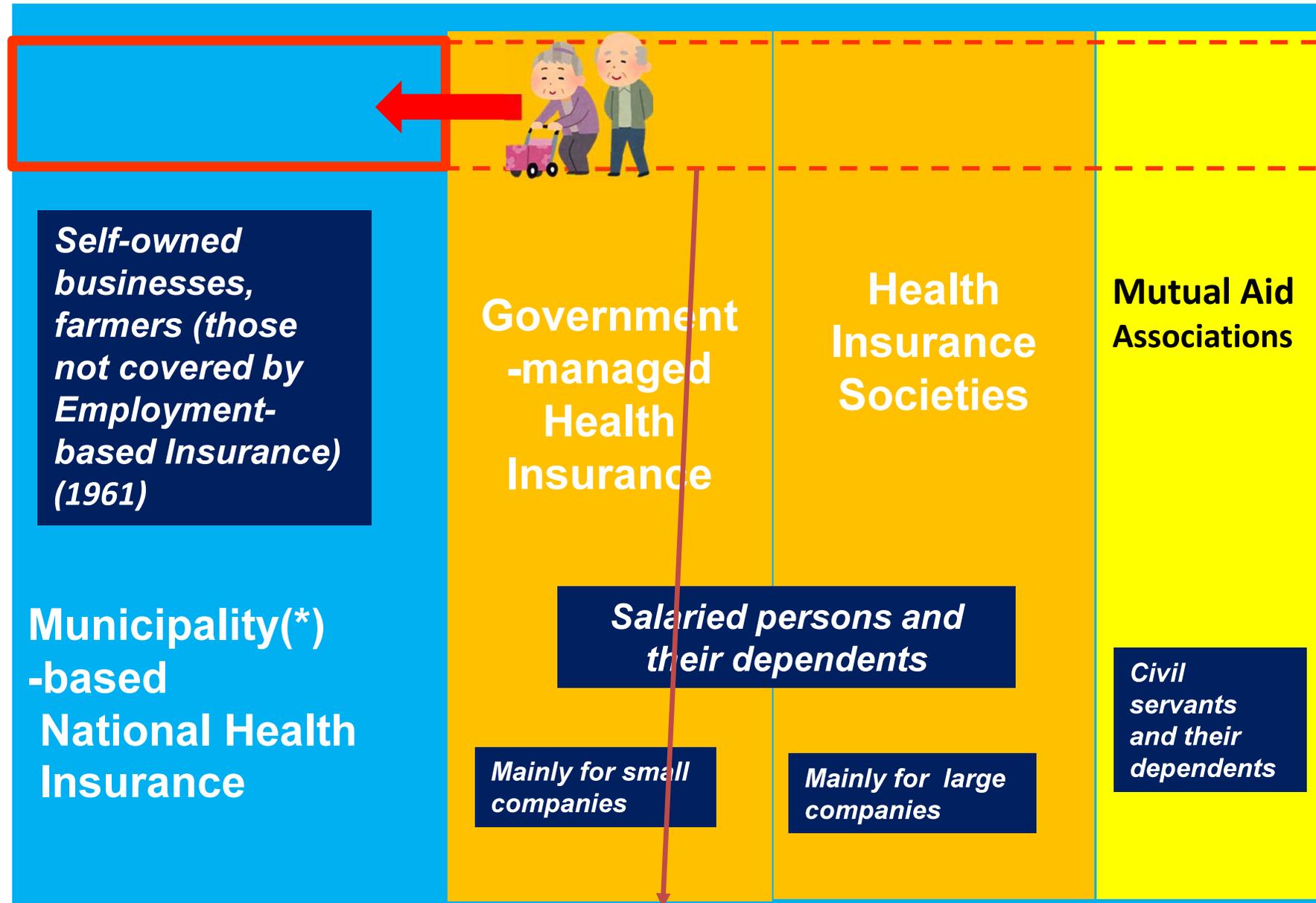
- Facing fiscal constraints and the need to enhance benefits despite population ageing, partial copayment and social insurance contributions imposed onto the elderly were introduced and increased for health care in the 1980s (“universal coverage” started in 1961).
- Upon the establishment of public long-term care insurance in the 1990s, charging partial copayment and social insurance premiums to the elderly was taken for granted.
- Policy options for imposing burdens on the elderly has been enabled by the public pension system, whose “universal coverage” also started in 1961.
- Under any circumstances, enhancement of active ageing policy is the key to welfare improvement for all.

# 1. Sustainability of health finance amid population ageing in Japan

## Key points:

Facing fiscal constraints and the need to enhance benefits despite population ageing, partial copayment and social insurance contributions imposed onto the elderly were introduced and increased for health care in the 1980s (“universal coverage” started in 1961).

# Coverage of health insurance in Japan (broad overview) (1961)



Under the Japanese scheme, retired employees (both public and private) and their dependents moves from “orange & yellow” schemes to a “blue” scheme after retirement.

## Basic framework of health insurance in 1970

	Health Insurance (Society-managed, Government-managed)	National Health Insurance (Municipality-based)
Main groups covered	Private company employees (=insured persons) and their dependents	People engaged in primary industry (farmers), self-employed persons, retired/elderly persons
Insurance premiums	Charged to insured persons' salary, matched by their employer	Levied to each household according to income, wealth, etc.

Copayment rate	Insured persons Per visit (OP) Per day (IP)	Dependents 50%	Household head 30%	Household members 30%
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- (1) "High-cost medical treatment benefit" was introduced in 1973 for HI, introduced to NHI as discretionary in 1973, then mandated in 1975.
- (2) Other than the above, a "Mutual Aid Association" scheme covered the health care benefits of government employees and their dependents. Benefits were largely similar to those of standard health insurance.

Before April 1973, the elderly, who are mostly either the dependents of salaried persons (son/daughter) or enrolled in NHI as household heads or household members, needed to pay 30% to 50% as copayment when using medical services, while dependents/household members did not need to pay any insurance premiums.

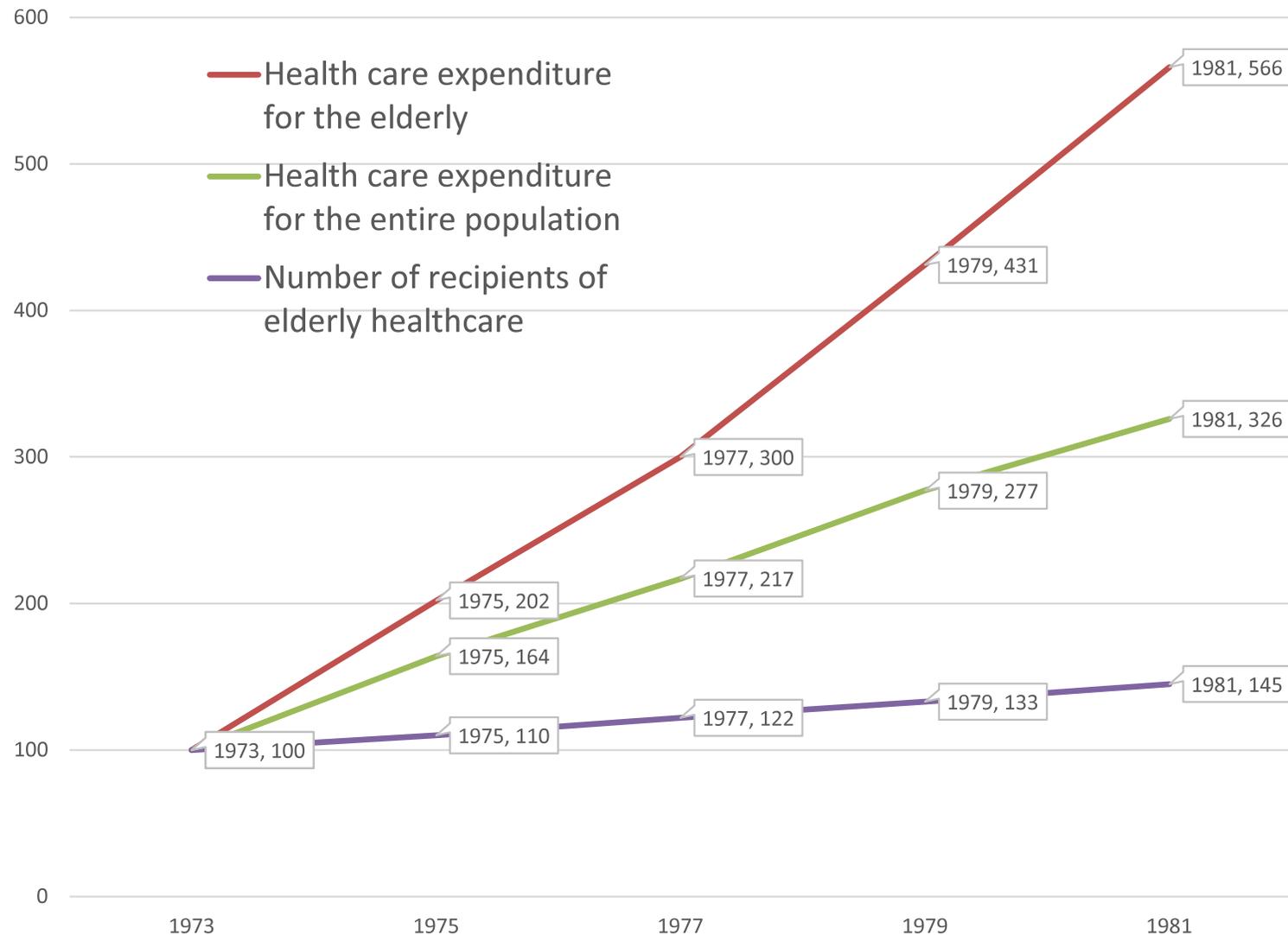
	Health Insurance (Society-managed, Nationally-managed)		National Health Insurance (Municipality-based)	
Copayment rate	Insured persons Per visit (OP) Per day (IP)	Dependents 50%	Household head 30%	Household members 30%

Under the “Free Medical Care For the Elderly” policy introduced in April 1973, those who were 70 or older and were in the circled categories could use health care services without any out-of-pocket payment (essentially free of charge). (Income restriction applied to both the elderly themselves, and their husband/wife or family member with obligation to support the elderly.)

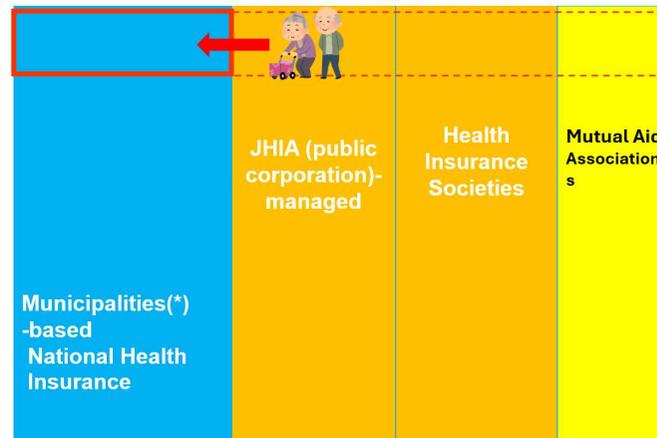
As of July 1973, 96.8% of those who were 70 or older and in the circled categories were covered by this “Free Medical Care for the Elderly” policy.

Immediately after its introduction, this policy ignited a massive increase in healthcare use by the elderly.

Growth of health care expenditure (1973=100)

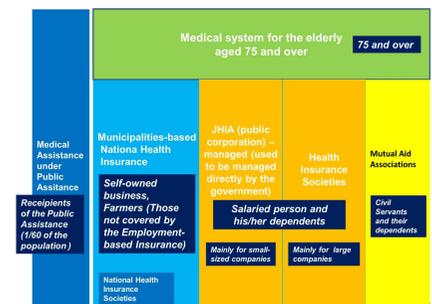


- While this “Free” policy brought benefits for many elderly persons, concerns arose regarding cost hikes, which casted doubts on the sustainability of the “National Health Insurance” scheme (“blue” scheme).



- In 1982, small partial copayment (per-visit for outpatients, per-day for inpatients) was introduced, along with a fiscal-adjustment mechanism to support the elderly health care cost incurred in NHI (“blue” scheme).

- In the 1990s and early 2000s, the partial copayment rate for the elderly increased gradually, including the introduction of 10% copayment (from per-visit/day).
- However, ambiguity regarding the responsibility for the elderly generation toward their health care cost (as insurance premiums imposed on the elderly would be mixed with the insurance funds paid also by younger generations) led to public opposition to the 1982 scheme.
- The current scheme, introduced in 2008, has completely separated the elderly aged 75 or over from other schemes, with all these enrolled elderly persons paying their health insurance premiums.



## 2. Designing Long-Term Care Insurance by learning from the experience of health insurance in the 1990s

Key points:

Upon the establishment of public long-term care insurance in the 1990s, charging partial copayment and social insurance premiums to the elderly was taken for granted.

Upon the debate for the establishment of public long-term care insurance in 1990s, charging partial copayment and social insurance premium to the elderly was taken for granted. The task-force learned from the experience of health care that “nothing is more expensive than being free”.

### Financing of Long-Term Care Insurance

Basically 90% of the total cost is paid out as benefits.

Half of the benefit: Social Insurance Premium (Shared between the elderly and younger generations by the headcount of each generation.)

Remaining half: National Treasury and Local Government treasury (by tax revenue)

Remaining 10% is paid by service users (the elderly) as copayment.

(20% or 30% for those with higher income)

(Users are also required to pay the cost of meals, rooms and board for institutional services and day-care services.)

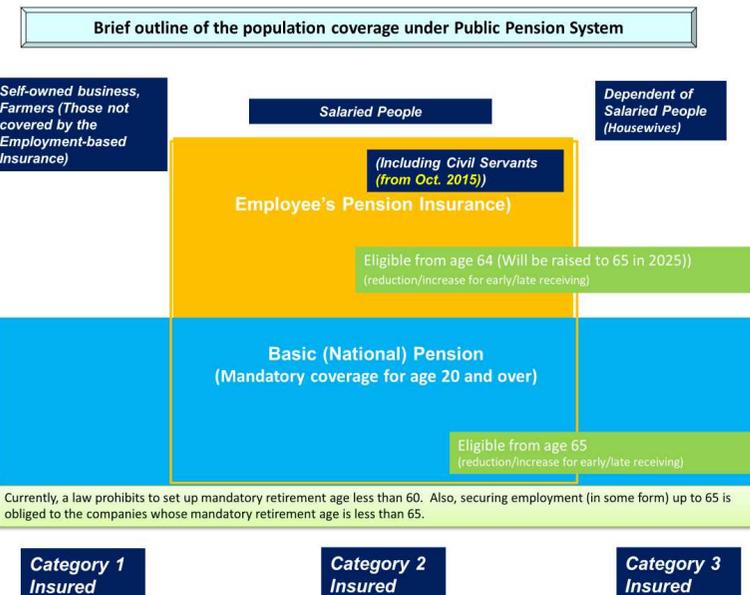
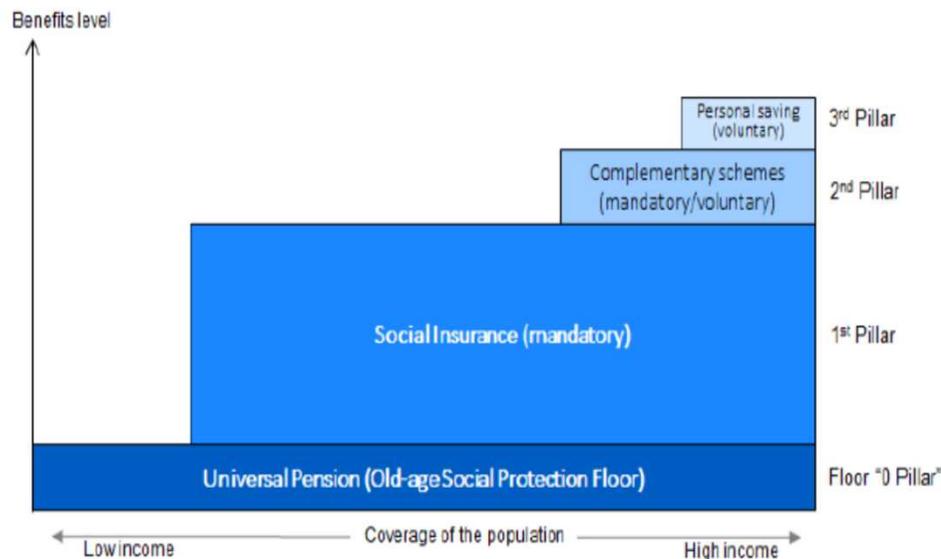
### 3. Universal coverage of public pension in Japan

Key points:

Policy options for imposing burdens on the elderly has been enabled by the public pension system, whose “universal coverage” also started in 1961.

In the 1990s, when the debate for the establishment of LTCl began during an ongoing struggle to stabilize health insurance finance, the public pension scheme, which achieved “universal coverage by social insurance” (unique compared even to the schemes of European countries) in 1961, was “matured” to provide sufficient pensions to many elderly persons.

(See next slide for comparison with ILO universal-pension model.)



*(zero pillar)*

*Universality of coverage can be achieved through a universal non-contributory scheme or by a combination of social insurance and a means-tested or pension-tested pension scheme.*

*(1st pillar)*

*Follows the typical design of social security pension systems, defined-benefit and mandatory, financed through employer and worker contributions.*

*(zero pillar)*

“Basic Pension” (social insurance, contributory, flat rate) is applied. 50% of the benefit is financed by tax. For “Category I insured persons” who are unable to pay contributions (premiums) due to poverty, etc., discounts are applied. Benefits are reduced in proportion to the discount, but 50% (portion financed by tax) is guaranteed.

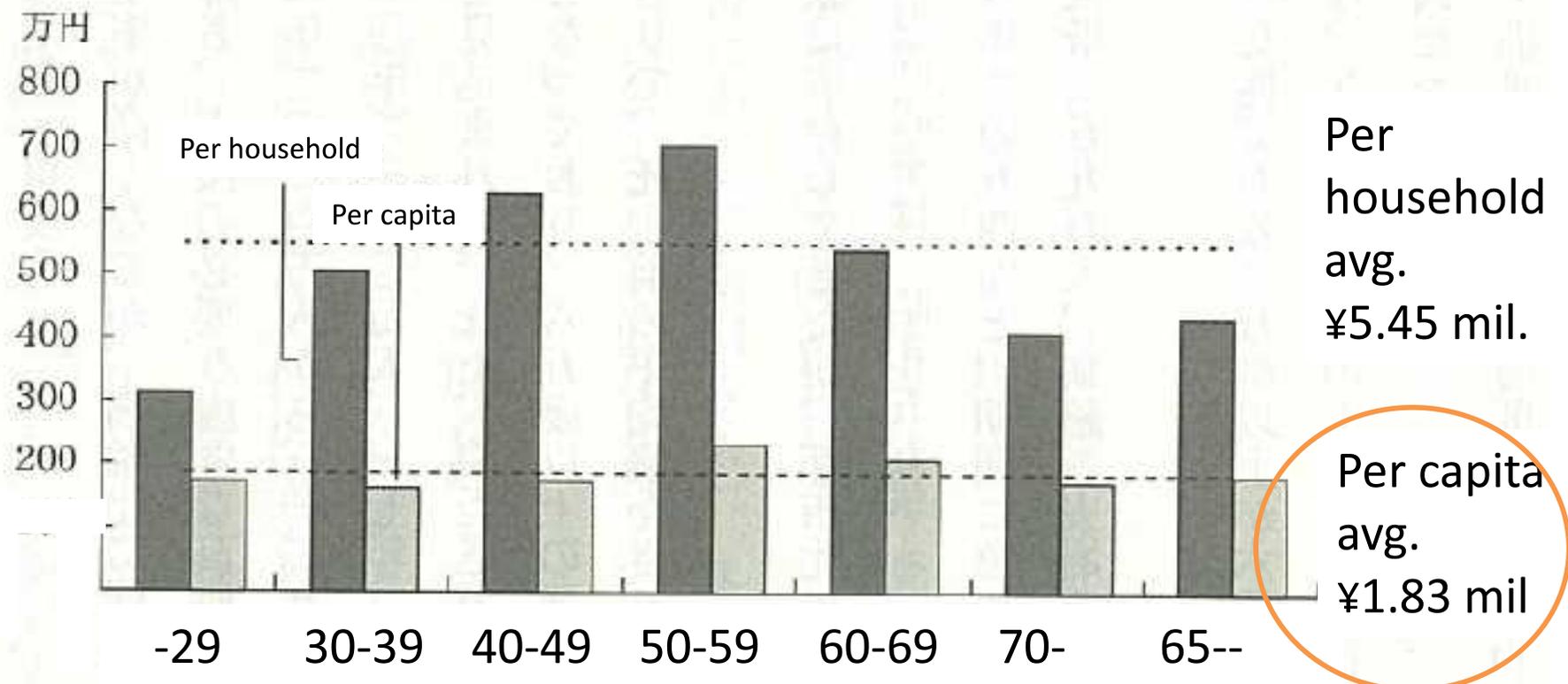
*(1st pillar)*

Exactly the same as the explanation under the “ILO model”.

Although those with minimal pensions needed to be considered, in the 1990s we no longer needed to regard the elderly as a whole as a group of poor people.

### Data discussed in the 1990s

Per capita disposable income did not vary so widely between elderly households and general households.



(Source: Comprehensive Survey of Living Conditions (MHW), 1996)

Japan applies “Pay-As-You-Go” financing for its public pension, which enables easy adjustment of pension amounts under inflation. Its sustainability is reviewed once every 5 years. Through the two mechanisms outlined below, the financial soundness of the public pension (with PAYG scheme) was confirmed in the most recent review.

Mechanisms to make PAYG scheme sustainable despite aging population and declining birthrate

- **Massive size of accumulated pension fund** (263.8 trillion yen as of the end of June 2025 (largest public pension fund in the world)) **to be spent in later years** when the social security contribution from younger generation reduces.
- **Automatic Balancing Mechanism** (“Macroeconomic Indexation”) **to (slowly and gradually) reduce the amount of pension paid to the elderly** while keeping the premium rate of younger generations unchanged to prevent continued hikes.

## 4. Promoting “Active Ageing” through community participation and “reablement”

Key points:

Under any circumstances, enhancement of active ageing policy is the key to welfare improvement for all.

## The importance of “Active Ageing” has been recognized by the government since the 1970s.

“On social security that will address the coming aging society” (Dec. 1, 1975)  
(Excerpt)

- We should not forget about the so-called measures for living with fulfillment and the elimination of a sense of isolation and loneliness.
- Nowadays, as more elderly persons tend to be isolated from workplaces and family, we should not limit the issue to how to earn money but also make greater efforts through measures for social participation.

“New public pension scheme under universal pension coverage” (Dec. 19, 1977)  
(Excerpt)

- We should be aware not only of the rapid increase of elderly population and extension of their life expectancy, but also the relationship between the elderly and their work. We see how important it is for the elderly to have jobs and work for fulfillment in their life, and we recognize the cruelty of leaving them alone with feelings of isolation and loneliness.

(Continued)

“Working of the Elderly and ‘Social Security Pension’ - New public pension scheme under universal pension coverage (continued)” (Oct. 15, 1979)  
(Excerpt)

- Anybody will find value in working no matter how they age, will recognize their social existence, and will feel a sense of belonging to society. The public pension will provide such elderly persons with a basis for pride and meaning in their life. Therefore, the significance of the public pension is not only its monetary value.
- We have proposed unifying the age of eligibility for any public pension scheme to 65 in principle, but this proposal is not based on the necessity to stabilize public pension finance in future. Rather, we are seeking to raise awareness and social recognition toward the value of working, along with the extension of average life expectancy.

“Active Ageing” transcends time and space for many decades worldwide.

“Ageism is now considered a sin along with other –isms such as racism and sexism. However, ageism is different because we all actually decline with age. Still, it is important to recognize that the rate at which people’s physical and mental abilities decline is highly variable. **We must not use chronological age as a proxy for ability, and a rigid retirement age that applies to everyone is highly inappropriate.** (Omitted)”

“As we have seen, many professions are physically or mentally demanding, and people may need to retire earlier. They may be able to switch to less demanding jobs and continue working if they are able. **Rather than apply a one-size-fits-all approach, we need to bring in objective measures of assessment that can apply to all age groups, which will also ensure fairness to both young and old.** Moreover, **even after they can no longer do the job they did for much of their career and have to retire, older people can still be useful and productive in many ways for as much of the rest of their lives as possible.**”

(“Why We Die – The New Science of Ageing and the Quest for Immortality”, Venki Ramakrishnan (Winner of the Nobel Prize in Chemistry in 2009), 2024, p.234)

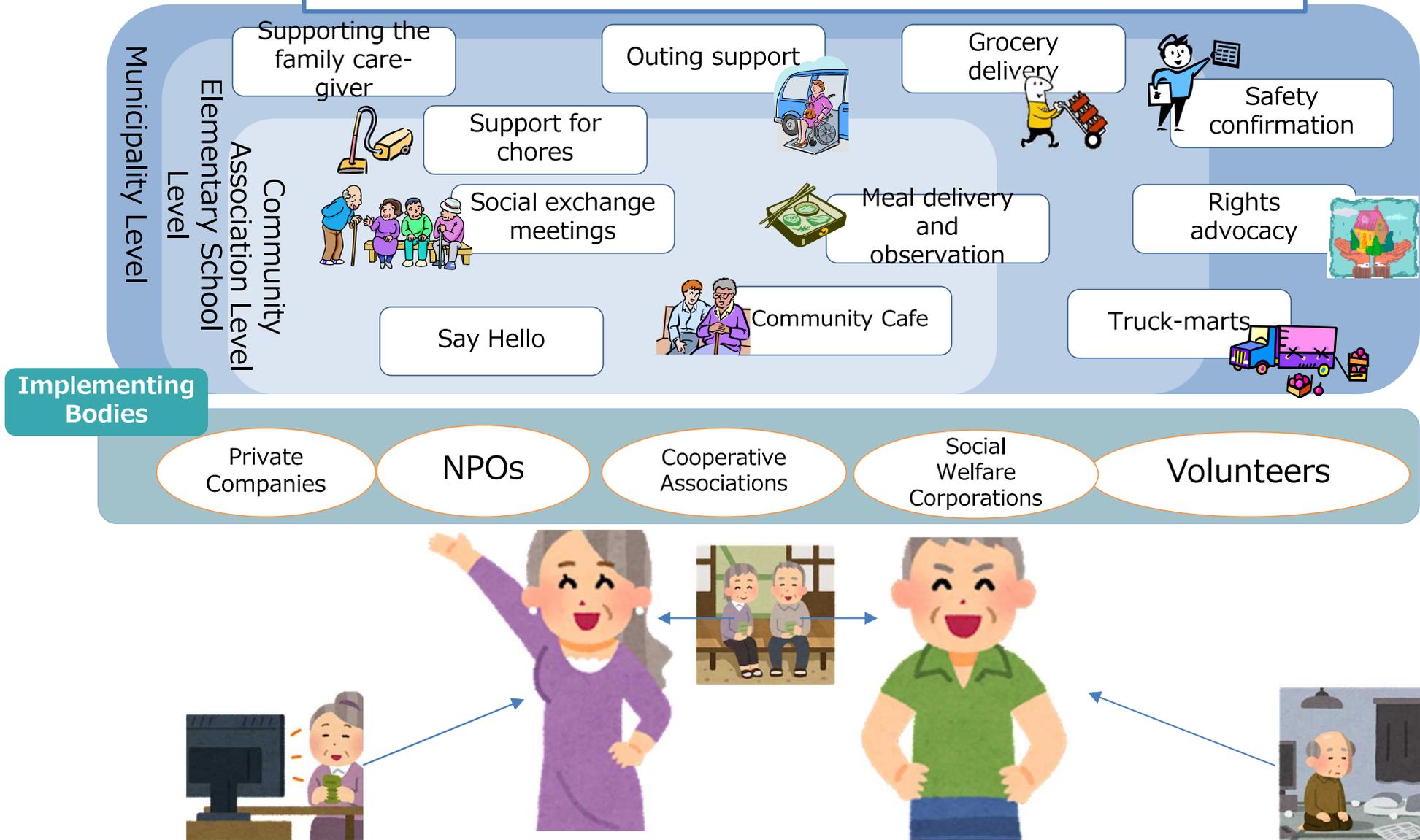
Now under LTCI, as the “fuel” for Active Ageing, a **steady flow of funding** is provided to municipalities, and this is spent **exclusively on projects related to care prevention and community welfare** nationwide. The funding comes from social insurance contributions paid by the elderly, as well as tax revenue of the general treasury.

Such funding supports various community projects, which enables active social participation by the elderly, thus leading them to “reablement” to live life as they want to, with independence, dignity and pride (see next two slides).

#### Outline of Community Support Projects

- ◆ In addition to the benefits covered by LTCI, insurers (municipality governments) are obliged to provide services under Community Support Projects to enhance 1) care-need prevention and 2) promotion of community welfare, neither of which are covered as LTCI benefits.
- ◆ Insurance premiums could be utilized for such projects.
- ◆ Menus include:
  - **Care-need prevention** services  
(Meal delivery, observation, socialization, exercise club, etc.)
  - Operation of **Community Comprehensive Support Centers**
  - Enhancement of **coordination between health care services and long-term care services**
  - Provision of measures for **elderly persons who are suffering from dementia**
  - Promotion of **civil society activities** (volunteers, NGOs, etc.) that help enhance community welfare

# Overview of Community Support Project



Participation of the elderly themselves as providers of community services is desired, as participation will keep them active and prevent loneliness and loss of will to live, thus leading to the prevention of care need and maintenance of their psychological health.

# Ideal "Active Aging" community

## Daily life

Attending M.D.



Secure housing



For active and healthy life  
Care Prevention



Community Support Project



Social participation

For safe and sound life in one's neighborhood

Mutual Help Activity

Daily Life Support  
Caregiver Support



Reablement

When necessary

Medical care



Community care meetings



LTCI service



Community Comprehensive Support Center  
Care Manager

長壽

長

Long (life)

Chou-ju

壽

Celebration

Longevity itself is a dream come true for human beings.

On the other hand, as the birthrate keeps declining, a sense of confinement is widely shared among younger people.

What constitutes a society that can truly and wholeheartedly celebrate longevity?

- A society where the elderly will participate as much as possible and become the supporters of society, supporting younger generations to pursue life as they wish
- A society where any individual can receive adequate social security services and believe in its sustainability



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