Structural Reform Evaluation Report 5: Outline of "Reform of the Health Care System" December.2005 Cabinet Office

	Target of Analysis	Overview of Findings
1. Does an Increase in the Self-Pay Ratio Lead to a Decrease in Demand for Medical Consultations? Policy Evaluation of previous revisions: (FY1997 revision 10% → 20%; FY2003 revision 20% → 30%)	Patients currently receiving medical consultations at medical institutions	• The hike in the self-pay ratio had **a very small impact in terms of reducing the number of days of outpatient care** (low elasticity). • For those aged 70 or over with a regular income, there was a slight decrease in the number of days of outpatient care with the increase in the self-pay ratio (10% → 20%).
	People in poor health condition (includes potential patients, who are not currently receiving medical consultations)	• Factors directly related to health status (including age, symptoms, and impact on daily life) have a greater effect on whether to go to a medical institution for treatment than do economic factors, such as income. • The hike in the self-pay ratio (20% → 30%) led to a decrease in the probability of receiving a medical consultation, but the effect was comparatively small. (**The probability declined as little as 2.6%.**)
	Difference in behavior between patients with serious illness and with minor one	• There was no statistical evidence indicating a trend that the number of days of outpatient care decreased particularly with the increase in the self-pay ratio for minor illnesses, such as colds and dermatitis, compared to other illnesses.
	Analysis by income bracket	• There was no statistical evidence indicating a trend that the number of days of outpatient care decreased with the increase in the self-pay ratio for those of low-income brackets compared to those of higher income brackets.

		• There was no statistical evidence indicating a difference in the effect exerted by income level for those aged 70 or over.
	Estimate of the effect of insurance with a deductible (¥1,000) (estimate calculated using FY2003 data based on the scenario that such a system is introduced for those aged 16–69)	• The **average increase rate in self-pay amounts to around 27%**. • Reflecting the fact that elasticity is low, the amount of **decrease in medical expenses is small** (¥76–¥82 billion). • In contrast, the amount of **decrease in benefit expenses is large** (¥0.6– ¥1.0 trillion).
2. Factors that led the Increase in Medical Expenses for the Elderly in the Second Half of the 1990s	Analysis of which of the factors that led to the increase in total costs caused the rise in average points per diem	• As regards **inpatients of general beds**, an increase was seen particularly in the number of surgery and diagnostic imaging, the number of tests, and the amount of oral medicine while prices related to such medical practice decreased. Nearly 50% of the impact of the decrease in prices was negated by the aforementioned increases. • In contrast, no such trend was noted regarding inpatients of long-term care beds.
3. Do Medical Expenses for Similar Medical Procedures Differ by Region in Japan?	Analysis of whether there is a statistically significant gap in the average amount of medical procedures in terms of prices between the regions	• There was a statistically significant gap between the regions in the prices for medical procedures, including **medication (internal and externally applied medicine), tests, and diagnostic imaging**. • In the **middle-age and elderly age bracket,** there was a statistically significant gap between the regions in terms of **hospitalization and surgery**. • The reduction in medical expenses is calculated (based on FY2003 data) at **¥3.6 trillion if the aforementioned gaps are narrowed** using the smallest geographical unit as the standard.

4. What are the Factors that Lead to Long-Term Elderly Inpatients with Low Per Diem Medical Expenses?	Analysis of factors that influence the inpatient status of the elderly (age, gender, residential neighborhood, number of hospital beds, etc.)	• The number of long-term inpatients aged 70 or over with low per diem medical expenses increased if there were many long-term care beds and decreased if there were large capacity of long-term nursing care facilities (health services facilities for the aged and special nursing homes) (suggesting **the substitutability of medical treatment and long-term nursing care**).
5. What are the Factors that Decide the Amount of At-Home Nursing Care Services Used?	Analysis of factors that influence the amount of at-home nursing care services used (composition of household, income, level of need for care, number of people living with the person requiring services)	• The higher the level of need for care, the greater the use of at-home nursing care services. • Regarding the composition of the household, those requiring care who lived alone used a relatively greater amount of at-home nursing care services. • The higher the income, the greater the use of at-home nursing care services. • Hospital outpatients with dementia or cerebral stroke have a relatively high use of at-home nursing care services.

Data Used in the Analyses (Individual Data)

Sources: Ministry of Health, Labour and Welfare, "Comprehensive Survey of Living Conditions of the People on Health and Welfare" (Sample pool: 700,000 to 750,000 people per year X 4 years, except for certain questionnaires); Social Insurance Agency, "Government-Administered Health Insurance" data (Sample pool: 300,000 to 340,000 cases per year X 6 years); and National Federation of Health Insurance Societies, "Survey of Medical Benefits (Iryo Kyuhu Jittai Cyosa)" (Sample pool: 60,000 to 70,000 cases per year X 4 years).

Comments of the Taskforce Members

Burden on Patient	• Judgment should be made in light of the balance between the merits of preventing moral hazard and the demerits of the weakening of the diversification of risk with the narrowing of the range covered by insurance. • Insurance with a deductible should be assessed in light of its function to prevent moral hazard as well. • The concept of individual accounts like a reserve financing scheme is needed in the social security system.
Provision of Medical Services	• Rectifying the gap in medical services among the regions of Japan is key and is an effective measure. • The system of paying based on standard prices must be shifted to a system of paying based on outcome.
Measures to Reduce the Average Length of Hospital Stay	• Because reduction of the average length of hospital stay will lead to an accompanying rise in per diem costs, its effect to curb medical expenses is limited. • This issue should be addressed using detailed countermeasures by bed type (general and long-term care). • Reduction of the average length of hospital stay is premised on the functional division between medical and nursing care institutions (creation of an “exit”) and the implementation of bed changeovers.
Measures to Combat Lifestyle-related Diseases	• There are questions as to whether a substantial decrease in medical expenses can be achieved through measures to combat lifestyle-related diseases. • Measures to combat lifestyle-related diseases must include incentives for patients.
Increased Use of IT in Processing Medical Receipts	• Increased use of IT is indispensable to enhance the transparency of medical care and evaluate the quality and cost of medical care. • Incentives must be given to spread the use of IT.

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