

**立法會**  
**Legislative Council**

LC Paper No. CB(2)1467/09-10(11)

Ref: CB2/PL/HS

**Panel on Health Services**

**Meeting on 11 May 2010**

**Proposal to undertake an overseas duty visit to study  
healthcare financing in Japan**

**Purpose**

Members' views are invited on a preliminary proposal for the Panel on Health Services ("the Panel") to conduct an overseas duty visit to study healthcare financing in Japan.

**The proposed visit**

Background

2. The Government published the Healthcare Reform Consultation Document "Your Health, Your Life" ("the Consultation Document") on 13 March 2008 to initiate the public consultation on healthcare reform. The healthcare reform aims to address the challenges to Hong Kong healthcare system brought about by the rapidly ageing population and rising medical costs, and to ensure the future sustainability of the system in delivering healthcare protection and quality services to the community. The first stage public consultation conducted from March to June 2008 aimed at consulting the public on four service reform proposals and the pros and cons of reforming the current healthcare financing arrangements through six possible supplementary financing proposals -

- (a) social health insurance (mandatory contribution by workforce);
- (b) out-of-pocket payments (increase user fees);
- (c) medical savings accounts (mandatory savings for future use);
- (d) voluntary private health insurance;
- (e) mandatory private health insurance; and
- (f) personal healthcare reserve (mandatory savings and insurance).

3. The Government released the report on the first stage public consultation on healthcare reform on 19 December 2008. Results of the consultation reflected a broad recognition among the public that Hong Kong ageing population will result in significantly increased healthcare expenditure, and hence the need to address the issue of healthcare financing. The public, however, have expressed reservations on various mandatory options of supplementary healthcare financing proposed in the Consultation Document. Moreover, many members of the public favour voluntary medical insurance and consider that it could have a bigger role to play with enhanced government regulation and supervision. Taking into account the views collected in the first-stage public consultation, the Government is now working on a supplementary financing option based on voluntary participation, comprising insurance and savings components. The Government plans to launch the second stage public consultation on healthcare financing later in 2010.

#### Proposed scope and objective of the visit

4. The Panel Chairman has suggested that the Panel conducts an overseas visit to Japan to gain a better insight into the experience and operation of its healthcare financing, including the operation of the health insurance system in the country.

5. The healthcare system in Japan has been highly rated by the Organisation for Economic Co-operation and Development ("OECD") as one of the best in the world in terms of access, effectiveness and efficiency. According to the OECD, the system provides health insurance coverage to all citizens, allowing them universal access to medical care services from any institution at any time, subject to a co-payment at the time of services. Regarding effectiveness, the health status of the Japanese people ranked at the top of the OECD countries in a number of categories in 2007. The healthcare system in Japan features the presence of about 3 560 health insurers at end-March 2008. In 2006-2007, insurance payment accounted for 49% of Japan's total health expenditure, followed by government subsidies to various health insurance schemes (36.6%) and co-payments by the insured (14.4%).

6. An information note on healthcare financing in Japan prepared by the Research and Library Services Division of the Legislative Council Secretariat is in the **Appendix**.

#### Proposed timing of the visit

7. It is proposed that the visit be conducted in early September 2010.

#### Composition

8. The broad guidelines are that members of the Panel should have priority in participating in the visit. Non-Panel members may join a duty visit outside Hong Kong with the consent of the Panel.

## Funding

9. As approved by The Legislative Council Commission, each Member is provided with an overseas duty visit account of \$55,000 for the purpose of duty visits outside Hong Kong organised by committees of the Council. The fund in the account is for use by Members in a four-year term. Any expenditure incurred in excess of the available balance in a four-year term has to be paid by the Member personally.

## **The way forward**

10. Members are invited to advise on paragraphs 4 to 8 above. Subject to members' views, the Secretariat will work out the details of the proposed duty visit for members' further consideration.

Council Business Division 2  
Legislative Council Secretariat  
7 May 2010

## **FACT SHEET**

### **Healthcare financing in Japan**

#### **1. Background**

1.1 The healthcare system in Japan has been highly rated by the Organisation for Economic Co-operation and Development (OECD) as one of the best in the world in terms of access, effectiveness and efficiency. According to the OECD, the system provides health insurance coverage to all citizens, allowing them universal access to medical care services from any institution at any time, subject to a co-payment at the time of services. Regarding effectiveness, the health status of the Japanese people ranked at the top of the OECD countries in a number of categories in 2007<sup>1</sup>. As to efficiency, Japan's total health expenditure accounted for only 8.1% of GDP in 2006-2007, which was lower than the OECD average of 8.9%.

1.2 The healthcare system in Japan features the presence of about 3 560 health insurers at end-March 2008. In 2006-2007, insurance payment accounted for 49% of Japan's total health expenditure, followed by government subsidies to various health insurance schemes (36.6%) and co-payments by the insured (14.4%). Against the above background, the purpose of this fact sheet is to provide the Panel on Health Affairs with background information on healthcare financing in Japan, with special reference to the operation of the health insurance system in the country.

#### **2. Overview of the health insurance system**

2.1 The healthcare system in Japan is based on a social health insurance model<sup>2</sup>, with the first health insurance scheme coming into place as early as 1927 to cover blue-collar workers. The health insurance scheme for the self-employed was introduced in 1938, and universal health coverage was achieved in 1961.

---

<sup>1</sup> In 2007, Japan enjoyed the highest life expectancy among the OECD countries, with 82.6 years for the whole population. In the same year, Japan's infant mortality rate was among the lowest in the OECD area with 2.6 deaths per 1 000 live births (half the OECD average of 4.9). See OECD (2009a).

<sup>2</sup> Social health insurance, popularly known as the "Bismarck Model", is a type of insurance originating in Europe that covers health care costs from funds collected from individuals, employers and government subsidies. According to Kutzin (2009), options for health financing reform are often portrayed as a choice between general taxation and social health insurance.

---

2.2 Enrolment in the health insurance system is compulsory in Japan and applies to all residents including foreigners (short-period visitors are excluded) on condition that they are legally residing in the country<sup>3</sup>. The participants of the system are covered under either one of the following categories of insurance:

- (a) Employee Health Insurance provided by their employers;
- (b) Community-based National Health Insurance (NHI) provided by the municipalities where they reside; or
- (c) Long Life Medical Care System for people aged 75 or above.

2.3 Under the universal coverage of health insurance, supplementary private health insurance is also available for covering co-payments or non-covered costs required for hospitalization and surgery.

### Employee Health Insurance

2.4 The Employee Health Insurance is an employment-based insurance scheme, which can be broadly separated into the Society-managed Health Insurance (SHI) and the Government-managed Health Insurance (GHI)<sup>4</sup>.

#### *Society-managed health insurance*

2.5 SHI is a corporate-managed programme for employees of large corporations (with more than 700 workers) and their dependents. Under the *Health Insurance Act*, a large corporation can establish an insurance society to establish and manage its own health insurance programme. These insurance societies operate within government regulations to determine their own benefits and contributions.

2.6 In Japan, there are about 1 541 insurance societies managed and funded by employers and employees. Premium rates range from 3% to 10% of the monthly salary of workers (with a ceiling), reflecting the difference in the income levels of the insured in each SHI. Monthly contributions to SHI are shared equally by employers and employees.

---

<sup>3</sup> In Japan, illegal immigrants are not covered by the health insurance system. See Tatara & Okamoto (2009).

<sup>4</sup> There are also the Seamen's Insurance and the Mutual Aid Association Insurance (covering civil servants and teachers) under the category of Employee Health Insurance.

---

---

### *Government-managed health insurance*

2.7 GHI is a government-managed programme covering employees of small and medium-sized firms (between five and 700 workers) and their dependents. GHI is managed by a public corporation established in October 2008 – the Japan Health Insurance Association – which is responsible for, among other things, setting the premium rates for GHI schemes run in various prefectures of the country. The premium rates, ranging from 9.26% to 9.42% of the monthly salary of workers, are determined based on the health expenditure, demographic structure and income level of each prefecture.

2.8 Since employees of small and medium-sized firms tend to have a salary level lower than those working in large corporations, the premium revenue alone is not enough to sustain the operation of GHI. To supplement the deficit so incurred, the Japanese government provides subsidy to finance the healthcare cost of GHI (currently set at 13% of the healthcare cost). Monthly contributions to GHI are shared equally by employers and employees.

### National Health Insurance

2.9 In Japan, legal residents who do not qualify for the Employee Health Insurance are required by law to enrol in NHI run by the municipal government in the area where they reside. The insured include the self-employed, the unemployed, farmers, retirees<sup>5</sup> and workers at companies with fewer than five employees<sup>6</sup>.

2.10 Each municipal government has its own way of calculating insurance premiums for its NHI scheme. In general, the calculation is based on the number of persons insured in a household and the annual income of the family. The insurance premiums typically account for around 2% of the average wage, although there is a wide variation among municipalities<sup>7</sup>. Same as GHI, the Japanese government provides subsidy to help finance the healthcare cost of NHI (currently financing 43% of the healthcare cost).

---

<sup>5</sup> In general, an employee is first enrolled in the Employee Health Insurance. Upon retiring from the company, he or she will be transferred to a municipal NHI managed by the municipal government based on his or her place of residence.

<sup>6</sup> Foreigners who are staying in Japan for more than a year are required to enrol in NHI if they are not covered by any other public health insurance scheme.

<sup>7</sup> According to OECD (2009b), the highest premium, in the town of Rausu in Hokkaido, is 4.7 times higher than that in the lowest.

---

---

## Long Life Medical Care System

2.11 In Japan, a resident will no longer be covered by the Employee Health Insurance or NHI when reaching 75 years of age. He or she will be transferred to a third health insurance scheme – the Long Life Medical Care System – run by the prefecture where he or she resides<sup>8</sup>.

2.12 Annual insurance premiums for the Long Life Medical Care System consist of two components: (a) a fixed amount paid by the insured, and (b) an income-based amount determined by the insured individual's ability to pay. The premiums so collected finance 10% of the healthcare cost of the Long Life Medical Care System. The remaining 90% is covered by subsidies from the government (50%) and cross-subsidization from the insured under the age of 75 (40%).

### **3. Coverage of the health insurance schemes**

3.1 All the health insurance schemes offer the insured and their dependents a free choice of service providers<sup>9</sup>, and a similar range of medical services. Mandatory coverage includes ambulatory and hospital care, extended care, dental care and prescription drugs. In addition, various forms of cash benefits are also available under the health insurance schemes, such as lump sum payment for childbirth and childcare allowances, as well as funeral and hospital meal expenses.

3.2 Health services not covered by the health insurance scheme include medical checkups, vaccinations, abortion, cosmetic surgery, certain hospital amenities (e.g. a private room), and some high-technology procedures.

---

<sup>8</sup> People aged 65 or above with certain disabilities are also eligible to enrol in the Long Life Medical Care System.

<sup>9</sup> In Japan, healthcare services are provided either through regional/national public hospitals or through private hospitals/clinics. Patients have universal access to any medical institution in the country on the production of a valid health insurance card.

---

---

## 4. Fees and charges

4.1 All health insurance plans pay health services providers (e.g. hospitals, clinics and pharmacies) according to the national fee schedule set by the government. The schedule lists all the procedures and products covered by the health insurance and the prices charged for them<sup>10</sup>. Payment to the providers is based on the listed prices for each service or product delivered to the patient, multiplied by the number of services or products provided. Balance billing – billing the patient for fees not covered by health insurance – is strictly prohibited.

4.2 The national fee schedule applies to all patients regardless of (a) the health insurance scheme they belong to, and (b) the provider from whom they receive services. In other words, medical fees are uniform throughout Japan with little concern for differences in the types of medical facilities, level of wages or cost of living in the various municipalities.

4.3 The national fee schedule is revised every two years based upon the recommendations of the Central Social Health Insurance Council, an advisory committee to the Minister of Health, Labour and Welfare consisting of seven representatives each from health services providers and payers, and six academics.

## 5. Cost sharing by patients

5.1 While the extent of coverage and payment mechanism varies little under the health insurance schemes, there are differences in the level of cost sharing by the insured and their dependents. Patients aged 3 to 69 are required to pay 30% of the medical costs, and the co-payment rate is reduced to 20% for children aged under 3. For elderly aged 70 or above, they are required to pay 10% or a higher rate of 30% if their income exceeds a particular level.

---

<sup>10</sup> According to Ikegami (2008), "the [national] fee schedule plays a key role in linking the financing and delivery systems by serving as the valve that controls the money flowing from all insurance plans to all providers. It has maintained equity by making the benefit package essentially the same for all insurance plans, contained costs by restricting other sources of revenue to the providers, and reduced administrative costs."



5.2 All health insurance schemes have built in a catastrophic cap feature that limits the amount of monthly out-of-pocket medical expenses, thereby reducing a patient's financial burden and making it easier for the economically disadvantaged to receive treatment. When a patient's monthly co-payment exceeds a certain ceiling, the excess will be refunded upon request. The Table below shows the ceiling of co-payment by patients aged below 70 under different income groups.

**Table – Amount of co-payment over which patients are eligible to apply for reimbursement**

	Monthly co-payment ceiling (for the first three months of treatment)	Monthly co-payment ceiling (beginning with the fourth month of treatment)
General households	¥81,000 (HK\$6,723 <sup>(1)</sup> ) + A × 1% (A = covered medical expenses minus ¥267,000 (HK\$22,161))	¥44,400 (HK\$3,685)
Low income households <sup>(2)</sup>	¥35,400 (HK\$2,938)	¥24,600 (HK\$2,042)
High income households <sup>(3)</sup>	¥150,000 (HK\$12,450) + B × 1% (B = covered medical expenses minus ¥500,000 (HK\$41,500))	¥83,400 (HK\$6,922)

Notes: (1) Based on the average exchange rate of HK\$0.083 per Japanese Yen in 2009.

(2) Including households living on public assistance.

(3) Households with an annual income exceeding ¥6 million (HK\$498,000).

Research and Library Services Division  
22 April 2010  
Tel: 2869 9621

-----  
*Fact sheets are compiled for Members and Committees of the Legislative Council. They are not legal or other professional advice and shall not be relied on as such. Fact sheets are subject to copyright owned by the Legislative Council Commission (the Commission). The Commission permits accurate reproduction of fact sheets for non-commercial use in a manner not adversely affecting the Legislative Council, provided that acknowledgement is made stating the Research and Library Services Division of the Legislative Council Secretariat as the source and one copy of the reproduction is sent to the Legislative Council Library.*

---

---

## References

1. Food and Health Bureau. (2008) *Synopsis of Healthcare Financing Studies – Healthcare System and Financing: Overseas Experience*. Available from: [http://www.fhb.gov.hk/beStrong/files/consultation/overseasexp\\_eng.pdf](http://www.fhb.gov.hk/beStrong/files/consultation/overseasexp_eng.pdf) [Accessed March 2010].
2. Hewitt Associates Limited. (2009) *Global Report – Japan: New Expatriate Visa Requirement*. November. Available from: [http://www.hewittassociates.com/\\_MetaBasicCMAssetCache\\_/Assets/Legislative%20Updates/2009/Global\\_Report\\_Japan\\_New\\_Expatriate\\_Visa\\_Requirement.pdf](http://www.hewittassociates.com/_MetaBasicCMAssetCache_/Assets/Legislative%20Updates/2009/Global_Report_Japan_New_Expatriate_Visa_Requirement.pdf) [Accessed March 2010].
3. Ikegami, N. & Campbell, J. (1995) Medical Care in Japan. *New England Journal of Medicine*. Vol. 333, No. 19, pp.1295-1299.
4. Ikegami, N. (2008) Japan, Health System of. *International Encyclopedia of Public Health*. Vol. 4. Available from: [http://siteresources.worldbank.org/CHINAEXTN/Resources/Japan\\_Health\\_care.pdf](http://siteresources.worldbank.org/CHINAEXTN/Resources/Japan_Health_care.pdf) [Accessed March 2010].
5. Japan Institute for Labor Policy and Training. (2010) *Labor Situation in Japan and Analysis: General Overview 2009/2010, Chapter VI*. Available from: [http://www.jil.go.jp/english/laborsituation/2009-2010/general\\_overview/chapter6.pdf](http://www.jil.go.jp/english/laborsituation/2009-2010/general_overview/chapter6.pdf) [Accessed March 2010].
6. Japan International Cooperation Agency. (2005) *Japan's Experiences in Public Health and Medical Systems, Chapter II*. Available from: [http://www.jica.go.jp/english/publications/reports/study/topical/health/pdf/health\\_13.pdf](http://www.jica.go.jp/english/publications/reports/study/topical/health/pdf/health_13.pdf) [Accessed March 2010].
7. Kumagai, N. (2010) *On Geographic Inequality in Japanese Regional Health Insurance*. Center for Intergenerational Studies, Institute of Economic Research, Hitotsubashi University. Available from: [http://hermes-ir.lib.hit-u.ac.jp/rs/bitstream/10086/18289/1/pie\\_dp465.pdf](http://hermes-ir.lib.hit-u.ac.jp/rs/bitstream/10086/18289/1/pie_dp465.pdf) [Accessed March 2010].
8. Kutzin, J. et al. (2009) Bismarck meets Beveridge on the Silk Road: coordinating funding sources to create a universal health financing system in Kyrgyzstan. *Bulletin of World Health Organization*. Available from: <http://www.who.int/bulletin/volumes/87/7/07-049544.pdf> [Accessed March 2010].

- 
9. OECD. (2009a) *Health at a Glance: OECD Indicators*. Paris.
  10. OECD. (2009b) *OECD Economic Surveys: Japan 2009, Chapter 4*. Paris.
  11. Shinjuku City Office. (2009) *Taxes, Medical Treatment and Health Insurance*. Available from: [http://www.city.shinjuku.lg.jp/foreign/english/pdf/seikatsu/zeikin\\_e.pdf](http://www.city.shinjuku.lg.jp/foreign/english/pdf/seikatsu/zeikin_e.pdf) [Accessed March 2010].
  12. Social Insurance Agency. (2010) *Employees' Health Insurance*. Available from: <http://www.sia.go.jp/e/ehi.html> [Accessed March 2010].
  13. Tatara, K & Okamoto, E. (2009) *Japan: Health System in Review*. World Health Organization. Available from: <http://www.euro.who.int/Document/E92927.pdf> [Accessed March 2010].
  14. Tokyo Securities Health Insurance Society. (2010) *Introduction to Kenpo*. Available from: [http://www.shoken-kenpo.or.jp/eng/member/01\\_info/index.html](http://www.shoken-kenpo.or.jp/eng/member/01_info/index.html) [Accessed March 2010].
  15. Web Japan. (2010) *Health Care*. Available from: [http://web-japan.org/factsheet/en/pdf/e44\\_healthcare.pdf](http://web-japan.org/factsheet/en/pdf/e44_healthcare.pdf) [Accessed March 2010].
  16. 全国健康保険協会 :《平成 22 年度の健康保険料率が変わります》, 2010 年, 網址 : <http://www.kyoukaikenpo.or.jp/8,0,131,586.html> [於 2010 年 3 月登入]。
  17. 滋賀県国保連合会 :《国保のしおり(外国語版)を掲載いたしました》, 2010 年, 網址 : [http://www.shigakokuho.or.jp/kokuho\\_sys/kokuho\\_en.pdf](http://www.shigakokuho.or.jp/kokuho_sys/kokuho_en.pdf) [於 2010 年 3 月登入]。