

Social Security

In

Japan

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## Preface

This booklet aims to provide foreign researchers with an introductory explanation of aspects of the social security system in Japan: pensions, health insurance, public assistance, and long-term care. Thus, the booklet is mostly descriptive and kept at a minimum level in outlining the current system and the challenges facing it. Researchers are advised to refer to further reading in English at the end of this booklet. As Japan's social security system is undergoing a series of reforms, we will update this publication from time to time.



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# Chapter 1

## Overview of Social Security System

### I. General Characteristics

#### 1. Social security

As with other countries, the source of social security in Japan could be found in charity-oriented communal activities for the poor in a pre-modern era . In the modern era, while legislation such as Indigent Person's Relief Regulation (1874) and Poor Relief Law (1932)<sup>1</sup> was enacted, the modern social security system based on the state's responsibility in sharing and mitigating social risk of the population did not start until after World War II with the inclusion in the Constitution of Article 25:

“(1)All people shall have the right to maintain the minimum standards of wholesome and cultured living. (2)The State must make efforts to promote and expand social welfare, social security and public health services to cover every aspect of the life of the people”.

Starting with the urgent need to relieve the war-stricken people, the system of social security has gradually extended its reach. By the term “social security” the Government of Japan means a range of social policy that is the task of the welfare state: its scope is wider than in some countries and includes public health care. Table 1.1 shows the list of major schemes defined as social security by the Japanese government. The schemes are mostly carried out by Ministry of Health and Welfare, supplemented by Ministry of Labor. The organization of Ministry of Health and Welfare is indicated in Table 1.2.

#### 2. Universal health insurance and universal pension

The year 1961 was memorable in the history of Japanese social security. Two laws for universal health insurance and pension were enacted in 1958 and 1959, respectively, and enforced in 1961. These systems have become the two main pillars of Japanese social security system. Together with Public Assistance Law (1946) which guarantees a minimum standard of living, they have worked as the major institution of social policy to mitigate the risk of sickness, accidents, unemployment, and old age.

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<sup>1</sup> Even though some English terms of systems, schemes and laws may not be appropriate in the international sense, they are mostly left as they are to avoid confusion with other documents. Such

**Table 1.1 Schemes of Social Security**

**Ministry of Health and Welfare**

Health insurance	
Management of health care delivery system	
Prevention of diseases such as TB, AIDS and cancer	
Long-term care insurance	
Public pension	
Income assistance	<i>(Public assistance)*</i>
Services for the elderly	<i>(Welfare for the elderly)*</i>
Assistance for the disabled	<i>(Welfare for the disabled)*</i>
Benefits for children	<i>(Welfare for children)*</i>
Public health	

**Ministry of Labor**

Unemployment insurance
Work-related accident insurance

\* Terms in italics are official ones used by the government

### 3. Social insurance and tax

Social security systems such as those for health care, long-term care, public pension, unemployment and work-related accident take the form of social insurance. The public insurance system provides services to insured persons (and their family) in case of downfalls within their life cycle. The participation for these schemes are mandatory to all citizens and their employers in case they are employed. Contribution to the schemes is shared by all insured according to their ability to pay (in most cases according to their income). Thus, the function of social insurance is to share the risk among insured persons, and at the same time, to redistribute income among them.

On the other hand, measures identified as social welfare, such as public assistance and welfare for the elderly, children and the disabled are mostly based on the general budget of the government (tax). A controversy arises between those who claim converting some of the insurance-based schemes to the tax-based schemes and those who prefer to maintain the link between the contribution and benefit through an insurance system.

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terms are marked with italics.

**Table 1.2 Organization of Ministry of Health and Welfare**

Internal bureaus

Minister's Secretariat  
    Dept. of Statistics and Information  
    Dept. of Health and Welfare for the Disabled  
Health Policy Bureau  
Health Service Bureau  
    Dept. of National Hospitals  
Environmental Health Bureau  
    Water Supply and Environmental Sanitation Dept.  
Pharmaceutical Affairs Bureau  
Social Welfare and War Victims' Relief Bureau  
Health and Welfare Bureau for the Elderly  
Children and Families Bureau  
Health Insurance Bureau  
Pension Bureau

Affiliated institutions

Laboratories and research institutions (6)  
National hospitals (236)  
Port quarantine stations (14)  
Rehabilitative care and support institutions (10)

Local branches

Regional medical affairs offices (8)  
District narcotic control offices (8)  
District narcotic control offices (8)

External bureau

Social Insurance Agency  
    General Affairs Department  
    Management Department  
    Affiliated institutions  
        Social Insurance Operation Center  
        Social Insurance College

\* Numbers in ( ) indicate number of institutions.

#### 4. In-cash and in-kind assistance

Public assistance provided through the social security system is either in-kind or in-cash.

Table 1.3 lists major types of service by in-kind/in-cash classification.

**Table 1.3 Major Types of Service by In-kind or In-cash Classification**

To whom	In-kind	In-cash
The sick	Health care services	
The elderly	At-home services Institutionalized services	Assistance for households which take care of its own elderly (limited) Old-age and survivor's pension
The disabled	Institutional service for the disabled	Disability pension
The children	Institutions for special children	Child allowance Child rearing allowance for single-mothers
The poor	Health care services	Livelihood (income) support
The unemployed		Unemployment benefits

#### 5. Service providers

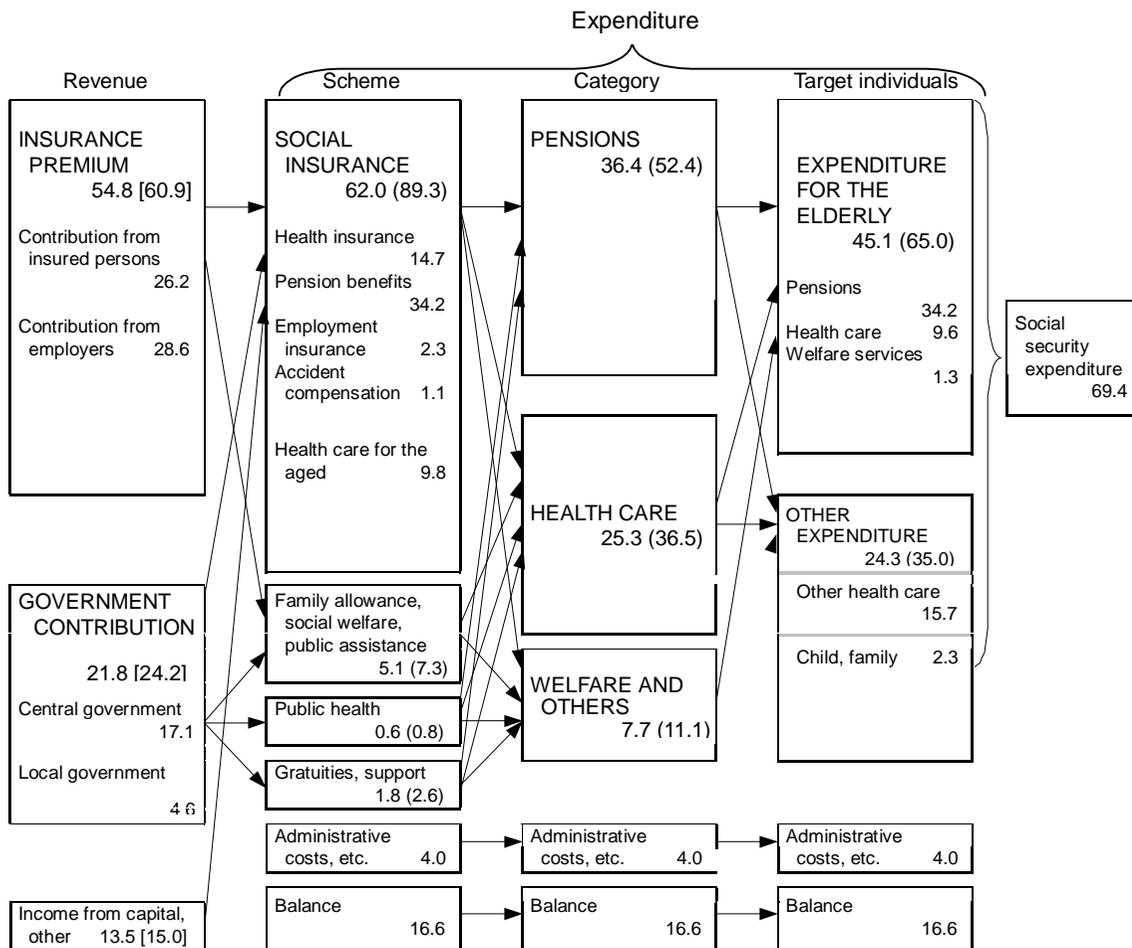
Service providers of social security, such as hospitals and clinics for the health care, day-care centers and institutions for the elderly long-term care, rehabilitation centers and support centers for the disabled, and so forth, are either public or private. They operate under the supervision of the Ministry of Health and Welfare and Prefectures.

## II. Revenues and Expenditure of the Social Security

Figure 1.1 shows a breakdown of social security revenue and expenditure as defined by International Labor Organization. Insurance premium accounts for 60% of the total revenue and government contributions and others for the rest. The expenditure for public pension takes up nearly half of the entire expenditure, and for health insurance, a little more than one third.

**Figure 1.1 Revenue and Expenditure of Social Security: Fiscal Year 1997**

(Units: hundreds of millions of yen; figures in brackets, %)



Note:

1. FY1997 social security revenue amounted to 90.1 trillion yen (excluding transfers from other systems). The figure in parentheses represents the ratio to the total social security revenue.
2. FY1997 social security expenditure amounted to 69.4 trillion yen. The figure in parentheses represents the ratio to the total social security expenditure.
3. Arrows to "Administrative costs" and "Balance" in the Scheme column are omitted.

# Chapter 2

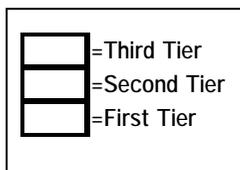
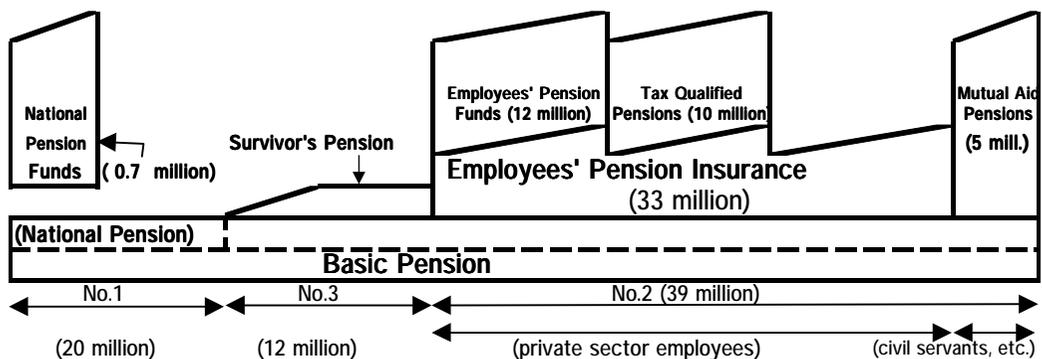
## Pensions

### I. General Characteristics

#### 1. Three-tiers of pension system

The Japanese pension system is multi-tiered, consisting of public and private pension schemes (Fig.2.1). The distinction between public and private pensions depends on whether the insurer of pensions is the government or not. The first tier is the *Basic Pension* (public), which provides the flat rate basic pension of a universal coverage. As a non-income-related pension, it works for income redistribution, and participation is mandatory to all residents. The second tier (public) covers most of employees and provides an income-related payment. It is mandatory to all firms over a certain size, and premium is shared by employers and employees. The third tier is an optional scheme for larger pensions. It is private or public and is provided either by private firms (employers) for their employees, or by collective national pension funds for the self-employed with the government as the insurer.

**Fig 2.1 Pension System**



Note: Numbers in ( ) are number of subscribers. No.1, 2, & 3 denote categories of subscribers: No.1 is self-employed, farmers, students, etc., No.2 is employees, and No.3 is spouse of No.2. (All numbers are as of March 1998)  
Slopes in the diagram indicate income-related pension schemes.  
Source: Kose Hakusho. MHW. 1999

The second tier (*Employees' Pension Insurance*) is managed by social security administration associations within a firm or a group of firms. For convenience, the first and second tiers for employees are jointly operated by these associations and are sometimes jointly called *Employees' Pension Insurance*. The *Employees' Pension Insurance* covers both employees and their spouses (Categories No.2 and No.3). The first tier for the self-employed, farmers and other non-employees (Category No.1) is operated by municipalities and is called *National Pension*. Thus, the entire adult population, in principle, is insured either by the *Employees' Pension Insurance*, or by the *National Pension*.

## **2. Universality of the basic pension**

The coverage of the *Basic Pension* is universal, i.e. it extends to all residents 20 years old or above in Japan including foreigners. However, the eligibility to receive pensions requires a minimum of 25 years of premium payment.

## **3. Mixture of public and private schemes**

The insurer of the *National Pension* and the *Employees' Pension Insurance* is the government. They form the two pillars of Japan's public pension system. According to a survey, more than 60% of the elderly households earn their livelihood entirely depending on the public pension.

Other schemes are private pensions. *Employees' Pension Funds*, *Tax Qualified Pensions* and *Mutual Aid Pensions*, the third tier for Category No.2 (employees), are run by each private firm. *National Pension Funds*, which provide the third tier coverage to Category 1, are run by local and occupational funds.

## **4. Insurance premium**

For public pensions, premiums are paid by employees and their employers for Category No.2 (employees). For Category No.1 (self-employed, etc.), a premium is paid by the insured only, but supported by a substantial government subsidy. The premium for Category No.3 (spouses of employees) is not collected, as it is regarded as included in the premium which his/her spouse pays.

Premium for private pensions differs from scheme to scheme, but mostly is paid by the

employers for Category No.2 and by the insured for Category No.1.

#### **5. Government subsidy for the public pensions**

For the first tier (*Basic Pension*), one third of the benefits and all of administrative costs are paid by the general budget of the government. For the second tier (*Employees' Pension Insurance*) and mutual aid association pensions for central and local civil servants, the administrative costs are paid by the central government. For the third tier (private pensions including *Employees' Pension Fund* and *National Pension Fund*), there is no subsidy from the government.

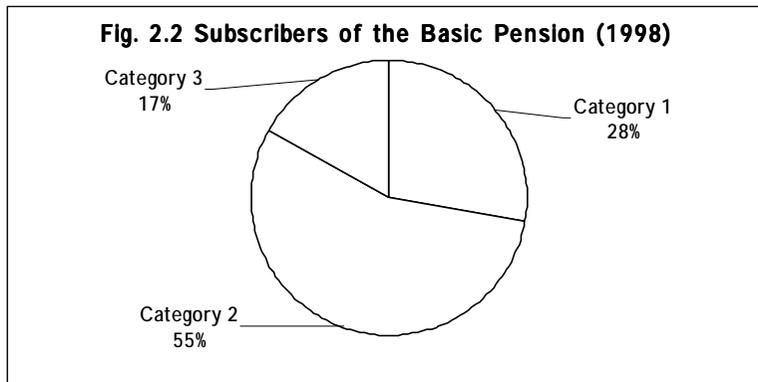
#### **6. Mixed retirement package**

Japanese firms traditionally offered to its employees a retirement allowance as a one-time lump-sum payment. Together with the introduction of public pension schemes, private ones also began to be arranged. Currently, most firms provide a mixture of lump-sum payment and pension scheme. Since the two types of scheme are interchangeable in many instances, the entire retirement package is seen as the income security for the retired.

## II. Types of Pension Scheme

### 1. National Pension

As described above, all residents in Japan between ages of 20 to 60 are eligible and required to become subscribers of the *Basic Pension*. Whereas employees automatically enroll in the *Basic Pension* when they subscribe to the *Employees' Pension Insurance*, the *National Pension* is for those who are not employees. A fixed amount (¥13,300 per month in 1999) is levied on each subscriber as a premium. However, low-income persons (about 5% of all No.1 subscribers) and non-working spouses of employees are exempt from paying premiums, partially or entirely. Current benefits are paid out of currently collected premiums (pay-as-you-go system), but as much as one third of the benefits are subsidized from the general budget of the government.



Category 1: All residents who are not Category 2 or 3, i.e. self-employed, farmers, students, etc.  
Category 2: All employed persons whose workplace has more than 5 employees  
Category 3: Non-working spouses of Category 2

Source: MHW, 1999

Currently, 1.4%<sup>1</sup> of the eligible persons fail to participate in the *Basic Pension*, and 96% of all persons aged 60 and over receive the *Basic Pension*, thus its scheme has achieved near perfect universality. The average monthly benefits for the old age are ¥47,000.

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<sup>1</sup> Number of subscribers (70.34 million) divided by population aged from 20 to 59 (71.34 million).

## 2. *Employees' Pension Insurance*

The *Employees' Pension Insurance* forms the core of the income security for retirees. All workplaces with more than 5 employees and their employers are required to participate in this scheme. Both employers and employees contribute 8.68%<sup>2</sup> of employee's salary as premiums (including a premium for the *National Pension*), and the pension payment is income-related. There is no discount system for low-income persons/household (or his/her employer), but employers of those who are on maternity leave (up to 1 year) are exempt from paying a premium<sup>3</sup>. However, a maximum amount of premium is set at the premium rate multiplied by ¥590,000 (maximum category of monthly salary). The average monthly benefits for the old age are ¥154,000, which amount to 48% of average monthly salary of subscribers (1997).

### 2. Corporate pensions and retirement allowance

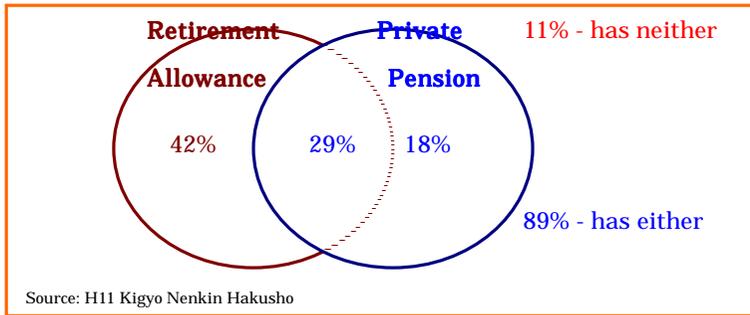
90% of all Japanese firms offer retirement packages for their employees. A retirement package can be either a one-time lump-sum retirement allowance, or a life-long pension, or both. In 1997, about a half (52.5%) of firms with some kind of retirement package offered a pension scheme, while nearly 90% provided a lump-sum allowance. Even though pension style is gradually spreading its share, the traditional style of lump-sum allowance is still the main stream and most employees choose to take a part or whole of retirement money as the lump-sum payment. Thus, public pension, private pension and lump-sum retirement allowance, all together make up the total income maintenance support for a retiree.

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<sup>2</sup> The premium rate applies only to monthly salary, and the premium rate for seasonal bonus payments (usually 3.5 months worth of salary) is 0.1% shared equally between employers and employees.

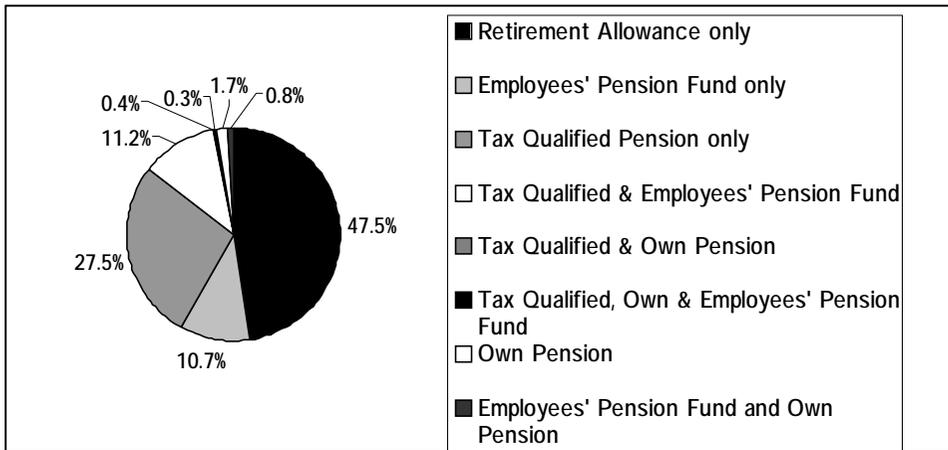
<sup>3</sup> Employees who are on maternity leave typically do not receive salary, except unemployment benefits (25% of their pay), and thus do not need to pay a premium. The duration of maternity leave is counted as insured months in calculating a benefit level.

**Fig. 2.3 Share of firms with retirement allowance scheme and/or private pension scheme (1997)**



There are three types of private pension schemes: 1) *Employees' Pension Fund*, 2) *Tax (Exempt) Qualified Pension*, and 3) each company's individual pension scheme. The break-down of different retirement packages is shown in Fig. 2.4.

**Fig. 2.4 Share of different private pensions by number of firms (1997)**



Source: "H11 Kigyo Nenkin Hakusho"

**(a) Employees' Pension Fund**

Firms of more than 500 employees are allowed to set up an *Employees' Pension Fund*. Currently, about one third (36%) of all employees participate in this scheme. A fund is set up to top off the public pension to ensure a higher level of benefits, and is based on the contributions from both employers and employees of 1.6 to 1.9% each of the employee's salary. *Employees' Pension Insurance* and the *Employees' Pension Fund* are closely related, and

some portions of the *Insurance* is managed by the *Fund* on its behalf. Thus, even though the *Fund* is a private pension scheme, it has a public nature and enjoys tax favored treatment, but at the same time, is regulated by the government.

(b) *Tax (exempt) Qualified Pension*

Another type of private pension is the *Tax Qualified Pension* scheme. Under this scheme, employers are allowed to exempt its contributions from corporate tax. About one third (31%) of all employees join it. Compared to the *Fund*, this scheme is fairly free from regulations of the government, and is the second most popular form of retirement package next to the lump-sum retirement allowance. Most of the pensions under this scheme is fixed-term (typically 10 years), different from other pensions with a life-long term. Average monthly benefits are ¥92,830.

(c) One-time lump-sum retirement allowance

One-time lump-sum allowance is still the most preferred form of retirement money, as seen from the fact that 42% of total workplaces have only this type of retirement benefits. The benefit level depends on each workplace, but is usually 40 to 46 months worth of monthly salary for employees, who have worked a full-term (38 years for college graduates, and 42 years for high-school graduates).

### **III. Current Issues of Pension System**

#### **1. Financial crisis of public pension**

Aggravated by rapid aging, low rate of growth, and near-zero interest rates, *National Pension* and *Employees' Pension Insurance* are facing a difficulty to secure enough funds to meet the future requirements of pension payments. There is currently a hot debate on how to restrain the payments in order not to put too much burden on the future generations. An increase in the government subsidy seems inevitable, but securing financial sources (for example, an increase in the consumption tax) has been politically difficult.

#### **2. Non-compliance and default in *National Pension***

One of the administrative problems in *National Pension* is that there is a growing number of eligible and required persons who have not become participants or have not paid the premium in full. According to the last survey (FY 1995), 8.2% of Category No.1 (i.e. self-employed, students, farmers, etc.) and 0.9% of Category No.3 (spouse of employees) have not participated. However, there is no non-compliance in Category No.2, as they automatically become subscribers when they become subscribers of *Employees' Pension Insurance*, so that overall non-compliance rate is 1 to 2%.

Even larger problem is the default rate of premiums among Category No.1. In 1997, the ratio of monthly premiums actually paid to fully expected premiums was 79.6%. In addition, 18.6% of Category No.1 are legally exempt from paying the premium, making the financial situation of the *National Pension* even worse. Every effort is being made at central, prefectural, and municipal government levels to decrease the default rate.

#### **3. A defined-contribution scheme in the private pensions**

In the private sector, firms are realizing a huge burden of future pension payments, which is now labeled as liabilities under the new accounting system. Together with low-returns on their funds due to a recession of the economy, an interest has been increasing in converting their defined-benefit pensions to an American 401(k)-type defined-contribution pensions, in which future payments are related to the investment performance of funds, as opposed to the current system in which future payments are fixed at the beginning. The government is

reviewing a new private pension scheme of the defined contribution type.

#### **4. Changing employment patterns and life cycles**

Another motivation behind the introduction of a 401(k)-type pension is the changing employment patterns. The traditional Japanese pattern of life-long employment has gradually been disintegrating. Thus, firm oriented pension schemes based on long-term employment at a fixed workplace must be changed to fit the new situation. One of the advantages of the 401k-type pension is that it is portable from a company to another.

## Public Pension

		Public Pension	
		Basic Pension	Employees' Pension Insurance
Type of Insurance	Note	Basic 1st Tier Mandatory	Supplemental 2nd Tier Mandatory
Insurer		Government	Government
Eligible persons	①	All residents (categories 1-3)	Category 2 private- sector workers under 65 who work at workplaces with more than 5
Number of subscribers (millions)	②	70.34	33.47
% to all residents(20-59years)	②/pop	99%	47%
% to all eligible persons	②/①	99%	100%
Number of current pension recipients	③	18.3	7.82
% to all subscribers	③/②	26%	23%
% to all residents (60&older)	③/pop	67%	28%
Premium Type		Flat rate	Fixed % of salary
Average contribution (% to salary) Employee		—	8.68%
Employer		None	8.68%
Average contribution (¥)	⑤	¥13,300 (for Category 1 & 2), ¥0 (Cat.3)	(including premium for National Pension)
Average monthly salary of subscribers	⑥	Not Available	¥317,000
Tax exemption Employee		Exempt	Exempt
Employer		Exempt	Exempt
% of subscribers who are exempt	(1997)	5.1%	0%
Default rate (as % of expected premium)	(1997)	20.4%	1.6%
Benefit (Old Age) Type		Flat rate	Income-related
Calculation method		¥799,500 x ((insured months + 1/3 x exempt months)/480)	(Monthly income * 0.75% * insured months * slide rate)+ dependants allowance
Average monthly benefits	⑦	¥47,000	¥172,000
Replacement ratio (average)	⑦/⑥	Not available	54.3%
Starting age	years	65	65
Benefits (Disability)		Flat rate	Income-related
Calculation method		¥999,400 (1st degree) or ¥799,500(2nd degree) + dependants allowance	1st&2nd degree: (Monthly income * 0.75% * insured months * slide rate)+ dependants allowance
Average monthly benefits		¥75,335	¥102,716
Benefits (Widow/Widower)		Flat rate	Income-related
Calculation method		¥799,500 + children allowance for wives w/children	3/4 of old age pension for spouse or close family
Avg monthly benefits		¥80,218	¥88,905

Source: Shakai Hoshu Tokei Nenpo (1998), Kose Hakusho (1998)

Semi-Private Pension			Private Pension	Private Lump-Sum Payment
National Pension Funds	Employees' Pension Funds	Mutual Aid Pension	Tax Exempt Qualif'd Pension (1997)	Retirement Allowance Scheme
Supplemental 3rd Tier Optional	Supplemental 3rd Tier Optional	Supplemental 1/2/3 Tier Combined Mandatory	Supplemental 3rd Tier Optional	Supplemental 3rd Tier Optional
Government	Employers of more than 500 employees	Mutual Aid Associations	Firms (employers)	Firms (employers)
Category 1	Employees of above	National and local civil servants, teachers, etc.	Employees of above	Employees of above
0.96	12.25	5.34	10.43	
1%	17%	7%	15%	
5%	37%	100%	31%	
0%	3.4	2.1		
	28%	39%		
	12%	8%		
Subscriber's choice	Fixed % of salary	Fixed % of salary		
--	1.6 ~ 1.9%	9.20%		
None	1.6 ~ 1.9%	9.20%	Depending on each firm	None Depending on each firm
¥30,000 ~		(including premium for National Pension)		
Not Available	¥333,622			
Exempt up to ¥68,000	Exempt	Exempt	Life insurance premium exempt	
	Exempt	Exempt	Exempt	
		17.11%		
Premium-related Depending on premium & age at the time of entry	Income-related Average monthly salary during insured months * fixed rate + alpha	Income-related (Monthly income * 0.9% * insured months* slide rate)+ dependants allowance	Depending on each firm	40 to 46 months worth of monthly salary for employees who have worked full-term (38 to 42 years)
	¥56,000	¥223,000	¥92,830	
Not available	16.8%			
65	60	60		
		Income-related 1st degree old age pension * 1.25 + dependents allowance, 2nd degree: old age pension		Not available
		Income-related 3/4 of old age pension for spouse or close family		Not available

# Chapter 3

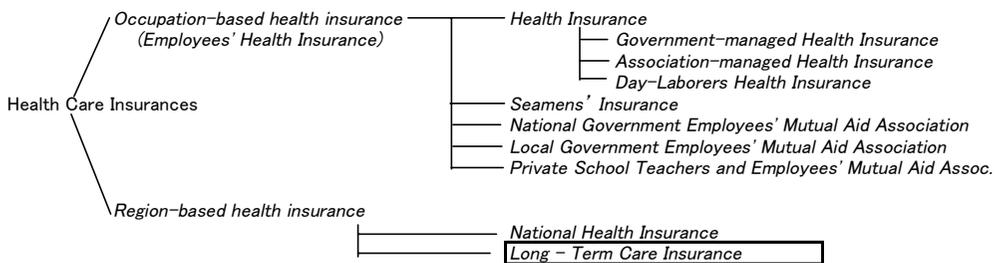
## Health Insurance

### I. General Characteristics

#### 1. Universal health care and public insurance

Japan's medical services are provided by public mandatory insurance program, which is run by two systems: occupation-based and region-based. The former is called Employees' Health Insurance. Employers of firms of a certain size and over and their employees form a health insurance association and thus these are called Association-managed Health Insurance. The number of the associations are more than 1,800. For those who work at smaller firms, the government provides a collective health insurance which is called Government-managed Health Insurance. In addition, special professions such as civil servants, day-laborers and seamen form separate nation-wide professional associations. Those who are not covered by the Employees' Health Insurance are required to participate in a region-based insurance, called the National Health Insurance, for which the municipalities (more than 3,000) act as the independent insurers. (See Fig 3.1)

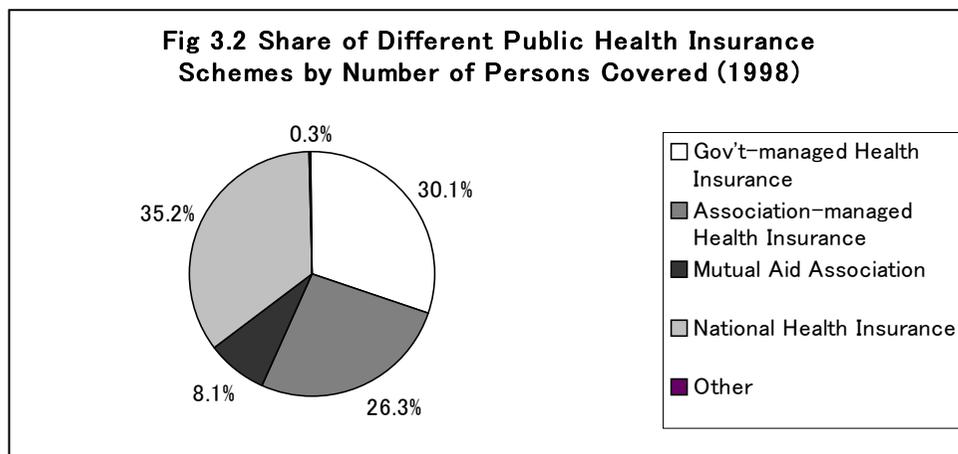
**Fig. 3.1 Public Health Insurance System**



The public health insurance with universal coverage was established in 1961 concurrently with the introduction of the universal public pension schemes.<sup>1</sup> The share of each insurance system is shown in Fig. 3.2. Government-managed Health Insurance, Association-managed Health Insurance, and National Health Insurance account for about one third of the total population.

<sup>1</sup> Those who are receiving public assistance are not covered by health insurance, since their medical needs are met by the welfare payments.

**Fig 3.2 Share of Different Public Health Insurance Schemes by Number of Persons Covered (1998)**



Source: MHW, "Kose Hakusho (1999)"

## 2. Financing of health insurance

All the public health insurance schemes are financed by premiums, subsidy from the general budget of the government, and co-payment from patients. For the Employees' Health Insurance, the premium is a fixed percent of employee's salary, which is shared equally by the employers and the employees. For the National Health Insurance, the premium differs among local governments and is usually levied on the basis of income, property, number of insured within a household. A substantial government subsidy is given to both schemes, particularly to the National Health Insurance. For all Japanese medical insurance systems combined, the contribution by government subsidy, insurance premiums, and patient co-payment are 32.0%, 56.1%, 11.9%, respectively (1996).

## 3. Free to choose any medical facility

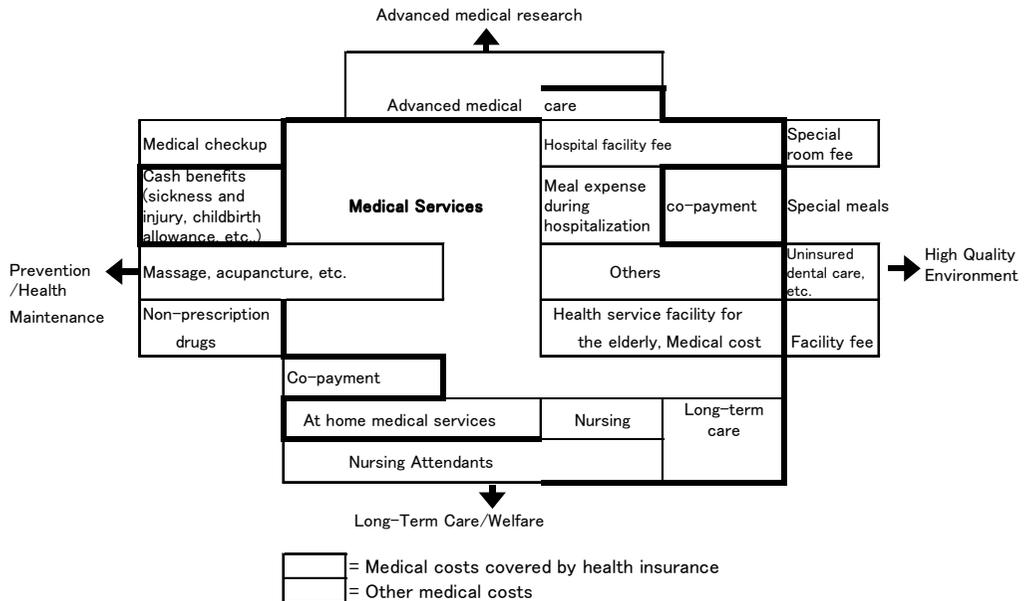
Because Japanese health insurance systems are universal, there is no distinction between public and private hospitals from the view point of the user. In fact, users are free to choose any medical service providers without constraint in terms of hospital type, location or other factors such as having referral or not.

## 4. Equal coverage of services at equal price

The coverage of health insurance and the prices of medical services are standardized by law, and thus, all persons receive the same medical service at equal price. The area covered by

the insurance is shown by color in Fig. 3.3.

Fig. 3.3 Medical Services Covered by Health Insurance



### 5. Rising health care cost for the elderly

As the aging of the population proceeds, the share of the health care costs for the elderly in total medical costs has increased. However, because the composition of subscribers differs among insurance schemes, some insurance schemes, such as those in the National Health Insurance have a larger number of elder subscribers than others and bear a bigger financial burden. To equalize the burden of health care costs for the elderly among insurance schemes, a new system was introduced in 1983, as described below. Under the system, the health care costs for those aged 70 and over are separated from health care system and shared by all insurance schemes.

### 6. Introduction of Long-Term Care Insurance

Even with such a cost-sharing system, the cost of health care for the elderly, especially of the long-term care, has become a burden on the health insurance. Recognizing the special nature of long-term care and the need to separate the long-term care from other medical services, the Government has introduced a mandatory Long-Term Care Insurance, which is

to be implemented in April 2000. The new system requires new contribution from those aged over 40 and covers a variety of at-home and institutional services for those over 65 and judged as in need of long-term care.

## II. Types of Health Insurance

### 1. Employees' Health Insurance system (Occupation-based insurance)

People covered under this type of insurance are employees and their dependents. All employed persons are required to join the association, except those who are employed by private firms with less than five employees and self-employed. Depending on the occupation and size of employers, there exist several programs as described below.

#### (a) Association-managed Health Insurance

This program is operated by a health insurance association organized by large firms for their employees. Sometimes more than one firms form a single association. Currently, there are 1,815 such associations (as of March 1998).

#### (b) Government-managed Health Insurance

This is for the employees of small and medium scale firms, which cannot form health insurance associations on its own. The Government provides a collective health insurance for them, with contributions from the employers and employees.

#### (c) Day-Laborers Health Insurance

This is for day-laborers, i.e. those who are employed on a day-to-day basis, those employed for a fixed term of less than two months, those are employed for seasonal work and those who are employed at temporary workplaces. Because of their unstable relationship with employers, the Government provides a collective health insurance, for which contributions are collected on a day-to-day basis from both employers and employees.

#### (d) Other Occupation-based health insurance

- Seamen's Insurance
- National Government Employees' Mutual Aid Association
- Local Government Employees' Mutual Aid Association
- Private School Teachers and Employees' Mutual Aid Association

The first is operated by the Government, and the other three by each mutual-aid associations.

## 2. National Health Insurance

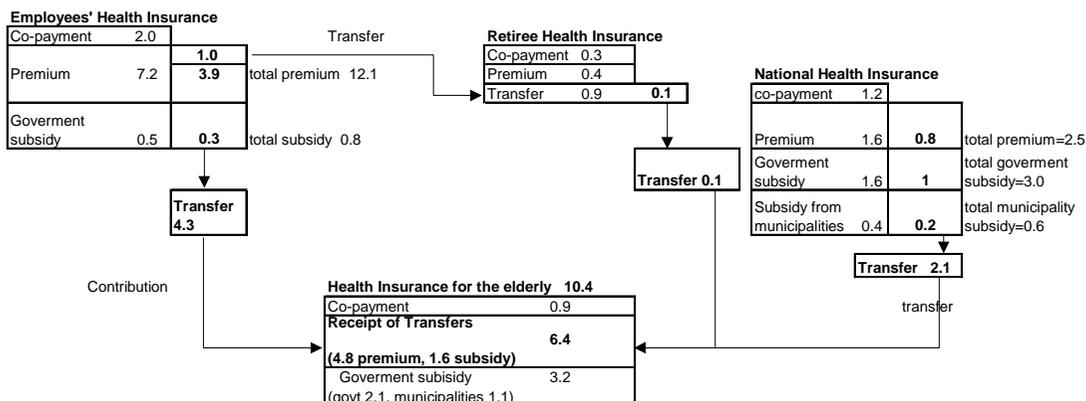
This program covers all those who are not covered by the Employees' Health Insurance, i.e. self-employed, farmers, students, and so forth, including all legal foreign residents. The insurers are municipalities except for the National Health Insurance Associations, which are addressed to special professionals such as medical doctors. Retirees who previously subscribed to Employees' Health Insurance are insured under the National Health Insurance. However, the health care cost for the retirees of age 60-70 are financed by the transfer from the Employees' Health Insurance, i.e. retiree's former insurer.

The National Health Insurance is financed by government subsidy as well as insurance premiums paid on household basis. The premium can be discounted up to 60% for low-income households.

## 3. Health Service System for the Elderly

Previously, health insurance for the elderly was covered by the National Health Insurance, except that they are financially dependent on their family and insured by the Employees' Health Insurance of their family. However, as a result of an increasing aging, this arrangement led to an unbearably heavy burden on the National Health Insurance. Thus, a special financial arrangement was made for those aged 70 and over, and those between 65 and 70 years old who are bed-ridden or have severe disabilities. Under this scheme, the elderly have access to health services at a nominal fee per visit (in case of out-patient) and per day (in case of hospitalization), and their health care costs are met by the subsidy from the central and local governments (30%) and the transfer of contributions from the National Health Insurance and the Employees' Health Insurance (70%). (See Fig 3.4)

Fig. 3.4 Sources of Financing in Health Insurance Schemes, 1998  
(in trillions of yen )



#### 4. Medical benefits

Under the Employees' Health Insurance the insured pays 20% of cost of all care, and dependents pay 30% of cost (20% if inpatient). For both of them the maximum of co-payment is 63,600 yen a month for the same illness (35,400 yen if low-income family).

Under the National Health Insurance the insured pays 30% of medical costs. The maximum of co-payment is same as for the Employees' Health Insurance.

The co-payment for the elderly is fixed low. Outpatients pay 530 yen per visit to the same doctor or hospital up to four visits per month; for more visits free. Inpatients pay 1,200 yen per day.

### III. Current Issues of Health Insurance

#### 1. Health care cost for the elderly

As a result of aging population, the share of health care costs for the elderly has risen continuously, reaching to about 33% of all medical costs (FY 1998). Since the contribution and co-payment of the elderly are very limited, their costs are born mainly by the younger population in the health care systems. However, due to rising medical costs and decreasing premiums caused by stagnant number of employees, many insurers in the Employees' Health Insurance associations and the National Health Insurance have faced financial difficulties. 85% of the Employees' Health Insurance schemes will go into the red in FY1999, and it will be difficult for them to pay the required amount for the Health service for the Elderly, which is currently as much as 40% of their income from the premiums.

As the Long-Term Care Insurance starts in April 2000, some of the health service costs for the elderly was expected to be reduced, but the fact is that it is not the case. The reform of the entire health care system for the elderly is most needed.

#### 2. Reform of Drug Pricing

Drug tariff schedule sets the official price for each medicine on the basis of the weighted average of market price. Since a medical provider can obtain medicine at a bulk price which is lower than the official price, there exists an incentive for a medical provider to prescribe more medicine, and this is one of the reasons for higher medical costs. A debate is on-going to abate this incentive and to design a new system.

#### 3. Reform of medical fee System

Under the current systems of fee-for-service payments, medical providers are paid, in principle, for whatever services and medicine they provide. Thus, there is an incentive for medical providers to over-examine and over-prescribe medicine, creating a tendency to higher medical costs. In addition, there has been a gradual shift from acute to chronic diseases. This has led to a debate on a reform of the fee schedule to fixed prospective payments so that doctors are paid a fixed amount depending on the type and severity of the disease, sometimes called Diagnosis Related Groups. This system has been introduced

partially to hospitals for elderly care.

#### 4. Restructuring of medical providers

In Japan, beds for general illness compose 3/4 of total beds, while the rest goes to tuberculosis, mental illness and other special illness. Beds for general illness are used by patients of both acute and chronic conditions. This poses a problem of bed management because chronic patients occupy beds for a long period of time. Currently, it is under consideration to divide the general beds into acute and chronic uses, in order to manage beds more efficiently.

Also under consideration is to promote information sharing between doctors and patients, such as opening of medical files to the patients, informed consent practice, and more generally, protection of patients' rights.

### Outline of Health Insurance System

		<b>Employees' health insurance systems (EHIs) – Professional Health Insurance</b>		
1) Name	Gov't-managed Health Insurance	Association-managed Health Insurance	Day-Laborers Health Insurance	
2) Eligible subscriber	Employees of Small-Medium firms	Employees of Large firms	Day-Laborers	
3) Number of subscriber (millions)	19.98	15.37	0.05	
Dependents	18.23	16.61	0.03	
% of population	30%	25%	0.1%	
4) Insurer (number of organizations)	Government	Health Insurance Associations (1,815)	Government	
5) Premium rate:				
Subscriber	4.25%	3.658% (avg)	¥55~1050/day	
Employer	4.25%	4.736% (avg)	¥85~1700/day	
	1.0% (Special Premium)			
6) Gov't Subsidy to:				
Administrative cost	All	All	All	
Medical cost	13%	¥6.7 billion	13%	
Contribution for the elderly	16.40%	--	16.40%	
7) Co-payment:				
Subscriber	20%	20%	20%	
Dependents	20% for inpatients 30% for outpatients			
Inpatient meal expense	¥760/day (for low-income family ¥650/day for first three months, ¥5			
Maximum	¥63,600 (for low-income person ¥35,400)			
8) Allowance:				
Childbirth allowance	¥300,000	Same	¥300,000	
Funeral expense	1 month of salary (min. ¥100,000)	as	Avg. monthly wage (min.¥100,000)	
Fun.exp. for dependents	¥100,000	the	¥100,000	
9) Unemployment benefits:		left		
Due to sickness	60% of avg. wage	column	2% of Avg monthly wage/day Up to 6 months (except for TB 18 m)	
	Up to 18 months			
Due to childbirth	60% of avg. wage		42 days before birth, 56 days after	
	42 days before birth, 56 days after			
Due to unemployment	--			
10) Disaster Relief:				
For death	--		--	
For death of a family member	--		--	
For disaster	--		--	

Occupation-based				Regional Based Insurance		
Seamens' Insurance	National Govt Employees' Mutual Aid Association	Local Govt Employees' Mutual Aid Association	Private School Teachers & Employees' MAA	National Health Insurance		
Seamen	National Govt Civil Servants	Local Govt Civil Servants	Private School Teachers & Employees	Self-employed, farmers, etc.		Retired
0.11	1.15	2.99	0.44	34.78	4.67	4.24
0.19	1.53	3.78	0.38	0	0	0
0.2%	2%	5%	0.7%	28%	4%	3%
Government	Mutual Aid association of each ministry (27)	Mutual Aid association of each local govt (54)		Municipality (3,249)	National Health Insurance Associations (166)	Municipality (3,249)
4.40%	2.46 ~ 5.00%	4.26% (avg)	4.23%	Avg. premium per family ¥150,893 ('96)		
4.40%	2.46 ~ 5.00%	4.26% (avg)	4.23%	--	--	--
All ¥3 million	All --	All (by local govt) --	Partial --	All 50%	All 32~52%	All --
--	--	--	--	--	--	--
20%	20%	20%	20%	30%	30%	20% inpatient, 30% outpatient

¥300/day after 3 months, or for low-income family receiving elderly pension ¥300/day)

¥300,000	standard amount ¥300,000	standard amount ¥300,000	standard amount ¥300,000	standard amount ¥300,000
2 months of salary (min. ¥100,000)	1 month of avg. salary (min ¥100,000)	1 month of salary (min ¥100,000)	1 month of avg. salary (min ¥100,000)	standard amount ¥300,000
1.4 month of salary (min. ¥100,000)	70% of avg. salary (min ¥100,000)	70% of 1 month of salary (min ¥100,000)	70% of avg. salary (min ¥100,000)	Set according to the law
60 % avg. wage	65% of avg. salary	80% of avg. salary	80% of avg. salary	Standard not set
Up to 3 years	Up to 18 months (except for TB 3 yrs)	Up to 18 months (except for TB 3 yrs)	Up to 18 months (except for TB 3 yrs)	Standard not set
Unemployed days before birth, 56 days after	65% of avg. wage	80% of avg. wage	80% of avg. wage	Standard not set
	42 days before birth, 56 days after	42 days before birth, 56 days after	42 days before birth, 56 days after	
	50% of avg. wage	60% of avg. wage	60% of avg. wage	--
--	1 month of avg. salary	1 month of avg. salary	1 month of avg. salary	--
--	70% of monthly avg. salary	70% of monthly avg. salary	70% of monthly avg. salary	--
--	0.5 to 3 months of avg. salary, due to severness	0.5 to 3 months of avg. salary, due to severness	0.5 to 3 months of avg. salary, due to severness	--

## Chapter 4

### Public Assistance

#### I. General Characteristics

##### 1. Explanation of terms

The areas of public assistance in Japan is divided into : (1) Income assistance for the poor and (2) Social services and assistance for socially disadvantaged people. The former is called Public Assistance, while the latter includes Welfare for the Elderly, Welfare for the Children, Welfare for the Disabled, Welfare for Single-Mother Households, Welfare of Mentally Disabled People depending on the specified target group. Public Assistance includes both in-kind and in-cash assistance to the poor household, while the latter includes mostly services such as at-home and institutional assistance, but sometimes in-cash assistance. Thus, the term welfare is used widely to indicate various social assistance programs and institutions which fall under the above mentioned areas.

##### 2. Means test and universality

Income assistance of any type is given by a fairly strict means test, which might be a reason for low percentage of population receiving public assistance. However, the Public Assistance Law stipulates the principle that every citizen has a right to claim public assistance without discrimination, regardless of reasons for falling into hardship.

On the other hand, most of the services provided at institutions for the disabled, elderly, and children are provided to all, even though there is a difference in fee depending on the income of the recipient.

## II. Assistance Schemes

Here, main measures for the following four categories of social assistance will be described. Income assistance, rather than services, will be the main focus of the discussion.

1. Public Assistance
2. Welfare for Children (including Single-Mother Households)
3. Welfare for the Elderly
4. Welfare for the Disabled

### 1. Public Assistance

The root of Japan's public assistance goes back to Indigent Person's Relief Regulation (1874) and Poor Relief Law (1932). However, a modern version of the public assistance started in the midst of the confusion after World War II with Public Assistance Law (1946), followed closely by its total revision in 1950. The revised Public Assistance Law (New) constitutes a backbone of the public assistance. The Law stipulates four fundamental principles: (1) public assistance to the people in need is a responsibility of the state, (2) all citizens<sup>1</sup> have a right to claim public assistance without discrimination of sex, social background and reasons for falling into hardship, and only the economic condition is the criteria of receiving assistance, (3) the state guarantees to all citizens a minimum level of healthy and cultural life, and (4) public assistance is a supplement to all resources available to and the best efforts exerted by the applicant.

The public assistance is given upon receipt of application by a household in need and after careful examination of the application. The assistance is calculated by subtracting the household's final income from the minimum cost of living. In case the minimum cost of living exceeds the final income, the difference is given as the assistance. The minimum cost of living is calculated from seven categories of expenses : livelihood, housing, educational, medical, maternity, occupational, and funeral expense. The calculation of the minimum cost of living takes into consideration the differences in living costs among different regions of the

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<sup>1</sup> The Public Assistance Law (New) excludes foreigners from this right, but currently, by order, legal foreigners are given "equal treatment as citizens". Illegal foreigners are not covered.

country, and household structure. Not all assistance is provided as cash transfers, but some expenses such as medical costs, are provided as in-kind transfer.

(a) Means test

The principle (4) in the above states that the public assistance serves as a supplement to the person's best efforts and available resources. In other words, the person is required to use all available resources, including assets, ability to work, as well as assistance from those who are required to support the person by law. Assets such as land, houses and farms must be sold, except in the case where the person is actually living or utilizing it and the value of the assets is higher when it is utilized than when it is sold. Household goods such as TV are allowed to be kept if the diffusion rate of the goods is more than 70% in the region.

As for the utilization of ability, the person will not be able to receive assistance if he/she is judged as capable to work. If the person has a will and ability to work, but is unable to find work, it is unlikely that he/she would be given assistance.

The civil law states that certain relatives and family members are required to support a person in need. Thus, the public assistance is given only after it is judged that this support is not available. In practice, spouses and parents of a minor (less than 20 years old) have strong responsibility to support the person.

(b) Statistics

In 1997, 631 thousand households or 906 thousand persons (0.72% of the population) received some types of public assistance. Among them, the share of elderly household is the largest, accounting for 44% of all recipient households, and has been increasing for some years. The share of household with the disabled or sick is also large, at 41%. The rest are single-mother households and others. The large share of households with the elderly, disabled or sick may be the reason that the most of recipient households (87.4% in 1997) do not have any working member.

**Table 4.1 Persons Receiving Public Assistance by Types of Aid**

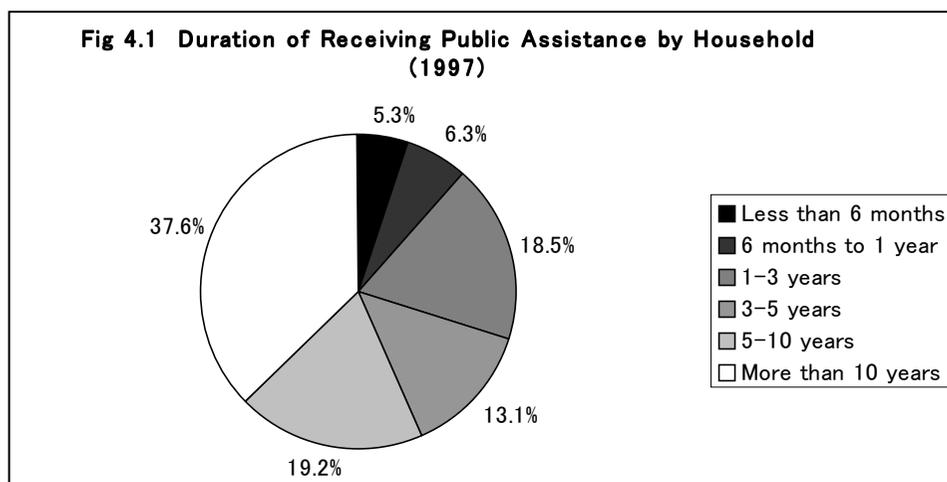
(monthly average, 1997)

	unit	Number	%
Number of Households	(1000 households)	631	
Number of persons	(1000 persons)	906	100.0
Livelihood aid	(1000 persons)	784	86.5
Housing aid	(1000 persons)	669	73.8
Educational aid	(1000 persons)	84	9.3
Medical aid	(1000 persons)	716	79.0
Other types of aid	(1000 persons)	3	0.3

**Table 4.2 Percentage of Household Receiving Aid by Types of Household**

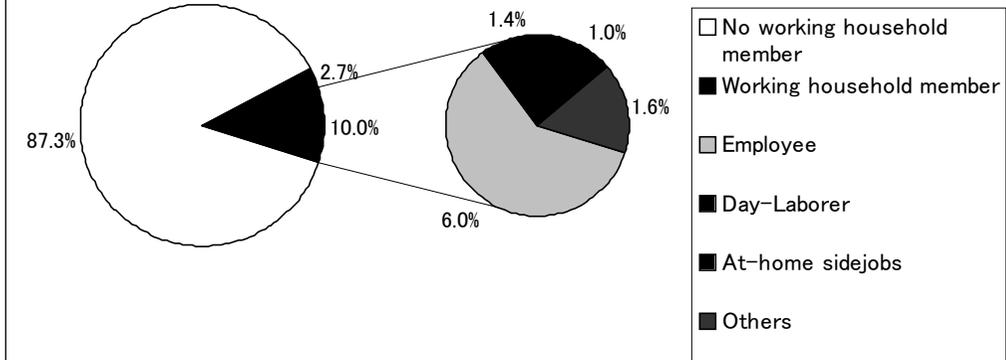
Type of Household	%
Elderly households	44.0
Single-mother households	8.3
Household with disabled or sick	41.0
Other	6.7

Source: MHW, 1999



Source: Kose Tokei Kyokai, Kose no Shihyo, 1999

**Fig 4.2 Working/Non-working Households Receiving Public Assistance (1997)**



Source: Kose Tokei Kyokai, 1999

## 2. Welfare for Children (including Single-Mother Households)

### (a) Child Allowance and Special Child Allowance

In order to help families raise children, the Child Allowance is granted to parents (or guardians) who are raising children less than 3 years old, and whose income is less than a specified amount (see Table 4.3 for income threshold). The amount of the Child Allowance is ¥5,000 per month for the first twos, and ¥10,000/month/child for other children under 3 years old. The financial burden of the Child Allowance is born by employer, central, prefectural and municipal governments at 70%, 20%, 5%, 5% for a recipient who is employed, and by the central, prefectural and municipal governments at 66%, 16% and 16% for a recipient who is not an employee.

In addition, for a parent who is either employee or a public servant, a higher income threshold was set for receiving Special Child Allowance. The amount of Special Child Allowance is same as the Child Allowance, but the entire financial burden is born by his/her employer.

**Table 4.3 Income Threshold for Child Allowance**

Number of Dependents	Threshold for Child Allowance*	Threshold for Special Child Allowance*
None	152.9	344.5
1 person	182.9	374.5
2 persons	212.9	404.5
3 persons	242.9	434.5
4 persons	272.9	464.5
5 persons	302.9	494.5
More than 6 persons	+30.0/person	+30.0/person

\* Annual Income of previous year (unit:¥10,000)

**Table 4.4 Number of Child Allowance Recipients and Expenditure, 1997**

	Number of Recipients	Number of Children covered	Expenditure (unit: million yen)
Total	1,928,553	2,157,668	149,366
(of which SCA)	(1,253,884)	(1,396,538)	(95,039)
Employee	1,414,679	1,578,485	108,815
(of which SCA)	(1,106,757)	(1,230,187)	(83,390)
Non-Employee	360,294	405,424	28,380
Public Servants	153,580	173,759	12,171
(of which SCA)	(147,127)	(166,351)	(11,648)

Source: Kose Tokei Kyokai, 1998, MHW, 1999

(b) Child Rearing Allowance (for single-mother households)

As part of measures for single-mother households, Child Rearing Allowance is given to a mother or other persons having custody of, and rearing a child less than 18 years old, who does not share a common household income with father and whose earnings for the previous year is less than the threshold. For mothers and others with less than ¥2,048,000 of annual earning, monthly allowance of ¥42,370 in case of one child, ¥47,370 in case of two children, and for third child and up additional ¥3,000 for each child is granted. For similar persons whose earnings of the previous year was more than ¥2,048,000 but less than ¥3,000,000, monthly allowance is reduced by ¥14,020.

(c) Child Care Facilities (Day-care centers, etc.)

Municipal governments are required by the Child Welfare Law to provide day-care centers for children whose parents are not capable of taking care of them for reasons such as work, illness, and care of other members of the family. Day-care centers provide 8 hours of care, but demand to extend the hours has been increasing. The staffing and other quality measures are tightly regulated by the state. Fee for day-care centers depends on municipality.

### 3. Welfare for the Elderly

To meet the need of aging society, various welfare measures are provided. The basic principles governing the welfare for the elderly are : promotion of independence, universality, comprehensive service, community-based delivery.

The details of services for the elderly will be outlined in Chapter 5, and here only the list of services is shown (Table 4.5). For at-home elderly, services such as home-helps, short-stay, and day-care are provided. For elderly who cannot be taken care of at home, there are institutions such as special nursing homes, care houses, and health service facilities.

**Table 4.5 Health and Social Services for the Elderly**

<b>Service</b>	<b>Description</b>
Home-helper services	Home helpers visit families with the elderly, who have difficulty in engaging in daily life activities, to assist in providing personal house work services
Short-stay	In special nursing homes the bedridden elderly and others are taken care of for a limited time in place of their regular care takers
Day-service, Day-care	Elderly people commute by shuttle bus to day service centers, where such services as baths, meals, health check-ups and training in daily activities are provided.
In-home care support centers	These centers within the communities provide expert counseling and guidance on long-term care, so that the necessary services can be obtained without visiting the local municipal office.
Special nursing homes for the elderly	These are welfare facilities for the elderly who constantly require personal care and who have difficulty living at home.
Health services facilities for the elderly	These facilities are for bedridden elderly people who do not need hospitalization, but need functional training and nursing/personal care for returning to live at home.
Care houses	These are a new type of homes for the elderly with a moderate fee, which enables the elderly to continue living an independent life with the help of wheelchairs, home helpers, etc.
Living welfare centers for the elderly	These are small-scale comprehensive facilities for the elderly located in less-populated areas, where the elderly can live in security, receive the needed care and engage in a social exchange with their peers in the community.
Home-visit nursing care station for the elderly	These stations provide the bedridden elderly living at home with nursing services focused on personal care, based on their doctor's instructions.

#### 4. Welfare for the Disabled

The measures for people with disabilities are divided into (1) those for people with physical disabilities, (2) for people with mental disorders, (3) for children with mental and physical disabilities and adults with intellectual disability. Measures are mainly institutional services and in-home services. Tables 4.6 and 4.7 list services provided by the government.

**Table 4.6 Measures for People with Physical Disabilities**

Community Service	
Rehabilitation	Rehabilitative medical care Home-visit examination and counseling
Provision of goods	Provision & repair of prosthetic appliances Provision of daily life appliances Allowance for people with special disabilities
In-home care	Home-help service Short-stay program
Health care	Health checkup
Social participation	Counseling Day-service programs Daytime sheltered workshops etc.
Institutionalized Service	
Rehabilitation facilities	For people with motional disabilities For visual disabled For auditory and speech disabled For people with internal disorders For people with severe mental and physical disabilities
Living facilities	Custodial care homes Welfare homes
Work facilities	Sheltered workshops Sheltered workshops for people with severe physical disabilities Daytime sheltered workshops Welfare factories
Community facilities	Welfare centers (health care and relaxation activities) Day service centers Rehabilitation centers Braille libraries and publishing facilities Information service facilities for hearing disabled Prosthetic appliances manufacturing facilities Homes for the blind

**Table 4.7 Measures for People with Mental Disorders**

Medical services	Psychiatric hospitals and clinics
Community services	Day-care Vising guidance for user groups welfare counselling
Social rehabilitation services	Dormitories (for those unable to carry out daily lives on their own) Short-term residency (for those who can carry out daily lives on their own, but have no place to live) Welfare homes (provide workplace) Welfare workshops (those who can work, but have no place to live) Sheltered workshops Group homes Small workshops (work training) Social rehabilitation programs Counseling

Source: Kosei Tokei Kyokai, 1999

As for the income assistance, disability pensions under the National Basic Pension, the Employees' Pension Insurance schemes, and Special Allowance for Disabled Persons are granted for eligible persons with disabilities who are over 20 years of age. For households who are raising children with disabilities under age of 20, Special Child Rearing Allowance and Welfare Allowance for Disabled Children are applicable. If the sum of eligible allowances and any other income is under the minimum cost of living, public assistance, as discussed in section II.1., is granted to secure the minimum standard of living. Amount of each allowance is summarized in Table 4.8.

**Table 4.8 Income Assistance for the Disabled, 1998**

<b>Allowances</b>	<b>Special Allowance for disabled persons</b>	<b>Welfare Allowance for Disabled Children</b>	<b>Special Child Rearing Allowance</b>
Amount (monthly)	¥26,700	¥14,520	¥51,250 (1st degree) ¥34,130 (2nd degree)
Eligibility	Disabled persons over 20 years old requiring special care and living at home	Those raising mentally disabled children requiring special care and living at home	Those raising disabled children and is not receiving disability pension

<b>Pensions</b>	<b>National Basic Pension</b>	<b>Employees' Pension Insurance</b>
Type	Flat rate	Income-related
Amount (Annual)	¥999,400 (1st degree) or ¥799,500(2nd degree) + dependents allowance	Monthly income * 0.75% * insured months * slide rate * (1.25 for 1st degree, 1.0 for 2nd degree)+ dependants allowance
Average Amount	¥75,335	¥102,716
Eligibility	Over 20 years of age, who have paid 2/3 of premium period and those who are under 20 at the time of becoming disabled and who have turned 20	For those who have become disabled during insured months (for those under 300 months of insurance period, 300 is applied)

Source: Kosei Tokei Kyokai, 1998

### III. Current Issues

#### 1. Basic Structural Reform of Social Welfare

The 1945-55 conception of public relief for the poor still remains in the basic framework of social welfare in Japan. However, there is a growing awareness of the necessity to respond to the diverse welfare needs of people and to provide them with high quality services. With such an understanding, the government is carrying forward the Basic Structural Reform of Social Welfare.

The reform aims to establish a system which ensures the choice of individuals. Previously, specifically in case of services requiring institutionalization, the welfare offices assessed the need of the person in question and ordered appropriate measures. Under such a system, the user could not freely choose the service or the institution. Under a new system, an individual selects his/her own services and uses them based on a contract with suppliers .

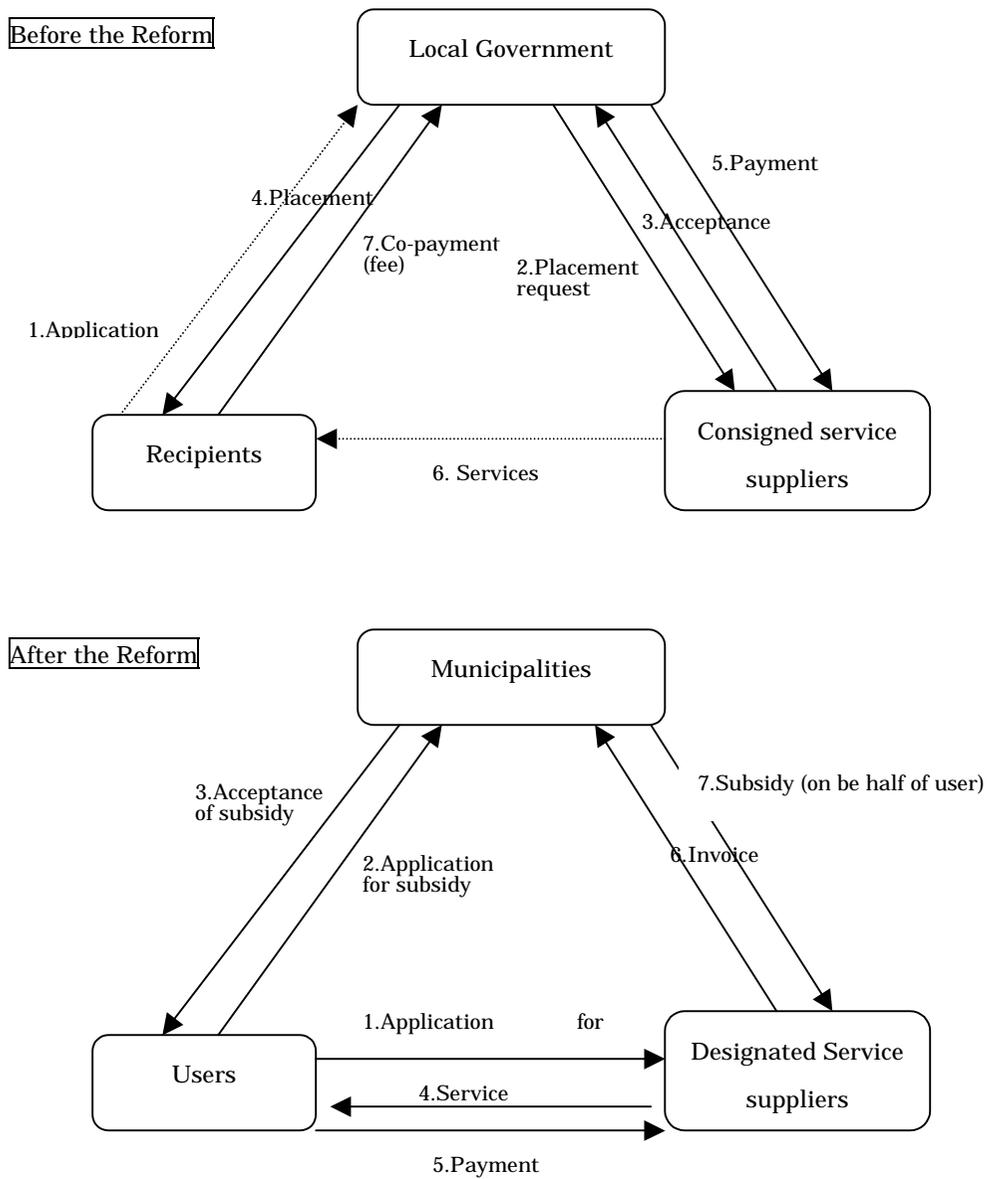
(Fig. 4.5)

The reform is still at the stage of building a consensus about its general direction, and concrete measures must be determined in later legislation.

#### 2. Need to create a society favorable to child rearing

Japan has faced a rapid aging of the population, which is caused by both an increase in life span and a decrease in fertility. In order to avoid a decrease in the number of children, it is necessary to create an environment favorable to child rearing. However, many Japanese working parents rely much on mothers staying at home or grandparents taking care of children. As the number of working mothers rises, there has been a severe shortage of day-care centers, especially for 0 to 2 year olds, within metropolitan cities. In 1999, the Government has allocated a special supplemental budget to reduce the number of waiting children for day-care centers. Yet, more efforts in this field are needed to increase the number and diversify the kind of day-care centers and other measures to help working parents. Measures to help not only working parents but also non-working mothers, who are feeling stress of bringing up children in the absence of extended family and community ties, will work to create a child-rearing easy society.

Fig. 4.5 Diagram Representation of the Welfare Reform



# Chapter 5

## Long-Term Care

### I. General Characteristics

#### 1. Introduction of the *Long-Term Care Insurance*

Starting in April 2000, Japan will introduce *Long-Term Care Insurance*. The insurance system will replace the long-term care portion of medical service for the elderly, that was provided partly through health insurance system and partly by the welfare measures. The main differences between the *Long-Term Care Insurance* and long-term care provided by the existing systems are shown in Table 5.1. The new system grew out of the recognition that the care need of an aging society has become a huge financial burden on the health insurance system and such arrangement will sure be unsustainable in the future. Furthermore, due to changes in the society such as weakened community ties, increase in small-sized families, and increase in working women, financial and psychological burden of family in the face of care for the elderly has become unbearably large. The *Long-Term Care Insurance* is designed to share the burden of caring for the elderly among all members of the society and lessen the burden of the family. In other words, it aims to establish a system that responds to society's major concern about aging, and to assure the citizens that they will receive care, if necessary, and be supported by society as a whole.

**Table 5.1** Differences between New and Old Care Systems

	Old		New
	Welfare for the Elderly	Insurance for the Elderly	Long-Term Care Insurance
Service Target	Low-income, living alone or other requirements	Those aged 70 years old and over and those between 65 and 70 with disabilities	All elderly
Eligibility for Service	Care needs and conditions of family structure, income, etc.	Care needs	Care needs
Co-payment	According to ability to pay	¥530/visit, ¥1,200/day of hospitalization	10% of service fee
Service Providers	Public welfare facilities	Medical facilities	Public or private care facilities, medical facilities
Freedom of choice by user	No	Yes	Yes

Source: Nihon Iryo Kikaku, "Iryo Hakusho, 1998"

## **2. Long-Term Care Insurance System**

### a) Insured

The insured persons are those who are aged 65 and over (*Category I*) and those between ages of 40 to 64 and are subscribers of health insurance (*Category II*). The premium is collected through municipality and deducted from pensions for the *Category I*, and through additional premium to be paid to health insurance for the *Category II*. Premium amount is determined by each municipality, and thus differs depending on available facilities and demand for care service . Premium is income-related, and there will be moderating measures for low-income insured.

### b) Service provided

A list of care services is shown in Table 5.2. The services are provided both at home and at institutions depending on the care required by user. The user is free to choose the kind of care and its providers, which can be either public or private. However, the degree of required care must be assessed beforehand by the municipality of user's residence.

### c) Source of financing

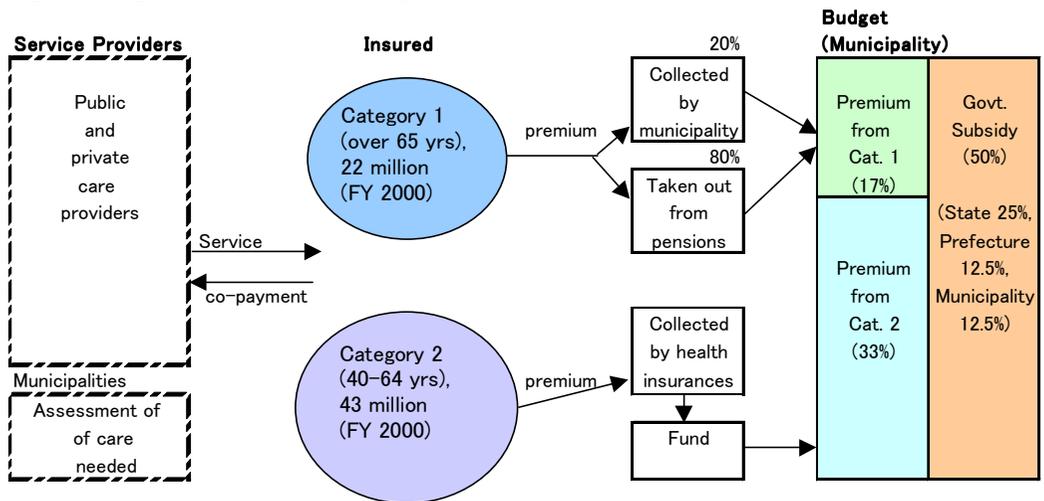
The cost incurred in the *Long-Term Care Insurance* is financed 50% by premiums (17% by Category I, 33% by Category II) and 50% by government subsidy. Within this framework the municipality can determine the rate of premium for the insured of Category 1. It is estimated about 3,000 yen per month on average. For the Category 2 insured the rate will be 0.95% of salary in the Government-managed Health Insurance and 0.88% in the Association-managed Health Insurance.

**Table 5.2 Care under Long-Term Care Insurance**

Service for those staying at home	Service for those who are institutionalized
Home-help	Special nursing homes for the elderly
At-home bathing	Health service facilities for the Elderly
At-home nursing	Care Rehabilitation Type
At-home rehabilitation	At medical facilities
Day-service rehabilitation	1. Beds for rehabilitation
Medical service (visiting doctor and dentists)	2. Beds for dementia patients
Day-service	3. Beds for care
Short-stay service	
Care for communal living for elderly with dementia	
Group home for elderly with dementia	
homes	
Provision or subsidy for care equipment	
Subsidy for home alteration to meets care needs	

Source: Kenko Hoken Kumiai Rengokai, "Shakai Hoshō Nenkan 1999"

**Fig. 5.1 Diagram Representation of Long-Term Care Insurance**



Source: Kenko Hoken Kumiai Rengokai, 1999, MHW, 1999.

### **III. Current Issues**

#### **1. Shortage of care providing facilities**

One of the concerns in introducing the *Long-Term Care Insurance* is uneven distribution of care facilities throughout Japan, resulting in a shortage of care providing facilities, both private and public, in some regions. The anxiety is expressed, “Insurance, but no Service”. The government has formed a plan to increase the public care facilities and to encourage private sector to enter into the field.

At the same time, there is also a concern about the quality of care provided by the private sector. The quality control measures need to be set.

#### **2. Response to the rise of insurance premium**

Another issue is the amount of premium. For the insured of the *Category I* the premium is deducted from pensions or collected separately by the municipality, and for the *Category II* the amount of health insurance premium will be increased. There is also a considerable variation in the premium among municipalities. At the end of 1999, the Government has decided to reduce the amount of premium by 100% for the first 6 months and by 50% for the next year for the *Category I*, and provide subsidy worth 1 year of increased amount for the *Category II*, to have some “ease-off period”. However, this measure will require an additional government budget, and has drawn fierce criticisms.

#### **3. Cash Allowance for caring family**

Lastly, whether or not to provide cash allowance for those choosing to care for the elderly by family is a contentious issue. There are pros and cons based on the evaluation of the traditional family care giving. At the end of 1999, the Government has decided, as a temporary two-year measure, to provide the yearly maximum of ¥100,000 per elderly to a municipality which decides to give assistance to those who choose family care.

## References

### Relevant Organizations

National Institute of Population and Social Security Research

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Ministry of Health and Welfare <http://www.mhw.go.jp/english/index.html>

Ministry of Labor <http://www.mol.go.jp/english/index.htm>

Statistics Bureau & Statistics Center, Management and Coordination Agency

<http://www.stat.go.jp/1.htm>

The Japan Institute of Labor <http://www.jil.go.jp/index-e.htm>

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