LTC I in Japan: Looks Good So Far

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October 22, 2003
What Is It?

• Public, Mandatory, Social Insurance
  – All aged 40+ pay premiums, by income
  – All aged 65+ are eligible by ADL test
    • Income or family situation not considered
  – Half the money is from general revenues

• Big Program
  – 3.4 million are certified (14% of 65+)
  – Costs now about $35 billion PPP
  – Estimated $70B or 1.5% of GDP in 2010
Why “Socialize” Care?

• Social change
  – Most rapidly aging population in world
  – Women’s role changing; family can’t do it

• Policy problems
  – Too many elderly getting LTC in hospitals
  – Health insurance running in the red

• Politics
  – Intense concern re “Aging Society”
  – LDP made campaign slogan in 1990
The First Response

• The Gold Plan of 1990
  – 10-year plan to double service levels
  – Emphasis on community care

• Too successful!
  – Demand exceeded expectations
    • “New Gold Plan” in 1994
    • Would require new taxes
    • Impossible to administer
      – eg eligibility was ad hoc, inconsistent
      – lacked enough staff for Swedish-style
Change of Course

• Discussions from early 90s in MHLW
  – Officials and experts studied Germany

• Advantages of social insurance
  – New earmarked premium, not taxes
  – Bypasses oppressive welfare bureaucracy
  – Individual entitlement and consumer choice

• LTCI passed in 1997, started in 2000
Differences from German LTCI

• Germany covers all ages; Japan not
• Japan is much bigger
  – Both started at 0.7% GDP; Japan will double
  – Threshold lower (14% vs 8% of 65+)
  – Benefits higher (90% vs 50% of need)
• Germany supports family care, Japan not
  – Cash allowance in Germany elected by most
  – Japan only formal services
Why the Differences?

• Size: Japan already doing a lot
  – Institutions: 400,000 in hospitals, almost free
  – Community care: Gold Plan high growth
  – Did not have a fight over money

• No cash allowance
  – Germany: preserve traditional women’s role
  – Japan: transform it
    • Amazingly, a strong voice for feminists
  – Also, phase in the spending gradually
    • If cash, everybody takes it right away
How Has It Worked Out?

- Implementation surprisingly smooth
  - 2.5M certified in the first year
  - Media complaint—people newly paying
    • But municipalities took care of worst problems
  - Some companies too optimistic, cut back
- Rapid expansion
  - 45% growth in three years: people & money
- Well accepted by all: now normal
Lessons?

• Important to look for lessons!
• Comprehensive LTC is doable
• Direct services or social insurance choice
  – Depends mostly on historical legacy
  – But Japan changed course
• Services-only can save money
  – People only use what they want