Global meeting on "Strategic purchasing for UHC: unlocking the potential"
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Governance for strategic purchasing: experience of Japan

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Outline

1. Universal health coverage and health financing systems in Japan

2. Governance for strategic purchasing in Japan

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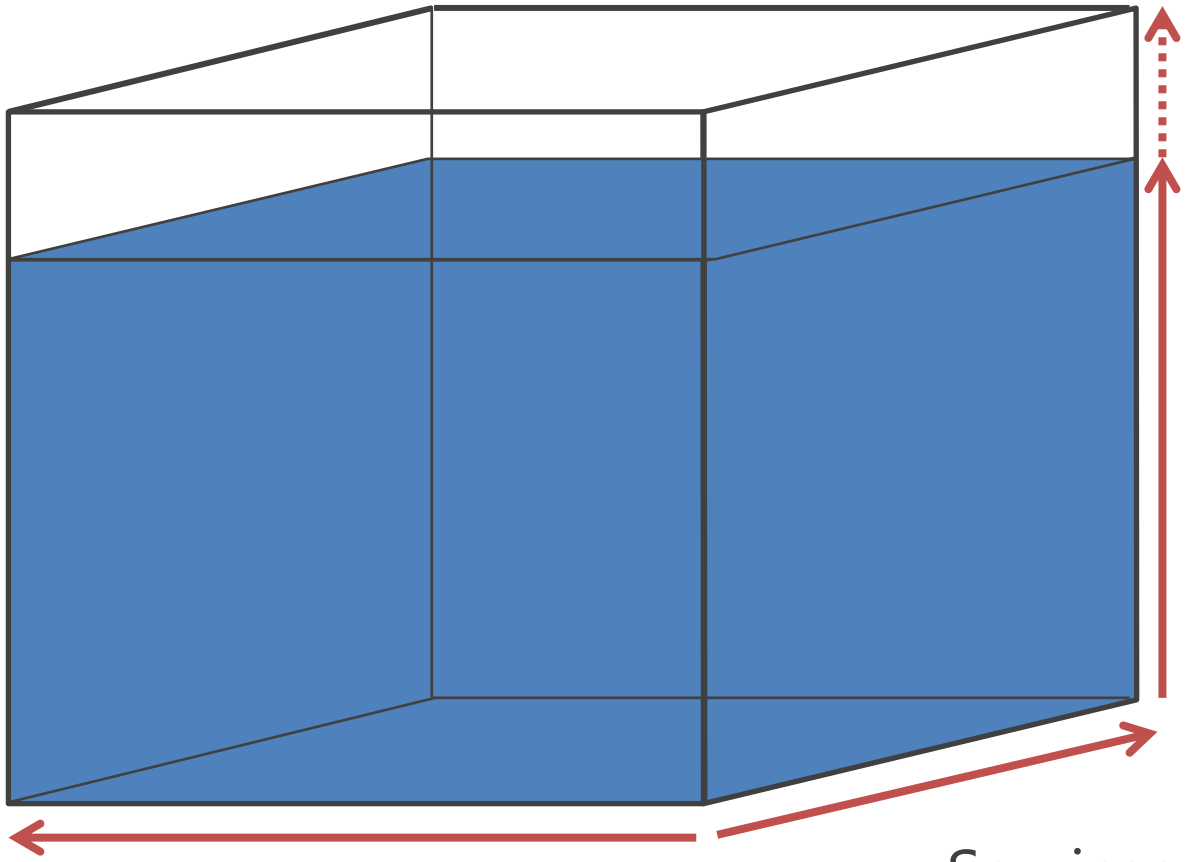
Japan's UHC cube [2013]



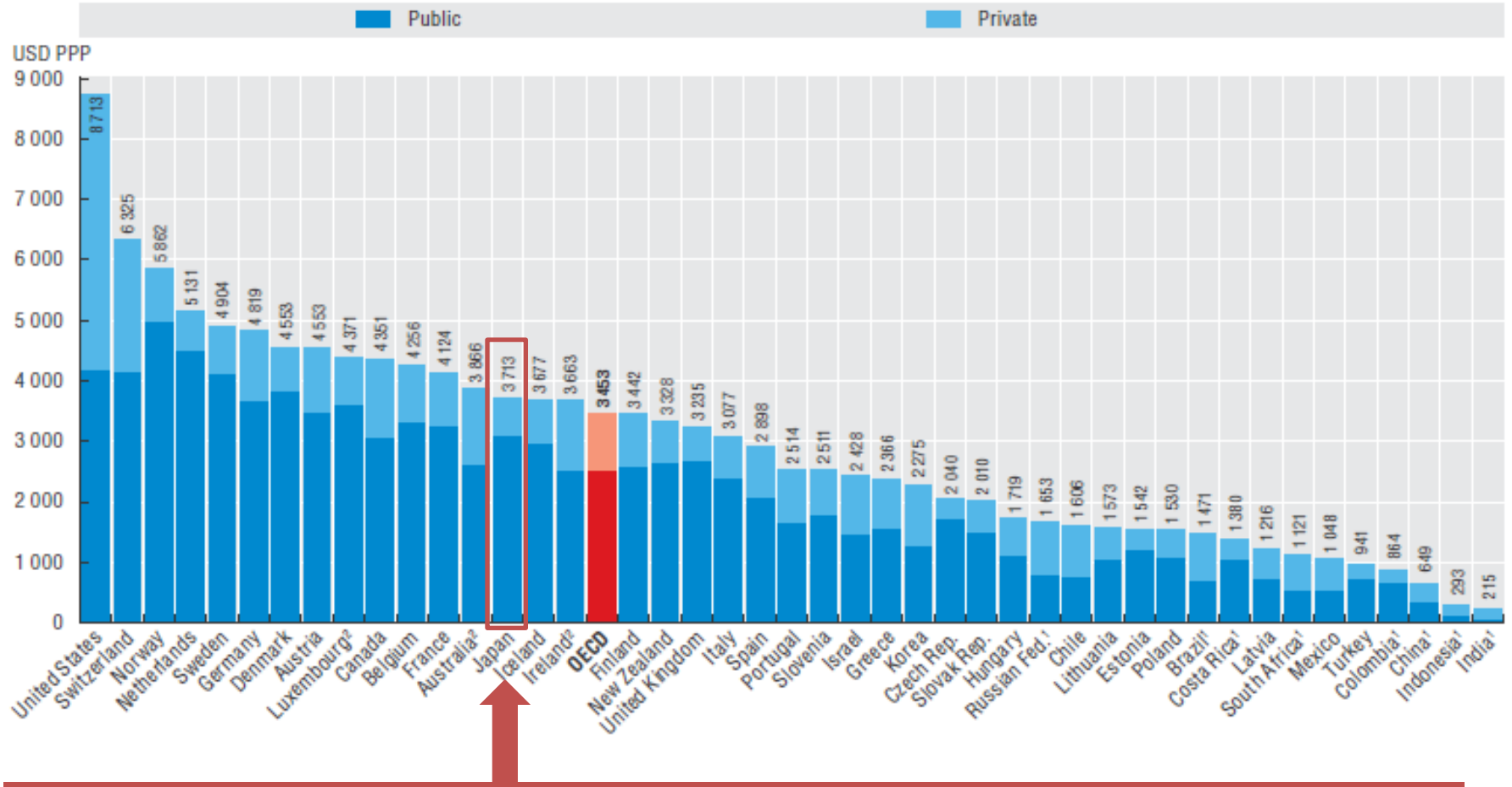
Out-of pocket payment: **14**%

Direct Costs: **86**%

Services: ≈**100**%

Population: **100**%

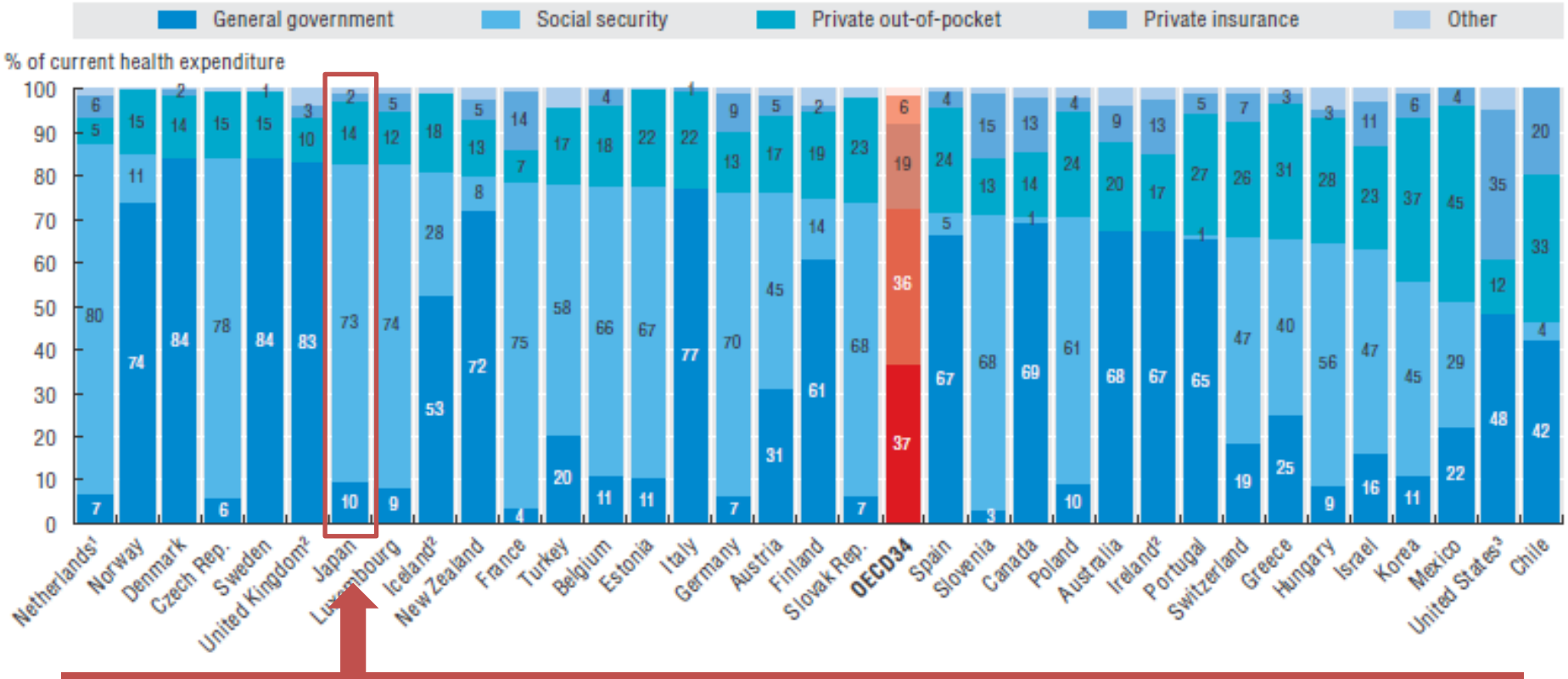
Total health expenditure [OECD countries, 2013]



Japan: US$ **3,773** per capita

(Source: OECD (2015), Health at a Glance 2015: OECD Indicators.)

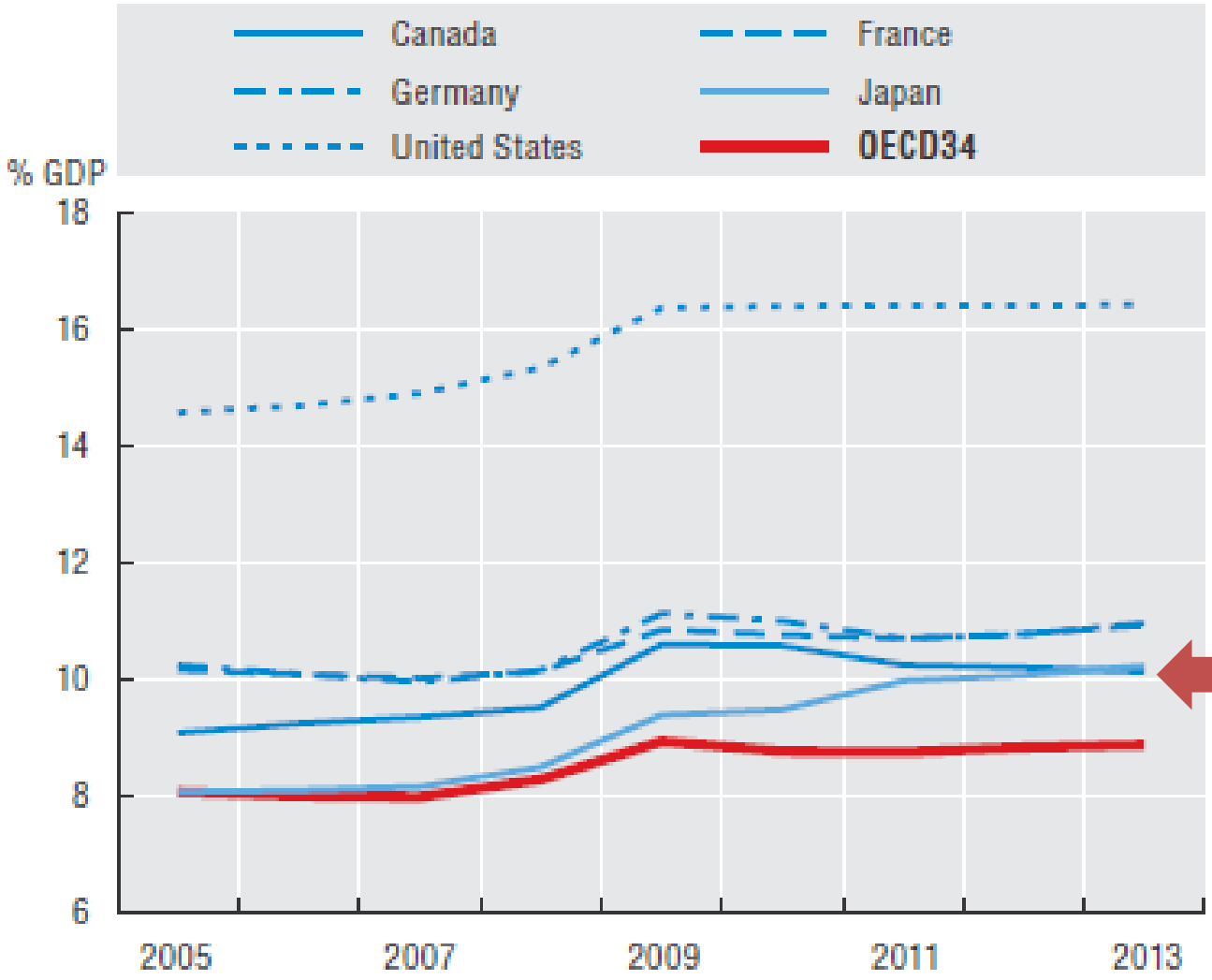
Health Expenditure by type of health financing [OECD countries, 2013]



Japan: Government = 10%, **Social security = 73%**,
Out-of-pocket = 14%, Private insurance = 2%

(Source: OECD (2015), Health at a Glance 2015: OECD Indicators.)

Total Health expenditure as a % GDP



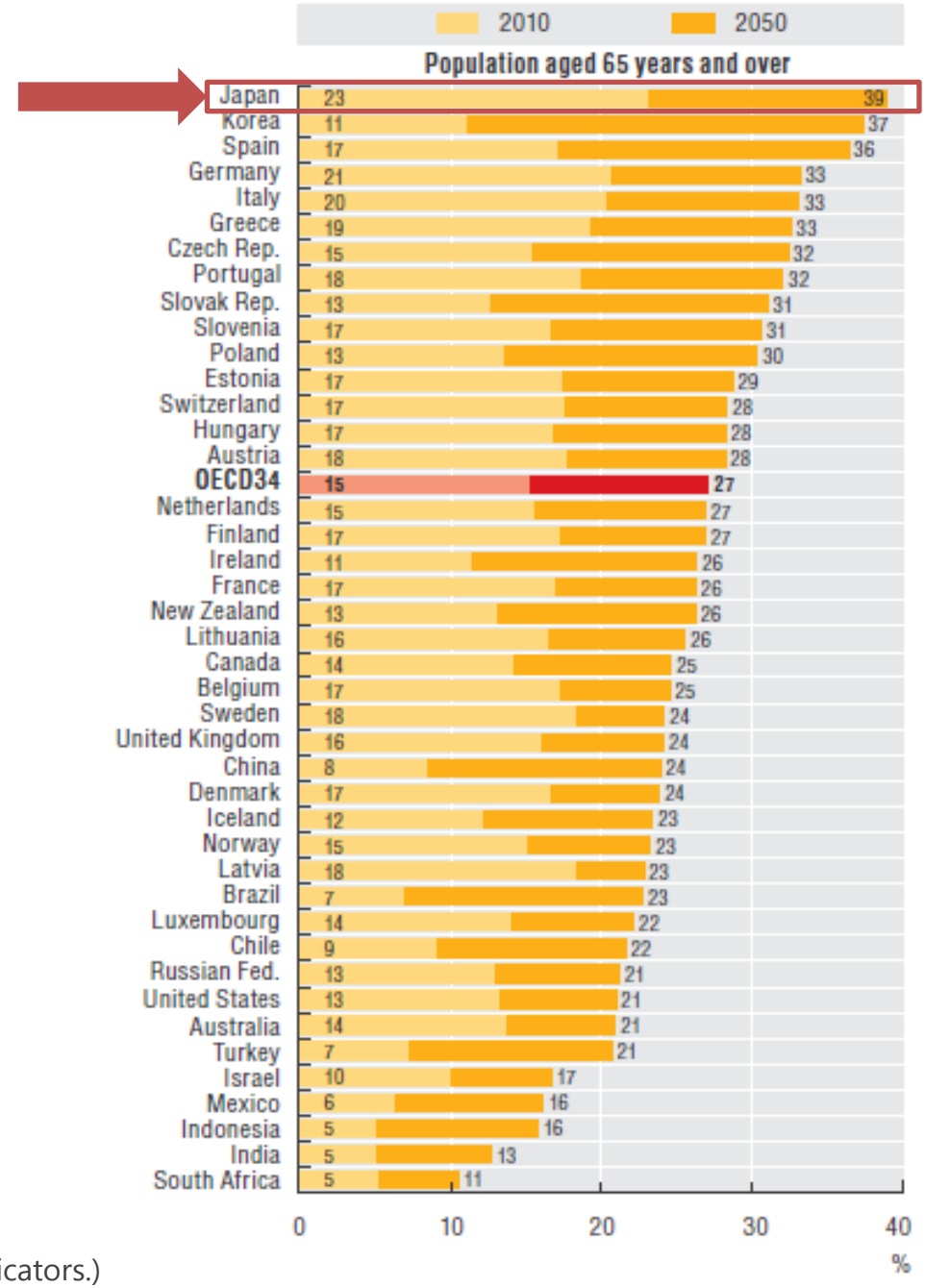
Japan:
8% in 2005
10% in 2013

Population aging

Population ≥65 years

- 23% in 2010
- 39% in 2050

Highest among 34 OECD countries



(Source: OECD (2015), Health at a Glance 2015: OECD Indicators.)

Provider payment methods in Japan

Outpatient care

- Fee-for-service

Inpatient care

- Fee-for-service
- Per-diem (based on diagnosis and procedure)

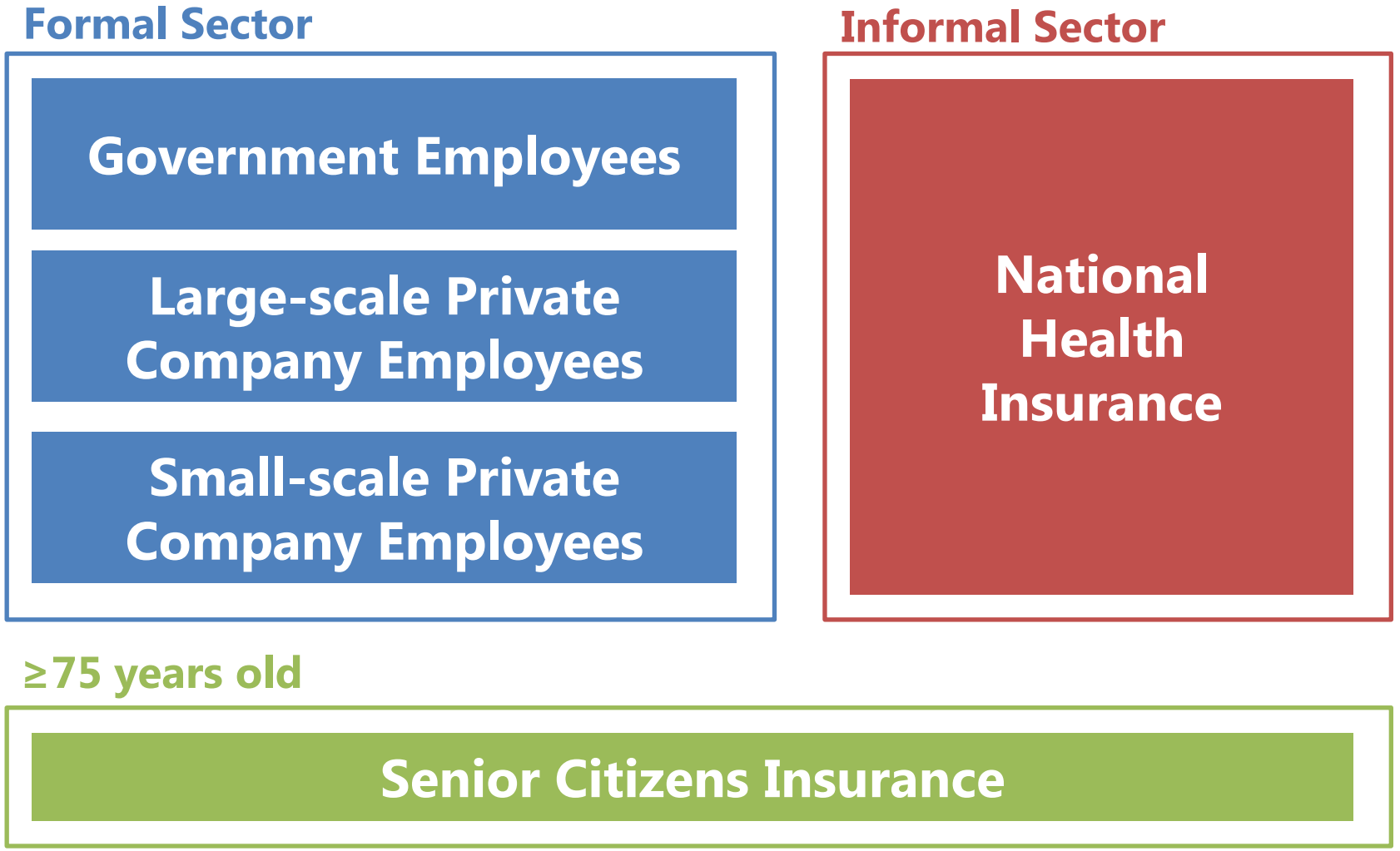
Number of health facilities in Japan [2014]

	Hospital		Clinic		Dental clinic	
Public	**1,617**	**(19%)**	**4,638**	**(5%)**	**284**	**(0%)**
National government	329	(4%)	532	(1%)	4	(0%)
Local government	1,231	(14%)	3,593	(4%)	273	(0%)
Social health insurance	57	(1%)	513	(1%)	7	(0%)
Private	**6,876**	**(81%)**	**95,823**	**(95%)**	**68,308**	**(100%)**
Total	8,493	(100%)	100,461	(100%)	68,592	(100%)

(Source: Ministry of Health, Labour and Welfare of Japan)

81% of hospitals, **95**% of clinics,
almost **100**% of dental clinics are **private**.

Social health insurance programs in Japan



Funding pools [2014]

Social Health Insurance programs	number of insurers / funding pools
Government employee insurance	85
Large-scale private company employee insurance	1,420
Small-scale private company employee insurance	1
National Health Insurance	1,881
Senior citizen insurance	47
Total	**3,434**

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“**Fee schedule**” of social health insurance programs

- Applied to **all health service providers** under national health insurance system
- ***Uniform*** fee schedule among **all types of insurance programs**
- **No balance billing** is allowed.

Nationally uniform fee schedule

The fee schedule defines:

- **price**
- **service and drug** (=benefit package)
- requirement for service providers (e.g. staffing, facility)

(photos: https://www.amazon.co.jp; http://fanblogs.jp/sinzimu/category_1/)

revised every two years by **Minister of Health**

Process of fee schedule revision

- The **Cabinet** sets **overall revision rate** of the fee schedule.
  - how much can be spent to health
  - population aging, medical technology advance
  - **ministers of finance and health, prime minister**
  - **fiscal sustainability vs. commitment to health**

- **Ministry of Health** (MOH) sets **basic policies.**
  - health policy
  - basic policy on fee schedule revision

- **Central Council of Social Medical Insurance, MOH** sets **revision rates of each item** of the fee schedule based on the basic policies.

Central Council of Social Medical Insurance, Ministry of Health - *Chuikyo*

Members [total: 20 members] appointed by Minister of Health

- **insurers/payers** [7 members]:
  insurers, labor unions/citizens, employers, mayor
- **service providers** [7 members]:
  doctors/clinics, hospitals, dentist, pharmacist
- **public interests** [6 members]: academia
  - policy / agenda setting, academic validation on fee-revision
  - members nomination approved by the Lower / Upper Houses

Special members appointed by Minister of Health

- nursing association, pharmaceutical companies, medical device companies

(Photo: *Medical Watch*. http://www.medwatch.jp/?p=4023)

Global health budget and unit fee of each health service and drug

Services & drugs	Unit fee	Volume	Total
service 1	x1	a1	ax1
service 2	x2	a2	ax2
service n_1	xn_1	an_1	axn_1
drug 1	y1	b1	by1
drug 2	y2	b2	by2
drug n_2	yn_2	bn_2	byn_2
Grand total			**$\Sigma(ax_{n1}+by_{n2})$**

discussed and set by the Council **[distribution of budget]**

Should be equal to the **Global Budget** set by **the Cabinet**

Factors considered in fee revision of each item

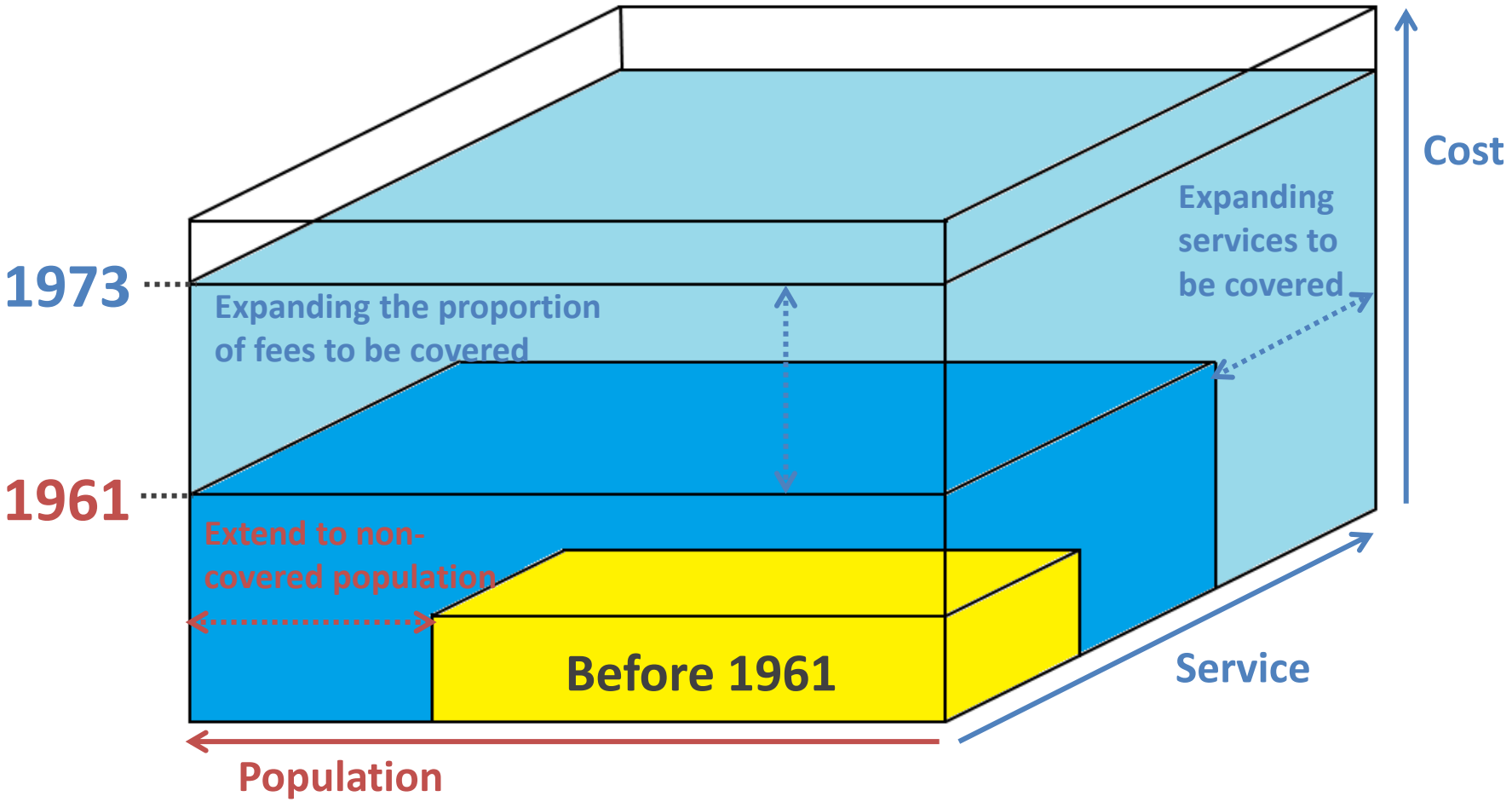
- **financial stability** of health providers
  - hospitals / clinics — survey on financial status of service providers
  - specialties (e.g. surgery, internal medicine, pediatrics, obstetrics)
  - drugs and supplies — survey on drug / supply retail prices
- incentivize service providers to improve **quantity, efficiency** and **quality**
  - quantity (e.g. more specialists to pediatric services)
  - efficiency (e.g. decreasing length of hospitalization)
  - quality (e.g. more number of nurses per bed)

Fee schedule as a **control knob** of health policy

Factors enabling strong government control on the fee schedule

- **social and political consensus** on the universal health coverage especially after the World War II
- **100% population coverage** of the social health insurance programs
  - strong negotiation power of purchasers
  - Almost 100% of health service providers contract with social health insurance programs.
  - ≥95% of providers' revenue comes from services with prices set by the fee schedule.
- **administration capacity** of government officers

Gradual expansion of UHC cube in Japan



(Sources: Shimazaki (2015) Iryo-seisaku wo toinaosu [in Japanese], Utsunomiya [2015])

First attain **100% population coverage** on **basic services,** then expand service and cost coverage.

Governance for strategic purchasing of the Council system in TAPIC framework

Transparency	Minutes of council meetings are available on the Internet.
Accountability	Evaluation survey on impact of fee schedule revision (e.g. on financial sustainability, efficiency, equity) is conducted.
Participation	Purchasers (insurers), service providers and academia. Weak citizen's participation.
Integrity	Integrated nationwide across different insurance programs and service providers.
Capacity	Successfully contained health expenditure despite rapid population aging, while promoting equitable financial risk protection and service use.

Other governance aspects of the Council system

Mandate and objectives	● Not bankrupt the patient, the government and the health service providers. ● Improve quality and efficiency of health services thru provider payment methods.
Organizational autonomy	● Autonomous in price setting, while the budget ceiling is set by the Cabinet and the basic policies are set by the Ministry of Health (MOH). ● Preliminary discussions made between service provider organizations and bureaucrats of MOH.
Stakeholder engagement	● Negotiation between purchaser (insurers) and providers (doctors), mediated by academia (third-party).
Evidence-based decision making	● Surveys on the financial status of health service providers and on retail prices of drugs ● health technology assessment

Autonomy of insurers of social health insurance (SHI) programs

- SHI insurers have **no control** over the fee schedule and payment methods, except sending representatives to the Council.

- SHI insurers have control over insurance premium, main control knob of their financial sustainability.

Challenges

- roles of academia
  - the roles of academia was not active enough
  - SHI programs cannot be too generous any more
  - health technology assessment

- citizens participation
  - include new technologies and drugs into the fee schedule (=benefit package)
  - how to contain health care costs
  - weak representativeness in the Council?
  - too technical to participate?

Summary

- Nationally uniformed fee schedule controlled by government council is a key strategic purchasing mechanism in Japan.
- Fee schedule is revised every two years thru discussions among insurers and service providers mediated by academia.
- 100% population coverage to the social health insurance programs provides strong negotiation power to purchasers and the government over the fee schedule.