

The Silver Markets in Japan can be stimulated by regulatory reform

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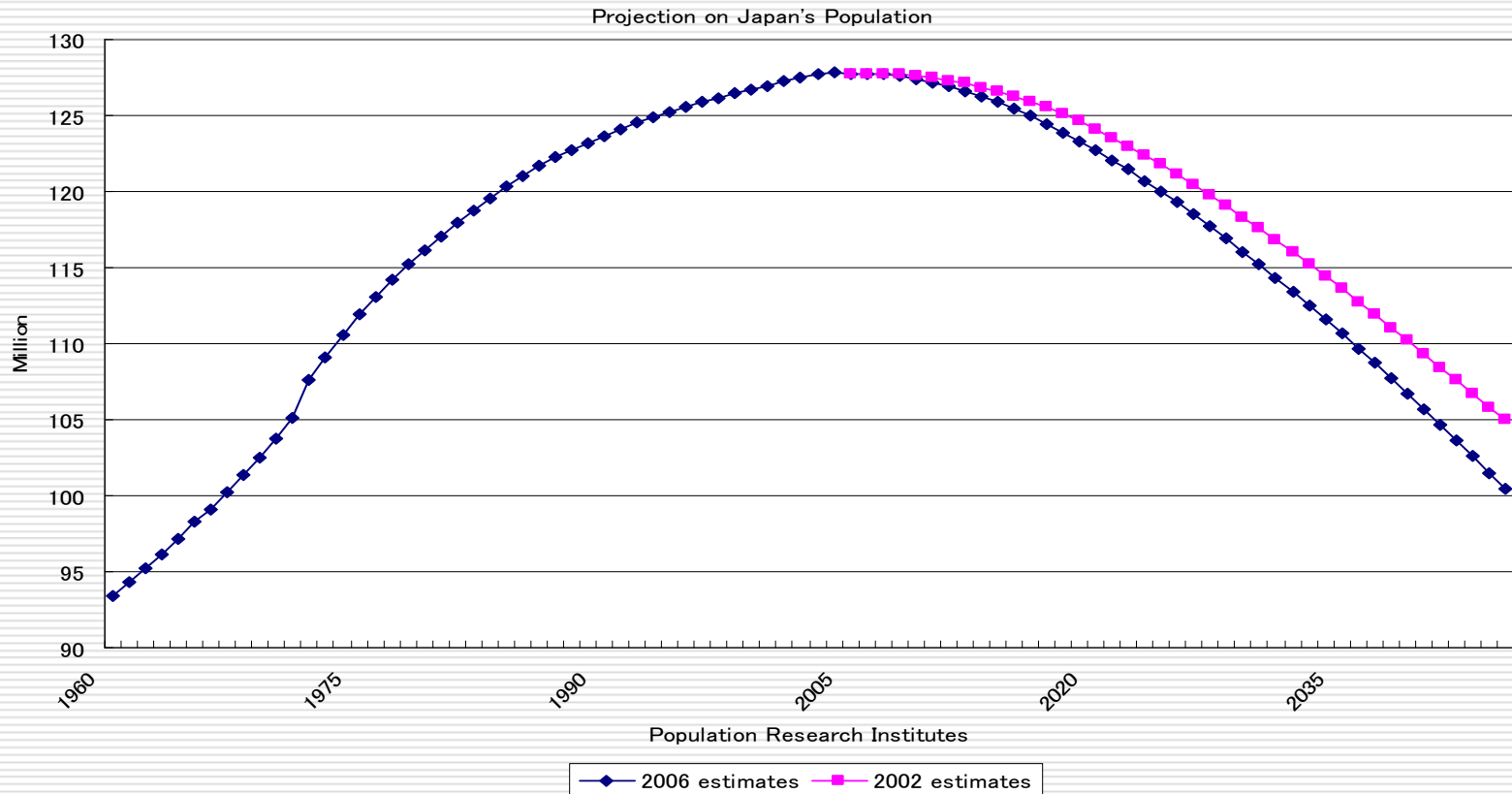
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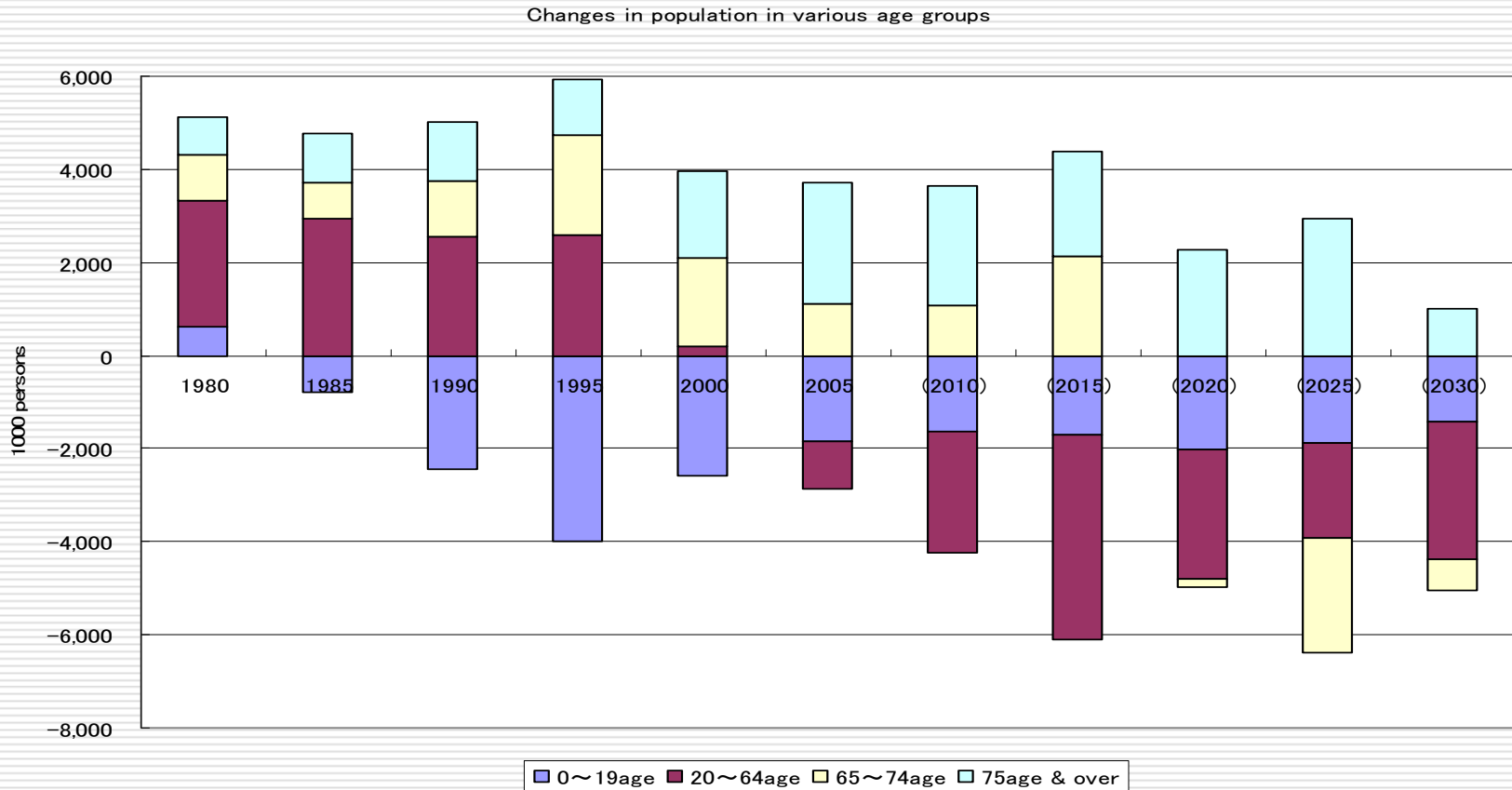
Outline

- Japan's aging is proceeding rapidly, and markets for the elderly is growing;
- The elderly are not necessarily poor, but are diversified income groups;
- Health care and nursing care services are promising industry, as the customers are increasing and the markets are underdeveloped with various regulations.

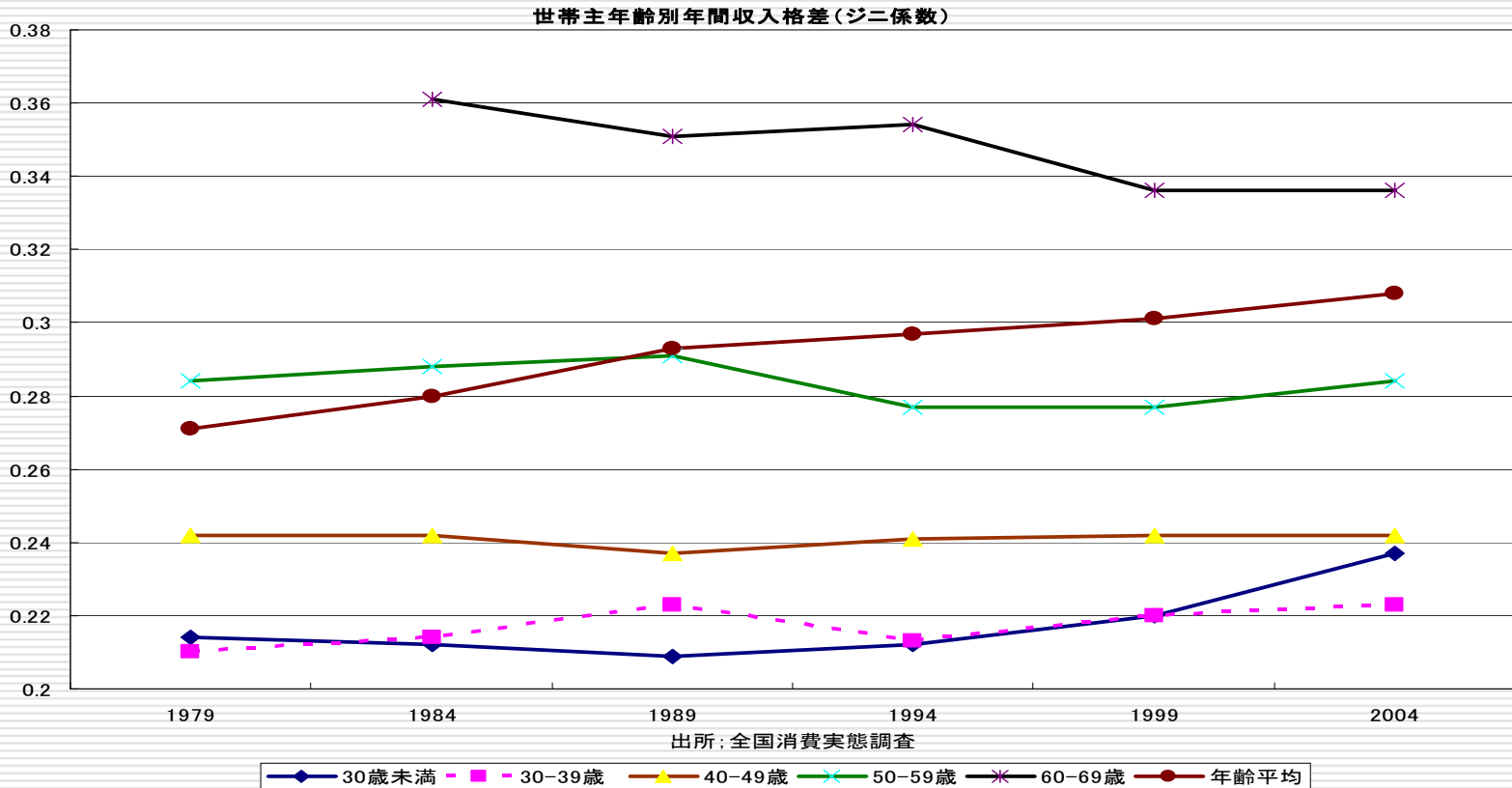
Continuously declining Japan's population from the peak of 2004



Still increasing elderly populations in the coming two decades



The elderly are not necessarily poor, but they are the group with the highest income disparity



Prohibition of the mixed billing between those covered by insurance and not

- ❑ Only the rich can purchase the better health care services by additional costs;
- ❑ Public insurance may well be abused by combining with the treatments for health serves other than basic health care;
- ❑ Doctors may well induce their patients to buy unnecessary drugs or treatments by using their advantageous knowledge over the patients.

Regulation ignores the followings;

- ❑ Not only the rich, but the middle income class can afford to utilize qualified health care services by paying for the extra costs other than covered by public insurance.
- ❑ Banning rule can be relaxed only for those qualified hospitals under severe assessments of the quality;
- ❑ Providing extra financial resources to qualified hospitals stimulating the incentives for quality improvement

Non-profit principle for hospital management

- ❑ Definition of “profits-seeking behavior” is not clearly defined
- ❑ Prohibition of issuing dividends by hospitals and clinics
- ❑ Regulation on the means to finance the capital of medical institutions
- ❑ Difference between interests and dividends as the “costs of financing capital”
- ❑ The regulation de facto works for the protection of small hospitals and clinics by excluding new entrants of large hospitals

Merits of the regulatory reform

- ❑ Development of M&A of hospitals
- ❑ Financing of the large scale private hospitals or chain of medium-size hospitals
- ❑ Well-managed hospitals meeting the demand by patients can take over the less well-managed ones, resulting in a dynamic efficiency mechanism in hospital markets.
- ❑ “No-profitability” in the health care service markets could be guaranteed by setting a form of “supply obligation” like the cases of electricity or gas companies.

Nursing care services

- ❑ An increasing number of the frail elderly. Possibility of being a frail elderly in some form was 3.8% between age 65 and 74, but it rose to 24% at age 65 and above.
- ❑ Number of family having the frail elderly has risen overtime, while the family's capability in taking care of them has been declining
- ❑ Those frail elderly are getting to be hospitalized under a rule of free access to medical services, a major causes for an expansion of health care costs.

Nursing care insurance has developed the care service markets

- ❑ Entry to the markets has been opened to new entrants of any forms
- ❑ Public insurance benefits are directed to consumers rather than providers as in the case of welfare services;
- ❑ Options for consumers in combining extra nursing services with those covered by the public insurance is larger than the case for health services

Silver markets are the key for re-vitalizing the Japanese economy

- ❑ From compulsory tax and social contributions to private consumption
- ❑ Creation of various private services combined with standard public services
- ❑ Stimulating the competition between various type of hospitals and clinics
- ❑ Providing variety of choices to the consumers in the aging society