Health Care in Japan: How Sustainable is the System?

© Shutterstock

DIJ Deutsches Institut für Japanstudien

Tokyo, 18 May 2016

Dr. Ludwig Kanzler
Hanegi Solutions
kanzler@hanegisolutions.com

Today's Discussion

- Japanese can be proud of their outstandingly good health, and relatively cheap access to health care
- But the health care system is falling short of expectations on quality, due to high fragmentation and few controls
- Japan provides for a warning on what a poor power balance between providers, payors and regulators can lead to

Japanese Are Proud of Their Health care System

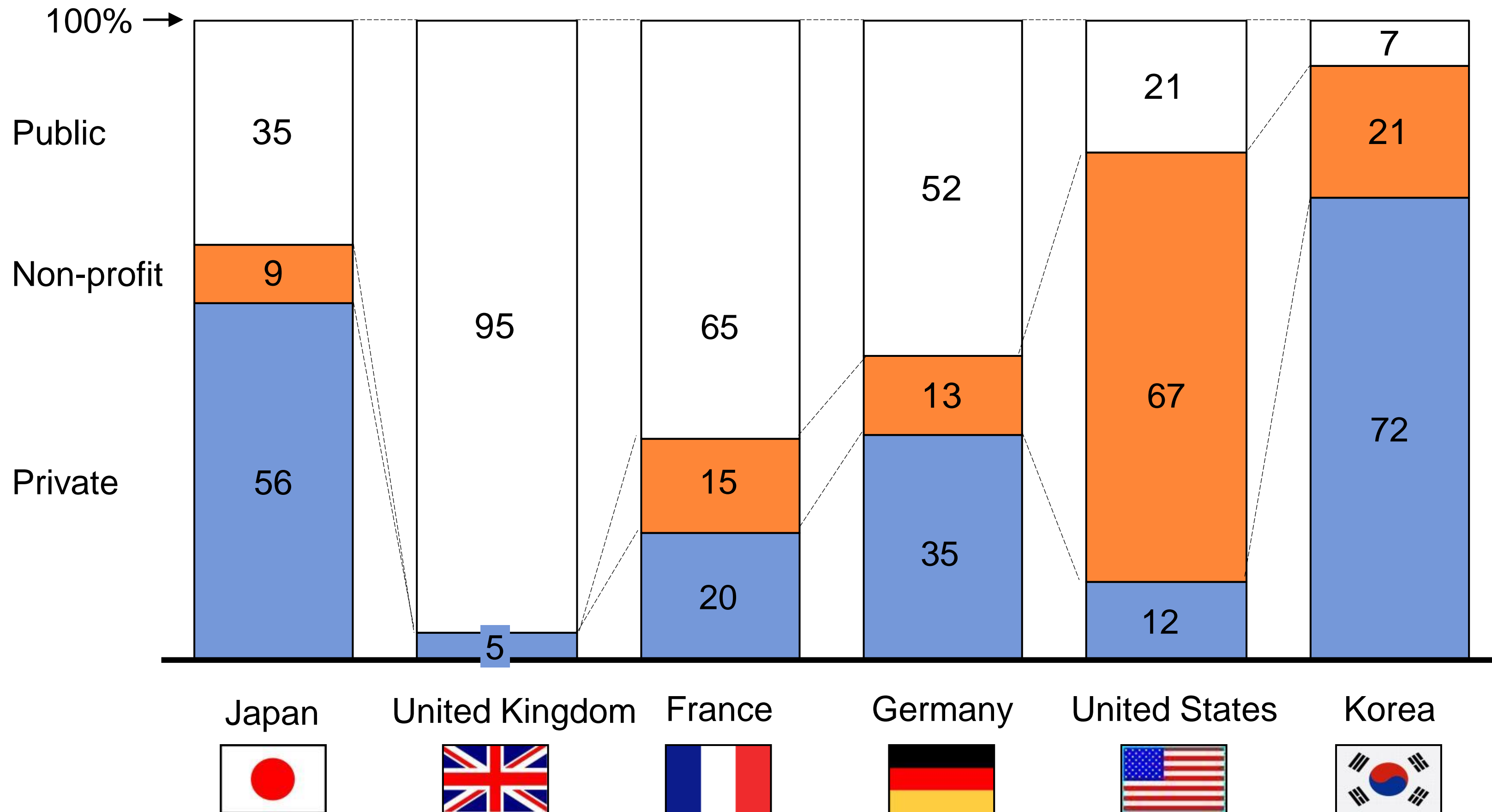
- ✓ High life expectancy
- ✓ Low disease incidence
- ✓ Universal access to specialized care
- ✓ No waiting
- ✓ Little inequality
- ✓ Low average cost

© Shutterstock

Source: McKinsey

Japan Is One of the Most Privately Run Systems

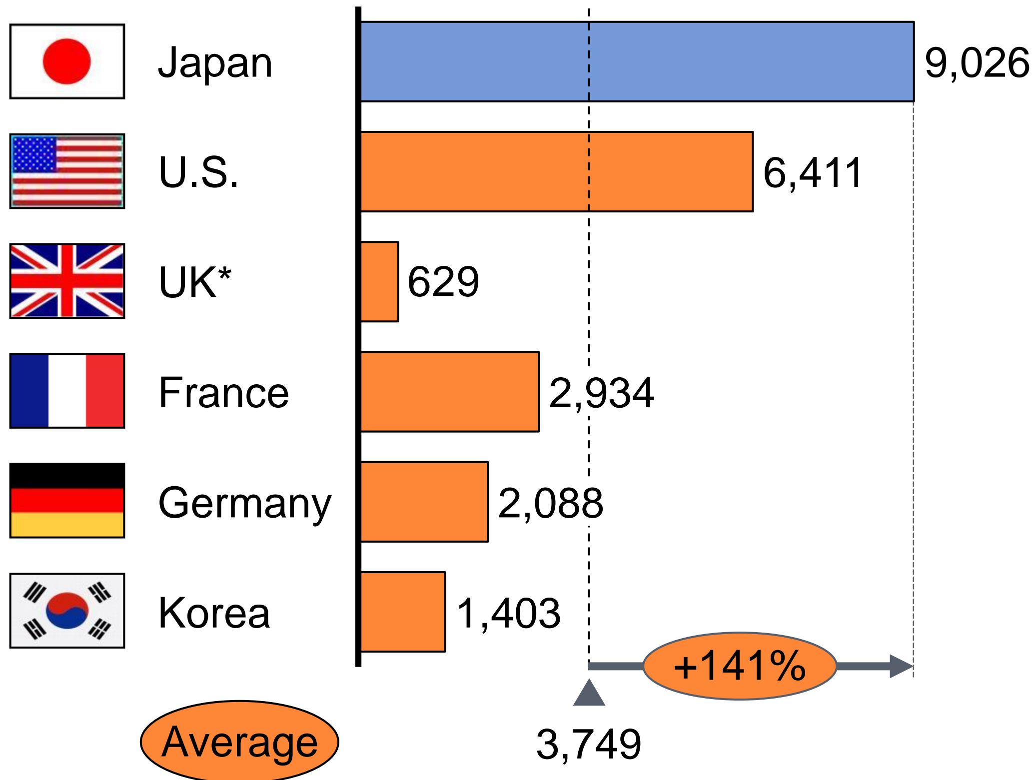
Ownership by proportion of beds; percent*

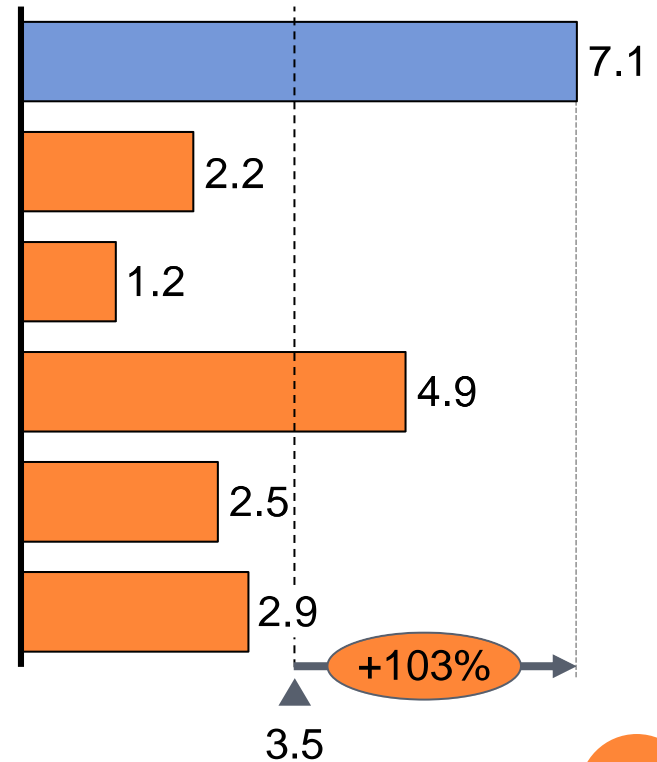


* 2005; United Kingdom: number of institutions with bedded care; France: figure is for 2003 and includes public, non-profit, and private hospitals, but not clinics; Germany: number of beds in secondary-care institutions; United States: number of beds in acute hospitals in 2002.

Source: McKinsey based on Espicom; Laing & Buisson; PKS; Ministry of Health and Welfare, Korea

Japan Has the Highest Hospital Density – and Fragmentation – Globally

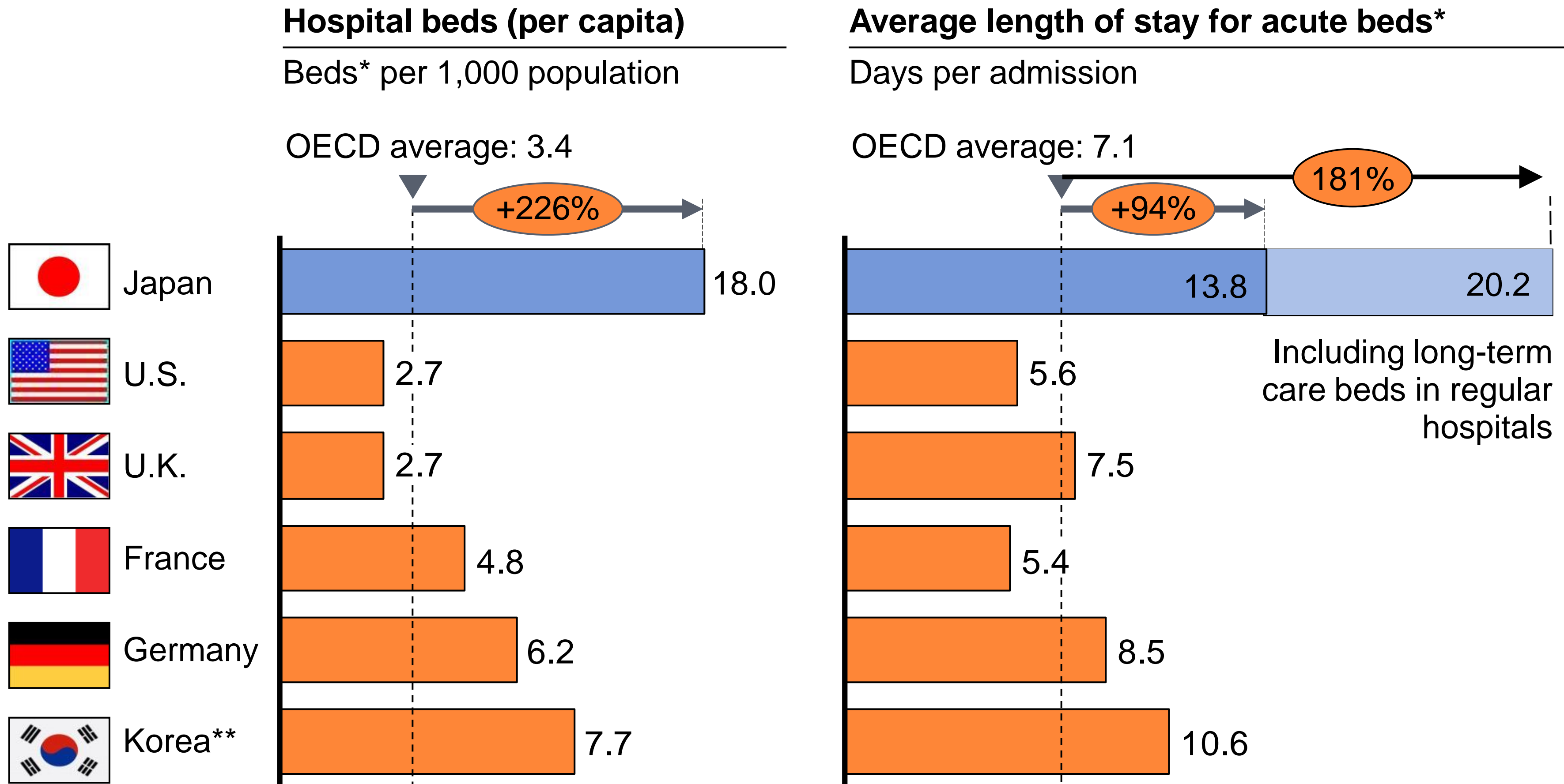




* Data set from The National Health Service was used

Source: McKinsey based on OECD Health 2005; MHLW (Iryo shisetsu houkoku; Healthcare Facility Survey; Sekai no kousei roudou; World's health, labor and welfare)

Japan Has Far Too Many Beds that Get Filled for far Too Long

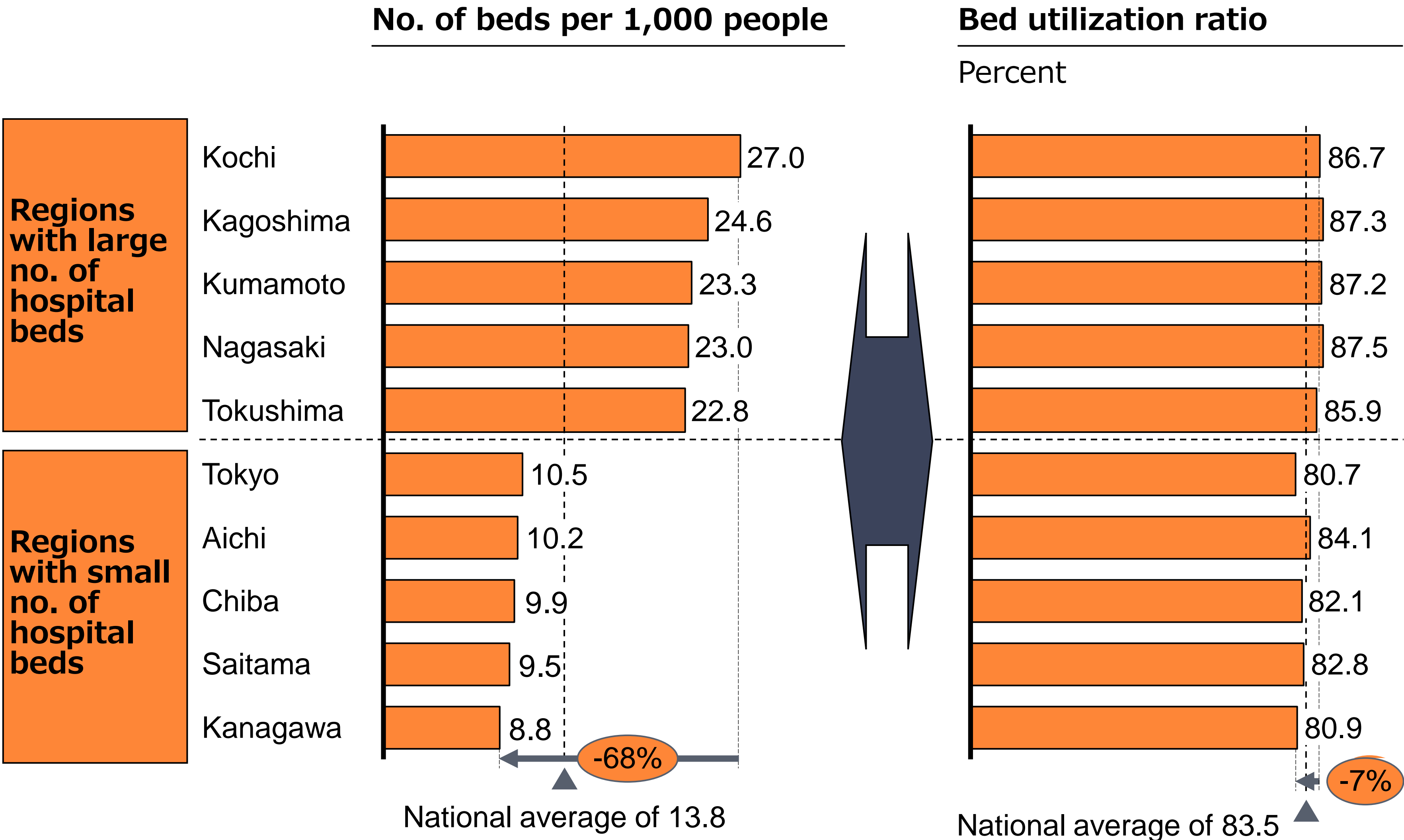


* 2006; the figures for Japan exclude long-term care beds; they were then calculated both with (light grey bar) and without (dark grey bar) the acute-care beds occupied by long-term care patients. The figures for the other countries include general-ward beds. Even when the acute-care beds occupied by long-term care patients were excluded, length of stay was markedly longer in Japan.

** 2003 data used for admittance length for acute beds

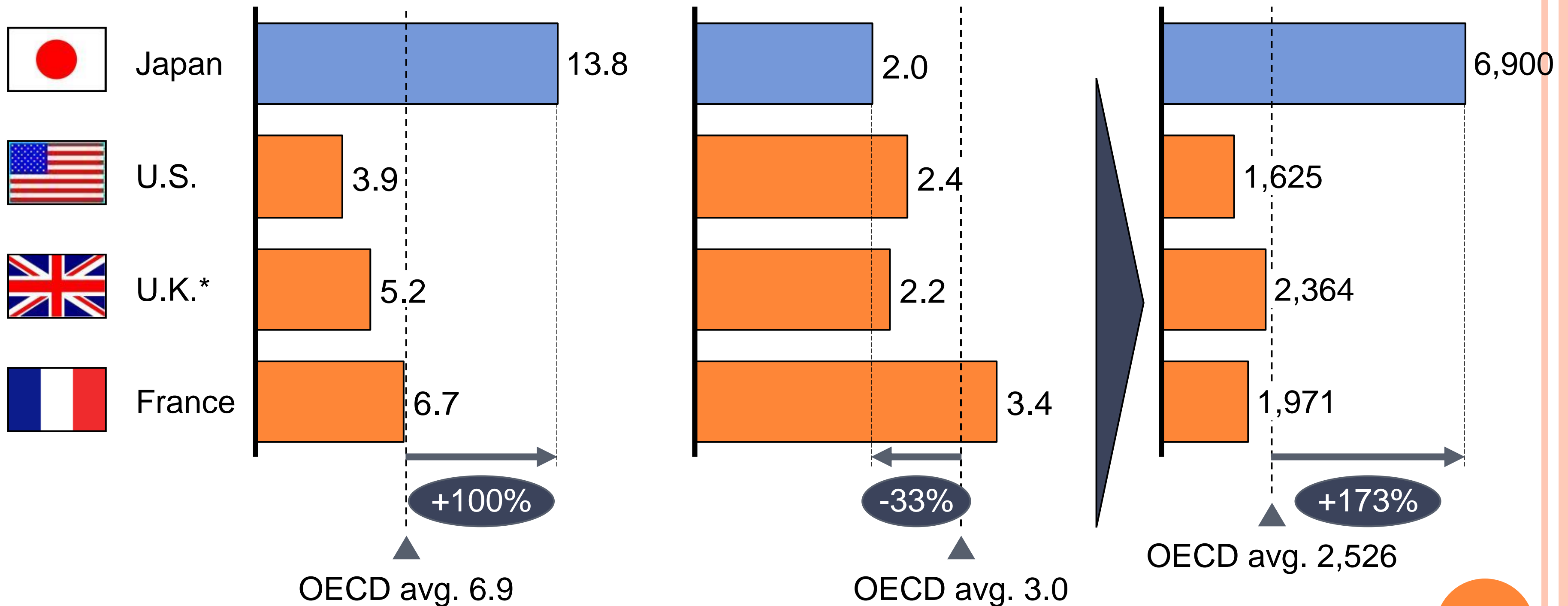
Source: McKinsey based on OECD Health Data; MHLW

JAPAN STILL LACKS EFFECTIVE CONTROL OVER SUPPLY: ALMOST ANY BED GETS FILLED



Source: McKinsey based on MHLW for 2006-08; MIC

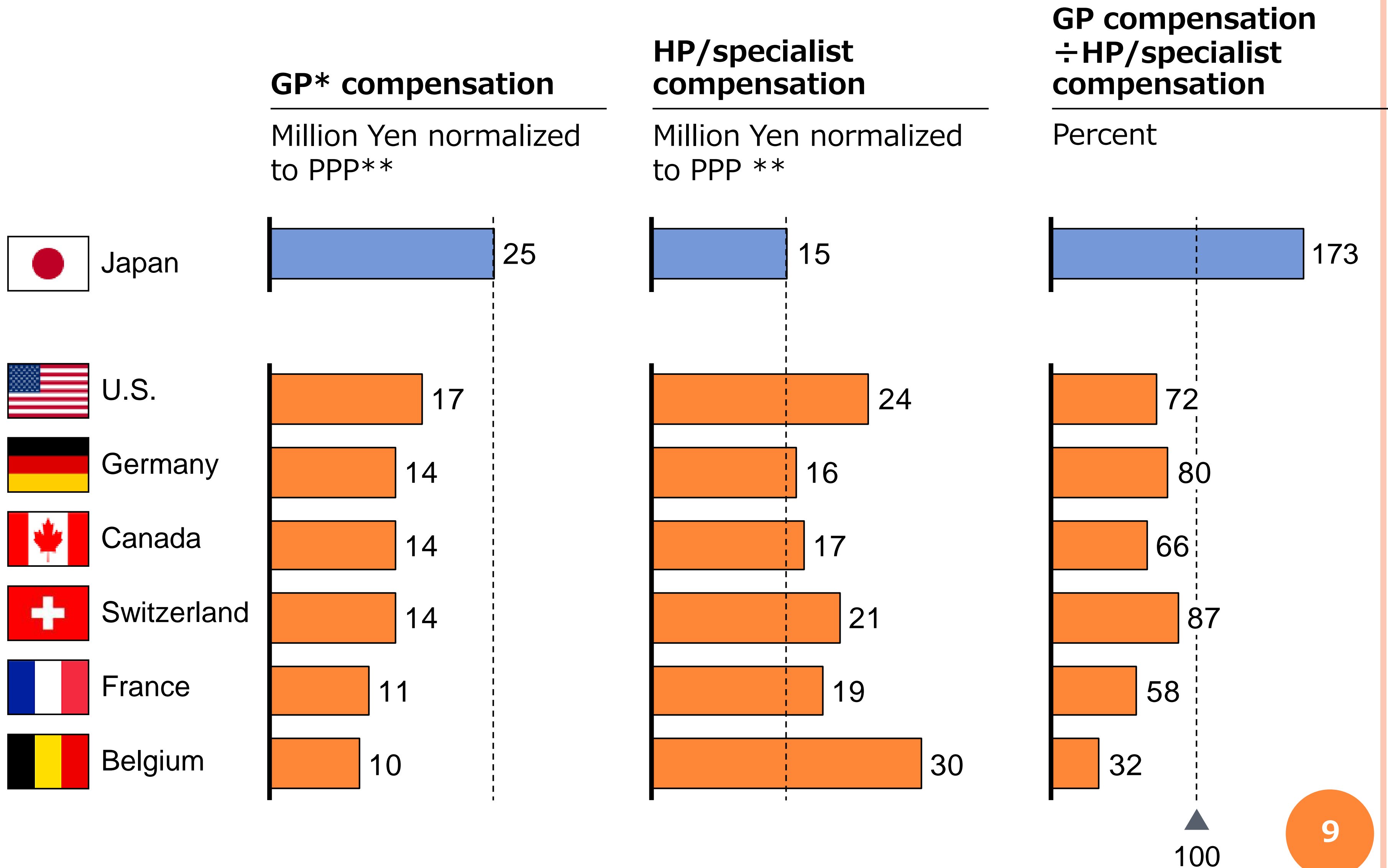
Doctors and Hospitals Depend on Patients Seeing Them Frequently



* Data from the National Health Service

Source: McKinsey based on OECD Health 2005 with data for 2003

Pay by Volume Rewards Japanese GPs Handsomely



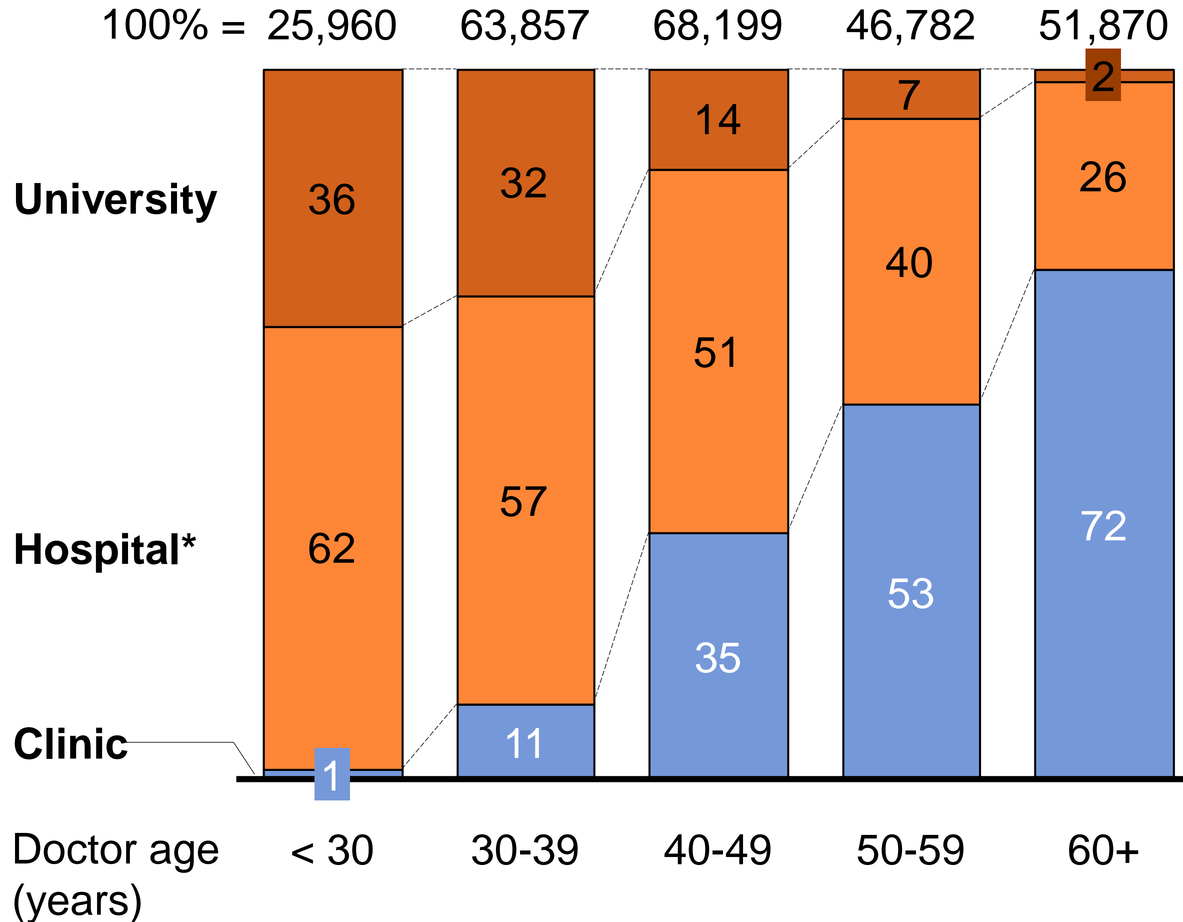
* Clinic based physicians for Japan, licensed GPs for other countries

** Data for the following year used: 2007 (Japan), 2006 (Germany, France, Belgium), 2005 (Canada), 2004 (Switzerland), 2001 (U.S., simple average of Self-employed/Salaried used for both GPs and Specialists)

Source: McKinsey based on OECD Health, MHLW (Survey on Medical Fiance, *Dai 16kai Iryo Keizai Jittai Chosa no Kekka Sokuho*, Oct 2007)

Most Doctors Want to Run their Own Clinic

Number of doctors by type of medical provider; percent

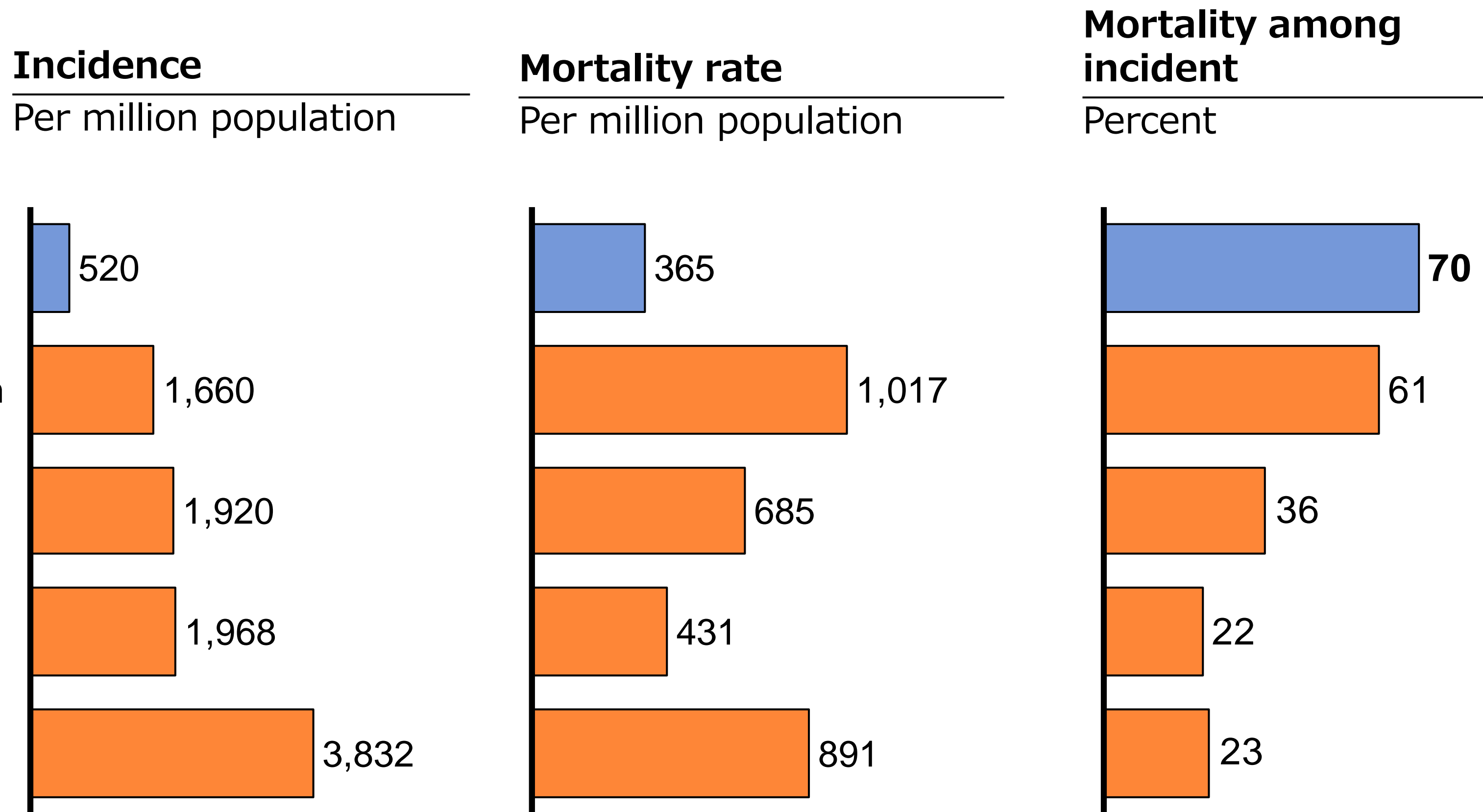


* Except university hospitals

Source: McKinsey based on MHLW data for 2004 (Doctor, dentist and pharmacist survey, *Ishi shikaishi yakuzaishi chosa*)

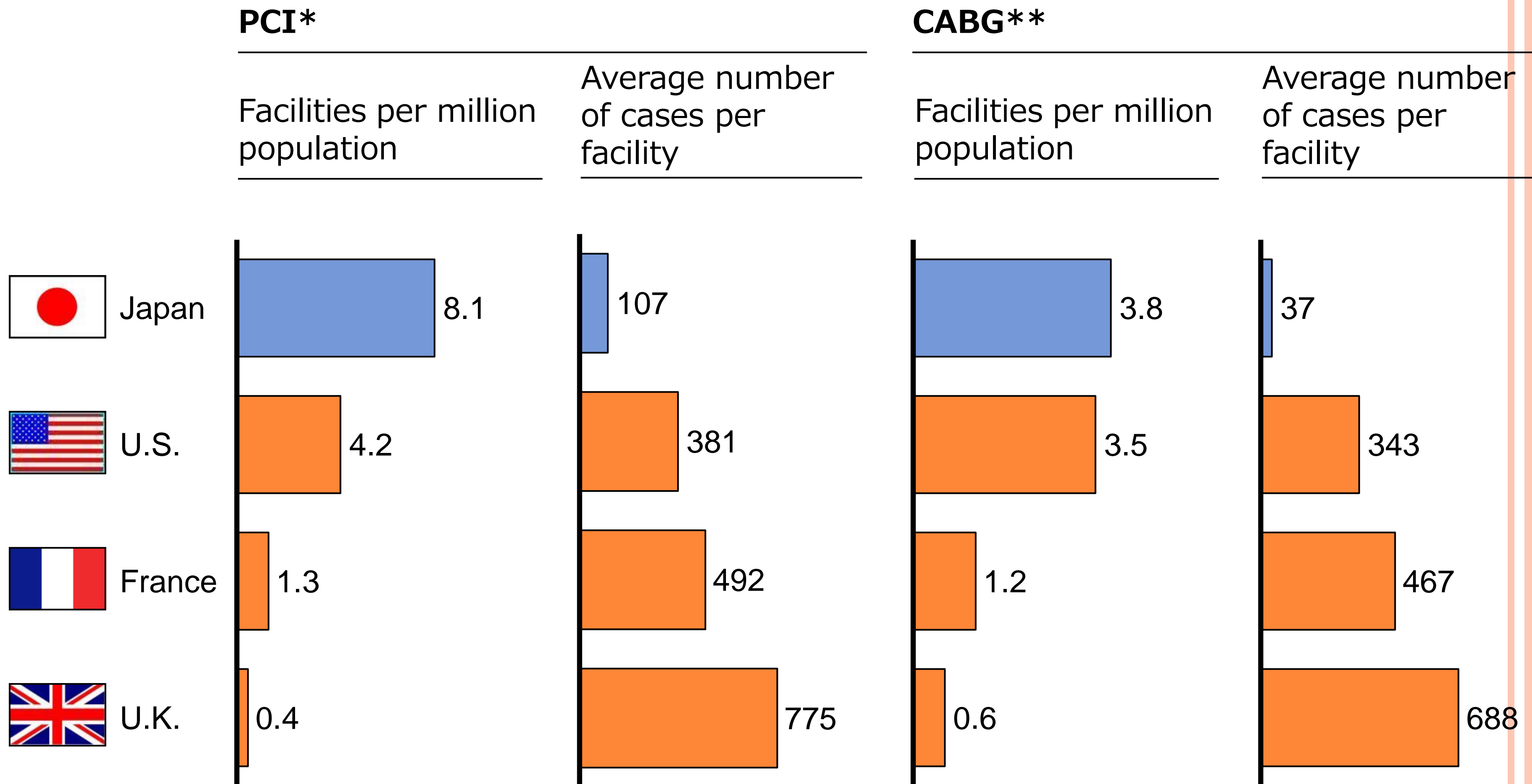
Heart Incidences Are Fewer But More Likely to End in Death

Incidence and mortality of **acute myocardial infarction**



Source: McKinsey based on Nishigaki et al, <Assessment of acute...>, Circ J 68 2004, 515-519; Wiesner et al, <Vorausberechnungen...>, Bundesgesundheitsblatt 45 2002, 438-445; Ministère de la santé, de la jeunesse et des sports, <Réduction des risques cardiovasculaires 2002-2005>; Department of Health, <Mending Hearts and Brains>, 2006, WHO mortality database

Hospital Fragmentation Results in Low Case Load for Advanced Procedures



* Percutaneous coronary intervention, commonly known as coronary angioplasty or simply angioplasty, is a therapeutic procedure to treat the stenotic (narrowed) coronary arteries of the heart found in coronary heart disease

** Coronary artery bypass graft surgery is a surgical procedure performed to relieve to treat the stenotic (narrowed) coronary arteries of the heart found in coronary heart disease

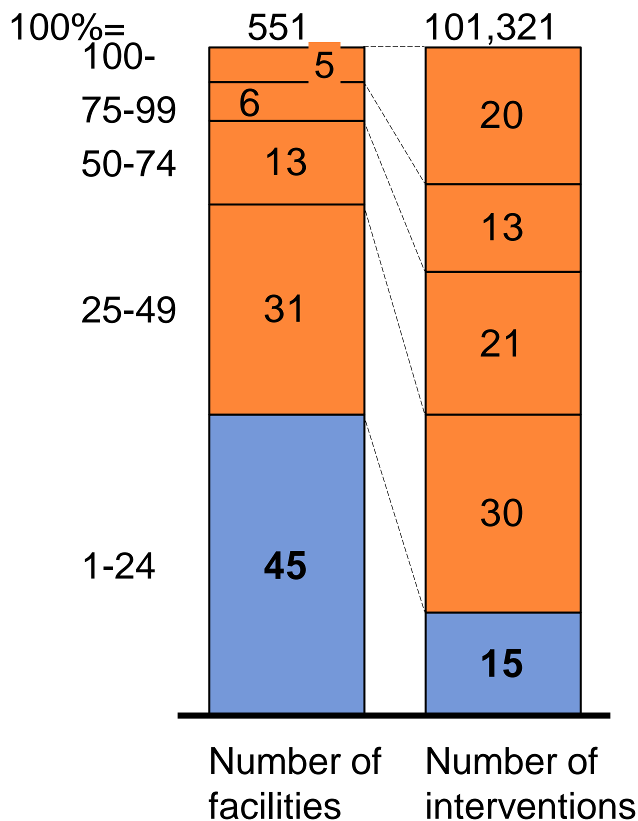
Source: McKinsey based on Shihara et al, <Coronary revascularisation...>, Jpn Circ J 65 2001, 1005-1010

HIGHER CASE LOAD OF HEART INTERVENTIONS WOULD REDUCE THE NUMBER OF DEATHS

Coronary artery bypass grafting (**CABG**)

Annual number of interventions by facility

Percent

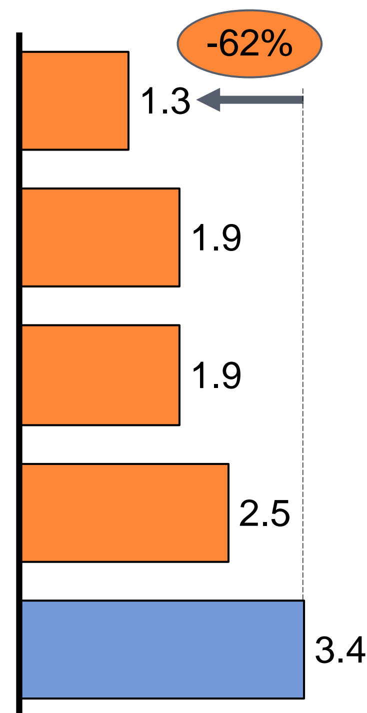


Average no. of interventions per facility p.a.

Number of interventions

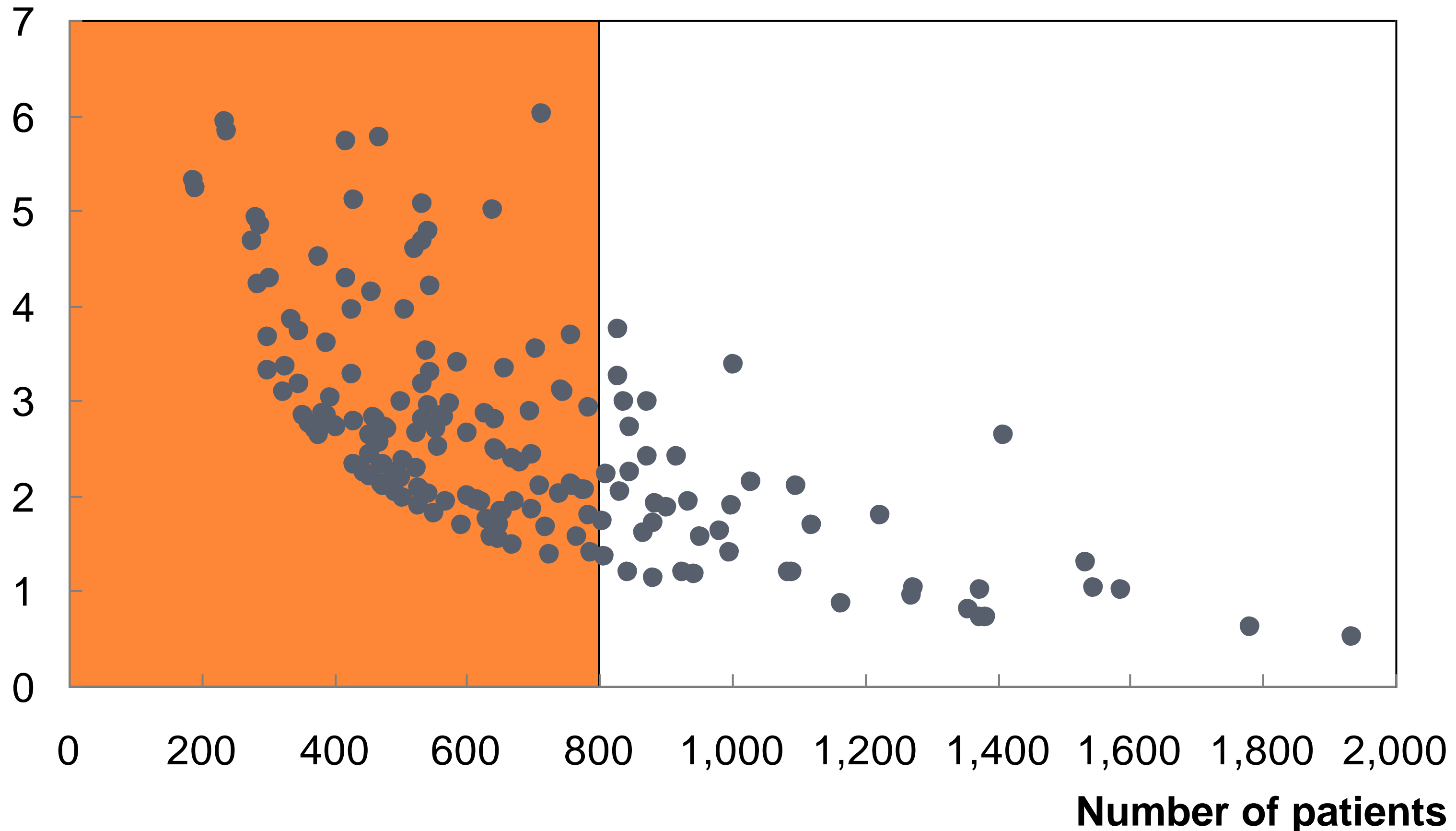
Mortality rate during procedure

Percent



Source: McKinsey based on Japanese association for thoracic surgery for 2000-2004; McKinsey analysis

HIGH FRAGMENTATION ALSO LEADS TO MANY AVOIDABLE STROKE DEATHS



* At DPC hospitals in Japan. Hospitals with 0% mortality rate or hospitals where # patients who died was less than or equal to 9 were not included in the data and analysis. Mortality was calculated as number of patients who died within 24 hours after admission divided by the total number of patients admitted

Source: McKinsey based on Ministry of Health, Labour and Welfare data for July-December 2010

Many Other Issues

- Unsustainable funding system entirely reliant on fee cuts
- Worsening shortage of doctors in rural areas and critical specialties (anaesthesia, obstetrics)
- Insufficient capacity for emergency care
- Lag in access to newest technologies, e.g. cancer treatments (though improving)
- Increasing number of uninsured

Source: McKinsey

Japan Faces a Multitude of Challenges

Over-usage

- Strong incentives for over-diagnosis and treatment
- Inadequate use of medical offering

Lack of control over supply

- Supply driven largely by financial incentives not medical needs
- No planning of supply needed to meet needs

Lack of quality control

- Weak incentives to improve quality
- Weak accreditation

Non-value based cost control

- Process-based pricing
- Broad-based reimbursement coverage
- No effective cost control through payors

Unsustainable financing system

- Widening gap between "natural" revenues and rising cost
- Insufficient private funding

Source: McKinsey

Lessons Learnt

- **The best health is created by avoiding illness through good nutrition and exercise, not by treating the sick**
- **Broad, fast and cheap access to care, as well as yearly health checks paid by employers and regional payors, may help with early detection**
- **Ill-defined provider roles and high fragmentation lead to unnecessarily low outcomes**
- **Weak payors and weak political leadership slow down the necessary change**