

## 1 The Subject of Japan's Social Security System

### Japan's Social Security System Responds to Socioeconomic Changes and Risks in Daily Life

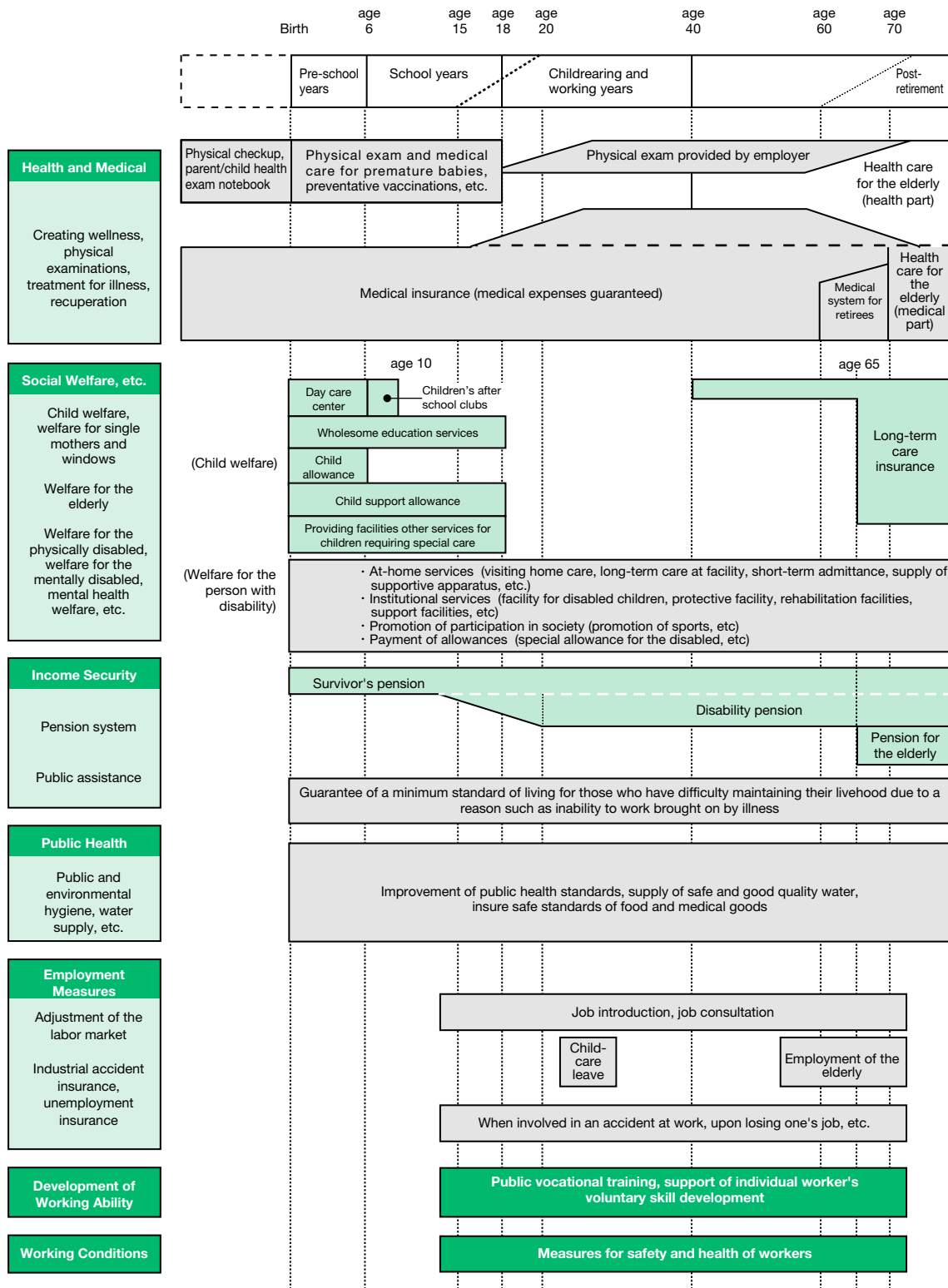
Since the worldwide economic downturn in September 2008, the unemployment rate has risen and the employment environment has become increasingly harsh for non-regular employees and older people. The economic growth rate did move from negative to positive growth, but as there is a time lag until its effects are felt in the labor market, the unemployment rate among young people remains at a high rate even now, compared with the situation in previous periods of steady growth. Moreover, even when they are able to find employment, they are often in non-regular employment and because the wages for non-regular employment are lower than those for regular employment, it is difficult for them to build a family and raise children. Accordingly, the government set forth its *Vision for Children and Young People* in 2010 and indicated that it would implement cross-cutting measures across a range of ministries and agencies, aimed at enhancing measures to deal with poverty and improve child welfare, in order to contribute to the sound development of children and young people. Subsequently, the Great East Japan Earthquake occurred in March 2011, so guaranteeing the provision of medical, nursing care and welfare services and securing employment for the people of the affected areas, as well as ensuring the economic recovery of the disaster-hit areas in the

medium to long-term, are pressing policy challenges relating to the social security system.

Amidst this kind of situation, the social security system, which guarantees people's livelihoods, using taxation and social insurance as a source of funding, plays an important role in responding to various risks that occur in people's everyday lives, such as the loss of income as a result of illness, disability, unemployment and retirement. Japan's social security system is similar to those in Europe and the U.S. in that, to satisfy each stage of people's lives, it is composed of such elements as medical insurance, public health services, social welfare services, income maintenance, and employment measures (see VI-1). Of these, medical insurances, health care programs for older people, long-term care insurance and pension systems, as well as unemployment insurance and industrial accident compensation insurance are the social insurances that are mainly financed by social insurance premiums and partly subsidized by the government revenues. In contrast, welfares for the child, for single mothers and widows, for older people, for people with disabilities, and for the poor as well as public health services are all public policies provided with funds drawn from taxes.

Internationally speaking, the characteristics of long-term care insurance and health care programs for older people in Japan is that they are half funded at public expense out of tax revenues although they are included in social insurance.

## VI-1 Social Security System by Life Stage



Source: Ministry, of Health, Labour and Welfare, *Annual Reports on Health, Labour and welfare*, Figure 3-1-1, 2001

## The Benefits and Cost Burden of Social Security

In order to make an international comparison on the trend of social security, the Organisation for Economic Co-operation and Development (OECD) is disclosing information on indices of social expenditure that includes pension funds, medical care and welfare for the poor, child allowance that gets transferred, social security benefits from expenditures on welfare services and expenditures such as expenses for facility development that do not get transferred directly to individuals (OECD Social Expenditure Database 2001). Looking at the percentage of social expenditure occupying the national income, Japan's ratio is lower than European countries, but higher than the U.S. (see upper section of VI-2). Furthermore, based on the figures in closely related years, the percentage of national income occupied by social security costs is low when compared with that in Germany, France, and Sweden, but higher than the U.S. and the U.K. (see lower section of VI-2).

Japan's expenditure on social security benefits is rising as the birthrate declines and the population ages. As of 2011, the total population of Japan was 127.93 million people, while the population of those aged 65 or above had reached 29.6 million (Ministry of Internal Affairs and Communications, *Monthly Report on Current Population Estimates*, May 2011).

As a result, the population aging rate ((population aged 65 or above/total population) x100) was below 10% in 1980, at 9.1%, but it had increased above 10% to 12.1% by 1990, reaching 23% as of 2010. This progressive aging of the population is bringing about an increase in the number of people receiving pension payments; moreover, per capita medical benefit payments are about five times higher among older people than among those of working age, so medical and healthcare costs have also increased. The growth in medical and healthcare costs declined temporarily with the introduction of nursing care insurance in 2000, but they have been on the rise again since then. As population aging is also leading to an increase in the number of older people in need of care due to the increase in number of "old-old," expenditure in long-term care insurance benefits is also rising. As a consequence, the rise in expenditure on social security benefits, including pension, health care, and long-term care insurance benefits, continues (see VI-3). While expenditure on benefits (especially for older people) has risen in response to population aging, expenditure on welfare-related benefits, including child welfare, continues to account for a small proportion of Japanese expenditure on social security benefits due to the insufficient expansion of childcare-related benefits compared with Scandinavia and France, despite the importance attached to reversing the decline of the birthrate.

### VI-2 International Comparison of Social Expenditures and National Burden Ratios

	Japan	United States	United Kingdom	Germany	France	Sweden
Social expenditure (% of national income)	26.1	20.3	27.4	35.3	39.4	37.5
Social expenditure (% of GDP)	19.1	16.5	21.3	26.2	28.8	27.7
National burden ratio (% of national income)	40.0	34.9	48.3	52.4	61.2	64.8

Source: 2008 Social Security Benefits (National Institute of Population and Social Security Research)

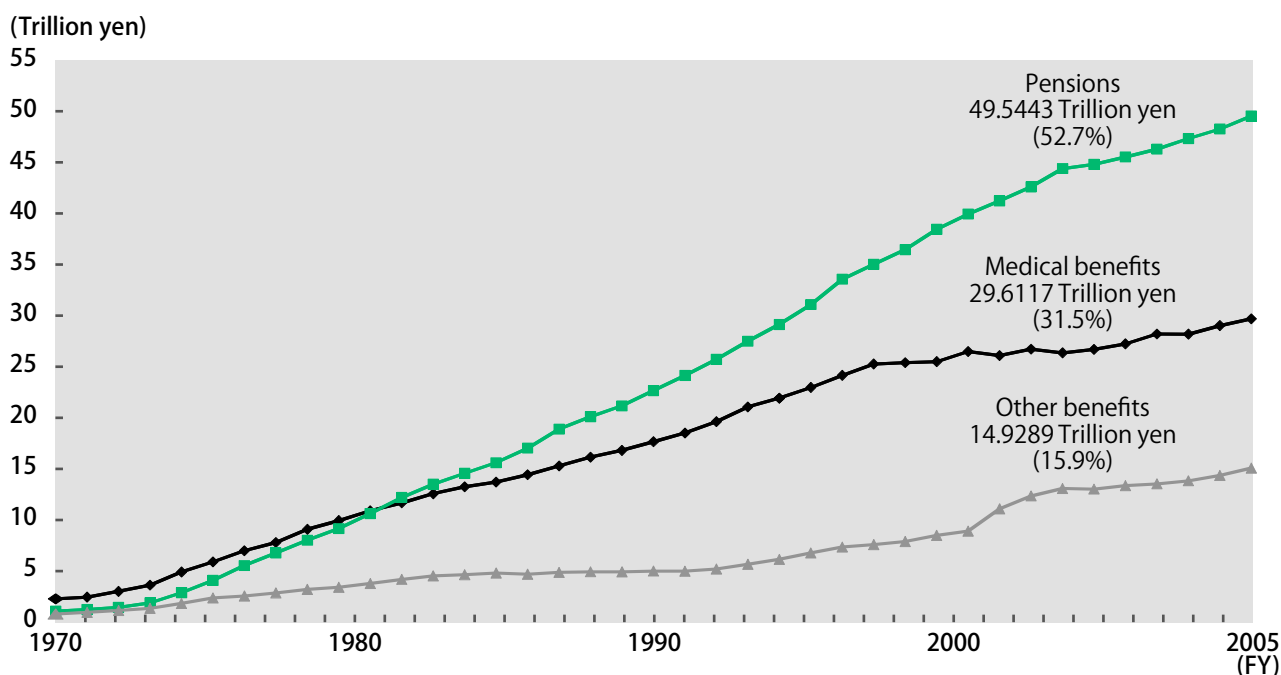
Data on the social expenditures of each country are based on OECD standards.

Notes: 1) (Potential) national burden ratio includes costs other than social security.

2) Data for countries other than Japan are from *OECD Social Expenditure Database*, 2010 edition

Statistics for Japanese national income and GDP are from Cabinet Office Economic and Social Research Institute, 2010 National Accounts.

### VI-3 Changes in Social Security Benefits by Category

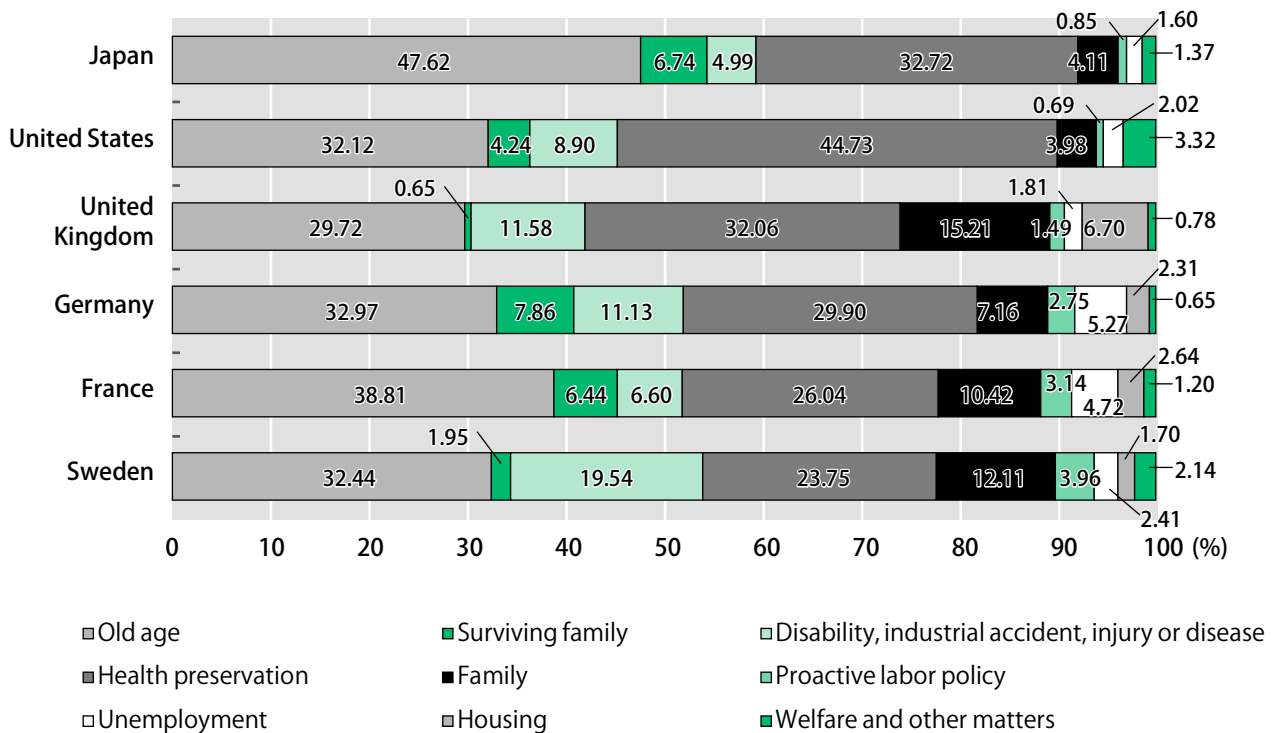


Source: *Social Security Benefit Costs, 2008*, National Institute of Population and Social Security Research

As a result, if one looks at an international comparison of the structural mix of social expenditure by government field (VI-4), one can see that whereas in Japan, 47.6% of social security benefit costs are spent on social security payments to older people, the expenditure on family-related policy, including benefits for households with children, and expenditure on protecting livelihoods and other issues account for only 4.1% and 1.3% respectively. The proportion

spent on family policy is small in the USA as well, with 3.3% of total expenditure being spent on protecting livelihoods and other issues. In contrast to this, the countries of Europe emphasize welfare for households with children. The proportion of expenditure on family-related policy in Germany (7.1%), France (10.4%), Sweden (12.1%), and the UK (15.2%) is at least twice as high as in Japan (see figures in brackets).

## VI-4 International Comparison of the Structural Mix of Social Expenditure by Government Field (2007)



Sources: National Institute of Population and Social Security Research, *Social Security Benefits (FY2008)*,  
 OECD Standard International Comparison of Social Expenditure,  
 Reference Diagram 2 International Comparison of the Composition Share of Social Expenditure by Policy Field (2007)

The decline in Japan's birthrate, which affects trends in social security benefit expenses, is forecast to continue. According to the National Institute of Population and Social Security Research's "December 2006 Future Population Projection," the proportion of the total population aged 65 or over will continue to grow, reaching 25.2% in 2013 and approximately 33% in 2035. It is thus forecast that one in three of the Japanese population will be aged 65 or over. In 2005, the Ministry of Health, Labour and Welfare presented the prospects for future social security benefits and the burden thereof, based on premises relating to trends in social security reforms and transitions in economic factors. Based on these prospects, the Cabinet Office's National Council on Social Security pointed out that the basic direction of social security reforms would focus on adjusting social security benefits and the growth in the burden thereof in line with economic growth, even in the future, when the proportion of the population of

working age will decline, and on rectifying both inter- and intra-generational disparities (November 2008).

Triggered by the change in administration in 2009, the government introduced universal child benefit, embarking on the first step in social security reforms that emphasized child welfare. However, because a great deal of fiscal resources came to be required for the medical care, nursing care and welfare of people affected by the Great East Japan Earthquake, as well as for securing their livelihoods and carrying out economic reconstruction in the affected areas, it has been decided to abolish universal child benefit following the benefit payment for September 2011. On the other hand, in order to link the securing of financial resources for social security to the tax system and implement social security while maintaining a balance with the economic and fiscal situation, the government is currently undertaking discussions with the ruling and opposition parties concerning integrated reforms of the social security

and tax system.

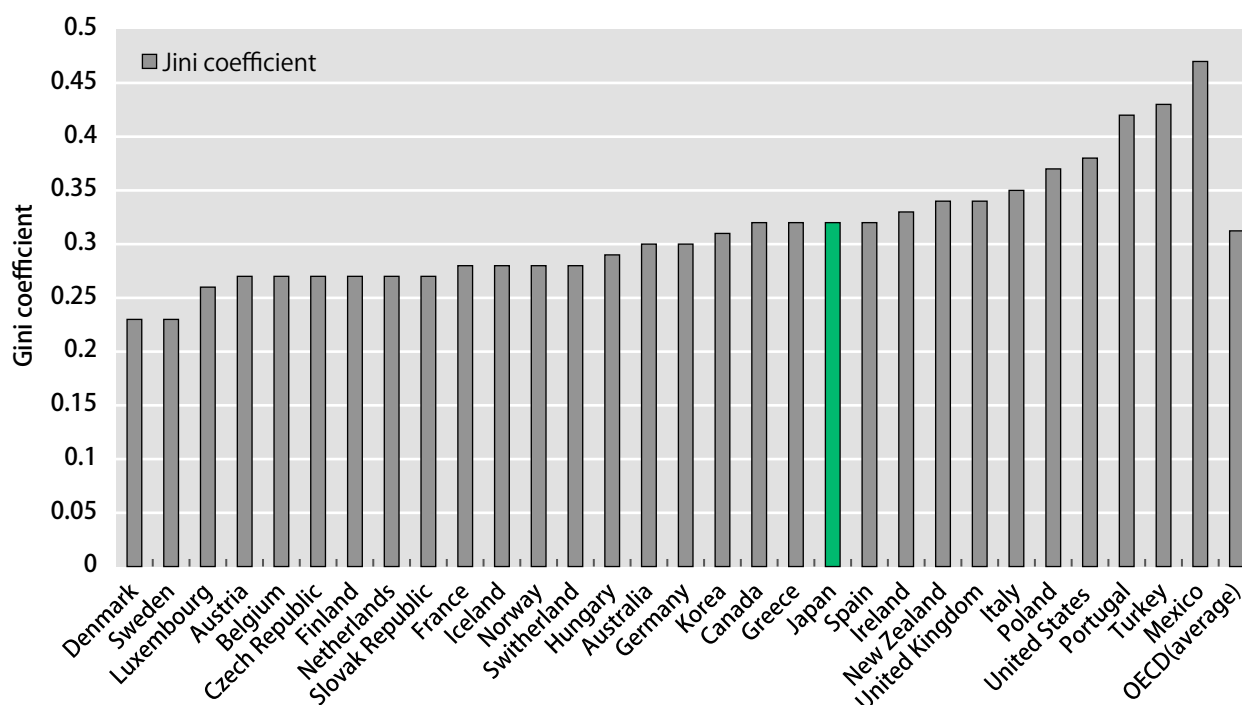
### Social Security Cost Burden Based on the Increase in Income Difference and Burden Capacity

According to the OECD's international comparative study regarding income disparity, comparing the Gini index of the household equivalent disposable income, after-tax and social security (disposable) income (see VI-5), Japan's Gini index is smaller than Western European countries, and smaller than the U.S. and U.K. In regard to this situation, the report by the Cabinet Office's National Council on Social Security (November 2008) pointed out that the basic approach to designing the social security system was "to achieve 'social justice' in the social security system, which involves ensuring equality in benefit payments and fairness in the burden." Based on this approach, in 2009, the Ministry of Health, Labour and Welfare estimated Japan's relative poverty rate, based on the calculation method used by the OECD

in international comparisons, and published the figures (See The Japan Times, October 21, 2009 issue, <http://search.japantimes.co.jp/cgi-bin/nn20091021a3.html>).

The poverty rate is higher than the average for the OECD countries, but from the middle of the first decade of the 21st century, if one looks at the redistribution coefficient using the Gini index ((Gini index before redistribution – Gini index after redistribution) ÷ Gini index before redistribution), one can see that the coefficient is increasing, which suggests that Japan's income redistribution system is functioning (Ministry of Health, Labour and Welfare, *FY2008 Income Redistribution Survey Results*). However, the redistribution coefficient is high for elderly households, while it is low for the households of single mothers. This reflects the fact that the proportion of social security benefits accounted for by family-related benefits, including benefit payments to households with children, is lower than in Scandinavia and France, as stated in 1 above.

#### VI-5 Income Distribution among OECD Nations (Mid 2000s)



Source: Gini coefficient for mid 2000s: "Growing unequal?" OECD ELSA, 2008

Note: The incomes used here to calculate the Gini coefficient are equivalent disposable incomes.

## VI-6 Closing of Income Gap through Income Redistribution (Gini Coefficient for Equivalent Incomes)

Year of survey	Gini coefficient				Rate of improvement in Gini coefficient		
	Equivalent initial income	(1) + social security benefits - social security contributions	Equivalent disposal income ((2) - tax)	Equivalent income after redistribution ((3) + benefits in kind)	Rate of improvement due to redistribution	Rate of improvement due to social security	Rate of improvement due to taxation
	(1)	(2)	(3)	(4)	*1	*2	*3
1996	0.376	0.327	0.312	0.310	17.7	13.7	4.7
1999	0.408	0.350	0.337	0.333	18.4	15.3	3.7
2002	0.419	0.337	0.323	0.322	25.3	19.9	4.3
2005	0.435	0.336	0.322	0.323	25.9	22.8	4.1
2008	0.454	0.343	0.327	0.319	29.7	26.2	4.7

Source: Summary Findings of the 2008 Income Redistribution Survey (Ministry of Health, Labour and Welfare)

Notes: 1) Rate of improvement due to redistribution =  $1 - (4) / (1)$

2) Rate of improvement due to social security =  $1 - (2) / (1) \times (4) / (3)$

3) Rate of improvement due to taxation =  $1 - (3) / (2)$

## 2 Income Security and Childcare Services for Households with Children

**Universal Child Allowance:** Universal child allowance is a system under which an allowance is paid to all households that are supporting children aged 12 or under (children who have not yet graduated from elementary school). This system was introduced in April 2010 and, unlike the child allowance that was in existence previously, there are no income limits and the allowance is paid to all households with children in the aforementioned category. The amount paid (monthly) as universal child allowance is ¥13,000 in all cases. However, in order to prioritise the securing of financial resources for reconstruction in the aftermath of the Great East Japan Earthquake, it has been decided to abolish the system after the payment for September 2011 is made.

**Child-Rearing Allowance:** Child rearing allowance is a system under which an allowance is paid to fatherless families with an income under a certain limit, where the child is aged 18 or under (until the March when the child graduates from high school.) As of 2010, the amount paid monthly under the allowance was ¥41,720 for the first child, ¥5,000 for the second child, and ¥3,000 for the third child.

**Special Child Dependent's Allowance:** Special child dependent's allowance is paid to households that have a child with disabilities who is aged 20 or under, according to the degree of the child's disability. The amount paid monthly in cases of the most severe disabilities is ¥50,550, while in the case of the next-most severe disabilities the payment is ¥33,670 monthly. People aged over 20 are paid the basic disability pension if their income is under a certain limit.

**Childcare Services:** Based on the Child Welfare Act, child welfare services in Japan consist of services provided at facilities for children and young people who cannot live with their families due to various problems (children's homes, nursery homes and maternal and child living support facilities), childcare services at daycare centers, and services

provided to children with disabilities both at home and at facilities. This section discusses childcare services that relate to combined support for child-rearing and employment. Childcare services are mainly provided by daycare centers. Daycare centers aim to look after children each day when their guardians (mainly their parents) cannot look after them, due to such reasons as having to work; there are daycare centers that are licensed by local authorities based on the Child Welfare Act, and those that are not licensed (daycare centers that have filed a notification to the local authority). The fees are calculated based on the income of the child's guardians during the previous fiscal year, the situation regarding the taxes levied on the guardians, such as income tax and residential tax, and the age of the child concerned.

With regard to the status of childcare centers as of April 2009, according to *Concerning the Status of Daycare Centers (April 1, 2009)*, published by the Child-Rearing Division of the Ministry of Health, Labour and Welfare's Equal Employment, Children and Families Bureau, there were 22,925 daycare centers, 2,040,974 children using those centers, and 25,384 children on waiting lists for daycare centers. The children on waiting lists are those who, even though they lack childcare and have applied to enter a daycare center (licensed daycare center), are unable to enter a daycare center because, for example, the daycare center that their guardians would like them to enter would exceed the maximum number of children for whom it can care. The existence of children on waiting lists suggests that it is necessary to further enhance childcare services, by such means as increasing the maximum number of children who can be cared for by increasing the number of daycare center staff and increasing the number of daycare centers in areas with many children on waiting lists, in order to provide combined support for child-rearing and employment.

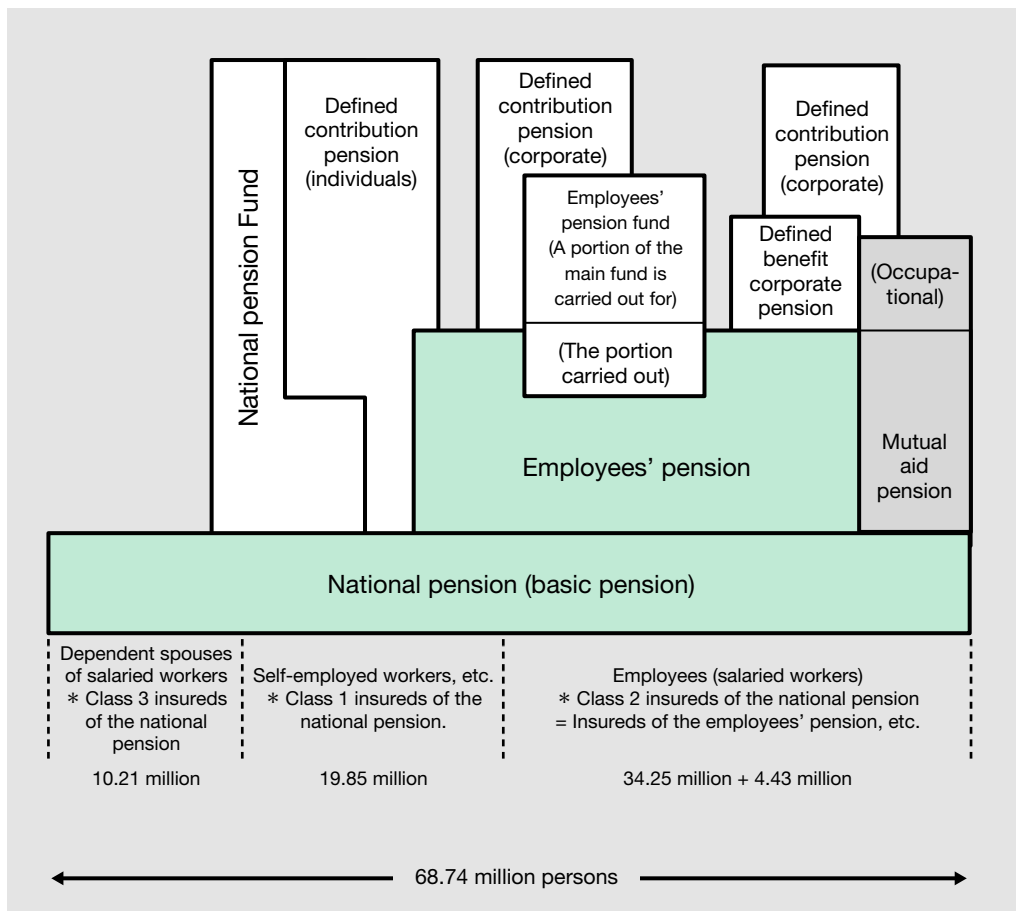


### 3 The Pension System and Public Assistance

**Pension system:** As can be seen from VI-7, the basis of the pension system, which fulfils a role in guaranteeing income after retirement, is the basic pension, in which all citizens (those aged 20 or above but under 60) enroll and which pays pension benefits once an individual reaches pensionable age (currently 60 years old, rising to 65 for men from 2013 and to 65 for women from 2018). In addition to this, salaried employees such as company employees and civil servants respectively receive the welfare pension and mutual aid pension, which are earnings-related pension schemes paid to top up the basic pension. To

distinguish it from these pensions paid to salaried employees, the basic pension that most self-employed workers and workers in the agriculture, forestry and fisheries sector receive is called the national pension. In many advanced countries (such as the U.S., Canada and Sweden), the same pension system is applied to both company employees and civil servants, and post-retirement income security does not differ according to job category. From this perspective, consideration is currently being given to integrating the welfare pension and mutual aid pension systems.

VI-7 The Pension System



Source: Compiled by the author, adding the number of insured persons in 2009 to the 2004 Key Points in Pension System Reforms published by the Ministry of Health, Labour and Welfare Pension Bureau

Japan's pension system is revised once every 5 years based on recalculations of pension financing. In the pension reform of 2004, it has been decided to adjust the benefits standards along with the economic situation and the progress of an aging society (however, it is aimed that the standards should not go below 50% of the income of the working generations), instead of fixing the future insurance burden to a certain level (18.3% after 2025, in the case for employees' pensions), drawing from Sweden's pension reform of 2001, etc. In the pension reform of 2009, the proportion of the basic pension paid to all citizens that is funded by the government from tax revenues was raised from one-third to one-half.

The insurance premium for the basic pension for self-employed workers is set at a fixed amount (¥15,020 monthly, as of 2011). On the other hand, the

burden of the insurance premium for company employees and civil servants is borne equally by the employer and the employee, and the premium rate is set at 16% of total income, including salary and bonuses (2011). The bereaved families of those enrolled in the pension system and those receiving pension benefits receive survivor's pensions, while those enrolled in the pension system who have a disability receive a disability pension if they meet certain conditions. The transitions in the number of people receiving pension benefits and the amount paid to them can be seen in VI-8. As of 2011, the amount paid as the basic pension benefit is ¥792,000 annually, while the amount paid as the old-age pension under the welfare pension system is ¥279,000 if one adds together the basic pension for a couple and the earnings-related component for the husband.

### VI-8 Transitions in the Number of People Receiving Benefits and the Amount Paid under the Pension System

FY	Insured persons (10,000 persons)				Beneficiaries (10,000 persons)				Income and expenditure					
	Total	Basic pension (Self-employed workers, etc.: Class 1)	Basic pension (Full-time house wife: Class 3)	Employee's pension	Mutual aid association (Pension in these)	Total	Basic pension (National pension)	Employee's pension	Mutual aid association	National pension Income (Insurance Premiums + State Contribution) (¥100 million)	Expenditure (¥100 million)	Employee's pension Income (Insurance Premiums + State Contribution) (¥100 million)	Expenditure (¥100 million)	Reserve balance (¥100 billion)
1987	6,411	1,582	927	2,822		2,252	112	891	149					
1990	6,631	1,758	1,196	3,149		2,500	191	1,065	96					
1995	6,995	1,910	1,220	3,328		3,236	690	1,425	40					
2000	7,049	2,154	1,153	3,219		4,091	1,307	1,307	14					
2005	7,045	2,190	1,079	3,302	460	3,995	1,337	2,316	342	37,873	43,350	300,685	353,284	1,403
2006	7,038	2,123	1,079	3,379	457	4,030	1,275	2,404	351	39,228	43,082	297,954	320,994	1,398
2007	7,007	2,035	1,063	3,457	451	4,146	1,260	2,523	363	38,466	43,435	299,463	329,875	1,302
2008	6,936	2,001	1,044	3,444	447	4,283	1,236	2,668	379	37,545	43,317	309,480	339,860	1,166
2009	6,874	1,985	1,021	3,425	443	4,414	1,205	2,814	395	37,813	39,911	320,483	365,618	1,208

Source: Ministry of Health, Labour and Welfare, *FY2009 Overview of Welfare Pension Insurance and the National Pension Scheme*

Notes: 1) The integration of welfare pension schemes and mutual aid societies (pension divisions) is being considered, so the number of insured people enrolled in mutual aid societies, such as civil servants, in recent years is shown.

2) The total number of those receiving pension benefits is the number receiving the basic pension after excluding overlap with those receiving the basic welfare pension.

The corporate pensions that supplement these public pensions consist of defined benefit and defined contribution corporate pensions (arrangements for which were instituted in 2001 to protect beneficiaries and ensure the portability of reserves) and employees' pension funds, which were established prior to 2001. For the self-employed and professionals, there is also a national pension fund for supplementing the basic pension. Following the introduction of the corporate pension system in 2001, it was decided that welfare pension funds would gradually change to defined-benefit corporate pensions, so as shown in VI-8, the number of defined-benefit corporate pension funds and the number of those enrolled in them are increasing. Moreover, even

companies that were unable to have a welfare pension fund because of their small scale have become able to offer defined-benefit corporate pensions by concluding contracts with operating agencies, and the number of contracts for this kind of corporate pension and the number of people enrolled therein are also increasing (VI-9). However, although the asset management yield of corporate pensions was in positive figures before the Lehman Shock, the yield for FY2010 fell into negative figures, following the Lehman Shock, so there is growing concern among companies and those enrolled in such schemes about the reliability (or lack thereof) of the asset management of corporate pensions.

## VI-9 Transitions in Defined-benefit and Defined-contribution Corporate Pensions

Year	Number of people enrolled in defined-benefit pension schemes (10,000 people)	Number of corporate defined-benefit pension schemes by establishment type			Number of people enrolled in defined-contribution pension schemes (corporate type) (10,000 people)	Number of businesses with defined-contribution pension schemes (corporate type)
		Convention type	Fund type	Total		
2002	9	15	0	15	33	301
2003	135	168	148	316	71	845
2004	314	484	508	992	126	1402
2005	384	834	596	1430	173	1966
2006	430	1335	605	1940	219	2313
2007	506	2479	619	3098	271	2710
2008	570	4396	611	5007	311	3043
2009	647	6797	610	7407	340	3301

Sources: Pension Fund Association, Statistics Concerning the Fiscal Situation, *Transitions in the Number of Defined-benefit Corporate Pension Systems by Establishment Type and the Number of People Enrolled Therein*, and *Transitions in the Number of Defined-contribution Corporate Pension System Contracts and the Number of People Enrolled Therein*

The characteristic of Japan's pension system relating to the labor market is the point that it cooperates with unemployment insurance. In the case of older workers aged between 60 and 64, therefore, elderly employment continuation benefits and elderly reemployment benefits are provided when wages fall below 85% of the level immediately prior to

retirement at 60. Further, to support female workers' combining of childrearing and work activities, payment of employees' pension insurance premium is excused for both the worker and employer during the period of child care leave (For the Assistance Measures to Balance Work and Family and for the Gender Equal Employment Policies, see Chapter V).

**Public assistance:** The public assistance system is designed to guarantee a minimum standard of living by providing benefits in kind according to need. These are provided by the Government through local governments when a person falls into poverty, despite employment, savings, assets, pensions, and allowances, etc., due to circumstances such as sickness, mental/physical disability, or unforeseen accident based on the principle of complementarity. In practice, the level of public assistance is determined based on the minimum cost of living calculated according to standards laid down by the Government and relative to the income of the household concerned, the shortfall being covered by the provision of benefits in cash or in kind (such as medical benefits). As of 2011, the number of households receiving public assistance has reached 1.44 million households, while the number of people

in such households totals 2 million; the share of people in households receiving public assistance is equivalent to 1.5% of the total population. As a result of the recent stagnation of the economy and the growth of income disparities, the cost of public assistance is growing by the year. If one looks at the people receiving public assistance by age, one can see that the proportion of older people receiving such assistance has been growing in recent years, due to the fact that there are people who do not qualify to receive pension benefits, that it is difficult for older people to find employment due to the prolonged economic slowdown, and that a growing number of people are unable to pay for medical care costs as a result of being on low incomes, and can only receive healthcare through the medical benefit paid under the public assistance program.

#### VI-10 Transitions by Year in the Number and Proportion of Households Receiving Public Assistance by Type of Household

Year	Number of households receiving public assistance				Composition ratio		
	Total number	Households with older people	Households with single mothers	Households with sick or injured people, etc. (including households with disabled people)	Households with older people (%)	Households with single mothers (%)	Households with sick or injured people, etc. (including households with disabled people) (%)
1990	622	232	73	318	37.2	31.5	31.3
1995	601	254	52	294	42.3	20.6	37.1
2000	750	341	63	346	45.5	18.5	36.0
2005	1040	452	91	497	43.5	20.0	36.5
2006	1074	474	93	507	44.1	19.5	36.3
2007	1103	498	93	512	45.1	18.7	36.2
2008	1146	524	93	529	45.7	17.8	36.5
2009	1274	563	100	612	44.2	17.7	38.1

Source: Compiled by the author from Annual Transitions in the Number of Households Receiving Public Assistance by Household Type and the Household Assistance Rate, from the list of official statistical data concerning "public assistance" published by the National Institute of Population and Social Security Research

Notes: 1) This is the one-month average.

2) Does not include households whose assistance is currently suspended.

3) In the household assistance rate, the number of households receiving public assistance is divided by the number of households in the National Livelihood Survey (per 1,000 households).

4) For some years, the figure by household type and the total figure for this differs from the overall total; this is not a printing error but is rather due to the margin of error resulting from adding up the total for each month (April - March) and dividing by 12, then rounding off the figures.

## 4 Medical Insurance and Long-term Care Insurance

**Medical Insurance:** Within Japan's medical insurance there is association-managed health insurance for employees (and their families) of workplaces of five or more workers, government-managed health insurance for employees (and their families) of workplaces with fewer than five workers, national health insurance for the self-employed, etc., and medical insurance provided by mutual aid associations for national government employees and local government employees (see upper row of VI-11). Subscribers in medical insurance programs pay the insurance premium themselves, but the subscribers themselves and their families may receive medical services at the medical institution of their choice by

paying only a portion of the medical expense. Furthermore, with regard to people aged 65 or over requiring long-term care and all older people aged 70 or over, there is a system of medical aid for older people (see lower row of VI-11) that is funded by insurance premiums paid by older people, contributions borne by health insurance societies and the national health insurance scheme. Under this system, the insurance premiums of older people on low incomes are reduced and, in the event that the local authority cannot sustain the finances alone, it is possible for a number of local authorities to form an extended association to provide medical and healthcare services to older people.

## VI-11 Medical Insurance System

Plan		Insurer (As of 31 March, 2008)	Subscribers (As of March 31, 2008) and (subscriber's dependents) (Unit:1,000 persons)	Insurance Benefits		
				Payment in part	Medical Benefits	
					High-Cost Medical Care Benefits, and the High-Cost Medical Care & Nursing Care Benefits Combination System	
Health insurance	Ordinary employees	Kyokai Kenpo	Japan Health Insurance Association	36,294 (19,871 16,488)	<p>After the commencement of compulsory education to those 69 years of age: 30%</p> <p>Prior to the commencement of compulsory education: 20%</p> <p>70 to 74 years old: 20% (*) (Persons with income comparable with those of an active worker: 30%)</p> <p>(*) For those 70 to 74 years of age, the rate will be kept at 10% from April 2008 to March 2010.</p>	<p>High-Cost Medical Care Benefits</p> <ul style="list-style-type: none"> <li>• Maximum amount paid by the patient</li> </ul> <p>Under 70 years of age:</p> <p>High income persons: 150,000 yen+ (medical costs-500,000 yen) × 1%</p> <p>Average income persons: 80,100 yen+ (medical costs-267,000 yen) × 1%</p> <p>Low income persons: 35,400 yen</p> <p>From 70 to 74 years of age:</p> <p>With income comparative with those of an active worker: 80,100 yen + (medical costs-267,000 yen) × 1% ,</p> <p>Outpatient Treatment (for each patient): 44,400 yen</p> <p>Average income persons(*): 62,100 yen, Outpatient treatment (for each patient) 24,600 yen</p> <p>Low-income persons: 24,600 yen, Outpatient treatment (for each patient) 8,000 yen</p> <p>Low-income persons with especially low income: 15,000 yen.</p> <p>Outpatient treatment (for each patient) 8,000 yen</p> <ul style="list-style-type: none"> <li>• Standard amount for aggregation of households:</li> </ul> <p>For those under 70 years of age, if there are multiple payments of more than 21,000 yen in the same month, reimbursement is calculated on the basis of their sum.</p> <ul style="list-style-type: none"> <li>• Burden reduction for those with multiple cases:</li> </ul> <p>If a household has been eligible for reimbursement three times or more within a 12-month period, the amount of payment in part from the fourth time will be:</p> <p>Under 70 years of age:</p> <p>High-income persons: 83,400 yen</p> <p>Standard-income persons: 44,400 yen</p> <p>Low-income persons: 24,600 yen</p> <p>70 years of age or older with income comparative with those of an active worker and standard income (*): 44,400 yen</p> <ul style="list-style-type: none"> <li>• Burden reduction for patients suffering from long-term and high-cost illness</li> </ul> <p>Self-pay limit for the patients suffering from hemophilia or chronic renal failure requiring artificial dialysis: 10,000 yen</p> <p>Self-pay limit for high-income persons receiving artificial dialysis: 20,000 yen</p> <p>(*) Burden reduction for multiple cases is not applicable to persons from 70 to 74 years of age classified as standard income class as the self-pay limit will be kept unchanged at 44,000 yen (12,000 yen for outpatient treatment) from April 2008 through March 2010.</p> <p>High-cost medical care and high-cost nursing care benefits combination system:</p> <p>Burden reduction system applicable in the instances where the total of the self-pay burden under the medical insurance and nursing care insurance paid in a year (from August to July next year) become extremely high. Self-pay limits will be fixed in high details according to the income and age of the patients.</p>
		Association managed	Health insurance associations 1,518	30,860 (15,871 14,989)		
	Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law	Japan Health Insurance Association	18 (11 7)			
Seamen's insurance		National government	157 (63 95)			
Mutual aid insurance	National government employees	Mutual aid associations (21)	9,374 (4,397 4,977)			
	Local government employees	Mutual aid associations (55)				
	Private school instructors	Mutual aid associations (1)				
National health insurance	Farmers, self-employed etc.	Municipalities 1,804	50,724 Municipalities 46,881 Health insurance associations 165 Health insurance associations 3,843			
		Health insurance associations 165				
	Retired workers eligible for employees insurance benefits	Municipalities 1,804				
Long life medical care system (Medical care system for the latter-stage elderly people)		Management body: Extended associations for medical care for the latter-stage elderly people	13,075 (As of the end of April, 2008)	10% (Persons with income comparable with those of an active worker 30%)	<p>Maximum amount of payment in part</p> <p>(Persons with income comparable to that of an active worker) 80,100 yen+(medical cost-267,000 yen) × 1%</p> <p>(Incase of frequent reimbursement) 44,400 yen</p> <p>(Average income persons) 44,400 yen</p> <p>(Low income persons) 24,600 yen</p> <p>(Very low income among low income persons) 15,000 yen</p>	<p>Outpatient care (per person) 44,400 yen</p> <p>12,000 yen</p> <p>8,000 yen</p> <p>8,000 yen</p>

Plan			Insurance Benefits			Financial resources	
			Medical Benefits		Cash Benefits	Insurance premiums	Government subsidies
			Hospital Meal Charge Benefits	Hospitalized living expenses benefits			
Health insurance	Ordinary employees	Kyokai Kenpo	Standard payment amounts for dietary therapy:	(Standard payment amounts for those living in hospitals)	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	8.2%	13.0% of benefits (contribution for latter-stage elderly people 16.4 %)
		Association-managed		• Standard income persons (I) 460 yen per meal and 320 yen per day			
	Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law			• Standard income persons (II) 420 yen per meal and 320 yen per day	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	Daily rate (class 1) 150 yen (class 13) 3,010 yen	13.0 % of benefits (contribution for the latter-stage elderly people 16.4 %)
Seamen's insurance			• Low income persons 210 yen per meal and 320 yen per day	Same as above	9.1% (non-professional)	Fixed amount	
Mutual aid insurance	National government employees		• Standard-income persons 260 yen per meal	Same as above (including additional benefits)	—	None	
	Local government employees		• Low-income persons Up to the first 90th day 210 yen per meal From the 91st day 160 yen per meal		—		
	Private school instructors		• Low-income person with especially low income 100 yen per meal		—		
National health insurance	Farmers, self-employed etc.		• Low-income person with especially low income 100 yen per meal	• Applicable to persons 65 years of age or older hospitalized in the convalescent ward  * For patients with greater needs for in-hospital treatment due to being obstinate or other diseases, the payment amount will be same as the standard payment amounts for dietary therapy.	• Lump-sum payment for childbirth, child care • Funeral services expenses	Each household is assessed a fixed amount and amount based on ability to pay  Calculations vary somewhat according to insurer	43% of benefits etc.
	Retired workers eligible for employees insurance benefits						None
Long life medical care system (Medical care system for the latter-stage elderly people)			Same as above	Same as above. • Persons on senior welfare pensions 100 yen per meal and 0 yen per day	Funeral services expenses etc.	Rates are fixed based on the equal amount per insured and the percentage of their income determined by the respective extended associations.	<ul style="list-style-type: none"> <li>• Insurance premium 10%</li> <li>• Contribution Approximately 40%</li> <li>• Public Approximately 50%</li> </ul> (Breakdown of public expenses) National : Prefectures : Municipals 4 : 1 : 1

Source: Ministry, of Health, Labour and Welfare, *Annual Reports on Health, Labour and welfare*, 2006

Notes: 1) Those insured by the long-life medical care system (medical care system for the latter-stage elderly people) comprises persons of 75 years of age or older, and the persons from 65 to 74 years of age certified by an extended association to have a certain degree of handicap.

2) Persons with income comparative with those of an active worker mean their taxable income is 1.45 million yen (0.28 million yen for monthly income) and annual income is more than 5.2 million yen [family including elderly person(s)] or 3.83 million yen (single-elderly person household).

3) The proportion of government subsidy provided to the subscribers and their families through the national health insurance association will be the same as that of government-managed health insurance if they have obtained approval for health insurance eligibility exemption and re-subscribed anew on 1 September 1997 onwards.

4) Only the memberships of health insurance are a quick estimation. Due to rounding off, the breakdown figures do not always add up to the total.

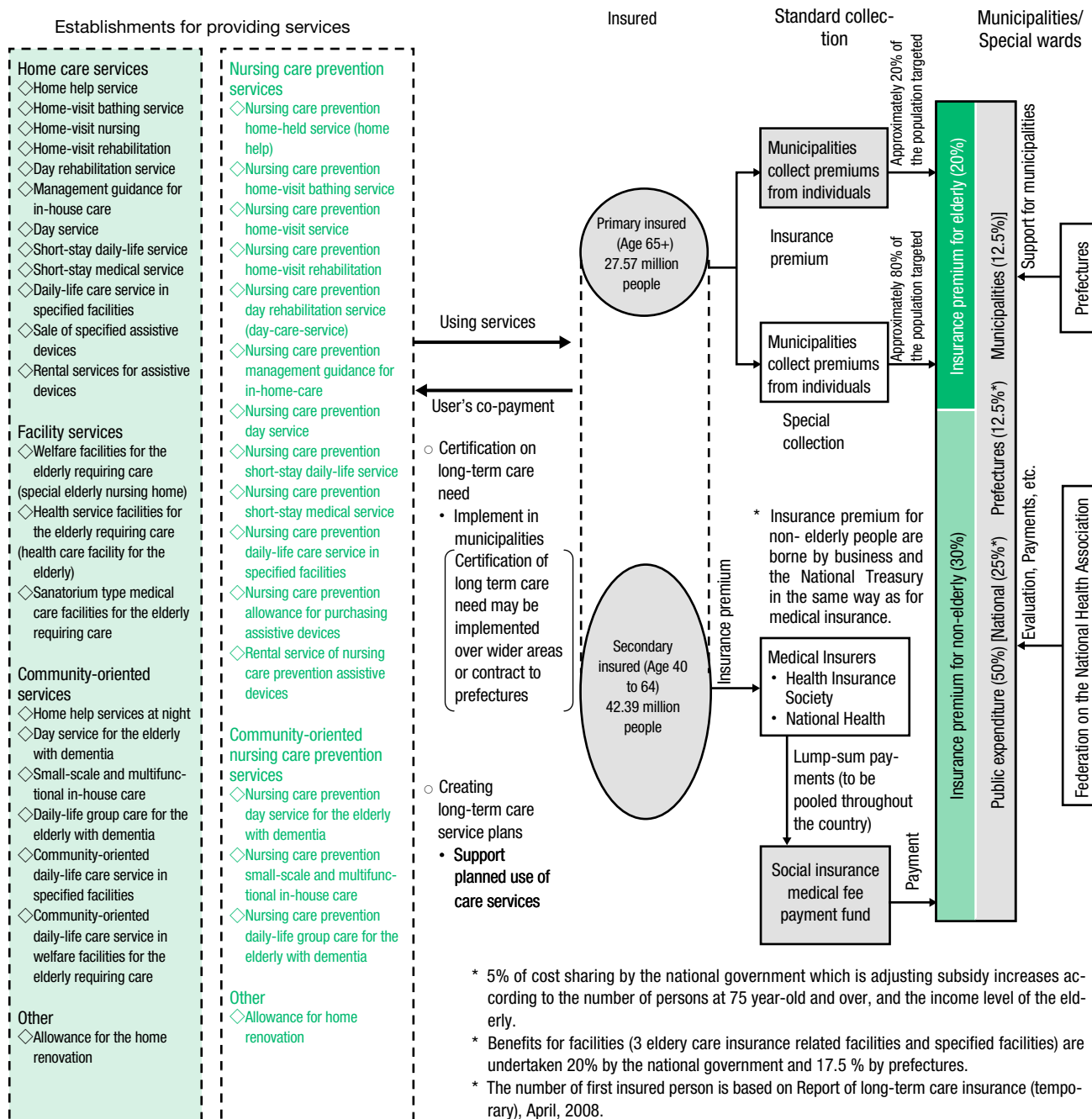
As seen in Figure VI-3, although medical expenses increased in the 1990s, the increase has become modest in recent years compared to that time (the ratio of national medical expenses to national income has been shifting between 8.0%-8.9% since 2003). However, because of the need to rethink continuing support for growth in expenditure on health care for older people as the population ages out of national health insurance and health insurance association contributions and public funds in view of declining growth in revenue from insurance contributions due to Japan's shrinking economic growth rate and the need to ensure intergenerational equity between the economically active and older people, the Medical Aid System for the Elderly (Medical Aid System for Old-Old) was introduced in April 2008. Under this system, older people on low incomes have a lower co-payment and the insurance premiums are waived in the event that their income is below a certain level.

**Long-term care insurance:** Long-term care insurance has been in operation since April 2000 to provide public assistance to lighten the care burden for long-term care recipients' families. This assistance makes it easier for bedridden older people and other older people requiring long-term care to receive this care at home, and for others to receive long-term care

at a facility outside of home. Under the long-term care insurance system, in exchange for citizens aged 40 and above paying long-term care insurance premiums, it is possible to receive specific types of long-term care service if required after reaching the age of 65, such as the dispatch of a home-helper; in order to receive these services, the older person concerned must submit an application and have it approved by the municipality's long-term care approval committee. Whereas the insurance premiums and the standards for certifying the necessity of receiving long-term care are set in a uniform manner nationwide, the task of issuing approvals based on those standards is undertaken by municipal long-term care approval committees. In addition, long-term care services are provided on the basis of care plans drawn up by care managers, by a service provider selected by the person requiring long-term care from among the long-term care service providers approved by the municipality, respecting the choice of the individual requiring long-term care (VI-12). Those using long-term care services bear 10% of the cost, as a general rule. However, a maximum limit is set in order to ensure that the cost burden on the user is not too high, with the municipality paying any high-cost long-term care service fees in excess of that maximum limit.



## VI-12 Long-term Care Insurance System



With regard to the number of people enrolled in long-term care insurance, as of 2009, there were 28.38 million people insured aged 65 or above (primary insured persons) and 42.40 million people insured aged between 40 and 64 (secondary insured persons). With regard to the number of people who had been approved to receive long-term care insurance services, as of 2009, there were 1.23 million people requiring support and 4.67 million people requiring long-term care. With regard to the number of long-term care employees providing long-term care services to older people who have been approved as requiring support or long-term care, in the case of employees of companies providing services to people who remain living at home (there are part-time employees, so the figures are estimates converted into full-time equivalent, assuming all employees are working full-time), there were 163,000 people providing visiting long-term care and 199,000 people providing long-term care at daycare facilities; in addition, there were 518,000 people (estimate converted into full-time equivalent) working as employees at long-term care insurance facilities (Ministry of Health, Labour and Welfare, *FY2008 Survey of Institutions and Establishments for Long-term Care*).

Given these circumstances in which many older people have been certified as requiring support or

long-term care and are receiving long-term care insurance services, in municipalities that have a particularly high population aging rate, a situation has arisen in which the rise in the cost of providing long-term care insurance benefits is continuing and a deterioration in the state of public finances for long-term care insurance has become unavoidable. In order to deal with this problem, an amendment to the Long-term Care Insurance Act was made in 2005. Through this, initiatives such as those focused on the prevention of illness so that people do not end up in a state in which they require long-term care and the establishment of regional comprehensive support centers to provide more cohesive services in the community were incorporated into the long-term care insurance framework. Furthermore, in order to enable older people to receive long-term care services while remaining in the community in which they were accustomed to living, a vision for the development of community care was formulated in 2008, involving the utilization in long-term care insurance of various networks relating to long-term care, such as the involvement not only of local medical institutions and government bodies, but also NPOs in watching over the people requiring such care. Based on this, initiatives focused on preventing the need for long-term care came to be implemented by municipal and regional social welfare councils.