

# POLICY

## PRESCRIPTIONS

### JAPAN'S TRAGEDY OF THE COMMONS

The Japanese tout one of the world's best multipayer, universal health care systems in terms of long life expectancy, copious technology, and low cost. Still, areas for improvement persist and lessons for the US abound.

Of the myriad healthcare systems in the world, the Japanese system resembles one towards which the American system was metamorphosing. That was, until last week's events threatened to stall or kill the movement for health reform in the United States. Regardless, in our zeal to promote a universal healthcare system structured around multiple payers, we find it instructive to examine international systems resembling that ideal. This post represents the first in a series of comparative national and international health systems.

The Japanese have guaranteed health insurance coverage to its citizens since 1958. Presently the life expectancy in Japan is the longest in the world, the infant mortality is among

the lowest, and the per capita number of physicians, MRIs, and CT scanners is among the highest around the globe. Health costs in Japan amount to approximately 8 percent of GDP. Although this figure is growing, it remains far less than the 16 percent of GDP the United States spends on health care. The Japanese system divides patients into one of the three segments - (1) employer based insurance, (2) the elderly (Roken), and (3) everyone else (Kokohu). Further fragmenting the employer-based health insurance system, Japan's government manages



**Cedric Dark, MD, MPH**  
is founder and executive editor of Policy Prescriptions. A *summa cum laude* graduate of Morehouse College, where he received a B.S. in biology, Dr. Dark earned his medical degree from New York University School of Medicine. He holds a master's degree from the Mailman School of Public Health at Columbia University. He is completing his Emergency Medicine residency training at George Washington University and serves as Chief Resident in the 2009-2010 academic year.



# POLICY PRESCRIPTIONS



insurance for small and mid-sized companies (Seikan) as well as government employees and teachers (Kyosai). Larger private firms are serviced by over a thousand separate private insurance (Kenpo) plans. Cross subsidization is paramount in the Japanese system and is vastly more explicit than in the American system.

When examined from this perspective, the Japanese system appears quite similar to the American one, except that the Kokohu plans which includes the self-employed and retired, also provider coverage for individuals without another qualified insurance plan. In this sense, the Kokohu could appear similar to a large national insurance exchange open to America's currently uninsured.

Despite the positive aspects of the Japanese systems, scholars have identified several areas for reform:

(1) over prescription by physicians - doctors earn income by writing prescriptions and therefore it is no surprise that Japanese doctors write more prescriptions than are likely necessary. Drug costs amount to nearly one-quarter of total health costs in Japan (compared to only 10 percent in the US).

(2) resistance to cross-subsidization - large employer-sponsored plans cross-subsidize smaller plans within the employer based system as well as the elderly. As financial pressures worsen for Kenpo plans, many are losing the social solidarity supportive of cross-subsidization schemes.

(3) mixed private and insurance payments are prohibited - resistance to allowing a two-tiered system is strong among Japanese physicians. However, because of the comprehensiveness of

benefits, there is little incentive to minimize marginally effective health care services on the part of patients.

(4) Fee-for-service - the Japanese equivalent of American DRG system for hospitalizations was implemented in 2003. No value based systems yet exist.

(5) Evidence-based medicine - over the past decade, the Japanese government has met resistance from the medical community over protocolized EBM as a threat to professional autonomy.

-----  
[\*“International Health Systems Primer”\*](#) by the American Medical Student Association.

[\*“Sick Around the World”\*](#) A PBS special on health systems around the globe.

[\*BMJ. 2005; 331: 648-9.\*](#)

## Commentary

*To each nation, a uniquely tailored health system. As the United States continues to move towards universal health care, comparisons to other multipayer, universal systems are instructive. Many of the problems we face are still present in Japan.*

*How the Japanese work to resolve the issues surrounding cross-subsidization of health care and the resistance to evidence-based medicine will help inform US lawmakers about how to tackle two critical issues: (1) explicit cross-subsidization in order to cover the uninsured and (2) the*

*adoption of comparative effectiveness research as the next leap forward in evidence-based medicine.*

*A key point from Japan, however, is that there has been a commitment on the part of the people to provide care to all Japanese, not just those of financial means.*