
“Case study on health reform from Japan”

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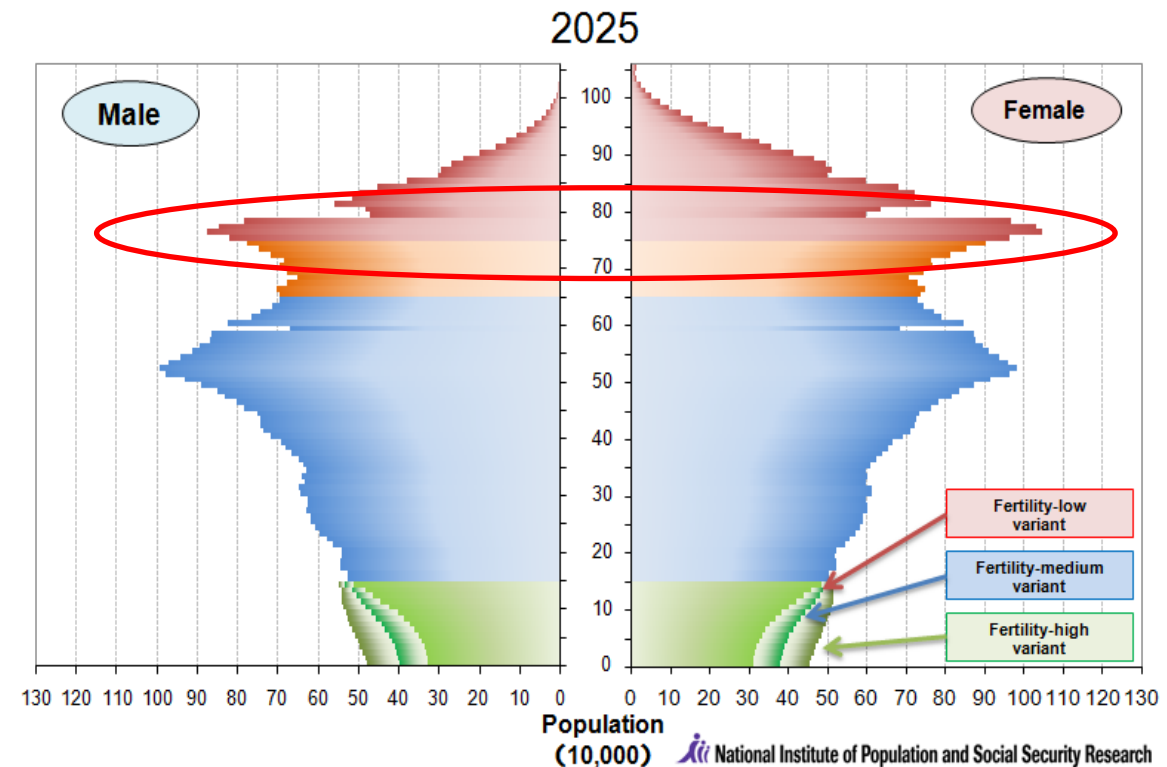
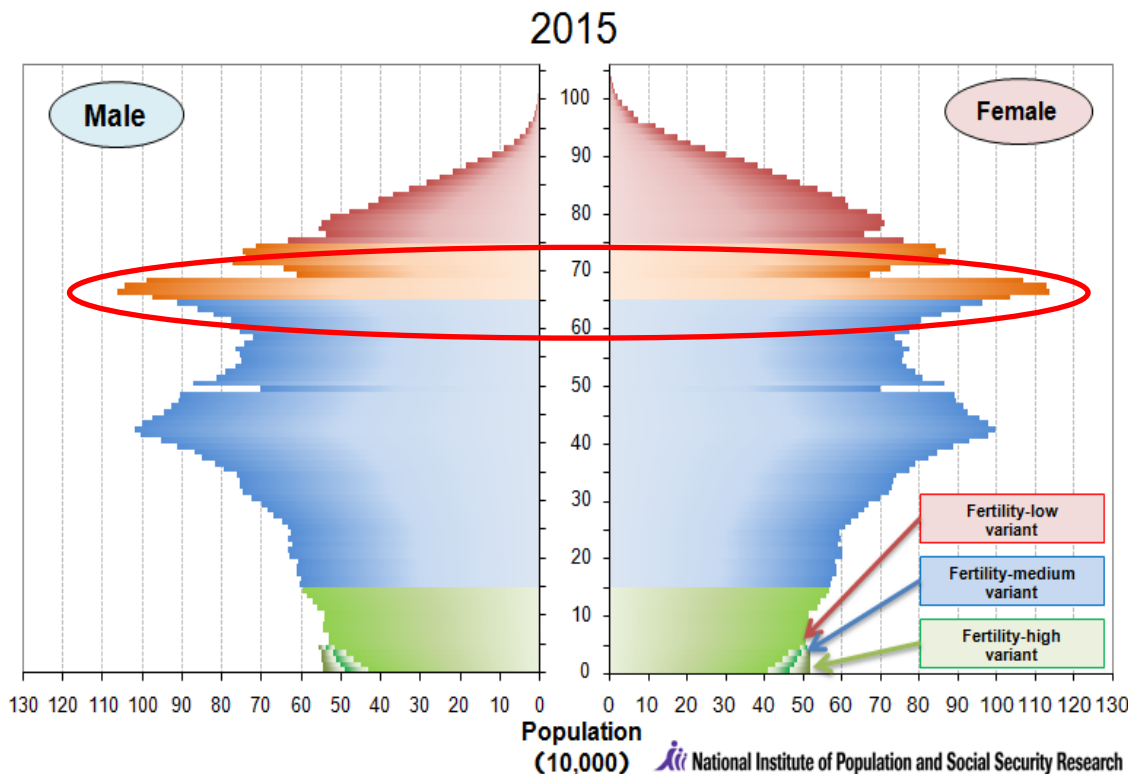
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Topics

- Health care reform toward “2025”
- Current progress in “QALY-type” Health Technology Assessment
- Generics
- Recent changes in National Health Insurance (NHI) drug price scheme and future prospects

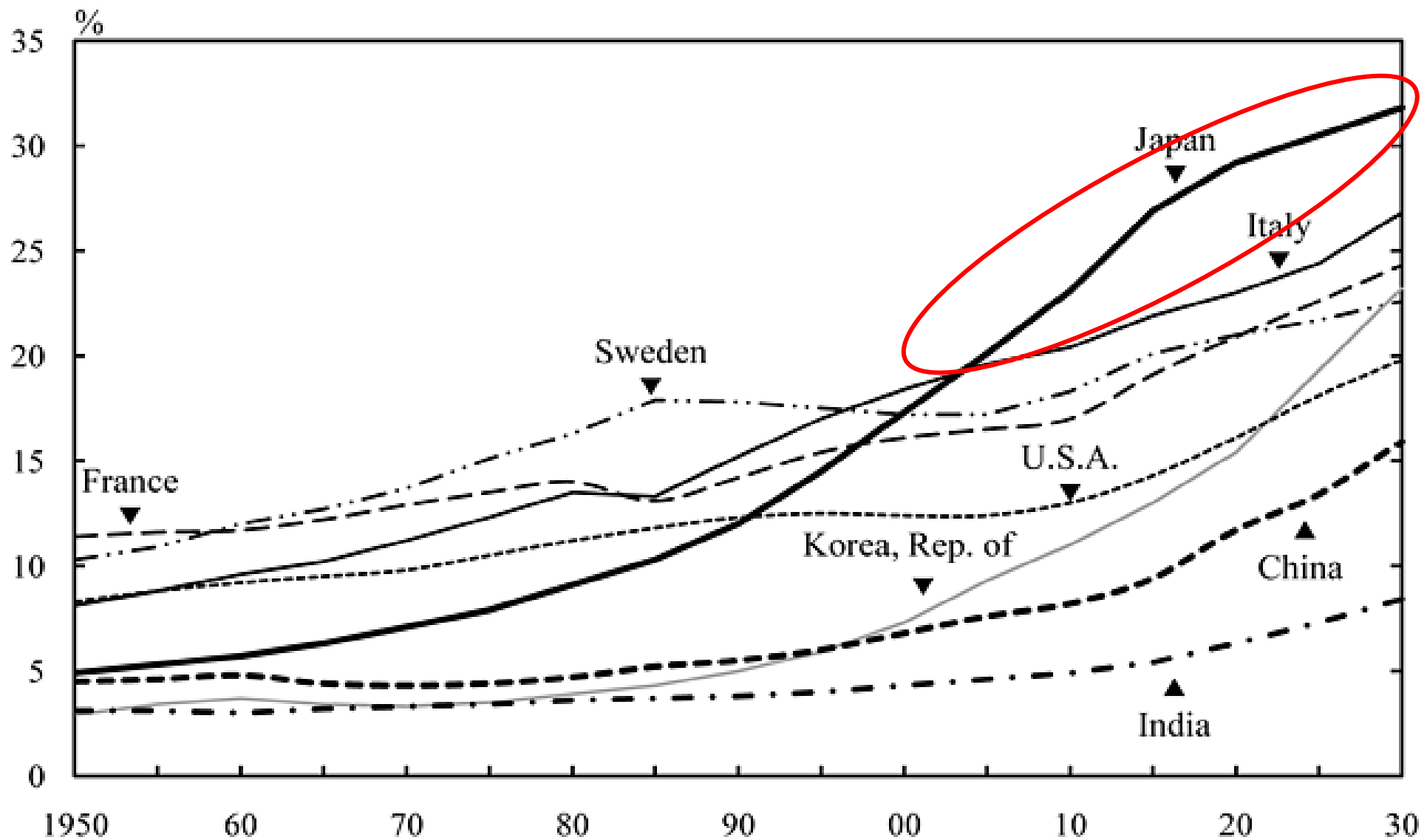
Health care reform toward “2025” (1)

- What is “the Year 2025 problem”?
 - Baby boomers will reach 75 years old by 2025
 - Average national healthcare costs per capita, by age
 - From 65 to 74 = 2.0 (from 46 to 64 = 1)
 - Over 75 = 3.2



Aging population in Japan

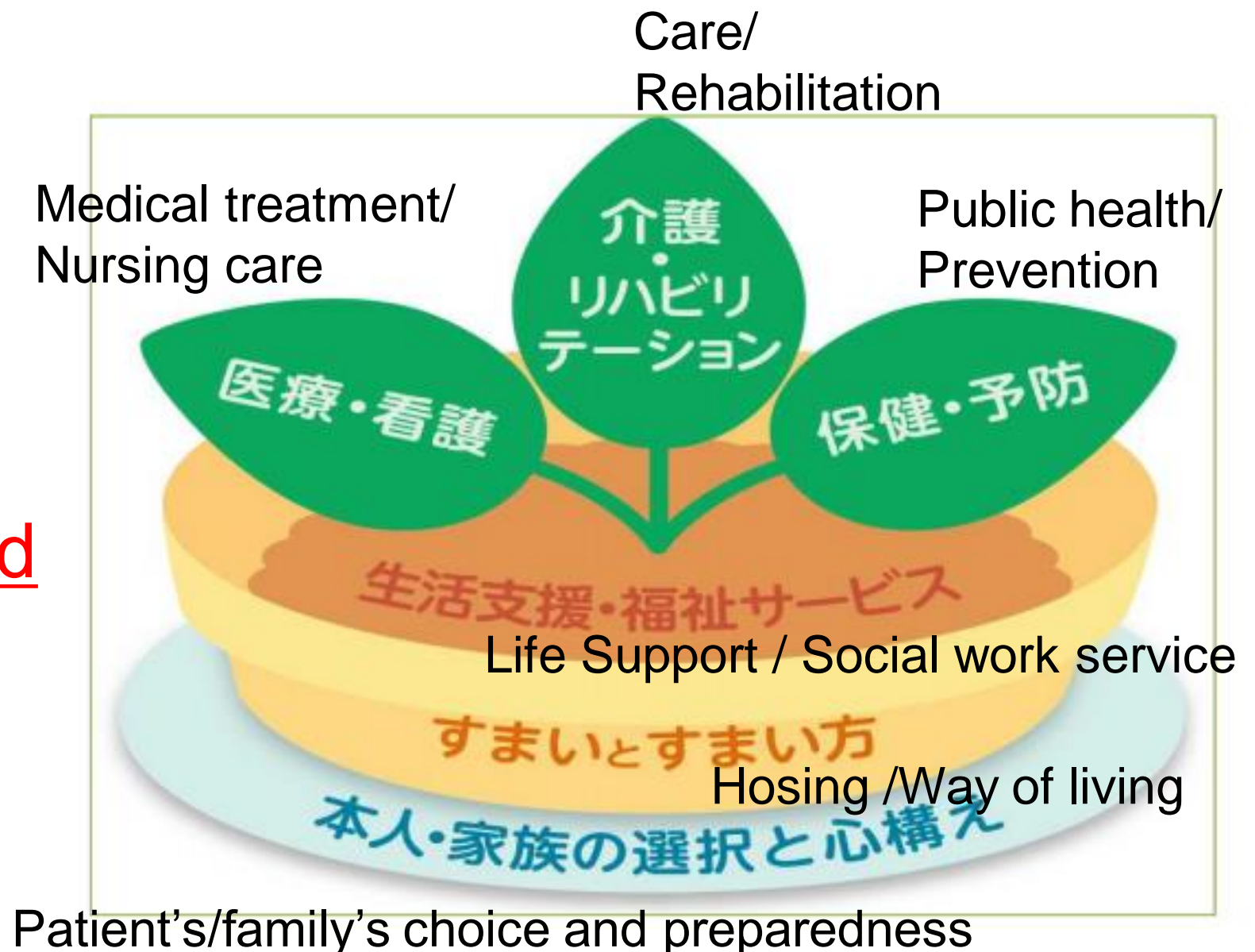
- Share of population made up by elderly (aged 65 or older) in selected countries



Health care reform toward “2025” (2)

- How to prepare for “the Year 2025 problem”?

A key policy is a “community-based” integrated care system



Health care reform toward “2025” (3)

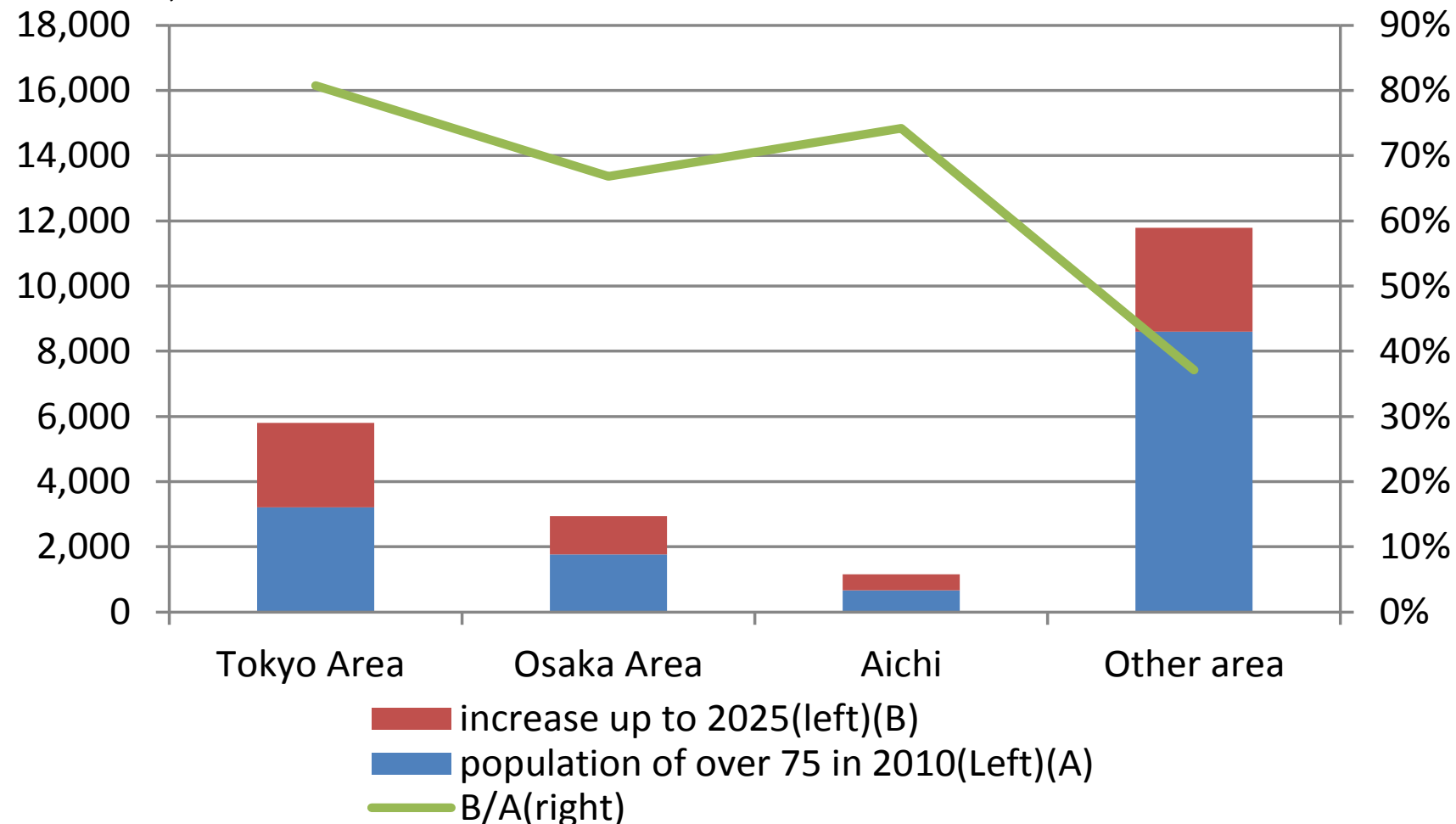
- “Community-based” integrated care system
 - Support elderly persons within their community
 - Not only through “Medical treatment” and “Care,”
 - But also through “Prevention,” “Life support / Social work service” and “Housing”
 - Local governments, residents, and firms plays crucial roles, especially for elderly persons with mild disabilities/disease
- Total “integrated” solutions

Why “housing?”

- Lack of facilities for elderly persons
 - In urban areas, supply of facilities for elderly persons will fall short of the increase in the number of the elderly persons, due to cost constraints

- Healthcare policies must be combined with housing policies

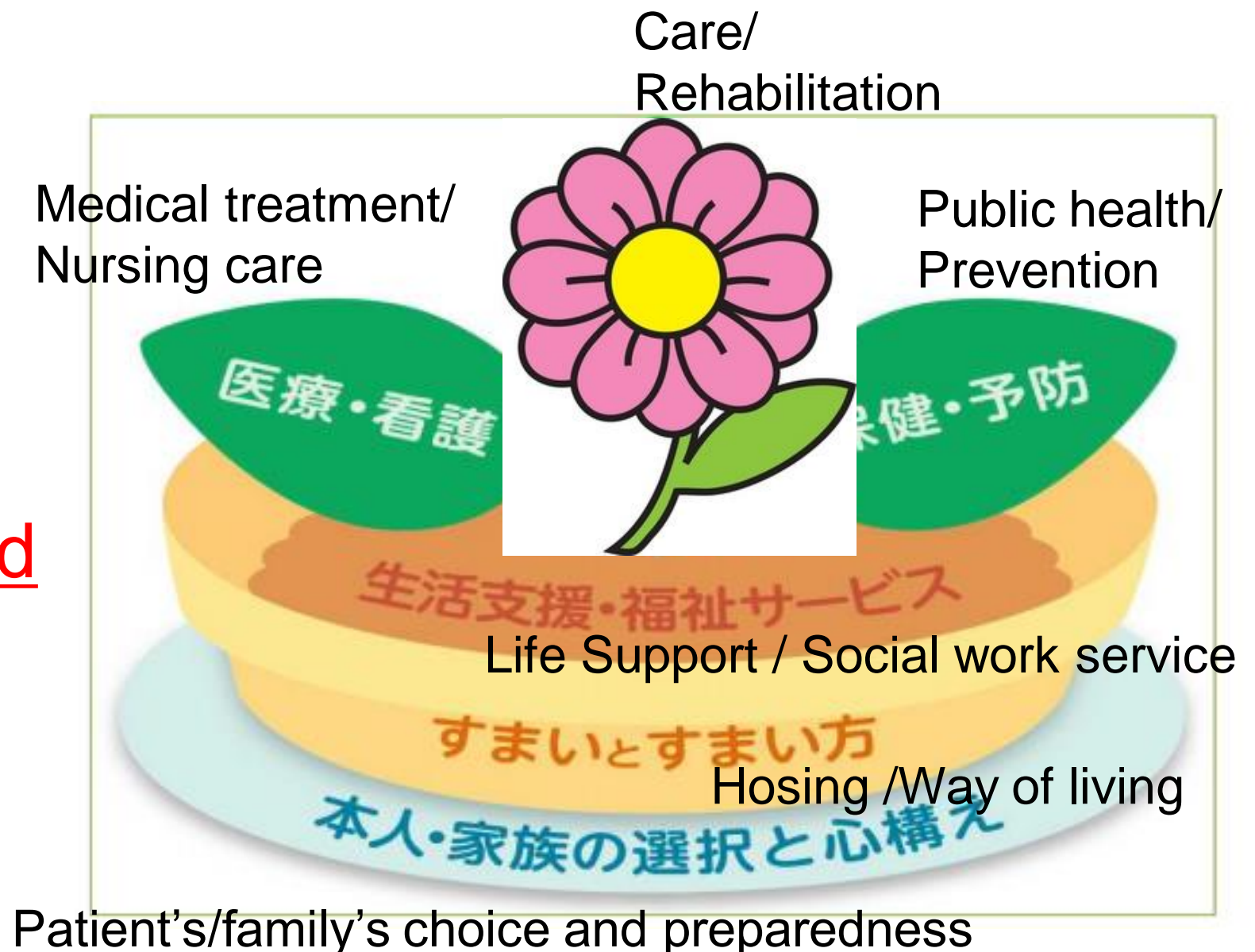
- The importance of home medical/care services is rising



Health care reform toward “2025” (2)

- How to prepare for “the Year 2025 problem”?

A key policy is a
“community-
based” integrated
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Current progress in “QALY-type” Health Technology Assessment

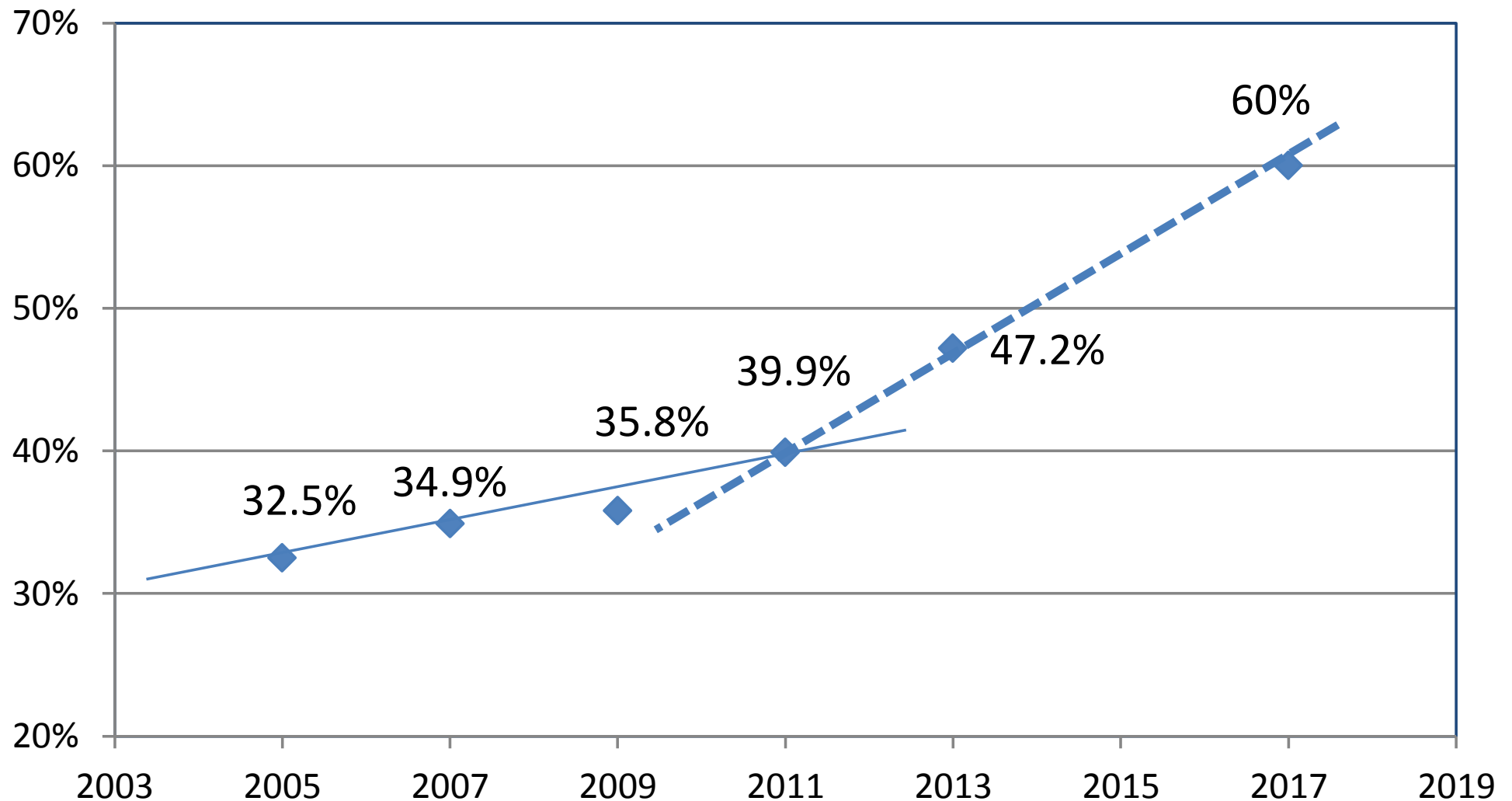
- Basically, “slow” progress
 - To make more steady progress, 5 drugs and 3 medical devices have been picked for trial investigation by companies
 - Cost-effectiveness, scope of costs, and so on
 - The companies are expected to submit their data/analysis by September 2014, reviewed/re-analyzed by the Central Social Insurance Medical Council (in Japanese, “Chuikyo”) by December 2014
- Goal “for the time being”
 - Start “trial run” from 2016
 - For example, revisions of national healthcare insurance coverage of cost-ineffective drugs/devices and NHI price schemes for cost-effective/ineffective ones

Generics

- A new target is set for further penetration of generics under the following new definition of the market share
 - New definition:
 - Market share of ONLY “patent-expired” molecular entities/bio-products, NOT all molecular entities/bio-products
 - Under the new definition, our current share of generics (volume) is about 40%
 - Under the old definition, the share was less than 30%

Penetration of generic drugs in Japan

- The Japanese government sets a new target (volume share) at 60% by March 2018



Further penetration of generics in Japan

- Background

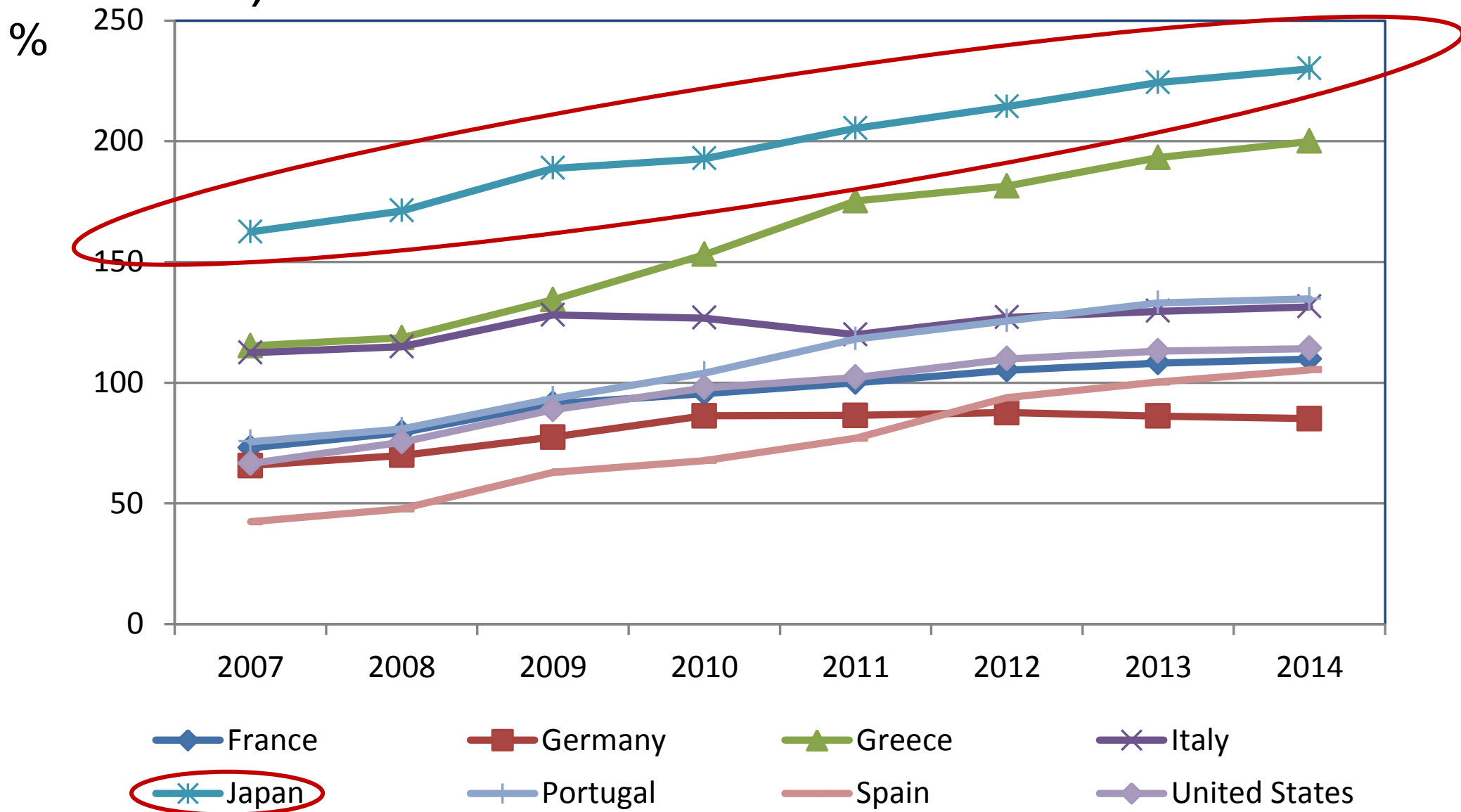
- Bigger pressures due to severe financial constraints, the worst among developed countries

- Reasons

- More generic prescribing
- More incentives to DPC hospitals
 - » Whether each DPC hospital's volume share is under 60 % or not has become one of key functional evaluation coefficients for the DPC hospital

Bigger pressures due to severe financial constraints

– General government gross financial liabilities (% of GDP)



Source:
OECD

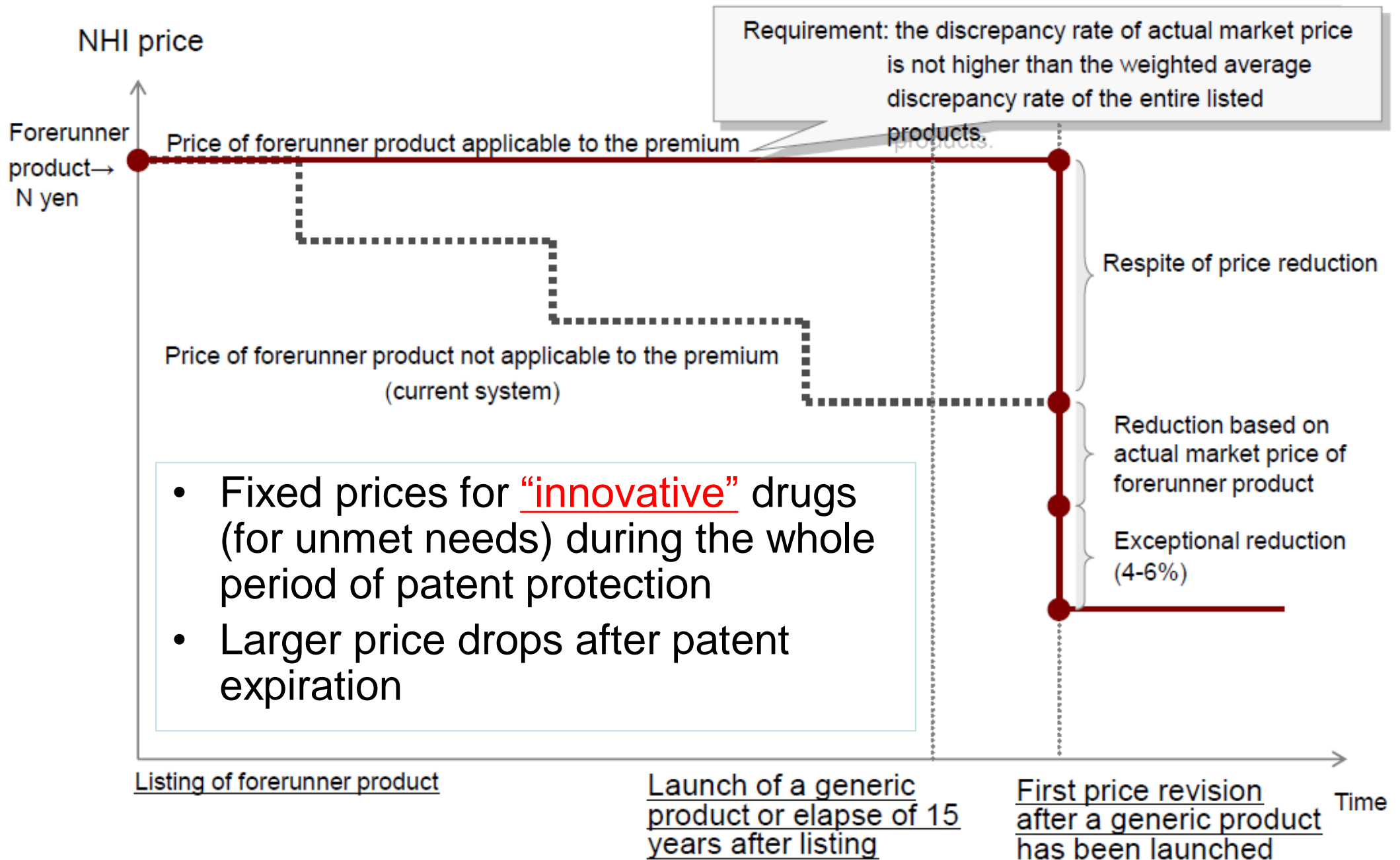
Cf. Payment structures in Japan

- In Japan, there are two different payment structures:
- Fee-for-Service
 - Under this system, medical services are unbundled and paid for separately.
 - Each fee includes items such as technical fees, surgery fees, and examination fees.
- Diagnostic Procedure Combination (DPC).
 - Flat-sum reimbursement system
 - This system bases its fees on the severity and nature of an illness, where each diagnosis has specific fees, per day, attached to it.
 - In 2014, 1585 hospitals are under this DPC structure.
 - More than 50% of the total general beds

Recent changes in NHI drug price scheme and future prospects (1)

- Basically, “carrot-and-stick” policy
 - Good news to Japan’s pharma industry
 - “Premium for promotion of new drug creation and resolution of unapproved drugs/indications” is prolonged without major changes
 - An innovative drug that gains the “premium” can keep its NHI price
 - Specific drug-pricing criteria are revealed to public

An image of the “premium”



Recent changes in NHI drug price scheme and future prospects (2)

- Basically, “carrot-and-stick” policy
 - Bad news
 - Severer eyes on pharmaceutical companies due to compliance problems
 - “Price cut every year” will be (occasionally) considered
 - So far, every TWO years
 - Downward pressures on patent-expired drugs

Take-home messages

Take-home messages (1)

- A “community-based” integrated care system is a key policy in preparing for “the year 2025 problem”
- Slow progress in terms of “QALY-type” HTA, mainly because of difficulties in measuring benefits, lack of understanding, political difficulties, lack of human resources for smooth operation and/or the existence of other methods to contain our healthcare costs.
- Aggressive policies for further penetration of generics

Take-home messages (2)

- Future prospects for NHI drug price scheme

(In general)

- positive impacts on companies with innovative/cost-effective drugs
- Negative impacts on companies with compliance problems and with higher dependence on patent-expired drugs

Thank you for your attention