

How Can We Convert Health Care from Public Cost to Growth Industry?

Commitment of Local Governments Is as Important as Deregulation



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The medical/healthcare sector is one of the few growth areas remaining in the developed economies. For individuals, though, if they can live without medical care in the narrow sense — treatment and medication — all the better; this is an unusual industry in that it cannot be developed through measures to boost demand. Moreover, medical care may be a growth sector for the economy as a whole, but it is problematic from the perspective of public finance. Half the medical costs are covered by government money, and many local governments groan under the burden of deficit covering under the National Health Insurance system. In short, the growth of the healthcare industry is unwelcome at the individual level, and inevitably puts more pressure on the public coffers.

Thus, while the Japanese government proclaims that “Medical care is a growth industry”, all that local governments can think of is “How are we going to keep medical costs down as the super-aging society draws near?” Indeed, nurturing medical care as a growth industry without damaging public finances imposes a serious dilemma. In Osaka, where a large number of pharmaceutical firms are located, the city of Osaka and Osaka Prefecture came together last year to set up the Medical Care Strategy Commission to tackle this challenge. The following are my personal thoughts that I came away with after debates there as chairman of the commission.

Finding #1 : Unhealthy Growth

Consumption of medical care will inevitably rise as the consequence of an aging population and technological progress. In other words, medical care will grow on its own without government support. However, if medical care continues to focus on traditional treatment and medication, the financial burden on the patient and the government will only keep getting heavier. Thus a simple growth of industry size/volume is neither healthy nor sustainable.

Medical expenditures in Osaka Prefecture, for example, reached 2.8 trillion yen in 2010. The prefectural government pays about a quarter of this amount, while municipalities — cities, towns and villages — must cover the National Health Insurance deficit of their citizens. Although medical costs are supposed to be covered by the patient and the insurance system, the fact of the matter is that local governments are responsible for half of the total expenditures. Looking to the future, improvements in medical technology mean that there will be more elderly people, many of them living longer while suffering from illnesses. This will accelerate the rise of medical costs (an estimate of the charge on public finance suggests it will be 1.7 times today's level in 2025). Medical care may be a growth industry, but that is no cause for unconditional celebration.

Finding #2 : Needs of Shift from Remedy to Prevention

In order to nurture medical care as a growth industry, there is a need for restructuring today's “medical industry” in the narrow sense, which has historically focused on treatment and medication, and transforming it into a “health/medical care industry” that focuses on health promotion, prevention, early diagnosis and preventing aggravation.

Treatment and medication are inevitable once illness sets in, but the real

needs of a patient are to do the best to avoid falling ill, and, when ailing, to avoid aggravation and return to normal life as soon as possible. To this end, it is necessary to minimize conventional treatment and medication to the extent possible and to transform medical care services by placing at their center health promotion at the pre-illness stage, prevention, and prognostication and prevention of aggravation (nursing and livelihood support, rehabilitation, etc.). Nutritional supplementation and health promotion through exercise guidance are typical examples. Then there are medical examinations, as well as medical checkup businesses for early prognosis and discovery of diseases. “One-coin” (500 yen) blood tests, PET scans, and genetic analysis services have been growing recently, as have rehabilitation and nursing care to avoid aggravation in the event of illness.

Finding #3 : Leadership of Local Governments for Transformation

Rehabilitation, daycare services, nursing and livelihood support for the elderly are very effective in preventing aggravation. They are of particular value in preventing the elderly from becoming permanently bedridden. However, the people and institutions currently engaged in medical care and nursing are not very mindful of this. We should be making investments in these services with the local governments taking the lead.

Progress in medical care means that more people will live out long lives while bedridden. Such people are unhappy because of the low quality of their lives, while medical expenditures keep piling up for them and their families. The burden on public finances also grows. Local governments should aggressively invest in the various services that help stave off becoming bedridden and other forms of aggravation (e.g. daycare services to maintain muscular strength, livelihood support to ease the daily burden, retrofitting to prevent falls, rehabilitation after fractures, etc.) as upfront investment. Those expenditures will eventually wind up restraining medical and nursing

expenditures down the line. It will also directly enhance the quality of life of the individual and extend healthy life expectancy.

Finding #4 : Change People's Behaviors

In changing the focus of medical care from treatment and medication to health maintenance, prevention and preventing aggravation, providing new services is not enough. It is necessary to create a framework in which the health insurance societies, local governments and other insurance providers promote changes in the behavioral patterns and lifestyles of the insured. Active engagement on the part of these insurance providers is effective, such as imposing penalties including out-of-pocket payment of all costs for illnesses that emerge after rejecting early checkups and checking prescriptions to actively provide health guidance and recommend outpatient treatment.

People realize the value of Japan's public medical insurance system only after they become ill and receive its sophisticated services. As a result, the Japanese public is apt to be lulled into the unstated assumption that "the insurance system will heal you if you become ill". The importance of spending money on prevention through exercise and health promotion is not recognized sufficiently, and businesses involved in health promotion (supplements, equipment, nutritional food, etc.) as well as sports have not enjoyed adequate growth rates as one of the important healthcare industries. These services on the margins of medical care and beyond should be encouraged to grow.

Finding #5 : Expand the Role of Paramedic Professionals

In order to develop prevention, diagnosis and suppressing aggravation as new growth areas, "medical preventive activities" — which are overwhelmingly entrusted to physicians (medical doctors) currently — must be unbundled in order to delegate authority and responsibility to nurses, rehabilitation specialists, technicians and other paramedical professionals. This will enable physicians to concentrate on more sophisticated and cutting-edge medical treatment, thus enhancing the overall efficiency and effectiveness of medical services.

In Japan, regulatory requirements force minor diagnostic and therapeutic acts that are left to nurses and other paramedical professionals elsewhere in the world to be conducted by physicians. Easing restrictions here means that physicians will be saddled with fewer routine tasks, nurses and other supportive medical professionals will have their status and compensation improved, and the manpower shortage and other problems will be solved. To this end, a review of the work legally dedicated to physicians, some of which has become a form of vested interests, is urgently required.

Finding #6 : Service Coordination for the Patients

In a super-aging society, service coordination among the various service providers in the medical care industry will become a necessity. Very elderly people tend to have multiple illnesses, so medical institutions and pharmacies must work together to watch out for complications and side-effects.

Up till now, treatment for new acute-stage patients has been at the basis of medical care, with daily outpatient care and maintenance all that remains to be done. In a super-aging society, a variety of needs that do not fit this pattern will arise. From medical care at home for the bedridden very elderly to home nursing, late-stage caregiving, rehabilitation from falls, catering and housekeeping services, and to cognitive impairment diagnosis and prevention, the needs are varied. Moreover, many of these requirements arise simultaneously at the individual patient level. The great fear involves risk, most typically the risk of side-effects and other consequences of receiving medication from multiple medical departments. To avoid such risks

CHART

Role of governments in healthcare industry growth

On supply side

- Deregulation to achieve mixed billing of medical care services under Japanese Health Insurance System
- Expansion of the role of nurses and other paramedical staff by unbundling physicians' role

On demand side

- Incentive mechanism to change the behavior of the insured toward early stage checkup and treatment
- Timely coordination of medical and care services from patients' perspective
- More emphasis on non-medical health services such as daycare and rehabilitation



Source: Compiled by Author

and prevent aggravation, there is a need for timely coordination, between nursing and medical care, rehabilitation and medical care, and the like. Local governments with their authority and resources are the most suitable coordinators.

Finding #7 : Investment in ICT

The future of the medical care industry lies in its development as an information and communication technology (ICT) industry; ICT investments are a must.

In the past, services for a patient have been the self-contained activities of a single institution or facility. As this is increasingly no longer the case, with services being provided in conjunction with each other, a systematic record of information regarding tests, treatment, medication and other relevant matters concerning the individual patient becomes necessary. Electronic clinical records and prescription can satisfy some of the needs, but all information on each patient must be consolidated into a single file, and we do not yet have a complete system for that in Japan. There are maternity health record books for infants and mothers, and some local governments issue nursing care record books. On the island of Sado in Niigata Prefecture, IT-based networking among institutions is established. However these are experimental cases. Countries like Denmark accumulate data on all of their citizens from birth, which are then used for treatment and prevention. It will soon be necessary in Japan to invest in information technology, including the means to share information on patients through ICT. It will also be possible to use the big data that will be generated for the purpose of improving the quality of medicine and treatment.

Suggestive Conclusions

The importance of supply-side deregulation to achieve growth in the healthcare industry has been widely discussed among Japanese policy makers. Adding to this, attention should be paid on the demand side to nurture growth in the healthcare industry; firstly, an incentive mechanism to change the behavior of the insured toward early stage checkups and treatment is necessary. Secondly, coordination among medical and care services to prevent aggravation for patients is important. Local governments as the biggest sponsors of the National Health Insurance system can play a pivotal role in these areas.

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