# Japan's Long-Term Care Insurance System & Community-Based Integrated Care System

By the Health and Welfare Bureau for the Elderly, Ministry of Health, Labour and Welfare

## Introduction

With Japan's population aging more rapidly than that of any other nation in the world, the Long-Term Care Insurance System was established in 2000 as a framework for all of society to support long-term care for older persons. This article introduces the current state of this framework, focusing on the history of its introduction, an overview of the system, and the Community-Based Integrated Care System.

## Background to the Introduction of the Long-Term Care Insurance System

The percentage of Japan's population aged 65 or higher is 28.1% (as of 2018), making Japan the country with the world's oldest population. The percentage of people aged 65 and higher has been rising steadily, from 5.7% in 1960 to 7.1% in 1970, to 9.1% in 1980, to 12.0% in 1990, and to 17.3% in 2000.

Along with this rapid aging and increased longevity, the number of people who are elderly and bedridden, or require assistance in their daily lives, is growing. Traditionally, these people were mostly cared for by their families, but in addition to the increased need for nursing care, changes in the social and industrial structure have brought about a shift from extended families to nuclear families, leading to a situation in which the problem of long-term care places a major burden on families.

In Japan, a system of welfare for older persons using tax resources has been in place since 1963, but with a shortage of facilities relative to overall needs, persons with low incomes and other special circumstances were given priority. In addition, procedures like means tests meant that the system was not necessarily easy for ordinary people to use.

In addition, in 1973 medical expenses for older persons were made free, and a social problem of "social hospitalization" emerged in which older persons requiring nursing care were hospitalized for extensive stays despite the fact that they had little need for medical care.

With these social changes, the limits of the traditional system became evident, and the Long-Term Care Insurance System was introduced as a new framework in which all of society supported the long-term care of older persons.

## Basic Concept of the Long-Term Care Insurance System

Japan's Long-Term Care Insurance System is based on three main concepts.

The first is "support for independence" and this is the most important principle. Long-term care in Japan means more than just daily assistance with things like making meals, using the lavatory, and bathing. The basic principle is that support for persons requiring long-term care maintains the person's dignity, and allows them to live their daily lives as independently as possible in accordance with their capabilities.

The second concept is that the system is "user-oriented". Under the old welfare system for older persons, the government conducted means tests and other procedures and then unilaterally determined what service would be provided. Under the Long-Term Care Insurance System, however, the necessity for long-term care based on objective, impartial standards in accordance with each individual's nursing care needs is deemed a right, and appropriate services are chosen based on the user's selection.

The third concept is that a "social insurance system" is employed. The system is supported by all persons aged 40 and older, including older generations. The person pays insurance premiums in advance and receives services when they are needed, giving the system the unique feature of a clear relationships between benefits and contributions.

## Framework of the Long-Term Care Insurance System

The basic framework of the Long-Term Care Insurance System is shown in *Chart 1*.

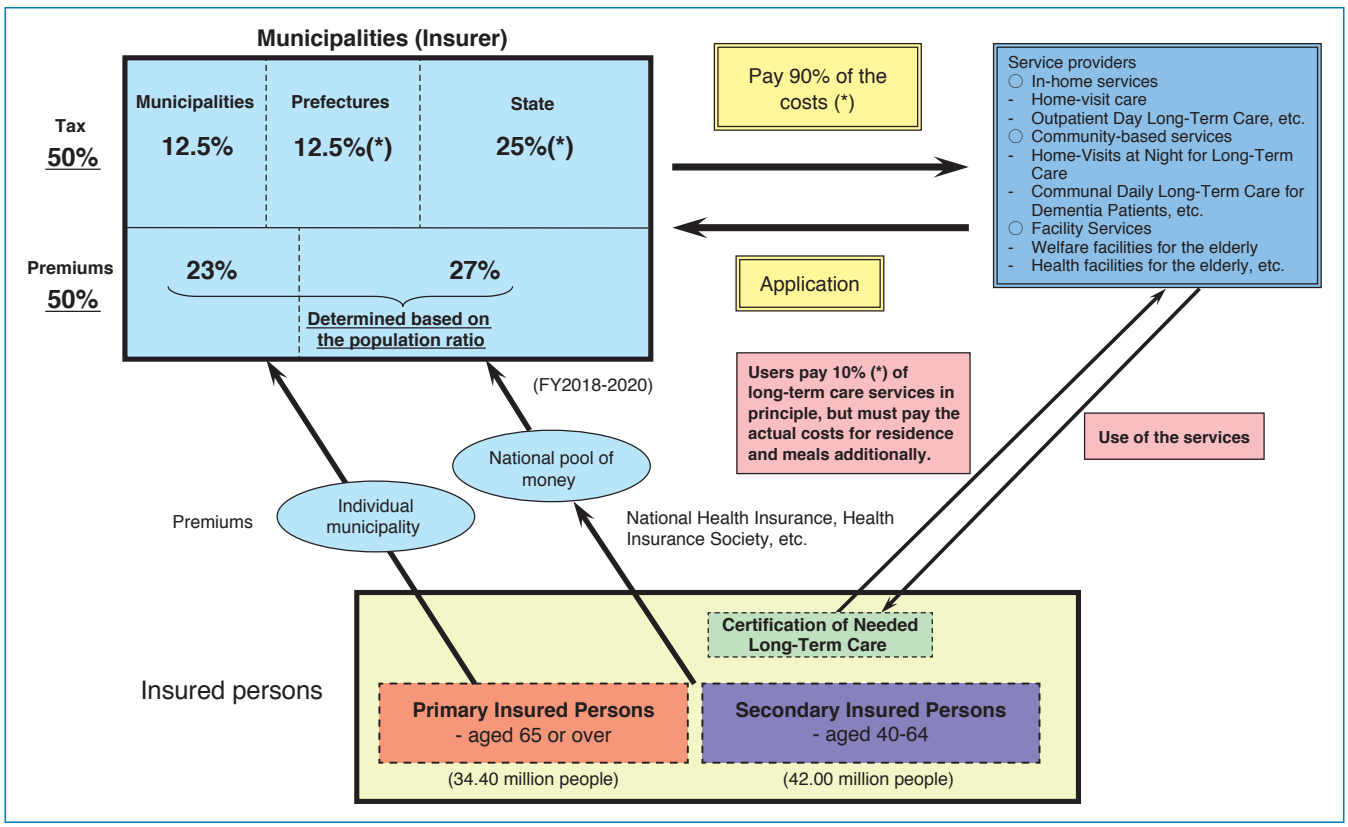
Municipalities (cities, towns, and villages) are the long-term care insurers in Japan. There are more than 1,700 municipalities in Japan, and each is the operator of its local long-term care insurance. The system is managed flexibly by municipalities, which are closest to the people, based on actual local circumstances.

Half of the system's financial resources come from taxes, and the other half from insurance premiums. The breakdown of taxes is 25% from the national government and 12.5% each from the prefecture and the municipality.

Insurance premiums are paid by insured people. People are

CHART 1

## Structure of the long-term care insurance system




*Note: The figure for Primary Insured Persons is from the Report on Long-Term Care Insurance Operation (2016), Ministry of Health, Labour and Welfare and that for Secondary Insured Persons is the monthly average for FY2016, calculated from medical insurers' reports used by the Social Insurance Medical Fee Payment Fund in order to determine the amount of long-term care expenses.*

*(*) Co-payment rate for persons with higher income than certain amount is 20% or 30%.*

*Source: Ministry of Health, Labour and Welfare*

considered insured from the age of 40, and enrollment in the system is mandatory rather than voluntary.

There are two categories of insured persons – Category 1 Insured Persons (Primary Insured Persons – aged 65 or over) and Category 2 Insured Persons (Secondary Insured Persons – aged 40-64). Category 1 Insured Persons are residents aged 65 or older. Insurance premiums are determined by the municipality based on the level of income, and are deducted off the top from pension payments. Category 2 Insured Persons are residents between the ages of 40 and 64. These persons do not pay premiums directly to the municipality, but instead are charged premiums along with the medical insurance premiums paid by all persons enrolled in their respective type of medical insurance.

Insured persons are able to use services according to the nursing care they are deemed to require based on objective national standards certified by the municipality (insurer). There are seven levels of required nursing care certifications: care levels 1 to 5, and support levels 1 to 2. Classifications are made according to care requirements, and the type and amount of services to be received are determined according to the level. The two categories of insured persons also differ in terms of benefit requirements. For Category 1 Insured Persons, certification is given if the person requires nursing care in their daily life, regardless of the reason. For Category 2 Insured Persons, certification is given if nursing care is required because of illnesses caused by aging like dementia or cerebrovascular disease.

Insured persons who are certified to receive long-term care choose the service provider and conclude a contract for the use of the service. Long-term care service providers are primarily private-sector entities. Both nonprofit and for-profit corporations are able to enter the field, and services are provided by a diverse range of entities. Since the launch of the Long-Term Care Insurance System, the market for long-term care services has grown significantly.

When using services, in principle the user pays 10% of the cost themselves to the service provider, but if the user's income is above a certain level they are required to pay 20% or 30% themselves. The remaining 90% (or 80% or 70%) is paid from the insurer directly to the service provider.

Japan's long-term care insurance covers both care provided in the users home and at facilities. Many older persons want to live at home where they are comfortable with their surroundings, even when they require long-term care. Services can be combined in a

variety of ways. The user may have their home modified and receive care from visiting caregivers, nurses, and rehabilitation specialists, or they may go to the provider's facility to receive care. There are older persons who move to group homes having persons with dementia living together or nursing homes.

Japan has the specialist occupation of care manager, which entails putting together appropriate care plans in line with the user's needs, and coordinating among the various related parties.

## Changes & Issues in the External Situation

Roughly 20 years have passed since the Long-Term Care Insurance System was introduced. While the system has stabilized and developed on the one hand, issues are also appearing for the future.

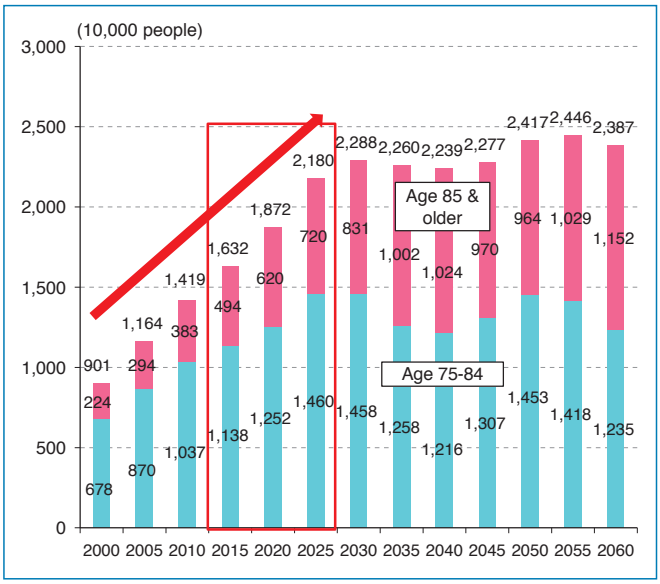
Japan's population has been aging since the system was established in 2000. The number of persons aged 65 and older has grown 1.6 times, from 21.65 million in 2000 to 34.92 million in 2018. At the same time, the number of service users has grown from 1.49 million in 2000 to 4.74 million in 2018, an increase of 3.2 times, showing that the number of users is growing at a faster rate than the aging of the population. The introduction of long-term care services has led to a wide spread in the number of people who require care and are using services as latent needs materialize, so it can be said that the people of Japan have embraced the system. Of particular note, while the number of users of facility services has grown 1.8 times, the number of users of home-care services has shown a significant increase of 3.8 times.

Naturally, as the population ages and the number of users increases, the total cost of long-term care insurance is proportionally increasing each year. From ¥3.6 trillion in fiscal 2000, costs have grown to ¥11.1 trillion in fiscal 2018 (budget basis). In addition, along with the growth in total costs, the amount of insurance premiums paid by each individual is also increasing. The amount of insurance premiums is recalculated every three years, and taking as an example the monthly premium paid by a Category 1 insured person aged 65 or over, the nationwide average during the first period (fiscal 2000-2002) was ¥2,911, and by the current seventh period (fiscal 2018-2020) this had roughly doubled to ¥5,869.

Furthermore, looking at population trends, demand for long-term care is expected to grow for some time. Looking ahead to 2025, a sharp increase in the number of persons aged 75 and higher is forecast *(Chart 2)*. This is because in Japan by 2025, the large baby boomer generation born between 1947 and 1949 will all have reached the age of 75. Beyond that, the rapid growth in the population aged 75 and above will dissipate, but the number of people aged 85 and over will continue to grow. The percentage of people who require long-term care increases proportionally with age. Looking at the percentage of people certified to receive long-term care by age group, the percentage for people aged 65-69 is 2.9%, but this increases to 13.2% for persons aged 75-79 and to 50.7% for persons aged 85-89. Therefore, an increase in the number of older persons aged 75 and above, and 85 and higher, will lead to an increase in the number of people who require long-term care.

CHART 2

### Changes in the population over age 75




*Sources: Future population estimates were taken from the National Institute of Population and Social Security Research's "Population Projections for Japan (April 2017): Medium-Fertility (Medium-Mortality) Assumption"*
*Actual past figures were taken from the Population Census by the Statistics Bureau of the Ministry of Internal Affairs and Communications (population with proportional corrections for those of unknown nationality/age)*

At the same time, the number of people aged 40 and over paying Long-Term Care Insurance premiums is expected to peak in 2021 and then decline. In addition, the number of working-age people, i.e. those who provide nursing care, will also decline. If the Long-Term Care Insurance System is to operate continuously in the future, we will need to make serious efforts to create a better system while conducting regular reviews.

## Structure of the Community-Based Integrated Care System

Given these changing circumstances and looking ahead to 2025, the most pressing issue now is the creation of a Community-Based Integrated Care System.

The trend in the number of older persons outlined above shows the figures on a nationwide basis, but in fact the situation differs significantly by region. Many urban areas have baby boomer residents, and face the issue of a rapid increase in the number of people aged 75 and higher. In rural areas, there are regions where the overall population is contracting and the number of older persons is decreasing as well. It will therefore be more important than ever to implement measures that are consistent with the actual situation in each area.

The Community-Based Integrated Care System is based on the principle that even if someone requires intensive long-term care, they should be able to live out their lives as they are used to living where they are used to living. To achieve this, the system aims to

provide comprehensive support with five components – health (medical) care, nursing care, preventive care, residential care, and support for daily living *(Chart 3)*. Municipalities are working to put this system in place by establishing community general support centers for each sphere of daily life, and handling consultations from residents and coordinating with related parties.

Next, we will introduce some of the key points for building a Community-Based Integrated Care System.

## Coordination Between Medical Care & Nursing Care

One of the important points in the building of a Community-Based Integrated Care System is to have appropriate coordination between medical care and nursing care.

Many older persons live with multiple illnesses, and also require one-time hospitalization when they become ill or are injured. Enabling older persons who require both medical care and nursing care to continue to live in the area where they are used to living, and to be able to make a smooth return to home after recovering if they are hospitalized for medical treatment, requires a system in which various medical and nursing care staff in the area, including doctors, nurses, care managers, care workers, rehabilitation specialists, and pharmacists, can coordinate their work.

Under the 2014 revision to the Long-Term Care Insurance Act, the system is intended to promote coordination between medical care and nursing care. To build that system, municipalities identify their local resources and seek to promote cooperation among various professions. Specific initiatives vary depending on the area, but successful examples include training sessions for persons from various professions held jointly with local medical associations, forums to report on sample cases and how to allocate roles properly among related professions, and creating face-to-face relationships.

## Community Building

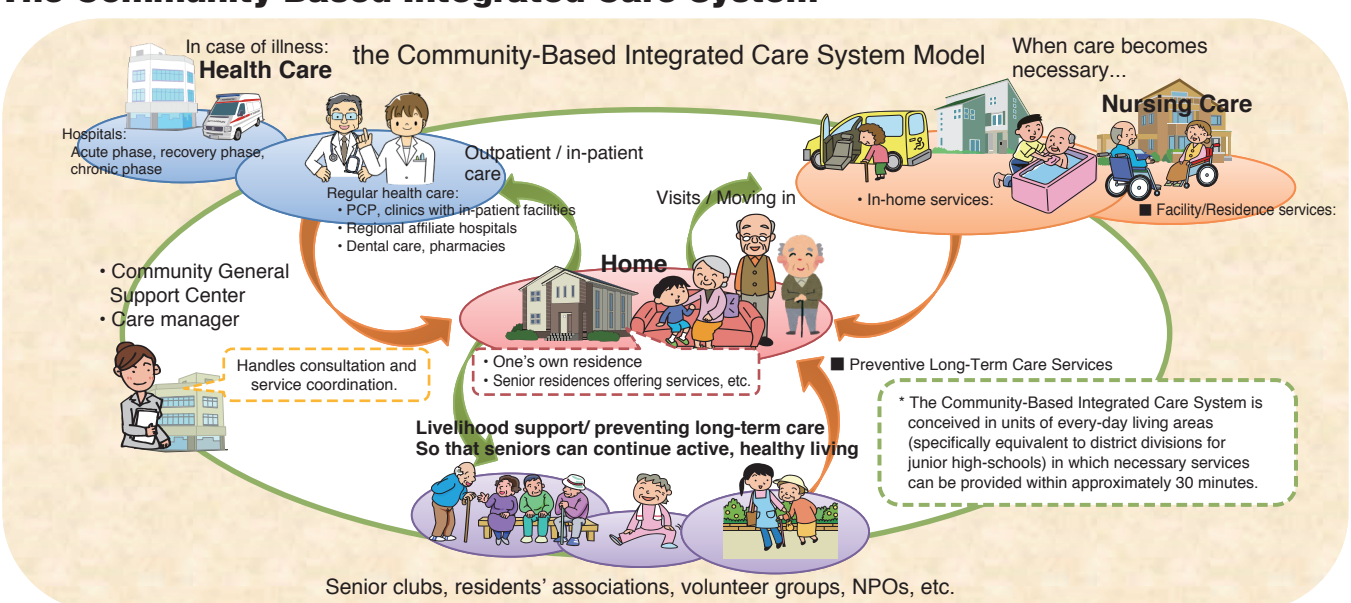
A system of medical and nursing care and the roles of specialists are in and of themselves insufficient for building a Community-Based Integrated Care System. Community building that includes local residents is also an important component.

Preventive care can also be seen as one form of community building. Currently, communities encourage resident-led initiatives that create places for older persons to go to engage in activities like physical exercise. There are no rules for where or how these events are held. For example, they might provide an opportunity for people within close walking distance to gather once a week to engage in light calisthenics for 30 to 60 minutes and then relax over tea. Participating in the calisthenics has the aspect of building health, while the act of gathering together has the benefit of building ties among local residents.

Sometimes, activities can come about from local residents using local resources to provide mutual assistance to support one another in their daily lives. As the number of households with an older person living alone and with an old couple increases, there are areas where these people require a minimum of support for things like daily mobility, shopping, sorting and taking out the trash, and changing light bulbs. Many of these tasks do not necessarily need to be carried out by specialist long-term care providers, and can be handled by local volunteers. Initiatives with local characteristics are beginning to appear in various areas, including the assignment of coordinators for daily support who connect local resources, or giving volunteers points that can be accumulated and exchanged for goods

CHART 3

### The Community-Based Integrated Care System




*Source: Ministry of Health, Labour and Welfare*

or cash.

## Policies to Address Dementia

Building communities that are compatible for persons with dementia is also indispensable for creating a Community-Based Integrated Care System. The number of older persons in Japan with dementia was 4.62 million as of 2012, and estimates are that this will reach 7.00 million by 2025. Seven million people correspond to one in five people aged 65 and over. Social costs related to dementia were roughly ¥14.5 trillion in 2014, and are estimated to reach approximately ¥19.4 trillion by 2025. Dementia can be seen as having a significant impact on overall daily life. Many fields in addition to medicine and nursing care are involved, in areas like money management, prevention of becoming a victim to fraud, and responses to getting lost, and therefore this issue needs to be addressed by the entire government, not only the Ministry of Health, Labour and Welfare.

In 2015, 12 Japanese government ministries and agencies jointly formulated a comprehensive national strategy to address dementia, called the New Orange Plan. The New Orange Plan has seven pillars: (1) Raising awareness and promoting understanding of dementia; (2) Providing health care and long-term care services in a timely and appropriate manner as the stages of dementia progress; (3) Strengthening the measures for early onset dementia; (4) Supporting those looking after people with dementia; (5) Creating age and dementia-friendly communities; (6) Promoting research and development and disseminating the results of prevention, diagnosis, cure, rehabilitation models, and care models for dementia; and (7) Prioritizing the standpoint of persons with dementia and their families.

The training of dementia supporters is one example of a specific measure in this area. Dementia supporters possess accurate knowledge and understand dementia, and assist persons with dementia and their families to the extent possible in the community and the workplace. Anyone from children to adults can take the course to become a dementia supporter, and more than 10 million supporters have already been trained.

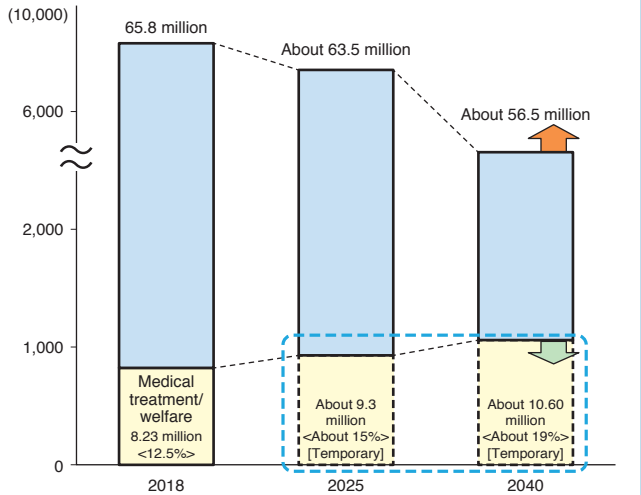
New policies to address dementia are currently being studied, to make government measures even stronger and more coordinated. We expect this new policy to expand measures to reduce the risks and delay the onset of dementia, while continuing to build dementia-friendly communities.

## Looking Ahead to 2040

Finally, we would like to present a simple medium-term outlook extending to roughly 2040. As noted previously, the period to 2025 will see a push to achieve a Community-Based Integrated Care System against the backdrop of a rapid increase in the number of older persons. Looking beyond 2025, more than a rapid increase in the number of older persons, the bigger issue will be to address the rapid decrease in the working age population. The number of employed persons is seen decreasing from 65.80 million in 2018 to 63.50 million in 2025, and to 56.50 million in 2040. At the same time, the number of required workers in the area of medical care and social welfare, including long-term care, is expected to increase from 8.23 million in 2018 to 9.30 million in 2025, and to 10.60 million in 2040. Estimates are that by 2040, roughly 19% of the workforce will be engaged in the fields of medical care and social welfare *(Chart 4)*.

CHART 4

**Changes in the number or employees**




We mechanically calculate based on the sources: government's economic growth forecast by Cabinet Office "Economic Outlook and Basic Attitudes toward the Economic and Fiscal Management" in 2018, and in and after 2025, labor force participation rates by age and sex in the Japan Institute for Labour Policy and Training "Estimates of Labor Supply and Demand in 2015" and National Institute of Population and Social Security Research "Future Estimated Population of Japan (Estimated in 2017)" (according to Medium-Fertility and Medium-Mortality Assumption)

*Source: Ministry of Health, Labour and Welfare*

Based on these projections, we believe the social security sector as a whole will need to both secure labor and raise service productivity. With regard to securing labor, it will be important to promote diverse forms of employment and social participation, including for older persons, and maintain the vitality of society as a whole. A goal has been set to increase healthy lifespans by three years or more by 2040, and this will include stepped-up efforts in preventive care. In terms of service productivity, the use of technologies like robotics, artificial intelligence, and information and communications technologies can be seen as reducing the burden placed on workers and increasing productivity. In the long-term care sector, in addition to support by introducing nursing care robots like monitoring sensors, we are seeing the formulation of guidelines to increase productivity through specific operational improvements like streamlining operational processes and the use of information and communications technology.

Because Japan is facing issues associated with an aging population before the rest of the world, it has tried various responses including the establishment of a Long-Term Care Insurance System. Looking ahead, the populations of other countries, especially in Asia, are set to age more rapidly that Japan's, so we hope that this article will be useful to those countries. JS