



Is Relocation to Regional Cities the Equivalent of Abandoning Old people in the Mountains to Die?

Is the Long-Term Care Insurance System Sustainable? —There are two issues to solve.

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Significance of Long-term Care Insurance and the Year 2025 Problem

Launched in April 2000, the Long-Term Care Insurance System is the newest social insurance system in Japan. The hardship faced by people giving family care began to be known widely to the public due to an older, full-length novel by Ariyoshi Sawako, which is titled *Koukotsu no Hito (The Twilight Years)*. Since the late 1980s, the government has been addressing this issue by taking various measures, such as formulating the Gold Plan and the New Gold Plan to promote the establishment of facilities, the provision of welfare services at home, among other measures. However, it was difficult to address the issue fully with the welfare for the aged that was associated with the welfare placement system, or with the medical care plan for the aged that was prone to prolonged hospitalization for receiving nursing care (so called social hospitalization). The Long-Term Care Insurance Act, which was enacted in 1997, was highly evaluated and deemed groundbreaking in that it enhanced the



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providers of long-term care from families to society and established a system which permits people to receive long-term care services as their right within the framework of social insurance.

In the meantime, Japan saw a rapid aging of its population. The proportion of people aged 75 or older to the overall population, which was only 4.8% in 1990, increased rapidly to 7.1% in 2000 and to 12.5% in 2014. In addition, approximately 85% of those certified to need long-term care (including those certified to need support; the same applies hereinafter) are the latter-stage elderly, or those who are aged 75 or older. This allows us to expect that the progress in aging will lead to a greater increase in the demand for long-term care services than for medical care services. For example, according to Akiyama (2010), some studies have found that the level of self-reliance of both men and women begins to decline around the time when they become 75 years old.¹ Because aging of the population will continue further, demand for long-

¹ Akiyama Hiroko, *Choju jidai no kagaku to shakai no kousou (Visions of science and society in the era of longevity)*, KAGAKU, Iwanami Shoten, 2010.1



term care will be even higher.

The number of people certified to need long-term care has been increasing rapidly since the introduction of the Long-Term Care Insurance System in 2000. The number, which was 2.56 million immediately after the introduction of the system, increased about 2.3 times, to 5.84 million, in fiscal 2013.² While people who are eligible for the long-term care benefits are limited to Category-1 insured persons, or those who are aged 65 or older, the number of such people increased only about 1.4 times, from 22.42 million to 32.02 million, during the thirteen years. As mentioned above, the progression in aging contributed greatly to the increase of those who are certified to need long-term care. On the other hand, the increase is also attributed to the improved accessibility to long-term care services. This point allows us to believe that the problems faced under the old system of welfare for the aged, including the welfare placement system, have been overcome.

At the same time, we must not forget the expansion of the long-term care services market. Even though the Long-Term Care Insurance System has been established, it would not make such progress if the number of service providers did not increase. In recent years, we have come to often see vehicles of service providers taking elderly people needing nursing care to and from care facilities. In addition, the market sees new entrants from other industries, such as Nichii Gakkan, Benesse, and Watami, who have begun to hold large market shares. The demand has exactly created the supply. It is not too much to say that the establishment of the Long-Term Care Insurance System led the market of long-term care services to attract attention as a growth industry.

Does this mean that the utilization of long-term care services and the number of service providers will continue to steadily increase? The reality is actually not so simple because there lie potential problems that make long-term care insurance difficult to sustain. Specifically, the problems are the rapid expansion of insurance finance and a shortage in long-term care service providers. The absolute number of the elderly will continue to increase. According to population estimates by the National Institute of Population and Social Security Research, the population of people aged 65 or older will continue increasing and reach its peak at 38.78 million in 2042.³ Looking only at the population of those aged 75 or older, this will peak earlier in 2030 at 22.78 million and is attributed greatly to the postwar baby boomers who were born in 1947 to 1949. All of them will be older than 75 in 2025. This is the so-called Year 2025 Problem. The focal point is how the Long-Term Care Insurance System will overcome this problem.

Rapidly Expanding Long-term Care Insurance Finance

The first issue of the Long-Term Care Insurance System is related to its financial sustainability. Actually, sustainability has two aspects, that is, sustainability of the overall government finances and that of long-term care insurance itself. With regard to the former, the government has set the achievement of a positive primary balance in fiscal 2020 as a target for sound public finance. Expenditure review — above all, review of social insurance benefit — is essential for achieving this target. Expenditure related to social security constituted 32.7% of the overall initial budget for fiscal 2015. Looking only at primary balance expenditure,

² Based on data from the Status Report on Long-term Care Insurance for FY2013 (Annual report) published by the Ministry of Health, Labour and Welfare

³ National Institute of Population and Social Security Research, Population Projections for Japan (January 2012): 2011 to 2060 / *Both the fertility rate and mortality rate are based on medium assumptions.



expenditure related to social security exceeded 40%. Solving the issue of how to hold down the rapidly increasing social security expenditure is essential, not only for achieving a positive primary balance in fiscal 2020, but also for maintaining fiscal discipline thereafter. Long-term care benefits are not the exception.

The total amount of social security benefits in fiscal 2012 reached as much as 108.5 trillion yen. The amount of long-term care benefits was 8.4 trillion yen, accounting for only 7.7% of the total, but has been increasing rapidly.⁴ The amount has been increasing at an average of 8.1% every year since the year when the Long-Term Care Insurance System was introduced. According to an estimate announced by the Ministry of Health, Labour and Welfare in March 2012 (although this figure is slightly older), the amount of long-term care benefits will increase to 19.8 trillion yen in fiscal 2025. While the amount of pension benefits and medical benefits will also increase, the amount of long-term care benefits will increase at an outstanding rate.

The financial condition of long-term care insurance itself is also tough. To describe the mechanism of long-term care insurance, a person who has utilized services provided by a long-term care service provider, etc., pays 10% of the service fee and the remaining amount of cost (long-term care benefits) is split between public funds and the insurance premium paid by the insured.⁵ This means that an increase in the cost of long-term care services leads to a rise in the amount of the insurance premium while also increasing the burden on public funds. In other words, expansion of the long-term care market is directly reflected in the long-term care insurance premium. The long-term care insurance premium (charged to Category 1 insured persons, or those aged 65 or older), which is reviewed every three years, stood at only 2,911 yen on the national average immediately after the system was introduced. This was increased to 4,972 yen in fiscal 2014 and is expected to increase to around 5,550 yen in fiscal 2015 and onward. The simple scheme, in which the amount of insurance premium or financial burden on the government is increased in response to an increase in the cost of long-term care services, is about to reach its limit. Increasing the burden on the working generations, such as increasing the amount of premium charged to the Category 2 insured persons (people with health insurance aged 40 or older apply at present) and lowering the minimum age of the insured, the characteristics of the system as a pay-as-you-go system will be strengthened further, leading to a greater gap between generations because the Category 2 insured persons receive long-term care benefits only in specific cases.

Shortage of Supply and Regional Differences

The other issue is the shortage of supply. Creation of the Long-Term Care Insurance System has led to an expansion of the long-term care market itself, as I mentioned above, and also to an increase in the number of caregivers. According to an estimate by the Ministry of Health, Labour, and Welfare, the number of caregivers, which was 550,000 when the Long-Term Care Insurance System was launched in fiscal 2000, increased to 1.49 million in fiscal 2012.⁶ However, as has already been mentioned, the number of people

⁴ Based on data from *Shakai hoshou hiyou toukei* (Statistics of social security expenditure in Japan) published by the National Institute of Population and Social Security Research

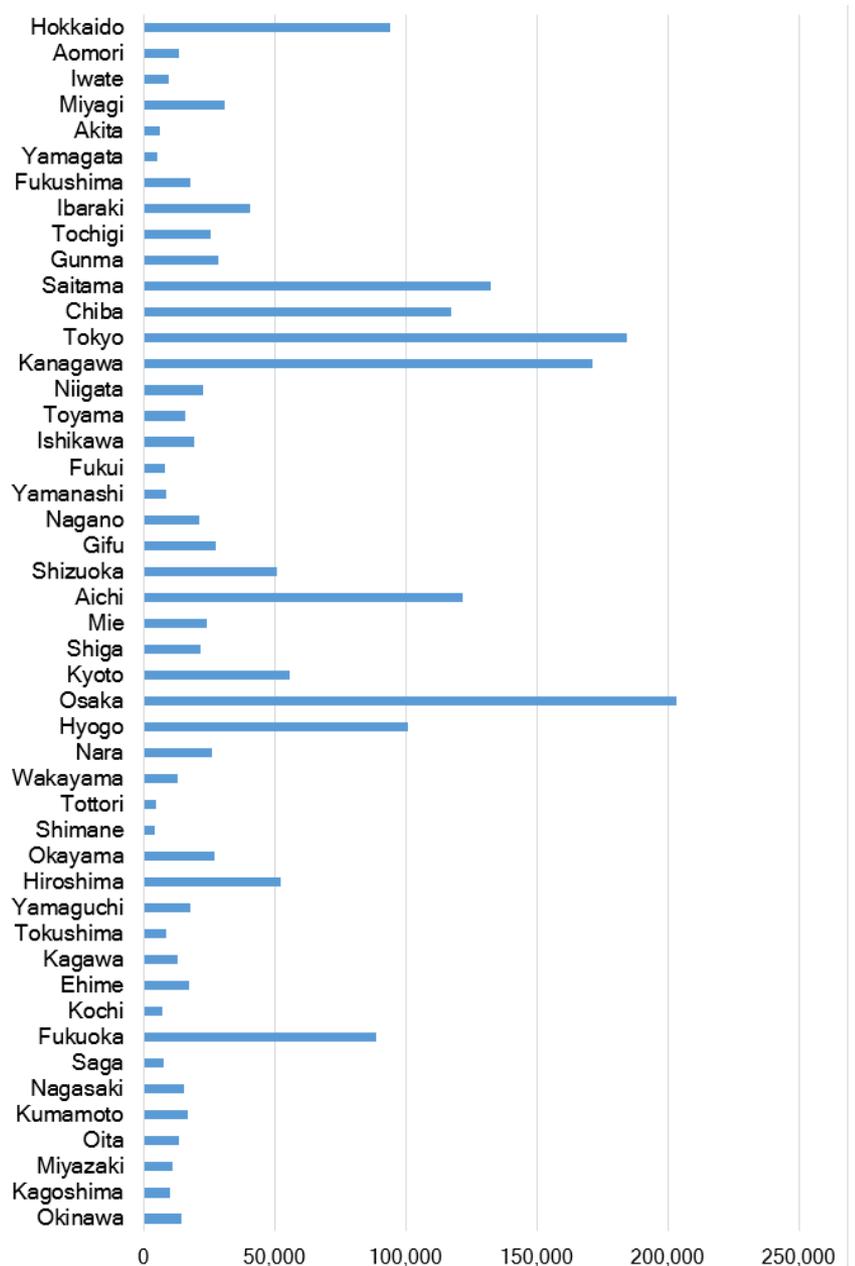
⁵ Starting from August 2015, the burden of the cost for people whose income is above a certain level will be increased to 20%.

⁶ Materials used for the 47th long-term care insurance task-force meeting (*Kaigo Hoken Bukai*) of the Social Security Council that was held on September 4, 2013



certified to need long-term care has been increasing rapidly, and the number of caregivers is expected to be 300,000 less than what will be needed in 2025 when all postwar baby boomers will be older than 75.⁷ This is an estimate, which reflects the concern that demand will overwhelm supply. If this happened in a common civil market, wages of caregivers would rise and demand for non-essential long-term care should be held down due to the market mechanism. However, such an adjustment cannot be expected considering the fact that wages of caregivers are determined only within the framework of the long-term care remuneration system. Actually, the level of wages of long-term caregivers (full-time workers) is lower compared to other industries. The government decided to increase the amount of remuneration for long-term caregivers to improve their treatment in the revision of remuneration for long-term caregivers in fiscal 2015. However, it does not permit a flexible response to an increase in demand.⁸ In addition, incentives for long-term caregivers to aim for is not necessarily high, due to factors such as the unstable employment status and an unclear career path.

Figure: An Increase of People Aged 75 or Older Who Are Certified to Need Long-term Care from Fiscal 2013 to 2025



Source: *Report on Long-Term Care Insurance Operation* published by the Ministry of Health, Labour and Welfare and *Regional Population Projections for Japan* (March 2013) published by the National Institute of Population and Social Security Research

⁷ Fukushi jinzai kakuho senmon iinkai, shakai fukushi bukai (Expert committee on the securing of social welfare personnel, social welfare task-force meeting), Social Security Council 2025-nen ni muketa kaigo jinzai no kakuho (Securing long-term care personnel towards 2025) (February 2015)

⁸ According to the Basic Survey on Wage Structure 2013 conducted by the Ministry of Health, Labour and Welfare, the “Contractual monthly cash earnings” of social insurance/social welfare/care workers is 238,400 yen, which is significantly lower than the industry average of 324,000 yen.



The level of such a shortage of long-term care supply is not uniform across the country but differs greatly among regions. The figure shows the results of an estimation of the increase in the number of people aged 75 or older and those certified to need long-term care in each prefecture during the thirteen years from fiscal 2013 to 2025, which was made based on the assumption that the proportion of people certified to need long-term care among those aged 75 or older will remain unchanged. People aged 75 or older were selected as the subjects to reflect the progress in aging that was mentioned at the onset. According to the results of the estimation, the number of people aged 75 or older certified to need long-term care will increase in the overall country to 1.95 million, which is nearly 1.4 times larger than the fiscal 2013 level. As the figure shows, however, the number of such people will increase mainly in urban areas. For example, the total number of such people in the Tokyo Area (Tokyo and the three surrounding prefectures) will be about 610,000, and the total for the three major urban areas will be nearly 1.2 million. This means that approximately 60% of people certified to need long-term care, who will increase in number in the coming thirteen years, will concentrate on urban areas. This allows us to say that the shortage of long-term insurance supply is a regional problem.

Issues in the Tokyo Metropolitan Area and Future of the Long-Term Care Insurance System

In June of 2015, the Study Group on Issues in the Tokyo Metropolitan Area of the Japan Policy Council issued a recommendation entitled “Strategy to Avoid Risks of Aging Population in Tokyo Area.” In this recommendation, they warned that the population in the Tokyo area will age rapidly, and above all, the increase of the latter-stage elderly will be remarkable. In addition, the demand for nursing and care services will continue to increase rapidly in the Tokyo Area until 2025, resulting in a serious shortage of care facilities. The key point of the recommendation is that this issue should be addressed by urgently taking countermeasures, including encouraging senior citizens to migrate to rural areas. I participated in the formulation of the recommendation as a member of the study group. However, the main focus of discussions among the public is on the issue of relocation to rural areas, raising the concern that important issues of the Long-Term Care Insurance System are being overlooked. The “Strategy to Avoid Risks” includes various suggested measures other than encouraging seniors to rural areas, such as using ICT and robots, accepting foreign caregivers, making use of vacant houses and reusing mass housing to compensate for the shortage of care facilities, and creating collective housing for the elderly. It is also pointed out in the recommendation that cooperation among Tokyo and the three prefectures and region-wide initiatives taken beyond the boundaries between the local governments are essential for solving the issues.

In the past, nationwide issues viewed from a uniform perspective across the country, such as issues on the social insurance system and finance, would be approached afresh from regional perspectives to clarify once again that issues attributed to regional structure, such as issues specific to the Tokyo Metropolitan Area, are also closely related to social security finance. The rapid increase of old people makes it increasingly difficult to operate the Long-Term Care Insurance System in the Tokyo Metropolitan Area as a regional insurance. Concerning the supply of long-term care facilities and similar, region-wide



cooperation beyond boundaries between local governments is necessary. Furthermore, it also needs to be taken into consideration that unless some measures for inhibiting benefits are introduced along with ones for ensuring the sustainability of long-term care insurance finances, it will be impossible to respond to the rapid increase in demand for long-term care services in the Tokyo Metropolitan Area. What is the possible common answer that could be found by approaching the problem from the viewpoint of the social security system related to long-term care insurance from the viewpoint of issues in the Tokyo Metropolitan Area? In other words, it is impossible to find an answer to the problem of the rapid increase of elderly people in the Tokyo Metropolitan Area only by reforming the social security finance system or only by addressing issues in the Tokyo Metropolitan Area.

I would like to describe my own view of the recommendation concerning migration of the elderly to rural areas. It is believed that not only senior citizens, but also many other people desire to migrate to livable areas or desirable areas, as well as areas with high accessibility to medical care and long-term care services. The reality is, however, that people migrate to, or cannot move out of, the Tokyo Area because of the concentration of employment and higher education institutions, etc., in the area. If an environment that is superior in terms of employment, education, or culture exists in a rural area, choosing to live in such an area would be a means of enriching one's life. This is regarded as the Japanese type of CCRC concept, in which the elderly are given an option to move to desirable areas, if any, as well as areas with enhanced long-term care services. This is criticized for the reason that it will increase the financial burden on local governments or that an increase in the supply of medical and long-term care services will be a bottleneck for the growth of local industries. On the other hand, it also has benefits such as increase in consumption and a rise in the demand for housing. I believe that a measure for preparing diverse options for the elderly should be included in the agendas for the ongoing discussion of the long-term vision of various regions.

Towards the Reform of the Long-Term Care Insurance System

The progress in aging will increase the importance of the Long-Term Care Insurance System as a social system. Therefore, the system must be sustainable. Suppression of demand is essential from the financial point of view. From the viewpoint of the shortage of service providers, the question is how to increase the supply. Measures that need to be promoted with regard to the latter include stabilization of the employment of caregivers, clarification of their career path, improvement of their employment conditions such as wages, and creating a separate framework for the remuneration for long-term care services to be paid to caregivers, as well as the measures recommended by the Study Group on Issues in the Tokyo Metropolitan Area. Possible measures for suppressing the demand include, for example, limiting people eligible for the benefits to those certified to need long-term care, and in particular, reviewing benefits for certified people with a relatively low level of problems and widening the range of out-of-pocket expenses in consideration of the amount of assets or others.

There are some local governments for which a rapid decline in the local population is a concern. In addition, population of rural areas as a whole will be smaller anyway. Therefore, the system for local governments' operation of regional insurances need to be reviewed. Such a review is expected to lead to strengthening the functions of insurers and improvement of efficiency for long-term care insurance



finances. In the future, it will be necessary to reorganize medical care units and long-term care based on living area, under the concept of regional comprehensive care.

In any case, given the further progress in aging, it is an urgent task to reform the medical system and the long-term care insurance system into ones that are sustainable in terms of both finance and supply. How should Japan achieve the target for sound public finance in fiscal 2020, overcome the Year 2025 Problem, and get through the early 2040s when the aged population will peak? Indeed, Japanese society faces high hurdles, but we must exercise wisdom for the future generations.

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