

Japan–World Bank Partnership Program on UHC

Macro Process of Health Policy Making

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Considering different kinds of politics

- Politics: Results of contention among actors with power and differing interests
- Party politics led to the big macro changes
 - “Health insurance for all” in 1959
 - Benefit expansions after 1970
 - Shift to spending controls from early 1980s
- At micro level jostling among competitors for money and control
 - Surgeons v internists, inpatient v outpatient, chronic v acute, products v services, doctors v nurses, urban v provincial hospitals . . .

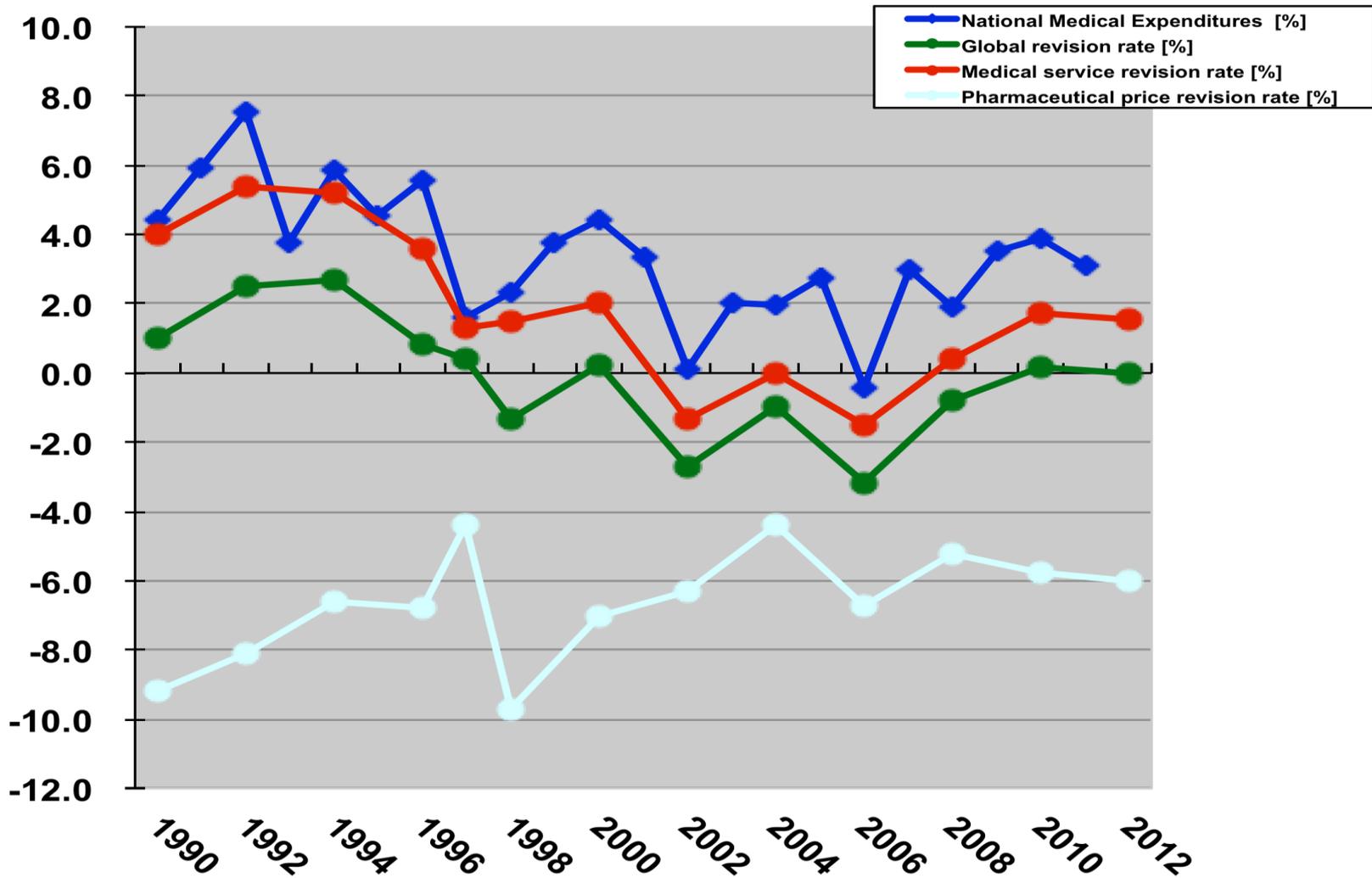
Politics and total spending

- Every two years the government decides how much the nation will spend on health care (actually, the growth rate of fees)
 - Prof. Ikegami describes the process this way:
“Ministers of Finance and Health together with top bureaucrats set the rate”
 - That’s true, but actually this is a process that lasts for weeks if not months and is full of sound and fury—it looks like pure politics

The decisions

- Three decisions come from this process
 - The change in average price of pharmaceuticals—always a substantial cut
 - The change in average price of medical services—usually a small hike
 - The two combined, average fees for health care—goes either way
- Then there is actual health care spending
 - not a decision but an outcome, caused by other factors as well as the changes in fees

Health care spending growth rates



The protagonists

- One side pushes for more money to be spent
 - Key is the Japan Medical Association
 - Strongly backed by powerful members of the ruling Liberal Democratic Party (except 2010-12)
- The other side tries to minimize spending
 - Key is the Budget Bureau, Ministry of Finance
 - The Health Insurance Bureau, Ministry of Health, Labor and Welfare, generally agrees
- Top political leaders normally are not involved in this process

How do they fight?

- Not negotiation around a table, but exchanges of broadsides and comments to the press
- Both sides argue with real data from surveys of prices, revenues, and costs
- At the end, high drama, then a compromise (aided by go-betweens)
- Actually, in normal years, the decision differs from last year's only in small predictable ways

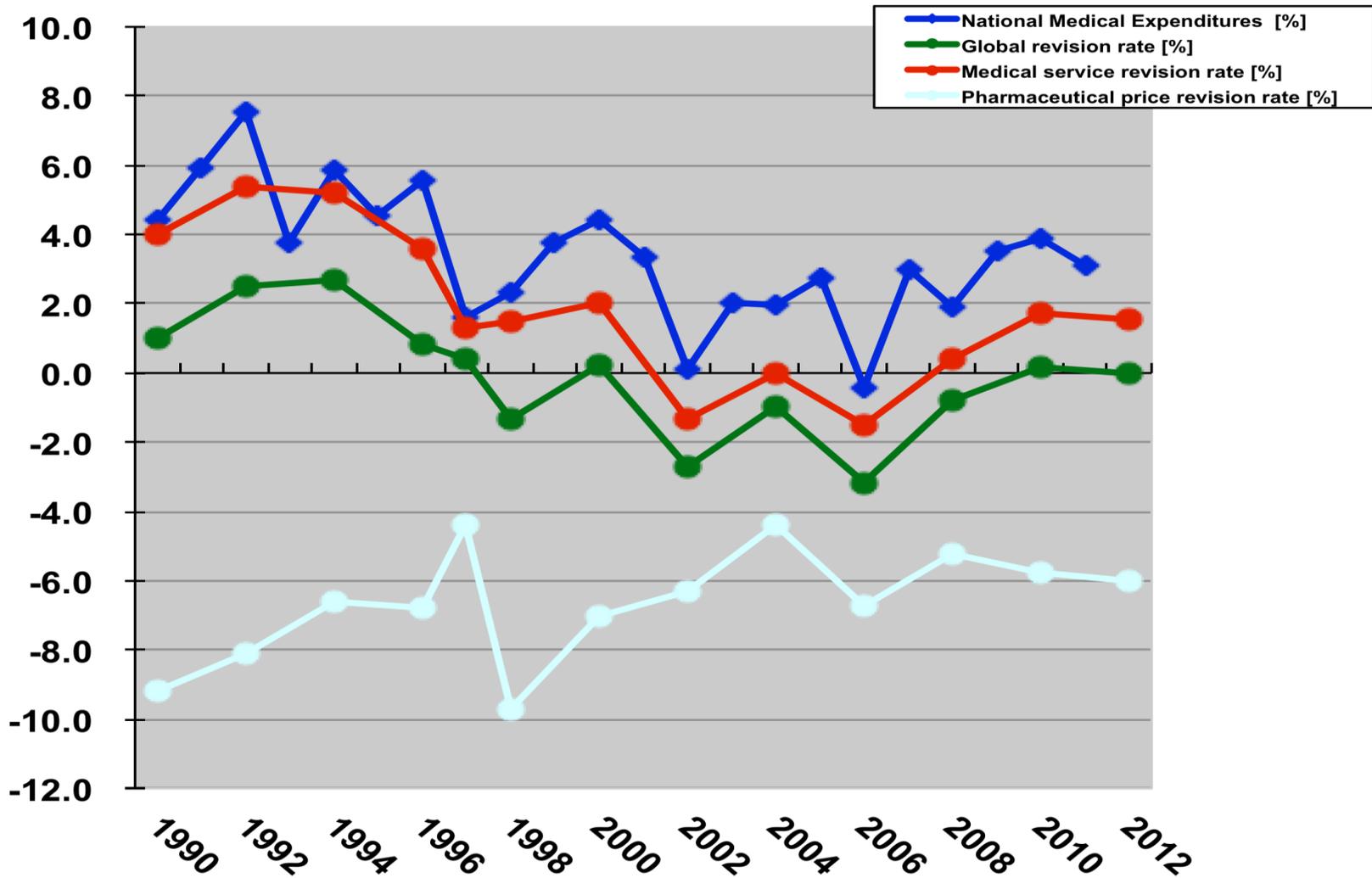
Some years are not normal

- Bigger changes occurred when the environment changed markedly
- In our period (1990-2012) three cases
 - 1998 government-wide spending freeze
 - 2002 PM Koizumi's austerity campaign
 - 2010 new majority party promised to fix a “collapse of medical care”
- In the latter two the political leadership intervened actively, to cut or to raise spending

How well does it work?

- Clearly this process does not directly determine all health care spending
- But it has allowed the government to hold down total spending in general, and in particular when austerity was the goal

Health care spending growth rates



Why does it work?

- Sets prices, the key to controlling behavior
- Technocrats and politicians must interact
- Good data and objective analysis important but not determinative
- Complex , repeated, predictable process that in effect controls how people think
- Usually leads to stability, but environmental or leadership changes are reflected