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

[Graph showing health care spending growth rates from 1990 to 2012, with different categories such as National Medical Expenditures, Global revision rate, Medical service revision rate, and Pharmaceutical price revision rate.]
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