

Health Care Saves Japan with Four +Four Strategies

Executive Summary

Since the financial condition of healthcare funding is tight, part of health insurance associations are going bankrupt, and 70% of hospitals are operating in a deficit. While measures to address these problems are making no headway at all, Japan faces the challenge of overcoming a low-birthrate and aged society unprecedented in the history of humankind.

Although reconstruction measures positioning the healthcare field as a growth industry have been studied on numerous occasions, results have yet to be seen. Actually a final report compiled by a committee of the Japan Economic Research Institute in March 2003, titled “Spread Your Wings! Japan’s Medical Industry” (Oboshi Committee), outlined a roadmap for healthcare reform as a specific policy, but nothing has been realized.

Ten years later, it is welcome that the administration of Prime Minister Shinzo Abe has formulated the Japan Revitalization Strategy as a guideline for realizing policy issues, with the healthcare field being taken up as a priority area. Regarding international development strategy, though, it states only that the public and private sectors will make concerted efforts to acquire a share of the global infrastructure market, which is expected to grow. Specifically, it states that the government will “make maximum use of Medical Excellence Japan (MEJ) and aim to capture a ¥1.5 trillion market share in overseas medical technologies by 2020.” However, this anticipated market scale is very small—only one-twentieth of the ¥30 trillion that could be expected to be acquired from the realization of infrastructure and system orders. At present, despite the weak yen resulting from the effects of “Abenomics” as the government’s economic policy, Japanese exports are struggling.

Incidentally, the scale of Japan’s healthcare market in 2011 was about ¥9.3 trillion for pharmaceuticals and ¥2.3 trillion for medical devices. Since the global market of ¥520 trillion grew at an average annual rate of 8.7% from 2001 to 2010, however, Japanese market is still peanuts compared with it. For example, Japanese products rank third in terms of worldwide pharmaceutical sales, but made-in-Japan products are extremely few.

Meanwhile, inbound activity, namely, the promotion of medical tourism to acquire foreign currency and contribute to the national economy, is sluggish. And similarly outbound activity, that is, international development by Japan’s medical institutions,

has hardly reached the business level. This is evidence of the fact that in Japan, where universal coverage was introduced in 1961, the state pokes its nose in every nook and cranny and international competitiveness has been entirely lost.

In these circumstances, the Japan Economic Research Institute launched the Medical Industry Model Research Committee (Fukukawa Committee), which has formulated the following eight strategies to save the nation's healthcare.

Four Basic Strategies

(1) Lower the effective tax rate to the level of other major developed countries and strengthen the international competitiveness of the healthcare industry, which is a growth strategy.

(2) Identify areas in which Japan has a competitive advantage internationally as core competence, such as particle beam therapy and made-in-Japan "Kampo Medicine", so as to make up for the delay in international business development. For this purpose, it is necessary to establish infrastructure to utilize big data taking account of privacy and to publicize medical technology with high cost-performance both domestically and internationally.

(3) Enable the above-mentioned MEJ to open the doors of trading companies and ordinary enterprises with a wealth of knowledge and experience in the field of healthcare and utilize human resources familiar with the procurement functions of medical institutions.

(4) In inbound activity, set about fostering human resources capable of breaking through the language barrier and utilizing international students and made-in-Japan super-translation machines as soon as possible.

Four Practical Strategies

(1) Deploy an "ant-hole" strategy in which "a little leak will sink a great ship" eliminating the dependence on "social experiment type" special zones, which has long been pointed out, and create "if I suffer from incurable disease, I might be helped" special zones.

(2) Reconfirm domestic internationalization. Specifically, institutionalize nonprofit holding companies to strengthen including university hospitals, national and public hospitals, and insured persons, and foster resourceful health, medical, and care complexes to operate internationally; at the same time, build a mechanism to prevent excessive competition among hospitals and respond to changes in local medical demand brought about by the continued decline of the productive-age population and aging.

(3) Redefine “Japanese-style medicine” and develop “global health” incorporating the perspective of national security as well.

(4) Search for forms of international business development based on local capital by creating shared value through social businesses, the ultimate growth industry.

Japanese politics has suffered a decline of its self-determination capability and is often swayed by populism. In addition, the country is facing a financial crisis, and its international competitiveness and corporate innovativeness are lagging. Despite this situation, however, its people are inward-looking and its executive power is receding. In order to break out of this state of blockage, Japan must foster soft power that can be active on the world stage in such fields as politics, business, technology, sports, art, and fashion. What is needed is not “criticism” but “action.”