

Budget Systems and Moral Hazard in the National Health Insurance and the Long-term Care Insurance

Atsushi Yoshida, Institute of Social and Planning Sciences, University of Tsukuba

Akira Kawamura, Institute of Social and Planning Sciences, University of Tsukuba

Abstract

In this paper, we examine if different budget systems cause different degrees of moral hazard in municipality-based National Health Insurance (NHI) and Long-term Care Insurance (LTCI). In NHI ex-post financial subsidy from central and local governments is built-in in its budget system whereas little ex-post subsidy in LTCI, which implies that the premium of LTCI is linked to the amount of consumed services but that of NHI is not. We find that the level of soft budget is higher in NHI than LTCI so that the insured are more likely to demand health services excessively because of the moral hazard. WE also find that the moral hazard also implies that marginal effect of the health service to health outcome in NHI is less than LTCI.

Keywords: Long-term Care Insurance; Moral hazard; National Health Insurance; Soft budget;