

Can the reform of the health insurance act halt rising medical costs of middle- and old-aged persons in Japan?

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Abstract: This paper tests the hypothesis that a rise in the self-pay ratio of medical expenditures due to the health insurance reform taken effect in April 2003 reduces individual medical costs, using the Japanese two-period panel data conducted by the NLI Research Institute. We found that a rise in the self-pay ratio of medical expenditures has a trivial effect on the household medical expenses, implying that an increase in the medical cost is offset by a decrease in the demand of medical services. According to the estimates of quantile regressions, a rise in the self-pay ratio of medical expenditures has a significantly negative effect on the share of medical costs for the relatively high quantile values, and its effect increases with the quantile value. This corroborates that the demand of medical services is cut more largely for those who suffer from the higher share of medical costs. An additional finding is that the medical service is a necessity good, in particular for those suffer from the high share of medical costs.

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