

Financing Health Care in Japan: The Impact of an Aging Population

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Abstract

This paper is aimed at providing a quantitative analysis of the impact of population aging in Japan on financing its National Health Insurance program. We construct a general equilibrium life-cycle economy that is used to study the impact of an aging population (an increased dependency ratio and increased per capita medical expenditures) on household's work and savings behavior, as well as on aggregate output and welfare. In particular, taking 2010 as an initial starting point, we calculate the transition path predicted by our model as the population structure changes and medical costs increase, using values for 2055 to construct a terminal steady state. We also evaluate various policy alternatives designed to lessen the negative impact of aging on the economy.

Keywords: Universal Health Insurance, Population Aging, Japan

JEL Classification: E21, H51, I10