

## **Universal Health Insurance, Utilization, and Health: Evidence from Japan<sup>1</sup>**

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We investigate the effects of the massive expansion in health insurance coverage by examining the introduction of universal health insurance in Japan in 1961. We make two major findings. First, we find that hospital utilization increased by 10 percent in nine years, which is almost three times higher than the figure obtained by the RAND Health Insurance Experiment. Consistent with Finkelstein (2007), we find evidence that this larger effect may arise probably because the huge increase in demand alters the incentives of medical institutions to incur the fixed costs of entering the market. Second, we find little evidence of any improvement in health outcomes. While we find some improvement in child and teenage morbidity, we do not detect any impact on mortality for any age category. We raise the possibility that the large increase in demand might lower the quality of health services. In fact, our analysis on medical inputs shows that even though capital inputs such as the number of beds increased, labor inputs such as the number of physicians did not increase, and thus, the number of physicians per patient decreased substantially.

# full text will be available at

[http://dl.dropbox.com/u/7334634/Kondo\\_Shigeoka\\_JEA2011.pdf](http://dl.dropbox.com/u/7334634/Kondo_Shigeoka_JEA2011.pdf)

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