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HGPI Health and Global Policy Institute

Urgent recommendations: The Ideal System for Obstetric Care in Japan in the Era of Birthrate Decline

In 2022, there were 770,747 births in Japan, which was the fewest on record since the first year such figures were compiled in 1899. It was also the first time the number of births fell below 800,000. Identifying how to stop the steady and continuous decline in its birthrate has become an urgent issue for Japan. The Government of Japan has taken various measures for this issue such as launching the "Unprecedented Countermeasures for the Declining Birthrate." As part of those countermeasures, to help ease financial concerns for new parents, the Government increased the lump-sum allowance for childbirth and child-rearing from 420,000 yen to 500,000 yen in April 2023. Under the "System for Publicizing the Cost of Childbirth," the Government has also announced that each healthcare institution will be obligated to publicize childbirth costs (including average lengths of stay and average total costs for expectant mothers) by April 2024. Based on the results that are presented, discussions on insurance coverage for childbirth are set to begin by FY2026. The Basic Policy on Economic and Fiscal Management and Reform 2023, which was approved by Cabinet decision on June 16, 2023, also promised that there will be Government-wide support for childbirth expenses, demonstrating the Government's intent to seriously consider how to best structure the cost of childbirth.

Meanwhile, healthcare institutions specializing in obstetrics and gynecology continue to face difficult circumstances year after year. In 1973, during what is known as Japan's second baby boom, the total number of births reached approximately 2.1 million. It fell below 2 million by 1975 and continued to decline steadily. In the 1990s, with repeated ups and downs, Japan's annual number of births stayed around 1.2 million. It then gradually trended downwards to its current figure. Given the fact that the number of births has decreased by almost one-third over the past three decades, from 1.2 million in the 1990s to 800,000 in 2022, it is no surprise that there has been a financial impact for healthcare institutions. In fact, a 2020 survey of facilities conducted by the Japan Society of Obstetricians and Gynecologists found that the number of obstetrics and gynecology facilities had decreased by 15% over 14 years, from 5,946 facilities in 2006 to 5,074 facilities in 2020. Over that period, there was little change in the number of gynecology facilities but a notable decline in the number of general hospitals and clinics handling deliveries. Another element complicating this situation is work style reforms for physicians, which are set to begin in 2024. For both their mental and physical health as well as from the perspective of medical safety, it goes without saying that it will be vital to create an environment in which OB-GYNs can maintain working hours at appropriate levels. At the same time, in real-world care settings, the field of obstetrics and gynecology has been largely dependent on the dedication of physicians, especially their willingness to work long hours of overtime. As such, if the transition to the new system is mishandled, it may cause a failure of the obstetric care provision system itself. There are high hopes from all related parties for a careful approach to be taken during that transition. In addition to financial difficulties resulting from the decline in the absolute number of children being born (an issue compounded recently by soaring prices and labor costs), obstetric facilities face various other challenges such as fewer people hoping to enter the field and difficulties in securing medical human resources due to work style reforms for physicians.

Within this context, when the Government announced it would grant insurance coverage to childbirth, it was pointed out that doing so may not only push obstetric clinics – which already face challenging circumstances – into even more difficult positions, it may also fail to bring about good results for expectant mothers and their families and may even weaken Japan's obstetric care provision system. In 2020, Japan's maternal mortality ratio was 3.2 maternal deaths per 100,000 live births, which is the lowest in the world and proof that Japan is the safest country for childbirth. There is no question that Japan has been able to maintain its standard of obstetric care thanks to its healthcare professionals, and we must not allow policies introduced in the name of addressing birthrate decline to push them into even more difficult circumstances. In addition, with a declining number of children being born, we must make the establishment of an environment in which everyone can give birth with peace of mind a cornerstone of measures for birthrate decline. Based on

these perspectives, Health and Global Policy Institute (HGPI) offers the following recommendations regarding Japan's obstetric care system in an era of birthrate decline, with a particular focus on insurance coverage of childbirth. We hope these recommendations will be a reference for policymakers to help Japan maintain its system that ensures children, who are society's treasures, can be born in safety.

1. The Government should clarify the future structure of Japan's obstetric care system and present a vision

In addition to the effects of physician work style reform and other policy changes on obstetric care discussed above, efforts to consolidate healthcare facilities in line with Regional Medical Care Visions are advancing, and facilities providing obstetric care have been no exception to this movement. The consolidation of obstetric facilities is a natural result of the decline in the absolute number of births, but community members have voiced the strong desire to be able to give birth in familiar surroundings. This has made securing an environment in which people can give birth in their communities a matter of vital importance for many local governments. While Japan's healthcare system continues to be subject to a number of overarching changes such as these, the Government has yet to present a complete vision for the future of the obstetric care system, which will be greatly impacted by birthrate decline. If Japan wishes to maintain the same standards for obstetric care as when there were many births (in terms of the quality care as well as for access to healthcare institutions), then naturally, the amount of financial resources allocated to obstetric care must be increased. On the other hand, if it is more desirable to avoid increasing the financial resources allocated to obstetric care, then it is likely the only remaining option will be to convince citizens to accept certain changes in the environment surrounding childbirth. (In the latter case, many people will be forced to give up access. In other words, facilities where childbirth is available will be consolidated and people will generally have to give birth at facilities located outside of the areas that are most familiar to them.) The lack of a medium- to long-term vision is making it difficult for obstetric facilities to weigh the pros and cons of continuing to provide services and many healthcare institutions are reluctantly withdrawing from the field. As the number of births continues to decline, the Government should present a clear vision for how it will protect obstetric facilities while providing a safe and secure environment for expectant mothers and their families.

2. When insurance coverage is granted to childbirth, adequate points must be assigned to it in the medical service fee schedule. When revising reimbursements, ensure that the natural increase in the cost of childbirth is reflected.

While public insurance does not cover pregnancy and childbirth, a certain degree of public support is currently being provided through the lump-sum allowance for childbirth and child-rearing. Based on a comprehensive assessment of the costs of delivery assistance, prenatal and postnatal checkups, and the initial expenses of child-rearing, the amount provided by this allowance when it was introduced in 1994 was 300,000 yen per child. The allowance has been gradually increased to keep pace with items such as rising delivery costs and the Obstetric Compensation System. In principal, the allowance was 420,000 yen in October 2009 and, as mentioned above, 500,000 yen in April 2023. While the introduction of the lump-sum allowance for childbirth and child-rearing greatly reduced economic burdens for expectant and nursing mothers, the following issues have been identified.

(1) The allowance is insufficient to cover the rising cost of childbirth
(2) There are major disparities among prefectures
(3) It is not serving as a form of income redistribution

Regarding issue (1), according to the Ministry of Health, Labour and Welfare (MHLW) "Research Survey on Grasping Circumstances for the Cost of Childbirth (FY2021)," the cost of a normal delivery was 410,000 yen in FY2012 and 473,000 yen in FY2021. As the cost of childbirth is growing at a rate of approximately 1% per year, the lump-sum allowance for childbirth and child-rearing is not enough to cover it. This means that depending on the region or healthcare institution where they give birth, some expectant mothers or their families are required to cover a portion of the cost. Although the allowance was increased to 500,000 yen in April 2023, if

the cost of childbirth continues to increase at its current rate, the cost of childbirth will exceed the allowance once again in five years. As prices, personnel expenses, and other expenses continue to soar, it is inevitable that the cost of childbirth will continue to increase each year in line with this overall trend. Even if the allowance is increased, this means the fact that expectant mothers must shoulder a portion of the cost will ultimately remain unchanged. As higher costs of childbirth will put pressure on the Government to raise the allowance and a higher allowance will make it possible to raise the cost of childbirth, another potential concern for the Government may be that raising the allowance may hinder its ability to serve as an effective price control mechanism.

As for issue (2), the cost of childbirth varies greatly among regions and facilities. By prefecture, childbirth is most expensive in Tokyo, where it costs 565,092 yen. This is over 200,000 yen more than the least expensive prefecture, Tottori Prefecture, where the cost of delivery is 357,443 yen. However, the lump-sum allowance for childbirth and child-rearing is a uniform payment of 500,000 yen per child. This means that some people are left with extra while others cannot cover their costs with the allowance alone and must make up the difference out of their household budget.

Finally, regarding issue (3), expenses incurred before and after childbirth are determined by the region or facility where the birth takes place. This means people who use the same facilities in the same regions must pay the same amounts, regardless of their income levels. If someone gives birth in a provincial city and the cost is less than the lump-sum allowance, they end up with extra money, even if their income is high. However, childbirth usually costs more than the lump-sum allowance in major metropolitan areas, so low-income families living in those areas must pay the difference out-of-pocket. While the lump-sum allowance for childbirth and child-rearing comes in the form of a cash payment, it is a health insurance benefit, so the source of the payment is the health insurance system. The original intent of the social security system including the health insurance system is to impose a progressive burden in which people pay costs that are reasonable for their income level or economic capacity. However, as mentioned above, the lump-sum allowance for childbirth and child-rearing was not designed with this concept in mind. Given the social security system's principle of a progressive burden, a system that provides a uniform cash benefit regardless of income level is designed in a manner that is particularly disadvantageous to low-income groups.

While some have proposed granting insurance coverage to childbirth to address such issues, many people serving in real-world care settings have voiced concern toward this solution. Although specific details regarding NHI points assigned for reimbursement in the medical service fee schedule have yet to be presented, considering that past reimbursements in the field of obstetrics and gynecology have been relatively low, it is hard to imagine that childbirth will be reimbursed at a high rate. As obstetric institutions are already barely staying in business with the current number of births, it is clear that they will not be able to continue operating if the number of NHI points assigned is not enough to cover the necessary costs. Reimbursement points must be set in a manner that does not burden the operations of obstetrics and gynecology institutions after conducting comparisons with the existing lump-sum allowance system and health insurance system that take into account factors like the degree of impact on healthcare institutions and clinics specializing in obstetrics and gynecology, the continuing downward trend in births, and the impact of rising prices.

As mentioned above, the cost of childbirth increases at around 1% annually, but the history of revisions to the medical service fee schedule shows that revisions tend to fall far short of 1% (and are usually around -3.16% to +0.2%). Given this background, if there is no guarantee that there will be revisions to reimbursements that take the natural annual cost increase into account, it will greatly impact business decisions. If childbirth is granted insurance coverage, it should be done so in a way that accurately reflects the annual cost increase. Unlike healthcare and long-term care services for older adults, which currently account for the majority of healthcare-related social security expenses in Japan and will continue to increase, obstetric care is a field that is projected to shrink as the number of births continues to decline. As such,

discussions on how to take the natural cost increase into account when revising medical service fees should be held from a different perspective.

It will also be necessary to encourage transparency when setting prices. The Government has announced that in April 2024, it will introduce the "System for Publicizing the Cost of Childcare" which will obligate each healthcare institution to disclose childbirth costs (including average lengths of stay and average total costs for expectant mothers), but if healthcare institutions are to be forced to establish systems to ensure prices are suitable and fair, then the Central Social Insurance Medical Council must make its basis for setting prices clearer. Even if the body that sets prices changes from healthcare institutions to the Central Social Insurance Medical Council, steps should be taken to ensure transparency and fairness.

3. Provide suitable reimbursements for and review medical practices related to perinatal care

The medical service fee schedule includes various premiums specifically for high-risk pregnancies and deliveries that require the focused investment of health resources, such as the high-risk pregnancy management premium and the high-risk delivery management premium. If childbirth is granted insurance coverage, these premiums should also be subject to proper review. Naturally, high-risk deliveries come with greater medical and personnel costs that current premiums are not always sufficient to cover. In such cases, the difference is covered by charging more for childbirth or, for public healthcare institutions, by supplementing it through taxes. If healthcare institutions other than public hospitals (where it is difficult to cover these costs with taxes) cannot set how much they charge for childbirth, they will have no way to make up the deficit incurred for high-risk deliveries. Some are concerned that this will cause the number of obstetric care facilities that handle high-risk deliveries to shrink. In addition to assigning appropriate NHI points to delivery costs, it will also be necessary to set adequate prices for premiums associated with pregnancy and delivery like those mentioned above. They must also be reviewed after each revision of the medical service fee schedule.

4. Cooperate with local governments and related parties to design frameworks that will not require copayments from expectant mothers

As mentioned in Recommendation 2, looking at Japan as a whole, there are some areas where childbirth costs less than the lump-sum allowance for childbirth and child-rearing. If insurance coverage is granted to childbirth, people living in such areas would, in principle, have to pay a 30% copayment. In other words, depending on where they live, some expectant mothers or their families would be required to pay more. If current discussions on granting insurance coverage to childbirth began with the intent of addressing birthrate decline by creating an environment in which women can have children without worrying about financial burden, any situation in which granting insurance coverage increases the burden for expectant mothers should be avoided.

Medical subsidies for children provide one example for addressing this. In principle, Japan's universal health insurance system requires a 20% copayment for medical services provided to children under age 6 (the age of compulsory schooling) and a 30% copayment for children who have started elementary school, but many municipalities have systems in place to subsidize medical expenses for children. While the age groups and services that are eligible for such subsidies vary by municipality (for example, they may only provide coverage up to middle or high school), most local governments provide generous coverage for children's medical expenses. Similar systems should be introduced when granting insurance coverage to childbirth. As previously mentioned, there is variation among municipalities in the ages children are eligible for subsidized medical expenses and services, so at the same time, when designing frameworks to subsidize childbirth, stringent efforts should be devoted to ensuring they are designed in a manner that does not result in variation in coverage among municipalities.

At an April 2023 meeting of the House of Representatives Committee on Health, Labour and Welfare, Prime Minister Kishida stated that the Government would examine a system that, in principle, would not impose a

30% copayment for childbirth even if it is granted insurance coverage. While the Government seems intent on avoiding the aforementioned situation surrounding copayments in the event insurance coverage is granted, initiatives for that objective should be advanced in earnest.

5. Determine how to best provide painless delivery

A survey conducted by the Japan Society for Obstetric Anesthesia and Perinatology found that the percentage of women who undergo painless delivery in Japan increased from 2.6% in 2007 to 6.1% in 2016. However, this ratio remains low compared to other countries like the U.S. (73.1%, but varies by state from 36.6% to 80.1%), France (82.2%), Canada (57.8%), the U.K. (60%), and Germany (20% to 30%). Citizens have voiced the strong desire for a system that provides painless delivery to be disseminated in Japan. When considering how to disseminate painless delivery, two important items will be securing medical human resources (particularly OB-GYNs and anesthesiologists) and ensuring medical safety. Consolidating healthcare institutions is likely to be a key step for both of these goals. One practical challenge will be securing multiple anesthesiologists to provide 24-hour care. To secure adequate numbers of anesthesiologists who can provide obstetric anesthesia and from a business perspective, this will require concentrating anesthesiologists at large-scale facilities that handle a certain number of deliveries. Examining each parties' desires toward the consolidation of healthcare institutions, we see that citizens want them to be located within the areas they conduct their day-to-day lives; healthcare institutions want to continue operating their own facilities; and local government leaders are reluctant to let healthcare institutions leave their jurisdictions. (Given that the population in Japan is declining, these desires apply to all medical specialties and are not limited to the field of obstetrics.) While these are related to Recommendation 1, a broad variety of items require consideration, such as: how to consolidate obstetric facilities in each region within the context of continued birthrate decline nationwide; how to establish regional centers for obstetric anesthesia to provide painless delivery; and how to best distribute revenue after consolidation (namely, between the institutions that absorb obstetrics institutions and the institutions that are absorbed).

While it is likely that painless delivery generally falls outside of the scope of current discussions on granting insurance coverage for childbirth, in the event that childbirth is granted insurance coverage, it will be necessary to assign a suitable price for painless delivery in the medical service fee schedule. The national average cost of painless delivery – which is covered out-of-pocket by expectant mothers – is currently 100,000 to 200,000 yen in addition to the cost of childbirth. Considering various expenses associated with painless delivery (such as personnel expenses for anesthesiologists) from the perspectives of healthcare facilities, this amount is extremely low. A number of concerns have been raised regarding the price of painless delivery. For example, if the price is set too low, it may result in a loss of medical safety. It has also been pointed out that there are examples of healthcare institutions handling painless delivery without adequate systems in place. While establishing an environment that provides access to painless delivery to those who desire it, it will also be necessary to advance consolidation efforts and to set appropriate prices to prevent the acceleration of any situations that raise concerns about quality.

In conclusion

When considering measures to address birthrate decline, the ability to conceive and give birth without financial burden is an extremely important point to keep in mind. To this end, it is desirable that childbirth be made free of charge in some way. At the same time, it will also be essential to guarantee medical services are safe and of high quality as well as to ensure healthcare institutions with the capacity to provide obstetric care are able to continue existing in each region, even in the current era of birthrate decline. If healthcare institutions that can deliver babies were to disappear, all our efforts would come to nothing. While the Kishida administration seems set on introducing a variety of policies under the slogan of "Unprecedented Countermeasures for the Declining Birthrate," the actual degree of devotion to this slogan is still unknown. The lump-sum allowance for childbirth and child-rearing was increased from 420,000 yen to 500,000 yen, but compared to the period when there were over one million births, the total amount provided through the allowance has actually decreased (from 420,000 yen x 1 million births = 420 million yen to 500,000 yen x

800,000 births = 400 million yen), so even if the slogan says, “Unprecedented,” there is little indication that the Government intends to drastically expand the total budget. Furthermore, we have yet to see if the true intention of granting insurance coverage to childbirth is to reduce burdens on mothers while maintaining perinatal care or to serve as a means for the Government to control and reduce costs related to childbirth. With fewer than 800,000 children being born in Japan, which has a population of 120 million, children are already in the minority. It is our sincere hope that the content of these recommendations will serve as a reference when creating policies for providing a safe and secure medical environment for both the new lives that are born and for the mothers who bring them into the world.

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