

# Reconsidering Japan's path to universal health insurance: Pre-war origins and the complementarity of occupational and community-based schemes

Daiichi Morii\*

Japan Medical Association Research Institute, Tokyo, Japan.

**Abstract:** Japan's health security system began with the enactment of the Health Insurance Act in 1922, which was occupational health insurance intended for workers in large factories and mines. The scope of this social health insurance was subsequently expanded, but the issues of insurance coverage for agricultural workers and the self-employed remained. To address these issues, the Citizens' Health Insurance Act, a community-based health insurance system, was legislated in 1938. Japan's health security collapsed with the end of the Pacific War (World War II) in 1945, but during postwar reconstruction, legislation was conducted in 1958 and universal health insurance was achieved in 1961. Japan's universal health insurance system cannot be considered a purely postwar product. It began to be established before the war in response to the industrialization of society, and it was completed during the period of postwar economic growth, overcoming the interruption caused by the end of the war.

**Keywords:** universal health insurance, occupational health insurance, community-based health insurance, solidarity

## 1. Introduction

Japan's healthcare system is highly regarded internationally (1). Its evolution is generally said to have been modeled on Germany's social health insurance system (2). Citizens' health insurance (community-based health insurance) is an important element (2,3), making it more than just a copy of Germany. Japan also experienced a major discontinuity with its defeat in the Pacific War (World War II). However, regarding the establishment of the system before the war, there is insufficient English literature. Several previous studies only briefly mention the legislation of the 1922 Health Insurance Act and the 1938 Citizens' Health Insurance Act.

This article aims to clarify how the pre-war Health Insurance Act expanded into occupational insurance, what functions the Citizens' Health Insurance Act played, and how the two were complementary. At the same time, it will demonstrate that these pre-war efforts formed the foundation for achieving post-war universal health coverage in Japan.

## 2. Enactment of the Health Insurance Act

The Health Insurance Act was enacted in 1922 and came into effect in 1927. The early 1920s was a time of

growing mass movements known as Taisho Democracy and frequent labor disputes against the backdrop of rapid industrialization in Japanese society (4). It is worth noting that in the early stages of development of this social health insurance system, the government itself acted as insurer for companies that could not establish their own health insurance associations (government-managed health insurance). However, this law still limited compulsory insurance coverage to workers in large-scale factories covered by the Factory Act (that employed 10 or more people on a regular basis) and mines covered by the Mining Act. Small factories employees or workers in the primary and tertiary industries were not even subject to compulsory or voluntary coverage. Development of Japan's health security system began as a response to industrialization of society.

## 3. Revisions to the Health Insurance Act in 1934 and thereafter

The Great Depression is thought to have cast a dark shadow over Japanese society in the early 1930s. The fact that poverty in people's lives, especially in rural areas, was a real threat to social unrest can be seen from the establishment of the Ideological Countermeasures Council (ICC) based on a Cabinet decision (5). The Director-General of the Ministry of Home Affairs' Social

Affairs Bureau was appointed as a member of ICC. The Ministry of Home Affairs' Social Affairs Bureau was the predecessor of the Ministry of Health and Welfare (6). This is because social improvement measures were also a matter for deliberation at ICC, from the perspective of alleviating the anxiety in people's lives that led to ideological deterioration (7). This demonstrates the Japanese government's recognition that social solidarity is not only the foundation of social security but also its purpose. Social security cannot be established without social solidarity, and at the same time, the enhancement of social security is essential for social solidarity; there is a chicken-and-egg relationship, a mutual prerequisite. Amid this turbulent social situation in the early Showa period (the decade or so from the late 1920s onwards), the May 15 Incident (an attempted coup d'état by young naval officers, 1932) and the February 26 Incident (an attempted coup d'état by young army officers, 1936) occurred.

Around 1934, the Health Insurance Act limited coverage to approximately two million factory and mine workers (8). This represented only 3% of the population at the time. The government seemed to consider this limited health coverage inadequate. During deliberations on the amendment of the law in the Imperial Diet in 1934, a government committee member explained the purpose of the amendment by saying, "Ideally, we would like to extend health insurance coverage not only to factory and mine workers but also to workers employed in various businesses and other low-income earners" (8). As a result, the law's coverage was expanded to factories with five or more regular employees.

In 1939, the Employees' Health Insurance Act was enacted separately from the Health Insurance Act. This resulted in the establishment of health insurance coverage for employees in finance, retail, and other sectors. In essence, while the previous Health Insurance Act targeted factory or mine workers, the Employees' Health Insurance Act targeted some tertiary industry workers. However, there was no point in separating the laws governing health insurance according to detailed industry categories such as finance and mining. Therefore, in 1942, they were unified into the Health Insurance Act. This 1942 amendment to the Health Insurance Act marked the end of the legal expansion of the prewar occupational health insurance system. As the Pacific War worsened the government was unable to complete it even if it wanted to. This issue was carried over into the postwar period.

#### 4. The old Citizens' Health Insurance

Japan's health insurance system began as a system for employed factory and mining workers and progressed by expanding coverage to include some tertiary industry workers. However, the issue of how to establish health coverage for agricultural and other primary industry

workers, the self-employed, and the unemployed, including retired elderly people, remained unaddressed until the late 1930s. To solve this problem, a community-based health insurance system was established under the Citizens' Health Insurance Act in 1938. The Citizens' Health Insurance Act (Act No. 60 of 1938) was completely revised in 1958 after the war, and it is therefore generally referred to as the "old Citizens' Health Insurance Act" to distinguish it from the postwar Citizen's Health Insurance Act (Act No. 192 of 1958).

The old Citizens' Health Insurance Act stipulated creation of two distinct types of citizens' health insurance associations: ordinary citizens' health insurance associations (community-based insurance) and special citizens' health insurance associations (occupational insurance) (Article 9). While the previous health insurance system required employees to be insured, the citizens' health insurance associations were created to ensure health coverage for citizens not covered by the previous Health Insurance Act. Of these, special citizens' health insurance associations are defined as "organized to include individuals engaged in the same business or similar occupations" (Article 10, Paragraph 1). During the Imperial Diet deliberations on the legislation of the law, a government committee member stated, "We are planning to establish special citizens' health insurance associations in urban areas" (9). Therefore, the primary purpose of special citizens' health insurance is thought to improve health coverage in urban areas. The special citizens' health insurance associations for doctors and dentists practitioners and lawyers, which still exist today, were originally established in this legislation. The special citizens' health insurance could be considered a kind of occupational insurance for self-employed people in urban areas who worked in occupations with relatively high social status.

The more important form of citizens' health insurance than the special citizens' health insurance is the ordinary citizens' health insurance, a community-based insurance. When submitting the Citizens' Health Insurance Bill, minister of Health and Welfare Koichi Kido stated, "The primary problem with receiving medical care is the burden of medical expenses. The recent deterioration of rural residents and small and medium-sized urban merchants and industrialists is particularly severe, and medical expenses place a considerable financial burden on these people. We have recognized that the best solution to this medical expense problem is an insurance organization based on mutual aid and everyday preparations, and have drafted this bill" (10). He made it clear that the bill primarily targets rural residents and small business owners.

Shimazaki lists three characteristics of the old Citizens' Health Insurance system (7): *i*) Municipalities were not insurers: instead, they established insurance associations; *ii*) Municipalities were free to establish associations, and residents were also free to join

in principle; and *iii*) The associations themselves determined insurance premiums and benefit levels.

It is considered that there were two reasons why the establishment of citizens' health insurance associations was left to the discretion of local governments. One is that there were varying degrees of solidarity within local communities. The other is that even if citizens' health insurance associations were forcibly established, a large number of regions would end up with "insurance but no medical care" because many villages were without doctors.

### 5. Revision of the old Citizens' Health Insurance Act

In 1942, the law was amended to give prefectural governors the discretion to force the establishment of ordinary citizens' health insurance associations. As a result, the old Citizens' Health Insurance system had the character of compulsory insurance.

In accordance with this, ordinary citizens' health insurance associations were created in most regions. It was, however, common for these associations to not actually function at all. As the end of the war approached, medical services were not provided adequately due to shortages of doctors, nurses, and medicines. By the end of the war, more than half of the citizens' health insurance associations had effectively ceased operations (6). In this way, community-based health insurance under the old Citizens' Health Insurance Act was incomplete.

### 6. Universal Health Insurance

The development of Japan's health security system, both in terms of occupational insurance and community-based insurance, was never completed before the end of the war. Moreover, the war damage caused the collapse of the industry itself, which was the foundation of occupational health insurance. In addition, private practitioners, who provided medical services in the communities, were

called away, and many medical institutions were forced to close, causing the health delivery system to collapse.

In 1956, the Economic White Paper loudly declared, "We are no longer in the post-war period" (11). However, the Health and Welfare White Paper of the same year stated, "11% of the population in the low-income bracket are left behind in the reconstruction, and are becoming entrenched and settling out at the bottom of the hierarchy," and asked, "Is the 'post-war' period really over?" (12). The period just over ten years after the end of the war was truly a time when economic recovery and poverty intersected (7). Furthermore, one-third of the population at the time were not enrolled in the social health insurances (13). In this way, during the transition from the end of the war to the period of high economic growth, the institutional guarantee of medical access, which had been a concern since before the war, was finally completed with the enactment of the (new) Citizens' Health Insurance Act and amendment of the Health Insurance Act. The public insurance program based on these two laws was fully implemented in 1961 (Figure 1). This meant that virtually all citizens were covered by either occupational or community-based insurance. However, the benefit levels of this fledgling universal health insurance system were "very basic" compared to current standards (14). Benefits were expanded to incorporate medical advances in the second half of the 20th century. Nevertheless, with the achievement of universal health insurance, it can be said that Japan had at least laid the foundation for universal health coverage (UHC), which the WHO defines as "all people have access to the full range of quality health services they need, when and where they need them, without financial hardship".

The UK achieved UHC in 1948 with the establishment of the tax-funded National Health Service (NHS), while Japan was more than a decade behind. France and Germany, which built their health security systems by social health insurance, achieved universal

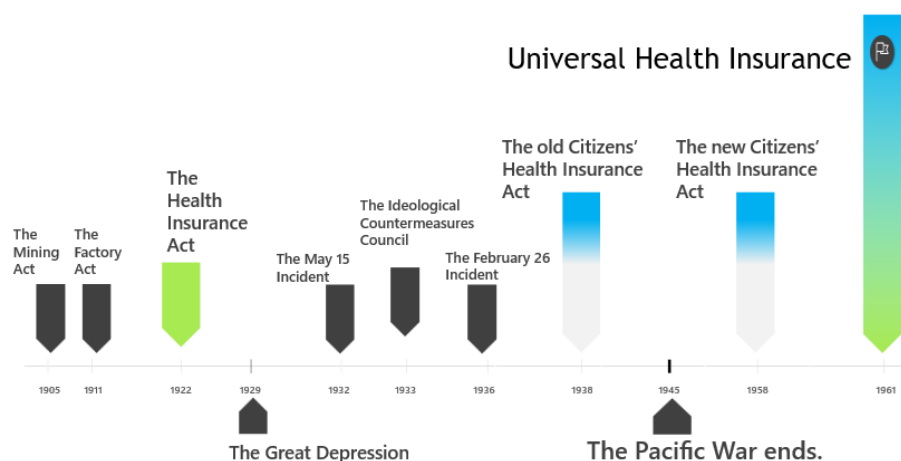


Figure 1. Chronological timeline of Japanese health security.

health insurance in 2000 (15) (legislation enacted in 1999 (16) and 2009 (17) (legislation enacted in 2007 (18)), respectively. It can be said that Japan achieved universal health insurance relatively early. This is likely due to the flexible, trial-and-error approach to developing a system that is not tied to occupational insurance, which it had adopted since before the war.

In conclusion, Japan's universal health insurance system cannot be considered a purely postwar product. It began to be established before the war in response to industrialization of society, and it was completed during the period of postwar economic growth, overcoming the interruption caused by the end of the war. Pre-war efforts have led to achievement of universal health insurance after the war.

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\*Address correspondence to:

Daiichi Morii, Japan Medical Association Research Institute, 2-28-16 Honkomagome Bunko-ku, Tokyo 113-8621, Japan.

E-mail: d.morii@jmari.med.or.jp