

A Comparative Analysis of Elderly Care Quasi-markets in Japan and Korea

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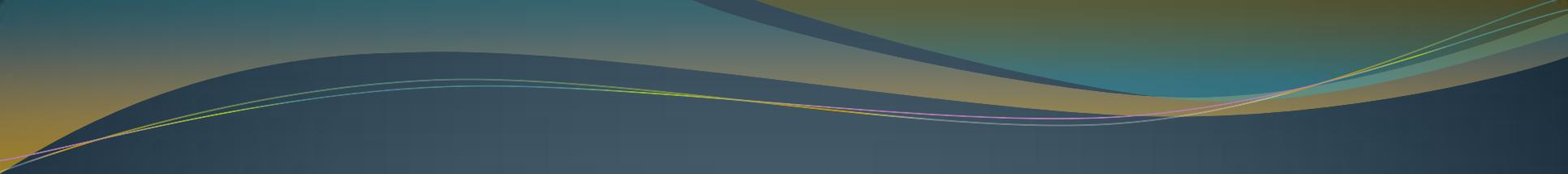
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1. Background and Purpose of the presentation

Background(1)

- ◎ A number of reforms surrounding supply system of long-term care for the elderly are being carried out around the world.
 - ◎ **Japan**: as part of “Social Welfare Basic Structure Reform”, Long-term Care Insurance Act was legislated in 1997.
 - ◎ **Korea**: introduced Long-term Care Insurance for the elderly in 2008. It is well known that it was formulated based on Japan’s Long-term Care Insurance Schemes, and it has very similar structure to Japan’s care service.
- ⇒ Quasi-Market mechanism begins(expands) to function in welfare service supply system.

Background(2) & Purpose

- © Great Britain first introduced Quasi-Market mechanism into welfare supply system. The representative study of the Great Britain on Quasi-Market is the one by J. Le Grand and W. Bartlett in 1989.
- © **The purpose:**
To compare Japan's Long-term Care Insurance Schemes with Korea's counterpart in the framework of Quasi-Market.

2. Definition of Quasi-Market by J. Le Grand

What is Quasi-Market?

The final responsibility to provide the social welfare service : The government

◎ Accordingly, while service is supplied in market principle, but perfect competition could not be expected.

◎ There exist competition in service supply and the government places various limitation with laws for guaranteeing rights of users, which is called “**Quasi-Market**”.

Definition of Quasi-Market

by J. Le Grand (1)

- ◎ Definition of “Quasi-Market” was first formulated by J. Le Grand.
- ◎ “Market”, because they replace monopolistic state providers with competitive independent ones.
- ◎ “Quasi”, because they differ from conventional markets in a number of key ways. The differences are on both supply and demand sides.

(Le Grand 1993:10)

Definition of Quasi-Market

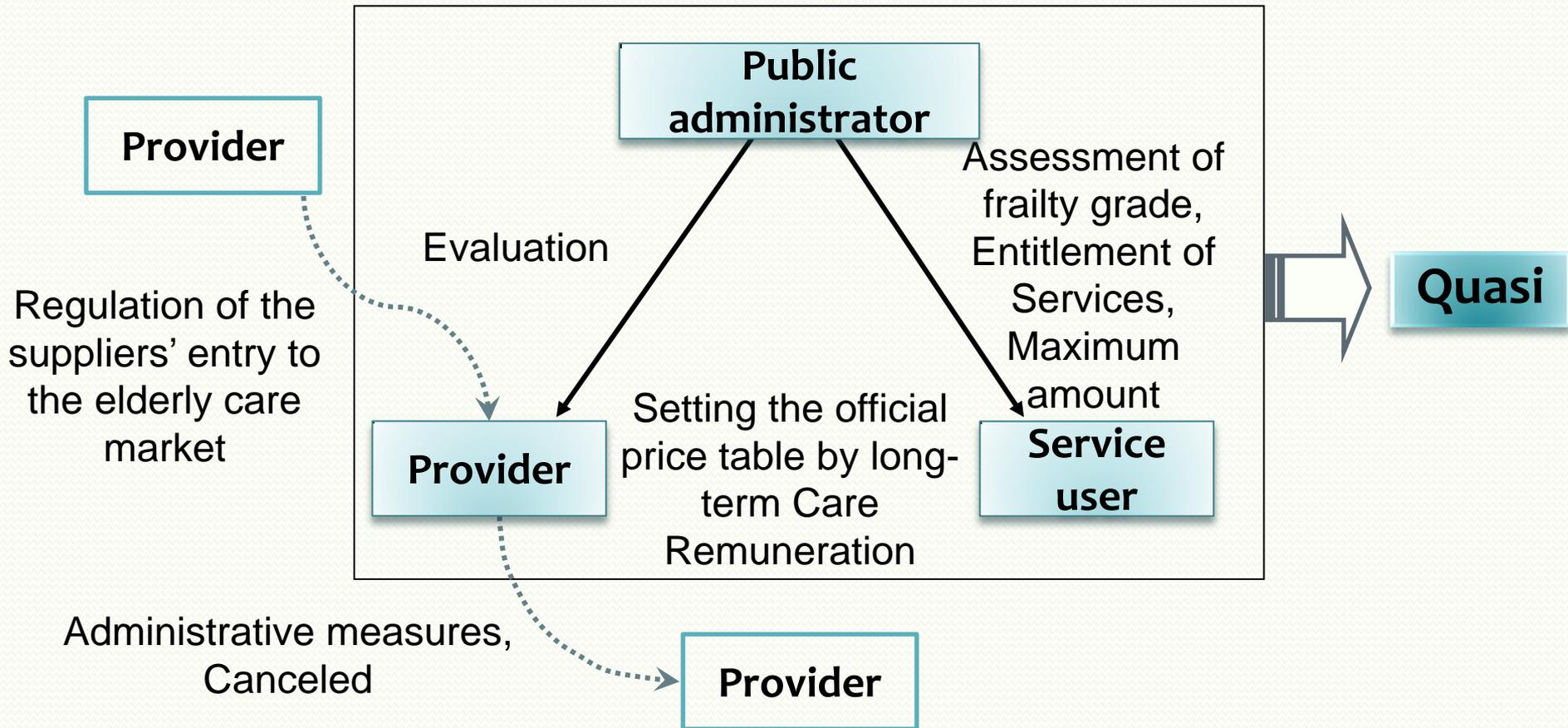
by J. Le Grand (2)

- On the supply side, there exist non-profit organizations which competed against profit organizations for users.
- On the demand side, consumer's purchasing power is not expressed in money terms in a quasi-market. Instead, either it takes the form of 'voucher' or 'need'. Services are bought by purchasing agent and then distributed to users.

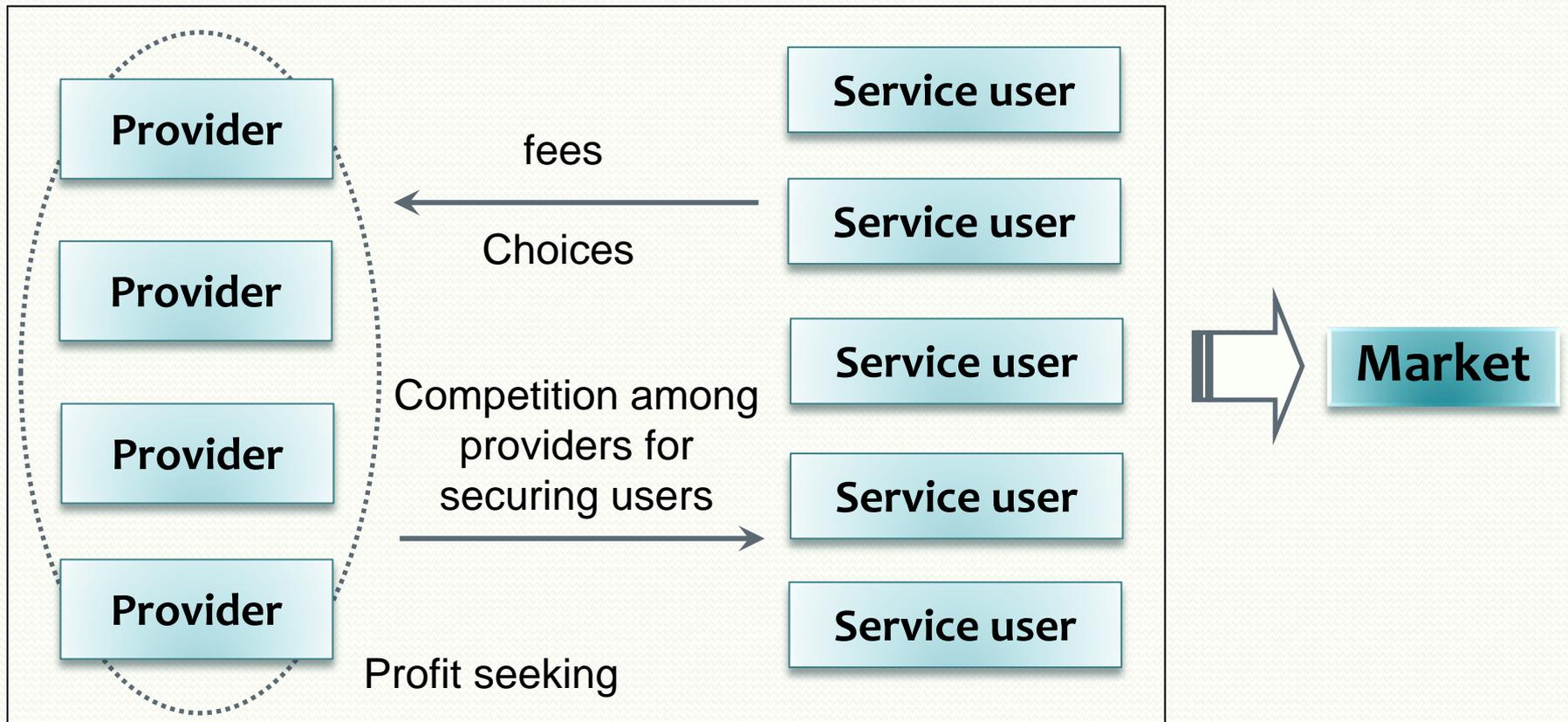
3. Factors of “Quasi-Market” in Long-term Care service

1. Factors of “Quasi”
2. Factors of “Market”

Factors of “Quasi” in Quasi-Market



Factors of “Market” in Quasi-Market



4. **Comparative** structure of Quasi-Market Japan and Korea

1. Regulation of suppliers' entry to the market
2. Setting the official price table

Regulation of the suppliers' entry to the market

§ Japan

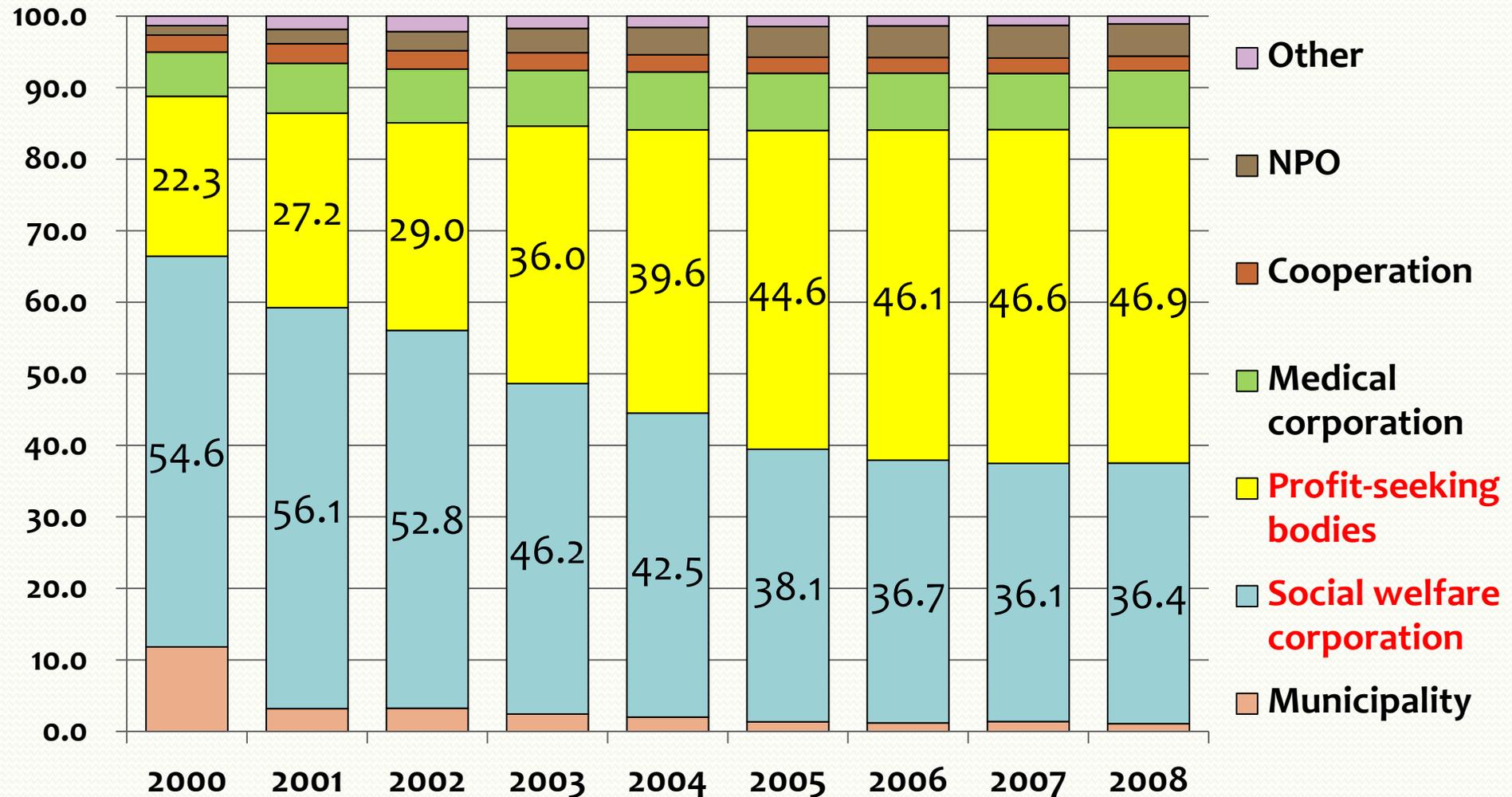


→ The dual structure of “monopoly by the non-profit bodies” and “major occupation by the profit-seeking bodies”

§ Korea

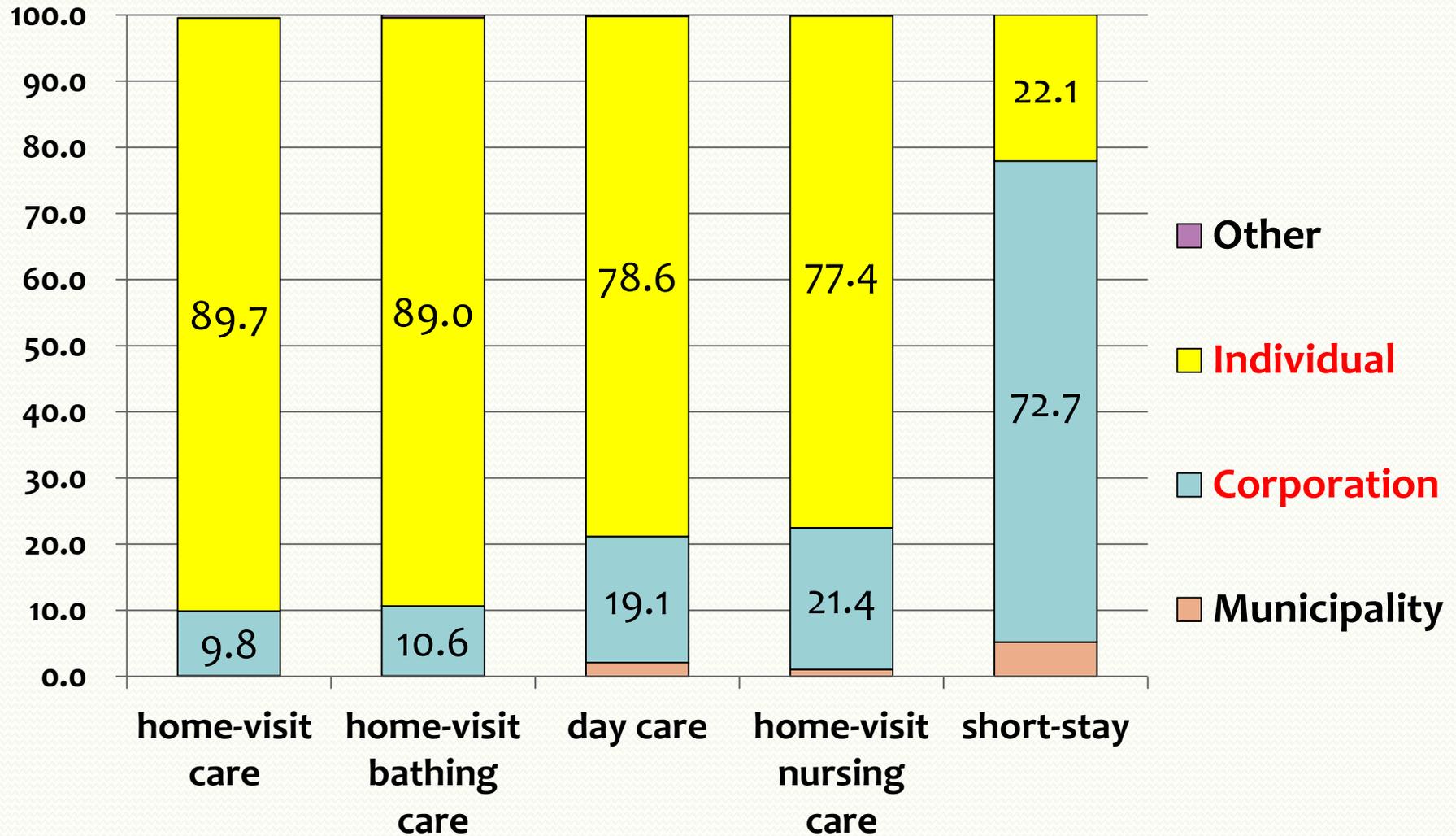
→ all area of services has allowed all types of providers including individuals.

The proportion of subjects entering the offer of the residential care service in Japan



Source: Ministry of Health, Labour and Welfare in Japan (2000-2008)

The proportion of subjects entering the offer of the residential care service in Korea



Setting the official price table

§ Japan and Korea

- ◎ The fees of care services are officially set (named care remuneration) by the Long-term Care Insurance Act.
- ▣ “price competition” among service providers is prohibited by the regulation.
- ▣ leading to service quality competition in order to acquire the service users.

→ These schemes are very different from the quasi-market of NHS in Great Britain.

Differences of remuneration unit between Japan and Korea

© Two kinds of elderly care service
(visiting care services and visiting nursing services)

(unit: yen)

	The time of required	Japan		Korea
		in case of body's care	In case of household	
visiting care service	less than 30minutes	2,540	-	-
	30minutes~59minutes	4,020	2,290	748
	60minutes~89minutes	5,840	2,910	1,128
	90minutes~119minutes	6,670	-	1,495
	120minutes~149minutes	7,500	-	1,869
	150minutes~179minutes	8,330	-	2,114
	180minutes~209minutes	9,160	-	2,345
	210minutes~239minutes	9,990	-	2,562
	more than 240minutes	10,820	-	2,765
visiting nursing service	less than 20minutes	2,850		-
	20minutes~29minutes	4,250		1,915
	30minutes~59minutes	8,300		2,472
	60minutes~90minutes	11,980		3,028

Low level of remuneration leads to...

Low level of remuneration



Cream skimming



Low pay
⇒ Low quality of services



Fraud

5. **Concluding** remarks

Structures of Quasi-Market of Japan and Korea

	Japan	Korea
Regulation of the suppliers' entry to the elderly care market	Residential care service: open to varieties of bodies	
	Institutional care service: monopoly by the non-profit bodies	Institutional care service: open to varieties of bodies
	only corporate bodies	possible individuals without juridical(legal) person
Regulation of price competition by setting the official price table	setting the official price table - be prohibited "price competition" - leading to "service quality competition"	
	regional differences: existent (0.3~0.5% premiums)	regional differences: non-existent
	official price's disparity of visiting care service and visiting nursing service: existence	
Supervision and assessment by the public administrator	- Public research and release system - Assessment by the third party	start in the year of 2011
Entitlement of Services based on the Assessment of frail-grade	Application → First step assessment by the computer → Second step assessment based on the medical doctor' opinion → Seven frail-grades in Japan, three grades in Korea	
co-payment	10% of costs for all kinds of service	institutional care service: 15%, residential care service: 20%
right of choice of service	choice-by-users type	
care manager	care manager: existent	care manager: non-existent

Concluding remarks

© **Similarities** of Japan & Korea

- ▣ Residential care service: open to varieties of bodies
- ▣ Price competition is prohibited

© **Differences** of Japan & Korea

- ▣ Institutional care service: open to varieties of bodies in Korea
- ▣ Low levels of care remuneration in Japan, especially in Korea

Why such difference?

Cause1.

Insufficiency of infrastructure(quantitative & qualitative capacity of supply)

Cause2.

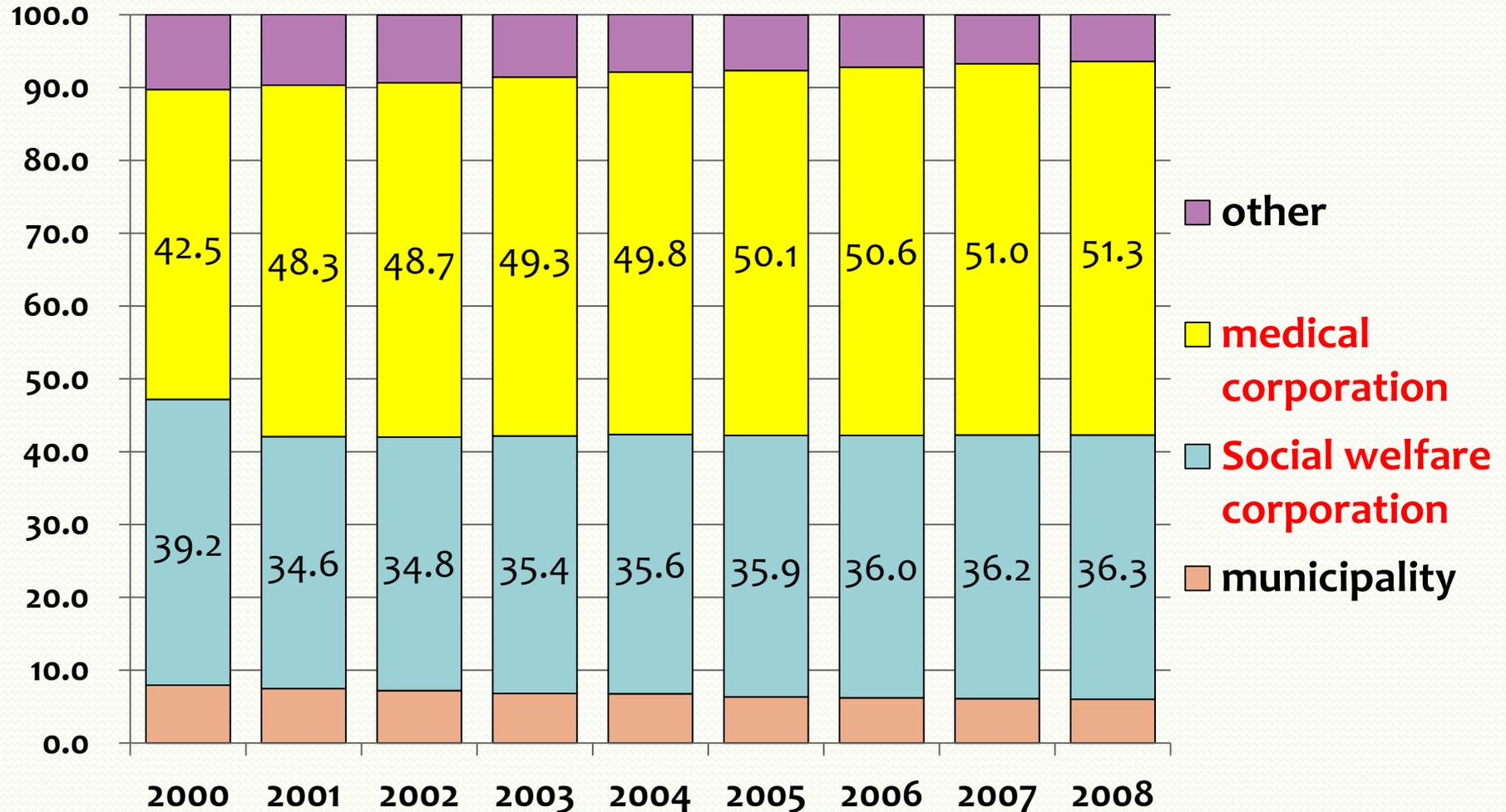
Low degree of general acknowledgment to long term care (services and schemes)

→ Quasi-Market factor does not always remain the same, varying with era and area.

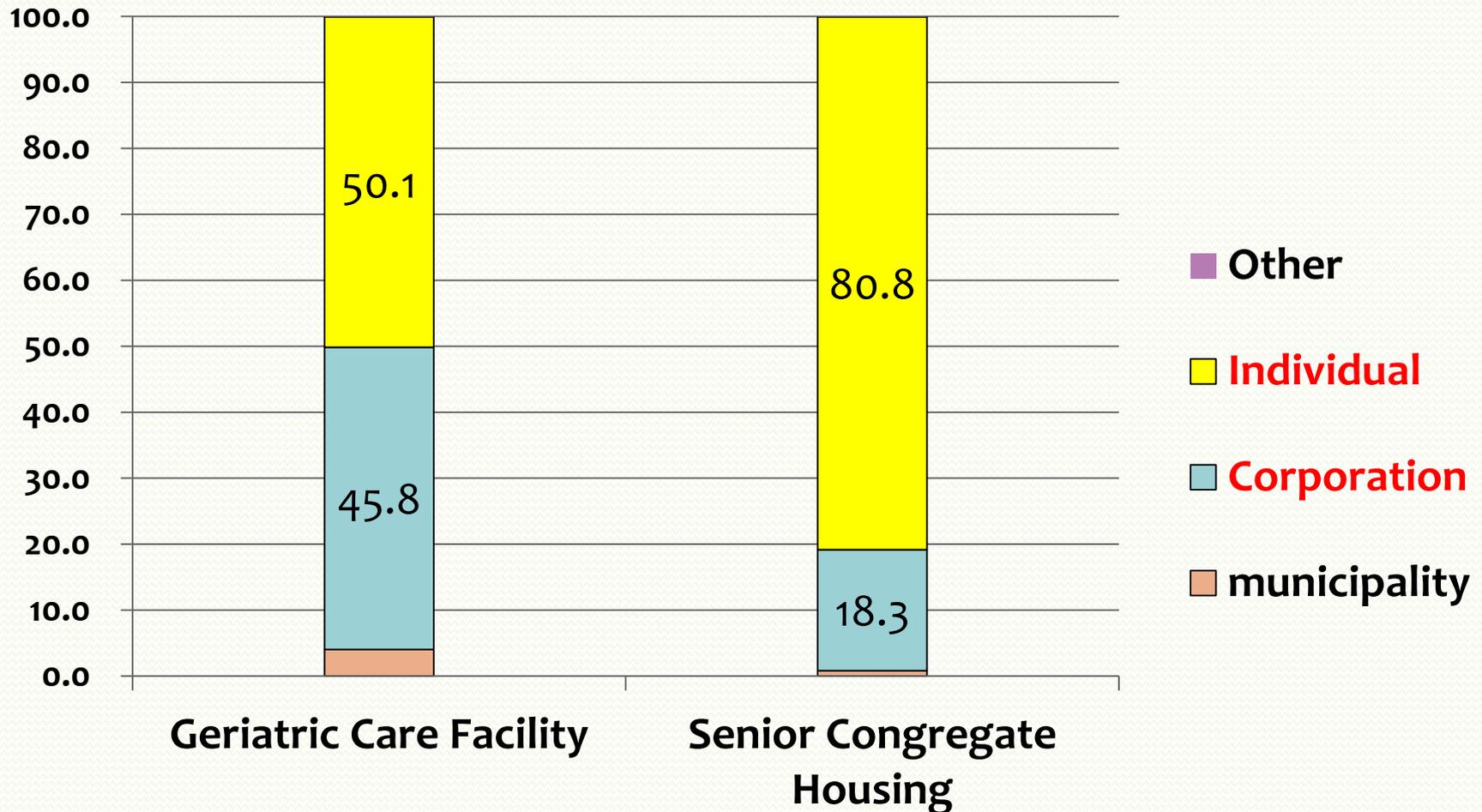


Thank you!

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The proportion of subjects entering the offer of the institutional care service in Korea



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 (visiting care services and visiting nursing services)

(unit: yen)

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Amount of care remuneration when minimum wage is one

Japan=1:18

Korea=1:40