Challenges to Sustainable Financing of Long-Term Care
The Case of Japan

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1. Outline of the Japanese LTCI scheme and current challenges
2. Nature of our challenges (private view)
3. Current policies to pursue better

Brief outline: Finance

- Scheme : Social Insurance,
  Mandatory (universal) coverage

- Insurer: Municipality government
  (Smallest unit of autonomous government, about 1,800 nationwide.)

- Insured: Category 1
  (Age 65 and over)
  Category 2
  (Age between 40 to 64)

- Finance: Out of 100% for total ,
  Basically 90% are paid as benefit.
  1/2 of the benefit : Social Insurance Premium
  1/2 of the benefit: National Treasury and Local Government Treasury (by tax)
  Remaining 10% are paid by service user as copayment.
  (20%/30% for those with higher income)

(Users are also required to pay the cost for meal, room and board for institutional services and day-care services (subsidized for poor))

- Out of 1/2 share of Social Insurance Premium,
  - 23%: Category 1 (Age 65 and over) (Proportional to population)
    27%: Category 2 (Age between 40 to 64)
  - Category 1: Monthly fixed amount.
  - Deducted from public pension
  - Category 2: Premium levied on top of their health insurance premium. For the employees covered by employment-based health insurance, basically half of their premium is paid by their employers.

Brief outline: Services

Insured Services

- Covered services:
  Home-based Care (home care, day care)
  Residential (Institutional) Care
  Purchase/Rental of Equipment, Home Modification (fixed amount)

- No cash benefit (to reduce the burden of family caregiver)

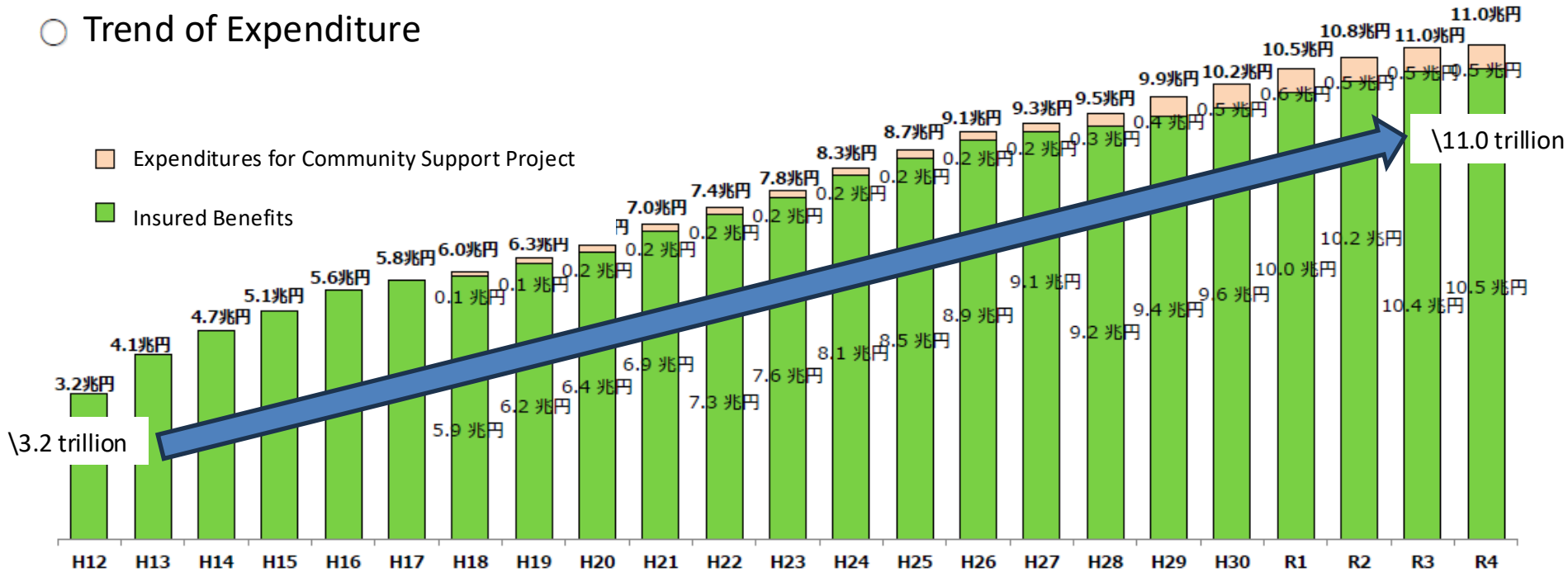
- "Certification" by municipality government in need of long-term care services is required prior to the use of service, based on the physical/mental condition of the elderly under the unified rule prescribed by the national government.

- No income/asset threshold.

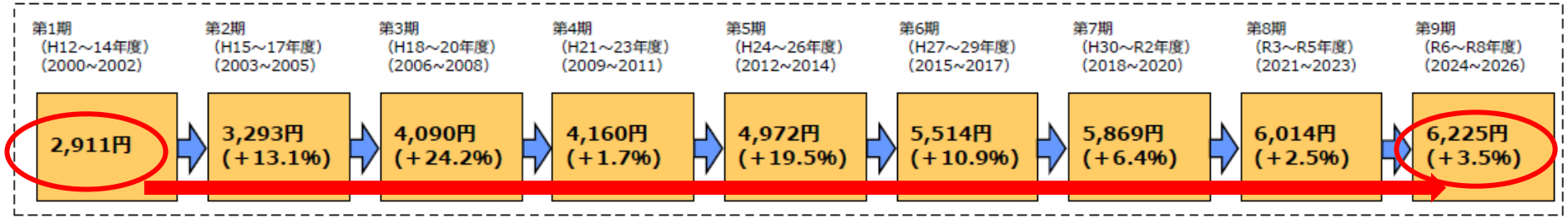
- "Care Management" is utilized to coordinate appropriate care services.

Challenges 1: Increasing cost and premium rate

○ Trend of Expenditure



○ Monthly premium amount paid by 65 and over (National monthly weighted average)



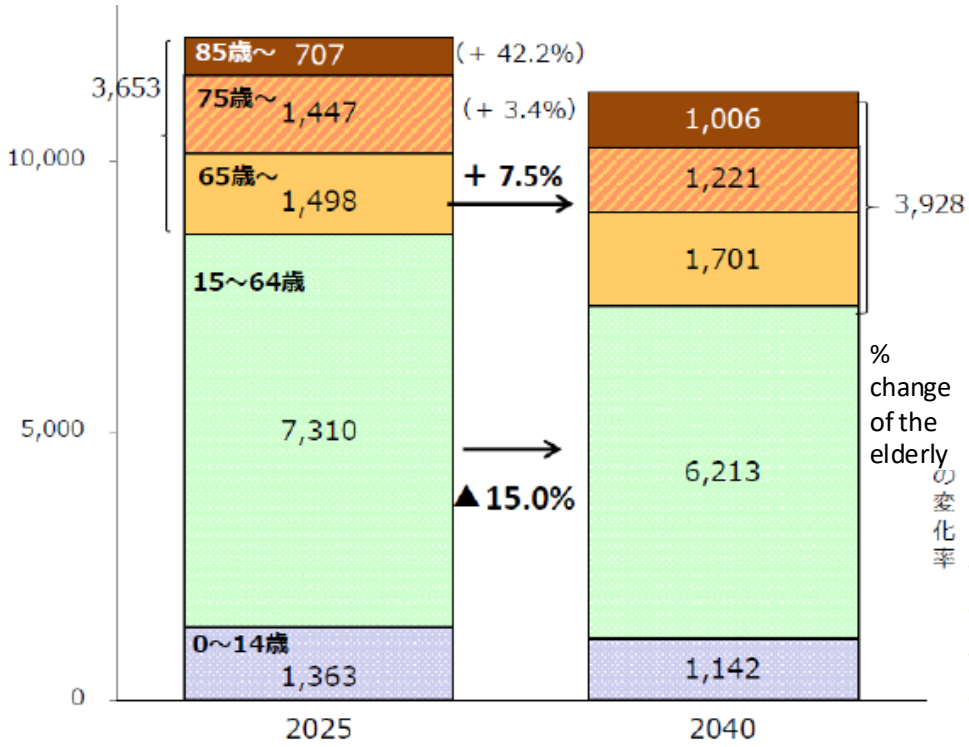
Source: MHLW (2025), modified by the presenter

Challenges 2: Reduction of working-age generation and increase of super aged (85+) population, especially in remote areas

In 2040, aging (especially 85+) and decline of working-age generation is observed.
Working-age generation will decrease in most of the areas. Elderly population increases in urban areas whereas it decreases in depopulated areas.

<Population composition change>

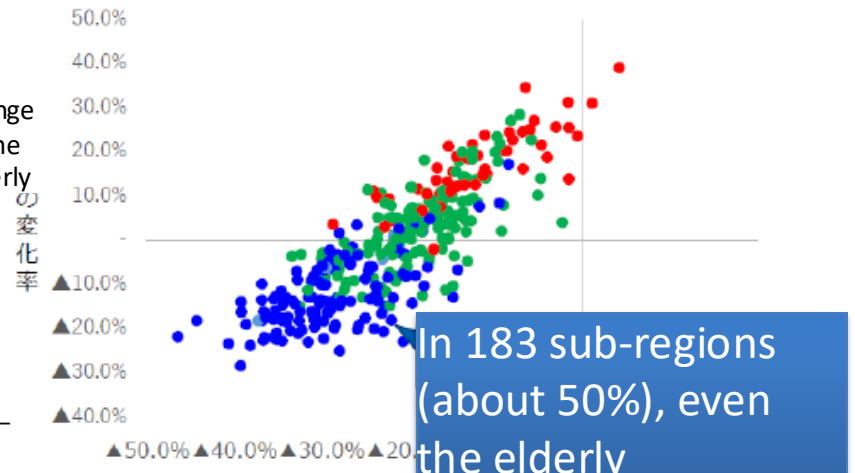
(Unit: 10 thousand)



<Change of population per age brackets from 2025 to 2040>

	Average population change rate per age brackets	
	15 to 64	65 and over
Urban large city	-11.9%	17.2%
Rural city	-19.1%	2.4%
Depopulated	-28.4%	-12.2%

Urban large city: Population over 1 million or density over 2,000/km2
Rural city: Population over 0.2 million and density over 200/km2
Depopulated: Others



In 183 sub-regions (about 50%), even the elderly population decreases.

Source: MHLW (2025), modified by the presenter

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<Nature of our challenges (private view)>

- It is always pointed out, in any country in any era, that the "population aging is a problem", therefore "social security system (pension, health care, long-term care, among others) need to be overhauled".

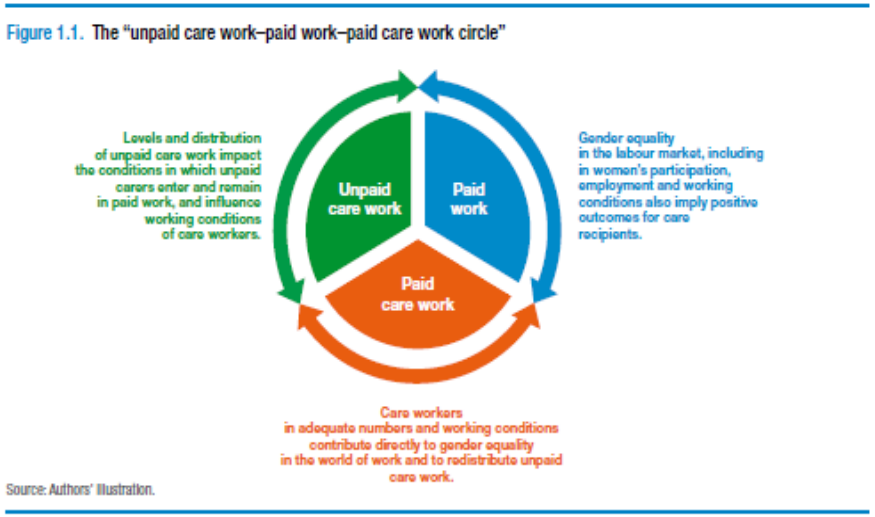
- However, we should be aware about the fact that current aging demography is the consequence of longevity, and the longevity is the phenomena that the human beings in modern society has been wishing for a long time, and, has been achieved with the help of scientific advancement, backed by massive strategic investment by public and private entities under capitalist economy with the endeavor and devotion of many talented scientists in relevant fields.

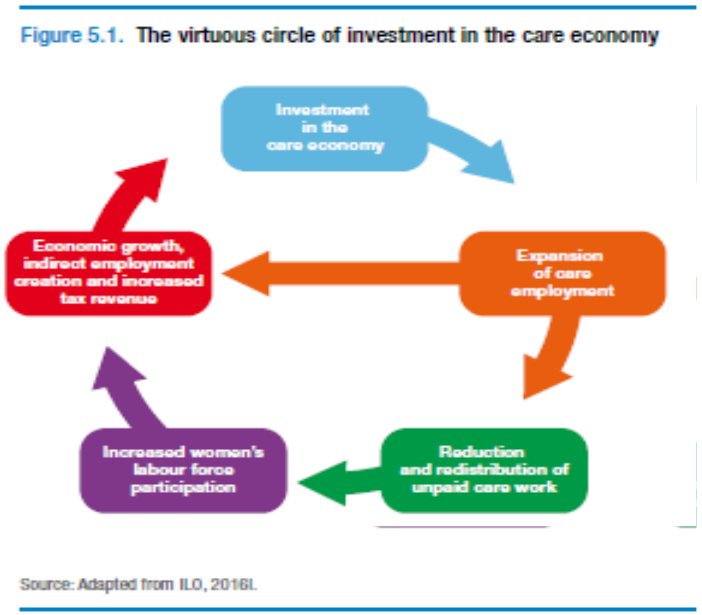
- Also, another factor for change of population composition (i.e., higher aged population ratio) is lowering fertility rate in each society. It is necessary that the "societal barriers" for younger generation to get married and have children as they wish in each social context need to be improved and eliminated; at the same time, we should also be aware that lowering fertility rate is the consequence of "rational choices" for any couple in any country which has also brought some benefits to current generation, such as increased per-person investment on education.

- Therefore, we should look at the "population aging" not as "problems to be eliminated" but as "challenges to be adapted and addressed" by our generation.

<Nature of our challenges (private view) (continued)>

- At the same time, we should also always keep in mind that the elderly care responsibility has been shouldered mainly onto women within a family (wives, daughters, daughters-in-law) in most of the country in most of the era.





(Source: ILO (2018))

- Investment in "care economy" not only reduces burden by women but also enhances social recognition of the value of care services, which is also provided mainly by women.

- While fiscal soundness is important, we should also be aware that there exists trade-off between "in-family burden by (mainly) women" and "societal burden by tax and/or social security contribution".

<Nature of our challenges (private view) (continued)>

- Another solution, which is "private (for-profit) market provision", does not guarantee equality of access among the citizens of income/wealth difference without proper public financing mechanism, although the level of equality required, as well as its scope and size, depends on the context of each country to which degree the rights for decent living for the elderly, family members, as well as paid caregivers should be guaranteed by policy intervention, within the resources that each country would/could mobilize to long-term care (and other social security benefits such as healthcare).

- With these dilemma in mind, and also taking into account the golden rule that future is uncertain (remember almost nobody does not use AI, or even online meeting in pre-COVID era, just less than a decade ago!), we should prepare our mindset to wipe out the belief that "we can find fundamental solution for long-term care finance by doing AAA, BBB, and CCC policies". We need to be ready to admit that long-term care policy making is a continuous effort to seek for achieving better than today, therefore tireless review and study, including international comparison of good practices, is essential.

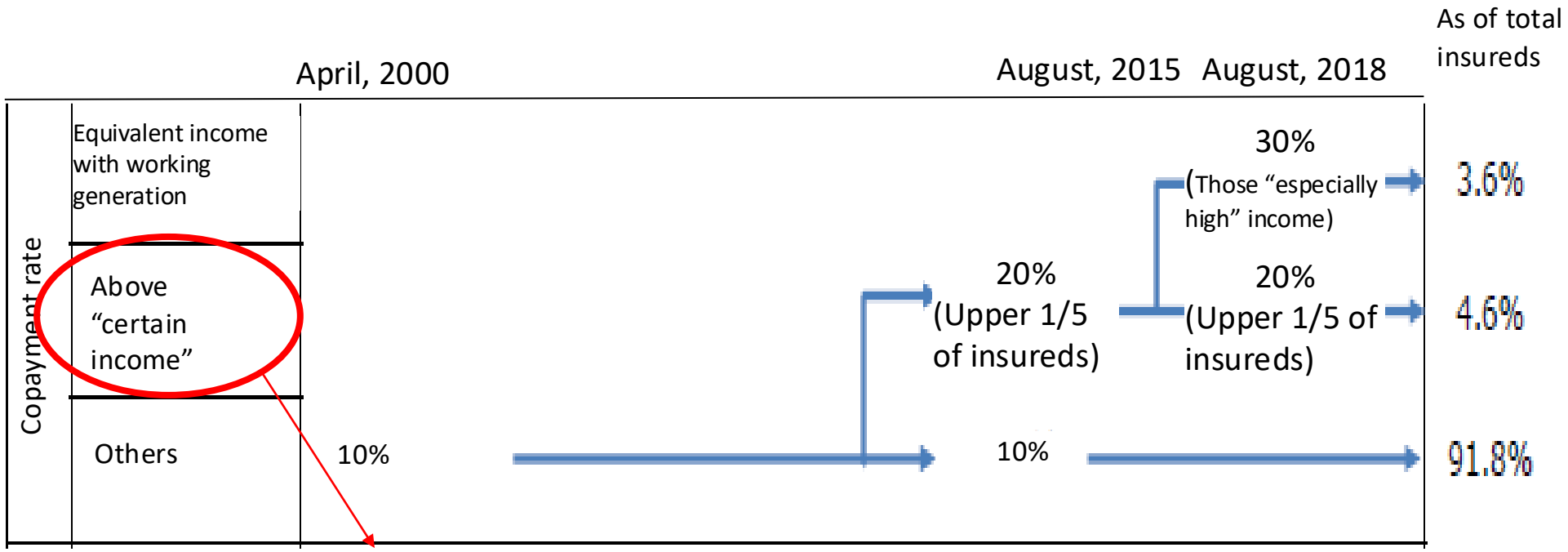
1. Outline of the Japanese LTCI scheme and current challenges

2. Nature of our challenges (private view)

3. Current policies to pursue better
   (1) Prioritization of the use of scarce financial resources

Method 1:
Increasing the copayment rate itself, and changing the classification of the elderly's income brackets for partial copayment rate

History of copayment rate change



Now, the definition of "certain income" is debated toward increasing those who face copayment ratio increase.

(MHLW (December, 2023)、translated and modified by the presenter)

Method 2: Differentiated mode of service provision for the elderly with lighter degree of disability

Current matrix of services covered according to "Care/Support" level, by the scale of services

	Mid to large-scale services (managed by prefecture or certain large city government)	**Community-oriented, small-sized services** (managed by municipality government)
Care Services Care Level 1 Care Level 2 Care Level 3 Care Level 4 Care Level 5 (Heavy)	◆ Services for those at own residence (including special apartment for seniors) - Home vising services (Home helpers, Visiting nurses, ---) - Outpatient day services - Short stay services ◆ Institutional services	◆ Multifunctional Small Group Home (outpatient, home-visit, and short stay) ◆ On-call, 24-hour Home-Visit Service ◆ Small-sized outpatient day services for dementia patients ◆ Communal-living care for dementia patients ◆ Small-sized institutional services ◆ Care management ... ets
"Preventive" Care Services Support Level 1 (Light) Support Level 2	◆ Services for those at own reside (including special apartment for seniors) - Home vising services (Visiting nurses, ---) - Outpatient day services - Short stay services	

- "Preventive Care Services has been established in 2006, in order to support and enhance ADL and focus on IADL support, as "Support Level" elderly tend to maintain their ADL.
- Listed services resemble with "Care Service": difference lies in the method of service provision.

1. Outline of the Japanese LTCI scheme and current challenges

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   (2) Securement of understanding for inevitable premium increase while considering low-income elderly

- According to the table set by the national government, each municipality levies premium to their elderly residents.
- For those in “lower tiers” (=poorer), lower “Premium Multiplier” is applied to ease their burden; the “multiplier” is further reduced by the subsidy from national treasury.
- While the “rate” increases inevitably, government tries to secure understanding by setting up the “premium calculation tier” to charge less for lower income elderly and provide further subsidy to reduce their burden.

Current table for “Premium Multiplier”

Tier for premium calculation	Premium Multiplier	Income Category
Tier 13	2.40	Total income ≥ ¥7.2 million
Tier 12	2.30	¥6.2 million to < ¥7.2 million
Tier 11	2.10	¥5.2 million to < ¥6.2 million
Tier 10	1.90	¥4.2 million to < ¥5.2 million
Tier 9	1.70	¥3.2 million to < ¥4.2 million
Tier 8	1.50	¥2.1 million to < ¥3.2 million
Tier 7	1.30	¥1.2 million to < ¥2.1 million
Tier 6	1.20	Taxable; income < ¥1.2 million
Tier 5 (Standard)	1.00	Non-taxable individual; pension income > ¥800,000
Tier 4	0.90	Non-taxable individual; pension income ≤ ¥800,000
Tier 3	0.685	Non-taxable household; pension income > ¥1.2 million
Tier 2	0.485	Non-taxable household; pension income ¥0.8-1.2 million
Tier 1	0.285	Public assistance recipients and other low-income elderly

(Standard “rate” differs by municipality: lowest: around \3,000/mo, highest: around \9,000/mo) .

1. Outline of the Japanese LTCI scheme and current "challenges"

2. Nature of our challenges (private view)

3. Basic directions to "get things better"
   (3) Promotion of "Active Aging" and "Reablement"

While we have to attach importance to personal difference, overall “rejuvenation” of the elderly has been observed among Japanese.

It enables them to engage in “productive engagement” further, which is a refined version of “productive aging”.

Higher score for physical activities by the elderly in 2017 than in 2007.

Frailty decreased for almost all age bracket in 2017 than in 2007.

2007/2017　Estimates by generation（Male/Female）

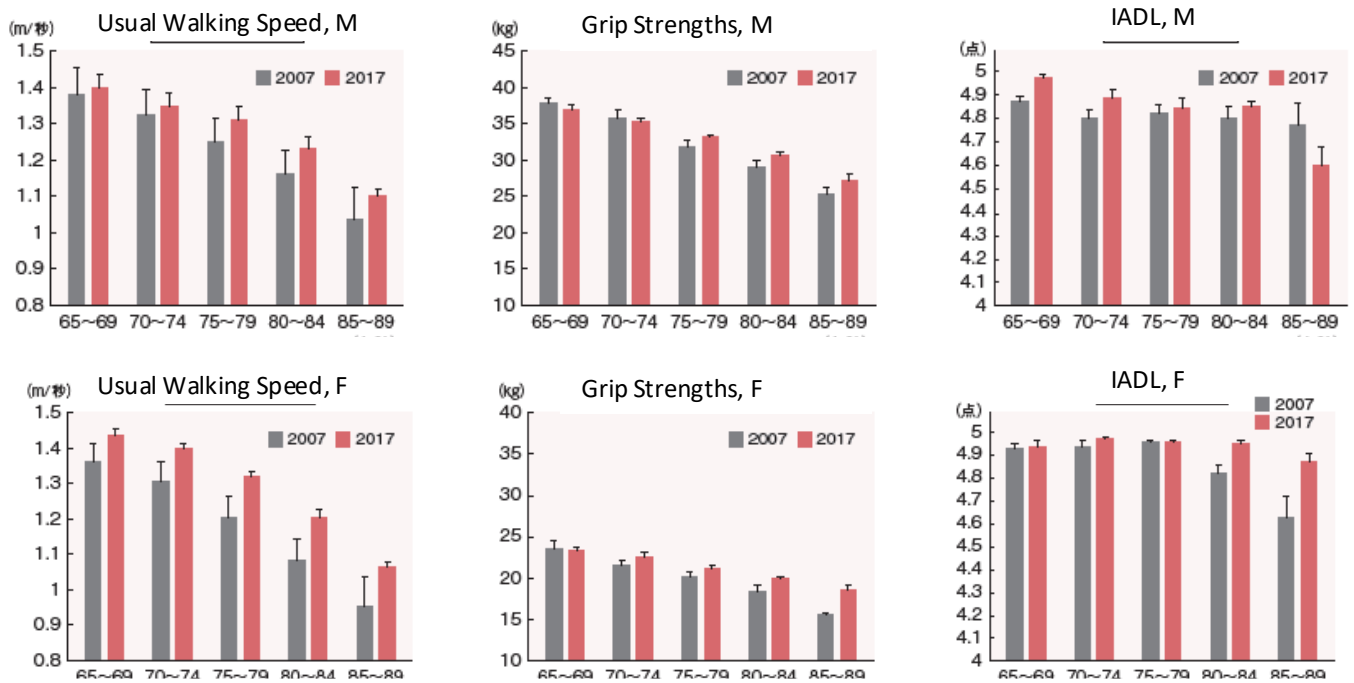
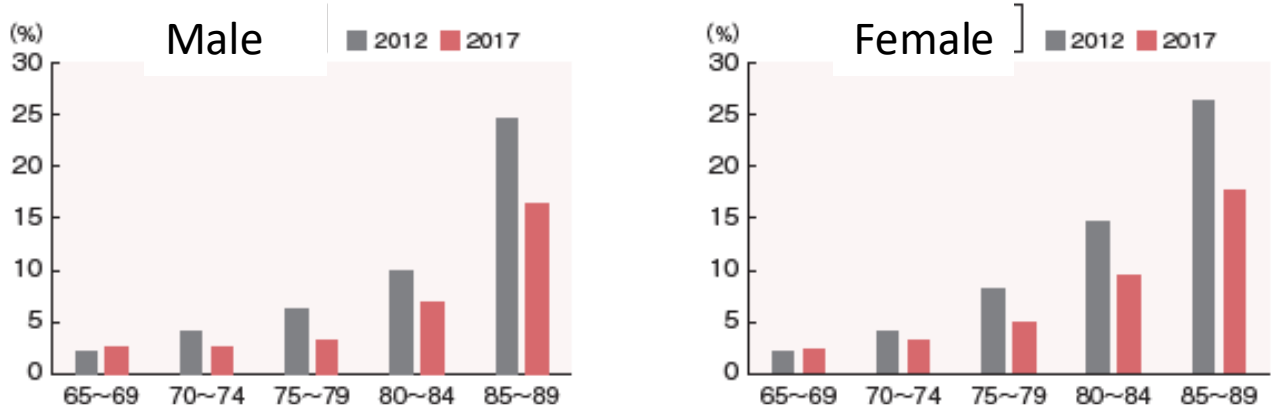


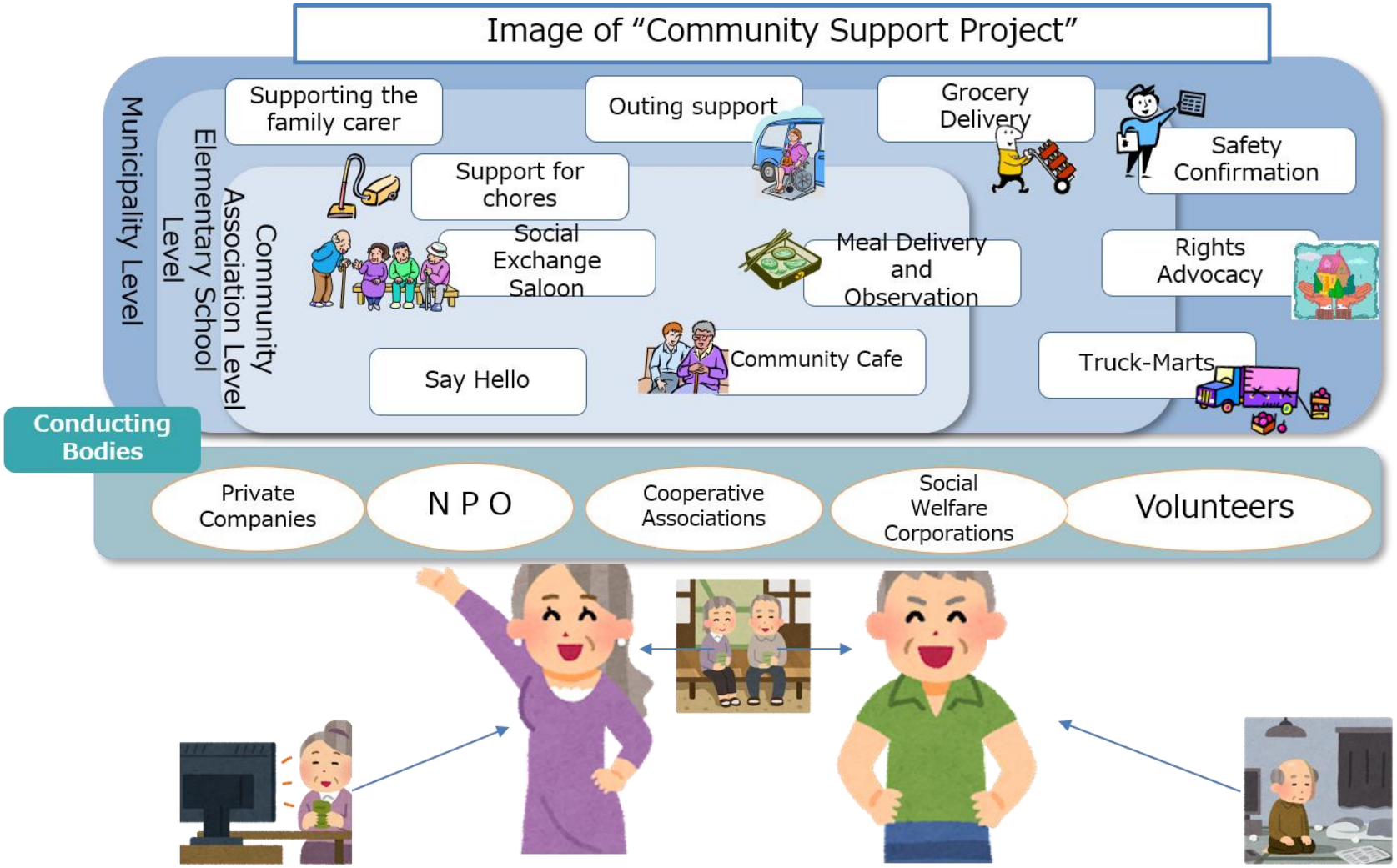
Figure 4: 2007/2017　Estimates of the share of physically-frail people（Male/Female）



The Japan Geriatrics Society “Working Group on the Elderly and the Aging Society” Report (June, 2024)

(Excerption)(Translated by the presenter)

At the same time, the enhancement of community-based activities provides opportunities for “active aging” for elderly after retirement, both in need of support and in need of fulfillment of life.



Participation of elderly themselves as provider of services is desired; as participation would keep them active and prevent loneliness and loss of will to live, thus lead to the prevention of care need and keep their psychological health.

Source: MHLW (2015) , modified by the presenter

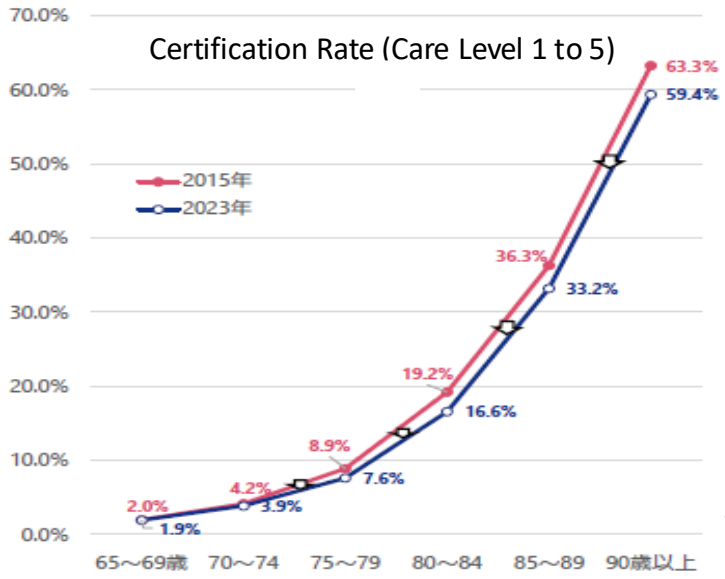
In addition to in-kind services, Japanese LTCI scheme finances what is called as "Community Support Projects" to enhance 1) care-need prevention and 2) promotion of community welfare.

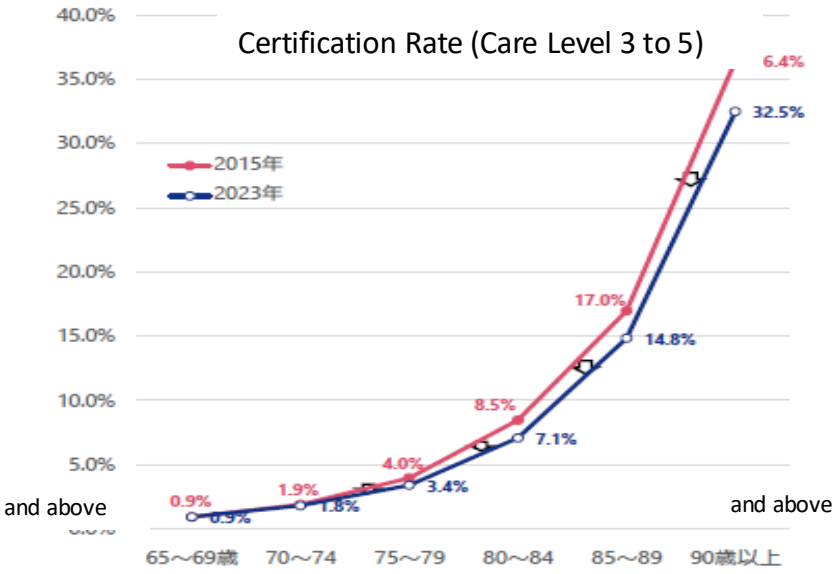
Recently reduction of Care Needs Certification Rate is observed, which may indicate improvement of health and lowering demand for LTC services by the promotion of "Care need prevention activities".

"Menu" for "Community Support Project"

- Care-need prevention services
- (Meal delivery, observation, occasion for socialization, exercise club, ---)
- Operation of "Community Comprehensive Support Center"
- Enhancement of coordination between health care services and long-term care services
- Provision of measures for dementia elderly
- Promotion of civil society activities (volunteers, NGOs, ---) that help enhance community welfare

Care Needs Certification Rate (2015, 2023)





Source: MHLW (2024) , modified by the presenter

Idea of “Reablement”, which “aims to restore, improve, and maintain the abilities of elderly people so that they can continue to live independently at home” is an undercurrent idea to promote active and healthy living for the elderly. “Community Support project” is the policy tool to promote “Reablement”.

Promotion of “Reablement” among the elderly themselves would also lead to suppress the notion of ageism.

1. What is “Reablement”?

The WHO (World Health Organization), in its constitution adopted in 1946, states the following:
"Health is not merely the absence of disease or infirmity, but a state of complete physical, mental and social well-being." (Japanese WHO translation)

Factors influencing this well-being include not only physical condition, but also socioeconomic aspects, relationships with the community and family, housing and living spaces, and education. Therefore, it is important for individuals to maintain their "self-management ability," the ability to regulate their own lives. Even if they become isolated or their physical or mental health deteriorates, if they can regain and continue a life that is desirable to them, a brighter image will spread for the super-aging society.

Therefore, reablement services, which have begun to be implemented overseas and are rapidly increasing in number, are a solution.

(Source: International Longevity Center Japan (2023)

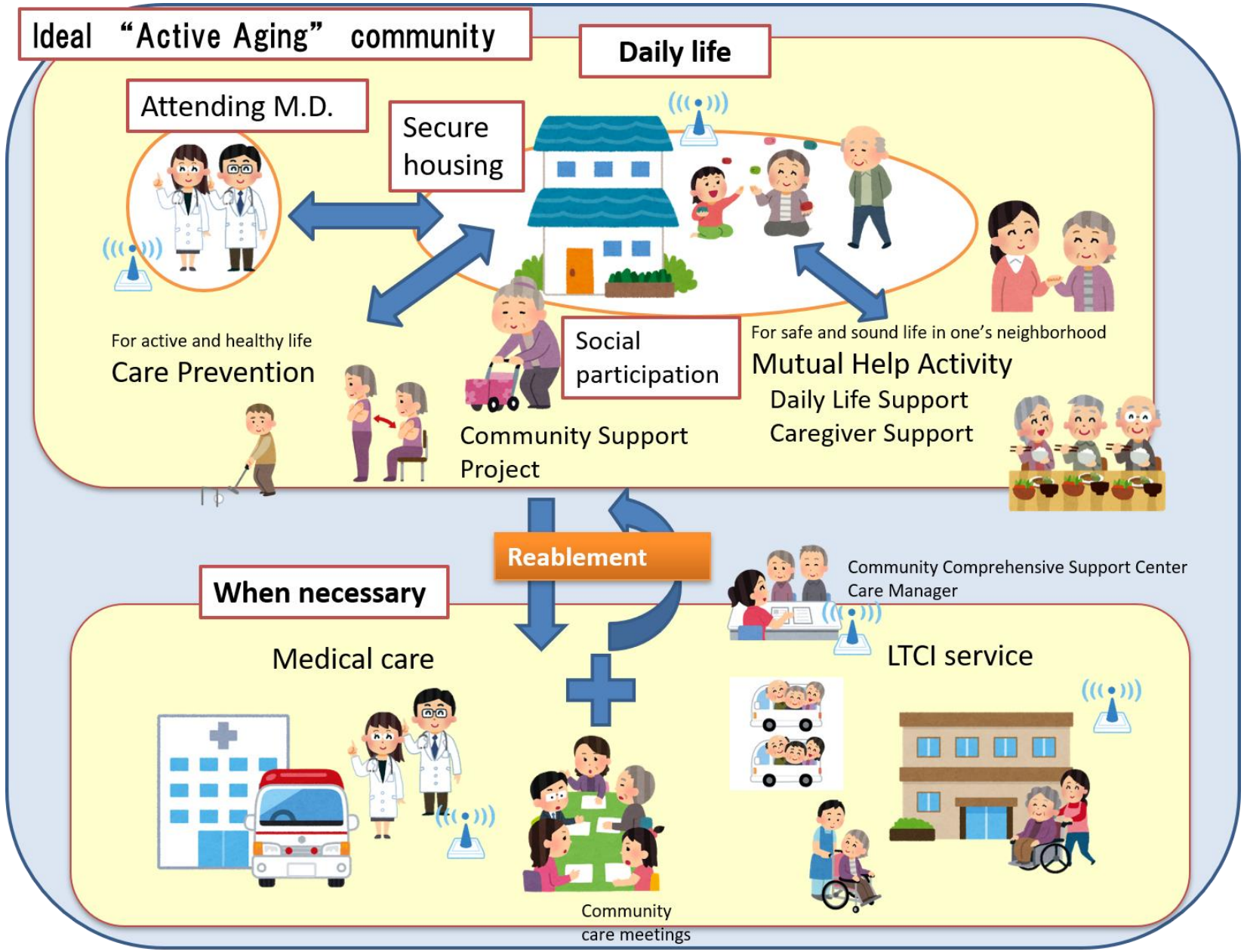


In an ideal “Active Ageing” community, elderly can stay their own home as long as they wish to be the “owner of his/her life”, and will engage in various social activities (above).

At the same time, when necessary, they are treated with appropriate medical and long-term care (below).

With the idea of “reablement” (in between), they could go back to their usual days and continue their life, until they need to be fully attended by frailty/sickness.

Upon crafting various policies for sustainable LTC financing, we should keep in mind that its ultimate purpose is to realize an “active aging community” like this, for the sake of independence and dignity of any individual.



Source: Presenter’s Own Perseption


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