

Workers' Accident Compensation Insurance and Compulsory Automobile Liability Insurance in Japanese Public Medical Insurance System

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Introduction

The current public medical insurance system in Japan has a three-tier structure, consisting of Health Insurance, Workers' Accident Compensation Insurance (WACI), and Compulsory Automobile Liability Insurance (CALI).

Japanese Health Insurance has universal coverage, and its system is well-known around the world.¹ The insured can receive medical care that is fair and equal in quality for every insured person by paying a small out-of-pocket cost. The revenue sources are the premium that is collected from the insured, the state subsidy, and the patients' co-payment. The system is managed by the insurers, such as the Health Insurance Society and municipalities.

Participation in the WACI scheme is, in principle, mandatory for all enterprises that employ workers in Japan. The insurance benefits are granted in the event that a worker suffers from an illness or injury caused by an accident while on duty or during their commute to work. The revenue source for this insurance is the premium collected from the business owners, and the insurance system is managed by the Ministry of Health, Labour and Welfare (MHLW).

Participation in the CALI scheme is mandatory for anyone who is the owner of an automobile, and this compulsory insurance is intended to pro-

tect accident victims. Victims of traffic accidents are granted minimum compensation for damages, including medical care costs, loss of earnings due to absence from work, and pain and suffering. The revenue source is the premium paid by the subscribers, and the insurance system is managed by private insurance companies. This compulsory insurance is supplemented by voluntary insurance policies for automobile owners.

In Japan, depending on the reasons for an illness or injury, peoples' health is protected by utilizing these three kinds of insurance systems (Fig. 1). According to the World Health Organization's ranking of the world's health systems, Japan is ranked number one.² This report introduces our country's unique insurance schemes, the WACI and CALI, focusing on their medical fee systems.

Workers' Accident Compensation Insurance (WACI)³

History and outline

The WACI System was established in 1947. It is a liability insurance managed by the MHLW, and substitutes the accident compensation liability that the Labor Standards Law enforces individual employers to have. With these characteristics, this insurance system is different from the Health Insurance system, which aims at

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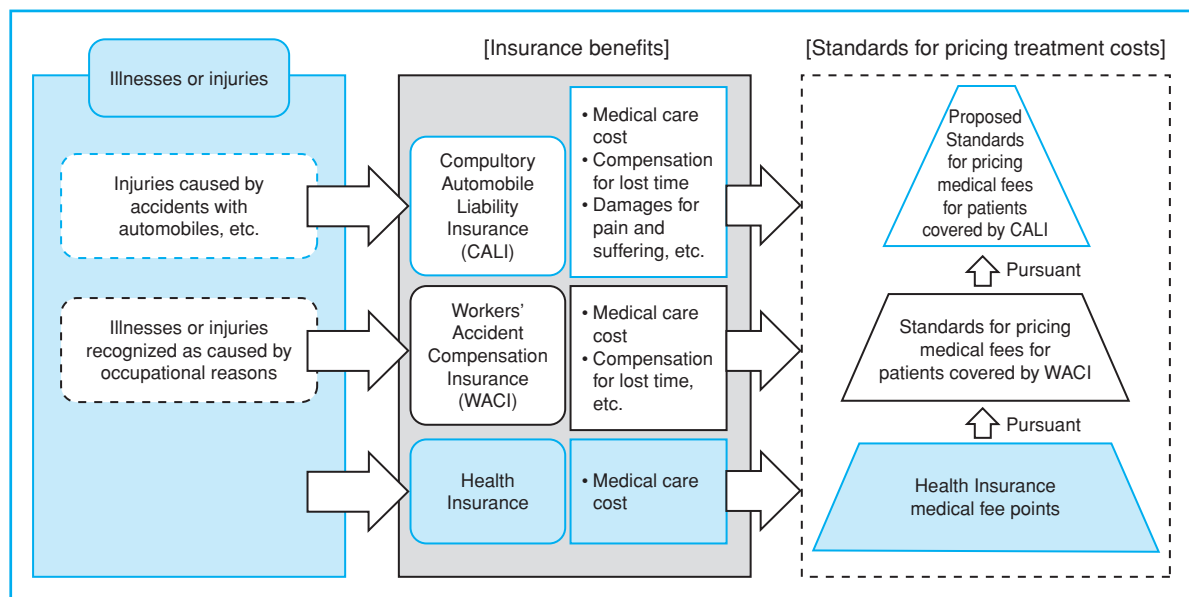


Fig. 1 Public medical insurance system in Japan

mutual aid.

Under the WACI System, in the event that a worker suffers an injury or illness from work-related activities including commuting, he/she remains physically disabled after recovery, or he/she dies due to employment or while commuting, corresponding benefits will be paid to the worker or to the bereaved family, such as medical compensation benefit, temporary absence compensation benefit, disability compensation pension, and survivors' compensation pension. This is a comprehensive system for workers, which aims to support victims' rehabilitation into society, provide relief for workers and bereaved families, and prevent occupational accidents.

Standards for medical fees

The medical compensation benefit of WACI, in principle, is provided as a benefit in kind by a medical facility designated for occupational injuries or illnesses that supports victims' rehabilitation.

In the beginning, treatment for victim workers was considered as medical treatment at one's own expense; therefore, there were no particular provisions specified in the WACI Law for their medical fees. After the establishment of the insurance system, conventional prices have been claimed or paid depending on the situation in each region.

In 1961, the same year as the universal health

insurance system was established in Japan, Dr. Taro Takemi, the president of the Japan Medical Association (JMA) at that time and former president of the World Medical Association, and government officials from the responsible ministry agreed that, in order to manage the public treatment system for occupational injuries or illnesses insured by the government, pricing for such medical treatments that were commonly required should not be based on individual doctor's subjective views, but rather based on a socially verified, unified, and fair calculation method. This is so-called "Takemi Agreement."

As a result, they decided that the particularities of occupational injuries or illnesses should be clarified, as they fall into the category of disaster medicine, and the medical fees should be specified based on the clarification. Until such medical fee scheme is established, medical fees for occupational injuries or illnesses were decided to be pursuant to the medical fee points for Health Insurance, as an interim measure. This has been continuously practiced up to the present day.

If an item cannot be pursuant to Health Insurance system due to the particularity of WACI, however, such an item is subject to an additional evaluation, the standards for pricing medical fees for patients covered by WACI. Those exceptional items include a doctor's guidance for the victim

worker returning to work, treatment and surgery for injuries or illnesses of limbs.

For the 2006 Revision of the Medical Fee in the Japanese Health Insurance System, due to merely financial reasons, an upper limit was established for the duration of rehabilitation that is applicable to insurance benefits. This limitation has deprived rehabilitation opportunities for patients in their improvement stage, causing a social problem, such as so-called “rehabilitation refugees.” Responding to such concerns, a more flexible environment that enables WACI to provide patients with clinically necessary rehabilitation has been established by adopting its own evaluation method and abolishing the upper limit for calculation days.

Victim workers who are receiving benefits from WACI try to return to work by receiving rehabilitation as outpatients. If such an irrational revision that restricts the provision of rehabilitation is directly applied to WACI, the original purpose of the insurance system, the promotion of victim workers’ rehabilitation, cannot be achieved.

In fact, the Health Insurance scheme abolished the upper limit for calculation days, being instead pursuant to WACI.

In this way, WACI has established its own medical fee scheme by adding the exceptional items to the Health Insurance medical fee scheme.

Solving problems of not granting necessary insurance benefits to victim workers

In the late 1980s, due to rapid changes in Japan’s industrial structure as well as diversified occupational diseases, several cases were found to be difficult to identify whether the victim’s injuries or illnesses resulted from the pursuit of occupational activities. Delays in the judgment have caused an increasing number of cases where payment for treatment for occupational injuries or illnesses charged by designated medical institutions was suspended for a long period or the insurance benefits were not granted. In order to improve this situation, the JMA and the Ministry of Labor (present MHLW) held repeated discussions and agreed to establish a third-party fund. In 1988, the Rousaihoken Information Center (RIC) was established to handle problems related to the non-granting of insurance benefits and the suspension of payment for medical fees. The RIC manages the fund and secures loans from the fund by making contracts with medical institutions

designated for occupational injuries or illnesses on the RIC’s programs: 1) Relief Program for Victim Workers Requiring Treatment for Occupational Injuries or Illnesses, and 2) Mutual-Aid Program for the Treatment for Occupational Injuries or Illnesses. Under the Relief Program, medical fees for occupational injuries or illnesses claimed by the medical institutions designated for occupational injuries or illnesses are handled via the RIC. As soon as the RIC receives claims, it pays the medical fees to the medical institutions on behalf of the insurer. If it is decided by the government that the medical fees advanced by the RIC should not be granted, the balance between the paid fees and the amount converted to the medical fees under Health Insurance will be compensated by the Mutual-Aid Program.

The WACI System seems to be an effective system for both victim workers and medical institutions designated for occupational injuries or illnesses because of its smooth operation from claiming to the payment of the medical fees. As of January 2010, 76.2% of medical institutions designated for occupational injuries or illnesses have contracts with the RIC, proving the validity of this system.

Compulsory Automobile Liability Insurance (CALI)⁴

History and outline

With the economic reconstruction after the World War II, the number of automobiles in Japan rapidly increased, reaching 1,500,000 in 1955. Along with the increased number of cars, the number of casualties from traffic accidents also dramatically increased and exceeded 80,000 in the same year.

At that time, a strict fault liability principle under the Civil Code was applied to the liability for damages caused by automobile accidents. Also, the compensation level of the party at fault was not always sufficient, resulting in an increasing number of victims who failed to receive appropriate compensation for damages. To respond to the increasing demand for the institutionalization of protection and relief for victims, the Automobile Liability Security Law was announced in 1955 and compulsory subscription to the CALI scheme has been promoted since 1956.

One of the important characteristics of CALI was that the Automobile Liability Security Law

had enhanced the requirements for the liability of parties at fault and made it closer to a no-fault liability in order to protect victims of traffic accidents, and such liabilities were covered by this mandatory insurance scheme. Up until 2002, 60% of insured liabilities were carried by the government, using the reinsurance system. Presently, private insurance companies bear all liabilities.

Even though CALI is managed by private insurance companies, it is considered as a public insurance scheme since it is a required insurance that obligates all owners of automobiles to subscribe, under the principle of “no loss, no profit.” As the CALI has the upper limit of 1.2 million yen (14 thousand USD) on the payment, it is complemented by voluntary insurance policies, which are also managed by private insurance companies.

Proposed standards for medical fees

The standards for medical fees incurred to treat patients of traffic accidents are not specified in either the Automobile Liability Security Law or related ministerial ordinances/notifications. Therefore, such treatment was considered as medical treatment at one’s own expense and the claim amount for each treatment was different according to the region or medical institution.

Under such circumstances, it was revealed that some medical institutions had claimed huge amounts in medical fees. The CALI Council, an advisory body of the Minister of Finance (present Financial Services Agency Commissioner), requested the General Insurance Association of Japan (SONPO) and the Automobile Insurance Rating Organization of Japan (present Non-Life Insurance Rating Organization of Japan, NLIRO) to promptly establish pricing standards for medical fees under CALI, with cooperation from the JMA. Thereafter, several discussions were held to establish specific standards.

In 1989, the JMA, NLIRO, and SONPO jointly formulated a proposal for pricing standards for medical fees under CALI and submitted the proposed standards to the CALI Council. The proposed standards were: 1) pursuant to the existing standards for pricing medical fees for patients covered by WACI, in which the unit price for drugs and materials was to be 20% up and the upper limit of the medical procedure costs to be up to additional 20%; and 2) these standards do not aim to raise the levels for medi-

cal fees that an individual medical institution is actually claiming and being paid. The proposed standards also specify rules for other related issues, such as claiming, reviewing, and making payments.

Payment for the medical fees for injuries or illnesses caused by traffic accidents if it involves CALI only, must be made within two months from the receipt day of the claim. If it is a lump sum payment, involving CALI as well as other voluntary insurance policies, the payment must be made by the end of the following month from the day the claim is received. This is a considerable advantage for both traffic accident victims and medical institutions. The prefectural medical association, NLIRO, and SONPO, hold regular meetings to discuss and find solutions for problems of claiming and payment concerning medical care for traffic accident victims.

It has been over 20 years since the proposed standards for pricing the medical fees under CALI was established. Presently, 45 prefectures out of 47 have adopted the relevant proposed standards. At the time of claiming the actual treatment fees, whether or not to adopt the relevant proposed standards is left to the discretion of individual medical institutions.

According to a survey conducted by the WACI/CALI Committee of the JMA, the regions where the relevant proposed standards are adopted have fewer problems with casualty insurance companies regarding payment for medical fees, which proves that the relevant standards are generally being operated properly.

Legal adjustment for granting benefits regarding medical fees

If a case is approved as a commuting injury by WACI and benefits will be granted by WACI, benefits cannot be granted by Health Insurance. According to Article 1 of the National Health Insurance Law, “The purpose of this law shall be to grant benefits to workers in the case of an illness, injury, or death which occurred outside of work, or the birth of a child; or a dependent’s illness, injury, death, or childbirth. Through this, the law aims to contribute to the stability of people’s lives as well as the improvement of their welfare.” In short, in the event that a worker suffers from an illness or injury caused by an accident while at work and a claim is made under WACI and approved, the medical fees for the

relevant illness or injury will be paid under WACI rather than Health Insurance since the event does not apply to the above Article 1.

Similarly, according to Article 55 of the same Law, in the event of a commuting injury, even if it may be interpreted as an injury caused by an accident outside the worker's working hours, the worker cannot be granted benefits from Health Insurance if the case can be accepted by WACI.

On the other hand, CALI handles the granting of benefits in a different manner. In any laws related to Health Insurance or in the WACI Law, there are no specifications regarding the adjustment of granting benefits or priority in relation to CALI. A person who suffers from a traffic accident can freely decide which of the three kinds of insurance, Health Insurance, WACI, or CALI he or she wishes the case to be applied to.

Laws related to Health Insurance as well as the WACI Law stipulate the insured person's right to seek compensation. If the reason for granting benefits was due to the practice of a third party and the insurance benefits were granted, the insurer can obtain the right to seek compensation, up to the limit of the price of the granted benefits, possessed by the person who suffers from a traffic accident, i.e. the original bearer of this right. Therefore, the insurer of each type of Health Insurance or the government as the insurer of WACI, can request payment for treatment costs paid out to the victim, by enforcing the obtained right to seek compensation, to the party at fault, in this case, the casualty insurance company.

In general, considering the best interests of the victim who suffer from traffic accidents, in order to appropriately receive the best medical care after an accident, victims tend to choose CALI rather than Health Insurance, which has many unreasonable restrictions. CALI offers more flexible programs, such as a temporary approximate payment program and a partial payment program. When such a program is used, the payment of compensation will be made more promptly, if insurance benefits are granted from CALI prior to WACI. Benefits from CALI have a wider scope compared to those from WACI. For example, CALI grants payment for damages for pain and suffering, while WACI does not. Items to be included as medical expenses in CALI are greater in number than those included in WACI. CALI, in principle, compensates 100% of lost

time while WACI compensates only 60%. As described above, CALI has various advantages for victims and is more preferentially applied.

Discussion

Japan has established pricing standards for medical fees that consider the particularity of each type of medical care or systems that operate a smooth transaction from claiming treatment costs to making payments. This has been achieved by sincere efforts made by the government and related organizations including the JMA, considering what kind of medical care is required or is to be provided for people who unfortunately encounter and suffer an accident.

Each of these insurance systems still has various issues to overcome. As for the WACI System, considering Japan's recent rapid aging population and the declining birthrate, actions with a new perspective have been called for in response to the demands of the times, such as responding to more diversified occupational injuries or illnesses due to an increasing rate of elderly workers, or occupational accidents of workers with underlying diseases.

As for treatment costs covered by WACI, along with the changes in industrial structures and employment systems, the types of occupational accidents are also changing, including an increasing number of claims for workers' psychiatric disorders. Prompt action needs to be taken to respond to such situations in terms of medical fees for such illnesses.

Since the basic WACI medical fee schedule is pursuant to the Health Insurance medical fee schedule, it has been affected by the repeated negative evaluations of revised medical fee points for Health Insurance. Doctors are increasingly demanding to establish independent medical fee systems for WACI.

Regarding CALI, the number of deaths from traffic accidents has decreased for nine straight years; while over 2,000 people each year have had serious residual disabilities since 1998. Considering such circumstances surrounding traffic accidents, urgent action has been taken to promote a nationwide Doctor Helicopter system—helicopter transportation with medical aid or an emergency medical service network that operates beyond the level of community health. At the same time, the existing system needs to be

expanded to provide relief to bicycle accident victims.

The WACI and CALI systems in Japan can be said to be some of the best public medical insurance systems in the world to cover all cases related to occupational or traffic accidents.

Summary

The public medical insurance system in Japan has the three-tier structure, consisting of Health Insurance, WACI, and CALI. This report introduced the WACI and CALI systems of Japan that aim to help people who suffer from occupational accidents or traffic accidents, focusing on their medical fee systems.

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