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Review of the Project on Intergenerational Equity (PIE) at Hitotsubashi University: the Ogura team on Health care and Long-term care.

Overview

The Ogura Team is addressing some of the most important—in my view—economic issues facing Japanese policymakers. As outlined in the progress report, they are studying three major policy issues. One is how employers pay for the social security health care program. The second is the relationship between health and long-term care costs. The third is exploring how to improve the risk adjustment in Japanese social security health care. These issues are all intergenerational, and concern equity both within and across generations. This large grant is in the third year of five years of funding. The continuing work in this area will have great interest both to academics and to policymakers.

These issues are extremely important not only in Japan but in all developed nations. The basic problems relate to how best to finance health care (including long-term care), provide positive incentives for high quality of care, and keep costs low. What is interesting about the Japanese experience is the growing regional disparity, even for a national program. The United States has long had enormous state-level differences in Medicaid (state-run health insurance programs primarily for the poor). Recently, researchers have also begun noticing regional disparities in care for elderly under Medicare, a national program that in principle should be the same for everyone. I know that Canada and several European countries have regional differences in national programs. The fact that some on the PIE team have found that “regional variation in health care services are reflected in land prices” is new and fascinating. I hope to see more on this.

In preparing my report, I read the progress report, and the working paper by Ogura and Kadoda also included in the full progress report. I gather that there are other working papers, but these are in Japanese, so unfortunately I cannot read them. One other paper, by Hanaoka and Norton (2008), is related to this project and is in the full progress report. For obvious reasons I will not comment on this paper other than to say that I am proud that it is part of this larger project.

Research

I found the paper by Ogura and Kadota fascinating and provocative. The common stories behind the declining fertility rate for women in many developed countries are well known—higher female education, changing preferences, later age at first marriage, and better access to contraception. Ogura and Kadota offer a new explanation. They argue that higher unemployment among young men leads to lower fertility. The pathway for this effect is that an unemployed man (or man more likely to be unemployed, or with uncertain job prospects) is less

desirable as a mate. When unemployment rises, marital prospects fall. And in Japan, the rate of children born out of wedlock is extremely small (about 2%) unlike most other developed countries. So a lower marriage rate necessarily leads to lower fertility.

The paper is well written. One concern is that using land prices as a proxy for the relative price of space leads to an endogeneity problem. One of the prime factors that parents of young consider in where to live is what is best for their children. This includes schools, neighborhoods, and playgrounds. Parents make choices about where to live in part on the cost of space, making this important variable endogenous. It was not clear if you have information on both the husband's income and the wife's income separately, or just family income (and wife's education and wage). If you have both incomes, then that would be interesting to include separately. In terms of empirical work, it would be interesting to look at the robustness of the effect of unemployment with lags. It is not clear what the causal mechanism is if it is contemporaneous. I understand it better if I think it operates with a lag through marriage. This is worth pursuing more.

The other research mentioned in the progress report is not available for me to read in English, so while it looks quite interesting, I cannot comment on specifics.

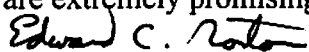
Other accomplishments

Prof. Ogura and Prof. Bernard van den Berg (of VU University) organized a conference in January, 2009, on health and long-term care costs of the elderly. This conference brought together a number of economists who are experts on long-term care from around the world to Tokyo. The topic of the conference was the second theme of this project. The report, however, says nothing more about the conference. Presumably it was a success. I wish that the report said more about how the conference went and how the papers contributed to the goals of the project. All developed countries are dealing with similar difficult economic issues surrounding long-term care and aging, so the multinational perspective would be good to share. I gather that one future goal is to publish papers from that conference.

The progress report says that "In March 2009, we conducted a follow-up survey of Family Care-Givers." It would be useful to know more about both the original survey, and how the follow-up went. For example, what was the response rate? Were new questions asked of respondents, or were old questions dropped or modified?

Conclusions

The work by Ogura's Team on health care and long-term care is timely and important. There are a number of studies in the pipeline. Documenting the regional variation in a national program is critical for understanding how to make the health care system more equitable. Regional variation in long-term care also seems to be important, with some elderly moving to gain advantage in access to publicly-funded long-term care. Health and long-term care costs are also important, given their relation to end-of-life costs. All these areas are extremely promising areas to pursue. I look forward to seeing the results of this study.


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