

Series: Choosing Social Security



Which afford more of a sense of security, pensions or health services?

When considering security for retirement, which should have more generous benefits, pensions or health and nursing care services?

○In the worst case scenario, how much would actually be covered?

“I wonder exactly how much is needed for retirement.” The amount is worrisome. Because of fewer children being born, benefits from pensions are expected to decrease. This is causing growing anxiety. Isn't there any way to face retirement with a sense of security?

Naoki Atsumi, senior associate at Fujitsu Research Institute believes that, “Even if pensions are reduced, it is still possible to raise the sense of security.” Making benefits from health and nursing care services more generous is the point.

Here, we asked Mr. Atsumi to make some calculations. The total amount of the present cost of hospital or nursing care for those between the ages of 65 and 80 is widely divided. For 80%, the cost is less than 1.6 million yen. The other 20% pay a higher amount with 5% paying over 14.3 million yen. The average amount needed for living expenses for those 65-80 years of age (excluding health care, but including pension and insurance premiums) is 43.7 million yen. A couple (who were once self-employed) who receives a public pension in full after making payments for 40 years, and has average personal savings would have approximately 42.5 million yen, almost up to the recommended amount.

The problem is what happens if one becomes seriously ill or bedridden? In the worst case scenario, it would cost an extra 14.3 million yen, which would mean they would be 15 million yen short. (Mr. Atsumi pointed out that only a small group would actually face this cost, but in the worst case scenario, this could happen.) Considering this, how about setting an upper limit for the personal cost at 1.6 million yen and anything over that be covered by social insurance. To do this would cost the country approximately 3.9 trillion yen. If we cut pensions by 6.1%, this could be covered. The average (once self-employed) couple's pension would cut by 1.34 million yen, but the amount they would have to pay in the worst case scenario would only be 1/4 of the total cost and would at the same time offer a sense of security.

The calculations in this example are based on the amount a person presently 60 years old can expect to receive from the public pension. Since the amount received by the younger generation will be less, the shortage they face will be even greater.

○Why are the issues of pensions, health care and nursing care all being discussed separately?

There is a reason why I have calculated the cost of pensions, health care and nursing care all together. Now, all three systems are being reviewed separately. The pension system was revised last year. Revision of nursing care insurance is presently being deliberated in the Diet. The health care insurance system is to be revised next year. Whether to push up insurance premiums or cut pensions or whether to increase the burden of health care costs is all decided by money.

However, most retirees pay for health and nursing care costs from their pensions. If one

breaks a leg and requires home care, one finds that all three systems are related. Thus, when all three systems are debated separately, it is difficult to feel reassured when planning for life in retirement.

The Ministry of Health and Welfare has made the pension system the main focus of their policies saying, "Pensions are the trunk of the social security system." However, pensions are gradually declining. In the amendments made in 1994 and in 2000, the age to start receiving the public pension was changed from 60 to 65. Last year, taking into consideration the fact that fewer children are being born, the structure was changed to suppress pension payments. Although the government expects to be able to ensure 50% of the income of the present generation in public pensions, because of the problem of fewer children being born, this may not be possible.

Even though there are qualms about giving so much weight to the pension system, it is still the main focus of discussions. The central theme of deliberations on reviewing the whole security system that began this month in the Diet is how to change the pension system. In order to feel comfortable about facing retirement with limited resources, it is necessary to think of the total system of pensions, health care and nursing care. For this reason I made the calculations in this manner.

○What should we do? The necessity of building a structure that gets rid of excessive risks.

Should we support the elderly by distributing cash payments or should we provide a safety net for the worst case scenarios? This is the main point to consider when reviewing the social security system. The idea, like the view of the Ministry of Health and Welfare, of first ensuring a guaranteed income and then offering health care and nursing care as needed is deeply rooted. The reason is that receiving a pension proportionate to premiums paid is clear and therefore reassuring, as opposed to a service where there is uncertainty about when or whether it will be used. On the other hand, there are cases where the cost of illness and nursing care are unbelievably high. Because these situations cannot be predicted, they are especially worrisome. Because it is important for the social insurance system to help shoulder the burden for the individual, the state should put more money into health and nursing care.

The government needs to decide clearly whether it will focus on pensions or on health and nursing care. However, presently neither is being addressed. Pensions are being reduced and as the personal cost of health and nursing care rises, people will become more and more uneasy.

When thinking of the balance of pensions, health care and nursing care, it is important to keep in mind the rising cost of health and nursing care. In 20 years, health care cost will be 2 to 3 times higher and nursing care costs could be as much as 4 times as high.

If the cost of hospital care is uniformly reduced, and medical treatment is easier to obtain, it is possible that the cost of health care will expand even more. As calculated, 20% of people have the personal cost of medications not covered by health insurance, such as some cancer medications. A main topic for discussion is how to create a structure to support this group.