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The Future Prospect of the Long-term Care Insurance in Japan *

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Abstract

This paper explores the impact of population aging on the Japanese public long-term care insurance (LTCI) within a numerical dynamic general equilibrium model with multiple overlapping generations. The impact of three policy options, such as an increase in co-payments, an earlier starting age of contribution, and more distribution of the cost to the public sector, is also examined. The numerical results show that in the next about forty years the burdens on the first (age 65 and over) and second (age 40 to 64) groups become more than 1.7 times and more than 2.7 times as much, respectively. A relatively more increase in the burdens on the second group cannot be avoidable, even if adjustment of the cost distribution between both groups is made every three years in the future in accordance with the schedule by the MHLW. Furthermore, in order to reduce future burdens in the LTCI, an increase in co-payments is most preferable, rather than an earlier starting age of contribution in the longer duration with lower annual burdens, or a shift of the cost to the public sector with a very high consumption tax.

Keywords: Long-term Care Insurance, Population Aging, Japan, Simulation

JEL Classification: C68, H51, E62, H55, and J16

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