

National Hospital Organization (Incorporated Administrative Agency)

http://www.nho.hosp.go.jp/

1. Summary of operations implemented using FILP funds

The National Hospital Organization builds and improves medical facilities such as hospital wards and introduces medical equipment and other devices in order to provide proper medical services for diseases that have great effects on the health of Japanese people and for other medical problems.

Note: Major projects that are outside the scope of the FILP projects are research on medical treatment and the training of the technicians.

2. Amount of lending under FY2020 FILP

(Unit: billion yen)

FY2020 FILP	Estimated outstanding amount of FILP lending at the end of FY2019
62.7	520.2

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2019	FY2020	Fluctuation
1. Government expenditure (subsidies, etc.)	57.1	47.9	-9.3
2. Government revenue (payments to the government, etc.) ^{*1}	-	-	-
3. Opportunity cost of capital investments, etc.	35.1	188.8	+153.6
Total (1+2+3=policy cost(A))	92.3	236.6	+144.4
Analysis period (years)	35 years	35 years	-

(2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

Category	FY2019	FY2020	Fluctuation
(A) Policy cost (previously cited)	92.3	236.6	+144.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	51.6	29.8	-21.7
2) Policy cost expected to be newly accrued during the analysis period	40.7	206.8	+166.1
Government expenditure (subsidies, etc.)	57.1	47.9	-9.3
Government revenue (payments to the government, etc.) ^{*1}	-	-	-
Opportunity cost of surplus, etc.	-16.4	158.9	+175.3
Opportunity cost of capital investments, etc.	-	-	-

(4) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy ^{*2}	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.) ^{*1}	3. Opportunity cost of capital investments, etc.
236.6	297.0	+60.3	-0.6	-	+61.0

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2019	FY2020	Simple fluctuation
		Simple comparison (before adjustment)	92.3	236.6
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2020 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2019)	Real fluctuation (2-1)
		87.1	264.3	+177.2

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in labor cost due to personnel growth accompanying workstyle reform, etc. (+186.4 billion yen)

○Factors behind policy cost decrease

- Decrease in subsidies, etc. regarding retirement allowances (-9.2 billion yen)

(Note) Components in each column may not add up to the total because of rounding.

^{*1} Government revenue (payments to the government, etc.) is booked as a negative amount. Example: -10 b. yen for 10 b. yen in payments to government, etc.

^{*2} Assumed interest rates (discount factor and future interest rate) are based on the market yield on Japanese government bonds on January 28, 2016, before the introduction of the negative interest rate policy.

4. Outline of estimation and project prospect employed in the analysis

- 1) The estimation covers the National Hospital Organization's projects of enhancing the facilities and medical equipment.
- 2) The scale of projects is estimated to be 110.8 billion yen from FY2020 to FY2024. The length of analysis period is 35 years, during which the redemption of debts related to the projects will be completed.
- 3) Revenues from medical services, which serve as major preconditions, are estimated, while expecting the continuation of investment up to FY2024 at the longest and excluding investment plans for FY2025 onward (for renewal after the elapse of durable years) with regard to hospitals with renovation plans.

(Unit: billion yen)

FY	Result				Estimated	Planned	Assumptions for calculation			
	2015	2016	2017	2018			2019	2020	2021	2022
Medical services revenues	918.3	941.2	951.4	996.1	997.1	1,023.3	1,021.0	1,018.7	1,016.3	1,014.0
Medical services expenses	819.2	844.3	856.9	879.7	911.8	937.2	937.2	937.2	937.2	937.2

5. Reasons for granting of subsidies, mechanism and underlying laws

[Reasons for granting of subsidies and mechanism]

(Reasons)

In order to offer policy-based medical services for such medical field as the treatment of tuberculosis that cannot be dealt with properly by other institutions

(Underlying laws and regulations)

Act on General Rules for Incorporated Administrative Agencies (Act No.103, 1999)

Article 46

"The national government may give incorporated administrative agencies grants equivalent to all or any part of the funds necessary for their operations."

[Underlying law for payments to the national treasury]

National Hospital Organization Act (Act No. 191 of 2002)

Paragraph 2 of Article 17

The Organization may deduct from the amount equal to the reserve specified in the preceding paragraph the amount approved under the said Paragraph. After the deduction, the remaining amount, if any, shall be paid to the national treasury.

6. Special remarks

- 1) Under the National Hospital Organization Act (Act No.191 of 2002) established based on the Basic Act on Reforming Government Ministries, the National Hospital Organization was created on April 1, 2004 by transforming into a single incorporated administrative agency from 154 national hospitals and sanatoriums (excluding the national centers) throughout Japan that were originally included in the National Hospital Special Account.
- 2) From 1986, 87 national hospitals and sanatoriums were realigned through "abolition/consolidation" and "business transfers." The realignment was completed in May 2013 when the last hospital was subjected to abolition/consolidation. (The number of national hospitals stood at 141 as of October 1, 2019.)
- 3) As a result of working on management improvement after the transition to an incorporated administrative agency, many hospitals made improvements in financing to the extent that they were able to make future investment for buildings and medical equipment. However, hospitals that still fail to secure earnings equivalent to operating costs or whose ratio of current expense to current income is less than 100% require drastic hospital reform or management improvement. Therefore, the Organization implemented a 3-year administrative improvement plan (reorganization plan) to be completed by FY2014 for each hospital. Since FY2015, the Organization has continued an attempt to improve management at individual hospitals through close cooperation between its headquarters and group offices.

(Reference) Outcome and social and economic benefits of operations

The National Hospital Organization contributes to the enhancement of Japanese medical services by providing safe and high-quality medical treatment to patients from patients' viewpoint, conducting surveys and researches about high-quality medical services to prepare evidential materials through the effective use of its extensive network, and providing training programs for medical technicians aiming to foster competent medical personnel.

1) Initiatives in pioneering medical research activities

○ The National Hospital Organization conducts multi-institutional studies and clinical trials. These activities are supported by consolidation of a database on medical cases through the effective use of the policy-based medical services network. Clinical research centers (departments) are mostly in charge of these collaborative activities.

2) Initiatives in the medical fields that cannot be dealt with properly by Non-National Hospital organizations due to historical and social reasons

	Institutions	Beds
Institutions engaging in the treatment of tuberculosis	48	1,585
Institutions engaging in the treatment of severe motor and intellectual disabilities	73	7,977
Institutions engaging in the treatment of progressive muscular dystrophy	28	2,392
Legally-designated inpatient settings engaging in the treatment of mental unsoundness, etc.	14	421

3) Provision of medical services required for the government's crisis management

○ Responses to 2016 Kumamoto Earthquake

In response to the large earthquake in Kumamoto Prefecture in April 2016, hospitals of the National Hospital Organization dispatched many disaster medical assistance (DMAT) and disaster psychiatric assistance (DPAT) teams (a total of 75 teams comprising about 375 members) to disaster-hit areas for the initial rescue of disaster-affected people. They also sent a total of 25 medical assistance teams (comprising 125 doctors, nurses and pharmaceutical chemists) to evacuation centers for medical support after the DMAT operations.

4) Initiatives in the implementation of important medical policies from the national standpoint of Japan

- Hospitals designated for clinical training
54 institutions (FY2018)
- Hospitals designated for cooperation-type clinical training
124 institutions (FY2018)

5) Contribution to the reinforcement of local medical services

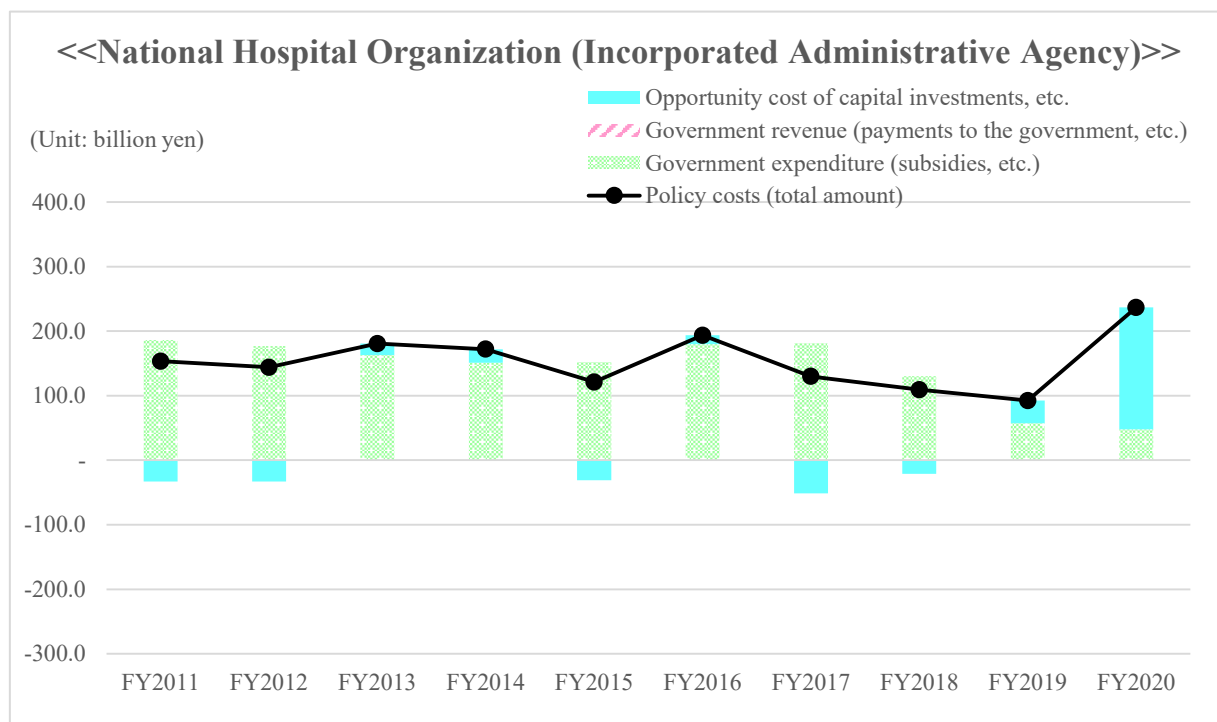
Share of nationwide total number of base hospitals, etc.	NHO	Nationwide total	Share (%)
Number of the base hospitals etc. of emergency medical care for children (as of December 2018)	20	289	6.9%
General Perinatal Center (as of April 2019)	5	109	4.6%
Regional Perinatal Center (as of April 2019)	21	300	7.0%
Core disaster base hospitals (as of April 2019)	5	61	8.2%
Regional disaster base hospitals (as of April 2019)	32	681	4.7%
Cancer Care Coordination Core Hospital [total] (as of April 2019)	37	428	8.6%
Prefectural Cancer Care Coordination Core Hospital	3	50	6.0%
Regional Cancer Care Coordination Core Hospital	33	342	9.6%
Remote base hospitals (as of January 2018)	11	316	3.5%

[Reference]

NHO hospitals' share of nationwide total number of hospitals (8,342 hospitals as of March 2019)
The share for 141 NHO hospitals as of March 2019 stood at about 1.7%.

Overview of policy cost analysis results

[Changes in policy costs]



Note: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

(Unit: billion yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Policy costs (total amount)	153.2	144.0	180.6	171.9	121.2	193.5	129.8	109.3	92.3	236.6
Government expenditure (subsidies, etc.)	186.0	176.8	162.9	151.1	152.0	179.6	181.1	130.3	57.1	47.9
Government revenue (payments to the government, etc.)	-	-	-	-	-	-	-	-	-	-
Opportunity cost of capital investments, etc.	-32.8	-32.8	17.7	20.8	-30.8	13.9	-51.3	-21.0	35.1	188.8

【Explanation of policy cost trends】

- The policy cost involving subsidies, etc. increased in FY2016-2017 as per capita retirement payment increased due to a rise in the number of compulsorily retired persons.
- The policy cost involving government subsidies, etc. decreased from FY2019 as the retirement payment rate decreased due to revisions to retirement rules in FY2018.
- Due to an increase in labor and other costs (fixed costs) under the impact of the workstyle reform, the policy cost accompanying a decline in retained earnings increased from FY2019 to FY2020.

【FILP agency's self-assessment of policy cost analysis results (FY2020)】

As the policy cost in FY2020 increased substantially from FY2019, the NHO plans to tackle hospital management more efficiently by cutting materials costs and saving fixed costs through adequate personnel distribution. The policy cost based on the interest rate before the negative interest policy substantially increased due mainly to a rise in interest payments through the interest rate hike. Therefore, the NHO plans to tackle more efficient hospital management.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)	Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	294,467	282,754	286,010	Current liabilities	226,579	215,464	220,446
Cash and bank deposits	84,411	71,048	69,877	Expenses for facilities in deposit	30	-	-
Securities	36,000	36,000	36,000	Subsidy received, etc.	722	-	-
Accounts due for medical operations	160,744	166,952	171,313	Deposited donations	852	-	-
Accounts receivable	5,430	1,152	1,217	Long-term loans to be repaid within a year	56,098	55,514	59,949
Inventory assets	6,788	6,788	6,788	Accounts payable	39,389	39,052	41,094
Prepaid expenses	135	117	117	Money unpaid	92,001	83,784	82,756
Accrued income	2	-	-	Lease obligation to be paid within a year	887	539	186
Other current assets	958	697	697	Accrued expenses	158	150	75
Fixed assets	1,074,815	1,141,315	1,130,881	Unpaid consumption tax, etc.	430	430	436
Tangible fixed assets	1,053,026	1,073,320	1,071,846	Deposit received	3,982	3,982	3,982
Buildings	454,770	513,947	521,841	Advance revenues	18	-	-
Structures	17,336	20,185	20,351	Reserves	30,648	30,648	30,607
Medical instruments and equipment	46,304	35,283	34,572	Reserve for bonuses	29,476	29,476	29,434
Other instruments and equipment	18,804	17,449	16,488	Reserve for loss from compensation of damage	1,173	1,173	1,173
Vehicles	160	196	228	Asset retirement obligation to be performed within a year	1,136	1,136	1,136
Land	469,700	469,700	469,700	Other current liabilities	228	227	226
Construction in progress	45,872	16,481	8,587	Fixed liabilities	723,715	797,263	787,269
Other tangible fixed assets	78	78	78	Asset collateral liabilities	21,192	19,334	17,044
Intangible fixed assets	19,419	17,075	15,697	Grants for asset collateral operation cost	1,728	1,953	1,512
Software	19,142	16,798	15,420	Asset collateral subsidies	17,925	15,970	14,251
Telephone subscription right	195	195	195	Asset collateral contributions	1,530	1,402	1,274
Other intangible fixed assets	82	82	82	Amount of items received for asset collateral	10	9	8
Investment and other assets	2,370	50,920	43,338	Long-term contributions received	47	47	47
Long-term loan receivable	2,044	2,156	2,294	Long-term loans payable	436,717	464,650	464,796
Bankruptcy or rehabilitation claims, etc.	1,815	2,051	2,298	Long-term debts	487	453	420
Loan loss provisions	- 1,815	- 2,051	- 2,298	Lease liabilities	754	306	211
Long-term prepaid expenses	46	31	15	Reserves			
Stock for disasters	261	261	261	Reserve for retirement pensions	261,829	310,924	304,344
Return for provision for retirement benefits	-	48,454	40,749	Asset retirement obligation	2,404	1,309	213
Other investment assets	20	19	19	Other fixed liabilities	285	239	193
				(Total liabilities)	950,294	1,012,727	1,007,716
				Capital			
				Financing by the Government	202,906	202,906	202,906
				Capital surplus	225,428	225,635	225,232
				Capital surplus	233,828	234,449	234,449
				Other administrative costs accumulated	- 8,400	- 8,814	- 9,217
				Amount equivalent to accumulated depreciation cost (-)	- 5,370	- 5,784	- 6,187
				Amount equivalent to accumulated impairment loss (-)	- 8	- 8	- 8
				Amount equivalent to accumulated net gains or losses on sale or disposal (-)	- 3,023	- 3,023	- 3,023
				Loss carried forward	- 9,346	- 17,200	- 18,963
				Unappropriated loss for the period	- 9,346	- 17,200	- 18,963
				(of this, gross profit or loss (-))	1,775	- 7,854	- 1,764
				(Total equity)	418,988	411,342	409,174
Total assets	1,369,282	1,424,068	1,416,890	Total liabilities and equity	1,369,282	1,424,068	1,416,890

Note: Components may not add up to the total because of rounding.

Income Statement

(Unit: million yen)

Item	FY2018 (Result)	FY2019 (Estimated)	FY2020 (Planned)
Ordinary income	1,013,788	1,027,906	1,057,483
Income from grants for operation cost	17,435	5,407	7,778
Medical care operations income	978,693	1,003,693	1,029,760
Education and research operations income	5,112	5,981	6,644
Clinical research operations income	7,633	7,480	7,147
Other ordinary income	4,915	5,346	6,154
Ordinary expenses	1,005,425	1,030,273	1,055,847
Medical care operations expenses	960,440	994,063	1,023,032
Education and research operations expenses	7,825	7,328	7,271
Clinical research operations expenses	13,215	12,819	12,361
General and administrative expenses	12,907	3,638	3,759
Other ordinary expenses	11,038	12,425	9,423
Ordinary profit or loss (-)	8,363	- 2,367	1,636
Temporary profits	3,528	59,865	-
Gain on sales of fixed assets	15	-	-
Other temporary profits	3,513	59,865	-
Temporary losses	10,116	65,352	3,400
Loss on sale of fixed assets	2	2	-
Loss on retirement of fixed assets	2,112	2,900	100
Impairment loss on fixed assets	2,665	3,300	3,300
Other temporary losses	5,337	59,150	-
Net profit or loss (-)	1,775	- 7,854	- 1,764
Gross profit or loss (-)	1,775	- 7,854	- 1,764

Note: Components may not add up to the total because of rounding.