

# National Hospital Organization (Incorporated Administrative Agency)

<https://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 FY2021 FILP

(Unit: billion yen)

FY2021 FILP	Estimated outstanding amount of FILP lending at the end of FY2020
180.1	523.9

## 3. Estimated policy cost analysis of the project

### (1) Policy cost (Unit: billion yen)

Category	FY2020	FY2021	Fluctuation
1. Government expenditure (subsidies, etc.)	47.9	-	-47.9
2. Government revenue (payments to the government, etc.)*1	-	-	-
3. Opportunity cost of capital investments, etc.	188.8	97.5	-91.2
<b>Total (1+2+3=policy cost(A))</b>	<b>236.6</b>	<b>97.5</b>	<b>-139.1</b>
Analysis period (years)	35 years	43 years	+8 years

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

Category	FY2020	FY2021	Fluctuation
(A) Policy cost (previously cited)	236.6	97.5	-139.1
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	29.8	51.8	+21.9
2) Policy cost expected to be newly accrued during the analysis period	206.8	45.8	-161.0
Government expenditure (subsidies, etc.)	47.9	-	-47.9
Government revenue (payments to the government, etc.)*1	-	-	-
Opportunity cost of surplus, etc.	158.9	45.8	-113.2
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	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
97.5	173.7	+76.2	-	-	+76.2

(A) Policy cost (previously cited)	Case of a 1% decrease in medical services revenues	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
97.5	104.9	+7.4	-	-	+7.4

(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.

### (3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2020	FY2021	Simple fluctuation
		Simple comparison (before adjustment)	236.6	97.5
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2021 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2020)	Real fluctuation (2-1)
		227.0	96.3	-130.7

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- None

○Factors behind policy cost decrease

-Decrease in cost due to an increase in retained earnings (-82.8 billion yen)

-Decrease in cost due to a decline in subsidies, etc. from the government associated with the elimination of grants (-47.9 billion yen)

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 63.8 billion yen from FY2021 to FY2024. The length of analysis period is 43 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		
	2016	2017	2018	2019			2020	2021	2022
Medical services revenues	941.2	951.4	996.1	990.4	997.0	994.9	983.4	980.8	977.9
Medical services expenses	844.3	856.9	879.7	898.9	901.4	887.3	896.2	894.9	893.7

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 140 as of October 1, 2020.)

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

(As of October 2020)

	Institutions	Beds
Institutions engaging in the treatment of tuberculosis	43	1,160
Institutions engaging in the treatment of severe motor and intellectual disabilities	75	8,104
Institutions engaging in the treatment of progressive muscular dystrophy	26	2,368
Legally-designated inpatient settings engaging in the treatment of mental unsoundness, etc.	14	441

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

• 53 institutions (FY2021)

○ Hospitals designated for cooperation-type clinical training

• 67 institutions (FY2021)

5) Contribution to the reinforcement of local medical services

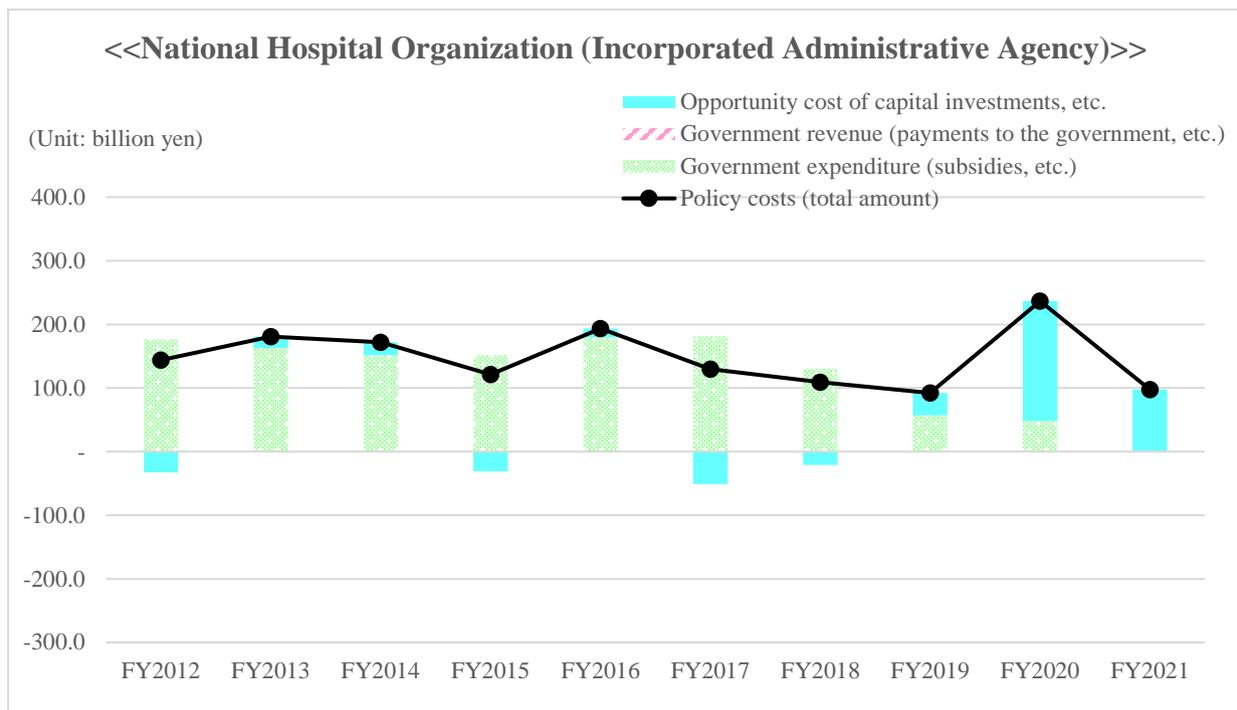
Share of nationwide total number of base hospitals, etc.	NHO	Nationwide total	Share (%)
Number of the base hospitals etc. of emergency medical care for children (as of April 2019)	20	290	6.9%
General Perinatal Center (as of May 2020)	5	110	4.5%
Regional Perinatal Center (as of May 2020)	21	298	7.0%
Core 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 2020)	35	399	8.7%
Prefectural Cancer Care Coordination Core Hospital (as of April 2020)	3	51	5.9%
Regional Cancer Care Coordination Core Hospital (as of April 2020)	32	348	9.2%
Remote base hospitals (as of January 2018)	11	316	3.5%

[Reference]

NHO hospitals' share of nationwide total number of hospitals (8,273 hospitals as of March 2020) 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)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Policy costs (total amount)	144.0	180.6	171.9	121.2	193.5	129.8	109.3	92.3	236.6	97.5
Government expenditure (subsidies, etc.)	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	17.7	20.8	-30.8	13.9	-51.3	-21.0	35.1	188.8	97.5

### 【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.
- As grants for operation cost requested as budget funds to cover retirement allowances for the period before the organization's conversion into the incorporated administrative agency status are scheduled to be eliminated in FY2021 and later, the subsidy amount has been reduced to zero.

### 【FILP agency's self-assessment of policy cost analysis results (FY2021)】

- The results of the policy cost analysis in FY2021 showed a decrease in the policy cost compared with FY2020. This is attributable to the elimination of grants for operation cost in FY2021 and later and a decline in opportunity cost of capital investments, etc. due to an increase in retained earnings. The increase in retained earnings is considered to reflect the effects of the reduction of fixed costs through the reduction of materials cost and appropriate personnel allocation, and therefore, the National Hospital Organization will maintain efficient hospital management.
- The results of the sensitivity analysis (case before the negative interest rate policy) showed an increase in the policy cost. The cost increase is attributable to a rise in opportunity cost of capital investments, etc. provided to the National Hospital Organization due to a decline in retained earnings caused by the higher interest rates before the negative interest rate policy than the current rates. As this is a significant increase in the policy cost, the National Hospital Organization will strive to achieve more efficient hospital management.
- The results of the sensitivity analysis (case of a 1% decrease in medical services revenues) showed an increase in the policy cost. The cost increase is attributable to a rise in opportunity cost of capital investments, etc. provided to the National Hospital Organization due to a decrease in retained earnings based on the assumption of a 1% decrease in medical services revenues. As the increase is limited, the National Hospital Organization's assessment is that the impact on financial conditions is small.

## (Reference) Financial Statements

## Balance Sheet

(Unit: million yen)

Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)	Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
<b>(Assets)</b>				<b>(Liabilities and equity)</b>			
Current assets	309,100	296,566	290,860	Current liabilities	206,154	198,050	180,291
Cash and bank deposits	79,796	76,863	75,457	Debt from grants for operation cost	2,702	-	-
Securities	50,000	50,000	50,000	Subsidy received, etc.	42	-	-
Accounts due for medical operations	162,250	153,851	148,785	Deposited donations	923	-	-
Accounts receivable	9,197	8,093	8,858	Long-term loans to be repaid within a year	58,119	59,949	49,198
Inventory assets	6,925	6,925	6,925	Accounts payable	40,454	40,542	41,333
Prepaid expenses	128	124	124	Money unpaid	67,226	61,016	53,250
Accrued income	2	-	-	Lease obligation to be paid within a year	265	186	154
Other current assets	801	710	710	Accrued expenses	85	85	85
Fixed assets	1,117,864	1,076,789	1,037,809	Unpaid consumption tax, etc.	537	537	537
Tangible fixed assets	1,043,456	1,056,446	1,021,087	Deposit received	3,659	3,659	3,659
Buildings	487,793	481,499	465,108	Advance revenues	19	-	-
Structures	17,964	17,584	16,685	Reserves	30,753	30,753	30,753
Medical instruments and equipment	46,166	61,923	51,991	Reserve for bonuses	29,809	29,809	29,809
Other instruments and equipment	18,041	17,290	14,138	Reserve for loss from compensation of damage	944	944	944
Vehicles	166	254	338	Asset retirement obligation to be performed within a year	1,065	1,065	1,065
Land	469,230	469,230	469,230	Other current liabilities	303	257	256
Construction in progress	4,018	8,587	3,517	Fixed liabilities	806,057	804,685	771,180
Other tangible fixed assets	78	78	78	Asset collateral liabilities	26,761	40,193	38,147
Intangible fixed assets	19,470	17,825	14,078	Grants for asset collateral operation cost	1,876	1,701	1,526
Software	19,199	17,553	13,807	Asset collateral subsidies	23,356	37,112	35,406
Telephone subscription right	195	195	195	Asset collateral contributions	1,521	1,372	1,208
Other intangible fixed assets	76	76	76	Amount of items received for asset collateral	9	8	7
Investment and other assets	54,937	2,519	2,644	Long-term contributions received	50	50	50
Long-term loan receivable	1,688	1,800	1,938	Long-term loans payable	462,045	463,902	446,225
Bankruptcy or rehabilitation claims, etc.	1,839	2,054	2,255	Long-term debts	384	384	350
Loan loss provisions	- 1,839	- 2,054	- 2,255	Lease liabilities	488	211	171
Long-term prepaid expenses	37	25	12	Reserves	-	-	-
Stock for disasters	676	676	676	Reserve for retirement pensions	313,253	297,894	285,271
Return for provision for retirement benefits	52,517	-	-	Asset retirement obligation	2,839	1,815	776
Other investment assets	19	18	18	Other fixed liabilities	236	236	190
				(Total liabilities)	1,012,210	1,002,735	951,471
				Capital			
				Financing by the Government	202,906	202,906	202,906
				Capital surplus	225,416	225,015	224,638
				Capital surplus	234,371	234,371	234,371
				Other administrative costs accumulated	- 8,955	- 9,356	- 9,733
				Amount equivalent to accumulated depreciation cost (-)	- 5,774	- 6,175	- 6,552
				Amount equivalent to accumulated impairment loss (-)	- 8	- 8	- 8
				Amount equivalent to accumulated net gains or losses on sale or disposal (-)	- 3,173	- 3,173	- 3,173
				Loss carried forward			
				Unappropriated loss for the period	- 13,568	- 57,300	- 50,345
				(of this, gross profit or loss (-))	- 4,222	- 43,732	6,955
				(Total equity)	414,754	370,621	377,198
Total assets	1,426,964	1,373,356	1,328,669	Total liabilities and equity	1,426,964	1,373,356	1,328,669

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

## Income Statement

(Unit: million yen)

Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
Ordinary income	1,020,232	1,011,345	1,007,197
Income from grants for operation cost	5,463	6,194	-
Medical care operations income	996,900	986,622	989,103
Education and research operations income	5,040	5,762	5,623
Clinical research operations income	7,227	7,189	6,919
Other ordinary income	5,602	5,579	5,552
Ordinary expenses	1,017,930	1,010,161	998,752
Medical care operations expenses	983,294	977,718	965,565
Education and research operations expenses	7,739	6,846	6,709
Clinical research operations expenses	12,881	11,431	10,762
General and administrative expenses	3,953	4,053	4,313
Other ordinary expenses	10,063	10,113	11,402
Ordinary profit	2,301	1,184	8,445
Temporary profits	59,608	136	-
Gain on sales of fixed assets	39	-	-
Other temporary profits	59,569	136	-
Temporary losses	66,131	45,053	1,491
Loss on retirement of fixed assets	2,213	3,540	676
Impairment loss on fixed assets	865	815	815
Other temporary losses	63,053	40,698	-
Net profit or loss (-)	- 4,222	- 43,732	6,955
Gross profit or loss (-)	- 4,222	- 43,732	6,955

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