

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 FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
11.1	496.8

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*1	-	-	-
3. Opportunity cost of capital investments, etc.	97.5	53.8	-43.7
Total (1+2+3=policy cost(A))	97.5	53.8	-43.7
Analysis period (years)	43 years	43 years	-

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

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	97.5	53.8	-43.7
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	51.8	57.2	+5.4
2) Policy cost expected to be newly accrued during the analysis period	45.8	-3.4	-49.2
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-	-	-
Opportunity cost of surplus, etc.	45.8	-3.4	-49.2
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			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
53.8	114.7	+60.9	-	-	+60.9

(A) Policy cost (previously cited)	Case of a 1% decrease in medical services revenues	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
53.8	86.7	+32.9	-	-	+32.9

(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		FY2021	FY2022	Simple fluctuation
		Simple comparison (before adjustment)	97.5	53.8
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	104.1	37.9	-66.2
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- None

○Factors behind policy cost decrease

- Decrease in cost due to a rise in term-end reserves accompanying growth in medical services revenues and return on investment of surplus funds (-66.2 billion yen)

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

[Outline of estimation]

The operation subject to the analysis is the development of hospital facilities and medical equipment for medical services of the National Hospital Organization required for providing medical treatment and other services for diseases having grave impacts on the health of the people.

The analysis period covers 43 years for repaying 22.5 billion yen in fiscal loan planned to be borrowed between FY2022 and FY2025 and existing fiscal loans for the relevant operation.

[Project prospect]

Revenues from medical services are calculated, while expecting the continuation of investment up to FY2025 at the longest and excluding investment plans for FY2026 onward (for renewal after the elapse of durable years) with regard to hospitals with renovation plans.

(Unit: billion yen)

FY	Result				Estimated 2021	Planned 2022	Assumptions for calculation 2023-2064
	2017	2018	2019	2020			
Medical services revenues	951.4	996.1	990.4	1,034.4	1,067.0	1,005.0	-0.3% from the previous year
Medical services expenses	856.9	879.7	898.9	898.4	906.2	904.0	-0.3% from the previous year

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

[Reasons for granting of subsidies]

The NHO contributes to improving and promoting public health by providing medical services and conducting surveys and research on medical services and training of technicians to improve its medical services for diseases having grave impacts on the health of the people under national healthcare policies.

(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 April 1, 2022.)

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 machines. 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 NonNational Hospital organizations due to historical and social reasons

(As of October 2021)

	Institutions	Beds
Institutions engaging in the treatment of tuberculosis	43	1,076
Institutions engaging in the treatment of severe motor and intellectual disabilities	75	8,116
Institutions engaging in the treatment of progressive muscular dystrophy	26	2,358
Legally-designated inpatient settings engaging in the treatment of mental unsoundness, etc.	14	433

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

○ 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 to disaster-hit areas for the initial rescue of disasteraffected people.

○ In response to the COVID-19 outbreak, the NHO sent a disaster medical assistance team (DMAT) and other personnel to National Tax College and other locations and pharmacists to the Yokohama Quarantine Station to deal with people returning home from Wuhan, China, and dispatched DMAT doctors for medical services on the Diamond Princess cruise ship.

○In FY2022, responses to emerging infectious diseases were added to the operations of the DMAT secretariat. Such responses include support for local governments amid the spread of emerging infectious diseases.

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

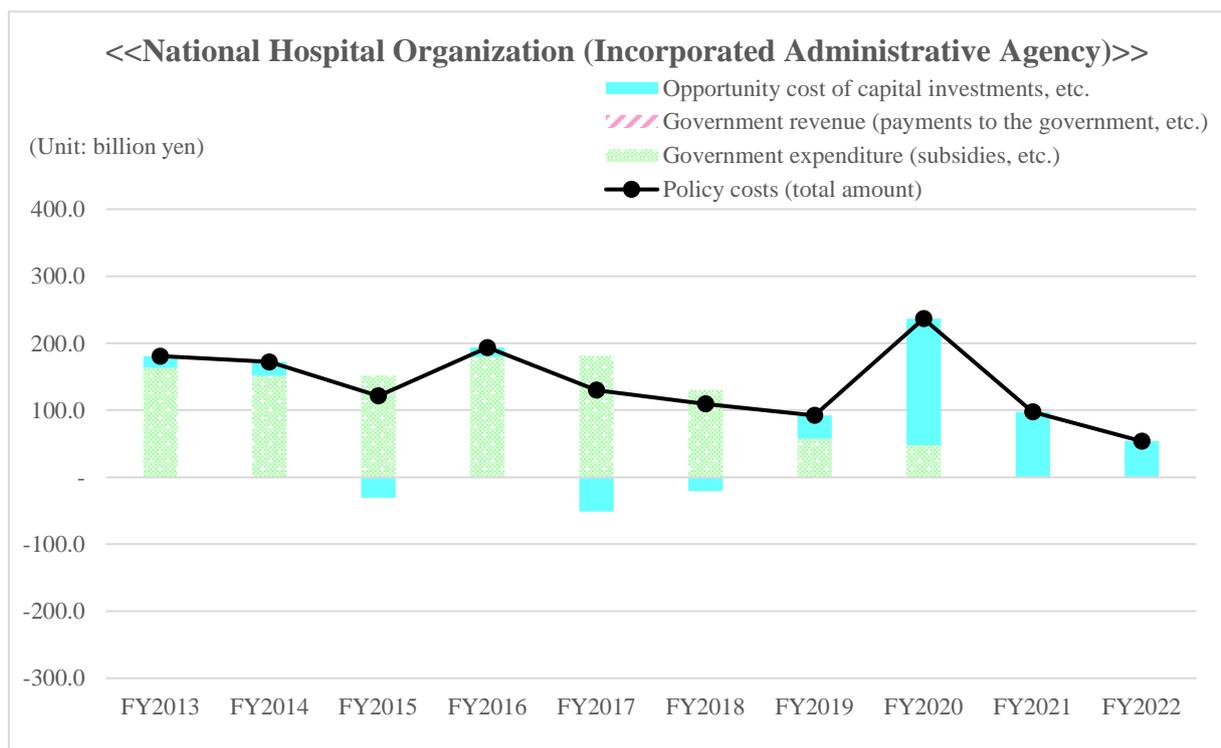
Share of nationwide total number of base hospitals, etc.	NHO	Nationwide total	Share (%)
Number of the base hospitals etc. of emergency medical care for children (as of May 2021)	21	297	7.1%
General Perinatal Center (as of April 2021)	5	112	4.5%
Regional Perinatal Center (as of April 2021)	20	296	6.8%
Core disaster base hospitals (as of April 2021)	5	64	7.8%
Regional disaster base hospitals (as of April 2021)	32	695	4.6%
Cancer Care Coordination Core Hospital [total] (as of August 2021)	35	448	7.8%
Prefectural Cancer Care Coordination Core Hospital (as of August 2021)	3	51	5.9%
Regional Cancer Care Coordination Core Hospital (as of August 2021)	30	351	8.5%
Remote base hospitals (as of April 2021)	10	331	3.0%

[Reference]

NHO hospitals' share of nationwide total number of hospitals (8,199 hospitals as of October 2021) 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)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	180.6	171.9	121.2	193.5	129.8	109.3	92.3	236.6	97.5	53.8
Government expenditure (subsidies, etc.)	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.	17.7	20.8	-30.8	13.9	-51.3	-21.0	35.1	188.8	97.5	53.8

【Explanation of policy cost trends】

- The policy cost involving subsidies, etc. increased from FY2016 to FY2017 as retirement payment increased due to a rise in the number of compulsorily retired persons, etc.
- The policy cost involving 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.
- Since 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 were eliminated in FY2021, the policy cost regarding subsidies has been reduced to zero.

【FILP agency's self-assessment of policy cost analysis results (FY2022)】

- The policy cost in FY2022 decreased from FY2021. This is mainly because medical service revenues in FY2020 increased by 68.5 billion yen from an estimate for the previous year thanks to COVID-19-related subsidies instead of decreasing as expected amid the COVID-19 crisis, leading estimated revenues for later years to be revised upward. Another major factor behind the policy cost decrease was a projected increase in return on investment through growth in funds for investment. Given that medical service revenues are expected to fail to regain the pre-COVID level due to uncertainties about subsidies in and after FY2023, however, the NHO believes that it will have to continue efforts to improve hospital business efficiency.
- As a result of the sensitivity analysis (case before the negative interest rate policy), the policy cost increased by 60.9 billion yen. This is because the discounted retained surplus declined due to an interest rate hike, although interest income from increased funds for investment nominally increased from the basic case faster than interest payments on borrowings. Therefore, the NHO believes that it will have to continue efforts to improve hospital business efficiency.
- As a result of the sensitivity analysis (case of a 1% decrease in medical services revenues), the policy cost increased by 32.9 billion yen. This is because a decline of 402.7 billion yen in medical service revenues was faster than a drop of 366.1 billion yen in medical service costs. Therefore, the NHO believes that it will have to continue efforts to improve hospital business efficiency.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
(Assets)				(Liabilities and net assets)			
Current assets	383,952	427,571	387,751	Current liabilities	224,538	194,036	207,311
Cash and bank deposits	113,348	179,616	149,734	Debt from grants for operation cost	8,887	-	-
Securities	60,000	60,000	60,000	Subsidy received, etc.	1,713	1,671	-
Accounts due for medical operations	162,713	167,626	160,266	Deposited donations	1,821	-	-
Accounts receivable	39,685	12,140	9,562	Current portion of long-term borrowings	57,541	49,011	44,070
Inventory assets	7,296	7,296	7,296	Accounts payable	41,734	46,599	44,184
Prepaid expenses	154	132	132	Money unpaid	71,726	55,012	77,242
Accrued income	2	-	-	Current portion of lease obligation	144	58	72
Other current assets	755	761	761	Accrued expenses	70	70	70
Fixed assets	1,062,062	1,050,390	1,041,191	Unpaid consumption tax, etc.	1,178	1,178	1,178
Tangible fixed assets	1,040,447	1,031,995	1,023,444	Deposit received	4,018	4,018	4,018
Buildings	480,750	470,095	467,012	Advance revenues	18	-	-
Structures	17,036	16,379	15,552	Provisions	35,111	35,890	35,948
Medical instruments and equipment	55,632	58,286	53,941	Provision for bonuses	33,732	34,511	34,569
Other instruments and equipment	16,012	16,123	15,808	Provision for loss from compensation of damage	1,379	1,379	1,379
Vehicles	209	306	409	Current portion of asset retirement obligation	215	215	215
Land	469,211	469,211	469,211	Other current liabilities	361	315	314
Construction in progress	1,520	1,518	1,433	Fixed liabilities	797,589	803,494	747,424
Other tangible fixed assets	78	78	78	Contra-accounts for assets	41,361	38,896	37,172
Intangible fixed assets	15,792	16,081	15,311	Contra-accounts for assets funded by operational grants	1,678	1,247	1,247
Software	15,527	15,816	15,046	Contra-accounts for assets funded by subsidies, etc.	38,256	36,376	34,670
Telephone subscription right	195	195	195	Contra-accounts for assets funded by contributions	1,419	1,265	1,248
Other intangible fixed assets	70	70	70	Contra-accounts for donation of non-current assets	8	7	7
Investment and other assets	5,823	2,314	2,435	Long-term deposited donations	51	51	51
Long-term loan receivable	1,402	1,514	1,652	Long-term borrowings	446,310	447,836	414,866
Bankruptcy or rehabilitation claims, etc.	1,794	1,891	1,961	Long-term debts	274	241	207
Allowance for loan losses	- 1,794	- 1,891	- 1,961	Lease liabilities	358	318	278
Long-term prepaid expenses	48	32	16	Provisions			
Stock for disasters	750	750	750	Provision for retirement benefits	305,415	312,497	291,407
Contra-accounts for provision for retirement benefits	3,604	-	-	Asset retirement obligation	3,628	3,463	3,298
Other investment assets	18	18	17	Other fixed liabilities	190	190	144
				(Total liabilities)	1,022,127	997,530	954,734
				Capital			
				Government investment	202,906	202,906	202,906
				Capital surplus	224,956	224,555	224,178
				Capital surplus	234,371	234,371	234,371
				Other administrative costs accumulated	- 9,415	- 9,816	- 10,193
				Amount equivalent to accumulated depreciation cost	- 6,215	- 6,616	- 6,993
				Amount equivalent to accumulated impairment loss	- 8	- 8	- 8
				Amount equivalent to accumulated net gains or losses on sale or disposal	- 3,192	- 3,192	- 3,192
				Retained earnings or loss carried forward			
				Unappropriated retained earnings or loss for the period	- 3,975	52,970	47,124
				(of this, gross profit or loss)	9,593	56,945	- 5,846
				(Total net assets)	423,887	480,431	474,208
Total assets	1,446,014	1,477,961	1,428,942	Total liabilities and net assets	1,446,014	1,477,961	1,428,942

Notes 1. The balance sheet includes amounts for projects other than those subject to the policy cost analysis.

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

Income Statement

(Unit: million yen)

Item	FY2020 (Result)	FY2021 (Estimated)	FY2022 (Planned)
Ordinary income	1,075,527	1,081,226	1,014,530
Income from grants for operation cost	3,146	5,714	-
Medical care operations income	1,055,090	1,057,113	996,090
Education and research operations income	5,067	5,602	5,636
Clinical research operations income	7,027	6,951	6,990
Other ordinary income	5,197	5,847	5,814
Ordinary expenses	1,017,908	1,020,835	1,018,418
Medical care operations expenses	986,003	990,758	990,054
Education and research operations expenses	7,045	6,320	6,316
Clinical research operations expenses	12,085	11,389	11,230
General and administrative expenses	3,972	3,831	3,895
Other ordinary expenses	8,803	8,537	6,924
Ordinary profit or loss	57,619	60,391	- 3,888
Temporary profits	632	201	-
Gain on sales of fixed assets	20	-	-
Other temporary profits	612	201	-
Temporary losses	48,658	3,646	1,958
Loss on retirement of fixed assets	3,291	1,593	1,593
Impairment loss on fixed assets	410	365	365
Other temporary losses	44,957	1,688	-
Net profit or loss	9,593	56,945	- 5,846
Gross profit or loss	9,593	56,945	- 5,846

Notes 1. The income statement includes amounts for projects other than those subject to the policy cost analysis.

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