

National Hospital Organization (Incorporated Administrative Agency)

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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 FY2016 FILP

(Unit: billion yen)

FY2016 FILP	Estimated outstanding amount of FILP lending at the end of FY2015
79.8	419.6

3. Estimated policy (subsidy) cost analysis of the project

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

Category	FY2015	FY2016	Fluctuation
1. Subsidies, etc. from the Government	152.0	179.6	+27.6
2. Money transferred to the Government	-	-	-
Subtotal (1+2)	152.0	179.6	+27.6
3. Opportunity cost of capital investments, etc. from the Government	-30.8	13.9	+44.8
Subtotal (1+2+3)	121.2	193.5	+72.4
4. Fluctuation in retained losses	-	-	-
Total (1+2+3+4=policy cost(A))	121.2	193.5	+72.4
Analysis period (years)	28	29	+1

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

Category	FY2015	FY2016	Fluctuation
(A) Policy cost (previously cited)	121.2	193.5	+72.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	56.6	65.2	+8.5
2) Policy cost expected to be newly accrued during the analysis period	64.5	128.4	+63.8
Subsidies, etc. from the Government	152.0	179.6	+27.6
Money transferred to the Government	-	-	-
Policy cost accrued with a change in surplus funds	-87.4	-51.2	+36.2
Opportunity cost of capital investments, etc.	-	-	-

<Reference> Budgeted amounts of subsidies and capital investment in FY2016

Subsidies: 10.2 billion yen

Capital investment: - billion yen

(3) Year-to-Year comparison analysis (Unit: billion yen)

Category	FY2015	FY2016	Fluctuation
(A) Policy cost (previously cited)	121.2	193.5	+72.4
(A') Policy cost obtained by re-calculating (A) using the same assumed interest rate as in the FY2015 analysis	121.2	174.8	+53.6
(B) Policy cost of (A') generated in FY2016 or later	115.7	174.8	+59.1

Policy cost in FY2016 is 193.5 billion yen. The analysis shows an increase of 59.1 billion yen in real policy cost over FY2015 when the effect of change in the assumed interest rate for FY2015 and FY2016 is eliminated and the policy cost that accrues in FY2016 and thereafter are compared. This increase in real policy cost is considered to be attributable to the following factors:

- Increase in cost due to increase in operating cost grants related to policy medical care (+39.3 billion yen)
- Increase in cost due to reduction in surplus (+19.8 billion yen)

(4) Sensitivity analysis (cases where assumptions change) (Unit: billion yen)

Changed assumption and extent of change	Policy Cost (Fluctuation)
Funds raised +1%	287.1 (+93.6)
Fluctuation in opportunity cost	+109.6
Income from medical works -1%	381.3 (+188.7)
Fluctuation in opportunity cost	+187.7

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 ¥188.4 billion from FY2016 to FY2019. The length of analysis period is 29 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 FY2019 at the longest and excluding investment plans for FY2020 onward (for renewal after the elapse of durable years) with regard to hospitals with renovation plans.

(Unit: million yen)

	Result				Estimated	Planned	Assumptions for calculation				
FY	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Medical services revenues	834,866	866,062	885,193	900,696	914,760	930,230	930,230	930,230	929,493	925,420	916,590
Medical services expenses	702,692	720,498	751,339	780,005	814,742	841,549	841,549	841,549	841,549	841,549	841,549

* Components in each column may not add up to the total because of rounding.

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)

Article 46 of the Act on General Rules for Incorporated Administrative Agencies (Act No. 103, 1999)

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 3 of Article 15

The Organization may deduct from the amount equal to the reserve specified in Paragraph 1 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) 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 developed a 3-year administrative improvement plan (reorganization plan) to be completed by FY2014 for each hospital. All the hospitals improved management with support from the Headquarters.

(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	50	1,978
Institutions engaging in the treatment of severe motor and intellectual disabilities	73	7,933
Institutions engaging in the treatment of progressive muscular dystrophy	26	2,331
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

- Response to the April 2015 Nepal Earthquake

In response to the big earthquake that occurred in Nepal in April 2015, the National Hospital Organization dispatched staff of the Disaster Medical Center to have them offer support for surgeries and medical treatment at hospitals in Kathmandu and Bahrabise, establish a medical camp and carry out medical activities, procure and transport required medical equipment, and conduct health management of rescue team members.

- Response to disaster due to the torrential rains in the Kanto and Tohoku regions

In order to offer assistance to victims of the wind and flood damage in Ibaraki prefecture in September 2015, the National Hospital Organization dispatched DMATs from the Mito Medical Center, Saitama National Hospital, Chiba Medical Center, Disaster Medical Center, and Yokohama Medical Center. Furthermore, the Organization dispatched doctors, nurses, and pharmacists, etc. from the Mito Medical Center, Disaster Medical Center, Kasumigaura Medical Center, and Shimofusa Psychiatric Medical Center for relief activities at shelters after DMATs finished their missions.

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

- DPC hospitals (DPC is a calculation method that allows patients to pay hospital charges and other medical charges at a time.)

53 institutions (FY2015, +1 institution year-on-year)

- Hospitals designated for clinical training

54 institutions (FY2015, ±0 institution year-on-year)

	FY2014	FY2015	Yr/Yr
Total number of interns accepted	754	754	±0

- 5) Contribution to the reinforcement of local medical services

- Improvement of the emergency medical care and emergency medical care for children

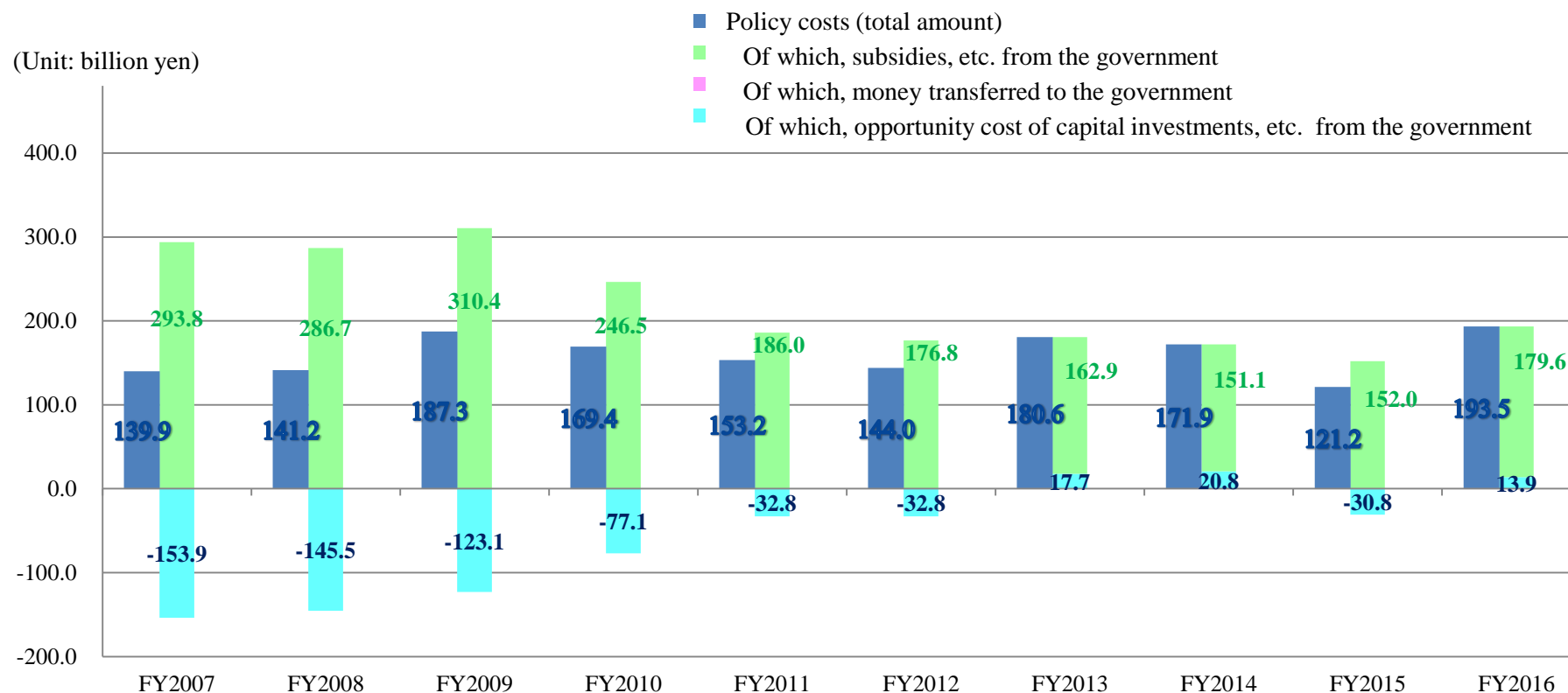
	FY2014	FY2015	Yr/Yr
Number of the base hospitals etc. of emergency medical care for children	18	20	+2
Support for emergency medical care for children	39	32	-7
Number of emergency patients accepted	533,056	530,474	-2,582
Of which the number of patients accepted for emergency medical care for children	112,897	106,465	-6,432

- Promotion of diagnosis cooperation

	FY2014	FY2015
Medical reference rate	67.60%	52.00%
Reverse medical reference rate	54.70%	56.20%
Number of hospitals which support community health care	57	57

(Reference) Changes in Policy Costs by Component

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

(Points)

- The policy cost regarding subsidies, etc. from the government have decreased significantly due to a large scale reduction in grants for operation cost on medical works in FY2011, and due to decrease mainly in retired employees who have served since before the reorganization as an Incorporated Administrative Agency from FY2010 to FY2014.
- In FY2016, the policy cost regarding subsidies, etc. from the government increased due to such reasons as that estimated retirement allowances per employee are expected to increase in light of the latest accounting status, etc.

(Reference) Financial Statements

Balance Sheet (Unit: million yen)

Item	End of FY2014 (Result)	End of FY2015 (Estimated)	End of FY2016 (Planned)	Item	End of FY2014 (Result)	End of FY2015 (Estimated)	End of FY2016 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	260,956	236,089	229,611	Current liabilities	175,851	175,850	182,429
Cash and bank deposits	54,326	52,556	54,854	Subsidy received, etc	1,808	-	-
Securities	43,700	21,900	10,000	Deposit received	57	-	-
Accounts due for medical operations	151,045	153,699	156,816	Long-term loans to be repaid within a year	38,037	44,457	48,700
Accounts receivable	4,050	772	779	Accounts payable	35,982	35,995	37,509
Inventory assets	6,718	6,718	6,718	Money unpaid	58,841	58,809	59,558
Accrued income	0	0	0	Lease obligation to be paid within a year	5,189	3,489	2,520
Other current assets	1,117	443	443	Accrued expenses	646	555	664
Fixed assets	1,024,899	1,042,094	1,064,097	Unpaid consumption tax, etc.	840	840	840
Tangible fixed assets	1,005,579	1,023,930	1,042,435	Reserves	28,695	27,066	27,999
Buildings	420,349	435,118	451,135	Reserve for bonuses	27,066	27,066	27,999
Structures	16,504	17,247	18,067	Reserve for loss from compensation of damage	1,628	-	-
Medical instruments and equipment	74,944	70,650	71,360	Other current liabilities	5,756	4,638	4,638
Other instruments and equipment	18,282	17,302	20,453	Fixed liabilities	667,716	659,775	684,622
Vehicles	428	417	396	Asset collateral liabilities	15,660	13,687	11,981
Radioactive isotope	28	26	24	Grants for asset collateral operation cost	926	500	307
Land	469,356	468,820	468,820	Asset collateral subsidies	13,023	11,647	10,304
Temporary account for buildings	5,621	14,283	12,112	Asset collateral contributions	1,696	1,529	1,359
Other tangible fixed assets	68	68	68	Amount of items received for asset collateral	14	12	10
Intangible fixed assets	17,022	15,799	19,285	Long-term loans payable	376,645	375,116	406,216
Software	16,818	15,596	19,082	Long-term debts	631	589	546
Telephone subscription right	198	198	198	Lease liabilities	5,242	2,729	1,194
Other intangible fixed assetss	5	5	5	Reserves			
Investment and other assets	2,298	2,364	2,377	Reserve for retirement pensions	268,654	266,818	263,896
Long-term fixed deposits	0	0	0	Other fixed liabilities	883	835	789
Bankruptcy or rehabilitation claims, etc.	2,011	2,249	2,485	(Total liabilities)	843,567	835,625	867,051
Loan loss provisions	-2,011	-2,249	-2,485	Capital			
Stock for disasters	129	129	129	Financing by the Government	208,051	206,438	206,438
Other investment assets	2,169	2,235	2,248	Capital surplus	222,526	223,144	222,710
				Capital surplus	226,113	227,175	227,175
				Accumulated depreciation outside of profit and loss (-)	-3,571	-4,015	-4,449
				Accumulated impaired loss outside of profit and loss (-)	-16	-16	-16
				Retained earnings	11,711	12,976	-2,490
				Reserve fund	-	11,711	12,976
				Unappropriated retained earnings	11,711	1,265	-15,466
				(Of this, gross profit)	11,711	1,265	-15,466
				(Total equity)	442,288	442,558	426,658
Total assets	1,285,855	1,278,183	1,293,708	Total liabilities and equity	1,285,855	1,278,183	1,293,708

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

Income Statement (Unit: million yen)

Item	FY2014 (Result)	FY2015 (Estimated)	FY2016 (Planned)	Item	FY2014 (Result)	FY2015 (Estimated)	FY2016 (Planned)
(Losses)				(Profits)			
Ordinary expenses	924,475	947,497	977,903	Ordinary income	939,420	952,429	965,623
Medical care operations expenses	866,193	900,549	933,097	Medical care operations income	905,302	917,061	935,161
Education and research operations expenses	7,820	7,820	7,952	Education and research operations income	5,103	4,890	5,007
Clinical research operations expenses	13,331	14,928	14,910	Clinical research operations income	11,278	12,607	11,471
General and administrative expenses	27,665	16,344	14,401	Other ordinary income	17,737	17,871	13,984
Other ordinary expenses	9,466	7,855	7,544				
Temporary losses	6,604	3,667	3,186	Temporary profits	3,371	-	-
Loss on sale of fixed assets	2	1	1	Gain on sales of fixed assets	29	-	-
Loss on retirement of fixed assets	3,419	2,743	2,450	Other temporary profits	3,342	-	-
Impairment loss on fixed assets	1,324	924	735				
Other temporary losses	1,858	0	0				
Net profit	11,711	1,265	0				
Gross profit	11,711	1,265	0	Loss for the current term	-	-	15,466
Total	942,791	952,429	981,089	Total	942,791	952,429	981,089

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