

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 FY 2009 FILP

(Unit: billion yen)

FY 2009 FILP (after the supplementary budget)	Estimated outstanding amount of FILP lending at the end of FY 2008
20.0	643.3

3. 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	5 4	4, 0 8 8
Institutions engaging in the treatment of severe motor and intellectual disabilities	7 2	7, 2 9 6
Institutions engaging in the treatment of progressive muscular dystrophy	2 6	2, 3 0 2
Legally-designated inpatient settings engaging in the treatment of mental unsoundness, etc.	1 4	3 4 9

3) Initiatives in national risk management and international contribution

- Response to international medical cooperation, widespread disasters and global infection diseases
 - NHO sent medical teams from 3 institutions when the Niigataken Chuetsu-oki Earthquake occurred in July 2007.
 - 2 staff members participated in the medical team to respond to the Western China Earthquake which occurred in May 2008 and 3 staff members participated in the Government's international emergency medical team to respond to the damage caused by the cyclone in Myanmar in May 2008.

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.)
 - 30 institutions
- Hospitals designated for clinical training
 - 56 institutions

	FY2006	FY2007	Yr/Yr
Total number of interns accepted	694	763	69

5) Contribution to the reinforcement of local medical services

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

	FY2006	FY2007	Yr/Yr
Number of the base hospitals etc. of emergency medical care for children	17	17	±0
Support for emergency medical care for children	38	38	±0
Number of emergency patients accepted	634,470	627,668	-6,802
Of which the number of patients accepted for emergency medical care for children	174,635	160,324	-14,311

○ Promotion of diagnosis cooperation

	FY2006	FY2007
Medical reference rate	47.4%	51.1%
Reverse medical reference rate	32.2%	36.9%

○ Promotion of joint use of medical equipment

Medical equipment	FY2006	FY2007	Yr/Yr
CT	21,837	27,411	5,574
MRI	20,578	25,743	5,165
Gamma camera	4,299	3,832	-467

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

Policy (subsidy) cost

(Unit: billion yen)

Category	FY2008	FY2009	Increase/Decrease
1. Subsidies from the Government	286.7	310.4	+ 23.7
2. Money transfer to the Government	-	-	-
Subtotal (1+2)	286.7	310.4	+ 23.7
3. Opportunity cost of capital investment from the Government	- 145.5	- 123.1	+ 22.4
Subtotal (1+2+3)	141.2	187.3	+ 46.1
4. Decrease in losses	-	-	-
Total (1+2+3+4=policy cost(A))	141.2	187.3	+ 46.1
Analysis period (years)	28	27	- 1

Breakdown of policy cost by the time of the provision of funds

(Unit: billion yen)

Category	FY2008	FY2009	Increase/Decrease
(A) Policy cost (previously cited)	141.2	187.3	+ 46.1
1) Opportunity cost such as capital investment made before the beginning of the analysis period	71.7	59.5	- 12.2
2) Policy cost expected to newly accrue during the analysis period	69.5	127.8	+ 58.3
Subsidies from the Government	286.7	310.4	+ 23.7
Money transfer to the Government	-	-	-
Policy cost in connection with increase/decrease in surplus	- 217.2	- 204.0	+ 13.2
Opportunity cost such as capital investment	-	21.4	+ 21.4

Year-to-Year comparison analysis

(Unit: billion yen)

Category	FY2008	FY2009	Increase/Decrease
(A) Policy cost (previously cited)	141.2	187.3	+ 46.1
(A') Policy cost obtained by re-calculating (A) using the same assumed interest rate as in the FY 2008 analysis	141.2	186.6	+ 45.4
(B) Policy cost of (A') generated in FY 2009 or later	125.8	186.6	+ 60.8

Policy cost in FY 2009 is ¥187.3 billion. The analysis shows an increase of ¥60.8 billion in real policy cost over FY 2008 when the effect of change in the assumed interest rate for FY 2008 and FY 2009 is eliminated and the policy costs that accrue in FY 2009 and thereafter are compared.

- The increase in real cost is considered to be caused by the following factors:
- Increase in cost by incorporating assumptions of new medium-term targets and expanded subsidies from the national treasury for ensuring doctors in the fiscal 2009 budget (+ ¥14.8 billion)
 - Effect of the primary supplementary budget in FY 2009 (+ ¥46.0 billion)

The case if assumption is changed

(Unit: billion yen)

Changed assumption and extent of change	Increase / decrease in policy cost
Profit from medical care service -1%	236.8 (+49.5)
Increase / decrease in opportunity cost	+49.5
Interest rates on money loaned and funds raised +1%	Without change in discount rate 187.7 (+ 0.4)
	With change in discount rate 273.4 (+ 86.1)
Increase / decrease in opportunity cost	+0.4
	+110.9

(Reference)

Budgeted amount of subsidies and capital investment in FY 2009

Subsidies : ¥50.4 billion
Capital investment : ¥51.9 billion

5. Outline of estimation and project prospect 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 ¥49.4 billion for FY 2009 plus ¥8.0 billion for a period until FY 2010 by which all the continuing projects will be completed. The length of analysis period is 28 years, during which the redemption of debts related to the projects will be completed.
- 3) Income from medical services and expenses for medical services are calculated taking into account the fluctuations due to the medium-term plan without the uncertain factors such as future revisions of medical fee.

(Unit: million yen)

	Result				Estimated	Planned	Trial assumption		
FY	2004	2005	2006	2007	2008	2009	2010	2011	2012
Income from medical services	582,485	700,828	701,348	728,232	737,058	741,989	747,025	751,048	755,050
Expenses for medical services	555,804	596,770	603,699	622,235	640,193	652,248	652,145	653,393	663,996

6. 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 General Law Concerning Independent Administrative Institutions (Law No. 43, 1999)

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

(Underlying laws and regulations for the payments to the national treasury)

National Hospital Organization Law (Law No. 191 of 1999)

Paragraph 1 of Article 15

The Organization may, if there is a reserve fund as prescribed by Paragraph 1 of Article 44 of the Law after the deposition as prescribed by Paragraph 1 or 2 of Article 44 of the Law in the last fiscal year of the project in the period of the medium-term target (hereinafter referred to as medium-term target period") as prescribed by No. 1 of Paragraph 2 of Article 29 of the Law, use the amount approved by Minister of Health, Labour and Welfare as revenue for operations as prescribed by Paragraph 1 of Article 12 in the next medium-term target period as specified in the medium-term plan approved as prescribed by Paragraph 1 of Article 30 of the Law concerning next medium-term target period (if any change is approved as prescribed by the same Paragraph, use the plan after the change).

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.

7. Special remarks

- 1) Under the Law Concerning the National Hospital Organization (Law No.191 of 2002) established based on the Basic Law on Reforming Government Ministries, the National Hospital Organization was created on April 1, 2004 by transforming into a single independent administrative institution from 154 national hospitals and sanatoriums (excluding the national centers) throughout Japan that were originally included in the National Hospital Special Account.
- 2) As part of administrative reforms, 87 national hospitals and sanatoriums are to be reorganized by transfer or integration/abolition. 85 out of 87 have been transferred or integrated/abolished since 1986 (as of the end of FY 2005) and the other two will be abolished by 2014.
- 3) Regarding 58 hospitals which can hardly make a payment on liabilities for enhancing the facilities at the time of special account with their own income, it is necessary to promptly improve their management. Therefore, NHO developed 3-year administrative improvement plan (reorganization plan) to be completed by FY2010 for each hospital. In order to establish the plan, each hospital is improving the management receiving support from Headquarters and block offices. As for Minami Yokohama Hospital in which administrative improvement was not expected and there was concern about accumulated debts, based on the trend of tubercular patients in Kanagawa Prefecture and current situations of local healthcare, the hospital was abolished on 1 December 2008 and its operations were efficiently inherited by NHO's Kanagawa Hospital. (145 hospitals as of 1 April 2009)
- 4) Changes in policy cost to date are as indicated below.

FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
¥92.3 billion	¥129.5 billion	¥140.9 billion	¥139.9 billion	¥141.2 billion	¥187.3 billion

(Reference) Financial Statements

Balance Sheet

(Unit : million yen)

Item	End of FY2007 (Result)	End of FY2008 (Estimated)	End of FY2009 (Planned)	Item	End of FY2007 (Result)	End of FY2008 (Estimated)	End of FY2009 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	245,811	243,103	223,454	Current liabilities	174,522	161,792	156,785
Cash and deposits	62,329	113,852	93,337	Debt of grant for operating cost	1,391	-	-
Securities	56,229	2,007	2,023	Facilities expenses received	610	-	-
Accounts due for medical operations	119,868	120,624	121,474	Subsidy received, etc	566	-	-
Accounts receivable	877	287	292	NHO bonds to be repaid within a year	3,000	3,000	3,000
Inventory assets	5,979	5,979	5,979	Discount on bonds (-)	-	0	0
Accrued income	261	148	142	Long-term loans to be repaid within a year	49,338	51,340	50,409
Other current assets	269	207	207	Accounts payable	27,819	27,969	28,292
Fixed assets	914,318	942,978	954,922	Money unpaid	51,089	44,239	41,319
Tangible fixed assets	889,611	925,313	939,483	Lease obligation to be paid within a year	8,693	6,861	5,268
Buildings	326,408	356,948	359,728	Accrued expenses	1,571	1,532	1,431
Structures	14,318	15,958	16,183	Unpaid consumption tax, etc.	242	277	315
Medical instruments and equipment	42,607	45,319	51,161	Reserves	24,447	25,025	25,203
Other instruments and equipment	16,845	15,624	15,124	Reserve for bonuses	24,262	24,835	25,013
Vehicles	161	165	169	Reserve for loss from compensation of damage	184	190	190
Radioactive isotope	19	26	33	Other current liabilities	5,756	1,548	1,550
Land	479,171	479,627	479,892	Fixed liabilities	691,928	710,572	696,951
Temporary account for buildings	10,047	11,612	17,159	Asset collateral liabilities	2,797	3,265	4,539
Other tangible fixed assets	35	35	35	Grants for asset collateral operation cost	1,233	2,392	3,199
Intangible fixed assets	9,482	8,471	8,238	Asset collateral subsidy, etc	335	360	312
Software	9,255	8,244	8,010	Asset collateral contributions	13	13	13
Telephone rights	207	207	207	Facilities expenses for construction in progress	1,146	438	959
Other intangible fixed assets	21	21	21	collateral			
Investment and other assets	15,225	9,194	7,201	Amount of items received for asset collateral	70	63	58
Long-term fixed deposit	7,000	1,000	1,000	National Hospital Organization bonds	8,000	10,000	12,000
Investment securities	8,000	7,954	5,956	Discount on bonds (-)	-	-2	-4
Bankruptcy and rehabilitation claims	2,952	3,687	4,427	Long-term loans payable	589,774	592,906	562,497
Reserve for possible loan loss	-2,952	-3,687	-4,427	Long-term debts	668	656	645
Discount on bonds	2	-	-	Lease debts	13,191	12,176	12,755
Store for disasters	159	159	159	Allowance			
Other investment assets	64	80	85	Reserve for retirement pensions	76,691	90,812	103,810
				Other fixed liabilities	807	758	709
				(Total liabilities)	866,449	872,363	853,736
				Capital	143,758	143,758	143,758
				Government financing	143,758	143,758	143,758
				Capital surplus	118,289	131,370	152,968
				Capital surplus	127,524	143,065	167,242
				Accumulated depreciation outside of profit and loss (-)	-9,105	-11,566	-14,144
				Accumulated impaired loss outside of profit and loss (-)	-130	-130	-130
				Retained earnings	31,633	38,590	27,914
				Reserve carried forward during former medium-term target period	-	-	17,805
				Reserves for facilities	7,741	-	-
				Reserve Funds	-	23,892	-
				Unappropriated retained earnings for the period (of this, gross profit)	23,892	14,698	10,109
				(Total equity)	(23,892)	(14,698)	(10,109)
					293,680	313,718	324,640
Total assets	1,160,129	1,186,081	1,178,376	Total liabilities and equity	1,160,129	1,186,081	1,178,376

Income Statement

(Unit : million yen)

Item	FY 2007 (Result)	FY 2008 (Estimated)	FY 2009 (Planned)	Item	FY 2007 (Result)	FY 2008 (Estimated)	FY 2009 (Planned)
(Losses)				(Profits)			
Ordinary expenses	770,005	778,391	786,397	Ordinary income	798,928	800,161	801,767
Medical care operations expenses	691,695	702,480	714,943	Medical care operations income	742,486	745,010	750,393
Education and research operations expenses	7,452	6,845	6,981	Education and research operations income	4,139	4,124	5,218
Clinical research operations expenses	9,400	10,057	11,031	Clinical research operations income	9,386	8,322	9,069
General administrative expenses	41,078	40,900	36,350	Other ordinary income	42,916	42,705	37,086
Other ordinary expenses	20,380	18,109	17,093	Temporary profits	366	141	1
Temporary losses	5,396	7,214	5,261	Income from sale of fixed assets	76	65	0
Loss from sale of fixed assets	53	222	0	Other temporary profits	290	76	1
Fixed assets loss on scrapping	1,610	4,560	3,305				
Impairment loss on fixed assets	158	0	0				
Other temporary losses	3,576	2,432	1,955				
Net profit	23,892	14,698	10,109				
Gross profit	23,892	14,698	10,109				
Total	799,294	800,302	801,767	Total	799,294	800,302	801,767

Note: Totals may not agree due to rounding.