

# Invited Counter Argument for “Managing the Long-term Care Market: The Constraints of Service Quality Improvement”

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This paper investigates the validity of three topics related to service quality improvement in the long-term care market in Japan, especially focusing on service in Groupe homes. Three constraint models that explain the failure to improve service quality in the long-term care market: the Contract Failure Model, the Medical Arms Race (MAR) Model, and Suzuki and Satake’s (2001) Model are empirically addressed. In conclusion, none of the three models was fully supported. This sound conclusion is suggestive in considering the role of market mechanisms in the long-term care market, but some further factors or topics should have been noted for consistency with the real conditions of the Group home market in Japan.

- 1) The fundamental framework of this study is to assume that service prices are fixed under the long-term care insurance system, and the efficiency of market mechanisms is measured by the quality of care. It is true that reimbursement for these services is publicly regulated. However, in Group homes, each provider is free to set not only the price of hotel costs, including rent, food expenses, and electricity and heating expenses, but also tentative guarantee money, diaper expenses, recreation costs and so on. These differences in charges surely reflect the quality of service. In this study, these price differences are not explicitly considered and should have been noted.
- 2) It is generally observed there exists an excessive demand for facility services, which are at capacity in the Japanese long-term care insurance system. This waiting-list phenomenon is also observed in most Group homes. The effects of market competition on the supply side might be seen differently depending on the conditions of the demand side. At least, it is likely to be different due to whether the capacity of long-term care facilities or Group homes is sufficient to meet regional demand. Assuming conditions of a supply-side oligopoly, each supplier may have less of an incentive to improve their service quality compared to more competitive conditions. Though the author does not refer to this point, relativity between the capacity for supply and regional demand could be a crucial point in validating the effects of new entrants to the market.
- 3) The problem of market segmentation always comes up when we try to evaluate the effects of market mechanisms. This research measured the market competitiveness by the HHI, and the HHI is only calculated in consideration of the Group home share. It is well known in Japan that Group homes are specialized in caring for people with dementia. In reality, many patients of dementia also live in assisted nursing homes for elderly (*Kaigo-Ryouyougata-Roujin-Fukushi-Shisetsu*) or intermediate nursing homes (*Kaigo-Roujin-Hoken-Shisetsu*). These long-term care service facilities can also be regarded as competitors of Groupe homes within a region. So it may be natural and more consistent to include information on such facilities in the data set to verify the effects of market competitiveness.