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POSTER ABSTRACT

From Process to Pay-for-Outcomes: Evaluating Japan's New Financial Incentive Model for Community-Based Integrated Care

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Background: In 2018, Japan's Long-Term Care Insurance System introduced a national financial incentive program to strengthen the functions of its municipal insurers. However, the initial process-based scheme was shown to widen regional disparities. In response, the Japanese government launched a major reform in FY2024, enhancing an outcome-oriented incentive allocation scheme.

This new scheme expands the allocation framework focused on outcome indicators to 20% of the total grant, and establishes a new 5% framework to support advanced municipalities in pursuing their own data-driven, self-defined goals. This presentation details the design of this rare, large-scale, municipality-level outcome-based incentive system for building community-based integrated care systems, reporting on its current evaluation and emerging challenges.

Approach: We will systematically analyze public documents from the Ministry of Health, Labour and Welfare, official reports, and related notifications to clarify the structure and scoring of the new outcome-oriented incentive evaluation. Furthermore, using our longitudinal dataset of incentive evaluation scores from all 1,714 municipalities over the past two years (2023-2024) as a baseline , we will conduct a preliminary analysis of the policy transition's initial impact on municipal initiatives.

Results: The new incentive allocation scheme significantly expands the allocation based on outcome indicators, such as "improvement rate in care-need levels" and "percentage of older adults receiving long-term care certification," from 5% to 20% of the total grant, in addition to conventional process evaluations (e.g., PDCA cycle implementation). This is expected to shift the focus of municipalities from service output to resident outcomes. Additionally, a new 5% "outcome-oriented incentive grant" has been created for high-performing insurers to set bespoke targets based on local data analysis.
However, technical challenges for fair evaluation, such as appropriate risk adjustment for outcome indicators and ensuring statistical stability for smaller municipalities, have become

apparent. Baseline data indicates a trend of stagnating performance in municipalities with smaller elderly populations , making their response to the new system a critical focal point.

Implications: Japan's case presents a potential solution to the internationally recognized limitations of process-based P4P in social systems. The initial trends from this outcome-oriented shift offer crucial insights for global policymakers on whether it can genuinely improve population health outcomes and foster sustainable integrated care systems. Sharing the novel governance challenges associated with implementing outcome-based evaluation will contribute significantly to the international discourse.