



Incentivizing Innovation for Healthy Ageing and Economic Growth in Super-Ageing Japan

Report from May 13, 2021
Virtual Expert Roundtable



Background and Context

On May 13, 2021, the Global Coalition on Aging (GCOA) and Japan's Health and Global Policy Institute (HGPI) convened a group of global and Japanese experts to examine the important role of incentives for innovation in fostering markets that can maximize the opportunities of healthy ageing and the silver economy. The group agreed that the goals of fiscal soundness and growth for Japan's super-ageing society should and can be achieved by promoting innovation for healthy ageing. The roundtable was co-sponsored by Pfizer Japan Inc.

Key indicators from global and domestic institutions clearly show the connection between economic/fiscal policy and healthy ageing for all. For instance, the United Nations and World Health Organization's (WHO) Decade of Healthy Ageing calls on us to go beyond the idea that health is merely the absence of disease to consider a new model centered on maintaining one's functional ability. With enhanced functional ability, individuals can stay active and productive for longer, which contributes to economic prosperity and fiscal sustainability for society as a whole. Similarly, the Organization for Economic Cooperation and Development (OECD) is promoting lifelong social participation as a means to achieve healthier and fiscally sound societies.

As the world's first super-ageing society, Japan can play a leading role in setting the standard for policies that simultaneously promote healthy ageing and growth. Participants in the round-

“The future economic prosperity of Japan and the wellbeing of its people largely depend on how it manages the demographic transition now underway. So, in that sense, Japan, as has been the case many times in history, is a trailblazer.”

Anthony Gooch, Director
of Public Affairs and
Communications, OECD

table considered the innovations needed to connect growth and healthy ageing, and in that context, what policymakers can do to incentivize such innovations. The conversation included discussion of a new proposal from Institute for New Era Strategy (INES) that calls on Japan to reevaluate its pharmaceutical pricing framework to encourage access to innovative therapies that can promote healthier ageing. Key takeaways from the roundtable are as follows.

“Japan has a strong tradition of innovation and investment in life sciences, but stagnating spending levels means that regional competitors such as China and Korea are catching up, or have done so already.”

Innovation and Sustainability
in Japan's Healthcare System,
The Economist Intelligence Unit

Key Roundtable Takeaways

Participants recognized the need for a new approach to public spending on health, sharing the recognition that health spending is an investment toward a healthier super-ageing Japan, not a cost. Japan is uniquely positioned to lead on innovative new approaches for sustained health and economic growth based on strategies to enable healthy ageing, a topic which the United Nations (UN), WHO, and OECD are currently prioritizing.

1. Japan's health, economic, and social goals align well with the global frameworks for healthy ageing found in the WHO's Decade of Healthy Ageing and the OECD Strategy for Ageing Societies, especially as Japan moves toward new approaches for work, retirement and economic growth. The Decade milestone timeline marks its first reporting period in 2023. That milestone could be integrated into OECD work, particularly related to labor force challenges that can be in part solved by working longer, which is enabled by healthier ageing. The movement for this labor force adaptation started in Japan—this is just one example of Japanese leadership aligned to global ageing trends.

“Health innovation is driven by incentives, which means the budget allocation to health innovation is important.”

Seiji Kihara, Chairperson, Standing Committee on Cabinet Member, House of Representatives Liberal Democratic Party of Japan (LDP)

2. Innovation is integral to the achievement of active ageing goals, and it is important that policies be put into place that actively encourage such innovation. Scientific progress and innovation are needed in order to ensure that every member of the Japanese population can enjoy an increased healthy life expectancy.

For instance, the drug pricing system should be set up to reward innovation. Prof. Kazumasa Oguro, Faculty of Economics, Hosei University reported on a new pricing

proposal from INES during the roundtable. The proposal calls for macro- and micro-level policy changes:

» **Macro-level:** the proposal calls for a cap on total drug spending, although recommends that the cap be in line with the medium- to long-term, potential nominal GDP growth rate. If the growth rate of total drug spending exceeds nominal GDP growth rate, the proposal states that drug spending should be adjusted through price cuts that target mature products (and non-innovative new drugs). Essentially, the proposal suggests that total drug spending be increased in line with nominal GDP, and that funding be reallocated to prioritize innovative new medicines in order to actively support investments in R&D.

» **Micro-level:** the proposal calls for the introduction of a new drug pricing methodology. For new drugs with no similar drugs already on the market, the proposal suggests considering the creation of a new value-based pricing system.

» Furthermore, together with the macro-level recommendations, as a matter of system-wide reform, the proposal also recommends the abolishment of the “market expansion repricing” system, which reduces drug prices over time according to market volume.

“If we can control the actual overall cost of drugs, we can take bolder options to promote innovation.”

Hiroataka Unami, Executive Secretary to the Prime Minister

3. Innovations in healthy ageing will impact labor markets. Japan has led the way on devising employment opportunities for older citizens who would traditionally be retired. Without a large, younger population to fill essential jobs, the labor market needs older people with essential skills, and older people need work to promote their own physical, mental, emotional, and financial health. That said, working post-retirement requires good health and the ability to function. Innovative policy approaches to health and the labor market go hand-in-hand in the context of 21st-century longevity and ageing trends. Innovative approaches to the labor market will also demand innovations in promoting and enabling lifetime educational opportunities. These ideas are in line with the WHO's Decade of Healthy Ageing and the OECD Strategy for Ageing Societies, which also take up the issue of new approaches for work, retirement and economic growth.

4. Innovation for COVID-19 vaccines emerged as a clear example of the need for an environment supportive of health innovation—encouraged by the government and celebrated by the public. Innovation for breakthrough pharmaceuticals cannot occur without risk-taking. If government leaders see the value in the innovation that may or may not come as a result, then they must implement policies to support and incentivize that risk-taking now, before future problems emerge. This was the case for COVID-19 vaccines, and the same approach should apply for innovative medicines to enable healthy ageing.

“It is important for the government to consider innovative medicines as an investment rather than a cost and create an environment where the industry can take on challenges.”

Akihisa Harada, President, Pfizer Japan

Conclusion

The roundtable concluded with an emphasis on spending on health innovation, including pharmaceutical therapies and vaccines, as essential for super-ageing health, economic and social goals. Policymakers and regulators must fully recognize that new innovation cannot be fostered without incentives for innovators—the return on investments for that will be healthier and more productive older citizens, more engaged workforces, and stronger economies.

In Japan, these ideas are already starting to be taken up in documents such as the Basic Policy on Economic and Fiscal Management and Reform (“Honebuto”), and the Government’s Growth Strategy Action Plan. Japan has a unique and important role to play in efforts to encourage healthy ageing as a leader in life sciences innovations and the world’s first super-ageing society.

Moving forward, GCOA and HGPI aim to continue these conversations and to partner with Japanese private and public leadership, as well as leveraging parallel global interests, to build the policy structures that will incentivize innovation for healthy ageing and economic growth.

“Just like we are seeing with climate change, we need the creation of policies in the health sector too that could create a virtuous circle of innovation promotion. We need to create incentives to encourage private investment into innovation, and the money saved through new innovations would be reinvested back into the incentives. We need to strengthen incentives to encourage private investment and reform public frameworks so that resources can be allocated to support innovation.”

Motoshige Itoh, Professor Emeritus, The University of Tokyo; Professor of International Social Sciences, Gakushuin University

Meeting participants included:

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Regional President,
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The Global Coalition on Aging aims to reshape how global leaders approach and prepare for the 21st century's profound shift in population aging. GCOA uniquely brings together global corporations across industry sectors with common strategic interests in aging populations, a comprehensive and systemic understanding of aging, and an optimistic view of its impact. Through research, public policy analysis, advocacy, and strategic communications, GCOA is advancing innovative solutions and working to ensure global aging is a path to health, productivity and economic growth.

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Health and Global Policy Institute (HGPI) is a Tokyo-based, independent, non-profit, and non-partisan health policy think tank established in 2004. Since its establishment, HGPI has been working to realize citizen-centric health policies by gathering together diverse stakeholders and developing policy recommendations. HGPI is committed to serving as a truly independent organization that can provide society with new ideas from a broad, long-term perspective in order to foster fair and healthy communities. HGPI looks forward to continuing to partner with people from all around the world as we continue our work for the development of effective health policy solutions for Japanese and global issues.

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