

Feature Articles

This month's focus: **Health and Productivity Management and Financial Markets**

Health and Productivity Management and Corporate Performance

Hiroo Wada

Contact point: h-wada@juntendo.ac.jp

Yukihiro Yasuda

Contact point: y.yasuda@r.hit-u.ac.jp

This article aims to discuss the association between health and productivity management (HPM) from a medical point of view and corporate performance from an organizational management perspective. Absenteeism and presenteeism, terms used in medicine and public health, are a potential channel through which to improve and create corporate value. Previous HPM studies, including ours (Wada and Yasuda, 2022), have suggested that the market does indeed evaluate HPM and that "promotion of employee health" therefore has the potential to be a component of corporate activities aimed at improving and creating corporate value. In the future, it will be essential to understand the underlying mechanism of improving corporate performance through health promotion at the individual level.

Health and Productivity Management from the Equity Market's Perspective: Healthcare Sector Transforming into Lifecare Sector

Kyoichiro Shigemura, CMA

Contact point: kyoichiro.shigemura@nomura.com

Not only is "health & productivity management" becoming a crucial issue in corporate management strategy, we think it could also bring about a structural change in the healthcare sector that expands the scope of healthcare-related business. Although initiatives in the pursuit of health & productivity management may not directly influence share prices, more widespread adoption of this way of thinking could present an opportunity for Japan's healthcare industry to evolve from a sector centered on treating sickness and long-term care into a "lifecare" sector that also tackles presymptomatic states and disease prevention. Here, from a sell-side analyst's perspective, we look at the implications of health & productivity management for equity markets in terms of: (1) the roles that could be played by government policy and demographic trends in health-related management by corporations, (2) the potential for a structural shift in the industry from healthcare to lifecare and the scope for analysts to cover wider domains, and (3) corporate moves to provide solutions and services related to health & productivity management. We look for signs of a transition from healthcare to lifecare, centered on companies capable of providing health & productivity management solutions.

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Function of Health Promotion Medical Insurance to Facilitate Health and Productivity Management

Yoshihiko Suzawa

Contact point: suzawa@cc.kyoto-su.ac.jp

Health and productivity management in the corporate sector is of increasing importance and the insurance industry is responding to the needs of the business community by providing a variety of health-promoting insurance products and services. Among those efforts, the effect of health promotion medical insurance is drawing broad attention because of its incentivizing effect toward encouraging policyholders to adopt healthier behaviors. Here we evaluate the effect of this insurance by simulating healthcare costs and insurance claims payments, and assess whether underwriting this insurance will enhance the solvency of and improve profitability for insurers. The results show that healthcare costs and claims payments are expected to fall and the solvency ratio to visibly increase even if the insurance company grants the full amount of the expected claim reduction to the policyholders. On the other hand, profitability may not be increased in this situation.

Articles

An Introduction to Financial Data Science

Teruo Nakatsuma

In this paper, we first review the technological innovations that have supported the data science boom in recent years, and discuss the importance of applying machine learning and other data science methods in financial practice from the perspective of seeking alpha and the information efficiency of financial markets. We then introduce notable examples of alternative data applications in finance, and discuss challenges and cautions in implementing data science methods, as well as future directions.

Estimating Natural Rate of Interest in Japan Using a TVP-VAR-SV Model

Hirofumi Suzuki, CMA, CIIA

Contact point: im11f029@gmail.com

This note provides a summary of prior research on estimation methods for determining the natural rate of interest, with a specific focus on studies conducted in Japan. It proceeds to employ the TVP-VAR-SV model to estimate Japan's natural rate of interest. The findings indicate that the estimated natural rate of interest has persisted at just below zero following the impact of the Covid-19 shock. When taken into account alongside the filtered trend and potential growth rate, it can be inferred that Japan's natural rate of interest by the end of 2022 hovers at around zero percent.