The Clouds Covering the Healthcare Business are not Always Grey: Welcoming the Future of Indonesia’s Healthcare Business in 2019

The availability of Healthcare BPJS as part of the JKN-KIS (Indonesian national health insurance) program has inevitably ushered in an unstoppable evolution in the field of healthcare. Various questions have emerged, as well as statements that are both optimistic and pessimistic. Steve Aditya, Deloitte Indonesia’s Leader for Life Science and Healthcare, describes the current condition of the healthcare business map along with the various challenges it faces and puts forward potential solutions. This former healthcare sector practitioner, who has moved between the fields of consulting and healthcare for more than 15 years and specializes in developing risk-based strategies, market-entry strategies and providing analysis, sees many opportunities in the midst of the ongoing evolution. What are those opportunities? What are the challenges being faced?

How is the condition of the healthcare business in Indonesia today? Is it quite gloomy for private players given the target of achieving 100% Universal Health Coverage by 2019?

We surely must remain optimistic. Let’s see, in 2020 Indonesia will enjoy a demographic bonus, with the majority of the population being young people of productive age. The raising middle class population in productive age (according to BPS/Indonesian Central Statistic Agency is between 15 years to 64 years old) create a change in habit and lifestyle (preventive healthcare), this is estimated a need for wider and better healthcare services in the country. The tax generated from the productive age population will also help the country to cover the health cost of elderly and children. As a result of this bonus in 2020, by 2035 the population of elderly people will increase. This will put pressure on the Government to cover the healthcare cost, as we have seen in other countries, like in Japan and in some European countries.

Another factor, of course, is that rapidly developing technology has pushed Indonesia to shift towards digitalization.
 can be an opportunity for foreign investors to provide healthcare services in the Indonesian market, especially if we look more deeply at the trend towards healthy lifestyles that has yet to be adopted by the majority of the urban middle class. Data released by the WHO (World Health Organization) is quite troubling: more than 73% of Indonesian men over the age of 15 are smokers! This condition is certainly worrying in terms of healthcare in general, both at this time and in the future. This also means that a significant level of additional healthcare services are needed.

Looking at global economic trends and their impact on Indonesia, will healthcare expenditures continue to increase?

Based on predictions from the World Bank in 2018, Indonesia will continue to enjoy relatively constant growth compared to predictions of global economic trends in the next few years. Developed countries such as the United States, the European Union countries and Japan, face many challenges that may result in a reduction in global economic growth and demand. Meanwhile, growth in China is expected to slow down in the next few years. In terms of healthcare spending, Indonesia's ranking is still far below that of neighboring countries. Healthcare spending (as a percentage of GDP) in Indonesia is only around 2.9%, which is lower than Malaysia with 4.2%, India which is 4.7%, Singapore at 4.9%, and even Thailand with 6.5% and Vietnam with 7.1%.

Projections from BPS (the Indonesian Central Statistics Agency) indicate that 66.6% of the population in Indonesia will live in urban areas in the western part of Sumatra and especially in Java. The estimated population in 2020 in these areas will total 272.9 million, of which 141 million will represent middle and upper class segments. As many as 6% of this total will be over the age of 65 and therefore it is estimated that healthcare needs will further increase. The government's healthcare spending between 2013 and 2018 achieved a CAGR (Compound Annual Growth Rate) of 12.1%, while the percentage of government spending compared to overall expenditure is 19.2%.

What about the current healthcare infrastructure? Does the trend make it possible to cover healthcare services for so many citizens?

Indonesia's healthcare profile data from the Ministry of Health in 2016 shows that there are only 1.10 beds per 1,000 people in Indonesia, and 0.16 doctors per 1,000 people. According to Indonesian Health Profile 2016 by Ministry of Health, the number of doctors available is below every other ASEAN country (Cambodia, Laos, Thailand, Myanmar, Philippines, Vietnam, Malaysia, Brunei and Singapore). Data in 2017 show that there were 2,776 hospitals in Indonesia, consisting of 1,009 public hospitals and 1,767 private hospitals. These statistics show that healthcare infrastructure in Indonesia is still dominated by private players. Presently there are seven major private players in the hospital sector, including: Siloam International Hospitals, which currently has 35 hospitals and is building or planning the construction of 15 other hospitals. Another player is the Sejahteraraya Anugerahjaya Group, which operates the Mayapada Hospitals. The group has 4 hospitals that are in the process of being enlarged and will add another 48 hospitals over the next few years. The Sarana Meditama Metropolitan Hospital Group, which operates the Omni Hospitals, currently has 3 hospitals and plans to build one new hospital. The Mitra Keluarga Karyasehat Group currently has 13 hospitals and is planning 17 other hospitals. The Asial Bros Hospital Group currently has 16 hospitals and there will be 6 to 8 new hospitals under the umbrella of this group. Hermima Hospital Group currently has 30 hospitals and there will be 10 other hospitals that will provide services to the people of Indonesia. Last but not least, there is Ciputra Development, which has 3 Ciputra hospitals and is planning to construct 12 new hospitals.

From this picture, we can see that the opportunity is still quite large and the healthcare industry is still wide open for industry players, and it turns out that the private players have seen this opportunity and will not let it go in vain. We also must be keen to identify similar opportunities in this industry.

In your opinion, will the presence of the JKN-KIS Program including Healthcare BPJS force the majority of existing private players to change their business models?

Let's take a look at this situation proportionally. The JKN-KIS Program is part of the Healthcare Road Map in Indonesia. In the past, there was PT. Askes serving the healthcare of civil servants, PT. Jamsostek serving private employees, and PT. Jamkesmas serving low-income communities (MBR). In 2014 the three of them merged into Healthcare BPJS, which then held the JKN Program, which has now become the JKN-KIS Program. The objective is to fulfill Article 28H paragraphs 1, 2, 3 and Article 34 paragraphs 1, 2, 3 of the 1945 Constitution, and also comply with Pancasila, as the basis of our country. Obviously, the goal is for social justice and shared prosperity. The JKN-KIS Program not only fulfills this goal from one perspective, but on the other hand it also encourages evolution in the healthcare industry, including restoring the functions and duties of healthcare workers as a whole and encouraging the healthcare industry to be more efficient and effective. In this context, healthcare providers, both state-owned and private, and the pharmaceutical industry must prepare themselves and offer more affordable services.
What do you think about the issue of the funding deficit that is confronting Healthcare BPJS presently?

The government and the private sector are not just sitting idly by in responding to this challenge. To reduce this burden in the future, the government has established an initiative called Coordination of Benefit (CoB), which will be conducted in collaboration with private insurance companies in Indonesia. So far, 30 insurance companies have collaborated with BPJS through the CoB scheme. I can mention some companies here: AIA, Allianz, Astra Aviva, AXA Mandiri, Asuransi Takaful, Avrist and other insurers. This scheme is still in the finalization stage and will be launched later in 2019.

How does the mechanism of this CoB scheme work?

In CoB, patients can have an insurance cover other than BPJS. One condition is that this other insurance must be obtained from insurance companies who are included in the list of insurance firms that have joined the CoB scheme. If the company joins this scheme, the patient still has to follow a referral tier system. BPJS will pay for medical service procedures in accordance with INA-CBG. Then - herein lies the privilege - the excess between the total cost for a procedure and INA-CBG will be borne by the private insurance company. So, the CoB scheme requires patients to follow binding rules of both BPJS and the top-up policy issued by the private insurance company or follow the step-by-step procedures in order to be able to obtain reimbursement for their healthcare costs.

Apart from BPJS healthcare, what will be the hot issue in 2019?

Clearly, one is about digital health services! In 2017 there were approximately 104.96 million Indonesians accessing the internet. This country is the fifth largest country for online markets globally! However, it is still a challenge for the Indonesian healthcare sector to truly transform healthcare services through technology. Like other industries, the field of healthcare services has also undergone changes through the use of technology. Applications cover a wide range of healthcare services, including remote consultations, diagnosis, prescription writing, patient experience and storage of health data. The benefits of digital implementation in healthcare services, among others as follows: enables to predict trend of diseases that open opportunities in better planning, cost reduction through the use of technology, improved services in transfer know-how, better experience and accuracy of diagnosis, equality in accessing healthcare services throughout the country, and reducing waiting time when accessing health service.

In terms of planning, electronic medical data allows people to predict disease trends, while in terms of costs, the use of technology enables cost reductions in healthcare services themselves and also in additional costs related to these services (for example, transportation for healthcare providers, and other related costs); in terms of service quality, there will be a transfer of knowledge, better experience and accuracy of diagnosis, while in terms of time, with digital technology, waiting times are slashed; then in terms of equality, healthcare services with digital technology allow services for everybody, without regard to social level, racial and gender differences, and many other obstacles that have been limiting all this time. Nevertheless, it does not mean that digital services are without challenges; in Indonesia the problems of community acceptance, connectivity and resources have often created impediments in accessing digital healthcare services.

Based on a survey conducted by Deloitte Indonesia in 2018, 70.2% of respondents had never accessed digital healthcare services due to their distrust of the platform; they still preferred to rely on face-to-face consultations. Patients still had doubts about accuracy of diagnosis, legality and also privacy. In a digital healthcare service seminar held by Deloitte Indonesia on 22 November 2018, Legal Consultants from Bahar and Chapter ID, an institution that focuses on health policy and reform, , along with speakers from the Ministry of Health, acknowledged that currently regulations concerning digital healthcare services are still limited, and they are in the process of being deliberated among related institutions. What is clear is that the three challenges stated above constitute homework for the industry, the community, as well as the government..
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Predictions has been published annually since 2001. In the latest edition, Deloitte Southeast Asia's TMT practice has once again included its “Southeast Asia perspectives” alongside with four of the global TMT predictions. Through a series of focus group discussions conducted by Deloitte Southeast Asia with 77 millennials across the three regional markets of Indonesia, Philippines and Singapore, we offer some insight into how global developments may take a different course or growth trajectory within the region due to its unique characteristics. This year's prediction theme is evolution rather than stasis. The high data speeds and low latency 5G provides could spur the evolution of mobility, health care, manufacturing, and nearly every industry that relies on connectivity. In this report, we are also discussing about eSport with big implications for media companies and advertisers. In this report predictions about 5G networks that will be launching in 2019. Please contact us if you are interested to receive a copy of this report.

Indonesia, the most populous country in Southeast Asia, has always been a core market of interest for retail business. In this fifth edition of the Deloitte Consumer Insights report, we reflect on some of the latest consumption patterns among Indonesian consumers that we identified from the results of a survey conducted in 2018. Our survey indicates that there are potential shifts in the Indonesian market as compared to previous years. A decline in personal spending has influenced products in the Basic Necessities cluster, particularly the Fresh Food and Packaged Food category. There are also signs that Chinese brands may be successfully positioning themselves across different income levels with certain Electronic Products. Please contact us if you are interested in obtaining a copy of this report.

This eHealth thought leadership paper aims to deliver an outlook and recommendations for Indonesian regulators, policy makers, academics, business owners and users about future trends in the Indonesian healthcare system. As a developing country, Indonesia continues to experiencing relatively rapid economic growth. However, rapid growth brings with it certain increasingly complex challenges. Currently, Indonesia is in the midst of several transitions; ranging from demographic, epidemiological, in information systems to technological changes. With all of these changes, stakeholders are required to review and renew existing policies and systems in order to be respond to the potential changes in macro-economic conditions which are likely to arise in the near future. Please contact us if you are interested in receiving a copy of this important report.
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