

## 2015 health care outlook Southeast Asia

Health care demand in Southeast Asia (SEA) is increasing rapidly, driven by population growth rates that are expected to outstrip those of other geographies, and an epidemiological shift from infectious diseases to a chronic disease pattern matching western markets.

Most of SEA's spending on health care comes from the public sector (sometimes augmented by state-run insurance funds and personal expenditures), and many of the region's fiscally constrained governments are finding it challenging to meet their citizens' escalating needs, as evidenced by a sampling of countries' current and projected health care spending patterns.

A raft of health care Private Equity (PE) activity is demonstrating the increasing importance of the SEA health care sector, with Singapore, Malaysia, Vietnam, and Thailand top geographies for recent deals. Hospital-based businesses (general medical and surgical facilities) were the main focus of deal activity, accounting for 60 percent of transactions during 2004-2013.<sup>7</sup>

**Malaysia**  
Estimated health care expenditure:  
**\$13.7 billion in 2013**  
Health care as a share of GDP:  
**4.4 percent in 2013<sup>1</sup>**

**Singapore**  
Estimated health care expenditure:  
**\$11.6 billion in 2013**  
Health care as a share of GDP:  
**3.9 percent in 2013<sup>2</sup>**

In Malaysia, estimated health care spending was equivalent to 4.4 percent of GDP in 2013. That proportion is expected to rise slightly, to 4.5 percent, by 2018 as spending growth outpaces economic expansion. In dollar terms, the nation's health care spending is projected to rise by an average of 10.5 percent a year, growing from an estimated \$13.7 billion to \$22.9 billion by 2018.<sup>3</sup> Continued spending growth will help to offset demand, as Malaysia's elderly increase in number, continued urbanization spawns western lifestyle diseases, consumer awareness of health care services grows, and access to these services is improved.<sup>4</sup>

Spending on health care in Singapore is relatively low as a proportion of GDP, at an estimated 3.9 percent in 2013, and is projected to remain stable in 2014-2018.<sup>5</sup> The city state's total health care spending during the period is estimated to rise 8.9 percent annually, from \$11.6 billion in 2013 to \$17.8 billion in 2018. Unlike many of its neighbors, most of Singapore's spending on health care comes from private-sector savings and state-run insurance funds, although direct government spending on health care has risen sharply in recent years.<sup>6</sup>

<sup>1</sup> *Industry Report, Healthcare: Malaysia*, Economist Intelligence Unit, April 2014

<sup>2</sup> *Industry Report, Healthcare: Singapore*, Economist Intelligence Unit, July 2014

<sup>3</sup> *Industry Report, Healthcare: Malaysia*, Economist Intelligence Unit, April 2014

<sup>4</sup> *Ibid*

<sup>5</sup> *Industry Report, Healthcare: Singapore*, Economist Intelligence Unit, July 2014

<sup>6</sup> *Ibid*

<sup>7</sup> Thomson Banker, Al Masah Capital Research

While the level of per-head health care spending in the Philippines is one of the lowest among the SEA's major economies, spending as a proportion of GDP, at 4.6 percent in 2013, is similar.<sup>8</sup> Because of weak public financing, however, that share is likely to dip to 4.5 percent by 2018. Meanwhile, spending growth is projected to average 8.0 percent annually, increasing from an estimated \$12.5 billion in 2013 to \$20.0 billion in 2018.<sup>9</sup> The Filipino government has promised to respond to the growing need to improve health care coverage, and this promise came one step closer to reality with the 2013 passage into law of the Universal Healthcare Bill, which promises health insurance for all Filipinos, especially the very poor.

At an estimated 3.3 percent of GDP in 2013, Thailand spends proportionately less on health care than the Philippines, Malaysia or Singapore, but more than Indonesia (at 2.8 percent in 2013).<sup>10</sup> Thailand's health care spending is estimated to rise by 8.0 percent a year in 2014-18 to reach \$18.7 billion, up from an estimated \$12.8 billion in 2013. Thailand's health care system continues to struggle to meet demand following the 2001 introduction of a universal health care system. However, because the government is working to reduce a budget deficit, health care's share of GDP is expected to remain flat, despite population growth and rising demand.<sup>11</sup>

Many of the economies in SEA are struggling with a relatively underdeveloped public health care system. The region has a chronic shortage of medical personnel: the average number of physicians in SEA is 0.6 per 1,000, lower than that in developed economies such as the UK (2.8), Germany (3.7), and the U.S. (2.4). Additionally, the number of dentists and nursing and midwifery personnel is much lower than that in developed economies.

Indonesia's situation is representative of SEA's personnel shortage. The country has only 0.2 doctors per 1,000 people. From an infrastructure perspective, Indonesia has only 0.6 hospital beds per 1,000 population when compared to the global average (three beds per 1,000 population) and that in OECD countries (five beds per 1,000 population).<sup>12</sup>

While much of SEA's public health care sector struggles with growth and funding issues, the region's private health care market continues to enjoy solid growth, especially in the more developed areas such as Singapore, Malaysia, and Thailand. Major players in these geographies offer world-class services to both local and international patients. Building on the reputation of Singapore's healthcare services, which has been bolstered by the city state's growing clinical-research and biomedical industries, the government is promoting its health care industry as a regional center of excellence for general surgery and medicine and specialist services, including cardiology and organ transplants.<sup>13</sup>

The SEA region has an active medical tourism industry, due to its balance of quality and advanced medical care/technology and relatively affordable cost compared to the rest of the developed nations. This is why less-developed countries like Indonesia lose a significant share of their domestic health care market spending; Indonesian residents travel to neighboring countries like Singapore and Malaysia to seek medical treatment — nearly 1.5 million Indonesians comprise overall medical tourism numbers, with a corresponding outflow of \$1.4 billion yearly.<sup>14</sup>

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<sup>8</sup> *Industry Report, Healthcare: Philippines*, Economist Intelligence Unit, June 2014

<sup>9</sup> *Ibid*

<sup>10</sup> *Industry Report, Healthcare: Thailand*, Economist Intelligence Unit, April 2014

<sup>11</sup> *Ibid*

<sup>12</sup> World Health Organization, *World Health Statistics 2013*

<sup>13</sup> *Industry Report, Healthcare: Singapore*, Economist Intelligence Unit, July 2014

<sup>14</sup> The Association of Indonesian Tour and Travel Agencies



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