

ASEAN Research Digest

SPECIAL EDITION

Research Partner:

FROST & SULLIVAN

 HEALTHCARE
+ LIFTING-THE-BARRIERS REPORT



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ASEAN SHOULD FOCUS ON HEALTH TOURISM, ASEAN-WIDE HEALTH INSURANCE, AND TALENT MOBILITY

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OVERVIEW



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HEALTHCARE



INFRASTRUCTURE



AIR
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FINANCIAL
SERVICES &
CAPITAL MARKETS



TOURISM

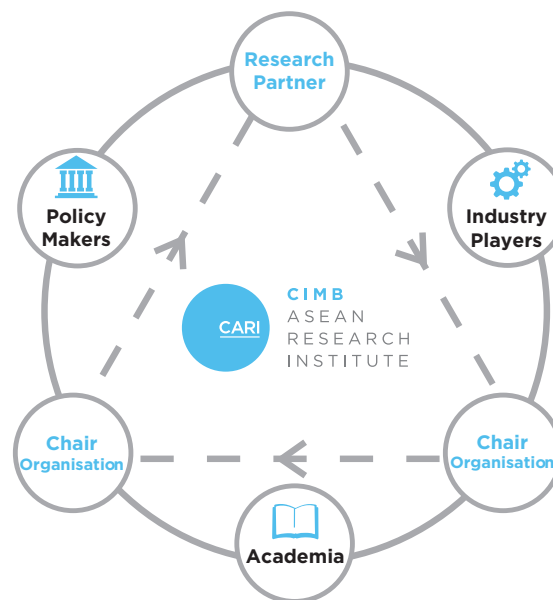
Research objectives:

The CIMB ASEAN Research Institute (CARI) in collaboration with the ASEAN Business Club (ABC) launched the Lifting-The-Barriers Initiative (LTBI) in 2013 as an integrated year long research platform involving core research as well as stakeholder engagement.

The objective was to adopt a vertical approach by means of identifying bottlenecks and barriers hindering free trade of prioritised sectors in the context of the ASEAN Economic Community (AEC).

The LTB Initiative 2015 targets six identified sectors which have pressing relevance to the business landscape in ASEAN and will play a major role in the successful formation of the AEC. The six sectors were Retail, Healthcare, Infrastructure, Air Transportation, Financial Services & Capital Markets and Tourism.

RESEARCH STRUCTURE



Two leading **ASEAN corporations** were selected to champion each sector, providing the direction and experiential insight into their industry. The input from these champions, or chair organisations, were key to understanding the issues faced by industry stakeholders and to develop the recommendations as part of the discourse.

CARI's Research Working Committee and its Strategic Advisors also worked closely with each of the six nominated Research Partners in producing these reports.

The Research Partners were either top management consulting firms or academic institutions who provided the technical knowledge and quantitative analysis required.

METHODOLOGY

The Lifting-The-Barriers Initiative (LTBI) is divided into four phases.

PHASE I

PRELIMINARY RESEARCH

Core research and compilation of qualitative and quantitative input from targeted sectors.

PHASE II

ABC FORUM



LTB Roundtables



Plenary Sessions

PHASE III

LTB REPORTS

The final outcome, a set of white papers, for ASEAN policy makers and community to effect real changes in the region.

PHASE IV

FINDINGS SOCIALISATION

The findings from the LTB reports will be prioritised and presented to various stakeholders including policymakers.



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Title of Study: Lifting the Barriers Report: Healthcare
By: Frost & Sullivan Published by: CARI, May 2015

FROST & SULLIVAN

BACKGROUND

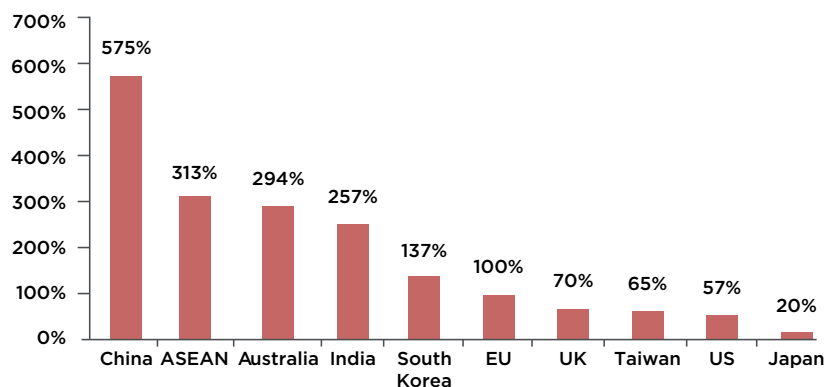
Research objective:

To explore the challenges and barriers of ASEAN healthcare sector integration and provide suggestions for paving the way forward.

ASEAN - THE GROWTH STORY

- ASEAN has the second highest GDP growth rate in the world.
 - The size of the economy of ASEAN has more than quadrupled since 2001.

GDP growth rate of selected economies 2001 - 2013

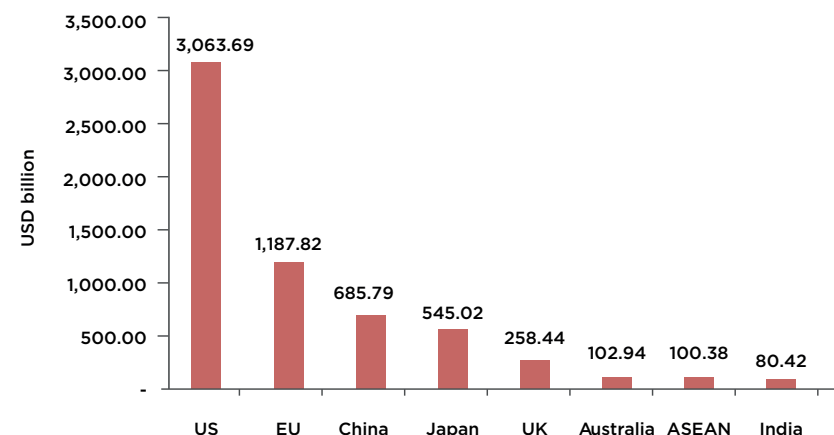


Source: Asia Matters for America, World Bank

- The growth opportunities of the healthcare sector are huge as the ASEAN nations consist primarily of emerging markets, with over 600 million people.
- ASEAN is slowly evolving into a manufacturing base for low cost manufacturing of generic drugs and medical devices.
 - ASEAN's natural resources and diversity in flora and fauna provides a unique environment that encourages production and research.
- Government policy will be a major driver for the ASEAN market to develop further.
 - Majority of the ASEAN Technical Submission Common Dossier has been agreed and conformed to, for both pharmaceuticals and medical devices.
 - The ASEAN Economic Community (AEC) will see gradual impacts on the manufacturing and distribution markets, and trade of services.

- ASEAN's healthcare expenditure is estimated to have been more than US\$100 billion in 2015, slightly below Australia but more than India.

Forecasted Healthcare expenditure by major economies 2015



Source: IMF, World Bank

AEC - QUEST FOR ONE MARKET REPRESENTING ALL OF ASEAN

- The AEC aims to create a single market and production base by reducing barriers to trade through a non-binding agreements framework.
 - The framework works in sync with open skies as well as Mutual Recognition Agreements (MRAs) for standardised qualifications.
 - ASEAN will be able to tap into the potential of liberalising trade of pharmaceutical and medical products and services, as well as the flow of skilled labour such as physicians, medical technicians and nurses.
 - This can change purchasing patterns to regional transactions, as well as remove barriers for services from other countries to help support lacking domestic services in a particular ASEAN country.
- The AEC will impact ASEAN's healthcare sector by:
 - fostering understanding for member nations' trade perspectives,
 - addressing regulations on market accessibility,
 - enabling more competitive manufacturing,
 - allowing AMS to tap into ASEAN's large demographics.



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Three main channels the AEC will impact ASEAN's healthcare sector

1 Increasing Intra-ASEAN Trade And Investment

- ▶ Tariff elimination
- ▶ Decrease of non-Tariff measures
- ▶ Standards and conformance
- ▶ Logistic service improvement
- ▶ Investment and financial infrastructure

2 Increasing Intra-ASEAN Trade And Investment

- ▶ A standardised health services in technology and understanding
- ▶ Interconnected health database across nations
- ▶ E-Learning and Training

3 Improving Human Resources Capability + Licensing

- ▶ Trade in services of medical technologists
- ▶ Trade in nursing services
- ▶ Trade in doctoring services
- ▶ Training and skills certification
- ▶ Language barrier and certification
- ▶ Licensing harmonisation



KEY FINDINGS

CHALLENGES ALONG THE WAY

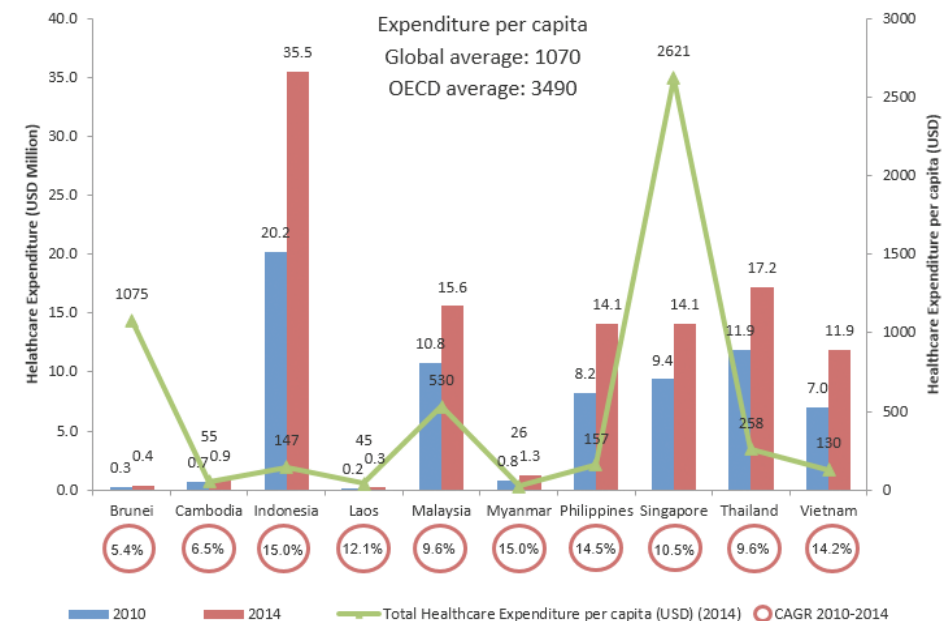
- Harmonisation of standards and mutual recognition of certification will allow for procedure and practice streamlining in the region.
- Healthcare expenditure per capita remains far below the global average in most countries despite the double digit growth in total healthcare expenditure.

Harmonisation of Qualifications and Standards

- The Pharmaceutical Product Working Group and Medical Device Product Working Group have been contributing to the development of the ASEAN Common Technical Dossier.
- The Product Working Group for Traditional Medicines and Health Supplements contributes towards the traditional medicine market.
- While the processes in each country include compliance to the Technical Dossier, it does not address the protectionism of one's own market.
 - ▶ Although governments are ready to test their domestic products against international standards, not many are ready to remove all trade barriers.

- The flow of medical staff is limited due to language boundaries and educational standards.
 - ▶ The risk of misunderstandings during treatment limits the services that can be shared.

Total healthcare expenditure and ASEAN health expenditure per capita



Source: Frost & Sullivan

Tax And Law Structure

- Each ASEAN member has its own tax structure that it imposes on manufacturers, distributors and the medical professionals.
- Intra-ASEAN national disputes will provide additional concerns for the legal sector for standardising a highly regulated market such as healthcare.
- In addition, many ASEAN members limit share ownership by non-local industry stakeholders, creating a non-level playing field.

Economic Issues

- There is a wide disparity between ASEAN member countries in terms of quality, accessibility and affordability, which reflects in differing business risk environment in member countries.
- As the market becomes more open local industry will be impacted due to increased competition.



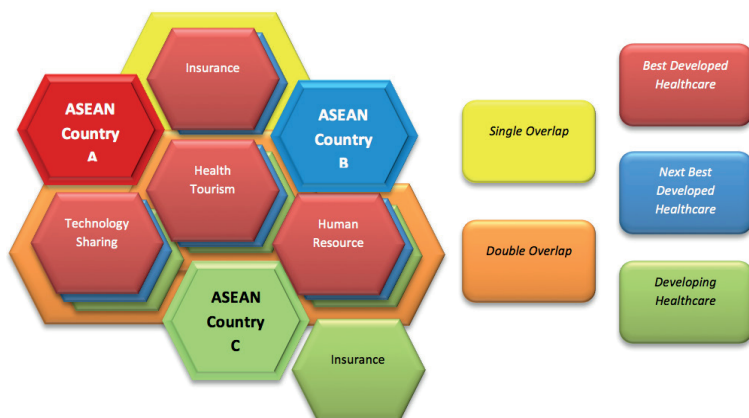
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LIFTING THE BARRIERS - PAVING THE WAY FORWARD

- Despite the challenges, there are great opportunities for the future of the healthcare sector.
- Shared benefits and capabilities spur economic activity within the region, where markets are similarly developed.
- The next step will be to enable the less developed ASEAN members.

Shared benefits across some ASEAN nations



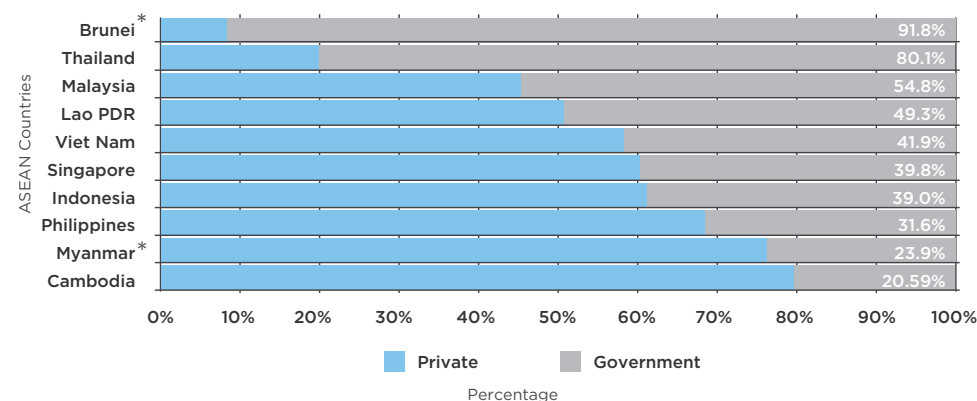
Country	Benefits
Country A	<ul style="list-style-type: none">Increase in Technology and trained talentIncrease in FDI from countries B and CTalent exchange to boost own healthcare industry
Country B	<ul style="list-style-type: none">Increase man power and access to country A market sharePotential investment in country AQuality health tourism for high value customers
Country C	<ul style="list-style-type: none">Increase man power and access to country A market sharePotential investment in country AQuality health tourism for value-priced customers

- Some of the ASEAN nations have multiple shared sectors or established relations to each other.
 - Human resource sharing includes employment of other ASEAN nationalities.
- A full integration of the AEC will see total integration of the above figure inclusive of insurance in all the ASEAN member nations.

1. Health Tourism

- Travel and tourism will enable more exchange and business opportunities.
- Private healthcare spending is higher than public spending among the ASEAN nations with the exception of Brunei, Thailand and Malaysia.
- Further opportunities arise for:
 - Increasing market coverage across ASEAN.
 - Branding specialisation across border.
 - Partnership with the travel and hospitality industries.

Private and public healthcare funding by percentage



Source: World Bank

*2012 data based on latest information available.

- Differences in the level of healthcare delivery in the ASEAN countries provide opportunities in health tourism for those countries with better healthcare facilities and talents.

2. ASEAN Insurance

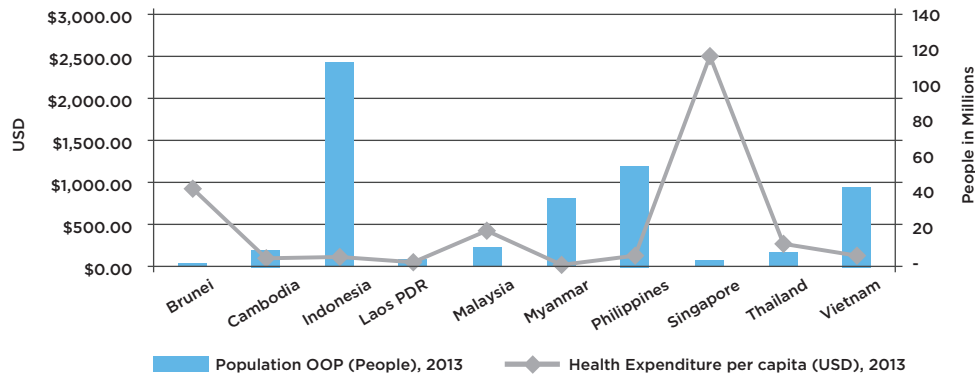
- Insurance companies can extend their policies to cover healthcare fees across the ASEAN region as another step towards ASEAN integration.
- Currently insurance shared claims are possible in between certain countries, but are no possible in others.
- By combining the ASEAN countries, an ASEAN wide insurance coverage will have a market of about 625 million people.



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Health Expenditure per capita and population OOP in ASEAN - 2014



- There are huge differences between ASEAN members in the out-of-pocket (OOP) population and healthcare expenditure per capita, as can be seen from the above graph.
 - Indonesia has the highest population OOP or almost 120 million people.
 - Singapore has by far the highest health expenditure per capita, or about US\$2500.
- Additional health and wealth opportunities for insurance across ASEAN will provide better outlook for policy holders. Investment-linked health insurance may also provide regional development investment opportunities from selected emerging economies. The roundtable participants view ASEAN integration of insurance is important to fuel health tourism, as well as support talent mobility.

3. Human Resources

3.1. Talent Development

- Overall, the healthcare industry in ASEAN faces talent shortages but these shortages are unique to each country. The workforce in ASEAN healthcare requires:
 - More effective talent distribution among the member nations,
 - Recognised ASEAN education accreditation standards across the region that meets the expectations of private and public practice.
 - Adaptable talent to the different ASEAN countries' language and culture.

3.2. Mobility

- Talent exchange among the ASEAN nations will help solve the lack of talent in certain countries.
 - Although language barriers still limit certain countries, such as Thailand, many hospital groups in ASEAN share little roles apart from management and purchasing across borders.

Example of centralised human resource capabilities in a private hospital operating in two different ASEAN countries showing two centralised roles.



*Support staff includes medical technologist, nurses and other medical supporting roles

- Exchange of support services, with centralisation of laboratories among the healthcare providers in specific countries may save on cost and provide learning benefits.
- Exchange by supply of manpower, such general practitioners in Indonesia from Malaysia, while helping solve the shortage of specialists in Malaysia by facilitating specialist services from the Philippines.

4. Technology Development

- ASEAN countries are open towards new technology, reflected in the policies for technology, healthcare, robotics and IT. Basic health coverage on the other hand still requires development, partly due to the geography, manpower and rural development rate.
- The industrial policies governing technology in ASEAN allows access to robotics and Healthcare-IT, allowing a more holistic healthcare development and entry. However, in the emerging economy of varying levels of development in ASEAN, expansion of basic healthcare is still the priority.



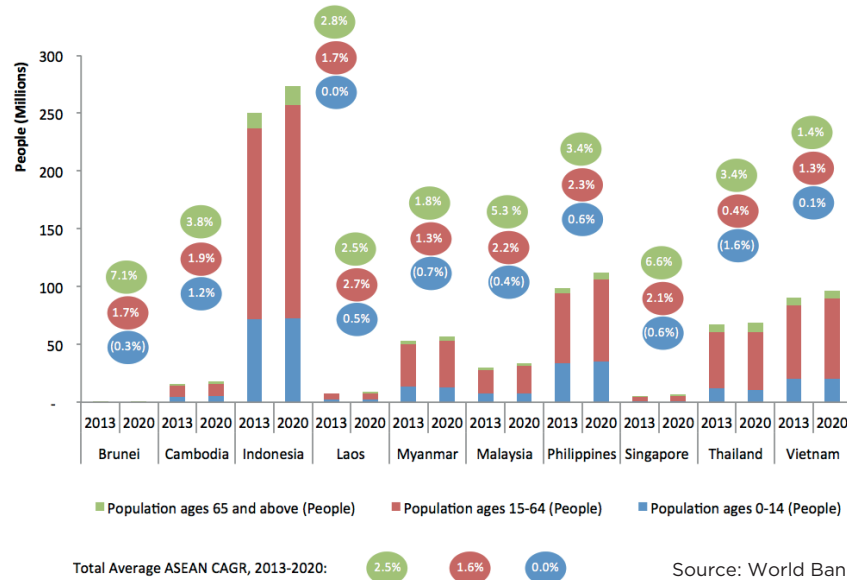
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5. Aging Society

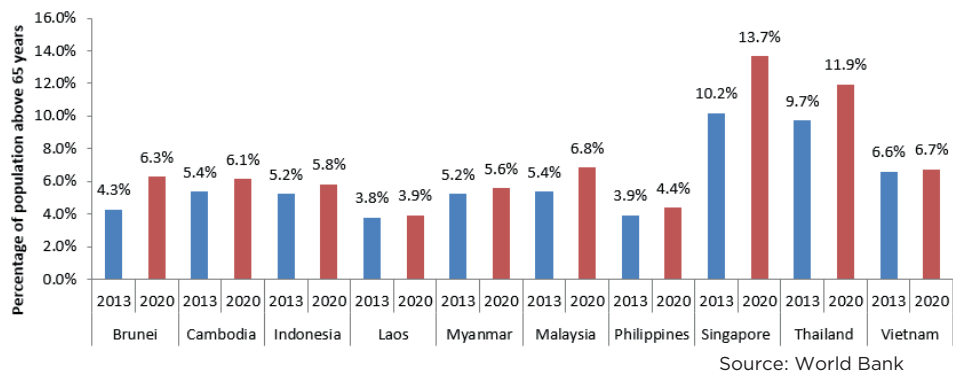
- The aging society in ASEAN will place new demands on the healthcare systems with the CAGR trend of the above 65 year age group being higher than other age groups.

ASEAN Population Growth Forecast by Age Group, 2013-2020



- The compound annual growth rate (CARG) of population ages 65 and higher is 2.5%, while it is 1.6% for the 15-64 age population group and zero for the 14 years and younger age group.

ASEAN Proportion of Population Aged 65 Years and Over 2013-2020



- As population aging trends show, six out of the ten ASEAN countries will have more than 6% of the population above 65 years of age by 2020, and Singapore and Thailand are expected to have even higher values of 13.7% and 11.9%, respectively.
- Healthcare services for the elderly is therefore an issue that needs to be taken into serious consideration.

6. The ASEAN Brand

- Companies can segment themselves using an ASEAN branding instead of belonging to an individual country or Southeast Asian group.
- Doing so will increase regional awareness to view the ASEAN market as a whole.
- The government can create pioneering benefit policies to encourage private and public partnerships in the rebranding effort.
- The e-Health system in Vietnam, if implemented with adaptability to communicate with the rest of ASEAN health networks, will see a united synchronised health management system.

FUTURE CONSIDERATIONS

- The LTB roundtable discussed the future of ASEAN healthcare and steps towards its integration were discussed. Five suggestions were proposed:

1. Mutual Recognition Agreement for human resource exchange.
2. ASEAN Innovative Healthcare Council to address public and private healthcare development.
3. More public and private partnerships to increase and promote healthy lifestyle.
4. Healthcare companies to balance societal needs and needed profits by government assistance.
5. Certification of insurance companies to set a level of healthcare quality across ASEAN.



1. Mutual Recognition Agreement for human resource exchange.

- The lack of skilled labour is hindering economic growth in hospital services as well as research and development in ASEAN.
- The roundtable participants believe the situation can be improved with talent exchange among countries.
 - ▶ For example: the Philippines, which is scarce with general practitioners but strong in specialists, can exchange with Malaysia which has many general practitioners, but lacking in specialists.
- Talent exchange backed by the medical council was suggested to expedite the flow of talent as opposed to individuals seeking opportunities in the other ASEAN nations. This also will help contribute to a people-centred AEC.

2. ASEAN Innovative Healthcare Council to address public and private healthcare development.

- The LTB roundtable discussed non-competitive innovations, and an ASEAN trademark that will strengthen public awareness and sense of ownership to ASEAN.
- Both public and private healthcare will need to innovate in terms of language barriers, as well as putting in funding and management as a collective.
- Quick opportunities exist in relabeling by-pass fundamental differences within ASEAN member states, focusing on conformed regulations.

3. More public and private partnerships to increase and promote healthy lifestyle.

- The LTB discussions also focused on the promotion of healthy lifestyles, which could reduce treatment and thereby reducing government healthcare costs.
- Increased accessibility and the betterment of functional health were attributed to three main components:

Governance	Government needs to push preventive healthcare. Sin tax for unhealthy products such as tobacco and alcohol and promotion for healthy lifestyle.
Health Financing	Taxes from sin tax to aid in funding for non communicable disease prevention and cure.
Health information system, medical technology and service delivery	To aid in database synchronising patient information to aid administration of health across ASEAN.

4. Healthcare companies to balance societal needs and needed profits by government assistance.

- There is a huge difference in the costs of seeking treatment between the ASEAN member states.
- Many private hospitals groups in ASEAN are listed companies, meaning investors are expecting profits to deliver earnings to the shareholders, which in turn affect the patient and costs for healthcare in the whole country.
- In the efforts to raise the standards of healthcare, costs for healthcare subsequently increases.
- Its important to find the right balance between standards and costs claimable by insurance to ensure the population are able to get appropriate treatment via affordable insurance policies.

5. Certification of insurance companies to set a level of healthcare quality across ASEAN.

- The insurance companies can certify hospitals, or groups of hospitals within ASEAN that achieve a set of credibility of quality of service.
- Having the ability for insurance policies to claim across ASEAN will allow patients to seek more affordable care, as well as take opportunity in countries where healthcare fees are regulated or capped.

CONCLUSIONS

- The ambitious ASEAN vision has faced obstacles to reach its full potential.
- However, the development of policies in the healthcare sector has successfully made medical devices, pharmaceuticals and soon to be traditional medicines conformity goals throughout ASEAN.
- In view of the broad scope of collaboration required by each country, a coordinated approach using the first three LTB considerations will propel the ASEAN Innovative Healthcare Council in pushing the development of the ASEAN healthcare industry, providing the basis to achieve the vision of the AEC Blueprint.

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