Foreword

The following report is part of a series which attempts to provide a detailed analysis on the ASEAN Economic Community (AEC) Blueprint 2025. Each report will cover a single element of the blueprint, providing a comprehensive look at past achievements, present problems, and the future plans of the AEC. Special attention will be placed upon the strategic measures outlined in the AEC Blueprint 2025. This report aims to provide insight into the viability surrounding regional economic integration under the AEC.

ASEAN Cooperation in Healthcare

Cross-border provision of healthcare services in the ASEAN region has blossomed during the last few years with the emergence of medical tourism, particularly in Malaysia, Singapore and Thailand. The positive economic growth experienced by the region has allowed more people to seek medical services elsewhere to get the best treatment possible. Under the ASEAN 12 priority integration sectors that paved the way for the AEC development, one of the prioritised sectors is cross-border trade of healthcare products. It is then clear that ASEAN has recognised the healthcare sector as increasingly important in the development and establishment of the AEC.

In the AEC Blueprint 2015, healthcare services were mentioned as one of the four prioritised services sector to be substantially liberalised by 2010, together with air transport, e-ASEAN and tourism. Post 2015, with the increasing importance of healthcare, ASEAN member states have agreed to lay out the strategic measures to ensure that development and integration of this sector is systematically implemented. Health cooperation is also an area highlighted under the ASEAN Socio Cultural Community (ASCC) pillar as important to improve the regions resilience against diseases. Therefore, there may be some form of cross-sectoral cooperation in the healthcare sector in the future.

This report aims to review the progress made in the cooperation of integration in healthcare products sub-sector, and in the liberalisation of the healthcare services sub-sector. It will also attempt to analyse the measures under the AEC Blueprint 2025 and propose some recommendations that could improve the current implementation.

A. Targets under the AEC 2015 Blueprint

The AEC 2015 Blueprint did not outline specific strategies and targets for the tourism sector, but instead it is mentioned under other sectors, with those sectors committing to support the development of the ASEAN tourism sector. Those sectors include:

1) Free flow of services, where ASEAN is committed to remove substantially all restrictions on trade in healthcare services by 2010
2) Priority Integration Sectors, where integration in ASEAN healthcare sector has been identified as one of them, with a roadmap that combines specific initiatives of the sector and the broad initiatives that cut across other sectors

In addition, as mentioned before, the ASCC pillar covers ASEAN health cooperation. Under this area, the specific strategic objectives include (i) ensuring access to adequate and affordable healthcare, medical services and medicine, and promoting healthy lifestyles for the peoples of ASEAN, (ii) enhancing regional preparedness and capacity through integrated approaches to prevention, surveillance and timely response to communicable and emerging infectious diseases, and (iii) reducing significantly the overall prevalence of illicit drug abuse in the general population.
B. Significant Achievements To Date

- Since the AEC Blueprint 2015 does not prescribe any strategic measures and targets on the healthcare sector, the progress explained here will be limited to progress on the liberalisation of the sector.

<table>
<thead>
<tr>
<th>Area</th>
<th>Progress</th>
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| Last few years until today have seen a growing trend of medical tourism in the ASEAN region. Medical tourism is the best example of the second mode of cross-border services trade, which is consumption abroad. IPSOS Business Consulting reported that Malaysia, Singapore and Thailand have established themselves as the main centres for ASEAN medical tourism. During 2011-2012, medical tourism in these three countries attracted four million patients, generating a revenue of USD 8 billion. The largest growth has been experienced by the Thai medical sector, growing by 12 percent during 2011-2015. Foreign patients have become an important source of revenue. This has been encouraged by greater affordability since medical costs in the three countries are much lower than those in advanced countries (in the US, the costs can be seven to nine times more expensive).

- The next mode of services trade, commercial presence, requires that healthcare institutions, such as hospitals, set up branches or offices in other countries. Thailand’s leading hospitals, Bangkok Hospital Group and Bumrungrad International, have had presence in other ASEAN countries, including Cambodia, Myanmar and Vietnam. However, the same cannot yet be said for hospitals from other member states, whose hospitals have not really ventured to expand their operations in other countries. Many private hospital operators in ASEAN have experienced significant growth, making the region a top destination for medical tourists from around the world. Some of the hospital operators which were successful in their home countries include IHH Healthcare (Malaysia), KPJ Healthcare (Malaysia), Raffles Hospital (Singapore), Bumrungrad Hospital (Thailand), Bangkok Dusit Hospital (Thailand), Siloam Hospital (Indonesia), and Mitra Keluarga Hospital (Indonesia).

- With regard to the movement of skilled labors across the region, there were three relevant Mutual Recognition Arrangements (MRAs) under healthcare services. MRAs for medical and dental practitioners were concluded and signed on 26 February 2009, and the MRA on nursing services was signed on 8 December 2006. For nursing services, most ASEAN countries have allowed for foreign nurses to work in their jurisdiction provided that they can obtain a certificate of competency and a working permit. The most difficult is in Thailand where the competency examination is in Thai language.

- However, unlike other professions with ASEAN MRAs that have achieved competency standards and registration systems at the national and regional levels, the nursing, medical and dental services had not reached that level and member states were still working on their national regulatory adjustments, and therefore the expected free flow of healthcare professionals in the region did not materialised.

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1 Geared for health - ASEAN’s growing medical and healthcare industry by IPSOS Business Consulting (July 2015), p.4
2 Ibid, p.4
3 Opportunities in ASEAN’s Healthcare Sector
4 Yoshinori Fukunaga, Assessing the Progress of ASEAN MRAs on Professional Services, ERIA 2015, pp.19-20
5 Mohammad Faisal, AEC and congested labor mobility, 2016
C. Current Issues and Challenges

Healthcare Expenditure

The future of the healthcare sector in ASEAN is quite promising given the positive projection on the healthcare spending in the member states. By comparison, the average spending per capita in ASEAN is very low compared to that in advanced countries. For example, the average healthcare expenditure in the OECD countries was USD 4,471 in 2014, while the figure for ASEAN was only USD 643, suggesting a large potential for growth in the region. Figure 1 below describes the historical progress during 2010-2015 and the projected figures for 2015-2020. The chart on the left side of Figure 1 shows that there is a positive correlation between the compound annual growth rate (CAGR) of GDP per capita and that the CAGR of healthcare expenditure per capita and the level reached by ASEAN countries during 2010-2015 was lower than that of China. On the other hand, the chart on the right side of Figure 1 projects that between 2015 and 2020, ASEAN countries will experience higher growth than China and Australia with some countries introducing universal healthcare for most of the population.


7 Lifting the Barriers Reports, CIMB ASEAN Research Insitute, 2015, p.80
D. Plans under the AEC 2025 Blueprint

Under the new AEC Blueprint 2025, the cooperation in healthcare sector aims to promote the development of a strong healthcare industry that can contribute to better healthcare facilities, products and services to meet the growing demand for affordable and quality healthcare in ASEAN. This covers traditional knowledge and medicine, taking into account the importance of effective protection of genetic resources, traditional knowledge, and traditional cultural expressions.

The strategic measures under this sector include:

- Continue opening up of private healthcare market and public-private partnership (PPP) investments in provision of universal healthcare in the region.
- Further harmonise standards and conformance in healthcare products and services, such as common technical documents required for registration processes and nutrition labelling.
- Promote sectors with high growth potential such health tourism and e-healthcare services, which will not have negative impact on the healthcare system of each ASEAN member state.
- Promote strong health insurance systems in the region.
- Further facilitate the mobility of healthcare professionals in the region.
- Enhance further the development of ASEAN regulatory framework on traditional medicines and health supplements, through the setting of appropriate guidelines or frameworks.
- Continue to develop and issue new healthcare product directives to further facilitate trade in healthcare products in the region.

However, some challenges remain for ASEAN member states to tackle. From the human capital point of view, ASEAN has not really encouraged the mobility of medical, dental and nursing professionals across the region, despite the commitments as exemplified in the MRAs, which has negatively affected supply of talents in some countries. When cross-border movement can be allowed, the issue of inadequate supply of doctors and nurses in some areas can be addressed, and quite possibly, all member states would be able to participate in the medical tourism industry to attract patients from outside of the ASEAN region.

ASEAN currently does not have a standardized regional qualification and curriculum in the medical education, resulting in varying standards and skill base, and therefore limiting trade of services.

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7 Lifting-the-Barrier Reports, CIMB ASEAN Research Institute, 2015, p.80
8 The content under this section is taken directly from the AEC Blueprint 2025 (ASEAN Secretariat, 2015).
The new blueprint has outlined what needs to be done to further develop and integrate the ASEAN healthcare sector, covering areas such as public and private roles, harmonization of standards, health tourism, health insurance, and mobility of health practitioners. The table below provides some analyses on the progress on each measure in the blueprint.

<table>
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<tr>
<th>Issues</th>
<th>Current Status and Development</th>
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| a. Greater public-private investments for better healthcare coverage in ASEAN | • An estimate by the WHO states that currently Singapore and Brunei Darussalam top the ASEAN list in terms of healthcare per capita spending. Other member states are expected to increase their spending to provide better healthcare services.  
• Several member states have taken important steps in this area. Singapore is in the process of adding 3,700 more beds and recruiting 20,000 more workers under its Healthcare 2020 Masterplan. Malaysia has increased its budget for healthcare of RM25 billion for 2017.  
• In Thailand, Bangkok Dusit Medical Services is investing in non-core medical business, which is expected to be very profitable. The Philippines’ Makati Medical Centre has established new laboratories to improve medical diagnosis and treatment. Vietnam has built VinMec, a luxury hospital resembling a 5-star hotel with 25 VIP rooms and two presidential suites.  
• The Philippines has been at the forefront in PPP. The government opened a bidding for the construction of a high-end tertiary hospital, which would cost around USD135 million. The Brunei Investment Agency has established a joint venture with Parkway Pantai, a large private healthcare provider in Asia, in managing a specialty cardiac centre. The Singapore Government has formed a partnership with Integrated Healthcare Holding in leasing capacity and services from private healthcare providers. |
| b. Harmonisation of standards and conformance in healthcare products and services | • In September 2015, ASEAN issued the ASEAN Medical Device Directive (AMDD) to support trade in the region by harmonising the standards of medical equipment. The directive would make it easier for the manufacturer that has registered to sell its products in one jurisdiction to also register in other countries. Thus far, Malaysia and Singapore have advanced more compared to the other members of ASEAN in implementing the directive after it was signed in 2015. |

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9 *Embracing Wellness, Healthcare, Invest in ASEAN*
10 *Budget 2017: RM25b allocated for healthcare boost, October 2016*
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| c. Promotion of high-growth sectors such as health tourism and e-healthcare services | • Patients Beyond Borders, a US-based organisation that compiles statistics of global medical tourism, estimates that the global medical tourism sector has expanded by 25 percent annually with consumers of around 11 million in 2015, almost one-third of whom travel to Southeast Asia for the treatment.  
  • Malaysia, Singapore and Thailand continue to be the main destinations for medical tourists, with most of their consumers coming from within the ASEAN region.  
  • Indonesia has been the largest contributor to the region’s overall medical tourists, spending around USD11.5 billion annually, mostly in Malaysia. This is due to the fact that the quality of Indonesia’s medical treatment and technology are lagging behind that of Malaysia, Singapore and Thailand. |
| d. Improvement of health insurance systems in the region                | • In some member states, proper medical treatment through hospital services is limited only to those who can afford to pay the bills or to have access to health insurance. In relation to one sustainable development goal of universal health coverage (UHC), some countries have developed their public healthcare funding schemes. Indonesia is undergoing a formidable change in health insurances. Prior to 2014, 46 percent of the population was covered under five different schemes, but the government has since committed to providing healthcare insurance to all citizens by 2019 by merging all existing schemes.  
  • Thailand has achieved its UHC 100 percent in 2001. Both public and private health systems exist but the public sector plays a larger role. The country has maintained its system through various approaches such as strong primary care gatekeeping and tough negotiations with pharmaceutical companies. Out-of-pocket (OOP) rate of 13.1 percent is the highest in the region.  
  • In Singapore, 100 percent coverage by Medishield Life was achieved by end of 2015. Public and private health spending is balanced. To guarantee individual hospitalisation services, it is compulsory to have Medisave, a national medical savings scheme. To complement it, Medishield covers expensive medical cost which cannot be covered by Medisave balance. Because of Medisave and Medishield, the Singapore OOP rate has been quite high. Another scheme, the Medifund, serves as a safety net for the poor.  
  • Malaysia has achieved UHC through a public healthcare system that provides comprehensive care financed by the government. Private healthcare system has also become popular in meeting demand of wealthier people, resulting in high OOP rate. The “ICare for 1Malaysia” policy introduced in 2012 to allow access to private facilities has been unsuccessful so far, and the government is struggling to rectify the distortion of health treatment in Malaysia. |

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11 Logan Connor, *Region’s medical tourism boom fueled by Southeast Asians*, May 2016
12 *Healthcare insurance & reimbursement landscape in ASEAN markets*, Deallus Consulting and JPMA, March 2015
13 An out-of-pocket maximum is the most a person has to pay during a policy period for healthcare services. Once the out-of-pocket maximum is reached, the person’s plan begins to pay 100 percent of the allowed amount for covered services.
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<th>Current Status and Development</th>
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<tr>
<td>• The Philippine Health Insurance Corporation (PHIC), or PhilHealth administers the National Health Insurance Programme (NHIP), with the target of achieving UHC by around 2010. However, by 2012 PhilHealth covered only around 78 percent of the total population. In 2013, the President amended the National Health Insurance Act of 1995, and therefore mandates the government to cover the premiums for the insurance of the indigent and informal sectors.</td>
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<tr>
<td>• In Vietnam, when Health Insurance Law was passed in 2009, the national Social Health Insurance (SHI) program was established. Similar to what is happening in Indonesia, Vietnam consolidated its schemes into one SHI program. Nonetheless, enrolment rates have remained low, and funds pooling is highly fragmented. High OOP rate indicates the SHI system is not working. In 2012, the government issued the “Master Plan for Universal Health Coverage from 2012-2015 and 2020” which sets the target to reach SHI coverage of 70 and 80 percent by 2015 and 2020 respectively.</td>
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<tr>
<td>e. Promotion of cross-border movement of health practitioners across the region</td>
<td>• As mentioned above, unlike other professions with ASEAN MRAs that have achieved competency standards and registration systems at the national and regional levels, the nursing, medical and dental services in ASEAN have not agreed upon competency standards and registration systems at national and regional levels. Therefore the expected free mobility of healthcare practitioners across ASEAN has not yet taken place.</td>
</tr>
<tr>
<td>2 Development of regulatory framework and product directives</td>
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</table>
| a. Further development of regulatory framework on traditional medicines and health supplements (TM & HS) | • The Product Working Group for Traditional Medicines and Health Supplements (TMHSPWG) was established in 2004 to implement measures to integrate the traditional medicines and health supplements sector, as stipulated in the ASEAN Healthcare Integration Roadmap. The TMHSPWG also works on harmonising technical requirements and explore possible MRAs and eliminating technical barriers to trade for TM & HS without compromising public health and safety. The WG has produced many guidelines for harmonisation of the TM & HS in ASEAN.  
• The ASEAN Alliance of Health Supplement Associations (AAHSA) represents the health supplement industry in the member states. AAHSA works to develop the ASEAN health supplements sector by: (i) facilitating trade in safe and quality health supplement products for the consumers’ benefit, (ii) developing a well-functioning framework for health supplement regulation that is science-based, workable for both large and small companies and is in line with best international practice, and (iii) strengthening national associations in the health supplement sector which partner with governments in the application of new ASEAN legislation. |
| b. Development and issuance of new healthcare product directives       | • The AMDD currently seems to be the only health-related directive produced by ASEAN. However, in addition, the ASEAN Cosmetics Directive has been formulated as part of the Agreement on the ASEAN Harmonised cosmetic Regulatory scheme that was signed by ASEAN Economic Ministers in September 2003. The cosmetics directive is aimed at promoting trade by harmonizing the standards and specifications of the cosmetic products in the region. |

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14 Mohammad Faisal, *AEC and congested labor mobility*, 2016  
15 ASEAN Alliance of Health Supplement Associations (AAHSA)
F. Conclusion: Moving Forward with the AEC 2025 Plans

- ASEAN can further develop its health tourism sector by improving their medical capabilities and technology. As described above, Malaysia, Singapore and Thailand are the destinations for medical tourists from within as well as from outside of ASEAN. This has come at the expense of mainly the Indonesian medical sector which cannot yet compete with those three countries, resulting in many Indonesians seeking medical treatment elsewhere. The situation that Indonesia is facing can be addressed by facilitating mobility of medical practitioners, improving trade in medical devices, and partnering with travel and hospitality industries\(^\text{16}\).

- Member states need to work more to achieve 100 percent UHC as promoted by the United Nations' Sustainable Development Goals\(^\text{17}\). The current schemes existing in some countries have been able to provide both treatment and medicines but in larger countries like Indonesia, this has been very challenging. The government needs to find the right balance between public and private health coverage to ensure that the whole population can have access to better medical treatment and facilities. Further integration in the health insurance sub-sector could help promote greater health coverage throughout the ASEAN region, therefore discussions and cooperation between the health and finance authorities could pave the way for greater medical coverage. Figure 2 below explains the proportion between government and private healthcare funding. Brunei Darussalam’s government has made a substantial contribution to the healthcare coverage for the people. In most countries however, the private funding has dominated the provision of healthcare coverage with only Brunei Darussalam, Thailand and Malaysia having the government funding larger than the private funding. Myanmar and Cambodia are the countries whose private funding is the highest in the region.

- The MRAs for ASEAN medical and dental professionals were signed in 2009 but to date ASEAN has not had competency standards and registration systems at both national and regional levels, which has discouraged the free flow of medical talents across the region. While natural barriers may exist (such as language abilities), ASEAN should continue to work towards facilitating free movement of those talents to help areas that cannot develop their health services due to shortage of doctors and nurses. Such facilitation of freer movements can also support the expansion of medical tourism and other health services in ASEAN.

- Greater cooperation with the industry will help governments in moving forward and formulating strategies that could promote provision of health services. This includes the hospital, pharmaceutical (including traditional medicines) and health supplement industries.

\[\text{Figure 2: Private and government healthcare funding by percentage}\]

<table>
<thead>
<tr>
<th>ASEAN Countries</th>
<th>Private</th>
<th>Government</th>
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</thead>
<tbody>
<tr>
<td>Brunei(^*)</td>
<td>91.8%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Thailand</td>
<td>80.1%</td>
<td>19.9%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>54.8%</td>
<td>45.2%</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>49.3%</td>
<td>50.7%</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>41.9%</td>
<td>58.1%</td>
</tr>
<tr>
<td>Singapore</td>
<td>39.8%</td>
<td>60.2%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>39.0%</td>
<td>61.0%</td>
</tr>
<tr>
<td>Philippines</td>
<td>31.6%</td>
<td>68.4%</td>
</tr>
<tr>
<td>Myanmar(^*)</td>
<td>23.9%</td>
<td>76.1%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>20.59%</td>
<td>79.41%</td>
</tr>
</tbody>
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Source: Lifting-the-Barriers Reports, CIMB ASEAN Research Institute, 2015, p.78.

\(^{16}\) Lifting-the-Barriers Reports, CIMB ASEAN Research Institute, 2015, p.78

\(^{17}\) Good Health and Well-Being: Why it matters
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Mohammad Faisal, AEC and Congested Labor Mobility, Jakarta Post, January 2016
Yoshinori Fukunaga, Assessing the Progress of ASEAN MRAs on Professional Services, ERIA 2015

Related Publications

Lifting-the-Barriers Report Healthcare 2015
Lifting-the-Barriers Report Healthcare 2013
ASEAN Research Digest Healthcare (2015)
ASEAN Research Digest Healthcare (2013)

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