

ASEAN Research Digest

SPECIAL EDITION

Research Partner: **accenture**
High performance. Delivered.



IN THIS ISSUE

VOLUME 1 | ISSUE 10 | JANUARY 2015

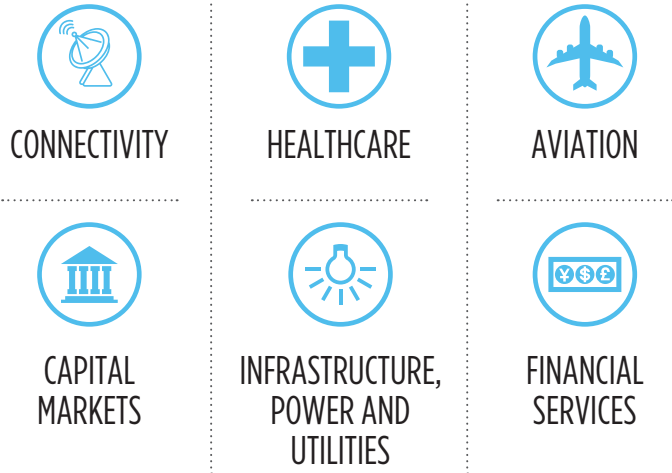


LIFTING-THE-BARRIERS REPORT FOR ASEAN HEALTHCARE

Healthcare developmental and funding gaps are the main barriers to deeper integration

Page 2 - 5

OVERVIEW



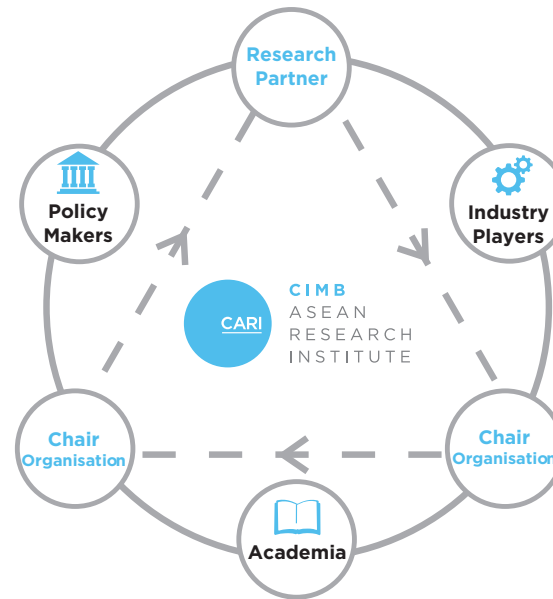
Research objectives:

The CIMB ASEAN Research Institute (CARI) in collaboration with the ASEAN Business Club (ABC) launched the Lifting-The-Barriers (LTB) Initiative in early 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 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 Connectivity, Healthcare, Aviation, Capital Markets, Financial Services and Infrastructure, Power & Utilities.

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 and academic institutions who provided the technical knowledge and quantitative analysis required.

METHODOLOGY

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 I: LTB Preliminary Research

Phase I of the LTB Initiative involves core research and compilation of qualitative and quantitative responses as surveyed from within each of the six business sectors. The outcome of Phase I are the six sector-based Preliminary Papers, intended to provide a base to build discussions on in the next phase.

Phase II: Network ASEAN Forum (NAF) 2013

The NAF was designed to convene six sector based roundtables with the aim of identifying barriers. The NAF served as a platform for different stakeholders to deliberate on relevant issues and to collectively propose viable recommendations to remedy them. Participants of this discussion include regulators, private sector leaders, service providers, manufacturers, academics and many more. The selection of discussants aimed to provide a well rounded and reflective debate.

Phase III: Launch of the LTB Reports

The third and final phase of the LTB Initiative saw the consolidation of all research and discussion materials from Phase I and Phase II. Phase III involved the launch of the final LTB Reports, as a set of white papers presented to the relevant ASEAN policy makers.

HEALTHCARE DEVELOPMENTAL AND FUNDING GAPS MAIN BARRIERS TO DEEPER INTEGRATION

Title of Study: Healthcare Lifting-The-Barriers Report

Research Partner: Accenture | Published by: CARI, August 2013 | Chair: Lim Cheok Peng, MD, IHH Healthcare | Chair: Kenneth Mays, Director, Bumrungrad International

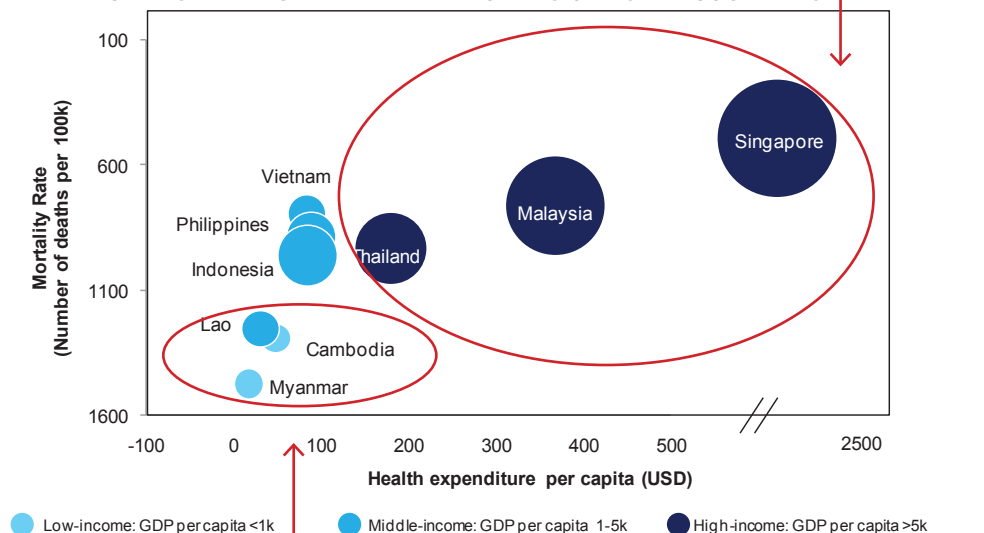
BACKGROUND

Research objective:

To explore the challenges and possible solutions for the healthcare industry in ASEAN leading up to ASEAN Economic Community (AEC) 2015.

- The ASEAN healthcare landscape is characterised by the **developmental gap** between member countries.
- ASEAN members are at varying levels of development mainly due to significant differences in spending on health, access to healthcare, and healthcare supplies such as pharmaceuticals.
- Higher income countries** such as **Singapore, Malaysia and Thailand** have higher per capita health spending, and higher level of availability of healthcare personnel and facilities. These countries stand out as **regional healthcare hubs** which make them competitive to developed nations such as the US and UK.

HEALTHCARE SPENDING AND HEALTH PROFILES OF ASEAN COUNTRIES



Source: International Monetary Fund (IMF), World Economic Outlook Database April 2013; World Health Organization (WHO), World Health Statistics 2013

- In contrast, **less developed Cambodia, Laos and Myanmar** have higher mortality rates, poor disease detection rates and generally have **healthcare deficits in both amenities and spending**.

Several factors will impact the healthcare landscape in ASEAN:



Increasing affluence

- At the broadest level, healthcare spending will increase with continued economic growth and rising income levels.
- As the middle class grows, the region will witness more discretionary areas of healthcare spending.



Increasing ageing population base

- Demographic shifts in population age structures will increase the burden on healthcare spending.
- Longer life expectancy and dependency ratio will have a significant impact on the healthcare landscape over the next decades.



High population growth rates and increased urbanisation

- Increased population in high-density urban areas will increase the risk of communicable diseases.
- Increased urbanisation also increases non-communicable diseases (NCDs) such as hypertension, obesity and respiratory diseases.

- Healthcare expenditure of ASEAN countries ranges from 2% - 6.8% of GDP, lower than the global average of 9.2%.
- Singapore spends the most on healthcare per capita, six times the amount Malaysia spends and more than a hundred times the amount that Myanmar spends.

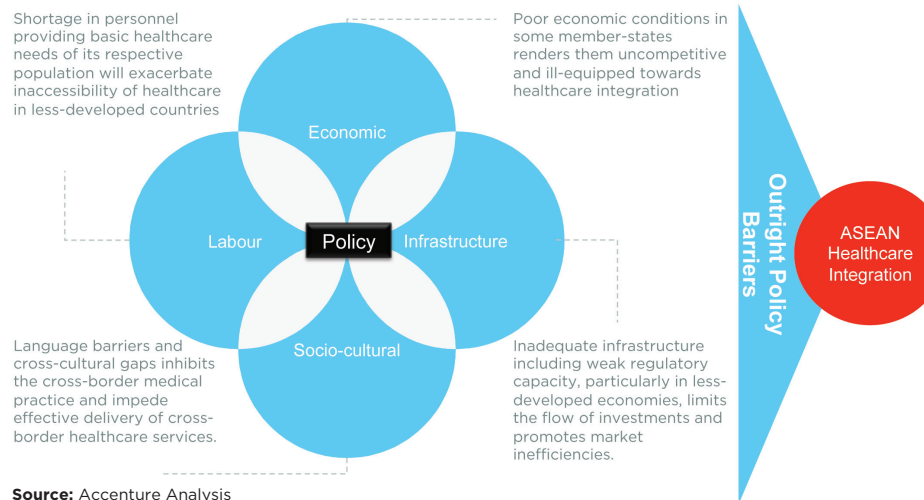


BARRIERS AND RECOMMENDATIONS

- Outright policy barriers stand out as factors that impede healthcare integration in ASEAN.
- However, behind these policy barriers are interlinking core challenges in four key areas that hamper the success of integration efforts.
- The study identified the barriers of the healthcare sector in ASEAN along five key areas:

1. **Policy barriers**
2. **Economic barriers**
3. **Cultural barriers**
4. **Labour barriers**
5. **Infrastructural barriers**

Figure 1. Barriers to establishing an integrated healthcare sector in ASEAN



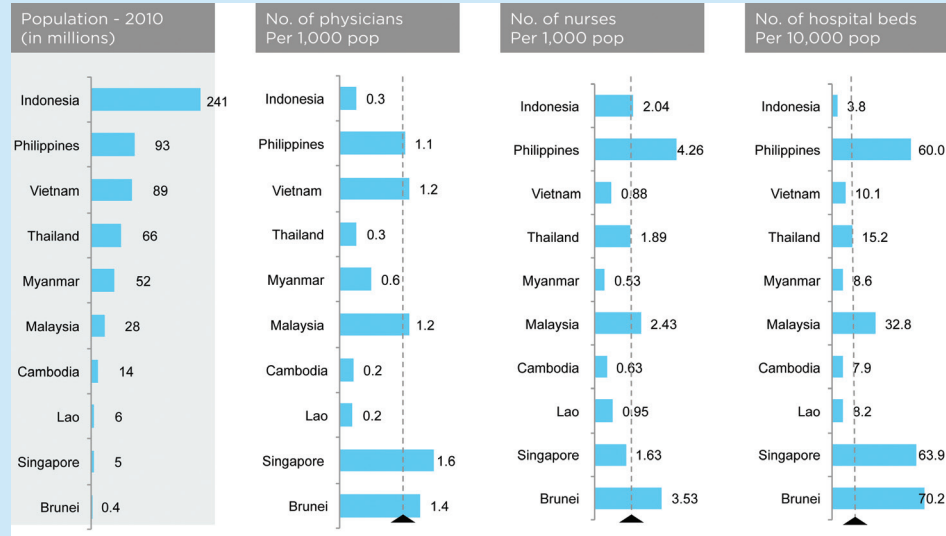
1. POLICY BARRIERS

Barriers	Recommendations
<p>1. Foreign equity restrictions</p> <ul style="list-style-type: none"> • Only 5 out of the 10 member states have allowed full foreign ownership in their respective healthcare sectors. • Malaysia, the Philippines, and Thailand only allow minority foreign ownership of 30%, 40% and 49%, respectively. • Indonesia's Ministry of Health states a 90% foreign ownership limit in contradiction to the 100% limit in the investment policy. • Myanmar has recently revised its foreign investment law and provides an 80% cap on foreign ownership for hospitals and clinics. 	<ul style="list-style-type: none"> • Accede to commitments made or working with the respective committees formed by ASEAN to harmonise regulatory gaps in the various healthcare sectors. • Dedicated efforts from the ASEAN governments to speed-up the passage of relevant laws and drafting of new regulations to facilitate the integration.
<p>2. Regulatory Gaps</p> <ul style="list-style-type: none"> • Most of the ASEAN member states have yet to adopt and fully implement harmonised standards and Mutual Recognition Arrangements (MRAs) that are critical to facilitating trade in health. <ul style="list-style-type: none"> ▶ For example, MRAs in medical professionals employed is hampered by the language requirement of regulations of some member states 	<ul style="list-style-type: none"> • Regulatory gaps can be coordinated by standardising regional regulation and forming a Pan-ASEAN committee.
<p>3. Immigration law</p> <ul style="list-style-type: none"> • Immigration laws and visa requirements across ASEAN do not provide preferential treatment for medical travellers. • Visas are still required beyond the typical 30-day stay. • Only Malaysia implements a "green lane" in its entry points and airports to facilitate easier travel for medical tourists. 	<ul style="list-style-type: none"> • Both Immigration laws relating to medical tourism visas and healthcare professional visas and Competition laws should be tackled jointly by member states.
<p>4. Competition law</p> <ul style="list-style-type: none"> • Of the 10 ASEAN member states, only five have national competition laws (Thailand, Indonesia, Singapore, Vietnam and Malaysia). • The rest are in various stages of drafting their own laws. 	

2. ECONOMIC BARRIERS

Barriers

- The **disparity** between each ASEAN member's economic capacity hampers the possible integration of healthcare institutions.



Source: United Nations, Department of Economic and Social Affairs, Population Division (2013). World Population Prospects: The 2012 Revision, CD-ROM Edition.; OECD Health Data 2012; WHO Global Health Observatory Data Repository, national data sources; WHO World Health Statistics 2013

- The low fiscal capability of less developed ASEAN members severely limits resources allocated to healthcare.
 - However, some members, such as Myanmar and Laos, spend relatively little of their government budget on healthcare.
- Poor economic climate directly impacts the affordability and availability of healthcare through inefficiencies and inadequacies in financing schemes.
 - Entry of foreign providers is also unlikely without a viable healthcare market.

Recommendations

- Creating a unified ASEAN healthcare financing system may currently be too challenging due to the developmental gaps between members. Taking steps towards improving local capabilities might be more constructive at this point.
- The development of health financing schemes should be aligned with structural shifts in the economy, within each country's own evolving health provision capability.
 - AMS should leverage on structural shifts such as increasing urbanisation to increase health coverage by making participation to health financing schemes more attractive.
 - For example, a study by the WHO show that all countries that have universal health coverage have compulsory participation
- The fiscal sustainability of healthcare funding should be improved through cost/benefit analysis of the design and structure of the financing schemes.
 - The financial viability of social health insurance funds should be validated by carefully considering.
 - The costs and benefits of merging public and private health financing schemes should be analysed.
- More developed ASEAN countries, e.g. Singapore, Thailand, Malaysia, can support those in need through provision of expertise, training, guidance, policy, and planning, to move up the evolution chain.

3. CULTURAL BARRIERS

Barriers

- Cross-cultural and mindset gaps** slow AEC integration as language barriers, literacy issues, and diverse cultural customs act to impede regional unity.
- The lack of an **ASEAN identity** must be addressed in order to achieve regional integration.

Recommendations

- These cultural issues can be tackled by **fostering greater awareness** of the ASEAN Economic Community.
- Improving the regional sense of unity can be done through educational campaigns, cultural studies, and standardisation of communication.



BARRIERS AND RECOMMENDATIONS

4. LABOUR BARRIERS

Barriers



- **Labour shortage** is one of the critical challenges of regional integration.
- When the ASEAN Economic Community will be established in 2015, the emigration of human capital from lower income countries will be a key issue as **healthcare professionals gravitate towards regions with higher financial remuneration.**



- **Discrepancies in standards and proficiency levels of personnel across ASEAN** are crucial barriers.
- The lack of access to sophisticated training facilities and advanced knowledge of specialised treatments limits the country's ability to export health services and compete in the regional labour market.

Recommendations

- **Long term human resource strategic plans at the national level should be developed.**
- Labour ministries should be mobilised to cooperate with health ministries to draw up plans.
- Publicly and privately funded education subsidies should be used to increase the supply of medical professionals.
- Pay incentives should be developed for areas with severe labour shortages.
- **Standardising medical curriculums and training programs** across borders would pave the way for the recognition of medical degrees across ASEAN.
- Allowing the private sector to augment education efforts.
- Governments should capitalise on the skills and knowledge of foreign providers entering domestic markets by offering approved permits in exchange for technical assistance.

5. INFRASTRUCTURAL BARRIERS

Barriers

- The opening up of the healthcare sector will not attract foreign investment if infrastructure remains underdeveloped.
- The degree of development in both the physical and technological infrastructure of ASEAN nations are **imbalanced** across member states which causes issues related to the **approval, transportation, and recall services in the healthcare sector.**
- **The high trade and logistics costs in these countries discourage the entry of foreign health care providers.**
- Low digital connectivity and limited access to ICT restricts technology transfer and the flow of information associated with delivery of health services.
- Weak regulatory and administrative capacities also create challenges for integration.
 - ▶ The lack of resources spent on administrative skills creates challenges in effective management of cross-border regulations.

Recommendations

- Upgrade infrastructure in the less-developed ASEAN countries by mobilising resources from all available partners, i.e. the private sectors, foreign donors, multilateral banks and financial markets.
- The **lack of regulatory capacity** within ASEAN states can be improved through **technical training and assistance.** In addition, the lack of **digital connectivity** and limited access to information and communication technology can also be remedied **by technical training and assistance.**
- ASEAN should establish a Pan ASEAN steering committee to approve drugs in AEC for all the ASEAN countries – expedite existing ASEAN harmonisation efforts.
- ASEAN should invest in capacity-building programs through increased collaboration with the World Health Organization and regulatory-focused organisations such as the Regulatory Affairs Professionals Society (RAPS).
- Augment human resource and expertise constraints by utilising available and competent frameworks from external sources.
 - ▶ For example, Singapore uses the results of product assessment and approval of drug regulatory agencies (DRAs) in other countries to save time and resources for its own evaluation.

CONNECT WITH US

 www.facebook.com/cariasean

 twitter.com/Cariasean

 www.cariasean.org