Indonesia Healthcare System
Perspective from Industry

Dr Luthfi Mardiansyah – Chairman of IPMG
Singapore – June 6, 2015
Agenda

• Introduction on Indonesia Healthcare System
• Current UHC Implementation Progress Review
• What Pharmaceutical can contribute and offer
• Conclusion
• Recommendations
Indonesia Healthcare System

Indonesia – Pop 241 million
Democratic, GDP/Capita USD 4,200

Huge Challenges to Ensure Health Care for Every One

± 5,000 Km
Indonesia Healthcare System

The Impact of the Liberal Health Care System

1. Access to medical care depends heavily on the income of the people. ➔ high mortality rates (infant, children, maternal, etc)

2. Distribution of doctors and health care facilities concentrates in big cities, ability to pay

3. Health care and drugs consumptions are relatively low

4. Low productivity and low income citizens. Impoversihed by the need for medical care
Indonesia Healthcare System

Indonesia Spent Too Little for Health Care

% THE to GDP by Countries. Some Asian Countries. 2011

- Vietnam 6.8
- Timor Leste 5.1
- Thailand 4.1
- Srilanka 3.4
- South Korea 7.2
- Philippines 4.1
- Nepal 5.1
- Maldives 2.0
- Myanmar 3.6
- Malaysia 2.9
- Indonesia 2.9
- India 3.9
- China 5.2
- Bhutan 4.1
- Bangladesh 3.7

*source: [http://apps.who.int/nha/database/DataExplorerRegime.aspx](http://apps.who.int/nha/database/DataExplorerRegime.aspx)
Indonesia Pharmaceutical Market

Despite growth double digit – per capita is only US$24.5, still lower than other ASEAN countries

<table>
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<tr>
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<th>Market Share</th>
<th>Annual Growth</th>
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<tbody>
<tr>
<td>Ethical</td>
<td>59%</td>
<td>6.5%</td>
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<tr>
<td>OTC</td>
<td>41%</td>
<td>7.4%</td>
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Source: IMS 4Q14
Transformation ID HC System


1. It designs overall National Social Security Programs covering: health, occupational injury, provident fund, pension fund, and death benefits

2. Transformation of Askses and Jamsotek into Public Corporation (not for profit agencies), controlled by tri partite (representative of employees, employers, and the government)

3. Establishment of the National Social Security Council, a Tripartite body, responsible directly to the President.

4. Combining management of all health coverage, military, medicaids into one (the National Health Insurance, INA-Medicare)—BPJS Kesehatan
Current HC System

BPJS – A Single Payer for Health Care
Following Korean, Taiwan, and The Phillipine in Asia
(NHIC = National Health Insurance Corporation)

Citizens

Free
At the point of services

Public & Private hospitals

Referrer
 primer klinik

DRG/C BG

Capitation

SHI Tax
5% of wage.

Gov't Budget

Subsidy for the poor /near poor

Other Public Programs

NHIC/BPJS

Income tax
## Current HC System

### Key Characteristics of the INA-Medicare: part of National Social Security Law

<table>
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<th>Collecting fund, sustainability</th>
<th>Pooling (Equity)</th>
<th>Purchasing (efficiency)</th>
</tr>
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<tbody>
<tr>
<td>1. Formal sector: mandatory contribution 5% wage (employee 2% and employer 3%)</td>
<td>1. Integrated scheme, Social health insurance and Social Assistance</td>
<td>1. public and private providers compete on quality of services</td>
</tr>
<tr>
<td>2. Non-waged earner: mandatory contribution, nominal contribution, USD 3-5 per capita per month</td>
<td>2. Nation wide: single payer, ensure equity</td>
<td>2. Capitation for primary care and DRG payment for hospital services, vary by regions</td>
</tr>
<tr>
<td>3. Poor, near poor, disable: fully subsidized by the government</td>
<td>3. Managed by the NHIC of Indonesia (BPJS Kesehatan)</td>
<td>3. coinsurance: only for certain services</td>
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Current UHC - Milestones Progress To Date

**Strong commitment and effort for improvement**

### Member satisfaction

- Experience long queue at primary healthcare and hospitals
- Lack of understanding on referral back treatment

### Enrollment: 144 mio

- As of April 2015, 144 mio are enrolled
- People enroll when they sick (no adverse selection) – 104% claim

### 80% JKN regulations finalized

- E-catalogue is partially finalized (90%)
- Regulation for mandatory e-catalogue based procurement is stipulated, however drug purchasing manually is still allowed.
- No regulation for local insurance integration – only 159 cities/districts and 9, out of 34, provinces have joined*
- CoB scheme is not clear and ambiguity

### Provider satisfaction

- Low provider enrollment (private hospitals) *
- High drop out

* Source: BPJS Finance and Investment Director
Understanding drug procurement in JKN system

Volume will increase at lower prices, required listing & prod strategy

Overview:
- FORNAS (national formulary) contains name of molecules of 29 TAs while
- E-CATALOGUE is the tender procurement tool that contains name of molecules, brand names, name of companies, price & order mechanism.
  - Developed as purchasing tools for hospitals/clinics to purchase medicines for JKN program.
  - It is only for guidance and not mandatory for hospitals/clinics to use products listed in e-catalogue

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<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
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<tr>
<td>• Promised transparency on transactions for hospital procurement.</td>
<td>• Price as main determinant leading to price pressures as there is no capitation of volume</td>
</tr>
<tr>
<td>• Support government strategy to increase healthcare access.</td>
<td>• CBG rates not aligned with prices in e-catalogue</td>
</tr>
<tr>
<td>• Increase volume and number of patients treated (chronic diseases) driven by:</td>
<td>• Primary care favored versus specialty care.</td>
</tr>
<tr>
<td>- More hospitals to purchase more variety of medicines (listed in e-cat)</td>
<td>• Innovative Pricing Models is not officially recognized yet, while HTA is used as cost containment tools.</td>
</tr>
<tr>
<td>- More doctors to prescribe medicines and provide adequate treatment while ensuring no fail during reimbursement.</td>
<td>• Price is published – used for IRP</td>
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What we have seen in a year
Despite early challenges, strong commitment from Gov’t for improvement

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<th>Payor</th>
<th>Provider &amp; infrastructure</th>
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| • Despite e-catalogue creation there is nonetheless still competition at hospital pharmacy level.  
• No increase in Govt. funding to date despite significant coverage expansion (but speed to Govt. hpl. reimbursement has improved)  
• CBG rates mostly inadequate vs treatment cost (incl. meds) leading to:  
  • Less adequate patient treatment especially chronic diseases.  
  • Preferential treatment with Gx | • Limited / slow development of physical infrastructure & human resources  
• Providers being asked to deliver more care to more patients with unchanged capacity  
• Private providers (hospitals) slow to sign up for JKN system (only 300 out of 1400 private hospital have enrolled) due to low attractiveness of JKN. However, Private sector is seeing patient migration to BPJS so private participation will accelerate. |
# What we can offer and need

**Long term partnership for patient benefits**

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<th>Offer</th>
<th>Need</th>
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<tr>
<td>• Innovative Pricing Models and Patient Access Program</td>
<td>• Accommodate IPM &amp; Patient Access into e-catalogue (not merely on prices)</td>
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<tr>
<td>• Public Private Partnership</td>
<td>• Confidential net prices</td>
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<tr>
<td>• UHC Socialization</td>
<td>• Open for PPP and equal treatment</td>
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<tr>
<td>• Partnership with BPJS on non-communicable diseases/chronic diseases management</td>
<td>• Long term and sustainability of the program</td>
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<td>• Sustainability supply of innovative medicines and access expansion</td>
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Conclusion

- Appreciation to Indonesia Government in implementing UHC and increase HC spending, as to provide HC services to most citizens
- Despite early challenges in JKN implementation, some improvement have been seen, require consistency and sustainability of the HC policy include financial support
- More patients covered and benefits of JKN program have been acknowledged by most citizens – high enthusiasm. However should take more attention on continuous quality improvement include providing more innovative medicines, infrastructure, reduce long queue
- Industry has not seen significant impact, however commit to support the program in long run.
Recommendations

- The government needs to ensure the sustainability of JKN. The allocation of health in the state budget should be increased to at the minimum of 5 percent as mandated in the prevailing laws to ensure the sustainability of the program, suitable healthcare services and coverage expansion.

- The increase of the budget (to be 5% in 2016) will also improve the quality of the healthcare treatments and ensure patients receive full access to appropriate medical treatments based on the needs.

- It is also important to reevaluate the capitation and financial tariffs.
Recommendations

• It is crucial to conduct socialization of the program not only to general public, but also to healthcare personnel, in particular who are based in remote areas.

• Partnership between public and private sectors as well as equal treatment for both multinational as well as local in participating in JKN program is very important to ensure the availability of quality medicines.

• Government needs to finalize the Coordination of Benefit that is possible to minimize the state’s financial burden.

• Government should consider a 5-year term-plan (5 years) in order to minimize the discrepancy of healthcare personnel and facility infrastructure across the country.
Introduction

International Pharmaceutical Manufacturer Group (IPMG)

- IPMG is a non-profit organization of 24 research-based pharmaceutical companies operating in Indonesia.
- IPMG seeks to play an important role as partner to the government of Indonesia in improving the healthcare system through the core strengths of its members: medical innovation and international standards of safety and quality in their products.
- IPMG members respect and comply with medical laws and regulation and uphold the highest ethical marketing codes.

Objective of the research-based pharmaceutical companies

Improvement of the health of mankind through the research, development, production, marketing and safety surveillance of new medicines of reliable quality
thank you
Dr. Luthfi Mardiansyah

- Chairman – Int’l Pharmaceutical Manufacturers Group (2009-present)
- Vice Chairman – EuroCham (2011-present)
- Ketua Komite Farmasi KADIN Pusat (2014 – present)

Professional experiences:
- President  Director PT Novartis Indonesia, 2011 - current
- President Director PT Pfizer Indonesia, 2008-2010
- Sales Director PT Pfizer Indonesia, 2007-2008
- General Manager Capsugel China, 2002-2007
- General Manager Capsugel Indonesia, 1997-2001
- GM Int’l Division Indofood, 1994-1997

Educational background:
- Medical Faculty -Trisakti University, Jakarta, 1987
- LPPM Jakarta – 1989
- Michigan Business School – 2001
- Macquarie Graduate School of Management - 2003