

The logo features a red square with a white stylized 'F' shape on the left. To its right, the text 'FUNG HEALTHCARE' is written in a large, bold, black sans-serif font, with 'LEADERSHIP SUMMIT 2016' in a smaller, black sans-serif font below it.

**FUNG  
HEALTHCARE**  
LEADERSHIP SUMMIT 2016

Leadership & Innovation in Healthcare

23 - 24 September 2016 | Grand Hyatt Singapore



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The logo consists of the Chinese characters '馮氏' (Fung) in a stylized font, with 'FUNG FOUNDATION' in a bold, black sans-serif font below it.

**FUNG  
FOUNDATION**

Organised by

The logo features the word 'IDSMED' in a bold, blue sans-serif font, with a blue curved line above it that suggests a stylized 'i' or a medical symbol.

**IDSMED**

The logo is a red square with a white 'A' shape inside, with a red dot above it.

Ascobat Gani/Fung Health Care Leadership

Summit 2016

# Containing Health Care Cost

Ascobat Gani  
Faculty of Public Health – University of Indonesia



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# Cost Inflation: the most important problem facing health care

*Health Care Finance, July 2009*



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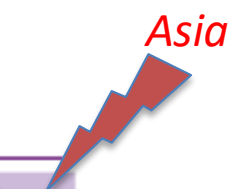


# Medical Cost Inflation Rate

Region & Country	2015			2016		
	Annual General Inflation Rate (%)	Annual Medical Trend Rates		Annual General Inflation Rate (%)	Annual Medical Trend Rates	
		Gross (%)	Net (%)		Gross (%)	Net (%)
Global	3.2	8.7	5.5	3.6	9.1	5.5
North America	1.6	5.3	3.6	1.5	5.8	4.3
Latin America & Caribbean	6.9	16.7	9.8	11.0	20.0	9.0
Europe	1.6	5.7	4.1	1.6	5.9	4.2
Middle East & Africa	6.6	13.3	6.7	6.3	11.6	5.3
Asia	4.2	10.4	6.2	3.2	9.4	6.3
Asia (Avg)	4.2	10.4	6.2	3.2	9.4	6.3
Australia	2.4	7.5	5.1	2.3	6.0	3.7
Bangladesh	6.7	7.5	0.8	6.5	7.3	0.8
China	3.0	7.0	4.0	1.5	7.0	5.5
Hong Kong	3.8	8.6	4.8	3.4	7.5	4.1
India	7.5	13.0	5.5	5.7	12.5	6.8
Indonesia	5.5	15.0	9.5	5.8	15.0	9.2
Japan	1.7	4.7	3.0	0.9	2.2	1.3
Kazakhstan	7.5	7.8	0.3	5.5	7.0	1.5
Malaysia	3.9	12.0	8.1	3.0	14.0	11.0
New Zealand	2.2	7.6	5.4	2.1	5.6	3.5



Global



Asia



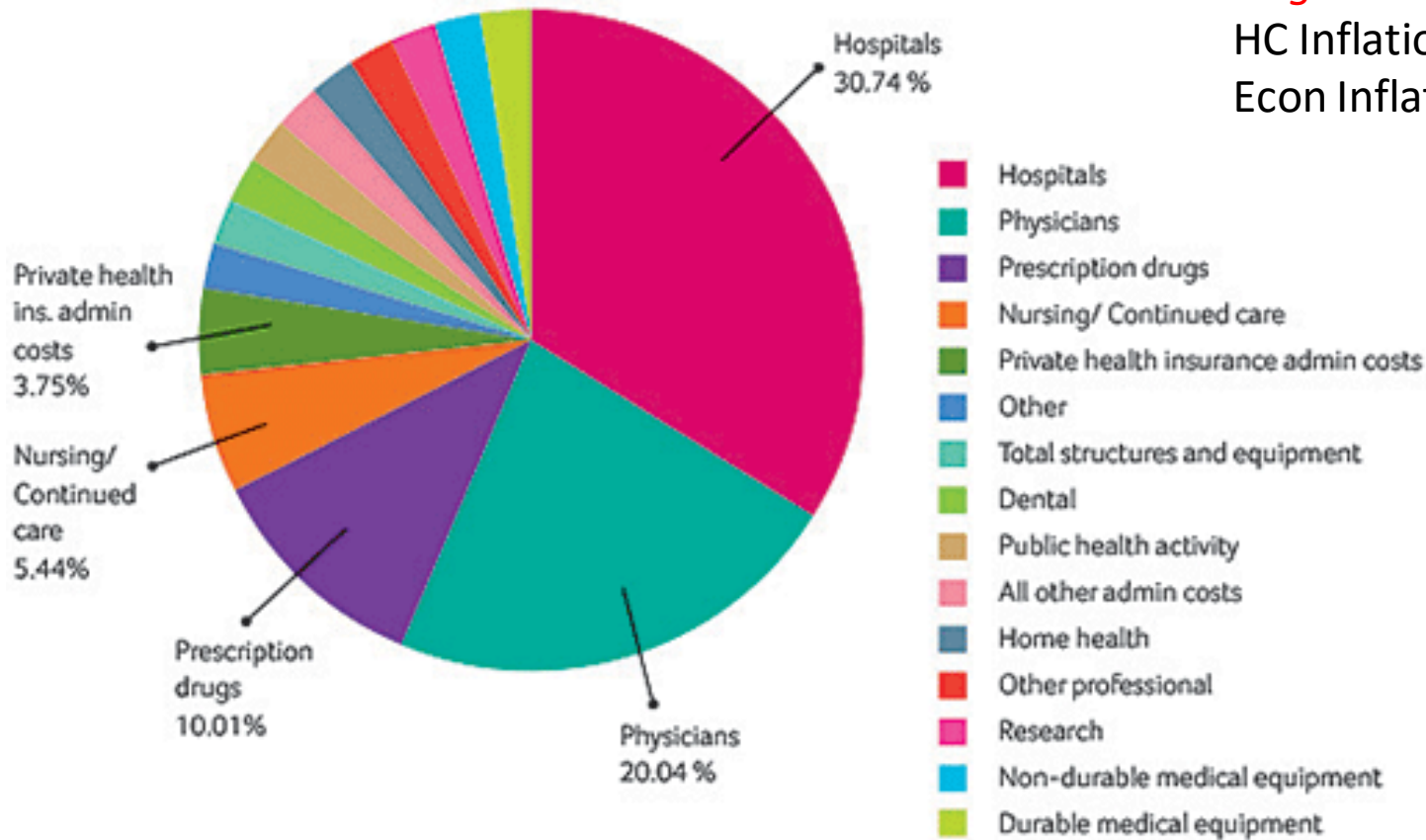
Indonesia



Malaysia

# Behind the numbers

## U.S. Health care spending breakdown, 2010



*August 2016*

HC Inflation Rate: 4.91%

Econ Inflation Rate: 1.06%

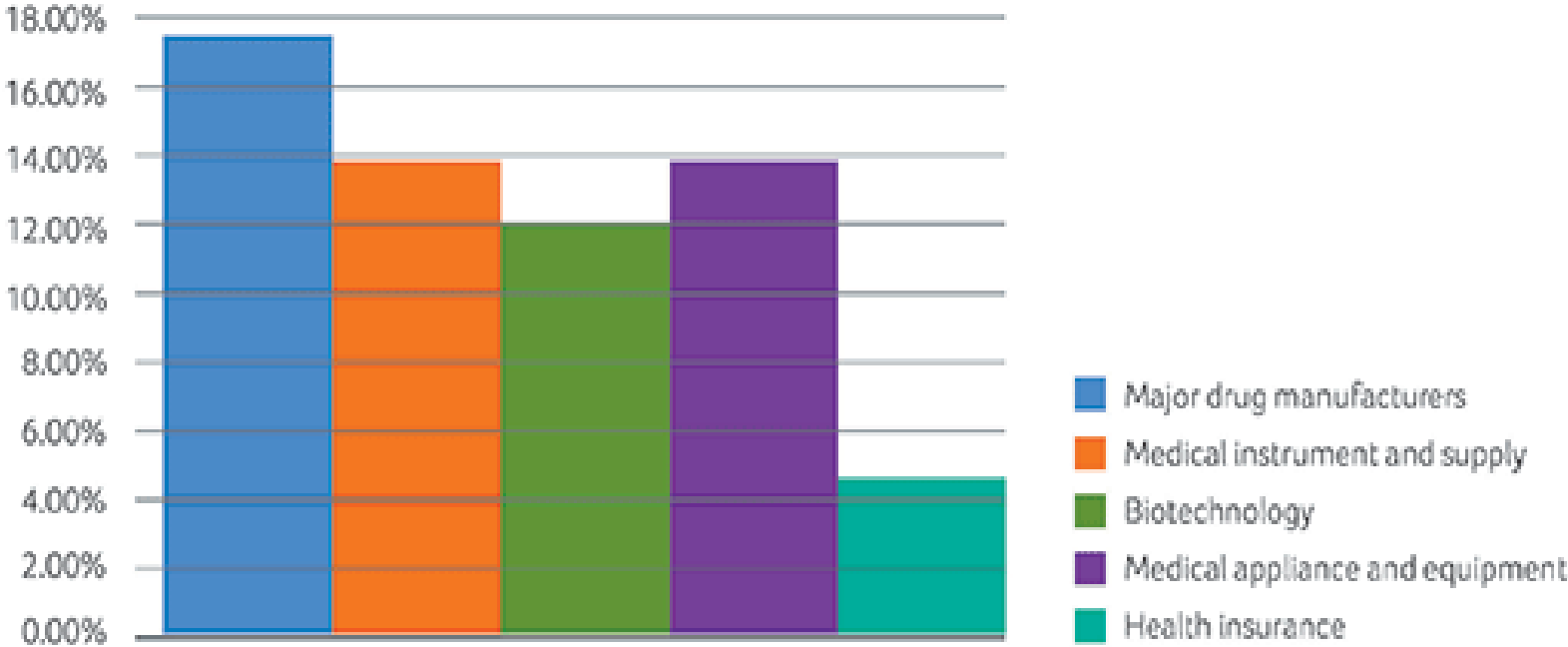
Source: Center for Medicare and Medicaid Services

# Cost drivers

## USA, 2010

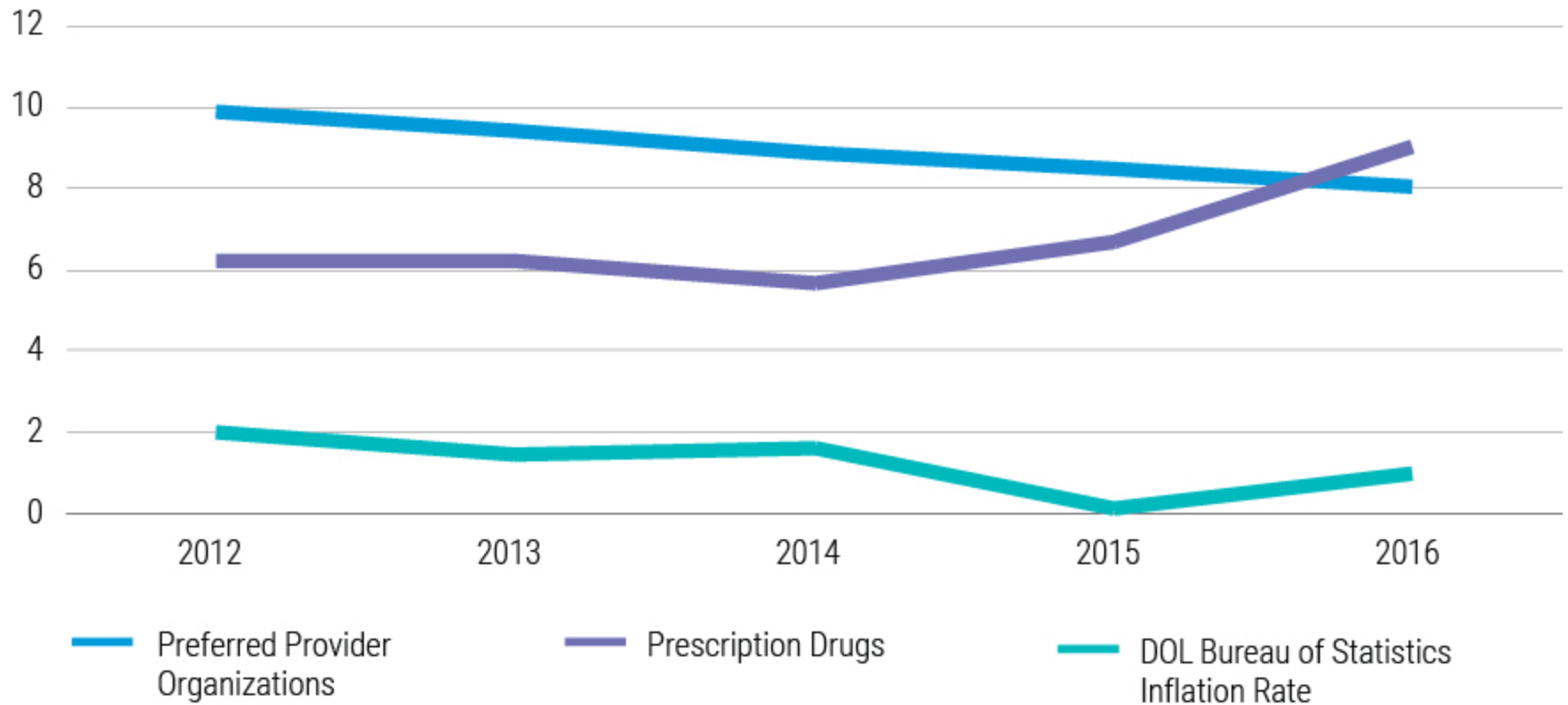
- Hospital cost increase → attributed to hospital mergers and acquisition
- Provider price → increase in physician costs
- *Medical technology* → contribute to 38% - 65% of HC spending increase
- *Waste* → defensive medicine, un-necessary tests and procedures
- Unhealthy life style → smoking, unhealthy diet
- Aging population
- Taxes (Aetna's income tax 2011: 3% of total revenue)
- Insurers profit

# Net profit margins by industry, 2012



Source: Yahoo Finance, October 1, 2012

## National Healthcare Increasing Costs Trend





# Behind the numbers

JKN → Social Health Insurance in Indonesia

BPJS → operationalize JKN as a single payer

- Started 1<sup>st</sup> January 2014
- Coverage :
  - as 2016: 150 millions (58% of total 258.7 mills)
  - 86.4 millions received premium subsidy from gov't
  - Target: 2019 will cover entire population (projected 268 millions)
- Benefit package → comprehensive
- Providers:
  - 9,752 Community Health Center
  - private doctors/dentists
  - private clinics
  - 2.138 hospitals (secondary and tertiary hospitals)

## What happened after 2 yrs of JKN

- SUBSTANTIAL AMOUNT OF DEFICIT
- HEAVY SPENDING FOR SECONDARY AND TERTIARY CARE
- AFFECTED BY COST INFLATION

*US\$ 275 mill*

*US\$ 487 mill*

*US\$ 566 mill*

	2014	2015	2016	2017
Deficit (Rp)	3.30 T	5.85 T	6.80 T → 7.4 T ?	?
Subsidy for PBI		19.225 T	25.5 T	?

*PBI = subsidized beneficiaries*

*US\$ 1.6 bill*

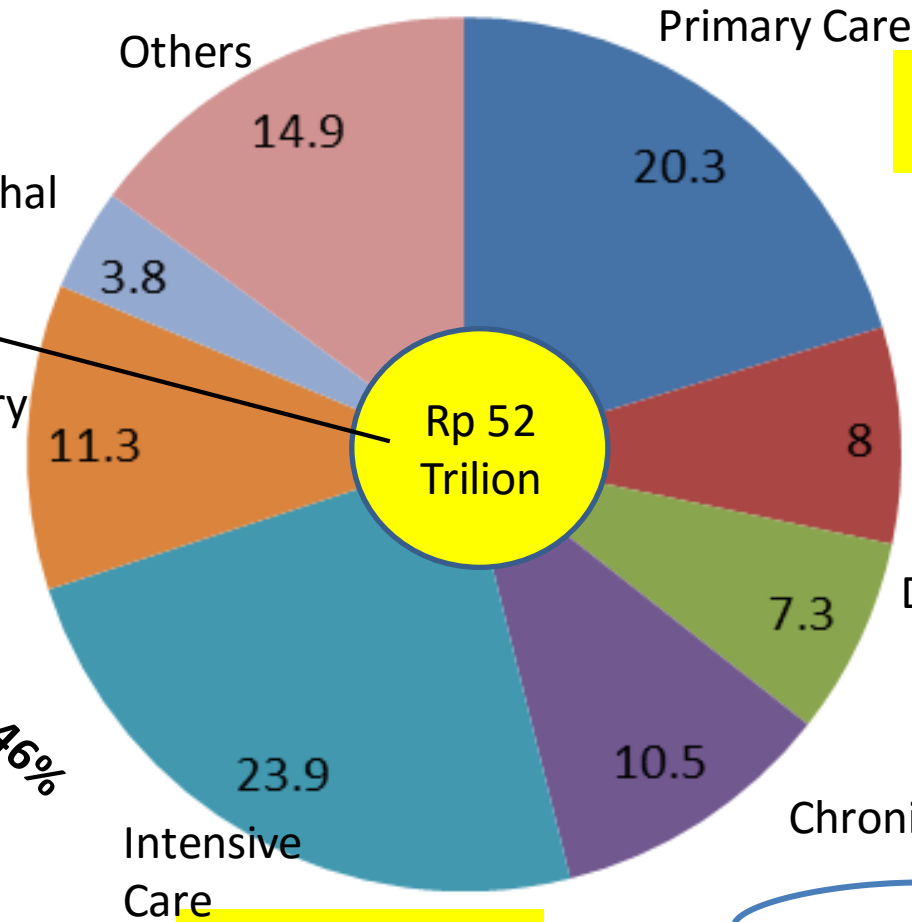
*US\$ 2.2 bill*

WHERE THE MONEY GO ?



Can be reduced with effective PH interventions: promotion and prevention

US\$ 4.3 Billions



Rp 52 Trillion

75% self limiting Preventable → PH

Infection Preventable → PH

Delivery Hi TFR Low CPR Preventable → FP

Stroke, CV, RF

Hipertensi, DM, Ca, etc  
Aging  
Smoking  
Life style  
→ Screening  
→ Hlth Prev

Potensial saving 46% With effective hlth promotion & prevention

# Cost drivers

## INDONESIA

1. Aging population → 22 mills (2016) → 26.7 millions (2019)
2. NCD increase
3. High fertility → TFR 2.6, high risk pregnancy
4. PHARMACY → THE MOST EXPENSIVE DRUGS (15x of India)
5. Weak Primary Health Care → push patients for referral
6. Medical technology
7. Moral hazards

### *Medical cost inflation*

	2012	2013	2014	2015	2016
Global	7.7%	7.9%	8.3%		
Asia Pacific	8.4%	8.8%	9.3%		
Indonesia	11.5%	12.5%	13.5%	15.0%	15.0%
Thailand	6.3%	6.9%	8.7%		
Philippine	8.8%	9.2%	9.8%		

# HEALTH CARE COST INFLATION

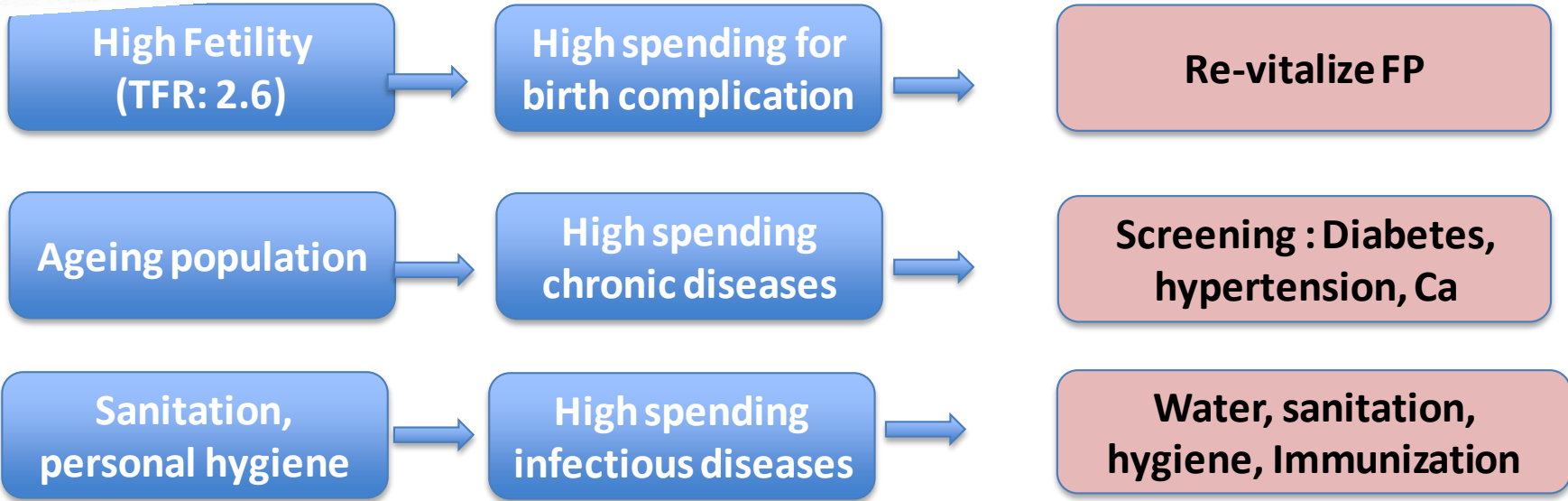
- ➔ MAJOR CHALLENGE IN ANY COUNTRY HEALTH SYSTEM
- ➔ Heavy burden on government fiscal capacity
- ➔ Heavy burden on household/ personal economy
- ➔ A threat to affordable and sustainable JKN (social health insurance)



# Strategic Policy for Cost Containment

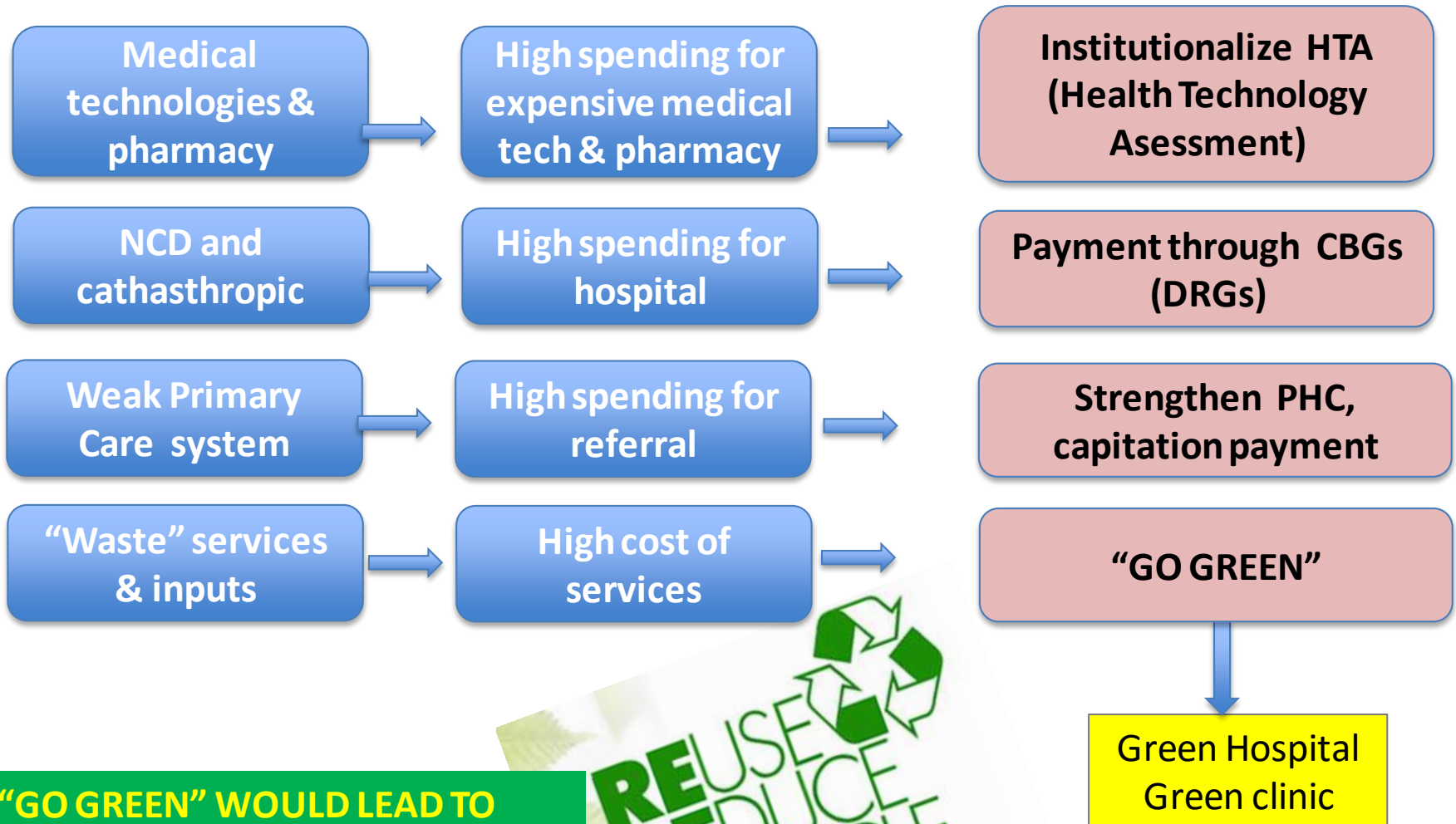


## STRENGTHEN PREVENTIVE HEALTH CARE



- Regulatory framework
  - PH Work Force
  - PH funding

# ACCOUNTABLE MEDICAL CARE



**"GO GREEN" WOULD LEAD TO SLOWER HEALTH CARE COST INFLATION**



# Some evidences → go green initiatives

## USA hospitals

- 5.9 millions of tons of waste each year
- One of the largest energy consumer



Global figure ?  
National figure ?

## Greenwich Hosp (Connecticut)

- Reengineered heating and cooling plants
- Updated its light bulbs
- Cut its electric cost by \$303,000/yr

## Harvard teaching Hospital

- 1.5 tons of left over food/week sent to a farm north of the city

## Stanford University Medical Center

- Recycled and composted 35% of its trash (2,300 tons) (2012)
- Saved \$750,000

Many other hospitals has been “go green”



5 ways to go green

# Hospital Go Green (technical perspective)

*In general, hospital focused on the following five ways  
Variety of technicality in addressing each of them*

- Conserve **water**
  - efficient showers and toilets (less water per flush)
  - efficient washer
- Consume less **energy**
  - Many ways of reducing electric cost
- Greener **waste** management
  - *recycling* → need special techniques to eliminate hazard of contamination
  - *food waste* for fertilizer
- Ensure **chemical safety**
  - properly recycle toxic goods (such as batteries)
  - less detergent by lowering the salinity of water used in laundry
- **Food stuffs**: use local farm → locally grown, fresh product (cut down gasoline used and refrigeration cost)

Commitment

Special Unit

GG Program

Research &  
Technology



# HEALTHY LIFE STYLE

Tobacco and alcohol consumption

High spending for NCDs

Regulation, taxation, price control

Un-healthy diet

Obese, NCDs

Promoting healthy diet, exclusive breast feeding

Lack of physical exercise

Obese, NCDs

Promoting regular exercise  
Public and private facilities







# HEALTHY PUBLIC POLICY

Contamination & pollution



High spending for intoxication



Regulation and surveillance of hazardous substance

Deforestation, flood, land slide



Hi spending for Disaster related diseases



Regulation and policy for environmental protection

Careless driving



High spending for trauma/traffic accident



Enforcement of traffic and driving regulation



# Closing remarks

- Escalating cost is a real threat to affordable and sustainable health system
- All stakeholders need to systematically contain the cost:
  - [1] strengthen public health interventions
  - [2] accountable medical care
  - [3] promoting healthy life style
  - [4] ensuring healthy public policy
- Health insurance is necessary but not sufficient (it only provide financial protection but not risk reduction)
- Public health intervention should complement health insurance to reduced health risk

THANK YOU