The New Mandatory Health Insurance Scheme
Taking stock one year after the introduction

Key edition highlights

- Access to basic health insurance and increased insurance penetration will likely attract more investment into healthcare and insurance.
- New insurance products may be introduced to reduce potential pressure on premiums (existing and new) or loss of business.
- As a differentiator from increased competition, insurers may consider developing efficient claim management systems.
Introduction

Effective 1 January 2014, the new Mandatory Health Insurance Scheme (JKN) managed by Badan Penyelenggara Jaminan Sosial (BPJS), Indonesia’s Social Security Organising Body, was introduced. A year later, we take a closer look at the opportunities and challenges that insurers, hospitals and employers are facing.

Around 130 million Indonesians are already registered (status: November 2014) and by the end of 2018 all Indonesian citizens and residents (including expatriates) have to be registered at JKN. Based on research and interviews with industry experts, this newsletter highlights the key issues and intends to bring light to key questions including:

- By when do employees have to be registered at BPJS?
- What is the coverage of BPJS and what are its limitations?
- How much are the contributions to BPJS and what is the cost if employees already enjoy private health insurance benefits?
- What are the claim procedures?
- What are the benefits for employers to outsource claim management?
- How can an insurer coordinate benefits with BPJS?
- What are the opportunities, challenges and threats of the introduction of BPJS?
- Why is a communication strategy important?

We hope this newsletter will interest you in the Mandatory Health Insurance Scheme, and we look forward to having further dialogue with you.

JKN Facts

- 130 million Indonesians are registered at BPJS
- By 2018, all Indonesian citizens and residents are required to participate
- No “opt out” for employers who provide premium health insurance benefits to their employees
- Insurance companies can sign an individualized Coordination of Benefits (CoB) agreement with BPJS

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By when do employees have to be registered at BPJS?

The Indonesian government envisages that this healthcare scheme will cover all citizens universally by 1 January 2019. The diagram below summarises the timeline of JKN.

![Timeline of JKN](image)

What is the coverage of BPJS and what are the limitations?

JKN covers medical and non-medical benefits but excludes esthetics, orthodontics, infertility treatments, drug rehabilitation programmes and claims related to extreme hobbies, services performed overseas, etc. This scheme is mandatory for all Indonesian citizens and residents*, including those who are covered by other health insurance programmes.

Compared to private health insurance in Indonesia, BPJS does not impose caps on medical and non-medical benefits covered.

#### Examples of medical benefits
- Medical examination, treatment, and medical consultation
- Vaccine for basic immunization and basic contraception
- Medicine and medical consumables
- Non-intensive and intensive care hospitalizations
- Medical implant services

#### Examples of non-medical benefits
- Accommodation benefits
- Ambulance services
- Medical forensic services
- Morgue services at healthcare facilities
- Administrative services

*Source: Presidential Regulation 12/2013
How much are the contributions to BPJS and what is the cost if employees already enjoy private health insurance benefits?

The table below summarises the contributions and healthcare accommodation levels by member type.

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<thead>
<tr>
<th>Member</th>
<th>Monthly premium</th>
<th>Healthcare accommodation level</th>
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<tbody>
<tr>
<td>PBI</td>
<td>Rp19,225/person paid by government.</td>
<td>Third class</td>
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<tr>
<td>Civil servant / military / police / retirees</td>
<td>2.0% of salary (max. Rp94,500) paid by employee, 3.0% of salary (max. Rp141,750) paid by employer.</td>
<td>First &amp; second class</td>
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<tr>
<td>Private business’ employees and non-civil servant government employees</td>
<td>0.5% of salary (max. Rp23,625) paid by employee and 4.0% of salary (max. Rp189,000) paid by employers up to June 2015. 1.0% of salary (max. Rp47,250) paid by employee and 4.0% of salary (max. Rp189,000) paid by employer from July 2015 onwards.</td>
<td>First &amp; second class</td>
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If employees already enjoy private health insurance benefits, contributions to BPJS represent additional costs for the employer and the employee.

Additional burdens from BPJS contributions on companies employing unskilled labour could lead to pressure on premiums (existing and new) or a loss of business for insurers.

To address this risk, new private health insurance products should be developed.
What are the claim procedures?

JKN operates on a cashless referral model - refer to the diagram below for an illustration of claim procedures.

Members must choose a first level public healthcare facility from BPJS, usually a public health centre. The first treatment must be done here unless it is an emergency. Secondary care is by referral from the first level public healthcare facility, mostly to a public hospital.

JKN has sparked complaints from participants due to its rigid referral system which decreases flexibility in choosing healthcare facilities and reduces the productivity of employees. Apart from flexibility and productivity concerns, costs (e.g., travel costs for employees who work in remote areas but are registered at only one first level public healthcare facility) and health risks (due to delayed treatment driven by an inefficient process) can be high.

What are the benefits for employers to outsource claim management?

- Employers might consider outsourcing claim management to reduce administrative costs and potential cash flow implications from poor claim management, which is not their core business.
- The increased complexity of claim management creates opportunities for insurance companies to help employers by introducing new integrated insurance solutions.

How can an insurer coordinate benefits with BPJS?

The insurer and BPJS can sign a CoB agreement which regulates how the insurer and BPJS will split the payment for claims. At present, CoBs are individually negotiated between the insurer and BPJS; however, standardising CoB agreements with insurers is currently under discussion. Many market observers perceive this discussion to be one of the reasons why BPJS has recently ceased signing new CoBs.

Currently (December 2014), there are 30 private insurance companies that have signed a CoB agreement. There are only 16 hospitals (11 in Jakarta and 5 outside of Jakarta) operating the CoB scheme.

Alternatively, if no CoB agreement is signed, the insurer can offer new products that complement the JKN scheme.
Established in 2009, Kemang Medical Care (KMC) is a small specialist for women and children’s healthcare centre located in South Jakarta. KMC has 50 in-patient beds, operating theatres and various specialists out patients clinics based onsite.

Registration with BPJS would require that a hospital in type A, B, C or D allocate 20% of its total beds to middle- and low-income patients. Board of Director KMC say KMC has not registered for the BPJS scheme. KMC is not required to register with BPJS because it currently does not have the full hospital status. That is not to say that BOD is not yet interest in a participating in BPJS.

“KMC has simply not been designed to cater for BPJS patients as this would require more, yet unavaiable, space to separate facilities for private and BPJS patients,” BOD says. KMC aims to build and or develop new ‘satellite’ hospitals for BPJS patients in other locations in rural area, and has

In the following, Mrs. Angelia Tirta, Head of Policy Management, Employee Benefits, PT. Allianz Life Indonesia, shares with us her views on BPJS:

1. Please describe your experiences (good and bad) with BPJS and the CoB program? Are you overall satisfied with the implementation of BPJS and/or the CoB program? How do you rate the performance of BPJS and/or the CoB program on a scale of 10 (10 extremely satisfied - 0 not satisfied)?

The implementation of country-wide social health programs of such magnitude always implies huge challenges for all involved stakeholders. The insurance industry, BPJS and medical providers have worked very hard over the past months towards the launching date.

Allianz Life Indonesia signed the Coordination of Benefit Agreement with BPJS Kesehatan on 23rd June 2014. However, until today, we still wait for detailed procedures and system requirements from BPJS in order to implement COB. Besides the lack of clarify with regard of operations, BPJS deviated from the initial CoB agreement and the insurance industry had to adapt quickly to new requirements. Right now Allianz Life Indonesia, through AAJI (Asosiasi Asuransi Jiwa Indonesia / Indonesia Life Insurance Association.), discusses new challenges and advocates fair conditions for all stakeholders, including employers of which many struggle with additional financial and administrative obligations.

2. What needs to be improved to make BPJS and/or the CoB program beneficial for hospitals, patients, employers and private insurance companies?

All stakeholders involved in the implementation of the Social Health Insurance Program agree that the quality of medical facilities services must improve. Areas for improvement are also related to the registration and member enrolment process, particularly through BPJS’s web service. As for COB, Allianz Life Indonesia supports AAJI’s proposal for:

a. Any medical facility can refer a patient to a hospital.

b. All non BPJS hospitals are accepted for COB.

c. COB can be applied in general and not only when member uses higher Room & Board in non- BPJS Hospitals.

d. Processes, systems, and trained BPJS-staff for COB must be in place.

e. COB should also be applied for individual customers.

f. COB should be applied for all health insurance products and not only managed care products.

3. Do you think the current premiums for BPJS are sufficient to cover costs? How do you see the trend in contributions to BPJS and if cost increases are inevitable, who will likely have to bear the costs?

We hope that the current BPJS contribution is adequate to cover treatment costs for the time being. However, this depends how BPJS can improve the registration process if the COB processes runs smoothly and
plans to build and develop a hospital outside Jakarta for middle- and low-income patients.

Having commissioned market research, BOD is optimistic about the opportunities of BPJS for hospital operators. “Serving BPJS patients is a low margin but high volume business and is attractive at the bottom line, if managed well,” BOD explains. “Incomes of doctors need to be adjusted, as well as stocks of original medicine (a major income stream for many hospitals) need to be replaced by generics,” BOD advises. KMC’s business model does not have heavy reliance on original medicines for revenues, as it actively practices the principles of Rational Use of Medicine.

One of the key challenges that a hospital operator may potentially face for registering with BPJS as foreseen by BOD include the co-ordination of benefits (CoB) or cost sharing between the insurance companies and patients when it comes to processing claims of BPJS patients if over limit than hospital’s tariff. Additional challenges include establishing a calling system for confirmation before a giving procedure can be carried out as well as having adequate staff to process the paperwork for insurance claim.

Medical costs can be managed effectively and efficiently. Besides all efforts for cost containment, experience has shown that social health insurance schemes in general have to review the contribution and claim costs on regular basis. We expect to see the same development here in Indonesia as well.

4. Do you think BPJS will increase the awareness of the importance of health insurance in Indonesia and draw more patients to hospitals?

Currently, the health insurance penetration in Indonesia is relatively small. Part of the reason is the lack of ability from insurers to reach all segments and areas. With BPJS applied in all areas in Indonesia and it is compulsory, the awareness of health insurance will increase and more people will seek additional benefits as a top-up of their BPJS benefit.

If people have health insurance, they will also use it. Therefore, more treatment-seeking patients will go to hospitals and clinics. Some experts, however, doubt that the capacity of the Indonesian health care system is sufficient to serve that many patients.

5. Please comment on the fact that BPJS provides unlimited coverage whilst private health insurance benefits we typically capped? How do you think does this affect the CoB and sharing of premiums among providers?

“BPJS and private health insurance now and in the future?”

BPJS follows the concept of Managed Care, no annual limits, and complete coverage. At the same time, the benefits are limited to “basic needs”, which is somewhat contradictory. The future will tell how BPJS will interpret this definition in practice.

Allianz, on the other hand, offers products with Inner or Annual Limits. In addition, we promise to reimburse all treatments that are medical necessary according to the policy, whether basic or advanced, and our customers can choose the level of protection and know exactly what is covered and what is excluded. This is why we believe that our plans are more transparent and less prone to ambiguity during the treatment and claims process.

Further, Allianz offers the free choice of providers. Our customers have immediate access to first class medical care, without being restricted to basic medical treatment. We are convinced that there will always be a high demand for free choice of providers, direct access to best available medical care, and superior customer service.
What are opportunities, challenges and threats of the introduction of BPJS?

<table>
<thead>
<tr>
<th>Insurers</th>
<th>Opportunities</th>
<th>Challenges</th>
<th>Threats</th>
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<tbody>
<tr>
<td>1. A growing middle class in a country with a population of over 245 million and a low insurance penetration of less than 2% will have a positive effect on the growth of health insurance.</td>
<td>1. Many participants regard BPJS procedures as inflexible and inconvenient.</td>
<td>1. Pressure on premiums and potential loss of business from companies paying premiums to the scheme and private insurers, in particular, companies employing unskilled labour (refer to Opportunities).</td>
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<td>2. Widespread public awareness of the insurance system will drive the rising middle class to invest in private health schemes.</td>
<td>2. Educating the public on the complexities of the Mandatory Health Insurance Scheme and their rights under the scheme.</td>
<td>2. Low uptake of BPJS after investment as payments by BPJS are low, few private hospitals and doctors are joining the programme.</td>
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<td>3. Development of additional products to complement the basic government scheme.</td>
<td>3. A good coordination of benefits (CoB) is required when it comes to developing complementary products to prevent increased complexities and costs.</td>
<td>3. Potential collapse of the scheme.</td>
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<td>4. More complex procedures may drive less established competition out of business.</td>
<td>4. No established formal guidelines that apply to all insurers - each CoB has to be individually negotiated.</td>
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<td>5. The scale and complexity of the scheme provides opportunities for insurers to develop good claims management system to maximize efficiency and reduce costs.</td>
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<table>
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<tr>
<th>Hospitals (private)</th>
<th>Opportunities</th>
<th>Challenges</th>
<th>Threats</th>
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<tbody>
<tr>
<td>1. Develop new hospitals catering to BPJS patients (“BPJS hospitals”).</td>
<td>1. Increased administrative costs including higher working capital requirements relating to the complexities of BPJS.</td>
<td>1. Low uptake of BPJS after investment as payments by BPJS are low, few private hospitals and doctors are joining the programme.</td>
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<td>2. Reallocation of surplus/idle resources from premium to BPJS hospitals to cut down on operational costs of BPJS hospitals.</td>
<td>2. Hospitals are required to allocate 20% of their beds to low-fee patients (note: this is a general and not a BPJS-specific issue).</td>
<td>2. Potential collapse of the scheme.</td>
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<td>3. BPJS is a mass-market business, and a private hospital having a presence in this segment will potentially drive referrals to its premium hospital with the rising middle class.</td>
<td>3. Patients opting out of private scheme if BPJS is proven to be successful.</td>
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<td>4. Premium hospitals could develop specialisation to capture its BPJS hospital patients’ needs.</td>
<td>4. Increased operational costs of hospitals that are not covered by the tariffs.</td>
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Why is a communication strategy important?

The key issues to be communicated to employers and employees are that JKN participants are not allowed to receive healthcare services directly from advanced level healthcare facilities (such as hospitals) without prior referral from assigned first level healthcare facilities (government-mandated community health clinics). Employers should also be informed that JKN participants are able to enjoy premium healthcare benefits through a non-referral system by purchasing private insurance plans from insurance.

Therefore it is important for insurance companies and hospitals to be able to effectively assist patients (BPJS and also private) to navigate through the complexity of the new system. Thus opportunities arise for insurance companies to educate the market and to brand themselves as a key player in healthcare by becoming a trusted solution provider in this relatively new market. It is also a good opportunity for insurance providers and hospitals to work together to provide optimal solutions for patients through mutually beneficial alliances.