

# The Economics of Globalisation in Health and Healthcare: Indonesian Context

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# Globalisation

Where goods and services can be consumed (and produced) with minimal restrictions over (national) boundaries. Source of ownerships became less clear and less important.



# Globalisation in Health

Despite its rather unique type of products and services, Healthcare also faces the waves of globalisation.

# Modes of Globalisation

- **Cross Border Trade**
  - Market penetration, technology not available, cheaper
  - Specialisation of products and services, mass market vs specialist products
  - Medical equipment made by the Germans compete head to head with those made by the Japanese.
- **Consumption abroad**
  - Better quality, cheaper, faster, or services not available in country
  - Est. 7 million people go across borders every year to access foreign health care
  - Thailand (1.2 m/yr), Mexico (1 m), USA (0.8 m), Singapore, India, Brazil, Turkey, Taiwan, Malaysia, etc
- **(Temporary) Presence of Natural Persons, as Supplier of Services**
  - Nurses and medical professionals from around the world making their trade in the Middle East, USA, UK, etc
- **Commercial Presence**
  - Pharmaceutical companies brought up their products to various parts of the world
- **Availability of Global services**
  - Internet-based services

# Drivers of Globalisation

- Ease of travel
  - Jetset? **Jetage**
- Technological advances
  - Internet
  - Medical technologies and protocols
- Consumption and production of Growing economies vs Mature economies  
(consumption – expansion)
  - Asian Tigers
  - North Americas n Western Europe
- Cost/earning differentials
  - Medical procedures can be 90% cheaper in India than US
  - Nurses salary in the UK can be many times higher than in the Philippines

# The Indonesian Context

- Economy
  - Economic boom followed by deep crisis, recovered but with issues
- Demographic Size and Changes:
  - 4<sup>th</sup> world's most populous country
  - Some achievement in population control, but challenges ahead
- Geographic Nature
  - Scattered islands, with uneven inhabitants
- Health Status & Need
  - Moderate to poor health status
  - Double burden: increase of degenerative type diseases, while traditional infectious diseases are still a common problem
- Health systems

# Healthcare Services

- Healthcare supply
  - Mixed between public and private providers
  - Supply inequalities: Urban vs Rural, Java vs other islands
  - Quality of services also varies greatly
  - Public Health services are mainly provided by MOH
- Financial system
  - Limited government budget for HC
  - Traditionally out of pocket payment system, although in recent years there are progress in pro-poor health financing
  - Commercial insurance coverage are also limited
  - Nation-wide health financing system is in development

## Cross Border Trade

- Net deficit in health and medical trade
- Imported majority of medical devices
- Limited exports of medical products
- Large portion of Indonesian Pharmaceutical companies only act as ‘packaging’ and ‘marketing’ channels
- Indonesian-developed product are still lagging behind to internationalise



## Consumption Abroad

- Singapore and Malaysia have been the place to seek care for the well off Indonesians. Parkway group, Raffles Group of Singapore have been attracting a large number of foreign patients, mostly Indonesians. (Est 610 thousand patients in 2012)
- In 2011 Indonesians represent 47.2% of the patients treated in Singapore (Singapore's Ministry of Health and the Singapore Tourism Board)
- These patients are **seeking quality** than cheaper price
- Foreigners seeking care in Indonesia are very limited

- Temporary Presence of Natural Persons, as Supplier of Services
  - Indonesian allied health personnel have been working in overseas, mostly in Middle East
  - Some foreign experts working in Indonesian HC, mostly as consultants
  - Future foreign medical professions working in Indonesia?

- Commercial Presence
  - Some foreign-invest and/or foreign-managed hospitals have been in operation, concentrate in big cities
  - Reasons to invest: Huge population potentials, relatively cheap operational costs
  - Some plans of foreign investment in Indonesia were postponed or canceled (economic & political reasons)
  - Foreign pharmaceutical companies have long been in operation in Indonesia (or at least their Intellectual Properties)

# Globalisation in Health;

## Threat or opportunity?

- Cream skimming of the HC market
- Foreign presence (supposedly) drive up local competition, hence improving quality
- Dependence to foreign imports – cater a huge Indonesian population
- Lack of competitive advantage for locally produced goods and services, political and economic instability
- Possible Brain Drain vs Foreign worker threat

# Can Indonesia be a beneficiary of Globalisation?

