Conclusions and Next Steps

Indonesia is at a critical crossroads in its quest for universal health insurance coverage for its population. Achieving universal coverage has proven to be a formidable challenge even for high-income countries. Not surprisingly, few developing countries have successfully achieved universal coverage with good health outcomes and high levels of financial protection, and have been able to complete and sustain their reforms. Even those that have, such as Thailand, are continually challenged by cost pressures from the demographic, epidemiological, and nutrition transitions; costly new medical technologies; the inherent market failures in health and insurance systems; and insatiable demand from their populations.

This book attempts to provide substantive guidance to the government of Indonesia on how it might proceed with its universal health insurance coverage reform. The report examines the demographic, epidemiological, socioeconomic, geographical, and political realities in Indonesia; the strengths and weaknesses of
the current Indonesian health system and health insurance programs; the global evidence base on “good practice” in health financing reform; and Indonesia’s future macroeconomic realities. It attempts to build on the large Indonesia-specific health literature and provide just-in-time advice on key reform parameters and options for consideration by the government and the Social Security Council. Its focus is on (i) analytical work through new data collection and analyses and through summarizing previous Indonesian and global experiences and (ii) providing options for consideration by the political decision makers who are facing major policy issues and information needs in specifying both the configuration of the final universal coverage (UC) system and the transition steps to get there. This chapter summarizes some global conventional wisdom and raises some of the important issues that need to be comprehensively addressed as the reform process moves forward.

**Wisdom from Global Health Financing Reform Efforts**

A number of insights have evolved from other countries’ reform “successes” and “failures” that are germane to Indonesia:

- It is much easier to expand coverage and benefits than to reduce them.
- When a uniform universal program is created from several existing programs, the benefits package generally ends up being that of the most generous program.
- Major expansions of coverage should not be undertaken from an inefficient base system.
- It is very difficult to finance a reform in the short term through efficiency gains.
- Demand-side measures are important but, from an individual’s perspective, cost is often irrelevant when it comes to health; thus, physicians generally determine demand.
- Supply-side (regulatory and reimbursement) measures are absolutely critical for controlling costs in any pluralistic system.
- Substantial market failures in health care limit the inherent efficiencies underlying competition, either among insurers or providers, requiring complex regulatory mechanisms.
- Major reforms in delivery arrangements and medical practice take time, particularly if large numbers of physicians and new types of physician specialists need to be trained.
- Governments need to consider both private financing and private delivery, given the potential for self-referral by public providers, the ability for private insurers and providers to transfer the poorest health risks onto the public system, and the opportunity costs of inefficient private sector investments (the “medical arms race”) that can result in lost growth and employment.
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• Rationalization of the health delivery system needs to be an implicit or explicit aspect of coverage expansion and of regulatory, quality assurance, and payment mechanisms (IMF 2007).

Every one of these issues is relevant to Indonesia, which faces a highly fragmented health insurance system, serious supply-side inefficiencies and constraints, a pluralistic delivery system, and extensive benefits packages that differ across programs. While the focus of this book has been on health financing, the plethora of other public health and health systems issues must also be addressed in Indonesia’s reform approach. The government should, through its ongoing policy processes and the development of its next five-year development plan, ensure a coordinated focus on the full range of health reform issues and carefully coordinate the work of the Social Security Council with the health policy processes of other public agencies at all levels of government.

The Way Forward

Indonesia has established the broad legislative base for moving forward to UC, and the Social Security Council has been focusing on specific implementation issues. In fact, Law 40/2004 requires that a Law on Social Security Administering Bodies and implementing regulations of the Social Security Law be drafted and ratified by October 18, 2009. In particular, the Coordinating Ministry of Social Welfare has devoted substantial efforts to develop draft laws in a number of critical reform areas including the following:

- Draft Law for the Social Security Administering Bodies (Carriers), which clarifies roles and functions of existing social security carriers and is the legal basis for those organizations to operate under the social security reform
- Draft Government Regulation for Social Security Beneficiaries, which focuses on identification of beneficiaries, targeting mechanisms, eligibility criteria, and beneficiary registration, as well as premiums and contributions
- Draft Concept for Presidential Regulation for the National Health Insurance Program, which addresses beneficiary coverage issues, including the BBP and uncovered formal and informal sector workers; premium setting; and contribution levels and shares among employees, employers, and levels of government.

These efforts, the details of which are displayed on the Coordinating Ministry of Social Welfare Web site, all are addressing, at various levels of detail, many of the

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key issues raised in chapter 5. While they represent a serious effort to move the health insurance reform forward, there is still a great deal of work that needs to be undertaken in an integrated and appropriately sequenced manner. This includes further development of policy details in many critical areas and analytical studies of program and administrative costs, health outcomes, financial protection, equity, efficiency, and sustainability impacts of alternative policy options. Further work is also needed to refine the ultimate vision, as well as the transition steps and timing.

In addition, a number of studies undertaken by the government, donors, and other stakeholders provide relevant contributions for decision making as the government proceeds with the development and implementation of the reform. While all these efforts are useful for planting individual trees in the complex forest of health care reform, what has not been evident to date is the final configuration for populating the forest and the road map for planting the trees to eventually get there. In short, the government needs to decide on the final national health insurance system that it has in mind, then carefully lay out the transition steps.

In developing such major policies, Indonesia, like most other countries, lacks critical information—about policy design, implementation details, and data—needed for informed decision making. In addition, big picture policy choices on the ultimate national health insurance system and transition steps can only be made in tandem with specific policy choices on more micro issues, such as the groups eligible for coverage by each program, targeting mechanisms, contribution requirements (for individuals, firms, and governments), provider payment mechanisms and levels, and the future macroeconomic environment. Rational policy choices need to be based on both the quantitative and qualitative impacts of such policies on, among other things, health outcomes, financial protection, consumer responsiveness, access, equity, efficiency, costs (public and private), and macroeconomic sustainability.

Based on global experience, the following critical policy issues should form the framework for the implementation of universal coverage:

1. Further development is needed on such data for decision making as National Health Accounts updates; insurance claims information; and cost, equity, and benefit incidence analyses to evaluate policy options. It is crucial to give high priority to developing the actuarial baselines of the current and proposed future health insurance programs and getting better estimates of the behavioral responses of both consumers and suppliers to changes in insurance coverage. Included in these analyses should be assessments of the current Basic Benefits Packages (BBPs) as well as the proposal of the Social Security Council, as measured by both cost-effectiveness and financial protection against excessive out-of-pocket spending, to enable rational choices of the BBP(s) under the national health insurance reform.
2. The initial assessments of supply-side constraints on both human resources and physical infrastructure highlighted a number of important areas where inefficiencies need to be addressed as well as areas that will come under more pressure given the underlying demographic, nutritional, and epidemiological realities.

3. Building on the pharmaceutical sector assessment and the initial identification of potential opportunities in expanding mandatory health insurance, the government is encouraged to further evaluate pharmaceutical sector policies and needed changes to aid implementation of the national health insurance reform.

4. The ongoing decentralization and health insurance reforms necessitate clarifying the residual roles of the Ministry of Health (MoH) with respect to public health and its remaining stewardship and financing functions with respect to the public insurance system. Within its broader stewardship role, assessing the effects of policies in other sectors (such as water and education) on health must also be a high priority, as is assessing the need for additional demand-side policies such as conditional cash transfers.

5. Once decisions about financing options have been made under the road map to universal health insurance coverage, it is essential to develop, experiment with, and evaluate the impacts of alternative provider payment mechanisms on costs, quality, and access.

6. The range of necessary administrative structures to implement the reform needs to be further developed, including assessing administrative costs and developing systems to ensure quality, measure efficiency, and evaluate the reform’s impacts.

7. The rich local experiences in providing health insurance coverage should be carefully assessed because these natural experiments are an important source of information for the national-level health insurance reform effort.

8. Attaining universal health insurance coverage is highly likely to require large increases in government expenditures, no matter which option is chosen. Thus, continuing attention to evaluating Indonesia’s future macro situation, including competing priorities in light of the current global financial and economic crises, is important, as is assessing the need for changes in the current intergovernmental fiscal structure.

The Five-Year Rencana Pembangunan Jangka Menengah (Medium-Term Development Plan), or RPJM, and the Social Security Council process should be structured to address these and other related issues. To tackle these numerous issues, Indonesia (as other countries have done) may need to establish additional specific working groups to address these different topical areas with the Council providing overall management of the whole set of issues, including coordination across government agencies, dealing with the interaction effects across policies and costing issues, and managing partner stakeholders such as donors and the private sector. By way of example, President Clinton’s Health Reform Task Force was
composed of 24 different working groups, each group dealing with one health
reform area (for example, financing, Basic Benefits Packages, malpractice insurance,
health workforce, mental health, cost containment). To date, although as discussed
above the Council has completed important basic institutional studies, this
comprehensive approach, along with much of the needed technical input (internal
and external), has been lacking.

Conclusion

Indonesia is one of the few developing countries to pass legislation and begin
phasing in UC, first by covering all the poor and near poor. While the government
is strongly commended for its pro-poor and human development policy focus,
successful implementation of the UC reform will require carefully sequenced
implementation of targeted, effective, and fiscally sound policies. To date, this
has not been the case, in part because of the lack of underlying data, but also
because a carefully sequenced comprehensive set of policies that go well beyond
an expansion of health insurance coverage for the poor need to be developed.

The Council and the MoH have taken important first steps. The RPJM; the MoH’s
own internal planning efforts in developing the next Rencana Strategi (Strategic
Plan), or Renstra; and the potentially large and possibly unaffordable (in the short-
run because of the current global economic crisis) expenditure implications of
expanding health insurance to some 76 million poor and near poor, make this
an ideal time to refocus efforts on the comprehensive set of policies needed to
effectively implement the UC reform.

With new data becoming available (insurance claims information based on actual
utilization from existing carriers), the availability of both internal and external
technical support, and the development of the new RPJM, this would be an ideal
time to adjust the health reform process. Given the current economic crisis and the
upcoming presidential election, much of this analysis could be initiated now with
some completed for use by the incoming administration. Other more complex
issues, such as the development, testing, and implementation of new provider
payment systems, are long-term endeavors and should be initiated as soon as
feasible, possibly in conjunction with local experiments as pilot projects.