



# Health Insurance in Southeast Asia

## Creating Solutions for the Challenges of Today... and Tomorrow

*"The future depends on what you do today."*  
– Mahatma Gandhi

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The simple truth of healthcare: Even the most innovative concept or company will stumble if it is not rooted firmly in the present reality. Nowhere is this more apparent than in the dynamic health insurance markets of Southeast Asia (SEA).

Competing in this corner of Asia can sometimes seem like playing pinball in an arcade. The market is pulsing with the power of new ideas and new service providers observed in more developed, sophisticated markets. The machine lights up, luring us to aim for the highest score – and ignore more achievable targets. But distractions loom, and all too easily our ball can drop down the drain.

To meet the challenges of tomorrow, insurers cannot afford to play games. We must focus on creating solutions for today. This starts by establishing a firm grounding in the local healthcare landscape.

### First: A Look at Today

SEA is home to a collection of markets, each with unique opportunities and issues. In emerging, high-growth markets such as Indonesia, Vietnam, and the Philippines, chief challenges remain around scale, accessibility, and quality of healthcare for the masses. Pharmaceutical and large private hospital groups begin to dominate the scene in the maturing healthcare markets of Thailand and Malaysia, presenting opportunities to leverage shared data but challenges in the form of monopolization and driving costs. Meanwhile, in developed markets such as Singapore we see innovative and proactive measures in wellness and proactive prevention measures through to elderly care in the home. It is easy to see the opportunities in the more developing markets, learning from the ups and downs of their more developed neighbors.

No one size fits all, yet commonalities do exist. The region as a whole is seeing a rise in the middle and affluent classes. The resulting improvement in standards of living has reduced infectious disease, but has increased non-communicable, chronic illnesses such as diabetes, obesity, cancer, and heart disease. This transition has resulted in a dual burden of disease. In Indonesia and Vietnam, 70% of deaths are now due to non-communicable diseases (higher than the world average)<sup>1</sup>. At the same time, dengue fever continues to be a significant cause of mortality.

A lack of adequate resources and personnel only complicates matters. The average number of physicians across Asia is 0.6 per 1,000 people, which dips to 0.2 in Indonesia. To understand the scale of the supply shortage, consider that the healthcare worker ratio is 2.5 per 1,000 in the U.S., 2.8 in the U.K, and 4.1 in Germany.<sup>2</sup> In terms of facilities, the global average is 2.9 hospital beds per 1,000 people, but again, looking at Indonesia the average falls to just 0.9 per 1,000 citizens.<sup>3</sup> While average hospital bed occupancy rates globally are at 50-70% capacity, in SEA this average increases to 80%, with major cities in Indonesia exceeding 100%.<sup>4</sup> Supply simply does not meet demand. ▶

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## Demographics Ripe for Disruption

Few could dispute that the hurdles for SEA health insurers are high and yet, as insurers and private investigators are well aware, the potential of these markets cannot be ignored.

Private health insurers in SEA have traditionally functioned as financial middlemen between providers and patients, focusing mostly on controlling costs. Market trends make this model increasingly difficult. Premiums continue to rise alongside escalating healthcare costs, even as the market grows more competitive and claimable events increase. But there are positive signs of changes ahead.

Consider the major demographic shifts underway. SEA markets (Thailand, Vietnam, Philippines, Malaysia, Indonesia) have a combined population of 550 million people and low insurance penetration. Already, increasing affluence and education levels are translating into more sophisticated customers – individuals and families who are more aware of the need for financial and insurance planning. In addition, longer lives have produced a new segment of aging consumers in search of new insurance solutions.

While chronic disease rates have increased, so has the ability to pay for health coverage. Health also is becoming more integrated into lifestyle considerations for middle- and upper-income groups. At the same time, companies are exploring innovative ways to work closely with both governments and non-governmental organizations to reduce the spread of infectious diseases in urban areas.

Lagging healthcare systems also leave room for the emergence of new providers and ultimately investment in innovation. Working with these investors offers insurers an exciting avenue for growth. And as universal healthcare schemes are forced to turn to cost-containment strategies and provider payment models, insurers can help fill the gaps and offer private solutions for affluent consumers seeking to bypass public options.

## Digital Advancements and Preventive Medicine

Technology could hold the key to addressing a chronic shortage of resources and personnel. By shifting doctor-patient contacts for minor ailments to virtual appointments, hospitals could devote themselves to trauma and emergency cases. In remote areas, patients would be able to access the proper specialists, which is simply not possible today. Long-term care could be managed in the home or community, with vital stats obtained via wearable devices and patients owning their own e-medical records.

Wearable devices could also facilitate preventive health initiatives, but it is important that any such efforts be made local. Wellness programs that measure daily steps may make sense in Hong Kong, for example, but would be simply laughable in a SEA market in the midst of a dengue outbreak, where education and prevention through screening and vaccines would be more valuable. Yet as development continues apace, we may soon see a day where P4 medicine (Predictive, Preventive, Personalized and Participatory) takes root in SEA.

## Innovative Product Design

As we see the clinical and consumer evolution in our experience, it is critical to ensure our products and services reflect these changing dynamics. At RGA we have made great progress in developing relevant products for today's consumer and their needs. These include innovations in cancer and critical illness reimbursement plans, which resonate with consumers' greatest concerns, as well as impaired life products extending cover to the increasing diabetic population previously excluded from medical cover. In parallel, we are embracing new clinical technology to help consumers manage their health, not just their financial wellbeing.

As with most markets, our ability to record and use data is key. In a health insurance context, more meaningful progress in our claims experience will require a shift to value-based care throughout the region, with quality outcomes made accessible at a reasonable cost. To establish value we need to be able to measure the results and track them over time, and they need to be made publicly available. This will require additional investment to enable different data to be captured – not just when people are sick, but throughout their lives. ▶

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## Looking Ahead

So where do we go from here? We must optimize treatment and its value by insisting on adherence to evidence-based care. The ideal to work toward: Care delivered in the most appropriate setting, at a reasonable cost and through providers rated for their outcomes and reimbursed via value-based payments.

At RGA Southeast Asia, we are working with our partners to continue to innovate, not by seeking to transform a market or universal healthcare model, but through a series of small steps. Every day, we seek to identify coverage gaps and make care more accessible and affordable by embracing technology and learning from experiences in other markets. ■

## References

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