

## Analysis: The US\$320 billion healthcare challenge in ASEAN

**Fabian Boegershausen, manager at corporate strategy consulting firm Solidiance, takes a look at rising healthcare costs in ASEAN and provides measurable solutions to overcome future challenges.**

Malaysia, Singapore, Indonesia, Philippines, Vietnam, and Thailand (ASEAN 6) will all face an unprecedented rise in healthcare costs over the next decade, putting significant strain on public health budgets.

According to our latest white paper, total healthcare spending in ASEAN 6 countries is estimated to reach US\$740 billion by 2025, up from US\$420 billion in 2017. An increment of US\$320 billion in costs is predicted to incur, nearly doubling today's spending. Since this implies a massive additional burden, policymakers must take early action to sustain the future of the healthcare industry.

In nearly all ASEAN nations, the growth of cost in healthcare per capita has outpaced the growth in GDP per capita, indicating a gap that will further add an economic burden to the region. Meanwhile, other factors driving future demand are the shift in age demographics and unhealthy lifestyle habits.

A profound population transition to an ageing demographic is happening due to improvement of life expectancy and rising income levels. The elder population (age 65 - above) in southeast Asian nations is expected to grow three times that of the working age population by 2040. The rapid change in population structure will burden society with an increased need for healthcare.

Metabolic risk indicators such as smoking and obesity will also translate into a high prevalence of severe non-communicable diseases. The growth rate for obesity is found to be significantly higher than overweight conditions in ASEAN countries, all of which aggravates the demographic impacts on health.

To add more pressure, regional governments have not especially increased their healthcare spending relative to total budgets and these figures have begun to stagnate or decrease in the past five years. Governments in these nations are unlikely to have sufficient means to meet the increased demand for healthcare with equal increases of healthcare spending.

It is clear the massive rise in healthcare demand poses one of the greatest challenges that ASEAN nations have ever faced, yet here lies also immense opportunity. The key to quality healthcare is to look beyond life expectancy to key drivers of disabilities. This can be done by refocusing healthcare efforts away from an ad-hoc treatment model to a model where the causes of illness are treated early on – in people's risk behaviour and lifestyles.

One way to lessen the burden of healthcare costs is to generate new sources of healthcare funding. A tax on unhealthy commodity goods, for example, such as salt and sugar can improve health behaviour incentives. The Philippines, for instance, imposed a tax on sugary drinks earlier this year. Governments could also streamline co-payment or broader insurance systems and introduce manageable and effective co-payment fees for public hospitals.

As a significant portion of healthcare costs is a result of personnel expenses partly bound to non-patient facing activities (i.e. administrative and support functions), reducing the need of excessive personnel hired for admin work could free up budgets. Instead, hospitals can replace non-patient facing functions with digitisation to manage patient data, reduce the need for administrative procedures, and remove redundant reviews on drug approvals.

Finally, focusing on effective treatments that avoid future costs must become a key pillar of sustainable healthcare policy. Since patient costs accelerate as they get older, thanks to illness and disability, intervention in early stages or even the full prevention of diseases requires additional spending early on but can greatly reduce cost in the future.

The health demands of ASEAN 6 nations present valuable opportunities for healthcare players such as private hospitals, pharmaceutical companies, and medical device companies. An understanding of the changing health landscape would allow healthcare businesses to advise on the most effective use of their equipment and services and also consult, where possible, on the best practices and potential improvements to efficiency.

The demographic transition will force a rapid development of the geriatric care services market in the ASEAN countries. Next to the immediate medical demand arising from the larger aging population also comes a massive demand for elderly care services. Companies could venture into these related fields, help or even invest in retirement and care homes.

The most significant opportunity of all will be the imminent digitalisation of healthcare, which will raise demand for solutions such as hospital information systems, cloud solutions for medical data, digital tracking of patients and treatments, and the automation of health monitoring.

You can read the white paper "The USD 320 Billion Healthcare Challenge in ASEAN" [here](#).

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### News

#### New Zealand: Healthcare companies refinance S

Vital Healthcare Property Trust, the only NZSX-listed healthcare property fund, and retirement village operator Arvida Group have both refinanced loans over the past week.

#### Australia: Avita raises A\$16 million in institutional placement S

Regenerative med-tech group Avita Medical has sold an institutional placement of A\$16 million (US\$12.2 million) to prepare for the planned US launch of its severe burn treatment.

#### Indonesia: Mitra opens new hospital S

Indonesian hospital operator Mitra Keluarga has opened the Mitra Keluarga Gading Serpong in Tangerang City. It is the group's 13th hospital.

#### Australia: Watpac wins A\$200 million hospital contract S

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