

## News

# ASEAN-6 healthcare sector facing \$320 billion black-hole, says new report

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*The major economies of Southeast Asia will face a \$320 billion hike in annual healthcare costs within a decade according to a new study from strategy consultants Solidiance, with the daunting prospect likely compounded by an aging population profile and unhealthy lifestyle habits.*

At current growth rates, the nations of the six largest economies in Southeast Asia – Thailand, Indonesia, Philippines, Malaysia, Singapore and Vietnam (together, the ASEAN-6) – will spend on average \$1,209 per capita on healthcare by 2025. With their collective population projected to rise to above 613 million over this period, the per capita figure represents a total healthcare bill upwards of \$740 billion – and a \$320 billion blowout from existing expenditure in under less than ten years. And that’s before factoring in the brewing potential impact from fast-food and cigarettes.

Yet, this formidable challenge also presents a ‘tremendous opportunity’ for the well-poised ASEAN nations to develop a world-class efficient and sustainable healthcare system, according to the Asia-centric strategy consulting firm Solidiance, which operates across the Asia-Pacific region.

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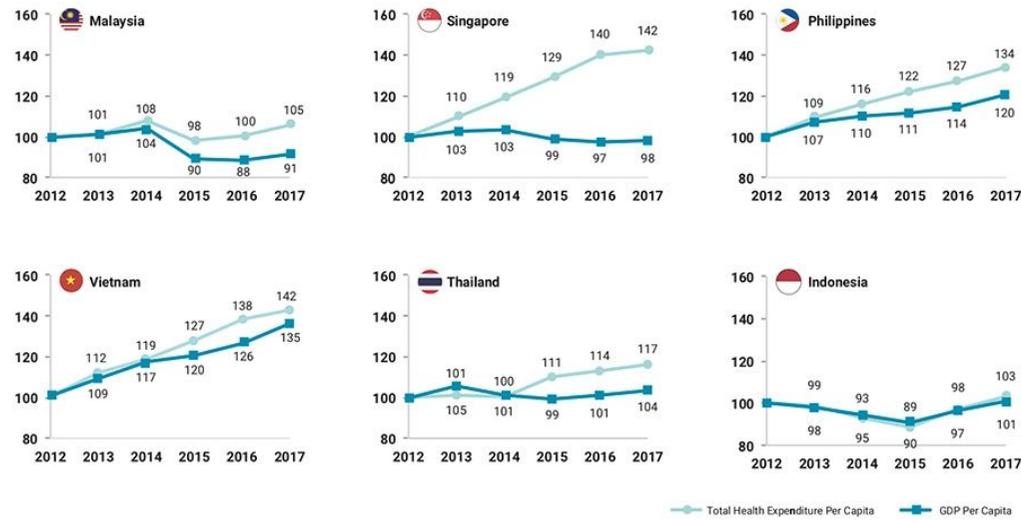


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While still relatively low compared to the world average as a proportion of GDP, the nations among Solidiance's ASEAN-6 study have been steadily increasing their public healthcare expenditure over recent years; indeed, at a much faster rate of absolute spending per capita than that of the OECD, which for the most part comprises advanced economies.

The growth in ASEAN-6 spending however has also outpaced the growth in local GDP, suggesting that the healthcare burden across the region will ultimately prove economically unsustainable. In addition, the increased expenditure over the past decade relative to overall budget can be seen to have tapered off in the last two years, with greater continuing fiscal priorities pointing toward a confounding budgetary black-hole in respect to the projected near doubling in healthcare costs over the short-term future.



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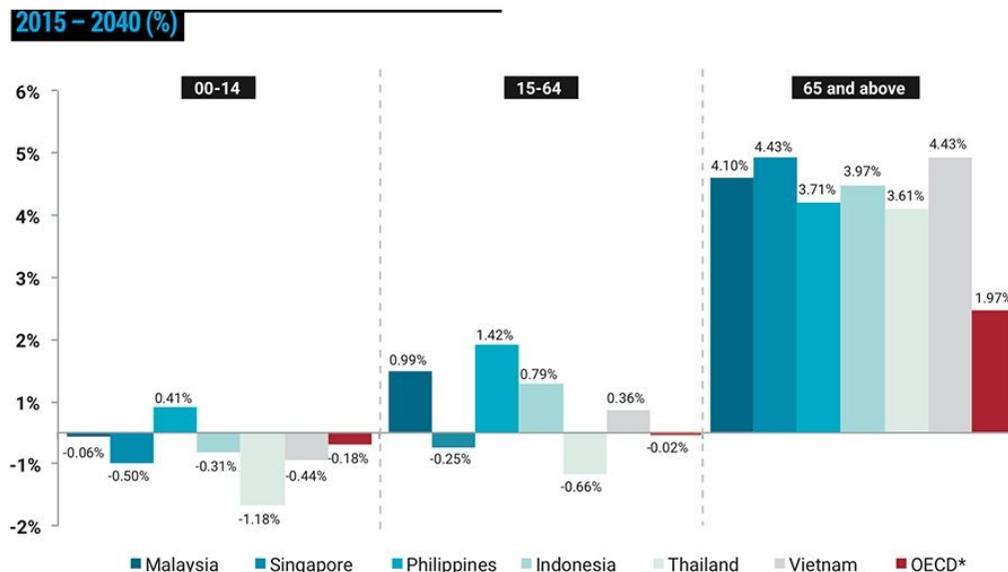
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Of additional concern, the \$740 billion forecast in annual costs doesn't take into account the likely rise in healthcare requirements over the coinciding period, with the ASEAN-6 nations set to undergo a 'profound population transition' as to an ageing demographic, compounded in turn by the poor lifestyle habits of the current working-age population, such as with the high smoking and obesity rates prevalent in SEAsia.

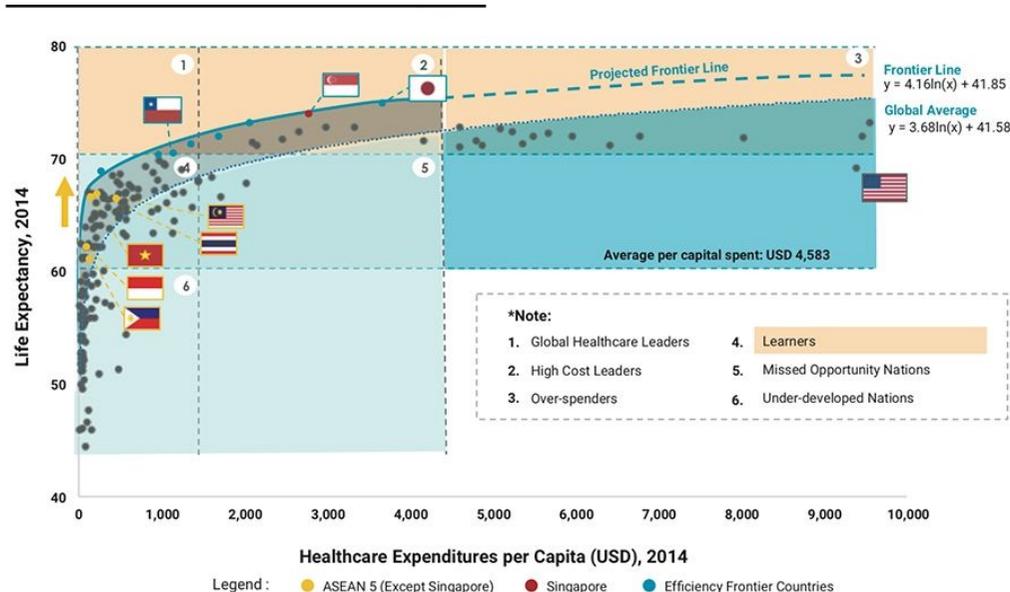
In terms of age demographics, while the ASEAN region is generally considered to be of a somewhat youthful profile, the report notes that recent increases in life-expectancy and an expected drop in the fertility rate associated with greater wealth will see a widening of the upper-age bracket relative to the total population – altering the overall demographic balance to a considerable extent.



As a breakdown, while the youth (< 15 y/o) and working-age (15-65) populations are forecast at negative or minor growth over the twenty-five years to 2040, with the greatest plus or minus rate at +1.42% for the Philippines in the middle bracket, the retirement-age populations (65 and above) are predicted to grow across the ASEAN-6 at rates above or pushing 4% – or, at a rate three to ten times higher than that of the relative working-age numbers.

In simple terms, just 9.6% of the population in Southeast Asia was above the age of 60 in 2016. By 2050, this figure is expected to more than double to over a fifth of the region’s people at a total of 21.1%. And the upward tilt in age demographics will present a common double-edged sword; an expanding upper-bracket creates a greater demand for healthcare, in tandem with a lower relative workforce to support it.

Aggravating this future strain on the system is a current working-age population given to smoking, and a growing prevalence of obesity and associated diseases such as diabetes – a condition that many Asian nations are already more predisposed to with regard to high consumption levels of starchy white rice. Of the countries studied, all but Singapore register smoking rates from a fifth to a quarter or more of the population, with Indonesia at practically 40%, while the number of those overweight in each nation has now pushed beyond 20% and up to as much as 38%. And as the citizenry continues to grow richer, the waistbands are likely to expand yet.



It isn't, however, all doom and gloom. As one of the consulting firm's primary areas of focus, along with the automotive, manufacturing, urban development and consumer goods sectors among others, the Solidiance report contends that the ASEAN-6 healthcare sector is in fact well poised to capitalise on the pivotal challenge, with most of its nations currently situated in the perfect sweet-spot on the global health development curve.

That is, in terms of expenditure against life expectancy, they're grouped above the underdeveloped nations which can't afford the required outlay to remedy their low expectancy, but have yet progressed to the stage of certain overspending nations which feature only slightly higher expectancy levels despite far greater investment per capita – such as is the case for the United States, which is nearly on par with Malaysia at an expectancy of 69 years, but at a cost of nearly ten times the ASEAN-6 average per every individual.

### Remedies at hand

To overcome the oncoming challenge and take advantage of such an opportunity, the authors of the report contend that the concerned governments will need to accelerate the development of their healthcare systems 'in both quantity and quality' – suggesting three broad levers; generating new sources of healthcare funding, such as through measured taxes on unhealthy consumer goods; streamlining operations to reduce costs, with digitisation offering the most significant potential gains, and; investing in early prevention, which is of particular benefit when considering non-communicable disease rates can effectively undermine any progress in life expectancy.

near future,” the report concludes, adding that, “The goals of the new policies should not only be to raise life expectancy, but also to focus on gains in disease-free life-years and on the entire ‘life-cycle’ of the patient to improve quality of life, all in hopes to lower the burden on the healthcare system... As for personal health medical treatment, leaders will have to accept in their making of policies a momentary discomfort to allow for a much ‘healthier’ future.”



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