

The Financial Sustainability of Indonesia's National Health Insurance Scheme: 2017–2021

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Background

Indonesia's national health insurance scheme (*Jaminan Kesehatan Nasional*, or JKN) is one of the most ambitious single-payer programs in the world. Launched in January 2014, JKN has made notable progress in increasing enrollment in just a few short years. The government is committed to ensuring JKN's ongoing sustainability, but as the scheme's annual deficits have increased, its financial situation is receiving much attention. How can the government improve the predictability of its outlays to the scheme? As JKN continues to scale-up toward universal coverage, critical policy decisions are required to increase revenue, rationalize healthcare expenditure, and project any future deficits to ensure the scheme is managed sustainably.

This analysis, conducted by the U.S. Agency for International Development (USAID)-funded Health Policy Plus (HP+) project and the National Team for the Acceleration of Poverty Reduction (TNP2K), used a dynamic mathematical model to project the financial sustainability of the scheme and explore the financial implications of specific policy changes currently under consideration.

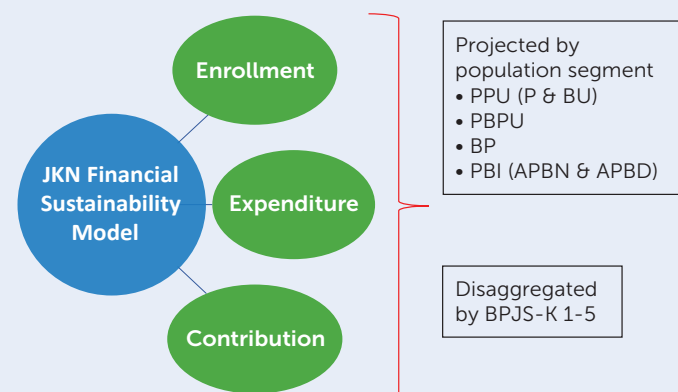
Methods and Data

The model uses inputs from three main sources: aggregate historical and projected scheme data from the single-payer agency for JKN, *Badan Penyelenggara Jaminan Sosial-Kesehatan* (BPJS-K), publicly available macro- and socioeconomic data from the national statistical office, and stakeholder inputs on key policy decisions to be assessed via the model. With the population projection disaggregated by geography and JKN's enrollment segments (Box 1) as a focus, the model projects the enrolled population; contributions; healthcare expenditure separated into hospital-based care, capitation, and non-capitation; and non-health expenditure (Figure 1). A dashboard summarizes the scheme's annual financial position and overall claims ratio.

Box 1: JKN Enrollment Segments and Bahasa Acronyms

1. PBI APBN: Subsidized segment (national level, based on unified database)
2. PPU BU: Formal private sector
3. PBI APBD: Subsidized segment (local level, transferred from Jamkesda)
4. PPU P: Public sector workers
5. PBPU: Informal sector workers
6. BP: Various (pensioners, etc.)

Figure 1: Financial Sustainability Model Structure



Factors Considered in Enrollment, Expenditure, and Contributions Projections

Enrollment: As of April 2018, JKN covered 195 million people, approximately 75% of the country's population. Our scenario projects 225 million people to be enrolled by 2021. This assumes a constant 92.4 million PBI members over this time and considers shifts in demography and workforce as Indonesia's economy grows and further formalizes.

Expenditure: Hospitals account for almost 80% of JKN healthcare spending. The model considers the impact of epidemiological changes on hospital care-seeking behavior and reduced utilization from the informal sector as adverse selection subsides. At the primary care level, private clinics increasingly contract with BPJS-K, so the model quantifies the financial impact of this trend, taking into account the clinics' higher capitation rates, and proposed revisions to those rates.

Contributions: Segment contribution rates and enrollment lapses among informal sector participants (which reduce collections) influence contribution income significantly. The model includes revisions to PBU contribution rates for those selecting cheaper inpatient ward levels (Classes II and III), and reflect BPJS-K's recent efforts to improve collections (e.g., waiting periods, enrolling as a household, and compliance checks). PBI rates are kept constant as utilization rates by this segment are still low, so any increase would only further subsidize contributory segments. Formal sector contribution rates were recalculated using region-specific salary and enrollment data.

JKN's Financial Sustainability: Performance to Date and Projections

JKN's deficit reached IDR6.23 trillion (US\$480 million) in 2017, with a 103% average claims ratio. Claims ratios per segment are variable but appear to be increasing in sustainability (see Table 1).

Table 1: 2017 Claims Ratios by Segment

Segment	Claims Ratio (%)	Recent Trend	Model Analysis of Trend
PPU P	111	Slight decrease	Limited change in utilization expected; claims ratio may decrease if more efficient expenditure and claims management is achieved
PPU BU	53	Increase	Utilization expected to increase as quality and access improves; improved contribution management will increase incentive to use JKN
PBPU	438	Significant decrease	Demand expected to decrease as adverse selection subsides, and impact of waiting periods and household enrollment are realized
PBI	77	Significant increase	Utilization improves as understanding of benefits increase, and access improves as facilities are built/contracted with BPJS-K

Source: BPJS-K and HP+/TNP2K analysis

The baseline projection predicts increasing deficits as enrollment scales up. However, our model shows that deficit growth can be stopped and JKN can be put on a path to sustainability (Figures 2 and 3). By 2020, scheme deficits can stabilize around IDR9 trillion per year, with a 104% average claims ratio. Improved contribution per capita, cost sharing (certain services are no longer entirely free) under consideration in 2018, and increased efficiency could improve the scheme's financial position and eventually make the scheme sustainable, though impact on utilization and financial protection need further analysis.

Figure 2. Annual Deficits

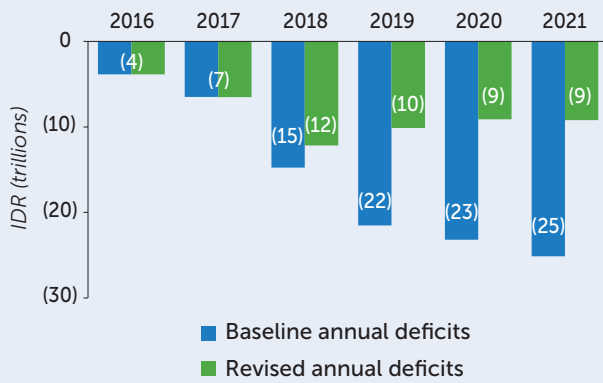
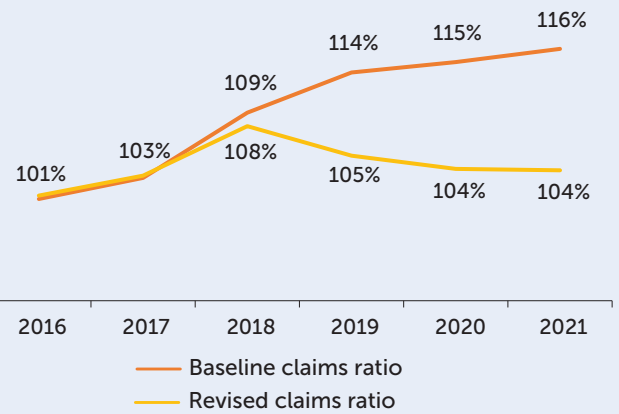


Figure 3. Claims Ratios



Conclusions and Policy Recommendations

The HP+/TNP2K analysis suggests that JKN can become more financially sustainable when long-term trends are considered along with certain policy changes. In addition, considering that PBI utilization is likely to increase as supply-side constraints ease and awareness of JKN benefits increase, we recommend:

- Increasing focus on enforcement strategies to enroll and retain informal sector workers
- Improving participation and contributions assessments for the formal private sector
- Strengthening strategic purchasing especially with hospitals, including further implementation of a true provider-payer split, selective contracting and accreditation, better enforcement of the existing referral and back-referral procedures, and more active clinical and claims auditing processes
- Providing better incentives for efficient healthcare provision through the expansion of performance-based capitation at primary care facilities and further study of the potential to implement global budgets at the hospital level, based on the pilot currently underway

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