

Healthcare Market Assessment

EAST ASIA | 2016

IN PARTNERSHIP WITH:



ABOUT THE STUDY

This study was commissioned under the Private Sector Development Research & Analysis Platform, a partnership established in June 2015 between the Government of Australia, represented by the Department of Foreign Affairs and Trade (DFAT), and the International Finance Corporation (IFC), a member of the World Bank Group, which supports private sector growth and poverty reduction in the Asia Pacific region.

Given the rapid economic and demographic changes in Asia, the partnership aims to find smarter ways to encourage private investment into areas of impact and growth within the private health sector to benefit overall healthcare systems and delivery, and ultimately, health outcomes for poor people. The private sector can also influence the provision and financing of health services through Public Private Partnerships.

The Australian government and IFC recognize the need to further understand the role of the private sector in priority health markets within Asia and to identify opportunities to support private sector projects, or private sector participation in public sector projects. This study builds on the growing partnership and contributes to a better understanding of East Asian health markets and the forces that drive them.

With a focus on five countries—Vietnam, Cambodia, Indonesia, Myanmar, and the Philippines—this publication summarizes the findings of a study aimed at providing tools and analysis for the partnership to better engage with these markets and their private sector players for improved health outcomes. It explores the problems that public health systems face, and the opportunities for the private sector.

COVER PHOTO

Photo © Dominic Chavez, World Bank: Huong Xuan Nguyen donates blood at the Hanoi Blood Transfusion Center in Hanoi, Vietnam

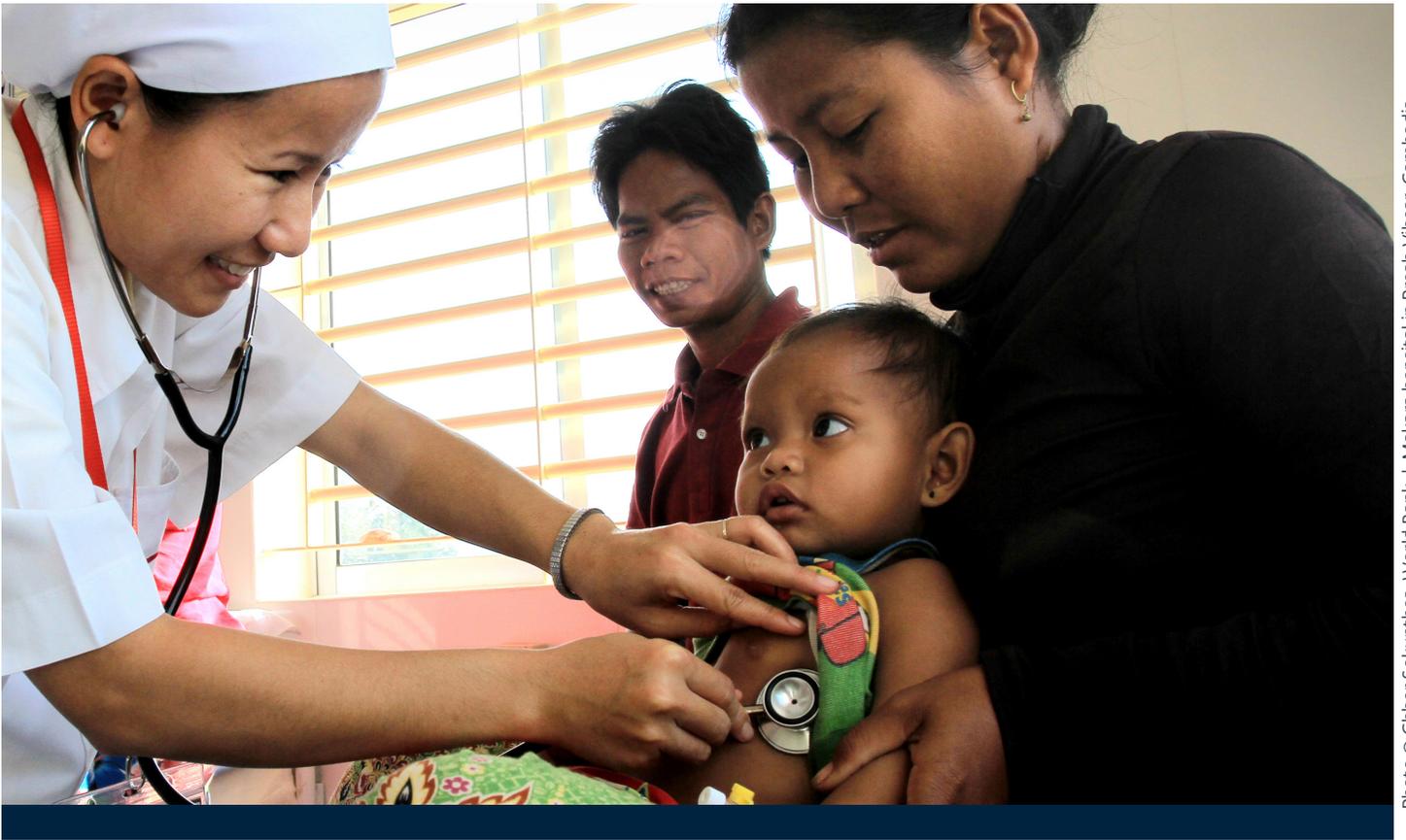


Photo © Chhor Sokunthea, World Bank | Makara hospital in Preah Vihear, Cambodia

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Photo © Simone D. McCourtie, World Bank | Bicycle traffic on the streets in Hanoi, Vietnam

POPULATION TRENDS

The demand for healthcare in Southeast Asia is growing and the five countries included in this study—Cambodia, Indonesia, Myanmar, the Philippines, and Vietnam—are no exception. Growing and aging populations, and rising rates of non-communicable diseases like diabetes and cancer are driving the demand for greater healthcare services, products, and infrastructure. Rising middle-class incomes, as a result of economic growth and urbanization, are sustaining this demand.

The populations in these countries have not yet peaked. In urban areas, middle- and upper-income segments are expanding, while most of the rural population lives below the poverty line. The percentage of the population below the national poverty line in each country ranges from 11 to 26 percent. This disparity has an impact on health, with the poorer, rural population facing underdeveloped infrastructure and inadequate access to healthcare services and products, while urban areas struggle with facilities that are overused and strained by increasing urbanization.

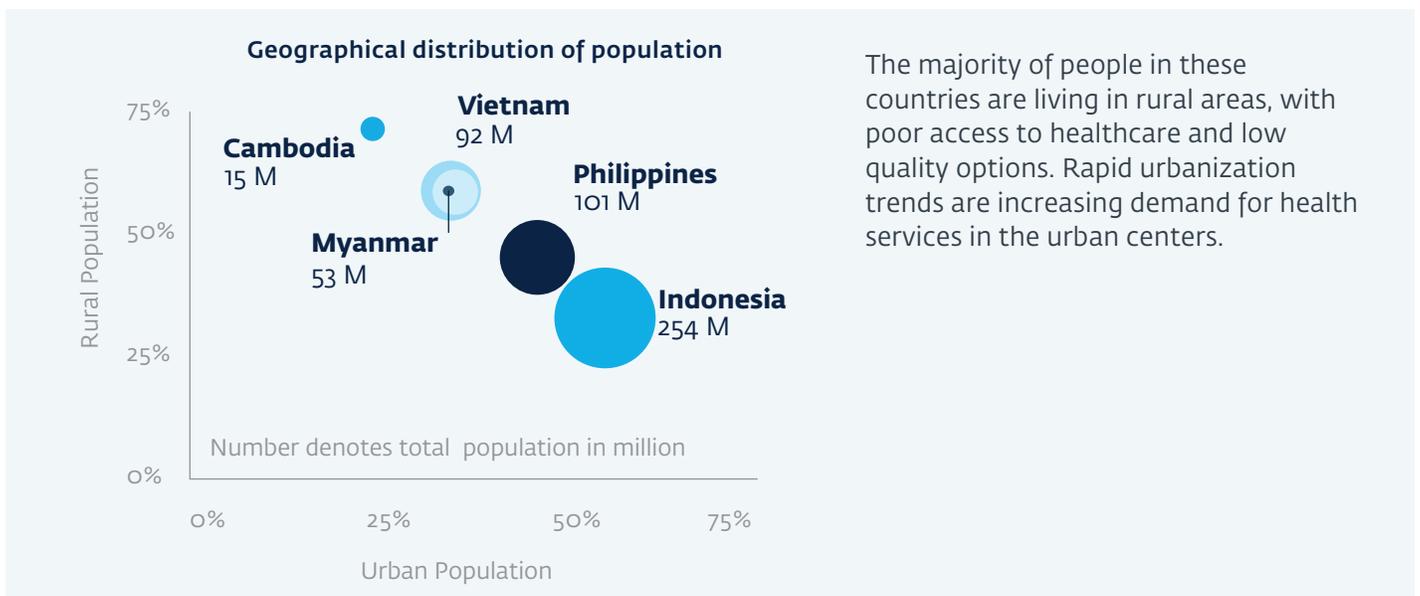
Programs and service delivery mechanisms aimed at strengthening health systems will need to offer novel and sustainable solutions to address gaps in accessing quality

primary care, basic diagnostic tests, and essential medicines in rural communities, while determining how to use resources in urban areas more efficiently. Both public and private sectors should consider how to develop new care models of care that support and contribute to the changing demand patterns in the market.

Decreasing fertility rates (down to between two and three births per woman) and increasing life expectancy are contributing to a rapid aging of the overall population in these countries.

Over a period of 15-35 years, the population over 65 years will double from seven percent to fourteen percent. The

FIGURE 1. RURAL AND URBAN CHALLENGES

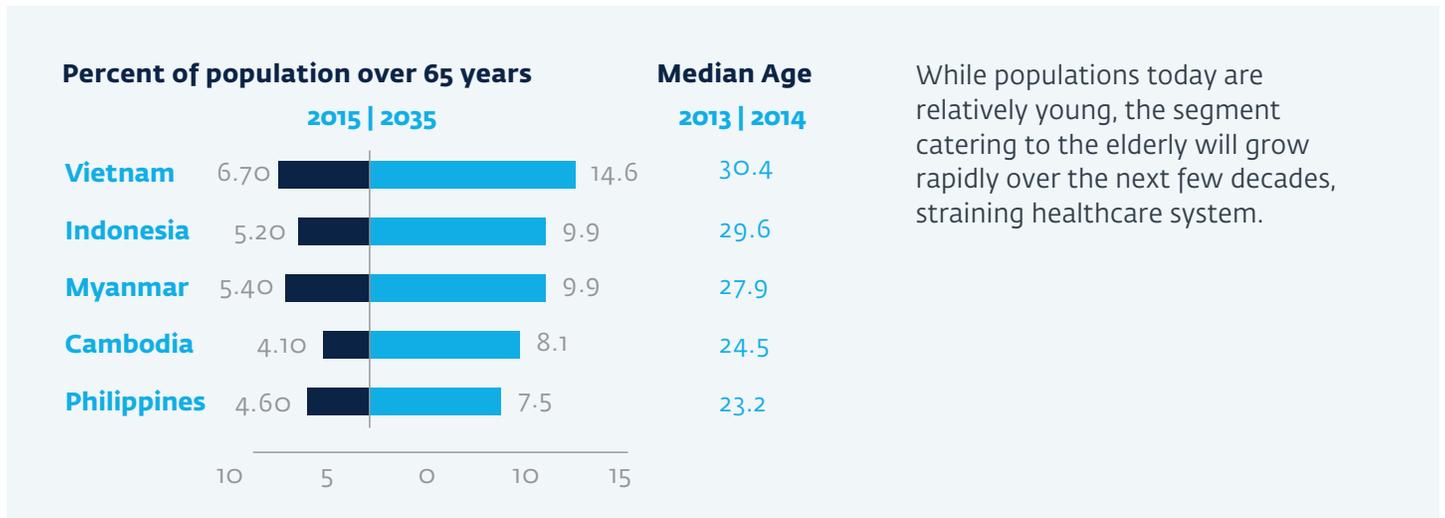


countries in the study will reach the 14 percent threshold faster than the average experienced globally to date.

This rapid increase will directly affect the type of health services required. These impacts will require a number of integrated approaches. For example, an early focus on preventative health education programs targeted at youth and the working population could reduce the

anticipated pressure on the healthcare system. Concurrently, infrastructure, human resources, and policies need to be developed to meet the immediate healthcare demands of the elderly and those approaching age 65 in coming decades.

FIGURE 2. AGING POPULATION



While populations today are relatively young, the segment catering to the elderly will grow rapidly over the next few decades, straining healthcare system.



Photo © Tran Thi Hoa, World Bank | Tai Chi practice near Ho Tay, Hanoi, Vietnam

Growing and aging populations, and rising rates of non-communicable diseases are driving demand for greater healthcare services, products, and infrastructure.

Rising middle-class incomes are sustaining this demand.



Photo © Tom Cheatham, World Bank | A mother and her children in Phalankone village, Myanmar

HEALTH TRENDS

The five countries in the study have experienced a steady decline in the incidence of infectious diseases; however, tuberculosis is still among the top 10 causes of death, and dengue fever is an emerging threat. Multidrug-resistant tuberculosis, along with general antimicrobial resistance, is a rising problem, particularly in countries where pharmacies are dispensing antibiotics without prescription.

Changing lifestyles, an aging population, poor diet, and pollution have led to an increased prevalence and death rate for non-communicable diseases. Accidents and injuries resulting from increases in drinking and driving have also been noted in a number of the countries in the study.

Advances in reproductive, maternal, newborn and child

healthcare have been made over the past decade; however, all the countries in the study with the exception of Vietnam are currently above the 2015 Millennium Development Goal of a maternal mortality rate of 100 deaths per 100,000 live births, and an under-five mortality rate of 30 deaths per 1,000 live births. The maternal mortality ratio is particularly high.

The disparity in access and quality of healthcare between urban and rural areas is wide: rural regions face a higher rate of post-neonatal mortality than urban regions. Child and infant health indicators are also quite poor, with stunted growth ranked high in the region. Other issues include malnutrition, low breastfeeding rates, and significant wasting (low weight for height) in children under the age of five.

FIGURE 3. DISEASE TRENDS

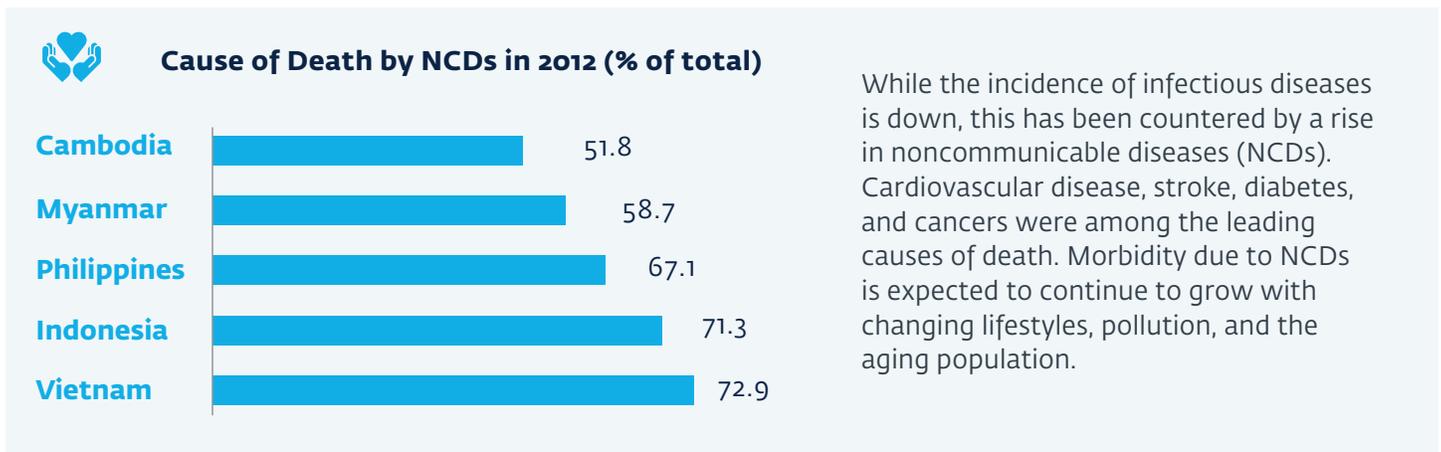


FIGURE 4. POOR MATERNAL AND CHILD HEALTH





Photo © Aye Zaw Myo/ World Bank | North Dagon Township Hospital, Yangon, Myanmar

MARKET TRENDS AND OPPORTUNITIES

Healthcare resource capacity, government healthcare spending, government initiatives, and technology adoption are also having an impact on supply and demand in each country, as well as the access, quality, and affordability of healthcare services and products.



Lack of skilled healthcare workers—The World Health Organization (WHO) recommends a skilled health worker (physicians, nurses, midwives) threshold of 2.28 per 1,000 people to achieve high coverage for essential healthcare interventions. The Philippines was the only country in the study that met this target due to the excess supply of nurses in the country. Building up the healthcare workforce and improving the training of current workers is a priority as demand increases. Additionally, there are opportunities to better leverage community health workers and traditional birth attendants to expand capacity and geographic reach.



Low bed count—A severe bed shortage in these countries is overcrowding urban public hospitals and prolonging wait times. The countries in the study have 0.7-2.5 beds per 1,000 people, whereas the recommended WHO target is more than 3.5 beds per 1,000. The healthcare systems in these countries have historically been designed to provide the acute care needed to respond to infectious diseases. With the rising incidence of chronic diseases, the demand on healthcare systems ill-equipped to deal with these diseases could become unmanageable. Not only is there a need for additional health infrastructure and modernization of facilities to diagnose and treat non-communicable diseases, but improved patient flow management, resource allocation, and information technology solutions (such as electronic health records) may help ease some of the current issues.



High out-of-pocket expenditures—Indonesia, Vietnam, and the Philippines are implementing universal health coverage plans, but out-of-pocket spending remains high due to low reimbursement for over-the-counter and patented drugs, and inadequate insurance coverage of services. Myanmar and Cambodia currently do not have universal health coverage or established health insurance services. Instead, the poor are reliant on healthcare provided by nongovernmental organizations or at no cost at public facilities.



Telemedicine and mobile health applications—A boost in internet connectivity and mobile and smartphone usage has improved prospects for telemedicine, especially in terms of bridging the widening supply-and-demand gap in health services between urban and rural regions without physically shifting resources. The private sector is leading the way in developing solutions that offer medical referrals through telemedicine, mobile applications for disease education or management and remote patient monitoring, and information technology plans to improve management practices.



Increasing healthcare spending—Healthcare is a priority sector across the Association of Southeast Asian Nations (ASEAN), with universal health coverage being implemented in Indonesia, Vietnam, and the Philippines. Governments have been steadily increasing healthcare budgets to meet the needs of a growing and aging population.



Photo © Chhor Sokunthea, World Bank | A mother watches over her child in the pediatric ward, Preah Vihear province, Cambodia

THE ROLE OF THE PRIVATE SECTOR

In the five countries in this study, people rely heavily on the private sector for delivery of both healthcare services and products. For instance, non-medical providers and private clinics deliver the majority of primary-care services. While the public sector is generally preferred for hospitalization due to access and affordability, the private sector is slowly raising the bar for quality by building and operating hospitals. Similarly, medicines are primarily purchased at small shops, but increasingly through larger pharmacies and drug store chains in cities. The private sector serves as not only the point of access for medicines, but is the major player in supply chain management, logistics, and distribution.

In considering potential healthcare needs and opportunities in the region, the private sector plays an instrumental role in:



Access

- Building healthcare delivery capacity
- Infrastructure development
- Supply chain management
- Employing and training healthcare professionals



Affordability

- Efficiency in healthcare delivery
- Pricing models for medicines
- Augmented financing mechanisms for medical equipment
- Private insurance to supplement universal health coverage



Quality

- Technology and innovation adoption
- Implementation of standards and protocols
- Links to regional clinical networks and governance

FIGURE 5. HEALTH EXPENDITURES



Health Expenditure per Capita and as Percent of GDP (2013)

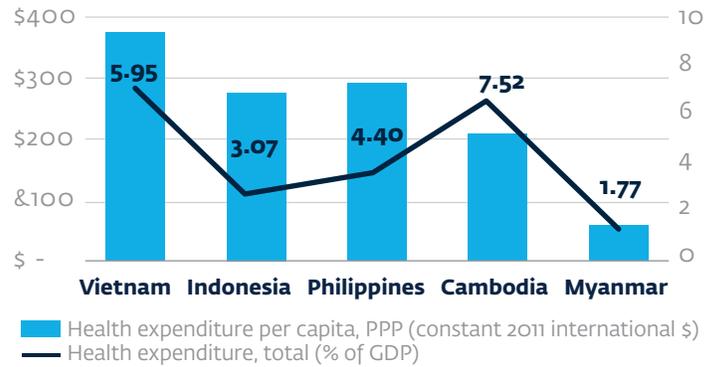




Photo © Chhor Sokunthea, World Bank | 16 Makara Hospital, Cambodia

HEALTHCARE SUBSECTORS

The healthcare market assessment in this study focused on five subsectors with the objective of better understanding market needs and potential opportunities for the private sector to address gaps. The study identifies potential needs for greater access, affordability, and quality of healthcare

services or products. The study broadly prioritized opportunities based on sector maturity and commercial potential. The table below summarizes trends related to access, affordability and quality for each subsector.

Subsector	 Access	 Affordability	 Quality
PRIMARY CARE AND HOSPITALS	<ul style="list-style-type: none"> Lack of beds and healthcare workers, with the existing resources concentrated in urban areas Anomalies in Vietnam, where there is a relatively higher physician and bed density, and in the Philippines with a high supply of nurses Poorly defined patient pathways, high rates of self-referral to higher-level facilities, and need for patient education 	<ul style="list-style-type: none"> Universal health coverage exists in Vietnam, Indonesia, and the Philippines, but out-of-pocket spending is high due to limited coverage, and a tendency of patients not to follow pathways covered by insurance, instead self-referring to higher-level hospitals for care Microhealth insurance still has limitations in affordability for poor and near-poor populations 	<ul style="list-style-type: none"> Qualified healthcare personnel concentrated in central hospitals, while local hospitals and rural areas face a shortage of trained medical personnel and nurses Poor quality service levels in public hospitals due to overcrowding Limited clinical governance over public and private providers Dual practice is very common and often unregulated
PHARMACEUTICALS AND PHARMACIES	<ul style="list-style-type: none"> Poor infrastructure and supply chain networks limit delivery of pharmaceuticals, especially to rural communities Small shops and retail pharmacies provide drugs to the majority of patients Private pharmacies or drug stores often serve as the first point of contact with health system 	<ul style="list-style-type: none"> Cost of medicines is one of the primary drivers of high out-of-pocket spending Local manufacturing is focused on generics and limited to Indonesia, Vietnam, and the Philippines Inefficient supply chains drive up costs 	<ul style="list-style-type: none"> Imported drugs are preferred because of the perception of these being of higher quality High rates of counterfeiting Fragmented supply chain networks and unregulated retailers affect product integrity, particularly in transportation to rural areas Drug stores often manned by unqualified staff Drugs frequently distributed without prescriptions

Subsector	 Access	 Affordability	 Quality
DIAGNOSTIC AND IMAGING LABORATORIES 	<ul style="list-style-type: none"> • Diagnostic labs are concentrated in urban areas • Medical lab testing sector is still a developing sector, especially medical imaging • Only basic diagnostic testing available to large proportion of the rural population 	<ul style="list-style-type: none"> • Basic tests are generally covered by universal health coverage plans where available • Tests for common infectious diseases generally available at no cost to patients • Repeat test ordering has been an issue in Vietnam and the Philippines 	<ul style="list-style-type: none"> • Lack of skilled workforce to perform and interpret tests • Unstable power supply hinders the operation of equipment and storage of samples • Poor supply chain and tropical climate affects the transportation and storage of biological samples
MEDICAL DEVICES AND EQUIPMENT 	<ul style="list-style-type: none"> • Medical devices generally concentrated in urban facilities 	<ul style="list-style-type: none"> • High reliance on imports • Most local manufacturing is focused on consumables • Multinational companies have been manufacturing more complex devices for export from Vietnam to leverage low-cost resources 	<ul style="list-style-type: none"> • Devices used past their suggested lifetime should be in good working order and used appropriately • Lack of technicians or biomedical engineers to operate devices • Lack of maintenance service providers for medical equipment
ELDERLY CARE 	<ul style="list-style-type: none"> • Traditionally, relatives care for the elderly population at home; short-term care is accessed at hospitals in cases of illness • Insufficient infrastructure and staff to treat elderly population • Current facilities concentrated in urban areas • Preference for in-home care services 	<ul style="list-style-type: none"> • Some pensions or social security plans cover short-term care • Long-term care generally paid out-of-pocket 	<ul style="list-style-type: none"> • Still a nascent market resulting in lack of regulatory frameworks around quality standards for facilities • Lack of training programs focused on elderly care

CONCLUSION

The driving forces behind the healthcare markets in **Vietnam, Cambodia, Indonesia, Myanmar, and the Philippines** highlight the depth and breadth of opportunities for private health players, and the importance of collaboration between the public and private sectors to meet the healthcare needs of this population. Traditional solutions for improving healthcare access, quality, and affordability need to be augmented with innovative and dynamic new services to achieve the goal of improving the health and wellbeing of the poor. The opportunities identified in the study provide a starting point to engage local, regional, and multinational private health players into areas that will be of impact and growth that will benefit the overall healthcare system.



Photo © Nugroho Sunjoyo, World Bank | Nursing students in training, Yogyakarta, Indonesia

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