Methodology for Studying the Effects of Liberalisation of Trade in Health Services in the ASEAN Region

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Trade and Health

- Globalisation, sustainable development, trade and public health linkages
- WHO Handbook on trade in health services and GATS (under preparation, 2004);
- WTO agreements and public health: a joint study by the WHO and WTO Secretariat, 2002
WTO instruments and Health

- MFN, NT
- Goods (TBT, SPS, TRIPS)
- Services (GATS)
- Other health policy issues
  - Infectious disease control;
  - Food safety;
  - Tobacco control;
  - Environment;
  - Access to drugs and vaccines;
  - Biotechnology, GMOs, traditional medicines

Globalisation of Health Services

- Changing demographic trends;
- Improvement in health care provision and health outcomes in many developing countries
- Increased movement of people;
- Cluster with other services sectors..
  » But also social and public health policy objectives
- Lack of a reliable estimate of volume of trade
  » Potential for improvement, BPM5 Category 2.2.1 for Mode 2, FATS for Mode 3
- Reality, presenting both challenges and opportunities
Domestic Regulation and Health Services

- Externalities
  » Public health, disease prevention, quarantine, health education etc
- Moral/ Normative aspect
  » Equity and equality of access
  » Basic needs concept
- Government measures vs Restrictive Business Practices
  » Professional standards and self-regulation

Public/Private Health Finance Systems

- Public finance and/or provision are substantial;
- Treatment of public services in multilateral instruments
  » GATS Article I.3(b)
- Growing fiscal pressures from the health sector;
- Private services are subject to liberalising measures
  » Absorbs of excess demand, expands consumer choice, reduced waiting times, improved efficiency etc
- Private services as an export growth engine in the region
  » Other sectors are important (infrastructure, transport, tourism..)
Scope and Definition of the Liberalising Sector

WTO GATS definition

- 1. BUSINESS SERVICES
  - A. Professional Services
    - h. Medical and dental services 9312
    - j. Services provided by midwives, nurses, physiotherapists and para-medical personnel 93191,
  
- 8. HEALTH RELATED AND SOCIAL SERVICES
  - (other than those listed under 1.A.h-j.)
  - A. Hospital services 9311
  - B. Other Human Health Services 9319 (other than 93191)

Hospital information technology services (listed under Computer Services);
Hospital management services (Business Services - Other)
Medical education and training (Education Services);
Research and experimental development services in medical sciences and pharmacy (Business Services – Research);
Wholesale/retail trade services of chemical and pharmaceutical products (Distributive Trade);
Health insurance services (Financial Services)

… and what about:
Traditional sector?
Goods sectors?
Trade in Health Services: Drivers

» Competitive cost structure;
» The availability of skilled medical workforce;
» Technological advancement along with the natural endowment;
» Geographical position and cultural links;
» Regulatory environment

Trade in Health Services: Benefits

- Foreign exchange earnings (and hence, reduced fiscal pressure from the public health finance);
- Improvements in hospital infrastructure and management;
- Enhanced human capital and skills;
- Technology transfer and spill-over effects;
- Benefits of specialisation in areas of comparative advantage;
- Economies of scale through extending the market beyond its geographic boundaries.
Trade in Health Services: Costs

- Shift of resources from the public to the private sector (a crowding-out effect);
- Creation of a dual market;
- Deterioration of access to essential health facilities in rural areas;
- Deterioration of public health outcomes;
- A “brain drain” through the outflow of skilled medical workforce.

APEC Study on Trade in Health Services

- APEC Project CTI 17/2002T “The costs and benefits of health services trade liberalisation: the case study of Australia, Singapore and Malaysia” - ANU Team, conducted Jan-August 2003;
- GOS and CTI work to promote Osaka Action Agenda to progressively [reduce] restrictions on market access for trade in services;
- Identification and analysis of barriers to trade in health services (case studies)
Modes of Trade in Health Services

- Mode I - cross-border (telehealth);
- Mode II - consumption abroad (patients travel);
- Mode III - commercial presence (by health services providers/hospitals);
- Mode IV - movement of natural persons (medical practitioners, nurses, etc).

Impact of Trade Liberalisation: Mode I

<table>
<thead>
<tr>
<th>Modes of trade</th>
<th>Health policy objectives</th>
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<tbody>
<tr>
<td>Cross-border</td>
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<tr>
<td>Equity</td>
<td>Remote areas/Universal access</td>
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<td>Quality</td>
<td>Improvement</td>
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<td>Efficiency</td>
<td>Need for substantial investment</td>
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<td>Public Health Protection</td>
<td>Improvement/No direct effect</td>
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### Impact of Trade Liberalisation: Mode II

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<thead>
<tr>
<th>Modes of trade</th>
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<tr>
<td></td>
<td>Equity</td>
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<td>Movement of patients</td>
<td>Crowding-out nationals</td>
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<thead>
<tr>
<th>Movement of patients</th>
<th>Equity</th>
<th>Quality</th>
<th>Efficiency</th>
<th>Public Health Protection</th>
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### Impact of Trade Liberalisation: Mode III

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<th>Modes of trade</th>
<th>Health policy objectives</th>
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<tbody>
<tr>
<td></td>
<td>Equity</td>
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<tr>
<td>Foreign commercial presence</td>
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<td>Inflow</td>
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No direct effect
Impact of Trade Liberalisation: Mode IV

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<th>Modes of trade</th>
<th>Health policy objectives</th>
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<tbody>
<tr>
<td>Movement of medical practitioners / Inflow</td>
<td>Equity</td>
</tr>
<tr>
<td>Improved access; policy instruments</td>
<td>Need for quality assurance</td>
</tr>
<tr>
<td>Outflow</td>
<td>Reduced access to services</td>
</tr>
</tbody>
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Q General Health Services Provision and Finance

- Legislative framework for provision of health care and health insurance;
- Bodies and government departments responsible for health care regulation;
- Relative share of public and private finance of health care;
- Structure and availability of health insurance (public and private) and its regulation;
- Industry self-regulation.
Q Mode I Cross-Border

- Legal status of cross-border telehealth;
- Technical infrastructure and human skills; compatibility of technical standards;
- Qualification and local licensing requirement for medical consult/ diagnostic via ICTs;
- Availability of professional indemnity insurance for cross-jurisdictional practices;
- Limits to benefits payable for teleconsultations by private and public insurance funds;
- Health information, CME, etc

Q Mode II Consumption Abroad

- Measures to promote health tourism;
- Immigration and/or forex restrictions;
- Portability of health insurance;
- Implications for public sector (duality/crowding out);
- Other costs (public health risks and ecological sustainability).
Q Mode III Commercial Presence

- Incentives including tax;
- Limits on form establishment and ongoing operations;
- Applicable standards;
- National treatment in health insurance coverage;
- Implications for access to health care and regional equality.

Mode IV Movement of natural persons

- Registration and licensing requirements;
- Existing MRAs;
- Limitations to funding;
- Limitations on mobility of locally/foreign trained medical practitioners (time/ENTs);
- Social impact of increased mobility (including access to health care and regional distribution).
### MA Commitments in Health

**Members with GATS Commitments in Health, 2002**

<table>
<thead>
<tr>
<th>Medical and Dental Services</th>
<th>Midwives and Nursing Services</th>
<th>Hospital Services</th>
<th>Other Human Health Services</th>
</tr>
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<tbody>
<tr>
<td>WTO developed</td>
<td>APEC developed</td>
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<td>APEC developing</td>
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<td>WTO total</td>
<td>APEC total</td>
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### Health Services Trade Liberalisation: APEC

<table>
<thead>
<tr>
<th></th>
<th>Medical and Dental services</th>
<th>Nurses &amp; Midwives &amp; Hospital Services</th>
<th>Other Human Health Services</th>
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<tbody>
<tr>
<td>Australia</td>
<td>√</td>
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<tr>
<td>Brunei Darussalam</td>
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<td>China</td>
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<td>Japan</td>
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<td>Mexico</td>
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<td>Chinese Taipei</td>
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<td>Singapore</td>
<td>√</td>
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</tr>
<tr>
<td>USA</td>
<td>√</td>
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<tr>
<td>Total commitments</td>
<td>6</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

| % of APEC Economies (WTO members) | 32% | 5% | 26% | 11% |

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23
24
Economic Needs Test: Health Services

- Quantitative restrictions on # of suppliers/employment;
- In Professional Services Category, 20/28 ENTs are in health, plus additional 16 in Health related;
- Among APEC economies - Singapore ( # of registered foreign doctors), US (hospital establishment, Mode 3); Malaysia (specialist services - location req’t).

Australia: Mode II

Patients separations from Australian public and private hospitals:
Not Medicare eligible patients, 1996-2001
Potential Mode II Imports: Extended waiting time, Australia

Extended waiting time (>12 mnths)

Australia: Medical Training

Foreign students in Australian universities (health studies), by region
Australia: Regional GP Distribution

General Practitioners, Australia, 1998

GP's per 100,000 population

- Capital city
- Other metropolitan centres
- Large rural centres
- Small rural centres
- Other rural areas
- Remote

Geographic region

Health Exports: Singapore

- Health Services Working Group (HSWG) report to the Economic Review Committee;
- 3-5% of the Asian healthcare market by 2007-2012;
- Planning to attract 500,000 foreign patients (S$1.3 bil VA) by 2007; 1 mil by 2012 (S$2.6 bil VA); 13,000 new jobs in healthcare sector.
- In 2000, foreign patients were 4.3% of total
Health Exports: Malaysia

- *Telemedicine Act 1997*
- Health tourism: official policy formulated in 1998; 400,000 foreign patients treated over 1998-2000 (4.5% of total);
- Silver Hair Program
  » targets retirees from EU and Japan (55+ yo);
- Tax incentives for health exports
Malaysia: Mode II

Foreign Patients in 12 Largest Private Hospitals, Malaysia

Medical Workforce Comparison

Medical Workforce: Australia, Singapore and Malaysia, 2001
Common Concerns

- Dual public - private system, interdependent funding, non-portability of entitlements;
- Potential shortage of resources to accommodate growth in demand;
- Shortage of nurses, medical lab & diagnostic staff;
- Qualifications and licensing requirements a major impediment to Mode IV
- MRAs?

MRAs in Asia-Pacific

- ANZCERTA, TTMRA
  » medical practitioners are a permanent exemption;
- APEC
  » OAA, HRD, Facilitating Mobility; APEC Engineer used as a model for APEC Nursing standard?
  » APEC CTI Subcommittee on Standards and Conformance - GHTF Standard for medical devices ISO 13485:2003 Medical devices - but not on services;
- ASEAN
  » AFAS, Article V- but professional medical services are excluded
Maximising Gains from International Cooperation

- Continuing collaboration in disease prevention, education and R&D (eg SARS!)
- Better data collection and dissemination;
- Developing a national standard (in multi-jurisdictional members);
- Cooperation of regulators and educators
- Joint accreditation of programs/ mutual recognition
- Coordination with other bodies (APEC etc)
INDONESIA: HEALTH SERVICES

DEFINITION

- The medical-related professional services are:
  - Medical and dental services (CPC 9312)
  - Services provided by midwives, nurses, physiotherapists, and para-medical personnel (CPC 93191)
- The health related and social services are:
  - Hospital Services
  - Other Health Services: Medical Check-up, Clinical Laboratories, Mental Rehabilitation Services, Public Health Maintenance Security services, Medical Equipment Rental, Health aid and Evacuation of Patients in Emergency Conditions, Medical Equipment Testing, Maintenance and Repair Services, Medical Clinic, Mother and Child Care Clinic, Maternity Clinic
Context

- Health System
  - Mixture private and public
    - 24% government financed and 76% private
  - core: primary health unit (puskesmas) - mostly public financed
  - Secondary health services - growing role of private sectors

- Structure of Industry
  - Primary - public
  - Secondary - public and private
Current Problems

- The main problem in public sector is unequal distribution. While the number of health and medical personnel is increasing, there is also a tendency for the public sector loosing their employees, especially in the area outside Java. Public health facilities are also poorly developed due to the lack of sufficient fund.
- Private health sector still lacks the attitude toward consumer protection. Although the sector provides better services with sophisticated equipment, protection to consumer’s rights have not been developed well. It is related to the fact that Indonesia does not have sufficient minimum standard service for health services. The current standard mostly focuses on the physical requirements instead of providing protection to consumer’s rights.

Policies for Foreign Presence

- Current
  - In the medical and dental services, for general practitioner, dental, doctor and dental specialist, the mode 1 and 2 (NT and MA) is no regulation, and the mode 3 and 4 (NT and MA) is restricted since the providers must possess license to practice that requires Indonesian citizenship. As for psychologist, it is prohibited to employ foreign psychologist, that is, restriction of mode 3 and 4. The similar regulation applies to pharmacist.
  - For services provided by midwives, nurses, physiotherapist, and paramedical personnel, the mode 1 and 2 (MA and NT) is no regulation, but restricted mode 3 and 4 (MA and NT) as there is prohibition for foreign midwives (and midwives licensing for only Indonesian citizen) and nurses as well as limiting working permit period for occupational therapist.
As for hospital, mode 1 and 2 (MA and NT) is in no regulation status, but Mode 3 (MA and NT) is restricted. In mode 3, despite the regulations on foreign investment allows the foreign presence, there is a requirement from MOH that that hospitals may only be operated by yayasan (social organization). As for Mode 4, the restrictions refer to the medical-related professional's restriction.

The current policies for other health services can be divided into two types. First, for Medical Check-up, Clinical Laboratories, Mental Rehabilitation Services, Public Health Maintenance Security services, Medical Equipment Rental, Health Aid and Evacuation of Patients in Emergency Conditions, Medical Equipment Testing, Maintenance and Repair Services, the status is no regulation (mode 1 and 2), unbound (mode 3), and restricted (mode 4) for both MA and NT. The mode 3, based on the foreign investment regulation allows the foreign presence in these services, yet the Government of Indonesia has not yet ascribed this status for WTO-GATS commitments.

Second, for Medical Clinic, Mother and Child Care Clinic, Maternity Clinic, the status is no regulation (mode 1, 2 and 3), and restricted (mode 4) for both MA and NT. The foreign investment regulation does not clearly state whether this type of health services is open to foreign investors. Mode 4 restrictions refer to medical-related professional restriction.

Liberalization

- Planned
  - opening up the market in 2010, mainly for Mode 4. Moreover in 2005, mode 1 and 2 (MA and NT) will be open for foreign presence. The main instruments to be made for liberalization are certification (both national and international), licensing and accreditation procedures, and the formation of board or council of professionals – particularly for mode 3.
  - There is a plan to release regulation to open the market for hospital and other health related facilities (mode 3) for foreign providers, given the condition that the hospital should serve in a district level area with more than 400 beds facilities.
Assessment of the Regime

- In medical and health related professional services, the current regulation as well as actual situation is restrictive
- As for hospital and other health services, the actual condition of the hospital service’s market is relatively liberal, in spite of relatively restrictive legal measures

Rationales for restriction

- Professional services - the deterioration of universal health service providing if the market is liberalized. Moreover, it is found that the sub-sector is not yet prepared to allow certification, technical standard, and licensing procedure for foreign providers to be set - the absent of regulatory framework. Indonesian Medical Association, in particular, concerns to the standardization of techniques employed by practitioners; public protection, and malpractice without adequate practice licensing procedure.
- In hospital and other health services:
  - the cream-skimming phenomenon,
  - heavy reliance of foreign hospital on hi-tech imported equipment that is sensitive on foreign currency stability.
  - the underutilization of medical equipment, due to lack of feasibility study, induces unethical practice of physicians to increase the utilization.
  - the equity concern
What Liberalization Can Bring?

- Liberalization in medical services, particularly mode 3, may help to fill the gap between the need and available health facilities. However, whether the liberalization can make the health services widely more available in the less developed area remain to be seen.
- Indonesia also needs to solve the problem of consumer protection in health services. While the liberalization induces competition between health providers to give better quality of services, it does not necessarily mean consumer have better position in the health services.

- potentials ->
  - liberalization may help to fill the gap between the actual figures and the targeted figures stated in Healthy Indonesia
  - may also help to absorb the continuous flows of professional supplies by providing health services unit to absorb that flow; or by opening access to foreign market.

- Buts,
  - very low price paid by Indonesian customers ->the foreign presence inflow may not incur in desirable speed and size. It aims only the financially able to pay international standard price - that is upper middle incomes inhabitants ->may not cope with the problem of uneven distribution of health services.
Distribution Services in Indonesia

Liberalization and GATS commitment

Content

- Distribution Services in Indonesia
- Actual condition
- Domestic reform priorities
- Benefit from international negotiation
Distribution Services in Indonesia

- Contribute more than 20% of GDP
- Has the largest number of business unit
- Labor-intensive sector; small-scale business absorb employment the most
- Mostly are in the form of traditional business unit: unregistered family business retail, low wages

Distribution Services in Indonesia

- Characteristics of small-scale business:
  low & self-financing; low level of education & not equipped by sufficient management & business skill; using low level of technology
Table 1. The employment of small-scale, medium-scale, and large-scale business of Trade sector, 2001

<table>
<thead>
<tr>
<th></th>
<th>Small-Scale Business</th>
<th>Medium-Scale Business</th>
<th>Large-Scale Business</th>
<th>Total</th>
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<tbody>
<tr>
<td>Number</td>
<td>6,682,274</td>
<td>1,499,050</td>
<td>28,556</td>
<td>8,209,880</td>
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<tr>
<td>Percentage</td>
<td>81.39%</td>
<td>18.26%</td>
<td>0.35%</td>
<td>100%</td>
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Actual condition

- Foreign retailers are allowed to have 100% capitalization since 1998
- Modern retail increased rapidly, sales turnover grew 26% per-year; traditional retail grew –6.06% per-year
- Potential in terms of high population attracted investors,
- Franchising: first established 1970, dominated by foreign, emerged due to liberalization, the highest turnover: restaurant
- Restrictions: in terms of zoning, minimum capital, the price, the quality standard
Reform priorities

- Government prior to ensure the distribution of goods/services in particular the basic needs for Indonesian people
- improve the business climate through regulatory framework
- government provides some facilities for small-scale business (financial, technology, training to increase the professionalism, business networking development, creating standardization policy to improve the local quality)

Benefit of international negotiation

- Giving the opportunity for small and medium scale business to compete with foreign business.
- Liberalization will create work opportunities for Indonesian people
- International cooperation will give advantage to all Indonesian people, but in the short term it needs a hard work for all parties because it could imply a financial loss to whom that loss in competition. Thus, the government tries to facilitate the economic activities to be more fair and not give disadvantage to domestic player.
- Open the opportunity to export this service
- However, social and political condition play significant role for government in determining Indonesia’s position in WTO.