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Re-envisioning Maternal and Newborn Health in Indonesia

Private Sector Roundtable Meeting Proceedings

OCTOBER 2016

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INTRODUCTION

USAID has committed to improving maternal and newborn health (MNH) in Indonesia by shifting its focus toward the pursuit of strategic partnerships with the private sector, as well as civil society. As part of this effort, USAID funded the Health Policy Plus project (HP+) to conduct an assessment of private sector opportunities to help address maternal and newborn mortality in Indonesia. Conducted in parallel with a landscaping of civil society opportunities, this assessment consisted of 128 private sector interviews, including private financial actors and private businesses.

To initiate a broader dialogue with the private sector, HP+ hosted a roundtable discussion for private sector and government representatives in Jakarta, on September 22, 2016. The primary objectives of this roundtable were 1) to receive feedback and reactions from key private sector stakeholders on the private sector opportunities identified in the HP+ assessment, and 2) to foster discussion between the private sector and government representatives on how private solutions can address MNH challenges in Indonesia.

SETTING THE STAGE: MAKING A CASE FOR MATERNAL AND NEWBORN HEALTH

USAID/Indonesia Mission Director welcomed the roundtable participants and highlighted the importance of MNH to the agency and the need for new and strong partnerships to collectively address Indonesia's challenges around the issue. She stressed the importance of partnerships at the core of USAID's mission statement, and how the agency has successfully collaborated with the private sector in the past; for example, USAID partnered with Becton, Dickinson and Company, a biotechnology firm, to improve and expand high-quality laboratory services for tuberculosis. Such partnerships are more relevant than ever in reducing maternal and newborn mortality in Indonesia.

Indonesia sees almost 15,000 maternal deaths and 90,000 newborn deaths every year. The country failed to meet its Millennium Development Goals on these two indicators, and is struggling to catch up to its regional peers. As the government of Indonesia rolls out its national health insurance scheme (JKN) with the aim of enrolling all citizens by 2019, there is a powerful incentive and need to engage with the private sector. The Director highlighted that this engagement enables Indonesia to respond to increasing demands and ensure that such scale-up in access to MNH directly leads to reduced maternal and newborn mortality.

USAID's recently completed assessment showed that there are financially viable opportunities in maternal and newborn health for the private sector to adopt and scale. Coupling technical assistance with financial support, USAID has the capacity to catalyze private sector investments in MNH. The Mission Director concluded her remarks by encouraging all participants to take the first step with USAID in realizing the vision of MNH through partnerships.

CONTEXTUALIZING MATERNAL AND NEWBORN HEALTH WITHIN THE PRIVATE SECTOR

HP+ presented key findings from the private sector landscape assessment, on market-based opportunities to address MNH in Indonesia. HP+ noted that the private sector is becoming increasingly relevant to service delivery as healthcare utilization shifts toward private sector clinics, particularly in the context of assisted deliveries and maternal and child health services. JKN represents the government's major commitment to improving health outcomes in Indonesia, an effort also taking hold in the private sector—there has been a large increase in the number of private hospitals and clinics, and the private healthcare market is expected to triple in size from US\$7 billion in 2014 to US\$21 billion in 2019.

Consequently, USAID's approach is evolving to account for the need to leverage the private sector for strong development gains (catalyze capital, knowledge, and work). At the foundation of the landscape assessment and the roundtable discussion is the question of how USAID can catalyze the private financial sector and private businesses to improve MNH outcomes, while also achieving financial returns (double-bottom line).

The HP+ study team identified the following five key private sector opportunities to address MNH:

1. Scale up successful private health facilities
2. Develop transportation solutions to improve referral
3. Develop technology solutions for improving service delivery
4. Improve private midwifery training institutes
5. Tailor financial products for maternal and newborn health

DISCUSSION OUTCOMES

After the context was in place, panelists engaged in a roundtable discussion focused on a series of five topics:

1. The role of the private sector in the fight to reduce maternal and newborn mortality in Indonesia

The roundtable participants unanimously agreed that the private sector can play an important role in reducing maternal and newborn mortality in Indonesia. Government representatives recognized the need to engage the private sector to improve health outcomes, particularly in the context of reaching remote areas where private midwives play a critical role. Nevertheless, from the private investor perspective, the bulk of opportunities in the health sector are concentrated on the highly populated Java island. From the perspective of a consultant working with the National Council of Social Protection, the JKN system is publicly funded, and should be privately delivered to the greatest extent possible to achieve the highest degree of effectiveness.

Private businesses that operate in remote areas are keen to understand how they can ensure employee access to high-quality healthcare. Private companies not involved with healthcare, but that operate in remote areas, continually experience difficulties in this regard. While they do not

intend to replace the role of government providers, they are willing to support key initiatives that allow their workers and neighboring communities to access high-quality healthcare. For example, PT Austindo Nusantara Jaya has contracted more than 30 data collectors in Papua to collect the information necessary to better plan for service delivery in the province.

Private sector engagement goes beyond corporate social responsibility. Participants agreed on the need to change the perception that the private sector cannot recover costs by working in the healthcare business. It is important to acknowledge that profit drives private sector interests, but that private sector players are not necessarily only interested in profit maximization.

2. Regulatory barriers to private sector engagement with maternal and newborn health

Healthcare is currently a very attractive market for investment, although inconsistent regulation makes it difficult for private investors to engage. The shares for hospital groups on the Jakarta stock market are trading at approximately triple the value of the average stock; interviews indicated that this may represent pent-up demand. Nevertheless, foreign doctors are not legally allowed to operate in Indonesia and the quality and quantity of local healthcare professionals is not high enough to meet demand.

Scale remains the main bottleneck for foreign investment in health. From the investor point of view, there are few investment-worthy opportunities in health that can be taken to large scale. This is exacerbated by challenges in obtaining licenses, hiring highly skilled professionals, and overcoming other regulatory barriers. For example, doctors in Indonesia are still paid close to the minimum wage because providing healthcare is considered a social service. Due to these misaligned incentives, investor interest is present but barriers to entry remain high for the sector.

There will need to be a policy alignment in the health sector for investment to grow, along with a supportive regulatory environment. The healthcare market is rapidly changing, while medical associations have not adjusted their mindsets quickly enough to keep pace. This gap between politics/regulation and evolving market dynamics leads to inconsistent regulation, which can be overcome by promoting education and discussion for aligning mindsets.

3. The role of technology and data in improving maternal and newborn health

The roundtable discussion on technology focused mainly on the role of social enterprises and incubators. Innovation space in Indonesia is growing, particularly around technology. Nonetheless, there are few education- or health-focused social enterprises, mainly because these sectors are still perceived as the public sector's responsibility.

There must be a more enabling environment at the ideation stage to generate more health-oriented social enterprises. This would mean creating more incubators across Indonesia, as well as building their capacity to grow health-oriented solutions. Conducting "hackathons" to crowdsource ideas to solve MNH issues would be a good way to direct incubation toward health, and various enterprises could be built from there.

Private business representatives pointed out that data is the key to planning better health service delivery. Collecting and sharing reliable data is crucial to informing business and policy decisions.

4. The role of JKN in encouraging private sector participation

The private sector panelists noted that JKN reimbursement rates for health services appear low overall. There are currently different payment levels, which include both those below and above market price (e.g., Class C hospitals receive one-third of the reimbursement rates of Class A). These rates do not appear to be high enough to cover the costs incurred by many private healthcare providers, so there must be an alignment of incentives.

Another consideration is mobilizing more money for JKN through taxes on cigarettes or alcohol, as other countries in the region do, to avoid underfunding in the face of more providers being registered for JKN. In this context, it would be useful to examine cost containment mechanisms and different payment incentives and structures.

Bundling JKN insurance with microloans is a great opportunity for targeting the informal sector. BRI Bank is the largest microfinance provider in Indonesia, currently serving more than 50 million clients, 65 percent of whom are living in rural, remote areas. The network of over 66,000 agents already carries experience in distributing micro insurance, including micro health insurance. This network could be leveraged to distribute JKN insurance to the population in remote areas, particularly those in the informal sector, as the only requirement to engage with a microfinance institution is to have a valid identification.

5. The role of USAID as a catalyst

Given that only 1 percent of businesses in Indonesia are “large companies,” participants stated that USAID should focus on accelerating private healthcare engagement through the following mechanisms:

- Catalyze both development funds and venture funds
- Support the incubation process and provide the necessary resources for small social-oriented businesses to grow and address MNH issues
- Support infrastructure to allow for small businesses to expand
- Support the generation and sharing of data on MNH
- Partner with big companies on infrastructure investments and capacity building for delivery of better healthcare in remote areas in Indonesia

CONCLUSIONS

The roundtable meeting initiated a crucial conversation, among a range of USAID, government of Indonesia, and private sector stakeholders, on private sector engagement in maternal and newborn health. Main topics revolved around addressing existing gaps in healthcare investment and aligning incentives. Participants demonstrated strong alignment regarding the private sector’s role in reducing maternal and newborn mortality in Indonesia. The conversation around market opportunities and collaboration will be carried forward.

The main takeaways of the roundtable were 1) that many market opportunities exist for MNH, and 2) that now is the right moment to move from philanthropy to profitable engagements. This will allow the poorest Indonesian and the hardest-to-reach non-poor informal sector populations to access adequate health services. Indonesia is at the cusp of unlocking capital that already exists in the healthcare market. This capital could transform the quality of care in

Indonesia and help the country move beyond its development goals to reduce maternal and newborn mortality rates.

ANNEX A. AGENDA

Time	Agenda Item
7:30 a.m.–8:00	Registration and breakfast
8:00–8:15	Welcome remarks, meeting objective presentation, and introductions by Mission Director, USAID/Indonesia
8:15–8:30	Setting the stage: “Presentation of Key Findings on Private Healthcare Market Potential, Dynamics, and Opportunities for MNH,” by HP+
8:30–9:45	Roundtable discussion: Reactions to the findings, participant ideation on key factors to successful private sector engagement
9:45–10:00	Summary and next steps: Potential collaboration points for increasing private investment in MNH

ANNEX B. PARTICIPANT LIST

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