How will the much-awaited AEC boost ASEAN healthcare?

The regional health care sector is seeing growth as progressive changes set by the Asean Economic Community are propelled into motion.

When the Asean Economic Community (AEC) was set to be launched in December 2015, it was seen as a benefit to the growing healthcare industry, particularly in the medical devices sector. Due to increased governmental focus on healthcare and medical equipment across a number of member states, the demographic shift of the increase of middle-income earners across the Asean is driving demand for better healthcare and medical devices which facilitate more efficient treatment.

Ageing populations and the implementation of new public health policies in several member states are also important factors in forecasting the growth of the health sector.

As a result, the ASEAN region is beginning to see remarkable positive changes in healthcare. Thailand, Singapore, and Malaysia in particular are positioning themselves as medical tourism hubs in the region, with each country enjoying a reputation for world class centres of excellence in specific fields of medical treatments.

Sweeping changes

Singapore, which was once a top player in the healthcare industry for medical tourism, is facing increased pressure from its neighbouring countries, who have begun investing further in their own respective offerings. Additionally, affordability is a key driver in medical tourism, as rates are at least seven times lower than those charged to patients seeking medical treatment in the U.S.

The demand for medical devices increases proportionally to the strength of the country’s medical tourism sector. ASEAN countries currently import most of their medical equipment from the US, Japan, Germany and the Netherlands because the region’s manufacturers are not yet technologically advanced enough to produce complex machinery such as ultrasound, x-ray machines and MRI scanners. However, the rapid growth in ASEAN populations has also accelerated the growth of the medical device market across the region, especially in Malaysia, where this market was valued at USD 1 billion in 2013. This is roughly the equivalent of Thailand and Indonesia, where populations are much larger.

“Thailand has Asean’s largest diagnostic imaging market with a market share of about 27%. Diagnostic imaging is the largest single medical device category both globally and within Asean. However, it achieved a CAGR of 10.85% from 2008–12 which is slower than the next largest category, consumables, which had a CAGR of 17.13%,” according to Sanpichit Songpaisan, senior manager for Ipsos Business Consulting.

“The size of Asean’s dental product market is about half the global average, 3.9 per cent of the medical equipment market compared with...
6.9 per cent. This category also has the lowest regional growth rate for medical equipment, just 8.1 per cent per year. It is even contracting in Indonesia where dental care is one of the lowest health priorities,” Songpaisan adds.

In most Southeast Asian countries, cancer, diabetes, tuberculosis and cerebrovascular conditions are the most significant health risks. Increasing healthcare expenditures in developing countries, where millions of rural dwellers face major financial difficulties in seeking medical treatment, has prompted the government to develop universal healthcare policies.

For instance, in the Philippines, the PhilHealth national health scheme allows the low income population, comprising about 25 million people or 26% of the population, access to free medical treatment when admitted to government hospitals. These programs across the ASEAN region provide medical device companies with a relatively untapped market with a high growth potential.

**Key success factors**
Medical device companies which aim to become market leaders in the ASEAN region must take into consideration key success factors such as providing effective cost management and introducing cutting edge technologies that are suitable for the needs of the market. Companies which manufacture products locally will gain an advantage as the lower labour and logistics costs will allow them to set price points lower than other suppliers. Competitive pricing will be a major incentive for public hospitals, while new technology appropriate to the market will allow these companies to gain greater market share by transforming the market completely.

Another key challenge faced by the ASEAN region is the significant shortage of nurses and physicians, a particularly important concern for countries such as Singapore, where there is also a current shortage of beds in hospitals. “Currently, the ratio of physicians to population in ASEAN stands at less than 2.0 per 1,000 people, compared to 3.3 per 1,000 people in OECD countries. The shortage of skilled medical professionals is a stumbling block for health care providers in the region which is looking to address the shortage of beds,” says Abhay Bangi, Partner at Transaction Advisory Services at EY.

**Promoting the best standards**
As a result, the Mutual Recognition Arrangements (MRA) program is being developed by the AEC for medical professionals and nurses, facilitating their mobility within the ASEAN region, promotes the adoption of the best standards and qualifications, and provides them with opportunities for capacity building and training.

For instance, a foreign medical professional may apply locally to be registered if he or she has been licensed by the country of origin’s Professional Medical Regulatory Authority (PMRA) to practice medicine. Medical qualifications, if recognised by the host country and the country of origin as actively practicing as a general practitioner or specialist for a minimum of five years are recognised under the arrangement.

“Even for those that fulfil these criteria, the challenge remains regarding their mobility within ASEAN nations, as unlike other professions, ASEAN member states have maintained their national authority in deciding which medical and dental professionals practice in their countries,” adds Bangi.

“This means that some national authorities can be susceptible to lobbying and pressure from the local medical professional community to continue a ‘closed door’ policy,” Bangi says. However, it is believed that several ASEAN member states will adopt the MRA policy over the next three to five years to ease the shortage of medical professionals in their respective countries.

**Learning from history**
Additionally, according to Paul Barach, clinical professor at Wayne State University, the Southeast Asian region could also take a page out of Europe’s book, where critical and nationalistic questions are being raised and where there is a renewed focus on local context dependent requirements.

“Increased migration forces are making it more and more difficult for skilled workers to get jobs in new countries and I imagine this will happen in ASEAN areas as well,” Barach said.

Barach also concedes that the path to a better healthcare future through the ASEAN Economic Community isn’t that clear yet, and that there is a more pressing need for better certification, credentialling, use of simulations, and better monitoring of providers and closer long-term alliances.

Barach also sees more centralised requirements with detailed requirements for all medical professionals and specialists as the AEC develops in the coming years.

“Large groups like Apollo system in India are moving ahead with more stringent CME and CPD programs, more rigorous credentialling, more oversight and using HIT to better oversee provider outcomes while providing more transparent information to the public,” Barach says. Meanwhile, according to Ashwin Moduga, research manager at IDC, the biggest challenge for healthcare providers in the region will be attracting health professionals and care givers to the rural areas of Southeast Asia.

The healthcare industry’s long term prospects in the ASEAN region are positive overall. It is to be hoped that the challenges being faced by the industry can be addressed by the member states in order for the rate of progress to continue.

**Breakdown of ASEAN Medical Device market**

Source: Espicom Business Intelligence, Ipsos Business Consulting