

Healthcare opportunities in  
 Australia and Indonesia

# Investing with the Heart

MAY 2024

*Across Indonesia and Australia, ageing populations and rising incomes are driving growth in both eldercare, healthcare and childcare services and together with the favourable policy environment enabled by the Indonesia-Australia Comprehensive Economic Partnership Agreement, is unlocking exciting new bilateral trade and investment opportunities in the Care Economy. In support of the “Economics of Care: Trade and Investment Opportunities in the Care Economy” webinar series, three briefing papers will explore from multiple angles the high potential bilateral trade and investment opportunities in childcare, aged care, and healthcare. This paper focuses on healthcare.*



## The healthcare markets in Indonesia and Australia

### Indonesia

**Investors have an optimistic growth outlook for the healthcare sector in Indonesia.** This view is supported by an ageing population, rising incomes, and the ambitious Government of Indonesia (GoI) goal of attaining universal health coverage in 2024. The implementation of the universal healthcare program known as Jaminan Kesehatan Nasional (JKN), has become the largest in the world covering over 200 million people, and has resulted in increased access to healthcare and thus demand for hospitals, doctors and medical equipment. The GoI is investing in strengthening primary healthcare as part of its five-year Mid Term National Development Plan (2020-2024), promoting a shift to a cost-effective primary care-orientated delivery system, encouraging promotive and preventative efforts, supported by digital health solutions, medical devices and equipment.

#### **Healthcare expenditure is expected to triple by 2040.**

The large and ageing population is increasing the prevalence of chronic disease, which is driving demand for primary care. Indonesia’s population is expected to reach over 300 million by 2040, with the fastest growth for those

aged over 65 years of age. The number of Indonesians aged 65 or older is expected to increase by nearly 17 million,<sup>1</sup> leading to projected threefold increase in health expenditure by 2040.<sup>2</sup> Currently, 26 per cent of older adults (aged 60+) are estimated to have some form of acute or chronic morbidity,<sup>3</sup> with chronic disease being the leading cause of death (nearly 75 per cent) in Indonesia. The rise in chronic noncommunicable diseases such as stroke, heart disease and diabetes, as well as enduring challenges related to maternal and child health, and the dual issues of undernutrition and overnutrition, are increasing demand and placing a compounded strain on the country’s health system.

#### **Indonesia’s growing middle class and upper-middle class are willing to pay for quality healthcare.**

The number of Indonesian households with disposable income greater than US\$25k is projected to overtake Australia after 2030 and rapidly increase through to 2040, representing a burgeoning middle-class consumer market with increasing healthcare needs.<sup>4</sup> Indonesia’s upper-middle class is also

1 Euromonitor, 2023, 'Total population aged 65+'.

2 Euromonitor, 2023, 'Consumer expenditure on pharmaceutical products, medical appliances and equipment'.

3 BPS, 2019 'Percent of rural-urban population having health complaint and self-treatment'.

4 Euromonitor, 2023, 'Households with disposable income over US\$25k'.

growing, with households with disposable income greater than US\$35k projected to be nearly equal to Australia in 2040.<sup>5</sup> More than 1.2 million Indonesians collectively spend more than US\$2 bn annually on healthcare overseas, mainly in neighbouring Singapore and Malaysia.<sup>6,7</sup> This reflects a willingness to spend on quality international standard healthcare, underpinned by a lack of trust in the current local healthcare system and infrastructure.<sup>8</sup> Significant investment opportunities exist to deliver international standard healthcare in Indonesia and capture the economic value domestically, rather than in neighbouring Singapore or Malaysia.

**Investments in primary healthcare systems and skilled workforce development are a priority.** Indonesia currently has just 1.2 hospital beds per 1000 people (compared to 3.8 beds per 1000 people in Australia and below the OECD average of 4.4 beds).<sup>9</sup> In 2021, Indonesia had less than one medical doctor per 1000 people and 2.3 nurses per 1000 people.<sup>10</sup> These workforce numbers are well below the OECD average,<sup>11</sup> and Australia which has 12.8 nurses and 4.02 doctors per 1000 people.<sup>12</sup> This reflects Indonesia's relatively lower public health expenditure – 3.4 per cent of GDP (or US\$405 per capita), compared to the OECD average of around 9 per cent of GDP,<sup>13</sup> however, this is only expected to increase under JKN. As referenced above, however, this is expected to change as JKN gets rolled out.

**Australian companies receive preferential treatment under a new bilateral trade deal and benefit from a designated health special economic zone in Bali.**

The opening up of the healthcare sector to FDI and preferential treatment under IA-CEPA to majority Australian-owned hospitals has bolstered Australian investment. This includes Aspen Medical International, a joint venture between Australian healthcare companies Aspen Medical and Docta and Indonesian construction company PT. Jasa Sarana which is planning 23 hospitals and 650 community clinics in West Java alone.<sup>14</sup> Aspen Medical International is also collaborating with PT Tridaya Group to establish a flagship hospital in Makassar, connected to world-class healthcare facilities across the broader Eastern Indonesia region.<sup>15</sup>



Indonesian and Australian government officials attended the groundbreaking ceremony of Aspen Medical International Hospital in Depok, West Java, 20 June 2023.

**Bali to become a world-leading health and tourism destination**

A designated health special economic zone (SEZ) in Sanur, positions Bali as a world-leading health tourism destination and presents further opportunities for growing bilateral investment. The Sanur Health and Wellness Tourism SEZ sits on an existing 42-hectare beachfront resort with the Bali International Hospital as an anchor tenant. Developed in consultation with the Mayo Clinic, the hospital will offer 239 beds and five centres of excellence, offering world-class healthcare and medical tourism packages. The SEZ streamlines regulatory requirements (including fewer restrictions on foreign health workers) and offers a range of incentives and supporting services to attract international investment.

A recent Katalis-supported investment by Australian health tech firm Simplr Health International, highlights the opportunities. Simplr Health International is establishing a cutting-edge regenerative health clinic in the Sanur SEZ, in partnership with Indonesia's SingMedic and Japan's Bioaccell and Seta Clinic Group. The health clinic will target foreign tourists and offer ground-breaking technology in immuno-cell therapy, provided by Bioaccell and Seta Clinic Group. The global regenerative medicine market is expected to grow significantly, while Bali remains a top destination of choice for Australians. By leveraging these two trends, the partnership will underpin substantial long-term investment and revenue and create new jobs on the island, many of which will be for women.

5 A measure commonly used as a proxy for households able to afford premium Australian products and services. Euromonitor, 2023, 'Households with disposable income over US\$35k'.

6 ASEAN briefing, 2020, 'Indonesia's Healthcare Industry: Growing Opportunities for Foreign Investors'.

7 PWC, 2020, 'Investing in Indonesian Healthcare: Opportunities for Australian businesses'.

8 Ibid.

9 2019 figures, sourced from Health at a Glance 2021: Highlights for Australia (oecd.org).

10 2021 (physicians) and 2020 (nurses) values, OECD, 2024, 'Healthcare resources – Indonesia'.

11 The OECD average is 8.8 nurses and 3.6 practicing physicians per 1000 people.

12 2019 figures, sourced from Health at a Glance 2021: Highlights for Australia (oecd.org).

13 2020 figures (latest available), OECD, 2024, 'Health spending (indicator)'.

14 Australian Financial Review, 2023, 'Australian joint venture leads foreign push into Indonesia's hospitals'.

15 Aspen Medical, 2024, 'Aspen Medical partners with Tridaya Group to develop flagship international hospital in Makassar and clinics across Eastern Indonesia'.

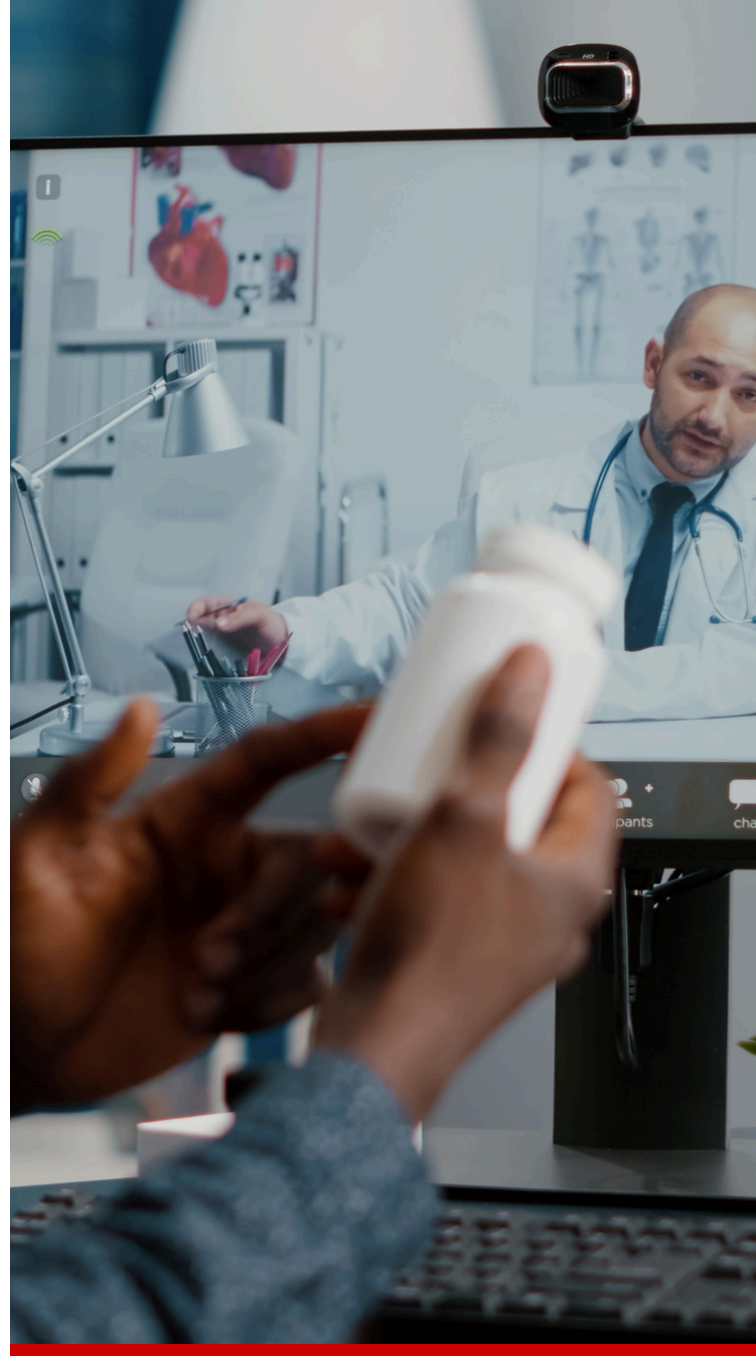
## Australia

**Baby boomers driving robust growth outlook.** In Australia, similar population trends including an ageing population and rising incomes as well as comprehensive national health insurance, are likely to fuel projected growth in healthcare services and spending. As the baby boomer generation continues to age, the number of Australians over the age of 60 is expected to double in the coming 40 years.<sup>16</sup> Healthcare needs are expected to outpace population growth such that dementia cases may rise by 45 per cent in just a decade<sup>17</sup> and a 25 per cent increase in strokes, heart disease, and kidney diseases is also predicted.<sup>18</sup>

**A top 10 country for healthcare per capita expenditure.** In 2021-22, Australia's healthcare expenditure accounted for 10.5 per cent of GDP.<sup>19</sup> This equated to a per capita spend of US\$5,133, making Australia one of the world's top countries in terms of per capita expenditure on healthcare.<sup>20</sup> In 2020-21, over 70 per cent of recurrent health spending could be attributed to spending on specific diseases and conditions, largely musculoskeletal disorders such as back pain and osteoarthritis, cancer, cardiovascular diseases and mental and substance use disorders.<sup>21</sup> Recent Productivity Commission research found that the Australian healthcare sector has experienced robust productivity growth in recent years, with quality improvements, not cost reductions the big drivers, and the vast majority of these have come from advances in saving lives.<sup>22</sup> Increasing the integration of digital technologies into healthcare delivery will be critical to contain Australia's healthcare spend without sacrificing the quality of care.

**Australians are willing to pay out of pocket for health extras.** The healthcare system operates under a shared public-private model. The public health system which is administered by the Australian Government called Medicare, and the private health system. Medicare funds a high level of healthcare for all Australian residents regardless of their level of income. Nearly 45 per cent of Australia's population (or 11.67 million people) has private health insurance hospital cover and 14.41 million people (55 per cent of the population) have private extras cover.<sup>23</sup>

**Growing a skilled workforce is a critical priority.** There are over 1.5 million people in Australia employed in the healthcare workforce, with women accounting for over a 70 per cent share.<sup>24</sup> Hospitals are the largest employer within the healthcare and social services sector and allied health services is the third largest employer. Workforce demand in the healthcare sector is projected to increase by around 15 per cent between 2021 and 2026.<sup>25</sup> Considering this projected growth, the healthcare industry is expected to experience major workforce shortages in the coming years, with the greatest shortages projected in regional areas.



**Digital health tech has the potential to increase health equity.** Australia and Indonesia face geographic health inequalities, with those living in rural and remote areas having shorter lives, higher levels of disease and injury, and poorer access to and use of health services compared to people living in metropolitan areas. This is driving the use of, and demand for, digital health solutions such as telemedicine, to support access to healthcare in regional areas in both Australia and Indonesia.

16 Salt, 2024, 'The ageing train that's thundering towards us'.

17 ABS Census 2021 & Centre of Population, 2024.

18 Ibid.

19 AIHW, 2022, 'Health expenditure'.

20 The OECD average is US\$5,109 per capita.

21 AIHW, 2023, 'Health system spending on disease and injury in Australia, 2020-21'.

22 Productivity Commission, 2024, 'Advances in measuring healthcare productivity'.

23 Australian Prudential Regulatory Authority (APRA), December 2023.

24 Health Care and Social Assistance | Labour Market Insights.

25 ABS, Labour Force Survey, Detailed, November 2021, seasonally adjusted and Jobs and Skills Australia, 2021 Employment projections for the five years to 2026.

## Bilateral opportunities

Exciting bilateral trade opportunities abound in the healthcare sector, including the medical tourism sector in Bali. These present interesting opportunities for collaboration between Australia and Indonesia, leveraging their respective strengths and addressing current health sector and health outcomes challenges. There are also broader two-way ‘win-win’ benefits in healthcare which can provide both social and economic development outcomes as well as commercial opportunities.



**Bali health and wellness tourism**



**Healthcare infrastructure and standards**



**Digital healthcare solutions and telemedicine**



**Vocational training, tertiary education and skilled migration**



**Medical devices, assistive technologies, medical furniture and equipment**



**Preventative, regenerative and secondary health services**



### **Katalis supported healthcare micro-credentials**

Australian registered training providers (RTO), the University of New England, Chisholm Institute and TAFE Queensland are partnering with Indonesian training platforms PINTAR and BINUS to offer healthcare micro-credentials spanning broad topics such as infection control, healthcare customer service, improving workplace mental wellbeing and resilience and medical administration: managing confidentiality, privacy and security in healthcare. The courses offer self-paced learning, which students can work through at their own pace, obtaining a certificate of completion from an Australian RTO. Together, these bilateral partnerships are supporting a holistic approach to healthcare delivery and will come online in late 2024.



### Bali health and wellness tourism

The Sanur Health and Wellness Tourism SEZ aims to attract foreign investment to bring international standard healthcare facilities and services and aims to target both wealthy Indonesian patients who previously sought healthcare abroad as well as foreign, particularly Australian patients, looking for a holistic healthcare and wellness experience.



### Healthcare infrastructure and standards

IA-CEPA allows Australian companies to own up to 67 per cent of a hospital, offering a chance to establish international-standard healthcare catering to the growing middle class in Indonesia. Recent bilateral partnerships and investments in healthcare such as the recent joint venture between Aspen Medical and Docta Pty Ltd from Australia, and PT Jasa Sarana in Indonesia, and between Cochlear, Kasoem Hearing Center and Mitra Keluarga Hospital to establish a hub for comprehensive hearing implant services in Indonesia<sup>26</sup> highlight the significant commercial potential for international standard healthcare.

Further bilateral opportunities exist in international healthcare standards. This is evidenced by the partnership between Bundamedik Healthcare System (BMHS) and the Australian Council of Healthcare Standards International (ACHSI), two major hospitals in Jakarta – RSU Bunda Jakarta and RSIA Bunda Jakarta to achieve Australian (international) standard hospital accreditation. BMHS recognises the quality and reputation of Australian healthcare standards and the growing demand for international standards in healthcare in Indonesia.<sup>27</sup>



### Preventative, regenerative and secondary health services

With growing ageing, and (increasingly) wealthy populations, consumers in both countries will demand greater preventative, regenerative and secondary healthcare services. Simplr Health International recognises this commercial opportunity and is investing in a ground-breaking regenerative healthcare facility in the Sanur SEZ to meet this growing demand.<sup>28</sup>

There are bilateral opportunities to set up ‘sister city/hospital-type arrangements’, where mutual centres of excellence dedicated to age-related health conditions such as dementia, heart disease and stroke, work together and share strengths under a new operating model that offers a continuum of care.<sup>29</sup> Dementia education and training is less developed in Indonesia and there are opportunities for Australian knowledge sharing and specialist training to equip Indonesian caregivers with these skills.<sup>30</sup>



### Vocational training, tertiary education and skilled migration

Australia and Indonesia face massive ongoing healthcare workforce needs. Indonesia has a large (informal) caregiving workforce that could benefit from being trained to Australian/international standards. In recognition of this, Katalis is supporting several healthcare micro-credentials offered by Australian vocational training providers, to help upskill the Indonesian caregiving workforce (See Box: Katalis supported healthcare micro-credentials).

There are opportunities to build a mutually beneficial workforce training model (based on a soon-to-be-implemented bilateral aged care pilot)<sup>31</sup> where Indonesian workers fill healthcare workforce gaps in Australia and become accredited to international standards, before returning home, with the necessary qualifications and experience to help meet Indonesia’s healthcare workforce needs. Australia has a well-established healthcare training system and can collaborate with Indonesian institutions to upskill the local workforce and address staffing shortages. This would build on Katalis’s work undertaking a Comparative Assessment of Nursing Standards in Indonesia and Australia.<sup>32</sup>



### Medical devices, assistive technologies, medical furniture and equipment

Investment in growing Indonesia’s international standard hospital infrastructure, together with rising health expenditure will drive future demand for medical devices, furniture and equipment in Indonesia. Katalis research identified that Australia’s ageing population and high levels of healthcare spending provide opportunities to grow and broaden Indonesia’s exports to Australia beyond medical furniture e.g., operating and examination tables (for which Australia is the largest destination market) in line with industry development plans.<sup>33</sup> Attracting Australian investment in medical devices and assistive technologies and entering partnerships that leverage Australian R&D and Indonesian cost-competitive manufacturing can help fast-track industry development and technology and knowledge transfer.

26 Kasoem Group, 2024, ‘Rumah Sakit Mitra Keluarga Kelapa Gading Gandeng Kasoem Hearing Center Hadirkan Jakarta Ear and Hearing Center’.

27 Austrade, 2023, ‘BMHS and ACHS Partnership in Healthcare Standards’.

28 Globalnewswire, 2024, ‘Regenerative Medicine Market Size to Worth USD 95 Billion by 2032’.

29 Stakeholder consultation, 2024, ‘Proactive Health and Ageing’.

30 Katalis webinar, 2024, ‘Investing for the Golden Age’.

31 The Katalis Podcast and webinar, 2024, ‘Investing for the Golden Age’.

32 Katalis, 2022, ‘Comparative Assessment of Nursing Standards in Indonesia and Australia’ accessible at: <https://iacepa-katalis.org/comparative-assessment-of-nursing-standards-in-indonesia-and-australia/>

33 MoH Regulation No. 17/2017 on the Action Plan for the Development of the Pharmaceutical and Medical Device Industry.



## Digital healthcare solutions and telemedicine

Recent Katalis research identified strong projected future growth and collaboration potential in digital health technologies and telemedicine, which will play a growing role in meeting healthcare needs in both countries.<sup>34</sup> Ageing, geographically dispersed populations, chronic illnesses, and skills and infrastructure gaps are driving a surge in demand for digital healthcare solutions. This, combined with a tech-savvy generation and an ever-evolving medical landscape, fuels exciting opportunities for innovation and improved care.

The digital health landscape in both Australia and Indonesia is ripe with potential for business as demonstrated by a recent commercial business partnership between Australia's Connect2MyDoctor (C2MD) and Surabaya's Locus Medical Hub that will see C2MD's telehealth module integrated into Locus Medical Hub to develop use cases with clinicians and patients.<sup>35</sup> Australian company Five Faces is also exploring expansion into Indonesia and sees a huge opportunity with their digital front door technology that streamlines access to healthcare, such as scheduling appointments and allowing patients to fill out paperwork online before their appointment.<sup>36</sup>

Australia's virtual emergency department programs may be well suited to the Indonesian context, especially when considering the growing needs of a geographically dispersed population and uneven service provision outside major cities. The augmented reality technology models could help meet Indonesia's growing healthcare delivery needs, taking pressure off the healthcare system.

Indonesia's digital health start-ups also have much to offer Australia, including unique consumer-centric solutions that could be expanded to Australia such as alternative models of consumer engagement including messaging-based telemedicine and chatbots such as Kata.ai and innovative integrated health platforms such as Halodoc and Alodokter (including digital pharmacies).

Indonesian start-ups have demonstrated how messaging apps and other technology can be better leveraged for more than just reminders and educational messaging. They have proven the effectiveness and broad applicability of this technology for customer service, consultations, chronic disease management, and mental health support. These innovative solutions tailored to diverse user needs and a cost-conscious population have strong commercial potential in the Australian healthcare sector, which needs to better integrate digital healthcare solutions to contain healthcare spending.



IA-CEPA ECP Katalis (Katalis) is a unique, five-year (2020-2025) government-backed business development program unlocking the vast potential of economic partnership between Australia and Indonesia. Katalis was established under the Indonesia-Australia Comprehensive Economic Partnership Agreement Economic Cooperation Program (IA-CEPA ECP). The program complements other Australian development programs with a commercially oriented, bilateral approach and places gender equality and social inclusion at the centre of everything we do.

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34 Katalis, 2024, 'A Prescription for Prosperity: Building a Collaborative Digital Health Future Between Australia and Indonesia'.

35 Austrade, 2024, 'Connect2MyDoctor and Surabaya Locus Medical Hub Partnership'.

36 The Katalis Podcast, 2024, 'Making Complex Simple'.



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