PRAKARSA Policy Brief

May 2020

Deficit of the National Health Insurance (JKN)
A Proposed Alternative for Sustainable Funding

Key Points:

- Since 2014, the implementation of JKN in Indonesia has directly benefitted the community, evident from the increase in membership and program utilization. However, since implementation, large financing deficits are threatening the sustainability of JKN.
- The driving causes for deficits that JKN experience are mainly derived from the JKN contribution (premium) that are below the actuarial calculations, the low levels of consistency by participants to pay contributions, the high cost of chronic disease treatments, and the non-optimal functioning of the First Level Health Facilities (FKTPs) in promoting and preventive efforts.
- The sustainability of the JKN program cannot depend on only one source of funding. It requires a combination of the existing funding scheme with other funding alternatives, such as excise intensification in the form of Levies on Cigarettes for Health (PRUK) and alcohol, extensions of taxable goods, such as artificially sweetened drinks and fossil fuels, and increased regional financial contributions.

Sumber: Freepik

Six Years of the National Health Insurance Program, What are the Impacts?

The JKN program is run by the Health Care and Social Security Agency (BPJS Kesehatan) and is one of the government's efforts to achieve universal health coverage (UHC), as assigned in the Law No. 40 of 2004 concerning the National Social Security System (SJSN), which ensures equal rights for all people to obtain access to safe, high quality, and affordable health services. These efforts are relevant to the Sustainable Development Goals (SDGs), in indicator No 3.8, namely achieving UHC in 2030.

According to the World Health Organization (WHO) (2013), UHC achievements are measured through three dimensions. The first is ensuring that all people have access to essential quality health services according to their needs. Second, people avoid catastrophic health expenditure, which means spending on household health exceeds 40 per cent of their remaining income after meeting everyday necessities. Third, the whole community receives health care protection. If all of these dimensions are achieved, then it can be considered that a country has attained UHC.

Over the past six years, the positive impact of JKN has been felt directly by the community. This can be seen from the increased level of participation and utilization of the JKN program since its implementation. Lauranti et al. (2018) state that the JKN program has improved the fulfilment of basic health rights for all levels of society, including the poor community through the Contribution Beneficiary (PBI) scheme. Further, the program has directly reduced the costs incurred by participants to access health facilities in Indonesia. The scheme that is based on social insurance has been proven to improve the welfare of all Indonesians.

However, since its implementation, the JKN program has experienced a substantial deficit. The deficit was predicted to reach Rp 28 trillion by the end of 2019 (BPJS Kesehatan, 2019). According to BPJS Kesehatan, this deficit has been caused by the high number of people suffering from chronic diseases forcing the costs of those health services to soar. Furthermore, the huge health costs experienced were never matched by adequate contribution amounts. If this deficit problem is not resolved immediately, then it will impact on the declining quality of health services, impacting on the trust of service providers and service users, and ultimately effecting the welfare of Indonesian citizens. If the deficit of the scheme is not appropriately overcome, then UHC will be difficult to achieve.

The JKN Deficit: What Has Caused It?

Data from BPJS Kesehatan shows that during period of 2014-2018 the agency only recorded a surplus in 2016, while it marked a growing deficit in the years before and after (see Table 1). According to the financial report, the deficit occurred due to the high expense of health insurance, while BPJS Kesehatan's revenues were mostly reliant on participant contributions.

Table 1. The JKN Program Revenues and Expenses 2014 - 2018 (in million Rupiahs)

	2014	2015	2016	2017	2018
Revenues					
Contribution Revenues	40.719.862	52.778.121	67.404.011	74.246.641	81.975.180
Other Revenues	62.326	143.439	65.453	220.237	266.600
Investment Revenues	731.632	118.596	111.041	150.941	20.387
BPJS Kesehatan Contributions	-	1.071.070		135.271	-
Grants from BPJS Kesehatan	-	1.540.000	-	-	
Cigarette Tax	-	-	-	-	682.387
Government Assistance	-	-	6.827.891	3.600.000	10.256.466
Total	**41.513.820**	**55.651.226**	**74.408.396**	**78.353.090**	**93.201.020**
Expenses					
Health Insurance Expenses	42.658.701	57.083.273	67.247.884	84.444.864	94.296.845
Operational Expenses	2.476.992	2.554	3.625.662	3.809.233	3.768.829
Investment Expenses	134.872	27.457	14.018	28.216	2.075
Allowance for Receivables	121.317	710.272	854.212	375.525	63.728
Other Expenses	10.590	149.921	18.115	45.887	432.886
Technical Reserve Expenses	(579.507)	3.437.821	2.140.071	4.113.837	6.324.220
Total	**44.822.965**	**61.411.298**	**73.899.962**	**92.817.562**	**104.888.583**
Revenues-Expenses	**(3.309.145)**	**(5.760.072)**	**508.434**	**(14.464.472)**	**(11.687.563)**

Source: BPJS Kesehatan, processed

In 2019, PRAKARSA conducted a study to explore the root causes of the JKN deficit at the national level and six districts/cities in Indonesia. It found that the JKN deficit both at the national and regional levels had similar patterns. The study indicated that the deficit problem derived from multiple factors, comprising of: 1) the inflated health service expenses which exceeded BPJS Kesehatan's revenue capacities; 2) the low amounts of contribution, which were far below the provided claims for insurance (in 2018, the average participant contribution was Rp 394,009 per year, while health insurance claim was Rp 453,232 per year, leaving a gap of Rp 59,223 per participant per year); 3) a lack of transparency in the BPJS Kesehatan financial management; 4) the coverage of membership that is yet to be maximum, whether for the category of PBI, Non-Wage Recipient Participants (PBPU), and Wage Recipient Participants (PPU), as well as the lack of participant compliance in paying contributions especially in the PBPU category; 5) increasing health costs for catastrophic diseases (in September 2018, heavy expenses for treatments of catastrophic diseases including heart, cancer and stroke reached 22 percent of the total health expenses or 14.5 trillion rupiahs); 6) FKTPs' role as gatekeepers that had not optimally functioned, where FKTPs still focused on curative actions, not promotive and preventive services; as well as 7) inefficiencies of tiered referrals in FKRTL, where findings on the field revealed that general type-B hospitals would admit patients under already-serious conditions, who could not be handled by the lower type of hospitals (implying that the costs incurred in the first hospitals were inefficient).

Contributions Risen, Deficits Improved?

The central government has attempted to patch the JKN deficit by allocating the Revenue Sharing Fund of Tobacco Product Excise (DBHCHT), cigarette tax contributions from regional areas, and deduction of the General Allocation Fund (DAU) for the JKN funding. In 2019, it also provided an injection of funds amounting to 14 trillion rupiahs to cover the deficit. Also, as PRAKARSA's research found, relevant measures were taken by the local governments to reduce the deficit. Among others were the Medan City Government, which earmarked food taxes at restaurants and overnight stays in hotels, and the Semarang Regency Government, which developed the JKN cadre program to increase the collectibility of contributions from PBPU. However, all these efforts have not been able to address the deficit problem optimally.

Consequently, based on the Presidential Regulation No. 75 of 2019, the government decided to raise the insurance fees for all classes (PBI, PPU, PBPU and BP) to be doubled per January 1, 2020. In detail, BPJS Kesehatan contributions for PBPU increased to Rp 160,000 for class 1, Rp 110,000 for class 2 and Rp. 42,000 for class 3. However, based on the decision of the Supreme Court (MA) in February 2020, the increase in contributions was cancelled. Nonetheless, PBPUs still need to pay contributions with the relatively high tariff increase because the government has not yet issued a regulation that would change the provisions in article 34 paragraph (1) and (2) of the Presidential Regulation Number 75 of 2019 (Perpres 75/2019).

According to the members of the Commission IX of the Indonesian House of Representatives, the policy on increasing the insurance fees to be doubled would burden the community and that another alternative to funding was needed. This statement is in accordance with the results of the research conducted by PRAKARSA, in which the policy on the contribution increase is not singularly the most appropriate measure to patch the JKN deficit. Based on the responses from interviews conducted in the six districts/cities regarding the increase in contributions,

many people disagreed with the policy because the increase would cause an increase in their household expenditure. The level of collectability might even be lower because of the large number of JKN participants deciding to arrear their contributions. The interviews also discovered that the JKN facilities and services provided are not proportional to the rising contribution payment. Therefore, they would prefer to downgrade or discontinue their JKN membership and switch to private insurance.

Based on these findings, it is necessary to formulate alternative solutions for JKN funding that can overcome the deficit problem while not burdening the community so that UHC can be achieved. PRAKARSA considers that alternative funding through tax extensification such as Levies on Cigarettes for Health (PRUK) and motor vehicles can be utilized because, in addition to being able to secure additional funding, the measure also reduces the consumption of goods that negatively affect the public's health and is expected to reduce the burden of diseases.

Alternative Funding Resources for JKN

PRAKARSA conducted an analysis to determine the best combination of funding alternatives for the JKN program that can solve the deficit problem, using a Cost-Benefit Analysis (CBA) method or the analysis of benefit and cost strategy. Boardman et al. (2017) define the CBA method as a policy testing method that quantifies all policy consequences for all members of society in monetary terms. The CBA method used in this study refers to Cost-Benefit Analysis (CBA): Concepts and Practices by Boardman, Greenberg, Vining and Weimer (2017) and Social Cost-Benefit Analysis of Tobacco Control Policies in the Netherlands by de Kinderen and Rombouts (2018).

This study examined the benefits and costs of the JKN program through three policy options/scenarios: 1) increased contributions, 2) use of tax extensification as funding (Levies on Cigarettes for Health (PRUK) and motor vehicles), and 3) the combination of increased contributions and PRUK and motor vehicle excise.

The contribution increase policy referred to in this study is the condition of periodic increases in contribution fees. In this policy, the contribution fees have increased twice, namely in 2016 and 2019, with the hikes ranging from 20 to 80 per cent. Therefore, the assumed increase in contributions used in this policy is 36 per cent every two years.

The policy on the use of tax extensification through PRUK and motor vehicle excises are additional levies imposed on cigarettes in the amount of Rp. 60 per stick and on the consumption of four-wheeled vehicles or more by 5% of the weight of motor vehicle types multiplied by the selling price, as per the Regulation of the Ministry of Home Affairs Number 5 of 2018.

The last policy option is the combination of the two previous policies: the increase in contribution fees and PRUK as well as motor vehicle excises. The amount of contribution increase in this policy is assumed to be 15 per cent every two years, while the amount of levies from PRUK and motor vehicles is respectively Rp. 60 per stick and 5% of the weight of motor vehicle types multiplied by the selling price, in accordance with the Ministry of Home Affairs Regulation Number 5 of 2018.

The CBA conducted in the study includes the financial projection of the JKN program from 2019 to 2030. As this analysis calculates for 11 years, it employs general assumptions in regards to Indonesia's condition for the next 11 years. The general assumptions are concerning: 1) the projected Indonesian population from 2019 to 2030 released by the Central Statistics Agency (BPS), 2) the projected growth of Indonesia's Gross Domestic Product (GDP) from 2019 to 2030 based on Indonesia's GDP according to the 2014 - 2018 expenditure released by the BPS, and 3) the projected out-of-pocket (OOP) expenditure per capita per year from 2019 to 2030 based on the 2017-2018 OOP released by the BPS. The table below is the result of the CBA calculation:

Table 2. The Calculation Results from the Cost and Benefit Analysis (CBA) 2019 – 2030 (in trillion Rupiahs)

Scenarios	*Total Costs*	*Total Benefits*	*Costs and Benefits*
Increased Contributions	1.947,1	5.543,7	3.596,6
Use of Excises	1.464,2	5.577,8	4.113,5
Combination of Increased Contributions and Excises	1.463,2	5.574,4	4.111,2

Source: the author.

Based on the results of the CBA conducted by PRAKARSA, the combined policy of raising fees and utilizing PRUK and vehicle excises is the most benefitical funding alternative. This policy is preferred because, in addition to securing additional funding for the JKN Program, it reduces the consumption of goods that have negative effects on the public's health and is expected to reduce the burden of diseases in the community. Although, the alternative has not been able to overcome the JKN deficit problem, it provides an alternative policy solution that can still be considered. The combination method provides a more sustainable and participatory approach as there is support from member contributions.

Policy Recommendations

The sustainability of the JKN program needs support from all parties, especially in terms of obtaining sustainable funding. Discerning the persistent deficit, PRAKARSA recommends several approaches to improve policies for alternative funding sources:

- The government needs to expand the imposition of excisable goods that can be used to fund the JKN program, including through levies on cigarettes for health (PRUK) and two-wheeled vehicles as well as extensification of excises on four-wheeled or more motorized vehicles. Based on the calculation from the sources of funding from a single PRUK of Rp. 60 and levy of Rp. 5, 000 for a two-wheeled vehicle as well as an excise extensification for a four-wheeled or more vehicle by 5%, the JKN Program can receive an additional funding potential of up to Rp. 37 Trillion annually. The government also needs to consider levies from sweetened drinks and fossil fuels.
- The government and DJSN must immediately formulate a clear roadmap related to the

sustainability of the JKN program, including the funding and periodic amount of participant contributions increase based on a medium-long term projection. If seen from a combined scenario, a contribution increase of 15 per cent every two years can be actualized with additional funding alternatives.

- There needs to be a policy governing the utilization of the SiLPA capitation fund. The capitation fund has the potential to cover the JKN deficit, considering the large number of the deposited fund in the regional treasury account and the fact that no regulation on the allocation of its use is in place.
- The BPJS Kesehatan needs to perform information disclosure, especially related to financial management. This can sustain the involvement of local governments and the community to actively monitor the progress of JKN management.
- There needs to be a repair on data that serves as the basis of the Integrated Service and Referral System (SLRT) so that the PBI membership is reaching intended capacity. The government should immediately fix the single identity number data so the entire community can be monitored in receiving social protection appropriate to their needs.
- The evaluations on the commitment-based capitation system (KBK) need to be optimized to ensure the standard of service quality, especially at the first-level health facilities (FKTPs). It is indispensable for FKTPs to guarantee their service quality by maximizing their roles and functions. The local governments can support the FKTPs in the equitable distribution of fulfillments on the needs for health workers and more adequate equipment so that the community can obtain the services they require.
- There should be a budget increase for socialization and health promotion to the community for the prevention of catastrophic diseases. The government must optimize a series of cost control programs and the publicity on the prevention of catastrophic diseases to promote healthier communities.

Managing Director :
Ah Maftuchan
Perkumpulan PRAKARSA Executive Director

Written by :
- Cut Nurul Aidha
- Adrian Chrisnahutama

PRAKARSA *Policy Brief* is an independent policy analysis and recommendation about various critial issues related to development and welfare.

PRAKARSA
Welfare Initiative for Better Societies

Jl. Rawa Bambu I Blok A No.8-E
Pasar Minggu, Jakarta Selatan
Indonesia 12520

Phone +6221 781 1798
Fax +6221 781 1897
perkumpulan@theprakarsa.org

References

Ahsan, A. (2017). Inovasi Pendanaan Defisit Program JKN-KIS melalui Pungutan (Tambahan) atas Rokok untuk Kesehatan (PRUK). Ringkasan Riset JKN-KIS, 01. Retrieved from https://bpjs-kesehatan.go.id/bpjs/dmdocuments/272cf953af57449bffc30087a1bd144d.pdf

Ahsan, A., Wiyono, N., & Soraya Kiting, A. (2015). Bunga Rampai Fakta Tembakau Dan Permasalahannya di Indonesia 2014.

Boardman, A. E., Greenberg, D. H., Vining, A. R., & Weimer, D. L. (2017). Cost-benefit analysis: Concepts and practice. Cambridge University Press.

BPJS Kesehatan. 2016. Pentingnya Dukungan Pemda untuk mencapai Universal Health Coverage.InfoBPJS Kesehatan Edisi 44 Tahun 2016. Badan Penyelenggara Jaminan Sosial Keseha- tan. Diakses pada 21 Februari 2018 <https:// bpjs-kesehatan.go.id/bpjs/dmdocuments/4d- c1390e3f9ad849198c0321a7c4bdc0.pdf>

Chazali H Situmorang, (2013) Reformasi Jaminan Sosial di Indonesia, CINTA Indonesia, Depok

Dartanto, T., Bintara, H., Hanum, C., Usman, Bella, A., & Putro, P. (2017). Dampak Program JKN-

Mundiharno, D., Nemec, D. J., Rabovskaja, V., & Spatz, D. J. (n.d.). Financial Sustainability of the National Health Insurance in Indonesia: A First Year Review. 8.

Rahardyan, A. (2019, March 14). TKN: Desifit BPJS Kesehatan Bisa Ditambal Pakai Cukai Rokok dan Pajak Kendaraan | Kabar24. Retrieved November 9, 2019, from Bisnis.com website: https://kabar24.bisnis.com/read/20190314/15/899836/tkn-desifit-bpjs-kesehatan-bisa-ditambal-pakai-cukai-rokok-dan-pajak-kendaraan

Rencana Pembangunan Jangka Menengah Daerah Kota Kupang 2017-2022.

Undang Undang No 40 Tahun 2004 Tentang Sistem Jaminan Sosial Nasional

Undang Undang No 24 Tahun 2011 Tentang Badan Penyelenggara Jaminan Sosial

Undang Undang No 12 Tahun 2013 Tentang Jaminan Kesehatan Nasional

Peraturan Menteri Dalam Negeri Nomor 5 Tahun 2018 tentang Penghitungan Dasar Pengenaan Pajak Kendaraan