Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 18-Nov-2021 | Report No: PIDA243727

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Program Name	Parent Project ID (if any)
Indonesia	P172707	National Health Insurance (JKN) Reforms and Results Program	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
EAST ASIA AND PACIFIC	25-Oct-2021	15-Dec-2021	Health, Nutrition & Population
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Program-for-Results Financing	Republic of Indonesia	BPJS- Kesehatan, Ministry of Finance, Dewan Jaminan Sosial Nasional (DJSN), Ministry of Health	

Proposed Program Development Objective(s)

The program development objective is to strengthen the quality and efficiency of Indonesia's National Health Insurance program.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	18,350.00
Total Operation Cost	402.33
Total Program Cost	400.00
IPF Component	2.33
Total Financing	402.33
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	400.00
World Bank Lending	400.00
Total Non-World Bank Group and Non-Client Government Financing	2.33

Trust Funds	2.33

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. **Before the COVID pandemic, Indonesia had made significant progress with a steadily growing economy and declining poverty rates.** Supported by a sound macroeconomic framework, real gross domestic product (GDP) expanded by an average of 5.5 percent annually between 2010 and 2019, and the size of the economy[1] nearly doubled from IDR 5,478 trillion in 2006 to IDR 10,949 trillion (US$1.1 trillion in current prices) in 2019[2]. Strong growth also helped contribute to a decline in poverty from 19.1 percent of the population in 2000 to 9.2 percent of the population by March 2019—lifting 13.6 million people out of poverty[3]. Indonesia was also classified as an upper-middle-income country for the first time in 2019—an outcome that was reversed during the pandemic.

2. **However, the pandemic has halted progress to inclusive growth.** Indonesia leads the East Asia and the Pacific Region in the number of COVID cases and deaths and is facing the worst recession since the 1997–98 Asian financial crisis. The economy contracted by 2.1 percent in 2020 with economic losses due to COVID in FY20 and FY21 estimated to be US$161 billion. About 25 million Indonesians still live below the national poverty line, and many remain vulnerable to economic and health-related shocks[4]. The economic downturn has resulted in reduced employment in both formal and informal sectors—the latter accounting for 76 percent of the workforce. Poverty increased from 9.2 percent to 10.2 percent in September 2019–20. Although the economic situation improved gradually since January 2020, pandemic risks remain high. Policy makers now face three key challenges to improving the economic recovery: (a) containing the pandemic; (b) mitigating the potential long-term effects from COVID to human capital accumulation; and (c) maintaining adequate support for households.

3. **This Program-for-Results (PforR) aims to ensure households' continued access to quality essential health services, enabling a healthier and more productive workforce.** It uses *Jaminan Kesehatan Nasional* (*JKN*) —the government of Indonesia's flagship policy for increasing access to affordable health care services—as the financial instrument to incentivize improvements in the quality and efficiency of service delivery.

[1] Measured in GDP at constant prices.

[2] World Bank. 2021. *World Development Indicators.* Washington, DC: World Bank.

[3] Statistics Indonesia . 2020. Jakarta: Badan Pusat Statistik.

[4] World Bank. 2020. *Indonesia Economic Prospects, July 2020: The Long Road to Recovery.* Washington, DC: World Bank.

Sectoral and Institutional Context

1. **Over the past 15 years, Indonesia has made significant progress towards UHC**. Prior to 2004, only formal sector workers had access to health insurance – 27.4 percent of the population. With the introduction of JKN or National Health Insurance in 2014, Indonesia undertook a massive reform that few, if any, multi-payer countries have been able to achieve. Between 2014 and 2019, coverage expanded to 83 percent of the population and out-of-pocket (OOP) expenditures as a share of total health spending decreased from 47 to 34 percent – an unprecedented achievement in such a short time.

2. **Despite these achievements, there are significant shortcomings in the quality of care.** Indonesia's rapid roll-out of JKN also left many details of implementation unanswered. The has led to continued high maternal mortality, tuberculosis, and stunting rates, and a growing burden of chronic diseases. The breakdown in service delivery happens early on in the continuum of care. While 77 percent of pregnant women received at least 4 antenatal care (ANC) visits, they did not receive all intended interventions during visits. Blood and urine tests – essential for the diagnosis of high-risk pregnancies – were carried out in only 47.6 and 38.7 percent of ANC visits respectively in 2017. Of the over 700,000 active TB cases, more than a quarter went undiagnosed and only a third were successfully treated[5]. Of the more than 11 million adults thought to have diabetes, only 21 percent were diagnosed and only 7 percent had their diabetes under control. The predominant strategy for improving the competence of health workers has been the provision of clinical guidance. However, this has not been very effective by itself.

3. **Beyond improving coverage and access to quality health services, JKN's success is also dependent upon the scheme's financial sustainability.** BPJS-K has incurred a deficit in nearly every year of implementation. As of end of May 2020, JKN's cumulative deficit was IDR 31.7 trillion (around USD 2.2 billion)[6]. JKN's claims ratio regularly exceeds 100 percent.

4. **JKN offers the greatest potential for improving the quality of care as it is earmarked for health, has the potential to be directly tied to service delivery outcomes, and makes up a significant share of revenues for front line providers**. The bulk of district revenue – where more than two-thirds of public health spending occurs – comes in the form of unconditional intergovernmental transfers, so allocation to health is at the discretion of local governments. Other than JKN, only *Dana Alokasi Khusus* (DAK)[7] – a special allocation fund used to finance capital investments, medicines, commodities, and the operational expenditures of frontline delivery units – is earmarked for health. But unlike DAK, which finances inputs, JKN can be tied directly to performance and quality of service delivery offering a clearer link between health financing and health outcomes.

PforR Program Scope

5. **The proposed operation focuses on second generation reforms needed to improve the implementation of JKN.** Activities are organized around three results areas (RAs). RA 1 aims to strengthen the quality of

[5] BPS. 2017. *Indonesia Demographic and Health Survey.* Jakarta: National Population and Family Planning Board, Ministry of Health.

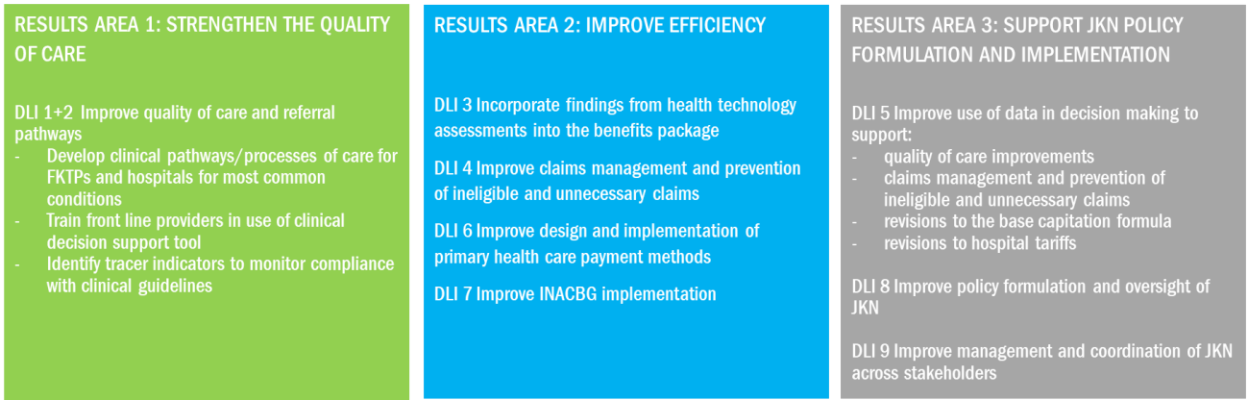
[6] While BPJS-K ended 2020 with no deficit, this is expected to be temporary as COVID-19 restrictions likely discouraged would-be patients from using the healthcare system.

[7] DAK *Fisik* finances capital investment, medicines, and commodities; DAK-*nonfisik or BOK* finances operational expenditures of frontline delivery units; DAK *Nonfisik* is further fragmented into DAK *Akreditasi* that provides funding for the accreditation process of primary health care facilities and hospitals, and DAK *Penugasan* that finance priority activities in priority regions, for instance HIV or malaria in remote, border and island areas.

care. RA 2 aims to improve the efficiency of JKN spending. RA 3 is cross-cutting and aims to support JKN policy formulation and implementation. Main activities and disbursement linked indicators (DLIs) are summarized in Figure 1.

6. **The proposed operation brings together four key JKN stakeholders -** the Ministry of Health, the Social Security Agency or *Badan Penyelenggara Jaminan Sosial-Kesehatan* (*BPJS-K*), the Social Security Council (DJSN) and the Ministry of Finance (MOF) – facilitating the coordination and sequencing of needed reforms. The MOF will host the PforR Secretariat, which will be responsible for day-to-day Program management, coordination, and monitoring. MOH, BPJS-K and DJSN will be the main implementing agencies responsible for the achievement of DLIs.

Figure 1. Summary of activities by results area.



7. **Program duration, geographic scope, and beneficiaries.** The PforR is designed for a period of five years from December 2021 to September 2026. The scope will be nationwide, benefiting the entire population of 273 million and covering all 514 districts. The primary beneficiaries will include all persons enrolled and/or seeking health services under JKN.

C. Proposed Program Development Objective(s)

Program Development Objective(s)

8. **The program development objective is to strengthen the quality and efficiency of Indonesia's National Health Insurance program.** Achievement of the PDO will be measured by the following PDO-level results indicators:
   (a) Improved provider competency score in FKTPs;
   (b) Improved member satisfaction rate;
   (c) Increase in the percent of outpatient utilization among bottom two quintiles
   (d) More sustainable JKN claims ratio.

D. Environmental and Social Effects

9. **The environmental and social risk is overall moderate, with environmental risk being rated as low and social risk as moderate.** The Program is not operating in sensitive settings that may contribute to potentially adverse environmental impacts. Introduction of provider payment reforms and clinical guidelines are expected to promote enhancement in the quality of services. However, such reforms will

require inclusive stakeholder engagement and consultations to capture diverse views of affected stakeholders and minimize potential misunderstanding and misconception. By design, the PforR is expected to generate positive outcomes by improving JKN performance, through enhanced accountability and sustainability.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts (With IPF Component for PforR)

E. Financing

10. **The government program expenditure amounts to US$ 41 billion over five years**. It includes budgets from all stakeholders that are responsible for achieving the PforR's disbursement linked indicators (DLIs). The Program boundary, consisting of a subset of the government program that this PforR co-finances, amounts to US$18.7 billion over five years. The US$ 400 million World Bank contribution represents 2.1 percent as a share of the Program boundary.

11. **As part of this PforR, a recipient executed grant in the amount of US$2.33 million will also be made available to the GOI**. It is contributed through the World Bank's Indonesia Human Capital Acceleration multi-donor trust fund by the Bill and Melinda Gates Foundation. This grant will be available until December 31, 2023. The purpose of the IPF Component is to strengthen the implementation and coordination capacity of the JKN PforR Secretariat, which will be hosted in the Ministry of Finance to support key ministries and organizations involved in the PforR.

12. **The PforR expenditures include only areas needed to achieve the PDO and DLIs.** The main expected expenditure items under the recipient-executed grant are likely to be the hiring of additional consultants and incremental operational expenditures needed to support implementing agencies as well as the Program Secretariat. There is no duplication of expenditures under other World Bank operations in Indonesia. No civil works or large contracts needing Operations Procurement Review Committee (OPRC) approval are anticipated. It is estimated that total expenditures for procurement will not exceed 10 percent of the Program financing.

Program Financing

Sources	Amount (USD Million)	% of Total

Government of Indonesia	18,350	97.9
International Bank for Reconstruction and Development (IBRD)	400.00	2.1
Trust Funds	2.33	0.01
Total Program Financing	18,752.33	

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