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**Indonesia – Major Reform to Health, Social Insurance Systems Comes with Costs**

by KPMG Advisory Indonesia (a KPMG International member firm)

## *flash* International Executive Alert

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The implementation of a new health insurance system in Indonesia starting in 2014 is going to have a considerable impact on the way workers are insured through the state-sponsored health-care system, the government agency responsible for managing it, the way benefits are paid, and the costs for employers and workers participating in the system.

### Why This Matters

The changes to the system of health insurance, health-care coverage and benefits in Indonesia are significant for employers and employees covered under the new rules. The changes will have administrative and cost implications for employers – especially multinational organizations that had opted out of the prior *Jamsostek* system and self-insured (or used private insurance plans) for their employees – and their employees.

Indonesian expatriate employees (Indonesian citizens and residents) working overseas are obliged to join the new health insurance system. This could have double taxation implications if those Indonesian employees overseas are also required to participate in their host-country plans.

There are still many questions, including to what extent the new rules apply to expatriate employees in Indonesia.

Indonesia has no social security totalization agreements in place; so, from an expatriate program perspective, it is important to keep abreast of any upcoming indications from the government as to how the new program will handle expatriate employees in Indonesia.

### Background

Following 10 years of discussions and “turf battles” between various agencies related to Indonesia’s 2004 National Social Security Reform Act (SJSN), the government issued Presidential Decree 12/2013 concerning health-care insurance and President Decree No. 111/2013 on the comprehensive social security scheme. The previous social security agency (*Jamsostek*) has changed its name to Workers Social Security Agency (*BPJS Ketenagakerjaan*). The health-care programs previously managed under *Askes*, *Jamsostek*, *Asabri*, and *Jamkesmas* will now be managed under a single organization known as *BPJS Kesehatan* starting 1 January 2014 – beginning 1 January 2019, it will manage health insurance for all workers, including those currently covered under private health insurance plans. We focus on the health-care changes in this newsletter.

Companies participating in the *Jamsostek* health-care system must begin registering their employees under the *BPJS Kesehatan* system. This registration began 1 January 2014. (The time-line for registering is noted in the *IES Bulletin* (February 2014) published by the KPMG International member firm in Indonesia noted at the end of this newsletter.)

## What's New?

- Both the Health-care and Worker Social Security schemes are now compulsory for all workers.
- The health-care insurance program is now handled by *BPJS Kesehatan* (previously by *Jamsostek*).
- There is no "opt-out" clause for companies that already provide superior health insurance programs.
- Employees are now required to participate and contribute to this health-care scheme. Previously, employees did not contribute.
- Indonesian citizens and all residents of Indonesia, including long-term expatriate employees, are required to join.
- Registration with *BPJS Kesehatan* covers the whole family. Only one spouse is required to contribute to gain family coverage.
- Universal coverage for all Indonesians by 2019.

## Health-Care Contributions for Private Employers and Employees

(Per Month)

Contribution by	1 January 2013 – 31 December 2013 (Jamsostek)	1 January 2014 – 30 June 2015	1 July 2015 onwards
Employer	3% (single) up to max. IDR 141,750 or 6% (married) up to max. IDR 283,500	4% up to max. IDR 189,000	4% up to max. IDR 189,000
Employee	N/A	0.5% up to max. IDR 23,625	1% up to max. IDR 47,250

[IDR 1 = AUD 0.000094 // IDR 1 = GBP 0.0000526 // IDR 1 = EUR 0.000064  
IDR 1 = USD 0.000088]

## Non-Compliance

- Employers who have not complied by registering their employees are obligated to provide health-care coverage similar to the benefits provided by *BPJS Kesehatan*.
- Late payments by private employers will be sanctioned with a 2-percent interest penalty per month for a maximum of three months. If contributions are unpaid for more than three months, the health-care coverage may be temporarily suspended along with the loss of certain public services, including the application/ renewal of business permits and expatriate work permits and also the application of driver licenses, certificates of vehicle numbers (*STNK*), and passports for individuals.

#### KPMG Note

- Regulations governing *BPJS Ketenagakerjaan* are still being drafted. *BPJS Ketenagakerjaan* will be in full operation effective 1 July 2015, and is expected to include an additional pension benefit scheme.
- It was compulsory for employers to provide basic health insurance under the previous *Jamsostek* program, although there was an opt-out clause. Many multinational companies chose to opt-out of this program and provide an alternative program for their employees. Companies would now need to re-assess whether to cease or continue the current health-care program to ensure that their employees are receiving adequate coverage.
- The social security regulations provide ample preparation time for employers to register employees with *BPJS Kesehatan*. Employers may want to inform employees, considering that an additional deduction will be applied to their take-home pay. The tax authorities have not issued a regulation indicating whether the health-care insurance portion paid by the employer is tax deductible or if the employee portion is considered a deduction when calculating payroll Article 21 income tax payable for the employee.
- We are still waiting for regulations regarding implementation and expatriate participation. The previously issued Minister of Manpower and Transmigration Regulation No. PER.02/MEN/XII/2004 states that employers do not have an obligation to register expatriates in *Jamsostek* as long as the expatriates already have similar coverage in their home countries. We are looking forward to further clarification of whether any similar exemption will be available for the new program considering that Indonesia does not have a totalization agreement with any other country.

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To read the full analysis of the key medical insurance and health-care changes, see “BPJS: A New Medicare System?” in *IES Bulletin* (February 2014), a publication of the KPMG International member firm in Indonesia. Go to:

<http://www.kpmg.com/ID/en/IssuesAndInsights/ArticlesPublications/Documents/IES-Bulletin-February-2014.pdf>

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