



PAYOR-PROVIDER ALIGNMENT

Making Healthcare Sustainable in Asia.

AIA

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ASIA IS GRAPPLING WITH A REALITY THAT OTHER PARTS OF THE WORLD HAVE BEEN WORKING TO ADDRESS FOR YEARS:

THE TRADITIONAL FEE-FOR-SERVICE HEALTHCARE MODEL IS OUTDATED AND UNSUSTAINABLE.



Across the region, healthcare systems are straining under the weight of aging populations, greater demand for care, and rising chronic disease rates. The resource squeeze is exacerbating medical inflation and throttling access to care at a time when government budgets are stretched, and economic growth is looking uncertain.

Greater use of data and new business and payment models can lessen these strains by creating a tighter link between the interests of people who provide healthcare — doctors, hospitals, and clinics — and those who pay for it — payors, both public and private insurers.

So-called payor-provider alignment would provide incentives for all parties to make healthcare more efficient. It can bring society meaningfully closer to tackling affordability today, shoring up accessibility and quality for future generations, and reducing the costs to society, like wastage and other externalities of the fee-for-service model.

A simple example is ensuring that patients avoid hospital stays when ambulatory care is more suitable. Assuming trends in other fee-for-service markets hold for Asia, an estimated 25% of all healthcare costs in the region stem from waste—unnecessary surgeries and hospital stays, inappropriate use of antibiotics, and a lack of preventative care, among other factors.¹ Payor-provider alignment would reduce such waste in healthcare and ensure more clinically appropriate and cost-effective care.

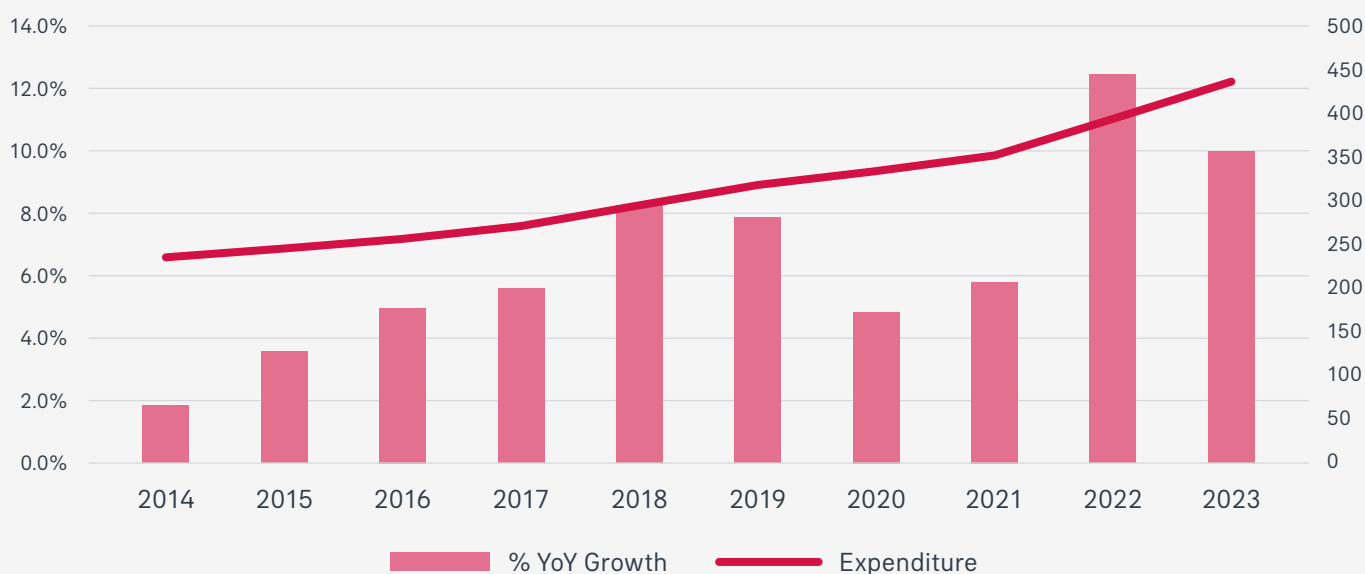
FUNDAMENTAL REFORM IS NECESSARY

PIECEMEAL CHANGES WILL ONLY LEAD TO MORE DRAMATIC AND PAINFUL CHANGES IN THE FUTURE

According to a 2024 report from Mercer Marsh Benefits, the medical trend rate in Asia — a measure of year-over-year cost increases for claims—remains “persistently high,” exceeding double digits in many markets.² For 2025, it had forecast rates of 15% in Malaysia and Vietnam, 19% in Indonesia, and 21% in the Philippines — and all of which track well above local inflation measures, further challenging the sustainability of healthcare costs for each market.

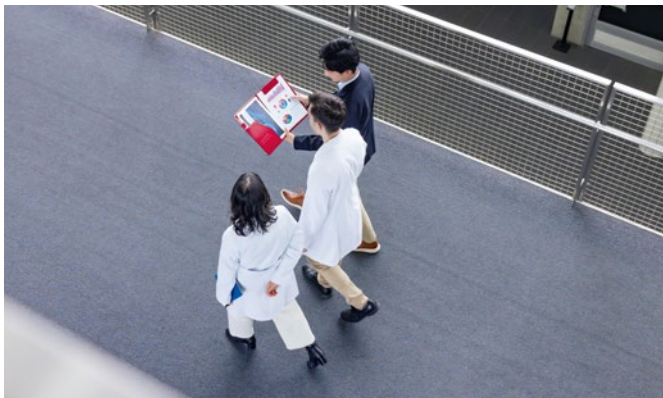
The financial burden on individuals is also rising. WHO datasets show out-of-pocket costs in the region sharply increasing in recent years: 10% in India and Indonesia, and 13% in Australia and Singapore from 2022 to 2023 (the most recent data on record), to cite just a few.³ High out-of-pocket costs often result from limited insurance coverage, inadequate public health financing, and health inequality.⁴ The table below shows the regional trend in costs borne by individuals across the East Asia and Pacific region.

WHO ESTIMATE OF OUT-OF-POCKET HEALTH EXPENDITURE PER CAPITA, PPP (CURRENT INTL \$) — EAST ASIA AND PACIFIC



ALIGNING INTERESTS AND INCENTIVES

New business models have cropped up to align incentives for growth, reducing unnecessary spending, and allocating resources more effectively. Insurers, mostly in the US and Europe, have taken ownership of GP and specialty care clinics as well as long-term and ambulatory care centers. Payors and providers may also link up through joint ventures and other commercial partnerships.



And alternative payment models such as bundled care can reduce variation in healthcare services and lessen patients' 'pain points' when seeking care.

AIA is developing new ways of managing its relationships with providers based on its analysis of quality indicators and outcomes. Using this data — adjusted for differences in patient risk profiles — AIA can create panels of preferred providers that it can offer to its customers. This enables customers to get access to more affordable and effective coverage. And providers in AIA panels benefit from increased volume and consistency on fees.

An environment that allows and encourages all parties to assess the viability of these approaches stands the best chance of allowing society to make an empirical determination as to the most suitable and sustainable models.

DATA AND TRANSPARENCY: KEYS TO INCENTIVE ALIGNMENT

Outside full vertical integration, there are two keys to optimising payor-provider alignment. The first is standardising how health data — diagnoses, procedures, and lab results, among others — are recorded at a line level and shared among providers and insurers. That would allow all parties to analyze how care is delivered and find ways of improving efficiency, quality, and outcomes.

The second is transparency of the fees and charges assessed for treatments and procedures. AIA has found large variations in fees for drugs and procedures between similar facilities as well as insurers being charged more for the same items than a customer may pay out of pocket.

Transparency would allow prices to have the signaling effect necessary for market efficiency. Patients could make more informed choices. Insurers could identify the most cost-effective routes to recovery, and also create incentives for preventative care.

Transparency is especially important for smaller insurers that do not handle the volume of claims to perform meaningful data analysis on their own.

A MULTI-STAKEHOLDER APPROACH

Overhauling healthcare delivery and payment systems is no small feat. Reform must come about through a multi-stakeholder process that includes governments, payors, providers, and patients.

If these groups work together on the basis that access to affordable healthcare is a public good, then patients will benefit through more affordable, more efficient, more patient-centric care, and society at large benefits through reduced aggregate spending and greater health equity.

THE BENEFITS OF GREATER PAYOR-PROVIDER ALIGNMENT

Benefits to the Healthcare System

- Improves resource efficiency, reduces systemic costs, enhances quality care.
- Promotes preventative care, managing chronic conditions and unnecessary treatments.
- Creates a vibrant, efficient healthcare market with better price signals and uniform standards.
- Distributes financial responsibility more equitably across stakeholders.

Benefits to Patients

- More affordable and accessible care as medical inflation is mitigated.
- Better outcomes through evidence-based care and disease management.
- Faster, more efficient treatment and personalised care.
- Care delivered in the most appropriate setting (right-siting).

Benefits to Providers

- Financial stability, access to capital for expansion and technology integration.
- Long-term strategic alignment with payors focused on sustainability and preventative health.

REFERENCES

- ¹ William H. Shrank, Teresa L. Rogstad, and Natasha Parekh, "Waste in the US Health Care System: Estimated Costs and Potential for Savings," JAMA 322, no. 15 (October 1, 2019): 1501–09, <https://doi.org/10.1001/jama.2019.13978>
- ² Mercer Marsh Benefits, [Health Trends 2025: Asia](#) (infographic, Marsh McLennan, 2024)
- ³ The most recent years for which data is available Using out-of-pocket expenditures per capital on a purchasing power parity basis, which is a better assessment of affordability and the financial burden consumers bear. [Out-of-pocket expenditure per capita, PPP \(current international \\$\)](#)
- ⁴ Health inequality is generally defined as poor households spending a greater proportion of their income on healthcare