

Governance Reforms and Co-Payment Policy in Health Insurance: Highlights of OJK Circular Letter No. 7/2025

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As part of the effort to strengthen governance and the implementation of the health insurance business line in Indonesia, the Financial Services Authority or *Otoritas Jasa Keuangan* (“**OJK**”) issued Circular Letter No. 7/SEOJK.05/2025 on the Implementation of Health Insurance Products (“**OJK Circular Letter No. 7/2025**”). This circular letter is a derivative of the mandate under Article 3B paragraph (3) of OJK Regulation No. 36 of 2024 on the Operation of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies, and is addressed to the board of directors of insurance companies, sharia insurance companies, and sharia units within insurance companies.

Product Structures: Indemnity and Managed Care Schemes

Pursuant to OJK Circular Letter No. 7/2025, health insurance products may be implemented through two main schemes: (i) indemnity, which refers to reimbursement of medical expenses based on actual bills or benefit limits (“**Indemnity**”), and (ii) managed care, which refers to tiered healthcare services (“**Managed Care**”).

Under the Indemnity scheme, reimbursement is provided for healthcare costs billed by healthcare facilities and subsequently paid by the insurance company, sharia insurance company, or sharia unit within the insurance company, in accordance with the coverage limits set forth in the insurance policy. Health insurance products under the Indemnity scheme are divided into two types of products:

a. Health insurance products with a maximum benefit limit per medical service (inner limit)

Which provide coverage for medical expenses with benefit limits set separately for each type of covered medical service. For example, a doctor consultation may be covered up to IDR300,000 and a surgical procedure up to IDR15,000,000. The insurance company, sharia insurance company, and sharia unit within the insurance company will set limits for each procedure as specified in the product's benefit table. If actual costs exceed the specified limits, the difference shall be borne by the policyholder, insured, or participant; and

b. Health insurance products based on actual bills (as charged)

Which provide reimbursement for medical expenses in accordance with actual bills, subject to annual and/or lifetime benefit limits.

The Managed Care scheme refers to healthcare services with tiered referrals in accordance with a person's medical needs. This begins with primary or general healthcare services and progresses to more advanced facilities, including specialist and sub-specialist medical care.

OJK Mandates Co-Payment to Strengthen Health Insurance Governance

As part of strengthening governance, insurance companies, sharia insurance companies, and sharia units within insurance companies are required to implement prudential principles and adequate risk management. This includes detailed arrangements regarding policy provisions, premiums, and contributions. Health insurance products may stipulate exclusions for pre-existing conditions, and premiums or contributions are calculated based on the level of risk and the benefits received by the policyholder, insured, or participant.

A risk-sharing mechanism or co-payment is also applied, whereby the policyholder, insured, or participant must bear a minimum of 10% of the claim amount, subject to certain maximum limits, namely IDR300,000 for outpatient care and IDR3,000,000 for inpatient care per claim. These limits may be adjusted by mutual agreement and stated in the policy. The co-payment provision applies only to Indemnity and Managed Care schemes and is implemented for advanced-level facilities, but is excluded for microinsurance products (defined as insurance products designed to provide financial risk protection for the public, particularly low-income communities). Additionally, companies are authorized to review premiums or contributions based on claim history or healthcare inflation, either at the time of renewal or outside of the renewal period with the participant's consent.

Strategic Partnerships with TPAs and Other Parties

As part of a sustainable service system, insurance companies, sharia insurance companies, and sharia units within insurance companies may establish strategic partnerships with various parties to support smooth service delivery and risk management. These partners include healthcare facilities, Third Party Administrators ("**TPA**"), which are third parties providing administrative services to support insurance companies and sharia insurance companies, particularly in claims management, insurance policy administration, and various other administrative functions. In addition, partnerships may also be formed with other insurance companies including sharia units, digital service providers, as well as Social Security Administering Body or *Badan Penyelenggara Jaminan Sosial* ("**BPJS**") Health and other guarantee providers.

Among these partners, TPAs play a strategic and important role, especially in enhancing the efficiency and quality of administrative services. Cooperation with TPAs is focused on the administration of claims, management of information systems, and the implementation of Medical Advisory Board or *Dewan Penasihat Medis* ("**DPM**") services, which have the duty to provide advice to insurance companies, sharia insurance companies, and sharia units within insurance companies to support utilization review activities and provide input related to healthcare services.

To establish cooperation with TPAs, insurance companies, sharia insurance companies, and sharia units within insurance companies are required to enter into a cooperation agreement as regulated in OJK Circular Letter No. 7/2025. According to the provisions of OJK Circular Letter No. 7/2025, the cooperation agreement must at least include: (i) the identities of the parties; (ii) the duration of the cooperation agreement; (iii) the rights and obligations of each party; (iv) the scope of cooperation of each party; (v) the parties' obligations to maintain data confidentiality; (vi) dispute resolution between the parties; (vii) conditions and procedures for amendments to the agreement; (viii) force majeure; (ix) conditions that cause the agreement to terminate; and (x) settlement of rights and obligations of each party upon termination of the agreement.

In addition to the above provisions, OJK Circular Letter No. 7/2025 specifically regulates that the agreement with TPAs must at least include: (i) a commitment to mutually maintain data confidentiality in accordance with the laws and regulations regarding personal data protection (in cases where the information system is provided by the insurance company, sharia insurance company, or sharia unit within the insurance company); and (ii) a commitment by the insurance company, sharia insurance company, or sharia unit within another insurance company to provide DPM services (in cases where the DPM of insurance companies, sharia insurance companies, and/or sharia units within insurance companies is provided by insurance companies, sharia insurance companies, or sharia units within sharia insurance companies).

Each form of cooperation with TPAs and other parties as mentioned above is carried out by adhering to the principles of prudence and adequate risk management and is implemented based on a written agreement reflecting the rights and obligations of the parties, commitments to data protection, and governance arrangements in accordance with the applicable laws and regulations.

Effective Date of OJK Circular Letter No. 7/2025

Pursuant to the closing provisions of OJK Circular Letter No. 7/2025, the provisions in the circular are scheduled to take effect on 1 January 2026. However, based on publicly available information, OJK has decided to postpone the implementation of the provisions, particularly those related to the co-payment policy, after considering public feedback and stakeholder input. This postponement was announced during a working meeting with Commission XI of the House of Representatives of the Republic of Indonesia or *Dewan Perwakilan Rakyat Republik Indonesia* ("**DPR RI**") on 30 June 2025.

During the meeting, it was conveyed that the provisions of OJK Circular Letter No. 7/2025 will be postponed until a regulation in the form of a OJK regulation is issued as its legal basis. Commission XI of DPR RI also emphasized the importance of involving stakeholders in the formulation of follow-up regulations to ensure consumer protection and the creation of a fair system. Despite the postponement, OJK continues to view the co-payment policy as important for maintaining the sustainability of the health insurance industry.

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The article above was prepared by Dentons HPRP's lawyers

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