Indonesia Healthcare: Growing Opportunities

Presented on 23 April 2021
by Leona A. Karnali
Leona A. Karnali  
CEO Primaya Hospital, Indonesia

Leona leads Primaya Hospital Group, a leading private hospital group operating 10 hospitals located strategically across Indonesia. Prior to her appointment as CEO, she was the COO for the past 5 years leading the hospital’s transformation in human capital, procurement, marketing and international relationships.

Her expertise and experience range from operational and strategic management to risk and financial management through previous work experiences in education, banking, and private equity.

Leona graduated with a Master of Science degree in mechanical engineering from Massachusetts Institute of Technology. She is a CFA charterholder and is a certified FRM.
Company Profile
About Primaya Hospital

A Multi-Specialty Hospital Network
Providing Professional & Caring Healthcare Services

10 operating hospitals
1325 operating beds
3 regional clusters
672 specialists
157 general practitioners
1661 licensed nurses

Accredited by Joint Commission International since 2014
Our Hospital Network

**Bekasi Cluster:**
- **PRIMAYA HOSPITAL WEST BEKASI**
  - Kalimalang, West Bekasi
- **PRIMAYA HOSPITAL EAST BEKASI**
  - Margahayu, East Bekasi
- **PRIMAYA HOSPITAL NORTH BEKASI**
  - Teluk Pucung, North Bekasi
- **PRIMAYA HOSPITAL KARAWANG**
  - Galuh Mas, Karawang
- **PRIMAYA HOSPITAL SUKABUMI**
  - Sukaraja, Sukabumi – *Opening March 2021*
- **PRIMAYA HOSPITAL SEMARANG**
  - Kedungmundu, Semarang City – *Opening March 2021*

**Tangerang Cluster:**
- **PRIMAYA HOSPITAL TANGERANG**
  - Cikokol, Tangerang
- **PRIMAYA HOSPITAL PASAR KEMIS**
  - Pasar Kemis, Tangerang – *Opening March 2021*
- **PRIMAYA EVASARI HOSPITAL**
  - Rawasari, Central Jakarta
- **PRIMAYA HOSPITAL BETANG PAMBELOM**
  - Tjilik Riwut, Palangkaraya
- **PRIMAYA HOSPITAL PANGKAL PINANG**
  - Pangkal Pinang City, Kep. Bangka Belitung

**Makassar Cluster:**
- **PRIMAYA HOSPITAL MAKASSAR**
  - Jend. Urip Sumohardjo, Makassar
- **PRIMAYA HOSPITAL INCO SOROWAKO**
  - Sorowako

- Mid-size to Large Hospitals with 100-250 beds
- Located across Indonesia
- All Primaya Hospitals are located in Major Roads providing Easy Access from airports and other provinces
Our network of general hospitals are well-known in several areas:

**Cardiac & Vascular Center**
Supported by professional medical personnel, paramedics and non-medical personnel, Cardiovascular and Cardiac services at Primaya Hospital are equipped with modern medical equipment.

- 40+ Heart & Vascular Specialists
- >1000 PCI per month

**Cancer Center**

We provide cancer check ups, diagnostics, and treatments such as Chemotherapy, Bronchoscopy, Endoscopy, Tumor Surgery, Mammography, Ultrasonography (USG) Mamme, Pap Smear, Vaccines,.

- >1,600 Chemotherapy patients

**Women & Children Center**

We provide a variety of women’s healthcare services, insemination, pregnancy, baby intensive healthcare services, child growth and development, child immunization, and various other types of services.

- 130 Obgyn & Children Specialists

**Trauma Center**

Leading services related to the management of patients with emergency conditions caused by injury or trauma. Supported by multi-disciplinary specialists from brain, orthopedics to plastic surgery.

- #1 Trauma Center in Kalimantan (2020)
- #1 Trauma Center in West Java (2020)
HISTORICAL MILESTONES

2006
- RS Global Medika
- Tangerang
- 2006
- Partnership with Awaloeddin Family (Awal Bros)

2007
- RS Global Awal Bros Bekasi

2008
- RS Global Awal Bros Makassar

2011
- RS Awal Bros Brand

2014
- RS Evasari

2016
- Partnership with Saratoga Investama Sedaya

2017
- RS Awal Bros Timur

2018
- RS Awal Bros Palangkaraya

2019
- RS Inco Sorowako & RS Awal Bros Bekasi Utara

2020
- Primaya Hospital Karawang

2021
- Primaya Hospital Bhakti Wara
- Opening soon: Pasar Kemis Sukabumi Semarang

Number of Hospitals
1 2 3 4 5 6 8 9 10 11

Number of Operating Beds
100 1325
PARTNERSHIP with Saratoga

Saratoga Investama Sedaya

- PT Saratoga Investama Sedaya Tbk. (Saratoga) is an active investment company with a proven track record of investment success.
- Founded in 1997, listed on IDX with ticker SRTG in 2013
- Saratoga focuses on investment opportunities in the early-stage, growth stage, and special situation opportunities with emphasis on three key sectors of Indonesian economic development: Consumer, Infrastructure, and Natural Resources.
- Investment in Primaya Hospital is part of Saratoga’s investment in Consumer Sector.
- IFC has partnered with Saratoga since it was listed.

Why Primaya Hospital?

1. Strong Foundation with Proven Track Record: Our founder, Prof Yos Susanto, has focused on building and managing hospital since 1988 with successful track record
2. Good Governance
3. Focus on Quality with International Standards
4. Strong Partnership with Specialists
5. Inclusivity & Wider Diversified Markets
6. Growing Opportunities in Indonesia Healthcare
Indonesia population grows modestly at 1.2% per year, mainly concentrated in Java island (56%) and consisted of 68% people in productive age of 15-64 years. Human Resource Development (Education & Healthcare) is key to the government’s structural reforms to take advantage of the demographic bonus and avoid the middle income trap in the next 15 years.
Growth of National Health Insurance Coverage

National Health Insurance Members per 31 December 2019

224,149,019 people

- The UHC started in 2014
- Membership consists of 224 million people (84% of total population), including 96 million people living in poverty.

Through UHC, Indonesia Healthcare improved in:

- Healthcare accessibility
- Quality & patient safety
- Efficiency – a shift to Fixed Fee services

Hospital Providers

- 917 Public Hospitals (37%)
- 1542 Private Hospitals (63%)

Source: BPJS Report 2019
Healthcare spending in Indonesia, which accounts for ~3% of GDP (vs. Malaysia 3.8%, Japan 11%)[1], grew 11% (CAGR 2010-2017) driven mainly by the government (53%). The national healthcare insurance accounts for 48% of government spending.

[1] World Bank Data, 2018
Hospital facilities in Indonesia has grown 5% (CAGR 2012-2020), mainly driven by the growth in Private Hospitals. Indonesia’s population growth coupled with the initiation of Universal Healthcare Coverage (BPJS Program) in 2014 increased demand of Indonesia’s healthcare facilities (hospitals).
Indonesia’s hospital beds ratio per 1000 people of 1.18 in 2019, passed the WHO’s requirement of 1, but lower than OECD countries average of 4.7 in 2017.

Hospital Beds unequal distribution across the country are affected by the logistics and availability of talent.

**Provinces of Indonesia**

<table>
<thead>
<tr>
<th>Province</th>
<th>Hospital Beds Ratio per 1000 people (2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DKI Jakarta</td>
<td>2.24</td>
</tr>
<tr>
<td>Sulawesi Utara</td>
<td>1.71</td>
</tr>
<tr>
<td>DI Yogyakarta</td>
<td>1.66</td>
</tr>
<tr>
<td>Gorontalo</td>
<td>1.64</td>
</tr>
<tr>
<td>Kalimantan Timur</td>
<td>1.61</td>
</tr>
<tr>
<td>Sulawesi Selatan</td>
<td>1.59</td>
</tr>
<tr>
<td>Aceh</td>
<td>1.51</td>
</tr>
<tr>
<td>Bali</td>
<td>1.51</td>
</tr>
<tr>
<td>Sumatera Utara</td>
<td>1.46</td>
</tr>
<tr>
<td>Kalimantan Utara</td>
<td>1.46</td>
</tr>
<tr>
<td>Papua Barat</td>
<td>1.46</td>
</tr>
<tr>
<td>Sulawesi Tengah</td>
<td>1.44</td>
</tr>
<tr>
<td>Kepulauan Riau</td>
<td>1.39</td>
</tr>
<tr>
<td>Kep. Bangka Belitung</td>
<td>1.38</td>
</tr>
<tr>
<td>Bengkulu</td>
<td>1.31</td>
</tr>
<tr>
<td>Sumatera Barat</td>
<td>1.29</td>
</tr>
<tr>
<td>Kalimantan Selatan</td>
<td>1.21</td>
</tr>
<tr>
<td>Papua</td>
<td>1.2</td>
</tr>
<tr>
<td>Jawa Tengah</td>
<td>1.18</td>
</tr>
<tr>
<td>Maluku</td>
<td>1.18</td>
</tr>
<tr>
<td>Maluku Utara</td>
<td>1.13</td>
</tr>
<tr>
<td>Jambi</td>
<td>1.11</td>
</tr>
<tr>
<td>Jawa Timur</td>
<td>1.11</td>
</tr>
<tr>
<td>Kalimantan Barat</td>
<td>1.09</td>
</tr>
<tr>
<td>Sumatera Selatan</td>
<td>1.06</td>
</tr>
<tr>
<td>Sulawesi Tenggara</td>
<td>1.04</td>
</tr>
<tr>
<td>Riau</td>
<td>0.98</td>
</tr>
<tr>
<td>Kalimantan Tengah</td>
<td>0.94</td>
</tr>
<tr>
<td>Sulawesi Barat</td>
<td>0.92</td>
</tr>
<tr>
<td>Lampung</td>
<td>0.87</td>
</tr>
<tr>
<td>Jawa Barat</td>
<td>0.87</td>
</tr>
<tr>
<td>Banten</td>
<td>0.83</td>
</tr>
<tr>
<td>Nusa Tenggara Timur</td>
<td>0.74</td>
</tr>
<tr>
<td>Nusa Tenggara Barat</td>
<td>0.74</td>
</tr>
</tbody>
</table>

Source: Ministry of Health, Profil Kesehatan Indonesia 2019
As the country needs to increase the capacity of healthcare facilities, combined with strong growth on healthcare spending and positive economic outlook following the Covid-19 pandemic, the number of hospitals will continue to increase.

Some private hospital groups in Indonesia are planning to add 3-4 hospitals per year.

The hospital growth also depends on the availability of qualified physicians and supporting medical teams.

The government recently issued Omnibus Law to further improve the investment climate in Indonesia.
The Omnibus Law – Healthcare Related

The Omnibus Law, (Presidential Regulation No. 11 of 2020) signed on November 2020, marks a huge structural reform to reduce regulatory requirements and bureaucracy that often complicate domestic and foreign investments. The Law aims to increase job creations and accelerate economic development in the country.

To implement the Omnibus Law, the Indonesian government has published the long-awaited new investment list, under Presidential Regulation No. 10 of 2021 regarding Investment Sectors (the New Investment List).

<table>
<thead>
<tr>
<th>Business Activity</th>
<th>Negative List</th>
<th>New Investment List (2021)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>67% foreign ownership (70% for ASEAN investors)</td>
<td>Open for 100% foreign ownership, but subject to minimum number of beds</td>
</tr>
<tr>
<td>Pharmaceutical Manufacturing</td>
<td>85% maximum foreign ownership</td>
<td>Open for 100% foreign ownership</td>
</tr>
<tr>
<td>Pharmaceutical Wholesaler</td>
<td>Closed for foreign ownership</td>
<td>Open for 100% foreign ownership</td>
</tr>
<tr>
<td>Raw Pharmaceutical Wholesaler</td>
<td>Closed for foreign ownership</td>
<td>Open for 100% foreign ownership</td>
</tr>
<tr>
<td>Medical Devices Distributor</td>
<td>Maximum 49% foreign ownership</td>
<td>Open for 100% foreign ownership</td>
</tr>
<tr>
<td>Medical Devices Testing</td>
<td>Maximum 67% foreign ownership</td>
<td>Open for 100% foreign ownership</td>
</tr>
</tbody>
</table>
With high recovery rate and slower daily new cases, it seems that covid-19 in Indonesia may start to be under control.

Vaccination realization of 11 million people, was still far from target of 181 million people, mainly due to lack of vaccine supplies.

Healthcare sector has recovered since last year, however need to be cautious for the next wave.

Even after the pandemic subdued, the way hospitals operate will never be the same again. The hospitals must improve in terms of patient screening, isolation and treatments.

Hospitals will continue to find new ways to provide continuous care to patients inside or outside of hospitals through Digital Healthcare, AI technology, Telemedicine, Homecare, & Drive-thru services.
Other Healthcare Related Opportunities

Other businesses that support Healthcare sector in Indonesia also pose interesting opportunities. The UHC disrupted these business considerably but simultaneously expanding the size of the market.

Prescription Medicine:
Generic drug make up the largest segment in pharmaceutical market
Domestic producers dominates the market
However, 90% of raw ingredients are imported, mainly from China

Consumables:
Domestic producers dominate the low to medium technology consumable products (alcohol swab, disposable syringes, surface bandages, etc.)
However for medium to high technology consumables (stent, implants, etc.) highly depend on imported products

Medical Equipment:
The more sophisticated the equipment, the higher dependency to imported products.
Most medical equipment are imported from China, Germany, Japan, South Korea, and USA. Strong presence in Indonesia is important to provide better after-sales and maintenance services.
THANK YOU