



## Healthcare Sector

### Tackling Headwinds with New Policy

#### Potential Increase of BPJS Payment and Healthcare Budget in FY23F

This year, the government aims to regulate the implementation of the new BPJS premium rate. We have yet to receive an official date, however players to expecting for a rise in the fee for around 5%-10% in 2H23. When it happens, we see that there will be changes in the: 1) volume; 2) AR turn over; 3) expansion in the form of hospital bed additions. Furthermore, the government is still seen to be prioritizing the healthcare sector in FY23F, as seen from the increase in the healthcare budget to IDR169.8tn (vs IDR130.4tn in FY22) and targeted JKN to 96.8mn people. In addition, the potential increase of INA CBG fee by +9.5% in FY23F is also expected to spur private hospitals for involvement for BPJS payment system. However, the association of Indonesia's private hospital (ARSSI) sees that the new fee will still be lower than expected ranging between ~20%-30% after the tariff has not increased for 6 years. We see that HEAL will benefit as much as >50% of volume coming from JKN. Additionally, HEAL still recorded a growth in out/inpatient up to 6.3%/38.1%, exceeding the pre-Covid Era.

#### Unrealized "KRIS" Implementation in FY23F

As of now, the hospitals are still waiting for the right time for the implementation of standard inpatient class (Kelas Rawat Inap Standar/KRIS) as this policy is believed to sway back and forth between FY24F and FY25F. Despite having a trial in Sept-22, the implementation of KRIS is still said to be deadlocked as each hospital has different facilities and standards, thus decreasing its capacity. More specifically, with a hospital bed taking up ~10m2 of area, and the standard class ward accommodating 4 beds, a total of roughly 40m2 is taken up for each ward. This can be seen in Rivai Abdullah hospital Palembang where its total beds fall from 107 units to 90 units after the implementation of KRIS. Furthermore, the government sets to continue for expansion of KRIS trial from 4 hospitals to 10 hospitals in Jan-23, thereby we see that most hospitals will not be impacted by KRIS in the short to mid-term.

#### People Still Prefers Medical Treatment Abroad

Currently, the upper-mid class still prefers for medical treatment abroad, as told in a data where the total outgoing patients kept increasing from 350k in 2006 to 600k in 2015, and have reached 1mn by 2020. Around USD11.5bn has been spent by the upper-mid class each year for medical service abroad, such as in Singapore, Malaysia, and Thailand. Additionally, from the total 14.8k patients in South Korea in 2021, 1.5k patients were Indonesians, thus proving that the healthcare facility abroad is still seen to be superior to Indonesia. Furthermore, the government is still focusing on adding hospital beds and Type-B and C hospitals rather than improving its healthcare facility, as the number of healthcare staffs and medical treatment are still lacking especially in rural areas.

#### NEUTRAL Outlook with Top Picks : HEAL and MIKA

We maintain **NEUTRAL** Outlook for healthcare sector due to its reliance on Covid-19 cases. We see that the back-and-forth policy and regulation are restricting the expansion of the sector. However, there are still some companies which we believe to still possess the potential to perform in FY23F with their bargaining power in the sector, such as: **HEAL IJ (BUY; TP: IDR1,730)** and **MIKA IJ (BUY; TP: IDR3,160)**. Risks: 1) IDR depreciation; 2) Regulation.

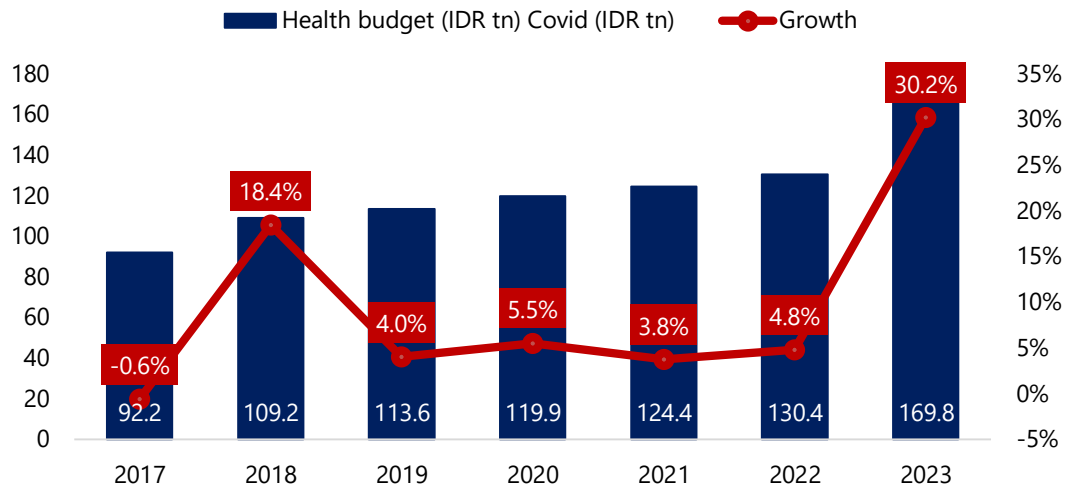
Ticker	Market Cap (IDR bn)	PER (x)		EV/EBITDA (x)		Rec.	Target Price (IDR)
		FY23F	FY24F	FY23F	FY24F		
HEAL IJ	23,930	41.25	33.23	19.46	16.24	BUY	1,730
MIKA IJ	42,600	30.19	28.62	20.10	18.67	BUY	3,160
SILO IJ	16,450	21.94	20.59	7.18	6.83	HOLD	1,230

Sources : MNCS Bloomberg



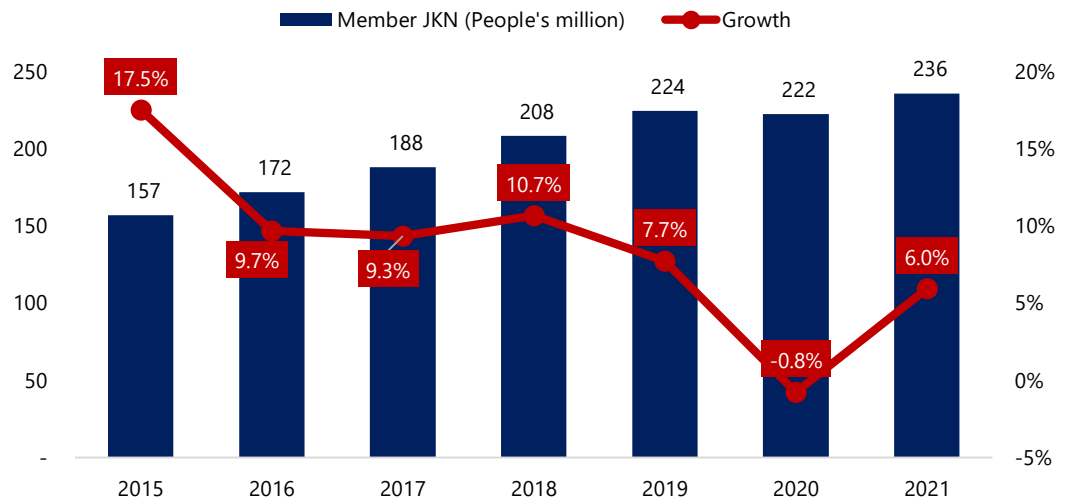
**Research Analyst**  
Muhammad Rudy Setiawan  
Muhammad.setiawan@mncgroup.com

**Exhibit 1. Trend of Healthcare Budget in FY17-FY23F**



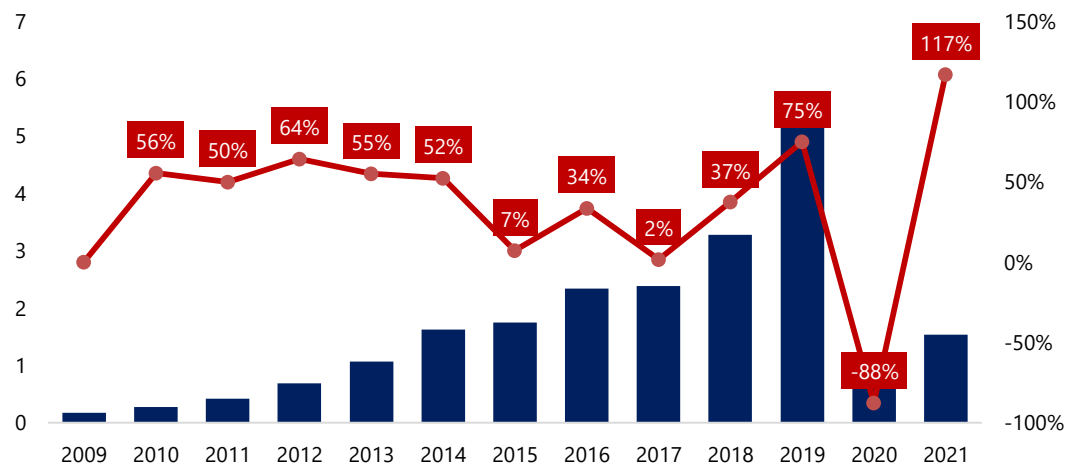
Sources : Ministry of Finance

**Exhibit 2. Trend of member JKN in FY15-FY21**



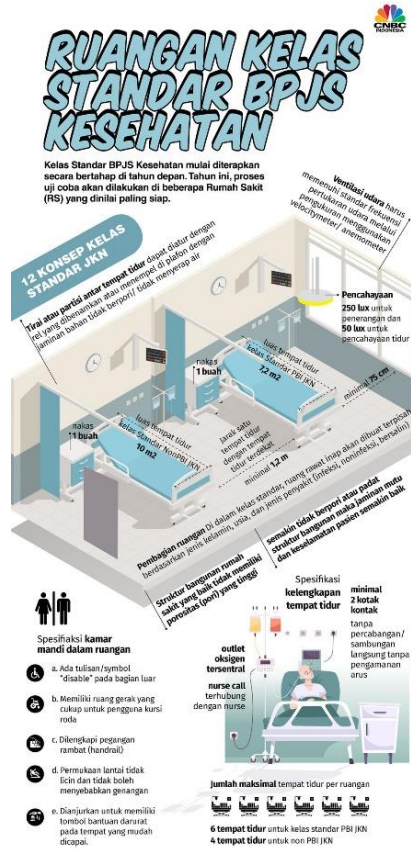
Source : BPJS

**Exhibit 3. Telemedicine will become part of the new normal**



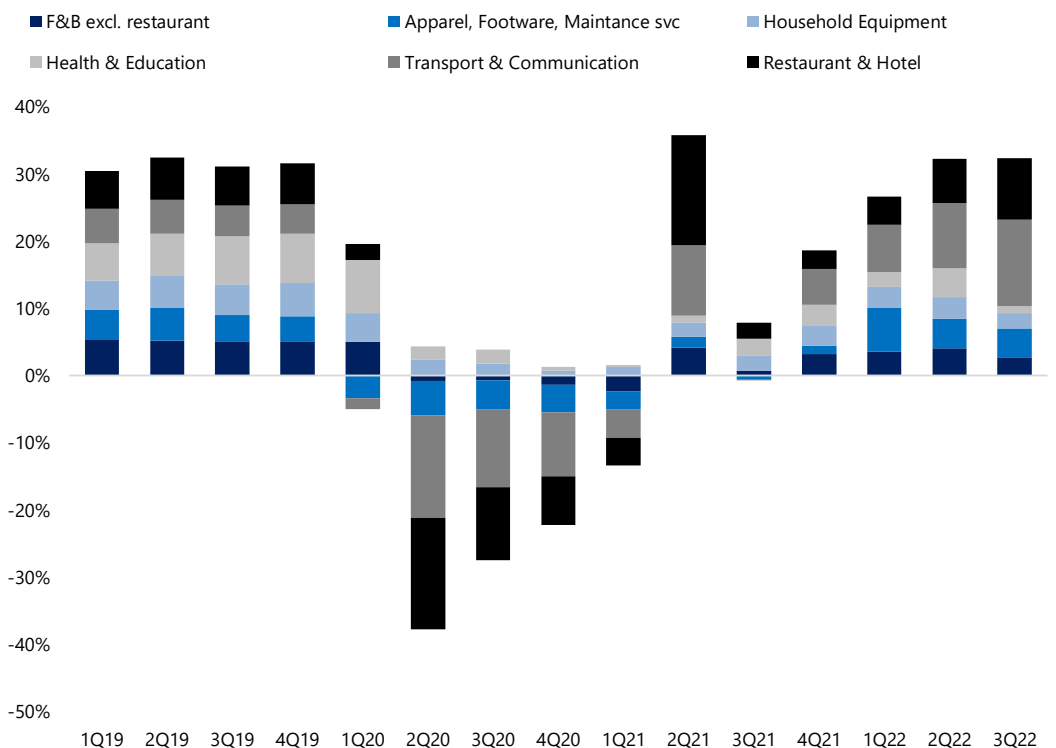
Source : Statista

**Exhibit 4. BPJS standard classification for hospital bed rooms**



Sources : CNBC

**Exhibit 5. Trend of House Hold Consumption Growth in 1Q19-3Q22**



Source : BPS

### MNC Research Industry Ratings Guidance

**OVERWEIGHT:** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

**NEUTRAL:** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

**UNDERWEIGHT:** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

### MNC Research Investment Ratings Guidance

**BUY :** Share price may exceed 10% over the next 12 months

**HOLD :** Share price may fall within the range of +/- 10% of the next 12 months

**SELL :** Share price may fall by more than 10% over the next 12 months

**Not Rated :** Stock is not within regular research coverage

### PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16

Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340

Telp : (021) 2980 3111

Fax : (021) 3983 6899

Call Center : 1500 899

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