

NEUTRAL

Return (%)	-1D	-1W	-1M
JCI	-0.4	+0.3	+3.2
LQ45	-0.6	+1.2	+1.8
HEAL IJ	+1.4	+0.7	-4.3
MIKA IJ	-1.5	-0.7	+1.1
SILO IJ	+0.5	-4.8	-8.7

EPS Growth (%)	FY23E	FY24F
HEAL IJ	+48.5	+29.4
MIKA IJ	+3.4	+5.5
SILO IJ	+10.7	+6.0

Health Sector

Accommodative policy to Cushion against Headwinds

Impending KRIS implementation; possibly launch by FY25F

- The government has yet to implement the standard inpatient class (KRIS) system to replace the current classification system on JKN. The planned uniform fixed rate is also bound to be announced after revisions on Presidential Decree 82/2018 on Health Insurance are publicized, but that won't be until FY25F. We view that the imposed fixed rate should be carefully weighed based on the economic capabilities of the class.
- If we take a look at the profile of JKN's beneficiaries, a huge portion is comprised of class 3 beneficiaries. Throughout FY16-FY21, the class 3 cohort has made up around 68-69% of the entire JKN beneficiaries.
- Hence, if the government decides to implement a fixed rate, it should primarily consider the purchasing power of the class 3 cohort. In FY21, the average billing per capita ranged at IDR47-48k/month. However, we acknowledge that the government has anticipated to maintain the growth of JKN beneficiaries through coordination of benefit (CoB) scheme between BPJS and private health insurances.
- This collaboration would benefit the industry by splitting the burden of providing affordable and widely accessible healthcare between the government and the private sector. We assess that HEAL will benefit the most from this implementation, as ~60% of its revenue is derived from JKN. On the other hand, SILO's (~18%) and MIKA's (~13%) JKN segment are only a minority, as they primarily focus in the premium segment.

Brand new healthcare act; paving the way for impeccable service

- Despite the government already having ratified the new healthcare act in Aug-23, we believe it to still be a relevant discussion point. The fact of the matter is that the mid-to-upper class opts towards overseas healthcare services for their medical treatments, instead of home. In FY20 alone, outbound Indonesian patients reached 1mn, equivalent to ~USD11.5bn/year of spending potential vaporizing from the domestic healthcare sector.
- Based on Ministry of Health's data, from the 7 categories of specialists within the country, none exceeds the ratio of 0.03 per 1,000 citizens. This is way below Bappenas's ideal level of 0.28 specialists per 1,000 citizens.
- Through the enactment of the new law, there is an expectation for a greater inclination towards domestic healthcare services as opposed to foreign alternatives. We believe this regulation should also streamline the process for issuing medical and practice licenses for doctors. One of the main issues addressed by the formulation of this particular act is: 1) raising the number of specialists; 2) simplification of the license application process for foreign medical graduates of Indonesian nationality as well as foreign doctors' license.
- The number of specialists in Indonesia as per Indonesia's Doctor Council's records is just shy of ~50k as of Nov-23, whereas WHO's recommendation for Indonesia is closer to the figures of ~80k. We view that the immediate benefit from the new act's ratification will not be tangibly felt until later on, as the implementation would take time. In the future, hospital operators are bound to receive benefits including: 1) the abundance of doctors whether domestic or international; 2) potential of an increase in the number of hospitals and upgrades to level-A facilities.
- EAL plans on opening up at least 4 new hospitals in Madiun, Pasuruan, IKN and PIK Jakarta, two of which would be up to international standards. On the other hand, SILO is primed towards expanding their existing hospitals' capacities. MIKA also plans on adding 2 new hospitals to their portfolio, although to date further details on the planned locations have yet been disclosed.

NEUTRAL Outlook with Top Picks : HEAL and SILO

We maintain a NEUTRAL Outlook for the health sector because its implementation still needs to be studied further. We see that the back-and-forth policy and regulation hampers 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: IDR1,630) and SILO IJ (BUY; TP: IDR1,500). Risks: 1) IDR depreciation; 2) Regulation delays or uncertainties.



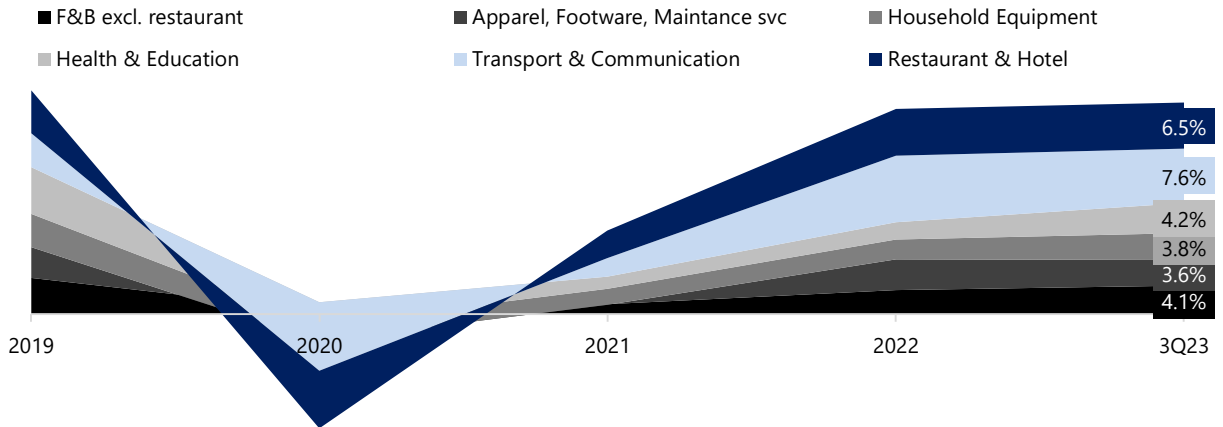
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Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY23E	FY24F	FY23E	FY24F		
HEAL IJ	22.0	49.3	38.1	5.7	5.1	BUY	1,630
MIKA IJ	38.5	30.2	28.6	5.3	4.6	HOLD	2,680
SILO IJ	28.7	21.0	19.8	2.3	2.1	BUY	1,500

Sources : Bloomberg, MNCS

Exhibit 01. Trend of House Hold Consumption Growth in FY19-3Q23

Household consumption of health and education experienced growth of 4.2% YoY in 3Q23



Sources : BPS, MNCS

Exhibit 02. Implementation of the latest health law

POIN-POIN PENTING DALAM UU KESEHATAN

DPR RI mengesahkan Rancangan Undang-Undang (RUU) Kesehatan menjadi Undang-Undang (UU) Kesehatan dalam sidang paripurna di Jakarta, Selasa (13/7). Berikut poin-poin penting dalam UU Kesehatan.

- Standardisasi pelayanan primer dan sekunder kesehatan masyarakat di seluruh Indonesia.**
- Pengaturan pelayanan kesehatan rujukan, di antaranya ketidakhadiran dan layanan unggulan.**
- Peningkatan ketahanan berkeadilan dan daya saing sistem kesehatan dengan mengoptimalkan rantai pasok.**
- Penyediaan tenaga kesehatan yang dapat diandalkan saat terjadi bencana.**
- Peningkatan berbasis kinerja, mengacu pada program kesehatan nasional.**
- Percepatan produk dan penerbitan dokumen spesialis melalui pendirian basis data rumah sakit.**
- Penyederhanaan perizinan melalui penerbitan surat tanda registrasi (STR), berlaku seumur hidup.**
- Tenaga medis yang diduga melakukan tindak pidana dan perdata dalam pelaksanaan pelayanan kesehatan, diberikan sanksi terlebih dulu.**
- Integrasi berbagai sistem informasi kesehatan ke dalam sistem informasi.**
- Populasi untuk teknologi pelayanan kesehatan.**

TUJUAN UU KESEHATAN

- Membangun arsitektur kesehatan Indonesia yang tangguh, mandiri dan inklusif.
- Menyusun upaya peningkatan kesehatan Indonesia dengan dinamis perubahan.

PEMBAHASAN UU KESEHATAN

- November 2022** - RUU Kesehatan masuk dalam Program Legislasi Nasional Prioritas 2023.
- Mei 2023** - RUU Kesehatan mulai dibahas bersama pemerintah dan DPR, melibatkan partisipasi publik.
- Junji 2023** - RUU Kesehatan disetujui untuk dibawa ke rapat paripurna dan disahkan.
- Agustus 2023** - RUU Kesehatan disahkan menjadi UU.

Semula fokus mengobati menjadi mencegah, pemerintah sekuat dengan DPR tentang pentingnya layanan primer yang mengedepankan promotif dan preventif.

Budi Gunadi Sadikin
Menteri Kesehatan

STR NAKES BERLAKU SEUMUR HIDUP

Pemerintah resmi memberlakukan Undang-Undang (UU) Nomor 17 Tahun 2023 tentang Kesehatan pada 8 Agustus 2023

STR nakes seumur hidup termasuk dalam Pasal 260 UU Kesehatan.

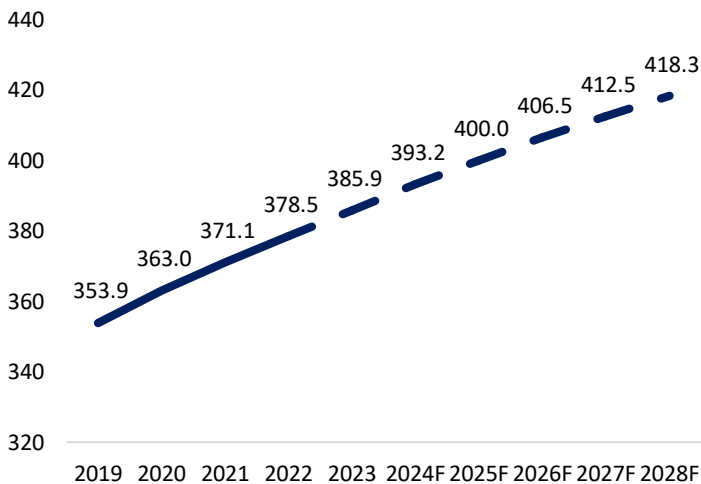
- Ayat (1)**, mewajibkan setiap tenaga medis dan nakes yang akan menjalankan praktik wajib memiliki STR
- Ayat (2)**, STR diterbitkan oleh konsil atas nama Menteri Kesehatan bila memenuhi persyaratan
- Ayat (3)**, syarat mendapat STR yakni memiliki ijazah pendidikan di bidang kesehatan, sertifikat profesi serta memiliki sertifikat kompetensi

STR tidak berlaku jika meninggal dunia, dicabut oleh Konsil atas nama Menkes atau dicabut berdasarkan putusan pengadilan yang telah berkekuatan hukum tetap

SUMBER: MNC Portal | NASKAH: Achmad Al Fiqri | INFOGRAFIS: A. Dan Falaiz

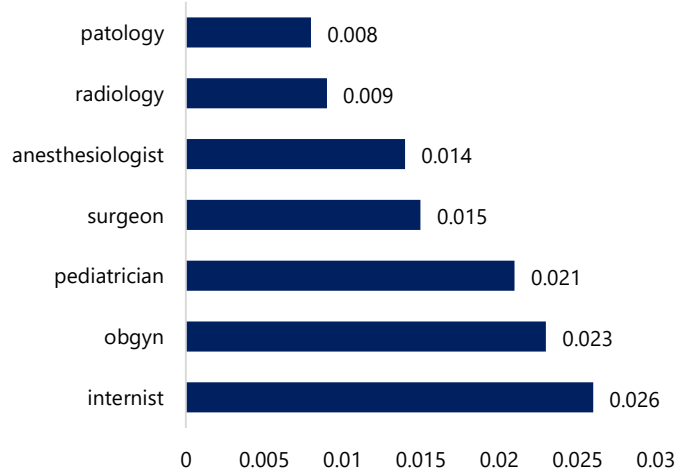
Sources : Antara, Okezone, MNCS

Exhibit 03. The trend of hospital beds Indonesia in FY19-FY28F (in thousand unit)



Sources : Statista, MNCS

Exhibit 04. Ratio of 7 Types of Specialist Doctors per 1,000 Population in Indonesia



Sources : Ministry of Health, MNCS

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

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