

OVERWEIGHT

Return (%)	-1D	-1W	-1M
JCI	+0.4	-0.4	+1.5
LQ45	+0.4	-1.6	-3.5
HEAL IJ	-1.9	-3.3	+19.3
MIKA IJ	0.0	+1.0	+8.8
SILO IJ	-0.8	+1.6	+10.9

EPS Growth (%)	FY24E	FY25F
HEAL IJ	+32.8	+9.8
MIKA IJ	+18.1	+12.7
SILO IJ	+12.4	+14.8

Health Sector

KRIS Implementation: Enabling the A-Game within the Industry

KRIS: Ready to take off...

- Through the Presidential Decree No.59/2024 about the National Health Insurance (JKN), the government of Indonesia mandates the standardization for inpatient classes (KRIS) for Health BPJS members, aiming to ensure each member can enjoy similar quality of services and facilities.
- To be eligible for applying KRIS, the healthcare facilities are required to meet a total of 12 conditions. While in the current transition period, as the actualization of KRIS implementation is targeted in 2H25F, some healthcare facilities are still in progress to meet these requisites. However, some other units have complied all 12 requirements.
- According to the Health Ministry, currently majority of hospitals are undergoing the KRIS implementation, constituting 3,060 of total 3,176 national hospitals. While quoting the result of the 12 KRIS criteria survey, as of April 30th, a total of 2,558 health centers are already fit to be tied. Hospitals hold the responsibilities to provide facilities for KRIS, with at least 60% by the government units and minimum 40% by the private hospitals.

...Though tariffs are still under evaluation

- As of July 1st, 2025, the old regulations for contribution tariff payment of BPJS will remain valid with classified rates (1,2,3). The government is still assessing whether single fare or other schemes can be feasible. Should the single rate apply, JKN participants will be dominated by ones with Class 3 category, which constituted of 68%-69% of total participants in FY16-FY21. We notice a necessity of government to consider affordable rate for Class 3 participants when the new tariffs take place, as the government has not intended to raise the fee yet, at least until FY24E. We anticipate that the KRIS regulation will expose potential impacts on HEAL, due to its majority revenue being derived from JKN patients. In 1Q24, the companies in our universe have the following proportions of revenue coming from JKN members: 1) HEAL (73%); 2) SILO (18%); 3) MIKA (16%).
- Given this condition, we expect the possibility of migration from Class 1 JKN to commercial health insurance, due to its participants' preference in more private and comfortable facilities and services. This aligns with the data reported by Indonesian Life Insurance Association (AAJI), where the claims of health insurance increased by 24.9% YoY to IDR20.8tn in FY23 (vs IDR16.7tn in FY22).
- Hospital players can anticipate this by providing more complex and comprehensive facilities for service enhancement to enlarge ample revenue stream from the non-JKN segment.

Company Maneuver: Upgrading Accessibility with Hospitals Development Strategies

Following the establishment of Health Omnibus Law, we analyze that there is substantial room for healthcare sector to expand in Indonesia, that is currently only poised with ~50k specialist doctors registered at Indonesian Medical Council (as of May-2024). This number is in short compared to the recommendation from WHO at ~80k doctors. We estimate the possibility of relevant outcomes in the long run by increasing the number of healthcare facilities, considering Indonesia's bed of ratio is still at 1.4:1,000 (vs WHO's suggestion at 3:1,000). In comparison, neighbouring countries stand at higher ratios: Singapore (2.59), Thailand (2.34), and Malaysia (1.9). Additionally, from the corporate action strategy perspective, CVC plans to add its ownership of SILO to ~65% from current 26%, while LPKR remains in control (58.07%). Furthermore, SRTG successfully acquired Brawijaya Hospital Group in 1Q24 to enhance its exposure in healthcare business in Indonesia.

- HEAL:** As a company affiliated with ASII, HEAL allocates a capex budget of IDR700bn to increase the number of hospitals. An addition of 5 new hospitals are targeted in FY24E, bringing the total ownership to 52 facilities.
- MIKA:** In total, MIKA has a total of 8 pipeline projects for additional hospitals, aiming for and addition of 1,500 beds with capex estimation of >IDR1tn. MIKA is establishing Mitra Keluarga Hospital in Sidoarjo, East Java and Kasih Hospital in West Java, which will be complemented with 200 beds and 100 beds, respectively. Both facilities are expected to fully operate in FY25F. Additionally, MIKA is planning several other groundbreaking projects for new facilities within Jabodetabek in FY24E.
- SILO:** Management is aiming for 1-2 new hospitals in FY24E with a prepared capex budget of IDR1-2tn. The building and development of both existing and new hospitals are in progress, including Siloam Hospital Makassar, Siloam Hospitals Lippo Village LINAC, Siloam Hospitals Sentosa Bekasi, and the new project, Siloam Hospitals New Gubeng Surabaya.

OVERWEIGHT Outlook with Top Picks : HEAL, MIKA and SILO

We upgrade our recommendation rating from Neutral to **OVERWEIGHT** for the healthcare sector, with our justification substantiated by the resilient performance and healthy balance sheets from this sector, providing extensive room for elevation. Meanwhile, tight regulations present potential disruption risks towards the healthcare sector. Regardless, we believe that some companies remain favourable, possessing the potential to perform well in FY24E due to their bargaining power in the industry, such as: HEAL IJ (BUY; TP: IDR1,500), MIKA IJ (BUY; TP: IDR3,210) and SILO (BUY; TP: IDR2,770). Risks to our call include: 1) IDR depreciation; 2) Changes in government regulations.

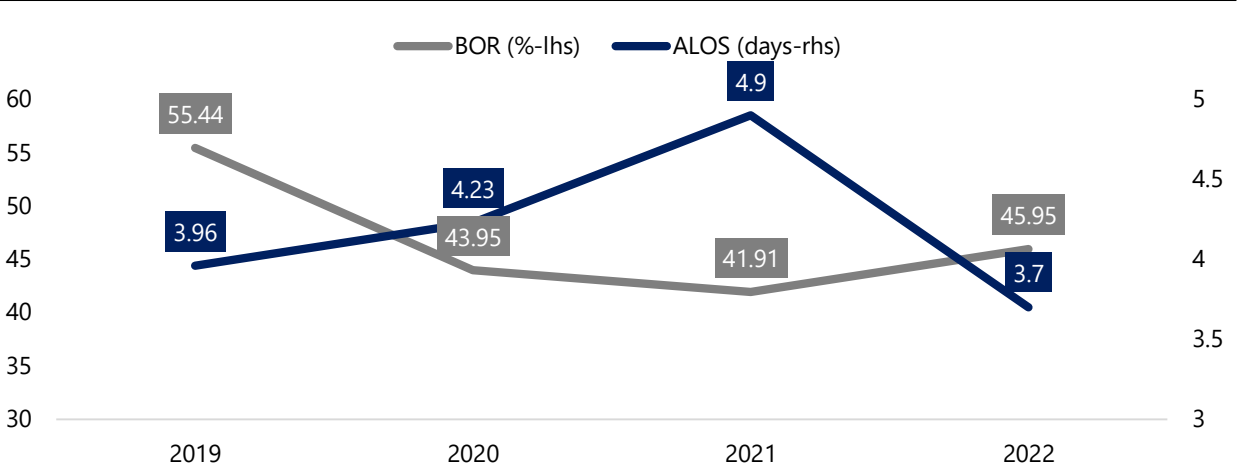


Research Analyst
Muhamad Rudy Setiawan
Muhamad.setiawan@mncgroup.com

Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY24E	FY25F	FY24E	FY25F		
HEAL IJ	19.9	38.7	35.2	5.1	4.6	BUY	1,500
MIKA IJ	44.2	42.3	37.5	6.3	5.8	BUY	3,210
SILO IJ	33.0	26.5	23.0	4.1	3.7	BUY	2,770

Sources : Bloomberg, MNCS

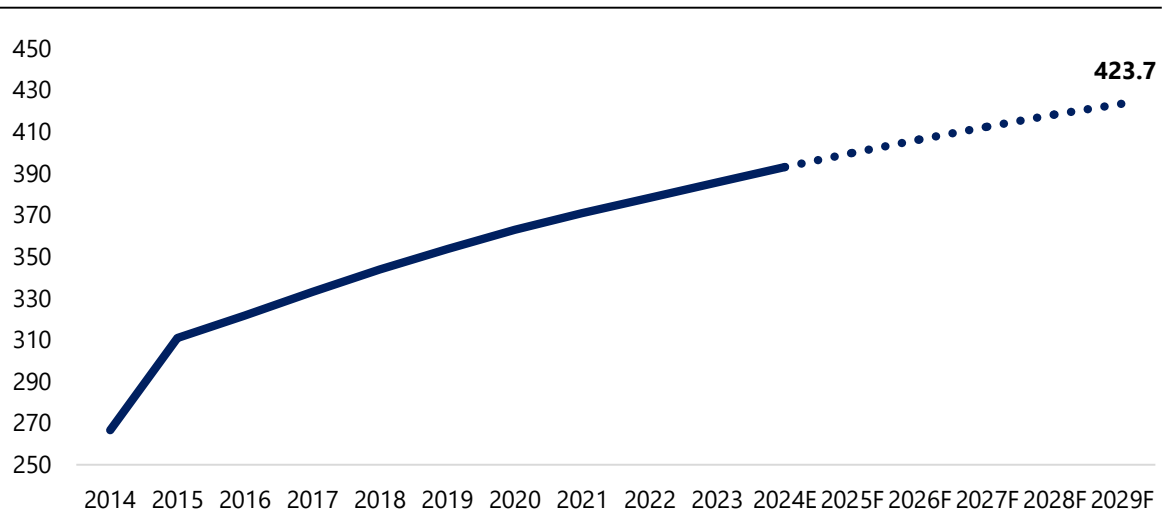
Exhibit 01. Trend of bed occupancy ratio (BOR) and average length of stay (ALOS) Indonesia in FY19-FY22



Sources : Ministry of Health, MNCS

Exhibit 02. The trend of hospital beds Indonesia in FY14-FY29F (in thousand unit)

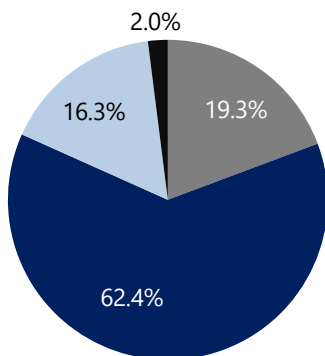
The number of hospital beds in Indonesia is estimated to reach 423k in FY29F



Sources : Statista, MNCS

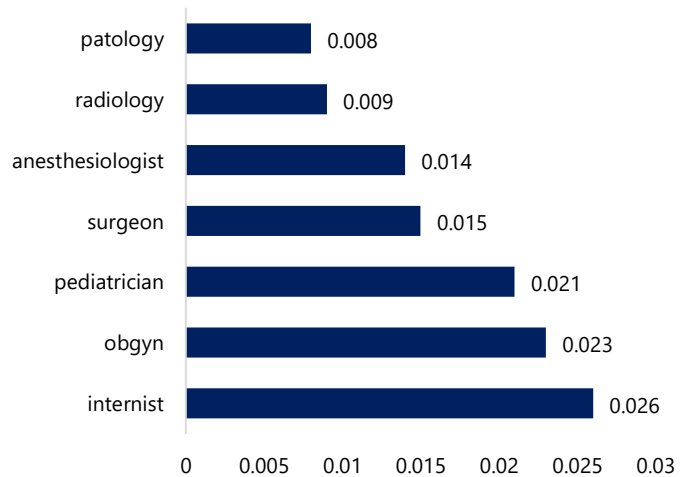
Exhibit 03. data on doctors registered with the Indonesian medical council

■ Specialist doctor ■ Doctor ■ Dentist ■ Specialist dentist



Sources : Konsil Kedokteran Indonesia, 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

PT MNC SEKURITAS

MNC Bank Tower Lt. 15 – 16
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340
Telp : (021) 2980 3111
Fax : (021) 3983 6899
Call Center : 1500 899

Disclaimer

This research report has been issued by PT MNC Sekuritas, It may not be reproduced or further distributed or published, in whole or in part, for any purpose. PT MNC Sekuritas has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; PT MNC Sekuritas makes no guarantee, representation or warranty and accepts no responsibility to liability as to its accuracy or completeness. Expression of opinion herein are those of the research department only and are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment. PT MNC Sekuritas and its affiliates and/or their offices, director and employees may own or have positions in any investment mentioned herein or any investment related thereto and may from time to time add to or dispose of any such investment. PT MNC Sekuritas and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discusses herein (or investment related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.