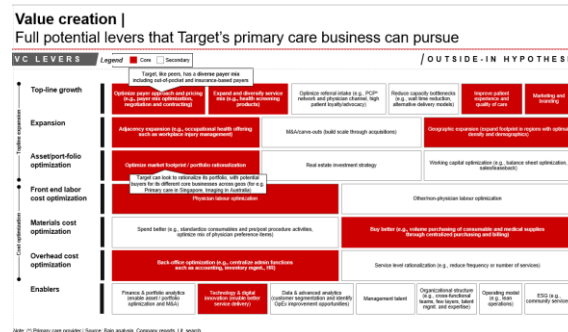
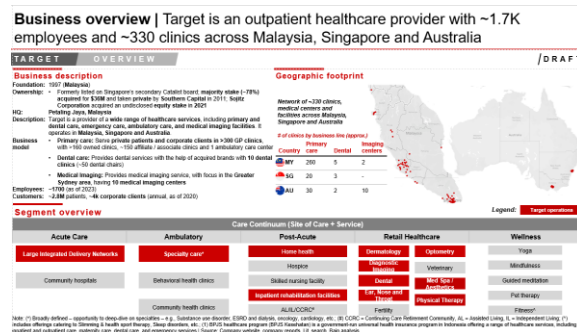


# Healthcare Quick Diagnostic: Accelerated outside-in view of business, operational capabilities, competition and value creation

## Product overview

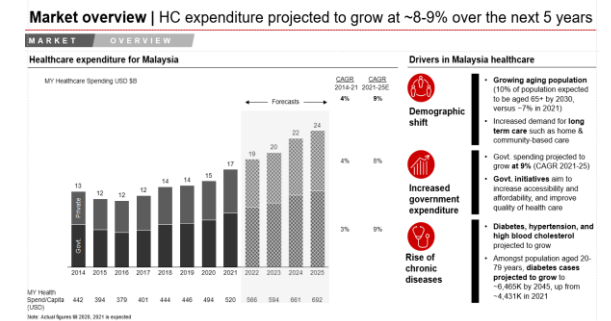
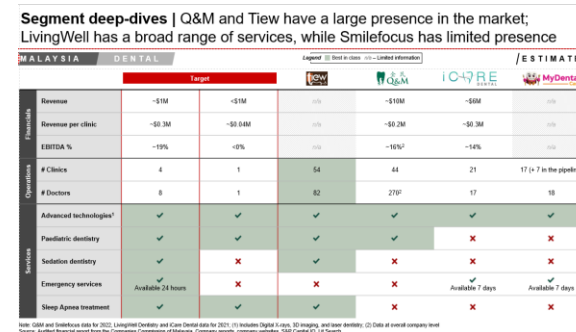
- **Deep-dive** on the target's **operations**, service **offerings**, and **growth strategy** to build a view on **what we like** vs. **what gives us a pause** about the target asset
- **Secondary research** to develop insights on the target via a **comparative analysis**, highlighting distinctive capabilities and potential challenges
- Identifying **potential drivers** across **commercial, operational, and strategic areas** that can be employed for maximum value creation

## Sample previews



## BCN deliverable(s)

- **Key areas of focus** for the target across core business and adjacencies – to **gain market share** and **improve competitive positioning** across business segments by capitalizing on emerging market trends
- **Slides covering company and market overview, trends, competitive positioning, and value creation opportunities**



## Timeline / Fees\*

Live case billed @ \$3.1K per day for ~2-3 days | CD @ \$1.2K per day for ~2-3 days

Note: (\*) Basis requests on case support and data availability

# Summary | Early 'outside-in' perspectives on Target 1 and Target 2

## What we like

- ① **Offerings in specialized areas** – Target 1 has a clear focus on women and children healthcare providing services across 7 specializations spanning obstetric and gynecological health, women's health, and pediatric care; Target 2 focuses on providing affordable services in rural areas across focus segments such as orthopedics, medical rehab, neonatal intensive care etc.
- ② **Presence across multiple locations** – Target 1 and Target 2 combined have 8 hospitals and 2 clinics (800+ beds total) across 3 prominent locations – DKI Jakarta, Banten and Jawa Barat
- ③ **Focus on infrastructure expansion** – Both hospital chains have steadily grown their presence over the years; Target 2 raised funds from PT Indonesia Infrastructure Finance (IIF) in 2021 via a senior term loan for business expansion
- ④ **Expanding services and facilities to a wider audience** – Target 1 is also catering to customers enrolled in the BPJS program, in addition to patients availing their private hospitalization services; it recently launched 'Target 1 Menstrual Center' to offer comprehensive care for women; also actively pursuing partnerships – *most recently partnered with 'Halodoc', a tele-health company, making it more accessible for patients to avail services and take medical tests*

## What gives us pause / what we need to test further

- Ⓐ **Limited reporting** on historical financial performance; however, Target 2 is still in its growth phase with **single-digit million EBITDA** while Target 1 has a **revenue of only \$40M**
- Ⓑ Lack of clarity on **financial stability** to be able **to service their debt obligations**; for e.g., possible cash flow issues resulting in financial burden from the senior term debt raised for expansion
- Ⓒ **Limited reporting on operational KPIs** such as bed occupancy rate, average length of stay etc.
- Ⓓ **Operational improvement initiatives remains unclear**, with limited information around partnerships and efforts to improve operational efficiencies; for e.g., possible improvements in procurement practices (such as streamlining suppliers across sites), an integrated hospital management system, etc.

# Business overview | Target 1 specializes in women and child health care with ~200 employees; Target 2 aims at serving rural areas with ~100 employees

SAMPLE

## TARGET OVERVIEW

/ DRAFT

### Business description

- Foundation:** Target 1 - 2006, Target 2 - 2018
- Ownership:** Target 1 – **Majority stake** owned by **FHP**; Altrui Investment Management and TEA Healthcare Partners hold minor stakes  
Target 2 – **Majority stake (>75%)** owned by **FHP**
- HQ:** Jakarta
- Description:** Target 1 provides medical services through general hospitals offering services across 7 specializations with focus in obstetric and gynecological health, women's health, and pediatric care  
Target 2 is a general hospital chain serving communities in rural areas by bringing in methodologies that are available in bigger cities and making them more affordable; focus areas include orthopedics, medical rehab, neonatal intensive care etc.
- Financial performance:**
- Target 1 reported a **revenue of ~\$40M<sup>1</sup>** and an **EBITDA margin of ~25%**, with capacity of existing sites to go upto \$20M
  - Target 2, still in the growth phase, reported a **single digit million EBITDA**
- Capacity:** **400+ beds each** across the Target 1 and Target 2 networks
- Employees:** ~300 (Target 1 - ~200; Target 2 - ~100)

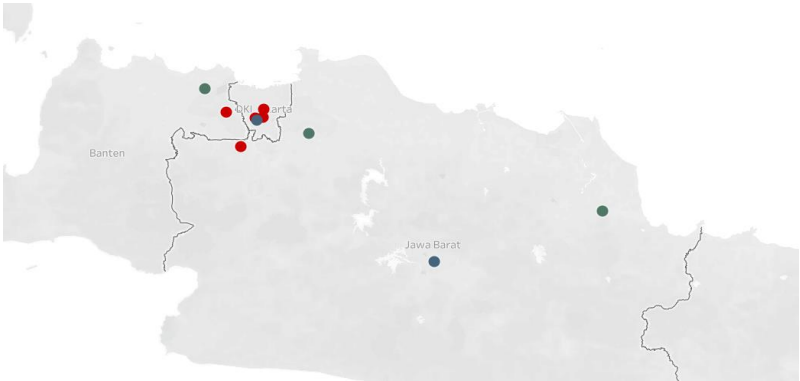
### Segment overview

Care Continuum (Site of Care + Service)					
Acute Care	Ambulatory	Post-Acute	Retail Healthcare		Wellness
Large Integrated Delivery Networks	Specialty care*	Home health	Dermatology	Optometry	Yoga
		Hospice	Diagnostic Imaging	Veterinary	Mindfulness
Community hospitals	Behavioral health clinics	Skilled nursing facility	Dental	Med Spa / Aesthetics	Guided meditation
		Inpatient rehabilitation facilities	Ear, Nose and Throat	Physical Therapy	Pet therapy
	Community health clinics	AL/IL/CCRC#	Fertility		Fitness^

Note: (\*) Broadly defined – opportunity to deep-dive on specialties – e.g., Substance use disorder, ESRD and dialysis, oncology, cardiology, etc.; (#) CCRC = Continuing Care Retirement Community, AL = Assisted Living, IL = Independent Living; (^) Includes offerings catering to Slimming & health sport therapy, Sleep disorders, etc.; (1) BPJS healthcare program (BPJS Kesehatan) is a government-run universal health insurance program in Indonesia offering a range of healthcare services, including inpatient and outpatient care, maternity care, dental care, and emergency services; (1) Data for 5 sites of Target 2 | Hospitals, revenue figures not available for Target 2 | Source: Company website, company reports, Lit. search, Bain analysis

### Geographic footprint

Region	Target 1		Target 2	
	# of hosp.	# of clinics	# of hosp.	# of clinics
Banten	1	0	1	0
DKI Jakarta	3	1	0	0
Jawa Barat	1	1	2	0



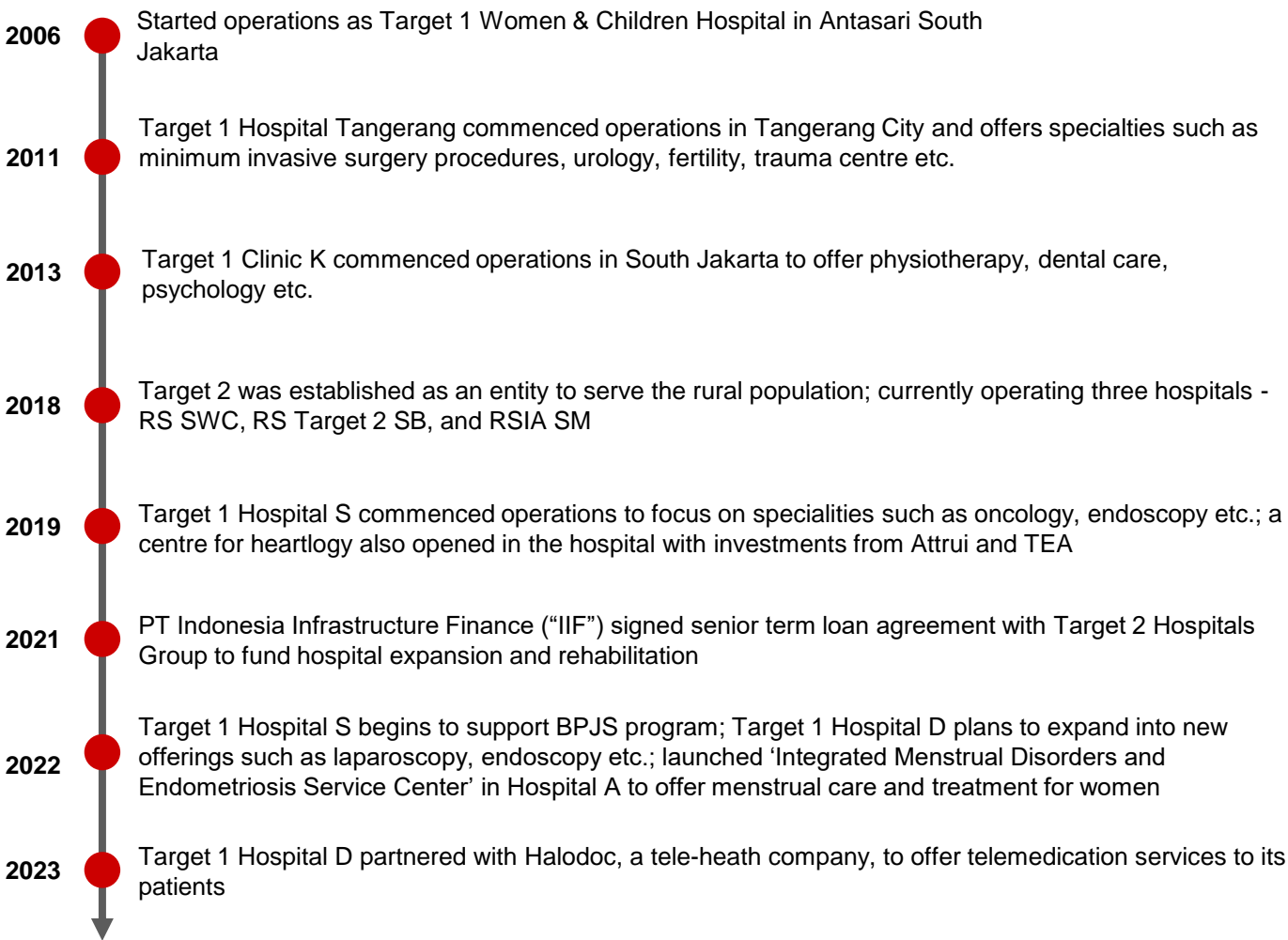
- Target 1 clinics** Provide services across specializations with focus on obstetric and gynecological health, women's health, and pediatric care
- Target 1 hospitals**
- Target 2 hospitals** General hospital chain serving communities in rural area through modern settings

**Legend:** Target 1 operations Target 2 operations Target 1 and Target 2 operations

# Business overview | Since inception in 2006 and 2018 respectively, Target 1 and Target 2 have organically grown to ~10 hospitals/clinics by 2023

SAMPLE

## Business Timeline



Source: Company website, lit. search

## List of Hospitals

Brand	Hospital	Year est.
Target 1	Target 1 Clinic K	2013
	Target 1 Hospital A	2006
	Target 1 Hospital D	2007
	Target 1 Clinic B	2010
	Target 1 Hospital D	2018
	Target 1 Hospital S	2019
	Target 1 Hospital T	2011
Target 2	RS Target 2 SB	2010
	RS SWC	2015
	RSIA SM	2018

# Value creation | Opportunity to grow by focusing on payer approach, referral process, adjacency expansion, cost optimization, and digital innovation

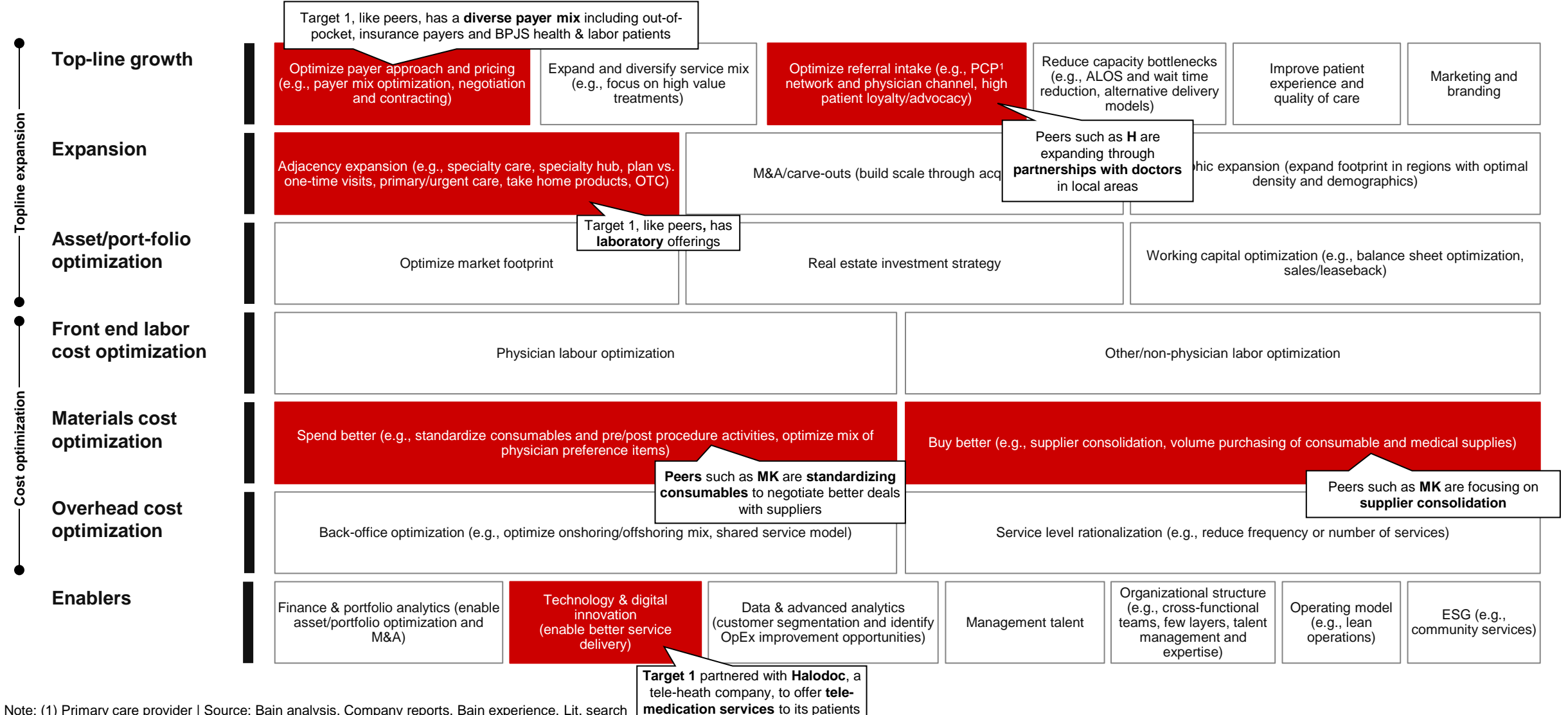
BCN: Value creation level marked basis outside-in perspective target's on-going initiatives examples from peers

SAMPLE

## VC LEVERS

Legend ■ Core ■ Secondary

/ DIRECTIONAL / OUTSIDE-IN PERSPECTIVE



Note: (1) Primary care provider | Source: Bain analysis, Company reports, Bain experience, Lit. search



# Market overview | ~\$7B hospital market in Indonesia; ~85% population covered under National Health Insurance



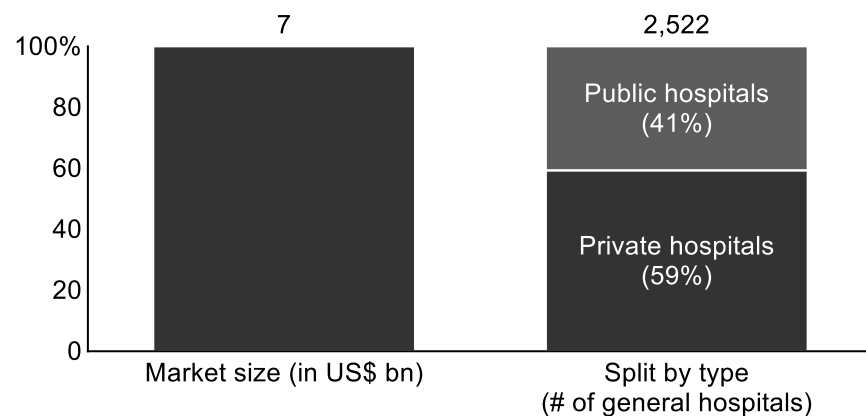
MARKET

SIZE AND LANDSCAPE

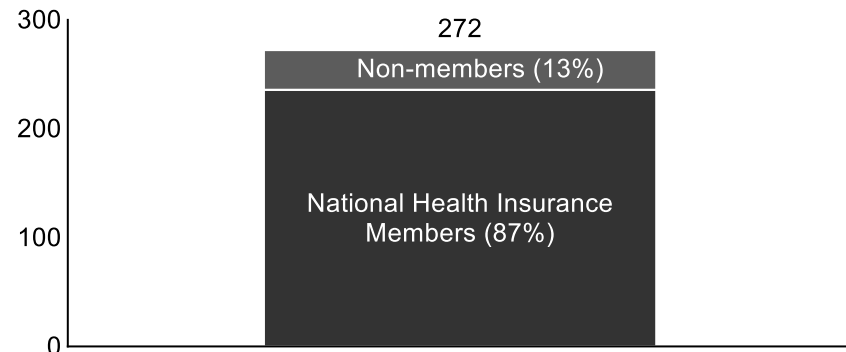
/ DRAFT

## Healthcare market, 2021

General hospital market

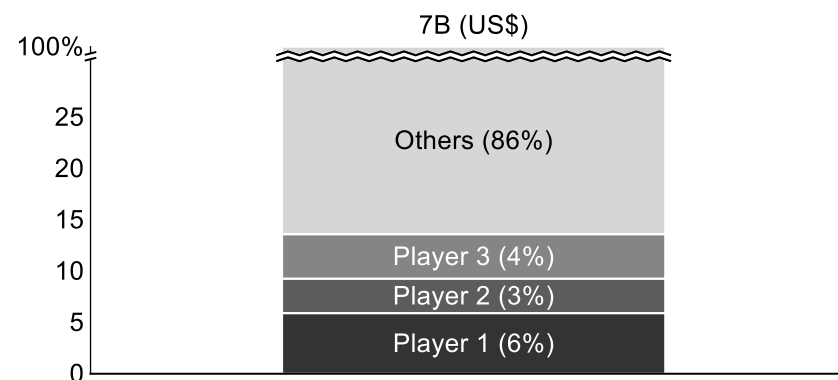


Population (in M) enrolled for National Health Insurance (BPJS), 2021

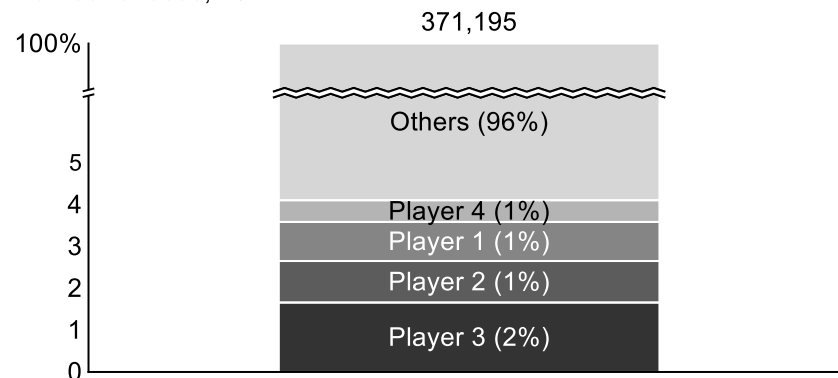


## Healthcare market, 2020/21

Hospitals key players, 2020



Number of beds, 2021



## Outlook

### Indonesia:

- **Healthcare spending** in Indonesia accounted for ~3% of GDP in 2022
- The Hospitals market in Indonesia is poised to grow at ~12.5% CAGR over 2020-25, due to **increasing government healthcare spending** and **growing population**
- **Profitability** in the sector tends to be in the range of **10% to 25%**
- The number of public & private hospitals is **growing** at a rate of **3%** and **6%** respectively
- As of 2021, there was a 6% YoY growth in members registered for the National Health Insurance (BPJS), from 2020
- **PE/VC investors in the space** – GIC, CVC, Quadria Capital

Note: (\*) Calculated basis number of beds, average revenue per bed in public and private hospitals; (^) TMG revenue calculated basis geographic split in proportion of segment-wise split of overall revenue;  
Source: Statista, Lit. search, Bain analysis

# Market overview | BPJS is strengthening social and health security in Indonesia through universal healthcare



## MARKET

## REGULATION - BPJS

/ DRAFT

### JKN<sup>1</sup> was launched in 2014 by BPJS<sup>2</sup> to implement universal health coverage in Indonesia



Year est.:  
2014



**Goal:** To provide health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all citizens of Indonesia



**Private providers:** Hospitals allocate some of their capacity to BPJS patients and maintain available space for other private patients

### Patients pay premiums to BPJS for a cashless patient journey



**Patients (covered under BPJS)**

- **Employees:** Premiums **mostly covered by employers** (5% of monthly salary, with a salary cap of IDR 12M)
  - **Private:** 4% by employer, 1% by employee
  - **Govt.:** 3% by govt., 2% by employee
- **Self-funded:** For workers who are self-employed or in the informal sector, **option to pay for their own BPJS**
- **Govt-sponsored:** For poorer demographics **completely covered by the government**

Seek  
treatment  
  
Cashless  
patient  
journey



**Providers**

**Primary care (i.e., clinics)**

**Puskesmas:** Public clinics which **must refer patients to Class C/D hospitals** for further treatment

**Private clinics:** Can also treat **BPJS** patients and refer to Class C/D hospitals

**Secondary/Tertiary care (i.e., hospitals)**

**Public hospitals**

- All govt. owned hospitals **must serve BPJS patients**
- Patients must **first visit a Class C/D hospital** after being referred; patients are **only referred to Class B hospitals if treatment cannot be provided at Class C/D hospital**

**Private hospitals**

- **Opt-in** to serve BPJS patients, requiring a **lengthy application process** (up to 2 years) to receive BPJS accreditation
- **Similar referral pathway** as public hospitals

Submit  
claims for  
reimburse-  
ment



**BPJS**

**Core functions:**

- **Collect premiums** from employers, self-funded and portion covered by govt.
- **Manages BPJS budget** provided by the govt. to supplement premiums
- **Reviews providers** and **approve BPJS accreditation**
- **Adjudicates claims** by providers (both primary and secondary/tertiary care)
- **Reimburse hospitals** based on pre-agreed tariffs

Pay premiums

Note: (1) JKN – Jaminan Kesehatan Nasional; (2) BPJS – Badan Penyelenggara Jaminan Sosial Kesehatan; (3) KRIS - Kartu Indonesia Sehat; Class D – Min. 50 beds, Class C – Min. 100 beds, Class B – Min. 200 beds, Class A – Min. 400 beds | Source: Lit. search, Bain analysis

# Market overview | The Indonesian healthcare system is witnessing a revamped universal health coverage, re-alignment of profit pools, and digital transformation



## MARKET

## TRENDS

### Trends

#### Profit pools re-aligning



- As of 2022, private healthcare providers is a **\$1-1.5B profit pool** in Indonesia – expected to double over the next decade, but value will shift towards **payer and provider ecosystem**:
  - Top private hospital chains** expected to achieve **15-30% EBITDA margins in 2030 from inpatients** (at a **CAGR of ~15% over '22-'30**) due to **player consolidation** and **price increases**, while **outpatient provider** segment profit pool expected to grow at a **CAGR of ~20% over '22-'30**, as hospital burden/cost will push for **shift to home/on-site care**

#### Universal health coverage



- Indonesia is **shifting from private healthcare to universal coverage**, aiming to provide affordable, quality services for all
  - ~85% population** is now covered under the BPJS<sup>3</sup> National Health Insurance (launched in 2014)
- BPJS<sup>3</sup> plans to implement **standard classes** (subsidized and non-subsidized) instead of Class I, II and III patients

## / DRAFT / NON-EXHAUSTIVE

#### Digital transformation



- Growing support for **digital health platforms, telemedicine, electronic medical records (EMRs)** and **mobile health apps**, especially post COVID-19
  - For e.g., MoH<sup>1</sup> launched **Indonesia Health Services platform 'SATUSEHAT'** to boost digital health transformation
- Telehealth adoption rate** in Indonesia is expected to grow from ~25% in 2019 to **~70% in 2024**

### Opportunities

- Care is moving away from the hospital** (e.g., via ambulatory care, telemedicine)

#### Player 1

- Partnership to launch a telemedicine feature called Dokter Leo (2020)

#### Player 2

- Introduced a teleconsultation platform during the pandemic; offers home care services for e.g., newborn care

#### Player 3

- Providers already **consolidating** to create **larger health networks with economies of scale**

#### Player 4

- 2<sup>nd</sup> largest private hospital network in Indonesia; expanded through a series of acquisitions

- By forming relationships with local clinics, hospitals can **increase patient volume** as these **clinics refer patients needing specialized care**

#### Player 4

- The chain may benefit from Class I and II members (basis current BPJS classification) becoming private patients after merging of classes

- Hospitals can **influence patient flow** by working with primary care providers to **direct less-profitable patients/cases to other hospitals**

- Expanding reach** to remote areas, and increasing **patient engagement** using telemedicine

#### Player 1

- An app 'RSPI Mobile' for patients to schedule doctor appointments

#### Player 2

- JKN<sup>2</sup> mobile app connected to 20K+ healthcare providers, making it easier to access healthcare services

- Leveraging AI** (for e.g., EMRs, predictive analytics etc.) to manage and analyze data

#### Player 3

- Investing in artificial intelligence and advanced hospital information systems to capture individual patient records

### Threats

- Traditional (hospital) profit engines facing competition** from independent outpatient groups (e.g., diagnostics)

#### Player 5

- Competition from smaller healthcare providers focusing on lab tests, imaging services etc. which may attract patients seeking affordable or specialized care

#### Player 6

- Healthcare providers are paid by the government based on a package named INA-CBG<sup>4</sup> (typically at a **discount to a hospital's commercial rate**), significantly affecting their **profit margins**
- Shift from out-of-pocket or corporate insurance to BPJS **complicates timely payments** due to red tape, potentially **delaying doctors' salaries** and discouraging them from joining hospitals with uncertain payment guarantees

- Risk of cyberattacks and data breaches** due to lack of robust system of checks and balances
  - In 2021, data of **~6M patients** in various Indonesian hospitals was breached and **traded on dark web**

Note: (1) Ministry of Health; (2) JKN – Jaminan Kesehatan Nasional; (3) BPJS healthcare program (BPJS Kesehatan) is a government-run universal health insurance program in Indonesia offering a range of healthcare services, including inpatient and outpatient care, maternity care, dental care, and emergency services; (4) Indonesia Case-Based Groups | Source: Statista, Lit. search, Bain analysis, Bain experience













# Benchmarking | Target 1 is a private healthcare provider in Indonesia, offering a range of services across the value chain with limited reporting across KPIs (1/2)

SAMPLE

## PEER BENCHMARKING

/ NON-EXHAUSTIVE

	Target 1 & Target 2	Player 1	Player 2	Player 3	Player 4
Headquarters					
Geographical focus					
Business description	<ul style="list-style-type: none"> <li>Target 1 specializes in obstetrics, gynecology, women's health, and pediatrics through general hospitals with 7 specializations</li> <li>Target 2 offers affordable healthcare in rural areas, focusing on orthopedics, medical rehab, and neonatal intensive care</li> </ul>	<ul style="list-style-type: none"> <li>Healthcare provider operating a network of hospitals &amp; pharmacies, offering services for oncology, fertility, brain spine etc.</li> <li>Manages 20 MK hospitals and 9 KSH hospitals</li> </ul>	<ul style="list-style-type: none"> <li>Healthcare provider offering a range of medical services through its 40 hospitals</li> <li>Specializes in various fields, including general surgery, pediatrics &amp; neurology</li> </ul>	<ul style="list-style-type: none"> <li>Healthcare provider focusing on the care of mothers and young children</li> <li>Provides online consultations for patients' convenience</li> </ul>	<ul style="list-style-type: none"> <li>Private hospital group catering to the middle and upper-class segments</li> <li>Offers a range of specialized centers, including mother &amp; child, sports clinic &amp; orthopedic centers</li> </ul>
Ownership type	Private	Public	Public	Public	Public
Revenue (USD M)	~40 <sup>1</sup>	~270	~740	~330	~100
EBITDA margin (%)	25% <sup>1</sup>	37.50%	26.84%	23.20%	14.00%
Funding details	<ul style="list-style-type: none"> <li>In 2021, Target 2 secured a senior term loan from PT Indonesia Infrastructure Finance (IIF) for business expansion</li> </ul>	<ul style="list-style-type: none"> <li>Publicly listed since 2015</li> </ul>	<ul style="list-style-type: none"> <li>Raised post IPO equity from CVC Capital Partners in 2016<sup>2</sup></li> <li>Publicly listed since 2013</li> </ul>	<ul style="list-style-type: none"> <li>In 2021, minority stake acquired by Quadria Capital<sup>2</sup></li> <li>Publicly listed since 2018</li> </ul>	<ul style="list-style-type: none"> <li>Released IPO in 2022</li> </ul>
# employees	~300	~8.3K	~11.8K	~14.8K	~5.0K
M&A Activity (last 3 years)	Limited info	In 2020, acquired ABC for USD 2.3M	In 2021, participated in a USD 3M round of P	In 2020 & 2021, acquired hospitals in Salatiga & Ciledug respectively <sup>2</sup>	Limited info

Note: Data for FY'22, unless specified otherwise; (1) Data for 5 sites of Target 1 Hospitals, revenue figures not available for Target 2; (2) Deal value undisclosed | Source: Lit. search; Company and competitor websites

# Benchmarking | Target 1 is a private healthcare provider in Indonesia, offering a range of services across the value chain with limited reporting across KPIs (2/2)

SAMPLE

## PEER BENCHMARKING

**Legend Performance** ■ Lagging ■ Average ■ Leading ■ Best-in-class ■ n/a Data not available

/ NON-EXHAUSTIVE

Key Performance Indicators	Target 1	Player 1	Player 2	Player 3	Player 4
# of operational beds (K)	>0.8 <sup>1</sup>	3.47	3.78	6.16	1.93
# of patients (M)	n/a	2.89	3.39	7.12	1.39
# of inpatients (M)	n/a	0.26	0.24	0.48	0.28
# of outpatients (M)	n/a	2.63	3.15	6.64	1.11
Average length of stay – ALOS (days)	n/a	3.45 <sup>2</sup>	4.10 <sup>2</sup>	2.80	3.40
Bed occupancy rate (%)	n/a	57% <sup>2</sup>	59%	62%	37%
Average revenue per inpatient day (USD)	n/a	242	436	139	228
Average revenue per outpatient visit (USD)	n/a	35	80	20	26
% of full-time female employees	n/a	85%	79% <sup>2</sup>	76%	76%
Average training hours per employee	n/a	195.63 <sup>2</sup>	n/a	3.28	n/a
Number of workplace fatalities	n/a	2 <sup>2</sup>	n/a	0	n/a
Lost-time incident rate (per 1M hours worked)	n/a	9.20 <sup>2</sup>	n/a	2.76	n/a
Number of recordable work-related injuries	n/a	147 <sup>2</sup>	n/a	153	n/a
Customer Satisfaction Rate (%)	n/a	92% <sup>2</sup>	n/a	96%	93%

Note: Data for FY'22, unless specified otherwise; (1) Data for sites of Target 1 and Target 2 combined; (2) Data for FY'21 | Source: Lit. search; Company and competitor websites