Healthcare

KPJ Healthcare

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HEALTHCARE

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Focus on healthy growth in the medical and biotech sector

The Malaysian healthcare sector is well developed compared to some other countries in the region. Many facilities are available for Malaysians as well as for foreigners. There is, however, much potential in the country to develop the sector further, as pharmaceutical manufacturing and healthcare biotechnology are still in their infancy, and the medical tourism industry is still growing and can be further promoted.

HEALTHCARE PROVIDERS

Malaysia's healthcare system is divided into the public and the private sector. The government heavily funds the public healthcare sector, and patients pay a nominal sum for treatment, while fees for private healthcare services are paid fully by the patients themselves, their employers, or by insurance companies.

The number of (specialist) hospitals, clinics, and dental surgeries has increased tremendously in Malaysia over the last decade, and both private and public healthcare sectors are still expanding. In August 2011, there were 145 public hospitals, 2,880 health clinics, and 165 mobile health clinics nationwide. In the private sector, there were 217 private hospitals, 34 maternity and nursing homes, 36 ambulatory care centers, and 6,442 medical clinics. According to Health Minister Datuk Seri Liow Tiong Lai, who was speaking at the Asia Healthcare 2011 conference in Kuala Lumpur, the value of Malaysia's healthcare industry is estimated at around $8.4 billion, with total expenditure on healthcare estimated at 4.75 per cent of gross domestic product (GDP). Government and private funding currently account for around 55 per cent and 45 per cent of total health expenditure in Malaysia, respectively.

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In the public sector, the Ministry of Health (MoH) is the main government agency responsible for providing healthcare services in the country. Other ministries that also provide healthcare services include the Ministry of Higher Education and the Ministry of Women, Family, and Community Development.

HEALTHCARE

There are four types of hospitals in the public sector under the MoH, which are district hospitals, state general hospitals, national referral centers, and special institutions. Then there are several non-MOH hospitals. Each state has one state general hospital except for the state of Sabah, which has two. The National Referral Center is at the highest level of hospitals in the hierarchy. This hospital has 2,800 beds and is located in Kuala Lumpur.

MEDICAL TOURISM

Even though Malaysia is behind established neighbouring medical tourism locations such as Singapore and Thailand, the country is quickly becoming a popular destination for health travellers. Medical tourism in Malaysia has emerged as one of the fastest growing segments over the last few years despite the global economic downturn. In 2010, approximately 400,000 health tourists came to Malaysia generating over RM380 million in revenue. The target is to receive around two million medical tourists by 2020.

The majority of the medical health visitors in Malaysia come from neighbouring countries such as Indonesia, accounting for 69 per cent, and Singapore, accounting for 12 per cent. Other health travellers came from Japan, Australia, UK, the GCC, and European countries.

With the support from the Malaysian government, a large number of Malaysian private hospitals are actively participating in health tourism. The treatment sought by patients coming to Malaysia is predominantly cardiac, cosmetics, ophthalmology, dental, diagnostic services (MRI and CT scans), and orthopaedic.

Over the last years, however, the number of medical tourists to Malaysia was lower than expected, which was mainly attributed to the global recession. According to the Performance Management and Delivery Unit (PEMANDU), markets such as Singapore and Thailand have weathered the downturn better, by positioning themselves as leaders in specific niches of the industry, offering high quality care and high value health experiences. Nonetheless, the Malaysian government is optimistic about the healthcare travel industry in the country, targeting ten per cent per annum revenue growth until for the period 2011 to 2015.

PHARMACEUTICALS

The pharmaceutical industry in Malaysia relies heavily on imported generic and patented drugs, which accounted for about 75 per cent of the local pharmaceutical market. Malaysia's main import source markets are India, China, US, Australia, France, Germany, and the UK. Major types of drugs imported are lifestyle drugs such as cardiovascular drugs, cholesterol lowering and hypertension drugs, antibiotics, and oncology drugs.

Pharmaceutical products manufactured by the Malaysian pharmaceutical industry can be broadly categorised as prescription or over-the-counter drugs (OTC), traditional medicines, and health and food supplements. Prescription medicines comprise patented and generic drugs. Sale and transaction of prescription medicines are confined to doctors and pharmacists.

Non-professional outlets may sell OTC, traditional medicines, and health and food supplements. Malaysia's pharmaceutical manufacturers have, thus far, been largely focused on the domestic market.

The main distribution channels of pharmaceuticals in Malaysia are pharmacies (30 per cent), doctors (19 per cent), government hospitals (14 per cent), and private hospitals (11 per cent).

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BIOTECHNOLOGY

The Malaysian Government identified biotechnology as one of the core technologies to accelerate the transformation of Malaysia into a knowledge-based economy and an industrialised nation by 2020. For this purpose, the National Biotechnology Policy (NBP) was launched in April 2005 to outline the strategy to develop biotechnology in Malaysia. The Malaysian Biotechnology Corporation (BiotechCorp) is the leading agency responsible for the co-ordinated implementation of the National Biotechnology Policy (NBP over three phases of five years each, running from 2006 to 2020.

Under the 9th Malaysia Plan (9MP), which ran until 2010, the government had allocated RM2 billion to support the development of physical and soft infrastructure in the biotechnology sector. Of this, a total of RM265 million has been allocated to BiotechCorp. Various programmes and initiatives were put in place to provide an attractive environment for the industry, which was virtually non-existent in Malaysia until 2005. There are three major sectors within the biotechnology industry, namely agriculture, healthcare, and industrial biotechnologies. According to BiotechCorp's 2010 annual report, healthcare biotechnology entailed capitalising on the country's biodiversity for commercialising the discoveries of health related natural products and bio-generic drugs. However, BiotechCorp acknowledged that healthcare biotechnology was still a young industry in Malaysia and is a challenging area requiring high technology levels, but had much potential for growth.

The goal under the 10MP that runs from 2011 to 2015 is that the biotechnology industry maintains its current growth rate.

HEALTHCARE

Sound growth projected for KPJ Healthcare

With a network of 21 hospitals in Malaysia and a further two in Indonesia, KPJ Healthcare is the leading private healthcare provider in Malaysia. The group offers a range of medical services.

Datin Paduka Siti Sa'diah Sheikh Bakir
Managing Director of KPJ Healthcare Berhad

Q: What is KPJ Healthcare's current position in the very competitive environment of private healthcare in Malaysia?

A: The industry is indeed very competitive in Malaysia. We do compare ourselves to other hospitals, and I think we are ahead of our competitors. With the number of licensed beds we have, I'm positive that we are ahead of others. We want to remain that way and we want to do this more aggressively. Adding to that, we are the only publicly listed healthcare provider, which provides disclosure and benchmarks that we can reach in the region.

We have four new hospitals under construction currently, while work on another three is expected to start this year. We are also on the lookout for potential acquisitions as part of our expansion strategy. Furthermore we want to broaden our exposure to medical tourism in the future. We also want to sharpen our focus on the education segment as a second core business.

Q: How about the level of medical technologies in KPJ's hospitals?

A: If you mean in comparisons to the private hospitals in Malaysia: I think we are, again, ahead. We are fully computerised, and eight of our hospitals are moving into outpatients electronic orders. As for other technologies, we would like to focus on investment into equipment.

Q: What is your prediction for the healthcare sector in Malaysia? Is there room for more providers or do you expect a consolidation sooner or later?

A: There are two aspects. The private healthcare sector can never be driven by an individual hospital. It is always the group. The consolidation comes either through groups or mergers. In fact, KPJ openly asks standalone hospitals to join our group. We can provide the synergy and economies of scales. As for the bigger mergers and acquisitions scenario, I doubt that is forthcoming. There is room for expansion for both local and international players.

Q: What is your advice for foreign businesses interested in investing into the private healthcare sector in Malaysia?

A: They have to come with technology and they can't come big, unless they want to relocate. If they want to be involved in the Asian market, they have to come with state-of-art technology. This being said, I would encourage relocation, because the cost to operate in Malaysia is cheaper. KPJ Healthcare encourages collaborations with interested parties, which we find are beneficial for everyone. Additionally, I think Malaysia is a good place to get healthcare, in general.

Q: How many international patients are treated per year in the hospitals of your group, from which countries are they coming from? How many are from the Middle East?

A: We have about five per cent of them. Most of our international patients are from Indonesia. As for the Middle East, we have patients from Iran, Saudi Arabia, Bahrain, Qatar, Lebanon, Iraq, Yemen, the UAE, Kuwait, and Oman. The highest number is from Iran. I believe we can have more. A lot of our patients are returning patients and those who have heard recommendations.

Q: Your major target is to attract patients from the Middle East. What are KPJ Healthcare's plans in achieving this?

A: We are planning to have deals with travel agents and funding houses to promote medical tourism. Malaysia used to be in the top three destinations for medical tourism in 2009. Aggressive marketing is our approach and we are looking forward to working with the Malaysia External Trade Development Corporation (MATRADE) to promote our hospitals.