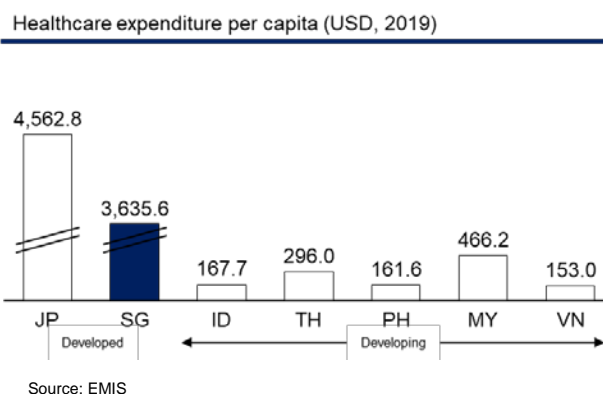


Healthcare industry landscape and potential opportunities in SEA

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Southeast Asia is a region that embraces vast diversity in social, economic and political landscape. This has resulted in huge differences in healthcare infrastructure and development within ASEAN countries over the years. For example, among the ASEAN6¹ countries, Singapore’s healthcare services and infrastructure are considered more advanced compared to the other member countries. Its healthcare expenditure per capita (2019) is ahead of other ASEAN6 countries and tailed behind Japan.



Healthcare industry in ASEAN6 countries is forecasted to grow at a CAGR of 7% from 2017 to 2025

According to our research, healthcare expenditure across ASEAN6 countries is estimated to reach US\$740 billion by 2025, up from US\$420 billion in 2017. Many factors have contributed to the higher healthcare expenditure and one of the common factors noted is **increasing aging population**.

The elder population (age 65 above) in ASEAN nations is expected to grow three times that of the working age population by 2040. Singapore has the highest aging population (12.4%), followed by Malaysia (6.9%) in 2019. Increase in the elderly population leads to higher demand for healthcare services and products.

Furthermore, changing lifestyle, poor diet and environmental factors such as air pollution have resulted in the **increase of non-communicable disease (“NCD”) cases** in ASEAN. Common diseases include diabetes, cardiovascular diseases and obesity related disorders. On average, NCD is responsible for around 60% of death in ASEAN from 2014-2018 which has further boosted the demand for healthcare.

¹ ASEAN6 countries include Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam

Unmet demand due to gaps in existing healthcare infrastructure and systems

The healthcare industry is not all boom, it does face challenges in fulfilling the escalating medical demand. One of the key challenges ASEAN countries face is **shortage of hospital beds and skilled workers**. Based on our research, hospital bed in ASEAN6 for 2018 ranges from 0.9 – 2.7 per 1,000 population and is way below when compared with developed country such as Japan (12.2 bed per 1,000 population). Whereas, the density of doctors in ASEAN 6 for 2017 ranges from 0.4 – 2.3 per 1,000 population and is below the global average of 1.5 (except for Singapore – 2.3 doctors per 1,000 population).

In addition, there is a **lack of or insufficient universal health coverage** mostly in developing countries. Government bodies either do not have sufficient funding for universal coverage or there are complications in implementing healthcare reforms for several reasons. This resulted in higher out of pocket expenditure by citizens and also incur higher reliance by the poor on healthcare provided by the government or nonprofit organizations.

Opportunities arise for private healthcare players to partake in the lucrative healthcare industry

There is increasing pressure to improve the healthcare infrastructure and system within ASEAN6, some countries **have turned to private investor to participate in the healthcare industry**. Measures taken by the governments to encourage private healthcare players include incentive for foreign direct investments, reduced customs duty, etc. This presents opportunities for the private healthcare players to tap into the lucrative healthcare industry. For example, capital investment into private hospital, development of healthcare workforce training centre, providing private health insurance, etc.

Covid-19 has created crisis within the healthcare industry

The Covid-19 pandemic that spread across 215 countries (as of 14 May 20) is a great test on the capability on the healthcare industry of each ASEAN country to weather this storm. Disruption in supply chain coupled with forced quarantine, shutting down of factories and export restrictions has significantly reduced the output of the major healthcare sectors (i.e. healthcare services, medical devices and pharmaceutical). Resources are focused on essentials for Covid-19. For example, clinics and hospitals prioritized Covid-19 patients and see a decrease in patients seeking non-emergency or elective treatment; manufacturing shifted towards essentials for Covid-19 such as personal protective equipment (“PPE”), surgical mask, etc. IGPI expects that the overall impact to the industry in the short term will be negative.

Post Covid-19, rise in adoption of technology is expected for healthcare industry

However, this Covid-19 pandemic has presented opportunities for healthcare players and governments to reassess their capabilities and also identify areas for improvement for their future strategy. **Government spending on healthcare is expected to increase and more collaboration with private players** for standardization of the healthcare industry standards and sharing of resources.

In addition, **Covid-19 pandemic has also accentuated the role of technology** in healthcare industry. For example, telemedicine allows doctors to provide consultation to

patients remotely with no physical contact, thus reducing the exposure of the patients and healthcare staff to the virus. This also serves as a medical consultation platform for people in the rural area who are not able to access the nearest clinic or hospital conveniently. Post Covid-19, telemedicine is likely to be the norm as it integrates into people's daily lives and also the healthcare system.

We can also expect to see **industry players looking to adopt more advanced technology and automation** in the business operation post Covid-19. For example, in Indonesia, the healthcare player has been looking to digitalize their processes and move away from reliance on paper recoding of patient's healthcare record. This allows doctor to have quick and more complete access to patient's historical data and able to provide more accurate/focused consultation to the patients.

How can IGPI help you within the healthcare industry?

SEA is a region with plenty of business opportunities for industry players. IGPI is well connected within the region and would be glad to assist companies that are looking for potential investment opportunities within the healthcare industry. We have access to companies that are looking for investors to expand domestically or within the region. It includes companies that are already well established with strong market presence, companies working on greenfield projects, health tech companies, etc. We believe that we can help you in the search for potential investment opportunities that best fit with your company expansion strategy and support you in the transaction. Some of the past M&A advisory supports that we provided to our clients include:

- Financial advisory for a global Japanese health equipment and services company
- Transaction support on potential equity investment into a clinic chain in Malaysia
- Transaction support on potential equity investment into a hospital in Malaysia

In addition, we have also supported our clients on projects of various nature such as strategy planning support, running an accelerator, etc. Some examples of our past projects include:

- Strategic, operational advice and implementation support for a large Japanese hospital
- Strategic advice and organizational restructuring of a healthcare clinic chain in Singapore
- Market entry and growth advisory for a medical device manufacturer
- Support in the launching of corporate venture capital for a global Japanese health equipment and services company

Lastly, IGPI has conducted a research to understand the landscape of the healthcare industry for ASEAN 6 countries. The research provides insights for different sectors of the healthcare industry within the ASEAN6 countries. If you are interested to find out more about the growth trend, competitive landscape, and opportunities in ASEAN6 countries, we would be happy to share our research and key findings with you.

IGPI can provide supports in multiple aspects of your business - Get in touch with us!



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