EXECUTIVE INSIGHTS

Indonesian Private Healthcare: Investing in a "Dual-Speed" Services Market

Key takeaways

1. Regional healthcare boom — Southeast Asia's hospitals are riding structural tailwinds: growing affordability, rising health awareness, a surge in noncommunicable diseases, and improved access to routine care and screening via universal health coverage programs. These drivers are fueling structurally rising demand for care across the region.
2. Indonesia's underpenetrated market — Indonesia spends only about USD 196 per capita on healthcare, far below peers like Malaysia (about USD 530) and Thailand (about USD 430). But with 278 million people, 95% of whom are insured under JKN (Jaminan Kesehatan Nasional, Indonesia's national social health insurance scheme), the country is at an inflection point. Private operators are stepping up to support an overburdened public system, and a highly fragmented sector (the top 10-15 groups account for only about 10% of private beds) offers room for consolidation-led growth, with opportunities for private hospitals in third-tier cities driven by future demand growth and limited competition, primarily from government hospitals.

3. Dual-speed hospital models — Two private hospital archetypes have emerged. Mass-market hospitals are large (often >200 beds), with bed occupancy rates of more than 75%, and can achieve EBITDA margin of 15%-25%, largely serving government-insured patients. Premium hospitals are smaller (<200 beds), with lower occupancy rates (<60%) but higher EBITDA margins (>25%) (see Figure 1).
4. Policy reforms de-risking investment — The Indonesian government has made healthcare a national priority, tying it to its "Golden Indonesia 2045" vision of a productive, high-income society. Initiatives are in motion to reduce premature deaths (through cancer/cardiovascular screening), invest USD 4 billion in government hospitals (with World Bank support), train doctors at scale (even abroad) and introduce bed class standardization in JKN to ensure sustainability and potentially copayments. These moves bolster the long-term outlook for hospital operators despite short-term reimbursement challenges.

Introduction

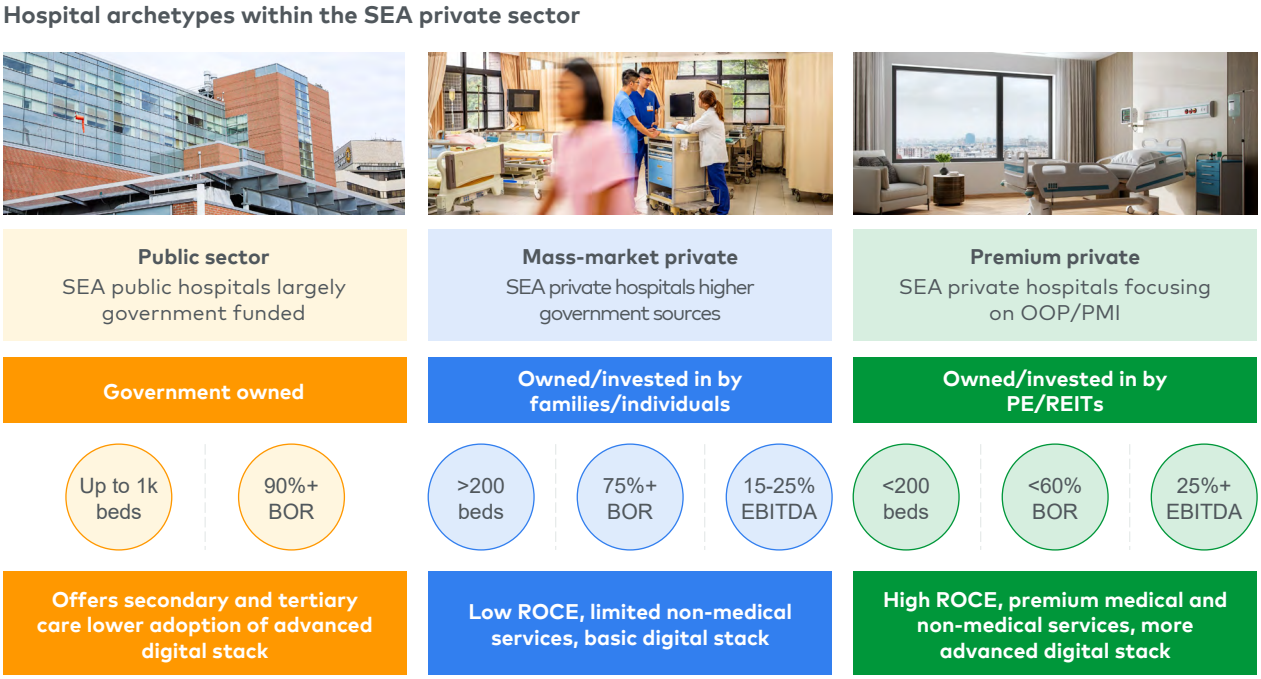
Across the Association of Southeast Asian Nations, demand for hospital services is rising as populations live longer and grapple with the lifestyle diseases of affluence. The result is a dual-speed market: a burgeoning mass segment seeking basic affordable care and a growing affluent segment demanding cutting-edge treatments. For investors, the question is no longer whether the healthcare pie will grow, but how to position themselves for the most attractive slices.

This Executive Insights examines the Indonesian hospital sector through that lens. We first set the regional context of Southeast Asia's healthcare evolution, highlighting the two distinct private hospital models that have emerged. We then dive into Indonesia — a market long underpenetrated in healthcare spending — which is now reaching a tipping point due to demographic momentum, policy reforms and accelerating private sector involvement. We explore the investment playbook for mass-market hospitals serving the broad population, as well as the push by premium providers into superior services. Finally, we consider how government actions and long-term commitments are reducing investment risk. The opportunity, in short, is to participate in Indonesia's healthcare inflection point — and to reap healthy returns by meeting the country's surging demand for quality hospital care.

Southeast Asia's dual-speed healthcare market

Southeast Asia's healthcare landscape is being reshaped by powerful macro forces. Populations are graying and suffering more chronic diseases, creating structural demand growth for hospital services. At the same time, economic growth and public insurance schemes, e.g., JKN (Jaminan Kesehatan Nasional, Indonesia's national social health insurance scheme), PhilHealth, have improved access to care, bringing millions of new patients into the system.[1] Private hospital operators across the region face fundamental market shifts, from changing patient preferences (consumerism, digital engagement) to shifting payer dynamics (rising private insurance penetration, moves toward DRG-Diagnosis Related Groups systems). In response, two distinct archetypes of private hospitals have emerged in the region, each with different strategies and performance profiles.

Figure 1
Hospital Archetypes within the SEA Private Sector (Figures adjusted to Indonesian context)



The mass-market private hospitals focus on serving the broad middle- and lower-income population, often in partnership with government insurance. These hospitals are typically large-capacity facilities — often 200-plus beds — designed for scale. They run at very high bed occupancy (often >75%), a reflection of acute demand from subsidized patients and a chronic undersupply of hospital beds in many areas. However, because a significant portion of their patients are on government tariffs or tightly managed budgets, profit margins are relatively modest. Mass-market operators tend to achieve only around 15%-25% EBITDA

[1] WHO (2024), Executive Summary

(earnings before interest, taxes, depreciation and amortization) margins. They emphasize secondary and tertiary care services (general medicine, maternal and child health, surgeries, catheterization labs) with limited frills, and often have relatively basic digital systems and infrastructure. In short, this model prizes volume and cost-efficiency — filling beds and delivering acceptable care at low cost.

By contrast, premium private hospitals target the upper end of the market — patients who pay out of pocket or have private insurance — and differentiate on premium and advanced medical and nonmedical services. These hospitals are often smaller (i.e., <200 beds) and operate at lower occupancy levels (typically well under 60%) to ensure they provide premium services while also managing regulatory requirements related to bed availability across different classes of care. Instead of volume, they compete on specialized clinical offerings and patient experience. Profitability for premium hospitals is high — EBITDA margins above 25% are common, reflecting higher tariffs and a case mix that skews toward complex procedures. Many of these hospitals are able to continuously reinvest in new technology and key opinion leader talent, supported by the natural earnings strength of the business and its higher return on capital employed compared with other healthcare segments. This archetype focuses on tertiary care (cardiac catheterization labs, oncology, advanced diagnostics, etc.) and often has more sophisticated digital health tools and hospital management systems. In essence, the premium model trades lower throughput for higher revenue per patient, aiming to be the provider of choice for those who can afford the best.

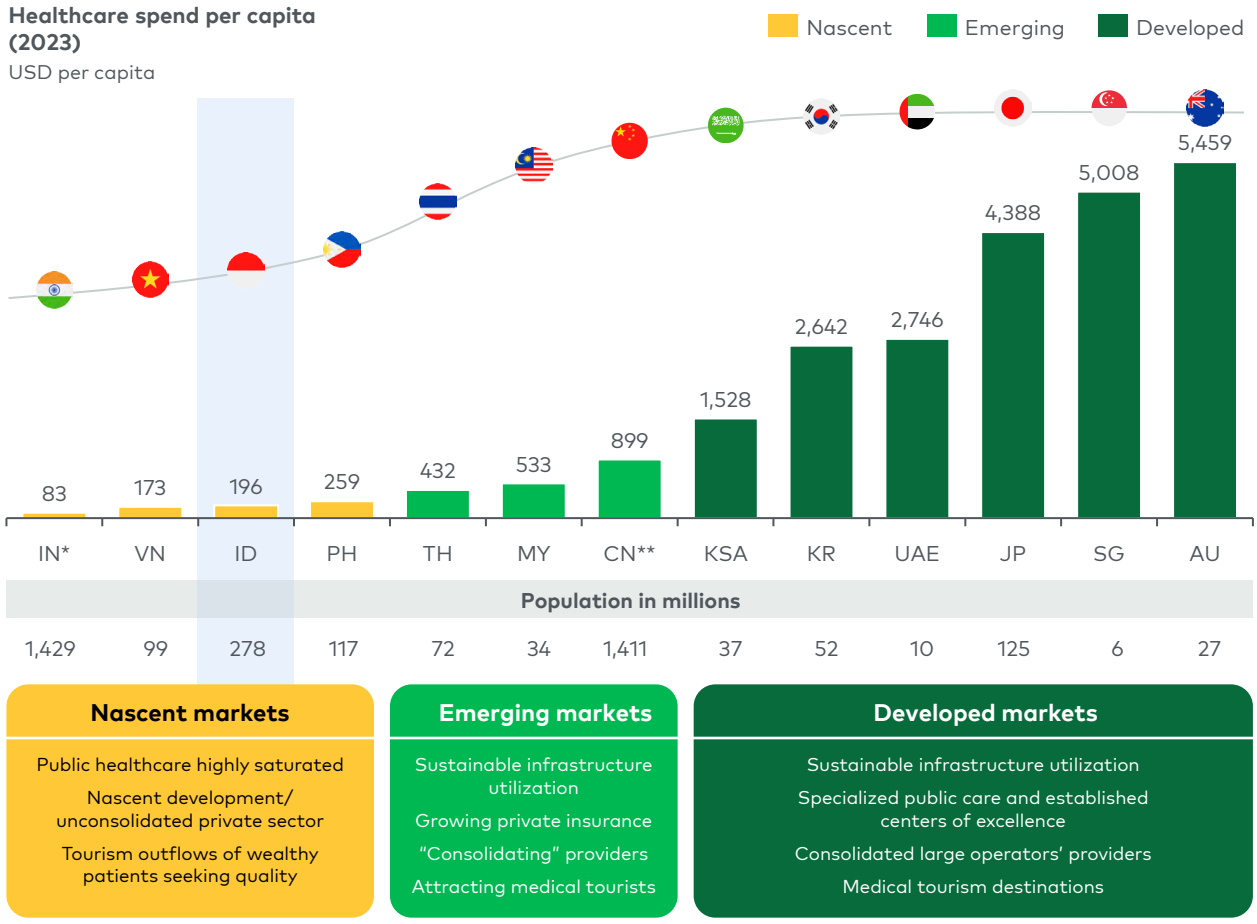
Notably, these two models often coexist within the same country, creating a dual-speed healthcare system. In more mature markets like Malaysia or Thailand, large private groups have portfolios spanning both segments. In nascent markets, the gap is starker — e.g., Vietnam and Indonesia see a few high-end hospitals in big cities, while the masses rely on either overcrowded public facilities or emerging budget private hospitals. Healthcare investors in Southeast Asia must therefore calibrate strategies to this dichotomy: mass-market scale versus premium specialization. Both offer growth, but through very different operational playbooks.

Indonesia: Underpenetrated market poised for growth

Among major Southeast Asian countries, Indonesia has arguably the most headroom for healthcare growth. The country's healthcare spending has been historically low — around USD 80-200 per capita in recent years — which is just a fraction of that of neighboring countries (Malaysia at about USD 530 per person and Thailand at around USD 430) (see Figure 2).

Figure 2

Maturity of healthcare markets in APAC and their characteristics



* India is lower in nominal terms but is more advanced in healthcare spend in Purchasing Power Parity terms;
**Healthcare expenditure per capita is for 2022
Source: Statista Fitch Solutions; International Monetary Fund; The World Bank; World Health Organization; L.E.K. research and analysis

Indonesia also has one of the lowest hospital bed-to-population ratios in the region.[2] This underinvestment is incongruous with Indonesia's status as the region's largest nation (over 270 million people) and its consistent economic growth. The result has been a chronically underserved healthcare market — one where basic indicators like doctor density and hospital beds have lagged regional averages. For investors, this represents latent demand that is now beginning to be unlocked.

Several converging factors indicate that Indonesia's healthcare sector is at an inflection point. Indonesia is transitioning from a nascent healthcare market to an emerging one, as the private sector starts playing a greater role in supporting a saturated public system. The country's public hospitals (which account for the majority of beds) are straining under patient loads — many run at over 90% occupancy routinely, with long queues for

[2]Asia Pacific Observatory on Health Systems and Policies (2017), p115

surgeries and treatments. The expansion of JKN, which is administered by BPJS (Badan Penyelenggara Jaminan Sosial), has dramatically increased healthcare utilization. As of December 2023, JKN/BPJS covered about 95% of the population, making it one of the world's largest universal coverage schemes.[3] This has shifted most healthcare financing to public sources, as government health expenditure growth (8% compound annual growth rate) has outpaced private spending in recent years. Consequently, demand is surging at the low end, and public facilities alone cannot cope — creating an opening for private providers to step in across Tier 1, 2 and 3 cities.

At the same time, the private hospital sector in Indonesia remains highly fragmented and ripe for consolidation. Despite the proliferation of new hospital groups in the past decade, the top 10-15 private hospital networks still account for only about 10% of total private bed supply (approximately 180,000 total private hospital beds). The vast majority of Indonesia's remaining approximately 160,000 private hospital beds are spread across hundreds of independent or single-site providers. Early signs of consolidation are already visible: For instance, multiple private equity investors and local conglomerates have entered the hospital space, scaling up platforms that can later absorb smaller players. In short, Indonesia's hospital market today has the ingredients for robust growth: huge unmet needs, financing in place (through JKN and rising incomes), increasing private medical insurance penetration and a competitive landscape that favors those who can scale up networks efficiently. It is a classic case of an underpenetrated market at a tipping point, now moving into a phase of accelerated investment and expansion (see Figure 3).

[3]GovInsider (2024)

Figure 3

Provider group	Key Investors/ owners	Infrastructure/workforce			Geographic focus	JCI	Brands
		# hospitals	# beds	# doctors			
HERMINA HEALTHCARE GROUP	Quadria Capital PT Astra International, PT Djarum	45	~6.1K	~3.8K	Pan-Indonesia	-	-
Siloam Hospitals	CVC, GIC Lippo, Marubeni	41	~3.8K	~2.8K	Pan-Indonesia	3	-
Mitra Keluarga	Norges Bank Inv. Man. Vanguard Group	27	~4.3K	~2.0K	Pan-Indonesia	-	Mitra Kasih
PRIMAYA HOSPITAL	Saratoga Investama Sedaya	16	~2.0K	~1.2K	Pan-Indonesia	2	-
ASIA ONEHEALTHCARE	TPG, ADIA, EPF	9	~1.4 k	-	Java, Sumatra	3	RS Premier, Adi Husada, ColumbiaAsia
RS MITRA PLUMBON	Growtheum Capital Partners	5	~2.0K	~0.3K	West Java	1	-
emc HEALTHCARE	Dimensional Fund Advisors	8	~1.4K	~0.5K	West Java	1	-
EKA HOSPITAL	Latitude Venture Partners	8	~1.2K	-	West Java	-	-
MURNI TEGUH HOSPITALS	PT Sumatera Teknindo	10	~1.1K	~0.4K	Java Sumatra	-	-
mayapada hospital	Bain Capital Mayapada Group	6	~1.0K	~0.8K	Greater Jakarta East & West Java	1	-
RS Sentra Medika	PT Sentra Medika Sejahtera	5	~1.0K	-	Java, Sulawesi	-	-
PONDOK INDAH GROUP	PT Binara Guna Mediktama	3	~0.6K	-	Greater Jakarta	-	-
BRAWIJAYA HOSPITAL & CLINIC	Saratoga Investama Sedaya	5	~0.5K	-	Greater Jakarta	-	-
Rest of private sector		~1.9 k	~160K	~150K	Indonesia	18	-

Note: JCI=Joint Commission International
Source: Kemkes; L.E.K. research, interviews and analysis

Mass-market hospitals: Volume play with discipline

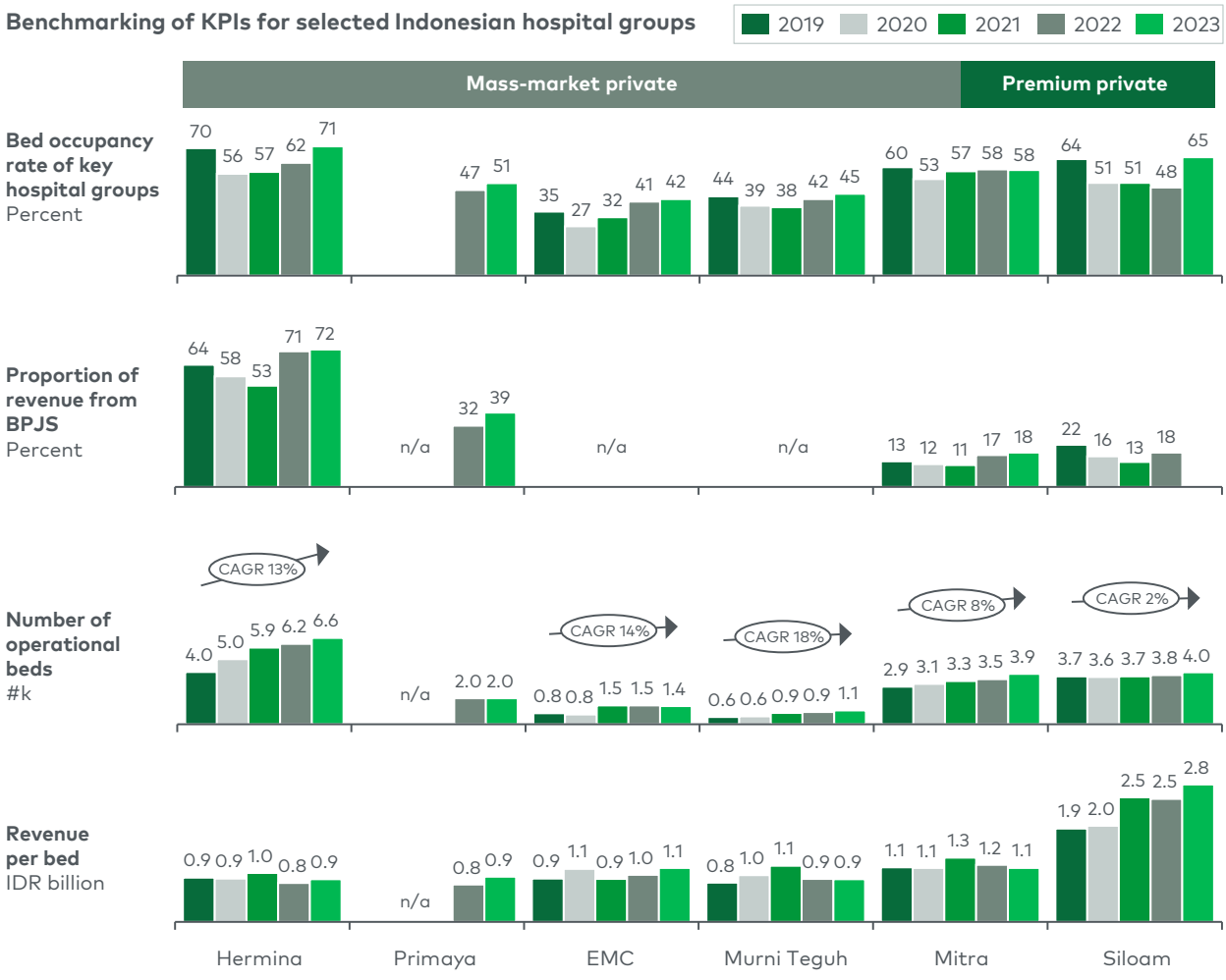
Serving the mass-market segment in Indonesia means working with the realities of JKN/ BPJS — high patient volumes, regulated prices and an acute need for cost control. Many private hospitals in Indonesia treat JKN patients, but most still lack the infrastructure or systems to handle large BPJS volumes efficiently.[4] However, a new cohort of investors is cracking the code for mass-market healthcare delivery. Their playbook is borrowed from

[4]World Bank Group (2019), p54

both public health principles and private sector efficiency. Key elements include focusing on underserved geographies, optimizing workforce and costs, standardizing care protocols for consistency and throughput, and understanding the scale — smaller mass-market providers typically operate at about 5% EBITDA.

Key Performance Indicator benchmarks of selected private hospital groups illustrate the divergence in Bed Occupancy Rates and Average Revenue Per Bed of these groups which are inversely related to their BPJS volumes.

Figure 4
Benchmarking of KPIs for Selected Private Hospital Groups



Primaya was publicly listed in 2022, hence information prior to 2022 is not available
Note: BPJS=Badan Penyelenggara Jaminan Sosial, KPI= Key Performance Indicators, CAGR=Compound Annual Growth Rate, IDR=Indonesian Rupiah
Source: Annual reports; management interviews; management data; L.E.K. interviews and analysis

One example is a hospital network that has rapidly expanded by catering almost exclusively to BPJS patients. This network of hospitals has positioned itself as a "BPJS-focused, high-volume" provider. By locating hospitals in second-tier cities and peri-urban areas, it taps pent-up local demand where public facilities are scant and few private competitors operate. These hospitals recruit younger doctors and clinicians who are keen to build their careers. Doctors follow structured clinical protocols set by the network — ensuring that care delivery is standardized and efficient, rather than dependent on individual doctor preferences. This approach increases throughput (more patients treated per doctor) and aligns with BPJS guidelines for appropriate care. Importantly, the network exercises strict cost discipline in all aspects: from bulk procurement of generic drugs and supplies to lean hospital administrative staffing and utilitarian facilities. The result is a sustainable economic model even at BPJS's modest tariff levels. High bed occupancy and volume drive revenue, while low cost per patient preserves a reasonable margin. This mass-market strategy can succeed where a traditional private hospital might fail. As evidence, some of these value-focused hospitals are reportedly profitable, with EBITDA margins in the high teens and above, despite 70%-80% of their patients being JKN-funded.[5] They demonstrate that with the right scale and rigor, serving the masses is not just a social mission but also a viable business.

Indonesia's government insurance administrators have indirectly encouraged such private participation by maintaining JKN financial stability in recent years. Moreover, the sheer volume growth of insured patients (tens of millions added in the past few years) means that even at low unit prices, the revenue pool is expanding. In summary, Indonesia's mass-market hospital opportunity hinges on executing a disciplined, volume-driven model. Those who can streamline operations and work with government payers are poised to capture a huge share of Indonesia's healthcare growth story, all while delivering accessible care to communities that need it most.

Premium players: Investing in advanced care

Even as mass-market providers race to add basic capacity, Indonesia's premium hospital segment is also gaining momentum. In major urban centers like Jakarta, Surabaya and Bandung, several private hospital groups are positioning themselves to capture demand for complex and specialized care that historically was met through outbound medical tourism. (In nascent markets, wealthy Indonesians have often traveled to Singapore, Malaysia or beyond for advanced treatments — but this dynamic is beginning to change.) The leading private hospital players in Indonesia are now making significant investments in cutting-edge medical technology and specialty services to keep affluent patients in the country.

[5]BRI Equity Research (2025), p1

A clear example is oncology. Indonesia has a high and growing cancer burden, yet access to advanced cancer treatment has been limited domestically — for instance, there are only a handful of linear accelerators (LINACs) for radiotherapy in the entire country. Recognizing the gap, some private groups are stepping up. One major hospital network in Jakarta is in the process of installing Indonesia's first proton therapy center, an advanced form of radiation therapy, as part of an expansion that includes six new hospitals by 2027.[6] This multimillion-dollar investment signals confidence that demand for high-end oncology services will rise and that patients will pay for quality care at home rather than flying to Singapore or the United States. Likewise, several hospitals have recently acquired or are planning to acquire LINAC machines for conventional radiotherapy — often holding off only until they see sufficient private-pay patient volume to justify the expense. Currently a large portion of Indonesian cancer patients either rely on overcrowded public facilities or go abroad, so private hospitals see an opportunity to repatriate that volume by offering comparable technology.

Cardiac care is another area of focus. Many premium Indonesian hospitals are equipping cardiac catheterization labs (for angioplasty, stenting, etc.) and establishing heart centers, as heart disease remains the country's top killer. The leading hospitals accredited by Joint Commission International in Jakarta now each boast multiple catheterization labs and cardiothoracic surgery teams and are starting to perform complex interventions that were rarely done in-country a decade ago.[7] Investments in high-end diagnostic imaging are also evident — for example, 3.0 Tesla MRI machines and 256-slice computerized tomography scanners (the latest generation) are now present in several private facilities, matching the technology offerings of Singapore's hospitals.[8] Across the board, centers of excellence are being developed: from neurosciences units with advanced MRI and stroke care, to in vitro fertilization (IVF) clinics targeting Indonesia's growing IVF market. These moves not only attract patients who would otherwise go abroad but also help capture the growing expatriate community and medical tourism inflows from neighboring countries (e.g., patients from East Timor or Papua New Guinea coming to Indonesian hospitals).

For investors specifically eyeing the premium hospital space, Indonesia offers a chance to ride an upgrade cycle. As the country's healthcare system matures, what is considered "premium" today (e.g., basic cardiac surgery or simple cancer care) will become more commonplace, and truly advanced offerings (organ transplants, gene therapy, etc.) will define the new premium. The current wave of capital expenditure on proton therapy, LINACs, robotic surgery systems and other high-end equipment is laying the groundwork for Indonesia's private hospitals to become regional leaders in care quality. Within a

[6] Ion Beam Applications (2020)

[7] Muharram et al., (2024)

[8] Bali International Hospital a. (2025)

decade, Indonesia could conceivably retain a significant portion of its outbound medical tourism flows — especially if costs undercut Singapore or U.S. prices. The investor thesis here is to back those groups that are investing wisely in technology and talent, creating high barriers to entry and strong brand equity for top-notch care. So far, early adopters are already seeing returns: Many premium hospitals report healthy growth in revenue per patient. With the government's tacit support (e.g., special economic zones such as Bali and Batam,[9,10] or allowing foreign specialist hiring in limited cases), the premium segment is set to flourish alongside the mass-market boom.

Policy tailwinds: Government commitment and reforms

The Indonesian government has explicitly linked healthcare improvement to its broader national development agenda. President Joko Widodo's administration articulated the vision of a Golden Indonesia 2045, wherein Indonesia achieves high-income status by its centenary. A key pillar of this vision is a healthier, more productive population — which implies reducing premature mortality and boosting human capital. To address systemic challenges and unlock the full potential of its healthcare system, Indonesia is pursuing reform on three key fronts.

1. Targeting high-mortality diseases through preventive care

A country cannot become fully developed if a large portion of its people die in their prime or suffer chronic illness. To have an educated, productive workforce in 2045, the parents of those workers should not die prematurely; if they do, families fall into hardship and the next generation's education suffers.

This understanding has sharpened political will to tackle the leading causes of early death. Policymakers have identified priority disease areas for intensive intervention: cancer, cardiovascular disease, neurological conditions (e.g., stroke), uro-nephrology and maternal health (i.e., 4+1: 4 major non-communicable disease areas cancer, cardiovascular, neurological, uro-nephrology + maternal health). Nationwide screening programs have been launched for cancers and heart disease to catch illnesses early. More recently, the government began offering comprehensive medical checkups to JKN members.[11] The rationale is straightforward: Prevention and early treatment save lives — and money — down the line, and checkups monitoring patients control long-term healthcare costs.

For hospital investors, this shift means more diagnoses and referrals that ultimately increase demand for hospital services. It creates a virtuous cycle: Early detection brings patients into the system earlier, improving outcomes and boosting volumes for providers.

[9]Bali International Hospital b. (2025)

[10]International Travel and Health Insurance Journal (2024)

[11]Ksatria Medical Systems (2023)

2. Addressing the human resource bottleneck

To expand healthcare capacity, the government is investing directly in infrastructure and manpower. Indonesia has secured a multibillion-dollar commitment from the World Bank to fund hospital infrastructure and equipment upgrades.[12] These funds are being used to procure high-cost medical equipment (e.g., imaging machines, radiotherapy units) for both new and existing hospitals.

But the government also recognizes that equipment is useless without skilled professionals. As described earlier in this piece, Indonesia has suffered from a shortage of doctors and specialists.

The Health Ministry has started sending Indonesian doctors abroad for subspecialist training, notably to China.[13] These doctors are expected to return and help ease the specialist supply bottleneck. Over the next decade, this initiative should significantly expand the pool of surgeons, cardiologists, oncologists, and other specialists needed to staff new service lines in hospitals. To generate additional specialists, hospital-based specialist training has been introduced as an alternative to medical school-trained specialists. For investors, this is a critical de-risking measure: The human capital constraint is being addressed at the highest policy level.

3. Reforming the BPJS class system

Another key policy reform could significantly improve private hospital economics: the standardization of BPJS hospital bed classes. Currently, JKN offers tiered inpatient classes (Class I, II, III), each with different amenities. The government is planning to abolish these distinctions, creating a uniform standard of care for all insured patients.[14]

This change will essentially downgrade higher-income JKN members within the system — everyone will receive the same basic ward-level accommodation. While this may cause some dissatisfaction, it is likely to encourage those who can afford it to shift toward higher-premium private hospitals, where they can access better amenities and faster care outside the constraints of standardized JKN coverage.

For private hospital operators, this is a compelling opportunity as it may drive more affluent patients to opt for fully private care if they seek VIP-level comfort.

[12]World Bank Group (2025)

[13]Xinhua (2025)

[14]Kompas (2025)

Outlook: Healthy returns beyond the short term

Indonesia's hospital sector is on the cusp of a sustained upswing, backed by fundamental demographic and epidemiological trends as well as deliberate policy support. In the near term, investors may have some concerns around BPJS reimbursement rates and operational challenges — indeed, margins on government-paid patients are tight, and private operators must adapt to a still-evolving regulatory environment. However, the long-run trajectory is clearly positive. The combination of extraordinary demand growth (from an increasingly insured population) and improving ecosystem fundamentals (more doctors, better insurance mechanisms, government funding for infrastructure) makes Indonesia a compelling healthcare investment destination. Private hospital operators who establish a strong foothold now — whether in the value-driven mass market or the higher-end specialty segment — can build scale and expertise that will be difficult to replicate later. They will also be well placed to benefit as efficiencies improve and any future adjustments in tariff or copay policy take effect. It bears noting that many private Indonesian hospitals already enjoy margins above global averages due to the supply-demand imbalance; as the system becomes more streamlined, even incremental improvements in payer mix or pricing could translate to outsized profit growth.

Investors with an eye on global trends should recognize that success in Indonesia not only yields direct returns but also positions them to export those insights to new markets on the cusp of healthcare transformation. In summary, while challenges in Indonesian healthcare remain, the direction of travel is clear and favorable. For investors willing to look past the immediate growing pains, Indonesia's hospital sector offers a rare opportunity to do well by doing good — profiting from enabling millions of people to live healthier, longer and more productive lives. The prognosis is excellent: Indonesia's healthcare inflection point is here, and the time to invest is now.

About the Authors

Arnaud Bauer, Partner, Healthcare Services | A.Bauer@lek.com
Arnaud Bauer is a member of the Healthcare Services and Healthcare M&A team at L.E.K. Consulting. Arnaud's experience in the healthcare provider space spans the entire care continuum, including with government agencies for healthcare investment planning and promotion across the Middle East and APAC regions.

Shri Sarkar, Partner, Singapore | Sa.Sarkar@lek.com
Shri Sarkar is a Partner in L.E.K. Consulting's Asia Healthcare practice based in Singapore. With over 17 years of experience, he advises biopharma and healthcare clients across Southeast Asia, India, and the broader APAC region. Shri brings deep expertise in growth strategy, M&A advisory, and value creation solutions for clients.

Saleem Butt, Principal, Healthcare Services | S.Butt@lek.com
Saleem Butt is a member of the Healthcare Services and Healthcare M&A team at L.E.K. Consulting. He has experience across Southeast Asia and Japan, advising clients across a range of healthcare sub-sectors including MedTech, pharmaceuticals, distribution, digital health, and consumer health, with a particular focus on healthcare providers and provider networks in Southeast Asia.

Aristo Setiawidjaja, Special Advisor to the Minister of Health of the Republic of Indonesia
Aristo is a special advisor to the Indonesian Minister of Health. Until recently Aristo was the Managing Director of Hermina Hospitals, where he led the growth and transformation of the company to become the largest private hospital network in Indonesia.

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