



Private Hospitals in Thailand

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Health at a Glance



Health Expenditure (2016)

US\$ **222** per capita **3.7%** Of GDP

Government: 76%
Private: 12%
Overseas financing: 2%

Source: World Health Organization (WHO)



Health Insurance (2017)

99.15% of total population

Universal Health Coverage: 75.7%
Social Security Scheme: 17.2%
Government/State Enterprises: 8.7%
Individual Insurance: 7.1%
Employer-Sponsored Insurance: 1.7%

(of total population)

Source: National Statistical Office (NSO)



Aging Population (2019)

11.2 Million **17%** of total population

2021: 20% Complete aged society
2031: 28% Super aged society

Source: Department of Provincial Administration (DOPA), Office of the National Economics and Social Development Council (NESDC)



No. of Hospitals*

Public Hospitals (2018) **1,055** hospitals **123,135** beds

Private Hospitals (as of Oct 2019) **378** hospitals **35,997** beds



No. of Patients**

Public Hospitals (2018)
OPD **166.0** Million visits
IPD **8.0** Million patients **35.6** Million days

Private Hospitals (2016)***
OPD **58.8** Million visits
IPD **2.8** Million patients **9.0** Million days



Healthcare Resources (2017)

Doctors **0.56** per 1,000 population
Nurses **2.64** per 1,000 population

Source: Ministry of Public Health (MOPH), National Statistical Office (NSO)

Note: * No. of hospitals include only hospitals that accommodates overnight patients

** No. of patients include only patients of the hospitals that accommodates overnight patients.

*** The latest survey on private hospitals conducted by NSO was in 2016.

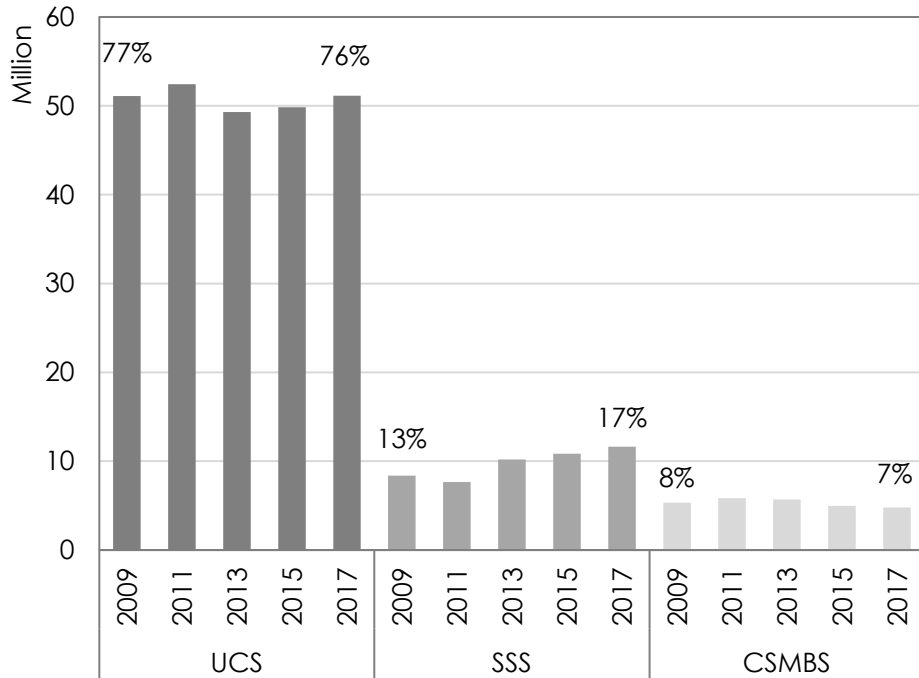
Current Situation of Thailand's Medical Services Market (1)

The rapid rise of private health insurance supports the growth of the medical service market in Thailand

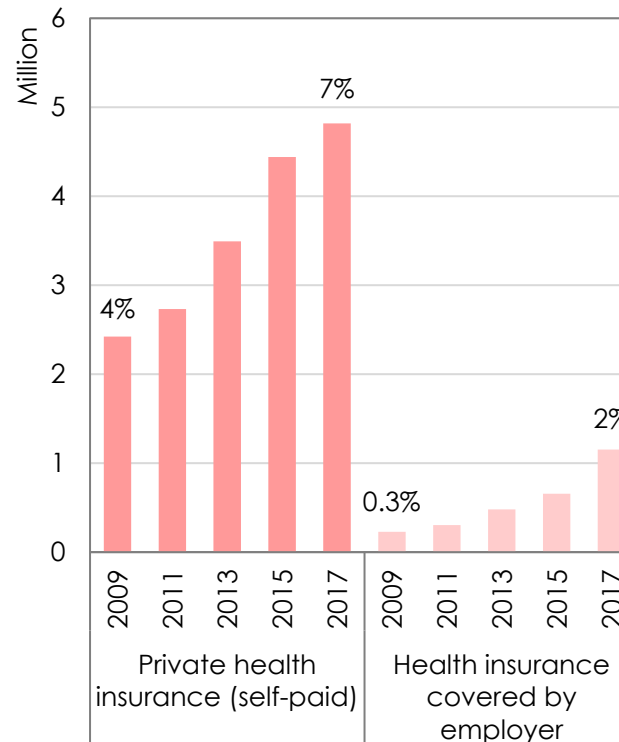
- Thailand has three main public health insurance schemes, which are the Civil Servant Medical Benefits Scheme (CSMBS), the Social Security Scheme (SSS), and the Universal Coverage Scheme (UCS), which covers the entire population. The three schemes cover different groups of beneficiaries, have different sources of funding and disbursement processes.
- Due to the inefficient public health insurance and rising health concerns, as well as increasing medical service fees, private health insurance plays a more important role. Some people prefer to pay for their personal health insurance to get additional medical coverage. Health insurance sponsored by employers have also increased, as it is one of the main factors to attract new employees.

Number of People with Health Insurance Coverage

Public Health Insurance

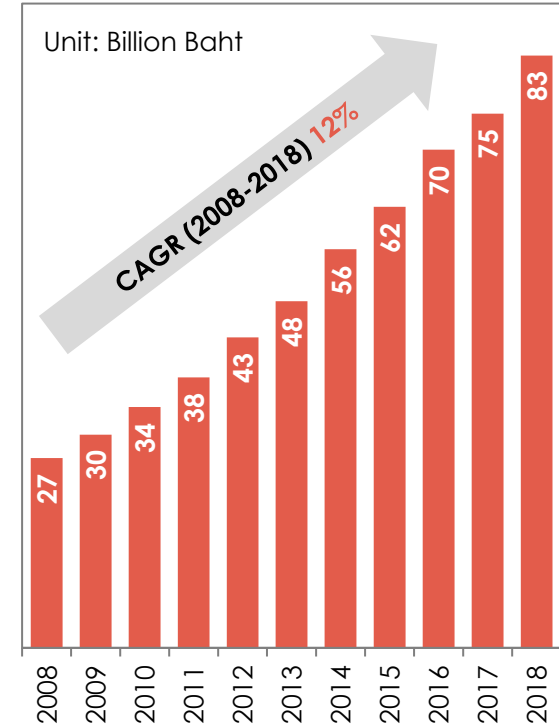


Private Health Insurance



Source: The Health and Welfare Survey National Statistical Office (NSO)

Private Health Insurance Premium



Source: Office of Insurance Commission (OIC)
 Note: The premium amount includes only direct premium of health insurance received by insurance companies.

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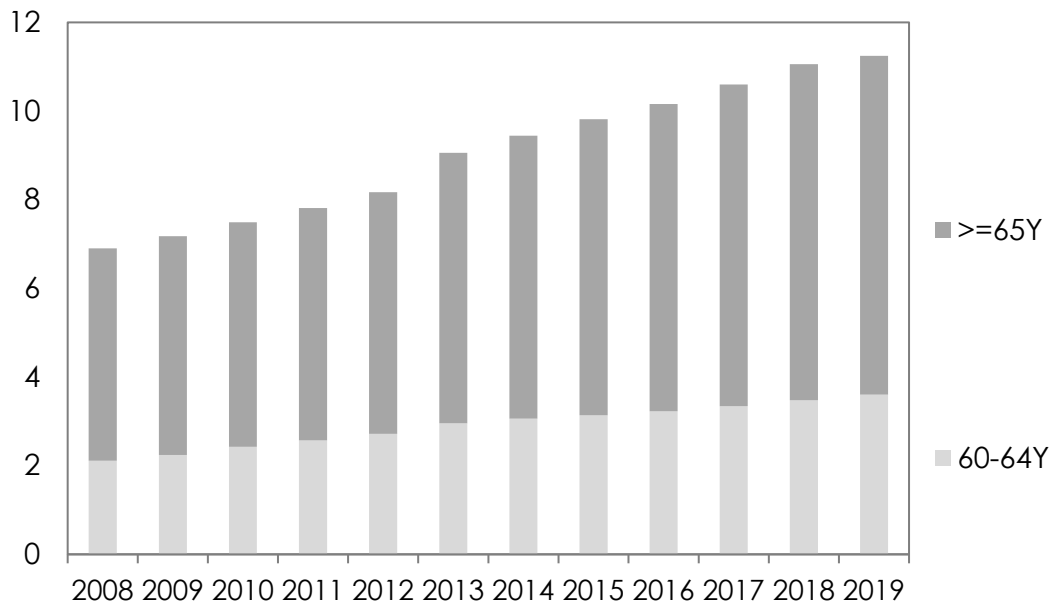
Current Situation of Thailand's Medical Services Market (2)

Aging population causing increased need for medical services

- The aging population in Thailand has exceeded 10 million since 2016. It will reach 15 million in 2025 and 20 million in 2038, according to NESDC estimation.
- The rising aging population is boosting the demand for medical care, especially those for chronic or non-communicable diseases (NCDs).
- According to the Ministry of Public Health, there were more than 3 million in-patients with major NCDs in 2018. These diseases include hypertensive diseases, diabetes, cardiovascular diseases, stroke, and chronic respiratory diseases.

Trend of Aging Population in Thailand

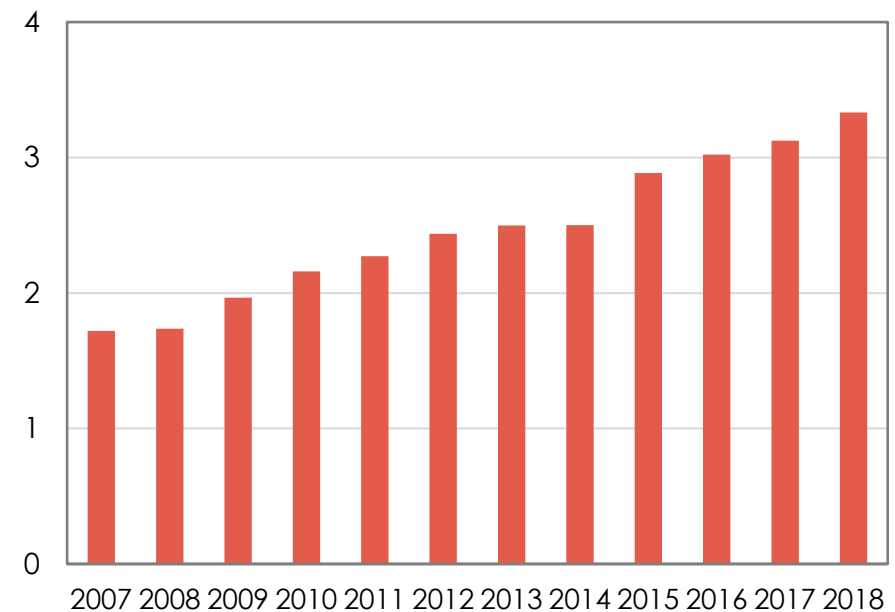
Million people



Source: Department of Provincial Administration, Ministry of Interior
Note: Population as of mid year

No. of In-patients of Top 5 Non-Communicable Diseases (NCDs)

Million patients



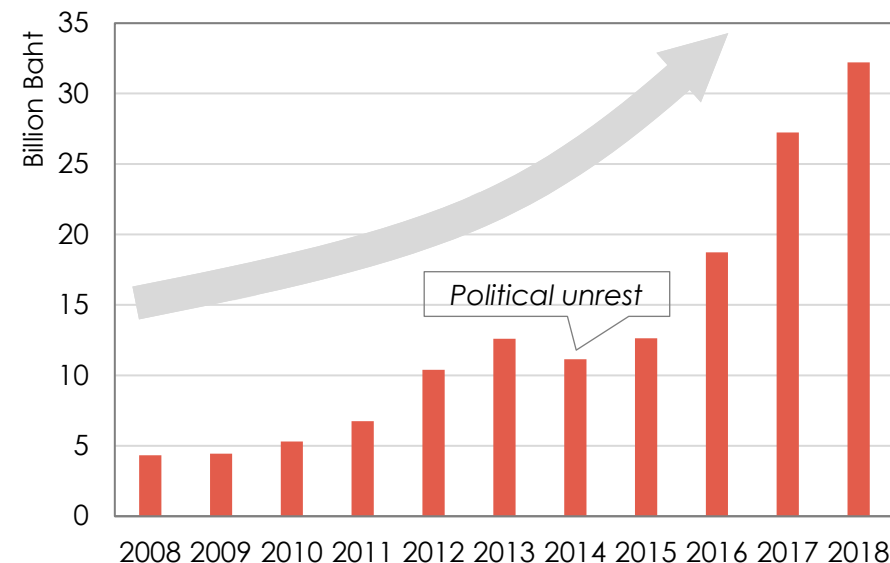
Source: Non-Communicable Diseases Division, Ministry of Public Health

Current Situation of Thailand's Medical Services Market (3)

Considerable Growth of Medical Tourism

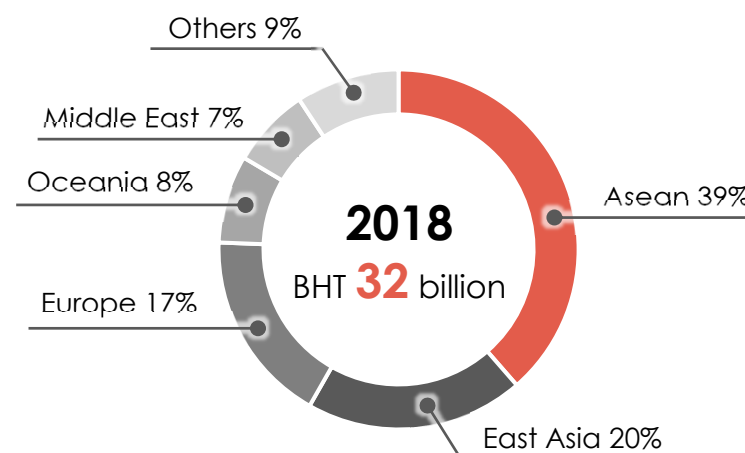
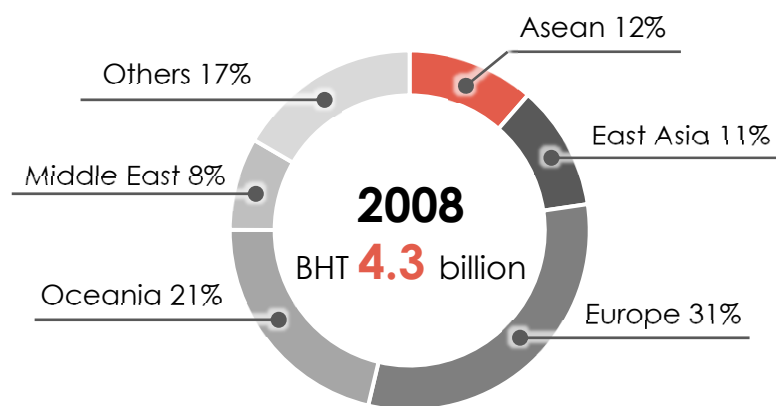
- With the highest number of accredited hospitals in South-East Asia plus affordable and reputable medical services, Thailand is currently among the top 10 medical tourism destinations.
- According to statistics from the Ministry of Tourism and Sports, medical care expenses of foreign tourists amounted to more than 30 billion baht in 2018.
- Popular medical services are specialty medical treatments (especially for vascular diseases, bone and joint diseases, cancers, and gastrointestinal disease), health check-ups, cosmetic surgery, rejuvenating treatments, and fertility treatments.
- Medical care income from medical tourists are mostly from ASEAN countries (especially CLM), China, US, Australia, UK, and Russia.
- Medical treatment expenses have grown considerably since 2016 by Chinese and CLM tourists. Since the Chinese government relaxed the country's one-child rule in 2016, an increasing number of Chinese couples visit Thailand for fertility treatments. In addition, many of them are also seeking beauty treatments.

Trends of Medical Care Expenses of International Tourists



Source: Ministry of Tourism and Sports

2008/ 2018 Comparison of Medical Care Expenses of International Tourists in Thailand by Regions



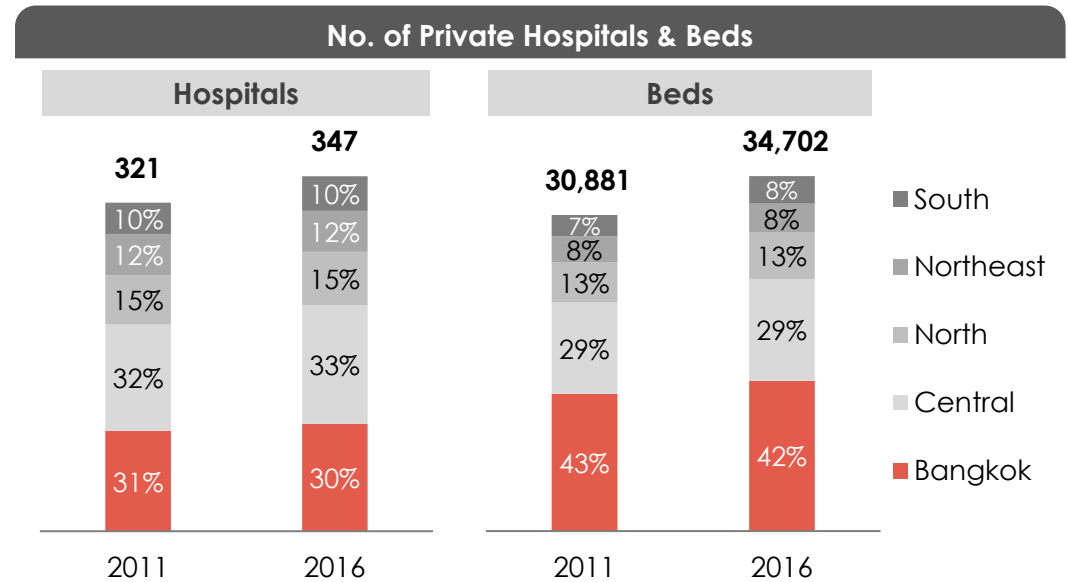
Source: Ministry of Tourism and Sports

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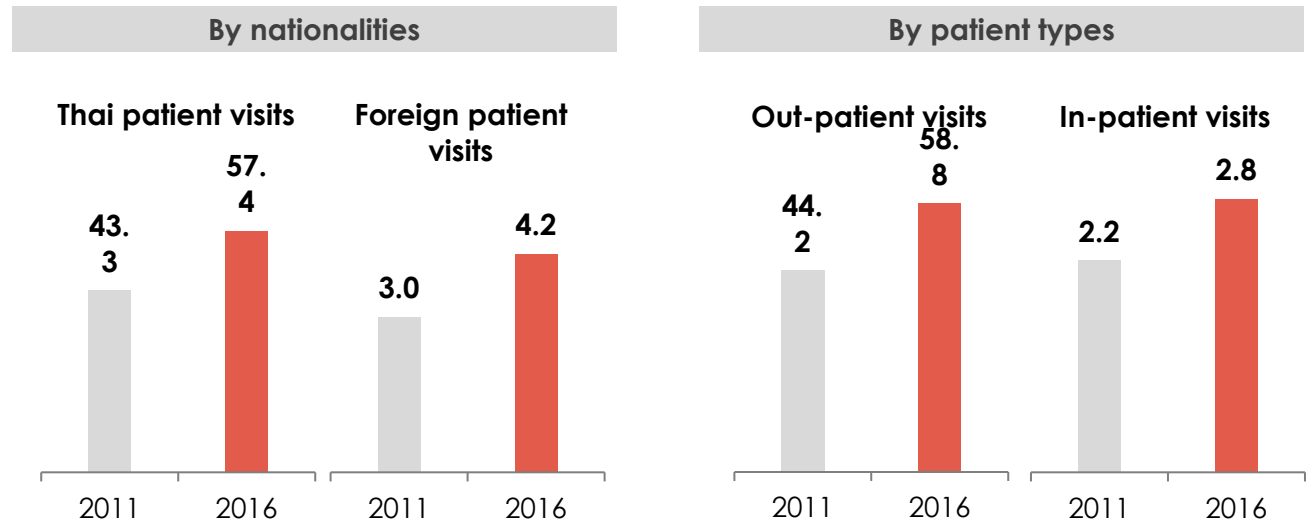
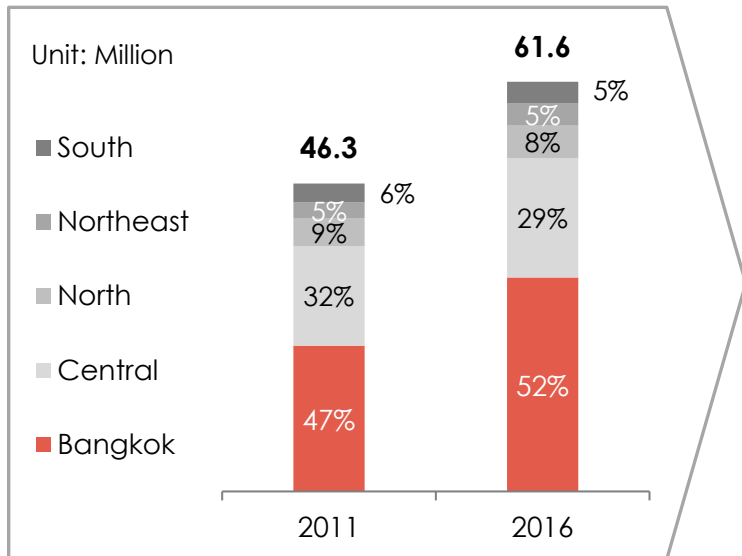
Current Situation of Thailand's Medical Services Market (4)

Growing supply and demand for private medical services

- The number of private hospitals and beds are increasing to accommodate the growing demand for medical care from both the local middle-income population and foreign patients.
- The main locations of private hospitals are Bangkok and the central region, which accounts for more than 70% of overall beds in the country.
- The growing household income and lack of private medical service facilities in the second-tier provinces have driven private hospitals to invest more in those areas, such as Prachinburi, Nan, Nakhon Sri Thammarat, Saraburi. In addition, private hospitals are expanding to border provinces, such as Sakaeo and Tak, due to the strong demand from neighboring countries.



No. of Patient Visits to Private Hospitals



Source: Survey on Private Hospitals in Thailand, National Statistical Office (NSO)

Note: The survey has been conducted every five years. The latest survey was in 2016.

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Major Private Hospital Groups in Thailand

Top 5 Private Hospital Groups in Thailand by Total Revenue

	Business performance* (2018)		No. of network hospitals (beds)		Target customers	Investment plans/ strategies
Bangkok Dusit Medical Services PCL. (BDMS)	Total revenue	79,407 Mil. B	▪ Subsidiaries	48 (8,299)	▪ Foreign patients and Thai upper middle - high income group	<ul style="list-style-type: none"> ▪ Increasing utilization of new hospitals ▪ Expanding insurance patient base ▪ Centers of excellence with international medical affiliation ▪ Expansion of network hospitals
	Hospital operation	75,331 Mil. B	▪ Associates	2 (888)		
	Net profit margin	11.6%	Brands: Bangkok Hospital, Paolo, Samithivej, Phayathai, BNH, Dibuk, Thepakorn, Sri Rayong, Royal Hospital (Cambodia)			
	EBITDA margin	21.6%				
Bumrungrad Hospital PCL. (BH)	Total revenue	18,541 Mil. B	▪ Subsidiaries	2 (667)	▪ Foreign patients and Thai high-income group	<ul style="list-style-type: none"> ▪ Referral office network expansion ▪ Deepen domestic & international insurance, medical assistance networks ▪ Existing hospital renovation and expansion in the same location
	Hospital operation	18,264 Mil. B	Brands: Bumrungrad, Ulaanbaatar Songdo Hospital (Mongolia)			
	Net profit margin	22.4%				
	EBITDA margin	34.0%				
Bangkok Chain Hospital PCL. (BCH)	Total revenue	8,183 Mil. B	▪ Subsidiaries	12 (2,245)	▪ Diversify target customers with different brands, ranging from social security funded patients, middle income group, high income group and foreign patients	<ul style="list-style-type: none"> ▪ Patient mixed diversification ▪ Increase patients' referral network ▪ Geographical expansion through greenfield and M&A (expanding hospital network in upcountry and neighboring country)
	Hospital operation	8,073 Mil. B	Brands: Kasemraj, Kasemraj International, Karunvej, World Medical Hospital			
	Net profit margin	13.3%				
	EBITDA margin	27.3%				
Thonburi Healthcare Group PCL. (THG)	Total revenue	7,094 Mil. B	▪ Subsidiaries	5 (823)	▪ Middle income group	<ul style="list-style-type: none"> ▪ Looking for new business partnerships in ASEAN countries ▪ Early mover towards integrated healthcare provider, including wellness and aged care
	Hospital operation	6,085 Mil. B	▪ Associates	2 (190)		
	Net profit margin	5.2%	▪ JV	2 (350)		
	EBITDA margin	15.4%	Brands: Thonburi, Rajyindi, Ubonrak			
Vibhavadi Hospital PCL. (VIBHA)	Total revenue	6,655 Mil. B	▪ Subsidiaries	7 (1,029)	▪ Middle income group and social security funded patients	<ul style="list-style-type: none"> ▪ Expand hospital network by investing (acquiring some shares) in the existing hospitals ▪ Expand recurring income by establishing new complex near the existing hospital
	Hospital operation	6,367 Mil. B	▪ Associates	4 (453)		
	Net profit margin	13.2%	Brands: Vibhavadi, Chiangmai Ram, Lanna, Hariphunchai, Theppanya			
	EBITDA margin	24.6%				

Source: Compiled from news publications, companies' IR materials

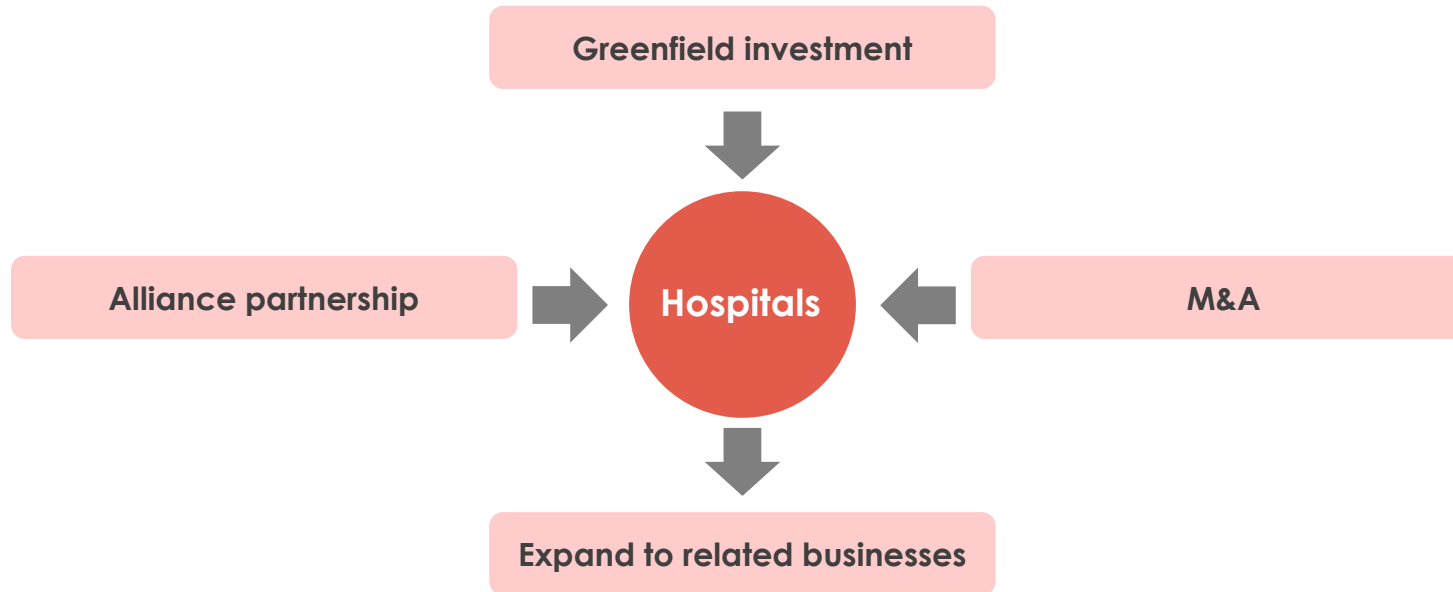
Note: * Consolidated financial information

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Recent Industry Trends (1)

Hospital operators continue to expand their businesses through various aspects



- There was considerable M&A activity in the hospital business during the last 10 years. Large hospital groups are actively collecting networked hospitals into their groups.
- In line with M&A, the large hospital groups continuously establish new hospitals in main cities and second-tier provinces. Joint investment between hospitals and groups of doctors is also increasingly, with the main goals as securing manpower and strengthening capital.
- Partnerships between hospitals are increasingly significant amid stiff competition. In recent years, several forms of partnerships, such as patient referrals and joint-operations, are developing to share and exchange medical resources and customers (patients). Cross-sector partnerships are also deepening as it offers a win-win proposition for both the hospitals and its partners. For example: the collaboration between the hospital groups and insurance companies/ banks in order to provide exclusive services for their customers.
- In addition to the hospital business, hospital operators are expanding to related businesses. Some hospitals utilize their expertise and resources to expand to elderly care and rehabilitation centres. In the meantime, some hospitals are seeking partners to help expand into new businesses.

Recent Industry Trends (2)

New players (non-medical care providers) are investing in the hospital business

	Main business	Investment in hospital business
Principal Capital Pcl.	<ul style="list-style-type: none"> Property Management 	<ul style="list-style-type: none"> The company acquired Alliance Medical Asia (AMA) to initiate their hospital business in 2017. After that, its business expanded aggressively through acquisition and greenfield investment. Now, the company operates 8 hospitals, targeting middle-income patients. Moreover, it plans to increase its network hospitals to 20 by 2023
Pruksa Group	<ul style="list-style-type: none"> Property Development 	<ul style="list-style-type: none"> Pruksa Group established a 250-bed hospital, named "Vimut International Hospital" in the business area of Bangkok. The hospital is targeting middle-income patients.
CP Group	<ul style="list-style-type: none"> Conglomerate (food and agriculture, property, telecom, retail) 	<ul style="list-style-type: none"> CP Medical Centre Co. was set up to run the medical operation. The medical center will be divided into three zones: R&D, a medical teaching institute and a hospital. The hospital operation will focus on expatriates and other foreigners as potential customers.
Saha Union Group	<ul style="list-style-type: none"> Manufacture of Textile Products 	<ul style="list-style-type: none"> Saha Union group established a JV company with Thai investors and Saha Group, which is the leading manufacturer and trader of various products, to operate a hospital in Bangkok. Another hospital, which is also located in Bangkok, is under construction and will be open within 2021. These hospitals will be focusing on middle-income patients

Government Supporting Policies on Medical Services (1)

- The policy to promote medical tourism in Thailand has been adopted for more than a decade.
- The government is focused on the promotion of health and wellness tourism, medical care, and innovation and medical excellence by launching various supporting measures with the aim to turn the country into the world's medical hub by 2020.
- The key measures include long-stay visas for aging people, visa exemption for medical treatment, high tax incentives to promote investment in health-related businesses and promoting hospitals to obtain international accreditation.

Visas to promote medical hub

Long-stay Visas

▶ **Non-immigrant visa “O-A” type:**

“O-A” visas are issued for foreigners aged 50 years and over who wish to stay in Thailand for a period of not exceeding 1 year without the intention of working.

▶ **Non-immigrant visa “O-X” type:**

“O-X” visas are issued for foreigners aged 50 years and over who come from the following countries and wish to stay in the country for maximum of 10 years:

- | | | | | |
|------------|--------------|-------------------|-------------------|------------|
| 1. Japan | 2. Australia | 3. United Kingdom | 4. Italy | 5. France |
| 6. Finland | 7. Germany | 8. Netherlands | 9. Switzerland | 10. Norway |
| 11. Sweden | 12. Denmark | 13. Canada | 14. United States | |

Under Consideration:

- | | | | |
|------------|----------------|------------|----------------|
| 1. Belgium | 2. New Zealand | 3. Austria | 4. South Korea |
|------------|----------------|------------|----------------|

Visa exemption for medical treatment

▶ 90 days visa exemption for medical treatments for patients from:

- | | | | | | |
|-----------|-------------|-----------------|------------|------------------------|-----------|
| 1. Kuwait | 2. Qatar | 3. Saudi Arabia | 4. Bahrain | 5. United Arab Emirate | |
| 6. Oman | 7. Cambodia | 8. Laos | 9. Myanmar | 10. Vietnam | 11. China |

Under Consideration:

- | | |
|----------|------------------|
| 1. Japan | 2. United States |
|----------|------------------|

Medical Visas

▶ The government plans to introduce a new type of visa for medical tourists. The details and conditions of the new visa is under preparation, pending cabinet approval, and is expected to be introduced some time in early 2020.

▶ The new visa (so called Medical Visa) will be a non-immigrant visa that allows multiple entries for a period of one year to facilitate foreign patients who are undergoing medical treatments in Thailand.

Government Supporting Policies on Medical Services (2)

Investment incentives to promote healthcare businesses

Tax Incentives for Medical Services

Eligible Businesses	CIT Exemption
Hospitals*	8 years
Specialty Medical Centers**	8 years
Traditional Thai Medical Public Services	5 years
Transportation Services for Patients, Doctors, or Medical Equipment (Maritime, Land or Air transport)	5 years

Note: * Only hospitals to be established in designated areas, including 20 provinces with the lowest income per capita, four border provinces, some districts in Songkhla, and in Special Economic Development Zones

**Only in areas with shortages namely, heart related issues (coronary artery disease, heart surgery, and heart failure), cancer related issues (chemotherapy and radiology), and kidney related issues (dialysis centers)

Tax Incentives for the Manufacturing of Medical Devices & Medicines

Eligible Manufactures	CIT Exemption
Active Pharmaceutical Ingredients	8 years
Medicines	5-8 years
High-Risk or High-Technology Medical Devices (e.g. x-ray machine, MRI machine, CT scan machine and implants) or Medical Devices that are commercialized from public sector research or collaborative public-private sector research	8 years
Other Medical Devices (except for medical devices made of fabrics or fibers)	5 years
Medical Devices made of Fabrics or Fibers (e.g. gowns, drapes, caps, face masks, gauze and cotton wool)	3 years

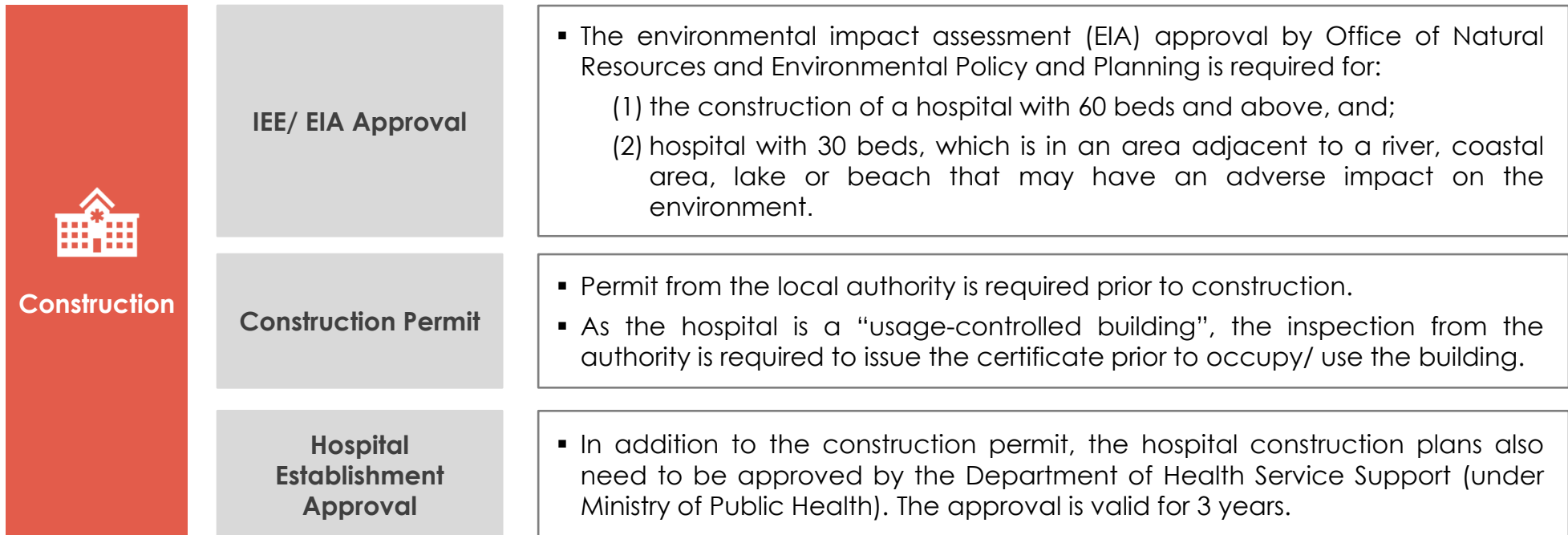
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Main Regulations/ Rules Regarding Hospital Business Operation (1)


- The Sanatoriums Act B.E. 2541 (1998) is the main act regulating the medical services business in Thailand. According to the act, the person who wishes to operate hospital businesses, must obtain the license from the Ministry of Public Health.
- In addition, the construction of the hospital is required to comply to other laws/ regulations, such as the public health act, the building control act, the town planning act, and so on.

License and approval for hospital operation



Main Regulations/ Rules Regarding Hospital Business Operation (2)

License and approval for hospital operation (cont')

 <p>Business Operation</p>	<p>Hospital Operation License</p>	<ul style="list-style-type: none"> ▪ After the construction is complete, a business license is required for hospital operation. ▪ The license is issued by the Bureau of Sanatorium and Art of Healing. It is valid for 10 years and can be renewed. The license can be transferred with prior approval.
	<p>Hospital Manager License</p>	<ul style="list-style-type: none"> ▪ The hospital shall have a manager to control, supervise and be responsible for the management of the hospital. ▪ The hospital manager shall be a medical practitioner, medicine practitioner, midwifery practitioner, midwifery practitioner, or dentistry practitioner, depending on the type of hospital. ▪ The hospital manager needs to obtain a license issued by Department of Health Services. The license is valid for 2 years.
	<p>Other Permissions</p>	<ul style="list-style-type: none"> ▪ Several hospital operation activities need the approval from related authorities. <u>For example</u> <ul style="list-style-type: none"> - Advertising - Changes in type of hospital - Changes in medical service coverage - Changes in number of beds for IPD/ ICU - Changes in number of surgery rooms/ etc. - Changes in medical equipment - Building alterations & expansions

Source: compiled from Sanatorium Act B.E. 2541 (1998), Building Control Act B.E. 2522 (1979) and related Ministerial Regulations

Summary

- Thailand's medical service market has been growing constantly thanks to several supportive factors including growing health concerns, rising aging population, growing medical tourism, and continuous government support.
- The investment in the hospital business was considerable over the past several years, which has resulted in stiff competition. Several forms of investment and collaboration have been used for business expansion, ranging from establishing new hospitals, hospital acquisitions, joint ventures, and joint operations with allied hospitals. In addition, there are several new entries who have made investments in the hospital business.
- The demand for medical care will continue to expand and the competition in the business is anticipated to be more intense. However, the investment in new hospitals and M&A, in terms of both number and investment size, should decrease in comparison to past figures due to concerns over manpower shortages.
- Therefore, over the next few years, investments in the hospital business will be emphasizing on latest technological medical equipment, innovation, and IT in order to enhance the quality of care and improve operational efficiency. Collaboration amongst the hospital operators, i.e., joint operation and patient referrals etc. will rise to remedy the situation borne from insufficient medical practitioners, to increase the efficiency of equipment utilization, and to minimize investment capital.

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