30 July 2026

Healthcare | Healthcare

Healthcare

Overweight (Maintained)

Takeaways From Sasana Symposium 2026

- **Still O/W, Top Picks: KPJ Healthcare (KPJ), Duopharma Biotech, LAC Med.** A key takeaway from Bank Negara Malaysia's Sasana Symposium was the introduction of a soft-landing mechanism (Diagnosis-Related Groups – Fee-For-Service (DRG-FFS) hybrid adjustments) to help prevent margin shocks for private healthcare operators during the transition to DRG-based pricing. Separately, major hospital groups under our coverage have been pilot-onboarded onto the Malaysia Digital Health Certification Network (MDHCN), signalling meaningful progress in public-private health data mobility.
- **DRG & MediAsas.** While the eventual shift from FFS to DRG rates could limit private healthcare operators' ability to expand revenue intensity via itemised billing (drugs, labs, consumables etc), we still expect minimal near-term financial impact. Regulators acknowledged that no DRG system globally is immune to operational gaming, including DRG creep (upcoding to inflating case mix), early discharges, patient cherry picking, and back-end billings. Hence, participation in DRG remains voluntary until all necessary systems and data infrastructure are fully established. Meanwhile, DRG-based rates apply strictly to the newly introduced MediAsas product, while a planned phase introduction of a DRG-FFS hybrid adjustment mechanism is expected to smooth the eventual transition towards DRG-based pricing.
- **Pilot onboarding onto MDHCN.** Progress on MDHCN is moving rapidly, with the network establishing a standardised "One Person, One Record" architecture built on global International Patient Summary (IPS) standards. Initial onboarding includes major private hospital operators such as KPJ, IHH Healthcare, Sunway Healthcare, Selgate Specialist Hospitals, MAHSA Specialist Hospital, and Mahkota Medical Centre, alongside digitalised public-sector infrastructure. Private hospital operators have historically been hesitant to share patient data due to privacy concerns and administrative friction, based on our previous conversations. Nevertheless, we believe these barriers were addressed by MDHCN via a patient-mediated, explicit-consent framework, giving patients control over their data and enabling time-bound access approvals via MySejahtera.
- **Still OVERWEIGHT.** We still believe KPJ is best positioned to benefit from the eventual implementation of medical and health insurance/takaful (MHIT) and DRG, particularly through its extensive network of secondary/community hospitals that operate on a relatively lower cost base, with room to accommodate higher patient volumes. Downside risks: Higher-than-expected operating costs, lower-than-expected patient visits/revenue intensity growth, and adverse regulatory changes.

Stocks Covered	5
Rating (Buy/Neutral/Sell):	4 / 1 / 0

Top Picks	Target Price
Duopharma Biotech (DBB MK) - BUY	MYR1.56
KPJ Healthcare (KPJ MK) - BUY	MYR3.77
LAC Med (LACMED MK) - BUY	MYR1.16

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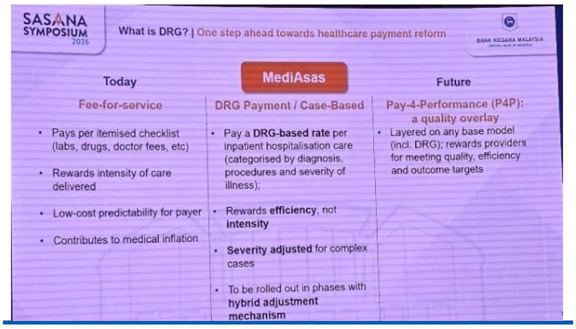
MediAsas/DRG as a stepping stone into Pay-4-Performance (P4P)



Source: Bank Negara Malaysia

Company Name	Rating	Target (MYR)	%Upside (Downside)	P/E (x) Dec-27F	P/B (x) Dec-27F	ROAE (%) Dec-27F	Yield (%) Dec-27F
Duopharma	Buy	1.56	26.7	11.6	1.4	12.2	4.3
IHH Healthcare	Neutral	9.30	11.4	32.3	2.3	7.3	1.6
KPJ Healthcare	Buy	3.77	20.8	33.6	4.7	14.2	1.8
LAC Med	Buy	1.16	78.7	9.1	1.8	21.9	3.8
Sunway Healthcare	Buy	2.14	11.5	50.7	5.4	11.1	0.6

Source: Company data, RHB

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