

Omnibus Law

Legal Insight

Simplification of Licensing Procedures in Hospital Businesses

In early 2020, the Government promulgated the Job Creation Act to enhance the ease of doing business in Indonesia, which it is hoped will boost economic growth in Indonesia. As an effort to establish an improved healthcare business, the Job Creation Act has also changed several provisions contained in the current healthcare regulations, namely Law No. 44 of 2009 regarding Hospitals (“**Hospital Act**”). To support the amendments made under the Job Creation Act for healthcare businesses, the Government of the Republic of Indonesia has promulgated an implementing regulation for such changes, Government Regulation No. 47 of 2021 concerning the Implementation of Hospital Businesses (“**GR 47/2021**”).

In a nutshell, GR 47/2021 is expected to introduce: (i) better access to public health services; (ii) ease of doing healthcare business (simplified licensing procedures); and (iii) job creation for health workers while improving their competence.

This article will cover the highlights of several critical differences from previous legislation contained in the newly issued GR 47/2021, which we believe will favorably impact investment in the healthcare businesses in Indonesia.

Simplification of Licensing in Hospital Business

GR 47/2021 is aimed at making the licensing process and doing healthcare business in Indonesia easier. The Republic of Indonesia’s Government has decided to simplify the licenses that must be obtained and/or maintained by a hospital owner. Previously, there were at least 2 (two) major licenses that a hospital company had to obtain to carry out its operational business: (i) Hospital Construction Permit; and (ii) Hospital Operational License.

Under the previous regime, a hospital’s Hospital Construction Permit had to be obtained prior to developing its hospital building.

However, in practice, hospital owners also had, in a parallel process, to obtain a specific permit to create the hospital structure, the Building Construction Permit/*Izin Mendirikan Bangunan* (“**IMB**”) from the relevant regional Government as a prerequisite for the application for a Hospital Construction Permit. As a result, there was an overlapping of competencies in the process of the granting of the Hospital Construction Permit. In response to this issue, we understand from of the recent public awareness meeting concerning GR 47/2021 which was held on 25 February 2021 by the Ministry of Health and the Indonesian Hospital Association that the Government will remove the Hospital Construction Permit requirement and replace it with the IMB with the proviso that all requirements and technical standards of a hospital are fulfilled. Since this is not reflected in GR 47/2021, further implementing regulations regarding this matter should be anticipated. We also note that according to the Job Creation Act as followed by Government Regulation Number 16 of 2021 concerning Implementing Regulation of Law Number 28 of 2002 concerning Buildings (“**GR 16/2021**”), the concept of the IMB is not going to be used any longer, but the Building Construction Approval/*Persetujuan Bangunan Gedung* (“**PBG**”) is going to be introduced instead.

Furthermore, GR 47/2021 has also simplified the Hospital Operational License to a License to Do Business/*Perizinan Berusaha*, which OSS will issue.

These amendments are some of the Government's attempts to reduce obstacles in implementing healthcare businesses in Indonesia. The Government hopes that such changes can attract new investment and stimulate existing healthcare investment to thrive.

Positive Addition To The Hospital Classification Provisions

Under the previous regime, Hospitals were categorized into two categories:

- A. General hospitals, which provide health services in **all areas and types of disease** (“**General Hospital**”); and
- B. Specialist hospitals, which only provide primary services in **one particular field or type of disease** based on scientific disciplines, age groups, organs, types of disease, or other specialties (“**Specialist Hospital**”).

General Hospitals are classified into Class A, Class B, Class C, and Class D. On the other hand, Specialist Hospitals are classified into Class A, Class B, and Class C only.

These divisions mostly relate to the number of beds the hospital can provide, as follows:

Hospital Type	Class A	Class B	Class C	Class D
General Hospitals	250 beds	200 beds	100 beds	50 beds
Specialist Hospitals	100 beds	75 beds	25 beds	-

GR 47/2021 still retains the above provisions in the categorization of hospitals. However, under GR 47/2021, the Government has also added new specific provisions to facilitate a new hospital classification, **the Primary-level Class D General Hospital (*Rumah Sakit Umum Kelas D Pratama*)**.

GR 47/2021 provides that in order to fulfill the needs of smaller hospitals and to improve access to public healthcare, either the Government or the private sector can establish Primary-level Class D General Hospitals, as long as such hospitals will be able to meet the criteria provided under GR 47/2021, among others: (i) the hospital is located in a remote area or an area difficult to reach due to geographical conditions, (ii) it is considered an underdeveloped region, (iii) there are no existing hospitals within the area concerned.

The above changes will hopefully boost smaller investments in the healthcare sector while providing the public with a better equalized healthcare system, especially for Indonesia's rural areas.

Foreign Investment in Hospitals

The hospital regulations' previous regime provided that privately owned hospitals were open for foreign investment but all privately owned foreign hospitals were obliged to provide at least 200 (two hundred) beds, which was considered quite burdensome for some foreign medium business investors.

However, under GR 47/2021, this requirements has been amended to include a specific requirement for Specialist Hospitals.

Unlike a General Hospital, which provides health services in all areas and types of disease, a Specialist Hospital only provides primary services in **one particular field or type of disease**.

While foreign investment General Hospitals are still subject to the same bed requirements (200 (two hundred) beds), GR 47/2021 only requires a privately owned foreign Specialist Hospital to provide 100 (one hundred) beds.

The above relaxation of the bed requirement opens up a new opportunity for a medium-sized foreign investor to invest in a Specialist Hospital. Hopefully, this will enhance Indonesia's healthcare sector's investment climate

The above write-ups are the highlights in GR 27/2021. If you need an in-depth study or analysis of the benefits, legal implications and legal consequences of GR 47/2021 for your healthcare sector investment plans or development, please contact the Partner listed under key contact.

*The article above was prepared by [Nashatra Prita](#) (Partner), **Abraham Imamat** (Associate), and **Peniel Alexander Pardomuan** (Associate).*

This publication is not intended to be a comprehensive review of all developments in the law and practice, or to cover all aspects of those referred to. Readers should take legal advice before applying the information contained in this publication to specific issues or transactions or matters. For more information, please contact us at dentons.hprp@dentons.com or Partners listed above.

No part of this publication may be reproduced by any process whatsoever without prior written permission from Hanafiah Ponggawa & Partners.