



# **Health Care Financing (HCF): What Options for Malaysia**

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**Social Services Section  
Economic Planning Unit  
7 January 2009**

# Outline of Presentation

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- Background
- 8<sup>th</sup>. & 9<sup>th</sup>. Malaysia Plan
- Issues and Challenges
- Studies and Options Proposed
- Key Issues in deciding on options
- Earmarked Tax
- Medical Savings Account
- National Health Insurance
- Conclusion

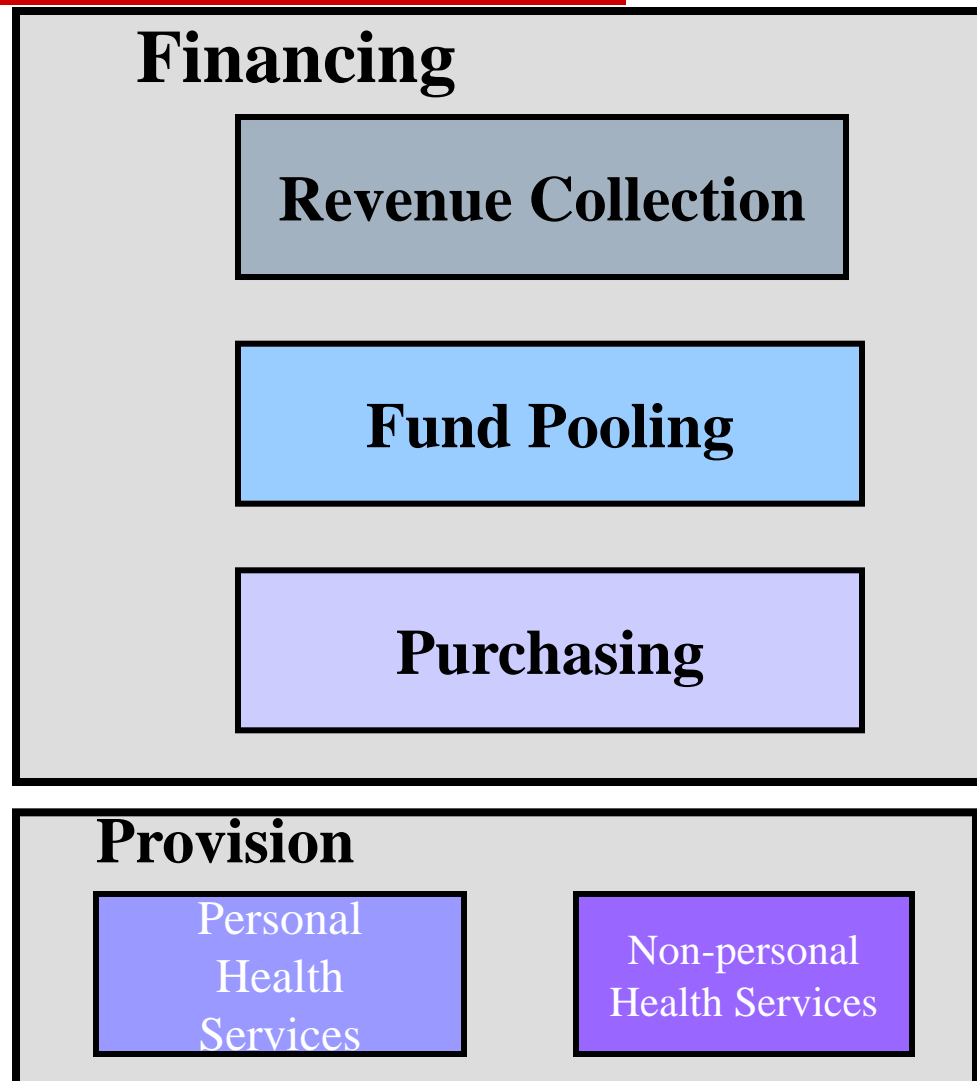
# Background

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- ❑ Sustainable health care systems depends on reliable access to human, capital and consumable resources
- ❑ Securing these resources requires financial resources
- ❑ Important for policy makers to understand how these financial resources are generated and managed
- ❑ Constant pressure because expenditure is increasing and resources are scarce
- ❑ Contain costs, increase funding or both

# Functions of Health Care Systems

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## Sources

Firms,  
Corporate entities  
and employers

Individuals,  
Households and  
employers

Foreign and  
domestic  
non-governmental  
orgs and charities

Foreign government  
and companies

## Mechanism

Direct and  
indirect taxes

Compulsory  
insurance  
contributions  
and payroll  
taxes

Voluntary  
insurance  
premiums

Medical  
savings  
accounts

Out-of-pocket  
payments

Loans,  
grants and  
donations

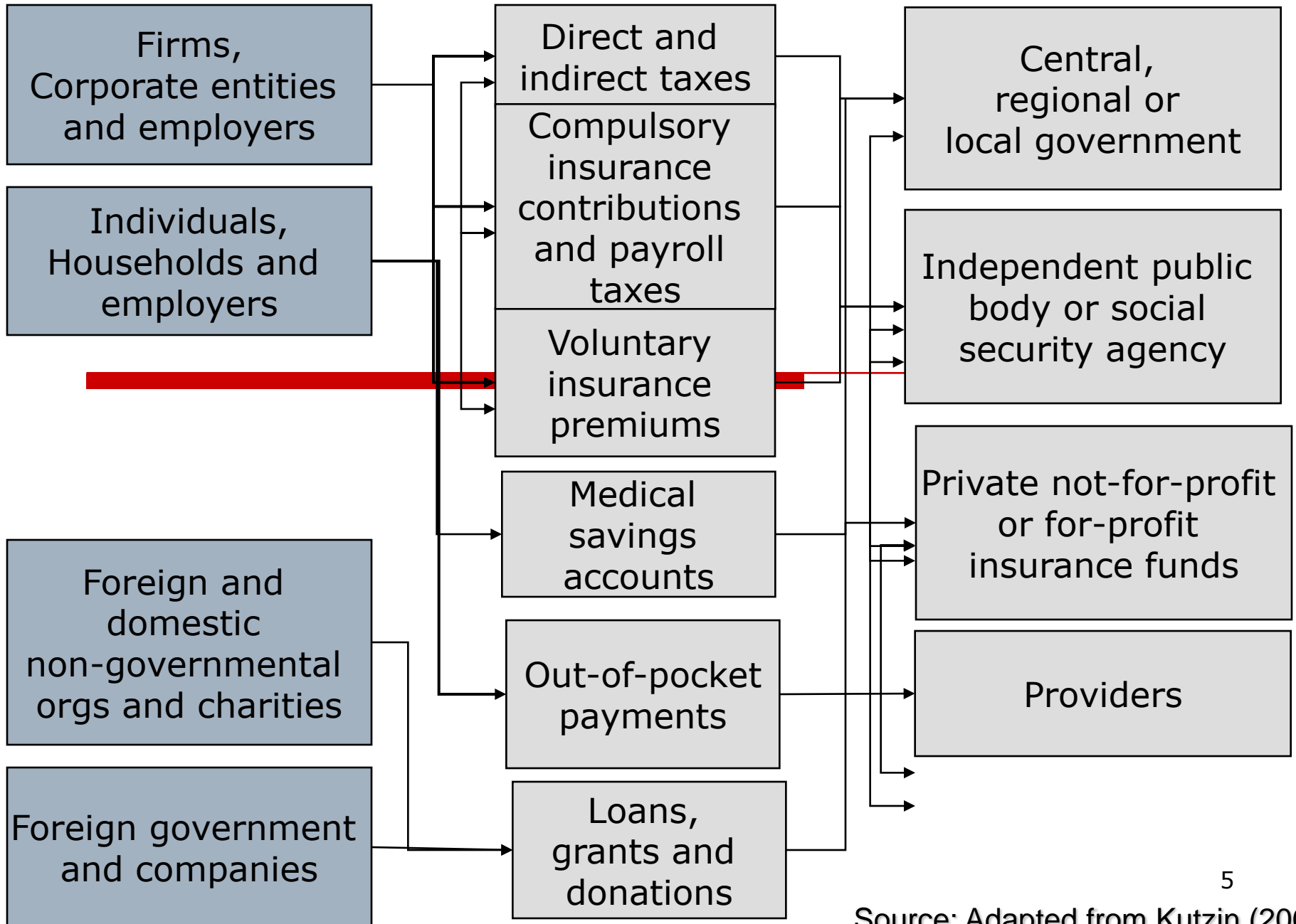
## Collection agent

Central,  
regional or  
local government

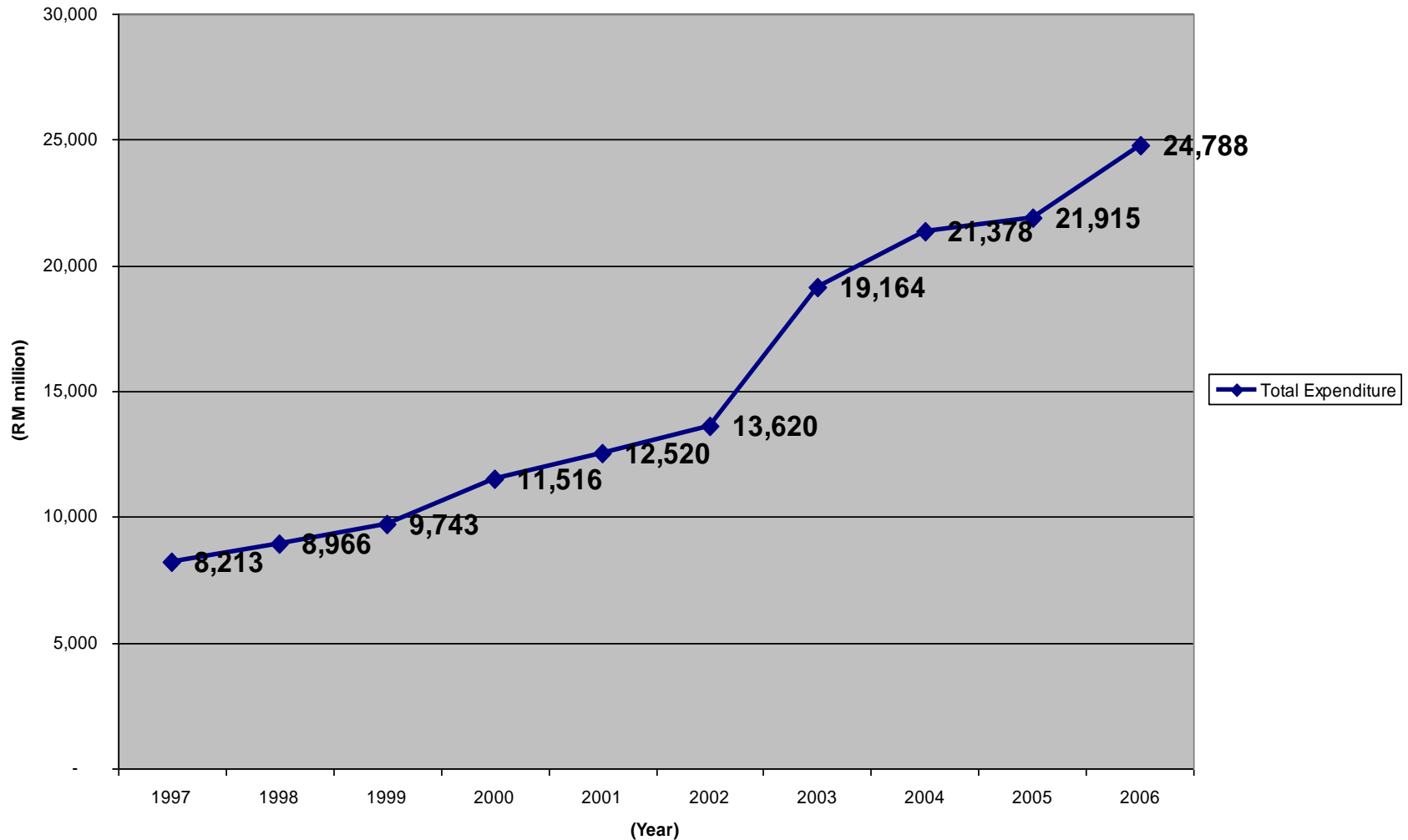
Independent public  
body or social  
security agency

Private not-for-profit  
or for-profit  
insurance funds

Providers



# Total Health Expenditure



Source: MNHA: Health Expenditure Report (1997-2006)

# Total Expenditure on Health, 1997-2006

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<b>Year</b>	<b>Total Expenditure (RM Billion)</b>	<b>% of GDP</b>
1997	8,213	2.9
1998	8,966	3.2
1999	9,743	3.2
2000	11,516	3.4
2001	12,520	3.7
2002	13,620	3.8
2003	19,164	4.6
2004	21,378	4.5
2005	21,915	4.2
2006	24,788	4.3

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Source: MNHA: Health Expenditure Report (1997-2006)

# Total Expenditure on Health by Source of Financing (Public vs. Private), 1997-2006

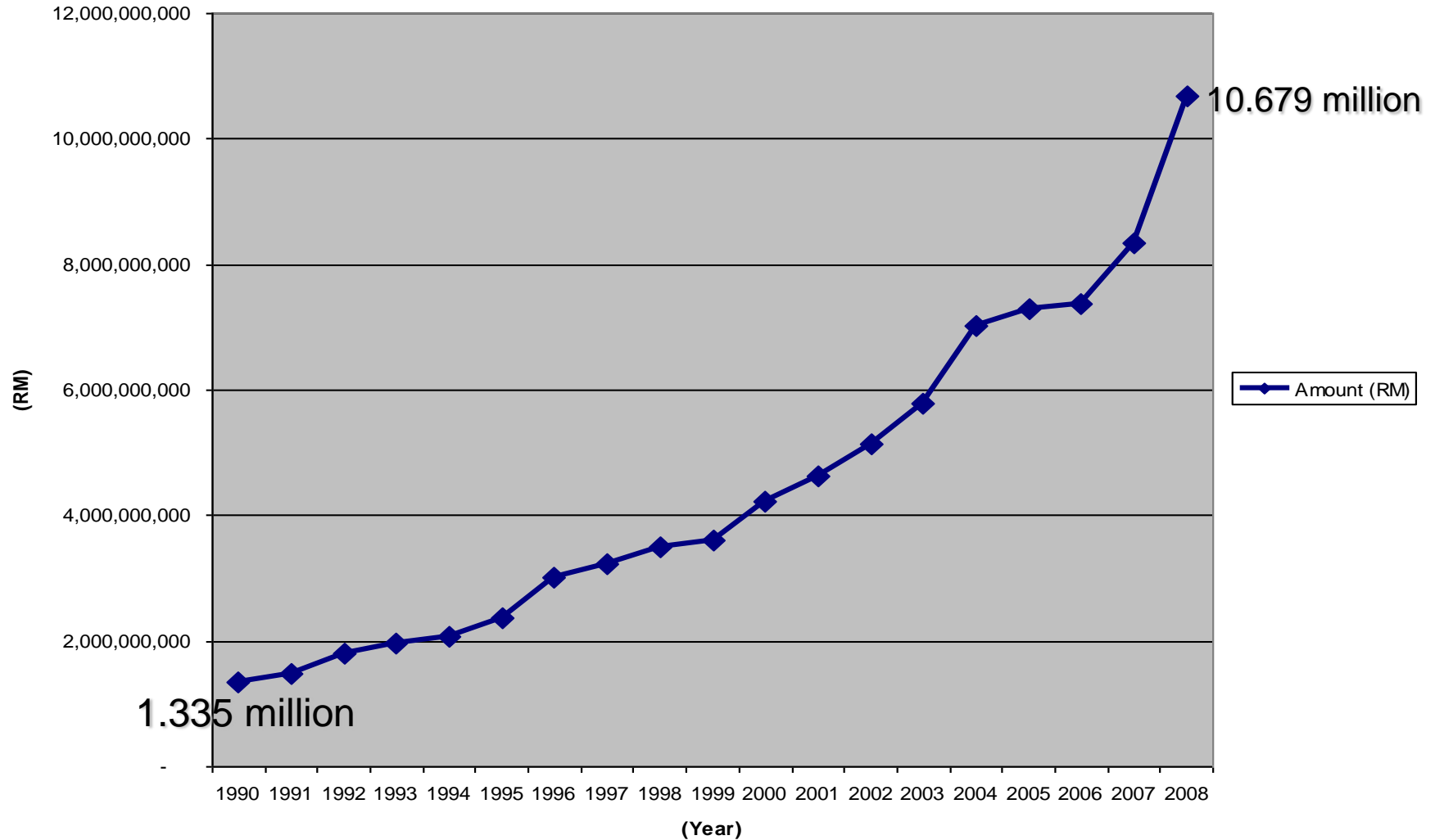
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Year	Public	%	Private	%	Total
1997	4,091	49.8	4,122	50.2	8,213
1998	4,589	51.2	4,377	48.8	8,966
1999	5,022	51.5	4,721	48.5	9,743
2000	6,068	52.7	5,448	47.3	11,516
2001	7,026	56.1	5,494	43.9	12,520
2002	7,593	55.8	6,027	44.2	13,620
2003	10,442	54.5	8,722	45.5	19,164
2004	10,606	49.6	10,772	50.4	21,378
2005	9,658	44.1	12,257	55.9	21,915
2006	11,045	44.6	13,743	55.4	24,788

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Source: MNHA: Health Expenditure Report (1997-2006)

# Ministry of Health Operating Expenditure, 1990-2008



Source: Ministry of Health

# ***Total Expenditure on Health by Source of Financing, 2002***

Sources of Financing	RM Million	%
<b>Ministry of Health (MOH)</b>	<b>6,511</b>	<b>48.0</b>
<b>Private Household Out of Pocket Expenditure (OPP)</b>	<b>4,443</b>	<b>33.0</b>
Private Insurance	769	6.0
All Corporations (other than health insurance)	701	5.0
Ministry of Education	481	4.0
Local Authorities	344	3.0
Other Federal Agencies (including statutory bodies)	145	1.0
Private MCOs and similar entities	75	0.5
Non Profit Institutions (NGOs) serving households	39	0.3
Employees Provident Fund (EPF)	37	0.3
Ministry of Defense	36	0.3
Social Security Organisation (SOCSO)	22	0.2
Other state agencies (including statutory bodies)	17	0.1
<b>Total</b>	<b>13,620</b>	<b>100.00</b>

Source: MNHA: Health Expenditure Report (1997-2002)

# ***Total Expenditure on Health by Source of Financing, 2006***

<b>Sources of Financing</b>	<b>RM Million</b>	<b>%</b>
<b>Private Household Out of Pocket Expenditure (OPP)</b>	<b>10,050</b>	<b>40.54</b>
<b>Ministry of Health (MOH)</b>	<b>9,234</b>	<b>37.25</b>
Private Insurance	1,899	7.66
All Corporations (other than health insurance)	1,634	6.59
Ministry of Higher Education	836	3.37
Other Federal Agencies (including statutory bodies)	729	2.94
Local Authorities	128	0.52
Private MCOs and similar entities	82	0.33
Non Profit Institutions (NGOs) serving households	69	0.28
Social Security Organisation (SOCSO)	49	0.20
Employees Provident Fund (EPF)	44	0.18
Ministry of Defense	26	0.10
Rest of the World	9	0.04
<b>Total</b>	<b>24,789</b>	<b>100.00</b>

Source: MNHA: Health Expenditure Report (1997-2006)

## 8<sup>th</sup>. and 9<sup>th</sup>. MP

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- “... cost sharing concept through health care financing scheme will be introduced to provide consumers with a wider choice in the purchase of health services from both the public and private sectors. In this regard, a suitable mechanism to institute and manage a health care financing mechanism will be implemented..” (Page 495, 8MP)
- “.. implementation of the health care financing mechanism will further enhance accessibility and equity through the provision of high quality, efficient, integrated and comprehensive health care coverage for the population..” (Page 434, 9MP)

# **Health Care Financing (HCF)**

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**What are the  
Issues and Challenges?**

# Escalating Health Care Costs

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- ❑ Rising expectations
- ❑ Increased standards of living
- ❑ Demographic changes
- ❑ Increase in elderly population
- ❑ Changes in disease patterns
- ❑ Diseases of life-styles and affluence
- ❑ Emerging new diseases and unknown pathogens
- ❑ Food safety and quality

# Escalating Health Care Costs (con't)

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- Labour intensive, like “handicraft industry”
- Pressure of providers
- Rapid Innovation in new drugs, medical devices and vaccines

# Equity

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- ❑ Growth of private expenditure
- ❑ Increase usage of private insurance
- ❑ Increase private health care providers
- ❑ High out-of-pocket expenditure
- ❑ Brain drain
- ❑ Under/over utilisation of health personnel

# **Statistics Private Health Care, 2007**

- Doctors: 9,440 (39.8 %)
- Dentists: 1,625 (51.3%)
- Pharmacists: 3,321 (72.7%)
- Hospital Beds: 11,291 (32.2 %)
- Medical Clinics: 2,992

Source: MOH Health Facts 2007

# Equity

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- ❑ Drifting apart into 2 separate systems
- ❑ Nothing to hold them together
- ❑ No policy on private health care
- ❑ In 2000, WHO ranked Malaysia 122th. position in terms of fairness of financial contribution because of high OPP

# Total Expenditure on Health in the Private Sector by Source of Financing, 2006

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Sources of Financing	RM Million	%
Private Household OPP	10,049	73.1
Private Insurance	1,899	13.8
All Corporations	1,634	11.9
Private MCOs and similar entities	82	0.6
Non-profit institutions serving households	69	0.5
Rest of the World	9	0.1
Total	13,742	100

Source: MNHA: Health Expenditure Report (1997-2006)

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# Equity

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“ the size of the private sector has to be one of the three key indicators of inequity in Australian health policy..”

(Mooney, 1996)

# Appeal for Donations

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Published: Friday December 26, 2008 MYT 1:22:00 PM

## IJN got RM3m in donations this year: Foundation head

KUALA LUMPUR: The [National Heart Institute](#) (IJN) Foundation has collected **RM3mil** this year from charitable organisations, private companies and the society to help **fund heart treatment for the poor.**

Tuesday December 16, 2008

## Little Velerie celebrates her first b'day

JOHOR BARU: Little Velerie Ann's parents were all smiles at their daughter's first birthday celebration and thanked *The Star's* generous readers for giving their child the gift of life. The story about Velerie's **complex heart disease** and the need for **RM481,000** for her surgery at Singapore's Gleneagles Hospital was featured in *The Star* on Feb 10.



# Appeal for Donations

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Tuesday January 6, 2009

## Stroke victim on her way to recovery

JOHOR BARU: **Stroke victim** Ho Mei Ping, whose plight was highlighted in *The Star* in April last year and donors responded by giving **RM300,000** for her surgery, is on the road to recovery. The 26-year-old woman, who was semi-paralysed, can now walk with a cane and is able to talk.

Tuesday November 4, 2008

## Valiant fight to save last eye

I still hope to see beautiful things in the world and continue blogging — this is the fervent wish of 29-year-old Leng Kavern who has already lost his right eye to mesenchymal chondrosarcoma, a very **rare skull-based cancer**. The cost of the treatment in China is estimated **at RM120,000**.



# What are the Options?

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- ADB Health Services National Health Financing Study by Westinghouse, 1984-85
- National Health Security Fund Study by Birch and Davis, 1987-89
- WHO Consultant, Mr. JR Herms, 1997
- All the above studies recommend a National Health Insurance

# Other studies and options

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- ❑ Rashid Hussain Bhd. with Prof. William Hsiao recommended medical savings account (MSA), 1997
- ❑ Insurgress Sdn. Bhd. Malaysian Health Care Deliveries and Financing System (MEDIFIS), recommended social health insurance, 2001
- ❑ UNDP NHFM Study by Karol Consulting, 2006 did not complete the study (earmarked tax)

# Key Issues in deciding options

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- ❑ Stable revenue levels over the medium and long term
- ❑ Financial sustainability of priority health programmes
- ❑ Reductions in OPP
- ❑ Removal of financial barriers
- ❑ Equity in service access and contributions
- ❑ Efficiency and effectiveness of resource allocation and use of health services of an acceptable quality

# What options?

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- OPP and Tax Revenue
- Earmarked Tax
- Medical Savings Account
- National Health Insurance

# Earmarked Tax

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- ❑ More visible and used specifically for health
- ❑ Used to fund specific priority programme
- ❑ On certain goods and activities that have adverse health implications
- ❑ Higher prices, consumption will be lowered
- ❑ Fair balance between tax revenue and cost related to treatment
- ❑ Difficult to administer, politically unpopular and even regressive

# Medical Savings Account (MSA)

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- ❑ Another form of dedicated tax
- ❑ Contribute to a personal savings account
- ❑ Compulsory basis for health care of that person and family
- ❑ Can avoid certain issues in traditional health insurance schemes like moral hazard, adverse selection and cream skimming
- ❑ Subject to depreciation
- ❑ Limited capacity for risk pool

# Social Health Insurance

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- ❑ Regulated by government and law
- ❑ Compulsory coverage and premium payment
- ❑ Premiums are based on community rating and not risk-related
- ❑ Contributions according to their means
- ❑ Pooling of health risks and funds
- ❑ Able to get access to health care and protected from financial catastrophe associated with illness

# Social Health Insurance (con't)

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- ❑ Government to contribute for civil servants
- ❑ Reduce budgetary pressures on governments
- ❑ Usually administered by a single national agency, the risks are pooled country-wide
- ❑ For the informal sector, a challenge to cover them
- ❑ Promotes high-cost, hospital-based and doctor-centred curative care

# Conclusion

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- ❑ Health care is a sensitive and emotional issue
- ❑ Finance is the last thing one wants to think when one is sick
- ❑ Health care covers everyone within the country and those who come into this country, visitors, migrant workers (legal or illegal)
- ❑ At the individual basis, one wants the best of health care
- ❑ But at the same time, many are taking health care risks

# Conclusion

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- ❑ Efforts at health education have not been effective.
- ❑ Sickness is unpredictable.
- ❑ Some illness are hereditary.
- ❑ Many are caused by environment and surroundings.
- ❑ Everyone wants health when one is ill.
- ❑ Everyone must play their role in improving their lifestyle for a better health.

# Conclusion

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- ❑ Rich must subsidise the poor and healthy the sick
- ❑ Must decide what mechanism
- ❑ Cannot postpone anymore
- ❑ Take incremental steps
- ❑ Set-up a multi-agency team and given a date-line
- ❑ A national health insurance scheme for a better health care system and a healthier Malaysia



# With Best Regards

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