Galen Centre
for Health and Social Policy

EVENT REPORT

Galen Centre Distinguished Speaker Series #3
Dr. Michael Jeyakumar Devaraj

20 October 2018

Highlights

The Galen Centre for Health and Social Policy organised the third instalment of the Distinguished Speaker Series with Dr. Michael Jeyakumar Devaraj on 20 October 2018.

Dr Jeyakumar's presentation was aimed at underlining the important considerations for the proposed national healthcare insurance scheme, as well as providing recommendations for a more effective public healthcare system.

Background

In August 2018, the Malaysian government announced that it would unveil a national healthcare insurance scheme for B40 families with the Budget 2019 and planned to be rolled out in January 2019. This scheme is touted to be an improvement from the promise made in the Pakatan Harapan manifesto to extend nationwide the popular Peduli Sihat scheme by the Selangor state government.

The government has been tight-lipped on the details of the proposed national healthcare insurance scheme, but it has been reported that the proposed scheme will likely provide RM10,000 health insurance coverage annually to all B40 families for treatment at private healthcare centres. Recipients will also have the option of topping up to increase the coverage limit for their families.

While this is a good initiative by the government, the lack of consultation with healthcare stakeholders and the potential ramifications of the proposed scheme must be considered. The B40 in Malaysia consists of 3 million families. As such, the maximum potential expenditure for this scheme alone can come up to RM30 billion, which is more than the entire national health budget in 2018 at RM27 billion.

It is also unclear if the government plans on underwriting the scheme itself through a single payer system or if it will work in partnership with private insurance companies by paying them a premium to provide coverage to the recipients of the scheme. Besides the high cost, the impact on the healthcare industry, especially on public healthcare, is still unknown.

Important Considerations for the Proposed National Healthcare Insurance Scheme

- **Type of insurance.** It is unclear if the proposed scheme will be risk-rated or community rated. Currently, risk-rated insurance is practiced in Malaysia, where many private, for-profit companies compete in providing the most attractive insurance plan. This results in different premiums based on the risk profile of the individual. Insurance companies also have the right to deny coverage or introduce exclusion clauses to minimise its perceived risks.

  With community-rated insurance however, individuals pay a fixed premium regardless of risk. South Korea has a single-payer, community-rated system which provides universal healthcare coverage. The national government provides 14% of the total amount of funding, tobacco surcharges make up 6%, and the bulk is funded by employee contributions of 5.08% and self-employed contributions based on income and property.

- **Physician compensation.** In the capitation system, healthcare providers are paid a salary based on the population they cover within a community, and not based on volume of patients. Healthcare providers are then incentivised to provide health education within their communities in order to reduce the volume of incoming patients.

The fee-for-service system pays the health care provider based on the number of visits, procedures and type of interventions provided. However, this incentivises healthcare providers to over investigate patients and subject them to unnecessary procedures.

- **Potential overuse of the proposed national health insurance scheme.** As the proposed scheme insures private healthcare, private hospitals might provide free screenings to those insured to elicit otherwise unnecessary investigations in order to profit from the scheme.

- **Impact on quality of care in government hospitals.** Public hospitals handle 75% of all admissions within the country, but only have 10% of specialists with more than 10 years of experience after specialisation, compared to the private sector handling 25% of all admissions but 90% of said specialists.

  The proposed national healthcare insurance scheme could relieve the backlog in public hospitals by shifting patients to private healthcare facilities. However, it might also exacerbate the already seve

  re brain drain of specialists, doctors, nurses, technicians and other staff from the public healthcare system with the expansion of market for private care.

  The deterioration of quality of care in public hospitals forces people to buy additional coverage and perpetuates this vicious cycle.

  B40 families do not have much discretionary income that can be used to top up their insurance coverage, which leaves them to make do with potentially worse public healthcare services.

- **Recommendations.** As a member of the Parti Sosialis Malaysia, Dr. Jeyakumar made the following recommendations:
  - Submit the proposed national health insurance scheme to more scrutiny and discussion before implementation.
  - Increase federal health budget in stages over the next 5 years to 4.0% of GDP
    - Build additional government hospitals in places with overcrowding
    - Provide plates, stents, lenses, etc with minimum co-payments
  - Declare a short-term moratorium on the building of new private hospitals
  - Introduce a new service commission for health care personnel in government service to encourage retention of experienced personnel
    - Adopt the IJN pay scheme
    - 3 months sabbaticals to specialists for every 5 years of service to go overseas and pick up new skills and procedures
    - Enhanced pension for specialists with more than 20 years of service in the public sector

- **Conclusion.** As Malaysia cannot afford to enforce higher living wages for the B40, the government must provide social wages by way of effective, subsidised healthcare.

Panel Discussion and Q&A Session

1. There are no public hospitals run by the Ministry of Health in Petaling Jaya. There is only UMMC, which is a Ministry of Education hospital covering a population of 600,000 people, and not subject to the Akta Fi.

2. The Malaysian Medical Association is for social health insurance that is single payer, community-rated and universal. They were not consulted on the proposed national health insurance scheme.

3. The government accounted for 52% of total healthcare expenditure from 2016-2017 (60% tax-based, 40% from indirect taxes). 48% of spending was from the private sector, where private insurance only accounted for 7-9% while out-of-pocket payments (OOPs) accounted for 39% of the spending, from cash paying patients and companies providing health benefits. OOPs for healthcare have been rising markedly, from 10% in 1997 to 25% in 2012, and then to 39% in 2016. OOP levels of 15-20% is recommended as the upper limit by the World Health Organisation.

4. Based on the data from OEC Countries from 1960 to 2006, tax finance systems perform better than social health insurance. The cost per capita for the country was 3-4% higher for social health insurance. Employers also have a tendency to outsource labour when mandated to co-contribute to employee social health insurance schemes. Years of life lost for women with breast cancer is 3-4% higher under social health insurance.

5. However, breast cancer survivorship was 3-4% higher with social health insurance. Employers also have a

tendency to informalise labour under the tax financing system.

6. The cost of the proposed national health insurance scheme would be better utilised to improve the public healthcare system. There has been a massive shift of patients previously entering into private healthcare moving to public healthcare. Part of this is due to increasing medical inflation, driving up prices in private healthcare facilities.

7. Government owns a large share of private healthcare facilities through its government-linked corporations (GLCs), which effectively undermines the public healthcare system.

8. There is a need for more public private partnerships. The government could purchase services from the private sector at heavily discounted prices and offer this to public sector patients with the most need. This is already practiced for cancer care in states like Malacca, Penang and in some parts of the Klang Valley. This could be a precursor to the merging of public and private healthcare services into a single tier system.

9. The shift of patients in utilising private healthcare will significantly increase the cost of healthcare due to the private sector practice of fee-for-service. This might also increase healthcare debt among the B40 as they access the scheme and find that RM10,000 is often not enough to cover fees in private hospitals, especially if the case involves catastrophic diagnoses such as cancer, hospitalisation, surgery or the use of certain machines for diagnostics and treatment like the MRI or LINAC machines. Experience shared on patient being held by private hospitals until the fee is settled.

10. Specialists in private hospitals are less involved in training new doctors in their field of expertise, as compared to specialists in the public sector. Considering that the public sector only has 10% of the specialists in this country with more than 10 years of experience, it is not conducive towards the capital development of new doctors.

11. Mental health services are not covered by insurance companies, and mental health services in the public healthcare is severely backlogged. B40 likely in higher need for mental health services to improve quality of life. Are mental health services covered under the proposed national healthcare insurance scheme?

12. People living with HIV (PLHIV) are not eligible for insurance policies. However more and more young people are getting infected, 70% of all new cases. Will PLHIV qualify under the proposed national healthcare insurance scheme? Similar questions asked about the homeless and unemployed, migrants and stateless people. Important to cover a broad base as it is beneficial to public health.

13. M40 families are also struggling as private healthcare becomes too expensive and frequently exceeds insurance limits. Experience shared on having to rush to a public hospital in a time sensitive situation, because accessing treatment at the private hospital would have resulted in bankruptcy.

Comments

The public event was attended by participants including members of the public, representatives from medical societies, patient groups, pharmaceutical and healthcare technology industry, academia and civil society groups.