Galen Centre
for Health and Social Policy

POLICY BRIEF

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Will the proposed B40 healthcare plan be accessible and affordable?

Highlights

- The Ministry of Health (MOH) announced in August 2018 that B40 households shall receive annual coverage of between RM10,000 – RM20,000 for medical treatment in private hospitals as part of a proposed National Health Insurance Scheme.[1]
- The structure of the proposed scheme remains unclear, including service coverage, type of risk pooling (community vs risk rated), compensation to health professionals and staff, and potential effectiveness.
- The scheme, as it is currently known, would incur significant and unsustainable cost – possibly incurring RM30 billion in expenditure, not inclusive of additional coverage purchased and claimed. Yet, the planned coverage of RM10,000 for private hospitals may also be insufficient due to high private medical costs and inflation.
- Increased depletion of health professionals and staff from public to private sector as a result of the scheme could further deteriorate public healthcare services.
- Questions arise on how marginalized communities will be affected by the scheme, and how it fails to provide adequate financial protection to B40 and middle 40% (M40) households.

Background

The Ministry of Health announced that a national health insurance scheme for the B40 would be unveiled with the Budget 2019 and planned to be rolled out in January 2019.[2]

While details of the scheme remain unknown, it has been reported that all B40 households shall receive a health insurance plan providing an annual coverage of RM10,000 – RM 20,000 for medical treatment in private hospitals. Recipients will have the option of topping up to increase coverage limit for their families.[1]

Important considerations

The following factors must be considered and discussed for the proposed national health insurance scheme.

Structure of the proposed national health insurance

Type of risk pooling

The type of risk pooling would have significant impact on the scheme, recipients, healthcare systems and MOH. There are two forms of risk pooling in insurance

- **Community rated:** Allocates risk evenly across a community. Policies are offered within a given community at the same price to all persons, regardless of their health status and risk. In South Korea, health insurance is mandatory and is funded by a percentage of a person's

income. Those who earn less pay less, while those who earn more pay more.

- **Risk rated:** Allocates risk to the provider. Policies are offered according to an individual's chance of a claim occurring, based on age, family history, etc. Currently the most commonly practiced form of insurance by private insurance companies in Malaysia.

Compensation system for healthcare providers and staff

Payment systems can greatly influence the behaviour of healthcare professionals and staff. There are two methods of compensation:

- **Capitation:** pays a physician a set amount for each enrolled person assigned to them (e.g. per community or geographical area) regardless if the person seeks care. Capitation provides fixed per capita payments independent of market forces. Physicians receive compensation for their labour via a fixed monthly salary. Utilised by the Malaysian public healthcare system.
- **Fee-for-Service (FFS):** pays a physician according to the amount and types of procedures used to treat a patient. It incentivises physicians to provide more treatments, but present moral hazards (i.e. over-investigation and over-treatment of a patient). Utilised by the private healthcare system.

Service coverage

Types of services covered under this scheme remains unclear, such as mental health services (e.g. assessment and treatment), diagnostic services (e.g. cancer screening, which may involve outpatient services), procedures considered cosmetic such as breast reconstruction following a mastectomy, etc.

Efficacy of social health insurance

The efficacy of a social health insurance model is unclear. A paper from the World Bank in 2009 found OECD countries with social health insurances display 3-4% higher cost per capita than countries with tax-financed healthcare.

As social health insurances oblige employers to pay extra tax finances, outsourcing of labour forces is a tendency, leading to a decline of 8% in formal sector employment.

Certain illnesses display lower life expectancy under social health insurance, such as women with breast cancer (potential year of life lost is 3-4% higher).

It is also unclear if the proposed scheme will complement or replace the existing tax-financed public healthcare system.

Unsustainable costs

B40 households make less than RM3,900 a month. If RM10,000 is allocated to all 3 million B40 families in Malaysia, a potential RM30 billion expenditure could be incurred, which is greater than the entire 2018 healthcare budget (RM26 billion).

Research by the Penang Institute confirmed that the Malaysian government would only be able to afford private sector inpatient tertiary care at RM10,000 thresholds if the scheme is implemented in 2019.

The scheme may also lead to a switch from public to private healthcare services among the B40. If 60% of the B40 utilise private sector services (similar to T20 levels), the cost incurred may lead to government bankruptcy.

Insufficient coverage

RM10,000 is insufficient to cover all inpatient services in hospitals, especially with regards to catastrophic diagnoses (e.g. mastectomy alone costs RM12,000 in private hospitals).

As B40 households generally cannot afford to top up their insurance cards, an eventual return to public services from private would occur.

Further financial hardship could occur as the B40 would be subjected to first class rates due to provisions from the Fees (Medical)(Amendment) Order 2017. Healthcare debts could also rise if the scheme is insufficient to cover the cost incurred from accessing services in the private sector.

Negative impact on quality of care in government hospitals

Introducing this scheme might lead to greater demand for and expansion of the private care market. The demand for hospital staff in private facilities will lead to increasing brain drain of hospital staff from the public sector, thereby worsening the quality of care in government hospitals.

Coverage for multiple diverse marginalised communities

The B40 consists of multiple diverse marginalized communities normally excluded from private medical insurances, such as transgender persons, people living with HIV, sex workers, migrant, refugee and stateless communities and homeless persons.

It is still unknown if the scheme would provide coverage to these communities and how it would address their needs and concerns regarding the bureaucratic hurdles they have to face to obtain access to healthcare (e.g. need to have an identification card and house address, etc).

Lack of financial protection from out-of-pocket expenses

Out-of-pocket (OOP) expenses by Malaysian citizens to healthcare have markedly risen from 10% in 1997, to 25% in 2012 and 39% in 2016. This is outside recommended levels by the World Health Organisation's (WHO), as OOP payments beyond 15-20% could lead to impoverishment.

The issue of high OOP and catastrophic payments is relevant not only to the B40, but the M40 as well, whose needs must also be taken into consideration.

Recommendations

- Postpone implementation of the proposed national health insurance scheme until further consultations have been made with stakeholders.
    - Stakeholders such as the Malaysian Medication Association (MMA), patient groups and members of the public must be consulted to ensure the efficacy, equity and accessibility of the scheme.
- Develop a roadmap towards gradually increasing the federal government health budget from 2.2% to 4% of GDP.
- Increase public-private partnerships in service provisions.
    - Suggestion: Increase the purchase, target and utilization of private services and equipment (e.g. radiotherapy, chemotherapy) at lower, pre-negotiated prices to complement existing public health services.
- Roll back amendments contained in the Fees (Medical) (Amendment) Order 2017 which impose first class fees on patients who are referred from private to public healthcare.
- Standardise fees across all public hospitals (i.e. Ministry of Health and Ministry of Education hospitals).
- Work on strengthening financial protections from OOP health expenditure among the B40 and M40.

References

[1] Deputy Health Minister Dr Lee Bon Chye. Malay Mail Online. (2018). "Putrajaya to implement health insurance gradually, deputy minister says". Refer to: https://www.malaymail.com/s/1659342/putrajaya-to-implement-health-insurance-gradually-deputy-minister-says

[2] Health Minister Dr Dzulkefly Ahmad. New Straits Times. (2018). "B40 social health insurance scheme to be rolled out in January". Refer to https://www.nst.com.my/news/nation/2018/08/403363/b40-social-health-insurance-scheme-be-rolled-out-january

The Galen Centre for Health and Social Policy is an independent public policy research and advocacy organisation based in Kuala Lumpur, Malaysia. It is committed to an approach which supports individual freedom, choice, and innovation in the development of patient-centric and community-focused health and social sectors.

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