Budget 2021
Public health under scrutiny

Highlights

• Allocation for health increased by 4.3%
• Funding for treatment of non-communicable diseases remains unclear
• There is less allocation for mental health
• The Disease Control Division needs more funding
• Teaching/ university hospitals involved in the COVID-19 response appear to not benefit from an increase in funding
• COVID-19 fund ceiling proposed to be raised to RM 65b.
• Increase in tax relief for medical expenses related to serious diseases and fertility treatments

Projected revenue and spending in 2021

• Budget 2021 (RM 322.5 billion) is the largest proposed budget in Malaysian history or 20.6% of Gross Domestic Product.
• Revenue is forecasted to decline in 2020 due to lower tax collection with direct tax (representing 50.6% of total revenue) expected to decline by 14.6% to RM 115.1b. Indirect tax (16.8%) is also expected to be lower to RM 38.2b.
• A contraction of 4.5% and a growth of between 6.5 to 7.5% have been forecasted for 2020 and 2021, respectively. Federal government debt is expected to increase by RM 81.3b in 2020. Inflation in 2021 is expected to increase to 2.5%.
• While neither introducing new taxes nor significantly increasing existing ones, the federal government expects the economy in 2021 to recover to above pre-crisis levels, driven by stimulus packages, government assistance and global economy.
• The budget has three focus areas: ensuring the wellbeing of the people, business continuity, and resilience of the economy.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020**</th>
<th>2021***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>264,415</td>
<td>227,270</td>
<td>236,900</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>180,566</td>
<td>153,260</td>
<td>174,370</td>
</tr>
<tr>
<td>Direct tax</td>
<td>134,723</td>
<td>115,105</td>
<td>131,870</td>
</tr>
<tr>
<td>Indirect tax</td>
<td>45,843</td>
<td>38,155</td>
<td>42,500</td>
</tr>
<tr>
<td>Non-tax revenue</td>
<td>83,849</td>
<td>74,010</td>
<td>62,530</td>
</tr>
</tbody>
</table>

*estimated **forecasted

Table 1: Federal government revenue
Source: Ministry of Finance, 2021 Fiscal Outlook and Federal Government Revenue Estimates

Health budget overview

• The Ministry of Health has been allocated RM 31.94b in 2021 compared to RM 30.60b in 2020. From that amount RM27,223,685,300 has been allocated as operational expenditure (OPEX) and RM 4,717,819,000 as development expenditure (DEVEX).
• Generally, there has been a reduction of OPEX allocation of 2.57%. This is due to RM 2.065b allocated for Hospital Support Services (HSS) (RM 1,928,583,000) and Clinic Support Services (CSS) (RM 137 million) reclassified from OPEX into new line items in DEVEX.
Beginning 2021, most allocations for medical supplies (including medicines, medical gas, reagents, vaccines, consumables, x-ray films etc) totalling RM 4.29b for hospital pharmacies, Klinik Kesihatan and Dental Clinics which were previously allocated under individual activities and specialisations have now been consolidated under the Government Facility Medical Supplies (Bekalan Peraturan Fasiliti Kesihatan) totalling RM 2.89b and the drug laboratory and store privatisation concessionaire of RM 1.4b.

This consolidation was done to ensure that monitoring of allocations and expenditure are able to be easily facilitated under all MOH medical facilities.

<table>
<thead>
<tr>
<th>No.</th>
<th>Programme</th>
<th>Allocation (RM million)</th>
</tr>
</thead>
</table>
| Ministry of Health  
1. | Mental Health-Substance Abuse-Violence And Injury Prevention Programme (MeSVIPP) | 24                      |
| 2. | Peritoneal dialysis treatment                                               | 25                      |
| 3. | Pneumococcal immunisation                                                  | 90                      |
| 4. | Biologics therapy for treatment of diseases such as Rheumatoid arthritis   | 6                       |
| 5. | Malaysia National Healthy Agenda (ANMS) towards the reduction of diabetes, hypertension and obesity | 19                      |
| 6. | Malaysian Healthcare Travel Council                                         | 35                      |
| 7. | Peka B40                                                                  | 80                      |
| Non – Ministry of Health  
8. | National Disaster Management Agency for COVID 19 coordination efforts      | 150                     |

Table 2: Highlights

An allocation of RM 1.42b was also proposed for teaching/university hospitals under the Ministry of Higher Education. This represents an increase of 6.7% compared to the RM 1.33b for 2020. However, most of the new funds will go towards the establishing of a new teaching hospital under Universiti Teknologi Mara.

The university hospitals involved in the COVID-19 response include Universiti Malaya, International Islamic University Malaysia, Universiti Kebangsaan Malaysia, Universiti Putra Malaysia, Universiti Sains Malaysia, Universiti Malaysia Sarawak, and Universiti Malaysia Sabah. Universiti Malaya will actually receive less in 2021 compared to 2020.

COVID-19

The COVID-19 Fund

- This temporary fund which spans three years and established under the Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 (Act 830) legislation received a fiscal injection of RM 45 billion and is in effect from 27 February 2020 until 31 December 2022.
- This legislation describes what programmes can be supported under this fund. The majority are economic stimulus programmes. Only RM 1b is allocated to the Ministry of Health for COVID-19 related expenses.
- It was proposed the fund’s ceiling be raised to RM 65 billion to cover additional assistance under the KITA PERHATIN package.
- The fund’s proposed allocation for 2021 is RM 17 billion, which has been declared insufficient by stakeholders and parliamentarians.

Vaccines

- Despite the deployment of a COVID-19 vaccine being prominent in the federal government’s public communications regarding the local epidemic and leading up to the Budget 2021 speech, there is no clear indication of the allocations in either Budget 2021 or the COVID-19 fund in preparation for any of the following activities: vaccine supplies, distribution system and related personnel. However, it is possible for some of these costs could be covered under the COVID-19 Fund but there is no publicly available information indicating this.
- There is no clear identification of the down payment necessary to secure participation in the COVID 19 Vaccine Global Access (COVAX) Programme. Under the Optional Purchase Agreement which Malaysia has decided on, the government would be required to pay upfront of at least US$ 39.7m (RM 164.1m) to secure 12.8m doses to vaccinate 20 percent of the population, or 6.4m people, on a two-dose regimen.1
- There is no specified budget line for the estimated RM3b mentioned in the Budget 2021 speech as necessary to procure a COVID-19 vaccine to cover the population.

Public-private partnership

- The four major rubber glove companies, Top Glove (RM 185m), Hartalega (RM 90m), Supermax (RM 75m) and Kossan (RM50m), will contribute a total of RM 400m to fight COVID 19 which will contribute towards the cost of the COVID 19 vaccine and expenses for health-related equipment.

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1 The government has now been announced that it would make payment of RM 96 m instead to COVAX, translating to an estimated 10 percent of the population. It is also likely that funds from 2020 would be used to finance this initial payment.

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Public health allocation

<table>
<thead>
<tr>
<th>Programme</th>
<th>Budget 2021</th>
<th>Budget 2020</th>
<th>% of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>2,278,541,200</td>
<td>2,440,959,100</td>
<td>-6.65%</td>
</tr>
<tr>
<td>Medical</td>
<td>11,313,633,400</td>
<td>14,221,854,800</td>
<td>-20.45%</td>
</tr>
<tr>
<td>Public health</td>
<td>4,997,590,900</td>
<td>5,659,667,400</td>
<td>-11.70%</td>
</tr>
<tr>
<td>Dental health</td>
<td>978,188,800</td>
<td>989,974,600</td>
<td>-1.19%</td>
</tr>
<tr>
<td>Pharmacy services</td>
<td>209,277,200</td>
<td>212,038,000</td>
<td>-1.30%</td>
</tr>
<tr>
<td>Research &amp; technical support</td>
<td>411,774,100</td>
<td>426,893,400</td>
<td>-3.54%</td>
</tr>
<tr>
<td>Food quality and safety</td>
<td>98,240,000</td>
<td>94,409,000</td>
<td>4.06%</td>
</tr>
<tr>
<td>Specific programmes</td>
<td>5,536,439,700</td>
<td>3,895,734,600</td>
<td>42.12%</td>
</tr>
<tr>
<td>Financial commitment (Concessionaire)</td>
<td>1,400,000,000</td>
<td>-</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total</td>
<td>27,223,685,300</td>
<td>27,941,530,900</td>
<td>-2.57%</td>
</tr>
</tbody>
</table>

Table 4: Operational allocation for Year 2021

Communicable and non-communicable diseases

<table>
<thead>
<tr>
<th>Programme/Activities</th>
<th>2020</th>
<th>2021</th>
<th>Difference %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disease control</td>
<td>843,725,700</td>
<td>835,686,800</td>
<td>-0.95</td>
</tr>
</tbody>
</table>

Table 5: Disease control division

- Despite the Disease Control Division, specifically the coordination work of the Crisis Preparedness and Response Centre (CPRC), being vital and central to the work in responding to the COVID-19 epidemic, there is no discernible increase in the allocation for this vital division.

<table>
<thead>
<tr>
<th>Programme/Activities</th>
<th>2020</th>
<th>2021</th>
<th>Difference %</th>
</tr>
</thead>
<tbody>
<tr>
<td>General medicine</td>
<td>1,731,394,200</td>
<td>1,484,110,300</td>
<td>-14.28</td>
</tr>
<tr>
<td>Nephrology</td>
<td>252,118,400</td>
<td>56,444,800</td>
<td>-77.61</td>
</tr>
<tr>
<td>Cardiac thoracic</td>
<td>180,523,200</td>
<td>60,116,300</td>
<td>-66.70</td>
</tr>
<tr>
<td>Radiotherapy &amp; oncology</td>
<td>328,711,900</td>
<td>136,432,900</td>
<td>-58.49</td>
</tr>
<tr>
<td>Respiratory medicine</td>
<td>38,452,100</td>
<td>34,428,900</td>
<td>-10.46</td>
</tr>
<tr>
<td>Psychiatry &amp; mental health</td>
<td>344,816,500</td>
<td>313,402,600</td>
<td>-9.11</td>
</tr>
<tr>
<td>Transfusion medicine</td>
<td>204,461,600</td>
<td>112,687,100</td>
<td>-44.89</td>
</tr>
<tr>
<td>Dermatology</td>
<td>51,567,800</td>
<td>42,482,100</td>
<td>-17.62</td>
</tr>
<tr>
<td>Health education</td>
<td>50,807,700</td>
<td>48,036,000</td>
<td>-5.46</td>
</tr>
</tbody>
</table>

Table 6: Programme breakdown

- Across the different programmes, there can be seen significant reductions of between 14 – 77%, which have been attributed to the reclassification of the Services and Supplies line item.

Mental health
- 0.98% of the 2021 proposed health budget was allocated to mental health, compared to 1.1% in 2020.

- Psychiatry and mental health services see a significant reduction in allocation under this budget, decreasing by 9.1% (RM 31m) from RM 344m in 2020 to RM 313m in 2021. This is the lowest amount allocated since 2017 and the steepest budget cut in this area of health care experienced over the last decade.

- RM 24m has been proposed to maintain the Mental Health-Substance Abuse-Violence And Injury Prevention Programme (MeSVIPP)

- However, there is a 4% (RM 10m) increase in emoluments for psychiatry and mental health services which implies an increase in investment in the mental health capacity for the public health services.

How has the public health budget been affected?
- What can be seen under the budget breakdown, specifically individual programmes and specialties show significant reductions in the Services and Supplies budget line (20000 series) compared to 2020 allocations.

- However, the Ministry of Health and Ministry of Finance have indicated that the separate allocations previously under this budget line, have now been consolidated under the Specific Programme (Program Khusus), specifically as Health Facility Medical Supplies (Bekalan Perubatan Fasiliti Kesihatan) amounting to RM 2.89b.

- The government insists that the public health budget which includes the treatment of cancer, chronic kidney disease, diabetes and heart disease, has not been reduced. However, there is no way to confirm what treatment allocations have increased or decreased as the breakdown for the individual specialties is not yet available.

Individuals

Tax relief for medical expenses
- For full medical check-up expenses: increased from RM500 to RM1,000
- Up to RM 8,000 for medical expenses related to serious diseases and fertility treatments
- Expenses related to caring of parents including medical treatment, special needs, and carers from up to RM8,000
- Up to RM 1,000, for expenses related to vaccinations of self, spouse and children for the following:
  - Human Papillomavirus (HPV)
  - Influenza
  - Rotavirus
  - Varicella
  - Meningococcal
  - Combination of tetanus diphtheria acellular pertussis (Tdap)
  - Pneumococcal
  - COVID-19 (when it becomes available)

The RM 3b allocation announced for the COVID-19 vaccine cannot be found in the Budget 2021
**MySalam**

**Medical devices**
- Coverage expanded to now include the cost of medical devices, such as stents or prosthetics.

**Medical Relief Fund**
- An allocation of RM 40 m has been proposed for the Medical Relief Fund (Kumpulan Wang Tabung Bantuan Perubatan) which is used to provide treatment assistance for qualified patients in need.

**Health Industry**

**Encouraging investment in pharmaceutical manufacturing**
- For qualified companies relocating operations to Malaysia and those making new investments:

<table>
<thead>
<tr>
<th>New company</th>
<th>Existing company with new services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax incentive rate</td>
<td>Incentive period</td>
</tr>
<tr>
<td>0% to 10%</td>
<td>Up to 10 years</td>
</tr>
</tbody>
</table>

*Table 7: Tax incentives*

- May also benefit from
  - import duty/ sales tax exemptions on equipment and raw materials
  - grants

- Will cover the following areas:
  - Research and development
  - Medical devices testing and clinical trials
  - Any services/ manufacturing related services determined by the Ministry of Finance

- This is applicable for applications received by MIDA from 7 November 2020 to 31 December 2022

**Extension of tax incentive for private healthcare services export**
- The 100% income tax exemption equivalent to the value of increased exports of private healthcare services, to be set off against 70% of statutory income, will be extended to 2022.

**Health tourism**
- RM35m (RM 20m OPEX + RM 15m DEVEX) allocated to Malaysia Healthcare Travel Council for initiatives to enhance competitiveness of the local health tourism industry

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**References**
- Ministry of Health Malaysia. Sidang Taklimat Media Berkenaan Belanjawan 2021 Kementerian Kesihatan Malaysia Bersama Ybhg. Dato’ Sri Dr. Chen Chaw Min, Ketua Setiausaha Kementerian Kesihatan Malaysia. Ministry of Health Malaysia; 8 November 2020

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