

POLICY BRIEF

No. 14, November 2020

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.

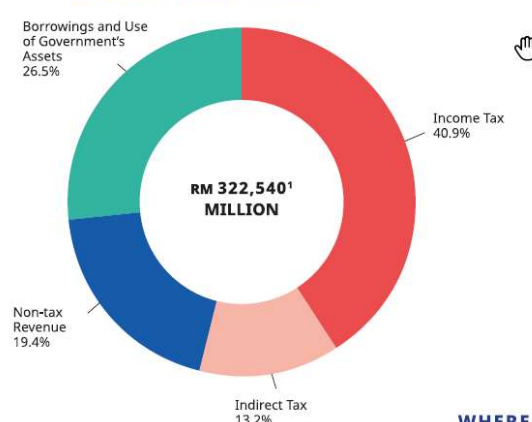
	2019	2020*	2021**
Revenue	264,415	227,270	236,900
Tax revenue	180,566	153,260	174,370
Direct tax	134,723	115,105	131,870
Indirect tax	45,843	38,155	42,500
Non-tax revenue	83,849	74,010	62,530

*estimated **forecasted

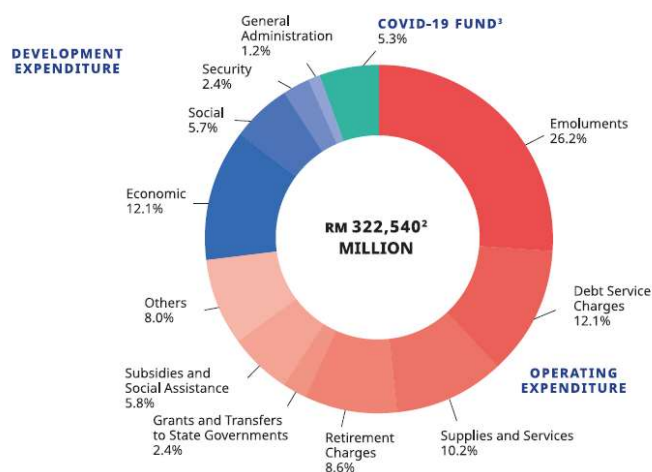
Table 1: Federal government revenue

Source: Ministry of Finance, 2021 Fiscal Outlook and Federal Government Revenue Estimates

WHERE IT COMES FROM



WHERE IT GOES



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.

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 (COVID19)) 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 PERIHATIN package.
- The fund's proposed allocation for 2021 is **RM 17 billion**, which has been **declared insufficient** by stakeholders and parliamentarians.

No.	Programme	Allocation (RM million)
1.	Reagents, screening kits and consumables for MOH	475
2.	Personal protective equipment (PPE) and hand sanitisers	318
3.	One-off RM 500 payment to 100,000 MOH frontline staff	50

Table 3: Health highlights under the COVID-19 Fund (Budget 2021)

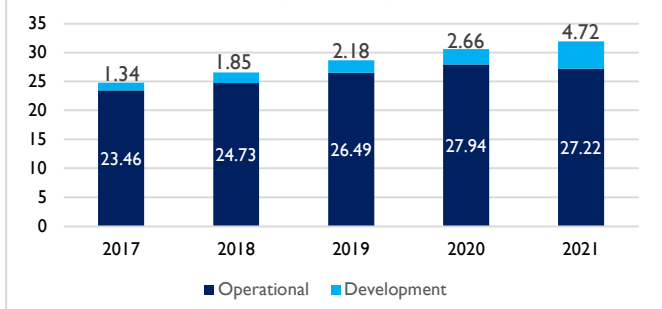
Vaccines

- 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.

Health allocations from 2017 - 2021 (RM billion)



- 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 Perubatan 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.

No.	Programme	Allocation (RM million)
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.

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.

Public health allocation

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

Table 4: Operational allocation for Year 2021

Communicable and non-communicable diseases

Programme/Activities	2020	2021	Difference %
Disease control	843,725,700	835,686,800	-0.95

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.

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

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 specialities 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 Fasilitas Kesehatan*) 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 specialities 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)
	COVID-19 (when it becomes available)
Pneumococcal	

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

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:

New company		Existing company with new services	
Tax incentive rate	Incentive period	Tax incentive rate	Incentive period
0% to 10%	Up to 10 years	10% rate	Up to 10 years

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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