Public-Private Interactions in the Malaysian Healthcare System

Chan Chee Khoon
Citizens' Health Initiative
June 12, 2019

Financial constraints causing govt to rely on private initiatives, says Dr M

Star, 2 June 2019

KOTA KINABALU: Tight finances is forcing the Federal Government to use private initiatives to deliver projects to all states in Malaysia, according to Tun Dr Mahathir Mohamad.

The Prime Minister said that due to financial constraints of the Federal Government caused by the previous Barisan Nasional administration, they do not have sufficient funds to undertake projects in various states.

"It is slow not only for Sabah but also for the other states," he said when asked about delayed federal projects in Sabah on Sunday (June 2).

"To overcome these obstacles, we need to rely on the private sectors, but first, we must make sure they are genuine," he said.

In announcing the establishment of the Health Advisory Council in March 2019, Health Minister Datuk Seri Dr Dzulkefly Ahmad said: *"The council's immediate focus would be on public private partnership in healthcare and human capital development".*

Selected Cases of Healthcare Privatisation in Malaysia

pharmaceuticals & medical supplies *(1994, 15yr. concession)*

annual volume US$100 million, 8% MoH budget

Remedi Pharmaceuticals (M) Sdn Bhd *(foreign partners: Cardinal Products, Specialty Laboratories Asia, Fauldings (?)*

3.2 fold increase in weighted price of drugs supplied *(1997)*

hospital support services *(1996, 15yr. concession)*

US$2.8 billion over 15 years, 14% MoH budget

Faber Medi-Serve Sdn Bhd *(foreign partner: Med Lux Overseas (Guernsey) Ltd., 20 % equity)*

Radicare (M) Sdn Bhd

Tongkah Medivest Sdn Bhd *(foreign partner: Thermal International (S) Pte. Ltd, 6.53 % equity)*

2.2 fold increase in costs between 1996-1999

THE Star
the people's paper
No. 10816 Tuesday January 18 2000 PP1641/3/2000
Peninsula RM1.00 / Sabah RM1.50 / Sarawak RM1.50

January 18, 2000

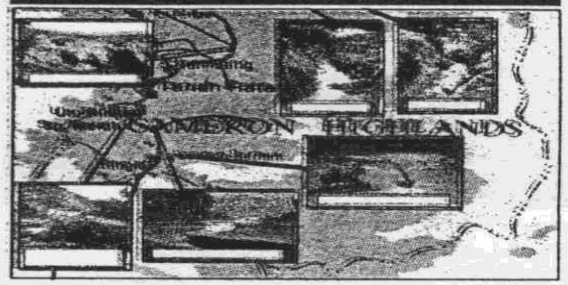
INSIDE

Boy, 13, held after school set on fire
– Page 6

BUSINESS

highway

SECTION2



Shifting sands

Environment
On the trail of the whale

Corporate IT
The AOL-Time

The Star Online – http://thestar.com.my/

HEALTH OPTION

EPF members can use Account III for health insurance scheme from June

By K. PARKARAN

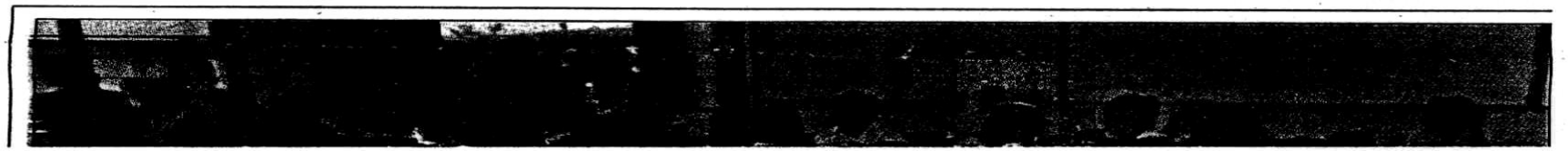
KUALA LUMPUR: The estimated five million active EPF members can use their savings to sign up for a health insurance scheme this June.

Under the scheme agreed upon by EPF and the Life Insurers Association of Malaysia (LIAM), contributors can authorise EPF to pay the premiums *from their Account III (health) annually.*

Members can opt for a low-premium scheme covering 13 critical illnesses or for one covering 36 major illnesses at a higher premium.

The 13 critical illnesses listed by the board are major organ transplants, coronary bypass surgery,

1st OPTION – ANNUAL PREMIUM BASED ON AGE FOR 13 CRITICAL ILLNESSES							
Sum Assured	Up to 35 years old	36-44	45-49	50-54	55-59	60-64	65-70
RM10,000	RM30	RM71	RM130	RM236	RM471	RM883	RM1,883
2nd OPTION – ANNUAL PREMIUM BASED ON AGE FOR 36 CRITICAL ILLNESSES							
RM25,000	RM95	RM205	RM361	RM642	RM1,267	RM2,361	RM5,017
RM50,000	RM182	RM401	RM713	RM1,276	RM2,526	RM4,713	RM10,026
RM100,000	RM347	RM784	RM1,409	RM2,534	RM5,034	RM9,409	RM20,034



mySalam, in lieu of mySaham

- pre-existing conditions excluded, e.g. Alzheimer's, cardiomyopathy (heart disease), coma, if diagnosed before enrolment
- benefits withheld in early stage disease – perverse incentive to delay treatment, e.g. for "very early cancers"
- end-stage liver failure excluded if related to alcohol or drug abuse (considered as self-inflicted injuries)

Multiple Roles of the State in Healthcare

- funder *(even in US, federal govt accts for ~43% THE)*
- provider
- regulator
- investor

Kumpulan Perubatan Johor

Malaysia

- KPJ Johor Specialist Hospital
- KPJ Ampang Puteri Specialist Hospital
- KPJ Damansara Specialist Hospital
- KPJ Ipoh Specialist Hospital
- KPJ Kajang Specialist Hospital
- KPJ Klang Specialist Hospital
- KPJ Penang Specialist Hospital
- KPJ Perdana Specialist Hospital
- KPJ Selangor Specialist Hospital
- KPJ Seremban Specialist Hospital
- Centre for Sight
- Damai Specialist Hospital
- Damansara Specialist Hospital
- Kedah Medical Centre
- KPJ Health Centre
- Kluang Utama Specialist Hospital
- Kuantan Specialist Hospital
- Kuching Specialist Hospital
- Maharani Specialist Hospital
- Pusat Pakar Darul Naim
- Puteri Specialist Hospital
- Sabah Medical Centre
- Sibu Specialist Medical Centre
- Taiping Medical Centre
- Tawakal Hospital
- Pasir Gudang Specialist Hospital

Indonesia

1. RS Medika Permata Hijau
2. RS Bumi Serpong Damai

Parkway Pantai

Malaysia

- Gleneagles Kuala Lumpur
- Gleneagles Penang
- Pantai Hospital Kuala Lumpur
- Pantai Hospital Cheras
- Pantai Hospital Ampang
- Pantai Hospital Klang
- Pantai Hospital Ipoh
- Pantai Hospital Ayer Keroh
- Pantai Hospital Penang
- Pantai Hospital Batu Pahat
- Pantai Hospital Sungai Petani
- Gleneagles Kota Kinabalu (2015)
- Gleneagles Medini (2015)
- Pantai Hospital Manjung (2014)

Singapore

- Gleneagles Hospital
- Mount Elizabeth Hospital
- Mount Elizabeth Novena Hospital
- Parkway East Hospital

India

- Apollo Gleneagles Hospital, Kolkata
- Gleneagles Khubchandani (2014)

Others

- Gleneagles JPMC (Brunei)
- City International Hospital (Vietnam)
- Shanghai Int'l Medical Center (2014)
- Gleneagles Hong Kong (2016)

Ramsay Sime Darby

Malaysia

- Subang Jaya Medical Center
- Ara Damansara Medical Center
- Park City Medical Center
- Ramsay Sime Darby Healthcare College

Indonesia

- RS Premier Bintaro
- RS Premier Jatinegara
- RS Premier Surabaya

Institut Jantung Negara (IJN)

- 1992: IJN corporatized as govt-owned referral heart centre
- one of the missions of this 430-bedded hospital was to provide high quality services in cardiovascular and thoracic medicine at medium cost, and in that way...
- act as a *price bulwark*, i.e. a more affordable fall-back option which could help restrain escalating charges at private hospitals such as the Subang Jaya Medical Center (SJMC), Gleneagles, Pantai etc
- Dec 2008: Sime Darby submitted a proposal to the Ministry of Finance to acquire a 51% stake in IJN
- Cabinet initially responded positively to the proposed acquisition, with the finance minister alluding to demands from IJN's consultants for higher pay, and the likelihood they would resign if their demands were not met.

Statement signed by 33 of 35 IJN consultants, December 19, 2008 "We read with concern the perception that the medical staff of IJN are demanding higher pay and will leave IJN if these demands are not met. We feel it is important that these negative perceptions are correctly put into context. The institution was set up in 1992 as a corporate body directly under the purview of Ministry of Finance. Its board of Directors include representatives from Ministry of Health and MOF to ensure its direction and objectives of providing good quality and affordable medical care to Malaysians from all walks of life are adhered to. In that respect, IJN has done and continue to do well, both in maintaining its moral as well as financial obligations. The institution has been self-sustaining since its inception (and has been able to pay year end bonuses annually without fail). For 2007 and up to end Nov 2008, we have accumulated 285,764 number of outpatients, performed 15,084 cardiac catheterization interventions including angiograms and angioplasties, 6094 heart and lung surgeries, 7 mechanical hearts and heart and lung transplants surgeries. As true with any organization of our size, there will be people leaving the organization at various times in order to pursue different career paths. Over the last 7 years of operation, out of a total of 35 consultants, only 7 have left IJN to work either in local or overseas private centres. Therefore, our consultants' annual attrition rate is only 3%, and we have responded consistently over time to promote our home grown talents to fill up the voids accordingly. Currently, 75% of IJN consultants have been in their posts for more than 10 years. All of us are salaried based on a different payscale than that of the MOH though not at par with the private centres. Periodic review of salary scale is usually undertaken, subject to approval from Ministry of Finance. As proven from our consultants' attrition rate and longevity in serving this institution, it is logical to surmise that on the whole we are happy with the current scheme and proving it by remaining with IJN. Many of us has served more than 10 years, excluding time spent within the MOH Hospitals prior to setting up of IJN. Whilst we have yet to have a clear picture of the proposed privatization by Sime Darby, we would like to reiterate our commitment to serve IJN in its current form and want to stress that the proposed privatization of IJN must not be seen to be as a response to our demands for better pay. The medical personnel of IJN are not at all involved, directly or otherwise, in the negotiations for the said privatization. Being responsible employees of IJN, we are not in the position to dictate the outcome of the privatization proposal from Sime Darby to the stakeholders of IJN. However, the perception that the privatization proposal is in response to demands for higher remunerations by its medical staff is misconceived and must be corrected accordingly to safeguard and preserve the trust placed upon us by our patients."

Whither IJN, of late?

- An investigative report by *The Star* (2008) noted that IJN charges for procedures such as coronary bypasses and angioplasties were 25-50 percent lower than the corresponding charges at SJMC *("Sime Darby Seeks Stake in IJN"* Star, Dec 18, 2008). Arguably Sime Darby, by acquiring IJN, hoped to establish a commanding presence in a lucrative medical specialty, and at the same time to absorb and thus neutralise a lower priced competitor. Amidst mounting public opposition, the proposal was eventually dropped by the cabinet.
- One decade on however, it is unclear how effective as a price bulwark IJN has become. In March 2019, the founding CEO of IJN, Dr Yahya Awang, lamented publicly that IJN was leaning towards private [for-profit] care, even though it was conceived and nurtured with taxpayer funds. He further suggested that the Health Ministry should take over the running of IJN from the Finance Ministry, urging that "IJN should be a Health Ministry Incorporated product [asset] that is based on service, rather than profit" *("Pioneer Heart Surgeon Wants IJN to be Put under the Health Ministry"* Star, Mar 8, 2019).

Public-Private Interactions: Salient Points

- the state is juggling multiple hats as (i) funder & provider of public sector healthcare (ii) as regulator, and (iii) as pre-eminent investor in for-profit healthcare, along with the inherent conflicts of interest
- public sector healthcare is woefully underfunded and is plagued by a chronic shortage and continuing outflow of senior experienced staff, thus affecting the quality of its care and its ability to restrain the escalation of charges in the private sector
- whether there is a *de facto* policy of benign neglect of the public sector is unclear, but a succession of health ministers have argued that those who can afford to should avail themselves of private healthcare, so that the government can conserve its modest resources for the 'truly deserving poor'
- this seductive logic (of the targeted approach) will hasten the arrival of a two-tier healthcare system, deluxe priority care for the rich, and a rump, underfunded public sector for the rest
- the alternative scenario, a more progressive taxation regime to improve universal access to quality care on the basis of need, seems to be off the radar screen (hobbled in part by public skepticism over the unaccountable stewardship of public financial resources)
- the potential for regulatory conflicts of interest (regulatory capture, the 'revolving door') has not been addressed
- there is little evidence that the state is exercising its ownership prerogatives in commercial healthcare enterprises to pursue a balance of social vs. pecuniary objectives (e.g. cross subsidies, playing a price restraining role in the manner envisaged for the IJN) beyond cosmetic CSR initiatives