Chapter: 9

Health care Financing in Malaysia – Social Insurance

Another financing alternative that has been the favorite of many, especially those from the medical community is a social insurance scheme. The social insurance is where the state acts as the insurer and insists that all its citizens takes out a minimum level of insurance through a central agency or through a series of insurance companies. The government may decree that all members of population be insured or it may restrict its requirement to low-income, high-risk groups essentially those who might be unwilling to finance what is thought to be an appropriate level of health care.

The social insurance scheme suggested is a compulsory insurance scheme on community rated basis and not on risk-rated, as are all the private insurance schemes. That means that the whole population is covered without any discrimination.

The objective of establishing such scheme are stated as follows:

- To encourage the common people to save for the health care and contribute to the health care and to use it economically.
- To encourage the provider of health care to minimize cost, inefficiency, and overservicing, while allowing them then clinical freedom
- To ensure an equitable distribution of health care with government subsidy where appropriate, so that no person is denied health care because of inability to pay.
- At the same time it also enable the government to better plan the health care services, budgeting and control the health care expenditure.

The mechanism of the social insurance is to take into consideration the equity in financing which will balance an individual's contribution in support of health services with that of individual's ability to pay. That means that a contributory health care financing can only succeed when people are convinced that the economic burden of the health care system should be collectively shared according to the ability of the citizens to contribute.

In this way, in community rated-health insurance, the total cost of health care (including catastrophic illness) is averaged over the total population, so that every one is covered ("from womb to tomb"). So we can say that the community based insurance fulfill the requirement of universal and equity.

In its essence this type of health care insurance is supposed to be very equitable, not only because the costs are shared between those who happen to become ill and those fortunate enough to remain well but also because the coverage charges can be graduated with respect to income and can be reduced to zero for poor.

There is a potential for high cost recovery, though coverage charges are very low, when spread across an entire participant population, can raise substantial revenues. Further more there can be a high willingness to pay something for protection against being able at some future time to obtain or pay for health care, even when the probability of this occurring is small.

As discussed above it can be one of the best financing if we are concerned about the equity. The whole population is covered for the services and pay for these services according to their ability to pay. While those who can not pay, like hard core poor, unemployed and handicapped and indigent peoples, the government will subsidized the health care services for them or provide them these services free of charge.

Health care services can clearly be divided into two different types, one is the curative health care service, and the other is preventive health care service. The former is more individualistic (directed at a particular person and the benefits are individual) while the latter is more community based (directed at the whole community and the benefits are common).

It is a common observation that the consumers are more willing to pay directly for the curative health services, and are more reluctant to pay directly for progress and services, which benefit society or community as a whole. Consumers tend to wait and hope others will provide the funds needed for the adequate provision of the public type of services, a term commonly known as 'free riders' in the health economist. This attitude has to change for contributory health care financing to succeed. (Dato' Dr. Abdul Hamid, National Health Care Insurance – an old song with a new beat. December 1996, Malaysian Medical Tribune)

Canada along with the France and Germany provides their citizens with universal health insurance coverage. For more detail about the french and German health care system please look appendix F, and appendix C respectively.

Advantages;

- Spread the risk of financing equally
- Arrest the cost escalation, because the consumers who are contributing to the fund will decide about he package of the services for their needs
- There would not be a parts-up demand or excess rush for health care services because it is community funded
- Abuses in the system can be curtailed
- More responsible sharing of health care services between consumers and the providers
- Regulated supply and demand factors between corporatization and health care financing, leading to greater integration of public and private sector manpower sharing and services production.