CHAPTER I

INTRODUCTION

With growing affluence and increasing concern for health, workers demand better and more extensive health care. More and more companies are providing such health care benefits for their employees. Workers' health and corporate productivity are closely intertwined. It is important to design and implement a coherent health and safety strategy to improve the workers' health, well-being, job satisfaction and thus productivity. This should involve the whole spectrum of workers' health from primary to tertiary care. However, costs of health care have been steadily increasing, perhaps not as dramatically as those in the USA, but nevertheless worrying. This is coupled with the declining role of the public sector in the provision of health care.

The corporate sector is paying an increasing proportion of medical cost in Malaysia. This cost will rise with greater employees' demand for private medical care. When physicians' view on health care cost management is sought, they have generally taken the view that as much care as possible be provided. In good and profitable times, this may be acceptable to management. However, when management has to be concerned with keeping a healthy balance sheet, this view will probably be sidelined.

The company physician should provide valuable leadership by prioritising interventions and focusing on internal resources. He or she should implement a process of continuous improvement in the quality of health services offered. (Belk, Harris and Wood, 1990). This is especially evident in that health care is not structured to know and respond to customers' needs and expectations nor are providers trained or accustomed to respond to the explicit needs and expectations of the customers (Schmitz and Courtright, 1991).
However, health care is still one sector of business that is not being managed well (Verespei, 1990). Costs of health care are regarded as a necessary evil. Even the most benevolent of employers may really regard safety and health as the cost of doing business rather than as an investment. (Kerr and Glinow, 1997). Management wants costs contained, but does not want labour unrest. Employees view medical care as a basic right. But the perception of what that care is, or should be, varies and is opened to discussion.

With this in mind, companies would like to purchase the least expensive health care for their workers without sacrificing the quality of the care. However, there are insufficient tools to measure quality. Hence the true value of the “least expensive” care to the employees and the companies are seldom known.

Overview of Health Care Delivery in Malaysia

Health care in Malaysia is still very much the responsibility of the government. The Ministry of Health virtually provides “from cradle to grave” services by an extensive network of health centres, clinics and hospitals funded almost entirely by the taxpayers. Supporting roles are provided by the Local Authorities, Ministry of Human Resources (which looks into workers’ safety and health) and the Ministry of Environment (which focuses on environmental issues). This ‘socialised’ medicine is available to all consumers at little or no cost at all.

This system of medical care has been successful in achieving most of its aims. But the logistic limitations of this approach and increasing scarcity of resources have lead to the privatisation of health services in the belief that competition in the private sector will lead to greater efficiency and
effectiveness. A national healthcare financing scheme and corporatisation of public hospitals are in the pipeline.

Complementing the public sector is a rapidly growing body of private medical practitioners. Initially this comprises of general practitioners and relatively few specialists. Lately with urbanisation and growing propensity to purchase, there is an avalanche of doctors pouring into the private sector to satisfy the demand for ‘quality’ medical care. Supporting this are the mushrooming of private hospitals, pharmacies, laboratories and health insurance schemes.

An American import, the Health Maintenance Organisation (HMO) has emerged about two years ago. An HMO is a health care organisation that enrolls doctors and hospitals into a network. Members pay pre-set fees that give them access to the HMO's services. HMOs require each member to choose a primary care physician who would then provide basic health consultations and approves visits to specialists. HMOs will generally only cover the expenses of members' visits to the doctors and hospitals that are part of the network.

**Occupational Safety and Health Legislation**

The Factory and Machinery Act 1976 was the chief legislation to regulate occupational safety and health in the country until the passage of the Occupational Safety and Health Act (OSHA) in 1994. The former legislation was largely prescriptive, specifying details on safety measures to be undertaken in factories. The spirit in the latter legislation is self-regulation. It puts the onus on “those who create the risks to protect the safety and health of their workers” and at the same time on workers to comply with the safety
and health measures. Regulations and guidelines are being formulated to ensure that these are implemented.

Health Benefits Schemes of Private Companies in Malaysia

Private companies in Malaysia provide varying degrees of medical benefits for their employees. This benefit includes outpatient treatment and hospitalisation at government centres and/or private centres. The company usually appoints a 'panel' of doctors that the employees can visit to obtain medical care. Fees are charged according to a pre-agreed schedule. The company either wholly or partially pays for these fees. Some companies do not impose a limit on the medical fees. Others do limit the fees incurred on an annual basis.

In most cases, medical services are internally funded and managed. In some companies, funds are set aside and third parties (usually insurance companies or HMOs) are engaged to manage them. Insurance companies are used increasingly by companies to cover costs of surgery and hospitalisation. The emphasis has thus far been on curative rather than preventive medicine.

Large companies such as Malaysia Airlines (MAS) and Kereta Tanah Melayu (KTM) have established their own in-house clinics managed by their own doctors, staff nurses and/or medical assistants. This tends to be very cost effective due to economies of scale. Worker productivity is improved by eliminating off-site absence to seek medical care. In addition, there is enhanced quality of care due to a better understanding of the specific work environment by the in-house medical professional.
Health Benefit Schemes in Malaysia Airlines

The MAS Annual Report (1995-1996) stated that Malaysia Airlines is an international airline with a mission to become the most successful and respected airline in the world. To achieve that, a continuous improvement in organisational structure, systems and procedures with heavy investment in sophisticated technology are being implemented. The total staff strength stood at 17,766 on 31 March, 1996 and this figure is expected to grow.

Free medical care is provided for all employees. In addition, a sum of RM300 per year is given to employees for health care of their families. Funding is generated internally. There is a medical services department with a main unit at Subang Airport operated by five doctors and a smaller unit operated by one doctor in Kota Kinabalu, Sabah. Services provided include occupational medicine, aviation medicine and general medicine. In addition, panels of general practitioners have been appointed in all towns where MAS offices are located. The main function of these panels is to provide outpatient consultation for the MAS staff. These doctors are allowed to charge fees up to a predetermined limit. If there is a need to charge more, prior permission must be obtained. The doctors can refer the staff to any medical specialist in either the private or public sectors. The company is obliged to pay in full if the referral is made to any specialist in the government hospital. If a specialist in private practice is preferred, then the staff will have to pay for any difference in the fees above that of a government hospital. But executive staff may go for consultation at the company’s expense in selected private hospitals. The insurance company (up to limits specified in the agreement) will pay any surgical procedure and hospitalisation. The insurance premium is fully paid by the company. This coverage is extended to the families of all employees at subsidised premiums.
Over and above these, if a staff requires medical treatment not covered adequately by the insurance company or need to be referred for treatment overseas, the company will consider it on a case to case basis.

Objectives of the Study

This study will review the management of health benefits in Malaysia Airlines. This is necessary to ensure the health of the employees in line with the mission of the company to become the most successful and most respected airline in the world. To make this happen, the health services given should be, and also seen to be, effective and efficient to the consumer.

The goal of an effective and efficient health system is not to simply reduce drug or consultation costs, but to achieve specific outcomes at the lowest health cost possible. The major obstacle is the lack of data. In MAS, there seems to be no evaluation of medical costs, inadequate epidemiological records and poor collation of medical leave data. Evaluation of the performance of the doctors in the panel was never done. There is no tracking of patient’s progress and data on outcomes is non-existent.

An exploratory survey was conducted to identify the demographic characteristics of the health care provider and the consumer and to generate ideas for improvement of the health services provided by MAS. Specifically the survey investigated the following:

1. Analysed the current data on
   - characteristics of the MAS panel of clinics
   - employee demographics
2. Assessed patients’ preferences, attitude and knowledge towards health care
3. Compared the general health care system of other organisations
Significance of the Study

This study would be beneficial to the management of MAS to alert them of the rising trend in cost of providing health care benefits to their employees. The survey results would also make them be aware of the opinions of the MAS employees towards the health care benefits provided for the employees. The services provided by the panel of doctors in MAS were also surveyed. This may be useful for both management and employees to assess the types of facilities available, the operating hours of the clinics and the quality of staff in the clinics.

The management of MAS may utilise the results and recommendations of this study to initiate a reorganisation of the provisions of the health care benefits.

Organisation of the Report

Chapter one of this report provided an introduction to the health care delivery system in Malaysia in general and to Malaysia Airlines in particular. The objectives and significance of the study were also discussed in this chapter.

The literature review was discussed in chapter two. Attention was focused on management of health care cost. Chapter three discussed the research methodology. The results of the study were presented in chapter four.

Chapter five summarised the report. The recommendations and limitations of the study were also presented in this chapter. Suggestions for future research were also provided in the last chapter.