SASANA SYMPOSIUM 2025

STRUCTURAL REFORMS

BUILDING A RESILIENT MALAYSIA

Panel Session

Rising Cost, Rising Stakes: Expediting Reforms to Address Medical Inflation

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Healthcare ecosystem RESET requires a whole-of-nation approach

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Strategic Thrusts

Revamp MHIT

1) Develop base MHIT product to support value-based healthcare services

2) Improve aids and tools for consumers to determine health insurance needs and options

Enhance price transparency

3) Display of retail drug prices

4) Establish a mechanism to consistently produce, monitor and publish key medical inflation measures

5) Legislative and regulatory review to strengthen oversight over private hospitals, support price transparency and DRG payments

6) Publication of price ranges for common healthcare services

7) Establish standards and mechanisms for data collection on private healthcare cost

Strengthen digital health system

8) Enhance the interoperability of Electronic Medical Records (EMR) to reduce duplication of diagnostic tests and procedures

Expand cost-effective options

9) Implementation and scaling up of Rakan KKM "Premium Economy" services

10) Incentivising expansion of affordable private healthcare providers including not-for-profit hospitals

Transform provider payment mechanisms

11) Phased implementation of Diagnosis-Related Groups (DRG) to replace existing fee-for-service (FFS) provider payment mechanism

In consideration of the initiatives proposed by other stakeholders

Source: Bank Negara Malaysia and Ministry of Health

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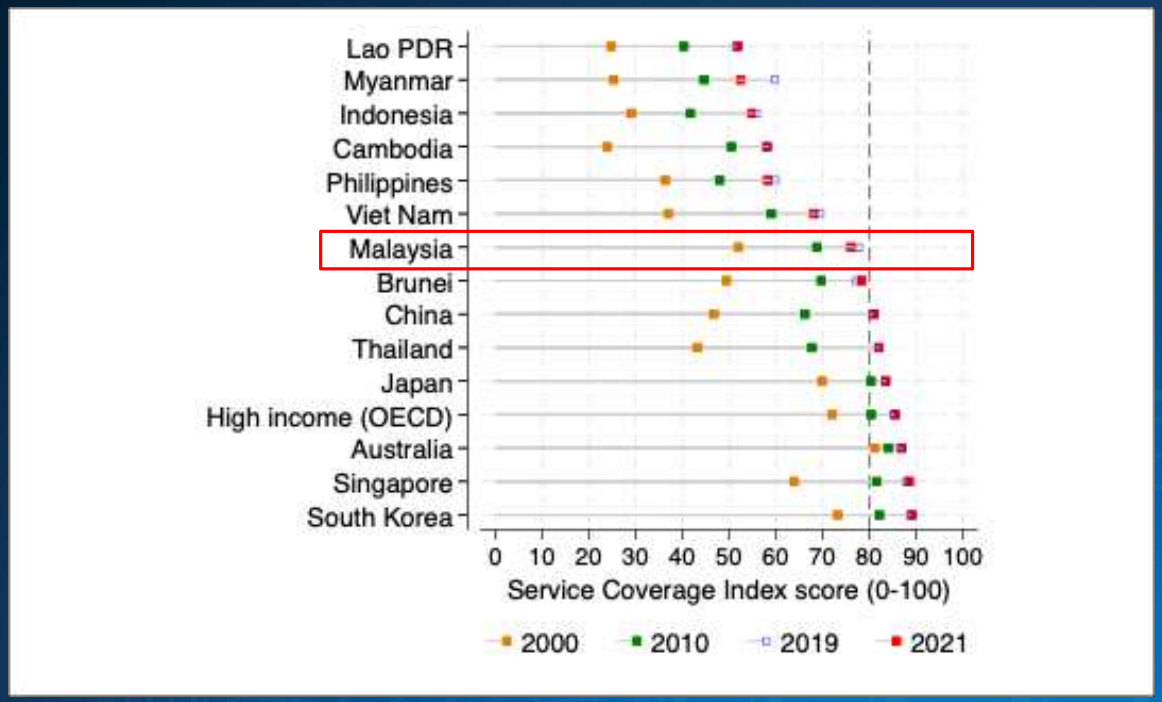
Substantial progress towards UHC (access + affordability) in the last 25 years



- UHC Service Coverage Index score increased from 52 in 2000 to 76 in 2021
- The share of population facing catastrophic expenditures in health (>10% of income) was below 2 percent in 2013, 2016 and 2019

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But challenges ahead… the silent epidemic of NCDs

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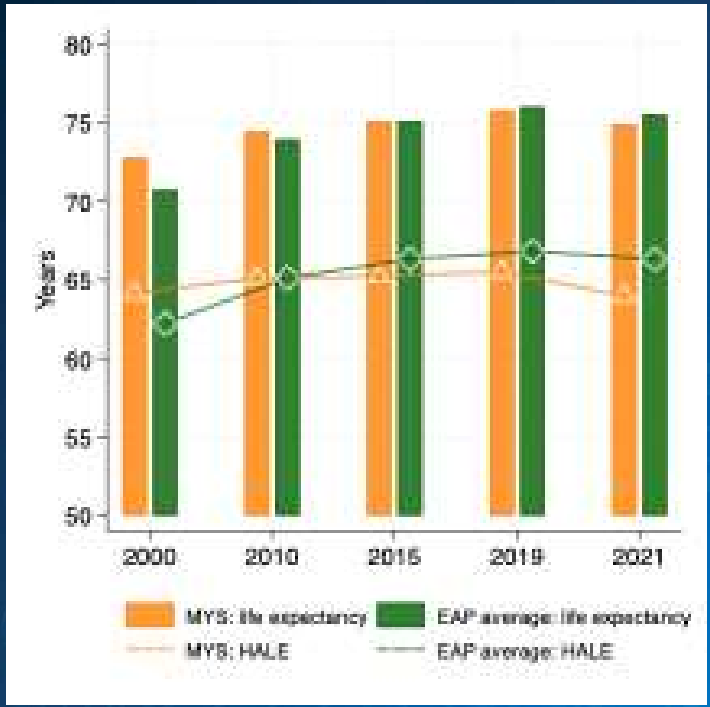
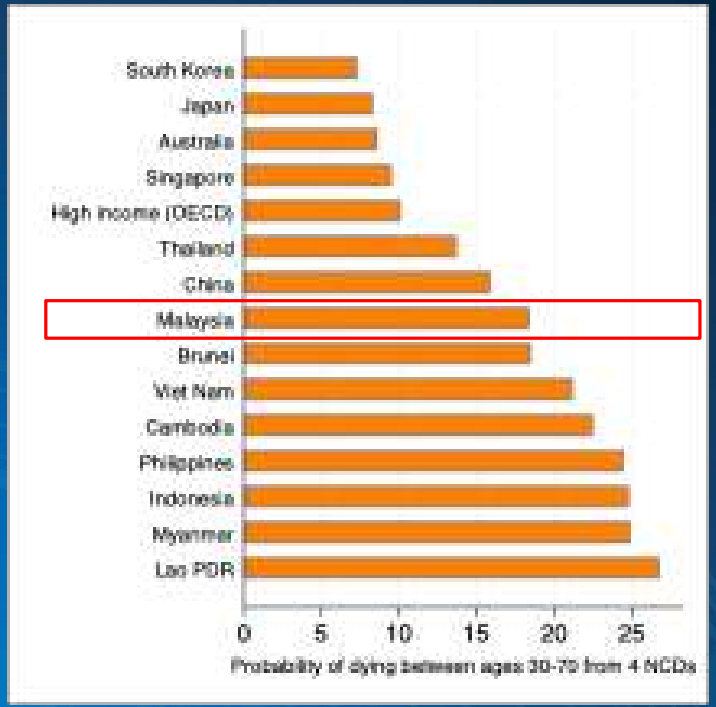
Rapid but not necessarily healthy aging → rising health care costs, lower revenues



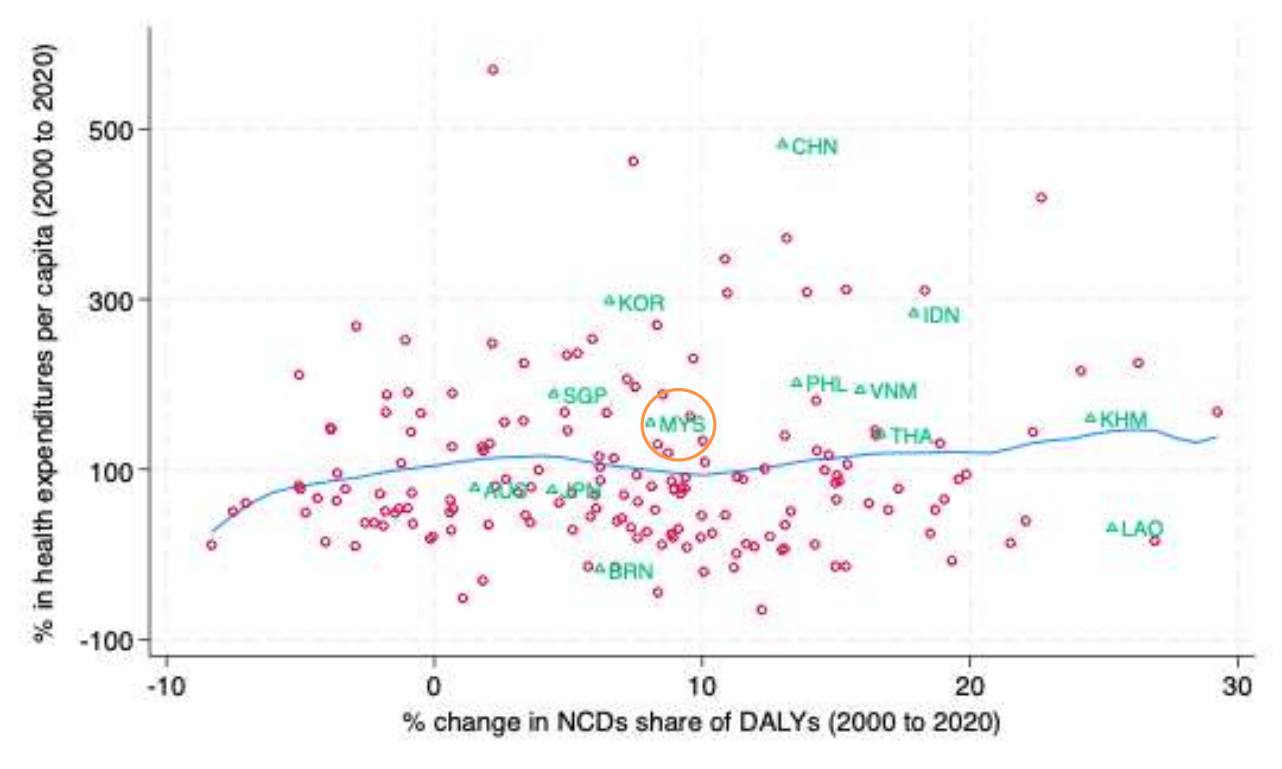
Source: Data from WHO. Notes: EAP average includes data for China, Fiji, Indonesia, Cambodia, Lao PDR, Myanmar, Malaysia, Philippines, PNG, Thailand, Vietnam

NCDs also affect the working age population → lower productivity



Source: Data from WHO. Notes: The four NCDs included are cardiovascular diseases, cancer, diabetes and chronic respiratory diseases

Growth of NCDs will put further cost pressures on the health system



Source: Expenditures data from WHO, GHED. DALYs data are from IHME

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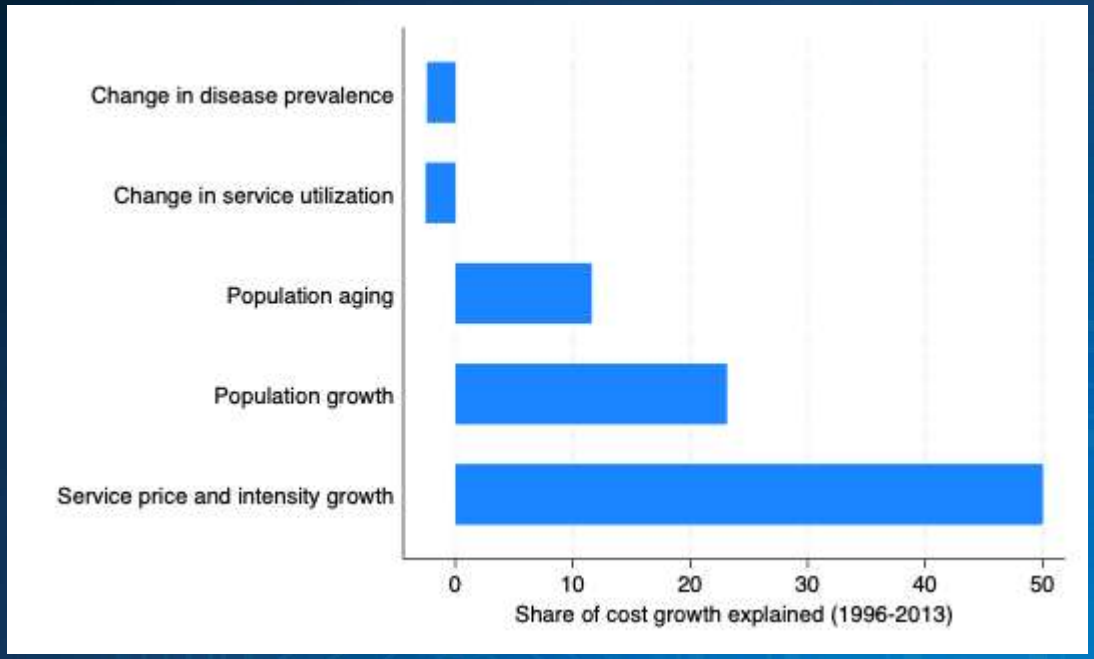
But there are also other factors affecting cost growth...

- **US Example: Factors explaining healthcare costs growth (1996-2013)**



Source: Dieleman, Squires, Bui, et al. (2017)

- Some contributors of ***service price and intensity growth***
  - Input price growth
  - Patient behaviour and preferences
  - Provider induced demand
  - Market structure and competition
  - New technologies
- Data and analysis essential for designing the right policies