Markets and Healthcare Services in Malaysia: Critical Issues

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Abstract: This paper examines the critical issues facing healthcare in Malaysia. It starts by reviewing the dominant arguments on ownership and healthcare provision, viz., neoclassical, evolutionary and heterodox and the politics of interest groups. Given the imperfections and asymmetries associated with healthcare, as well as its properties as a social good that should reach everyone, the paper adopts evolutionary and heterodox arguments, and the views of political scientists on civil society. It then explores out of pocket payment trends in the world. It is obvious that out of pocket payments have increased dramatically in the developing countries when government funding still dominates healthcare financing in most developed countries. Malaysia has experienced a rapid shift from welfare-oriented healthcare practices until the 1980s to privatization thereafter so that the private share of healthcare reached 55.6 per cent in 2007. A combination of falling resources and brain drain confronting public hospitals, with an expanding supply of private providers explains the increasing shift toward private healthcare in Malaysia. The paper finishes with calls for increasing government budget for healthcare, and using merit as the basis for promotion in public hospitals, and the strengthening and enforcement of healthcare legislations for all providers.

Keywords: government, healthcare, Malaysia, markets, social good, welfare

JEL classifications: I11, I18, I31, L3

1. Introduction

Economists have argued that when social returns exceed private returns, the use of non-market modes of allocation and coordination will be necessary to solve market failures (Arrow, 1962). The specificity of healthcare as a service defined by demand-supply conditions that are imperfect and asymmetric on the one hand, and requires connectivity to all persons on the other hand makes the good a very special one (Arrow, 1963; Baumol, 1980, 1988; Weisbrod, 1988). The fundamental question to address, then, will be what policies governments