

Japan Bank for International Cooperation (JBIC)  
loan to the Government of Malaysia

as partial financing for the development costs of  
Hospital Universiti Kebangsaan Malaysia (HUKM)

*(Project period: September 1993 – January 2001)*

third-party opinion:  
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***1. Comment on Relevance and Effectiveness***

In aggregate terms, Malaysia's national health expenditures currently amount to 4-5% of GDP, more or less evenly split between the public and private sectors in recent decades. Notwithstanding these modest aggregate expenditures (especially in the public sector), the infant mortality rate in Malaysia (10 per thousand live births in 2006) compares well with that of the USA (7 per thousand live births, 2006), which spends about 15% of GDP on health care annually. This reflects in part modest remuneration rates in an underfunded public sector in Malaysia, but it is also a reminder of a re-emergent perspective in public health (social epidemiology), that medical interventions and healthcare (in the narrow sense) constitute only one - in many instances not necessarily the most important - determinant of population health.

In Malaysia, the relatively favorable population health indices (infant, toddler, and maternal mortality rates, life expectancies, disease burdens) are arguably the results of well-distributed primary healthcare facilities (in particular, a highly subsidized publicly-provided rural health service) in combination with modestly redistributive ethno-populist policies which had moderated social inequities and extreme deprivation up until the 1980s.

Considering the social ecology of health and disease in Malaysia, one should therefore not overemphasize the contribution of hospital-based services towards improvements in population health, although referral backup is clearly an integral part of primary healthcare. Along with essential medicines, food intake and nutritional status, public sanitation and environmental health, and potable supplies of water made available equitably, are also key determinants of population health. Undeniably, hospital-based acute care and interventions have been critical for individuals faced with life-threatening conditions for which efficacious treatments were available, and have improved the quality of life for others with chronic conditions. Equally important were the skilled human resources – medical, nursing as well as paramedical and community health professionals who were trained by HUKM and other similar institutions in Malaysia who went on to occupy executive and operational positions within Malaysia's primary healthcare system.

***2. An Impact on Accessibility to Hospital-Based Care***

Nonetheless, insofar as hospital-based services improve patient care and quality of life for afflicted individuals, HUKM exerts a restraining effect on patient charges for

(private) hospital-based care, in concert with other public institutions which also provide subsidized, needs-based health and medical care.

When the cardiothoracic and cardiology departments were hived off from the Kuala Lumpur General Hospital in 1992 and corporatized as a government-owned referral heart centre, *Institut Jantung Negara* (National Heart Institute), one of its explicit missions was to provide high quality services in cardiovascular and thoracic medicine at medium cost to Malaysian citizens.

For non-civil servants, patient charges at the corporatized IJN would be increased from the hitherto highly-subsidised rates, and IJN staff would be paid salaries markedly above the corresponding Ministry of Health scales. The IJN however would continue to be subsidised by public funds although not to the extent of 90-95 per cent as was commonly the case for the regular Ministry of Health facilities.

The intention was that IJN should also act as a *price bulwark*, i.e. a fallback option which would serve as a competitive price check against steep price increases in the private sector.

Indeed, this is the strategic role that subsidized, publicly-provided healthcare (such as provided by HUKM) plays in the Malaysian healthcare system. It is also the reason why the continued existence of adequately funded, widely accessible healthcare of quality provided by the public sector is in the interests of all healthcare consumers, regardless of whether they patronised the public or the private healthcare sector.

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