Malaysian Insurance Highlights 2025

Challenges to Malaysia's healthcare financing system

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Foreword Malaysian Re

Healthcare is a universal right that stands at the centre of wellbeing, livelihoods and economic progress. Providing universal healthcare necessitates robust, sustainable financing. But that is no easy task. In many economies around the world, financing healthcare, both by the public and private sectors, is beset by challenges, most notably by rising costs associated with medical inflation, adverse disease trends and ageing populations. For the private sector, non-aligned interests can lead to the additional cost drivers of over-consumption and over-billing.

With this report, we sought to delve into the specific healthcare financing challenges faced by Malaysia's dual public and private health system, to bring to light and better understand recent insurance industry developments and strategies, and to identify solutions to ensure that all Malaysians have access to high quality, affordable healthcare.

As in past years, *Malaysian Insurance Highlights 2025* combines research carried out by our long-term partner, Faber Consulting, together with the results of a market survey of Malaysian insurance industry professionals.

We are extremely grateful to the senior executives from across the Malaysian insurance industry who kindly gave their valuable time to share with us their perspectives and insights on this critical topic.

We hope that this report will provide you with not just food for thought, but food for action, and we very much look forward to your feedback.

Ahmad Noor Azhari Abdul Manaf
President & Chief Executive Officer
Malaysian Reinsurance Berhad

Foreword Faber Consulting

We are delighted to have contributed to this report on the important topic of healthcare financing in Malaysia. Malaysia can be extremely proud of its health system – public and private – but multiple issues, including rising costs, an over-stretched public system, high out-of-pocket expenditure and sharply rising health insurance premiums, threaten its sustainability. In this 6th edition of the Malaysian Insurance highlights, we look into the causes of these challenges and reveal some of the remedies that are being applied.

The report begins with an executive summary, followed by research insights – including on key challenges faced by the public and private healthcare financing sectors, and on developing market shares and claims ratios.

In the second half of the report, we present an in-depth interview with Mark O'Dell, CEO of the Life Insurance Association of Malaysia (LIAM) and a write-up of this year's market survey results.

The market survey this year consisted of select in-depth discussions with senior executives from Malaysian insurance, reinsurance and brokerage companies, as well as insurance associations. These discussions, which were all carried out in autumn 2024, provide valuable insights into the perspectives and strategies of industry leaders, enabling us to delve deeper into the challenges, opportunities, evolving dynamics and future direction of Malaysia's private health market.

Henner Alms
Faber Consulting

Andreas Bollmann
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Executive summary

- Malaysia's public health system, which is primarily funded through general taxation, seeks to provide affordable access to basic healthcare for all citizens and permanent residents. This is complemented by private sector healthcare provision and financing.
- However, Malaysia's public and private health systems are under pressure from rising healthcare costs, including from medical inflation (estimated at 15 % in 2024, compared to the global average of 10.1 %), an increasing burden of non-communicable diseases (NCDs) and an ageing population. The private sector is additionally challenged by non-aligned interests, which can lead to over-consumption of healthcare services and over-billing. The public sector is also severely understaffed and over-burdened.
- At around 4 % of GDP, Malaysia's current health expenditure is much lower than most of its global peers.
- Malaysia's private health system is primarily financed from out-of-pocket payments (largest share), employer-sponsored health schemes, private medical and health insurance, and takaful coverage. As these services are largely available only to middle- and high-income groups, inequalities in access to healthcare exist.
- Although private medical and health insurance and takaful coverage are growing in popularity, increasing healthcare costs/claims ratios mean that policies often come with high (and rising) premiums, exclusions for pre-existing conditions and limits on claims, leaving significant gaps in protection. Older age cohorts are particularly impacted by higher premium rates as these groups also represent a higher risk for cover providers and have lower incomes – this could lead to insureds lapsing their policies and returning to the public system, further compounding pressure on the public system.
- Measures to address rising healthcare costs are critical to ensure sustainable access to affordable public and private healthcare.
- The need for healthcare reform has been widely acknowledged. The Health White Paper for Malaysia, tabled in Parliament in 2022, aims to strengthen and future-proof Malaysia's health system, including by shifting the focus from inpatient treatment to primary healthcare provision, increasing funding and integrating health and disease prevention across society.
- Private healthcare financing products in Malaysia are offered by general insurers, life insurers, general takaful operators and family takaful operators. The market volume in 2023 was RM7,325 million (approximately USD1.6 billion). Life insurers and family takaful operators have experienced the strongest growth in recent years and dominate the market but have recorded underwriting losses for several years.
- General insurers and general takaful operators are also experiencing worsening claims trends in Medical and Health, although general insurers are likely to be in a slightly better position than life insurers and family takaful operators.
- The revised Medical and Health Insurance/Takaful (MHIT) Business Policy Document, issued by Bank Negara Malaysia in February 2024, mandates that all insurance and takaful operators (ITOs) offer consumers the option to purchase MHIT products with a co-payment mechanism as a more affordable alternative. This change is welcomed by the market. Over time, this is expected to improve the accessibility of MHIT products, while also encouraging the needs-based utilisation of healthcare services to help control rising healthcare costs.
- Given marginal profitability, the market has little appetite to increase capacity, however, digital players and product innovation could lead to an increase.
- To remain relevant and competitive, insurers and takaful operators must innovate and develop Medical and Health products that ease the escalating healthcare cost burden while also adapting to evolving consumer needs and regulatory requirements. Increased engagement with policymakers to improve regulation and financial protection for Malaysia's population is essential.

Introduction

The ability to finance healthcare effectively is a cornerstone of any effort to achieve universal healthcare coverage, which is not only vital for improving the health outcomes of populations but also contributes to increased productivity and socioeconomic progress. Around the world, nations rely on a diverse mix of funding sources – ranging from government revenues and social health insurance to private out-of-pocket payments and private medical and health insurance (hereafter PHI). However, crafting a healthcare financing model that balances affordability, equality and sustainability remains a complex challenge due to escalating healthcare costs, including from medical inflation, ageing populations and a growing disease burden.

In Malaysia, these dynamics are no different. As the country strives to enhance its health system, PHI and takaful have emerged as a pivotal element in complementing public funding mechanisms. PHI and takaful broaden access to healthcare and foster financial protection (reducing the strain of out-of-pocket expenditure) by leveraging the principles of pre-payment – the upfront payment of premiums to cover future healthcare costs – and risk-pooling – spreading the cost of care across a group, mitigating the burden on any single individual.

Despite the strengths of the private health system, the ability of insurers and takaful operators to help achieve an affordable, equitable and sustainable healthcare financing system is, however, not without contention. For example, critiques focus on whether PHI provides adequate financial protection, which is influenced by benefit design, regulatory frameworks and the balance between its commercial nature and social role. Moreover, risks such as moral hazard – where insured individuals or providers may overconsume healthcare service – and adverse selection – where those with higher health risks disproportionately enroll – pose significant hurdles to optimising PHI. Cost-sharing mechanisms, stricter underwriting processes and limits on benefit packages are commonly employed to mitigate these risks, albeit with mixed success.

Global healthcare reforms have blurred the lines between the public and private health systems, creating opportunities and challenges alike. In Malaysia, the regulatory landscape is shifting – through regulatory change and governance reform – to enhance PHI participation and coverage. These developments underscore the need for insurance professionals to play an active role in navigating the full complexities of Malaysia's evolving healthcare landscape.

Malaysia Insurance Highlights 2025 explores these critical issues, offering insights into the country's efforts to create an affordable, equitable and sustainable healthcare financing framework. It focuses on the contributions and potential of PHI and takaful in advancing universal healthcare coverage, providing readers with a deep understanding of the current environment and vital role of insurers in shaping its future. By addressing key achievements and challenges, this publication serves as both a guide and call to action for those working to ensure that Malaysia's healthcare system meets the needs of its people and contributes to enhancing our nation's socioeconomic progress.

Malaysia's healthcare financing system

Malaysia's health system relies on a dual structure of public and private healthcare services funded by government revenue, out-of-pocket payments, employer-sponsored health schemes, PHI and takaful coverage. Malaysia's healthcare financing system has evolved over the decades to prioritise and foster affordability, equity and sustainability. However, it faces significant challenges that necessitate urgent reform, as has been identified, for example by the Health White Paper for Malaysia (for more details, see pages 13–16) and Bank Negara Malaysia's February 2024 revised Medical and Health Insurance/Takaful (MHIT) Business Policy Document (for more details, see pages 26–27).

PUBLIC AND PRIVATE SYSTEMS UNDER PRESSURE

The public health system, administered by the Ministry of Health, offers affordable medical services. The system is primarily funded through general taxation and is highly subsidised – up to 98 % of patient costs are subsidised.[1] For example, for the consumer, general consultations cost approximately USD10, specialist visits USD40 and follow-ups USD15, while private hospital stays cost approximately USD50 per night. Many public healthcare facilities provide economical healthcare packages focused on screening and preventative care. For example, a comprehensive physical exam package, including tests such as chest x-rays and blood work, costs around USD70 and is customisable. These packages are popular for their affordability and effectiveness in promoting preventative health.

The private health system complements public services and provides a wide range of options for those who can afford them. Private healthcare, which is mainly financed through out-of-pocket payments, employer-sponsored health schemes, PHI and takaful coverage, is becoming increasingly popular due to long waiting times and overcrowding in public healthcare facilities.

However, the health system – public and private – is under pressure from rising healthcare costs, including from medical inflation, an ageing population and an increasing disease burden, in particular relating to NCDs. Medical inflation in Malaysia is estimated at 15 % for 2024, well above the global average of 10.1 %.[2]

Malaysia's **ageing population** presents a long-term challenge. According to the Department of Statistics Malaysia (DOSM), by 2030, Malaysia is projected to be an aged nation, with 14 % of the population aged 65 and above. Older people require more healthcare services and have more complex healthcare needs, which significantly increases healthcare costs. Currently, care for the elderly is largely dependent on family and community support, which is not sustainable.

1 Transforming Malaysia's Health Care System: Reforming The Health Care Financing System – Part 1, CodeBlue, September 2024
2 Bank Negara Malaysia (2023): Financial Stability Review: First Half 2023

Another key challenge that is driving up healthcare costs is the **rising incidence rates of NCDs**, such as diabetes, cardiovascular diseases, cancer and chronic respiratory diseases. According to the Ministry of Health, investment in disease prevention has been limited, with only 6.8 % of total healthcare expenditure in Malaysia devoted to prevention, compared with 68 % for curative care. Lifestyle risk factors are important for NCDs. For example, in Malaysia, 20,000 deaths per year are attributed to smoking.[3] This highlights the need for stronger preventive health initiatives.

The goals of affordability, equality and sustainability are also challenged by **high out-of-pocket expenditure** in the private sector – as this raises concerns about the financial protection of vulnerable groups – and by the **impacts of strained resources in the public sector**. Public hospitals in Malaysia bear a disproportionate patient burden compared to private hospitals; in 2021, for example, despite there being fewer public (158) than private (209) hospitals, public facilities accounted for 76 % of all inpatient admissions.[4] A similar split of 74.7 % to 25.3 % was observed in 2023.[5] Furthermore, less than 50 % of healthcare workers and professionals are employed in the public sector. As a result, many healthcare workers in the public system are over-worked and burnt-out. They are also less well paid than in the private system. This ultimately affects the availability and potentially the quality of care, and has led to an exodus of healthcare professionals to the private sector or overseas, where working conditions and financial incentives are better, compounding the issue. To address these challenges and achieve healthcare affordability, equality and sustainability, Malaysia has been exploring **healthcare financing reforms**, including proposals for social health insurance and partnerships with private providers.

3 Kuang Hock Lim et al., Assessment of association between smoking and all-cause mortality among Malaysian adult population: Findings from a retrospective cohort study, May 2022
4 Ministry of Health, Health Facts 2022
5 Ministry of Health Malaysia, National Health & Morbidity Survey 2023

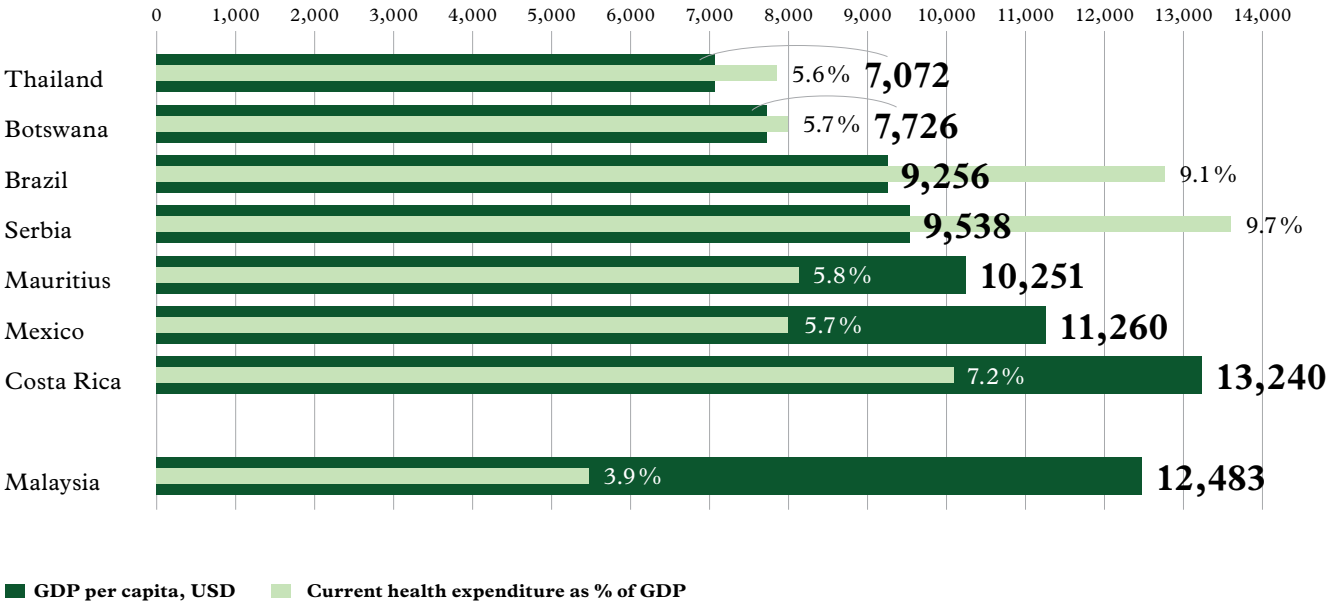
MALAYSIA'S PUBLIC HEALTHCARE EXPENDITURE SIGNIFICANTLY BELOW OTHER UPPER-MIDDLE-INCOME COUNTRIES

In 2024, the government increased its health budget allocation to RM41.2 billion, marking a substantial rise from RM25 billion seven years prior.[6] The RM45.3 budget allocation for 2025 represented another 10 % increase on 2024.[7] These increases aim to bolster healthcare services and encourage preventative healthcare measures nationwide.

However, despite funding increases, Malaysia's public healthcare expenditure remains below the global average for countries with similar income levels and below the government's 5 %-of-GDP target (see page XX, «Urgent need to reform healthcare to ensure financial sustainability and universal access»; in 2024, another RM85 billion – more than a 100 % increase – would have been needed to reach that target[8]). According to the WHO, Malaysia's public healthcare expenditure as a percentage of GDP ranks seventh among ASEAN countries, a concerning position for an upper-middle-income nation, and is significantly lower than the 6–7 % average observed in comparable economies (figure 1).

6 Transforming the healthcare system – Reforming healthcare financing (Pt 1), Galen Center, 2024
7 01 Nov Malaysia's Healthcare Expenditure To Increase At CAGR Of 8.7 % Till 2028: BMI, Institut Jantung Negara
8 Transforming Malaysia's Health Care System: Reforming The Health Care Financing System – Part 1, CodeBlue, September 2024

Figure 1: 2022 current healthcare expenditure in a selection of comparable (upper-middle-income) economies to Malaysia as a percentage of gross domestic product (GDP) and gross domestic product per capita, in current prices, USD
Source: WHO Global Health Expenditure Database (current health expenditure as % of GDP) and IMF World Economic Outlook Database (GDP per capita)



PRIVATE HEALTH SYSTEM ONLY ACCESSIBLE TO HIGHER INCOME GROUPS

Malaysia's private health system serves as an important complement to the public system, offering faster access, shorter waiting times and a wider range of services. It is primarily funded from out-of-pocket payments, employer-sponsored health schemes, PHI and takaful coverage, and is therefore largely only available to middle- and high-income groups, highlighting inequalities in access to healthcare. While wealthier individuals can afford timely private healthcare, lower-income groups often rely on overburdened public healthcare facilities, exacerbating inequalities in access to care.

Out-of-pocket payments remain the dominant source of private healthcare financing in Malaysia. Patients bearing the direct cost of consultations, treatments and medicines raises concerns about affordability for low-income populations and increases the risk of financial hardship for patients and their families in the event of catastrophic health events.

Employer-sponsored health schemes, such as outpatient reimbursement or group health insurance, are common among formal sector workers. However, these benefits are less often available to informal sector workers and retirees, further contributing to inequalities in access to private healthcare services.

PHI and takaful, which help to reduce reliance on personal savings, are growing in popularity. Coverage typically includes hospitalisation, surgery and specialist care. However, policies often have high premiums, exclusions for pre-existing conditions and limits on claims, leaving significant gaps in coverage. These factors also put PHI and takaful out of the reach of many low-income individuals and families.

URGENT NEED TO REFORM HEALTHCARE FOR UNIVERSAL ACCESS AND FINANCIAL SUSTAINABILITY

Addressing all the above-described challenges is essential to promote universal healthcare access in Malaysia, supported by an affordable, equitable and sustainable financing system.

The need for healthcare reform has been widely acknowledged, especially after the COVID-19 pandemic exposed the vulnerabilities of the health system. The Health Policy Summit in 2022 emphasised the need for increased funding, with the aim of reaching a target health spend of 5 % of GDP. Healthcare reform requires bold leadership, public-private collaboration, and a «whole-of-government» approach. The Health White Paper, tabled in Parliament in 2022, aims to keep 10 million Malaysians healthy, regardless of income or social status, including by reducing the pressure on hospitals via a shift from inpatient to outpatient care.

Health White Paper for Malaysia[9] – An overview

Recognising that a high-performing health system is a vital contributor to economic development, social wellbeing and national security, the 2023 Health White Paper for Malaysia, published by the Ministry of Health (MOH), Malaysia, sets out a comprehensive proposal for reforming the Malaysian health system for greater equitability, resilience and sustainability.

Identified need for system-wide transformation

As outlined in the paper, although significant improvements in health outcomes have been achieved in Malaysia over past decades, the need for reform reflects:

- **Evolving health challenges:** Changes in income, lifestyle (e.g. Malaysia has the highest prevalence of obesity in Southeast Asia), an ageing population, urbanisation, climate change and environmental degradation are driving a shift in Malaysia's health challenges. Incidences of non-communicable diseases (NCDs) are rising sharply due to lifestyle risk factors, communicable diseases such as measles and tuberculosis are re-emerging, novel communicable disease outbreaks are expected to increase in probability and frequency, and the prevalence of mental health issues is increasing.
- **Under-investment:** As a percentage of GDP, Malaysia has under-invested in health compared to the upper-middle-income and high-income country averages. This has contributed to gaps in service provision, prevented the improvement of rural/urban service imbalances, limited research and reduced infrastructure investment including in IT and digitisation. Despite gains made in health outcomes over the past decade, the health system, particularly the public system, has become overburdened and dated.
- **High and rising out-of-pocket (OOP) expenditure:** OOP is expected to rise further and to increasingly impact lower- to middle-income patients.
- **Insufficient promotive and preventative approaches.**
- **An imbalance of public and private sector services:** Imbalances exist between primary healthcare provision and outpatient visits, and between services in rural and urban locations.
- **Over-provision of public sector hospital services:** Public expenditure has increasingly focused on hospital care to meet the rising demand for extensive diagnostics and treatments. However, primary healthcare providers and ambulatory settings could more efficiently deliver health services for certain conditions and long-term care.
- **The MOH's combined healthcare governance and provider role:** The MOH's role as policymaker, regulator, payer and healthcare provider is a contributory factor in holding back competition, innovation, operational autonomy and the quality and depth of policymaking and regulation. It has also contributed to the inconsistent monitoring and evaluation of health facilities.
- **A lack of shared responsibility for health across government and society:** Given that health is impacted by social and environmental factors, ownership of health outcomes should not just be the responsibility of the MOH, but also of other relevant ministries and stakeholder groups across society.

9 The full white paper is available on the Ministry of Health Malaysia website: Health White Paper for Malaysia – Strengthening people's health, future-proofing the nation's health system, Ministry of Health, Malaysia, 2023

Proposal to strengthen and future-proof Malaysia's health system

The MOH's proposal focuses on four reform pillars:

Pillar 1: Transform healthcare service delivery

The focus of this reform is to shift from inpatient treatment to primary healthcare provision for all. By bringing more healthcare services closer to communities, the pressure on hospitals will be reduced and healthcare continuity and coordination will be improved. Alongside this shift, public hospital services will be optimised to focus on acute care and complex inpatient care management. Hospitals will also be given greater autonomy to enhance their performance and efficiency.

Other key areas of change to service delivery include increasing the effectiveness of public-private partnerships to ensure value-based services and balanced geographical healthcare coverage, harnessing digital technologies, including through the roll-out of electronic medical records and electronic lifetime health records, and implementing new approaches to resource allocation to ensure equitable access to healthcare for vulnerable groups.

Pillar 2: Promote health and disease prevention

The goal is to integrate health and disease prevention across society by strengthening public health functions, improving inter-sectoral coordination and collaboration for health (given that many complex and interlinked factors influence health outcomes), and by introducing incentives and disincentives to help acculturate healthy behaviours.

Enhanced data gathering/sharing and analytics will play a central role, for example to drive evidence-based public health preventative interventions and strengthen the country's health emergency preparedness and responses. Other initiatives include establishing a National Centre of Disease Control and an agency for health promotion and disease prevention, as well as developing a framework for inter-sectoral collaboration at the community level.

Pillar 3: Ensure value-driven, sustainable and equitable healthcare financing

The reform proposal includes increasing publicly managed health funding to up to 5% of GDP and adjusting fee structures to income.

A benefit package will be introduced to outline the services and medications that can affordably be accessed by everyone, and to ensure the same level of care irrespective of provider (public, private or non-profit). The benefit package will be financed by a dedicated health fund (enabling nationwide risk pooling) which will be managed by a not-for-profit strategic purchaser. The strategic purchaser will be governed by clear reporting standards and robust regulatory oversight.

Strategic purchasing supports sustainable healthcare financing
Strategic purchasing is a flexible purchasing approach focused on maximising outcomes – i.e. value and performance – from the available funds. It involves making continuous improvements as regards what to buy, which supplier/s to use and how to pay.

Effective, efficient healthcare spending will also be achieved through some of the initiatives described in pillars 1 and 2, as well as through periodic process and spending reviews.

Pillar 4: Strengthen the system's foundation and governance

The MOH's roles of governance, oversight, stewardship and standard setting across the whole health system will be strengthened. The MOH's roles of purchaser and provider, however, will be decentralised, including through the granting of more autonomy to public sector facilities to increase accountability, performance and responsiveness. Multiple initiatives will be implemented to address workforce challenges – these include a national framework for professional education and practical training, a standardised licensing examination for students from national and international institutions, long-term workforce capacity planning, and increased investment in workforce training and development. Initiatives to stimulate research, innovation and evidence-based approaches – including by developing a policy framework for health data – will also be vital across all pillars.

A vital work in progress

The proposed system-wide reforms will need to be implemented in phases and necessitate a long-term commitment from all major public and private stakeholder groups.

The white paper sets out estimations for progress in 1–5 years, 6–10 years and 11–15 years, beginning with the laying of reform foundation blocks such as legislative change and the advancing of initiatives that have already begun or are at the pilot stage. Additionally, it stresses the importance of an independent monitoring body to ensure follow-through, report on progress and steer necessary course corrections.

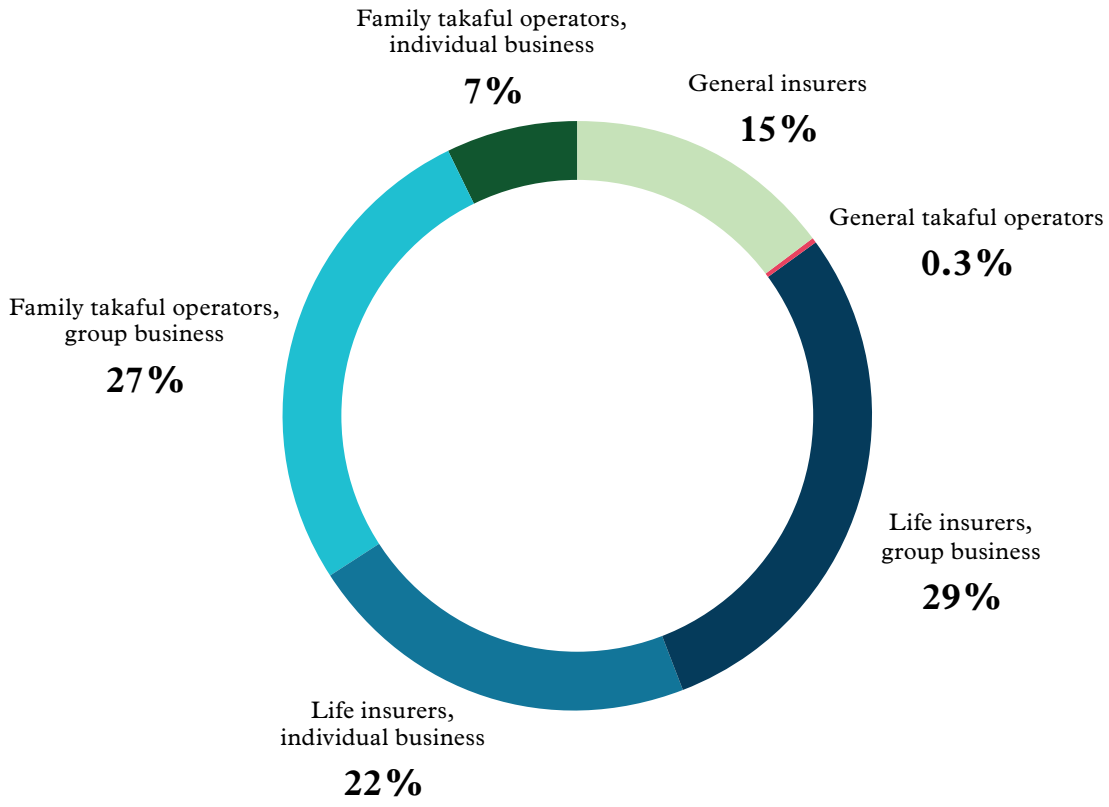
Private medical and health insurance and takaful market overview

LIFE INSURERS AND FAMILY TAKAFUL OPERATORS DOMINATE THE MARKET

Healthcare financing products for consumers in Malaysia are offered by general insurers, life insurers, general takaful operators and family takaful operators. In 2023, the market volume was RM7,325 million (approximately USD1.6 billion). Life insurers had the largest market share at 51%, followed by family takaful operators at 34%. General insurers had a relatively small market share of 15%, and although some general takaful operators are also active in this segment, their market share was negligible at below 1%.

Figure 2 provides an overview of the total medical and health insurance and takaful market in Malaysia. Due to the different reporting standards for life, general and family takaful medical and health business, statements about the overall market are always somewhat imprecise. It should be noted that in the case of life insurers and family takaful operators, both single premiums and annual premiums for new and in-force policies are included in the chart.

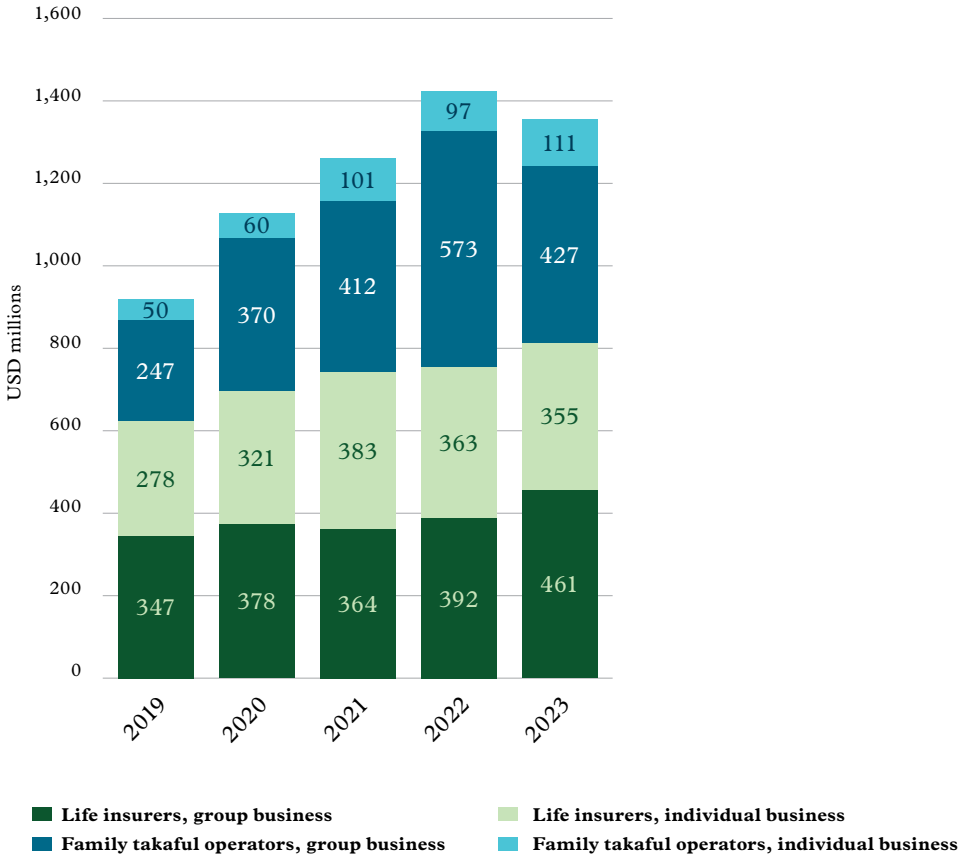
Figure 2: Private medical and health premiums and contributions in Malaysia, 2023, market share in %
Source: ISM Insurance Services Malaysia Berhad: Statistical Yearbook Insurance & Takaful, Financial Year 2023



LIFE AND FAMILY TAKAFUL – GROUP MUCH LARGER THAN INDIVIDUAL BUSINESS, INDIVIDUAL TAKAFUL GROWING FASTEST

For life insurers and family takaful operators, single premiums and contributions are much more important than annual premiums and contributions. In addition, for both groups of providers, the share of group business is significantly higher than the share for individual business, although the gap is much smaller for life insurers (29 % vs. 22 %) than for family takaful operators (27 % vs. 7 %). From 2019 to 2023, the total private Medical and Health business written by these two operator groups increased from RM921 million to RM1,354 million. In original currency terms, individual business written by family takaful operators was the fastest growing segment over these five years, growing by 151 %, followed by group business written by the same provider group (+93 %). Group business written by life insurers grew by 49 % over the same period, while their individual business grew by 43 %.

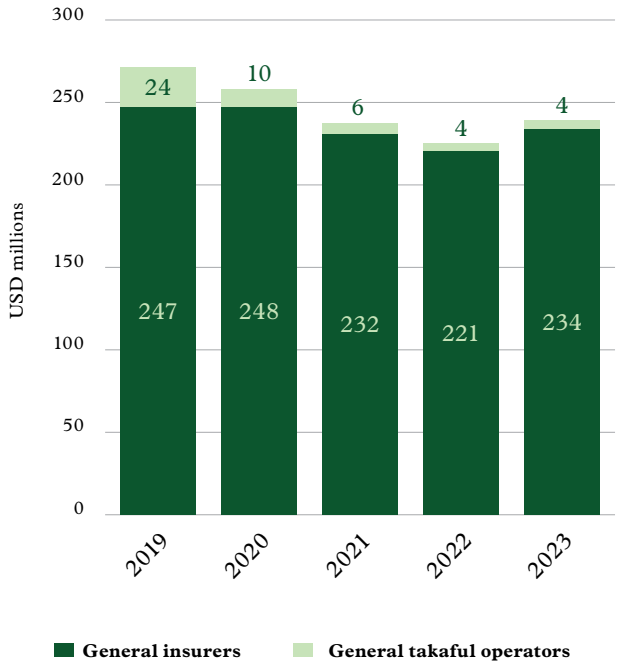
Figure 3: Private medical and health insurance premiums and contributions written by life insurers and family takaful operators
Source: ISM Insurance Services Malaysia Berhad: Statistical Yearbook Insurance & Takaful, Financial Years 2019–2023



GENERAL PROVIDERS – GENERAL INSURERS STABLE BUT LOW VOLUME, GENERAL TAKAFUL CONTRIBUTIONS INSIGNIFICANT

While the Medical and Health premium volume of general insurers remained relatively constant at around RM1,000 million (approximately USD230 million) from 2019 to 2023, life insurers and family takaful providers in particular have seen strong growth over the same period and have significantly increased their market share. General takaful providers no longer play a real role in the Medical and Health market: from a very low volume of RM98 million in 2019, their business further decreased to only RM20 million in 2023.

Figure 4: Private Medical and Health gross written insurance premiums and gross direct contributions, general insurers and general takaful operators
Source: ISM Insurance Services Malaysia Berhad: Statistical Yearbook Insurance & Takaful, Financial Years 2019–2023



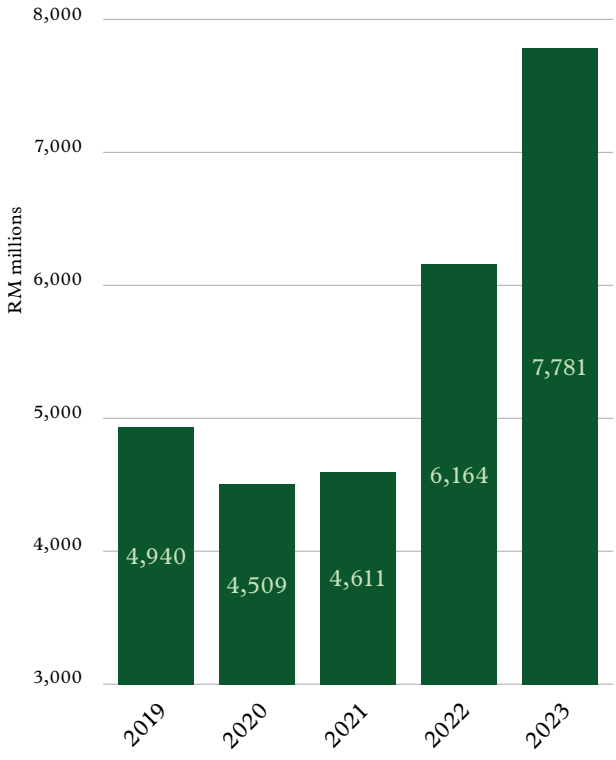
MEDICAL AND HEALTH BUSINESS UNPROFITABLE FOR LIFE INSURERS AND FAMILY TAKAFUL OPERATORS

Malaysian life insurers and family takaful operators are currently facing significant challenges as regards Medical and Health profitability. Despite steadily increasing demand for insurance and takaful offerings, the sector is burdened by rising healthcare costs which are increasing claims costs, eroding underwriting profits and necessitating comprehensive strategic responses.

Life insurers and family takaful operators have consistently reported net underwriting losses in recent periods. This unsatisfactory performance is mainly due to the significant rise in claims. For example, medical claims for both these providers increased to RM5.3 billion in 1H2024 from RM4.7 billion in 1H2023, driven by an increase in the incidence rate, particularly of chronic and acute cases, combined with an overall increase in the average cost of medical treatment.[10]

Figure 5 shows the development of life insurers' Medical and Health claims over the period 2019–2023. Family takaful claims are not included in this overview, which explains the deviations from the above figures. Although the trend of declining nominal claims payouts in the first three years was certainly influenced by the special circumstances of the COVID-19 crisis, there is a very significant increase in nominal claims over the five-year period: these increased by 57.5 % from 2019 to 2023, while the growth in the volume of medical and health insurance premiums written by life insurers over the same period was only 30.7 %, leading to a significant reduction in the profitability of this line of business for life insurers.

Figure 5: Private Medical and Health insurance claims, life insurers
Source: Life Insurance Association of Malaysia (LIAM): Annual Report 2019, 2021 and 2023



10 Bank Negara Malaysia (2024): Financial Stability Review: First Half 2024

RE-PRICING WITH STRONG FOCUS ON AFFORDABILITY FOR POLICYHOLDERS NEEDED

In response to these adverse developments, many life insurance and family takaful operators are continuing to implement repricing exercises for their Medical and Health products. The impact of these pricing adjustments on underwriting margins is expected to unfold gradually, as the changes are only applied at policy anniversaries. To address the challenges and uphold affordability for policyholders, insurers and takaful operators are adopting various strategies. These include distributing premium increases over multiple years or introducing shorter pricing cycles with smaller, more frequent adjustments. Such measures aim to alleviate the immediate financial burden on policyholders and facilitate better financial planning.

The backdrop to these developments underscores more profound systemic pressures within the industry. Since 2019, the steady rise in healthcare claims has been a persistent issue, further intensified by the resumption of deferred medical treatments following the COVID-19 pandemic. In 2022, for example, medical claims surged by 34 % compared to the previous year, marking the highest annual increase since 2019. This upward trend continued into 2023, with an additional substantial increase of 26.2 %. Contributing factors include rising costs for medical procedures, hospital stays and medications, alongside higher hospital admission rates.[11]

Claims distribution data highlights a critical cost driver: hospital supplies and services account for 60-70 % of the cost of surgical and non-surgical treatment. This is compounded by Malaysia's persistently high medical inflation. According to Aon-Hewitt's 2024 Global Medical Trend Rates Report, the global average medical inflation trend rate for 2024 was 10.1 %, the highest since 2015. In stark contrast, Malaysia's rate is projected to be 15 % in 2024, the same level as in 2023 and well above the global average.[12]

11 Life insurance industry records healthy growth of 11.6% in its New Business Total Premiums and 9.4% in New Business Sum Assured in 2023, Press Release, LIAM, April 2024
12 Bank Negara Malaysia (2023): Financial Stability Review: First Half 2023

PHI pricing dynamics – and why healthcare cost control must be a part of any sustainable solution[13]

Medical inflation, the annual increase in the cost of treatment, has a significant impact on premiums for medical and health insurance products. Another key factor is the aging effect, whereby premiums increase as policyholders age due to higher risks of hospitalisation, longer recovery times and potential complications.

Anti-selection also drives up premiums. Initially, medical and health insurance products are priced competitively to attract buyers. Over time, rising treatment costs and increased utilisation often outstrip initial pricing, forcing insurers to revise premiums upwards to maintain the pool. Future inflation projections for the next two to three years are typically factored into each re-pricing. As premiums rise, healthier policyholders often switch to more affordable plans, leaving a shrinking pool of higher-risk individuals. This further worsens claims experience, leading to even higher premiums, creating a vicious cycle.

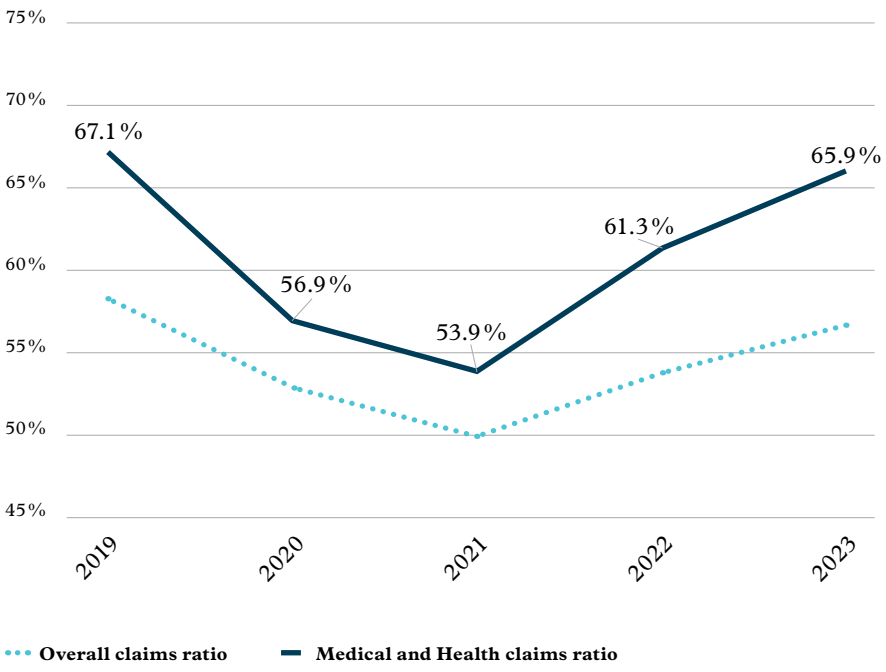
Ultimately, sustainability issues may force insurers to close portfolios and launch new products to attract healthier members. While portfolio surrender clauses exist, they are unpopular due to reputational risks and potential loss of consumer confidence. To mitigate this, insurers could offer new plans with broader benefits – such as higher limits – at competitive rates to retain healthier members. However, as these new portfolios mature, the cycle often repeats itself.

13 Life Insurance Association of Malaysia (2020): An Abstract From: The Insurance and Takaful Industry Medical Cost Containment Task Force Study on the Drivers of Medical Costs and Medical Insurance Premium Inflation 2020

GENERAL INSURERS AND GENERAL TAKAFUL OPERATORS ALSO EXPERIENCING WORSENING CLAIMS TRENDS IN MEDICAL AND HEALTH

Figure 6 provides an overview of the Medical and Health net claims incurred ratios of general insurers and general takaful operators. As already shown, general takaful operators play a very minor role in the Medical and Health market, so the focus here should be on the claims experience of general insurers. Looking at the development of the figures from 2019 to 2023, the first thing that stands out is that the basic development is identical to that of the life insurers shown earlier: from 2019 to 2021, the loss ratios or nominal claims payments fall, only to rise continuously and sharply from 2021 to 2023. The much larger percentage increase for life insurers can be largely explained by the fact that we have looked at nominal claims payments for life insurers rather than the claims ratio, and by the fact that the Medical and Health business of life insurers grew strongly over the period, while the premium volume written by general insurers remained relatively constant. Without these two differences in approach, the absolute differences would be less significant.

Figure 6: General insurers and general takaful operators, Medical and Health net claims incurred and overall claims ratios
Source: ISM Insurance Services Malaysia Berhad: Statistical Yearbook Insurance & Takaful, Financial Years 2019–2023



When comparing the Medical and Health claims ratio with the overall (all lines of business) claims ratio for general insurers, two things stand out. Firstly, the direction of change from year to year is the same. Secondly, a gap opens up between the two ratios, particularly in 2022 and 2023, pointing to line of business specific issues. This is another indication of a concrete need for action in the Medical and Health lines of business, such as re-pricing. Considering that the average expense ratio of general insurers has remained constant at around 35 % over the observation period, rising Medical and Health claims ratios have become a pressing issue for general insurers by 2023 at the latest.

LIFE INSURERS AND FAMILY TAKAFUL OPERATORS WORST AFFECTED

In summary, both life insurers and family takaful operators, as well as general insurers and general takaful operators, are affected by the inadequate premium level and disproportionate increase in Medical and Health claims. However, the extent of the problem is likely to be greater for life insurers and family takaful operators than for general insurers, because the former have grown much faster in this area in recent years and as the share of these lines of business out of their total business is higher.

HAVING PRIVATE HEALTH INSURANCE INCREASED OUT-OF-POCKET SPENDING ON INPATIENT MEDICAL EXPENDITURES

At the beginning of this publication, we highlighted that PHI in Malaysia has emerged as a key element in complementing public financing mechanisms, although it remains uncertain as to what extent PHI has contributed to achieving affordable, equitable and sustainable healthcare financing. Questions remain as to whether PHI provides sufficient financial protection to policyholders. As discussed in previous sections, its effectiveness depends on factors such as policy design, regulatory oversight and its role in the broader healthcare landscape. To shed more light on the current role and impact of PHI, a recent study[14] analysed data from Malaysia's 2019 National Health and Morbidity Survey, focusing on 983 individuals who had been hospitalised in the past year. Advanced statistical methods were used to ensure robust results.

Surprisingly, the study found that PHI holders had higher out-of-pocket hospital expenditure. An increased likelihood of admissions to private hospitals, over-consumption of treatments and unanticipated exclusions were all proposed as explanations for this result, indicating the need to better align patient, facility-provider and PHI-provider interests for needs-based treatments, and for clearer coverages.

For insurance and takaful leaders, this represents a strategic opportunity. To remain relevant and competitive, the industry must innovate and develop products that truly ease the financial burden while adapting to evolving consumer needs and regulatory requirements. Increased engagement with policymakers to improve regulation and financial protection for Malaysia's population is essential. By addressing these challenges, the insurance industry can help create a more equitable and resilient healthcare financing model that ensures long-term sustainability and trust.

14 Ng, Rui Jie et.al. (2024): Effect of supplementary private health insurance on out-of-pocket inpatient medical expenditure: evidence from Malaysia

POLICY REFORM INCLUDES MEASURES TO ADDRESS MEDICAL INFLATION FOR INSURERS AND TAKAFUL OPERATORS

Addressing medical inflation is critical to ensure continued access to affordable medical insurance and takaful coverage.

The revised Medical and Health Insurance/Takaful (MHIT) Business Policy Document, issued by Bank Negara Malaysia in February 2024 – see box below and on following page – includes a mandate that all ITOs offer consumers the option to purchase MHIT products with a co-payment mechanism as a more affordable alternative. Over time, the wider adoption of co-payment MHIT products is expected to improve the accessibility of MHIT offerings, while encouraging the needs-based utilisation of healthcare services. This alignment of interests is expected to help control medical cost inflation.

Malaysia's revised Medical and Health Insurance/Takaful (MHIT) Business Policy Document

This new, comprehensive framework aims to balance affordability, sustainability and consumer protection in the MHIT sector. It includes co-payments and commission caps, and aims to promote fairness and transparency, for example:

Underwriting policies and procedures	Licensed ITOs must establish clear and consistently applied underwriting policies for MHIT business. These policies should cover risk assessment, underwriting criteria, documentation requirements, authority limits and concentration limits. Decisions must be based on sound actuarial principles and not solely on external denials. Liability cannot be denied when premiums are paid but risks are unconfirmed.
Product design	Licensed ITOs must design MHIT products that meet evolving healthcare needs and encourage responsible use through co-payment features. Products should meet minimum co-payment thresholds, limit exclusions to known pre-existing conditions and maintain fair waiting periods. MHIT products must not be bundled with life insurance unless they are severable. Periodic reviews and value-added services, such as wellness programs, are encouraged to improve long-term health outcomes and risk management.
Re-pricing framework	ITOs must establish policies for repricing MHIT products. This includes setting tolerance levels, data scopes and assumptions for technical risk rates, taking into account policyholders' reasonable expectations. It addresses risk pooling principles, trade-offs between affordability and sustainability, and strategies for managing shrinking risk pools. Clear governance frameworks, stakeholder communication plans and support options for policyholders in the lowest tiers are emphasised.

Commission limits	Strict caps have been set on the commissions charged on various MHIT products. For individual policies, commissions range from 15% to 20%, while group policies are capped at 10%. Commissions are excluded from the pricing of direct MHIT products.
Monitoring and reporting	ITOs must submit MHIT claims data to a central platform by January 2025 to improve industry transparency and analyse medical inflation and claims trends. Annual monitoring and reporting of co-payment product features are also mandated.
Disclosure requirements	ITOs must provide consumers with clear, timely and transparent information about MHIT products at all stages – sale, contract and policy duration. Requirements include: – Providing Product Disclosure Sheets (PDS) with detailed fees, commissions and premium projections based on medical inflation. – Disclosure of alternative product options for comparison, prioritising affordability and suitability. – Communicating the policy implications of re-pricing or product switching.
Needs-based assessment	Staff and intermediaries need to conduct thorough fact-finding to recommend products that are tailored to consumers' financial goals, needs and risk profiles. Tools such as needs and budget calculators should be made available for self-assessment in direct distribution channels.
Consumer protection and governance	ITOs are required to align practices with the principles of fairness and transparency, and to avoid unfair treatment of consumers. Policies must ensure consumer-centered re-pricing practices, informed decision-making and equitable risk management across homogeneous cohorts.

Key deadlines

Deadlines include submission of claims data by January 2025 and updates to product disclosure requirements by July 2026.

These measures complement the government's broader healthcare and healthcare financing reforms, which are critical to improving the delivery of quality health services and health outcomes. Rising medical inflation and claims underscore the need for innovative, long-term solutions within the industry. Insurers must manage short-term financial pressures while developing strategies to address escalating costs in a sustainable manner. Achieving this balance means aligning policies with policyholders' financial capacity and ensuring the long-term viability of health insurance and takaful portfolios.

The quality of healthcare is very good, but costs are not contained

An interview with Mark O'Dell, CEO of Life Insurance Association of Malaysia (LIAM)

Mr. O'Dell, how would you rate the overall performance of the Malaysian health system?

The overall quality of healthcare is very good in Malaysia. The substantial amount of medical tourism from other countries may be read as proof of its reputation. However, the overall positive rating should not blur the fact that Malaysia's health system faces substantial challenges.

What kind of challenges does the system face?

Firstly, let's distinguish between the public and the private systems. Although we will focus here on the private sector, allow me a brief word on the public health system.

The public system is confronted with chronic underfunding, further aggravated by the rise in inflation following the pandemic. As a result, patients have to endure long waiting times for treatment. Another challenge is that specialists and nurses are leaving the public system and joining private hospitals as the wages more attractive.

The root cause of the public system's challenges is a non-diversified income source. Basically, the system is financed by the general revenue of the government, which – faced with medical inflation – is forced to continuously increase funding above GDP growth.

The government is therefore aiming to shift treatments from hospitals to primary care to improve cost efficiency. It is also investing more in prevention, particularly to fight the rapid rise in non-communicable diseases. And finally, it is looking at ways to share some of the costs with patients – a vital step as the government's subsidy is very high and not sustainable.

What are the challenges for the private health system?

The private health system faces a different challenge. Private hospitals have no incentive to contain costs. We see a lot of abuse and wastage, and as a result, inflated claims. Contrary to cost control, there are too many incentives for overconsumption within the system, hospital bills for insured patients can be far higher than for non-insured patients, and there is currently no correlation between the quality of the treatment outcome and cost incurred; although there are some treatment cost proxies, these are too crude as a benchmark and are not publicly available.

Given the escalating costs, premiums have risen significantly. This development affects senior citizens first and most severely. Malaysia's health insurance population has only built up over the past 25 years. The oldest of these insureds are now entering retirement age and seeing their premiums shoot up substantially due to medical claims inflation and their own risk profile, at a time when their disposable incomes are declining. Consequentially, they might retreat from the private sector and return to the public health system.

To contain costs, as of September 2024, Bank Negara Malaysia requires the presenting of optional co-payment plans with lower premiums as an alternative to the «cashless» plans that pay 100% of the bill. This can be in the form of a deductible or co-insurance (a percentage of the hospital bill). As a result, patients have an interest in avoiding overconsumption of diagnostics and treatments, reducing cost while at the same time paying a lower premium. In addition, the insurers are working on a national claims database which would include every medical claim. This database will enable us to detect and reduce cases of abuse, wastage or even fraud.

Has COVID-19 had a positive influence on private health insurance?

Malaysia's health system performed well during the pandemic. Health insurers experienced a comparably low level of incidences and claims eased through 2020 and 2021. Patients avoided hospitals – because they feared catching the virus – by differentiating between necessary and elected treatments and trying to postpone the latter. We therefore saw less claims, but a higher proportion of severe claims. Subsequently, we saw a strong rebound in claim costs in 2022/23, up by more than 30% in 2022 compared to 2021, followed by a further year-on-year increase of approximately 25% in 2023.

Demand for private health insurance has continued to rise since COVID-19, driven by increased risk awareness associated with the pandemic. In 2024, we had approximately 12 million insureds, 4 million group insureds and 8 million individual policyholders. Prior to COVID-19, we had approximately 10 million insureds.

Have there been successful efforts to expand the private health system to the lower income parts of society?

Private health insurance is a matter of affordability. In the most efficient national health schemes, a government provides basic health services to the population which the people can top-up through private health insurance according to their disposable income. At present most lower income households will continue to rely on the public system.

How have health insurers performed since COVID-19?

In contrast to general insurers, who annually adjust the rates in their portfolios, life insurers reprice their medical plans every two to three years. Rate hikes for life insurers therefore tend to be more drastic, with some increases of 40% to 50%. These hikes can not only have substantial implications for policyholders, but also for life insurers – the good risks in their portfolios can be lured away by the competition and may need strong incentives to stay. Following rate increases, life insurers are therefore often be left with a closed block of less healthy insureds and higher claims inflation.

Despite higher rates, health insurance in Malaysia has not been profitable in recent years. The claims ratio together with administration and marketing costs can exceed 100% of the current premium. Health insurance is still written, however, because it is a significant acquisition product. Despite the recent rate hikes, customers continue to seek health insurance

What can health insurers do to contain claims inflation?

Health insurers have taken numerous measures to contain medical costs. Similarly to the public sector, outpatient procedures and primary care are promoted. Insurers can also require pre-authorisation of treatments. Hospital bills might also be subject to some scrutiny and negotiations between the insurer and hospital if the bill seems unreasonably high; although an insurer's ability to renegotiate bills is limited, as patients are only discharged once their bill is settled. The promotion of co-payment plans will also help.

Furthermore, insurers may run a panel of recommended hospitals, removing hospitals from the panel if they charge significantly more than other competing hospitals. Patients can still select hospitals that are not on the panel, but in those cases would have to pay first and seek reimbursement later.

Finally, employers who offer group health insurance may require that patients first consult with and obtain a referral from a primary healthcare specialist before seeking hospital treatment.

Market survey results

QUALITY OF TREATMENT

Our interview partners were generally of the opinion that Malaysia's health system provides a satisfactory service to the population. Following the World Health Organisation's principles for universal health coverage, Malaysia's people have access to the healthcare services they need and of a reasonable quality, though not necessarily wherever they are, and not necessarily without long waiting times. Furthermore, the type and immediateness of the treatment largely depends on affordability.

Interviewees uniformly agreed that during the pandemic, the public hospitals – which were the only ones allowed to treat COVID-19 – performed well. Furthermore, according to many interviewees, treatment in public hospitals can be as good as in private ones – facilities and expertise are seen to be on par, though there was some concern that this might be deteriorating.

The rising cost of healthcare puts the government – as the sole source of financing for public hospitals – under pressure and restrict budgets. In consequence, healthcare professionals and workers are seen to be leaving the public for the private hospitals, where income and working conditions are perceived to be better.

MAIN CHALLENGES

While the overall assessment was positive, the future and sustainability of Malaysia's dual system of publicly and privately funded healthcare was bleaker.

On the public side, the number of patients seeking treatment was reported to far exceed capacity, resulting in long waiting times – the ultimate cause of insufficient capacity being strained or limited government financing, as this is the sole source of funding.

On the private side, however, the key challenge is customer affordability. For many Malaysians, paying for treatment in a private hospital is too expensive, incomes prevent many from being able to purchase PHI, and far from all employers offer PHI as a fringe benefit to their workforce.

Interviewees also stressed that relieving pressure on the public system by having more people join the private system is currently unrealistic given that medical and health insurance premiums are rising faster than disposable incomes.

KEY DEFICIENCIES

Medical inflation is one of the underlying drivers of challenges faced by Malaysia's health system. Currently, annual medical inflation in Malaysia is 12–15 %, well above the estimated 2024 GDP growth rate of approximately 5 % and annual wage increases. While the government struggles to keep up with the continuous increase in costs without having to curb services, medical inflation is also a major driver of recurrent PHI premium increases.

The other key challenge driver – which primarily impacts the private system – is overconsumption of services and the lack of ability to control costs. Malaysia's health system is characterised by a lack of alignment of interest between policyholders, insurers and hospitals. As a result – as all interviewees highlighted – there is often a disconnect between a patient's disease and needs, and the cost of treatment and services provided.

RECOMMENDATIONS FOR IMPROVEMENT

For the public system, the government aims to follow the four-pillar strategy outlined in the 2023 Health White Paper for Malaysia, published by the Ministry of Health (MOH); see pages 13 to 16. This approach entails strengthening disease prevention, where possible through improved awareness of the often behavioural causes of NCDs, a shift from inpatient to outpatient treatments as a more cost efficient treatment for many diseases, higher participation of patients in the cost of public hospital treatments and improved governance.

For the private system, improving cost transparency and aligning stakeholder interests were the main recommendations of interviewees. Treatment costs are not yet consistently regulated – hospitals are at some liberty as to how much they charge for treatments and which treatment they prescribe. It is argued that treatment costs are not based on the type and criticality of the disease, but on the type of payer. If a patient enters the hospital as a self-payer, their cost of treatment will be lower than if they had health insurance, which results in maximum treatment charges. There is also concern that private hospitals prescribe more – and often unnecessary and more expensive – treatments if the patient is insured.

Interviewees thus recommended a twofold approach:

1. Firstly, to develop a data-system, a kind of registry, that collates information on patients, diseases and treatment, to provide transparency and enable cost regulation. This is similar to the diagnosis-related group (DRG) system known from other markets.
2. Secondly, interviewees were uniformly supportive of the introduction of the co-payment option of up to 10 % required by Bank Negara Malaysia on all newly-written medical and health policies as of October 2024. The expectation is that patients – by participating in the cost of treatment – will challenge the hospitals and try to contain costs by questioning the necessity of certain treatments and pricing.

INCREASING INSURANCE PENETRATION

PHI penetration has risen over the past years. Prior to the pandemic, life insurers covered approximately 10 million Medical and Health insureds. That number has now increased to approximately 12 million, of which two thirds hold an individual policy and one third are covered by a group policy. The growth in insureds is driven by consumers' demand for health insurance as disposable incomes have increased and consumers increasingly recognise the benefits of health insurance compared to the public system.

However, interviewees voiced concerns that this improvement could be reversed if premiums rates continue to rise faster than GDP and even above medical inflation. They also shared the insight that age cohorts are differently impacted by rising premium rates. In particular, insureds now aged 65+ are the hardest hit, as in addition to overall rate increases, their premiums also rise due to the higher risk that they represent. In combination with a lower disposable income – due to their retirement – this cohort is likely to be among the first to return to the public system, further pressurising that part of Malaysia's health system.

HEALTH INSURANCE PENETRATION IN THE LOW-INCOME SEGMENT

Our interviewees consider the low-income segment of society to be best served by the public health system. While both parts of Malaysia's dual health system struggle with their respective challenges, shifting more people from the public to the private system is currently not a viable solution, according to our interviewees.

Interviewees agreed that the best approach is to maintain the current income-group split within the dual public-private system, but to improve the performance of both parts.

Firstly, as the affordability of PHI is declining. Premiums continue to rise faster than GDP, driven by medical inflation and overconsumption of the system. Furthermore, inflation has hit the low-income segment hardest, with food and energy price increases.

Secondly, the low-income segment would only be able to buy PHI products with a low annual limit. Given the current approach of private hospitals to charge insureds the maximum price for treatments, low limits would be rapidly exhausted, potentially leaving insureds with high out-of-pocket payments.

Thus, interviewees agreed that the best approach is to maintain the current income-group split within the dual public-private system, but to improve the performance of both parts.

VARIED PREMIUM GROWTH

Premiums have risen substantially. As discussed above, medical inflation and overconsumption/lack of cost control in Malaysia's health system are the main drivers of PHI premium growth.

However, at the most recent renewals, the spread of higher pricing was seen to have ranged from 6 % increases to as much as 20–25 %.

Price increases vary according to in-force or new policies, with the former only seen to be rising marginally while price increases for new policies are often blurred by added services which makes a one-to-one comparison difficult.

Premium increases also vary between life insurers and even more so between general insurers. This variation reflects the ability of general insurers to increase rates on an annual basis, whereas life insurers can only revise rates only every two or three years. The rate increases require regulatory approval. Life insurers are also under pressure to avoid excessive rate increases as this could lead to good risks being lured away by the competition, leaving the insurer with a portfolio of badly performing risks, potentially adding yet more pressure on them to increase rates at the next round.

Interviewees also added the insight that premium growth is not as clear cut as one might assume. Apart from the drivers mentioned above, premiums are also driven by insurance demand, which was generally still seen as flat or slightly up, by measures from individual or group insureds to contain premium increases by reducing coverage, and by the competitive market (at least for the good risks and in group health).

How to tackle the rising health care cost is a source of much public debate. In autumn 2024, it was feared that premiums could rise by as much as 40–70 % in 2025, possibly forcing some insureds to consider cancelling their cover.[15] Bank Negara decided to step in and announced interim measures to «alleviate the immediate impact to policyholders and preserve coverage.» According to its plan, the increase in premiums will be spread out over a minimum of three years, keeping increases at under 10 % per year for at least 80 % of policyholders. Policyholders who have recently surrendered their policies due to the expected repricing can request that their medical plan is reinstated. Bank Negara acknowledged that reform is needed to address the root cause of rising premiums, «which are driven by higher medical costs and utilisation of medical services.»[16]

15 Code Blue: Dr Sean Thum; The Crisis of Rising Medical Insurance Premiums, 29 November 2024
16 The Straits Times, Bank Negara steps in to help Malaysians hit with higher health insurance premiums, 20 December 2024

MARGINAL PROFITABILITY

Both life and general insurers see PHI as, at best, only marginally profitable. Life insurers see the claims ratio as being close to 100 %. According to interviewees, group PHI is more profitable than individual PHI, however, it is also prone to more heated competition. In addition, health insurance is used by life insurers as a «rider» to sell life policies due to its stronger demand. However, life insurance is more profitable, so Health products can often benefit from a cross-subsidisation from life products.

STABLE CAPACITY AND FEW PRODUCT INNOVATIONS

Given marginal profitability, there is little appetite to increase capacity. For general insurers, PHI accounts for less than 10 % of their portfolio and given current claims ratios, none of those interviewed voiced an interest in growing that share – in fact, some mentioned that they recently shrunk their portfolio due to its disappointing performance.

Some hope rests on new digital players coming into the market and extending coverage by offering targeted – often add-on – products through online platforms or with distribution partners. Bank Negara Malaysia is expected to promote this development by placing little or no restrictions on digital health products.

Apart from digital products, health insurers have extended coverage through add-ons, such as for mental health and disability, or through products that include coverage for alternative medicine or preventive care. In addition, insurers offer products with higher limits, such as an increased annual limit for medical treatments or for special and expensive cancer treatments.

INITIATIVES TO RESPOND TO OR CONTROL RISING CLAIMS

Insurers have limited options to control medical claims.

Smaller players see insurers as being at the «receiving end» – they have little means to control and challenge claims, as they only have a few hours to settle a claim as this is a precondition for the discharge of the patient from hospital. So the only options are to reduce exposure by restricting capacity, possibly even by exiting the line, or to increase rates in tandem with costs.

Otherwise, (larger) insurers pursue several options. One of the main cost drivers is in-patient care. As in the public system, insurers are trying to redirect insureds to outpatient treatments to reduce hospital treatment costs.

Furthermore, insurers are teaming up with hospitals that become trusted, accredited partners and trying to redirect patients to these hospitals – if insureds insist on using other hospitals, they have to pay upfront themselves and only receive reimbursement later – and potentially not for the full amount.

Another cost control option being applied by insurers is the requirement for a guarantee-letter from the insurer before treatment begins. As part of this process, the insurer may challenge or will approve the treatment prescribed by the hospital and is thus able to control costs to a certain degree. However, this option only applies to elective treatments and not to emergencies.

Options are limited if the insurer thinks that they have been overcharged. Some use third-party loss adjusters to renegotiate with the hospitals. For accredited hospitals, there is also the threat of taking them off the accredited list. However, with hospital groups merging in Malaysia, this negotiated power is reducing.

Respondents summarised that, ultimately, political will is required to bring all stakeholders to the table to limit costs – most likely through a transparent database that defines the cost per treatment, as in diagnosis-related group (DRG) systems. A greater focus on prevention is also needed to address lifestyle shifts that have given rise to the increase in NCDs. And finally, treatments must shift from inpatient care to general practitioners and other outpatient specialists that can treat many diseases just as effectively but at lower cost.

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