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## Privatising public healthcare - The cost factor

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THINGS have never been better for the private healthcare sector in Malaysia. Increasing numbers of Malaysians are able and willing to pay what it costs to get the best medical care and treatment, giving entrepreneurs reason enough to see wealth when they look at health.

The Association of Private Hospitals of Malaysia estimates that at least 14 new private hospitals will be set up in the next two years to provide an additional 3,400 beds. Ten will be built in Klang Valley, where much of the action in the healthcare industry has taken place so far.

These will bring the total number of private hospitals operating in Malaysia to around 200 with about 10,000 beds, further straining an already serious shortage of skilled medical staff in Malaysia.

Among the new hospitals are the 128-bed Taman Desa Medical Centre, the 220-bed Selangor Medical Centre, the 330-bed Gleneagles Intan Medical Centre and the 450-bed Mahkota Medical Centre Ipoh.

'The private medical field in the country is fast-paced and rapidly growing,' notes Dr Lee Choong Hing, the association's honorary secretary. The boom, according to him, is fuelled by the country's strong economic growth. When it comes to health, the Malaysian public wants the best it can afford.

Many private hospitals offer easy access to specialists, modern operating theatres, state-of-the-art laboratories and hotel-style accommodation and services. Unfortunately it all comes at a high price, but many Malaysians apparently don't mind paying.

'No I don't mind paying. I mean, what is money where health is concerned. The main thing is that my wife is all right and well taken care of,' says company director Lee Teng Boon in the lobby of the plush Subang Jaya Medical Centre (SJMC). Lee's wife is having a baby and he expects to pay about RM5,000 for a two-day stay.

Public-listed companies have been quick to catch on to the big bucks to be made in playing doctors and nurses. Among the most aggressive in expanding their healthcare interests are Tongkah Holdings Bhd, Kumpulan Perubatan Johor Bhd, Landmarks Holdings Bhd (Landmarks), Faber Group, and the Lion Group.

Landmarks for instance is eager to either divest or list its hotel and property businesses - which include such names as the Shangri-La Group, Carcosa Seri Negara and Sungai Wang shopping plaza - to raise funds for an excursion into healthcare and related services.

To date, Landmarks has committed RM200 million to set up two 250-bed hospitals in the Klang Valley by 1999. This will be followed by more hospitals in Penang and Johor Bahru. Managing director Mohamad Abdul Halim Ahmad estimates that by year 2000, healthcare will contribute the bulk of Landmarks' profits.

Analysts however are tipping Tongkah Holdings Bhd as the one to watch, and recent developments seem to support this view. Headed by executive chairman and CEO Mokhzani Mahathir, Tongkah sealed a deal in early March 1997 to buy Hospital Pantai Bhd (HPB) from Tan Sri Vincent Tan's Berjaya Group.

Tongkah will pay RM306 million or RM13.75 a share for Berjaya Group's 35.5% stake in HPB, which operates three private hospitals and has subsidiaries engaged in medical support services. Tongkah will also pay another RM51 million for 11.67 million ICULs (irredeemable convertible

unsecured loan stock) owned by the Berjaya Group.

Mokhzani, whose dad is Prime Minister Datuk Seri Dr Mahathir Mohamad, now controls more than 56.5% of HPB, compared with only about 4.5% six months ago. He has made a general offer to other shareholders for the remaining shares in HPB.

'Tongkah wants to be a serious player in both hospitals and supporting services,' says an analyst attached to SJ Securities Sdn Bhd. 'They feel it's a fast-growing business and are already looking beyond Malaysia into regional healthcare.'

The acquisition of HPB by Tongkah catapults Mokhzani into the regional healthcare arena. Through an HPB subsidiary, Mokhzani gains ownership of an estimated 20% in Singapore-based Parkway Holdings Ltd. Parkway is the largest player in Singapore's healthcare scene, commanding some 75% of the total hospital beds in the city state. It owns and operates the Mount Elizabeth Hospital and the Gleneagles hospital chain which operates in several countries.

Through HPB Mokhzani also gains a 20% stake in Alpha Healthcare Ltd, a private hospital chain listed on the Australian Stock Exchange, and 50% of one of Australia's largest pathology companies, Gribbles Pathology.

Gribbles Pathology's network in Australia currently comprises two main laboratories, 22 regional laboratories and 95 licensed patient collection centres. Employees number about 1,000 people. The company sees its future growth coming from Asia Pacific, and has announced plans for a rapid expansion in the region.

Its aim is to establish the largest pathology chain in Asia, starting with up to 20 laboratories in Malaysia and at least 10 in the Philippines by end of the decade.

Analysts say Tongkah is also very much in the running for the grand prize in Malaysian healthcare. Although keeping things very much under wraps, the Federal government has announced its intention to privatise the public healthcare system. Cost savings of billions and a need to improve service quality are behind the move.

The government's privatisation of support services in public hospitals and medical institutions last year was the first step towards a corporate-run healthcare system in Malaysia. The venture was billed as the most ambitious of its kind ever attempted in any country, and is valued at a mind-boggling RM7.5 billion over the 15-year concession period. Tongkah was one of the three concessionaires to gain from the privatisation.

Its subsidiary, Tongkah Medivest Sdn Bhd, was awarded a contract to provide management of clinical waste, cleansing and laundry services, engineering maintenance and biomedical engineering maintenance for government hospitals in Johor, Melaka, and Negri Sembilan. The contract is worth RM80 million a year over its 15-year life span and Mokhzani has said he hopes to see a 10% profit margin.

The other two are Faber Medi-Serve Sdn Bhd, a 51%-owned subsidiary of Faber Group Bhd, and Radicare (M) Sdn Bhd.

Faber Medi-Serve will provide support services to 71 government hospitals in the states of Perlis, Kedah, Penang, Perak, Labuan, Sabah and Sarawak. It is forecasting a yearly revenue of RM270 million from the venture. Radicare meanwhile will service government hospitals in Selangor, Kuala Lumpur, Pahang, Terengganu and Kelantan in a deal worth RM150 million annually.

One of the conditions of the privatisation contract is that the three concessionaires must obtain ISO 9002 standards by the year 2001. 'Otherwise it will be a breach of contract,' warned Health Minister Datuk Chua Jui Meng.

Not much information could be had on the details of the government's

plans for public healthcare. Due to its socially and politically sensitive nature, the Ministry of Health (MOH) and the Economic Planning Unit are keeping mum. Even academics are unsure what will happen.

'We don't know what's going to happen because there's so little information about the likely scenario,' comments associate professor Dr Chan Chee Khoon of Universiti Sains Malaysia.

'What we know of the government's plans to privatise healthcare is what we read in the newspapers, and the occasional statement made by the Health Minister and health policy makers. But they are very vague statements and raise more questions than answers,' Chan says.

Uncertainty even exists on whether the government wants to privatise only hospitals - which are just one component of the public healthcare system - or whether other components like rural clinics, maternity clinics, immunisation programmes, disease prevention, and mental hospitals will be included.

The Seventh Malaysia Plan (7MP) 1996-2000 gives only a broad indication of the government's thinking on the matter. 'To increase the efficiency of services and to retain qualified and experienced manpower, the corporatisation and privatisation of hospitals as well as medical services will be undertaken during the plan period,' it says.

'The government will gradually reduce its role in the provision of health services and increase its regulatory and enforcement functions. A health financing scheme to meet healthcare costs will also be implemented. However for the low-income group, access to health services will be assured through assistance from the government.'

Many, like former Health Department Deputy Director-General Datuk Dr C G A Fonseka, believe privatisation will not solve the problems of the public healthcare sector. A fair number of detractors fear that even basic healthcare will be priced out of reach of less affluent Malaysians and that medical standards will be compromised by the desire for profit.

'I will be dead and long gone and I will still be proven right. I believe a government system staffed by motivated people will provide a better service than a privatised one,' Fonseka was reported to have said.

Currently, all services provided at rural clinics and government health centres are free while government hospitals charge between RM40 and RM90 per day for a first class ward, RM25 for a second class ward, and RM3 a day for third class. A RM1 fee is charged for those needing out-patient treatment.

The government usually picks up the bill for civil servants while most companies meet the medical expenses of their employees through insurance schemes.

On paper, Malaysia's public healthcare system appears to be coping, and even thriving well. The 1997 budget allocated RM3.4 billion, the biggest ever, to the MOH. Some 23 new hospitals and 77 health clinics are to be built and existing health clinics will be equipped with modern equipment.

Emphasis is being placed on introducing new technology, extending specialist services to state and district hospitals, and on strengthening emergency and pre-hospital care service.

On the ground however observers say the system is racked by serious problems, and that any party keen on running the country's public healthcare system will need to make some tough decisions.

'Depending on whose opinion is sought, it is either a model worthy of emulation by other countries, or it is facing imminent collapse from chronic shortages, declining standards and severe demoralisation,' is how USM's Chan puts it.

Highly trained medical staff are leaving in droves for private hospitals, drawn by the far more lucrative salaries and fringe benefits

offered. To replace the brain drain, the MOH has been recruiting foreign doctors and nurses and is urging Malaysian doctors working overseas to return.

Not many Malaysian doctors practising overseas are believed to have taken up the offer, but nurses and doctors from poorer countries like Bangladesh, Sri Lanka, Myanmar, and Pakistan apparently find Malaysia an attractive destination.

As at mid-1996, some 212 foreign doctors, 117 specialists, and 374 nurses were working for the MOH, around one-third of them posted in Sabah and Sarawak.

Health Minister Datuk Chua Jui Meng has said Malaysia will need to employ many more foreign medical staff to achieve its stated goal of a doctor:population ratio of 1:1,500 by year 2000. The ratio currently stands at 1:2,100 and about 15,000 new doctors need to be recruited by year 2000 for the target to be reached, but the MOH receives only around 30 to 40 applications a month from Malaysian medical students who have completed their studies.

The intake of foreign personnel is raising some concern in local medical circles. 'We might get the numbers but we will not necessarily get the quality. This (medicine) is not a numbers thing,' worries Malaysian Medical Association President Datuk Dr Hamid Abdul Kadir.

In a bid to reduce dependence on foreigners, the intake of medical students into local universities has been increased. Universiti Pertanian Malaysia will soon have its own medical faculty, joining those of Universiti Malaya, Universiti Kebangsaan Malaysia, Universiti Sains Malaysia, Unimas and Universiti Islam Antarabangsa. Several privately-run medical colleges offering medicine and nursing courses in partnership with foreign universities are also up and running.

Fraught with complexities, the privatisation programme for the public healthcare system is proceeding slowly. The EPU is still believed to be in the planning stage. For now, a household health expenditure survey is being carried out by Universiti Malaya to determine how much Malaysians are spending on health.

Scheduled for completion by end 1997 the study will guide decision-makers on the quantum of premium to be imposed on the population when the government implements its national health insurance scheme during the 7MP period.

The insurance scheme is seen as necessary to prevent a cost blowout for future operators of the public healthcare system, and also to ensure working-class Malaysians will be able to afford medical treatment when the privatisation programme is implemented.

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