

An excerpt from:

*Better Health & Social Care: How are Co-ops & Mutuals Boosting Innovation & Access Worldwide?*

An International survey of co-ops and mutuals at work in the health and social care sector (CMHSC14)

Volume 2: National Cases

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For the research framework, the analysis of the national cases, and other research components, including a description of the research team members, refer to Volume 1: Report.

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## HEALTH SYSTEM

The Malaysian health care system can be divided into two distinctive parts, public and private sector health care. In other words, the Malaysian health care system consists of tax-funded and government-run universal services on the one hand, and a fast-growing private sector on the other.<sup>1</sup> The private sector mainly aims to serve urban regions and better-off patients, while the public sector, due to its mission of social equity, provides primary care services to the disadvantaged poor and the rural population. In the meantime, government servants are privileged to use public hospitals, almost free for all outpatient and inpatient treatments.<sup>2</sup>

With regard to the recent development of Malaysian health care, a most important change occurred in 1970, when the previous three-tier public sector system switched to the current two-tier system. These two tiers now include health clinics (providing outpatient services, dental care, health promotion, family planning) and community clinics (providing home care, family planning).<sup>3</sup> Later on, during the Mahathir years (1981-2003), the privatization of the economy proceeded apace. In 1985, a health privatization policy was launched.<sup>4</sup> In accordance with the economic privatization process (particularly profound under the 7th Malaysia Plan 1996–2000),<sup>5</sup> the private health care sector is today regarded as the “engine” of economic growth. It has been designated as one of the catalysts of the Government Transformation Plan, so as to assist the country in attaining the status of a high-income society.<sup>6</sup>

There are two main social security funds targeting private sector employees, the Social Security Organization and the Employee Provident Funds.<sup>7</sup> Private health insurance is voluntary with variable premiums charged on the basis of the health status of the insured, the type of health insurance, and the level of coverage. Generally speaking, private hospitals are profit-oriented and financially independent from the government.<sup>8</sup>

Although the Malaysian health care system performs relatively well compared with other developing countries in the Asia-Pacific Region,<sup>9</sup> a series of challenges have generated public and policy concerns. In addition to the aforementioned two-tier system (with public care for the poor and private care for the rich), there is an outflow of professionals from the public to the private sector, poor regulation regarding quality of care, and the absence of private sector engagement in health promotion and prevention activities.<sup>10</sup>

In the meantime, the Malaysian government has attached high importance to the cooperative movement. The cooperative sector has been regarded as the third crucial engine after the public and private sector in driving the nation’s economic growth,<sup>11</sup> and as a sector “balancing market based economic activities under capitalism and

state sector.”<sup>12</sup> The launching of the 2002-2010 National Co-operative Policy, together with the second National Co-operative Policy (2011-2020), are expected to coordinate the development of the Malaysian cooperative movement. Moreover, the Malaysia Co-operative Societies Commission was set up early in 2008 as another government initiative to support the cooperative model.

To tackle those health care challenges within an environment supportive to cooperative development, a cooperative model in health care has been proposed. For example, **KDM Koperasi Doktor Malaysia Berhad** (or the Malaysian Doctors’ Co-operative Society Ltd, hereafter KDM)<sup>13</sup> proposed a health cooperative system in the form of an inter-organizational network, with secondary cooperatives comprising diversified members (such as KDM and other medical cooperatives) and primary cooperatives active in health issues, community-based health cooperatives, fiscal intermediaries, etc.<sup>14</sup> The proposed Malaysian cooperative health model should be feasible because on the one hand, provider-consumer collaboration is a concept favoured by the government, and on the other hand, promotion of a healthy lifestyle is consistent with the government’s vision, mission, and strategies.<sup>15</sup>

Population (in thousands): 29,240

Population median age (years): 26.99

Population under 15 (%): 26.65

Population over 60 (%): 8.21

Total expenditure on health as a % of Gross Domestic Product: 4.0

General government expenditure on health as a % of total government expenditure: 6.2

Private expenditure on health as a % of total expenditure: 45.1

Furthermore, learning from Japan, Malaysia is seeking to enhance health promotion by way of underlining community involvement in self-care and a healthy lifestyle.<sup>16</sup> The Ministry of Health endeavours to engage community groups in promoting population health, such as women's groups, youth groups, social clubs, and cooperative societies.<sup>17</sup> Finally, the need to include women, especially single mothers and youth in diversified cooperative businesses, such as health centres, has been emphasized by Malaysian experts.<sup>18</sup>

### HEALTH COOPERATIVES<sup>19</sup>

In Malaysia, currently there is only one cooperative for doctors in the private sector, namely KDM, a health care producer cooperative with about 600 doctors as members. These doctors own their own (single- or multi-doctor) clinics that provide health care to the public and to third-party administrators at a variable cost. KDM's mission and objectives are to uphold the economic and social interests of members, and to implement businesses and services in the medical and health fields.

Moreover, according to KDM, as of March 2014 there is no health cooperative hospital in Malaysia.<sup>20</sup> However, owing to rising health care costs, it is likely that a health care insurance scheme is to be launched, managed by the Malaysian government.

#### Health Cooperative Data<sup>21</sup>

<b>Number of cooperatives</b>	1
Type of cooperative	Producer (1)
Number of members	600
Number of employees	N/A
Users	N/A
Facilities	N/A
Services offered	N/A
<b>Annual turnover</b>	N/A

### SOCIAL COOPERATIVES

According to the Minister of Domestic Trade, Co-operatives and Consumerism, Malaysia is "keen to expand social co-operatives as

distinct from co-operatives engaged purely in business activities as a means to maximize socio-economic benefits blending concern for community with economic progress."<sup>22</sup>

The Malaysia Co-operative Societies Commission identified four cooperatives for handicapped persons and two single mothers' cooperatives involving in health care services and consumer activities.<sup>23</sup> Although no detailed information seems to be available, it is very likely that these can be labeled "social cooperatives." They are situated in Perlis, Kuala Terengganu, Penang, Selangor, and Wilayah Persekutuan. Furthermore, seven community-based multipurpose cooperatives have also been recorded, targeting the Orang Asli ethnic minority. These cooperatives carry out activities in agriculture, supplies, bookselling, and consumer activities. They were set up by the members with the purpose of "helping, developing and promoting activities to enhance the well-being of their community."<sup>24</sup>

#### Social Cooperatives Data

<b>Number of cooperatives</b>	13
Type of cooperative	N/A
Number of members	N/A
Number of users	N/A
Services offered	Services and activities for handicapped persons and single mothers, health care services, community support for an ethnic minority, etc.

### PHARMACY COOPERATIVES

Inside KDM there is a Pharmaceutical Division with the purpose of bulk purchasing of medicines and providing member doctors with medicines at the lowest price possible. In this way, in the view of KDM, the cost of providing health care to the public can be reduced.

Based on the information provided by KDM, there are no health mutual organizations in Malaysia.

## SOURCES

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- <sup>2</sup> Durrishah, I. 2013. "Private healthcare policy and system in Malaysia and Japan: Sustaining harmonious workplace relations through good governance and best practices." ([http://www.jil.go.jp/profile/documents/Durrishah\\_Idrus.pdf](http://www.jil.go.jp/profile/documents/Durrishah_Idrus.pdf)).
- <sup>3</sup> Jaafar et al. 2013:17.
- <sup>4</sup> Deo, J.S. 2005. "The development of co-operative health care in Malaysia." Presentation at the International Seminar on Health Care and Co-operatives, April, 20-21. Barcelona, Spain.
- <sup>5</sup> Jaafar et al. 2013:19.
- <sup>6</sup> Deo 2005; Durrishah 2013:5.
- <sup>7</sup> Jaafar et al. 2013:46.
- <sup>8</sup> Durrishah 2013:7.
- <sup>9</sup> Jaafar et al. 2013.
- <sup>10</sup> Jaafar et al. 2013:86.
- <sup>11</sup> Othman, I., Mohamad, M., and A. Abdullah. 2013. "Co-operative Movements in Malaysia: The Issue of Governance." *International Journal of Social, Human Science and Engineering* 7(6):659-663. (<http://waset.org/publications/8324>).
- <sup>12</sup> ICA-AP. 2013. "Resolution and Report on the 1st Asia-Pacific Co-operative Registrars' Conference on Sound Tuning of Co-operative Law, Policy & Regulation and Primary Co-operatives By-Laws." December 10-11. Kuala Lumpur, Malaysia. ([http://www.ica-ap.co-op/sites/default/files/Report\\_Resolution\\_1st\\_Asia\\_Pacific\\_Co-operativeRegistrars\\_Conference.pdf](http://www.ica-ap.co-op/sites/default/files/Report_Resolution_1st_Asia_Pacific_Co-operativeRegistrars_Conference.pdf)).
- <sup>13</sup> Information provided by KDM.
- <sup>14</sup> Deo 2005.
- <sup>15</sup> Deo 2005.
- <sup>16</sup> Deo 2005.
- <sup>17</sup> Jaafar et al. 2013:33.
- <sup>18</sup> ICA-AP 2013:14-15.
- <sup>19</sup> We would like to thank KDM for providing the information in this section.
- <sup>20</sup> Notwithstanding, one cooperative hospital, the Co-op Medical Center (Sambhi Clinic) in Wilayah Persekutuan Kuala Lumpur, was identified in a national health care survey report. This clinic was officially acquired by Koperasi Putri Terbilang Malaysia Bhd (KOPUTRI) in May 2010 and is currently managed by One Life Care Sdn. Bhd. under the name of CO-OP Medical Centre (Pusat Perubatan KOOP). See Coop Medical Centre. 2014. Facebook Page. (<https://ms-my.facebook.com/pages/Co-op-Medical-Centre/338737382904788?sk=info>); and Ministry of Health Malaysia, National Healthcare Statistics Initiative. 2013. "National Healthcare Establishment & Workforce Statistics Hospitals 2011." (<http://www.crc.gov.my/nhsi/national-healthcare-establishments-workforce-statistics-hospitals-2011/>).
- <sup>21</sup> As of March 2014.
- <sup>22</sup> ICA-AP 2013:9.
- <sup>23</sup> Page 33 in Othman, A. and F. Kari. 2008. "Enhancing co-operative movement to achieve Malaysia's development goals." Paper presented at the ICA Research Conference, "The Role of Co-operatives in Sustaining Development and Fostering Social Responsibility," October 16-18, Trento, Italy. ([http://www.acdivocacoopex.org/acdivoca/CoopLib.nsf/d40b394e0533f5b285256d96004f1ad4/1958e814b2f5b523852575e0005a3c9a/\\$FILE/ENHANCING%20CO-OPERATIVE%20MOVEMENT.pdf](http://www.acdivocacoopex.org/acdivoca/CoopLib.nsf/d40b394e0533f5b285256d96004f1ad4/1958e814b2f5b523852575e0005a3c9a/$FILE/ENHANCING%20CO-OPERATIVE%20MOVEMENT.pdf)).
- <sup>24</sup> Othman and Kari 2008.