Healthcare Market in Malaysia (Apr 2018)

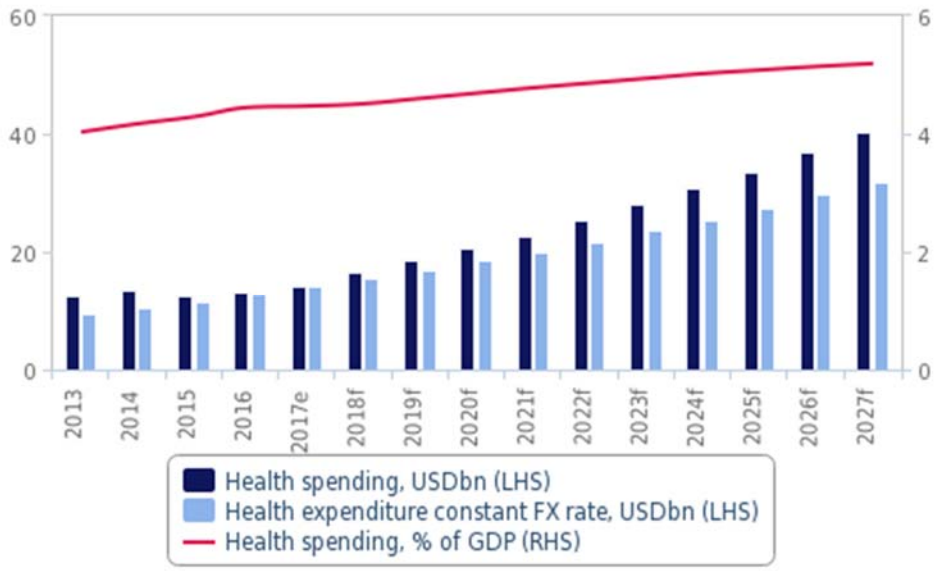
By CEDAR Research Team

Malaysia will remain firmly committed to improving health quality and access across the country as part of the 11th Malaysia Plan. In recent years, the healthcare sector has seen increased government expenditure, with an increase in medical facilities and higher quality treatments. However, the country's rising disease burden, increasing health costs and a lack of financial sustainability will pose significant challenges.

Latest Updates

- In December 2017, the Ministry of Health proposed a wealth of new health policies aimed at tackling the growing trend of non-communicable diseases, primarily focusing on lifestyle habits.
- Malaysia's proposed national budget for 2018 included a RM27.0 billion allocation to the healthcare sector, an increase of 9.5% compared to the 2017 budget allocation.

Healthcare Expenditure Forecast
(2013-2027)



e/f = BMI estimate/forecast. Source: WHO, BMI

Structural Trends

The Malaysian healthcare sector will experience robust growth driven by the country's concerted effort to improve the health and well-being of its population. In 2017, healthcare expenditure in Malaysia was valued at RM60.12 billion and is expected to grow by 9.6% in 2018 to reach RM65.90 billion. Health expenditure will experience a five-year compound annual growth rate (CAGR) of 9.0%, reaching RM92.69 billion by 2022. Over the extended forecast period, the sector's value is expected to more than double, growing at a CAGR of 8.5% to reach a value of RM135.63 billion by 2027. Healthcare spending per capita is calculated to rise from RM1,743 in 2017 to RM2,936 in 2022, and RM4,388 by 2027.

In 2017, Malaysia spent 4.5% of its GDP on healthcare, a figure that sits below the regional average of 5.6%. The value does not correlate directly to the quality of healthcare provided, although it does give an indication of the government's commitment to healthcare provision. In

2017, public healthcare expenditure reached RM33.26 billion, representing 55% of total healthcare spending in Malaysia. The government expenditure will remain around this mark - in recent years the government announced plans to boost the healthcare workforce - but the rate of increase will be in line with the private sector. By 2022, public health expenditure will reach RM51.32 billion, growing at CAGR of 9.1%, identical to the private sector CAGRs.

The government's commitment to the healthcare sector is one of the key drivers of growth within the country's healthcare market, particularly given that public spending accounts for a significant share of the overall healthcare expenditure. Malaysia's 2018 budget highlights the government’s commitment to longer-term development objectives, with the government planning to spend RM280.2 billion on various initiatives in 2018 (a 7.5% increase from 2017). The country's proposed national budget for 2018 includes a RM27.0 billion allocation to the healthcare sector, an increase of 9.5% compared to 2017 budget allocation. However, Malaysia's health budget at 4% of the GDP is lower than that of WHO's recommended budget for healthcare at 7% of the GDP. This will remain a cause for concern as an insufficient allocation might result in shortages of essential drugs needed to treat diseases, particularly non-communicable diseases and pose challenges for multinational pharmaceutical firms operating in the country.

Medical tourism will play a key role in shaping the healthcare market. As Malaysia's medical tourism sector matures, the country will see the rise of core geographic centres focus on the industry. Private healthcare providers have long been concentrating in key locations such as Iskandar Malaysia, reinforcing this trend. The authorities are currently examining the possibility of the new hub developing a niche in fields such as cancer, cardiology, urology, women's health and paediatrics. In August 2017, TMCLS, a major South East Asian healthcare provider, indicated that it would invest in the Iskandar project, with a new, first-of-its kind integrated medical hub costing RM1.2 billion excluding land cost. This is expected to be completed in late 2020, with a 500-bed tertiary hospital, specialist medical suites and related health and wellness facilities.

Efforts to establish medical tourism hubs within Malaysia will be supported by private healthcare providers. In part, such support aligns with their business strategy of leveraging the rise of medical tourism in the country. Malaysia-based KPJ Healthcare acknowledged the opportunities presented by the sector in its 2015 annual report and has earmarked four Joint Commission International-accredited hospitals to cater to medical tourists. Of the four, KPJ Johor and KPJ Penang will stand to gain from the government's efforts to develop the respective locations into medical tourism hubs. IHH Healthcare has similarly expressed its aim of growing the revenues generated from medical tourism in Malaysia. In 2015, the firm reported that medical tourists account for less than 10% of patient revenue, and that it intends to increase this over the next five to 10 years. Like KPJ, IHH will benefit from the government's plans as it has hospitals in all three locations identified as potential hubs.