

THE ROLE OF PRIVATE HEALTH INSURANCE IN ENHANCING INDIVIDUAL'S WELL-BEING

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ABSTRACT: *The Ministry of Health and the individual patients have been burdened by the escalating of healthcare cost due to increasing trends of Malaysia Total Health Expenditure (TEH) with RM8,190 million in 1997 to RM49,731 million in 2014 (Malaysia National Health Account (MNHA): Health Expenditure Report, 1997-2014). Thus, sufficient health financial support is deemed vital and it has a potential to serve as another alternative to reduce health financial burden especially among the vulnerable group which later improve their wellbeing. Wellbeing is broadly defined as the physical, social and economic state which contributes to the improvement of the individual, household and the community's quality of life and satisfaction. However, the private health insurance and wellbeing measures remain complicated with less research evidence available with the subjective well-being and worth living life are rarely measures. Therefore, there is a need to emphasize on the study of private health insurance and the individual's wellbeing in Malaysia since the government and community are struggling by the escalating healthcare cost. Hence, in this study, the researcher aims to discuss the influence of private health insurance towards individual's wellbeing by reviewing previous studies' findings.*

Keywords: Wellbeing, Private Health Insurance.

1. INTRODUCTION

The wellbeing research is mounting even with lacking consensus on its definitions and multidimensional measurements [1-2] with shared disciplines including philosophy, psychology and sociology as well as economics [3-4]. There have been occasionally established "best instrument" for the wellbeing that meets all purposes since different countries have used various conceptualization and operationalization of wellbeing [2]. Thus, there is absent "best instruments", only instrument best suited to a particular purpose [5].

Wellbeing is broadly defined as the physical, social and economic state [1,6-8] which contribute to the improvement of the individual, household and the community's quality of life and satisfaction. While other scholars describe wellbeing as the dynamic process that leads to a better life which comprises of objective and subjective well-being. Objective well-being refers to the external components of individuals while subjective wellbeing refers to self-evaluation of happiness and life satisfaction [9]. In precise, according to Malaysia Productivity Report 2016/2017 and Malaysian Wellbeing Index 2012, wellbeing is divided into two subs composite which is economic wellbeing and social wellbeing. Economic wellbeing divided into five components which include transport, communication, education (sub-components: equality and quality), income and distribution and working life. Whereas social wellbeing divided into nine components which include housing, leisure, governance, public safety, social participation, culture, health (sub-components: level of health and healthcare services), environment and family (sub-components: family institution [divorce rate, juvenile crime, domestic violence cases] and financial health [debt burden: mean monthly household income, households debt per capita, dependency ratio [7].

The importance of wellbeing research is highly emphasized especially by the national policies as a potential guidance on the policy choices [2]. Wellbeing measure will contribute to the understanding of progress and welfare of the societies as well as their health status. The European strategy Health 2020 main targets include improving the wellbeing of the European Region Population [6]. Therefore, Malaysia and other developing countries should set the same efforts in enhancing the wellbeing of the population by conducting a robust research on the wellbeing. Equally important, the study is expected to provide a recommendation for the health insurance provider in strengthening their services and coverage of health insurance. The study evidence is informative to health insurance provider, indicating that expansion of coverage is vital to improve individual well-being. Additionally, this study could also facilitate the decision making of a policymaker to continue their efforts in providing robust social welfare to ensure the well-being of the citizens.

2. SOURCES OF FUND IN MALAYSIA HEALTHCARE SYSTEM

The Malaysian healthcare system consists of tax-funded and government-run universal services and a fast-growing private sector. Public sector health services are centrally administered by the Ministry of Health which also exerts little regulatory power over the private sector. The funding sources for Malaysia healthcare systems are financed by local taxes and government general revenue for the public sector. Whereas for the private sector, the sources of funding are generated from employer and individual through private insurers or group managed care schemes, Social Security Organization (SOCSO) and Employee Provident Fund (EPF) as well as funded by the individual out of pocket.

The rapid increased of healthcare cost need to be addressed either by introducing the new mechanism to support the funds and to contain the healthcare cost or by seeking for another available fund to finance the increasing healthcare cost. As in the study conducted by Stabile M. *et.al.* [10], they suggest the healthcare cost containment strategies should include i) reducing population coverage by removing entitlement to some or all statutory benefits from specific groups of people, ii) reducing service coverage by excluding benefits, use of positive or negative lists, iii) reducing cost coverage by introducing or increasing user charges (this is the part of individual contribution also known as patient cost sharing) and public budget shifting by moving budgets across level of government, moving from health to social services budgets and tax incentives for private health insurance. In this context, budget shifting aims to contain costs by shifting costs onto households or private insurers by reducing publicly financed health coverage.

However, concerns should be given to the whole population with a diverse income distribution. Any policy decision should emphasize on the citizen benefits and if possible, the burden should not be transferred merely to the citizen. If the increasing healthcare cost is shifted to the household, the individual will be suffered for the financial burden that might lead to impoverishment. As in the present data (April 2017), Malaysia labor force participation rate is at 67.7% and unemployment rate is at 3.4% while a total of 32.3% of working-age population (15-64 years) who were outside the labor force were housewives, students, retired, disabled person and those not interested in working (Department of Statistics Malaysia, 2017) [11]. This 35.7% of population group should not be neglected; there should be another source of fund to support those groups since they have no fixed income to support their life including healthcare expenses.

3. STATEMENT OF PROBLEM

In previous years, the enhancement of social wellbeing is widely measured based on an economic parameter of Gross Domestic Product (GDP) [2]. On the other hand in recent years, economist mutually agreed that the GDP is inadequate to represent the inclusive society wellbeing [2,9] and there is a need to complement or replace the economic measures [2,10] as also suggested by the Organization for Economic Co-operation and Development (OECD), the United Nations (UN), and the World Health Organization (WHO). It is supported by research evidence that shows increasing national income has not increased the happiness in average [10,14] also confirmed that financial fortune is an inexact proxy of wellbeing. This issue remains complicated with less research evidence available with the subjective well-being and worth living life are rarely measures [2,12]. Therefore, at the moment there is a need to emphasize on the study of private health insurance and the wellbeing in Malaysia since the government and community are struggling by the escalating healthcare cost.

In the perspective of macro-level health expenditure, there is an increase in trends of Malaysia Total Health Expenditure (TEH) with RM8,190 million in 1997 to RM49,731 million in 2014 (Malaysia National Health Account (MNHA): Health Expenditure Report, 1997-2014). The trend continues in 2015 with the increase of 28.8% within a year with the amount of

RM 52,609 million with the public sector health expenditure account for RM27, 078 million while private sector health expenditure is RM25, 531 million (Preliminary MNHA Data, 2015).

Thus, sufficient health financial support including availability of private health insurance is deemed vital and possibly to serve as another alternative to reduce health financial burden especially among the vulnerable group which later improve their wellbeing. Hence, in this study, the researcher aims to analyse the influence of private health insurance individual wellbeing. Private health insurance might be one of the approaches to minimize the government health expenditure as well as reducing household health spending thus enhancing social wellbeing.

4. WELLBEING

Wellbeing should become a primary focus of policymakers [10] since developing any program or mechanism will directly or indirectly affect the community. There has been a rise in depression and weakening in life satisfaction even though with the growth of economic output [10]. Therefore, non-economic factors of society's well-being need to be the highlight in order to minimize the imbalance between the growth of economic and society's wellbeing. This paper reviews manifold economic and non-economic factors that are relevant to the concept of wellbeing. In line with the main objective of this study, the review first focuses on health financial support which consists of type of insurance, Managed Health Care experience [13] and cost of insurance [14] towards wellbeing enhancement. Previous studies also intensively relate the financial status with the financial burden which later affect the wellbeing like the study by [15] who focus on financial adjustments (using savings; borrowing money; relying on family and friends for direct and indirect financial help; and cutting back on household spending) needed to cope with the cancer-related financial burden, financial distress (defined as a reaction to the state of personal finances) and factors that increase risk of financial difficulties. Monthly household income and quality of life were studied by [16] while financial socialization and financial literacy (knowledge to effectively manage their personal finances) were assessed towards perceived financial wellbeing (money saved, current financial situation, and financial management skills) [17]. Another determinants of wellbeing being discussed are education and health status [16-17] and also health and longevity [10].

Other factors being studied are demographics (race/ethnicity, age, marital status, number of own children) factor, job-related (experience, industry, occupation, firm size, spouse working) and state level variables (prevalence of smoking, motor vehicle deaths, violent crime, support for public health care) towards health insurance coverage, improved health status and higher earnings [14]. In addition, personal and family backgrounds, academic ability (GPA & class rank), childhood consumer experience were tested on financial wellbeing [17]. In the school context, school socio-ecological environment (school perception, class relationships, teacher relationships, school policy and parental participation) were measured towards health and wellbeing outcomes [18]. The identified non-economic factors being studied by previous scholars are among the predictors which influenced the

enhancement of individual and society's well-being. Besides, wellbeing components are also characterized by other scholars as objective and subjective well-being. Previous study defines objective wellbeing as the individual's external components (objectively exist) while subjective components refer to self-rated of life satisfaction and happiness [9].

The availability of private health insurance will provide greater opportunities for the individual to have quality access to healthcare, particularly in private healthcare facilities. Also to assist the individual who is diagnosed with chronic diseases which constantly incur the high cost of treatments. The alternative sources of the fund through private health insurance is deemed crucial in reducing the health financial burden among low-income earners due to the escalating healthcare cost [16].

5. PRIVATE HEALTH INSURANCE

Private health insurance serves as a third-party payer which provide financial protection as well as minimize the financial risk for 36 specified critical illnesses as written in the insurance policy. The coverage of health insurance will depend on the premium paid by the insured individual or policyholder. Though, it is seen to decrease the solidarity and equity since the "opt-out" private health insurance may be attracted only to richer population [19] who afford to pay for the monthly premium. The other side which needs to be addressed is the financial protection among middle income and lower income population. Does the absence of private health insurance among these groups will affect their individual wellbeing? On the other aspect, some of health insurance policy required advanced payment or co-payment from the patient before they get access to the private healthcare facilities. This co-payment would also contribute to the financial barrier especially those who diagnosed having catastrophic diseases which incurred expensive treatment. While most of the insurance policy covered only inpatient services which lead to the dual effect of either increasing demand for inpatients services [20] which sometimes unnecessary or the second effect is patient has to bear the expensive cost of private outpatient services especially with specialist care.

This expensive cost was found to be the main barrier to healthcare utilization as per evidence from a major complaint among respondents in China which reveals, seeking treatment from a doctor requires an expensive cost in both urban and rural area (particularly in underdeveloped rural). The unaffordable health care service leads to the late detection of preventable diseases which consequently placed a financial catastrophe towards patient diagnosed with advanced stage of chronic disease [20]. Lu & Wang also propose that health insurance coverage should be expanded in order to encourage access to healthcare services, particularly for preventive actions.

Meanwhile, most of the previous study who conclude the significant impact of health insurance towards wellbeing was conducted in developed countries like in United States [13,21-22] where the private health insurance plays a crucial

role in other developed countries since their healthcare services heavily depend on the availability of health insurance coverage. However, there is a dearth of research on private health insurance and its impact on well-being among developing countries like Malaysia. Does private health insurance play a crucial role in enhancing Malaysian wellbeing since Malaysia healthcare system is highly subsidized by the government and users are required to pay at a very minimal cost to get access to the government healthcare facilities? Or does private health insurance only play its role if the users are seeking medical care from private healthcare facilities with more expensive medical treatment? Those are the triggered questions that encourage this study to be conducted in Malaysia.

6. THE BENEFITS OF HEALTH INSURANCE COVERAGE

There is inconsistent finding on health insurance and improvement of health status and wellbeing. Latest study found that there is no significant impact on health insurance and wellbeing [23]. While other studies reveal there is a positive correlation between health insurance on certain components of wellbeing, for instance, health outcomes, educational performance and quality of life [21-22].

Most studies reveal the advantages of health insurance coverage instead of discussing its drawback. Being covered by health insurance help to improve the health status [21,23-24] which the increase in health status are often connected with the increase of wellbeing [23]. Moreover, protected by health insurance help in improving children development, increase educational attainment and increasing employee productivity thus turn into enhancing social and economic well-being [21-22]. In the United States, the total health spending among middle and upper-income families would also save up to 13 to 14 per cent which allows them to spend on other basic needs including housing, food and clothing [24]. [25] also found similar agreement where the small fraction saving from healthcare spending would facilitate the society to spend on other necessities like education and housing. Those who have health insurance tend to have more personal earnings as compared to uninsured [22].

In contrast, a vulnerable group with lower income and unable to subscribe to the health insurance premium are at high risk of health status due to less medical care received [21]. Among children, lower immunization rate was found among uninsured group [26], which later might affect their future health status. [13] Poor health status is not merely caused by the economic deficit but also due to the difficulty in paying for healthcare services which later may lead to increased stress among household and affects the emotional wellbeing [13].

Generally, private health insurance would bring its own advantages and disadvantages and this would vary by countries since different countries are equipped with a different health system. The summary of benefits and drawbacks of private health insurance is presented in the following table.

Table 1: Benefits and Drawbacks of Private Health Insurance
*Source: [27]

Perspective	Benefits	Drawback
Government	Alternative source of health financing	Affect incentives for health expenditure growth. Bringing more financial resources into the health care system lead to highest health spending levels per capita.
	Share in total health expenditure	
Healthcare System	Providing more and better quality care	Pressures on health service providers to minimize costs
	Increased service capacity and supply	
	Has injected financial resources into some health systems	
	Positive effect on the a probability of visiting a specialist	
Individual	Lower shares of out-of-pocket (OOP) expenditure in total health spending	Private health insurance covers what could be termed as “small risks” or ancillary and supplementary services, such as dental and optical treatments, choice of provider, upgraded hospital accommodation
	Furnishing insurees with access to privately financed providers	Private Long-Term Care insurance have high premiums and unaffordable- not always affordable and accessible
	Covers hospitalization and doctors' expenses	Access-related challenges, especially for high-risk and vulnerable groups lead to equity implications
	Enhanced patients' access to timely hospital care	Moral hazard

7. IMPLICATION OF THE STUDY

The importance of wellbeing research is highly emphasized especially by the national policies as a potential guidance on the policy choices [2]. Wellbeing measure will contribute to the understanding of progress and welfare of the societies as well as their health status. Additionally, this study could facilitate the decision making of a policymaker to continue their efforts in providing robust social welfare to ensure the well-being of the citizens. The study is also expected to provide a recommendation for the health insurance provider in strengthening their services and coverage of health insurance. As in the United States, the employees' well-being heavily relying on company health insurance. The wellbeing program outlined by the company can improve employee health and quality of life thus leads to a reduction in cost to treat employee's disease [25]. Similar to [22] study who stated that lacking health insurance could decline the wellbeing in adulthood and Zhou also mentioned that, it is

vital to study the effect of health insurance to provide an understanding of the wellbeing enhancement.

8. CONCLUSIONS

The rapid increased of healthcare cost need to be addressed either by introducing the new mechanism to support the funds and to contain the healthcare cost or by seeking for another available fund to finance the increasing healthcare cost. Concerns should be given to the whole population with a diverse income distribution. Any policy decision should emphasize on the citizen benefits and if possible, the burden should not be transferred merely to the citizen. If the increasing healthcare cost is shifted to the household, the individual will be suffered for the financial burden that might lead to impoverishment which later affects their wellbeing.

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