UNIVERSITI MALAYA

PUSAT PENYELIDIKAN KESEJAHTERAAN SOSIAL
Social Wellbeing Research Centre (SWRC)

SWRC Working Paper Series
WP2025/3

Universal in Name, Equitable in Quality: Re-framing Malaysia's Public Healthcare Expenditure from Spending to Investment

Muhammad Aizat Zainal Alam
Norma Mansor

September 2025

Published by the Social Wellbeing Research Centre (SWRC)

Printed in Malaysia

SOCIAL WELLBEING RESEARCH CENTRE (SWRC)
Universiti Malaya, 50603 Kuala Lumpur, Malaysia

http://swrc.um.edu.my

UNIVERSAL IN NAME, EQUITABLE IN QUALITY

Re-framing Malaysia's Public Healthcare Expenditure from Spending to Investment

Muhammad Aizat Zainal Alam
Norma Mansor

Executive Summary

Malaysia's public healthcare system is a cornerstone of national social policy, providing de jure universal coverage. However, universality does not automatically translate into equity or quality. The adage "*services for the poor will be poor services*" risks becoming a reality if systemic underinvestment persists. This working paper argues that current health financing levels are inadequate to maintain a high-quality, equitable public system. Using comparative data from the OECD, ASEAN, and global averages, we demonstrate that Malaysia's public health expenditure as a percentage of GDP is significantly low. This paper contends that budgetary allocations for health must be strategically re-framed not as a recurrent cost, but as a critical investment in human capital and social wellbeing. Such a shift is essential to safeguard the quality of care, ensure long-term sustainability, and fulfil the promise of truly equitable universal healthcare for all Malaysians.

Introduction

Malaysia's public healthcare system is often hailed as a success story, providing accessible care at a low cost. The principle of universality ensures that no Malaysian is denied necessary medical treatment due to an inability to pay. However, this proud achievement is under increasing strain. Rising healthcare demands from an ageing population, the growing burden of non-communicable diseases (NCDs), and rising public expectations are stretching the system's resources to its limits.

According to a joint WHO–UN Task Force and Ministry of Health investment report, the economic impact of NCDs in Malaysia stands at approximately USD 14 billion annually (equivalent to RM 64.2 billion), or about 4.2% of GDP, with productivity losses (USD 11 billion) far outweighing direct care costs

(USD 3 billion) (WHO, 2024). Non-communicable diseases including cardiovascular disease, cancer, and diabetes account for nearly 75% of premature deaths in Malaysia (WHO, 2024). Compounding this, research shows NCDs consistently dominate as the leading cause of premature mortality among older adults in Malaysia, underscoring the urgency of holistic national prevention and control strategies (C.Y.M. et al., 2022).

The rapid demographic transition toward an older society further amplifies pressures. It is projected that the proportion of Malaysians aged 65 and above will more than double from over 7% in 2020 to 14% by 2044, and ultimately reaching a super-aged threshold of 20% by 2056 (DOSM, 2025). As of 2023, this demographic cohort already accounts for approximately 7.4% of the population an "aged society" benchmark projected to grow to 14.5% by 2040 (DOSM; RSIS, 2025). Supportively, the Department of Statistics Malaysia projects the share of population aged 65+ to increase from 6.8% in 2020 to around 18.3% by 2060, along with a rising dependency ratio (DOSM, 2025).

Recognising these structural challenges, the 13th Malaysia Plan (RMK-13) earmarks RM 40 billion over five years to strengthen the health sector, with measures to curb NCDs through preventive health taxes, expand primary healthcare, and reduce out-of-pocket expenditure from 36% to 32% by 2030 (CodeBlue, 2025). This reflects an acknowledgment by policymakers that system strain is no longer hypothetical but an urgent fiscal and social reality.

These intersecting trends of ageing and NCDs place considerable strain on Malaysia's public healthcare infrastructure. Public clinics, which form a minority of facilities, shoulder the bulk of outpatient demand, driven partly by rising expectations for clinical quality and technological sophistication. Within RMK-13, allocations aim to rebalance financing priorities by boosting the share of funding to primary healthcare from 27.2% in 2022 to 32% by 2030. Yet, overall public health expenditure remains under 5% of GDP, lagging behind international recommendations for upper-middle-income countries which highlights one key bottleneck in the Malaysian healthcare landscape - the overstretched role of public clinics managing the majority of outpatient visits without commensurate resources. (Malay Mail, 2025). Collectively, this dynamic - aging demographic, disease burden, and system under-resourcing threatens the sustainability of Malaysia's service delivery models.

Challenge	Key Figures
Ageing Population	65+ population to more than double (7.4% to 14% by 2044); 60+ to reach 15.3% by 2030.
NCD Burden	17.5% diabetes, 29.3% hypertension, 54.4% overweight/obesity; RM 100.79 billion cost.
Healthcare System Strain	Public clinics manage 64% outpatient; shortages of geriatric & long-term care staff.
Public Expectations	Demand for higher-quality care outpaces supply; costly expectations increase system burden.
Underfunding of Public Health	Public expenditure <5% GDP, below recommended levels amid surging healthcare needs.

This working paper posits that the central challenge is no longer merely about *access* but about the *quality* of that access. A system that is universally accessible but plagued by long waiting times, overcrowded facilities, and overworked staff risks creating a two-tiered reality: those who can afford it seek private care, while those who cannot are left with a public system struggling to maintain standards. This violates the principle of equity that underpins universal health coverage (UHC). Drawing on key financing figures, this working paper analyses Malaysia's public health expenditure in a comparative

context and makes the case for a paradigm shift in how we perceive health funding: from a consumption expenditure to a strategic national investment.

The Malaysian Context: The Strain of Underinvestment

Adequate and sustained investment in health is the foundation of a resilient and equitable healthcare system. In Malaysia, however, public health expenditure has persistently remained below both regional and global benchmarks. According to national health accounts data, public health expenditure as a share of gross domestic product (GDP) stood at 2.83% in 2023 (Ministry of Health Malaysia, 2024).

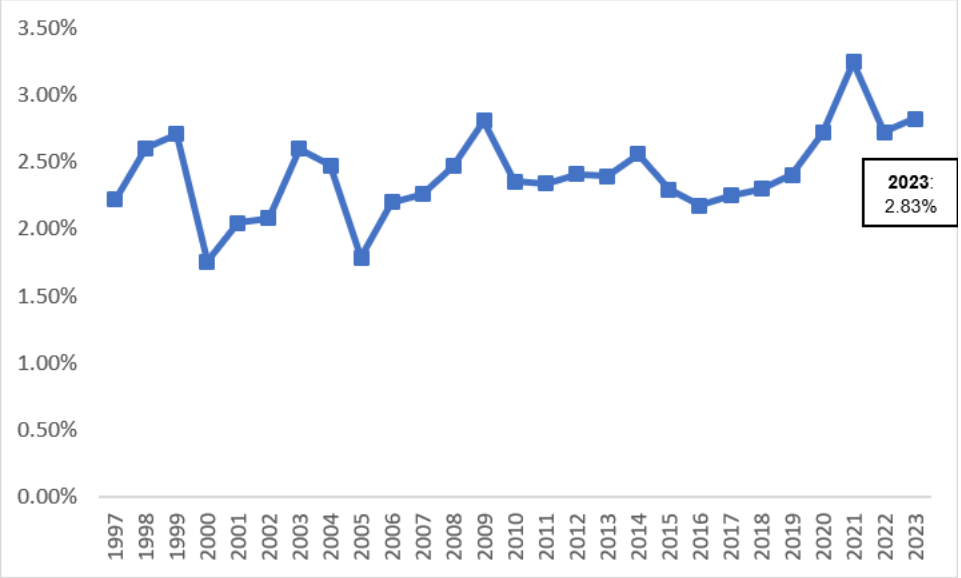


Figure 1: Health Expenditure by Public Source of Financing as % of GDP

When adjusted for purchasing power parity (PPP), the disparity with international peers becomes clearer. In 2022, government-financed healthcare in Malaysia represented only 1.98% of GDP (PPP), whereas the average among Organisation for Economic Co-operation and Development (OECD) member countries was 6.94% (PPP) (OECD, 2023). This indicates that even upper-middle-income Malaysia spends a fraction of what some middle-income and advanced economies dedicate to public health.

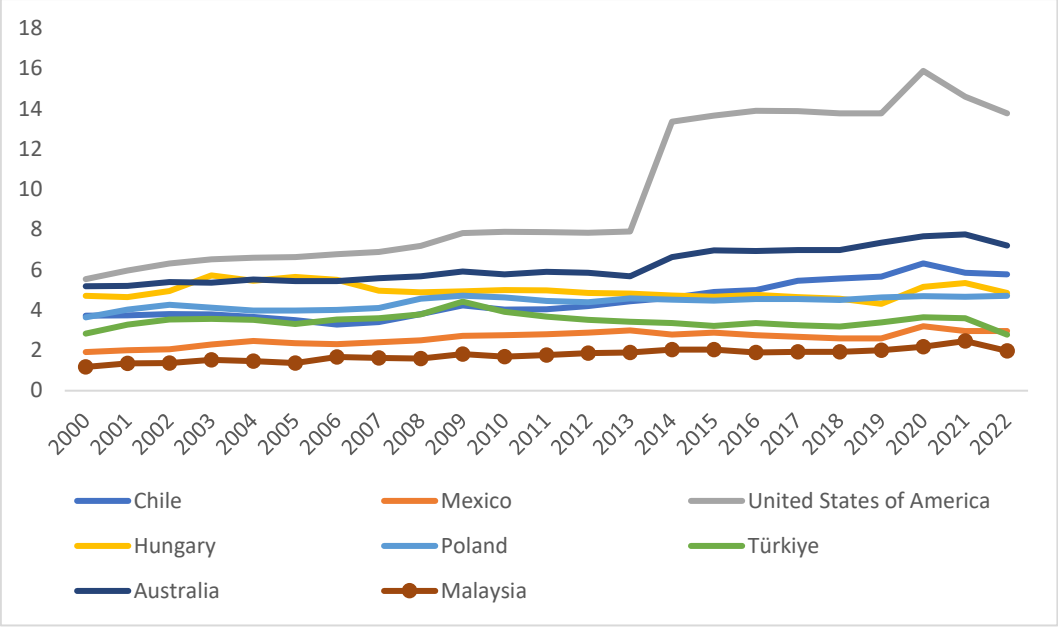


Figure 2: Government schemes and compulsory contributory health care financing schemes % of GDP, Selected OECD Countries and Malaysia

Even within the ASEAN region, Malaysia's expenditure remains slightly below average. In 2022, Malaysia's 1.98% of GDP in government schemes and compulsory contributory financing was marginally lower than the ASEAN average of 2.03% (World Bank, 2023).

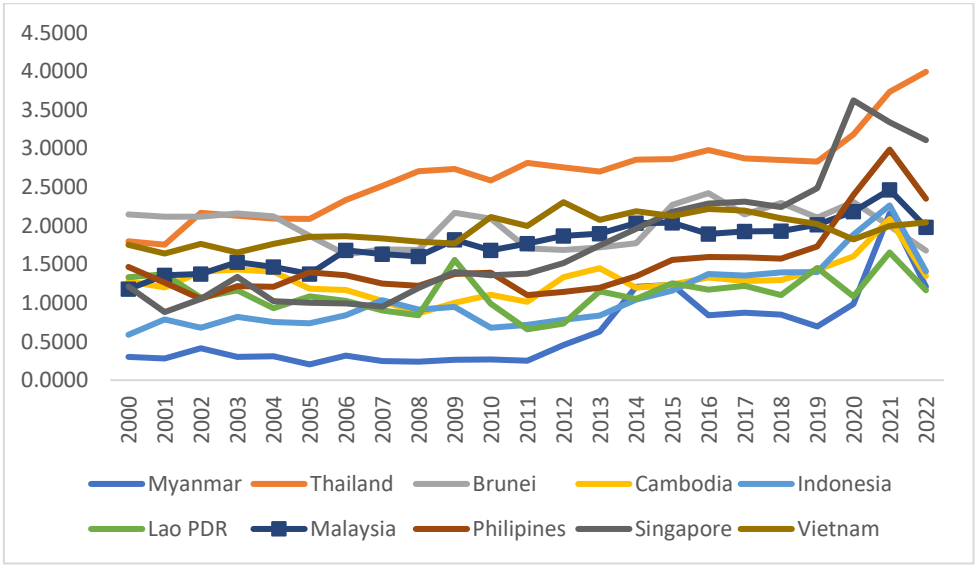


Figure 3: Government schemes and compulsory contributory health care financing schemes % of GDP for ASEAN

Figure 4 delivers the most potent comparison: Malaysia's 1.98% of GDP for public health versus a **World Average of 4.27% in 2022**. This confirms that the level of public investment is not just low by developed-economy standards, but is also significantly below the global norm (World Health Organization [WHO], 2023).

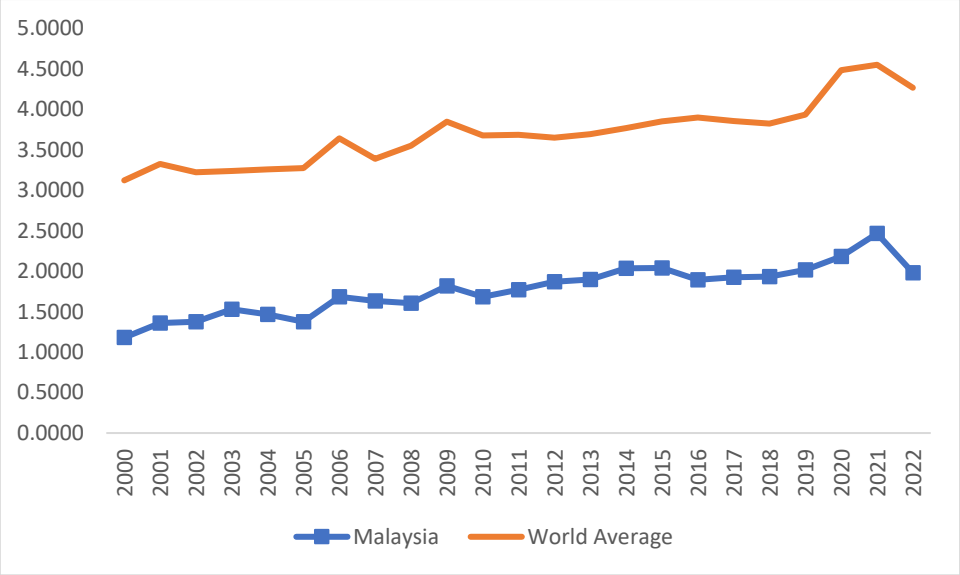


Figure 4: Government schemes and compulsory contributory health care financing schemes % GDP Malaysia vs World Average

This consistent underinvestment has profound and cascading effects across Malaysia's public health system. Outdated and overcrowded infrastructure, coupled with limited access to critical medical equipment, undermines the safety and efficacy of patient care while constraining provider capacity. Staff feedback highlights the reality: persistent "immense work burdens, understaffing, unfair pay, and insufficient amenities" are not exceptions but systemic norms (CodeBlue, 2023). Healthcare professionals bear the brunt. In a recent poll, over 80% of public sector staff reported feeling overworked and underpaid, 74% reported burnout, and 60% feared their career progression would stall (CodeBlue, 2023). Similarly, research from Terengganu showed that 16% of doctors and nearly a quarter of nurses were subject to significant job stress, linked to high demands and limited autonomy (Mohd Hairi et al., 2023).

The human resource landscape has deteriorated further. With just 2.3 doctors per 1,000 population-below WHO benchmarks - public hospitals grapple with critical shortages, especially in rural and underserved states (Broadsheet Asia, 2025). The exodus is accelerating: specialist resignations surged by 57% between 2019 and 2023, and notably, 20% of contract doctors declined permanent placement, rejecting transfers rather than staying (Khalib, 2024). Meanwhile, 20% of public-sector medical professionals leave annually, and 30% of University of Malaya graduates migrate to Singapore, attracted by better pay and working conditions (Astro Awani, 2024; Jachintha, 2024). The result is stark regional disparity: Kuala Lumpur enjoys one doctor per 183 residents, versus one per 872 in Sabah (MOH, 2021).

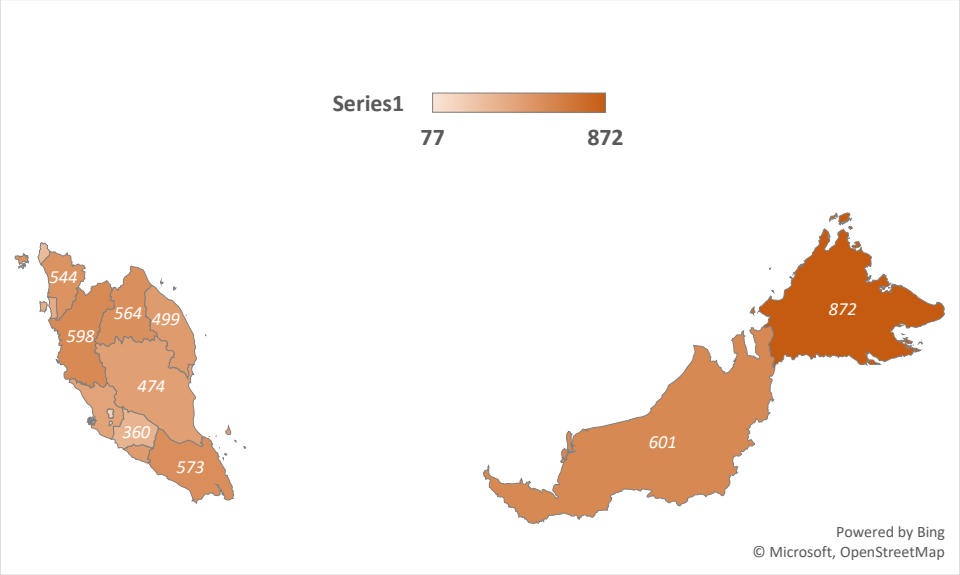


Figure 5: Number of Patients per Doctor by States in Malaysia (End of 2020), Ministry of Health

These quantitative trends are powerfully echoed in frontline testimonies. One doctor encapsulated the morale crisis succinctly, stating:

"Low pay, no permanent contract, high working hours, toxic environment, high workload due to low staffing" (Reddit, 2020).

Another noted how the burden of relocation is pushing doctors to exit entirely:

"*they just walk away rather than be displaced*" (Khalib, 2024; Reddit, 2024).

One recent initiative worth highlighting is Rakan KKM, introduced under Malaysia MADANI as a mechanism to strengthen retention of healthcare workers, enhance service delivery, and generate supplementary revenue for reinvestment into public hospitals (Ministry of Health Malaysia, 2025a). The programme allows selected public hospitals to offer elective outpatient, daycare, and inpatient services with enhanced features such as specialist choice, improved privacy, and reduced waiting times. Importantly, revenue generated is intended to flow back into the public system, with incentives extending to the entire healthcare team rather than just senior specialists.

While the Rakan KKM initiative has the potential to retain skilled professionals and generate supplementary revenue, it also raises concerns about equity within the public healthcare system. Introducing premium service options may inadvertently create a two-tier structure, privileging those able to pay while disadvantaging others. Such an outcome would undermine the foundational principles of universality and equity in Malaysia's healthcare model and could exacerbate existing disparities if not managed with careful safeguards (CodeBlue, 2023).

As such, while Rakan KKM represents a creative attempt at revenue diversification and workforce support, it must be implemented with robust safeguards — including transparency on reinvestment, monitoring of access equity, and ensuring that the quality of standard services for the Malaysian population is not diminished. This balanced approach would allow Malaysia to harness the potential benefits of Rakan KKM while mitigating risks of stratification in public service delivery.

In essence, systemic underfunding results in a vicious cycle: stretched infrastructure and overworked staff degrade service quality, which erodes public trust and political will - further entrenching underinvestment and fragility within the system.

The Quality-Equity Nexus: Why "Services for the Poor" Must Not Be "Poor Services"

The concept of universality is hollow if the quality of service is compromised. A system where lower-income populations, who are solely reliant on public healthcare, receive a standard of care perceived as inferior is an inequitable system. This creates a vicious cycle: perceived low quality erodes public trust and political will to increase funding, leading to further degradation of services.

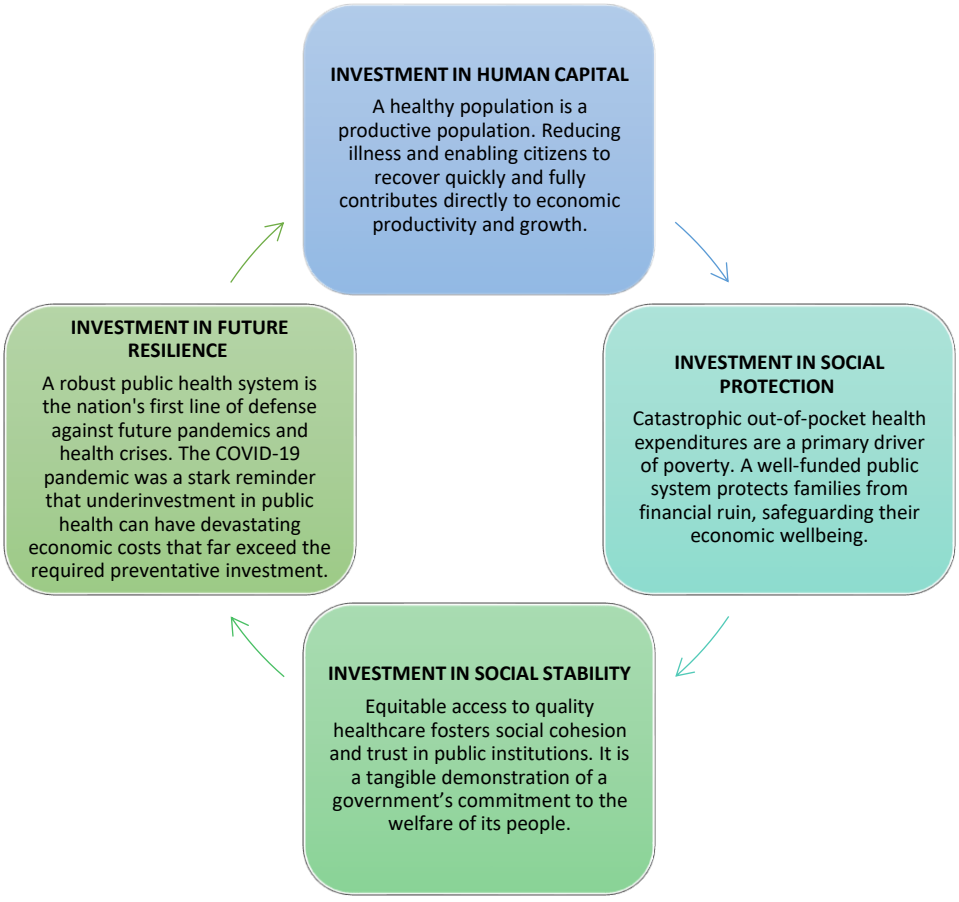
Adequate public funding is the primary tool to break this cycle. It is essential for:

- ✓ **Reducing Waiting Times:** Funding for more specialists, operating theatres, and diagnostic equipment.
- ✓ **Modernising Infrastructure:** Upgrading ageing hospitals and clinics to provide a dignified patient experience.
- ✓ **Attracting and Retaining Talent:** Competitive salaries and better working conditions to keep the best talent in the public system.
- ✓ **Expanding Preventive Care:** Investing in health promotion and NCD management to reduce future costly hospitalisations.

Investing in quality public healthcare is, therefore, a pro-equity policy. It ensures that the principle of universality is matched by a commitment to excellence that is available to all, regardless of socioeconomic status.

Re-framing the Debate: From Costly Spending to Strategic Investment

The national budget debate often frames health allocation as a large and growing recurrent expenditure at a cost to be managed. This paper argues for a fundamental re-framing: public health expenditure is an **investment** with significant returns.



Conclusion and Policy Recommendations

The evidence is unequivocal. Malaysia's public healthcare system is operating on a financing model that is insufficient to maintain quality and equity in the face of 21st-century challenges. Spending levels remain below ASEAN and far below global averages, while demographic pressures and rising burdens of non-communicable diseases strain the system.

To ensure that universal healthcare remains a source of national pride and does not devolve into "poor services for the poor," we propose recommendations grouped into two clusters: fiscal and governance reforms for health and social protection, and minor measures.

A. Fiscal and Governance Reforms for Health and Social Protection

1. Establish a Social Protection Floor (SPF): Malaysia requires a coherent Social Protection Floor (SPF) to guarantee minimum income security and access to essential services across the life course. Currently, over 61 non-contributory social assistance programmes across more than 15 agencies result in duplication and exclusion (UNICEF Malaysia & Social Wellbeing Research Centre [SWRC], 2024). A structured SPF, aligned with the International Labour Organization's Recommendation No. 202, would guarantee maternal and child benefits, minimum pensions, income support for persons with disabilities, and universal access to essential healthcare (International Labour Organization [ILO], 2012). Embedding healthcare within the SPF would unify fragmented schemes and ensure that universality is matched by equity and quality.

2. Mobilise fiscal space through GST reform: Malaysia's tax-to-GDP ratio was 12.1% in 2022, significantly lower compared to the world and OECD averages of 17% and 34%, respectively (Organisation for Economic Co-operation and Development [OECD], 2025). The reintroduction of GST offers one avenue to expand fiscal space. Based on the Ministry of Economy's Malaysian Economy in Figures (Ministry of Economy, 2025), nominal GDP in 2024 is estimated at RM1,931.1 billion. Considering that the private consumption base is 60.7% of the GDP (Ministry of Economy, 2025), GST at 6% would translate into potential revenue of RM70.33 billion or roughly around 3.6% of GDP. SST, by contrast, is narrower given that the reported figure is at RM44.7 billion and more distortionary (Ministry of Finance Malaysia, 2025; Rahman et al., 2019). A phased GST reintroduction from 6% to the world average of 17%, with exemptions for essentials and rebates for low-income groups, would create a tremendous, predictable revenue stream to finance both the SPF and healthcare reforms.

3. Rationalise universal subsidies.: Malaysia spends tens of billions of ringgits annually on subsidies, the majority for fuel. In 2024, subsidies and social assistance were projected at RM52.8 billion, constraining fiscal flexibility (Reuters, 2024). These subsidies are regressive, with higher-income households capturing a disproportionate share (World Bank, 2022). The government's move to phase out blanket diesel subsidies, projected to save RM4 billion annually (Associated Press, 2024), demonstrates the fiscal space that can be freed. Redirecting such savings to health and social protection would strengthen equity and sustainability, provided that compensatory mechanisms (e.g., targeted transfers) shield vulnerable households.

4. Create a Solidarity Fund: The SWRC's *National Social Wellbeing Blueprint* (2023) proposes a solidarity fund to pool resources from government, private sector, diaspora, and philanthropy. Funds would be ring-fenced for health and social protection, ensuring transparency and accountability. International examples, such as Thailand's ThaiHealth Promotion Foundation, which raises US$120 million annually through a 2% surcharge on alcohol and tobacco excise taxes, show the potential of earmarked solidarity financing (World Health Organization [WHO], 2019). A

Malaysian Solidarity Fund would diversify fiscal resources and embed the principle of shared responsibility for wellbeing.

5. Strengthen implementation through the Health White Paper (HWP): The *Health White Paper (HWP)*, approved in June 2023, sets a 15-year roadmap across four pillars: service delivery, health promotion, sustainable financing, and governance (Ministry of Health Malaysia [MOH], 2023). Yet it lacks clear milestones, measurable targets, and financing mechanisms (Khoo, 2023). Financing reforms via GST, subsidy rationalisation, and a solidarity fund would provide the fiscal backbone for implementation. The Health Transformation Office (HTO) must coordinate reform sequencing, set benchmarks, and ensure transparent monitoring (WHO Malaysia, 2023). Embedding SPF principles into the HWP would align social protection and health, ensuring coherence and equity.

B. Minor Measures

1. Set a Clear Financing Target: The government should commit to a phased increase in public health expenditure to reach **5% and aim towards higher as the country progresses**, aligning closer to the global average and providing a tangible goal for policymakers, as recommended in the HWP discussed above.

2. Ring-Fence Health Funding.: Introduce mechanisms to protect health allocations from annual budgetary fluctuations, ensuring stable and predictable funding for long-term planning and capacity building.

3. Invest in Quality and Efficiency: New funding must be tied to specific quality and output metrics such as reduced waiting times for specialist care and surgeries, and investments in digital health to improve system efficiency.

4. Initiate a National Dialogue: Launch a public conversation, led by the Ministry of Health and involving civil society and experts, to re-frame health in the national consciousness as a vital investment, not a cost.

In conclusion, Malaysia stands at a critical juncture in reimagining its public healthcare system, not as a recurrent cost centre but as a long-term investment in human capital and social wellbeing. The evidence presented underscores that systemic underfunding, coupled with demographic shifts and the rising burden of non-communicable diseases, threatens to erode both quality and equity in healthcare delivery. To safeguard universality while preventing a two-tiered system, reforms must be anchored in sustainable financing, strengthened governance, and a reframing of health expenditure as a driver of productivity and national resilience. By committing to bold fiscal measures and embedding healthcare within a broader social protection framework, Malaysia can preserve its model of accessible care while elevating it to one that truly delivers equitable and high-quality services for all.

Acknowledgements

The authors acknowledge the assistance of Mirzan Mohaimi in the preparation of this working paper.

References

Associated Press. (2024, May 21). Malaysia moves to cut diesel subsidies, saving billions. AP News.

Astro Awani. (2024, January 23). Malaysia's healthcare dilemma: Tackling the issue of brain drain. Astro Awani. https://www.astroawani.com/berita-malaysia/columnist-malaysia-s-healthcare-dilemma-tackling-issue-of-brain-drain-454714

Bernama. (2024, March 7). Reintroducing GST can strengthen Malaysia's fiscal base, say experts. Bernama. https://www.bernama.com/en/news.php?id=2234553

Broadsheet Asia. (2025, July 15). Malaysia's healthcare crisis: Hospitals grapple with doctor shortages. Broadsheet Asia. https://broadsheet.asia/2025/07/15/malaysias-healthcare-crisis-hospitals-grapple-with-doctor-shortages

ClearTax. (2023). Sales and Service Tax (SST) in Malaysia. ClearTax Malaysia. https://www.cleartax.com/my/en/sst-in-malaysia

CodeBlue. (2023, January 16). Poll: 95% of health workers say Malaysia's public health care system is in crisis now. CodeBlue, Galen Centre for Health and Social Policy. https://codeblue.galencentre.org/2023/01/poll-95-of-health-workers-say-malaysias-public-health-care-system-is-in-crisis-now

C.Y.M., S.S.G., L.T., N.A., H.N., & K.W.F. (2022). The burden of premature mortality among older adults: A population-based study in Malaysia. BMC Geriatrics, 22(1), 1–10. https://doi.org/[insert if available]

Department of Statistics Malaysia (DOSM). (2025, July 11). Population projections, Malaysia, 2020–2060. Putrajaya: DOSM.

Government of Malaysia. (2015). 2015 Malaysian Federal Budget. Putrajaya: Ministry of Finance.

International Labour Organization (ILO). (2012). Social protection floors recommendation, 2012 (No. 202). Geneva: ILO.

Jachintha, J. (2024, January 19). Malaysia's healthcare dilemma: Tackling the issue of brain drain. Malay Mail. https://www.malaymail.com/news/what-you-think/2024/01/19/malaysias-healthcare-dilemma-tackling-the-issue-of-brain-drain-jachintha-joyce/113311

Khalib, A. M. (2024, September 13). Transforming the Malaysian healthcare system: Building our healthcare workforce back better (Part 2). Malay Mail. https://www.malaymail.com/news/what-you-think/2024/09/13/transforming-the-malaysian-healthcare-system-building-our-healthcare-workforce-back-better-part-2-azrul-mohd-khalib/150227

Khoo, Y. Y. (2023, December 14). Six months on: Whither the Health White Paper? Voices for Global Health. https://vgh.pth.mybluehost.me/2023/12/six-months-on-whither-the-health-white-paper/

KPMG. (2024, November). Strengthening Malaysia's healthcare future. KPMG Malaysia. https://kpmg.com/my/en/home/insights/2024/11/strengthening-malaysia-s-healthcare-future.html

Ministry of Finance Malaysia. (2025, June 9). Targeted revision of sales tax rate and expansion of service tax scope effective 1 July 2025. Putrajaya: MOF.

Ministry of Health Malaysia. (2021). Health indicators 2021: Indicators for monitoring and evaluation of strategy health for all. Ministry of Health Malaysia. https://www2.moh.gov.my/moh/resources/Penerbitan/Penerbitan%20Utama/HEALTH%20INDICATOR/Petunjuk%20Kesihatan%202021/files/basic-html/page157.html

Ministry of Health Malaysia. (2023). Health White Paper. Putrajaya: MOH. https://www.moh.gov.my/moh/resources/Penerbitan/Penerbitan%20Utama/Kertas%20Putih%20Kesihatan/Kertas_Putih_Kesihatan_(ENG)_compressed.pdf

Ministry of Health Malaysia. (2025a). *Rakan KKM overview*. Rakan KKM official site. https://rakankkm.moh.gov.my/en/

Mohd Hairi, F., Sulaiman, W., Shahril, M. R., Ahmad, A., & Nor, A. M. (2023). Job stress among physicians and nurses in public hospitals: A study in Terengganu, Malaysia. BMC Public Health, 23(1), 1829. https://doi.org/10.1186/s12889-023-15220-4

Narayanan, S. (2024). The untimely demise of the Goods and Services Tax (GST) in Malaysia. Asian Economic Papers, 23(1), 1–33. https://doi.org/10.1162/asep_a_00883

Organisation for Economic Co-operation and Development (OECD). (2025). Revenue statistics in Asia and the Pacific 2025: Malaysia country note. Paris: OECD Publishing.

Rahman, S., et al. (2019). From GST to SST: A review (Working paper). Universiti Teknologi MARA.

Reddit. (2020, March 18). Low pay, no permanent contract, high working hours, toxic environment, high workload due to low staffing [Comment on the thread "Healthcare workers vent"]. Reddit. https://www.reddit.com/r/malaysia/comments/fkeq0v

Reddit. (2024, December 4). Doctors walk away rather than be displaced [Comment on the thread "Contract doctors discuss relocation"]. Reddit. https://www.reddit.com/r/nasdaq/comments/1huzrut

Reuters. (2024, October 18). Malaysia plans record budget spending in 2025, reforms to boost revenue. Reuters. https://www.reuters.com/world/asia-pacific/malaysia-plans-record-budget-spending-2025-reforms-boost-revenue-2024-10-18/

RSIS. (2025). Malaysia's ageing population: What it means for Singapore. S. Rajaratnam School of International Studies.

Social Wellbeing Research Centre. (2023). National Social Wellbeing Blueprint. University of Malaya.

UNICEF Malaysia & Social Wellbeing Research Centre. (2024). Creating fiscal space for constructing Malaysia's social protection floor. UNICEF Malaysia. https://www.unicef.org/malaysia/media/4971/file

WHO. (2024, December 18). New report highlights threat of non-communicable diseases to Malaysia. World Health Organization. https://www.who.int/news/item/2024

World Bank. (2022). Aiming high: Navigating the next stage of Malaysia's development. Washington, DC: World Bank.

World Bank. (2025, August 11). A silver lining: Productive and inclusive aging for Malaysia. The World Bank. https://www.worldbank.org/en/news/feature/2025/08/11

World Bank. (n.d.). *Final consumption expenditure (% of GDP) – Malaysia* [Data set]. *World Development Indicators*. Retrieved September 2, 2025, from https://data.worldbank.org/indicator/NE.CON.TOTL.ZS?locations=MY

World Health Organization (WHO). (2019). Thailand's experience in health promotion financing. Geneva: WHO.

World Health Organization (WHO) Malaysia. (2023, June 15). Embracing system-wide reforms for equitable, sustainable health services. United Nations Malaysia. https://malaysia.un.org/en/268006-embracing-system-wide-reforms-equitable-sustainable-health-services-through-strengthening