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# Medical inflation control imperative to sustain life insurance market

*The market has the highest average gross medical inflation, coming in at 15.4% in 2018*

by MARK RAO

**CONTROLLING** the unabated rise of medical inflation in Malaysia is integral in ensuring that health insurers remain relevant in the industry and are able to provide affordable and extensive coverage in the market.

Malaysia's medical and health insurance market reportedly has the highest average gross medical inflation, coming in at approximately 15.4% in 2018, and is expected to continue rising.

Among the reasons driving medical inflation higher in the country are the rise in non-communicable diseases, higher average life expectancy and the costs associated with employing the relevant staff to operate new and advance medical technology.

This means Malaysians will be paying more for healthcare in the coming years and medical insurance premiums will be pushed higher.

Sun Life Malaysia Assurance Bhd CEO, president and country head Raymond Lew said medical inflation is a fact of the industry, driven by global and currency pressures.

He said the industry, as represented by the Life Insurance Association of Malaysia (LIAM), is wor-



Lew says controlling the rise of medical inflation in Malaysia requires a concerted effort from the entire healthcare ecosystem

king together with the government and hospitals to come to a "common landing" to address this issue.

"We want to make sure that we design a product that is affordable to the consumer and, at the same time, provides the required coverage to the consumer.

"We deeply appreciate what the consumer wants. We will only be relevant if we are able to create something that is a win-win and good for the consumer," he told *The Malaysian Reserve* in a recent interview.

He said controlling the rise of

medical inflation in Malaysia requires a concerted effort from the entire healthcare ecosystem, as insurance is only one component of a link that includes the health regulator, the hospitals and doctors.

"We need to get all these parties to work together. Of course, it is not easy. It is very challenging, but I think at the LIAM-level, we have started it.

"It is a journey, so it is not easy for (the insurance industry) to catch up with the escalating medical cost because every product has a pricing

mechanism. It all comes back to the outer and final cost of it," he said.

Sun Life Malaysia is involved in both the conventional life insurance and family takaful businesses.

There is immense untapped potential in the life insurance market today, with only an estimated 54% of the Malaysian population covered by life insurance or takaful plans.

This means only 34 out of 100 people in Malaysia are insured when accounting for policyholders with more than one life or takaful policy, according to findings by LIAM.

Escalating private healthcare costs are prompting more and more Malaysians to seek out protection, but insurance premiums rising in tandem with medical costs could keep many Malaysians uninsured or having protection plans without extensive coverage.

In its 2018 annual report, LIAM said discussions are being held with the Ministry of Health (MoH) and Association of Private Hospitals Malaysia to look into medical cost containment measures.

Among the initiatives being explored is standardising the billings used by private healthcare providers and introducing medical fee benchmarks by publishing the charges of common medical procedures in private hospitals.

These are in view of promoting transparency in how healthcare expenditure is being charged across various private settings, LIAM said.

"It is important that hospital and medical charges are transparent to the public to help them make informed decisions of the cost of treatment," it said.

"Moving forward, the industry will continue to engage with the MoH and other stakeholders to manage the increasing healthcare expenditure."

The life insurance industry has been regulated by Bank Negara Malaysia since the supervision of the entire insurance industry was brought under the central bank's ambit back in 1988.