



**MEDIA STATEMENT
FOR IMMEDIATE RELEASE**

Healthcare should be GST-exempt as promised in 2013

Kuala Lumpur, 27 November 2014 – In response to the statement from the Minister of Health, Datuk Seri Dr. S. Subramaniam, that not all drugs will be zero rate, the Federation of Private Medical Practitioners' Associations Malaysia (FPMPAM) calls for the Government to assess the GST implications for healthcare and fulfill its pledge made in October 2013 on the Budget 2014 that both public and private healthcare services will be GST exempt.

On October 10, 2014, at his Budget 2015 speech, our PM further added that medicines on the National Essential Drug List (NEDL) would be zero-rated thus giving the impression that the sick who are already burdened will need not be further burdened by additional tax for what is needed to treat their illness.

However, the guidelines and many briefings by the Jabatan Kastam DiRaja's GST team now tell a different and rather complicated story.

1. Not all medicines (including many essential ones) will be GST-exempt.

Patients and the public may not be aware that the NEDL is not the complete pharmacopeia or Wish List for treatment of all the important diseases and all its complications.

Of the so-called 2900 items on the NEDL, there are actually only 208 different medications. Many of the 2900 items includes repetitions of various preparations (different brands) of the same medications.¹

Imposing GST on the many essential medications that are not on the NEDL will increase the cost of treatment and will be a burden to the sick. Prior to GST all duly registered medications were exempt from sales and service tax, in other words, zero percent. With the impending GST the cost of all these medications have already shot up. It will go up further when the cost of administering the GST is passed down the line. Even patients from the government sector who require these medications will end up paying more.

¹ We must note that the World Health Organisation has two EDL one for adults and one specifically for children. After combining both lists and eliminating replications, there are 359 medications (by generic names) in the WHO EDL compared to our Malaysian NEDL which has only 208 items. Our NEDL has 151 medications less than the combined WHO EDL notwithstanding the fact that the WHO list has only 6 medications which is specifically for diseases (African trypanosomiasis & American trypanosomiasis), which is not common in Malaysia. Thus there are major deficiencies in the Malaysian NEDL.

If one looks closer our NEDL is clearly not designed to cater for all the important diseases and complications of the various disciplines of primary and specialist care. Specific treatment for many common diseases are not in this NEDL.

Treatment using the restrictive NEDL will be cause a fall in productivity, with increased sick-leave due to dissatisfaction, morbidity and mortality arising from use of, and change to different medications, or patients' choice to forego medicines due to increased costs.

The Federation urges the Government classify “Zero-rated” on all duly registered medications (Schedule Poisons Group B & C) including clinical disposables and essential treatment items like stents, prostheses and to immediately form a broad-based panel to review the deficiencies and inadequacies of the NEDL.

2. Healthcare services including surgery and procedure fees provided by doctors in private hospitals will incur GST [Ref: Royal Malaysian Custom GST Guidelines on Healthcare Item (12)]

For healthcare provision in private hospitals, it is clearly stated in the above that GST exemption is only for services provided by doctors employed by private hospitals/private healthcare facilities.

This is a major mistake. The majority of the doctors especially the specialists in private hospitals are not employed but work as “independent contractors”. The situation is made even more complex with the many different individual versions to this legal concept of “independent contractors” in different private hospitals and the existence of multiple layers of middle-men agencies like MCOs, TPAs, and insurers etc. collecting and processing fees before payment is finally paid to the hospital and only subsequently to the doctor. Each transaction at each level is fraught with GST implications and complex computations.

With this complicated scenario, imposing GST on private doctors’ consultation, treatment procedures, surgical and other essential treatment fees will not only be administratively costly and complicated but will also escalate the cost of providing private healthcare generally.

Patients will end up paying significantly much more next year for the same treatment. The multiplier effect will have a major adverse impact on the national expenditure on healthcare.

3. Other Ancillary items for operating a clinic are also not exempted.

The other ancillary items in the running of a private clinic like medical indemnity insurance, utilities, rental of clinic space, servicing, leasing and rental of medical equipment including other non-medical professional fees will also incur GST. Accountants have already informed doctors that if GST is imposed on medications their accountant’s professional fees is expected to increase 50% to 60% due to the increased work because of its complex structure.

4. Healthcare needs more help, not more taxes

As a non-subsidized, self-paying provider, the private sector is already taking a major load off the public healthcare system. Even at this time, the public healthcare system is already not able to cope with the present demand for medical care despite the fact that a substantial load of out-patient primary care is being provided by the private sector.

It is not true that patients opt for private care because they can afford it and hence should pay GST. The fact of the matter is that the long queues and waiting time in public facilities is a major reason why many choose to opt for private care. They need to get well fast so that they can go back to their jobs and be productive.

The private doctors are already severely burdened by the administrative provisions of the PHFS Act 1998/Regulations 2006. GST imposition is a further burden and a distraction from the basic objective of providing affordable, accessible and quality care.

GST for healthcare in its present form is an administrative nightmare and financial burden to the provider as well as the recipient. Healthcare is a basic right of every rakyat. No Rakyat chooses to be sick and if they do become sick, taxation should not be imposed on an involuntary condition.

We hope the Government will abide by the PM's pledge and implement GST exempt across the board for healthcare services as promised in October 2013. The Trust of the Rakyat must not be breached.

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FPMPAM

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About The Federation of Private Medical Practitioners' Association Malaysia (FPMPAM)

The FPMPAM is the national body representing doctors in private practice in Malaysia. FPMPAM is committed to improve the quality of private health care through continuing medical education, continuing professional development of its members, ethics advocacy and public outreach programs. Founded in 1989, it consists of seven state-level associations and has over 5,000 members. For more information on the FPMPAM, please visit <http://fpmpam.org>.