THE INDIVIDUAL DEMAND FOR PRIVATE HEALTH INSURANCE IN MALAYSIA

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THE INDIVIDUAL DEMAND FOR PRIVATE HEALTH INSURANCE
IN MALAYSIA

By

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Graduate School of Business, Universiti Utara Malaysia
in Fulfillment of the Requirement for the Degree of Doctor of Philosophy
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Abstract

The main purpose of this study is to determine the factors that affect the individual decision to purchase health insurance and the level of coverage purchased. In addition, this study attempts to profile the policyholders and compare this against the profile of non policyholders, and also estimates the price elasticity of health insurance demand. A model to predict the likelihood of purchasing health insurance is also proposed. The thesis was developed based mainly on the Utility Theory, Prospect Theory and Bounded Rationality Theory. The dataset was obtained from the National Health and Morbidity Survey III. The two major analytical tools employed were logistic regression and the Heckman two-stage estimator. Due to the multicollinearity problem, the dataset were split into salaried and non-salaried individuals and were analyzed separately. The results revealed that the likelihood of health insurance purchase among the salaried individuals was higher if the individual’s income and education were higher, and if the individual was a female, was a non-Muslim, was a civil servant, as well as if the individual was more risk averse, while the effect of age was nonlinear. The results also showed that those who were older, earned higher income, female, non-Muslims, had high out-of-pocket costs for health care tended to seek a higher amount of coverage. Individuals were less likely to purchase health insurance when the price increased and the price elasticity was relatively low indicating that a high subsidy would be needed to induce purchase. Given individual characteristics, the models were found to be useful in predicting individual’s likelihood in purchasing health insurance for both the salaried and non salaried individuals. The findings offer useful inputs for insurance industry players and policy makers on various issues, including health care financing in Malaysia.

Keywords: Demand, Health Insurance, Utility Theory, Prospect Theory
Abstrak


Katakunci: Permintaan, Insurans Kesihatan, Teori Utiliti, Teori Prospek
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CHAPTER 1

INTRODUCTION

1.1 Introduction

Private health insurance is one of the sources of funds for financing health care apart from direct taxes, public insurance and out of pocket payments. In some countries such as the United States, private health insurance is the source of funds for medical care for many individuals while in countries like the United Kingdom, the people are highly dependence on the public health insurance. The public health insurance could be in several forms such as mandated social insurance scheme as in the case of Japan or a tax-funded health financing scheme as in the case of United Kingdom.

In Malaysia, there is no specific program for public health insurance. Nevertheless, health care is highly accessible at the public health institutions for a minimal fee. Despite the fact, based on the Central Bank of Malaysia annual reports from year 2005 to 2008, the private health insurance business has grown significantly (Bank Negara Malaysia, 2005, 2009b). The report from the National Health and Morbidity Survey III which is a cross-sectional survey undertaken in year 2006, indicates that about 18.8% of the Malaysian population owned some type of private health insurance (Institute for Public Health, 2008).
The contents of the thesis is for internal user only.
REFERENCE


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