

Impact of demographical structural change on public health care expenditure in Malaysia

ABSTRACT

The main objective of this paper is to shed light on the empirical relationship between demographic structure and public health care expenditure. A voluminous literature had pointed out the significant impact of demographic changes on public expenditure. Some of the scholars had attributed the growth effects of certain public expenditure to the age-specific effects, others recognized it as the age-transition effects. On a separate note, past researches had identified the aging population as a contributing factor to the increasing health care expenditure. Therefore, this paper empirically examines how the public health care expenditure in Malaysia responds to the population changes using the Autoregressive Distributed Lag (ARDL) Bounds testing approach. Empirical evidence from this finding demonstrated that the demography structure has a significant positive relationship with public health care expenditure. Hence, highlighted the existence of generational conflict in the allocation of health care expenditure. Besides that, bi-directional causality was found running between public health care expenditure and government education spending. This confirmed the correlation between these expenditures. The results also provide important implications that need to be taken into consideration by Malaysian policymakers when developing policies.