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Vietnam's

Impressive Healthcare Approach

Over the past 30 years, Vietnam's average economic growth rate of 5.5% has been second only to China in Asia

Vietnam's GDP growth is forecast to reach 6.5% in 2021, provided the COVID-19 pandemic is controlled and business activities recover, according to the I.M.F.

Vietnam will move from the 32nd largest economy to the 20th by 2050, according to PriceWaterhouse Coopers predictions

One of the most rapidly aging countries. The 65+ age group is expected to increase 2.5 times by 2050

Virtually every country worldwide is committed to achieving universal health coverage by 2030 and Vietnam's approach in delivering equitable access not only to health services, but also to affordable medicines and vaccines is remarkable.

A large population, political stability, strategic public-private partnerships, major economic and political reforms have transformed the healthcare landscape of the country providing favorable growth opportunities in the healthcare domain.

Experiencing rapid demographic and social change, Vietnam's population is expected to expand to 120 million by 2050

Vietnam's emerging middle class, currently accounting for 13% of the population, is expected to reach 26% by 2026

Vietnam's rapid growth and industrialization have had detrimental impacts on the environment and natural assets, emerging, over the past two decades, as the fastest growing per-capita greenhouse gas emitters in the world - growing at about 5% annually

Among the 10 countries worldwide most affected by air pollution

The Socialist Republic of Vietnam is the easternmost country on the Indochina Peninsula in Southeast Asia. Its 97.3 million inhabitants stretch across its diverse landscapes; crammed into bustling cities such as Hanoi and the capital Ho Chi Minh and spread across countless villages and smaller towns that dot the countryside. A Communist country since 1975, when North Vietnam and South Vietnam were unified, Vietnam embarked on a course of increased economic liberalization and structural reforms to modernize its economy, moving from a closed, centrally planned economy, towards a globally integrated, socialist-oriented market economy. **Its development over the past 30 years has been remarkable. Economic and political reforms under Đổi Mới, “to renovate”, launched in 1986, have spurred rapid economic growth, transforming what was then one of the world’s poorest nations into a lower middle-income country.** Between 2002 and 2018, GDP per capita increased by 2.7 times, and more than 45 million people were lifted out of poverty. Poverty rates declined sharply from over 70% to below 6%. The vast majority of Vietnam’s remaining poor are ethnic minorities.

Continued strong economic growth, ongoing reform, and a large population have combined to create a dynamic and quickly evolving commercial environment in Vietnam, further boosted by the recent free trade rules in force. **As of 8 June 2020, the National Assembly voted to pass and adopt the EU-Vietnam Free Trade Agreement (EVFTA) and the EU-Vietnam Investment Protection Agreement (EVIPA), which will considerably increase trade and investment for pharmaceutical/ medicinal products and medical devices, from the European Union, as the result of a 99% cut in tariffs and other trade barriers, over the next ten years.** Vietnam’s strong economic growth has resulted in a booming and optimistic middle class (projected to rise from 12 to 33 million people) and affluent class, as well as the emerging of young and dynamic small and medium-sized enterprises. Sales of equipment, technologies and consulting and management services associated with growth in Vietnam’s industrial and export sectors and implementation of major infrastructure projects continue to be a major source of commercial activity and interest for foreign firms. With disposable income levels in major urban areas four to five times the national average, significant opportunities in the consumer and services sectors are fast emerging. The Government of Vietnam plays a significant role in

“The dramatic growth of ultra-high net worth individuals in Asia is set to be reinforced by stellar growth rates in several countries, including Vietnam, which is expected to see its ultra-wealthy population rise by 170% to 540 over the next decade – the highest rate of growth in the world. Millionaire numbers are expected to jump from 14,300 to 38,600 over the same period.” This growth rate exceeds neighboring China and India.
(Knight Frank’s the Wealth Report)

the economy, with state-owned enterprises making up 35% of GDP. The Government strategy to “equitize” (partially privatize) state-owned enterprises in all sectors of the economy is slowly moving forward while the government will maintain majority ownership in the largest and most sensitive sectors of the economy – including energy, telecommunications, aviation, and banking. Healthcare is one of the major focus of the Vietnamese government, which has been working hard to upgrade the sector and expand programs that have generated many positive health benefits. The extraordinary economic growth is reflected in the higher living standards that many Vietnamese people now can enjoy and an increasingly wealthy population spending more on medical treatment. **Today, Vietnam’s evolving health system is a mixed public-private provider system based on mandatory social health insurance; particularly, Vietnam’s public healthcare expenditure is predicted to increase partly due to the government’s effort in promoting partnerships between public and private (PPP) healthcare providers to share the cost.** The PPP model can mobilize financial resources to upgrade infrastructure and facilities, purchase modern medical equipment, and improve the qualifications of healthcare personnel. The transformation, from a fully public services system to a

mixed public-private provider system, has introduced more selections and different alternatives for people to get better services. Despite its low healthcare expenditure (around 6.8–6.9 percent of its GDP), Vietnam has achieved remarkable population health outcomes as result of the country’s continuing investments in its health system, coupled with multisector initiatives aimed at addressing the social determinants of health such as access to clean drinking water, sanitation facilities, education, and better nutrition to reduce maternal and child undernutrition. A young country—only 5.6 % of the population is aged 65 and older, and 42% is under 25—Vietnam has a life expectancy of 76.3 years. According to the World Health Organization (WHO) and the World Bank, this is on a par with Hungary and Venezuela, whose per capita GDPs (in PPP dollars) are far higher (\$22,878 and \$18,194, respectively) than Vietnam (\$7,463 as of 2018), and just below China, which has a life expectancy of 76.4 and a per capita GDP of \$11,904. Since 1990, the country’s maternal mortality rate has fallen by 75% and according to the latest Global Monitoring Report on Universal Health Coverage, published jointly by the WHO and the World Bank, 97% of Vietnamese children now receive standard immunizations, compared to 95% of children in the United States. Committed to achieving universal health cover-

age by 2030, today, 87.7% of Vietnam's population – or 85.3 million people – are covered by social health insurance with the Government's intent to reach 95% of the Vietnamese population by 2025. **Vietnam has managed to reach such impressive milestones ahead of schedule, despite having a low average per capita income, not on the scale of investment in healthcare, which amounts to a modest US\$ 216 (PPP) per person annually (including both public funding and out-of-pocket expenses), but rather on how the government uses its resources, including the country's intellectual capital.** But significant are the challenges ahead. Among other things, it will need to grapple with behavioral and environmental factors underlying poor health and disease, especially high rates of smoking among males, high rates of alcohol consumption, and air pollution. The country also has one of the world's most rapidly aging populations. Among the



strategies is Vietnam's priority in developing its primary and preventive care system, with the country spending about 30% of total health-

care budget on preventive medicine. However, there remains a large gap between the standard of care between urban and rural regions, with a further unbalanced level of care between

HEALTH OUTCOMES, COMPARISON BY COUNTRY, 2016

	Life expectancy at birth (years) both sexes	Healthy life expectancy at birth (years)	Probability of dying from any of CVD, cancer, diabetes, CRD between age 30 and exact age 70 (%)
Vietnam	76.3	67.5	17.1
Cambodia	69.4	60.8	21.1
Philippines	69.3	61.7	26.8
Japan	84.2	74.8	8.4
Australia	82.9	73.0	9.1
China	76.4	68.7	17.0

Note: CDV= cardiovascular disease, CRD = chronic respiratory disease

Source: World Health Statistics 2018 WHO

	Maternal mortality ratio (per 100 000 live births), 2015	Proportion of births attended by skilled health personnel (%) latest available data, 2007-2017	Neonatal mortality rates (per 1000 live births), 2016
Vietnam	54	94	11.5
Cambodia	161	89	16.2
Philippines	114	73	12.6
Japan	5	100	0.9
Australia	6	100	2.2
China	27	100	5.1

Source: World Health Statistics 2018 WHO

primary, secondary, and tertiary sectors.

Public Healthcare - Over the past two decades Vietnam has made enormous progress toward achieving universal coverage. **The Vietnamese government plays a central role –setting fees, regulating hospitals, subsidizing the poor—including global healthcare budget allocation, working together with the social health insurance agency.** The public system, representing the largest part of healthcare, is administered in a decentralized system with the central level under the Ministry of Health and local levels under provincial and municipal authorities. There are four levels of service delivery: the central level (central and regional hospitals and research institutes), managed directly by the Ministry of Health; the provincial and district levels; the commune level; and at the bottom of the hierarchy is a network of village health workers. A network of skilled birth attendants serves Vietnam fifty-three ethnic minorities—13.8% of the population—many of whose members reside in the vast mountainous areas and central highlands and along the borders with China, Cambodia, and Laos. At each level, there is a two-track system, one focused on prevention and mother and child healthcare, called the “public health center” system, providing public health services. The other is devoted to clinical acute care.

Social health insurance (SHI) began in 1992 and is the main public financing method of healthcare in Vietnam. First initially covering the poor and the formal-sector workers, the 2008 Law of Health Insurance and the Health Insurance Law

Amendment of 2014 both stipulated a mandate, effective as of January 1, 2015 that made it mandatory for everyone to join by then, making SHI the primary mechanism for achieving universal coverage. Just one health insurance scheme is available, which covers all enrollees, with everyone paying the same premium (single-payer system). The Vietnam Social Security (VSS) is the main entity that reimburses services provided to patients covered by social health insurance. The current SHI benefit package is generous and continues to be expanded to include a wide range of curative and preventive care services. Recent reforms have increased depth of coverage and all members are entitled to the same package, although not everyone benefits equally. In fact, a direct consequence of this benefit package design is that costs have increased rapidly, both for the insurer and the insured while, on the contrary, the user fee schedule that VSS uses to reimburse providers was not increased. **Thus, faced with a binding budget constraint, providers have sought to ration services by billing patients for the extra cost of services covered by the generous benefits package which, in turn, explains the high and persistent out-of-pocket payments.** Social insurance covers medical examinations and treatments including expensive diseases like cancer treatment, rehabilitation, prenatal care and delivery, screening; excluded services are post-discharge care at nursing facilities, early detection of pregnancy, medical checkups, family planning services and infertility treatment, prostheses and aesthetic surgery (related to artificial arms, legs, teeth, and so forth), hearing aids, abortions (except for medi-

cally necessary abortions), vision care including glasses, etc. Vietnam's health insurance scheme also covers a generous list of drugs. Private households pay for their health insurance premiums, with varying government subsidies according to the enrollee's economic status. The government subsidizes 100% of premiums for the poor, children under six, the elderly over eighty years old, war veterans, and people under other social protection schemes. Some other groups—pupils in elementary school, students in junior high school and above, the near poor, and workers in the agriculture and forestry and fishery sectors, who have average living conditions, have about a 30% government premium subsidy to buy a health insurance card. Households where all members are enrolled receive premium discounts. There is no ceiling for health insurance payments based on the seriousness of sickness. However, the category of the insured leads to different levels of insurance reimbursements: worker households have 80% reimbursement with a 20% copayment; retired people and the near poor have 95% reimbursement with a 5% copayment; and for the poor, children under six, and people under other social protection schemes, the government covers 100% of costs with no copayment from patients. There is some private health insurance for foreigners working in Vietnam and for those that can afford it.

Hospital System - Public hospitals play a substantial role in providing healthcare services to the people. **It is estimated that hospitals in Vietnam accommodate more than 50% of total healthcare visits and consume more**

“Even if hit hard by the ongoing COVID-19 pandemic, Vietnam is one of the few countries in the world not to expect a recession, though its growth rate for 2020 was far less than the typical 6-7% pre-crisis projections. Thanks to its strong fundamentals, and assuming the relative control of the COVID-19 pandemic both in Vietnam and the world, the Vietnamese economy should however rebound in 2021.”



than 95% of total health insurance spending. Many people come to the hospitals as their first contact care creating an imbalance between supply and demand, resulting in overloaded public hospitals.

Public hospitals are divided into three levels: central level (47 hospitals, approx.); provincial level (419 hospitals, approx.) and district level (684 hospitals, approx.). Besides the public hospitals, the country also has around 182 private hospitals, mostly located in urban areas.

Hospital autonomy reforms in Vietnam were initiated in the 1990s, with a new policy allowing hospitals to charge user fees. Thus, financed by state budget allocations, health insurance payments as well as user fees, public hospitals, mostly provincial and central level, are no longer strictly dependent on the direct budget subsidy but are operating autonomously for professional, organizational, and human resource management and revenue generation. Although difficult to change medical service fees because of Vietnamese mentality, as a socialist country, that medical services should be free, the Ministry of Health is nonetheless working to increase user fees (copayments), so as to increase hospitals revenues to further share the costs for medical services. In recent years, Vietnam has, in addition, intensified its investment building new hospitals and renovating existing ones in the provinces

and districts, increasing the overall number of beds. **However, even if total budget for the health sector has slowly increased, it is still too low to meet demand, as public hospitals still largely rely on a state budget to upgrade their facilities, equipment, and services and much of the existing medical equipment in public hospitals is obsolete and needs replacement.**

With approximately 24.5 beds per 10,000 population, public hospitals have a chronic bed shortage and chronic overcrowding, mainly at the central level—Hanoi and Ho Chi Minh City—which often do not have the capacity to serve both local as well as provincial, district, and commune level patients. Although the total number of hospital beds in Vietnam increased to 254,885 (2016), bed occupancy rate is much higher than the 80% threshold recommended by the WHO, reaching up to 170% according to Health Ministry estimates. It is not uncommon to see multiple patients sharing hospital beds or waiting outside the hospital on bamboo mats. On this regard, since the introduction of the 2008 Law of Health Insurance, a gatekeeper system was introduced even if Vietnamese still often try to bypass their local healthcare centers in favor of major hospitals in urban centers, due to better availability of higher quality medical equipment and staff, creating inefficiencies and

increases in out-of-pocket costs for patients and their families.

Government's priority today is investment in the lower levels and primary healthcare. On this regard, the country's strategic approach can be seen in its Ministry of Health's Direction of Healthcare Activities scheme, which requires health facilities at the central and provincial levels of government administration to help build up the capacity of district and community facilities. **Although at initial stage, a key objective of this scheme is to shift more of the burden of delivering medical services from higher-level hospitals onto lower-level primary healthcare centers, reducing overcrowding in "core hospitals" (central and tertiary hospitals), and promote overall service integration across the system and care provider, also given the long history of inequities with deep disparities in health outcomes between urban and rural areas.** The policy focuses on technical skills transfer: health staff at provincial hospitals receive clinical skills training from their colleagues at core hospitals to help them perform their work at higher quality, thereby reducing the number of patients who bypass the provincial or district hospitals and go directly to the large core hospitals for care. Similarly, additional training is provided for family doctors

HEALTHCARE WORKFORCE, COMPARISON BY COUNTRY, LATEST AVAILABLE DATA 2007-2016

	Density of physicians (per 1000 population)	Density of nursing and midwifery personnel (per 1000 population)
Vietnam	0.8	1.4
Cambodia	0.1	1.0
Philippines	-	0.2
Japan	2.4	11.2
Australia	3.5	12.6
China	1.8	2.3

Source: World Health Statistics 2018 WHO

to provide higher-quality basic services to the community, thereby preventing patients from going to hospitals for only basic services. The lack of resources, both manpower and facilities, to meet the demand of the patients means that not everyone would be guaranteed the best care, especially in disadvantaged areas. **With the public hospitals overstrained and often running past capacity, the need for a more active and robust private sector and for public-private partnerships is preeminent in Vietnam and is encouraged by the government.** Many big domestic corporations like Vingroup and Hoan My Corporations have started to create hospital and clinic chains across Vietnam that offer high-quality medical care. **Private hospitals constitute approximately 15% of all hospitals and are growing rapidly, even if they are mostly concentrated in the outpatient care sector (60% of outpatient service providers are private, while only 4% of inpatient providers are).** However, even if Vietnam has formalized recognized private services nearly 30 years ago, private facilities are often overpriced, even if generally lower than Western costs, and their reputation is still limited. According to Health Ministry estimates, only 7% of Vietnamese use private-sector health services.

With a physician-to-population ratio of around 8 physicians per 10,000 population (2015), a shortage of specialized medical staff is common in many hospitals. In addition, government regulations call for four nurses per doctor, in reality, the ratio is 1.5 nurses per doctor. Doctors and nurses work under stressful conditions and wages are relatively low with many physicians that prefer working in big cities, thus creating maldistribution of doctors, especially in rural

areas. To address this problem, policy of rotation in place for doctors to serve in underserved areas has been introduced by the government. Besides the official basic government salary and supplemental pay for delivering more services to patients (such as operations), public hospital doctors can practice in a private clinic at home after office hours, or in private clinics or foreign investor-owned private hospitals and earn additional income. The Asian Development Bank (ADB) has approved an US\$80 million loan to build and equip two new facilities of Hanoi Medical University and the University of Medicine and Pharmacy in Ho Chi Minh City, with the aim to increase the annual undergraduate enrolment capacity and produce 1,863 additional health professional graduates from 2032. This loan is part of the second phase of the Health Human Resources Development Project, aiming to further improve the quality of health education and professional training at universities. The project also includes a US\$3 million grant from the Japan Fund for Poverty Reduction, financed by the Japanese government, which will support the updating of training programs to ensure that graduates are better skilled to meet community health needs, particularly in disadvantaged areas. The quality of health workers in remote health facilities will also be strengthened through the delivery of continuous medical education programs by using innovative distance learning technologies. **The project aims to address one of the major obstacles: limited infrastructure and outdated programs at Vietnam's health education and professional training institutions restrict increases in student enrolment and subsequently the number of qualified graduates.**

Medical Equipment - Roughly 50 domestic firms make approximately 600 products licensed by the Ministry of Health, representing approximately only 10% of market share. **Thus, high demand for foreign suppliers of medical devices together with demand for better healthcare has greatly contributed to the growth of the medical device market in Vietnam over the years. Primary foreign suppliers of medical devices include those from the United States, Japan, Germany, Italy, the Netherlands, Korea, Taiwan, and China.**

The largest medical device purchasers are government-funded hospitals, which account for 80% of the market. Foreign-owned hospitals and clinics are also large purchasers. Local private hospitals will show the strongest growth, while research and educational institutions will also account for some of the demand. Several medical education and research institutions are open to experimenting with new systems and innovative methods.

At present, the level of IT application is still low and uneven among hospitals. Data connection is still difficult and the process of implementing electronic health records (HER) faces many difficulties however, in June 2019, the Vietnamese Deputy Minister of Health announced the launch of HER pilots in eight provinces and cities of Vietnam. While not yet fully integrated within the whole territory, from December 2019 they became mandatory within all of Ho Chi Minh City's hospitals.

While, on the other hand, the Vietnamese e-commerce market is forecasted to continue to boom. A report by the Vietnam e-Commerce and Digital Economy Agency (iDEA), under the Ministry of Industry and Trade, shows that 53%

of the population participates in online shopping. The e-commerce market in Vietnam grew 18%, reaching \$11.8 billion last year, accounting for 5.5 % of total retail sales of consumer goods and services nationwide. According to the national master plan on e-commerce development, by 2025, up to 55 % of the population will participate in online shopping, with the average value of online purchases of goods and services reaching US\$600 per person annually. **From 2015 up to now, the growth rates of the three largest internet economies in the region have averaged 35-36 %, of which, Vietnam grew by 36%, Indonesia 41%, and the Philippines 30%.** Since the COVID-19 pandemic broke out, the demand for shopping on e-commerce platforms has increased sharply. Last year, 70% of Vietnamese had access to the internet and 53% of e-wallet users made payments when buying online, up 28% compared to 2019. In Hanoi and Ho Chi Minh City, e-commerce activities grew strongly and accounted for 70% of the total number of e-commerce transactions of the country. According to Amazon Vietnam, Vietnamese sellers exceeded \$1 million in sales on Amazon last year, a three-fold increase from 2019. Amid

digital transformation and the development of the online shopping market, iDEA has implemented the Online Vietnamese Store program on three major Vietnamese e-commerce platforms, including Tiki, Sendo and Voso. The program has created a new playground for manufacturing enterprises to develop distribution systems with digital transformation solutions and apply e-commerce and digital technologies in connecting the domestic market. Promoting e-commerce in parallel with perfecting the electronic payment system and improving the quality of shipping activities would create an exciting and potential shopping and trading environment in Vietnam.

Among main sources:

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EU-VIETNAM TRADE AGREEMENT

The "most modern and ambitious agreement ever concluded between the EU and a developing country."

Almost all customs duties gone. The agreement will remove virtually all customs duties between the two parties over the next ten years, including on Europe's main export products to Vietnam: machinery, cars, and chemicals. It extends to services such as banking, maritime transport and postal, where EU companies will have better access. Companies will also be able to bid on public tenders put out by the Vietnamese government and several cities, including Hanoi. The deal also safeguards 169 emblematic European products. In addition, the agreement is an instrument to protect the environment and to sustain social progress in Vietnam, including labour rights. It commits Vietnam to apply the Paris Agreement. Vietnam committed to ratify two bills as requested by Parliament, one on the abolition of forced labour, the other on freedom of association, by 2020 and 2023, respectively. The trade deal can be suspended if there are human rights breaches.

Dispute settlement between companies and state. the Parliament agreed to an investment protection agreement providing an investment court system with independent judges to settle disputes between investors and state.

Background. Vietnam is the EU's second largest trading partner in the Association of Southeast Asian Nations (ASEAN) after Singapore, with trade in goods worth €47.6 billion a year and €3.6 billion when it comes to services. EU exports to the country grow by 5-7 % annually, yet the EU's trade deficit with Vietnam was €27 billion in 2018. The main EU imports from Vietnam include telecommunications equipment, clothing and food products. The EU mainly exports goods such as machinery and transport equipment, chemicals and agricultural products to Vietnam.

Source: European Parliament, for the details of the trade deal:

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