



CHAPTER 1

INTRODUCTION

1.1 Rationale of the Research

Vietnam is a developing country, ranks among the low-income list of Asia with income per capita of 300 USD. It is the consequence of long time war, embargo on trade and investment and a centralized planned economy. Even though, health sector has had a lot of advantage during the past 40 years, such as the basic public health network were built until grass-roots and great numbers of physicians and nurses serve for health care system.

Because of limitation of public health budget while the majority of population are poor and health care expenditures are high, which results in difficulty of paying hospital fees, the Vietnamese government wants to set up a health insurance system in order to use it as one of the tools to contribute the crucial sources for health care financing following the aim "Health for all by the year 2000". A compulsory health insurance scheme (CHI) was officially established since October 1992 to serve government servants and industrial workers. Beside that a Voluntary Health Insurance program (VHI) has operated from 1990 with the biggest scope in Haiphong, a province located in the north of Vietnam with the target insured population who are mainly informal and agricultural workers. After 6 years of operation, the problems of the VHI program in Vietnam are the persistent gap between the target and the actual number of insured persons of VHI program in the whole country, and the high premium compared to the low income of the target population which is one of the cautions make them hesitant to by the VHI card. Definition of *Premium for Health Insurance* states that it is the amount of installments the insured paid the insurance company to insure the unpredictable future illness that will pay the provider of care for some or all of expenses incurred. Premium decreases can increase the demand for health insurance while in the short run other factors are constant. It is one of the theories that can be applied

to study aimed at solving the problems of the VHI program in Vietnam.

In the long run these problems can be solved by improving the quality of health care services, investing more resources in the health sector and increasing living standards of informal workers. The objective of this study is, through the case study on economic analysis of VHI in Haiphong, to find out a methods to extend the membership of insured person for VHI program in Vietnam, by using the concepts and theories of demand for health and health insurance, logit model analysis, price elasticity of demand. The study attempt to suggest criteria of optimal premium for the VHI program in Haiphong.

The Voluntary Health Insurance Program in Haiphong has operated for over 6 years. The economic analysis of this program will be useful to improve its efficiency. If this issue is successful, its experience can be recognized, assessed and applied to other VHI programs operating in Vietnam now. The main problems of VHI program, research questions and objectives of this study are as follows :

The *problems* of the VHI program in Haiphong are :

- The existing gap between the target and the actual number of insured persons in the VHI Program.
- The insurance premium is high compared to the low income of informal, daily workers and agriculture workers when they buy VHI cards on a household basis.

Research questions include primary and secondary questions :

- *Primary question* is : How can we increase the number of insured persons for this program ?
- *Secondary question* is : What is the optimal insurance premium for the VHI program in Haiphong, which will be used as one of the means to increase the membership of the program ?

The *objectives* include general and specific objectives.

- The *general objective* is to increase the number of insured persons in the VHI program in Haiphong.

- The *specific objective* is to identify a method for estimating the optimal insurance premium for the VHI program in Haiphong, which will be used as one of the means to increase the membership of this program.

1.2 **The Structure of the Research**

The thesis is divided into seven chapters. chapter 1 is the introduction, summary of the rationale and the structure of research. In chapter 2, the background of Vietnam will be introduced with the socio-economic situations which are related to health issues of Vietnam. Because this thesis is a case study of VHI issues in Haiphong, the background of Haiphong also is introduced. Chapter 3 presents the health care financing (HCF) issues, including conceptual framework, health insurance and problems of health insurance in Vietnam and Haiphong. Chapter 4 is the literature review section, review of the economic concepts of health insurance, previous studies on health insurance and VHI in Vietnam and Haiphong. Chapter 5 will focus on research methodology of the study, with objectives, steps and assumptions. Title of chapter 6 is "Survey Result: A Numerical Example", which will be presented as the way to demonstrate the research methodology described in chapter 5. Finally, conclusions and discussion are covered in chapter 7.