CHAPTER 2

BACKGROUND OF VIETNAM

Health insurance is a very new issue in Vietnam. A compulsory health insurance (CHI) scheme officially has been established since October 1992; besides that, voluntary health insurance (VHI) programs have operated from 1990. Health insurance is linked with the health sector and the economy, so in the first section of this chapter, the author would like to give an overview of the socio-economics and the health sector in Vietnam.

2.1 **The Socio-economics of Vietnam**

Vietnam is a south-east Asian country, covers an area of 332,000 square kilometers. It borders China in the north, Cambodia and Laos in the west and faces the Pacific ocean on the east and south. The country is divided into 53 provinces, with 560 districts and nearly 10,000 communes. The population is around 73 millions with over 60 nationalities, 78 percent of them reside in rural areas. The 2 biggest cities with population over 2 millions are Hochiminh city with 4.5 millions in the Mekong delta of the south and Hanoi with 2.5 millions in the Red river delta in the north of the country (National Statistics Book of Vietnam, 1994). The religion of the population is divided into two main streams : 70 percent follow Buddhism, 15 percent are Catholics, the rest are none-religious or follow others, such as Muslim. In terms of culture, education and ethical behavior, Vietnamese were influenced by Confucian theory mixed with French style. Because of poverty, the majority of Vietnamese are hesitant to go to hospital. Normally they wait until their health situation are really serious before deciding to visit the hospitals. This probably is due to the quality of public health care service as well. The rich may come to private clinic when they are sick, but the poor can not, so the public hospitals are still the sole option for them.

Four thousand years of Vietnamese history is focused on defending attacks from foreign armies. In 1954, after the war of independence against France, Vietnam was divided at the 17th parallel into the

Democratic Republic of Vietnam in the north that followed the socialist system, and the Republic of Vietnam in the south with the support from America. In 1975, Saigon was liberated and Vietnam formally reunified.

With diverse and abundant natural and human resources, a long coastline and good geographical position, Vietnam has the natural capacity to achieve rapid and sustained economic growth. But that was hampered during the 1970s and 1980s by a lot of factors such as the aftermath of the long war which deteriorated the economy's foundation, the embargo on trade and investment from America, and the Socialist system was broken, there are some of the reasons Vietnam still ranks among low-income countries of Asia with GDP per capita standing at only around 300 USD in 1994-1995.

The economic reform policy adopted and implemented from 1986 aimed to stimulate economic growth through shifting from centrally planned economy to a market economy, but subject to government regulation. As a result, agriculture has increased, based on a household autonomy, and restrictions on private commerce and industry have been eased. In parallel trade liberalization measures in the economic reform have also meant an opening of the Vietnamese economy to the World economy. Exports have increased rapidly. Whereas the proportion of export of goods and services was 7.74 % in 1986, it was 29.04 % in 1990. The growth of exports was mainly due to the exports of crude oil and rice. From 1989, Vietnam became the world's third-largest exporter of rice. Oil production is expected to reach 7 million tones in the mid-1990s, compared with 1990 production of 2.6 million tones (Annual report of MOH of Vietnam, 1994). Due to the fact that exports exceeded imports, the trade balance have been positive since 1994 and the trend of payment deficit of government was reduced, hyper-inflation was cut down from nearly 40% in 1990 to around 10 % in 1993-1995 (see Table 2.1).

Table 2.1 : Inflation Rate in Vietnam from 1990 to 1995

Year Item	1990	1991	1992	1993	1994	1995
Inflation rate %	37.55	31.5	34.2	11.83	7	10

Source: MOF of Vietnam

The average real growth rate of gross domestic product (GDP) was 5.2% between 1986-1991 and 10 % between 1992-1995. In 1989, the per capita gross national product (GNP) at market prices was estimated at USD 175. This index is about USD 300 in 1994-1995.

Despite the overall economic growth and the rise of private sector activity, the level of government taxation has remained low, due to the difficulties in tapping new sources of activity. In 1989, the ratio of taxes to GDP was 11.2 % only. In 1994, this tax ratio rose to 21.1%, in part as a result of better tax collection. It is manifest that the overall low level of government taxation hampers the financing of social expenditures, such as those on health services. Now the situation has improved, the government revenue has increased step by step, from around 10 % of GDP in 1986 to around 20 % of GDP now (Annual report of MOH of Vietnam, 1994).

2.2 **The Health Care Issues in Vietnam**

The structure of the health sector in Vietnam is mainly public with 4 levels : national, provincial, district and commune level.

Following the 1994 official statistic indicators from Department of National Statistics of Vietnam, in the whole country, there are 676 public hospitals, 1049 inter-commune dispensaries, and 9,205 commune health stations. The total number of hospital beds is 162,054, with 11,130 beds available at the national level, 50,140 beds at the provincial level and 46,509 at the district level, the rest, 11,740 beds, belonged to other ministries, and 42,535 beds are located in commune health stations.

Vietnam has been traditionally committed to the health sector: from 1954, efforts were made to extend basic health services to the communal level. 80 % of rural and urban populations has access to this basic health network. The efforts were accompanied by national health movements in the areas of hygiene, nutrition and eradication of vectors of disease. In 1990, the number of physicians, medical assistants and nurse-midwives was 24,934, 46,412, and 98,288, respectively. The latter translates into the following ratios of health personnel per 1,000 population : 4.19, 7.2 and 15.0 for physicians, medical assistant and nurses or midwives respectively. In

1988-1990 the percentage of one year olds immunized was 88%, the population with access to safe water was 46%, the life expectancy progressed from 44.2 in 1960 to 63 in 1994 for men and 67.5 for women, the general mortality rate is 0.7%, and under five mortality has dropped from 232 per 1,000 in 1960 to 65 per 1,000 in 1990, but maternal mortality was still 120 per 100,000 live births. The average population growth rate between 1960 and 1990 was 2.2%, and it was around 1.9 % in 1995.

Following the assessment of UNDP, most of the indicators compare favorably with those of the least developed countries and also with many middle-income countries. Health status indicators also revealed that, on average, the Vietnamese health system has performed better than that in many other developing countries and not worse than a lot of richer countries (UNDP Assessment Report, 1995). The example is shown in the Table 2.2 as follows :

Table 2.2: Some Vietnamese Social Indicators Compare to Other Countries

Social Indicator / Country	Population growth rate %,1985-93	Life expectancy 1992	Infant mortality per 1000 live births,1992	Adult literacy rate %, 1992	Doctors per 100,000 people 1990
Algeria	2.6	67	55	60.6	43
Vietnam	**2.4**	**67**	**36**	**88.6**	**35**
Philippines	2.3	65	40	90.4	12
Turkey	2.1	67	54	81.9	79
Thailand	1.6	69	26	93.8	20
Cuba	1.0	76	10	94.5	370

Source: Would Bank, UNDP, quoted from journal "The Economic" July 8th 1995 .

Since 1986, the private sector has greatly expanded, but focused mainly on private health clinics in urban areas and private health care services supplied to households in rural areas. In the large cities, this situation is more quickly changing than in other locations. According to the 1994-1995 statistical data, Hochiminh city had 2,826 small and average private clinics. At the same time, two private 50-bed hospitals with modern equipment were opened and made good profits there. Some similar joint-venture projects are developing in Hanoi also. The private sector will be a major competitor of the public sector in the future.

Shortcomings also occur. Since past years, the average bed occupancy rate for public hospitals was reported to be less than 60 %, and the annual per capita contact rate with health services varied between 0.3 and 0.5, with considerable differences between provinces and regions. The survey done by UNICEFF in 1991 showed that at least 50 % of the rural population were hardly able to use services from the public health care system, one of the main reasons is the difficulty to pay the hospital fee, which is a high charge compared to very low income of them, even though the government subsidizes at least 60% of the real hospital cost, and patients pay only for diagnosis, blood transfusion, X-ray, curative care and drugs (mostly generic drugs produced in Vietnam) with very low cost. An other reason comes from the expanding of the private health sector, which mainly serves normal health care services at farmers' homes, while the quality of public health care services are not so good. In the long run, these problems have to improve. One solution is operating the Voluntary Health Insurance program for agriculture and informal workers with very large scope and appropriate premium, as has been implemented initially by Haiphong province since 1990.

2.3 **Background of Haiphong**

2.3.1 **Geography and Population**

Located near the Halong beach in the north-east of Vietnam within 100 kilometers from Hanoi (see Figure 1.1), Haiphong is a famous location with beautiful natural scene and a long story of well-known people who were prominent in Vietnamese history. It has about 350,000 households with 1,588,000 people living in the area of 1,500 square kilometers, divided into 12 districts. Three of them are urban districts, 2 are sub-urban, and 7 are rural districts. The approximate percentage of population living in the urban area is 31.5 %. Haiphong's sea port is the second biggest port of Vietnam. Here, 3 urban districts have colonial French architectural design and Doson district is also famous for it's seaside among tourists and foreigners as well as for Vietnamese people.

Because of good geographical position, an open up province and good local government who pays a lot of attention to educational issues and social affairs, even with the poor income level the literacy rate there is over 95%. Most adults who are under 50 years old finished

secondary school when they were teenagers. Very few children under 15 years old did not go to school. During the time between 1970-1990, more than 20,000 Haiphong's citizens went abroad to study and work as industrial workers.

In 1995, the total number of civil servants is 24,935, the number of industrial workers is over 150,000, and the number of retired is 35,076. This group of around 210,000 people are the target population of the Compulsory Health Insurance program in Haiphong. The combined total number of population who are informal, daily and agriculture workers is about 1,060,000 people in 1995. This is the target group of VHI program in Haiphong. School children and children under 6 years old in 1995 are 230,000 and 73,000 respectively.

2.3.2 **Economy**

The structure of Haiphong's economy is based on 3 sectors : industry, agriculture and services. Industry contributes 35% of GDP there; the main industries are industry of cement, iron, port, cargoship building, textile, plastic, china, crystal and fishing. Agriculture covers 30% of Haiphong's GDP and uses two-thirds of the labor force of this province, so it is easy to understand how low the income the agriculture workers have. Services contribute around 25% of Haiphong's GDP. The main income of this sector comes from tourism and hotel services, specially in the summer, when tourists can not find empty room in any hotel near the seaside. The remaining 10% GDP derives from other production, such as handicraft working, done by daily workers in urban area and agriculture workers between the two agricultural seasons. In the near future, economic conditions in Haiphong will be improved by a lot of foreign investment projects which are underdevelopment. It is a factor that can improve the income of the population and the local government budget which will have the good impact on the health and other issues in this province.

As a result of the better-off economy compared with neighboring provinces, the average income per capita in Haiphong is estimated to be about 500 USD in 1995, increased about 25% compared to 1990 (see Table 2.3).

Table 2.3 : Income Per Capita in Haiphong, 1990-1995 (USD)

Year	1990	1991	1992	1993	1994	1995
Index	400	410	420	450	470	500

Source : Ministry of Planning and Investment, Vietnam

Normally, following the criteria of the Social Affairs Office of Haiphong, a family with income per head lower than 50,000 dong is classified as very poor, from over 50,000 to 200,000 dong is poor, while higher levels are listed as average income families.

2.3.3 **Health Care System in Haiphong**

i) **Health Care Structure**

The health system in Haiphong is divided into 3 levels: province, district and commune. In terms of administration, this system is managed by the Bureau of Health of Haiphong. The preventive care and epidemiological actions are carried out by epidemiology centers at provincial level and epidemiology stations at district level. Patients get curative care services at the 3 levels mentioned, firstly in commune health stations at commune level, secondly in district hospitals, and finally in provincial hospitals. In emergent cases they can go directly to district or provincial hospitals.

Haiphong has 21 hospitals of which 13 are district hospitals. Most district hospitals are general hospitals. The 8 provincial hospitals include different professional specialization, such as tuberculosis, mother and child, cancer... The final hospitalization treatment (ultimate referral) is done by Vietnam-Czechoslovak Friendship hospital, the biggest general hospital in this province. 100% percent of 211 communes in Haiphong are covered commune health stations, among them 198 built with 5 or 10 beds. These are staffed by at least one or two medical assistants and one midwife, even in rural areas or islands. There is a total of 3,000 hospital beds. The number of patients admitted in city and district hospitals is 62,500 and 41,000 respectively. Because of the long period of poor economic conditions, a lot of hospitals and health stations are operating lack modern equipment and facilities and use old buildings

which need to invest financial sources and time to improve.

In term of health personnel, there are enough medical doctors, pharmacists, nurses, midwives to run the health system. The numbers shown by 1994 statistic data are as follows :

Medical doctors	:	879
Pharmacists	:	154
Medical assistants	:	708
Nurses	:	1,431
Midwives	:	329

Different from Hochiminh city and Hanoi, the private health sector in Haiphong increases slowly. It consists not more than 50 small private clinics operating there, mainly in 3 urban districts and 2 sub-urban districts. Very few private doctors work in rural areas. During the time 1990-1995, only a large number of private drug-stores are recognized, from 30 increasing to 200, but they are still too few in number compared with Hochiminh city, Hanoi and other towns of Mekong delta in the South of Vietnam.