Chapter 1

INTRODUCTION

1.1 Rationale

For many years, health care was subsidized by the Vietnamese government. However, this has become inappropriate in the current stage of socio-economic development. Thus, health care management reform became an objective need and played an important role, contributing to the overcoming of temporary difficulties in health care development and the implementation of the Party's policy. Due to lack of budget for health care, Vietnam has had to reduce health care services and the number of beds; health care service quality sharply decreased; disease partner was not improved; and patients were treated unequally. In addition, Vietnam has been cited as one of the least developed countries and has many problems of people's health status in the past as well as in the near future. The main reason for this is that in the past, the Vietnam did not recognize the role of socio-economic development, particularly in Health sector. For a long time, there was a misleading subjective view leading to inappropriate average subsidies. Health care development was carried out outside of socio-economic development.

The economic reform has entailed a supply of privately provided health care services. A the same time, there has been a rise in the supply of pharmaceuticals and medical equipment. During the period of economic reform, the proportion of the national budget for current health expenditure health increased from 2.76% in 1986 to 4.7% in 1995 and has remained around this percentage up to now (Annual report of MOH, 1998). It is now recognized that in the face of the problems in the health care sector, the government budget is insufficient.

In terms of health care financing issues, like many other countries, the Vietnam health system greatly depends on State subsidies. Expenditure for the health system comes from the following four sources: Government budget, user charges,

health insurance and external aid. Vietnam is a developing country, ranked among low-income countries with a capita income of US$ 300. The government budget allocated for health is limited and insufficient to meet the increasing health care demand. In 1997, health expenditures per capita was about US$5, still very low compared with the average health expenditure per capita in other low-income countries which is about US$ 12 (MOH, 1997).

As with many other countries in the world, the objective of the health insurance policy in Vietnam is to utilize the contributions of the state and individuals to form a reserve fund in cash to cover health care costs for health insurers. The management and use of health insurance funds are complex issues. Financial evaluation in general, and assessment of the ability to balance the funds in particular are very necessary, especially in a context where health care costs tend to increase unceasingly due to the application of advanced sciences and technologies in disease diagnosis and treatment whilst the ability of the health insurance is restricted because of limited contributions.

The Health Insurance Program, as a part of the effort to bring more resources into the health sector, has been advocated for a number of years. Since 1992, civil servants and factory workers have been insured on a compulsory basis, whilst other citizens could join on a voluntary basic. The initial emphasis was also on health insurance coverage of the cost of hospital services. The existing health insurance scheme in Vietnam is a public system, organized and managed by a governmental organization, called Vietnam Health Insurance. The Health Insurance agencies at the provincial level have the right to act with autonomy. Out of the total revenue from premiums, they can use a maximum of 8% for administration, contribute 2% to the central department for the central reserve fund and use the rest for paying health care service benefits to insured patients.

In 1989, a system of user fees for district, provincial and national level hospitals was established in order to increase resources for health. However, it covers only around 5-7% compared with government expenditures for health. The

expectation was that the effectiveness of user fees would raise the revenue in health and improve the efficiency and quality of health services. But, public health services were eventually as not being able to handle all their responsibilities. Consequently, private practice of the medical and pharmaceutical professions was legalized and compulsory health insurance was recognized. User's fees, whether for Government-provided health care services, or an out-of-pocket payment (direct payment) are therefore considered here as health finance from a private source. The payment for health care services by employers, i.e. payment by large organizations sharing of health care cost by employers as industrialized countries (indirect payment).

Cost recovery of state owned hospital care was developed, then in the context of changes from a subsidized national health system to a public private mix health system in Vietnam. Cost recovery did not exceed 20-25% of health expenditures. The reliability of user charges as a source of financing depended on the consistence of application of the charges and the maitainance of levels of utilization. For people's ability to pay in developing countries is extremely limited and dependent on seasonal factors in agricultural production.

Due to the limitations of a public health budget, and the fact that the majority of the population was poor and health care expenditures were high, which resulted in difficulty of paying hospital fees, the Vietnamese government wanted to set up a health insurance system to contribute as a crucial source for health care financing. A compulsory health insurance scheme (CHI) was officially established in October 1992 to serve government servants and industrial workers. Also, a Voluntary Health Insurance program (VHI) has been operating since 1990 in Haiphong, a province located in the north of Vietnam. After eight years of operation the biggest problems of the VHI program in Vietnam are the persistent gap between the target and the actual number of insured persons of the VHI program in the whole country, and the high premium compared to the low income of the target population which, in turn, is what makes them hesitant to buy a VHI card.

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 the living standards of the people.

1.2 Objectives of the Study

Research questions:

- What are the factors associated with the decision of the enrollment of Voluntary Health Insurance?
- What are the impacts of the Voluntary Health Insurance scheme on health care utilization?

The *objectives* include general and specific objectives.

- The *general objective* is to analyse the impacts of Voluntary Health Insurance on health care utilization.
- The *specific objectives* :

1. To analyse the coverage of the Voluntary Health Insurance scheme.
2. To analyse the utilization of health services under the Voluntary Health Insurance scheme.
3. To identify the factors that influence the enrollment of Voluntary Health Insurance.

1.3 The Scope of the Study

This study has focused on what the impacts of the provision of the Voluntary Health Insurance scheme on utilization of health care services. It was conducted in the whole of Vietnam, and the unit of analysis was the province. Eight provinces, were selected to represent the North, Central and South regions for the modelling study. The data were collected from 1993 to 1997 and relate to members of health insurance schemes, revenues, and utilization of health care.

1.4 The Structure of the Thesis

This thesis consists of six chapters. Chapter 1 is the introduction, summary of the rationale, objectives, scope 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. Also, chapter 2 presents health care financing issues, health insurance scheme and problems of health insurance in Vietnam. Chapter 3 is the literature review section, review of the economic concepts of health insurance, coverage of health insurance as well as its utilization, demand and premium for health insurance, health insurance financing, experiences from other countries and previous studies on health insurance and VHI in Vietnam. Chapter 4 will focus on the research methodology of the study, including the conceptual framework, data collection, and data analysis. The results and discussions of this study are presented in chapter 5. Finally, conclusions and recommendations are presented in chapter 6.