

An excerpt from:

*Better Health & Social Care: How are Co-ops & Mutuels Boosting Innovation & Access Worldwide?*

An International survey of co-ops and mutuals at work in the health and social care sector (CMHSC14)

Volume 2: National Cases

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For the research framework, the analysis of the national cases, and other research components, including a description of the research team members, refer to Volume 1: Report.

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## HEALTH SYSTEM

In Vietnam, the health care system has been largely transformed since the initiation of Doi Moi reforms in 1986 with the aim to create a “socialist-oriented market economy.”

In the health care sector, the goal of reform was to reduce government spending on health care by way of making user households responsible for their medical costs. As a result, major changes in the health care system occurred along with the privatization, deregulation, and decentralization processes. On top of those changes, user charges in public hospitals started to be introduced, and social insurance schemes were established in the country.

Before the launching of the Doi Moi reforms, People’s Committees and cooperatively-run health centres formed basic Vietnamese health care networks and provided free health care services. The reforms have caused financial distress for these networks.<sup>1</sup> Facing this weakened public health system, private medical practices were legalized in 1986, and the pharmaceutical market started to be de-regulated in 1989. In the same year, public hospitals and health centres were allowed and even encouraged to collect service and drug charges to compensate for the reduction in public subsidies.<sup>2</sup> Later on, as a partial compensation, both compulsory State-funded and voluntary health insurance schemes were established in 1992.<sup>3</sup>

The compulsory health insurance covers mainly employees (and retirees) in the formal sector, civil servants, and some social protection groups (such as the disabled and “meritorious” people). Since 2005, the poor and ethnic minorities have also been included in this insurance scheme. Voluntary health insurance in Vietnam was designed to cover specific occupational and age groups, such as school children and farmers.<sup>4</sup> But it was only with aggressive promotion by the government in the mid-2000s that voluntary health insurance grew more successful. The total percentage of insured people has increased from 13.5% in 2001<sup>5</sup> to 60% in 2010.<sup>6</sup> But a large proportion of the Vietnamese population still receives no health insurance benefits.<sup>7</sup>

It is estimated that 82% of all employment in Vietnam is informal.<sup>8</sup> Informal workers constitute a great part of the population without health insurance coverage. Moreover, the expansion of coverage during the past decade was not accompanied by a deepening of coverage. For example, when more than 50% of the population was covered in 2008, social insurance accounted for only 17.6% of Vietnam’s total expenditure on health.<sup>9</sup>

As the bulk of health expenses has shifted from the state to households, an estimated one-third to one-half of the population has suffered from a lack of regular access to health services.<sup>10</sup> As a result,

**Population** (in thousands): 90,796

**Population median age** (years): 29.41

**Population under 15 (%)**: 22.87

**Population over 60 (%)**: 9.32

**Total expenditure on health** as a % of Gross Domestic Product: 6.6

**General government expenditure on health** as a % of total government expenditure: 9.5

**Private expenditure on health** as a % of total expenditure: 57.4

Vietnam has witnessed increasing health inequalities and gaps.<sup>11</sup> The dominate mode of paying for health care is fees-for-service, which is regarded as “the root of the problem of rising expenditures in Vietnam”, because it “offers providers opportunities to pursue their material self-interest at their patients’ expense.”<sup>12</sup>

For policymakers, how to ensure access to health services at an affordable cost has become a tough issue. In particular, despite the legalization of private hospitals since 1989, public hospitals still own more than 90% of all hospital beds.<sup>13</sup> Now that public hospitals seek to generate revenues from users, they are “public” in name only.<sup>14</sup> Indeed, out-of-pocket payments account for more than half of total health expenditures in Vietnam.<sup>15</sup> Public hospitals derive nearly 60% of their revenues from out-of-pocket payment, compared to 29% from the government budget and merely 11% from social insurance schemes.<sup>16</sup>

Currently in Vietnam, people seem to have little understanding of the nature of cooperatives as member-based organizations operating in the market economy. For a long time, Vietnam did not have a specific state entity responsible for cooperative development. In 2005, with the establishment of the Department of Cooperatives in the Ministry of Planning and Investment, the encouragement of cooperative development commenced at the central level. Still, at

the local level, there is a lack of a relevant official body for cooperative promotion.<sup>17</sup> As a non-governmental organization, the Vietnam Cooperative Alliance (VCA) is an apex body for cooperative movement in Vietnam. It is organized both at the central and provincial levels.

### HEALTH CO-OPERATIVES<sup>18</sup>

In Vietnam, the emergence of cooperatives in the health care sector is a very recent development. The model was first introduced after the example of best practices in Japan. The Vietnam Cooperative Alliance organized delegates for a number of study visits to Japan. Later, introductory seminars were organized in Hanoi, Hai Phong, and Ho Chi Minh City. The support from the Asia-Pacific Health Co-Operative Organization (APHCO), and especially from the Japanese Health Co-operatives Association (JHCA), has facilitated the establishment of several pilot organizations in such provinces as Yen Bai, Hanoi, and Bac Giang.

Currently, three health cooperatives (Minh Thanh, An Phuoc, and Hop Luc) are operating in different parts of Vietnam. (See Table 2.) In total, they have more than 770 members, employing more than 50 staff members and serving more than 224,000 people per year. They provide a wide range of services, from primary care and dental care, health checks, and home treatment, through rehabilitation and recuperation.<sup>19</sup>

Two of the latter cooperatives (An Phuoc and Hop Luc) are running successfully. An Phuoc cooperative, established in 2011, is reported not only to provide health care services but to create jobs in the community. Following its success, a project aiming to establish a pharmacy cooperative in the province is also in the works. However, Minh Thanh, active in health promotion in small villages and an initial success, has recently encountered financial difficulties, particularly after the economic crisis. As a result, they are reported to have shifted their focus from health promotion, disease prevention, and consultancy to sales of nutritional medicines.

**Table 1: Health Cooperative Data**

<b>Number of cooperatives</b>	3
Types of cooperative	1 User, 1 Producer, 1 MS
Number of members	>770 (estimated)
Number of employees	>50 (estimated)
Users	224,000-233,000 (estimated)
Facilities	N/A
Services offered	Primary care, dental care, health checks and disease prevention, home treatment, rehabilitation, recuperation, personal advice Illness/accident prevention; Wellness and health promotion; Treatment and cure; Rehabilitation
<b>Annual turnover</b>	approx. \$6 million USD (estimated)

**Table 2: Health Cooperative Details**

<b>Name of cooperative</b>	<b>Minh Thanh</b>	<b>An Phuoc</b>	<b>Hop Luc</b>
Location	Yen Bai province	Quang Nam province	Thanh Hoa province
Type			
User	X		
Producer			X
Multistakeholder		X	
Members	165	?	487 <sup>20</sup>
Employees	8	30 <sup>21</sup>	?
Doctors	2	8	
Nurses	3	15	
Other health professionals	2 <sup>22</sup>		
Others	1 <sup>23</sup>		
Users <sup>24</sup>	32,759 <sup>25</sup>	120- 150 people/day <sup>26</sup>	155,086
Facilities			
Types of service			
Illness & accident prevention	X	X	X
Wellness & health promotion	X	X	
Treatment and cure		X	X
Rehabilitation			X
<b>Annual turnover</b>		\$377,360 USD (8 billion VND)	\$5,306,625 USD (112.5 billion VND) <sup>27</sup>

## PHARMACY COOPERATIVES

At the same time as health cooperatives were being established, the pharmacy cooperative model was being introduced in Vietnam. Currently, there are three pharmacy cooperatives in operation. The first one is located in Yen Bai, providing traditional and oriental medicines to its 10-15 members and the local community. The other two (Chua Boc and Ba Vi), situated in Hanoi, are also small in scale and basically offer traditional medicines. Chua Boc cooperative has 14 employees and an annual turnover of \$103,752 USD (2.2 billion VND).

## SOURCES

<sup>1</sup> Gabriele, A. 2006. "Social services policies in a developing market economy oriented towards socialism: The case of health system reforms in Vietnam." *Review of International Political Economy* 13(2):258-289.

<sup>2</sup> Ramesh, M. 2013. "Health Care Reform in Vietnam: Chasing Shadows." *Journal of Contemporary Asia* 43(3):399-412.

<sup>3</sup> Gabriele 2006:263.

<sup>4</sup> Liu, X. et al. 2012. "Can rural health insurance improve equity in health care utilization? A comparison between China and Vietnam." *International Journal for Equity in Health* 11(10):1-9.

<sup>5</sup> Gabriele 2006:268.

<sup>6</sup> In the insured population, "16% were formally employed, 30% were poor, 15% were children under six years of age, 27% were voluntarily insured (mostly students) and 13% were retirees, disabled and meritorious people." Ministry of Health. 2011. "Joint Annual Health Review 2010." Hanoi: Ministry of Health, unpublished document; quoted from Ramesh 2013:402.

<sup>7</sup> Liu et al. 2012.

<sup>8</sup> Ling, J-P., Razafindrakoto, M., and F. Roubaud. 2010. "The Informal Economy in Vietnam: Study for the ILO." (<http://www.tamdaoconf.com/tamdao/wp-content/uploads/downloads/2010/08/DIAL-ILO-Study-Informal-Vietnam-2010.pdf>); quoted from Ramesh 2013:407.

<sup>9</sup> Ministry of Health 2011; quoted from Ramesh 2013:407.

<sup>10</sup> Rainhorn, J.D. 2003. "Paradoxes et dilemmes d'un système de santé en crise: l'exception vietnamienne." Pp. 325-45 in *Le Vietnam à l'aube du XXI<sup>e</sup> siècle – Bilan et perspectives politiques, économiques et sociales, IUED-CRAM-Karthala*, edited by J. L. Maurer and C. Gironde. Geneva: Modern Asia Research Center; quoted from Gabriele 2006:266.

<sup>11</sup> UN Country Team Vietnam. 2003. "Health Care Financing for Vietnam." Discussion Paper No. 2; Gabriele 2006; Ramesh 2013.

<sup>12</sup> Ramesh 2013:410.

<sup>13</sup> Ramesh 2013:403.

<sup>14</sup> Ramesh 2013:403.

<sup>15</sup> Ramesh 2013:409.

<sup>16</sup> Ministry of Health 2011; quoted from Ramesh 2013:409.

<sup>17</sup> Nguyen, M.T. 2011. "Cooperative development in Vietnam: Success and challenges." Speech at the UN Expert Group Meeting on "Cooperatives in Social Development," May 3-6, Ulaanbaatar, Mongolia.

(<http://www.un.org/esa/socdev/social/meetings/egm11/documents/Tu-Cooperative%20Development%20in%20Vietnam.pdf>).

<sup>18</sup> We would like to express our sincere thanks to the Vietnam Cooperative Alliance, and particularly to Ms. Tran Thi Ngan, for providing updated information on health and pharmacy cooperatives in Vietnam.

<sup>19</sup> In particular, Hop Luc is reported to provide specialized services including dermatology, venereology, paediatrics, dentistry, otorhinolaryngology, ophthalmology, toxicology, tuberculosis and tumour cure, burn treatment, anaesthetics, X-ray, rehabilitation, recuperation, and so on.

<sup>20</sup> Of these, 364 members are doctors, nurses, and technicians. The other 123 are government staff from such departments as planning, administrative, and accounting.

<sup>21</sup> Of 30 employees, 23 are cooperative members.

<sup>22</sup> One is pharmacist, the other a surgeon.

<sup>23</sup> This is a cadre serving as professional consultant with good knowledge of disease prevention, health care, and protection.

<sup>24</sup> Potential users – area of coverage.

<sup>25</sup> Including 31,559 people in Yen Binh district and 1,200 people in surrounding provinces.

<sup>26</sup> The services provided by the cooperative are open to both its members and local communities.

<sup>27</sup> Of the total annual turnover of \$2,523,595 USD (112.5 billion VND), \$1,200,110 USD (53.5 billion VND) come from other services.