ASIAN DEVELOPMENT BANK

TAR: 36007

TECHNICAL ASSISTANCE

TO THE

SOCIALIST REPUBLIC OF VIET NAM

FOR

MAKING HEALTH CARE MORE AFFORDABLE FOR THE POOR: HEALTH FINANCING IN VIET NAM

June 2002

CURRENCY EQUIVALENTS
(as of 15 May 2002)

Currency Unit	–	dong (D)
D1.00	=	$0.0000656
$1.00	=	D15240.50

ABBREVIATIONS

ADB	–	Asian Development Bank
MOH	–	Ministry of Health
PHC	–	primary health care
Sida	–	Swedish International Development Agency
TA	–	technical assistance

NOTE

In this report, "$" refers to US dollars.

I. INTRODUCTION

1. The Asian Development Bank's (ADB) country strategy and program for Viet Nam identifies improving the quality of human resources, removing inequities in access to health care, and reducing poverty as the key challenges for the country. During the Country Programming Mission in 2002, the Government requested advisory technical assistance (TA) for supporting development of strategy for reducing the financial barriers for the poor in seeking health care. The TA is included in the country assistance plan for 2002. The Fact-Finding Mission visited Viet Nam from 13 to 20 April 2002 and reached an understanding with the Government on the objectives, scope, cost estimates, terms of reference, and implementation arrangements of the TA.[1] The mission consulted with the concerned government ministries, and various interested multilateral and bilateral organizations. The logical framework for the TA is in Appendix 1.

II. ISSUES

2. Having achieved a relatively high level of health status for its people, Viet Nam is faced with the challenge of ensuring that the achievements are:

(i) shared by the poor and populations living in disadvantaged areas, which still have much lower health status; and
(ii) sustained in light of the ongoing epidemiological transition and emergence of new diseases.

Inequities in use of health services are increasing.[2] Expenditure related to health care remains unaffordable for the poor, and causes many families to slide into poverty every year. Poor health and expenditure related to low health care are one of the major reasons for poverty and prevent people from escaping poverty.

3. At the same time, the pattern of diseases is changing from one dominated by communicable diseases to one dominated by noncommunicable and lifestyle diseases. These new diseases are, in general, more expensive to treat than communicable diseases. Clearly, health policy in Viet Nam needs to reconsider the way health services are provided and financed in the country.

4. Overall public financing of the health sector in Viet Nam is low by international standards. Moreover, public financing remains concentrated on subsidizing curative services. One unfortunate consequence of the low levels of public financing is that the poor have to bear the burden of high user charges at public health facilities. These fees have discouraged use. In addition, large disparities exist in government health expenditure across provinces since richer provinces are able to allocate and spend more than poorer provinces. This also exacerbates inequities in provision of health services across the country.

5. Both the socioeconomic plan adopted by the Ninth Party Congress and the 10 year plan for the health sector recently approved by the Prime Minister call for expanding health financing options to gradually extend basic health care coverage to the entire population by 2010. Given that only 15% of the population is presently covered through health insurance and another 5% through other prepayment schemes, much needs to be done in the next 8 years if these

[1] The TA first appeared in the *ADB Business Opportunities* in April 2002.
[2] Bhushan I., E. Bloom, N. Thang, N. Huu. 2001. *Human Capital of the Poor in Viet Nam*. Manila: Asian Development Bank.

objectives are to be achieved. The Ministry of Health (MOH) has established a working group chaired by a vice minister. The Government is exploring options and would like to prepare a strategy before the end of 2002.

6. The Government has four health financing solutions: (i) increase public expenditure on health; (ii) modify geographical and intersector allocation of public expenditure; (iii) adjust user charges and introduce more effective exemption mechanisms for the poor; and (iv) expand community health insurance, private health insurance, and prepayment schemes. All these options need to be assessed for their feasibility and effectiveness. Specific recommendations need to be developed that effectively reduce the financial constraints in access of health services by the poor, and ensure universal access to primary health services and heath care for catastrophic health conditions.

7. One major constraint in developing a rational health financing policy in Viet Nam is the lack of information about actual cost of providing health services. In the absence of such information, it is difficult to assess financing requirements for providing basic health care to the population, especially the poor. Clearly, there is an urgent need to assess costs of providing different types of health services.

8. This TA will build on the ongoing support of the Government and ADB for developing community–based health insurance schemes through the Rural Health Project. The TA will also directly address the increasing inequities in the health sector identified in the study—*Human Capital of the Poor: Policy Options*.[3] Support for the policy on health financing is also important for Viet Nam's continued progress toward achieving the Millennium Development Goals. The TA is fully supported by ADB's Country Strategy and Program for Viet Nam.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

9. The objectives of the TA are to assist MOH to review its health financing policies and strategy from an equity perspective and develop specific recommendations for making them more equitable and efficient. Specifically, the TA will assist MOH in developing a framework for a health financing master plan and strategy for achieving universal health care coverage by 2010. The TA will also assist MOH in developing tools for assessing costs of providing health services.

B. Methodology and Key Activities

10. The TA will assist MOH with an extensive review of all sources of financing in the health sector from the equity perspective. The review will include assessment of policies and their implementation in different geographical regions of the country. The review will lead to specific recommendations for improving the poverty focus of the sources of financing. In addition to the review, some preparatory work for estimating actual costs of health services, especially hospital care, will be carried out. In particular, the following five key activity groups will be undertaken:

(i) **Public Expenditure Review in the Health Sector.** Building on the work done in the sector in the previous years, the TA will assist MOH to review the pattern of public expenditure in the health sector, especially the allocation of public

[3] ADB 2000. *Technical Assistance to Viet Nam for Human Capital of the Poor in Viet Nam: Policy Options*. Manila.

resources across subsectors and provinces. Specific recommendations for public expenditure related to both the level of funding and the allocation system will be developed. Public expenditure for health includes tax-based funds and external aid, which will be addressed separately.

(ii) **Review of Policy on User Charges.** The TA will assist MOH to review the user charges policy and its implementation, especially the effectiveness of exemption mechanisms. Specific recommendations for improving the policy on user charges and exemptions for the poor will be developed. Alternatives for making exemptions more effective, such as establishment of equity funds, will also be explored.

(iii) **Review of Free Health Cards and other Financing Initiatives to Support the Poor.** The TA will help review the coverage and effectiveness of the free health card scheme initiated in 2000, as well as other financial initiatives to support the poor, and identify opportunities for further expansion and improved targeting and effectiveness.

(iv) **Review of Policy on Health Insurance and Prepayment Schemes.** The progress under health insurance, both voluntary and compulsory, will be reviewed and constraints to further expansion identified. The potential for other prepayment schemes such as community–based health insurance will also be explored. The TA will help develop specific recommendations for expanding these schemes to achieve the twin objectives of providing universal coverage for basic health care and protecting the poor.

(v) **Costing of Health Services Provision.** The TA will assist MOH in developing a framework and methodology for costing hospital care services. The framework will be used to assess the unit cost of providing health services in selected central and provincial hospitals.

11. Based on the reviews and recommendations of the TA, a detailed framework for a health financing master plan and strategy for achieving universal coverage by 2010 will be prepared. This work will form the basis for further work to be supported by Swedish International Development Agency (Sida) within framework of the Vietnam-Sweden Health Cooperation Programme (Oct 2002–Dec 2005).

12. The work undertaken through the TA will be summarized in the final report, to be tentatively titled “making health care more affordable for the poor: health financing in Viet Nam.” The report will contain an extensive review of the existing health financing policies, their implementation, options for improving their impact on the poor, and recommendations. It will also describe how and when to implement the recommendations contained in the report in order to achieve the goal of universal coverage by 2010.

13. The draft findings of the TA will be available by the end of 2002 and will feed into the government strategy for improving the health care for the poor. MOH will publish the final report, in English and Vietnamese. A tentative outline of the report is in Appendix 2. Findings of the reports will be disseminated through a high level seminar. The reports will also be put on the web by the Government and ADB for wider dissemination.

14. The TA will be implemented in close coordination with the regional TA on health financing being implemented by ADB.[4] Data collected for the TA will also feed into the comparative study between the People's Republic of China and Viet Nam on health sector reforms being implemented by MOH with support from the Rockefeller Foundation and Sida.

C. Cost and Financing

15. The total cost of the TA is estimated at $280,000 equivalent, of which $200,000 equivalent will be financed by ADB, covering the entire foreign exchange component of $117,800 and the local currency cost of $82,200 equivalent. The TA will be financed by ADB on a grant basis from the Technical Assistance Special Fund. ADB will finance consulting services, production of reports, organization of workshops, studies, and some administrative support services. The Government's contribution to the TA, estimated at $80,000 equivalent, will be in kind and will include the provision of counterpart staff; office accommodation; office support; translation services; and the support for organizing seminars, workshops, and meetings. The detailed cost estimates and proposed financing arrangements are in Appendix 3.

D. Implementation Arrangements

16. MOH will be the Executing Agency. The Director of the Department of Planning of MOH will be directly responsible for the day-to-day implementation of the TA. A team of two international (6 person–months) and five domestic (27 person-months) consultants will be recruited on individual basis to provide specialist services. The consultants will work as a team under the leadership of the international health financing consultant, who will coordinate the activities of the TA. The team will be based in the Health Policy Unit of the Department of Planning, which will provide appropriate counterpart staff to work closely with the team. The services of the consultants will be engaged by ADB in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants. Outline terms of reference for the consultants are in Appendix 4.

17. The steering committee for health financing, chaired by a vice minister of health, will provide overall guidance to the TA and ensure coordination with ministries and agencies concerned. The TA team will present the progress of the study to the steering committee at regular intervals and seek its feedback and guidance.

18. The TA will be implemented over 8 months starting in July 2002 and finishing in February 2003. The TA team leader will submit a draft inception report to ADB and MOH within 1 month from the commencement of the TA. The inception report will describe the study design, sources of data, and time schedule of each output. An interim report will be submitted after 3 months and a final report by February 2003.

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of $200,000 on a grant basis to the Government of Viet Nam for Making Health Care More Affordable for the Poor: Health Financing in Viet Nam, and hereby reports this action to the Board.

[4] ADB. 2001. *Regional Technical Assistance for Regional Study of Health Care Financing for the Poor*. Manila.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Project Targets (Verifiable Indicators)	Monitoring Mechanisms	Assumptions
1. Sector/Area Goal Improve the health status of people, especially the poor and disadvantaged, through making the health financing policies more equitable	Closing of health status gap based on ethnicity and income	Ministry of Health (MOH), health service statistics	Poverty reduction and provision of primary health care, especially in poor rural areas, continue to be a Government priority
2. Objective/Purpose Input to the Government strategy for improving the health status of the poor through thorough review of the health financing policies and strategies from an equity perspective and development of specific proposals for making health care more affordable for the poor	Appropriate health financing policies and strategies for improving the access of the poor identified and approved by the Government	▪ Feedback from MOH and other partners ▪ Review missions	▪ The outputs of the technical assistance will be politically feasible ▪ Political support for changing the health financing system will continue
3. Outputs (i) Detailed framework for the health financing master plan	Final report (Making Health Care More Affordable for the Poor: Health Financing in Viet Nam) acceptable to all partners (draft by December 2002 and final report by February 2003)	Feedback from MOH and other partners	An integrated view of health financing options is feasible even though the MOH does not manage health insurance and free health card schemes
(ii) Strategy for achieving the master plan by 2010	Same as above	Feedback from MOH and other partners	The Government will be able to mobilize and commit enough additional resources to achieve the master plan
(iii) A framework for costing health services and unit cost of providing different type of health services in two selected hospitals	A report succinctly explaining a framework for costing of health services and demonstrating its use for two hospitals	Feedback from MOH and other partners	Supply and demand side data will be easily available
4. Inputs Consulting Services ▪ International 6 person months ▪ Domestic 27 person months Studies and surveys $20,000	**Resources** (Funds and Consulting inputs)		▪ Suitable consultants will be available ▪ MOH can effectively coordinate the study

OUTLINE OF THE FINAL REPORT

Executive Summary

- Main Findings
- Main Recommendations

1. Introduction
   - Objective and scope of the study
   - Methodology
   - Background of the health sector

2. Public Financing of Health Services
   - Review of present status
   - Recommendations for future

3. User Charges
   - Review of present status
   - Recommendations for future

4. Health Cards and other Financing Mechanisms for the Poor
   - Review of present status
   - Recommendations for future

5. Prepayment Schemes
   - Review of present status
   - Recommendations for future

6. Health Financing for the Poor: Issues and Options
   - Integrating all health financing options
   - Health financing master plan

7. Recommendations for Achieving Universal Coverage by 2010

COST ESTIMATES AND FINANCING PLAN
($)

Item	Foreign Exchange	Local Currency	Total Cost
A. Asian Development Bank Financing			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	100,000	0	100,000
ii. Domestic Consultants	0	36,000	36,000
b. Travel			
i. International	8,000	0	8,000
ii. Domestic	0	4,000	4,000
c. Reports	5,000	0	5,000
2. Workshops, Seminars, Studies, and Study Tours	0	20,000	20,000
3. Miscellaneous Administration and Support Services			
a. Office and Administrative Expenses	0	2,400	2,400
b. Facilitation/Use of Local Assistants	0	4,800	4,800
c. Communications	800	0	800
4. Contingencies	4,000	15,000	19,000
Subtotal (A)	**117,800**	**82,200**	**200,000**
B. Government Financing			
1. Counterpart Staff and Allowances	0	36,000	36,000
2. Office Accommodation and Utilities	0	16,000	16,000
3. Secretarial and Office Support	0	8,000	8,000
4. Translation Services	0	16,000	16,000
5. Meeting Rooms	0	4,000	4,000
Subtotal (B)	**0**	**80,000**	**80,000**
Total	**117,800**	**162,200**	**280,000**

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. Health Financing Expert/Team Leader (5 person-months)

1. The consultancy will be divided into two periods. During the first 2 months, the consultant will do the following:

(i) Review relevant documents and available information about health care financing in Viet Nam, e.g., Public Expenditure Review, Health Sector Review, Vietnam Public Health Report, reports from previous consultants about health care financing (e.g., reports of David Dunlop and William Hsiao).

(ii) Develop a detailed comprehensive study framework and plan for implementing the entire technical assistance (TA). This will be summarized in an inception report and will be submitted to the Ministry of Health (MOH) and the Asian Development Bank (ADB) within 1 month from the start of the TA.

(iii) Work with domestic consultants and MOH counterpart staff (including the MOH Health Care Financing Committee) to develop a detailed design and guidelines for four areas (government budget, hospital user fees, free health card scheme, and prepayment schemes) that domestic consultants will carry out.

(iv) Identify information needs for those proposals and identify a framework and tools for data collection at the central level and in field work.

(v) At the end of the 2 months, submit an interim report summarizing what has been achieved in and future plans, especially for the period when the consultant will be away.

2. During the last 3 months, the consultant will do the following:

(i) Together with domestic consultants and MOH staff, analyze data collected from the central level and from the field. Assist domestic consultants to finalize their reports on government budget, hospital user fees, a free health card scheme, and prepayment schemes.

(ii) Integrate all four reports into a final report that (a) identifies options for health care financing in Viet Nam, for improving the access to health care for the poor; (b) reviews the health care financing policies; and (c) provides recommendations for the most optimal mix and level of health care financing in 2010. The report will provide policy options for achieving universal coverage of health financing by 2010. The report will also recommend how the proposed health financing master plan for 2010 will be achieved.

2. Health Services Costing Expert (1 person-month)

3. The consultant will do the following:

(i) Together with domestic consultants and MOH staff, prepare a framework and develop a methodology for estimating costs and cost functions for providing different type of hospital care services;

(ii) Using the developed framework, assess the unit costs of providing different type of health services in two selected hospitals.

(iii) Provide estimates of how these unit costs will change with changes in demand related variables such as number of patients, disease patterns, and supply related variables such as staffing norms.

(iv) Prepare a plan for further application of the developed framework and data collection tools in larger number of hospitals, and provide suggestions for wider data processing and analysis.

B. Domestic Consultants

1. Public Expenditure Review Consultant (5 person-months)

4. The consultant will do the following:

(i) Review all relevant documents (decrees and circulations, decisions, guidelines, etc.) promulgated by the Government, especially those issued by Ministry of Finance, related to allocation of government tax-based budget and external aid for health.

(ii) Review data available at the central level regarding tax-based government budget and external aid for health to describe allocation patterns across provinces, regions, and health care areas (e.g., curative, preventive medicine). Review how the patterns affect access to, utilization of, and affordability of health services.

(iii) Conduct and organize further field data collection with focus on allocation of government budget and external aid for health, including existing allocation formula at the province level.

(iv) Develop a proposal for change in the allocation formula and projections for next 10 years (approximately).

(v) Analyze the collected data and draft the report on (i) government tax-based budget, and (ii) external aid for health.

(vi) Closely work with the international consultant, other domestic consultants, and MOH staff (e.g., Committee for Health Care Financing) achieve the overall objectives of the TA.

2. Hospital User Charges Consultant (6 person-months)

5. The consultant will have the primary responsibility for reviewing the policies and implementation of user charges, especially the exemption mechanisms. The consultant will do the following:

(i) Review all relevant documents (decrees and circulations, decisions, guidelines, etc.) promulgated by the Government, especially those issued by Ministry of Finance and MOH, related to how to collect and spend revenue created from hospital user fees, as well as how to organize the system for exemption from user fees.

(ii) Review data available at the central level regarding hospital user fees to describe the pattern of hospital user fees during the last 5 years and how it affects access to, utilization of, and affordability of health services.

(iii) Conduct and organize further field data collection with focus on describing how the user-fee policies are implemented in different provinces and why the user-fee exemption system is not working effectively.

(iv) Develop a proposal for improving the predictability and targeting of exemptions from hospital user fees.

(v) Analyze the collected data and draft the report on hospital user-fees.

(vi) Closely work with the international consultant, other domestic consultants, and MOH officers (e.g., Committee for Health Care Financing) achieve the overall objectives of the TA.

3. Consultant for Health Financing for the Poor (4 person-months)

6. The consultant will have the primary responsibility for reviewing and developing recommendations for the free health card schemes and other direct financing initiatives organized to support the poor. The consultant will do the following:

(i) Review all relevant documents (decrees and circulations, decisions, guidelines, etc.) promulgated by the Government related to how to financially support the poor, especially in curative health care facilities.

(ii) Review data available at the central level regarding direct financial support to the poor to describe models to support the poor over the last 5 years, including free health cards, and how the support affects access to, utilization of, and affordability of health services.

(iii) Conduct and organize further field data collection with focus on describing models to financially support the poor in curative care, including achievements and constraints of each model.

(iv) Develop a proposal for improving the coverage and effectiveness of models to support the poor in curative health care.

(v) Analyze the collected data and draft a report on initiatives to support the poor in health care.

(vi) Closely work with the international consultant, other domestic consultants, and MOH officers (e.g., Committee for Health Care Financing) achieve the overall objectives of the TA.

4. Health Insurance Consultant (6 person-months)

7. The consultant will do the following:

(i) Review all relevant documents (decrees and circulations, decisions, guidelines, etc.) promulgated by the Government related to the development of compulsory and voluntary health insurance, community-based health insurance (this may not need to focus much on free health cards for the poor, which will be addressed by another consultant).

(ii) Review data available at the central level regarding development of prepayment schemes in Viet Nam, and how it affects access to, utilization of, and affordability of health services.

(iii) Conduct and organize further field data collection focusing on describing the current status of prepayment schemes, including achievements and constraints of each scheme, and possibility of expansion/development, especially of community health insurance.

(iv) Propose how to gradually achieve universal coverage through health insurance schemes in the next 10 years.

(v) Analyze the collected data and draft a report on health insurance and prepayment schemes.

(vi) Closely work with the international consultant, other domestic consultants, and MOH officers (e.g., Committee for Health Care Financing) achieve the overall objectives of the TA.

5. Health Services Costing Consultant (6 person-months)

8. The consultant will support the international consultant working on the costing of health services and will do the following:

(i) Review all relevant documents and Vietnamese literature on costing of health services and prepare a summary.

(ii) Collect the necessary information about different category of expenditure for the two selected hospitals.

(iii) Organize and supervise the survey in the two hospitals to assess the expenditure incurred by patients.

(iv) Assist the international consultant in finalizing and disseminating the report.