Private Hospitals in Vietnam
Recent Growth and Role in the Health Sector

Prepared by Krishna Hort, Nossal Institute, June 2011

Based on studies undertaken by the Health Policy and Health Finance Knowledge Hub (Nossal Institute of Global Health, University of Melbourne) in collaboration with the Health Strategy and Policy Institute, Ministry of Health, Vietnam.

Expected Audience
Country development partners – WHO, AusAID, other development partners in Vietnam

Key messages

• There has been significant growth in the number of private hospitals in Vietnam since the Government of Vietnam allowed private investment in the health sector. However, private hospitals still only contribute less than 5% of total hospital beds, and are unlikely to reach the target of 20% hospital beds (5 beds /10,000 population) by 2020.

• The growth of private hospitals is one aspect of the Government of Vietnam’s broader ‘social mobilisation’ policy, which has also led to increased private investment in state hospitals. The aim of this policy is to mobilize resources from society to invest in key public services, and to allow all members of the community to access the benefits of these resources.

• A case study examining selected state and non-state hospitals indicated that private hospitals have increased the availability of selected services and facilities for which there is demand, but their concentration on urban and wealthier populations has not contributed to improvements in equity.

• The policy and regulatory framework provides tax incentives for private hospitals even if for-profit; does not specify the responsibilities of private hospitals to contribute to public benefit; and does not adequately regulate quality or standards of care.
not specify the responsibilities of private hospitals to contribute to public benefit; and does not adequately regulate quality or standards of care.

- The current policy focus on resource mobilization has resulted in growing ‘commercialization’ of the health sector, and neglects adequate regulation of outcomes such as equity and quality.

Policy and regulatory recommendations include:

- Continue to invest in and improve services for the poor from state hospitals
- Improve links and cross-referral between state and private hospitals
- Define public benefit responsibilities for private hospitals as a part of License/Accreditation requirements (public health services, referrals etc)
- Consider potential for contracting private hospitals to provide specific services (e.g. diagnostic / high tech) for patients in state facilities
- Develop a more targeted use of incentives and facilitate more control over investments in high technology in order to steer non state investment towards locations and services in need

**Current State of Research**

The Health Policy and Health Finance Knowledge Hub has collaborated with the Health Strategy and Policy Institute, Ministry of Health to undertake studies of private hospitals in Vietnam. The studies included:

- map the growth of private hospitals from 2004 to 2008 by location, type of hospital and size;
- review of the policy and regulatory framework relevant to private hospitals;
- in-depth case studies of the operation of private hospitals in Ho Chi Minh City, Da Nang City and Thai Binh Province in order to identify services provided, population served, and relationships with state hospitals.

**Background**

Vietnam legalised operation of the private sector in health in 1999, and has targets for private sector provision of hospital beds of 2/10,000 by 2010, and 5 beds /10,000 by 2020 (20% of total hospital beds). The Government provides incentives for private facility construction through provision of land and generous tax concessions. State hospitals in Vietnam are overcrowded and struggle to cope with high demands, particularly in urban areas, so private hospitals could potentially contribute to reducing this overcrowding by addressing some of the demand.

The approval for the establishment of private hospitals is one aspect of the broader ‘Social Mobilisation’ policy (Government Resolution No. 05/2005/NQ-CP) which has two major aims:

1. to bring into play the intellectual and physical potential of the people and involve the entire society in developing education, health care, culture and sports, and
2. to create conditions for the entire society, especially policy beneficiary target groups and the poor, to enjoy the increasing benefits from achievements in education, health care, culture and sports.

**Research findings**

1. **Growth of private hospitals.** The number of private hospitals more than doubled between 2004 and 2008 to reach 82 by 2008. However this number constituted only 7% of total hospitals, and 4.4% of total hospital beds. Private hospitals were located mainly in urban and wealthy areas.

2. **Policy and regulatory framework is not always enforced.** The growth of private hospitals was related to the social mobilisation policy, which also encourages private investment in state facilities. Incentives in the form of land and tax concessions are provided for new private facilities. Although the original decree specified that private hospitals should be not for profit, this requirement has not been enforced. A number of regulations on physical facilities, human resources, and prices do not appear to be enforced in regard to private hospitals (or for state hospitals).

3. **Case study findings.** The case study demonstrated that private hospitals were generally smaller than state counterparts, but had much lower bed occupancy rates and shorter average length of stay. Private hospitals in different contexts (central, large urban, and small urban) adapted to the local needs and markets by providing different specialised
services, having different arrangements of full time, part time and retired doctors, and different funding mixes from user fees and insurance reimbursement. Private hospitals tended to provide a higher proportion of diagnostic and laboratory services than expected from their proportion of beds, but rarely had reciprocal referral or transfer arrangements with state hospitals.

(4) Contribution to health system objectives. According to the social mobilization policy, the Government’s expectations were for increased availability of resources for health care; competition to improve quality and efficiency; and improved equity of access to services.

The study found:

Some increase in availability of resources, particularly high tech equipment, laboratory and diagnostic services, and certain specialised services where state hospitals were unable to match demand (such as haemodialysis, assisted reproductive technology, cardiac surgery, and endoscopy) but also the risk of inequitable distribution of these resources.

Some evidence of technical efficiency gains in private hospitals through more efficient use of workforce, lower bed occupancy and shorter average length of stay, but little evidence of competition to improve quality or efficiency.

Little evidence that private hospitals contributed to equity of access, and a risk that the concentration in urban areas could attract health workers away from rural and poorer areas, and exacerbate current inequalities.

Implications for policy

The growth of private hospitals is one aspect of Vietnam’s broader social mobilisation policy in health, which has also resulted in increasing private investment in state hospitals.

Recent growth in private hospitals has contributed increased resources to hospital services, but private hospitals still remain only a small contributor to total hospital services, and are concentrated in wealthy and urban areas.

Increasing private investment in health care is leading Vietnam to develop some of the characteristics of commercialized mixed health systems, such as pervasive market or financial transactions in provision of health services, blurred boundaries between public and private sectors, inadequate regulatory framework and poor compliance, and an underfunded government system.

The current policy and regulatory framework is not delivering on key goals of improved efficiency, increased quality of services and increased equity of access.

Management of mixed health systems is challenging, and requires strengthened regulation to ensure financial incentives are aligned with policy objectives, and use of a range of regulatory approaches that engage civil society partners and build social norms and values that support policy goals.

Working papers are available from:

www.ni.unimelb.edu.au/health_systems_strengthening/knowledge_hub/resources/
Or email to: ni-info@unimelb.edu.au

The Nossal Institute invites and encourages feedback. To provide comment, to get further information about the Working Paper series, or to request hard copies, please contact ni-info@unimelb.edu.au with “Working Papers” as the subject.

The Knowledge Hubs for Health are a strategic partnership initiative funded by the Australian Agency for International Development.
The Knowledge Hubs for Health are a strategic partnership initiative funded by the Australian Agency for International Development.