Joint technical note on the provision of additional health insurance benefit package

This technical note has been jointly prepared by ILO, World Bank, and WHO Country Offices for Viet Nam, based on presentations and discussion which took place at the MoH orientation workshop on the Health Insurance Law revision (October 2018, Hanoi) and during the technical workshop on provision of additional health insurance benefit package (May 2019, Green One UN House, Hanoi) and building on the ILO report on country experiences in providing additional benefits packages[1].

ASSESSMENT

1. As part of the process of the Health Insurance Law revision, the Government of Viet Nam is currently identifying the core social health insurance (SHI) policies to be reformed and defining alternative options. Resolution 20 of the 6th plenary session of the 12th central committee of the Communist Party of Viet Nam, dated 25 October 2017, formulated the need to "*diversify health insurance packages; strengthen linkages and cooperation between social health insurance and commercial health insurance*" among primary solutions listed in the 8th task to "Strongly reform health financing". On that basis, the Ministry of Health is exploring the option of diversifying the benefit package(s) to provide more services (supplementary coverage) or cover a greater share of the cost of the current service package (complementary coverage) to those willing and capable to contribute more.

2. The current SHI basic benefits package is a core element of Vietnam's social protection system and is enshrined in Article 58 of the Constitution (2013): "*The state and the society shall implement health insurance for the entire population*." As it stands in Vietnam's current legislative and regulatory framework, all members of the SHI scheme benefit from the same package of insured health services, with progressive, and relatively low levels of co-payments set in a way that does not hinder vulnerable groups from accessing services (i.e. no or low co-payment for vulnerable groups). Compared to other middle-income countries, benefits covered by the SHI scheme in Viet Nam are generous (with few exclusions), although this is not necessarily the perception of wealthier Vietnamese. Additional coverage can be obtained on a voluntary basis by purchasing individual or group insurance policies from commercial insurance companies.

[1] Axelson H., Phe Goursat M. Providing additional benefit coverage: A review of country experiences to inform Viet Nam's revision of the Health Insurance Law, ILO, 2019

3. The current Health Insurance Law is in line with principles of Universal Health Coverage (UHC)[2] that people should have access to the health services that they need without being exposed to financial hardship. When it comes to SHI, compulsory or automatic participation in a single scheme is recommended to ensure the creation of a large, diverse risk-pool. This allows health systems to make efficient and equitable use of limited resources, cross-subsidising from the healthy to the sick and from the high-income to low-income earners.

4. **Population demand for additional coverage is primarily among the better-off who want to use on-demand services**[3] at public hospitals or care at private facilities. The SHI scheme does not currently contract with all licensed private providers and, when it does, it only reimburses at government-administered service fee levels[4]. Charges for services at private facilities and the charges for on-demand services that exceed the government administered fee schedule are currently paid out-of-pocket by patients who choose to use those services. Transforming these out-of-pocket payments paid at the point of care into pre-payment through complementary (private) health insurance would provide better financial protection for groups choosing to use these services.

5. The provision of (an) additional benefit package(s) would likely negatively impact the **equity and efficiency of the health insurance scheme**. Setting up an additional benefit package usually requires setting up a separate pool to avoid the risk that the basic SHI fund might have to cross-subsidize the additional benefit package if it goes into deficit. This would require extra investment (human resources, actuarial estimation of premiums and benefits, updating of software and standard processes, contracting, etc.) to design a new package, administer separate benefits, contract with different and more demanding health providers, and address requests from members – hence **creating a diversion of internal resources towards better-off members**. The implementation of this option **would also signal to the population that priority is being given to those who belong to higher income groups** who can generate resources for the scheme, instead of addressing problems that impact everyone, such as ensuring quality and efficiency of care.

6. For these reasons, very few countries in the world are creating differentiated benefit packages within their SHI systems – and especially not to meet the demands of higher income groups. By contrast, differentiated benefit packages are more typically associated with the provision of additional coverage to vulnerable groups. In France, the national social security system provides the possibility for low-income households to benefit from a Government-subsidized additional package covering co-payments. However, when it involves differentiated benefit packages for those who can pay more and is associated with the segmentation of the insurance markets, like in Chile and Germany, there is evidence that it "has had significant [negative] consequences for equity, fairness, and financial protection".[5]

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[2] https://www.who.int/healthsystems/topics/financing/uhc_qa/en/

[3] In Vietnam, hospitals offer on-demand services, which includes choice of doctor, rooms with more amenities, shorter waiting time, services from equipment obtained through private investments, off-formulary drugs, and other items that are not paid by the VSS SHI fund.

[4] Công văn số 1608/BYT-KH-TC (2019)

5 Roman-Urrestarazu A., Private health insurance in Germany and Chile: two stories of co-existence, segmentation and conflict, 2018

7. In most countries, provision of a higher level of financial and benefits protection is left to the commercial sector through voluntary health insurance. Indeed, based on international experience, commercial health insurance can play an important complementary and supplementary role to SHI and, in so doing, contribute to UHC goals.

8. **The task of diversifying health insurance benefit packages** according to the current Health Insurance Law (2008 and amended in 2014) **is already being implemented.** Indeed, under this law, diversity in the benefit package is achieved through diversity in the share of health care costs paid for services on behalf of insured members of the SHI scheme. The basic package covers 80% of the health care charges, with supplementary packages covering 95% or 100% of the charges depending on the member type.

RECOMMENDATIONS ON DIVERSIFICATION OF THE HEALTH INSURANCE BENEFIT PACKAGE

9. For the reasons stated above, **the Government of Viet Nam should not offer a diversified benefit package to meet the demand of better-off population groups who are willing to pay higher contributions for more services or more financial coverage.**

10. **Rather, it is recommended to preserve the current SHI scheme,** specifically the features of **compulsory participation**, **with no one permitted to opt out (even if they obtain commercial insurance coverage)**, a uniform package of services for all Vietnamese people, lower co-payments for those who are poor and near-poor, and management under a single risk pool. This solution ensures full compliance with principles of equity and solidarity in financing and access to benefits. Creating additional and/or different benefit packages for different population groups would violate these principles.

11. **Those people who are willing to pay for additional services or more financial coverage (including at private facilities) can obtain that coverage from commercial health insurers, as additional coverage on top of their SHI benefit.** The principle would be that SHI is the "first *đồng* payer", covering service entitlements of health insurance in Viet Nam, with commercial insurance only paying supplementary or complementary benefits.[6] Allowing people to opt out of SHI coverage to obtain substitutive coverage through commercial insurance would undermine the strong financial protection and risk pooling of Vietnam's current SHI scheme.

12. **A clear definition of what is covered in the basic health insurance benefits package covered by SHI** as stipulated in Task 8 of Resolution 20 (2017) in terms of service package, scope of charges covered, and providers contracted must be issued. This would allow for identification of the space for the commercial health insurance market to provide additional coverage, either supplementary or complementary packages, which should be regulated in the Commercial Health Insurance Law. This would contribute to an explicitly defined public goal of sustainable and equitable financing for UHC.

13. **Coherence and consistency in policy and regulations** under the Health Insurance Law (covering SHI) and the Commercial Insurance Law (covering commercial health insurance) must be ensured

[6] In the Philippines, this is the principle of first-peso payer used by PhilHealth.

so that health insurance policy objectives are aligned with UHC policy objectives. This would harness the potential benefits of commercial health insurance, without adversely violating the principles and the achievements of SHI. A robust regulatory framework under the Law on commercial insurance is needed to address or minimize the potential adverse effects of commercial health insurance.

14. To respond to demand for "better services", **strengthening quality of health care, including primary health care, is essential**. Investment in the quality of care is not only important from the perspective of improving health outcomes, but also essential to create value for the members of the health insurance scheme and generate strong demand for SHI membership.

15. Monitoring and communicating information to the public on hospital performance and quality is important in building people's trust in the health system and enabling health facilities managers to focus on what to improve. This, in turn, will help to reduce the perceived disparities in quality of care between private and public health facilities, and between on-demand and insured services, that is currently leading to pressure for diversified health insurance packages and which threatens to undermine the solidarity of the SHI system.