

Social and Health Insurance in Vietnam

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Abstract: Social Insurance (SI) and Health Insurance (HI) are pillars of social security in Vietnam, contributing to people rights to live in a safe, sound and friendly environment. The author analyzes current situation of Vietnam Social, Health Insurance and suggests some orientations for developing social insurance.

Key words: Social security, health insurance; social security, Vietnam.

1. Introduction

During *Đổi mới* (Renovation) and international integration, awareness of guaranteeing social security (GSS) in general, social insurance and health insurance in particular in Vietnam has gradually been fully and deeply recognized. Guidelines, policies and viewpoints on Vietnam GSS and related policies are consistent, constantly additional, comprehensive, systematic and more complete; the content, scope, level of support and object of GSS are also gradually expanded, improved, institutionalized in the legislation (Law of Labor, Law of Social Insurance, Law of Health Insurance, Law of Gender Equality, Law of Vocational Training...), planned and implemented specifically related to the different objects.

The current Vietnam GSS system has been strongly reformed since early 1990s, consisting of many different components namely social insurance, health insurance, social relief, social preferences and more prominently the social insurance and social protection. The social insurance and health insurance system is the core of Vietnam GSS on the basis of triple participants

involved (employees, employers and the State) to reduce the burden of state budget and directed to GSS socialization activities, consistent with the transition from an economic model of central planning, subsidies, equal distribution, state total control to the model of a socialist-oriented market economy.

Because of this transitional period, there are two types of social insurance: compulsory (applied to official sector, consisting of permanent or above three month long contract employees working in organizations, agencies and enterprises in all economy sectors) and voluntary social insurance (voluntarily contributed by employees, the sum is often low consistent with their income therefore their receiving is also small). At the same time, there are two types of health insurance: Compulsory health insurance (applied to employees in official sectors and voluntary health insurance (applied to pupils, students and all people). Besides, the State grants health insurance for the poor demonstrating typical characteristics of Vietnam insurance industry and superiority of the regime.

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Policies, laws and legal documents have been promulgated to set up mission and goals in developing social insurance and health insurance. In 2012, the Politbureau issued Resolution No. 21-NQ/TW on strengthening Communist Party leadership on social and health insurance in the period 2012 - 2020. The authorities have proposed projects “Implementation of covering the whole nation health insurance in the period 2012-2020” and “Developing healthcare in the coastal region and islands to 2020”, aiming at increasing proportion of people having health insurance and ensuring an equal, efficient, qualified and sustainable health insurance; issuing accounting social insurance regulations, principles of social insurance coordination with Vietnam General Confederation of Labor, the Department of Crime Prevention and 11 ministries to implement social insurance and health insurance policies. So far, Vietnam has issued more than 222 documents steering and directing implementation of social insurance, health insurance policies. Together with policies for social support on education, vocational training, job creation, culture - society welfare entitlement and other rights, the social insurance and health insurance have been the backbone of GSS in Vietnam, ensuring the right to live in safe, healthy and friendly environment, reducing disparities of living standards, development opportunities among different social groups.

2. Achievements

In fact, the implementation of policies on wages, social insurance, health insurance, unemployment insurance (UI) and the

implementation of labor laws have been carrying out consistently better. The National Salary Council was established. The minimum wage and classification of the national poverty threshold, the percentage of people participating and receiving social insurance, health insurance, unemployment insurance, full paid for sick and maternity, benefits and employees life quality have constantly been raised, while personal income tax and corporate income tax, unemployment rates have significantly been reduced.

The employees' benefits have continuously been increasing (5 times from January 2007 to January 2014) to increase the monthly premium of social insurance, health insurance and unemployment insurance from 23% to 32.5%, and employer contribution increased from 17% to 22% of the total salary and wages specified in the employment contract. The minimum wage has been adjusted in accordance with minimum living standards, contributing to reduce the difficulties and improve employees' lives. Salary mechanism in the enterprise sector associated with labor productivity and business efficiency.

Along with economic development and international integration, there have been more expanded and diversified types of insurance for people. The participants of social insurance and health insurance have been increasing year after year with more ranges. The policy schemes, pensions, allowances for participants of social insurance, health insurance are done promptly, fully and safely with regulations. Procedures are increasingly improved because the Vietnam Social Insurance has been conducting a review

control and reducing administrative procedures from 263 to 111; trading under the "one stop service" mechanism and apply management system of work quality under ISO 9001: 2008, piloted transactions on the Internet in 36 provinces and cities' social insurance branches, creating maximum convenience for residents and businesses when dealing with Vietnam Social Insurance Agency.

Especially, institutional reform of social security and health insurance management was strongly boosted in late 2014. The Law of Social Insurance was amended and passed in November 2014 and will take into effect from January 1, 2016, it extends fairer benefits for SI participants, applies "pay-receive" principles in social insurance to gain unity and shares in the community, ensures employees can solve risks of illness, occupational accidents, professional diseases, unemployment and ageing. It empowers more to insurance collection and management agency, including the right to specifically inspect social insurance contributions, health insurance and unemployment insurance, with more severe sanctions to deal with deliberately committed businesses.

On October 10th, 2014, Decision 1018/QĐ-BHXH removed registered forms and requests of both employers and employees in management revenue and expenditure of SI, HI and eliminated several unnecessary criteria in registration form to participate and receive social insurance, health insurance to reduce businesses time dealing with Vietnam Social Insurance Agency (VSIA). On November 10, 2014, the Party Commission of Vietnam Social Insurance issued Official

Letter No. 84-CV/BCS required local social insurance agencies seriously, aggressively, effectively implement the Resolution No. 19/NQ-CP, Direction No. 24/CT-TTg and Decision 1018/QĐ-BHXH. It also requires more responsibly, timely and fully solves SI and HI policy. Besides, it enforces inspection of the duty performance and critically deals with red tape and corruption. Thanks to these efforts, the yearly time businesses have to deal with social insurance to pay SI premium reduced to 108 hours by the end of 2014.

On December 18th, 2014, Vietnam Social Insurance implemented internet registration for social insurance, health insurance. In the coming time, Vietnam Social Insurance will register and implement digital signatures for all responsible personnel, and submit the Prime Minister proposals of electronic transaction regulations. On December 27, 2014, Vietnam Social Insurance and General Department of Taxation signed Regulations of coordination; they aim to issue identical business codes in the business, tax and social insurance registration in 2015. Businesses just need to register with one agency to use with two offices, thereby saving their time and transaction costs.

According to Vietnam Social Insurance, up to December 31st 2013, the number of social insurance, health insurance was over 62.3 million, increased 3% compared to the same period in the previous year. Compulsory social insurance and health insurance participants were more than 10.6 million, increased 1.9% (8.5 million people participated unemployment insurance); 51.5 million people only had

health insurance (increased 3.2%) and voluntary social insurance was 170,600, an increase of 22.2% compared to 2012). Revenue from SI, HI was over 159,171 billion VND (consisting of 111,000 billion VND compulsory social insurance, 532.5 billion VND voluntary social insurance, 47,500 billion VND health insurance), reached 108.2% of the plan. Total costs of social insurance, health insurance was more than 172,700 billion VND, in which 48,000 billion VND from the health insurance fund was paid for 125 million treatments, 80.3 billion VND from voluntary social insurance fund was for over 6,000 people and 82,700 billion VND was spending from compulsory social insurance fund for nearly 7.9 million people on pensions, death allowances, occupational accidents - professional diseases, maternity leave and unemployment insurance. In the first 9 months of 2014, the unemployment rate was 2.12% and over 67% of the population had health insurance. Health insurance agencies also paid many high-tech services, large medical expenses for employees.

In 2012, there were 432,356 people received unemployed allowance every month and over 121 million medical insurance, an increase of 2.6 million compared to 2011. In the period 2011-2012, the State freely granted 22, 303 billion health insurance cards to support 29 million poor people, ethnic minorities, children under 6 year old and supported 70% health insurance card for nearly-poor people (health insurance premium continuously increased, from 50,000VND/ person/ year in 2002; 60,000VND/ person / year in 2005; 80,000/ person / year VND in 2007; 130,000 VND/ person / year

in 2008 and currently, by 3% minimum wage). All localities have implemented health insurance card for children under 6 year old, with the highest provincial health insurance cover is 98%. More than 90% under 1 year old children were fully immunized. The "Bright eyes for the elderly" program in period of 2012- 2015 has been implemented since the second quarter of 2012. From April 2012 to August 31st 2013, 61/63 provinces and cities nationwide organized examination, consultation of eye disease, dispensing free medicine for 1.5 / 4 million elderly people, especially those in poor districts and remote areas.

By December 2014, there were about 64.7 million social insurance and health insurance participants, increased 3.7% compared to the same period of 2013. Those consisted of 11.5 million compulsory social insurance, 9 million unemployment insurance, 200,000 voluntary social insurance and 64.5 million health insurance participants. The whole industry collected 195,300 billion VND of social insurance, health insurance, and unemployment insurance, equal to 101% of the plan. VSIA resolved 8,054,435 cases receiving social insurance, increased 481,552 (6.4%) compared to 2013. Those were 118,091 persons entitled to monthly social insurance, 642,239 people granted one-time package premium, 722,523 people of UI benefits, 6,571,582 people entitled to sickness, maternity, health care and post hospitalization. VSIA paid 138,962,579 cases of medical insurance, 8.3% up from 101,687,280 people compared with 2013.

At the Summit "A call to action for the survival of children" in the United States in

2012, the United Nations and other international organizations evaluated Vietnam as one of 8 countries to have achieved the progress of the Millennium Development Goals (MDG 4) in reducing child mortality, one of 9 countries progressed in the MDG5 of reducing maternal mortality; Vietnam ranked 27/101 developing countries for capacity of poverty alleviation, above Indonesia, Malaysia, Philippines, Thailand, etc.

In 2012, the proportion of underweight malnutrition in children under 5 years was 16.2% (as the target of 2015); the mortality rate of children under 5 years was 23.2‰ (target in 2015 is 19.3‰); the mortality rate of children under 1 year was 15.4‰ (target in 2015 is 14.8‰). The gap of mortality rate among children under 5 year old between rural and urban areas has dropped to 14.3‰ compared to 20.3‰ in 2001.

3. Limitations

Guaranteeing social security is a long term, complicated and variable mission therefore it may contain inevitable limitations. Quality of protection and health care has not fully met people's demands, especially the poor, remote area and ethnic minority communities; proportion of malnourished children remains high and reduces slowly. Food safety has not been strictly controlled. The proportion of social insurance and health insurance participants are low, accounting for 20% of the labor force in 2011. Compulsory insurance covers 70% employees, while voluntary social insurance attracts 0.22% of eligible employees to participate.

The safety and effectiveness of managing health insurance fund are alarming. The difference of social security between the

mountainous/ethnic minority communities with the whole country is large and lacks pace with the socialist-oriented market economy development. Some poverty reduction policies are heavily subsidized, some try to remain labeled poverty for more benefits, other may be forced to label "not poor" by local subjectively imposed target, therefore perverted social values. The coordination, integration and control programs are not smoothly run, resulting in resources being stretched, duplicated, abused, and inefficient such as granting duplication tens of thousands of health insurance cards for the poor. There have been professional and ethical gaps in education, health and charity that are slowly handled. The gap of income and pensions is becoming bigger among different classes and regions. Unofficial employees often have to endure unstable income because of employment market fluctuations.

The phenomenon that enterprises owe employees wages, do not pay social insurance and health insurance is quite common. There has been an increasing trend from 2008 that enterprises owed or intentionally misappropriated employees' social insurance and health insurance premiums. As of November 30th 2014, enterprises' social insurance and health insurance debts was 11,114 billion VND, an increase of 455 billion VND compared to 2013. There were enterprises paying insurance premium late, which significantly affected employees' benefits.

4. Development Orientation

In the future, social insurance has to improve policies, laws and management mechanisms of social insurance fund,

encourage farmers and workers in unofficial sectors join voluntary social insurance. Regulations should require employers pay social insurance for employees, so that by 2020 there will be about 50% of the labor force having social insurance, 35% having unemployment insurance. By 2020, there should be approximately 2.5 million people entitled to social assistance, in which over 30% are elderly. There should be a guarantee of minimum education, health and house directed at the poor.

Prestige and overall effectiveness of social and health insurance in the future depends on state management dealing with gaps and overlap, officials' qualifications and professional ethics, the diversity and the real quality of social and health insurance services in communities.

In reality, dealing with the multi-faceted challenges of ensuring human rights and harmony of businesses interests is not an easy process. It requires attention, regular and closely coordination between related parties in compliance with national and international laws, especially the Convention on Human Rights of the United Nations. Vietnam has regularly updated, shared experience and lessons, as well as exchanged and dialogued with other countries, international organizations and non-government organizations to increasingly improve people's right in general, human rights in business in particular, contribute to the protection and promotion of human rights worldwide.

These results and targets are Vietnam undeniable efforts. That was the evidence refuted the slander, blatant fabrications and

distortions of ethnic discrimination and poor neglected phenomenon, especially in rural and mountainous areas.

5. Conclusion

Overall, Vietnam has been trying to do all for better social and health insurance in particular, social security in general. Hopefully, the quality and safety of social and health insurance will be improved to meet the needs of society and the legitimate rights of employees, as well as contribute to the sustainable development of the country, ensure the implementation of human rights in general, and social rights of the people in particular.

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