Viet Nam: profit and loss in health care

John Chalker

The decline of Viet Nam’s once highly effective commune health stations has resulted in the over-prescription of drugs and the danger of lower public health standards. It must be recognized that private and public activities form part of the same health system, and need firm supervision if it is to flourish.

Viet Nam has been in a constant state of change in recent years. Before 1989, the health delivery system formed part of the subsidized state sector. The infrastructure was remarkable, with health stations in most communes staffed by qualified paramedics; this contributed to Viet Nam’s great successes in reducing infant mortality and increasing life expectancy to levels found in wealthier countries.

In the late 1980s, however, as assistance from the USSR declined and inflation rates soared, tremendous shortages started to appear. This meant that in real terms the money to support the health sector was halved. The inefficient use of resources typified by over-staffing became unsustainable. Salaries and morale fell to very low levels. In 1989, private practice and the private selling of drugs were legalized. At the same time, patients were asked to pay for treatment at public facilities.

From 1990 to 1992 there was still a great shortage of medicines. They became a favourite item for overseas Vietnamese to send back to their families. This led to a great increase in private practice, and most people now go to private – often unlicensed – drug sellers rather than to commune health stations.

The Vietnamese administrative structure has four levels: central, provincial, district, and commune. The average population of a commune is perhaps 5000. In early 1994, commune health workers were earning about US$ 7 a month, so most of them had to find other sources of income to survive. For some this meant farming and for others it meant private practice. Most of the private practice is carried out by public employees, and in both the public and private sectors most of the earnings come from profit on drugs. Public interest in the commune health station declined. The state of repair, the quality of equipment, the capability of the staff and the attendance by patients all suffered.

Over-prescribing

At the same time the number of drugs in the country increased dramatically, turning deficiency into excess in the lowland areas, while in more remote areas severe shortages still exist. In the lowland areas, the major problem has become one of quality control both of the drugs themselves and of the care provided. Where the main supplementary income was the profit from drug sales, there is a tremendous temptation to over-prescribe.

Most commune health stations have some money to buy drugs. This averages about US$ 25 in each commune health station and often comes as a loan from the Commune.

Dr. John Chalker is Manager of the Haiphong Health Financing Project which represents the UK-based Save the Children Fund at 218 Doi Can Street, Hanoi, Viet Nam.
People's Committee, which has to be repaid with monthly interest. The drug seller has to buy drugs nearly every day in order to maintain a supply, but this means that a small amount of money goes much further than in many other countries. In one district hospital, the staff had borrowed about $500 and were making 20% profit per month on it.

But what becomes of commune financing? Communes range from very poor to poor to quite rich. They all raise money through an agricultural tax, and the rate depends upon the quality of the land. However, most of this is passed to the district and provincial levels of government. Some communes have alternative ways of making income if they operate a ferry, specialize in a craft, grow cash crops or are near a main road. But the real money comes from the private ownership of land. Communes with desirable land can sell the right to buy the land, and can generate substantial incomes which can be used to rebuild, redecorate or re-equip the commune health stations. Poor communes have no such advantage.

There have been several attempts by communes and aid agencies to revive the commune health stations. The great asset that they represent to public health is being recognized again and the need for public investment in the health sector is also frequently expressed. As a sign of this, the government has recently upgraded the commune health worker and doubled their salaries. A few public or private insurance schemes have been started as a way of generating funds, but where the benefit from those funds goes and what the interest of the general population is remain to be seen.

**Donation of drugs**

In several districts, the aid agencies in collaboration with the ministry of health have rebuilt and re-equipped the commune health stations. They have donated a quantity of drugs which can be sold by the staff to make a profit and to buy more drugs. So far this has not been coupled with improved standards of prescribing and effective supervision, or the rationalization of buildings and staff to economically sustainable levels. In one district where a large fund of drugs had been donated, patients were receiving seven or eight drugs each for any minor complaint.

In one instance, an aid agency is helping communes to invest in simple businesses where the profits can be used to pay health workers and upgrade the health stations. This is an exciting idea but it remains to be seen whether such a system is applicable more widely. In another place, the People’s Committee has given agricultural land to the commune health worker close to the health station, guaranteeing that the health worker will always be available.

All these are ways to breathe some life into a failing system. On the other hand, the fact that most health workers are wearing two hats, as government worker and as private practitioner, needs looking at more closely. In both roles, salaries or consultation charges are very low and most of the profit comes from drug sales. Therefore the only real effect of the public/private split is to reduce interest in the commune health station. Until it is openly recognized that the private and public activities all form part of the same public health system operated by the same people, and that both need effective supervision of the quality of care, the commune health station is unlikely to flourish.