CORRUPTION IN THE HEALTH SECTOR IN VIETNAM

QUERY
Without limiting the analysis to the visible part, (the “envelopes” culture), which are the main areas of corruption in the health sector and its impact on the efficiency of the sector? What are the main causes for this? A number of measures have been taken by the government to address corruption, are they sufficient to address corruption, in particular in the health sector? Would any additional measures specific to the sector be required?

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SUMMARY
In Vietnam, corruption in the health sector is considered a serious problem by both the government and citizens at large. The country’s health system is particularly susceptible to corruption due to uncertainty, asymmetry of information between health officials and patients, and conflicts of interest between health officials and private companies.

Corruption manifests itself in many forms: it can involve political influence in defining health and drug policy; bribery to influence procurement processes for construction of health facilities or purchase of equipment/supplies and pharmaceuticals; fraudulent billing for services provided; and over-provision of services; selling and buying positions; absenteeism; and informal payments, among others. It has serious consequences in terms of access, quality, equity and effectiveness of health care services.

The government has designed a series of reforms directly aimed at improving the country’s health governance framework. While assessments of the impact of these reforms are still lacking, the government, experts and civil society organisations have acknowledged that more needs to be done in order to reduce corruption and improve health delivery in the country, including improvements in internal and external controls, simplification of administrative rules, establishment of conflicts of interest law, and engagement of citizens.

CAVEAT
There are very few assessments with regards to the efforts of the government in combating corruption in the health sector in Vietnam.
1 CORRUPTION IN THE HEALTH SECTOR IN VIETNAM: FORMS, IMPACT AND CAUSES

Overview

The extent, forms and impact of corruption in the health sector depend to a great extent on the health system’s governance structure adopted by the country. The number of actors involved, the complexity of health systems, and the imbalance of information between officials and patients that prevails in the sector make it harder to both understand corruption risks and fight them (Transparency International Global Corruption Report 2006).

In Vietnam, the government is responsible for operating and managing health care delivery as well as setting regulations with regards to drug management, financing, purchasing and oversight. Since Vietnam’s transition from a socialist economy to a market-based economy, free access to health care, including medicines, has been gradually replaced by a system of direct payment by patients (Nguyen 2011). Against this backdrop, the health system has been increasingly “socialised” and the official and unofficial financial burden has been shifted to the population (World Bank 2012).

Institutional constraints and the relatively recent decentralisation process which has not been accompanied by strong accountability mechanisms have brought several challenges to managing corruption in the sector. For instance, currently, the Ministry of Health is the government body responsible for the state management of health care as well as for the management of 32 national hospitals. However, responsibility for health delivery also falls under provinces (there are 63 provincial health bureaux), districts (responsible for preventive care) and communes (responsible for provision of basic health care), and since 1989, the number of private health clinics has been expanding rapidly (65,000 in 2004), posing a great coordination and oversight challenge to the government who is still responsible for providing public health insurance for more than 65 per cent of the population (Nguyen 2011).

Therefore, corruption in the health sector in Vietnam is considered a serious problem by both the government and citizens at large. In spite of the government’s recent efforts, corruption is still perceived as significant by 85 per cent of citizens using central health services (VHLSS 2008). Similarly, according to the Global Corruption Barometer 2010, 29 per cent of urban citizens who had been in contact with health officials in the past year reported paying a bribe.

Causes

Health systems are particularly susceptible to corruption because, in general, uncertainty, asymmetry of information and the large number of actors involved hamper transparency and accountability, creating systematic opportunities for corruption.

In the case of Vietnam, there are many issues, ranging from the country’s legal framework to deficient access to information, a general lack of government accountability and a lack of appropriate oversight, which offers both opportunities and incentives for corruption in the sector.

The decentralisation or devolution of the health sector to service delivery units in Vietnam has brought new challenges with regard to corruption that still need to be addressed. For instance, the increasing financial autonomy given to health facilities in 2002 encourages rent-seeking behaviour among health officials, particularly because accountability mechanisms are yet to be established (Lieberman et al. 2005).

As part of the devolution process, the Decree No. 10/2002/ND-CP of 16 January 2002 transformed state-owned agencies, including health facilities, into self-financed bodies. Responsibilities over human resources management and relationships with private companies and service providers (for example, private medical equipment and diagnostic companies) were also transferred to those entities. Consequently, these facilities receive more income if they have more patients. They are also able to increase their income by receiving a commission from private companies to which they “outsource” exams, which encourages officials to over-treat patients and ask for more exams than necessary. Against this backdrop, internal and external oversight at the local level is not fully developed (Transparency...
Decentralisation combined with a lack of transparency and accountability and weak enforcement mechanisms has also offered challenges to the standardisation and monitoring of both service delivery and procurement processes. The lack of an effective regulatory framework has also contributed to corruption in the licensing and accreditation of health workers (Transparency International and Embassy of Sweden et al. 2009).

Moreover, information is not shared equally among the different actors in the health sector (information asymmetry). Patients usually do not have the necessary knowledge to question doctors about the treatment prescribed. This combined with low ethical standards and conflicts of interest can lead to diagnostics which are based on the doctor’s own private interests rather than on the patients’ real health conditions (including over-treatment, drug abuse and fraud in reimbursements, among others). In addition to that, according to doctors interviewed by Nguyen (2011), sanctions for misconduct in public hospitals are not strict enough to deter inappropriate behaviour.

Another cause relates to the low salaries received by health providers, which creates incentives for demanding informal payments and kickbacks. This is exacerbated by the fact that controls are weak and the probability of being detected and penalised is very low (Towards Transparency et al. 2011). Moreover, the fact that patients have little knowledge about their rights and that many times such payments are seen as a voluntary contribution by patients also have an impact.

Forms of corruption

Corruption in the health sector manifests itself in different forms. This answer analyses the risks of corruption in different areas, including regulation, resources management, procurement, drug management, human resources management and service delivery:

**Regulation**

- Political influence or bribery in the definition of health policy, benefit packages, drug policy, and accreditation systems for health professionals. Interest groups, private entities and high-ranking officials connected to the ruling party may be able to exercise undue influence on important policy decisions (Vian et al. 2012). For instance, pharmaceutical companies often have to lobby the Ministry of Health through illegal payments to include certain active substances of a medicine on the public health insurance reimbursement list (Nguyen 2011).

**Resources management**

- Fraudulent billing for services provided and over-provision of services. The government’s health insurance mechanism, which is managed by the Vietnamese social security system, reimburses based on the numbers/type of services provided to patients, which creates incentives for providers to over-use services and provide for unnecessary treatment to obtain more reimbursements.

The media in Vietnam has been very active in denouncing corruption in the health sector, and insurance fraud appears among the most frequent corruption issue reported (Acuna-Alfaro 2009). For instance, with regard to fraudulent billing, investigations have shown that just in one hospital alone more than 1,500 fake claims for reimbursement totalling approximately 10 billion dong (US$553,400) have been made. Insurance fraud has also led to the excessive use of diagnostic procedures to increase reimbursement as well as referrals to private health practices for personal gains (Transparency International and Embassy of Sweden et al. 2009).

**Procurement**

- Bribery to influence procurement processes in the construction of health facilities or purchase of equipment and supplies as well as to influence the monitoring and inspection of facilities is one of the corruption problems often encountered in Vietnam. In addition, collusion among contractors and conflicts of interest often arise due to weak bidding procedures.

**Drug management**

- Bribes or influence in the procurement of drugs is problematic in the country. Bribery
or collusion may be used to influence the specifications of bids and the tender process as well as to influence the award decision. According to pharmaceutical companies interviewed by Nguyen et al. (2011), the lack of transparency in the implementation of tender regulations opens space for corruption to flourish. According to them, pharmaceutical companies bribe the tender committees to receive confidential information about the bids and then adapt their prices accordingly in order to win it.

- Collusion between doctors and patients who do not need health treatment but get prescriptions to further sell medicine in the market.

**Human resources management**

- Selling and buying positions and promotions as well as favouritism and nepotism in selecting officials is also a common problem in the health sector in Vietnam (Transparency International and Embassy of Sweden et al. 2009).

- Corruption in the accreditation of health professionals: bribes in the licensing, accreditation and certification of health sector professionals are also problematic and relatively common practice. There are no clear procedures to issue these certifications and no independent specialised authority responsible for the process (Vian et al. 2012).

- Absenteeism, use of public facilities and supplies to treat patients privately, and use of public time for private practice. Many health workers are absent without previous consent but still receive their salaries. There are also reported cases of doctors working in private clinics during the period s/he should be working in public hospitals. There is evidence of health officials who are in the payroll but who no longer work in health facilities or clinics – so-called ghost workers (Transparency International and Embassy of Sweden et al. 2009; Vian et al. 2012).

**Service delivery**

- Informal (envelope) payments required from patients: these payments are the most known form of corruption in the health sector in the country. A study conducted with patients and health officials shows that the forms and values of these informal payments vary by region and the type of health treatment required (Towards Transparency et al. 2011).

**Impact of corruption**

Corruption in the health sector in Vietnam has a severe impact on access, quality, equity and effectiveness of health care services.

While Vietnam spends a rather high percentage of its GDP on health (6.9 per cent in 2010, compared to 3.6 per cent in the Philippines, for example), limited results in terms of accessibility and equity of health services have been achieved. The majority of health expenditures are still out of the pocket payments by patients (Vian et al. 2012; World Bank data 2012). This places a high burden on households, particularly on the poorest ones. According to the World Bank, the poor spend a higher percentage of income on health compared to less poor households.

Moreover, conflicts of interest and kickback payments by pharmaceutical companies combined with weak oversight have allowed doctors to over-treat patients. The media has reported several cases of abuse of medicines prescribed by doctors, in spite of the World Health Organization’s recommendations (Acuna-Alfaro 2009). Analysis conducted by the Ministry of Health shows that more than 40 per cent of patients received combined antibiotics, and 10 per cent of patients received 11 to 15 types of medicine (Vian et al. 2012). In fact, a significant part of hospitalisation costs – up to 60 per cent – are to cover medicine expenditures (Acuna-Alfaro 2009).

Corruption in procurement has also led to a significantly increase in the price of medicines. For instance, according to a study conducted between 2009 and 2010, health facilities procuring medicines have paid 8.3 times the international reference prices for brand drugs and 1.8 times for generic drugs. These inflated costs were reflected in the prices paid by patients, which reached 46.6 times the international reference prices for brand drugs and 11.4 times for generic medicines (Nguyen 2011).

In addition, informal or envelope payments have also contributed to a less equal health system, as those unable to make payments or those who give smaller amounts may not receive assistance in a timely
manner or receive the necessary and required care (Towards Transparency et al. 2011). Absenteeism and internal markets for positions and promotions hampers the possibility of hiring/retaining qualified personnel.

2 THE GOVERNMENT’S EFFORTS TO FIGHT CORRUPTION IN THE HEALTH SECTOR

Anti-corruption efforts

The government has demonstrated political will to fight corruption in the country. Important reforms have taken place in the last years that may also have an impact on combating corruption in the health sector, such as improvements to the corruption legal framework with the adoption of the Anti-Corruption Law in 2005 and the National Strategy on Anti-Corruption to 2020 – which constitute major steps forward. Other important reforms include the enactment of a new procurement law, as well as the establishment of anti-corruption agencies and the strengthening of the audit institution.

The 2005 Anti-Corruption Law, which was revised in 2007 and 2012, criminalises attempted corruption, passive and active bribery, extortion, bribing of foreign officials, abuse of office, and money laundering (Global Integrity Report 2009). According to a study conducted by the Embassy of Finland and CECODES (2008), Vietnam has the most wide-ranging anti-corruption law in terms of thematic scope in Asia.

With regard to procurement, progress has been made over the past years, particularly with the adoption in 2005 and its amendment in 2009 of the Law on Procurement (Law No. 61/2005/QH11) and several other directives. However, this set of legislation is considered fairly complex, which makes implementation as well as the understanding of the law difficult for both public officials and businesses (Transparency International USA, Towards Transparency and CIPE 2011).

The Central Steering Committee for Anti-Corruption, which was created by the Anti-Corruption Law and chaired by the prime minister, was recently moved directly under the Communist Party of Vietnam’s Politburo and headed by the party general secretary. It is mandated to guide, coordinate and oversee anti-corruption efforts across the country. The Office of the Central Steering Committee for Anti-Corruption (OSCAC) was created in 2007 and replaced by the Party Central Committee’s Commission for Internal Affairs beginning February 2012 in order to support the work of the committee.

The Government Inspectorate is a government ministerial-level agency that manages corruption inspections, complaints and settlements. It also serves as an Anti-Corruption Bureau that is responsible for the investigation of corruption, which fall under the authority of the government inspector general. Each ministry has its own “inspection” which reports to both the inspectorate and their own ministry's hierarchy.

The State Audit of Vietnam (SAV) is the supreme audit institution in the country. Donors are currently involved in several programmes aimed at strengthening the capacity of the SAV, and according to a World Bank study (Vietnam Development Report 2010), improvements in the qualitative dimension of audits are already being made, but there is no data available on fraud and corruption uncovered in the health sector. Nevertheless, the Global Integrity Report (2009) states that the institution is not fully independent and lacks proper funding and qualified personnel.

In addition, in partnership with the donor community, civil society organisations and other stakeholders, the government has been organising Anti-Corruption Dialogues since 2007. The dialogues offer opportunities for the participants to discuss corruption issues and solutions in different sectors. Previous dialogues have focused on the role of media and on corruption in the construction, health, education and land management sectors.

Efforts in the health sector

In addition to the general anti-corruption efforts described above, in the past years, the government has designed a series of reforms directly aimed at improving the country’s health governance framework. These include:

- Enhanced administrative oversight and inspections, such as requirements for asset disclosure for public officials and technical audits. Governmental Decrees No.
37/2007/ND-CP and No. 68/2011/ND-CP established the obligation of publicising all property and income declarations within agencies or units (Transparency International and Towards Transparency 2011). Control and oversight could be strengthened if the government would disclose this information to the public. Moreover, implementation of these reforms is hindered by bureaucratic fragmentation and lack of resources and technical capacity (Vian et al. 2012).

- Introduction of transparency and citizens’ complaints mechanisms. Complaint mechanisms have been established in the majority of hospitals. However, citizens have not yet systematically used the system either because they are not aware of their rights or because they do not believe that making a complaint would actually improve the situation. While whistleblowing protection is provided for in the 2005 Anti-Corruption Law and the 2011 Denunciation Law, there is a lack of practical and efficient measures to protect whistleblowers, and an independent body to receive and handle reports of whistleblowers does not exist.

- Introduction of patient feedback mechanism. In 2009, the Hanoi National Hospital for Pediatrics established a patient feedback system aimed at improving service delivery and to develop more understanding with regard to informal payments. The data collected through this feedback mechanism is now being used to set benchmarks (Vian et al. 2012).

- Administrative and structural reforms aimed at reducing the opportunities and incentives for corruption, such as simplification of procedures.

- Payment system reform. Based on research conducted by the Vietnamese Health Economics Association, standard costs for treatments were developed. The idea is to reduce the incentives for unnecessary diagnostic tests and ineffective treatments commonly provided to obtain more reimbursements. Using case-based standard reimbursement systems, hospitals will receive only the resources that are already pre-defined as necessary to treat a certain disease. The system is being piloted in two hospitals in Vietnam (Vian et al. 2012).

- Enactment of the Law on Examination and Treatment (LET) which aimed at strengthening the legal framework regulating health professions and patients’ rights. However, implementation of the law has not happened as planned: a medical council, which was supposed to regulate licensing and practitioners in an independent manner, was not adopted. The law also leaves room for interpretation and ambiguity with regard to licensing and accreditation procedures.

**Impact of reforms**

There is very little publicly available information on the outcomes of the government’s efforts against corruption so far. But the lack of implementation, weak enforcement of the laws and the lack of information regarding the work conducted by the anti-corruption agencies are seen as some of the greatest challenges in the fight against corruption in the country (Freedom House 2011; Global Integrity 2009; US Department of State Investment Climate Statement 2011).

In addition to the challenges related to implementation and enforcement of the initiatives mentioned above, according to the government, experts and civil society organisations, much more can still be done to address the different forms of corruption that have had an impact on health delivery in the country. Best practice demonstrates that there are many tools that could be used to reduce corruption opportunities.

**Best practice**

Primarily, tackling corruption in the health sector should be linked to broader governance reforms, such as public financial management and simplification of bureaucratic procedures as well as strengthening of independent/citizen oversight. Nonetheless, the literature has pointed to several initiatives that could be implemented within the scope of a broader reform to deal with specific types of corruption in the health sector. These include initiatives around awareness raising, prevention,
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- Awareness raising, including training on ethics and care delivery and information on patients’ rights (for example, citizen’s report cards or citizen’s charters).

- Prevention, including the adoption of sound administrative rules and procedures, conflicts of interest laws, codes of conduct for health officials, and access to information laws.

- Detection and sanction when corruption occurs, including systematic investigation of cases, establishment of administrative disciplinary measures and social sanctioning as well as criminal sanctioning. The existence of a strong internal and external oversight, audits, mechanism for handling complaints (for example, hotlines), whistleblower protection, and efficient monitoring of assets and income of health sector officials is also critical. In addition, particularly in a decentralised system like Vietnam, monitoring and oversight by civil society groups and the media plays a crucial role to ensure health is being delivered in an equal and fair manner and that public money is being spent efficiently.

The literature also highlights strategies to minimise specific corruption risks in the health sector (Hussmann 2010; U4 Anti-Corruption Resources Centre 2008; UNDP 2011). Some of these strategies include the following:

- Informal payments: strategies to combat informal payments need to be tailored to the country context, but they often involve the formalisation of user fees, meaning that informal payments are replaced by formal fees. These fees would then be used to improve service delivery as well as to complement salaries. This measure should be combined with an increase in health workers’ remuneration as well as an increase in transparency and accountability. Patients should have clear and easily accessible information about the official fee schedule and be able to report or make complaints (UNDP 2011).

- Absenteeism: strategies to combat absenteeism include financial incentives, career development opportunities, inspections (for example, onsite visits by inspectors or community monitoring) and peer supervision as well as appropriate administrative sanctions for workers who do not come to work without previous authorisation (Hussmann 2010).

- Corruption in appointments and promotion: strategies involve the adoption of more transparent recruitment policies and a clear promotion system. Clear criteria for the selection as well as the publication of educational background and main qualification of key officials can also help to increase transparency in human resources management (Hussmann 2010).

- Corruption in procurement: reforms to strengthen internal and external control systems and investment in information technologies (IT), such as IT databases to monitor prices of common medicines and other equipment, also make it easier to monitor and control purchases. The use of e-procurement may also help to improve efficiency and increase transparency.

- Drug management: strategies to reduce the opportunity for corruption in drug management should seek to increase transparency and accountability as well as reduce the discretionary power given to officials involved. Strategies may include the establishment of an independent drug regulation agency and investment in IT. Monitoring and effective enforcement of the law are also instrumental (Hussmann 2010; U4 Anti-Corruption Resources Centre 2008).

There are many tools developed by international organisations that have been successful in improving drug management, such as the World Health Organization’s (WHO) Good Governance for Medicine (GGM), which aims at enhancing transparency by creating clear administrative procedures for the purchase of medicines.
and promoting the ethical standards of health workers. Another initiative supported by the Department for International Development (DFID), WHO and the World Bank that seeks to increase transparency in drugs management is the Medicine for Transparency Alliance (MeTA). The initiative brings together different stakeholders and discloses information on the prices, quality, registration and availability of medicines.

Overall, a good understanding of the country’s context can help to prioritise reforms and invest in quick-wins that could improve health delivery. Involving citizens and the media in the decision-making process as well as in monitoring and assessing the quality of the service provided is instrumental, particularly in a decentralised system.

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