Emerging Opportunities - Beyond Hanoi and Ho Chi Minh City - in Vietnam’s Healthcare Landscape

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EXECUTIVE SUMMARY

Economic growth and demographic changes in the past are driving demands for healthcare services throughout Vietnam, not just in the two traditional economic centers of Hanoi and Ho Chi Minh City, but also—notably—in many second-tier cities and provinces.

Rapid growth in healthcare demand in second-tier cities and provinces is inevitably resulting in the development of the healthcare system. Public, provincial-level hospitals funded by the central and provincial governments are undergoing upgrades in their facilities, including new departments opening for specialty treatment. Such development creates new opportunities for medical devices and pharmaceutical in the provinces.

Limitations to the public healthcare system, especially in terms of their financial capacity, also open the door to private healthcare providers. Waves of patients from second-tier cities and provinces whose income levels are growing at a faster rate than Hanoi and Ho Chi Minh, will find private hospitals and clinics as healthy alternatives to the long wait lines and sharing beds in public hospitals.
Introduction
Overview of Vietnam’s public healthcare system
Trends in Vietnam’s healthcare system
Government policies and targets to improve healthcare across the country
Filling the healthcare gap: Opportunities for the private sector
Summary & conclusion
Vietnam’s major urban hospitals – such as Cho Ray and Bach Mai – are overcapacity, but the government is initiating a series of initiatives to boost the quality of healthcare services in the provinces, creating opportunities across the healthcare landscape.

Walking in Bach Mai Hospital in Hanoi or Cho Ray Hospital in Ho Chi Minh City, one can find people coming from all different provinces and regions of Vietnam: new industrial centers in the Red River Delta or the South East region, or the remote northwest mountains or Mekong Delta.

Bach Mai and Cho Ray hospitals are the two leading of many national-level hospitals at the top of Vietnam’s healthcare system that have become the preferred destinations for patients from the provinces. In recent years, the demand for healthcare services in the provinces has been outgrowing the provincial healthcare infrastructure. As a result, people from the provinces flock to the central hospitals, the vast majority of which are located in Hanoi and Ho Chi Minh City, overwhelming the resources of both the hospitals and the cities, as well as putting financial pressures on the patients and their families.

To address the pressures being put on these central hospitals, for the past few years, the government has implemented a series of measures to increase the level of quality of public healthcare in the provinces. Improvements are already evident and advances are visible but a gap persists, presenting an opportunity for private sector players. Companies from across the healthcare value chain—from private hospitals & clinics to medical device manufacturers and pharmaceutical companies—will find emerging opportunities outside of Vietnam’s traditional healthcare centers – Hanoi and Ho Chi Minh City.

Source: Vietnam Health Economics Association (VHEA)
Trends in Vietnam's healthcare system
Sustained high GDP growth in spite of recent economic difficulties has improved the living standard of many Vietnamese throughout the country.

Starting from a lower base, many cities and provinces are now growing at faster rates than Hanoi and Ho Chi Minh City, although the latter two still account for the majority of wealth with their combined contribution to the nation’s GDP at almost 30%.

Improving living standards in provinces and cities outside Hanoi and Ho Chi Minh City has translated into an increasing demand for high-quality health services in these regions.

Remote and disadvantaged regions, however, enjoying less growth from a low base, still require the central government’s assistance to narrow their gap with other cities and provinces.

Source: Vietnam General Statistics Office (GSO), International Monetary Fund (IMF)
Hanoi and HCMC will remain the largest and most important economic centers, but with a growing population, cities and provinces outside Hanoi and HCMC are also increasing in economic importance.

Fastest growth rates outside Hanoi and HCMC are observed in industrial and urban centers, including emerging cities in Hanoi and HCMC’s vicinity.

Improving living standards have also led to fast population growth rates even in remote and disadvantaged regions.

Source: GSO
Rising urbanization contributes to increase wealth, but can also have harmful effects

The fast-growing wealth of cities and provinces outside Hanoi and Ho Chi Minh City is drawing people from the countryside and accelerating the urbanization process even further.

While typically accompanied by rising wealth, rising urbanization can also have a downside, creating new health concerns that must be addressed:

- **Land pollution**: from household, agricultural, and industrial wastes
- **Air pollution**: CO, NOx pollution from factories and transport vehicles
- **Water pollution**: arsenic pollution in Red River Delta and Mekong River Delta; poisoned water sources by household, hospital, and industrial wastes
- **Food safety**: violation of food safety rules among some manufacturers and retailers
- **Lack of public space, housing, health and education facilities** due to lack of proper urban planning
- **Unsafe living and working environments**: injuries and accidents are common as employers ignored safety procedures

Source: GSO, World Health Organization (WHO), other secondary sources
Growth in urban population every year of total population lives in urban areas by 2020

Vietnam

+3.2%

Source: GSO, World Health Organization (WHO), other secondary sources
Though a youthful country at present, the aging of Vietnam’s population will add pressure to healthcare infrastructure and lead to increased investments to meet future needs.

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fertility rate</strong> (children per woman)</td>
<td>2.11</td>
<td>2.05</td>
</tr>
<tr>
<td><strong>Life expectancy</strong> (years)</td>
<td><strong>Male</strong>: 69.1</td>
<td><strong>Male</strong>: 70.4</td>
</tr>
<tr>
<td></td>
<td><strong>Female</strong>: 73.1</td>
<td><strong>Female</strong>: 75.8</td>
</tr>
</tbody>
</table>

Increasing wealth has contributed to lower fertility rates and longer life expectancy—two main reasons for the aging of Vietnam’s population.

Living longer, however, also means Vietnamese are now more likely to suffer the chronic diseases of old age, including cancer, hypertension and related cardiovascular diseases, diabetes, and Alzheimer’s disease.

The prevalence of chronic diseases are higher in Vietnam’s urban areas than in rural areas, as the harmful effects of a polluted urban environment makes people even more vulnerable to such diseases.

*Source: GSO, WHO, other secondary sources*
Vietnam’s population structure
2014 and 2024 comparison

Source: GSO, WHO, other secondary sources
Income growth and changing demographic characteristics have contributed to a fast reduction of infectious diseases, but at the same time making Vietnamese prone to chronic, non-communicable diseases.

This notable shift in health problems requires a comprehensive adaptation of Vietnam’s healthcare system, from the training of doctors to upgrading of hospital facilities to be capable of handling the specialized treatment of chronic diseases.

Hanoi, Ho Chi Minh City, and a few other cities with central hospitals already have such specialized departments, but it is crucial that similar facilities are eventually set up in other cities and provinces.

Source: Ministry of Health (MoH), WHO

The rise of chronic diseases will require a comprehensive improvement in the capabilities of the healthcare system
Number of deaths from non-communicable diseases in Vietnam (in thousand)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cardiovascular diseases</th>
<th>Cancers</th>
<th>Communicable maternal, perinatal, and nutritional conditions</th>
<th>Chronic respiratory diseases</th>
<th>Injuries</th>
<th>Diabetes</th>
<th>Other NCDs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>43</td>
<td>13</td>
<td>38</td>
<td>68</td>
<td>60</td>
<td>171</td>
<td>34</td>
</tr>
<tr>
<td>2014</td>
<td>68</td>
<td>16</td>
<td>52</td>
<td>83</td>
<td>94</td>
<td>172</td>
<td>38</td>
</tr>
</tbody>
</table>

Total = 428 +22% Total = 520

Causes of hospitalizations in Vietnam, 2010

- Noncommunicable diseases: 72%
- Infectious diseases: 20%
- Accidents, injuries, and poisoning: 9%

Source: Ministry of Health (MoH), WHO
Overview of Vietnam’s public healthcare system
In Vietnam's centralized public healthcare system, lower level facilities are meant to provide support to upper level hospitals

<table>
<thead>
<tr>
<th>Level of facility</th>
<th>Facility type</th>
<th>Number</th>
<th>Characteristics</th>
</tr>
</thead>
</table>
| National          | Special-class hospital | 4      | • Bach Mai Hospital, Military Hospital 108 (Hanoi), Hue Central Hospital (Thua Thien - Hue), and Cho Ray Hospital (HCMC)  
• Nation's best hospitals with state-of-the-art facilities and the most renowned health professionals  
• Top of the healthcare service chain, pioneering in new medical techniques and training |
|                   | Central hospital       | 53     | • Provides intensive specialization including oncology and endocrinology using modern technology  
• Endowed with the top doctors and health professionals who regularly participate in training and educational programs in the country and overseas |
| Provincial        | Provincial hospital    | 380    | • General or specialized hospitals, able to support central hospitals during different phases of treatment  
• Each province has at least one hospital at this level |
| District          | District hospital      | 620    | • Provides basic inpatient care and emergency services. Provides treatment of common diseases |
|                   | Regional polyclinic    | 636    | • Satellite facilities for district hospitals to reduce patient overload |
| Commune           | Commune health center  | 11,715 | • Provides the most basic care and delivers health education and awareness programs to the local population |

Source: MoH, GSO, WHO
A vast majority of the major hospitals are located in Hanoi and HCMC...

The centralized system: currently an imbalanced system

Five centers of public healthcare in Vietnam are (from North to South): Hanoi, Hue, Da Nang, Ho Chi Minh City, and Can Tho. The five cities, however, only have a combined population of 17.6M.

In particular, Hanoi and Ho Chi Minh City have 38 out of 43 central hospitals, but account for only 16% of the total population.

Each bubble represents one tier-1 hospital in a province, unless indicated otherwise

- Tier-1 hospitals include national hospitals and tier-1 hospitals of Vietnam’s five municipalities

Source: MoH, WHO
Inadequate bed capacities lead to the prevalence of bed-sharing for inpatient treatment in central and provincial hospitals which undermines the quality of treatment, especially during seasons of infectious disease outbreaks.

The lack or absence of modern technology limits the range of treatment provided by provincial hospitals to mostly common diseases. It also makes provincial hospitals unattractive to talented doctors who would be able to apply their skills, which further reduces the hospitals’ quality of service.

Source: MoH, secondary sources

In addition to low bed capacities, hospitals in the provinces are also underequipped with modern technology to carry out treatment. As of 2012, hospitals in the provinces are 50% short of the required number of Ultrasound, X-ray, and MRI machines.
...as well as high-skilled doctors and health professionals

Though the government is making a concerted effort to address skilled resources shortage in some outlying regions, the greatest proportion of doctors still exists in and around Hanoi and Ho Chi Minh City.

The professional skills and knowledge of doctors and other health professionals in the provinces and remote regions are also typically lower than that in larger cities, especially where central level hospitals are located, with few some healthcare professionals in the provinces attaining just a university education.
The centralized system continues to draw high-skilled doctors away from the provinces

The centralized healthcare system makes working at central hospitals and hospitals in big cities superior career opportunities than working in hospitals in the provinces.

- **University training**
  - 6-year foundational medical education
  - Rotation into different specialty departments

- **Inpatient programs**
  - Provided at big public hospitals*
  - Specialization I (equivalent of Master of Medicine)
  - Specialization II (equivalent of Doctorate of Medicine)

- **MD-PhD Education**
  - Provided at medical universities
  - Master of Medicine
  - Doctorate of Medicine

- **For inpatient programs**, the best doctors stay at the central hospitals where they are given training

- **For MD-PhD graduates**, they can get job offers from the central hospitals or hospitals in big cities where salaries are much higher than the provinces

- **Benefits of working central and big-city hospitals include**: high salaries, focus on specialty treatment, further training programs by the Ministry of Health or international organizations, prestige, etc

*only central and big provincial hospitals have adequate equipment and experienced doctors to provide training for new graduates

Source: MoH
“It is not the shortage of doctors in Vietnam overall, but the concentration of doctors in Hanoi and Ho Chi Minh City that makes the shortage of doctors in the provinces a severe issue.”

- Managing Director, at a private hospital in Vietnam
The current situation has led to over-capacity at central hospitals in Hanoi and Ho Chi Minh City

Contrasting pictures: overcapacity of Hanoi and Ho Chi Minh City hospitals and underutilization of hospitals in the provinces.

Hanoi and Ho Chi Minh City account for less than 20% of Vietnam’s population, but currently serve 60% of all patients in the countries.

Central hospitals in Hanoi and Ho Chi Minh City operate overcapacity regularly. Some have even operated at 200% or higher of its full capacity in busy times. Bed sharing is a prevalent phenomenon.

Hospitals in the provinces, especially district hospitals, are underutilized and operate at 60% of full capacity or lower.

Secular factors: income growth, population growth, urbanization, changing age structure

Shortage of high-skilled doctors and health professionals and modern technology in the provinces

Weakened perception of the quality of public healthcare services provided in the provinces

Patients flock to central hospitals for treatment of a range of illnesses

Source: MoH, VHEA
Vietnam's public insurance program requires patients to move through the system on a referral basis, giving patients an incentive to first visit their local hospitals.

However, at present, many still go directly to the major hospitals in Hanoi and Ho Chi Minh City.

With a coverage of 70% of Vietnam’s population, Vietnam’s public insurance scheme, however, requires that a patient obtains lower-level hospitals’ referrals in order to get treatment at higher-level hospitals (provincial or central hospitals). Otherwise, the patient is not entitled to a full reimbursement of treatment expenses.
For different reasons, many patients skip district and commune facilities to get treatment at provincial and central hospitals without referrals. This incurs significant costs to the patients:

- High treatment expenses
- Travel expenses
- Accommodation expenses for companions

<table>
<thead>
<tr>
<th>Facility level</th>
<th>Commune</th>
<th>District</th>
<th>Provincial</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reimbursement amount without hospital referral</td>
<td>100% of treatment expenses</td>
<td>70% of treatment expenses</td>
<td>60% of inpatient treatment expenses</td>
<td>40% of inpatient treatment expenses</td>
</tr>
</tbody>
</table>

Source: MoH, World Bank

Vietnam’s out-of-pocket expenditures (OPP), amount (SUS B) and share in total health expenditures (%)
Government policies and targets to improve healthcare across the country
Recognizing overcapacity at the major hospitals in Hanoi and Ho Chi Minh City, along with the need to advance the standards of care throughout the country, policymakers in Vietnam have embarked on a number of initiatives.

Vietnam’s hospital development strategy focuses on addressing the shortage of hospital facilities and equipment and health professionals in the provinces.

Focus

- Construction and expansion of hospitals in the provinces
- Upgrades of existing facilities and medical equipment of hospitals in the provinces
- Medical education and training

Objective

- Improvement of the quality of public hospitals and healthcare facilities in the provinces

Source: MoH, secondary sources
Large amounts of public funds have been allocated to upgrade hospitals in the provinces

Major national-scale hospital construction and upgrade projects approved by the central government:

<table>
<thead>
<tr>
<th>Project</th>
<th>Time frame</th>
<th>Project focus</th>
<th>Project cost</th>
</tr>
</thead>
</table>
| PM Decision 47          | 2008-2010 Extended to 2012-2016 | • Construction and upgrade of district hospitals and regional hospitals  
• Upgrade and purchase of medical equipment  
• Training for medical staff | Approximately US$1B  
Extended by US$300M by National Assembly Decree 65/2013 |
| PM Decision 930         | 2009-2013               | • Construction and upgrade of hospitals with specialization in tuberculosis, oncology, mental illness, and pediatrics  
• Construction and upgrade of general hospitals in disadvantaged regions | Approximately US$2B |
| PM Decision 125         | 2013-2016               | • Construction of 5 central-level hospitals in Hanoi’s neighboring provinces and HCMC suburbs    | Approximately US$1B |
| MoH Decision 774        | 2013-2020               | • Guidance of “satellite” hospitals by central-level hospitals to upgrade hospital facilities and improve medical techniques to support treatment of dangerous diseases | To be assessed by hospitals and provinces |

The most important focus of government-sponsored projects are district- and commune-level facilities and hospitals in remote and disadvantaged regions which are often perceived to have the poorest facilities.

The government also aims to install and strengthen specialized departments at provincial-level hospitals to reduce pressure on central hospitals.

Source: MoH, secondary sources
Rotational programs and collaboration between central and provincial hospitals have been implemented by the Ministry of Health to narrow the gap in the quality of health professionals.

### Ministry of Health Project 1816:

**Framework:** well-trained health professionals from upper-tier hospitals serve a rotation at a lower-tier hospitals to provide healthcare services as well as medical training for local medical training

**Time frame:** 2008-indefinite

- Doctors from upper-level hospitals transfer medical techniques to doctors at lower-level hospitals
- Exchange doctors provide high-quality healthcare services to people in disadvantaged regions

### “Satellite Hospital” Project:

**Framework:** 45 “satellite” provincial-level hospitals are matched with 14 “core” tier-1 hospitals with specializations in 05 medical fields: cancer, cardiovascular, external injuries, pediatrics, and obstetrics and gynecology

**Time frame:** 2013-2020

- Training of satellite hospitals’ medical staff in the 05 specialization fields to perform the diagnostics and recovery phases of treatment
- Application of telemedicine in all “core” and “satellite” hospitals
- A minimum reduction of 15% patients transferred from “satellite” to “core” hospitals for treatment; 100% rate of patients transferred from “core” to “satellite” hospitals for recovery stage

Source: MoH, secondary sources
The government has been giving hospitals more autonomy which has gradually reduced the degree of centralization in public healthcare.

The public healthcare sector is a beneficiary of the trend of enhanced autonomy for public and state-owned entities in Vietnam as the central government retreats from its directional and supervisory role. Government’s Decree 43/2006 grants, among public non-business units, public hospitals substantial organizational and financial autonomy.

The effect of the decree is hospitals’ increased role in the improvement of their own healthcare services through flexibility in organizational restructuring, investments in staff recruitment and training, and most importantly, financial flexibility—including setting treatment fees and choice of investments in new facilities and equipment.
Impact of Decree 43/2006 on Hospitals’ Financials in Vietnam

Financial changes at public hospitals, 2005-2008

<table>
<thead>
<tr>
<th>Hospital Level</th>
<th>Central hospital</th>
<th>Provincial hospital</th>
<th>District hospital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>200%</td>
<td>190%</td>
<td>150%</td>
</tr>
<tr>
<td>Government’s allocation</td>
<td>-60%</td>
<td>-23%</td>
<td>-23%</td>
</tr>
<tr>
<td>Revenue from hospital services</td>
<td>72%</td>
<td>82%</td>
<td>82%</td>
</tr>
<tr>
<td>Change in staff spending</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>90%</td>
<td>170%</td>
<td>80%</td>
</tr>
<tr>
<td>Staff salary</td>
<td>70%</td>
<td>200%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Provincial hospitals are the biggest winners, showing improvements in provincial healthcare are needed to fulfill the increasing demand from local residents.

The jump in staff salary and spending on staff (mostly training programs) shows that investments in health professionals are needed to improve the quality of services.

Hospital development is disproportionate between provincial and district hospitals. Thus, while more patients obtain treatment at provincial hospitals, district hospitals remain underutilized.

Source: MoH, Vietnam Health Strategy and Policy Institute (HSPI)
Achieving widespread progress will take time, but improvements are already visible

Positive results from government measures have been observed, yet many crucial issues still persist:

- The gap in quality between doctors at upper-tiers and doctors at lower-tiers as top graduates still opt to stay in the nation’s medical centers
- District hospitals and provincial hospitals in disadvantaged regions are still short of high-quality staff and modern technology
- Increased autonomy can make the situation at district and provincial hospitals in disadvantaged regions more difficult, as such hospitals lack a base capacity to raise their own revenues for investments in facilities and staff
- Economic headwinds have limited the space for fiscal spending

Overall, the gap between provincial hospitals, especially those in rural areas, and central and provincial hospitals of large cities remains the key cause of overcapacity and reduced healthcare quality at the top.

"The public health sector has limited abilities to cover all the needs of Vietnam's growing population, and the gap in healthcare services between the provinces and big cities is increasing."

— External Affairs Director, Global Healthcare Firm, Vietnam

Source: MoH, VHEA
Growing fast from a low base prior to the 2007-2009 crises, Vietnam’s public funding for health has slowed down considerably as a result of a slower economy.

Concerns about pressures on sovereign debt and recent struggles in the financial sector puts further constraints on government spending on the health sector.

District hospitals, which are mostly in rural areas, and hospitals in remote regions have more difficulties raising their own revenue and rely more on government funding for their upgrades.

Source: MoH, IMF
Meanwhile, traditional sources of public expenditures across the board are facing challenges to keep pace with growing demand.

Vietnam’s sources of public expenditures on health (%), 2013

<table>
<thead>
<tr>
<th>Source of Expenditure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign assistance</td>
<td>4%</td>
</tr>
<tr>
<td>Provincial government budget</td>
<td>40%</td>
</tr>
<tr>
<td>Central government budget</td>
<td>18%</td>
</tr>
<tr>
<td>State health insurance fund</td>
<td>38%</td>
</tr>
</tbody>
</table>

Mostly through the form of official development assistance, foreign assistance for health projects are declining as Vietnam reaches the middle-income status. Most projects are now focusing on remote and disadvantaged regions only.

Local governments sponsor many health projects in their provinces and contribute partial funding towards hospital development. However, a limited budget precludes significant upgrades for current facilities.

With relatively slower economic growth from a decade ago and conscious of public debt, the central government will need diversified funding of the country’s healthcare needs.

The fund has seen limited growth in its contribution towards the total health expenditures despite its increasing coverage. People’s perception that out-of-pocket payments get better treatment from doctors is one reason behind this lack of progress.

Source: WHO, Solidiance analysis
Filling the healthcare gap: opportunities for the private sector
Market opportunities for the private healthcare sector have been traditionally centered in Hanoi and Ho Chi Minh City, but emerging cities and provinces offer potential

<table>
<thead>
<tr>
<th>Category of city/province</th>
<th>Private healthcare services</th>
<th>Medical device</th>
<th>Pharmaceuticals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipalities and industrial centers</td>
<td>High income levels and large population create large customer base for private healthcare services. The presence of central hospitals and medical universities also allows for recruitment of the best doctors</td>
<td>Central hospitals, large provincial hospitals, and private hospitals clinics are a big customer pool to tap into</td>
<td>The vast majority of patients get medical treatment in these cities and provinces, creating huge demand for pharmaceutical products</td>
</tr>
<tr>
<td>Emerging urban centers</td>
<td>With lower income levels and total wealth compared to the top-tier cities and provinces, these urban centers however are growing fast and the inability of public healthcare facilities to keep up opens the door for private providers</td>
<td>Provincial hospitals in emerging cities are undergoing upgrades and expansions at smaller-scales than those in top-tier cities, but still present a sizable market opportunity</td>
<td>Pharmaceutical market is not modest in emerging cities, but dominated by cheap products and drugs for treatment of more common diseases</td>
</tr>
<tr>
<td>Provinces in rural and remote regions</td>
<td>The public health system is inadequate, in these areas, but the shortage of doctors and low income levels make high-quality private healthcare infeasible</td>
<td>Public hospitals in these regions typically require upgrading, but lack the necessary funding and often opt for cheaper brands of equipment</td>
<td>With low population density and income levels, pharmaceutical market is small</td>
</tr>
</tbody>
</table>

Source: Solidiance analysis
Current gaps in Vietnam’s public healthcare system create opportunities for private providers to get involved

Acknowledging its limitations in meeting the growing demand for healthcare services, Vietnam’s government aims to have private providers take on a more prominent role in the healthcare service market. The government aims for private hospitals to grow in both number and size to account for a minimum of 20% total bed capacity by 2020, though this number might be ambitious.

<table>
<thead>
<tr>
<th>Vietnam's hospital growth: Public vs Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of hospitals</td>
</tr>
<tr>
<td>2010: 1,008 hospitals</td>
</tr>
<tr>
<td>2013: 1,043 hospitals</td>
</tr>
<tr>
<td>2020: 1,260 hospitals</td>
</tr>
<tr>
<td>Number of beds (thousand)</td>
</tr>
<tr>
<td>2010: 176 thousand beds</td>
</tr>
<tr>
<td>2013: 195 thousand beds</td>
</tr>
<tr>
<td>2020: 225 thousand beds</td>
</tr>
</tbody>
</table>

Source: MoH, secondary sources
While private hospitals and clinics are primarily concentrated in Hanoi and Ho Chi Minh City, other urbanized areas are also receiving attention.

<table>
<thead>
<tr>
<th></th>
<th>Number of hospitals</th>
<th>Number of beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hanoi</td>
<td>29</td>
<td>1,290</td>
</tr>
<tr>
<td>Ho Chi Minh City</td>
<td>36</td>
<td>3,015</td>
</tr>
<tr>
<td>Thanh Hoa</td>
<td>6</td>
<td>608</td>
</tr>
<tr>
<td>Hue – Da Nang – Quang Nam</td>
<td>13</td>
<td>881</td>
</tr>
<tr>
<td>Binh Duong</td>
<td>8</td>
<td>467</td>
</tr>
<tr>
<td>Can Tho</td>
<td>4</td>
<td>333</td>
</tr>
<tr>
<td><strong>Country total</strong></td>
<td><strong>157</strong></td>
<td><strong>11,700</strong></td>
</tr>
</tbody>
</table>

Vietnam’s larger cities are substantially wealthier than the rest of the country, providing a good customer base for the operation of private healthcare facilities, especially large-scale hospitals.

Private healthcare facilities are often good alternatives to public hospitals in populated urban areas where there is overcapacity at public facilities or where it takes time to get to a high-quality public hospital (for instance, a central hospital is in a neighboring city or farther).
Undergoing upgrades and expansion, provincial hospitals have a growing appetite for medical equipment and device

Continuing growth of Vietnam’s medical device market in cities and provinces outside Hanoi and HCMC

Medical device demand is not limited to basic equipment, but also more advanced medical technologies used for specialty treatments.

Central and provincial hospitals are the more likely customers of modern device as they have more funding and staff capable of applying them for treatment than district hospitals, where demand is higher for more basic equipment and medical commodities.

Drivers and challenges of demand for medical device in the provinces

Drivers

• Government funding for hospitals in the provinces to carry out upgrades and expansion
• Increased hospital revenues, especially at the central and provincial levels, from patients’ fees which are then reinvested into new facilities and equipment
• Demand from private healthcare providers, which are fewer but more able to purchase expensive device

Challenges

• Slow development of specialized departments in provincial hospitals due to the shortage of doctors, meaning fewer purchase of specialty medical device
• High out-of-pocket payments in Vietnam’s health expenditures mean hospitals in less wealthy regions and provinces often opt for low-cost Chinese manufacturers
“Socialized models” make specialty medical device more affordable to provincial hospitals and increase their demand.

Hospitals no longer have to pay a large sum to own an expensive machine outright, but by fulfilling certain contractual terms, they are able to use the machine for treatment and other professional purposes. Not only hospitals in the provinces, but also hospitals in big cities, including central hospitals, are utilizing this method of purchase.
Socialized models

- **Profit-sharing model:** In exchange for a lower price for the machine, hospitals pay the distributor or manufacturer part of the profits from patient fees earned from the use of the machine for a negotiated period of time.

- **Monopoly of ingredient supply model:** Hospitals agree to buy all ingredients required for the use of a machine from the distributor or manufacturer in exchange for a lower price or free acquisition of the machine.

- **Partial ownership by hospital staff:** Hospital staff chip in money to purchase a machine in exchange for shared profits from the use of the machine.

Source: HSPI
A good distribution system provides a firm foundation for the growth of pharmaceutical markets outside Hanoi and HCMC

The pharmaceutical market in cities and provinces outside Hanoi and Ho Chi Minh City is supported by strong income growth and increasing health awareness. In the future, this market will experience even faster growth as more patients obtain treatment in their cities and provinces.

Drivers and challenges of demand for pharmaceuticals in the provinces

**Drivers**
- The development of specialty departments in provincial hospitals which will require a larger supply of pharmaceuticals for specialty treatment such as cardiovascular diseases, diabetes, cancers, etc within the provinces
- Vietnam’s pharmaceutical distribution network, even in remote and disadvantaged regions, are well-developed with a significant participation of private distributors

**Challenges**
- People in rural or less wealthy urban cities tend to prefer price over quality which gives cheap generic drugs, especially by Chinese manufacturers, a big competitive advantage
- Vietnam’s drug registration system can create time and cost inefficiencies for imports of foreign drugs
Summary & conclusion
Shifts in Vietnam's healthcare system are creating emerging opportunities for private healthcare companies across Vietnam, but it requires them to look beyond the traditional markets of Hanoi and Ho Chi Minh City.

Major demographic changes and fast income growth have affected a significant increase in demand for healthcare in provinces and cities outside the traditional markets of Hanoi and Ho Chi Minh City. However, in these cities and provinces, the development of public healthcare infrastructure—Vietnam’s main healthcare provider—has been lagging behind people’s demand.

The gap presented by the public system’s capacity shortage is therefore an opportunity for the private healthcare sector to serve the patients and contribute to high-quality healthcare services that an emerging Vietnam deserves.

**Macro trends**
- Rising incomes
- Regional migration trends
- Population dynamics

**Policy initiatives**
- Hospital infrastructure upgrades
- Skills training and rotational programs

**Market opportunities across the healthcare value chain**
- Private hospitals & clinics
- Medical devices & equipment
- Pharmaceuticals
Authors

Michael Sieburg | Associate Partner

Michael Sieburg is an Associate Partner for Solidiance’s Vietnam office. Based in Ho Chi Minh City for more than six years, yet working regionally, Michael has advised Fortune 500 companies on market growth strategies - including market entry, market penetration, distribution strategy and distributor prioritization, acquisition search, channel analysis and recommendations, competitor benchmarking, and investment feasibility studies - in Vietnam, Philippines, Indonesia, Malaysia, Singapore, Thailand, China, and Australia. Prior to joining Solidiance, Michael worked in New York City covering Southeast Asia as a macroeconomic / political risk analyst. He holds an M.A. from Columbia University.

Lorrento Dang | Analyst

Lorrento is an Analyst based in our Vietnam office. Prior to joining Solidiance, he worked at DE Capital Mortgage, an affiliate of Wells Fargo Home Mortgage, conducting due diligence on mortgage borrowers and creating a database of residential properties in New York. He also worked at Gerstein Fisher, a New York investment management firm, assisting with portfolio analyses and research on China and India’s financial markets. Lorrento holds a Bachelors degree in Economics and Philosophy from Columbia University in New York.

Hoang Nguyen | Consultant

Hoang is a Consultant based in our Vietnam office. His experience includes business analytics and planning for the fast-growing consumer businesses at Citibank where he performed customer segmentation, market share estimations and product offering analysis. Prior to that, he performed market research and served as a lead generator for Exact Software, a software company specialized in ERP solutions. He obtained a Bachelors degree in International Finance from the Foreign Trade University in Ho Chi Minh City.

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About Us

What We Do

Solidiance is a corporate strategy consulting firm with focus on Asia Pacific. We advise CEOs on make-or-break deals, define new business models and accelerate Asia growth. Through our 10 offices across Asia, we provide our clients with a better understanding of intrinsic regional issues. To learn more about how Solidiance has helped many Fortune 500 & Asian Conglomerates to succeed in Asia, please visit:


What We Are Focusing On

Our industry experience is centered on healthcare, industrial applications, chemicals, downstream oil, lubricants and the automotive industry. Our Asian market entry and growth strategy services provide the required insights and the necessary roadmap to capture a profitable market share in the region.

Additional Details

Solidiance has offices in China, India, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand, UAE and Vietnam. We are fast expanding and always on the lookout for exceptional people.
Our Offices

**China**
Suite 516, Fuxing Plaza, 109 Yan Dang Road
Shanghai 200020
Phone: +86 2153019980

**Indonesia**
Oleos I Building
6th FLoor - Unit 612
Jl. Mampang Prapatan Raya No. 139A, Jakarta 12950
Phone: +62 21 7918 0330

**Myanmar**
4th Floor, Shwe Gon Plaza
Kabar Aye Pagoda Road
Bahan Township, Yangon
Myanmar - 11201
Phone: +95 1 556076

**Singapore**
Suite 07-05
High Street Centre, 1 North Bridge Road
Singapore 179094
Phone: +65 31520301

**UAE**
Suite 402D - Dark Green Building, TwoFour54
Sheikh Zayed Road
Opposite Khalifa Park
Abu Dhabi, United Arab Emirates
PO Box 769338
Phone: +971 (0) 24 420 420

**India**
A-9, Third Avenue
Bandh Road
New Delhi
Phone: +91 9999988859

**Malaysia**
5th Floor, Menara Hap Seng, Jalan PRamlee
Kuala Lumpur 50250
Phone: +60 320221400

**Philippines**
Unit 2105, Tycoon Centre
Pearl Drive, Ortigas Centre
Pasig City, Metro Manila
Phone: +63 2531 8346

**Thailand**
Interchange Tower 21 #2109 - 21F
399 Sukhumvit Road
North Klongtoey, Wattana
Bangkok 10110
Phone: +66 26112664

**Vietnam**
Suite 704,
Satra Dong Khoi Building
58 Dong Khoi street
District 1, Ho Chi Minh City
Phone: +84 835218639

Website: [http://www.solidiance.com](http://www.solidiance.com)
Email: info@solidiance.com