

# Vietnam News Brief\*

An update on compulsory Health Insurance in Vietnam

29 September 2009

## NEW DECREE AND CIRCULAR ON HEALTH INSURANCE

Decree 62/2009/ND-CP ("Decree 62") dated 27 July 2009 and Circular 09/2009/TTLT-BYT-TC ("Circular 09") dated 14 August 2009 have been issued providing details for implementing the Law on Health Insurance ("HI").

The key points of Decree 62 and Circular 09 are as follows:

- ✓ Perhaps the most interesting and significant change arising from Decree 62 and Circular 09 is the extension of the scope of HI to include foreign employees.

The Law on HI issued in 2008 provides general statements to the effect that the HI provisions apply to foreign organizations and individuals. Decree 62 and Circular 09 clarify that foreign employees are subject to mandatory HI contributions in the same manner as Vietnamese employees.

Our informal discussions with various HI agencies throughout the country suggest that these new requirements are yet to be fully implemented and there are indications that further guidance will be provided soon.

Foreign employees are not subject to Social insurance or Unemployment insurance.

- ✓ Rates for HI contributions applicable to participants being employees are as follows:
  - From 1 July 2009 to 31 December 2009: 3%
  - From 1 January 2010: 4.5 %

2/3<sup>rd</sup> is contributed by the employer and 1/3<sup>rd</sup> by the employee.

Salary/wages subject to HI contribution is capped at 20 times the minimum salary stipulated for the administrative sector (i.e. currently is VND650,000 x 20).

- ✓ With the salary/wages subject to HI contributions being capped, the maximum monthly contributions (which would apply in the situation where an individual is paid net of all taxes and contributions) are less than US\$25 per person. Perhaps more troublesome for employers with respect to foreign employees is the additional administration that is required to comply with the HI requirements. Broadly speaking, the administrative requirements include:
  - Initial registration, including obtaining a new HI card;
  - Monthly payment of contributions;

This publication is intended for general guidance only and should not form the basis of specific decisions. Please contact us for further information and details of our services. In Ho Chi Minh City: contact David Fitzgerald, Richard Irwin, Jean Loi, Sira Intarakumthornchai (Tax), Phan Thi Thuy Duong (Legal), Kenji Murayama (Japanese Business), Ian Lydall (Audit), Steve Gaskill (Advisory) at phone (84-8) 38230796, fax (84-8) 38251947. In Ha Noi: contact Dinh Thi Quynh Van (Tax), Le Anh Tuan (Legal), Eisuke Kofugata (Japanese Business), Nguyen Phi Lan (Audit), at phone (84-4) 39462246, fax (84-4) 39460705.

- Submission of a report indicating any changes to an individuals registration;
  - HI card renewal on a periodic basis;
  - De-registration including return of the HI card on termination of employment.
- ✓ There are 3 levels of HI benefits - 100%, 95% and 80% of the expenses incurred - depending on certain criteria. In case of hi-tech treatment, the entitlement will be capped at 40 times the minimum salary stipulated for the administrative sector.

For any treatment not received from nominated medical facilities, benefits will be capped at 70%, 50% and 30% of the expenses incurred.

In case the expenses are initially paid fully by the participants - including overseas treatment, the expenses will be reimbursed but capped at the stipulated amounts.

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