

# Vietnam News Brief\*

*An update on compulsory Health Insurance in Vietnam*

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## NEW LAW ON HEALTH INSURANCE

A new Law on Health Insurance ("HI") was passed on 14 November 2008 by the Vietnam National Assembly and issued on 28 November 2008. This is the first time HI issues have been addressed at such a high level of authority by the government.

The new Law will take effect from 1 July 2009 but the scope of participants will be gradually widened to reach an 'all-people' compulsory HI regime in 2014. The implementing decree and circular are yet to be issued.

### **Contribution rates are increased but contributions are capped**

The new Law states that the contribution rates will be a maximum 6%, of which 2/3<sup>rd</sup> will be contributed by the employer and 1/3<sup>rd</sup> by the employees. The exact rates for 2009 are not yet defined.

The basis for calculating HI contributions will be the basic salary stated in the labour contract but capped at 20 times the respective region minimum salary.

### **Impact on employers**

It is unclear whether the HI contribution rates will be increased immediately from 1 July 2009 or there will be, similar to the SI Law, a schedule for rate changes in which the rates remain unchanged during the initial years. However, the newly regulated cap on the amount for calculating contributions will be effective on 1 July 2009 and may therefore generate savings for the employer and the employees, depending on the level of remuneration.

If there is an immediate increase of the contribution rate to 6%, employment costs are likely to rise.

### **Exemption from HI contributions**

A change from the current regulations is that during maternity leave, employees and their employer are not required to make HI contributions but the employees continue being entitled to HI benefits.

### **HI benefits**

The policy on HI benefits is based on the levels of disease, groups of participants and a principle of sharing misfortunes among the participants.

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 or Richard Irwin (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.

Currently, HI entitlements for treatment at the nominated medical facility are free to all participants. Under the new Law, there are 3 levels of HI benefit - 100%, 95% and 80% of the expenses. Participants may consequently have to pay an amount for health services, depending on certain criteria.

### An 'all-people' compulsory HI regime

Under the new Law, there are 25 groups of participants covering all Vietnamese nationals, in which 8 groups are new. The employees and employers who are subject to HI contributions are similar to current requirements. The notable new groups are as follows:

<b>Participant</b>	<b>Effective date</b>	<b>Method of contributions</b>
Individuals being entitled to Unemployment insurance allowance	1 July 2009	Funded by the Unemployment insurance regime
Students	1 January 2010	Partially supported by the government
Employees' household relatives whom the employee directly cares for	1 January 2014	By the employee
Individuals/households having business	1 January 2014	By the individual

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