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Healthcare Financing in Vietnam

Policy Brief

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Key messages

- **Vietnam's health reform commitments require a stronger financing base.** High insurance coverage coexists with substantial household payments, while population ageing, non-communicable diseases and expanded service commitments are increasing financing needs.
- **Prioritise increased government budget allocation to health as the main driver of fiscal space,** with a medium-term target of moving toward 12% of government expenditure by 2028. Contribution to Fiscal Gap (2030) = 0.41% of GDP
- **Use earmarked tobacco and alcohol tax revenues as a complementary financing source,** focusing first on prevention, grassroots care, and financial protection for vulnerable groups. These revenues can make a meaningful contribution to closing the fiscal gap while supporting broader public health objectives. Contribution to Fiscal Gap (2030) = 0.04% of GDP
- **Deploy lottery earmarking only as a supplementary funding mechanism, ideally through provincial budget allocations linked to clearly defined health priorities.** While politically feasible, its contribution to narrowing the fiscal gap is likely to be modest. Contribution to Fiscal Gap (2030) = 0.03% GDP (2% earmark); 0.07% GDP (5% earmark)
- **Implement SHI contribution increases gradually and cautiously, recognising the constraints imposed by high levels of self-employment and informal work.** SHI reforms can provide an important secondary source of financing but are unlikely to generate sufficient resources to close the fiscal gap independently. Contribution to Fiscal Gap (2030) = 0.19% GDP
- **Treat MEAs, PAPs, MSAs and supplementary health insurance as supporting tools** to improve affordability and access, not as substitutes for stronger pooled public financing.

The policy challenge: financing Vietnam's health priorities

Vietnam has achieved comparatively strong health outcomes relative to its income level. Life expectancy reached 76 years in 2024, while the universal health coverage service coverage index stood at 71 in 2023, above the South-east Asian average of 59¹. Social health insurance (SHI) covered approximately 95% of the population in 2025². Nevertheless, households continue to bear a substantial share of healthcare costs. In 2021, government financing schemes and SHI accounted for approximately 19% and 23% of current health expenditure respectively³, while out-of-pocket payments represented around 39%⁴.

Population ageing and the increasing burden of non-communicable diseases are placing additional pressure on the healthcare system. By 2030, almost 12% of the population is projected to be aged 65 or over, while non-communicable diseases accounted for approximately 81% of deaths in 2019⁵. These trends require greater investment in prevention and continuing care, although almost half of healthcare expenditure is currently directed towards inpatient curative care.

Building on Resolution 20-NQ/TW (2017), Resolution 72-NQ/TW (2025) establishes commitments to strengthen prevention, expand access to healthcare and improve financial protection. By 2030, the resolution aims to reduce out-of-pocket payments to 20–30% of current health expenditure and progressively waive hospital fees for services covered by the basic health insurance package. Other priorities include annual screening health examinations from 2026, strengthening grassroots healthcare, expanding digital health infrastructure and increasing immunisation coverage to 95%.

Meeting these commitments will require additional public resources. It has been suggested that governments should spend a minimum of 5% of their GDP on healthcare in order to

¹ World Health Organization (WHO). *How Much Should Countries Spend on Health?* 2003.

² Vietnam Social Security (VSS) representative. *Presentation at the National Symposium on Health Technology Assessment (HTA)*, 2026.

³ Ministry of Health. *Báo cáo NHA 20–21 [National Health Accounts report 2020–2021]*. 2024.

⁴ VietnamNet. *Vietnam to cut household healthcare costs with free annual check-ups*. 2025. Available at: <https://vietnamnet.vn/en/vietnam-to-cut-household-healthcare-costs-with-free-annual-check-ups-2419722.html>

⁵ OECD. *Does Healthcare Deliver? Results from the Patient-Reported Indicator Surveys (PaRIS)*. OECD Publishing; 2025. <https://doi.org/10.1787/c8af05a5-en>

successfully support Universal Health Coverage (UHC). With government health expenditure at approximately 2% of GDP in 2021, the estimated financing gap in Vietnam was around three percentage points of GDP, equivalent to VND 279 trillion. If expenditure remains at approximately 2% of GDP, the annual gap is projected to reach approximately VND 510 trillion by 2030.

Vietnam's comparatively low public debt and favourable economic outlook provide an opportunity to increase public investment in health. Mobilising additional resources, alongside improvements in how health funding is allocated and spent, will be essential to supporting national health priorities and strengthening financial protection.

Policy options for expanding fiscal space for health

Expanding fiscal space for health involves three complementary areas: mobilising public revenues, strengthening social health insurance (SHI) contributions and developing supplementary financing mechanisms. These approaches can proceed concurrently, with attention to their revenue potential, fiscal sustainability, feasibility and equity implications. Increasing government allocations offers the greatest potential among the options assessed, supported by SHI reform and earmarked revenues.

Mobilising public revenues by increasing government budget allocations

Increasing the share of government expenditure allocated to health provides the principal opportunity to expand public financing. The projections compare maintaining a 10% allocation – equivalent to VND 247 trillion in 2025, with two higher allocations: 12% and 13%. By 2030, allocating 12% of government expenditure to health could provide approximately VND 69 trillion more annually, equivalent to 0.41% of GDP. Allocating 13% could provide approximately VND 103 trillion more annually, equivalent to 0.61% of GDP. The two estimates represent separate policy options and should not be considered additive.

Under these potential scenarios, annual government health allocations would reach approximately VND 408 trillion and VND 441 trillion in 2030 with 12% and 13% government allocation respectively, compared with approximately VND 339 trillion under the 10% baseline. Higher allocations would provide greater capacity to support prevention, primary healthcare and financial protection. Effective implementation requires sustained political commitment and the prioritisation of health alongside other public expenditure needs such as education, defence and infrastructure. A medium-term recommendation is to move towards a 12% allocation by 2028.

Strengthening SHI contributions

Gradual adjustments to SHI contribution rates could provide additional pooled resources to support expanded benefits. The modelled pathway increases the contribution rate from 4.5% to 5.1% in 2027 and 5.4% in 2030. Annual SHI revenue is projected at approximately VND 160

trillion in 2025–2026, VND 181.3 trillion in 2027–2029 and VND 192 trillion in 2030. The projected annual increase in 2030 is therefore VND 32 trillion relative to the 2025 revenue baseline, equivalent to approximately 0.19% of GDP.

These projections isolate the effect of contribution rate changes and exclude wage growth, coverage expansion and demographic changes. The contribution rates are modelling assumptions, with exact rates subject to implementing legislation. Vietnam's large self-employed and informal workforce limits the potential to raise additional revenue through payroll contributions. Gradual implementation should therefore take account of household affordability and the implications for employers, with SHI reform providing a secondary source of financing within a broader package.

Supplementary financing mechanism

Earmarking tobacco and alcohol tax revenues

Tobacco and alcohol taxation, often referred to as special consumption taxes or 'sin taxes', can serve a dual purpose by generating additional public revenue while discouraging consumption of products that are harmful to health. Reforms introduced in June 2025 established a phased increase in excise rates on beer, wine, spirits, and tobacco products in Vietnam. If 85% of the additional revenue generated from these tax increases were earmarked for health, this could yield approximately VND 7.11 trillion in 2030, equivalent to around 0.04% of GDP. This scenario assumes that earmarking applies only to the incremental revenue generated each year relative to the previous year, rather than to total tobacco and alcohol tax revenues.

The proposed earmark is intended to supplement existing health spending, with potential priority areas including disease prevention, grassroots healthcare and financial protection for vulnerable groups. While the revenue contribution is more modest than that associated with increased government budget allocations or higher SHI contributions, tobacco and alcohol taxes offer the additional benefit of advancing public health objectives by reducing the consumption of harmful products.

Using lottery revenues as supplementary funding

Vietnam's Southern lottery revenues were estimated at approximately VND 155 trillion in 2025⁶. Assuming annual growth of 10%, revenues would reach approximately VND 249.7 trillion annually by 2030. Allocating 2% of this revenue to health could provide VND 3.41 trillion in 2026, increasing to VND 4.99 trillion in 2030, equivalent to approximately 0.03% of GDP. An alternative scenario of 5% allocation of annual lottery revenues would provide approximately VND 8.53 trillion in 2026 and VND 12.49 trillion in 2030.

Lottery earmarking could provide supplementary health funding without increasing tax or insurance contribution rates. Provincial budget allocations could link these resources to defined priorities, including subsidising SHI coverage for disadvantaged groups. Its contribution would remain complementary to government budget allocations and SHI financing.

Estimated additional annual health financing, 2026–2030 (VND trillion):

Financing option	2026	2027	2028	2029	2030
Allocate 12% of government expenditure to health ¹	53.5	56.2	58.6	63.7	68.9
Allocate 13% of government expenditure to health ¹	79.0	84.2	89.2	94.3	102.0
Increase SHI contribution rates ²	0.0	21.3	21.3	21.3	32.0
Earmark 85% of annual incremental tobacco and alcohol tax revenue ³	8.99	9.87	8.62	7.55	7.11
Earmark 2% of projected southern lottery revenue ⁴	3.41	3.75	4.13	4.54	4.99

¹ The figures presented represent the additional funding that could be made available to the health sector if the share of the government budget allocated to health were increased from 10% to either 12% or 13%. These scenarios are mutually exclusive and should be interpreted as alternative policy options. Consequently, the estimated additional funding associated with the 12% and 13% scenarios should not be combined.

² Additional revenue relative to the 2025 baseline, assuming a contribution rate of 4.5% in 2026, 5.1% in 2027–2029 and 5.4% in 2030.

³ The tobacco and alcohol tax estimates assume that 85% of the additional revenue collected each year compared with the previous year would be allocated to health.

⁴ The lottery estimates assume that 2% of total projected southern lottery revenue would be allocated to health each year.

⁶ *Tạp chí Tài chính Doanh nghiệp*. Doanh thu hơn 6 tỷ USD, xổ số miền Nam nộp ngân sách bao nhiêu? 2026. Available at: <https://taichinhdoanhnghiep.net.vn/doanh-thu-hon-6-ty-usd-xo-so-mien-nam-nop-ngan-sach-bao-nhieu-d64954.html>

Supporting mechanisms for sustainable health financing

Supplementary financing and access mechanisms can support financial protection and affordability alongside stronger pooled public financing, although their potential to generate additional fiscal space is limited.

Supplementary health insurance

Supplementary health insurance could extend coverage for selected services and reduce co-payments within SHI. Policy proposals discussed during 2024–2025 envisaged covering SHI co-payments, typically ranging from 5% to 20% of service costs, alongside selected services outside the publicly funded benefit package⁷. Such coverage could mobilise additional private resources and improve access and choice for participating households, although its contribution to closing the overall financing gap is expected to be limited.

Medical savings accounts

Medical savings accounts allow individuals to set aside funds for healthcare expenses. Their potential in Vietnam is constrained by irregular incomes, limited saving capacity and limited protection against high-cost illness⁸. They are therefore best considered a targeted or exploratory option, with a limited contribution to expanding fiscal space.

Managed entry agreements

Managed entry agreements between payers and manufacturers can support access to selected medicines while managing uncertainty about clinical effectiveness and budget impact. Financial agreements, including discounts, rebates and expenditure caps, can

⁷ Vietnam News. *Health ministry proposes supplementary health insurance package*. 2024. Available at: <https://vietnamnews.vn/society/1651835/health-ministry-proposes-supplementary-health-insurance-package.html>

⁸ Do, N., Oh, J., Lee, J.-S., 2014. Moving toward Universal Coverage of Health Insurance in Vietnam: Barriers, Facilitating Factors, and Lessons from Korea. *J. Korean Med. Sci.* 29, 919–925. <https://doi.org/10.3346/jkms.2014.29.7.919>

improve affordability and budget predictability. Performance-based agreements link payment or coverage to observed outcomes or additional evidence⁹.

Simpler financial agreements may be more feasible initially. Performance-based arrangements require stronger health technology assessment, patient data, contracting and monitoring capacity. These agreements can facilitate access, but extending reimbursement may increase spending, and complex arrangements create administrative burdens. They should therefore not be assumed to generate savings or substantial new revenue.

Patient assistance and support mechanisms

Manufacturer-supported patient assistance programmes have provided targeted access to medicines where treatment would otherwise be difficult to afford. By 2024, 19 active programmes in Vietnam had supported 10,652 patients, with a cumulative programme value of approximately VND 2.83 trillion¹⁰. These figures describe the accumulated scale of programme support rather than annual resources available to the public health system.

These mechanisms can improve affordability for eligible patients, although their benefits are generally concentrated in particular products or disease areas. Changes to the regulatory framework affect the future operation of existing arrangements and create a need for alternative financial and non-financial patient support mechanisms. Future arrangements should align with national priorities, address vulnerable patients' needs and support sustainable medicines financing.

⁹ Ferrario, A., Kanavos, P., 2015. *Dealing with uncertainty and high prices of new medicines: A comparative analysis of the use of managed entry agreements in Belgium, England, the Netherlands and Sweden*. *Soc. Sci. Med.* 124, 39–47. <https://doi.org/10.1016/j.socscimed.2014.11.003>

¹⁰ Health Insurance Department, Ministry of Health, 2025. *Tổng hợp các chương trình PAP 2024* _ENG

Policy priorities and implementation to 2030

Higher government health allocations remain the principal priority, moving towards 12% of government expenditure by 2028. Gradual SHI contribution increases and earmarked tax and lottery revenues provide complementary financing, while supporting mechanisms can improve affordability and access.

The roadmap below outlines the proposed implementation phases. Early measures focus on prevention, grassroots healthcare and vulnerable groups, while subsequent phases expand pooled financing and strengthen the capacity to manage healthcare expenditure.

Roadmap to Enhancing Fiscal Space for Health

All figures VND Trillion	Phase 1 · 2026 – 2027	Phase 2 · 2028 – 2029	Phase 3 · 2030
Strategic objective	Generate early, visible fiscal gains; finance priority preventive and equity-focused commitments.	Expand pooled public financing and reduce reliance on out-of-pocket spending through structural reform.	Consolidate financing for universal basic hospital fee exemption; embed long-term sustainability and access.
Main financing levers			
Earmark alcohol & tobacco SCT	2026 - 8.99 2027 - 9.87	8 per annum	7.11 per annum
Earmarking of lottery revenue	2% Earmark – 3-4 per annum	5% Earmark – 10-11 per annum	5% Earmark – 12.5 per annum
Efficiency-support mechanisms (MEAs, PAPs)	Enhance efficiency & Access	Enhance efficiency & Access	Enhance efficiency & Access
Government budget share for health → 12%		2028 – 357 (+ 59 vs 10%) 2029 – 382.5 (+ 64)	2030 – 408 (+ 69 vs 10% floor)
SHI contribution reform		181 per annum (+ 21 vs 2025 base)	192 per annum (+ 32 vs 2025 base)
Expected direction of travel to 2030	Further financing reforms required beyond 2030		
▲ Publicly pooled financing for health	Higher, more predictable public share of health spending		
▼ Out-of-pocket expenditure	Reduced — progressing toward the <30% target		

SCT = special consumption tax; SHI = social health insurance; MEA = managed entry agreement; PAP = patient access programme.

2026–2027: mobilise early revenues and support priority services

Initial priorities include earmarking incremental tobacco and alcohol tax revenues and considering lottery allocations to support prevention, grassroots healthcare and vulnerable groups. Gradual SHI contribution increases would provide additional financing, taking account of household affordability and informal employment.

2028–2029: expand pooled financing and strengthen implementation capacity

The principal priority is to increase government health allocations towards 12% of government expenditure by 2028, alongside gradual SHI reform. Implementing managed entry agreements requires stronger assessment, negotiation, contracting and monitoring capacity, with simpler financial arrangements potentially more feasible initially.

2030: consolidate financing and strengthen financial protection

Consolidating government allocations, SHI financing and complementary revenues would support progressive hospital fee exemptions within the basic health insurance package and the objective of reducing out-of-pocket payments to 20–30% of current health expenditure. Managed entry agreements and patient support mechanisms can further support access to selected therapies.

Financing beyond 2030

The proposed measures would expand resources and narrow the financing gap, while further increases would be needed to reach the public health spending benchmark of 5% of GDP. Under the baseline assumption that public health expenditure remains at approximately 2% of GDP, the annual gap would reach approximately VND 510 trillion in 2030. This is the gap before additional financing measures are applied.

Sustained public investment therefore remains central beyond the initial implementation period. Improvements in financial protection and access should accompany the expansion of resources, while investment in health also supports human capital, workforce productivity and wider economic development.



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