

# Effects of Changes in Public Policy on Efficiency and Productivity of General Hospitals in Vietnam

November 2008

 Efficiency and  
 Productivity of  
 General  
 Hospitals in  
 Vietnam

CCP Policy Briefings

## BACKGROUND

- The health sector reform programme which began in Vietnam in 1989 in order to improve the efficiency of the health system has altered the way in which Vietnamese hospitals operate and put spotlight on input savings.
- Since the demand for health care is large and increasing over time due to a growing and an ageing population and resources for health care provision are limited, efficiency is of great importance.
- There is a great deal of variation in different countries' approaches to reform, indicating that there is no consensus on an optimal reform programme.
- The Vietnamese hospital sector has undergone considerable structural and institutional changes: for example, hospitals are no longer funded solely by the government - user fees and health insurance programmes now feature as financial sources. With a decrease in government subsidies, these sources have grown in importance.

## METHODOLOGY

- In order to measure efficiency and productivity, and to explain the relationships between hospital efficiency and regulatory changes and hospital characteristics, the approach used was two-stage approach with data envelopment analysis in the first stage and Tobit censored regression in the second stage.
- Data were obtained from the database on the hospitals of the Vietnamese Ministry of Health and cover a period of 9 years from 1998-2006.
- The sample of hospitals used was 101 general public hospitals.

## KEY FINDINGS

- There was an increase in average pure technical efficiency from 70% in 1998 to 80.1% in 2006.
- The average pure technical efficiency of central hospitals increased from 66.1% in 1998 to 81.8% in 2006; the average pure technical efficiency of provincial hospitals increased by 8.4% over the sample period.
- The mean efficiency scores of hospitals located in the North East, South East and Mekong River Delta regions are slightly higher than those of hospitals located in other regions.
- The application of user fees not only encourages health service provision but also leads to some additional technical efficiency. Hospitals that provide a lot of health services through the user fees method seem to be

W: [www.ccp.uea.ac.uk](http://www.ccp.uea.ac.uk)  
 T: +44 (0)1603 593715  
 A: UEA, Norwich, NR4 7TJ

November 2008

 Efficiency and  
 Productivity of  
 General  
 Hospitals in  
 Vietnam

# CCP Policy Briefings

more careful not to waste resources because the charges for health services provided are less than the actual costs.

- However, the provision of health care under the health insurance schemes is inversely associated with hospital efficiency. This may be due to a number of factors: demand levels, insurance payment delays, or undefined insurance policies.
- The granting of autonomy to public hospitals is correlated with a higher level of hospital efficiency. It appears to have created a more favourable management environment and is likely to have encouraged hospitals to try to make more efficient use of their human resources, to control expenditure more tightly and to provide higher service quality.

## POLICY ISSUES

- The analysis identifies that the regulatory changes instituted during the reform process of user fees and autonomy measures are effective in bringing about improvements in productivity and efficiency; while the changes involving health insurance had the opposite effect.
- It also provides a necessary step towards a comprehensive evaluation of the impact of the health reform programme on the performance of the health care system.
- Measurement of hospital performance cannot look simply at the efficiency measurement itself - it must also take into account the assessment of relevant hospital operating characteristics.

## THE CCP

The ESRC Centre for Competition Policy (CCP), at the University of East Anglia, undertakes competition policy research, incorporating economic, legal, management and political science perspectives, that has real-world policy relevance without compromising academic rigour.

## FOR MORE INFORMATION

The full working paper (CCP Working Paper 08-30) and more information about CCP and its research is available from our website: [www.ccp.uea.ac.uk](http://www.ccp.uea.ac.uk)

## ABOUT THE AUTHORS

- **Dr Pinar Guven Uslu** is a Lecturer in accounting and finance in Norwich Business School and a member of CCP. Her research interests include influence of policy changes on accounting and performance management in private and public sector organisations.
- **Thuy Linh Pham** is currently completing her PhD on 'Efficiency and Productivity of General Hospitals in Vietnam'. An area of core interest is the relationship between performance and policy in health care sector.

W: [www.ccp.uea.ac.uk](http://www.ccp.uea.ac.uk)  
 T: +44 (0)1603 593715  
 A: UEA, Norwich, NR4 7TJ