

Vietnam-The Next Asian Frontier in Healthcare

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Singapore: Located in the easternmost part of Southeast Asia, Vietnam is the world's 14th-most-populous country, and the eighth-most-populous Asian country. Until 1986, Vietnam was under a communist government and remained impoverished and politically isolated. In 1986, the government initiated a series of economic and political reforms which began Vietnam's path towards integration into the world economy. By 2000, it had established diplomatic relations with all nations. Since 2000, Vietnam's economic growth rate has been among the highest in the world, and, in 2011, it had the highest Global Growth Generators Index among 11 major economies. Its successful economic reforms resulted in its joining the World Trade Organization in 2007.

Though the country has made great strides and seen economic development in various sectors, Vietnam's healthcare sector faces several challenges. Right, from infectious diseases such as flu to rising rates of chronic illnesses such as diabetes or cancer the nation is grappling with several health issues. Like many developing countries, it also has to contend with increasing resistance to drugs for killer diseases such as tuberculosis and malaria. Many Vietnamese people still suffer from the consequences of the Vietnam war, which took place during the 1960s. The biological weapon, agent orange, not only killed land crops, but also came into contact with the human body through contamination of water. It is not uncommon for Vietnamese women to have miscarriages or children born with disabilities due to this chemical. Reports suggest that the Vietnamese government currently only invests 0.9 percent of its Gross Domestic Product (GDP) on the healthcare system. This only serves, roughly, 30 percent of the population. Vietnam's healthcare sector is still under development. But with an ever-growing aging population, rising economy and increasing international interests, the nation presents investors and foreign healthcare businesses with an exciting growth opportunity to cash-in on this untapped market.

According to the World Health Organization, there are only an average of 7 to 8 healthcare workers and 25 hospital beds for every 10,000 Vietnamese citizens. This is much lower than the global average of 15 healthcare workers and 30 beds per 10,000 people. Nearly 70 percent of Vietnamese stay in rural areas, where it is not easy to get specialized care in hygienic conditions. The quality and availability of health services varies dramatically on whether you are in the city or in rural areas. The majority of hospitals and clinics are located in the larger cities such as Hanoi, Ho Chi Minh City, and Hai Phong. However the good news is that, in comparison to other countries in the same economic position, Vietnam's health care indicators

outperform the average, and they continue to improve at an increasing rate. Progress in controlling vaccine-preventable diseases, such as measles, diphtheria and tetanus, has been rapid as well; polio was completely eradicated in 1996. In March, this year, Vietnam called for "drastic measures" to foster the development of private healthcare services in the country to combat patient overload at public hospitals. Given this backdrop and the country's growth prospects,

Pharma Market in Vietnam

Vietnam has approximately 300 local drugmakers that account for more than 85 percent of market volume. However, imported pharmaceuticals have a total market share of 60-70 percent. Majority of Vietnam's local drugmakers are small-scale and in need of R&D investment with limited resources. For long, Vietnamese government has been striving to wean domestic firms off imported raw materials, however pharma imports to Vietnam are expected to grow as demand for healthcare outstrips the rate of progress in homegrown R&D.

Domestic pharmaceutical companies focus mainly on generic drugs, with very low expenditure on R&D. This restricts the scope of domestic companies' operations, forcing them to establish themselves either within Vietnam or through exports. At present, the five leading pharmaceutical companies in Vietnam are Sanofi, Hau Giang Pharmaceuticals (DHG Pharmaceuticals), Imexpharm, Traphaco and Domesco.

According to an estimation from the research and consulting firm Global data, the pharmaceutical market in Vietnam will expand in value from \$3.5 billion in 2015 to an estimated \$6.6 billion by 2020, registering a compound annual growth rate of 13.8 percent. The report cited increasing elderly population, widespread preference for imported branded drugs, rising government support for the healthcare sector and the impending gains from the Trans-Pacific Partnership (TPP) as the main drivers of growth for the Vietnamese pharmaceutical market during the forecast period.

On February 4, 2016, Vietnam signed the Trans Pacific Partnership (TPP), a trade agreement between 12 countries. On implementation it is estimated that, tariffs on pharmaceutical imports will fall to 0 percent, and patents on foreign pharmaceutical companies' drugs will be extended from five to 10 years.

Local Vietnamese believe imported drugs are much more effective and tend to prefer them over generics. soaring growth, slashed pharma import tariffs and patient preference for foreign drugs makes Vietnam a strong contender among the 12 Asia-Pacific countries who signed the Trans Pacific Partnership (TPP).

However, experts opine that the deal will deter the growth of local players. The extension of intellectual property rights for overseas pharma, from five to ten years, might delay domestic firms from producing new treatments. As already majority of Vietnam's drugmakers manufacture generics, this will present a major challenge to local industry.

Due to tough competition many local drugmakers are in the process of upgrading their existing facilities to meet international standards. For example, DHG Pharmaceutical has built a new manufacturing facility, while Hanoi Pharma has constructed a new production line for plastic injection tubes.

Government initiatives to promote Biotechnology

Conscious of the huge challenges the country is currently facing, the Vietnamese government has set up a comprehensive roadmap to 2020 to improve all major aspects of the country healthcare system. To prevent overcrowding in public hospitals, the government is aiming to an increase bed capacity by 20 percent. The government has introduced many master plans since 2012 addressing key areas such as public health insurance, hospital services or access to drugs. Parallel to this master plan, the Ministry of Health has also published the national health insurance plan targeting a national coverage of nearly 80 percent population by 2020 (vs. less than 60 percent coverage today). To achieve this ambitious target Vietnam needs to upgrade and modernize the healthcare system and improve the infrastructure and facilities in its public hospitals.

The establishment of the ASEAN Economic Community (AEC) in 2015 will help in increasing labor movement across the ASEAN countries as it allows doctors and dentists to work across ASEAN countries. This will help with Vietnam's problem of finding qualified healthcare workers to staff needed medical centers. Highly-skilled workers moving between ASEAN markets will also help with research and development and improve the quality of Vietnam's medical services.

In its bid to promote research and development and invention of new medical interventions, the government has identified biotechnology as one of the national development priorities and the sector continues to receive increasing budget allocations as well as seen interesting investments from the private sector. Every year, the country's Ministry of Science and Technology funds nearly 20-50 biotechnology projects. With many unmet medical needs, the country represents a potentially large healthcare and device market.

Vietnam's biotechnology development began in the mid-1990s, when researchers at the University of Medicine and Pharmacy in Ho Chi Minh City conducted a series of polymerase chain reaction (PCR) experiments. Now, the country has many new biotechnology research centers that harness technology to tackle cancer, diabetes, and antibiotic-resistant infections. Few institutions, for example, the Institute of Biotechnology and the Military Medical University in Hanoi are well equipped with microarrays, high-resolution electron microscopes and mass spectrometers. These centers are working on proteomic and genomic research to develop treatments for unmet diseases such as diabetes, high blood pressure and cancer.

In June last year, the Prime Minister approved a master zoning plan for hi-tech parks in the country by 2020 with a vision to 2030. Accordingly, provinces and cities will develop a number of hi-tech parks using their budgets and other resources.

The plan aims at attracting investments in hi-tech projects and bolstering the sector's development. Dong Nai's hi-biotechnology park is among the hi-tech projects approved by the Government. A hi-biotechnology park in Hanoi and the Ascendas-Protrade hi-tech park in the southern province of Binh Duong Province have also got approval. The new high-tech parks aim to fuel socio-economic growth in such localities, improve the competitiveness of the national economy and raise hi-tech content in locally-made products and boost scientific and technological development in the country.

Meanwhile, the Government has plans to further develop national hi-tech parks such as Hoa Lac Hi-Tech Park in Hanoi City, Saigon Hi-Tech Park in HCMC and Danang Hi-Tech Park. The Government has also decided to build other projects such as Hanoi biology hi-tech park, Dong Nai high biotechnology park and Ascendas-Protrade hi-tech park in Binh Duong Province.

With a view to increase the workforce and develop skilled labor in biotech sector the country's Ho Chi Minh City administration has plans to send a number of trainees overseas for training in master's- and PhD-level biotechnology under a plan to improve the caliber and knowledge of local personnel in 2016.

Make in Vietnam:

With rising consumer class, many healthcare challenges, Vietnam offer several exciting opportunities in healthcare sector. The government is making it easier for foreign investors to participate in the growing healthcare industry. In 2014 and 2015, the government issued decrees to help develop the health care industry and to expedite the cooperation between public and private providers.

During his recent visit to India, Vietnamese ambassador Mr Ton Sinh Thanh as a part of the 'Make in Vietnam' initiative has urged Indian pharmaceutical companies to set up units in that country. Mr Thanh said that pharmaceuticals are one of the major items that Vietnam imports from India. Thus, Indian pharmaceutical companies should set up base there as a part of 'Make in Vietnam' initiative.

Vietnam's desire to modernize the healthcare system should generate plenty of business opportunities in the upcoming years. In addition to new hospitals, opportunities also exist in relation to healthcare products and more specifically medical equipment and drugs. The US Commercial service has estimated in a public report published in June 2014 that the medical equipment market would be amongst the fast growing in Vietnam for U.S based manufacturers given the urgent need to replace old medical devices in hospitals. Market research specialists like BMI also predict double-digit growth in the next few years for both the medical equipment and drug markets.

In a nutshell, the continuous increase in healthcare spending combined with the necessary modernization of the Vietnamese healthcare system and ambitious national development plans should continue to drive strong growth in the healthcare market over the coming years.