

In June 2017, in cooperation with Trade and German Ministry for Economic Affairs, BDG Vietnam hosted the [German-Vietnamese Healthcare Forum](#). At the forum, participants had the chance to engage in B2B matchmaking to explore business prospects, and attend presentations held by German and Vietnamese experts.

This publication will summarize key insights from the expert presentations in order to provide a comprehensive picture of Vietnam’s healthcare system, market and import regulations for medical devices. In addition, we will present some insights from the B2B matchmaking event and provide advice to foreign suppliers with ambitions to enter Vietnam’s market.

**Vietnam’s healthcare system**

*a. Public healthcare organizations*

Vietnam has a centralized public healthcare system, with 4 levels (Figure 1).

National healthcare organizations are mainly concentrated in Vietnam’s two biggest cities: Hanoi and Ho Chi Minh City, which have 38 out of 46 central hospitals. At the Provincial level, each province has at least one provincial hospital, which supports National Hospitals during different phases of treatment. At the District Level, basic care, emergency services and treatment of common diseases are offered. Finally, at the Communal Level, basic care, health education and awareness programs are delivered.

Overcrowding is a critical problem that Vietnam’s public healthcare system has been battling for many years. Overcrowding at Provincial level organizations is resulted from insufficiency of facilities. However, the issue is even more extreme at National Level organizations. This is due to the common belief that national hospitals have better quality of medical staff and equipment. Many Vietnamese patients are willing to travel long distances to receive treatment. As a result, all national hospitals report occupancy levels of more than 100%, with bed sharing among patients being very common.

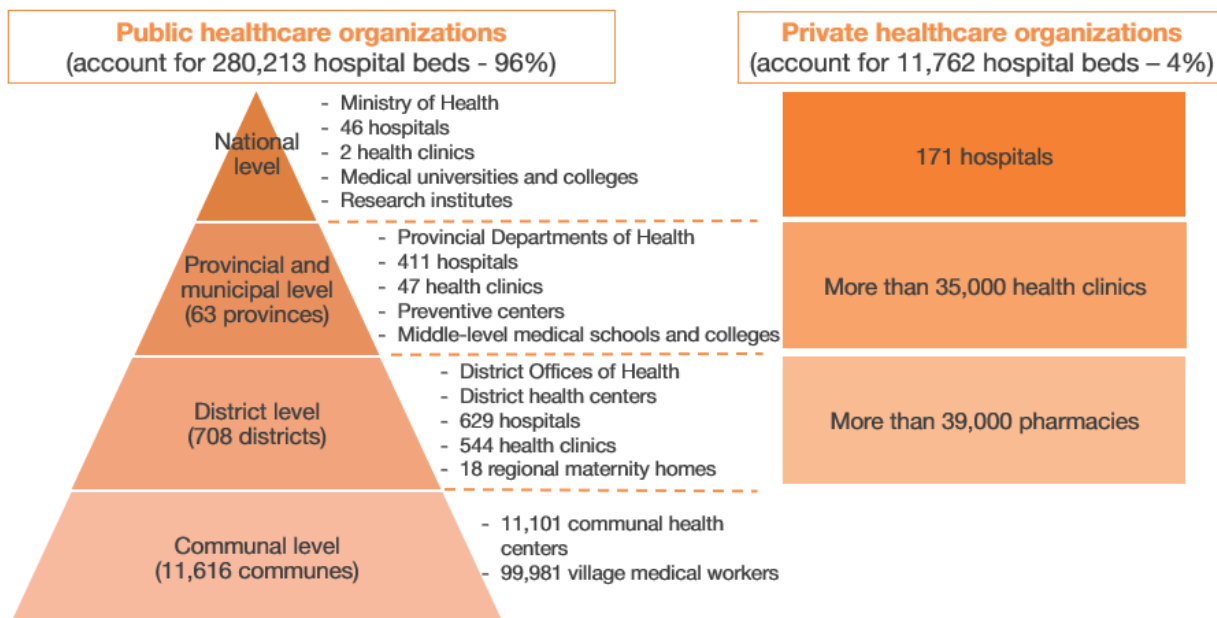


Figure 1: Vietnam’s public and private healthcare system  
(Source: Ministry of Health, 2017)

On the bright side, more investments are being made to improve public healthcare facilities and equipment. During the 2012-2016 period, Vietnam saw 119 newly established hospitals (3 at National, 116 at Provincial and District levels). In addition, the ratio of hospital bed per 10,000 residents increased from 24.7 (2012) to 32.3 (2016).

*b. Private healthcare organizations*

Vietnam’s healthcare is dominated by public healthcare organizations. However, due to overloading at public organizations and limitation of government funding, private healthcare sector is gaining more attention. The government is putting forward a range of investment incentives for private healthcare sector, such tax exemption of 4 years and 50% tax reduction during the following 9 years for newly established healthcare providers.

As a result, the number of private hospitals is growing rapidly throughout the past years. From 2004-2016, the number of private hospitals increased from 40 to 171, as well as thousands of new health clinics. The majority of private hospitals are still concentrated in large cities such as Hanoi, Ho Chi Minh City and Da Nang. Additionally, a lot of private healthcare services are directed towards the high-end market, such as to foreigners and locals with high incomes.

Although private healthcare providers only account for 4% of inpatient care, they perform 60% of outpatient care. Some common services offered by private healthcare providers are dental care, diagnostic, examination and imaging services.

**Medical device market**

Currently, 90% of medical devices in Vietnam are imported. The local production of medical equipment has not been able to meet demand. Local producers have only been able to supply basic medical supplies such as

hospital beds and disposables. Therefore, Vietnamese government encourages the import of medical devices and offers low import duties and no quota restrictions.

a. Market structure

The import of medical devices in Vietnam continues to grow, especially in diagnostic imaging, operation room, emergency medical, diagnostic and sterilization equipment.

**Market share of medical equipment sorted by applications**

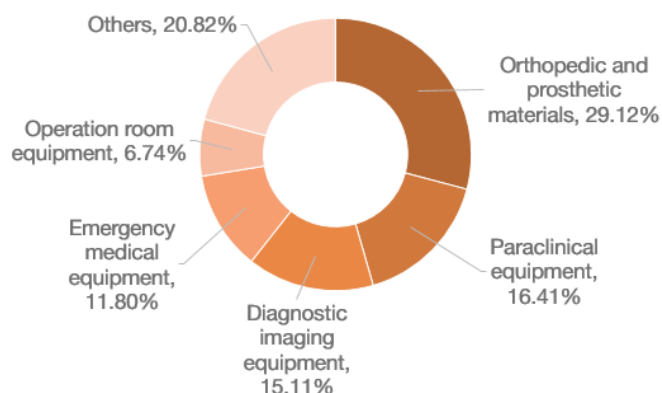


Figure 2: Market structure of medical device in Vietnam, sorted by applications (Source: Ministry of Health, 2017)

**Market structure of medical device sorted by materials**

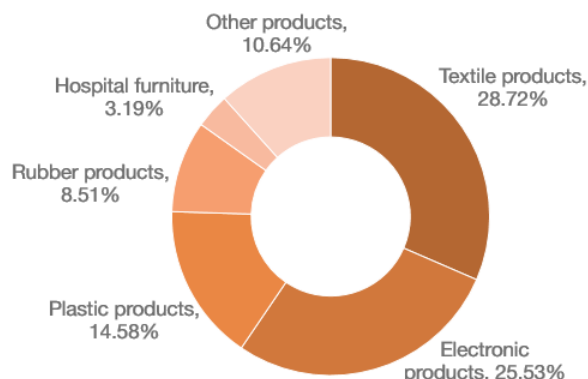


Figure 3: Market structure of medical device in Vietnam, sorted by materials (Source: Ministry of Health, 2017)

### b. Import structure

The import of medical devices in Vietnam grows approximately 10% per year. The major exporters of medical devices to Vietnam are: Japan, Germany, USA, China and Korea.

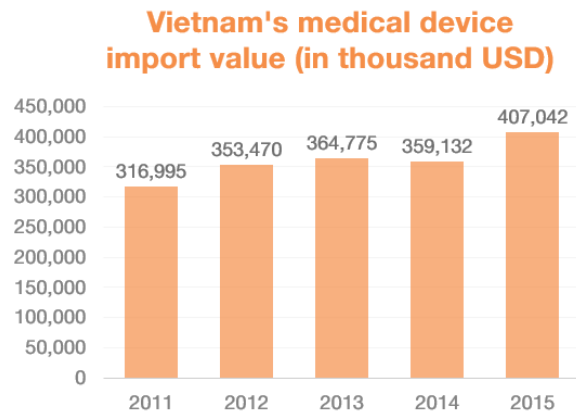


Figure 4: Vietnam's medical device import value from 2011 to 2015 (in thousand USD)  
(Source: ITC Trademap)

### c. Import requirements

Vietnamese government recently issued [Decree No. 36/2016/NP-CP](#), bringing both domestically manufactured and imported medical devices under uniform management. Under the new Decree, all medical devices have to be registered and granted Marketing Authorization (MA) licenses by the Department of Medical Equipment and Health Works under the Ministry of Health. For foreign medical device providers, their local offices should apply for MA licenses. In case they do not have representative offices in Vietnam, they can appoint a partner company or distributor to be the MA Holder.

In Vietnam, medical devices are classified into 5 types (A, B, C, D and E) based on risk level (classification aligned with ASEAN regulation). Type A devices have lowest risks, including products such as cotton, bandages, surgical gloves, and hospital beds. Types B, C and D have higher risks and include products such as pregnancy test kits, contact lenses and implants. MA licenses are valid indefinitely for

type A devices, and 5 years for types B, C, and D. Additionally, types C and D devices which are used by applying them into human body are required to have Summary of Clinically Testing Data together with the clinically testing research results; types C and D devices for in vitro diagnosis are required to have the Certificate of Inspection.

### d. Distribution practices

Under Vietnamese law, only business entities registered in Vietnam that have an import license are eligible to distribute medical devices in Vietnam. Therefore, when entering Vietnamese market, foreign medical device suppliers must establish a local office or appoint local distributors. Typically, foreign suppliers choose to sell through local distributors since they offer immediate access to the customer network and knowledge about pertinent regulations. There are 4 main groups of medical device buyers:

1. **Public hospitals, clinics and health centers:** This group purchases the largest quantity of medical devices. With financial support from the government, they often look for advanced branded equipment.
2. **Foreign-owned/joint-venture hospitals, clinics and health centers:** also look for advanced equipment, however tend to procure directly from their sponsoring country.
3. **Local private hospitals:** Given the rapid development in private healthcare, this group promises the strongest growth. Private hospitals are seeking to upgrade their facilities and equipment in order to compete with the public and foreign-owned healthcare providers.
4. **Medical education and research institutes:** This group is open for experimenting with innovative products and methods. Hence, it could offer an

opportunity to foreign suppliers to test the market.

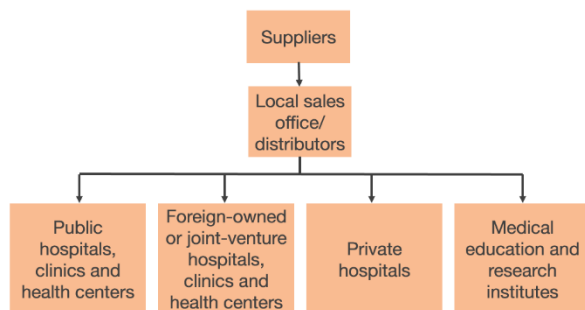


Figure 5: Value chain of medical device distribution in Vietnam

### BDG Insights from the healthcare forum

Although Vietnam has a fast-growing medical device market, various factors might challenge the feasibility of foreign products in Vietnam’s market. The Forum’s matchmaking session revealed that the German products and services attracted varying levels of interests from the Vietnamese partners.

Advanced laboratory and clinic equipment and information systems for research, diagnostics and treatment attracted the most interest. This confirms that advanced technology is in great demand by Vietnamese healthcare organizations, which are seeking to improve their know-how and quality in research, diagnosis and treatment.

In terms of medical specialties, products related to pulmonology, cardiology, geriatrics and gynecology were seen to generate strong interests. This aligns with the fact that while Vietnamese were battling with infectious diseases in the past, they are now also prone to chronic diseases due to changing lifestyles, aging and rising pollution. Hence, products that support the research, diagnosis and treatment of such health problems will experience growth in demand.

On the other hand, products that were less interesting were medical supplies, hygienic disposables and therapeutic equipment. As for medical supplies (e.g. hospital beds,

incubators, pipettes, needles, etc.) the product quality is not critical to research, diagnosis and treatment quality and there is already an abundance of such products in the local market. Therefore, distributors might not be willing to take on additional brands and end – users might opt for cheaper options.

As for lifestyle-related products such as hygienic disposables and physical therapy equipment, suppliers might face uncertainties in market feasibility since some body care practices and daily habits of Vietnamese differ from those of the western countries.

### Final remarks

Vietnam’s developing economy, progressive policies and growing healthcare requirements promise great opportunities for foreign suppliers of medical devices. On the other hand, low information transparency, local distribution practices, habitual and cultural differences pose many uncertainties.

The insights from the German-Vietnamese Healthcare Forum provide a valuable lesson to companies with interest in the Vietnam’s market: **initial feasibility research and market understanding are required before embarking into any business venture in Vietnam.** Based on BDG’s 10+ years of experience in Vietnam and strong local networks, we would be happy to support you with market potential analysis, distribution partner search and/or salesforce recruitment and management in Vietnam.

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