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LAO PDR:  
SOCIAL SECURITY

**ILO Subregional Office for East Asia**



*Decent Work for All*

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## Country Paper

### **Social Security in Lao P.D.R.**

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#### **I. Geographical and political features of Lao PDR**



Lao PDR is a land locked country in South East Asia with the population of 5.6 million.

The total land area is 236,800 km<sup>2</sup> of which approximately 87% is mountainous. The population is most concentrated in the lowland areas nearer the Mekong River. However, about 35% of the population lives in upland, remote areas where access to roads and communication are difficult. The remote areas tend to be poorer and have fewer services. The population breaks into at least 47 officially recognized ethnic groups with different culture and language. In general, Buddhism still plays a dominant role in Lao society and Lao language is used as official language.

Lao PDR is a People's Democracy governed through a single political party "The Lao People's Revolutionary Party" since 1975. Administratively the country is organized with a central government and made up of one capital, 17 provinces, 139 districts, and about 10,552 villages. The Party Committee at each level support the local authorities in the implementation of the country's social economic development plan.

Around 80% of the people live in the country side and derive their livelihood from agriculture, fishing and related occupation. Of these economically active people, 75% are subsistence farmers. With an estimated per capita income of US\$678<sup>1</sup>, however, the Lao PDR still remains one of the poorest countries in the South East Asia region and is classified as a Least Developed Country (LDC). The official poverty rate has fallen from 46% in 1993 to 32% in 2003. Still, today, nearly 71% of the population lives on less than US\$2 a day, and 23% live on less than US\$1 a day which gives an indication of the very low capacity to pay of Lao people. Almost all of the population below those poverty lines are in the informal sector.

Significant improvements have been achieved in Lao PDR over the last decade regarding major health indicators. From 2000 to 2005 the maternal mortality rate (MMR) has fallen from 530 to 405 per 100,000 live births; the infant mortality rate (IMR) from 104 to 70 per 1,000 live births, and life expectancy has increased from 50 to 59 for men and 52 to 63 for women from 1995 to 2005. The government is committed in improving the health status and living conditions of the population as part of the over-arching goal of poverty alleviating and leaving the status of a least developed country by the year 2020.

Lao PDR is a member of the Association of Southeast Asian Nations (ASEAN). The Vientiane Action Plan of ASEAN, adopted at the ASEAN summit in Vientiane in November 2004, identifies building strong and functional systems of social protection as one of the four strategic thrusts of the social-cultural community goals. The plan establishes a goal of strengthening systems of social protection at the national level and adoption of measures at the regional level to provide minimum uniform coverage for skilled workers in the region.

The Ministry of Labour and Social Welfare has the responsibility for development and implementation of social security policies in Lao PDR. Its Master Plan has been drafted which will be served as a direction for implementation of labour and social welfare policies and programmes. It sets goals for achieving universal health care coverage by the year 2020 with a strategy for providing universal health care coverage to be developed by the year 2010. Currently there are two social security systems under supervision the Ministry of Labour and Social Welfare which are the system for the public sector employees and the system for the private sector employees.

The Ministry of Public Health has direct responsibility for the development of health care service and currently it is also responsible for development and implementation of the Community Based Health Insurance system. Ministry of Labour and Social Welfare, and Ministry of Public Health play very important role in the development of Social Health Security in Lao PDR.

## **II. Social Security Systems in Lao PDR**

There are two comprehensive social security systems in which one is for employees working in the public sector and the other is for employees working in the private sector. These two systems are operated under the Ministry of Labour and Social Welfare. Besides these two systems, there are some medical insurance systems for informal sector employees, namely, the community based health insurance system and the health equity fund. The two medical insurance systems function under the Ministry of public health. A part from the systems performing under the Ministry of Labour and Social Welfare, and the Ministry of Public Health, the mutual funds, which are operating in several organizations, and private insurance companies play quiet important role in the field of social protection in Lao PDR. However, this paper covers only the systems functioning under the Ministry of Labour and Social Welfare and the Ministry of Public Health.

### **1. Social Security system for public sector employees**

After independence 1975 the government of Lao PDR has issued a lot of legal documents regarding social security for people who serve the party and state organization including military and police (hereafter calls government employees). From the year 1975 to the years 1980s the government has issued a temporary regulation on pensions and death grant for the government employees which were implemented by the Ministry of Finance. The pensions hear included old age pension, war invalidity pension and losing working capacity pension. Until the year 1986, the government has issued two new regulations (No. 53 and 54) replacing the temporary regulation. The Committee for Social Welfare and War Veteran was responsible for implementing these two regulations. The regulation No. 53 is about the benefit for invalid persons and the payment for the family of government employees who sacrificed their life before and after the year 1975 (independence year). The regulation No. 54 is about some benefits for government employees who suffer social contingencies like sickness, maternity, death, survivors, losing working capacity, old age and child allowance. The expenditure of the period from 1975 to 1993 was fully financed by the government including the costs for health care which free heath care policies have been provided to all Lao people. These health care policies were implemented by the Ministry of Public Health.

The year 1993 the Ministry of Labour and Social Welfare was established and the first comprehensive social security decree for the public sector was adopted. This Prime-Minister decree No. 178 applied to civil servant, military and police, and was replaced the regulations No. 53 and No. 54. This decree introduced a co-payment concept for social security expenditures where the government employees have to pay 6% of their basic salary to the social security fund and the government as an employer has to contribute to the fund and guarantee social security entitlement for the employees. The social security fund for the public sector was kept in the Ministry of Finance and the Ministry of Finance had also the role of the social security contribution collection. The Ministry of Labour and Social Welfare had duty to manage the social security fund and provide the social security benefits to the eligible members.

Up to now the social security scheme for the public sector according to the decree No. 178/PM is still applicable. The benefits covered by this scheme comprise old-age pension, disability benefit, incapacity benefit (losing capacity), death benefit, survivor benefit, sickness benefit, maternity benefit, employment injury, child allowance, and health care.

Sickness Benefit is payable for 3 months with an amount of full salary for each month and after that if an employee still can not return to work the benefit is reduced to 80% of salary and payable for 12 months. After 12 months the incapacity benefit shall be applied and payable depending on the level of incapacity.

Maternity benefit comprises two forms of payment. A lump sum payment equals to 60% of basic salary for each child and a monthly payment equals to a full salary for 3 months. After this period if an employee is still unable for work, he/she shall be entitled to sickness benefit or incapacity benefit depending on his/her health conditions.

Death Benefit is a payment to the family of deceased employees or persons who are in charge of organizing traditional funeral ceremony. The payment is a lump sum equal to 10 months of his/her last salary or pension. For the invalidity pensioners who are living outside invalid centers, the benefit is equal to 12 months of his/her pension.

Survivor benefit is a lump sum payment for the family members of deceased persons. The payment is divided into four categories as follows:

- A lump sum amount equal to 6 months of deceased person salary for those who served for 3 years and less;
- An amount of 8 months of salary for employees working more than 3 to 10 years;
- An amount of 12 months of salary for employees working more than 10 to 20 years
- An amount of 15 months of salary for employees working more than 20 years.

Besides the lump sum payment, each surviving child shall be entitled to a monthly payment equal to 10% of salary or pension of the deceased.

Old age pension is payable to employees who reach 60 years of age for men, 55 years for women, and 25 years of service. A special condition is made for employees working in poisonous substance environment which allows employees retiring five years earlier. Qualified persons will receive 75% of salary. And each additional year of service, 1% will be added. The maximum rate of pension is 90%. In addition to a monthly pension, a pre-retirement lump sum will be paid equivalent to 15% of salary multiplied by the number of service years. For employees who do not qualify for a monthly pension they will be entitled to a lump sum benefit. The benefit equals to 75% of the last salary and multiplied by the number of years of service.

Invalidity benefit is a monthly payment payable to two groups of persons. One is the group of invalidity persons who are working in any government organizations and who are not working but living in any invalid centers. Another is the group of the invalidity persons who are not working and not living in any invalid centers. The benefit is paid as follows:

- Working invalid and invalid living in centers: benefit for special category: 100% of salary and 100% minimum salary; category 1: 40% of minimum salary; category 2: 30%; category 3: 20%; category 4: 10% of minimum salary
- The invalid living outside centers: special category: 150%; category 1: 100%; category 2: 80%; category 3: 60%; category 4: 40% of minimum salary

Incapacity benefit is payable to persons who can not continue to work due to their health status and they are not considered as invalidity persons. The payment of this monthly benefit equals to 70% of concerned persons' salary.

Invalidity caretaker benefit is also available for those invalid persons who can not help themselves in normal daily life. The benefit is 100% of minimum salary.

Child Allowance is available for employees who have a child whose age less than 18 years old. The amount of child allowance is referred to real living conditions in each period.

In case employees suffer an employment injury or occupational diseases, they shall be entitled to employment injury benefits. The benefits include medical care, sickness benefit, invalidity, death benefit, survivor benefit and invalidity caretaker benefit.

Health care benefit under the social security system for the public sector is a fee for service system provided to government employees, their spouses and children under 18 years of age. The Department of Social Security which is under the supervision of the Ministry of Labour and Social Welfare is responsible for reimbursement the health care costs to employees. In provincial level, the reimbursement duty is under responsibility of

the social security division which is operating under the provincial labour and social welfare office. The amount can be reimbursed as follows:

- In case of work injury: the maximum amount is 1,500,000 kip
- In case non work related injury:
  - Maximum amount of 100,000 kip for outpatient case.
  - Inpatient case:
    - # Examination: 100,000 kip maximum
    - # Room charge: 5,000 kip/ night
    - # Medical treatment: maximum 250,000 kip
    - # Operations: payable up to 400,000 kip/time (except brain operation: 550,000 kip)
- For prosthesis:
  - Teeth: maximum of 150,000 kip
  - Glasses: maximum of 120,000 kip
  - Other limbs: maximum of 200,000 kip/ each

The social security system for the public sector has been gradually and continuously developed. As of the year 1996, the assistance of the International Labour Organization (ILO) has provided the Ministry of Labour and Social Welfare for further development in the field of social security in Lao PDR. The assistance was commenced by a feasibility study in order to improve the existing social security systems and to create new social security systems for different groups of employees. From then on, a certain management mechanism of the social security for the public sector was reformed, for instance, the pension payment system was computerized, database system was developed, and the reform of social security policies was discussed. In April 1996 the Prime-Minister decree adopted a new decree on social security for public sector No. 70/PM. This new decree will be applied in lieu of the decree No. 178/PM soon. Currently, the new public sector scheme is under a pilot period particularly regarding the health care benefit.

This new reformed public sector social security scheme is a contributory social security system. The main source of finance is the contribution of employees and the government as employers. The employees' contribution is 8% of monthly total salary and the employer's contribution is 8.5% of payroll. It is a self-financing organization and a board of directors comprising representatives of several concerned government organizations is the top management body. The scheme covers 8 following benefits:

- ☛ Health care: employees, spouses, and their children who are not older than 18 years shall be entitled to the health care benefit. The benefit is provided by the contracted hospitals.

✿ Maternity benefit: female employees shall be entitled to three month monthly payment. Each payment equals to one full month salary. In addition to the monthly payment, the child birth grant shall be provided amounted to 60% of minimum salary.

✿ Employment injury and occupational disease benefit: an employee suffering from any work injury or occupational disease shall be entitled to a package of benefits depending nature of contingency. The package of benefits comprises 6 types of payment as follows:

- Health care and rehabilitation
- Temporary disability benefit
- Permanent disability benefit
- Invalidity care giver benefit
- Funeral benefit
- Survivor benefit

✿ Invalidity benefit is a monthly income replacement payment for employees who become invalid and can't continue working permanently. The benefit is payable only the case where the cause of accident suffered by insured is not related to work and at least five years of contributions have been paid to the social security fund. An amount of benefit is referred his/her contribution history and incapacity level.

✿ Sickness benefit is a monthly income replacement payment for employees who are temporarily absent from their work due to sickness unrelated to work. The benefit is payable after completion of three month sick leaves with full salary paid by the government. The benefit is 60% of full salary for six months and extendable for another six months if his/her health condition foreseen to be recovered. After this period the invalidity benefit can be applied.

✿ Old age pension is a life-time monthly payment for insured persons who have fulfilled contributions to the scheme for at least 15 years and reached the age of 60 years for men or 55 years for women. A pension amount is calculated based on an average amount of salary for five years multiplied by the number of contribution years and pension percentage.

✿ Survivors' benefit is a benefit for family members of diseased employees. The family members comprise spouse, children and parents. The benefit is a lump sum or monthly payment depending on the period of social security contribution of the deceased person and category of eligible beneficiaries.

✿ Funeral benefit is one of social security benefits under the public sector scheme. This benefit is to assist the family or persons who are in charge of organizing funeral ceremony when an insured person, his/her spouse or children die. The benefit for the insured equals to 9 months of salary; 6 months for spouse and 3 months for a child.

## **2: Social security system for Enterprise employees**

The decree regarding social security system for the private sector employees was approved in 1999 and it was officially implemented in early 2001. It is a contributory and compulsory scheme. The scheme applies to all employers who have 10 or more employees. The total contribution rate is 9,5% of employee's earnings in which 5% comes from employers and 4,5% from employees. The insurable target groups are all employees who work for State, private and partnership enterprises in the areas of industry, agriculture, services. However, the system provides exception for those who are working for: embassies; international organisations; companies that have a multinational network located in Laos for a period not exceeding 12 months; companies that have affiliates in other countries and who are sent to work abroad for 12 months or more, who work for the government such as civil servants, military, police; and students. Benefits provided under this system from the beginning of its introduction are composed of old age pension, invalidity benefit, survivor benefit, sickness benefit, maternity benefit, medical care and work injury benefits. The scheme is administered by the social security organisation (SSO) which is an autonomous body, under the supervision of the Minister of MOLSW. The following are details of each benefit:

- The old age pension amount derives from pension points times average wages, and then multiplying it by 1,5%. The pension points gained in each year is from average of the insured person's contributions within a period of 12 months divided by the total average contributions of total insured persons for the same period. Free pension points are made available for employees who are older than 30 years of age when start implementing the scheme. The free pension point will be granted up to 15 years. Those employees who do not qualify for old age pension will receive payment in lump sum which amount still has to be specified in implementing regulation. To be eligible for a full old age pension, the insured persons are required to have at least 5 years of contribution and reach 60 years old. In necessary cases, reduced pension is available for those age 55, which is each year less than 60 the pension will be deducted 0,5%. If the employees still continue working after age 60 the pension, additional pension of 0,5% of possible pension will be granted for each year older than 60.
- Requirement for disability benefits is 5 years of contribution and less than 60 years of age. Disability benefit will be calculated similar to old age pension calculations. The number of years in which insured person becomes invalid to the pension age shall be deemed insurance years. From that time that the invalidity commences to the pension age, the insured person will receive annual pension points equal to his average pension points for the years previous to invalidity. If the invalid person can not live independently and it is necessary to have a permanent caregiver with him, then that caregiver will be entitled to receive caregiver benefit as provided under work injury benefit scheme below. The SSO is liable for costs of medical examination, medical treatment and rehabilitation which are considered as necessary or which can assist in improving of the health of the insured persons.
- For survivor benefits, the insured must also have 5 years of contribution, except pensioners. Survivor benefit is payable to the surviving spouse and surviving children under 18 years old. Survivor benefit includes adaptation benefit, surviving spouse benefit

and surviving children benefit. The adaptation benefit equals to 80% of the insured person's salary. It is paid monthly with a maximum term of 12 months. After this 12-months period, the surviving spouse of a pensioner will receive benefit equal to 60% of the deceased pensioner's pension; or if an insured worker dies before receiving pension, the surviving spouse will be 60% of the assumed invalidity benefit. Surviving children, after 12 months of adaptation benefit, will each receive benefit of 20% of the pension or assumed invalidity benefit. The total amount of benefit to surviving spouse and children of a decedent, at a maximum, will not exceed 80% of the pension or 100% of assumed invalidity benefit.

- To be entitled to death grant, 12 months of contribution is required, except those already receiving benefits from SSO. In case an insured person dies, the SSO will pay a death grant equal to 6 months of the insured earnings of that person. If spouse of the insured dies, the lump sum benefit is 3 months of the spouse's insured earnings. If the child of the insured dies, the grant will be 2 months. The death grant will be disbursed to relatives who are responsible for organising the funeral ceremony for the decedent.

- An insured person who is temporarily unemployed due to his own illness or accident not attributable to work, is entitled to receive sickness benefit; if that sickness or accident prevents the insured from working full time, the SSO will pay a benefit for the difference between the full time salary and the salary for the period in which that person was unable to work full time. The sickness benefit is also payable to an insured person who is prohibited from working due to his health or diseases, or a female worker who can not work during pregnancy or 6 months after childbirth. And 3 months of contribution in the last 12 months is required for being entitled to the sickness benefits. Sickness benefit paid by the SSO equals to 60% of average earnings of 6 months before illness or accident. This benefit is available for one year after 30 days employers' liability according to the labour law. If after one year, it is seen that the health of relevant person improves, and that is expected to return to normal, the SSO will continue to pay sickness benefit for a maximum of 6 months. To the contrary, if after one year, the health of that person cannot be seen to return to normal, the SSO will calculate an invalidity benefit for that person.

- Maternity benefit is to be provided to an insured person who stops working due to pregnancy, childbirth, miscarriage and adoption. Childbirth grant is also available, but 12 months of contribution within the last 18 months is necessary, except those already receiving benefits from SSO. Maternity benefit is payable for 3 months equal to 100% of the insured earning for each month. If after 3 months, that person cannot return to work due to medical reason, that person will be entitled to sickness benefit.

Childbirth grant is also available, but 12 months of contribution within the last 18 months. Birth grant equals 60% of the minimum salary payable to an insured person or the wife of insured person, who gives birth or adopts a child under 1 year old per child.

- Health care is available for insured persons, their spouse and their children under 18 years. Health care benefit includes examination for diseases and medical treatment; disease prevention; physical rehabilitation; pre and postnatal services. Medical treatment excludes vehicular road traffic accident and cosmetic treatment or surgery. The SSO will pay to hospitals or health care providers based upon the contract. The insured person must be liable for additional payments for services in excess of the services determined

by the SSO. Insured persons, pensioners, invalids and the surviving family, or in other words those who are covered by health care system, have to select any hospital and register there for using health care services when they are ill or met an accident, except emergency cases. To be entitled for health care, 3 months of contribution within the last 12 months is required, except those already receiving benefits from SSO.

- An insured person who is injured due to a work accident or occupational diseases is entitled to receive benefits under this scheme without the condition of a minimum duration of insurance, but if the relevant person intentionally causes the accident or diseases, that person will have no right to receive benefits. Benefits provided by the work injury scheme comprise medical treatment and rehabilitation; temporary incapacity benefit; caregiver benefit; permanent disability benefit; funeral grant; and surviving family of decedent benefit.

Health treatment will be provided to insured persons who suffer from the work accident or occupational diseases the same as normal cases, which are not relative to work. If the treatment is paid for from other source, the SSO will pay the difference between the expenses paid for by the other source and the actual cost of the treatment.

Regarding the temporary incapacity benefit, the employer has responsibility to maintain a full salary to insured person for a period of 30 days as stipulated in the labour law. Thereafter, the SSO will pay 100% of the insured person's wages for 6 months; after 6 months, the benefit will be reduced to an amount equal to 60% within 18 months; after 18 months, and the insured will receive a permanent disability benefit.

Permanent disability benefit is payable to the insured equal to a percentage degree of disability times 67,5 of the average 12 month insured earnings before the accident arose. Disbursement of disability benefit are monthly; but if the level of disability is lower than 25%, the disable person can receive as a lump sum.

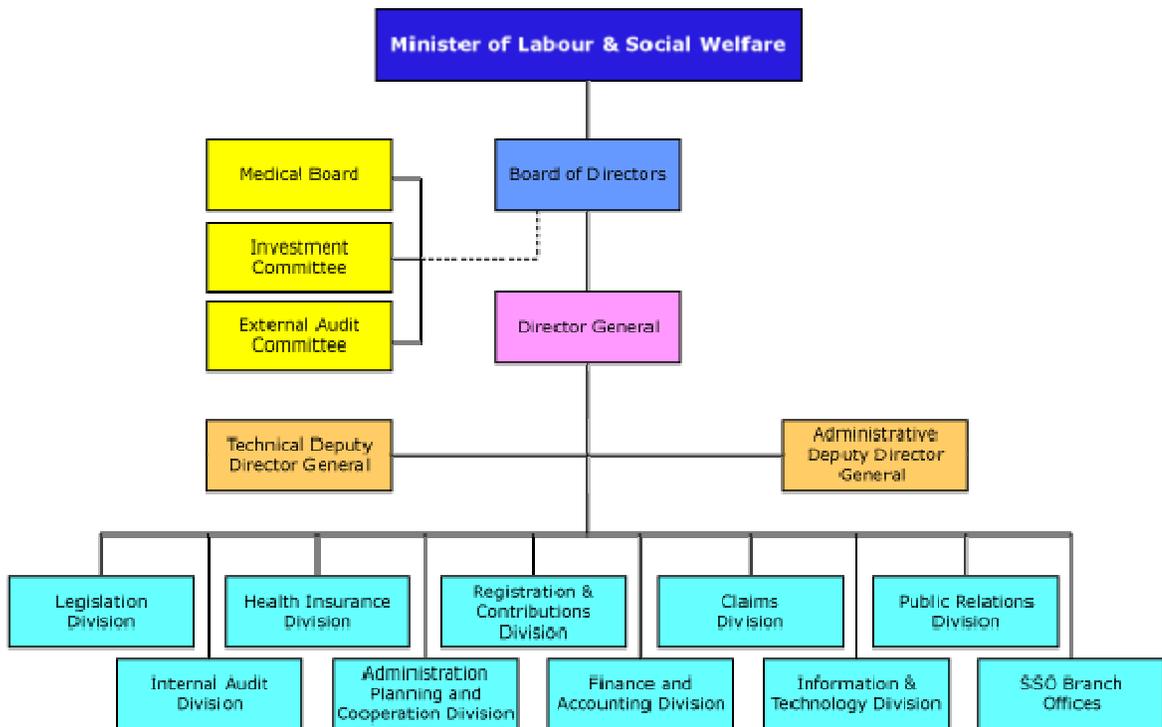
In the case that a person who is disabled can not live without help, the SSO will provide a caregiver benefit to the person who cares for that person. The benefit is made with reference to the number of hours of care, by using the minimum salary as a reference point for calculation.

The person with a temporary or permanent disability must receive rehabilitation and occupational training, regardless whether the disability caused by work injury or not. If that person reject the rehabilitation or training, the SSO will cease paying benefit to that person.

Surviving family benefit are payable to spouse and children of the deceased. In case the decedent leaves no spouse, the parents will be entitled to the benefit if the decedent is the person who cares for his parents. The benefit is available after the termination of an adaptation benefit. The benefit for spouse or parent is equal to 50% of the average 12-month insured earnings of the deceased. The benefit for children is equal to 15% of the average 12-month insured earnings to each child. If there is no spouse or parents, each child will be entitled to 20%, but not exceeding 60% if many children. The total benefit for the surviving family is subject to a maximum of the decedent's assumed permanent disability benefit.

Death benefit will be provided with the purpose to organise the traditional funeral ceremony for deceased employees, equal to 6 months of his insured earnings.

### Social Security Organization chart

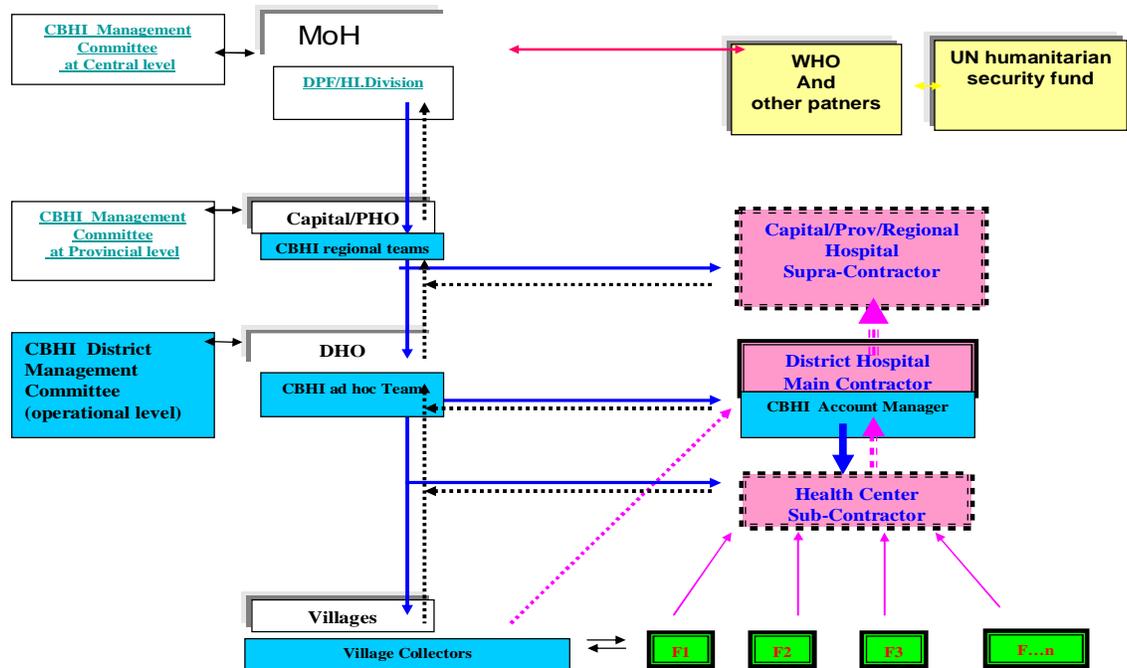


### III. Health Insurance for informal sector population

#### 1. Community Based Health Insurance (CBHI)

- The official name: Community Based Health Insurance (CBHI)
- Target population: population in the informal sector with voluntary based membership and family coverage
- Management framework: community based management under MOH/DPB supervision at Provincial, Regional and National levels in accordance with regulation N° 723/MoH dated 13/4/2005
- Benefit: Health care (traffic accident and cosmetic care are excluded)

# CBHI \_ Organizational framework



## 2. The special fund for the poor (Health equity Fund “HEF”)

Lao Curative law (article 50) recognizes that a specific fund has to be created through multiple sources. There has been some discussion with the development partners, including the World Bank (WB), the Asian Development Bank (ADB), WHO and others on the establishment of Health Equity Fund (HEF) to assist the poor in obtaining health care including food and transportation costs. The final draft of the National Guideline on Health Equity Fund was completed and waiting for getting approval from the Lao Government. And then it will be implemented one year trial in 5 districts where there are differences in social, cultural and economy. In this trial period at least one district where CBHI availability will be selected. The HEF will purchase CBHI card to poor families. At this time the HEF is also administrated by the MOH/DPB. However, three Health Equity Funds are currently implementing with different approaches and diffirent donor supports.

## IV. Medical care Delivery System.

### 1. medical facilities.

The predominant mechanism of health care delivery in the Lao PDR is through public health facilities with a network from central level to local level. The quality of these health facilities is quite uneven especially at grassroot level. The health facilities are under funded and central and provincial hospitals that are functioning rely on patient fees, mainly from revolving drug funds, for 50-80% of their total operating budgets. Currently, there are over 254 private clinics which 108 clinics scattered in Capital. The commonest source of curative health care for an illness, however, is from one of the over

2000 registered private pharmacies or the multitude of informal drug sellers. The care from these private sources is of low cost but also of low quality as far as rational drug use and the quality of drugs that are dispensed.

### **Type of health facilities and distribution of beds**

Type of facilities	N <sup>o</sup> of facilities	N <sup>o</sup> of bed	Bed occupancy	Average length of stay
Central hospital	4	835	77.9%	4.9
Specialist centre hospital	3	160		
Regional hospital	4	632	5.,4%	3.27
Provincial hospital	13	985	43.5%	3.91
District hospital	127	2,366	33.4%	4.32
Heath centre	739	0		
Total		4,978		

**The ratio of bed to population is 9/10,000**

### **Adjustment plan: (in accordance with health strategic plan by 2020)**

- Expand and improve access to the health care service network
- Expand health care network in order to develop a complete and comprehensive system
- Increase participation at all management level and develop standardized management tools

## **2. Current Situation of medical health personnel**

### **2.1: The distribution of health personnel**

The total of health personnel in 2006 is 11,521 peoples with the distribution of 2,009 in central level, 4,323 people in provincial level and 4,705 people in district level and about 484 staff undergone training. Regarding to education system and qualification, the amount of medical care personnel in 2005 were approximately 373 postgraduate, 1,818 university level, 3,765 mid level, 4,916 elementary level and 165 staff without grade. The ratio of health personnel and physician to population are 20/10,000 and 3.9/10,000 respectively.

### **2.2: Adjustment plan for HRD: (According to overall health policy)**

- Improve the quality of health personnel at all levels by continuing human resource development
- Pay attention to the need for training not only for technical aspect but also for management and administrative aspect

## **3. Trends in the Medical care Expenditures and the Payment System**

From 1975 until the late 1990's, health care for the population of Lao P.D.R. was totally funded by the Government, and services were provided free of charge to patients in public health facilities. However, budgetary constraints increasingly limited the care that government could fund. The government introduced user fees in 1997, through Decree 52, for specific services while Decree 230 expanded the Revolving Drug Funds (RDF).

The imposition of user fees triggered a big increase in 'out-of-pocket' household expenditure on health care. The average of health care spending in the Lao PDR is about US\$11.50 per person. Of this, about 10% is from Lao government sources, 30 –35% from external sources, and 55 to 60% from household expenditure at the time of illness. Almost all of government recurrent budget goes to salaries (76- to 98%). Of the household expenditure, about 1/3 is for fees in public institutions and the remainder is spent privately, mainly in private pharmacies or with informal drug sellers.

The amount of money spent by households on health is not distributed uniformly because it is spent on a fee for service basis meaning that the burden of health care financing is on those who fall ill. Catastrophic expenditure on health is a cause of poverty for families as they are placed in the situation of having to sell assets, such as animals, stored rice, or even land in order to pay for medical care, or they choose to forego or delay seeking needed health care until the later stages of an illness when care is likely to be more expensive and less successful. Insurance through pre-payment and risk pooling is a poverty preventing intervention and human security enhancing activity through two main mechanisms; (1) by avoiding catastrophic household expenditure on health and (2) by encouraging the utilization of needed medical services which can improve health and therefore improving economic productivity.

## **V. Medical Insurance Systems.**

### **1. Historical development of Medical Insurance Systems**

#### ***1.1: Civil Servant Scheme***

The scheme was developed under Social Security decrees 178/PM/1993 and implemented in 1997 as fee for service based payment but only 30 to 50% of payment was reimbursed. Through Decree 70 PM/2006, the Ministry of Labour and Social Welfare has reformed the civil servants health care benefits' scheme, starting coverage as pilot in Vientiane Municipality and Vientiane Province with 65,000 contributors supported by ILO project. The government (as employer) now allocates a capitation payment (USD4/insured/year) to a specific health care provider for each person covered (civil servant, spouse and children) to provide free access to OPD and IPD health services with mandatory referral (main exclusions: traffic accident injuries and cosmetic care). During this pilot implementation the actual number of insured is 60500 ( theoretically 650000 people) The next stage will be coverage of the military and security sector, so that eventual number of public sector workers and their dependents will reach one million.

#### ***1.2: Social Security Organization Scheme (SSO).***

A first step in the development of social safety nets in Laos was made through the Social Security Decree (207) implemented in 2001. This Decree includes health care among the benefits in a broad social security scheme, covering salaried employees in the public and private enterprise. Contributory scheme with 9.5% of salary (5% from employers and

4.5% from employee). Of this 2.2% is used for health care which allows free access to OPD and IPD health services (main exclusions: traffic accident injuries and cosmetic care). The providers of health care are paid according to the capitation method, which means a fixed amount per insured person per year including dependents: spouse and children under 18 (USD 6.5 /person/year), regardless of actual use. Recent developments include a refinement of the capitation payment to reflect the risk of populations affiliated with the contract hospitals. Currently, the scheme covers about 370 enterprises which protected more than 40,000 workers and 40,000 dependents.

### **1.3: Community Based Health Insurance (CBHI)**

Community Based Health Insurance was developed under the department of Planning and Budgeting, Ministry of Health with technical assistance from WHO and budgeted through UNHSF. The scheme is a voluntary scheme health insurance with family coverage targeted to informal and non-salaried populations, who comprise over 80% of the population. The contribution payment is monthly based regarded to the size of the family (USD 1.4 to 3.3.) The scheme provides free access to OPD and IPD including preventive services for the members with some exclusion similar to the above security schemes. Capitation is used as mean of payment to public hospital (district as main contractor and provincial/central as referral hospital) with mandatory referral. The current capitation rate is USD 5.5./person/year. The scheme is a community based management system under Planning and budgeting Department, Ministry of Health with the supervision network from national level to provincial level.

With financial support from the UNHSF, a MOH - WHO Project 3 pilot schemes were launched in 2001 to 2004 through selected areas in accordance to the regulation No /MoH dated . After the evaluation mission, the scheme was approved to expand throughout the country under the regulation No 723/MoH dated .13/4/05

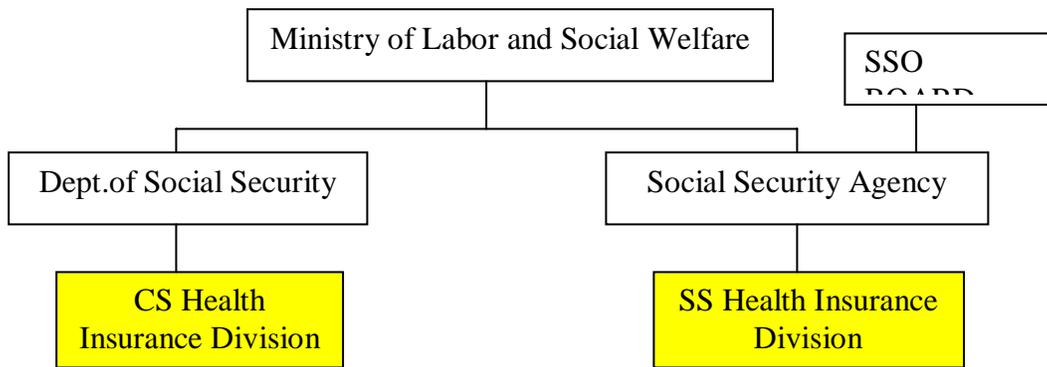
The scheme currently covers 7 districts in 4 provinces protecting 18,730 people in 3979 families. The coverage rate ranges from 6 to 20% of the population in the target areas. The scheme confronts with late payment and drop out which amount from 2% to 19% and 1% to 4% respectively. Utilization of health care: from 1.2 to 4.2 OPD contacts/insured/year (general pop: 0.29) from 0.04 to 0.05 IPD case/insured/year (general pop: 0.036).

### **2. A list of law and regulations for MIS:**

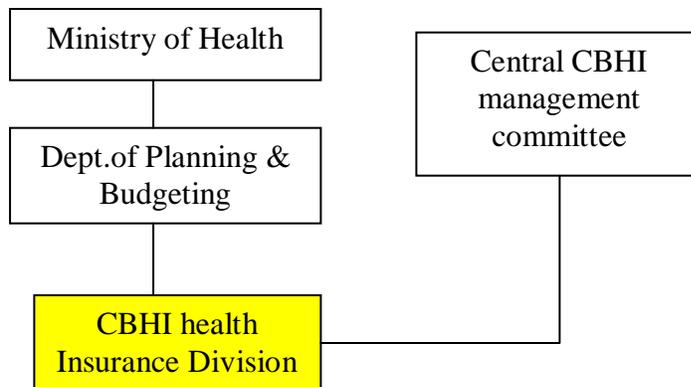
- Decree of Prime Minister No.178/PM, dated 30 November, 1993 concerning the "Social Security Scheme for Civil servants"
- Decree of Prime Minister No. 70 /PM, dated 20 June, 2006 concerning the "Social Security Scheme for Civil servants"
- Decree of Prime Minister No. 207 /PM, dated 23 December, 1999 on "Social Security Scheme for Enterprises"
- Regulation of Minister of health No 723/MOH, dated 13 April, 2005 concerning the "Community Based Health Insurance Fund for informal sector population"

### **3. Administration and management of MIS at central level.**

3.1. For CSS and SSO medical insurance.

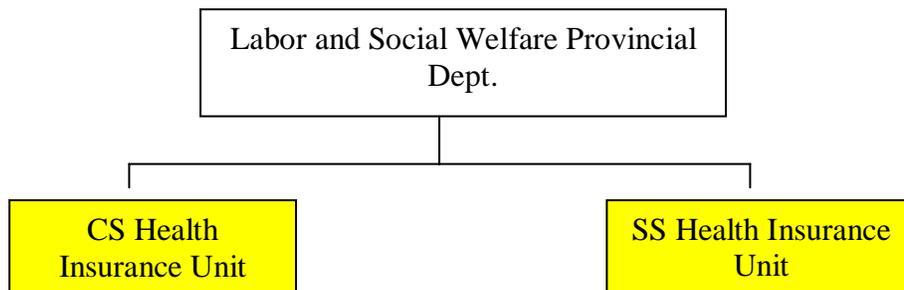


3.2. For CBHI system.

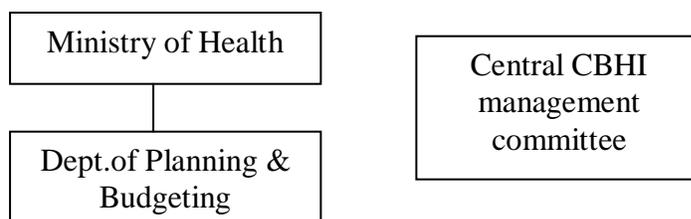


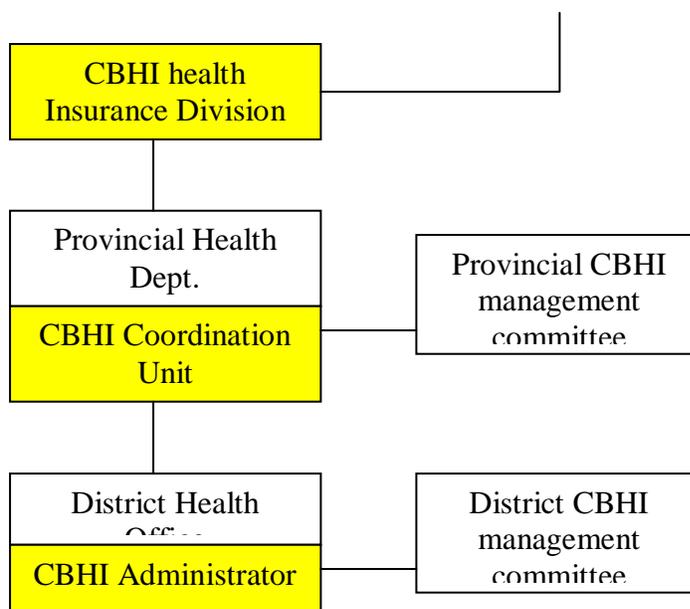
**4. Administration and management of MIS at local level.**

4.1. For CSS and SSOMedical insurance.



4.2. For CBHI system.





## 5. Structure of the systems.

Type	Insurer	Recipient qualification	% coverage	Benefits package	Responsibility agency
<b>A. Compulsory scheme</b>	1. Civil servant system (CVS)	Insuree, spouse & children under 18	100% of total Civil servant	OPD+IPD (exclude traffic accident & cosmetic care)	Ministry of Labor & Social Welfare
	2. Social Security system (SSO)	Insuree, spouse & children under 18	54% of enterprise workers.	OPD+IPD (exclude traffic accident & cosmetic care)	Ministry of Labor & Social Welfare
<b>B. Voluntary scheme</b>	1. Community based health insurance (CBHI)	Whole member in family.	0.8% of informal population	OPD+IPD (exclude traffic accident & cosmetic care)	Ministry of Health
	2. Gestion d'assurance du Laos (AGL)	Insuree only.	0.02%* of total population	IPD	Private company
	3. Mutual fund	Insuree only.	0.09%* of total population	IPD	Mass Organization & Village authority
<b>Total</b>			10%* of total population		

Note: \* estimation number.

## 6. Financial situation of MIS.

Type	Insurer	Contribution rate	Provider payment	Remark
<b>A. Compulsory</b>	1. Civil servant scheme (CVS)	8% of civil servant net income in which of 4% goes to medical	- Fee for service - Capitation	

<b>system</b>		insurance.		
	2.Social Security Scheme (SSO)	4.5% from employee net income & 5% from employer in which of 2.2% goes to medical insurance.	- Capitation - Risk adjusted capitation - Co-payment	
<b>B. Voluntary system</b>	1. Community based health insurance (CBHI)	2% of monthly people net income	- Capitation	
	2. Gestion d'assurance du Laos(AGL)	NA	- Fee for service	
	3. Mutual fund	US\$0.5 – US\$1	- Fee for service	

### **7. MIS related policy within the National Development Plan.**

Regarding the National Health Development Plan by 2020 :

- Expansion health care network through PHC system reaching up to remote and mountainous area in order to increase the health care utilization rate.
- Reduced the financing barrier to health care services of the Lao people, especially the low income and poor group people by decreasing user fee system and increasing pre-payment system through health insurance system.
- Target to be achieved for social health insurance in Lao PDR:
  - ⇒ Coverage of 30% of total population by 2010.
  - ⇒ 50% of total population by 2015.
  - ⇒ More than 70% of total population by 2020.