



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Thirteenth Congress
Second Regular Session

House Bill No. 4668



Introduced by Honorable Rodolfo Q. Agbayani

EXPLANATORY NOTE

Government hospitals to become “Centers of Excellence” will take a much longer time if we follow the present course of managing and financing this system. Aside from the usual building and equipment upgrading and enhancement, organizational change supported by management and financing system reforms must be put in place to improve and sustain the hospital’s condition. Without these, current programs will only provide temporary relief and soon these hospitals will be back to their dilapidated and unwieldy state.

The government hospitals that serve the general public are composed of the Provincial, District, Municipal/ Medicare hospitals and the national hospitals. The local chief executives operate the first three types of hospitals while the Department of Health (DOH) operates the national hospitals. Other government hospitals serve particular purposes such as military and university hospitals. With different authorities exercising management, technical, financial and policy-making functions, the government hospital system is in disarray. Even within the DOH system, the bureaucratic layers adversely affect the hospital effectiveness, efficiency and quality of care. National level decisions are made for budgetary realignments, personnel matters, hospital policies, procurement and use of income, among others, which could be done more effectively at the institution level. To make matters worst, the lack of information at the national level and the multi institutional referrals among the oversight agencies (i.e. regional office, central office, DBM, COA, Civil Service, DOF, NEDA) make the decisions untimely, faulty and most often irrelevant.

The disposal of unserviceable equipment such as a simple typewriter will illustrate how cumbersome the system has become. It will take years and numerous follow ups before an approval can be given. Another example is the approval of the MOOE budget items not requested in the hospital budgetary proposal. Hospitals are forced to purchase these items that are not considered priorities. This practice adversely affects patient care and may indirectly cause harm and even death. The most painful part is the numbing of health workers into passivity and uncaring deportment. Their exposure to this daily misery makes the scenario a normal occurrence perpetuating a culture of mediocrity and inferior attitude. Even our conscientious health managers and officers and staff would not be able to influence such a

pervasive culture. The examples given above are of routine in nature. One can imagine the slow and agonizing process in making ground breaking and developmental programs work in this kind of environment.

Hospitals are complex institutions to manage. There are at least seven major management systems required to operate a government hospital namely the medical, nursing, medical records, medical social services, pharmacy, dietary and administrative systems. Within these systems are numerous sub systems that require understanding, experience and serious attention to effectively oversee. As if these were not enough, the nature of medical services increases the complexity of its operations. Compared to manufacturing or any other service enterprise, hospitals do not generate identical outputs that are produced in an assembly line process. Each hospital service output is the result of a unique clinical decision suited to the condition of each client. Once a clinical decision is made, numerous personnel who are specialists in their own right carry out the treatment regimen. It will take a professional manager well versed in medicine as well as management principles to blend scarce hospital resources to come up with high quality outputs. The current system does not support this, resulting into inadequate preparations for top hospital management positions. An organization not well driven will certainly not reach its destination. Our government hospitals then most often fall short of our expectations.

Historically, the financial management of hospitals received the least attention. Sadly, the financial activities of hospitals revolve around getting as much budget allocations from the Appropriations Act. Each hospital use their political connections to get more funds appropriated for them. This perpetuated the “kanya-kanya” system and turfing mentality. Also, financial controls are focused on accounting for the money spent. In an indirect way, financial auditors dictated how money should be spent. Furthermore, the financial support is not linked to the performance of the hospital. Poorly performing hospitals have the same chances as efficient hospitals in getting government funds. In the long run, efficient hospitals choose the easy path and loose sight of its organizational mission.

The revenue generating potential of the hospital has not been explored to the fullest. Budget insufficiencies occur and continue to plague government hospitals resulting into deterioration of facilities, equipment and critical supplies, including medicine and drugs. As can be seen the DOH hospital's budget in 2002 and 2003 had less than 40% of maintenance and operating expenses (MOOE). There was further decrease in MOOE in 2003 by P126, 221, 000 compared to the 2002 budget. This deteriorating financial situation calls for new strategies and bold steps. After years of effort, the DOH has been allowed to collect, retain, and utilize their income starting CY 2003. But this condition is dependent upon its inclusion in every year's GAA. It will only take a lawmaker's objection to erase this hospital's lifeline to another financial source. This makes the government hospital's viability very tenuous.

Another area of weakness is on hospital governance. In the advent of new technologies, expanding population, and changing disease patterns, parameters to develop hospital policies must also be changed. Closer analysis of the public policy implications should be done. Unfortunately, with the pressing issues DOH has to contend, not much attention has been focused on the policies for hospitals and they are bound to policies issued as far back as the 1950's.

While the Department of Health is doing its best to address these concerns, its capability is hindered by many constraints. One major constraint is the bureaucratic and legal structure that

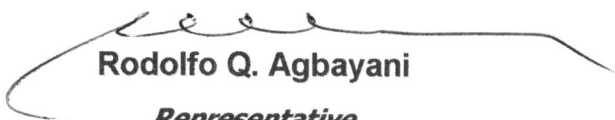
restricts major hospital reforms that are critical on getting the hospitals out of the vicious cycle of mediocrity.

The proposal is to provide autonomy to government hospitals. The concept of autonomization of government institutions has been developed and practiced in other countries. The application of the same concept in government hospitals has already been done in Singapore, Thailand, Indonesia, Malaysia and other more progressive countries with successful outcomes.

In order to provide coherence to these autonomous hospitals, it is also proposed to create the National Hospital System Development Center that would create substantial and sustainable reforms.

The National Hospital System Development Center shall assume a corporate structure but shall be accountable to government. It shall be the core and highest body for all government hospitals. It will have the capability to address policy, management, financial, and technical concern of hospitals. It shall lead the development of the hospitals to global standards that have in its heart the welfare of patients, the environment, and community as well as the medical and paramedical professionals who work in them.

It is hoped that this bill will be passed to establish a long and lasting reform to our government hospital system.



Rodolfo Q. Agbayani

Representative

Lone District, Nueva Vizcaya



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AN ACT INSTITUTING A CORPORATE RESTRUCTURING PROGRAM FOR THE NATIONAL GOVERNMENT HOSPITAL SYSTEM, REORGANIZING THE NATIONAL CENTER FOR HEALTH FACILITIES DEVELOPMENT INTO A CORPORATE BODY TO BE KNOWN AS THE NATIONAL HOSPITAL SYSTEM DEVELOPMENT CENTER FOR THE PURPOSE, PROVIDING FUNDS THEREFORE AND FOR OTHER PURPOSE.

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

Chapter I
General Provisions

Section 1. *Short title.* - This Act shall be known as the "National Hospital System Corporate Restructuring Act"

Section 2. *Declaration of policies and principles* - It is the responsibility of the State to adopt an integrated and comprehensive approach to health development which shall endeavor to make social goods, health and other social services available to all the people at affordable cost. There shall be a priority for the needs of the underprivileged sick, elderly, disabled, women and children. The State shall likewise endeavor to provide free medical care to paupers. It is further the policy of the State to establish and maintain an effective food and drug regulatory system and undertake appropriate health manpower development and research, responsive to the country's health needs and problems.

In the pursuit of this policy a Corporate restructuring Program for the National Government Hospital System shall be instituted in this Act with the following as its guiding principles:

- (a) Public health is the measure of the equitable distribution of wealth and sustainable economic growth;
- (b) The government should provide all citizens with a hospital care delivery that is affordable, accessible, and acceptable;
- (c) The provision of health care to indigent patients is a substantial expenditure requiring close cooperation with Local Government Units (LGU) and the private sector and the formulation of consistent over-all policy directions at all levels of government;
- (d) The government may engage in business-type operations and other revenue-generating activities that are not strictly governmental in character to help subsidize medical care to the underprivileged and

paupers;

(e) Fiscal autonomy of government hospitals will lead to more efficient delivery of health services; and

(f) The corporate form of organization will give hospital administrators the necessary flexibility for the effective stewardship of hospital assets, funds management and personnel and supervision.

Chapter II

The Corporate Restructuring Program for the National Government Hospital System

Section 3. *Purposes and objectives* - The National Government Hospital Corporate Restructuring Programs aims to:

(a) Provide the Filipino people an affordable but quality and timely hospital care and medical service delivery system

(b) Institute reforms in the organization, administration and financial management of national government hospitals as a means of reducing the cost and improving the quality of health care primarily thru the corporate restructuring of these hospitals, i.e., converting them into corporate entities; and

(c) Create the National Hospital System Development Center which will serve as holding company for all corporate restructured government hospitals as listed in this Act and which will exercise general supervisory powers over them.

Section 4. *Conversion of National Government Hospitals into Government Owned Corporation* - within the time-frame provided hereunder, all national government hospitals currently under the administrative supervision of the Department of Health are hereby converted into government corporate entities. As such, they shall have the attribute of perpetual succession and shall be vested with the powers of a corporation. They shall continue to exist until dissolved for lawful cause and / or by joint resolution of congress.

(a) Within one (1) year from the effectivity of this Act, the following hospitals are hereby automatically converted into government corporations and thereafter to organize immediately:

1. San Lazaro Hospital
2. Davao Medical Center
3. Quirino Memorial Medical Center
4. Davao Regional Hospital
5. National Children's Hospital
6. Jose Reyes Medical Center
7. Ilocos Training and Regional Med Center
8. National Center for Mental Health

(b) Within three (3) years from the effectivity of this Act, the following hospitals are hereby automatically converted into government corporations and thereafter to organize immediately:

1. Paulino Garcia Medical Center
2. Philippine Orthopedic Center
3. Zamboanga City Medical Center
4. Cotabato Regional and Medical Center

5. Amang Rodriguez Medical Center
6. Vicente Sotto Medical Center
7. Baguio General Hospital and Med Center
8. Research Institute for Tropical Medicine
9. Mayor Hilarion Ramiro Regional Hospital
10. Bicol Medical Center
11. Las Pinas District Hospital
12. Bataan General Hospital
13. Mariano Marcos Memorial and Medical Center
14. Jose Fabella Memorial Hospital
15. Cagayan Valley Medical Center
16. Northern Mindanao Medical Center
17. Celestino Gallares Memorial Hospital
18. Tondo Medical Center

(c) Within five (5) years from the effectivity of this Act, the following hospitals are hereby automatically converted into government corporations and thereafter to organize immediately:

1. Bicol Regional Teaching and Training Hospital
2. Western Visayas Medical Center
3. Bicol Sanitarium
4. Region I Medical Center
5. East Avenue Medical Center
6. Talavera Extension Hospital
7. Rizal Medical Center
8. St. Anthony Mother and Child
9. Eastern Visayas Medical Center
10. Luis Hora Memorial Regional Hospital
11. Batangas Regional Hospital
12. Ospital ng Palawan
13. Caraga Regional Hospital
14. Jose Lingad Memorial General Hospital
15. San Lorenzo Ruiz Extension Hospital
16. Mindanao Central Sanitarium
17. Jose N. Rodriguez General Hospital
18. Adela Serra Ty Memorial Medical Ctr.
19. Veterans Regional Hospital
20. Dr. Jose Rizal Memorial Hospital
21. Valenzuela General Hospital
22. Schistosomiasis Ctrl and Resrch Hsptl
23. Batanes General Hospital
24. Eversely Child Sanitarium

25. Culion and Balala Sanitarium
26. Basilan General Hospital
27. Amai Pakpak Medical Center
28. Corazon Locsin Medical Center
29. Western Visayas Sanitarium
30. Taguig- Pateros District Hospital
31. Sulu Sanitarium
32. Margosatubig Regional Hospital
33. Cotabato Sanitarium
34. Talisay District Hospital
35. South Isabela General Hospital
36. Mariveles Mental Ward
37. Far North Luzon General Hospital
38. Labuan Public Hospital
39. Dr. Jose Monfort Extension Hospital
40. Emilio del Valle Memorial Hospital
41. Conner District Hospital
42. Camiguin General Hospital

Section 5. *Purpose and objectives.* - Each of the foregoing corporatized hospitals, in accordance with its area of specialization, shall have the following objectives:

- (a) To provide and maintain affordable, quality and timely hospital care through and more efficient delivery system with priority for the needs of the underprivileged, sick, elderly, disabled, women, and children and resources permitting, to provide free medical care to indigent citizens;
- (b) To promote the development hospital facilities parallel to the advancement in medical technology;
- (c) To continuously improve hospital and medical service operation conditions conducive to the efficient delivery of health care to the public;
- (d) To promote, encourage and engage in scientific research on the prevention of disease and care and/or treatment of patients and related activities, including sponsorship and conduct of relevant congresses, conventions, seminars and conferences; and
- (e) To encourage and/or undertake the training of physicians, nurses, medical technicians, health officers, social workers and other health professionals on the practical and scientific conduct and implementation of health and medical services, and related activities; and

Section 6. *Powers and functions.* - Each of the corporatized hospitals shall have the following powers and functions:

- (a) To adopt a code of by-laws to complement this charter;
- (b) To adopt and use a corporate seal which shall be a matter of judicially notice;
- (c) To determine its organizational structure, and the number and salaries of its officers and employees;
- (d) To establish and maintain professional and technical educational systems for the sustained development of the necessary manpower to manage and operate its affairs and business;

(e) To invest its fund as it may deem proper and necessary in any activity related to the hospital or medical care operations, including in any bonds and securities issued and guaranteed by the government of the Philippines;

(f) To acquire assets, real or personal, or interest therein, and encumber or otherwise dispose the same as it may deem proper and necessary in the conduct of its business;

(g) To borrow money from local or foreign sources as may be necessary for its operations;

(h) To accept any gifts, contribution endowments, grants, bequests, and devices of any kind of real and personal property which are necessary and proper for the attainment of the purpose of the hospital; and

(i) To perform such acts and exercise such functions as may be necessary for the attainment of the purposes and objectives herein specified.

Section 7. *Contracts.* - Every corporatized hospital shall have the authority to enter into contracts, with any person or entity, domestic or foreign, and with government for the undertaking of the varied aspects of hospital and health care operation, including the acquisition, by way of purchase, lease or rent or other deferred payment arrangements of equipments and/or raw materials and supplies, as well as for services connected therewith under such terms and conditions as it may deem proper and reasonable.

Section 8. *Board of Directors.* - The affairs and business of the each corporatized hospitals shall be directed; its properties managed; and its corporate powers exercised, unless otherwise provided in this charter, by its own board of directors which shall be composed of nine (9) members as follows:

Voting members:

(a) Secretary of Health as Chairman of the Board or his duly authorized representative

(b) The Department of Budget and Management's Secretary or his duly authorized representative.

(c) A representative from the Local Government Unit representing the Region or Province

(d) Five (5) representatives from the business sector/socio-civic sector including medical, professional organizations.

Non-voting member:

(e) The Medical Center Director, as Chief Executive Officer.

The members of the Board enumerated in paragraph (d) shall be appointive while paragraphs (a), (b), (c), and (e) the current Medical Center Director (chief of hospital) shall serve as ex-officio member. Appointments shall be made by the Secretary of Health for the first or initial appointees, and then by the Board of Directors for subsequent appointees.

The aforesaid appointive members of the board directors shall serve for a term of three (3) years who may be reappointed for a maximum of two terms; while the ex-officio member mentioned in paragraph (a), (b), (c) and (e) hereof shall serve as members of the board of directors for the duration of their incumbency as such.

The board of directors shall be governed by a set of by-laws, which shall contain, among others, an enumeration of each of the members responsibilities, accountabilities, and cause of termination.

Section 9. *Functions of the Board.* - The Board of Directors of every corporate-restructured hospitals shall

be the policy-making body of the corporate-restructured hospital and shall perform the following functions:

- (a) Determine the general policies of the hospital within the scope of its powers, objectives and financial resources;
- (b) Establish the organizational structure of the hospital, define the duties and responsibilities of all officials and employees and adopt a compensation and benefits scheme.
- (c) Appoint the Chief Executive Officer and authorize the Chief Executive Officer of the Hospital to appoint all others: Provided, that all appointments shall be on the basis of merit and fitness and all personal action shall be in pursuance of Civil Service Laws, rules and regulations, except those coterminous employees of the members of the Board;
- (d) Prepare the annual and supplemental budgets of the hospital;
- (e) Monitor the implementation of the hospital's general policies plan, budgets and project's, and;
- (f) Submit an annual report of the operation of the hospital to the National Hospital System Development Center.

Section 10. *Duties and Responsibilities of the Chief Executive Officer.* - The Medical Center Director/ Chief of Hospital shall be the Chief Executive Officer of each corporate-restructured hospital and shall have the following duties and responsibilities:

- (a) To prepare the agenda for the meetings of the board such policies and measures as he believe necessary to carry out the purposes and objectives of the Act;
- (b) To execute, administer and implement the policies and measures approved by the board;
- (c) To direct and supervise the operations and administration of the hospital;
- (d) To represent hospital in all dealings with other offices, agencies and instrumentalities of the government and will all persons and entities, public or private, domestic or foreign, and;
- (e) To exercise such other powers and perform such other duties provided in the by-laws and as may be vested in him by the Board.

Section 11. *Authorized Capital Stock.* - Each government hospital corporatized under this Act shall have an authorized capital stock equivalent to the value of the real and other properties owned, assigned and/ or issued by it as of the effectivity of this Act to be determined by the National Hospital System Development Center, created hereunder, plus the amount of its budget for the year immediately preceding its capitalization, at par value of One Hundred Pesos (Php 100) per share.

Fractional shares that may result from the valuation mentioned above shall not be considered in the determination of the authorized capital stock and shall be made by the Board of Directors of the said Center.

Section 12. *Remittance of income.* - All corporate hospitals are hereby authorized to retain and utilize their income derived from hospital operation and non-patient related activities for the maintenance and other operating expenditures, including capital outlay especially in the acquisition of equipment and medical supplies, subject to auditing rules and regulations; Provided that, they shall remit ten (10%) percent (10%) of their gross annual income to the National Hospital System Development Center.

The Department of Health in the coordination with the Department of Budget and Management shall issue the necessary rules and regulations to implement this provision.

Section 13. *Exemption from taxes.* - Each of the corporate-restructured hospital shall be exempt from the payment of taxes on all contributions thereto and all accruals on its income and investment earnings.

Any donation, contribution, bequest, subsidy or financial aid which may be made to it shall

constitute allowable deduction from the income of the donor for income tax purposes and shall be exempt from donor's tax subject to such conditions as provided in the National International Revenue Code.

Every corporate-restructured hospital shall be exempt from all other taxes, whether direct or indirect, on its income, properties and operations.

Section 14. *Supervision.* - All the corporate-restructured hospitals shall be under the direct supervision of the National Hospital System Development Center for purposes of policy direction control.

Chapter III

The National Hospital System Development Center

Section 15. *Reorganization of the National Center for Health Facilities Development into a Corporate Body to be known as the National Hospital System Development Center.* - The National Center for Health Facilities Development (NCHFD) under the Department of Health is hereby abolished and in its place a body corporate to be known as the National Hospital System Development Center (herein after called the "Corporation") which shall serve as the holding company of all corporate-restructured government hospitals, is hereby created. The latter shall have the attribute of perpetual succession and shall be vested with the powers of a corporation.

The corporation shall be organized within thirty (30) days from the effectivity of this Act. It shall continue to exist unless dissolved for lawful cause and/or by joint resolution by Congress.

In accordance with this Act, all the real and personal assets owned, assigned and/or used by the NCHFD as of the effectivity of this act, as well as an amount equivalent to the budget therefore for the year immediately preceding the effectivity of this Act, shall be transferred to the corporation, to be credited as part of the latter's authorized capital stock. Likewise, the present personnel of the NCHFD are transferred to the corporation, to occupy such positions and receive such salaries, benefits and other emoluments to be determined by the Corporation's Board of Directors.

Section 16. *Purposes.* - The Corporation shall have the following purposes:

- (a) To serve as holding company of all corporate-restructured government hospital as mandated in this Act;
- (b) To exercise direct supervision over all corporate-restructured hospitals for purposes of policy direction and control;
- (c) To provide technical assistance to hospitals undergoing the process of corporate-restructuring;
- (d) To ensure affordable, quality and timely hospital care and medical services with priority for the needs of the underprivileged sick, elderly, disabled, women, and children and, resources permitting, to provide free medical care to paupers;
- (e) To promote the development of hospital facilities, advancement in medical technology, and establishment of health care providers for the underprivileged; and
- (f) To foster hospital and medical service operation conditions conducive to the efficient delivery of health care to the public.

In addition to the above primary purposes, the Secretary of Health may assign such personnel, or the Corporation may create such other offices or position, as may be necessary to provide the following support functions:

- (a) Formulate policies and guidelines on the operations and management of hospital and other health facilities;
- (b) Formulate a national plan for the development and equitable distribution of hospitals and other health facilities;
- (c) Institute hospital reforms towards fiscal autonomy and corporations;

- (d) Provide technical assistance in financing hospitals and other health facilities;
- (e) Provide technical support for the development of health facility resources (e.g., human resources, infrastructure, equipment, etc.); and
- (f) Develop networking and coordination mechanism for national and local as well as government and private hospitals and health facilities;

Section 17. *Powers and functions.* - The Corporation shall have the powers and functions:

- (a) To adopt a code of by-laws to compliment this charter;
- (b) To adopt and use a corporate seal which shall be a matter of judicial notice;
- (c) To determine its organizational structure, and the number and salaries of its officers and employees;
- (d) To establish and maintain offices, branches, agencies, subsidiaries, correspondents or other units anywhere as may be needed by the corporation and reorganize or abolished the same as it may be deem proper;
- (e) To establish and maintain professional and technical educational system for the sustained development of the necessary manpower to manage and operate its affairs and business;
- (f) to invest its funds as it may deem proper and necessary in any activity related to hospital and medical care operations, including in any bonds or securities issued and guaranteed by the Government of the Philippines;
- (g) To hold lands and acquire rights over lands in excess of the areas permitted to private corporations, associations and person by statue;
- (h) To engage in export and import business of medicines, medical equipment, hospital supplies, and medical technology, as well as in related activities
- (i) To acquire assets, real or personal, or interest therein, and encumber and otherwise dispose the same as it may deem proper and necessary in the conduct of its business;
- (j) Subject to existing regulations, if it deems necessary, to establish and maintain such communication system, whether by radio, telegraph or any other manner, without the need of a separate franchise therefore;
- (k) To borrow money from local or foreign sources as may be necessary for its operations;
- (l) To accept any gifts, contribution endowments, grants, bequest and devices of any kind of real or personal property, which are necessary and proper for the attainment of the purpose of the corporation;
- (m) To perform such acts and exercise such functions as may be necessary for the attainment of the purposes and objectives herein specified; and
- (n) To promulgate such rules and regulations as may be necessary to carry out the purposes of this Act.

Section 18. *Contracts.* - The Corporation shall have the authority to enter into contracts, with any person or entity, domestic or foreign, and with the government for the undertaking of the varied aspects of hospital and health care operation, including the acquisition, by way of purchase, lease or rent or other deferred payments arrangements of equipment and/or raw materials and supplies, as well as for services connected therewith under such terms and conditions as it may deem proper and reasonable.

Section 19. *The Board of Directors.* - A Board of Director, hereinafter referred to as the "Board", shall govern the Corporation. It shall be composed of the Secretary of Health as Chairman and six (6) members to be appointed initially by the President of the Philippines, upon recommendation of the Secretary of Health, while the Board shall make succeeding appointments. The members of the Board shall serve for a term of three (3) years renewable for a maximum of two (2) terms. In case of any vacancy, the Board shall fill the same for the unexpired term.

No person shall be appointed as Member of the Board unless he is a natural born citizen of the Philippines, at least 35 years of age and of establish integrity and of recognized competence in relevant fields.

From among the members of the board, the President of the Board shall be appointed by the President of the Philippines upon recommendation of the Secretary of Health. The Board shall appoint other officers of the Corporation.

Section 20. *Functions of the Board.* - The Board of Directors shall be the policy-making body of the Corporation and shall perform the following functions:

- (a) Determine the general policies of the corporation within the scope of its powers, objectives and financial resources;
- (b) Establish the organizational structure of the corporation, define the duties and responsibilities of all officials and employees and adopt compensation and benefit scheme.
- (c) Appoint all officials down to the third level and authorize the President of the Corporation to appoint all others: Provided, that all appointments shall be on the basis of merit and fitness and all personal action shall be in pursuance of Civil Service Laws, rules and regulations, except those coterminal employees of the members of the Board;
- (d) Prepare the annual and supplemental budgets of the corporation;
- (e) Monitor the implementation of the corporation's general policies, plans, budgets and projects; and
- (f) Submit an annual report of the operation of the corporation to the President of the Philippines, President of the Senate and Speaker of the House of Representatives;

Section 21. *Duties and responsibilities of the President.* - The president, who shall be the Chief Executive of the Corporation, shall have the following duties and responsibilities:

- (a) To prepare the agenda for the meetings of the Board, and to submit for consideration of the Board such policies and measures as he believe necessary to carry out the purposes and objectives of this Act;
- (b) To execute, administer and implement the policies and measures approved by the Board;
- (c) To direct and supervise the operations and administration of the corporation;
- (d) To represent the corporation in all dealings with other offices, agencies and instrumentalities of the government and will all persons and other entities, public or private, domestic or foreign; and
- (e) To exercise such other powers and perform such other duties provided in the by-laws and as may be vested in him by the Board.

Section 22. *Authorized Capital Stock.* - The Corporation shall have an authorized capital of One Hundred Million pesos (100,000,000), composed of One Million shares at One Hundred pesos (100) per share, which shall be fully subscribed by the Republic of the Philippines.

An initial operating capital in the amount of Fifty Million pesos (50,000,000) is hereby authorized to be appropriated out of any funds in the National Treasury not otherwise appropriated which shall be covered, to be credited as part of the initial paid-up capital of the corporation. Fifty-percent (50%) of the balance of the capital stock shall be appropriated and released to the Corporation within one (1) year from the effectivity of the Act, and the remaining fifty percent (50%) shall be appropriated and released to the Corporation within four (4) years thereafter.

Section 23. *Supervision and control.* - The Corporation shall be under the direct control and supervision of the Department of Health.

Section 24. *Legal counsel.* - Without prejudice to the hiring of an outside counsel, the Government Corporate Counsel shall be the ex officio legal counsel of the Corporation.

Section 25. *Auditor.* - The Commission on Audit shall appoint a representative in the performance of his duty.

Section 26. *Loans* - The Corporation is hereby authorized to contract loans, credits and other indebtedness in any convertible foreign currency, from time to time, from foreign governments, or any international financial institutions or fund sources, or any other entities, on such terms and conditions it shall deem appropriate for the accomplishments of its purposes and to enter into and execute agreements specifying such terms and conditions.

The Republic of the Philippines, through the President of the Philippines, or his duly authorized representative, may guarantee, absolutely and unconditionally, credits and indebtedness herein

authorized, which may be over and above amount which the President of the Philippines is authorized to guarantee R.A. No. 6142, as amended, as well as the performance of all or any of the obligations undertaken by the Corporation in the territory of the Republic of the Philippines pursuant to loan agreements entered into with foreign governments or any international financial institutions or fund sources.

Section 27. *Sweepstakes and lotteries.* - To augment the corporate income and government subsidy for the operation and maintenance of the Corporation and the corporatized government hospitals and to finance their respective programs services improvement and expansion, the Philippine Amusement and Gaming Corporation (PAGCOR) and the Philippine Charity Sweepstakes Office (PCSO) are hereby authorized to each hold one (1) lottery every month the net proceeds of which shall be turned to the corporation.

Section 28. *Privileges and incentives.* - The Corporation and its subsidiaries shall be entitled to all the incentives and privileges granted by law to private enterprises engage in the business of operating a medical clinic or hospital.

Section 29. *Exemption from taxes and duties.* - The corporation and subsidiaries shall be exempt from the payment of taxes on all contributions thereto and all accruals on its income and investment earnings.

Any donation, contribution, bequest, subsidy or financial aid which may be made to the Corporation shall constitute allowable deduction from the income of the donor for income tax purposes and shall be exempt from donor's tax subject to such condition as provided in the national international revenue code.

The Corporation shall be exempt from all other taxes, whether direct or indirect, on its income, properties or operations.

Section 30. *Compensation of personnel.* - The officers and employees of the Corporation shall exempt from the salary standardization law and regulations of the Compensation and Position Classification Bureau.

Section 31. *Initial appropriation.* - The unexpended portion of the budget for the National Center for Health Facility Development of the DOH for the year during which this Act was approved shall be utilized for establishing the Corporation and initiating its operations, including the formulation of the rules and regulations, necessary for the implementation of this Act. In addition, initial funding for its first three (3) years shall come from any unappropriated but available fund of the government.

Section 32. *Budget.* - The budget for the Corporation, after its three (3) years of existence shall come from the ten-percent (10%) annual remittances of the government hospitals corporatized under this Act; provided that, the Government may appropriate any amount of money, as it may deem proper, to supplement its annual budget.

Section 33. *Reports.* - The corporation shall, within three (3) months after the end of every fiscal year, submit its annual report to the President through the Secretary of Health. It shall likewise submit such periodic or other reports as may be required of it from time to time.

Chapter IV. **Supplementary Provisions.**

Section 34. *Implementing rules and regulations.* - Within thirty (30) days from the completion of the appointment of its members, the Corporation's Board of Directors shall convene to formulate the rules and regulation necessary for the implementation of this act.

Section 35. *Transitory provisions.* - This Act reinforces and broadens the corporatization program initiated by the DOH prior to the passage hereof. Hospital corporations organized out of the hospitals enumerate under section 5 hereof prior to this act or pending the organizational phase of the corporation shall be transferred by the Secretary of Health to the corporation within ninety (90) days from its organization.

Section 36. *Separability clause.* - Should any provision of this Act be held unconstitutional, no other provision hereof shall be affected thereby.

Section 37. *Repealing clause.* - All laws, acts, executive orders, administrative orders, rules or regulations inconsistent herewith, including but not limited to the charters of the hospitals enumerated in Section 5 hereof, are hereby repealed, amended or modified accordingly.

Section 38. *Effectivity.* - This Act shall take effect fifteen (15) days after publication in the Official Gazette or in any other newspaper of general circulation.

Approved.