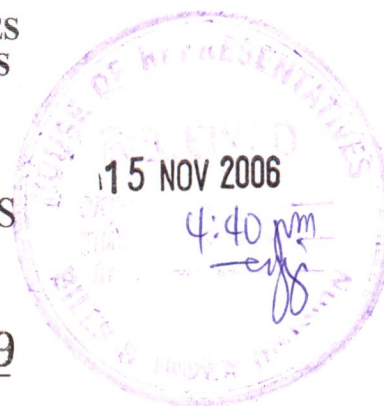


REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

THIRTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 5929



Introduced by HON. JANETTE L. GARIN

**AN ACT CONVERTING THE WESTERN VISAYAS MEDICAL
CENTER INTO A GOVERNMENT-OWNED AND CONTROLLED
HOSPITAL CORPORATION AND THE SAN JOAQUIN MUNICIPAL
HOSPITAL AS SUBSIDIARY AND APPROPRIATING FUNDS
THEREFORE**

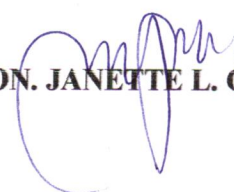
EXPLANATORY NOTE

Health is a basic human right. Our constitution affirms this fundamental tenet when it declared as a policy of the State to “protect and promote the right to health of the people.....” (Art.II, Sec. 15)

Cognizant of this constitutional mandate, this bill seeks to convert the Western Visayas Medical Center in Mandurriao, Iloilo into a Government Owned and Controlled Corporation (GOCC) and the 10 bed- Municipal Hospital in the Municipality of San Joaquin, as subsidiary of the Western Visayas Medical Center in Mandurriao, Iloilo.

The municipality of San Joaquin, is the future site of tourist destination owing to the development of its shoreline as first class fishing ports and seaside resorts. It is to become a center of trading and commerce in the island of Panay with the benefits of development spilling over to the other municipalities and districts in province of Iloilo and Antique.

The bill then seeks to address the concomitant health related needs that will come alongside these positive developments.


HON. JANETTE L. GARIN, M.D.

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THE SAN JOAQUIN MUNICIPAL HOSPITAL AS SUBSIDIARY AND
APPROPRIATING FUNDS THEREFORE.**

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

WHEREAS, the President of the Philippines is given under existing laws the continuing authority to reorganize the National Government, including government-owned or controlled corporations, these laws being Sections 76, 77 and 78 of the General Provisions of Republic Act No. 8760 (General Appropriations Act for Fiscal Year 2000 as automatically reenacted for Fiscal Year 2001 due to the failure of Congress to enact a new General Appropriations Law for Fiscal Year 2001); Section 20, Book III of the Administrative Code of 1987 (Executive Order No. 292) on the President's residual powers; Presidential Decree No. 1416, as amended by Presidential Decree No. 1772; and Section 16, Article XVIII of the Constitution;

WHEREAS, in the case of *Larin vs. Executive Secretary* (280 SCRA 713 [1997]), the Supreme Court has categorically ruled that the above-enumerated laws exist, are valid and effective which constitute the bases for the President's continuing power or authority to reorganize the National Government;

WHEREAS, pursuant to Article XIII, Section 11, of the 1987 Constitution, "the State shall adopt an integrated and comprehensive approach to health development which shall endeavor to make essential goods, health, and other social services available to all the people at affordable cost. There shall be priority for the needs of the underprivileged sick, elderly, disabled, women, and children. The State shall endeavor to provide free medical care to paupers". Section 12 mandates that "the State shall 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";

WHEREAS, it will take a much longer time for government hospitals to become Centers of Excellence if they remain as budgetary line agencies under the DOH and if current management practices and financing systems are followed; a comprehensive organizational change among these hospitals supported by management system reforms must be put in place to improve their existing conditions;

WHEREAS, there is a need to demonstrate that corporate practices in government owned institutions will bring forth beneficial effects influenced by rewards for good performance and penalties for the lack of it, and there is a need further to demonstrate that these are effective in not only in other industrial sectors but in the health sector particularly hospital institutions as well.

WHEREAS, there is a need to convert some existing government hospitals into corporate entities or as government-owned or controlled hospital corporations in order to strengthen their capability to more effectively deliver medical and hospital services to the people, especially the poor; and as an initial step, the **WESTERN VISAYAS MEDICAL CENTER (WVMC)** based on pre-determined operational and performance indicators, has been identified as one of the Department of Health hospitals with the potential to operate as a government owned and controlled corporation and the San Joaquin Municipal Hospital as subsidiary;

WHEREAS, the corporate re-structuring of government hospitals like the WVMC and the San Joaquin Municipal Hospital as subsidiary would enable them to attain reasonable degree of financial, management and operational autonomy for efficiency and quality care;

WHEREAS, this House bill shall be the legal basis during the transition period to gather evidences of the applicability and success of corporate re-structuring of WVMC and in due time when positive results have been achieved, eventual legislation shall be sought to convert the WVMC into a corporate organization and the 10 bed San Joaquin Municipal Hospital in San Joaquin municipality as subsidiary;

SEC. 1. Short Title. - This shall be known as "***An Act converting the WESTERN VISAYAS MEDICAL CENTER as a Government-Owned and Controlled Hospital Corporation (GOCC) and the SAN JOAQUIN MUNICIPAL HOSPITAL as subsidiary.***"

SEC. 2. Declaration of Principles and Policies. - Article XIII, Sections 11 and 12, of the Constitution of the Republic of the Philippines declares that the State shall adopt an integrated and comprehensive approach to health development which shall endeavor to make essential goods, health, and other social services available to all the people at affordable cost; that there shall be priority for the needs of the underprivileged sick, elderly, disabled, women, and children; that the State shall endeavor to provide free medical care to paupers; and that the State shall 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 the Health Sector Reform Program undertaken by the National Government in coordination with other health partners, this House Bill shall be anchored on these principles:

- a) Public health is a measure of the equitable distribution of the wealth and sustainable economic growth;
- b) The citizens are entitled to a hospital care delivery system that is affordable, accessible and acceptable;
- c) Service provisions to less privileged and indigent patients shall be prioritized hence requiring necessary policy directions and financial support, closer cooperation with LGUs and other partners;
- d) Fiscal and management autonomy of the WVMC will lead to better quality and more efficient delivery of health services; and
- e) The corporate form of organization will give hospital administrators the necessary flexibility for the effective stewardship of hospital assets, funds management and personnel supervision.

SEC. 3. Name and Domicile - The Western Visayas Medical Center, with principal office at Mandurriao, Iloilo City, hereinafter referred to as WVMC, is hereby converted into a pilot Government-Owned and Controlled Hospital Corporation and the San Joaquin Municipal Hospital with principal Office at San Joaquin, Iloilo as subsidiary.

SEC.4. Duration and Conditions of Existence - This House Bill shall serve to convert the WVMC into a government owned corporation and the San Joaquin Municipal Hospital as subsidiary for a period of five (5) years to commence at the beginning of the fiscal year 2007 up to the end of the fiscal year 2012 and shall be extendable for another term of five (5) years upon the discretion of the DOH subject to the termination clause provided hereunder or until such that a Republic Act legislating the same has been passed.

During this transition, it will be monitored closely based on predetermined performance indices by the National Center for Health Facility Development (DOH) in order to determine the applicability of corporate re-structuring. If these said performance targets are not met or if backsliding is noted within five years and / or if no significant improvement occurs after (ten) 10 years, upon the recommendation of the Secretary of Health, this corporatization act shall be revoked and the WVMC shall revert as a budgetary line agency under the Department of Health and the San Joaquin Municipal Hospital shall revert back under the Local Government of San Joaquin . In this event, the DOH shall formulate the implementing rules and regulations to carry out this reversion.

SEC. 5. General Objectives - This House Bill aims to:

- a) provide the Filipino people with a more affordable quality and timely hospital care through a more efficient health service delivery system; and
- b) As the main corporation, institute reforms in the organization, administration and financial management of the WVMC as a means of reducing the cost and improving the quality of public health care;

SEC. 6. Purposes.- The WVMC and the San Joaquin Municipal Hospital shall have the following purposes:

- a) To provide and maintain affordable, quality and timely hospital care through a more efficient health service 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 of hospital facilities of WVMC, advancement in medical technology, and establishment of health care providers for the underprivileged;
- c) To foster 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 diseases and the care and/or treatment of patients and related activities, including sponsorship and conduct of relevant congresses, conventions, seminars and conferences;
- 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
- f) To extend services pursuant to the goals, objectives and rules of the national health insurance program.

SEC. 7. Powers and Functions.- The WVMC and the San Joaquin Municipal Hospital shall have the following powers and functions:

- a) 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 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;
- b) To borrow money from local and foreign sources as may be necessary for its operations;
- c) To invest its funds as it may deem proper and necessary in any activity related to hospital or medical care operations, including any bonds or securities issued and guaranteed by the Government of the Philippines;
- d) To authorize such expenditures by the Corporation as are in the interest of the effective administration and operation of the Corporation.

- e) To hold lands and acquire rights over lands of the areas permitted to corporations, associations and persons by statute;
- f) To engage in export and import business of medicines, medical equipment, hospital supplies and medical technology, as well as in related activities;
- g) To acquire assets, real or personal, or interests therein, and encumber or otherwise dispose the same as it may deem proper and necessary in the conduct of its business;
- h) Subject to existing laws and regulations, if it deems necessary, to establish and maintain such communication system, whether by radio, telegraph or any other manner;
- i) To establish and maintain offices, branches, agencies, subsidiaries, correspondents or other units anywhere as may be needed by the Corporation and reorganize or abolish the same as it may deem proper;
- j) To exercise the right of eminent domain as may be necessary for the purpose, which the Corporation is created;
- k) Subject to payment of the proper amount, to enter private lands for the purpose of conducting medical experiment, research and studies in connection with hospital and medical care operations;
- l) To acquire easement over public and private lands necessary for the purpose of carrying out any work essential to its hospital and medical care operations, subject to payment of reasonable consideration;
- m) To establish and maintain administrative, management, professional and technical educational systems for the sustained development of the necessary manpower to manage and operate its affairs and business;
- n) To create position items and hire personnel to fill up such created positions;
- n) To adopt a code of by-laws to complement this House Bill;
- o) To promulgate such rules and regulations as may be necessary to carry out the purposes of this House Bill;
- p) To adopt and use a corporate seal which shall be judicially noticed;
- q) To sue and be sued;
- r) To accept any gifts, contributions, endowments, grants, bequests and devices of any kind of real or personal property which are necessary and proper for the

- r) To accept any gifts, contributions, endowments, grants, bequests and devices of any kind of real or personal property which are necessary and proper for the attainment of the purposes of the Corporation;
- s) To exercise the general powers mentioned in the Corporation Law, insofar as they are not inconsistent or incompatible with this/her House Bill.
- t) To perform such acts and exercise such functions as may be necessary for the attainment of the purposes and objectives herein specified; and
- u) To perform such other functions as may be provided by law.

SEC. 8. Board of Trustees: Composition, Term of Office. - The affairs and business of WVMC and the San Joaquin Municipal Hospital shall be directed and its properties managed and preserved and its corporate powers exercised, unless otherwise provided in this Charter, by a Board of Trustees which shall be composed of ten (10) members, as follows:

Voting members:

- a. Secretary of Health as Chairman of the board
- b. The Philippine Health Insurance Corporation President or his duly authorized representative
- c. The National Economic Development Authority Executive Director or his duly authorized representative
- d. The Department of Budget and Management's Secretary or his duly authorized representative
- e. Representative of the Committee on Health, of the House of Representatives.
- f. The duly elected president of WVMC employees association, representing hospital personnel
- g. A representative from the local, medical and allied professional organization
- h. A representative from the people's organization/socio-civic/non-government organization
- i. A representative from the business sector

Non-voting member:

- j. The WVMC Director (Medical Center Chief), as Chief Executive Officer.

The members of the Board enumerated in paragraphs (g), (h) to (i) shall be appointive while for paragraphs (a), (b), (c), (d), (e), (f), and (j) the current WVMC Director (Medical Center Chief) 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 Trustees for subsequent appointees.

member mentioned in paragraph (a), (b), (c), (d), (e), (f), and (j) hereof shall serve as members of the Board of Trustees for the duration of their incumbency as such.

No person shall be appointed member of the Board of Trustees unless he is a citizen and a resident of the Philippines, of good moral character and has attained proficiency, expertise and recognized competence in one or more of the following: hospital finance and administration, medical care, public health care, government rules and regulations, legal, business management, and marketing. They should have at least five (5) years experience in his/her field of expertise.

The Board of Trustees shall be governed by a set of by-laws, which shall contain but not limited to their responsibilities, accountabilities, cause of termination.

SEC. 9. Corporate Officers. - The Board of Trustees shall appoint a Secretary of the Board and such other officers as may be deemed necessary. Selection of the Corporate Officers must be based on the fundamental and specific duties and responsibilities prescribed by existing laws.

SEC. 10. Chief Executive Officer – The present Director of WVMC shall assume the position of Chief Executive Officer (CEO) of the Corporation. As CEO, he/she shall be in-charge of the usual and regular course of business of the Corporation and shall be accountable to the Board of Trustees of the Corporation who can remove or replace him/her for a cause (e.g., fraud, incompetence, dishonesty, etc.) and after due process. In case of vacancy after the assumption of office by the present Director of WVMC, the next CEO shall be appointed by the by the Board of Trustees of WVMC.

SEC. 11. Corporate Structure – WVMC should follow the standard corporate structure to be formulated by the DOH Central Office in coordination with different agencies.

SEC. 12. Executive Committee and Other Committees. The Board of Trustees may, by resolution passed by a majority of all its members, create an Executive Committee of not more than five (5) members who shall be appointed by the Board. At least three (3) members of the Executive Committee shall be members of the Board. The Executive Committee shall have and exercise all such powers as may be delegated to it by the Board. The Executive Committee shall keep regular minutes of its proceedings and report the same to the Board whenever required. The Board shall have the power to change the members of the Executive Committee at any time, to fill vacancies therein and to discharge or dissolve such committee either with or without cause.

The majority of all the members of the Board of Trustees may by resolution create other committees with such powers and functions as may be delegated to them by the Board. All such committees shall keep a record of their proceedings and report the same to the Board, whenever required. The Board shall have the power to appoint and remove the members of such committees and may at any time with or without cause dissolve any of such committees.

SEC. 13. Board of Trustees' Meetings and Quorum. - The Board of Trustees shall hold regular meetings at least once a month. Special meetings may be convened at the call of

the Chairman or by majority of the members of the Board. The Chairman or his/her designated representative shall preside over the meetings of the Board. In the absence of the Chairman and his/her representative, a temporary presiding officer shall be designated by the majority of the quorum. Six (6) members of the Board of Trustees shall constitute a quorum to transact business, and the vote of a majority of those present there being a quorum shall constitute a valid and binding act of the WVMC. However, the affirmative vote of at least six (6) members of the Board is required on the following matters:

- (a) Adoption or changes of policy;
- (b) Investments of WVMC funds.
- (c) Contracting of loans, except as may be provided for in the implementing rules and regulations where a vote of a majority of those present there being a quorum shall suffice as to specified certain amounts of loan borrowed;
- (d) Appointment, discipline and termination of the WVMC Hospital Chief Executive Officer/Director, but the appointment, discipline and termination of other officers and employees shall be by a majority of those present there being a quorum.
- (e) Authority to use Corporate assets as collateral for loans and borrowings.

SEC 14. Compensation of Non-government members of the Board of Trustees.

The appointive non-government members of the Board shall be entitled to *honorarium* for each meeting actually attended at such amount as may be fixed by the Board in accordance with existing laws, rules and regulations.

However, all Members of the Board of Trustees, by resolution of a majority of the members in good standing of the Corporation, claim expenses of attendance at regular or special meetings of the Board. Actual and necessary traveling expenses of the members of the Board while engaged in serving the interests of the Corporation and in pursuit of its defined objectives and purposes may be allowed by special resolution of the Board.

SEC. 15. Property of the WVMC and San Joaquin Municipal Hospital. - The property of the WVMC and San Joaquin shall consist of such real, personal, mixed, and other type of property now owned by it or reserved for or may hereafter be given, donated, acquired, transferred or conveyed to it by the Philippine Government, its branches and instrumentalities, or any foreign government, as well as by trust, foundations, corporations, or persons, alien or domestic, in order to carry out its purposes and objectives as set forth herein.

SEC. 16. Assistance from Government Offices, etc. - The WVMC may call upon any department, bureau, office, agency or instrumentality of the Government, including government-owned or controlled corporations, for such assistance, as it may need in the pursuit of its purposes and objectives.

All individuals, entities and institutions are hereby enjoined to render full assistance and cooperation to the WVMC in the accomplishment of its objectives and activities.

SEC. 17. 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 accomplishment of its purposes and to enter into and execute agreements specifying such terms and conditions.

The property and assets of the corporation may be used as collateral for its loans and borrowings.

SEC. 18. Exemption From Taxes and Duties. - The Corporation 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 conditions as provided in the National Internal Revenue Code.

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

SEC. 19. Continuous and Subsequent Government Appropriations.— Amounts as may be necessary to further improve hospital facilities and support the continued operation and maintenance of the WVMC and to continuously subsidize their indigent patients based on the Department of Health Medical Social Worker classification shall be appropriated in the annual General Appropriations Act.

SEC. 20. Auditor. - The Commission on Audit shall appoint a representative who shall be the auditor of the WVMC and such personnel as may be necessary to assist said representative in the performance of his/her duty.

SEC. 21. Civil Service Law Coverage for Employees. - The hiring, appointment, promotion, discipline and other terms and conditions of the service of all employees of WVMC and the San Joaquin Municipal Hospital shall be consistent with the provisions of the Civil Service Law, rules and regulations, except as otherwise provided for in this House Bill.

SEC. 22. Salaries, benefits and other compensation. At least for the first three (3) years of existence of the WVMC as a corporation, the compensation of its officers and employees shall be in accordance with RA 6758 otherwise known as the Salary Standardization Law. After said period and provided that WVMC shall have then attained financial viability or capability, all positions therein shall be governed by a compensation, position classification system and qualification standards approved by the Board of Trustees based on comprehensive job analysis and audit of actual duties and responsibilities.

SEC. 23. Early Retirement and Separation Benefits. - Officials and employees of the WVMC AND the San Joaquin Municipal Hospital voluntarily opt for separation or retirement shall be entitled to the benefits provided for under existing laws.

SEC. 24. Non-Registration with the Securities and Exchange Commission. The WVMC as a government-owned and controlled hospital Corporation and the San Joaquin Municipal Hospital as subsidiary shall be governed by its charter and is prohibited from being registered in the Securities and Exchange Commission (SEC) as a private corporation.

SEC. 25. Implementing Rules and Regulations. - Within fifteen (15) days from completion of membership, the Board shall convene to formulate the rules and regulations necessary for the implementation of this House Bill, which shall be issued within six (6) months. The IRR shall adopt appropriate provisions of issuances of government agencies on corporate organizational structures as well as corporate governance.

SEC. 26. Events of Early Termination – (a) In the event a law has been passed and approved by Congress authorizing the conversion of WVMC into a corporation and the San Joaquin Municipal Hospital as subsidiary; (b) In the event that the corporation shall fail to perform or to meet the pre-arranged indicators or to a degree such that in a reasonable opinion of the Secretary of the DOH, such failure amounts to an ineffective management of the hospital and it jeopardizes the delivery of hospital and medical services.

SEC. 27. Supplementary Application of Corporation Code. - The provisions of the Corporation Code shall have supplementary application in matters not provided for in this House Bill.

SEC. 28. Reports. - The Corporation shall, within three (3) months after the end of every fiscal year, submit such periodic or other reports as may be required of it from time to time to the Department of Health.

SEC. 29. Transfer of Personnel, Assets, Records and Equipment. - All personnel, assets, funds, records, equipment and liabilities of the WVMC and the San Joaquin Municipal Hospital are hereby transferred to and shall henceforth appertain to WVMC as a Corporation and the San Joaquin Municipal Hospital as subsidiary.

SEC. 30. Effect of Dissolution of the Center. - If, for any reason, the WVMC is dissolved, its property and personnel remaining at the time of such dissolution shall revert to the Department of Health and the San Joaquin Municipal Hospital shall revert back to the Local Government of San Joaquin for disposition in accordance with law.

SEC. 31. Effectivity. - This act shall take effect upon its approval.