



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Fifteenth Congress

First Regular Session

House Bill No. 4430

Introduced by **HON. ROMEO M. ACOP**

EXPLANATORY NOTE

Article XIII, Section 11 of the 1987 Constitution mandates that :

'The State shall adopt an integrated and comprehensive approach to health development which shall endeavour to make 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.'
(underscoring supplied)

Thus, Republic Act No. 7875 was passed in 1995 instituting a National Health Insurance Program and creating the Philippine Health Insurance Corporation (PhilHealth) as the vehicle to provide Filipinos an equitable access to quality health care. To ensure the financial viability of its social mandate, the law established the National Health Insurance Fund, a component of which is the Reserve Fund provided for in Section 27 thereof.

Under Section 27, the reserve fund is that portion of the Corporation's accumulated revenues not needed to meet the cost of its current year's expenditures and is earmarked to cover the amount of its actuarially estimated two year's projected

program expenditures. Any excess of the actual reserves from the two-year cover is mandated to be utilized to prospectively increase the Program's benefits or decrease investments enumerated in the law.

A review of PhilHealth's financial performance over the period of 2007-2009 indicates a strong growth with a 30% increase in total funds from P 71.31 billion in 2007 to P 100.05 billion in 2009. This growth is captured in the Corporation's reserve fund and retained earnings. Under RA 7875, PhilHealth need not create a retained earnings fund, notwithstanding that it is a corporate entity, since it is not required to make remittances to the National Treasury, neither does it have to distribute dividends nor engage in massive capital expenditure programs. PhilHealth's retained earnings may represent additional funds that could be utilized to fund additional benefits.

On the other hand, PhilHealth posted P 69.42 billion in reserves in 2008 while its actual total program expenditures (inclusive of benefit payments and operating expenses) combined for 2009 and 2010 (2-year cover) only amounted to P 54.81 billion, resulting to an excess of actual reserves of P 14.61 billion by end of 2010. This is the amount which is supposed to be utilized in increasing the benefits of the Program or decreasing the member-contributions as mandated by law. Moreover, in 2010, PhilHealth reported a net investment of P 56.97 billion with interest and other income earnings of P 6.28 billion.

Meanwhile, the General Appropriations Act of 2010 has allocated P 7.14 billion for the Health Facilities Enhancement Program of the Department of Health, which the Department claims to be just half or less of its actual requirements to wipe out the current backlog of the program. The excess reserves of PhilHealth could be used to fill such budgetary gap in the program and ease the backlog, and thereby increase the funds in the health care system in the country in pursuit of the level prescribed by the World Health Organization at 5% of the country's Gross National Product.

Furthermore, PhilHealth indicated in its Financial Report for 2010 receivable amounts of P 6.44 billion constituting unremitted counterpart-contributions of the National Government for the indigent program for the years 2005-2009, and P 143.49 million on the part of Local Government Units. As things currently stand, this recurring inability of the National Government and the Local Government Units to remit fully their counterparts, if not properly addressed, may affect PhilHealth's financial viability and operational effectiveness in the long-run.

Hence, this bill aims to make use of the excess reserves of PhilHealth by earmarking the same for the following purposes with their corresponding percentage shares :

- 1) Thirty percent (30%) for the augmentation of the Department of Health's 'Health Facilities Enhancement Program' through the establishment of a Healthcare Facilities Fund to be administered by the Department of Health;
- 2) Ten percent (10%) to constitute a standby fund to cover such portion possible of the unremitted but due and obligated counterpart-contributions of the National Government and the Local Government Units under the indigent program.

The bill also mandates a specific share of thirty percent (30%) of the excess reserves to be utilized for the prospective increase in program benefits or decrease in member-contributions, and puts a maximum limit of only thirty percent (30%) of the reserves to be invested in short-term investments enumerated in the law.

These measures will make the country's healthcare financing and delivery systems more viable and responsive to the needs of the people. Ultimately, it is hoped that the National Health Insurance Program achieves its social mission of ensuring equitable access to quality health care for all Filipinos.

For the foregoing reasons, the immediate passage of this bill is earnestly sought.


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Representative
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AN ACT
PROVIDING FOR THE UTILIZATION OF THE EXCESS RESERVE FUND
OF THE PHILIPPINE HEALTH INSURANCE CORPORATION, AMENDING FOR THE
PURPOSE REPUBLIC ACT NO. 7875

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

SECTION 1. - Section 27 of Republic Act No. 7875, otherwise known as, an 'Act Instituting a National Health Insurance Program For All Filipinos and Establishing the Philippine Health Insurance Corporation for the Purpose', is hereby amended to read as follows :

SECTION 27. Reserve Funds - The Corporation shall set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserve funds: *Provided*, that the total amount of reserves shall not exceed a ceiling equivalent to the amount actuarially estimated for two years' projected Program expenditures: *Provided, further*, that whenever actual reserves exceed the required ceiling at the end of the Corporation's fiscal year, [the Program's benefits shall be

increased or member contributions decreased prospectively in order to adjust expenditures or revenues to meet the required ceiling for reserve funds], such portions of the reserve fund as are not needed to meet the current expenditure obligations shall be SET ASIDE AND EARMARKED FOR THE FOLLOWING PURPOSES :

- 1) **THIRTY PERCENT (30%) FOR THE PROSPECTIVE INCREASE OF THE PROGRAM'S BENEFITS OR DECREASE OF MEMBER-CONTRIBUTIONS;**
- 2) **THIRTY PERCENT (30%) TO AUGMENT THE DEPARTMENT OF HEALTH'S 'HEALTH FACILITIES ENHANCEMENT PROGRAM' FOR THE NEXT FISCAL YEAR AND SHALL BE KNOWN AS THE 'HEALTHCARE FACILITIES FUND' TO BE ADMINISTERED BY THE DEPARTMENT OF HEALTH IN ACCORDANCE WITH THE RULES AND REGULATIONS THAT SHALL BE PROMULGATED BY THE DEPARTMENT OF BUDGET AND MANAGEMENT FOR THE PURPOSE;**
- 3) **TEN PERCENT (10%) AS STAND-BY FUND TO COVER SUCH PORTION POSSIBLE OF THE AMOUNT OF UNRECEIVED BUT DUE AND OBLIGATED COUNTERPART-CONTRIBUTIONS BY THE NATIONAL GOVERNMENT AND LOCAL GOVERNMENT UNITS UNDER THE INDIGENT PROGRAM; PROVIDED, THAT SUCH AMOUNT EXPENDED FROM THE FUND UPON ACTUAL RECEIPT FROM THE CONCERNED AGENCIES AND UNITS SHALL BE REIMBURSED TO THE FUND; PROVIDED, FURTHER THAT IF SUCH FUND IS UNUTILIZED, IT SHALL, AS MUCH AS PRACTICABLE, BE INVESTED UNDER THE SUCCEEDING PARAGRAPH; AND,**
- 4) **THIRTY PERCENT (30%) SHALL BE invested in short-term investments to earn an average annual income at prevailing rates of interest and shall be known as the 'Investment Reserve Fund' which shall be invested in any or all of the following :**
 - a) **In interest-bearing bonds, securities or other evidences of indebtedness of the Government of the Philippines, or in bonds, securities, promissory notes and other evidences of indebtedness to which full faith and credit and unconditional guarantee of the Republic of the Philippines is pledged;**
 - b) **In interest-bearing deposits and loans to or securities in any domestic bank doing business in the Philippines: Provided, that in the case of such deposits, this shall not exceed at any time the unimpaired capital and surplus or total private deposits of the depository bank, whichever is smaller: Provided, further, that said bank shall first have been designated as a depository for this purpose by the Monetary Board of the Bangko Sentral ng Pilipinas; and,**
 - c) **In preferred stocks of any solvent corporation or institution created or existing under the laws of the Philippines: Provided, that the issuing, assuming, or guaranteeing entity or its predecessor has paid regular dividends upon its preferred or guaranteed stocks for a period of at least three (3) years**

immediately preceding the date of investment in such preferred guaranteed stocks: *Provided, further*, that if the corporation or institution has not paid dividends upon its preferred stocks, the corporation or institution has sufficient retained earnings to declare dividends for at least two (2) years on such preferred stocks and in common stocks options or warrants to common stocks of any solvent corporation or institution created or existing under the laws of the Philippines in the stock exchange with proven track record of profitability and payment of dividends over the last three (3) years or in common stocks of a newly organized corporation about to be listed in the stock exchange: *Provided, further*, that such investments shall be rated "A's" or triple "A's" by authorized accredited domestic rating agencies or by the Corporation or in mutual funds including allied investments.

D. IN BONDS, SECURITIES, PROMISSORY NOTES OR OTHER EVIDENCE OF INDEBTEDNESS OF MEDICAL INSTITUTIONS TO FINANCE THE CONSTRUCTION, IMPROVEMENT AND MAINTENANCE OF HOSPITALS AND OTHER MEDICAL FACILITIES: PROVIDED, THAT IT SHALL NOT BE LESS THAN TWENTY-FIVE PERCENT (25%) OF THE TOTAL INVESTMENT RESERVE FUND.

SECTION 2. - *Implementing Rules and Regulations* - The Secretary of the Department of Budget and Management, upon consultation with the Secretary of the Department of Health and with the President of the Philippine Health Insurance Corporation, shall promulgate the rules and regulations necessary for the effective implementation of this Act within sixty (60) days from the approval of this Act.

SECTION 3. - *Separability Clause* - If any provision of this Act is declared invalid or unconstitutional, the remaining provisions hereof shall remain in full force and effect.

SECTION 4. - *Repealing Clause* - All laws, decrees, executive orders, rules and regulations, and other issuances, or parts thereof which are inconsistent with this Act are hereby repealed or modified accordingly.

SECTION 5 - *Effectivity Clause* - This Act shall take effect fifteen (15) days after its publication in any two (2) newspapers of general circulation.

Approved.