

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

FIFTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 5178

Introduced by Honorable Randolph S. Ting

EXPLANATORY NOTE

Probably the most compelling reason for embarking on a medicinal plant development program in the Philippines is the absence of truly Filipino research based drug industry. Years of colonial and non colonial control have distorted patterns of pharmaceutical production, distribution and consumption. The reasons are: first, the Pharmaceutical Drug Industry (PDI) especially on basic ingredients or raw materials is import dependent limited only to formulating and compounding and practically no basic raw material manufacturing; second, education was oriented towards more application of technology rather than basic research and third, despite the fact that the Philippines has plenty of medicinal plants about 7,000 plant species with medicinal values were never scientifically validated before the 1970's thus interest to stimulate research on local indigenous materials and independent science and technology system that would form the foundation of economic progress in the country was not encouraged.

The above scenario was then and is still making the Philippines very dependent on drugs manufactured by multinational companies (MNC). Statistics reveal that 75% of market sales come from drugs manufactured by MNCs mostly from the US and Europe; 20% come only from big "Filipino owned" laboratories (i.e. United Laboratories) and 5% come from small Filipino firms (i.e. Pascual Laboratories, La Croesus Pharmaceutical Co.). It is therefore not surprising that according to Kompas survey, a consumer group in Indonesia, among all ASEAN countries, the Philippines has the highest retail prices for drugs. Essential drugs have become out of reach for the average Filipino drug consumer whose income has been falling continuously way below the poverty line. In the Philippines, the annual health budget of the government is approximately equivalent to the total cost of drug requirements alone. With 55% of the population living below the poverty line, only a small proportion can afford the cost of their health requirements. High prices even have far more reaching negative effects. It has aggravated the maldistribution of drug consumption in the country so that lower income areas get less and less drugs compared to high income areas. Statistics reveal that in 1975 Metro Manila with 14% of the national population has 44.2% total consumption of drugs and 48.8% in 1985 as compared to the Visayas and Mindanao with combined 45% of the national population have a 30.1% total consumption of drugs in 1975 and a lower 24.6% in 1985. The present scenario has not changed considering that poverty was not yet appreciably alleviated and the high costs of synthetic medicines is still a problem.

Thus, to solve the above problems on high prices of synthetic drugs made by MNCs and maldistribution of drug consumption in the country, two national agencies favorably

responded. First, the Department of Science and Technology (DOST) through its department Philippine Council for Health Research and Development (PCHRD) in collaboration with the National Integrated Research Program on Medicinal Plants (NIRPROMP), a research program with members from agencies with health research agenda as well as from the academe, led by UP College of Medicine and College of Pharmacy, financed a multi-million pesos herbal medicine research project in the '70s which resulted in the scientific validation of the Sampung Halamang Gamot including Lagundi and Sambong that were endorsed by the Department of Health (DOH). The DOST further established the Davao Herbal Processing Plant to formulate the Sampung Halamang Gamot raw materials into finished products (syrups, tablets, capsules and ointment forms). Second, the Department of Health under the then Secretary of Health in the 80s Sec. Jesus Azurin realized the impact of the DOH in putting up its own Herbal Processing Plants (HPPs). The HPPs will be a way to lower the DOH budget since it will no longer buy the exorbitantly priced synthetic drugs that will be given free to indigent patients. These HPPs will formulate and package its own herbal medicines which are pharmacologically equivalent to the expensive synthetic drugs the DOH was previously buying from the MNCs and private Filipino pharmaceutical firms. Besides, the DOH intended to make these HPPs centers for herbal medicine research in the regions where they will be located. Henceforth, based on such noble purposes, in the late eighties, three (3) HPPs with not only manufacturing facilities but with research facilities were established through World Bank loans by the DOH after assessing the Cost Benefit Ratio of the DOH operating its own HPPs rather than go into Toll Manufacturing with a private pharmaceutical company. Considering the existing problems on high prices and maldistribution of drug consumption, the DOH decided to establish three (3) HPPs in the country, one in Luzon which is the Cagayan Valley Herbal Processing Plant, one in the Visayas which is the Tacloban Herbal Processing Plant and one in Mindanao which is the Cotabato Herbal Processing Plant. Realizing the nobility of the objectives of the DOH in establishing the 3 HPPs, the DOST transferred the control and management of the Davao Herbal Processing Plant to the DOH. With this set-up the savings incurred by DOH in not buying the synthetic drugs which are pharmacologically equivalent to the herbal medicines the 4 HPPs were manufacturing were used for other purposes like improvement of hospital facilities, establishing more health centers etc.

Such were the noble reasons for the establishment of the HPPs of the country by the DOH and DOST, however, events unfolded one after the other since the nineties (90's) that will deprive the Filipino Drug Consumers of these four(4) very important assets, the four HPPs of the country. First, the RA 8423 sponsored by former Sen. Juan Flavio Velasco otherwise known as the Traditional and Alternative Medicine Act (TAMA) of 1997 was passed. Sec. 17 Article V of this law transferred the control and management of the 4 HPPs from the DOH to a GOCC that was created by RA 8423 named the Philippine Institute of Traditional and Alternative Health Care (PITAHC). Barely two years from the transfer of the HPPs from DOH to PITAHC, the Board of Trustees of PITAHC already attempted to close and privatize the four HPPs of the country but this move was effectively blocked by the then Representative of the Second District of Cagayan and Vice-Chair of the Committee on Health, the Hon. Congresswoman Celia T. Layus when she delivered a Privilege Speech entitled "A Betrayal of a Public Health Program" dated August 21, 2002 after which she initiated a series of Congressional Hearings. It was just unfortunate that while immediate closure and privatization of the HPPs was forestalled, she was not able to sponsor a Housebill that will amend Sec. 17 Article V of RA 8423 so that the HPPs will be transferred back to the DOH. Such a legislative move if it was successfully accomplished would have permanently saved the HPPs from future attempts to close and privatize them making them carry out freely the original noble purposes for which they were created (as herbal medicine provider to indigent patients and herbal medicine research facilities to discover more herbal medicines indigenous in the areas where the HPP were located and also for utilization as research facilities to students both public and private schools) will be fulfilled. The attempt to close and privatize 3 of the 4 HPPs (Cagayan Valley HPP, Tacloban HPP and Cotabato HPP) did not push through however at present the HPPs are facing again another new threat of closure

and privatization through legislative fiat (HB 2867 sponsored by the Hon. Cong Rufus Rodriguez closing 36 GOCCs including PITAHC and RA 10149 sponsored by the Hon. Sen. Franklin Drilon and the Hon. Congressman Joseph Abaya which will create a committee, the GOCC Governance Committee or GCG, to evaluate all losing GOCCs for recommendation to the President for possible closure and privatization. It is fortunate that PITAHC with its HPPs will be exempted from the coverage of RA 10149 since it is a Research Institution thus it is only HB 2867 that remains to be a threat.

It is therefore very apparent based on the past history of attempts to close and privatize the HPPs that under a GOCC the HPPs will always be under threat of closure and privatization depriving Filipino Drug Consumers especially the poor and the indigent majority, of four very important herbal manufacturing and herbal medicine research facilities acquired through World Bank Loans which they have paid including interest for the past years.

For a more comprehensive information and knowledge as to the very important reasons for saving the four HPPs from closure and privatization now and in the future through the passage of a law that will transfer the control and management of the four HPPs from a GOCC named PITAHC to a national agency, the DOH, their former owner, consider the following:

MOST URGENT REASONS TO SAVE THE FOUR HPPs AS GOVERNMENT ASSETS: What are the most pressing considerations for the amendment of Sec. 17 Article V of RA 8423? Corollary to this question is why are the HPPs worth fighting for? The following are the major considerations in amending RA 8423:

FIRST, when we consider that PITAHC has no legal and moral right to control and manage the CVHPP and other HPPs. The only law sponsored by former Secretary of Health and Senator Juan Flavio Velasco which is RA 8423 the law that created the Philippine Institute of Traditional and Alternative Health Care (PITAHC) a supposed to be social service agency with the main objective to deliver health care the traditional and alternative way but perplexingly was made a PROFIT ORIENTED GOCC and again strangely transferred the control and management of the four HPPs from a national agency like DOH to a GOCC like PITAHC will be made LEGALLY RIGHT when the CVHPP and the other HPPs will be transferred back to the DOH. Why? This is because of the present situation in PITAHC in which CONFLICT OF INTEREST is being condoned and tolerated. **RA 8423 contains provisions that are in conflict with operating a Herbal Processing Plant that manufactures, perform quality control and markets the same organic and natural products that it regulates.** These are Article I Sec. 3 (d), Article III Sec. 6 and Article IV Sec.13 of RA 8423 which all refer to the regulatory function of PITAHC on organic and natural products which include herbal medicines like Lagundi and Sambong, the products of the 4 HPPs. The issue on Conflict of Interest will be removed if DOH and no longer PITAHC will assume control and management of the HPPs – that is if Cong. Jack Enrile and Cong. Randy Ting and/or Sen. Juan Ponce Enrile Sr. will sponsor a House Bill and or Senate Bill that will amend Sec.17 Article V of RA 8423 that will cause the transfer of the HPPs from PITAHC to DOH.

SECOND, when we consider the vulnerability of CVHPP and other HPPs towards arbitrary closure and privatization under a GOCC and with closure and privatization of the HPPs the Filipino people will be deprived of the following:

1. **Losing CVHPP and other HPPs means losing a very valuable Research and Development Facility assets of the regions where they are located** particularly in the field of herbal medicines of the

HPPs which is unique in the regions where the HPPs are located. Here in Region 02, there are so many students from both public and private schools mainly secondary and college levels who come to the CVHPP to do their researches on herbal medicines (Please refer to DOCUMENT A which provides a list of schools with students who availed of the services of CVHPP as an R & D Facility).

2. **Losing CVHPP and other HPPs means losing apotential economic assets In the future. Region 02 will be deprived of a Region 02 based Herbal Pharmaceutical Industry** (Please refer to DOCUMENT B – “Scheme for New Herbal Drug Development in Region 02 – A Herbal Pharmaceutical Industry in Region 02”) that will benefit farmers and business entrepreneurs in Region 02.. The CVHPP is the nucleus for a Herbal Pharmaceutical Industry in Region 02 because this is where basic laboratory testings of the safety and effectivity of a potential herbal medicine for commercial production will be done. Without the CVHPP, a Herbal Pharmaceutical Industry will never be possible in Region 02. What applies to CVHPP also applies to the other regions where the other HPPs are located.
3. **Losing CVHPP and other HPPs means losing another potential assets to formulate generic drugs from powder form into finished products in the future.** The CVHPP has the facilities and manpower to formulate raw materials (powdered form) of synthetic drugs bought from other countries into tablet and capsule forms thus **the HPPs can even be utilized to formulate not only herbal drugs but also generic drugs.** The DOH will no longer buy generic and herbal drugs from private companies so that the savings incurred will be used to buy more antibiotics or build more hospitals and other health facilities.
4. **Losing the CVHPP and other HPPs means losing the professional expertise of the HPP Personnel in delivering lectures, seminars and symposiums** on the healing effects of herbal medicines and hands on training on herbal drug decoction making, akapulco ointment making and herbal soap making for the benefit of communities with so many suffering indigent families. Such trainings provide the communities with the means to heal themselves through home remedies and they can even use this primary health care (PHC) drug making capability provided to them by the HPP personnel as a means to earn extra income for themselves and their families. In fact the CVHPP will become a very valuable asset to teach indigents in Region 02 to have the ability to feed themselves by teaching them the means to feed themselves so that they will not be forever dependent on “dole-outs”. This role of the CVHPP makes it a very valuable partner of DSWD and other agencies in a future DSWD Project proposed by RD Arnel B. Garcia entitled” Strategy on Convergence of the DSWD Core Social Protection Programs” .
5. **Losing the CVHPP and other HPPs means losing a showcase for educational tourists from other regions.The HPP facilities (buildings and equipments) serve as a showcase of Tuguegarao**

City (a TOURIST SITE) and the whole of Region 02. There are so many schools even outside of Region 02 which send their students to the HPPs on educational trips. (Again refer to DOCUMENT A for the list of schools which frequently send their students to the CVHPP on educational field trips).

THIRD, when we consider that the CVHPP and other HPPs' Return of Investment does not only lie in the amount of cash that they remit to the Bureau of Treasury but to the quantifiable amount of savings to be enjoyed by the Filipino Drug Consumers. Return of Investment in Health cannot just be measured in terms of cash or income or profit generated out of their operations but in terms of external benefits. Health Expenditures carry with them what can be called 'external benefits' that is the benefits of expenditures accrue not only to the individual who makes them but to the community as a whole. The HPPs Return of Investment through the years is a different kind from that of a 'profit enterprise' in which the governing Board of Trustees is single minded in the applications of the criterion for measuring success-the profitability of the firm or corporation. As far as the HPPs are concerned the measure of the Return of Investment (ROI) is not on how much the HPPs remitted cash to the Bureau of Treasury but on how much savings the Filipino Drug Consumer (FDC) has obtained or benefitted by using the herbal medicine tablets produced by the HPPs instead of using the branded synthetic therapeutically equivalent drugs manufactured by the multinational pharmaceutical companies (MPC). The positive Cost Benefit Ratio of the government (DOH) operating the 4 HPPs is 1:17 which means the benefits derived by the Filipino Drug Consumers (FDC) in the form of savings is 17 times greater than the cost of production of both Lagundi and Sambong incurred by the CVHPP. The quantifiable amount of savings the FDC derived out of the government produced HPP herbal medicines sold at cost is the ROI the DOH will have if it will resume the control and management of the HPPs, instead of allowing its attached GOCC agency, PITAHG arbitrarily close and divest them for the benefit of interested parties with vested interests on the four HPPs and with an intense desire to attain MONOPOLY of the Herbal Pharmaceutical Industry in the Philippines. It is hard to fathom why an agency which has the three main functions of social responsibility in promoting health care and development just like DOH but only through the traditional and alternative way , Research & Development and Regulatory functions was given the nature of a GOCC instead of the more appropriate national agency . Another benefit is that the continued existence of the 4 HPPs as a government operated manufacturer of herbal medicines will discourage the private pharmaceutical companies making the same organic and natural products like Lagundi and Sambong to raise their prices of will. Once the CVHPP and other HPPs will be closed these private pharmaceutical companies will enjoy the benefits of MONOPOLY hence they can now raise their prices AT WILL. If that happens, the average Filipino Drug Consumer can no longer avail of an affordable but safe and effective herbal medicine.

Again, the R & D value of the HPPs will redound to the good of both the academic and business communities. Without these HPPs, for the Academe, there will be no Herbal R & D Facility in Region 02 locally accessible to students unless they want to go to Manila to do their herbal medicine researches and for the business community, there will be no more opportunity for Region 02 to establish a Herbal Pharmaceutical Industry (HPI) depriving local farmers and business entrepreneurs of the opportunity to be benefitted from the project that will establish a HPI right at our doorstep.

It is significant to note that it is at the Cagayan Valley Herbal Processing Plant that the medicinal values of the Young Indian Mango leaves as a bronchodilator or anti-asthma by the SPUP second year high school students and the Siniguelas leaves by the University of St. Louis (USL) high school students as an antiseptic/antimicrobial agent for the treatment of minor wounds were discovered. These two researches were able to put Tuguegarao City, Cagayan Province and Region 2 on the map. SPUP in 2009 won in the Dep-Ed sponsored national health research competition participated by all public and private high schools nationwide held in Calapan City Mindoro and USL won in 2010 the DOST sponsored health research competition at the Luzon Cluster competition participated by Regions 1, 2 3 and CAR.

FOURTH, when we consider the scarcity of resources. Every government has only a limited amount of resources to spend in social services. It faces the challenge of getting the most in terms of goods and services for the least amount of money. The decision as to which goods and services to purchase with limited amount of money available rest on balancing value against cost and this involves first, determining the Quantifiable Amount of Savings by Filipino Drug Consumers (FDCs) if they buy the Lagundi and Sambong products made by the HPPs in which as per computation, for all the accumulated costs involved in operating the CVHPP alone in a year (P 10 M more or less) , the FDCs derived a grand total accumulated modestly estimated savings of P176.6 M in a year by not buying the pharmacologically equivalent synthetic drugs made by the Multinational Companies (MNCs) and second, by using Cost Benefit Analysis, in which the computed Cost to Benefit Ratio is 1:17, interpreted as for every unit cost of operating the CVHPP, there are 17 units of benefits derived by FDCs or stated in another way , the benefits in the form of savings by FDCs is 17 times greater than the cost of operating the CVHPP. The same is true for assessing the economic values of the other HPPs – what is true for CVHPP is true for the other HPPs.

THUS, THE VALUES OF THE HPPs LIE NOT ON THE PROFITS THAT THEY WILL MAKE FOR PITAHG BUT ON THE QUANTIFIABLE AMOUNT OF SAVINGS BY FILIPINO DRUG CONSUMERS IF THEY BUY THE LAGUNDI AND SAMBONG PRODUCTS MANUFACTURED BY THE HPPs RATHER THAN BUY THE PHARMACOLOGICALLY EQUIVALENT SYNTHETIC DRUGS MANUFACTURED BY MULTINATIONAL COMPANIES AND HERBAL DRUGS MADE BY PRIVATE COMPANIES . THIS IS THE SAME SITUATION OF THE DOH OPERATING PRIMARY, SECONDARY AND TERTIARY GOVERNMENT HOSPITALS IN WHICH THE HOSPITALS ARE EARNING INCOME BUT NOT FOR PROFIT BUT RATHER FOR SERVICE BECAUSE OF A SOCIAL RESPONSIBILITY THAT THEY HAVE TO FULFILL. HENCE, THE SITUATION OF THE HPPs MUST BE TREATED IN THE SAME WAY AS GOVERNMENT HOSPITALS – NOT AS PROFIT MAKING ASSETS OF THE GOVERNMENT BUT MAINLY FOR SERVICE – TO PROVIDE INDIGENTS WITH FREE OR GOVERNMENT SUBSIDIZED HERBAL DRUGS AND AS ONE OF THE MEANS FOR DOH TO REDUCE ITS BILLIONS OF PESOS BUDGET ON MEDICINES.

FIFTH, when we consider the tangible value of CVHPP in contributing to the overall national economic development. The enormous quantifiable savings per year can be channelled by the poor indigent FDCs to buy other basic necessities like food; clothing, shelter, education, etc.

SIXTH, when we consider the over-riding goal of the CVHPP and other HPPs , which will justify their continued existence as a government owned asset managed by a national agency like the DOH so that in this way, the CVHPP and other HPPs will not be accused of "bleeding" the DOH budget in operating them again. The

over-riding goal is for the HPPs to achieve a financially available and sustainable status without sacrificing service. How? It is by attaining Break-Even. Without raising its government subsidized price of P1.50 per tablet, the CVHPP can attain break even which means the income generated is equal to the cost of operating the CVHPP.

SEVENTH, when we consider that the CVHPP and the other HPPs were established out of World Bank Loans which we, taxpayers paid for so many years including the interests and we will just let those with vested interests especially the private company purchase these assets of the Filipino people at a very cheap Divisoria price through the Asset Privatization Scheme of the government.

EIGHTH, when we consider the fact that for ten years (2000 up to the current year) the buildings and equipments of the CVHPP deteriorated and were never appreciably improved by PITAHC. All that one sees at the CVHPP are still considered improvements made by the DOH in the '80s and 90's.

NINTH, when we consider a future scenario that just in case the CVHPP will be closed and privatized, the Regional Government Center Site will have one area (CVHPP Site) that will be occupied by a private company once privatization will be implemented.


RANDOLPH S. TING
Representative
Cagayan 3rd Legislative District

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

FIFTEENTH CONGRESS
First Regular Session
HOUSE BILL NO. 5178

Introduced by Honorable Randolph S. Ting

AN ACT
AMENDING SECTION 17 ARTICLE V OF RA 8423 OTHERWISE KNOWN AS THE TRADITIONAL AND
MEDICINE (TAMA) ACT OF 1997 CREATING THE PHILIPPINE INSTITUTE OF TRADITIONAL AND
ALTERNATIVE HEALTH CARE (PITAHC) THAT WILL CAUSE THE TRANSFER OF THE FOUR HERBAL
PROCESSING PLANTS OF THE COUNTRY FROM PITAHC, A GOCC TO THE DEPARTMENT OF HEALTH , A
NATIONAL AGENCY AND APPROPRIATING FUNDS THEREOF

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

SECTION 1. Amendment of Sec. 17 Article V of RA 8423

■ ORIGINAL TEXT OF SEC.17 ARTICLE V of RA 8423:

Sec.17 Transfer of Functions of the Traditional Medicine Unit and Other Related Units.

Upon the establishment of the Institute, the functions, personnel and assets of
the Traditional Medicine Unit and all the pharmaceutical and herbal processing plants of
the Department of Health shall be transferred to the Institute without need of
conveyance, transfer or assignment

*PROPOSED AMENDMENT OF SEC. 17 ART. V OF RA 8423

Proposed Text (Section 17) : *Transfer of Functions of the Traditional Medicine Unit and Other
Related Units.*

Upon the establishment of the Institute, the functions, personnel and assets of the
Traditional Medicine Unit of the Department of Health shall be transferred to the Institute
without need of conveyance, transfer or assignment

- The function, personnel and assets of all the pharmaceutical and herbal processing
plants of the Department of Health Regional Health Offices being coordinated by the
Traditional Medicine Unit previously transferred to the Institute, shall be reverted back
to the Department of Health under the administrative supervision of the Department of
Health Centers for Health Development.

SECTION 2. Implementation. The amount necessary for the transfer of the four Herbal Processing Plants (HPPs) of the country to the Department of Health and the necessary maintenance and improvements of the HPPs as manufacturing and research facilities under the Department of Health shall be included in the Annual General Appropriations Act.

SECTION 3. Effectivity. This act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspaper of general circulation.


RANDOLPH S. TING
Representative
Cagayan 3rd Legislative District