

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



FIFTEENTH CONGRESS

Second Regular Session

HOUSE BILL NO. 6069

Introduced by **Honorable Anthony Rolando T. Golez, Jr.**

EXPLANATORY NOTE

The Constitution espouses the state policy of adopting an integrated and comprehensive approach to health development that shall make healthcare, medicines, and other social services available to all the people, especially the poor. This policy of the state is embedded under the program of the current administration of Universal Health Care or *Kalusugan Pangkalahatan*. The primary goal of said program is to have an affordable and accessible system of health care services and products for the Pinoys.

The proponents of this bill aim to create and nurture national government hospitals that will be responsive to needs to the citizenry. The bill when passed, shall provide for a quality, modern, and efficient national hospital care delivery system in consonance with the aim of *Kalusugan Pangkalahatan*.

Twenty-six (26) national government hospitals that are currently under the direct administrative supervision of the Department of Health shall be given a government-owned corporation status under the proposed measure. In this manner, said hospitals shall be enabled to exist under a regime of perpetual succession and shall be vested with the powers of a corporation; it shall be able to exist until dissolved for a lawful cause and/or by joint resolution of Congress.

The medical institutions created under this proposed bill will be allowed to engage in income-generating activities. The revenue earned from said activities is foreseen to create a mechanism whereby medical care for indigent patients will be subsidized by said revenues. The medical institutions created will also enjoy fiscal autonomy; this freedom is expected to spur a more efficient and effective delivery of health care.

The proponents likewise firmly believe that the conversion of the hospitals into corporations shall promote said hospitals to be self-perpetuating and have more than enough funds that can be used for other health efforts.

Approval of the bill is earnestly sought.

AR. Felix

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**"AN ACT CONVERTING GOVERNMENT HOSPITALS INTO
NATIONAL GOVERNMENT HOSPITAL CORPORATIONS
PROVIDING FUNDS THEREFORE, AND FOR OTHER PURPOSES"**

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

SECTION 1. Short Title. – This Act shall be known as the "An Act Creating National Government Hospital Corporations."

SECTION 2. Declaration of Policy. – It is the policy of the State to adopt an integrated and comprehensive approach to health development which shall endeavor to make healthcare, medicines, and other social services available to all the people at affordable cost under the program of Universal Health Care or Kalusugan Pangkalahatan.

SECTION 3. Guiding Principles. – In the pursuit of the policies set forth herein, the following shall be the guiding principles for the conversion of current government hospital into National Government Hospital Corporations:

A. The provision of health services remains one of the most essential functions of the government. The government shall prioritize for the needs of the poor, underprivileged, sick, elderly, and disabled, women and children.

B. The government shall provide all citizens with an acceptable, modern, and national hospital care delivery system that is affordable and efficient. It shall be the responsibility of the government to provide for free medical care to indigents.

C. The government shall establish and maintain an effective food and drug regulatory system and undertake appropriate health manpower development and research activities responsive to the country's health needs and problems.

D. The provision of health care to indigent patients is a substantial expenditure requiring close cooperation between the State, the Local Government Units (LGUs) and the private sector. The formulation of consistent over-all policy directions at all levels of government is therefore necessary.

E. Through the operation of corporate hospitals, the government may engage in proprietary and revenue-generating activities to help subsidize medical care to indigent patients.

F. Fiscal autonomy of government hospitals will lead to more efficient delivery of health services.

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

H. The corporate nature makes the hospital self-perpetrating at the same time saves funds of the national government which it could use for other health efforts.

SECTION 4. Purpose and Objectives of this Act.- The conversion of existing government hospital into National Government Hospital Corporations shall be for:

A. Providing the Filipino people an affordable but quality and timely hospital care and medical services delivery system; and

B. Instituting reforms in the organization, administration and financial management of national hospitals as a means of reducing the cost and improving the quality of public health care primarily through the corporate restructuring of these hospitals, i.e. converting them into corporate entities.

C. Developing the present DOH Hospitals into government owned, non-profit corporate hospitals with its attendant rights and privileges.

SECTION 5. Conversion of Existing Government Hospitals Into National Government Hospital Corporations. – The following existing twenty-six (26) national government hospitals listed hereunder that are currently under the administrative supervision

of the Department of Health are hereby converted into National Government Hospital Corporations.

- A. Cagayan Valley Medical Center
- B. Veterans Regional Hospital
- C. Baguio General Hospital and Medical Center
- D. Ilocos Training and Regional Medical Center
- E. Region Medical Center
- F. Dr. Paulino J. Garcia Memorial Research and Medical Center
- G. Jose B. Lingad Memorial Medical Center
- H. Batangas Regional Hospital
- I. Bicol Medical Center (Naga Center)
- J. Bicol Research Training and Teaching Hospital (Legaspi City)
- K. Quirino Memorial Medical Center
- L. Jose R. Reyes Memorial Medical Center
- M. Rizal Medical Center
- N. Amang Rodriguez Medical Center
- O. San Lazaro Hospital
- P. Vicente Sotto Memorial Medical Center
- Q. Eastern Visayas Regional Medical Center
- R. Corazon Locsin Montelibano Memorial Regional Hospital
- S. Western Visayas Medical Center
- T. Northern Mindanao Medical Center

U. Southern Philippines Medical Center

V. Zamboanga City Medical Center

W. Cotabato Regional and Medical Center

X. CARAGA Regional Hospital

Y. Davao Regional Hospital

Z. Mayor Hilarion A. Ramiro, Sr. Regional Training and Training Hospital

SECTION 6. Objectives of National Government Hospital Corporations. –

Each of the hospitals enumerated under the immediately preceding Section shall have the following objectives:

A. To provide and maintain affordable, quality and modern hospital care through a more efficient health service delivery system with priority for the needs of the underprivileged, sick, elderly, disabled, women and children;

B. To ensure the development of hospital facilities into modern medical centers;

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 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 engage in public-private partnership (PPP) activities in accordance with the declared policy of the State to recognize the indispensable role of the private sector as the main engine for national growth and development and provide the most appropriate favorable incentives to mobilize private resources for the purpose.

SECTION 7. Powers and Functions of National Government Hospital Corporations. – Each of the hospitals enumerated under Section 5 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 judicial notice.

C. To determine its organizational structure and the number and salaries of its officers and employees, subject to existing laws.

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 funds as it may deem proper and necessary, but subject to applicable laws, rules and regulations, in any activity related to hospital or medical care operations, including in any bonds or 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, subject to applicable laws, rules and regulations;

H. 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 purpose set herein.

I. To perform such acts and exercise such functions as may be necessary and proper for the attainment of the purposes and objectives specified under this Act.

SECTION 8. Contracts. – Each hospital created under this Act shall have the authority to enter into contracts with any entity 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. Provided that, the actions of said hospitals shall be strictly in pursuance of the provisions in this Act.

In the acquisition and disposal of property real or personal, each corporation created under this Act shall strictly comply with existing applicable laws.

SECTION 9. Board of Trustees. – The powers and functions of each hospital corporation created in this Act shall be exercised by its Board of Trustees, which shall be composed of seven (7) members, as follows:

A. The Secretary of the Department of Health or his duly authorized representative, as Chairman of the Board.

B. The Operations Cluster Undersecretary/Assistant Secretary of the Department of Health, as Member.

C. The Regional Director of the Department of Health Center for Health Development, as Member.

D. The President and Chief Executive Officer of a hospital corporation, as Member.

E. Three (3) Members from the private sector preferably with experience either in medicine, finance, administration, law or management.

The terms of office of the members of the Board of Trustees from the private sector shall be seven (7) years and they shall be appointed by the President of the Philippines. The terms of office of the other members of the Board of Trustees shall be determined in accordance with the pertinent provisions of existing laws.

The Board of Trustees shall be governed by a set of by-laws, which shall contain, among others, an enumeration of each of the member's responsibilities and shall also enumerate the causes of termination.

SECTION 10. Powers and Functions of the Board of Trustees. – The Board of Trustees of each hospital corporation created under this Act shall have the following powers and 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 benefit scheme, subject to applicable existing laws.

C. Acquire, hold and own in any manner, property of whatever nature or description, and to dispose of such property under mode of encumbrance or conveyance.

D. Enter into, make, perform and carry out contracts of every kind and for any lawful purpose with any person, firm, association, firm, association or corporation, whether public or private, domestic or foreign;

E. Mortgage, lease, sell, transfer, convey or otherwise dispose of its properties:

F. Solicit and receive donations, endowments and funds in the form of contributions,

whether in cash or in kind, from both the public and private sectors and from domestic or foreign sources:

G. Open such accounts in banks and other financial institutions, and to disburse such funds or invest the same as the Board of Trustees may direct to accomplish or advance the purposes or interest of the hospital.

H. Invite foreign or local health specialists and similar experts in the various medical fields to train the personnel, trainees or residents of the hospital.

I. Send personnel of the hospital to research institutes, medical Institutes or universities for advance training or observation and to attend international or regional conventions, conferences, congresses or seminars as the Board of Trustees may deem necessary to accomplish the purposes and objectives of the hospital.

J. Enter into such agreements and arrangements with other medical or similar institutions, domestic or foreign, as may be deemed desirable by the Board of Trustees toward promoting the purposes and objectives of the hospital.

K. Develop the capabilities of the hospital so that it can become the referral center for specialized care of its catchment area.

L. Adopt a set of by-laws consistent with law and the provisions hereof to govern the administration and operation of the hospital. Within thirty (30) days from the completion of the appointment of the members of the Board of Trustees of each hospital corporation created under this Act, the Board of Trustees shall convene to adopt said by-laws. The by-laws adopted shall be submitted to the Office of the President for approval.

M. Adopt other rules regulations, policies, guidelines and procedures consistent with law and the provisions hereof to govern the administration and operation of the hospital.

N. Perform such other acts that are necessary or incidental to the accomplishment of the purposes and objectives set forth in this Act.

SECTION 11. President and Chief Executive Officer. – Each hospital corporation created under this Act shall have a President and Chief Executive Officer, who shall be appointed by the President of the Republic of the Philippines and shall serve a term of seven (7) years. The appointee must be Filipino, has good moral character and has a vast experience in management and administration. The medical directors or heads of each hospital enumerated under Section 5 cannot not be appointed as the President and Chief Executive Officer of the particular hospital corporation where he is currently serving before the passage of this Act.

SECTION 12. Powers and Functions of President and Chief Executive Officer.

– The President and Chief Executive Officer of a hospital corporation created under this Act shall have the following powers and functions:

A. Prepare the agenda for the meetings of the Board of Trustees and submit for consideration of the Board of Trustees such policies and measures necessary to carry out the purposes and objectives of this Act.

B. Execute, administer and implement the policies, measures and resolutions approved by the Board of Trustees

C. Direct and supervise the operation and administration of the hospital corporation.

D. Represent the hospital corporation in all dealings with other offices and agencies of the government.

E. Exercise such other powers and perform such other duties provided in the by-laws and as vested to him by the Board of Trustees.

SECTION 13. Retention of Income. – All hospital corporations created under this Act are hereby authorized to retain and utilize their income derived from hospital operations and non-patient related activities. The retained income shall be primarily used for subsidizing medical services rendered to the indigents. At least thirty Percent (30%) of the retained income must be used for medical services rendered to the indigents. The hospital corporations may also use said retained income for capital outlay that includes the acquisition of equipment, medical supplies and training of personnel. The retained income can also be used to augment personnel salaries and allowances, provided that, in no case shall it exceed twenty percent (20%) of the retained income in any given year.

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

SECTION 14. Exemption from Taxes. – The hospital corporations created under this Act shall be exempt from the payment of income tax. Contributions or donations accepted by said hospital corporations shall likewise be exempted from any tax. Donations contributions, bequests, subsidies or financial aid that are made in favor of a hospital corporation herein shall constitute as an allowable deduction from the income of the donor and shall be exempt from any tax.

SECTION 15. Supervision. – All the hospital corporations created under this Act shall be under the direct supervision of the Department of Health. It shall submit an annual report every 15th of April of each year.

SECTION 16. Implementing Rules and Regulations. – Within thirty (30) days

from the effectivity of this Act, the Department of Health, in coordination with the Department of Justice, Civil Service Commission, Office of the Government Corporate Counsel, and the Office of the President, shall formulate the rules and regulations necessary for the implementation of this Act.

SECTION 17. Separability Clause. – Should any provision of this Act be held unconstitutional, no other provision when able to stand by itself shall be effected thereby.

SECTION 18. Repealing Clause. – All laws, acts, executive orders, administrative orders, rules and regulations inconsistent herewith are hereby repealed, amended or modified accordingly.

SECTION 19. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in any newspaper of general circulation.

APPROVED,