



Republic of the Philippines  
**House of Representatives**  
Quezon City



**FIFTEENTH CONGRESS**  
Second Regular Session

**HOUSE BILL No. 6145**

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Introduced by Honorable Raul A. Daza

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### **EXPLANATORY NOTE**

In pursuit of the primordial goal of providing the citizenry with the best health care services at the most affordable cost, this bill seeks to introduce a proactive approach which is consistent with the integrated and comprehensive health development program currently being undertaken by the government through its *Kalusugang Pangkalahatan Program* (Universal Healthcare) thereby affirming the State's policy on health.

Towards a national hospital care delivery system that is state-of-the-art and of global quality yet affordable and efficient, this bill will showcase a Corporate Restructuring Program for National Government Hospitals.

Under this restructuring program, state hospitals or medical institutions shall be converted into corporate entities allowing them to engage in revenue-generating activities that shall help subsidize medical care to indigent patients. Under this autonomy, a more efficient delivery of health care will be ushered particularly in the effective stewardship of hospital assets, funds, management and personnel supervision. And given the corporate nature of these hospitals, they will be self-sustaining allowing the national government to save funds and devote them to other health efforts.

By virtue of this bill, twenty-six (26) national government hospitals currently under the administrative supervision of the Department of Health will be converted into government corporate entities thereby vesting in them the powers of a corporation and the capacity of perpetual succession.

In view of the foregoing, the passage of this Bill is earnestly requested.

**RAUL A. DAZA**



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**AN ACT INSTITUTING A CORPORATE RESTRUCTURING PROGRAM FOR NATIONAL GOVERNMENT HOSPITALS, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES.**

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

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

**Section 2. Declaration of Policy and Principles** - 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. There shall be priority for the needs of the poor, underprivileged, sick, elderly, and disabled, women and children. The State shall likewise endeavour 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 activities responsive to the country's health needs and problems. In the pursuit of this Policy, a Corporate Restructuring Program for National Government Hospitals shall be instituted in this Act with the following as its guiding principles:

- a. The provision of health services remains one of the most essential functions of the government;
- b. The government should provide all citizens with an acceptable, modern, and national hospital care delivery system that is affordable and efficient;
- c. 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.

- d. Through the operation of corporate hospitals, the government may engage in proprietary and revenue-generating activities to help subsidize medical care to indigent patients;
- e. Fiscal autonomy of government hospitals will lead to more efficient delivery of health services;
- f. The corporate form of organization will give hospital administrators the necessary flexibility for the effective stewardship of hospital assets, funds, management and personnel supervision; and
- g. The corporate nature makes the hospital self-perpetuating at the same time saves funds of the national government which it could use for other health efforts.

**Section 3. Purpose and Objectives** - The National Government Hospital Corporate Restructuring Program 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 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; and
- c. Develop the present DOH Hospitals into government owned, non-profit corporate hospitals with its attendant rights and privileges.

**Section 4. Conversion of National Government Hospitals into Government Owned Corporations** - Twenty-six (26) national government hospitals listed hereunder which are 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 a lawful cause and/or by joint resolution of Congress.

- 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 I 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 City)
- 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; and
- z. Mayor Hilarion A. Ramiro, Sr. Regional Training and Teaching 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 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 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 judicial notice;
- c. To determine its organizational structure and the number and salaries of its officers and employees, subject to the pertinent provisions of Republic Act No. 10149 (RA 10149), also known as the GOCC Governance Act of 2011;
- 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 of the hospital; and
- i. To perform such acts and exercise such functions as may be necessary and proper 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 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. In the acquisition and disposal of property real or personal, a bidding process shall be necessary to conform to the requirements of public bidding as provided for in Republic Act 9184 and related laws.

**Section 8. Board of Trustees** - The affairs and business of each corporatized hospital shall be directed; its properties managed; and its corporate powers exercised, unless otherwise provided in this Charter, by its own Board of Trustees which shall be composed of seven (7) members, as follows:

- a. The Secretary of the Department of Health as Chairman of the Board or his duly authorized representative;
- b. The Operations Cluster Undersecretary/Assistant Secretary of the Department of Health;
- c. The Regional Director of the Department of Health Center for Health Development;
- d. Three (3) members from the private sector preferably with experience in finance, administration or management; and
- e. The Medical Center Director.

The terms of office, manner of appointment of the trustees and other matters pertaining to the governance of each corporate hospital shall be determined in accordance with the pertinent provisions of RA 10149.

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, accountabilities, and cause of termination.

**Section 9. Powers and Functions of the Board** - The Board of Trustees which shall be the policy-making body of the corporate-restructured hospital 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 the pertinent provisions of RA 10149;
- c. To acquire, hold and own in any manner, property of whatever nature or description, and to dispose of such property under any mode of encumbrance or conveyance;
- d. To enter into, make, perform and carry out contracts of every kind and for any lawful purpose with any person, firm, association or corporation, whether public or private, domestic or foreign;
- e. To mortgage, lease, sell, transfer, convey or otherwise dispose of its properties;
- f. To 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. To 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. To 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. To send the 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. To 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. To continuously develop its capabilities so that the hospital becomes the referral center for specialized care of its catchment area;
- l. To adopt a set of by-laws, rules, regulations, policies, guidelines and procedures consistent with law and the provisions hereof to govern the administration and operation of the hospital; and
- m. To do all such other acts and things as are or may be necessary for or incidental to the accomplishment of the purposes and objectives of the hospital.

**Section 10. Duties and Responsibilities of the Chief Executive Officer** - The Chief Executive Officer of each corporate-restructured hospital 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 believes 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 hospital;

- d. To represent the hospital in all dealings with all other offices, agencies and instrumentalities of the government and with all persons and other entities, domestic or foreign; and
- e. To exercise such other powers and perform such other duties provided in the by-laws and as vested to him by the board.

**Section 11. *Remittance of Income*** - All corporate hospitals are hereby authorized to retain and utilize their ~~income~~ income derived from the hospital operation and non-patient related activities for the maintenance of the other operating expenditures, including capital outlay especially in the acquisition of equipment and medical supplies, subject to auditing rules and regulations. Further, no amount from such income shall be used to augment the salaries and other compensation of hospital personnel beyond the amounts determined by the Governance Commission for Government-Owned and Controlled Corporations (GCG), as provided for in RA 10149. 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 12. *Exemption from Taxes*** - Each of the corporate-restructured hospitals shall be exempt from the payment of taxes on all contribution 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 for in the National Internal Revenue Code. Every corporate-restructured hospital shall be exempt from all other taxes, whether direct or indirect, on its income, properties and operations.

**Section 13. *Supervision*** - All the corporate-restructured hospitals shall be under the direct supervision of the Department of Health for purposes of policy direction and control. It shall submit an annual report, pursuant to the pertinent provisions of RA 10149.

**Section 14. *Implementing Rules and Regulations*** - Within thirty (30) days from 20 the completion of the appointment of its members, the Corporation's Board of Trustees shall convene to formulate the rules and regulations necessary for the implementation of this Act.

**Section 15. *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 enumerated under Section 4 hereof prior to this Act shall be transferred by the Secretary of Health within ninety (90) days from its organization. Current government subsidy to the various hospitals shall be maintained or increased until such time that financial sustainability is achieved.

**Section 16. *Separability Clause*** - Should any provision of this Act be held unconstitutional, no other provision when able to stand by itself shall be affected thereby.

**Section 17. *Repealing Clause*** - All laws, acts, executive orders, administrative orders, rules and regulations inconsistent herewith, including

but not limited to the charters of the hospitals enumerated in Section 4 hereof, are hereby repealed, amended or modified accordingly.

**Section 18.** *EFFECTIVITY* - THIS ACT SHALL TAKE EFFECT THIRTY (30) DAYS AFTER its publication in the Official Gazette or in any newspaper of general circulation.

**Approved,**