

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **5526**



Introduced by Honorable Michael L. Romero and Enrico A. Pineda

EXPLANATORY NOTE

National healthcare insurance programs differ both in how the money is collected, and in how the services are provided. In some countries, payment is made by the government directly from tax revenue. The collection is administered by government. In other countries a similar system of compulsory contributions is made, but the collection is administered by non-profit organizations set up for the purpose.

The United States uses a single-payer health care setup. The provision of services may be through either publicly or privately owned health care providers.

An alternative funding approach is where countries implement national health insurance by legislation requiring compulsory contributions to competing insurance funds. These funds (*which may be run by public bodies, private for-profit companies, or private non-profit companies*), must provide a minimum standard of coverage and are not allowed to discriminate between patients by charging different rates according to age, occupation, or previous health status.

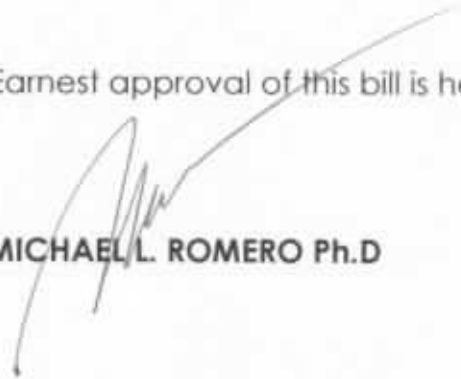
There are other countries are largely funded by contributions by employers and employees to sickness funds. With these programs, funds come from neither the government nor direct private payments. These funds are usually not for profit institutions run solely for the benefit of their members. Usually characterization is a matter of degree: systems are mixes of these three sources of funds (private, employer-employee contributions, and national/sub-national taxes).

In addition to direct medical costs, some national insurance plans also provide compensation for loss of work due to ill-health, or may be part of wider social insurance plans covering things such as pensions, unemployment, occupational retraining, and financial support for students.

National schemes have the advantage that the pool or pools tend to be very large and reflective of the national population. Health care costs, which tend to be high at certain stages in life such as during pregnancy and childbirth and especially in the last few years of life can be paid into the pool over a lifetime and be higher when earnings capacity is greatest to meet costs incurred at times when earnings capacity is low or non-existent. This differs from the private insurance schemes that operate in some countries which tend to price insurance year on year according to health risks such as age, family history, previous illnesses, and height/weight ratios. Thus some people tend to have to pay more for their health insurance when they are sick and/or are least able to afford it. These factors are not taken into consideration in NHI schemes. In private schemes in competitive insurance markets, these activities by insurance companies tend to act against the basic principles of insurance which is group solidarity.

This House Bill seeks to protect the interest of both patients and insurance companies, the government shall establish an equalization pool to spread risks between the various funds. The government may also contribute to the equalization pool as a form of health care subsidy.

Earnest approval of this bill is hereby requested.



MICHAEL L. ROMERO Ph.D



ENRICO A. PINEDA

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AN ACT

**TO RATIONALIZE THE NATIONAL HEALTH INSURANCE PROGRAM,
TO INCREASE ITS ACCUMULATED RESERVE FUNDS, TO INCREASE
THE PROGRAM'S BENEFITS, PROVIDING STIFFER PENALTIES FOR
VIOLATORS, TO AUGMENT THE HEALTH FACILITIES
ENHANCEMENT PROGRAM, AND FOR OTHER PURPOSES**

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

SECTION 1. Declaration of Policy – It is hereby declared the policy of the State to create and implement 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 and to provide free medical care to paupers.

Towards this end, the State shall provide comprehensive health care services to all Filipinos through a socialized health insurance program that will prioritize the health care needs of the underprivileged, sick, elderly, persons with

disabilities (PWDs), women and children and provide free health care services to indigents.

The state shall hereby assure that all citizens of the Republic of the Philippines shall be covered by the National Health Insurance Program. In accordance with the principles of universality and compulsory coverage enunciated in **Section 2(b)** and **2(l)** of **RA10606**. The implementation of the Program shall ensure sustainability of coverage and continuous enhancement of the quality of service:

Provided, That the Program shall be compulsory in all provinces, cities and municipalities nationwide, notwithstanding the existence of LGU-based health insurance programs:

Provided, further, That the Corporation, Department of Health (DOH), Local Government Units (LGUs), and other agencies including Non Governmental Organizations (NGOs) and other National Government Agencies (NGAs) shall ensure that members in such localities shall have access to quality and cost-effective health care services.

SECTION 2. Financial Management. – The use, disposition, investment, disbursement, administration and management of the National Health Insurance Fund, including any subsidy, grant or donation received for program operations shall be governed by applicable laws and in the absence thereof, existing resolutions of the Board of Directors of the Corporation, subject to the following limitations:

(a) All funds under the management and control of the Corporation shall be subject to all rules and regulations applicable to public funds.

(b) The Corporation is authorized to charge to the various funds under its control the costs of administering the Program. Such costs may include administration, monitoring, marketing and promotion, research and development, audit and evaluation, information services, and other necessary activities for the effective management of the Program.

The total annual costs for these shall not exceed the sum total of the following:

- (1)** Three percent **(3%)** of the total premium contributions collected during the immediately preceding year;
- (2)** Three percent **(3%)** of the total reimbursements or total cost of health services paid by the Corporation in the immediately preceding year; and
- (3)** Four percent **(4%)** of the investment earnings generated during the immediately preceding year.

The period for implementation of the cost ceiling provided under this section shall not be later than three **(3)** years from the effectivity of this Act during which period, the total annual cost shall not exceed the sum total of the following:

- (i)** Four percent **(4%)** of the total contributions;
- (ii)** Four percent **(4%)** of the total reimbursements; and
- (iii)** Four percent **(4%)** of the investment earnings generated during the immediately preceding year.

SECTION 3. Reserve Funding – 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 three **(3)** years projected Program expenditures:

Provided, further, That whenever actual reserves exceed the required ceiling at the end of the Corporation's fiscal year, the excess of the Corporation's reserve fund shall be used to increase the Program's benefits, decrease the member's contributions, and augment the health facilities enhancement program of the DOH.

The remaining portion of the reserve fund that are not needed to meet the current expenditure obligations or used for the abovementioned programs shall be placed in 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 debt securities and corporate bonds issuances:

Provided, That such securities and bonds are rated triple 'A' by authorized accredited domestic rating agencies:

Provided, further, That the issuing or assuming entity or its predecessor shall not have defaulted in the payment of interest on any of its securities and that during each of any three (3) including last two (2) of the five (5) fiscal years next preceding the date of acquisition by the Corporation of such bonds, securities or other evidences of indebtedness, the net earnings of the issuing or assuming institution available for its recurring expenses, such as amortization of debt discount and rentals for leased properties, including interest on funded and unfunded debt, shall have been not less than one and one quarter (1.25) times the total of the recurring expenses for such year:

Provided, further, That such investment shall not exceed Eight percent (8%) of the investment reserve fund;

(c) 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 (BSP);

(d) 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 or guaranteed stocks:

Provided, further, That if the stocks are guaranteed the amount of stocks so guaranteed is not in excess of fifty percent **(50%)** of the amount of the preferred common stocks as the case may be of the issuing corporation:

Provided, furthermore, 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 three **(3)** years on such preferred stocks and in 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; and

(e) In bonds, securities, promissory notes or other evidences of indebtedness of accredited and financially sound medical institutions exclusively to finance the construction, improvement and maintenance of hospitals and other medical facilities:

Provided, That such securities and instruments are backed up by the guarantee of the Republic of the Philippines or the issuing medical institution and the issued securities and bonds are both rated triple 'A' by authorized accredited domestic rating agencies:

Provided, further, That said investments shall not exceed ten percent (10%) of the total investment reserve fund.

As part of its investments operations, the PHIC may hire institutions with valid trust licenses as its external local fund managers to manage the investment reserve

fund, as it may deem appropriate, through public bidding. The fund managers shall submit annual reports on investment performance to the PHIC.

The Corporation shall set up the following funds:

- (1) A fund to secure benefit payouts to members prior to their becoming lifetime members;
- (2) A fund to secure payouts to lifetime members; and
- (3) A fund for any optional supplemental benefits that are subject to additional contributions.

A portion of each of the above funds shall be identified as current and kept in liquid instruments. In no case shall said portion be considered part of invested assets.

Another portion of the said funds shall be allocated for lifetime members within six (6) months after the effectivity of this Act. Said amount shall be determined by an actuary or pre-calculated based on the most recent valuation of liabilities.

The PHIC shall allocate a portion of all contributions to the fund for lifetime members based on an allocation to be determined by the Philippine Health Insurance Corporation (PHILHEALTH) actuary based on a pre-determined percentage using the current average age of members and the current life expectancy and morbidity curve of Filipinos.

The PHIC shall manage the supplemental benefits and the lifetime members' fund in an actuarially sound manner.

The PHIC shall manage the supplemental benefits fund to the minimum required to ensure that the supplemental benefit payments are secure.

SECTION 4. Contributions – All members who can afford to pay shall contribute to the Fund, in accordance with a reasonable, equitable and progressive contribution schedule to be determined by the Corporation on the basis of applicable actuarial studies and in accordance with the following guidelines:

(1) Members in the formal economy and their employers shall continue paying the same monthly contributions as provided for by law until such time that the Corporation shall have determined a new contribution schedule:

Provided, That their monthly contributions shall not exceed five percent (5%) of their respective monthly salaries.

It shall be mandatory for all government agencies to include the payment of premium contribution in their respective annual appropriations:

Provided, further, That any increase in the premium contribution of the national government as employer shall only become effective upon inclusion of said amount in the annual General Appropriations Act (GAA).

(2) Contributions from members in the informal economy shall be based primarily on household earnings and assets. Those from the lowest income segment who do not qualify for full subsidy under the means test rule of the DSWD shall be entirely subsidized by the LGUs or through cost sharing mechanisms between/among LGUs and/or legislative sponsors and/or other sponsors and/or the member, including the national government:

Provided, That the identification of beneficiaries who shall receive subsidy from LGUs shall be based on a list to be provided by the DSWD through the same means test rule or any other appropriate statistical method that may be adopted for said purpose.

(3) Contributions made in behalf of indigent members shall not exceed the minimum contributions for employed members.

(4) The required number of monthly premium contributions to qualify as a lifetime member may be increased by the Corporation to sustain the financial viability of the Program;

Provided, That the increase shall be based on actuarial estimate and study.

SECTION 5. Penal Provisions – Any violation of the provisions of this Act, after due notice and hearing, shall suffer the following penalties:

(a) Violation by an Accredited Health Care Provider – Any accredited health care provider who commits a violation, abuse, unethical practice or fraudulent act which tends to undermine or defeat the objectives of the Program shall be punished with a fine of not less than One hundred thousand pesos (**P100,000.00**) but not more than Two hundred thousand pesos (**P200,000.00**) or suspension of accreditation from six **(6)** months to the whole term of accreditation, or both, at the discretion of the Corporation:

Provided, That recidivists may no longer be accredited as a participant of the Program;

(b) Violations of a Member – Any member who commits any violation of this Act independently or in connivance with the health care provider for

purposes of wrongfully claiming NHIP benefits or entitlement shall be punished with a fine of not less than Fifty thousand pesos **(P50,000.00)** or suspension from availment of NHIP benefits for not less than six **(6)** months but not more than twelve **(12)** months, or both, at the discretion of the Corporation.

(c) Violations of an Employer –

(1) Failure/Refusal to Register/Deduct/Remit the Contributions – Any employer who fails or refuses to register employees, regardless of their employment status, or to deduct contributions from the employee's compensation or remit the same to the Corporation shall be punished with a fine of not less than Twenty Five thousand pesos **(P25,000.00)** multiplied by the total number of employees of the firm.

Any employer or any officer authorized to collect contributions under this Act who, after collecting or deducting the monthly contributions from his employee's compensation, fails to remit the said contributions to the Corporation within thirty (30) days from the date they become due shall be presumed to have misappropriated such contributions.

(2) Unlawful Deductions – Any employer or officer who shall deduct directly or indirectly from the compensation of the covered employees or otherwise recover from them his own contribution on behalf of such employees shall be punished with a fine of Twenty Five thousand pesos **(P25,000.00)** multiplied by the total number of affected employees.

If the act or omission penalized by this Act be committed by an association, partnership, corporation or any other institution, its managing directors or partners or president or general manager, or other persons responsible for the commission of the said act shall be liable for the penalties provided for in this Act.

(3) Misappropriation of Funds by Employees of the Corporation – Any employee of the Corporation who receives or keeps funds or property belonging, payable or deliverable to the Corporation, and who shall appropriate the same, or shall take or misappropriate or shall consent, or through abandonment or negligence shall permit any other person to take such property or funds wholly or partially, shall likewise be liable for misappropriation of funds or property and shall be punished with a fine not less than Fifty thousand pesos **(P50,000.00)** nor more than One hundred thousand pesos **(P100,000.00)**.

Any shortage of the funds or loss of the property upon audit shall be deemed *prima facie* evidence of the offense.

(d) Other Violations – Other violations of the provisions of this Act or of the rules and regulations promulgated by the Corporation shall be punished with a fine of not less than Fifty thousand pesos **(P50,000.00)** but not more than One hundred thousand pesos **(P100,000.00)**.

All other violations involving funds of the Corporation shall be governed by the applicable provisions of the Revised Penal Code or other laws, taking into consideration the rules on collection, remittances, and investment of funds as may be promulgated by the Corporation.

The Corporation may enumerate circumstances that will mitigate or aggravate the liability of the offender or erring health care provider, member or employer.

Despite the cessation of operation by a health care provider or termination of practice of an independent health care professional while the complaint is being heard, the proceeding against them shall continue until the resolution of the case.

The dispositive part of the decision requiring payment of fines, reimbursement of paid claim or denial of payment shall be immediately executory.

SECTION 6. Oversight Provision – There is hereby created a Joint Congressional Oversight Committee to conduct a regular review of the NHIP which shall entail a systematic evaluation of the Program's performance, impact or accomplishments with respect to its objectives or goals.

The Oversight Committee shall be composed of five **(5)** members from the Senate and five **(5)** members from the House of Representatives to be appointed by the Senate President and the Speaker of the House of Representatives, respectively.

The Oversight Committee shall be jointly chaired by the Chairpersons of the Senate Committee on Health and Demography and the House of Representatives Committee on Health.

The National Economic and Development Authority (NEDA), in coordination with the Philippine Statistics Authority (PSA) and the National Institutes of Health of the University of the Philippines (UP-NIH) shall undertake studies to validate the accomplishments of the Program. Such validation studies shall include an

assessment of the enrollees' satisfaction of the benefit package and services provided by the Corporation. These validation studies, as well as an annual report, on the performance of the Corporation shall be submitted to the Congressional Oversight Committee.

The Corporation shall annually transfer **0.0025%** of its income in the previous year for the purpose of conducting these studies.

SECTION 7. Implementing Rules and Regulations – Within sixty **(60)** days from the effectivity of this Act, the NHIC, in coordination with the DOH, shall issue the necessary rules and regulations for its effective implementation.

SECTION 8. Periodic Reports - The National Health Insurance Corporation (NHIC) shall submit periodic reports on its findings and make recommendations on actions to be taken by Congress and Senate and the appropriate department, and in order to carry out the objectives and mandates of this Act.

SECTION 9. Automatic Review - Every two **(2) years** after the effectivity of this Act, an independent review panel composed of experts to be appointed by the President shall review the policies and programs in the NHIC shall make recommendations, based on its findings, to the President and to both Houses of Congress.

SECTION 10. Repealing Clause. All laws, executive orders, issuances, rules and regulations inconsistent with this Act are hereby amended, repealed or modified accordingly.

SECTION 11. Separability Clause. If, for any reason or reasons, any portion or provision of this Act shall be held unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

SECTION 12. Effectivity Clause. This Act shall take effect fifteen (15) days after its publication in any newspaper of general circulation.

Approved,