

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

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 489



Introduced by Representative Stella Luz A. Quimbo

**AN ACT TO ADDRESS THE SOCIAL HEALTH INSURANCE CRISIS
AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

In 1995, Republic Act No. 7875 was passed, establishing the National Health Insurance Program (NHIP) to provide health insurance coverage and ensure affordable and accessible health care services for all citizens of the Philippines. The NHIP is mandated to include a sustainable system of fund collection, management, and disbursement for financing the availment of health insurance benefits. The same Act also established the Philippine Health Insurance Corporation (PhilHealth) to manage and administer the NHIP. With the passage of the Universal Health Care Act (Republic Act No. 11223) in 2019, every Filipino shall now be automatically included in the NHIP, thereby institutionalizing its crucial role as our people's universal payor for health care.

Despite legislative support, the NHIP has failed to provide sufficient financial risk protection for Filipinos. PhilHealth coverage continues to be less than universal, as willingness-to-pay for health insurance is relatively low among the informal sector. Utilization of PhilHealth benefits by sick Filipinos needing hospital care is below target, with an average PhilHealth claim rate of 78 percent.¹ Support value is also low, with 78 percent of case rate payments classified by PhilHealth as "underpayments."²

PhilHealth continues to be mired in controversies on fraudulent claims and other questionable transactions. In August 2020, the Senate and the House of Representatives launched a series of hearings to investigate the corruption allegations against PhilHealth. Among the issues that these inquiries tackled are the alleged overpriced information technology equipment procured by the corporation, the alleged manipulation of its financial statements, the implementation of its case rate system, and the implementation of its interim reimbursement mechanism (IRM), all of which are likely mechanisms for fraud and/or corruption.

¹ National Demographic Health Survey, 2017.

² Joint Hearing of the Committee on Public Accounts and Committee on Good Government and Public Accountability, 12 August 2020.

The findings from these discussions point to the gross mismanagement of public funds and pervasive systemic fraud within the corporation. This has cost our people billions of pesos in losses – funds that are even more crucial today, as COVID-19 continues to spread with no end yet in sight. Indeed, we are in the midst of a social health insurance crisis.

PhilHealth has been suffering from a failure of leadership, due to a lack of technical expertise at the helm. Frequent changes in top management have been insufficient to resolve this, and unsuccessful in curbing corruption. Indeed, certain PhilHealth officials have been promoted within the organization despite being charged in court.³ This underscores the need for a massive overhaul of the current system, through the reorganization of PhilHealth.

This measure proposes to grant power to the President to outsource any or all segments of PhilHealth, in order to make these segments more effective, efficient, and innovative in the provision of social health insurance. To carry out this purpose, the President may abolish or create offices, transfer functions, institute drastic cost-cutting, and take other related measures to carry out the given objectives.

Other measures that this bill introduces include the creation of an Executive-Legislative Commission to design the policy framework and carry out all necessary steps to reorganize the PhilHealth. The Commission shall also designate a Transition Management Team, to be chosen through competitive selection, to assume the management of the corporation until its reorganization, which will be completed within two (2) years. In this time, the Transition Management Team is tasked to improve the management of PhilHealth and the NHIP and help transition the corporation towards effective outsourcing. The Team itself will be contracted from senior management within the private sector who possess the necessary technical expertise to ensure the proper management of the NHIP.

Only when brave Steps such as this are taken can we ensure genuine universal access to quality health care. In view of the ongoing COVID-19 pandemic and the urgent need to resolve the current social health insurance crisis, the passage of this bill is earnestly sought.


STELLA LUZ A. QUIMBO, PhD
Representative
Second District, Marikina City

³ Hearing of Senate Committee of the Whole, 4 August 2020

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

1 SECTION 1. *Short Title.* – This Act shall be known as the “Social Health
2 Insurance Crisis Act of 2020.”

3 SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of the State
4 to adopt urgent and effective measures to address the ineffective provision of social
5 health insurance pursuant to the Universal Health Care Act, resulting in the lack of
6 financial risk protection for sick Filipinos and lack of access to quality health care.

7 Pursuant thereto the government shall address the issues relevant to the social
8 health insurance crisis, including the serious matter of graft and corruption in all
9 agencies involved in the implementation of the National Health Insurance Program
10 (“NHIP”).

11 SECTION 3. *Organization of Joint Executive-Legislative Social Health*
12 *Insurance Crisis Commission.* – Within thirty (30) days after the effectivity of this Act,
13 there shall be organized a Joint Executive-Legislative Social Health Insurance Crisis
14 Commission (“Commission”). The Commission shall be chaired by the Executive
15 Secretary, with the secretaries of the Department of Health, Department of Finance,
16 Department of Labor and Employment, Department of Social Welfare and
17 Development, the chairman of the Governance Commission for GOCCs, and the
18 chairmen of the appropriate Senate and House committees as designated by the
19 leaders of both Houses of Congress, as well as a representative of the minority from
20 each House, to serve as members.

21 The primary responsibility of the Commission is to carry out all steps necessary
22 towards the reorganization of the Philippine Health Insurance Corporation (“PHIC”),
23 pursuant to Section 8 of this Act.

24 SECTION 4. *Powers and Functions.* – To carry out the purposes and objectives
25 of this Act, the Commission is hereby authorized:

- a. To designate, through a competitive selection process pursuant to Republic Act No. 9184 or the Government Procurement Reform Act, a Transition Management Team following the qualifications under Section 5 of this Act to manage the PHIC for the next two (2) years from the effectivity of this Act, or until such time that the reorganization of the PHIC is completed, whichever is sooner;
- b. To prepare the framework, policies, and guidelines necessary for the reorganization of the PHIC;
- c. To secure from any department bureau, office, agency or instrumentality of the government such assistance as may be needed, such as technical information, the preparation and production of reports, and the submission of recommendations or plans, as it may require;
- d. To contact research, conduct consultations, and gather information from key stakeholders to support its plans and policies for reorganization;
- e. Generally, to exercise all the powers necessary, relevant and incidental to attain the purposes and objectives for which it is organized.

SECTION 5. *Qualifications of the Transition Management Team.* – The Transition Management Team (“Team”) shall be contracted from the senior management of a private corporation or management consultancy firm based on the following qualifications:

- a. Established competence in business management, operations, and finance, with at least 10 years of individual experience in health insurance;
- b. Proven company record in agency coordination for development contracts, intergovernmental agreements, and project management plan and design;
- c. Previously developed and executed transition plans and executed phased implementation of the transition plan; and
- d. Has been previously engaged to build transition plans with timelines, resource requirements, and risks and mitigation strategy.

SECTION 6. *Duties and Responsibilities of the Transition Management Team.* – To carry out the objectives of the NHIP and the objectives of this Act, the Transition Management Team shall have the following duties and responsibilities:

- a. Assume the management of the PHIC and implementation of the NHIP in line with the Universal Health Care Act, for the period specified in Section 4 of this Act;
- b. Undertake all necessary planning and procedures, including the crafting of technical specifications, for any procurement required for the reorganization of the PHIC;
- c. Directly coordinate all activities of the Commission in the planning and implementation of projects towards the reorganization of the PHIC;

- d. Promulgate the necessary rules, procedures, and guidelines, and undertake policy reforms to ensure the improved management of the PHIC and implementation of the NHIP;
- e. Ensure improved collection, analysis, and storage of data to improve the implementation of the NHIP and to aid the Commission in its formation of policies for reorganization;
- f. Conduct the necessary reviews, audits, and research, including actuarial studies, to improve the implementation of the NHIP and to aid the Commission in its formation of policies for reorganization;
- g. Enter into contracts with private or public entities, in line with its duties and functions of the Commission;
- h. Call upon any department, bureau, office, agency, instrumentality or any political subdivision of the Government to assist in the research and planning of policies of the Commission;
- i. Execute and administer policies and decisions of the Commission; and
- j. Other duties and responsibilities as assigned by the Commission which may be necessary to achieve the objectives of this Act.

SECTION 7. *Compensation of the Transition Management Team.* – The funds necessary for the just compensation of the Transition Management Team shall be taken from the funds allotted for administrative expenses of the NHIP, as provided in Section 12 of the Universal Health Care Act.

SECTION 8. *Reorganization of the Philippine Health Insurance Corporation (PHIC).* – Within twenty-four (24) months from the approval of this Act, the President of the Republic is hereby empowered to revamp the executive leadership and reorganize the PHIC, including the outsourcing of any or all segments of these agencies, operations or facilities if necessary, to make them more effective and innovative to address the social health insurance crisis. For this purpose, the President may abolish or create offices, transfer functions, equipment, properties, records and personnel; institute drastic cost-cutting and other related measures to carry out the said objectives. Nothing in this section shall result in the diminution of the present salaries and benefits of the personnel of the PHIC: *Provided*, That any official or employee of the said agencies occupying positions which may be phased out by reason of the reorganization authorized herein shall be entitled to such benefits as may be determined by existing laws.

The President may upgrade the compensation of the personnel of the PHIC at rates commensurate to the improved and efficient revenue collection of the agency as determined by the Board of Trustees and the same shall be exempt from the provisions of Republic Act No. 6750, otherwise known as the "Salary Standardization Law."

SECTION 9. *Commission's Report.* – The Commission shall submit a quarterly report to the President and to Congress on the implementation of this Act.

SECTION 10. *Sunset Clause.* – The Joint Executive-Legislative Social Health Insurance Crisis Commission shall complete its report and submit its recommendation

1 to the President and to Congress within a period of twenty-four (24) months after its
2 formal organization. After such period, it shall cease functus officio.

3 SECTION 11. *Separability Clause.* – If any provision of this Act is declared
4 unconstitutional or invalid, the remainder of the provision thereof not affected shall
5 remain in force and effect.

6 SECTION 12. *Repealing Clause.* – All laws, executive orders, administrative
7 rules and regulations or parts thereof which are inconsistent with the provisions of this
8 Act are hereby amended, or repealed accordingly.

9 SECTION 13. *Effectivity Clause.* – This Act shall take effect immediately upon
10 its publication in a newspaper of general circulation or in the Official Gazette.

11 *Approved,*