



Republic of the Philippines  
**House of Representatives**  
Quezon City, Metro Manila

**TWENTIETH CONGRESS**  
*First Regular Session*

**HOUSE BILL NO. 5506**



---

Introduced by **Representative Francisco “Lalo” T. Matugas**

---

**EXPLANATORY NOTE**

The 1987 Constitution mandates the State to protect and promote the people's right to health and instill health consciousness among them. Under Article III, Section 11, the State is required “to adopt 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.”

Despite the foregoing, and the continued efforts of the government to make healthcare accessible to all, a significant portion of the population continues to have difficulty accessing quality healthcare. While the aim has been to afford universal health care, government resources are still limited. One solution is through Health Maintenance Organizations (HMOs) which can offer a higher standard of care.

This bill, also known as the “Health Maintenance Organizations Act,” aims to improve Filipinos' access to high-quality healthcare and enhance health financing security through Health Maintenance Organizations (HMOs). It establishes a regulatory framework for HMOs and creates a new government body to oversee them.

Similar bills on HMOs have been filed since the 10<sup>th</sup> Congress. During the 13<sup>th</sup> and 14<sup>th</sup> Congress, the same was passed by the Lower House on Third Reading and transmitted to the Senate.

Considering the primordial importance of ensuring the availability of quality healthcare for all, immediate passage of this bill is earnestly sought.

**FRANCISCO T. MATUGAS**  
*Representative*  
First District, Surigao del Norte



Republic of the Philippines  
**House of Representatives**  
Quezon City, Metro Manila

**TWENTIETH CONGRESS**  
*First Regular Session*

**HOUSE BILL NO. 5506**

---

Introduced by **Representative Francisco “Lalo” T. Matugas**

---

**AN ACT**

**ENSURING THE ACCESS OF ALL FILIPINOS TO THE HIGHEST ATTAINABLE STANDARD OF HEALTH AND IMPROVING HEALTH FINANCING SECURITY OF ALL FILIPINOS THROUGH HEALTH MAINTENANCE ORGANIZATIONS, REGULATING THEIR OPERATIONS BY ESTABLISHING A CENTER FOR MANAGED CARE SERVICES, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES**

1        **SECTION 1. *Short Title.*** - This Act shall be known as the “Health  
2 Maintenance Organizations Act.”  
3

4        **SEC. 2. *Declaration of Policy.*** - It is the policy of the State to protect and  
5 promote the right to health of the people and instill health consciousness among  
6 them. To this end, the State shall:  
7

- 8        a. Enhance the accessibility to affordable healthcare services through the  
9        participation of the private sector in providing, funding, and managing  
10       healthcare services to the people;  
11
- 12       b. Ensure that all medical care services managed by the private sector are  
13       aligned with the constitutional rights of all people to the highest attainable  
14       standard of health and with the National Agenda of the Philippines;  
15
- 16       c. Encourage the growth of Health Maintenance Organizations (HMOs) in the  
17       country by providing government support, incentives, technical assistance,  
18       and ease of doing business; and  
19
- 20       d. Ensure greater accessibility to quality health care through affordable  
21       health insurance policies.  
22

1       **SEC. 3. Objectives.** - In line with the above policy, this Act seeks to:

- 2       a. Recognize HMOs as unique medical service providers combining financial  
3       management and the direct and indirect provision of health services;  
4  
5       b. Establish a national framework for the regulation of HMOs that shall  
6       uphold the rights of the people, ensure the delivery of quality and timely  
7       health services, and uphold the rights of patients in the delivery of their  
8       products and services;  
9  
10      c. Establish the Center of Managed Care Services (CMCS) that shall be  
11      responsible for the coordination with, oversight of, and regulation of HMOs  
12      in the country;  
13  
14      d. Improve the inter-operability between PhilHealth and HMOs to decrease  
15      further or eliminate out-of-pocket expenditures for health in the country;  
16      and  
17  
18      e. Recognize and protect the rights of HMOs, healthcare providers, and  
19      members.

20      **SEC. 4. Definition of Terms.** – As used in this Act:

- 21      a. **Actuary** refers to a person with the necessary training, qualifications, and  
22      experience and a fellow of the Actuarial Society of the Philippines. He shall,  
23      among others, compute rates and reserves for health care plans based on  
24      experience tables and determine the financial soundness of health care  
25      agreements and operations of HMOs, evaluate the likelihood of events, and  
26      design creative ways to reduce the likelihood and decrease the impact of  
27      adverse events that may occur in the operation of HMOs;  
28  
29      b. **Agreement** refers to a contract entered into by an HMO with a member or  
30      group of members or a corporation on behalf of its employees and/or their  
31      dependents, for the former to provide or arrange to provide pre-agreed or  
32      designated health care services to the latter, for a fixed period and for a  
33      specified fee;  
34  
35      c. **Corporation** refers to a juridical person as defined by law, duly registered  
36      with the Securities and Exchange Commission;  
37  
38      d. **Claim** refers to a statement of services submitted to an HMO by a  
39      healthcare provider following the provision of Covered Services to a  
40      member that shall include diagnosis or diagnoses and itemization of  
41      services and treatment provided to the member;  
42  
43      e. **Covered Services/Coverage** refers to healthcare services to be delivered  
44      by a healthcare provider to a member as provided for in a health care  
45      policy;

- 1
- 2 f. **Health Maintenance Organization (HMO)** refers to a type of managed
- 3 care organized in accordance with the law to provide pre-agreed or
- 4 designated healthcare services to its enrolled members for a fixed periodic
- 5 fee and a specified period through a network of healthcare providers. It
- 6 uses a system of healthcare delivery called managed care that influences
- 7 utilization and costs of services and measures performance resulting in
- 8 quality cost-effective care. It integrates financing and delivery of health
- 9 care services through managed health plans which may be in the form of a
- 10 comprehensive HMO plan, preferred provider plan, managed indemnity or
- 11 self-insured plans, third-party administration plan, and others that fall
- 12 under the definition of a managed health plan.
- 13
- 14 g. **Health Care Provider** refers to a health professional such as a physician,
- 15 dentist, nurse, midwife, health care professional group, hospital, diagnostic
- 16 clinic, or pharmacy licensed or authorized by the proper government
- 17 agency to provide active health care services;
- 18
- 19 h. **Health Care Policy** refers to an HMO policy comprising an individual set
- 20 of health service delivery and compensation procedures offered as a
- 21 Managed Care product of an HMO to its members. It specifies Covered
- 22 Services and all other terms, conditions, limitations, exclusions, benefits,
- 23 rights, and obligations thereof to which the HMO and its members are
- 24 subject. It may be in the form of a Comprehensive HMO Policy, Preferred
- 25 Provider Policy, Managed Indemnity, Long Term Care Policy, Self-Insured
- 26 Policy or Third Party Administration Policy;
- 27
- 28 i. **Managed Care** refers to a health care delivery system that influences
- 29 utilization and cost of services and measures performance to deliver quality
- 30 and cost-effective health care. It is a complex system that involves the
- 31 active coordination of, and the arrangement for, the provision of health
- 32 services and coverage of health benefits. It involves relationships and
- 33 organization of the providers giving care and the covered benefits tied to
- 34 managed care rules;
- 35
- 36 j. **Member or Enrollee** refers to an individual or a person who is part of a
- 37 group or an employee and/or dependents or a corporation, who entered into
- 38 a contract with an HMO;
- 39
- 40 k. **Enrollment Fee** refers to the amount of money paid to an HMO by an
- 41 individual member, group, or corporation on behalf of its employees and
- 42 the latter's dependents, in payment for a pre-agreed set of health services,
- 43 for a specific period; and
- 44
- 45 l. **Membership Fee** refers to the amount of money paid by an individual
- 46 member, group, or corporation on behalf of its employees and the latter's
- 47 dependents, in payment for a pre-agreed set of health services, for a specific
- 48 period.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45

## CHAPTER ONE

### HEALTH MAINTENANCE CONTRACT

**SEC. 5. *Health Maintenance Contract.*** - A Health Maintenance Contract is a contract between an HMO and a subscriber or group of subscribers to provide coverage for comprehensive healthcare services in exchange for a prepaid per capita or prepaid aggregate fixed sum. It may cover individuals, families, or group of people with an established and fixed affinity of association. A Health Maintenance Contract shall also include Third Party Administration contracts or Administrative Services Only contracts. It also includes a schedule of Covered Services and compensations and specifies all other terms, conditions, limitations, exclusions, benefits, rights, and obligations to which the HMO and health care provider are subject.

**SEC. 6. *Tax Exemptions.*** - To tap and encourage private sector participation in the government's thrust to make health services accessible to the low-income sectors of the population through affordable enrollment fees, domestic corporations, individuals, and resident corporations shall be allowed to deduct the cost of HMO membership fees from the taxable income of said employers.

All benefits received or receivable by any person arising from a Health Maintenance Contract is exempt from income tax. Premiums paid by the employer on behalf of their employees and their dependents shall not accrue as income on the employee for the latter's taxation.

All Health Maintenance Contracts issued by registered HMOs shall likewise be exempt from Value Added Tax, but the same shall be subject to Documentary Stamp Tax at the same rate applied to Insurance Contracts.

**SEC. 7. *Secrecy.*** - The details and contents of a Health Maintenance Contract including the availments arising from contracts and all sensitive personal information generated and derived from the negotiations, consummation, and delivery of health care services, up to five (5) years from the date of its termination, shall not be disclosed to any third party including government investigations without the prior written consent of the data subject. In the case of corporations, such prior written consent must be exercised by its President with the consent of its Board and its consent shall only extend to its collective data and to the individual data of all members under its plan which shall be exercised by each respective member prior to its disclosure. In the case of families, such prior written consent must be exercised by the father or mother, or if absent, by the oldest member of the family, and such consent may be voidable by any of its family members.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45

## CHAPTER TWO

### THE CENTER FOR MANAGED CARE SERVICES

**SEC. 8. *Creation and Composition.*** - There is hereby created a Center for Managed Care Services (CMCS), which shall be under the direct control and supervision of the Department of Finance. It shall be headed an Administrator and three (3) Deputy Administrators. The CMCS shall serve as the primary regulatory body responsible for overseeing the operation and performance of HMOs in the Philippines.

The necessary plantilla, staffing pattern, and organizational structure shall be determined by the CMCS, in consultation with the DOF, subject to existing rules and regulations and approval by the Department of Budget and Management.

The CMCS shall be created within 180 days from the effectivity of this Act.

**SEC. 9. *Powers and Functions of the CMCS.*** - The CMCS shall have the authority to exercise the following powers and functions over HMOs:

- a. Issue rules and guidelines, with respect to the establishment of HMO minimum capitalization, net worth, reserve funds and security deposit requirements, as well as the criteria for qualification and disqualification of directors, officers and marketing personnel, and the procedure for the submission of reportorial and/or examination requirements, registration of contracts and plans, adjudication of claims, and other relevant matters, as necessary;
- b. Approve, amend, renew, decline, suspend, or revoke any license, registration, or certificate of authority issued in favor of HMOs;
- c. Fix, assess, collect, and utilize fees and/or charges as it may find reasonable in the exercise of regulatory powers;
- d. Regulate, supervise, and monitor the operations and management of HMOs to ensure compliance with this Act, existing laws, rules, and regulations, and such other directives and circulars issued by the CMCS;
- e. Issue orders to prevent fraud and injury to the HMO plan holders and industry stakeholders;
- f. Order the examination of documents, papers, files, tax returns, books of accounts and other records, in whatever form, of any entity, person, or any HMO under investigation, including persons, entities and/or corporations with related interests;

- g. Pursuant to existing laws, rules, and regulations, impose sanctions, and/or appropriate penalties;
- h. Protect the interests of HMO subscribers by ensuring that HMOs adhere to fair and transparent policies in their service offerings, billing, and claims processing;
- i. Establish and enforce minimum quality standards for healthcare services provided by HMOs to guarantee the delivery of safe and effective medical care to subscribers;
- j. Establish a mechanism for the fair and timely resolution of disputes between HMOs and their subscribers, including appeals for denied claims;
- k. Collect and maintain data on HMO performance, subscriber satisfaction, and overall healthcare trends to inform policy and decision-making;
- l. Collaborate with other relevant government agencies, healthcare providers, and stakeholders to promote a unified and integrated healthcare system in the Philippines;
- m. Enlist the aid and support of and/or deputize any and all law enforcement agencies of the government in the implementation of its powers and in the exercise of its functions under this Act;
- n. Issue appropriate directives, such as but not limited to the appointment of conservators, receivers or liquidators, to HMOs which fail to comply with this Act, related laws, rules, regulations, orders, and circulars issued pursuant thereto;
- o. Prepare, approve or amend, rules, regulations, orders, and circulars, and issue opinions, provide guidance on and supervise compliance with such rules, regulations, orders, and circulars;
- p. Formulate policies and recommendations on issues concerning the health maintenance industry, including proposed legislations; and
- q. Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to carry out the express powers granted the IC to achieve the objectives and purposes of this Order.

**SEC. 10. *Administrator.*** - The CMCS Administrator shall be appointed by the President of the Republic of the Philippines for a term of six (6) years, upon the recommendation of the DOF Secretary, without reappointment and shall serve as such until the successor has been appointed and qualified.

1       The Administrator shall have the duty to ensure that all laws relating to  
2 HMOs are faithfully executed, to ensure the efficient regulation of the HMOs in  
3 accordance with global best practices, and to protect the public. He may issue such  
4 rulings, instructions, circulars, orders, and decisions as he may deem necessary to  
5 secure the enforcement of the provisions of this Act, subject to the approval of the  
6 Secretary of Finance.

7  
8       **SEC. 11. Powers of the Administrator** - To effectively carry out the  
9 mandate of the CMCS under Section 9 of this Act, the Administrator shall have  
10 the power to:

- 11  
12 a.     Approve, reject, suspend, or revoke licenses or certificates of registration as  
13 provided for in this Act;
- 14  
15 b.     Impose sanctions for the violation of this Act and the rules, regulations, and  
16 orders issued pursuant thereto;
- 17  
18 c.     Prepare, approve, amend or repeal rules, regulations, and orders, and issue  
19 opinions and provide guidance on and supervise compliance with such rules,  
20 regulations and orders;
- 21  
22 d.     Enlist the aid and support of, or deputize any enforcement agency of the  
23 government in the implementation of its powers and functions under this  
24 Act;
- 25  
26 e.     Issue cease and desist orders to prevent fraud or injury to the public;
- 27  
28 f.     Cite for contempt of the Administrator, both direct and indirect, in  
29 accordance with the pertinent provisions of and penalties prescribed by the  
30 Rules of Court;
- 31  
32 g.     Compel the officers of any registered HMOs to call meetings of stockholders  
33 or members thereof under its supervision;
- 34  
35 h.     Suspend or revoke, after proper notice and hearing, the license or certificate  
36 of authority of any entity or person under its regulation, upon any of the  
37 grounds provided by law;
- 38  
39 i.     Conduct an examination to determine compliance with laws and  
40 regulations if the circumstances so warrant as determined by appropriate  
41 rules and regulations;
- 42  
43 j.     Investigate, not oftener than once a year from the last date of examination,  
44 to determine whether an institution is conducting its business on a safe and  
45 sound basis: *Provided, That*, the deficiencies or irregularities found by or  
46 discovered by an audit shall be immediately addressed;
- 47

- 1 k. Inquire into the solvency and liquidity of the institutions under the CMCS'  
2 supervision and enforce prompt corrective action;  
3  
4 l. Retain and utilize all fees, charges, and other income derived from the  
5 regulation of HMOs;  
6  
7 m. Fix and assess fees, charges, and penalties in the exercise of regulation; and  
8  
9 n. Exercise such other powers as may be provided by law as well as those  
10 which may be implied from, or which are necessary or incidental to the  
11 express powers granted to the CMCS to achieve the objectives and purposes  
12 of this Act.

13  
14 Except as otherwise specified, decisions made by the Administrator shall be  
15 appealable to the Office of the President.  
16

17 **SEC. 12. *Exclusive Powers of the Administrator.*** – The Administrator  
18 shall have the power to adjudicate claims and complaints arising from Health  
19 Maintenance Contracts issued, where the amount of any such loss, damage, or  
20 liability, excluding interest, cost, and attorney's fees, being claimed or sued does  
21 not exceed in any single claim Five million pesos (PHP5,000,000.00).  
22

23 The Administrator may authorize any officer or group of officers under it to  
24 conduct investigation, inquiry and/or hearing and decide claims and may issue  
25 rules governing the conduct of adjudication and resolution of cases. The Rules of  
26 Court shall have suppletory application.  
27

28 The party filing an action pursuant to the provisions of this section thereby  
29 submits his person to the jurisdiction of the Administrator. The Administrator  
30 shall acquire jurisdiction over the person of the impleaded party or parties in  
31 accordance with and pursuant to the provisions of the Rules of Court.  
32

33 **SEC. 13. *Deputy Administrators.*** - The CMCS shall have three (3)  
34 Deputy Administrators for Legal Services, Health Services, and Financial  
35 Management who shall be appointed by the President of the Republic of the  
36 Philippines, upon the recommendation of the DOF Secretary, who shall serve for  
37 a term of six (6) years without reappointment and who shall serve as such until  
38 the successors have been appointed and qualified.  
39

40 The Deputy Administrator for Health Services shall be a licensed health  
41 professional with a proven track record for the management of health services and  
42 financial instruments. The Deputy Administrator for Finance shall be a Certified  
43 Public Accountant.  
44

45 **SEC. 14. *Conflict of Interest.*** - The Administrator and his Deputy  
46 Administrators shall avoid any conflict of interest that may arise from their official  
47 duties. They shall refrain from participating in any decision-making process that  
48 may directly or indirectly benefit their personal or financial interests.

1  
2       **SEC. 15. *Reporting and Accountability.*** - The CMCS shall regularly  
3 report its activities, accomplishments, and financial status to the Secretary of  
4 Finance for review and assessment. The Administrator shall submit an annual  
5 report to the Congress of the Philippines, including an evaluation of the HMO  
6 industry's performance and recommendations for further improvements.

7  
8  
9                                   **CHAPTER THREE**

10  
11                           **REGISTRATION AND LICENSING**

12  
13       **SEC. 16. *Registration and Minimum Required Paid-up Capital.*** - No  
14 entity, natural or juridical, shall operate in the Philippines without first obtaining  
15 registration and a license from the CMCS.

16  
17       Any Filipino corporation, duly formed and organized under the Revised  
18 Corporation Code, may register and apply for a license to conduct business as an  
19 HMO with the CMCS provided that it has a minimum paid-up capitalization of  
20 not less than Two hundred million pesos (PHP 200,000,000.00) upon application.

21  
22       HMOs shall submit proof of the required paid-up capital as part of their  
23 application for registration and licensing. Failure to meet the minimum capital  
24 requirement shall result in the denial of their application until such requirement  
25 is satisfied.

26  
27       The paid-up capital requirement shall be subject to periodic review by the  
28 CMCS to ensure its adequacy in supporting the financial stability and  
29 sustainability of HMOs.

30  
31       The CMCS shall issue guidelines and regulations detailing the procedures  
32 for verifying and validating the paid-up capital of HMOs during the registration  
33 process.

34  
35       HMOs shall comply with the minimum capital requirements set by the  
36 CMCS to ensure their financial stability and ability to provide healthcare services.  
37 HMOs must demonstrate compliance with the quality standards set by the CMCS  
38 and submit periodic reports as required by the CMCS.

39  
40       **SEC. 17. *Adjustment of Minimum Paid-up Capital.*** –

41  
42       The CMCS, in consultation with relevant stakeholders and based on  
43 prevailing economic conditions, may adjust the minimum required paid-up capital  
44 to keep pace with inflation and market demands.

45  
46       Any adjustment to the minimum required paid-up capital shall be done with  
47 due notice to all existing HMOs, giving them a reasonable period to comply with  
48 the new requirement.

1  
2       **SEC. 18. *Actuaries/Financial Consultants.*** - To protect the potential and  
3 enrolled members of the HMOs, the CMCS shall ensure that HMOs adhere to  
4 actuarially sound practices and possess financial capabilities to render the  
5 services stipulated in their agreements.  
6

7       To achieve these objectives, the CMCS shall engage the services of actuaries  
8 and/or financial consultants to analyze the financial status and the actuarial  
9 soundness of the HMO practices prior to issuance or renewal of licenses. For this  
10 purpose, the CMCS shall require from HMOs such additional data and reports it  
11 deems necessary: *Provided, That*, such data and reports are certified by either an  
12 actuary, financial consultant or external auditor.  
13

14       **SEC. 19. *Arbitration and Review.*** - HMOs shall provide an internal  
15 mechanism where disputes between parties to a Health Care Policy or parties to  
16 an internal Care Provider Contract may be resolved in an expeditious manner. In  
17 the event that the dispute is unresolved, a member, health provider or an HMO  
18 may elevate the case directly to the CMCS for binding arbitration. However, if the  
19 CMCS determines the conflict to be medical in nature or requiring a review of  
20 medically necessary decisions, the case shall be referred to an HMO Medical  
21 Review Committee to be constituted by the DOF for judgment.  
22

23       **SEC. 20. *Grandfather Rule.*** - All HMOs duly licensed by the Insurance  
24 Commission upon approval of this Act shall be deemed registered and licensed to  
25 conduct business as an HMO: *Provided, That*, all HMOs are given five (5) years to  
26 comply with any requirements imposed by this Act or by the CMCS.  
27

28       **SEC. 21. *Term.*** - All licenses issued by the CMCS shall be effective for not  
29 more than five (5) years and renewable for thirty (30) days only from its expiry.  
30

31       **SEC. 22. *Ease of Doing Business.*** - The CMCS shall, as far as practicable,  
32 act upon all applications within thirty (30) days from the date of submission.  
33

34       The CMCS shall strictly adhere to Republic Act No. 11032 otherwise known  
35 as the "Ease of Doing Business and Efficient Government Service Delivery Act of  
36 2018".  
37

38       **SEC. 23. *Grounds for Revocation of License.*** - The CMCS shall revoke  
39 the license of any HMO, after due process, on the following grounds:  
40

- 41       a.     Repeated violations of this Act;
- 42       b.     Repeated suspension of HMO license;
- 43       c.     Unjustified refusal to provide the health care services contracted for by a  
44               member as provided for in the agreement; and  
45                 
46                 
47

- 1 d. Impairment of the financial status of the HMO as may be determined by  
2 the CMCS during suspension.  
3

4 In all cases of revocation, the enrollees or members of HMOs should be  
5 properly consulted and have the final say as to which HMO they wish to be  
6 transferred.  
7

8 **SEC. 24. *Grounds for Suspension of License.*** - The license to operate  
9 issued to HMOS may be suspended by the CMCS, after due process, on the  
10 following grounds:  
11

- 12 a. When based on the financial reports, continued operation of the HMO  
13 business is no longer financially sound;  
14  
15 b. When without justifiable cause, agreements with members are not honored;  
16  
17 c. When the statements in the application for license or renewal thereof are  
18 found to be false, misleading, inadequate, or incomplete such that the  
19 CMCS cannot ascertain the true status from such statement, sufficient to  
20 arrive at an honest appraisal of the true capability of the HMO;  
21  
22 d. When the decision of the CMCS or arbitration of complaint is not honored  
23 by an HMO; and  
24  
25 e. When an HMO continuously violates the rules and regulations issued by  
26 the CMCS.  
27

28 **SEC 25. *Penal Clause.*** - The following sanctions and penalties are hereby  
29 imposed for violations of this Act:  
30

- 31 a. A fine of Twenty Thousand Pesos (PHP20,000.00) for the first violation of  
32 the provisions of this Act, Thirty thousand pesos (PHP30,000.00) for the  
33 second, and Fifty Thousand Pesos (PHP50,000.00) for the third violation.  
34 For the fourth violation of this Act, the provision of Section 23, shall apply;  
35  
36 b. A fine of One Hundred Thousand Pesos (PHP100,000.00) every time the  
37 license of the HMO is suspended, *Provided, That* the payment of this fine  
38 shall not absolve the HMO of its obligations under the agreements it has  
39 contracted with members and/ or participating or accredited providers; and  
40  
41 c. An order to freeze the assets of the HMO suspended or revoked for the  
42 protection of investors, providers, and members.  
43

44 In addition thereto, the Administrator is hereby authorized to impose the  
45 following penalties upon HMOs, their directors and/or officers and/or agents, for  
46 any willful failure or refusal to comply with, or violation of any provision of this  
47 Act, or any order, instruction, regulation, or ruling of the Administrator, or any

1 commission or irregularities, and/or conducting business in an unsafe or unsound  
2 manner as may be determined by the Administrator:

- 3
- 4 a. Fines not less than Five thousand pesos (PHP5,000.00) and not more than  
5 Two Hundred Thousand Pesos (PHP200,000.00); and  
6
- 7 b. Suspension, or after due hearing, removal of directors and/or officers and/  
8 or agents.  
9

10 The amount that may be collected as fines shall be retained by the CMCS  
11 for its use in the information dissemination mentioned in Section 27 of this Act.  
12 *Provided, That* a separate account shall be maintained by the CMCS for such  
13 purpose.  
14

15 Violations committed by HMOs in the direct provisions of healthcare  
16 services, performance of laboratory or diagnostics services, and operations of  
17 hospitals or clinics shall be subject to applicable rules and regulations of the  
18 Department of Health.  
19

20 **SEC. 26. *Reinstatement of Suspended or Revoked Licenses.*** - The  
21 CMCS may reinstate a suspended or revoked license upon a reasonable showing  
22 that the ground for which the suspension or revocation was based has ceased to  
23 exist and that the HMO has sufficiently complied with the requirements the  
24 CMCS may determine for such reinstatement.  
25

26 **SEC. 27. *Publication.*** - The CMCS shall inform the public by publishing  
27 periodically:  
28

- 29 a. List of licensed HMOs; and  
30
- 31 b. Suspension and/or revocation of the license of HMOs, copies of which shall  
32 be furnished to associations of the medical profession, hospitals, and  
33 employers who shall inform their members accordingly.  
34

35 **SEC. 28. *HMO Coverage of SUCs.*** - State Universities and Colleges  
36 (SUCs) may provide mandatory HMO coverage to all full-time faculty and regular  
37 non-teaching personnel of State Universities and Colleges (SUCs). For this  
38 purpose, the Board of Regents of each SUC shall have the discretion to decide the  
39 form, coverage, and terms of the services to be provided by HMOs. The approval  
40 and implementation of the mandatory HMO coverage provided under this Act  
41 shall not require any approval from other agencies or officials.  
42

43 The HMO coverage provided under this Act shall be in addition to the  
44 existing healthcare program provided to all government employees through the  
45 Philippine Health Insurance Corporation.  
46

47 **SEC. 29. *Exemption from Anti-Money Laundering Compliance.*** -  
48 HMOs shall be excluded from the obligations and requirements set forth in

1 Republic Act No. 9160, otherwise known as the "Anti-Money Laundering Act of  
2 2001," as amended. However, HMOs shall still be subject to reporting suspicious  
3 transactions involving large or unusual financial activities to the appropriate  
4 authorities as mandated by relevant laws and regulations.  
5

6 **SEC. 30. Appropriations.** - The amount necessary for the implementation  
7 of this Act shall be included in the General Appropriations Act of the year following  
8 its enactment and every year thereafter.  
9

10 **SEC. 31. Transitory provision.** - The Insurance Commission (IC) and the  
11 CMCS may enter into inter-agency agreements, to ensure the full and appropriate  
12 transfer of all functions related to HMOs including, but not limited to, temporary  
13 detail of personnel concerned to the CMCS.  
14

15 All books, contracts, correspondences, documents, papers, records, other  
16 associated items, and pending business in any way pertaining to the powers,  
17 duties, rights, and responsibilities related to the functions of the IC over HMOs  
18 shall be turned over, transferred, and delivered to the CMCS for continuation,  
19 modification, or termination; *Provided*, That the delivery of such information shall  
20 not violate any applicable confidentiality constraints.  
21

22 The CMCS shall constitute a special team to handle all matters related to  
23 HMOs and shall secure and transfer all the HMO-related files and records of the  
24 IC to the CMCS within ninety (90) days from the effectivity of this Act. Personnel  
25 under the IC affected by this Act shall continue their service with the CMCS. They  
26 may, however, be detailed to the CMCS for efficient transition and effective  
27 discharge of the functions provided under this Act and its implementing rules.  
28

29 **SEC. 32. Creation of Oversight Committee.** - To ensure the effective  
30 transfer of the jurisdiction and regulation over HMOs to the CMCS, an Oversight  
31 Committee composed of the Secretary of Finance, as Chairman, with the Secretary  
32 of Health and the Insurance Commissioner, as members, is hereby constituted.  
33

34 **SEC. 33. Role of the DOH.** - All issues relating to medical matters  
35 including, but not limited to, practice of the medical profession, medical  
36 procedures and standards, and health programs, policies, services, and facilities,  
37 shall be referred to the DOH.  
38

39 **SEC. 34. Implementing Rules and Regulations.** - The CMCS shall  
40 promulgate the rules and regulations necessary to implement this Act within  
41 ninety (90) days from the creation of CMCS. Such rules and regulations shall be  
42 furnished to HMOs and concerned sectors and shall take effect upon publication  
43 in a newspaper of general circulation.  
44

45 **SEC. 35. Separability Clause.** - If any provision or part of this Act is  
46 declared invalid or unconstitutional, the remaining parts or provisions not affected  
47 shall remain in full force and effect.  
48

1       **SEC. 36. *Repealing Clause.*** - All laws, decrees, orders, rules and  
2 regulations, or parts thereof, inconsistent with any provision of this Act are hereby  
3 repealed or modified accordingly.  
4

5       **SEC. 37. *Effectivity.*** - This Act shall take effect fifteen (15) days after its  
6 complete publication in the Official Gazette or in a newspaper of general  
7 circulation.  
8

9       *Approved,*  
10