



Republic of the Philippines
Department of Health
OFFICE OF THE SECRETARY

December 2, 2009

ADMINISTRATIVE ORDER
No. 2009 - 0029

SUBJECT: Guidelines for the Implementation of Health Care Financing Strategy 2010-2020

I. BACKGROUND

The 1987 Constitution of the Philippines provides that the State shall 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 (Section II, Article XIII). Moreover, the National Health Insurance Act of 1995 was passed to provide all Filipinos with financial access to ' health services through the National Health Insurance Program (NHIP), which was designed to provide the peOpIe the means to pay for health care services, particularly the poor.

Amidst the scenario of high out-of-pocket expenses for health and with the implementation problems of the National Health Insurance Program, including inadequate benefit support with bias towards in-patient care, limited population coverage, weak and inflationary provider payment mechanism, the Department of Health undertook the Health Sector Reform Agenda to 1) improve the benefits of NHIP to make it more attractive; 2) aggressively enroll members to the program particularly the poor; 3) introduce measures to improve program performance; and. 4) establish administrative infrastructure that can handle the increased work load. The implementation of HSRA yielded initial gains in reforming the financing system in the country, including the expansion NHIP Benefit Packages, not only in increasing the benefit package but also in redirecting the orientation of the benefit package frOm an inpatient care-focused to ambulatory care- and public health-supportive benefit packages; aggressive enrollment of members especially in the Sponsored (SP) and Individually Paying (IPP) Programs; mobilize funds from other tax revenues and increase in premium contribution; expansion of accredited facilities from hospitals and RHUs to other facilities like Ambulatory Surgical Clinics, TB DOTS centers and Maternity Care Clinics; and, in more recent years the inclusion of other health providers like midwives.

Despite these gains, there was a need to strengthen the health financing ' system with complementary reform strategies. FOURmula One for Health identified other strategies to move forward the reforms in the health financing system including: mobilizing resources from extrabudgetary resources; coordinating national and local spending for health; focusing direct subsidies to priority health programs and adepting performance-based financing system. The DOH has adopted the Sector-wide Development Approach for Health (SDAH) to reduce the

fragmentation of support from development and Other partners; developed the Health Sector Expenditure Framework to ensure consistency of expenditures relative to the core functions of DOH and to provide the basis for the formulation of the Budget Strategy Paper by DBM; employed the Province-wide Investment Plan for Health (PIPH) to establish the investment requirements of provinces and their component municipalities; and focusing direct subsidies to priority health programs through performance-based grant system.

Notwithstanding these reform efforts, the total health spending remains inadequate while Filipino families still support half of their health expenditures with their own financial resources. Funding health through out-of-pocket resources leads to impoverishment of a substantial number of families and represents a very regressive way to fund health services. Moreover, the current paying mechanisms to health providers have proved to be inflationary, administratively inefficient, inequitable and unable to pursue system goals like rational use of medicines and cost-effective interventions.

Thus, there is a need to better manage the health financing system and to allocate available financing more appropriately. To address these issues and take forward the reforms in health financing, the Department of Health began the development of the Health Care Financing (HCF) Strategy 2010-2020 in 2007 in coordination with PhilHealth, through the assistance of development partners and series of consultation with several stakeholders. The HCF Strategy defines the roadmap towards achieving better, equitable and sustainable health financing system. This Order then establishes the guidelines to implement the Health Care Financing Strategy.

II. GOALS AND OBJECTIVES

This Order provides the guidelines in implementing the Health Financing Strategy 2010-2020 that sets the health financing frame that will ensure universal coverage by effectively reducing the prevalence of out-of-pocket expenditure for health services, improve efficiency and, enhance equity in access and fairness in health funding to build a better health system. -

The implementation of Health Financing Strategy shall be directed in achieving the following strategic goals:

- Goal 1: Achieve adequate and sustainable financing through increased government spending and adjusted PhilHealth premium.
- Goal 2: Strengthen financial protection by ensuring the membership to health insurance among the formal, informal, and indigent populations and by linking premium levels with households' ability to pay.
- Goal 3: Promote allocative efficiency by defining an essential package of health services and delineating who pays for what type of health service.
- Goal 4: Improve technical efficiency by shifting provider payment from fee-for service to

capitation, case-based payment/DRG, performance-based grants, and other pay-for-need methods; providing hospital autonomy to retained hospitals; managing LGU health facilities as economic enterprises including giving them income retention capacity; and strengthening the functional local health system through accreditation of health facilities or network of facilities.

III. SCOPE AND COVERAGE

This Order shall apply to the entire health sector including public and private sectors, national agencies and local government units, development partners, the academe and research partners, the civil society and all stakeholders in the health sector.

IV. DEFINITION OF TERMS

Allocative efficiency - An allocation of resources in such a way that will maximize the overall country welfare. This implies that resources should be spent where they will have more impact on health outcomes.

Benefit — Services covered under a health insurance contract or a medical scheme

Capitation — A payment mechanism where a fixed rate, whether per person, family, household, or group, is negotiated with the health care provider who shall be responsible for delivering or arranging for the delivery of health services required by the covered person under the conditions of a health provider contract.

Case-based Payment Method - A hospital payment method that reimburses hospitals a pre-determined fixed rate for each treated case.

Case Mix - The relative complexity and intensity of services required to treat patients in a hospital due to diagnosis, disease severity, and patient characteristics.

Contract - Agreement between payer(s) and provider(s) which define in advance the health services to be purchased, the quantity, quality and price.

Co-payment - A fixed Peso amount paid by an individual at the time of receiving a covered health care service from a participating provider. The required fee varies by the service provided and by the health plan.

Cost Containment — A set of strategies aimed at controlling the level or rate of growth of health care costs. These measures encompass a myriad of activities that focus on reducing overutilization of health services, addressing provider reimbursement issues, eliminating waste, and increasing efficiency in the health care system.

Diagnosis-Related Group (DRG) - A classification of hospital case types into groups that are clinically similar and are expected to have similar hospital resource use. The groupings are based

on diagnoses, and may also be based on procedures, age, sex and the presence of complications or co-morbidities.

Fee-for-Service — A method of paying for medical services under which doctors and hospitals are paid for each service they provide. Bills are either paid by the patient, who then submits them to the insurance company, or are submitted by the provider to the patient's insurance carrier for reimbursement.

Fiscal autonomy for health facility - capacity to manage and keep the funds allocated! generated to/by health facilities. -

Incentive - An economic signal that directs individuals or organizations (economic entities) toward self-interested behavior.

Indigent - A person who has no visible means of income, or whose income is insufficient for the subsistence of his family

Means Test - A protocol administered to determine the ability of individuals or households to pay varying levels of contributions to the National Health Insurance Program, ranging from the indigent in the community whose contributions should be totally subsidized by government, to those who can afford to subsidize part but not all of the required contributions for the Program

National Health Insurance Program (NHIP) - The compulsory health insurance program of the government as established in the National Health Insurance Act of 1995 (RA 7875), which shall provide universal health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all Filipinos

Provider Payment Mechanism - The mechanism used to transfer resources from the payers of health care services to the providers.

Prospective Payment System (PPS) is a method of reimbursement in which payment is made based on a predetermined, fixed amount. The payment amount for a particular service is derived based on the classification system of that service (for example, diagnosis-related groups for inpatient hospital services) '

Out-of-Pocket Payments (OOP) -- the amounts which a family is required to pay for health care. These could arise because the family has no social health insurance cover or from having to pay user fees in the in public facilities. Even if the family has health insurance, OOP could arise as a result of co-payments, deductibles, benefit limits or exclusions or from use of medical savings account which individualize family health expenditure.

Performance based grant - transfer of resources, normally from Government or Aid agencies, linked to positive achievements of performance targets

Universal Coverage - means universal access to the full range of personal and non- personal health services they need, with social health protection. In the Philippines, Universal Coverage shall be achieved primarily through the National Health Insurance Program. '

Technical efficiency - A proper allocation of services such that waste and unnecessary use of medical services are minimized

Total health expenditure (THE) — total amount of financial resources spent on health related issues, regardless of source or agent.

V. GUIDELINES AND PROCEDURES

A. The Health Care Financing Strategy 2010-2020 provides the road map towards . achieving better, equitable and sustainable health financing system through four key principles: adequacy and sustainability of health financing; equity, social protection and solidarity; allocative efficiency; and, technical efficiency,

B. The HCF Strategic goals shall be achieved through the following strategies:

1. Increase resources for health
2. Expand the PhilHealth membership to all Filipinos
3. Allocate resources according to most appropriate financing agent
4. Reform the provider payment mechanisms
5. Secure fiscal autonomy for public health facilities

C. The implementation of Health Care Financing Strategy shall be done through collaboration and cooperation among Department of Health, Philippine Health Insurance Corporation, Local Government Units, development partners, private health providers, civil society and other stakeholders in health system.

D. The Philippine Health Insurance Corporation, through premiums and budgetary resources, will be the main public health services purchaser, allocating resources using appropriate payment mechanisms. Opting out from PhilHealth membership shall not be encouraged so as to avail of the full advantage of the cross—subsidy function attached to pooling resources and universal coverage.

E. Other national agencies, including the National Economic and Development Authority, Department of Budget and Management, National Anti—Poverty Commission, Department of Labor and Employment, Department of Social Welfare and Development shall take into consideration this strategy when planning and implementing their activities with the Local Government Units.

F. Community-based and LGU-initiated health financing schemes shall be allowed provided that they supplement the PhilHealth benefit package.

G. The Health Care Financing Strategy shall be implemented in three cycles of three years per cycle. At the end of each cycle, the strategies will be evaluated and shall be revised whenever appropriate.

VI. HCF OVERSIGHT COMMITTEE

The HCF Oversight Committee shall be created through a Department Personnel Order (DPO) and shall be chaired by the Undersecretary for Sectoral Management and Coordination Cluster and co-chaired by the Senior Vice President of PHIC for Health Finance Policy Sector and the Director IV of the Health Policy Development and Planning Bureau. The following DOH bureaus and PHIC departments shall be members of the Oversight Committee : Health Policy Development and Planning Bureau (Health Policy and Health Planning Divisions); Bureau of Health Facilities and Services (BHFS); Bureau of Local Health Development, National Center for Health Facility Development (NCHFD); National Drug Policy; Corporate Planning Department, Benefits Development and Research Department, Actuary Office, Quality Assurance Group (Accreditation Department, Standards and Monitoring Department), Union of League of Authorities of the Philippines, representative from Academe and Non- Government Organizations (NGOs) and such other bureaus, offices, and persons deemed relevant and competent, by the DOH-Office of the Secretary. The HPDPB will serve as the secretariat of the HCF Oversight Committee.

B. The HCF Oversight Committee shall have the following functions:

1. Develop appropriate policies, standards, guidelines to implement the Health Care Financing Strategy
2. Harmonize all health care financing initiatives in the health sector to ensure the alignment of these initiatives to the Strategy Paper
3. Develop monitoring and evaluation system to measure the progress of the implementation of the Health Care Financing Strategy
4. Oversee the HCF Strategy implementation
5. Recommends researches to be conducted for the improvement of health financing mechanisms in the country
6. Provide updates and technical advice to DOH Executive Committee, PHIC Board and LGUs on matters pertaining to health care financing

VII. ROLES AND RESPONSIBILITIES

A. The DOH shall:

1. Ensure continued increase in national and local budget to make public spending for health at least 7% of overall public spending, with particular priority on all public health activities including disease control, basic maternal and child health (MCH), surveillance, health education through public-private partnership and other emerging and priority diseases that may be identified by the Secretary of Health;
2. Mobilize the sector towards reduction of out-of-pocket expenditure to 30% in 2020;
3. Initiate review and advocate for the amendment of some provisions of RA 7875 that pose

barriers to the implementation of—HCF Strategy (e.g. full subsidy of PhilHealth premium for the indigents by the national government);

4. Formulate a comprehensive financial management system for DOH retained hospitals to rationalize utilization of hospital funds from all sources including retained income; '
5. Increase public funds for the improvement of health facility and health human resources towards ensuring well-distributed health care services;
6. Intensify public health orientation in the implementation of Health Care Financing Strategy; and
7. Provide supportive environment for active engagement of Local Government Units, health care providers, civil society and other stakeholders in implementing the Health Care Financing Strategy.

B. Philippine Health Insurance Corporation shall attain and sustain universal coverage by:

1. Expanding membership to all Filipinos;
2. Working towards the adoption of the following policies:
 - a) Ensure that the National Government shall fully subsidize the premium contribution for the indigents;
 - b) Adopt the means test developed and implemented by the DSWD for identifying the poor as one of the official targeting mechanisms;
 - c) Advocate for partial subsidy scheme for individually paying members in the lowest income strata with the Local Government Units (LGUs) as co- payor; and
 - d) Explore a mechanism that will identify and segment the informal sector.
 - e) Shift the provider payment mechanism for hospital care from fee for service to case payment system '
3. Developing further benefit packages bearing in mind its impact on the entire health system and targeting areas where out-of-pocket expenditures are presently high, like outpatient medicines;
4. Moving aggressively as buyer of quality health care through improved accreditation mechanisms and linking them to reimbursements;
5. Expanding out-patient benefit (OPB) packages to all members;
6. Ensuring better coverage for catastrophic expenditure of members; and,
7. Improving the management of claims through enhanced information systems.

C. The hospitals and health facilities, both public and private, shall:

1. Ensure availability, in adequate amounts and at all times, of drugs, medicines, supplies and services to address the health needs of the population;
2. Ensure compliance to the quality standards for PhilHealth accreditation; and
3. Participate in the implementation of the HCF Strategy.

D. Local Government Units shall:

1. Sustain the enrollment of their population towards universal coverage, particularly the indigent and the informal sector;
2. Ensure appropriate utilization of capitation fund towards improved services for the population;
3. Ensure continued enhancement of capacities of the facilities under the LGUs to provide quality health services consistent with PhilHealth accreditation standards; -

4. Allow fiscal autonomy to LGU—owned health facilities, and,
5. Provide supportive environment for active engagement of civil society in implementing the HCF Strategy in their localities.

E. Development and Other Donor Agencies shall:

1. Serve as active partners in the implementation of HCF Strategy by investing according to Sectoral Development Approach for Health;
2. Provide technical assistance in' the development of policies and strategies to implement the HCF Strategy; and,
3. Assist the Oversight Committee to evaluate the HCF implementation.

F. Civil Society shall:

1. Assist the DOH, PHIC and LGUs in implementing the HCF Strategy to achieve the health financing goals of increased resources for health, universal coverage, improved allocative efficiency and increased technical efficiency;
2. Advocate for higher budget for health at the national and local levels to increase the public spending for health;
3. Participate in the evaluation of HCF Strategy implementation.

VIII. MONITORING AND EVALUATION OF THE IMPLEMENTATION OF THE HCF STRATEGY

A. The HCF Oversight Committee shall take the lead in the monitoring and evaluation of the HCF Strategy and shall provide the DOH Executive Committee with updated information accordingly.

B. The Enhanced Philippine National Health Accounts shall be the primary source of information to track the impact of HCF Strategy implementation particularly on the levels of out-of-pocket spending, total health expenditure and total health spending.

C. The HCF Oversight Committee shall identify and monitor performance indicators that will assess the goals and objectives of the HCF Strategy using the data collection mechanisms that have already been institutionalized. Special surveys and studies will be done for data that are not routinely collected.

IX. SEPARABILITY CLAUSE

If any provision in this Guidelines or application of such provision to any circumstances is held invalid, the remainder of these Guidelines shall thereby not be affected.

X. REPEALING CLAUSE

All previous Orders inconsistent in part or in whole to this Administrative Order are hereby rescinded or amended accordingly.

XI. EFFECTIVITY

This Order shall take effect immediately.

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Secretary of Health