



Republic of the Philippines
Department of Health
OFFICE OF THE SECRETARY

January 3, 2012

ADMINISTRATIVE ORDER
NO. 2012 - 0004

SUBJECT: Policy Framework for Public-Private Partnerships in Health

I. BACKGROUND AND RATIONALE

In pursuit of the objectives of Universal Health Care or "Kalusugang Pangkalahatan (KP)", as defined in Administrative Order No. 2010-0036 (The Aquino Health Agenda: Achieving Universal Health Care for All Filipinos), the Department has committed to engage in more Public-Private Partnerships (PPPs) specifically to enable physical improvements in government health facilities. PPPs have also been looked upon by no less than the President of the Republic as a key national development instrument, the furtherance of which is therefore a priority of all government agencies, including the Department of Health.

The private sector is deemed to have intrinsically better capabilities in some areas, such as more timely financing, operational efficiency, highly-responsive services, and even dominant market presence. If optimally harnessed, more cooperative undertakings with the private sector may help significantly address some of the constraints and inefficiencies inherent in public-only provision of health services. '

The Philippine government has long recognized the advantage of adopting PPPs in public sector undertakings, especially for large-scale priority infrastructure developments. The mechanisms for the latter had been laid out in the Republic Act 7718, otherwise known as the Amended BOT Law. While the latter account for several possible variants of PPPs, the included listing is still not exhaustive. Separate guidelines for Joint Ventures, another PPP modality, have been drawn up by the National Economic and Development Authority (NEDA).

The local PPP experiences in the health sector have thus far been varied. While many such endeavors have been documented, most of these have been found to be non-contractual in nature (with consequent minimal accountabilities and performance references), and many have been unsustainable. It also remains to be determined if existing and upcoming PPPs in health substantially address the fundamental UHC goal of enhanced access to health care for the country's poor. All these assume greater significance in the light of the reported United Nation's consideration of the Philippines as the Center of Excellence for PPPs in Health.

It is, apparent from the foregoing that while the national policy on PPPs has been set, much remains to be clearly delineated and effectively adapted for health services. This Administrative Order has therefore been crafted in order to better define the applicability and prioritization of the relevant policies, streamline their implementation, and enable the continuing evaluation of PPPs in the health sector.

II. SCOPE AND COVERAGE

This issuance shall apply to the entire health sector, from both the public and private sectors, the DOH bureaus, national centers, hospitals, and attached agencies especially Philippine Health Insurance Corporation (PhilHealth), which are involved in the support for and provision of health services.

III. GOAL AND OBJECTIVES

A. Goal

The establishment of Public Private Partnerships is to be encouraged and sustained in the areas of health care where these most contribute to the achievement of “Kalusugan Pangkalahatan”, and thereby ensure equitable access and better outcomes for disadvantaged Filipinos.

B. Objectives

The DOH aims to:

1. prioritize PPPs that meet national and local government objectives of addressing adequately the health service needs of the poor ;
2. promote and provide a focused approach that harmonizes the existing PPP- applicable legal and administrative mandates as well as internal strategies and procedures;
3. foster a culture that engenders transparency, fairness, and robust competition;
4. develop and integrate in the overall PPP efforts, incentives, which are aligned with both departmental goals and expected health outcomes; and
5. continually assess the collective experiences on PPPs in the health sector so as to be able to adapt public policies and approaches to new developments and needs to sustain accessibility to quality healthcare.

VI. DEFINITION OF TERMS

1. Health sector — - refers to health systems, including all institutions, organizations, enterprises

and entities, involved in actions that protect, promote or advance the health status of individuals or populations; conceptually includes all aspects of society that influence health status but operationally focuses on those entities specifically organized to provide or govern the provision of health services and goods.

2. Public sector — refers to health providers (individual practitioners, health centers, hospitals, organizational units, agencies) within the rules and regulations of the government and all providers under the administration and control of the DOH, other national agencies (DepED, DOLE, DND, etc) or local governments (provincial, city or municipal governments).

3. Private sector — refers to health providers and facilities (individual practitioners, clinics, hospitals, facilities, drug outlets) licensed and regulated under existing laws but otherwise operating outside the ownership or management of the government; includes the drug and pharmaceutical industry, non-government organizations, as well as proprietary enterprises providing health services as part of their activities.

4. Public-Private Partnership (PPP) — a cooperative venture between the public and private sectors, built on the expertise of each partner, that best meet clearly defined public needs through the appropriate allocation of resources, risks and rewards.

5. “Kalusugan Pangkalahatan” (KP) — a focused approach to health reform implementation, ensuring that all Filipinos especially the poor receive the benefits of health reform; intended to ensure that the poor are given financial risk protection through enrolment in PhilHealth and that they are able to access affordable and quality health care and services in times of need.-

V. GENERAL GUIDELINES

Cognizant of the still under-tapped potential offered by PPPs in expanding the provision, particularly in capital-intensive areas, of health services, the DOH will adhere to the following guiding principles to both facilitate and regulate these engagements:

A. Consistency of Priorities: PPPs in the health sector which are in line with key. national, DOH, and even LGU developmental priorities will be favored, in terms of the administrative, technical and operational support that may be provided by ' the DOH.

B. Synergized Strategies: All the relevant KP-related strategies, the implementation of which will cultivate an environment which is supportive of PPPs, are to be given more emphasis by the DOH.

C. Comparative Advantage: The DOH will actively promote the adoption of PPPs in health in areas where these are deemed to be the most meritorious option for the implementation of specific health programs or services.

D. Sector Coordination: The DOH will coordinate with the other concerned national government offices and agencies, LGUs and private institutions and organizations so as to expedite the processing and functioning of priority PPPs in health.

E. Fair Competition: To ensure a level playing field, as well as to be aligned with the nationally-defined strategy, contractual PPPs, entered into following a competitive bidding process, will be preferentially encouraged. -

F. Transparent Processes: An informational and-procedural clearing system will be established, which will be made accessible to all health-related PPP stakeholders.

G. Conditional Incentives: Technical, material, or financial incentives are to be developed and provided which are in concordance with both KP objectives and strategies as well as actual PPP performance v-is-a-vis intended population health outcomes.

H. Continuing Appraisal: The DOH shall establish a repository of Health PPP performance and experiences, and utilize the data so collated to effectively fine-tune the relevant policies and procedures.

SPECIFIC GUIDELINES

A. The determination of health programs or services which are to be given precedence, in terms of DOH-provided support, for PPP establishment shall be based on:

- 1) KP goals and strategies
- 2) Other DOH-set priority areas

B. The Department shall comply with the following legal and administrative instruments and frameworks in the promotion, implementation, and evaluation of PPPs:

- 1) RA 6957, as amended by RA 7718 (BOT Law) and its Implementing Rules and Regulations
- 2) RA 9184 (Government Procurement Reform Act)
- 3) Batas Pambansa Blg. 68 (Corporation Code of the Philippines)
- 4) RA 7160 (Local Government Code)
- 5) E.O. 292 (Administrative Code of the Philippines)
- 6) E.O. 226 (Omnibus Investment Code of 1987)
- 7) NEDA Joint Venture Guidelines and Procedures
- 8) NEDA Investment Coordination Committee (ICC) Guidelines
- 9) Commission on Audit (COA) Guidelines
- 10) Other related legal and administrative issuances

C. Even as the DOH assumes the lead in the establishment of strategic PPPs in the health sector, it

shall coordinate with, as well as provide any necessary assistance, to the following entities:

- 1) Public-Private Partnership Center of the Philippines, NEDA for medium to large-scale health PPPs
- 2) LGUs and Local Development Boards for LGU-initiated PPP endeavors
- 3) Development partners, financial institutions, NGOs and other parties interested in PPPs

D. The DOH shall endeavor to ensure that the financial environment for health-related activities is conducive to private sector participation by:

- 1) Progressively Increasing, in coordination with PhilHealth, membership in the social health insurance system, with particular emphasis on attaining universal coverage of the poor
- 2) Putting in place more adequate and timely reimbursement mechanisms, also in coordination with PhilHealth
- 3) Streamlining the PhilHealth accreditation of qualified health service facilities and providers.
- 4) Promoting efficiency and responsiveness among public providers of health services by encouraging their assumption of greater administrative and fiscal autonomy

E. Suitability, transparency and fair competition in the establishment of PPPs in health are to be advanced by the adoption of the following:

- 1) Determination of the applicable clinical, administrative, and economic norms for PPP undertakings
- 2) Publication of user-friendly procedural guides
- 3) Declared partiality for solicited bids in the setting up of PPPs
- 4) Development and dissemination of performance standards
- 5) Endorsing the inclusion of public disclosure clauses in PPP contracts

F. Assessment as well as incentives schemes are to be developed and are to be premised on:

- 1) The commitment by the Department to provide substantial technical, material, and financial support (through conditional grants or soft loans) as additional incentive mechanisms
- 2) The actual incentive mix is to be pre-determined for targeted types of or desired outcomes for PPPs

3) A system for periodic monitoring and evaluation is to be set-up purposely for both exclusive as well as comparative appraisal of PPPs in health

4) Regular publication of the performance assessments of initiated PPPs

VII. ROLES AND RESPONSIBILITIES

A. DOH, through the following offices, shall:

1) Office of the Secretary

a. Provide policy directions for and ensure the Department's sustained commitment to PPPs for the health sector I

b. Commit resources to support the PPP undertakings of the Department

c. Develop and implement the corresponding organizational framework, inclusive of lines of accountability, in support of the PPPs for health effort

2) PPP Task Force

a. Serve as the point group for PPPs in the DOH

b. Assume all the responsibilities for PPPs as listed in Department Personnel Order No. 2010—5150

c. Support the establishment of the DOH Center for Excellence on Public- Private Partnerships in Health (DOH—CEP3H), which will eventually take over the Task Force's responsibilities as well as become the primary office concerned with the PPP-related initiatives and activities of the DOH

d. Provide the primary link to the external network of government agencies I and private entities which are involved or interested in PPP undertakings in health

e. Recommend to the Secretary appropriate PPP measures for the furtherance of the UHC/KP goals and strategies

3) DOH Bureaus, Agencies, Hospitals, and other subsumed offices, particularly Center for Health Development (CHD)

a. Identify and develop priority areas in their corresponding fields of operations where PPP arrangements will be appropriate

b. Collaborate with the pertinent DOH offices, government agencies as well as private entities in the planning, implementation, and monitoring of PPPs in health

B. Philippine Health Insurance Corporation (PhilHealth) shall:

- a. Ensure effective coverage of social health insurance through expanded enrollment of the sponsored and informal sector, widely accessible accredited facilities and better support value
- b. Develop the contracting modality, case-based payments and other measures for timely and efficient payments of providers.

Local Government Units (LGUs) are encouraged to:

- a. Consider the option of PPP whenever appropriate for the implementation of their Province-wide Investment Plan for Health (PIPHs)
- b. Transfer more governance and fiscal responsibilities and capacities to their health facilities to enable these specifically to retain and appropriately utilize generated revenues
- c. Adopt the appropriate incentive systems for developing and sustaining local PPPs in health
- d. Coordinate with DOH agencies in the development, implementation, and monitoring of local PPPs in health
- e. Utilize the guidelines and other instruments provided by DOH for the local development of PPPs in health

D. Other Government Agencies, Development Partners, and Private Sector Organizations are advised to:

- a. Align their objectives and PPP—related activities so as to be consistent with KP goals and strategies
- b. Coordinate with the DOH and concerned government agencies in the development, implementation, and monitoring of PPPs in health.

VII. REPEALING CLAUSE

The provisions of previous Orders and other related issuances inconsistent with or contrary to the provisions of this Administrative Order are hereby revised, modified, repealed or rescinded accordingly. All provisions of existing issuances which are not affected by this Order shall remain valid and in effect.

IX. IMPLEMENTATION

The Implementing Rules or equivalent guidelines in line with this Order shall be

developed within three months.

X. EFFECTIVITY

This Order shall take effect immediately.

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Secretary of Health