

Healthcare Fund Operations Manual

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Establishment and Legal Basis of the Healthcare Financing System

PART III. HEALTHCARE FINANCING SYSTEM

A. Establishment and Legal Basis

The National Healthcare Financing Act (41 PNCA § 901) establishes a government-managed health system to provide healthcare for all residents of Palau, meeting the constitutional responsibility while dealing with fiscal sustainability within annual budgetary and revenue constraints. The Act aims to create a comprehensive health system that meets the needs of a growing population (Guideline Excerpt 5).

The Healthcare Financing System is composed of the Medical Savings Fund, which includes individual Medical Savings Accounts and universal coverage under Palau Health Insurance (Guideline Excerpt 6). The Administration shall maintain bank accounts as deemed necessary for the purposes of administering the Fund, with all monies used to fund its operations being held in FDIC-insured banks (Guideline Excerpt 7, § 959).

The Healthcare Financing System is governed by the National Healthcare Financing Governing Committee (hereinafter the "Committee"), established under 41 PNCA § 907. The Administration's powers and duties are outlined in 41 PNCA § 908.

Upon an individual's death, any outstanding healthcare costs incurred by that individual or other beneficiary of their account shall be paid off from the Medical Savings Account (Guideline Excerpt 2, § 964). Any remaining amount from the employee's share shall be transferred to a Medical Savings Account (Guideline Excerpt 2).

The Administration shall not release any medical information obtained regarding any individual except with the express written consent of the individual or for the purposes of the function and operations under this Act (Guideline Excerpt 7, § 960).

[Citations: Guideline Excerpts 1, 5, 6, and 7]

Functions, members, and procedures of the National Healthcare Financing Governing Committee or the “Committee”

PART IV. ADMINISTRATION AND GOVERNANCE

C. National Healthcare Financing Governing Committee (Committee)

Section 401. Definition and Establishment of the Committee

The National Healthcare Financing Governing Committee (hereinafter the "Committee") is established as per 41 PNCA § 907 to administer the systems established by the National Healthcare Financing Act, with the exception of investments which shall be within the exclusive authority of the Social Security Board and operated in the same manner as investments under the Social Security Act.

Section 402. Membership

The Committee consists of the Minister of Finance or his/her designee, the Minister of Health and Human Services or his/her designee, the Social Security Administrator, one representative from the Governor's Association, and one representative from the Chamber of Commerce.

Section 403. Functions

The Committee shall provide, maintain, operate, and report on the financially sound healthcare systems established by this Act and shall offer an orderly means to finance and deliver comprehensive healthcare coverage to the people of the Republic (41 PNCA § 908(a)). The Committee is subject to and bound by the Administrative Procedure Act as provided in 6 PNC.

Section 404. Powers and Duties

The Committee shall have the following powers and duties:

- (1) Transact any business (41 PNCA § 908(c)(1))
- (2) Enter into any contracts for management, auditing, actuarial, investment, legal, or any other advice or services (41 PNCA § 908(c)(2))
- (3) Issue subpoenas and administer oaths appropriate for the administration of its duties (41 PNCA § 908(c)(3))
- (4) Promulgate rules and regulations governing payments from Palau Health Insurance, including procedures for paying the covered portion of costs, collection of copayment amounts from beneficiaries, setting income guidelines for deductible amounts, establishing maximum benefit amounts, and expanding benefits if it is sustainable under Palau Health Insurance (41 PNCA § 911(c))

Section 405. Reporting Requirements

The Committee shall submit an annual report to the President, the Congress, and the public, which includes:

- (1) The audited accounts of the Fund for the last fiscal year (41 PNCA § 910)
- (2) A statement showing the estimates of contributions, other income, and expenditures for the fiscal year in progress, together with any summaries, schedules, and supporting information deemed necessary (41 PNCA § 910)
- (3) A budget showing the estimated income and expenditures for the next fiscal year (41 PNCA § 910)

[Guideline Excerpts: 41 PNCA § 907, 41 PNCA § 908, 41 PNCA § 910, 41 PNCA § 911]

Actuarial Soundness and Sustainability

PART III. ADMINISTRATION AND OPERATIONS

C. ACTUARIAL SOUNDNESS AND SUSTAINABILITY

Section 305. Actuarial Valuations

The Board shall appoint an actuary, as defined in Section 702(1), to perform actuarial valuations of the Social Security System not less frequently than once every four years after the effective date of this chapter, as stated in Guideline Excerpt 1. The actuary's report shall be submitted to the Board, the Olbiil Era Kelulau, and the President of the Republic of Palau with any appropriate recommendations for changes in the System and amendments to this chapter, as specified in Guideline Excerpt 1(c).

Section 306. Actuary's Role and Responsibilities

The actuary shall be responsible for determining the financial status of the Social Security System, assessing its ability to meet future obligations, and providing recommendations to ensure the System's long-term sustainability. The actuary shall base their findings on competent material and substantial evidence, as stated in Guideline Excerpt 5(c).

Section 307. Fiscal Soundness Reports

The Public Auditor shall issue annual reports on the fiscal soundness of the Social Security System, as stated in Guideline Excerpt 7(d), and these reports shall be provided to the Board,

the President of the Republic, and the presiding officers of the Olbiil Era Kelulau. These reports shall be made available to the general public upon request.

Section 308. By-Laws

The Board shall promulgate its own By-Laws, not inconsistent with this chapter, prescribing procedures for actuarial valuations and fiscal soundness assessments, as stated in Guideline Excerpt 7. These By-Laws shall be made available to the general public upon request.

[Guidelines: 41 PNCA 2025.pdf, Sections 713, 702(1), 715, 7, 3-64 § 2, 6, 7, 10]

Fund Reserves and Solvency Requirements

PART III. FUND OPERATIONS

C. Fund Reserves and Solvency Requirements

The Healthcare Fund (HCF) shall maintain reserves to ensure its long-term solvency and financial stability. The reserves are composed of interest and earnings from the investment of fund, less benefit payments and expenses incurred in the operation of the System (Guideline Excerpt 1).

The HCF shall invest and reinvest its excess reserves by or under the authority of the Board, ensuring the greatest return commensurate with sound financial policies (Guideline Excerpt 1). The investment decisions will consider factors such as participation, medical care utilization, and other matters relevant to the objectives of this Act (Guideline Excerpt 6).

The HCF shall set aside funds to build a contingency reserve of at least six months of benefit expenditures, as provided for by regulation (Guideline Excerpt 4).

The Board may engage investment agents to secure expert advice and counsel (Guideline Excerpt 3). The custodian of the HCF's financial assets must meet specific criteria, including being a United States Bank or Trust Company regulated by the appropriate authority, having a net worth in excess of \$10 million, being a member of the Depository Trust Company I.D. System, having at least ten years of experience as a custodian of financial assets, and having at least \$1 billion in custodial assets (Guideline Excerpt 3).

The HCF shall consider the amount of return achieved on the investment of reserves and any approved changes in benefit provisions that will likely affect the financial stability of the Fund

(Guideline Excerpt 2).

[Citations: Guideline Excerpts 1, 2, 3, 4, and 6]

Audit Requirements and External Oversight (ensuring proper management of the healthcare fund)

PART III. EXTERNAL OVERSIGHT AND AUDIT REQUIREMENTS

A. Auditing Procedures

The Healthcare Fund shall be audited annually by an independent auditor, appointed by the Administration in accordance with generally accepted accounting principles as promulgated by the United States' Financial Accounting Standards Board (Guideline Excerpt 1). The audit shall cover all funds and transactions related to the Healthcare Fund. The auditor shall submit the audited accounts of the fund within ninety (90) days after the end of each fiscal year to the Olbiil Era Kelulau, and to the President of the Republic of Palau for review (Guideline Excerpt 1).

B. Record Keeping

The Administrator shall maintain records of all employees and contributors, including self-employed persons, in a manner deemed reasonable for the administration and operation of the Healthcare Fund (Guideline Excerpt 2d). These records shall include but are not limited to accounts receivable at the Ministry of Health.

C. Budget Preparation

The Administrator shall prepare and submit to the Board a detailed budget estimate for the proper operations of the Healthcare Fund for each fiscal year. The estimate shall include:

1. The audited accounts of the Fund for the last fiscal year (Guideline Excerpt 3, 1)
2. A statement showing the estimates of contributions, other income, and expenditures for the fiscal year in progress, together with any summaries, schedules, and supporting information deemed necessary (Guideline Excerpt 3, 2)
3. A budget showing the estimated income and expenditures for the next fiscal year (Guideline Excerpt 3, 3)

D. Administrative Expenses

Administrative expenses shall include salaries, wages, and allowances, the cost of office supplies and equipment, operational expenses, and the maintenance of the office, but do not include capital expenses (Guideline Excerpt 5). The annual budget for administration shall provide for administrative expenses not exceeding ten percent (10%) of the estimated income for the fiscal year from contributions and income (Guideline Excerpt 3).

E. Bank Accounts

The Administration shall maintain bank accounts as deemed necessary for the purposes of administering the Healthcare Fund. The Administration shall establish a separate bank account for all monies used to fund its operations and shall only open accounts in banks that are FDIC insured (Guideline Excerpt 6).

F. Privacy

No medical information obtained by the Administration regarding any individual may be released to any person, except as follows: with the express written consent of the individual; for the purposes of the function and operations under this Act; or as required by law (Guideline Excerpt 6).

Insufficient guidelines provided for a detailed manual section on: Confidentiality and Data Security Measures.

Duties, functions, appointment, legal foundations of the Social Security Administrator as they pertain to overseeing the healthcare financing system

PART IV. ADMINISTRATION AND OPERATIONS

C. Healthcare Financing System Administration

Section 401. Duties and Functions of the Social Security Administrator

The Social Security Administrator, as appointed by the Board (41 PNCA § 723), is responsible for the general day-to-day administration and operation of the healthcare financing system, which includes the Medical Savings Fund and Palau Health Insurance (41 PNCA § 909). The Administrator shall have such powers, duties, and responsibilities as delegated by the

Committee (41 PNCA § 909(c)).

The Administrator may delegate any power, duty, or responsibility to any employee of the Administration in accordance with 41 PNCA § 725. The Administrator is also responsible for the proper operation of the healthcare financing system as charged by the Social Security Act (41 PNCA § 721).

Section 402. Appointment and Compensation of the Social Security Administrator

The Board shall appoint a person to be the Social Security Administrator, and the compensation and other terms and conditions of employment of the Administrator are to be determined by the Board (41 PNCA § 723).

Section 403. Legal Foundations

The powers, functions, duties, and responsibilities of the Social Security Administration shall be exercised and performed by the Board (41 PNCA § 723(b)). The Committee is responsible for providing, maintaining, operating, and reporting on the financially sound healthcare systems established by this Act and for providing an orderly means to finance and deliver comprehensive healthcare coverage to the people of the Republic (41 PNCA § 908(a)).

The Administration shall operate the healthcare financing system in the same manner as investments under the Social Security Act (41 PNCA § 908). The Administrator is subject to the supervision and oversight of the National Healthcare Governing Committee as provided for in this Chapter (41 PNCA § 901(a)).

[Citations: 41 PNCA § 723, 724, 725, 908, 909; RPPL 2-29 § 6, 7, modified; RPPL 3-64 § 11, modified; RPPL 8-14 § 2, modified]

Financial reporting and budget (Direct financial operation of the healthcare system)

PART III. FINANCIAL OPERATIONS

C. FINANCIAL REPORTING AND BUDGET (DIRECT FINANCIAL OPERATION OF THE HEALTHCARE SYSTEM)

Section 305. Financial Reporting and Budget

The Healthcare Fund shall prepare and submit an audited account of the previous fiscal year, a statement showing estimates of contributions, other income, and expenditures for the current fiscal year, and a budget for the next fiscal year to the National Government. These reports shall include any necessary summaries, schedules, and supporting information (41 PNCA § 911(1), (2), and (3)).

The annual budget for administrative expenses shall not exceed ten percent (10%) of the estimated income for the fiscal year from contributions and other income (41 PNCA § 910). Administrative expenses include salaries, wages and allowances, office supplies and equipment, operational expenses, and the maintenance of the office but do not include capital expenses (41 PNCA § 901(a) and (b)).

The Healthcare Fund shall maintain bank accounts as deemed necessary for the purposes of administering the Fund. The Fund shall only open accounts in banks that are FDIC insured (41 PNCA § 959).

The Healthcare Fund, Ministry of Health and Human Services, and Ministry of Finance shall enter into a Memorandum of Understanding covering functions, sharing responsibilities to produce an annual report to the President of the Republic of Palau, the President of the Senate, and the Speaker of the House of Delegates of the Olbiil Era Kelulau (41 PNCA § 912(b)).

The Healthcare Fund shall maintain records of all employees and contributors in a manner deemed reasonable for the administration and operation of the Medical Savings Accounts and Palau Health Insurance (41 PNCA § 725(d) and (e)). The Administrator shall prepare and submit to the Board a detailed budget estimate for the proper operations of the Medical Savings Fund and Palau Health Insurance for each fiscal year (41 PNCA § 725(e)).

No medical information obtained by the Administration regarding any individual may be released to any person except with the express written consent of the individual or for the purposes of the functions and operations under this Act (41 PNCA § 960).

[Citations: 41 PNCA § 911, 41 PNCA § 910, 41 PNCA § 959, 41 PNCA § 912(b), 41 PNCA § 725(d) and (e), 41 PNCA § 960]

Insufficient guidelines provided for a detailed manual section on: Financial reporting and budget (Direct financial operation of the healthcare system). Additional guidelines may be necessary to provide more specific policies and procedures related to this aspect.

Specific funding sources and collection mechanisms for the healthcare financing system

PART IV. HEALTHCARE FINANCING SYSTEM

A. SPECIFIC FUNDING SOURCES AND COLLECTION MECHANISMS

Section 401. Specific Funding Sources

The National Healthcare Financing System is funded through various sources as outlined in the National Healthcare Financing Act (41 PNCA § 901). These include:

1. Contributions from participating individuals and employers (41 PNCA § 924)
2. Proceeds from investments of money within the Fund (41 PNCA § 923, 910)
3. Civil or criminal judgments, penalties, interest, court costs, and any other monies made available for furthering the purposes of this Act (41 PNCA § 901)
4. Grants, donations, and funds from international organizations such as the World Bank, World Health Organization, United Nations, or Asian Development Bank (41 PNCA § 923)
5. Accounts receivable at the Ministry of Health (41 PNCA 2025, Page: 60)

Section 402. Collection Mechanisms

Collection mechanisms for healthcare financing system contributions include:

1. Employee and employer contributions reported and paid into the Medical Savings Fund (41 PNCA § 925)
2. Civil and criminal judgments, penalties, interest, or costs collected by the Administration (41 PNCA § 901)
3. Gifts, donations, and funds from international organizations received by the Administration (41 PNCA § 923)
4. Proceeds from investments of money within the Fund (41 PNCA § 910)
5. Accounts receivable at the Ministry of Health collected and transferred to the healthcare financing system (41 PNCA 2025, Page: 60)

Section 403. Medical Savings Accounts

Upon an individual's death, any remaining funds from their Medical Savings Account shall be used to pay off outstanding healthcare costs incurred by the individual or beneficiaries for costs incurred prior to the individual's death (41 PNCA § 964). Any remaining amount will then be transferred to a designated account (41 PNCA § 964).

healthcare provider payment and contracting mechanisms

PART IV. HEALTHCARE PROVIDER PAYMENT AND CONTRACTING MECHANISMS

A. Healthcare Provider Payment Mechanisms

Healthcare providers approved under the National Healthcare Financing Act (41 PNCA § 901) shall be reimbursed for healthcare services provided to individuals covered by Palau Health Insurance or Medical Savings Accounts, subject to the exclusions outlined in the guidelines.

1. Reimbursement from Medical Savings Accounts:

- Payments from Medical Savings Accounts (41 PNCA § 939) may be made for all healthcare services not explicitly excluded by law or regulation provided to covered individuals.
- The Administration shall promulgate rules and regulations governing administrative procedures, collections, payments from Medical Savings Accounts, and benefits under Palau Health Insurance (41 PNCA § 940).

2. Reimbursement from Palau Health Insurance:

- Payments from Palau Health Insurance shall be made for healthcare services provided to individuals who have been eligible for benefits for two full, consecutive quarters following payment of subscription costs (41 PNCA § 957).
- The Administration may enter into agreements for reimbursement to providers other than Belau National Hospital for inpatient care and off-island referrals, including medical evacuation, provided that the reimbursement does not exceed the amount that would be paid to Belau National Hospital for the same services (41 PNCA § 957).

B. Healthcare Provider Contracting Mechanisms

The Administration shall establish procedures for contracting with healthcare providers approved under the National Healthcare Financing Act. These procedures may include, but are not limited to:

1. Establishment of rates and fee schedules for reimbursement of healthcare services provided by healthcare providers.
2. Development of quality assurance measures to ensure that healthcare providers meet minimum standards of care.

3. Implementation of a process for resolving disputes between the Administration and healthcare providers regarding reimbursement or other contractual matters.
4. Promulgation of rules and regulations governing administrative procedures, collections, payments from Medical Savings Accounts, and benefits under Palau Health Insurance (41 PNCA § 940).

C. Succession of Payments to Healthcare Providers

Upon the death of an individual who has a Medical Savings Account, the money in that account shall be used to pay off any outstanding healthcare costs incurred by that individual or other beneficiary of that individual's account for costs incurred prior to the individual account holder's death. Additionally, any costs due to a Healthcare Facility incurred after that individual's death directly relating to the cause of individual's death shall be paid from the individual's account (41 PNCA § 963).

[Guideline Excerpts: 41 PNCA § 901, 41 PNCA § 963, 41 PNCA § 939, 41 PNCA § 957]

Quality assurance and patient safety standardsGovernance Structure and Oversight Mechanisms (including the National Healthcare Financing Governing Committee or the “Committee”)

PART III. GOVERNANCE STRUCTURE AND OVERSIGHT MECHANISMS

A. National Healthcare Financing Governing Committee (Committee)

The National Healthcare Financing Governing Committee (hereinafter the "Committee") is established to administer the healthcare systems established by the National Healthcare Financing Act (41 PNCA § 901). The Committee's role includes providing, maintaining, operating, and reporting on financially sound healthcare systems and offering an orderly means for financing and delivering comprehensive healthcare coverage to the people of the Republic of Palau (41 PNCA § 908(a)).

The Committee consists of the Minister of Finance or his/her designee, the Minister of Health and Human Services or his/her designee, the Social Security Administrator, one representative from the Governor's Association, and one representative from the Chamber of Commerce (41 PNCA § 908(m)).

The Committee has various powers and duties, including transacting any business, entering into contracts for management, auditing, actuarial, investment, legal, or any other advice or services, and issuing subpoenas and administering oaths (41 PNCA § 908(c)(1)-(3)).

The Committee shall promulgate rules and regulations governing payments from Palau Health Insurance, including procedures for paying the covered portion of costs, collection of copayment amounts from beneficiaries, setting income guidelines for deductible amounts, establishing maximum benefit amounts, and expanding benefits if it is sustainable under Palau Health Insurance (41 PNCA § 908(c)).

The Committee shall be subject to and bound by the Administrative Procedure Act as provided in 6 PNC (41 PNCA § 908(b)).

[Citations: 41 PNCA § 901, 907-908, 34 PNC § 333(a)]

Enrollment and eligibility criteria (healthcare system)

PART III. HEALTHCARE SYSTEM

A. ENROLLMENT AND ELIGIBILITY CRITERIA

Section 301. Enrollment and Eligibility Criteria

Individuals eligible for healthcare coverage under the Healthcare Fund (HCF) are those who meet the following criteria:

1. **Age Requirement:** Individuals must be aged sixty-five (65) or older, as per Guideline Excerpt 1 (Source: 41 PNCA 2025.pdf, Page: 37).
2. **Previous Benefit Eligibility:** Persons who became eligible to receive benefits prior to August 2, 2007, shall continue to receive such benefit at the level in existence immediately prior to August 2, 2007, as per Guideline Excerpt 1 (Source: 41 PNCA 2025.pdf, Page: 37).
3. **Participation:** Every individual residing in the Republic shall participate in the Medical Savings Fund as established by this Act, as per Guideline Excerpt 5 (Source: 41 PNCA 2025.pdf, Page: 54).
4. **Contributions:** Every participating individual's Medical Savings Account within the Medical Savings Fund shall become available for use by that covered individual and his or her

designated beneficiaries beginning on the first day of the first calendar quarter after the month in which contributions were reported and paid into the Medical Savings Fund, as per Guideline Excerpt 5 (Source: 41 PNCA 2025.pdf, Page: 54).

5. Income: The monthly amount of the benefit is fifteen percent (15%) of the amount of the basic benefit applicable to the deceased at the time of his death, as per Guideline Excerpt 6 (Source: 41 PNCA 2025.pdf, Page: 31).

[Guidelines used: 41 PNCA 2025.pdf, Pages: 37, 31, 54]

Data management, security, and information sharing mechanisms and policies (health specific)

PART III. HEALTHCARE FUND OPERATIONS

C. DATA MANAGEMENT, SECURITY, AND INFORMATION SHARING MECHANISMS AND POLICIES (HEALTH SPECIFIC)

Section 305. Data Management, Security, and Information Sharing Mechanisms and Policies (Health Specific)

The Administration shall maintain medical information obtained regarding any individual with the strictest security, and shall not release the information under any circumstances except as follows:

1. With the express written consent of the individual;
2. For the purposes of the functions and operations under this Act;
3. Upon the request of the Chief of the Division of Revenue and Taxation for determining compliance with the provisions of the Revenue and Tax Act, provided that the Chief shall maintain the strictest security with this information and shall not release the information under any circumstances (41 PNCA § 790(a), as amended by RPPL 3-64 § 53);
4. In accordance with a Memorandum of Understanding entered into between the Ministry of Health and Human Services, Ministry of Finance, and the Administration, covering the functions of each entity when operating under the provisions of this chapter, sharing responsibilities to produce an annual report, and other matters as requested (41 PNCA § 912(a)(b)).

The Administration shall maintain records of all employees and of all contributors, including

self-employed persons, in a manner deemed reasonable to the administration and operation of the Healthcare Fund. The Administrator shall be responsible for any employee of the Administration (41 PNCA § 908(d)).

The Administration shall establish bank accounts as deemed necessary for the purposes of administering the Fund, maintaining a separate bank account for all monies used to fund its operations, and only opening accounts in banks that are FDIC insured (41 PNCA § 959).

The Administration shall maintain records and reports on the financially sound healthcare systems established by this Act, and shall be subject to and bound by the Administrative Procedure Act as provided in 6 PNC (41 PNCA § 908(b)).

[Citations: 41 PNCA § 790(a), RPPL 3-64 § 53; 41 PNCA § 912(a)(b); 41 PNCA § 959; 41 PNCA § 908(b, d, c)]

Appeals and Dispute Resolution Mechanisms

PART III. APPEALS AND DISPUTE RESOLUTION MECHANISMS

Section 305. Appeals and Dispute Resolution Mechanisms

Any person aggrieved by a decision of the Administration involving any right, benefit, or obligation under this chapter may appeal that decision in accordance with the following procedures:

A. Request for Reconsideration

1. Within 30 days of receipt of the Administration's decision, the aggrieved person may file a request for reconsideration of that decision with the Administration. Along with this request, the individual may provide any reasons or additional documentary evidence which would support a reversal of the original decision (41 PNCA 2025.pdf, Page: 13).
2. If the original decision is upheld by the Administration, then, within 30 days of receipt of the reconsidered decision, the aggrieved person may file a request for a hearing before the Board and provide any reasons or additional documentary evidence which would support a reversal of the reconsidered decision by the Administration (41 PNCA 2025.pdf, Page: 13).
3. Failure to adhere to this claims appeal procedure or failure to file a request within the stated time period shall result in the denial of the appeal and the loss of the right to further appeal the decision (41 PNCA 2025.pdf, Page: 13).

B. Hearing before the Board

1. Any person aggrieved by a final decision of the Board may obtain a review of the decision in the Supreme Court by filing with the Clerk of Courts, within sixty (60) days after receiving notice of the decision, a written petition praying that the decision be modified or set aside in whole or in part. A copy of the petition shall be served on the Board, and thereupon the Board shall certify and file with the Clerk of Courts a copy of the record on which the order was based (41 PNCA 2025.pdf, Page: 14).
2. The finding of the Board as to facts, if supported by competent material and substantial evidence, is final. If a party to a hearing applies to the Supreme Court for leave to adduce additional material evidence and shows reasonable grounds for failure to adduce the evidence at the hearing before the Board or the authorized person who held the hearing, and the additional evidence is competent, material, and substantial, the court may order the additional evidence to be taken by the Board and adduced upon the hearing in such manner and upon such conditions as the Court thinks proper (41 PNCA 2025.pdf, Page: 14).

C. Social Security Administration Functions

Subject to the Social Security By-Laws, the Board may make decisions after holding hearings or making decisions in the light of hearings held by persons authorized to do so for the purpose of determining any question involving any right, benefit, or obligation of any person under this chapter (41 PNCA 2025.pdf, Page: 14).

[Guideline Excerpts 1, 2, 4, 5, and 6]

Beneficiary Rights and Responsibilities

PART III. BENEFITS

C. BENEFICIARY RIGHTS AND RESPONSIBILITIES

Section 305. Beneficiary Rights and Responsibilities

A beneficiary of the Healthcare Fund (HCF) has the right to:

1. Receive benefits as specified in the applicable guidelines, including but not limited to the Old Age Insurance Benefit, Disability Insurance Benefit, Survivor's Insurance Benefit, and Medical Savings Account.
2. Designate beneficiaries for their Medical Savings Account, as outlined in Guideline Excerpt 6 (RPPL 8-14 § 2). The designated beneficiaries shall include the participating employee, his or

her spouse, dependent children, and additional beneficiaries as permitted by regulation (Guideline Excerpt 6).

3. Receive payments from Medical Savings Accounts according to rules and regulations promulgated by the Administration (Guideline Excerpt 6b).

4. Have any outstanding healthcare costs paid off from their account, as stated in Guideline Excerpt 5a.

A beneficiary's responsibilities include:

1. Compliance with the rules and regulations governing administrative procedures, collections, payments from Medical Savings Accounts, and benefits under Palau Health Insurance, as outlined in Guideline Excerpt 6b.

2. Ensuring that any designated beneficiaries are aware of their rights and responsibilities related to the HCF.

3. Notifying the Administration of any changes in personal information or beneficiary designations promptly.

4. Cooperating with the Administration, fund custodians, and healthcare providers in the processing and payment of benefits.

5. Understanding that no member, employee, or agent of the Board, nor any person in their immediate family, shall become an endorser, surety, or obligator of investments made by the Fund (Guideline Excerpt 7).

6. Compliance with any additional responsibilities as outlined in applicable guidelines and regulations.

[Citations: Guideline Excerpts 1, 2, 3, 4, 5, 6, 7]

Investment Policies, Portfolio Management, and Performance Reporting (For managing the assets of the healthcare fund.)

PART IV. INVESTMENT POLICIES, PORTFOLIO MANAGEMENT, AND PERFORMANCE REPORTING

A. Investment Policies

The investment policies for the Healthcare Fund shall ensure the greatest return commensurate with sound financial policies (Guideline Excerpt 1). The investments shall be diversified to avoid excessive concentration in any one corporation or industry group. No more than ten percent (10%) of the market value of the Fund shall be invested in any one

corporation, and not more than ten percent (10%) of the market value of the Fund shall be invested in any one industry group (Guideline Excerpt 3). The investments may include stocks, other securities, real or personal property, or interests therein. However, the total market value of investments in improved or productive real property shall not exceed twenty-five percent (25%) of the total market value of all investments of the System (Guideline Excerpt 5).

B. Portfolio Management

The Board shall engage one or more investment agents to secure expert advice and counsel (Guideline Excerpt 6). The investment agent(s) shall not act as principal for its own account or as broker for a client other than the Healthcare Fund in connection with the sale of any security to or the purchase of any security from the Fund.

C. Performance Reporting

The Board shall ensure that all proceeds and income from investments, of whatever nature, are credited to the account of the Healthcare Fund (Guideline Excerpt 4). Within ninety (90) days after the end of each fiscal year, the Board shall submit a report detailing the financial status of the Healthcare Fund and its investments to the President of the Republic of Palau, the President of the Senate, and the Speaker of the House of Delegates of the Olbiil Era Kelulau (Guideline Excerpt 7). The report shall include the amount of return achieved on the investment of reserves and any approved changes in benefit provisions that will likely affect the financial status of the Healthcare Fund (Guideline Excerpt 2).

[References: Guideline Excerpts 1, 3, 5, 6, and 7 from 41 PNCA 2025.pdf]

Incomes and contributions or payments (how the healthcare system is financed)

PART III. FINANCING

A. INCOMES AND CONTRIBUTIONS OR PAYMENTS

Section 301. Incomes and Contributions or Payments

The financing of the Healthcare Fund (HCF) is primarily achieved through various sources as outlined in the National Healthcare Financing Act (41 PNCA § 923). These include:

1. Funds appropriated, loaned, or granted by the National Government, any Agency or Ministry thereof, or any state government, for the purpose of healthcare, outside the regular Ministry of Health and Human Services operations. [41 PNCA § 923(a)]
2. Funds granted or loaned by any nation other than the Republic, or by any international organization, including but not limited to, the World Bank, International Monetary Fund, World Health Organization, United Nations, or the Asian Development. [41 PNCA § 923(a)]

Employer and Individual Contributions:

1. Every participating employer shall contribute five percent (5%) of its employees' total remuneration as defined by the Social Security Act each quarter into the Fund. This contribution shall be from pre-tax revenues. [41 PNCA § 925(e)]
2. Participating self-employed individuals shall contribute five percent (5%) of their gross revenue in the preceding calendar year and shall be required to contribute five percent (5%) per quarter based on that amount. [41 PNCA § 925(e)]

Reports and Payments of Contributions:

All participating employers and participating self-employed individuals shall submit reports and payments of contributions as specified in the National Healthcare Financing Act (41 PNCA § 925). [41 PNCA § 925(a)]

Administrative Costs:

The annual budget for administration shall provide for administrative expenses not exceeding ten percent (10%) of the estimated income for the fiscal year from contributions and income. [41 PNCA § 910]

Medical Savings Accounts:

Upon the death of an individual who has a Medical Savings Account, the money in that account shall be used to pay off any outstanding healthcare costs incurred to a healthcare provider by that individual or other beneficiary of that individual's account for any costs incurred prior to the individual account holder's death. [41 PNCA § 963(a)]

[Guideline citations: 41 PNCA 2025.pdf, Pages: 54, 52, 56, 57, 66, 49, 6]

Claims

PART III. BENEFITS

C. CLAIMS PROCESSING

Section 305. Claims Processing

The Administration shall process claims in accordance with the guidelines provided in RPPL 8-14 § 2, Subchapter VI and VII. The Administration shall promulgate rules and regulations for settling claims directly with medical providers (Guideline Excerpt 2).

A claimant may file a request for reconsideration of a decision within 30 days of receipt of the Administration's decision, along with any reasons or additional documentary evidence which would support a reversal of the original decision (Guideline Excerpt 3). Failure to adhere to this claims appeal procedure or failure to file a request within the stated time period shall result in the denial of the appeal and the loss of the right to further appeal the decision (Guideline Excerpt 5).

If a party to a hearing applies to the Supreme Court for leave to adduce additional material evidence, and shows reasonable grounds for failure to adduce the evidence at the hearing before the Board or the authorized person who held the hearing, and the additional evidence is competent, material, and substantial, the court may order the additional evidence to be taken by the Board and to be adduced upon the hearing in such manner and upon such conditions as the Court thinks proper (Guideline Excerpt 6).

Any individual or entity knowingly submitting a false claim for benefits or obtaining money from the Fund under false pretenses for the purpose of misleading, defrauding, or cheating the Fund shall be guilty of a felony and may be sentenced to imprisonment for a period not exceeding five years (Guideline Excerpt 4).

Benefits paid by the Healthcare Fund are prioritized over all other claims and liens, including liens for other taxes, subject to the Secured Transactions Act of 2011, and may be collected by levy upon such property in the same manner as the levy of an execution (Guideline Excerpt 7).

[Citations: RPPL 8-14 § 2, RPPL 3-64 § 9, RPPL 3-64 § 51, modified. Amended by RPPL 8-42 § 72, modified.]

Aspects of health insurance, including benefits, exclusions, reimbursements, and subscriptions

PART III. HEALTH INSURANCE

A. SUBSCRIPTION AND COVERAGE

Section 305. Subscription and Coverage

A subscription refers to the payments for Palau Health Insurance (PHI) made to obtain coverage for specified catastrophic health care costs, as defined in section 702 of this title [Guideline Excerpt 1]. Eligibility for PHI is subject to payment of the subscription for two consecutive quarters [Guideline Excerpt 2].

Individuals participating in preventive care programs, as certified by the Ministry of Health and Human Services, may qualify for a reduction in the subscription cost [Guideline Excerpt 2]. New enrollees can qualify for PHI benefits after paying the subscription costs.

[Guideline Excerpt 2]

B. BENEFITS

Section 306. Covered Benefits

PHI covers inpatient care and off-island referrals, including medical evacuation, provided that the reimbursement does not exceed the amount that would be paid to Belau National Hospital for the same services [Guideline Excerpt 3]. Excluded benefits are those provided by regulation [Guideline Excerpt 3].

[Guideline Excerpt 3]

C. EXCLUSIONS

Section 307. Exclusions

Exclusions from PHI coverage may include, but are not limited to, services or treatments that are not medically necessary, experimental or investigational procedures, cosmetic surgeries, and routine dental care [Guideline not provided].

D. REIMBURSEMENTS

Section 308. Reimbursements

Reimbursement to providers other than Belau National Hospital for inpatient care and off-island referrals, including medical evacuation, is subject to the condition that the reimbursement does not exceed the amount that would be paid to Belau National Hospital for

the same services [Guideline Excerpt 3].

[Guideline Excerpt 3]

Insufficient guidelines provided for a detailed manual section on: Aspects of health insurance, including benefits, exclusions, reimbursements, and subscriptions.

Privacy (especially for health information)

PART III. ADMINISTRATION AND OPERATIONS

C. PRIVACY POLICIES

Section 305. Privacy Policies

The Healthcare Fund (HCF) shall maintain the confidentiality and privacy of all medical information obtained from individuals, in accordance with the National Healthcare Financing Act (41 PNCA § 960). This includes but is not limited to personal health information, medical records, and financial data related to healthcare services.

(a) Medical Information Release

Medical information may only be released under the following circumstances:

1. With the express written consent of the individual.
2. For the purposes of the function and operations under this Act.
3. As required by court order from a duly recognized jurisdiction.
4. As authorized by the Committee.

(b) Employee Confidentiality

Any employee of the HCF or Member of the Board who reveals medical information in violation of Section 305(a) shall, upon conviction, be guilty of a misdemeanor and may be sentenced to imprisonment for a period not exceeding twelve (12) months or a fine of not more than one thousand dollars (\$1,000), or both.

(c) Coordination with Other Entities

The HCF shall enter into a Memorandum of Understanding with the Ministry of Health and

Human Services, Ministry of Finance, and other relevant entities, outlining functions, responsibilities, and information sharing for annual reports to the President of the Republic of Palau, the President of the Senate, and the Speaker of the House of Delegates of the Olbiil Era Kelulau.

(d) Wage Record Information Sharing

Upon request from the Chief of the Division of Revenue and Taxation, the Administrator shall provide wage record information to the Division of Revenue and Taxation for use in determining compliance with the provisions of the Revenue and Tax Act. The Chief shall maintain the strictest security with this information and shall not release the information under any circumstances, except as required by law or court order.

[Citations: 41 PNCA § 960(a), 41 PNCA § 961(b), Guideline Excerpt 2; 41 PNCA § 958(b), Guideline Excerpt 3; 41 PNCA § 912(a)(b), Guideline Excerpt 4; 41 PNCA § 791, Guideline Excerpt 7]

Employee offenses and penalties including fraud, failure to report or pay, false claims ()

PART III. ADMINISTRATIVE REGULATIONS AND PENALTIES

C. EMPLOYEE OFFENSES AND PENALTIES

Section 305. Employee Offenses and Penalties

Any employee who knowingly submits a false claim, obtains money from the Healthcare Fund under false pretenses for the purpose of misleading, defrauding, or cheating the Fund shall, upon conviction, be guilty of a felony and may be sentenced to imprisonment for a period not exceeding five (5) years or a fine of not more than five thousand dollars (\$5,000), or both. [41 PNCA § 961(b)]

An employer who knowingly makes a false statement or falsifies any report of record for the purpose of misleading, defrauding, or cheating the Fund shall, upon conviction, be guilty of a felony and may be sentenced to imprisonment for a period not exceeding five (5) years or a fine of not more than five thousand dollars (\$5,000), or both. [41 PNCA § 961(b)]

An employer who fails to report any amount of remuneration paid or fails to pay any amount

of contributions due to the Healthcare Fund is liable for a civil penalty, at the discretion of the Board, of not more than one hundred percent (100%) of the amount of any contributions withheld or two hundred fifty dollars (\$250), whichever is greater. [41 PNCA § 772(a)]

An employer who knowingly fails to report any amount of remuneration paid or knowingly fails to pay any amount of contributions due to the Healthcare Fund is, in addition, guilty of a misdemeanor and may be sentenced to imprisonment for a period not exceeding twelve (12) months or a fine of not more than two thousand dollars (\$2,000), or both. [41 PNCA § 772(b)]

Any employee who knowingly fails to pay any amount of contributions due to the Healthcare Fund shall, upon conviction, be guilty of a misdemeanor and may be sentenced to imprisonment for a period not exceeding twelve (12) months or a fine of not more than two thousand dollars (\$2,000), or both. [41 PNCA § 962(d)]

Any person who knowingly makes a false statement or falsifies any report to or record of the Healthcare Fund in an attempt to defraud the Healthcare System is guilty of a misdemeanor and is liable to imprisonment for a period not exceeding twelve (12) months or a fine of not more than two thousand dollars (\$2,000) or both. [41 PNCA § 771]

In the event that any contributions, interest, or penalty due under this chapter is referred to an attorney for collection, there shall be collected, in addition to such contribution and penalty, interest on the unpaid balance of the contribution or penalty at the rate of twelve percent (12%) per annum from its due date until the date it is paid. [41 PNCA § 772(c)]

Any employee who knowingly withholds information about an employer, an employee, or a person receiving a benefit under this chapter that has come to his knowledge by virtue of his employment, except for the purposes of this functions under this chapter, as required by order of a court, or as authorized by the Board, is guilty of a misdemeanor and is liable to imprisonment for a period not exceeding twelve (12) months or a fine of not more than two thousand dollars (\$2,000), or both. [41 PNCA § 774]

Insufficient guidelines provided for a detailed manual section on: Employee offenses and penalties including fraud, failure to report or pay, false claims ().

Enforcement Powers and Sanctions for Non-Compliance (beyond just offenses) within the healthcare system

PART III. ENFORCEMENT AND SANCTIONS

A. Enforcement Powers and Sanctions for Non-Compliance (beyond just offenses) within the Healthcare System

The Administration, with the express written consent of an individual or as authorized by the Committee, may access medical information for the purposes of the function and operations under this Act [41 PNCA § 772(a)]. Unauthorized disclosure of such information is a misdemeanor punishable by imprisonment for a period not exceeding twelve (12) months or a fine of not more than one thousand dollars (\$1,000), or both [41 PNCA § 961(b)].

Employers who fail to report any amount of remuneration paid or fail to pay any amount of contributions due to the System are liable for a civil penalty, at the discretion of the Board, of not more than one hundred percent (100%) of the amount of any contributions withheld or two hundred fifty dollars (\$250), whichever is greater [41 PNCA § 772(a)]. Knowingly failing to report or pay may result in additional penalties [41 PNCA § 772(b)].

Individuals or entities who knowingly make false statements or falsify any report of record for the purpose of misleading, defrauding, or cheating the Fund shall be guilty of a felony and may be sentenced to imprisonment for a period not exceeding five (5) years or a fine of not more than five thousand dollars (\$5,000), or both [41 PNCA § 961(b)(5)].

The Committee shall promulgate rules and regulations governing payments from Palau Health Insurance, including procedures for paying the covered portion of costs, collection of copayment amounts from beneficiaries, setting income guidelines for deductible amounts, establishing maximum benefit amounts, and expanding benefits if it is sustainable under Palau Health Insurance [41 PNCA § 961(c)(5)].

The Government of Palau shall accord to citizens and nationals of the United States treatment no less favorable than that accorded to citizens of other countries with respect to the subject matter of this Section [41 PNCA § 903(b)]. Any person, including an employer or self-employed individual, who fails to comply with these provisions may be subject to penalties as specified in the relevant guidelines.

Insufficient guidelines provided for a detailed manual section on: Enforcement Powers and Sanctions for Non-Compliance (beyond just offenses) within the healthcare system.

Succession and transfer of medical savings account after death

(health specific)

PART III. BENEFITS

C. MEDICAL SAVINGS ACCOUNT (MSA) BENEFIT

Section 305. Medical Savings Account Benefit Succession and Transfer After Death

Upon the death of an individual who has a Medical Savings Account (MSA), the money in that account shall be used to pay off any outstanding healthcare costs incurred to a healthcare provider by that individual or other beneficiary of that individual's account for any costs incurred prior to the individual account holder's death. Additionally, any costs due to a Healthcare Facility incurred after that individual's death directly relating to the cause of individual's death shall be paid from the individual's account (41 PNCA § 963(a)).

Any amount remaining from the employee's share shall be transferred according to the following order:

1. To the surviving spouse (41 PNCA § 963(b)(1))
2. If there is no surviving spouse, to the children, in equal shares (41 PNCA § 963(b)(2))
3. If there are no surviving spouse or children, then to the parents, in equal shares (41 PNCA § 963(b)(3))
4. If there are no surviving spouse, children or parents, then to other designated beneficiaries, in equal shares (41 PNCA § 963(b)(4))
5. If none of the preceding subsections apply, to the persons entitled under the laws and customs of the last domicile of the deceased (41 PNCA § 963(b)(5), RPPL 3-64 § 36, modified.
Amended by RPPL 7-32 § 1(i))

For individuals who have exited the Republic of Palau, any remaining funds in their MSA after all payments due have been fully made from the Account may be withdrawn following a six (6) month waiting period between the exit date and the issuance of this payment from the Fund (41 PNCA § 946).

The Administration shall promulgate rules and regulations governing administrative procedures, collections, payments from Medical Savings Accounts, and benefits under Palau Health Insurance (41 PNCA § 940). Any off-island referral, including medical evacuation, is approved by the Medical Referral Committee using the same standards applied to referrals made by Belau National Hospital (41 PNCA § 957(b)).

[Citations: 41 PNCA § 963, RPPL 8-14 § 2, 41 PNCA § 946, 41 PNCA § 940, 41 PNCA § 957]

The keeping of accounts and reports (especially for the management of the healthcare fund)

PART III. HEALTHCARE FUND OPERATIONS

C. ACCOUNTING AND REPORTING

Section 305. Accounting Principles and Records

The Republic of Palau Social Security Administration (ROPSSA) shall maintain accounts and records in accordance with the prevailing, generally accepted accounting principles as promulgated by the United States' Financial Accounting Standards Board. These accounts and records shall relate to all funds and transactions for the two systems created by this Act, including the Healthcare Fund (HCF). [41 PNCA 2025.pdf, Page: 63]

The ROPSSA shall appoint an independent auditor on such terms and conditions as are agreed upon between the Administration and the auditor. The auditor shall audit the accounts of the fund within ninety (90) days after the end of each fiscal year. The Administration shall, as soon as practicable, submit the accounts and the auditor's report to the Olbiil Era Kelulau, and to the President of the Republic of Palau for review. [41 PNCA 2025.pdf, Page: 63]

Section 306. Bank Accounts

The ROPSSA shall maintain bank accounts as deemed necessary for the purposes of administering the Healthcare Fund (HCF). The Administration shall establish a separate bank account for all monies used to fund its operations and shall only open accounts in banks that are FDIC insured. [41 PNCA 2025.pdf, Page: 64]

Section 307. Medical Savings Accounts

Within the Healthcare Fund (HCF), individual Medical Savings Accounts shall be established for each participating individual. [41 PNCA 2025.pdf, Page: 53]

Section 308. Record Keeping and Reporting

The ROPSSA shall maintain records of all employees and of all contributors, including self-employed persons, in a manner deemed reasonable to the administration and operation of the Healthcare Fund (HCF). The Administrator shall prepare and submit to the Board a detailed budget estimate for the proper operations of the Medical Savings Fund and Palau Health Insurance for each fiscal year. The estimate shall include participation, medical care

utilization, and such other matters as requested. [41 PNCA 2025.pdf, Page: 51]

The Ministry of Health and Human Services, Ministry of Finance, and the Administration shall enter into a Memorandum of Understanding covering the functions of each entity when operating under the provisions of this chapter, sharing responsibilities to produce an annual report to the President of the Republic of Palau, the President of the Senate, and the Speaker of the House of Delegates of the Olbiil Era Kelulau covering matters such as Medical Savings Account (MSA) participation, medical care utilization, and such other matters, as requested. [41 PNCA 2025.pdf, Page: 53]

Insufficient guidelines provided for a detailed manual section on: The keeping of accounts and reports (especially for the management of the healthcare fund).