

**Republic of the Philippines
Congress of the Philippines
Metro Manila**

Third Regular Session

Begun and held in Metro Manila, on Monday the twenty-fifth day of July nineteen hundred and ninety-four.

_____oOo_____

[REPUBLIC ACT No. 7875]

AN ACT INSTITUTING A NATIONAL HEALTH INSURANCE PROGRAM FOR ALL FILIPINOS AND ESTABLISHING THE PHILIPPINE HEALTH INSURANCE CORPORATION FOR THE PURPOSE

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

SEC. 1. Short Title – This Act shall be known as the “National Health Insurance Act of 1995”

Article I. GUIDING PRINCIPLES

SEC. 2. *Declaration of Principles and Policies.* – Section II, Article XIII of the 1987 Constitution of the Republic of the Philippines declares 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. Priority of the needs of the underprivileged, sick, elderly, disabled, women, and children shall be recognized. Likewise, it shall be the policy of the State to provide free medical care to paupers.

In the pursuit of a National Health Insurance Program, this Act shall adopt the following guiding principles:

a) *Allocation of National Resources for Health* – The Program shall underscore the importance for government to give priority to health as a strategy for bringing about faster economic development and improving quality of life;

b) *Universality* – The Program shall provide all citizens with the mechanism to gain financial access to health services, in combination with other government health programs. The National Health Insurance Program shall give the highest priority to achieving coverage of the entire population with at least a basic minimum package of health insurance benefits;

c) *Equity* – The Program shall provide for uniform basic benefits. Access to care must be a function of a person’s health needs rather than his ability to pay;

d) *Responsiveness* – The Program shall adequately meet the needs for personal health services at various stages of a member’s life;

e) *Social Solidarity* – The Program shall be guided by community spirit. It must enhance risk sharing among income groups, age groups, and persons of differing health status, and residing in different geographic areas;

f) *Effectiveness* – The Program shall balance economical use of resources with quality of care;

g) *Innovation* – The Program shall adapt to changes in medical technology, health service organizations, health care provider payment systems, scopes of professional practice, and other trends in the health sector. It must be cognizant of the appropriate roles and respective strengths of the public and private sectors in health care, including people's organizations and community-based health care organizations;

h) *Devolution* – The Program shall be implemented in consultation with local government units (LGUs), subject to the overall policy directions set by the National Government;

i) *Fiduciary Responsibility* – The Program shall provide effective stewardship, funds management, and maintenance of reserves;

j) *Informed Choice* – The Program shall encourage members to choose from among accredited health care providers. The Corporation's local offices shall objectively appraise its members of the full range of providers involved in the Program and of the services and privileges to which they are entitled as members. This explanation, which the members may use as a guide in selecting the appropriate and most suitable provider, shall be given in clear and simple Filipino and in the local languages that is comprehensible to the member;

k) *Maximum Community Participation* – The Program shall build on existing community initiatives for its organization and human resource requirements;

l) *Compulsory Coverage* – All citizens of the Philippines shall be required to enroll in the National Health Insurance Program in order to avoid adverse selection and social inequity;

m) *Cost Sharing* – The Program shall continuously evaluate its cost sharing schedule to ensure that costs borne by the members are fair and equitable and that the charges by health care providers are reasonable;

n) *Professional Responsibility of Health Care Providers* – The Program shall assure that all participating health care providers are responsible and accountable in all their dealings with the Corporation and its members;

o) *Public Health Services* – The Government shall be responsible for providing public health services for all groups such as women, children, indigenous people, displaced communities and communities in environmentally endangered areas, while the Program shall focus on the provision of personal health services. Preventive and promotive public health services are essential for reducing the need and spending for personal health services;

p) *Quality of Services* – The Program shall promote the improvement in the quality of health services provided through the institutionalization of programs of quality assurance at all levels of the health service delivery system. The satisfaction of the community, as well as individual beneficiaries, shall be a determinant of the quality of service delivery;

q) *Cost Containment* – The Program shall incorporate features of cost containment in its design and operations and provide a viable means of helping the people pay for health care services; and

r) *Care for the Indigent* – The Government shall be responsible for providing a basic package of needed personal health services to indigents through premium subsidy, or through direct service provision until such time that the Program is fully implemented.

SEC. 3. *General Objectives.* – This Act seeks to:

a) provide all citizens of the Philippines with the mechanism to gain financial access to health services;

b) create the National Health Insurance Program, hereinafter referred to as the Program, to serve as the means to help the people pay for health care services;

c) prioritize and accelerate the provision of health services to all Filipinos, especially that segment of the population who cannot afford such services; and

d) establish the Philippine Health Insurance Corporation, hereinafter referred to as the Corporation, that will administer the Program at central and local levels.

Article II. DEFINITION OF TERMS

SEC. 4. *Definition of Terms* – For the purpose of this Act, the following terms shall be defined as follows:

a) *Beneficiary* – Any person entitled to health care benefits under this Act.

b) *Benefit Package* – Services that the Program offers to its members.

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

d) *Contribution* – The amount paid by or in behalf of a member to the Program for coverage, based on salaries or wages in the case of formal sector employees, and on household earnings and assets, in the case of the self-employed, or on other criteria as may be defined by the Corporation in accordance with the guiding principles set forth in Article I of this Act.

e) *Coverage* – The entitlement of an individual, as a member or as a dependent, to the benefits of the Program.

f) *Dependent* – The legal dependents of a member are: 1) the legitimate spouse who is not a member; 2) the unmarried and unemployed legitimate, legitimated, illegitimate, acknowledged children as appearing in the birth certificate; legally adopted or stepchildren below twenty-one (21) years of age; 3) children who are twenty-one (21) years old or above but suffering from congenital disability, either physical or mental, or any disability acquired that renders them totally dependent on the member for support; 4) the parents who are sixty (60) years old or above whose monthly income is below an amount to be determined by the Corporation in accordance with the guiding principles set forth in Article I of this Act.

g) *Diagnostic Procedure* – Any procedure to identify a disease or condition through analysis and examination.

h) *Emergency* – An unforeseen combination of circumstances which calls for immediate action to preserve the life of a person or to preserve the sight of one or both eyes; the hearing of one or both ears; or one or two limbs at or above the ankle or wrist.

i) *Employee* – Any person who performs services for an employer in which either or both mental and physical efforts are used and who receives compensation for such services, where there is an employer-employee relationship.

j) *Employer* – A natural or juridical person who employs the services of an employee.

k) *Enrollment* – The process to be determined by the Corporation in order to enlist individuals as members or dependents covered by the Program.

l) *Fee for Service* – A reasonable and equitable health care payment system under which physicians and

other health care providers receive a payment that does not exceed their billed charge for each unit of service provided.

m) *Global Budget* – An approach to the purchase of medical services by which health care provider negotiations concerning the costs of providing a specific package of medical benefits is based solely on a predetermined and fixed budget.

n) *Government Service Insurance System* – The Government Service Insurance System created under Commonwealth Act No. 186, as amended.

o) *Health Care Provider* – Refers to:

- 1) a health care institution, which is duly licensed and accredited devoted primarily to the maintenance and operation of facilities for health promotion, prevention, diagnosis, treatment, and care of individuals suffering from illness, disease, injury, disability, or deformity, or in need of obstetrical or other medical and nursing care. It shall also be construed as any institution, building, or place where there are installed beds, cribs, or bassinets for twenty-four hour use or longer by patients in the treatment of diseases, injuries, deformities, or abnormal physical and mental states, maternity cases or sanitarial care; or infirmaries, nurseries, dispensaries, and such other similar names by which they may be designated; or
- 2) a health care professional, who is any doctor of medicine, nurse, midwife, dentist, or other health care professional or practitioner duly licensed to practice in the Philippines and accredited by the Corporation; or
- 3) a health maintenance organization, which is an entity that provides, offers, or arranges for coverage of designated health services needed by plan members for a fixed prepaid premium; or
- 4) a community-based health care organization, which is an association of indigenous member of the community organized for the purpose of improving the health status of that community through preventive, promotive and curative health services.

p) *Health Insurance Identification (ID) Card* – The document issued by the Corporation to members and dependents upon their enrollment to serve as the instrument for proper identification, eligibility verification, and utilization recording.

q) *Indigent* – A person who has no visible means of income, or whose income is insufficient for the subsistence of his family, as identified by the Local Health Insurance Office and based on specific criteria set by the Corporation in accordance with the guiding principles set forth in Article I of this Act.

r) *Inpatient Education Package* – A set of informational services made available to an individual who is confined in a hospital to afford him with knowledge about his illness and its treatment, and of the means available, particularly lifestyle changes, to prevent the recurrence or aggravation of such illness and to promote his health in general.

s) *Member* – Any person whose premiums have been regularly paid to the National Health Insurance Program. He may be a paying member, an indigent member, or a pensioner / retiree members.

t) *Means Test* – A protocol administered at the barangay level to determine the ability of individuals or households to pay varying levels of contributions to the 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 the required contributions for the Program.

u) *Medicare* – The health insurance program currently being implemented by the Philippine Medical Care Commission. It consists of:

- 1) Program I, which covers members of the SSS and GSIS including their legal dependents; and
- 2) Program II, which is intended for those not covered under Program I.

v) *National Health Insurance Program* – The compulsory health insurance program of the government as established in this Act, which shall provide universal health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all citizens of the Philippines.

w) *Pensioner* – An SSS or GSIS member who receives pensions therefrom.

x) *Personal Health Services* – Health services in which benefits accrue to the individual person. These are categorized into inpatient and outpatient services.

y) *Philippine Medical Care Commission* – The Philippine Medical Care Commission created under Republic Act No. 6111, as amended.

z) *Philippine National Drug Formulary* – The essential drugs list for the Philippines which is prepared by the National Drug Committee of the Department of Health in consultation with experts and specialists from organized professional medical societies, medical academe and the pharmaceutical industry, and which is updated every year.

aa) *Portability* – the enablement of a member to avail of Program benefits in an area outside the jurisdiction of his Local Health Insurance Office.

bb) *Prescription Drug* – A drug which has been approved by the Bureau of Food and Drugs and which can be dispensed only pursuant to a prescription order from a physician who is duly licensed to do so.

cc) *Public Health Services* – Services that strengthen preventive and promotive health care through improving conditions in partnership with the community at large. These include control of communicable and non-communicable diseases, health promotion, public information and education, water and sanitation, environmental protection and health-related data collection, surveillance, and outcome monitoring.

dd) *Quality Assurance* – A formal set of activities to review and ensure the quality of services provided. Quality assurance includes quality assessment and corrective actions to remedy any deficiencies identified in the quality of direct patient, administrative, and support services.

ee) *Residence* – The place where the member actually lives.

ff) *Retiree* – A member of the Program who has reached the age of retirement or who was retired on account of disability.

gg) *Self-employed* – A person who works for himself and is therefore both employee and employer at the same time.

hh) *Social Security System* – The Social Security System created under Republic Act No. 1161, as amended.

ii) *Treasury Procedure* – Any method used to remove the symptoms and cause of a disease.

Article III. THE NATIONAL HEALTH INSURANCE PROGRAM

SEC. 5. *Establishment and Purpose* – There is hereby created the National Health insurance Program which shall provide health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all citizens of the Philippines, in accordance with the policies and specific provisions of this Act. This social insurance program shall serve as the means for the healthy to help pay for the care of the sick and for those who can afford medical care to subsidize those who cannot. It shall initially consist of Programs I and II or Medicare and be expanded progressively to constitute one universal health insurance program for the entire population. The Program shall include a sustainable system of funds constitution, collection, management and disbursement for financing the availment of a basic minimum package and other supplementary packages of health insurance benefits by a progressively expanding proportion of the population. The Program shall be limited to paying for the utilization of health services by covered beneficiaries or to purchasing health services in behalf of such beneficiaries. It shall be prohibited from providing health care directly, from buying and dispensing drugs and pharmaceuticals, from employing physicians and other professionals for the purpose of directly rendering care, and from owning or investing in health care facilities.

SEC. 6 *Coverage* – All citizens of the Philippines shall be covered by the National Health Insurance Program. In accordance with the principles of universality and compulsory coverage enunciated in Section 2 (b) and 2 (1) hereof, implementation of the Program shall, furthermore, be gradual and phased in over a period of not more than fifteen (15) years: *Provided*, That the Program shall not be made compulsory in certain provinces and cities until the Corporation shall be able to ensure that members in such localities shall have reasonable access to adequate and acceptable health care services.

SEC. 7 *Enrollment* – The Program shall enroll beneficiaries in order for them to be placed under coverage that entitles them to avail of benefits with the assistance of the financial arrangements provided by the Program. The process of enrollment shall include the identification of beneficiaries, issuance of appropriate documentation specifying eligibility to benefits, and indicating how membership was obtained or is being maintained. The enrollment shall proceed in accordance with these specific policies:

a) all persons currently eligible for benefits under Medicare Program I, including SSS and GSIS members, retirees, pensioners and their dependents, shall immediately and automatically be made members of the National Health Insurance Program;

b) all persons eligible for benefits through health insurance plans established by local governments as part of Program II of Medicare or in accordance with the provisions of this Act, including indigents members, shall also be enrolled in the Program;

c) all persons eligible for benefits as members of local health insurance plans established by the Corporation in accordance with the implementing rules and regulations of this Act shall also be deemed to have enrolled in the Program. Enrollment of persons who have no current health insurance coverage shall be given priority by the Corporation; and

d) all persons eligible for benefits as members of other government initiated health insurance programs, community-based health care organizations, cooperatives, or private non-profit health insurance plans shall be enrolled in the Program upon accreditation by the Corporation which shall devise and provide incentives to ensure that such accredited organizations will benefit from their participation in the Program.

All indigents not enrolled in the Program shall have priority in the use and availment of the services and facilities of government hospitals, health care personnel, and other health organizations: *Provided, however*, That such government health care providers shall ensure that said indigents shall subsequently be enrolled in the Program.

SEC. 8. *Health Insurance ID Card* – In conjunction with the enrollment provided above, the Corporation, through its local office shall issue a health insurance ID which shall be used for purposes of identification, eligibility verification, and utilization recording. The issuance of this ID card shall be accompanied by a clear explanation to the enrollee of his rights, privileges and obligations as a member. A list of health care providers accredited by the Local Health Insurance Office shall likewise be attached thereto.

SEC. 9 *Change of Residence* – A citizen can be under only one Local Health Insurance Office which shall be located in the province or city of his place of residence. A person who changes residence, becomes temporarily employed, or for other justifiable reasons, is transferred to another locality should inform said Office of such transfer and subsequently transfer his Program membership.

SEC. 10. *Benefit Package* – Subject to the limitations specified in this Act and as may be determined by the Corporation, the following categories of personal health services granted to the member or his dependent as medically necessary or appropriate shall include:

- a) Inpatient hospital care:
 - 1) room and board;
 - 2) services of health care professionals;
 - 3) diagnostic, laboratory, and other medical examination services;
 - 4) use of surgical or medical equipment and facilities;
 - 5) prescription drugs and biologicals, subject to the limitations stated in Section 37 of this Act;
 - 6) inpatient education packages;
- a) Outpatient care:
 - 1) services of health care professionals;
 - 2) diagnostic, laboratory, and other medical examinations services;
 - 3) personal preventive services; and
 - 4) prescription drugs and biologicals, subject to the limitations described in Section 37 of this Act;
- a) Emergency and transfer services; and
- d) Such other health care services that the Corporation shall determine to be appropriate and cost-effective: *Provided*, That the Program, during its initial phase of implementation, which shall not be more than five (5) years, shall provide a basic minimum package of benefits which shall be defined according to the following guidelines:
 - 1) the cost providing said package is such that the available national and local government subsidies for premium payments of indigents are sufficient to extend coverage to the widest possible population.
 - 2) the initial set of services shall not be less than half of those provided under the current Medicare Program I in terms of overall average cost of claims paid per beneficiary household per year.
 - 3) the services included are prioritized, first according to its cost effectiveness and, second, according to its potential of providing maximum relief from the financial burden on the beneficiary: *Provided*, That in addition

to the basic minimum package, the Program shall provide supplemental health benefit coverage to beneficiaries of contributory funds, taking into consideration the availability of funds for the purpose from said contributory funds: *Provided further*, That the Program shall progressively expand the basic minimum benefit package as the proportion of the population covered reaches targeted milestones so that the same benefits are extended to all members of the Program within five (5) years after the implementation of this Act. Such expansion will provide for the gradual incorporations of supplementary health benefits previously extended only to some beneficiaries into the basic minimum package extended to all beneficiaries: and *Provided, finally*, that in the phased implementation of this Act, there should be no reduction or interruption in the benefits currently enjoyed by present members of Medicare.

SEC. 11. *Excluded Personal Health Services* – The benefits granted under this Act shall not cover expenses for the services enumerated hereunder except when the Corporation, after actuarial studies, recommends their inclusion subject to the approval of the Board:

- a) non-prescription drugs and devices;
- b) out-patient psychotherapy and counselling for mental disorders;
- c) drug and alcohol abuse or dependency treatment;
- d) cosmetic surgery;
- e) home and rehabilitation services;
- f) optometric services;
- g) normal obstetrical delivery; and
- h) cost-ineffective procedures which shall be defined by the Corporation.

SEC. 12. *Entitlement to Benefits* – A member whose premium contributions for at least three (3) months have been paid within the six (6) months prior to the first day of his or his dependents' ailment, shall be entitled to the benefits of the Program: *Provided*, That such member can show that he contributes thereto with sufficient regularity, as evidenced in their health insurance ID card: and *Provided further*, That he is not currently subject to legal penalties as provided for in Section 44 of this Act.

The following need not pay the monthly contributions to be entitled to the Program's benefits:

- a) Retirees and pensioners of the SSS and GSIS prior to the effectivity of this Act;
- b) Members who reach the age of retirement as provided for by law and have paid at least one hundred twenty (120) monthly contributions; and
- c) Enrolled indigents.

SEC. 13. *Portability of Benefits* – The Corporation shall develop and enforce mechanisms and procedures to assure that benefits are portable across Offices.

Article IV. THE PHILIPPINE HEALTH INSURANCE CORPORATION

SEC. 14. *Creation and Nature of the Corporation* – There is hereby created a Philippine Health Insurance Corporation, which shall have the status of a tax-exempt government corporation attached to the Department of Health for policy coordination and guidance.

SEC. 15. *Exemptions from Taxes and Duties* – The Corporation shall be exempt from the payment of taxes on all contributions thereto and all accruals on its income or investment earnings.

Any donation, contribution, bequest, subsidy or financial aid which may be made to the Corporation shall constitute as allowable deduction from the income of the donor for income tax purposes and shall be exempt from donor's tax, subject to such conditions as provided for in the National Internal Revenue Code, as amended.

SEC. 16. *Powers and Functions* – The Corporation shall have the following powers and functions:

- a) to administer the National Health Insurance Program;
- b) to formulate and promulgate policies for the sound administration of the Program;
- c) to set standards, rules, and regulations necessary to ensure quality of care, appropriate utilization of services, fund viability, member satisfaction, and overall accomplishment of Program objectives;
- d) to formulate and implement guidelines on contributions and benefits; portability of benefits, cost containment and quality assurance; and health care provider arrangements, payment, methods, and referral systems;
- e) to establish branch offices as mandated in Article V of this Act;
- f) to receive and manage grants, donations, and other forms of assistance;
- g) to sue and be sued in court;
- h) to acquire property, real and personal, which may be necessary or expedient for the attainment of the purposes of this Act;
- i) to collect, deposit, invest, administer, and disburse the National Health Insurance Fund in accordance with the provisions of this Act;
- j) to negotiate and enter into contracts with health care institutions, professionals, and other persons, juridical or natural, regarding the pricing, payment mechanisms, design and implementation of administrative and operating systems and procedures, financing, and delivery of health services;
- k) to authorize Local Health Insurance Offices to negotiate and enter into contracts in the name and on behalf of the Corporation with any accredited government or private sector health provider organization, including but not limited to health maintenance organizations, cooperatives and medical foundations, for the provision of at least the minimum package of personal health services prescribed by the Corporation;
- l) to determine requirements and issue guidelines for the accreditation of health care providers for the Program in accordance with this Act;
- m) to supervise the provision of health benefits with the power to inspect medical and financial records of health care providers and patients who are participants in or members of the Program, and the power to enter and inspect accredited health care institutions, subject to the rules and regulations to be promulgated by the Corporation;

n) to organize its office, fix the compensation of and appoint personnel as may be deemed necessary and upon the recommendation of the president of the Corporation;

o) to submit to the President of the Philippines and to both Houses of Congress its Annual Report which shall contain the status of the National Health Insurance Fund, its total disbursements, reserves, average costing to beneficiaries, any request for additional appropriation, and other data pertinent to the implementation of the Program and publish a synopsis of such report in two (2) newspapers of general circulation;

p) to keep records of the operations of the Corporation and investments of the National Health Insurance Fund; and

q) to perform such other acts as it may deem appropriate for the attainment of the objectives of the Corporation and for the proper enforcement of the provisions of this Act.

SEC 17. *Quasi-Judicial Powers.* – The Corporation, to carry out its tasks more effectively, shall be vested with the following powers:

a) to conduct investigations for the determination of a question, controversy, complaint, or unresolved grievance brought to its attention, and render decisions, orders, or resolutions thereon. It shall proceed to hear and determine the case even in the absence of any party who has been properly served with notice to appear. It shall conduct its proceedings or any part thereof in public or in executive session; adjourn its hearings to any time and place; refer technical matters or accounts to an expert and to accept his reports as evidence; direct parties to be joined in or excluded from the proceedings; and give all such directions as it may deem necessary or expedient in the determination of the dispute before it;

b) to summon the parties to a controversy, issue subpoenas requiring the attendance and testimony of witnesses or the production of documents and other materials necessary to a just determination of the case under investigation;

c) to suspend temporarily, revoke permanently, or restore the accreditation of a health care provider or the right to benefits of a member and / or impose fines after due notice and hearing. The decision shall immediately be executory, even pending appeal, when the public interest so requires and as may be provided for in the implementing rules and regulations. Suspension of accreditation shall not exceed twenty-four (24) months. Suspension of the rights of members shall not exceed six (6) months.

The revocation of a health care provider's accreditation shall operate to disqualify him from obtaining another accreditation in his own name, under a different name, or through another person, whether natural or juridical.

The Corporation shall not be bound by the technical rules of evidence.

SEC. 18. *The Board of Directors.*

a) *Composition* – The Corporation shall be governed by a Board of Directors hereinafter referred to as the Board, composed of eleven members as follows:

The Secretary of Health;

The Secretary of Labor and Employment or his representative;

The Secretary of the Interior and Local Government or his representative;

The Secretary of Social Welfare and Development or his representative;

The President of the Corporation;

A representative of the labor sector;

A representative of employers;

The SSS Administrator or his representative;

The GSIS General Manager or his representative;
A representative of the Self-employed Sector; and
A representative of health care providers.

The Secretary of Health shall be the *ex officio* Chairperson while the President of the Corporation shall be the Vice Chairperson of the Board.

b) Appointment and Tenure – The President of the Philippines shall appoint the Members of the Board upon the recommendation of the Chairperson of the Board and in consultation with the sectors concerned. Members of the Board shall have a term of four (4) years each, renewable for a maximum of two (2) years, except for members whose terms shall be co-terminous with their respective positions in government. Any vacancy in the Board shall be filled in the manner in which the original appointment was made and the appointee shall serve only the unexpired term of his predecessor.

c) Meetings and Quorum – The Board shall hold regular meetings at least once a month. Special meetings may be convened at the call of the Chairperson or by a majority of the members of the Board. The presence of six (6) voting members shall constitute a quorum. In the absence of the Chairperson and Vice Chairperson, a temporary presiding officer shall be designated by the majority of the quorum.

d) Allowances and Per Diems – The members of the Board shall receive a *per diem* for every meeting actually attended subject to the pertinent budgetary laws, rules and regulations on compensation, honoraria and allowances.

SEC. 19. *The President of the Corporation.*

a) Appointment and Tenure – The President of the Philippines shall appoint for a non-renewable term of six (6) years, the President of the Corporation, hereinafter referred to as the President, upon the recommendation of the Board. The President shall not be removed from office except in accordance with existing laws.

b) Duties and Functions – The President shall have the duty of advising the Board and carrying into effect its policies and decisions. His functions are as follows:

- 1) to act as the chief executive officer of the Corporation; and
- 2) to be responsible for the general conduct of the operations and management functions of the Corporation and for other duties assigned to him by the Board.

c) Qualifications – The President must be a Filipino citizen and must possess adequate and appropriate training and at least (5) years experience in the field of health care financing and corporate management.

d) Salary – The President shall receive a salary to be fixed by the Board, with the approval of the President of the Philippines, payable from the funds of the Corporation.

e) Prohibition – To avoid conflict of interest, the President must not be involved in any health care institution as owner or member of its board.

SEC. 20. *Health Finance Policy Research.* – Among the staff departments that will be established by the Corporation shall be the Health Finance Policy Research Department, which shall have the following duties and functions:

a) development of broad conceptual framework for implementation of the Program through a national health finance master plan to ensure sustained investments in health care, and to provide guidance for additional appropriations from the National Government;

b) conduct of researches and studies toward the development of policies necessary to ensure the viability, adequacy and responsiveness of the Program;

a) review, evaluation, and assessment of the Program's impact on the access as well as to the quality and cost of health care in the country;

d) periodic review of fees, charges, compensation rates, capitation rates, medical standards, health outcomes and satisfaction of members, benefits, and other matters pertinent to the operations of the Program;

e) comparison in the delivery, quality, use and cost of health care services of the different Offices;

f) submission for consideration of program of quality assurance, utilization review, and technology assessment; and

g) submission of recommendations on policy and operational issues that will help the Corporation meet the objectives of this Act.

SEC. 21. *Actuary of the Corporation* – An Office of the Actuary shall be created within the Corporation to conduct the necessary actuarial studies and present recommendations on insurance premium, investments and other related matters.

Article V. LOCAL HEALTH INSURANCE OFFICE

SEC. 22. *Establishment.* – The Corporation shall establish a Local Health Insurance Office, hereinafter referred to as the Office, in every province or chartered city, or wherever it is deemed practicable to bring its services closer to members of the Program. However, one Office may serve the needs of more than one province or city when the merged operations will result in lower administrative cost and greater cross-subsidy between rich and poor localities.

Provinces and cities where prospective members are organized shall receive priority in the establishment of local health insurance offices.

SEC 23. *Functions.* – Each Office shall have the following powers and functions:

a) to consult and coordinate, as needed, with the local government units within its jurisdiction in the implementation of the Program;

b) to recruit and register members of the Program from all areas within its jurisdiction;

c) to collect and receive premiums and other payment contributions to the Program;

d) to maintain and update the membership eligibility list at community levels;

e) to supervise the conduct of means testing which shall be based on the criteria set by the Corporation and undertaken by the Barangay Captain in coordination with the social welfare officer and community-based health care organizations to determine the economic status of all households and individuals, including those who are indigent;

f) to issue health insurance ID cards to persons whose premiums have been paid according to the requirements of the Office and the guidelines issued by the Board;

g) to recommend to the Board premium schedules that provide for lower rates to be paid by members whose dependents include those with reduced probability of utilization, as in fully immunized children;

h) to recommend to the Board a contribution schedule which specifies contribution levels by individuals and households, and a corresponding uniform package of personal health service benefits which is at least equal to the minimum package of such benefits prescribed by the Board as applying to the nation;

i) to grant or deny accreditation to health care providers in their area of jurisdiction, subject to the rules and regulations to be issued by the Board;

j) to process, review and pay the claims of providers, within a period not exceeding sixty (60) days whenever applicable in accordance with the rules and guidelines of the Corporation;

k) to pay fees, as necessary, for claims review and processing when such are conducted by the central office of the Corporation or by any of its contractors;

l) to establish referral systems and network arrangements with other Offices as may be necessary and following the guidelines set by the Corporation;

m) to establish mechanisms by which private and public sector health facilities and human resources may be shared in the interest of optimizing the use of health resources;

n) to support the management information system requirements of the Corporation;

o) to serve as the first level for appeals and grievance cases;

p) to tap community-based volunteer health workers and barangay officials, if necessary, for member recruitment, premium collection and similar activities, and to grant such workers incentives according to the guidelines set by the Corporation and in accordance with applicable laws. However, the incentives for the barangay officials shall accrue to the barangay and not to the said officials.

q) to participate in information and education activities that are consistent with the government's priority programs on disease prevention and health promotion; and

r) to prepare an annual report according to guidelines set by the Board and to submit the same to the central office of the Corporation.

Article VI. THE NATIONAL HEALTH INSURANCE FUND

SEC. 24. *Creation of the National Health Insurance Fund* – There is hereby created a National Health Insurance Fund, hereinafter referred to as the Fund, that shall consist of:

a) Contribution from Program members;

b) Current balances of the Health Insurance Funds of the SSS and GSIS collected under the Philippine Medical Care Act of 1969, as amended, including arrearages of the Government of the Philippines with the GSIS for the said Fund;

c) other appropriations earmarked by the national and local governments purposely for the implementation of the Program;

d) Subsequent appropriations provided for under Sections 46 and 47 of this Act;

- e) Donations and grants-in-aid; and
- f) All accruals thereof.

SEC. 25. *Components of the National Health Insurance Fund* – The National Health Insurance Fund shall have the following components:

a) *The Basic Benefit Fund.* This fund shall finance the availment of the basic minimum benefit package by eligible beneficiaries. All liabilities associated with the extension of entitlement to the basic minimum benefit package to the enrolled population shall be borne by the basic benefit fund. It shall be constituted and maintained through the following process;

1) upon the determination of the amount of government subsidies and donations available for paying fully or partially the premium of indigent beneficiaries, a basic minimum benefit package affordable for enrolling as many of the indigent beneficiaries as possible shall be defined. The government subsidies will then be constituted as premium payments for enrolled indigents and contributed into the basic benefit fund;

2) for extending coverage of this same minimum benefit package to non-indigents who are not members of Medicare, premium prices for specific population shall be actuarially determined based on variations in risk, capacity to pay, and projected costs of services utilized. The amounts corresponding to the premium required, including costs of direct benefit payments, all costs of administration, and provision of adequate reserves, for extending the coverage of the basic minimum benefit package for such population groups shall be contributed into the basic benefit fund;

3) for the population enrolled through Medicare Program I under SSS, the corresponding premium for the basic minimum benefit package, including costs of direct benefit payments, all costs of administration, and provision of adequate reserves, shall be charged to the health insurance fund of the SSS and paid into the basic benefit fund;

4) for the population enrolled through Medicare Program I under GSIS, the corresponding premium for the basic minimum benefit package, including costs of direct benefit payments, all costs of administration, and provision of adequate reserves, shall be charged to the health insurance fund of the GSIS and paid into the basic benefit fund; and

5) for groups enrolled through any of the existing or future health insurance schemes and plans, including those created under Medicare Program II and those organized by local government units, national agencies, cooperatives, and other similar organizations, the corresponding premium, including costs of direct benefit payments, all costs of administration, and provision of adequate reserves, for extending the basic minimum benefit package to their respective enrollees will be charged to their respective funds and paid into the basic benefit fund.

b) *Supplementary Benefit Funds* – These are separate and distinct supplementary benefit funds created by the Corporation as eligible for use to provide supplementary coverage to various groups of the population enjoying the basic benefit coverage as are affordable by their respective funding sources. Each supplementary benefit fund shall finance the extension and availment of additional benefits not included in the basic minimum benefit package but approved by the Board. Such supplementary benefits shall be financed by whatever amounts are available after deducting the costs of providing the basic minimum benefit package, including costs of direct benefit payments, all costs of administration, and provision of adequate reserves. All liabilities associated with the extension of supplementary benefits to the defined group of enrollees shall be borne exclusively by the respective supplementary benefit fund. Upon the implementation of this Act, the following supplementary benefit funds shall be established:

1) supplementary benefit fund for SSS-Medicare members and beneficiaries. After deducting the amount corresponding to the premium of the basic minimum benefit package, the balance of the SSS-Health Insurance Fund (HIF) shall be constituted into a supplementary benefit fund to finance the extension of benefits in addition to the minimum basic package to SSS members and beneficiaries; and

2) supplementary benefit fund for GSIS- Medicare members and beneficiaries. After deducting the amount corresponding to the premium for the basic minimum benefit package, the balance of the GSIS-HIF plus the arrearages of the Government of the Philippines with the GSIS for the said HIF shall be constituted into a supplementary benefit fund to finance the extension of benefits in addition to the minimum basic package to GSIS members and beneficiaries.

In accordance with the principles of equity and social solidarity, as enunciated in Section 2 of this Act, the above supplementary benefit funds shall be maintained for not more than five (5) years, after which, such funds shall be merged into the basic benefit fund.

SEC. 26. *Financial Management* - The use, disposition, investment, disbursement, administration and management of the National Health Insurance Fund, including any subsidy, grant or donation received for program operations shall be governed by resolution of the Board of Directors of the Corporation, subject to the following limitations:

a) All funds under the management and control of the Corporation shall be subject to all rules and regulations applicable to public funds.

b) The Corporation is authorized to charge the various funds under its control for the costs of administering the Program. Such costs may include administration, monitoring, marketing and promotion, research and development, audit and evaluation, information services, and other necessary activities for the effective management of the Program. The total annual costs for these shall not exceed twelve percent (12%) of the total contributions, including government contributions to the Program and not more than three (3%) of the investment earnings collected during the immediately preceding year.

SEC. 27. *Reserve Fund* – The Corporation shall set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserved funds: *Provided*, That the total amount of reserves shall not exceed a ceiling equivalent to the amount actuarially estimated for two years' projected Program expenditures: *Provided, further*, That whenever actual reserves exceed the required ceiling at the end of the Corporation's fiscal year, the Program's benefits shall be increased or member contributions decreased prospectively in order to adjust expenditures or revenues to meet the required ceiling for reserve funds. Such portions of the reserve fund as are not needed to meet the current expenditure obligations shall be invested in short-term investments to earn an average annual income at prevailing rates of interest and shall be known as the "Investment Reserve Fund" which shall be invested in any or all of the following.

a) In interest-bearing bonds, securities or other evidences of indebtedness of the Government of the Philippines, or in bonds, securities, promissory notes and other evidences of indebtedness to which full faith and credit and unconditional guarantee of the Republic of the Philippines is pledged

b) In interest-bearing deposits and loans to or securities in any domestic bank doing business in the Philippines: *Provided*, That in the case of such deposits, this shall not exceed at any time the unimpaired capital and surplus or total private deposits of the depository bank, whichever is smaller: *Provided, further*, That said bank shall first have been designated as a depository for this purpose by the Monetary Board of the *Bangko Sentral ng Pilipinas*; and

c) In preferred stocks of any solvent corporation or institution created or existing under the laws of the Philippines: *Provided*, That the issuing, assuming, or guaranteeing entity or its predecessor has paid regular divi-

dends upon its preferred or guaranteed stocks for a period of at least three (3) years immediately preceding the date of investment in such preferred or guaranteed stocks: *Provided, further,* That if the stocks are guaranteed the amount of stocks so guaranteed is not in excess of fifty percent (50%) of the amount of the preferred common stocks as the case may be of the issuing corporation: *Provided, furthermore,* That if the corporation or institution has not paid dividends upon its preferred stocks, the corporation or institution has sufficient retained earnings to declare dividends for at least two (2) years on such preferred stocks and in common stocks option or warrants to common stocks of any solvent corporation or institution created or existing under the laws of the Philippines in the stock exchange with proven track record of profitability and payment of dividends over the last three (3) years or in common stocks of a newly organized corporation about to be listed in the stock exchange: *Provided, finally,* That such duly organized corporation shall have been rated 'A' double 'A's or triple 'A's by authorized accredited domestic rating agencies or by the Corporation or in mutual funds including allied investments.

Article VII. FINANCING

SEC. 28. *Contributions.* – All members of the Program shall contribute to the Fund, in accordance with a reasonable, equitable and progressive contribution schedule to be determined by the Corporation on the basis of applicable actuarial studies and in accordance with the following guidelines.

a) Formal sector employees and current Medicare members and their employers shall continue paying the same monthly contributions as provided for by law until such time that the Corporation shall have determined the contribution schedule mentioned herein: *Provided,* That their monthly contributions shall not exceed three percent (3%) of their respective monthly salaries.

b) Contributions from self-employed members shall be based primarily on household earnings and assets; their total contributions for one year shall not, however, exceed three percent (3%) of their estimated actual net income for the preceding year.

c) Contributions made in behalf of indigent members shall not exceed the minimum contributions set for employed members.

SEC. 29. *Payment for Indigent Contributions.* – Contributions for indigent members shall be subsidized partially by the local government unit where the member resides. The Corporation shall provide counterpart financing equal to the LGU's subsidy for indigents: *Provided,* That in the case of fourth, fifth and sixth class LGU's, the National Government shall provide up to ninety percent (90%) of subsidy for indigents for a period not exceeding five (5) years. The share of the LGUs shall be progressively increased until such time that its share becomes equal to that of the National Government.

Article VIII. HEALTH CARE PROVIDERS

SEC. 30. *Free Choice of Health Facility, Medical or Dental Practitioner.* – Beneficiaries requiring treatment or confinement shall be free to choose from accredited health care providers. Such choice shall, however, be subject to limitations based on the area of jurisdiction of the concerned Office and on the appropriateness of treatment in the facility chosen or by the desired provider.

SEC. 31. *Authority to Grant Accreditation.* – The Corporation shall have the authority to grant to health care providers accreditation which confers the privilege of participating in the Program.

SEC. 32. *Accreditation Eligibility* – All health care providers, as enumerated in Sec. 4 (0) hereof and operating for at least three (3) years may apply for accreditation.

SEC. 33. *Minimum Requirements for Accreditation.* – The minimum accreditation requirements for health care providers are as follows:

- a) human resource, equipment and physical structure in conformity with the standards of the relevant facility, as determined by the Department of Health;
- b) acceptance of formal program of quality assurance and utilization review;
- c) acceptance of the payment mechanisms specified in the following section;
- d) adoption of referral protocols and health resources sharing arrangements;
- e) recognition of the rights of patients; and
- f) acceptance of information system requirements and regular transfer of information.

SEC. 34. *Provider Payment Mechanisms.* – The following mechanisms for public and private providers shall be allowed in the Program:

- a) Fee-for-service based on mechanisms established by the Corporation;
- b) Capitation of health care professionals and facilities, or networks of the same including HMOs, medical cooperatives, and other legally formed health service groups;
- c) A combination of both; and
- d) Any or all of the above, subject to a global budget.

Each Office shall recommend the appropriate payment mechanism within its jurisdiction for approval by the Corporation. Special consideration shall be given to payment for services rendered by public and private health care providers serving remote or medically underserved areas.

SEC. 35. *Fee-for-service Payments and Payment in General.* – Fee-for-service payments may be made separately for professional fees and hospital charges, or both, based on arrangements with health care providers. This fee shall be based on a schedule to be established by the Board which shall be reviewed every three (3) years. Fees paid for professional services rendered by salaried public providers shall be allowed to be retained by the health facility in which services are rendered and be pooled and distributed among health personnel. Charges paid to public facilities shall be allowed to be retained by the individual facility in which services were rendered and for which payment was made. Such revenues shall be used to defray operating costs other than salaries, to maintain or upgrade equipment, plant or facility, and to maintain or improve the quality of service in the public sector.

SEC. 36. *Capitation Payments.* – Capitation payments may be paid to public or private providers according to rates of capitation payments based on annual capitation rate guidelines to be issued by the Corporation.

SEC. 37. *Quality Assurance.* – Under the guidelines approved by the Corporation and in collaboration with their respective Offices, health care providers shall take part in programs of quality assurance, utilization review, and technology assessment that have the following objectives:

- a) to ensure that the quality of personal health services delivered, measured in terms of inputs, process, and outcomes, are of reasonable quality in the context of the Philippines over time;
- b) to ensure that the health care standards are uniform within the Office's jurisdiction and eventually throughout the nation; and
- c) to see to it that the acquisition and use of scarce and expensive medical technologies and equipment are consistent with actual needs and standards of medical practice, and that:

- 1) the performance of medical procedures and the administration of drugs are appropriate, necessary and unquestionably consistent with accepted standards of medical practice and ethics. Drugs for which payments will be made shall be those included in the Philippine National Drug Formulary, unless explicit exception is granted by the Corporation.
- 2) the performance of medical procedures and the administration of drugs are appropriate, consistent with accepted standards of medical practice and ethics, and respectful of the local culture.

SEC. 38. *Safeguards Against Over and Under Utilization.* – It is incumbent upon the Corporation to set up a monitoring mechanism to be operationalized through a contract with health care providers to ensure that there are safeguards against:

- a) over-utilization of services;
- b) unnecessary diagnostic and therapeutic procedures and intervention;
- c) irrational medication and prescriptions;
- d) under-utilization of services; and
- e) inappropriate referral practices.

The Corporation may deny or reduce the payment for claims when such claims are attended by false or incorrect information and when the claimants fails without justifiable cause to comply with the pertinent rules and regulations of this Act.

Article IX. GRIEVANCE AND APPEAL

SEC. 39. *Grievance System* – A system of grievance is hereby established, wherein members, dependents, or health care providers of the Program who believe they have been aggrieved by any decision of the implementors of the Program, may seek redress of the grievance in accordance with the provisions of this Article.

SEC. 40. *Grounds for Grievances* – The following acts shall constitute valid grounds for grievance action:

- a) any violation of the rights of patients;
- b) a willful neglect of duties of Program implementors that results in the loss or non-enjoyment of benefits by members or their dependents;
- c) unjustifiable delay in actions or claims;
- d) delay in the processing of claims that extends beyond the period agreed upon; and
- e) any other act or neglect that tends to undermine or defeat the purposes of this Act.

SEC. 41. *Grievance and Appeal Procedures.* – A member, his dependent, or a health care provider may file a complaint for grievance based on any of the above grounds, in accordance with the following procedures;

- a) A complaint for grievance must be filed with the Office which shall rule on the complaint within ninety (90) calendar days from receipt thereof.
- b) Appeals from Office decisions must be filed with the Board within thirty (30) days from receipt of notice of dismissal or disallowance by the Office.

c) The Offices shall have no jurisdiction over any issue involving the suspension or revocation of accreditation, the imposition of fines, or the imposition of charges on members or their dependents in case of revocation of their entitlement.

d) All decisions by the Board as to entitlement to benefits of members or to payments of health care providers shall be considered final and executory.

SEC. 42. *Grievance and Appeal Review Committee.* – The Board shall create a Grievance and Appeal Review Committee, composed of three (3) to five (5) members, hereinafter referred to as the Committee, which, subject to the procedures enumerated above, shall receive and recommend appropriate action on complaints from members and health care providers relative to this Act and its implementing rules and regulations.

SEC. 43. *Hearing Procedures of the Committee.* – Upon the filing of the complaint, the Grievance and Appeal Review Committee, from a consideration of the allegations thereof, may dismiss the case outright due to lack of verification, failure to state the cause of action, or any other valid ground for dismissal of the complaint after consultation with the Board; or require the respondent to file a verified answer within five (5) days from service of summons.

Should the defendant fail to answer the complaint within the reglamentary five-day period herein provided, the Committee, *motu proprio* or upon motion of the complainant, shall render judgment as may be warranted by the facts alleged in the complaint and limited to what is prayed for therein.

After an answer is filed and the issues are joined, the Committee shall require the parties to submit, within ten (10) days from receipt of the order, the affidavits of witnesses and other evidence on the factual issues defined therein, together with a brief statement of their positions setting forth the law and the facts relied upon by them. In the event the Committee finds, upon consideration of the pleadings, the affidavits and other evidence, and position statements submitted by the parties, that a judgment may be rendered thereon without need of a formal hearing, it may proceed to render judgment not later than ten (10) days from the submission of the position statements of the parties.

In cases where the Committee deems it necessary to hold a hearing to clarify specific factual matters before rendering judgment, it shall set the case for hearing for the purpose. At such hearing, witnesses whose affidavits were previously submitted may be asked clarificatory questions by the proponent and by the Committee and may be cross-examined by the adverse party. The order setting the case for hearing shall specify the witnesses who will be called to testify, and the matters on which their examination will deal. The hearing shall be terminated within fifteen (15) days, and the case decided upon by the Committee within fifteen (15) days from such termination.

The decision of the Committee shall become final and executory fifteen (15) days after notice thereof: *Provided, however,* That it is appealable to the Board by filing the appellant's memorandum of appeal within fifteen (15) days from receipt of the copy of the judgment appealed from. The appellees shall be given fifteen (15) days from notice to file the appellee's memorandum after which the Board shall decide the appeal within thirty (30) days from the submittal of the said pleadings

The decision of the Board shall also become final and executory fifteen (15 days) after notice thereof: *Provided, however,* That it is reviewable by the Supreme Court on purely questions of law in accordance with the Rules of Court.

The Committee and the Board, in the exercise of their quasi-judicial functions, as specified in Section 17 hereof, can administer oaths, certify to official acts and issue *subpoena* to compel the attendance and testimony of witnesses, and *subpoena duces tecum ad testificandum* to enjoin the production of books, papers and other records and to testify therein on any question arising out of this Act. Any case of contumacy shall be dealt with in accordance with the provisions of the Revised Administrative Code and the Rules of Court. The Board or the Committee,

as the case may be, shall prescribe the necessary administrative sanctions such as fines, warnings, suspension or revocation of the right to participate in the Program.

In all its proceedings, the Committee and the Board shall not be bound by the technical rules of evidence: *Provided, however;* That the Rules of Court shall apply with suppletory effect.

Article X. PENALTIES

SEC. 44. *Penal Provisions.* – Any violation of the provisions of this Act, after due notice and hearing, shall suffer the following penalties:

A fine of not less than Ten thousand pesos (P 10,000) nor more than Fifty thousand pesos (P50,000) in case the violation is committed by the hospital management or provider. In addition, its accreditation shall be suspended or revoked from three (3) months to the whole term of accreditation: *Provided, however;* That recidivists may not anymore be accredited as a participant of the Program;

A fine of not less than Five hundred pesos (P500) nor more than Five thousand pesos (P5,000) and imprisonment of not less than six (6) months nor more than one (1) year in case the violation is committed by the member.

Where the violations consist of failure or refusal to deduct contributions from the employee's compensation or to remit the same to the Corporation, the penalty shall be a fine of not less than Five hundred pesos (P500) but not more than One thousand pesos (P1,000) multiplied by the total number of employees employed by the firm and imprisonment of not less than six (6) months but not more than one (1) year: *Provided, further;* That in the case of self-employed members, failure to remit one's own contribution shall be penalized with a fine of not less than five hundred pesos (P500) but not more than One thousand pesos (P1,000).

Any employer or any officer authorized to collect contributions under this Act who, after collecting or deducting the monthly contributions from his employee's compensation, fails to remit the said contributions to the Corporation within thirty (30) days from the date they become due shall be presumed to have misappropriated such contribution and shall suffer the penalties provided for in Article 315 of the Revised Penal Code.

Any employer who shall deduct directly or indirectly from the compensation of the covered employees or otherwise recover from them his own contribution on behalf of such employees shall be punished by a fine not exceeding One thousand pesos (P1,000) multiplied by the total number of employees employed by the firm, or imprisonment not exceeding one (1) year, or both fine and imprisonment, at the discretion of the Court.

If the act or omission penalized by this Act be committed by an association, partnership, corporation or any other institution, its managing directors or partners or president or general manager, or other persons responsible for the commission of the said act shall be liable for the penalties provided for in this Act and other laws for the offense.

Any employee of the Corporation who receives or keeps funds or property belonging, payable or deliverable to the Corporation, and who shall appropriate the same, or shall take or misappropriate or shall consent, or through abandonment or negligence shall permit any other person to take such property or funds wholly or partially, shall likewise be liable for misappropriation of funds or property and shall suffer imprisonment of not less than six (6) years and not more than twelve (12) years and a fine of not less than Ten thousand pesos (P10,000) nor more than Twenty thousand pesos (P20,000). Any shortage of the funds or loss of the property upon audit shall be deemed *prima facie* evidence of the offense.

All other violations involving funds of the Corporation shall be governed by the applicable provisions of the Revised Penal Code or other laws, taking into consideration the rules on collection, remittances, and investment of funds as may be promulgated by the Corporation.

Article XI. APPROPRIATIONS

SEC. 45. *Initial Appropriations.* – The unexpected portion or the budget of the Philippine Medical Care Commission (PMCC) for the year during which this Act was approved shall be utilized for establishing the Corporation and initiating its operations, including the formulation of the rules and regulations necessary for the implementation of this Act. In addition, initial funding shall come from any unappropriated but available fund of the Government.

SEC. 46. *Subsequent Appropriations.* – Starting 1995 and thereafter, twenty-five percent (25%) of the increment in total revenue collected under Republic Act No. 7654 shall be appropriated in the General Appropriations Act solely for the National Health Insurance Fund.

In addition, starting 1996 and thereafter twenty-five percent (25%) of the incremental revenue from the increase in the documentary stamp taxes under Republic Act No. 7660 shall likewise be appropriated solely for the said fund.

SEC. 47. *Additional Appropriations.* – The Corporation may request Congress to appropriate supplemental funding to meet targetted milestones of the Program in accordance with Section 10 (d) of this Act.

Article XII. TRANSITORY PROVISIONS

SEC. 48. *Appointment of Board Members.* – Within thirty (30) days from the date of effectivity of this Act, the President of the Philippines shall appoint the members of the Board and the President of the Corporation.

SEC. 49. *Implementing Rules and Regulations.* – Within thirty (30) days from the completion of such appointments, the Board shall convene to formulate the rules and regulations necessary for the implementation of this Act.

SEC. 50. *Promulgation.* – Within one (1) year from its initial meeting, the Board shall promulgate the aforementioned rules and regulations in at least two (2) national newspapers of general circulation. But until such time that the Corporation shall have promulgated said rules and regulations the existing rules and regulations of the PMCC shall be followed. The present medicare Program shall continue to be so administered, until the Corporation's Board deems the new system as ready for implementation in accordance with the provisions of this Act.

SEC. 51. *Merger.* – Within sixty (60) days from the promulgation of the implementing rules and regulations, all functions and assets of the Philippine Medical Care Commission shall be merged with those of the Corporation without need of conveyance, transfer or assignment. The PMCC thereafter ceases to exist.

The liabilities of the PMCC shall be treated in accordance with existing laws and pertinent rules and regulations.

To the greatest extent possible and in accordance with existing laws, all employees of the PMCC shall be absorbed by the Corporation.

SEC. 52. *Transfer of Health Insurance Funds of the SSS and GSIS.* – The Health Insurance Funds being administered by the SSS and GSIS shall be transferred to the Corporation within sixty (60) days from the promulgation of the implementing rules and regulations. The SSS and GSIS shall, however, continue to perform Medicare functions under contract with the Corporation until such time that such functions are assumed by the Corporation, in accordance with the following Section.

SEC. 53. *Transfer of the Medicare Functions of the SSS and GSIS.* – Within five (5) years from the promulgation of the implementing rules and regulations, the functions, assets, equipment, records, operating systems, and liabilities, if any, of the Medicare operations of the SSS and GSIS shall be transferred to the Corporation: *Provided, however,* That the SSS and GSIS shall continue performing its Medicare functions beyond the stipulated

five year period if such extension will benefit Program members, as determined by the Corporation.

Personnel of the Medicare departments of the SSS and GSIS shall be given priority in the hiring of the Corporation's employees.

Article XIII. MISCELLANEOUS PROVISIONS

SEC. 54. *Oversight Provision.* – Congress shall conduct a regular review of the National Health Insurance Program which shall entail a systematic evaluation of the Program's performance, impact or accomplishments with respect to its objectives or goals. Such review shall be undertaken by the Committee of the Senate and the House of Representatives which have legislative jurisdiction over the Program.

SEC. 55. *Information Campaign.* – There shall be provided a substantial period of time to undertake an intensive public information campaign prior to the implementation of the rules and regulations of this Act.

SEC. 56. *Separability Clause.* – In the event any provision of this Act or the application of such provisions to any person or circumstances is declared invalid, the remainder of this Act or the application of said provisions to other persons or circumstances shall not be affected by such declaration.

SEC. 57. *Repealing Clause.* – Executive Order 119, Presidential Decree 1519 and other laws currently applying to the administration of Medicare are hereby repealed. All other laws, executive orders, administrative rules and regulations or parts thereof which are inconsistent with the provisions of this Act are also hereby amended, modified, or repealed accordingly.

SEC. 58. *Government Guarantee.* – The Government of the Philippines guarantees the financial viability of the Program.

SEC. 59. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in at least three (3) national newspaper of general circulation.

Approved.

JOSE DE VENECIA, JR.
Speaker of the House of Representatives

EDUARDO J. ANGARA
President of the Senate

This Act, which is a consolidation of Senate Bill No. 1783 and House Bill No. 14225, was finally passed by the Senate and House of Representatives on February 7, 1995.

CAMILO L. SABIO
Secretary General
House of Representatives

EDGARDO E. TUMANGAN
Secretary of the Senate

Approved: Feb. 14, 1995

FIDEL V. RAMOS
President of the Philippines

AN ACT AMENDING REPUBLIC ACT NO. 7875, OTHERWISE KNOWN AS "AN ACT INSTITUTING A NATIONAL HEALTH INSURANCE PROGRAM FOR ALL FILIPINOS AND ESTABLISHING THE PHILIPPINE HEALTH INSURANCE CORPORATION FOR THE PURPOSE"

Republic of the Philippines
Congress of the Philippines
Metro Manila

Twelfth Congress
Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-eighth day of July, two thousand and three.

Republic Act No. 9241 February 10 2004

AN ACT AMENDING REPUBLIC ACT NO. 7875, OTHERWISE KNOWN AS "AN ACT INSTITUTING A NATIONAL HEALTH INSURANCE PROGRAM FOR ALL FILIPINOS AND ESTABLISHING THE PHILIPPINE HEALTH INSURANCE CORPORATION FOR THE PURPOSE"

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

Section 1. Section 4 of Republic Act No. 7875 is hereby amended to read as follows:

SEC. 4. *Definition of Terms.*-For the purpose of this Act, the following terms shall be defined as follows:

- a) *Beneficiary* - Any person entitled to health care benefits under this Act.
- b) *Benefit Package* - Services that the Program offers to its members.
- c) *Capitation* - A payment mechanism where a fixed rate, whether per person, family, household or group, is negotiated with a health care provider who shall be responsible in delivering or arranging for the delivery of health services required by the covered person under the conditions of a health care provider contract.
- d) *Contribution* - The amount paid by or in behalf of a member to the Program for coverage, based on salaries or wages in the case of formal sector employees, and on household earnings and assets, in the case of self-employed, or on other criteria as may be defined by the Corporation in accordance with the guiding principles set forth in Article 1 of this Act.
- e) *Coverage* - The entitlement of an individual, as a member or as a dependent, to the benefits of the program.
- f) *Dependent* - The legal dependents of a member are: 1) the legitimate spouse who is not a member; 2) the unmarried and unemployed legitimate, legitimated, illegitimate, acknowledged children as appearing in the birth certificate; legally adopted or step-children below twenty-one (21) years of age; 3) children who are twenty-one (21) years old and above but suffering from congenital disability, either physical or mental, or any disability acquired that renders them totally dependent on the member of our support; 4) the parents who are sixty (60) years old or above whose monthly income is below an amount to be determined by the Corporation in accordance with the guiding principles set forth in Article I of this Act.
- g) *Diagnostic Procedure* - Any procedure to identify a disease or condition through analysis and examination.
- h) *Emergency* - An unforeseen combination of circumstances which calls for immediate action to preserve the life of a person or to preserve the sight of one or both eyes; the hearing of one or both ears; or one or two limbs at or above the ankle or wrist.
- i) *Employee* - Any person who performs services for an employer in which either or both mental and physical efforts are used and who receives compensation for such services, where there is an employer-employee relationship.
- j) *Employer* - A natural or juridical person who employs the services of an employee.
- k) *Enrollment* - The process to be determined by the Corporation in order to enlist individuals as members or dependents covered by the Program.
- l) *Fee for Service* - A reasonable and equitable health care payment system under which physicians and other health care providers receive a payment that does not exceed their billed charge for each unit of service provided.

m) *Global Budget* - An approach to the purchase of medical services by which health care provider negotiations concerning the costs of providing a specific package of medical benefits is based solely on a predetermined and fixed budget.

n) *Government Service Insurance System* - The Government Service Insurance System created under Commonwealth Act No. 186, as amended.

o) *Health Care Provider* - Refers to:

(1) a health care institution, which is duly licensed and accredited devoted primarily to the maintenance and operation of facilities for health promotion, prevention, diagnosis, injury, disability, or deformity, drug addiction or in need of obstetrical or other medical and nursing care. It shall also be construed as any institution, building, or place where there are installed beds, cribs, or bassinets for twenty-four hour use or longer by patients in the treatment of diseases, injuries, deformities, or abnormal physical and mental states, maternity cases or sanitarial care; or infirmaries, nurseries, dispensaries, rehabilitation centers and such other similar names by which they may be designated; or

(2) a health care professional, who is any doctor of medicine, nurse, midwife, dentist, or other health care professional or practitioner duly licensed to practice in the Philippines and accredited by the Corporation; or

(3) a health maintenance organization, which is entity that provides, offers, or arranges for coverage of designated health services needed by plan members for a fixed prepaid premium; or

(4) a community-based health organization, which is an association of indigenous members of the community organized for the purpose of improving the health status of that community through preventive, promotive and curative health services.

p) *Health Insurance Identification (ID) Card* - The document issued by the Corporation to members and dependents upon their enrollment to serve as the instrument for proper identification, eligibility verification, and utilization recording.

q) *Indigent* - A person who has no visible means of income, or whose income is insufficient for the subsistence of his family, as identified by the Local Health Insurance Office and based on specific criteria set by the Corporation in accordance with the guiding principles set forth in Article I of this Act.

r) *Inpatient Education Package* - A set of informational services made available to an individual who is confined in a hospital to afford him with knowledge about his illness and its treatment, and of the means available, particularly lifestyle changes, to prevent the recurrence or aggravation of such illness and to promote his health in general.

s) *Member* - Any person whose premiums have been regularly paid to the National Health Insurance Program. He may be a paying member, or a pensioner/retiree member.

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

u) *Medicare* - The health insurance program currently being implemented by the Philippine Medical Care Commission. It consists of:

(1) Program I, which covers members of the SSS and GSIS including their legal dependents; and

(2) Program II, which is intended for those not covered under Program I.

v) *National Health Insurance Program* - The compulsory health insurance program of the government as established in this Act, which shall provide universal health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all citizens of the Philippines.

w) *Pensioner* - An SSS or GSIS member who receives pensions therefrom.

x) *Personal Health Services* - Health Services in which benefits accrue to the individual person. These are categorized into inpatient and outpatient services.

y) *Philippine Medical Care Commission* - The Philippine Medical Care Commission created under Republic Act No. 6111, as amended.

z) *Philippine National Drug Formulary* - The essential drugs list for the Philippines which is prepared by the National Drug Committee of the Department of Health in Consultation with experts and specialists from organized profession medical societies, medical academe and the pharmaceutical industry, and which is updated every year.

aa) *Portability* - The enablement of a member to avail of Program benefits in an area outside the jurisdiction of his Local Health Insurance Office.

bb) *Prescription Drug* - A drug which has been approved by the Bureau of Food and Drug and which can be dispensed only pursuant to a prescription order from a physician who is duly licensed to do so.

cc) *Public Health Services* - Services that strengthen preventive and promotive health care through improving conditions in partnership with the community at large. These include control of communicable and non-communicable diseases, health promotion, public information and education, water and sanitation, environmental protection, and health-related data collection, surveillance, and outcome monitoring.

dd) *Quality Assurance* - A formal set of activities to review and ensure the quality of services provided. Quality assurance includes quality assessment and corrective actions to remedy any deficiencies identified in the quality of direct patient, administrative, and support services.

ee) *Residence* - The place where the member actually lives.

ff) *Retiree* - A member of the Program who has reached the age of retirement or who was retired on account of disability.

gg) *Self-employed* - A person who works for himself and is therefore both employee and employer at the same time.

hh) *Social Security System* - The Social Security System created under Republic Act No. 1161, as amended.

ii) *Treatment Procedure* - Any method used to remove the symptoms and cause of a disease.

jj) *Utilization Review* - A formal review of a patient utilization or of the appropriateness of health care services, on a prospective, concurrent or retrospective basis.

kk) *Rehabilitation Center* - Refers to a facility, which undertakes rehabilitation of drug dependents. It includes institutions, agencies and the like which have for their purpose, the development of skills, or which provides counseling, or which seeks to inculcate, social and moral values to clientele who have a drug problem with the pain of weaning them from drugs and making them drug-free, adapted to their families and peers, and readjusted into the community as law-abiding, useful and productive citizens.

ll) *Home Care and Medical Rehabilitation Services* - Refer to skilled nursing care, which members get in their homes/clinics for the treatment of an illness or injury that severely affects their activities or daily living. Home care and medical rehabilitation services include hospice or palliative care for people who are terminally ill but does not include custodial and non-skilled personal care.¹

Section 2. Section 11 of the same Act shall now read as follows:

ISEC. 11. *Excluded Personal Health Services.* - The benefits granted under this Act shall not cover expenses for the services enumerated hereunder except when the Corporation, after actuarial studies, recommends their inclusion subject to the approval of the Board:

- (a) non-prescription drugs and devices;
- (b) alcohol abuse or dependency treatment;
- (c) cosmetic surgery;
- (d) optometric services;
- (e) fifth and subsequent normal obstetrical deliveries; and
- (f) cost-ineffective procedures, which shall be defined by the Corporation.

Provided, That, such actuarial studies must be done within a period of three (3) years, and then periodically reviewed, to determine the financial sustainability of including the foregoing personal health services in the benefit package provided for under Section 10 of this Act.¹

Section 3. Section 18 of the Law shall be amended to read as follows:

ISEC. 18. *The Board of Directors.* 6

a) *Composition* - The Corporation shall be governed by a Board of Directors hereinafter referred to as the Board, composed of the following members:

The Secretary of Health;

The Secretary of Labor and Employment or his representative;

The Secretary of the Interior and Local Government or his Representative;

The Secretary of Social Welfare and Development or his Representative;

The President of the Corporation;

A representative of the labor sector;

A representative of employers;

The SSS Administrator or his representative;

The GSIS General Manager or his representative;

The Vice chairperson for the basic sector of the National Anti-Poverty Commission or his representative;

A representative of Filipino overseas workers;

A representative of the self-employed sector; and

A representative of health care providers to be endorsed by the national associations of health care institutions and medical health professionals.

The Secretary of Health shall be the *ex officio* Chairperson while the President of the Corporation shall be the Vice Chairperson of the Board.

b) *Appointment and Tenure* - The President of the Philippines shall appoint the Members of the Board upon the recommendation of the Chairman of the Board and in consultation with the sectors concerned. Members of the Boards shall have a term of four (4) years each, renewable for a maximum of two (2) years, except for members whose terms shall be co-terminous with their respective positions in government. Any vacancy in the Board shall be filled in the manner in which the original appointment was made and the appointee shall serve only the unexpired term of his predecessor.

c) *Meetings and Quorum.* - The Board shall hold regular meetings at least once a month. Special meetings may be convened at the call of the Chairperson or by a majority of the members of the Board. The presence of a majority of all the members shall constitute a quorum. In the absence of the Chairperson and Vice Chairperson, a temporary presiding officer shall be designated by the majority of the quorum.

d) *Allowances and Per Diems* - The members of the Board shall receive a per diem for every meeting actually attended subject to the pertinent budgetary laws, rules and regulations on compensation, honoraria and allowances.¹

Section 4. Section 29 of the Law shall now read as follows:

ISEC. 29. *Payment of Indigent Contributions.* - Contributions for indigent members shall be subsidized partially by the local government unit where the member resides. The Corporation shall provide counterpart financing equal to the LGU's subsidy for indigents: *Provided*, That in the case of the fourth, fifth and sixth class municipalities, the National Government shall provide up to ninety percent (90%) of the subsidy for indigents until such time that they shall have been upgraded to first, second or third class municipalities. The share of the LGUs shall be progressively increased until such time that its share becomes equal to that of the National Government.¹

Section 5. Section 32 of the same Act shall now read as follows:

ISEC. 32. *Accreditation Eligibility* - All health care providers, as enumerated in Section 4(o) hereof and operating for at least three (3) years may apply for accreditation: *Provided*, That a health care provider which has not operated for at least three (3) years may likewise apply and qualify for accreditation if it complies with all the other accreditation of and further meets any of the following conditions:

- a) Its managing health care professional has had a working experience in another accredited health care institution for at least three (3) years;
- b) It operates as a tertiary facility or its equivalent;
- c) It operates in a local government unit where the accredited health care provider cannot adequately or fully service its population; and
- d) Other conditions as may be determined by the Corporation.†

Section 6. The third paragraph of Section 44 (penal Provisions) of the same Act shall amend to read as follows:

†Where the violations consist of failure or refusal to deduct contributions from the employee's compensation or to remit the same to the Corporation, the penalty shall be a fine of not less than Five hundred pesos (P500) but not more than One thousand pesos (P1,000) multiplied by the total number of employees employed by the firm and imprisonment of not less than six (6) months but not more than one (1) year.†

Section 7. Section 54 of the Law shall be amended to read as follows:

†SEC. 54. Oversight Provision.- Congress shall conduct regular review of the National Health Insurance Program, which shall entail a systematic evaluation of the Program's performance, impact or accomplishments with respect to its objectives or goals. Such review shall be undertaken by the Committees of the Senate and the House of Representatives, which have legislative jurisdiction over the Program.

The National Economic and Development Authority, in coordination with the National Statistics Office and the National Institutes of Health of the University of the Philippines shall undertake studies to validate the accomplishments of the Program. The Budget required to undertake such study shall come from the income of the PhilHealth.†

Section 8. Separability Clause. - If any part or provision of this Act shall be held unconstitutional or invalid, other provisions, which are not affected thereby, shall continue to be in full force and effect.

Section 9. Repealing Clause. - All laws, presidential decrees, executive orders, rules and regulations or parts thereof which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

Section 10. Effectivity. - This Act shall take effect fifteen (15) days after its publication in at least (3) national newspapers of general circulation.

Approved,

FRANKLIN DRILON
President of the Senate

JOSE DE VENECIA JR.
Speaker of the House of Representatives

This Act which is a consolidation of House Bill No. 5547 and Senate Bill No. 2630 was finally passed by the House of Representatives and the Senate on October 15, 2003 and October 14, 2003, respectively.

OSCAR G. YABES
Secretary of Senate

ROBERTO P. NAZARENO
Secretary General
House of Representatives

Approved: February 10 2004

GLORIA MACAPAGAL-ARROYO
President of the Philippines