SP4PHC
Strategic Purchasing for Primary Health Care

Philippines Health Purchasing Factsheet

August 2022

The Philippines' Universal Health Care (UHC) law offers an unprecedented opportunity to make purchasing of primary health care (PHC) services more strategic. The law mandates major structural reforms in the health sector. SP4PHC provides technical assistance to the Department of Health (DOH), local governments, and the Philippine Health Insurance Corporation (PhilHealth) to design and implement provisions of the UHC law while strengthening purchasing policies and practices, particularly for PHC. The figures below present key health financing indicators in the country.

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Current Health Expenditure

Source: Global Health Expenditure Database 2021; Philippine Statistics Authority 2020

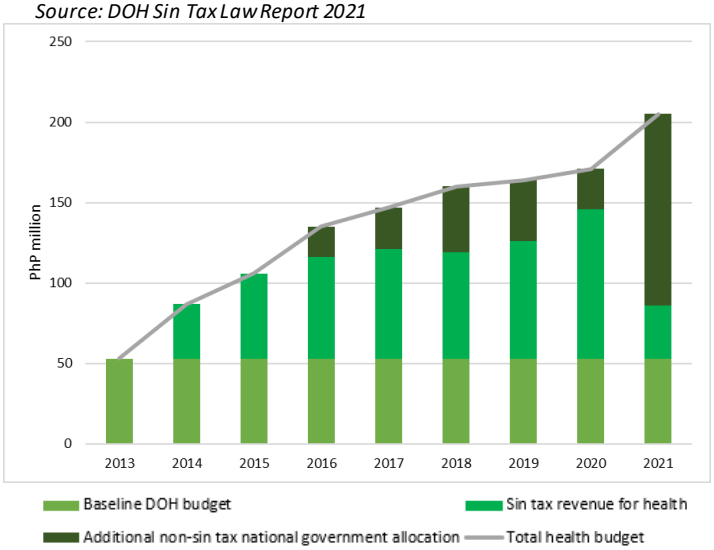
152.2 (US$)
Current health expenditure per capita (2020)

66.4 (US$)
PHC expenditure per capita (2016)

51.2%
PHC expenditure as % of current health expenditure (2016)

DOH Budget and Sin Tax Revenue for Health (2013-2021)

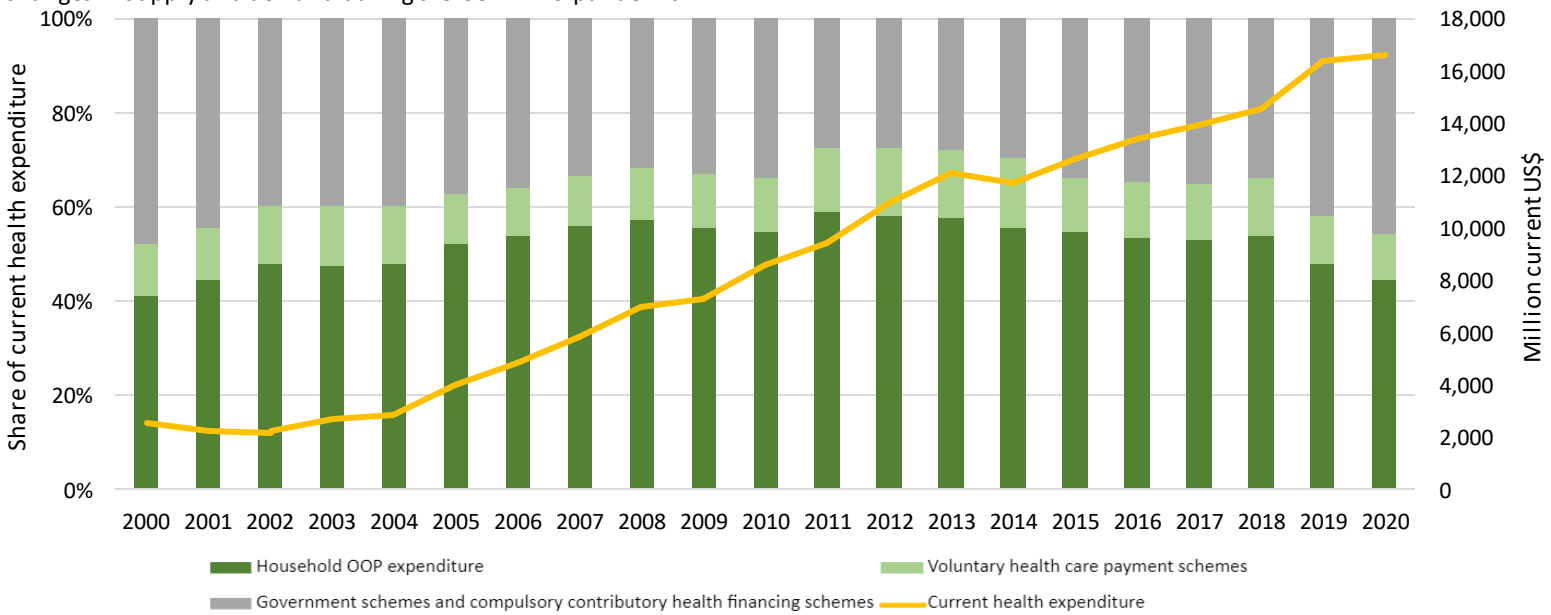
Source: DOH Sin Tax Law Report 2021



Trends in Current Health Expenditure by Financing Source (2000—2020)

Source: Global Health Expenditure Database 2021; Philippine Statistics Authority 2021

Current health expenditure increased over the last two decades. Household out-of-pocket (OOP) expenditure accounted for 52% to 59% of current health expenditure between 2005 and 2018. In 2020, it dropped to 45% given increased government funding for health as well as changes in supply and demand during the COVID-19 pandemic.

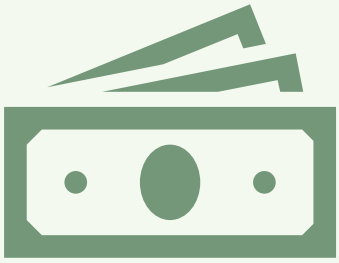


Strategic Purchasing for Primary Health Care (SP4PHC) is a project that ThinkWell is implementing in partnership with government agencies and local research institutions in five countries (Burkina Faso, Indonesia, Kenya, the Philippines, and Uganda), with support from the Bill & Melinda Gates Foundation.

The Goal of Strategic Purchasing

Source: World Health Report 2000; World Health Report 2010

As countries such as the Philippines implement strategies to achieve UHC, they are undertaking health financing reforms to mobilize more financing for health and ensure that available funds for health are used optimally and equitably. Strategic purchasing is linked to the second objective. Making purchasing strategic involves basing purchasing decisions on information about provider behavior and population health needs. However, most countries have multiple purchasers and purchasing schemes and these reforms are often overlaid on existing systems, risking further fragmentation and mixed signals to health providers.



Under SP4PHC, ThinkWell is working with individual purchasers critical for the delivery of PHC, especially family planning (FP) and maternal, newborn and child health (MNCH) services and assisting governments to improve coherence between purchasing arrangements at the system-level.

Health Financing Reforms in the Philippines

Health care reforms in the Philippines over the last four decades aimed to address poor accessibility, inequities, and inefficiencies in the health system. With the passage of the UHC law in February 2019, the Philippines is pursuing structural and functional health sector reform that aims to ensure financial protection and access to health services for the entire population. In 2022, the internal revenue allotment for local government units (LGUs) has started to increase because of the 2018 Supreme Court ruling on the Mandanas-Garcia petition.

1947
The DOH was established

1954
A national network of public health facilities consisting of rural health units (RHUs) and health centers was organized in all cities and municipalities

1982
DOH (renamed Ministry of Health as of 1978) was reorganized. Public health and hospital services were merged under the Integrated Provincial Health Office. District hospitals, RHUs, and barangay health stations were placed under the District Health Office.

1987
The Ministry of Health was renamed DOH and the health sector was reorganized

1999
DOH launched the Health Sector Reform Agenda as a major policy framework to improve the way health care was delivered, regulated, and financed

1995
The National Health Insurance Act was passed, which established PhilHealth as the national health insurance entity

1991
The Local Government Code was enacted. It gave LGUs the responsibility and autonomy to manage local health facilities and services.

2005
DOH initiated FOURmula ONE for Health as the operational framework for health sector reforms between 2005 and 2010 under the Arroyo administration

2011
Indigent households identified through the National Household Targeting System for Poverty Reduction were mandated to enroll to PhilHealth

2012
The Sin Tax Law was enacted. Most revenue from sin taxes on tobacco and alcohol is allocated to health as follows: (i) 80% is for financing UHC initiatives such as paying subsidies for the poor and vulnerable population and other health-related programs, and (ii) 20% goes to the DOH Medical assistance Program and Health Facilities Enhancement Program.

2017
FOURmula One Plus for Health is launched, and it serves as the strategic framework with the vision of healthier Filipinos by achieving UHC under the Duterte administration

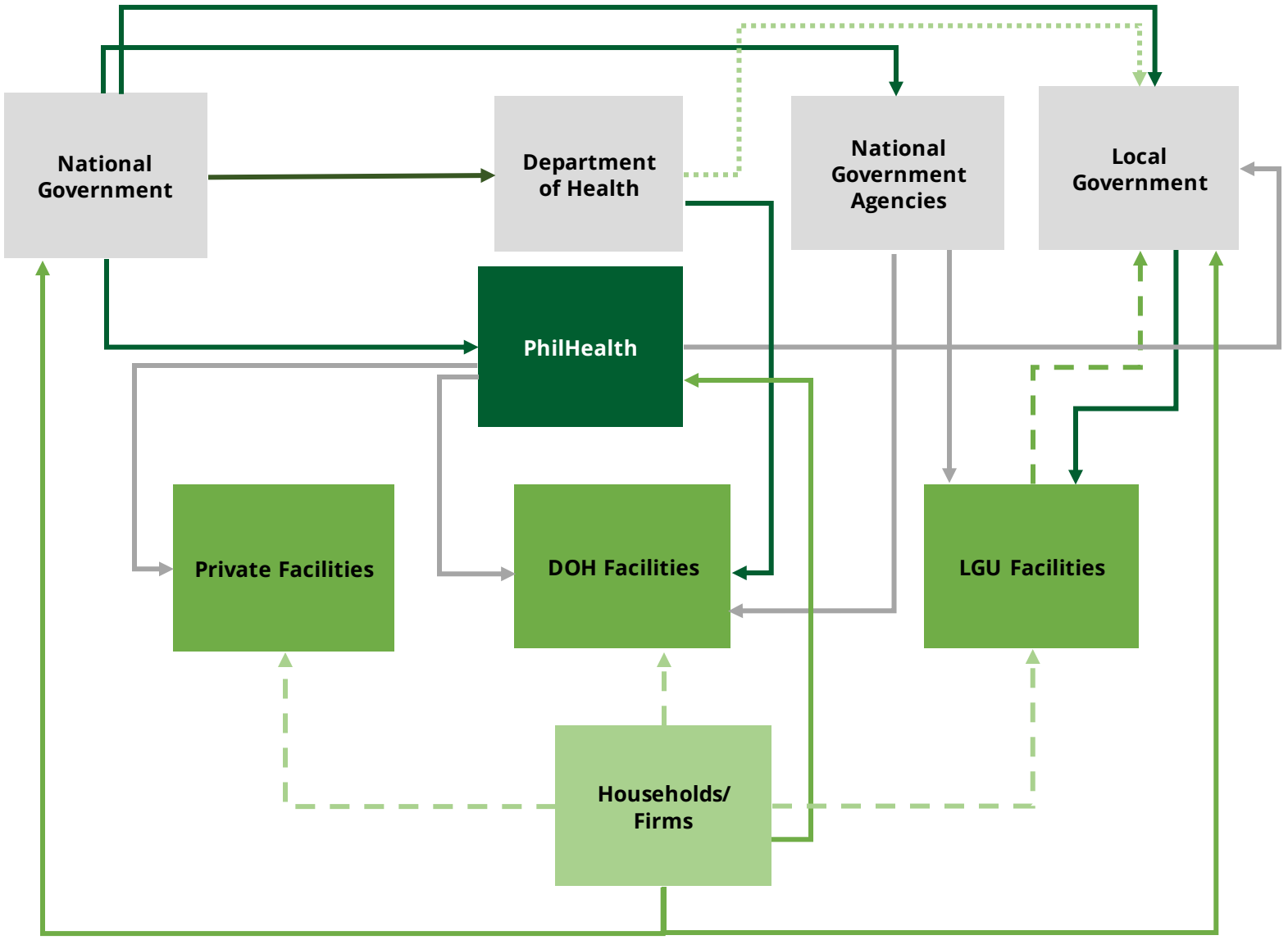
2018
Supreme Court ruling on the Mandanas-Garcia petition which states that tax entitlements of local governments must comprise all national taxes, including tariffs and customs collected by the Bureau of Customs and those from excise taxes

2019
The UHC Law passed in February mandates structural and functional changes in health financing, service delivery, and governance with the final goal of achieving UHC.

Flow of Funds for Health Services

Source: Based on Dayrit, Lagarda, and Picazo et al. 2018

The Philippines' health system has been shaped by health reforms implemented following decentralization through the enactment of the 1991 Local Government Code. The main sources of funding for the health sector are national and local government revenues, social health insurance, OOP spending, and other private spending such as private health insurance. The flow of funds in the health sector in the Philippines is presented below.



LEGEND

- Generation / collection
- Remittance
- Fiscal transfer
- In-kind / non-monetary
- Payments
- User fees

Types of Purchasing Schemes

There are multiple purchasers in the Philippines. According to the UHC law, PhilHealth will be the strategic purchaser in the country.

Purchaser attributes	Department of Health (DOH)	Local Government Unit (LGU)	Philippine Health Insurance Corporation (PhilHealth)	Private health insurance
Sources of revenue (e.g. taxes, premiums)	Taxes (budget appropriation)	Local taxes and revenue allocation from the national government	Premiums (only select members pay their own premiums; premiums of indigent population are paid from earmarked sin taxes)	Premiums
Population covered (e.g. poor, formal sector)	General public	Constituents of a particular LGU	Universal coverage as of January 2020	Voluntary - generally employed (3.2%)
Benefits/services covered (e.g. PHC, hospitalization, inpatient, outpatient, etc.)	Inpatient and outpatient; private accommodation is associated with a payment; outpatient services are available only in outpatient units of DOH-owned hospitals and there can be a charge; DOH supports local level facilities by deployment of nationally hired personnel to local level facilities and providing selected drugs and commodities procured by vertical programs; for FP and MNCH services, DOH supports through direct supply of commodities and other technical assistance	Inpatient and outpatient; private accommodation is associated with a payment; health centers (all public primary care facilities are LGU-owned) provide services free of charge; Inputs for inpatient and outpatient FP and MNCH services	Inpatient (all members), outpatient (selected services available to all members); all FP methods; MNCH services (all inpatient procedures, only selected outpatient services (e.g. deliveries in lying-ins*, antenatal and postnatal care, newborn care); routine vaccinations are generally excluded	Inpatient and outpatient (usually no medicines), dependent on the scheme; FP and MNCH services may be covered as part of inpatient or outpatient benefits depending on the scheme
Types of facilities included (e.g. referral hospitals, health centers, health posts, etc.)	72 DOH retained hospitals (approx. 1.3% of government hospitals)	All LGU hospitals (approx. 98% of government hospitals), health centers	Public and private; accredits hospitals, ambulatory surgical clinics, dialysis centers, lying-in clinics, outpatient clinics, health centers (60-65% of accredited facilities are private)	Public and private; hospitals, outpatient clinics
Payment methods (with FP and MNCH specifics)	Input based financing; DOH-owned hospitals submit budget proposal to DOH and, together with DOH, which has a standard cost per bed per day (differentiated based on facility level), they reconcile the budget based on historical bed counts and occupancy rates	Input based financing; LGU-owned health facilities submit proposals to their respective LGU (province, municipality, or city) who then decide on the final budget allocation; proposals do not necessarily follow the DOH standard cost per bed per day, but are itemized into cost components (personnel services, capital expenditure, operating expenses); The UHC law moves towards provincial integration and financing of non-DOH facilities should be at the provincial level.	Inpatient: fixed case rates, no balance billing for select membership types (poor and vulnerable), in basic accommodation in public and select private facilities; Outpatient: capitation, bundled payments; co-payment allowed in the private sector; FP services: case rates for long acting/permanent methods, capitation for all other methods; MNCH services: capitation, case rates	Depends on the scheme; generally, fee-for-service or case rate

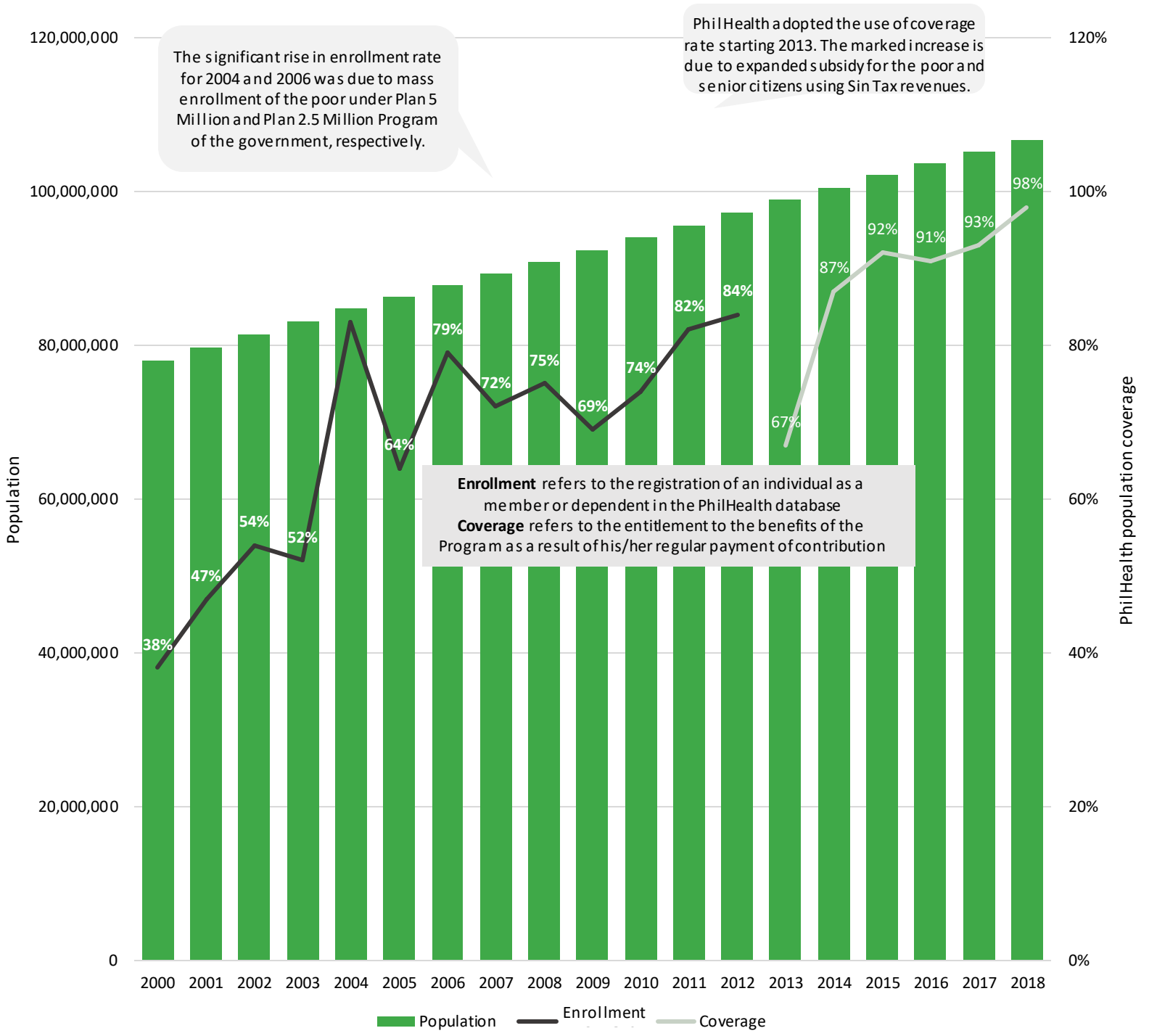
*A lying-in facility is a primary level health facility for low-risk childbearing women who have normal status during pregnancy, childbirth and postpartum

The Impact of PhilHealth on Population Coverage

Over the years PhilHealth has adopted various policies that contributed to increased population coverage from 38% in 2000 to 98% in 2018. PhilHealth has recently defined "coverage rate" or entitlement of members based on premium payments. The signing of the UHC law ensures that all Filipinos are automatically included under the National Health Insurance Program. PhilHealth has reached 100% coverage rate since 2019. For more information about how PhilHealth population coverage improved over time, read this brief.

PhilHealth Population Coverage (2000-2018)

Source: Soria 2019

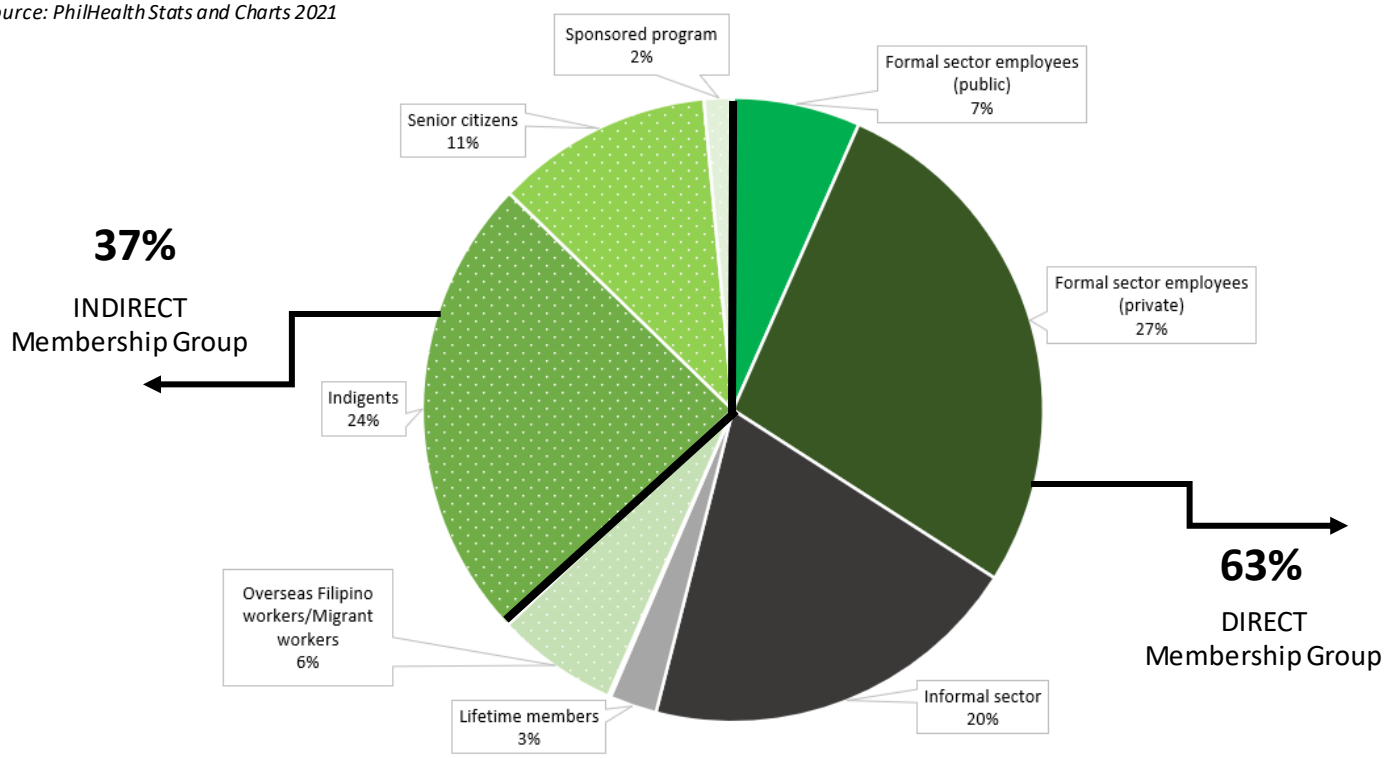


PhilHealth via Membership Type

63% of PhilHealth beneficiaries were either formal or informal sector employees. PhilHealth collected premiums from these members amounting to approximately PhP 91 billion in 2021. The remaining 37% of beneficiaries (indigents, senior citizens, and sponsored program members) were indirect contributors whose premiums were paid from earmarked sin taxes. Premiums paid by the population in higher income quintiles subsidize services for those in the lower income quintiles. In 2021, the value of claims paid was higher for direct contributors than indirect contributors.

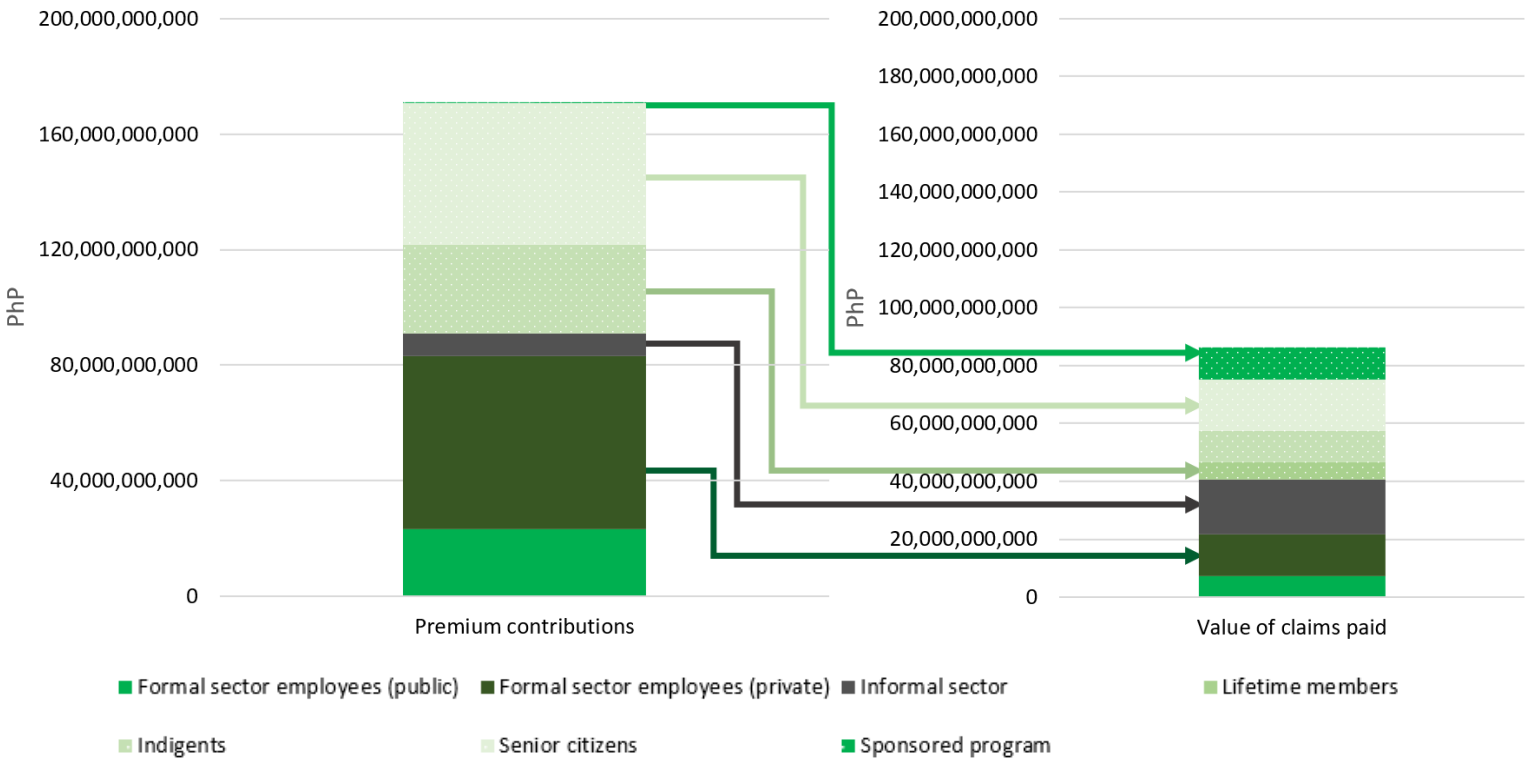
PhilHealth Beneficiaries by Membership Type (2021)

Source: PhilHealth Stats and Charts 2021



Premium Contributions by Membership Type (2021)

Source: PhilHealth Stats and Charts 2021



Value of Claims Paid by Membership Type (2021)

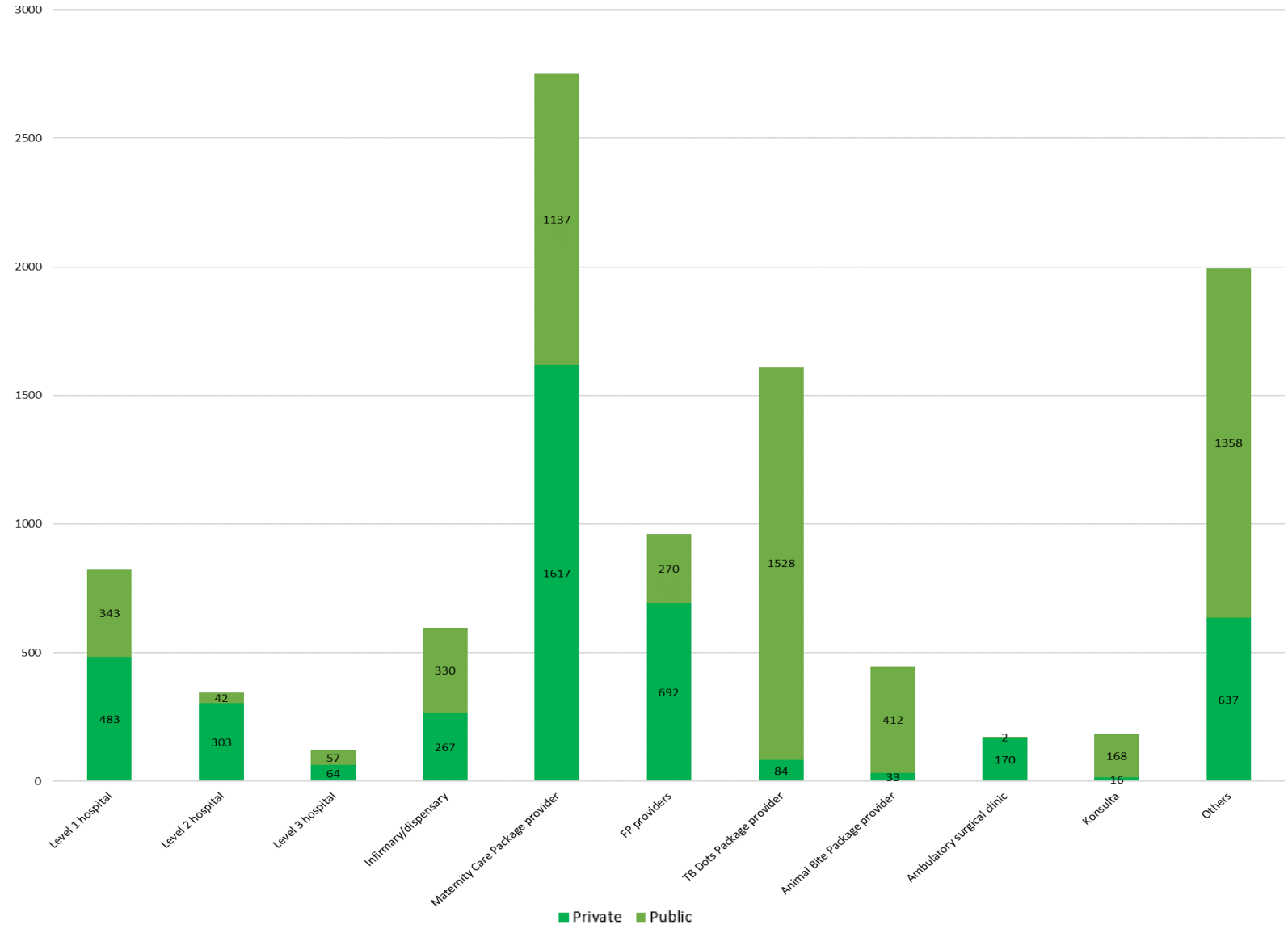
Source: PhilHealth Stats and Charts 2021

PhilHealth Providers and Claims

PhilHealth works with both public and private providers. In 2021, approximately 56% of accredited hospitals and Maternity Care Package providers and 70% of accredited FP providers were from the private sector. The value of claims paid in 2020 amounted to approximately PhP 96 billion and 61% of these were paid to public sector facilities. In 2021, PhilHealth started to implement a new benefit package for primary care called Konsulta.

Number of Health Care Providers Accredited by PhilHealth

Source: PhilHealth Stats and Charts 2021



*Others include drug abuse treatment rehabilitation center, free standing dialysis clinic, outpatient HIV/AIDS treatment, out patient malaria package, community isolation unit, and diagnostic service provider.

Value of Claims Paid by Sector (2021)

Source: PhilHealth Stats and Charts 2021

Public

34,095,737,639.25 PhP

Private

54,179,073,778.08 PhP

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