

■ By the **Medical Action Group**

IN MARCH this year, Dr Shin Young-soo, the World Health Organization's regional director for the Western Pacific expressed concern over "the continued absence of sufficient healthcare coverage in the country." The WHO official noted that some 250,000 families "fall into financial hardships" because of the excessive cost of health care.

This observation comes in the midst of the Aquino administration's avowed push for Universal Health Coverage, especially for indigent Filipino families, as one of its health agenda. Such a universal health care system would bridge the healthcare disparities between the rich and the majority poor.

The 1987 Constitution provides that all Filipinos should have access to health services. This policy finds full expression in Article II, Section 15: "The State shall protect and promote the right to health of the people and instill health consciousness among them." Article XIII, Section 11 provides that "The State should adopt an integrated and comprehensive approach to



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health development which shall endeavor to make essential goods, health and other social services available to all the people at affordable costs. There shall be priority for the

Achieving Universal Health Coverage Rx for the Ailing Health Sector: PhilHealth reforms



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needs of the underprivileged, sick, elderly, disabled, women and children. The State shall endeavor to provide free medical care to paupers.”

And yet, from one administration to another, the same issues and deficiencies continue to plague the country’s health sector. Key healthcare issues crippling the nation like the healthcare inequities, failed public healthcare financing, the continuous exodus of health professionals and weak health regulations pose critical challenges for the Aquino administration in attaining Universal Health Coverage.

Badly broken

Calling our country’s health care system “badly broken” and in need of repair, President Benigno S. Aquino III outlined his plans for a reform package based on universal health coverage for all Filipinos. This plan would put the national government at center stage for funding healthcare services by amending Republic Act No. 7875 (otherwise known as the National Health Insurance Act of 1995) or enacting a new law



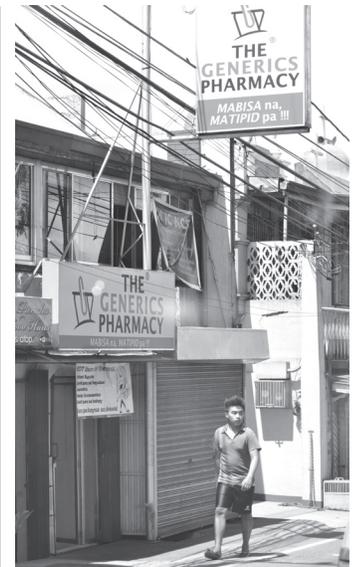
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by developing more extensive and equitable tax-based systems, or social health insurance-based systems or mixes of those. To ensure universal health coverage it will be necessary to increase the extent of prepayment and reduce the reliance on out-of-pocket payments and user fees.

This reform agenda for universal coverage is anchored on the provision of comprehensive but accessible and affordable healthcare services to all Filipinos. It focuses on expansion of coverage of the national health insurance system to include all Filipinos within the next three years and provision of effective and

affordable health care services that shall be accessible to all Filipinos in private and public hospitals.

While every Filipino is entitled to healthcare as provided by the Constitution, here in the Philippines, healthcare happens to be a privilege. The majority of the Filipinos rely on the private sector for their healthcare needs, thus making these services more of a commodity rather than entitlements. The majority cannot afford such services, resulting in grim statistics: for example, an estimated 60 percent of Filipinos die without seeing a health professional. Putting a stop to these healthcare ineq-



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uities would require immense political commitment from the present administration.

Universal Healthcare

Universal coverage of healthcare means that everyone in the population has access to appropriate promotive, preventive, curative and rehabilitative healthcare when they need it and at an affordable cost.¹ Universal coverage thus implies equity of access and financial risk protection. It is also based on the notion of equity in financing, i.e., that people contribute on the basis of their ability to pay rather than according to whether they fall ill. This implies that a major source of health funding needs to come from pre-paid and pooled contributions rather than from fees or charges levied once a person falls ill and accesses health services.²

According to the World Health Organization (WHO), universal coverage requires choices to be made in each of the three components of a health financing system:

- revenue collection: financial contributions to the health system have to be collected equitably and efficiently;
- pooling: contributions

are pooled so that the costs of healthcare are shared by all and not borne by individuals at the time they fall ill (this requires a certain level of solidarity in society); and

- purchasing: the contributions are used to buy or provide appropriate and effective health interventions.

WHO further said that countries that have achieved universal coverage have developed prepayment systems that are commonly described as tax-based or social health insurance-based (SHI). In a tax-based system, general tax revenue is the main source of financing, and the available funds are used by the government to provide or purchase health services. In an SHI system, contributions come from workers, the self-employed, enterprises and government. In both, the contributions made by all contributors are pooled and services are provided only to those who need them. The financial risks associated with ill health in the population as a whole are shared by all contributors, and the pooled funds therefore perform an insurance function. In tax-based systems, however, the insurance is implicit (in general, people do not know how much of their taxes fund health services), whereas in SHI it is explicit (in general, people know what they are paying for health). In both systems, the funds are usually used to purchase or provide services from a mix of public and private providers.

Health for all Filipinos

The country's deteriorating healthcare situation is urgent not just for the poor themselves but for all Filipinos whose general welfare depends on the good health of all. Radical changes in various arenas of the healthcare sector are imperative in order to re-



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verse these trends.

To make health services available, accessible and affordable, the reform agenda seeks to resuscitate the largely sluggish health sector and promote efficiency, economy of scale and effectiveness in service delivery. One of these measures is the institutionalization of reforms in the Philippine Health Insurance Corporation (PhilHealth).

In 1995, the National Health Insurance Law, which established PhilHealth, called for health insurance for all Filipinos by 2010. However it is disturbing to know that since PhilHealth was created fifteen years ago, out-of-pocket payments have shot up from 40 to 54 percent of health financing in 2007. Ironically, even the country's national insurance program ends up devoting

much of its resources reimbursing healthcare facilities and providers in the more developed and urbanized areas, while its coverage remains very low among rural and poorest areas. PhilHealth coverage according to the 2008 NDHS is lowest in the Autonomous Region in Muslim Mindanao (ARMM).

Based on the 2006 Family Income and Expenditures Survey (FIES), about 70 percent of the population could not afford to pay for health care services due to their low income and the high cost of medical care. These are the same Filipinos that suffer from worse health outcomes because they are not able to access healthcare when they need it and where they need it. They are more likely to die without the benefit of seeing

the inside of a hospital or receiving care from a medical professional. This is not surprising, given that the Philippines has a "highly resourced private sector", where seven out of ten health practitioners are working in the private sector and servicing only 20-30 percent of the population (the same population that can afford healthcare services).

The disparity in access to and use of health care services, resources and outcomes resulted in a wide gap in the health status between the rich and poor Filipino families. This situation threatens to get even worse because of the failed public healthcare financing. Based on the national budget allocation, a Filipino taxpayer spends only about P1.10 a day for health care compared to P21.75 spent by the government on debt servicing. With the increasing cost of healthcare services, even among those with a regular income, surviving a major ailment or illness is nothing short of a miracle.

As we race to reach the Millennium Development Goals by 2015, the health sector should be prioritized by the State today. However, the government's response remains anemic: total health expenditure only accounted for 3.8 percent of the country's GDP (2006), well below the 5 percent standard set by the WHO for developing countries like the Philippines.

Due to increasing cost of healthcare services and the lack of appropriate social protection, illness becomes a catastrophic experience, especially for the poor Filipino families. Out-of-pocket payments for health care services are increasing in the Philippines. Of the total health spending, according to the 2007 Philippine National Health Accounts (PNHA), only 9 percent was shouldered by social health

insurance, both the national government and local government shared 13 percent, other sources at 11 percent, and 54 percent came from out-of-pocket payments made by the patients. This trend spells doom for individuals and families from the lowest income groups who have no pockets to give with.

Based on the 2008 NDHS, only 42 percent of Filipinos are covered by some form of health insurance. Although it is the dominant insurance provider, PhilHealth coverage at the national level remains low at 38 percent of the population. Coverage through the Social Security System (SSS) is 11 percent, while the Government Service Insurance System (GSIS) covered about 2 percent of the population. Moreover, 2 percent of Filipinos are covered by private insurance or membership in health maintenance organizations (HMOs).

It will be impossible to achieve Universal Health Coverage without greater and more effective investment in health systems and services. Beyond these, central to attaining



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Universal Health Coverage are reforms to be instituted in PhilHealth.

The government must admit that PhilHealth has fallen short of its target, as health insurance barely protects 38 percent of all Filipinos (2008 NDHS). It is clear that the Social Health Insurance scheme as currently implemented by PhilHealth is not working towards the envisioned "sustainable, affordable and progressive social health

insurance, which endeavors to influence the delivery of accessible quality health care for all Filipinos."

How can reforms in the PhilHealth be done? Certainly it will begin with making sure that over 11 million Filipino families who are the poorest of the poor will be supported and covered by an allocation of P15 billion to cover their PhilHealth premium.

Such reforms must go be-

yond the distribution of PhilHealth cards. The overarching philosophy is that access to health care services is based on needs and not on the capability to pay. Universal Health Care should mean that every Filipino will get not merely the card, but more importantly, the affordable and appropriate quality healthcare services that are their right. Thus in the medium-term, the development of an initial package of basic health services to be made available to every Filipino given the present resources available to the health system should be implemented.

- 1 See the background document "Social health insurance—Sustainable health financing, universal coverage and social health insurance" to the Resolution of the Executive Board at its 115th Session (Resolution EB115.R13), www.who.int/health_financing
- 2 Technical Brief for Policy-Makers 2 on Designing Health Financing Systems to Reduce Catastrophic Health Expenditure



Pepito Frias