CHAPTER 3

FINANCIAL RISK PROTECTION THROUGH THE NATIONAL HEALTH INSURANCE PROGRAM

As discussed in chapter 1, the total health spending is increasing in nominal terms. However, its share in the total Gross Domestic Product (GDP) is unchanging at 3.5 to 3.6 percent which is below the ideal 5 to 6 percent set by the WHO. In the Philippines, health spending can be accounted by different sources, namely: national and local government subsidies, social insurance, private insurance and private out-of–pocket of households. However, of all the different sources, out-of-pocket expenditure continues to be the main source, accounting for 57 percent of the total health expenditure in 2007 (National Statistical Coordination Board, 2007). Despite the presence of safety nets like social health insurance, out-of-pocket expenditure is increasing rapidly. The share of social insurance is at 9-10 percent in the last ten years, while the shares of national and local governments are noted to be decreasing (National Statistical Coordination Board, 2007). Consequently, high level of out-of-pocket expenditure pushed many families into impoverishment from catastrophic payments during health care episodes (Lavado and Ulep, 2011).

The institutionalization of social health insurance in the country through the National Health Insurance Program (NHIP) was envisioned to reduce out-of-pocket spending, as well as the inequities in health financing. However, growth in social health insurance expenditure relative to total health expenditure is not enough. Though there is a noticeable increase in NHIP members over the years, effective coverage rate remains to be low. A study revealed that there is a wide variation of NHIP coverage estimates. Household surveys revealed that only one third of the population was covered by NHIP in 2008. Though this estimate is contentiously low, it unmasked the existing problems on recall and membership awareness. On the other hand, a study commissioned by USAID suggests that the coverage rate was 53 percent in 2008 (Health Policy Development Program, 2010). In addition to problems in coverage, awareness and low benefit packages which impact utilization, and deficiencies in health facilities, are some of the pressing issues in the Philippine health insurance system.

The NHIP was not able maximize its role as a safety net. As a result, the duality of health financing system of the country continues existing parallel with other funding sources which make the system inefficient for the government. The creation of NHIP should have signaled the country to move from tax-based financing to premium-based insurance system. The political landscape of the country may have also hampered the expansion of the social insurance as some political leaders have the incentive not to enroll their constituents,

and to patronize them through dole-outs. Unsurprisingly, donations remain to be the main source of financing (see chapter 1). Previous disposition on the conservative use of Philhealth reserves, failed to support the proposed benefit increase.

Given these gaps in the health insurance system, the new administration is pushing for sustainable programmatic and policy reforms to increase the efficiency of PhilHealth as the main source of financing for health.

3.1. Increasing the coverage

PhilHealth strategies to expand the coverage of the NHIP include mass media and advocacy programs for LGUs to institutionalize the implementation of the Sponsored Program.

One of the main thrusts of *Kalusugan Pangkalahatan* is increasing financial protection and targets the NHIP as the main source of financing. The overall goal is to maximize government and PhilHealth spending in order to minimize out-of-pocket spending, thereby lessening the financial burden shouldered by the people. The poorest Filipinos, as identified by the National Household Targeting System-Poverty Reduction (NHTS-PR) list of the Department of Social Welfare and Development (DSWD), shall be targeted to gain intensified returns for health financing. The identified poor Filipinos shall be enrolled to the NHIP and are expected to effectively utilize health services through this projected gain of financial risk protection.

The Individually Paying Program (IPP) such as the KASAPI (*Kalusugan Sigurado at Abot Kaya sa* PhilHealth Insurance) taps organized groups, such as microfinance institutions, cooperatives, non-government and civic organizations, and various associations, to encourage bulk or group membership enrollment. By working more seriously with informal sector organizations, PhilHealth can further augment its informal sector membership.

3.2. Increasing utilization

Low NHIP utilization can be attributed to several factors like low benefits, lack of knowledge on healthcare benefits, tedious administrative requirements, among others. However, one of the most important reasons is the lack of accredited health facilities. In 2010, PhilHealth accredited 91% of private hospitals, 88% of government hospitals and 59% of RHUs (calculated from the Philippine Health Insurance Corporation data, 2010). Decentralizing accreditation processes contributed to increased health provider accreditation, and also as a result of new benefit packages – such as the Outpatient Benefit Package, Maternity Care Package, Newborn Care Package, and Tuberculosis Directly Observed Treatment Short course (TB DOTS).

However, inadequate health facilities remain in many rural areas. Even if they do exist, there are not enough health personnel and appropriate drugs and medicines available. The provision of health centers to regions

with dismal health and socioeconomic indicators continues to be a challenge for the national government and LGUs. Accredited hospitals remain concentrated in major regions like NCR and Region 10, and are found scarcer in regions like CARAGA and ARMM. A similar distribution applies for accredited RHUs, TB DOTS clinics, and other outpatient facilities. Other issues stem from deficient administrative and information systems. There is a need to improve administrative efficiency, since claims processing still take an average of three months.

3.3. Increasing the support value

In the Benefit Delivery Ratio study by the DOH and PhilHealth, the average support value of NHIP benefits is only 35 percent. As one of the efforts to increase the financial protection, PhilHealth just recently implemented the "No balance billing policy" for all sponsored program members who are hospitalized in government facilities.

PhilHealth is now also shifting from fee for service to case rate system. Almost 23 case rate packages which comprise 50 percent of the benefits are now available in institutional health care facilities accredited by PhilHealth (Philippine Health Insurance Corporation, Various years). Among the medical cases and the corresponding package rates are for Dengue, Pneumonia, Essential, Cerebral Infarction, Cerebro-vascular Accident with Hemorrhage, Acute Gastroenteritis, Asthma, Typhoid Fever, and Newborn Care Package in Hospitals and Lying-in clinics.

The following table summarizes the country's objectives in reducing financial risk especially the poor families, and increasing the capacity of PhilHealth to deliver healthcare benefits.

NATIONAL OBJECTIVES FOR HEALTH 2011-2016

OVERALL GOAL: To strengthen the NHIP as the prime mover in improving financial risk protection, generating resources to modernize and sustain health facilities, and improve the provision of public health services to achieve the Millennium Development Goals (MDGs).

Strategic Objective	Indicator	Data Source	Latest Baseline	2016 Targets
NHIP universal coverage is achieved	% National Health Insurance Program (NHIP) enrollment rate	PhilHealth	62 (2010)	>90
Utilization of NHIP benefits in an accredited facilities increased	% Accredited health facilities	PhilHealth	89 (2010)	95
Out-of-pocket expenditure is reduced	% Out of pocket payment from total health care expenditure	NSCB-PNHA	54.3 (2007)	<50
	PhilHealth spending as % of THE	NSCB-PNHA	9 (2007)	19
	% Hospitals with NBB for CCT/ NHTS families	PhilHealth	To Be Determined	100 in government hospitals

STRATEGIES FOR 2011-2016

- Universal NHIP coverage with priorities for the CCT families and the poor.
- Communication and social marketing strategies to ensure that its members, especially those from the indigent sector, are utilizing PhilHealth benefits.
- Total market mobilization of all health facilities both from the public and private sector to be NHIP accredited and providers of quality care.
- Shift of payment to case payments and no balance billing especially for the indigent sector.
- Improving efficiency of the PhilHealth operations to include creation of local insurance offices and e-claims.