Opportunities for making health financing and services more inclusive in the Philippines

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This is the third in a series of three policy notes on health prepared for the 11th Development Policy Research Month in September 2013 themed “Making Health More Inclusive in a Growing Economy.” The first policy note in this series provides an overview of the puzzle of economic growth and stalled health improvement in the country while the second explains the large disparities in health status between the poor and the nonpoor in the Philippines. Due to space limitations, the extensive tables generated for these notes were not included, but will be available in a forthcoming PIDS discussion paper.

Growth does not automatically translate to more inclusive health services. Traditional trickle-down economics is too hopeful as a prescription for the reduction of poverty and social inequity. While growth may be a necessary condition for more inclusive development, it is not sufficient; complementary policies and programs need to be put in place so that growth also improves the health status of the general population. Many opportunities exist today to make growth more inclusive through improved health financing, regulation and planning, and service delivery. The key is to capitalize on these opportunities while addressing attendant challenges and issues.

- Economic growth makes it possible for the health budget to increase. Since 2007, and even more so since the Aquino II administration took over in 2010, the Department of Health (DOH) budget has risen dramatically. The recent passage of the...
Sin Tax Law on cigarettes and alcohol ensures that the health sector will continue to receive generous allocations over the foreseeable future. The estimated incremental revenue from sin tax is PHP 60.7 billion in 2012, PHP 84.3 billion in 2013, and rising to PHP 139.0 billion in 2016. The Responsible Parenthood Health Law is also anticipated to provide significant resources to the long-neglected government family planning and reproductive health programs. Absorption of these additional resources will be a major challenge.

The DOH is keen on expanding health services to address the significant deficits in the number of health facilities and reach of health programs, for public health as well as hospitals. The backlog of these services is huge because the population has ballooned over the past decades while health investments have stalled. From 2008 to 2012, expenditures from the Health Facilities Enhancement Program (HFEP) of the DOH has totaled PHP 18.6 billion, rising from PHP 1.4 billion in 2008 to PHP 7.1 billion in 2011 and PHP 5.1 billion in 2012. The key challenge in this area is how to expedite the investment program, which in the past was hobbled by traditional thinking and political jockeying under the HFEP. An analysis done by PIDS for the Department of Budget and Management has shown that HFEP funding per capita among provinces is not related to poverty incidence, which points to the need to make this spending more propoor (Lavado et al. 2012).

Fortunately, the current administration has adopted an overall approach of public-private partnership (PPP), not only to tap into existing resources in the private sector, but also to introduce efficiency-enhancing incentive structures that are not present in pure public ownership and management. The government’s Public-Private Partnership (PPP) Center lists four projects: the modernization of the Philippine Orthopedic Center, Ilocos Regional Medical and Training Center, National Center for Mental Health, and the PhilHealth IT project. The remaining regional hospitals are also being considered.
for PPP arrangement. While there are benefits and rewards under a PPP approach, there are also dangers and risks, such as politicization of the process of bidding and award, and weak enforcement of regulations. Policymakers, bid committees, and project management teams ought to be aware of these risks and apply rules of transparency and strong regulation to address them. In the area of reproductive health, the government should also consider PPP as an option for service delivery, given the strong presence of nongovernmental organizations in the field.

- Complementary policies in other sectors need to be strengthened. The conditional cash transfer (CCT) program has a large potential to improve access to health services and information. Careful monitoring and evaluation should be conducted to demonstrate that this potential is being reached. In contrast to the government attention being given to the CCT program, poverty-reducing, labor-intensive government undertakings appear to have been placed on the back burner. Food-for-cash and food-for-work programs can quickly alleviate the lot of the poorest households, and thereby improve their health status. For the same reason, implementation of large PPP infrastructure projects should be expedited, for construction is labor intensive and would benefit currently unemployed poor people.

- To make health financing and delivery more inclusive, adoption of appropriate information technology (IT) is imperative. With more extensive use of IT, the financing and service delivery system can leapfrog from its current state to a far greater reach.
information technology (IT) is imperative. With more extensive use of IT, the financing and service delivery system can leapfrog from its current state to a far greater reach, as has been shown in large-scale teleradiology and telehealth in India. IT innovations in the Philippines, while varied, seem to be stuck in what one observer has called the inchoate state of “pilotitis”. Both the DOH and PhilHealth’s information systems have not been as effective as they could be, unable to track actual number of members and program reach. There are many opportunities in this area, but the official response has been tepid, and institutional adoption has been mixed. PIDS’ Health Market Innovations Project over the past two years has identified innovative schemes such as the Wireless Access for Health (WAH), Community Health Information Tracking System (CHITS), PhilHealth LINK in Region 8, BuddyWorks, and M-DOK Mobile Telehealth that warrant scale-up (Box 1).

Similarly, the adoption of innovations in general, and health market innovations in particular, has been slow and limited. While there is a wide range of market innovations (health service contracting, long-term leasing and build-operate-transfer schemes, consignment programs, social franchising), the scale of many interesting innovations is limited. There have also been few occurrences of cross-institutional learning, and local government units (LGUs) tend to re-invent the wheel for innovations in which models already exist (e.g., hospital autonomy). Health sector innovations are critical in improving supply-side response to the large-scale innovations in demand financing.

- The Aquino II administration’s health financing reforms (the Universal Health Care program, known popularly by its Filipino name, Kalusugan Pangkalahatan) is deliberately designed to focus on the poorest two quintiles of the population. While enrollment of these households is moving...
**Box 1. Health market innovative schemes**

The Philippine Institute for Development Studies (PIDS) is currently implementing the project “Health Market Innovations in the Philippines”, in collaboration with the Center for Health Market Innovations (CHMI) of the Results for Development Institute (R4D), a global network that collects, analyzes, and disseminates information about health market innovations in developing countries for the purpose of accelerating the diffusion of successful models. The project is being funded by the Rockefeller Foundation, Department for International Development (DFID), and the Bill & Melinda Gates Foundation. The main objective of the project is to identify and analyze various health market innovations in the Philippines that are undertaken by both public and private sectors, and to select the most innovative programs to be presented as case studies for possible replication in other areas. Below are some of the HMIs identified by PIDS.

**Community Health Information Tracking System (CHITS)** – CHITS is a low-cost computerization initiative for local health centers that aims to automate the core processes in the health center and contribute to effective and efficient delivery of services. It features an appointment and scheduling system which projects how many patients, medicines, supplies, or staff members will be needed for the day. With CHITS, patient care has improved and patient visits are more efficient, having reduced the four to five minutes needed to search paper records to just seconds.

**Wireless Access for Health (WAH)** – is an electronic health system which enables reliable health data transmission for speedier decisionmaking and action. WAH leverages new and innovative technologies to improve the quality and timeliness of data initially at four rural health units in Tarlac. WAH aims to upgrade the existing CHITS using 3G wireless broadband allowing community health workers to easily view, record, and deliver reports to the municipal and provincial health offices. The system is also able to generate reports in a format that is compliant with DOH requirements. The system has resulted in faster retrieval of patients’ records, wireless transmittal of data instead of personally delivering reports to the Municipal Health Office or the Provincial Health Office, and easy access to information by policy planners in the province or municipality which can be utilized to determine the health needs of their constituents.

**PhilHealth Link in Region 8** – is a call center for PHilHealth members, a collaborative enterprise supported by provincial LGUs who want to maximize reimbursement from PhilHealth so that LGU health facilities can have a steady revenue stream. PhilHealth LINK is particularly useful for households whose premiums are subsidized by LGUs under the Sponsored Program, and who may not be fully aware of the benefits they are entitled to, and how they may be availed of. At present, there are 10 call center agents at PhilHealth LINK, which is physically located at the PhilHealth Region 8 Tacloban City Office.

**Buddyworks** – is a government-funded project that uses ICT to provide telemedicine—health care from a distance—to underserved communities and geographically remote areas where specialized health care is largely unavailable. Remote doctors, when unsure about diagnosis of their patients, use SMS and email to send clinical questions to the National Telehealth Center (NTHC) operations center. The NTHC clinical staff reviews this and when needed triages the messages to the specific expert consultants of the Philippine General Hospital, who give their opinion on the cases referred.

**M-DOK Mobile Telehealth** – is a mobile telehealth system which aids transmission of real-time diagnosis and treatment of data from the community health workers to an urban physician. It aims to develop suite of smartphone-based services for health care delivery at the rural level. MDOK was a short-term project piloted in Catigbian, Bohol from June 2005 to July 2006. During the pilot phase, the average consults per month were 7.3, mainly on maternal health and infectious diseases.
pace, expansion of benefits should also follow in order to reduce out-of-pocket spending on care, which remains very high. This has been extremely slow because it is related to radical changes in provider payment system, from fee-for-service to case-rate payment, and eventually to global budget. PhilHealth has underestimated the amount of technical skills and organizational skills that will be needed to push through with a complex set of comprehensive reforms involving multiple stakeholders. Congress has become impatient and recently approved the new Health Insurance Law of 2013 amending the 1995 law, and prescribing an even more complex health financing system that combines social health insurance and medical savings account features, and conflating demand-side financing with supply-side financing.

To make health financing reforms work, the government ought to take a serious look at the institutional requirements of implementing them. The technical stable in the Philippines is very sparse (whether in PhilHealth, in DOH, in the private sector, or in the academe), and the government should think of the longer-term professional requirements of doing highly specialized health financing and regulation tasks. This has been a much-neglected area and would require short-term and long-term training and scholarships.

- Performance benchmarking has been accepted as a norm in the health sector, and several initiatives have been undertaken, including accreditation (PhilHealth’s Benchbook), seal of good housekeeping (e.g., Sentrong Sigla), DOH’s balanced score cards (for LGUs, donors), and dashboards. Yet these instruments have not yielded perceptible expansion in access or improvement in quality, and some of them (Sentrong Sigla concept) appears to have been left by the wayside, while others are still struggling to be institutionalized (e.g., PhilHealth dashboard, M&E for KP). When it comes to performance benchmarking, the health sector appears to swing between euphoric experimentation and neglect and abandonment. A more serious and sustainable effort in this area is necessary to underpin the strategy for more inclusive health financing and service delivery.

Reference