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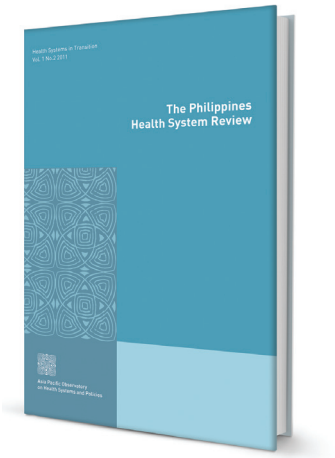
HEALTH SYSTEMS IN TRANSITION 09/2013

PHILIPPINES LIVING HiT UPDATE

3.4.2 Collection



Government health expenditures are generally funded out of general tax revenues collected by the Department of Finance (DOF). National government agencies, such as the Department of Health (DOH), are then allotted annual budgets by the Department of Budget and Management (DBM). The Philippine Health Insurance Corporation (PhilHealth) also receives annual budgets from national Government but also collects premiums from its members. Local governments also receive a share of taxes from the national Government. This allotment is known as the internal revenue allotment or IRA and is based on a formula that consists of variables that include but are not limited to: land area, population, and revenues generated by local government units (LGUs), such as local taxes.

Since 2000, national tax revenues have grown by an average of 9.9% per annum. Taxes collected (tax effort) in 2011 amounted to 12.3% of gross domestic product (GDP). In 2012, that amount increased to 12.8%, but it was still lower than the 13.3% goal. Full-year collection from the Bureau of Internal Revenue (BIR) operations reached Philippine pesos (Php) 1.016 trillion, 14.2% more than collections in 2011. Collection from non-BIR operations went up 21.68% to Php 40.95 billion. This can be attributed to the rigorous campaign of BIR and DOF to improve collection. Recently, the steady economic growth in the Philippines led to its upgrade from BB+ to BBB- investment grade by Standard and Poor's Rating Services (BIR, 2013).

Over 75% of all national taxes are collected by BIR, mostly in the form of direct taxes. Over 40% of total national tax revenues is generated from net income and profits. Excise taxes have been on the decline at least from 2005 to 2007. This trend has some implications on health-care financing.

In December 2012, Republic Act No. 10351 (An Act Restructuring the Excise Tax on Alcohol and Tobacco Products) was signed into law by President Benigno S. Aquino III. This "sin tax" law provides that after deductions the allocated under Republic Act Nos. 7171 and 8240, 80% of the remaining balance of incremental revenue shall be allocated for universal health care under the National Health Insurance Program, the attainment of the Millennium Development Goals (MDGs) and health awareness programmes; and 20% shall be allocated for medical assistance and the health enhancement facilities programme.

The tax on cigarettes will gradually be raised to PhP 30 ($US 0.72) per pack by 2017, roughly doubling the current price to around Php 52. Taxes on alcohol will also increase gradually until 2017, increasing the prices of beer, wine and spirits by varying levels at an annual rate of 4%. (DOH, 2012a, 2012c). The new taxes aim to raise Php 33 billion for 2013, Php 39.02 billion for 2014, Php 42.68 for 2015, and Php 41.51 billion for 2016. Based on the DOF projection, the new sin tax is expected to generate cumulative incremental revenue of Php 184.31 billion, of which Php 146.7 billion or 80% is earmarked to finance the Kalusugan Pangkalahatan, or Government's universal health care inititiave (BIR, 2012).

Table 1 shows the target budget to implement Kalusugan Pangkalahatan. The following data are DOH projections (DOH, 2012b). The sin tax is expected to fill the Php 137 billion gap between what the national Government will be spending from 2013 to 2016 and what DOH actually needs.

Php 61.6 Billion for preventive and promotive health programmes is expected to cover families up to the third quintile, accelerate attainment of MDGs, eliminate infectious and tropical diseases, protect more children from additional diseases beyond the current immunization programme by adding rotavirus and pneumonia vaccines, protect the elderly against communicable diseases such as pneumonia and influenza, improve health information, and upgrade and update clinical competencies of health workers.

Php 66.6 billion in PhilHealth premiums is expected to increase enrolment of an additional 5.6 million families, expand the range of services included in the outpatient benefit package, include more cases in the no-balance billing programme, and add a new catastrophic care package and a supplemental benefit packages for special populations (e.g. teachers, elderly).

Php 3.9 Billion for the Health Facilities Enhancement Program is expected to improve capability of 2243 health centres, upgrade surgical capacity in 503 LGUs, and modernize 37 DOH medical centres.

Php 5.1 Billion for policy regulation and sector management is expected to improve the capacity for sector management and strategic policy-making and increase absorptive capacity.

Table 1: Target budget to implement Kalusugan Pangkalahatan or universal health care in the Philippines (in billions of pesos)*

	Department of Budget and Management Forward Estimates (2013–2016)	Department of Health Estimates (2013–2016)	Gap
Preventive and promotive health programmes	27.9	89.5	61.6
Philippine Health Insurance Corporation (PhilHealth) health premiums	63.0	129.6	66.6
Hospital operations	60.6	60.6	0.0
Health Facilities Enhancement Program	45.1	49.0	3.9
Policy and regulation and sector management	32.3	37.4	5.1
Total	228.9	366.1	137.2

*Figures subject to change pending drafting of the Department of Health road map for 2014–2016

Taxes or contributions pooled by a separate entity

PhilHealth implemented a series of reforms in January 2013 regarding the monthly premium contribution rates for their members. For formally employed PhilHealth members, premium contributions are collected as payroll taxes (automatic deductions from monthly salaries) and are shared equally by the employer and employee. Premiums amount to 2.5% of the salary base computed in 1000-peso increment brackets. Those with a salary from Php 7000 to Php 7999 will have a monthly premium of Php 175, while those with a salary of Php 34 000 to Php 34 999 will have a monthly premium of Php 850. Those with Php 35 000 and above will have a monthly premium of Php 875. This is in contrast to the previous monthly premiums which ranged from a minimum of Php 100 (US$ 2.09) to a maximum of Php 750, which is equivalent to 2.5% of a monthly salary cap of Php 30 000 (PhilHealth 2012). Thus, the new premium contribution schedule remains regressive, especially relative to those with salaries exceeding the cap, even though the cap was increased to lessen the number of families affected by the change.

Under the subsidized programme, annual premium contributions amounting to Php 2400 (Php 1200 previously) per family are fully subsidized by the national government and LGUs following a premium-sharing scheme that depends on the LGU's income classification. Since 2012, the PhilHealth premiums of families that are listed in the NHTS-PR, including those enrolled in the Conditional Cash Transfer (CCT) or Pantawid Pamilayang Pilipino Program (4Ps) are fully shouldered by the

national Government through DOH. However, the levels of commitment of LGUs vary. Data shows that LGU-sponsored enrolment fluctuates on an annual basis, reaching a peak during election period.

Monthly premium contributions for individually paying programme (IPP) members have two categories: Php 150 per month for those with a monthly salary of Php 25 000 or less and Php 300 per month for those with a salary above Php 25 000 (PhilHealth 2013). This is in contrast to the previous Php 100 monthly premium for individually paying members. For overseas Filipino workers (OFWs), the payment of PhilHealth premium contributions is mandatory whether they are leaving the country for jobs overseas for the first time or returning to their employment sites overseas under new work contracts. Annual premiums are pegged at Php 1200 (Php 900 previously).

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