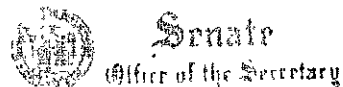



FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



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SENATE

S. No. **2866**

RECEIVED BY: 

Introduced by Senator FRANCIS G. ESCUDERO

EXPLANATORY NOTE

Article II, Section 15 of our Constitution declares as a policy of the State "to protect and promote the right to health of the people and instill health consciousness among them"

In 1999, the Department of Health (DOH) initiated the Health Sector Reform Agenda, a component of which is the Hospital System Reform which aims to provide fiscal and management autonomy to public hospitals. The reform is envisioned to improve the quality of hospital care through better governance, fiscal management and wider sources of financing without sacrificing the availability of hospital services to the poor. It is within this framework that re-structuring of DOH Hospitals into government owned and controlled hospital corporation is being pursued by the DOH.

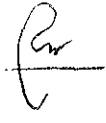
House Bill 103, filed in the House of Representatives, entitled "An Act Converting the Western Visayas Medical Center into a Government-Owned and Controlled Corporation with the San Joaquin Municipal Hospital as its Subsidiary and Appropriating Funds Therefore" introduced by Representative Janette Loreto-Garin, seeks to address the glaring need for better and efficient hospital care and service to the constituency in Western Visayas and in support to the Health Sector Reform Agenda. Western Visayas Medical Center (WVMC), if given fiscal and management autonomy, is very much capable of improving its hospital services.

In view of the foregoing, the approval of this counterpart bill is earnestly recommended.

FRANCIS G. ESCUDERO

FIFTEENTH CONGRESS OF THE)
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SENATE

S. No. **2866**

Introduced by Senator FRANCIS G. ESCUDERO

AN ACT CONVERTING THE WESTERN VISAYAS MEDICAL CENTER INTO A GOVERNMENT-OWNED AND -CONTROLLED HOSPITAL CORPORATION WITH THE SAN JOAQUIN MUNICIPAL HOSPITAL AS ITS SUBSIDIARY AND APPROPRIATING FUNDS THEREFOR

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 SECTION 1. *Short Title.* - This Act shall be known as "The Conversion of
2 the Western Visayas Medical Center to a Government-Owned and -Controlled
3 Hospital Corporation (GOCC) with the San Joaquin Municipal Hospital as its
4 Subsidiary".

5 SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State
6 to adopt an integrated and comprehensive approach to health development
7 which shall endeavor to make essential goods, health and other social services
8 available to all the people at affordable cost; to prioritize the needs of the
9 underprivileged, sick, elderly, disabled, women and children; to provide free
10 medical care to paupers; to establish and maintain an effective food and drug
11 regulatory system; and to undertake appropriate health manpower development
12 and research responsive to the country's health needs and problems.

13 In the pursuit of the Health Sector Reform Program undertaken by the
14 national government in coordination with other health partners, this Act shall be
15 anchored on these principles:

16 (a) Public health is a measure of the equitable distribution of wealth and
17 sustainable economic growth;

18 (b) The citizens are entitled to a hospital care delivery system that is
19 affordable, accessible and acceptable;

1 (c) Service provision to less privileged and indigent patients shall be
2 prioritized hence requiring necessary policy directions and financial support,
3 closer cooperation with local government unit (LGU) and other partners;

4 (d) Fiscal and management autonomy of the Western Visayas Medical
5 Center will lead to better quality and more efficient delivery of health services;
6 and

7 (e) The corporate form of organization will give hospital administrators the
8 necessary flexibility for the effective stewardship of hospital assets, funds,
9 management and personnel supervision.

10 SEC. 3. *Name and Domicile.* - The Western Visayas Medical Center, with
11 principal office at Mandurraio, Iloilo City, hereinafter referred to as the WVMC,
12 is hereby converted into a pilot government-owned and -controlled hospital
13 corporation, hereinafter referred to as the Corporation, with the San Joaquin
14 Municipal Hospital as its subsidiary, with principal office at San Joaquin,
15 Iloilo.

16 SEC. 4. *Duration and Conditions of Existence.* - The conversion of the
17 WVMC as a government-owned and -controlled corporation, with the San
18 Joaquin Municipal Hospital as its subsidiary, shall be for a period of five (5) years
19 to commence at the beginning of the fiscal year 2010 up to the end of fiscal year
20 2015 and shall be extendable for another term of five (5) years upon the
21 discretion of the Department of Health (DOH) subject to the termination clause
22 provided hereunder or as subsequent legislation may provide.

23 During this transition, it will be monitored closely based on predetermined
24 performance indices by the National Center for Health Facility Development
25 (NCHFD) in order to determine the applicability of corporate restructuring. If
26 these said performance targets are not met or if backsliding is noted within five
27 (5) years and/or if no significant improvement occurs after ten (10) years, upon
28 the recommendation of the Secretary of Health, this corporation Act shall be
29 revoked and the WVMC shall revert as a budgetary line agency under the DOH
30 and the San Joaquin Municipal Hospital shall revert to the local government of
31 San Joaquin. In this event, the DOH shall formulate the implementing rules and
32 regulations (IRR) to carry out this reversion.

33 SEC. 5. *General Objectives.* - This Act has the following general objectives:

34 (a) Provide the Filipino people with a more affordable, quality and timely
35 hospital care through a more efficient health service delivery system; and

1 (b) Institute reforms in the organization, administration and financial
2 management of the WVMC as a means of reducing the cost and improving the
3 quality of public health care.

4 SEC. 6. *Purposes.* – The WVMC, with the San Joaquin Municipal Hospital
5 as its subsidiary, shall have the following purposes:

6 (a) To provide and maintain affordable, quality and timely hospital care
7 through a more efficient health service delivery system with priority for the
8 needs of the underprivileged sick, elderly, disabled, women and children, and
9 resources permitting to provide free medical care to indigent citizens;

10 (b) To promote the development of hospital facilities of the WVMC,
11 advancement in medical technology and establishment of health care providers
12 for the underprivileged;

13 (c) To foster hospital and medical service operation conditions conducive to
14 the efficient delivery service to the public;

15 (d) To promote, encourage and engage in scientific research in the
16 prevention of diseases and the care and/or treatment of patients and related
17 activities, including scholarship and conduct of relevant congresses, conventions,
18 seminars and conferences;

19 (e) To encourage and/or undertake the training of physicians, nurses,
20 medical technicians, health officers, social workers and other health professionals
21 on the practical and scientific conduct and implementation of health and medical
22 services, and related activities; and

23 (f) To extend services pursuant to the goals, objectives and rules of the
24 National Health Insurance Program (NHIP).

25 SEC. 7. *Powers and Functions.* – The WVMC and its subsidiary, the San
26 Joaquin Municipal Hospital, shall have the following powers and functions:

27 (a) To enter into contracts with any person or entity, domestic or foreign,
28 and with the government for the undertaking of the varied aspects of hospital
29 and health care operation, including the acquisition, by way of purchase, lease or
30 rent or other deferred payment arrangements of equipment and/or raw
31 materials and supplies, as well as for service connected therewith under such
32 terms and conditions as it may deem proper and reasonable;

33 (b) To borrow money from local and foreign sources as may be necessary
34 for its operations;

1 (c) To invest its funds as it may deem proper and necessary in any activity
2 related to hospital or medical care operations, including any bonds or securities
3 issued and guaranteed by the government of the Philippines;

4 (d) To authorize such expenditures by the Corporation in the interest of
5 effective administration and operation of the Corporation;

6 (e) To hold and acquire rights over lands of the areas permitted to
7 corporations, associations and persons by statute;

8 (f) To engage in export and import business of medicines, medical
9 equipment, hospital supplies and medical technology, as well as in related
10 activities;

11 (g) To acquire assets, real or personal, or interest therein, and encumber or
12 otherwise dispose the same as it may deem proper and necessary in the conduct
13 of its business;

14 (h) Subject to existing laws and regulations, if it deems necessary, to
15 establish and maintain such communication system, whether by radio, telegraph
16 or any other manner;

17 (i) To establish and maintain offices or other units anywhere as may be
18 needed by the Corporation and reorganize or abolish the same as it may deem
19 proper;

20 (j) To exercise the right of eminent domain as may be necessary for the
21 purpose which the Corporation is created;

22 (k) Subject to payment of the proper amount, to enter private lands for
23 purposes of conducting medical experiment, research and studies in connection
24 with hospital and medical care operations;

25 (l) To acquire easement over public and private lands necessary for the
26 purpose of carrying out any work essential to its hospital and medical care
27 operations, subject to payment of reasonable consideration;

28 (m) To establish and maintain administrative, management,
29 professional and technical educational systems for the sustained development of
30 the necessary manpower to manage and operate its affair and business;

31 (n) To create position items and hire personnel to fill up such created
32 positions;

33 (o) To promulgate such rules and regulations as may be necessary to carry
34 out the purpose of this Act;

35 (p) To adopt and use a corporate seal which shall be judicially noticed;

36 (q) To sue and be sued;

1 (r) To accept any gift, contribution, endowment, grant, bequest and device
2 of any kind of real or personal property which are necessary and proper for the
3 attainment of the purposes of the Corporation;

4 (s) To exercise the general powers mentioned in the Corporation Law,
5 insofar as they are not inconsistent or incompatible with this Act;

6 (t) To perform such acts and exercise such functions as may be necessary
7 for the attainment of the purposes and objectives herein specified; and

8 (u) To perform such other functions as may be provided by law.

9 SEC. 8. *Board of Trustees.* - The affairs and business of the WVMC and its
10 subsidiary, the San Joaquin Municipal Hospital, shall be directed and its
11 properties managed and preserved and its corporate powers exercised, unless
12 otherwise provided in this charter, by a Board of Trustees, which shall be
13 composed of ten (10) members, as follows:

14 Voting members:

15 (a) The Secretary of the Department of Health as Chairman of the Board;

16 (b) The President of the Philippine Health Insurance Corporation or his/her
17 duly authorized representative;

18 (c) The Director-General of the National Economic and Development
19 Authority or his/her duly authorized representative;

20 (d) The Secretary of the Department of Budget and Management or his/her
21 duly authorized representative;

22 (e) The representative of the Committee on Health of the House of
23 Representatives;

24 (f) The duly elected president of the WVMC employees association,
25 representing hospital personnel;

26 (g) A representative from local, medical and allied professional
27 organization;

28 (h) A representative from the people's organization/socio-civic/
29 nongovernment organization; and

30 (i) A representative from the business sector.

31 Non-voting member:

32 (j) The WVMC Director (Medical Center Chief as Chief Executive Officer).

33 Members of the Board of Trustees enumerated in subparagraphs (a), (b), (c),
34 (d), (e), (f) and (j) shall serve as *ex officio* members. The members of the Board of
35 Trustees enumerated in paragraphs (g), (h) and (i) shall be appointed by the

1 Secretary of Health for the first or initial appointees, and then by the Board of
2 Trustees for subsequent appointees.

3 The appointive members of the Board of Trustees shall serve for a term of
4 three (3) years who may be appointed for a maximum of two (2) terms; while the
5 *ex officio* members mentioned in subparagraphs (a), (b), (c), (d), (e), (f) and (j) shall
6 serve as members of the Board of Trustees for the duration of their incumbency.

7 No person shall be appointed member of the Board of Trustees unless
8 he/she is a citizen and a resident of the Philippines, of good moral character and
9 has attained proficiency, expertise and recognized competence in one or more of
10 the following fields: hospital finance and administration, medical care, public
11 health care, government rules and regulations, law, business management and
12 marketing. They should have at least five (5) years experience in his/her field of
13 expertise.

14 The Board of Trustees shall be governed by a set of bylaws which shall
15 contain, but not limited to, their responsibilities, accountabilities and cause of
16 termination.

17 SEC. 9. *Corporate Officers.* - The Board of Trustees shall appoint a
18 Secretary of the Board and such other officers as may be deemed necessary.
19 Selection of the corporate officers must be based on the fundamental and specific
20 qualifications prescribed by existing laws.

21 SEC. 10. *Chief Executive Officer.* - The present Director of the WVMC shall
22 assume the position of Chief Executive Officer (CEO) of the Corporation. As
23 CEO he/she shall be in-charge of the usual and regular course of business of the
24 Corporation and shall be accountable to the Board of Trustees of the Corporation
25 who can remove or replace him/her for a cause for reasons of fraud,
26 incompetence, dishonesty and other similar grounds and after due process. In
27 case of vacancy after the assumption of office by the present Director of the
28 WVMC, the next CEO shall be appointed by the Board of Trustees of the WVMC.

29 SEC. 11. *Corporate Structure.* - The WVMC should follow the standard
30 corporate structure to be formulated by the DOH Central Office in coordination
31 with different agencies.

32 SEC. 12. *Executive Committee and Other Committees.* - The Board of Trustees
33 may, by resolution passed by the majority of all its members, create an Executive
34 Committee of not more than five (5) members who shall be appointed by the

1 Board of Trustees. At least three (3) members of the Executive Committee shall
2 be members of the Board of Trustees. The Executive Committee shall have and
3 exercise all such powers as may be delegated to it by the Board of Trustees. The
4 Executive Committee shall keep regular minutes of its proceedings and report
5 the same to the Board of Trustees whenever required. The Board of Trustees
6 shall have the power to change the members of the Executive Committee at any
7 time, to fill vacancies therein and to discharge or dissolve such committee either
8 with or without cause.

9 The majority of all the members of the Board of Trustees may, by resolution,
10 create other committees with such powers and functions as may be delegated to
11 them by the Board of Trustees. All such committees shall keep a record of their
12 proceedings and report the same to the Board of Trustees, whenever required.
13 The Board of Trustees shall have the power to appoint and remove the members
14 of such committees and may, at any time, with or without cause, dissolve any of
15 such committees.

16 SEC. 13. *Board of Trustees' Meetings and Quorum.* – The Board of Trustees
17 shall hold meetings at least once a month. Special meetings may be convened at
18 the call of the Chairman or by the majority of the members of the Board of
19 Trustees. The Chairman or his/her designated representative shall preside over
20 the meeting of the Board of Trustees. In the absence of the Chairman or his/her
21 representative, a temporary presiding officer shall be designated by the majority
22 of the quorum. Six (6) members of the Board of Trustees shall constitute a
23 quorum to transact business, and the vote of the majority of those present, there
24 being a quorum, shall constitute valid and binding act of the WVMC. However,
25 the affirmative vote of at least six (6) members of the Board is required on the
26 following matters:

27 (a) Adoption or changes of policy;

28 (b) Investment of the WVMC funds;

29 (c) Contracting loans, except as may be provided for in the IRR where a
30 vote of a majority of those present, there being a quorum, shall suffice as to
31 specified certain amount of loan borrowed;

32 (d) Appointment, discipline and termination of the WVMC Hospital Chief
33 Executive Officer/Director. The appointment, discipline and termination of other
34 officers and employees shall be by a vote of a majority of those present, there
35 being a quorum; and

36 (e) Authority to use corporate assets as collateral for loans and borrowings.

1 SEC. 14. *Compensation of Nongovernment Members of the Board of Trustees.* –

2 The appointive nongovernment members of the Board of Trustees shall be
3 entitled to honorarium for each meeting actually attended at rates in accordance
4 with existing laws, rules and regulations.

5 However, all members of the Board of Trustees, by resolution of the
6 majority of the members in good standing of the Corporation, claim expenses for
7 attendance in regular or special meetings of the Board of Trustees. Actual and
8 necessary traveling expenses of the members of the Board of Trustees while
9 engaged in serving the interests of the Corporation and in pursuit of its defined
10 objectives and purposes may be allowed by special resolution of the Board of
11 Trustees.

12 SEC. 15. *Property of the WVMC and the San Joaquin Municipal Hospital.* – The
13 property of the WVMC and San Joaquin Municipal Hospital shall consist of such
14 real, personal, mix and other type of property now owned by it or reserved for or
15 may hereafter be given, donated, acquired, transferred or conveyed to it by the
16 Philippine government, its branches and instrumentalities, or any foreign
17 government, as well as by trust, foundation, corporations or persons, alien or
18 domestic, in order to carry out its purposes and objectives as set forth herein.

19 SEC. 16. *Assistance from Other Government Offices.* – The WVMC may call
20 upon any department, bureau, office, agency or instrumentality of the
21 government, including government-owned or -controlled corporations, for such
22 assistance, as it may need in the pursuit of its purposes and objectives.

23 All individuals, entities and institutions are hereby enjoined to render full
24 assistance and cooperation to the WVMC in the accomplishment of its objectives
25 and activities.

26 SEC. 17. *Loans.* – The Corporation is hereby authorized to contract loans,
27 credits and other indebtedness in any convertible foreign currency, from time to
28 time, from foreign governments, or any international financial institutions or
29 fund sources, or any other entities, on such terms and conditions it shall deem
30 appropriate for the accomplishment of its purposes and to enter into and execute
31 agreements specifying such terms and conditions.

32 The property and assets of the Corporation may be used as collateral for its
33 loans and borrowings.

34 SEC. 18. *Donations.* – Any donation, contribution, bequest and grant which
35 may be made to the WVMC shall be exempt from the donor's tax and the same
36 shall be considered as allowable deduction from the gross income in the

1 computation of the income tax of the donor in accordance with the provisions of
2 the National Internal Revenue Code (NIRC) of 1997, as amended: *Provided, That*
3 such donations shall not be disposed of, transferred or sold.

4 SEC. 19. *Continuous and Subsequent Government Appropriations.* – Amounts as
5 may be necessary to further improve hospital facilities, support the continued
6 operation and maintenance of the WVMC and to continuously subsidize their
7 indigent patients based on the Department of Health Medical Social Worker
8 classification shall be appropriated in the annual General Appropriations Act.

9 SEC. 20. *Auditor.* – The Commission on Audit shall appoint a representative
10 who shall be the auditor of the WVMC and such personnel as may be necessary
11 to assist said representative in the performance of his/her duty.

12 SEC. 21. *Civil Service Law Coverage for Employees.* – The hiring, appointment,
13 promotion, discipline and other terms and conditions of the service of all
14 employees of the WVMC and the San Joaquin Municipal Hospital shall be
15 consistent with the provisions of the Civil Service law, rules and regulations,
16 except as otherwise provided for in this Act.

17 SEC. 22. *Salaries, Benefits and Other Compensation.* – The salaries, benefits
18 and other compensation of the officers and employees of the WVMC shall be in
19 accordance with the existing compensation and position classification system.

20 SEC. 23. *Early Retirement and Separation Benefits.* – Officials and employees of
21 the WVMC and the San Joaquin Municipal Hospital voluntarily opting for
22 separation or retirement shall be entitled to the benefits provided for under
23 existing laws.

24 SEC. 24. *Non-registration with the Securities and Exchange Commission.* – The
25 WVMC, as a government-owned and -controlled hospital corporation, with the
26 San Joaquin Municipal Hospital as its subsidiary, shall be governed by its charter
27 and prohibited from being registered in the Securities and Exchange Commission
28 (SEC) as a private corporation.

29 SEC. 25. *Implementing Rules and Regulations (IRR).* – Within fifteen (15) days
30 from completion of membership, the Board of Trustees shall convene to
31 formulate the rules and regulations necessary for the implementation of this Act
32 which shall be issued within six (6) months after the approval of this Act. The
33 IRR shall adopt appropriate provisions of issuances of government agencies on
34 corporate organizational structures as well as corporate governance.

1 SEC. 26. *Events of Early Termination.* – (a) In the event a law has been
2 passed and approved by Congress revoking the conversion of the WVMC into a
3 Corporation and the San Joaquin Municipal Hospital as its subsidiary.

4 (b) In the event that the Corporation shall fail to perform or to meet pre-
5 arrange indicators or to a degree such that in a reasonable opinion of the
6 Secretary of the DOH, such failure amounts to an ineffective management of the
7 hospital and it jeopardizes the delivery of hospital and medical services.

8 SEC. 27. *Supplementary Application of Corporation Code.* – The provisions of the
9 Corporation Code shall have supplementary application in matters not provided for
10 in this Act.

11 SEC. 28. *Reports.* – The Corporation shall, within three (3) months after the
12 end of every fiscal year, submit such periodic or other reports as may be required
13 of it from time to time to the DOH.

14 SEC. 29. *Transfer of Personnel, Assets, Records and Equipments.* – All
15 personnel, assets, funds, records, equipments and liabilities of the WVMC and
16 the San Joaquin Municipal Hospital are hereby transferred to and shall
17 henceforth appertain to the WVMC as a Corporation and the San Joaquin
18 Municipal Hospital as its subsidiary.

19 SEC. 30. *Effect of Dissolution of the Center.* – If, for any reason, the WVMC is
20 dissolved, its property and personnel remaining at the time of such dissolution
21 shall revert to the DOH and the San Joaquin Municipal Hospital shall revert to
22 the local government of San Joaquin for disposition in accordance with law.

23 SEC. 31. *Separability Clause.* – If any part, section or provision of this Act is
24 held invalid or unconstitutional, the other parts or provisions not affected
25 thereby shall remain in force and effect.

26 SEC. 32. *Repealing Clause.* – All other laws, decrees, orders, issuances, rules
27 and regulations that are inconsistent with the provisions of this Act are hereby
28 repealed, amended or modified accordingly.

29 SEC. 33. *Effectivity.* – This Act shall take effect fifteen (15) days after its
30 publication in the *Official Gazette* or in any newspaper of general circulation.

31
32 Approved