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'04 JUN 30 P2:52

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

SENATE

S. No. 224

Introduced by Senator S. R. Osmeña III

EXPLANATORY NOTE

The Constitution explicitly provides that the State shall protect and promote the right to health of the people and instill health consciousness among them. The enactment of the Local Government Code in 1991 sought to give meaning to such mandate. Under the Code, local government units (LGUs) were granted more powers, authorities, responsibilities and resources. A year after its enactment, the Implementing Rules and Regulations" on the devolution of health services was created.

Among those devolved to the LGUs were hospitals and field health services of the Department of Health (DOH). The full implementation of the Local Government Code in 1993 transferred the operation of provincial and district hospitals to the provincial governors and rural health units (RHUs) to the city and municipal mayors. This translates to 580 hospitals being operated by the governors and 2,000 RHUs under the mayors, and a total of 45,082 health personnel devolved to the local government. Meanwhile, DOH's residual powers, functions and responsibilities remain. These include the oversight (general supervision) monitoring and evaluation functions, formulation of standards and guidelines, and technical and other forms of assistance to the LGUs.

Inspite of the lapse of time since the devolution of health services in 1993, the deterioration of health facilities and equipment remains deplorable, as even the Department of Health has to admit. As early as 1995, the DOH reported in its Hospital Devolution Study that LGU funds to finance operations of devolved health services were inadequate.

The problems brought about by devolution led to the deterioration of health services particularly in far-flung areas where services are needed most. Only 1/3 of the total number of hospitals and about ½ of hospital beds are public. Out of the country's 41,000 barangays, only ¼ have a barangay health station. These government health facilities have acquired increasing notoriety for their lack of equipment, medicines and staff.

This bill attempts to respond to an urgent need to effectively address these health issues in order to rationalize the health care delivery system in our country.

SERGIO OSMEÑA III
Senator

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AN ACT
PROVIDING FOR THE MODERNIZATION OF THE HEALTH CARE DELIVERY SYSTEM, APPROPRIATING FUNDS THEREFORE AND FOR OTHER PURPOSES

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

1 Section 1. Short Title. -- This Act shall be known as the "**Health Care**
2 **Delivery Modernization Act of 2004**."
3 Sec. 2. Declaration of Policy. -- It is hereby declared a policy of the State
4 to modernize the health care delivery system to a level where it can fully and
5 effectively perform its constitutional mandate to protect and promote the right to
6 health of the people and instill health consciousness among them. Toward this
7 end, the principal thrust of this modernization program under this Act shall be as
8 follows:
9 (a) The development of an efficient and effective health care delivery
10 system throughout the country;
11 (b) The integration of the promotive, preventive, curative and
12 rehabilative aspects of health care delivery to be under the local chief executive
13 whenever appropriate;
14 (c) The transformation of government hospitals into self-governing
15 components, together with their respective rural health units;

1 (d) The development of cooperation among the local and national
2 government agencies, members of Congress and the private sector, including
3 the civic, religious and non-government organizations;
4 (e) The implementation of a residency training and accreditation
5 program and accreditation of private specialist practitioners in provincial hospitals
6 and medical centers;
7 (f) The establishment of a dependable two-way referral system
8 between the public and health worker up to the successive higher level of health
9 care stations reaching up to the specialty hospitals and vice versa;
10 (g) The delineation of specific and specialized functions that will enable
11 the Department of Health (DOH) to concentrate its efforts in establishing and
12 maintaining adequately equipped state-of-the-art medical centers at the regional
13 level, including those in Metro Manila, and specialty hospitals in the country,
14 including those with original charters;
15 (h) The development of partnership among local government units and
16 between local government units and the Department of Health (DOH) in the
17 establishment of health care delivery facilities; and
18 (i) Local government units shall adopt a system and procedure to
19 attain maximum level of transparency in the procurement of equipment and
20 medicines.
21 Sec. 3. Statement of Objectives. -- The Health Care Delivery
22 Modernization Program, hereinafter referred to as the Program, shall be
23 implemented in accordance with the following objectives:
24 a. To modernize the health care delivery system by adopting a
25 comprehensive, consistent and systematic approach to health issues and
26 concern to complement the state-of-the-are technology;
27 b. To further enhance local autonomy by granting local government units
28 full powers in the formulation of policies and by mandating the Department of
29 Health to perform tasks under Section 5 of this Act relative to the operation and

maintenance of hospitals and public health services under its supervision and control;

c. To implement a program of extending technological, financial and administrative assistance to local government units to support and improve the provision, operation and maintenance of health facilities and equipment;

d. To enhance inter-agency multi-sectoral cooperation;

e. To enhance the capability of hospitals requiring the DOH to provide each local government unit, competent physicians to assist the local chief executive as may be appropriate in the monitoring of health care delivery functions; and

f. To encourage the employment and retention of doctors in rural areas.

Sec. 4. Definition of Terms. -- The following terms shall be understood in this Act to mean:

(1) "Hospital" refers to a place devoted primarily to the maintenance and operation of facilities for the diagnosis, treatment and care of individuals suffering from illness, disease, injury or deformity, or in need of obstetrical or other medical and nursing care.

(2) "Primary Hospitals" refer to those with capabilities and facilities for providing first contact emergency care and hospitalization in simple cases.

(3) "Secondary Hospitals" refer to those which have capabilities and facilities for providing medical care to cases requiring hospitalization and the expertise of physicians with training of not less than six (6) months on certain specialties.

(4) "Tertiary Level I Hospitals" refer to those which have capabilities for providing medical care to cases requiring sophisticated diagnostic and therapeutic equipment and the expertise of trained specialist and in the sub-specialties.

1 (5) "Tertiary Level II Hospitals" refer to a departmentalized hospital with
2 teaching and research capabilities and accredited Residency Training Programs
3 in the fields of Surgery, Pediatrics, Medicine, OB-Gyne, EENT, Orthopedics,
4 Anesthesia and other ancillary disciplines. Dental services is part of the
5 professional services.
6 (6) "Tertiary Level III Hospitals" refer to hospitals which have been
7 particularly selected to provide tertiary hospital services, with teaching, training
8 functions and research.
9 (7) "Tertiary Level IV Hospitals" refer to a tertiary hospital with
10 expensive and sophisticated diagnostic and therapeutic facilities for a specific
11 medical problem area.
12 (8) "District Hospital" refers to the front-line hospital with capabilities
13 and facilities for providing secondary medical care to cases requiring
14 hospitalization and the expertise of trained doctors.
15 (9) "Provincial Hospital" refers to a central district hospital with its own
16 catchments area which provides at least a minimum of Tertiary Level I hospital
17 care.
18 (10) "Regional Hospital" refers to departmentalized hospital which
19 provides Tertiary Level II hospital care.
20 (11) "Medical Center" refers to a hospital which provides Tertiary Level
21 III hospital care.
22 (12) "Specialty Hospital" refers to a hospital which provides services for
23 one particular illness or disease or health medical care need, with the highest
24 medical care rendered by medical experts and using highly specialized
25 equipment for a specific medical problem area. It provides Tertiary Level IV
26 hospital care.
27 (13) "Competent physician" refers to a doctor who possesses both
28 technical and managerial knowledge or expertise in health care.

1 (14) "Local Government Units" refer to provinces, cities, municipalities,
2 barangays and other political subdivisions as may be created by law.

3 Sec. 5. Components of the Program. – The Program shall consist of the
4 following components:

5 a) Delineation of the role of the local government units and the
6 Department of Health. -- The leagues of local government units and the
7 Department of Health shall support the implementation of the Health Care
8 Delivery Modernization Program by performing the mandated tasks herein
9 defined, to wit:

10 1) The province shall be responsible for the promotive, preventive,
11 curative and rehabilitative aspects of health care delivery except in places
12 where municipal and city hospitals exist, in which case these municipal
13 and city hospitals shall be under the responsibility of the local government
14 unit concerned. They shall also undertake an annual review of health
15 program in their areas of jurisdiction.

16 2) The District Health Board shall be responsible for the recruitment of
17 volunteer barangay health workers, who shall be entitled to monthly
18 honorarium and other benefits as provided for by law.

19 3) The Department of Health shall, in addition to the powers vested in
20 it under existing laws, be responsible for the following:

21 (3.1) Health care delivery higher than or more sophisticated than
22 that provided by local government units;

23 (3.2) Provide each province or qualified cities or municipalities
24 competent physicians to assist the local chief executive as may be
25 appropriate in the management and monitoring of devolved health
26 care functions;

27 (3.3) Upper tertiary hospital care where the expertise in the
28 different organ specific medical-surgical specialty is needed;

(3.4) Operation and maintenance of medical centers, including those in Metro Manila, and specialty hospitals whose functions are to provide tertiary expertise: Provided, however, That specialty hospital with original charter shall continue to be governed by its own charter.

(3.5) Supervise the operation of the more sophisticated organ specific medical centers;

(3.6) Initiate and assist in the establishment of a residency training program with the participation of the private practicing specialist, as much as practicable, as *consultants in each provincial* hospital; and

(3.7) Provide doctors in rural communities under its program of doctors to doctorless areas, who shall be assigned by the local chief executive as may be appropriate to qualified communities.

The Department of Health is hereby authorized to create positions of, and provide the necessary funding, as a national aid to local government units, for doctors to doctorless areas including their incentives and benefits, in addition to those granted under existing laws, to wit:

(1) Hazard allowance in an amount to be determined by the district hospital health board of the local government unit concerned;

(2) Subsistence allowance equivalent to the meals they take in the course of their duty which shall be computed in accordance with the prevailing circumstances as determined by the local government unit concerned; and

(3) Automatic promotion to the position of Medical Specialist I or to the next higher rank, as the case may be, under the Revised Compensation Classification System.

The doctors to the doctorless areas shall be entitled to incentives and benefits to be provided under this Act by other government agencies, to wit:

1 (1) Free legal representation and consultation services shall be
2 immediately provided by the Public Defenders Office in cases of coercion,
3 interference, and other civil, criminal and administrative cases filed by or
4 against such doctors arising out of or in connection with the performance
5 of their duties as such; and
6 (2) Scholarship benefits in the form of tuition fees in state colleges or
7 universities to be granted to their legitimate children.
8 (3) Strengthening the Capability of the Provincial Hospitals. – The
9 Program shall develop the provincial hospitals into a responsive, efficient
10 and modern hospital with the capability to handle tertiary level I to II
11 hospital care. In pursuance thereto, the following necessary steps must
12 be undertaken, to wit:
13 1) The establishment of a residency training program and tertiary
14 diagnostic facilities with, as much as practicable, the participation of the
15 private sector or private specialist practitioner as consultants in each
16 provincial hospital subject to the following conditions:
17 a) Consultants, who shall be accredited to practice in the
18 hospital, may be entitled to honorarium to be determined by the
19 district hospital health board;
20 b) Provincial hospital residents participating in the residency
21 training program shall not be permanent employees but shall be
22 considered employed for the whole duration of the Residency
23 training period; and
24 c) Participants in the Residency training program shall be given
25 preference in case of reemployment as residents of district
26 hospitals and shall occupy the position of Medical Officer IV.
27 2) The abolition of regional hospitals and offices. All equipment,
28 records, and other assets of both the regional offices and hospitals shall
29 be transferred to the Regional Medical Center. Personnel shall be

1 absorbed by the Medical Centers or assigned to the provincial government
2 to assist the governors in managing the devolved functions; *Provided*,
3 That the rights accorded to such personnel pursuant to the civil service
4 law, rules and regulations, shall not be impaired.
5 3) The improvement of each provincial hospital. The provincial
6 government shall strive to establish diagnostic centers and to provide
7 modern and quality equipment to improve the capabilities of the provincial
8 hospitals pursuant to its modernization objectives: *Provided,* That, the
9 acquisition of new equipment shall be synchronized with the phasing out
10 of obsolete major equipment. *Provided, further,* That, the acquisition of
11 new equipment shall be subject to the laws on public bidding.
12 c) Establishment of the District Hospital, Medical Center and Specialty
13 Hospitals Health Boards. – This component of the Program is geared towards the
14 realization of a genuine local autonomy. In furtherance, thereof, there shall be
15 established a district hospital, medical center, including those in Metro Manila,
16 and specialty hospital health boards.
17 The composition of the district, medical center and specialty hospital
18 health boards shall, as they are applicable, be as follows:
19 Chairman: (1) For district hospital, A Sangguniang Panlalawigan member
20 representing the district where the district hospital is located;
21 (2) For medical center, the Chairman of the Regional Development
22 Council. In Metro Manila, the Mayor where the medical center is located.
23 (3) For specialty hospital, the Chairman of the Board of Trustees for
24 specialty hospital with original charter; the Secretary of Health for specialty
25 hospitals under its control and supervision.
26 Vice Chairman: Chief of the District Hospitals, Medical Centers and
27 Specialty Hospitals.
28 Member: (1) Representative of the Congressional District for hospitals in
29 his political district;

(2) Senator of the Republic for all medical centers and specialty hospitals;

(3) A mayor of the catchments area of the district;

Members common to the district hospitals, medical centers and specialty hospitals health boards;

(1) Representative of the Philippine Hospital Association;

(2) Representative of the Philippine Medical Association;

(3) Representative from the non-government organizations involved in health services;

(4) Representative of the religious sector;

(5) Representative of the private sector.

The Chairman, Vice Chairman and the members of the District Hospital Health Board, except the Representative of the Congressional District, shall be appointed by the provincial governor.

The Chairman and Vice-Chairman of the Medical Center, including those in Metro Manila, and specialty hospital health boards shall serve by the operation of this Act without the need of any appointment.

The representative from the non-government organizations, religious and the private sector in the medical center and specialty hospital health boards shall be appointed by the Chairman of the respective health boards.

The powers and functions of the district hospital, medical center and specialty hospital health boards shall, as they are applicable, be as follows:

(1) To assist the provincial governor, the Secretary of Health, Administrator or Chairman of the Boards of Trustees, as the case may be, in the operation and management of devolved functions, medical centers and specialty hospitals;

(2) To review and endorse the budgetary requirements of the district health services, medical centers and specialty hospitals;

(3) To devise a mechanism for internal control;

1 (4) To enhance the participation of local government units and
2 community involvement in hospital service and public health activities;
3 (5) To screen and recommend to the Selection Board the appointment
4 of qualified applicants to fill vacant positions in the rural health units and
5 district hospitals, medical centers and specialty hospitals, as the case may
6 be;
7 (6) To deposit, in trust, all the earnings of the district hospitals and rural
8 health units derived from whatever source with the Provincial Treasurer's
9 Office or with any authorized depository banks; for medical centers and
10 specialty hospitals, with any authorized depository bank as part of their
11 General Fund;
12 (7) To determine the utilization of funds of the hospitals and medical
13 centers for the betterment of hospital health services; and
14 (8) To perform such other functions as may be deemed necessary for
15 the effective management of the rural health units, hospitals, medical
16 centers and specialty hospitals: *Provided, however,* That the Board of
17 Trustees of specialty hospitals with original charter, shall exercise the
18 powers and functions of the hospital health board under this section, in
19 addition to the powers vested in it under existing laws.
20 The Board shall meet at least once a month or as often as may be
21 necessary.
22 A majority of the members of the Board shall constitute a quorum but the
23 chairman and the vice-chairman must be present during meetings where
24 budgetary proposals are prepared or considered. Members thereof who are not
25 government officials or employees shall be entitled to necessary traveling
26 expenses and allowance chargeable against the funds of the health boards of the
27 district hospital, medical center and specialty hospitals subject to the accounting
28 and auditing rules and regulations.

1 SEC. 6. *Period of Implementation.* – The Program shall be implemented
2 over a period of three (3) years from the approval of this Act.
3 SEC. 7. *Appropriations.* – a) Initial Appropriations. – For the first year of
4 the implementation of this Act, the amount of One billion pesos
5 (P1,000,000,000.00), is hereby appropriated out of any funds of the National
6 Treasury not otherwise appropriated.
7 b) Continuing Appropriations. – The Department of Budget and
8 Management (DBM) is hereby mandated to include in the annual General
9 Appropriations Act the amount necessary for the implementation of this Act.
10 Other sources of funds shall from the following:
11 (1) The total cost of devolved functions to be deducted from the
12 Internal Revenue collections subject to the following principles:
13 (2) Internal revenue allotment shares be based on the total amount
14 collectible for internal revenue, including value-added tax collected by the
15 Bureau of Customs, proceeds from the sin taxes and the like;
16 (3) The cost of devolved functions shall be taken from the sixty percent
17 (60%) share of the national government;
18 (4) Twenty percent (20%) net earnings from the Philippine Amusement
19 and Gaming Corporation (PAGCOR);
20 (5) Twenty percent (20%) net earnings of the Public Estate Authority;
21 and
22 (6) Loans, grants, bequest, or donations, whether from local or foreign
23 sources.
24 SEC. 8. *Implementing Rules and Regulations.* – The Department of Health
25 (DOH) and the Department of the Interior and Local Government (DILG) shall, in
26 coordination with the League of Provinces, promulgate the rules and regulations
27 for the implementation of this Act within sixty (60) days from its effectivity.

1 SEC. 9. *Repealing Clause.* – All laws, orders, decrees, rules and
2 regulations inconsistent with the provisions of this Act are hereby repealed or
3 modified accordingly.

4 SEC. 10 . *Separability Clause.* – If any part or provision of this Act shall be
5 declared to be unconstitutional or invalid, other parts or provision hereof which
6 are not affected thereby shall continue to be in full force and effect.

7 SEC. 11. *Effectivity.* – This Act shall take effect fifteen (15) days following
8 its publication in at least two (2) newspapers of general circulation.

Approved,