

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

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S E N A T E

S. No. 336

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Introduced by Senator S. R. Osmeña III

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EXPLANATORY NOTE

Article 2, Section 15 of the Philippine Constitution states that "The State shall protect and promote the right to health of the people and instill health consciousness among them." Furthermore, in Article 13 Section 2, it goes on to state that "The State shall adopt an integrated and comprehensive approach to health development which shall endeavor to make essential goods, health, and other social services available to all the people at affordable cost. There shall be priority for the needs of the underprivileged, sick, elderly, disabled, women and children. The State shall endeavor to provide free medical care to paupers."

In 1976, the Philippines had a total of 1,036 hospitals of which 366 were government and 670 privately run with a total bed capacity of 17.6 individuals for every 10,000 population. By 2001, this number had increased to 1,708 with 640 being government and 1,068 from the private sector with a total bed capacity of only 10.2 people for every 10,000, an alarming decline of approximately 42% despite an increase in the number of hospitals. Furthermore, reported diseases ranging from cholera to rabies (e.g. cholera, typhoid, HIV, Dengue, Pneumonia, etc.) have increased from 2.8 million cases in 1988 to 3.4 million cases in 1998.

It is in the light of such deteriorating conditions as well as the governments' duty to provide adequate health care for its people that this bill has been crafted. The statistics just mentioned imply a rapidly growing health care crisis that must immediately be addressed via the provision of greater medical services.

Hence, it is with this in mind that the approval of this bill is earnestly sought.



SERGIO OSMEÑA III  
Senator

THIRTEENTH CONGRESS OF THE REPUBLIC )  
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**AN ACT**  
**ESTABLISHING A MEDICAL SERVICE CONTRACTING**  
**PROGRAM UNDER WHICH THE GOVERNMENT WILL SUBSIDIZE**  
**PARTICIPATING HOSPITALS IN ORDER TO ACCOMMODATE**  
**INDIGENT PATIENTS WHO CANNOT BE ADMITTED IN**  
**GOVERNMENT HOSPITALS**

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

1 SECTION 1. Title. – This Act shall be known as the “**Medical Service**  
2 **Contracting Act of 2004.**”

3 SECTION 2. Objective. – A Medical Service Contracting Program is  
4 hereby established in order that indigent patients who cannot be accommodated  
5 in time in government hospitals shall be afforded free hospitalization in any  
6 participating private hospitals.

7 SECTION 3. Definition. – For purposes of this Act, the following term shall  
8 mean:

- 9 a) Indigent patient – refers to any Filipino citizen afflicted with any serious  
10 illness and/or injury needing immediate confinement and treatment in a  
11 hospital and whose income is below the subsistence level as  
12 determined by the National Economic and Development Authority and  
13 those who are not covered by the existing PhilHealth Care Program of  
14 government or its equivalent. *If the amount of the hospital expenses is*

1 k) Tertiary hospital – refers to a hospital which is fully departmentalized  
2 and equipped with the service capabilities needed to support certified  
3 medical specialists and other licensed physicians rendering services in  
4 the field of medicine, pediatrics, obstetrics and gynecology, surgery,  
5 their sub-specialties, and ancillary services

6 SECTION 4. Duty of Government Hospital – It shall be the duty of the  
7 Administrator of every government hospital to refer an indigent patient  
8 immediately to the nearest participating private hospital whenever he or she  
9 cannot be accommodated in said hospital. However, in cases of emergency, the  
10 provisions on Republic Act 8644 shall apply.

11 SECTION 5. Hospital Admissions and Expenses. – All participating  
12 private hospitals shall admit indigent patients referred to them by any  
13 government hospital. All necessary expenses for the treatment of the indigent  
14 patient shall be advanced by the participating hospital concerned, which shall,  
15 however, be reimbursed with reasonable or legal interest, by the Department, in  
16 accordance with government hospital rates, within four (4) weeks after  
17 notification of the discharge of the indigent patient. Failure by the Department to  
18 reimburse a participating hospital for a period of six (6) months shall be a  
19 sufficient cause for a participating hospital to withdraw from this Program.  
20 However, if funds are available, the Department may agree to advance to the  
21 participating private hospital such amount necessary to cover the services to be  
22 rendered to the indigent patient: Provided, however, that the participating private  
23 hospital shall submit quarterly accounting of the expenses previously incurred in  
24 the treatment of the patient.

25 SECTION 6. Phases of Implementation. – This Program shall consist of  
26 two phases:

27 Phase I. The Program shall initially be implemented in the provinces  
28 where there is lack of government hospitals and where secondary private  
29 hospitals are found. The criteria for selecting these provinces shall be

1 determined by the Secretary in accordance with the population-hospital bed ratio,  
2 morbidity status and socioeconomic condition.

3 Phase II. Within three (3) years from the start of the Program, all  
4 provinces shall be covered by the program.

5 SECTION 7. Funding. – The President is hereby authorized to realign or  
6 transfer any item of appropriation within the Department and/or utilize any  
7 savings therein to carry out the provisions of this Act. Whatever additional  
8 amount as may be needed for the implementation of this Act shall be included  
9 and given priority in the appropriation of the Department in the General  
10 Appropriations Act for the ensuing fiscal years. Provided, that the Philippine  
11 Charity Sweepstakes Office shall allocate the income of two (2) lotteries or  
12 sweepstakes draws for the Program.

13 SECTION 8. Administration. – The Secretary shall administer the proper  
14 execution and implementation of this Program, draw such list of participating  
15 hospitals, submit to the Office of the President such necessary budgetary  
16 expenses, appoint such necessary personnel and create such committees to  
17 assist him in the proper implementation of this Act.

18 During the first phase of this program, the Secretary shall submit an  
19 annual progress report to the Congress on the implementation and administration  
20 of this Program.

21 SECTION 9. Sanctions. – The Secretary shall have the power to impose  
22 administrative sanctions such as warning, reprimand, withdrawal of accreditation  
23 or censure on any individual or participating private hospital that violates any  
24 provision of this Act. The appropriate court, in cases of repeated and willful  
25 violation, shall have the power to impose fine and suspension or cancellation of  
26 permit to operate of the erring private hospital.

27 In cases of fraudulent or collusive claims the Secretary shall endorse said  
28 claims to the Department of Justice for appropriate investigation, prosecution and  
29 action.

1           SECTION 10. Rules and Regulations. – The Secretary shall promulgate  
2 such rules and regulations as may be necessary to implement the provisions of  
3 this Act.

4           SECTION 11. Repealing Clause. – All laws or parts thereof that are  
5 inconsistent with any provision of this Act shall be deemed repealed, amended,  
6 or modified accordingly.

7           SECTION 12. Effectivity. – This Act shall take effect fifteen (15) days after  
8 publication in the Official Gazette or in any newspaper of general circulation.

9           Approved,