


'14 JAN 21 P2:39

SENATE

S. No. **2074**

RECEIVED BY: 

Introduced by Senator Ralph G. Recto

Explanatory Note

In 2012, Congress passed Republic Act No. 10351 or the Act Restructuring the Excise Tax on Alcohol and Tobacco Products (Sin Tax Reform Law) which primarily targets to reduce smoking- and alcohol-related diseases and deaths while raising more revenues for the government's health care programs. Under the law, the government earmarks, after deducting the allocations under R.A. Nos. 7171 and 8240, eighty percent (80%) of the incremental revenue for universal health care, attainment of Millenium Development Goals (MDGs) and health awareness programs; and 20% for medical assistance and health enhancement facilities program nationwide.

In 2013, the first year of the law's implementation, the Bureau of Internal Revenue (BIR) already collected an incremental revenue of P41 billion from the excise tax on tobacco and alcohol products from January to November, higher by 20.7% percent against the P33.96-billion target for the full-year 2013. However, despite this increase in collection, it is unclear how this will be spent for the promised improvements in the delivery of public health services and universal health care, and promotion of alternative livelihoods to tobacco farmers and workers.

In the interest of transparency, the government must inform the people where the money, taken from them through taxes, would specifically be used. To ensure that the collected funds will reach directly their intended beneficiaries, this bill identifies fixed percentages to meet and sustain the goal of universal coverage of the National Health Insurance Program, provide for the repair, maintenance and improvement of facilities of the 22 medical centers, 16 regional and 622 district hospitals nationwide¹ and provide funding for an information campaign on the dangers of smoking and drinking.

Our devolved health care service system appears to have led to the bypass of basic health care services provided by barangay health centers and city or rural health units in the referral system. Even in seeking basic health services, people would go directly to hospitals which can provide a better and fuller range of facilities and services, thus, bearing the lion's share in the burden of delivering public health care services in the country. This results to hospitals' need for more sources to fund the improvement of their services.

As of 2012, out of the 1,824 licensed hospitals in the country, 729 or 40% are government-owned. Public hospitals are fewer in number, however, on the average, government hospitals are bigger in size with a bed capacity of 68 compared to private hospitals with only 47 bed capacity². DOH-retained hospitals operate with about 80% of their funds sourced from the General Appropriations Act (GAA) and 20% from their hospital income³. Meanwhile, allocation for Personnel Services (PS) comprise the largest share in the total budget of DOH hospitals followed by the budget for the Maintenance and Other Operating Expenses (MOOE) which is used for medical supplies and materials and the repair and maintenance of hospital facilities.

¹ Figures as of 2012. Source: Bureau of Health Facilities and Services

² Source: Bureau of Health Facilities and Services, Department of Health

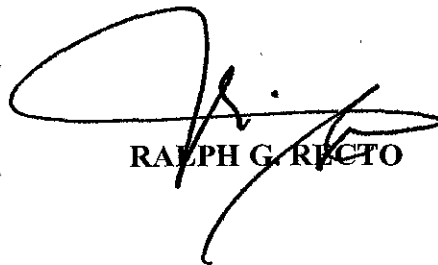
³ Source: "How are Government Hospitals Performing?" PIDS Development Research News

The allocation provided in this bill for medical centers, regional and district hospitals will supplement the meager budget from the GAA and is expected to allow provision of improved facilities and better services for the needs of their growing number of patients.

Meanwhile, the allocation for the Philippine Health Insurance Corporation (PhilHealth) will ensure that the goal of universal coverage of the National Health Insurance Program will be realized. It will also further strengthen the budgetary support to the recently passed Republic Act No. 10606 or the National Health Insurance Act of 2013.

This scheme of earmarking fixed percentages will ensure that all the proposed programs will be strictly funded regardless of whether the Bureau of Internal Revenue's yearly revenue targets are met or not.

In view of the foregoing, immediate approval of this bill is earnestly sought.



RALPH G. RECTO

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SENATE

S. No. 2074

RECEIVED BY: *J*

Introduced by Senator Ralph G. Recto

AN ACT
MODERNIZING GOVERNMENT HOSPITAL FACILITIES, PROVIDING SPECIAL
FINANCIAL SUPPORT FOR HEALTH CARE COVERAGE AND AWARENESS
PROGRAMS, AND FOR DISPLACED WORKERS IN THE ALCOHOL AND
TOBACCO INDUSTRY AMENDING FOR THE PURPOSE SECTION 288 OF THE
NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED BY REPUBLIC
ACT NO. 10351

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

1 SECTION 1. Section 288, subsection C of the NIRC of 1997, as amended by Republic Act No.
2 10351, is hereby amended to read as follows:

3 "SEC. 288. *Disposition of Incremental Revenues.* –

4 "x x x

5 "(C) *Incremental Revenues from the Excise Tax on Alcohol and Tobacco*
6 *Products.* – After deducting the allocations under Republic Act Nos. 7171 and
7 8240, [eighty percent (80%) of the remaining balance of the incremental
8 revenue derived from this Act shall be allocated for the universal health care
9 under the National Health Insurance Program, the attainment of the Millennium
10 Development Goals and health awareness programs; and twenty percent (20%)
11 shall be allocated nationwide, based on political and district subdivisions, for
12 medical assistance and health enhancement facilities program, the annual
13 requirements of which shall be determined by the Department of Health (DOH)]
14 THE REMAINING BALANCE OF THE INCREMENTAL REVENUE
15 DERIVED FROM REPUBLIC ACT NO. 10351 SHALL BE ANNUALLY
16 ALLOCATED FOR THE FOLLOWING:

17 "(1) "EIGHTY PERCENT (80%) SHALL BE DIRECTLY
18 RELEASED TO THE PHILIPPINE HEALTH INSURANCE
19 CORPORATION (PHILHEALTH) FOR THE PURPOSE OF
20 MEETING AND SUSTAINING THE GOAL OF UNIVERSAL
21 COVERAGE OF THE NATIONAL HEALTH INSURANCE
22 PROGRAM: *PROVIDED*, THAT SAID AMOUNT SHALL
23 NOT BE USED FOR PERSONNEL SERVICES, AS WELL AS

1 FOR TRAVEL, TRANSPORTATION OR REPRESENTATION
2 EXPENSES, OR PURCHASE OF MOTOR VEHICLES;

3 "(2) "SEVEN PERCENT (7%) TO BE DIVIDED EQUALLY AND
4 RELEASED DIRECTLY BY THE DEPARTMENT OF
5 BUDGET AND MANAGEMENT (DBM) TO EACH OF THE
6 SIXTEEN (16) REGIONAL HOSPITALS AND TWENTY-
7 TWO (22) MEDICAL CENTERS FOR THE REPAIR,
8 MAINTENANCE AND IMPROVEMENT OF FACILITIES
9 AND THE UPGRADING OF SERVICES;

10 "(3) "TEN PERCENT (10%) TO BE DIVIDED EQUALLY AND
11 RELEASED DIRECTLY BY THE DBM TO EACH OF THE
12 SIX HUNDRED TWENTY-TWO (622) DISTRICT
13 HOSPITALS OPERATED BY LGUs FOR THE REPAIR,
14 MAINTENANCE AND IMPROVEMENT OF FACILITIES
15 AND THE UPGRADING OF SERVICES;

16 "(4) "ONE PERCENT (1%) TO BE DIRECTLY RELEASED TO
17 AND ADMINISTERED BY THE DEPARTMENT OF
18 HEALTH (DOH) TO FINANCE A PUBLIC INFORMATION
19 AND EDUCATION PROGRAM EXCLUSIVELY AND
20 DIRECTLY AIMED TO PROVIDE HEALTH AWARENESS
21 INFORMATION ON THE DANGERS OF SMOKING AND
22 DRINKING;

23 "(5) "ONE PERCENT (1%) TO BE DIRECTLY RELEASED TO
24 AND ADMINISTERED BY THE DEPARTMENT OF LABOR
25 AND EMPLOYMENT (DOLE) TO FINANCE AN
26 UNEMPLOYMENT BENEFIT PROGRAM FOR THE
27 DISPLACED WORKERS IN THE ALCOHOL AND
28 TOBACCO INDUSTRY: *PROVIDED*, THAT THE
29 UNEMPLOYMENT BENEFIT SHALL BE EXTENDED TO
30 THE DISPLACED WORKERS FOR A MAXIMUM PERIOD
31 OF ONE (1) YEAR; AND

32 "(6) "ONE PERCENT (1%) TO BE DIRECTLY RELEASED TO
33 AND ADMINISTERED BY THE TECHNICAL EDUCATION
34 AND SKILLS DEVELOPMENT AUTHORITY (TESDA) TO
35 FINANCE THE RE-TRAINING AND RE-TOOLING
36 PROGRAMS FOR THE DISPLACED WORKERS IN THE
37 ALCOHOL AND TOBACCO INDUSTRY.

1 “THE EARMARKING PROVISIONS UNDER PARAGRAPHS (C)(5)
2 AND (C)(6) HEREOF SHALL BE IMPLEMENTED FOR SIX (6) YEARS
3 STARTING FROM JANUARY 1, 2015.

4 “EFFECTIVE ON JANUARY 1, 2021, THE ALLOCATION GRANTED
5 UNDER PARAGRAPHS (C)(5) AND (C)(6) HEREOF SHALL ACCRUE TO
6 THE GENERAL FUND.”

7 **SEC. 2. *Separability Clause.*** - If any part or provision of this Act shall be held to be
8 unconstitutional or invalid, other parts or provisions hereof which are not affected thereby shall
9 continue to be in full force and effect.

10 **SEC. 3. *Repealing Clause.*** - Section 9 of Republic Act No. 10351 and all other laws,
11 decrees, resolutions, orders or ordinances or parts thereof inconsistent with this Act, are hereby
12 repealed, amended or modified accordingly.

13 **SEC. 4. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication in the
14 *Official Gazette* or in at least two (2) newspapers of general circulation.

 Approved,