

FIFTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
SECOND REGULAR SESSION)

OFFICE OF THE SECRETARY
OF THE SENATE

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SENATE

S.B. NO. **3130**

RECEIVED BY: 

Introduced by Senator FRANKLIN M. DRILON

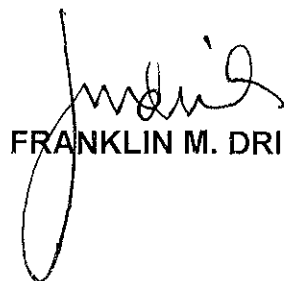
EXPLANATORY NOTE

This bill supports the State policy to adopt an integrated and comprehensive approach to health development which shall endeavor to make healthcare, medicines, and other social services available to all the people at affordable cost under the program of Universal Health Care or *Kalusugan Pangkalahatan*. Under this bill, a Corporate Restructuring Program for National Government Hospitals shall be instituted, with the end in view of providing all citizens with an acceptable, modern, and national hospital care delivery system that is affordable and efficient.

Through the restructuring of state hospitals to corporate entities, these medical institutions will be allowed to engage in revenue-generating activities which shall help subsidize medical care to indigent patients. Fiscal autonomy is also expected to usher in a more efficient delivery of health care as well as provide hospital administrators with the requisite flexibility for the effective stewardship of hospital assets, funds, management and personnel supervision. Finally, the corporate nature of such hospitals makes the hospital self-perpetuating and saves funds of the national government which it could use for other health efforts.

Under this bill, twenty-six (26) national government hospitals which are currently under the administrative supervision of the Department of Health will be converted into government corporate entities. As such, they shall have the attribute of perpetual succession and shall be vested with the powers of a corporation. They shall continue to exist until dissolved for a lawful cause and/or by joint resolution of Congress.

Foregoing considered, the passage of this Bill is earnestly requested.


FRANKLIN M. DRILON

Fifteenth Congress of the Republic)
of the Philippines)
Second Regular Session)

SECRET
Office of the Secretary

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SENATE
Senate Bill No. 3130

REC'D BY: Law

Introduced by Hon. FRANKLIN M. DRILON

**AN ACT INSTITUTING A CORPORATE RESTRUCTURING PROGRAM FOR
NATIONAL GOVERNMENT HOSPITALS, PROVIDING FUNDS THEREFOR, AND
FOR OTHER PURPOSES.**

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

1 SEC 1. **Short Title.** - This Act shall be known as the "*National Government*
2 *Hospital Corporate Restructuring Act.*

3 SEC. 2. **Declaration of Policy and Principles.** - It is the policy of the State to
4 adopt an integrated and comprehensive approach to health development which shall
5 endeavor to make healthcare, medicines, and other social services available to all the
6 people at affordable cost under the program of Universal Health Care or *Kalusugan*
7 *Pangkalahatan*. There shall be priority for the needs of the poor, underprivileged, sick,
8 elderly, and disabled, women and children. The State shall likewise endeavor to provide
9 free medical care to paupers. It is further the policy of the State to establish and
10 maintain an effective food and drug regulatory system and undertake appropriate health
11 manpower development and research activities responsive to the country's health
12 needs and problems.

13 In the pursuit of this Policy, a Corporate Restructuring Program for National
14 Government Hospitals shall be instituted in this Act with the following as its guiding

1 principles:

2 a. The provision of health services remains one of the most essential
3 functions of the government;

4 b. The government should provide all citizens with an acceptable, modern,
5 and national hospital care delivery system that is affordable and efficient;

6 c. The provision of health care to indigent patients is a substantial
7 expenditure requiring close cooperation between the State, the Local Government Units
8 (LGUs) and the private sector. The formulation of consistent over-all policy directions at
9 all levels of government is therefore necessary.

10 d. Through the operation of corporate hospitals, the government may engage
11 in proprietary and revenue-generating activities to help subsidize medical care to
12 indigent patients;

13 e. Fiscal autonomy of government hospitals will lead to more efficient
14 delivery of health services;

15 f. The corporate form of organization will give hospital administrators the
16 necessary flexibility for the effective stewardship of hospital assets, funds, management
17 and personnel supervision; and

18 g. The corporate nature makes the hospital self-perpetuating at the same
19 time saves funds of the national government which it could use for other health efforts.

20 **SEC. 3. Purpose and Objectives.** – The National Government Hospital
21 Corporate Restructuring Program aims to:

22 a. Provide the Filipino people an affordable but quality and timely hospital care
23 and medical service delivery system; and

24 b. Institute reforms in the organization, administration and financial
25 management of national hospitals as a means of reducing the cost and
26 improving the quality of public health care primarily through the corporate
27 restructuring of these hospitals, i.e. converting them into corporate entities.

28 c. Develop the present DOH Hospitals into government owned, non-profit

1 corporate hospitals with its attendant rights and privileges.

2 **SEC. 4. Conversion of National Government Hospitals into Government**
3 **Owned Corporations.** – Twenty-six (26) national government hospitals listed
4 hereunder which are currently under the administrative supervision of the Department of
5 Health are hereby converted into government corporate entities. As such, they shall
6 have the attribute of perpetual succession and shall be vested with the powers of a
7 corporation. They shall continue to exist until dissolved for a lawful cause and/or by joint
8 resolution of Congress.

- 9 a. Cagayan Valley Medical Center
- 10 b. Veterans Regional Hospital
- 11 c. Baguio General Hospital and Medical Center
- 12 d. Ilocos Training and Regional Medical Center
- 13 e. Region I Medical Center
- 14 f. Dr. Paulino J. Garcia Memorial Research and Medical Center
- 15 g. Jose B. Lingad Memorial Medical Center
- 16 h. Batangas Regional Hospital
- 17 i. Bicol Medical Center (Naga City)
- 18 j. Bicol Research Training and Teaching Hospital (Legaspi City)
- 19 k. Quirino Memorial Medical Center
- 20 l. Jose R. Reyes Memorial Medical Center
- 21 m. Rizal Medical Center
- 22 n. Amang Rodriguez Medical Center
- 23 o. San Lazaro Hospital
- 24 p. Vicente Sotto Memorial Medical Center
- 25 q. Eastern Visayas Regional Medical Center
- 26 r. Corazon Locsin Montelibano Memorial Regional Hospital
- 27 s. Western Visayas Medical Center
- 28 t. Northern Mindanao Medical Center

- 1 u. Southern Philippines Medical Center
- 2 v. Zamboanga City Medical Center
- 3 w. Cotabato Regional and Medical Center
- 4 x. CARAGA Regional Hospital
- 5 y. Davao Regional Hospital
- 6 z. Mayor Hilarion A. Ramiro, Sr. Regional Training and Teaching Hospital

7 **SEC. 5. Purpose and Objectives.** – Each of the foregoing corporatized hospitals,
8 in accordance with its area of specialization, shall have the following objectives:

- 9 a. To provide and maintain affordable, quality and modern hospital care
10 through a more efficient health service delivery system with priority for the
11 needs of the underprivileged, sick, elderly, disabled, women and children;
- 12 b. To ensure the development of hospital facilities into modern medical
13 centers;
- 14 c. To continuously improve hospital and medical service operation conditions
15 conducive to the efficient delivery of health care to the public;
- 16 d. To promote, encourage and engage in scientific research on the prevention
17 of diseases and the care and/or treatment of patients and related activities,
18 including sponsorship and conduct of relevant congresses, conventions,
19 seminars and conferences;
- 20 e. To encourage and/or undertake the training of physicians, nurses, medical
21 technicians, health officers, social workers and other health professionals
22 on the practical and scientific conduct and implementation of health and
23 medical services, and related activities; and.
- 24 f. To engage in public–private partnership (PPP) activities in accordance with
25 the declared policy of the State to recognize the indispensable role of the
26 private sector as the main engine for national growth and development and
27 provide the most appropriate favorable incentives to mobilize private
28 resources for the purpose.

1 **SEC. 6. Powers and Functions.** - Each of the corporatized hospitals shall have
2 the following powers and functions:

- 3 a. To adopt a code of by-laws to complement this Charter;
- 4 b. To adopt and use a corporate seal which shall be a matter of judicial notice;
- 5 c. To determine its organizational structure and the number and salaries of its
6 officers and employees, subject to the pertinent provisions of Republic Act
7 No. 10149 (RA 10149), also known as the GOCC Governance Act of 2011;
- 8 d. To establish and maintain professional and technical educational systems
9 for the sustained development of the necessary manpower to manage and
10 operate its affairs and business;
- 11 e. To invest its funds as it may deem proper and necessary, but subject to
12 applicable laws, rules and regulations, in any activity related to hospital or
13 medical care operations, including in any bonds or securities issued and
14 guaranteed by the Government of the Philippines;
- 15 f. To acquire assets, real or personal, or interest therein and encumber or
16 otherwise dispose the same as it may deem proper and necessary in the
17 conduct of its business;
- 18 g. To borrow money from local or foreign sources as may be necessary for its
19 operations, subject to applicable laws, rules and regulations;
- 20 h. To accept any gifts, contributions, endowments, grants, bequests and
21 devices of any kind of real or personal property which are necessary and
22 proper for the attainment of the purpose of the hospital; and
- 23 i. To perform such acts and exercise such functions as may be necessary and
24 proper for the attainment of the purposes and objectives herein specified.

25 **SEC. 7. Contracts.** – Every corporatized hospital shall have the authority to enter into
26 contracts with any person or entity, domestic or foreign and with government for the
27 undertaking of the varied aspects of hospital and health care operation, including the
28 acquisition, by way of purchase, lease or rent or other deferred payment arrangements of

1 equipment and/or raw materials and supplies, as well as for services connected therewith
2 under such terms and conditions as it may deem proper and reasonable.

3 In the acquisition and disposal of property real or personal, a bidding process shall be
4 necessary to conform to the requirements of public bidding as provided for in Republic Act
5 9184 and related laws.

6 **SEC. 8. Board of Trustees.** The affairs and business of each corporatized hospital
7 shall be directed; its properties managed; and its corporate powers exercised, unless
8 otherwise provided in this Charter, by its own Board of Trustees which shall be composed
9 of seven (7) members, as follows:

- 10 a. The Secretary of the Department of Health as Chairman of the Board or his
11 duly authorized representative;
- 12 b. The Operations Cluster Undersecretary/Assistant Secretary of the
13 Department of Health;
- 14 c. The Regional Director of the Department of Health Center for Health
15 Development;
- 16 d. Three (3) members from the private sector preferably with experience in
17 finance, administration or management; and
- 18 e. The Medical Center Director.

19 The terms of office, manner of appointment of the trustees and other matters
20 pertaining to the governance of each corporate hospital shall be determined in
21 accordance with the pertinent provisions of RA 10149.

22 The Board of Trustees shall be governed by a set of by-laws, which shall contain,
23 among others, an enumeration of each of the member's responsibilities,
24 accountabilities, and cause of termination.

25 **SEC. 9. Powers and Functions of the Board.** The Board of Trustees which shall
26 be the policy-making body of the corporate-restructured hospital shall have the following
27 powers and functions:

- 28 a. Determine the general policies of the hospital within the scope of its powers,

- 1 objectives and financial resources;
- 2 b. Establish the organizational structure of the hospital, define the duties and
3 responsibilities of all officials and employees and adopt a compensation and
4 benefit scheme, subject to the pertinent provisions of RA 10149;
- 5 c. To acquire, hold and own in any manner, property of whatever nature or
6 description, and to dispose of such property under any mode of
7 encumbrance or conveyance;
- 8 d. To enter into, make, perform and carry out contracts of every kind and for
9 any lawful purpose with any person, firm, association or corporation,
10 whether public or private, domestic or foreign;
- 11 e. To mortgage, lease, sell, transfer, convey or otherwise dispose of its
12 properties;
- 13 f. To solicit and receive donations, endowments and funds in the form of
14 contributions, whether in cash or in kind, from both the public and private
15 sectors and from domestic or foreign sources;
- 16 g. To open such accounts in banks and other financial institutions, and to
17 disburse such funds or invest the same as the Board of Trustees may direct
18 to accomplish or advance the purposes or interest of the hospital;
- 19 h. To invite foreign or local health specialists and similar experts in the various
20 medical fields to train the personnel, trainees or residents of the hospital;
- 21 i. To send the personnel of the hospital to research institutes, medical
22 institutes or universities for advance training or observation and to attend
23 international or regional conventions, conferences, congresses or seminars
24 as the Board of Trustees may deem necessary to accomplish the purposes
25 and objectives of the hospital;
- 26 j. To enter into such agreements and arrangements with other medical or
27 similar institutions, domestic or foreign, as may be deemed desirable by the
28 Board of Trustees toward promoting the purposes and objectives of the

- 1 hospital;
- 2 k. To continuously develop its capabilities so that the hospital becomes the
- 3 referral center for specialized care of its catchment area;
- 4 l. To adopt a set of by-laws, rules, regulations, policies, guidelines and
- 5 procedures consistent with law and the provisions hereof to govern the
- 6 administration and operation of the hospital; and
- 7 m. To do all such other acts and things as are or may be necessary for or
- 8 incidental to the accomplishment of the purposes and objectives of the
- 9 hospital.

10 **SEC. 10. Duties and Responsibilities of the Chief Executive Officer.** The Chief

11 Executive Officer of each corporate-restructured hospital shall have the following duties

12 and responsibilities:

- 13 a. To prepare the agenda for the meetings of the board, and to submit for
- 14 consideration of the board such policies and measures as he believes
- 15 necessary to carry out the purposes and objectives of this Act;
- 16 b. To execute, administer and implement the policies and measures approved
- 17 by the board;
- 18 c. To direct and supervise the operations and administration of the hospital;
- 19 d. To represent the hospital in all dealings with all other offices, agencies and
- 20 instrumentalities of the government and with all persons and other entities,
- 21 domestic or foreign; and
- 22 e. To exercise such other powers and perform such other duties provided in
- 23 the by-laws and as vested to him by the board.

24 **SEC. 11. Remittance of Income.** – All corporate hospitals are hereby authorized

25 to retain and utilize their income derived from the hospital operation and non-patient

26 related activities for the maintenance of the other operating expenditures, including

27 capital outlay especially in the acquisition of equipment and medical supplies, subject to

28 auditing rules and regulations. Further, no amount from such income shall be used to

1 augment the salaries and other compensation of hospital personnel beyond the
2 amounts determined by the Governance Commission for Government-Owned and
3 Controlled Corporations (GCG), as provided for in RA 10149.

4 The Department of Health in coordination with the Department of Budget and
5 Management shall issue the necessary rules and regulation to implement this provision.

6 **SEC. 12. Exemption from Taxes.** – Each of the corporate-restructured hospitals
7 shall be exempt from the payment of taxes on all contribution thereto and all accruals on
8 its income and investment earnings.

9 Any donation, contribution, bequest, subsidy or financial aid which may be made to
10 it shall constitute allowable deduction from the income of the donor for income tax
11 purposes and shall be exempt from donor's tax subject to such conditions as provided
12 for in the National Internal Revenue Code.

13 Every corporate-restructured hospital shall be exempt from all other taxes, whether
14 direct or indirect, on its income, properties and operations.

15 **SEC. 13. Supervision.** All the corporate-restructured hospitals shall be under the
16 direct supervision of the Department of Health for purposes of policy direction and
17 control. It shall submit an annual report, pursuant to the pertinent provisions of RA
18 10149.

19 **SEC. 14. Implementing Rules and Regulations.** – Within thirty (30) days from
20 the completion of the appointment of its members, the Corporation's Board of Trustees
21 shall convene to formulate the rules and regulations necessary for the implementation
22 of this Act.

23 **SEC. 15. Transitory Provisions.** – This Act reinforces and broadens the
24 corporatization program initiated by the DOH prior to the passage hereof. Hospital
25 corporations organized out of the hospitals enumerated under Section 4 hereof prior to
26 this Act shall be transferred by the Secretary of Health within ninety (90) days from its
27 organization. Current government subsidy to the various hospitals shall be maintained
28 or increased until such time that financial sustainability is achieved.

1 SEC. 16. **Separability Clause.** – Should any provision of this Act be held
2 unconstitutional, no other provision when able to stand by itself shall be affected
3 thereby.

4 SEC. 17. **Repealing Clause.** - All laws, acts, executive orders, administrative
5 orders, rules and regulations inconsistent herewith, including but not limited to the
6 charters of the hospitals enumerated in Section 4 hereof, are hereby repealed,
7 amended or modified accordingly.

8 SEC. 18. **Effectivity.** - This Act shall take effect fifteen (15) days after its
9 publication in the *Official Gazette* or in any newspaper of general circulation.

Approved,