

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

7 JUL -3 AM:37

SENATE

RECEIVED BY: 

Senate Bill No. 698

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INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

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### EXPLANATORY NOTE

The Constitution, Art. XIII, Sec. II, provides:

*"Sec. II. The State shall adopt an integrated and comprehensive approach to health development, which shall endeavor to make ... services available to all the people at affordable cost.. ."*

Despite the constitutional mandate, health services have become a precious commodity available only to the moneyed few. Health care costs have skyrocketed to such levels that people are forced to resort to alternative medicine rather than seek expensive professional medical intervention.

This bill seeks to reduce health care costs by requiring tertiary and specialized hospitals to share certain services and equipment.

Hence, the immediate passage of this bill is highly recommended.

  
JINGGOY EJERCITO ESTRADA  
Senator

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**AN ACT**  
**TO REDUCE HEALTH CARE COSTS BY REQUIRING TERTIARY AND**  
**SPECIALIZED HOSPITALS TO SHARE CERTAIN SERVICES AND**  
**EQUIPMENT**

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

**SECTION 1. Short Title.** - This Act may be cited as the "**Health Services Cost Control Act.**"

**SEC 2. Declaration of Policy.** - It is the purpose of this Act to reduce health care cost by encouraging cooperation between tertiary and specialized hospitals in order to contain costs and achieve a more efficient and effective health care delivery system through the elimination of unnecessary duplication of expensive medical or high technology services or equipment while preserving services in geographical proximity to the communities traditionally served by the facilities.

**SEC 3. Definition of terms.** - As used in this Act:

- (a) The term "administrators" refers to the Secretary of Health and the presidents and owners of tertiary and specialized hospitals, which are covered by this Act.
- (b) The term "tertiary hospitals" means hospitals that have complete, advanced and departmentalized facilities and services for the diagnosis, treatment and care of individuals suffering from all types of illness, disease, injury or deformity, or in need of obstetrical or other medical and nursing care. A tertiary hospital may be government or privately-owned.
- (c) The term "special" or "specialized hospitals" means hospitals that devote their services full-time for the diagnosis and treatment of specific types of illness such as, but not limited to, hear-related ailment, lung disease, kidney problem and abnormal mental state. The term hospital shall also be construed as any institution, building or place where there are installed beds, or cribs, or bassinets for twenty-four-house use or longer by special classes of patients like children and patients suffering from tuberculosis. A special hospital may likewise be government or privately owned.

- (d) Government "hospital" means a hospital operated and maintained either partially or wholly by the national, provincial, municipal or city government or other political subdivision, or by any department, division, board or other agency thereof.
- (e) "Private hospital" means one which is privately owned, established and operated with funds raised or contributed through donations, or by private capital or other means, by private individuals, association, corporation, religious organization, firm, company or joint stock association.

**SEC 4. *Technology and Services Sharing Demonstration Program.* -**

- (a) Not later than one year from the approval of this Act, the Secretary of Health and the presidents and owners of the country's tertiary and specialized hospitals shall jointly design a demonstration program to determine the extent to which health care services and equipment can be shared to reduce health care cost.
- (b) On the second year after the establishment of the demonstration program under this section, the Administrators shall prepare the guidelines for the kind of cooperative agreements that may be entered into in accordance with the results of the demonstration program.

**SEC 5. *Service Area.* -** The Administrators shall determine the area to be served by a demonstration program under Section 3 (a).

**SEC 6. *Grant Funds and Tax Breaks.* -**

- a) Tertiary and specialized hospitals that enter into cooperative agreements under Sec. 3 (b) and (c) of this Act shall receive grant funds and tax breaks to be determined by the Administrators and the Commissioner of Internal Revenue. To be eligible to receive a grant or tax break, a tertiary or specialized hospital shall prepare and submit to the Administrators an application at such time, in such manner, and containing such information as the Administrators may require, including –
  - 1) a statement that such entity desires to negotiate and enter into a voluntary agreement with another tertiary or specialized hospital for the sharing of medical technology or services;
  - 2) a description of the nature and scope of the activities contemplated under the cooperative agreement;
  - 3) a description of the financial arrangement between the entities that are parties to the agreement;
  - 4) a description of the geographical area generally to be served by the entities;
  - 5) a description of anticipated benefits and advantages to the providers and to individuals; and
  - 6) any other information determined appropriate by the Administrators.

b) Development of evaluation guidelines. The Administrators shall develop regulations, including criteria and evaluations guidelines, with respect to applications submitted under paragraph (a) in determining which applications to approve for purposes of awarding grants and tax breaks under subsection (a), the Administrators shall consider whether the agreement described in each such application meets the criteria and guidelines developed under this paragraph and is likely to result in –

- 1) the enhancement of the quality of care;
- 2) the preservation of services in geographical proximity to the communities traditionally served by the applicant;
- 3) improvements in the cost-effectiveness of high technology services by the entities involved;
- 4) improvements in the efficient utilization of the entities resources and capital equipment;
- 5) the provision of services that would not otherwise be available;
- 6) the elimination of unnecessary duplication of hospital resources;
- 7) a reduction in costs to individuals; or
- 8) no undue harm to the care provided individuals seeking services.

**SEC 7. Allocation of Grant Funds. -**

- (a) In general. Amounts provided under a grant awarded under Section 6 shall be used to facilitate collaboration among entities. Such permissible uses may include reimbursements for the expenses associated with specialized personnel, administrative services, support services, transportation and instructional programs. Funds may not be used to purchase expensive, capital intensive medical technology or other highly resource-intensive services not previously owned or provided by the facility.
- (b) Grant award amount. Entities applying for grants under Section 6 shall specify the desired grant award amount. The Administrators shall determine the appropriate amount in granting such award.

**SEC 8. Medical Technology and Services. -**

- (a) In General. Cooperative agreements carried out under this Act shall provide for the sharing of medical technology or eligible services among the entities which are parties to such agreements.
- (b) Medical technology. For purposes of this section, the term “medical technology” includes the drugs, devices, equipment, medical and surgical procedures utilized in medical care and the organizational and support systems within which such care is provided, that -
  - (i) have high capital costs or extremely high annual operating costs; and

- (ii) are technologies with respect to which there is a reasonable expectation that shared ownership will avoid a significant degree of the potential excess capacity of such service in the community or region to be served under such agreement.
- (c) Eligible Services. With respect to services that may be shared under an agreement entered into under this section, such services shall –
  - (i) either have high capital costs or extremely high annual operating costs; and
  - (ii) be services with respect to which there is a reasonable expectation that shared ownership will avoid a significant degree of the potential excess capacity of such services in the community or region to be served under such agreement. Such services may include mobile services.

**SEC 9. Term** - Cooperative agreements under this Act to reduce health-care costs shall continue for the period agreed upon by the participating entities.

**SEC 10. Reports** -

(a) In general. The participants to health-cost reduction programs entered into under this Act shall submit annual reports to the Administrators containing information on the programs funded under this section, as required by the administrators.

**SEC 11. Appropriations** - To carry out the demonstration program in Section 5, such sum as may be necessary is hereby authorized to be appropriated from the National Treasury. Thereafter, such sums necessary for the grant funds shall be included in the annual appropriations of the Department of Health.

**SEC 12. Separability Clause** - If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

**SEC 13. Repealing Clause** - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly.

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

*Approved,*