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SENATE

S. No. 616

RECEIVED BY: *ja*

Introduced by Senator Ralph G. Recto

### Explanatory Note

The Philippines' health profile is typical of a middle developing country. Aside from increasing population, deteriorating environment and poor nutrition, one of the biggest factors responsible for the weak performance of the health sector is the inadequate and ineffective public spending for health.

To achieve an integrated and comprehensive approach to health development that shall endeavor to make essential goods, health and other social services available to all the people at affordable cost, the prudent use of financial resources to programs that can help prevent, control, and cure diseases should be prioritized.

This bill proposes to allocate ten percent (10%) of annual VAT collections to expand the immunization program, augment the health insurance for the poor, improve and modernize rural health units in the fourth to sixth-class municipalities, district and provincial hospitals, and establish regional specialty hospitals.

Additional funding support to expand the immunization program will help address the risk of infant mortality, and support our Millennium Development Goal (MDG) commitment to reduce under-five mortality rate by 67% between 1990 and 2015.

As of December 2011, 82% of the 95.6 million projected population have been enrolled in Philhealth<sup>1</sup>. Of those enrolled, 38.45 million are indigents<sup>2</sup>. Earmarking VAT proceeds to the National Health Insurance Fund will help sustain the coverage in the long run, ensure better benefits for members at affordable premiums and eventually achieve universal coverage.

Rural health units and district hospitals exercise the first line of defense against sickness. Thus, this bill allocates VAT dividends to modernize medical facilities/health centers in areas that need most of the funding support - the fourth to sixth-class municipalities.

It also seeks to establish regional specialty hospitals without the use of loans, but instead earmark tax collections of government. Creation of these additional hospitals would unburden the specialty hospitals located in the National Capital Region. It would also allow patients who come from the provinces, and those who do not have the resources to combat orthopedic, heart, lung, and kidney diseases, immediate and more affordable hospital services without the need to travel long distance.

In light of the foregoing, immediate passage of this bill is earnestly sought.

  
RALPH G. RECTO

<sup>1</sup> See PhilHealth 2011 Stats & Charts accessed at [http://www.philhealth.gov.ph/about\\_us/statsncharts/snc2011.pdf](http://www.philhealth.gov.ph/about_us/statsncharts/snc2011.pdf) on March 11, 2013.

<sup>2</sup> *Ibid.*

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



Senate  
Office of the Secretary

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S. No. 616

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**AN ACT**  
**MODERNIZING HEALTHCARE AND HEALTH INFRASTRUCTURE, PROVIDING FUNDS FROM THE ANNUAL VALUE-ADDED TAX COLLECTIONS, AMENDING FOR THE PURPOSE THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED**

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

1           **SECTION 1.** A new section, to be numbered two hundred eighty-seven, shall be added  
2 to Chapter II, Title XI of the National Internal Revenue Code, as amended to read as follows:

3           "SEC. 287. **DISPOSITION OF PROCEEDS OF VALUE-ADDED TAX.** - TEN  
4 PERCENT (10%) OF THE VALUE-ADDED TAX COLLECTED UNDER TITLE IV  
5 OF THIS ACT, AS AMENDED, SHALL BE ALLOCATED TO THE FOLLOWING  
6 HEALTH EXPENDITURES IN THE FOLLOWING PROPORTIONS:

7           1. TEN PERCENT (10%) SHALL BE ALLOCATED FOR THE EXPANSION  
8 OF THE IMMUNIZATION PROGRAM, TO BE ADMINISTERED BY THE  
9 DEPARTMENT OF HEALTH (DOH);

10          2. THIRTY PERCENT (30%) SHALL BE ALLOCATED FOR THE  
11 IMPROVEMENT AND MODERNIZATION OF HEALTH  
12 INFRASTRUCTURE AND MEDICAL EQUIPMENT OF RURAL HEALTH  
13 UNITS: *PROVIDED*, THAT PRIORITY SHALL BE GIVEN TO THOSE  
14 LOCATED IN THE FOURTH TO SIXTH-CLASS MUNICIPALITIES:  
15 *PROVIDED, FURTHER*, THAT THE ALLOCATION SHALL BE  
16 ADMINISTERED BY THE DOH IN CONSULTATION WITH THE LOCAL  
17 GOVERNMENT UNITS (LGUs) CONCERNED;

18          3. TWENTY PERCENT (20%) SHALL BE ALLOCATED FOR THE  
19 IMPROVEMENT AND MODERNIZATION OF HEALTH  
20 INFRASTRUCTURE AND MEDICAL EQUIPMENT OF DISTRICT AND  
21 PROVINCIAL HOSPITALS, TO BE ADMINISTERED BY THE DOH IN  
22 CONSULTATION WITH THE LGUs CONCERNED;

1 4. FORTY PERCENT (40%) SHALL BE ALLOCATED FOR THE  
2 ESTABLISHMENT OF A SPECIALTY DEPARTMENT IN MEDICAL  
3 CENTERS AND REGIONAL HOSPITALS, TO BE ADMINISTERED BY THE  
4 DOH IN CONSULTATION WITH THE LGUs CONCERNED. FOR  
5 PURPOSES OF THIS ACT, A "SPECIALTY DEPARTMENT" IS DEFINED  
6 AS A DEPARTMENT IN MEDICAL CENTERS AND REGIONAL  
7 HOSPITALS THAT IS PRIMARILY OR EXCLUSIVELY ENGAGED IN THE  
8 CARE AND TREATMENT OF ONE OF THE FOLLOWING:

- 9 A.) PATIENTS WITH A CARDIAC CONDITION;  
10 B.) PATIENTS WITH A LUNG CONDITION;  
11 C.) PATIENTS WITH A KIDNEY CONDITION;  
12 D.) PATIENTS WITH AN ORTHOPEDIC CONDITION.

13 **Sec. 2.** The succeeding Sections of the National Internal Revenue Code, as amended, are  
14 hereby renumbered accordingly.

15 **Sec. 3. *Implementing Rules and Regulations (IRR).*** – The Department of Budget and  
16 Management (DBM), DOH, Department of Interior and Local Government (DILG) and the  
17 Bureau of Internal Revenue (BIR) shall within thirty (30) days after the effectivity of this Act  
18 issue the IRR for its effective implementation.

19 **Sec. 4. *Repealing Clause.*** - All laws, decrees, executive orders, rules and regulations, or  
20 parts thereof which are inconsistent with this Act are hereby repealed, amended or modified  
21 accordingly.

22 **Sec. 5. *Effectivity.*** - This Act shall take effect fifteen days (15) days following its  
23 publication in at least two (2) newspapers of general circulation or the Official Gazette.

Approved,