

ECCP ADVOCACY PAPERS 2019

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# HEALTHCARE ADVOCACY PAPER 2019



# ABOUT ECCP

The **European Chamber of Commerce of the Philippines** (ECCP) is a service-oriented organization whose main goal is to foster close economic ties and business relations between the Philippines and Europe. The ECCP does this by providing a wide range of consultancy services and by creating linkages between companies, organizations, and individuals with existing or potential business interests in Europe and the Philippines. It is also at the forefront of pro-business, pro-growth advocacy in the Philippines, representing European business interests for increased market access and trade facilitation, at the highest level of Philippine political discussions.

The ECCP sees itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.



# HEALTHCARE ADVOCACY PAPER 2019



**EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES**

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*Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCP.*

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## METHODOLOGY

The 2019 edition of the ECCP Advocacy Papers features issues and recommendations formed after extensive discussions between members of the ECCP sector committees, dialogues and meetings with representatives from the Philippine Government, and other stakeholders. The ECCP has also taken into consideration the information gathered from organizing different events, participating in numerous hearings and committee meetings in both chambers of the Philippine Congress, as well as in private sector consultations held by several government agencies.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. In close cooperation with the sector committee leaders and members, the ECCP Advocacy Team thoroughly analyzed every issue and advocacy recommendation to ensure that they are in line with European business interests and priorities. Once the Advocacy Team has finalized the first draft of each sector paper, it was then circulated to the Committee members and other stakeholders for consultation and subsequently, gathered inputs to be included in the final draft of the papers.

The assessment of the status of each recommendation included in 2018 Advocacy Papers were examined under the following criteria:

**Completed/Substantial Progress:** Recommended action has either been completed or there has been significant progress towards the realization of the recommendation.

**Some Progress:** Movement towards realizing the recommendation has been made, but substantial work still needs to be done to fully achieve and complete the proposed measure.

**No Progress/Retrogression:** Minimal progress or no movement towards attaining the recommended reforms were done, or the status of the issue has worsened and has evolved to an even bigger bottleneck for European businesses.

# MESSAGE FROM ECCP PRESIDENT



2019 has truly been a year of opportunities for the European-Philippine business community. This year, we welcome the implementation of the landmark Ease of Doing Business Act as well as the 18th Congress, with its list of legislative economic priorities. We also acknowledge the enactment of laws on Universal Health Care, Tax Amnesty, Energy Efficiency and Conservation, amongst other measures. Steady macroeconomic fundamentals as well as the administration's plans and pronouncements concerning economic reforms also open opportunities for further trade and investments. Furthermore, the ECCP aims to build upon the achievements of the past years in making the Philippine business environment friendlier for European companies and ensuring that these businesses can make the most of these exciting developments.

To further build on such success, several matters need to be addressed in order to fully realize the potential of the European-Philippine economic ties and the Philippine economic growth. It becomes increasingly important for the Philippines to improve global market integration, enhance its competitiveness as a Foreign Direct Investment (FDI) destination, and accelerate infrastructure development in order to achieve much needed sustainable and inclusive growth.

It is in this context that we are pleased to present the 2019 ECCP Advocacy Papers. The ECCP Advocacy Papers include suggested reforms on priority sectors identified by the Chamber and its members. As an advocate of economic liberalization and sustainable economic growth, the ECCP stands ready to support the Philippines in making these much needed changes for the mutual benefit of Europe and the Philippines.

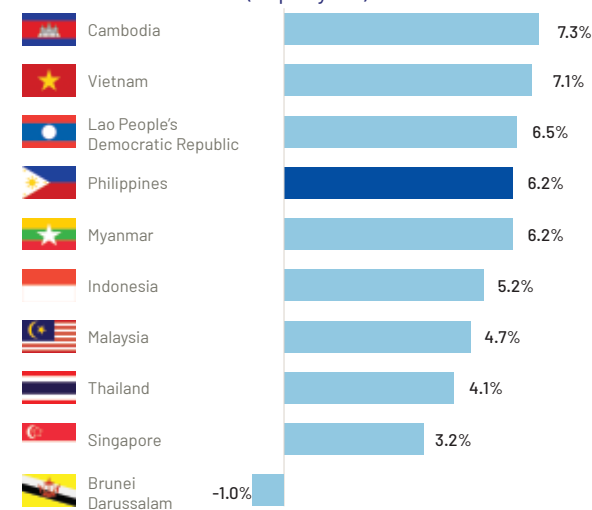
**Mr. Nabil Francis**  
ECCP President

# WHERE ARE WE NOW?

## THE PHILIPPINES

The Philippines strives to maintain its robust economic performance amidst several challenges. Though the GDP posted a decelerated growth of 6.2% in 2018, it is still considered as one of the fastest-growing countries in the Association of Southeast Asian Nations (ASEAN). With a 10-year average annual GDP growth of 5.4%,<sup>1</sup> the Organisation for Economic Co-operation and Development (OECD) recognizes the Philippines as one of the countries, along with Vietnam, who are expected to lead the ASEAN-5 in terms of economic growth.<sup>2</sup>

GDP Growth Rate, 2018  
(% per year)



Source: Asian Development Bank. *Asian Development Outlook 2019*

The GDP was mainly driven by manufacturing, trade and repair of motor vehicles, motorcycles, personal and household goods, and construction. Services accounted for the biggest share with 57.8%, followed by Industry with 34.1%, and Agriculture, Hunting, Forestry and Fishing (AHFF) with 8.1%.<sup>3</sup> The steady flow of remittances from Overseas Filipino Workers (OFWs), the ambitious *Build Build Build* Program, and resilience of the business and knowledge outsourcing industry are anticipated to keep the momentum going in the upcoming years.<sup>4</sup> The GDP Per Capita posted a decelerated growth of 0.5% from 2017, placing the Philippines 5<sup>th</sup> in rank amongst the ASEAN.<sup>5</sup>

<sup>1</sup> World Economic Forum. (2018) *The Global Competitiveness Report*. Retrieved 15 September 2019 from [www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf](http://www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf).

<sup>2</sup> OECD. (2018) *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth Through Digitalisation*. Retrieved 14 September 2019 from [dx.doi.org/9789264286184-en](http://dx.doi.org/9789264286184-en).

<sup>3</sup> Philippine Statistics Authority. (2019). *Gross Domestic Product of the Philippines Highlights for 2018*. Accessed 14 September 2019 from [psa.gov.ph/regional-accounts/grdp/highlights](http://psa.gov.ph/regional-accounts/grdp/highlights).

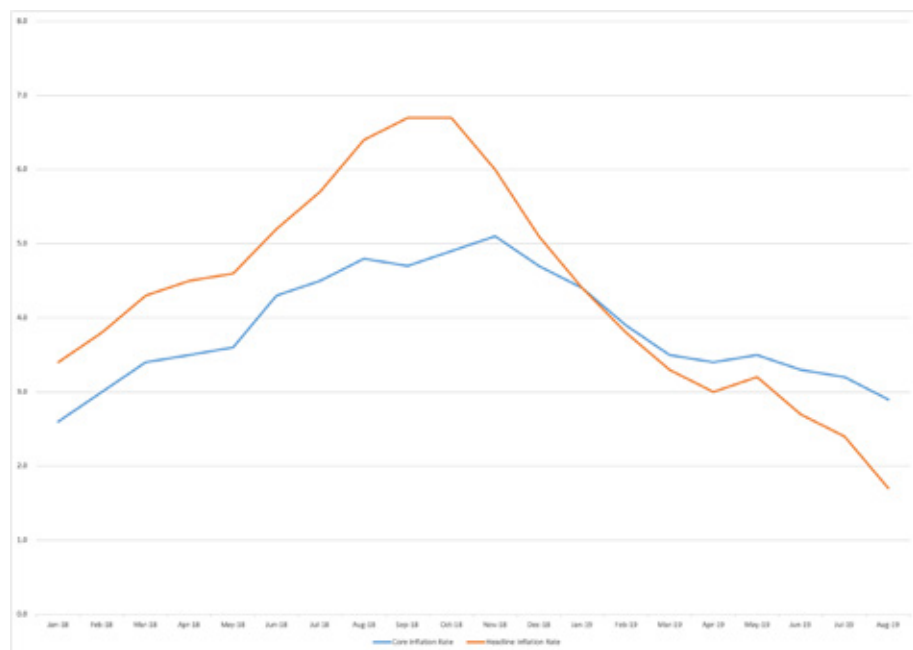
<sup>4</sup> OECD. (2018) *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth Through Digitalisation*.

<sup>5</sup> Asian Development Bank. (n.d.) *Economic indicators for the Philippines*. Retrieved 16 September 2019 from [adb.org/countries/philippines/economy](http://adb.org/countries/philippines/economy).

The inflation rate for 2018 steadily rose throughout the year. The headline inflation rate increased from 2.9% in 2017 to 5.2% in 2018. Inflation peaked at 6.7% in the third quarter of 2018, and only decreased during the last two months of the said year. The drastic increase in prices was primarily attributed to the tight domestic supply, impact of natural calamities, and the rising global crude oil rates.<sup>6</sup>

The average core inflation rate reached 4.1% in 2018 – a 2.5% increase from 2017, that could be linked to the impact of fiscal expansion as well as the pass-through effect of a weaker peso.<sup>7</sup> The full year average inflation was brought up to 5.2%, which is above the National Government's announced target range for 2018.<sup>8</sup> However, as of August 2019, the headline inflation rate decelerated to 1.7%, the lowest rate achieved since October 2016 which was at 1.8%. The deceleration was brought about by the slower annual increase in prices of food and non-alcoholic beverages.<sup>9</sup>

### Philippines: Inflation Rate, January 2018 – August 2019



Source: PSA and BSP

6 World Bank. (2019) *Philippines Economic Update April 2019: Safeguarding Stability, Investing in the Filipino*. Retrieved 16 September 2019 from documents.worldbank.org/curated/en/442801553879554971/pdf/Philippines-Economic-Update-Safeguarding-Stability-Investing-in-the-Filipino.pdf

7 Ibid.

8 Bangko Sentral ng Pilipinas. (2018) *Inflation Report Q4 2018*. Retrieved 15 September 2019 from bsp.gov.ph/downloads/Publications/2018/IR4qtr\_2018.pdf.

9 Philippine Statistics Authority. (2019). *Summary Inflation Report Consumer Price Index (2012=100): August 2019*. Accessed 27 September 2019 from psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-august-2019.

The country's credit rating over the past year proves itself to be stable according to Moody's Investor Service.<sup>10</sup> The table below shows ratings from various agencies throughout the year:

2018 Philippine Credit Ratings		
Date	Agency	Rating
26 April	S&P	BBB Positive
20 July	Moody's	Baa2 Stable
19 December	Fitch	BBB

Source: Standard and Poor's, Moody's, Fitch.

The demographics for 2018 puts the country's economy at a prime advantage. A population of 106.60 million,<sup>11</sup> with a median age of 23.7,<sup>12</sup> adds a young, dynamic and competitive workforce to the country's competitive advantages including its strategic business location in the region and a pursuit for developing infrastructure for global growth,<sup>13</sup> among others.

A 2018 Philippine Statistics Authority (PSA) Survey records the employment rate at 94.7%. Categorically, the Services sector had the biggest share with 56.6%, followed by the Agriculture sector with 24.3%, and the Industry sector with 19.1%.<sup>14</sup> This leaves the unemployment rate at 5.3% and the underemployment rate with 16.4%. Though the statistics on employment displayed a positive growth of approximately 0.3-0.4% from 2017, high levels of unemployment remain to be a recurring challenge for the Philippines.

For international rankings, the 2018 Global Competitiveness Report ranks the Philippines 56<sup>th</sup> out of 140 countries, with a score of 52.1.<sup>15</sup> The report highlighted the country's Macroeconomic Stability as its strongest pillar, ranking 43<sup>rd</sup> with a score of 90. However, Innovation Capability was noted as the country's weakest, ranking 67<sup>th</sup> with a score of 37.2.<sup>16</sup> As for the World Bank Doing Business 2018 Report, the Philippines was given an overall ranking of 113<sup>th</sup> out of 190 countries. The country's factor of Getting Electricity is ranked best at 31<sup>st</sup>, while Starting a Business is ranked the worst at 173<sup>rd</sup>.<sup>17</sup>

10 Moody's Investors Service. (2018) *Announcement: Moody's: Philippines' credit profile supported by strong growth and progress on reform*. Retrieved 16 September 2019 from moody.com/research/Moody's-Philippines-credit-profile-supported-by-strong-growth-and-progress-PR\_387103.

11 Asian Development Bank. (2018) *Philippines: By the Numbers*. Retrieved 16 September 2019 from data.adb.org/dashboard/philippines-numbers.

12 Central Intelligence Agency. (2018). *The World Factbook: Philippines*. Retrieved 15 September 2019 from cia.gov/library/publications/the-world-factbook/geos/rp.html.

13 Philippine Consulate General. (n.d.) *The Philippines possesses several competitive advantages*. Retrieved 18 September 2019 from vancouverpcg.org/trade-01.html.

14 Philippine Statistics Authority. (2018). *2018 Annual Labor and Employment Status*. Accessed 15 September 2019 from psa.gov.ph/content/2018-annual-labor-and-employment-status.

15 World Economic Forum. (2018) *The Global Competitiveness Report*.

16 Ibid.

17 World Bank. (2018). *Doing Business 2018: Reforming to Create Jobs*. Retrieved 16 September 2019 from doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf.

With regard to Foreign Direct Investments (FDIs), the Bangko Sentral ng Pilipinas officially registered USD 9.8 Billion in net inflows for 2018, down by 4.4% from the USD 10.3 billion record from 2017.<sup>18</sup> Majority of equity capital placements were mainly channeled to manufacturing, financial and insurance activities, and real estate activities with Singapore, Hong Kong, and Japan as the top partners.<sup>19</sup> With the country's relations with the European Union, three member states ranked in the top ten with Netherlands, Luxembourg, and Germany placing 7<sup>th</sup>, 8<sup>th</sup>, and 10<sup>th</sup>, respectively.<sup>20</sup>



Total external trade amounted to USD 182.15 billion in 2018. The top three major trading partners for the year were People's Republic of China, Japan, and the United States of America.<sup>21</sup> The European Union (EU) immediately followed with a 9.6% share in total trade, valued at USD 17.49 billion. Germany ranked the highest as the Philippines' top trading partner in the EU, followed by the Netherlands, and France. Alternatively, the Philippines is the EU's 41<sup>st</sup> largest trading partner globally, accounting for only 0.4% of the EU's total trade.<sup>22</sup>



Indeed, the Philippines has made notable progress in recent years. However, much work still needs to be done in order to improve the country's global competitiveness. Substantial economic reforms, especially concerning the ease of doing business as well as the creation of a level playing field have yet to be realized to capitalize on the substantive gains of the Philippines. Furthermore, boosting the Philippine manufacturing sector, deepening the ASEAN integration, and enhancing trade facilitation are all imperative to take the Philippine economy to greater heights.



18 Bangko Sentral ng Pilipinas. (2019). *FDI Registers US\$677 million in December 2018; Full-Year Reaches US\$9.8 Billion in 2018*. Retrieved 14 September 2019 from [bsp.gov.ph/publications/media.asp?id=4967&yr=2019](http://bsp.gov.ph/publications/media.asp?id=4967&yr=2019).

19 Ibid.

20 Department of Trade and Industry. (2018) *NET FOREIGN DIRECT INVESTMENTS REPORT*. Retrieved 16 September 2019 from [dti.gov.ph/resources/statistics/net-foreign-direct-investments-fdi#graph](http://dti.gov.ph/resources/statistics/net-foreign-direct-investments-fdi#graph).

21 Philippine Statistics Authority. (2019). *Highlights of the 2018 Annual Report on International Merchandise Trade Statistics of the Philippines (Preliminary)*. Accessed 15 September 2019 from [psa.gov.ph/content/highlights-2018-annual-report-international-merchandise-trade-statistics-philippines](http://psa.gov.ph/content/highlights-2018-annual-report-international-merchandise-trade-statistics-philippines).

22 European Commission. (2019). *Countries and Regions: The Philippines*. Retrieved 16 September 2019 from [ec.europa.eu/trade/policy/countries-and-regions/countries/philippines/](http://ec.europa.eu/trade/policy/countries-and-regions/countries/philippines/).

# HEALTHCARE ADVOCACY PAPER 2019

# INTRODUCTION

The Philippine healthcare system has undergone considerable changes in the past years due to international evolution and government reforms and policies. Notwithstanding the factors that have influenced the healthcare arena, the optimum goal remains: provide access to quality and affordable health care services for every Filipino.

The Philippine Health Agenda (PHA) 2016-2022<sup>1</sup> is geared at its vision of achieving a health system that is: equitable and inclusive to all; transparent and accountable; uses resources efficiently; and provides high quality services.

While it goes without saying that the government plays a big role in realizing the national objective, multi-sectoral cooperation is manifestly imperative in the process. It is in this context that the European business community remains committed to extending assistance to the Philippine government in:

- Full and effective implementation of the Universal Health Care Act
- Promoting access to medicines
- Strengthening regulatory management
- Enhancing and developing e-health and telehealth system and processes
- Establishing a regular dialogue with health stakeholders

The Philippine health sector was allocated a **total 2019 budget** of PHP165 billion. Under which, the PHP98.57 billion is directed to the Department of Health-Office of the Secretary, Commission on Population and National Nutrition Council,<sup>2</sup> while PHP67.35 billion is allotted to the Philippine Health Insurance Corporation (PhilHealth).<sup>3</sup> At this amount, the health sector is the 6<sup>th</sup> top recipient of the government's 2019 budget. A big portion of the DOH budget has been allocated to health facilities operations, and the health systems strengthening program, at PHP32.5 billion and PHP25.89 billion respectively.<sup>4</sup>

In terms of spending, according to the Philippine Statistics Authority, the Philippines' 2017 **total health expenditure** (THE) was reported to have increased by 8% from the previous year, at PHP712.3 billion from PHP659.3. Out of the total THE, PHP372.8 billion is comprised of out-of-pocket payments. This is followed by government and compulsory contributory health care financing schemes (PHP225.9 billion), and voluntary health care payment schemes (PHP85.7 billion). PHP 186.6 billion of the OOPs were received by pharmacies, while private general hospitals came in as second largest beneficiary at PHP 97.5 billion, followed by ambulatory health providers at PHP 50.3 billion.<sup>5</sup>

1 DOH. (2016). All for Health towards Health for All: Philippine Health Agenda 2016-2022. Retrieved from [https://www.doh.gov.ph/sites/default/files/basic-page/Philippine%20Health%20Agenda\\_Dec1\\_1.pdf](https://www.doh.gov.ph/sites/default/files/basic-page/Philippine%20Health%20Agenda_Dec1_1.pdf)

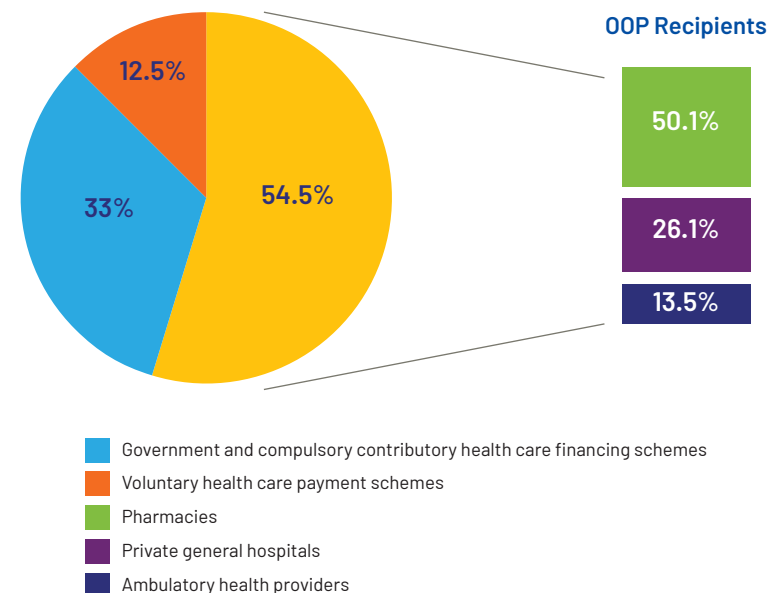
2 Department of Budget and Management (DBM). (2019). National Expenditure Program (NEP) FY 2019: Volume II. Retrieved from <https://www.dbm.gov.ph/wp-content/uploads/NEP%202019/NEP-2019-VOLUME-2.pdf>

3 DBM. (2019). NEP FY 2019: Volume III. Retrieved from <https://www.dbm.gov.ph/wp-content/uploads/NEP%202019/NEP-2019-VOLUME-3.pdf>

4 DBM. (2019). National Expenditure Program (NEP) FY 2019: Volume II.

5 Philippine Statistics Authority. (2018). Total Health Expenditures grew by 8.0 percent in 2017. Retrieved from <https://psa.gov.ph/pnha-press-release>.

## Health Expenditure Components



In relation to this, records show that **medical costs**<sup>6</sup> in the Philippines remain to be one of the most expensive in the region. A 2019 report shows that the country incurred a medical trend rate<sup>7</sup> of 13% in 2018, and is projected to increase to 13.7% this 2019.<sup>8</sup> At this rate, the Philippines ranks 2<sup>nd</sup> with the highest medical costs in Asia.<sup>9</sup>

Meanwhile, in the area of **health human resources**, Health Secretary Francisco Duque III reported that some of the key accomplishments are the deployment of 31,157 health workers, granting of scholarships to 1,831 medical and midwifery students. Also highlighted was the enrollment of a total of 17.5 million Filipinos in the national **health insurance** program.<sup>10</sup>

6 Medical costs include all aspects of healthcare – including hospitalization, outpatient, medications, maternity, and vision, among others, excluding dental costs.

7 Accounts for per person increases in cost due to medical inflation, changes in utilization patterns, and other factors

8 Mercer Marsh Benefits. (2019). 2019 Medical Trends Around the World. Retrieved from <https://www.mercer.com/content/dam/mercer/attachments/private/gl-2019-6009822-mb-mmb-medical-trends-survey-mercer.pdf>.

9 Ibid.

10 Crisostomo, S. (2019). DOH highlights accomplishments for SONA 2019. Retrieved from [https://www.philstar.com/headlines/2019/07/14/1934494/doh-highlights-accomplishments-sona-2019?utm\\_](https://www.philstar.com/headlines/2019/07/14/1934494/doh-highlights-accomplishments-sona-2019?utm_)

Another aspect of health industry is the **medical device subsector**, which plays a crucial role in disease prevention, monitoring, diagnosis and treatment, among many others. In 2015, the medical devices market size value was at USD361.71 million,<sup>11</sup> 6<sup>th</sup> in the ASEAN region.<sup>12,13</sup> Currently, the Philippines is able to manufacture only around 35% of medical disposables,<sup>14</sup> and relies heavily on the importation of medical equipment. The sector is projected to grow at a modest rate of 8.4%<sup>15</sup> from 2013 to 2018.<sup>16</sup>

In 2016, the Philippines ranked 19<sup>th</sup> worldwide<sup>17</sup> as top destination in the area of **medical tourism**.<sup>18</sup> Meanwhile, the wellness tourism sub-sector was reported to grow at an average of 31.3% from 2015 to 2017.<sup>19</sup> From 2009 to 2014, the health and wellness industry's revenue grew by 1518%.<sup>20</sup>

In relation to health-related crimes, the Philippines topped the United Nations Office of Drugs and Crimes report with the greatest number of incidences from 2013-2017.<sup>21</sup> The report showed that out of the 460 cases on **drug counterfeiting and illicit trade**, 193 occurred in the Philippines.<sup>22</sup>



11 Computed at 1.0867 EUR/USD exchange rate in 2015

12 Malaysia (USD 1363.39 million), Thailand (USD 1230.49 million), Indonesia (USD 1086.07 million), Vietnam (USD 795.64 million), Singapore (USD 517.8 million)

13 EU Business Avenues (EUBA) in South East Asia. (n.d.). Market Opportunity: ASEAN. Retrieved from <https://www.eu-gateway.eu/sites/default/files/collections/document/file/market-opportunity-healthcare-and-medical-south-east-asia.pdf>

14 Such as gloves, syringes, and needles

15 €198.5 million in 2013 to €297.6 million in 2018

16 EUBA South East Asia. (n.d.). Market Opportunity: Singapore and the Philippines. Retrieved from [https://www.eu-gateway.eu/sites/default/files/collections/document/file/market-insight-healthcare-medical-singapore-philippines\\_0.pdf](https://www.eu-gateway.eu/sites/default/files/collections/document/file/market-insight-healthcare-medical-singapore-philippines_0.pdf)

17 19<sup>th</sup> in Destination Environment, 16<sup>th</sup> in Medical Tourism Industry, and 19<sup>th</sup> in Quality of Facilities and services.

18 Medical Tourism Index. (2016). Retrieved from <https://www.medicaltourismindex.com/destination/philippines/>.

19 ASEAN Secretariat. (2019). National Workshop Report: Building A Roadmap of ASEAN SMEs in Health and Wellness Tourism Industry.

20 Ibid.

21 United Nations Office on Drugs and Crimes. (2019). Retrieved from [https://www.unodc.org/documents/southeastasiaandpacific/Publications/2019/SEA\\_TOCTA\\_2019\\_web.pdf](https://www.unodc.org/documents/southeastasiaandpacific/Publications/2019/SEA_TOCTA_2019_web.pdf)

22 This was followed by Thailand with 110, Indonesia with 93, and Vietnam with 49.

## RECENT REFORMS AND INDUSTRY DEVELOPMENTS

The following health-related reforms were recently adopted:

- **Republic Act (RA) No. 11166 or Philippine HIV and AIDS Policy Act<sup>23</sup>** was signed into law last 20 December 2018. This law strengthens HIV/AIDS education, allows for the HIV testing of minors from 15 to 17 years old without parental consent, and provides stiffer penalties for violation of patients' right to confidentiality, among others. Its Implementing Rules and Regulations (IRR) was signed last 12 July 2019.
- **RA No. 11215 or National Integrated Cancer Control Act<sup>24</sup> (NICCA)** was signed into law 14 February 2019, seeking to implement a national framework towards combating cancer, which is known to be one of the main causes of death among Filipinos.
- The **Universal Health Care (UHC) Act or RA No. 11223<sup>25</sup>** was signed into law by President Duterte on 20 February 2019. Among its key provisions are the provision of a full spectrum of health services, automatic PhilHealth membership and expanded benefits, institutionalization of Health Technology Assessment, as well as the creation of a National Health Human Resource Master Plan and National Health Workforce Support System. According to the Department of Finance, the implementation of the UHC Act in 2020 will require around PHP257 billion, and PHP1.4 trillion over the next 5 years. The UHC Act's IRR was signed last 10 October 2019.<sup>26</sup>
- **RA No. 11210 or the Expanded Maternity Leave Act<sup>27</sup>**, which increases the paid maternity leave period to 105 days, was enacted last 20 February 2019.
- **RA No. 11346 on the imposition of increased excise tax on tobacco products<sup>28</sup>** has been signed into law last 25 July 2019. The revenues collected from excise tax as an outcome of this provision will be allocated to improve health funding and services. 80% of which will be directed to PhilHealth for the implementation of the UHC Act, while the remaining 20% will be allocated nationwide for medical assistance and the Health Facilities Enhancement Program. This law also allocates a certain portion of the excise tax collection from sugar-sweetened beverages, alcohol, and tobacco products for the UHC Act.

23 The Official Gazette. (2018). Republic Act (RA) No. 11166. Retrieved from <https://www.officialgazette.gov.ph/downloads/2018/12dec/20181220-RA-11166-RRD.pdf>

24 The Official Gazette. (2019). RA No. 11215. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190214-RA-11215-RRD.pdf>

25 The Official Gazette. (2019). RA No. 11223. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190220-RA-11223-RRD.pdf>

26 DOH. (2019). Duque signs IRR of Universal Health Care Law. Retrieved from <https://www.doh.gov.ph/press-releases/duque-signs-irr-of-universal-health-care-law>

27 The Official Gazette. (2019). RA No. 11210 Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190220-RA-11210-RRD.pdf>

28 The Official Gazette. (2019). RA No. 11346. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/07jul/20190725-RA-11346-RRD.pdf>



# ADVOCACY RECOMMENDATIONS

- In furtherance to the implementation of **RA No. 10963 or the TRAIN Law**,<sup>29</sup> and the issuance of **Bureau of Internal Revenue Regulation No. 13-2018**<sup>30</sup>, as well as the **Joint Administrative Order (AO) No. 02-2018**<sup>31</sup> the list of medicines<sup>32</sup> whose sales will be VAT-exempt, has been released by the DOH and FDA last 09 January 2019.
- The **8<sup>th</sup> Edition of the Philippine National Drug Formulary**<sup>33</sup> was issued by the DOH last September 2019. Also recently published is the **Updated National Antibiotic Guidelines**.<sup>34</sup>
- The DOH released the updated list of medicines proposed for **maximum retail pricing (MRP)** last 26 September. The list covers 120 drugs for diseases such as hypertension, diabetes, heart disease, chronic lung diseases and major cancers. The Health Department reported that the medicines in the MRP list will be reduced by an average of 56%.<sup>35</sup>
- **PhilHealth Circular 2019-0003**<sup>36</sup> expands the Primary Care Benefit to the formal economy (employed), lifetime members (retirees), and senior citizens. Apropos of this, the PhilHealth shall process the accreditation of interested prospective public and private health care institutions.
- As a recent update on the **DOH Administrative Order (AO) 2018-002**<sup>37</sup> which governs the issuance of authorization for medical devices based on the ASEAN harmonized technical requirements:
  - A **draft AO**<sup>38</sup> **proposing amendments** to AO 2018-002 has been released. The proposed amendments remove refurbished medical devices under the AO's scope, focus on risk-based rules, and include intellectual property as well as requirement of License to Operate provisions, among others.
  - As provided for by **Memorandum Circular No. 2019-005**,<sup>39</sup> the FDA conducted a pilot study as a means to evaluate the ability of medical device companies to comply with technical requirements for the initial registration of products that fall under Classes B, C, and D.
- In September 2019, Anti-Red Tape Authority Director General Jeremiah Belgica sent out an order that allows for the **automatic approval of all pending renewal applications** with the Food and Drug Administration.<sup>40</sup>

29 The Official Gazette. (2019). RA No. 10963. Retrieved from <http://www.officialgazette.gov.ph/downloads/2017/12dec/20171219-RA-10963-RRD.pdf>

30 BIR Revenue Regulations No. 13-2018. (2018). Retrieved from [https://www.bir.gov.ph/images/bir\\_files/internal\\_communications\\_1/Full%20Text%20RR%202018/RR%20No.%2013-2018%20Corrected%20Copy.pdf](https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202018/RR%20No.%2013-2018%20Corrected%20Copy.pdf)

31 Department of Health (DOH). (2019). Retrieved from <https://edpms.doh.gov.ph/download/DOF-DOH-BIR-FDA%20Joint%20Administrative%20Order%20No.%202.2018.pdf>

32 Prescribed for hypertension, diabetes, and high cholesterol

33 DOH Pharmaceutical Division. (2019). Retrieved from <https://pharmadiv.doh.gov.ph/pnf-essential-medicines-list-2017>

34 DOH Pharmaceutical Division. (2019). Retrieved from <https://pharmadiv.doh.gov.ph/antimicrobial-resistance/nag-guidelines>

35 DOH. (2019). <https://www.doh.gov.ph/press-release/DOH-unveils-list-of-120-medicines-proposed-for-price-regulation>

36 PhilHealth. (2019). Retrieved from <https://www.philhealth.gov.ph/circulars/2019/circ2019-0003.pdf>

37 Food and Drug Administration (FDA). (2018). Retrieved from [http://home2.doh.gov.ph/ais\\_public/aopdf/ao2018-0002\(1\).pdf](http://home2.doh.gov.ph/ais_public/aopdf/ao2018-0002(1).pdf)

38 FDA. (2019) Retrieved from <https://www2.fda.gov.ph/index.php/drafts-for-comments/581588-draft-amendment-to-administrative-order-no-2018-0002-dated-26-january-2018-re-guidelines-governing-the-issuance-of-an-authorization-for-a-medical-device-based-on-the-asean-harmonized-technical-requirements>

39 FDA. (2019). Retrieved from <https://www2.fda.gov.ph/attachments/article/603751/FDA%20Memorandum%20Circular%20No.%202019-005.pdf>

40 Philippine Information Agency. (2019). ARTA orders automatic approval of SEC, FDA pending applications. Retrieved from <https://pia.gov.ph/news/articles/1027062>

## 1. Achieve Universal Healthcare for all Filipinos

The enactment of the Universal Health Care Act last February 2019 is a milestone in the Philippine health sector. Towards achieving the law's mandate and objectives, the UHC Act's effective implementation with the active involvement of all health stakeholders is highly sought for. With this, a number of recommendations are being put forth by the ECCP.

### Expand PhilHealth Coverage

The ECCP acknowledges the UHC Act's recognition of the importance of improved and increased health insurance through the enhancement of PhilHealth benefit packages. Furthermore, we laud the government's indication of accrediting more public and private retail drugstores, and exploring mechanisms to broaden reimbursement scope beyond the Philippine Drug Formulary.<sup>41</sup>

In relation to this, the ECCP continues to advocate for the expansion of PhilHealth benefits, notably in the areas of preventive and primary care services, as well as outpatient expenses. Specifically, we suggest that features such as differential pricing, co-payment, and improved reimbursement mechanisms be further facilitated. In doing so, we also recommend that studies on and benchmarking with the benefit packages of neighboring countries be conducted.

These measures, if properly implemented, will help ensure enhanced responsiveness to the varying health needs of the Filipino people, and create a healthier and more productive Filipino population.

### Strengthen Delivery of Primary Health Care Services

Primary health care serves as the initial point of contact between patients and health providers. It is therefore critical that primary care services and capacity are strengthened across the country, for a more efficient and broadened health delivery system.

To this, we recognize the recent expansion of primary care benefit to the employed, retirees, and senior citizens as a means of further bridging the healthcare gap and servicing more Filipinos.

Concurrently, we laud and look forward to the efficient implementation of the UHC Law provisions that call for the enhanced primary health care in the Philippines, including:

- (1) Filipino's mandatory registration with a public or private primary health care provider of choice;
- (2) Accessibility of patient records to primary health care providers; and
- (3) Bolstering competencies of health professionals in the provision of primary care services

41 UHC Act Implementing Rules and Regulations, Chapter II, Section 6 on Service Coverage  
HEALTHCARE

## **Improve Distribution and Implement Measures Towards the Retention of Health Professionals Across the Country**

The ECCP regards the equitable distribution of health care professionals as one of the factors that will significantly improve access to suitable and quality health services. In line with this, we recognize the DOH's increased efforts that allowed for the distribution of more than 30,000 health professionals<sup>42</sup> all over the country.<sup>43</sup>

To further advance this objective, we look forward to the effective implementation of measures and initiatives by the Philippine government; among which stipulated in the UHC Act:

- (1) The creation of a National Health Human Resource Master Plan to look into employment permanency and providing competitive salaries
- (2) The prioritization of geographically isolated and disadvantaged areas (GIDAs) in the dispersion of health professionals through the establishment of a (a) National Health Workforce Support System, and a (b) Return Service Agreement
- (3) The development and expansion of health-related training and degree programs, as well as scholarship opportunities
- (4) The sustenance of a registry of medical professionals which includes information on the number of practitioners and their designated areas
- (5) The capacity development of health workers, especially in providing primary care services

### **Strengthen National Health Information Systems**

In accordance with the Data Privacy Act (DPA) of 2012 and other relevant laws, policies and developments in the Philippine health system that relate to the submission, compilation, and confidentiality of health-related information shall be implemented. Among these processes and mechanisms include the creation of a comprehensive disease and patient registry, and interoperable Electronic Health Record system at different levels of the health system.

Under an effective and efficient disease and patient registry, collecting and storing personal information and medical history of individuals would (1) provide health professionals (a) stronger bases for the suitable intervention to be given to their patients and for (b) evaluating the efficacy of a procedure; as well as (2) assist them in undertaking clinical studies and trials. It would also aid the Philippine government in planning its programs to ensure that they are responsive to the needs of the population.

To this end, the ECCP also lauds the inclusion of provisions that aim to strengthen the national health information system under the UHC Act.

### **Institutionalization of an Effective and Efficient Health Technology Assessment System**

One of the key features of the UHC Act is the promotion of the use of a fair and transparent Health Technology Assessment (HTA) system for the improved delivery of health goods and services, recognizing the value that technologies like drugs, vaccines, and medical devices bring to the Philippine health sector.

42 Crisostomo, S. (2019). DOH highlights accomplishments for SONA 2019. Retrieved from [https://www.philstar.com/headlines/2019/07/14/1934494/doh-highlights-accomplishments-sona-2019?utm\\_](https://www.philstar.com/headlines/2019/07/14/1934494/doh-highlights-accomplishments-sona-2019?utm_)

43 From July 2018 to June 2019

In this context, the ECCP looks forward to the successful implementation HTA-related provisions under the UHC Act, primarily, the establishment of a Health Technology Assessment Council. Consequently, we strongly recommend that health policies including the procurement of health products, development of PhilHealth benefit packages, and investments on health systems, be part of the positive recommendations developed and submitted by the HTAC.

Specifically in relation to ensuring the safety and efficacy of medical devices, we recommend the inclusion of relevant additional safeguards, such as the conduct of post-approval studies. This may serve as the medical devices' counterpart to medicines' "Phase IV clinical trial, systematic review, and meta-analysis."

Finally, as likewise stipulated in the UHC Act, we look forward to participating in the HTA discussions, which will enable the private sector to provide their inputs, feedback, and studies, that may serve as reference to the HTAC.

### **Further Develop Health and Wellness Tourism**

Data presented earlier in this document show that there remains great potential in terms of maximizing the benefits out of the Philippines' health tourism sector.

In this context, while the ECCP recognizes the efforts that the Departments of Health and Tourism are working on together, such as the Philippine Medical Tourism Program,<sup>44</sup> we look forward to the increased efforts to further develop the health tourism sector. With this, we highly advocate for the:

- (1) Identification of key health tourism destinations in the Philippines, followed by upgrading health facilities, improving transport infrastructure, as well as developing and maximizing the use of innovations and digital connectivity; and
- (2) Institutionalization and effective implementation of policies on developing and sustaining health and wellness tourism

## **2. Facilitation of Access to Medicines and Medical Devices**

### **Implementation of Pooled Procurement and Price Negotiation for Health Products**

Pricing is one of the key facets that immensely affect access to medicines. It is for this reason that we appeal to the government to maximize its role as the key purchaser of goods and services. This will help ensure that quality health products are available in the right quantities, and at the right conditions and costs.

The ECCP acknowledges that a number of government interventions have been put in place to bring down prices. However, we maintain that there is more that can be done to improve access to health commodities. With this, the ECCP expressly calls for the effective implementation of pooled procurement and price negotiation schemes for drugs and select medical devices.<sup>45</sup>

Pooled procurement shall expand its scope to include medical devices and additional medicines, enabling these goods to be available in the Philippine market at more accessible and affordable prices. Furthermore, we recommend the establishment of a common facility for drugs and devices, which shall be duly maintained and monitored by the DOH.

44 DOH. (n.d.). Philippine Medical Tourism Program. Retrieved from <https://www.doh.gov.ph/philippine-medical-tourism-program>

45 Medical devices cover a wide spectrum of products ranging from high tech equipment like MRI to basic products like gloves. Pooled procurement will only make sense for commonly used devices like gloves, sutures, syringes, IV cannula, disinfectants, alcohol swabs, etc.

On the other hand, price negotiation should involve the close collaboration among government agencies and other health stakeholders including the DOH, DTI, PhilHealth, industry, as well as medical and patient groups. It must be cognizant of the unique clinical and economic value that technologies bring to our local context. Confidentiality in price negotiation processes shall also be maintained. In line with this, we look forward to the materialization of related provisions in the UHC Law, including the creation of an independent price negotiation board.

### **Strengthen Market Competition and Use Price Regulation Only as a Last Resort**

Providing easier access to medicines for all Filipinos has been one of the fundamental goals of the Philippine government. In 2009, through Maximum Drug Retail Price (MDRP) under Executive Order No. 821, and Government-Mediated Access Price (GMAP), the prices of select drugs were cut by 5-75%. This, however, has not resulted in the substantial increase in the capacity of Filipinos to purchase medicines.<sup>46</sup>

In this context and with reference to the Cheaper Medicines Act or RA No. 9502,<sup>47</sup> the ECCP highly recommends that the Philippine government focus its efforts towards improving competition in the health market, and use price regulation only as a reserve instrument and temporary measure. We also implore that the implementation of the mechanisms provided in the UHC Act, including bulk procurement, price negotiation, and drug reimbursement, be looked into and further implemented.

To this end, should the Philippine government remain to impose price regulation measures, the ECCP urges that the process in determining drugs list and prices be characterized by transparency, fairness, adequacy, and active involvement of all health stakeholders. Along with this, factors such as indirect and societal costs, procurement structure, and resource allocation shall be thoughtfully studied and also recognized as price determinants.

## **3. Strengthening the Regulatory Management**

### **Enhance Anti-Counterfeit Surveillance and Enforcement**

An essential feature of an effective healthcare system is the ability to effectively address counterfeiting and illicit trade, and to ensure the availability of safe and quality products in the market. The recent reports on crimes relating to counterfeiting and illicit trade in the Philippines demonstrate that there should be increasing efforts to combat counterfeit health products and uphold patient safety.

It is in this light that the ECCP implores the Philippine government to further its efforts on the:

- (1) Stricter implementation of RA No. 8203 or the Act Prohibiting Counterfeit Drugs;
- (2) Improved capacity in overseeing production and entry of drugs and other medical products; and
- (3) Imposition of increased penalties for crimes, to help further discourage the manufacture, trade, or provision of counterfeit health products

### **Ensure the Effective Implementation of the Standards in the Medical Devices Sector**

The effective delivery of health services shall cover the entire spectrum of health subsectors, including medical devices. In helping better guarantee patients' safety, the ECCP recognizes the importance of systematizing procedures and standards in the medical device subsector, along with the increasing regional integration and harmonization.

To this, the ECCP recognizes the DOH's efforts in implementing AO 2018-002. We likewise acknowledge the recent activities of the government in relation to the measure, including the proposed amendments to include risk-based rules and intellectual property under its scope, as well as the assessment of companies' capability to comply with the technical requirements.

However, we still look forward to the AO's:

- (1) use of ASEAN-recognized Medical Device Grouping principles;
- (2) inclusion and stipulation of specific provisions that will:
  - (a) ease and streamline registration and renewal processes across the region, and
  - (b) provide a fee structure benchmarked with other ASEAN member states; and
- (3) insertion of a specific provision that will provide governance of refurbished medical equipment

Finally, complementary to the UHC Act provision on the conduct of relevant surveys and establishing disease registries, the ECCP suggests that there be mechanisms that will allow for the regular update on medical devices statistics, which includes information on the existing and used medical devices in the country. This will provide a better assessment on the market and health demands in the Philippines, and will allow for a tailor-fit approach by both the Philippine government and the medical device industry.

### **Uphold Ethics in Public Health Policy and Practice**

A Code of Ethics shall be at the core of the interaction of healthcare companies and practitioners with patients, to ensure that the delivery of health services is anchored by the objective of providing the best possible healthcare services and enhancing the practice of medicine.

In relation to this, we recognize that the UHC Act aims to uphold ethics in public health policy and practice in providing health care services.<sup>48</sup> We, however, look forward to the expansion of this provision to include all health-related activities and patient-industry interactions. It is in this light that the ECCP seeks for the stricter implementation of the FDA Adoption of the Mexico City Principles.<sup>49</sup>

We likewise recommend the creation of a multi-stakeholder body to oversee industry players' compliance, encourage ethical relationships between health practitioners and patients, and impose sanctions on the non-compliant.

<sup>46</sup> Philippine Institute for Development Studies. (2017). Access to Medicines in the Philippines: Overcoming the Barriers. Retrieved from <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspn1723.pdf>

<sup>47</sup> Stipulates that an effective and viable market competition shall be the primary instrument in making health products more affordable and accessible for all

<sup>48</sup> "All manufacturers of drugs, medical devices, biological and medical supplies registered by the FDA shall collect and track all financial relationships with healthcare professionals and healthcare providers and report these to the DOH, which shall then make this list publicly available in accordance with existing laws."

<sup>49</sup> FDA. (2013). FDA Circular 2013-024. Retrieved from <https://www.slideshare.net/saviorlava/fda-memorandum-circular-adoption-of-mexico-city-principles>

#### 4. Effective Implementation of Laws and Institutionalization of Policies that Govern the Mobile and Telehealth Services in the Philippines

In this fast-changing environment and with the emerging health systems, we recognize the Philippine government's initiatives that are aimed to develop the sector, including specific provisions under the FDA Act of 2009,<sup>50</sup> the Department of Science and Technology's (DOST) ehealth.ph portal,<sup>51</sup> the 2013 DOH-DOST Joint National Governance on e-Health,<sup>52</sup> and the National Telehealth Center managed by the University of the Philippines – Manila.<sup>53</sup>

However, the ECCP sees that it is imperative that the Philippine government increasingly adapts to health-related technological developments. In line with this, among our proposed measures are:

- Ensuring the fast entry of new digital and mobile health services (DMHS) into the Philippine market by modernizing regulations and policies, as well as encouraging the entry of more players in the health sector that will bring in new health technologies.
- Establishing a regulatory framework that will encourage the development and testing of DMHS, as well as improved facilitation of the introduction of new technologies to the Philippine market.
- Enabling rural health workers' access to DMHS, which will provide for the efficient delivery of health services to Filipinos, especially those residing in remote areas and provinces.
- Including DMHS providers in the health service delivery network, and allowing them access to information on health providers, professionals, and emergency ambulance service providers, bound by applicable privacy laws and regulations.
- Incorporating the inclusion of electronic medical records of individuals into the Philippine National ID.<sup>54</sup>
- Establishing policies that will authorize the use of electronic images of Rx prescriptions.
- Expediting the passage of regulations that support the development of e-Health systems and telemedicine or telehealth – measures that the Department of Health has provided support to.<sup>55</sup>

<sup>50</sup> Provides for the mandatory registration and approval of medical devices that are used for prevention, diagnosis, monitoring, or treatment of illnesses

<sup>51</sup> Described as an "information gateway for eHealth initiatives on the Philippines which creates space for lifelong learning of health practitioners to improve the quality of life of the people."

<sup>52</sup> DOH-DOST Department Memorandum (DM) No. 2013-0200, later amended under DM Nos. 2015-0097 and 2015-0098 to involve the University of the Philippines – Manila and the Commission on Higher Education

<sup>53</sup> Mandated to "engage people to identify problems in the healthcare system and introduce telehealth applications using information and communications technology."

<sup>54</sup> The Philippine Identification System (PhilSys) is provided for by Republic Act No. 11055. This law mandates the government to come up with a sole official identification card for all Filipinos residing in the Philippines and abroad. The PSA expects a full roll-out of this measure by September 2019.

<sup>55</sup> DOH. (n.d.). Retrieved from <http://ehealth.doh.gov.ph/index.php/pehsp/component/legislation-policy-and-compliance>

#### 5. Establish Regular Dialogue Between the Government and Private Sector

The ECCP highly regards the regular dialogue between the Philippine government and the industry as a crucial factor in maintaining a productive and effective public-private sector collaboration. Respectively, we recognize that providing a more accessible channel of communication on the government's plans and policies will allow the private sector to supply their comments and inputs, as well as share their best practices.

Ultimately, the ECCP views that a regular dialogue will help increase the sector's productivity, and address existing and emerging health sector issues. This will likewise help strengthen the partnership between the public and private sectors, promoting a productive and harmonious relationship.

It is in this regard that the ECCP looks forward to continuing its close relationship with the Philippine government, including the DOH, FDA, PhilHealth, and all the other health stakeholders.



# ASSESSMENT OF 2018 RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
Achieve Universal Healthcare (UHC) for all Filipinos	Expand PhilHealth coverage	A key feature of the UHC Act is the review and expansion of PhilHealth coverage and benefits.
	Strengthen primary healthcare	The UHC Act provides for the strengthening of the country's primary healthcare services
	Improve distribution and implement measures towards the retention of health professionals across the country.	Stipulated in the UHC Act is a chapter on Human Resources for Health, which, among others, aims to create a National Health Human Resource Master Plan and National Health Workforce Support System.
	Create a comprehensive disease and patient registry	A number of provisions under the UHC Act aim to further build on the efficiency and security of digital systems in the delivery of health services.
	Consolidate Healthcare funding	Government agencies, including the PhilHealth, DOH, PCSO, and DSWD signed a joint order that streamlines the access to government funding for health goods and services.
	Provide necessary government funding to its health agencies and regulatory bodies	The FDA has held off the implementation of the 2018 proposal to increase fees and charges, and is focusing its efforts to address backlogs on applications and renewals.


SOME PROGRESS	NO PROGRESS / RETROGRESSION


<b>Facilitate patient access to medicines</b>	Implementation of pooled procurement for medicinal products	Implementation of pooled procurement for medicinal products
	Strengthen market competition, support sustainable manufacturing, and promote a level playing field in the Philippine healthcare sector	
	Use price capping only as a last resort	
<b>Strengthen regulatory management</b>	Properly enforce biosimilar policies and improve transparency on biosimilar product labeling.	
	Enhance anti-counterfeit surveillance and enforcement.	
	Ensure the effective implementation of the standards in the medical devices sector	
	Maintain data confidentiality of the EDPMS	A number of provisions under the UHC Act aim to further build on the efficiency and security of digital systems in the delivery of health services.
	Enforce the implementation of the Mexico City Principles by all industry players	
<b>Public-private sector dialogue</b>	Establish regular dialogue between the government and private sector	


	∅
	The DOH released a list of 120 medicines for mandatory price reduction last September 2019.
	∅
Last June 2019, the FDA ordered the cease of selling of medicines in online shopping websites (Lazada and Shopee)	
Implementation of DOH A.O. No. 2018-002, with the introduction of some proposed amendments and conduction of pilot studies.	
	∅
The ECCP has continued its engagements with the Philippine government to talk about possible improvements in the sector's regulatory market, and areas of collaboration, among others.	



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