PHILIPPINES: Reforming national health insurer will be difficult

- Recent congressional investigations have revealed widespread corruption in the agency.
- However, its internal controls are weak and the increasing complexity of its operations make it difficult for external agencies such as the Commission on Audit to exercise effective oversight.
- The popularity of its programs also make it difficult for the government to quickly or radically restructure its operations, because any rollback in their availability could lead to a public backlash.
- Its demands for fiscal support from the government will also grow.

Allegations of widespread corruption in the national insurer, the Philippine Health Insurance Corporation (PhilHealth), have resulted in a series of high-profile congressional investigations over the past two weeks. The Senate has promised to release a “strongly worded” report, maybe as early as next week. It will likely include legislative reform proposals and recommend the prosecution of those involved in malfeasance. It may even criticize the Secretary of Health. The allegations against PhilHealth that could receive substantial treatment include gross overpricing in its technology procurement contracts, hospitals’ misrepresentation of their patients’ illnesses to obtain higher reimbursements, and the questionable disbursements of Covid 19-related funds to healthcare facilities. One senator accused the local dialysis subsidiary of German medical and pharmaceutical device manufacturer B. Braun of improperly receiving advances meant for emergencies.

Why reforms will be difficult

However, the actions to be taken by the government will be superficial, at least in the near term. The executive department has so far shown little interest in aggressive institutional reform, while President Rodrigo Duterte continues to defend its CEO, whom he appointed. Duterte’s reluctance to act may eventually add to the weakening of his anti-corruption credentials, and eventually the law-and-order image that had made him popular. But the president does not likely see it that way and considers the risk from potentially reduced PhilHealth services as a more problematic political issue. Furthermore, because his Secretary of Health is now on the defensive as at the very least having been neglectful in overseeing PhilHealth, there is no strong lobby within the cabinet for major changes.

Therefore, the most likely outcome for now is a slight pullback by PhilHealth in some of its disbursements for treatment, personnel changes and symbolic revisions in its procedures — all to take the political heat off. Legislative changes will require coordination by the lower and upper houses, which is uncertain and needs support from Duterte and the cabinet. There may be some prosecutions, but the cases will take years. So far, more than a dozen of the agency’s officers have

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been suspended by the Ombudsman and senators approved a resolution Wednesday, 19 August, asking President Rodrigo Duterte to do the same to its president and other members of its senior management.

The changes may address some irregularities identified in the congressional hearings, but many of will be ad-hoc and narrow in scope, and whether they will systematically curtail future avenues for corruption is questionable. After all, this is not the first major PhilHealth controversy; in 2015, an assembly-line scheme for cataract operations run by private clinics and paid for by the insurer was discovered, with allegations that many of the operations were unnecessary, violated ethical standards against soliciting patients and did not have the patients' informed consent.

PhilHealth's continuing vulnerability to corruption

Even after the public and congressional anger die down, the incentives and potential for corruption will remain high because PhilHealth has a popular role and the scope of its operations will expand with the implementation of universal healthcare (which was approved in 2019). Its benefits, which have expanded greatly in the last decade and a half, have resonated strongly with the public, possibly second only to the conditional cash transfer program. Prior to PhilHealth, the poor, and even lower-middle income families, were able to access to private facilities and treatment, medicine and medical supplies primarily through limited employment-based insurance, out-of-pocket spending, or dole-outs from politicians and local governments.

Therefore, while legislators may genuinely want reforms, they recognize PhilHealth's role is now well entrenched and that any publicly perceived decline in the system's ability to pay for treatments or medicine could result in a popular backlash, even if these can be justified as needed governance reforms. Duterte will not want to be the one curtailing its reach, especially with fears among citizens about the cost of being treated for Covid-19. In addition, reforms would involve strengthening internal controls and the oversight capability of the bureaucracy, especially the Commission on Audit (COA) — initiatives that are not strong suites of the current government. Duterte has often voiced his disdain for COA procedures.

A growing financial burden

PhilHealth's role in the healthcare system has expanded rapidly since it was created in 1995 and so have the subsidies for its operations. For instance, PhilHealth claims to have turned a profit in 2018, but about 45% of its premiums were paid for as direct transfers by the national and local governments, primarily for the coverage of the poor and elderly. In contrast, that number was only 30% in 2013. Total government premium payments to PhilHealth for 2020 are pegged at USD 1.45bn (compared to about USD 370mn in 2013), but that amount does not include what it may need to pay for in terms of increased services required to deal with the Covid-19 pandemic, although the decline in regular procedures as people avoid hospitals could be a strong offset.

The demand for additional fiscal resources will grow not only because of PhilHealth's guarantees to cover Covid-19 related treatment, but also due to its increasing responsibilities under universal healthcare. The agency wanted to increase collections earlier this year from overseas workers but backtracked after a strong outcry. PhilHealth officials warned during the senate hearings that the agency could become insolvent within the next two years to five years, especially if the healthcare crisis persists and government subsidies are not increased. However, obtaining a good picture of its actuarial outlook is difficult because of serious questions about the quality of its database. For instance, the agency claims to have covered 90% of the population, but it also lists 5,000 active members as being over 130 years old.

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