



PhilHealth Coverage of the Self-Earning Individuals: Identifying Determinants of Willingness to Pay Premium

Universal Health Care is about all people having access to the health care they need without suffering financial hardship¹. One of the objectives of Republic Act 11223² or Universal Health Care (UHC) Act is to ensure that all Filipinos are guaranteed equitable access to quality and affordable health goods and services and protected against financial risk. The law also grants immediate eligibility of all Filipinos to the benefits of the National Health Insurance Program (NHIP) by virtue of Ch. 3 Sec. 9.

The Law further reclassifies the types of members based on the source of premium contributions; Direct and Indirect contributors. The Direct contributors are individuals who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. While, the Indirect contributors refer to those individuals whose premiums

are subsidized by the national government including those who are subsidized as a result of special laws.³

The government has since aimed for the universal health coverage. This is now made more possible by the immediate eligibility clause of the UHC Act. However, PhilHealth must balance the welfare of members and the sustainability of the Program. As the premiums of the employed and subsidized groups are assured through the employer-based arrangements and tax-financing schemes, the important point of focus now is sustaining payment of contributions by self-earning individuals. They are also referred to as the “Missing Middle” or group of individuals that are not fully or partially subsidized by the government or employer. Based on the Universal Health Care Act of 2019, they are required to pay the fixed premium based on their income level. Non-payment of premiums will not deprive them from availing health care benefits and services but would entail payment of

¹ World Health Organization
https://www.who.int/healthsystems/topics/financing/uhc_qa/en/

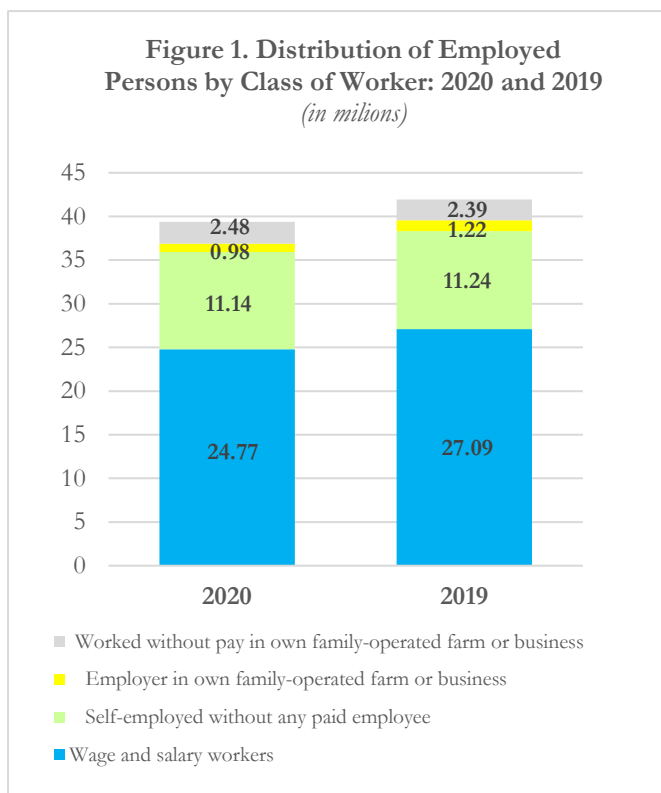
² Republic Act 11223: An Act Instituting Universal Health Care for All Filipinos, prescribing Reforms in the Health Care System, and Appropriating Funds Therefor

³ PhilHealth Circular No. 2019-0010



penalties not to mention the long-term effects on the fund sustainability of unpaid premiums.

Based on the annual preliminary estimates of the 2020 Labor Force Survey (LFS) of the Philippine Statistics Authority (PSA), self-employed workers comprise more than 28.3% of the total workforce, an increase from 26.8% from 2019. This translates to about 11.1 million self-employed persons in 2020 (Figure 1).



The labor market is also greatly affected the various community quarantine restrictions, business closures, and physical distancing measures that were put in place in the Philippines starting March 2020 amidst the Coronavirus disease 2019 (COVID-19)

pandemic. But even prior to the pandemic, the self-employed is already vulnerable and at risk to labor shocks.

This paper intends to discuss the study on the Factors Affecting Willingness to Pay of Self-Earning Individuals in Quezon City conducted by the Corporate Planning Department of the Philippine Health Insurance Corporation. A survey and focus group discussions were conducted for the study to determine socio-demographic and environmental factors that may affect willingness of self-earning individuals to pay PhilHealth premiums.

PhilHealth has recently implemented Identifying the factors will allow for more efficient targeting of the sectors of the population that are otherwise difficult to capture.

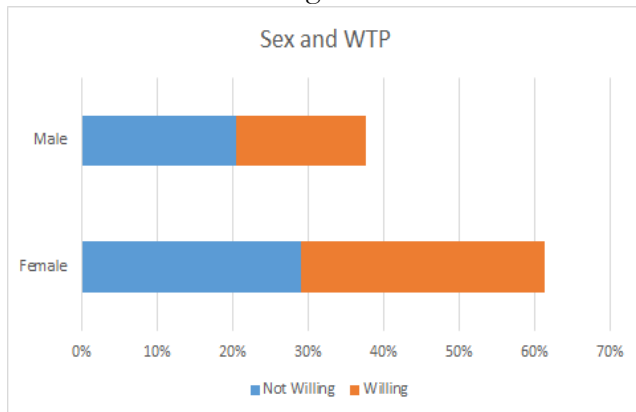
Key Finding from Survey

The researchers defined the willingness to pay of respondents as the willingness to pay (WTP) the premium of 3% of monthly income as prescribed by Law. The research studied data on willingness based on socio-demographic factors. Below some are some significant findings from the survey that PhilHealth might look into further expanding the research or as inputs in identifying

specific strategies and mechanisms on improving membership and collection:

- Half of our respondents are willing to pay at least 3% of their monthly income to PhilHealth premiums.
- Survey results shows that females are more willing to pay the required monthly premium. It is assumed that females have more perceived needs for hospitalization being the caregiver of the family and with the higher risk of reproductive related needs and diseases.

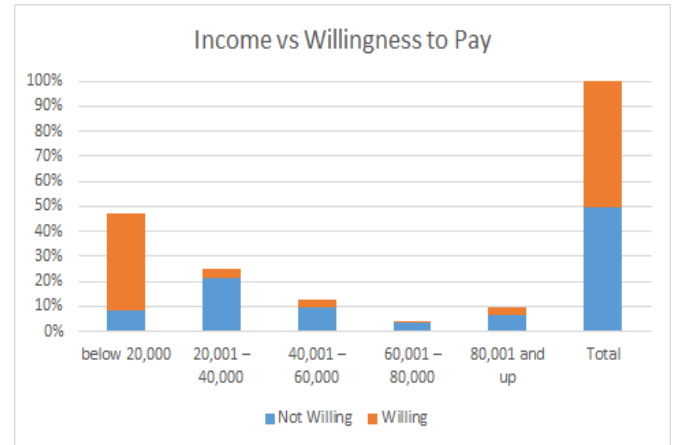
Figure 2



- Among age groups, it observed that respondents in their early 20s are more willing to pay than those in their late 20s. The proportion dwindles as age increases until age 31-35 and increases at 36 to 45. It can be assumed that those in the higher age brackets either have higher income that permits them to pay premiums or the perceived need is higher among the older population

with higher incidence of non-communicable diseases such as hypertension and diabetes

Figure 3



- On income as a determinant, the survey shows that as income increases, willingness to pay declines. This may be due to the higher amount of premium they must pay because of their higher income as compared to their counterpart with lower income. Highest proportion (39%) of WTP is observed among those whose income is below P20,000
- The study also found out that as household size increases so does the willingness to pay of respondents. This may be influenced by the current pandemic which is now affective household and people of all ages.

FGD Results



The researchers also conducted focus group discussions on self-earning individuals in Quezon City. Three main points are highlighted in this paper.

Relevance of PhilHealth

The participants generally understand the importance of PhilHealth especially in the current pandemic situation. Either they have experienced availing PhilHealth benefits or know somebody who did. They see PhilHealth as their partner for their health care need especially during hospitalization. They recognize that the amount shouldered by PhilHealth during their confinement are significant to lessen health care costs. For some they have experience not paying anything at all.

Low Awareness of UHC

Based on the FGD, awareness on Universal Health Care is low, specifically on immediate eligibility and primary care. The general reaction was that they will not be required to pay anymore and that health insurance will be free. Participants are also not aware that primary care will now be provided for all Filipinos. They are interested if the benefits will be provided in both public and private health facilities.

Willingness to Pay

The participants have mixed reactions on their willingness to pay the 3% required monthly premium. Most of the professionals are willing to pay the required amount while for some like the fruit vendor, an additional amount would be difficult for her since she has to divide her limited budget to her various priorities. Participants who are willing to pay are also affected by the availability of convenient online systems/channels for membership registration, updating and premium payment. To summarize they have given the following insights:

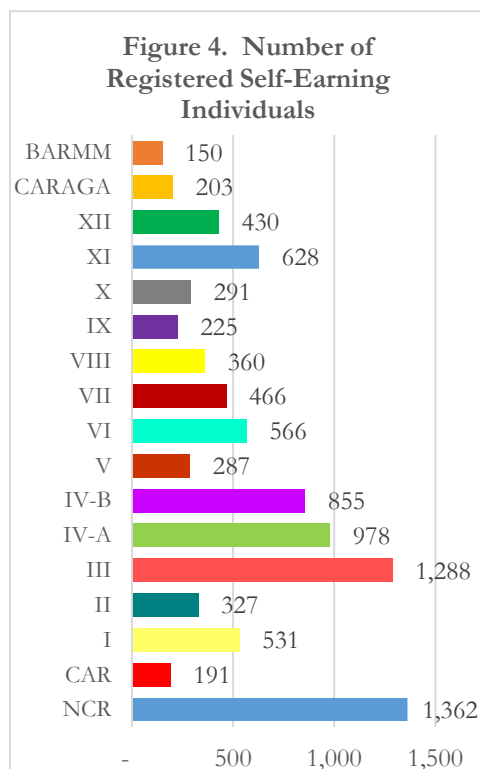
- Lack of convenient payment channels. PhilHealth must seek other more convenient online payment channels like GCash especially in this time of pandemic.
- Visibility through various social media platforms.
- More user-friendly and convenient online transaction. More flexible payment arrangements especially for SEs whose income are not regular.

PhilHealth Membership Registration



Coverage of Self-Earning Individuals

To date the number of self-earning members registered in the database is recorded at more than 9 million. This is about 82% of the national data of self-employed workers. NCR and Region III shows the highest proportion of SEs with 15% (1.4 million) and 14% (1.3 million) respectively



Mechanisms for Capturing SEs

PhilHealth has developed various strategies to in enrolling the self-earning individuals. One of the main challenges is segmenting this population.

PhilHealth is progressively enforcing mandatory PhilHealth coverage for entrepreneurs, who are required to enroll themselves when registering a new

business permits through partnership with LGUs and agencies issuing business licenses and permits.

In 2023, the agency has developed has partnered with organized groups, often Microfinance Institutions, to distribute PhilHealth to their members. The program is first known as POGI, then Kasapi, and now iGroup. It has gone through various iterations and adopted new policies to improve enrollment. Total coverage through the program is still limited today.

Premium Contribution

In July 2012, premium for the Self-earning individuals (Individually Paying Member then) increased from Php1,200 to Php2,400 while the professionals earning an average gross monthly income above Php25,000 shall continue to pay their annual premium contribution of Php3,600 (Philhealth Circular No. 24 and Office Order No. 65 series of 2010).

With the passage of RA 11223 “UHC Law”, the premium contribution schedule for its Direct Contributors which includes self-earning individuals shifted its payment computation from a fixed amount to a percentage of monthly income.

While no one will be denied of PhilHealth coverage due to non-payment of premium contributions, lacking contributions shall be

billed for the unpaid premiums with interests (compounded monthly) at a maximum of 1.5% for every month of missed payment. Non-compliance to the issued final demand letter for past due premiums, including incurred interest, shall result in the temporary discontinuance of succeeding benefit availments and may constitute an administrative offense sanctioned under Section 38 of the UHC Act.

PhilHealth has also provided a mechanism, the Point-of-service, for the enrollment of individuals who lack the capacity to pay their premiums.

Conclusion

Self-earning Individuals are those who have the capacity to pay their premium and are voluntary in nature. These individuals belong to different income classes and may not have regular monthly earnings that influence their decision to contribute regularly to the program. Similar to other Asian developing countries like the Philippines, the informal sector particularly the self-earning individuals remained to be the most challenging sector to cover in the achievement of Universal Health Care. With the current pandemic situation, there are increasing numbers of self-earning individuals who opted to start small businesses, enterprises, online selling, and consultancy services.

There were multiple method designs used for this study in order to grasp the nature and characteristics of the self-earning individuals in Quezon City, and identify the factors affecting their willingness to pay or contribute. Identified determinants on demographic, socioeconomic, health services, perceived needs and insurance-related variables aided in presenting a substantive evidence relative to the self-earning individuals on their willingness to pay premium for PhilHealth coverage. PhilHealth subject matter experts from the Member Management Group provided significant inputs on the policies currently being implemented to capture these highly diverse population segments.

The study conducted quantitative and qualitative methods limited to the self-earning individuals in Quezon City. Self-earning individuals believed that being a PhilHealth member is deemed important because of the benefits some have experienced and a requirement to other private insurances. However, the willingness to pay of these individuals is affected primarily on the premium cost and access to payment channels. The implementation of the premium schedule under the Universal Health Care Law where self-earning individuals are mandated to pay 3% of their monthly income was identified as an important factor affecting their willingness to pay. Self-earning individuals with higher

income bracket are less willing to pay their premium while lower monthly income bracket of Php20,000 and below are more willing to contribute. Increasing cost of premium, payment channels, and information campaigns are significant factors which influences the informal sector group to regularly pay their premiums.

Policy Recommendations

Relevant results gathered by the researchers for the policy recommendations adapting the 4P's of Marketing:

Recommendation 1

There is a need to intensify the marketing and information campaign for the specific segment of self-earning individuals. These individuals are those who have the capacity to pay and have access to various sources of information and technology. Maximize the use of different social media platforms to provide a comprehensive information from registration, premium payment schedules, payment channels, and benefits. Market re-branding will also help launch an improved representation of PhilHealth supported by relevant marketing initiatives targeting the specific segment.

Recommendation 2

The self-earning individuals is a highly diverse sector whose income may vary from low to high income class. Some individuals

from this segment are engaged in online businesses with unpredictable and irregular source of income. Considering the implementation of the 3% of monthly income for premium, regular payment contribution can be challenge. A flexible payment terms must be considered in order to sustain regularity of premium payment contribution from this segment. Explore the possibility of monthly mode of payment for self-earning individuals must be considered.

Recommendation 3

Recognizing the importance of PhilHealth particularly on the benefits during hospitalization, self-earning individuals are not aware of the Universal Health Care Law particularly on immediate eligibility and primary care benefit. Develop additional program benefits similar to private insurance and HMOs mainly through primary care to make PhilHealth a priority to this segment.

Recommendation 4

Most self -earning Individuals have irregular schedules and manages online business. They are those who do not have time to go to PhilHealth LHIOs or Banks. There is also a possibility that they overlooked to pay their premium. Access to various payment channels and online payment will be beneficial to both the member segment and PhilHealth.

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