

# Group 5



## Policy Brief

### Title

#### Identifying Alternative Documents as Basis of Proof of Income of Direct Contributors-Individuals/DCIs for a Fair Premium Collection

### Introduction

Section 5.1 of RA 11223 or the Universal Health Care Law's/UHC Implementing Rules and Regulations/IRR states that every Filipino shall be automatically included into the National Health Insurance Program /NHIP. Further, Section 8.1 of the IRR of the said law simplified the membership into two (2) types, namely the Direct Contributors (DC) and Indirect Contributors (IC).

Premium contributions of these two types shall be in accordance with the premium rate schedule as provided in the law. Specifically, Section 10.2.a stipulates that premium contribution of Self-Earning Individuals (SEI) and Practicing Professionals (PPs) shall be computed based on the monthly gross income as shown on the documents prescribed by PhilHealth. Now, submission of acceptable proof of income shall result in the charging of the actual premium contribution based on the current year's premium rate. Section 10.1)

PhilHealth Circular/PC No. 2020-0001 simplified the registration to NHIP including its supporting documents and proof of income to be presented by all DC particularly for self-earning individuals, practicing professionals and migrant workers.

Cited in Annex "B" of said PC, the declared income in the properly accomplished PhilHealth Membership Registration Form/PMRF is sufficient to determine the member's monthly premium contribution. Said PC also enumerated other documents in the absence of said accomplished form but since it the easiest to comply with, it is the most preferred by the majority.

PhilHealth has yet to establish its mechanism to determine the legitimacy of income being declared in the PMRF without the attached proof of income from the registrants. With this scenario, the premium collection of PhilHealth is vulnerable thus, establishing the alternative documents to support the declaration of income is pivotal. The absence of this document, may lead to unstable collection efficiency that may impact the sustainability of the Program's funds.



#### Statement of the Problem:

Inability to collect the correct premium from DC-Individuals, as prescribed under the UHC Act due to deficiencies of PhilHealth Circular No. 2020-0001.

#### Objectives:

1. To review local PhilHealth's offices experiences in collecting contributions from SEIs and PPs
2. To compare strategies of government 'collections' agencies in promoting 'tax compliance behavior' and willingness to pay
3. To recommend changes in the processes and procedures that may improve attitudes and honesty among DC PhilHealth members

#### Significance of the Study:

- 1.) To improve PhilHealth's collection efficiency towards sustainability of fund.
- 2.) To encourage all DCIs to voluntarily declare their true monthly income for a fair premium collection and improve PhilHealth's collection efficiency.
- 3.) To pursue avenues for all DCIs to declare their true monthly income promoting fair premium collection by PhilHealth and improving its collection efficiency.

#### Methodology

##### Research Design:

The exploratory method of research was used for this study as the data collection process is challenging. The target participants (DCs) of the study do not voluntarily present available proof of income, like the ITR and overseas employment contracts, hence, PhilHealth's front line offices, the Local Health Insurance Offices were targeted for their experience and in-depth interview of selected partner-agencies, namely BIR and SSS.

The BIR was identified being the sole agency mandated to collect taxes from all Filipinos based on their income and their experiences and innovations will help in recommending changes in the processes and procedures being currently implemented by PhilHealth.

The SSS was included as another agency that has a similar mandate of providing social services to the SEIs and PPs like the BIR, its experiences and innovations will shed light to improving PhilHealth's processes and procedures in influencing members' payment behavior.



The group sent out request letters to the twenty (20) regional/branch offices nationwide. The letters were addressed to the PhilHealth regional/ branch heads. Eleven (11) of the twenty (20) responded positively, selecting one (1) of their LHIO as the location of the interview.

Group 5 conducted audio (some with video) interviews on the LHIOs. Of the 11, six (6) were from Luzon, three (3) from the Visayas and two (2) were from Mindanao. Ten (10) of the eleven interviewees were LHIO heads, one is an Officer-in-charge.

Four (4) of the LHIO interviewees were female and seven (7) are male staff.

Before the interview, the interviewees were given the assurance that their identities will not be divulged in the research. Same set of questionnaires were crafted before the interview but more questions could be added it during the course of the interview as long as it is within the topic of the research.

For the partner agencies on the other hand, Group 5 targeted two (2) SSS and BIR each in Region II and IV-B, total of 8 all in all, ended up with gathering data from one (1) BIR offices each from Region II and IV-B and two (2) SSS offices total from the said regions. All three (3) interviewees were personally visited by the group members, all of them were male.

Since the four (4) group members were two (2) staff from PhilHealth Regional Office/PRO II and two (2) are PRO IV-B, distance were a problem. They only met twice in PhilHealth Central Office to discuss their plans and collated whatever data they had then.

The group devised a google form wherein they encoded the questionnaires and the answers to it. From there, they made their collated results and made their analysis. The audio/video calls for the interviews were also recorded for documentary purposes.

These were their analysis of the LHIO experiences:

- All LHIOs adhered to PC 2020-0001 which states the requirements in complying with the proof of income, including the duly signed PMRF.
- The submission of ITR is only required from some professional practitioners/ PPs. They also conducted an interview to verify the accuracy of the declared income.
- The Affidavit of Income and/or Financial Statements were required as equivalent documents to establish the correct monthly income.
- Overseas Employment Contracts/OECs were required from migrant workers by all LHIOs



- Results showed that the medical doctors were the most compliant in the submission of ITR as proof of income
- All LHIOs explained the importance of proof of income
- All LHIOs found it difficult to establish the correctness of income based solely on the submitted properly accomplished PMRF
- Most of the LHIOs have recommended the removal of the properly accomplished PMRF as basis in determining the monthly income.

These were their analysis of the BIR and SS practices:

- BIR simply requires the ITR from every taxpayer, there is no other document aside from it.
- SSS does not require any proof of income from Self-Employed.
- BIR and SSS don't validate the declared income of SEs.
- SSS functions do not include looking into or investigating under-declared income of SEs

#### Results and Discussion

These were the results of the research:

- PhilHealth Circular 2020-0001 was uniformly implemented by the participants with varying levels of acceptance and compliance to the proof of income.
- Experiences show that when a document is presented as an additional requirement for licensing by PhilHealth or a Third Party (ex. LGU, POEA, Associations), acceptance/compliance rate is at hundred percent.
- There are registrants, although low in percentage, who voluntarily submit the proof of income, stemming from their appreciation of the benefits or the National Health Insurance Program or simply due to their nature.
- They rarely receive the alternative documents that reflect the true monthly income of the registrants, even those stipulated in PC 2020-0001. Registrants regularly fall back to the properly accomplished PMRF in declaring their income.



## Conclusion and Recommendation

These are Group 5's conclusions:

- The local experience in the frontline services of the LHIOs manifest the gap in PC 2020-0001 contributing to the under-declaration of income.
- Group 5 deduced that the Income Tax Return is the most credible document from which premium contributions can be computed. This document not only shows the gross and net income of the taxpayer but also enumerates the allowable expenses that may be deducted from the gross income before the tax is computed.
- Requiring Certificate of Tax Exemption from those that can't present ITR is not feasible as this may only be requested by those who have filed their ITR. As such, PhilHealth cannot include this as an alternative document in PC 2020-0001.

These are Group 5's recommendations:

- The group recommends to PhilHealth Management to revise PC 2020-0001 to either exclude the properly-filled out PMRF as acceptable document in declaring income or limit its application to previously identified indigents and similar cases.
- The group recommends to management the adoption, as basis in computing premium contributions the net income instead of the gross income in the ITR per PC 2020-0001, as favorably endorsed by BIR.





WHAT YOU NEED TO KNOW

# DOCUMENTARY REQUIREMENTS FOR SELF-EARNING INDIVIDUALS

## SELF-EARNING PROFESSIONALS

Properly Accomplished PhilHealth Member Registration Form (PMRF)  
 Proof of Income such as  
 Income Tax Returns (ITR)


## OFW

Properly Accomplished PhilHealth Member Registration Form (PMRF)  
 Proof of Income such as  
 Contract or equivalent document

## OTHER SELF-EARNING INDIVIDUALS

Properly Accomplished PhilHealth Member Registration Form (PMRF)  
 Proof of Income such as  
 Notarized Affidavit of Income Declaration

CALL US FOR MORE INFO

 **09178927442**

## CONTRIBUTION TABLE

Year	Premium Rate	Income Floor	Income Ceiling
2022	4.00 %	Php 10,000.00	Php 80,000.00
2023	4.50 %	Php 10,000.00	Php 90,000.00
2024	5.00 %	Php 10,000.00	Php 100,000.00
2025	5.00 %	Php 10,000.00	Php 100,000.00

**UHC na, kaya mag 4M na!**

- M**agpanihistro
- M**agbayad ng kontribusyon
- M**ag-update ng record
- M**ag-claim ng benepisyo

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