



Republic of the Philippines
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PHILHEALTH RISK MANAGEMENT

I. Risk Management in the Philippine Health Insurance Corporation

The Philippine Health Insurance Corporation (PhilHealth) considered risk management as far back as 2007 when it re-engineered its organizational structure. PhilHealth's risk management team under the Actuarial Services and Risk Management Sector was created as part of the corporation's observance of good governance. The corporation's risk management scheme initially followed the Australian/New Zealand Standard of Risk Management (AS/NZS 4360:2004). Such scheme later evolved into the ISO 31000:2009 Risk Management Standard and follows an integrated approach in managing risks, i.e. all types of risks at all levels of the organization – from strategic to day-to-day. The silo approach in risk management, nevertheless, is likewise used per office/department in cases where there are risks which need not be addressed on a corporate-wide level.

PhilHealth's Risk Management Department (RMD) as the lead office of the corporation's risk management program is tasked to coordinate the corporation's risk management activities. In this light, the said office developed PhilHealth's Risk Management Manual to serve as a guide for PhilHealth to systematically and explicitly address the risks that come with all the activities and projects of the corporation. The latest (6th) revision of said Manual was in fact approved by the concerned officers and PhilHealth President and Chief Executive Officer last July 22, 2014.

Among others, basic orientation programs on risk management, including disaster management, have been conducted for personnel in Central Office, as well as in certain PhilHealth Regional Offices, and the Risk Management Department plans to continue these orientations to imbed a more risk-aware culture corporate-wide.

II. Key Risks in PhilHealth

PhilHealth's Generic Risk Universe which was prepared after a nation-wide survey conducted by the Risk Management Department has identified the following four (4) major categories of risks faced by PhilHealth:

A. Reputational Risks

Risks that comprise of failure to establish and maintain an internal control environment that aligns with stakeholder and legislative expectations and maintain the corporation's good name or good standing and integrity, which risks may arise from negative publicity regarding PhilHealth's core business processes, whether true or not, and cause a decline in membership, costly litigation or reduced collections.

B. Financial Risks

Risks associated with the corporation's finances including investments and other financial transactions - market and credit risks to be specific. Financial risks also consider the adequacy of internal controls placed on the corporation's financial system and how the corporation reports or discloses and accounts for its financial position. Moreover, this key risk also takes into consideration the corporation's budgeting system, how the corporation manages its reserves, liabilities, and capital expenditures.

C. Business Environment Risks

This risk arises from failure to adjust to changes in the corporation's internal and external business environment and address the possible problems which may arise. External business factors under this type of risk include socio-economic factors and marketing strategies. Meanwhile, the internal environment involves the corporation's planning, program development, implementation and monitoring. Furthermore, it also considers the corporation's business ethics, culture, and its legal practices.

D. Infrastructure Risks

This refers to the risk of failing to complete projects or failing to achieve objectives due to insufficient infrastructures and physical resources. Managing risks related to physical resources comprises of looking into the human resources, physical assets e.g. property and supplies, as well as considering how the corporation manages disaster risks. Moreover, since the corporation caters to all Filipino citizens, the corporation's Information Technology (IT) infrastructure plays a vital role in PhilHealth's operations. The corporation should be able to manage the risks to its IT infrastructure and should maintain a business continuity plan in order to provide continual service to the public.

Risk management in PhilHealth is an on-going process. As PhilHealth's capability in risk mitigation and control is developed, the corporation strives to continually improve its core business processes and quality management systems, which as needed, addresses non-conformities and potential sources of risks via its Risk Management Department.