

## Corporate Governance Statement

### **2022 PhilHealth Board Accomplishments**

*Approved by the Board en banc on 27 March 2023*

As travel restrictions began to ease, face-to-face work/classes resumed, and the country continued to recover from and rise above the effects of the Coronavirus Disease 2019 (COVID-19) pandemic, the PhilHealth Board of Directors, being the highest policy-making body of the Corporation, remained focused on its primordial duty of ensuring good corporate governance in PhilHealth. The Board continued setting policy directions, monitoring the implementation of the National Health Insurance Program (NHIP), and overseeing Management actions. Just like in the past years, providing financial risk protection to all Filipinos in accordance with the Universal Health Care (UHC) Law was the Board's top priority.

By the end of 2022, a total of 15 Regular Board Meetings, six (6) Special Board Meetings, and 27 Board Committee Meetings were held, resulting in the issuance of 78 PhilHealth Board Resolutions (PBRs) covering various areas of concern.

### **Benefits Delivery (COVID-19 Packages and other benefits)**

As the COVID-19 pandemic is still far from over, and there is still much to be done in terms of introducing new COVID-19 benefit packages and improving existing ones, the Board instituted key changes thereon.

First, the Board approved the proposed COVID-19 Rapid Antigen Test (RAT) Benefit Package and the inclusion of RAT and saliva-based RT-PCR test as confirmatory tests. The Php500 rate later determined by the DOH-DTI-PhilHealth technical working group for the RAT benefit package has given symptomatic patients who are either under home/community isolation or admitted in hospitals or infirmaries an option that is way cheaper, and yields results much faster, than an RT-PCR test. Aside from creating financial incentive for providers, the new benefit package also lowered the barrier to access, especially for patients in remote and surge areas where laboratory capacity is insufficient and where RT-PCR tests are not always readily available.

The case severity definitions of existing COVID-19 inpatient packages were revised by the Board, thereby expanding coverage with the inclusion of pediatric cases and moderate cases without pneumonia. With the alignment with existing DOH guidelines on case severity, the confusion on benefit availment caused by the previous guidelines is expected to be resolved.

Another revision approved by the Board was on the COVID-19 Home Isolation Benefit Package. The specific revisions state that the minimum length of stay and other standards which shall be made in

accordance with the applicable guidelines set forth by the DOH, and that the package will be available to all patients who test positive for COVID-19 through any of the PhilHealth-approved confirmatory tests.

In response to the clamor among Overseas Filipino Workers (OFWs), the Board approved the continuing coverage of SARS-CoV-2 testing benefits package for returning OFWs and Filipino nationals aged 18 and above, in accordance with Inter-Agency Task Force (IATF) Resolution No. 168, s. 2022.

Furthermore, in recognition of the critical role of workers who are at the frontlines in the fight against COVID-19, the Board approved the continuation of full financial risk protection for Filipino health care and non-health care workers who contracted COVID-19 during the public health emergency due to COVID-19. This means that the full cost of their hospitalization in any government or private facility shall be fully borne by the Corporation.

The Board likewise continued in 2022 the increase in the number of reimbursable hemodialysis sessions from 90 to 144 sessions per patient, easing the socio-economic burden of thousands of patients afflicted by end-stage renal disease, most of whom undergo the procedure thrice a week.

In the last quarter of the year, the Board approved the coverage of additional implantable devices as well as the adjusted rates of the Z Benefits Package for selected orthopedic implants. Once the implementing guidelines are issued, patients who require orthopedic surgeries are expected to greatly benefit as they undergo rehabilitation since the package rates would be increased from 53% to as high as 252% than the original rate. The coverage of additional implants also guarantees that more patients will be covered and that out-of-pocket expenditures, usually caused by the cost of implants that push them to stay longer in the hospital, will be significantly decreased.

### **UHC initiatives**

To promptly implement key UHC Act deliverables, the Board initiated the creation of the PhilHealth UHC Surge Team and the designation of an acting senior vice president as lead. This team shall exclusively focus on and lead the strategic accomplishment of UHC Act health financing reforms relating to the development of UHC guaranteed benefits and the complementary payment schemes, institutionalization of supportive processes and mechanisms, and spearheading and rationalization of technical assistance support and pilot implementation with relevant local government partners and other stakeholders.

In preparation for various UHC initiatives, the Board approved the Primary Care Provider Network (PCPN) Contracting Arrangement through Konsulta package sandbox, the governing policies for the

Comprehensive Outpatient Benefit Package branded as Konsulta+, and the standards and requirements for the recognition of third party accreditation mechanisms in line with incentives under the UHC.

The Board also approved the Benefit Plan for CY 2023–2025, which laid down the list of improved benefit packages that will be rolled out by the Corporation using the funds that would be coming from Philippine Amusement Gaming Corporation and Philippine Charity Sweepstakes Office in compliance with Section 37 of the UHC Act.

### **Investment Dispositions**

The Board approved the Management-proposed pool/basket of qualified corporate bonds for investments, consisting of 20 outlets, and delegated the authority to Management for the actual investment disposition, approval and execution on the purchase of any bond within the approved pool, subject to timely reporting to the Board immediately right after the actual purchase is made. The same is necessary given how crucial it is to avail and participate in the corporate bonds issuances within the prescribed offer period and to take advantage of the competitive interest rates being offered by the investment grade securities and the premium or income spreads over yields of comparable government securities.

In the first quarter of the year, the Board approved the Corporation’s participation in the Asset Liability Management Committee (ALCO) of various government financial institutions. Said committee, which includes other GOCCs such as GSIS, SSS, Pag-IBIG as members, is chaired by the Department of Finance. The ALCO is responsible for monitoring current investment exposures of the GFIs in private corporations and conglomerates, including their subsidiaries and affiliates, and for reviewing current investment exposure limits periodically and refining said limits, if necessary.

Consistent with the recommendation of the DOF-ALCO and in order to take advantage of corporate bonds and other securities offerings, including stocks or equities investments, that can enhance the overall yield of its investments, the Board approved the removal of mining, quarrying and gaming from the negative list provision of the Corporation’s investment guidelines. Upon further advice of ALCO, the Board likewise lifted the restriction to invest in conglomerates with exposure to liquor but have other diversified industries and businesses, specifically Alliance Global, Inc. and San Miguel Corporation. With the possibility of maximizing potential investment returns, the Corporation will be able to provide better financial risk protection to its beneficiaries. However, the Board deemed it prudent to retain the restrictions on tobacco as supporting the same would not be consistent with the Corporation’s mandate of promoting and preserving the health of Filipinos.

Moreover, the Board revised the single company exposure limit from 20% of issue size to a maximum of 10% of the Total Net Worth of Total Members’ Equity of the Corporation (without provision for Insurance Contract Liabilities).

## Finance and Procurements

In compliance with Section 31 of the General Appropriations Act of FY 2022, the Board recalled the delegated authority to the President and Chief Executive Officer in approving multi-year contractual authorities (MYCA) and resolved that all MYCAs for various procurements shall be presented to the Board for its approval. This extra layer of scrutiny would ensure that the Program fund is wisely spent and that the options presented, whenever applicable, are efficient and economical for the government.

Among the approved MYCAs for 2022 pertain to the partial outsourcing of the 24/7 Contact Center Services for the benefit of the general public, engagement with a qualified ISO 9001:2015 certifying body for the audit certification of the PhilHealth Social Health Insurance Management Systems (PSHIMS) for CY 2022 to 2024, renewal of the lease of office space for PRO NCR Central Branch, LHIO Quezon City and LHIO Mandaluyong, and the lease of warehouse for PRO NCR.

In the spirit of transparency, accountability, and the timely and accurate disclosure of the Corporation's financial condition, the Board through its Audit Committee judiciously reviewed the CY 2022 Financial Statements (FS) quarterly. These quarterly FS were further scrutinized by the Board *en banc*, even compared with the figures from the previous years. The Board also provided technical guidance on fine-tuning the report and approved, *en banc*, the CY 2021 FS with a net operating income of Php32.84 billion and a reserve fund of Php177 billion at the end of the fiscal year, which is 9% and 25% higher than the figures in the previous year.

In compliance with reportorial requirements, these FS were submitted to regulatory bodies and other concerned users such as COA, Department of Finance, Insurance Commission, and GCG.

In view of the Corporation's exemplary financial performance for CY 2021, the Board issued a resolution commending the entire PhilHealth workforce, regardless of employment status, for their dedication and tireless service that contributed, directly or indirectly, to keep the Program fund healthy, robust, and sustainable.

The Board likewise carefully scrutinized the supplemental budget presented by Management, resulting in the decrease of the proposed budget from Php626,580,847 to Php526,396,940. This is testament to the Board's prudence that the approved supplemental budget only includes expenses that are truly needed. The Corporate Operating Budget (COBs) for CY 2023 were scrutinized and lengthily discussed as well by the Risk Management Committee to assure the public that no unnecessary expenses were included, the funding of critical projects was adequate, and the budget allocations were logical, correct and truthful.

To ensure adequate funding of the Program and the continued coverage of members under the Indirect Contributors Sector, which includes, among others, those under the National Household Targeting

System (NHTS) and Senior Citizen categories, the Board approved the proposed government subsidy for indirect contributors for FY 2023 amounting to Php134,745,179,400.

### **Accreditation**

In view of the need to decentralize certain functions of the Accreditation Appeals Review Committee, the Board approved the additional functions of the Regional Accreditation Committee (RAC). These include the power to deliberate applications for accreditation, recommend the withdrawal of accreditation and lifting of the withdrawal order, and deliberate motions for reconsideration for select conditions.

The Board also approved the grant of honoraria to external private members of the RAC who act as resource persons, subject to availability of funds and to the usual budgeting, accounting and auditing rules and regulations.

### **Legal and Anti-Fraud Initiatives**

Vested with quasi-judicial powers, the Board, through its Committee on Appealed Administrative Cases against Health Care Providers (CAAC), reviewed 1,506 counts of administrative cases against erring health care institutions and professionals for violations of R.A. No. 7875, as amended by R.A. Nos. 9241 and 10606, and its Implementing Rules and Regulations. The violations are broken down as follows:

- a. 1476 counts of Breach of the Warranties of Accreditation/Performance Commitment;
- b. 20 counts of Misrepresentation by Furnishing False or Incorrect Information; and
- c. 10 counts of Filing of Multiple Claims.

The Board *en banc* then promulgated 16 decisions involving 11 health care facilities—a stern warning to health care institutions, whether government or private, that unscrupulous activities shall be meted with the corresponding penalties and sanctions within the scope of law.

Considering that some delinquent employers, in some cases, opts to pay the full amount of premium arrears (including interests and surcharges) or pay the full amount thereof in installment basis to PhilHealth after the complaint has been filed, some personnel of PhilHealth (as complainant) may be authorized to settle the said amounts on behalf of PhilHealth and to execute any necessary pleading or document to cause the settlement of the civil aspect of the case. For this reason, the Board granted authority to Vice Presidents/Regional VPs, collection heads and other regular officers and employees, since the said authority is not specifically indicated in existing rules.

Given that the current organization, configuration and staffing arrangement of the Protests and Appeals Review Department (PARD) in the Head Office are no longer responsive to the needs of the

Corporation in handling appeals on denied or reduced benefit claims, the Board approved the functional reconfiguration of PARD including the creation of eight (8) additional job order contractor positions. By eliminating the processes of consultation and endorsement of voluminous appeals and their supporting documents between the Legal Review Division and Medical Review Division, the productivity and efficiency of the processes in the Department is expected to improve.

As the disciplining authority of executive and managerial officers in the Corporation, the Board, upon careful deliberation of the merits of the case, dismissed administrative cases filed against two of them.

### **Human Resource**

Aware that the last time the Corporation implemented a reorganization was in 2007, the Board, after a series of consultations and correspondence with the GCG, approved the revised Organizational Structure and Staffing Pattern of PhilHealth consisting of 9,115 positions. The said OSSP was aligned with the OS developed and prescribed by GCG.

In relation thereto, the Board approved the program design for 3,726 casual employees which includes, among others, the roadmap for the phaseout of non-plantilla positions, continued evaluation of the personal qualifications of existing casual personnel vis-a-vis the remaining vacancies, and provision of support either through coaching, review, and other interventions. These include the coordination with the Civil Service Commission for a special schedule of examination, organizing in-house tutorial and review sessions after office hours with volunteer resource persons as lecturers/reviewers, and enhancement of internal learning and development opportunities for them.

To address the need for additional manpower while GCG's evaluation of the proposed reorganization is ongoing, 1,004 additional job order contractors positions were created, lodged under the aforementioned CY 2022 supplemental budget approved by the Board. This is also to ensure that the day-to-day operations of the Corporation and critical support systems would not be compromised.

Pursuant to Executive Order No. 150, s. 2021 and the subsequent corresponding GCG authorizations, the Board approved the implementation of the Compensation and Position Classification System to 3,129 regular and 3,726 casual positions in the Corporation. This significantly increased the salary of most employees, especially the executive and managerial officers, making base pay structures finally comparable or at par with those in the private sector. With the standardization of the compensation package among all GOCCs, it is hoped that the Corporation would be able to attract and retain the much-needed think tanks and exceptional talents in the health financing industry.

Adhering to the principle of equity and consistent with a COA and DBM Joint Circular which provides that payments of services of individuals hired through job order shall be paid wages equivalent to the daily wage/salary of comparable positions in government, the Board approved the adjustment in the

daily remuneration rates of existing job order contractors in the Corporation. As a result, their pay shall also be based on the CPCS salary rates applied to all regular and casual positions.

To maintain a culture of transformative leadership and competence in the Corporation, the Board *en banc* approved the recommendation of its Governance Committee for the appointment of eight (8) Executive and Managerial Officers. The appointments were made in consonance with the 2017 Omnibus Rules on Appointments and Other Human Resources Actions (ORAOHRA) of the Civil Service Commission (CSC) which requires the PhilHealth Human Resource Merit Promotion and Selection Board for Executive and Managerial Positions to assist the PhilHealth Board in the judicious and objective selection of the candidates.

The Board likewise allocated funds for the overtime pay of job order medical evaluators and adjudicators, in compliance with the directive from Malacañang to fast-track the processing of claims of hospitals.

The Board also directed the endorsement to the GCG of the early retirement and involuntary separation incentive for PhilHealth personnel who voluntarily elect to be retired or involuntarily separated from service. The said benefit is on top of retirement or separation benefits under existing laws. Once the implementing guidelines are issued by GCG, Management shall implement the program within two (2) to three (3) months from receipt of approval by GCG.

The Board also certified that the duties and responsibilities of five (5) designated heads of special projects or assignments with interim offices are comparable with their supervisory and managerial functions. Thus, they are entitled to receive allowances, benefits, and other incentives such as Representation and Transportation Allowance for their designation, chargeable to available savings and subject to the usual accounting and auditing rules and regulations.

### **The Board and its Internal Development**

In compliance with GCG requirements, the Board approved the 2022 PhilHealth Board Calendar to ensure that meetings are appropriately scheduled and harmonized with the activities of the Management.

The Board Committees were accordingly reconstituted in view of the appointment of other new members of the Board, including the membership of the Department of Finance in the Governance Committee.

The Board constantly endeavored to develop their expertise and knowledge through various learning and development programs. Newly appointed/designated Board Members, for instance, attended the Corporate Governance Orientation Program for GOCCs facilitated by the Institute of Corporate

Directors, and the Orientation on Health Care Financing and UHC. Other Board Members attended the Orientation on Health Technology Assessment and Costing Health Services and Advanced Financial Statement Analysis Program.

Putting premium on the significant relationship between Board performance and organizational effectiveness, the Board, in compliance with the GCG requirement for an annual board performance evaluation, also actively participated during the Board Assessment held December 20, 2022. The activity aimed to determine their strengths and areas for improvements in relation to their performance as members of the Board and of their respective committees in the following areas: Board/Committee Membership and Quality, Board/Committee Governance, Oversight Function, Quality of Board/Committee Meetings, Board/Committee Information, Development Programs, Strategic and Risk Management, and Succession Planning. More importantly, the activity aimed to equip the Board with the highest level of good governance standards, which, in turn, will contribute to the attainment of the strategic goals of the Corporation.

### **Governance, Risk Management and Internal Controls**

The Board approved the Revised PhilHealth Manual of Corporate Governance to incorporate therein the changes brought about by the passage of the UHC Act. These include changes in the Board composition, Board qualifications and training requirements. Further, necessary amendments in relation to new GCG rules and regulations, such as GCG MC No. 2019-01 on the selection and nomination process for the appointive directors of the PhilHealth Board were also reviewed and incorporated. Provisions based on recently-passed PBRs such as the Board Committees and their compositions were also amended.

The Board ensures that PhilHealth abides by the GCG rules and regulations. Toward this end, the Board approved the CY 2023 PhilHealth Performance Scorecard and directed its submission to the GCG for review.

The Board also assures the Corporation's full compliance with the Code of Corporate Governance, its Manual of Corporate Governance and all other rules and regulations in the Corporation. Noncompliance, if any, is brought to the attention of the concerned officials and properly handled in accordance with the existing policies.

With the Audit Committee and Risk Management Committee successfully holding a combined number of 12 meetings in 2022, the Board is confident that risk management systems and internal controls in the Corporation are adequate.

The Project Management Team for Risk Management (PMT-RM), as the risk management arm of the Corporation, regularly reports to the Risk Management Committee. Its accomplishment report, which



includes, among others, the Corporation's reported top risks, top fraud risks, risk assessment certification and compliance to the risk information management system, was duly approved by the Committee. The Committee also reviewed and discussed at length various risk descriptions with proposed risk response plans as well as critical risk areas that the Corporation needs to focus on in order to ensure that operations in PhilHealth (i.e., systems processes and procedures) are effective and efficient. The Committee ensures that these critical risk areas are monitored and reported by the PMT-RM, including the status and the implementation of their risk response plans or mitigating actions.

Meanwhile, the Audit Committee, which is responsible for overseeing the adequacy and effectiveness of the Corporation's internal control system, confirmed the audit reports on the following: Hemodialysis Package, HCP-PAS: Medical Post-Audit, MMHR and RFV, Self-Earning Individuals and Professional Practitioners, All Case Rates, PhilHealth KonSulTa Package, Process of Enrollment and Accounts Management of 4Ps/MCCT and Listahanan Benefits, Process of Enrollment and Accounts Management of Overseas Filipino Workers/Migrant Workers, Lifetime Member Program, Process of Enrollment and Accounts Management of Employers in the Private Sector, Procurement Process, Procurement of Awarded and Paid Contracts for ICT Resources, Corporate Information Security, Disaster and Emergency Preparedness Program, Risk Management Process, PhilHealth Corporate Dashboard, Paid Contracts for ICT Projects with Similar Names for CY 2016-2020, and Member Information System. The Committee also issued additional directives pertinent thereto.

The Committee also approved the 2022 Revised PhilHealth Internal Audit Charter to conform with both the Internal Auditing Standards for the Philippine Public Sector (IASPPS) of the COA and the Revised Philippine Government Internal Audit Manual (RPGIAM) of the DBM.

All in all, the aforementioned processes of the Risk Management Committee and of the Audit Committee ensured that the Board was apprised on the Corporation's risk exposures and risk management activities and that the risk management system and material controls of PhilHealth in 2022 were reviewed.

### **Concluding Notes**

As more and more Filipinos get vaccinated against COVID-19, the number of active cases dip, and as the nation continues to embrace the new normal and co-exist with the virus, the Board recognizes that now is the perfect time to shift into high gear, make up for the delays and limitations caused by the pandemic, and steer the Corporation towards the fulfillment of the promise and noble aspirations of UHC.

Although much had been done in 2022, much more will have to be accomplished in the coming years to attain PhilHealth’s vision of *“Bawat Filipino, Miyembro; Bawat Miyembro, Protektado; Kalusugan ng Lahat Segurado.”*

The Board, therefore, shall continue to work hand-in-hand with the Management and equally important rank-and-file employees, and serve with honor and integrity, always bearing in mind that the public they have sworn to serve deserve no less.