



Republic of the Philippines
PHILIPPINE HEALTH INSURANCE CORPORATION

Citystate Centre, 709 Shaw Boulevard, Pasig City
 Call Center: (02) 8441-7442 | Trunkline: (02) 8441-7444
 www.philhealth.gov.ph



UNIVERSAL HEALTH CARE
 PAMBIGAYAN AT PANGUNAHAN SA KALUSAPAN

PHILHEALTH CIRCULAR
 No. 12022-0008

TO : ALL ACCREDITED AND CONTRACTED HEALTHCARE PROVIDERS, AND ALL OTHERS CONCERNED

SUBJECT : Implementing Guidelines on the PhilHealth Framework and Methodology for Costing of Health Services

I. RATIONALE

Strategic purchasing includes designing payment systems that both drive desired provider behavior and help achieve financial risk protection for those that seek care. Proper costing of health services is crucial in designing effective payment systems that achieve these strategic purchasing goals.

Historically, costing activities are done in periodic instances of need for the development of select benefit packages. Institutionalization of an appropriate mechanism shall be put in place to collect cost data and link these with regular updating and enhancement of benefit rates. These have led to pronounced deficiencies in payment rates of PhilHealth, consequently diminishing its capacity to be a strategic purchaser. The recently passed Universal Health Care (UHC) Act, or Republic Act (RA) No. 11223, envisions PhilHealth to be the national strategic purchaser of health services in the country. The said Act specifically indicates under Chapter IV, Section 18.b that proper costing methodologies shall be developed and implemented by PhilHealth in order to forward this agenda.

In recognizing the importance of good costing practices in achieving the UHC, PhilHealth Board Resolution (PBR) No. 2437 s. 2019 provides for the institutionalization of the standard costing framework and the adoption of the robust methodology in costing health care services.

II. OBJECTIVES

This PhilHealth Circular aims to provide the operational details of the costing framework and methodology as indicated in PhilHealth Circular No. 2020-0020. This institutionalizes a standard system of submitting, processing, and analyzing high-quality cost data from healthcare providers in order to inform payment rates.

This forms part of PhilHealth's transition towards diagnosis-related group (DRG)-based global budget payment, as similarly indicated in the UHC Act.

III. SCOPE

This policy issuance contains the implementing guidelines on the standard costing of health services and this shall apply to all PhilHealth-accredited and contracted healthcare providers.

MASTER COPY
 Date: 9/21/22
 DC:



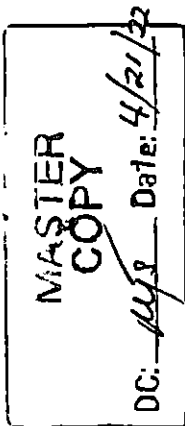
IV. DEFINITION OF TERMS

- A. **Bottom Up Costing** – an approach also known as “micro costing” that can generate cost estimates of specific resources used to deliver defined services or to treat a type of patient. This is computed by direct measurement of resource use and summing the actual cost of all individual inputs used to treat a particular type of patient.
- B. **Capitation** – a payment mechanism where a fixed rate, whether per person, family, household, or group, is negotiated with a health care provider (HCP) who shall be responsible for delivering or arranging for the delivery of health services required by the covered person under the conditions of a health care provider contract.
- C. **Diagnosis-Related Group (DRG)** – refer to a case-based provider payment mechanism in which the cost of care for each inpatient case is determined through patient demographics and clinical attributes such as length of stay, diagnoses, and procedures. DRGs may also be used as the basis for deriving prospective payment schemes.
- D. **Global Budget (GB)** – Providers receive a fixed amount for a specified period to cover aggregate expenditures to provide an agreed-upon set of services. Budget is flexible and not tied to line items.
- E. **PhilHealth Costing Manual for Hospital Services** – a manual that contains the explanation to each data collection form from the perspectives of health care personnel in the hospitals who will be responsible for cost data collection.
- F. **Sentinel Sites** – refers to a representative roster of healthcare providers selected by PhilHealth that will participate in the initial round of costing activity.
- G. **Strategic purchasing** – is the continuous search for the best ways to maximize health system performance by determining which interventions should be purchased, from whom these should be purchased, and how to pay for these services. It focuses scarce resources to existing and emerging priorities.
- H. **Top Down Costing** – a macro approach to costing that can generate cost estimates for the various cost centers of the facility based on its documented total health expenditure. This will be further converted to average costs of general units of output such as bed-days, discharged patient, or outpatient visits.

V. POLICY STATEMENTS

A. Key Implementation Mechanisms

1. Implementation of costing of health services shall be done at national level representation, with the selection of sentinel costing sites based on geographic location, service capacity levels, and facility ownership types.
2. Costing shall be done regularly or as deemed necessary by the Corporation. Facility-specific costing may be done as deemed necessary by the Corporation.
3. A selected facility may participate in two successive rounds of costing only if no other counterpart representative facility is available based on the selection criteria.



4. Disease-specific costing may be conducted by PhilHealth as necessary for evaluation of existing benefits and/or development of new packages.
5. Costing data shall be used solely to inform rate-setting for DRGs, global budget, capitation, other provider payment mechanisms that may be determined by the Corporation, and other special packages of PhilHealth.
6. A costing manual detailing the methodologies, processes and tools shall be developed and made publicly available by PhilHealth. The Corporation shall continuously enhance and improve on the methodologies, processes and tools as deemed necessary.

B. Implementation of the Costing Framework and Methodology

1. Each round of costing shall be composed of four phases:

- a. Sentinel site selection

- a.1. A representative roster of healthcare providers shall be selected by PhilHealth at the start of the year for each costing cycle following a set of criteria (Annex A: Selection Criteria). All accredited/contracted healthcare providers may be selected as a costing sentinel site. Details of participation in the costing activity will be indicated in all accreditation contracts.
- a.2. Formal invitations shall be sent to selected healthcare institutions.
- a.3. Participation of the sentinel sites shall be voluntary.
- a.4. A formal acceptance of the invitation by the selected healthcare provider shall be required (Annex B: Expression of Interest). This shall include submission of the costing team of the healthcare provider (Annex C: Costing Team Template). This formal acceptance signifies commitment of the healthcare provider to participate in the costing activity and submit the expected inputs.
- a.5. A healthcare provider may volunteer as a costing site subject to review and approval of PhilHealth.

- b. Engagement formalization

Orientation and capacity building shall be done with participating healthcare providers, particularly the assembled costing team. PhilHealth shall provide standard costing manual (Annex D: Costing Manual) and modules for this purpose.

- c. Costing Proper

- c.1. The assembled costing team within each participating healthcare provider shall be primarily accountable in the roll-out of the costing activity.
- c.2. The respective PhilHealth Regional Offices (PROs) shall provide technical and administrative support as necessary. Onsite validation of the data collected on the use of the tools during the course of implementation may be done at random or as necessary.

MASTER COPY
 DC: NYS Date: 4/21/22



APR 21 2022
 PHILHEALTH
 ACTION CENTER

c.3. Completeness and correctness of information of submitted data shall be assessed and ensured by PROs. Onsite verification of data submitted may be done at random or as necessary.

d. Feedback and reporting

d.1. Internal dashboard shall be available to participating hospitals to enable insight into hospital performance and to compare costs (direct/indirect) for the same service unit across health care providers

d.2. PhilHealth shall have a validation process with participating providers to assess results and verify any outliers.

d.3. All summary and aggregated results shall be published anonymously to a public dashboard.

2. Data Submission, Processing, and Analysis

a. An automated IT-based platform shall be utilized for submission and processing of cost data collected through standard estimation rules and formulas in accordance with the methodology.

b. All submissions must comply with the minimum requirements and validations for data quality and completeness for each of the standard data collection forms (Annex E: Costing Tools). The Chief of Hospital/Medical Director shall ensure the full cooperation and support of the HCP. They shall ultimately be responsible for the quality of the submitted cost data and shall ensure that it is submitted complete and on time.

c. All data submitted by healthcare providers shall be preserved and used for the processing and analysis.

d. Data shall be processed and analyzed per individual facility, and in aggregate of all participating healthcare providers.

e. Data shall be processed and analyzed as general costing data as well as rates for the PhilHealth payments.

f. Key results and aggregates from the analysis of the costing data shall be shared back to the participating hospitals for their own analysis and consumption.

3. Data Management

a. Information from healthcare providers and published results shall not include any identifiable personal information in compliance with the Data Privacy Act of 2012.

b. PhilHealth shall ensure confidentiality, safekeeping and security of all cost data submitted by the healthcare providers

MASTER COPY
DC: kys Date: 4/21/22

PHILHEALTH
5505 111 5003
Page 4 of 6



- c. Data shall be archived at the Central Office and shall be inaccessible to any other institution or entity. Any request for data by an external institution/entity for research or whatever purpose shall require permission from the concerned healthcare provider/s, to be facilitated by PhilHealth, except those covered by judicial orders or compulsory processes.

C. Monitoring and Evaluation

All processes, tools, and analysis methodologies relating to the conduct of costing shall be regularly assessed in partnership with participating healthcare providers.

D. Annexes

These annexes shall be uploaded in the PhilHealth website: www.philhealth.gov.ph

1. Annex A: Selection Criteria
2. Annex B: Expression of Interest
3. Annex C: Costing Team Template
4. Annex D: Costing Manual
 - a. Annex D.1 Costing Manual
 - b. Annex D.2 Costing Manual Data Collection Guide
5. Annex E: Costing Tools
 - a. Annex E.1 Building
 - b. Annex E.2 Diagnostic Imaging
 - c. Annex E.3 Finance and Accounting
 - d. Annex E.4 Furniture Fixtures Equipment
 - e. Annex E.5 Human Resource
 - f. Annex E.6 Laboratory
 - g. Annex E.7 Medical Records
 - h. Annex E.8 Operating Room/Delivery Room
 - i. Annex E.9 Oxygen
 - j. Annex E.10 Pharmacy and Medical Supplies
 - k. Annex E.11 Specialty Care

VI. PENALTY CLAUSE

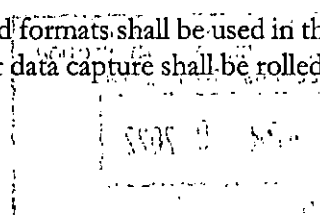
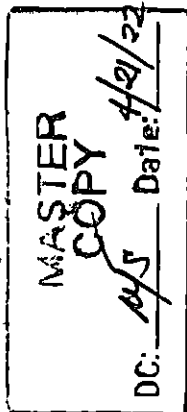
Any violation of this PhilHealth Circular and all existing PhilHealth Circulars and directives shall be dealt with and penalized in accordance with pertinent provisions of R.A. 7875, as amended by R.A.10606 and R.A.11223 and their respective Implementing Rules and Regulations.

VII. TRANSITORY CLAUSE

- A. Costing shall be done yearly in the first three years (2021 to 2024) and every three-years thereafter or as deemed necessary by the Corporation.

An indicative roster of target facility levels, types, ownership, and geographic location shall be determined by PhilHealth. Expression of interest (Annex B) may be submitted by appropriate healthcare providers to participate in the first three rounds of costing.

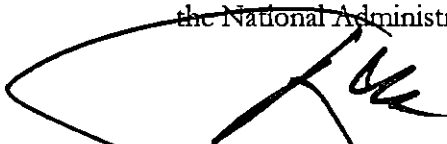
- B. Manual data submission following PhilHealth-prescribed formats shall be used in the first year of implementation of costing. An IT-based platform for data capture shall be rolled out for all succeeding rounds of implementation.



- C. Collection and submission of cost data for inpatient healthcare services shall initially be done in accredited healthcare providers. Separate costing tools and instruments shall be developed for outpatient and/or primary care facilities.
- D. Regular review of the Annexes of this Circular shall be conducted as deemed necessary by the Corporation. Any revision/s made to the Annexes shall be published through an advisory.

VIII. DATE OF EFFECTIVITY

This PhilHealth Circular shall take effect fifteen (15) days after publication in a newspaper of general circulation or the Official Gazette. A copy shall be deposited thereafter with the Office of the National Administrative Register at the University of the Philippines Law Center.



ATTY. DANTE A. GIERRAN, CPA,
 President and Chief Executive Officer (PCEO)

Date signed: 4/19/22

MASTER COPY
 DC: 14/S Date: 4/21/22

Implementing Guidelines of the PhilHealth Framework and Methodology for Costing of Health Services

