

Health Insurance and Decentralization in the Philippines

Within the past decade, the Philippine health sector has embarked upon two major reform initiatives: decentralization, as part of a broader movement to devolve responsibilities to local government, and the establishment of a national health insurance (NHI) program. A team from the Institute for Development Policy and Management Research Foundation Inc., led by Dr. Maria C. G. Bautista, was awarded a small applied research (SAR) grant by PHR to identify and analyze the prospects for this new national health insurance program within the context of a recently decentralized health sector.

The SAR research first identified the structural environment within which these reforms are taking place, and then examined two pilot insurance programs initiated by local governments in order to evaluate their effectiveness. The study draws lessons from the experiences of local government initiatives in order to facilitate the implementation of an efficient, equitable, sustainable, and high-quality NHI scheme.

Defining the Health Policy Environment

In 1995, three years after undertaking a policy of decentralization to transfer health service planning and control to local governments, the Philippine government mandated a centralized national health insurance program. The objective of this program was to increase access to health services, especially for the poor, providing coverage to the 25 percent of the population with the lowest incomes within five years, and universal coverage within 15 years. As local governments began exercising more decision-making power, two provinces, Bukidnon and Guimaras, initiated their own pilot health financing programs.

Guimaras is one of the poorest provinces in the country with 75 percent of households in poverty in 1991. Its health insurance scheme has relatively low, government-subsidized premiums, but covers only inpatient care, which is provided entirely through the existing public health service network. Bukidnon is relatively wealthier, with premiums seven times higher than in Guimaras. Benefits include inpatient, outpatient, and dental care, and are offered in both public and private sectors.

A unique aspect of the SAR study is the stakeholder analysis. By breaking down the interests of policy makers, providers, beneficiaries and administrators, Bautista and her team found that there are serious difficulties managing stakeholder actions and interests in the design of long-term policies. In addition, varying political interests, lack of information and planning, and the institutional character of the health sector pose challenges for the NHI system.

Evaluating Local Health Initiatives

In order to evaluate the effectiveness of the pilot programs, Bautista and her team focused on the following issues, among others:

- ▲ equity of access and utilization
- ▲ efficiency in financing
- ▲ beneficiary and provider satisfaction

The research team conducted field surveys, interviews, and focus group discussions to compile the data upon which their findings are based. They found that in both Bukidnon and Guimaras, the physical accessibility of health services seems dependent on income levels, with those earning higher incomes having considerably

better access. In Guimaras, despite government subsidies and low premiums, many non-members still find the premium unaffordable. In both cases, the premium paid by the member does not vary according to income.

While the Guimaras health insurance program is able to cover all benefits claimed with only half of the premiums collected, the Bukidnon program requires a hefty subsidy from the government to be financially viable. This dissimilarity is probably due to the more generous insurance package of the latter program, particularly the coverage of outpatient services.

Providers in both insurance programs are dissatisfied with the fees they receive for their services, claiming they receive more from their own private clients. While providers in Bukidnon believe that the benefits offered by the program outweigh the premiums charged to the user, providers in Guimaras think that the benefits received from its program are too limited. Plan members from both provinces, however, express overall satisfaction with the programs, and are willing to pay higher premiums for the services received.

Recommendations for the National Health Insurance Program

The discussion groups held by the SAR study provided a forum for the exchange of ideas among stakeholders with regard to the new NHI scheme. Among recommendations suggested for supporting the NHI program are the following:

- ▲ Allow local governments to design their own programs, while specifying a national minimum benefit package
- ▲ Hold training needs assessment for health policy makers and build capacity of local personnel, technicians, and managers
- ▲ Consider the institutionalization of a re-insurance mechanism to cover high loss ratios
- ▲ Replicate successful aspects of the local health insurance initiatives

- ▲ Identify opportunities for programmatic collaboration and increase collaboration among national and local policy makers

For more information: To receive a copy of the full report by Maria C. G. Bautista, “Local Governments’ Health Financing Initiatives: Evaluation, Synthesis, and Prospects for the National Health Insurance Program in the Philippines,” contact pub_order@phrproject.com; for more information, contact Whitney Schott, SAR Program Coordinator, at whitney_schott@abtassoc.com.