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SENATE
P.S. Res. No. 475

RECEIVED

Introduced by **SENATORS SOTTO III AND LACSON**

RESOLUTION

CALLING FOR THE CONSTITUTION OF THE SENATE COMMITTEE OF THE WHOLE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ALLEGED RAMPANT CORRUPTION, INCOMPETENCE AND INEFFICIENCY IN THE PHILIPPINE HEALTH INSURANCE CORPORATION (PHILHEALTH) AMIDST THE COVID-19 PANDEMIC THAT MAY LEAD TO THE FINANCIAL COLLAPSE OF THE INSTITUTION TO THE PREJUDICE OF THE FILIPINO PEOPLE

WHEREAS, Section 2 of Republic Act 10606 states the guiding principle, as well as the policies governing the creation of the Philippine Health Insurance Corporation, to wit:

SEC. 2. Declaration of Principles and Policies.- It is hereby declared the policy of the State to adopt an integrated and comprehensive approach to health development which shall endeavor to make essential goods, health and other social services available to all the people at affordable cost and to provide free medical care to paupers. Towards this end, the State shall provide comprehensive health care services to all Filipinos through a socialized health insurance program that will prioritize the health care needs of the underprivileged, sick, elderly, persons with disabilities (PWDs), women and children and provide free health care services to indigents;

WHEREAS, on 23 July 2020, PhilHealth Anti-Fraud Legal Officer, Atty. Thorsson Montes Keith, filed his resignation letter citing as reasons the "widespread corruption" within the agency, unfairness in the promotion process, the perceived "unconstitutional" mandatory payment of PhilHealth contributions by Overseas Filipino Workers (OFWs), and the targeted delay of release of his salaries and hazard pay due to his conduct of investigation involving officers of the PhilHealth, among others;

WHEREAS, the allegations, raised by Atty. Keith, are the most recent among the train of issues of perennial corruption and mismanagement in PhilHealth. In fact, in August 2019, the Senate held a series of joint public hearings which revealed that the state-run firm has been “bleeding dry” from substantial financial deficit year in, year out, even hitting negative net operating income of P10.5 billion in 2017. At the backdrop of this dismal fund viability are the untenable and contentious policy called the All Case Rates (ACR) scheme which accounted for PhilHealth’s undue overpayments to Health Care Institutions (HCIs); massive fraud perpetrated by the “modus operandi” of WellMed Dialysis & Laboratory Center Corporation which was reported to have resulted in a total loss of P154 billion since 2013; and, case of “conflict of interests” exemplified by PhilHealth’s leasing a building owned by the family of Dr. Francisco Duque who at that time, held concurrent positions in their family corporation and high-rank government posts;

WHEREAS, in a letter dated 15 March 2020 of PhilHealth Board Member Alejandro L. Cabading to President Rodrigo Roa Duterte, through Secretary Harry Roque, he asserted that the Internal Audit report contained the discovery of major discrepancies in the Information Technology (IT) Sector’s representation, including items which were not in the Information Systems Strategic Plan (ISSP) that was approved by the Department of Information and Communications Technology (DICT);

WHEREAS, the same Internal Audit report indicated that despite absence from the DICT-approved ISSP, P734 million-worth of Information and Communication Technology (ICT) resources was flagrantly included in the CY 2020 budget proposal of PhilHealth. To note, this amount was 46.84% of the total amount of proposed budget of ICT for CY 2020;

WHEREAS, on top of the discrepancies found in the CY 2020 budget proposal and the ISSP, the report revealed a list of overpriced items amounting to P98.05 million and indicated that there had been splitting of items through listing of different descriptions/specifications which amounted to a total of P132.2 million;

WHEREAS, in his letter, Board Member Cabading attested that the original IT Sector’s budget request approval amounted to P2.1 billion, but was rejected by the Board due to lack of specific details;

WHEREAS, in a board meeting last 15 February 2020, Board Member Cabading moved for the approval of the IT budget in the amount of P25 million since “this was [is] the only item needed to sustain the expired subscription”. However, on 13 March 2020, the Board was asked to certify the IT supplemental budget in the

amount of P328 million which was consequently approved, citing its need to avoid the collapse of the entire PhilHealth system;

WHEREAS, PhilHealth Financial Management Sector (FMS), headed by Senior Vice President Renato Limsiaco, has been allegedly manipulating the PhilHealth's financial statement by overstating its income through reduction of the amount of benefit claims;

WHEREAS, the PhilHealth FMS prepared financial statements which purportedly revealed discrepancies in the presentation and disclosure of accounts. It was noted that the net income for CY 2018 was restated from P11.6 billion to P21.02 billion or an increase of P9.4 billion due to "prior year adjustment". The primary reason for such adjustment was the reduction in the benefit claims expenses amounting to P8.08 billion, which had no recorded basis or disclosure as to the nature and reason for such adjustments, thus hindering the COA audit team to validate the said reports;

WHEREAS, among the findings of the Audit Observation Memorandum issued by COA was the non-disclosure of the minimum lease payments and compensation of key management personnel;

WHEREAS, it appears that PhilHealth does not have enough money to pay its creditors in the event of liquidation relative to its reported debt to equity ratio. Based on the financial statement of PhilHealth in 2019, the agency has P111 billion in liabilities and P109 billion in equities, or a debt to equity ratio of 1 is to .99. Considering COA's report, if we do not take into account the P14 billion increase in equity from "prior year adjustments" which has yet to be justified by PhilHealth, its equity will only be at P95 billion hence, a more unfavorable and dismaying 1 is to .86 liability to equity ratio;

WHEREAS, PhilHealth, in its effort to support Government response to fight the COVID-19 threat, has instituted the Interim Reimbursement Mechanism or IRM, defined as "a special privilege for the provision of substantial aid to an eligible Health Care Institutions (HCIs) directly hit by a fortuitous event with clear and apparent intent to continuously operate and/or rebuild the HCI in order to provide continuous health care services to adversely affected Filipinos". This allows Philhealth to grant advance payment up to three months to HCIs to support their continuous operation;

WHEREAS, the implementation of the IRM for COVID-19 response was rife with contradictions as reflected in PhilHealth's statements on (i) 18 March 2020, when PhilHealth is said to release P30 billion to accredited hospitals through its IRM, claiming that the agency "rests on solid ground and with sufficient liquidity," (ii) 27

May 2020, when PhilHealth issued an official statement that it has already released P13.8 billion and will then “scale down its IRM releases and preserve its funds for the anticipated expanded targeted testing,” and finally, on (iii) 16 June 2020 during the Joint Congressional Oversight Committee on Universal Health Care (UHC) Law when PhilHealth President and CEO Ricardo Morales showed that the fund projections of the agency significantly fall amid the pandemic and that its collection was only about 10% of what it was last year;

WHEREAS, the implementation of the IRM for the abovementioned COVID-19 response appears questionable because IRM is premised on PhilHealth Circular No. 2020-0007 which states that its objective is “to ensure continuous access to PhilHealth benefits and be able to provide substantial aid to HCIs in rebuilding their critically damaged healthcare system in order to provide continuous provision of health care services to all Filipinos adversely affected by fortuitous event”;

WHEREAS, in the past, PhilHealth has issued various circulars granting assistance to HCIs with serious damage in infrastructure and which demand emergency payment arrangements to ensure the unimpeded provision of financial risk protection to members, to wit: (a) PhilHealth Circular 2009-0044 or the Simplified Reimbursement Scheme (SRS), (b) PhilHealth Circular 2009-036, IRM for hospitals affected by Typhoon Ondoy, and (c) PhilHealth Circular 2017-0026 IRM to expedite the Recovery of the Healthcare System in Marawi;

WHEREAS, such circumstances are lacking or absent in the implementation of the present IRM in response to the pandemic, thus rendering its implementation void from the beginning;

WHEREAS, apart from its seeming lack of basis, the IRM was even disbursed to HCIs which are not accredited by PhilHealth, have pending cases for violations of its warranties of accreditation, and have no COVID-19 cases/admissions. Among the unaccredited hospitals which were granted IRM by PhilHealth were the Catarman Doctors Hospital in Northern Samar in the amount of P9.62 million which was released on 15 April 2020 and St. Benedict Hospital in Davao del Sur in the amount of P11.73 million which was released on 05 May 2020;

WHEREAS, PhilHealth even bent over backwards to accommodate unaccredited health care providers (HCPs), both institution and person, as indicated under the General Guidelines of Philhealth Circular No. 2020-0013, to wit: (a) provisional accreditation may be granted by either the Philhealth Regional Office or the Central Office; (b) it shall allow time for the Corporation to determine the performance and commitment of a health care provider and at the same time, allow

the HCP to provide evidence of its commitment to deliver the national health insurance program; and (c) HCP shall be continuously reimbursed during the provisional accreditation period;

WHEREAS, the immediacy of payment releases under IRM is also noteworthy, particularly, to Level 3 hospitals in Regions V and VIII which have records of low COVID-19 cases at the time of filing for IRM. To underscore, three Level 3 hospitals (Bicol Medical Center, Bicol Regional Training and Teaching Hospital and Universidad De Sta. Isabel De Naga Inc.) from Region V with a record of only one COVID-19 patient filed claims under IRM on 23 March 2020 and just two weeks later, the fund amounting to P247.46 million was already released to said hospitals. Meanwhile, two hospitals, namely Eastern Visayas Regional Medical Center and Divine Word Hospital, in Region VIII with a record of only one COVID-19 patient, received an accumulated fund releases amounting to P196.5 million in just a span of only one week from their filing of IRM claims on 23 March 2020;

WHEREAS, President and CEO Morales, citing Execom agreement to further support the operations of healthcare institutions under the state of public health emergency due to COVID-19 pandemic, has ordered the deferment of fund liquidation in effect for the claims of HCIs originally granted with IRM from its supposed reckoning date of March 16, 2020 to a later date;

WHEREAS, in implementing this Memorandum of President Morales on the deferment of the Interim Reimbursement Mechanism (IRM) Liquidation Activities, Mr. Arnel F. De Jesus, Executive Vice President and Chief Operating Officer of PhilHealth, issued OCOO Memorandum No. 2020-032 stating that PhilHealth Regional Offices (PROs) were given the option on the matter of liquidation of the IRM. In other words, there are no concrete guidelines in the matter of liquidation of the IRM;

WHEREAS, Philhealth is an authorized withholding agent of the BIR. However, it was also reported that PhilHealth did not withhold their income taxes in the case of the IRM releases;

WHEREAS, realizing that the implementation of this IRM scheme is fast depleting PhilHealth funds, two of the corporations Vice Presidents, Oscar Abadu for Membership Group and Dr. Shirley Domingo for Corporate Affairs, came out with an Advisory for Overseas Filipino Workers (OFW) prodding them to pay their arrears, the balance over and above the P2,400 which they were required to pay before they leave the country pursuant to an increase in premiums under the Implementing Rules and Regulations (IRR) of the UHC Law, which implementation was suspended by the President himself;

WHEREAS, the PhilHealth Board, in a brazen display of grave abuse of discretion, has released directives reversing the final and executory judgements of the Supreme Court and Court of Appeals on the suspension orders imposed upon erring and fraudulent HCIs, and has upheld its directives that lifted such suspensions notwithstanding the Senate investigation questioning these anomalous reversals;

WHEREAS, cases with clear evidence against the erring PhilHealth employees were diluted to simple administrative cases by some PhilHealth officers. To illustrate, ten (10) PhilHealth employees involved in the Pamela del Rosario fake cancer claims in Region I amounting to at least P10 million were charged by Atty. Emily Roque, the Senior Manager of the Treasury Department, with simple neglect of duty despite the strong evidence presented by PhilHealth Anti-Fraud (PAF) division. The PAF's 200-page comprehensive report which identified the employees involved in the said scam and discussed their participation was reduced to a 20-page report by the Internal Audit. In the end, only one PhilHealth employee was indicted by the Ombudsman pertinent to the del Rosario case. In addition, a similar scheme reported by the same group of anti-fraud personnel in Region 1 for at least 30 other ghost members was ignored by PhilHealth Legal;

WHEREAS, it should be emphasized that no less than the Secretary of Health sits as the Chairman of the Board of PhilHealth. The above narration of facts reinforces Resolution No. 362 dated 16 April 2020, which was signed by 14 Senators calling for the immediate resignation of Secretary Francisco T. Duque III due to his failure of leadership, negligence, lack of foresight, and inefficiency in the performance of his mandate;

WHEREAS, these rampant and pervasive allegations of corruption, incompetence and inefficiency have systematically impaired the management of PhilHealth to the detriment of this public institution and its members, without any remedial measures to improve competency and exact accountability, thereby endangering PhilHealth's existence, necessitating the Senate's intervention to prevent the corporation's financial collapse;

WHEREAS, Section 14 of the Rules of the Senate allows, whenever necessary, the organization of special committees whose membership and jurisdiction shall be determined by the Senate President, and these include the Committee of the Whole;

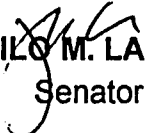
WHEREAS, due to the complexity of the subject of this Resolution that could be heard by multiple permanent Committees and its urgency as it affects the

country's response to the COVID-19 pandemic, it's referral to the Committee of the Whole is being called for; ***NOW THEREFORE, BE IT RESOLVED,***

AS IT IS HEREBY RESOLVED, to call as it hereby calls for the constitution of the Senate Committee of the Whole to conduct an inquiry, in aid of legislation, on the alleged rampant corruption, incompetence, and inefficiency in the PhilHealth amidst the COVID-19 pandemic that may lead to the financial collapse of the institution to the prejudice of the Filipino people.

Adopted,


VICENTE C. SOTTO III
Senate President


PANFILO M. LACSON
Senator