Regional Health Integration and Cooperation in the Philippines

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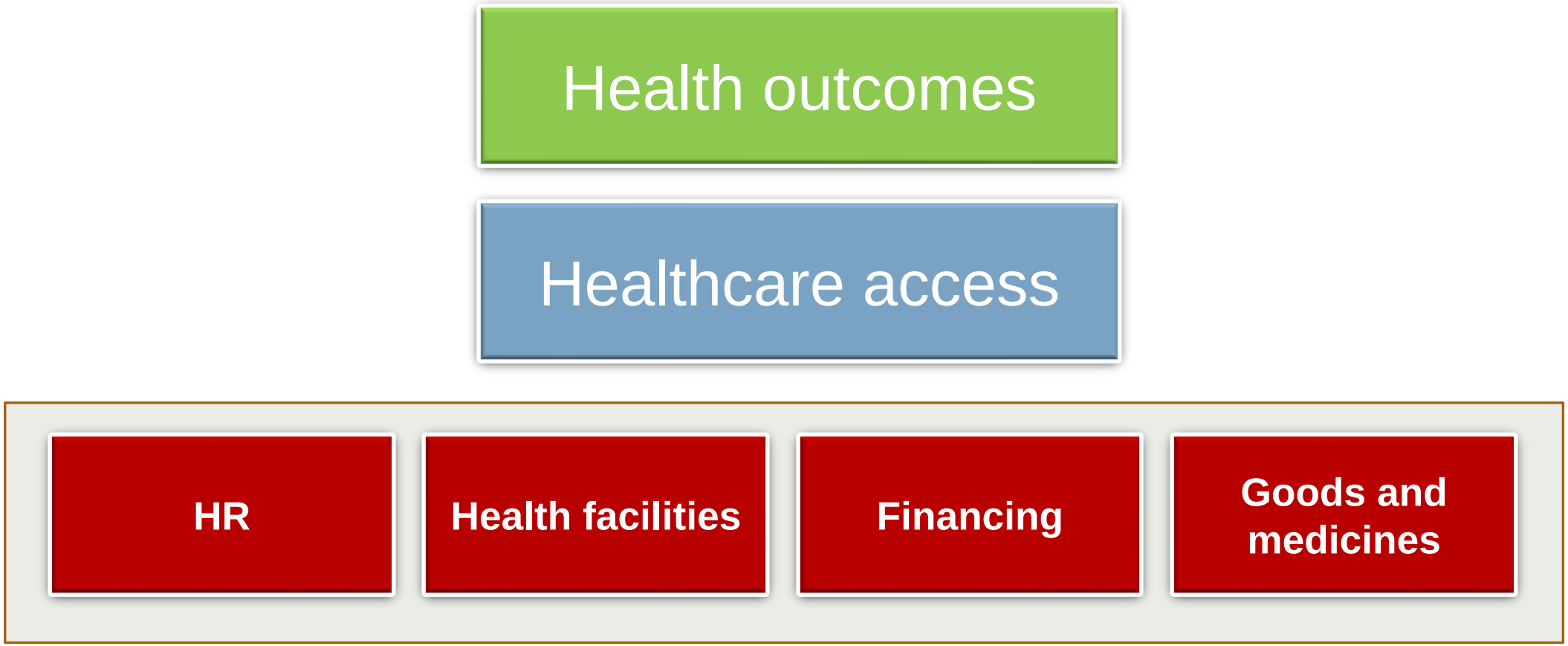
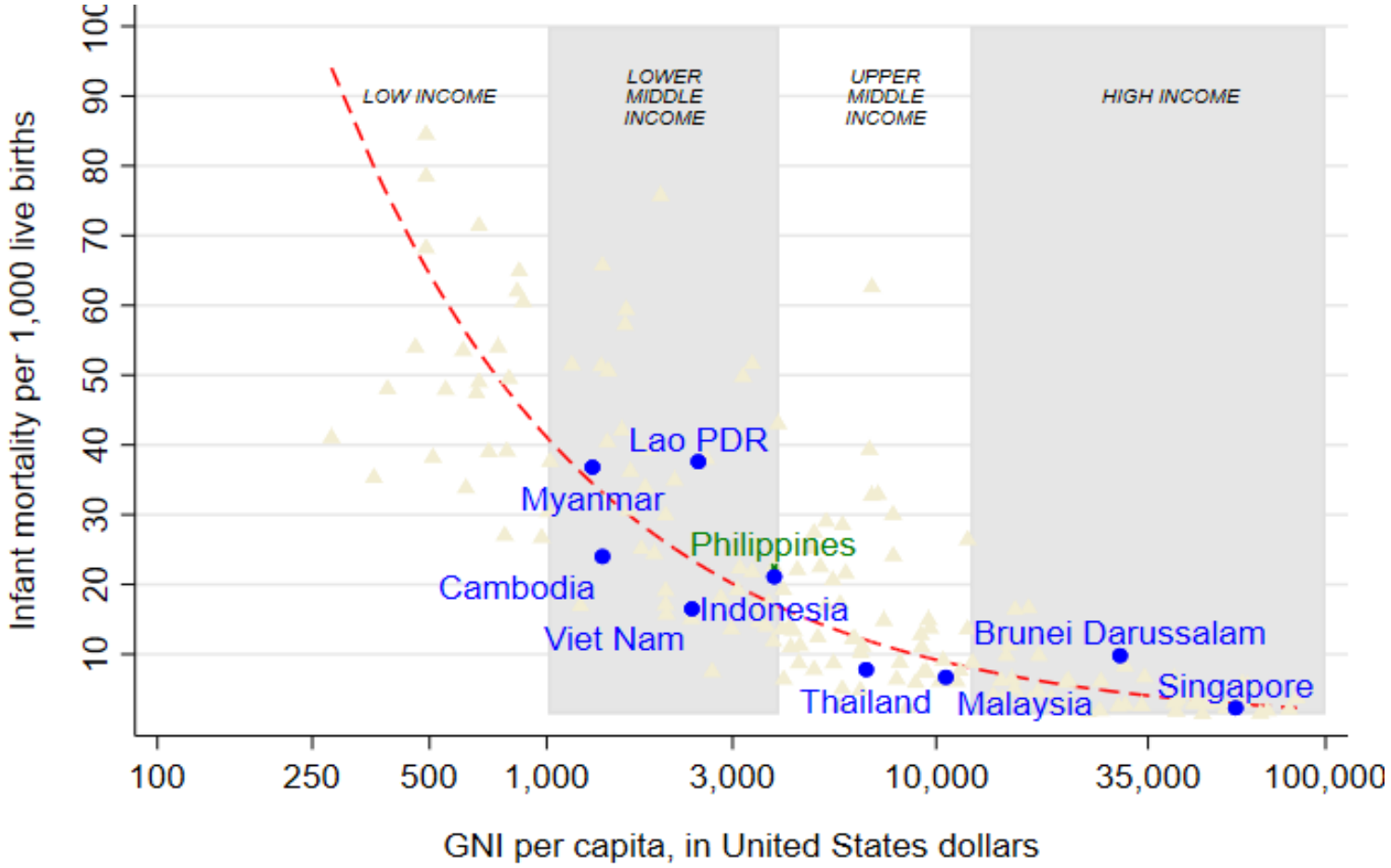
Objectives

- Assess the performance of the Philippine health system vis-à-vis ASEAN
- Assess regional health integration and cooperation in the Philippines
- Identify areas in health integration and cooperation

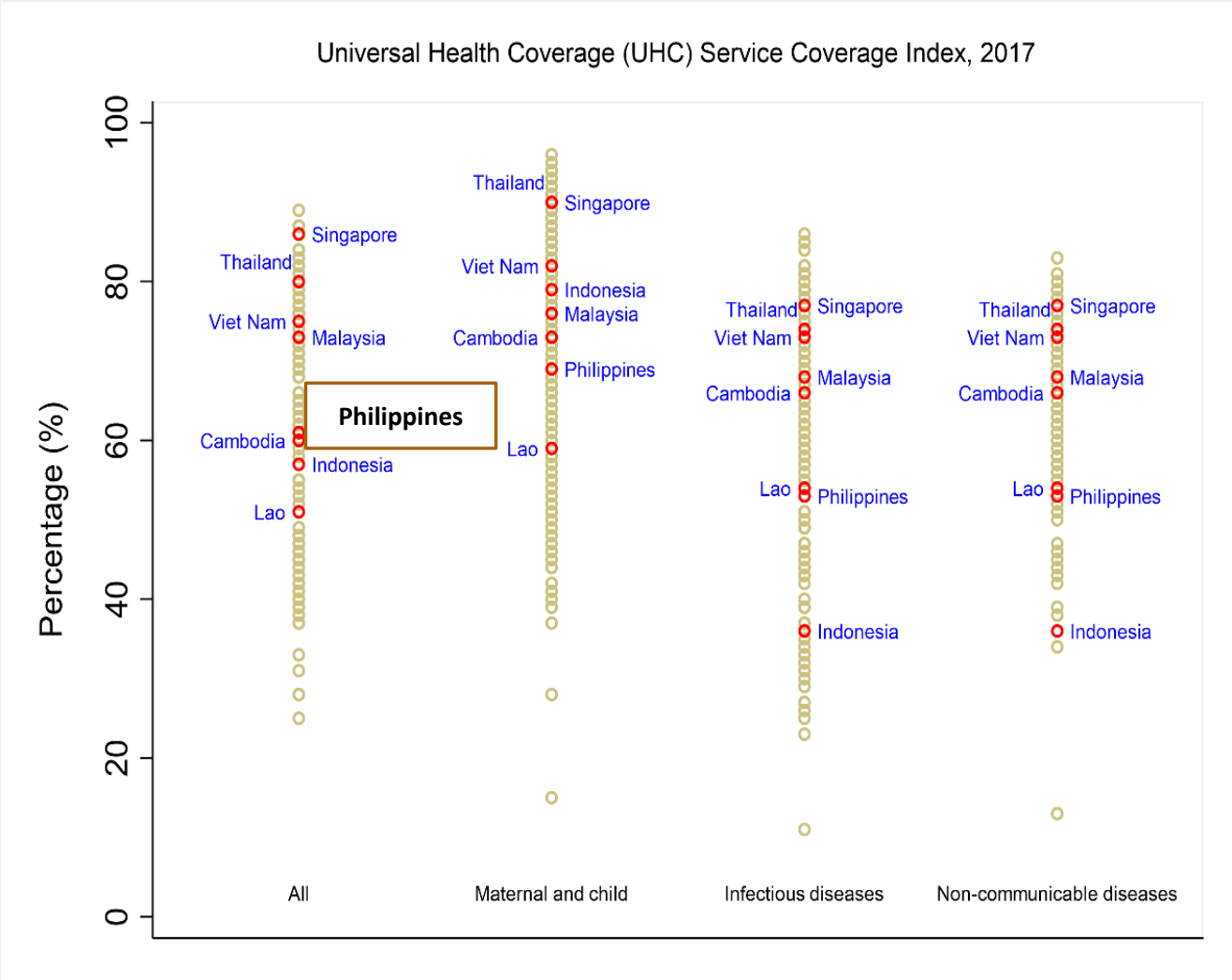
Analytical Framework



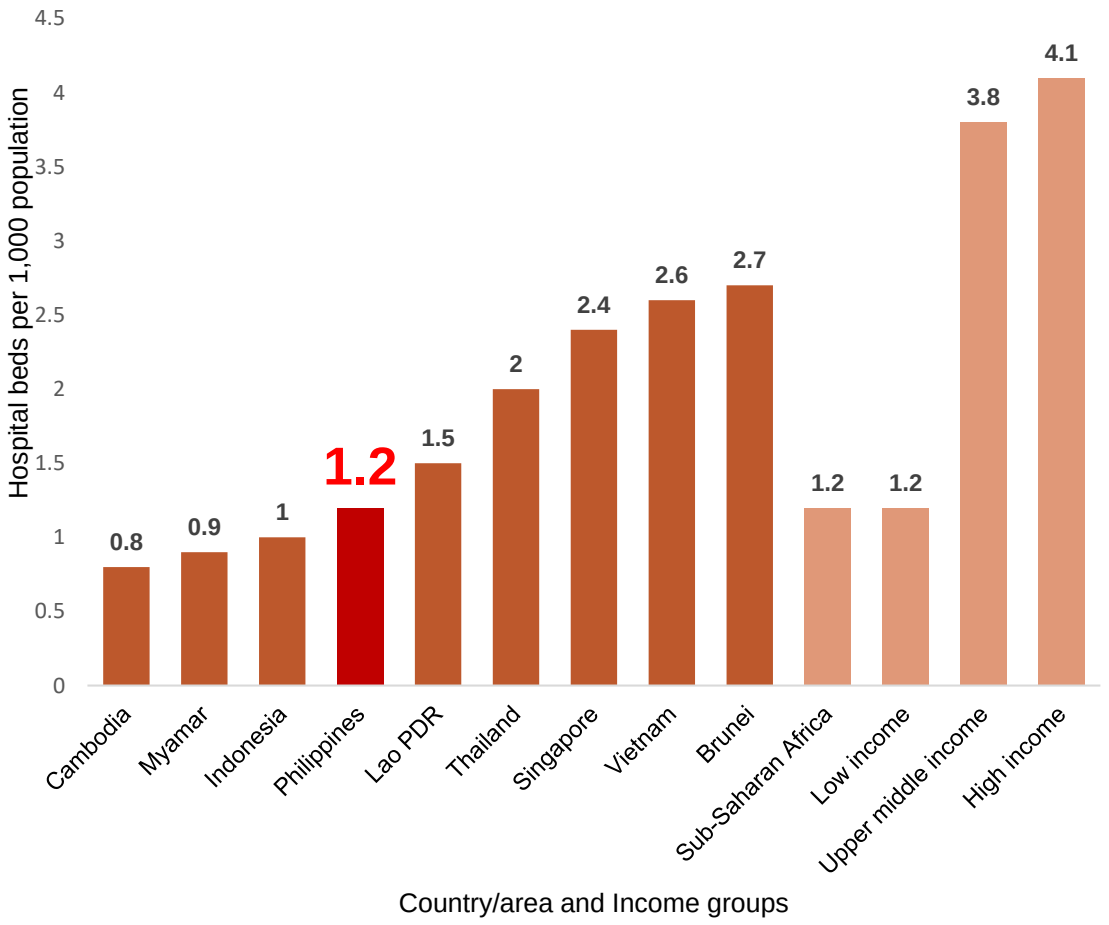
Health outcomes: IMR of the Philippines is considered high relative to its national income



Healthcare access: Our UHC index (measure of access) is lowest in the region



Health Facility: Number of beds similar to Saharan Africa

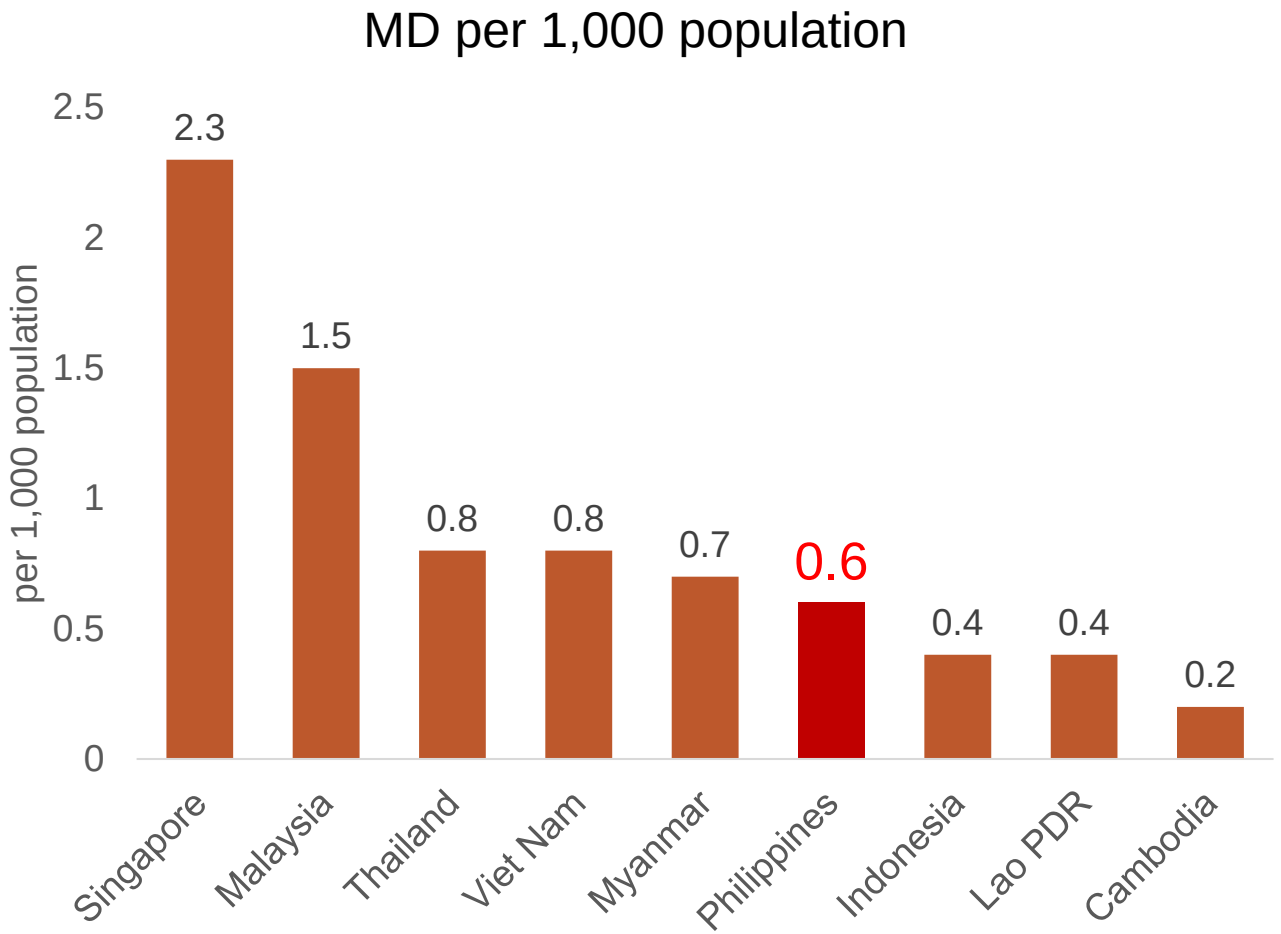


- The **1.2 beds per 1,000 population** is comparable to the poorest countries in the world (e.g. Sub-Saharan Africa)

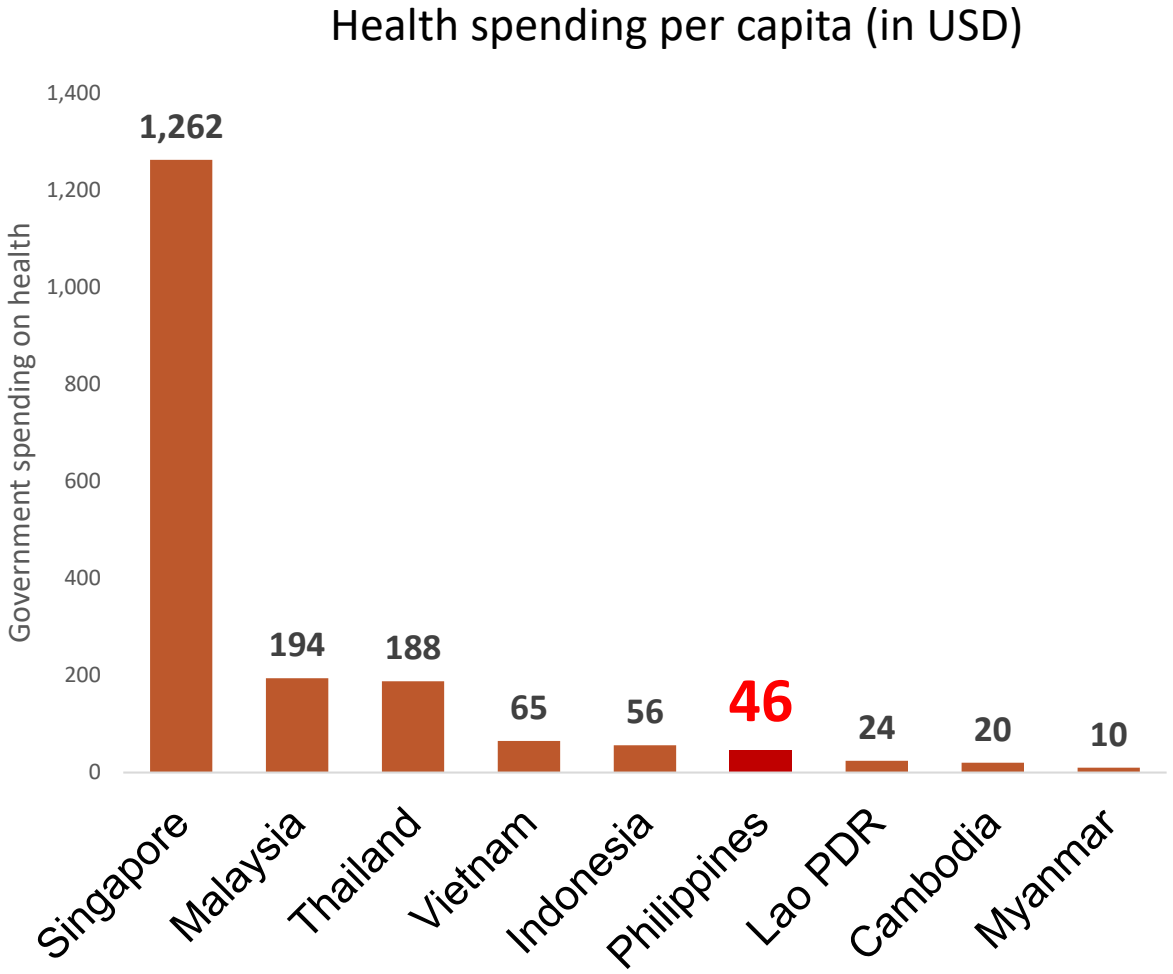
- Upper-middle income countries averages at **4 beds per 1,000 population**

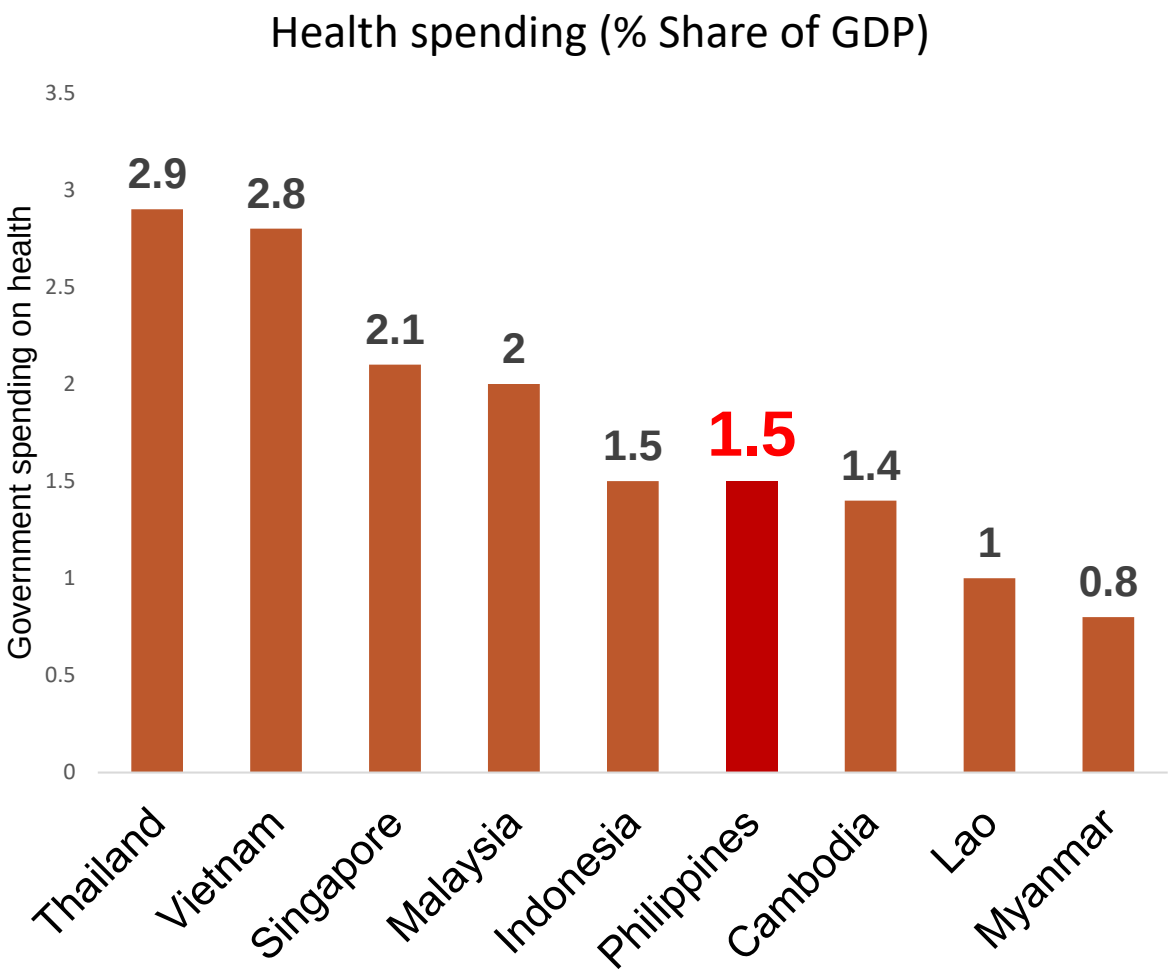
- Based on the projected health needs of the population, the country needs to double the number of beds from 1.2 to **2.7 per 1,000 population.**

Health human Resources: low to MD to population; large disparities across location

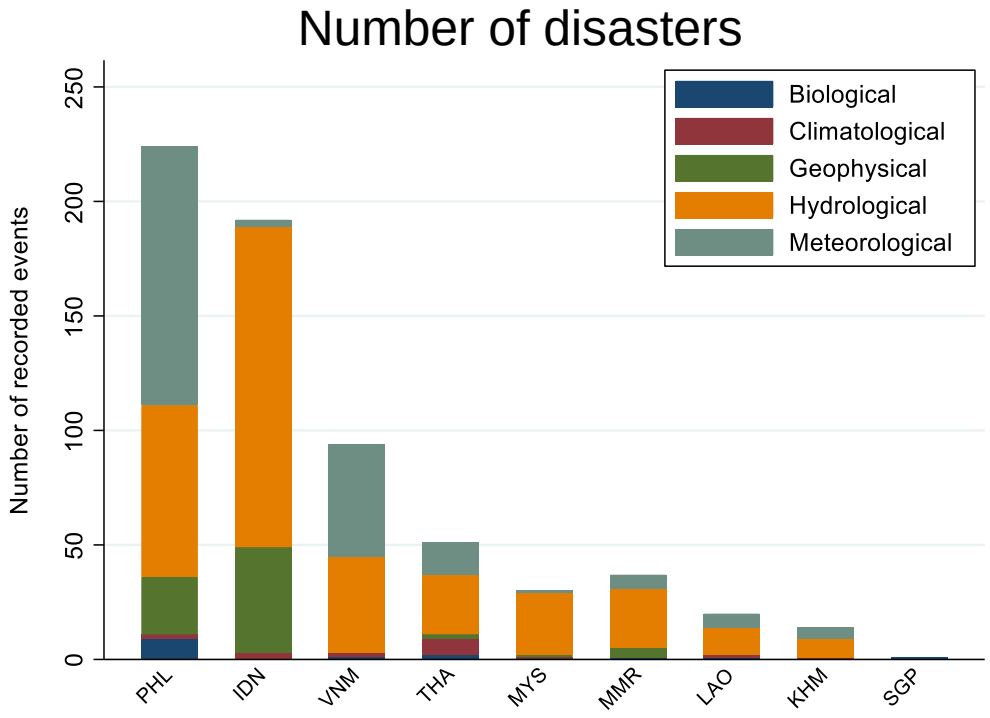


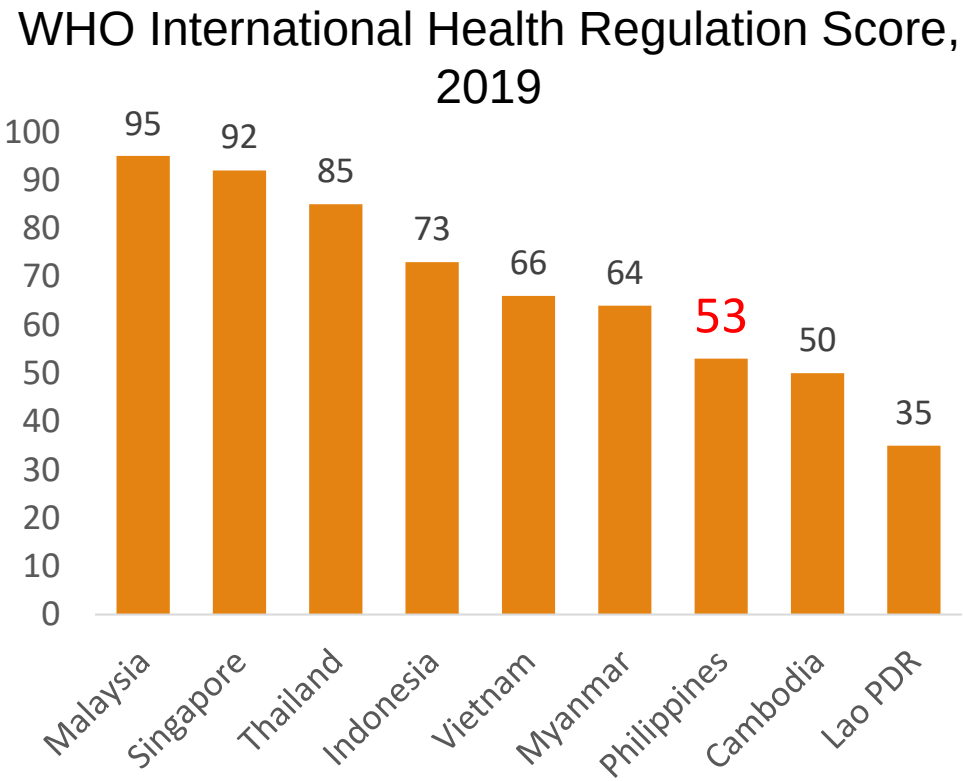
Health Financing: Public spending on health remains relatively poor





Low level of preparedness during public health emergencies





- **The growing number of disasters in recent years puts population health at risk**.
- **The Philippines recorded the greatest number of disasters in the region.** ASEAN recorded around 663 natural disasters from 2008 to 2019, of which 34 per cent occurred in the Philippines.

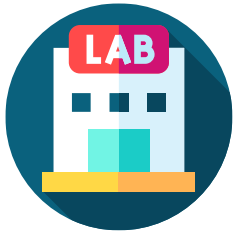
Summary: Assessment of health sector performance

- Poor health outcomes
- Poor healthcare access
- Challenges in health systems
  - Inadequate and poor quality of health facilities
  - Scarcity and maldistribution of health workers
  - Low public spending
  - Higher prices of medicine
- Less resilient; less prepared during time of disasters

Framework

Trade in services and goods

Trade in services and goods related to health

	 **Cross border**	**Consumption abroad**	**Commercial presence**	**Presence of natural person**
Services	Shipment of lab samples, diagnosis, and clinical consultation via mail or electronic delivery (e.g., telemedicine)	(a) Medical tourism; (b) Educational services provided to foreign students (c) Medically assisted residence for retirees	Foreign investment in the health services sector in another country, establishment of hospitals, clinics	Movement of health personnel, including both temporary and permanent flows
Ancillary services	Distance medical training; medical transcription			Cross border movement of medical personnel for purposes such as training

Goods – pharmaceuticals, devices

Modes and its public health relevance

Trade in medical goods and pharmaceutical products

- Open trade could facilitate the access to essential healthcare goods providers at competitive prices

Telemedicine or cross border movement of services (Mode 1)

- Improve access to essential and specialized diagnostics or care

Medical tourism (Mode 2)

- Medical tourism provide economic benefits, including additional resources for health investment.

FDI in health sector (Mode 3)

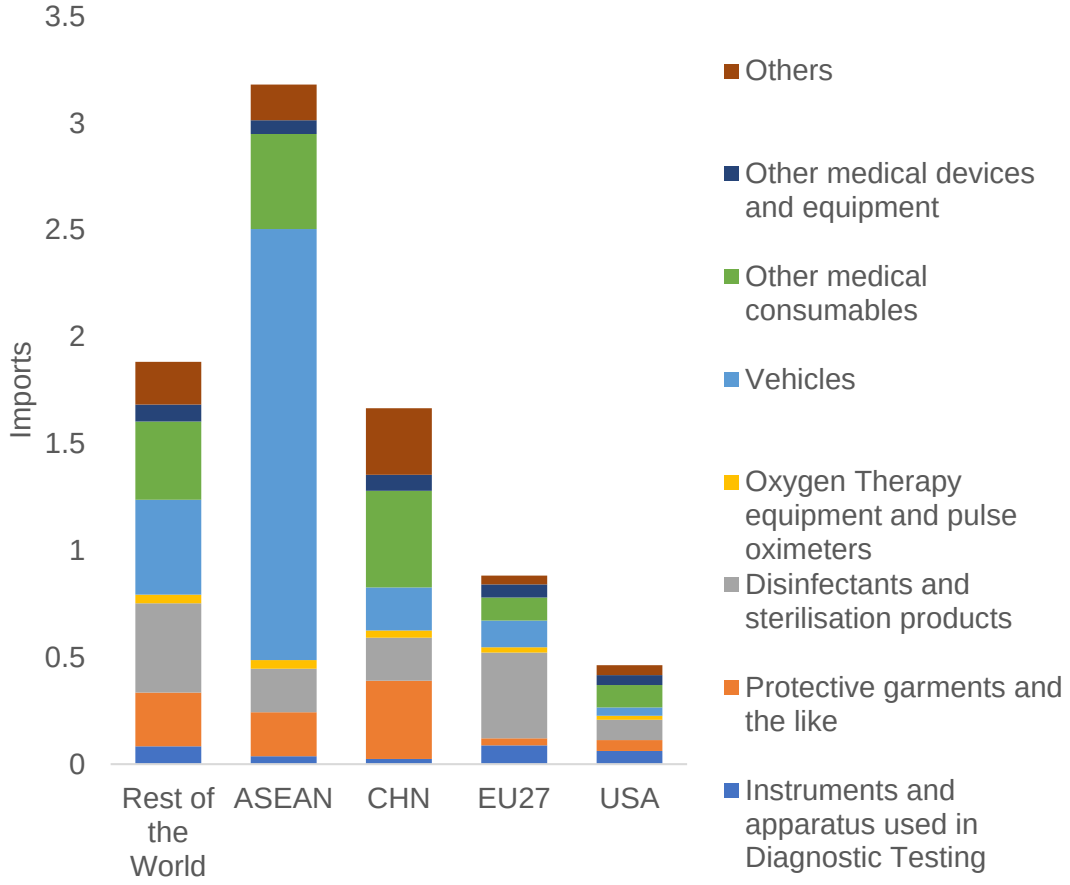
- Private capital reduce the burden of government resources
- Commercial presence in health services could generate resources for expanding and upgrading of health care infrastructure and technologies

Mobility of health workforce (Mode 4)
Mobility of health workers for training (Mode 4)

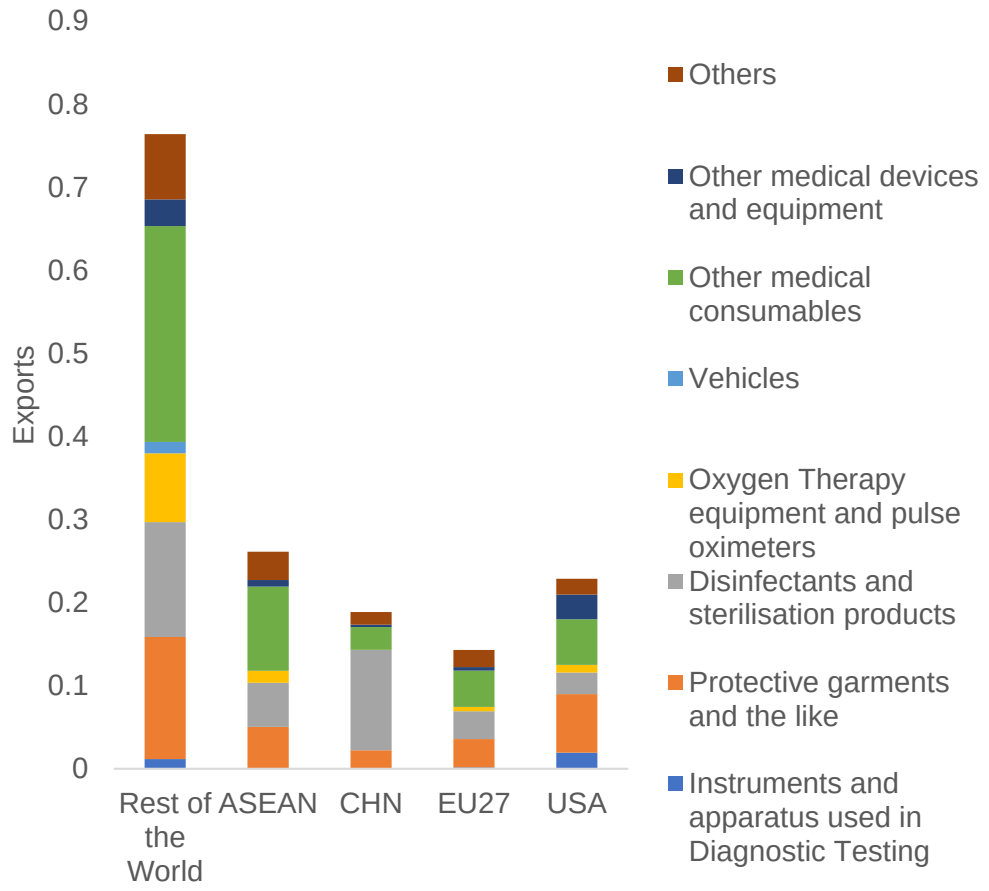
- Mobility of health workers contributes to the efficient and productive use of health labor force and facilitates transfer of technical expertise knowledge

Trade in medical goods and products

Imports, in billion USD (2019)



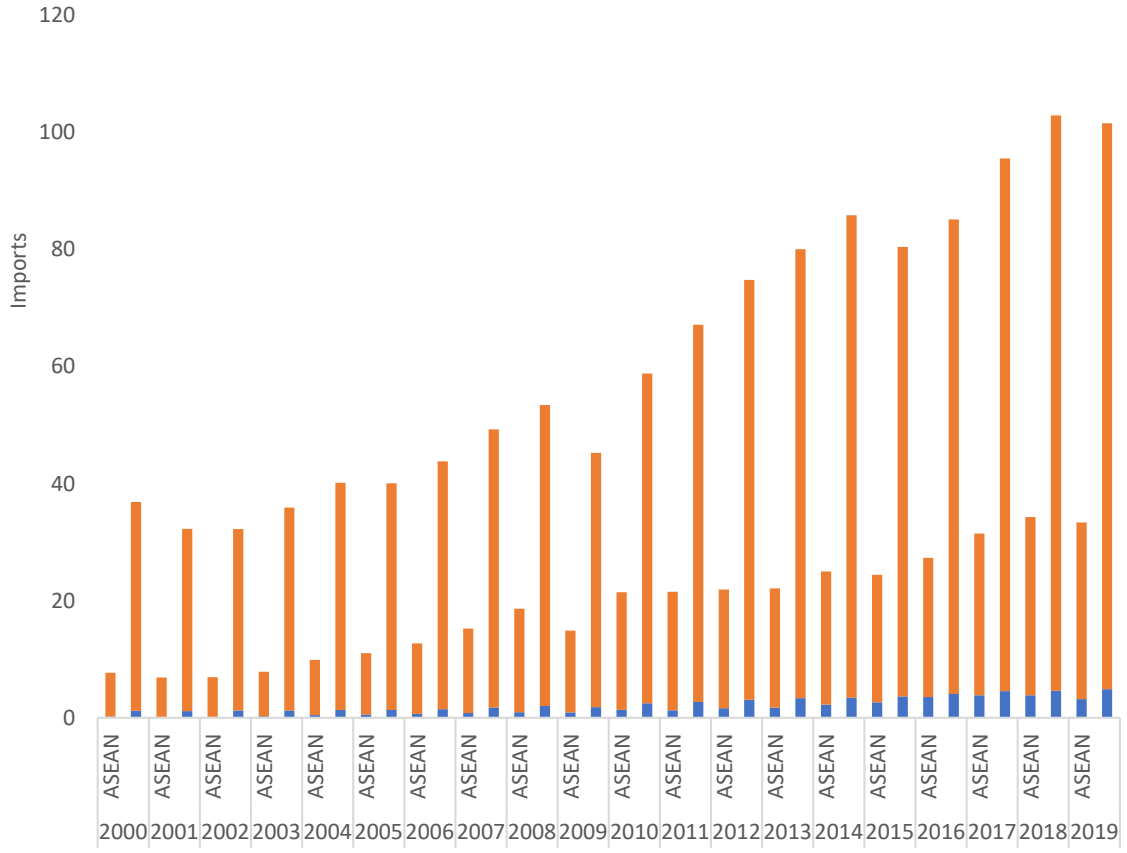
Exports, in billion USD (2020)



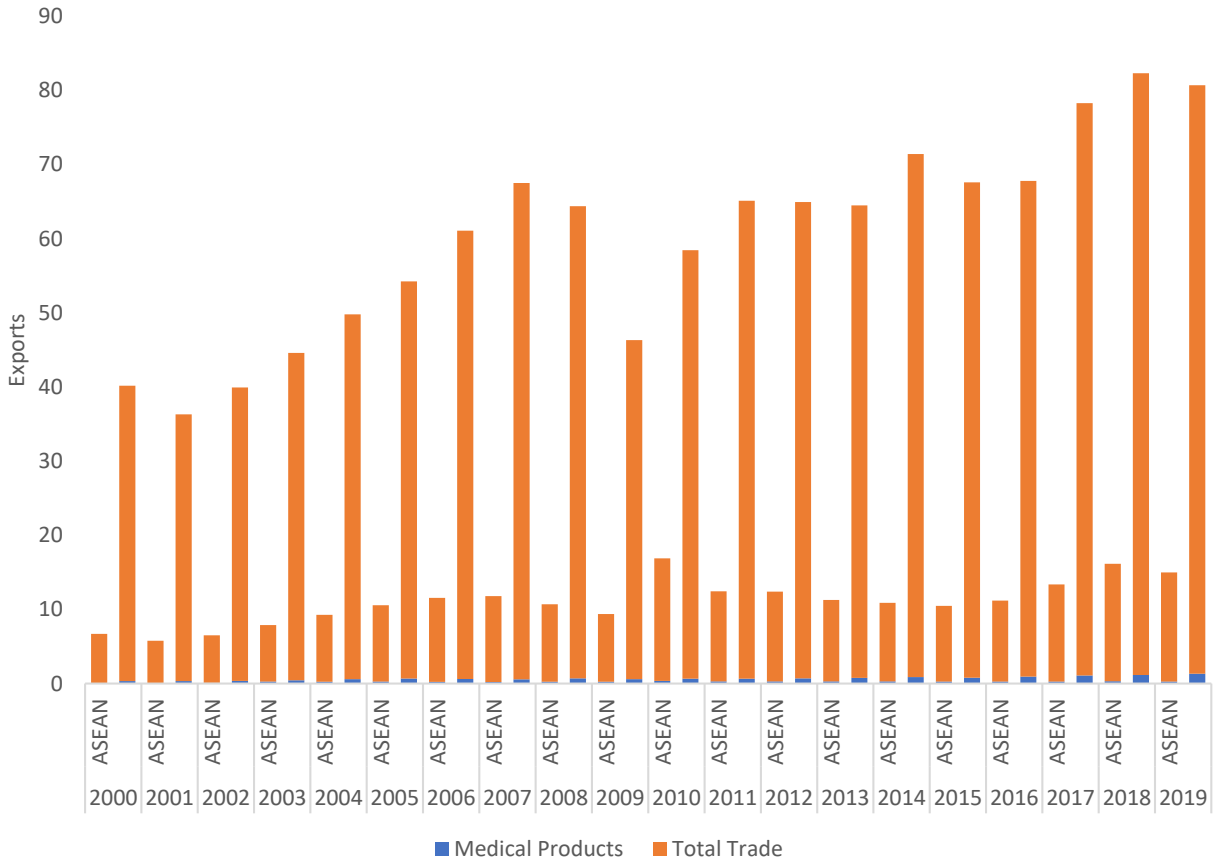
Authors analysis of Philippines' World Trade in COVID-19 Related Medical Products in 2018 (Data: UN COMTRADE, using WCO/WHO Classification)

Trade in medical goods and products

Imports, in billion USD (2000-2019)



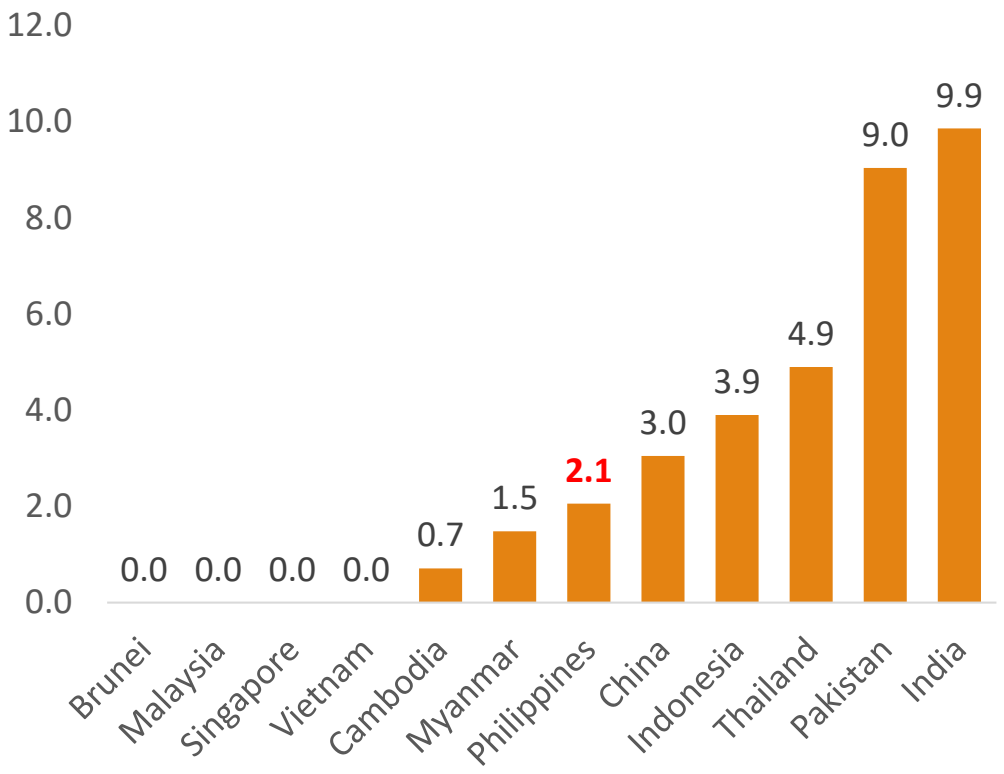
exports, in billion USD (2020)



Implications to trade

1. The average tariffs for health products for MFN was rather low in the **Philippines at 2%. Global average: 6%**
2. The average tariff rate for all products covered by ASEAN- ATIGA was 0%
3. FTA with China, Korea, Japan, Australia, New Zealand and India. The Philippines has bilateral agreement with Japan (2008), and recently with European Union (2018).
4. The government exempted the imports of certain health equipment and supplies from all duties, taxes, and frees to ensure supplies to address COVID-19 pandemic.
5. **Restrictiveness of non-tariff measures (NTMs) for medical goods and products**

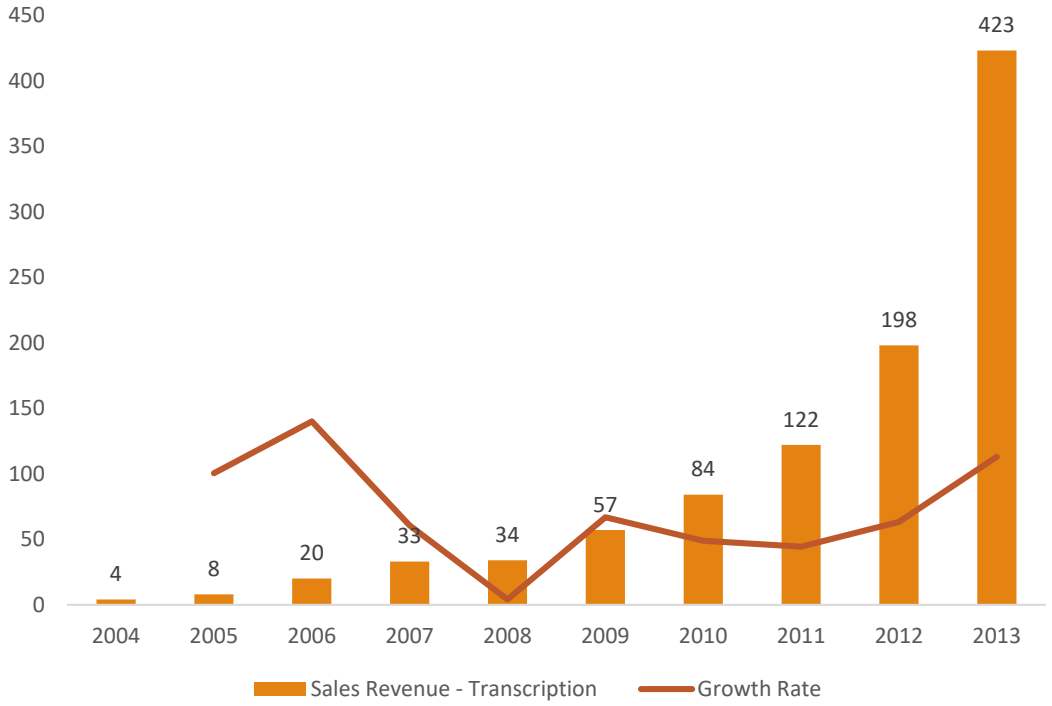
Applied Most Favored Nation Tariff on Health Products (2019)



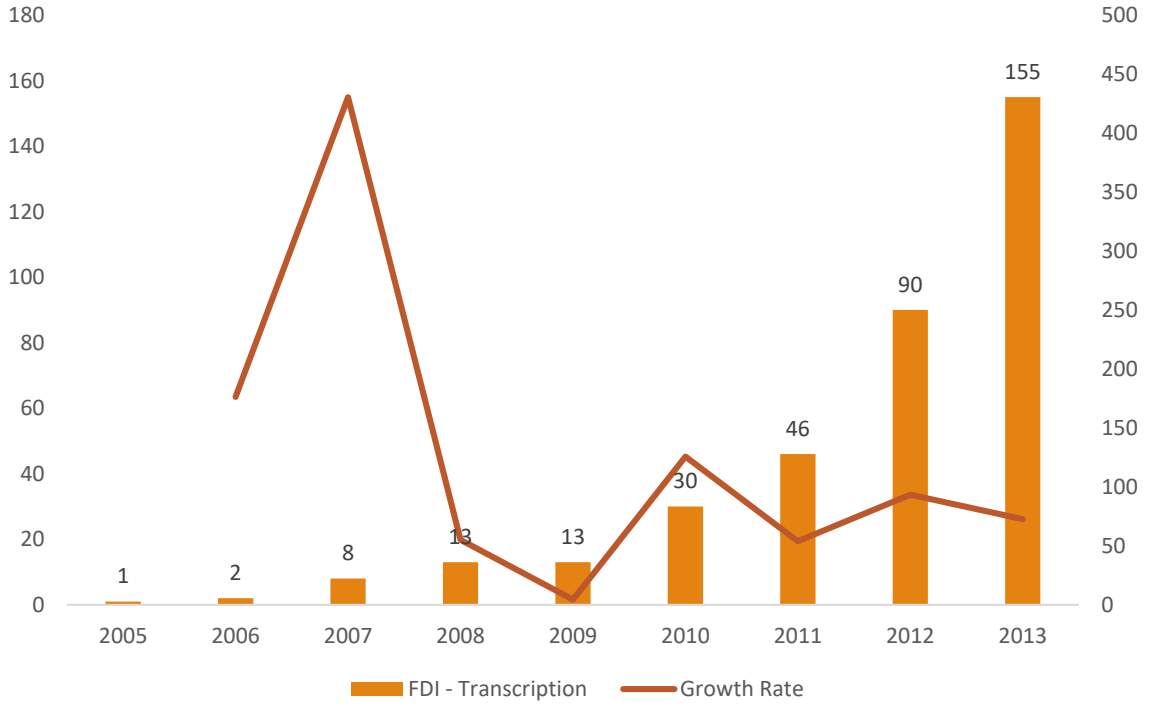
Source: Analysis of WTO data

Cross border movement of services (Mode 1): Healthcare BPOs (Medical Transcription)

Sales revenue and growth rate from IT-BPO category transcription, 2004-2013i (n USD millions)



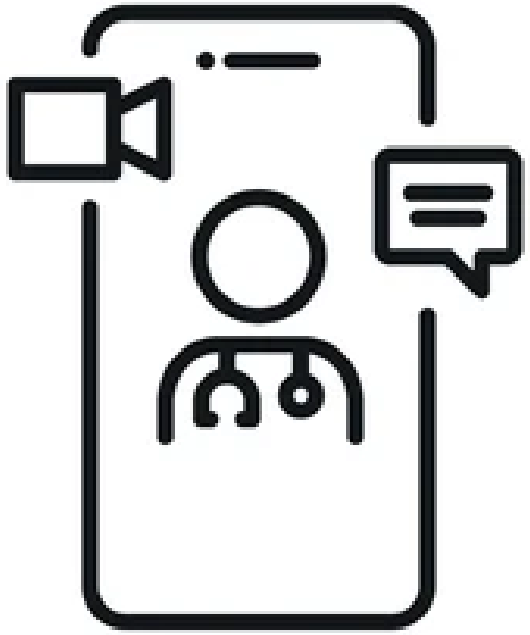
Foreign direct investments and growth rate for transcriptions, 2004-2013 (in USD millions)



Cross border movement of services (Mode 1): Telemedicine

Different Forms:

- *Teleconsultation*
- *Tele-expertise*
- *Telemonitoring*
- *Teleassistance*



Sample Classifications:

- *Teleradiology*
- *Teledermatology*
- *Telepathology*
- *Telepsychiatry*

In the Philippines, the current state of telemedicine is still in its infancy

- The practice and conduct of telemedicine is **not yet institutionalized** despite initiatives over the past decade
- Efforts were accelerated due to the COVID-19 pandemic because of the restrictions on mobility, cross-border travel, and the overwhelmed healthcare system
  - The DOH issued temporary policies regarding the guidelines on the use of telemedicine for COVID-19 response.

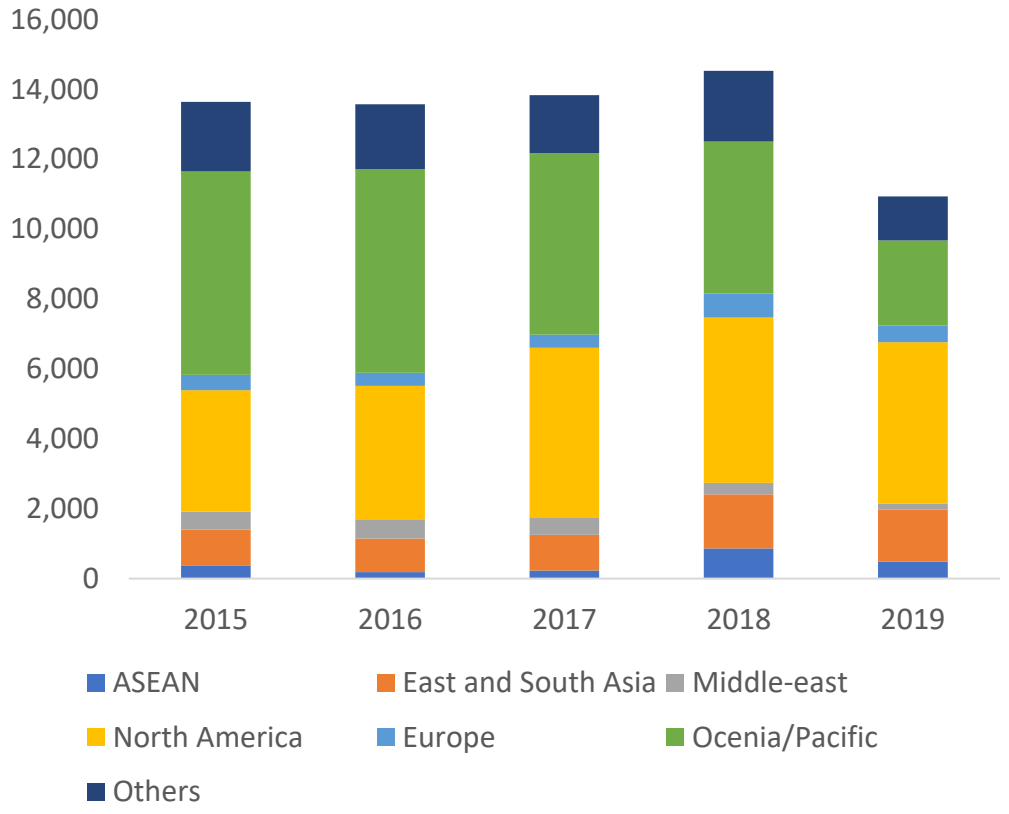
Mode 1: Barriers

GOVERNANCE	HUMAN RESOURCES	FINANCING	SERVICE DELIVERY
No specific regulatory framework yet. Current telemedicine practice tiptoed with existing policies from different agencies	The **existing law** (i.e., Medical Act of 1959) is **ambiguous** and does not explicitly stipulate the practice of medicine at a distance.	**Not much investments are poured into telemedicine.** This may stem out from the lack of institutionalized framework; hence, it is not seen as a priority for budget allotment.	Implementation in health facilities is **fragmented and lacks seamless integration** and coordination.
Electronic medical records domestically are **not interoperable.**	Our laws are restrictive on the **practice of healthcare providers not present in the country** to Filipino residents	There is **no clear mechanism** on how eHealth services (e.g., telemedicine) is **financed**.	In terms of **infrastructure**, the Philippines may not be ready yet to keep up with its ASEAN neighbors
Cross-border **data privacy and sharing regulations** are also unclear.			

Consumption abroad (Mode 2): Medical tourism

1. In 2019, 10,000 tourists visited the Philippines for medical reasons in 2019, of which only 5% came from ASEAN.
2. Picazo (2013) suggests that the Philippines have received approximately 80,000 medical tourists in 2010, which is way below the numbers from the DOT.
3. Medical tourism in the Philippines revolves around ten (10) hospitals accredited by DOT; 3 private hospitals accredited by Joint Commission International (JCI)

Distribution of health professional emigrants by profession, 2010-2017



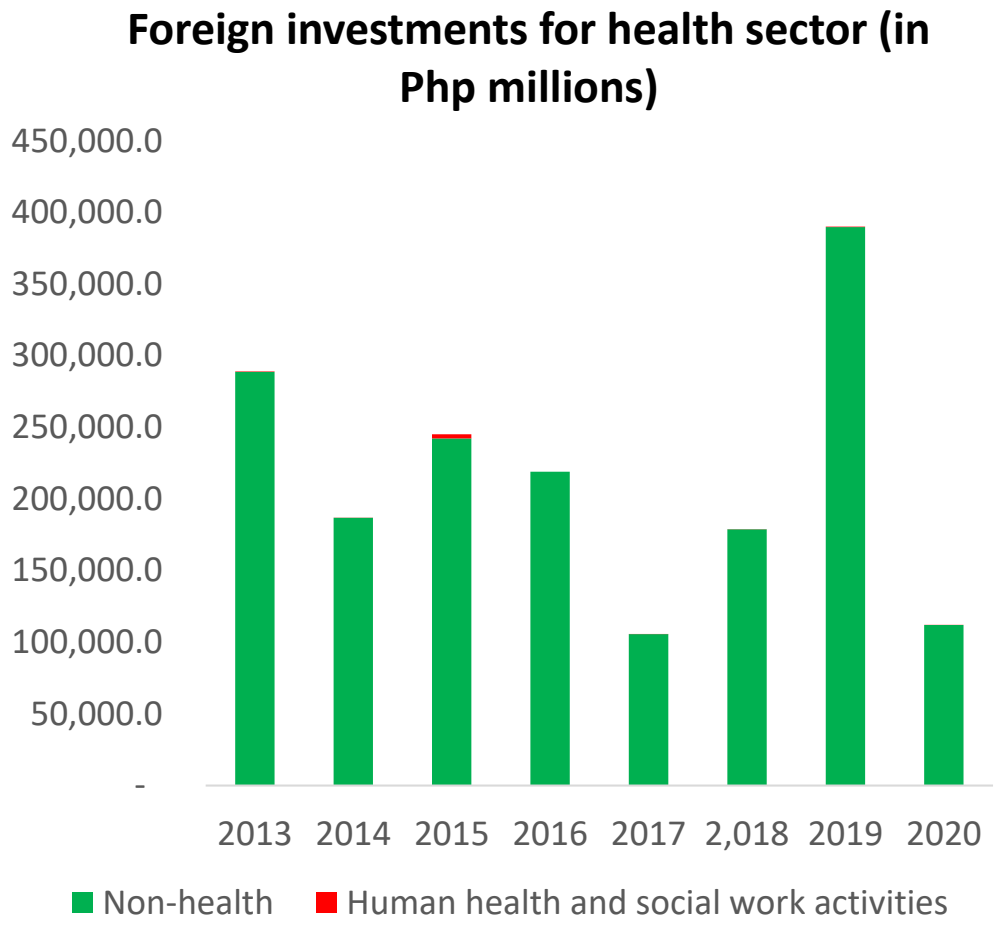
Source: Analysis of data from Philippine Statistical Authority

Mode 2: Barriers

1. **Inequity concerns leading to poor political and advocacy support** – perceived negative effects as it leads brain drain in public hospital systems, dual health systems (inefficient), medical inflation; highly regressive
2. **Regulatory ambiguity and limited capacity**
   - DOH vs. DOT?
   - A small technical office in DOH handles medical tourism, but a stronger technical capacity is needed to set the framework, direction, and standards of the industry (e.g., stringent malpractice law, promotion of price transparency and predictability).
3. **Lack of data to measure the scale of medical tourism industry**

Foreign Investments for healthcare (Mode 3)

1. In 2019, human health activities only account for less than 1% of the total foreign investments.
2. In 2019, 10% of investments in the health sector are foreign in origin.
3. In 2020, domestic and foreign investments in 'human health' have sharply declined.
4. Investments in the health sector have declined from Php3, 200 million in 2019 to Php2,500 million in 2020, a 21% annual decline.



Source: Analysis of data from Philippine Statistical Authority

Implications to trade

1. Expansion of hospital services is one of the areas in which FDI could directly affect the provision of healthcare services.
2. Lessons learned: Cases in the Philippines: Asian Hospitals + Bumrungrad International (2010)
3. Lessons learned: Cases in the Philippines: Metro Pacific Hospital Holdings + KKR and SS (2019)
4. Lessons learned: Case studies in Thailand and India on FDIs in hospitals

Mode 3: Barriers

1. **Foreign ownership restriction** is a major challenge in promoting foreign investments particularly in the hospital sector
   - Foreign ownership in health facilities is limited to a maximum of 40% of the equity capital
   - 100% equity capital in special PEZA-registered medical tourism zones
   - 100% equity capital for distribution of medical goods, such as drugs, devices
2. **Inequity concerns leading to poor political and advocacy support –** perceived negative effects as it leads brain drain in public hospital systems, dual health systems (inefficient), cream skimming and technology centric
3. **Bureaucratic issues; ease of doing business**

Presence of natural persons (Mode 4): Mobility of health workers

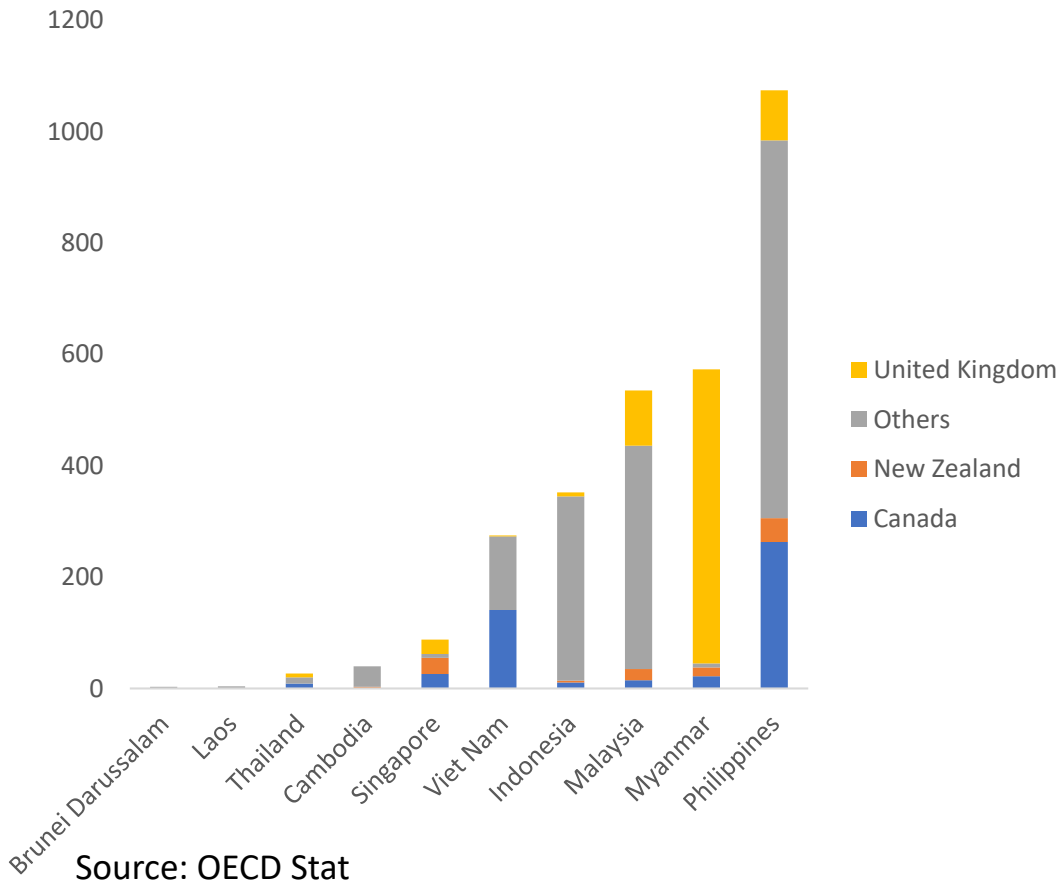
1. The Philippines is recognized to be one of the highest exporters of workforce - 2.2 million Overseas Filipino Workers (permanent resident not included) in 2019 – 81% in Asia (8% in ASEAN).
2. The lack of available data makes it challenging to assess the scale of migration among health workers within ASEAN.
3. High-income countries remain the main destination countries of Filipino health professionals as permanent residents.

Nurses in Singapore, by citizenship

	2003	2010	2017	2019
Singaporeans	12,434	18,176	23,063	24,746
Malaysians	335	468	2,237	2,351
Filipinos	1012	1,760	5,115	5,245
Myanmar	131	165	793	877
Chinese	601	578	654	542
Indian	171	220	573	574
Others	147	208	237	274

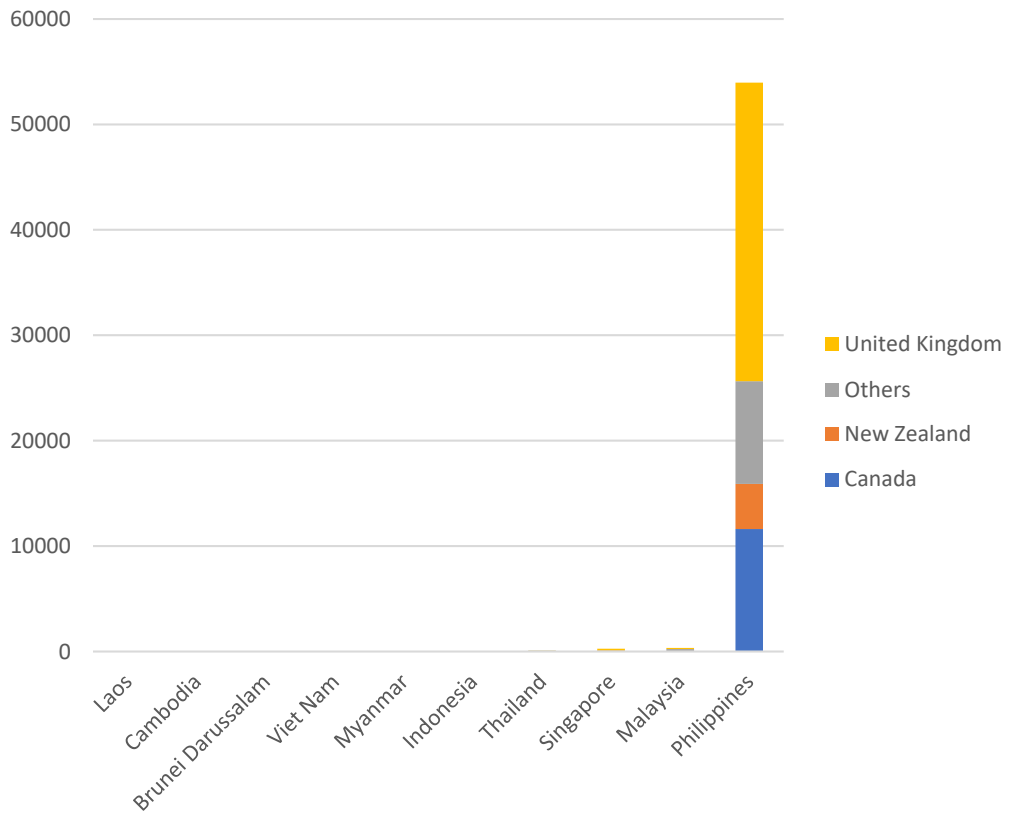
Mobility of health workers

Stock of foreign-trained MDs from ASEAN countries, by country of destination, 2018



Source: OECD Stat

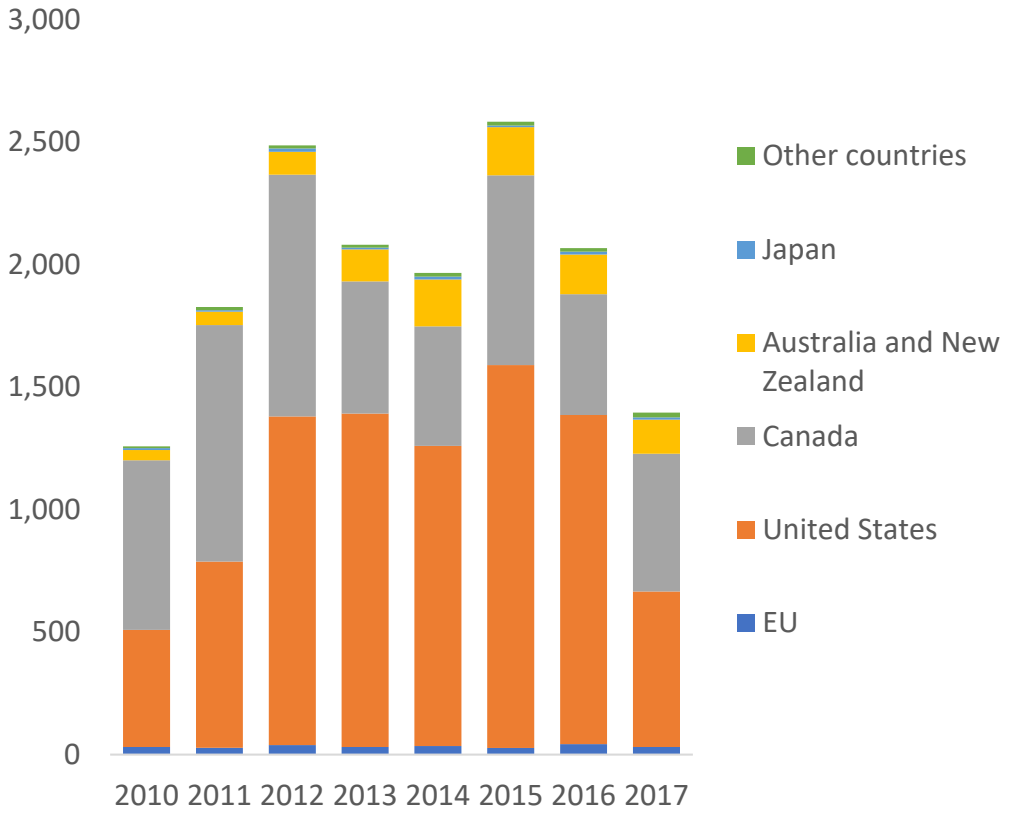
Stock of foreign-trained nurses from ASEAN countries, by country of destination, 2018



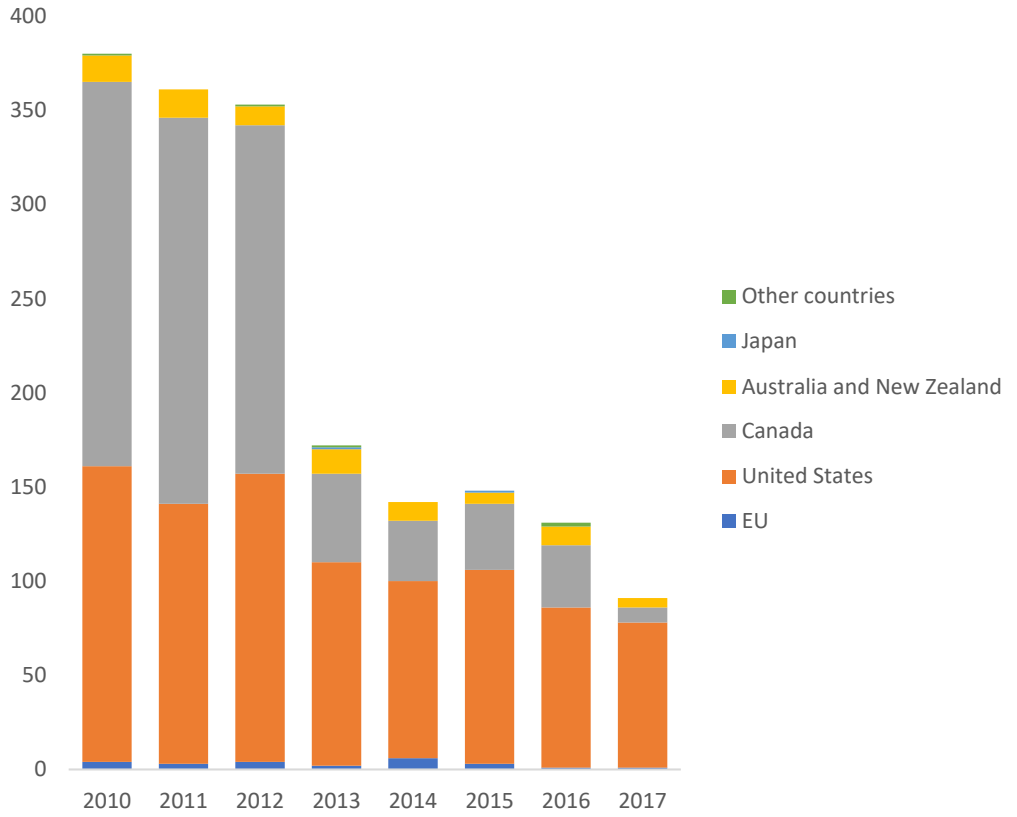
Source: OECD Stat

Mobility of health workers

Number of emigrant Filipino nurses by county of destination, 2010-2017



Number of emigrant Filipino MD by county of destination, 2010-2017



Cross border movement for training of health workers (Mode 4)

Increase capacity and technical skills of health leaders through knowledge sharing platforms:

- **Field Epidemiology Training Network in ASEAN +3:** The Epidemiology Training Program (FET) in ASEAN is a network that provide hands-on training for epidemiologists in the region.
- **Health Technology Assessment (HTA) Capacity building**: Thailand and Singapore sharing best practices
- **UHC Health Financing:** Thailand and Singapore sharing best practices

Source: Analysis of data from Philippine Statistical Authority

Mode 4: Barriers

The Philippines concluded eight MRA and three of these are related to the health workforce. While MRAs are in place, intra-regional mobility of health workers negligible.

1. Inequality concerns
2. Ooccupational protectionism
3. Variable recognition of health professionals across ASEAN states
4. Weak institutional capacity of government agencies to implement MRAs
5. Low incentive to move – lack of social protection scheme, language barrier, cultural diversity

Recommendations

- Strengthen implementation of digital health strategies and health governance structure domestically first and then strengthen intra-regional collaboration of digital health efforts including digital trade
- Facilitate FDI especially in the hospital sector
- Develop and implement a well-thought medical tourism program.
- Strengthen cross-border mobility of health human resource

(1) Strengthen implementation of digital health strategies and health governance structure domestically then strengthen intra-regional collaboration of digital health efforts including digital trade

1. The eHealth Systems and Services Bill should be supported by the Congress to serve as the regulatory framework and to institutionalize telemedicine domestically.
2. Service delivery reforms should be explored to facilitate integration and coordination across health facilities.
3. Interoperability of electronic medical records (EMRs) domestically should be enabled.
4. Health financing reforms for telemedicine should be facilitated.
5. Making telemedicine and EMR a norm among healthcare providers.
6. Privacy laws should be revisited.

(2) Facilitate FDI especially in the hospital sector

Rationale of recommendation

- The Philippines has one (1) bed per 1,000 population
- The 2020-2040 Health Facility Development Plan (HFDP) of the Department of Health, the Philippines need to double the number of beds in the next 20-40 years to meet the health infrastructure gap
- The PHFDP identifies the immense role of the private sector to complement public resources, the government needs to attract both domestic and foreign investments:

How?

- Increase equity capital threshold for hospital foreign investments to 100%.
- Impose additional tax breaks for hospital investments (both local and foreign), provide incentives to build in areas health facilities.
- Accelerated investment approvals
- Implement genuine health financing reforms (e.g., clear provider-purchaser split, PhilHealth reforms; HR remuneration reforms)

(3) Develop and implement a well-thought medical tourism program.

1. **Update and amend regulations and framework for medical tourism.** There should be regulations clearly delineating the roles of the Department of Health and the Department of Tourism in medical tourism programs.
2. **Identify a niche in the medical tourism that complements UHC.** For instance, this includes wellness center, aging and retirement homes as this create communities and ecosystem that promote health communities
3. **Use tax revenues from medical tourism to finance UHC.** This will provide avenue where we can increase the financing sources in order to sustain our endeavors in achieving Universal Health Care.

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Service through policy research

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