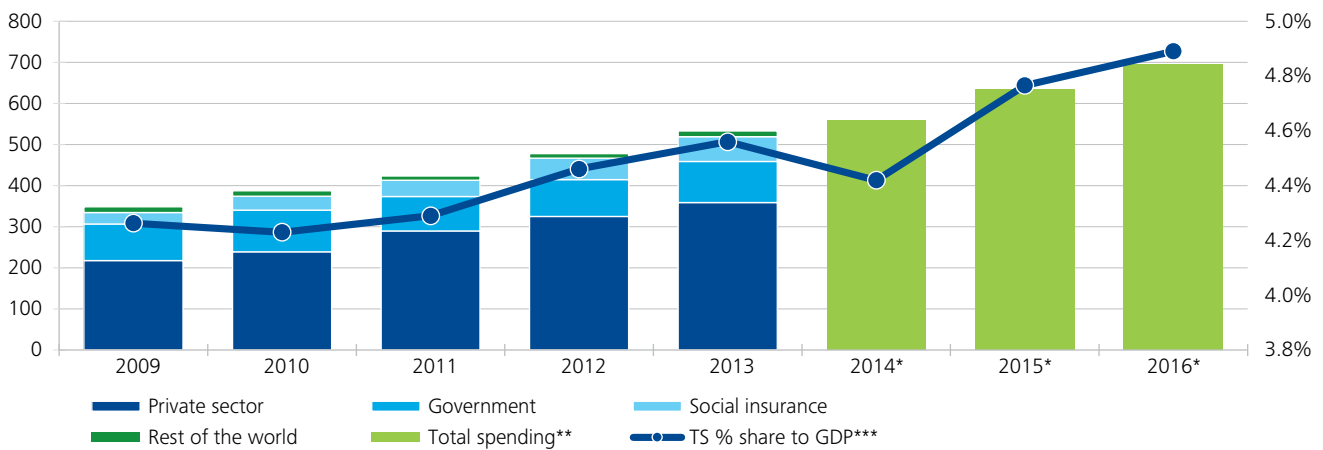


Healthcare in the Philippines

Quick facts

Philippine healthcare spending and % share to GDP



*Estimated; **No breakdown available; ***Nominal GDP (2016 figures based on revised DBCC forecast of 6.8%)
 Source: Philippine Statistics Authority; Economist Intelligence Unit

Overview

The private sector remains the top source of healthcare spending in the Philippines. Between 2009 and 2013, the country spent Php2.1 trillion¹ (USD48.8 billion) on healthcare products and services, with almost two-thirds coming from private sources²; more than half of the total bill was private out-of-pocket spending. In terms of fund utilization, more than 80% of the total amount was spent on personal healthcare³.

The Philippines has the third lowest per capita healthcare spending among Southeast Asia's six largest economies. It is slated to grow fastest between 2011 and 2020, growing on average by 9.3% every year⁴. A similar trend applies for pharmaceutical sales, with average year-on-year growth of 10.4% during the same period; by 2020, the Philippines will become Southeast Asia's second largest pharmaceutical market, with revenues estimated to reach USD10.8 billion⁵.

Two-tier health system

The 1987 Philippine Constitution enshrines as state policy the adoption of "an integrated and comprehensive approach to health development" towards affordable healthcare. The National Health Insurance Program (NHIP), established in 1995 and amended in 2013 to enforce compulsory coverage for all Filipinos, is an important step in achieving that goal by providing a minimum level of healthcare services.

The NHIP is expected to accelerate healthcare spending in the Philippines. That said, even if the government achieves its target of 95% national coverage by 2016, healthcare funding will remain a two-tiered system, with access largely determined by personal capacity to pay⁶. Further compounding the problem is the lack of sufficient quality public healthcare facilities, especially outside major urban areas.

Private sector as healthcare partner

With the national government slow to build capacity, private healthcare facility operators have stepped up to meet the demand: in 2013, private healthcare facilities outnumbered their public counterparts across all levels. Amid a fragmented market structure, conglomerates have pursued M&A deals in recent years to maximize gains and synergies from consolidation. With price remaining a significant hurdle for a large portion of the population, a number of outfits have gone downmarket, lowering barriers for healthcare access without compromising quality.

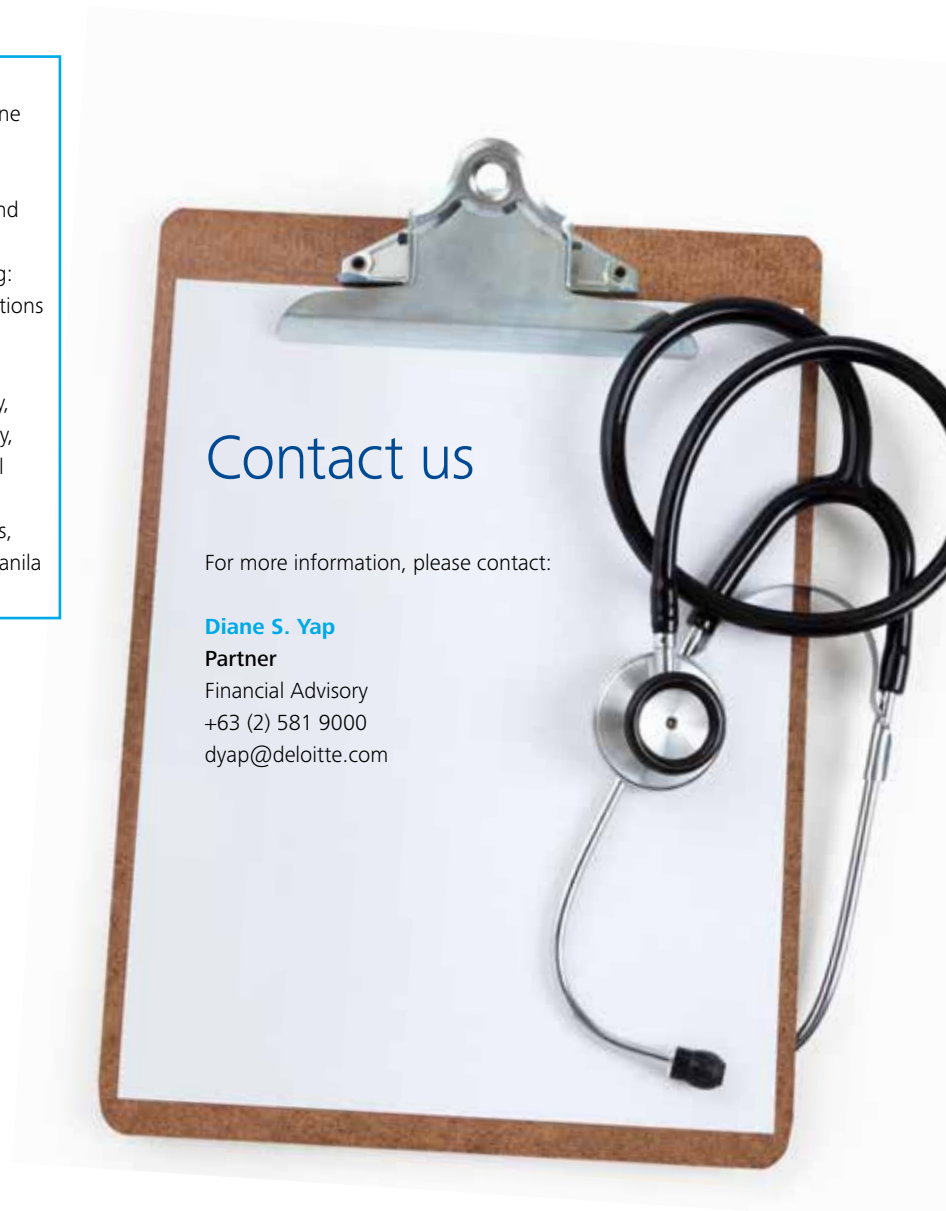
With the Philippines poised to exhibit robust economic and demographic growth in the foreseeable future, building an extensive and capable healthcare backbone has become even more critical. The private sector will continue to figure prominently in bringing that goal to fruition.

1 Philippine Statistics Authority - Philippine National Healthcare Accounts
 2 Comprises out-of-pocket spending, private insurance, health maintenance organizations (HMOs), private establishments, and private schools
 3 Covers expenditures whose benefits accrue to individuals, as opposed to public health care spending that has externalities ("spill over" effects)/public good dimension
 4 Economist Intelligence Unit
 5 Ibid
 6 Picazo, O.F. (2015). "Hospital Governance Reforms in the Philippines: Four Case Studies."

Incentives for qualified enterprises

The 2014-2016 Investment Priorities Plan of the Philippine Board of Investments lists hospitals as among the eight preferred areas of economic activity. Incentives such as income tax holiday on revenues derived from medical and diagnostic services are extended to prospective players provided they establish and operate any of the following:

- General hospitals (Level 1, 2, and 3) in any of the locations identified by the Department of Health with hospital bed-to-population ratios greater than 1:1000
- General hospitals (Level 3) in Boracay Island, Cebu City, Lapu-Lapu City, Puerto Princesa City, Baguio City, Albay, Batangas, Cagayan de Oro City, Davao City, and Bohol
- Specialty hospitals and other health facilities (i.e., custodial care facilities, diagnostic/therapeutic facilities, and specialized out-patient facilities) outside Metro Manila
- Geriatric care facilities



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