

2006 | ASIAN DECENT  
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International  
Labour  
Organization

SERIES:

SOCIAL SECURITY EXTENSION  
INITIATIVES IN SOUTH EAST ASIA

PHILIPPINES:  
EXTENSION OF SOCIAL HEALTH INSURANCE  
COVERAGE TO WORKERS IN THE INFORMAL  
ECONOMY THROUGH ORGANIZED GROUPS

PHILHEALTH EXPERIENCE

**ILO Subregional Office for South East Asia**



*Decent Work for All*

Asian Decent Work Decade

## **1. Background**

Access to health care by the poor is seriously hampered by financial barriers and chronic poverty. This is due both to the costs of obtaining treatment and the loss of income resulting from an inability to work. The high cost of care provided in the many private hospitals across the country and the high prices of essential medicines are contributing factors.

The National Health Insurance Program (NHIP) aims to mitigate these problems. However, it currently reaches 79% of the population, mostly those in formal employment. Health insurance coverage among households operating in the informal economy remains relatively low. While it is estimated that at least 15.5 million of the Philippine labour force is in the informal economy, PhilHealth's coverage of this sector is estimated to be only 45% as of December 2006. A major priority is thus to increase coverage of informal economy workers, both those who can afford to contribute towards the PhilHealth premium and those who cannot.

With a relatively low and unstable coverage rate for informal economy workers, the PhilHealth Organized Group Interface (POGI) was launched in 2003. POGI was an innovative approach to reach out to workers in the informal economy through micro-credit cooperatives. It was pilot tested with 11 cooperatives from Leyte and Cavite provinces however the endeavor did not significantly boost enrollment among informal sector workers.

## **2. KaSAPI programme of PhilHealth**

In 2005, PhilHealth launched its KaSAPI (Kalusugang Sigurado at Abot-Kaya sa PhilHealth Insurance) initiative, a strategy to boosting and sustaining enrolment amongst informal economy workers, a group critical to achieving universal coverage. Under KaSAPI, PhilHealth enters into strategic partnerships with microfinance agencies such as cooperatives, microfinance institutions, NGOs and rural banks, many of which specifically serve informal economy workers. The strategy thus goes beyond the health sector, involving partnerships with many sectors, particularly those involved in financial services, and both government and non-government agencies.

KaSAPI aims for a “triple-win” of all stakeholders: (1) members can obtain health insurance on more flexible payment terms and with less time and hassle, thanks to enrolling through their organized group, (2) partner organizations fulfill their social mission of mitigating illness risks thereby ensuring continuous productivity of members and at the same time they reduce their portfolio at risk through financial protection of members against illness and (3) PhilHealth move closer to fulfilling its mission of universal coverage through an increased and sustainable membership of informal economy workers.

Demand for health insurance among microfinance and other institutions in the Philippines is strong. On the other hand, motivated by their convictions to respond to needs of their clients, microfinance and similar institutions as well as other government agencies are continuously exploring measures to offer financial protection against illness.

In this context, PhilHealth brought together key stakeholders to identify synergies and areas for future cooperation. Broadening partnerships for KaSAPI will facilitate the expansion of the National Health Insurance Program, helping to achieve sustainable universal coverage, whilst strengthening the financial services sector, reducing poverty and boosting economic activity.

Administrative efficiency for the partner organizations and PhilHealth is achieved through this partnership by piggy-backing on information campaigns and collection systems of microfinance institutions. This partnership also allows members to pay PhilHealth premiums in small amounts regularly through their organizations diminishing unstable and irregular membership in PhilHealth.

PhilHealth's Individually Paying Program (IPP) suffers from high adverse selection due to its voluntary nature. Only one-third of members under the program pay regularly. KaSAPI tries to mitigate this problem by setting minimum number of enrollees per organization in exchange for a discounted premium.

KaSAPI is now being implemented in seven regions. As of May 2007, there are 14 organizations working with PhilHealth on KaSAPI enrolling more than 4,000 families. Broadening partnerships of KaSAPI is critical to expand the NHIP in order to achieve its vision of a sustainable universal coverage.

### **3. Observations on the KaSAPI programme**

PhilHealth makes effort in extending coverage to workers in the informal economy as part of its mandate for universal coverage of social health insurance. Informal economy workers could be interested in enrolling PhilHealth benefit coverage as an affordable means to access the large resource pool of the National Health Insurance Program (NHIP); because reducing the burden of health care costs is a major factor in the viability of informal sector enterprises; and because securing health insurance is a component in the eventual formalization of the informal economy. These motivations drive the desire for partnership among PhilHealth, other government agencies, various intermediaries to the informal economy and informal economy workers and households.

Health insurance is a felt need among households in the informal economy. Illness and disease require essential goods and services for their effective management. The costs of these essential goods and services entail financial burdens that are borne by informal economy households through three ways savings, assets and income. Health insurance helps lighten the financial burdens of illness through covering all or part of the expenses; securing beneficiary timely access only to the quality choices of accredited providers; and, facilitating efficient provision of services when provider is assured of being paid for the covered expenses.

The emerging framework is for KaSAPI to serve as the main strategy for extending PhilHealth coverage to the organized informal sector. However, no strategy has yet been identified for similarly extending PhilHealth coverage to the unorganized informal sector. For example, small organized groups such as transport cooperatives are not presently eligible for coverage under KaSAPI.

The implementation of KaSAPI among the organized sector was defined for groups and persons reached by Micro-finance institutions (MFIs), Rural banks (RBs), and Local government units (LGUs). For these intermediaries, PhilHealth enrollment and benefits may be promoted among their members or clients as a valued-added feature of their existing programs and services.

#### **4. Moving forward with implementing KaSAPI**

**(1) Basis for PhilHealth partnering with intermediate entities:**

PhilHealth needs to select its partner intermediaries based on the nature of the interests of the intermediary in adding PhilHealth enrollment promotion as part of its services. PhilHealth also needs to define the acceptable levels of risk profiles of intermediaries with which it partners. Finally, PhilHealth should also consider the management information systems (MIS) capabilities of the intermediary as far as monitoring its clients and members.

**(2) Nature of the intermediary and member/client relationship:**

The intermediary's interests in promoting PhilHealth membership will depend on the nature of its relationships with members or clients. The fit of PhilHealth membership into the intermediary's package of services is a key consideration. The added value of PhilHealth coverage to the overall package of services should be clear and understood, as well as realizable.

**(3) Knowledge, information, trust and understanding:**

PhilHealth beneficiaries all require adequate and correct knowledge and information upon which trust and understanding can be built. In the first place, it is expected that informal sector demand for health insurance is likely to be influenced by self-assessment of their exposure or vulnerability to the risks of unexpected health care costs. They would need sufficient knowledge and information to decide on seeking PhilHealth enrollment. Beyond this, they would also need knowledge and information to utilize health insurance benefits wisely and appropriately.

**(4) Importance of good transactional processing systems for enrollment and benefit provision:**

It is important to consider the interface of PhilHealth systems with the intermediary's systems and to enable technological solutions to improve facility and ease for members. Mobile communications as well as internet-based systems should be applied as appropriate.

**(5) Health program and PhilHealth enrollment:**

It is important for all partners to recognize that PhilHealth enrollment is merely one component of a more complete package of health programs. It is recognized that at present, PhilHealth enrollment is mainly attractive for its support to the expensive inpatient (hospitalization benefit) care, but clients and members of informal sector organizations require a means to access health education, out-patient benefits, and affordable quality drugs and pharmaceuticals. The more complete the PhilHealth benefit package could attract PhilHealth membership in the informal economy workers. The Department of Health (DOH) should also be involved in assuring that PhilHealth coverage and benefits are designed and provided in the context of basic public health

protection (mainly financed through tax spending), including health at the workplace and occupational safety, and promotion of sound health practices at households and communities (mainly through education and mass media information). It is also important to harmonize PhilHealth benefit coverage with the coverage of other sources of health benefits, such as the Employees Compensation Commission, among others.

(6) PhilHealth organizational response to these issues:

PhilHealth will need to act as the active facilitator of any partnership in order to extend social health insurance coverage to the informal sector. To address these issues, PhilHealth will need to devise an organizational and institutional mechanism for managing these issues in ways that provide prompt, viable and effective solutions suitable to informal economy conditions.

Reference:

PhilHealth, GTZ, *Broadening Partnerships to Extend Social Health Insurance*