Title: Philippine Health Insurance Corporation vs. Commission on Audit

Facts:

1. Between 2012 and 2013, the Commission on Audit (COA) issued several Notices of Disallowance (NDs) disallowing various benefits and allowances granted to PhilHealth employees.
2. The NDs cited lack of legal basis for said payments, marking them irregular, excessive, and issued without approval from both the Department of Budget and Management and the Office of the President.
3. The total amount disallowed was PHP 5,010,607.83, referencing multiple allowances from 2011 and 2012, including Medical Mission Critical Allowance, Sustenance Gift, Contractor's Gift, Longevity Pay, Excess Representation, and Transportation Allowance (RATA), among others.
4. Various officials, including Presidents and Vice Presidents of PhilHealth, fiscal controllers, and division chiefs were held liable for the disallowed sums.
5. PhilHealth employees appealed to the COA-Corporate Government Sector Cluster 6, but the appeal was denied.
6. PhilHealth later filed a petition for review with the COA Commission Proper, reiterating the properness of the disbursements.
7. The COA modified its decision: it held the certifying and approving officers solidarily liable but originally exempted the recipients from refunding the amounts received.
8. Upon a Motion for Reconsideration, the COA upheld the disallowance, requiring the recipients to return the sums received.
9. PhilHealth then petitioned the Supreme Court asserting its fiscal autonomy, supported by various legal arguments and precedents.

Issues:

1. Is PhilHealth granted absolute fiscal autonomy under its charter (Republic Act No. 7875)?
2. Was COA justified in disallowing the various benefits and allowances granted to PhilHealth employees?
3. Are the recipients of the disallowed benefits obliged to refund the amounts received?
4. Are the approving and certifying officers liable to return the disallowed amounts?
5. Do executive communications and OGCC Opinions confirm PhilHealth's fiscal independence sufficiently to override the disallowances?

Court's Decision:

1. **PhilHealth's Fiscal Autonomy:**

– The Supreme Court held that while PhilHealth has autonomy to fix compensation, it is not exempt from Republic Act No. 6758 (Salary Standardization Law), which requires presidential approval for such benefits.
– The court reiterated that PhilHealth’s power to fix compensation doesn’t mean unbridled discretion to issue all kinds of benefits independently.

2. **Disallowance of Benefits:**
– The disallowed allowances (except the longevity pay) lack a valid legal basis under prevailing laws and were correctly disallowed by the COA.
– Grant of longevity pay was validated based on Republic Act No. 11223, which classifies PhilHealth employees as public health workers.

3. **Refund Obligations:**
– Recipients of disallowed benefits must refund the amounts received. Exceptions to this rule include cases where the amounts were genuinely given in consideration of services rendered, or due to undue prejudice, social justice, or humanitarian considerations. None of these exceptions were applicable here.

4. **Liability of Approving and Certifying Officers:**
– Approving officers were held solidarily liable, as their failure to adhere to established jurisprudence and COA directives constitutes gross negligence.
– Certifying officers were held not solidarily liable, as their duties were ministerial without involvement in policy or decision-making.

Doctrine:
1. **Fiscal Autonomy Limitation:** Government-owned and controlled corporations like PhilHealth must obtain presidential approval for allowances and benefits pursuant to Republic Act No. 6758 and other applicable laws.
2. **Good Faith by Recipients:** Recipients of disallowed benefits generally must refund the amounts unless exceptions like services rendered, undue prejudice, etc., are present.
3. **Approving vs. Certifying Officers’ Accountability:** Approving officers can be held solidarily liable for disallowed amounts if they fail to adhere to required legal procedures, indicating gross negligence. Certifying officers cannot be held liable if their actions were merely ministerial.

Class Notes:
– **Key Elements in Disallowances:**

– Source of disallowed payments lacked legal basis.
– Absence of required presidential and DBM approval.
– PhilHealth fiscal autonomy is not absolute and must conform to overarching laws like the Salary Standardization Law.

– **Essential Legal Principles:**
– Good faith can exempt recipients from refunding disallowed amounts.
– Gross negligence by approving officers leads to solidary liability.
– Certifying officers, in absence of bad faith or gross negligence, are not generally liable.

Verbatim Citation:
– **Republic Act No. 6758:** "Allowances, honoraria, and other fringe benefits… shall be subject to the approval of the President upon recommendation of the Commissioner of the Budget."

Historical Background:
– The National Health Insurance Act of 1995 (Republic Act No. 7875), establishing PhilHealth, aimed to provide comprehensive health insurance to all Filipinos. Over time, ambiguities in its fiscal autonomy led to numerous legal challenges, especially regarding compensation and benefits.
– Continuous disputes led to the involvement of the Supreme Court to clarify these legal ambiguities, culminating in primary rulings such as those highlighted in this case.