

RULES AND REGULATIONS ON THE SUPERVISION OF HEALTH MAINTENANCE ORGANIZATIONS

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SECTION 1. Title - These rules shall be known as the "Rules and Regulations on the Supervision of Health Maintenance Organizations."

SECTION 2. Authority - These rules and regulations are issued pursuant to Section 4(h), Executive Order No. 119 which mandates the Department of Health to,

"...regulate the operation of and issue licenses and permits to government and private hospitals, clinics and dispensaries, laboratories, bloodbanks, drugstores, and such other establishments which by the nature of their functions are required to be regulated by the (Department)..."

SECTION 3. Purpose - These rules and regulations are promulgated to:

- 3.1. ensure the general public of quality services by the Health Maintenance Organizations, and
- 3.2. promote the growth of these Health Maintenance Organizations.

SECTION 4. Definition of Terms - As used in these rules,

- 4.1. "Association" shall refer to the Association of Health Maintenance Organizations in the Philippines.
- 4.2. "Contract" shall refer to any contract or agreement entered into by the Health Maintenance Organization with a member or group of members for the provision of any pre-agreed or designated health care services.
- 4.3. "Department" shall refer to the Department of Health.
- 4.4. "Health Maintenance Organization (HMO)" shall refer to a juridical entity legally organized to provide or arrange for the provision of pre-agreed or designated health care services to its enrolled members for a fixed pre-paid fee for a specified period of time.
 - 4.4.1. "Investor-based HMO" shall refer to one organized to operate at a profit.
 - 4.4.2. "Community-based HMO" shall refer to one organized as non-profit for the benefit of a particular community.
 - 4.4.3. "Cooperative HMO" shall refer to an HMO that fills the requirements of a cooperative as prescribed in the Cooperative Code of the Philippines and whose nature and operation are governed by the Cooperative Development Authority.
- 4.5. "Member" shall refer to any individual who has contracted, or on whose behalf, a contract has been entered into, with an HMO.
- 4.6. "Provider" shall refer to the physician, hospital or any other institution or person licensed to provide health care services.

SECTION 5. Regulatory Authority - The Department through the Office for Health Facilities Standards and

Regulations (OHFSR) shall exercise all regulatory functions embodied herein, subject to such powers and functions granted to the Securities and Exchange Commission and the Cooperative Development Authority by existing laws.

SECTION 6. Clearance to Operate - All Health Maintenance Organizations (HMOs), whether investor-based, community-based or cooperative, are hereby required to procure a Clearance to Operate from the Department through the OHFSR.

Existing entities who wish to expand operations and engage in the HMO business must likewise get a Clearance therefor from the Department.

SECTION 7. Application Requirements - The Department through the OHFSR shall supply a standard application form to be filled out by each applicant HMO. Each application for clearance shall be accompanied by the following:

7.1. A statement of the HMO's capitalization duly certified and attested by the Securities and Exchange Commission (SEC) or the Cooperative Development Authority (CDA), as the case may be;

7.2. A listing of the names and locations of the providers and other persons or facilities either owned or controlled by the applicant HMO or with whom it has contracted to furnish designated health care services to its prospective members;

The minimum facilities required of any applicant HMO shall be:

7.2.1. For an investor-based HMO operating as a stock corporation:

7.2.1.1. management of one tertiary hospital or affiliation with five (5) affiliated tertiary hospitals

7.2.1.2. an Outpatient Clinic with basic diagnostic facilities for:

- resting ECG
- chest and extremity X-rays
- CBC, urinalysis and fecalysis

7.2.2. For a community based or cooperative HMO operating as non-stock or non-profit:

7.2.2.1. one (1) affiliated general hospital

7.2.2.2. one (1) affiliated Outpatient Clinic

7.3. A copy of the standard benefit packages to be offered to prospective members;

7.4. Schedule of fees to be charged for the standard packages;

7.5. Forms of all standard contracts to be entered into with prospective members;

7.6. A copy of the brochures on the standard procedures for availment of benefits to be given to prospective members;

7.7. A statement describing the differences, if any, in the standard benefits and fees of a Medicare member against a non-member;

7.8. copy of the agreements between the applicant HMO and the providers who shall furnish the pre-agreed or designated health care services to the HMO's prospective members.

SECTION 8. Fees - The applicant HMO shall pay a non-refundable processing fee based on the following

schedule:

- P25,000.00 for a stock corporation
- P 5,000.00 for a non-stock or non-profit cooperative or community-based HMO

SECTION 9. Issuance of Clearance - The Department shall issue the clearance within thirty (30) days from filing of the completed application and upon payment of the prescribed fee.

In the event that an application for clearance is denied, the Department shall notify the applicant within thirty (30) days from the filing of the completed application.

SECTION 10. Renewal - The Clearance to Operate shall be renewed annually. The Department shall grant the renewal to an HMO upon its compliance with the following:

10.1. Minimum requirements as stated in Section 7 hereof;

10.2. A statement of the HMO's financial reserves in liquid securities duly certified by the external auditor;

10.3. Submission of the following documents by May 15 of each year.

10.3.1. Audited financial reports which shall include the balance sheet, income statement and statement of operating expenses;

10.3.2. Operational Reports which shall include actuarially certified data on active members, claims experience and other related information; and

10.3.3. Any amendment/change in the documents submitted to the Department as prescribed in Section 7 hereof.

These documents must be duly certified by the external auditor or the actuary, as the case may be. These shall be kept by the Department and made available to the public upon request.

Failure to submit these documents on time shall subject the concerned HMO to cancellation of its Clearance to Operate.

10.4. Payment of renewal fee in the amount of P5,000.00 and P1,000.00 for a stock corporation and a non-stock or non-profit cooperative or community-based HMO, respectively.

SECTION 11. Review of Requirements - The Department, in consultation with the industry association, shall periodically review the requirements prescribed herein.

SECTION 12. Arbitration - All questions or complaints of members or providers against an HMO shall first be referred to the Association for submission to the grievance machinery established for the purpose; provided, that the HMO complained of is a member of the Association. Complaints against non-member HMOs shall be directed to the Department.

In the first instance, the Department shall assume jurisdiction over a case only upon certification from the Association that no settlement has been reached within thirty (30) days after the same has been submitted to the grievance machinery.

The Department shall settle all questions or complaints within sixty (60) days from receipt thereof.

All contracts entered into by an HMO with its members shall include a statement advising them about this arbitration procedure.

SECTION 13. Sanctions - Suspension, cancellation or revocation of the Clearance to Operate shall be imposed

against an HMO found by the Department upon examination to have repeatedly violated any of the provisions contained herein.

A re-application fee of P5,000.00 for stock corporation and P1,000.00 for non-stock or non-profit cooperative or community-based HMO shall be charged against HMOs seeking to apply for a new Clearance after the old one has been cancelled or revoked.

SECTION 14. Publication - The Department shall periodically publish a list of HMOs with Clearance to Operate and those whose Clearance has been suspended, cancelled or revoked. Medical and employer organizations shall be provided a copy of this list.

SECTION 15. Transitory Provision - HMOs which have been registered with the Securities and Exchange Commission or the Cooperative Development Authority and have been operating prior to the adoption of these rules and regulations should apply for clearance within a year from the effectivity hereof.

The Clearance will be issued only upon compliance with the requirement prescribed above.

SECTION 16. Effectivity - These rules and regulations shall take effect fifteen days after publication in the Official Gazette or in a newspaper of general circulation.

Adopted: 20 July 1994

(SGD.) JUAN M. FLAVIER, M.D., M.P.H.
Secretary of Health

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