Consolidating Primary Health Care Financing in a Devolved Setting

Case study from the Philippines

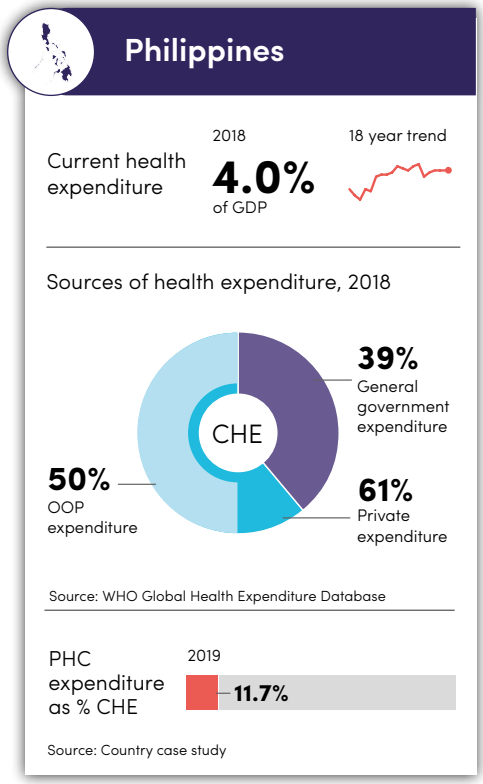
The Lancet Global Health Commission on Financing Primary Health Care

SYNOPSIS

Lagrada-Rombaua L, Encluna J, Gloria E

As part of its endeavour to bring services closer to people, the Philippines government has devolved the delivery of health services to local government units (LGU) and primary health care (PHC) to city and municipal governments. Municipal health officers (MHOs) are responsible for mobilising funds for health from multiple sources including local government, national government, PhilHealth insurance, donors and households. They face several challenges in raising sufficient funds for PHC and in bringing together these sources of funding to allocate resources effectively. To overcome these challenges, two new laws, the Mandanas Doctrine and the Universal Health Coverage (UHC) Act, aim to increase financing for LGU and to integrate financing and service delivery arrangements respectively.

This paper examines the different sources of funding for PHC in the Philippines and the mechanisms used to consolidate funding flows, drawing on national level data and information from key informants in four municipalities. It highlights the difficulties faced by municipalities in mobilising funds and implications of the new legislation for PHC.



SOURCES OF FUNDING FOR PHC IN THE PHILIPPINES

There are several mechanisms through which municipalities raise revenue. At the local government level these include local taxes, non-tax revenues and Internal Revenue Allotment (IRA) – a share of national revenue allocated across local governments. IRA is the main source of funds for most municipalities, especially those in rural areas. PHC and other devolved health services do not, however, receive a mandatory resource allocation from the IRA and, as a result, the budget allocated for health is often insufficient to cover the cost of planned programmes, activities, and projects.

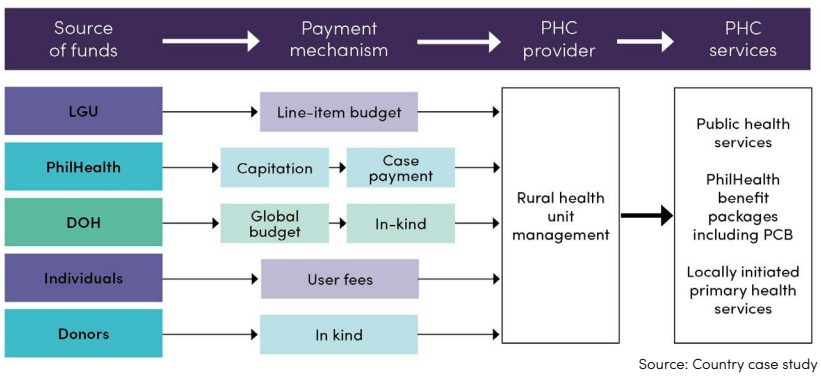
Beyond local government budgets, MHOs also mobilize funds for PHC from the national level through the Department of Health (DOH). In recent years, the DOH has implemented several policies to augment financing for PHC including the Health Facility Enhancement Program, which provides grants and in-kind contributions for facility infrastructure and equipment, and the Human Resource for Health Deployment Programme which deploys and pays the salaries of health workers.

In addition to local and national government funds, Philhealth has also been a source of PHC funding since it was introduced in 1995. Insurance claims payments are made to municipalities on a per-capita basis unlike the government grants and line-item budgets. However, the release of funds through PhilHealth is often delayed and unpredictable, preventing many municipalities from depending on this as a reliable source of funding in their annual plans.

FRAGMENTED FINANCING

The multiple sources of funds for PHC, and different payment mechanisms, mean that the financing flows for PHC services are fragmented (see figure 1). It is not always clear who is responsible for funding different PHC services, resulting in a lack of accountability and considerable administrative workloads. MHOs aim to organize and consolidate PHC resources through local health plans,

Figure 1: Financing flows for PHC in the Philippines



Source: Country case study

based on the health needs of the municipality as well as the development goals of the country, the health sector and the LGU. Despite improvements in local planning and budgeting procedures, municipal plans have not been effective in consolidating funds for PHC due to different planning and procurement requirements from the DOH and PhilHealth, and the influence of local policymakers on priority setting and resource allocation decisions, which can undermine plans.

FORTHCOMING CHANGES IN FINANCING PHC

Two new laws have been introduced to overcome the challenge of inadequate funding for health. The Mandanas Doctrine sets out to increase the IRA of municipalities by 55% by 2022, whilst also removing DOH support to local government units and health facilities. A potential setback of this policy is that there is no law or policy mandating a specific percentage of the LGU budget is allocated to health. Whilst current support from the DOH will be significantly reduced, it is not guaranteed that LGUs will increase their spending on health.

The second piece of legislation, the 2019 Universal Health Care Act, has two key features. First, it establishes health care provider networks at the provincial level to rationalise the use of PHC resources, encouraging providers to share health personnel and pool procurement of medicines and health commodities. Second, the Act stipulates province-wide pooling of all resources for health services through a Special Health Fund (SHF), including from local government units, national government agencies, PhilHealth and donors. The aim is to remove overlaps in health spending, preventing duplication in health financing and institutionalizing gatekeeping at primary care facilities.

The devolution of the health sector has resulted in fragmented pooling structures and a lack of ring-fenced local government funding for health. Whilst LHU have managed to mobilise funding from a variety of sources, upcoming policy changes will remove some of these funding flows. They also bring potential benefits in reducing fragmentation and promoting effective resource allocation for PHC.

LESSONS LEARNED

1. **Mandate a per capita spending target for primary health care** based on resource needs for both population interventions and general outpatient care, to guide resource allocation decisions.
2. **Build the capacity of elected officials and MHOs in public financial management** including capacity to set priorities, pool funds and allocate resources effectively. Clear public financial management procedures and decision-making processes will realize the efficiency gains from pooling resources at the provincial level in the Philippines and promote financial protection.
3. **Build political support for mobilising funds for health** by increasing policymakers' awareness of local health needs and demonstrating capacity to spend health resources effectively.
4. **Establish a robust performance monitoring system** that will inform continuous improvement of health service providers. Regular generation of robust evidence that demonstrates achievement of UHC goals will cement the confidence of local politicians and the public in the health system and protect pooling arrangements from negative political interventions.

This synopsis is based on one of 10 country case-studies written for the Lancet Global Health Commission on Financing Primary Health Care:

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