PhilHealth coverage in the informal sector: Identifying determinants of enrollment

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The social health insurance (SHI) of the Philippines came into being in 1995 when the National Health Insurance Act (Republic Act or RA 7875) was promulgated.¹ One of the schemes of the Philippine Health Insurance Corporation (PhilHealth) is the Individually Paying Program (IPP), the voluntary component of the country’s SHI.

Those enrolled in the IPP scheme are individuals who opt to pay for their own membership. They generally include the self-employed, self-earning, and those in occupations without a formal employer-employee relationship.

Philippine medical care has remained expensive and the government has aimed at achieving universal health coverage in order for the poorer segment of the population to use health care without impoverishing them. Given the voluntary nature of the IPP, it has become an important point of focus for the expansion of the SHI in achieving universal coverage.

There are numerous theories on health insurance enrollment. Ultimately, the decisionmaking process is done on an individual level. There is an array of variables considered in this decisionmaking process.

In Viet Nam, affordability and quality of care

¹ This study was done prior to the enactment of the National Health Insurance Act of 2013 (RA 10606), which amends a considerable portion of RA 7875.
were found to be significant determinants of health insurance availment (Castel et al. 2011). In Thailand, income, educational level, and illness were factors that swayed the decision to enroll (Supakankunti 2000), while in Ghana, income, education, services delivery adequacy, and ‘health beliefs and attitudes’ were found to be the determining factors (Jehu-Appiah et al. 2011).

In the Philippines, determinants of enrollment into the voluntary scheme of the national health insurance have not been fully studied. A considerable part of the labor force belongs to the informal sector as illustrated in Figure 1. The number of people in the informal sector has remained steadily at around 43–50 percent of the total labor force. The massive informal sector highlights the importance of the IPP since these are individuals without a formal employer-employee relationship.

This Policy Note aims to identify the determinants of enrollment into the IPP. Identifying predisposing factors will allow for better and more efficient targeting of the sectors of the population that are otherwise difficult to capture.

Key findings

Coverage rate for IPP at the national level ranges between 56 and 58 percent, depending on the estimate of potential dependents. This indicates that over 40 percent of the population who do not qualify as dependents and are not employed in the formal sector has no health insurance coverage.

Disparities exist between regions and provinces as well, with coverage rates ranging from an abysmal 3 percent (Sulu and Tawi-Tawi) to leakages reaching 166 percent (Quezon). However, in a concurrent study of the Employed Program, the two provinces with lowest coverage rates were found to have extreme leakages (over 200%). These low coverage rates might then be explained by respondents in the Labor Force Survey.

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2 Ideally, the decision to enroll should be analyzed at the individual level. However, due to data constraints, provincial-level variables for both demand- and supply-side factors were used in the analysis.

3 Potential dependents are excluded from the calculation. Coverage rates are estimates of individuals who should be principal members.
incorrectly classifying themselves under formal private establishments instead of under the informal sector categories. If this is the case, these coverage rates are expected to improve. Most provinces with coverage rates below 20 percent are lone-standing islands. This might be an indication of an access issue.

Regional coverage rates are shown in Figure 2, which includes two estimates.\(^4\) The x-axis is taken as the line of full coverage. The negative plane indicates undercoverage and the positive plane indicates leakage. The farther the region is from the line of full coverage, the greater the leakage or undercoverage.

Bicol and Eastern Visayas (Regions V and VIII) regions have among the lowest coverage rates at 23.58 percent and 28.95 percent, respectively. Leakages were observed in the Davao Region (Region XI) with a regional coverage of 124.8 percent while SOCCSKSARGEN (Region XII) nears full coverage.

**Identified provincial characteristics**

The regional figures show considerable variation between regions. Provincial figures are even more erratic. A number of provincial characteristics were identified in order to explain the existence of the said variation.\(^5\) Four points are worth highlighting.

First, availability of health-care resources appears to be an important consideration in terms of the level of coverage in the province. Bed-population and health professional-

\(^4\) Two estimates of potential dependents were derived. The conservative estimates included all potential dependents of those employed in the formal sector that are employed in the informal sector. The liberal estimates are comprised of the conservative estimates and the rest of the informally employed under the age of 21.

\(^5\) These provincial characteristics were used as independent variables in an ordered logit regression in order to identify which provinces are more likely to have undercoverage, full coverage, or leakage.
By supporting the health insurance system, and in effect promoting enrollment, the consumers are able to decide which services to avail of. This fosters market competition that could encourage unsustainable public health services providers to innovate in order to compete with the rest of the market.

Channeling public funds into the health insurance system instead of to public providers. The results indicate that there is a tendency to avail of services in the private sector. In countries where public health services are not established, there is a culture of mistrust toward public health facilities. In the achievement of universal coverage in South Korea, Kwon (2009, p. 69) noted that by channeling budget allocation to health insurance “in the form of premium contribution increases the leverage that the health insurance scheme can use on health care providers.” This recommendation is not to undermine government health services providers. By supporting the health insurance system, and in effect promoting enrollment, the consumers are able to decide which services to avail of. This fosters market competition that could encourage unsustainable public health services providers to innovate in order to compete with the rest of the market.

Examining the depth of coverage of the IPP. The benefits of the IPP scheme are one sided with a strong emphasis on inpatient care. One of the lessons learned from South Korea is that the introduction of outpatient care coverage led to an increased benefit of health insurance that was tangible to the population. Also, it minimized the dropout rates (Kwon 2009). Since income does not appear to be a barrier in obtaining health insurance for the nonpoor segment of the population, it denotes that something else is. Obermann et al. (2006) note that one of the problems in

seemingly encourages individuals to enroll into the health insurance scheme, presumably with the notion that if care is sought, they can avail of private medical services with the use of PhilHealth. This is consistent with the substitution effect observed for voluntary health insurance in the literature.

Third, income levels do not appear to be a factor in determining the level of insurance coverage of the province. This is demonstrated by two results—the magnitude and significance of the average household income of the nonpoor population and the real income per capita of the province.

Lastly, the size of certain sectors has a significant effect on the coverage levels observed in the province.

Moving toward universal coverage in terms of enrollment

Given the results from the provincial level analysis, the following should be taken under consideration.

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6 This study needs to be corroborated by an individual-level analysis given that this is the unit of the decisionmaking process. This can be done upon the release of the 2013 National Demographic and Health Survey results.
health-care delivery in the Philippines is high prices of medicines. This type of expenditure is often incurred through outpatient services. Indeed, if there is an impression that the coverage offered by the health insurance will not account for the majority of their health expenditures, the individual will see no need to avail of health insurance. A study should be conducted on out-of-pocket (OOP) expenditures incurred by outpatient services. If high OOPs are established, this would be a basis for expanding the current outpatient benefit package of PhilHealth to include those who are part of the voluntary program as well.

Service availability and accessibility in targeted provinces. In order for individuals to take the decision to enroll into health insurance scheme, they must first see its value. Availability and accessibility of health care services is a crucial determinant in the decision to avail or not to avail of health insurance. As previously noted, provinces with the lowest coverage tend to be lone-standing islands. The issue of availability and accessibility might then be particularly true for certain provinces that are more geographically constrained. Government providers can address this problem through the provision of mobile clinics or the augmentation of district hospitals especially in geographically isolated areas. Both can be done through public-private partnership. PhilHealth can help address this issue by assisting in the accreditation process of the closest health-care facilities. Furthermore, PhilHealth can facilitate in information campaigns in selected areas to let people know where the closest PhilHealth-accredited facilities are located and what services they can avail of from these providers using their health insurance.

Targeting certain employment sectors. The agricultural sector and those employed in manual labor are more likely to have lower coverage rates. Identifying sectors that employ individuals who are less likely to avail of health insurance will allow for a targeted approach to achieving universal coverage. Creation of programs similar to the Kalusugang Sigurado at Abot-Kaya sa PhilHealth Insurance, which partners with local nongovernment organizations and rural banks, is a way of expanding into certain employment sectors that tend to have low coverage levels.

The informal sector is composed of 43–50 percent of the total labor force in the country. Members of this sector are covered by the voluntary schemes of the National Health Insurance Program. (Photo from blogs.worldbank.org.)
References


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