Panelists discuss fragmented healthcare industry

Closure looms for 300 'mom and pop' hospitals in the Philippines

The country's smaller players are getting jittery as they are being wiped out by larger healthcare players.

The demise of as much as 300 out of 2,000 mom and pop hospitals in the Philippines, or small family-owned hospitals housing around 50-100 beds, looms in the near future as they cope with increasingly unsustainable operations due to increasingly heated competition from the country's medical giants. The lack of financial assistance from the central government, plus the increased competition from improving facilities and services in public hospitals threaten their very existence, according to speakers at the first Healthcare Asia Roadshow Forum held last March 1 at the Makati Shangri La.

"I am predicting the demise of mom and pop hospitals. The small hospitals the 50-100 bed hospitals - owned by the father, he built it, the son inherited it, and the sister and wives run it - they will not be able to compete with likes of Metro Pacific, Ayala Health United," said **Dr Teodoro Herbosa**, Executive Vice President of the University of the Philippines System who also served as the former undersecretary of the country's Department of Health.

This grim outlook comes as the share of private sector hospitals is steadily eating up the local healthcare pie after private beds grew from 51% to 54% in a mere three years, effectively stamping on smaller medical service providers.

"This is happening [right now]. Either you sell out or you try to invest, you try to just be competitive with your efficiency models," Herbosa added.

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Mom and pop hospitals play a key role in the delivery of healthcare services in the Philippines, an archipelago of more than 7,000 islands, as major healthcare providers may be unable to meet the medical needs of communities far from the city center from which they are usually located. "Our health system is fragmented," said Dr Enrique Tayag, Assistant Secretary of the Department of Health.

Sin tax

The looming extinction of local, family-run hospitals is aggravated by ongoing improvements for the public healthcare sector which is drawing footfall away from smaller healthcare players. Most illustrative of this was when government healthcare facilities like the country's largest state-run medical provider Philippine General Hospital witnessed improvements in its facilities thanks to a steady stream of revenue following the passage of the Sin Tax bill last 2012.

The bill, which reformed excise taxes on tobacco and alcohol products, allocates 80% of collected taxes for the government's universal health care programme. The remaning 20% are distributed nationwide for medical

Middle class is veering away from private hospitals

assistance and healthcare facilities.

In fact, incremental revenue from the bill contributed to more than half (56.09%) to the Health Department's budget for 2016. "When we passed the Sin Tax, the government finance people said we would earn only about $577.2m (Php30b) a year. In the first year in 2013, we earned $2.5b (Php130b) from cigarette taxes, 85% of that went to health care," Herbosa said.

However, the improvements reportedly prompted complaints from mom and pop hospitals because after the revenue boost, the government started buying equipment like CT scans, MRIs, ultrasound, to upgrade their systems which drew potential customers away, Herbosa said.

"The middle class started moving away from the private sector and started going to the public hospitals," he added. "This is also affecting the private sector business."

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Private sector model

Striking the right balance between improving healthcare delivery and keeping hospitals on steady financial footing is also a problem for Philippine hospitals especially amidst the rising inequality in healthcare access, according to **Erlina Oracion**, Clinical Quality Director for The Medical City.

"How do I keep [both] my patients and my investors? How can I improve healthcare quality and keep my institution financially stable?" Oracion asked.

This is further aggravated by a massive brain drain problem crippling the growth of the medical industry as the country's doctors and nurses leave the Philippines in droves to seek opportunities in wealthier countries that can offer undeniably higher wages and better living standards. A report from The Economist Intelligence Unit identifies the Philipines and India as the two countries which account for a massive share of the developed world's healthcare labour force, particularly for Organisation of Economic Development (OECD) countries like Australia, Canada, the United States and the United Kingdom.

And this shouldn't come as a surprise. A doctor working in United Arab Emirates (UAE) gets paid around US$5,093 monthly compared to a measly $542.69 received by a doctor earning his keep in the Philippines.

In terms of specialisation, overseas Filpino workers in the healthcare industry, speciifically pediatricians and gynecolists, also earn the highest average salary at $2,239 monthly.

"This outflow of doctors, which has resulted in an alarming ratio of 1 doctor to 1,429 Filipinos, could get worse if we do not provide them better working conditions, and decent pay and benefits commensurate to their qualification," Philippine senator Antonio Triallanes IV said in a legislative committee after putting forward a bill lobbying for a doubling in government doctor salaries.

As of this writing, the bill is still pending second reading.

Faced with a systemic migration problem, the government must step in and ensure that the quality of healthcare services are kept at a standard even as it tries to keep its doctors and nurses within its borders. "The core business of government is not to run hospitals but to regulate that and provide a standard," Herbosa said.

Despite this noble aim, the government's primary healthcare insurance provider, PhilHealth, is another source of headache for most private hospitals as its antiquated model and ill-equipped technology infrastructure is placing the most burden on local and family-run hospitals, according to **Rustico Jimenez**, president of the Private Hospitals Association of the Philippines.

"You want a system that isn't bureaucratic but one that is agile and very efficient," Herbosa said.

In exchange for PhilHealth accreditation for the institution's quality of care, service delivery and establishments, hospitals and other health care providers are eligible for reimbursements under the National Health Insurance Programme.

However, Jimenez said that local accredited hospitals are not properly receiving their dues. He cited an instance when a 10-15 bed hospital, which is eligible to $57,720-$76,960 (Php3m-4m) in financial assistance, received only $3,848-$5,772 (Php200,000-Php300,000).

Despite a provision under RA 10932 mandating the PhilHealth to reimburse health care providers for the basic emergency care and transportation costs incurred by poor and indigent patients, Jimenez cited anecdotal

Agile healthcare system

reports PhilHealth delaying claims payments by two to six months.

"The big hospitals can shoulder the claims of PhilHealth, but the small hospitals will eventually close," Rustico warned, adding that a private sector model might enable the government health insurance agency to deliver better healthcare services. A report from the World Health Organisation similarly describes the poor state of health financing in the lower middle-income country. "In the Philippines, health financing is fragmented with insufficient government investment, inappropriate incentives for providers, weak social protection and high inequity."

Institutional threats

If it's any consolation to mom and pop hospitals, the worldwide industry push for digitalisation and AI threatening the very existence of smaller players is still a few years away from mainstream adoption in the Philippines where most hospitals still do much of their record-keeping by pen and paper. It's also the last thing on the mind of local healthcare providers who face the more pressing issue of upgrading of their respective facilities and buying advanced equipment to service community needs.

The small hospitals cannot really afford the necessary tech infrastructure and would rather spend it on various upgrades like facilities and medicine, Jimenez added. Even St. Luke's Medical Center, one of the country's largest hospitals with over $20m invested in various health tech initiatives, has just rolled out its digital transformation roadmap last November and is still in the process of building on its petabyte storage capacity. "We're not there yet," said President of St. Luke's Medical Center **Arturo de la Peňa** in response to questions about the threat AI poses to healthcare industry. "Hopefully, by the middle of this year, we might be able to standardise collating our data on all aspects of medical care."

Andres Licaros Jr., President of the Asian Hospital and Medical Center, echoes this sentiment and adds that it's up to big-name hospitals like them to show smaller hospitals how AI can serve as a force of good in record-keeping.

It thus comes as no surprise that the Philippine healthcare system has but few vulnerable points to cyberattacks as the country is still in its infancy stages of adopting digital models compared to other developed

Local push for digitalisation has been difficult

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countries."There's nothing to cyberattack [in the Philippines] because you can't attack paper documents," A**tty. Bu Castro** of the Philippine Hospital Association jokingly said. However, just because the Philippine healthcare system has few weak points doesn't mean it can't beef up its cybersecurity platforms now to prepare for the digital threats of the future. This is because several studies stress that hospitals, alongside governments and banks, are the top targets for cyberattacks because of the wealth of sensitive information they have on individuals in the form of patient records.

To do this, hospitals must set aside the position of Chief Information Officer to someone in management who can provide accurate feedback from boardroom to patient care, and not delegate the task to a person with IT background, Herbosa recommended. "The strength of your IT security is only as strong as your weakest staff," said The Medical City CIO **Raymund Brett Medel** who urged training for local healthcare professionals to help cope with the cyber threat. "Security and risk assessment is vital."

Digital threats are not the only bane plaguing Philippine hospitals face as the Marawi siege has shown that hospitals and doctors are amongst those first to be caught in the crossfire as armed conflict erupted between Islamic State-inspired rebels and government forces last May. The Amai Pakpak Hospital in Marawi, Lanao del Sur was the backdrop in which government forces first clashed with Maute group. After over four months of battle and massive losses on both sides, President Rodrigo Duterte officially declared the city free from terrorist group.

A growing climate of impunity is similarly hampering the delivery of healthcare in the Philippines, according to **Oscar Tinio,** former president of the Philippine Medical Association. He cites the murder case of 31 year old barrio (provincial) doctor Dreyfuss Perlas who was deployed in Lanao Del Norte, a southwest part of the archipelago and killed on his way home from a medical mission last March. "When a physician or a healthcare provider is killed, it sends a message that there is impunity," Tinio lamented. Amidst a myriad of internal and external issues plaguing the Philippine healthcare system, it might take more than a few years and heightened private and public sector participation to get the sickly system back on its feet. *Sandra Sendingan & Danielle Isaac*

Facing the digital threats