

**Improvement of the Implementation Procedures and Management Systems for Health Facilities
Enhancement Grant of the DOH
Executive Summary**

Introduction

One of the major challenges in the Philippine health sector is providing access to appropriate health facilities for the poor and the marginalized sector of the society. Recognizing this problem, one of the inaugural commitments of the Aquino administration is ensuring that quality and affordable care reaches each and every Filipino during his term. The Health Facilities Enhancement Program (HFEP) is one of the banner programs of the Aquino Administration for the upgrading of health facilities as well as providing training to health professionals to improve the access of people to quality health care.

The program was initially available to Local Government Units (LGUs) in F1 sites only but has now expanded to cover all provinces in the country. In the course of the program's implementation, the Department of Budget and Management (DBM) has received feedback regarding difficulties encountered by the DOH in implementing this program.

The *Improvement of the Implementation Procedures and Management Systems for Health Facilities Enhancement Grant of the DOH* study addresses the need to identify the difficulties encountered by the DOH in implementing the program for the efficient allocation of funds for facilities across the country. It assesses the indicators used in choosing which facilities should be targeted for upgrading to ensure equity in the allocation of funds. This study specifically aims to map and examine the rationale for the choice of facilities that will be upgraded through Health Facilities Enhancement Grant (HFEP). It also lays-out some policy options that can be considered to improve equity and efficiency in allocation of funds.

Description of Program: HFEP

The DOH implemented the HFEP with the main goal of improving the delivery of basic, essential and as well as specialized health services. The project envisions revitalization of primary health care facilities and the rationalization of the various levels of hospitals to decongest referral hospitals.¹ Facilities will be upgraded to make them more responsive to the "need" of the catchment area, to provide Basic Emergency Obstetric and Newborn Care (BEmONC) and Comprehensive Emergency and Newborn Care (CEmONC) services to the population, and to strengthen the health facility referral system or network.

Specifically, the HFEP aims to upgrade priority BHSs and RHUs to provide BEmONC services for the reduction of maternal mortality; to upgrade government hospitals and health facilities in provinces to make them more responsive to the health needs of the catchment population; to upgrade lower level facilities to be able to accommodate nursing students and to establish gate-keeping functions to avoid congestion in higher level hospitals, and; to expand the services of existing tertiary hospitals to provide higher tertiary care and as teaching, training hospitals.

¹DOH Department Order no. 2008-0162 entitled, "Guidelines and Procedures for the Implementation of the Government Hospital Upgrading Project under the CY2008 Health Facilities Enhancement Program Funds of the DOH" dated 7 July 2008.

HFEP Budget and Budget Release

The HFEP received a separate line item starting 2007, but only P10 million was allotted for Capital Outlay (CO). Budget for CO has been increasing from P1.6 billion to P3.2 billion in 2008 to 2010, and has jumped to P7 billion in 2011. Budget for Maintenance and Other Operating Expenses (MOOE) remained constant from 2008 to 2011 at P27.5 million.

In terms of budget releases, a Special Allotment Release Order (SARO) is issued by the DBM once a request for facility is approved. The DOH then issues a Department Order indicating the guidelines for the release and utilization of funds for the recipient LGU or hospital. A Sub-Allotment Advice (SAA) is then released by NCHFD, through the Finance Service, to the CHD or retained hospital. The CHD then releases the fund to the recipient LGU.

Sources of Fund

Aside from the GAA, the HFEP sources funds from realignments from the Family Health Office (FHO), the Katas ng VAT program, and Congressional and Senate Initiatives. In 2008, 36% of HFEP funds were from other sources: 25% from the Katas ng VAT, 8% from Congressional Initiatives and 3% from Senate Initiatives. In 2010, FHO realigned P503 million for the upgrading of BHSs and RHUs into BEmONCs and CEmONCs.

This external source of fund mixes up the allocation criteria set in choosing priority facilities for upgrading. Ideally, HFEP budget allocation is based on “needs” which is defined in the facilities rationalization plan of the provinces. However, this set of criteria may be disregarded in the process to accommodate various requests for funding.

Planning and Budgeting

All requests for HFEP budget from LGUs, OSEC and DOH hospitals are forwarded to the CHD for review and forwarded to NCHFD for further review and approval. However, some requests have been directed to the OSEC and other officials of the DOH, which is a diversion in the process flow of approval for HFEP funding as stipulated in Department Memorandum no. 2010-0104. There were instances that this practice may lead to disregard of the HFEP criteria on BEmONC/CEmONC, provincial rationalization plan, and the PIPH.

Budget Allocation

The DOH has a set of criteria in determining priority areas for facility upgrading (DM 2010-0104). Three main criteria include: LGU Priority, CHD Review and Plus Factor. Aside from the criteria, it was found out that the DOH has a number of Administrative Orders on defining “needs” (AO 2006-0022 on Public Health, AO 2006-0027 on Performance Based Budgeting for DOH Hospitals, and AO 2006-0029 on Rationalizing the Health Care Delivery System Based on Health Needs). Despite this, the study found out that none of the HFEP guidelines explicitly mentioned any of the AOs in the guidelines for allocation and release of funds for HFEP.

A closer look at the allocation to provinces reveals that there is no link between the province’s HFEP allocation to its poverty incidence, population, or PIPH requirement.

Budget Execution

In the normal course of fund release, after the GAA is ratified, DBM issues a SARO that will authorize the release of funds for HFEP. DOH then issues a Department Order that provides an outline as to how the fund will be utilized. After this, the Finance Office will issue sub-allotment orders to CHDs and hospitals. Only when they receive their SAAs could they start entering into contracts with suppliers.

It takes an average of 200-310 days from the date the GAA was signed to the release of SAA (Table 4). Fund release was longest in 2009 with 310 days and it has improved in 2010 with 200 days. In 2008, HFEP budget that came from the GAA line item budget was released within the year. Delays were mostly found on funds sourced from congress and senate initiative. The main source of delay is mostly from the time the GAA was passed to the time DBM issued a SARO, which, in 2008 took as long as 400 days in issuing the SARO for a Senate funded initiative.

Monitoring and Control

The Infrastructure Division of the NCHFD is one of the offices collecting monitoring reports for HFEP. They collect information on percentage completion of infrastructure projects and procurement/delivery status of equipment funded by HFEP. Aside from this, a clear monitoring and reporting system does not seem to exist. Future efforts outlined by DOH includes the use of web-based tracking system where information will be uploaded by LGU/CHD engineers for real time updates on HFEP, and issuing an directive that will explicitly show delineation of responsibilities by various offices involved in monitoring and evaluation.

Recommendations

The results of the study suggest:

- *A clearer policy on allocation of HFEP funds needs to be drafted.* The department memorandum on HFEP allocation should be made consistent with the DOH reform agenda of rationalizing health facilities based on health needs.
- *A need for securing a sustained funding source for HFEP.* Improvements in health facilities are critical in the implementation of the Aquino Health Agenda. Allocation of some HFEP funds in the past appears to have been influenced by requests from some politicians during budget deliberations. According to interviews, these requests were mostly accommodated to ensure funding for the program in the future. It may be more equitable if reliance on funding the project from such initiatives will be minimized and the source of fund for HFEP be guaranteed from its line item budget in the GAA.
- *A need for establishing a monitoring and evaluation plan for HFEP.* The monitoring system from 2007-2010 has unclear assignment of responsibilities as to who monitors fund utilization of HFEP. The recent initiative of DOH in issuing a Department Order that will clearly define the delineation of roles of different agents involved in HFEP is a step in the right direction.