Profile and Taxation of the Health Maintenance Organization Industry in the Philippines*

I. INTRODUCTION

Health maintenance organizations (HMOs) are an important part of the Philippine health care system, providing plans to cover healthcare-related costs as well as some protection from unexpected financial shocks due to the treatment of serious illnesses. The HMO is also one of the fastest-growing elements of the National Health Expenditures Account, which estimates the country's total healthcare spending by type of service/good consumed and who funds and finances this care, among others. The importance of HMOs becomes more apparent as the country is affected by the COVID-19 pandemic.

This paper provides basic information on the country's HMO industry as well as its corresponding tax treatment to serve as input in policymaking decisions to support the industry.

II. BACKGROUND INFORMATION

An HMO is an entity that provides, offers, or covers designated health services for its planholders or members for a fixed prepaid premium (Universal Health Care Act, 2019). In the Philippines, HMOs, insurance companies, and pre-need companies function under a common concept of receiving compensation, either through premiums or contributions, promising certain contractual benefits in the future.

The HMOs act as middlemen between the doctor and patient by providing access to medical services through pre-paid health plans with a network of doctors, clinics, and hospitals. An HMO plan can either be serviced through a full-risk program or administrative-services-only (ASO) or third administrator program, to wit: (Maxicare, n.d.)

a. **Full-risk program** refers to a program where the HMO requires the payment of membership fees per member, which are computed on a per-account basis and are based on the company demographics together with a defined set of benefits; and

b. **ASO program** is a third-party program administration wherein a client can set up and maintain a revolving fund from which the availment cost will be drawn out.

* Prepared by Lianne Carmeli B. Fronteras, Senior Tax Specialist, reviewed by Justin Philip R. Alegria, Supervising Tax Specialist and reviewed and approved by Monica G. Rempillo, Economist V, Economics Branch, and OIC-Deputy Executive Director, NTRC.

The HMO plans are considered different from health insurance policies. The latter are offered and sold by insurance companies, either life or non-life, with a list of covered illnesses. The companies assume risks and indemnify losses brought about by the covered illnesses [House Bill (HB) 304, 2019]. Table 1 highlights the distinctions between an HMO plan and health insurance policies in the country.

Table 1

HMO Plan vs. Health Insurance

Particulars	HMO plan	Health insurance
Benefit availment	Charge the hospital bill against a yearly amount set by the HMO.	A cash lump sum will be given upon diagnosis of an illness defined in the policy.
	Limited across their network of doctors and hospitals.	Since a lump sum is given to the policyholders, they can choose their own health care facility or doctor.
Coverage age	Usually covered until age 65.	Most policies will cover until age 75, and some can even offer coverage until age 100.
Daily hospitalization	Room type is dependent on the provision of the HMO.	Depending on the plan, cash is provided on a daily basis to offset income loss due to hospitalization.
Premium	Annually renewed, so that premium may change annually too as the member age.	Premium is decided upon the availment of the plan and is fixed throughout its life.

Note. AIA Philam Life. (n.d.). *Life and Health Insurance vs. HMO: Which Protection is More Beneficial for you?* Retrieved December 7, 2020, from https://www.philamlife.com/en/live-better/health/health-insurance-vs-hmo-know-the-difference-and-similarity.html

The HMOs offer pre-paid, comprehensive health coverage to their members by contracting with hospitals, physicians, and other health professionals for their services. Members must choose among these providers in a network for all health services, and membership is contracted for a specified period, usually for one year, renewable annually. The pre-paid fees or membership fees cover the treatment inside and outside health institutions.

A. Regulatory framework

Presently, the Insurance Commission (IC) supervises and regulates the HMO industry pursuant to Executive Order (EO) No. 192, series of 2015.[1] However, prior to the issuance of EO 192, HMOs were only mandated to secure clearance to operate from the then Office for Health Facilities and Regulations of the Department of Health (DOH) pursuant to EO 119, s. 1987,[2] as implemented by DOH Administrative Order No. 34.[3] The issuance of EO 192 has led to the transfer of the regulation and supervision over HMOs to the IC as the government recognizes that HMO functions are akin to insurance and pre-need companies.

Section 5 of EO 192 provides that all HMOs, whether investor-based, community-based, or cooperative, are hereby required to comply with the regulatory requirements of procuring a license to operate from the IC. The IC will honor previously issued "Clearance to Operate" by the DOH, subject to modifications, revisions, adjustments, and changes as may be provided in the implementing rules and regulations.

As provided under Circular Letter (CL) No. 2016-41[4] issued by the IC, no new HMO in a stock corporation shall engage in the business of HMO in the Philippines unless it has a paid-up capital of at least P100 million. For community-based and cooperative HMO, a capital equivalent of 50% of what is prescribed for a regular HMO is required. In the case of a foreign HMO applying for an HMO branch license, no license shall be issued unless the branch has a statutory deposit of at least P100 million in cash and/or allowable securities approved by the IC. All existing domestic HMOs must have a minimum paid-up capital of P10 million. (See Table 2.)

[1] Entitled, "Transferring the Regulation and Supervision over Health Maintenance Organizations from the Department of Health to the Insurance Commission, Directing the Implementation Thereof and for Other Purposes", (November 12, 2015).

[2] Entitled, "Reorganizing the Ministry of Health, Its Attached Agencies and for Other Purposes", (January 30, 1987).

[3] Entitled, "Rules and Regulations on the Provision of Health Maintenance Organizations", (July 20, 1994).

[4] Entitled, "Minimum Capitalization and Financial Capacity Requirements for HMOs", (July 29, 2016).

Table 2

Minimum Paid-up Capital for HMOs

Particulars	Paid-up capital
Existing domestic HMO	P10 million
New HMO	P100 million
Community-based and cooperative-based HMO	50% of what is prescribed for regular HMO
Foreign HMO applying for an HMO branch license	Statutory deposit of at least P100 million

Note. IC, Minimum Capitalization and Financial Capacity for HMOs, Circular Letter No. 2016-41, sec. 1.1 (July 29, 2016).

To further protect their members, CL 2016-48[5] mandates the HMO to deposit at least 20% of HMO's actual paid-up capital with the IC or at the trustee bank acceptable to the Commissioner through which a custodial account is utilized. Cash, treasury bills, treasury bonds, or any combination that are accepted to the Commissioner, which has a value of not less than 20% of HMO's actual paid-up capital, is prescribed. The said deposit shall be used to assure the continuation of health services to their members.

Also, to avoid confusion to the general public, the IC directs all entities intending to do HMO business in the Philippines to reflect their HMO line of business in their corporate/company/business name. Per CL 2016-45,[6] a prospective HMO is directed to include words or phrases such as "health maintenance", "health care", "medical care", "health services", "managed care", and other variations that would properly identify it as an HMO entity. The IC also issued CL 2017-19,[7] which provides that an HMO product may be issued on an individual/family or group basis with maximum coverage of 12 months subject to renewal. However, as a limitation, an HMO product shall not have any savings or investment component or any mortality risk.

With regard to complaints filed against the HMOs, the mediation proceedings will be handled by two associations, namely, the Association of Health Maintenance Organization of the Philippines (AHMOPI) and the Philippines Association of Health Maintenance Organization Companies, Inc. (PAHMOC). (CL 2018-14[8], 2014)

[5] Entitled, "Deposit Requirements for Health Maintenance Organizations (HMOs)", (September 1, 2016).

[6] Entitled, "General Guidelines on HMO Corporate Company and/or Business Name", (August 15, 2016).

[7] Entitled, "Guidelines on the Approval of HMO Products and Forms", (March 31, 2017).

[8] Entitled, "Guidelines in the Handling of Complaints Filed against Health Maintenance Organizations", (January 30, 2018).

B. Industry profile of HMOs in the Philippines

The country's HMO industry started in the late 1980s as a spillover from the successful experience of the United States of America and was mostly attached to insurance. At least 95% of the country's six million HMO members are on corporate plans. Still, these are generally integrated into the National Health Insurance Program administered by the Philippine Health Insurance Corporation (PhilHealth), wherein the treatment is paid first by the same. The remainder is settled by HMOs, with employers contributing to premiums for their employees. (Oxford Business Group, n.d.)

The industry's health expenditure grew from P32.27 billion in 2015 to P53.80 billion in 2020 or with an average growth rate of 10.88%. Also, it constituted an annual average of 6.36% of the total health expenditures from 2015 to 2020. (See Table 3.)

Table 3

Health Expenditure by Health Care Financing Scheme, 2015-2020 (Amounts in Billion Pesos)

Year	Amounts		HMO	
	HMO	Total health expenditures	% Share to total	Growth rate (in %)
2015	32.27	543.58	5.94	-
2016	37.15	598.46	6.21	15.12
2017	43.48	655.71	6.63	17.04
2018	48.79	714.77	6.83	12.21
2019	51.86	792.55	6.54	6.29
2020	53.80	895.88	6.01	3.74
Average	44.56	700.16	6.36	10.88

Note. Philippine Statistics Authority. (2021, October 14). *Philippine National Health Accounts: health spending registered 12.6 percent growth, share of health to economy went up to 5.6 percent in 2020* (Reference No.:2021-427). Retrieved December 20, 2021, from https://psa.gov.ph/content/health-spending-registered-126-percent-growth-share-health-economy-went-56-percent-2020

As reported by the 2017 Philippine Demographic and Health Survey, only 2.3% Filipinos had availed of health insurance coverage from the private sector, such as insurance companies, HMOs, and pre-need insurance companies. With the growing awareness of the importance of healthcare coverage, the number of licensed HMOs increased from 29 in 2017 to 32 in 2019. In 2019, the number of enrollees, both full-risk HMO agreements and ASO, increased by 13.47% and 0.25%, respectively. Similarly, the industry's total membership fees increased by 18.34%, but its net income declined by 19.29% during the same year, which can be

attributed to the increase in health benefits and claims paid by the industry. (See Table 4.)

Table 4

Key Statistics of HMO Industry, 2017-2019 (Amount in Million Pesos)

Particulars	2017	2018	2019	Growth rate (%)	
				2018	2019[1/]
Total membership fees	38,157	41,880	49,559	9.76	18.34
Net income	737	1,757	1,418	138.40	(19.29)
Number of licensed HMOs	29	31	32	6.90	3.23
Number of members/enrollees					
Full-risk HMO agreements	3,661,606	4,113,044	4,666,926	12.33	13.47
ASO	857,194	975,543	977,977	13.81	0.25

Note. IC. (2021, December 28). *Key statistical data 2016-2020* [Data Set]. Retrieved from https://www.insurance.gov.ph/key-data/

In 2019, four HMOs landed in the Top 1,000 corporations published by BusinessWorld with total gross revenue of P43.33 billion and net income of P1.33 billion. Maxicare Healthcare Corporation registered the highest gross revenue amounting to P16.79 billion or more than one-third of the total gross revenue of the four HMOs. Meanwhile, Asalus Corporation recorded the highest net income of P618 million. The gross profit margin varied from a high of 23.40% (PhilhealthCare, Inc.) to a low of 10.50% (Maxicare Healthcare Corporation) or an average of 15.43%. (See Table 5.)

Table 5

HMOs Included in the Top 1,000 Corporations, 2019 (Amounts in Million Pesos)

HMO	Rank	Gross revenues	Net income	Gross profit margin (%)
Maxicare Healthcare Corporation	163	16,786	234	10.50
Asalus Corporation	204	14,185	618	14.80
Medicard Philippines, Inc.	279	9,672	352	13.00
PhilhealthCare, Inc.	811	2,685	131	23.40
Total		43,328	1,335	
Average		10,832	334	15.4

Note. BusinessWorld. (2020). *Top 1000 corporations in the Philippines.* BusinessWorld Publishing Corporation.

C. Role of HMOs during the COVID-19 pandemic

As a response to the COVID-19 pandemic, the government has implemented community quarantine measures in the country. The pandemic has also temporarily halted almost all economic activities in the country resulting in an unexpected loss of income for the majority of Filipinos.

Given the gravity of the COVID-19 pandemic, the government implemented Republic Act (RA) No. 11469,[9] or the "Bayanihan to Heal as One Act", that provided subsidies and tax reliefs like the minimum 30-day grace period for the payment of all loans falling due within the period of enhanced community quarantine without incurring interests, penalties, fees or other charges. In line with this policy, the IC saw the need to urge its regulated entities to provide a more lenient policy regarding payment of considerations to ease the financial burden and ensure continuous coverage for those affected by the outbreak. Hence, CL 2020-18[10] was issued to provide for an extended grace period of at least another 31 days for the payment of insurance premiums/contribution, installment amounts, and/or membership fees that remain unpaid during the period from March 15 to April 13, 2020, or up to a later date deemed appropriate by the company. However, with the passage of RA 11494,[11] or the "Bayanihan to Recover as One (BARO) Act" and its guidelines over pre-need and insurance industries via CL 2020-95,[12] HMOs were not included in the mandatory 60-day grace period for the payment of premiums or installments falling due within the effectivity of RA 11494 until December 31, 2020.

The IC, through CL 2020-24,[13] strongly encouraged HMOs to extend the coverage of health insurance policies and HMO agreements to customers infected with COVID-19 or any related conditions. Moreover, HMOs are also urged to waive provisions in their contracts, such as, but is not limited to, waiting periods, healthcare access to the non-affiliated network, exclusion of pandemic or epidemic, etc., as it may become a barrier to health access and treatment.

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[9] Entitled, "An Act Declaring the Existence of a National Emergency Arising from the Coronavirus Disease 2019 (COVID-19) Situation and a National Policy in Connection Therewith, and Authorizing the President of the Republic of the Philippines for a Limited Period and Subject to Restrictions, to Exercise Powers Necessary and Proper to Carry Out the Declared National Policy and for Other Purposes", (March 24, 2020).

[10] Entitled, "Guidelines Regarding the Extension of Grace Period of All Insurance, Pre-need and HMO Policies/Plans/Agreements Due to COVID-19 Coronavirus Outbreak in the Philippines", (March 23, 2020).

[11] Entitled, "An Act Providing for COVID-19 Response and Recovery Interventions and Providing Mechanisms to Accelerate the Recovery and Bolster the Resiliency of the Philippine Economy, Providing Funds Therefor, and for Other Purposes", (September 11, 2020).

[12] Entitled, "Guidelines in the Interpretation and Application of Section 4(uu) of Republic Act No. 11494, otherwise known as the "Bayanihan to Recover as One Act", (October 1, 2020).

[13] Entitled, "A Call for Responsive Action on the Coverage of COVID-19 Coronavirus-Related Conditions in Health Insurance Policies and HMO Agreements", (March 25, 2020).

III. TAX TREATMENT OF HMOS

As provided under the National Internal Revenue Code (NIRC) of 1997, as amended by RA 10963 ["Tax Reform for Acceleration and Inclusion (TRAIN)" law], HMOs are subject to the following taxes: (See Table 6.)

A. Income Tax

Regular Corporate Income Tax or Minimum Corporate Income Tax

Pursuant to RA 11534,[14] or the "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act," effective July 1, 2020, corporations, including HMOs, are liable to the regular corporate income tax (RCIT) of 25% or 20%[15] imposed upon taxable income derived during each taxable year from all sources within and without the Philippines, or to a minimum corporate income tax (MCIT) of 2% of gross income beginning on the fourth taxable year immediately following the year in which a company commenced its business operations if the MCIT is greater than the computed RCIT and shall be paid in lieu thereof. Moreover, as a temporary relief to help businesses recover from the effects of the COVID-19 pandemic, effective July 1, 2020, until June 30, 2023, the MCIT is reduced from 2% to 1% of the gross income. Any amount of the MCIT paid in excess of the RCIT shall be carried forward and credited against the RCIT for the three immediately succeeding years.

Final Withholding Tax on Passive Income

For income from investments and other passive income, the taxation is the same as other corporations as they basically invest in the same kinds of securities. The financial investment income of HMOs is subject to a final withholding tax (FWT) which ranges from exempt to 20%, depending on the type of security and the type of passive income such as interests, dividends, and capital gains.

Creditable Withholding Tax

RR 14-2013[16] requires HMOs to withhold creditable withholding tax (CWT) on income paid to medical practitioners accredited by it to render medical

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[14] Entitled, "An Act Reforming the Corporate Income Tax and Incentives System, Amending for the Purpose Sections 20, 22, 25, 27, 28, 29, 34, 40, 57, 109, 116, 204 and 209 of the National Internal Revenue Code of 1997, as Amended, and Creating Therein New Title XIII, and for Other Purposes", (March 26, 2021).

[15] A rate of 20% shall be imposed for domestic corporations with net taxable income not exceeding P5 million and total assets not exceeding P100 million, excluding the land where the business office, plant and equipment are situated.

[16] Entitled, "Amending Pertinent Provisions of Revenue Regulations No. 02-98, as Last Amended by Revenue Regulations No. 30-2003 and Revenue Regulations No. 17-2003", (September 20, 2013).

services to its members. The CWT rate is 15% if the income paid to a medical practitioner for the current year exceeds P720,000, and 10% if otherwise.

B. Value-Added Tax

The HMOs are merely considered sellers of services for arranging the provision of healthcare services, which are subject to the 12% value-added tax (VAT). They do not render medical services themselves, which are exempt from VAT in Section 109(G) of the NIRC of 1997, as amended. Thus, the income arising from enrollment fees and membership fees is subject to VAT, based on the gross receipts representing the service fee actually or constructively received during the taxable period for the services performed or to be performed for another person. The compensation for their services representing the service fee is presumed to be the total amount received as enrollment fee from their members plus other charges received (RR 16-2005,[17] 2005).

The amounts earmarked and eventually paid by the HMOs to their medical service providers do not form part of the gross receipts for VAT purposes. The HMO involves two different contracts, although interrelated. One is between a corporate client and the HMO, with the former's employee being considered its member. The other is between the health care institutions/health care professionals and the HMO.

The HMO primarily acts as an intermediary between the purchaser of healthcare services (its members) and the healthcare providers (the doctors, hospitals, and clinics) for a fee. By their membership with the HMO, its members will be able to avail of the pre-arranged medical services from the accredited healthcare providers without the necessary protocol of posting cash bonds or deposits prior to being attended to or admitted to hospitals or clinics, especially during emergencies, at any given time. Apart from this, the HMO may also directly provide medical, hospital, and laboratory services, depending on its members choice or choices. Thus, in the course of its business, the HMO members can either avail of medical services from HMO's accredited healthcare providers or directly from the HMO. In the case of Medicard Philippines, Inc. vs. Commissioner of Internal Revenue, the Supreme Court (SC) ruled that for purposes of determining the VAT liability of an HMO, the amounts earmarked and actually spent for medical utilization of its members should not be included in the computation of its gross receipts.

C. Documentary Stamp Tax

In the case of the Philippine Health Care Providers, Inc. vs. Commissioner of Internal Revenue, the SC ruled that HMO agreements are not subject to the documentary stamp tax (DST) imposed in the Tax Code. According to the SC decision, a health care agreement is not an insurance contract within the ambit of

[17] Entitled, "Consolidated Value-Added Tax Regulations of 2005", (September 1, 2005).

Section 185 of the Tax Code, and there was never any legislative intent to impose the same on HMOs.

Moreover, the SC provides that the imposition of the 12.50% DST on the premium charged would elevate the cost of health care services, thereby placing health services beyond the reach of the ordinary wage earner or driving the industry to the ground.

Table 6

Tax Treatment of HMOs

Type of tax/Section in the Tax Code and other legal bases	Rate
RCIT or MCIT [Sections 27(A) and 27(E)(1)]	25%, 20%, or 1% (effective July 1, 2020 – June 30, 2023), whichever is applicable
FWT on passive income [Sections 27(D)(1), 27(D)(2), 27(D)(4), 27(D)(5), and 127]	a. 20% - interest from deposits and yield or any other monetary benefit from deposit substitutes and trust funds and similar arrangements, and royalties; b. 15% - capital gains from the sale of shares of stock not traded in the stock exchange; c. Exempt - intercorporate dividends; and d. 0.60% - tax on sale, barter, or exchange of shares of stock listed and traded through the local stock exchange.
CWT (Section 2, RR 14-2013)	• 15% if the income payments to a medical practitioner for the current year exceed P720,000, and • 10% if otherwise.
VAT (Section 109)	12% based on the gross receipts
DST (Philippine Health Care Providers, Inc. v. Commissioner of Internal Revenue, 2009)	Exempt from DST imposed in Section 185 (12.50%)

IV. PROPOSALS UNDER PACKAGE 4 OF THE COMPREHENSIVE TAX REFORM PROGRAM

Package 4, also known as the "Passive Income and Financial Intermediary Taxation Act (PIFITA)" of the Comprehensive Tax Reform Program (CTRP) of the present administration, aims to achieve a simpler, fairer, more efficient, and regionally competitive tax system for passive income and financial intermediaries to support capital market development. The current PIFITA bill, or House Bill (HB) No. 304, was approved on the third and final reading at the House of Representatives on September 9, 2019. However, deliberation of the PIFITA bill in the Senate was put on hold to give way to priority measures that would stimulate the economy. Below are the proposals under HB 304 affecting HMO activities: (See Table 7.)

A. On Business Tax

Package 4 aims to harmonize the taxation of HMOs and pre-need plans by subjecting these to the 2% Premium Tax, similar to that of life insurance, in lieu of the 12% VAT. The rationale behind the said proposal is that both products are similar to life insurance to that of non-life, and they mainly deal with human lives. The proposed tax will be imposed on the gross premium, plan payment, or installment payments collected without deduction for the amounts required by the appropriate government regulatory agencies to be earmarked for the benefit of the insured or plan holder.

During the deliberation of HB 304 in the House of Representatives, the AHMOPI supports the 2% Premium Tax on gross membership fees in lieu of the 12% VAT, as this would benefit HMO plan holders (AHMOPI, 2019).

B. On Investment Income

Presently, different tax rates are imposed on passive income derived by an HMO on investment income. Thus, a single final tax rate of 15% is proposed regardless of whether the said income is in the form of interest, dividends, and capital gains (on the sale of shares of stock and debt instruments not traded through the local exchange), while intercorporate dividends will remain exempt.

C. On DST

HB 304 proposes the expansion of the coverage of the DST under Section 183 of the NIRC of 1997, as amended, to include HMO products to be aligned with life insurance. The proposed DST rate ranges from exempt to P200, depending on the insured amount. This is in line with the policy objective of harmonizing the tax treatment of HMO products with life insurance policies. Specifically, Section 187 of the NIRC of 1997, as amended, is proposed to be amended as follows:

> **"SEC 183.** ***Stamp Tax on Life and HEALTH Insurance Policies[,] OF ANNUITIES, and HEALTH MAINTENANCE ORGANIZATION PRODUCTS.*** – On all policies of insurance or other instruments by whatever name the same may be called, whereby any insurance shall be made or renewed upon any life or lives **AND HEALTH OF PERSONS**, there shall be collected a one-time documentary stamp tax at the following rates:
>
> | | |
> |---|---|
> | If the amount of insurance does not exceed P100,000 | - Exempt |
> | If the amount of insurance exceeds P100,000 but does not exceed P300,000 | - P20.00 |
> | If the amount of insurance exceeds P300,000 but does not exceed P500,000 | - P50.00 |
> | If the amount of insurance exceeds P500,000 but does not exceed P750,000 | - P100.00 |
> | If the amount of insurance exceeds P750,000 but does not exceed P1,000,000 | - P150.00 |
> | If the amount of insurance exceeds P1,000,000 | - P200.00" |

Package 4 aims to align the DST of all life insurance and related products to create an equal tax playing field among competing and comparable products.

Table 7

Proposed Reforms on the Taxation of the HMOs under Package 4

Particulars	Proposed Reforms
A. Business Tax	Shift from 12% VAT to 2% Premium Tax
B. Income received from investments	Passive income will be subject to 15% FT; except for intercorporate dividends which will remain exempt.
C. DST	Same DST on life insurance (Exempt to P200 depending on insured amount)

The perceived revenue loss from the proposed shift to a 2% Premium Tax on HMO plans would be compensated by other revenue-gaining measures under Package 4.

V. CROSS COUNTRY COMPARISON

There are various private health financing schemes across different countries, especially among the ASEAN member-states on HMOs. In Singapore, aside from the country's standard public statutory insurance systems, people can purchase an integrated shield plan (IP), optional health coverage provided by private health insurance companies. Medical or health insurance policies are also being sold by private insurance companies in Indonesia, Thailand, Malaysia, and Vietnam.

As mentioned earlier, the HMOs in the Philippines are subject to 12% VAT. In Singapore, IPs are subject to the 7% Goods and Services Tax (Ministry of Finance, 2006; AXA Singapore, 2019; NTUC Income, 2016). On the other hand, medical insurance sold by private insurance is exempt from the 6% Service Tax in Malaysia (Allianz, 2018). Likewise, premiums on health insurance are exempt from the 10% VAT in Vietnam (PWC, 2019). (See Table 8.)

Table 9

Cross Country Comparison of Consumption Tax on HMO Premiums

Country	VAT or its equivalent
Philippines	12% VAT
Singapore	6% GST
Malaysia	Exempt from 6% Service Tax
Vietnam	Exempt from 10% VAT

With Package 4, the proposed 2% Premium Tax on HMOs in the Philippines, in lieu of the 12% VAT, will be at par with the tax imposed by the USA and lower than that imposed by other ASEAN member-countries.

VI. CONCLUSION

Judging from the steady growth of HMO agreements sold in recent years, Filipinos are becoming more aware of the importance of HMOs to cover unexpected healthcare costs, and their necessity becomes more apparent due to the COVID-19 pandemic.

However, there is a need to harmonize the tax treatment of HMOs with that of life insurance companies since they are mainly engaged in human lives. With Package 4, HMO plans will become more affordable to Filipinos because of the proposed shift from the current 12% VAT to 2% Premium Tax. As to the proposed imposition of the DST on HMOs, this is necessary to completely align their taxation with life insurance products.

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An Act Declaring the Existence of a National Emergency Arising from the Coronavirus Disease 2019 (COVID-19) Situation and a National Policy in Connection Therewith, and Authorizing the President of the Republic of the Philippines for a Limited Period and Subject to Restrictions, to Exercise Powers Necessary and Proper to Carry Out the Declared National Policy and for Other Purposes, entitled "Bayanihan to Heal as One Act", Republic Act No. 11469, Section 4 (2020).

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