

## Factsheet microinsurance business model

# Philippines: MicroHealth insurance through a cooperative Health Maintenance Organization

### The challenge

Healthcare financial risk protection in the Philippines is mainly being provided by the government through the Philippine Health Insurance Corporation (PhilHealth), other social protection programs, and by the licensed private insurance companies and Health Maintenance Organizations (HMOs).

PhilHealth has coverage of 87% of Filipinos (Dec2014). However, out-of-pocket expenditures of the total healthcare cost remain high. The 13% uncovered population consists largely of the low-income and informal sectors, which are the target market of Microinsurance. Microinsurance is continuously growing since it began in 2006, reaching its current outreach of 31 Million Filipinos. Through the national strategy on Microinsurance established by the Philippine government, a path has opened for the private sector to participate in Universal Health Care (UHC) national agenda by offering affordable complementary and supplementary products, which contributes to the global Sustainable Development Goal (SDG) #3 on Good Health and Wellbeing.

### Enabling policies and regulations

On April 2016, the Insurance Commission (IC) issued Circular Letter (CL) 2016-22 on 'Regulations for the Provision of Health Microinsurance (MicroHealth) Products and Services'. The circular has adopted the Health Microinsurance Framework developed by a multi-stakeholder Technical Working Group. The Framework seeks to attain the following objectives:

1. Inclusive health insurance for the general population with focus on the low-income and the informal sectors.
2. Proactive and increased private sector participation.
3. Greater coverage and easier access to a wide range of innovative MicroHealth products and services.
4. Enhanced consumer value and client protection.

A Memorandum of Understanding was signed on April 2016 between the Department of Health (DOH) and the IC which encourages both agencies to cooperate and coordinate its respective regulatory functions to enable the MicroHealth market participants to offer complementary and supplementary products and services to the insuring public.

### Cooperative Healthcare program

**1CoopHealth** benefit package is designed for members of all types of cooperative with ages 18 to 65 years old. It also cover ages 66 to 75 with adjusted premium that ranges 100 - 200% of the basic coverage. It has the following features:

Product details	1CoopHealth benefit package/year	
Annual premium	Php 3,600.00 (USD75.3)	
Maximum Benefit Limit	<ul style="list-style-type: none"> <li>▪ Php60,000/illness, in-patient treatment</li> <li>▪ Php30,000, emergency treatment</li> <li>▪ Dental care</li> </ul>	<ul style="list-style-type: none"> <li>▪ Death benefit: Php10,000, natural, Php20,000 accident</li> <li>▪ Preventive health care</li> </ul>
Enrolment	Through Koop Insurance Network (KIN)	
Prepaid health servicing	<ul style="list-style-type: none"> <li>▪ Accessible treatment in 358 healthcare facilities nationwide accredited by CHMF</li> <li>▪ Services by non-accredited hospitals are covered in emergency cases on reimbursement basis.</li> </ul>	

1. No medical screening required.
2. Monthly premium is less than a days' salary.
3. Premium payment can be facilitated by cooperatives: convenient, painless, and full 24-hour coverage after the first premium payment.
4. Comprehensive coverage benefits: consultation, treatment, annual physical examination, dental service, death benefit.
5. Zero or minimal out of pocket expense.
6. Prompt payment of hospital bills.
7. Personalized attention from admission to discharge especially in emergency and critical cases.
8. 24/7 coverage and 24/7 customer hotline.

The product is voluntary and renewable yearly. It complements and supplements to the social health insurance (PhilHealth) coverage. The product, for example, provides supplemental cover for pneumonia cases.

1CoopHealth is being offered by the **Cooperative Health Management Federation (CHMF)**, the first cooperative HMO in the Philippines established in July 2014 by 7 primary



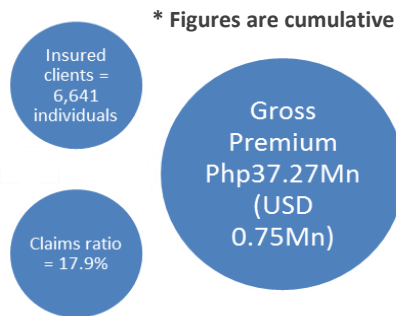
This factsheet is jointly produced and published by the Insurance Commission, Cooperative Health Management Federation (CHMF), and the German Development Cooperation - Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (GIZ-RFPI Asia) for the MEFIN Network, a collegial body of insurance policy makers and regulators in Asia. RFPI Asia is the Secretariat of MEFIN Network. Contact us: +63 2 353 1044-45. [www.mefin.org](http://www.mefin.org)

cooperatives, 1 cooperative insurance federation, 3 Medical Mission Group (MMG) and Health Services Cooperative Hospitals, 1 NGO and 1 private HMO. The portion on accident and death benefits in the package is being underwritten by the Cooperative Insurance Systems of the Philippines (CISP), a coop insurance society owned by over 2,000 primary cooperatives.

A private HMO product is characterized of being an expensive package of pre-paid curative treatment and preventive care. Servicing is provided by healthcare facilities directly managed by the HMO and other accredited facilities. CHMF is the first HMO that is offering a pre-paid package plus death benefit targeting the low income and informal sectors.

### Product experience

1CoopHealth started servicing on July 2015. As of 31 December 2016, the Total Asset is Ph71.30Million, while Total Gross premium was Php37.27Million from 6,641 insured coop members. Total Claims paid was Ph6.67Million for 4,840 availment of health benefits and services. The Claims Ratio during the same period was 17.90%.



### Product Distribution

The distribution of 1CoopHealth product is using CISP's Koop Insurance Network (KIN) model where its coop member-owners and cooperative banks that are located across the country are the main distribution channels.

KIN provides a win-win solution. It enables CISP to distribute products in a most efficient manner. It also can provide financial literacy to the members thereby increasing the value of its services and also enhancing risk mitigation. The primary coop on the other hand is able to facilitate access of its members to affordable microinsurance products, and generate additional income as incentive. At the end of the year, the cooperatives earn more from dividends, patronage refund and experience refund.

### Win-win business propositions

The product and business model of CHMF offers four win-win benefits to its business partners and clients.

**First benefit**, it adds value from the traditional reimbursement-type hospital income benefit product which is common in the microinsurance space. 1CoopHealth provides a pre-paid or cashless package of treatment and preventive care which is made possible by CHMF's investment in building business relationship with the network of healthcare facilities, an elevated initiative to ease the burden of clients that comes from initially paying for this health emergency need. The network of healthcare facilities, on the other hand, have acquired a new business from servicing the low-income and informal sectors whose capacity to pay for healthcare is enhanced by its entitlement in insurance.

**Second benefit**, CHMF's business model is contributing to the financial stability of its coop-owners which otherwise are offering in-house and non-actuarially sound schemes of health assistance to its members. CHMF continues to attract more primary coops to join and pool its in-house health assistance schemes to 1CoopHealth thereby strengthening the viability of the model.

**Third benefit**, it strengthens the viability and sustainability of MMG and Health Services Cooperative Hospitals where they operate, as these are the primary healthcare providers of 1CoopHealth members. CHMF also provides support, enhancement, development and assistance in the modernization of the facilities, equipment and services of MMG and Health Services Cooperative Hospitals.

**Fourth benefit**, 1CoopHealth enables enrollment to the social insurance scheme. Some coop-owners of CHMF have formal arrangement with PhilHealth's local offices in terms of facilitating enrollment and for the collection of premium. Having PhilHealth cover on top of 1CoopHealth makes the premium affordable.

This set of win-win benefits is consistent with the aim of MicroHealth Regulatory Framework which enjoins more participation of the private sector in developing products that are better than the medical reimbursement. 1CoopHealth complements to social health insurance and microinsurance.



This factsheet is jointly produced and published by the Insurance Commission, Cooperative Health Management Federation (CHMF), and the German Development Cooperation - Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (GIZ-RFPI Asia) for the MEFIN Network, a collegial body of insurance policy makers and regulators in Asia. RFPI Asia is the Secretariat of MEFIN Network. Contact us: +63 2 353 1044-45. [www.mefin.org](http://www.mefin.org)