



January 15, 2007

ADMINISTRATIVE ORDER

No. 2006- 0004-A

SUBJECT: Amendment to Administrative Order No. 2006-0004 : Guidelines for the Issuance of Certificate of Need to Establish a New Hospital

The requirement for a Certificate of Need for new hospitals is one of the strategies to implement the current Fourmula One reforms in health regulation and health service delivery. The objective of these reforms is to ensure access to quality and affordable basic and essential health care for all, particularly the poor. Since the issuance of Administrative Order No. 2006-0004 *Guidelines for the Issuance of Certificate of Need to Establish a New Hospital* in April, 2006, the Bureau of Health Facilities and Services saw a need to make some clarifications on the implementing mechanisms of the said A.O., especially in the light of the provisions of Administrative Order No. 147 s. 2004 and Administrative Order No. 2006-0029 *Guidelines for Rationalizing the Health Care Delivery System Based on Health Needs*. These clarifications are expounded in this amendment.

The amendment on the travel time criterion was made in order to emphasize the importance of the local health referral system, particularly the provincial health care delivery system. This is to ensure access to the appropriate level of care where it is needed without the wasteful duplication of services.

Pursuant to Administrative Order No. 2006-0004 *Guidelines for the Issuance of Certificate of Need to Establishment of a New Hospital*, the following provisions are hereby amended:

Under Section V. POLICIES AND GUIDELINES

A. General Guidelines

1. The BHFS shall require all applicants for PTC for the establishment of new hospitals to secure a Certificate of Need from the CHD. The CHD shall require all applicants to accomplish the DOH-prescribed application form for the issuance of Certificate of Need.
2. Conversion or upgrading of a birthing home into a general hospital, or a special hospital into a general hospital, shall also require a Certificate of Need from the CHD as a requirement for the application for a PTC.
3. Each CHD shall create a committee composed of three members coming from CHD technical staff that will evaluate the application for a Certificate of Need. This committee shall recommend to the CHD Director the approval or disapproval of the application.
4. The CHD Director shall approve/disapprove the application for a Certificate of Need. If approved, the CHD Director shall endorse to the BHFS the Certificate of Need of the applicant together with the evaluation report. If disapproved, the CHD shall inform the applicant by registered mail the particular reason for the disapproval of the application.

5. All CHDs shall map all existing hospitals in the region, as well as establish a database of all hospitals with corresponding bed capacities and the projected population of all political subdivisions within the region. The CHD shall update the regional map of all existing hospitals periodically, and shall submit a copy of the map during the first quarter of the year to the BHFS.
6. All applicants with a disapproved PTC application that has been inactive for one year before the approval of this Order, as well as those applicants with approved PTC applications but whose PTC has already lapsed (i.e. construction has not begun within 365 days upon approval of the PTC) shall be required to secure a Certificate of Need from the CHD.
7. The CHD shall impose a non-refundable application fee for the issuance of Certificate of Need in the amount of two thousand pesos (P2,000.00) and shall be paid to the Cashier of the CHD. The application fee shall be updated regularly by the BHFS.

The aforementioned provision is hereby amended to read as follows:

“ A. General Guidelines

1. Coverage and Exemptions

- 1.1 **The BHFS shall require all applicants for PTC for a new general hospital to secure a Certificate of Need (CON) from the CHD. A CON shall be required for PTC applications received by the CHD or BHFS on May 2, 2006 and onwards.**
- 1.2 **A CON shall be required for PTC applications for the conversion or upgrading of a birthing home into a general hospital, or a special hospital into a general hospital.**
- 1.3 **The establishment of new special hospitals, sanitarium, Department of National Defense hospitals, Philippine National Police hospitals, penitentiary hospitals, and research hospitals shall be exempted from the CON.**
- 1.4 **Applicants with a previously disapproved PTC application that has been inactive for at least one year prior to the approval of A.O. No. 2006-0004 (i.e. inactive since May 1, 2005 or before) shall be required to obtain a Certificate of Need from the CHD.**
- 1.5 **Under A.O. 147 s. 2004 Section 16.2, a PTC shall be considered lapsed when the work authorized by the permit does not commence within three hundred sixty-five (365) days from date of issuance, or is abandoned during the period specified. A CON shall be required if the applicant decides to apply for a new PTC.**
- 1.6 **Under A.O. 147 s. 2004 Section 16.4, a License to Operate (LTO) that is not renewed for a period of two (2) consecutive years shall be considered lapsed, and a new Application for Registration and Issuance of LTO are required before the hospital can be allowed to operate. A CON shall be required for the PTC application of such hospital.**
- 1.7 **Under A.O. 147 s. 2004 Section 16.6, in case of any change in hospital management, name or ownership with disruption in hospital operation, or in case of transfer of location, a new application for PTC, registration, and issuance of LTO shall be required. A CON shall be required for the PTC application of such hospitals.**

2. Procedures

- 2.1 **The applicant shall accomplish and submit the DOH-prescribed application form for the issuance of CON to the CHD.**

- 2.2 Upon filing of the application, the applicant shall pay the non-refundable application fee in the amount of two thousand pesos (P2,000.00) to the Cashier of the CHD, in cash, or through postal money order. The application fee shall be updated regularly by the BHFS.
 - 2.3 The application for CON shall be evaluated by a committee to be created by each CHD, based on the criteria set in this Administrative Order and using the DOH-prescribed evaluation form for CON applications. The committee shall be composed of three or more members of the CHD technical staff.
 - 2.4 The CHD evaluation committee shall recommend to the CHD Director the approval or disapproval of the CON application.
 - 2.5 The CHD Director shall approve or disapprove the application for a CON. If approved, the CHD Director shall endorse to the BHFS the CON of the applicant together with a copy of the completed application form and evaluation tool. If disapproved, the CHD shall inform the applicant by registered mail the particular reason for the disapproval of the application, and provide the BHFS a copy of the completed application form and evaluation tool.
 - 2.6 An application for CON shall be processed by the CHD within twenty (20) working days after official receipt of the completed application form. If a CON application is not processed within this period, a justification must be provided by the CHD evaluation committee, to be written on the Evaluation Tool used for that particular application.
 - 2.7 The validity period of the CON is six (6) months. Within this period, the PTC application must be received by the BHFS. Otherwise, a new CON from the CHD shall be required.
3. All CHDs shall map all existing hospitals in the region, as well as establish a database of all hospitals with corresponding bed capacities. The CHD shall update the regional map of all existing hospitals periodically, and shall provide the BHFS a copy of the map during the first quarter of the year. The BHFS and the CHDs shall share data on hospitals that the former will need in the development of CON standards/criteria and the latter will need in their implementation. ”

Under Section V. POLICIES AND GUIDELINES

B. Specific Guidelines and Criteria for Establishment of New General Hospitals

1. Criteria for the Establishment of a New General Hospital:

- 1.2. *Travel Time.* The proposed hospital shall be at least one (1) hour away by the usual means of transportation during most part of the year from the nearest existing hospital.

The aforementioned provision is hereby amended to read as follows:

" 1.2. *Travel Time.*

- 1.2.1. The proposed hospital shall be at least one (1) hour away by the usual means of transportation during most part of the year from the nearest existing hospital.
- 1.2.2. If, among the criteria, only the Travel Time criterion is not met, the CON may be granted, provided that:
 - 1.2.2.1 The proposed hospital is of a higher level of service capability than existing hospitals located less than 1 hour of travel from the former; or

1.2.2.2 If the proposed hospital is a Level 3 Hospital or a Level 4 Hospital, and there is an existing Level 3 Hospital or Level 4 Hospital located less than 1 hour of travel from the proposed hospital but in a different province, the proposed hospital may be granted a CON. ”

1.4. *Integration with local hospital development plan.* If there is an existing local hospital development plan that has been approved by the DOH, the proposed hospital must be integrated with this existing plan. The proponent should show proof that it has checked with the local government for any relevant local hospital development plan.

The aforementioned provision is hereby amended to read as follows:

" 1.4. *Integration with the Provincial/City Strategic Plan for the Rationalization of the Health Care Delivery System Based on Health Needs.*

1.4.1. If the proposed hospital is to be located in an area where there is an existing local Strategic Plan for the Rationalization of the Health Care Delivery System Based on Health Needs, it must be integrated with this Strategic Plan.

1.4.2. The Strategic Plan shall be based on the Guidelines for Rationalizing the Health Care Delivery System Based on Health Needs as embodied in Administrative Order No. 2006-0029.

1.4.3. If the proposed hospital is to be located in a chartered city, the City Strategic Plan applies.

1.4.4. If a proposed hospital is to be located in a municipality or component city of a province, the Provincial Strategic Plan applies.

1.4.5. The proponent should show documentary proof that it has checked with the local government for the existence of the Strategic Plan. ”

2. Computation of the Unmet Bed Need.

2.1. Determine the Projected Primary and Secondary Catchment Population (P) of the proposed hospital.

2.1.1. The Primary Catchment Area is the municipality/urban district for Level 1 Hospital; the rural district/city for Level 2 Hospital; the province for Level 3 Hospital; and the region for Level 4 Hospital.

2.1.2. The Secondary Catchment Area/s is/are other geographic area/s that have access or contiguous to the Primary Catchment Area.

The aforementioned provision is hereby amended to read as follows:

" 2. Computation of the Unmet Bed Need.

2.1. Determine the Projected Primary and Secondary Catchment Population (P) of the proposed hospital.

2.1.1. The Primary Catchment Area is the municipality/urban district for Level 1 Hospital; the rural district/city for Level 2 Hospital; the province for Level 3 Hospital; and the region for Level 4 Hospital.

2.1.1.1 When the Primary Catchment Area is the province, the Projected Primary Catchment Population should include the projected population of all component cities of the province, but should not include the projected population of any chartered city located within the province.

2.1.1.2 When the Primary Catchment Area is a chartered city, the Projected Primary Catchment Population should not include the population of the province in which the chartered city is located. However, the projected population of neighboring barangays/municipalities may be included as Secondary Catchment Population.

2.1.2. The Secondary Catchment Area/s is/are other geographic area/s that have access or contiguous to the Primary Catchment Area. ”

2.2. Determine the Inventory Hospital Beds (IHB), which is the number of existing beds being provided by existing government and private general hospitals plus the number of beds being proposed by previous applicants for license to operate. Hospital beds being provided by special hospitals, hospitals under the Department of National Defense, penitentiary hospitals, and special research centers (i.e. Research Institute of Tropical Medicine) shall be excluded from the Inventory Hospital Beds.

The aforementioned provision is hereby amended to read as follows:

“ 2.2. Determine the Inventory Hospital Beds (IHB).

2.2.1. The Inventory Hospital Beds includes hospital beds being provided by existing general hospitals, as well as general hospital beds being proposed by previous applicants whose applications for both CON and PTC have already been approved and whose application for LTO is already being processed.

2.2.2. The hospital beds being proposed by the applicant whose application for CON is being evaluated is excluded from the Inventory Hospital Beds.

2.2.3. Hospital beds being provided by special hospitals, hospitals under the Department of National Defense, penitentiary hospitals, and special research centers (i.e. Research Institute of Tropical Medicine) shall be excluded from the Inventory Hospital Beds. ”

3. Additional Criteria for Concurrent Evaluation of More than One Application.

When there are more than one proposals to establish a hospital in a particular municipality, district, province, or region, the CHD shall make use of the following additional criteria when deciding on which proponent to grant a Certificate of Need.

3.1. Total capital investment for the proposed hospital

3.2. Total lot area of the proposed site

3.3. Strategic location of the proposed site

3.4. Hospital policies on patient care from admission to discharge that are beneficial to low-income and indigent populations.

3.5. Percentage of charity beds over the proposed total bed capacity

3.6. Qualifications and experience of the proposed hospital administrative, medical and nursing personnel

3.7. Other criteria that may be set by the CHD in consultation with BHFS

The aforementioned provision is hereby amended to read as follows:

" 3. Additional Criteria for Concurrent Evaluation of More than One Application.

3.1. When there are more than one proposals to establish a hospital in a particular municipality, district, province, or region, the CHD shall make use of the following additional criteria when deciding on which proponent to grant a Certificate of Need.

3.1.1. Total capital investment for the proposed hospital

3.1.2. Total lot area of the proposed site

3.1.3. Strategic location of the proposed site

3.1.4. Hospital policies on patient care from admission to discharge that are beneficial to low-income and indigent populations.

3.1.5. Percentage of charity beds over the proposed total bed capacity

3.1.6. Certification/sworn statement from the proponent indicating its awareness of licensure requirements for hospitals, particularly those for personnel, and that the proponent has done a self-assessment on its ability to comply with such requirements.

3.2. Additional criteria may be set by the CHD. However, the CHD shall provide justification for the inclusion of such additional criteria, and shall apply the latter consistently to all proponents. ”

SEPARABILITY CLAUSE

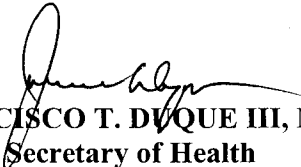
In the event that any provision or part of this Order be declared unauthorized or rendered invalid by any court of law or competent authority, those provisions not affected by such declaration shall remain valid and effective.

REPEALING CLAUSE

This Administrative Order shall repeal and supersede Section V Subsections A, B.1.2, B.1.4, B.2.1, B.2.2 and B.3 of Administrative Order No. 2006-0004 and all other administrative issuances and bureau circulars inconsistent herewith.

EFFECTIVITY

This Administrative Order shall take effect upon approval and publication in the official gazette or newspaper of general circulation.


FRANCISCO T. DUQUE III, M.D., MSc.
Secretary of Health