



Republic of the Philippines
Department of Health
OFFICE OF THE SECRETARY
2F Bldg 1, San Lazaro Compound,
Rizal Ave., Sta. Cruz, Manila

March 13, 2006

ADMINISTRATIVE ORDER
No. 2006- 0004

SUBJECT: Guidelines for the Issuance of Certificate of Need to Establish a New Hospital

I. Rationale

The 1987 Philippine Constitution, in Section 15 Article III, declares that the State shall protect and promote the right to health of the people and instill health consciousness among them. Section 11 Article XIII declares that the State shall adopt an integrated and comprehensive approach to health development that shall endeavor to make essential goods, health and other social services available to all the people at affordable cost.

These roles of the State as stated in the Constitution are one of the justification for government intervention in or regulation of the health sector. Free market forces cannot be allowed to reign if this will result in inequity and lack of access to health services. Health and health services, being public goods, must be distributed equitably to the whole population. And it is the role of the government to ensure equitable distribution of health resources.

As of 2004, there are 1,685 licensed hospitals with 82,436 beds located nationwide. However, majority of the available hospital beds are clustered in the urban areas. The maldistribution of hospital beds resulted in inaccessibility and inadequacy of hospital delivery system in most regions of the country.

The provision of hospital services is a costly enterprise that confers essential public benefits. To ensure economical use of limited resources, developing countries like the Philippines must maximize investment in hospital facilities.

Cognizant of the above considerations, the Department of Health deemed it necessary to regulate the establishment of new hospitals. This is embodied in Administrative Order No. 2005-0029 "Amendment to Administrative Order No. 147 s. 2004: Amending Administrative Order No. 70-A s. 2002 re: Revised Rules and Regulations Governing the Registration, Licensure and Operation of Hospitals and Other Health Facilities in the Philippines", particularly Subsection 10.1.1.6, which require the Centers for Health Development to evaluate proposals to establish a new hospital based on a set of criteria.

II. Objective

To ensure access to and availability of hospital services to the Filipinos, establishment of new hospitals shall be regulated based on set criteria as embodied in this issuance.

III. Coverage

All applications for the establishment of new government or private general hospitals shall be evaluated using the guidelines and criteria embodied in this Order.

IV. Definition of Terms

- A. BHFS – refers the Bureau of Health Facilities and Services
- B. Catchment Area – defined geographic area that is defined and served by the hospital
- C. CHD – refers to the Center for Health Development
- D. DOH – refers to the Department of Health
- E. Establishment - construction and operation of a new hospital
- F. General Hospital – a hospital that provides services for all types of deformity, disease, illness or injury
- G. Special Hospital – a hospital that is primarily engaged in the provision of specific clinical care and management
- H. Hospital - a health facility for the diagnosis, treatment and care of individuals suffering from deformity, disease, illness or injury, or in need of surgical, obstetrical, medical or nursing care. It is as institution where there are installed bassinets or beds for 24-hour use or longer by patients in the management of deformities, diseases, injuries, abnormal physical and mental conditions and maternity cases.
- I. PTC – Permit to Construct
- J. Primary Catchment Area - the political subdivision where the proposed hospital will be located.
- K. Projected Primary Catchment Population – the NEDA-projected population in the primary catchment area in the fifth year following the implementation of the proposed hospital project
- L. Secondary Catchment Area - other geographic areas that have access or contiguous to the primary catchment area
- M. Projected Secondary Catchment Population – the NEDA-projected population in the secondary catchment area in the fifth year following the implementation of the proposed hospital project.
- N. Political subdivision – refers to the municipality/urban district for Level 1 Hospitals, the rural district/city for Level 2 Hospitals, the province for Level 3 Hospitals, and the region for Level 4 Hospitals.

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.

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

1. **Criteria for the Establishment of a New General Hospital.** All of the following criteria must be satisfied before a Certificate of Need can be issued to the proponent of a new general hospital:
 - 1.1. **Bed to Population Ratio.**
 - 1.1.1. The bed-to-population ratio must not be more than one (1) bed per 1,000 population (1:1000).
 - 1.1.2. In a province or region (e.g. NCR) where the bed-to-population ratio is already more than 1:1000, additional beds may be put up if the average occupancy rate for all hospitals for the past two years is more than 85%. The number of additional beds that may be put up shall be based on the health care needs of the population.
 - 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.
 - 1.3. **Accessibility.** The proposed hospital site must be accessible to patients and clients by the usual means of land or sea transportation during most part of the year. If the proposed site is in an island municipality, the proposed hospital must be strategically located.
 - 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.
 - 1.5. **Track record.** If the proponent is currently operating a hospital, that hospital must have an acceptable track record in terms of good compliance with licensing requirements and a consistent history of few verified complaints.

2. **Computation of the Unmet Bed Need.** The following steps should be used in determining the **Unmet Bed Need**, which is the maximum number of beds that the proposed hospital may be allowed to put up.

- 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.

- 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.

- 2.3. Determine the **Bed-to-Population Ratio (BPR)**, or the ratio of Inventory Hospital Beds to the Projected Primary and Secondary Catchment Population.

$$\text{BPR} = \text{IHB} / \text{P} \times 1,000$$

- 2.3.1. If the BPR is more than 1:1,000, the proposed hospital cannot be given a Certificate of Need.

- 2.3.2. If the BPR is less than 1:1,000, proceed with the computation of the Unmet Bed Need.

- 2.4. Determine the **Projected Bed Need (PBN)** or the projected total number of hospital beds needed for the primary and secondary catchment population by multiplying the Projected Primary and Secondary Catchment Population (P) by the bed-to-population ratio of 1:1,000.

$$\text{PBN} = \text{P} \times 1/1,000$$

- 2.5. Compute for **Unmet Bed Need (UBN)** by subtracting the Inventory Hospital Bed from the Projected Bed Need. using the formula:

$$\text{UBN} = \text{PBN} - \text{IHB}$$

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

VI. Appeal

Any hospital aggrieved by the decision of the CHD on its application may, within thirty (30) days after receipt of the notice of the decision, file a notice of appeal with the Office of the Secretary and serve a copy thereof to the CHD and the BHFS. Thereupon, the CHD shall promptly certify and forward a copy of the decision, including all documents and transcript(s) of the hearings/meetings upon which the decision is based, to the Office of the Secretary of Health for review. The decision of the Office of the Secretary shall be final and executory.

VII. 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.

VIII. Repealing Clause

This Order shall repeal or supercede all administrative orders and previous issuances inconsistent thereof.

IX. Effectivity

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


FRANCISCO T. DUQUE III, MD, MSc
Secretary of Health