# Reinsurance seen shielding gov't from PhilHealth cost blowouts

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THE Asian Development Bank (ADB) said the government needs to consider reinsurance to mitigate the government's exposure to healthcare costs during epidemics and pandemics.

"Reinsurance would allow for either a category of risk (such as pandemic risk) or a proportion of claim risk to be transferred out of PhilHealth's portfolio," the ADB said in a paper released on Dec. 24.

It also added that reinsurance options are commercially available to limit pandemic and epidemic risk.

The ADB said among the common options for pandemics and epidemics is stop-loss reinsurance, which provides coverage when claims exceed a certain threshold, protecting PhilHealth from sudden increases in claims during such events.

"In this model, PhilHealth and the reinsurer would share proportionally in all premiums and losses from a pandemic or epidemic event," the ADB said.

It added that reinsurance leads to pandemic risk modeling, risk-based pricing, capital relief, and more.

The ADB highlighted several advantages of reinsurance, including access to pandemic risk models, risk-based pricing, and capital relief.

At the same time, it also emphasized the need for PhilHealth to have clear coverage policies for pandemics and epidemics to manage its premiums and reserves effectively.

PhilHealth said it has P281 billion in reserves set aside to meet benefit payments for two years and P150 billion in surplus as of October.

It also had an investment portfolio of P489 billion as of November.

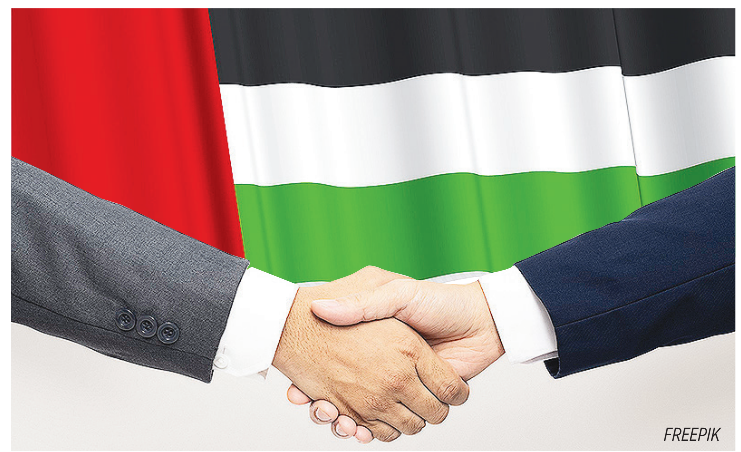
The ADB said while PhilHealth was able to provide policyholder benefits for coronavirus disease 2019 (COVID-19) as the result of considerable reserves, this may not always be the case and is an "unreliable method of approaching disaster risk financing."

Social insurers often exclude coverage for pandemic-related prevention, treatment, and immunization due to insufficient data on their severity and frequency, it noted.

However, during the COVID-19 pandemic, PhilHealth was instructed to extend benefits to close the protection gap.

Last week, the bicameral conference committee stripped PhilHealth of its subsidy for the proposed budget for 2025.

In response, PhilHealth President and Chief Executive Officer Emmanuel R. Ledesma, Jr. assured that users will still have "uninterrupted access" to benefits and no reduction despite zero subsidies for next year. — **Aubrey Rose A. Inosante**



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# Negotiations with UAE on CEPA enter homestretch

THE PHILIPPINES and the United Arab Emirates (UAE) are in the final stages of negotiations for a Comprehensive Economic Partnership Agreement (CEPA), the Department of Trade and Industry (DTI) said.

"We are almost there, and then we should be able to get things done," Trade Secretary Ma. Cristina A. Roque said.

"But of course, just like every negotiation, there's going to be back and forth because it needs to be win-win for both countries," she added.

Asked for an updated timeline, she said the goal is to conclude the CEPA negotiations next year.

"Definitely not this year. I can't really say exactly when, but we're just ironing out a little bit because we just started four months ago," she said.

"Negotiations do not happen overnight; sometimes it takes years. But of course, we will try to move quickly," she added.

She said she remains confident that investments from the Middle East will continue to flow.

"It is not necessarily that with no CEPA, no investments will come in. Other investors want to come in because we also have the CREATE MORE," she said, citing the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy Act.

"And we also have other incentives. So it's not necessarily all just dependent on a free trade agreement (FTA) or on a CEPA," she added.

The DTI has said that the Philippines was hoping to conclude negotiations for a CEPA within 2024. When asked about the delay, Ms. Roque said both sides are hoping the deal will cover a long list of products.

"Actually, there's really no delay. It's just that there are many products that we want to export to them ... and they want to export also to us," she said. — **Justine Irish D. Tabile**

# PHL child poverty rates underestimated — PIDS

THE Philippine Institute for Development Studies (PIDS) said current methods of measuring child poverty tend to produce estimates on the low side, misleading policymakers responsible for resource-allocation decisions.

"The stark divergence between standard poverty measures and our individual-level estimates reveals that current methodologies may significantly understate the extent and depth of poverty, particularly among vulnerable demographic groups," PIDS said in a report this month.

In the "Measuring Poverty within Filipino Households: Examining of Resource Sharing and Economies of Scale" study, PIDS found that child poverty rates could be up to twice as high as the official estimate of 57% in 2021.

PIDS said although the county is seeing progress in reducing overall poverty rates, "a substantial portion of child deprivation may be hidden by household-level measurement approaches."

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These underestimates particularly occur in larger households and those with complex family structures, it said.

"Gender disparities in resource allocation emerge as another critical measurement challenge," the report found, adding that adult women's poverty rates are consistently higher than provided by household-level measures.

This suggests that "conventional approaches" may be "masking" significant gender-based inequalities in access to resources, it said.

Official statistics also put poverty rates at 30.0% for farmers and 30.6% for fisherfolk in 2021, while PIDS findings suggest rates ranging from 25-29% and 24-28% respectively.

"Our findings suggest that targeting mechanisms based on household-level poverty measures may be insufficient for reaching all individuals experiencing deprivation, with this inadequacy varying significantly across different vulnerable groups," it said.

It cited programs such as the Pantawid Pamilyang Pilipino Program that may need to add "more nuanced targeting criteria" factoring in household composition and sector-specific patterns of intra-household inequality. — **Aubrey Rose A. Inosante**

# More vape companies, small-scale contractors targeted for registration

THE Department of Trade and Industry (DTI) said it hopes to accredit 10 vape companies by year's end.

"A lot have been accredited. We hope that by the end of the year, we will have 9 to 10 companies that have registered and complied with the DTI," Trade Secretary Ma. Cristina A. Roque said at a briefing last week.

"What we want to happen is for them to comply and register with us, just to make sure that these vape products meet the standards," she added.

"For vapes, most of these are imported, but the ones who distribute them locally are Filipinos who buy them from other countries," she said.

Ms. Roque also said that the DTI is also promoting the accreditation of small-scale contractors to help them get more clients for jobs that do not require big contractors.

"We have what we call the *pakyaw* (small-scale contractors). So let's say I'm a plumber, and I want to be able to do some plumbing work because not everybody needs a big contractor. Sometimes people that live in a townhouse need a plumber, painter, or mason," she said.

She said the small-scale contractors will only need to pay P500 to be accredited by the department.

"So when they get jobs, like simple jobs, they can show that they are accredited by DTI. So it's easy for them also to get clients from this kind of program. It's something that we also want to promote," she added.

Asked about updates on the draft department administrative order aimed at setting the guidelines for the registration of online sellers of consumer products under mandatory certification, the DTI said that it has been positively received by the online platforms.

"The e-commerce platforms are supportive of this. We have been doing more frequent meetings with them to polish all of the details of the proposed department order," Fair Trade Enforcement Bureau Director Regino D. Mallari, Jr. said.

"For the smaller sellers, the DTI can assist them in complying with the requirements. It is not actually designed against them because we will support them. We are looking at those who are probably cross-border traders that are unable to have their products certified here," he added. — **Justine Irish D. Tabile**

OPINION

# Winds of change

## TAXWISE OR OTHERWISE

JAFFY AZARRAGA

*The world under heaven, after a long period of division, tends to unite; after a long period of union, tends to divide. This has been so since antiquity. — Luo Guanzhong, Sanguo Yanyi*

As we contemplate the meaning of Christmas two millennia after our Messiah was born in a humble manger, we also come to observe that nothing is really constant except change. Over the ages, the world has experienced recurring plagues, economic upheavals, revolutions and wars, despite best efforts of the authorities to minimize or avoid them. Recently, as a response perhaps to their handling of the economy, social issues and geopolitical tensions, the Democratic party widely lost its mandate to the Trump-led Republican party in the US elections. Trump astutely rode a red wave by promising struggling Americans a brighter future, and is set to chart a widely different course when he assumes office in January.

Meantime, on the other side of the ironically named Pacific Ocean, China is also facing dire straits due to an aging population, spiraling deflation, widespread real estate bust, shrinking export markets, decoupling by western partners, and worsening diplomatic relations with neighboring countries. While the Chinese have no option to change their government now, Xi Jin Ping and the ruling Party have made some policy adjustments. Whether such is enough, however, is never guaranteed.

The Philippines is a mere a pygmy in comparison to these two behemoths, and inevitably, caught in choppy waters stirred by the two superpowers. Thus, the Philippines is not spared some economic malaise due to the weakening of China, its most powerful neighbor and trading partner, and the social and political issues that somewhat echo those of the US, with which it shares significant cultural and political ties.

Nonetheless, as the roll of the dice would have it, the Philippines has a young and dynamic population, a consumption-led and demand-driven economy, and a democratic government that allows it to be more resilient in the face of changes. And these may be the reasons why the country is not only surviving, but apparently still growing — like the proverbial bamboo, Filipinos continue to sway, buckle and spring forth time and time again in the face of repeated difficulties or disasters. And, while not to the liking of many, Filipinos can also change sides easily, like a *balimbing*.

However, I believe that those very traits, while making the Philippines resilient, do not contribute much to the country's development. Historically, the country has only made very slow and painstaking gains, while any further progress appears to be even more daunting and difficult.

The national debt has now reached P15.89 trillion, and despite the government's attempts to manage its deficit levels, the Philippine budget gap is expected to grow to 5.9% of the gross domestic product (GDP) next year, according to BMI Research. And while this is still manageable, the country will continue to be hounded by persistent inflation, and available resources and funds for critical investments and infrastructure will become even more scarce and difficult to secure.

Hurdling these constraints is a huge and difficult challenge. At the same time, the dangers of a geopolitical storm carrying the Philippines along with it cannot be understated as well. Great powers are not only dangerous at their peak, but even more so when declining. Examples are not only numerous, but almost repetitive: Spartans, Persians, Romans, Mongols, Dutch, Spaniards, British, Germans, Japanese, and Russians, among others, embroiled others in ruinous competition or wars as their powers waxed and eventually waned. Now it is the turn of the US and China, as the US struggles to keep its strength and prosperity, while China desperately scrambles to uphold the dream of Great Power status it has painstakingly cultivated for decades.

For the Philippines, it will take much prudence, effort and determination, not only on the part of its leaders, but also its citizenry, to face these challenges and threats. Even as a small country, we can husband limited resources by avoiding waste, division and corruption to the extent possible. We can ill afford internal conflict, which not only stymies peace and development, but also weakens the country before the eyes of everyone else.

Every new year offers a fresh start, and I believe that despite existing disadvantages, Filipinos possess innate patience, talent as well as steadfast faith in the Almighty. These qualities will help steer our course for a better future. Ultimately, it is our daily choices — and our electoral decisions — that determine whether we merely survive, or thrive amidst the winds of change.

*The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co. The content is for general information purposes only, and should not be used as a substitute for specific advice.*

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