Republic of the Philippines
Department of Finance
**INSURANCE COMMISSION**
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## IC ISSUES GUIDELINES ON APPROVAL OF HMO PRODUCTS

All HMOs products are now required to be approved by the Insurance Commission (IC) before they may be offered and sold to the public.

This is pursuant to the new guidelines signed by Insurance Commissioner Dennis B. Funa which require all HMOs to file their HMO agreement, schedule of benefits and application form to the IC for approval.

The new guidelines have laid down the minimum provisions which must be contained in an HMO agreement including provisions on in-patient, emergency care and out-patient benefits and services, pre-existing conditions, availment and claims procedure, exclusions and limitations, and eligibility requirements.

One of the important minimum provisions which must be contained in all HMO agreements is the ten (10)-day period given to client counted from the effective date within which they can terminate the agreement provided that the client has not availed any of the services provided under the agreement.

Under the guidelines, an HMO product may be bundled with a Group Yearly Renewable Term Insurance plan, Group Accident Insurance Plan or any similar product that has been duly approved by the IC. In such cases, the HMO shall act as a group policyholder and shall act as the lead provider that will assume responsibility for the administration of the bundled products or services. To differentiate an HMO product from an insurance product, an HMO product is expressly prohibited to include any savings or investment component and any mortality risk.

The significant documentary requirements which must be submitted by HMOs to the IC in support of their application for product approval are actuarial notes, actuarial formulations and other documents which are required to be signed by an IC-accredited actuary.

Insurance Commissioner Funa said, "In the approval of HMO products, companies are now required to submit supporting documents prepared by IC-accredited actuary together with their application for product approval. These include actuarial notes which contain product description, actuarial assumptions on morbidity/incidence rates, expenses and taxes, as well as,

actuarial formulations on net and gross premiums, reserves, table of gross membership fees and experience refund, if applicable."

"The submission of actuarial formulations and studies are for the purpose of ensuring that the membership fee to be collected by HMOs are adequately, fairly and reasonably priced to prevent underpricing and overpricing," added Commissioner Funa.

Other documentary requirements for the approval of HMO products include, sample sales proposals and marketing materials, list of current affiliated hospitals and other service providers of the HMO and sample contract between the HMO and its service provider.

HMOs are given one (1) year from the effectivity of the new guidelines to amend their existing HMO products, agreements and contract forms to comply with the requirements of the new guidelines.

HMO products are pre-agreed or designated health care services to enrolled members for a fixed pre-paid fee for a specified period of time, which can be for a maximum period of 12 months, through the use of selected network of health care providers.

Regulation and supervision over HMOs was transferred from the Department of Health to the Insurance Commission by virtue of Executive Order No. 192, series of 2015.

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