

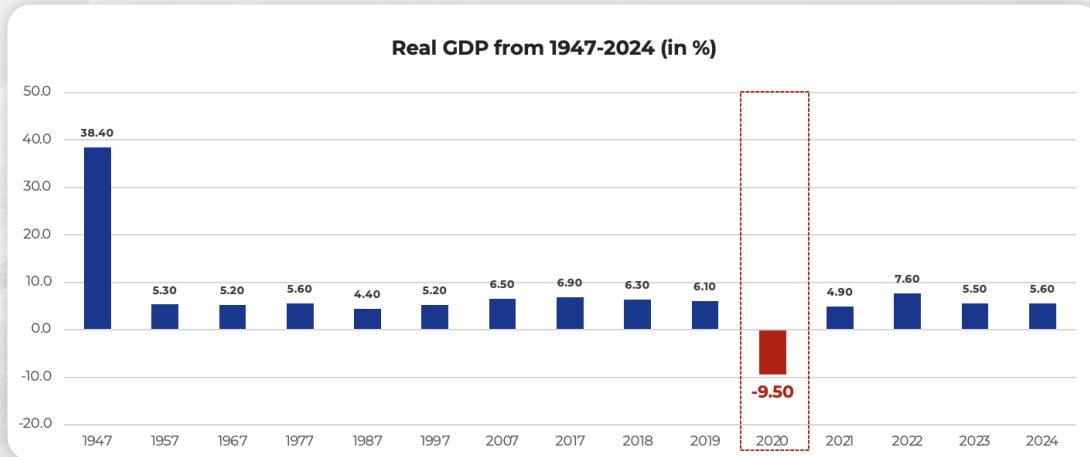


Honorable Chief Justice and Associate Justices of the Supreme Court, good afternoon.

Thank you for granting us the opportunity to present our side today.

To begin with, I think it will be wise to explain the context within which this policy move is being undertaken. The bigger picture as to why we did what we did, so to speak.

We are still recovering from the pandemic that gave us the hardest economic blow since post-World War II.

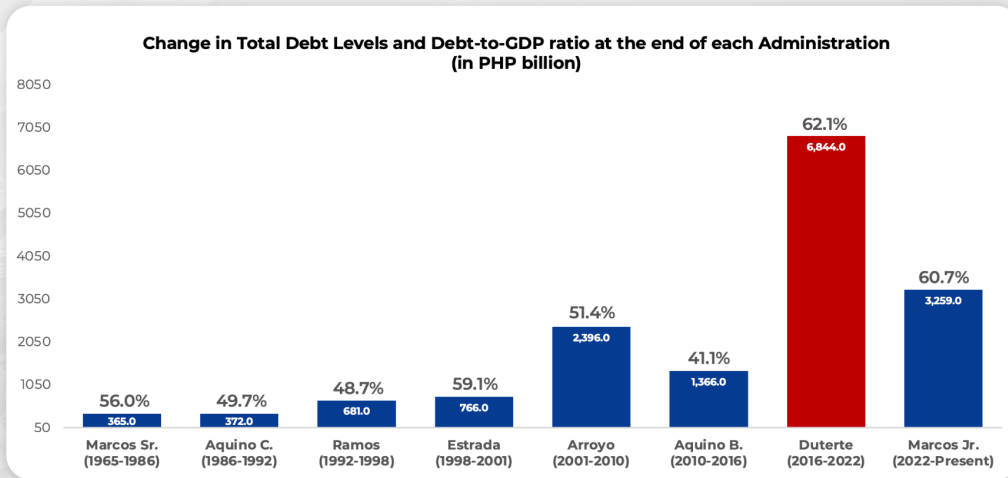


Source: Philippine Statistics Authority

First, we are still recovering from the pandemic that gave us the hardest economic blow—a contraction of 9.5 percent in 2020—the lowest since post-World War II.

To address both health and economic needs during that crisis, the government had to borrow more money—*utang na minana ng kasalukuyang administrasyon*.

During the pandemic, the government had to borrow more money to address both health and economic needs. Borrowings soared by the end of 2022, the highest among all past administrations combined.



Source: Bureau of the Treasury

By 2022, when President Marcos, Jr. took office, our national debt soared by 6.8 trillion pesos.

This surpasses the combined debt of all previous administrations, bringing our debt-to-GDP ratio from its lowest level of 39.6% in 2019 to a high of 60.9% in 2022.

And now, it is our responsibility to repay these large borrowings. We inherited this debt, but we do not intend to simply pass this burden onto the next Administration. We intend to try our best to reduce it.



Against this backdrop, geopolitical tensions—two hot wars, a trade war, and a looming cold war, as well as supply disruptions from the pandemic **interrupt our recovery efforts.**

Against this backdrop, geopolitical tensions—two hot wars, a trade war, and a looming cold war, as well as supply chain disruptions from the pandemic interrupt our recovery efforts. Around the world, inflation has surged and central banks raised interest rates.

Innovation in the funding source for the priority projects and programs of the President in the Unprogrammed Appropriations under the 2024 General Appropriations Act:

Excess Fund Balances of GOCCs

The Department of Finance was mandated to issue the guidelines to implement Section XLIII Special Provision 1(d) of the 2024 GAA.

Thus, Congress mandated in the 2024 General Appropriations Act to sweep the unused, idle, and excess funds of government-owned and controlled corporations to raise more resources to support the President's priority programs to enhance economic recovery efforts.

As the Solicitor General has accurately pointed out early in this oral argument, this move is a temporary and common-sense approach within legal bounds to fund critical government programs for Filipinos.

And I implore you, Your Honors, to consider our job at the Department of Finance. We are the government's chief fundraiser. We are called to steward the nation's fiscal stability. It is our duty to put every peso to work for the people.

Hindi po pwede na kapag may nakitang malaking pondo na natutulog at hindi nagagamit para sa kapakanan ng taumbayan, hahayaan na lang. Sleeping funds serve no one. Every idle peso is a disservice to every Filipino.

TO FUND THE PHP 15.8 BILLION AVERAGE DAILY SPENDING IN 2024, THE DOF NEEDED TO:

COLLECT

**PHP 11.71
billion a day**

and

BORROW

**PHP 4.10
billion a day**



To put into perspective, based on the 2024 GAA, we had an appropriation of 5.768 trillion pesos. Of which, only 4.273 trillion pesos were supportable by revenues.

Thus, reckoned on a daily basis last year, our expenditures amounted to 15.8 billion pesos a day in cash, of which 11.71 billion pesos in cash were funded by revenue collections and the rest, 4.10 billion pesos in cash, by loans. Every 24 hours. Kada bente-kwatro oras.

This is the daily math of governance.

So at dusk, when the sun sets over Manila Bay – a spectacle I see from my office – I would often ask myself: “Nakakolekta ba tayo ngayon ng 11.71 billion pesos sa araw na ito?”

The national budget is a catalog of expenditures, every item therein has a price tag – paid in taxes, non-tax revenues, or by debt.

Our role in the DOF is to pick the tab of what the budget has ordered. Kung kulang, we pay in credit. And we are wary not to max out the national Philippine credit card.

Our Medium-Term Fiscal Program ensures that we mobilize and utilize our resources efficiently to gain the maximum benefit and high multiplier effects for the economy and the Filipinos.



Thus, this move to sweep the unused, excess, idle funds of GOCCs is in line with the principles of our Medium-Term Fiscal Framework to ensure the country's macro-fiscal stability.

And that is to consolidate all public resources so that these are mobilized and utilized to gain the maximum benefit and high multiplier effects for the economy and the Filipino people.

This Framework ensures that we reduce our fiscal deficit from a high of 8.6% of GDP in 2021 to only 3.7% in 2028. Last year, we already hit our target of reducing this to 5.7%.

This will allow us to sustainably reduce our national government debt to 56.3% in 2028.

And just as what we did during the pandemic through Bayanihan 1 and 2, we see this as a Bayanihan 3—a Bayanihan 3 not funded by new taxes, but one funded by the funds already in our possession. A Bayanihan 3 that mobilizes all our available resources—all idle, excess, and sleeping public funds—to help the economy recover faster, create more jobs, increase incomes, and reduce poverty in the process.

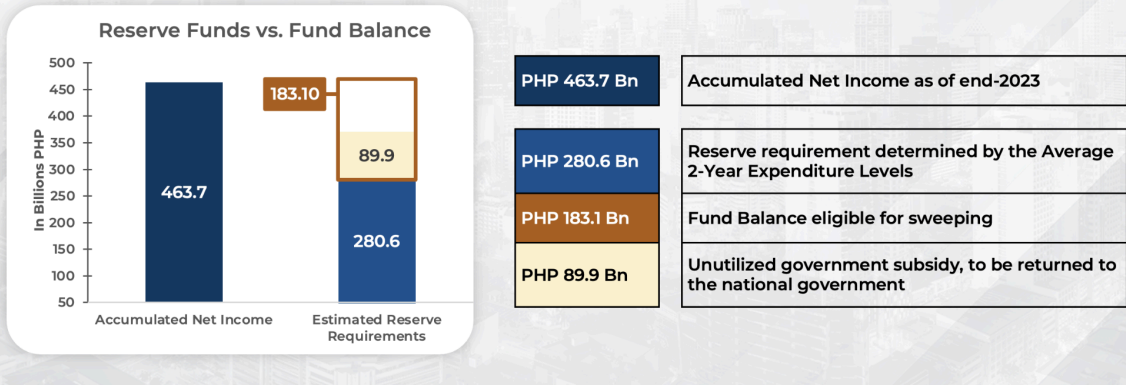
We wouldn't be doing our job, Your Honors if we willfully neglect our duty to exercise fiscal prudence in this matter just because it is unusual. We wouldn't be doing our job if we clung to convention over common sense.

And now, let me respond to some points brought up during the previous sessions.

Computation of PhilHealth's excess funds

"Fund balance of the GOCC from any remainder resulting from the review and reduction of their reserve funds to reasonable levels taking into account the disbursement from prior years."

The prescribed level of reserve funds is as follows:



First, why PhilHealth? Alinsunod po sa batas, hindi lamang po PhilHealth ang nag-iisang GOCC na aming inutusang magbalik ng sobrang pondo, ayon sa 2024 GAA. Tiningnan po ng DOF ang lahat ng mga natutulog na pera ng lahat ng GOCCs.

And with our extensive review, we found out that PhilHealth has accumulated a very substantial excess, unused, and idle funds over the past few years.

This is not beneficial for one reason: Every peso unused is a benefit denied to Filipino citizens.

After carefully and cautiously computing the reserve funds of PhilHealth, its excess, unused, and idle money actually amounted to a staggering 183.1 billion pesos, which are unrestricted.

Sa madaling salita, base sa GAA 2024 under the unprogrammed appropriations, 183.1 billion pesos po ang maaaring ibalik ng PhilHealth sa National Treasury.

Yet, the DOF exercised a prudent and moral decision to limit the return of the excess, idle, and unused government subsidies from 2021 to 2023. Because we did not want to touch the hard-earned contributions of the PhilHealth members.

This is how we ended up determining the 89.9 billion pesos of excess, idle, and unused government subsidies sleeping in PhilHealth's bank na binabayaran ng ating mga taxpayers ng 5 bilyong piso na interest habang natutulog.



No member contributions have been taken. Not a single centavo meant for their coverage was touched. PhilHealth's daily operations and benefit packages remain intact.

In fact, the transfer of PhilHealth's excess funds actually spurred its recent expansion of health benefits.

At mahalagang idiin: The move is aligned with the medical principle of 'do no harm'. No member contributions have been taken because the funds remitted back to the national government ay mga subsidiyang galing din sa gobyerno na nakatengga lang sa PhilHealth.

Uulitin ko po: only unused government subsidies were returned. It is our view that unused funds are denied benefits. That, we contend, is the real harm.

It bears stressing that not a single centavo meant for the members' coverage was touched. Not a centavo of benefits was compromised. PhilHealth's daily operations and benefit packages remain intact. They will not be disrupted but will even be improved.

In fact, the transfer of PhilHealth's excess funds actually spurred its recent expansion of health benefits.

Inuulit ko, dahil po dito, napagalaw po natin ang PhilHealth na taasan at mas lawakan pa ang benefit packages nito to reduce out-of-pocket expenses.



Even as we took PHP 60 billion out of the PHP 89.9 billion excess government subsidies, PhilHealth is still left with PHP 498 billion of cash in its war chest as of last year.

This is more than enough to continue increasing its inpatient, outpatient, and special benefit packages over the next two years.

And even as we took 60 billion pesos out of the 89.9 billion excess government subsidies, PhilHealth is still left with 498 billion pesos of cash in its war chest as of last year.

This is more than enough to continue increasing its inpatient, outpatient, and special benefit packages over the next two years. And even without subsidy from the government, PhilHealth is still on a strong financial footing.

Kaya inuulit ko, hindi maapektuhan ang pang-araw-araw na operasyon ng PhilHealth dahil dito. Nadagdagan pa nga ang mga benepisyo at lalong madadagdagan pa.



PhilHealth is NOT bankrupt.

The Commission on Audit had never declared PhilHealth as bankrupt.

To the next point: Is PhilHealth Bankrupt? I'd like to clarify, your Honors, that the Commission on Audit never declared PhilHealth bankrupt. Hindi bangkarote ang PhilHealth. And it never will be bankrupt.

As COA itself clarified during the previous oral arguments, the misunderstanding in PhilHealth's financial reports stems from its Insurance Contract Liabilities or ICLs, which COA flagged as inaccurate and unreliable. These ICLs are not actual debts but merely provisions for future obligations based on faulty actuarial estimates.

Kung titingnan po natino natin ang SSS and GSIS, mas malaki pa ang ICLs nila, at hindi bangkarote ang SSS and GSIS.

Faulty actuarial math cannot be the basis for declaring a fiscal crisis.

On paper, these provisions make it seem like PhilHealth has more liabilities than assets. But in reality, there are no actual claims for ICLs against PhilHealth—none in the past, none today. That’s because PhilHealth has never issued, nor does it hold, any outstanding insurance contracts like private insurers do.

More importantly, as a state health insurer, PhilHealth cannot and will not go bankrupt. For its financial viability is fully backed by the Philippine government under the law.

We cannot stress this enough: PhilHealth is not bankrupt. It never was. And under the law, it never will be.

PhilHealth's accumulated net income has grown more than four times since 2019

PHILHEALTH Financial Performance 2016-2024
Amounts in PHP Millions

Particulars	FY 2016 (Actual)	FY 2017 (Actual)	FY 2018 (Actual)	FY 2019 (Actual)	FY 2020 (Actual)	FY 2021 (Actual)	FY 2022 (Actual)	FY 2023 (Actual)	FY 2024 (As of Q3)	FY2023 vs. Q3 2024	YoY Change
Key Income Statement Data											
Total Income	109,661.19	113,299.11	140,831.26	154,566.76	158,107.99	195,889.36	231,782.27	258,689.80	187,086.05	-71,603.75	-27.68%
Premium Contributions	103,825.80	107,447.04	134,088.83	146,435.03	148,994.62	186,218.04	219,539.37	237,173.44	167,393.58	-69,779.86	-29.42%
Member's Contribution	52,928.02	57,478.07	74,339.26	77,069.86	85,569.19	105,979.25	139,474.92	158,367.82	139,558.35	-18,809.47	-11.88%
Gov't Subsidy	50,897.78	49,968.97	59,749.57	69,365.17	63,425.44	80,238.79	80,064.45	78,805.62	27,835.23*	-50,970.39	-64.68%
Investments	5,743.51	5,686.84	6,655.24	7,937.34	8,801.15	9,530.24	11,544.40	20,701.01	19,489.36	-1,211.65	-5.85%
Others	91.88	165.23	87.19	194.39	312.23	141.08	696.49	815.35	203.11	-612.24	-75.09%
Total Expenses	109,912.72	113,061.95	119,806.60	149,908.60	128,048.27	147,983.30	152,743.72	85,233.89	140,655.14	55,421.25	65.02%
Benefit Claims Expense	102,130.70	106,416.65	112,956.46	136,959.85	120,903.16	140,161.03	143,560.40	75,767.23	134,699.73	58,932.50	77.78%
of which Direct Benefit Claims Expense	70,736.45	54,742.18	54,943.42	66,431.38	53,075.85	82,614.50	86,970.16	35,321.22	66,579.96	31,258.74	88.50%
of which Indirect Benefit Claims Expense	31,394.25	51,674.47	58,013.04	70,528.47	64,105.14	53,116.10	56,092.42	40,016.43	66,361.83	26,345.40	65.84%
Personnel Services	5,583.26	4,528.48	4,356.56	4,548.87	4,807.80	4,277.37	4,972.58	5,348.57	3,435.46	-1,913.11	-35.77%
Other Operating Expenses	2,198.76	2,116.82	2,493.58	8,399.88	2,337.31	3,544.89	4,210.74	4,118.09	2,519.95	-1,598.14	-38.81%
Net Income Before Income Tax	-251.53	237.17	21,024.67	4,658.17	30,059.73	47,906.07	79,038.54	173,455.91	46,430.91	-127,025.00	-73.23%
Member's Equity (w/o ICL)	90,683.03	85,233.49	105,299.86	109,958.02	162,537.17	213,160.62	292,916.33	485,341.14	446,326.90	-39,014.24	-8.04%

Notes:
*As of September 2024, no subsidy releases. These are accrued revenues.

What is true, Your Honors, is that for years, PhilHealth was earning more revenues than its expenditures.

PhilHealth's accumulated net income has grown more than four times since 2019, from 109.95 billion pesos to 464.27 billion pesos in 2023 while its average benefit claims expenses only amounted to an average of 140 billion pesos.

In other words, there was a lot of money sleeping in PhilHealth because of their low absorptive capacity, which was only about 58%.

And because of that: even after remitting its excess government subsidies, implementing approved increases in benefit packages, and operating without government subsidy this year, PhilHealth is still sitting on nearly half a trillion pesos in cash.

Your Honors, it is clear and obvious that if PhilHealth were managing its funds correctly and efficiently, the government would not be requesting the return of any of its excess funds. Because such would not exist in the first place.

This just follows the same principle applied to all government agencies: use your budget or lose it. Any unspent funds revert back to the National Treasury.

So, if PhilHealth can demonstrate improved absorptive capacity, surely, the government will not think twice about providing budgetary support for them.



Kung hindi natin nasilip ang mga sobra-sobrang pondo ng PhilHealth, malamang hanggang ngayon ay nanatili itong natutulog.

**Ang hakbang na ito ay nagtulak sa PhilHealth na mas palawakin at pagandahin ang kanilang serbisyo sa mamamayang Pilipino.
This is the long term effect of this decisive policy.**

Next: The petitioners asked what moral reason would exist to revert such an amount back to the National Treasury instead of using the same to resuscitate our already-dilapidated healthcare system.

What, then, should we do with these unutilized funds? Kung hindi natin nasilip ang mga sobra-sobrang pondo ng PhilHealth, malamang hanggang ngayon ay nanatili itong natutulog.

To let billions sleep while our people suffer is not prudence—it is negligence.

Sa katunayan, gaya ng sinabi ko kanina, ang hakbang na ito ay nagtulak sa PhilHealth na mas palawakin at pagandahin ang kanilang serbisyo sa mamamayang Pilipino. This is the long term effect of this decisive policy.

Isa itong patunay na ang tamang desisyon— kahit hindi popular— ay kayang baguhin ang isang sistemang matagal nang bigo sa paglilingkod sa taumbayan.

At bonus na lang na noong nakaraang taon, may nailaan tayong pera para sa Unprogrammed projects na kailangang ma-pondohan para sa pakinabang ng bawat Pilipino.

**As of December 19, 2024, the BTr has collected
PHP 60 Billion of the PhilHealth Fund Balance**

Uses of the Fund Balance are as follows:

PHP 27.45 Bn Public Health Emergency Benefits and Allowances for Health Care and Non-Healthcare Workers during COVID-19	PHP 10.00 Bn Medical Assistance to Indigent and Financially Incapacitated Patients	PHP 4.10 Bn Procurement of various medical equipment for DOH hospitals, LGU hospitals, and Primary Care Facilities
PHP 3.37 Bn Three (3) DOH health facilities	PHP 13.00 Bn Government counterpart financing for foreign-assisted projects	PHP 1.69 Bn Health Facilities Enhancement Program

In fact, that 60 billion pesos remitted by PhilHealth directly went to critical health-related projects.

When the 60 billion pesos was returned, the government did not turn its back on its mandate to prioritize public health; we fulfilled it.

Ang pinakamalaking bahagi na nagkakahalagang 27.45 bilyong piso ay ipinangbayad sa mga natirang allowances para sa ating mga kababayan na nagsilbing Covid-19 frontliners.

Prayoridad rin ang Social Programs for Health kung saan naglaan tayo ng 10 bilyong piso para sa pagbibigay ng tulong-medikal sa mga mahihirap na Pilipino.

3.37 bilyong piso naman ang napunta sa pagpapatayo ng tatlong DOH Facilities.

Ang 4.10 bilyong piso ay napunta sa pagpapalakas ng mga pasilidad ng DOH, habang 1.6 bilyong piso naman ang inilaan sa Health Facilities Enhancement Program.

The rest, or about 13.00 billion pesos, were used to fund government counterpart financing for foreign-assisted infrastructure and “social determinants for health” projects. These will accelerate the delivery of healthcare services to remote areas and enhance the health and well-being of Filipinos by ensuring food security.

Your Honors, every official development assistance loan agreement requires a corresponding government counterpart share. And as part of our commitment, we must honor our financing obligations for these foreign-assisted projects—because failure to do so would mean incurring commitment fees and interest on those loans.



**When we talk about the right to health,
it is not solely about PhilHealth.**

**It is also about building more hospitals and
healthcare facilities; enhancing their
operations; and providing more medical
assistance to indigent and financially
incapacitated patients, which are the
Department of Health's priority programs.**

Next: The petitioners assert that the transfer of PhilHealth's excess funds violates the Constitution and every citizen's right to health.

Your honors, we submit that the right to health isn't about protecting idle funds. It is about delivering actual care. Because when we talk about the right to health, it is not solely about PhilHealth.

It is also about building more hospitals and healthcare facilities; enhancing their operations; and providing more medical assistance to indigent and financially incapacitated patients, which are the Department of Health's priority programs. In fact, DOH's budget has increased from 183.88

billion in 2022 to 247.92 billion in 2025 to finance these crucial health programs.

Between the two, their budget is roughly 500 billion pesos.

Favorable legal opinions were obtained from the following on the implementation of the Unprogrammed Appropriations provision:



**Office of The
Government
Corporate Counsel
(OGCC)**



**Governance
Commission for
GOCCs (GCG)**



**Commission on
Audit (COA)**

And with regard to the legality of the transfer, this argument has already been refuted extensively by the Solicitor General and the Government Corporate Counsel during the previous oral arguments. These are all legal. Wala po kaming nilabag na batas.

Mahalagang idiin na bago namin ito isagawa, nakipag ugnayan muna kami sa abogado ng mga GOCCs—ang OGCC, kasama ang GCG at COA. We made our due diligence, and all of them gave us favorable legal opinions.

More importantly, the PhilHealth board approved the transfer of its excess funds. At nirerespeto namin ang cash management operations ng PhilHealth kaya't mayroon po tayong remittance schedule. Hindi po ito naging one time big time.

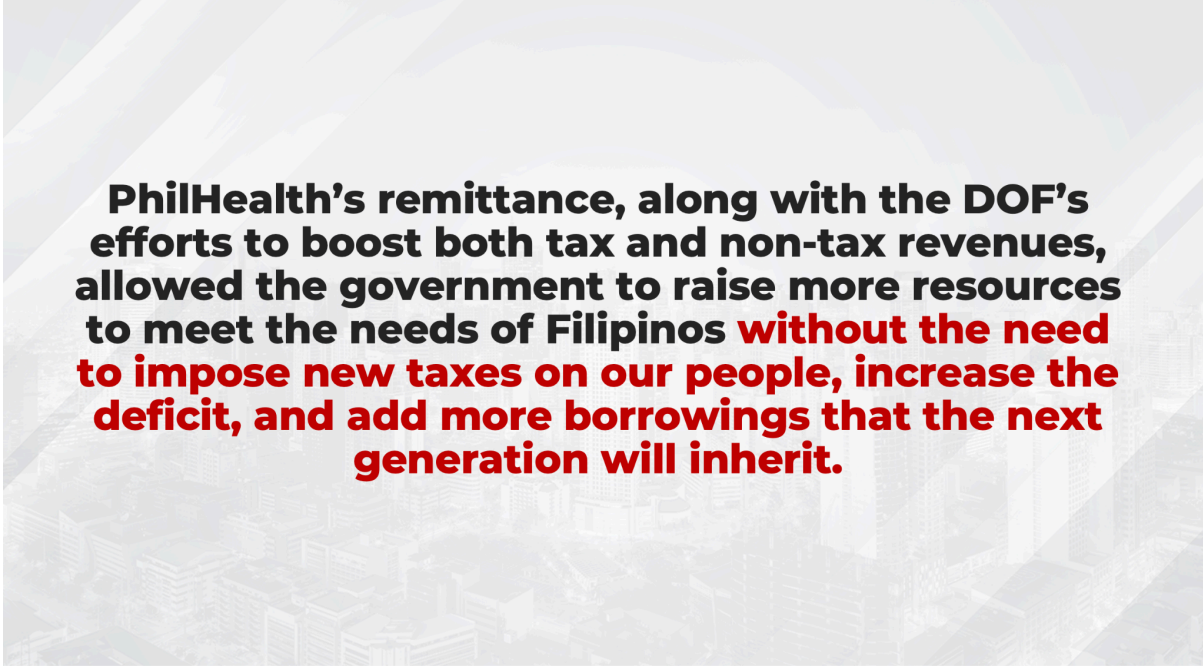
We reaffirm the government's position that the DOF-issued Circular 003-2024 is in fulfillment of its mandated duty to responsibly manage public finances in support of our nation's development goals.

It was a decisive move to establish and implement a strategic fiscal policy that propels economic growth.

In addition, we reaffirm the government's position that the DOF-issued Circular 003-2024 is in fulfillment of its mandated duty to responsibly manage public finances in support of our nation's development goals.

It was a decisive move to establish and implement a strategic fiscal policy that propels economic growth.

Siya nga pala, the DOF also hiked dividend rates to 75% from 50% of GOCCs' annual net earnings last year. This, along with new revenues and other excess non-tax revenues generated an additional 212.2 billion pesos last year to fund the unprogrammed appropriations.



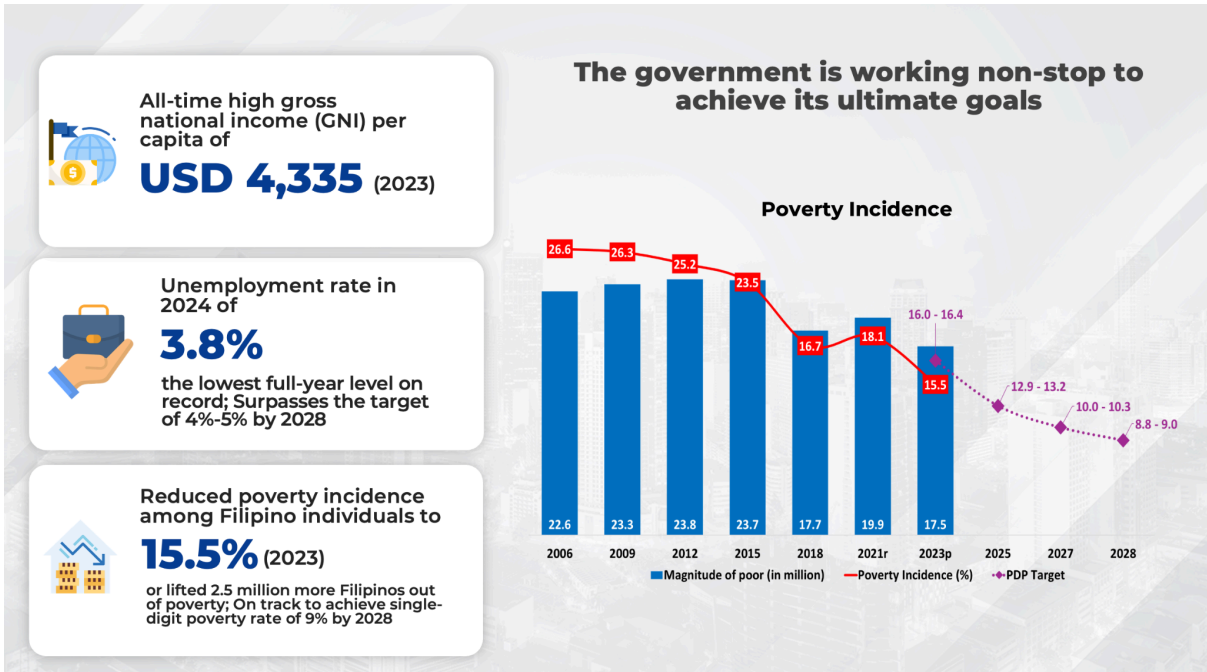
PhilHealth's remittance, along with the DOF's efforts to boost both tax and non-tax revenues, allowed the government to raise more resources to meet the needs of Filipinos **without the need to impose new taxes on our people, increase the deficit, and add more borrowings that the next generation will inherit.**

Thus, with PhilHealth's remittance, we raised more funds without raising taxes and adding more borrowings that the next generation will inherit. We protected the people without punishing them.

Your Honors, the 60 billion pesos that was returned didn't vanish—it paid frontline workers, built hospitals, and gave the poor access to medicine. Every centavo remitted was converted into service. That is fiscal justice.

And so, I stand before you, Your Honors, to humbly assert that the move to revert these excess funds is not only legal. But it is also economically sound and a moral duty.

We cannot, in good conscience, allow funds to languish in bank accounts as our nation's needs multiply daily.



Not when the government is working non-stop to achieve its ultimate goal of cutting unemployment, creating more jobs, increasing Filipinos' income, and bringing poverty down to a single digit or 9 percent by 2028. All economic data will suggest that we are on track to achieving these goals.



**We assure the Filipino public that
there is no advocate more
committed to higher health
spending than the DOF.**

To end this, let me again assure this Honorable Court and the Filipino public that there is no advocate more committed to higher health spending than the DOF.

Personally, I have championed higher sickness benefits and faster processing of claims by the state health insurer. My being in the executive has not altered my position which I have espoused in my 30 years in Congress.

It is also on record that I am the principal author of the Universal Health Care Act, which I fought for for several years. Hindi ko kailanman lalabagin ang batas na ako mismo ang nagpursiging maipasa.

The DOF has been working hard to fulfill our duty to uplift the lives of Filipinos, ensuring a healthier and more prosperous future for all.

It is our moral obligation to see the bigger picture, to not look the other way. And it is our cardinal duty to ensure that every peso collected will have the highest impact on the lives of every Filipino.

May this honorable Court continue to guide us in upholding the law and serving the best interests of our people. Magandang hapon po at maraming salamat sa inyong lahat. Handa po tayong sagutin ang lahat ng inyong mga katanungan.

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