



Circular Letter No.:	2024-18
Date:	10 October 2024
Amends:	CL No. 2016-41

CIRCULAR LETTER

**TO : ALL HEALTH MAINTENANCE ORGANIZATIONS (HMOs)
 AUTHORIZED TO DO BUSINESS IN THE PHILIPPINES**

**SUBJECT : REGULATORY RELIEF ON THE LIQUIDITY REQUIREMENT
 UNDER CIRCULAR LETTER NO. 2016-41**

WHEREAS, Section 1.5 of Circular Letter (CL) No. 2016-41 requires HMOs to comply with the liquidity requirement by maintaining an Acid Test Ratio (ATR) of at least 1.0 at all times;

WHEREAS, due to the unprecedented 2022 net loss of ₱1.44 billion and the continued increases in healthcare costs and utilization rates in 2023, which severely impacted several HMOs' financial condition, the Commission issued CL No. 2023-24, granting regulatory relief by lowering the ATR requirement from 1.0 to 0.75 to provide HMOs more time to recover;

WHEREAS, by the end of 2023, the industry incurred an additional net loss of ₱4.27 billion, bringing the total net loss for 2022 and 2023 to ₱5.71 billion;

WHEREAS, the Commission recognizes the need to extend the regulatory relief provided by CL No. 2023-24 to give HMOs more time to recover;

NOW, THEREFORE, pursuant to the powers granted to this Commission under Section 4 of EO No. 192, the following are hereby promulgated:

SECTION 1. LIQUIDITY REQUIREMENT

HMOs shall at all times maintain an ATR of at least 0.9. The following regulatory actions shall apply:

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ATR	Regulatory Action
0.9 ≤ATR < 1.00	<p>HMOs shall be required to submit, together with the Interim Financial Statements (IFS) as required under Section 2.2 of CL No. 2016-41, soft copies of the following:</p> <ol style="list-style-type: none"> 1) Schedule of claims payable as of the end of the reporting period using the template in Annex A; and 2) Claims settlement plan. <p>HMOs shall then update, on a monthly basis, the same claims schedule above with the information on claims that are already settled. The updated claims schedule must be submitted through e-mail to hmoifs@insurance.gov.ph on or before the 15th day after each month.</p> <p>Further, for verification purposes, proof of payment of all valid claims (e.g. OR, validated deposit slips) shall be made readily available upon request of the Commission.</p> <p>If upon examination of the submitted documents, it is found out that there were delays in the settlement or non-payment of claims, the regulatory action for HMOs with ATR of less than 0.75 shall be implemented.</p>
ATR < 0.9	<p>HMOs may collect their long-term receivables and/or liquefy non-current assets or infuse cash to be contributed proportionately by the stockholders on record within thirty (30) days from receipt of the advice from the Insurance Commission. Otherwise, the HMO must show cause in writing why no regulatory action shall be taken by this Commission against the HMO and its officers for non-compliance thereof.</p>

For purposes of declaration and/or distribution of dividends, HMOs shall at all times meet the regulatory requirements under CL No. 2016-41, without the regulatory relief provided herein, as required under CL No. 2021-02.¹

SECTION 2. APPLICABILITY

This rule shall be applied to the verification/examination of the 2023 and 2024 Audited Financial Statements and the analysis of the Interim Financial Statements with reporting dates from 30 September 2024 until 30 September 2025, unless extended or changed as deemed necessary by this Commission.

This Circular shall take effect immediately.


REYNALDO A. REGALADO
 Insurance Commissioner



¹ Entitled, "Revised Guidelines on the Declaration and/or Distribution of Dividends."