



Republic of the Philippines
DEPARTMENT OF HEALTH
OFFICE OF THE SECRETARY

09 October 2010

ADMINISTRATIVE ORDER

No. 2010 - 0032

SUBJECT: Guidelines and Mechanisms to Implement the Provisions of Republic Act No. 9994, otherwise known as "The Expanded Senior Citizens Act of 2010", on the Sale of Medicines and the Sharing of the 20% Senior Citizens' Discount

I. RATIONALE

In accordance with the principles of the 1987 Philippine Constitution to uphold the rights of the elderly and the relevant provisions of Republic Act No. 9257, this Administrative Order is being issued to support Section 4(1) of the Implementing Rules and Regulations of Republic Act No. 9994 implementing the twenty percent (20%) Senior Citizens' discount on medicines, medical equipment and other health-related provisions and to establish guidelines and mechanisms of compulsory rebates in the sharing of burden of the Senior Citizens' discounts among retailers, manufacturers and distributors, taking into consideration their respective margins. This Order is meant to guide drug stores, hospitals, medical and allied health workers as well as Senior Citizens in executing mechanisms of fair discounts for beneficiaries while preserving the economic viability of companies and drug retail outlets through a just and transparent system of compulsory rebates.

II. OBJECTIVES

This Order is being issued to achieve the following objectives:

1. To establish guidelines and mechanisms in implementing the 20% Senior Citizens' discount in drugs and medicines, medical equipment and other health related provisions of RA 9994;
2. To create procedures for compulsory rebates and the sharing of burden of the Senior Citizens' discounts among Retailers, Manufacturers and Distributors, taking into consideration their margins by establishing a formula for said discounts; and
3. To set up a system of monitoring the compliance of drug companies, distributors and retailers to the 20% discount.

III. COVERAGE AND SCOPE

This Administrative Order shall apply to all private and government hospitals, health related facilities, health care professionals, the Philippine Health Insurance Corporation, all

related health-care establishments, pharmacies and other retail outlets dispensing medicines to all Senior Citizens.

IV. DEFINITION OF TERMS

For purposes of this Order, the following terms shall have the following definitions based on the Implementing Rules and Regulations of RA 9994 and RA 9711:

1. **Senior Citizen or Elderly**- refers to any Filipino citizen who is a resident of the Philippines, and who is sixty (60) years old or above. It may apply to senior citizens with “dual citizenship” status provided they prove their Filipino citizenship and they have been residents for at least six (6) months in the Philippines.
2. **Indigent Senior Citizen** - refers to any senior citizen or elderly who is frail, sickly, or with disability and without pension or regular source of income, compensation or financial assistance from his/her relatives to support his/her basic needs, as determined by DSWD in consultation with the National Coordinating and Monitoring Board (NCMB).
3. **Medicines** – refers to any chemical compound or biological substance, other than food, intended for use in the treatment, prevention or diagnosis of disease in humans or animals, including but not limited to:
 - (1) any article recognized in the official United States Pharmacopoeia-National Formulary (USP-NF), official Homeopathic Pharmacopoeia of the United States, Philippine Pharmacopoeia, Philippine National Drug Formulary, British Pharmacopoeia, European Pharmacopoeia, Japanese Pharmacopoeia, Indian Pharmacopoeia, any national compendium or any supplement to any of them;
 - (2) any article intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in humans or animals;
 - (3) any article other than food intended to affect the structure or any function of the human body or animals;
 - (4) any article intended for use as a component of any articles specified in clauses (1), (2), and (3) not including devices or their components, parts, or accessories; and
 - (5) herbal and/or traditional drugs which are articles of plant or animal origin used in folk medicine which are:
 - (i) recognized in the Philippine National Drug Formulary;
 - (ii) intended for use in the treatment or cure or mitigation of disease symptoms, injury or body defects in humans;
 - (iii) other than food, intended to affect the structure or any function of the human body;
 - (iv) in finished or ready- to- use dosage form; and
 - (v) intended for use as a component of any of the articles specified in clauses (i), (ii), (iii) and (iv)
4. **Medical Devices** – means any instrument, apparatus, implement, machine, appliance, implant, in-vitro reagent or calibrator, software, material or other similar or related article intended by the manufacturer to be used alone, or in combination, for human

beings for one or more of the specific purpose (s) of: diagnosis, prevention, monitoring, treatment or alleviation of, or compensation for an injury; investigation, replacement, modification, or support of the anatomy or of a physiological process; supporting or sustaining life; preventing infection; control of conception, disinfection of medical devices; and providing information for medical or diagnostic purposes by means of in-vitro examination of specimens derived from the human body. This device does not achieve its primary intended action in or on the human body by pharmacological, immunological or metabolic means but which may be assisted in its intended function by such means.

5. **Medical Services** – refer to public and private hospital services, professional services of physicians and other health care professionals, and diagnostic and laboratory tests that are requested by a physician as necessary for the diagnosis and/or treatment of an illness or injury.
6. **Dental Services** – refer to oral examination, cleaning, permanent and temporary filling, extractions and gum treatments, restoration, replacement or repositioning of teeth, or alteration of the alveolar or periodontium process of the maxilla and the mandible that are necessary for the diagnostic and/or treatment of a dental illness or injury.
7. **Diagnostic and Laboratory Test** – refer to diagnostic examinations that are necessary for the diagnosis and/or treatment of an illness and injury, including but not limited to X-ray, CT Scans, ECG, 2D Echo, gastroenterology, blood chemistry exams, histopathology and immunopathology, hematology, urine analysis, parasitology and bacteriology test and serology.
8. **Distributor/ Wholesaler** – means any establishment that procures raw materials, active ingredients and/or finished products from local establishments for local distribution on wholesale basis.
9. **Manufacturer** – in relation to a health product, means an establishment engaged in any and all operations involved in the production of health products including preparation, processing, compounding, formulating, filling, packing, repacking, altering, ornamenting, finishing and labeling with the end in view of its storage, sale or distribution: Provided, that the term shall not apply to the compounding and filling of prescriptions in drugstores and hospital pharmacies. A trader shall be categorized as a Manufacturer.
10. **Retailer** – refers to a licensed establishment carrying on the retail business of sale of drugs and medicines to customers.
11. **Wholesaler-Retailer**- any establishment transacting business of either wholesale or retail at any given time.
12. **Non-Traditional Outlets** – means supermarkets, convenience stores, other retail establishments duly licensed by the FDA to sell non-prescription/over-the-counter medicines to the public

V. GUIDELINES AND MECHANISMS FOR THE AVAILMENT OF PRIVILEGES ON MEDICINES BY ALL SENIOR CITIZENS

V.I GENERAL RULES

- a. A 20% discount and exemption from Value Added Tax (VAT) shall be granted to Senior Citizens subject to the rules embodied in this Order.
- b. The 20% discount granted to Senior Citizens shall be computed in the following manner:
 - (a) The VAT shall be initially deducted from the Retail Price of the medicine to obtain the Net Retail Price; and
 - (b) The 20% discount shall be deducted from the Net Retail Price to obtain the Senior Citizen's Price.

By way of illustration, if the Retail Price (inclusive of VAT) of a certain drug is P100.00, the Senior Citizen's Price should be computed as follows:

Retail Price (inc. of VAT)	P100.00
Less: VAT (P100/1.12)	10.71
Net Retail Price	P 89.29
Less: 20% discount	<u>17.86</u>
Senior Citizens' Price	P 71.43

- c. The 20% discount is non-transferable. It shall be applied exclusively to drugs and medicines for the use of Senior Citizens. Drugs in formulation, such as pediatric formulations medically prescribed for use of Senior Citizens shall also be granted a 20% discount.
- d. The national government shall provide free seasonal flu and pneumococcal vaccines to the indigent Senior Citizens through an additional appropriation under the General Appropriations Act on top of the DOH regular budget or through a preventive benefit package of Philhealth.

All government projects/programs that sell medicines to Senior Citizens and that already offer substantial discount to consumers or is partially subsidized by the government, is exempted from the Senior Citizens' discount (e.g Botika ng Barangay, P100).

- e. All complaints on non-compliance with the 20% discount on medicines shall be lodged with the respective LGU OSCA Office where the purchase was made or where the Senior Citizen resides, whichever is convenient to the latter.
- f. All establishments as defined above are enjoined to comply with the above-cited guidelines. Otherwise, applicable penalties and sanctions shall be imposed.

V.II – DOUBLE DISCOUNTS

- a. Double discounts will not be allowed. Senior Citizens will have the option to choose either promotional campaigns and other forms of discounts on certain medicines, or

the Senior Citizens discount provided that only the Senior Citizens' discount is exempted from VAT.

- b. In cases where Senior Citizens are also Persons with Disability (PWD), the Senior Citizen may opt to use either the Senior Citizens or the PWD discount provided that only the Senior Citizens' discount is exempted from VAT.

V.III – DOCUMENTARY REQUIREMENTS

- a. All hospitals and drug retail outlets shall require Senior Citizens or their representative to present the following requirements for the availment of the 20% discount:
 - 1. Identification card (ID) issued by the city or municipal mayor or Office for Senior Citizens Affairs (OSCA) or the barangay captain of the place where the Senior Citizen resides. The said ID should be recognized nationwide.
 - 2. Except for over-the-counter (OTC) drugs, a doctor's prescription should be presented. A prescription should have the following information: name, age, sex, and address of the Senior Citizen, as well as the date, generic name of the medicine, dosage form, dosage strength, quantity, name and signature, address of the prescribing physician, professional license number, and narcotic license or S2 number, if applicable.
 - 3. Purchase slip booklets shall be used to record the kind of OTC medicine purchased, how many, when and where it was purchased. Likewise, this will help the drugstores to monitor the last purchase made for a certain medicine.

V.IV- RESPONSIBILITIES OF RETAILERS, HOSPITAL PHARMACIES AND ALL OTHER LICENSED ESTABLISHMENTS DISPENSING MEDICINES

- a. As a general rule, any single dispensing must be in accordance with the prescription issued by a physician and should not cover more than one (1) month supply of medicines for the Senior Citizens.

For partial filling, the establishment's pharmacist will indicate the quantity partially filled in the purchase slip booklet and the unfilled balance on the prescription. The Senior Citizen shall retain the partially filled prescription and present the same later to complete the prescribed quantity.

The drugstores may limit the dispensing of OTCs for a supply of one (1) day but not to exceed to a maximum of seven (7) days supply.

- b. During operating hours, all licensed establishments dispensing medicines are strictly prohibited from scheduling or limiting the time for the availment of the Senior Citizens' discount.

- c. Official receipts should be issued to the Senior Citizens for every transaction on medicines which shall contain the Retail Price and the Senior Citizens' Discount Price.
- d. There should be a priority lane for elderly and a generic menu card displayed at the facility of all drugstores.
- e. All drug retail stores and health facilities are required to post this Order in conspicuous places where the Senior Citizens can access information on the 20% discount on medicines.

V.V – PHILHEALTH

- a. Only those medicines which are included in the PNDF will be reimbursed by the Philippine Health Insurance Corporation (Philhealth).
- b. In case the Senior Citizen is a Philhealth member or dependent, the VAT exemption and the 20% discount shall not be charged to the senior Citizens' Philhealth benefits coverage. Only the 80% of the fees or charges that the Senior Citizen is expected to shoulder may be charged to his/her Philhealth benefits.

VI. GUIDELINES AND MECHANISMS IN THE SHARING OF BURDEN OF THE SENIOR CITIZENS' DISCOUNTS AMONG RETAILERS, MANUFACTURERS AND DISTRIBUTORS

- 1. The Retailers, Manufacturers/Distributors, Wholesalers-Retailers and Wholesalers may apply certain terms and conditions agreeable to all parties on how the burden to Senior Citizens discount shall be shared. Such undertaking including rebates mechanism agreed upon should be formalized and the copy of which should be furnished the DOH through the National Center for Disease Prevention and Control (NCDPC) and the National Center for Pharmaceutical Access and Management (NCPAM).
- 2. In the sharing of burden of the Senior Citizens discounts among Retailers, Manufacturers/Distributors, Wholesalers-Retailers and Wholesalers, taking into consideration their respective margins, the following rules shall apply: **(Please see Annex A)**
 - 2.1 30% of the 20% of the Senior Citizens' discount shall be the share of the Retailers which can be claimed as tax deduction.
 - 2.2 If the Retailer is granted a sales discount of sixteen percent (16%) or more for a specific product by the Manufacturer/Distributor, Wholesalers-Retailers and Wholesalers no rebates will be due to the Retailer. This discount will be construed as the share of the Manufacturer/Distributor, Wholesalers-Retailers and Wholesalers.
 - 2.3 If the Retailer is granted a sales discount of less than sixteen percent (16%) for a specific product by the Manufacturer/Distributor, Wholesalers-Retailers and

Wholesalers, then the Manufacturer/Distributor, Wholesalers-Retailers and Wholesalers shall share the entire 70% of the 20% payable to the Retailers.

3. The sharing between the Manufacturer/Distributor and Wholesalers or Wholesalers-Retailers shall also be governed by the following rules: **(Please see step 2, Annex A)**
 - 3.1 In the event that the Wholesaler or Wholesaler-Retailer passes a discount of 16% or more to a Retailer, then no rebates shall be due to the Retailer.
 - 3.2 If a Manufacturer/Distributor gives a discount of 16% or more for a specific product to Wholesaler or Wholesaler-Retailer, but the Wholesaler or Wholesaler-Retailer gives a discount of less than 16% to the Retailer, then the Wholesaler or Wholesaler-Retailer shall rebate the whole 70% of the Senior Citizens' discount to the Retailer.
 - 3.3 If a Manufacturer/Distributor gives a discount of less than 16% to a Wholesaler or Wholesaler-Retailer, then the Manufacturer/Distributor shall burden the 70% of the 70% of the Senior Citizens' discount, while the Wholesaler or Wholesaler-Retailer shall in addition to the burden provided in Section 2.1 above, also burden the 30% of the 70% of the Senior Citizens' discount.
4. The establishments providing the rebates (e.g., Manufacturers, Distributors, Wholesalers and Wholesalers-Retailers) may require the establishment claiming the rebates to present documentary evidence showing actual discounts granted to Senior Citizens (such as but not limited to audited financial statements, official receipts and records, and BIR submissions) as a condition for claiming the rebates.
5. Rebates can be claimed either in the form of money or medicines.

VII. EFFECTIVITY AND REVIEW

These guidelines and mechanisms shall be retroactive to July 06, 2010 and shall be further reviewed and evaluated three (3) months after effectivity and implementation.

VIII. PENALTIES AND SANCTIONS

Non compliance with this guideline will result in sanctions and penalties stated in Section 7 Of R.A. 9994, which is the amended Section 10 of RA 9257.

IX. SEPARABILITY CLAUSE

If any part, term or provision of this Order shall be declared invalid or unenforceable, the validity or enforceability of the remaining portions or provisions shall not be affected and this Order shall be construed as if it did not contain the particular invalid or unenforceable part, term or provision.

X. REPEALING CLAUSE

All administrative issuance, bureau circulars, and memoranda inconsistent with this Order are hereby withdrawn, repealed and/or revoked accordingly.

A handwritten signature in black ink, appearing to read 'ET Ona', is positioned above the printed name.

ENRIQUE T. ONA, MD, FPCS, FACS
Secretary of Health

ANNEX A

SHARING OF SENIOR CITIZEN'S DISCOUNT

The 20% SC discount will be shared in the ff. manner:

- 30% can be claimed by Retailers as Tax Deduction
- 70% will be shared by the Manufacturers/Distributors & Wholesalers/Wholesaler-Retailers

Step 1: Look at discount to Retail

Discount	Manufacturers/Distributors / Wholesaler /Wholesaler-Retailers	Retailers
16% up	0%	100%
Below 16% & for entities that do not buy through wholesaler-retailer & wholesalers	100%	0%

Step 2: If discount to retail is less than 16%, the whole 70% of the 20% SC discount will be shouldered and shared by the Manufacturers/Distributors and Wholesaler-Retailer

Manufacturers/ Distributors Discount to Wholesaler/ Wholesaler-Ret.	Wholesaler/ Wholesaler-Retailers Discount to Retailers	Manufacturers/ Distributors Share	Wholesaler/ Wholesaler-Retailers Share	Retailers
<16%,	<16%	70% (of the 70%)	30% (of the 70%)	30% (as tax ded.)
>16%,	<16%	0%	100% (of the 70%)	30% (as tax ded.)