CASINO M&A

Privatizing *Casino Filipino*: Impact on Universal Health Care

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NATIONAL GOVERNMENT CONTRIBUTION

PAGCOR operates Casino Filipino (CF) under a legislative franchise (P.D. No. 1869, as amended by R.A. No. 9487, which extended the franchise for twenty five years from 2008, i.e., to July 2033). Two levies attach to its gaming revenues. First, a franchise tax of five percent (5%) of gross revenue, in lieu of all kinds of taxes, levies, fees or assessments (P.D. No. 1869, Sec. 13(2)(a)). Second, after deducting the franchise tax, the National Government (NG) takes a fifty percent (50%) share in the aggregate gross earnings of PAGCOR from the franchise (P.D. No. 1869, Sec. 12), remitted to the Bureau of the Treasury.

The effective NG contribution is therefore 47.5 centavos per peso of gross gaming revenue (GGR). Gaming revenues of ₱95.15 billion produced a Treasury remittance of ₱45.19 billion in 2025 (47.5%), and ₱97.53 billion produced ₱46.27 billion in 2024 (PAGCOR, FY2025 and FY2024 financial results).

THE UHC EARMARK

The Universal Health Care Act then earmarks, as a funding source of the program, fifty percent (50%) of the NG share from the income of PAGCOR, to be transferred quarterly to PhilHealth for improvement of benefit packages (R.A. No. 11223, Sec. 37), which is programmed through the GAA as NG subsidy.

CF, which PAGCOR operates through more than 40 branches and satellites, generated revenues of ₱12.70 billion in 2024 and ₱10.38 billion in 2025 (PAGCOR, FY2025 results, 30 Jan. 2026). Applying the 47.5% effective rate, CF accounted for an NG share of about ₱6.03 billion in 2024 and ₱4.93 billion in 2025. Of this, the universal health care (UHC) share of CF is ₱3.02 billion and ₱2.47 billion respectively. Because the UHC share is levied on gross rather than net earnings, even loss-making branches contribute to UHC. CF Talisay and CF Tagum contributed until their closure in 2025 despite combined 2024 losses of ₱86.5 million (InsiderPH, 2025). Profitability of the branch network is irrelevant to the UHC since the base is gross revenues.

THE PRIVATIZATION TIMELINE

Under the pending privatization plan, the Governance Commission for GOCCs submits its recommendation to the Office of the President within the third quarter of 2026, an Executive Order follows by year end, the sale of the roughly forty branches runs from late 2026 to 2027, and full decoupling completes by 2028.

PAGCOR expects proceeds of ₱30 to 50 billion (Chairman A. Tengco, Dec. 2025 and July 2026 statements).

PAGCOR AS PURE REGULATOR

PAGCOR becomes a pure regulator collecting license fees. Those fees are themselves PAGCOR gaming income and re-enter the base for UHC share computation, so the UHC from CF does not fall to zero. It falls in proportion to the license fee rate (L). Per peso of CF GGR, UHC receives 23.75 centavos under PAGCOR operation, but only L × 23.75 centavos under private operation (7.1 centavos at a 30% fee). Current benchmarks for L: 30% of GGR for e-games operators (reduced from 35% effective 1 Jan. 2025), 25% for integrated resort based online operations, and license fees of 15% (junket/VIP) to 25% (mass) of GGR for land based licensed casinos.

The buyer's own gaming income would bear only the 5% franchise tax in lieu of all taxes, including corporate income tax (P.D. No. 1869, Sec. 13(2)(a); Bloomberry Resorts & Hotels, Inc. v. BIR, G.R. No. 212530, 10 Aug. 2016), and that tax accrues to the general fund, not to UHC.

THE NUMBERS

Holding CF GGR at observed levels, the annual foregone UHC contribution is the baseline earmark (₱2.47 billion on the 2025 base; ₱3.02 billion on the 2024 base) less the residual flowing through license fees:

Assumed license fee on GGR of privatized CF branches	UHC receipts after privatization (₱B per year)	Foregone UHC contribution, 2025 base (₱B per year)	Foregone UHC contribution, 2024 base (₱B per year)
25% (IR online rate)	0.62	1.85	2.26
30% (e-games rate)	0.74	1.73	2.11
35% (pre-2025 e-games rate)	0.86	1.60	1.96

Computation: foregone = 0.2375 × (1 − L) × CF GGR. Bases: ₱10.38B (2025) and ₱12.70B (2024). Figures assume reported segment revenue approximates the UHC gross earnings base.

THE RECURRING LOSS

We estimate a recurring loss to universal health care of about ₱1.7 billion per year to ₱2.1 billion post-privatization, assuming 2024 and 2025 revenue figures. Over the remaining life of the franchise (to July 2033), that is ₱12.1 billion undiscounted, or ₱9.5 billion in present value at the ten year sovereign yield of about 6.25%; over a twenty year horizon, ₱19.4 billion in present value, and ₱27.6 billion in perpetuity.

For UHC to be made whole through license fees alone, privatized branches would have to more than triple their GGR (the break-even multiple is 1/L, i.e., 3.33x at a 30% license fee).

THE PURCHASE PRICE

The ₱30 to 50 billion purchase price will not go to UHC. The UHC share attaches to gross earnings from the franchise, that is, gaming earnings. Proceeds from the disposal of branch assets and licenses are not franchise gaming earnings and thus never enter the base on which the UHC share is based.

Any resulting net income reaches the NG instead as dividends of at least 50% of net earnings (R.A. No. 7656), which accrue to the general fund without any UHC earmark.

THE PHILHEALTH CONTEXT

Note that PhilHealth claims about ₱106 billion in accumulated, unremitted UHC receivables for 2019 to 2025 (PhilHealth, Oct. 2025), received zero NG subsidy in the FY2025 GAA, and was proposed only ₱53.26 billion in the FY2026 NEP.

THE BOTTOM LINE

Privatization may be defensible on regulatory grounds (the conflict in PAGCOR's dual role as operator and regulator) and on fiscal efficiency grounds (shedding branch operating expenses). **But the measurable cost of the privatization to universal health care is approximately ₱1.6 to 2.3 billion for every year post-sale, and no part of the buyout price goes to UHC.**

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