



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at March 31, 2020 and December 31, 2019
(In Philippine Peso)



	Notes	2020	2019	Increase / (Decrease) Current vs Prior Year
ASSETS				
Current Assets				
Cash & Cash Equivalent	5	22,837,992,319.94	11,834,620,202.14	11,003,372,117.80
Investment in Time Deposits	6	42,514,839,029.71	70,086,086,078.32	(27,571,247,048.61)
Premium Receivables - net	7	24,490,101,148.87	9,178,195,991.35	15,311,905,157.52
Other Current Assets	8	4,233,881,686.89	1,878,847,834.41	2,355,033,852.48
Total Current Assets		94,076,814,185.41	92,977,750,106.22	1,099,064,079.19
Non-Current Assets				
Investment Securities at Amortized Cost	9	132,097,582,670.80	124,382,976,136.84	7,714,606,533.96
Property & Equipment - net	10	3,326,635,638.61	3,402,101,399.27	(75,465,760.66)
Intangible Assets - net	11	253,170,937.50	267,770,907.08	(14,599,969.58)
Other Assets - net	12	257,947,848.55	264,180,316.00	(6,232,467.45)
Total Non - Current Assets		135,935,337,095.46	128,317,028,759.19	7,618,308,336.27
TOTAL ASSETS		230,012,151,280.87	221,294,778,865.41	8,717,372,415.46
LIABILITIES AND EQUITY				
Liabilities				
Current Liabilities				
Benefit Claims Payables	13	85,318,855,688.32	75,566,261,516.92	9,752,594,171.40
Other Payables	14	3,884,472,924.22	5,192,279,052.92	(1,307,806,128.70)
Total Current Liabilities		89,203,328,612.54	80,758,540,569.84	8,444,788,042.70
Non - Current Liabilities				
Other Deferred Credits	15	987,595,190.59	1,123,783,051.06	(136,187,860.47)
Leave Benefits Payable	16	845,062,762.10	849,149,212.04	(4,086,449.94)
Insurance Liability for Lifetime Members	17	28,605,281,694.00	28,605,281,694.00	-
Total Non-Current Liabilities		30,437,939,646.69	30,578,213,957.10	(140,274,310.41)
Total Liabilities		119,641,268,259.23	111,336,754,526.94	8,304,513,732.29
Equity				
Members' Equity	18	110,370,883,021.64	109,958,024,338.47	412,858,683.17
Total Members' Equity		110,370,883,021.64	109,958,024,338.47	412,858,683.17
TOTAL LIABILITIES AND EQUITY		230,012,151,280.87	221,294,778,865.41	8,717,372,415.46

Prepared by:

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Certified Correct:

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Senior Vice President, Fund Management Sector

Recommending Approval:

ARNEL F. DE JESUS
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Approved by:

BGEN RICARDO C. MORALES AFP (RET) FICD
President & Chief Executive Officer (CEO)




PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF INCOME
For the Period Ended March 31, 2020 and 2019
(In Philippine Peso)



UNIVERSAL HEALTH CARE
KALUSUGAN AT TATULOD PARA SA LAHAT

	Notes	2020	2019	Increase / (Decrease) Current vs Prior Year
TOTAL PREMIUM CONTRIBUTIONS	19	38,076,594,791.86	33,644,092,996.93	4,432,501,794.93
Less: Benefit Claims Expenses	21	38,813,012,975.80	31,923,415,056.20	6,889,597,919.60
GROSS MARGIN (LOSS) FROM OPERATIONS		(736,418,183.94)	1,720,677,940.73	(2,457,096,124.67)
Less: Operating Expenses				
Personnel Services	22	840,564,103.67	729,827,978.98	110,736,124.69
Other Operating Expenses	23	408,882,466.80	458,842,625.96	(49,960,159.16)
Total Operating Expenses		1,249,446,570.47	1,188,670,604.94	60,775,965.53
NET OPERATING INCOME (LOSS)		(1,985,864,754.41)	532,007,335.79	(2,517,872,090.20)
Add: Interest and Other Income	20	2,390,842,090.21	1,906,706,918.29	484,135,171.92
NET INCOME		404,977,335.80	2,438,714,254.08	(2,033,736,918.28)

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PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

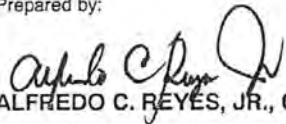
For the Period Ended March 31, 2020 and 2019

(In Philippine Peso)



	Notes	2020	2019	Increase / (Decrease) Current vs Prior Year
RESERVE FUND	18			
Reserve at January 1, 2020		109,956,240,990.97	97,142,214,450.07	12,814,026,540.90
Surplus transferred to Reserve		412,858,683.17	2,067,818,180.65	(1,654,959,497.48)
Reserve Fund at March 31, 2020		110,369,099,674.14	99,210,032,630.72	11,159,067,043.42
SURPLUS	18			
Surplus at January 1, 2020		1,783,347.50	1,783,347.50	-
Net Income (Loss)		404,977,335.80	2,438,714,254.08	(2,033,736,918.28)
Prior Year Adjustment		7,881,347.37	(370,896,073.43)	378,777,420.80
Total Surplus		414,642,030.67	2,069,601,528.15	(1,654,959,497.48)
Surplus transferred to Reserve		(412,858,683.17)	(2,067,818,180.65)	1,654,959,497.48
Surplus at March 31, 2020		1,783,347.50	1,783,347.50	-
TOTAL MEMBERS' EQUITY		110,370,883,021.64	99,211,815,978.22	11,159,067,043.42

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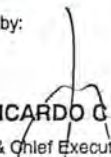

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PHILIPPINE HEALTH INSURANCE CORPORATION

STATEMENTS OF CASH FLOWS

For the Period Ended March 31, 2020 and 2019

(In Philippine Peso)



UNIVERSAL HEALTH CARE
Kalusugan at Kaligtasan Para Sa Lahat

	2020	2019 (Audited)	Increase / (Decrease) Current vs Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium Contributions	22,507,113,484.33	20,331,508,224.75	2,175,605,259.58
Other income	144,536,812.92	167,099,655.97	(22,562,843.05)
Interest received from Investments	2,527,179,115.77	2,218,341,682.59	308,837,433.18
Rent	122,650.14	121,203.71	1,446.43
Bank Charges	(4,090.49)	(1,618.00)	(2,472.49)
Benefit Claims	(31,456,670,296.97)	(31,190,739,453.13)	(265,930,843.84)
Operating Expenses	(2,398,155,192.06)	(1,366,407,915.73)	(1,031,747,276.33)
Net Cash Provided by (Used in) Operating Activities	(8,675,877,516.36)	(9,840,078,219.84)	1,164,200,703.48
CASH FLOWS FROM INVESTING ACTIVITIES			
Matured Bonds	4,434,700,000.00	3,821,486,000.00	613,214,000.00
Placement on Treasury Bonds	(5,217,810,000.00)	(1,500,000,000.00)	(3,717,810,000.00)
Placement on Treasury Bills	(7,026,043,199.74)	(5,487,196,201.20)	(1,538,846,998.54)
Matured Time Deposits	35,669,096,398.36	-	35,669,096,398.36
Placement on Time Deposits	(8,097,842,454.26)	(2,452,406,000.00)	(5,645,436,454.26)
Proceeds from disposal of assets	14,196.00	-	14,196.00
Equipment purchased	(123,850,155.56)	(144,062,163.46)	20,212,007.90
Net Cash Provided by (Used in) Investing Activities	19,638,264,784.80	(5,762,178,364.66)	25,400,443,149.46
CASH FLOWS FROM FINANCING ACTIVITIES			
Trust Receipts	40,984,849.36	1,073,442.06	39,911,407.30
Net Cash Provided by (Used in) Financing Activities	40,984,849.36	1,073,442.06	39,911,407.30
Net Increase (Decrease) in CASH	11,003,372,117.80	(15,601,183,142.44)	26,604,555,260.24
CASH at January 1, 2020	11,834,620,202.14	26,638,531,735.99	(14,803,911,533.85)
Gain (Loss) on Foreign Exchange	-	1,320.69	(1,320.69)
CASH at March 31, 2020	22,837,992,319.94	11,037,349,914.24	11,800,642,405.70

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Republic of the Philippines
PHILIPPINE HEALTH INSURANCE CORPORATION
Citystate Centre, 709 Shaw Boulevard, Pasig City
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FINANCIAL STATEMENTS

As of March 31, 2020



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NOTES TO FINANCIAL STATEMENTS **March 31, 2020**

1. GENERAL INFORMATION

The National Health Insurance Act of 1995 (Republic Act No. 7875), and its amendments, otherwise known as the "National Health Insurance Act of 2013", instituted a National Health Insurance Program (NHIP) that shall provide health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all Filipinos. The Philippine Health Insurance Corporation, a tax-exempt government owned and controlled corporation, was established to administer the Program at the central and local levels. The Head Office is located at 709 Citystate Center Building, Barangay Oranbo, Shaw Blvd., Pasig City.

On February 20, 2019, Republic Act No. 11223 or the Universal Health Care (UHC) Law was enacted. This law automatically provides social health risk protection for all Filipino citizens in the National Health Insurance Program.

The Corporation is governed by a Board of Directors composed of thirteen (13) members and has the powers and functions provided for in Article IV Section 16 of RA 7875 as amended. The Corporation has the power, among others, to formulate and promulgate policies, set standards, rules and regulations necessary to ensure quality of care and overall accomplishment of program objectives, formulate and implement guidelines contributions and benefits; establish branch offices, manage grants and donations, acquire property, collect, deposit, invest, administer and disburse the NHIF, to enter into contract with health care institutions, to fix a reasonable compensation, allowances and benefits of all positions including the President and CEO, based on a comprehensive job analysis and audit of actual duties and responsibilities subject to the approval of the President of the Philippines.

The National Health Insurance Fund (NHIF) as amended shall consist of premiums from direct or indirect contributors; other appropriations earmarked by the national and local governments purposely for the implementation of the program; subsequent appropriations provided for under Sections 46 and 47 of RA 7875, as amended; donations and grants-in-aid; and all accruals thereof. Under Section 26, Article VI of RA 7875, as amended, the use, disposition, investment, administration and management of the NHIF, including any subsidy, grant or donation received for the program operations shall be governed by applicable laws, and in the absence thereof, existing resolution of the Board of Directors of the Corporation subject to limitations prescribed in the Act.

2. BASIS OF PREPARATION

2.1 Statement of Compliance with Philippine Financial Reporting Standards (PFRS)

The accompanying financial statements of Philippine Health Insurance Corporation have been prepared in accordance with the accounting standards prescribed by the Commission on Audit.

2.2 Basis of Measurement

The financial statements have been prepared using the historical cost basis except for Available for Sale Investments which are presented at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair Value Measurement

Fair value measurements is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety that are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.3 Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Corporation's functional currency.

In preparing the financial statements of the Corporation, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

2.4 Summary of Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

Accounting for Insurance Liability for Lifetime Membership

As stipulated in the Section 17 of RA 10606 (or Section 27 of RA 7875), a separate fund for the benefit claims reserve of the existing Lifetime members must be set up as a liability of the Corporation.

In compliance thereto, the corporation, initially, set up the fund by recognizing an expense and liability account based on an actuarial estimate. Annually, this liability is adjusted.

New and Amended PFRS effective on or after January 1, 2019

PFRS 9, Financial Instrument which replaces PAS 39 should be adopted effective for annual periods beginning on or after January 1, 2019. However, its adoption has been deferred to CY 2021.

PFRS 9, Financial Instruments – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

- PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for

expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

- For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The derecognition provisions are carried over almost unchanged from PAS 39.

In preparation for the adoption, the Corporation continues to analyze its business model and the contractual cash flow characteristics of its financial assets. As at December 31, 2019, all of the Corporation's financial assets and liabilities continue to be measured on the same basis as under PAS 39.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Corporation's financial assets as at January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39
Cash & Cash Equivalent	Loans & Rec'bles	Financial Assets at Amort. Cost.	70,086,086,078.00
Premium Receivables	Loans & Rec'bles	Financial Assets at Amort. Cost.	14,733,937,991.00
Investment Securities	AFS Financial Assets	Financial Assets at Amort. Cost.	124,382,976,137.00

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* – The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.
- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts* – The amendments give all insurers the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9, *Financial Instruments* is applied before implementing PFRS 17, *Insurance Contracts* ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying PFRS 9. Thus, continuing to apply PAS 39, *Financial Instruments: Recognition and Measurement* instead ('the deferral approach').
- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and their related interpretations. It establishes a single comprehensive framework

for revenue recognition to apply consistently across transactions, industries and capital markets, which a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PAS 24, *Related Party Disclosures – Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.
- Amendment to PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis – applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.
- Amendments to PFRS 15, *Revenue from Contract with Customers* – Clarification to PFRS 15 – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.
- Amendments to PAS 28, *Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- Amendments to PAS 40, *Investment Property – Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Deferred Effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Other Current Assets

Other current assets represent assets of the Corporation which are expected to be realized or consumed within one year or within the Corporation's normal operating cycle whichever is longer. This account includes supplies, material and small tangible items. Other current assets are presented in the statement of financial position at cost.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property, and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of

having used the item during a particular period for purposes other than to produce inventories during that period.

At the end of each reporting period, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

<u>Asset Class</u>	<u>Useful Life year/period</u>
Land Improvements	10
Building and Building Improvements	30
Leasehold Improvements	10
IT Equipment	5
Furniture and Fixtures	10
Office Equipment	5
Communication Equipment	10
Library Books	5
Medical Equipment	10
Transportation Equipment	7

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible asset represents computer software. This is initially measured at cost and is presented in the statement of financial position at cost less accumulated amortization and any accumulated impairment losses. Computer software is amortized over its estimated useful life of five (5) years using the straight-line method. If there is an indication that there has been a significant change in the useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

Impairment of Non-financial Assets

At each reporting date, property and equipment and intangible asset accounts are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-financial Assets

Items of property and equipment and intangible assets are derecognized when these assets are disposed of or when no future economic benefits are expected from these assets.

Surplus

Surplus represents accumulated profit of the Corporation after deducting transfers made to Reserve Fund.

Revenue Recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Corporation and the amount of revenue can be reliably measured.

The following specific recognition criteria must be met:

- a) Premiums' contribution
Revenue is recognized as the member contributions become due.
- b) Interest Income
Interest income is recognized as the interest accrues taking into account the effective interest.
- c) Rent Income
Income from rental of property is recognized on a straight-line basis over the lease term.

Expense Recognition

Expenses are recognized in profit or loss upon utilization of the service or at the date expenses are incurred.

- a) Benefit Claims Expense
This represents benefits incurred by the Corporation for health care services, in-patient, out-Patient, PCB and Z benefit packages availed of by the members and their dependents. Benefit Claims Expense is recognized at the date of confinement (per Corporate Order 2018-0095).

b) Operating Expenses

These include personnel services and maintenance and other operating expenses which are recognized as expense in the period they are incurred.

Leases

Corporation as a Lessee

The corporation's leasing activity is mainly for office spaces and warehouses. The non-cancellable contracts period for leases is 3 to 5 years and has no extension clause. Upon expiration of the lease contract, it is extended on a month to month basis only until a new contract is executed or a new office space will be leased.

The corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term. The estimated useful lives of right-of-use asset are based on the lease term since there is neither a transfer of title nor purchase option in the lease contract. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments, including incremental, that are not paid at the commencement date or January 1, 2019, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the rate provided by Bloomberg Valuation (BVAL) rate provided by our Investment Division. Generally, we use the BVAL rate to measure lease liability.

Lease payments included in the measurement of the lease liability are fixed payments and incremental payments indicated in the lease contract and cost of restoring the lease asset at the end of the contract if any.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future leases payments arising from a change in an index or rate.

Corporation as a Lessor

Rental income from operating leases is recognized in statement of income on a straight-line basis over the lease term.

The Corporation determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Short- term leases and leases of low-value assets

The Corporation does not have leases of low-value assets. Classified under Short-term leases are office spaces that are on a month to month basis renewal and have no multi-year contract.

Below is the summary of information regarding right-of-use asset of the corporation:

	2019
Carrying Amount of right-of-use asset	847,745,597.00
Depreciation Expense	184,582,752.00
Interest Expense	124,575,152.00
Short-Term Leases	199,775,175.00
Total Cash Outflow for leases	1,356,678,676.00

Employee Benefits

Short-term Benefits

The Corporation recognizes a liability net of amounts already paid and the obligation can be estimated reliably.

Short-term employee benefits are recognized as expense in the period the related service is provided.

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

3. FINANCIAL RISK MANAGEMENT

Risk Management is not the sole responsibility of the Management and the Board. It is the responsibility of every employee in all levels in the Corporation. To ensure the systematic management of risks it is facing while implementing the National Health Insurance Program, PhilHealth established the Enterprise-wide Risk Management and developed the Risk Management Manual and Policy. These Manual and Policy will serve as a guide in the implementation of the risk management framework and processes in the Corporation.

Alongside, it adapted the Risk Governance Framework and defined the roles and responsibilities in the management of risks in the Corporation. It talks about the three lines of defenses in managing risks in the Corporation.

1. The first line of defense has the ownership, responsibility and accountability for directly managing the risks. These are the Business Process Owners (BPOs) who have the responsibility of managing the day-to-day risks that they will encounter as they do their respective works. And they have the responsibility to report the risks so that immediate action can be done to address those risks that affect their work in particular and the Corporation in general;
2. The second line of defense oversees, monitors and facilitates the implementation of an effective Risk Management practices by the first line of defense. These are the Risk Management Committee of the Board (RiskCom), the Management and PMT-RM as the technical arm of RiskCom. They are mainly responsible for developing policies for management or board approval and monitor the risk management policies, define work practices and advise when needed the BPOs with regard to risk management and compliance; and
3. The third line of defense is the audit functions for both internal and external auditors which will provide assurance to the Board and Management on the effectiveness of the first and second line of defense in managing risks.

3.1 Financial Risk Factors

This is the risk that results from unexpected changes in external markets, prices, rates and liquidity supply and demand.

a. Credit risk

This refers to the risk of loss arising from PhilHealth's counterparty to perform contractual obligations in a timely manner. This includes risk due to (a) failure of a counterparty to make required payments on their obligations when due (Default Risk) and (b) default of a counterparty

before any transfer of securities or funds or once final transfer of securities or funds has begun but not been completed (Settlement Risk).

PhilHealth's placements in fixed term deposits with Authorized Government Depository Banks (AGDBs) are in accordance with Sec. 2 of DOF Circular 01-2017 on the Amended Guidelines on Authorized Government Depository Banks which mandates all GOCCs, NGAs and LGUs to maintain and deposit government funds only with AGDBs.

PhilHealth implements a structured and standardized evaluation guidelines, credit ratings and approval processes. Investments undergo technical evaluation to determine their viability/acceptability. Due Diligence process (i.e. yield versus comparable financial instruments, term of the indebtedness including redemption feature, liquidity of the issuance, monitoring of issuer and counterparty risks including risks arising from implementation, and other portfolio and strategic considerations) and information from third party (e.g. Philippine Ratings Services Corp. and Credit Ratings and Investors Services Philippines, Inc.) are used to determine if counterparties are credit-worthy. With respect to bond underwriters and selling agents, PhilHealth as a qualified institutional buyer of debt securities under Section 10.1 (L) of the Securities Regulation Code, deals only with domestic universal bank or domestic investment house duly assigned by the issuer as underwriter or selling agent for the distribution of debt issuances.

Purchase of peso denominated government securities under the Non-Restricted Trading Environment (NRTE) of the Philippine Dealing Exchange is based on Treasury Circular No. 04-2014, Implementing DOF Department Order No. 068-2014 entitled, "Revised Rules and Regulations for the Issuance, Placement, Sale, Service and Redemption of Treasury Bills and Bonds under R.A. No. 245, As Amended". Evaluation of counterparty trading participant in the NRTE platform, at the minimum, is measured on the Government Securities Eligible Dealer's (i) good standing in the Philippine Dealing Exchange, (ii) Risk-Based Capital Adequacy Ratio (CAR), (iii) Financial Standing on Earnings and Profitability, (iv) compliance to Securities Regulation Code and Code of Ethics Governing Financial Market Activities in the Philippines, and (iv) positive track record of service with other government agencies.

To avoid significant concentrations of exposures to specific industries or group of issuers and borrowers, PhilHealth investments are regularly monitored to ensure that these are always within the prescribed cumulative ceilings specified in Sec. VI.2 of PhilHealth Omnibus Guidelines on Funds' Investments (Corporate Order No. 2016-0021). The said Corporate Order outlines the policies and guidelines in determining and managing exposure limits to investment instruments including the negative list of investments that are considered not ethically and socially responsible by the Corporation such as companies with exposures in sin products like tobacco, liquor, alcohol, including gaming, and mining and quarrying.

As regards criteria for accreditation of applicant collecting agents for premium collections, PhilHealth requires submission of three-year Audited Financial Statements, as one of the documentary requirements for accreditation. Financial evaluation of the applicants comprised the analysis on liquidity ratio, solvency ratio, capital adequacy ratio and profitability ratio vis-a-vis the current Bangko Sentral ng Pilipinas (BSP) Performance Indicators for banks, including non-banks with quasi-banking function. Once accredited, on an annual basis, submission of their yearly financial statements is required to monitor financial standing of the Accredited Collecting Agents (ACAs) to mitigate any losses that may be incurred by the concerned ACAs. Other documentary requirements such as Articles of Incorporation, Certificate of Good Standing with Existing Industry Association, Electronic Banking Authority, among others are likewise submitted by PhilHealth Accredited Collecting Agents to assess their capabilities as collecting agents.

On Cash Management: the Corporation maintains its accounts in any of the Authorized Government Depository Banks (AGDBs) in compliance with DOF Circular No. 01-2017 namely: Land Bank of the Philippines, Development Bank of the Philippines and Philippine Veterans Bank. These are the servicing banks for the Corporation's disbursements, funding and settlement accounts which are covered by Payroll Servicing Agreement and Memorandum of Agreement on One Fund Disbursement Account, respectively. Hence, lesser vulnerability of default given the Corporation's compliance to regulatory agencies and the service agreements with the AGDBs.

b. Liquidity Risk

This refers to the risk of loss, though solvent, due to insufficient financial resources to cover for liabilities as they fall due. It also involves the risk of excessive costs in securing such resources. This risk also refers to (a) unanticipated changes in liquidity supply and demand that may affect the organization through inability to meet contractual obligations or default (Funding Liquidity Risk) and (b) asset illiquidity or the risk of loss arising from inability to realize the value of assets, without significant reduction in price, due to bad market conditions (Market Liquidity Risk).

PhilHealth manages this risk through daily monitoring of cash flows in consideration of future payment due dates and regular premium collection receipts. PhilHealth also maintains sufficient portfolio of highly marketable assets that can easily be liquidated as protection against unforeseen interruption to cash flow such as Special Savings Deposits with Authorized Government Depository Banks (AGDBs), Treasury Bills and Government Securities with remaining life of less than one (1) year.

As to management of Accredited Collecting Agents, ACAs are continuously complying to the daily remittance and daily reporting of their collections in accordance with the Department of Finance Circular Nos.

01-2015 dated June 1, 2015 and 01-2017 dated May 11, 2017. The compliance of ACAs to the existing covenants in the Collection and Remittance Agreements, Warranties of Accreditation and Operating Guidelines with ACAs is strictly monitored by the Corporation on a daily basis through daily reconciliation of collections versus remittances by ACAs. Imposition of applicable penalties and interests is served to the concerned ACAs for any late remittances and late submission of prescribed reports to the Corporation. In addition, constant coordination with ACAs as regards new policies on membership and collection of the Corporation is observed.

On Cash Management: The Corporation's also maintains its collections account with the AGDBs as prescribed in DOF Circular No. 01-2017. The collection comprises remittances from its collecting agents and other receipts which include fund support coming from the National Government via funds releases through the Bureau of Treasury and the Department of Budget and Management. These accounts are covered by service agreements: Memorandum of Agreement on Opening of One-Way Deposit Collection Account and Sweeping of Available Balance to Mother Accounts, Collection and Deposit Pick up Agreement, hence ensuring the steady inflow of funds to meet the daily fund requirements of the Corporation.

c. Market Risk

Market risk is PhilHealth exposure to potential loss due to unexpected changes in external markets, prices or rates related to general market movements of a specific financial asset on the balance sheet. This risk arises from volatility in the absolute level of interest rates and fluctuations in interest rates due to changes in global and local economic conditions and political developments that affect the value of PhilHealth's securities investments. Since the securities investments of PhilHealth are Held-to-Maturity investments, the Corporation has very minimal exposure to market risk and it has the predictability of regular returns from the held-to-maturity investment. These regular earnings allow the Corporation to make plans for the future, knowing this income will continue at the set rate and the final return of capital upon maturity.

PhilHealth manages market risk by monitoring the market price of its investments. Also, PhilHealth strictly adheres to the provisions of Section II of UHC Law which states that the funds invested in various investment and financial instruments shall earn an average annual income at prevailing rates of interest. Currently, PhilHealth has significant investments in government securities and corporate bonds with fixed interest rates that are within acceptable levels.

3.2 Foreign Currency

In preparing the financial statements of the Corporation, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3.3 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with the accounting standards as prescribed by the Commission on Audit requires the Corporation to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Methodology for Estimating IBNR

The method applied in estimating IBNR claims is called claims development (or lag) method. It is an estimation technique under which historical claim data, such as the number and amount of claims are grouped into the time periods in which claims were incurred and the time periods in which they were processed. The processing date is typically the date the claim is received, adjudicated, or paid by the claim payer. The development method uses these groupings to create a claims processing or development pattern, which is used to determine completion factors to help estimate the unprocessed portion of incurred claims.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimating Premium Income from the Direct Contributors - Employed Sector

Estimate is based on last month's premium contributions which are due and paid through Accredited Collecting Agents (ACAs) and over the counter of our Regional Offices.

Estimating Allowance for Impairment of Receivables

The Corporation maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. This amount is evaluated based on such factors that affect the collectability of the accounts. These factors include, the age of the receivables, the length of the Corporation's relationship with the customer, the customer's payment behaviour and known market factors. The amount and timing of recorded expenses for any period would differ if the Corporation made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

Estimating Benefit Claims Payables

One of the accounting estimates being made is the setting up of accrued benefit expense for Incurred But Not Yet Paid (IBNP) claims which consist of the following:

- a. In-Course of Settlement (ICS) - these are claims in process at the end of the reporting period. The estimate is based on the case rate amount extracted from the N-Claims.
- b. Incurred But Not Yet Recorded (IBNR) - These are claims which are estimated to be in the possession of the Health Care Institutions as of the end of the month and have yet to be submitted to PhilHealth within the allowable 60 day period after the date of discharge per Corporate Order No. 2015-0017 dated Dec. 8, 2015. The amount to be recorded is actuarially estimated.

5. CASH AND CASH EQUIVALENTS

	2020	2019
Collecting Officers	27,634,007.76	88,585,210.04
Petty Cash Fund	4,249,306.54	2,899,472.60
Cash in Bank	2,756,908,235.54	2,087,016,745.20
Special Savings in Time Deposits (net)	20,049,200,770.10	9,656,118,774.30
Total	22,837,992,319.94	11,834,620,202.14

Cash and Cash Equivalents consists of the following:

- 5.1 The amounts of P27,634,007.76 and P88,585,210.04 as at March 31, 2020 and December 31, 2019, respectively, represent collections at the end of the month/year of the collecting officers which are to be deposited on the following working day.
- 5.2 Using the Imprest Fund system, our Petty Cash Fund is for the use of miscellaneous expenditures which cannot be conveniently paid by check. An officer holding the Petty Cash Fund is also properly bonded in accordance with law. The amounts of P4,249,306.54 and P2,899,472.60 as at March 31, 2020 and December 31, 2019, respectively, represent available petty cash fund as of reporting dates.
- 5.3 Cash in Bank amounting to P2,756,908,235.54 and P2,087,016,745.20 as at March 31, 2020 and December 31, 2019, respectively, represent various bank deposits that are unrestricted and available for current operations. Included in this account are cash denominated in foreign currencies which are translated to Peso using the closing rate as of reporting dates.
- 5.4 Special Savings Deposit (SSD) amounting to P20,049,200,770.10 and P9,656,118,774.30 as at March 31, 2020 and December 31, 2019, respectively, are term deposits of one (1) day up to ninety (90) days with interest rate ranging from .3000% to 3.5000% and .400% to 4.4250% for 2020 and 2019, respectively.

6. INVESTMENT IN TIME DEPOSITS

This account consists of:

	2020	2019
Investment in Time Deposits	42,514,839,029.71	70,086,086,078.32
Total	42,514,839,029.71	70,086,086,078.32

Investments in Time Deposits are term deposits of ninety one (91) to three hundred sixty four (364) days with interest rate ranging from 3.2000% to 4.3250% and ranging from 3.3250% to 4.3100% for 2020 and 2019, respectively.

7. PREMIUM RECEIVABLES - NET

This account consists of:

	2020	2019
Formal Economy	7,126,201,213.68	7,781,824,690.80
Due from NGAs	16,825,265,660.30	851,496,144.31
Due from LGUs	538,634,274.89	544,875,156.24
Total	24,490,101,148.87	9,178,195,991.35

7.1 Premium Receivable of the Formal Economy amounting to P7,126,201,213.68 and P7,781,824,690.80 as at March 31, 2020 and December 31, 2019, respectively, represent accruals of premium contributions of the members in the formal economy based on Accredited Collecting Agents (ACAs) and Over-the-counter Collections.

7.2 Due from National Government Agencies (NGAs) account represents premium contributions for the following:

	2020	2018	2017	2016	2015	2014	Total
NHS:							
Amount	7,601,844,600.00	-	279,503,560.31				7,881,348,160.31
No. of enrollees	12,669,741	-	116,460				12,786,201
SENIOR CITIZEN:							
Amount	8,467,069,899.99	-	-	5,421,018,000.00	12,998,827,200.00	2,117,289,600.00	29,004,204,699.99
No. of enrollees	6,773,656	-	-	2,258,757	5,416,178	882,204	15,330,795
Bagsamoro:							
Amount	12,037,200.00	-	-			-	12,037,200.00
No. of enrollees	20,062	-	-			-	20,062
PAMANA:							
Amount	14,515,200.00	-	-			-	14,515,200.00
No. of enrollees	24,192	-	-			-	24,192
POS							
Amount	-	450,295,200.00	-			-	450,295,200.00
No. of enrollees	-	2,238,331	-			-	2,238,331
FORTUITOUS EVENT							
Amount			-			134,724,000.00	134,724,000.00
No. of enrollees			-			56,135	56,135
Total Amount	16,095,466,899.99	450,295,200.00	279,503,560.31	5,421,018,000.00	12,998,827,200.00	2,252,013,600.00	37,497,124,460.30
Less: Allow. For Impairment (Senior Citizen)				(5,421,018,000.00)	(12,998,827,200.00)	(2,252,013,600.00)	(20,671,858,800.00)
Net Amount	16,095,466,899.99	450,295,200.00	279,503,560.31	-	-	-	16,825,265,660.30

Enrollment of 12,669,741 indigent families of National Household Targeting System for Poverty Reduction (NHTS-PR) program for the period Jan.- Mar., 2020 based on 2019 billing to DBM. (30,407,378,400.00/12 mos. = 2,533,948,200.00 * 3 = 7,601,844,600.00)	7,601,844,600.00
Enrollment of 6,773,656 Senior Citizens for the period Jan.- Mar., 2020 based on 2019 billing to DBM. (33,868,279,600.00 / 12 mos. = 2,822,356,633.33 * 3 = 8,467,069,899.99)	8,467,069,899.99
Enrollment of 24,192 families of PAMANA program for the period Jan.- Mar., 2020 based on 2019 billing to DBM. (58,060,800.00 / 12 mos. = 4,838,400.00 * 3 = 14,515,200.00)	14,515,200.00
Enrollment of 20,062 families of Sajahatra Bangsamoro program for the period Jan. - Mar., 2020 based on 2019 billing to DBM. (48,148,800.00 / 12 mos. = 4,012,400.00 * 3 = 12,037,200.00)	12,037,200.00
Total 2020	16,095,466,899.99
Enrollment of 187,623 qualified members under the 2018 Point-of-Service (POS) program for the period Jan. to Dec., 2018 per billing to DBM.	450,295,200.00
Total 2018	450,295,200.00
PhilHealth's share from Military Camp Sales Proceeds Fund (MCSPF) for the enrollment of 96,376 indigent families as identified though NHTS-PR CY 2017.	231,302,665.31
PhilHealth's share from MCSPF for the enrollment of 20,084 indigent families as identified though NHTS-PR CY 2017.	48,200,895.00
Total 2017	279,503,560.31

Enrollment of 2,258,757 Senior Citizens which were automatically renewed for the period Jan.-Dec., 2016 per billing/letter to DBM through DOH. (12,998,827,200 - 7,577,809,200 Coll.)	5,421,018,000.00
Total 2016	5,421,018,000.00
Less: Allow . for Impairment	(5,421,018,000.00)
Total 2016 (Net)	-
Enrollment of 5,416,178 Senior Citizens for CY 2015 based on billing to DBM.	12,998,827,200.00
Less: Allow . for Impairment	(12,998,827,200.00)
Total 2015 (Net)	-
Enrollment of 56,135 families of which 55,474 families came from Region 8 who were casualties of Typhoon Yolanda and for the extended insurance coverage under the Fortuitous Event Program implemented as a component of the NHIP for the billing period Jan.-Dec., 2014.	134,724,000.00
Enrollment of 882,204 Senior Citizens for the period of Oct. to Dec., 2014 based on billing to DBM.	2,117,289,600.00
Total 2014	2,252,013,600.00
Less: Allow . for Impairment	(2,252,013,600.00)
Total 2014 (Net)	-
Grand Total	16,825,265,660.30

7.3 Due from Local Government Units (LGUs) is the account representing the outstanding accounts receivable for Sponsored members from various LGUs. The details of the account are as follows:

	2020	2019
National Capital Region (NCR)	27,162,040.00	29,490,000.00
Cordillera Administrative Region (CAR)	11,533,855.82	11,533,855.82
I	3,955,200.00	1,065,000.00
II	2,000,910.00	17,964,470.00
III	129,211,256.17	111,971,671.17
IV-A	102,671,400.00	3,010,600.00
IV-B	50,400.00	1,841,400.00
V	2,079,000.00	4,983,000.00
VI	169,847,899.98	177,104,519.98
VII	5,379,000.00	71,192,640.00
VIII	-	-
IX	-	-
X	1,500,000.00	3,540,000.00
XI	9,707,480.00	10,809,000.00
XII	5,488,400.00	5,488,400.00
XIII - CARAGA	65,522,632.92	83,656,999.27
Autonomous Region in Muslim Mindanao (ARMM)	2,524,800.00	11,223,600.00
	538,634,274.89	544,875,156.24

8. OTHER CURRENT ASSETS

This account consists of the following:

	2020	2019
Supplies and Materials	105,914,889.29	107,095,032.13
Semi-Expendable	23,257,085.15	22,988,468.95
Accrued Interest Receivable - Investment	1,569,746,123.09	1,651,848,864.94
Other Receivables	2,534,963,589.36	96,915,468.39
Total	4,233,881,686.89	1,878,847,834.41

- 8.1 Supplies and Materials amounting to P105,914,889.29 and P107,095,032.13 as at March 31, 2020 and December 31, 2019, respectively, represent small tangible items that are expected to be used within one year from the reporting date.
- 8.2 Semi-Expendable amounting to P23,257,085.15 and P22,988,468.95 as at March 31, 2020 and December 31, 2019 respectively, represent equipment, books, furniture and fixture costing less than P15,000.00.
- 8.3 Accrued Interest Receivable on investment amounting to P1,569,746,123.09 and P1,651,848,864.64 as at March 31, 2020 and December 31, 2019, respectively, represent interest earned from Investment Securities at Amortized Cost.
- 8.4 Other Receivables amounting to P2,534,963,589.36 and P96,915,468.39 as at March 31, 2020 and December 31, 2019, respectively, includes the following:

- 8.4.1 Interim Reimbursement Mechanism (IRM) Funds amounting to P2,118,599,787.98 released to Health Care Institutions relative to the implementation of IRM as a special privilege granted to eligible HCIs affected by COVID-19.
- 8.4.2 Interim Reimbursement Mechanism (IRM) Funds amounting to P321,704,992.20 represents advance payment to Health Care Institutions due to Taal Volcano Eruption.
- 8.4.3 Unused portion of the amount of benefit claims paid to various Health Care Providers (HCPs). This payment was made by PRO VIII in compliance with the PhilHealth Board Resolution No. 1855 series 2013 which provides a mechanism for extending substantial aid to the affected Health Care Institutions (HCIs) in the aftermath of the 'Super Typhoon Yolanda'. A total of P302,472,691.95 was paid to the HCP's and of this amount, P301,795,038.53 claims have been processed leaving a balance of P677,653.42 as at March 31, 2020.
- 8.4.4 Withholding taxes and compromise penalties of hospitals amounting to P24,264,032 for the taxable year 2003-2004 per BIR decision with reference No. P06-15 dated April 14, 2015.

9. INVESTMENT SECURITIES AT AMORTIZED COST

- 9.1 Investment in Treasury Bills amounting to P7,026,043,199.74 as at March 31, 2020 with a maturity period of 91 to 364 days and with an average interest rate of 3.7092%.
- 9.2 Investment in Government Bonds with a maturity period of more than one (1) year and with an average interest rate of 5.7470%.

	Interest Rate	2020	2019
Retail T-bonds	5.1058%	55,816,890,000.00	50,599,080,000.00
RTB-Non-Restricted Environment	5.8674%	36,672,449,211.01	40,686,267,054.29
10-year T-bonds	6.2679%	15,037,200,260.05	15,052,629,082.55
Sub-Total		107,526,539,471.06	106,337,976,136.84

- 9.3 Investment in Corporate Bonds with a maturity period of more than 1 year and with interest rate ranging from 3.8915% to 5.5796%.

	Interest Rate	2020	2019
7-year Meralco Fixed Rate Bonds	4.3750%	1,500,000,000.00	1,500,000,000.00
7-year PLDT Fixed Rate Bonds	5.2250%	650,000,000.00	650,000,000.00
5.5-year JG Summit Fixed Rate Bonds	5.2317%	-	-
5.25-yr GT Capital Fixed Rate Bonds	4.7106%	-	-
5.5-yr SM Prime Holdings, Inc. Fixed Rate Bonds	5.1000%	-	500,000,000.00
7-yr SM Prime Holdings, Inc. Fixed Rate Bonds	5.2006%	500,000,000.00	500,000,000.00
7-yr Aboitiz Power Corp. Fixed Rate Bonds	5.2050%	1,000,000,000.00	1,000,000,000.00
5.25-yr Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	4.4722%	1,000,000,000.00	1,000,000,000.00
7-yr Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	5.0056%	1,000,000,000.00	1,000,000,000.00
7-yr Filinvest Land Inc. Fixed Rate Bonds	5.4000%	1,000,000,000.00	1,000,000,000.00
7-yr Filinvest Land, Inc. Fixed Rate Bonds	5.3567%	780,000,000.00	780,000,000.00
7-yr Robinsons Land Corp. Fixed Rate Bonds	4.8000%	1,500,000,000.00	1,500,000,000.00
7-yr Ayala Land Inc. Fixed Rate Bonds	4.5000%	950,000,000.00	950,000,000.00
7-yr Ayala Land Inc. Fixed Rate Bonds	3.8915%	1,100,000,000.00	1,100,000,000.00
5.25-yr South Luzon Tollway Corp. Fixed Rate Bonds	4.9925%	182,500,000.00	182,500,000.00
7-yr South Luzon Tollway Corp. Fixed Rate Bonds	5.5796%	182,500,000.00	182,500,000.00
5.25-yr SM Prime Holdings	4.5095%	1,200,000,000.00	1,200,000,000.00
2-yr DBP Series A ASEAN Sustainability Fund	4.2500%	5,000,000,000.00	5,000,000,000.00
Sub-Total		17,545,000,000.00	18,045,000,000.00
Grand Total		132,097,582,670.80	124,382,976,136.84

Interest earned on Investment Securities amounted to P1,639,324,845.84 and P6,445,144,391.00 as at March 31, 2020 and December 31, 2019, respectively.

10. PROPERTY AND EQUIPMENT- NET

This account consists of:

	Land and Land Improvements	Building and Structure / Leasehold Improvements	Right-of-use Assets	Construction in Progress	Furniture and Fixtures Equipment and Books	Motor Vehicle	Total
Cost							
Jan. 1, 2020	876,177,352.96	203,545,772.26	1,169,988,082.72	27,569,240.50	2,988,168,775.08	234,199,192.78	5,499,648,416.30
Additions	-	5,035,104.36	26,719,800.54	-	23,939,061.10	-	55,693,966.00
Adjustments	-	(8,231,860.09)	(576.28)	-	(19,010,950.47)	(710,000.00)	(27,953,386.84)
Mar. 31, 2020	876,177,352.96	200,349,016.53	1,196,707,306.98	27,569,240.50	2,993,096,885.71	233,489,192.78	5,527,388,995.46
Accu. Dep'n							
Jan. 1, 2020	1,470,337.21	101,669,778.82	200,209,850.33	-	1,642,825,081.09	151,371,969.58	2,097,547,017.03
Depreciation	6,928.98	5,473,933.39	21,020,738.07	-	109,369,900.59	7,509,155.96	143,380,656.99
Adjustments	-	(4,029,034.85)	1,283,896.70	-	(34,570,916.12)	(2,858,262.90)	(40,174,317.17)
Mar. 31, 2020	1,477,266.19	103,114,677.36	222,514,485.10	-	1,717,624,065.56	156,022,862.64	2,200,753,356.85
Mar. 31, 2020	874,700,086.77	97,234,339.17	974,192,821.88	27,569,240.50	1,275,472,820.15	77,466,330.14	3,326,635,638.61

Financial Statements, March 31, 2020

Included under Land and Building accounts are the following:

- 10.1 A parcel of land situated in Quezon City with a total area of 17,231 square meters. This property with a carrying amount of P439,377,750.00 was appraised on Jan. 23, 2017 by an independent appraiser with a fair market value of P1.2 Billion. The Head Office of PhilHealth shall be constructed in this lot.

Relative to the construction of the proposed PhilHealth Corporate Center, the Corporation acquired an additional 145 square meters lot from the National Housing Authority located in Brgy. Pinyahan, East Ave. Q.C. at a cost of P2,439,735.68.

- 10.2 A property with a total area of 4,355 square meters acquired from Fort Bonifacio Development Corporation (FBDC), in exchange for the Corporations investments in FBDC located in Fort Bonifacio, Taguig City. This asset with a carrying amount of P413,845,804.80 have a fair market value of P1.7Billion as of January 23, 2017.

- 10.3 A parcel of lot with a total area of 1,544 square meters and a building with a total floor area of 3,287 square meters purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga at a cost of P25,520,363.00. The land and building were appraised to have a fair market value of P74.605 Millions of January 20, 2017. PRO III also purchased a warehouse in San Fernando City, Pampanga with a total area of 1,831 square meters and was appraised with a fair market value of P16.240 Million as of Dec. 27, 2016.

- 10.4 A parcel of lot with a total area of 2,897 square meters located in Tuguegarao City which will be used as the PRO II's Corporate Office. This property was received by way of donation, through a MOA executed between the DPWH Region 2 and PhilHealth. This property which is carried in the books at P4,056,000.00 was appraised with a fair market value of P23.176 Million as of January 19, 2017. In compliance with the condition set forth in the MOA to construct our office building within 2 years from the execution of the donation, the Regional Development Council (RDC) 2 has extended, upon the request of PRO II, the construction of the building for another two years per RDC-2 Resolution No. 02-25, series of 2017.

- 10.5 A parcel of lot with a total area of 600 square meters located in Gov. Democrito O. Plaza Government Center, Patin-ay, Prosperidad, Agusan del Sur which will be used as the PRO CARAGA's LHIO San Francisco Corporate Office. This property was received by way of donation, through Deed of Donation executed by the Provincial Government of Agusan del Sur in favor of PhilHealth office. This property is recorded in the books at P1,086,000.00.

11. INTANGIBLE ASSETS– NET

This represents cost of various software application / programs the majority of which are licenses to fully utilize the capability of a software system to operate in a virtual environment.

	2020	2019
Cost, Jan. 1, 2020	267,770,907.08	297,797,695.89
Additions/Deductions	-	44,286,323.29
Cost, March 31, 2020	267,770,907.08	342,084,019.18
Accumulated Amortization	(14,599,969.58)	(74,313,112.10)
Net Book Value, March 31, 2020	253,170,937.50	267,770,907.08

12. OTHER ASSETS– NET

This account consists of the following:

	2020	2019
Advances to Disbursing Officers	1,681,573.92	674,581.01
Advances to Officers & Employees	1,597,878.58	1,211,031.94
Prepayments	31,574,467.00	32,619,251.69
Deferred Charges	94,005.65	771,659.07
Guaranty Deposits	97,520,907.45	96,143,855.64
Sub-total	132,468,832.60	131,420,379.35

	2020	2019
DBM (transfer of NHIP Program from GSIS to PHIC)	155,235,240.00	155,235,240.00
PCSO (Enhanced GMA Program)	115,000,000.00	115,000,000.00
PDIC (per MB Reso. 459 dated 4/7/5)	327,103.25	327,103.25
COA Disallowances of Former Officers and Employees	1,456,748.97	1,456,748.97
PROs (from various Health Providers-DCS)	635,559.23	635,559.23
Unserviceable Equipment	55,191,598.42	55,634,815.24
Serviceable Equipment	3,678,767.80	3,678,767.80
Receivable from NGAs	394,741,430.00	394,741,430.00
Receivable from PCSO	100,566,336.32	100,566,336.32
Receivable from LGUs	448,707,597.43	455,575,301.31
Other Assets - Intangible	5,221,886.28	5,221,886.28
Gross Long-Term Receivable	1,280,762,267.70	1,288,073,188.40
Less: Allowance for Impairment	(1,155,283,251.75)	(1,155,313,251.75)
	125,479,015.95	132,759,936.65
Net Amount	257,947,848.55	264,180,316.00

- 12.1 The Disbursing Officer is an Accountable Officer (AO) duly designated, responsible and accountable for the proper management of funds for a specific legal purpose or activity and is properly bonded in accordance with law. The amounts of P1,681,573.92 and P674,581.01 as at March 31, 2020 and December 31, 2019, respectively, represent available funds of the said officers as of to date.
- 12.2 Advances to Officers and Employees amounting to P1,597,878.58 and P1,211,031.94 as at March 31, 2020 and December 31, 2019, respectively, represent cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travel.
- 12.3 Prepayments amounting to P31,574,467.00 and P32,619,251.69 as at March 31, 2020 and December 31, 2019, respectively, represent authorized payments made for the purchase of goods from the Procurement Service of DBM as well as insurance of motor vehicles of the Corporation from the GSIS.
- 12.4 The deferred charges amounting to P94,005.65 and P771,659.07 as at March 31, 2020 and December 31, 2019, respectively, represent DCS transactions.
- 12.5 Guaranty deposits amounting to P97,520,907.45 and P96,143,855.64 as at March 31, 2020 and December 31, 2019, respectively, represents transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.
- 12.6 Long Term Receivable from the Department of Budget and Management (DBM) amounting to P155,235,240.00 as at March 31, 2020 and 2019, represent surcharges for late remittance of the employer counterpart for premium contribution. However, allowance for doubtful account of the same amount was provided for after evaluation of such factor as aging of accounts, collection experience in relation to particular receivable and identified doubtful accounts.
- 12.7 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to P115,000,000.00 as at March 31, 2020 and 2019, represent the balance of the account for the premium counterpart of various LGUs under the Enhanced PCSO – Greater Medicare Access (PCSO-GMA) Program.
- 12.8 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to P327,103.25 as at March 31, 2020 and 2019 was in pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.
- 12.9 Disallowances amounting to P1,456,748.97 as at March 31, 2020 and 2019 refer to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by COA. Subsidiary for these disallowances is being maintained and kept for ready references.

- 12.10 Debit Credit System amounting to P635,559.23 as at March 31, 2020 and December 31, 2019 refer to the balance of advance payment to Health Care Providers for the year 1999. Allowance for impairment of P115,625.80 for PRO VII, P9,698.45 for PRO X, P11,393.50 for PRO IVA, P37,352.05 for PRO V, P76,183.91 for PRO VI and P17,608.75 for PRO CARAGA, a total of P267,862.46 was provided for due to closure of the hospital facilities.
- 12.11 Unserviceable Equipment amounting to P55,191,598.42 and P55,634,815.24 as at March 31, 2020 and December 31, 2019, respectively, represent equipment that are already for disposal. Serviceable Equipment amounting to P3,678,767.80 as at March 31, 2020 and December 31, 2019, respectively, represent equipment which are still functional but already obsolete and fully depreciated and ready for disposal. These serviceable and unserviceable equipments shall be further reclassified as Non-Current Asset-Held for Sale once the requirements set upon by the Standard is met.
- 12.12 Receivable from NGAs amounting to P394,741,430.00 as at March 31, 2020 ,represent deficiency in employer share of the Health Insurance Premium Contributions to PhilHealth by different government agencies nationwide for CY 2001 to 2008.
- 12.13 Receivable from PCSO includes unpaid billings for the enrollment of 309,049 indigent families in the amount of P25,997,256.32 under the PCSO-Greater Medicare Access Program for 2003 and 2005; Unpaid billings in 2005 in the amount of P2,772,240.00; Unpaid billings for the coverage of 200,000 transport workers under the PCSO-PhilHealth Program in the amount of P71,796,840.00
- 12.14 Receivable from LGUs represent long overdue premium contributions from various cities and municipalities all over the Philippines for the enrollment of their respective constituent under the Sponsored Program of PhilHealth. It was reclassified from Current Receivable to Other Assets in compliance with COA recommendation per AOM No. 2015-22 (14) dated May 5, 2015, details as follows:

	2020	2019
NCR	1,307,600.00	1,428,200.00
CAR	11,450,712.50	11,450,712.50
I	39,773,142.37	39,839,267.37
II	15,914,961.40	21,532,741.08
III	-	-
IV-A	14,124,485.00	14,124,485.00
IV-B	938,740.00	938,740.00
V	286,037,067.56	286,037,067.56
VI	-	-
VII	-	-
VIII	28,916,461.57	28,916,461.57
IX	230,260.00	230,259.20
X	28,750,974.45	29,200,974.45
XI	19,334,940.54	19,918,140.54
XII	-	-
CARAGA	-	-
ARMM	1,928,252.04	1,958,252.04
	448,707,597.43	455,575,301.31

12.15 Allowance for impairment was provided for the following uncollectible receivable accounts as recommended by Commission on Audit (COA) per Audit Observation Memorandum (AOM) No. 17-003 dated February 28, 2017 in accordance with COA Circular No. 2016-005 dated December 19, 2016 and based on the PhilHealth policy on the setting up of allowance for doubtful/uncollectible accounts receivable per PhilHealth Corporate Order No. 2017-0010 dated Jan. 20, 2017.

Per PhilHealth Corporate Order No. 2017-0010, the Corporation shall establish and maintain an Allowance for Doubtful Accounts representing an estimate of the amount of accounts receivable that will not be collected. The goal in recording this allowance is to show, as accurately as possible, the net realizable value of accounts receivable on the financial reports. The allowance for uncollectible accounts shall be updated at the end of the fiscal year. The Corporation shall adopt the Allowance Method in recording bad debts in its books of account and use the Specific Identification Method in determining the amount of uncollectible in setting up the allowance for doubtful accounts.

	2020	2019
DBM (transfer of NHIP Program fr. GSIS to PHIC)	155,235,240.00	155,235,240.00
PCSO (Enhanced GMA Program)	115,000,000.00	115,000,000.00
PDIC (per MB Reso. 459 dated 4/7/5)	327,103.25	327,103.25
PROs (from various Health Providers-DCS)	267,862.46	267,862.46
Receivable from NGAs	394,741,430.00	394,741,430.00
Receivable from PCSO	100,566,336.32	100,566,336.32
Receivable from LGUs	389,145,279.72	389,175,279.72
Total Allowance for Impairment	1,155,283,251.75	1,155,313,251.75

13. BENEFIT CLAIMS PAYABLES

	2020	2019
Benefit Claims Processed	5,504,460,380.96	4,124,188,648.76
Primary Care Benefit - PCB Processed	173,815,332.00	174,134,532.00
Accrued Benefit Claims - ICS	16,447,344,014.85	21,921,630,105.14
Accrued Benefit Claims - IBNR	50,332,728,765.85	36,086,348,279.76
Accrued Benefit Claims - PCB	12,860,507,194.66	13,259,959,951.26
Total	85,318,855,688.32	75,566,261,516.92

13.1 Benefit claims processed amounting to P5,504,460,380.96 and P4,124,188,648.76 as at March 31, 2020 and December 31, 2019, respectively, represents benefit payment checks still in the possession of the Corporation.

13.2 Primary Care Benefit – PCB processed amounting to P173,815,332.00 and 174,134,532.00 as at March 31, 2020 and December 31, 2019, respectively, represents PCB payment checks still in the possession of the Corporation.

13.3 Accrued Benefit Claims - In Course of Settlement (ICS) amounting to P16,447,344,014.85 and P21,921,630,105.14 as at March 31, 2020 and December 31, 2019, respectively, are benefit claims in process as of reporting period. For 2020 accrual it was estimated and recorded by PROs at P10,165,565,737.29 and the remaining balance of P6,281,778,277.56 were accrual of prior years.

13.4 Accrued Benefit Claims - Incurred But Not Yet Recorded (IBNR) amounting to P50,332,728,765.85 and P36,086,348,279.76 as at March 31, 2020 and December 31, 2019, respectively, are claims which are actuarially estimated to be in the possession of the Health Care Institutions as of the end of the month and have yet to be submitted to PhilHealth within the allowable 60 day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015.

The method applied in estimating IBNR claims is called claims development (or lag) method. It is an estimation technique under which historical claim data, such as the number and amount of claims are grouped into the time periods in which claims were incurred and the time periods in which they were processed. The processing date is typically the date the claim is received, adjudicated, or paid by the claim payer. The development method uses these groupings to create a claims processing or development pattern, which is used to determine completion factors to help estimate the unprocessed portion of incurred claims.

For 2020 accrual, it was estimated at P25,349,683,520.65 and the remaining balance of P24,983,045,245.20 were accrual of prior year of 2019.

- 13.5 Accrued Benefit Claims - Primary Care Benefit (PCB) amounting to P12,860,507,194.66 and P13,259,959,951.26 as at March 31, 2020 and December 31, 2019, respectively, are claims which are actuarially estimated as of December 31, 2019.

14. OTHER PAYABLES

This account consists of:

	2020	2019
Accrued Expenses		
P.S.	814,017,855.42	2,032,141,903.62
MOUE	828,208,551.11	1,125,933,981.33
CAPEX	199,024,198.44	296,820,273.06
Lease Liability Payable	1,006,818,695.47	998,262,164.27
Statutory Liabilities		
Due to BIR	360,584,765.50	116,691,997.55
Due to GSIS	86,380,916.14	59,253,976.68
Due to Pag-ibig	5,682,981.25	2,938,394.80
Due to PhilHealth	7,433,057.04	6,124,285.21
Due to Other NGAs	10,520,698.22	10,517,999.99
Due to Other GOCCs	751,489.30	751,489.30
Due to LGUs	6,657,253.37	6,654,534.16
PhilHealth Provident Fund	22,990,335.08	17,467,850.98
Trust Liabilities		
UNFPA Project	36,936.52	36,800.21
Unclaimed Refund from HCPs	312,356,880.11	312,270,345.87
AHP - Protest Bond	6,275,000.00	6,275,000.00
Donations	8,785,549.86	8,845,549.86
Performance/Bidders Bond Pay.	27,426,751.24	30,679,640.83
Retention Fee	39,714,607.23	34,609,576.69
Global Development Project	1,883,991.04	1,872,295.77
Philippine Training Institute	4,447,237.18	4,793,156.69
PhilHealth Run 2013	900.00	900.00
PhilHealth Run 2015	563,204.95	563,204.95
Calamity Fund	127,280.59	127,259.76
Others	133,783,789.16	118,646,471.34
Total	3,884,472,924.22	5,192,279,052.92

- 14.1 Included in the other payable is the accrued personnel services(ps) for Welfare Support Assistance (WESA) from Cy 2012 to Cy 2019. Below is the basis of accruing the said assistance, to wit:

The PhilHealth Board of Directors issued PHIC Board Resolution No. 385, s. 2001, granting the payment of the Welfare Support Assistance (WESA) of P4,000.00 each to all qualified employees effective January 01, 2001. This is in lieu of the subsistence and laundry allowances paid to public health workers under Republic Act (R.A.) No. 7305, otherwise known as the *Magna Carta of Public Health Workers*. However, On February 07, 2008, the Commission on Audit (COA) issued ND PHIC 2008-003 (2004)

disallowing the payment of WESA contending that the payment was made without legal basis in the absence of approval from the Office of the President. On Appeal, the COA *en banc* sustained the disallowance.

PhilHealth then filed a Petition before the Supreme Court seeking to reverse and set aside the Decision of the COA. The Supreme Court in its Decision dated November 29, 2016, held that the Health Secretary approved the grant of the WESA together with ten (10) other members of the Board does not make the act any short of the approval required under the law. As far as the Magna Carta and its Revised IRR are concerned, the then Health Secretary Dr. Alberto G. Romualdez, Jr. voted in favor of the WESA's issuance, and for as long as there exists no deception or coercion that may vitiate his consent, the concurring votes of his fellow Board members does not change the fact of his approval. PhilHealth's grant of the WESA was aptly sanctioned not only by Section 12 of the SSL which explicitly identifies laundry and subsistence allowance as excluded from the integrated salary, but also by statutory authority, particularly, Section 22 and 24 of the Magna Carta. In view of such fact, the PhilHealth officers cannot be found to have approved the issuance of the same in bad faith or in gross negligence amounting to bad faith for it was well within the parameters set by law.

As a result of the decision of the Supreme Court (GR No. 213453) reversing the ND and COA decision on WESA on November 29, 2016, PhilHealth Management, with the concurrence of the Board of Directors, decided that such WESA should be given retroactive effect so that the rate of WESA, in lieu of Subsistence and Laundry Allowance, at P4,000 shall be deemed continuously granted starting February 2012 after its restoration by virtue of the PhilHealth Board of Directors Resolution dated December 2019.

Such an interpretation is consistent with the constitutionally-protected right of labor and that any doubt in the interpretation of laws, including compensation laws, should be resolved in favor of labor. Section 3 of **Article XIII** of the **1987 Constitution** on Social Justice and Human Rights reads: "The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all." Section 18, **Article II** of the **1987 Constitution** states that "[t]he State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare" and Section 10 declares that "[t]he State shall promote social justice in all phases of national development."

As at March 31, 2020, the remaining balance for WESA is 135,065,611.04

- 14.2 Statutory liabilities are inter-agency payables which includes deductions from the salaries of PhilHealth officials and employees which are due for remittance to Government Service Insurance System (GSIS), Home Development Mutual Fund (HDMF), National Home Mortgage Finance Corporation (NHMFC), Bureau of Internal Revenue (BIR), and taxes withheld from payments to health service providers. PhilHealth Provident Fund is also classified under this category.

14.3 Trust Liabilities refer to funds from other sources which are held in trust for specific purpose.

14.4 Donations include funds received from the following entities, including earned interest thereon:

	2020	2019
Westmont Investment Corp.	2,945,656.00	2,945,655.77
Strategies & Alliance Corp.	3,638,128.86	3,698,129.06
Land Bank of the Philippines	110,000.00	110,000.00
Donation received by PRO's	2,091,765.00	2,091,765.03
Total	8,785,549.86	8,845,549.86

These shall finance specific projects like:

- a. Prevention of fraud and such other irregularities against the NHIF and for such other allied undertakings. (Westmont Investment Corporation)
- b. Research and development and other studies including P3.50 million ex-gratia fund. (Strategies and Alliance Corporation)

15. OTHER DEFERRED CREDITS

Other Deferred Credits account refers to the payment of premium contribution, accreditation fees received in advance by the Corporation or income received not pertaining to the current year.

This account consists of the following:

	2020	2019
Advance Premium by Informal Economy	427,064,563.95	477,768,364.43
Premium Contribution for NHTS enrollment (CYs 2013 & 2014).	516,844,200.00	516,844,200.00
Accreditation Fees - ACAs	681,113.88	636,113.88
Accreditation Fees - HCPs	1,981,178.84	1,465,900.00
Sponsored - LGUs	20,861,313.05	33,478,533.05
Others	20,162,820.87	93,589,939.70
Total	987,595,190.59	1,123,783,051.06

16. LEAVE BENEFITS PAYABLE

Leave benefits payable amounting to P845,062,762.10 as at March 31, 2020 represent money value of the earned leave credits of officers and employees of Philhealth which are actuarially estimated based on the following assumptions: a) One percent (1%) separation rate per year; b) two percent (2%) discount rate; and c) four percent (4%) increase in salary per year.

17. INSURANCE LIABILITY FOR DIRECT CONTRIBUTOR - LIFETIME MEMBERS

As stipulated in the Section 17 of RA 10606 (or Section 27 of RA 7875), a separate fund for the benefit claims reserve of the existing Lifetime members must be set up as a liability of the Corporation. The claims liability reserves requirement for the number of covered Lifetime members as at December 31, 2019 and 2018 were estimated at P28,605,281,694.00 and P26,034,923,966.00, respectively, by the Corporate Actuary and was already allocated in the Reserve Fund.

18. MEMBERS' EQUITY

Members' Equity consists of the following:

	2020	2019
Reserve Fund	110,369,099,674.14	99,210,032,630.72
Surplus (Disallowance)	1,783,347.50	1,783,347.50
Total Members' Equity	110,370,883,021.64	99,211,815,978.22

18.1 Reserve Fund

	2020	2019
Reserve at January 1, 2019	109,956,240,990.97	97,142,214,450.07
Surplus transferred to Reserve	412,858,683.17	2,067,818,180.65
Reserve Fund at Mar., 31, 2020	110,369,099,674.14	99,210,032,630.72

The Reserve Fund is recorded per Office Order No. 0145, Series of 2012 which is based on the provisions of Section 27 of RA 7875 as amended by RA 10606, which states that the Corporation shall set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserved funds: Provided, that the total amount of reserves shall not exceed a ceiling of P470.59B, the amount actuarially estimated for two years' projected Program expenditures: Provided further; That whenever actual reserves exceed the required ceiling at the end of the Corporation's Fiscal Year, the excess of the Corporation's Reserve Fund shall be used to increase the program's benefits, decrease the member's contributions and augment the health facilities enhancement program of the DOH.

The remaining portion of the Reserve Fund that are not needed to meet the current expenditure obligations or used for the abovementioned programs shall be placed in investments to earn an average annual income at prevailing rates of interest and shall be known as the "Investment Reserve Fund" xxx:

The fund for the Lifetime members based on the actuarial estimate is allocated in the Reserve Fund while the remaining portion is allocated for the Active members.

18.2 Surplus

	2020	2019
Surplus at January 1, 2019	1,783,347.50	1,783,347.50
Net Income	404,977,335.80	2,438,714,254.08
Prior Year's Adjustment	7,881,347.37	(370,896,073.43)
Total Surplus	414,642,030.67	2,069,601,528.15
Surplus transferred to Reserve	(412,858,683.17)	(2,067,818,180.65)
Surplus at March 31, 2020	1,783,347.50	1,783,347.50

19. PREMIUM CONTRIBUTIONS

Details of Premium Contributions are as follows:

	2020	2019
Direct Contributors	21,655,517,749.71	18,893,422,029.78
Government	4,594,043,144.54	3,448,892,000.92
Private	14,991,878,128.37	12,969,754,936.72
Enterprise Owner	600.00	7,425.00
Household Help / Kasambahay	14,230,892.84	15,668,990.38
Migrant Workers	176,513,118.30	492,433,437.19
Informal Sector	917,343,531.46	808,897,469.90
Self Earning Individuals	937,839,281.88	921,953,467.27
Organized Group	15,247,190.23	34,858,027.42
Women about to give birth	2,057,588.68	195,571,925.00
Filipinos with Dual Citizenship	283,200.00	265,900.00
Naturalized Filipino Citizen	106,304.16	87,850.00
Citizens of Other Countries working residing in the Phils	4,456,684.98	3,828,049.98
Foreign Retirees	1,518,084.27	1,202,550.00
Indirect Contributors	16,421,077,042.15	14,750,670,967.15
Indigents - NHTS	7,601,844,600.00	9,289,369,800.00
Senior Citizens	8,467,069,899.99	4,668,597,908.00
Special Government Programs	26,552,400.00	26,233,800.00
<i>Bangsamoro</i>	<i>12,037,200.00</i>	<i>12,396,600.00</i>
<i>PAMANA</i>	<i>14,515,200.00</i>	<i>13,837,200.00</i>
Sponsored	325,610,142.16	766,469,459.15
<i>LGUs</i>	<i>324,764,547.16</i>	<i>763,245,234.15</i>
<i>Point of Service - Financially Incapable</i>	<i>149,150.00</i>	<i>1,168,800.00</i>
<i>Others</i>	<i>696,445.00</i>	<i>2,055,425.00</i>
TOTAL PREMIUM CONTRIBUTIONS	38,076,594,791.86	33,644,092,996.93

The amounts collected come from the following members in accordance with Title III Sec. 5 of the Implementing Rules and Regulations of RA 7875 as amended otherwise known as the National Health Insurance Act of 2013 to wit:

- a. Income from the Formal Economy come from the premium contributions of the following:
 1. Government employees
 2. Private employees
 3. All other workers rendering services, whether in government or private offices, such as job order contractors, project-based contractors and the likes
 4. Owners of micro-enterprises
 5. Owners of small, medium and large enterprises
 6. Household Help – as defined in RA 10361 on "Kasambahay Law"
 7. Family Drivers
- b. Income from the Informal Economy come from the premium contributions of the following:
 1. Migrant Workers
 2. Informal Sector
 3. Self-Earning Individuals
 4. Filipinos with Dual Citizenship
 5. Naturalized Filipino Citizens
 6. Citizens of other countries working and/or residing in the Philippines
 7. Women about to give birth
 8. Foreign Retirees (Registered with Philippine Retirement Authority)
- c. Premium contributions recorded as income for Indigent – NHTS come from the National Government as appropriated in the GAA.
- d. Premium contributions from the sponsored members are being paid by another individual, government agency, or private entity according to the rules as may be prescribed by the Corporation.
- e. Premium contributions for special government programs come from the National Government as appropriated in the GAA.
- f. Premium contributions for Senior Citizen or Elderly come from the National Government.

20. INTEREST AND OTHER INCOME

Interest and other income accounts are as follows:

	2020	2019
Investment Securities at Amortized Cost	1,639,324,845.84	1,648,846,834.07
Investment in Time Deposits	711,201,309.16	218,558,585.85
Savings and Current Deposits	198,563.80	640,888.85
Total Interest Income	2,350,724,718.80	1,868,046,308.77

Financial Statements, March 31, 2020

Other Income

Accreditation Fees - HCPs	7,483,470.00	13,807,423.98
Fines and Penalties	22,767,317.14	19,174,697.97
Rent Income	122,650.14	122,650.14
Gain (Loss) on Foreign Exchange	6,895.49	1,320.69
Gain on Sale of Property & Equip.	13,321.50	67.74
Sale of Disposed / Unserviceable Property	-	24,026.40
Miscellaneous Income	9,723,717.14	5,530,422.60
Total Other Income	40,117,371.41	38,660,609.52

TOTAL INTEREST AND OTHER INCOME	2,390,842,090.21	1,906,706,918.29
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20.1 Miscellaneous income consists of income ranging from one hundred thousand and above which includes penalties from supplier in the Head Office, while in PROs this includes income from sale of valueless records, forfeited performance security and refund of benefit payment collected from delinquent employers.

20.2 Rent Income – this is an income from the rented portion of PRO III office building.

21. BENEFIT CLAIMS EXPENSES

Details of this account are as follows:

	2020	2019
Formal Economy	8,685,394,328.80	7,025,236,876.40
Private	6,073,901,423.40	5,018,093,659.00
Government	2,611,492,905.40	2,007,143,217.40
Informal Economy	7,239,084,949.20	5,856,282,759.39
Indigent - NHTS	12,678,524,183.53	9,715,304,093.30
Sponsored	487,877,507.27	1,821,428,068.31
Senior Citizens	7,608,999,658.00	5,580,608,509.20
Lifetime Member Program	2,113,132,349.00	1,924,554,749.60
Total Benefit Claims Expenses	38,813,012,975.80	31,923,415,056.20

Benefit Claims Expenses for 2020 and 2019 is recognized at the date of confinement.

22. PERSONNEL SERVICES

Personnel services account includes:

	2020	2019
Salaries and Wages	443,239,077.41	441,584,228.91
Other Compensation	340,840,333.93	236,885,836.88
Statutory Contributions	54,998,139.25	51,227,293.41
Other Personal Services	1,486,553.08	130,619.78
Total Personal Services	840,564,103.67	729,827,978.98

Financial Statements, March 31, 2020

23. OTHER OPERATING EXPENSES

This account represents the administrative costs which must be within the limit as prescribed in Section 72, Financial Management of the Revised Implementing Rules and Regulations of RA 7875 as amended by RA 9241 and RA 10606 known as the "National Health Insurance Act of 2013."

	2020	2019
MOOE	273,354,180.49	353,348,223.91
Financial Expenses	8,097,052.15	5,663,168.31
Non-Cash Expenses	127,431,234.16	99,831,233.74
Total Other Operating Expenses	408,882,466.80	458,842,625.96

23.1 MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2020	2019
Travelling Expenses	9,295,428.37	13,088,422.10
Travelling Expenses - Local	9,295,428.37	12,888,482.29
Travelling Expenses - Foreign	-	199,939.81
Training and Scholarship Expense	73,298.00	2,432,535.84
Supplies and Materials Expenses	25,517,625.92	31,136,889.68
Semi-Expendable Expenses	4,565,931.07	5,111,726.53
Utility Expenses	27,758,463.96	27,607,443.16
Water Expenses	1,322,112.45	3,586,269.30
Electricity Expenses	26,436,351.51	24,021,173.86
Communication Expenses	25,251,428.63	30,488,252.79
Postage and Courier Services	4,972,813.63	5,583,096.60
Telephone Expenses	16,226,008.57	17,625,116.00
Internet Subscription Expenses	3,935,014.74	7,191,571.80
Cable, Satellite, Telegraph and Radio Exp.	117,591.69	88,468.39
Awards/Rewards, Prizes and Indemnities	956,872.15	245,000.00
Survey, Research, and Development Exp.	35,100.00	9,636,475.00
Professional Services	33,080,317.33	72,976,956.02
Auditing Services	-	59,940,413.00
Consultancy Services	-	-
Other Professional Services	33,080,317.33	13,036,543.02
General Services	44,014,092.20	32,821,445.71
Janitorial Services	14,934,056.02	11,053,461.77
Security Services	29,080,036.18	21,767,983.94

Repairs and Maintenance	1,434,757.46	2,839,027.38
Repairs and Maint. - Land Imprv'ts	-	1,950.00
Repairs and Maint. - Bldg. & Other Structures	48,384.00	326,800.76
Repairs and Maintenance - Machinery & Equip.	407,152.12	716,835.88
Repairs and Maintenance - Transportation Equip.	846,970.04	1,552,368.84
Repairs and Maintenance - Furniture & Fixtures	16,361.30	72,012.50
Repairs and Maintenance - Leased Assets Imprv.	115,890.00	169,059.40
Taxes, Insurance Premiums and Other Fees	7,094,921.78	3,490,103.31
Taxes, Duties and Licenses	172,716.16	171,525.66
Fidelity Bond Premiums	2,244,742.79	2,269,053.50
Insurance Expenses	4,677,462.83	1,049,524.15
	179,078,236.87	231,874,277.52
Other Maintenance and Operating Expenses	94,275,943.62	121,473,946.39
Advertising, Promotional, and Mktg. Exp.	2,673,714.80	7,620,041.11
Printing and Publication Expenses	1,418,999.51	364,903.15
Representation Expenses	6,213,004.90	6,123,004.84
Transportation and Delivery Expenses	368,442.00	505,167.78
Rent / Lease Expenses	74,434,377.69	88,609,933.21
Membership Dues and Contr. to Organization	1,975,210.78	1,456,528.61
Subscription Expenses	2,793,753.59	91,695.55
Donations	-	58,920.70
Major Events and Conventions Expenses	1,032,358.83	5,049,484.86
Other MOOE - Others	3,366,081.52	11,594,266.58
Total MOOE	273,354,180.49	353,348,223.91

23.2 FINANCIAL EXPENSES

This account consists of the following:

	2020	2019
Interest Expenses	3,271,750.66	-
Bank Charges	100,081.49	16,424.90
Other Financial Charges	4,725,220.00	5,646,743.41
Total Financial Expenses	8,097,052.15	5,663,168.31

Interest Expenses includes the effect of applying PFRS 16 amounting to P3,271,750.66.

23.3 NON-CASH EXPENSES

This account consists of the following:

	2020	2019
Depreciation	107,653,219.81	79,924,258.02
Depreciation - Land Improvements	6,928.98	6,928.98
Depreciation - Buildings and Other Structures	324,961.86	324,961.86
Depreciation - Machinery and Equipment	73,339,866.83	68,031,032.41
Depreciation - Furniture and Fixtures and Books	3,066,981.37	3,186,758.55
Depreciation - Transportation Equipment	5,324,607.35	5,093,652.98
Depreciation - Leased Assets	21,020,738.07	-
Depreciation - Leased Assets Improvements	4,569,135.35	3,280,923.24
Amortization - Intangible Assets	14,599,969.58	19,846,326.37
Impairment Loss	5,178,044.77	-
Impairment Loss - Other Rec'bles	60,725.00	-
Impairment Loss - PPE	3,555,203.03	-
Impairment Loss - Other Assets	1,562,116.74	-
Losses	-	60,649.35
Loss on Sale of Property and Equipment	-	60,649.35
Total	127,431,234.16	99,831,233.74

Other financial charges pertain to transaction fees/service fees of Accredited Collecting Agents (ACAs) and Accredited Collecting Banks (ACBs), rental fees of National Registry of Scriptless Securities (nRoSS) facility and other financial charges.

24. OTHER SIGNIFICANT AND RELEVANT INFORMATION

24.1 PhilHealth as Government Business Enterprise

Philippine Health Insurance Corporation is now a Government Business Enterprise per Commission on Audit Resolution No. 2018-001 dated January 20, 2018, re: Reclassification of the Philippine Health Insurance Corporation from a Non-Government Business Enterprise (Non-GBE) to a Government Business Enterprise (GBE) and its adoption of the Philippine Financial Reporting Standards (PFRS) as its financial reporting framework.

24.2 Point of Service (POS) Program

The Department of Budget and Management has issued the following SAROs for the payment of cost of availment for 2017 benefit claims and 2018/2019 premium contributions of financially incapable families/enrollees under Universal Health Care through Point-of-Service (POS) Program, chargeable against PhilHealth's authorized appropriation under Republic Act No. 10924, FY 2017, and General Appropriations Act of 2018 and 2019.

The release of the corresponding cash allocation is subject to PhilHealth's submission of the names of 2017 POS patients together with the actual amount of claims and 2018/2019 enrollees with the required premium contributions to DBM.

SARO No.	Amount of SARO	DBM Releases from 2017 to 2020
SARO-BMB-C-17-0023166	91,333,530.00	91,333,530.00
SARO-BMB-C-17-0025119	103,350,096.00	103,350,096.00
SARO-BMB-C-17-00025794	2,805,316,374.00	1,183,312,841.00
SARO-BMB-C-18-0027709	714,535,200.00	714,535,200.00
SARO-BMB-C-18-00035076	350,904,000.00	350,904,000.00
SARO-BMB-C-19-0008291	1,921,533,600.00	1,921,533,600.00
SARO-BMB-C-19-0011860	316,548,000.00	316,548,000.00
SARO-BMB-C-19-	253,862,400.00	253,862,400.00
SARO-BMB-C-19-0016585	120,720,000.00	120,720,000.00
SARO-BMB-C-	130,910,400.00	130,910,400.00
SARO-BMB-C-19-0020384	218,397,600.00	218,397,600.00
SARO-BMB-C-	121,697,384.00	121,697,384.00

24.3 Arrears of the National Government as an employer

PhilHealth had adjusted premium contribution of the Employed Sector in CY2013 through PhilHealth Circular No. 057 s.2012 which prescribes P875 per month as the maximum contribution shared equally by the Employer and the Employee at P437.50 each. However, DBM has only allocated P312.50 or a 40% discrepancy. The Corporation had formally billed the Department of Budget and Management of the estimated NG Employer Premium Differential and requested allocation of the unappropriated balances for the following periods:

Arrears			
CY 2001-2012	P	9,664,042,012	
CY 2013		330,691,801	
CY 2014		330,691,801	
CY 2015		330,691,801	
CY 2016		330,691,801	
Total	P	10,986,809,216	

24.4 Assigned lot to PRO III

A parcel of lot with a total area of 1,831 square meters located within the Government Center, Barangay Maimpis, City of San Fernando, Pampanga was assigned to PRO III per Deed of Assignment from Regional Government Center (RGC) of San Fernando, Pampanga through a MOA executed by and between the Regional Development Council III and PhilHealth. A warehouse was constructed in this lot with a carrying amount of P2,520,000 in the financial statements.

24.5 Non-remittance of GSIS Premium for Disallowed Salary Adjustments

The GSIS premium amounting to P20,604,585 was part and parcel of the salary adjustments given to PhilHealth employees but subsequently disallowed by COA. The said amount is still outstanding and not yet remitted to GSIS per Opinion No. 56 Series of 2018 from the Office of the Government Corporate Counsel dated March 26, 2018 stating that PhilHealth should keep the amount originally intended to be remitted to GSIS as premiums corresponding to the adjusted salaries of its employees without prejudice to its remittance in the event the Notice of Disallowance is lifted.

24.6 PhilHealth's share from Military Camp Sales Proceeds Fund (MCSPF)

The Department of Budget and Management has issued SARO-BMB-C-19-0024648 dated December 16, 2019 amounting to P279,503,560.00 for the premium contributions of 116,460 indigent families under NHTS-PR program for CY 2017.

The release of the corresponding cash allocation is subject to PhilHealth's submission of Monthly Disbursement Program.