

PHILIPPINE HEALTH INSURANCE CORPORATION
ANNUAL REPORT 2004



PhilHealth para sa lahat... saan mang sulok

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Our Core Values

People and Partnership.

The alliance we have made are the wheels of our program. Our members are at the core of our operations and it is our duty to serve the public.

Harmony.

Team PhilHealth moves as one, otherwise, we could not have reached, much more surpassed our goals.

Innovation.

We support new and bright ideas to improve our operations.

Leadership.

The entire PhilHealth organization leads and drives the health system reforms in the country.

Honor, Accountability and Transparency.

PhilHealth funds are funds of the members and we owe it to them to keep the program afloat for future generations.

Excellence and Lifetime Learning.

We do not just meet targets; we surpass them because we are movers and shapers. We are among those who make things happen and we continue to learn new things.

Health for All.

We aim for universal coverage. Right now, we cover eight of every ten Filipinos, and we aspire to sustain

OUR COVER

PhilHealth para sa lahat, saan mang sulok

The theme reflects the ubiquitous presence of PhilHealth as the number one health insurance provider in the Philippines. Now, more than ever, PhilHealth has expanded its coverage to more Filipinos, through membership in the *OWWA Medicare and Sponsored Programs*. The cover aptly reflects the theme: providing coverage day and night, to all Filipinos, anywhere in the country and in most part of the world where Overseas Filipino Workers (OFWs) are.

The theme is also reflected in the colors and shades used; exploring the myriad aspects of Filipino life in a multi-dimensional setting. This theme is likewise manifested in the inside pages, from the layout, to the photography and to the contents. The end result is that the target audience will gain an even deeper insight into PhilHealth, not just as the health insurance provider of Filipinos, but as an integral part of the



COLLECTIONS**2004**

P 16,515,723,554

2003

P 13,151,720,380

Buoyed by the increase in the enrollment in the Sponsored Program, premium collections increased by as much as 26% in 2004 over last year's actual collection.

2003**P13.15 b****2004****P16.52 b****COLLECTIONS****BENEFIT PAYMENTS****2004**

P 12,953,288,450

2003

P 10,956,629,035

PhilHealth's benefit payments in 2004 grew by 18% over last year's payment. The Corporation continues to enhance the delivery of its newly launched benefits like the TB-defined package, normal spontaneous deliveries and dialysis in free-standing centers.

2003**P10.96 b****2004****P12.96 b****BENEFIT PAYMENTS****INVESTMENTS****2004**

P 46,303,889,802

2003

P 40,590,067,406

The Corporation further fortified its financial position. The investment portfolio reached more than P46 billion in 2004, up by more than 14% over 2003.

2003**P40.59 b****2004****P46.30 b****INVESTMENTS**



January 23

The Philippine Hospital Association (PHA) and PhilHealth sign a Memorandum of Agreement (MOA) defining the "Rules of Engagement" in the inspection, investigation and monitoring of hospitals.

February 2-3

PhilHealth joins other Philippine Social Security Association (PHILSSA) member-agencies in the conduct of the first-ever National Convention on Social Security in the Philippines at the Philippine International Convention Center (PICC).

Launching of the Plan 5/25 million led by Her Excellency President Gloria Macapagal-Arroyo at the PICC.

February 10

Pres. Macapagal-Arroyo signs into law Republic Act (RA) 9241 amending RA 7875

February 13

Soft-launching of the PhilHealth Benchbook



May 3

PhilHealth signs MOA with Development Bank of the Philippines (DBP) for auto-debit payment of premiums for DBP account holders.

July 28

PhilHealth signs Memorandum of Understanding (MOU) with the Personnel Management Association of the Philippines (PMAP) to jointly undertake IEC campaign on the National Health Insurance Program (NHIP).





August 27

PhilHealth signs a MOA with Union Bank of the Philippines to formally launch e-Pay/electronic premium collection system the first for PhilHealth.

October 11

Malacañang announces the elevation of PhilHealth President Francisco T. Duque III's position to cabinet rank.

October 13

Signing of project agreement with AusAID and the Philippines-Australia Governance Facility (PAGF) to strengthen institutional capacity in financial management and health finance policy.



October 25

PhilHealth and GlaxoSmithKline sign MOA for Family Health and Wellness.

November 5

PhilHealth forges ties with Tulay sa Pag-unlad, Inc. (TSPI) to increase informal sector membership base.

November 24-26

PhilHealth hosts the 3rd Asian Regional Health Technology Assessment Conference at the Sheraton Hotel.



December 28

The Medicare functions of the Overseas Workers Welfare Administration (OWWA) is transferred to PhilHealth through Executive Order 392, December 28, 2004.

TEN-POINT AGENDA TO “BEAT THE ODDS” IN SIX YEARS UNDER THE ARROYO ADMINISTRATION

*“BEAT THE ODDS
- this will be our battle cry and
agenda for the next six years”*

-President Gloria Macapagal-Arroyo

What it stands for:

- B** - Balanced budget
- E** - Education for all
- A** - Automated elections
- T** - Transport and digital infrastructure to connect the country

- T** - Terminate the MILF and NPA conflicts
- H** - Heal the wounds of EDSA
- E** - Electricity and water for all barangays

- O** - Opportunities for 10 million jobs
- D** - Decongest Metro Manila
- DS** - Develop Clark and Subic

Ang taong 2004 ay di malilimutan bilang taon kung kailan naitala ang pinakamaraming bilang ng mga Pilipino sa ilalim ng paseguruhan sa kalusugan. Ito ay bunga ng pagsisikap ng PhilHealth at sa tulong ng iba’t ibang ahensiya ng pamahalaan.

Napatunayan natin na ang tagumpay ng isang adhikain, katulad ng PhilHealth, ay nakasalalay sa pagkakaisa. Ikinararangal ko na ito ay naisakatuparan sa ilalim ng aking panunungkulan.

Ang programa ng PhilHealth ay katuparan ng aking pangakong iangat ang antas ng pamumuhay ng ating mga kababayan. Ngayon, mahigit na 80 pursiyento ng mga Pilipino ang nabigyan ng seguridad na makakuha ng dekalidad ng serbisyong pangkalusugan sa oras ng pangangailangan.

Binabati ko ang mga namamahala at lahat ng kawani na nagtulong-tulong para maging matagumpay ang bawat programa ng PhilHealth.

Nawa’y makaabot ang mga benepisyo ng PhilHealth sa iba pa nating mga kababayan na wala pa nito sa malalayong mga barangay.

Mabuhay kayong lahat!

GMArroyo
Gloria Macapagal-Arroyo
President
Republic of the Philippines



PhilHealth moved closer to its vision of coverage to all Filipinos, wherever they may be.

Indeed, 2004 was another banner year for PhilHealth. Membership coverage remarkably increased with the launching of Plan 5/25M led by no other than Her Excellency President Gloria Macapagal-Arroyo at the Philippine International Convention Center (PICC) in February 2004, where the first-ever National Convention on Social Security also took place. The Plan 5/25 aims to enroll 5 million poor families or 25 million beneficiaries under the enhanced "PCSO Greater Medicare Access" Program.

To our partners and members, we are privileged to share the following accomplishments of PhilHealth for year 2004:

PhilHealth Para sa Lahat ...

With the signing of Executive Order 276 by Pres. Macapagal-Arroyo in January 29, 2004, PhilHealth was able to enroll 4.2 million poor families or 21.2 million individuals into the program dubbed as Plan 5/25. This program is jointly funded by the Department of Budget and Management (DBM) and Philippine Charity Sweepstakes Office (PCSO).

Adding this number to the enrollment in the regular Sponsored Program of about 2 million families, PhilHealth now covers about 6.2 million families or 31.2 million poor Filipinos. This represents an increase of 255% from the membership enrollment in 2003. With this coverage, the Sponsored Program is indeed one of the most significant social development programs of this Administration.

Given these enrollment figures, it is estimated that PhilHealth now covers 84% of the Philippine population, 30% more than 2003's coverage.

PhilHealth Saan Mang Sulok ...

Before the end of the year, EO 392 dated December 28, 2004 transfers Overseas Workers Welfare Administration (OWWA)

Medicare functions to PhilHealth. Starting March 2005, all Overseas Filipino Workers (OFWs) who are registered with OWWA will now be covered by PhilHealth. Some 2.5 million OFWs and members of their families are expected to be benefited by this program as part of the administration's empowerment of the OFWs.

PhilHealth committed itself to maintain the benefit package and contribution rate of OFWs on top of continued coverage once they reach the age of retirement and after completing a 120 months contribution.

Continuing Benefit Enhancement...

In terms of benefits, PhilHealth paid about P13 billion to its members. This represents an increase of about 18% over the previous year's P10.9 billion in benefit payments.

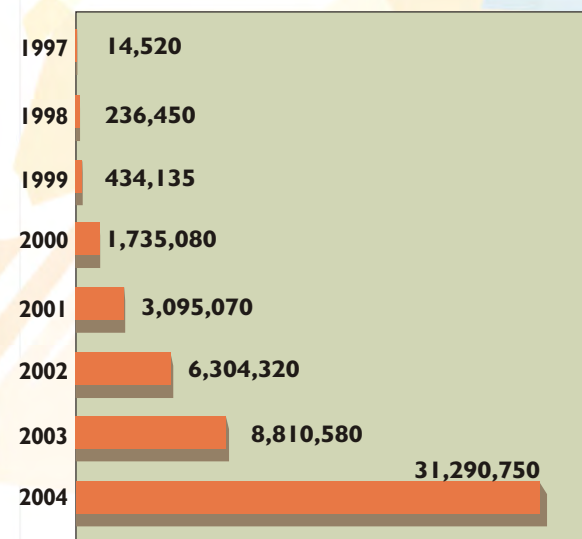
There are now 2,425 hospitals, medical clinics and rural health units delivering medical services to Filipinos and PhilHealth continues to expand the delivery of its newly launched benefits like the TB-defined package, normal spontaneous deliveries, SARS and dialysis in free-standing centers through the accreditation of new providers. To date, we have already accredited 71 maternity clinics, 29 Directly Observed Treatment Short-Course (DOTS) centers, and 18 free-standing dialysis centers nationwide.

Sustaining the Program...

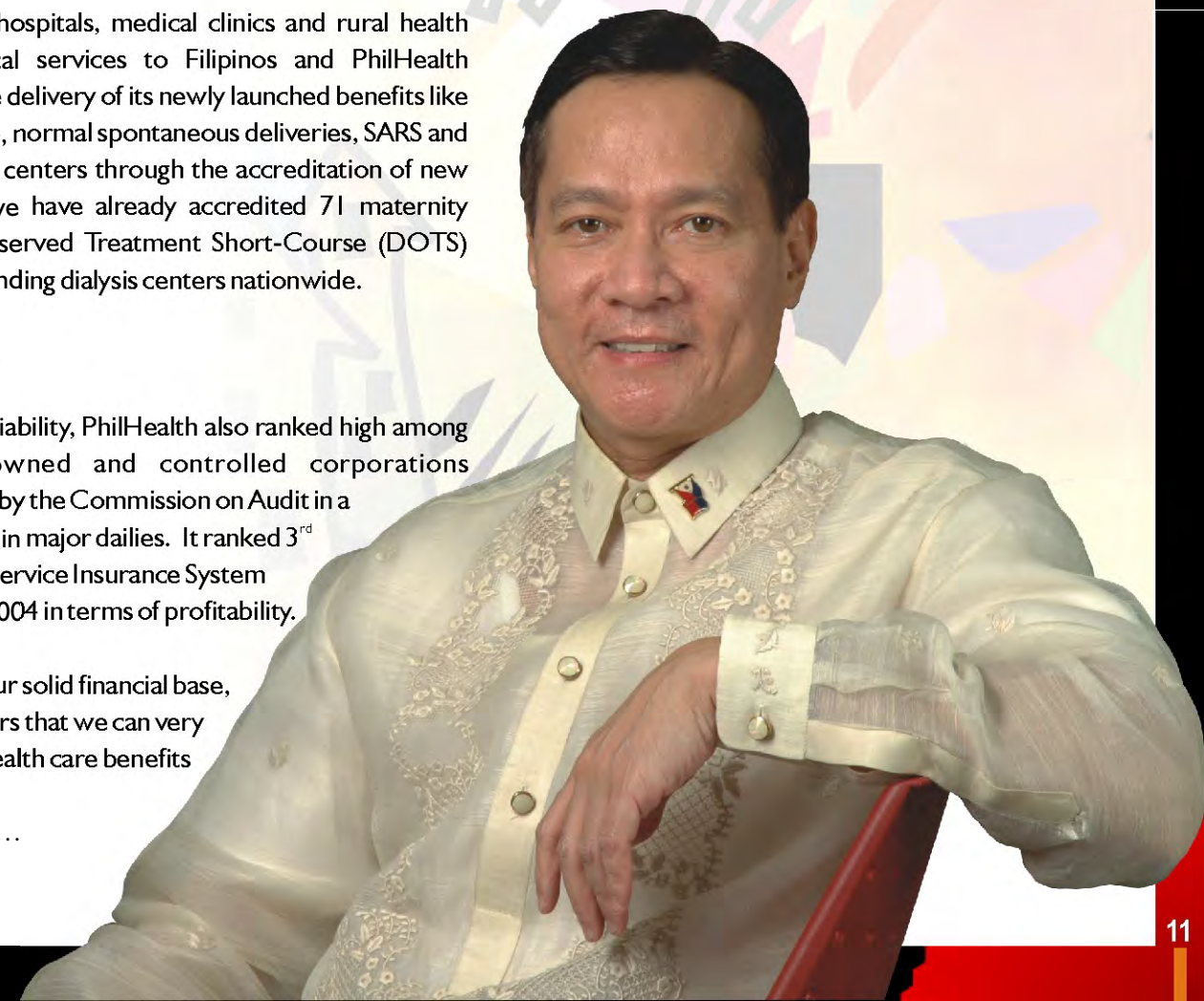
In the area of financial viability, PhilHealth also ranked high among other government-owned and controlled corporations nationwide as reported by the Commission on Audit in a full-page advertisement in major dailies. It ranked 3rd after the Government Service Insurance System (GSIS) and Pag-IBIG in 2004 in terms of profitability.

This is an indication of our solid financial base, an assurance to members that we can very well provide for their health care benefits even in the long term.

On Member Satisfaction ...



Sponsored Program Membership
1997 - 2004



As we pursue our programs, we also keep track of our members' feedback on the quality of services that we are giving them. Based on the results of the 2003 National Demographic and Health Survey (NDHS) of the National Statistics Office (NSO), 89.3% of those who availed of the PhilHealth benefits said they were satisfied with PhilHealth.

Improving the quality of care...

PhilHealth continues its pioneering efforts in promoting and ensuring quality care. Another innovation that PhilHealth undertook in 2004 was the introduction of the Benchbook on Performance Improvement of Health Services which will serve as a yardstick for measuring and assessing quality of care delivered by PhilHealth's accredited health care providers.

PhilHealth also hosted, together with the Department of Health (DOH) and Department of Science and Technology (DOST), the 3rd Asia Pacific Conference on Health Technology Assessment (HTA) in November 2004 where international experience in assessing upcoming and currently used health technologies were shared to help address Asian issues. The event was attended by local and international luminaries in the field of HTA.

Improving delivery of service...

PhilHealth became the 1st social security agency to have an office in the Autonomous Region of Muslim Mindanao (ARMM). This office has been upgraded from a Coordinating Office to serve members in Lanao del Sur, Maguindanao, Sulu, Basilan, and Tawi-Tawi. The Regional Office will soon provide membership registration, contribution management, claims processing, and information dissemination services.

Networking with Partners...

Partnerships with other local institutions were also forged this year through the signing of Memorandum of Agreement (MOA) with Development Bank of the Philippines (DBP), Union Bank of the Philippines, GlaxoSmithKline and Tulay sa Pag-unlad, Inc. (TSPI)

and PHA for various projects aimed at improving the delivery of service and increasing membership base.

Legislation for a better NHIP...

The year also saw the passage of Republic Act 9241 which amended RA 7875. Among the most important revisions in the Act is the provision on the 3-year in operation accreditation requirement. Prior to this amendment, hospitals have to be in operation for at least three years before they can be accredited by PhilHealth. This amendment takes into consideration certain situations wherein accreditation of the provider is warranted (e.g. lack of facilities in the area, among others). Another amendment provides for the inclusion of two more representatives in the PhilHealth Board of Directors coming from the Basic Sector of the National Anti-Poverty Commission (NAPC) and the Overseas Filipino Workers (OFWs).

In recognition of the importance of social health insurance in national development, Congress, through RA 9334, has earmarked 2.5% of the expected government incremental revenues from taxes on sin products for the next five years to the National Health Insurance Program (NHIP). The allocation would translate to additional P350 to P400 million for PhilHealth to be used in subsidies for the Sponsored Program.

As for PHILSSA ...

The President and CEO of PhilHealth is also the Chair of the Philippine Social Security Association (PHILSSA). This year, PHILSSA successfully held the very first Social Security convention at the PICC in February. Graced by no less than Pres. Macapagal-Arroyo, then Executive Secretary Alberto Romulo, various dignitaries in the field of social security in the Philippines and in other parts of the world. The two-day event was attended by about 900 participants.

In addition to the founding members of the reinvigorated PHILSSA, namely, PhilHealth, Social Security System (SSS), GSIS, Armed Forces of the Philippines Retirement and Separation Benefits System (AFPRSBS), Home Development Mutual Fund

(Pag-IBIG Fund), Employees Compensation Commission (ECC) and PCSO, OWWA later joined the organization.

And for the President of PhilHealth ...

Recognizing the pivotal role of the NHIP in social development, Pres. Macapagal-Arroyo elevated the post of the President and CEO of PhilHealth to cabinet rank in October 2004.

Prospects for 2005 ...

As PhilHealth draws near in celebrating its 10th anniversary, we will continue to bring to the members and all stakeholders a better and stronger PhilHealth through the following major thrusts and priorities in 2005:

- q Sustainability of the Sponsored Program
- q Intensification of/step up collection thereby ensuring program sustainability;
- q Set up and implement fraud prevention plan and step up activities at all levels in all areas of operation;
- q Effect a smooth transition to a re-engineered organization structure;
- q Step up interventions to improve the quality of health care services in the country;
- q Strengthening of the operational efficiency of all services; and
- q Strengthening of the existing partnership between PhilHealth and international donor agencies, as well as local institutions.

“

We are confident that with your continued support, we will bravely face the challenges of the coming year and with concerted effort, achieve our goal of reaching our mandate of universal coverage in the years to come. PhilHealth is truly proud to be at the forefront in terms of program instrumentalities of the government.

To all the staff of PhilHealth, partner agencies, and to our members and other stakeholders, maraming salamat at mabuhay kayong lahat!

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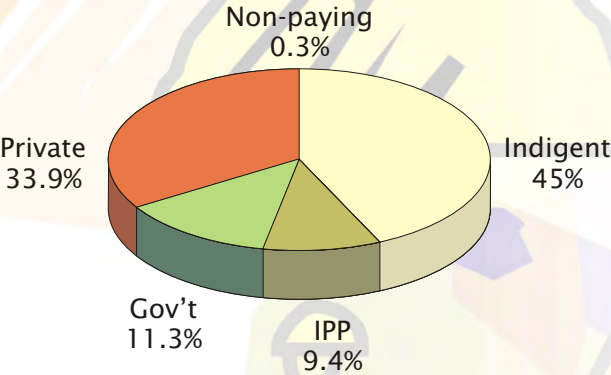
Sec. Francisco T. Duque III, MD, MSc
President & CEO
Vice-Chair of the PhilHealth Board

PARA SA LAHAT... SAAN MANG SULOK

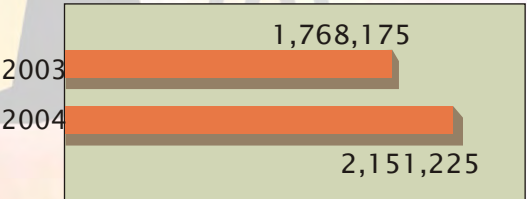
PhilHealth covers approximately
84%
of the RP population.



Breakdown per Membership Type



Individually Paying Program Membership



MEMBERSHIP

PhilHealth inched closer to universal coverage with the enlistment of more than 6M indigents under the Sponsored Program. The indigents now cover a little less than half of PhilHealth's membership base (more than 6M families) translating to more than 31M poor Filipinos. This is attributed to various strategies that have been adopted to support the pledge of expanding the Sponsored Program particularly with the launching of Plan 5/25M.

The employed sector comprises about 45% of the membership pie, 11% are from the government sector and the private sector accounts for 34%.

The Individually Paying Program membership grew by almost 22% from the previous year. To date, the program has enlisted a total of 2,151,225 registered members.

The registration of retirees and pensioner-members from the government and private sectors in the Non-Paying Program totaled 135,500 in 2004.

PhilHealth has covered about 84% of the 2004

EXPANDED SERVICE

PhilHealth continues to expand the delivery of its newly launched benefits like the TB-defined package, normal spontaneous deliveries and dialysis in free-standing centers through the accreditation of new providers. Accredited outpatient clinics tremendously increased from the last year's initial accreditation of 2 TB-DOTS centers,

1 maternity clinic and 5 dialysis centers to 29 DOTS centers, 71 maternity clinics and 18 free-standing dialysis centers nationwide.

Enhancement in the Maternity Care package was also provided to members by obliging the hospitals to cover the room and board, drugs/medicines, diagnostics, operating room fee and all other necessary care except professional fees applicable to October 1, 2004 admissions onwards (amending sec. 8 of PhilHealth Circular no. 15, s 2003).

A new premium contribution schedule for the Employed Sector and Sponsored Program of PhilHealth was also implemented beginning 2004, further increasing the salary cap to P15,000. This promotes the social solidarity concept wherein those who have the capacity are paying more as a percentage of their income.

Health care professionals accredited by PhilHealth total to 18,677. Of this number, 9,214 are general practitioners, 9,225 are medical specialists, 172 are dentists and 66 are midwives. To date, PhilHealth has already accredited 1,558 hospitals, 18 ambulatory surgical clinics, 731 rural health units, and 118 outpatient clinics.

During the 2nd semester of 2004, a Survey on Support Value of PhilHealth Benefits was initiated to assess the actual support value of PhilHealth benefits being given to members.

In the desire to extend PhilHealth benefits to as many qualified members as possible, the



IEC

Corporation, through PhilHealth Circular 23, s2004, has adopted the policy to include stepparents and adoptive parents as legal dependents. With the inclusion of adoptive parents and stepparents in PhilHealth's list of qualified dependents, PhilHealth is inching closer to our target of achieving universal coverage sooner than expected.

On February 10, 2004, PhilHealth launched its new text service in a bid to enable its members nationwide to get immediate

PREMIUM PAYMENTS

"PhilHealth Ko! 2960" is the latest and most convenient way for members to inquire about their PhilHealth Identification Numbers (PIN), status of claims, list of legal dependents, contribution rates, validity date of hospitals' and doctors' accreditation, schedule of seminars, PhilHealth radio programs, location of PhilHealth offices, among others.

To assist PhilHealth in collecting members' premiums are the 31 commercial banks, 9 directly-accredited rural banks and 14 LBP-accredited Countryside Financial Institutions (CFIs). The 54 accredited collecting agents have 3,578 branches nationwide. PhilHealth awarded three banks for their exemplary performance during 2003 to 2004 in terms of timeliness of remittance, completeness of documents, accuracy of remittance and

2003-2004 Best Collecting Partners

Large Bank Category	Equitable PCI Bank
Medium Bank Category	Bank of Commerce
Small Bank Category	Bank One Savings Bank
Special Citation	Land Bank of the Phils.

FOREIGN PARTNER AGENCIES

excellent service. Land Bank of the Philippines was given a special citation for being a consistent top collecting bank.

PhilHealth also tapped 166 branches of the Philippine Postal Corporation (PhilPost) and i-Remit, Inc. for the collection of members' premiums. Land-based OFWs who are interested to be PhilHealth members may secure and submit their membership application forms (M1b) and pay their premiums abroad through i-Remit foreign offices in Singapore, Taiwan, UK, and Hongkong. In line with its efforts to strengthen partnerships for the National Health Insurance Program (NHIP), PhilHealth, in cooperation with the German Technical Assistance (GTZ) and the Asian Institute of Management (AIM), developed a training course on social health insurance entitled "Social Health Insurance Advocates and Champions (SHIAC)". This aims to equip health insurance advocates with the information they need to help them promote the program and look for solutions to their health care financing problems. Two sessions were pilot tested this year, one for policy makers and another for local government officials.

During the second semester of 2004, a GTZ and PhilHealth undertaking concerning the review of thirty three PhilHealth studies was also initiated. The **Research Notes** will assist PhilHealth in its knowledge management process.

Likewise, WHO-funded researches such as "**Study on Incentives to Strengthen the Social Insurance Membership Cycle in the Philippines**", "**An Assessment of the Communication Program and Development of a Communication Plan with a Social Marketing Approach**", and "**Knowing the Informal Sector: A Market Segmentation Study**" were conducted to gather inputs from PhilHealth stakeholders in the enhancement on the delivery of health care.

Towards the end of the year, PhilHealth also signed a project



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

The Board of Directors

Philippine Health Insurance Corporation
City State Centre, 709 Shaw Blvd., Pasig City

We have audited the accompanying balance sheet of the Philippine Health Insurance Corporation as at December 31, 2004 and the related statements of income, changes in net worth and cash flows for the year then ended. These financial statements are the responsibility of the Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with laws, Commission on Audit and International Organization of Supreme Audit Institutions standards and applicable generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Philippine Health Insurance Corporation as at December 31, 2004 and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

COMMISSION ON AUDIT

ROSEMARIE L. LERIO

Director IV

Cluster II, Financial B
Corporate Government Sector

February 28, 2005

PHILIPPINE HEALTH INSURANCE CORPORATION

Balance Sheet

December 31, 2004
(With Comparative Figures for 2003)

	2004	2003 (As Restated)	Increase / (Decrease)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Note 2)	P 12,893,013,028	P 13,550,381,769	P(657,368,741)
Receivables, net (Notes 1c and 3)	2,387,898,740	2,071,495,916	316,402,824
Inventories (Notes 1e and 4)	53,188,426	40,546,380	12,642,046
Total Current Assets	<u>15,334,100,194</u>	<u>15,662,424,065</u>	<u>(328,323,871)</u>
INVESTMENTS AND PROPERTY, PLANT AND EQUIPMENT			
Investments, net (Notes 1d and 5)	35,026,351,298	28,842,088,173	6,184,263,125
Property, plant and equipment, net (Notes 1f and 6)	<u>1,094,480,678</u>	<u>657,341,199</u>	<u>437,139,479</u>
	<u>36,120,831,976</u>	<u>29,499,429,372</u>	<u>6,621,402,604</u>
OTHER ASSETS			
Miscellaneous assets and deferred charges (Note 7)	26,681,718	24,351,328	2,330,390
Contingent assets (Note 8)	<u>7,155,108</u>	<u>7,313,495</u>	<u>(158,387)</u>
	<u>33,836,826</u>	<u>31,664,823</u>	<u>2,172,003</u>
TOTAL ASSETS	<u>51,488,768,996</u>	<u>45,193,518,260</u>	<u>6,295,250,736</u>
LIABILITIES AND NET WORTH			
CURRENT LIABILITIES			
Payables	1,092,153,069	617,363,281	474,789,788
Trust liabilities	<u>134,421,901</u>	<u>62,411,842</u>	<u>72,010,059</u>
Total Current Liabilities (Note 9)	<u>1,226,574,970</u>	<u>679,775,123</u>	<u>546,799,847</u>
NET WORTH (Note 10)	<u>50,262,194,026</u>	<u>44,513,743,137</u>	<u>5,748,450,889</u>
TOTAL LIABILITIES AND NET WORTH	<u>P 51,488,768,996</u>	<u>P 45,193,518,260</u>	<u>P 6,295,250,736</u>

See accompanying Notes to Financial Statements

PHILIPPINE HEALTH INSURANCE CORPORATION

Statement of Income

For the Year Ended December 31, 2004
(With Comparative Figures for 2003)

	2004	2003 (As Restated)	Increase/ (Decrease)
REVENUES (Note 1g)			
Operating and service income	P 16,515,723,554	P13,151,720,380	P 3,364,003,174
Investment income	4,428,703,984	3,714,979,990	713,723,994
Other income	20,564,339	8,769,298	11,795,041
Fines and penalties	2,571,156	2,016,660	554,496
TOTAL (Schedule I)	<u>20,967,563,033</u>	<u>16,877,486,328</u>	<u>4,090,076,705</u>
APPLICATIONS (Notes 1g and 10)			
Benefit claims payments	12,953,288,450	10,956,629,035	1,996,659,415
Operational expenses	2,159,591,901	1,455,047,002	704,544,899
TOTAL (Schedule II)	<u>15,112,880,351</u>	<u>12,411,676,037</u>	<u>2,701,204,314</u>
NET REVENUES	<u>P 5,854,682,682</u>	<u>P 4,465,810,291</u>	<u>P 1,388,872,391</u>

See accompanying Notes to Financial Statements

PHILIPPINE HEALTH INSURANCE CORPORATION

Revenues

For the Year Ended December 31, 2004
(With Comparative Figures for 2003)

	2004	2003 (As Restated)	Increase/ (Decrease)
OPERATING AND SERVICE INCOME			
MEMBER CONTRIBUTION			
Private sector	P 9,444,780,103	P 8,451,689,246	P 993,090,857
Government sector	3,716,082,414	3,618,253,082	97,829,332
Individually paying members	733,429,067	472,681,085	260,747,982
Overseas Filipino workers	63,882,144	43,646,180	20,235,964
	<u>13,958,173,728</u>	<u>12,586,269,593</u>	<u>1,371,904,135</u>
COUNTERPART CONTRIBUTION			
Subsidies from National Government	1,084,247,292	345,245,223	739,002,069
Philippine Charity Sweepstakes Office	1,000,000,000	-	1,000,000,000
Subsidies from local government units for indigent program	<u>473,302,534</u>	<u>220,205,564</u>	<u>253,096,970</u>
	<u>2,557,549,826</u>	<u>565,450,787</u>	<u>1,992,099,039</u>
	<u>16,515,723,554</u>	<u>13,151,720,380</u>	<u>3,364,003,174</u>
INVESTMENT INCOME			
Interest on bonds	3,435,195,388	2,669,230,458	765,964,930
Interest on T-bills	719,206,221	905,731,593	(186,525,372)
Interest on loans	35,642,221	80,403,109	(44,760,888)
Interest on special savings deposits	228,774,039	51,351,323	177,422,716
Interest income (savings and current deposits)	9,821,607	8,263,137	1,558,470
Dividends on stocks	<u>64,508</u>	<u>370</u>	<u>64,138</u>
	<u>4,428,703,984</u>	<u>3,714,979,990</u>	<u>713,723,994</u>
OTHER INCOME			
Accreditation fees	18,650,550	7,590,196	11,060,354
Miscellaneous income	<u>1,913,789</u>	<u>1,179,102</u>	<u>734,687</u>
	<u>20,564,339</u>	<u>8,769,298</u>	<u>11,795,041</u>
FINES AND PENALTIES	<u>2,571,156</u>	<u>2,016,660</u>	<u>554,496</u>
	<u>P 20,967,563,033</u>	<u>P 16,877,486,328</u>	<u>P 4,090,076,705</u>

See accompanying Notes to Financial Statements

PHILIPPINE HEALTH INSURANCE CORPORATION

Applications

For the Year Ended December 31, 2004
(With Comparative Figures for 2003)

	2004	2003 (As Restated)	Increase/ (Decrease)
BENEFIT PAYMENTS (Note 10)			
Private sector	P 7,325,119,195	P 6,792,434,419	P 532,684,776
Government sector	3,618,533,860	3,290,921,975	327,611,885
Indigent program	2,009,635,395	873,272,641	1,136,362,754
	12,953,288,450	10,956,629,035	1,996,659,415
OPERATIONAL EXPENSES (Note 10)			
PERSONAL SERVICES			
Salaries and wages	353,636,682	230,413,346	123,223,336
Bonuses and incentives	141,311,490	115,380,805	25,930,685
Social security insurance premium	40,321,434	27,082,618	13,238,816
Commutable allowances/fringe benefits	21,343,868	21,015,542	328,326
Overtime pay	4,221,556	4,067,035	154,521
Per diem and non-commutable allowance	916,875	1,267,350	(350,475)
Other benefits	65,014,232	63,896,201	1,118,031
	626,766,137	463,122,897	163,643,240
MAINTENANCE AND OTHER OPERATING EXPENSES			
Bad debts	493,875,850	155,235,240	338,640,610
Remuneration expenses	468,400,287	411,763,099	56,637,188
Other services	167,571,758	70,341,392	97,230,366
Rents	95,040,665	82,424,708	12,615,957
Supplies and materials	64,125,644	57,790,709	6,334,935
Communications services	57,152,507	47,710,914	9,441,593
Depreciation expense	50,647,998	45,443,938	5,204,060
Water, illumination and power services	41,950,976	34,610,426	7,340,550
Travelling expenses	35,276,282	30,246,973	5,029,309
Training and seminar expenses	14,806,872	15,649,057	(842,185)
Auditing services	12,153,155	14,233,256	(2,080,101)
Miscellaneous and extraordinary expenses	8,192,392	8,245,613	(53,221)
Consultant's fees and honorarium	6,120,082	8,667,815	(2,547,733)
Gas, oil, and lubricants	5,734,168	3,992,176	1,741,992
Fidelity bond and insurance premiums	5,425,998	2,606,717	2,819,281
Repairs and maintenance of government vehicle	2,539,004	1,381,904	1,157,100
Confidential and intelligence expenses	1,300,000	247,840	1,052,160
Transportation expense	1,229,038	724,998	504,040
Repairs and maintenance of government facilities	489,055	25,682	463,373
Taxes, duties and fees	461,458	269,466	191,992
Bank charges	332,575	312,182	20,393
	1,532,825,764	991,924,105	540,901,659
	2,159,591,901	1,455,047,002	704,544,899
	P 15,112,880,351	P 12,411,676,037	P 2,701,204,314

See accompanying Notes to Financial Statements

PHILIPPINE HEALTH INSURANCE CORPORATION

Statement Of Changes In Net Worth

For the Years Ended December 31, 2004 and 2003

	2004	2003 (As Restated)	Increase/ (Decrease)
APPRAISAL INCREASE (DECREASE)			
Net unrealized loss from decline in value of long-term investment	<u>P (106,073,406)</u>	<u>P -</u>	<u>P (106,073,406)</u>
RESERVES (Note 10)	<u>35,287,000,000</u>	<u>35,287,000,000</u>	<u>-</u>
RETAINED EARNINGS (Note 10)			
Balance at beginning of the year			
As previously reported	P 16,628,575,236	P 12,607,763,857	
Correction of fundamental errors	<u>(7,409,145,594)</u>	<u>9,855,494</u>	
As restated	9,219,429,642	12,617,619,351	
Net income for the year	5,854,682,682	4,465,810,291	
Amount transferred to reserves	<u>-</u>	<u>(7,864,000,000)</u>	
Balance at end of the year	<u>15,074,112,324</u>	<u>9,219,429,642</u>	<u>P 5,854,682,682</u>
CONTINGENT CAPITAL (Note 8)	<u>7,155,108</u>	<u>7,313,495</u>	<u>(158,387)</u>
NET WORTH (Note 10)	<u><u>P 50,262,194,026</u></u>	<u><u>P 44,513,743,137</u></u>	<u><u>P 5,748,450,889</u></u>

See accompanying Notes to Financial Statements

PHILIPPINE HEALTH INSURANCE CORPORATION

Cash Flow Statement

For the Year Ended December 31, 2004
(With Comparative Figures for 2003)

	2004	2003 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	13,912,023,300	12,384,101,188
Cash received from the National Government	1,084,247,292	345,245,223
Cash received from Local Government Units and sponsors	473,302,534	220,205,564
Cash received from Philippine Charity Sweepstakes Office	230,000,000	-
Accreditation fees received from health care providers and professionals	18,650,550	7,590,196
Cash received from various operating activities	4,484,945	3,195,762
Benefit payment	(12,770,296,536)	(10,794,663,984)
Payment of personal services	(567,813,381)	(462,328,409)
Payment of maintenance and other operating expenses	(593,543,685)	(574,850,978)
Acquisition of supplies inventory	(12,534,796)	(23,720,219)
Payment of miscellaneous assets and deferred charges	(2,330,390)	(4,139,307)
Collection of car loan	6,458,469	6,458,469
Cash received (paid) as collecting agent/in trust	70,857,430	(30,348,372)
Net Cash Flows From Operating Activities	1,853,505,732	1,076,745,133
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	4,092,644,196	3,395,439,648
Collection of investment on asset securitization	463,597,179	-
Investment in bonds	(6,807,697,509)	(5,756,107,604)
Acquisition of properties and equipment	(259,418,339)	(123,297,125)
Net Cash Flows Used in Investing Activities	(2,510,874,473)	(2,483,965,081)
Net Decrease in Cash and Cash Equivalents	(657,368,741)	(1,407,219,948)
CASH AND CASH EQUIVALENTS at beginning of year	13,550,381,769	14,957,601,717
CASH AND CASH EQUIVALENTS at end of year	P 12,893,013,028	P 13,550,381,769

See accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

1. SIGNIFICANT ACCOUNTING POLICIES

a. Consolidated Financial Statements

Philippine Health Insurance Corporation (PhilHealth) adopts calendar year as its fiscal year and uses commercial accounting.

The consolidated financial statements of PhilHealth were prepared and presented in accordance with generally accepted accounting principles. All inter-company accounts have been closed.

The Corporation has adopted the Home Office and Branch Accounting System since July 1999. Processing of benefit payments and operating expenditures has been decentralized to all fifteen (15) PhilHealth Regional Offices (PROs) while the three expanded Service Offices in Metro Manila perform processing of benefit payments only. The consolidation of accounts is done at the Home Office.

b. Cash Equivalents

For purposes of the statement of cash flows, PhilHealth considers regular and special savings deposits, time deposits and treasury bills as cash equivalents.

c. Allowance for Bad Debts/Doubtful Accounts

The allowance for bad debts is provided in an amount determined after evaluation of such factors as aging of the accounts, collection experience in relation to particular receivable and identified doubtful accounts.

d. Allowance for the Decline in Value of Investment

PhilHealth Board Resolution No. 671, s. 2004 dated April 27, 2004 was issued approving the provision for valuation allowance for the decline in value of Meralco "A" Shares.

e. Inventory Valuation

The Asset Method is used in recording purchases of inventory while the First-In-First-Out (FIFO) method is used in recording issuances of supplies and materials.

f. Property, Plant and Equipment (PPE)

Land is carried at acquisition cost plus incidental expenses.

Property, plant and equipment are recorded at cost. The maintenance, repairs and minor replacements are charged to expense while major improvements are capitalized.

Depreciation is computed using the straight-line method in accordance with Commission on Audit (COA) Circular No. 2003-007 dated December 11, 2003, and COA Circular Letter No. 2004-003 dated October 4, 2004. Accordingly, the property, plant and equipment items are assigned with ten percent residual values and depreciated over the revised estimated useful life.

Furniture and equipment costing below P10,000 are treated as expenses under the account Supplies and Materials pursuant to COA Circular No. 97-005 dated July 1, 1997.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

g. Income and Expense Recognition

Income and expense are recognized based on a modified accrual method of accounting. Accrual accounting computes net income not only on the basis of actual but also of expected cash receipts and payments. However, expected cash receipts from collection of premium contributions can only be estimated for those that are to be remitted by the accredited collecting banks pending the completion of the database build-up. The expected cash outflows like payments for janitorial services, security services, light and water and rental are recognized as expenses at the time they are incurred even if payments are not yet made. On the other hand, accruals for benefit payments refer to outstanding claims.

h. Preparation of the Cash Flow Statement

PhilHealth uses the Direct Method in the preparation of its Cash Flow Statement.

2. CASH AND CASH EQUIVALENTS

This account consists of:

	2004	2003 (as restated)
Cash in Banks	P 1,312,074,300	P 1,541,348,663
Collecting Officers	303,018,761	260,708,561
Disbursing Officers	381,463	345,312
Treasury Bills	8,407,520,473	11,412,505,451
Special Savings Deposits	2,870,018,031	335,473,782
	P12,893,013,028	P13,550,381,769

All funds of the Corporation are deposited in authorized government depository banks.

Included in this account is Land Bank of the Philippines-Pasig, Kapitolyo branch dollar account No. 0674-0010-29 and has been converted to its peso equivalent using current exchange rate as of December 31, 2004.

Included also is Philippine National Bank account No. 260-840034-9 with a book-balance as of this report amounting to P681,922,631. This account was already closed per passbook. However, in the books of the Corporation, it remains open pending the documentation of all transactions pertaining to this account. These transactions refer to the generated Debit-Credit System (DCS) checks during the Oplan Bilis Bayad from November 1998 to May 1999.

Treasury bills and special savings deposits are placed for 360 days and below, and booked at face value.

3. RECEIVABLES, NET

This account consists of:

	2004	2003 (as restated)
Receivable from the National Government	P 649,111,090	P 649,111,090
Receivable from GOCC (PCSO)	770,000,000	-
Accrued Premium Receivable	46,150,428	331,845,638
Advances to Officers and Employees	480,906	822,620
Miscellaneous Receivable	1,573,906,803	1,247,591,205
Total	3,039,649,227	2,229,370,553
Allowance for Doubtful Accounts	(651,750,487)	(157,874,637)
	P 2,387,898,740	P 2,071,495,916

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

Allowance for doubtful accounts is provided for the following:

- a) Unliquidated cash advances of PhilHealth's 1996 and 1997 Board Members and cash advances granted to the defunct medical care councils, the Medicare community hospitals and other health centers in the amount of P2,639,397. The accounts were transferred by the Philippine Medical Care Commission (PMCC) to PHIC in August 1995 and have been in the books of PMCC and PhilHealth for more than 10 years. Request for the write-off of the accounts was already made with the Office of the Ombudsman; and
- b) Receivable from the Local Government Units (LGUs) Armed Forces of the Philippines (AFP) and National Government for surcharges due to late remittance of the employer counterpart of the premium contributions in the amount of P649,111,090. This was transferred by the Government Service Insurance System (GSIS) to PhilHealth.

3.1 Receivable from the National Government represents premium contributions from various government offices which were transferred to PhilHealth by the GSIS in the amount of P649,111,090. Several follow-up letters were sent to the Department of Budget and Management and the Bureau of the Treasury. However, up to now, there is no indication on the part of the National Government to settle the same, the details of which are as follows:

Receivables from	2004	2003 (as restated)
Local government units	P 408,875,850	P 408,875,850
AFP	85,000,000	85,000,000
DBM surcharges	155,235,240	155,235,240
Sub-total	649,111,090	649,111,090
Less: Allowance for doubtful accounts	649,111,090	155,235,240
	P -	P 493,875,850

3.2 Accounts Receivable from Government-Owned and Controlled Corporation (GOCC), specifically the Philippine Charity Sweepstakes Office (PCSO) amounting to P770 Million represents the premium counterpart of various LGUs for 2004 under the PCSO-Greater Medicare Access (PCSO-GMA) Program also known as the "Universal Family Health Insurance Program 2004". The Memorandum of Agreement entered into by and between DBM, PCSO and PhilHealth dated January 21, 2004 stated that PCSO will provide the LGU counterpart in the amount of P1.5 Billion. However, PCSO Board Resolution Nos. 180, s. 2004 and 717 s. 2003 provided only for an amount of P1 Billion as stand-by fund. The Corporation received an amount of P230 Million out of the P1 Billion, thereby leaving a balance of P770 Million. The third fund release amounting to P25 million was received last January 17, 2005.

3.3 Accrued Premium Receivable is an estimation of premium collections from Accredited Collecting Agents (ACAs) for the 2nd half of December 2004.

3.4 Advances to Officers and Employees account represents the unliquidated cash advances for travels made.

3.5 Miscellaneous Receivables include the accrued interest from investments, receivables from the Motor Vehicle Loan Program and accrued penalties on ACAs. Receivables from former officers and staff of PMCC are being considered as bad debts due to non-payment despite demands made by the Corporation. The request for write-off on a case to case basis will be submitted starting calendar year (CY) 2005 to COA. Details of the account are as follows:

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

	2004	2003 (as restated)
Accrued Interest Receivable	P 1,550,455,552	P 1,199,467,857
Accrued Penalties	14,791,476	33,311,084
Motor Vehicle Loan	5,664,578	12,106,511
Receivable from PMCC	2,507,346	2,507,346
Other Receivables	487,851	198,407
	P 1,573,906,803	P 1,247,591,205

3.6 Expected receivable from the Social Security System (SSS) of P211 Million representing unearned interest income from delayed remittance by SSS of PhilHealth premium collections is not recorded pending resolution of the issue raised by SSS that said receivable has no legal basis.

4. INVENTORIES

This account consists of supplies and materials amounting to P53,188,426 and P40,546,380 for CYs 2004 and 2003, respectively.

Furniture and equipment costing below P10,000.00 with more than one-year economic life, were recorded in the Supplies and Materials account pursuant to COA Circular No. 97-005 dated July 1, 1997.

5. INVESTMENTS, NET

The Corporation's long-term investment portfolio is summarized as follows:

	2004	2003 (as restated)
Interest Bearing Loans		
Global City Repayment Rights	P -	P 463,597,179
Investment in shares of stocks (at cost)		
Meralco Common A		
Cost (as previously reported)	132,906,650	132,906,650
Less: Allowance for decline in value	106,073,407	-
Net book value	26,833,243	596,503,829
PLDT Subscriber Investment Plan		
Cost (as previously reported)	363,000	329,000
Addition	-	34,000
Cost as restated	363,000	363,000
Investment in Debenture Bonds	54,238,356	54,238,356
Investment in Treasury Bonds	34,944,916,699	28,190,982,988
	P 35,026,351,298	P 28,842,088,173

5.1 The Home Guaranty Corporation has assumed the investment in Commonwealth Urban Renewal Certificates. Consequently, the interest bearing loan has been replaced by debenture bonds covering the principal and accrued interest thereon in the amount of P54,238,356.

5.2 Stocks representing the 1,442,648 Meralco CommonA shares have been transferred by GSIS to PhilHealth at a transfer cost of P92.1269 per share. After the 20% stock dividend of 288,529 shares with a P10 par value, the total Meralco shares increased to 1,731,177 shares amounting to P132,906,650.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

Per PhilHealth Board Resolution No. 671, s. 2004 dated April 27, 2004, any revaluation of market value per share should be recognized annually. Accordingly, the *Allowance for the Decline in Value* was set-up at P106,073,407 to represent the fair market value of the Meralco A shares at P15.50 per share.

5.3 Investment in PLDT Stocks was acquired under the Subscriber Investment Plan amounting to P363,000 representing 117 subscribed telephone lines. Based on PLDT's records, PhilHealth has 251 telephone lines and 72,530 shares at 10% cumulative convertible preferred stock amounting to P725,300. However, we are still requesting PLDT for the issuance of the said certificates.

5.4 Treasury Bonds with more than one year maturity period:

	2004 (net of Amortization)	2003 (net of Amortization)
Small Denominated T-Bonds	P -	P3,991,347,018
T-Bonds transferred by GSIS to PHIC	61,200,000	61,200,000
Retail T-Bonds	11,597,021,825	6,788,444,682
2-year T-Bonds	3,098,482,546	7,760,125,526
3-year T-Bonds	12,017,138,312	7,134,545,265
4-year T-Bonds	2,999,132,678	902,674,443
5-year T-Bonds	4,959,541,338	1,552,646,054
7-year T-Bonds	212,400,000	-
	P 34,944,916,699	P 28,190,982,988

The investing activities of the Corporation are made only in the Home Office to maximize the income from high yield interest bearing instruments.

Straight-line method of amortization is used to amortize the Bond Premium and Bond Discount over the remaining life of the bond.

6. PROPERTY, PLANT AND EQUIPMENT (PPE)

This account is composed of the following:

Particulars	Land & Land Improvements	Building & Structures/ Leasehold Improvements	Furniture & Fixtures Equipment & Books (as restated)	Total (as restated)
At December 31, 2003				
Cost				
As previously reported	470,986,121	27,128,128	332,176,885	830,291,134
Addition	-	-	1,090,152	1,090,152
As restated	<u>470,986,121</u>	<u>27,128,128</u>	<u>333,267,037</u>	<u>831,381,286</u>
Accumulated depreciation				
As previously reported	-	31,500	178,995,670	179,027,170
Deduction	-	-	4,987,083	4,987,083
As restated	<u>-</u>	<u>31,500</u>	<u>174,008,587</u>	<u>174,040,087</u>
Net Book Value	<u>470,986,121</u>	<u>27,096,628</u>	<u>159,258,450</u>	<u>657,341,199</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

Year Ended

December 31, 2004

Opening Net Book Value	470,986,121	27,096,628	159,258,450	657,341,199
Additions (Deductions)	395,770,139	1,795,729	87,985,624	485,551,492
Depreciation for the Year	(210)	(1,077,724)	(49,570,064)	(50,647,998)
Adjustments	-	-	2,235,985	2,235,985
Closing Net Book Value	<u>866,756,050</u>	<u>27,814,633</u>	<u>199,909,995</u>	<u>1,094,480,678</u>

At December 31, 2004

Cost	866,756,260	28,923,857	421,252,661	1,316,932,778
Accumulated depreciation	<u>210</u>	<u>1,109,224</u>	<u>221,342,666</u>	<u>222,452,100</u>
Net Book Value	<u>866,756,050</u>	<u>27,814,633</u>	<u>199,909,995</u>	<u>1,094,480,678</u>

The Corporation purchased from Bangko Sentral ng Pilipinas a parcel of land situated in East Avenue, Quezon City at P439,377,750. Of this amount, P219,688,875 or 50% has been paid. The payment of the remaining 50% shall be made within one year from the signing of the Contract to Sell, or after the land title shall have been freed from any *lis pendens*, whichever comes earlier. The Home Office of PhilHealth shall be constructed in this lot.

PhilHealth Regional Office (PRO) III also purchased a lot and building amounting to P38,500,000 in San Fernando, Pampanga intended to be its permanent Regional Office.

Earlier the Corporation was the recipient of a 2,897 square-meter land donated by the Provincial Government of Cagayan situated in Barrio Carig, City of Tuguegarao for PRO II per registry of deeds Transfer Certificate of Title (TCT No. T-137833). The Regional Development Council (RDC) through its Resolution No. 02-11-2003 dated June 9, 2003 stated that the Corporation should start the construction of its building within two (2) years after the issuance of the title. It is stated further that failure to implement the same shall render the donation ineffective unless PhilHealth will request an extension from RDC before the end of the two-year period. Moreover, the same has not yet been recorded pending receipt of information regarding its fair market value.

As of December 31, 2004, there is a discrepancy between actual physical count and recorded value of fixed assets because of the different reckoning dates by which the Accounting and Supply Units record the fixed assets. Moreover, there were fixed assets that are already transferred to the Regional Offices but have not yet been dropped from the Home Office books due to lack of accomplished Invoice Receipts of Property.

Additionally, as reported by the General Services Department, the reconciling items in the physical inventory of property and equipment, pertaining to prior years' accounts, are those properties transferred from the PMCC to PhilHealth.

7. MISCELLANEOUS ASSETS AND DEFERRED CHARGES

This account consists of:

	2004	2003 (as restated)
Prepayments	P 4,432,081	P 4,785,407
Guaranty Deposits	22,247,937	19,565,921
Miscellaneous	<u>1,700</u>	<u>-</u>
	<u>P26,681,718</u>	<u>P24,351,328</u>

7.1 Prepayments are authorized payments made for the purchase of goods from the Procurement Service of DBM. The decrease in amount is due to recording of various deliveries.

7.2 Guaranty Deposits are office rental deposits made by the Home Office and PROs in compliance with the requirements provided in the contract of lease.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

8. CONTINGENT ASSETS/CONTINGENT CAPITAL

These refers to disbursements from 1995 to 1999 for travel expenses, employees benefits and purchases of goods and services that were subsequently disallowed by COA. There has been no appeal for the said disallowances. Concerned parties are now being required to settle the disallowance.

9. CURRENT LIABILITIES

	2004	2003 (as restated)
Payables	P1,092,153,069	P617,363,281
Trust Liabilities	134,421,901	62,411,842
	P1,226,574,970	P679,775,123

9.1 Payables include the following:

	2004	2003
Home Office Vouchers Payable	331,937,526	172,710,904
PROs Vouchers Payable	759,718,565	444,155,398
Miscellaneous Payable	496,978	496,979
	1,092,153,069	617,363,281

9.2 Home Office Vouchers Payable include the remaining 50% (P219,688,875) of the total contract price of land situated in East Avenue, Quezon City purchased from Bangko Sentral ng Pilipinas.

9.3 The Corporation, through its Actuary and the Finance Departments, is developing a policy in estimating and recording the *Incurred Benefit Not yet Received* (IBNR). The study is expected to be completed in CY2005.

9.4 Trust Liabilities are deductions from employees' salaries for remittance to GSIS, Home Development Mutual Fund (HDMF), National Home Mortgage Finance Corporation (NHMFC), Bureau of Internal Revenue (BIR) and to PhilHealth Employees Association (PHICEA). Also included are taxes withheld from payments to Health Service Providers. The P50,000,000 appropriation for the Motor Vehicle Loan Program has been reverted to Retained Earnings as per COA recommendation. Also included in this account are the donations received from the following entities, including the interest earned thereon:

	2004	2003
All Asia Capital and Trust	P 1,327,192	P 1,992,135
Strategies and Alliance Corp	5,227,066	4,810,707
Westmont Investment Corp	10,001,221	9,468,753
First Metro Investment Corp.	1,116,566	1,031,030
BF General Insurance Corp	51,425	51,425
	P 17,723,470	P 17,354,050

The donations have been received to finance the following:

- Assistance to the projects of charitable or socio-civic organizations;
- Research and development and other studies including P3.5M ex-gratia fund;
- Prevention of fraud and such other irregularities against the National Health Insurance Fund and for such other allied undertakings; and
- Ex-gratia Medicare claims reimbursement and other appropriate activities to attain the NHIP objectives.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

9.5 The payable to SSS of P78 Million (based on the demand letter sent by SSS dated March 29, 2001) has not yet been recorded pending further studies on the validity of the ratio adjustments made by SSS in 1998 and 1999, which resulted in the occurrence of the said payable.

10. NET WORTH

This account represents cumulative net revenue over the life of the Corporation. The balance of Retained Earnings has been restated to include prior period adjustments.

Correction of fundamental errors consists of the following:

	2004	2003
Estimated reserve requirement	P(7,864,000,000)	P -
Adjustment on contributions collected	398,917,321	(47,903,266)
Adjustment of interest income of prior year	32,775,395	27,426,173
Fines, penalties and other income	950,371	(100)
Counterpart contribution of prior year for indigents	4,057,695	-
Adjustment of expenses (Personal services) of prior year	(13,145,780)	(946,525)
Adjustment of expense (MOOE) of prior year	(4,326,212)	(74,237)
Adjustment of cancelled, staled, spoiled, RTS and replacement of benefit payment checks of prior year	35,625,616	31,353,449
	<u>P(7,409,145,594)</u>	<u>P9,855,494</u>

Reserve Fund amounting to P35,287,000,000 represents the actuarial estimate for two years' projected program expenditure. Adjustment on the amount of reserve will be done upon concurrence of management on the new estimate as prepared by the Actuary.

The amount of P15,112,880,351 represents the expenses incurred by the Corporation for the year ending December 31, 2004, broken down as follows:

OFFICE	OPERATING EXPENSES	BENEFIT PAYMENTS	TOTAL
Head Office	P 1,527,823,273	P 3,455,864,044	P 4,983,687,317
PRO-CAR	30,860,031	291,454,459	322,314,490
PRO-I	48,501,752	541,264,639	589,766,391
PRO-II	28,438,186	219,710,336	248,148,522
PRO-III	68,943,944	1,197,532,771	1,266,476,715
PRO-IVA	45,286,467	996,237,819	1,041,524,286
PRO-IV B	37,832,634	521,730,152	559,562,786
PRO-V	36,918,932	468,410,468	505,329,400
PRO-VI	43,997,291	1,015,086,017	1,059,083,308
PRO-VII	54,343,562	898,766,432	953,109,994
PRO-VIII	34,399,254	258,664,386	293,063,640
PRO-IX	33,442,446	293,229,013	326,671,459
PRO-X	56,748,255	883,249,647	939,997,902
PRO-XI	42,420,412	968,313,951	1,010,734,363
PRO-XII	37,793,666	701,410,446	739,204,112
PRO-CARAGA	29,757,402	242,363,870	272,121,272
PRO-ARMM	2,084,394	-	2,084,394
TOTAL	<u>P 2,159,591,901</u>	<u>P12,953,288,450</u>	<u>P 15,112,880,351</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

11. SUBSEQUENT EVENT

Executive Order No. 392 dated December 28, 2004, amending Executive Order No.182 dated February 14, 2003, was issued transferring the Medicare functions of the Overseas Workers Welfare Administration (OWWA) to the Philippine Health Insurance Corporation (PHIC). PHIC Board passed Resolution No. 653 s. 2004 approving the transfer of OWWA Medicare Fund to PhilHealth actuarially estimated in the amount of P530,382,446 to sustain the basic Overseas Filipino Workers (OFW) Medicare Program for a period of one (1) year. Its Implementing Rules and Regulations (IRR) have been approved only in 2005 per Board Resolution No. 760 dated January 27, 2005. However, as of the reporting period, no funds have been transferred/received by the Corporation.

The transfer was made possible to comply with the mandate of R.A. 7875, which states that the National Health Insurance Program, being administered by the PhilHealth, shall provide health insurance coverage and ensure affordable, acceptable, available and accessible health care services to all citizens of the Philippines.

BOARD OF DIRECTORS

HON. MANUEL M. DAYRIT, MD, MSc
Chair of the Board
Secretary of Health
Member, Audit Committee



HON. FRANCISCO T. I
Vice-Chair of the Board
PhilHealth President & CEO
Chair, Investment Committee



From left to right: Hon. Lualhati F. Pablo, Hon. Marianito D. Roque, Hon. Austere A. Panadero, Hon. Arlyn Grace V. Guico, MD, Hon. Susanita G. Tesiorna, Hon. Corazon S. De La Paz, Hon. Ma. Asuncion E. Villanueva, Hon. Gregorio C. del Prado and Hon. Reynaldo P. Palmiery

HON. LUALHATI F. PABLO
Undersecretary
Dept. of Social Welfare and Development (DSWD)
Member, Nominations Committee

HON. MARIANITO D. ROQUE
Administrator
Overseas Workers Welfare Administration (OWWA)

HON. AUSTERE A. PANADERO
Assistant Secretary
Dept. of the Interior and Local Government (DILG)
Member, Investment and Nominations Committee

HON. ARLYN GRACE V. GUICO, MD
Representative
Health Care Providers Sector
Member, Remuneration/Compensation Committee

HON. SUSANITA G. TESIORNA
Representative of HON. OSCAR D. FRANCISCO
National Anti-Poverty Commission (NAPC)

HON. CORAZON S. DE LA PAZ
President & CEO
Social Security System (SSS)
Member, Investment Committee
Chairman, Audit Committee

HON. MA. ASUNCION E. VILLANUEVA
Self-Employed Sector
Member, Remuneration/Compensation Committee

HON. GREGORIO C. DEL PRADO
Labor Sector
Member, Remuneration/Compensation Committee

HON. REYNALDO P. PALMIERY
EVP & COO
Government Service Insurance System (GSIS)
Member, Investment and Audit Committee



From left to right: Sec. Francisco T. Duque III, Ruben John A. Basa, Daniel F. de Leon, Octavino Q. Esguerra, and Dr. Ofelia O. Alcantara.

Office of the President

DR. FRANCISCO T. DUQUE III
President & Chief Executive Officer

OCTAVINO Q. ESGUERRA
Senior Vice-President & Chief Actuary

DANIEL F. DE LEON
Vice-President
Internal Audit Department

RUBEN JOHN A. BASA
Head Executive Assistant and Manager
Corporate Planning Department

DR. OFELIA O. ALCANTARA
OIC, Foreign Assistance Coordinating Office



From left to right: Atty. Angelito G. Grande, Atty. Germain G. Lim, Marietta B. Ramos, Linda B. Laureta, and Gilda Salvacion A. Diaz

MARIETTA B. RAMOS
Manager
Internal Audit Department

LINDA B. LAURETA
Manager
Corporate Communications Department

ATTY. GERMAIN G. LIM
OIC, Protests & Appeals Review Department
& Assistant Corporate Secretary

ATTY. ANGELITO G. GRANDE
Corporate Secretary

GILDA SALVACION A. DIAZ
OIC, Corporate Communications Department



From left to right: Lorna O. Fajardo, Dr. Elizabeth S. Fernandez, Mario S. Matanguihan and Val S. Valila

Office of the Chief Operating Officer

LORNA O. FAJARDO
Chief Operating Officer

VAL S. VALILA
Vice-President and Head
Program Management Office

MARIO S. MATANGUIHAN
Manager
Management Information
Systems Department

DR. ELIZABETH S. FERNANDEZ
OIC, Claims Review Office



From left to right: Reynaldo N. Dalma, Jr., Dr. Shirley B. Domingo, Evelyn C. Bangalan, Chita S. Marzan, and Rodolfo B. del Rosario, Jr.

Management Services Sector

REYNALDO N. DALMA, JR.
Senior Vice-President
Management Services Sector

DR. SHIRLEY B. DOMINGO
Manager
Human Resource Department

EVELYN C. BANGALAN
Manager
Treasury Department

CHITA S. MARZAN
Manager
Finance Department

RODOLFO B. DEL ROSARIO, JR.
OIC, General Services Department



From left to right: Atty. Valentin C. Guanio, Atty. Alex B. Cañaverall, Atty. Enerito O. Yañez, and Atty. Jay R. Villegas

Legal Services Group

ATTY. VALENTIN C. GUANIO
Vice-President
Legal Services Group

ATTY. ALEX B. CAÑAVERAL
Manager
Arbitration Department

ATTY. ENERITO O. YAÑEZ
Manager
Prosecution Department

ATTY. JAY R. VILLEGAS
OIC, Fact Finding & Administrative
Investigation Department



From left to right: Dr. Eduardo P. Banzon, Dr. Madeleine R. Valera and Dr. Nelia D. Tanio

Health Finance Policy and Services Sector

DR. EDUARDO P. BANZON
Vice-President
Health Finance Policy and
Services Sector

DR. MADELEINE R. VALERA
Vice-President
Quality Assurance Research
and Policy Development Group

DR. NELIA D. TANIO
OIC, Accreditation Department



From left to right: Melinda C. Mercado, Gregorio C. Rulloda, Dr. Narisa J. Sugay, and Arsenia B. Torres

Health Insurance Operations Sector

MELINDA C. MERCADO
Senior Vice-President
Health Insurance Operations Sector

GREGORIO C. RULLODA
Vice-President
Membership Contribution
Management Group

DR. NARISA J. SUGAY
OIC, Program Management for Claims

ARSENIA B. TORRES
OIC, Program Management Group
for Membership and Marketing



From left to right: Rodolfo M. Balog, Lolita V. Tuliao, Leticia P. Portugal and Dr. Leo Douglas V. Cardona, Jr.

NCR Group

RODOLFO M. BALOG
Vice-President
NCR Group

LOLITA V. TULIAO
Manager
NCR-North

LETICIA P. PORTUGAL
Manager
NCR-Central

DR. LEO DOUGLAS V. CARDONA, JR.
Manager
NCR-South



From left to right: Elvira C. Ver, Ernesto V. Beltran, Atty. Domingo A. Pauig and Tito M. Mendiola

North Luzon Group

ELVIRA C. VER
Assistant Vice-President
CAR

ERNESTO V. BELTRAN
Assistant Vice-President
PRO I

ATTY. DOMINGO A. PAUIG
Assistant Vice-President
PRO II

TITO M. MENDIOLA
Assistant Vice-President
PRO III



From left to right: Orlando D. Iñigo and Paolo Johann C. Perez. Dr. Carmelita A. Laureano (not in picture)

South Luzon Group

Dr. CARMELITA A. LAUREANO
Assistant Vice-President
PRO IV-A

PAOLO JOHANN C. PEREZ
Assistant Vice-President
PRO IV-B

ORLANDO D. IÑIGO
Assistant Vice-President
PRO V



From left to right: William O. Chavez, Marilyn C. Geduspan and Atty. Reynaldo A. Capangpangan

Visayas Group

MARILYN C. GEDUSPAN
Assistant Vice-President
PRO VI

WILLIAM O. CHAVEZ
Assistant Vice-President
PRO VII

ATTY. REYNALDO A. CAPANGPANGAN
Assistant Vice-President
PRO VIII



From left to right: Romeo D. Alberto, Datu Masiding M. Alonto Jr., Dennis B. Adre, Ramon F. Aristoza, Jr., Johnny Y. Sychua and Atty. Khaliquzzaman M. Macabato.

ROMEO D. ALBERTO
Assistant Vice-President
PRO IX

DATU MASIDING M. ALONTO, JR.
Assistant Vice-President
PRO X

DENNIS B. ADRE
Assistant Vice-President
PRO XI

RAMON F. ARISTOZA, JR.
Assistant Vice-President
PRO XII

JOHNNY Y. SYCHUA
Assistant Vice-President
PRO CARAGA

ATTY. KHALIQUZZAMAN M. MACABATO
OIC, PCO-ARMM

DIRECTORY OF PROS

PRO III

168 Victoria Square Building
Lazatin Boulevard, San Agustin
San Fernando, Pampanga
(045) 961-4175
region3@philhealth.gov.ph

PRO IV-A

AMCJ Bldg., Barangay Bocohan
Diversion Road, Lucena City
(042) 373-6936
region4@philhealth.gov.ph

PRO IV-B

#89 Progressive Sales & Development
Corporation Building
P. Burgos cor. Alegre St.,
Batangas City
(043) 723-8822
region4@philhealth.gov.ph

PRO I

Esperacion Building II
23 M. H. Del Pilar St.,
Dagupan City, Pangasinan
(075) 515-3333
region1@philhealth.gov.ph

PRO CAR

SSS Baguio Branch Building
Harrison Road, Baguio City
(074) 446-0371
car@philhealth.gov.ph

PRO II

Builders Place, Del Rosario St.,
Tuguegarao City
(078) 846-1111
region2@philhealth.gov.ph

PRO V

Med Optic Bldg., Rizal St.
Old Albay, Legaspi City
(052) 481-5598
region5@philhealth.gov.ph

PRO VIII

VLC Bldg., 208 M. H. Del Pilar St.,
Tacloban City
(053) 325-3563
region8@philhealth.gov.ph

PRO VII

8th Floor, Golden Peak Tower
Gorordo Ave., cor. Escario St.,
Cebu City
(032) 233-7407
region7@philhealth.gov.ph

PRO VI

2nd & 3rd Floors Arguelles Bldg.,
402 Lopez Street, Jaro, Iloilo
(033) 329-7749
region6@philhealth.gov.ph

PRO CARAGA

3rd Floor, D & V Plaza Bldg.,
776 J. Rosales Ave., Butuan City
(085) 341-2689
caraga@philhealth.gov.ph

PRO IX

BGIDC Corporate Center
Gov. Lim Ave., Zamboanga City
(062) 992-1910
region9@philhealth.gov.ph

PRO X

6th Floor, Trinidad Building
Corrales-Yacapin Streets
Cagayan de Oro City
(08822) 711-206
region10@philhealth.gov.ph

PCO ARMM

3rd Floor Albani Building
Osmena Street, Marawi City
(0920) 9040172

PRO XII

Plaza de Español Building
Posadas cor. Abad Santos St.,
Koronadal City, South Cotabato
(083) 228-9731
region12@philhealth.gov.ph

PRO XI

3rd Floor, R.C.Reyes Building
Matina, Davao City
(082) 298-3000 to 3004
region11@philhealth.gov.ph

"Working Hand in Hand with PHILHEALTH"

PhilHealth ensures that the general welfare and well being of the employees is one of its top most concerns. It recognizes the fact that it is a fundamental right of every employee in any organization, to be given priority in terms of providing them their basic rights and pay attention their needs. For its part, your Association, the Philippine Health Insurance Corporation Employees Association (PHICEA), aware of the ever changing times and vital needs of its ranks, continuously finds ways and means to provide additional benefits and extend assistance to all employees regardless of affiliation.

The following are the highlights of PHICEA's major accomplishments in 2004:

Dulugan ng Bayan Center

In support to the government's thrust of promoting good governance in public service, PhilHealth established the Dulugan ng Bayan Center or the Corruption Prevention Unit Public Assistance Center, spearheaded by the Philippine Government Employees Association (PGEA), in coordination with the Office of the Ombudsman and the Presidential Anti-Graft Commission, to promote its objectives in the fight against graft and corruption. The Dulugan ng Bayan, which is located at the PMAC, Head Office was formally launched on February 10, 2004.

**Collective Negotiation Agreement (CNA)**

The Collective Negotiation Agreement (CNA) between PhilHealth and PHICEA was renewed and extended for another three (3) years on May 31, 2004. Leading the signing for the management was the President and CEO, **Dr. Francisco T. Duque III** and **Esperanza S. Ocampo** for the employees' side. The same was ratified by the employees on June 16, 2004. For its part, the PhilHealth Board confirmed the CNA extension through Board Resolution No. 712, s. 2004.

**Employees Educational Tour**

As part of PHICEA's line up of activities for the employees, it conducted a series of educational tour in June and July 2004. There were four (4) batches scheduled to accommodate all those who were interested to join the tours in Baguio and Laguna. In conducting this activity, PHICEA aimed to create a good and harmonious relationship and camaraderie among employees and also as a way of relaxation for them and their families.

Performance Incentive Bonus (PIB)

PHICEA, through the Labor Management Consultative Council (LMCC), successfully negotiated for the granting of the 2003 PIB using a new scheme in computing for the total amount to be received by each employee. This was made possible by PhilHealth Board Resolution No. 667, s. 2004 based on the LMCC Resolution recommending the release of the 2003 PIB adopting the criteria agreed upon by the members in their meeting of March 5, 2004.

These are just some of the major activities of PHICEA in 2004 but rest assured that your Association is constantly trying its best to ensure that all employees shall be accorded their basic rights and privileges in the workplace. These are indications that PHICEA is working hand in hand with PHILHEALTH in constantly working for the interests of the rank and file as well as in promoting industrial peace within the Corporation.



PhilHealth

PhilHealth Members' Assistance Center: Ground Floor

Corporate Offices: 11th to 19th floors
CityState Centre Bldg., Shaw Blvd., Pasig City
Healthline: 637-9999

www.philhealth.gov.ph

This Annual Report is a production of the
Corporate Planning Department