

Philippine Health Insurance Corporation

Bridges

Reaching out for
Universal Health Care

ANNUAL REPORT 2007

Financial Highlights 2007

Table of Contents

Financial Highlights	3
From the President of the Philippines	4
From the Chair of the Board	5
The Acting President's Report	6
Independent Auditor's Report	15
Financial Statements	16
Board of Directors.....	38
Executive Officers.....	40
Phicea Corner.....	46
Directory	47

Premium Collections

As the lifeblood of the National Health Insurance Program, PhilHealth premium collections continued its upward streak, exhibiting an increase of 5% over 2006 performance. Sustaining improved collection performance ensures up-to-date payment of members' benefit entitlements.



Benefit Payments

PhilHealth braced itself for increases in the payment of benefit claims which grew by over 7% in 2007 over previous year's accomplishment as implementation of the revised benefit package, i.e., increased benefits especially for more complex or catastrophic cases, went full swing.



Investment Portfolio



PhilHealth was able to exhibit a respectable investment performance in 2007, recording a sizeable increase of 28% over 2006, this despite the unpredictable economy and jittery market condition.

From The President Of The Philippines



Congratulations to PhilHealth on the release of your 2007 Annual Report.

I salute the entire PhilHealth organization for your relentless pursuit and resolve to ensure the Philippine citizenry access to quality healthcare through a viable means such as the National Health Insurance Program.

For 2007, PhilHealth again proved its mettle in the healthcare financing industry as it assured 73% of the population of continued healthcare benefits.

PhilHealth is well focused in its efforts to expand its health services, increase its roster of healthcare providers, and, remove the barriers that hinder the long-term viability of the health insurance program by improving on its systems. As such, an exemplary program that delivers the best and affordable healthcare services for our people, especially the poor, the elderly, the physically-challenged and all those in the remotest parts of the country, is very much assured.

I ask PhilHealth, through its main movers in the organization, to continually join forces and work hand-in-hand with the rest of the institutions in the Government to remain ever relevant. Never lose sight of your mission to bring about a strong nation by way of a healthy citizenry.

Mabuhay!

GLORIA MACAPAGAL-ARROYO
President
Republic of the Philippines



From The Chairman Of The Board

A stronger, more responsive and reliable PhilHealth on its 13th year...

Despite the many challenges PhilHealth faced head-on in implementing the National Health Insurance Program last year, it was able to step up and rise above the complexities to meet its pledge of delivering timely, accessible and effective health services.

2007 has been a challenging year insofar as carrying out the Sponsored Program is concerned. Buoyed by the determination to be always focused on its mandate of universal coverage, PhilHealth also directed its efforts in enrolling more informal sector members through the Individually-Paying Program and KaSAPI. Likewise, laudable efforts were initiated especially the rolling out of the Revised Benefit Schedule aimed at easing the financial burden of member beneficiaries particularly those with more complex or catastrophic illnesses. PhilHealth endeavors to bring the greatest health benefits to the greatest number of people and the first step in bringing this to fruition is a comprehensive review of the current benefit package.

PhilHealth's role is imperative in realizing the objectives of FOURmula One (F1) for Health in speeding up the delivery of healthcare services to the masses, particularly to the poorest, most needy ones. The Program is an effective tool towards achieving the Millennium Development Goals (MDGs) of poverty prevention and eradication, maternal and child mortality reduction and halting and reversing Tuberculosis (TB), malaria, HIV/AIDS and other diseases including the increasing deadly burden of chronic illnesses in the country (i.e., CVD, diabetes, COPD and cancers) which are an added focus of the health sector reform agenda through our new and much energized MDGmax initiative --- a deliberate strategy to achieve the health-related MDGs faster and earlier through the targeted use of cost-effective interventions in which PhilHealth will be a key driver.

Catastrophic illness or ill health in general is now widely recognized as the most powerful poverty-converting event in an individual's life. Disease also poses the greatest development challenge for all nations hence the bold imprint of health in six of the eight MDGs. As non-communicable diseases (NCDs) continue to outpace infectious illnesses as leading cause of deaths and diseases among Filipinos bringing catastrophic events and greater poverty to many of our people, PhilHealth must act with urgency to bring more accessible and quality healthcare with preventive and curative benefit packages which can address these threats in a more cost-effective and holistic manner.

With the Program's entry into its 13th year of bridging access of Filipinos to quality health services, PhilHealth will continue to be as fired up as before in combating the twin challenges of disease and poverty. We will run the extra mile in order to make a lasting impact on the lives of all Filipinos.

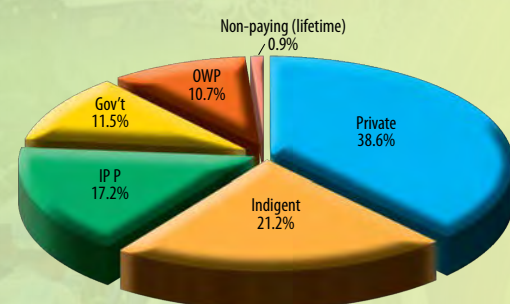
FRANCISCO T. DUQUE III, M.D., MSc.
Chairman
PhilHealth Board

Report Of The Acting President and CEO

Highlights of PhilHealth's 2007 Accomplishments

Realizing Universal Coverage through Increments in Membership

Expanding Membership Base in the Formal and Informal Sectors



NHIP Estimated Membership, By Member Type, 2007

The year 2007 saw a modest but steady rise in PhilHealth membership coverage, registering an estimated 64.5 Million beneficiaries out of the population count of 88.6 Million for the year. To date, eight out of ten Filipinos are PhilHealth members.

Despite setbacks in the Sponsored Program brought about by financing difficulties exhibited by our partner local government units (LGUs), the program managed to register 21% of the estimated overall membership. It is noteworthy that coverage increases continued to be

demonstrated in the employed sector and the Individually Paying programs (IPP). The formal sector, representing the employed members from the government and private sectors, constitutes more than half of the membership pie while more than a quarter belong to the informal sector.

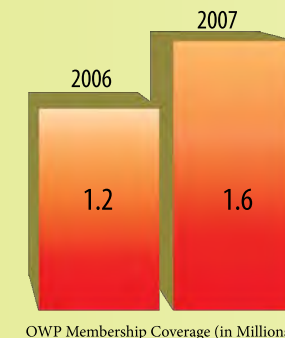
2007 Thrusts

KRA 1: Effective social marketing mechanisms:

- ☛ Enrollment of 4M indigent families under the Sponsored Program
- ☛ Increase active enrollment in the employed, IPP, OWP and KaSAPI



The Overseas Workers Program (OWP) posted an increase of about 25% over 2006 performance as enrollees under this program reached 1.6 Million by end of 2007.



Notwithstanding the challenges that greeted PhilHealth during the previous year in terms of meeting universal coverage, it continued to rally as the largest social protection institution in the country in terms of membership, with coverage reaching 73% of the Philippine population, eclipsing the coverage of the other giant institutions in social security protection.

A Strategy to Expand Coverage of the Informal Sector

2007 was a busy year for PhilHealth particularly in pushing its efforts to reach out to the informal sector and sustaining their coverage under the National Health Insurance Program (NHIP) through the Kalusugang Sigurado at Abot-kaya sa PhilHealth Insurance also known as the KaSAPI Program. Aside from the Individually Paying Program (IPP), KaSAPI is another strategy that encourages group enrollment through partnership with organized groups (OGs) such as microfinance institutions (MFIs), cooperatives, non-government organizations (NGOs), rural banks (RBs), among others. The organized groups provide a more flexible payment scheme that would make social health insurance affordable to the informal sector workers.

Aside from partnering with the big organized groups, PhilHealth forged partnership with the Province of Cavite



to pilot test the coverage of members of small organized groups through the LGUs. The Province initially targeted the coverage of at least 700 tricycle drivers, vendors and daily wage earners who are members of small organizations.



Always seizing an opportunity when present, PhilHealth advocated with micro-financing institutions and rural bankers associations in a forum held at the Mandarin Oriental Hotel in July 2007 and financed by the German Technical Cooperation (GTZ). It highlighted KaSAPI as one program that would complete the menu of social services that organized groups offer to their members in addition to enhancing the organization's viability and providing the members security they need especially during medical emergencies. In preparation for the expansion of the Program in 2008, the Corporation continued to enhance the Program to ensure its effectiveness particularly the systems and procedures, marketing and information, education and communication (IEC) campaigns.

Aside from the KaSAPI Program, PhilHealth forged a tripartite agreement with the Philippine Jeepney Operators and Drivers Alliance Foundation (PJODAF), Inc. and the Philippine Charity Sweepstakes Office (PCSO) for the coverage of 200,000 jeepney drivers in Metro Manila from 2007-2011. These chauffeurs for the masses belong to various jeepney driver associations in Metro Manila under the umbrella of PJODAF. Based on the agreement, 40,000 drivers will be enrolled each year for the 5 year term beginning 2007 with PCSO and PJODAF sharing the payment of their premium.

Expanding PhilHealth's Benefits and Services

Increasing Benefits for Catastrophic and MDG priority illnesses

PhilHealth paid P18.5 Billion for the claims of its beneficiaries, up by P1.3 Billion over 2006's P17.2 Billion. Contributing to the increase in benefit payments was the implementation of the unified benefit scheme with four-case types which had higher benefit ceiling for catastrophic-related illnesses or diseases (now known as case type D illnesses).

Enhancements were made on Maternity Care and Newborn Care packages (NCP). The former included the 3rd normal spontaneous delivery while the latter, the provision of BCG vaccine which provides effective protection against the more severe types of tuberculosis such as miliary TB and TB meningitis most common among infants and young children.

The enhanced NCP also incorporated resuscitation of the newborn and covers all eligible newborn-dependents delivered in accredited health care facilities including non-hospital maternity health care providers.

In response to the Millennium Development Goals (MDGs) set by the World Health Organization (WHO) of which the Philippines is a signatory, PhilHealth is committed to implementing the Benefit Packages for Malaria and HIV/AIDS.

Expanding OPB Package for OWP Members

Introduced in mid 2007, the Expanded and Enhanced OWP Outpatient Benefit (OPB) Package is PhilHealth's

genuine commitment to support and insure Filipinos working overseas. This package is arranged with the Department of Health (DOH) tapping its 42 retained hospitals nationwide to provide the services to OWP members and their legal dependents. A global budget amounting to P6 Million was set aside for DOH through its National Center for Health Facility and Development. Initial implementation was done in October 2007.

The OPB package adopted a zero co-pay system which would allow the OWP members and their dependents entitlements to this benefit without shelling out additional money for the services rendered. Such services include consultations, diagnostic laboratory tests, preventive and promotive health and curative services.

PhilHealth aspires that an increasing number of OWP members would express their satisfaction on the manner they are being cared for by the Program in terms of better benefit coverage and easy access to other Program services.

Towards Better Benefits for All with the Comprehensive Review of Package

PhilHealth made a bold move in August 2007 when it undertook the preparatory work for the strategic review of the NHIP benefit package, a component of the Benefit Review Plan of the Corporation. Consultations supported by development partners were undertaken to craft recommendations to improve the program benefits.

Growing Visibility of PhilHealth

In order to reach and better serve its members, PhilHealth is increasing its visibility and accessibility through

its 20 regional offices (PROs), 87 service offices (S.O.s) and 12 information desks or satellite offices strategically located around the country.

PhilHealth continues to take advantage of its robust position as the country's major payor of health services with its roster of 1,554 accredited hospitals nationwide. This translates to about nine (9) out of ten (10) DOH-licensed hospitals. Other health care facilities that have joined the PhilHealth bandwagon in providing the services to NHIP members are Rural Health Units (RHUs), ambulatory surgical clinics (ASCs), anti-TB/DOTS centers, maternity care clinics and free-standing dialysis clinics providing OPB services. In addition to these are more than 21,000 accredited professionals.

Table 1. PhilHealth-Accredited Facilities As of December 2007

Facilities	Number Accredited
Hospitals	1,554
Rural Health Units	1,252
Ambulatory Surgical Clinics	38
Free-Standing Dialysis Clinics	30
TB-DOTs Center	474
Maternity Care Clinics	267
Professionals	21,019

By end of 2007, about 3,739 branches of the 44 PhilHealth-accredited agencies/banks were collecting NHIP premium from members. Also, there are 315 branches of Philippine Postal Corporation (Philpost) and I-Remit Centers which accept application for membership and premium payment of land-based OFWs.

Table 2. PhilHealth-Accredited Collecting Agencies, As of December 2007

Facilities	ACA's	Branches
Commercial Banks	27	3,180
Agencies	2	315
Directly Accredited Rural Banks	15	244

Giving a Boost to PhilHealth's Systems

PhilHealth is not only taking advantage of the latest technology in the market to give its systems and procedures a boost for greater efficiency. Rather, it guarantees acquiring the techniques in gaining proficiency and competence in executing business processes and procedures and over time become the leader in the country's health care financing industry.

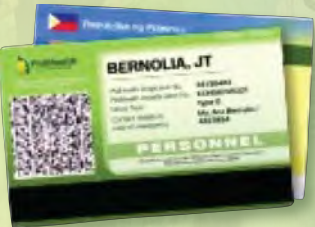
2007 Thrusts

- KRA 3: Efficient and reliable systems and procedures
- Taking advantage of the initiatives on a common reference number and ID issuance of other government agencies
 - On line access of stakeholders (members, hospitals, employers) using web-based applications

Making PhilHealth ID Card Functional through UMID

PhilHealth is one of the implementing agencies, alongside the Social Security System (SSS) and the National Statistics Office (NSO), that were tapped to produce the Unified Multi-Purpose Identification (UMID) smart cards. NSO is tasked to generate and assign a common reference number (CRN) upon submission of PhilHealth or SSS of their respective members' fully accomplished UMID registration forms.

The directive to adopt a UMID System was issued by Pres. Gloria Macapagal-Arroyo two years earlier. The aim is to streamline and integrate the processes and issuance of ID cards in government. This effort will cut the cost on the part of the government and the general public by doing away with the use of multiple ID cards and redundant databases with related information.



In December 2007, the eGov Funds, through the Department of Budget and Management (DBM), released to PhilHealth the amount of P88.7Million to jumpstart the

development of UMID cards for the members of Sponsored and Individually Paying Programs (IPP). 2008 will be the initial year of UMID cards production and distribution. The UMID system will in the future be linked with accredited healthcare providers to facilitate fast and efficient delivery of services to members, help prevent fraud through biometrics and perform administrative and management tasks much more efficiently and conveniently.

Commendable initiatives of PROs for the continued improvement of services for our members

The Regional Offices have done their share in improving the existing systems and further raise the bar in the provision of services to our members. Proof is the commendation received by PRO-IVB from the Civil Service Commission during its 107th anniversary celebration for its "Palawan Services Enhancement Program". It was cited for exhibiting the value of customer care and for meeting the expectations of the transacting public for prompt, courteous, responsive, facilitative and pleasant service. PRO-II is also recognized for initiating the implementation of the Membership Contribution Utility (MCU). This locally developed system is capable of building and storing the contribution database and is designed to facilitate the counter-checking of employee-members' contributions. Certainly not the least is PRO-VI's development of the PreMIS Closed Circuit Stage Monitoring System designed to enhance the current workflow in the processing of membership documents by creating an assembly-type configuration and integration of a tracking system to monitor all membership type applications received from their Services Offices and from the PRO-VI PMAC.

Fortifying Partnership with Program Stakeholders

Institutionalizing the Private Sector Initiatives : The GSKF Experience

GSK Philippines is the first to join the Private Sponsorship Program with PhilHealth and has so far the biggest number of enrolled indigents. Having been an indispensable partner of the Corporation since November

2004, GlaxoSmithKline Foundation, Inc. (GSKF) collaborated with PhilHealth, on the "Family Health and Wellness Program (FHWP)".

One of the objectives of the FHWP is to help the residents of GSK-identified project sites in eleven (11) local government units (LGUs) increase their level of awareness on PhilHealth outpatient diagnostic benefits and encouraged them to avail of these benefits at accredited rural health units (RHUs) and health centers. The FHWP likewise spearheaded the development of the outpatient benefit (OPB) monitoring system to replace the manual entry of OPBs by RHUs and health centers. The system enables the generation of more accurate and reliable data on the outpatient diagnostics benefit availment of members.

2007 Thrusts

KRA 4-Strengthen partnership with stakeholders

- ☞ Linkages and continuous negotiations with other NGAs, LGUs, providers, foreign donors and other partners for PhilHealth membership enrollment/ registration, collection and provision of quality health care
- ☞ Building the capability of PhilHealth-accredited providers through implementation of
 - Benchbook as main criteria for accreditation
 - Health system accreditation and multi-benefit provider accreditation of RHUs
 - Revised classification of institutional health facilities as to their service capacity/ capability
 - Partner pharmacy program in government hospitals

After a three-year partnership, the turnover of FHWP to PhilHealth for institutionalization was held in November 2007. As the symbolic lamp was handed to PhilHealth, GSKF and program partners from various local government units (LGUs) were assured that PhilHealth will keep the lamp aflame and will continue to spread the initiative nationwide. The eleven (11) LGUs that served as FHWP pilot areas were recognized for their commendable efforts. A total of 2.76 Million indigent families from these areas have benefited from this initiative.



LGUs that Successfully Implemented GSK's Family Health and Wellness Program (FHWP):

Sto. Domingo, Ilocos Sur; Tacloban City, Leyte (Western Visayas Region VIII), The Municipalities of Tubod, Claver, Gigaquit, Mainit, Sison, Francisco in Surigao del Norte (Region X); Nabunturan, Compostela Valley (Region X); Payatas, Quezon City and City of Manila National Capital Region, Cainta and Taytay in Rizal Province

Improving Procedures for Health Care Providers

PhilHealth has taken a step further by instituting the three-in-one accreditation of institutional health care providers. This is a simplified accreditation procedure which would allow a single application form to be utilized by the health care provider if the latter is to carry out the Outpatient Primary Care Benefit (OPB), Maternity Care and Directly Observed Treatment Short Course (DOTS) Package. This is envisioned to reduce the administrative costs of the Corporation and the partner health institutions.

Strengthening the Support of the Legislature...

PhilHealth was able to successfully secure another increase in National Government funding of P3.5 Billion for the Sponsored Program via the Congress-ratified 2008 General Appropriations Bill (GAB) subsequently approved by President Macapagal-Arroyo. PhilHealth has benefited from the support of the legislature for the past three years with appropriations for the Sponsored Program increasing significantly.

More importantly, five (5) legislators from the Lower and Upper Chambers supported the PhilHealth legislative agenda as evidenced by their sponsorship of bills during the first half of the First Regular Session of the 14th Congress. These bills intend to further amend the National Health Insurance Act of 1995 (Republic Act No. 7875) as amended by Republic Act No. 9241 and strengthen PhilHealth by shielding the National Health Insurance (NHI) Fund from those who misuse it.

...and Health Development Partners

Donors from the international community extend their continuous support to PhilHealth for health development projects. In the form of either monetary, technical assistance or capability building, they further advance the Program in the areas of membership enrollment, accreditation, improvement in quality of services, training of PhilHealth human resources and enhancement of systems and procedures.

The World Bank (WB), United Nations Population Fund (UNFPA), and the German Technical Cooperation (GTZ) assist in membership enrollment. The World Bank funds the "National Sector Support for Health Reform Project" (NSSHRP) which has the health financing component that provides for the national government contribution subsidy for the enrollment of indigents under the Sponsored Program. Release of the funding would be based on the implementation of a Means Test Protocol (MTP) being spearheaded by the Department of Social Welfare and Development (DSWD).

UNFPA's assistance under the project, "Strengthening and Sustaining the Delivery of Integrated Reproductive Health Services", was in the form of advocacy activities for indigent enrollment and provider accreditation in line with achieving the 5th Millennium Development Goal (MDG) of maternal health improvement in the country. Through the component 'Capacity to Manage Reproductive Health (RH)' of this project, a study had been conducted to determine the extent of out-patient benefit (OPB) services utilization and ascertain other RH services responsive to the needs of the Program members. The project also enabled RHUs/ health centers to comply with the accreditation requirements of PhilHealth to effectively carry out the maternity care package.

The USAID-funded project, 'Linking Initiatives and Networking to Control Tuberculosis' or TB LINC project, meanwhile, funded the study, "Facilitating PhilHealth Payments for Public TB DOTS Facilities". It addresses the barriers in optimizing PhilHealth reimbursements for TB DOTS Package to improve the quality of service provided by RHU/health center workers.

Aside from assisting the organizational development programs of PhilHealth, InWent or Capability Building International, Germany supported the local and international training activities of PhilHealth, initiated the enhancements made on Social Health Insurance Advocates and Champions (SHIAC) course, and the completion of E-Learning on Alternative Approaches to Health Financing and Health Insurance.

AusAID, WHO and GTZ further supported several capability building activities of the Corporation. The GTZ, in tandem with WHO, supported the conduct of Training of Trainers on SHIAC among participants from PROs and KaSAPI partners.

Investing Wisely in People, Process and Tools

Revitalizing PhilHealth through a Re-organized Structure

The corporate reorganization (CoRe) of PhilHealth has finally seen the green light after having been in the pipeline for several years. Towards the end of 2007 the structure is deemed 85% complete. This initiative will be a continuing process until the last item in the new structure is filled up.

Inherent in any reorganization efforts, the Human Resource Development Program (HRDP) is crafted to ensure smooth transition of PhilHealth to the new structure. To effectively implement this program, capabilities of HRD officers and staff are being strengthened.

Moreover, the Organizational Development (OD) Workshops were undertaken among the Third Level Officers to beef up the management of PhilHealth. This OD activity was held during the last quarter of 2007 with financial assistance of InWent Germany.

2007 Thrusts

KRA 5-Productive Organization and Staff and Effective Management

Smooth transition into a re-engineered structure through:

Human resource development -

- Adoption of critical competencies in human resource placement and carry out job evaluation program and performance benchmarking
- Implementation of human resource development, retooling and training plans and early retirement package

Planning and budgeting -

- Implementation of activity and performance-based methodology for planning and budget preparation and monitoring to ensure equitable distribution of resources and utilization
- Implementation of Executive Performance Management System

Gender and development -

- Mainstreaming of Gender-Responsive Plan to individual plans in support to the MDG

On top of this, preparation is also underway to carry out the Executive Performance Management System (EPMS) once standard indicators are identified and approved.

A reorganized PhilHealth would translate into a revitalized organization with business processes attuned to providing prompt delivery of quality health care services.

Introducing the Automated Work and Financial Plan System (AWFPS)

PhilHealth vigorously pursues a more effective fiscal management tool that would lead towards a performance-based planning and budgeting system. This manner, limited resources would be distributed equitably within the organization with its rational and optimum use achieved.

The Automated Work and Financial System (AWFPS) that was first introduced and used by PRO XI was considered an innovative approach in mechanizing and speeding up the procedure on expenditure planning and programming activities of PhilHealth. The system facilitates the timely submission, consolidation and evaluation of the proposed

Corporate Operating Budget (COB) for the succeeding year and was further enhanced at the Central Office level for adoption in 2008.

Guaranteeing NHIP's Gender-Responsiveness

Demonstrating that PhilHealth is implementing a gender-fair program, it joined other government agencies in August 2007 in signing the Memorandum of Understanding (MOU) with the National Commission on the Role of Filipino Women (NCRFW) to support the implementation of the Gender Responsive Economic Actions for the Transformation of Women (GREAT Women) Project.



The Project is fully funded by the Canadian International Development Agency (CIDA) and intends to enhance the capacity of NCRFW, PhilHealth and other partner agencies at the national and local levels in mainstreaming gender and development (GAD), allowing more women the right to economic governance.

PhilHealth's role in the Project is to address the gender responsiveness of the KASAPI and the Sponsored Program by consciously enrolling more women in the NHIP as principal members and ensuring better and accessible health care services to this segment of the population.

Ensuring A Sustainable NHIP

Protecting the NHI Fund from Unethical Practices and Abuse

Backed by Board Resolution No. 1047, s. 2007, PhilHealth created "Task Force Kisapmata", a major step

towards curbing reported unethical practices or abuse perpetrated by several implementers of the Program. The taskforce is commissioned to scrutinize or verify claims on cataract-related cases and to conduct investigations in provinces and regions where alarming trends on claims utilization for cataract cases are noted.

Seeing its crucial contribution, the Philippine Academy of Ophthalmology (PAO) is represented in the Task Force to primarily provide expertise in assessing the procedures done and in performing actual cataract patient examination for validation purposes. Taskforce Kisapmata will facilitate the review of existing policies and legal procedures of the Corporation to address the malpractices and other manipulations done on the NHI Fund.

Growing Recognition of PhilHealth in the International Arena

2007 Thrusts

KRA 6 - Ensure Fund Sustainability

- Boost collection and set effective internal control mechanisms to guarantee NHIP financial viability
- Ensure a structured risk management program to minimize reasonably foreseeable disruption to operations, loss of income, and damage to property and reputation
- Strengthen detection and prevention of fraud, and strict implementation of policies on erring employers and providers
- Minimize inappropriate enrolment behavior and unethical availment by some IPP members

Allowing PhilHealth International Exposure on Quality in Health Care

The Conference on Quality in Health Care in Low and Middle-Income Countries, held in the country in October 2007, has given PhilHealth additional exposure to better understand the appropriate and applicable ways of assessing, monitoring and improving quality in health care in the context of resource-poor health systems. Anchored on the theme "Bridging the Gaps – Assessing, Monitoring and Improving Quality", the conference heightened appreciation by the participants of internationally-accepted definitions of quality and key concepts of assuring and improving quality in health care systems and services.

PhilHealth, the DOH, World Health Organization (WHO), German Agency for Technical Cooperation (GTZ) and the Philippine Society for Quality in Health Care (PSQua) joined hands to make the event a resounding success. It was attended by around 70 health care industry luminaries from other countries such as South Africa, Cameroon, Cambodia, Vietnam, India, Indonesia, Bangladesh, Yemen, Pakistan, Tanzania and Morocco. There were about 110 local delegates in the conference representing various health care institutions, health policy/decision-makers, health care professionals, independent total quality practitioners, hospital administrators, and those involved in leadership management, education and training in the Philippines.

Also highlighted during the three-day conference was the showcase of country experiences from Vietnam, Cambodia, Indonesia and Pakistan.

Putting PhilHealth at the Helm of ASSA



PhilHealth through the years has been able to hone its craft in administering the Program. Implementation at the regional and local levels produced laudable results that have since become noticeable nationally and internationally. Another feather on its cap is the hosting of the 20th Board Meeting of the ASEAN Social Security Association (ASSA) in October 2007. The two-day Board Meeting had its agenda

focused on the critical link between environment and social security in member-countries. It was the venue for showcasing the good practices in social protection from its member-countries consisting of Indonesia, Malaysia, Thailand, Brunei, Vietnam, Singapore, Lao PDR and the Philippines.

About a hundred distinguished experts in social security graced the meeting. The sharing of views and insights on environment and social security was made more important with two internationally-acclaimed guest speakers, former Environment Secretary Elisea Gozun (2007 Champions of the Earth by the UN) and Mr. Antonio Meloto of Gawad Kalinga (2006 Ramon Magsaysay awardee for Community Leadership).

The event was doubly momentous with the designation of ASSA body of the undersigned as the next Chairperson of ASSA, in cognizance of the impact social health insurance created in the Philippines.

Serving as Template for the Introduction of Social Health Insurance in other Countries

PhilHealth has also served as template in the implementation of social health insurance program of other countries such as Kenya, Indonesia, Vietnam, Peru, Ghana and Tanzania. Representatives from these countries were able to study and gain first hand information on how healthcare and health financing systems work in the country and what strategies are effectively implemented here that can be adopted in their respective countries.

Here's to all our Program partners and hardworking staff. *Mabuhay!*

Lorna O. Fajardo
LORNA O. FAJARDO
Acting President and CEO



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

Independent Auditor's Report

The Board of Directors

Philippine Health Insurance Corporation
Citystate Centre, 709 Shaw Boulevard, Pasig City

We have audited the accompanying financial statements of Philippine Health Insurance Corporation, which comprise the balance sheet as of December 31, 2007 and the statement of income and expenses, changes in equity and cash flow for the year then ended, and summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles applicable in the Philippines. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards applicable in the Philippines. Those standard require that we comply ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Philippine Health Insurance Corporation as of December 31, 2007 and its financial performance and cash flows for the year then ended in accordance with generally accepted accounting principles applicable in the Philippines.

COMMISSION ON AUDIT

Jose R. Rocha, Jr.
JOSE R. ROCHA, JR
Director IV

Cluster II – Financial B
Corporate Government Sector

11 August 2008

Balance Sheet

At December 31, 2007
(In Philippine Peso)

	Note	2007	2006 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	3	14,679,049,552	8,548,209,485
Short-term investments	4	18,038,635,214	31,809,934,759
Receivables-net	5	1,858,641,265	4,376,914,631
Inventories	6	40,361,369	44,924,172
Intangible assets-net	7	25,105,061	25,107,936
Other current assets	8	1,623,362	1,623,562
Total Current Assets		34,643,415,823	44,806,714,545
Investments - net	9	41,878,461,560	22,750,657,880
Property and Equipment - net	10	751,746,938	1,163,823,215
		42,630,208,498	23,914,481,095
Miscellaneous Assets and Deferred Charges	11	44,231,412	33,112,335
Other Assets - net	12	657,349,379	741,754,222
		701,580,791	774,866,557
TOTAL ASSETS		77,975,205,112	69,496,062,197
LIABILITIES AND NET WORTH			
Payables	13	4,019,859,173	4,022,742,956
Trust Liabilities	14	256,403,344	401,887,396
Other Deferred Credits	15	21,191,394	10,000,642
		4,297,453,911	4,434,630,994
Net Worth	17	73,677,751,201	65,061,431,203
TOTAL LIABILITIES AND NET WORTH		77,975,205,112	69,496,062,197

Statement of Income

For the Year Ended December 31, 2007
(In Philippine Peso)

	Note/Sch.	2007	2006 (As restated)
REVENUES			
	Sch. I		
NHIP premium contribution		23,726,746,649	23,063,436,680
Interest income		5,387,451,143	5,629,940,707
Accreditation fees		18,507,775	15,636,909
Gain on disposal of assets		31,900	438,336
Gain/Loss on Foreign Exchange		(234,292)	945
Other income		5,654,596	9,121,620
		29,138,157,771	28,718,575,197
APPLICATIONS			
	Sch. II		
Benefit payments	16	18,450,891,889	17,104,880,840
Operating expenses	16	2,387,455,599	1,899,711,964
		20,838,347,488	19,004,592,804
NET REVENUE	19	8,299,810,283	9,713,982,393

Statement of Changes in Net Worth

For the Year Ended December 31, 2007
(In Philippine Peso)

	Note	2007	2006 (As restated)
RESERVE FUND	17	<u>57,465,000,000</u>	<u>35,287,000,000</u>
CONTINGENT CAPITAL	18	<u>1,459,529</u>	<u>1,428,233</u>
NET UNREALIZED GAIN/(LOSS) FROM INCREASE/ (DECLINE) IN VALUE OF LONG-TERM INVESTMENTS		<u>24,197,605</u>	<u>(39,423,091)</u>
RETAINED EARNINGS			
Balance at beginning of year		29,812,426,061	20,016,027,604
Adjustment of prior years' errors	19	-	82,416,064
Additional Reserve Fund for CY 2007		<u>(21,925,142,277)</u>	
		7,887,283,784	20,098,443,668
Net income for the year	19	<u>8,299,810,283</u>	<u>9,713,982,393</u>
Balance at end of year		<u>16,187,094,067</u>	<u>29,812,426,061</u>
NET WORTH		<u>73,677,751,201</u>	<u>65,061,431,203</u>

Cash Flow Statement

For the Year Ended December 31, 2007
(In Philippine Peso)

	Note	2007	2006 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium contributions		21,352,838,416	19,404,200,224
Subsidy from National Government		3,623,600,000	1,977,000,000
Subsidy from LGUs and sponsors		896,559,418	759,736,515
Receipts from GOCCs		189,495,429	304,296,069
Accreditation fees received from health care providers		29,698,527	15,850,206
Cash received from various operating activities		26,546,911	7,308,451
Cash received in trust		107,373,671	2,532,677
Benefit payments	16	(18,446,686,623)	15,640,868,338
Cash received for OWWA (backlog) benefit claims			119,957,213
MOOE/Personal Services/supplies and materials paid	16	(2,324,816,851)	(1,840,797,276)
Payment of miscellaneous assets and deferred charges		(11,119,077)	5,102,348
Income from grants and donation		<u>165,500</u>	<u>461,978</u>
Net Cash Provided (Used in) by operating activities		<u>5,443,655,321</u>	<u>5,114,780,067</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Matured bonds		(18,650,337,179)	10,632,812,826
Interest received on investments		5,630,972,817	5,360,245,154
Short-term investments		13,771,299,545	17,026,593,849
Payment of equipment purchased		(66,816,021)	(107,721,580)
Acquisition of intangible assets			(15,269,633)
Rent collected		2,033,684	2,080,458
Gain on sale of disposed assets		<u>31,900</u>	<u>438,336</u>
Net Cash Provided (Used in) by Investing Activities		<u>687,184,746</u>	<u>(1,154,008,288)</u>
Net Increase in Cash and Cash Equivalents		<u>6,130,840,067</u>	<u>3,960,771,779</u>
CASH AND CASH EQUIVALENTS at beginning of year		<u>8,548,209,485</u>	<u>4,587,437,706</u>
CASH AND CASH EQUIVALENTS at end of year		<u>14,679,049,552</u>	<u>8,548,209,485</u>

Revenues

For the Year Ended December 31, 2007
(In Philippine Peso)

Schedule I

	2007	2006 (As restated)
BUSINESS INCOME		
NHIP Premium Contribution		
Premium contribution - private sector	14,574,968,416	13,203,597,924
Premium contribution - government sector	4,509,043,847	4,643,105,843
Premium contribution - individually paying member	1,023,871,139	891,882,323
Subsidies from LGU's for indigent program	918,483,843	760,041,687
Subsidy from national government for regular NHIP	1,500,000,000	1,400,000,000
Subsidy from NG for NHIP Other Program	600,000	-
Premium contribution - overseas workers program	631,871,975	600,156,751
Subsidy from NG for enhanced GMA program	500,000,000	1,500,000,000
Subsidies for LGU's indigent program from PDAF	67,639,929	58,334,002
Subsidies for LGU's indigent program from private sector	32,000	54,150
Subsidy from other NGA - PCSO for enhanced GMA	235,500	6,264,000
	<u>23,726,746,649</u>	<u>23,063,436,680</u>
INTEREST INCOME		
Treasury bonds	3,813,787,661	4,376,577,708
Treasury bills	1,027,393,638	678,344,141
Time deposits / special saving deposits	535,586,385	550,671,232
Savings and current deposits	10,683,459	24,347,626
	<u>5,387,451,143</u>	<u>5,629,940,707</u>
OTHER BUSINESS INCOME		
Accreditation fees of health care providers	18,507,775	15,636,909
Gain/Loss on Foreign Exchange (Forex)	(234,292)	945
Gain on Disposal of Assets	31,900	438,336
	<u>(202,392)</u>	<u>439,281</u>
OTHER INCOME		
Fines and penalties	759,585	2,123,053
Income from grants and donations	165,500	461,978
Rent income	2,033,684	2,080,458
Dividend income	1,770,827	45,030
Miscellaneous income	925,000	4,411,101
	<u>5,654,596</u>	<u>9,121,620</u>
	<u>29,138,157,771</u>	<u>28,718,575,197</u>

Applications

For the Year Ended December 31, 2007
With Comparative Figures for 2006

Schedule II

	Note	2007	2006 (As restated)	Increase (Decrease)
BENEFIT PAYMENTS	16			
Private sector		P 7,739,751,249	P 8,328,200,132	P (588,448,882)
Government sector		3,824,262,437	3,864,422,170	(40,159,734)
Indigent program		3,115,868,664	2,692,594,593	423,274,071
Overseas Foreign Worker sector		686,578,238	419,426,521	267,151,717
Individually paying member		2,148,120,968	1,401,988,951	746,132,017
Non-paying member		936,310,333	398,248,473	538,061,860
Total Benefit Payments		<u>18,450,891,889</u>	<u>17,104,880,840</u>	<u>1,346,011,049</u>
OPERATIONAL EXPENSES	16			
Personal Services				
Salaries and wages		514,369,354	376,788,400	137,580,954
Other compensation		603,155,671	275,630,415	327,525,256
Personnel benefit contribution		57,201,388	33,090,907	24,110,481
Other personnel benefit		14,261,493	7,973,743	6,287,750
		<u>1,188,987,906</u>	<u>693,483,465</u>	<u>495,504,441</u>
MAINTENANCE AND OTHER OPERATING EXPENSES				
Remuneration expenses		405,073,050	518,452,447	(113,379,397)
Rents		122,629,474	111,896,172	10,733,302
Bad Debts		115,626	-	115,626
Communication services		77,609,143	75,570,568	2,038,575
Supplies and materials		80,791,872	70,427,338	10,364,534
Security services		65,080,401	61,199,933	3,880,469
Water illumination and power services		61,481,462	57,757,483	3,723,979
Contract/research services		68,332,070	57,780,591	10,551,478
Depreciation expense		66,593,108	52,931,464	13,661,644
Travelling expenses		36,994,045	37,297,788	(303,743)
Janitorial services		29,609,307	24,484,077	5,125,230
Other services		56,425,184	21,252,506	35,172,678
Auditing services		15,296,857	17,921,584	(2,624,727)
Advertising expense		20,126,154	16,397,911	3,728,243
Enumerators fee		8,019,963	9,680,322	(1,660,359)
Gas, oil, and lubricants		10,580,736	9,896,105	684,631
Marketing and promotional expenses		10,694,123	10,270,464	423,659
Repairs and maintenance		11,962,709	10,156,380	1,806,329
Printing and binding		14,100,257	9,322,262	4,777,995
Reward and other claims (P.S. We Care)		9,723,347	8,769,485	953,862
Fidelity bond and insurance premiums		5,625,469	6,993,060	(1,367,591)
Consultancy services		-	4,829,808	(4,829,808)
Training and seminar expenses		3,826,388	3,209,563	616,824
Bank charges		969,097	1,006,785	(37,688)
Taxes, duties and fees		1,905,161	602,112	1,303,049
Transportation expense		559,982	337,117	222,865
Miscellaneous and extraordinary expenses		14,342,708	7,785,174	6,557,534
		<u>1,198,467,693</u>	<u>1,206,228,499</u>	<u>(7,760,806)</u>
Total Operational Expenses		<u>2,387,455,599</u>	<u>1,899,711,964</u>	<u>487,743,635</u>
		P 20,838,347,488	P 19,004,592,804	P 1,833,754,684

PHILIPPINE HEALTH INSURANCE CORPORATION

Notes to Financial Statements

1.GENERAL INFORMATION

The National Health Insurance Act of 1995 (Republic Act No. 7875) as amended by RA 9241 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 citizens of the Philippines, xxx. This social insurance program shall serve as the means for the healthy to help pay for the care of the sick and for those who can afford medical care to subsidize those who cannot.”

The Philippine Health Insurance Corporation (PhilHealth) is a tax-exempt government corporation attached to the Department of Health (DOH) for policy coordination and guidance. Its Head Office is located at 709 CityState Center Building, Shaw Blvd., Barangay Oranbo, Pasig City. The Corporation is governed by a Board of Directors composed of thirteen (13) members. The Corporation has the power and functions, among others, to formulate and promulgate policies for the sound administration of the Program; to set standards, rules, and regulations necessary to ensure quality of care, appropriate utilization of services, fund viability, member satisfaction, and overall accomplishment of Program objectives; to formulate and implement guidelines on contributions and benefits; portability of benefits, cost containment and quality assurance; and health care provider arrangements, payments methods and referral systems; to establish branch offices as mandated in Article V of RA 7875 as amended; to receive and manage grants, donations, and other forms of assistance and to organize its office, fix the compensation of and appoint personnel as may be deemed necessary and upon the recommendation of the President of the Corporation.

The National Health Insurance Fund (NHIF) being managed by the Corporation consist of contribution from Program members; balances of the Health Insurance Fund of the SSS and GSIS collected under the Philippine Medical Care Act of 1969, as amended, including arrearages of the Government of the Philippines with the GSIS for the said Fund; 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 National Health Insurance Fund, including any subsidy, grant or donation received for the program operations shall be governed by resolution of the Board of Directors of the Corporation.

The Corporation adopted the Home 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 and collections of the over-the-counter (O-T-C) premium contribution only.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared on the basis of government accounting rules and regulations, as well as the Philippine Accounting Standards (PAS) issued by the Accounting

Standards Council (ASC) of the Philippines. The Corporation adopts calendar year and uses commercial accounting.

The preparation of financial statements requires the use of certain critical accounting estimates and judgments as follows:

- a. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
- b. One of the accounting estimates being done is to set-up the accrued benefit payments at the end of each month based on the average benefit payment per claim computed by dividing the total amount of benefit payment for the month by the total number of claim processed for the same period. The average amount per claim differs geographically.
- c. The amount being set-up for accrued NHIP premium remittance from the collecting banks/agents is based on the assumption that the actual premium collection for the 2nd half of the current month is equivalent to the amount remitted on the first two weeks of the following month.
- d. The economic life of every property and equipment is based on COA Circular, with 10% residual value, depreciated on the straight-line method. PRO III, which is occupying a PHIC-owned building, imputed rent expense annually.
- e. The General Appropriations Act sets-up a ceiling for National Government (subsidy) counterpart for the Sponsored Sector.

The Corporation is in the process of improving its policies regarding the recognition of NHIP premium contributions and NHIP benefit payments.

2.2 Consolidation

a. Head Office (HO)

Monthly consolidated trial balances are prepared through working papers by eliminating the reciprocal accounts, but in the year-end consolidation, all nominal accounts that have been closed in the PROs are booked-up in the HO.

b. PhilHealth Regional Offices (PROs)

The PROs’ financial position and results of operations are presented in the trial balance without any non-contingent equity account. All nominal accounts are closed every end of calendar year.

c. Service Offices (SOs)

The financial transactions of SOs are recorded in the books of accounts of their respective PROs. The SOs maintain petty cash fund and receive over-the-counter collection of premiums from the PhilHealth members.

2.3 Foreign currency transaction

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transaction. Foreign exchange gains/losses resulting from the settlement of such transactions are recognized in the income statement.

2.4 Cash and cash equivalents

For purpose of the statement of cash flows, PhilHealth considers special savings deposits as cash equivalents.

2.5 Inventories

In accordance with COA Resolution No. 2006-006 dated January 31, 2006, Inventories include assets held for transfer and for consumption in the normal course of operations. Inventories are measured at cost which includes purchase price, import duties and taxes, freight, handling and other costs directly attributable to the acquisition of finished goods, materials and services; as well as other costs incurred in bringing the inventories to their present location and condition. The perpetual inventory system is used in accounting for inventories.

PhilHealth Office Order No. 0112 s. 2006, dated Nov. 9, 2006 provides that for the small tangible items not more than P5,000 with estimated useful life of more than one year shall be recorded as inventories upon acquisition and expense upon issuance.

The Asset Method and the First-In-First-Out (FIFO) method are used in recording transactions concerning supplies and materials.

2.6 Property and equipment

In accordance with COA Resolution No. 2006-006 dated January 31, 2006, Property and equipment (PE) includes non-current assets held for use in operation and are expected to be used for more than one year. PE have initially been recognized at cost which includes purchase price and incidental costs such as import duties, freight, installation and any other directly attributable costs. Subsequent costs on PE which result in increased future economic benefits or service potential have been added to its carrying amount. Subsequent to initial recognition as an asset, PE shall have been carried at its cost less any accumulated depreciation, following the straight-line method and using the revised estimated useful life (per COA Circular No. 2003-007 dated December 11, 2003, as amended by COA Circular No. 2004-005 dated August 9, 2004). Depreciation has been recorded starting the month following date of purchase. A residual value equivalent to ten percent of the purchase cost has been set up.

2.7 Intangible Assets

Intangible Assets refers to computer software purchased by the Corporation, in accordance with Section 4 of the International Accounting Standard No. 38 issued by the Accounting Standards Council (ASC).

In accordance with paragraph 9.2 under COA Resolution No. 2006-006 dated January 31, 2006, and as it is probable that future economic benefits attributable to the assets shall flow to the agency, the computer software have been recognized at cost, and reported herein as net of accumulated amortization. Amortization is based on the straight-line method less ten percent residual value.

2.8 Income and expense recognition

Income and expense are recognized based on a modified accrual method of accounting in accordance with paragraph 2.1 (d) of COA Resolution No. 2006-006 dated January 31, 2006. Under this method, all expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate. Income shall be on accrual basis except where it is impractical or when other methods are required by law.

Pending the completion of the database build-up, accrual for premium contributions can be made only to those remitted through the accredited collecting banks inasmuch as the information is available. Under the Indigent Program, premium counterpart of the National Government is recorded as income only if covered by

Special Allotment Release Order (SARO) with corresponding Notice of Cash Allocation (NCA).

The subsidy from local government units (LGUs) is recorded based on the report submitted by the PRO Collection and Premium Accounts Management Division verified correct by the Accountant and evidenced by the LGU and PhilHealth Memorandum of Agreement supported by Certificate of Availability of Funds.

Usual monthly expenses (e.g., for janitorial services, security services, light and water and rental) are recognized as expenses at the time they are incurred, not when paid. On the other hand, accruals for benefit payments refer to outstanding claims. The estimated amount of claims filed but not yet processed is recognized as accrued expenses.

The Corporation, through its Actuary and Comptrollership Department, is developing a policy in estimating and recording the incurred but not yet reported (IBNR) benefits.

3. CASH AND CASH EQUIVALENTS

This account consists of:

	2007	2006
Collecting officers	484,813,908	418,628,278
Disbursing officers	1,045,052	830,110
Petty cash funds	140,250	136,313
Cash in bank	854,072,229	601,955,973
Special savings deposits	13,338,978,113	7,526,658,811
	<u>14,679,049,552</u>	<u>8,548,209,485</u>

3.1 The Corporation deploys at least one Collecting Officer per PRO and SO to provide more windows for the over-the-counter collection.

3.2 Included in this account is Land Bank of the Philippines - Pasig-Kapitolyo Branch Dollar Account No. 0674-0010-29 and the balance is converted to its peso equivalent using current exchange rate at the end of the year. The difference is recorded as Gain/Loss on Foreign Exchange.

4. SHORT-TERM INVESTMENTS

This account consists of:

	2007	2006
Treasury bills	13,296,078,858	20,146,273,306
Treasury bonds	4,742,556,356	11,663,661,453
	<u>18,038,635,214</u>	<u>31,809,934,759</u>

These are treasury bills and bonds which are placed between 90 to 364 days and also include the currently maturing treasury bonds.

5. RECEIVABLES

This account consists of:

	2007	2006
Due from Collecting Bank – NHIP Premiums	38,432,162	651,515,201
Advances to Officers & Employees	627,757	1,170,021
Accrued Interest Receivable – Investment	1,643,214,664	1,886,736,339
Due from NGA for Sponsored Sector	0.00	1,150,000,000
Due from NGA for Government Employed Sector	0.00	388,000,000
Due from GOCCs	30,301,933	151,921,933
Due from LGUs	43,724,562	21,768,137
Due from Other Funds – OWWA	94,894,105	94,894,105
Disallowances	1,114	1,114
Other receivables	7,560,593	31,026,054
Total	1,858,756,890	4,377,032,904
Add (Less): Allowance for Doubtful Accounts	(115,625)	(118,273)
	1,858,641,265	4,376,914,631

5.1 Due from Collecting Bank – NHIP Premiums represents NHIP premium collections of accredited collecting agents (ACAs) for the 2nd half of December 2007 which were remitted on the first two weeks of January 2008.

5.2 Accrued Interest Receivable – Investment represents interest earned from all short-term and long-term investments.

5.3 Due from National Government Agencies for Sponsored Sector has zero balance due to the Corporation's current policy as stated in 2.8 of this Notes. General Appropriations for CY 2007 provides P3.5 billion subsidies for the program, but the Corporation has received SARO with corresponding NCA and fund releases amounting to P2.0 billion only.

5.4 Due from National Government Agencies for Government Employed Sector represents employer shares and is herein reported at zero balance pending verification of P7.4 billion, representing assumed NHIP premium arrears of National Government Agencies. The Corporation is currently making a move to collect arrearages based on the new premium contributions schedules per PHIC Circular No. 004, s. 2000, No. 16, s. 2001, No. 22, s. 2003 and No. 015, s. 2005

5.5 Due from Government-Owned and Controlled Corporations (GOCCs)

a. Due from the Philippine Charity Sweepstakes Office (PCSO) amounting to P30M net of long term receivable in the amount of P655M represents premium counterpart of various LGUs under the Enhanced PCSO – Greater Medicare Access (PCSO-GMA) Program (Plan 5M) also known as the “Universal Family Health Insurance Program”. The Memorandum of Agreement through Executive Order No. 276 s. 2004 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 P1.5B. Of the said amount, P815M was already received leaving a balance of P685M, P655M of which was reclassified to Long-term Receivable after being outstanding for more than one year. The remaining balance in the books for current receivable from PCSO is P30M.

b. Due from Home Guaranty Corporation (HGC) amounting to P301,933 represents 1 month and 8 days (May 01 – June 08, 2006) interest receivable for a matured investment of P54M Debenture Bonds not remitted on time.

5.6 Due from LGUs consists of counterpart premium for the Sponsored Program:

PROs	2007	2006
PRO CAR	214,769	409,717
PRO I	12,076,043	3,891,764
PRO II	4,791,531	3,679,835
PRO III	4,924,305	2,336,160
PRO IV-A	4,609,583	4,987,648
PRO IV-B	5,600,228	6,312,220
PRO VI	10,316,073	0.00
PRO VIII	1,192,030	150,793
	43,724,562	21,768,137

5.7 Due from Other Funds - OWWA amounting to P94,894,105.

This amount represents receivable from OWWA for the Medicare Benefit Claims filed before March 1, 2005 at the OWWA office which were turned-over, processed and paid by PhilHealth in the aggregate amount of P274 million. These benefit payments were already reimbursed by OWWA and the remaining balance was received last January, 2008. The benefit claims processed from March 1, 2005 to August 31, 2006 are as follows:

Bill No.	Benefit Claims Processed Date	Amount	Amount Collected	Balance
1	March 1-31, 2005	957,355	957,355	-
2	April 1-15, 2005	2,976,048	2,976,048	-
3	April 16-30, 2005	3,110,075	3,110,075	-
4	May 1-31; April 26-27, 2005	12,781,153	12,781,153	-
5	June 1-15, 2005	23,679,590	23,679,590	-
6	June 16-30, 2005	50,600	350,600	-
7	July 1-31, 2005	15,475,164	15,475,164	-
8	August 1-15, 2005	20,422,365	20,422,365	-
9	August 16-31, 2005	9,800,314	9,800,314	-
10	September 1-30, 2005	58,473,157	58,473,157	-
11	October 1-31, 2005	81,314,878	-	81,314,878
12	November 1-30, 2005	28,577,302	28,559,088	18,214
13	December 1-31, 2005	1,070,813	1,033,676	37,137
14	January 1-31, 2006	1,483,264	1,483,264	-
15	February 1-28, 2006	1,395,316	-	1,395,316
16	March 1-31, 2006	5,433,773	-	5,433,773
17	April 1-30, 2006	2,327,760	-	2,327,760
18	May 1-31, 2006	2,124,191	-	2,124,191
19	June 1-30, 2006	1,865,734	-	1,865,734
19	July 1-31, 2006	510,733	-	510,733
20	August 1-31, 2006	383,553	-	383,553
	September-December 2006	0.00	0.00	0.00
		274,513,138	179,101,849	95,411,289
	Less: Returned and stale checks	517,184	-	517,184
		273,995,954	179,101,849	94,894,105

5.8 Other Receivables include the receivables from the Motor Vehicle Loan Program and accrued penalties of authorized collecting agents (ACAs). Details of the account are as follows:

Nature of Receivable	2007	2006
Accrued penalties (ACA's)	96,470	14,794,313
Motor vehicle loan	1,468	1,468
Personal calls	228,078	-
Other receivable	<u>7,234,577</u>	<u>16,230,273</u>
	<u>7,560,593</u>	<u>31,026,054</u>

The Other Receivables represents the global budget for the OPB package of the OWP for the period July – December, 2007 as per PhilHealth Board Resolution no. 992, s. 2007 in the amount of P6 million and the payment made by various PROs under DCS scheme in the amount of P1,234,577

6. INVENTORIES

The account consists of supplies and materials amounting to P40,361,369 and P44,924,172 for CYs 2007 and 2006, respectively.

7. INTANGIBLE ASSETS

This represents cost of various software application / programs purchased by the Corporation amounting to P25,105,061, net of accumulated amortization of P7,370,632.

8. OTHER CURRENT ASSETS

This represents the reclassified Philippine National Bank Account No. 260-840034-9 with a book balance of P1,623,362. 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 Oplan Bilis Bayad from November 1998 to May 1999.

9. INVESTMENTS - NET

Investments of the NHIF are limited to government securities bearing the unconditional guaranty of the Republic of the Philippines in the authorized government depository banks except the investment in Meralco Common stocks.

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

	2007	2006
Investment in shares of stocks (at cost)		
Meralco Commons –A	132,906,650	132,906,650
Add : Unrealized income from increase in value	24,197,605	
Less : Allowance for decline in value	-	39,423,092
Net book value	<u>157,104,255</u>	<u>93,483,558</u>
PLDT – Subscriber Investment Plan	613,500	613,500
Investment in Treasury Bonds	41,306,898,000	22,656,560,822
Investment in Real Property (reclass)	<u>413,845,805</u>	<u>-</u>
	<u>41,878,461,560</u>	<u>22,750,657,880</u>

9.2 The investments represent the following:

- The P132,906,650 is the transfer cost of 1,442,648 Meralco Common-A shares of stock with P10 par value from GSIS.
- After the two times declaration of stock dividends, the total Meralco Common-A shares increased to 1,904,294 shares.
- On December 31, 2007, the fair market value of the Meralco Common-A was P82.50 per share based on the letter of Meralco dated 8 and 17 January 2008, resulting to P24 million unrealized income.
- Investment in PLDT Stocks was acquired under the Subscriber Investment Plan amounting to P 613,500 representing 195 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.
- Treasury bonds (net of amortization) with more than one (1) year maturity period are broken down as follows:

	2007	2006
Pag-ibig housing bonds	39,560,000	N/A
Retail T-bonds	4,867,500,000	1,367,500,000
3-year T-bonds (11 certificates)	7,599,155,722	1,388,952,915
4-year T-bonds (14 certificates)	19,743,882,773	11,552,087,834
5-year T-bonds (13 certificates)	8,768,730,849	8,135,620,073
7-year T-bonds (4 certificates)	<u>288,068,656</u>	<u>212,400,000</u>
	<u>41,306,898,000</u>	<u>22,656,560,822</u>

- Straight-line method of amortization was used to amortize the bond premium and bond discount over the remaining life of the bond.
- The investing activities of the Corporation were carried out only in the Head Office to maximize the opportunity for high yield interest bearing instruments.
- Global-City property was acquired from converted investment of Fort Bonifacio Development Corporations' Global City Receivable Repayment Right to land amounting to P 404,278,003 plus cost of documentary stamp tax, transfer tax and registration fees with an aggregate amount of P9,567,801. In addition, per Technical Appraisal Report of A.C. DORIA – Appraisal Company, Inc., the subject property has a fair market value of P120,000 per square meter, or about P522,600,000 as of June 10, 2005. This account was reclassified as Investment in Real Property instead of Property, Plant and Equipment.

10. PROPERTY AND EQUIPMENT – NET

This account consists of:

Particulars	Land and Land Improvements	Building and Structure/ Leasehold Improvements	Furniture and Fixtures and Equipment and Books	Total
Cost				
January 1, 2007	866,831,260	35,135,484	580,682,592	1,482,649,336
Additions	24,102	10,050,362	56,553,591	66,628,055
Adj - Reclass to investment	(413,492,462)	-	-	(413,492,462)
December 31, 2007	<u>453,362,900</u>	<u>45,185,846</u>	<u>637,236,183</u>	<u>1,135,784,929</u>
Accumulated depreciation				
January 1, 2007	65,684	5,471,670	313,288,767	318,826,121
Adjustments	29,971	42,956	(1,453,986)	(1,381,059)
Depreciations for the Year	23,478	2,691,685	63,877,766	66,592,929
December 31, 2007	<u>119,133</u>	<u>8,206,311</u>	<u>375,712,547</u>	<u>384,037,991</u>
Net Book Value	<u>453,243,767</u>	<u>36,979,535</u>	<u>261,523,636</u>	<u>751,746,938</u>
Net Book Value Dec. 31 2006 as Restated	<u>866,765,576</u>	<u>29,663,814</u>	<u>267,393,825</u>	<u>1,163,823,215</u>

Included under Land and Buildings accounts are the following:

A parcel of land situated in East Avenue, Quezon City with a total area of 17,230.50 square meters amounting to P439,377,750. Of this , 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 later.

PhilHealth Regional Office (PRO) III also purchased a lot and building in San Fernando, Pampanga amounting to P13,059,200 and P25,520,363, respectively, intended to be its permanent Regional Office. Some of its office spaces were rented-out. As of this report the rental income is P1,551,314.

A donated 2,897-sq. m. lot at Regional Government Center (RGC), Tuguegarao City through a Memorandum of Agreement (MOA) executed with the DPWH Region 2 representing the Republic of the Philippines has a fair market value as of July 17, 2006 in the amount of P4,056,000 per appraisal report of eValue Phils, Inc., a professional property consultants & valuer. In compliance to the said MOA, the Regional Development Council 2 extended, upon request of PRO-II, the construction of its office building for another two (2) years per RDC-2 Resolution No. 02-037 s. 2005.

11. MISCELLANEOUS ASSETS AND DEFERRED CHARGES

	2007	2006
Prepayments	19,205,845	9,098,265
Guaranty deposit	<u>25,025,567</u>	<u>24,014,070</u>
	<u>44,231,412</u>	<u>33,112,335</u>

11.1 Prepayments include authorized payments made for the purchase of goods from the Procurement Service of DBM, insurance of motor vehicles and of the officers of the Corporation.

11.2 Guaranty deposits are office rental deposits made by the Head Office and PROs in compliance with the requirements provided in the contracts.

12. OTHER ASSETS – LONG TERM RECEIVABLE

This account consists of long-term receivables in net amount of P657,349,379

Long-term Receivable from	2007	2006
DBM (transfer of NHIP Program from GSIS to PHIC)	564,111,090	649,111,090
PCSO (Enhanced GMA Program)	655,000,000	655,000,000
PDIC (per MB Reso. 459 dated 4/7/5)	327,104	327,104
Officer & Employees per COA	1,456,749	1,427,118
PMCC Off. & Staff (before transition)	2,491,854	2,491,854
PROs Obsolete IT Equipments	565,526	-
Gross Long-Term Receivable	<u>1,223,952,323</u>	<u>1,308,357,166</u>
Less: Allowance for Doubtful Account		
Receivable from DBM	564,111,090	564,111,090
Receivable from PMCC Officer & Staff	2,491,854	2,491,854
	<u>566,602,944</u>	<u>566,602,944</u>
Net Amount	<u>657,349,379</u>	<u>741,754,222</u>

The Long Term Receivable from Department of Budget and Management (DBM) representing Medicare Premium contributions from various government offices amounting to P649,111,090 were transferred to PhilHealth by the GSIS under MOA signed on May 23, 2001 between DBM, GSIS and Bureau of Treasury (BTR). Per letter dated December 12, 2005 of the Director of DBM Financial Service, PhilHealth was informed that the supposed settlement as provided in the MOA did not materialize but some discussions/negotiations are currently being undertaken. This Long Term Receivable was reclassified as Other Asset Account. As a result of these negotiations, the Corporation was able to collect P85 million from DBM.

	2007	2006
Long-term receivable from DBM (program fund transferred from GSIS to PHIC in 1997)		
Various Local government units	408,875,850	408,875,850
Armed Forces of the Philippines	-	85,000,000
DBM surcharges	<u>155,235,240</u>	<u>155,235,240</u>
	564,111,090	649,111,090
Less: Allowance for doubtful accounts	<u>564,111,090</u>	<u>564,111,090</u>
	<u>-</u>	<u>85,000,000</u>

Long Term Receivable from the Philippine Charity Sweepstakes Office (PCSO) amounting to P655 million also reclassified as Other Asset Account represents premium counterpart of various LGUs under the Enhanced PCSO – Greater Medicare Access (PCSO-GMA) Program (Plan 5M) also known as the “Universal Family Health Insurance Program”. The MOA, through Executive Order No. 276 s. 2004, 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. Further, PCSO Board Resolution Nos. 180 s. 2003 and 718 s. 2004 provided an aggregate amount of P1.5 billion allocation for the said project.

	2007	2006
Long-term receivable from PCSO Enhanced GMA Program (PCSO BR#718 s. 2003 & 180 s. 2004)	1,500,000,000	1,500,000,000
Less: Collection of releases		
CY 2004	230,000,000	230,000,000
CY 2005	275,000,000	275,000,000
Adjustment per PCSO BR#214 s. 2005	50,000,000)	(50,000,000)
CY 2006	240,000,000	240,000,000
CY 2007	120,000,000	-
Total Collections	815,000,000	695,000,000
Total Balance	685,000,000	805,000,000
Less: Current Account receivable	30,000,000	150,000,000
	655,000,000	655,000,000

In Phase I of PCSO-GMA Program, the Corporation has an outstanding receivable from PCSO in the amount of P26,349,243 but according to PCSO this balance was subsumed in the Plan 5M Stand-by Fund per PCSO Board Resolution # 718 s, 2003. Negotiation is still on going regarding the continuation of this program.

In addition, the 9th release of fund in the amount of P50 million was adjusted and recorded as premium payment for enrolment of indigents in NCR per PCSO Board Resolution # 214 s, 2005. The Corporation informed and negotiated with the PCSO regarding the funding.

Also, the 12th release of fund in the amount of P3 million was adjusted and recorded as premium payment for IPP enrolment of BHWs in Region 7 per PCSO Board Resolution # 233 s, 2005. The Corporation also informed and negotiated with the PCSO regarding the funding.

Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation. Estimated collection of NHIP premium for the period January 16 to February 3, 2005 amounting to P327,103 was also reclassified as Other Asset Account due to non-assurance of collection within one year. As result of the meeting regarding this issue last May 8, 2006 at PDIC office, the PDIC as liquidator of Hermosa Bank is still converting the bank's non-cash assets into cash. With this, a Project of Distribution shall be submitted by PDIC for approval of the Liquidation Court. PhilHealth shall be promptly notified of any action taken by the Liquidation Court on the recommended Project of Distribution for Hermosa Bank.

Disallowances amounting to P1,456,749 (net of lifted) refer to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by COA. Concerned parties are being informed to comply with the documentation as the corporation will appeal to COA for the lifting of said disallowances.

Receivables from former officers and staff of Philippine Medical Care Commission (PMCC) amounting to P2,491,854 are being considered as bad debts due to non-payment despite demands by the Corporation. The request for write-off on a case to case basis will be submitted to the resident COA Auditor.

PRO-Caraga reclassification of Functional but Obsolete IT equipments per recommendation of their Resident COA Auditor in the amount of P565,526

Expected receivable from Social Security System (SSS) in the amount of P211 million representing unearned interest income from delayed remittance by SSS of NHIP premium collection was not recorded pending resolution of the issue raised by SSS that said receivable has no legal basis. The matter is now with Legal Services Group of the Corporation.

Allowance for Doubtful Accounts was provided for the following:

- Unliquidated cash advances in 1996 and 1997 of PhilHealth board members; and cash advances granted to the defunct Medical Care Councils, the Medicare Community Hospitals and other health centers in the amount of P2,491,854. The accounts were transferred by the Philippine Medical Care Commission (PMCC) to PhilHealth in August 1995 and have been in the books of PMCC and PhilHealth for a total of more than 10 years. Request for the write-off of the accounts was already made with the Office of the Ombudsman and COA.
- Receivable from 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 contribution in the amount of P 649,111,090. This was transferred by the Government Service Insurance System (GSIS) to PhilHealth.

The allowance for doubtful accounts 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.

13. PAYABLES

Payables include the accruals for benefit claims and administrative costs as follows:

	2007	2006
Accounts payable -		
Personal service	14,465,109	24,868,368
MOOE	108,663,775	106,896,179
Capital outlay	229,977,030	228,430,416
Claims benefits	1,374,339,171	1,303,432,767
Accrued benefit claims	2,292,414,088	2,359,115,226
	4,019,859,173	4,022,742,956

Capital Outlay payables include the amount of P219,688,875 representing the remaining 50% of the total contract price of land situated in East Avenue, Quezon City purchased from Bangko Sentral ng Pilipinas.

Due to Members – Benefits Claims are payables representing the benefit payments checks still in the position of corporation at the end of the period. Including in this amount are the return-to-sender (RTS) and stale checks.

Accrued Benefits Claims includes those (1) claims already processed and with Account Payable Voucher (APV) and (2) benefit claims received but not yet processed either encoded or not yet encoded and without Account Payable Voucher. The monthly average value per claim by sector of the applicable month was used as the multiplier in computing the accrual for the month.

14. TRUST LIABILITIES

This account consists of:

	2007	2006
Inter-agency payables	115,555,716	92,391,102
Trust liabilities -		
OWWA	-	252,960,516
UNFPA Project	209,622	244,005
WHO Project # 1	465,422	335,261
WHO Project # 2	535,399	-
WHO Project # 3	501,108	-
WHO Project # 4	342,500	-
Donation	20,017,647	19,601,688
Performance/bidders bond payable	9,642,491	9,220,791
Other payables	109,133,439	27,134,033
	<u>256,406,344</u>	<u>401,887,396</u>

Inter-Agency payables include deductions from the salaries of PhilHealth's 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 PhilHealth Employees Association (PHICEA), taxes withheld from payments to health service providers.

The balance of P252,857,723. net of other asset account representing the balance of fund transferred from OWWA Medicare Fund to PhilHealth in compliance with Executive Order No. 182 dated February 14, 2003 as amended by Executive Order No. 392 dated December 28, 2004 entitled "Transferring the Medicare Functions of Overseas Workers Welfare Administration to the Philippine Health Insurance Corporation" was recorded as part of the reserve fund per PBR No. 1018 dated June 21, 2007.

The Corporation received from World Health Organization funding for PhilHealth-WHO Project.

PHIC-WHO Project # 1

Documentation and Development of Recognition System for LGU Exemplary Practices in Social Health Insurance

PHIC-WHO Project # 1	Amount
Total Releases from September 2006 to Present	966,206
Less: Expenses Incurred as of this Report	<u>500,784</u>
Fund Balance as of this Report	<u>465,422</u>

PHIC-WHO Project # 2

Development of PHIC Medium Term Development Plan 2008 - 2010

PHIC-WHO Project # 2	Amount
Total Releases from July 2007 to Present	707,742
Less: Expenses Incurred as of this Report	<u>172,343</u>
Fund Balance as of this Report	<u>535,399</u>

PHIC-WHO Project # 3

Conduct of Conference on Quality in Health Care in Low & Middle Income Countries.

PHIC-WHO Project # 3	Amount
Total Releases from September 2007 to Present	697,500
Less: Expenses Incurred as of this Report	<u>196,392</u>
Fund Balance as of this Report	<u>501,108</u>

PHIC-WHO Project # 4

Trainer's Training for PRO on Social Health Insurance Advocates and Champions (SHIAC) course for KaSAPI Partner Organized Groups.

PHIC-WHO Project # 4	Amount
Total Releases from November 2007 to Present	342,500
Less: Expenses Incurred as of this Report	<u>0</u>
Fund Balance as of this Report	<u>342,500</u>

The Corporation is one of the recipients/partners of United Nations Population Fund (UNFPA) project entitled "Strengthening and Sustaining the delivery of Integrated Reproductive Health Services" PHLR207.

PhilHealth – UNFPA Project	Amount
Total releases from May 2006 to present	2,097,708
Less: Expenses incurred as of this report	<u>1,888,086</u>
Fund balance as of this report	<u>209,622</u>

Other payables – donations include amounts received from the following entities, including the interest thereon:

Trust Liabilities – Donations	2007	2006
Westmont Investment Corp.	11,917,008	11,269,108
Strategies & Alliance Corp.	6,103,236	5,794,074
All Asia Capital & Trust Corp.	567,165	1,164,318
First Metro Investment Corp.	1,378,813	1,322,763
BF General Insurance Corp.	51,425	51,425
	<u>20,017,647</u>	<u>19,601,688</u>

The donations were made to finance specific projects like:

- Assistance to the projects of charitable or socio-civic organizations
- Research and development and other studies including P3.50 million ex-gratia fund
- Prevention of fraud and such other irregularities against the NHIF and for such other allied undertakings
- Used for ex-gratia Medicare claims reimbursement and other appropriate activities to attain the NHIP objectives.

The payable to SSS in the amount of P78 million (based on the demand letter sent by SSS dated March 29, 2001) was not yet 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.

15. OTHER DEFERRED CREDITS

Other deferred credits are unearned accreditation fees amounting to P21,191,394 and P10,000,642 in CYs 2007 and 2006, respectively, of medical service providers with validity period of three years.

16. EXPENSES

The amount of P20,838,348 represents the expenses incurred by the Corporation as of December 31, 2007, broken down as follows:

OFFICE	OPERATING EXPENSES	BENEFIT PAYMENTS	TOTAL
Head Office	1,657,674,784	24,966,868	1,682,641,652
NCR	-	5,031,885,204	5,031,885,204
PRO-CAR	32,696,726	330,406,661	363,103,387
PRO-I	59,198,434	851,575,406	910,773,840
PRO-II	32,240,650	465,907,017	498,147,667
PRO-III	83,907,216	1,798,609,677	1,882,516,893
PRO-IVA	50,763,488	1,225,641,831	1,276,405,319
PRO-IVB	39,760,888	600,599,524	640,360,412
PRO-V	43,162,616	646,278,864	689,441,480
PRO-VI	55,546,574	1,435,332,628	1,490,879,202
PRO-VII	55,839,522	1,432,523,797	1,488,363,319
PRO-VIII	34,120,133	344,586,781	378,706,914
PRO-IX	35,863,382	347,538,826	383,402,208
PRO-X	58,846,497	1,321,832,635	1,380,679,132
PRO-XI	65,734,151	1,297,930,954	1,363,665,105
PRO-XII	45,830,281	1,011,490,740	1,057,321,021
PRO-CARAGA	32,004,534	280,173,013	312,177,547
PRO-ARMM	4,265,723	3,611,463	7,877,186
TOTAL	<u>P 2,387,455,599</u>	<u>P 18,450,891,889</u>	<u>P 20,838,347,488</u>

Salaries of regular and contractual PRO staff were recorded in the Head Office under the Centralized Payroll System.

Operating Expenses of three expanded Service Office of NCR are included in the Head Office, while benefit payments in Head Office are for Capitation Payment only.

Expenses incurred by PRO-ARMM are for the Administrative Cost and the Capitation Payment only, while the Benefit Payment were processed and included in PRO-10.

The Corporation recorded accrued claims filed at the end of the period in the amount of P735 million in NCR and P1.555 billion in PROs.

17. RESERVE FUND

Reserve Fund is a set aside portion of the Corporation's accumulated revenues not needed to meet the cost of current year's expenditures but not exceeding reserve ceiling as provided in section 27 of RA 7875 as amended in the amount of P57,465,000,000 for CY 2007 as computed by the Office of Actuary.

18. CONTINGENT CAPITAL

Contingent capital in the amount of P1,459,529 and P1,428,233 in CYs 2007 and 2006, respectively, represent COA disallowances of prior year's expenditure.

19. RETAINED EARNINGS

Correction/adjustment of prior years' errors consist of the following:

Retained Earnings	2007	2006
Retained earnings, beginning	29,812,426,061	20,016,027,604
Prior year's adjustments (2005)	0	82,416,064
As restated	29,812,426,061	20,098,443,668
Additional Reserve fund for 2007	(21,925,142,277)	0
Retained Earnings Balance	<u>7,887,283,748</u>	<u>20,098,443,668</u>
Net income	8,299,810,283	9,106,334,878
Prior period adjustment (2006)		607,647,515
Net income, as restated	<u>8,299,810,283</u>	<u>9,713,982,393</u>
Retained earnings, end	<u>16,187,094,067</u>	<u>29,812,426,061</u>

Prior period adjustments are summarized as follows:

	Adjustment of errors In 2006 (Restatement)	Adjustment of errors In 2006
Premium collections	494,343,561	5,266,006
Subsidy income	(10,497,534)	2,807,975
Interest income	14,597,942	171,691
Fines and penalties	163,582	(13,589,745)
Accreditation fees	(3,368,898)	
Other income	(3,325)	
Personal services	1,022,559	8,616
Maintenance and other operating expenses	18,590,522	87,808,711
Benefit payments	92,799,106	(57,190)
Total	<u>607,647,515</u>	<u>82,416,064</u>

BOARD of DIRECTORS



Hon. Francisco T. Duque III, M.D., MSc.
Chair
PhilHealth Board



Hon. Lorna O. Fajardo
Vice-Chair
PhilHealth Acting Pres & CEO



Hon. Austere A. Panadero
Member
Representative
Department of Interior
& Local Government (DILG)



Hon. Susanita G. Tesiora
Member
National Anti-Poverty Commission
Basic Sector (NAPC-BS)



Hon. Ma. Asuncion E. Villanueva
Member
Self-Employed Sector



Hon. Marianito D. Roque
Member
Department of Labor
& Employment (DOLE)



Hon. Ponciano Z. Jerez, Jr., M.D.
Member
Labor Sector



Hon. Corazon S. De la Paz
Member
President & CEO
Social Security System
(SSS)



Hon. Teresita F. De Venecia, M.D.
Member
Overseas Filipino Workers
(OFWs)



Hon. Juan M. Flavier, M.D.
Member
Employers Sector



Hon. Arlyn Grace V. Guico
Member
Health Care Providers Sector



Hon. Godofredo C. De Guzman
PhilHealth Board Legal Counsel



Hon. Luwalhati F. Pablo
Member
Representative
Dept of Social Welfare & Development (DSWD)



Atty. Ma. Lourdes S. Mendoza
Attorney IV and Officer-in-Charge
Office of the Corporate Board Secretary



Hon. Angel T. Concepcion Jr., M.D.
Member
Representative
Government Service Insurance System
(GSIS)

EXECUTIVE OFFICERS



Lorna O. Fajardo
Acting President & CEO



Ernesto V. Beltran
Senior Vice-President
Operations Sector



Tito M. Mendiola
First Vice-President
North Luzon
& NCR Area



Gregorio C. Rulloda
First Vice-President
South Luzon &
Visayas Area



Atty. Reynaldo A. Capangpangan
First Vice-President
Mindanao Area



Rodolfo M. Balog
Vice-President
NCR Group



Octavino Q. Esguerra
Senior Vice-President
Actuarial Services &
Risk Management Sector



Atty. Valentin C. Guanio
Senior Vice-President
Legal Services Sector



Ruben John A. Basa
Vice-President
Corporate Affairs Group
OIC-Head Executive Assistant



Daniel F. De Leon
Vice President
Internal Audit Group



Shirley B. Domingo, M.D.
Vice-President
Quality Assurance Group



Melinda C. Mercado
Senior Vice-President
Management Services Sector
Operations Sector



Madeleine R. Valera, M.D.
Senior Vice-President
Health Finance Policy Sector



Val S. Valila
Senior Vice-President
Fund Management Sector



Atty. Angelito G. Grande
Vice-President
Member Management Group



Nella Tanio, M.D.
Vice-President
PRO III

EXECUTIVE OFFICERS



Elvira C. Ver
Assistant Vice-President
PRO CAR



Leo Douglas V. Cardona, Jr., M.D.
Assistant Vice-President
PRO I



Atty. Domingo A. Pauig
Assistant Vice-President
PRO II



Elizabeth S. Fernandez, M.D.
Assistant Vice-President
PRO VIII



Romeo D. Alberto
Assistant Vice-President
PRO IX



Datu Masiding M. Alonto
Assistant Vice-President
PRO X



Dennis B. Adre
Assistant Vice-President
PRO XI



Arsenia B. Torres
Manager
PRO III-Branch A



Roberto T. Reyes, M.D.
Manager
PRO III-Branch B



Carmelita A. Laureano, M.D.
Assistant Vice-President
PRO IV-A



Paolo Johann C. Perez
Assistant Vice-President
PRO IV-B



Ramon F. Aristoza, Jr.
Assistant Vice-President
PRO XII



Johnny Y. Sychua
Assistant Vice-President
PRO CARAGA



Atty. Khaliquzzaman M. Macabato
Assistant Vice-President
PRO ARMM



Orlando D. Iñigo
Assistant Vice-President
PRO V



Albert C. Manduriao
Assistant Vice-President
PRO VI



William O. Chavez
Assistant Vice-President
PRO VII



Leticia P. Portugal
Manager
PRO NCR North



Lolita V. Tuliao
Manager
PRO NCR Central

EXECUTIVE OFFICERS



Henry V. Almanon
Manager
Human Resources Department



Walter R. Bacareza
Manager
Marketing & Collections
Department



Evelyn C. Bangalan
Manager
Financial Audit Department



Israel Francis A. Pargas, M.D.
Manager
Accreditation Department



Atty. Alfredo A. Pineda
Manager
Internal Legal Department



Evangeline F. Racelis, Ph.D.
Manager
Treasury Department



Ann Marie C. San Andres
Manager
Physical Resources &
Infrastructure Department



Atty. Alex B. Canaveral
Manager
Fact-Finding Investigation &
Enforcement Department



Gilda Salvacion A. Diaz
Manager
Corporate Planning Department



Marilyn C. Geduspan
Manager
Special Programs Department



Linda B. Laureta
Manager
Training Institute



Francisco Z. Soria, Jr., M.D.
Manager
Standards & Monitoring Department



Narisa J. Sugay, M.D.
Manager
Benefits Development & Research Department



Atty. Jay R. Villegas
Manager
Prosecution Department



Atty. Germain G. Lim
Manager
Arbitration Department



Mario S. Matanguihan
Manager
IT Management Department



Victoria D. Pablo
Manager
Comptrollership Department



Atty. Enerito O. Yañez
Manager
Protest & Appeals Review Department



Chona S. Yap
Manager
International & Local Cooperation Department

PHICEA Reaffirms Strong Partnership With PhilHealth

DIRECTORY OF OFFICES

March 30, 2007 marked another significant milestone in the existence of the PhilHealth Employees Association (PHICEA) when the Collective Negotiation Agreement (CNA) was signed between the Association and PhilHealth Management. This means that the partnership between the Association and the Management has been extended for another three years. The President and CEO, Lorna O. Fajardo, signed in behalf of PhilHealth while Esperanza S. Ocampo, PHICEA President signed for the Association. Others who witnessed the signing were Vice Presidents Atty. Valentin C. Guanio, Gregorio C. Rulloda, Rodolfo M. Balog, for the Management side, while Lorna J. Bernas, Miranda R. Godelosao and Amelita L. Buted, witnessed for the Association.



The signing of the CNA is a strong indication that the Association maintains a valuable and harmonious relationship with PhilHealth management as both parties share the ideals of pursuing the goal of improving the quality of life of PhilHealth employees. The extended CNA also affirms PHICEA's commitment of protecting the rights and welfare of its members in the workplace as well as continually seeking support in providing them with additional benefits to uplift their morale and for them to cope up with the continuous rise in the cost of living.



CENTRAL OFFICE

Citystate Centre, 709 Shaw Blvd., Pasig City
Healthline: 637-9999

NATIONAL CAPITAL REGION

PhilHealth Regional Office NCR North – Manila

Marc I Bldg., 1971 Taft Avenue, Malate, Manila
Tel. nos.: 521-6776; 523-2819; 523-3959;
521-7724; 523-9842; 523-9481
Email: so.manila@philhealth.gov.ph

PhilHealth Regional Office NCR Central – Quezon City

F.R. Estuar & Associates Penthouse, Estuar Building,
880 Quezon Avenue, Quezon City
Tel. nos.: 332-1550-51
Email: lvtuliao@philhealth.gov.ph

PhilHealth Regional Office NCR South – Las Piñas

12/F Citystate Centre, 709 Shaw Blvd., Pasig City
Tel. no.: 637-1284; 637-8239 (telefax)

NORTH LUZON

PhilHealth Regional Office CAR – Baguio City

4/F SSS Bldg., Harisson Road, Baguio City
Tel. no.: (074) 444-9862
Email: car@philhealth.gov.ph

PhilHealth Regional Office I – Dagupan City

Esperacion Bldg., II #23 M.H. Del Pilar St.,
Dagupan City,
Pangasinan
Tel. no. (075) 522-9691
Email: region1@philhealth.gov.ph

PhilHealth Regional Office II – Tuguegarao City

The Builders Place, Del Rosario St., Tuguegarao City
Tel. no.: (078) 846-1111
Email: region2@philhealth.gov.ph

PhilHealth Regional Office III – San Fernando City

PhilHealth Bldg., Lazatin Blvd., San Agustin, San Fernando
Pampanga
Tel. no.: (045) 963-3757 (telefax); (045) 961-4175; (045) 961-1977
Email: region3@philhealth.gov.ph

SOUTH LUZON

PhilHealth Regional Office IV-A – Lucena City

AMCJ Building., Brgy. Bocohan, Domit Diversion Rd., Lucena City
Tel. no.: (042) 373-7598; (042) 373-6936 (fax)
Email: region4a@philhealth.gov.ph

PhilHealth Regional Office IV-B – Batangas City

PSDC Bldg., P. Burgos cor. Alegre Sts., Batangas City
Tel. no.: (043) 723-8822
Email: region4b@philhealth.gov.ph

PhilHealth Regional Office V – Legaspi City

ANST Bldg., Alternate Road, Legaspi City
Tel. no.: (052) 481-5598; (052) 820-3899 (fax)
Email: region5@philhealth.gov.ph

VISAYAS

PhilHealth Regional Office VI – Iloilo City

Majestic Building no.#15 J. De Leon St., Iloilo City
Tel. no.: (033) 337-8724; (033) 508-7300
Email: region6@philhealth.gov.ph

PhilHealth Regional Office VII – Cebu City

8/F Golden Peak Tower, Gorordo Avenue cor., Escario St., Cebu City
Tel. no.: (032) 233-7871 (fax); (032) 233-3281; (032) 233-7407; (032) 233-3270
Email: region7@philhealth.gov.ph

PhilHealth Regional Office VIII – Tacloban City

PhilHealth Bldg., 2 P. Burgos St., Tacloban City, Leyte
Tel. no.: (053) 325-2563
Email: region8@philhealth.gov.ph

MINDANAO

PhilHealth Regional Office IX – Zamboanga City

BGIDC Corporate Center, Gov. Lim Avenue Zamboanga City
Tel. no.: (062) 992-2739 (fax)
Email: region9@philhealth.gov.ph

PhilHealth Regional Office X – Cagayan De Oro City

G/F Trinidad Bldg., Yacapin-Corrales Sts., Cagayan De Oro City
Tel. no.: (08822) 711-472; (088) 857-1780
Email: region10@philhealth.gov.ph

PhilHealth Regional Office XI – Davao City

R.C. Reyes Bldg., Quimpo Blvd., Davao City
Tel. no.: (082) 296-2265
Email: region11@philhealth.gov.ph

PhilHealth Regional Office XII – Koronadal City

Plaza De Español Bldg., cor. Posadas-Abad Santos Sts., Koronadal City
Tel. no.: (083) 228-9734
Email: region12@philhealth.gov.ph

PhilHealth Regional Office CARAGA – Butuan City

Lynzee's Bldg., 766 J Rosales Avenue, Butuan City
Tel. no.: (085) 341-2689; (085) 342-6992 (fax)
Email: caraga@philhealth.gov.ph

PhilHealth Regional Office ARMM – Marawi City

3/F Al-bani Bldg., Osmeña St., Marawi City
Tel. no.: (0928) 507-1910
Email: pro.armm@philhealth.gov.ph



PhilHealth
Your Partner in Health

Philippine Health Insurance Corporation
Citystate Centre
709 Shaw Boulevard, Pasig City, Philippines
Healthline: 637-9999
www.philhealth.gov.ph