

Philippine Health Insurance Corporation



# Raising *the* Bar

Annual Report 2008

## OUR COVER

“Raising the Bar.” This is the theme of PhilHealth’s 2008 Annual Report, underscoring the current company-wide thrust to continually raise the standard of excellence in all areas of PhilHealth’s operation.

This theme is captured by a time-honored Pinoy Game, “Luksong Tinik”. In this home-grown game, toes and fingers mounted on top of one another present a seemingly intimidating hurdle to the player poised to jump.

The hurdle represents the Company’s continuing passion to “raise the bar” of excellence. And the player making the “great leap” depicts PhilHealth’s performance in the 2008, exceeding expectations and surpassing targets. These PhilHealth does to fulfil its mission and mandate.



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## VISION

A premier government corporation that ensures sustainable, affordable and progressive social health insurance, which endeavors to influence the delivery of accessible quality health care for all Filipinos.

## MISSION

As a financial intermediary, PhilHealth shall continuously evolve a sustainable National Health Insurance Program that shall:

- Lead towards universal coverage;
- Ensure better benefits for its members at affordable premiums ;
- Establish close coordination with its clients through a strong partnership with all stakeholders; and,
- Provide effective internal information and management systems to influence the delivery of quality health care services.

## THE PRESIDENT OF THE PHILIPPINES

I extend my warmest congratulations to the PhilHealth family on the release of your 2008 Annual Report.

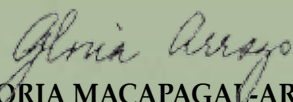
Your Annual Report showed that you have been unwavering in your determination to deliver quality and affordable health care to our people. Having covered about 76 percent of the population by year-end 2008, PhilHealth, without doubt, is now the largest social protection institution in the country.

PhilHealth continues to fulfill its mandate by judiciously managing the funds entrusted by its members. With the launching of new services such as the 4th Normal Spontaneous Delivery, Newborn Care Package, Outpatient Malaria Package and Voluntary Surgical Conception. PhilHealth is significantly contributing to the realization of the United Nations Millennium Development Goals for the country.

The work that PhilHealth does across the country, through its offices and network of accredited health care providers in all the regions, is to be commended.

May you continue to strengthen your partnerships with the public and private sectors and other stakeholders in improving the quality of healthcare for our countrymen. Stay focused on your mandate for a healthier Philippines.

Mabuhay!

  
**GLORIA MACAPAGAL-ARROYO**  
PRESIDENT  
REPUBLIC OF THE PHILIPPINES

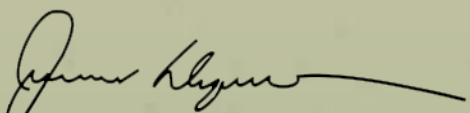


## CHAIRMAN OF THE BOARD

**P**hilHealth is one of the State's main instruments for providing quality, affordable and accessible health care services to all Filipinos. With the launching of new benefits (such as the 4th Normal Spontaneous Delivery, Newborn Care Package, outpatient malaria package) and the continuous review of its benefit packages. PhilHealth does not cease in looking after the welfare of our countrymen while keeping in mind the objectives of Four-Mula One (F1) and the Millennium Development Goals.

As PhilHealth achieves its mandate of universal coverage by 2010, its officers and staffs have always been on their toes in order to achieve this noble objective. It continues to keep abreast of with advances in technology and ensuring interconnectivity among its regional offices for the provision of reliable and up-to-date service to its members. It persists in increasing its operational efficiency that would translate to better provision of health care services to support its beneficiaries in times of contingencies.

More power to PhilHealth!

  
FRANCISCO T. DUQUE III, M.D., MSc.  
CHAIRMAN  
PHILHEALTH BOARD





## PRESIDENT & CEO

**P**hilippine Health Insurance Corporation (PhilHealth) has made great strides toward fulfilling its mandate by achieving 76 percent coverage of the entire Filipino population before the close of the year 2008. Our goal of universal coverage is to cover 85 percent of the population by the year 2010.

In more specific terms, PhilHealth covered 68,669,304 beneficiaries out of a population of 90.4 million. Benefit payments amounting to 18.2 billion have been used in 2008.

Beyond numbers, PhilHealth contributed significantly, not only in ensuring adequate hospital care for our countrymen, but also in enhancing the quality of their health – and life – through the continuous improvement of our systems that have made our health care services easily accessible to them.

We have achieved these goals as a result of partnerships forged with institutions which shared our aspirations in PhilHealth. We made it a point to adopt the latest in information and data sharing technologies, which thus enabled us to reach people even in far flung areas – especially the marginalized members of our society.

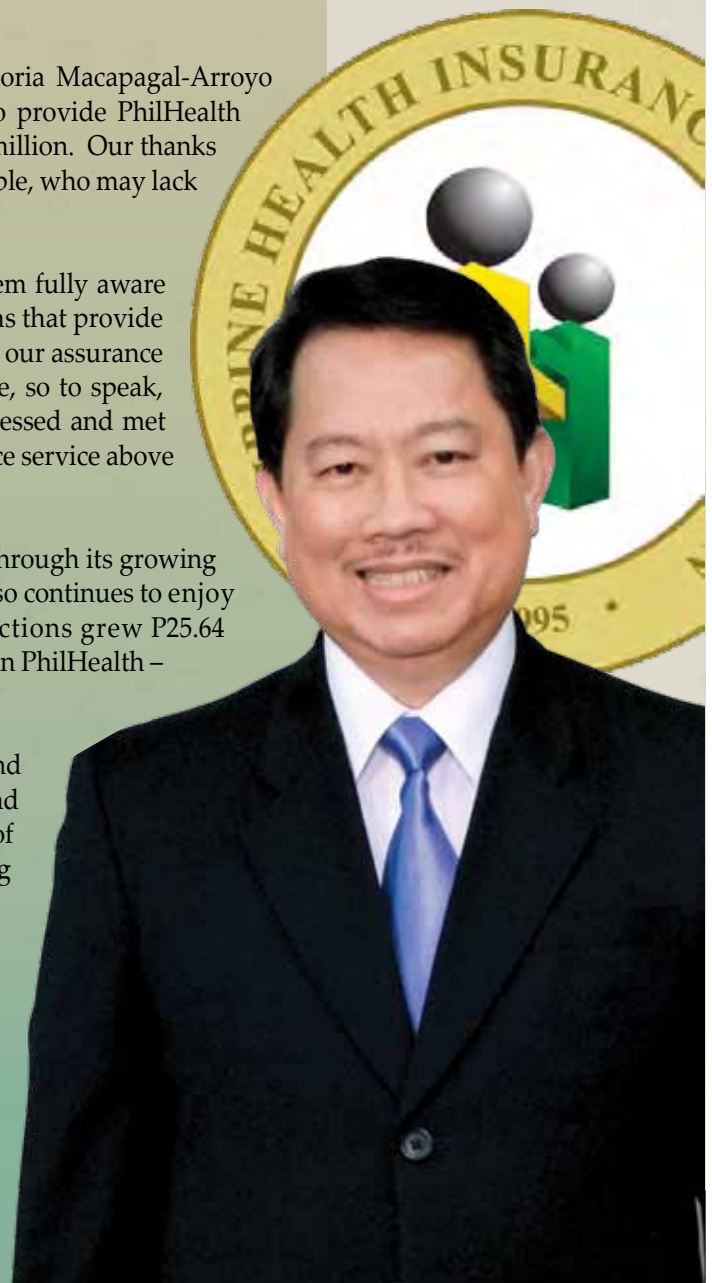
I am happy to report that in early 2009, Her Excellency President Gloria Macapagal-Arroyo allocated the amount of P5 billion to enable local government units to provide PhilHealth insurance coverage to their respective indigent constituents totaling 4.7 million. Our thanks to the President for making such a huge amount available so that our people, who may lack in economic conveniences, would never lack in health care.

Also in 2008, we began efforts at empowering our people in making them fully aware of the benefits due them, tapping mass media through our radio programs that provide answers to frequently asked questions. An informed membership base is our assurance that both those needing hospital care and those providing such care are, so to speak, “reading the same page,” so that patients’ earnest expectations are expressed and met with equal dedication by hospitals and health care professionals who place service above all other considerations.

While it sustains its commitment providing quality health care services through its growing base of partner organizations and individual professionals, PhilHealth also continues to enjoy the support of its members with their contributions. In 2008, collections grew P25.64 billion. The principle of “sharing one another’s burden” is alive and well in PhilHealth – where the healthy support the sick, where the strong support the weak.

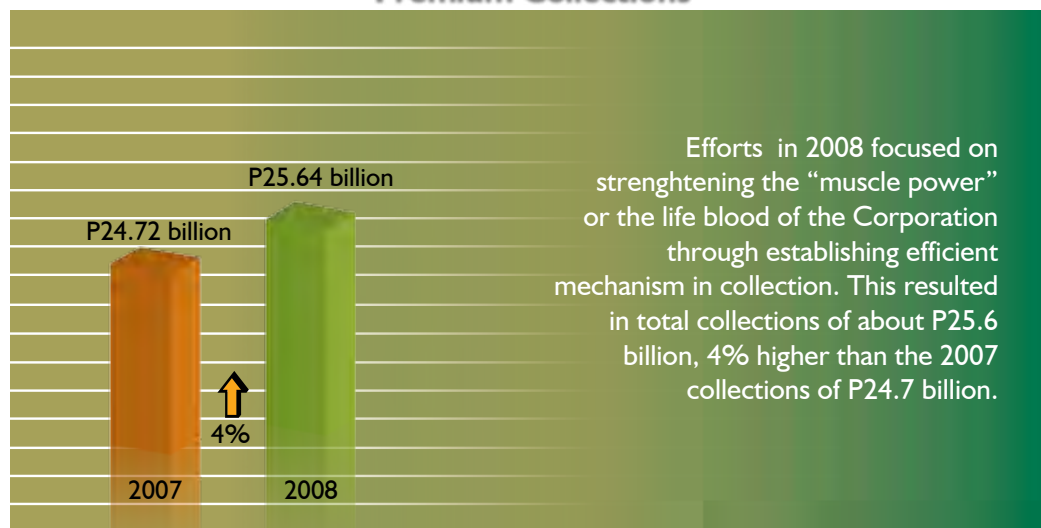
We have set our eyes on our goals in 2009, consolidating our gains and entering new frontiers so that we can fulfill PhilHealth’s mandate. And then move on to empower our people who should have the blessings of health, vitality and vigor which, together, contribute to building a strong foundation for a country aspiring towards prosperity and greatness.

  
**REY B. AQUINO, M.D.**  
*President & CEO*

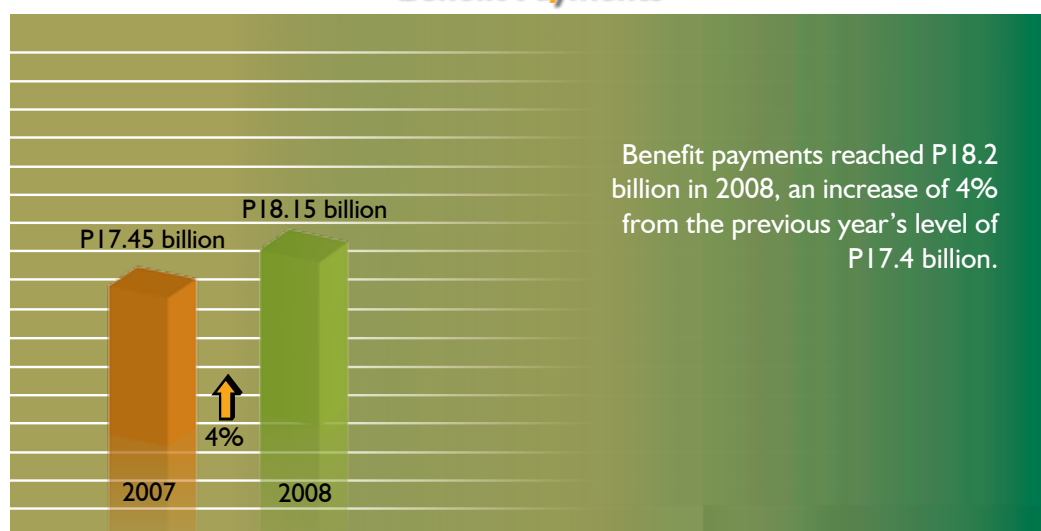


## FINANCIAL HIGHLIGHTS

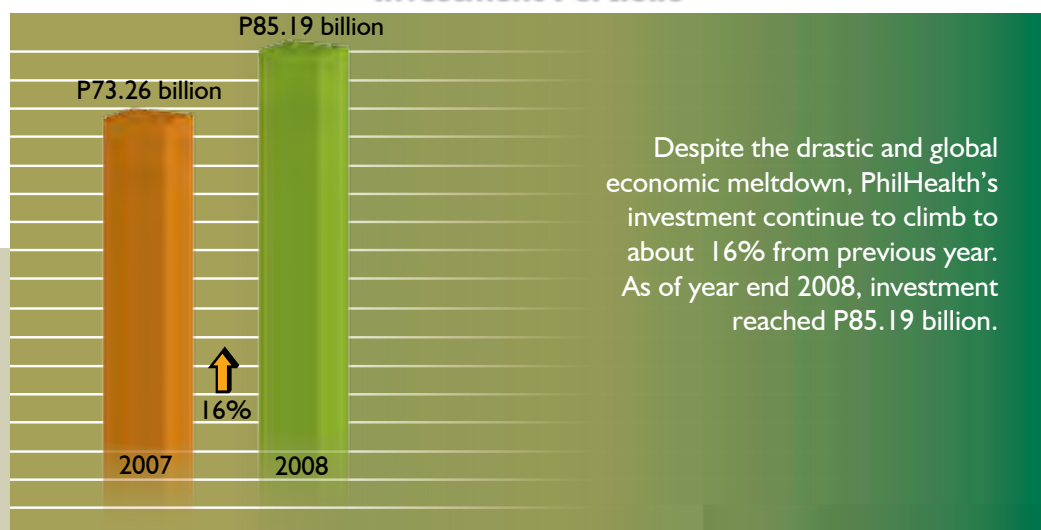
### Premium Collections



### Benefit Payments



### Investment Portfolio





## HIGHLIGHTS OF OPERATIONS

### Membership Coverage

We cover the country for health more than any organization.

PhilHealth concluded the year 2008 achieving 76% coverage of the entire Philippine population. Specifically, PhilHealth covered 68.67 million Filipinos out of a population of 90.41 million. This was culled from PhilHealth's principal membership base of 16.46 million.

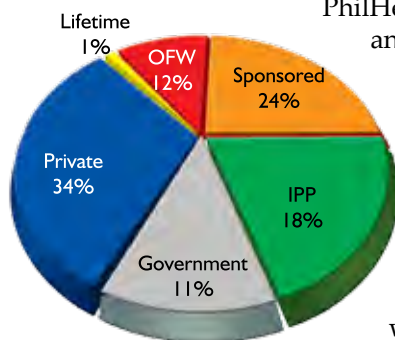
This achievement brings PhilHealth closer to fulfilling its mandate of achieving universal coverage, that is to cover 85% of the country's total Filipino population.

These gains were made from all categories of membership: private, 34%; sponsored, 24%; voluntary/IPP, 18%; overseas workers, 12%; government, 11%; and lifetime members, 1%.

Simultaneous membership campaigns were carried out by PhilHealth offices nationwide – involving 17 regional offices, five branches, 99 service offices and 85 service desks.

### How we achieved our goals

PhilHealth has come much closer to its universal coverage mandate due to the combined efforts in aggressive marketing and in forging partnerships with institutions imbued with like-minded purposes. These twin moves enabled PhilHealth to reach farther into communities that need health and hospital care most – the poor.



Two government agencies -- the Metro Manila Development Authority (MMDA) and the Philippine Charity Sweepstakes Office (PCSO) – helped greatly PhilHealth's efforts to measure and identify urban settlers who needed, and were covered with health insurance, whose premiums were sponsored by PCSO.

Down in the Visayas, through collaboration with the National Confederation of Cooperatives, organized groups such as tricycle operators and drivers became PhilHealth members.

Moreover, the multiplier effect of mass media was effectively tapped to further boost PhilHealth's membership marketing efforts. Two large radio stations, with their huge networks, now air radio programs with vast followers. The "Dear PhilHealth" program aired over DZRH of the Manila Broadcasting Corporation has significantly increased feedback and inquiries, keeping PhilHealth's Marketing teams busy. In November 2008, a new radio program, "PhilHealth Hataw sa Serbisyo" had its inaugural broadcast on DWIZ with PhilHealth President and CEO Dr. Rey B. Aquino on board. The 30-minute program airs every Friday.



### LUKSONG TINIK

Two players sit on the ground and extend and join their hands and feet to form a "spiny" obstacle. By turns, the jumpers leap over as the obstacle "grows" higher as fingers and toes are added, but the jumpers must never touch any part of the human hurdle. When one touches the "spines", another set of players become the tayâ or "it," to sit on the ground and build the spines. As the spines rise, he or she must calculate the height by crouching low and aiming his/her trajectory, before rising and sprinting and gaining momentum. And just before crashing into the spiny human hurdle, the player leaps and is airborne. *Leksong Tinik*. For PhilHealth, it speaks graphically of "raising the bar" of excellence. And in surpassing that standard.

**76%**  
coverage

## Membership Contributions & Collections

Ensuring cash inflow to assure benefit payments.

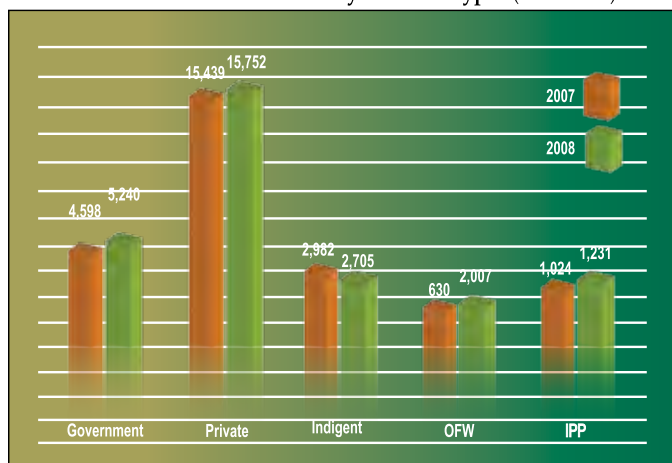
The year 2008 saw membership contributions and collections grow – from P24.67 billion in 2007 to P25.64 billion in 2008, a four percent growth.

The highest contributor to premium collections is the private sector, accounting for P15.75 billion or 61% of total collections. This is followed by the government sector, which remitted P5.24 billion (20% of total). Indigent groups, supported by LGUs, remitted P2.70 billion (11%); Individually-Paying Program members, P1.23 billion (5%), and finally the Overseas Filipino Workers with P713.14 million (3%). Receivables amounted to P2.50 billion as of yearend from different sources.

A steady and growing stream of collections assures PhilHealth of liquidity which, in turn, ensures prompt payment for hospital care and other services given to millions of beneficiaries. PhilHealth's Accredited Collecting Agencies (ACAs) have surely enhanced the corporation's collection effectiveness. These 45 ACAs include 28 commercial banks, with a total of 3,814 branches nationwide; 14 rural banks with 247 branches; Philippine Postal Corporation with 310 branches and two non-bank institutions (I-Remit, Inc. and MLhuillier Phils, Inc.) with 139 branches.

### How we achieved our goals

Premium Collections by Member Type (In Millions)



Never running out of innovative ideas, PhilHealth, in 2008, sought and opened new windows of its collection efforts – which include worldwide giant Citibank, and one of the country's biggest banks, the Bank of the Philippine Islands. Also, MLhuillier's 133 pilot branches and other organized groups have been tapped for better coverage in collection.

For ease in collection, PhilHealth fully implemented the over-the-counter collection system (OTCCS) in all its service offices. To reach far-flung areas in the countryside, the Corporation teamed up with LGUs in collecting premiums. To reduce arrears in premium payments by OFWs, stringent collection measures were adopted. Another effective collection strategy was the mapping of employers which intensified in early 2009.

## Membership Care

Heart of our Business: We're around when needed most.

PhilHealth's existence and value are deeply felt when payment of benefits are made to its millions of members. At the same time, PhilHealth continues to improve its benefits



### PATINTERO

*Patintero* is also called *tubigan*, depending on the venue of the game. On concrete pavements, the *patintero* "court" is drawn with chalks or pieces of brick, or the shards of broken flowerpots. In the barrios, a ground clearing tamped with feet provides the court and, instead of chalks, the rectangular grid is drawn by pouring water (*tubig*) on the dusty ground. Depending on the number of players, the grid may have two to three horizontal lines, which the opposing team will try to cross. The defending team man the middles and corners of the grid and any member of the opposing team tagged by the defending team falls out of the game. When everyone is tagged, the defending team wins and changes places with the opposing team. Both *patintero* and *tubigan* are usually played on moonlit nights, and not just by children but by the swains and maidens of the barrio. Team spirit cued to a strategy will win the day (or night) for the well-coordinated team members. This is true for companies as well— like PhilHealth.

package through its sustained benefits development program that went on high gear in 2008. This required a complete review of the current benefits package, the design of a much improved benefit structure, with an accompanying implementation strategy.

In 2008, a total amount of P18.15 billion were paid out to members. Total payments more than doubled in eight years. In the year 2000, PhilHealth paid out only P6.76 billion to members.

Members who were suffering from pneumonia received the lion's share in benefit payments worth P1.07 billion from 220,075 cases. This was followed by payments for cases of senile cataract amounting to P767 million, and diarrhea amounting to P576.31 million.

The number of accredited facilities increased by three percent, with additional maternity care clinics and Tuberculosis Directly-Observed Short Course Treatment (TB-DOTS) centers. This is in response to the Millennium Development Goals of the health sector, which called for the reduction in the prevalence of tuberculosis and maternal mortality among others.

Also contributing to the efficiency in the delivery of benefits are our PhilHealth accredited professionals, whose ranks have grown to 21,143 in 2008 from 21,019 in 2007. Of these health care professionals, 51% are medical specialists; 47%, general practitioners; 1%, dentists; 1%, midwives.

The largest share of benefit payments went to drugs and medicines (31%) followed by payments to professionals (24%) then x-ray and laboratory charges (21%).

Lifetime members received the highest average benefit payout at P7,160 per claim. Overseas workers and private employees' average claim were P6,970 and P6,400, respectively.

## How we achieved our goals

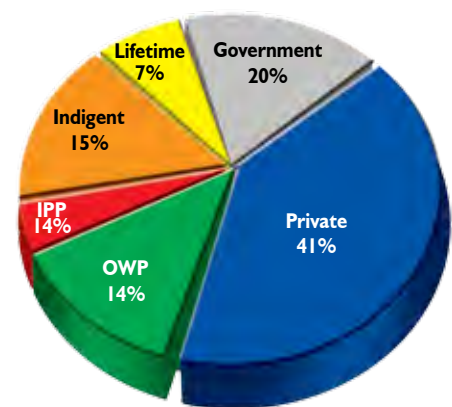
Benefit payments increased largely due to the roll-out in 2007 of the unified benefit scheme with four-case types: Enhancements in Maternity Care with inclusion of the 3rd Normal Spontaneous Delivery; the Newborn Care package; the Expanded and Enhanced Outpatient Benefit Package; and the Voluntary Surgical Procedures package for tubal ligation and vasectomy. In 2008, the 4th Normal Spontaneous Delivery was added.

PhilHealth benefited 2.7 million members and their dependents all over the country. Payouts in 2008 improved by an additional P700 million from P17.45 billion in 2007. The bulk of benefit payments went to the Employed, Individually-paying and Lifetime Members.

Bringing benefits to the members have been initiated by a four-step program launched in 2008, and to be fully implemented by 2010, billed as "Leaping Fourward towards Financial Protection." The program is made up of the following:

- Leap One: Shifting to New Payment Mechanism
- Leap two: Contracting or Preferred Provider Service Agreements
- Leap Three: Investing in Health Care Providers, particularly public ones
- Leap Four: Expanding Outpatient Benefit

Distribution of Amount of Benefit Payments



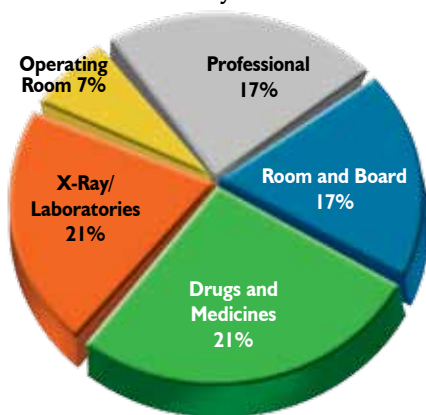
## SUNGKA

One vivid memory of the sungka is the plinking of the pieces as they are dropped into the board holes. The pieces could either be pebbles or shells, and the board, sometimes an exquisite hardwood, has a set of seven shallow holes on each side, and a bigger "head" hole on both ends. Two opponents face each other across the board and they race to fill their head holes first, by taking turns dropping the pieces into the holes. A couple of strategies may be employed for filling one's head hole: one, by speed and accuracy and, two, by use of mental math, the way card sharps mark the occurrence of cards in a game of baccarat. Sungka is a game that makes sure your resources don't run out. Firms, like PhilHealth, make sure their cash flows and other resources are there to fuel operations.





Distribution by Benefit Items:



## Health Care Provider Relations

### PhilHealth: At the Center of the World of Health Care Providers

PhilHealth continuously strengthens its partnership with health care providers through its various advocacy efforts. It has participated in several regional conferences, forums and workshops such as the Patient's Rights and Organizational Ethics of the PhilHealth Benchbook and its implications on hospital administration. In December 2008, PhilHealth President & CEO Dr. Rey B. Aquino was sworn as a National Adviser of the Philippine Hospital Association (PHA).

PhilHealth has forged ties with the Philippine Academy of Ophthalmology (PAO) to help curb fraudulent claims by erring doctors against the National Health Insurance Fund.

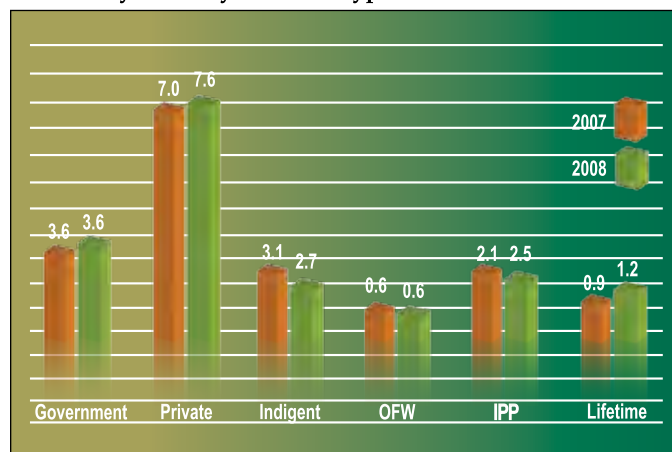
### How we achieved our goals

PhilHealth has sought to hasten the processing time of the accreditation of health care providers by decentralizing accreditation procedures. The 3-in-1 accreditation scheme was also implemented where the three benefits – the Outpatient Benefit Package, the Maternity Care Package and the Tuberculosis Directly-Observed Short Course Treatment (TB-DOTS) -- were appropriately bundled up, so there is no need to apply separately for the accreditation for each of the three packages.

To enhance the accessibility and proximity of health facilities to PhilHealth members, geographical mapping of health care providers was implemented.

Decentralization processes and improved monitoring programs has enhanced access to feedback from the field, and made faster decision-making for quicker response to the needs of members and other stakeholders.

Benefit Payments by Member Type



## Partners

### Forging alliances, sharing triumphs together

In recent years, PhilHealth has continually enjoyed its partnerships with banks, as well as collecting agencies, national and local legislatures and the local government units (LGUs). Banks and accredited collecting agencies have provided accessibility to members when they pay their premiums. Legislators make their influence and offices available to improve collections, and to strengthen the law to curb unethical practice in the health care sector. And local government units (LGUs) are the partners that enable Philhealth to have impact on the poor. At the same time, LGUs serve as windows of collection in far-flung areas.



## PIKO

*Piko* is the local hopscotch. It is a game for girls although boys frequently join the girls in the competition. Played either individually or by teams, *piko* calls for the players to hop on one foot across a figure drawn on the ground. The turns are determined by throwing a piece (*bato*) accurately on a designated *manuhan* or toe line on the drawn figure. Completed turns earn the players a "house" or filled section on the drawn figure. "The steps" get more complicated as sections of the figure are filled with "houses". The team that fills the most sections (depriving the other team of any more turns) wins. *Piko* requires lots of planning and agility, and a strong desire to earn a lot of "houses". For military strategists, *Piko* gives a lesson on establishing beachheads. For firms, like PhilHealth, the same speaks of covering a bigger customer base— for its universal coverage mandate.

PhilHealth's legislator partners in both chambers of Congress also introduced a number of bills in a bid to strengthen the regulatory powers of PhilHealth through the amendment of RA 7875.

These PhilHealth partners also played a big role in facilitating the enrolment of Sponsored Program members. LGUs' and legislators' meetings and forums involving local chief executives have enhanced awareness and understanding and thus resulted in the forging of new alliances with these sectors in great number.

## Financial Performance

### Liquidity Geared to Serve Members

The stewardship of PhilHealth's financial health has remained sound, as shown by its balance sheet strength and the stability of its funds.

Short-term investments more than doubled at P39.20 billion, compared to last year's P18.04 billion. This is due to the change in PhilHealth's portfolio preferring short-term investments.

PhilHealth registered receipts, in the form of premium contributions by members, stood at P 25.64 billion, an increase of P925 million. This, plus increases in interest income and other income, have considerably improved total income revenues by P1.04 billion. Expenses stood at P21.33 billion, an increase of P1.49 billion. Benefit payments reached P18.15 billion, an increase of P706 million. Likewise, operating expenses grew to P3.18 billion. As a demonstration of PhilHealth's efficiency, it was able to chalk up a net margin of P9.85 billion in 2008.

## Information Technology

### Enhancing planning and decision-making.

PhilHealth's major efforts for the year have been geared toward improving internal systems; strengthening the functions of planning and budgeting; enhancing decision-making and evaluation from the field to the head office; expanding its geographic reach for services to members; and speeding up communication with stakeholders. All these moves were aided by 21st century advances in information technology.

Realizing the advantages of automation, PhilHealth has adopted a web-based budget system (PWBS). As mentioned earlier, the Integrated PhilHealth Accreditation System was also introduced to expedite the processing of accreditation applications. Likewise, the geographic mapping of health care providers in the NCR will greatly enhance accessibility and proximity of health facilities for the members. All membership-related systems have also been enhanced including PhilHealth's membership database systems, the PhilHealth Indigent Membership System (PIMS) and the PhilHealth Reengineered Membership Information System (PREMIS). The PIMS and PREMIS are also being integrated for better maintenance and access.

### TUG OF WAR

Tug of war is a popular international game that Filipinos enjoy. Except for descriptive words like *hilaan* or *tumbahan* (pulling or toppling game), there is no native term for "tug of war". Thus it is generally known by its imported name. Still, Filipino children have for so long enjoyed the game since no one can remember, and Filipinos have played it as family teams, boys versus girls, and even as competing corporate departments. Tug-of-war requires combined strength and concerted action to stay in place. Through the ensuing years, there will be attempts to draw firms away from their mission or core business. To change metaphors, only the collective will of the firm's people will keep a firm firmly anchored on the business it does best.





Moreover, to broaden its reach to millions of members, major improvements on the PhilHealth portal ([www.philhealth.gov.ph](http://www.philhealth.gov.ph)) were introduced. “Corporate distance” was reduced, and PhilHealth’s proximity and sense of intimacy with members and other stake-holders have never been better realized than in 2008.

## Organizational Strength and Dynamism

### Re-engineering Progress Empowers Human Capital

At the third quarter of 2008, Dr. Rey B. Aquino took the helm of PhilHealth as President & CEO. Working on the gains achieved by his predecessor, Dr. Aquino set into motion a whole range of new initiatives to enable PhilHealth to fulfill its universal coverage mandate and to be even more responsive to the needs of its millions of members.

A medical doctor and equipped with a wealth of experience in public service as Mayor and then as Congressman, Dr. Aquino, as president of the country’s largest health insurance company, has assumed the vital twin-roles of leader and healer.

### Significant Moves

Immediately following his assumption into the President’s office, Dr. Aquino launched a series of significant moves – notably,

- Fast-track the release of new benefits;
- “One Look, One Image” Policy, which would establish standards for all office signage and identification cards,
- Simplification of processes and forms; and
- Improvement of service delivery geared to exceed customer satisfaction.

### Human Capital

Throughout 2008, alongside a corporate-wide re-engineering process, PhilHealth’s human resources went through a series of training and development activities keyed to enable them, not only to adjust, but to lead in the transition from the old structure to a new one, courtesy of a re-engineered set up.

Investment in “human capital” was one of PhilHealth’s priorities for 2008. Thus, course designs of various empowerment programs were geared to enhancing people’s competencies in the areas of: People Orientation, Accountability, Commitment, Teamwork, Customer Focus, Integrity, and Drive for Excellence.

PhilHealth also strengthened its partnership with the Philippine Health Insurance Corporation Employees Association (PHICEA) by joining hands in conducting “Lingap Barangay.” This is a community service program, which supports the Social Reform Agenda of President Gloria Macapagal-Arroyo.



### SIPA

Children’s *sipa* (Tagalog, *sipà*: to kick) is different from the *sepak takraw* of Southeast Asia, where teams kick a wicker ball across a net, as in volleyball, and the game itself has a slot in the Asian Olympics. The Filipino children’s street *sipa* piece consists of a metal roofing washer (*zapatilla*) wrapped and tasseled with strips of Japanese paper or cellophane. The game can be played by teams or singly and each can take turns kicking the *sipà* across and around the facing players. When an individual or team drops the *sipà*, the other team takes over and it’s their chance to do a *tacada* (long turn). You keep your right to kick the “*zapatilla*,” while the other waits for his turn. Firms, like PhilHealth, make sure they don’t drop out of their corporate mission— otherwise, such mission will go to another organization.

## HIGHLIGHTS OF AREA OF OPERATIONS

### AREA I

Area 1 cruised through 2008 capturing momentous gains. Raising the bar through synchronized efforts ensured accessibility of PhilHealth's services to members.

#### Area I Covers

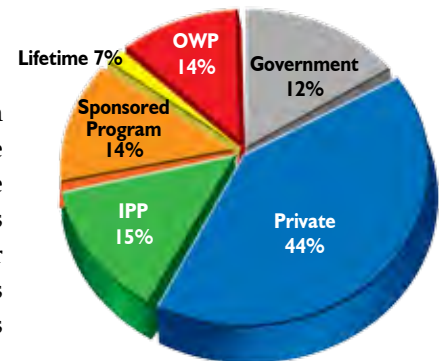
Area I continued to register a large segment of the population with 30 million beneficiaries contributing 44 percent to the total membership coverage nationwide. Nine out of ten Filipinos in Northern Luzon and NCR have social health insurance. More than half are from the employed sector, mostly in NCR where most government offices and private agencies are located. The Individually-Paying Program Members and their dependents comprise about 15 percent of the membership base, while the Overseas Workers and Sponsored Members have an equal share of 14 percent of total beneficiaries for the area.

In order to facilitate enrolment of members, Area I, through its regional offices, embarked on several initiatives to solicit support from LGUs and legislators for the National Health Insurance Program (NHIP), particularly for the Sponsored Program. Region III conducted the first Vice-Governors' Meeting and the first Legislative Forum where Chief Executives from seven provinces, with their Board Members on Health and the Chiefs of Staff of the 21 legislators, were convened.

Area I has broadened its partnership base as it forged new alliances with LGUs in Ilocos Sur, where the Governor, Mayor and

Congressmen from the province signed a Tripartite Agreement for the enrolment of indigents. Memoranda of Agreement with the Provinces of Nueva Vizcaya, Isabela, Pampanga and Zambales were also signed, which facilitated the enlistment of more poor constituents in the area. These were done during the first 100 days of PhilHealth President Dr. Rey B. Aquino. The Province of Nueva Vizcaya, through the leadership of Gov. Luisa Cuaresma, enrolled 12,047 households, while the City of Santiago, Isabela, headed by Mayor Amelita S. Navarro, initiated the enrolment of 11,147 indigent families. The Province of Pampanga had an allotment of P10 million for the enrolment of 21,550

Membership Distribution:  
NCR & North Luzon Area



### AREA I

Area Head Station:  
Pasig City

PhROs: NCR, CAR, I, II & III

5 PhROs, 5 Branches 32  
Service Offices & 49 Service  
Desks

Enrolled 29.97 M PhilHealth  
Beneficiaries (872,782  
indigent families enrolled)

Collections: Php 15.9 B  
Claims: Php 8.3 B

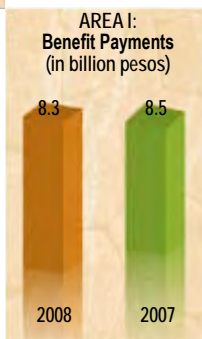
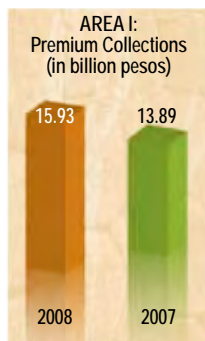
1,210 Accredited Health Care  
Facilities



### HOLEN

*Holen* is the word used for both the marbles and the game itself, which was brought in by the Americans. The word probably comes from the announcement a player must make upon successfully shooting one's marble into one of a series of holes dug on the ground: "Hole in!" Some of the rules have been adopted locally with variations, and may differ by locality. The expressions have been Filipinized like *holen* itself. A losing marble deserves a *tsak* (chuck), while after a series of maneuvers around the series of holes and being chucked in turn, a winning player declares at the end of the holes, *tsak empinis!* (chuck and finish). *Holen* has two lessons for firms: hitting a series of targets, and finishing well. No half-baked jobs or unfinished business.





indigent households, and the Province of Zambales allotted P5.4 million for the registration of 10,222 indigent households.

The Service Office in Rizal (PhRO-NCR) and Service desk in Apayao (PhRO-CAR) started their operations, making PhilHealth more visible and bringing it closer to members.

### Area I Collects

Improved collection was due to efforts of bringing collection windows closer to the members. The area contributed a sizeable portion - 65 percent of the overall total collections - since NCR and PhRO-III are home to large government and private institutions. The establishment of Service Desks in the Municipality of Luna in Apayao Province and several more in Bulacan and Nueva Ecija also contributed to improved collections. Additional service desks also brought the NHIP closer to the people.

### Area I Cares

The Area released more than P8.3 billion in benefit payments to more than 1 million claimants in 2008, representing 44 percent of total payments nationwide. The aggregate amount was of same level as last year's benefit payment.

### Area I Connects

PhilHealth's network in the area has expanded to about a thousand hospitals and non-hospital-based facilities. Strategies aimed at strengthening our ties with partner health care professionals were conducted, such as PhilHealth's dialogue with doctors from Pampanga. This approach contributed to the increase in the roster of accredited professionals to 10,417, almost 50 percent of the total accredited professionals nationwide.

## AREA II

**Area Head Station:**  
Pasig City

**PhROs:** IV-A, IV-B, V, VI,  
VII & VIII

**6 PhROs, 39 Service Offices &  
2 Service Desks**

**Enrolled 23.69 M PhilHealth  
Beneficiaries (1,359,666 poor  
families enrolled)**

**Collections: Php 5.6 B  
Claims: Php 5.6 B**

**1,465 Accredited Health Care  
Facilities**

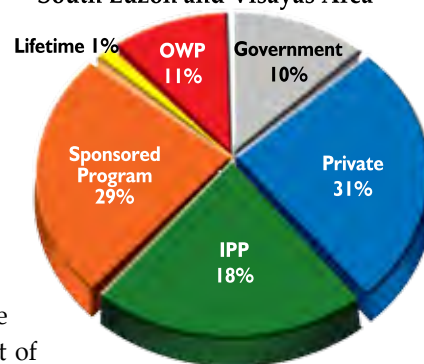
## AREA II

For CY 2008, Area II demonstrated strength with improved operations, closer performance monitoring and other pioneering activities.

### Area II Covers

Membership coverage for the South Luzon and Visayas Area comprised 34 percent of the total PhilHealth membership. In 2008, it enrolled more than half of its population covering about 66 percent of

**Membership Distribution:  
South Luzon and Visayas Area**



## KARERA NG BANGKANG PAPEL

Depending on where one lives, a paper boat race requires either a stream or monsoon rains, and used bond or school pad paper. Most kids are experts in making the paper boats, folded origami-style. In the urban areas, the sidewalk drains filled with the swift currents of the monsoon downpours are the best venues for the race. The finish line is usually before the next turn or the grate-covered manhole. In the rural areas, the races are held on rivers or streams swollen with the season, and a variant of the paper boat would be miniature rafts that boys build out of banana stalks joined with coconut midribs. The thrill comes from having to follow the boats along the sidewalk or the banks of the stream as they speed down the current, topped by the squeals of delight that greet the winning boat. The game simply illustrates the joy of creating something out of ordinary materials and giving it functions that brings delight. To firms, like PhilHealth, there must be easy-to-make innovations that can bring customer delight.



the 35.6 million Filipinos residing in the area. The Employed Sector made up about 41 percent of its membership base, while three out of ten members are from the Sponsored Program sector. Those in the Self-employed Sector comprised about 18 percent of the membership base, while the Overseas Workers Program members contributed 11 percent to the total.

Despite two super typhoons that hit the Bicol region and Central Visayas, the Area intensified mechanisms to increase enrolment in the Individually-Paying Program by forging partnership with the National Confederation of Cooperatives. This resulted to the initial enrolment of 5,000 of its members in Visayas. Not to be outdone, PhRO-IVB enlisted over 225,000 families into the program.

Customer satisfaction is a priority with regional offices in the Area, delivering quality and swift service. The City Government of Puerto Princesa recognized Philhealth's Palawan Service Office as its most outstanding government office. The CSC's Public Service Delivery Audit/Assistance (PASADA) Program awarded PhRO-VIII as "Best in Frontline Service." In addition, the Regional Advisory Council also presented PhRO-VIII the "Best in Website" award for developing a user-friendly web page providing available and accessible information to the general public.

In terms of claims processing, the Tacloban Service Office expedited and maintained claims processing at 30 days, half the prescribed 60 days timeline. Hence, it was presented the "Award for Exemplary Performance" by PhilHealth President and CEO Dr. Rey B. Aquino. Raising customer satisfaction by allowing accessibility to members through the use of technology, PhRO-VII launched Mobile PhilHealth at the Mactan Economic Processing Zone, allowing employees to transact with PhilHealth right at their company doorsteps.

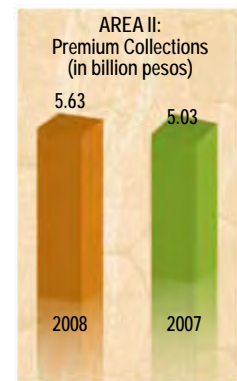
At the Cebu PhilHealth Members' Assistance Center, workdays were extended to Saturdays for basic transactions such as printing of Member Data Record, a document needed by members in reimbursing claims from PhilHealth.

## Area II Collects

For 2008, Area II collected P 5.6 billion, 12 percent more than its 2007 collections.

Despite covering a region that is perennially hit by typhoons, the Area posted an impressive 17 percent collection growth rate. PhRO-V is proud of its efficient service as it was recognized by the CSC in 2007 and consequently garnered recognition by other institutions in CY 2008.

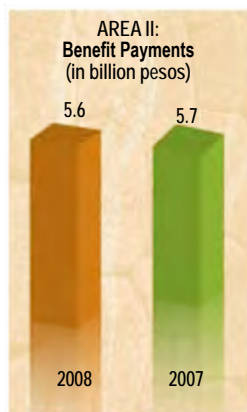
Opening more windows for collection, PhRO-VI initiated the pilot-test for 100 branches of MLhuillier, Inc. in Western Visayas.



## HABULAN

A simple game of tag is what *habulan* or chasing game is, making it the favorite among Filipino children long before anyone could remember. It can be played by teams of *kakampi* and *kalaban* (belonging to or out of one's camp), or individually. The thrill of the chase begins even before the running, in determining the *taya* or "it". As soon as the *taya* is identified, all players break away from the circle and the "it" is left trying to determine who among the other players (who may be taunting or baiting him) is too slow to chase. The game requires energy and speed from both the chaser and the target, and some strategic feints on the part of the "it" so he can tag the unsuspecting player who might think the "it" is going for someone else instead of him. For PhilHealth, *Habulan* speaks of strategy, energy and speed.





## Area II Cares

In 2008, benefit payouts reached P 5.6 billion, reimbursed to about 900,000 claimants. Benefit payments for Area II ranked second to Area I, composed of about one-third of total payments nationwide.

Through PhRO-V's reinforced marketing efforts, the Province of Albay implemented the "Alis Excess" or zero co-pay project. In this endeavor, Sponsored Program members confined in government hospitals need not pay the amount over their PhilHealth benefits.

## Area II Connects

PhilHealth's network of accredited health care facilities in the area included more than 1,000 hospitals, RHUs and Health centers. There are also over 200 TB DOTs centers and around 150 maternity care clinics and dialysis centers providing quality health care to NHIP members.

As part of the major accomplishments of the Office of the First Vice-President, the Area employed and acquired the following: (1) a simplified and rationalized Work and Financial Plan that is user-friendly in monitoring the activities of the PhROs; (2) improved knowledge and skills in procurement for PhRO Bids, and (3) PhRO-4A's improved financial management systems, which was recognized by the Corporation in CY 2007.

## AREA III

**Area Head Station:**  
Cagayan de Oro City

**PhROs:** IX, X, XI, XII, Caraga & ARMM

**6 PhROs, 28 Service Offices & 34 Service Desks**

**Enrolled 15.02 M PhilHealth Beneficiaries (1,031,301 indigent families enrolled)**

**Collections: Php 2.9 B  
Claims: Php 4.3 B**

**1,004 Accredited Health Care Facilities**

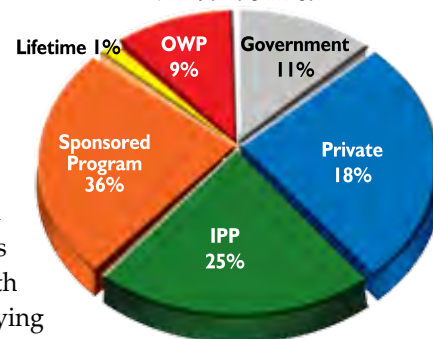
## AREA III

In 2008, Area III coordinated the smooth implementation of the NHIP by periodically assessing the Area, and ensuring that goals and thrusts of the Corporation are understood and met.

## Area III Covers

The Mindanao Group covered about 70 percent of the 21.4 million Filipinos in the area. The Employed sector is 29 percent of its membership base and is slightly exceeded by the Sponsored Program sector with 36 percent of the total membership. Individually-Paying

### Membership Distribution: Mindanao Area



## PABITIN

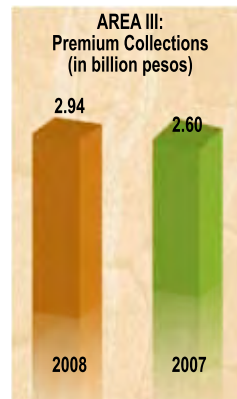
Prizes or goodies, usually toys and candies are wrapped in gaily colored packages, and hung from a lattice. The lattice itself hangs from a rope, which someone uses to lower or raise the lattice as the children try to jump for the goodies. And just when the lattice seems tantalizingly close, it is hoisted up again through the rope. The children squeal with frustration and delight. The tallest or the highest jumper among them must be able to grab not only the goodies but either the lattice itself. When someone succeeds in bringing down the lattice, with good timing, everyone can reach for his own goodies. *Pabitin* for PhilHealth, underscores the value of choosing the right resource and of timing to reach the goal and win the prize.



Program members and their dependents made up of 25 percent of the membership base, while the Overseas Workers Program members contributed 9 percent to the total. With the universal coverage in mind, Regional Vice-Presidents under Area III forged a commitment to reach their target of enrolment.

### Area III Collects

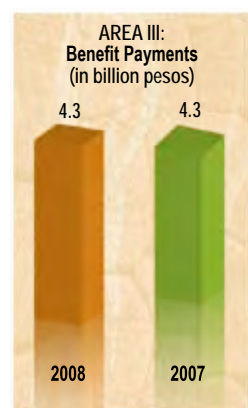
Area III collected a total P2.9 billion, which is P300 million more than its 2007 collections. Strategies to improve collection efficiency among the regions in the Mindanao area, such as the PhilHealth Accounts Monitoring System and the accreditation of local treasurers as collecting agents, were considered additional mechanisms to help reach collection targets.



### Area III Cares

In 2008, benefit payouts reached more than P4 billion, reimbursed to about 800,000 claimants. Benefit payments for Area III were about a quarter of total payments nationwide.

With its commitment to deliver quality service to members, several offices were recognized as having met and even exceeded member satisfaction. The “Award for Exemplary Performance” was given to PhRO-IX’s Dipolog Service Office by PhilHealth President and CEO Dr. Rey B. Aquino, while PhRO-Caraga has been the recipient of CSC’s PASADA (Public Service Delivery Audit) Award for two consecutive years. The President and CEO also cited PhRO-XI’s Digos Service Office as one of the top performing service offices nationwide.



### Area III Connects

There were about 900 accredited health care facilities providing quality health care to NHIP members in Mindanao. Almost 50 percent were hospitals, 30 percent were RHUs and health centers, while the rest are either maternity clinics or TB-DOTs facilities.

Keeping up with the commitment of bringing PhilHealth’s services closer to its members, the Parang Service Office in Shariff Kabunsuan was established and PhRO-ARMM became a fully operational PhilHealth Regional Office in 2008.



*Bolador* for the young Filipino is the symbol of summer and the windy months of March to May. Everyone – the little boy and his big brother, sometimes the whole family – honker down to build a kite or *bolador* (from the Spanish word *volador*, for flyer or something that flies). Kites vary from the simple folded piece of paper (*tsapi-tsapi*) tied with sewing thread, to the bigger *saranggola*, usually made of newspaper pasted on to a coconut midrib framework, and usually with a tail, and the huge *gurion* built with a framework of bamboo and a “body” of Manila paper. Kite flying brings youth and grown-ups to windy hilltops, so kites soar as the wind lifts them heavenwards. However, the kite is controlled by someone below. A mere tug sets it down or up— or veer to one direction. For PhilHealth, kite-flying speaks of controlled growth and expansion. The one in charge has a sure grip of the kite as it soars.

### BOLADOR



## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

### The Board of Directors

Philippine Health Insurance Corporation  
Citystate Centre, Shaw Boulevard Pasig City

The Management of the Philippine Health Insurance Corporation is responsible for the presentation of the annual Financial Statements as of December 31, 2008. The Financial Statements have been prepared in accordance with the generally accepted accounting principles in the Philippines.

The Financial Statements necessarily reflect amounts based on informed judgments and estimates of the expected efforts of current events and transactions with an appropriate coordination to materiality.

In meeting our responsibility for the reliability and timeliness of financial information, PhilHealth Management maintains and relies on a system of accounting and reporting which provides for the necessary controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.



**VAL S. VALILA, CPA**  
*Senior Vice-President  
Fund Management Sector*



**REY B. AQUINO, M.D.**  
*President and CEO*

# BALANCE SHEET

As of December 31, 2008 (In Philippine Peso)

	Note	2008 ( Final )	2007 ( as restated )	Increase / (Decrease) Current vs Prior Year
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	3	8,745,501,647	14,685,772,900	(5,940,271,253)
Short - term Investments	4	39,195,197,465	18,038,635,214	21,156,562,251
Receivables-net	5	2,504,834,871	2,856,923,928	(352,089,057)
Inventories	6	40,743,641	40,361,369	382,272
Intangible Asset ( Note 7 )		0	0	0
Intangible Assets - net	7	25,099,886	25,105,061	(5,175)
Other current assets		0	0	0
Total Current Assets		50,511,377,510	35,646,798,472	14,864,579,038
Investments and Plant, Property & Equipment				
Investments - net	8	38,240,935,559	41,878,461,560	(3,637,526,001)
Plant, Property & Equipment - net	9	793,373,620	749,724,332	43,649,288
Total Investments and Plant, Property & Equipment		39,034,309,179	42,628,185,892	(3,593,876,713)
Miscellaneous and Other Assets				
Miscellaneous Assets and Deferred Charges	10	63,365,529	41,731,412	21,634,117
Other Assets - net	11	507,435,082	657,349,379	(149,914,297)
Total Miscellaneous and Other Assets		570,800,611	699,080,791	(128,280,181)
<b>TOTAL ASSETS</b>		<b>90,116,487,300</b>	<b>78,974,065,155</b>	<b>11,142,422,145</b>
<b>LIABILITIES AND EQUITY</b>				
Liabilities				
Payables	12	9,702,943,816	7,382,234,327	2,320,709,489
Trust Liabilities	13	335,735,231	256,330,353	79,404,878
Other Deferred Credits	14	11,540,152	21,191,394	(9,651,242)
Total Liabilities		10,050,219,199	7,659,756,074	2,390,463,125
Equity	16, 17 & 18	80,066,268,101	71,314,309,081	8,751,959,020
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>90,116,487,300</b>	<b>78,974,065,155</b>	<b>11,142,422,145</b>

## STATEMENT OF INCOME For the Year Ended December 31, 2008 (In Philippine Peso)

	Note/Sch.	2008 ( Final )	2007 ( as restated )	Increase/(Decrease) Current vs Prior Year
<b>INCOME</b>	Sch. I			
Premium Contributions		25,641,201,781	24,715,971,600	925,230,181
Interest Income		5,507,435,635	5,396,084,517	111,351,118
Other Income		30,159,044	23,581,048	6,577,996
Total Income		31,178,796,460	30,135,637,165	1,043,159,295
<b>EXPENSES</b>	Sch. II			
Benefit Payments	15	18,154,745,136	17,447,808,062	706,937,074
Operating Expenses	15	3,176,751,096	2,390,497,120	786,253,976
Total Expenses		21,331,496,232	19,838,305,182	1,493,191,050
<b>NET MARGIN</b>	18	<b>9,847,300,228</b>	<b>10,297,331,983</b>	<b>(450,031,755)</b>

## DETAILED STATEMENT OF INCOME For the Year Ended December 31, 2008 (In Philippine Peso)

	2008 ( Final )	2007 as restated )	Increase / (Decrease) Current vs Prior Year
Premium Contributions			
Members' Contributions	22,936,599,311	21,733,915,978	1,202,683,332
NG/LGU Counterpart for Indigent Program	2,704,602,470	2,982,055,622	(277,453,152)
<b>TOTAL PREMIUM CONTRIBUTIONS</b>	<b>25,641,201,781</b>	<b>24,715,971,600</b>	<b>925,230,181</b>
Less: Benefit Payments	18,154,745,136	17,447,808,062	706,937,074
<b>GROSS MARGIN FROM OPERATIONS</b>	<b>7,486,456,645</b>	<b>7,268,163,538</b>	<b>218,293,107</b>
Less: Operational Expenses			
Personal Services	2,080,010,979	1,188,816,920	891,194,059
Maintenance & Other Operating Expenses	1,096,740,117	1,201,680,200	(104,940,083)
Total Operational Expenses	<b>3,176,751,096</b>	<b>2,390,497,120</b>	<b>786,253,976</b>
<b>NET OPERATING INCOME</b>	<b>4,309,705,549</b>	<b>4,877,666,418</b>	<b>(567,960,869)</b>
Add: Interest Income			
Treasury Bonds	3,805,197,089	3,816,184,357	(10,987,268)
Treasury Bills	1,280,961,065	1,027,393,638	253,567,427
Time Deposits / SSDs	411,335,224	539,493,286	(128,158,062)
Savings & Current Deposits	9,942,257	13,013,236	(3,070,979)
Total Interest Income	5,507,435,635	5,396,084,517	111,351,118
Add: Other Income			
Accreditation Fees	16,236,539	18,033,101	(1,796,562)
Gain(Loss) on Foreign Exchange (Forex)	289,769	(234,292)	524,061
Gain(Loss) on Disposal of Assets	76,008	31,900	44,108
Fines & Penalties	4,339,308	759,585	3,579,723
Income from Grants & Donations	4,187,848	165,500	4,022,348
Rent Income	1,629,213	2,033,684	(404,471)
Dividend Income	1,948,555	1,770,827	177,728
Miscellaneous Income	1,451,804	1,020,743	431,061
Total Other Income	30,159,044	23,581,048	6,577,996
<b>NET MARGIN</b>	<b>9,847,300,228</b>	<b>10,297,331,983</b>	<b>(450,031,755)</b>
<b>TOTAL INCOME</b>	<b>31,178,796,460</b>	<b>30,135,637,165</b>	<b>1,043,159,295</b>

## STATEMENT OF CHANGES IN EQUITY For the Year Ended December 31, 2008 (In Philippine Peso)

	Note	2008 ( Final )	2007 ( as restated )	Increase / (Decrease) Current vs Prior Year
<b>NHIP EQUITY</b>				
<b>RESERVE FUND</b>				
	16			
Balance at the Beginning of the Year			57,465,000,000	35,287,000,000
Prior Year's Adjustments		0	29,557,070.38	
Net Income for the Period		9,847,300,228	10,297,331,983	
Contingent Capital		1,457,863	1,457,863	
Net Unrealized Gain(Loss) from Long-Term Investments		(19,601,157)	24,197,605	
Adjustments in Reserve Fund for CY 2008		(16,729,116,684)	11,825,455,478	
<b>TOTAL RESERVE FUND</b>		<b>50,565,040,250</b>	<b>57,465,000,000</b>	<b>(6,899,959,750)</b>
<b>PROGRAMMED EXPENDITURES</b>	18	<b>29,501,227,851</b>	<b>13,849,309,081</b>	<b>15,651,918,770</b>
<b>TOTAL EQUITY</b>		<b>80,066,268,101</b>	<b>71,314,309,081</b>	<b>8,751,959,020</b>

## CASH FLOW STATEMENT For the Year Ended December 31, 2008 (In Philippine Peso)

(With Comparative Figures for 2007)

	Note	2008 ( Final )	2007 ( as restated )	Increase / (Decrease) Current vs Prior Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Members' Contributions		24,918,330,780	21,353,013,285	3,565,317,495
Counterpart - Other NGAs		1,480,156,805	3,623,600,000	(2,143,443,195)
Counterpart - LGUs		533,681,584	896,559,418	(362,877,834)
Receipts from GOCCs		180,000,000	189,495,429	(9,495,429)
Accreditation Fees received from Health Care Providers		11,603,903	29,696,527	(18,092,624)
Cash received from various Operating Activities		19,739,485	25,944,671	(6,205,186)
Cash received in trust		56,257,875	107,373,671	(51,115,796)
Benefit Payments	15	(15,384,086,416)	(18,439,038,780)	3,054,952,364
Cash received for OWWA Benefit Claims ( backlog )		95,411,290	0	95,411,290
MOOE/Personal Services/Supplies and Materials paid	15	(3,133,532,434)	(2,325,311,975)	(808,220,459)
Payment of Miscellaneous Assets and Deferred Charges		(21,634,117)	(11,119,077)	(10,515,040)
Income from Grants and Donations		0	165,500	(165,500)
<b>Net Cash Provided (Used in) by Operating Activities</b>		<b>8,755,928,755</b>	<b>5,450,378,669</b>	<b>3,305,550,086</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Matured Bonds		(6,124,726,282)	(18,650,337,179)	12,525,610,897
Interest received on Investments		5,088,147,063	5,630,972,817	(542,825,754)
Short-term Investments		(13,562,426,050)	13,771,299,545	(27,333,725,595)
Payment of Equipment purchased		(98,899,960)	(66,816,021)	(32,083,939)
Rent collected		1,629,213	2,033,684	(404,471)
Gain (Loss) on Disposal of Assets		76,008	31,900	44,108
<b>Net Cash Provided (Used in) by Investing Activities</b>		<b>(14,696,200,008)</b>	<b>687,184,746</b>	<b>(15,383,384,754)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(5,940,271,253)</b>	<b>6,137,563,415</b>	<b>(12,077,834,668)</b>
<b>CASH AND CASH EQUIVALENTS at the Beginning of Year</b>		<b>14,685,772,900</b>	<b>8,548,209,485</b>	<b>6,137,563,415</b>
<b>CASH AND CASH EQUIVALENTS as of December 31, 2008</b>		<b>8,745,501,647</b>	<b>14,685,772,900</b>	<b>(5,940,271,253)</b>



## NOTES TO FINANCIAL STATEMENTS

(December 31, 2008)

### 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. 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 same law created the Philippine Health Insurance Corporation (PhilHealth) as 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, Barangay Oranbo, Shaw Blvd., Pasig City.

The Corporation is governed by a Board of Directors composed of thirteen (13) members who has the following powers and functions: 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 consists of contributions 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 seventeen (17) PROs while the benefit payments of PRO-ARMM are still being processed in PRO-X.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 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 the calendar year and uses commercial accounting.

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

- a. Estimates and judgements 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 and computed by dividing the total amount of benefit payment for the month by the total number of claims processed for the same period. The average amount per claim varies geographically.
- c. The amount being set-up for the accrued NHIP premium remittance from 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 2nd half of the previous month.
- d. The economic life of every property and equipment is depreciated using the straight-line method with 10% residual value based on COA Circular 2002 – 002.
- e. The General Appropriations Act provides for an annual ceiling for the National Government (NG) counterpart for the Indigent Program.

The Corporation is continually 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 will be 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 were 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 transactions

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

## 2.4 Cash and cash equivalents

For 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 31 January 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

and 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 Plant, Property and Equipment

In accordance with COA Resolution no. 2006-006 dated January 31, 2006, Plant, Property and Equipment (PPE) includes non-current assets held for use in operation and are expected to be used for more than one year. PPE 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 PPE which result in increased future economic benefits or service potential have been added to its carrying amount. Subsequent to initial recognition as an asset, PPE 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 counterpart from local government units (LGUs) is recorded based on the report submitted by the PRO – Membership & Collection 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.

### 3. CASH AND CASH EQUIVALENTS

This account consists of:	2008	2007
Collecting officers (Schedule 1)	206,746,249	485,004,928
Disbursing officers (Schedule 2)	2,030,314	484,143
Petty cash funds (Schedule 3)	377,486	132,183
Cash in Bank	784,456,108	861,173,533
Special saving deposits	7,751,891,490	13,338,978,113
	<b>8,745,501,647</b>	<b>14,685,772,900</b>

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-Kapitolito Branch Dollar Account No. 0674-0010-29 of which 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:

	2008	2007
Treasury bills	19,719,348,266	13,296,078,858
Treasury bonds	19,475,849,199	4,742,556,356
	<b>39,195,197,465</b>	<b>18,038,635,214</b>

These are treasury bills which are placed between 90 to 364 days.

### 5. RECEIVABLES

This account consists of:

	2008	2007
Due from Collecting Bank - NHIP Premiums	44,070,308	990,526,640
Advances to Officers & Employees (Schedule 4)	1,520,714	627,757
Accrued Interest Receivable - Investment	2,395,144,826	1,649,518,261
Due from National Government Agencies	0	8,171,710
Due from GOCCs	301,933	30,301,933
Due from LGUs	56,735,182	30,019,556
Due from Other Funds - OWWA	0	95,411,290
Disallowances	1,114	1,114
Other receivables	7,176,420	52,461,293
Total	2,504,950,496	2,857,039,553
Add (Less): Allowance for Doubtful Accounts	(115,626)	(115,626)
	<b>2,504,834,871</b>	<b>2,856,923,928</b>

5.1 Due from Collecting Banks account represents NHIP premium collections of accredited collecting agents (ACAs) for the 2nd half of December 2008 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 Indigent Program for CY 2007 has zero balance due to the Corporation's current policy as stated in 2.8 of this Notes. General Appropriation 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. The balance amounting to P1.5 billion was not fully utilized due to GAA special provision that said amount is allotted for new enrollees effective July 2007.

Further, GAA for CY 2008 also provides P3.5 billion subsidies, but the Corporation has received & collected SARO with corresponding NCA amounting to P1,401,452,895.00. Details of the account are as follows:

SARO # with NCA Received	Date of SARO	Amount of SARO	Releases	
			Amount	Date
D-08-06787	9/19/2008	576,771,096	576,771,096	10/17/2008
D-08-07778	10/2/2008	824,681,799	424,681,799	10/17/2008
			400,000,000	11/4/2008
		<b>1,401,452,895</b>	<b>1,401,452,895</b>	-

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 estimated 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 #004, s. 2000, #16 s. 2001, #22 s. 2003, #015 s. 2005.

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

The account title Due from Home Guaranty Corporation (HGC) amounting to P301,932.73 represents 1 month and 8 days interest (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 premium counterpart for the Indigent Program:

PROs	2008	2007
CAR	491,756	329,239
I	27,062,375	-
II	7,099,005	791,651
III	11,803,452	5,059,975
IV-A	-	4,609,582
IV-B	2,923,491	5,599,628
V	1,250,349	-
VI	33,077	9,069,497
VIII	6,049,402	1,192,030
Caraga	22,275	3,367,954
	<b>56,735,182</b>	<b>30,019,556</b>

5.7 Due from Other Funds - OWWA amounting to P94,894,105.20 were collected last January 23, 2008. This amount represents receivable from OWWA for the benefit claims filed before March 1, 2005 at the OWWA office which were turned-over and paid by PhilHealth.

5.8 Other Receivables include fund releases to DOH - National Center for Health Facility Development for the project entitled "Global Budget for Out-Patient-Benefit Package for OWP" for the period July – December 2007 as per PhilHealth Board Resolution No. 992, s. 2007, advance payment to various Health Providers thru Debit-Credit System (DCS) to address accumulated backlog in claim processing in some PROs, balances of personal call of PhilHealth officers and employees, and receivables from the Motor Vehicle Loan Program. Details of the account are as follows:

Nature of Receivable	2008	2007
Global budget for OPB	6,000,000	6,000,000
Motor vehicle loan	-	1,468
Personal calls	203,069	278,617
Other receivables	973,351	46,181,208
	<b>7,176,420</b>	<b>52,461,293</b>

## 6. INVENTORIES

The account consists of supplies and materials amounting to P40,743,641 and P40,361,369 for CYs 2008 and 2007, respectively.

## 7. INTANGIBLE ASSETS

This represents cost of various software application / programs purchased by the Corporation amounting to P25,099,886 net of amortization.

## 8. 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.

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

	2008	2007
Investment in shares of stocks (at cost)		
Meralco Common - A1	132,906,650	132,906,650
Add: Unrealized income from increase in value	-	24,197,605
Less: Allowance for decline in value	19,601,157	-
Net book value	113,305,493	157,104,255
PLDT - Subscriber Investment Plan	613,500	613,500
Investment in Treasury Bonds	37,713,170,761	41,306,898,000
Investment in Real Property	413,845,805	413,845,805
	<b>38,240,935,559</b>	<b>41,878,461,560</b>



8.2 The investments represent the following:

- a. The P132,906,650 is the transfer cost of 1,442,648 Meralco Common-A shares of stock with P10 par value from GSIS.
- b. After the two times declaration of stock dividends, the total Meralco Common-A shares increased to 1,904,294 shares.
- c. On December 31, 2008, the fair market value of the Meralco Common-A was P59.50 per share based on the letter of Meralco dated 16 January 2009, resulting to P19.6 million unrealized loss.
- d. 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.
- e. Treasury bonds (net of amortization) with more than one (1) year maturity period are broken down as follows:

	2008	2007
Pag-Ibig housing bonds	39,560,000	39,560,000
Retail T-bonds	5,594,400,000	4,867,500,000
3-year T-bonds ( 7 certificates)	680,914,381	7,599,155,723
4-year T-bonds ( 7 certificates)	-	19,743,882,773
5-year T-bonds (24 certificates)	31,111,229,168	8,768,730,850
7-year T-bonds (4 certificates)	287,067,212	288,068,656
	<b>37,713,170,761</b>	<b>41,306,898,000</b>

8.3 Straight-line method of amortization was used to amortize the bond premium and bond discount over the remaining life of the bond.

8.4 The investing activities of the Corporation were carried out only in the Head Office to maximize the opportunity for high yield interest bearing instruments.

8.5 Global-City property 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 CAL-FIL Appraisal and Management, Inc, the subject property has a fair market value of P120,000 per square meter, or about P522,600,000 as of March 11, 2008. This account was reclassified as Investment in Real Property instead of Plant, Property and Equipment .

## 9. PLANT, PROPERTY AND EQUIPMENT – NET

This account consists of:

Particulars	Land and Land Improvements	Building & Structure / Leasehold Improvements	Furniture & Fixtures Equipment & Books	Total
<b>Cost</b>				
January 01, 2008	453,362,899	45,185,847	637,396,610	1,135,945,356
Additions (Deductions)	4,221,184	10,563,399	79,238,712	94,023,295
Adjustments	-	227,323	4,351,750	4,579,073
December 31, 2008	457,584,083	55,976,569	720,987,072	1,234,547,724
<b>Accumulated Depreciation</b>				
January 01, 2008	119,133	8,206,312	375,712,546	384,037,991
Depreciations for the Year	72,913	2,316,808	64,972,780	67,362,501
Adjustments	-	727,726	(10,954,114)	(10,226,388)
December 31, 2008	192,046	11,250,846	429,731,212	441,174,104
Net Book Value	457,392,037	44,725,723	291,255,860	793,373,620
<b>Net Book Value</b>				
Dec. 31, 2007				
as Restated	453,243,766	36,272,147	260,208,419	749,724,332

Included under Land and Buildings accounts are the following:

9.1 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% had 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. The latest update from BSP Asset Management Department Director's letter dated 28 November 2007 that the Metropolitan Trial Court – Branch 33 of Quezon City in his Court Order dated 3 August 2007, dismissed without prejudice the case filed. BSP are awaiting the final and executory court order so they can initiate cancellation of lis pendens annotated on TCT No.N-257877. The Head Office of PhilHealth shall be constructed in this lot.

9.2 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 P1,629,212.95.



A donated 1,831 sq. m. lot including Improvements at the Regional Government Center ( RGC ), San Fernando, Pampanga through a MOA executed by and between the Regional Development Council III and the Philhealth has a fair market value as of April 13, 2007 in the amount of P8,427,000.00 per appraisal report of eValue Phils. Inc., a Professional Property Consultants & Valuers.

- 9.3 A donated 2,897 sq. m. lot at the Regional Government Center (RGC), Tuguegarao City through a 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 P4,056,000.00 per appraisal report of eValue Phils. Inc., a professional property consultants & valuers. ( 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. )

#### 10. MISCELLANEOUS ASSETS AND DEFERRED CHARGES

	2008	2007
Prepayments	34,915,232	16,705,845
Guaranty deposit	28,450,297	25,025,567
	<b>63,365,529</b>	<b>41,731,412</b>

- 10.1 Prepayments include authorized payments made for the purchase of goods from the Procurement Service of DBM, insurance of motor vehicles and liability insurance for the officers of the Corporation procured from GSIS.

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

#### 11. OTHER ASSETS – LONG-TERM RECEIVABLE

This account consists of long-term receivables in the net amount of 507,435,082

	2008	2007
Long-term Receivable		
DBM ( transfer of NHIP Program from		
GSIS to PHIC)	564,111,090	564,111,090
PCSO (Enhanced GMA Program)	505,000,000	655,000,000
PDIC (per MB Reso. 459 dated 4/7/5)	327,103	327,103
Officer & Employees per COA	1,456,749	1,456,749
PMCC Off. & Staff (before transition)	2,491,854	2,491,854
PROs (from various Health Providers-DCS)	651,230	565,527
<b>Gross Long-Term Receivable</b>	<b>1,074,038,026</b>	<b>1,223,952,323</b>

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
	566,602,944	566,602,944
<b>Net Amount</b>	<b>507,435,082</b>	<b>657,349,379</b>

- 11.1 Long Term Receivable from Department of Budget and Management (DBM) representing Medicare Premium contributions from various government offices amounting to P564,111,090 were transferred to PhilHealth by the GSIS under MOA signed on May 23, 2001 between DBM, GSIS & 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.

	2008	2007
Long-term receivable from DBM		
(program fund transferred from GSIS to PHIC in 1997)		
Various Local Government Units	408,875,850	408,875,850
DBM Surcharges	155,235,240	155,235,240
	564,111,090	564,111,090
Less: Allowance for doubtful account	564,111,090	564,111,090
	-	-

- 11.2 Long Term Receivable from the Philippine Charity Sweepstakes Office ( PCSO ) amounting to P505 million 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 P1.5 billion. Further, PCSO Board Resolution Nos. 180 s. 2003 and 718 s. 2004 provided an aggregate amount of P1.5 B allocation for the said project.

In Phase I of PCSO-GMA Program, the Corporation has an outstanding receivable from PCSO in the amount of P26,349,243.36 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.

	2008	2007
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	90,000,000
CY 2008	180,000,000	N/A
<b>Total Collections</b>	<b>995,000,000</b>	<b>785,000,000</b>
Total Balance	505,000,000	715,000,000
Less: Current Account Receivable	-	60,000,000
	<b>505,000,000</b>	<b>655,000,000</b>

11.3 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 P 327,103.25 was also reclassified as Other Asset Account due to non-assurance of collection within one year. Latest information from PDIC per letter dated November 28, 2008 stated that the finalization of updated Final Project of Distribution (FPOD) was held in abeyance by PDIC-Legal Department due to some alleged legal issues that are not yet resolved. Philhealth shall be promptly notified of any action taken by the Liquidation Court on the recommended Final Project of Distribution (FPOD) for Hermosa Savings and Loan Bank, Inc.

11.4 Disallowances amounting to P1,456,748.97 (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.

11.5 Receivables from former officers and staff of Philippine Medical Care Commission (PMCC) amounting to P2,491,854.43 are being considered as bad debts due to non-payment despite demands made by the Corporation. The request for write-off on a case to case basis will be submitted to the resident COA Auditor.

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.

11.6 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 P 2,491,854.43. 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) and National Government for surcharges due to late remittance of the employer counterpart of the premium contribution in the amount of P564,111,090.04. 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

## 12. PAYABLES

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

	2008	2007
Personal Services	14,963,850	14,438,711
MOOE	109,106,986	105,630,053
Capital outlay	248,858,108	229,977,030
Benefit claims	805,919,287	349,255,220
Accrued benefit claims	3,082,033,914	2,292,414,088
IBNR	5,442,061,671	4,390,519,225
	<b>9,702,943,816</b>	<b>7,382,234,327</b>

12.1 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.

12.2 Due to Members – Benefit Claims are payables representing the benefit payment checks still in the position of the Corporation at the end of the period. Included in this amount are the return-to-sender (RTS) and stale checks.

12.3 Accrued Benefit 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.

The recognition of claims incurred but not yet received (IBNR) per actuarial estimate has significantly increased the amount of Payables account.

### 13. TRUST LIABILITIES

This account consists of:

	2008	2007
Inter-agency payables	147,709,725	115,583,722
Trust liabilities -		
OWWA	-	-
UNFPA Project	258,486	211,466
WHO Project # 1	304,922	465,422
WHO Project # 2	126,320	535,399
WHO Project # 3	1,720	501,108
WHO Project # 4	1,653	342,500
UMID Project	88,679,274	88,755,628

Refund from UST	34,436,197	4,000,000
Refund from Other Service Provider	17,945,798	-
AHP - Protest Bond	320,000	110,000
Donation	18,329,906	20,017,648
Performance/Bidders Bond Payable	12,056,724	9,642,490
Other payables	15,564,506	16,164,970
	<b>335,735,231</b>	<b>256,330,353</b>

13.1 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.

13.2 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	661,284
Fund Balance as of this Report	304,922

#### 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	581,422
Fund Balance as of this Report	126,320

#### 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	695,780
Fund Balance as of this Report	1,720

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	340,847
Fund Balance as of this Report	1,653

13.3 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.

PHIC-UNFPA Project	Amount
Total Releases from May 2005 to Present	2,411,968
Less: Expenses Incurred as of this Report	2,153,483
Fund Balance as of this Report	258,486

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

Trust Liabilities - Donations	2008	2007
Westmont Investment Corp.	11,666,555	11,917,008
Strategies & Alliance Corp.	6,321,618	6,103,237
All Asia Capital & Trust Corp.	10,599	233,909
First Metro Investment Corp.	3,813	1,378,813
BF General Insurance Corp.	51,425	51,425
Donation received by PRO's	275,896	333,256
	<b>18,329,906</b>	<b>20,017,648</b>

The donations were made to finance specific projects like:

- Assistance to the projects of charitable or socio-civic organizations. (All Asia Capital & Trust Corporation).
- Research and development and other studies including P3.50 million ex-gratia fund. (Strategies & Alliance Corporation).
- Prevention of fraud and such other irregularities against the NHIF and for such other allied undertakings. (Westmont Investment Corporation).
- Used for ex-gratia Medicare claims reimbursement and other appropriate activities to attain the NHIP objectives. (BF General Insurance Corporation).

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.

#### 14. OTHER DEFERRED CREDITS

Other deferred credits are unearned accreditation fees amounting to P11,540,152 and 21,191,394 in CYs 2008 and 2007, respectively, of medical service providers with validity period of three years.

#### 15. EXPENSES

The amount of P21,331,496,232 (Schedule 2) represents the expenses incurred by the Corporation as of December 31, 2008 broken down as follows:

OFFICE	"OPERATING EXPENSES"	"BENEFIT PAYMENTS"	TOTAL
Head Office	1,664,959,798	84,893,593	1,749,853,391
NCR	153,583,754	5,126,883,938	5,280,467,692
PRO-CAR	65,646,614	338,081,882	403,728,496
PRO-I	91,831,968	915,744,653	1,007,576,621
PRO-II	67,705,489	365,166,002	432,871,491
PRO-III	145,133,476	1,458,981,099	1,604,114,575
PRO-IVA	101,434,596	1,097,836,583	1,199,271,179
PRO-IVB	81,700,039	997,607,770	1,079,307,809
PRO-V	75,502,263	677,692,994	753,195,257
PRO-VI	96,497,624	1,383,200,939	1,479,698,563
PRO-VII	96,680,180	1,109,796,893	1,206,477,073
PRO-VIII	71,444,602	324,521,446	395,966,048
PRO-IX	64,889,734	428,654,956	493,544,690
PRO-X	107,567,763	1,387,544,215	1,495,111,978
PRO-XI	103,358,139	1,223,181,197	1,326,539,336
PRO-XII	88,739,608	959,742,251	1,048,481,859
PRO-CARAGA	66,592,662	257,849,400	324,442,062
PRO-ARMM	33,482,787	17,365,325	50,848,112
<b>TOTAL</b>	<b>3,176,751,096</b>	<b>18,154,745,136</b>	<b>21,331,496,232</b>

Benefit Payments in Head Office are for OWP processed by Special Program Department.

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

The Corporation recorded accrued claims filed & IBNR at the end of the period in the amount of P 8.5 Billion

## 16. RESERVE FUND

Reserve Fund is a portion of the Corporation's accumulated revenues not needed to meet the cost of the current year's programmed expenditures as provided for in Section 27 of RA 7875, as amended, in the amount of P50,565,040,250 for CY 2008 as computed by the Office of Actuary. The Reserve Fund should not exceed the reserve ceiling of P68.71 billion which is equivalent to the amount actuarially estimated for two years' projected Program expenditures.

	2008	2007
Balance at the Beginning of Year	57,465,000,000	35,287,000,000
Prior Year's Adjustments ( 2006 )	-	29,557,070
Net Income for the Period	9,847,300,228	8,299,810,283
Prior Year's Adjustments ( 2007 )	-	1,997,521,701
Contingent Capital	1,457,863	1,457,863
Net Unrealized Gain (Loss) from Long-Term Investments	(19,601,157)	24,197,605
Adjustments in Reserve Fund for CY 2008	(16,729,116,684)	11,825,455,478
<b>Ending Balance</b>	<b>50,565,040,250</b>	<b>57,465,000,000</b>

Prior Year's Adjustments are summarized as follows:

	Adjustments in 2007	Adjustments in 2006
Premium Collections	994,160,602	(51,239)
Counterpart Contributions	(4,935,650)	-
Interest Income	8,633,374	(46,654)
Fines and Penalties	-	-
Accreditation Fees	(474,674)	-
Other Income	95,743	7,341
Personal Services	170,986	79,697
Maintenance and Other Operating Expenses	(3,212,507)	1,026,569
Benefit Payments	1,003,083,827	28,541,356
	<b>1,997,521,701</b>	<b>29,557,070</b>

## 17. CONTINGENT CAPITAL

Contingent capital in the amount of P1,457,863 in CY 2008, with the same amount in CY 2007, represent COA disallowances on prior year expenditures.

## 18. PROGRAMMED EXPENDITURES

Programmed Expenditures in the amount of P29,501,227,851 is earmarked for the current year's Program expenditures as provided for under Sections 26 and 27 of RA 7875. It includes the programmed annual costs of administering the Program and the estimated total annual benefit payments as well as the projected costs for the roll-out of new or additional benefits such as: HIV/AIDS treatment, malaria, 4th normal spontaneous delivery as well as provision for additional professional fees to doctors practicing in areas experiencing shortage of health professionals.



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