



Reaching New Heights

Annual Report 2009

Philippine Health Insurance Corporation

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Reaching New Heights

The Philippine Health Insurance Corporation (PhilHealth) reaches new heights as it ensures the quality of healthcare services throughout the country. Mandated to provide an affordable and sustainable health insurance, PhilHealth is a trailblazer in safeguarding the health and well-being of its members and beneficiaries.

"Reaching New Heights" aptly captures the steps that PhilHealth took and championed to elevate its services to a higher plane. With the government's support and the tireless contributions of its members, PhilHealth sustained, and even surpassed, the quality of healthcare services for its members and beneficiaries.

A minimalist and contemporary approach is rendered for the Annual Report, utilizing white space combined with the institution's corporate colors. Images depicting PhilHealth's basic services are arranged to form an arrow in an upward direction – which is exactly where PhilHealth is headed.



Vision

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

From the President of the Philippines



I wish to convey my warmest congratulations to the **Philippine Health Insurance Corporation (PhilHealth)** as you publish your 2009 Annual Report.


Healthcare has always been a priority agenda in my administration. Without decent healthcare, it is difficult to have a productive citizenry, which is the foundation of our economic and national development. Healthcare helps keep our nation move forward and it is here where PhilHealth is the government's primary partner.

The goal of universal healthcare coverage has been a long dream of our nation. With the passage of the National Health Insurance Act of 1995, PhilHealth was given 15 years to cover 85 percent of our population, which was a gargantuan task considering that in 2000, only 38.5 percent of the population was covered by PhilHealth. But by the end of 2009, PhilHealth was able to cover 87 percent of the populace, way before the deadline set by law and way beyond the target it was mandated to accomplish.

PhilHealth has also been able to expand coverage of indigent members to 26 million from only one million in 2001. PhilHealth has also adopted programs that target more specific medical needs of our people, such as the TB-DOTS, Newborn Care, Outpatient Malaria, Cataract and Renal Service Packages. Together with the implementation of the Cheaper Medicines Act of 2009, decent and affordable healthcare is finally within the reach of every Filipino.

To all the men and women of PhilHealth, led by President and CEO Rey B. Aquino, thank you and congratulations for a job well done!

Mabuhay kayong lahat!


GLORIA MACAPAGAL-ARROYO
President
Republic of the Philippines

From the Chairman of the Board




As Chairperson of the PhilHealth Board from 2005 to 2009, I am honored to have been part of the tremendous successes of the organization. PhilHealth has proven that it continues to be the leader in social health insurance achieving a record-high population coverage of 87 percent by the end of 2009, well beyond the target of 85 percent population coverage by 2010 under the National Health Insurance Act. True to its pro-poor mandate, 26 million poor Filipinos can now reap the benefits of health insurance.

Because health insurance is merely a numbers game, PhilHealth gave equal importance to reviewing and improving its benefit packages to provide comprehensive and relevant healthcare service to the public. Among others, it has increased its Normal Spontaneous Delivery/Maternity Care Package and value per claim for indigent beneficiaries, launched a Cataract Package and implemented a Revised Value Scale aimed at increasing in-patient benefit package.

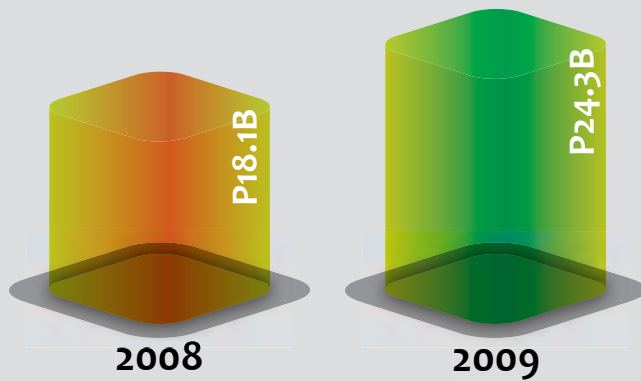
Now, as I embark on another journey in government as Chairperson of the Civil Service Commission, I look forward to collaborating with PhilHealth in ensuring quality healthcare services to 1.3 million government workers. Together, let us work towards building a healthier and more productive populace.

Mabuhay!


FRANCISCO T. DUQUE III, M.D. MSc.
Chairperson
2009 PhilHealth Board

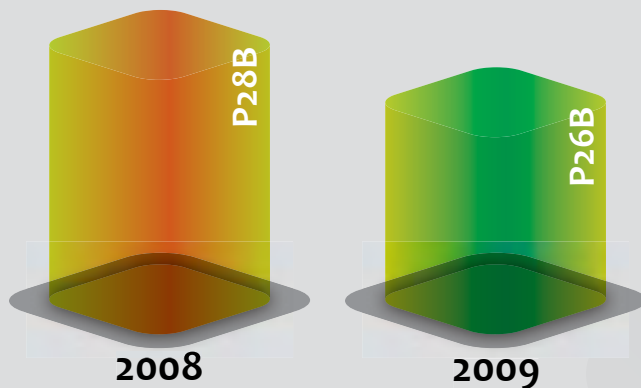
2009 Financial Highlights

Benefit Payment



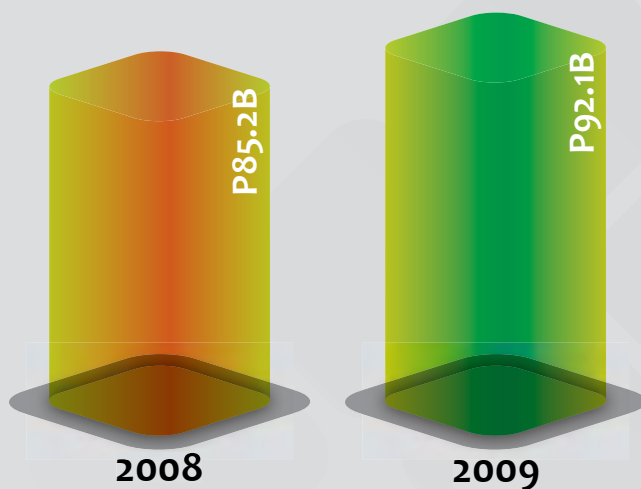
PhilHealth processed benefit payments amounting to P24.3 billion in 2009, a 34 percent increase from the previous year's P18.1 billion. This is reflective of the 35 percent increase in benefit packages. Close monitoring assured that claims are processed without delay and paid within the 60 day processing period.

Premium Collections



Despite the toll of the global financial crisis in the economy, premium collection managed to reach P26 billion, slightly lower than the previous year's collection. The slight decline in the collection performance may be attributed to discounts and other payment incentives extended to various sector programs after the onslaught of calamities that struck the nation.

Investment Portfolio



PhilHealth's investment performance continued to ascend, reaching P92 billion in 2009, up by 8 percent from the previous year's P85 billion, this despite the continued economic meltdown and political turmoil that took its toll on market conditions and business communities.

The Report of the President and CEO



The year 2009 was my first full year as the President and CEO of PhilHealth, having assumed this office in June of 2008. Compared to the year 2008 when I was still learning the ropes of the trade, so to speak, the year 2009 for me was a year of enormous challenges and sweet triumphs.

Among the obstacles we have hurdled were the effects of the global financial crisis that crippled businesses around the world, the extra-ordinary typhoons that hit our country, the perennial problems of poverty and unemployment, inefficiencies in the healthcare system, and many others, just to mention a few.

However, in direct defiance to these seemingly insurmountable tasks, PhilHealth has proven that it can survive any challenge and withstand any obstacle that it meets and even rise above it; thus reaching new heights in public service.

Let us count the ways.

New Heights in Benefit Payments

Ensuring to provide financial protection to our members has always been our top priority. In 2009, PhilHealth paid more than 24 billion pesos in benefits. This is 6 billion pesos more, or 34 percent higher than the previous year's benefit payment of more than 18 billion.

Also in early 2009, PhilHealth granted a 35 percent aggregate increase in our benefit ceilings without any rate increase in premium contribution. This increase is unparalleled, compared to any other government service agency, in PhilHealth history, or even to its predecessor, the Medicare Program. Furthermore, the increase in benefit ceilings was coupled by a series of benefit package extensions with great impact to our members. These are as follows:

- Coverage of take-home medication for Sponsored Members and dependents (under the Department of Health (DOH) P100 Program);
- Coverage of up to 150 thousand pesos per case for Novel A (H1N1) in humans;
- Enhancement of reimbursement limit for newborn screening tests;
- Coverage of 4th normal spontaneous delivery and;
- Outpatient Malaria Package.

PhilHealth endeavored to raise its support value in a year marred with economic turmoil and an expected drop in collection of premiums. This baffled some quarters, but not us. The increase in benefits was our way of cushioning and protecting the lives of the ordinary Filipinos from the impact of the economic crisis. It is during this period when financial protection is much needed, especially by the poorest of the poor. In these times, a poor family without the benefit of health insurance will certainly fall into destitution; more so if a member is hospitalized for a serious, or even not so serious, illness. We at PhilHealth do not allow this to happen.

New Heights in Membership Registration

The year was marked by a remarkable growth in membership registration to around 20.2 million from the previous year's base of 16.5 million. This was reached largely due to the huge Sponsored Program Members registration which more than surpassed the 5 million mark posted in 2006.

The success of the Sponsored Program rests on two factors. The first is the renewal of ties with local chief executives and legislators all over the country. The second is the tapping of private organizations and big corporations to sponsor groups of people in the communities where they operate. Because of these factors, we have remained focused in providing health insurance to those who need it most – the poor.



We have also forged partnerships with various organizations to extend our coverage to the informal sector. The National Confederation of Cooperatives (NATCCO), an umbrella organization of consumers, credit and marketing cooperatives and *Gawad Kalinga* have enlisted their individual members to the program. We have given recognition to the Integrated Cooperative Towards Unified Services (ICTUS) and the Alternative Network Resources Unlimited Multi-Purpose Cooperative and South Cotabato Foundation, Inc., all in PhilHealth Regional Office XII in Mindanao, for joining our cause.

Our efforts resulted to a 2009 yearend aggregate total of 3.32 million registered members, an increase of 22 percent from the 2008 level of 2.27 million.

On the other hand, registration of members in the private sector increased by 10 percent of the previous year's level. This was the result of a massive mapping of employers, conducted by our PhilHealth Regional Offices nationwide.

Having experienced positive results, we intend to sustain and further increase the level of our coverage of the Sponsored Program and continue our aggressive mapping and registration of those in the other sectors. We know for a fact that reaching universal coverage is a big challenge in itself, but the bigger challenge for us is how to sustain the same.



New Heights in Stakeholder Partnership

2009 saw PhilHealth forging ties with various stakeholders to provide our members with additional and accessible payment windows.

As we launched our first overseas mobile office in Hong Kong and Macau, we have inked an agreement with the Development Bank of the Philippines and the Land Bank of the Philippines as our accredited collecting partners for OFW premium(s) collections. They, too, shall help in disseminating information to OFWs about new services and benefits, availment procedures and member's rights and responsibilities under the National Health Insurance Program.





Aside from the country's corporate commercial, savings and loan banks, PhilHealth has tapped MLhuillier as its newest additional premium collection window. With MLhuillier's 100 branches nationwide and as the first accredited collecting partner that accepts premium remittances 24 hours a day, 7 days a week; access to our members, especially to our individually paying members, has never been as easy.

Just as other agencies have optimized the benefits of Information Technology, the Corporation launched its project dubbed "Remittance-By-Air" or RBA last October 2009. The project is the newest payment option that enables Individually Paying Members to pay their premium contribution thru text messaging (SMS) on a monthly basis and at their own convenience.



Our partnerships with our stakeholders are currently bearing fruit. Despite the economic crisis and the number of calamities that hit the country in 2009, the premium contribution collection managed to reach 26 billion pesos, slightly lower than the previous year's collection of 28 billion pesos. This amount was achieved due in part to the varied forms of payment options available, making it easier for our members to update their contributions at any time.

New Heights in Quality Assurance

We at PhilHealth believe that we should go above and beyond in caring for our members. This is the reason why, after a thorough study and arduous preparation, we have completed the PhilHealth Benchbook – a quality assurance tool that is anticipated to raise to new heights the quality of healthcare services in the country.

With quality standards, PhilHealth is expected to provide a safe environment of care, improved quality of patient care, recognize and respect patient's rights, among others.

Unrelenting Commitment

Be assured that PhilHealth shall not sit on its laurels, but shall continue to raise its standards and improve the quality of support to provide you with a higher level of quality services that you deserve. As the President and CEO of one of the most relevant social programs of the government, I am very confident that we at PhilHealth shall not be content with our modest accomplishments, but shall also be continuously doing our best to strengthen the National Health Insurance Program to become a pillar of nation building that contributes significantly in improving the quality of life of the Filipino People.

To all our members and stakeholders, we sincerely thank you for your invaluable support. *Ang inyo pong pagtangkilik ay tulay tungo sa sapat at abot-kayang segurong pangkalusugan para sa lahat. Mabuhay po kayo.*



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



2009 At a Glance

EFFECTIVE SOCIAL MARKETING MECHANISM

PhilHealth intensified its campaign to increase and sustain membership enrolment in the Formal and Informal Sectors. Aggressive marketing efforts were centered at potential private sponsors and Local Chief Executives (LCEs) for the continued enrolment and support in the Sponsored Program. Likewise, PhilHealth doubled its campaign efforts to forge new partnership with Local Government Units (LGUs) nationwide and to promote group enrolments through the *Kalusugang Sigurado at Abot-Kaya sa PhilHealth Insurance (KaSAPI)* Program. The program encourages group enrolments by way of partnership with Organized Groups such as Non-Government Organizations (NGOs). These efforts resulted in a moderate but steady increase in PhilHealth membership nationwide.

Partnerships with Local Government Units (LGUs) Nationwide

PhilHealth insures 10,000 Indigents in Antipolo

Through a Memorandum of Agreement (MOA) with the local government of Antipolo, PhilHealth was able to provide healthcare coverage via the Sponsored Program to some 10,000 indigent families in the province of Rizal. The local government of Antipolo was able to avail of the ongoing Special Premium Rate for LGU sponsors being offered at that time. Through the MOA, Antipolo City earned the distinction of enrolling the most number of beneficiaries in the province of Rizal. MOA signing ceremonies were led by Antipolo Mayor Nilo O. Leybe and PhilHealth GVP for NCR & Rizal Rodolfo M. Balog.



PhilHealth covers for Northern Samar Indigents

Some 60,000 poor families from two (2) districts in the province of Northern Samar are now enrolled in the Sponsored Program through the signing of the tripartite agreement between Gov. Raul Daza, 1st District Rep. Paul Daza and PhilHealth. These indigent families may now avail of the program benefits and quality healthcare services in any of the eight (8) accredited hospitals and eleven (11) Rural Health Units and Health Centers in the province. Overall, Northern Samar province has a total of 670,000 Sponsored Program beneficiaries. MOA signing ceremonies have been led by Provincial Governor Raul Daza and 1st District Rep. Paul Daza and PhilHealth President & CEO Dr. Rey B. Aquino.



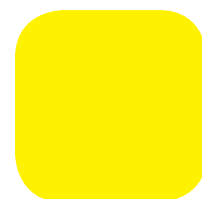
PhilHealth gains Cebu Governor's support

Upon entering an agreement with PhilHealth, Cebu Governor Gwendolyn Garcia urged mayors in her province to join her in supporting the implementation of the Sponsored Program. Gov. Garcia's efforts proved vital as Cebu posted a 120 percent coverage for indigents, exceeding its target enrolment for the Sponsored Program. By September 2009, LGUs in the province subsidized the healthcare insurance premium of some 187,884 poor families. Gov. Garcia revealed that 70 percent of the total enrolment in the province was through the sponsorship of the provincial government of Cebu.



PhilHealth extends membership in Cagayan Region

Through the support of local officials, Nueva Vizcaya and Santiago City became the prime implementers of the Sponsored Program in Cagayan Valley, Northern Luzon. Gov. Luisa Lloren Curesma has enrolled a total of 12,344 poor families from Nueva Vizcaya, while Santiago City Mayor Amelita Navarro took pride in enrolling some 11,519 families in her city. Both LGUs have surpassed their respective targets for the enrolment of indigent families. In addition, 2nd District Rep. and former Cagayan Governor Florencio "Enciong" L. Vargas along with 3rd District Rep. Manny Mamba and 1st District Rep. Sally Ponce-Enrile continued to support and sustain the Sponsored Program in their localities.



Linkages with other Government Agencies and Non-Government Organizations (NGOs)

PhilHealth seals MOA with DILG and Liga ng Mga Barangay

PhilHealth, the Department of Interior and Local Government (DILG) and the Liga ng mga Barangay forged an agreement to ensure the health and welfare of barangay workers nationwide. Under the agreement, LCEs shall enroll barangay officials, workers and volunteers from barangays receiving less than 1 million in Internal Revenue Allotment (IRA) in PhilHealth's Sponsored Program. The annual premium contribution of these barangay workers shall be subsidized by the national government and the LGUs through their barangay funds. Around 479,840 barangay workers are expected to benefit from this initiative. PhilHealth Senior Vice President Ernesto V. Beltran led the signing ceremonies along with DILG Usec. Austere Panadero and Liga ng mga Barangay National President Rico Judge J. Echiverri.

PhilHealth inks MOA with NATCCO

A Memorandum of Agreement was recently signed between PhilHealth and the National Confederation of Cooperatives (NATCCO) to provide health insurance coverage to workers

from the Informal Sector. Under the agreement, NATCCO shall facilitate the enrolment of their member cooperatives under PhilHealth's KaSAPI Program. PhilHealth on its part, shall generate number cards and conduct orientation seminars on member's benefits and benefit availment procedures. Shown while signing the MOA, are NATCCO Chairman, Engr. Jose R. Ping-ay and PhilHealth President & CEO, Dr. Rey B. Aquino.

PhilHealth forges partnership with ILECO

PhilHealth signed a tripartite MOA with the Iloilo Electric Cooperative (ILECO) 1 along with fifteen (15) LGUs under its jurisdiction in Region VI to enroll their member-consumers to the National Health Insurance Program (NHIP). Some 694 PhilHealth cards were initially released to the identified indigent families. Engr. Wilfred Billena, ILECO 1 General Manager, pledged to continue supporting the Sponsored Program and increase the number of beneficiaries next year.



PhilHealth signs Tripartite agreement with the local government of Zamboanga City and Micro-Entrepreneur Multi-Purpose Cooperative (MEMPCO)

Some 4,018 members of the Micro Entrepreneur Multi-Purpose Cooperative or MEMPCO received their PhilHealth cards last September 30, 2009 through a MOA entered between the local government, MEMPCO and PhilHealth. MEMPCO is the first NGO that has joined PhilHealth's Sponsored Program. Enrolment of these members makes Zamboanga City the first city in Region IX to achieve universal health insurance coverage.

PhilHealth partners with Gawad Kalinga

Through its long-term campaign "Building a Healthy Nation", *Gawad Kalinga* agreed to enroll GK beneficiaries and qualified indigents nationwide to the Sponsored Program and encouraged LGUs that had GK communities to prioritize the enrolment of qualified indigents families in their area. This effort is expected to have a sustainable impact to five (5) million Filipino families by 2024.

EXPANDED AND ENHANCED QUALITY OF SERVICE

In January 2009, PhilHealth started the implementation of new and improved benefits for its members as it reaffirmed its commitment to expand the scope of services and improve benefit packages to ensure adequate support given to PhilHealth members in times of need.

INCREASING THE SUPPORT VALUE OF THE BENEFIT PACKAGE

Expanded Maternity Benefits

The Normal Spontaneous Delivery (NSD) for maternity care package for births which initially covered only the first three (3) NSD was enhanced to cover the fourth NSD effective January 2009. The package rate was also increased from P4,500 to P6,500.

Upgrading of Payment systems for Surgical and Medical procedures

In February 2009, PhilHealth added fifteen (15) new procedures and increased the valuations of some 1,000 procedures. Among the new additions are the High Intensity Focused Ultrasound (HIFU) to be used in treating prostate cancer; eye angiography and bronchoscopy with placement of catheter for radiation treatment of lung cancer. The complete list of additional and enhanced procedures is available and can be downloaded from the official website www.philhealth.gov.ph.

35 percent Increase in the maximum ceilings of benefit packages

Effective April 2009, allowances for benefit items posted an increase of more than 100 percent, as in the case of drugs and medicines for Case Type B illnesses in Primary Hospitals, from P2,500 to P9,000 per single period of confinement. Maximum benefit payment for professional fees increased by 136 percent for general practitioners and specialists combined.

Introduction of case payment for cataract extraction

Effective May 1, 2009 admissions, all cataract extraction procedures were reimbursed on a case payment basis worth P16,000. The new payment scheme was applied to all cataract surgeries performed in any accredited healthcare provider institutions (Ambulatory Surgical Clinics (ASC), Secondary hospitals and Tertiary hospitals) whether done in an outpatient or inpatient set-up regardless of the number of days of confinement.

Coverage of confirmed cases of Influenza A (H1N1)

PhilHealth, through Board Resolution # 1260 series of 2009, provided coverage for its members and their dependents infected with Influenza A (H1N1) virus. Benefit coverage includes a maximum of P75,000 in hospitalization benefits for members / dependents while a benefit limit of P150,000 is set for qualified Health Care Workers (HCWs) who contracted the virus while performing their duties or caring for an Influenza A (H1N1) patient as certified by the Department of Health (DOH).



Coverage of “take home” medications under the P100 Program initiated by DOH

Through the Board Resolution # 1214 series of 2009, PhilHealth expanded its coverage for drugs and medicines to include take home medications under the P100 Program, which are Treatment Packs worth P100, for eligible Sponsored Members. PhilHealth now covers drugs and medicines that are listed as P100 drugs beyond the patient’s confinement period.

Enhancement of reimbursement limit for Newborn Screening Tests

Members availing of the newborn screening tests for their babies thru the Newborn Care Package (NCP) are only required to pay a maximum of P100 after deducting the P500 PhilHealth allowance for the said procedure. The NCP should include eye prophylaxis, umbilical cord care, Vitamin K, Thermal care, BCG and Hepatitis B immunization.

Introduction of the Malaria Package

The implementation of the Outpatient Malaria Package aims to decrease occurrence of malaria cases by providing access to effective malaria treatment measures. The P600 case rate for this package is paid directly to accredited providers for required services for malaria patients such as diagnostic malaria smears and other laboratory procedures, drugs and medicines and consultation services including patient education and counseling.

ENHANCING AND EXPANDING SERVICES

In 2009, PhilHealth accredited a total of 1,654 healthcare providers and 23,500 healthcare professionals nationwide. Aside from this, there are now over 710 TB-DOTS and around 627 Maternity Care Clinics providing quality healthcare services to members nationwide.

Health Care Providers	Accredited
Institutional/Facilities	
Hospitals	1,654
Ambulatory Surgical Clinics	36
Rural Health Units	1,301
Authorized Hospitals	156
Free-standing Dialysis Clinics	39
TB-DOTs Centers	710
Maternity Care Clinics	627
Professionals	23,501
General Practitioner	11,042
Medical Specialist	11,909
Dentist	195
Midwife	355

With its vision to influence the delivery of accessible quality healthcare services to our members, PhilHealth initiated the implementation of the Quality Assurance Program using the PhilHealth Benchbook Quality Standards and Hospital Self-Assessment Tools. The program aims to achieve the desired health outcome and members' satisfaction through quality health services. Effective 2010, the Benchbook shall set the new accreditation standards for PhilHealth and it shall be used to assess and evaluate the performance of healthcare providers. Preparatory activities such as trainings, workshops and orientation seminars for surveyors and healthcare providers were conducted during the 3rd and 4th quarter of 2009.

WIDENING SERVICE NETWORKS AND PREMIUM PAYMENT WINDOWS

To achieve its endeavor to bring services closer to members, PhilHealth pursued its efforts to accredit banks and its subsidiaries and other collecting agencies to collect premiums of members nationwide and overseas. PhilHealth also improved the services of existing Service Offices and opened additional offices in strategic areas to provide members better accessibility and convenience.

PhilHealth opens its Service Office in Makati

Located at the Ground Floor of ITC Building 337 Sen. Gil Puyat Avenue, PhilHealth Service Office Makati formally opened its doors last May 4, 2009 to provide basic services such as membership registration and I.D. generation, premium payments, claims receiving and information dissemination to PhilHealth members in the Makati area.



PhilHealth inaugurates NCR Central Branch in Quezon City

PhilHealth NCR Central Branch formally opened its door in its new location in Roxas District in Quezon City. The NCR Central Branch offers services such as membership registration, PIN generation, acceptance of premium payments, claims processing and payment among others. The Branch is located at F.R. Estuar & Associates Penthouse, Estuar Building, 880 Quezon Avenue, Quezon City.



PhilHealth opens Service Office in Mandaue, Cebu

PhilHealth opened its Mandaue Service Office to provide services to members specifically in the cities of Mandaue and Lapu-Lapu and the towns of Consolacion, Liloan and Cordova. Currently, PhilHealth Service Offices are strategically located in the provinces of Carcar, Danao, Negros Oriental, Bais, Dumagete, Bohol Tagbilaran, Talibon and recently, Mandaue, covering almost all service points in the Visayas region.

PhilHealth launches Service Offices in Mindanao

PhilHealth services were brought closer to members and the people of Maguindanao with the opening of the Parang Service Office at Shariff Kabunsuan in February 2009. July 2009 saw the formal opening of PhilHealth ARMM Regional Office. In Region IX, Zamboanga del Sur Gov. Aurora Cerilles and Congressman Antonio Cerilles showed its support for PhilHealth by convincing Pagadian Mayor Sammy Co to donate a 2,589 sqm. lot for PhilHealth's Regional Office in the province.

PhilHealth signs MOA with MLhuillier

In February, MLhuillier opened its branches to PhilHealth Members nationwide. Through the signing of a Memorandum of Agreement signed at the PhilHealth Central Office, PhilHealth members may now pay their premium contributions at any of MLhuillier's 100 branches. At the moment, MLhuillier is the first PhilHealth accredited collecting agent that accepts premium payments 24 hours a day, 7 days a week.



MOA signing with E-Soluzione Inc.

PhilHealth in partnership with E-Soluzione Inc. launched the Remittance-By-Air Project. This new payment option enables Individually Paying Members to pay their premium contribution using their cellphones for a minimal transaction charge of P12.50 for every P100 premium plus P2.50 in text messaging fees. This new payment scheme has been designed to address the issues of irregular remittances of voluntary members.

PhilHealth inks partnership with the Development Bank of the Philippines (DBP) and the Land Bank of the Philippines

Through a collection and remittance agreement, Overseas Filipino Workers in Hong Kong and in other countries may now pay their PhilHealth premiums through DBP and LandBank's foreign offices and remittance partners abroad. OFWs may use the currency at the job site in paying the amount equivalent to the prescribed contribution which currently stands at P900 per year, converted to Philippine peso based on prevailing bank exchange rates at the time of payment.

EFFICIENT AND RELIABLE SYSTEM

DEVELOP A RELIABLE AND INTEGRATED SYSTEM FOR CORE AND NON-CORE PROCESS

The Information Technology Management Department (ITMD) implemented a remote data and HO Data Center to serve as a back-up support system and Disaster Recovery Center in the event that the primary database would crash or fail during operation. ITMD has also completed the development of new online systems such as;

- Online Inquiry
- e-Group (KaSAPI)
- Electronic Eligibility Checking
- Online Posting System
- Phase 1 of Integration Project
- DepED Web Utility

In Area I, PhRO V developed an On-Line Inter-Agency Communication System where member's issues and concerns are addressed and resolved using a forum-type discussion online. In Area II, PhRO VIII initiated the use of PhilHealth Accounts Management Systems (PAMS), a system designed to integrate with PhilHealth core processes the following: a.) customer and marketing concentration; b.) workforce engagement; c.) process management; and d.) outcome. In Area III, IT Officers and staff of PhRO XI improved the PhilHealth Web-based Budget System and continued to enhance the said system to include budget execution. PhRO XII initiated the development of the Automated Management Monitoring System, a system that would help PhROs monitor remittances of employers and improve collection efficiency.

In 2009, RA 9485 otherwise known as the Anti-Red Tape Act of 2007 (ARTA) was implemented. Its objective is to provide faster turn around time in servicing our clients thereby eliminating corruption thru the use of fixers to access PhilHealth frontline services. Under this new set-up, also known as universal frontline services, multiple transactions on membership, premium payment or status of claims reimbursement were acted upon by all the frontline staff that is trained and knowledgeable in all core processes. Application Systems were set-up on all frontline computers to allow access of authorized personnel to information needed by the members. Special Lane for retirees and pensioners, pregnant women and persons with disability were also provided.

STRONG PARTNERSHIP WITH STAKEHOLDERS

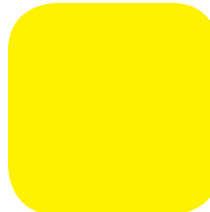
CONTINUOUS EVOLVEMENT OF A SUSTAINABLE PROGRAM THROUGH STRONG PARTNERSHIP WITH STAKEHOLDERS

To show its appreciation and recognition for the efforts of its partners and stakeholders, PhilHealth paid tribute to private and government institutions as well as individuals who

contributed to the success of PhilHealth in achieving its mandate to provide affordable quality healthcare coverage for the Filipino people.

During its 15th Anniversary Celebration held at the Reception Hall of the Philippine International Convention Center (PICC), PhilHealth President and CEO Dr. Rey B. Aquino awarded plaques of recognitions to outstanding Collecting partners, Healthcare partners, Employers and LGUs. Recipients of these awards were twenty (20) healthcare providers for upholding the ideals of quality healthcare and for consistently meeting PhilHealth's standard for excellence and eighty seven (87) LGUs that have achieved universal coverage status under the Sponsored Program. Nineteen (19) employers from the government and private sectors were also given recognition for having shown responsible corporate citizenship and stewardship of their worker's health and wellness. Collecting partners United Coconut Planters Bank (UCPB), RCBC Savings Bank, Bangko Kabayan and IRemit were also cited for emulating the virtues of an exemplary partner in service delivery, ensuring member's access to payment facilities nationwide and key sites overseas.

Special citations were also given to Dr. Francisco T. Duque III, the first PhilHealth President to become Health Secretary and for making healthcare financing an important player in his vision for healthcare reform in the Philippines. Other individuals given recognition were Senator Edgardo J. Angara and former Senator Freddie N. Webb for authoring and sponsoring a landmark legislation granting equal access to quality healthcare services to all Filipinos.



PRODUCTIVE ORGANIZATION AND STAFF AND EFFECTIVE MANAGEMENT

CONTINUOUSLY DEVELOP AND SUSTAIN PERFORMING AND MOTIVATED WORKFORCE WITH SHARED VISION AND VALUES

The Human Resource Department continues to develop a training program on marketing that includes conducting a basic marketing course prior to the deployment of staff, regular sessions on NHIP updates, social marketing techniques, enhanced negotiation, and communication skills program. More importantly, it shall also develop and implement a Comprehensive Customer Relations Management Program. Furthermore, service excellence programs shall be developed and shall be part of the Human Resource Development Plan and linked with the Productivity Incentive System. Utilizing motivational activities – such as Team Building workshop in PhRO IV-A, the Work-Life



Balance Program held in Koronadal and the Work-Life Balance sportsfest held in Areas I and II – foster community spirit, develop teamwork among PhilHealth employees at the same time promote customer service appreciation and improve delivery of frontline services.

The unveiling of the new PhilHealth signage in February 2009 commenced the implementation of the “One Look” policy. Signages in the Regional and Service Offices nationwide were replaced with the new predominantly yellow signage which measures 3ft x 12ft, with the PhilHealth corporate signature on the upper left-hand side and the office location on the lower-hand side. Accredited healthcare institutions were also instructed to adopt the new signage which only sports the corporate signature. On the other hand, PhilHealth employees nationwide were asked to strictly observe the wearing of the common office I.D. and uniform for employees regardless of their employment status.



ENSURE FINANCIAL SUSTAINABILITY

DEVELOPING AND EXPANDING THE INVESTMENT PORTFOLIO OF THE CORPORATION

PhilHealth thru prudent and effective utilization of resources has managed to continuously expand its investments since 2003 when it registered P40 billion going up to P46 billion the following year, to P51 billion in 2005, and reaching P62 billion in 2006; swelling to P73 billion in 2007. In July 2009, the total assets of the corporation ballooned to P91 billion, P5 billion higher than the total investment and assets as of yearend 2008. These, plus the monthly premiums collected from paying members have allowed PhilHealth to sustain the National Health Insurance Fund, increase member's benefits and expand the number of beneficiaries.

Statement of Management's Responsibility for the Financial Statements


The Management of the Philippine Health Insurance Corporation is responsible for the presentation of the annual financial statements as of December 31, 2009. The financial statements have been prepared in accordance with the accounting principles generally accepted in the Philippines.

The financial statements necessarily reflect amounts based on informed judgment and estimates of the expected effects of current events and transactions with an appropriate consideration 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 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, 2009
(In Philippine Peso)

	Note	2009	2008 (As Restated)	Increase / (Decrease) Current vs Prior Year
ASSETS				
Current Assets				
Cash and Cash Equivalents	3	8,913,943,654	4,603,275,563	4,310,668,091
Short - term Investments	4	8,314,951,623	43,579,829,835	(35,264,878,212)
Receivables - net	5	11,306,455,131	12,281,839,740	(975,384,609)
Inventories	6	36,776,047	40,743,641	(3,967,594)
Other Current Assets	7	1,623,362	1,623,362	-
Total Current Assets		28,573,749,817	60,507,312,141	(31,933,562,324)
Non-current Assets				
Investments - net	8	76,321,967,576	38,241,047,365	38,080,920,211
Property & Equipment - net	9	929,176,435	794,379,551	134,796,884
Intangible Assets - net	10	14,654,559	10,528,034	4,126,525
Miscellaneous Assets and Deferred Charges	11	44,205,741	63,365,529	(19,159,788)
Other Assets - net	12	237,527,870	507,435,082	(269,907,212)
Total Non-current Assets		77,547,532,181	39,616,755,561	37,930,776,620
TOTAL ASSETS		106,121,281,998	100,124,067,702	5,997,214,296
LIABILITIES AND EQUITY				
Liabilities				
Current Liabilities				
Payables	13	5,589,414,708	4,267,618,230	1,321,796,478
Trust Liabilities	14	442,788,549	335,825,697	106,962,852
Total Current Liabilities		6,032,203,257	4,603,443,927	1,428,759,330
Non-current Liability				
Other Deferred Credits	15	29,511,942	11,540,152	17,971,790
Total Liabilities		6,061,715,199	4,614,984,079	1,446,731,120
Equity				
Reserve Fund	20	69,483,000,000	68,422,000,000	1,061,000,000
Contingent Capital	21	1,457,863	1,457,863	-
Net Unrealized Gain/(Loss) from Increase/ (Decline) in Value of Long-Term Investments	8	-	(19,601,157)	19,601,157
Retained Earnings	22	30,575,108,936	27,105,226,917	3,469,882,019
Total Equity		100,059,566,799	95,509,083,623	4,550,483,176
TOTAL LIABILITIES AND EQUITY		106,121,281,998	100,124,067,702	5,997,214,296

(The notes on pages 28 to 39 form part of these Financial Statements)

Statement of Income

For the Year Ended December 31, 2009
(In Philippine Peso)

	Note/Sch.	2009	2008 (As Restated)	Increase / (Decrease) Current vs Prior Year
INCOME	Sch. I			
Premium Contributions	16	25,981,127,454	28,226,000,331	(2,244,872,877)
Interest and Other Income	17	6,457,705,272	5,553,528,015	904,177,257
Total Income		32,438,832,726	33,779,528,346	(1,340,695,620)
EXPENSES	Sch. II			
Benefit Payments				
Private Sector		9,359,765,740	7,654,429,904	1,705,335,836
Government Sector		4,688,425,366	3,544,940,312	1,143,485,054
Indigent Program (In-Patient)		3,331,391,095	2,036,753,938	1,294,637,157
Indigent Program (Capitation)		683,943,627	631,097,355	52,846,272
Overseas Workers Program		755,822,806	590,526,377	165,296,429
Individually Paying Program		3,745,290,307	2,479,410,417	1,265,879,890
Non-paying Program		1,745,133,711	1,198,904,679	546,229,032
Total Benefit Payments		24,309,772,652	18,136,062,982	6,173,709,670
Operating Expenses				
Personal Services	18	2,346,377,893	2,081,552,898	264,824,995
Maintenance and Other Operating Expenses	19	1,251,800,162	1,127,461,556	124,338,606
Total Operating Expenses		3,598,178,055	3,209,014,454	389,163,601
Total Expenses		27,907,950,707	21,345,077,436	6,562,873,271
NET MARGIN (LOSS)	22	4,530,882,019	12,434,450,910	(7,903,568,891)

(The notes on pages 28 to 39 form part of these Financial Statements)

Detailed Statement of Income

For the Year Ended December 31, 2009
(In Philippine Peso)

	2009	2008 (As Restated)	Increase / (Decrease) Current vs Prior Year
Premium Contributions			
Members' Contributions	24,100,154,164	25,548,915,857	(1,448,761,693)
NG/LGU Counterpart for Indigent Program	1,880,973,290	2,677,084,474	(796,111,184)
TOTAL PREMIUM CONTRIBUTIONS	25,981,127,454	28,226,000,331	(2,244,872,877)
Less: Benefit Payments	24,309,772,652	18,136,062,982	6,173,709,670
GROSS MARGIN FROM OPERATIONS	1,671,354,802	10,089,937,349	(8,418,582,547)
Less: Operational Expenses			
Personal Services	2,346,377,893	2,081,552,898	264,824,995
Maintenance & Other Operating Expenses	1,251,800,162	1,127,461,556	124,338,606
Total Operational Expenses	3,598,178,055	3,209,014,454	389,163,601
NET OPERATING INCOME (LOSS)	(1,926,823,253)	6,880,922,895	(8,807,746,148)
Add: Interest Income			
Treasury Bonds	4,892,382,460	3,807,551,659	1,084,830,801
Treasury Bills	759,280,747	1,280,961,065	(521,680,318)
Time Deposits / SSDs	455,455,560	411,335,224	44,120,336
Savings & Current Deposits	9,169,004	22,760,067	(13,591,063)
Total Interest Income	6,116,287,771	5,522,608,015	593,679,756
Add: Other Income			
Accreditation Fees	23,420,878	16,920,424	6,500,454
Gain (Loss) on Foreign Exchange	(65,187)	289,769	(354,956)
Gain (Loss) on Disposal of Assets	118,959	61,008	57,951
Gain (Loss) on Sale of Securities	305,168,463	-	305,168,463
Fines & Penalties	7,715,829	4,320,929	3,394,900
Income from Grants & Donations	-	4,187,848	(4,187,848)
Rent Income	1,752,701	1,629,213	123,488
Dividend Income	1,944,144	2,060,355	(116,211)
Seminar Fee (HCP Forum)	18,000	-	18,000
Miscellaneous Income	1,343,714	1,450,454	(106,740)
Total Other Income	341,417,501	30,920,000	310,497,501
NET MARGIN (LOSS)	4,530,882,019	12,434,450,910	(7,903,568,891)
TOTAL INCOME	32,438,832,726	33,779,528,346	(1,340,695,620)

(The notes on pages 28 to 39 form part of these Financial Statements)

Statement of Changes in Equity

For the Year Ended December 31, 2009
(In Philippine Peso)

	Note	2009	2008 (As Restated)	Increase / (Decrease) Current vs Prior Year
RESERVE FUND	20	69,483,000,000	68,422,000,000	1,061,000,000
CONTINGENT CAPITAL	21	1,457,863	1,457,863	-
NET UNREALIZED GAIN/(LOSS) FROM INCREASE/ (DECLINE) IN VALUE OF LONG-TERM INVESTMENTS		-	(19,601,157)	19,601,157
RETAINED EARNINGS	22			
Balance at beginning of year		27,105,226,917	18,215,796,200	
Prior Year's Adjustments		-	7,411,979,807	
		27,105,226,917	25,627,776,007	
Adjustment in Reserve Fund		(1,061,000,000)	(10,957,000,000)	
		26,044,226,917	14,670,776,007	
Net income for the period	22	4,530,882,019	12,434,450,910	
		30,575,108,936	27,105,226,917	3,469,882,019
EQUITY		100,059,566,799	95,509,083,623	4,550,483,176

(The notes on pages 28 to 39 form part of these Financial Statements)

Cash Flow Statement

For the Year Ended December 31, 2009
(In Philippine Peso)

	2009	2008 (As Restated)	Increase / (Decrease) Current vs Prior Year
CASH FLOW FROM OPERATING ACTIVITIES			
Members' Contributions	25,810,163,839	25,160,751,426	649,412,413
Counterpart - NGs	29,422,459	-	29,422,459
Counterpart - Other NGAs	82,449,956	1,480,156,805	(1,397,706,849)
Counterpart - LGUs	957,533,820	533,681,584	423,852,236
Receipts from GOCCs	270,000,000	180,000,000	90,000,000
Accreditation Fees received from Health Care Providers	17,770,955	11,603,903	6,169,052
Cash received from various Operating Activities	8,595,650	19,739,485	(11,143,835)
Cash received in trust	72,224,325	56,257,875	15,966,450
Benefit Payments	(20,589,994,683)	(15,384,083,416)	(5,205,914,267)
Cash received for OWWA Benefit Claims (backlog)	-	95,411,290	(95,411,290)
MOOE/Personal Services/Supplies and Materials paid	(5,996,438,067)	(3,133,549,794)	(2,862,888,273)
Payment of Miscellaneous Assets and Deferred Charges	615,564	(21,634,117)	21,018,553
Net Cash Provided (Used in) by Operating Activities	661,109,690	8,998,335,041	(8,337,225,351)
CASH FLOW FROM INVESTING ACTIVITIES			
Matured Bonds	(24,305,888,332)	(6,124,726,282)	(18,181,162,050)
Short-Term Investments	20,128,925,166	(17,947,058,419)	38,075,983,585
Interest received on Investments	7,463,953,104	5,088,147,063	2,375,806,041
Sale of Securities	113,305,493	-	113,305,493
Gain on Sale of Securities	324,769,619	-	324,769,619
Payment of Equipment purchased	(77,357,857)	(98,899,960)	21,542,103
Rent collected	1,729,889	1,629,213	100,676
Gain (Loss) on Disposal of Assets	121,319	76,008	45,311
Net Cash Provided (Used in) by Investing Activities	3,649,558,401	(19,080,832,377)	22,730,390,778
Net Increase (Decrease) in Cash and Cash Equivalents	4,310,668,091	(10,082,497,336)	14,393,165,427
CASH AND CASH EQUIVALENTS at the Beginning of Year	4,603,275,563	14,685,772,899	(10,082,497,336)
CASH AND CASH EQUIVALENTS at the End of Year	8,913,943,654	4,603,275,563	4,310,668,091

(The notes on pages 28 to 39 form part of these Financial Statements)

Income

For the Year Ended December 31, 2009
(In Philippine Peso)

SCHEDULE I

	Note	2009	2008 (As Restated)	Increase / (Decrease) Current vs Prior Year
BUSINESS INCOME (Premium Contributions)				
Premium Contributions - Indigent Program	16			
Counterpart - NG for Regular Indigent Program		25,000,000	1,401,452,895	(1,376,452,895)
Counterpart - Other NGAs - Congress		54,596,956	57,251,300	(2,654,344)
Counterpart - Other NGAs - PCSO for Enhanced GMA		2,853,000	7,305,000	(4,452,000)
Counterpart - Other NGAs - OURA		-	880,200	(880,200)
Counterpart - Other NGAs - DOLE		9,703,680	164,940	9,538,740
Counterpart - Other NGAs - OP - PSF for Indigent Program		-	52,800	(52,800)
Counterpart - LGUs for Indigent Program		1,788,819,654	1,209,977,339	578,842,315
Total Premium Contributions - Indigent Program		1,880,973,290	2,677,084,474	(796,111,184)
Premium Contributions - Regular Program	16			
Contribution - Private Sector		16,264,546,499	16,576,028,994	(311,482,495)
Contribution - Government Sector		5,685,283,968	7,020,840,440	(1,335,556,472)
Contribution - Individually Paying Program		1,427,895,879	1,238,410,040	189,485,839
Contribution - Overseas Workers Program		722,427,818	713,636,383	8,791,435
Total Premium Contributions - Regular Program		24,100,154,164	25,548,915,857	(1,448,761,693)
Total Business Income		25,981,127,454	28,226,000,331	(2,244,872,877)
INTEREST INCOME				
Treasury Bonds	17	4,892,382,460	3,807,551,659	1,084,830,801
Treasury Bills		759,280,747	1,280,961,065	(521,680,318)
Time Deposits / Special Saving Deposits		455,455,560	411,335,224	44,120,336
Savings & Current Deposits		9,169,004	22,760,067	(13,591,063)
Total Interest Income		6,116,287,771	5,522,608,015	593,679,756
OTHER INCOME				
Accreditation Fees	17	23,420,878	16,920,424	6,500,454
Gain (Loss) on Foreign Exchange		(65,187)	289,769	(354,956)
Gain (Loss) on Disposal of Assets		118,959	61,008	57,951
Gain (Loss) on Sale of Securities		305,168,463	-	305,168,463
Fines & Penalties		7,715,829	4,320,929	3,394,900
Income from Grants & Donations		-	4,187,848	(4,187,848)
Rent Income		1,752,701	1,629,213	123,488
Dividend Income		1,944,144	2,060,355	(116,211)
Seminar Fee (HCP Forum)		18,000	-	18,000
Miscellaneous Income		1,343,714	1,450,454	(106,740)
Total Other Income		341,417,501	30,920,000	310,497,501
TOTAL INCOME		32,438,832,726	33,779,528,346	(1,340,695,620)

(The notes on pages 28 to 39 form part of these Financial Statements)

Expenses

For the Year Ended December 31, 2009
(In Philippine Peso)

SCHEDULE II

	Note	2009	2008 (As Restated)	Increase / (Decrease) Current vs Prior Year
BENEFIT PAYMENTS				
Private Sector		9,359,765,740	7,654,429,904	1,705,335,836
Government Sector		4,688,425,366	3,544,940,312	1,143,485,054
Indigent Program (In-Patient)		3,331,391,095	2,036,753,938	1,294,637,157
Indigent Program (Capitation)		683,943,627	631,097,355	52,846,272
Overseas Workers Program		755,822,806	590,526,377	165,296,429
Individually Paying Program		3,745,290,307	2,479,410,417	1,265,879,890
Non-paying Program		1,745,133,711	1,198,904,679	546,229,032
Total Benefit Payments		24,309,772,652	18,136,062,982	6,173,709,670
OPERATIONAL EXPENSES				
Personal Services	18			
Salaries & Wages		701,906,117	645,381,969	56,524,148
Other Compensation		1,540,129,690	1,349,306,897	190,822,793
Personnel Benefit Contribution		95,284,020	85,879,367	9,404,653
Other Personnel Benefits		9,058,066	984,665	8,073,401
Total Personal Services		2,346,377,893	2,081,552,898	264,824,995
Maintenance and Other Operating Expenses	19			
Remuneration Expenses		169,460,863	238,448,220	(68,987,357)
Project Based Hiring		170,282,368	110,464,077	59,818,291
Notarial Fee		153,220	85,934	67,286
Honorarium		1,305,404	1,260,314	45,090
Contract/Research Services		5,859,521	12,568,085	(6,708,564)
Enumerators Fee		5,404,545	6,892,962	(1,488,417)
Auditing Services		23,426,424	21,780,493	1,645,931
Communication Services		96,621,313	73,674,432	22,946,881
Water, Illumination and Power Services		73,645,546	65,454,920	8,190,626
Rents		156,284,430	133,292,880	22,991,550
Supplies & Materials		98,157,975	90,151,795	8,006,180
Gas, Oil and Lubricants		9,083,038	11,709,856	(2,626,818)
Security Services		76,568,385	73,050,300	3,518,085
Janitorial Services		32,766,721	28,922,333	3,844,388
Training and Seminar Expenses		6,811,744	6,967,016	(155,272)
Travelling Expenses		48,804,304	42,446,882	6,357,422
Advertising Expense		22,838,672	21,176,930	1,661,742
Marketing and Promotional Expenses		12,516,120	12,687,595	(171,475)
Repairs and Maintenance		16,387,981	12,779,357	3,608,624
Miscellaneous and Extraordinary Expenses		12,151,594	24,603,819	(12,452,225)
Printing and Binding		23,801,832	12,254,071	11,547,761
Reward and Other Claims		20,204,458	13,203,817	7,000,641
Fidelity Bond and Insurance Premiums		6,954,099	7,163,290	(209,191)
Financial Expenses		40,215	260,957	(220,742)
Taxes, Duties and Fees		351,524	497,810	(146,286)
Transportation Expense		968,450	755,577	212,873
Membership Dues and Contr. to Organizations		1,916,759	4,295,774	(2,379,015)
Representation Expenses		16,364,971	4,104,424	12,260,547
Subscription Expenses		942,064	1,006,485	(64,421)
Other Expenses		48,095,185	22,589,582	25,505,603
Non-Cash Expenses		93,630,437	72,911,569	20,718,868
Total Maintenance and Other Operating Expenses		1,251,800,162	1,127,461,556	124,338,606
Total Operational Expenses		3,598,178,055	3,209,014,454	389,163,601
TOTAL EXPENSES		27,907,950,707	21,345,077,436	6,562,873,271

(The notes on pages 28 to 39 form part of these Financial Statements)

Notes to Financial Statements

December 31, 2009

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 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 Social Security System (SSS) and Government Service Insurance System (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.

Processing of benefit payments and operating expenditures has been decentralized to all seventeen (17) PhROs.

The financial statements as at 31 December 2009 were approved and authorized for issuance by the PhilHealth Board of Directors on 24th June 2010 under its Resolution No. 1400, s 2010.

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 are consistently applied unless stated otherwise.

2.1 Basis of preparation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the Philippines, as well as government accounting rules and regulations. 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 claim 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 on 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

The Corporation adopts the Home and Branch Accounting System since July 1999.

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 are closed in the PhROs are booked-up in the HO.

b. PhilHealth Regional Offices (PhROs).

The PhROs' 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 PhROs. 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 in peso at the date of transaction and revalued at year-end using prevailing exchange rates. Foreign exchange gains and losses resulting therein are recognized in the income statement.

2.4 Cash Equivalents

Cash equivalents consists of special savings, treasury bills and bonds maturing within 3 months from acquisition date.

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 Property and Equipment

In accordance with COA Resolution no. 2006-006 dated January 31, 2006, Property and Equipment (PE) includes non-current assets held for use in operation and are expected to be used for more than one year. PE are initially recognized at cost which includes purchase price and incidental costs such as import duties, freight, installation and any other directly attributable costs. Subsequent costs on PE which result in increased future economic benefits or service potential have been added to its carrying amount.

Subsequent to initial recognition as an asset, PE are 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 is recorded starting the month following date of purchase. A residual value equivalent to ten percent of the purchase cost is set up.

2.7 Intangible Assets

Intangible Asset account refers to computer software purchased by the Corporation, in accordance with Section 4 of the Philippine Accounting Standard no. 38.

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 softwares are 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 expenses 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 is 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 PhRO – 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.

Regular 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:

	2009	2008 (As Restated)
Collecting Officers (Schedule 1)	120,308,863	206,746,249
Disbursing Officers (Schedule 2)	1,669,385	2,030,314
Petty Cash Fund (Schedule 3)	578,145	377,486
Cash in Bank	1,110,081,286	1,026,862,394
Special Savings Deposit	7,681,305,975	3,367,259,120
	8,913,943,654	4,603,275,563

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

3.2 Included in this account is Land Bank of the Philippines - Pasig-Kapitolyo Branch Dollar Account No. 0674-0010-29 of which the balance is converted to its peso equivalent using the prevailing 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:

	2009	2008 (As Restated)
Special Savings Deposit	-	4,384,632,370
Treasury Bills	2,810,332,690	19,719,348,266
Treasury Bonds	5,504,618,933	19,475,849,199
	8,314,951,623	43,579,829,835

These are placed between 91 to 364 days.

5. RECEIVABLES

This account consists of:

	2009	2008 (As Restated)
Due from Collecting Bank - NHIP Premiums	31,803,661	949,201,997
Advances to Officers & Employees (Schedule 4)	692,729	1,520,714
Advances to Contractors	3,506,250	-
Accrued Interest Receivable - Investment	2,289,430,374	2,397,499,390
Due from National Government Agencies	8,894,005,790	8,894,005,790
Due from GOCCs	301,933	301,933
Due from LGUs	77,545,914	29,217,186
Disallowances	1,114	1,114
Other Receivables	9,282,992	10,207,242
Total	11,306,570,757	12,281,955,366
Add (Less): Allowance for Doubtful Accounts	(115,626)	(115,626)
	11,306,455,131	12,281,839,740

- 5.1 Accrued Interest Receivable-Investment account represents interest earned from all short-term and long-term investments.
- 5.2 Due from National Government Agencies for Indigent Program as of this report has zero balance based on the Corporation's current policy as stated in 2.8 of this Notes.

For the Current year (CY 2009), the General Appropriations Act (GAA) has the following provisions:

- Financial Assistance to LGUs as National Government Counterpart for the Premium Contribution of Indigents enrolled in the NHIP, broken down as follows:
 - NG Counterpart P 3.3 billion
 - Arrearages on NG subsidy P 1.7 billion
 - P 5.0 Billion
- However, as of this period the Corporation has not received any SARO with the corresponding NCA for this appropriation.

- 5.3 Due from National Government Agencies amounting to P8,894,005,790 represents employers' share for government employed sector for the CYs 2001 to 2008.
- 5.4 Due from GOCCs – Home Guaranty Corporation (HGC) balance amounting to P301,933 represents 1 month and 8 days (May 01 – June 08, 2006) interest receivable for the matured investment of P54 million Debenture Bonds not remitted on time.

5.5 Due from LGUs consists of premium counterpart for the Indigent Program: Details of the account are as follows:

PhROs	2009	2008 (As Restated)
NCR	-	-
CAR	2,953,160	1,191,293
I	31,160,458	1,154,067
II	8,867,227	6,715,230
III	3,189,770	6,573,172
IV-A	108,333	-
IV-B	20,867,075	2,923,491
V	2,273,554	1,250,349
VI	33,077	33,077
VIII	8,070,985	4,871,139
X	-	719,163
Caraga	22,275	3,424,405
ARMM	-	361,800
	77,545,914	29,217,186

5.6 Other Receivables include fund releases to Department of Health (DOH) - National Center for Health Facility Development of 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 PhROs, balances of personal call of PhilHealth officers and employees, and others. Details of the account are as follows:

Nature of Receivable	2009	2008 (As Restated)
Global budget for OPB	6,000,000	6,000,000
Personal calls	208,749	203,069
Other receivables	3,074,243	4,004,173
	9,282,992	10,207,242

6. INVENTORIES

The account consists of supplies and materials amounting to P36,776,047 and P40,743,641 for CYs 2009 and 2008, respectively.

7. OTHER CURRENT ASSETS

This represents the reclassified Philippine National Bank Account No. 260-840034-9 with a book balance amounting to P1,623,362 which was already closed per passbook. However, in the books of the Corporation, it remains an asset pending the documentation of all transactions pertaining to this account.

8. INVESTMENTS

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

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

	2009	2008 (As Restated)
Investment in shares of stocks (at cost) Meralco Common - A	-	132,906,650
Less: Allowance for decline in value	-	19,601,157
Net Book Value	-	113,305,493
PLDT - Subscriber Investment Plan	725,300	725,300
Investment in Bonds	75,907,396,471	37,713,170,767
Investment in Real Property	413,845,805	413,845,805
	76,321,967,576	38,241,047,365

8.2 The investments represent the following:

- On August 14, 2009 the 1,904,294 Meralco Common – A shares of stock were sold to Metro Pacific Investments Corporation through CLSA Philippines, Inc.
- Investment in PLDT Stocks was acquired under the Subscriber Investment Plan representing 251 subscribed telephone lines. Based on PLDT's records, Philhealth has 72,530 preferred stocks represented by original stocks certificates already in the custody of PhilHealth.
- Investment in Bonds (net of amortization) with more than one (1) year maturity period are broken down as follows:

	2009	2008 (As Restated)
Pag-Ibig housing bonds	39,560,000	39,560,000
Retail T-bonds	5,726,900,000	5,594,400,000
3-year T-bonds (3 certificates)	167,759,855	680,914,381
4-year T-bonds	-	-
5-year T-bonds (48 certificates)	46,703,354,407	31,111,229,174
7-year T-bonds (18 certificates)	23,269,822,209	287,067,212
	75,907,396,471	37,713,170,767

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 P404,278,003 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 Asian Appraisal Company, Inc., the subject property has a fair market value of P120,000 per square meter, or about P522,600,000 as of June 01, 2009. This account was reclassified as Investment in Real Property instead of Plant, Property and Equipment.

9. PROPERTY AND EQUIPMENT - NET

This account consists of:

	Land and Land Improvements	Building & Structure / Leasehold Improvements	Furniture & Fixtures Equipment & Books	Construction in Progress	Total
Cost					
January 01, 2009	457,584,083	51,851,569	720,987,072	4,125,000	1,234,547,724
Additions	544,364	5,990,807	144,241,499	4,125,000	154,901,670
Adjustments	2,954,341	31,261,544	37,384,570	(4,125,000)	67,475,355
December 31, 2009	461,082,788	89,103,920	902,613,141	4,125,000	1,456,924,749
Accumulated Depreciation					
January 01, 2009	192,046	11,250,846	429,731,212	-	441,174,104
Depreciations	107,476	2,231,552	84,269,662	-	86,608,690
Adjustments	-	(10,661)	(23,819)	-	(34,480)
December 31, 2009	299,522	13,471,737	513,977,055	-	527,748,314
Net Book Value 2009	460,783,266	75,632,183	388,635,986	4,125,000	929,176,435
Net Book Value 2008	457,392,037	38,589,504	292,273,011	6,124,999	794,379,551

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 P442,640,616 was fully paid on April 10, 2010. The Proposed Head Office of PhilHealth shall be constructed in this lot.

9.2 A lot and building purchased by PhRO III in San Fernando, Pampanga amounting to P13,059,200 and P25,520,363 respectively, for its permanent Regional Office. Some of its office spaces are rented-out.

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 18 April 2007 in the amount of P8.3 million per appraisal report of Cal-Fil Appraisal and Management, Inc. (Cal-Fil), a Professional Property Consultant & Valuer.

9.3 A donated 2,897 sq. m. lot at the 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 24 July 2006 in the amount of P8.6 million per appraisal report of Cal-Fil. In compliance to the said MOA the Regional Development Council (RDC) 2 extended, upon request of PhRO II, the construction of its office building for another two years per RDC-2 Resolution No. 02-037 s 2005.

10. INTANGIBLE ASSETS

This represents cost of various software application / programs purchased by the Corporation amounting to P14,654,559 and 10,528,034 net of amortization for CYs 2009 and 2008, respectively.

11. MISCELLANEOUS ASSETS AND DEFERRED CHARGES

	2009	2008
Prepayments/ Deferred Charges	10,107,496	34,915,232
Guaranty Deposit	34,098,245	28,450,297
	44,205,741	63,365,529

11.1 Prepayments include authorized payments made for the purchase of goods from the Procurement Service of DBM, insurance of motor vehicles of the Corporation from the GSIS and deferred charges account representing payment to HCPs by PhROs under the Debit/Credit Scheme.

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

12. OTHER ASSETS

This account consists of long-term receivables as follows:

Long-term Receivable	2009	2008
DBM (transfer of NHIP Program from GSIS to PHIC)	564,111,090	564,111,090
PCSO (Enhanced GMA Program)	235,000,000	505,000,000
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
PhROs (from various Health Providers-DCS)	744,018	651,230
Gross Long-Term Receivable	804,130,814	1,074,038,026
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
Net Amount	237,527,870	507,435,082

- 12.1 Long Term Receivable from Department of Budget and Management (DBM) representing Medicare Premium contributions from various government offices amounting to P564,111,090 was transferred to PhilHealth by the GSIS under MOA between DBM, GSIS & Bureau of Treasury (BTr) and signed on May 23, 2001. PhilHealth was informed by the Director of DBM Financial Service that the MOA did not materialize and negotiations are currently being undertaken.

	2009	2008
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
	-	-

- 12.2 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to P295 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. 718 s. 2003 and 180 s. 2004 provided an aggregate amount of P1.5 B allocation for the said project. The balance of the account is as follows:

	2009	2008
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 PCSO Releases		
CY 2004 - CY 2008	995,000,000	995,000,000
CY 2009	270,000,000	-
Total Collections	1,265,000,000	995,000,000
Balance for Long-Term Receivable	235,000,000	505,000,000

- 12.3 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) was in pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation. The amount of P 327,103 was reclassified as Other Asset due to the non-assurance of collection within one year. PDIC letter dated November 28, 2008 informed that the Final Project of Distribution (FPOD) was deferred by their Legal Department for unresolved legal issues. The Liquidation Court shall notify PhilHealth of their action for Hermosa Savings and Loan Bank, Inc.
- 12.4 Disallowances amounting to P1,456,749 refer to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by COA. The Corporation has appealed to the COA for the lifting of said disallowances.
- 12.5 Receivables from former officers and staff of Philippine Medical Care Commission (PMCC) amounting to P2,491,854 are being considered as bad debts due to non-payment despite demands made by the Corporation. The request for write-off has been submitted to the resident COA Auditor.
- 12.6 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 P2,491,854. The accounts were transferred by the Philippine Medical Care Commission (PMCC) to PhilHealth in August 1995 and have been in the books of PMCC and PhilHealth for a total of more than 10 years. Request for the write-off of the accounts was already made with the Office of the Ombudsman and COA.
 - Receivable from Local Government Units (LGUs) and National Government for surcharges due to late remittance of the employer counterpart of the premium contribution in the amount of P564,111,090. This was transferred by the Government Service Insurance System (GSIS) to PhilHealth.
 - The allowance for doubtful accounts is provided in an amount determined after evaluation of such factors as aging of the accounts, collection experience in relation to particular receivable and identified doubtful accounts.

13. PAYABLES

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

	2009	2008 (As Restated)
Personal Services	44,966,565	16,258,414
MOOE	146,147,485	133,234,548
Capital Outlay	280,765,112	248,858,108
Benefit Claims	1,088,439,050	787,233,246
Accrued Benefit Claims	4,029,096,496	3,082,033,914
	5,589,414,708	4,267,618,230

- 13.1 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.
- 13.2 Due to Members – Benefit Claims are payables representing the benefit payment checks still in the possession of the Corporation at the end of the period. Included in this amount are the return-to-sender (RTS) and stale checks.
- 13.3 Accrued Benefit Claims include those (1) claims already processed and with Account Payable Voucher (APV) and (2) benefit claims received but not yet processed, and without Account Payable Voucher. The monthly average value per claim by sector was used as the multiplier in computing the accrual for the month.

14. TRUST LIABILITIES

This account consists of:

	2009	2008 (As Restated)
Inter-Agency Payables	159,064,870	147,724,725
Trust liabilities -		
UNFPA Project	327,767	258,486
WHO Project # 1	294,922	304,922
WHO Project # 2	126,320	126,320
WHO Project # 3	1,720	1,720
WHO Project # 4	1,653	1,653
WHO Project # 5	403,425	-
WHO Project # 6	239,535	-
UMID Project	87,688,967	88,754,740
Refund from UST	73,431,569	34,436,197
Refund from Other Service Provider	51,733,534	17,945,798
AHP - Protest Bond	1,440,000	320,000
Donation	19,726,920	18,329,906
Performance/Bidders Bond Payable	13,474,306	12,056,724
Retention Fee	2,511,500	-
Center for Global Development	182,754	-
ICD 10	186,000	-
German Development Corporation	96,401	-
Philippine Training Institute	234,786	-
Other Payables	31,621,600	15,564,506
	442,788,549	335,825,697

- 14.1 Inter-Agency payables include deductions from the salaries of PhilHealth officials and employees which are due for remittance to Government Service Insurance System (GSIS), Home Development Mutual Fund (HDMF), National Home Mortgage Finance Corporation (NHMFC), Bureau of Internal Revenue (BIR), and PhilHealth Employees Association (PHICEA), taxes withheld from payments to health service providers.

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

Trust Liabilities - Donations	2009	2008
Westmont Investment Corp.	12,321,454	11,666,555
Strategies & Alliance Corp.	6,454,788	6,321,618
All Asia Capital & Trust Corp.	600	10,599
First Metro Investment Corp.	3,813	3,813
BF General Insurance Corp.	1,425	51,425
Donation received by PhRO's	944,840	275,896
	19,726,920	18,329,906

These shall 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).

15. OTHER DEFERRED CREDITS

These are unearned accreditation fees amounting to P29,511,942 and P11,540,152 in CYs 2009 and 2008, respectively, of medical service providers with validity period of three years.

16. PREMIUM CONTRIBUTIONS

	2009	2008 (As Restated)
Premium Contributions - Indigent Program		
Counterpart-NG for Regular Indigent Program	25,000,000	1,401,452,895
Counterpart-LGUs for Indigent Program	1,788,819,654	1,209,977,339
Counterpart-Other NGAs-Congress	54,596,956	57,251,300
Counterpart-Other NGAs-PCSO for Enhanced GMA Program	2,853,000	7,305,000
Counterpart-Other NGAs-OURA	-	880,200
Counterpart-Other NGAs-DOLE	9,703,680	164,940
Counterpart-Other NGAs-OP-PSF-for Indigent Program	-	52,800
Contributions-NG for NHIP Other Program	-	-
Total Premium Contributions - Indigent Program	1,880,973,290	2,677,084,474
Premium Contributions - Regular Program		
Contributions - Private Sector	16,264,546,499	16,576,028,994
Contributions - Government Sector	5,685,283,968	7,020,840,440
Contributions - Individually Paying Program	1,427,895,879	1,238,410,040
Contributions - Overseas Workers Program	722,427,818	713,636,383
Total Premium Contributions - Regular Program	24,100,154,164	25,548,915,857
TOTAL PREMIUM CONTRIBUTIONS	25,981,127,454	28,226,000,331

17. INTEREST AND OTHER INCOME

	2009	2008 (As Restated)
Interest Income		
Treasury Bonds	4,892,382,460	3,807,551,659
Treasury Bills	759,280,747	1,280,961,065
Time/Special Savings Deposits	455,455,560	411,335,224
Savings and Current Deposits	9,169,004	22,760,067
Total Interest Income	6,116,287,771	5,522,608,015

	2009	2008 (As Restated)
Other Income		
Accreditation Fees	23,420,878	16,920,424
Fines and Penalties	7,715,829	4,320,929
Income from Grants and Donations	-	4,187,848
Dividend Income	1,944,144	2,060,355
Rent Income	1,752,701	1,629,213
Gain (Loss) on Foreign Exchange	(65,187)	289,769
Gain (Loss) on Disposal of Assets	118,959	61,008
Gain (Loss) on Sale of Securities	305,168,463	-
Seminar Fee (HCP Forum)	18,000	-
Miscellaneous Income	1,343,714	1,450,454
Total Other Income	341,417,501	30,920,000
TOTAL INTEREST AND OTHER INCOME	6,457,705,272	5,553,528,015

18. PERSONAL SERVICES (PS)

	2009	2008 (As Restated)
Salaries and Wages	701,906,117	645,381,969
Personnel Benefit Contributions	95,284,020	85,879,367
Other Compensation	1,540,129,690	1,349,306,897
Other Personnel Benefits	9,058,066	984,665
Total Personal Services	2,346,377,893	2,081,552,898

19. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

	2009	2008 (As Restated)
Professional Services	375,892,345	391,500,085
Communication, Water and Power Services	170,266,859	139,129,352
Rent	156,284,430	133,292,880
Supplies and Materials	107,241,013	101,861,651
Security and Janitorial Services	109,335,106	101,972,633
Training and Travel Expenses	55,616,048	49,413,898
Advertising, Marketing and Promotions	35,354,792	33,864,525
Repairs and Maintenance	16,387,981	12,779,357
Miscellaneous and Extraordinary Expenses	12,151,594	24,603,819
Printing and Binding Expenses	23,801,832	12,254,071
Rewards and Other Claims (P.S. We Care)	20,204,458	13,203,817
Fidelity Bond and Insurance Premiums	6,954,099	7,163,290
Financial Expenses	40,215	260,957
Taxes, Duties and Fees	351,524	497,810
Transportation Expenses	968,450	755,577
Membership Dues and Contr. to Organizations	1,916,759	4,295,774
Representation Expenses	16,364,971	4,104,424
Subscription Expenses	942,064	1,006,485
Other Expenses	48,095,185	22,589,582
	1,158,169,725	1,054,549,987
Depreciation Expense	86,608,691	66,421,164
Obsolescence / Impairment Loss	7,021,746	6,490,405
Non-Cash Expenses	93,630,437	72,911,569
Total MOOE	1,251,800,162	1,127,461,556

20. RESERVE FUND

The Reserve Fund is set at P69,483,000,000 which is equal to the reserve fund limit representing the amount actuarially estimated for two years' projected Program expenditures as provided for under Section 27 of RA 7875, to wit: "Section 27. Reserve Fund – The Corporation shall set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserved funds: Provided, That the total amount of reserves shall not exceed a ceiling equivalent to the amount actuarially estimated for two years' projected Program expenditures x x x:"

21. CONTINGENT CAPITAL

Contingent capital in the amount of P1,457,863 in CY 2009, with the same amount in CY 2008, represent COA disallowances on prior year expenditures.

22. RETAINED EARNINGS

In consonance with Philippine Accounting Standards (PAS) No. 8, the Retained Earnings was restated as follows:

	As of Dec. 31, 2009	As of Dec 31, 2008 (As Restated)
Balance at beginning of year	27,105,226,917	18,215,796,200
Prior Year's Adjustment	-	7,411,979,807
As restated	27,105,226,917	25,627,776,007
Adjustment in Reserve Fund	(1,061,000,000)	(10,957,000,000)
Net Income	4,530,882,019	12,434,450,910
Ending Balance	30,575,108,936	27,105,226,917

Prior Year's Adjustments are summarized as follows:

Members' Contributions	7,418,790,434
Personal Services	388,291
Maintenance and Other Operating Expenses	885,225
Obsolescence	(8,084,143)
	7,411,979,807

23. WORLD BANK FINANCING

The Philippine Government through the Department of Finance entered into a loan agreement with the World Bank, as embodied in World Bank IBRD Loan No. 7395-PH, to support the implementation of the five-year National Sector Support for Health Reform Project (NSSHRP). The project was approved in 2006 and became effective in March 2007.

The project is composed of four components. The component A (Health Financing Component) will be implemented by Philippine Health Insurance Corporation. It has an allocation of US\$ 40 million which provides as budget support for the National Government Counterpart of the Sponsored Program Premiums.

As of December 31, 2009, no utilization from the allocation has been made due to non-availability of proxy-means testing tool for use under the acceptable survey tools prescribed in the Indigent Program Manual. It should be noted that access to the loan fund is anchored on the submission of an enrolment list identified through the proxy-means test (PMT) or any LGU-based tool using acceptable means testing methodology as specified in the Indigent Support Program Manual. Since no LGU is using any identification tool that complies with the requirements described in the Implementation Manual, the World Bank agreed that PhilHealth shall utilize the indigent list generated through the National Household Targeting System for Poverty Reduction (NHTS-PR) of the Department of Social Welfare and Development (DSWD).

In order to fast track release from the loan proceeds, the Philippine Health Insurance Corporation signed a Memorandum of Agreement with DSWD to gain access to and utilize its indigent list. According to the said agreement, National Household Targeting System for Poverty Reduction (NHTS-PR) Indigent list shall be used for the 2008 and 2009 Sponsored Program enrolment.

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NERISSA R. SANTIAGO

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