

2017 ANNUAL REPORT



Securing and Protecting
the Filipinos' Health through
an Innovative NHIP

COVER STORY

Keeping the Country **WELL** Through Innovative **HEALTH CARE**

In 2017, the Philippine Health Insurance Corporation (PhilHealth) marked its 22nd year as the country's main financier of health care services. Its anniversary theme, "Universal Health Care: Challenged by Change, Empowered by Unity," emphasizes the importance of acknowledging new challenges and new opportunities to be able to fulfill its commitment to provide financial protection from catastrophic health care spending through universal health insurance.

PhilHealth vows to carry on with its goal of securing and protecting Filipinos both in the Philippines and abroad through an innovative national health insurance program. As it adapts to the ever-changing needs of its members,

PhilHealth continues to explore groundbreaking possibilities to constantly address the existing and emerging health-related concerns of its beneficiaries.

Twenty-two years since its institution, PhilHealth has expanded its benefit packages to tirelessly address the needs of the most vulnerable sectors of the society. It has also set up service advancements and innovations to solidify its relationship with its members.

As it enters another chapter of protecting the Filipino welfare, PhilHealth aims to continuously enhance its approach in helping the nation overcome challenges and achieve optimal health care for all.

VISION

"Bawat Filipino,
Miyembro,
Bawat Miyembro,
Protekdado,
Kalusugan ng lahat,
Segurado"

MISSION

"Benepisyong
Pangkalusugan
Sapat at De-kalidad
para sa Lahat"

CORE VALUES

Integridad
Inobasyon
Agarang Serbisyo
Taus-pusong Paglilingkod
Pagmamalasakit
Angkop na Benepisyo
Panlipunang Pagkakabuklod

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FROM THE
**PRESIDENT OF
THE REPUBLIC**

My warmest greetings to the Philippine Health Insurance Corporation on the publication of your 2017 Annual Report.

When we launched the Philippine Health Agenda 2016-2022, we envisioned a universal healthcare system that can protect the poor and the underprivileged from the high cost of medical services. If we are to achieve this goal, we need to strengthen our mandatory health insurance program and ensure its overall financial viability.

May PhilHealth's accomplishments in the past year serve as a springboard for its further growth in the years to come. With the invaluable assistance of healthcare providers, employers, collecting financial institutions and other key stakeholders, I am confident that we can sustain the National Health Insurance Program so it can offer a comprehensive range of services to its beneficiaries.

Through the efficient and accountable management of our contributions and the steadfast support of our private partners, let us build a truly equitable, inclusive, dependable and responsive healthcare system that caters to the well-being of those in need.

I wish you all the best.

A handwritten signature in black ink, reading "Rodrigo Roa Duterte".

RODRIGO ROA DUTERTE
President
Republic of the Philippines



FROM THE BOARD CHAIRPERSON

My warmest greetings to all the officials, administrators and staff of the Philippine Health Insurance Corporation on the publication of your 2017 Annual Report.

The rapid changes taking place in the global health care arena have encouraged paradigm shifts in paying for health care to boost provider participation in service delivery, and translate levels of provider performance into better quality of care at lower cost.

The Department of Health recognizes the need to improve the health outcomes of our countrymen in ensuring that they, especially the poor and marginalized, have financial access to quality and affordable health care services.

The revitalized Philippine health sector agenda, now called FOURmula One Plus, puts our people at the top of everything that we do in the DOH. Being the primary steward of the nation's health, we believe that our success can only be measured by the well-being of our fellow Filipinos and how well the health system responds to their needs.

May this publication inspire you to continue the work towards universal health coverage for all.

Congratulations and Mabuhay!



DR. FRANCISCO T. DUQUE III, MSc.
Secretary of Health
Chairperson, PhilHealth Board of Directors



FROM THE **PRESIDENT AND CEO**

This year marked the commencement of our medium-term plan that is primarily centered in empowering beneficiaries of the National Health Insurance Program (NHIP) to seek appropriate treatment and management of their health conditions without worrying about the costs. Year after year we shield the sick population from potential economic devastation due to the prohibitive costs of health care.

We accepted the ever-changing health care demands of the population and embraced the challenge of coping with them. This was evident in the continuing increase in our membership base. We did not falter in our aim to support the achievement of Universal Health Care as we now insure 93% of the 2017 total projected population of 104 million. The figure reflected a growth of over 3.5 million beneficiaries who have experienced or stand to experience total satisfaction with our benefits, programs, and services.

To support that claim, we earned excellent trust ratings in 2017 that can be mainly attributed to our efficiency in accrediting health care institutions which in turn, improved access to PhilHealth services. Another factor was our efforts to heighten awareness of our benefits and coverage that enabled the sick to know their rights and how to avail of such entitlements. The surveys were conducted by third firms: Novo Trends and EON Group.

We further upped the ante by launching new benefit packages to augment our already wide-ranging coverage. Among them were the Medical Detoxification package; our share in the society as productive citizens. We also launched additional Z Benefits for the premature and small newborns, and for children with disabilities, benefits that truly provide the needed protection to affected children who are our country's future.

The year 2017 was indeed very challenging to say the least. Yet, I am positive that we can continue our internal and external cooperation, overcome differences, in order to contribute to a grander ideal, that is, to secure the health of Filipinos without regards to gender, age, and socio-economic standing.

This report is a reminder that we are capable of greater things if we are united and remain committed to our vision of "Bawat Filipino, Miyembro, Bawat Miyembro, Protektado, Kalusugan ng Lahat, Segurado".

Congratulations Team PhilHealth!



CELESTINA MA. JUDE P. DE LA SERNA, M.D.
Interim/OIC-President and CEO

2017 OPERATIONAL HIGHLIGHTS

NHIP Coverage

Sector		Members	Dependents	Beneficiaries
Members in the Formal Economy		14,903,502	13,952,626	28,856,128
	Private	12,646,606	10,361,739	23,008,345
	Government	2,186,147	3,537,657	5,723,804
	Household Help/ Kasambahay	69,621	51,687	121,308
	Enterprise Owner & Family Drivers	1,128	1,543	2,671
Members in the Informal Economy		11,077,951	11,821,151	22,899,102
	Migrant Worker	536,094	779,640	1,315,734
	Informal Sector	2,317,026	3,430,129	5,747,155
	Self-Earning Individual	435,824	599,814	1,035,638
	Informal Economy Members w/o Eligibility but Entitled to Point of Service (POS) except Foreign Nationals	7,773,898	6,990,528	14,764,426
	Organized Group and Others	15,109	21,040	36,149
Indigents		14,329,442	17,700,855	32,030,297
Sponsored Members		1,127,692	1,452,057	2,579,749
Senior Citizens		6,899,207	1,574,258	8,473,465
Lifetime Members		1,245,993	888,947	2,134,940
TOTAL		49,583,787	47,389,894	96,973,681

Notes:

1. 2017 Projected population is 104.5M estimated from the August 2015 Census by PSA (medium assumption; annual growth rate of 1.72%)
2. Data reported are actual counts of members and dependents registered in the database.

- In 2017 approximately 93% of the population were covered by the National Health Insurance Program (NHIP). This translates to almost 97.0 million members and dependents that are entitled to avail of benefits under the NHIP.
- The Formal Economy comprising mostly of the employed sector (government and private) comprises around 30% of the

total covered members. Members under the Indigent Program accounted for 29%. Informal Economy Members is at 22% while 14%, 3%, and 2% belongs to, Senior Citizen, Lifetime, and Sponsored members respectively.

- All the 14.3 million poor families identified through the DSWD-NHTS-PR LisTahanan II were covered by the NHIP under the Indigent Program along with 17.70 million dependents.

- In addition, 6.9 million Senior Citizens were included as members and provided with mandatory coverage. This was a result of R.A. 10645 otherwise known as the "Expanded Senior Citizens Act of 2010".
- On a regional basis, 21% of the total members are from the National Capital Region (NCR). CALABARZON members accounted for 13% while Central Luzon is at 9%.
- Distribution of 11% Western Visayas, Central Visayas 9%, and Zamboanga Peninsula 8%.

Premium Contributions

- PhilHealth collected more than Php106.6 billion from January to December 2017. The amount is 3% higher than the previous year.
- The Formal Economy contributed the largest share of total premium payment at 46% or equivalent to 48.8 billion while the Indigent and Senior Citizens contributed 32% and 12% respectively or 46.9 billion premium contribution subsidized by the government thru the Sin Tax. Seven percent (7%) are premium contributions from the Informal Economy and the rest is from the Sponsored Program.

Sector	Amount (Php in Millions)
Formal Economy	48,763.92
Informal Economy	7,913.90
Indigents	33,860.36
Sponsored Program	2,913.22
Senior Citizens	13,045.05
Total	106,584.70

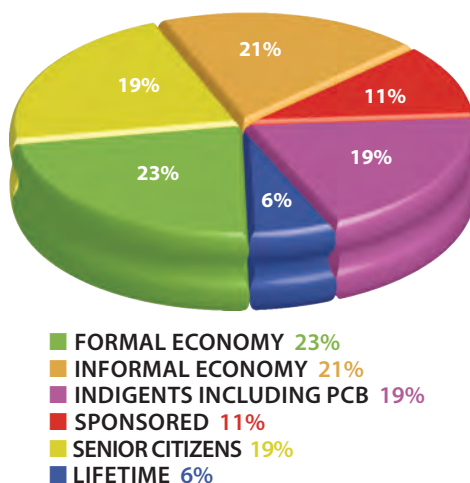
Benefit Claims Expense

Sector	Benefit Payment (in million pesos)	% to Total Benefit Payment
Formal Economy	25,151.46	23%
Informal Economy	23,554.81	21%
Indigents including PCB	21,098.19	19%
Sponsored	12,286.79	11%
Senior Citizens	21,321.10	19%
Lifetime	7,077.73	6%
Total	110,490.08	100%

Source: Financial Statements

- In 2017 PhilHealth paid almost 110.49 billion as benefit payment. The amount is an 8% increase from what was paid from the previous year.
- The total number of claims received by PhilHealth in 2017 was 11.06 million claims. PhilHealth paid from January to December 2017 was 10.08 million claims which is 3% higher than what was paid in 2016.
- The implementation of the All Case Rate Payment Scheme simplified claims processing with an average Turn-Around-Time (TAT) of 58 days.
- NBB compliance is at 72.03% based on level of per PROs based on Exit Survey Results from January to December 2017.
- Support Value was estimated at 55% Preliminary estimates using Average Value Paid per Claim (AVPC) for claims paid January 1 to December 31, 2017 P 9,870 over P 17,801 the estimated average cost of In-patient care based from the 2013 NDHS by PSA with 3.2 inflation rate in 2017.
- In terms of the claims count Informal Economy accounted for 23% followed by the Formal Economy at 22% and Indigent claims at 20%. Senior Citizen, Sponsored and Lifetime accounted for 17%, 11%, and 6% respectively.
- The Average Value Paid per Claim (AVPC) in 2017 was 9,874.

- Majority of the claims paid were processed by PRO III at 8%. NCR Central was second at 7% while PRO IV-A was at 6%.
- Distribution by sector shows that 23% of the total reimbursements paid were from the Formal Economy. The Informal Economy accounted for 21%. Indigents and Senior Citizens are both at 19%. Sponsored and Lifetime are at 11% and 6% respectively.



Claims Payment per PhilHealth Regional Office (PRO)

PRO	Sum of Claims Amount	Claims Count	Avg. Value Paid Per Claim
NCR	5,373,513,685	518,044	10,373
SOUTH			
NCR NORTH	6,205,832,563	547,097	11,343
NCR CENTRAL	7,993,589,982	709,431	11,268
CAR	2,338,005,853	253,314	9,229
I	6,196,094,355	658,531	9,409
II	3,765,736,388	366,841	10,265
III-A	6,938,442,185	806,842	8,600
III-B	4,654,311,003	465,947	9,989
IV-A	6,677,459,693	666,018	10,026
IV-B	5,711,588,704	611,884	9,334
V	2,985,447,035	352,144	8,478
VI	6,647,745,320	656,196	10,131
VII	5,640,339,176	627,297	8,991
VIII	3,687,077,903	423,118	8,714
IX	2,733,591,245	273,847	9,982
X	6,108,868,285	628,691	9,717
XI	6,289,613,873	580,955	10,826
XII	6,440,826,999	588,110	10,952
CARAGA	1,995,913,231	225,140	8,865
ARMM	1,212,341,670	127,087	9,539
Total	99,596,339,148	10,086,534	9,874

Source: Power BI Claims Dashboard

Accreditation

Health Care Providers and Health Care Professionals

- The continuously increasing number of PhilHealth-accredited health care providers ensures greater access to quality health care. By the end of 2017, PhilHealth accredited 100% of all the hospitals licensed by Department of Health (DOH). In addition 2,455 outpatient clinics were accredited as Primary Care Benefit Package providers, while 3,243 and 1,996 providers were accredited for MCP and DOTS respectively.
- On LGU participation, 94% of all local government units nationwide have at least one accredited facility providing PCB. Ninety one (91%) has at least one MCP provider and 86% has at least one DOTS Package provider.

PRO	General Practitioner	GP with Completed Residency Training	Medical Specialist	Dentist	Midwife	Total
NCR	794	1,955	7,762	66	205	10,782
I	456	358	526	29	49	1,418
II	340	217	283	25	41	906
IIIA	370	571	709	26	71	1,747
IIIB	238	461	487	6	84	1,276
IVA	402	660	993	25	172	2,252
IVB	324	459	543	20	60	1,406
V	305	226	278	10	76	895
VI	388	533	1,004	34	79	2,038
VII	532	379	1,066	20	139	2,136
VIII	431	165	204	2	90	892
IX	299	197	227	14	148	885
X	531	289	490	12	40	1,362
XI	237	321	656	5	137	1,356
XII	313	204	258	9	51	835
ARMM	114	52	34	0	20	220
CAR	260	164	361	12	76	873
CARAGA	233	86	115	13	43	490
Total	6,567	7,297	15,996	328	1,581	31,769



2017 IN REVIEW

Milestones and Achievements in PhilHealth's 22nd Year of Service

In celebration of its 22nd anniversary, PhilHealth delivers another compilation of significant achievements from a year dedicated to securing and protecting Filipinos' health through an innovative national health insurance program. The year 2017 allowed PhilHealth to continuously build stronger family ties and healthier communities by providing the utmost medical care its beneficiaries need and deserve.

ACHIEVEMENT IN MEMBERSHIP COVERAGE

PhilHealth achieved another year of great leaps in terms of adapting to the changing demands of its beneficiaries through its guaranteed health care coverage for all. In 2017, PhilHealth managed to create a more inclusive approach to address the health care-related needs of Filipinos from different walks of life.

Continued Expansion of Membership Coverage

In 2016, PhilHealth had already covered 91% of the projected population, accounting for about 93.4 million

principal members and dependents. With President Rodrigo Duterte's promise of providing "universal health insurance for all Filipinos" and a budget allocation to support the coverage, PhilHealth was able to provide benefit entitlement to every Filipino—particularly those who do not have the capacity to pay for health care services at the time of hospitalization.

By year-end of 2017, membership registration totaled to a higher figure of around 97 million members and beneficiaries out of the projected population count of 104.5 million. A large chunk of the total covered member (28.9 million or 30% to be accurate) belongs to the formal economy or the working class comprising mostly of government and private employees, household helpers, enterprise owners, and family drivers. The entire 14.3 million poor families, along with their 17.7 million dependents identified by the Department of Social Welfare and Development through their DSWD-NHTS-PR LisTahanan II, were covered under the Indigent Program, accounting for 29% of the total membership coverage. Aside from the regular coverage for lifetime members, additional 6.9 million senior citizens were provided mandatory coverage to address their health concerns by virtue of Republic Act 10645, also known as the Expanded Senior Citizens Act of 2010.

Coverage for Government Workers Under the Group Enrollment Scheme

Staying true to its mandate to deliver universal health care coverage for all sectors of the society, PhilHealth approved

the provision to provide social health insurance coverage for directly-hired job orders and project-based contractor employees of the government under the Group Enrollment scheme.

Job Orders (JOs) and Project-Based Contractors (PBCs) in all national and local government offices, including individuals directly hired by National Government Agencies (NGAs), Local Government Units (LGUs), Government-Owned and Controlled Corporations (GOCCs), and State Universities and Colleges (SUCs), will have mandatory health insurance coverage starting June 2018.

Coverage for Film Workers

Through a Memorandum of Agreement (MOA) signed by PhilHealth and the Film Development Council of the Philippines (FDCP), self-earning workers in the local film industry, such as cameramen, gaffers, actors, directors, producers, and their qualified dependents, are now assured of social health insurance coverage.

Under the agreement, the FDCP shall require all self-earning film industry workers to enroll and pay their premium contributions to PhilHealth under the informal sector membership category. The FDCP shall also facilitate the dissemination of information about PhilHealth's programs, benefits, and privileges to its employees and members by inviting PhilHealth representatives to forums, conventions, and other similar activities to conduct orientations, onsite registration, and enrollment of prospective members.



On the other hand, PhilHealth shall provide a focal person to conduct orientations, seminars, and onsite registration for all qualified FDCP members to promote awareness of the programs and benefits they can avail. PhilHealth shall also provide information about its payment facilities to ensure regularity of payment contributions of enrolled FDCP members.

Coverage for Filipinos with Dual Citizenship

PhilHealth has extended its financial risk protection to all Filipinos by including dual citizenship holders to the Corporation's health insurance coverage program. Through Circular No. 2017-004, Filipinos with dual citizenship who have retained or have re-acquired their Filipino citizenship by virtue of Republic Act 9225, also known as the Citizenship Retention and Re-acquisition Act of 2003, may now avail and enjoy the same benefits of social health insurance coverage afforded to Filipinos in the country.

Filipinos with Dual Citizenship or FDCs need only to submit a properly filled-out PhilHealth Membership Registration Form (PMRF) and a Certificate of Re-acquisition/Retention of Philippine Citizenship (CRPC) or Identification Certificate (IC) issued by the Philippine Embassy, the Philippine Consulates abroad, or the Bureau of Immigration.

They may declare their legal dependents by attaching a copy of the CRPC or IC to the PMRF for their children below 21 years old, who are not gainfully employed and are unmarried. Meanwhile, apart from the CRPC and the IC, a medical certificate stating and describing the extent of disability is required when declaring children above 21 years old who are suffering from disabilities or any acquired disabilities that render them totally dependent on the member for support.

FDCs may also declare their Filipino parents who are below 60 years old and suffering from disabilities or any acquired disabilities that render them totally dependent on the member for support. FDCs need only to submit copies of both their birth certificates and those of their parents respectively, as well as a medical certificate stating the extent of the parent's disability.

In addition, a legitimate spouse who is also a Filipino with dual citizenship but is not a PhilHealth member may also be declared as dependent, with a copy of the marriage contract and the CRPC or the IC being the only required supporting documents.

Finally, premium contributions for FDCs is pegged at P3,600.00 annually, and may be remitted to any PhilHealth accredited local or overseas collecting agents or to any PhilHealth offices here and abroad.

Expansion of Coverage to Foreign Nationals

Since July 2017, foreign nationals and former Filipino citizens who have chosen to retire in the Philippines have been allowed to avail of health insurance coverage. This is in line with the Memorandum of Understanding (MOU) signed between PhilHealth and the Philippine Retirement Authority (PRA) in 2015, which aims to lure retirees to the Philippines. Under the MOU, qualified foreign retirees who are registered with the PRA or former Filipino citizens may enroll under the informal economy membership category to gain access to health insurance coverage in the country. Foreign nationals



PhilHealth has extended its financial risk protection to all Filipinos by including dual citizenship holders to the Corporation's health insurance coverage program.

wishing to retire in the Philippines and get health coverage must have a Special Resident Retiree's Visa (SRRV), and have been granted permanent residency status in accordance with Section 9 of Executive Order No. 1037, or the Philippine Retirement Park System.

Once they become officially registered PhilHealth members, foreign nationals and their qualified dependents shall be entitled to inpatient, outpatient, and other special benefit packages through any PhilHealth-accredited health care institutions nationwide. However, unlike Filipino citizens enrolled in PhilHealth, foreign members cannot avail of the so-called Z Benefit packages, which are benefits aimed for catastrophic conditions requiring prolonged hospitalizations and expensive treatments, reimbursements for all confinements abroad, and benefits for women about to give birth.

The designated annual premium contribution for PRA-listed foreign retirees is pegged at P15,000.00, and P17,000.00 for other foreign citizens. As with all PhilHealth members, contribution payments may be paid quarterly, semi-annually, or annually.

Automatic Coverage at Point of Service

An allocated sum of P3 billion set into motion the Point of Service (POS) Program of PhilHealth in 2017. It granted PhilHealth coverage to Filipinos who do not have the means to pay for health services at the time of hospitalization. A similar policy was implemented in 2013 called Point of Care (POC) Program alongside the massive enrollment of the poor and the elderly, seeks to automatically provide social health insurance entitlement upon hospital admission after an assessment of the potential beneficiary by medical social workers using a set of socio-economic criteria. A total of 33,780 individuals were

covered under the POS Program who would have otherwise been financially burdened by the high cost of health care without PhilHealth. The POS has actually allowed the state insurance to provide financial risk protection to those who would have otherwise "fallen off the cracks" for not being identified as poor under the proxy means test.

CONTINUED DEVELOPMENT OF NEW BENEFIT PACKAGES

At the core of PhilHealth's business processes in 2017 was the enhancement of its existing benefit packages and the development and introduction of new ones in response to the needs of the times. The Corporation has adopted a more explicit priority-setting process that is both participatory and transparent, with an aim of matching the benefits with the needs of the population.

As the nation's biggest purchaser of health care services, PhilHealth is keen on expanding its benefits to include packages for primary care, catastrophic procedures, and even for emerging and re-emerging diseases. On the occasion of its 22nd anniversary celebration held at the Blue Leaf Pavillion in Taguig City, the Corporation launched new benefit packages for its growing members.

Medical Detoxification Package

To reiterate its support for the national government's campaign to put an end to the country's drug problem, PhilHealth launched the medical detoxification package designed to provide medical detoxification to drug dependents

who wish to get rid of their addiction. This new benefit package is worth P10,000 and is now available at all accredited levels 1, 2, and 3 government hospitals and drug abuse treatment and rehabilitation centers licensed by the Department of Health (DOH).

This benefit package ensures that the minimum standards of medical interventions are provided to patients to manage safely the acute physical symptoms of withdrawal associated with stopping illegal drug use. It is applicable to patient members with acute physical symptoms of use of amphetamine-type stimulants, such as methamphetamine, cocaine, ecstasy, or combinations of these. If there is a documented indication to treat a common co-morbidity associated with withdrawal symptoms arising from the substance, a case rate corresponding to the co-morbidity may also be availed of. This benefit package shall cover the costs for mandatory medical detoxification services, such as screening, diagnostics, medicines, and professional fees.

Z Benefits for Children with Disabilities

The Z Benefits for children with disabilities (CWDs) were primarily developed to address the current situation of children with disabilities in the country. Through the development of this particular Z Benefit, PhilHealth envisions persons with disabilities to be active participants and contributors to their respective economies through education, inclusion, and participation in their communities based on the multidisciplinary assessment of individual needs. This move also supports the Department of Health's (DOH) expanded national program for disabled persons. Mandatory services covered by this package include:

For Hearing Impairment: Coverage shall include professional assessment, diagnostic tests, hearing devices, and habilitative/rehabilitative speech therapy to enable

CWDs to gain functionality in hearing and communication. For Visual Impairment: Services shall include vision assessment and provision of electronic and non-electronic optical devices with appropriate rehabilitation that will preserve and rehabilitate the child's ability for sight and purposeful activities.

For Mobility Impairment: The package shall provide appropriate mobile devices and habilitative/rehabilitative therapy that can potentially end the progression of conditions limiting mobility, and will enable a child to navigate access and become more independent.

For Developmental Impairment: Services shall provide proper diagnosis in order to deliver specific and individualized plans for therapy services. The child will be able to achieve specific milestones in their development, which will optimize their capacity and increase their participation in education and in the community.

The benefit package rates are from P3,626.00 up to P5,276.00 for children with developmental disabilities, and from P32,180.00 up to P132,300.00 for children with mobility impairment. The said package will soon be made available in contracted facilities with specialized services for the Z benefits for CWDs.

Z Benefits for Premature and Small Born Babies

Current statistics indicates that 32% of newborn deaths happen as a result of factors surrounding preterm birth. At the same time babies with low birth weight experience similar risks as preterm babies. According to UNICEF, 60% of newborn deaths in the Philippines are caused by prematurity and low birth weight complications. These complications are also some of the top "newborn killers" worldwide. About one million deaths per year have been recorded, and even more babies grow up with lifelong disabilities, which can be physical, developmental, or neurological.

This prompted PhilHealth to develop a benefit package to provide mothers with access to preventive and catastrophic care for newborns with these conditions.

Pregnant women who are in their 24 to 36 and 6/7 weeks of gestation and at risk of pre-term delivery may avail themselves of the benefit package for prevention of preterm



delivery. On the other hand, benefits are also available for premature newborns that are visually small or very small, 24 weeks to less than 37 weeks by fetal aging or 500g to \leq 2,499g fetal weight.

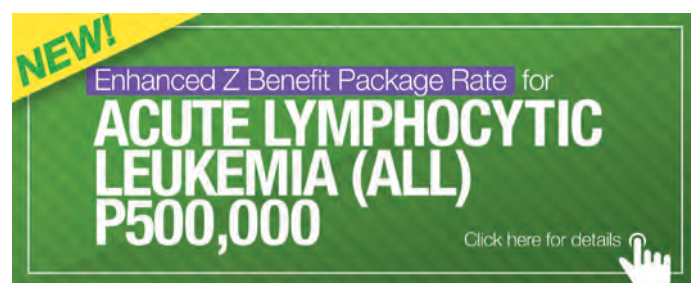
The benefit package rate for the prevention of preterm birth ranges from P600 to P4,000, while the benefit package for preterm and newborns (24 to less than 32 weeks) ranges from P35,000 to P135,000. Furthermore, the benefit package for preterm and small newborn babies (32 to less than 37 weeks) ranges from P24,000 to P71,000.

The development of the new benefit is intended to capture preventive and curative approaches for patient care as well as complement existing packages for mothers and newborns under PhilHealth's Maternity Care Package, Normal Spontaneous Delivery, and Women About to Give Birth.

Enhanced Z Benefits for Standard Risk Acute Lymphocytic Leukemia

When PhilHealth developed the Z Benefits for Standard Risk Acute Lymphocytic (Lymphoblastic) Leukemia in 2012, patient outcomes were improved. Late diagnosis is reduced from 70% to 30%, while treatment abandonment rate has dropped from 80% to 10 up to 20%. The overall survival rate also improved to 78% from 16% up to 20%. By increasing the package rate from P210,000.00 to P380,000.00, PhilHealth can now ensure that mandatory services covering the entire treatment phases are provided.

Filipino children suffering from the said illness now have the opportunity to receive comprehensive disease management and achieve the survival status that is comparable to western counterparts. The mandatory services covered by this package include diagnosis, blood support, and the processing and completion of the list of medicines given. Package rate shall be paid as follows:



Tranche 1: P300,000.00 - Within 60 days upon discharge after the first induction phase

Tranche 2: P125,000.00 - Within 60 days after the third maintenance cycle

Tranche 3: P75,000.00 - Within 60 days after the seventh maintenance cycle

ACHIEVEMENT IN SERVICE ADVANCEMENTS AND E-INNOVATIONS

To show its unwavering support for the Ease of Doing Business initiative, which aimed to reduce processing times of business transactions in government agencies, PhilHealth had set up several advancements and innovations as its contribution to the fight against red tape. This substantial modernized approach also allows the Corporation to strengthen its relationship with its beneficiaries by establishing highly accessible ways to easily respond to their concerns.

24/7 PhilHealth Call Center

PhilHealth members who have questions on membership, benefits, and other member concerns may now call the 24/7 hotline (02) 441-7442 to get answers to their queries immediately.

The PhilHealth Call Center, also known as Corporate Action Center (CAC), started operating round-the-clock last August 8, 2017 to address stakeholders' concerns, especially those needing immediate responses.



The 24/7 operation is supported by Pilipinas Teleserv, Incorporated, one of the country's leading call centers handling major government accounts.

At present, Pilipinas Teleserv, Incorporated has deployed 20 call center agents to handle simple structured questions ranging from status of benefit claim reimbursement to PhilHealth identification number concerns and the basics of membership registration, among others. These agents also handle inquiries through electronic mail and short messaging system (SMS). The CAC has nine call center agents who handle complex and complicated concerns needing further

coordination with program offices as well as regional, local, and branch offices.

This move was seen as directly beneficial to overseas Filipino workers who are members of PhilHealth.

For now, calls from outside the Philippines and from the regions or provinces will be charged the cost of overseas or long-distance fees, but the CAC is looking at procuring a toll-free access line for this purpose soon.

Interactive Voice Response System (IVRS)

In the first quarter of 2017, PhilHealth put in place its first-ever interactive voice response system to provide members 24/7 customer service for those calling the hotline number.

The Interactive Voice Response System or IVRS is a landline-based system programmed to answer queries about PhilHealth, such as member benefits, membership and contribution status, and other member concerns, while non-members may inquire about enrollment qualifications and requirements. On the other hand, PhilHealth stakeholders, such as employers, may inquire about premium payment schedules.

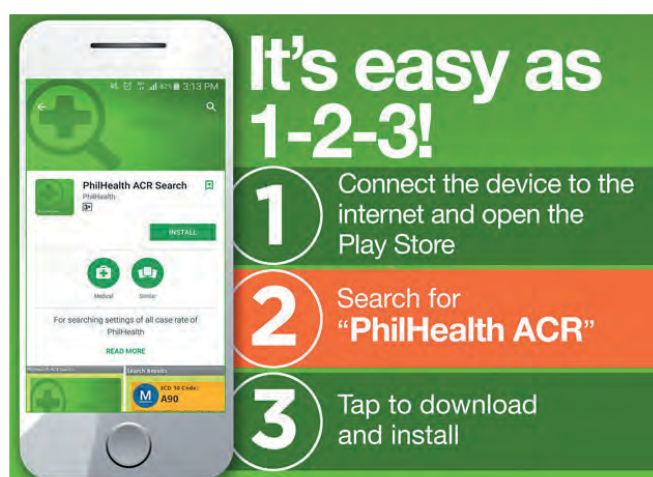
In addition, the IVRS may allow callers to leave complaints and suggestions on doctors' services and employers, and even on benefit packages. They may also rate their experience with the service.

The IVRS also aims to help reduce the number of people trooping to the PhilHealth main office and branches for routine inquiries. It is hoped the system can also help streamline processing steps when availing of benefits.

The Interactive Voice Response System may be accessed through the PhilHealth hotline, (02) 441-7442.

The All Case Rates Search Mobile App

Access to PhilHealth information, especially those concerning benefits and membership status, is now just a click away—thanks to the PhilHealth ACR (All Case Rates) Search App.



The new mobile app provides access to PhilHealth's list of compensable illnesses and procedures, along with the corresponding benefit rates under the All Case Rates mechanism. The ACR Search App is available to all Android platform users, and can be downloaded for free from the Google Play Store.

On the other hand, non-Android users can search for PhilHealth benefit rates for every compensable medical and surgical case at www.philhealth.gov.ph using the ACR Search Engine located on the right-hand side of the website's homepage.

BETTER ACCESS TO PHILHEALTH SERVICES FOR MEMBERS

In addition to its technical advancements to provide better customer services, PhilHealth also opened new Local Health Insurance Offices (LHIO) to further reach out its member nationwide.

The New and Improved LHIO Caloocan

PhilHealth Local Health Insurance Office (LHIO) Caloocan moved to its new home at the Victory Mall in Caloocan



City last March 2017. The new LHIO Caloocan is more spacious, well-ventilated, and more accessible. It boasts of a breastfeeding station for mothers who need to feed their babies, while other visitors can get advice on smoking cessation at the smoking-counseling corner while waiting for their turn. Likewise, coffee lovers can also enjoy a sip of coffee for free.

The LHIO Caloocan Victory Mall can accommodate thrice as much clients with various PhilHealth transactions, such as premium payments, benefits, and membership concerns, including the printing of number cards, updating of records, and requests for Member Data Record print-outs. With the new location, members and non-members from the cities

of Caloocan, Malabon, Navotas, and Valenzuela (or the so-called Camanava Area) and nearby destinations now enjoy a bigger, better, and more accessible venue for their PhilHealth transactions.

PhilHealth Regional Office XII Inaugurates New Home

Last May 2017, PRO-XII office transferred to its new home at CSA I Building, Zulueta St., cor. General Santos Drive in Koronadal City. PRO-XII's new office location provides a



bigger and wider space to serve members, stakeholders, and partners. RVP Miriam Grace G. Pamong, M.D., said that the new office location signifies a new chapter in the operation of PhilHealth in the name of ensuring access to quality health services for all Filipino members, as it becomes compliant with ISO standards.

The inauguration program was highlighted with the unveiling of the PRO XII RVP Wall as a tribute to former Executive Vice President and Chief Operating Officer Ramon F. Aristoza Jr, who served as Region XII Vice President from 1998 to 2013 before his appointment as EVP-COO in 2013 and as Acting President and CEO in August 2016.

Present during the inauguration were Councilor Annabelle G. Pingoy representing Mayor Peter Miguel, representatives from the Veterans Bank and the Land Bank of the Philippines, partners from the national government agencies, such as the Overseas Workers Welfare Administration (OWWA), stakeholders, Mr. and Mrs. Cesar S. Agreda, and partners from the media.

PhilHealth Opens LHIO Fairview



PhilHealth formally opened its 10th Local Health Insurance Office (LHIO) in the National Capital Region (NCR) last September 2017. The new LHIO Fairview is located at the OWS Building, Lot 19, Block 237, Neopolitan 4 Subdivision, Barangay Pasong Putik in Quezon City.



LHIO Fairview offers services, such as membership registration, issuance of PhilHealth identification cards and Member Data Record (MDR) generation, premium payment acceptance, and issuance of certificate of contribution. It is open from Monday to Friday, 8:00 a.m. to 5:00 p.m., and is expected to cater to the needs of PhilHealth members, clients, and stakeholders from Districts II, V, and VI in Quezon City.

PRO-NCR Opens Its 11th Local Health Insurance Office

PRO-NCR formally opened its 11th LHIO in Parañaque City to bring its frontline services closer to its members, and to better serve its clients hailing from the southern part of the capital.

LHIO Parañaque is located at the HRDC Building, Km. 16 along South Super Highway cor. ACSIE Road, Severina Industrial Estate, West Service Road, Barangay Marcelo Green. It is



accessible by public transport, and is just across Waltermart Bicutan.

The new LHIO is expecting at least 500 clients every day, including employer representatives who have premium remittance and reporting concerns; hospital representatives who need to submit claim reimbursement documents; individual members who may need to update their PhilHealth records or request for identification cards; and other stakeholders. With the launching of LHIO Parañaque, PhilHealth clients from Parañaque City will no longer have to go to nearby LHIOs in Las Piñas City, Makati City, or Pasig City for their PhilHealth concerns.

PhilHealth LHIO Rizal Moves to a New Home



Last August 2017, LHIO Rizal moved to its new home at the Fibertex Building in Barangay San Juan in Cainta. The building is situated near Mandaue Foam Furniture Store and CK Square Mall. The new LHIO Rizal provides better accessibility to its clients in the said province and nearby areas. Currently, LHIO Rizal caters to an average of 1,700 clients with various transactions daily. These transactions range from membership enrollment, updating and issuance of member data record and identification cards, as well as the acceptance of premium payments from members.

The province of Rizal is composed of 13 municipalities and one city with a population of three million, 2.3 million or 77% of which are already registered PhilHealth members as of April 2017.

Exemplary Frontline Services

PhilHealth offices bag the Civil Service Commission's (CSC) Seal of Excellence Awards, a testament of the fast, efficient and first-rate provision of frontline services



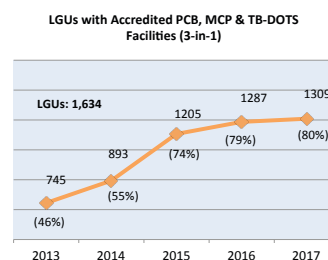
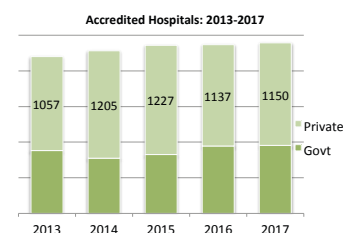
to its members. Conferred with the most coveted Citizen's Satisfaction Center-Seal of Excellence Award were 23 PhilHealth offices (22 Local Health Insurance Offices or LHIOs and 1 Regional Office or PRO). This is on top of the previous years similar awards garnered by PhilHealth offices all over the country based on their compliance with the Anti-Red Tape Act (ARTA) compliance as well as over-all client satisfaction.



Better Access to Healthcare Facilities

With the increasing number of covered beneficiaries under the National Health Insurance Program, PhilHealth also ensures that more and more facilities can address the healthcare needs of the Filipinos.

Accommodating both inpatient and outpatient services, there is an upward trend in the number of accredited facilities. The number of accredited hospitals as well as Local Government Units (LGUs) with Primary Care Benefit Package (PCB), Maternity Care (MCP) and TB-DOTS Facilities



CORPORATE SOCIAL RESPONSIBILITY (CSR)

PhilHealth understands the significance of being socially responsible to its stakeholders. This is why the Corporation regularly takes steps to feel more connected with various communities while boosting their morale.



PhilHealth Regional Office V Turns Over Lake Ambulance to Agta Tabagnon Tribe

PhilHealth Regional Office V (PRO-V), in partnership with the National Commission on Indigenous Peoples Region-V, turned over a lake ambulance to the Agta Tabagnon tribe of Buhi, Camarines Sur.

The lake ambulance was turned over by PRO-V Regional Vice President Orlando D. Iñigo Jr. and NCIP Executive Director Rogelio Francisco Bantayan Jr. to the Agta Tabagnon tribe represented by Bgy. Sta Cruz Tribal Chieftain Felicitas Alano, who expressed her heartfelt appreciation on behalf of the tribe and residents of the lakeside barangays.

Dubbed as PhilHealth TaLA (Tabagnon Lake Ambulance), the vessel aims to cater to the needs of the tribe's members for greater access to mainland facilities and resources, especially its sick members needing immediate medical attention in hospitals and health centers. The lake ambulance is also equipped with basic medical gear, such as wheeled stretcher, oxygen tank, wheelchair, and spinal boards. Because of its upgraded engine, it takes the lake ambulance only six minutes to cross the lake, a great improvement compared to the 20-minute trip via ordinary passenger boats.

The project was funded by proceeds from PhilHealth's "Ready, TSeKaP, Go" event held last February 15, 2015 in Naga City. More than 4,000 runners joined the experience to help raise P1.1 million worth of funds. P400,000 was donated to the Naga City Children's Home to improve the sleeping areas of the children temporarily housed there. The remaining amount was used to construct the lake ambulance.

High Client Rating

PhilHealth earned excellent ratings from its members and external stakeholders as shown in various surveys released in 2017. The Corporation has consistently earned high satisfaction rating from its members since 2011, an indication of PhilHealth's growing relevance and an attestation to the excellent service it continues to provide to the Filipino people.



PhilHealth Satisfaction Rating

In the latest PhilHealth Stakeholders Survey, conducted by a third party firm, Novo Trends, the Corporation garnered 78.5 percent net satisfaction rating from PhilHealth members, which is equivalent to an "Excellent" rating.





Respondents in 14 out of 18 regions rated PhilHealth as “Excellent” with net satisfaction ratings ranging from 71 percent in Bicol Region to 88 percent in Central Visayas and MIMAROPA.

Hospitals, clinics and other accredited service providers also gave PhilHealth a net satisfaction rating of 80 percent also equivalent to “Excellent” rating. The respondents gave PhilHealth high marks for its accreditation and information dissemination functions.

Awareness of PhilHealth Services and Benefits

In the same survey, PhilHealth was recognized by 94 percent of respondents for influencing provision of health services in the country, although only 5.6 percent correctly identified it as health insurance system. The most well-known benefits were no balance billing, maternity care package and case-rate package. The major sources of information about these were television and word of mouth through friends and family members.



Most Trusted Agency

The EON Group released its 2017 Philippine Trust Index, a proprietary research that culls insights and opinions of Filipinos from various socio-economic, educational and demographic backgrounds all over the country and looks into Filipinos’ levels and drivers of trust in six (6) key Philippine institutions – the government, academe, businesses, non-government organizations, church and media. In its latest survey entitled “The Philippine Paradox: Growing Trust in a time of Growing Uncertainty, PhilHealth garnered a 95 percent trust rating making it the most trusted social protection agency among the various government agencies that include social protection agencies that were surveyed.

THE JOURNEY CONTINUES

It took PhilHealth more than two decades to further establish itself as the country’s biggest and most reliable purchaser of health care services. Though 22 years is undoubtedly a long journey, the Corporation is nowhere near being done in terms of carrying on with its commitment to serve every Filipino family that needs quality medical care.

Count on PhilHealth to add many more milestones to its roster of achievements as it braves another exciting year of embodying responsive and responsible governance.

As it enters a new chapter of being an efficient corporate citizen devoted to achieving Universal Health Care, PhilHealth vows to continue exploring possibilities that are aimed to constantly develop the groundbreaking reforms and initiatives it has already started. The Corporation will not be intimidated by adapting to changes provided that these changes are geared towards the betterment of all beneficiaries that depend on it.

Count on PhilHealth to add many more milestones to its roster of achievements as it braves another exciting year of embodying responsive and responsible governance.

As long as there is a Filipino that needs sustainable health care, PhilHealth will be there.

Corporate Governance Statement

Tainted with problems and bad publicity, 2017 had been a long and difficult year for PhilHealth. But with the agile action and decision-making on the part of the PhilHealth Board of Directors, we kept on track of our mission: *"Benepisyong Pangkalusugang Sapat at De-kalidad para sa Lahat!"*

In order to remain true to our mandate, the PhilHealth Board took it upon themselves to prioritize what seems to be the root of most of the problems of the Corporation: Fraud and Corruption. In their battle against these iniquities, essential policies and actions were made such as: (1) PhilHealth Whistleblowing Policy, which enables individuals to report illegal, unethical and immoral acts of PhilHealth officials and employees, including the Board Members, to the PhilHealth Integrity Monitoring (Whistleblowing) Committee; (2) Anti-Fraud Task Force that spearhead moves to prevent the occurrence and recurrence of activities that defraud the National Health Insurance Program (NHIP); (3) Fact Finding Investigations to address not only the report on allegations of irregularity committed by external stakeholders, but also those perpetrated by the officials and employees of the Corporation; (4) Settlement of cases, to which the Board directed that all case settlements or compromise agreements that Management enters into with erring health care providers and employers with regard to claims, penalties and sanctions shall have its prior approval in reaction to the congressional hearings on alleged irregularities and corruption in the operation of the corporation; (5) Rotation Policy, which the Board directed Management to study as a possible strong anti-corruption measure and to address the exigency of service, wherein the Balanced Scorecard shall be used so that the strength of a certain officers could be utilized in regions with identical weaknesses; and, (6) Internal Code of Conduct that will govern the principles, values, standard, or rules of behavior of PhilHealth officials and employees.

Further, the PhilHealth Board acted on several services to stakeholders and the poor - which is at the very core of its mandate and functions. Accordingly, the Board approved the budget proposal for inclusion in the 2018 GAA the premium contributions of: DSWD-identified indigents; Payapa at Masaganang Payamanan (PAMANA) and other OPPAP-identified beneficiaries; Senior Citizens not covered under the NHIP; and, Informal Economy members not in the DSWD list. In addition, the transitioning of the Point of Care (POC) Enrolment Scheme to Point of Service (POS) was approved to address the gap in the coverage of the poor needing immediate health care. It also

approved a tiered payment scheme with a certain percentage of the published case rates to be commensurate to the level of Health Care Institutions, i.e. 100% of the case rate amount for primary care facilities, 90% for level 1, 80% for level 2, and 70% for level 3. This scheme is intended to incentivize lower level health care providers for obligated services, specifically for the management and prevention of complications. Also, at the height of the Marawi conflict, the Board approved the application of Interim Reimbursement Mechanism for accredited Health Care Institutions in areas directly affected by the incident to ensure financial viability of HCIs and continuous service of the health care needs of those affected particularly the indigents and disadvantaged. Moreover, the Board approved the establishment of a PhilHealth Office in Hong Kong - which further proved that PhilHealth leaves no Filipino behind in the path to universal health coverage. The Board also ensures that PhilHealth participates on other government agencies' activities, especially on servicing the poor. Thus, the Board approved the participation of PhilHealth in the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN), specifically on the sharing of data and assisting the DOF in matching the list of TCT beneficiaries with the list of PhilHealth enrollees.

Guided by our core values of innovation, commitment and agility, the Board also approved several policies in order to ensure that services are promptly provided to both our members and partners. Correspondingly, PhilHealth moved forward from e-claims using Health Information Technology Providers (HITP) to the Unified PhilHealth Electronic Claims using Electronic Medical Record (UPECS-EMR). With this, HCIs can transmit claims data directly to PhilHealth, provided that their HIS/EMR is duly certified by PhilHealth as compliant to claims requirements. In addition, the Board also approved the hiring of two hundred six (206) job order contractors (JOCs) to be deployed in the Benefits Administration Section of PhilHealth Regional Offices (PROs) nationwide. This move had been necessary in view of the increasing volume of claims being received by the field operation units resulting in backlogs and longer turn-around-time (TAT). Also approved is the amendment of the policy to ensure that accreditation cases will no longer be appealable to the Committee on Appealed Administrative Cases against Health Care Providers and Member (CAAC) or the Board, but shall be resolved with finality at the level of the PCEO. Likewise, the Board removed/disallowed the filing of MRs on decisions rendered by the Board on administrative cases against HCPs to ensure the expeditious disposition of cases and operational efficiency. With

these came the assurance that PhilHealth is up to the challenge of providing better and faster services to its external stakeholders.

The Board also recognizes the importance of financial sustainability in order to continuously provide benefits and services. Thus, the following policies and actions were approved/directed: (1) Increase in premium to ensure the continued sustainability of the Fund until 2025 which will be done through multi-pronged strategies that addresses coverage rate, benefit coverage and support value; (2) Prioritization of comprehensive strategies to prevent abuses in ACR System, wherein the Board approved short term strategies consistent with the future shift to more efficient provider payment mechanisms that will standardize payment to health care providers, encourage cost-containment, and prevent potential abuses in the All Case Rate (ACR) system. The strategies zeroed in on the top three highest claims (i.e. pneumonia, acute gastroenteritis and urinary tract infection) by removing the minimum length of stay as the primary basis for reimbursement of claims and requiring the submission of clinical charts and pre-payment medical review; (3) Senior Citizen premium arrears incurred when PhilHealth implemented RA 10645, otherwise known as the Expanded Senior Citizens Act, which provided for the mandatory PhilHealth coverage of all senior citizens not currently covered by any existing category. The Board appealed to Congress to include said arrears for CY 2014-2016 in the amount of P20 Billion in the GAA as additional measure to maintain the long-term financial sustainability of the Fund; (4) Amendment of Guidelines on the Investment in Debt Securities and Corporate Bond Issuances for purposes of expanding investment opportunities; (5) Task Force on Reconciliation created with the primary purpose of looking into the audit finding of the Internal Audit Group on the 3 Billion Pesos un-reconciled premium payments between the contribution database and treasury database. Further, the Board approved the establishment of a Reconciliation Committee to undertake reconciliation on regular basis and to report to the Board on a quarterly basis; (6) Restating the functions of the Benefits Committee which is mandated to work hand-in-hand with the budget and finance to prevent leakage and improve collection strategies, promote long-term strategies that will encourage preventive and primary care against cure, promote policies to prevent fraudulent practices by health care providers and market PhilHealth to increase membership, among others; and, (7) Subscription to a Financial Information Service Platform (FISP) for the purpose of monitoring the various investment portfolios of PhilHealth and as an information service platform underpinning internal risk management.

However, all these will not be realized without a strong foundation and a steadfast workforce. Thus, the Board also undertook several actions to enhance board capacity and competence, as well as augment employee morale and welfare. In this line, the Board adopted a board calendar and workplan for 2017 aimed at raising corporate governance and creating a stronger legislative reform agenda responsive to the demands

and needs of all stakeholders. The Board also approved and adopted the PhilHealth Board of Directors Assessment Policy and Procedure to attain the highest level of good governance standards. Conversely, the Board adopted the Continuing Education and Training Program (CETP) for the training of board members, board secretariat and management officials, consistent with their work and functions. This program is in compliance with good corporate governance requirements of the GCG and aims to ensure professional growth of the Board Members. Aside from the CETP, the Appointive Board Members representing various Sectors had been authorized to attend trainings capacitating them to perform their governance functions. Thus, the five (5) new Board Members appointed last February 2017 attended the GCG-required Corporate Governance Orientation Program and Strategy Design for Directors facilitated by the Institute of Corporate Directors. Several board members have also been invited by the PROs, or have taken the initiative, to visit the field operation units as the different health care facilities in the country to increase their knowledge in operations and business of PhilHealth and improve their relationship with both internal and external stakeholders. Additionally, engagement of consultants for the Board and its committees to undertake highly technical or primarily confidential, and policy-determining work in various areas was made in accordance with the Government Procurement Reform Law. The Management was also authorized to procure Directors and Officers Liability Insurance (DOLI) from the Government Service Insurance System (GSIS) to ensure that the board members and management officers are competent to carry out their functions, fully accountable to the State as its fiduciary, and act in the best interest of the State. In addition, the Board approved the recommendation of the Nomination Committee for the appointment of eight (8) top officials of the Corporation, as well as the Risk Management Committee's recommendation to adopt the PhilHealth Risk Management Framework and PhilHealth Risk Management Charter. And finally, as part of its precedence, the Board approved the adoption of the salary and compensation under the Salary Standardization Law (SSL) 4, as allowed under Executive Order No. 36, as an interim measure to protect the employees' salary and benefits from being subject to COA disallowances. In line with this, the Board also approved Management's recommendation to implement the Civil Service Commission Circular allowing the grant to casual personnel of the same benefits that the regular personnel are receiving or entitled to. Lastly, the approved the provision of financial assistance to 109 employees to address the financial difficulty experienced by PRO ARMM and LHIO Marawi employees as a result of displacement and temporary relocation, proving further that no Filipino - member or employee - is left behind in our pursuit to social solidarity.

As a final note, though much had been done this 2017, much more will have to be accomplished in the coming years in order to remain true to our mandate and our mission. We will keep on doing our best to attain our vision: *"Bawat Filipino, Miyembro, Bawat Miyembro, Protektado, Kalusugan ng Lahat, Seguardo"*.

*Republic of the Philippines***COMMISSION ON AUDIT**

Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR**Cluster 6-Social, Cultural, Trading, Promotional and Other Services**

We are pleased to transmit the Annual Audit Report on the results of the audit of the accounts and transactions of the Philippine Health Insurance Corporation (PhilHealth) for the year ended December 31, 2017, pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations.

We expressed an unqualified opinion on the fairness of presentation of the financial statements of PhilHealth for the year 2017.

However, we invite your attention to the following significant observations and recommendations that need immediate attention:

Financial Audit

1. The existence, accuracy and reliability of Property and Equipment (P&E) net account balance of P2.323 billion as of December 31, 2017 were doubtful due to: a.) discrepancy between the accounting records and the Report of Physical Count of Plant, Property and Equipment (RPCPPE) amounting to P65,963 million; and b.) inclusion of items amounting to P55,127 million which did not meet the required capitalization threshold of P15,000 contrary to COA Circular Nos. 2016-006 and 2017-004.
- We recommended and Management agreed to:
- a. Direct the Property Units to timely process transfer documents for the transfer of P&E between the different PROs and ensure the timely recording thereof in the books of the respective PROs and Head Office;
 - b. Require accounting personnel concerned to reclassify items recorded under P&E account which did not meet the capitalization threshold of P15,000 to appropriate inventory expense/retained earnings accounts, henceforth, comply strictly with the provisions of COA Circular Nos. 2016-006 and 2017-004.
2. Intangible Asset net account balance of P357.131 million as of December 31, 2017 was overstated by P1.987 million due to inadequate provision of depreciation for software with finite life and considered retired and obsolete/outdated; and the accuracy of the account balance could not be ascertain due to non-performance of impairment test on the computer software amounting to P14.323 million contrary to Sections 100 and 108 of PAS 38.

We recommended and Management agreed to:

- a. Determine if an active market exists for the retired software. If in the affirmative cause the disposal thereof in accordance with the existing laws/regulations, and derecognize their

carrying amount in the books in accordance with Section 100 of PAS 38; and

- b.) Formulate policies and procedures in the conduct of impairment test for tangible assets and conduct yearly impairment test pursuant to Section 10 of PAS 36.

Compliance Audit

3. Non-compliance with some provisions of Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR) in the procurement of goods and services included:
 - a.) non-observance of the maximum period allowed for the procurement activities; b.) amounts of Approved Budget for the Contract (ABC) and the Annual Procurement Plan (APP)/ Project Procurement Management Plan (PPMP), Purchase Request and other supporting documents not in agreement; c.) month to month extension of contract; and d.) some documents were not submitted to COA within five days after perfection of the contract contrary to Item 3.1.1 of COA Circular No. 2009-001.

We recommended and Management agreed to:

- a.) Strictly observe the provisions of R.A. 9184 and its Revised IRR on the maximum period allowed for each procurement activity to efficiently and effectively carry out the procurement activities;
 - b.) Explain the differing amounts per ABC/Contract and the supporting documents;
 - c.) Comply with the provision of Section 4.1 of GPPB Resolution No. 23-2007 on the extension of contracts; and
 - d.) Submit copy of the contract together with all the supporting documents to COA five days after perfection.
4. Some Health Care Institutions (HCIs) were paid with unfavorable difference to PhilHealth in the total amount of P0.526 million due to full reimbursement to ten patients who availed of the Z Benefit Package despite the fact that the member-patients' actual hospital charges plus the maximum amount of professional fees (PF) were lower than Z Benefit Package rate.

We recommended that Management re-evaluate the present guidelines on the implementation of the Z Benefit package and consider the possibility of including a provision that reimbursements should be based on member-patient's actual hospitalization charges plus professional fees or the amount of the Z Benefit package, which ever is lower, in order to protect the interest of PhilHealth and the government.

5. The processing of 26 claims totaling P270,000 took 32 to 53 days. Which was not accordance with Item D Part IX of PhilHealth Circular No. 2015-035, requiring that all claims shall be processed by PhilHealth within 30 working from receipt, provided that all requirements are submitted by the contracted HCI.

We recommended that Management comply with the provisions of PhilHealth Circular No. 2015-035 Item Part IX on the period of processing claims of HCIs to ensure the smooth and adequate delivery of health services to the PhilHealth members pursuant to its mandate.

6. Four claims in the total amount of P0.950 million were processed and paid to the HCIs despite the absence of data on the delivery of the required mandatory services that should have been appropriately and timely given to the member patients per scheduled protocol contrary to Item A, Part VIII of PhilHealth Circular No. 2015-035 and "Payment Conditions" of the Contract of Agreement or Memorandum of Agreement (MOA) entered into by PhilHealth with the HCIs for the Z Benefit Accreditation.

We recommended that Management ensure that the payment conditions embodied under PhilHealth Circular No. 2015-035 are fully complied by the HCI and that all required services have been rendered/delivered to the member-patient strict compliance with the payment conditions embodied under PhilHealth Circular No. 2015-035 to protect the interests of the member-patients to protect the interest of PhilHealth and its members. Require the doctor/evaluator of the HCI to put a check mark on the Checklist for each mandatory services duly rendered /delivered to the member-patient or indicate Not Applicable (NA) and have them affix their signature for the unnecessary services. Deny payment if there is no proof that the required mandatory services were adequately provided to the member-patient by the contracted HCI in accordance with Item A, Part VIII of PhilHealth Circular No. 2015-035.

7. Seventy two (72) Z-Benefit claims amounting to P11.854 million were without supporting Statement of Accounts (SOAs) or Billing Statements (BSs) issued by the respective HCIs to show the details of the medical procedures administered and medicines given to member patients to serve as basis to prove the correctness of the amount claimed. Said practice were not in accordance with the provisions of Section 4 (6) of PD 1445 and COA Circular No. 2012-001 dated June 14, 2012 requiring submission of documents to support payments from government funds.

We recommend and Management agreed to require HCIs to submit the duly accomplished SOA or BS as one of the documents to support the claim for Z Benefit Package reimbursements pursuant to Section 4 (6) of PD 1445 and COA Circular No. 2012-001. Accordingly, said reimbursement should be embodied in the existing policy of PhilHealth for the guidance of those concerned.

Performance Audit

8. PhilHealth incurred Net Loss in the amount of P4.750 billion in CY2017 (after other income), thus adversely affecting the effective and efficient implementation of its programs and projects as well as the actuarial life of the agency consistent with the vision under R.A. 10606 (also known as National Health Insurance Act of 2013) for the sustainable system of fund management.

We recommended that Management undertake the following to attain financial sustainability:

- a.) Aim for improve rate in Electronic Payment and Remittance System (EPRS);
- b.) Formulate a system for the regular updating of members' records especially information on salary/income and their dependents;
- c.) Reconcile collection database with treasury database to ensure that only those active members religiously paying the membership dues are provided equitable health benefits;
- d.) Issue billing statements to employers and reconcile differences between billing and remitted amount;
- e.) Collaborate with POEA to solve the issue of mandatory and regular/consistent payment of PhilHealth premium of OFWs.
- f.) Work in partnership with other government agencies such as BIR, SSS, GSIS, and PSA on membership information or data sharing;
- g.) Strategize plans and actions to ensure GAA allocation for the PhilHealth premium arrearages of the Government as employer and for funding of Senior Citizens premium contribution;
- h.) Revisit policy on All Case Rates (ACR) in order to rationalize the payouts to active members that will ensure their receipt of benefits most responsive to their medical needs and the most cost-effective for PhilHealth;
- i.) Develop a Corporate Strategy Medium and Long Term Plan to lay down the specific activities leading to the realization of the goal for a self-sustaining corporate body with the ability to deliver the visions of National Health Insurance Act;
- j.) Initiate early discussions or consultations with stakeholders and concerned government institutions on the future need to change the contribution structure to sustain the fund.

In a letter of even date, we request the Acting President and CEO of PHIC that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken by accomplishing the Agency Action Plan and Status of Implementation Form and returning the same to us within 60 days from the date of receipt.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:


WILFREDO A. AGITO
 Director IV

Copy furnished:

The President of the Republic of the Philippines
 The Vice-President
 The President of the Senate
 The Speaker of the House of Representatives
 The Chairperson - Senate Finance Committee
 The Chairperson - Appropriations Committee
 The Secretary of the Department of Budget and Management
 The Governance Commission for Government-Owned or Controlled Corporations
 The Presidential Management Staff, Office of the President
 The National Library
 The U.P. Law Center
 The COA Commission Central Library

Statement of Management Responsibility for the Financial Statements

In connection with your examination of the Statement of Financial Position as of December 31, 2017, Statement of Comprehensive Profit or Loss and Statement of Changes in Equity for the Year Ended December 2017 of the Philippine Health Insurance Corporation for the purpose of expressing an opinion as to whether the financial statements present fairly the financial position and results of operations of the Philippine Health Insurance Corporation, in conformity with Philippine Financial Reporting Standards and Philippine Accounting Standards, we confirm, to the best of our knowledge and belief, the following representations made to you during your examination:

1. We are responsible for the fair presentation in the financial statements of financial position and results of operation in conformity with generally accepted accounting principles.
2. We have made available to you all financial records, supporting documents and computations and related data.
3. There have been no –
 - Irregularities involving other employees that could have a material effect on the fairness of the financial statements.
 - Communications from government regulatory agencies concerning violations with, or deficiencies in; financial reporting practices that could have material effect on the financial statements.
 - Related party transactions.
4. We have no plans or intention to reclassify assets and liabilities that may materially affect the carrying value.
5. We have properly recorded or disclosed in the financial statements: assets, liabilities, income, expenses and retained earnings.
6. There are no –
 - Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for the recording a loss contingency.
 - Other material liabilities or gain or loss contingencies that require to be accrued or disclosed to conform with Philippine Financial Reporting Standards and Philippine Accounting Standards.
7. The Corporation has legal title to all owned assets nor has any asset been pledged, except as disclosed in the notes to the financial statements.
8. We have complied with all aspects of Contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

Very truly yours,



DR. CELESTINA MA. JUDE P. DELA SERNA

Officer-In-Charge/Interim President and Chief Executive Officer

Statements of Financial Position

AS AT DECEMBER 31, 2017 AND 2016
(In Philippine Peso)

	Notes	2017	2016 (As Restated)	Current vs Prior Year Increase / (Decrease)
ASSETS				
Current Assets				
Cash	5	33,556,699,092.33	29,938,837,482.59	3,617,861,609.74
Premium Receivables	6	11,773,094,516.64	10,824,283,190.26	948,811,326.38
Other Current Assets	7	1,399,659,190.65	1,336,246,160.12	63,413,030.53
Total Current Assets		46,729,452,799.62	42,099,366,832.97	4,630,085,966.65
Non-current Assets				
Available for Sale Investments	8	-	942,905,803.90	(942,905,803.90)
Held to Maturity Investments	9	101,998,453,690.38	100,563,896,400.08	1,434,557,290.30
Property & Equipment - net	10	2,322,715,777.61	2,089,539,687.37	233,176,090.24
Intangible Assets - net	11	357,131,217.69	329,299,007.31	27,832,210.38
Other Assets - net	12	412,880,681.71	555,823,805.74	(142,943,124.03)
Total Non-current Assets		105,091,181,367.39	104,481,464,704.40	609,716,662.99
TOTAL ASSETS		151,820,634,167.01	146,580,831,537.37	5,239,802,629.64
LIABILITIES AND EQUITY				
Liabilities				
Current Liabilities				
Benefit Claims Payables	13	37,355,096,962.22	29,744,424,469.63	7,610,672,492.59
Other Payables	14	2,601,348,783.62	2,351,346,108.59	250,002,675.03
TOTAL Current Liabilities		39,956,445,745.84	32,095,770,578.22	7,860,675,167.62
Non-current Liability				
Other Deferred Credits	15	1,078,114,559.43	1,678,100,730.29	(599,986,170.86)
Insurance Liability for Lifetime Members	16	24,796,038,543.00	22,123,933,673.00	2,672,104,870.00
Total Non-current Liabilities		25,874,153,102.43	23,802,034,403.29	2,072,118,699.14
TOTAL Liabilities		65,830,598,848.27	55,897,804,981.51	9,932,793,866.76
Equity				
Members' Equity	17	85,990,035,318.74	90,683,026,555.86	(4,692,991,237.12)
Total Members' Equity		85,990,035,318.74	90,683,026,555.86	(4,692,991,237.12)
TOTAL LIABILITIES AND EQUITY		151,820,634,167.01	146,580,831,537.37	5,239,802,629.64

Statements of Income

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Philippine Peso)

	Notes	2017	2016 (Restated)	Current vs Prior Year Increase / (Decrease)
TOTAL PREMIUM CONTRIBUTIONS	18	106,584,696,419.49	103,825,798,838.11	2,758,897,581.38
Less: Benefit Claims Expenses	20	110,490,086,841.46	102,130,696,376.36	8,359,390,465.10
GROSS MARGIN FROM OPERATIONS		(3,905,390,421.97)	1,695,102,461.75	(5,600,492,883.72)
Less: Operating Expenses				
Personal Services	21	4,523,609,108.03	5,583,257,495.08	(1,059,648,387.05)
Other Operating Expenses	22	2,060,004,232.43	2,198,762,486.65	(138,758,254.22)
Total Operating Expenses		6,583,613,340.46	7,782,019,981.73	(1,198,406,641.27)
NET OPERATING INCOME (LOSS)		(10,489,003,762.43)	(6,086,917,519.98)	(4,402,086,242.45)
Add: Interest and Other Income	19	5,738,487,730.68	5,835,386,425.44	(96,898,694.76)
NET INCOME (LOSS)		(4,750,516,031.75)	(251,531,094.54)	(4,498,984,937.21)

Statements of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Philippine Peso)

	Notes	2017	2016 (Restated)	Current vs Prior Year Increase / (Decrease)
NET INCOME (LOSS)		(4,750,516,031.75)	(251,531,094.54)	(4,498,984,937.21)
OTHER COMPREHENSIVE INCOME THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS				
Unrealized Loss on Available for Sale Investments	17.3	-	(57,094,196.10)	57,094,196.10
TOTAL COMPREHENSIVE INCOME (LOSS)		(4,750,516,031.75)	(308,625,290.64)	(4,441,890,741.11)

Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Philippine Peso)

	Notes	2017	2016 (Restated)	Current vs Prior Year Increase / (Decrease)
RESERVE FUND	17			
Reserve at beginning of year		90,738,664,002.99	129,287,621,260.88	(38,548,957,257.89)
Reserve transfer to Surplus		(4,750,516,031.75)	(16,425,023,584.89)	11,674,507,553.14
Reserve transfer to Insurance Liability for Lifetime Members		-	(22,123,933,673.00)	22,123,933,673.00
Reserve Fund at end of year		85,988,147,971.24	90,738,664,002.99	(4,750,516,031.75)
SURPLUS	17			
Surplus at beginning of year		1,456,748.97	(16,172,035,741.38)	16,173,492,490.35
Contingent Capital		430,598.53	-	430,598.53
Net Income (Loss)		(4,750,516,031.75)	(251,531,094.54)	(4,498,984,937.21)
Total Surplus		(4,748,628,684.25)	(16,423,566,835.92)	11,674,938,151.67
Reserve transfer to Surplus		4,750,516,031.75	16,425,023,584.89	(11,674,507,553.14)
Surplus at year end		1,887,347.50	1,456,748.97	430,598.53
NET UNREALIZED LOSS ON AVAILABLE FOR SALE INVESTMENTS	17	-	(57,094,196.10)	57,094,196.10
TOTAL MEMBERS' EQUITY		85,990,035,318.74	90,683,026,555.86	(4,692,991,237.12)

Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Philippine Peso)

	2017	2016 (As Restated)	Current vs Prior Year Increase / (Decrease)
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium Contributions	104,909,083,364.66	98,352,226,038.26	6,556,857,326.40
Other income	429,575,151.51	580,430,430.93	(150,855,279.42)
Interest received from Investments	6,335,847,771.28	6,491,352,376.64	(155,504,605.36)
Rent	871,396.99	332,698.04	538,698.95
Bank Charges	(350.00)	-	(350.00)
Benefit Claims	(100,358,928,891.85)	(98,457,789,031.15)	(1,901,139,860.70)
Operating Expenses	(6,176,570,856.94)	(7,858,932,103.06)	1,682,361,246.12
Net Cash Provided by (Used in) Operating Activities	5,139,877,585.65	(892,379,590.34)	6,032,257,175.99
CASH FLOWS FROM INVESTING ACTIVITIES			
Placement on Bonds	(7,490,786,309.39)	5,752,176,407.58	(13,242,962,716.97)
Placement/Matured SSD	5,399,752,584.42	-	5,399,752,584.42
Liquidation of Externally Managed Fund	1,050,632,248.56	-	1,050,632,248.56
Proceeds from disposal of assets	348,480.50	287,199.81	61,280.69
Equipment purchased	(439,901,806.79)	(502,492,524.24)	62,590,717.45
Net Cash Provided by (Used in) Investing Activities	(1,479,954,802.70)	5,249,971,083.15	(6,729,925,885.85)
CASH FLOWS FROM FINANCING ACTIVITIES			
Trust Receipts	(42,063,805.20)	53,969,424.43	(96,033,229.63)
Net Cash Provided by (Used in) Financing Activities	(42,063,805.20)	53,969,424.43	(96,033,229.63)
Net Increase (Decrease) in CASH	3,617,858,977.75	4,411,560,917.24	(793,701,939.49)
CASH at January 01	29,938,837,482.59	25,527,216,734.35	4,411,620,748.24
Gain (Loss) on Foreign Exchange	2,631.99	59,831.00	(57,199.01)
CASH at December 31	33,556,699,092.33	29,938,837,482.59	3,617,861,609.74

Notes to Financial Statements

1. GENERAL INFORMATION

The National Health Insurance Act of 1995 (Republic Act No. 7875), as amended by RA 9241, has been amended by RA 10606, otherwise known as the "National Health Insurance Act of 2013", instituted a National Health Insurance Program (NHIP) that shall provide comprehensive health care services to all Filipinos through a socialized health insurance program that will prioritize the health care needs of the underprivileged, sick, elderly, persons with disabilities (PWDs), women and children and provide free health care services to indigents. 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. The 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 seventeen (17) members and has the powers and functions provided for in Article IV Section 16 of RA 7875 as amended; such as 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) as amended shall consist of contributions from Program members; other appropriations earmarked by the national and local governments purposely for the implementation of the program; subsequent appropriations provided for under Sections 46 and 47 of RA 7875, as amended; donations and grants-in-aid; and all accruals thereof. Under Section 26, Article VI of RA 7875, as amended, the use, disposition, investment, administration and management of the NHIF, including any subsidy, grant or donation received for the program operations shall be governed by applicable laws, and in the absence thereof, existing resolution of the Board of Directors of the Corporation subject to limitations prescribed in the Act.

The financial statements of the Corporation for the year ended December 31, 2017 were approved and authorized for issue by the Board of Directors per PhilHealth Board Resolution No. 1400 s.2010 Resolution authorizing the issuance of Consolidated Financial Statements for CY 2009 and thereafter.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The accompanying financial statements of Philippine Health Insurance Corp. have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), where practicable, as well as government accounting standards and other pertinent rules and regulations.

2.2 Basis of Measurement

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

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

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

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

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

- Level 3 inputs are unobservable inputs for the asset or liability.

2.3 Functional and Presentation Currency

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretation from International Financial Reporting Interpretation Committee (IFRIC) which the Corporation adopted effective for annual periods beginning on or after January 1, 2015:

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization* – The amendment clarifies how the gross carrying amount and the accumulated depreciation / amortization are treated when an entity uses the revaluation model.
- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* – The amendments clarify the requirements on how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service

can be recognized as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service).

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* - The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.
- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination, and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property* - The amendment clarifies the application of PFRS 3 and PAS 40 in respect of acquisitions of investment property. PAS 40 distinguishes investment property from owner-occupied property and PFRS 3 determines whether the acquisition of an investment property is a business combination.
- Amendment to PFRS 3, *Business Combinations* - The amendment excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself.
- Amendment to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* - The amendment requires the disclosure of management judgments in applying the aggregation criteria to operating segments, and requires reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.
- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* - The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ending December 31, 2017 and have not been applied in preparing the financial statements are summarized below.

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides requirements for the classification and

measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the financial statements of the Corporation. Additional disclosures will be included in the financial statements, as applicable.

Accounting Policies Adopted

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Initial Recognition

Financial assets are recognized in the Corporation's financial statements when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Corporation's financial assets, except for investments classified at Fair Value Through Profit or Loss (FVTPL).

Classification and Subsequent Measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, Held-To-Maturity (HTM) investments, Available-For-Sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial Assets at FVTPL

The Corporation classifies financial assets as at FVTPL when the financial asset is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract to be designated as at fair value through profit or loss.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of income.

As of the reporting date, the Corporation does not have financial assets that are designated at fair value through profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Corporation's financial assets classified under this category include cash and premiums receivables.

HTM Investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

As of the reporting date, the Corporation's investments in government bonds are classified as held-to-maturity investments.

AFS Financial Assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM investments or financial assets at FVTPL.

Listed redeemable notes held by the Corporation that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Corporation has also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period. Changes

in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

AFS assets are included in non-current assets unless the investment matures or management intends to dispose it within 12 months after the end of the reporting period.

As of the reporting date, the Corporation's externally managed funds are classified as available-for-sale financial assets.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is

reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of Financial Assets

The Corporation derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another party. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risk and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Corporation retains an option to repurchase part of a transferred asset), the Corporation allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial Liabilities

Initial Recognition

Financial liabilities are recognized in the Corporation's financial statements when it becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Corporation's financial liabilities except for debt instruments classified at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Classification and Subsequent Measurement

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of an Corporation of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the Corporation is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and PAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of income. Fair value is determined in the manner described in notes.

The Corporation does not have financial liabilities that are classified as FVTPL.

Other Financial Liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Benefit claims payable and other payables are included in this category.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Derecognition of Financial Liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Other Current Assets

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

Property and Equipment

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

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

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

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

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

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

Intangible Assets

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

or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

Impairment of Non-financial Assets

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

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

Derecognition of Non-financial Assets

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

Surplus

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

Revenue Recognition

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

The following specific recognition criteria must be met:

- Premiums' contribution
Revenue is recognized as the members' contribution become due.
- Interest Income
Interest income is recognize as the interest accrues taking into account the effective interest.
- Rent Income
Income from rental of property is derived from the unoccupied portion of the building of PRO III and it is recognized on a straight-line basis over the lease term.

Expense Recognition

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

a) Benefit Claims Expense

This represents benefits incurred by the Corporation for health care services, in-patient, out-Patient, PCB and Z benefit packages availed of by the members and their dependents. Benefit Claims Expense is recognized at the date of discharge or incurrence of the expense. For the meantime, with the limitation in the system used in claims (n-claims) for consistency over the years, we adopted the actual payments as a basis.

b) Operating Expenses

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the lessee.

All other leases are classified as operating leases. Rentals payments under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Corporation as a Lessee

Leases which do not transfer to the Corporation substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the income statement on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Corporation as a Lessor

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

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

Employee Benefits

Short-term Benefits

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

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

Related Parties

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

Events after Reporting Date

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

Foreign Currency

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

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

Fair Value Measurement

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

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree

to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which are described as follows:

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Estimating Allowance for Impairment of Receivables

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

Estimating Benefit Claims Payables

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

- a. In-Course of Settlement (ICS) - these are claims in process at the end of the month. It is computed based on the

number of claims still in process multiplied by the average value of benefit payment per claim. Average value per claim is the quotient from dividing the total amount of benefit payment for the month by the total number of claims processed for the same period.

- b. Incurred But Not Yet Received (IBNR) - These are claims which are estimated to be in the possession of the Health Care Institutions as of the end of the month and have yet to be submitted to PhilHealth within the allowable 60 day period after the date of discharge per Corporate Order No. 2015-0017 dated Dec. 8, 2015. The amount to be recorded is actuarially estimated.

5. CASH

	2017	2016 As Restated
Collecting Officers	100,239,546.73	74,073,037.54
Petty Cash Fund	3,013,332.81	2,558,520.32
Cash in Bank	13,487,750,678.77	2,793,434,949.81
Special Savings Deposit (net)	19,965,695,534.02	27,068,770,974.92
Total	33,556,699,092.33	29,938,837,482.59

Cash account consists of the following:

- 5.1 The amount of P 100,239,546.73 represents collections at the end of the month of the collecting officers which are to be deposited on the following working day.
- 5.2 The Petty Cash Fund is for the use of miscellaneous expenditures which cannot be conveniently paid by check. An officer holding the Petty Cash Fund is also properly bonded in accordance with law. The amount of P3,013,332.81 represents available petty cash fund as of to date.
- 5.3 Cash in Bank amounting to P13,487,750,678.77 represents various bank deposits that are unrestricted and available for current operations. Included in this account are cash denominated in foreign currencies which are translated to Peso using the closing rate as of the reporting dates.
- 5.4 Special Savings Deposit (SSD) are term deposits of one day up to one year with interest rates higher than the regular savings deposit rates and evidenced by either passbook or schedule of deposits. The amount of P 19,965,695,534.02 is net of P1,804,635,335.69 book balance of One Fund Disbursement Account(OFDA). Interest earned from SSD amounted to P448,104,198.15.

6. PREMIUM RECEIVABLES

This account consists of:

	2017	2016 As Restated
Due from ACAs	5,189,068,187.30	4,032,858,578.25
Formal Economy	453,772,433.90	684,508,249.74
Due from National Government Agencies	5,601,531,600.00	5,603,852,400.00
Due from LGUs	528,722,295.44	503,063,962.27
Total	11,773,094,516.64	10,824,283,190.26

6.1 Due from ACAs amounting to P 5,189,068,187.30 are premium contributions for the period 2nd half of November and whole month of December 2017 collected by the Accredited Collecting Agents for one and a half month which is estimated using the 1st& 2nd half of the applicable month & 1st half of the following month. This is based on PhilHealth Circular No. 0001 s.2014, New Payment Schedule for Premium Contribution in which ACA's remittance is made after fifteen (15) days of collections.

6.2 Premium Receivable of the Formal Economy amounting to P453,772,433.90 represents accruals of premium contributions of the members in the formal economy recorded by the PROs.

6.3 Due from National Government Agencies account represents premium contribution for the following:

	2017	2016	2015	2014	Total
SENIOR CITIZEN:					
Amount	-	5,466,807,600.00	13,044,616,800.00	2,117,289,600.00	20,628,714,000.00
No. of enrollees	-	2,277,836	5,435,257	882,204	8,595,297
FORTUITOUS EVENT					
Amount	-			134,724,000.00	134,724,000.00
No. of enrollees	-			56,135	56,135.00
Total Amount	-	5,466,807,600.00	13,044,616,800.00	2,252,013,600.00	20,763,438,000.00
No. of enrollees	-	2,277,836	5,435,257	938,339	8,651,432
Less: Allow. For Impairment (Senior Citizen)			(13,044,616,800.00)	(2,117,289,600.00)	(15,161,906,400.00)
Net Amount	-	5,466,807,600.00	-	134,724,000.00	5,601,531,600.00

Enrollment of 2,277,836 Senior Citizens which were automatically renewed for the period Jan.-Dec., 2016 per billing/letter to DBM through DOH. (13,044,616,800 - 7,577,809,200 (Coll.)

Total 2016 5,466,807,600.00

Enrollment of 56,135 families of which 55,474 families came from Region 8 who were casualties of Typhoon Yolanda and for the extended insurance coverage under the Fortuitous Event Program implemented as a component of the NHIP for the billing period Jan.-Dec., 2014.

Total 2014 134,724,000.00

Grand Total 5,601,531,600.00

6.4 Due from LGUs is the account representing the outstanding accounts receivable for Sponsored members from various LGUs. The details of the account are as follows:

	2017	2016 As Restated
NCR	88,044,000.00	39,888,000.90
CAR	11,533,855.82	17,002,745.82
I	449,740.00	2,551,655.34
II	83,483,274.52	84,687,104.52
III	7,304,100.00	8,198,586.40
IV-A	16,315,000.00	3,743,750.00
IV-B	5,038,100.00	6,046,500.00
V	6,926,400.00	5,986,200.00
VI	217,929,678.73	209,921,490.23
VII	2,954,200.00	7,950,594.48
VIII	-	-
IX	484,400.00	817,340.00
X	-	24,664,087.30
XI	5,218,600.00	9,939,980.00
XII	271,600.00	800.00
CARAGA	82,301,346.37	78,065,127.28
ARMM	468,000.00	3,600,000.00
	528,722,295.44	503,063,962.27

7. OTHER CURRENT ASSETS

This account consists of the following:

	2017	2016 As Restated
Supplies & Materials	81,546,419.06	64,927,137.50
Accrued Interest Receivable - Investment	1,140,464,550.53	1,216,046,632.68
Other Receivables	177,648,221.06	55,272,389.94
Total	1,399,659,190.65	1,336,246,160.12

7.1 Supplies & Materials amounting to P81,546,419.06 represents small tangible items that are expected to be used within one year from the reporting date.

7.2 Accrued Interest Receivable on investment amounting to P1,140,464,550.53 represents interest earned from Held to Maturity Investments.

7.3 Other Receivables amounting to P177,648,221.06 includes the following:

7.3.a Withholding tax and compromise penalty of hospitals amounting to P24,264,031.77 for the taxable year 2003-2004 per BIR decision with reference No. P06-15 dated April 14, 2015.

7.3.b Actual cost of avilment / hospital bills of patients/members through the Point of Service Program as of December 31, 2017 amounting to P119,206,170.00, of which P118,615,564.00 was already billed to DBM, as provided for by the GAA 2017 to cover all Filipinos, whether unregistered or inactive registered members especially those who are financially incapable.

8. AVAILABLE FOR SALE INVESTMENTS

Investment in Externally Managed Funds – Domestic

The PhilHealth's Board of Directors in its Resolution No. 1847 dated October 25, 2013, approved the hiring of local fund managers based on the provisions of Section 17 of RA 10606, amending Section 27 of RA 7875, which states that as part of its investment operations, the Corporation may hire institutions with valid trust license as its external local fund managers to manage a portion of the Investment Reserve Fund, as it may deem appropriate through public bidding. Thus, on July 6, 2015 the Corporation entered into an Investment Management Agreement (IMA) with BDO Unibank, Inc. as fund manager, and released P1.0 billion on July 7, 2015 to the said fund manager, as approved by the PhilHealth's Board of Directors in its Resolution No. 1957 dated June 24, 2015. As of June 16, 2017 the said externally managed fund has already been fully liquidated and terminated at a Net Asset Value of P1,050,632,248.56 in compliance with COA recommendation. Details as follows:

	2017	2016
Initial Investment	1,000,000,000.00	1,000,000,000.00
Net Unrealized Profit (Loss) on Available for Sale Investment		(57,094,196.10)
Gain on Sale/ Redemption of Investment	50,632,248.56	-
Net Asset Value Liquidated on June 16, 2017	1,050,632,248.56	942,905,803.90
Balance as of Dec. 31	-	942,905,803.90

9. HELD TO MATURITY INVESTMENTS

9.1. Investment in Government Bonds with a maturity period of more than one (1) year and with an average interest rate of 5.6813%.

	Interest Rate	2017	2016 As Restated
Retail T-bonds	5.1667%	41,399,080,000.00	42,399,080,000.00
RTB-Non-Restricted Environment	6.3602%	25,294,587,557.39	18,803,807,441.08
7-year T-bonds	5.0000%	2,141,408,222.93	6,138,254,621.10
10-year T-bonds	6.1985%	18,818,377,910.06	18,877,754,337.90
Total		87,653,453,690.38	86,218,896,400.08

9.2. Investment in Corporate Bonds with a maturity period of more than 1 year and with an average interest rate of 4.9600%. Interest earned on HTM Investments amounted to P5,156,090,726.21 and P4,910,582,840.44 in 2017 and 2016, respectively.

	Interest Rate	2017	2016
7-year Meralco Fixed Rate Bonds	4.3750%	1,500,000,000.00	1,500,000,000.00
7-year PLDT Fixed Rate Bonds	5.2250%	650,000,000.00	650,000,000.00
5.5-year JG Summit Fixed Rate Bonds	5.2317%	1,000,000,000.00	1,000,000,000.00
5.25-yr GT Capital Fixed Rate Bonds	4.7106%	300,000,000.00	300,000,000.00
5.5-yr SM Prime Holdings, Inc. Fixed Rate Bonds	5.1000%	500,000,000.00	500,000,000.00
7-yr SM Prime Holdings, Inc. Fixed Rate Bonds	5.2006%	500,000,000.00	500,000,000.00
7-yr Aboitiz Power Corp. Fixed Rate Bonds	5.2050%	1,000,000,000.00	1,000,000,000.00
5.25-yr Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	4.4722%	1,000,000,000.00	1,000,000,000.00
7-yr Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	5.0056%	1,000,000,000.00	1,000,000,000.00
7-yr Filinvest Land Inc. Fixed Rate Bonds	5.4000%	1,000,000,000.00	1,000,000,000.00
7-yr Filinvest Land, Inc. Fixed Rate Bonds	5.3567%	780,000,000.00	780,000,000.00
7-yr Robinsons Land Corp. Fixed Rate Bonds	4.8000%	1,500,000,000.00	1,500,000,000.00
7-yr Ayala Land Inc. Fixed Rate Bonds	4.1958%	2,050,000,000.00	2,050,000,000.00
5.25-yr South Luzon Tollway Corp. Fixed Rate Bonds	4.9925%	182,500,000.00	182,500,000.00
7-yr South Luzon Tollway Corp. Fixed Rate Bonds	5.5796%	182,500,000.00	182,500,000.00
5.25-yr SM Prime Holdings	4.5095%	1,200,000,000.00	1,200,000,000.00
Total		14,345,000,000.00	14,345,000,000.00

10. PROPERTY AND EQUIPMENT- NET

This account consists of:

	Land and Land Improvements	Building & Structure / Leasehold Improvements	Construction in Progress	Furniture & Fixtures Equipment & Books	Motor Vehicle	Total
Cost						
Jan. 01, 2017	874,443,352.96	131,098,125.84	27,569,240.50	2,065,244,962.13	211,084,361.42	3,309,440,042.85
Additions / Ded.	648,000.00	24,792,241.29	-	419,843,711.47	37,085,255.34	482,369,208.10
Dec. 31, 2017	875,091,352.96	155,890,367.13	27,569,240.50	2,485,088,673.60	248,169,616.76	3,791,809,250.95
Accu. Dep'n						
Jan. 01, 2017	1,344,360.85	69,829,827.22	-	1,041,277,528.98	107,448,638.43	1,219,900,355.48
Depreciation	70,544.52	11,936,936.61	-	226,436,542.32	10,749,094.41	249,193,117.86
Dec. 31, 2017	1,414,905.37	81,766,763.83	-	1,267,714,071.30	118,197,732.84	1,469,093,473.34
Net Book Value	873,676,447.59	74,123,603.30	27,569,240.50	1,217,374,602.30	129,971,883.92	2,322,715,777.61

	Land and Land Improvements	Building & Structure / Leasehold Improvements	Construction in Progress	Furniture & Fixtures Equipment & Books	Motor Vehicle	Total
Cost						
Jan. 01, 2016	874,443,352.96	118,710,282.00	23,605,048.00	1,603,533,585.55	190,844,967.48	2,811,137,235.99
Additions / Ded.	-	12,387,843.84	3,964,192.50	461,711,376.58	20,239,393.94	498,302,806.86
Dec. 31, 2016	874,443,352.96	131,098,125.84	27,569,240.50	2,065,244,962.13	211,084,361.42	3,309,440,042.85
Accu. Dep'n						
Jan. 01, 2016	1,229,862.86	61,521,239.81	-	875,109,500.80	93,961,815.46	1,031,822,418.93
Depreciation	114,497.99	8,308,587.41	-	166,168,028.18	13,486,822.97	188,077,936.55
Dec. 31, 2016	1,344,360.85	69,829,827.22	-	1,041,277,528.98	107,448,638.43	1,219,900,355.48
NBV as Restated	873,098,992.11	61,268,298.62	27,569,240.50	1,023,967,433.15	103,635,722.99	2,089,539,687.37

Included under Land and Buildings accounts are the following:

- 10.1 A parcel of land situated in Quezon City with a total area of 17,230.50 square meters. This property with a carrying amount of P439,377,750.00 was appraised on Dec. 29, 2016 by an independent appraiser with a fair market value of P1.2 Billion. The Head Office of PhilHealth shall be constructed in this lot.
- Relative to the construction of the proposed PhilHealth Corporate Center, the Corporation acquired an additional 145 sq. m. lot from the National Housing Authority located in Brgy. Pinyahan, East Ave. Q.C. at a cost of P2,439,735.68.
- 10.2 A property with a total area of 4,355 square meters acquired from Fort Bonifacio Development Corporation (FBDC), in exchange for the Corporations investments in FBDC located in Fort Bonifacio, Taguig City. This asset with a carrying amount of P413,845,804.80 have a fair market value of P1.7 Billion as of January 23, 2017.
- 10.3 A parcel of lot with a total area of 1,544 square meters and a building with a total floor area of 3,287 square meters purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga at a cost of P25,520,363.00. The land and building were appraised to have a fair market value of P74.605 Million as of January 20, 2017. PRO III also purchased a warehouse in San Fernando City, Pampanga with a total area of 1,831 square meters and was appraised with a fair market value of P16.240 Million as of Dec. 27, 2016.
- 10.4 A parcel of lot with a total area of 2,897 square meters located in Tuguegarao City which will be used as the PRO II's Corporate Office. This property was received by way of donation, through a MOA executed between the DPWH Region 2 and PhilHealth. This property which is carried in the books at P4,056,000 was appraised with a fair market value of P23.176 Million as of January 19, 2017. In compliance with the condition set forth in the MOA to construct our office building within 2 years from the execution of the donation, the Regional Development Council (RDC) 2 has extended, upon the request of PRO II, the construction of the building for another two years per RDC-2 Resolution No. 02-25, s.2017.

11. INTANGIBLE ASSETS - NET

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

	2017	2016
Cost, Jan. 01	329,299,007.31	147,814,633.77
Additions/Deductions	84,110,504.43	208,650,270.38
Cost, Dec. 31	413,409,511.74	356,464,904.15
Accumulated Amortization	(56,278,294.05)	(27,165,896.84)
Net Book Value, Dec. 31	357,131,217.69	329,299,007.31

12. OTHER ASSETS - NET

This account consists of the following:

	2017	2016 As Restated
Advances to Disbursing Officers	649,765.59	262,014.61
Advances to Officers & Employees	220,177.11	157,900.09
Prepayments	21,111,429.38	36,891,570.89
Deferred Charges	809,293.81	1,343,481.25
Guaranty Deposits	76,367,489.53	58,189,470.04
	99,158,155.42	96,844,436.88
DBM (transfer of NHIP Program fr. GSIS to PHIC)	155,235,240.00	155,235,240.00
PCSO (Enhanced GMA Program)	115,000,000.00	115,000,000.00
PDIC (per MB Reso. 459 dated 4/7/5)	327,103.25	327,103.25
COA Disallowances of Former Off. & Employees	1,456,748.97	1,456,748.97
PROs (from various Health Providers-DCS)	635,559.23	596,606.18
Unserviceable Equipment	30,376,028.99	28,963,450.00
Serviceable Equipment	2,871,586.77	5,375,515.91
Receivable from NGAs	394,741,430.00	394,741,430.00
Receivable from PCSO	100,566,336.32	100,566,336.32
Receivable from LGUs	673,919,294.84	722,588,158.58
Gross Long-Term Receivable	1,475,129,328.37	1,524,850,589.21
Less: Allowance for Impairment	1,161,406,802.08	1,065,871,220.35
	313,722,526.29	458,979,368.86
Net Amount	412,880,681.71	555,823,805.74

- 12.1 The Disbursing Officer is an Accountable Officer (AO) duly designated, responsible and accountable for the proper management of funds for a specific legal purpose or activity and is properly bonded in accordance with law. The amount of P 649,765.59 represents available funds of the said officers as of to date.
- 12.2 Advances to Officers & Employees amounting to P220,177.11 represents cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travel.
- 12.3 Prepayments amounting to P21,111,429.38 represents authorized payments made for the purchase of goods from the Procurement Service of DBM as well as insurance of motor vehicles of the Corporation from the GSIS.
- 12.4 The deferred charges account includes the unused portion of the amount of benefit claims paid to various Health Care Providers (HCPs). This payment was made by PRO VIII in compliance with the

PhilHealth Board Resolution No. 1855 S.2013 which provides a mechanism for extending substantial aid to the affected Health Care Institutions (HCIs) in the aftermath of the 'Super Typhoon Yolanda'. A total of P302,472,691.95 was paid to the HCP's and of this amount, P301,795,038.53 claims have been processed leaving a balance of P 677,653.42 as of Dec. 31, 2017. The remaining balance of P131,640.39 represents DCS transactions

- 12.5 Guaranty deposits amounting to P 76,367,489.53 represents transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.
- 12.6 Long Term Receivable from the Department of Budget and Management (DBM) amounting to P155,235,240.00 represents surcharges for late remittance of the employer counterpart for premium contribution. However, allowance for doubtful account of the same amount was provided for after evaluation of such factor as aging of accounts, collection experience in relation to particular receivable and identified doubtful accounts.
- 12.7 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to P115,000,000.00 represents the balance of the account for the premium counterpart of various LGUs under the Enhanced PCSO – Greater Medicare Access (PCSO-GMA) Program.
- 12.8 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to P327,103.25 was in pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.
- 12.9 Disallowances amounting to P1,456,748.97 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 and due to the remote probability of collection the latter had recommended its reversal. Subsidiary for these disallowances is being maintained & kept for ready references.
- 12.10 Debit Credit System amounting to 635,559.23 refers to the balance of advance payment to Health Care Providers for the year 1999. Allowance for doubtful account of P115,625.80 for PRO VII, P9,698.45 for PRO X, P11,393.50 for PRO IVA, P37,352.05 for PRO V, P76,183.91 for PRO VI and P17,608.75 for PRO CARAGA, a total of P 267,862.46 was provided for due to closure of the hospital facilities.

12.11 Unserviceable Equipment amounting to P30,376,028.99 represents equipment that are already for disposal.

12.12 Serviceable Equipment amounting to P 2,871,586.77 represents equipment which are still functional but already obsolete and fully depreciated and ready for disposal.

These Serviceable and Unserviceable Equipments shall be further reclassified as Non-Current Asset – Held for Sale once the requirements set upon by the Standard is met.

12.13 Receivable from NGAs amounting to P394,741,430.00 represents deficiency in employer share of the Health Insurance Premium Contributions to PhilHealth by different gov't. agencies nationwide for CY 2001 to 2008.

12.14 Receivable from PCSO includes unpaid billings for the enrollment of 309,049 indigent families in the amount of P 25,997,256.32 under the PCSO – Greater Medicare Access Program for 2003 and 2005; Unpaid billings in 2005 in the amount of P 2,772,240.00; Unpaid billings for the coverage of 200,000 transport workers under the PCSO-PhilHealth Program in the amount of P 71,796,840.00

12.15 Receivable from LGUs represents long overdue premium contributions from various cities and municipalities all over the Philippines for the enrollment of their respective constituent under the Sponsored Program of PhilHealth. It was reclassified from Current Receivable to Other Assets in compliance with COA recommendation per AOM No. 2015-22 (14) dated May 5, 2015, details as follows:

	2017	2016 As Restated
NCR	1,428,200.00	1,490,300.00
CAR	11,450,712.50	11,450,712.50
I	48,839,268.71	53,589,267.37
II	21,532,741.08	23,032,741.08
III	128,973,082.17	140,522,178.50
IV-A	14,124,485.00	14,124,485.00
IV-B	938,740.00	938,740.00
V	299,923,311.82	308,615,511.82
VI	-	860,000.00
VII	5,643,080.00	26,825,220.00
VIII	69,049,561.57	69,450,271.57
IX	1,004,285.00	1,770,885.00
X	41,667,474.45	40,831,393.20
XI	24,546,840.54	24,288,940.54
ARMM	4,797,512.00	4,797,512.00
	673,919,294.84	722,588,158.58

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

	2017	2016 As Restated
DBM (transfer of NHIP Program fr. GSIS to PHIC)	155,235,240.00	155,235,240.00
PCSO (Enhanced GMA Program)	115,000,000.00	115,000,000.00
PDIC (per MB Reso. 459 dated 4/7/5)	327,103.25	327,103.25
PROs (from various Health Providers-DCS)	267,862.46	430,656.91
Receivable from NGAs	394,741,430.00	394,741,430.00
Receivable from PCSO	100,566,336.32	100,566,336.32
Receivable from LGUs	395,268,830.05	299,570,453.87
Total Allowance for Impairment	1,161,406,802.08	1,065,871,220.35

13. BENEFIT CLAIMS PAYABLES

	2017	2016 As Restated
Benefit Claims Processed	6,037,065,054.06	4,479,208,274.35
Benefit Claims Reported - ICS	19,848,326,633.15	17,057,722,275.27
Benefit Claims Incurred But Not Yet Received - IBNR	11,469,705,275.01	8,207,493,920.01
Total	37,355,096,962.22	29,744,424,469.63

- 13.1 Benefit claims processed amounting to P 6,037,065,054.06 represents benefit payment checks still in the possession of the Corporation.
- 13.2 Benefit Claims Reported - In Course of Settlement (ICS) amounting to P19,848,326,633.15 are benefit claims in process at the end of the month. It is computed based on the number of claims still in the process multiplied by the average value of benefit payment per claim. Average value per claim is the quotient from dividing the total amount of benefit payment for the month by the total number of claims processed for the same period.
- 13.3 Benefit Claims Incurred But Not Yet Received (IBNR) amounting to P11,469,705,275.01 are claims which are estimated to be in the possession of the Health Care Institutions as of the end

of the month and have yet to be submitted to PhilHealth within the allowable 60 day period after the date of discharge per Corporate Order No. 2015-0017 dated Dec. 8, 2015. The amount recorded as of to date is actuarially estimated.

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

14. OTHER PAYABLES

This account consists of:

	2017	2016 As Restated
Accrued Expenses		
P.S.	358,256,414.03	184,706,888.63
MOOE	867,311,814.98	843,622,594.23
CAPEX	273,891,300.82	206,142,564.13
Statutory Liabilities		
Due to BIR	214,842,569.21	237,167,492.07
Due to GSIS	67,001,919.53	93,820,590.09
Due to Pag-ibig	3,487,456.26	3,185,515.46
Due to PhilHealth	7,576,912.03	9,238,495.47
Due to Other NGAs	11,716,916.43	12,977,911.04
Due to Other GOCCs	752,888.28	752,888.28
Due to LGUs	45,679.40	186,559.69
PhilHealth Provident Fund	9,774,550.16	8,199,748.69
Trust Liabilities		
UNFPA Project	35,855.88	34,632.68
UMID Project	105,134,127.96	104,932,284.18
Unclaimed Refund from Health Care Providers	358,697,603.04	357,462,354.56
AHP - Protest Bond	4,495,000.00	4,411,540.00
Donations	9,154,617.69	9,365,298.47
Performance/Bidders Bond Payable	34,451,130.38	32,288,355.04
Retention Fee	36,435,199.28	43,494,586.10
WHO Proj. (Center for Global Dev't)	1,991,619.99	1,711,826.89
Philippine Training Institute	5,440,194.88	5,798,657.71
PhilHealth Run 2013	900.00	44,684.46
PhilHealth Run 2015	1,007,115.78	2,501,184.68
Calamity Fund	751,982.53	736,421.13
Others	229,095,015.08	188,563,034.91
Total	2,601,348,783.62	2,351,346,108.59

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

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

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

	2017	2016
Westmont Investment Corp.	2,945,655.77	2,965,655.77
Strategies & Alliance Corp.	3,875,502.06	3,960,402.06
All Asia Capital & Trust Corp.	-	598.63
First Metro Investment Corp.	-	3,813.02
BF General Insurance Corp.	-	1,425.07
Land Bank of the Philippines	110,000.00	110,000.00
Donation received by PRO's	2,223,459.86	2,323,403.92
Total	9,154,617.69	9,365,298.47

These shall finance specific projects like:

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

15. OTHER DEFERRED CREDITS

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

This account consists of the following:

	2017	2016
Advance Premium by Informal Economy	370,759,927.50	1,150,805,440.98
Reclassification of Premium Contribution for NHTS enrollment (CYs 2013 & 2014).	516,844,200.00	516,844,200.00
Accreditation Fees - ACAs	731,722.26	631,238.89
Accreditation Fees - HCPs	340,366.67	4,990,007.84
Subsidy from LGUs	2,938,235.00	3,994,045.00
Others	186,500,108.00	835,797.58
Total	1,078,114,559.43	1,678,100,730.29

16. INSURANCE LIABILITY FOR LIFETIME MEMBERS

As stipulated in the Section 17 of RA 10606 (or Section 27 of RA 7875), a separate fund for the benefit claims reserve of the existing Lifetime members must be set up as a liability of the corporation. The claims liability reserves requirement for the number of covered Lifetime members as of year-end 2017 was estimated at P 24,796,038,543.00 by the Corporate Actuary.

17. MEMBERS' EQUITY

Members' Equity consists of the following:

	2017	2016 As Restated
Reserve Fund	85,988,147,971.24	90,738,664,002.99
Surplus (Disallowance)	1,887,347.50	1,456,748.97
Net Unrealized Profit (Loss) on Available for Sale Investment	-	(57,094,196.10)
Total Members' Equity	85,990,035,318.74	90,683,026,555.86

17.1 Reserve Fund

	2017	2016 As Restated
Reserve Fund	85,988,147,971.24	90,738,664,002.99

The Reserve Fund is recorded per Office Order No. 0145, S.2012 which is based on the provisions of Section 27 of RA 7875 as amended by RA 10606, which states that the Corporation shall set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserved funds: Provided, that the total amount of reserves shall not exceed a ceiling of P306.60B, the amount actuarially estimated for two years' projected Program expenditures: Provided further; That whenever actual reserves exceed the required ceiling at the end of the Corporation's Fiscal Year, the excess of the Corporation's Reserve Fund shall be used to increase the program's benefits, decrease the member's contributions and augment the health facilities enhancement program of the DOH.

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

17.2 Surplus

	2017	2016 As Restated
Surplus at beginning of year	1,456,748.97	(16,172,035,741.38)
Contingent Capital	430,598.53	-
Net Income (Loss)	(4,750,516,031.75)	(251,531,094.54)
Prior Year Adjustment	-	-
Total Surplus	(4,748,628,684.25)	(16,423,566,835.92)
Reserve transferred to Surplus	4,750,516,031.75	16,425,023,584.89
Surplus at December 31	1,887,347.50	1,456,748.97

17.3 Net Unrealized Profit/(Loss) on Available for Sale Investment

This account pertains to the difference between the cost of the original investment in externally managed fund and its fair value as of the reporting date. Details of this account are as follows:

	2017	2016
Net Realized Profit in value of EMF	-	9,954,495.14
Accumulated Unrealized Profit (Loss) in value of EMF	-	(67,048,691.24)
Unrealized Profit (Loss) on Available for Sale Investments	-	(57,094,196.10)

18. PREMIUM CONTRIBUTIONS

Details of Premium Contributions are as follows:

	2017	2016 As Restated
Formal Economy	48,763,919,463.18	47,964,407,087.81
Private	36,933,830,113.96	38,524,493,264.46
Gov't	11,776,309,961.61	9,396,384,362.43
Kasambahay	53,779,387.61	43,529,460.92
Informal Economy	7,913,900,335.69	4,963,613,165.07
Migrant Workers	1,685,345,083.68	1,086,001,742.13
Informal Sector/ Self Earning		
Individual including		
Organized Group	5,998,439,423.34	3,691,524,897.94
Women about to give birth	227,566,428.67	186,086,525.00
Filipinos with Dual Citizenship	261,450.00	-
Citizens of Other Countries working/ residing in the Phils	1,630,950.00	-
Foreign Retirees	657,000.00	-
Indigents - NHTS	33,860,356,800.00	34,682,688,000.00
Senior Citizens	13,045,051,000.00	13,044,616,800.00
Special Government Programs	88,250,400.00	35,500,800.00
Bangsamoro	46,524,000.00	667,200.00
PAMANA	41,726,400.00	34,833,600.00
Sponsored	2,913,218,420.62	3,134,972,985.23
LGU's	2,335,923,840.52	2,386,499,460.23
Point of Care	577,294,580.10	748,473,525.00
Total Premium Contributors	106,584,696,419.49	103,825,798,838.11

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

- Income from the Formal Economy comes from the premium contributions of the following:
 - Government employees
 - Private employees
 - All other workers rendering services, whether in government or private offices, such as job order contractors, project-based contractors and the likes
 - Owners of micro enterprises
 - Owners of small, medium and large enterprises
 - Household Help – as defined in RA 10361 on "Kasambahay Law"
 - Family Drivers

- b. Income from the Informal Economy comes from the premium contributions of the following:

1. Migrant Workers
2. Informal Sector
3. Self-Earning Individuals
4. Filipinos with Dual Citizenship
5. Naturalized Filipino Citizens
6. Citizens of other countries working and/or residing in the Philippines
7. Women about to give birth
8. Foreign Retirees (Registered with Philippine Retirement Authority)

- c. Premium contributions recorded as income for Indigent – NHTS comes from the National Government as appropriated in the GAA.

- d. Premium contributions from the sponsored members is being paid by another individual, government agency, or private entity according to the rules as may be prescribed by the Corporation.

- e. Premium contributions for special government programs comes from the National Government as appropriated in the GAA.

- f. Premium contributions for Senior Citizen or Elderly comes from the National Government.

19. INTEREST AND OTHER INCOME

Interest and other income account are as follows:

	2017	2016 As Restated
Interest Income		
Held to Maturity Investments	5,156,090,726.21	4,910,582,840.44
Special Savings Deposits	448,104,198.15	827,785,517.49
Savings & Current Deposits	3,301,540.09	5,137,181.08
Total Interest Income	5,607,496,464.45	5,743,505,539.01
Other Income		
Accreditation Fees - HCPs	27,880,302.03	37,212,411.29
Fines and Penalties	33,497,537.21	38,587,339.79
Rent Income	1,588,600.56	2,104,434.03
Gain (Loss) on Foreign Exchange	4,593.87	59,831.00
Gain on Sale / Redemption of Investment	50,632,248.56	-
Sale of Disposed / Unserviceable Property	600,982.53	-
Gain (Loss) on Sale of Property, Plant Equipment	174,553.00	336,520.03
Income from Grants & Donations	-	1,129,881.99
Miscellaneous Income	16,612,448.47	12,450,468.30
Total Other Income	130,991,266.23	91,880,886.43
Total Interest & Other Income	5,738,487,730.68	5,835,386,425.44

19.1 Miscellaneous income consists of income ranging from one hundred thousand and above which includes penalties from supplier in the Head Office, while in PROs this includes income from sale of valueless records, forfeited performance security and refund of benefit payment collected from delinquent employers.

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

20. BENEFIT CLAIMS EXPENSES

Details of this account are as follows:

	2017	2016 As Restated
Formal Economy	25,151,458,483.30	24,867,012,075.52
Private	18,158,588,101.76	17,431,185,675.53
Gov't including PCB	6,992,870,381.54	7,435,826,399.99
Informal Economy	23,554,813,700.50	20,763,765,254.45
Migrant Workers including PCB	1,401,346,939.30	1,303,474,231.55
Informal Sector/Self Earning Individual	22,153,466,761.20	19,460,291,022.90
Indigent - NHTS including PCB	21,098,185,590.42	19,687,975,690.18
Sponsored	12,286,793,905.90	11,706,276,581.39
LGUs including PCB / PREVENTS	8,798,523,184.44	7,947,856,617.63
NGAs	847,521.25	801,580.00
Point of Care	3,487,423,200.21	3,757,618,383.76
Lifetime Member Program & Senior Citizens	28,398,835,161.34	25,105,666,774.82
Total Benefit Claims Expenses	110,490,086,841.46	102,130,696,376.36

21. PERSONAL SERVICES

Personal services account includes:

	2017	2016 As Restated
Salaries & Wages	1,750,565,892.79	1,908,671,569.83
Other Compensation	2,255,410,889.31	3,090,529,327.60
Statutory Contributions	486,710,868.51	573,897,448.11
Other Personal Services	30,921,457.42	10,159,149.54
Total Personal Services	4,523,609,108.03	5,583,257,495.08

22. OTHER OPERATING EXPENSES

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

	2017	2016 As Restated
MOOE	1,571,181,607.37	1,827,941,927.89
Other Expenses	151,288,253.99	133,806,023.05
Non-Cash Expenses	337,534,371.07	237,014,535.71
Total Other Operating Expenses	2,060,004,232.43	2,198,762,486.65

23. OTHER SIGNIFICANT AND RELEVANT INFORMATION

23.1 PhilHealth as Government Business Enterprise

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

23.2 Point of Service (POS) Program

The Department of Budget and Management has issued SARO No. SARO-BMB-C17-0025794 in the amount of Two Billion Eight Hundred Five Million Three Hundred Sixteen Thousand Three Hundred Seventy Four Pesos Only (P 2,805,316,374) through the Bureau of Treasury (BTr) representing payment of cost of availment for benefit claims of financially incapable families/enrollees under Universal Health Care through Point-of-Service (POS) Program, chargeable against PhilHealth's authorized appropriation under Republic Act No. 10924, FY 2017 General Appropriations Act.

The release of the corresponding cash allocation is subject to PhilHealth's submission of the names of POS patients together with the actual amount of claims to DBM.

23.3 Arrears of the National Government as an employer

PhilHealth had adjusted premium contribution of the Employed Sector in CY2013 through PhilHealth Circular

No. 057 s.2012 which prescribes Php 875.00 per month as the maximum contribution shared equally by the Employer and the Employee at Php 437.50 each. However, DBM has only allocated Php312.50 or a 40% discrepancy. The Corporation had formally billed the Department of Budget and Management of the estimated NG Employer Premium Differential and request allocation of the unappropriate balances for the following periods:

Arrears		
CY 2001-2012	Php	9,664,042,012.00
CY 2013		330,691,801.00
CY 2014		330,691,801.00
CY 2015		330,691,801.00
CY 2016		330,691,801.00
Total		10,986,809,216.00

23.4 Assigned lot to PRO III

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

23.5 Non-remittance of GSIS Premium for Disallowed Salary Adjustments

The GSIS premium amounting to P20,604,585.03 was part and parcel of the salary adjustments given to PhilHealth employees but subsequently disallowed by COA. The said amount is still outstanding and not yet remitted to GSIS per Opinion No. 56 Series of 2018 from the office of the Government Corporate Counsel dated March 26, 2018 stating that PhilHealth should keep the amount originally intended to be remitted to GSIS as premiums corresponding to the adjusted salaries of its employees without prejudice to its remittance in the event the Notice of Disallowance is lifted.

Board of Directors



(L to R) **Francisco T. Duque III, M.D., MSc** Secretary of Health
Chairperson • **Celestina Ma. Jude P. dela Serna, M.D.** Interim/
OIC-President and CEO



(L to R) **Carlos G. Dominguez**, Dept. of Finance (DOF) • **Atty. Jonathan P. Mangaoang**,
Corporate Secretary • **Atty. Emmanuel F. Dooc**, SSS President & CEO
• **Rupert B. Aleroz**, NAPC-BS Vice-Chairman



Virginia N. Orogo, DSWD
Acting Secretary
Ret. Gen. Eduardo M. Año,
OIC-DILG Secretary
Atty. Silvestre H. Bello III,
DOLE Secretary
Atty. Jesus Clint O. Aranas,
GSIS President & General
Manager
Alicia Dela Rosa-Bala,
CSC Chairperson



Roy B. Ferrer, M.D.
Employers Sector

Dr. Roy B. Ferrer is a BS Biology graduate from the Ateneo de Davao University and obtained his Doctor of Medicine degree from the Davao Medical School Foundation. He has a Master of Science degree in Internal Medicine, Major in Diabetology from the University of the East Ramon Magsaysay Memorial Medical Center – Institute for Studies on Diabetes Foundation. From Year 2000 up to his appointment as PhilHealth Board Member, Dr. Ferrer was a Medical Consultant at the Ricardo Limso Medical Center in Davao City. He worked as Medical Specialist from 1993 to 2009, and as Medical Officer IV at the Davao Medical Center from 1997 to 1999. He was the President and Chief Executive Officer of Central Lab Diabetes, Wellness, Heart and Kidneys, Inc. and eventually became its Chief Finance Officer. He is a Fellow and President of the Davao Chapter of the Philippine Society of Medical Specialists in Government Service, an affiliate society of the Philippine Medical Association (PMA). For four (4) years, he also served as Board Member of the Stroke Society of the Philippines – Davao Chapter.

Eddie G. Dorotan, M.D.
Elected Local Chief Executives

Dr. Eddie G. Dorotan, is an experienced leader, manager and consultant in government and non-government organizations, both local and international, with almost 30 years of experience in strategic planning and management, innovative programming and networking, financing and resource mobilization, community organizing and training, and monitoring and evaluation in the areas of health care, sustainable development and local governance. He is currently the Executive Director of GalingPook Foundation, an NGO that promotes innovations and excellence in local health service delivery and local governance. He is also the Convener of the Global Public Innovations Network which promotes cutting edge innovations in health care, environment, education, economic development and governance in the USA, Chile, China, Philippines, Brazil, Mexico, Peru and South Africa.

Joan Cristine Reina Liban-Lareza, M.D.
Health Care Providers Sector

Dr. Joan Cristine Reina Liban-Lareza is a Doctor of Medicine graduate of the Far Eastern University – Nicanor Reyes Foundation's Institute of Medicine. She chaired the Department of Obstetrics and Gynecology of Qualimed in San Jose del Monte, Bulacan. She is also a consultant at Nuvotek, Inc.; consultant and sonologist of Qualimed Trinoma and MyHealth Clinic; and sonologist at Klinika ng Bata at

Matanda, all in Quezon City. She is a Diplomate and Member of the Philippine Obstetrics and Gynecological Society (POGS) and a Fellow and Member of the Philippine Society of Ultrasound in Obstetrics and Gynecology (PSUOG).

Hildegardes C. Dineros, M.D.
Informal Economy

Dr. Hildegardes C. Dineros is a pioneer and leader in the field of Metabolic and Bariatric Surgery in the Philippines. He has been invited to speak and present his work both in the local and international community. His areas of expertise include Laparoscopic Bariatric Surgery, Laparoscopic Metabolic Surgery (treatment for Type 2 Diabetes), Laparoscopic Gastrointestinal Surgery, Aesthetic and Plastic Surgery, and Complex Wound Care. His patients are both foreign and local clients and he has the most number of advanced bariatric surgery cases in the country with remarkable success.

Anthony C. Leachon, M.D.
Independent Director-Monetary Board

Dr. Anthony C. Leachon is a Filipino physician - leader, preventive health education and health reform advocate. Dr. Leachon graduated from the UST Faculty of Medicine and Surgery in 1985 and was one of the PRC medical board top-notchers in June 1986. He practices medicine as the leading internist and cardiologist at Manila Doctors Hospital. Dr. Leachon has won several awards and recognitions as an outstanding physician leader and health advocate. Dr. Leachon has been recognized for authoring Executive Order 595 - Health Education Reform Order (H.E.R.O.). The HERO remains the largest physician-led advocacy on comprehensive health education and disease prevention. For leading and pioneering the passage of this significant Executive Order, Dr. Leachon received Presidential Citation for helping the government with its preventive health education advocacy.

Roberto M. Salvador Jr., M.D.
Formal Economy Sector

Dr. Roberto M. Salvador earned his Doctor of Medicine degree from the Manila Central University – FDTMF in Caloocan City. Before he was appointed as PhilHealth Board Member, he was a Medical Officer at the Bureau of Quarantine of the Department of Health. Earlier, he was a medical consultant for adult and pediatric infections and tropical diseases at the Castro General Hospital and Sto. Nino General Hospital, both in Bulacan; at the Sagrada Familia General Hospital in Pampanga; and at St. Lazarus Medical and Surgical Clinic in Sta. Cruz, Manila.

Executive Officers



Celestina Ma. Jude P. dela Serna, M.D.
Interim/OIC-President and CEO

Ruben John A. Basa, Executive Vice-President &
Chief Operating Officer



Senior Vice Presidents

(L to R) **Shirley B. Domingo, M.D.**, Management Services Sector (MSS) • **Francisco Z. Soria Jr., M.D.**, Health Finance Policy Sector (HFPS) • **Nerissa R. Santiago**, Office of the Senior Vice-President for Actuarial Services & Risk Management Sector and Office of the Actuary • **Engr. Jovita V. Aragona**, Office of the Chief Information Officer, Information Management Sector • **Atty. Germain G. Lim**, Office of the Senior Vice-President, Legal Sector • **Gregorio C. Rulloda**, Fund Management Sector



Vice Presidents

(L to R) **Israel Francis A. Pargas, M.D.**, Corporate Affairs Group (CAG) • **Atty. Jay R. Villegas**, Internal Audit Group • **Gilda Salvacion A. Diaz**, Quality Assurance Group • **Narisa Portia J. Sugay, M.D.**, Member Management Group (MMG) • **Atty. Alfredo B. Pineda II**, Arbitration Office • **Clementine A. Bautista, M.D.**, Corporate Planning & Organizational System Development Office



Area Vice Presidents

(L to R) **Leo Douglas V. Cardona Jr. M.D.**, Area III (Visayas) • **Lolita V. Tuliao**, Area II (South Luzon and NCR) • **Elizabeth S. Fernandez, M.D.**, Area I (North Luzon) • **Masiding M. Alonto Jr.**, RVP-PRO-10 & Concurrent Area IV (Mindanao)



Senior Managers



(L to R) **Melanie C. Santillan, M.D.**, Benefits Development & Research Department (BDRD) • **Atty. Rogelio A. Pocallan Jr.**, Internal Legal Department • **Maria Elena Y. Herrera**, Comptrollership Department • **Henry V. Almanon**, Human Resource Department (HRD) • **Atty. Alex B. Cañaveral**, Financial Audit Department • **Leila S. Tuazon**, Corporate Marketing Department (CorMar)

Senior Managers



(L to R) **Arsenia B. Torres**, Social Health Insurance Academy (SHIA) • **Mario S. Matanguihan**, Physical Resources & Infrastructure Department (PRID) • **Cythia D. Corvite**, Project Management Office for PhilHealth Identity System • **Jeanie T. Bernolia**, Information Technology Management Department (ITMD) • **Atty. Ritchie Y. Parnas**, Fact Finding Investigation & Enforcement Department (FFIED) • **Evangeline F. Racelis**, Treasury Department

Senior Managers



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Senior Managers



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Regional Vice Presidents



Atty. Jerry F. Ibay, PRO-CAR • Atty. Rodolfo B. Del Rosario Jr., PRO-I • Oscar B. Abadu, PRO-II • Walter R. Bacareza, PRO-III

Regional Vice Presidents



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Regional Vice Presidents



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• Johnny Y. Sychua, PRO-CARAGA • Atty. Khaliquzzaman M. Macabato, PRO-ARMM**

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(L to R) **Cheryl W. Peña**, PRO-NCR Central • **Bernadette C. Lico, M.D.**, PRO-NCR South • **Raul B. Tuquero, M.D.**, PRO-III Branch B • **Cynthia P. Camacho, M.D.**, PRO-NCR North • (Not in photo) **Ruby M. Vitug**, PRO-III Branch A

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PRO NCR Central - Quezon City

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Local Health Insurance Office

South Triangle, Quezon City

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PRO III-B - Malolos

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PRO IV-A - Lucena

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PRO IV-B - Batangas

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PRO V - Legazpi

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