



PHILIPPINE HEALTH INSURANCE CORPORATION

# Primed for Change, Grounded in Our Vision

2018 ANNUAL REPORT





# Paving the Way for a New Health Care Era

While the Corporation and the whole country awaited the passage into law of the Universal Health Care bill, major preparations have been done in 2018 to ensure its smooth implementation. Geographical limitations were defied, seemingly countless meetings were held, and necessary consultations were done for the sake of refining the measure.

The whole PhilHealth was primed for this big change, but it never lost sight of its vision of ensuring “Bawat Filipino, Miyembro; Bawat Miyembro, Protektado; Kalusugan ng Lahat, Segurado” — hence the noteworthy accomplishments of the Corporation in 2018 in terms of coverage, partnerships, and services, among others. PhilHealth continued to work and serve despite the tedious preparations that come with change, and that in itself is no small feat.

The imminent change did not prevent PhilHealth from improving its safety net for its existing members, which is apparent in the remarkable 2018 results the Corporation delivered. This is proof that PhilHealth is very capable of embracing change while being consistent in providing a brand of service that is second to none.

PhilHealth, with massive help from the Philippine Congress and all major players in the health sector, paved the way for a new health care era in the Philippines that, if properly implemented, will surely make a monumental and momentous impact on the lives of Filipinos. The country's health care future rests on the shoulders of several government institutions— one of which belongs to PhilHealth — and with this in mind, the Corporation vows to remain indefatigable and cooperative in the government's pursuit of an uncompromised universal health care for every Filipino.



# Contents

2	Message from the President of the Philippines
3	Message from the Board Chairperson
4	Message from the Acting President and CEO
6	2018: At a Glance Superseding Standards
14	A Road Well Travelled
20	Corporate Governance Statement
26	Commission on Audit
30	Statement of Management's Responsibility for the Financial Statements
31	Statements of Financial Position
32	Statements of Comprehensive Income
33	Statements of Changes in Equity
34	Statements of Cash Flow
35	Notes to Financial Statements
52	Boards of Directors
56	Executive Officers

## Vision

"Bawat Filipino, Miyembro.  
Bawat Miyembro, Protektado.  
Kalusugan ng lahat,  
Sigurado."

## Mission

"Benepisyong Pangkalusugan,  
Sapat at Dekalidad  
para sa Lahat"

## Core Values

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



*R Duterte*

**RODRIGO ROA DUTERTE**

President  
Republic of the Philippines

FROM THE

# President of the Republic of the Philippines

**M**y warmest greetings to the Philippine Health Insurance Corporation (PhilHealth) as it publishes its 2018 Annual Report.

To fulfill our promise of establishing a universal healthcare system that is accessible to every Filipino, this administration has worked with Congress in enacting key legislative measures that will strengthen and ensure the financial viability of our National Health Insurance Program (NHIP).

Last month, I signed Republic Act No. 11223 or the Universal Healthcare Act which automatically enrolls every Filipino into the NHIP. I also signed Republic Act No. 11228 amending the Magna Carta for Persons with Disability, which provides mandatory insurance coverage for PWDs.

The passage of these landmark laws would not have been possible without the hard work and dedication of the men and women of PhilHealth. This does not mean, however, that our work is done. In fact, we face an even more challenging task ahead as we ensure the effective and decisive enforcement of these laws.

As we celebrate our gains in the past year, I ask everyone to join me as we institute a truly accessible, integrated, and comprehensive healthcare system that will serve as the foundation of a healthier, stronger, and more resilient nation.

I wish you all the best in the coming years.





FROM THE

# Board Chairperson

**G**reetings to all PhilHealth officials and employees!

The past year proved to be an eventful year for PhilHealth as it triumphed over challenges in the delivery of quality healthcare and access to medical services. We have indeed achieved much: covering more than a hundred million Filipinos, registering a 20-day national turn-around-time in claims processing, exceeding your target collection efficiency and posting a net gain in 2018. I extend my congratulations to all of us for these hard-earned wins.

As we enter another phase of reforms under the Universal Health Care (UHC) Law, PhilHealth is tasked to go where no one dared to, to elevate its business model, and think beyond the usual bounds of operations. The challenges of today, particularly the expectations of our countrymen, have drastically evolved. This allows us to continue the narratives of Juan and Juana in the UHC regime where they have no second thoughts about seeking healthcare; they know that as PhilHealth members, they are spared from unpredictable financial burdens. When they visit their nearest health facility, what would have been out-of-pocket health expenditures are now covered by the comprehensive benefit package PhilHealth offers. This increased financial access to quality healthcare empowers these individuals to make healthier choices. Rising up to these challenges requires PhilHealth to pivot towards becoming a globally-benchmarked social health insurance agency in the next quarter-century.

Aligned with *FOURmula One Plus for Health*, PhilHealth has been, and will continue to be, the primary driving force in fully realizing our vision of Filipinos being among the healthiest in Asia by 2040. As the designated national strategic purchaser under the UHC law, PhilHealth is expected to catalyze the transformation of our hospital-based system to one that is people-centered and primary care-oriented.

We have made great strides and have set solid foundations for its full implementation. I take pride recognition that in PhilHealth, there is always potential waiting to be tapped, resting passion waiting to be ignited. I am confident that together with the Department of Health and our health partners, the attainment of UHC is within sight.

Congratulations and Mabuhay Team PhilHealth!

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

# FROM THE Acting President and CEO

**S**alute, Team PhilHealth!

2018 has been a year of exceptional milestones for the Corporation – among them, reinforced partnerships, innovative benefits, and avenues for providing more heartfelt services to the Filipino.

It was also during this year when preparations for the passing of the Universal Health Care (UHC) Bill were at its peak.

We were gearing up for a massive change yet we remained focused on our promise – that is, securing, covering and protecting the health of every Filipino from financial risk amid the growing costs of medical care in the country.

Challenges abound but these only made us wiser, stronger. Indeed, when we keep our members' best interests at heart, there is no hurdle that we cannot handle.

We doubled our efforts to ensure that health insurance coverage is afforded to those who need it the most. Proof to this is the inter-agency agreement we have entered into for the protection of Persons of Concern (PoC), also referred to as refugees, asylum seekers and stateless persons currently living in the Philippines.

We have always put a premium on partnerships to guarantee that only the best health care services are given to our members. In 2018, as in previous years, we have continuously conducted dialogues and participated in fora with lead organizations of health care institutions and medical professionals to ensure quality of care for our members. PhilHealth, the Philippine Medical Association (PMA), Philippine Hospital Association (PHA) and the Private Hospitals Association of the Philippines (PHAPI) made a covenant to unify efforts and agree on certain issues towards a more efficient implementation of the National Health Insurance Program (NHIP).

We have expressed, time and again, our earnest desire to be of utmost service to the less privileged

members of society. The opening of the first Malasakit Center in Iloilo, where PhilHealth and other government agencies have made available its services to patients through a one-stop shop, is a solid testament to this.

Last but definitely not the least, we have shown our untiring commitment towards innovating and finding ways to provide relevant and quality health care benefits to our members. This year, we launched the Z Benefits for Children with Visual Disabilities and Children with Hearing Impairment. We also expanded our Primary Care Benefits – in essence, free consultation, diagnostics and medicines -- to now cover the Formal Economy, Lifetime Members and Senior Citizens. Furthermore, we enhanced the PhilHealth Newborn Care Package to enable newborns to be screened for 28 more disorders (from the initial 6 inborn errors) which is essential life-saving healthcare, to say the least.

Indeed, being at the helm of the country's premier health insurer has been one of my most exciting yet challenging roles, to date. Nonetheless, with the support of the strong and very capable workforce of this Corporation, I know there is no challenge that PhilHealth cannot conquer and translate into success.

As we journey towards realizing and reaping the fruits of UHC in our country, I have faith that Team PhilHealth shall continuously do what it has been doing right from the start – that is serving the Filipino with an enthusiastic spirit and a big heart.

Together, we cannot falter. Together we can only make greater things for the health and well-being of every Filipino, wherever he or she may be.

Team PhilHealth, let us keep the momentum going!



**ROY B. FERRER M.D., MSC**  
Acting President and CEO







## A Full Retrospect of PhilHealth's Accomplishments in Its 24th Year in Service

**P**hilHealth made great strides as it concluded 2018 positively, surpassing previous year's performances on its net income, benefit payments and membership coverage — a strong indication that it is ready to take on the challenges of a new era of improved health care system brought about by the imminent passing of the Universal Health Care (UHC) bill into law.

2018 AT A GLANCE







# Superseding Standards



## Strong Financials

The year 2018 saw PhilHealth recording a remarkable performance as it registered a net income of P11.6 billion, almost 50 times higher than the previous year's restated net income and the biggest bottom line recorded in 10 years. Also, premium income was twice the growth in benefit expenses. Owing to its unrelenting efforts in collection from all sectors, premium income soared to more than P132 billion, 23% higher compared to the preceding year's record. Income from the private sector maintained its top spot, sharing 37% in the total premium income with 49.3 billion. On the other hand, premium from the Senior Citizen category posted the highest growth at 43% compared to the 2017 figure.

### PREMIUM CONTRIBUTION CY 2018

SECTOR	IN MILLIONS
 <b>FORMAL ECONOMY</b> Private 49,329.47 Government 16,555.58	<b>65,885.04</b>
 <b>INFORMAL ECONOMY</b>	<b>8,520.09</b>
 <b>INDIGENT - NHTS</b>	<b>37,157.48</b>
 <b>SENIOR CITIZEN</b>	<b>18,674.39</b>
 <b>SPECIAL GOVERNMENT PROGRAMS</b> Bangsamoro 49.59 PAMANA 55.35	<b>104.94</b>
 <b>SPONSORED</b> LGUs 1,982.61 Others 138.46 <i>(Point of Care)</i>	<b>2,121.07</b>
<b>TOTAL</b>	<b>132,463.01</b>

Among the efforts made by the corporation to further improve collection at the start of 2018 was its entry in the quadripartite agreement between Bank of Tokyo-Mitsubishi UFJ, LTD., Banknet Inc., and the Land Bank of the Philippines for the electronic collection and remittance of premium contributions of formal economy members, particularly Japanese clients and multinational companies in the Philippines. Under the agreement, employers with existing accounts with the Bank of Tokyo-Mitsubishi UFJ, LTD may now authorize the said bank through the e-Gov facility of BancNet, Inc. to credit their PhilHealth premium contributions from their accounts. The LandBank as a BancNet Employer Depository Member Bank will then remit the premiums payments to PhilHealth.

The Bank of Tokyo-Mitsubishi UFJ, LTD became the second offshore foreign collecting agent of PhilHealth and is the only Japanese bank to have this kind of service. Currently, the bank's Manila branch has more than 150 employees catering full range of commercial banking services to Japanese, multinational, and Philippine corporations

## Increase in Benefit Availment

Similar to the upward trend in collection due to continues improvement in collection efforts, reimbursements of claims also continued to improve each year. The constant introduction of new benefit packages and enhancements of existing ones for the past decade greatly contributed to the upward trend in benefit availment. The increase in benefit expense was also a result of an increase in membership base as evidenced by an average growth rate of 20% over the last 10 years.

The increasing amount of claims payments may also be attributed to PhilHealth's aggressive educational campaign on PhilHealth's benefits and entitlements. Among these information drives include "PhilHealth Forward," "Project ReachOut" various stakeholders fora, and its signature "PhilHealth Alaga Ka," a grassroots level road show aimed at increasing awareness and appreciation of the National Health Insurance Program.

In 2018, PhilHealth released P121 billion in benefit payments, 14% higher than the previous year's P106 billion. Beneficiaries under the Indigent/NHTS Program emerged as the top claimants, registering 26% of the total benefit expense. Likewise, Senior Citizen and Lifetime Members were also able to avail P31 billion or 26% of the total benefit payouts. However, the Indigent Program registered the highest growth of 47% compared to the preceding year.



## Z Benefits for Children with Visual Impairment and Developmental Disabilities

The Z Benefit Package for children with visual impairment and developmental disabilities was officially launched as part of PhilHealth's initiative to provide and ensure financial risk protection to all Filipinos, including those with disabilities. The main intent of this Z Benefit is to provide rationalized and relevant benefits and ensure quality health care for children with disabilities especially those among the poor and marginalized families. Due to the devastating effect of visual loss, early vision assessment among children is very important and should be provided the soonest possible time.

Under the Z Benefit Package for children with visual disabilities, PhilHealth shall provide coverage for mandatory services for vision assessment with treatment plan, assistive health technology device (optical and electronic devices), training for visual skill rehabilitation, and follow-up consultations. Prescribed ocular prosthesis is also given coverage. These interventions could increase the chances of children with visual impairment to perform better at school and live a normal life.

Moreover, developmental disability is referred to as the manifestation of delays, regressions, or deviations in the cognitive-adoptive, sensorimotor, communication, social, emotional, and behavioral development of domains of a child. Specific services covered under the Z Benefit for children with developmental disability includes assessment and planning by a medical specialist and by allied health professionals, such as occupational, physical, and speech therapists using applicable standardized tests including rehabilitation therapy. The benefit package amount ranges from P3,626.00 to P5,276.00. Initially, tertiary government health care institutions (HCIs) are engaged to provide these services to children with developmental disabilities. The implementation of the benefit package by contracted HCIs shall be monitored according to existing performance assessment systems.

## New and Enhanced Benefit Packages

PhilHealth continued to enhance and improve its existing benefit packages releasing corporate issuances for the launching of its Z Benefit Packages for Children with Disabilities. Among these new innovations are the benefit packages for Children with Visual Impairment and Developmental Disabilities. These new packages were developed in accordance with its mandate to provide financial risk protection and to pay for quality health care services with provisions towards persons with disabilities. These packages were designed with the perspective of capturing the preventive to curative approach to patient care. They also aim to prevent catastrophic spending especially among the poor and marginalized families who are enrolled under the NHIP.

## The Expanded Primary Care Benefits and Newborn Care Package

The Primary Care Benefits (PCB) started as a benefit package offering free consultation, diagnostics, and medicines made available in rural health units (RHUs) and primary care providers made available only to indigents, sponsored citizens, overseas Filipino workers, and employees of the Department of Education (DepEd). To address PCB1's limitations, PhilHealth launched the



expanded Primary Care Benefits (EPCB) to extend coverage to the working sector and elderly. With the expansion, all members under the Formal Economy (employed), Lifetime members, and senior citizens, as well as their qualified dependents, shall now be eligible for expanded primary care benefit in accredited EPCB health care institutions (HCIs). It will now be made available to Levels 1, 2, and 3 private and government hospitals, ambulatory surgical services and infirmaries, and private medical and outpatient clinics. Similar to the PCB, the expanded version will also cover consultation, essential services, and complete dose of medicines.

The EPCB shall include health screening and assessment, diagnostic services, follow up consultations, and medicines. The health screening shall be based on life stage essential services as provided in DOH Administrative Order No. 2017-0012. The drugs/medicines shall cover for the following disease conditions: AGE, UTI, pneumonia (low-risk), upper respiratory tract infection, asthma, hypertension, and type 2 diabetes. All Outpatient Departments/Sections of accredited Level 1, 2, and 3 private and government hospitals shall be deemed accredited as EPCB HCI. PhilHealth shall provide a list of accredited EPCB HCIs on its official website.

Likewise, the Newborn Care Package (NCP) was also enhanced to cover for the additional cost of the enhanced newborn care screening (ENBS). From the initial six-panel newborn screening test covered under the NCP, which only tests for six inborn errors of metabolism, the expanded newborn screening test covered under enhanced NCP will now screen for at least 28 disorders, including problems in metabolism and hemoglobinopathies.

The Essential Newborn Care involves health practices to newborn care, which have been proven to improve the health outcomes of the baby, such as immediate drying of the baby, early skin-to-skin contact, timely cord clamping, non-separation of the mother and her baby for early breastfeeding initiation, eye

prophylaxis and Vitamin K administration, weighing of the baby, first dose of hepatitis B vaccine, and first dose of BCG vaccine. Furthermore, the Newborn Screening Test is a blood test done on the newborn after 24 to 72 hours after birth. It enables early detection and management of several congenital disorders, which may lead to mental retardation and/or death if untreated.

	OLD NPC	ENHANCED NPC PACKAGE
Rate	P1,750	P2,950
Professional Fee	P500	P500
Essential Newborn Care	P500	P500
Newborn Screening Test (NBS)	P550 6 Panel NBS	P1,700 Expanded NBS
Newborn Hearing Screening Test	P200	P200

## Improved Access and Service Facilities

The PhilHealth NCR Central Office-LHIO Quezon City moved to its new home at 145 Corporate Building, 145 Mother Ignacia Avenue, South Triangle, Quezon City. The new LHIO Quezon City has 800-square-meter office space with 20 counters to serve clients from different districts of Quezon City, as well as clients from neighboring cities. Situated at the heart of Quezon City, the new LHIO-QC office is highly accessible through EDSA, Quezon Avenue, and Timog Avenue. LHIO-QC caters to all PhilHealth transactions, including new membership registration, PhilHealth Identification Cards issuances, updating of Member Data Records (MDR), and premium contribution remittances.



Stakeholders and employers' concerns are also being facilitated. LHIO-QC has registered the greatest number of clients being served daily with an estimated average of 5,000 to 6,000 clients per day. This number has increased 15% since it transferred to its new location.

In the past, LHIO-QC has received numerous awards for service excellence, such as the CSC Seal of Excellence Four Stars in CY 2015, the Red Orchid Award from the Department of Health (DOH) in CY 2015, and 2016 and the most recent 2018 DOH Drug-Free Workplace.

## PhilHealth and other government agencies form alliance for medical assistance

PhilHealth along with various government agencies such as the Department of Health (DOH), Department of Social Welfare and Development (DSWD), Philippine Charity Sweepstakes Office signed a joint administrative order which aims to establish "Malasakit Centers" in public hospitals in order to streamline public access to various medical assistance funds of the government. Through the Malasakit Center, patients will no longer have to suffer the inconvenience of going from one agency to another and the corresponding amount from each agency will also be just and fair.

Earlier this year, an initiative called "Malasakit Centers" was implemented by the Office of the Presidential Assistant for Visayas in government hospitals in their region to provide a one-stop shop for financial assistance and medical services from various government agencies, resulting in shorter queues and paperwork for patients.

The joint Order also aims to define the various roles of the different government agencies in augmenting the financing provision of the No Balance Billing (NBB) Policy for Case Rates and Z Benefits of PhilHealth and to outline a streamlined process of accessing their respective funds by PhilHealth members and their dependents, especially those from the marginalized sector.

The joint Administrative Order was made to further this initiative with the opening of the Malasakit Center in Jose R. Reyes Memorial Medical Center to provide guidance on the amount of financial assistance available from each agency.

This is part of the Philippine Development Plan 2016-2022 which seeks to cover all Filipinos against financial health risks.

## PhilHealth Launches the First Malasakit Center in Iloilo

PhilHealth, along with the Office of the President for Visayas (OPAV), other government agencies, and hospitals, launched the very first Malasakit Center in the province of Iloilo through a memorandum of agreement.

The Malasakit Center is a one-stop shop that caters to patients' needs in terms of processing requirements needed for the availment of their PhilHealth benefits. The center also provides an online information desk, spearheaded by personnel from the Membership and Marketing Division of PhilHealth Regional Office-VI (PRO-VI), to complement the PhilHealth Customer Assistance Relations and Empowerment Staff (P-CARES) and provide assistance to patient-members on their requirements for availment. Services of the Department of Health (DOH), the Department of Social Welfare and Development (DSWD), the Philippine Charity Sweepstakes Office (PCSO), and the Philippine Amusement and Gaming Corporation (PAGCOR) are also available at the newly inaugurated Malasakit Center.

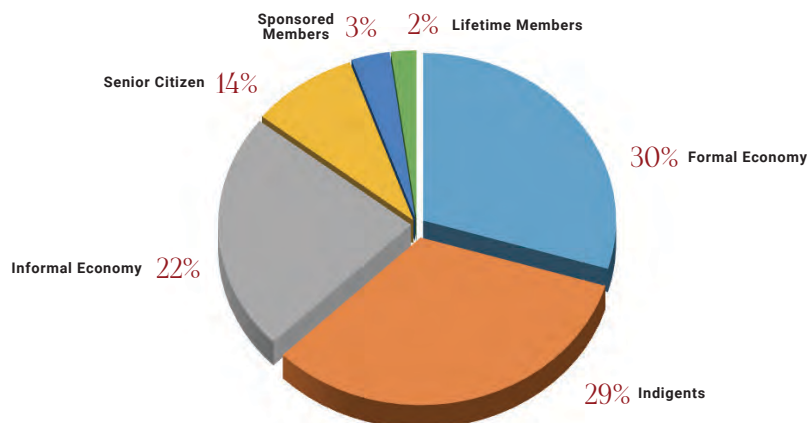




## Increasing Population Reach

In June 2018, PhilHealth reached its "100 million" milestone in terms of population coverage, proudly declaring that it has already provided coverage for 98% of the population or roughly around 104 million out of the 106 million total projected population for 2018. The biggest segment of its members is made up of the formal economy or those employed from the private and government sectors, which represents 30% of its total coverage. This is followed by beneficiaries from the indigent sector at 29%, the informal economy at 22% percent, and senior citizens and lifetime and sponsored members representing the balance of 19%.

## COVERED MEMBERS AND DEPENDENTS *by Sector*



## COVERED MEMBERS AND DEPENDENTS *As of December 31, 2018*

SECTOR		MEMBERS	DEPENDENTS	BENEFICIARIES
Members in the Formal Economy	Private	15,989,829	15,002,702	30,992,531
	Government	13,659,502	11,222,664	24,882,166
	Household Help/Kasambahay	2,257,851	3,726,782	5,984,633
	Enterprise Owner and Family Drivers	71,152	51,478	122,630
Members in the Informal Economy		1,324	1,778	3,102
	Migrant Worker	11,778,458	12,254,864	24,033,321
	Informal Sector	337,426	524,541	861,967
	Self-Earning Individual	1,829,026	2,882,224	4,711,249
	Organized Group and Others	346,019	506,837	852,856
	Group Enrollment	23,470	29,661	53,131
	Others <sup>a</sup>	28,533	28,617	57,150
Indigents	Point of Service (POS) Eligible <sup>b</sup>	539	509	1,047
		9,213,446	8,282,476	17,495,921
		15,718,882	18,743,293	34,462,175
Sponsored Members		1,519,424	1,864,239	3,383,663
Senior Citizens		7,531,326	1,879,707	9,411,033
Sponsored Members		1,278,549	927,707	2,206,256
		53,816,468	50,672,512	104,488,979

Notes: 98% of 2018 projected population are covered in the NHIP Program  
a. Members and dependents under Filipinos with Dual Citizenship, Naturalized Filipino Citizen, Citizen of other countries working/residing/studying in the Philippines, PRA Foreign Retirees  
b. Members and dependents under the Informal Economy w/o 9/12 contributions who are entitled to the POS mechanism

## Continued expansion of coverage to other segments of society

In the first semester of 2018, PhilHealth signed an agreement with the Katipunan ng Mga Artistang Pilipino sa Pelikula at Telebisyon (KAPPT) and Showbiz Industry Alliance (SIA) for the coverage of their respective members to the National Health Insurance Program (NHIP).

Under the agreement, all self-earning actors in the movie and television industry, including other employees in the entertainment industry, should enroll with PhilHealth and pay their premium contributions to ensure their coverage and social health insurance benefits.

The KAPPT, which started as the Actors Guild of the Philippines in the '80s, is made up of movie and television actors as well as other personnel working in front of the camera to provide movies and television shows for the Filipino audience. On the other hand, the SIA is an organization made up of workers in the entertainment industry, such as scriptwriters of shows, stage performers, comedians, magicians, and acrobats, who are not members of the KAPPT.

Under the agreement, PhilHealth will conduct an on-site registration to facilitate the processing of enrolment documents of KAPPT and SIA members. A Speaker's Bureau composed of leaders from both organizations, along with PhilHealth's Social Health Insurance Academy (SHIA), shall spearhead the information dissemination campaign directly to members and their families about PhilHealth benefits, as well as their responsibilities as members.

## Health Insurance Coverage for Persons of Concerns

PhilHealth also entered an inter-agency agreement for the protection of Persons of Concern (POC), also referred to as refugees, asylum seekers, and stateless persons currently living in the Philippines.

Under the agreement, PhilHealth shall provide social health insurance coverage to POCs through existing applicable membership and coverage mechanism and requirements. The POCs shall be enrolled in the National Health Insurance Program under the Sponsored Program or through the iGroup or group enrollment.

Other members of the Inter-Agency Steering Committee for the Protection of Persons of Concern are the Bureau of Immigration (BI), the Commission on Higher Education (CHED), the Department of Education (DepEd), the Department of Foreign Affairs (DFA), the Department of Health (DOH), the Department of Interior and Local Government (DILG), the Department of Justice (DOJ), the Department of Labor and Employment (DOLE), the Department of Social Welfare and Development (DSWD), the Department of Trade and Industry (DTI), as well as the Public Attorney's Office (PAO), the Philippine Charity Sweepstakes (PCSO), the Professional Regulation Commission (PRC), the Technology Education and Skills Development Authority (TESDA) and, PhilHealth.

## PhilHealth Expands Accreditation to HIV Treatment Hubs

To further increase the access to the Outpatient HIV/AIDS Treatment (OHAT) Package and to help in the plight of people living with HIV/AIDS, PhilHealth has also expanded its accreditation to stand-alone HIV treatment facilities and satellite treatment hubs nationwide. According to the Department of Health's Epidemiology Bureau, there were 1,021 HIV-positive individuals that have been reported to the HIV/AIDS and Antiretroviral Treatment Registry of the Philippines (HARP) in January 2018. Of the total number, one-third or 32% were from National Capital Region (NCR). Other top five regions with the most number of newly diagnosed cases together accounting to 75% are Region 4A with 16%, Regions 3 and 7 (each with 10% respectively), and 7% from Region 6.

PhilHealth remained  
to be the most  
trusted agency  
in the country  
based on multiple  
citations and  
independent  
surveys conducted  
during the year.

Previously, PhilHealth has accredited institutions delivering OHAT package and has paid at least 11 million in Region 6 alone for 2017 and about 8 million for the first semester of 2018. With the new policy of the Corporation, stand-alone HIV treatment hubs or those operating independently from a PhilHealth accredited facility and satellite treatment hubs or primary HIV care facilities can now apply for accreditation as providers of the PhilHealth OHAT package.

## Intensified Monitoring to Protect the Funds

PhilHealth also introduced reforms — both internal and external — to safeguard its funds against abusive practices and fraud. Mechanisms have been instituted to strictly monitor the performance of its accredited providers, which resulted in legal actions totaling to 298 cases against at least 71 hospitals nationwide due to various violations.

From 2010 to present, it already suspended at least 31 hospitals and revoked the accreditation of another two facilities for serious violations. PhilHealth is also now imposing fines against erring hospitals, instead of outright suspension or revocation of their accreditation, to ensure that members continue to access health services and avail themselves of their benefits even if these facilities were charged for their fraudulent practices.

The present administration also instituted corporate-wide efforts to curb abusive and corrupt practices within its ranks. It earlier announced that there are several investigations ongoing against employees and officers for different violations.

## Better Public Perception

PhilHealth remained to be the most trusted agency in the country based on multiple citations and independent surveys

conducted during the year. In the last Philippine Trust Index (PTI) survey conducted by communication agency EON Group, PhilHealth received the highest trust rating at 95% among all government agencies. Also, in 2018, the Civil Service Commission (CSC) awarded PhilHealth the Seal of Excellence Award Hall of Famer for having the most number of service offices with excellent rating for the past years. This award is bestowed upon government agencies that consistently receive Seals of Excellence for its frontline offices. Furthermore, PhilHealth engaged the services of NOVO Trends, a third-party institution to conduct a Satisfaction Survey of the corporation's customers. In the preliminary result, 92% of respondents expressed their satisfaction with PhilHealth's service.

## A New Dawn Is Rising

PhilHealth raised the bar once again, proving that the only entity that could beat it in terms of delivering better results is no less than itself. Its wide array of notable achievements in 2018, which superseded the remarkable milestones it had already accomplished in the previous years, mirror the Corporation's tireless dedication to achieving Universal Health Care for all its stakeholders. PhilHealth is looking forward to carrying on with its promise to cooperate with all government institutions that are working tirelessly to achieve the ultimate goal of providing every Filipino, especially the most needy, a more secure and comfortable life through uncompromised Universal Health Care.







# A Road Well Travelled

The Journey to the Passage of the  
Universal Health Care Act

**T**he long road to the passage of the Universal Health Care (UHC) bill into law was indeed a bumpy ride, but it's all worth it. Through the collective effort of various government agencies led by PhilHealth and the Department of Health, as well as significant contributions from several health advocates and civil societies, the dream of many, if not all, to see momentous reforms in the country's health sector has been fully realized.

## The Long Trip

The proposed UHC measure, which primary aim was to give all Filipino citizens access to health care coverage and services, did not only count years before being considered a priority bill; it had also seen the health sector fighting tooth and nail until its approval in the 17th Congress. The UHC bill was one of the 28 Common Legislative Agenda of the administration of President Rodrigo R. Duterte approved during the full council meeting of the Legislative-Executive Development Advisory Council (LEDAC) in August 29, 2017. The Presidential Legislative Liaison Office (PLLO) also conducted vigorous monitoring on the status of the bill in relation to being a priority bill of the current administration.

## First Stop: House of Representatives

On May 17, 2017, the House Committee on Health led by Quezon Representative Angelina Tan began its deliberation on the UHC bill. This was followed by another hearing on May 23, 2017.

A series of informal meetings were ensued after the filing of committee report on May 30, 2017 by concerned officials and technical staff from PhilHealth and the Department of Health. Before the start of the period of interpellation on August 16, 2017, the bill needed technical refinement to guarantee its accuracy, completeness, and potential to achieve universal health coverage.

The approval of the UHC Act on second reading was fulfilled on August 22, 2017 led by then Kabayan Party-list Representative Harry Roque, another principal author. She may be in an official travel during the passing of the proposed law on second reading, but it was undeniable that Representative Tan herself was the spirit of the UHC bill. On September 6, 2017, the bill was consequently approved by the House on the third and final reading.

## Senate's Turn

The Senate Committee on Health and Demography, chaired by Senator Joseph Victor G. Ejercito, conducted its first hearing on August 2, 2017. The entire health sector was optimistic about the approval of the counterpart bill in the upper chamber by first quarter of 2018. However, Sen. Ejercito decided to conduct four nationwide public hearings on the proposed measure to listen to the sentiments of various health sectors in the country. The said hearings were held in Cebu City, Davao City, Legazpi City, and Lingayen from February 1, 2018 to March 15 of the same year.

All four public hearings were attended by both chairpersons of the Senate Committee on Health and Demography and House Committee on Health. They successfully manifested their desire to be champions of the UHC Act. Other legislators present during the said public hearings include Senate Ways and Means Committee Chairman Sonny Angara, Majority Floor Leader Juan Miguel Zubiri, UHC Act principal authors Nancy Binay, Joel Villanueva, and Risa Hontiveros, various members of the House of Representatives from the localities, and local chief executives.

## Senate Plenary Deliberations

After the filing of Committee No. 401, or the Senate version of the UHC Act, on July 30, 2018, sponsorship speeches were ensued by the principal authors led by Senator Ejercito. During his speech, the senator said, "Ang pagsulong po natin sa Universal Health Care Bill ay pagkakataon natin na mabigyan ng dekalidad, accessible, at abot-kayang health services ang bawat Pilipino. Huwag po sana nating palagpasin ang pagkakataong ito. Manguna po tayo sa pagbibigay ng lunas sa ating mga kababayang may sakit ngunit walang pampagamot, sa mga kababayan nating tila nakalimutan ng gobyerno dahil hindi naaabot ng tulong, at sa mga kabataang dapat nating pangalagaan. Naniniwala po ako na ang isang malusog na mamamayan ay susi sa pambansang kaunlaran."

Following Senator Ejercito's sponsorship speech, four interpellations ensued in the Senate. After the interpellations made by Senate President Vicente "Tito" Sotto III and Senate President Pro Tempore Ralph G. Recto, two meetings dated August 29, 2018 and September 24, 2018 were conducted by PhilHealth with the latter to thresh out various issues raised during the said interpellations.





The result of the discussion with the good senator was crucial in getting the nods of majority of the senators. On October 10, 2018, the landmark measure, which was certified as urgent by President Rodrigo R. Duterte, was unanimously approved by the Senate on third and final reading.

## The Crossroads

Before the conduct of the formal Bicameral Conference Committee meetings, the Senate Committee on Health and Demography and the House Committee on Health decided to conduct Pre-bicameral Conference Committee meetings on October 23 and 30, 2018. This was the period that initially consolidated both versions of the upper and lower chambers. There was a big disparity between the two versions: the House proposed for major amendments to the National Health Insurance Act while the Senate version was a stand-alone UHC bill.

During the course of discussion, it was found out that the reforms envisioned with the passage of the UHC bill, in particular to PhilHealth, did not have some complementary reforms on the part of the implementor. This was the point to create an informal team to push for the interest of PhilHealth for possible inclusion in the Bicameral Conference Report on the UHC bill. The informal team consisted of three Regional

Vice Presidents, Corporate Planning Manager, and its Head of Legislative Liaising Unit. There were also other Area Vice Presidents and Regional Vice Presidents who would occasionally join the team.

As instructed by the Executive Committee, Corporate Planning was instructed to draft the position paper to be submitted to both committees for consideration in the consolidated UHC bill. Mr. Alejandro Dennis T. Lim, with Mr. Dennis Formadero, Mr. Cir Rodney C. Cacatian, and Mr. Paulus Magnus Bacud, led the crafting of the position paper, which was the ultimate document used in manifesting the last desired reforms of PhilHealth. The position paper comprised additional powers to develop its own organizational structure, compensation, amendments in the penal provisions, and consideration of PhilHealth personnel as public health workers, to name a few.

The special team — which comprised VP Walter R. Bacareza of then PRO III, RVP Oscar Abadu of PRO II, BM Lemuel T. Untalan of PRO III Branch A, Acting SM Alejandro Dennis T. Lim, then CorPlan Head, and Mr. Cir Rodney C. Cacatian, then Head of Legislative Liaising — worked tirelessly to discuss the new position paper to the bicameral conferees. It made connections to all legislators who have connections with the UHC bill until it was almost assured that all the stipulations in the new position paper would be considered.



## Taking the Main Road

The first Bicameral Conference Committee took place on November 20, 2018. Sen. Ejercito really wanted the measure to be approved immediately. However, there were five contentious issues that needed to be further discussed. Thus, the second bicameral meeting was scheduled for November 27, 2019.

Series of meetings were again held with some of the legislators to thresh out issues before the conduct of the second bicameral meeting, particularly with Senator Ralph G. Recto. Both the Department of Health and PhilHealth agreed with the proposal of the good senator. In return, Senator Recto also accepted the PhilHealth legislative proposal and expressed his support for manifestation during the second bicameral meeting.

“Ang pagsulong po  
natin sa Universal  
Health Care Bill  
ay pagkakataon  
natin na mabigyan  
ng dekalidad,  
accessible, at abot-  
kayang health  
services ang bawat  
Pilipino.”

Apart from the following salient features inclusion in the Bicameral Conference Committee Report on the Universal Health Care Act, it also included all PhilHealth legislative proposals that will coincide with reforms required by the implementation of UHC:

1. Automatically enroll all Filipinos under the National Health Insurance Program of PhilHealth, either as direct or indirect contributors.



2. Provide all Filipinos the immediate eligibility and access to preventive, promotive, curative, rehabilitative and palliative care for medical, dental, mental, and emergency health services, including outpatient drugs by registering them to a primary health care provider of their choice. Primary health care providers will act as the initial and continuing point of contact in the health care delivery system.

3. Provide all Filipinos improved benefit packages that will reduce the out-of-pocket expenses of members.

4. Improve public health facilities for better health service delivery, and encourage the private sector to become partners in the UHC implementation.

5. Improve the entire health system by addressing the gaps in facilities, equipment, and human resource, among others, and instituting reforms in the system.

The following are some of the major amendments introduced by Senator Recto, the principal author of the UHC bill in the Senate:

1. Provide all Filipinos automatic PhilHealth coverage. No PhilHealth ID needed.

2. Additional benefits for paying members as incentive for the increase in premium rate. The additional benefits will incentivize those who pay higher premiums and will encourage those who are voluntarily paying to keep paying.

Universal Health  
Care Act is  
considered  
as a landmark  
legislation--a  
dream come  
true for every  
Filipino who  
is deprived  
of gaining  
access to the  
uncompromised  
health care  
services they  
deserve.







3. Gradual premium rate increase at .5% per year, and gradual adjustment of income ceiling by P10,000 per year.

4. Phased transition to service delivery networks so as not to disrupt the delivery of health care services while the implementing agencies are still instituting the reforms necessary for them to fulfill their respective mandates with regard to the implementation of the UHC.

5. Patient's/Member's choice of her/his primary care provider. A patient/member-centered approach in UHC that allows every Filipino to choose her/his own primary health care provider, whether public or private.

6. Pooling of funds for UHC (total incremental sin tax collection, 50% National Government share from PAGCOR, 40% PCSO charity fund, net of Documentary Stamp Tax payments, national subsidy in GAA).

7. Increase in benefits for every increase in premium, and the guarantee that benefits currently being enjoyed by PhilHealth members shall not be reduced.

## The Journey Continues

Universal Health Care Act is considered as a landmark legislation. It was passed not because of the Department of Health and PhilHealth alone. It was approved by both chambers of Congress because of the massive support of different stakeholders from the health sector — civil societies, other government agencies, and medical and specialty societies, among others. And to sum it all up, it was a dream come true for every Filipino who is deprived of gaining access to the uncompromised health care services they deserve.





# Corporate Governance Statement

CY 2018 PhilHealth Board Accomplishments

CY 2018 marked significant changes in the direction and management of the Philippine Health Insurance Corporation (PhilHealth) as the implementing agency of the National Health Insurance Program. The confirmation by the Commission on Appointment of the appointment of Dr. Francisco T. Duque III as Secretary of Health on 07 February 2018 sealed his return as Chairperson of the PhilHealth Board. He previously served in the same capacity from CY 2005 to CY 2010 under the administration of then President Gloria Macapagal Arroyo. Subsequently, acting on the nomination of President Rodrigo R. Duterte and in accordance with pertinent law and rules, the PhilHealth Board elected Dr. Roy B. Ferrer, as the Acting President and Chief Executive Office (APCEO) of PhilHealth on 05 June 2018. Dr. Ferrer, who concurrently sits as Employer Sector Representative, automatically becomes the Vice-Chairperson of the PhilHealth Board.

With a seasoned and decorated public servant at the helm of the PhilHealth Board and a contemporary and impassioned leader in charge of the PhilHealth Management, Secretary Duque III and APCEO Ferrer steered the Corporation to newer and greater heights, made possible by the consistently strong support of the other Members of the PhilHealth Board. Foremost of these achievements, gained through hard work and effort, was the committed groundwork laid for the approval on third reading of the Universal Health Care (UHC) Bill by the Senate of the Philippines in October 2018, after more than a year from the approval of its counterpart measure in the House of Representatives.

The PhilHealth Board focused on various strategies to ensure the effective administration of the National Health Insurance Program. Some of these are the provision of new and enhanced benefit packages to PhilHealth members and their dependence, compliance with good governance conditions, adoption of an effective anti-fraud mechanism, improvement of relationship with stakeholders, and building a stronger organization.

The following are some of the significant accomplishments of the PhilHealth Board in CY 2018:

## Provision of New or Enhanced Benefit Packages

In line with its initiative to support the tenets of the Philippine Health Agenda by ensuring that all Filipinos have equitable access to patient-centered and quality health services that are efficiently delivered and fairly financed, the PhilHealth Board approved the enhancement of the newborn care package that was first implemented in 2006. The package now includes the medicines and supplies for essential newborn care, professional fee, expanded newborn screening test, and newborn hearing screening test. The enhanced newborn care package is expected to provide financial risk protection to the families, thereby minimizing the out-of-pocket expenses.

To realize the UHC goals and comply with existing national policies, the PhilHealth Board likewise expanded the Primary Care Benefit (PCB) package to the Formal Sector, Lifetime Members, and Senior Citizens with capitation at Php800.00 and co-payment at fixed amounts. The previous package known as PCB 1, was limited to providing preventive services with diagnostic examination to PhilHealth members and dependents under the NHTS-PR, Sponsored Program, Organized Groups, Overseas Workers Programs. With the expansion of the PCB package, the PhilHealth Management was instructed to adopt risk-based capitation fees to consider the higher medical management for senior citizens and to develop a clear timeline on the accreditation of private providers in accordance to appropriate standards.

Further, as part of its commitment to sustainability finance health care services, the PhilHealth Board approved the out-patient benefit package for the secondary prevention of rheumatic fever/rheumatic heart disease at Php12,000.00 per patient per year. Data showed that rheumatic fever/rheumatic heart disease is one of the major public health problems in developing countries and a high burden disease mostly afflicting the marginalised sector of society. The new package was developed by the Product Team for Special Benefits of the Benefits and Research Development (BDRD), together with relevant stakeholders and experts.

In October 2018, the PhilHealth Board approved the adoption of "PhilHealth Plus" subject to certain conditions, among which is that the program must be renamed to clearly reflect the program's target of providing direct assistance in medical bills. However, once it evolves into a premium-based benefit, it shall be reverted to the original PhilHealth Plus label. It is recalled that the 2018 General Appropriations Act (GAA) provided Php3.5 Billion budget allocation for all employees of the national government agencies of the executive branch as PhilHealth supplemental health benefits.

Finally, in response to the request of the University of the Philippines (UP) Study Group, the PhilHealth Board allocated additional amount for the extension of the Philippine Studies on Primary Care that shall include the rural setting (Phase 2) and GIDA setting (Phase 3). Previously, the PhilHealth Board partly funded in 2016 the UP Research on Primary Care covering the corporate setting, known as Phase 1. The study is conducted in order to provide a more comprehensive and substantive data for PhilHealth on the enhancement of its primary care benefit package.

## Improved Information Technology (IT) System and Infrastructure

Seeing the need to address the Corporation's limited Information Technology (IT) human resources in performing the diverse and increasing IT-related works or activities, and delivering quality





services in responding and resolving to operational issues, concerns, and/or problems, the PhilHealth Board approved the outsourcing of IT Operations Managed Services for one (1) year to achieve transformational improvement of operational efficiency. Some of the anticipated benefits of the outsourcing of IT operations/services are cost savings in terms of paying service contracts as to having full-time employees; provision of skilled and experienced staff in different specialty areas of IT; and reduction of turn-around-time to address issues/concerns/problems due to faster response time and simplified problem management process flow.

In relation thereto, the PhilHealth Information Systems Strategic Plan (ISSP) for CYs 2018-2020 was approved by the PhilHealth Board in recognition of its importance to give directions and framework for all its applications or information system and IT requirements, especially automation in processes, in order to improve its delivery of service to its stakeholders. The approval of the ISSP is in compliance with the directives of the department of Information and Communications Technology (DICT) for PhilHealth to address its requirements for information systems development and allocation of IT resources in support of the PhilHealth Enterprise Architecture, the corporate Strategy Map and the Philippine Health Agenda. Similarly, the PhilHealth Board approved the implementation of Philhealth Information Security Management System and the acquisition of Services (Multi-Year Undertaking) of Certifying Body for ISO 27001 Information Security Management System. The DICT issued Memorandum Circular 005, s. 2017, prescribed the Policies, Rules and Regulations on the Protection of Critical Information Infrastructures and required that the Philippine National Standard on ISMS shall be for mandatory compliance by all Critical Information Infrastructure operators within two (2) years.

## Interim Organizational Structure and Workforce

While awaiting for the completion of the requirements for reorganization, the PhilHealth Board authorized the rehiring of existing two hundred ninety eight (298) Job Order Contractors who shall render Electronic Adjudication and PNF Evaluation for deployment to the PhilHealth Regional office - Benefits Administration Section (PRO-BAS) in CY 2019, as well as the hiring of additional fifty five (55) Job Order Contractor positions, specifically, medical doctors who shall render Medical Prepayment Review (MPR) using the Claim Form 4 as a tool. The approval included the condition that the payment on salary of these JOCs will be in accordance with the Joint Circular No. 1 s. 2017, of Commission on Adult – Civil Service Commission – Department of Budget and Management (JC No. 1 of COA-CSC-DBM).

Effective June 2018, the PhilHealth Board directed the transfer of the management of the PhilHealth Customers Assistance, Relations and Empowerment Staff (PCARES) Project from the Membership Management Group (MMG) to the Health Finance Policy Sector (HFPS). The transfer was in view of the expanded functions of PCARES since its inception in 2012, which currently include: (a) Liaising between PhilHealth, accredited health care providers (HCPs), members and their dependents, and other stakeholders in the availment of PhilHealth benefits; (b) providing assistance to members and their dependents to ensure that they receive quality health care; (c) assisting in the monitoring of performance of accredited HCPs; (d) gathering data and implementing studies and researches on NHIP where they are assigned; (e) documenting members' complaints

against the services rendered by the accredited HCPs and reporting to the connected regional offices; and (f) facilitating the implementation of PhilHealth policies in HCPs.

## In order to ensure collection efficiency, the PhilHealth Board approved the institutionalization of the accounts management strategy for private employers with 100 and above employees.

### Effective Anti-Fraud Mechanism and improved Collection Efficiency

To ensure the protection of funds from fraud and other forms of abuses, the PhilHealth Board authorized the procurement of Electronic Claims Processing Fraud Prevention and Control for the Machine Learning (ML).

The ML is a method of data analysis that automates analytical model building and allows computers to find hidden insights, without being explicitly programmed where to look and with algorithms that iteratively learn from data. It offers the following potential benefits like annual savings to the corporation of up to Php11 billion, reduced/eliminated bias in evaluation of claims anomalies and fraud, greater emphasis of human intervention on outliers or potentially fraudulent claims rather than evaluating all claims, and pro-active interventions through identification of health care providers with suspicious billing patterns; automated process to achieve rapid, precise, and real-time/near-real-time fraud control solution.

Further, in order to ensure collection efficiency, the PhilHealth Board approved the institutionalization of the accounts management strategy for private employers with 100 and above employees. Towards this objective, the PhilHealth Management was directed to adopt and implement the following measures:

- a. Institutionalization of an Accounts Management Strategy for Private Employers in all Regional, Branch and Field Operations specifically for Private Employers with 100 and above employees and prioritization of the Employer Visitation as mandated through PhilHealth Circular No. 017-2015;
- b. Issue the appropriate policy to include the non-submission/non-posting of membership and remittance reports and non-compliance to the EPRS in the imposition of penalties; and
- c. Prioritize provision of the necessary support, such as logistical requirements and budgetary support for employers visitation and monitoring activities and staff retooling/training; and enhancement of the EPRS and membership, contribution, accounting and treasury databases synchronization to ensure complete, accurate and timely member and employer profiling and recording.

Furthermore, the DOH-PhilHealth Analytics Harmonization was approved by the PhilHealth Board with the condition that the implementation shall conform to the provisions of the Data Privacy Act, directives of the National Privacy Commission, among other issuances. The DOH-PhilHealth Analytics Harmonization is expected to provide the benefits of timely and data-driven decision making by business stakeholders; effective, efficient, and context-based operational reporting and analytics; integration of data and reporting across bureaus and business units; improved monitoring-control of disease and claims trends including compliance with data and related regulations/policies; and effective governance of data and reports consumed by all levels and classes of users, among others.

Finally, in recognition of the vital role of the Internal Audit Group (IAG) towards the achievement of universal health care through systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes, the PhilHealth Board adopted the PhilHealth Internal Audit Manual (PIAM). The Commission on Audit (COA) served as consultant in the development of the manual that would serve as guide in the conduct of the internal audit. The PIAM was crafted in accordance with the COA Philippine Internal Audit Framework and the International Standards on Professional Practice for Internal Auditing set by the Institute of Internal Auditors.

## Compliance With Good Governance Requirements

The PhilHealth Board ensured readiness of the Corporation to comply with the provisions of the Ease of Doing Business and Efficient Government Service Delivery Act of 2018. Towards this end, the PhilHealth Management was directed to immediately organize the PhilHealth EODB Team under the Office of the President and Chief Executive Officer (OPCEO) to ensure effective and efficient inter-agency collaboration for the implementation of the game plan for competitiveness and the inclusion of the targets set by the EODB Task Force in the performance targets of PhilHealth in its corresponding performance-based incentive systems.

Management Sector for the Management Information Service. The ICRS has been developed for the GOCC Sector towards achieving the policy objectives of assisting the State in the exercise of its ownership rights in the GOCC Sector through the provision of up-to-date, complete, relevant information streamlining the various reportorial requirements for GOCCs; and promoting greater transparency and timely access to relevant information on the GOCC Sector through a single online web portal

Further, the PhilHealth Board approved the implementation of Department of Finance Circular No. 01-2017 by paying fixed transaction fee of Forty Pesos (Php40.00) for over the counter transactions and Ten Pesos (Php10.00) for online transactions with PhilHealth Accredited Collecting Agents. The bureau of

**Cognizant that things will not be a walk in the park to fully realize the objectives of the UHC Law, the PhilHealth Board is determined to immediately address any unforeseen challenges that may occur in its implementation.**

Likewise, in response to addressing cyber security vulnerabilities and in compliance with the requirement of the GCG that all GOCCs shall come up with their cyber security protocols, the PhilHealth Board prescribed the General Guidelines for the development of PhilHealth Cyber Security Protocol as part of the Information Security Management System (ISO27001:2013). These guidelines shall be formulated and issued to (i) maintain an updated inventory of system devices; (ii) implement proper network segmentation and isolation; (iii) manage passwords properly and implement other access controls; (iv) establish role-based access controls and identity access management; (v) implement vulnerability management and apply necessary patches and updates; (vi) use secure remote access methods; (vii) develop and enforce policies on mobile devices; (viii) conduct an effective employee cyber security awareness training program; (ix) establish and enforce cloud security policies; and (x) develop a cyber-security incident response plan.

The PhilHealth Board also designated PhilHealth representatives to the Integrated Corporate Reporting System (ICRS) of the Governance Commission for the GOCCs (GCG). Named as representatives are the Senior Vice President of the Fund Management Sector for the GOCC Monitoring System, the Corporate Secretary for the GOCC Leadership Management System, and the Senior Vice President for Information

Treasury informed PhilHealth that consistent with the policy to compensate the collection services rendered by Authorized Agent Banks (AABs) of other government agencies, such as the Bureau of the Internal Revenue and Bureau of Customs, the AABs are compensated Ten Pesos (Php 10.00) for each electronic transaction and Forty Pesos (Php 40.00) for each over the counter transaction, respectively. This shift to transaction fee based scheme arrangement with authorized collecting agents will result in additional investment income from the removal of bank float, which may compensate the payment of said transaction fees and any incidental administrative expense and bank charges/transfer fees associated with the proposed scheme.

Finally, as part of the Continuing Education and Training Program (CETP) for Board Members as well as for the secretariat staff or management officials, the PhilHealth Board approved the conduct of Brown Bag Learning Series before or during the Board Meetings. The Governance Committee recommended the use of brown bag concept, whereby subject matter experts from various fields may be invited to Board Meetings to talk at limited time on relevant issues and new trends affecting the health industry in general and PhilHealth operations in particular. The use of brown bag sessions is an innovative manner of building the capacity of PhilHealth officials, without incurring too much cost to the corporation.





## Providing the Grounds for Extension of Filing Claims for Reimbursement

In September 2018, the PhilHealth Board authorized the PhilHealth Management to extend for reasonable causes the period for the filing of claims for reimbursement or payment for services rendered. Under the PhilHealth Charter, all such claims shall be filed within a period of sixty (60) calendar days from the date of discharge of patient from the health care provider.

The reasonable causes that shall justify the extension are the following: (a) system updates resulting in issues or problems like failure to transmit data where the Information Technology Management Department of PhilHealth has to determine the root cause of the problem; (b) due consideration for system adjustments or updates on the side of the health care institutions because of the system updates; (c) other operational issues resulting from the system updates that are considered not the fault of the health care institutions; and (d) force majeure or such event or effect that cannot be reasonably anticipated or controlled. In harmony with such extension, the turn-around-time (TAT) shall be adjusted accordingly, with the APCEO as the approving authority with prior recommendations from the Senior Vice President of Health Finance Policy Sector and the Executive Vice President and Chief Operating Officer. However, the PhilHealth Management has been directed to submit reports of insurances of such extension for monitoring purposes.

## Appointment of New Senior Officers

Five (5) vacant executive and managerial positions were filled up by the PhilHealth Board in November 2018. Specifically, The new senior officers appointed were four (4) Department Managers III and one (1) Assistant Vice President.

The appointments were made in consonance with the 2017 Omnibus Rules on Appointments and Other Human Resources Actions (ORAOHRA) of the CSC which requires the PhilHealth Human Resource Merit Promotion and Selection Board (HRMPSB) for Executive and Managerial Positions to assist the appointing authority in the judicious and objective selection of candidates for appointments, as well as to PhilHealth Manual of Corporate Governance which mandates the Nominations Committee (whose functions are now absorbed by the Governance Committee) of the PhilHealth Board to make initial review of the applicants prior to final action of the PhilHealth Board en banc.

## Concluding Notes

The foregoing enumeration proved that much has been accomplished in CY 2018 but there are certainly more work to be done in the succeeding years, especially with the signing into law of Universal Health Care (UHC) Law, a landmark legislation that ensures that all Filipinos are guaranteed with equitable access to quality and affordable health care goods and services, and protected against financial risk.

Cognizant that things will not be a walk in the park to fully realize the objectives of the UHC Law, the PhilHealth Board is determined to immediately address any unforeseen challenges that may occur in its implementation. Needless to say, the PhilHealth Board is ready to take on these challenges head-on, and to work hand in hand with all concerned stakeholders and partners, to assure that the goals of the UHC Law will be attained. Although, the real challenge have just begun, one certainty still stands: PhilHealth's customer-centered service and responsible governance shall continue.



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

**CORPORATE GOVERNANCE SECTOR**  
Cluster 6-Social, Cultural, Tading, Promotional, and Other Services

**THE BOARD OF DIRECTORS**

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

Gentlemen/Madames:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Philippine Health Insurance Corporation (PhilHealth), for the years ended December 31, 2018 and 2017.

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

The Auditor rendered a disclaimer of opinion on the fairness of the presentation of the financial statements of PhilHealth in view of the following.

1. The faithful representation of the Benefit Claims Expense account totaling P121,041 billion for CY 2018 was not established due to the delay in the grant of full access to PhilHealth New Claims (NClaims) System which precluded the Audit Teams to conduct substantive testing on All Case Rates (ACRs) transactions amounting to P62.693 billion or 51.79 percent, contrary to Paragraph 15 of Philippine Accounting Standards (PAS) 1 and PhilHealth Office Order No. 0088-2015 dated October 12, 2015.
2. The completeness and accuracy of the collection remitted by the Accredited Collecting Agents (ACAs) to PhilHealth aggregating P53.796 billion were doubtful due to: (a) discrepancy of P1.667 billion between the recorded collections by ACAs in the amount of P53.796 billion and Report of the Treasury Department of P55.463 billion; and (b) non-monitoring/accounting of the used PhilHealth

Agent's Receipts (PARs) distributed to 7,468 ACAs nationwide and abroad, thereby affecting the faithful representation of the Premium Contributions account for CY 2018 totaling P132,463 billion and the related accounts such as, Cash and Cash equivalents, due from ACAs, Interest Income, and Fines and Penalties on the late remittances of collections, contrary to the Conceptual Framework for Financial Reporting and Paragraph 15 of PAS 1.

3. The faithful representation of the balance of Accounts Payable (AP) – Benefit Claims Processed account of PhilHealth Regional Office (PRO)-National Capital Region (NCR) and Rizal totaling of P722,913 million included under Benefit Claims Payables account with year-end balance of P47.773 billion could not be ascertained due to: (a) variance in the amount of P1.799 billion between the General Ledger (GL) and Subsidiary Ledgers (SLs); and (b) the SLs have no detailed information as to names of HCIs/members, amount due, transactions date and other necessary information; thus, there was no schedule to support the outstanding payables, and reconciliation of records between the various HCIs and PRO-NCR and Rizal on unpaid benefit claims could not be facilitated, contrary to Paragraph 15 of PAS 1.
4. The correctness of the restated Financial Statements for CY 2017 that resulted to a Net Income of P237.167 million from Net Loss of P4.751 billion was not established due to:
  - a. Adjustments on Premium Income of P261,672 million pertaining to PhilHealth Regional Office (PROs) transactions were not supported with complete and relevant documents;
  - b. Accrual of premium receivables P166,491 million for employers that were already inactive for more than five years and the accrued amount was more than the last payment made by these employers as reflected in the Treasury Data Editing Module (TDEM);

c. The three percent (3%) share of P24.830 million from Bases Conversion and Development Authority's (BCDA) asset disposition was recorded as income in 2017 instead of using the share for the enrolment of indigents as PhilHealth members, contrary to Section 1 (d) of Republic Act (RA) No.7917 and Section 4.5 .4 of Administrative Order (AO) No. 236;

d. Recording of Miscellaneous income of P9.412 million which was not supported with pertinent documents; and

e. The data source used to derive the amount of the Benefit Payments expense is not the most accurate source of information, thereby casting doubt on the accuracy of the restated amounts in the CY 2017 financial statements, which were derived from it.

For the above audit observations which caused the issuance of a disclaimer of opinion, we recommended that Management:

1.1 Provided the COA-PhilHealth auditors nationwide full and continuous access to all systems and programs necessary for the timely conduct of audit as mandated by Section 26 of Presidential Decree (PD) No. 1445.

2.1 Enhance the PhilHealth Agents Receipt Management Module (PARMM) to facilitate monitoring of receipt, issuance and on-hand PARs as well as collection and remittance by the ACAs at the end of each month to ensure completeness and accuracy of the recorded collections.

2.2 Instruct the Treasury and Accounting Departments to exert all efforts to determine the nature of the discrepancies totaling P1.667 billion and the latter to make necessary adjustments in the books.

2.3 Include in the Collection and Remittance Agreement (CRA) the responsibility of ACA as "Accountable Forms Custodian" from ordering, storing, distribution, and reporting of accountable forms; and

2.4 Review, evaluate and enhance the internal control system over the PARs issued to the ACAs and ensure strict compliance thereto.

3.1 Instruct the Head of PRO-NCR and Rizal to require the Fund Management Sector (FMS) to:

a. Maintain SL for each HCI/member, ensure reconciliation of the SLs with the GL balance, and determine the cause(s) of the variance of P1.799 billion and effect necessary adjust in the books; and

b. Prepare monthly Schedule of Benefit Claims Processed to support the outstanding balance of the account, copy thereof shall be furnished to the Office of the Auditor.

4.1 Require the Accounting Department to:

a. Submit all relevant documents from PROs to support adjustments on premium income amounting to P261,672 million and miscellaneous income of P9.412 to substantiate the restatements on the CY 2017 financial statements;

b. Reverse the entry made to record three percent (3%) share of P24.830 million from BCDA's asset disposition;

c. Make necessary adjustments on the restatements made that could not be substantiate with documents, and henceforth, refrain from making adjustments without supporting documents; and

d. Use the NClaims data in computing and recording the Benefit Claims Expense, for financial reporting purposes.

4.2 Instruct the Membership Management Group (MMG) and Treasury Department to reconcile the records of the PhilHealth Membership Account Information System (PMAIS) with TDEM to come up with the reliable records of member-employers/employees and tag in the database all those employers that were inactive for more than five years to be excluded in the list of active members.

4.3 Examine the underlying cause of variances between the Power BI and the transactional databases and apply corrective action for purposes of enhancing its accuracy and completeness.

The other significant observations and recommendations that need immediate actions are as follows:

5. There were overpayments totaling P4.679 million to various HCIs on the 314 sampled claims for Z Benefit Package and ACRs due to the full reimbursements of the package rates despite the member-patients' actual hospital charges plus the maximum amount of professional fees (PF) were lower than the package rate, contrary to Section 2 of PD No. 1445. Moreover, the objective of the program which is to increase financial risk protection for PhilHealth member-patient was not fully achieved since the HCIs were the ones benefitted from the excess payments and that the member-patients were not able to avail the full benefits given by PhilHealth.

5.1 We recommended that Management amend the present guidelines on the implementation of the Z Benefit package and All Case Rates package to include a provision



that claims reimbursements should be based on member-patient's actual hospitalization charges plus PF or the amount of the package, whichever is lower, in order that payments of these benefit claims be to the advantage of the Government.

6. The PRO III Electronic Claims System does not provide adequate internal control measures in the processing of HCIs electronic claims (eClaims), contrary to Section 124 of PD No. 1445, resulting in lack of adequate measures to safeguard PhilHealth from risk of spurious and fraudulent claims and loss of government funds.

6.1 We recommend that top Management:

- a. Re-assess and consider amending the guidelines under PhilHealth Circular (PC) No. 2016-0016 on the proper installation of control mechanisms particularly on the processing and approval of eClaims;
  - b. Provide safety nets or tools for fraud detection within the eClaims System; and
  - c. Require the Heads of the PROs to:
    - c.1 Train their Adjudication personnel and supervisors to equip them on fraud detection to assure the regularity of the eClaims transactions paid/reimbursed to HCIs.
    - c.2 Ensure that the supporting documents of each eClaims are duly authenticated and properly adjudicated by Adjudication personnel and appropriately review and approved by supervisors before payment; and
    - c.3 Prepare reports on edited eClaims and communicate the changes to concerned HCIs.
7. Lapses in the selection of corporate bond investment totaling P14.345 billion were noted, contrary to Section 27, Paragraph 2 of RA No. 10606, as amended, exposing government funds to undue risk of loss, as follows:
    - a. Seven (7) out of 14 Prospectuses were not notarized;
    - b. Unaudited Financial Statements of one of the bond issuers in the evaluation of financial status and its creditworthiness were utilized;
    - c. One of the bond issuers was evaluated as triple "A" without presenting its Philippine Rating Report (PRR);
    - d. Bond issuers were evaluated on their capacity to pay interest on their securities;
    - e. The computation of 1.25 percent net earnings available for recurring expenses of the issuing or assuming institution, net earnings were inconsistently considered;
    - f. Un-updated Financial Statements were used in evaluating the 15 percent threshold of Reserve Fund for the period; and
    - g. One of the bond issuers is a holding company

engaged in power generation and distribution as well as retail of electricity and other related services, which is considered unethical investment.

7.1 We recommended that Management, henceforth, undertake due diligence analysis in evaluating the creditworthiness and consider internal analyses, third party research and analytics and other sources of information appropriate for the particular security and its compliance with the laws and regulations governing Corporation's mandate to invest in Debt Securities and Corporate Bonds Issuances in order to expose PhilHealth's funds to undue risk of loss.

8. The PROs IV-A, V and VIII continuously granted various allowances and benefits in the total amount of P68.952 million to PhilHealth officers and employees despite the issuances of Notices of Disallowance (NDs) and COA decisions pointing out that the grants were contrary to the pertinent laws, jurisprudence, rules and regulations, resulting in the incurrence of irregular, unnecessary and excessive expenditures and ultimate loss of funds for the insurance coverage of member-beneficiaries.

8.1 We recommended that Management:

- a. Discontinue the granting of allowances/benefits that do not conform to the provisions of J.R. No. dated June 17, 2009, GCG Memorandum Circular No. 2017-03, and SC Decisions in KMG vs COA, G.R. No. 150769 and PhilHealth vs COA, G.R. No. 222710; and
  - b. Cause the refund of the allowances and benefits received.
9. Excessive and unauthorized Representation Allowance and Transportation Allowance (RATA) in the aggregate amount of P7.898 million were paid to PhilHealth officers and employees, contrary to the General Appropriations Act (GAA) of Fiscal Year (FY) 2017, i.e., excess RATA comprised of P6.539 million for regular RATA recipients, and P1.359 million for those not authorized to receive the same.
- 9.1 We recommended that Management:
- a. Require the concerned PhilHealth officials to return the excess RATA received from January to December 2017, otherwise a Notice of Disallowance will be issued; and
  - b. Secure from the DBM determination for those regular positions in the Agency staffing pattern presumed to be of equivalent ranks to those positions under Sub-item 4.1 of the National Budget Circular (NBC), and thus also entitled to RATA, otherwise cause the refund for unauthorized payment of RATA to avoid issuance of a Notice Of Disallowance.

10. PARs numbering 112,957 SETS FOR cy 2018 were reported by PhilHealth and the ACAs as damaged, cancelled or lost resulting in wastage/loss of government assets inconsistent Section 2 and 102 of PD No. 1445.

10.1 We recommended Management:

- a. Store accountable forms particularly those with money values in a very safe place and keep them free from any loss/wastage;
- b. Revisit and amend the Collection and Remittance Agreement with the ACAs to include provisions on the proper handling and reporting of PARs as well as their responsibility as custodian of the accountable forms; and
- c. Require the ACAs to immediately report to PhilHealth the lost and cancelled PARs for appropriate action.

11. Unclaimed Benefits Refunds (UBRs) amounting to P358,258 million returned by the Institutional Health Care Providers (IHCPs) to PhilHealth remained in the custody of PhilHealth as of December 31, 2018 due to insufficient list/details of qualified patient-members who are recipients of these benefit refunds; thus, depriving them with these benefits from PhilHealth, contrary to PhilHealth Circular No. 42, s. 2009 dated September 28, 2009.

11.1 We recommend that Management:

- a. Coordinate with the different PROs and concerned IHCPs to secure information relative to the identification, whereabouts and amount of refund due to the unidentified patient-members;
- b. Disseminate through publication the names of the concerned patient –members relative to their unclaimed refunds pursuant to Sub-section B.4 of PhilHealth Circular No. 42, s. 2009;
- c. Revert to the Corporate's mother account the UBRs relative to the identified 14,000 patient-members two years after publication in the PhilHealth website portal;
- d. Exhaust all efforts to establish the identities of all unidentified patient-members before reverting the remaining UBRs to the retained earnings account. Without prejudice to any claims which may be made by the qualified patient-members in the future; and
- e. Instruct Health Finance Policy Sector (HFPS) to submit status report on the review of the policies and guidelines developed to monitor UBRs and furnish the Audit Team a copy thereof, for evaluation purposes.

12. PhilHealth did not fully comply with the provisions of the law relating to the duty of the employer to withhold taxes from the salaries of its personnel and remit the same to the Bureau of Internal Revenues (BIR). Likewise, the Corporation was not able to dutifully remit the employees'

and employer's contributions to the Government Services Insurance System (GSIS), Home Development Mutual Fund (Pag-IBIG) and PhilHealth itself; thus, exposing the Agency to possible interest and penalties for none or late remittance.

12.1 We recommended Management strictly comply with the provisions of law and regulations on BIR, GSIS, Pag-IBIG and PhilHealth and remit immediately the remaining balances due the concerned agency/GOCCs.

The other observations together with the recommended course of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on July 3, 2019 are discussed in detail in Part II of the report. We also invite your attention to the prior year's partially and unimplemented audit recommendations embodied in Part III of the report.

In our transmittal letter of even date, we request the President and Chief Executive Officer of PhilHealth to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt of the report.

We acknowledge the support and cooperation that you and your staff extended to the Audit Team, thus facilitating the submission of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

  
**CLEOTILDE M. TUAZON**  
Director IV  
Cluster Director

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 U.P. Law Center  
The National Library  
The COA Central Library

# Statement of Management's Responsibility for the Financial Statements

**T**he management of the Philippine Health Insurance Corporation is responsible for the preparation of the financial statements as of December 31, 2018 and 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Philippine Health Insurance Corporation in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.



**FRANCISCO T. DUQUE III, M.D. MSc**  
Secretary of Health/Board Chairperson



**B. GEN RICARDO C. MORALES, AFP (RET) FICD**  
President and Chief Executive Officer (CEO)



**RENATO L. LIMSIACO, JR., CPA, DM, CESE**  
Senior Vice-President, Fund Management Sector



# Statements of Financial Position

As at December 31, 2018 and 2017  
(in Philippine Peso)

	Notes	2018	2017 (As Restated)	January 1, 2017 (As Restated)
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	5	25,638,531,736	33,600,305,994	29,938,837,483
Investment in time deposits	6	1,000,000,000	-	-
Premium receivables, net	7	18,907,167,909	14,534,581,735	11,653,866,766
Other current assets	8	1,397,186,255	1,286,674,342	1,336,108,865
<b>Total Current Assets</b>		<b>46,942,885,900</b>	<b>49,421,562,071</b>	<b>42,928,813,114</b>
<b>Non-Current Assets</b>				
Investment in fair value through Other Comprehensive Income (OCI)		-	-	942,905,804
Investment securities at amortized cost	9	124,876,190,287	102,077,729,397	100,563,896,400
Property and equipment, net	10	2,326,803,553	2,315,581,238	2,100,131,507
Intangible assets, net	11	299,411,849	354,257,125	329,299,007
Other assets, net	12	415,816,979	436,170,592	534,522,797
<b>Total Non-Current Assets</b>		<b>127,918,222,668</b>	<b>105,183,738,352</b>	<b>104,470,755,515</b>
<b>TOTAL ASSETS</b>		<b>174,861,108,568</b>	<b>154,605,300,423</b>	<b>147,399,568,629</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Benefit claims payables	13	47,773,468,834	40,710,954,780	36,005,844,410
Other payables	14	2,813,171,169	2,492,119,987	2,358,204,692
<b>Total Current Liabilities</b>		<b>50,586,640,003</b>	<b>43,203,074,767</b>	<b>38,364,049,102</b>
<b>Non-Current Liabilities</b>				
Other deferred credits	15	1,095,546,801	1,078,114,560	1,678,100,730
Insurance liabilities for lifetime members	16	26,034,923,966	24,796,038,543	22,123,933,673
<b>Total Non-Current Liabilities</b>		<b>27,130,470,767</b>	<b>25,874,153,103</b>	<b>23,802,034,403</b>
<b>TOTAL LIABILITIES</b>		<b>77,717,110,770</b>	<b>69,077,227,870</b>	<b>62,166,083,505</b>
<b>EQUITY</b>				
Members' equity	17	97,143,997,798	85,528,072,553	85,233,485,124
<b>Total Equity</b>		<b>97,143,997,798</b>	<b>85,528,072,553</b>	<b>85,233,485,124</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>174,861,108,568</b>	<b>154,605,300,423</b>	<b>147,399,568,629</b>

# Statements of Comprehensive Income

For the Years Ended December 31, 2018 and 2017  
(In Philippine Peso)

	Notes	2018	2017 (As Restated)
Total Premium contributions	18	132,463,006,004	107,447,038,271
Less: Benefit claims expenses	20	121,040,718,669	106,416,648,887
<b>GROSS MARGIN FROM OPERATIONS</b>		<b>11,422,287,335</b>	<b>1,030,389,384</b>
<b>Operating Expenses</b>			
Personnel services	21	4,117,906,210	4,528,478,196
Other operating expenses	22	2,483,233,307	2,116,819,859
<b>TOTAL OPERATING EXPENSES</b>		<b>6,601,139,517</b>	<b>6,645,298,055</b>
<b>NET OPERATING INCOME (LOSS)</b>		<b>4,821,147,818</b>	<b>(5,614,908,671)</b>
Add: Interest and other income	19	6,794,777,427	5,852,075,305
<b>Net Income</b>		<b>11,615,925,245</b>	<b>237,166,634</b>

# Statements of Changes In Equity

For the Years Ended December 31, 2018 and 2017  
(In Philippine Peso)

	Notes	Cumulative Changes in fair value of investment	Members' equity	Total
BALANCE AT JANUARY 1, 2017	17	-	107,170,740,010	107,170,740,010
ADJUSTMENTS:				
Add/(Deduct):				
Changes in accounting policies		-	(7,243,979,710)	(7,243,979,710)
Prior period errors		-	(14,379,054,212)	(14,379,054,212)
Comprehensive income for the year		-	(314,220,964)	(314,220,964)
RESTATED BALANCE AT JANUARY 1, 2017			85,233,485,124	85,233,485,124
CHANGES IN EQUITY FOR 2017				
Add/(Deduct):				
Comprehensive income for the year		-	237,166,634	237,166,634
Other adjustments		57,094,196	326,599	57,420,795
RESTATED BALANCE AT DECEMBER 31, 2017		57,094,196	85,470,978,357	85,528,072,553
CHANGES IN EQUITY FOR 2018				
Add/(Deduct):				
Comprehensive income for the year		-	11,615,925,245	11,615,925,245
<b>RESTATED BALANCE AT DECEMBER 31, 2018</b>		<b>57,094,196</b>	<b>97,086,903,602</b>	<b>97,143,997,798</b>



# Statements of Cash Flow

For the Years Ended December 31, 2018 and 2017  
(In Philippine Peso)

	Note	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Cash received from premium contributions		127,667,226,754	104,955,369,887
Collection of other income		471,040,055	429,597,929
Interest received from investments		7,375,841,933	6,335,868,678
Collection of rent		537,267	871,397
<b>Total Cash Inflows</b>		<b>135,514,646,009</b>	<b>111,721,707,891</b>
<b>Cash Outflows</b>			
Payment of bank charges		(75,367)	(350)
Payment of benefit claims		(112,357,590,471)	(100,358,928,892)
Payment of operating expenses		(5,969,789,065)	(6,179,294,163)
<b>Total Cash Outflows</b>		<b>(118,327,454,903)</b>	<b>(106,538,223,405)</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>		<b>17,187,191,106</b>	<b>5,183,484,486</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Placement/Matured SSD		9,276,394,000	5,399,752,584
Liquidation of externally managed fund		-	1,050,632,249
Proceeds from disposal of assets		173,872	348,481
<b>Total Cash Inflows</b>		<b>9,276,567,872</b>	<b>6,450,733,314</b>
<b>Cash Outflows</b>			
Placement on bonds		(33,815,806,771)	(7,490,786,309)
Purchase of property and equipment		(508,096,823)	(439,901,807)
<b>Total Cash Outflows</b>		<b>(34,323,903,594)</b>	<b>(7,930,688,116)</b>
<b>Net Cash Provided By/(Used In) Investing Activities</b>		<b>(25,047,335,722)</b>	<b>(1,479,954,802)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash Outflows</b>			
Trust receipts		(101,676,572)	(42,063,805)
<b>Net Cash Provided By/(Used In) Financing Activities</b>		<b>(101,676,572)</b>	<b>(42,063,805)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(7,961,821,188)</b>	<b>3,661,465,879</b>
Gain on foreign exchange		46,930	2,632
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>33,600,305,994</b>	<b>29,938,837,483</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	5	<b>25,638,531,736</b>	<b>33,600,305,994</b>

# Notes to Financial Statements

## 1. General Information

The National Health Insurance Act of 1995 or Republic Act (RA) No. 7875, as amended by RA No. 9241 and further amended by RA No. 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 of PhilHealth is located at 709 Citystate Centre Building, Barangay Oranbo, Shaw Boulevard, Pasig City.

The Corporation is governed by the Board of Directors composed of seventeen (17) members and, has the powers and functions provided for in Article IV, Section 16 of RA No. 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 No. 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 No. 7875, as amended; donations and grants-in-aid; and all accruals thereof. Under Section 26, Article VI of RA No. 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 were approved and authorized for issue by the Board of Directors per PhilHealth Board Resolution No. 1400, Series of 2010, the Resolution authorizing the issuance of Consolidated Financial Statements for calendar year (CY) 2009 and thereafter.

## 2. Basis of Preparation and Statement of Compliance

### 2.1 STATEMENT OF COMPLIANCE WITH PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs)

The accompanying financial statements of PhilHealth have been prepared in accordance with PFRSs, 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 (AFS) 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 Measurement

Fair value measurements are 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 Levels 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 is 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.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRSs which the Corporation adopted effective for annual periods beginning on or after January 1, 2018.

Unless otherwise indicated, the adoption of the new and amended PFRSs did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

**PFRS 9, Financial Instruments** – This Standard replaces Philippine Accounting Standard (PAS) 39, Financial Instruments: Recognition and Measurement (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and depreciation expense recognition.

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 (FVTPL) 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; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.
- For hedge accounting, PFRS9 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.

Based on the Corporation's analysis of its business model and the contractual cash flow characteristics of its financial assets as at December 31, 2018, the Corporation has concluded that all of its

financial assets and liabilities shall continue to be measured on the same basis as under PAS 39.

The following table shows the original classification categories under

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	33,600,305,994	33,600,305,994
Premium receivables	Loans and receivables	Financial assets at amortized cost	14,534,581,735	14,534,581,735
Investment securities	AFS financial assets	Financial assets at amortized cost	102,077,729,397	102,077,729,397

PAS 39 and the new classification categories under PFRS 9 for each class of the Corporation's financial assets as at January 1, 2018:

The Corporation assessed that the adoption of PFRS 9 has no significant impact on the carrying amounts of the Corporation's financial assets carried at amortized cost.

- Amendments to PFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions

The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

- Amendments to PFRS 4, Insurance Contracts – Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts

The amendments give all insurers the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9, Financial Instruments is applied before implementing PFRS 17, Insurance Contracts ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying PFRS 9. Thus, continuing to apply PAS 39, Financial Instruments: Recognition and Measurement instead ('the deferral approach').

- PFRS 15, Revenue from Contract with Customers

The new Standard replaces PAS 11, Construction Contracts, PAS 18, Revenue and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, which a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- 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 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.

- Amendments to PFRS 15, Revenue from Contract with Customers – Clarification to PFRS 15

The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value

The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, Investment Property - Transfers of Investment Property

The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

- Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

#### New and Amended PFRSs Issued but Not Yet Effective

Relevant new and amended PFRSs which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized as follows:

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, Leases

This Standard will replace PAS 17, Leases and its related interpretations. The most significant change introduced by the new Standard is that almost all leases will be brought into lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Corporation's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Corporation will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases – unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Corporation's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Corporation completes the review.

- Philippine Interpretation IFRIC 23, Uncertainty Over Income Tax Treatments

The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, Income Taxes, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, Financial Instruments – Prepayment Features with Negative Compensation

The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, Financial Instruments for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

- Amendments to PAS 28, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, Financial Instruments.

- Amendments to PAS 19, Employee Benefits – Plan Amendment, Curtailment or Settlement

The amendments specify how companies remeasure a defined benefit plan when a change – an amendment, curtailment or settlement – to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PAS 12, Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity

The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- Amendments to PAS 23, Borrowing Costs – Borrowing Costs Eligible for Capitalization

The amendments are part of the Annual Improvements to PFRS 2015-2017 and clarify that in calculating the capitalization rate on general borrowings, if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, Insurance Contracts

This Standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for

all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

#### Deferred effectivity

• Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments address a current conflict between the two Standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Except for PFRS 16 and PFRS 17, the adoption of the foregoing new and amended PFRSs is not expected to have any material effect on the financial statements of the Corporation.

#### 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, materials 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.

Particulars	Estimated Useful Life (in years)
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

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

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:

- 1. Premiums' contribution** Revenue is recognized as the members' contribution become due.
- 2. Interest Income** Interest income is recognized as the interest accrues taking into account the effective interest.
- 3. Rent Income** Income from rental of property is derived from the unoccupied portion of the building of PhilHealth Regional Office (PRO) No. 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 confinement as incurrence of the expense per Corporate Order 2018-0095.

**b. Operating Expenses**

These include 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. Rental 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 Statement of Comprehensive Income 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 the Statement of Comprehensive 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 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.

## 3. Financial Risk Management

Risk Management is not the sole responsibility of the Management and the Board. It is the responsibility of every employee in all levels in the Corporation. To ensure the systematic management of risks it is facing while implementing the National Health Insurance Program, PhilHealth established the Enterprise-wide Risk Management and developed the Risk Management Manual and Policy. These Manual and Policy serve as a guide in the implementation of the risk management framework and processes in the Corporation.

Alongside, it adapted the Risk Governance Framework and defined the roles and responsibilities in the management of risks in the Corporation. It talks about the three lines of defenses in managing risks in the Corporation.

- The first line of defense has the ownership, responsibility and accountability for directly managing the risks. These are the Business Process Owners (BPOs) who have the responsibility of managing the day-to-day risks that they will encounter as they do their respective works. And they have the responsibility to report the risks so that immediate action can be done to address those risks that affect their work in particular and the Corporation in general;
- The second line of defense oversees, monitors, and facilitates the implementation of an effective Risk Management practices by the first line of defense. These are the Risk Management Committee of the Board (RiskCom), the Management and PMT-RM as the technical arm of RiskCom. They are mainly responsible for developing policies for Management or Board approval and monitor the risk management policies, define work practices and advise when needed by the BPOs with regard to risk management and compliance; and
- The third line of defense is the audit functions for both internal and external auditors which will provide assurance to the Board and Management on the effectiveness of the first and second lines of defense in managing risks.

### 3.1 FINANCIAL RISK FACTORS

This is the risk that results from unexpected changes in external markets, prices, rates and liquidity supply and demand.

**a. Credit risk**

This refers to the risk of loss arising from the Corporation's counterparty to perform contractual obligations in a timely manner. This includes risk due to (a) failure of a counterparty to make required payments on their obligations when due (Default Risk) and (b) default of a counterparty before any transfer of securities or funds or once final transfer of securities or funds has begun but not been completed (Settlement Risk).

The Corporation's placements in fixed term deposits with Authorized Government Depository Banks (AGDBs) are in accordance with Section 2 of Department of Finance (DOF) Circular No. 01-2017, on the Amended Guidelines on Authorized Government Depository Banks, which mandates all Government Owned and Controlled Corporations (GOCCs), National Government Agencies (NGAs) and Local Government Units (LGUs) to maintain and deposit government funds only with AGDBs.



The Corporation implements a structured and standardized evaluation guideline, credit ratings and approval processes. Investments undergo technical evaluation to determine their viability/acceptability. Due diligence process (i.e. yield versus comparable financial instruments, term of the indebtedness including redemption feature, liquidity of the issuance, monitoring of issuer and counterparty risks including risks arising from implementation, and other portfolio and strategic considerations) and information from third party (e.g. Philippine Ratings Services Corporation and Credit Ratings and Investors Services Philippines, Inc.) are used to determine if counterparties are credit-worthy. With respect to bond underwriters and selling agents, PhilHealth, as a qualified institutional buyer of debt securities under Section 10.1 (L) of the Securities Regulation Code, deals only with domestic universal bank or domestic investment house duly assigned by the issuer as underwriter or selling agent for the distribution of debt issuances.

Purchase of peso denominated government securities under the Non-Restricted Trading Environment (NRTE) of the Philippine Dealing Exchange is based on Treasury Circular No. 04-2014, Implementing DOF Department Order No. 068-2014, entitled, "Revised Rules and Regulations for the Issuance, Placement, Sale, Service and Redemption of Treasury Bills and Bonds under RA No. 245, As Amended." Evaluation of counterparty trading participant in the NRTE platform, at the minimum, is measured on the Government Securities Eligible Dealer's: (i) good standing in the Philippine Dealing Exchange, (ii) Risk-Based Capital Adequacy Ratio (CAR), (iii) Financial Standing on Earnings and Profitability, (iv) compliance to Securities Regulation Code and Code of Ethics Governing Financial Market Activities in the Philippines, and (iv) positive track record of service with other government agencies.

To avoid significant concentrations of exposures to specific industries or group of issuers and borrowers, PhilHealth investments are regularly monitored to ensure that these are always within the prescribed cumulative ceilings specified in Section VI.2 of PhilHealth's Omnibus Guidelines on Funds' Investments (Corporate Order No. 2016-0021). The said Corporate Order outlines the policies and guidelines in determining and managing exposure limits to investment instruments including the negative list of investments that are considered not ethically and socially responsible by the Corporation, such as, companies with exposures in sin products like tobacco, liquor, alcohol, including gaming, and mining and quarrying.

As regards the criteria for accreditation of applicant collecting agents for premium collections, PhilHealth requires submission of three-year Audited Financial Statements, as one of the documentary requirements for accreditation. Financial evaluation of the applicants comprised the analysis on liquidity ratio, solvency ratio, capital adequacy ratio and profitability ratio vis-a-vis the current Bangko Sentral ng Pilipinas (BSP)

Performance Indicators for banks, including non-banks with quasi-banking function. Once accredited, on an annual basis, submission of their yearly financial statements is required to monitor financial standing of the Accredited Collecting Agents (ACAs) to mitigate any losses that may be incurred by the concerned ACAs. Other documentary requirements such as Articles of Incorporation, Certificate of Good Standing with Existing Industry Association, Electronic Banking Authority, among others, are likewise submitted by PhilHealth ACAs to assess their capabilities as collecting agents.

On Cash Management, the Corporation maintains its accounts in any of the Authorized Government Depository Banks (AGDBs) in

compliance with DOF Circular No. 01-2017 namely: Land Bank of the Philippines, Development Bank of the Philippines and Philippine Veterans Bank. These are the servicing banks for the Corporation's disbursements, funding and settlement accounts which are covered by Payroll Servicing Agreement and Memorandum of Agreement on One Fund Disbursement Account, respectively. Hence, there is lesser vulnerability of default, given the Corporation's compliance with regulatory agencies and the service agreements with the AGDBs.

## **b. Liquidity Risk**

This refers to the risk of loss, though solvent, due to insufficient financial resources to cover for liabilities as they fall due. It also involves the risk of excessive costs in securing such resources. This risk also refers to: (a) unanticipated changes in liquidity supply and demand that may affect the organization through inability to meet contractual obligations or default (Funding Liquidity Risk) and (b) asset illiquidity or the risk of loss arising from inability to realize the value of assets, without significant reduction in price, due to bad market conditions (Market Liquidity Risk).

PhilHealth manages this risk through daily monitoring of cash flows in consideration of future payment due dates and regular premium collection receipts. PhilHealth also maintains sufficient portfolio of highly marketable assets that can easily be liquidated as protection against unforeseen interruption to cash flow such as Special Savings Deposits with AGDBs, Treasury Bills and Government Securities with remaining life of less than one (1) year.

As to management of Accredited Collecting Agents, (ACAs), they are required to remit their collections to PhilHealth on a daily basis in accordance with the DOF Circular Nos. 01-2015 dated June 1, 2015 and 01-2017 dated May 11, 2017. Compliance to existing covenants in the Collection and Remittance Agreements with ACAs is strictly monitored by the Corporation and close monitoring through daily reconciliation of collections and remittances by ACAs are being done and implemented including the imposition of penalties and interests for late remittances, under remittances and late submission of required reports and documents.

On Cash Management, the Corporation also maintains its collections account with the AGDBs as prescribed in DOF Circular No. 01-2017. The collection comprises remittances from its collecting agents and other receipts which include fund support coming from the National Government via funds releases through the Bureau of the Treasury (BTr) and the Department of Budget and Management (DBM). These accounts are covered by service agreements: Memorandum of Agreement on Opening of One- Way Deposit Collection Account and Sweeping of Available Balance to Mother Accounts, Collection and Deposit Pick up Agreement, hence ensuring the steady inflow of funds to meet the daily fund requirements of the Corporation.

## **c. Market Risk**

Market risk is the Corporation's exposure to potential loss due to unexpected changes in external markets, prices or rates related to general market movements of a specific financial asset on the statement of financial position. This risk arises from volatility in the absolute level of interest rates and fluctuations in interest rates due to changes in global and local economic conditions and political developments that affect the value of the Corporation's securities investments. Since the securities investments of the Corporation are Held-to-Maturity (HTM) investments, the Corporation has very minimal exposure to market risk and it has the predictability of regular

returns from the HTM investment. These regular earnings allow the Corporation to make plans for the future, knowing this income will continue at the set rate and the final return of capital upon maturity.

The Corporation manages market risk by monitoring the market price of its investments. Also, the Corporation strictly adheres to the provisions of Section 27 of PhilHealth Law which states that the funds invested in various investment and financial instruments shall earn an average annual income at prevailing rates of interest. Currently, PhilHealth has significant investments in government securities and corporate bonds with fixed interest rates that are within acceptable levels.

### 3.2 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.

## 4. Significant Accounting Judgements and Estimates

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards (PFRSs) 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 behavior 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 reporting period. These are composed of claims in process and claims that are not yet encoded in the system. Claims that are not yet encoded in the system multiplied by the average value per claim are added to the extracted amount of claims in process to come up with the total amount of accrual for ICS.

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

## 5. Cash and Cash Equivalents

This account is composed of the following:

	2018	2017 (As Restated)
Collecting officers	74,911,101	100,266,347
Petty cash fund	2,147,953	3,013,333
Cash in bank	2,392,543,598	13,531,330,780
Special savings deposit (SSD)	23,168,929,084	19,965,695,534
<b>Total</b>	<b>25,638,531,736</b>	<b>33,600,305,994</b>

5.1 The amounts of P74,911,101 and P100,266,347 as at December 31, 2018 and 2017, respectively, represent 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 amounts of P2,147,953 and P3,013,333, as at December 31, 2018 and 2017, respectively, represent available petty cash fund as of reporting dates.

5.3 Cash in Bank amounting to P2,392,543,598 and P13,531,330,780 as at December 31, 2018 and 2017, respectively, represent 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) amounting to P23,168,929,084 and P19,965,695,534 as at December 31, 2018 and 2017, respectively, are term deposits of one day up to 90 days with interest rates higher than

the regular savings deposit rates and evidenced by either passbook or schedule of deposits. Interest earned from SSD amounted to P942,982,399 with interest rates range from 0.375% to 6.5500% and 0.550% to 3.1250% for 2018 and 2017, respectively.

## 6. Investments In Time Deposits

This account consists of a placement with term of 181 days

	2018	2017 (As Restated)
Investment in Time Deposits - Local	1,000,000,000	-
<b>Total</b>	<b>1,000,000,000</b>	<b>-</b>

## 7. Premium Receivables

	2018	2017 (As Restated)
Due from ACAs	4,212,517,288	6,583,518,850
Formal economy	3,444,692,964	684,942,975
Due from NGAs	10,794,695,467	6,741,473,231
Due from LGUs	455,262,190	524,646,679
<b>Total</b>	<b>18,907,167,909</b>	<b>14,534,581,735</b>

This account consist of:

7.1 Due from Accredited Collecting Agents (ACAs) amounting to P4,212,517,288 and P6,583,518,850 as at December 31, 2018 and 2017, respectively, represent accrued premium receivable for the month of December based on last month premium contribution collection reported by Treasury Department.

7.2 Premium Receivable of the Formal Economy amounting to P3,444,692,964 and P684,942,975 as at December 31, 2018 and 2017, respectively, represent accruals of premium contributions of the members in the formal economy recorded by the PhilHealth Regional Offices (PROs).

7.3 Due from National Government Agencies (NGAs) account represents premium contributions for the following

	2018	2017	2016	2015	2014	Total
<b>NHITS</b>						
Amount	976,723,200	-	-	-	-	976,723,200
No. of enrollees	406,968	-	-	-	-	406,968
<b>SENIOR CITIZEN</b>						
Amount	3,769,848,576	-	5,421,018,000	12,998,827,200	2,117,289,600	24,306,983,376
No. of enrollees	1,570,770	-	2,258,757	5,416,178	882,204	10,127,909
<b>Point-of-Service (POS)</b>						
Amount	350,904,000	116,455,654	-	-	-	467,359,654
No. of enrollees	146,210	48,523	-	-	-	194,733
<b>DEPENDENTS OF KILLED IN ACTION (KIA) UNIFORMED PERSONNEL</b>						
Amount	192,000	-	-	-	-	192,000
No. of enrollees	80	-	-	-	-	80
<b>BASES CONVERSION AND DEVELOPMENT AUTHORITY (BCDA)</b>						
Amount	24,830,037	-	-	-	-	24,830,037
No. of enrollees	-	-	-	-	-	-
<b>FORTUITOUS EVENT</b>						
Amount	-	-	-	-	134,724,000	134,724,000
No. of enrollees	-	-	-	-	56,135	56,135
Total Amount	5,122,497,813	116,455,654	5,421,018,000	12,998,827,200	2,252,013,600	25,910,812,267
Less: Allowance For Impairment	-	-	-	(12,998,827,200)	(15,116,116,800)	
<b>Net Amount</b>	<b>5,122,497,813</b>	<b>116,455,654</b>	<b>5,421,018,000</b>	<b>-</b>	<b>134,724,000</b>	<b>10,794,695,467</b>

Enrollment of 406,968 poor families of the National Housing Targeting System for Poverty Reduction (NHITS-PR) under the indigent program for the period January to December 2018 per billing to DBM	976,723,200
Enrollment of 146,210 qualified members under PhilHealth's Point-of-Service (POS) program for 2018 per billing to DBM	350,904,000
Enrollment of 1,570,770 Senior Citizens who have no current coverage in any existing category under the NHIP for 2018 per billing to DBM	3,769,848,576
Enrollment of 80 dependents of Killed in Action (KIA) uniformed personnel under the sponsored program for CY 2018	192,000
Three (3) per cent Share of the Corporation from BCDAs Asset Disposition Program for CY 2017 pursuant to Section 4.2 of Administrative Order (AO) No. 236	24,830,037
<b>Total 2018</b>	<b>5,122,497,813</b>
Enrollment of 48,523 qualified members as financially-incapable Filipino citizens under Universal Health Care through POS program for the period January to December 2017 per billing to DBM	116,455,654
<b>Total 2017</b>	<b>116,455,654</b>
Enrollment of 2,258,757 Senior Citizens which were automatically renewed for the period January to December 2016 per billing/letter to DBM through DOH (P12,998,827,200 - P7,577,809,200 (Collection)	5,421,018,000
<b>Total 2016</b>	<b>5,421,018,000</b>
Enrollment of 56,135 families of which 55,474 families came from Region VIII 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 January to December 2014.	134,724,000
<b>Total 2014</b>	<b>134,724,000</b>
<b>Grand Total</b>	<b>10,794,695,467</b>

7.4 Due from Local Government Units (LGUs) is the account representing the outstanding accounts receivable on premium contributions from various LGUs. The details of the account are as follows:

Region	2018	2017 (As Restated)
National Capital Region (NCR)	100,360,800	98,323,475
Cordillera Administrative Region (CAR)	11,533,856	14,280,506
I	451,200	449,740
II	75,597,524	83,483,275
III	4,844,600	8,646,900
IV-A	651,300	8,473,000
IV-B	2,904,400	11,374,900
V	8,077,400	6,926,400
VI	167,092,520	206,447,854
VII	1,406,692	2,702,200
IX	-	870,910
X	-	6,887,745
XI	8,217,600	6,253,100
XII	-	271,600
XIII - CARAGA	70,055,098	68,662,074
Autonomous Region in Muslim Mindanao (ARMM)	4,069,200	593,000
<b>Total</b>	<b>455,262,190</b>	<b>524,646,679</b>

## 8. The Other Current Assets

This account includes the following:

	2018	2017 (As Restated)
Supplies and materials	98,947,996	81,547,919
Semi-expendable	11,927,361	-
Accrued interest receivable - investment	1,202,146,810	1,140,464,551
Other receivables	84,164,088	64,661,872
<b>Total</b>	<b>1,397,186,255</b>	<b>1,286,674,342</b>



8.1 Supplies and Materials amounting to P98,947,996 and P81,547,919 as at December 31, 2018 and 2017, respectively, represent small tangible items that are expected to be used within one year from the reporting date.

8.2 Semi-Expendable items amounting to P11,927,361 and nil as at December 31, 2018 and 2017, respectively, represent equipment, books, furniture & fixture costing less than P15,000.

8.3 Accrued Interest Receivable on investment amounting to P1,202,146,810 and P1,140,464,551 as at December 31, 2018 and 2017, respectively, represents interest earned from Investment Securities at Amortized Cost.

8.4 Other Receivables amounting to P84,164,088 and P64,661,872 as at December 31, 2018 and 2017, respectively, include withholding taxes and compromise penalties of hospitals amounting to P24,264,032 for the taxable year 2003-2004 per Bureau of Internal Revenue (BIR) decision with reference No. P06-15 dated April 14, 2015.

## 9. Investment Security at Amortized Cost

9.1. Investment in Government Bonds with a maturity period of more than one year and with an average interest rate of 5.7784 per cent.

	Interest Rate	2018	2017 (As Restated)
Retail T-bonds	5.0938%	49,099,080,000	41,399,080,000
RTB Non-restricted environment	5.9735%	46,319,726,637	25,343,484,463
7-year T-bonds	-	-	2,141,408,223
10-year T-bonds	6.2679%	15,112,383,650	18,848,756,711
<b>Sub-Total</b>		<b>110,531,190,287</b>	<b>87,732,729,397</b>

9.2. Investment in Corporate Bonds with a maturity period of more than one year and with interest rates from 4.3750 per cent to 5.5796 per cent.

	Interest Rate	2018	2017
7-year Meralco Fixed Rate Bonds	4.3750%	1,500,000,000	1,500,000,000
7-year PLDT Fixed Rate Bonds	5.2250%	650,000,000	650,000,000
5.5-year JG Summit Fixed Rate Bonds	5.2317%	1,000,000,000	1,000,000,000
5.25-year GT Capital Fixed Rate Bonds	4.7106%	300,000,000	300,000,000
5.5-year SM Prime Holdings, Inc. Fixed Rate Bonds	5.1000%	500,000,000	500,000,000
7-year SM Prime Holdings, Inc. Fixed Rate Bonds	5.2006%	500,000,000	500,000,000
7-year Aboitiz Power Corp. Fixed Rate Bonds	5.2050%	1,000,000,000	1,000,000,000
5.25-year Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	4.4722%	1,000,000,000	1,000,000,000
7-year Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	5.0056%	1,000,000,000	1,000,000,000
7-year Filinvest Land Inc. Fixed Rate Bonds	5.4000%	1,000,000,000	1,000,000,000
7-year Filinvest Land, Inc. Fixed Rate Bonds	5.3567%	780,000,000	780,000,000
7-year Robinsons Land Corp. Fixed Rate Bonds	4.8000%	1,500,000,000	1,500,000,000
7-year Ayala Land Inc. Fixed Rate Bonds	4.5000%	950,000,000	950,000,000
7-year Ayala Land Inc. Fixed Rate Bonds	3.8915%	1,100,000,000	1,100,000,000
5.25-year South Luzon Tollway Corp. Fixed Rate Bonds	4.9925%	182,500,000	182,500,000
7-year South Luzon Tollway Corp. Fixed Rate Bonds	5.5796%	182,500,000	182,500,000
5.25-year SM Prime Holdings	4.5095%	1,200,000,000	1,200,000,000
<b>Sub-Total</b>		<b>14,345,000,000</b>	<b>14,345,000,000</b>
<b>Grand Total</b>		<b>124,876,190,287</b>	<b>102,077,729,397</b>

Interest earned on Investment Securities at Amortized Cost amounted to P5,753,600,456 and P5,235,386,432 in 2018 and 2017, respectively.

## 10. Property and Equipment

This account consist of:

	Land and land improvements	Building and structure / leasehold improvements	Construction in progress	Furniture & fixtures equipment & books	Motor vehicles	Total
Cost						
January 1, 2018	875,091,353	155,890,368	27,569,241	2,468,156,158	248,169,617	3,774,876,737
Additions	-	22,634,936	-	435,456,230	3,815,784	461,906,950
Adjustments	-	(2,875,457)	-	(269,925,697)	(9,408,062)	(282,209,216)
December 31, 2018	875,091,353	175,649,847	27,569,241	2,633,686,691	242,577,339	3,954,574,471
Accumulated Depreciation						
January 1, 2018	1,414,906	81,768,636	-	1,257,565,000	118,546,957	1,459,295,499
Depreciation	27,716	11,756,452	-	290,264,094	22,407,929	324,456,191
Adjustments	-	(6,588,180)	-	(144,371,454)	(5,021,138)	(155,980,772)
December 31, 2018	1,442,622	86,936,908	-	1,403,457,640	135,933,748	1,627,770,918
<b>Net Book Value December 31, 2018</b>	<b>873,648,731</b>	<b>88,712,939</b>	<b>27,569,241</b>	<b>1,230,229,051</b>	<b>106,643,591</b>	<b>2,326,803,553</b>
<b>Net Book Value December 31, 2017, As Restated</b>	<b>873,676,447</b>	<b>74,121,732</b>	<b>27,569,241</b>	<b>1,210,591,158</b>	<b>129,622,662</b>	<b>2,315,581,238</b>

Included under Land and Buildings accounts are the following:

10.1 A parcel of land situated in Quezon City with a total area of 17,231 square meters (sq. m.) This property with a carrying amount of P439,377,750 was appraised on January 23, 2017 by an independent appraiser with a fair market value of P1.2 billion. The Head Office of the Corporation 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 (NHA) located in Barangay Pinyahan, East Avenue, Quezon City at a cost of P2,439,736.

10.2 A property with a total area of 4,355 sq. m. acquired from Fort Bonifacio Development Corporation (FBDC), in exchange for the Corporation's investments in FBDC located in Fort Bonifacio, Taguig City. This asset with a carrying amount of P413,845,805 have a fair market value of P1.7 billion as of January 23, 2017.

10.3 A parcel of lot with total area of 1,544 sq. m. and a building with a total floor area of 3,287 sq. m. purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga at a cost of P25,520,363. The land and building were appraised to have a fair market value of P74.605 million of January 20, 2017. PRO III also purchased a warehouse in San Fernando City, Pampanga with a total area of 1,831 sq. m. and was appraised with a fair market value of P16.240 million as of December 27, 2016.

10.4 A parcel of lot with a total area of 2,897 sq. m. located in Tuguegarao City which will be used as the PRO II's Regional Office. This property was received by way of donation, through a Memorandum of Agreement (MOA) executed between the Department of Public Works and Highways (DPWH) Region II and the Corporation. 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 PhilHealth's office building within two years from the execution of the Deed of Donation, the Regional Development Council (RDC) II has extended, upon the request of PRO II, the construction of the building for another two years per RDC-2 Resolution No. 02-25, series of 2017.

## 11. Intangible Assets

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

	2018
Cost, January 1, 2018	354,257,125
Additions/deductions	16,393,448
Cost, December 31, 2018	370,650,573
Accumulated amortization	(71,238,724)
<b>Net Book Value, December 31, 2018</b>	<b>299,411,849</b>
<b>Net Book Value, December 31, 2017, As Restated</b>	<b>354,257,125</b>

## 12. Other Assets

This account consist of the following:

	2018	2017 (As Restated)
Advances to disbursing officers	15,056	670,557
Advances to officers and employees	764,562	221,002
Prepayments	24,644,927	21,313,972
Deferred charges	809,294	809,294
Guaranty deposits	88,848,634	76,367,490
	<b>115,082,473</b>	<b>99,382,315</b>
DBM (transfer of NHIP Program from GSIS to PhilHealth)	155,235,240	155,235,240
PCSO (Enhanced GMA Program)	115,000,000	115,000,000
PDIC (per MB Resolution 459 dated April 7, 2005)	327,103	327,103
COA disallowances of former officers and employees	1,456,749	1,456,749
PROs (from various Health Providers-Debit Credit Scheme)	635,559	635,559
Unserviceable equipment	37,388,554	30,376,029
Serviceable equipment	2,945,949	2,871,587
Receivable from NGAs	394,741,430	394,741,430
Receivable from PCSO	100,566,336	100,566,336
Receivable from LGUs	614,918,499	668,024,893
Other assets - intangible	3,843,856	-
Gross Long-term receivable	1,427,059,275	1,469,234,926
Less: Allowance for Doubtful Accounts	(1,126,324,769)	(1,132,446,649)
	<b>300,734,506</b>	<b>336,788,277</b>
<b>Net Amount</b>	<b>415,816,979</b>	<b>436,170,592</b>

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 amounts of P15,056 and P670,557 as at December 31, 2018 and 2017, respectively, represent available funds from the said officers as of reporting date.

12.2 Advances to Officers & Employees account amounting to P764,562 and P221,002 as at December 31, 2018 and 2017, respectively, represents cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travels.

12.3 Prepayments amounting to P24,644,927 and P21,313,972 as at December 31, 2018 and 2017, respectively, represent authorized payments made for the purchase of goods from the Procurement Service of the Department of Budget and Management (PS-DBM) as well as insurance of motor vehicles of the Corporation from the Government Service Insurance System (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, series 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 P302,472,692 was paid to the HCP's and of this amount, P301,795,039 claims have been processed leaving a balance of P677,653 as of December 31, 2018. The remaining balance of P131,641 represents Debit/Credit Scheme (DCS) transactions.

12.5 Guaranty deposits amounting to P88,848,634 and P76,367,490 as at December 31, 2018 and 2017, respectively, represent 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 as at December 31, 2018 represents surcharges for late remittance of the employer counterpart for premium contribution. However, allowance for doubtful account of the same amount was provided after evaluation of factors such 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 as at December 31, 2018 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 as at December 31, 2018 was 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 P1,456,749 as at December 31, 2018 refer to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by the Commission on Audit (COA). Subsidiary ledgers for these disallowances are being maintained and kept for ready references.

12.10 Debit/Credit Scheme (DCS) amounting to P635,559 as at December 31, 2018 refers to the balance of advance payment to HCPs for the year 1999. Allowance for doubtful account of P115,626 for PRO VII; P9,698 for PRO X; P11,394 for PRO IV-A; P37,352 for PRO V; P76,184 for PRO VI and P17,609 for PRO CARAGA, or a total of P267,863 was provided due to closure of the hospital facilities.

12.11 Unserviceable Equipment account amounting to P37,388,554 and P30,376,029 as at December 31, 2018 and 2017 represents equipment that are already for disposal. Serviceable Equipment account amounting to P2,945,949 and P2,871,587 as at December 31, 2018 and 2017, respectively, represents pieces of equipment which are still functional but already obsolete and fully depreciated and

ready for disposal. These serviceable and unserviceable equipment accounts shall be further reclassified as Non-Current Asset – Held for Sale, once the requirements set upon by the Standard are met.

12.12 Receivable from National Government Agencies (NGAs) amounting to P394,741,430 represents deficiency in employer share of the Health Insurance Premium Contributions to the Corporation by different government agencies nationwide for CYs 2001 to 2008.

12.13 Receivable from PCSO includes unpaid billings for the enrollment of 309,049 indigent families in the amount of P25,997,256 under the PCSO – GMA Program for 2003 and 2005; unpaid billings in 2005 in the amount of P2,772,240; and unpaid billings for the coverage of 200,000 transport workers under the PCSO- PhilHealth Program in the amount of P71,796,840.

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

	2018	2017 (As Restated)
NCR	1,428,200	1,428,200
CAR	11,450,713	11,450,712
I	45,839,267	48,757,729
II	21,532,741	21,532,741
III	122,250,682	129,102,682
IV-A	14,124,485	14,124,485
IV-B	938,740	938,740
V	288,277,908	308,315,332
VII	4,955,840	5,643,080
VIII	44,554,011	48,338,801
IX	1,004,285	1,021,085
X	32,460,974	44,198,253
XI	21,428,141	23,419,741
ARMM	4,672,512	9,753,312
<b>Total</b>	<b>614,918,499</b>	<b>668,024,893</b>

12.15 Allowance for doubtful accounts was provided for the following uncollectible receivable accounts as recommended by COA per AOM No. 17-003 dated February 28, 2017 in accordance with COA Circular No. 2016-005 dated December 19, 2016 and based on the Corporation's policy on the setting up of allowance for doubtful/ uncollectible accounts receivable per PhilHealth Corporate Order No. 2017-0010 dated January 20, 2017.

Per PhilHealth's Corporate Order No. 2017-0010, the Corporation shall establish and maintain an Allowance for Doubtful Accounts representing an estimate of the amount of accounts receivable that will not be collected. The goal in recording this allowance is to show, as accurately as possible, the net realizable value of accounts receivable on the financial reports. The allowance for uncollectible accounts shall be updated at the end of the fiscal year.

	2018	2017 (As Restated)
DBM (transfer of NHIP Program from GSIS to PhilHealth)	155,235,240	155,235,240
PCSO (Enhanced GMA Program)	115,000,000	115,000,000
PDIC (per MB Resolution 459 dated 4/7/5)	327,103	327,103
PROs ( from various Health Providers-DCS)	267,863	267,863
Receivable from NGAs	394,741,430	394,741,430
Receivable from PCSO	100,566,336	100,566,336
Receivable from LGUs	360,186,797	366,308,677
<b>Total</b>	<b>1,126,324,769</b>	<b>1,132,446,649</b>

Allowance for impairment has a net decrease of P6,121,880 in 2018 due to the collections of Long-Term Receivable from LGUs by various PROs, set-up of allowance for impairment of PROs NCR, X and CARAGA, and adjustment of allowance for impairment of PROs I, V and ARMM.

## 13. Benefit Claims Payable

	2018	2017 (As Restated)
Benefit claims processed	5,157,416,645	4,005,745,911
Primary care benefit - PCB Processed	6,300,750	–
Accrued benefit claims - ICS	8,973,579,510	19,848,326,633
Accrued benefit claims - IBNR	24,838,695,905	15,760,042,386
Accrued benefit claims - PCB	8,797,476,024	1,096,839,850
<b>Total</b>	<b>47,773,468,834</b>	<b>40,710,954,780</b>

13.1 Benefit claims processed amounting to P5,157,416,645 and P4,005,745,911 as at December 31, 2018 and 2017, respectively, represents benefit payment checks still in the possession of the Corporation.

13.2 Primary Care Benefit (PCB) processed amounting to P6,300,750 as at December 31, 2018 represents PCB payment checks still in the possession of the Corporation.

13.3 Accrued Benefit Claims – In Course of Settlement (ICS) amounting to P8,973,579,510 and P19,848,326,633 as at December 31, 2018 and 2017, respectively, are benefit claims in process as of the reporting period.

13.4 Accrued Benefit Claims – Incurred But Not Yet Received (IBNR) amounting to P24,838,695,905 and P15,760,042,386 as at December 31, 2018 and 2017, respectively, are claims which are estimated to be in the possession of the Health Care Institutions (HCIs) as of the end of the month and have yet to be submitted to the Corporation within the allowable 60-day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015. The amount recorded as at December 31 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.

13.5 Accrued Benefit Claims – Primary Care Benefit (PCB) amounting to P4,834,674,404 are claims which are actuarially estimated as at December 31, 2018 and the remaining balance of P3,962,801,620 are accruals of prior years.



## 14. Other Payable

This account consists of:

	2018	2017 (As Restated)
Accrued Expenses		
PS	709,623,842	350,599,699
MOOE	1,019,191,992	752,609,346
CAPEX	179,932,510	273,891,301
Statutory Liabilities		
Due to BIR	160,997,238	214,812,588
Due to GSIS	60,762,919	67,001,920
Due to Pag-IBIG	4,145,519	3,487,456
Due to PhilHealth	6,711,433	7,576,912
Due to Other NGAs	10,543,766	11,716,916
Due to Other GOCCs	751,489	752,888
Due to LGUs	45,180	45,679
PhilHealth Provident Fund	6,655,321	9,774,550
Trust Liabilities		
UNFPA Project	36,396	35,856
UMID Project	—	105,134,128
Unclaimed Refund from Health Care Providers	358,357,970	358,697,603
AHP - Protest Bond	5,255,000	4,495,000
Donations	8,957,285	9,154,618
Performance/Bidders Bond Payable	35,404,257	34,451,130
Retention Fee	42,305,007	36,435,199
Global Development Project	1,838,030	1,991,620
Philippine Training Institute	4,995,765	5,440,195
PhilHealth Run 2013	900	900
PhilHealth Run 2015	288,540	1,007,116
Calamity Fund	752,648	751,983
Others	195,618,162	242,255,384
<b>Total</b>	<b>2,813,171,169</b>	<b>2,492,119,987</b>

14.1 Statutory liabilities are inter-agency payables which include deductions from the salaries of Corporation's officials and employees which are due for remittance to GSIS, Home Development Mutual Fund (HDMF), National Home Mortgage Finance Corporation (NHMFC), BIR, and PhilHealth Employees Association (PHICEA), 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:

	2018	2017 (As Restated)
Westmont Investment Corporation	2,945,656	2,945,656
Strategies and Alliance Corporation	3,809,864	3,875,502
Land Bank of the Philippines	110,000	110,000
Donation received by PROs	2,091,765	2,223,460
<b>Total</b>	<b>8,957,285</b>	<b>9,154,618</b>

These donations shall finance specific projects like:

- Prevention of fraud and such other irregularities against the National Health Insurance Fund (NHIF) and for such other allied undertakings. (Westmont Investment Corporation)
- Research and development and other studies including P3.5 million ex-gratia fund. (Strategies and Alliance 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 consist of the following:

	2018	2017 (As Restated)
Advance premium by informal economy	473,645,351	370,759,928
Premium contribution for NHTS enrollment (CYs 2013 and 2014)	516,844,200	516,844,200
Accreditation fees - ACAs	482,761	731,722
Accreditation fees - HCPs	1,706,800	340,367
Subsidy from LGUs	24,179,080	2,938,235
Others	78,688,609	186,500,108
<b>Total</b>	<b>1,095,546,801</b>	<b>1,078,114,560</b>

## 16. Insurance Liabilities for Lifetime Members

As stipulated in Section 17 of Republic Act (RA) No. 10606 (or Section 27 of RA No. 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 December 31, 2018 and 2017 were estimated at P26,034,923,966 and P24,796,038,543, respectively, by the Corporate Actuary and was already allocated in the Reserve Fund.

## 17. Members' Equity

Members' Equity consists of the following:

	2018	2017 (As Restated)
Reserve fund	97,142,214,451	85,526,289,206
Surplus	1,783,347	1,783,347
<b>Total</b>	<b>97,143,997,798</b>	<b>85,528,072,553</b>

### 17.1 Reserve Fund

	2018	2017 (As Restated)
Reserve at January 1, 2018	85,526,289,206	85,289,122,572
Surplus transferred to reserve	11,615,925,245	237,166,634
<b>Reserve Fund</b>	<b>97,142,214,451</b>	<b>85,526,289,206</b>

The Reserve Fund is recorded per Office Order No. 0145, series of 2012 which is based on the provisions of Section 27 of RA No. 7875, as amended by RA No. 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 P306.60 billion, 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 is not needed to meet the current expenditure obligations or used for the above-mentioned 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."

The fund for the Lifetime members based on the actuarial estimate is allocated in the Reserve Fund while the remaining portion is allocated for the Active members.

## 17.2 Surplus

	2018	2017 (As Restated)
Surplus at beginning of year	1,783,347	1,887,347
Contingent capital	-	(104,000)
Net income	11,615,925,245	237,166,634
Total surplus	11,617,708,592	238,949,981
Transferred to reserve	(11,615,925,245)	(237,166,634)
<b>Surplus at Year-End</b>	<b>1,783,347</b>	<b>1,783,347</b>

## 18. Premium Contributions

Details of Premium Contributions are as follows:

	2018	2017 (As Restated)
Formal economy	65,885,042,676	49,542,046,363
Private	49,329,465,799	37,692,450,801
Government	16,555,576,877	11,849,595,562
Informal economy	8,520,086,341	7,936,019,063
Indigent - NHTS	37,157,479,200	33,860,356,800
Senior citizens	18,674,391,216	13,045,051,000
Special Government Programs	104,935,200	88,250,400
Bangsamoro	49,586,400	46,524,000
PAMANA	55,348,800	41,726,400
Sponsored	2,121,071,371	2,975,314,645
LGUs	1,982,607,471	2,332,823,573
Others	138,463,900	642,491,072
<b>TOTAL</b>	<b>132,463,006,004</b>	<b>107,447,038,271</b>

The amounts collected came from the following members in accordance with Title III, Section 5 of the Implementing Rules and Regulations (IRR) of RA No. 7875, as amended, otherwise known as the National Health Insurance Act of 2013 to wit:

- a. Income from the Formal Economy comes from the premium contributions of the following:
1. Government employees;
  2. Private employees;
  3. All other workers rendering services, whether in government or private offices, such as job order contractors, project-based contractors and the likes;
  4. Owners of micro enterprises;
  5. Owners of small, medium and large enterprises;
  6. Household Help – as defined in RA No.10361 or "Kasambahay Law"; and
  7. 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; and
8. Foreign Retirees (Registered with Philippine Retirement Authority or PRA).

c. Premium contributions recorded as income for Indigent – National Household Targeting System (NHTS) come from the National Government (NG) as appropriated in the General Appropriations Act (GAA).

d. Premium contributions from the sponsored members are 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 come from the NG as appropriated in the GAA.

f. Premium contributions for Senior Citizen or Elderly come from the NG.

	2018	2017 (As Restated)
Interest Income:		
Investment securities at amortized cost	5,753,600,456	5,235,386,432
Special savings deposits	942,982,399	448,104,198
Savings and current deposits	2,675,444	3,350,900
	6,699,258,299	5,686,841,530
Other Income:		
Accreditation fees – HCPs	26,859,552	27,976,302
Fines and penalties	51,149,008	38,663,655
Rent income	490,601	1,588,601
Income from grants and donations	995,000	-
Gain on foreign exchange	46,930	4,594
Gain on sale/redemption of investment	-	50,632,249
Sale of disposed/unserviceable property	(151,475)	600,983
Gain on sale of property, plant and equipment	54,263	156,253
Miscellaneous income	16,075,249	45,611,138
	95,519,128	165,233,775
<b>Total</b>	<b>6,794,777,427</b>	<b>5,852,075,305</b>

## 19. Interest and Other Income

Interest and other income account are as follows:

a. 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.

b. Rent Income is an income from the rented portion of PRO III office building.

## 20. Benefit and Expenses

Details of this account are as follows:

	2018	2017 (As Restated)
Formal economy	25,779,289,288	24,317,341,611
Private	18,312,235,615	17,424,362,672
Government	7,467,053,673	6,892,978,939
Informal economy	23,302,355,996	21,543,049,257
Indigent - NHTS including PCB	31,117,883,239	21,105,362,722
Sponsored	9,675,887,616	9,619,783,541
Senior citizens	22,174,632,328	20,949,323,856
Lifetime member program	8,990,670,202	8,881,787,900
<b>Total</b>	<b>121,040,718,669</b>	<b>106,416,648,887</b>

For Benefit Claims Expenses for CY 2018, the Corporation is now using the accrual method wherein expenses are recognized at the date of confinement. Consequently, the CY 2017 benefit expenses were restated.

The benefit claims also include Primary Care Benefits (PCB) which are actuarially estimated as of December 31, 2018.

## 21. Personnel Services

Personnel services account includes:

	2018	2017 (As Restated)
Salaries and wages	1,792,186,166	1,749,356,010
Other compensation	1,614,227,993	2,255,084,351
Statutory contributions	554,403,218	492,934,198
Other personnel services	157,088,833	31,103,637
<b>Total</b>	<b>4,117,906,210</b>	<b>4,528,478,196</b>

## 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 IRR of RA No.7875, as amended by RA No. 9241 and RA No. 10606, otherwise known as the "National Health Insurance Act of 2013.

	2018	2017 (As Restated)
MOOE	1,955,413,282	1,748,546,532
Other expenses	106,320,376	60,365,019
Non-cash expenses	421,499,649	307,908,308
<b>Total</b>	<b>2,483,233,307</b>	<b>2,116,819,859</b>

### 22.1 MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2018	2017 (As Restated)
<b>Travelling Expenses</b>	<b>134,751,519</b>	<b>136,637,588</b>
Travelling expenses - Local	133,447,186	131,218,024
Travelling expenses - Foreign	1,304,333	5,419,564
<b>Training and Scholarship Expenses</b>	<b>59,960,651</b>	<b>33,874,086</b>
<b>Supplies and Materials Expenses</b>	<b>179,187,964</b>	<b>155,845,960</b>
<b>Semi-Expendable Expenses</b>	<b>55,079,848</b>	<b>70,700,529</b>
<b>Utility Expenses</b>	<b>155,585,103</b>	<b>133,258,149</b>
Water expenses	6,663,002	6,504,253
Electricity expenses	148,922,101	126,753,896
<b>Communication Expenses</b>	<b>169,972,184</b>	<b>157,413,825</b>
Postage and courier services	35,715,149	53,452,732
Telephone expenses	25,006,581	23,822,854
Internet subscription expenses	108,226,007	79,087,232
Cable, satellite, telegraph and radio expenses	1,024,447	1,051,007
<b>Awards/Rewards, Prizes and Indemnities</b>	<b>4,924,200</b>	<b>7,787,376</b>
<b>Survey, Research, and Development Expenses</b>	<b>67,628,521</b>	<b>22,544,446</b>
<b>Confidential, Intelligence and Extraordinary Expenses</b>	<b>6,390,853</b>	<b>12,182,168</b>
<b>Professional Services</b>	<b>110,718,576</b>	<b>70,365,358</b>
Auditing services	56,649,843	50,177,020
Consultancy services	3,542,501	4,338,127
Other professional services	50,526,232	15,850,211
<b>General Services</b>	<b>207,004,212</b>	<b>190,718,145</b>
Janitorial services	66,341,297	61,781,609
Security services	140,662,915	128,936,536
<b>Repairs and Maintenance</b>	<b>22,510,768</b>	<b>20,432,894</b>
Repairs and maintenance - land improvement	79,536	68,806
Repairs and maintenance - building & other structures	1,188,894	549,823
Repairs and maintenance - machinery & equipment	8,860,976	8,724,873
Repairs and maintenance - transportation equipment	9,346,927	8,320,469
Repairs and maintenance - furniture & fixtures	530,045	581,477
Repairs and Maintenance - Leased Assets improvements	2,504,390	2,187,446
	<b>20,591,752</b>	<b>18,085,143</b>
<b>Taxes, Insurance Premiums and Other Fees</b>		
Taxes, duties and licenses	316,089	280,429
Fidelity bond premiums	6,810,615	6,585,232
Insurance expenses	13,465,048	11,219,482
<b>Other Maintenance and Operating Expenses</b>	<b>761,107,131</b>	<b>718,700,865</b>
Advertising, promotional and marketing expenses	139,453,725	145,470,953
Printing and publication expenses	13,135,397	18,897,990
Representation expenses	35,320,592	34,362,436
Transportation and delivery expenses	4,688,294	3,956,058
Rent / lease expenses	400,289,365	327,576,639
Membership dues and contribution to organizations	8,227,478	9,116,665
Subscription expenses	2,354,472	1,183,486
Donations	3,357,007	966,235
Major events and conventions expenses	19,245,369	25,847,794
Other MOOE - others	135,035,432	151,322,609
<b>Total</b>	<b>1,955,413,282</b>	<b>1,748,546,532</b>



## 22.2 FINANCIAL EXPENSES

This account consists of the following:

	2018	2017 (As Restated)
Bank charges	7,346	36,196
Other financial charges	106,313,030	60,328,823
<b>Total</b>	<b>106,320,376</b>	<b>60,365,019</b>

## 22.3 NON-CASH EXPENSES

This account consists of the following:

	2018	2017 (As Restated)
<b>Depreciation</b>	<b>324,456,191</b>	<b>271,211,934</b>
Depreciation - land improvements	27,716	70,544
Depreciation - buildings & structures/leasehold improvements	11,756,452	9,259,928
Depreciation - furniture & fixture, equipment and books	290,264,094	242,834,770
Depreciation - motor vehicles	22,407,929	19,046,692
<b>Amortization - Intangible Assets</b>	<b>71,238,724</b>	<b>59,152,387</b>
<b>Impairment Loss</b>	<b>24,292,728</b>	<b>(23,641,807)</b>
Impairment loss - intangible assets	16,713,209	(6,424)
Impairment Loss - other receivables	7,334,800	(28,140,200)
Impairment Loss - other assets	244,719	4,504,817
<b>Losses</b>	<b>1,512,005</b>	<b>1,185,794</b>
Loss on sale of property, plant, & equipment	1,201,591	-
Loss on sale of assets	18,780	1,129,294
Loss of assets	291,634	56,500
<b>Total</b>	<b>421,499,649</b>	<b>307,908,308</b>

Other financial charges pertain to transaction fees/service fees of Accredited Collecting Agents (ACAs) and Accredited Collecting Banks (ACBs), rental fees of National Registry of Scriptless Securities (nRoSS) facility and other financial charges.

## 23. Related Party Disclosure

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

### 23.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL

The key management personnel refer to the executive team, with the rank of Senior Vice President and up to President and Chief Executive Officer. These individuals have the authority and responsibility for planning, directing, and controlling the activities of the Corporation. The aggregate compensation of the executive officers and Board of Directors (BODs) for CYs 2018 and 2017, are as follows:

	2018	2017 (As Restated)
Salaries and wages	11,809,017	10,425,526
Other benefits	17,339,893	26,582,438
<b>Total</b>	<b>29,148,910</b>	<b>37,007,964</b>

## 24. Lease Commitments

### 24.1 OPERATING LEASE COMMITMENTS

Corporation as lessee

The Corporation has a total of 192 operating lease commitments for office space, 35 of which are expiring in CY 2019; 12 in CY 2020; 21 in CY 2021; 26 in CY 2022; 14 in CY 2023; 4 in CY 2024 and 1 in CY 2025.

All contracts of lease entered into with the Corporation as lessee may be pre-terminated at any time by giving a 60-day prior written notice to the adverse party. Other lease agreements are renewed on a month-to-month basis and through Memorandum of Agreement (MOA).

As at December 31, 2018, the expected rental expense on these operating lease commitments is at P351,875,216

Future minimum rentals payments under non-cancellable operating leases are as follows:

	2018	2017 (As Restated)
Within one year	208,925,777	351,875,216
After one year but not more than five years	423,757,063	632,682,841
	<b>632,682,840</b>	<b>984,558,057</b>

## 25. Restatements

Below is the summary of financial impact of the restatements of the 2017 financial statements.

### 25.1 STATEMENT OF FINANCIAL POSITION

	December 31, 2017		
	Audited	Prior Year Adjustments	As Restated
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	33,556,699,092	43,606,902	33,600,305,994
Premium receivables	11,773,094,517	2,761,487,218	14,534,581,735
Other current assets	1,399,659,191	(112,984,849)	1,286,674,342
	<b>46,729,452,800</b>	<b>2,692,109,271</b>	<b>49,421,562,071</b>
<b>Non-current Assets</b>			
Investment securities at amortized cost	101,998,453,690	79,275,707	102,077,729,397
Property and equipment - net	2,322,715,778	(7,134,540)	2,315,581,238
Intangible assets - net	357,131,218	(2,874,093)	354,257,125
Other assets - net	412,880,681	23,289,911	436,170,592
	<b>105,091,181,367</b>	<b>92,556,985</b>	<b>105,183,738,352</b>
<b>TOTAL ASSETS</b>	<b>151,820,634,167</b>	<b>2,784,666,256</b>	<b>154,605,300,423</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Benefit claims payables	37,355,096,962	3,355,857,818	40,710,954,780
Other payables	2,601,348,784	(109,228,797)	2,492,119,987
	39,956,445,746	3,246,629,021	43,203,074,767
<b>Non-Current Liabilities</b>			
Other deferred credits	1,078,114,559	1	1,078,114,560
Insurance liabilities for lifetime members	24,796,038,543	-	24,796,038,543
	<b>25,874,153,102</b>	<b>1</b>	<b>25,874,153,103</b>
<b>Total Liabilities</b>	<b>65,830,598,848</b>	<b>3,246,629,022</b>	<b>69,077,227,870</b>
<b>Equity</b>			
Members' equity	85,990,035,319	(461,962,766)	85,528,072,553
	<b>85,990,035,319</b>	<b>(461,962,766)</b>	<b>85,528,072,553</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>151,820,634,167</b>	<b>2,784,666,256</b>	<b>154,605,300,423</b>

December 31 2016			
	Audited	Prior Year Adjustments	As Restated
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	29,935,544,923	3,292,560	29,938,837,483
Premium receivables	25,921,911,355	(14,268,044,589)	11,653,866,766
Other current assets	1,350,597,734	(14,488,869)	1,336,108,865
	57,208,054,012	(14,279,240,898)	42,928,813,114
<b>Non-current Assets</b>			
Investment in OCI	942,905,804	-	942,905,804
Investment securities at amortized cost	100,563,891,099	5,301	100,563,896,400
Property and equipment – net	2,087,210,720	12,920,787	2,100,131,507
Intangible assets – net	329,299,007	-	329,299,007
Other assets – net	1,451,304,316	(916,781,519)	534,522,797
	105,374,610,946	(903,855,431)	104,470,755,515
<b>TOTAL ASSETS</b>	<b>162,582,664,958</b>	<b>(15,183,096,329)</b>	<b>147,399,568,629</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Benefit claims payables	29,281,288,529	6,724,555,881	36,005,844,410
Other payables	2,328,602,016	29,602,676	2,358,204,692
	31,609,890,545	6,754,158,557	38,364,049,102
<b>Non-Current Liabilities</b>			
Other deferred credits	1,678,100,730	-	1,678,100,730
Insurance liabilities for lifetime members	22,123,933,673	-	22,123,933,673
	23,802,034,403	-	23,802,034,403
<b>Total Liabilities</b>	<b>55,411,924,948</b>	<b>6,754,158,557</b>	<b>62,166,083,505</b>
<b>Equity</b>			
Members' equity	107,170,740,010	(21,937,254,886)	85,233,485,124
	107,170,740,010	(21,937,254,886)	85,233,485,124
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>162,582,664,958</b>	<b>(15,183,096,329)</b>	<b>147,399,568,629</b>

## 25.2 STATEMENT OF COMPREHENSIVE INCOME

	Audited	Prior Year Adjustments	As Restated
<b>TOTAL PREMIUM CONTRIBUTIONS</b>	<b>106,584,696,419</b>	<b>862,341,852</b>	<b>107,447,038,271</b>
Less: Benefit claims expenses	110,490,086,841	(4,073,437,954)	106,416,648,887
<b>GROSS MARGIN FROM OPERATIONS</b>	<b>(3,905,390,422)</b>	<b>4,935,779,806</b>	<b>1,030,389,384</b>
Less: Operating Expenses			
Personnel services	4,523,609,108	4,869,088	4,528,478,196
Other operating expenses	2,060,004,232	56,815,627	2,116,819,859
Total Operating Expenses	6,583,613,340	61,684,715	6,645,298,055
<b>NET OPERATING INCOME (LOSS)</b>	<b>(10,489,003,762)</b>	<b>4,874,095,091</b>	<b>(5,614,908,671)</b>
Add: Interest and other income	5,738,487,730	113,587,575	5,852,075,305
<b>NET INCOME/(LOSS)</b>	<b>(4,750,516,032)</b>	<b>4,987,682,666</b>	<b>237,166,634</b>

## 25.3 STATEMENT OF CHANGES IN EQUITY

	Audited	Prior Year Adjustments	As Restated
<b>RESERVE FUND</b>			
Reserve at January 1, 2017	90,738,664,003	(5,449,541,431)	85,289,122,572
Surplus transfer to Reserve Fund	(4,750,516,032)	4,987,682,666	237,166,634
Reserve Fund at December 31, 2017	85,988,147,971	(461,858,765)	85,526,289,206
<b>SURPLUS</b>			
Surplus at January 1, 2017	1,456,749	430,598	1,887,347
Contingent capital	430,599	(534,599)	(104,000)
Net income	(4,750,516,032)	4,987,682,666	237,166,634
Total surplus	(4,748,628,684)	4,987,578,665	238,949,981
Surplus transfer from Reserve Fund	4,750,516,032	(4,987,682,666)	(237,166,634)
Surplus at December 31, 2017	1,887,348	(104,001)	1,783,347
<b>TOTAL MEMBERS' EQUITY</b>	<b>85,990,035,319</b>	<b>(461,962,766)</b>	<b>85,528,072,553</b>

The following are the nature of the above prior period adjustments which affected the financial statements as of December 31, 2017:

- Adjustments due to the change of accounting policy in the recording of Benefit Claims Expense from the check date to the date of admission.
- To take up the unrecorded receivables from employers.
- To take up premium remittances of Accredited Collecting Agents with applicable period of CY 2017.
- To take the premium income from the Bases Conversion and Development Authority's (BCDA's) Asset Disposition Program for CY 2017.
- Adjustments due to the change in recognizing interest income of bond discounts or premium, from interest straight line method to effective interest method.
- Over the counter collections of premiums received from PROs.

## 26. Other Significant and Relevant Information

### 26.1 PHILHEALTH AS GOVERNMENT BUSINESS ENTERPRISE

PhilHealth is now a Government Business Enterprise per COA 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 PFRSs as its financial reporting framework.

### 26.2 POINT OF SERVICE (POS) PROGRAM

The DBM has issued Special Allotment Release Order (SARO) No. SARO-BMB-C17- 0025794 and SARO No. BMB-C-18-0027709 in the amounts of P2,805,316,374 (Fiscal Year (FY) 2018) and P714,535,200 (FY 2017), respectively, of which P1,044,776,630 and P714,535,200 were already paid by the DBM through the Bureau of the Treasury (BTr) representing payment of cost of availment for benefit claims of financially incapable families/enrollees under the Universal Health Care through POS Program, chargeable against PhilHealth's authorized appropriation under RA Nos. 10924 and 10964, FYs 2018 and 2017 General Appropriations Act, respectively.

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.

### 26.3 ARREARS OF THE NG AS AN EMPLOYER

PhilHealth had adjusted premium contribution of the Employed Sector in CY 2013 through PhilHealth Circular No. 057, series of 2012 which prescribes P875.00 per month as the maximum contribution shared equally by the Employer and the Employee at P437.50 each. However, DBM has only allocated P312.50 or a 40 percent discrepancy. The Corporation had formally billed the DBM of the estimated NG Employer Premium Differential and requested allocation of the unappropriated balances for the following periods:

Arrears	Amount
CY 2001-2012	9,664,042,012
CY 2013	330,691,801
CY 2014	330,691,801
CY 2015	330,691,801
CY 2016	330,691,801
<b>Total</b>	<b>10,986,809,216</b>

## 26.4 ARREARS 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 Memorandum of Agreement (MOA) executed by and between the Regional Development Council III and the Corporation. A warehouse was constructed in this lot with a carrying amount of P2,520,000 in the financial statements.

## 26.5 NON-REMITTANCE OF GSIS PREMIUM FOR DISALLOWED SALARY ADJUSTMENTS

The GSIS premium amounting to P20,604,585 was part and parcel of the salary adjustments given to the Corporation's 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. unappropriated balances for the following periods:

# 27. Supplementary Tax Information Under Revenue Regulations (RR) 15-2010

The taxes, duties and licenses fees paid and accrued during the taxable year required under RR 15-2010 are as follows:

Withholding Taxes:

	2018	2017
Taxes on compensation and benefits	173,764,348	510,051,377
Final taxes	78,668,796	64,069,422
Expanded withholding taxes	1,357,031,330	1,183,120,826
<b>Total</b>	<b>1,609,464,474</b>	<b>1,757,241,625</b>

Other Taxes, Duties and Licenses amounting to P316,089 and P280,429 for 2018 and 2017, respectively, are taxes paid for real property taxes and other fees paid to regulatory entities.

During the CY 2017, PhilHealth received a Letter of Authority 043-2017-00000396 from Bureau of Internal Revenue for taxable period 2015.



# Board of Directors



**Sec. Francisco T. Duque III, M.D., MSc.**  
Secretary of Health  
Chairperson



**Roy B. Ferrer, M.D., MSc.**  
Acting President and CEO  
Vice-Chairperson



**CARLOS G. DOMINGUEZ**  
Secretary  
Department of Finance



**ALICIA DE LA ROSA-BALA**  
Chairperson  
Civil Service Commission



**RET. GEN. EDUARDO M. AÑO**  
Secretary  
Department of Interior and Local Government



**ATTY. JESUS CLINT O. ARANAS**  
President and General Manager  
Government Services Insurance System



**RET. GEN. ROLANDO JOSELITO D. BAUTISTA**  
Secretary  
Social Welfare and Development



**SILVESTRE H. BELLO III**  
Secretary  
Department of Labor and Employment



**ATTY. EMMANUEL F. DOOC**  
President and CEO  
Social Security System



**RUPERT B. ALEROZA**  
Vice Chairperson  
National Anti-Poverty Commission-BS



**ATTY. JONATHAN P. MANGAOANG**  
Corporate Secretary  
Philippine Health Insurance Corp.



# Board of Directors



**ROY B. FERRER, M.D. MSc.**  
Employer 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.

**CELESTINA MA. JUDE P. DE LA SERNA, M.D.**  
Filipino Overseas Sector

Dr. Celestina Ma. Jude Dela Serna served as medical doctor and chief of hospital at Maribojoc Community Hospital, Cong. Natalio P. Castillo, Sr. Memorial Hospital, and at the De la Serna Clinic in the province of Bohol from 2002-2003, 2003-2005 and 2015 to 2017 respectively. As chief of hospital, Dr. Dela Serna provided recommendations for the improvement of the district hospitals by preparing and providing hospital reports and documentations on how to improve the working conditions, business processes, and financial positions of these hospitals in Bohol.

On the other hand, her primary tasks during her term as medical director to these hospitals were to attend to normal spontaneous deliveries and medical emergencies that involve minor surgeries. She also provided patient support such as assessment, counseling, providing education regarding medication and treatment, care plan for diagnosis and administration of treatment procedures.



**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.



**EDDIE G. DOROTAN, M.D.**  
**Elected Local Chief Executive**

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 Sector**

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.

**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



**Roy B. Ferrer, M.D. MSc.**, President and Chief Executive Officer • **Ruben John A. Basa**, Executive Vice-President and Chief Operating Officer

# Health Finance Policy Sector



(L-R) **Acting SM Lambert S. David, M.D.**, Standards Monitoring Department • **Acting SM Melanie C. Santillan, M.D.**, Benefits Development & Research Department • **SVP Israel Francis A. Pargas, M.D.**, Health Finance Policy Sector • **Acting VP Narisa Portia J. Sugay, M.D.**, Quality Assurance Group • **Acting SM Rizza Majella L. Herrera, M.D.**, Accreditation Department



# Legal Sector



(L-R) **Acting SM Atty. Ernesto P. Barbado Jr.**, Fact Finding Investigation & Enforcement Department • **SM Atty. Rogelio A. Pocallan Jr.**, Internal Legal Department • **Acting SM Atty. Grace B. Failadona**, Protest & Appeals Review Department



(on this page) **SVP Atty. Rodolfo B. Del Rosario Jr.**, Legal Sector • **Acting SM Atty. Dean Voltaire A. Bautista**, Prosecution Department • **VP Atty. Jay R. Villegas**, Arbitration Department



# Operation Sector & Information Management Sector



(L-R) **Acting SM Michael Jibson C. Hernandez**, Formal Sector • **Acting SM Cheryl W. Peña**, Non-Formal Sector • **SM Chona S. Yap**, Overseas Filipinos Program



(on this page) **SVP Engr. Jovita V. Aragona**, Information Management Sector • **VP Francisco Z. Soria Jr., M.D.**, Member Management Group • **Acting SM Calixto I. Gabuya**, Information Technology Management Department



# Management Service Sector



(L-R) **Acting SM Corazon C. Jaime**, Physical Resources & Infrastructure Department • **Acting SM Leila S. Tuazon**, Human Resource Department • **SVP Dennis S. Mas**, Management Services Sector



# Fund Management Sector



(L-R) **SVP Renato L. Limsiaco Jr.**, Fund Management Sector • **SM Atty. Ma. Emily P. Roque**, Treasury Department • **Acting SM Cherie Carmen B. Divina**, Comptrollership Department

# Office of the President (O.P.) Sector



(L-R) **SM Henry V. Almanon**, Organizational System Development Office • **Acting SM Yolanda M. De Leon**, Project Management Team for Risk Management • **Acting SM Alejandro Dennis T. Lim**, Corporate Planning Department





(on this page) **SVP Nerissa R. Santiago**, Actuarial Services & Risk Management Sector • **SM Mario S. Matanguihan**, Corporate Information Security Department • **Acting SM Jeanie T. Bernolia**, Project Management Office for PhilHealth Identity System



# Office of the President (O.P.) Sector



(L-R) **Acting SM Nadine B. Navarro**, Corporate Marketing • **SM Arsenia B. Torres**, Social Health Insurance Academy • **SM Evangeline F. Racelis**, International & Local Engagement Department • **Acting SM Atty. Michael Troy A. Polintan**, Operations Audit Department



(on this page) **VP Shirley B. Domingo**, Corporate Affair Group • **Acting VP Ann Marie C. San Andres**, Internal Audit Group • **SM Atty. Alex B. Cañaveral**, Financial Audit Department • **SM Rey T. Baleña**, Corporate Communication Department



# Area I North Luzon



(L-R) RVP Alberto C. Manduriao • RVP Oscar B. Abadu • RVP Walter O. Bacareza • BM Lemuel T. Untalan





(on this page) **VP Atty. Alfredo B. Pineda II • BM Raul B. Tuquero, M.D. • RVP Atty. Jerry F. Ibay**

# Area II

## South Luzon & NCR



(L-R) RVP Edwin M. Oriña, M.D. • VP Gilda Salvacion A. Diaz • RVP Elizabeth S. Fernandez, M.D. • BM Lolita V. Tuliao





(on this page) **AVP Gregorio C. Rulloda • RVP Paolo Johann C. Perez • RVP Orlando D. Iñigo • Acting BM Atty. Recto M. Panti •**  
(not in photo) **Acting BM Leilani V. Asprer**



# Area III Visayas



(L-R) RVP William O. Chavez • RVP Lourdes F. Diocson • AVP Leo Douglas V. Cardona



(on this page) **RVP Acisclo B. Militante Jr. • RVP Janet A. Monteverde**



# Area IV Mindanao



(L-R) RVP Eduardo S. Gonzales, M.D. • RVP Sainuddin M. Moti, M.D. • RVP Atty. Khaliquzzaman M. Macabato • AVP Clementine A Bautista, M.D.





(on this page) **RVP Romeo D. Alberto • RVP Dennis B. Adre • RVP Hector Zenon Leonardo P. Malate, M.D. • RVP Datu Masiding M. Alonto Jr.**

# Directory

## Head Office Address

Citystate Centre, 709 Shaw Blvd.,  
1603 Pasig City, Philippines  
(02)-441-7442

## PRO NCR South - Pasig

12/F Citystate Centre Bldg.,  
709 Shaw Boulevard, Pasig City

## LOCAL HEALTH INSURANCE OFFICE

Pasig  
Ground Floor, Iriz One Corporate Centre  
35 Meralco Avenue, Cor. Segundo Street,  
San Antonio, Pasig City

Taguig

## Global Satellite Office

7thF SM Aura Tower, Bonifacio Global City, Taguig

Makati

337 ITC Building, Sen. Gil Puyat Avenue, Makati City

Las Piñas

471 Editha Building, Alabang-Zapote Road,  
Almanza I, Las Piñas City

Parañaque

HRDC Building, Km. 16 South Super Highway  
Corner ACSIE Road, Severenian Industrial Estate  
West Service Road, Bgy. Marcelo Green  
Parañaque City

## PRO NCR

VCP Building, Block 56, Lot 11, 68 Kalayaan Avenue  
Teacher's Village West, Quezon City  
(02) 441-5673

## PRO NCR Central - Quezon City

Corporate 145 Building, 145 Mother Ignacia,  
Barangay South Triangle, Quezon City

## LOCAL HEALTH INSURANCE OFFICE

South Triangle, Quezon City  
Lower Ground Floor, Corporate Building 145 Mother  
Ignacia, Barangay South Triangle, Quezon City  
(02) 332-1557

Fairview, Quezon City

Our Workshop Sales (OWS) Building  
Lot 19 Block 237 Neopolitan 4 Brittany Subdivision,  
Barangay Pasong Putik, Quezon City  
(02) 356-7461

Rizal

Fibertex Bldg., cor. Don Mariano Subd., Ortigas Ext.,  
Brgy San Juan, Cainta, Rizal  
(02) 997-8377

## PRO NCR North - Manila

10th Commandment Building, Rizal Avenue,  
Caloocan City

## LOCAL HEALTH INSURANCE OFFICE

Manila

JARS Bldg., 1810 J.P. Laurel St., San Miguel, Manila  
(02) 521-7321  
so.manila@philhealth.gov.ph

Caloocan

5th Floor, Victory Central Mall, Rizal Avenue  
Extension, Grace Park, Caloocan City  
(02) 365-0464

Valenzuela

4/F Puregold, Paso de Blas Road Cor. East Service  
Road North, Valenzuela City  
(02) 277-4863

Mandaluyong

3rd Floor, 500 Shaw Zentrum Mall Shaw Boulevard,  
Mandaluyong City  
(02) 532-0449

## PRO CAR - Baguio

SNQBT Inc. Building, No. 19 Leonard Wood Road  
Baguio City 2600  
(074) 444-5345; 444-8361; 444-9862  
car@philhealth.gov.ph

## PRO I - Dagupan

EMDC Bldg., Sec. Francisco Q. Duque, Jr. Road,  
Tapuac District,  
Dagupan City, Pangasinan  
(075) 515-3333; (075) 5229691 (fax)  
region1@philhealth.gov.ph

## PRO II - Tuguegarao

The Builder's Place, Del Rosario St. Tuguegarao City,  
Cagayan 3500  
(078) 255-1342; (0917) 8357544  
info.pro2@philhealth.gov.ph

## PRO III-A - San Fernando

G/F PhilHealth Bldg., Lazatin Blvd., San Agustin,  
San Fernando City, Pampanga C-2000  
(045) 961-1977; (045) 961-3949 loc. 4330

## PRO III-B - Malolos

The Cabanas Mall of Malolos 2nd and 3rd floors  
N4 Bldg. Km. 44/45 MacArthur Highway Longos,  
Malolos City, Bulacan  
(044) 796-1559; (044) 796-1560 loc. 4400

## PRO IV-A - Lucena

Lucena Grand Central Terminal, Brgy. Ilayang Dupay,  
Lucena City  
(042) 373-7554  
member.pro4a@philhealth.gov.ph

## PRO IV-B - Batangas

Caedo Commercial Center  
Calicanto, Batangas City 4200  
region4b@philhealth.gov.ph

## PRO V - Legazpi

ANST III Building  
Alternate Road, Legazpi City  
Healthline: (052) 481-5596

## PRO VI - Iloilo

Gaisano Capital Building, Luna Street,  
Lapaz, Iloilo City  
(033) 501-9160 to 62 loc. 100/102; (0998) 959-9487  
region6@philhealth.gov.ph

## PRO VII - Cebu

Golden Peak Hotel & Suites,  
Gorordo Ave. corner Escario St., Cebu City 6000  
(032) 233-3270; 233-3289; 233-7407; 233-7523

## PRO VIII - Tacloban

PhilHealth Building 167 P. Burgos St.  
Tacloban City, Leyte  
(053)325-3563; (053) 523-1195 (Fax)  
region8@philhealth.gov.ph

## PRO IX - Zamboanga

BGIDC Corporate Center, Gov. Lim Ave.,  
Zamboanga City  
(062) 992-2739 (fax)  
region9@philhealth.gov.ph

## PRO X - Cagayan De Oro

8F Gateway Tower 2, Limketkai Center,  
C.M. Recto Avenue, Cagayan de Oro City  
(088) 859-0225  
region10@philhealth.gov.ph

## PRO XI - Davao

Valgosons Building Bolton Extension,  
Poblacion, Davao City  
(082) 295-2133 (PAU); (082) 282-2951 (PMAC); (0925)  
7819987 (Local Healthline)  
info.pro11@philhealth.gov.ph  
pau.pro11@gmail.com

## PRO XII - Koronadal

CSA I Building Cor. Zulueta Street, General Santos Drive,  
Koronadal City  
(083) 228-9731 to 34 (fax); (083) 228-4733  
region12@philhealth.gov.ph  
admin.pro12@philhealth.gov.ph

## PRO CARAGA - Butuan

Lynzee's Building, 766 J. Rosales Avenue,  
Butuan City  
(085) 342-0900; (085) 816-0019; (085) 225-7026 loc.  
101-103  
caraga@philhealth.gov.ph

## PRO ARMM - Marawi

Noramis Building, Congressman Omar Dianalan Blvd.,  
Lilod Saduc, Marawi City  
(063) 876-0081  
(0928) 507-1910; (0920) 937-2263  
pro.armm@philhealth.gov.ph | phic\_armm@yahoo.com

For whistleblowing and grievance report, you  
may contact us at tel. nos. 441-7442 loc. 7650-  
51 Office of the Corporate Secretary (CorSec)  
Room 1711, 17th Floor, PhilHealth Main Office  
Citystate Centre Bldg., Shaw Blvd., Pasig City.

You may also email us at whistleblower@  
philhealth.gov.ph and corsecphic@gmail.com

PhilHealth Corporate Action Center (02) 441-7442  
www.philhealth.gov.ph



