

ANNUAL REPORT
2019



Universal Health Care:

Trailblazing a New Era of Quality Health Care

PHILIPPINE HEALTH INSURANCE CORPORATION



Groundbreaking Milestone in the History of Health Care

With the signing of the Universal Health Care (UHC) Law in February 2019, a stronger, better, and more responsive health system is expected to unfold. This groundbreaking milestone in the history of health care in the country calls for a vivid road to take—where PhilHealth must play a major role as the key implementer of the National Insurance Program. As we blaze the way to realize the promise of the UHC for the whole nation, we are driven more than ever to initiate and exert our utmost efforts to ensure a new era of quality and affordable health care is experienced by every Filipino

Contents

Message from the President of the Philippines	2
Message from the Board Chairperson	3
Message from the President and CEO	4
PhilHealth's 25th Year Accomplishments	6
Corporate Governance Statement	11
Commission on Audit	16
Statement of Management's Responsibility for the Financial Statements	20
Statements of Financial Position	21
Statements of Comprehensive Income	22
Statements of Changes in Equity	22
Statements of Cash Flow	23
Notes to Financial Statements	24
Board of Directors	57
Executive Officers	62

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.

FROM THE

President of the Philippines



My warmest greetings to the Philippine Health Insurance Corporation (PhilHealth) as it publishes its 2019 Annual Report.

The promotion of our people's health and well-being is among the administration's top national development priorities. I therefore take this occasion to call on the men and women of PhilHealth to never lose sight of your mandate to implement the Universal Health Care Law and ensure that our citizens receive affordable and quality healthcare.

The achievements chronicled in this publication are truly noteworthy. However, they would mean nothing if PhilHealth cannot regain the trust of our people and put an end to the reported irregularities in your institution. Consider this therefore as a challenge for your officials and employees to serve with competence, integrity and genuine *malasakit*.

I am confident that under your new leadership, everyone at PhilHealth will become more determined to uphold transparency and accountability as it delivers a truly universal healthcare to all Filipinos.

Let us all work together to achieve our vision of a healthier and stronger future for the entire nation.

Congratulations and I wish you all the best!

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

RODRIGO ROA DUTERTE
President Republic of the Philippines

FROM THE **Board Chairperson**

Greetings to the PhilHealth family!

This year has been a year of promise for the Health Sector—the year in which the Universal Health Care Act and its Implementing Rules and Regulations were made effective. PhilHealth has stepped up in the past year: claims processing time has lowered to 19 days, return-to-hospital claims have been reduced, and support value has increased. Pivotal of these victories that the Filipinos must celebrate is the simplification of membership categories and immediate eligibility of Filipinos as PhilHealth members under the UHC Act.

None of these milestones would have been possible without the intensive collaboration with the Department of Health, legislators, healthcare providers, Civil Society Organizations, patient groups, and other key stakeholders. The coming year will be a year of great expectation from Juan and Juana, eager to experience significant changes in the Philippine Health Sector. The tasks of PhilHealth are clear: roll out a comprehensive and affordable primary care benefit package, lay the foundations for shifting provider payment from retrospective to prospective, and step further into the digital health landscape through IT reforms. We must hit the ground running, if we are to realize the goals of the Universal Health Care Act—to ensure that all



Filipinos are guaranteed equitable access to quality and affordable health care goods and services, and protected against financial risk.

Tall challenges are seen in the road ahead, but I have full confidence that PhilHealth will deliver. I commend all the honest and persevering public servants under the PhilHealth banner who have weathered through the past stormy months. The day-to-day tasks are challenging enough on their own—even more during a period of immense transition. The Department of Health will ever be in full support as these health sector reforms are realized slowly, but surely. More power to the hardworking PhilHealth family!

A handwritten signature in black ink, reading "Francisco T. Duque, III, MD, MSc.".

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

FROM THE President and CEO

The year 2019 holds very significant milestones for PhilHealth. We have faced many challenges and confronted with issues that tested our resolve as a Corporation. But in the midst of all these challenges a new hope emerged with the enactment of Universal Health Care Law which was signed into law by President Rodrigo Duterte in February, and the approval of its implementing rules and regulations in October. The Universal Health Care (UHC) Law started paving the way for major reforms in the health sector. It likewise strengthened the same PhilHealth mandates of ensuring adequate financial risk protection for all Filipinos so that they do not get impoverished after seeking health care services. Under the UHC, all Filipinos are automatically enrolled and granted with immediate eligibility, whether registered or not, with or without contributions. The UHC has simplified our membership into just two (2) broad categories: the Direct and Indirect contributors. All earning individuals are under the direct contributors, while those whose contributions are subsidized by the government are categorized as indirect contributors.

With this, PhilHealth has the biggest clientele population today among the financial government institutions in the

country with over 100 million registered members. Under the UHC, the entire population is automatically covered, resulting to an employee-client ratio of 1 is to 16,000. The two other social security agencies, which have been in existence for 62 and 84 years, are handling 500 and 3,900 members per employee, respectively, at present. With the entire population relying on us for financial protection against health risks, PhilHealth is now the largest government institution with the widest coverage ever.

The year also saw the expansion of the Primary Care Benefits to include senior citizens, formal economy members and lifetime members, aside from indigent and sponsored members. Members under these sectors and their dependents can now avail of benefit and services such as health screening and assessment, diagnostic services, follow-up consultation as well as medicines from accredited EPCB health care institutions (HCIs).

Then there is our No Balance Billing (NBB) that takes care of those who have difficulty in paying for healthcare services. The NBB guarantees zero co-payment for the economically challenged sector, empowering them to seek proper care for whatever that ails them without worrying about dire financial consequences. Over the years, the NBB's growth is irrefutable. From a mere 41 percent in 2014, it exceeded the 80 percent mark in 2019. We expect this to rise even more since the UHC leaves PhilHealth with ample room to explore viable enhancements to its current benefits and services.

The Corporation has likewise accelerated its claims evaluation and processing. Innovation



such as the eClaims not only digitized submission of reimbursement but provided for faster transaction with PhilHealth. In addition, the introduction of the Claim Form 4 replaced the need for exhaustive patients' charts in filing of claims. These efforts made sure that partner-providers receive well-timed reimbursements, not to mention well deserved for the immediate service dispensed to the sick.

However, a lot of work still lies ahead of us. Everyone, every agency in government has a hand in the UHC's successful implementation. The collective commitment and efforts of all concerned will dictate the outcome of the UHC, from the policy-makers to the local government units, as well as the medical facilities and practitioners and even the PhilHealth members. I have accepted

the challenge of leading the country's health insurance program with an open mind and an open heart. I admit it brought me both good and challenging experiences but the job has been quite easy because of the solid and supportive team behind me. The same dedicated men and women of PhilHealth who have committed themselves to ensuring that every Filipino will get that level of financial risk protection that they deserve. With the UHC, we are on to even more greater things ahead.

Congratulations and more power, Team PhilHealth!


BGEN. RICARDO C. MORALES
President and CEO

A photograph of a man in a white t-shirt lifting a young boy in a blue t-shirt and jeans into the air. The boy is smiling and looking up. The background is a blurred green field with trees. The image has a torn paper effect at the top and bottom edges.

06

**PhilHealth's
25th Year
Accomplishments**

Universal Health Care Act

(Republic Act No.11223)

The Universal Health Care Act (RA11223) was signed by President Rodrigo Duterte on February 20, 2019. With this, PhilHealth together with the Department of Health (DOH), conducted a series of activities for the development of the UHC's Implementing Rules and Regulations (IRR). After numerous workshops and nationwide stakeholder consultations (e.g. patient groups, Senate and House of Representatives, LCEs, healthcare institutions, medical and hospital associations, CSOs, NGAs, etc.), PhilHealth and the DOH have approved and released its Implementing Rules and Regulations (IRR) last October 10, 2019.

Parallel to these efforts, the Corporation is already preparing for the transition and doing its due diligence to ensure the necessary policies, programs, processes and complementing systems are in place as the country implements the UHC. These include: Shift to the Direct and Indirect Contributors; Aligning PhilHealth's Enrolment processes with the National ID System; Intensified Premium Collection initiatives; Comprehensive Primary Care Benefits; Global Budget

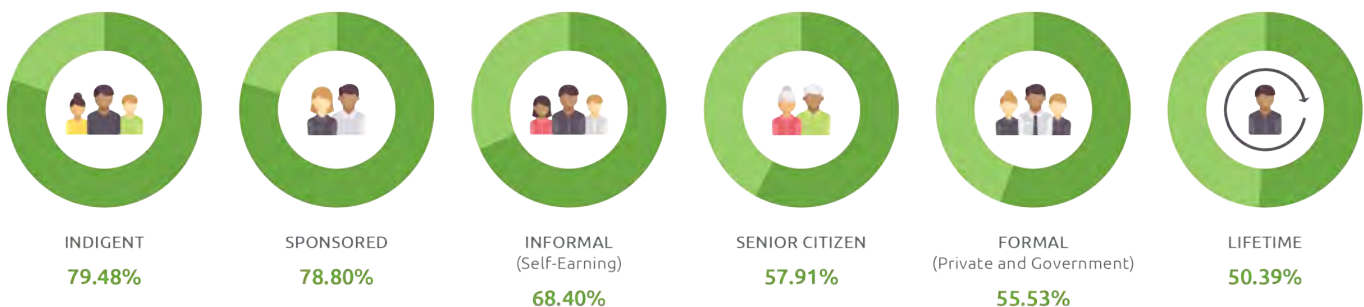
Payment Mechanism; and Establishment of Healthcare Provider Networks, among others. With the signing of the UHC Act and release of its IRR, all Filipinos were essentially guaranteed immediate coverage. This ensured PhilHealth's Coverage Rate for 2019 at 100%.

Support Value

Another 2019 highlight was the release of the results of the Corporation's Support Value (SV) study. Support Value is defined as the total amount of reimbursements shouldered by the Corporation over the total hospitalization costs of a patient. Based on the study conducted by the Foundation for the Advancement of Clinical Epidemiology, Inc. (FACE), PhilHealth's SV improved to 66%. This means that for every Php100 of hospitalization costs, PhilHealth covers at least Php66.

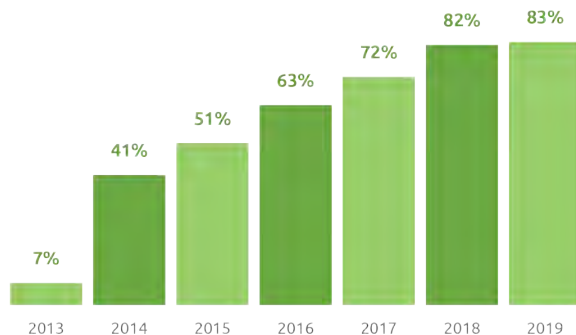
In the 2017 National Demographic Health Survey (NDHS) of the Philippine Statistics Authority (PSA), PhilHealth's SV was at 45%.

Support Value by Membership Sector





No-Balance-Billing (NBB)



No-Balance-Billing (NBB)

One of the premier programs of the Corporation is the No-Balance-Billing (NBB) program wherein the marginalized sectors (e.g. Indigents, Senior Citizens, Kasambahay, etc.) enjoy zero co-payment or zero out-of-pocket expenses during hospitalization.

The NBB policy means no other fees or expenses shall be charged to or paid for by the patient-member above and beyond PhilHealth's package rate.

In support of the aforementioned third-party Support Value study, PhilHealth is delighted to report that NBB figures for 2019 is at 83%. For patients who were not able to completely enjoy the NBB initiative, the survey identified the three main reasons for Out-of-Pocket expenses: Medicines, Medical Supplies and Laboratory and Diagnostics.

The NBB study is a patient exit survey conducted by PhilHealth Customer Assistance, Relations and Empowerment Staff (P-CARES).

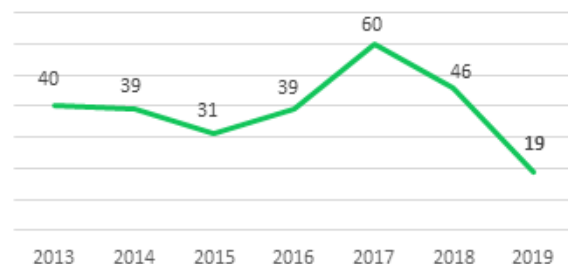
Satisfaction Rating

PhilHealth, through the DOST's *Philippine Council for Health Research and Development* (PCHRD), has engaged the services of a third-party research institution to conduct a Client Satisfaction Survey using the tool prescribed by the Governance Commission for GOCCs (GCG). Using the GCG's methodology, PhilHealth obtained a high rating of 91% Satisfaction rate. The Corporation maintained its 2018 results, wherein 9 out of 10 Filipinos indicated that they are happy with PhilHealth and its services. Per survey results, 42.4% of respondents indicated they were "Very Satisfied" with PhilHealth's services and another 48.1% rated "Satisfied" with their experience. Only 0.4% said they were "Very Unsatisfied" and 0.8% were "Unsatisfied."

Turn-Around-Time for Claims Processing

The Corporation's claims processing has also drastically progressed in 2019. By the end of the year, PhilHealth's TAT is already at 19 days - a vast improvement from 46 days in 2018. The 19-day TAT covers 10 million claims processed for 2019.

Turn-Around-Time for Claims (Days)



Collection Efficiency

In terms of collecting potential premiums, PhilHealth's efficiency rate is at 79%. This rate covers the Formal (e.g. government and private) and Informal (e.g. voluntary self-earning members, OFWs, etc.) sectors. Adding collections from the subsidized sectors, the 2019 collection efficiency would increase to 83%.

Collection Efficiency (%)



Anti-Fraud Initiatives

PhilHealth has also strengthened its anti-fraud initiatives by enhancing its quasi-judicial business processes and standard operating procedures. It has also adopted a Case Management System for a more effective and efficient tracking of case files. The Corporation was also able to secure approval from its Board of Directors and the GCG, and is set to hire additional lawyers and investigators for strengthened case management nationwide.

In addition, the Corporation is also set to bolster its anti-fraud campaign by adopting fraud analytics IT solutions also set for procurement and possible deployment within year.

Quality Management System-ISO Certification

PhilHealth was able to obtain and update its ISO certification to the 9001:2015 standard last May 2017 and again re-register on July 2018. For 2019, the target was to maintain such certification. On December 10, 2019, a third-party institution SOCOTEC Certification International conducted a surveillance audit to check for the Corporation's compliance to the ISO/QMS standards. On the same day, SOCOTEC granted PhilHealth again a Registration Certificate for the ISO 9001:2015 standards.

Corporate Plans and Priorities for 2019-2020

The Universal Health Care Act 2019 or RA 11223 concretizes the vital role of the health sector in alleviating the lives of the Filipino people especially the vulnerable groups through access to affordable and quality healthcare. As DOH and PhilHealth finalized the implementing rules and regulation of the UHC Law, the Corporation recognizes the need to lay-out its plans in implementing the UHC Act.

In view of this, the Corporation has established its plans and priority programs for CY2019 and 2020 that is aligned with the Universal Health Care Act and consistent with the *FOURmula One Plus* (F1+) of the Department of Health (National Objectives for Health 2017-2022).

Framework for Corporate Priorities: GEARS

For PhilHealth to make significant strides towards the attainment of the goals of UHC, there is a need to refocus strategies from simply ensuring equality of opportunity (coverage of the poor, vulnerable, disadvantaged) to significantly improving equity in the access of quality health care at various levels of care, and efficiency in the allocation of resources. As an overall framework, the plans and targets of the Corporation are anchored on the following priorities:



Good Governance



Essential Benefits



All Filipinos are Covered



Responsive Health Care System



Stronger Anti-Fraud Mechanism



Good Governance. Strengthen the capacity of the organization through a:

- 1) reorganized structure to address changes brought about by the UHC Law;
- 2) competent and engaged workforce;
- 3) evidence-based and data-driven policy development and decision-making process;
- 4) adaptive management systems (e.g. IT, M&E, etc.);
- 5) effective performance management;
- 6) heightened accountability of supervisors and employees; and
- 7) efficient and equitable management of resources.



Essential Benefits. Widen access to essential benefits at all stages of care prioritizing the expansion of primary care package and no co-payment to other sectors to lower Out of Pocket. Shift of provider payment mechanism using performance-driven, closed-end, pre-payments (Global Budget) based on disease or diagnosis-related groupings (DRG).



All Filipinos are Covered. Ensure that every Filipino is covered and that no one will be denied of their benefits in their times of need. Adopt mechanisms and sustain initiatives to capture ALL Filipinos in the database and streamline policies and processes for direct and indirect contributors to address changes brought about by the UHC Law. Secure fund and implement effective collection mechanisms to ensure sustainability of the Program.



Responsive Health Care System. Contract health care provider networks and accredited health care facilities. Improve mechanisms to monitor the performance of health care providers providing incentive schemes to reward facilities. Institute an auditing mechanism to ensure compliance of networks/facilities to the policies of the Corporation.



Stronger Anti-Fraud Mechanism. Stronger enforcement of PhilHealth's anti-fraud campaign by exacting due penalties to erring members, employers and health care providers to the fullest measure of the law.

In addition to a stronger anti-fraud mechanism with the help of DOH and LGU in policing their own health care providers. In line with this, the DOH may also revoke licenses of facilities engaged in fraud. PRC contributes to this endeavor by disciplining health care providers

The Corporate Priorities are also consistent with the pillars of the *FOURmula One Plus* (F1 Plus) of DOH: Financing, Service Delivery, Regulation, Governance, Performance Accountability aimed in achieving the overall goals of the Health Sector, Better Health Outcomes, More Responsive Health System and More Equitable Health Care Financing (National Objectives for Health 2017-2022).



11

Corporate Governance **Statement**

2019 PhilHealth Board
Accomplishments



Despite the challenges and adversities, PhilHealth continues to work hard towards its goal of providing financial health protection for ALL Filipinos.”

Bombarded with controversies, bad press, congressional hearings and political backlash, PhilHealth’s 2019 has not been an easy one. But the PhilHealth Board, along with the Management, recognizes that safeguarding every Filipino’s health while protecting their financial risks is never an easy task. Thus, despite the challenges and adversities, PhilHealth continues to work hard towards its goal of providing financial health protection for ALL Filipinos. PhilHealth aims to put more effort in working towards a sustainable health financing system defined in terms of equitable access to a full range of health services including promotive, preventive, treatment and rehabilitative as well as ensuring efficiency and equity in resource use.

Universal Health Care (UHC) Act—A Leap Towards a Healthier Philippines

On February 20, 2019, a milestone in the Philippine health system has been achieved through the passage of Republic Act 11223, otherwise known as the Universal Health Care (UHC) Act. Through this Act, all Filipino citizens are automatically enrolled in the National Health Insurance Program (NHIP), giving them access to the full continuum of health services they need while providing them with financial health protection. The UHC Act also embodies the political will of the PhilHealth Board along with all the other governmental bodies in the country such as the Department of Health (DOH), the Congress, and of course, the President himself.

The PhilHealth Board spent laborious hours discussing critical provisions of the law and lobbying them to the Congress - all in order to guarantee that our leap towards a healthier Philippines is a step towards the right direction. But PhilHealth and the DOH did not stop there. They also painstakingly prepared the UHC Act’s Implementing Rules and Regulations (IRR) until it was signed and approved on October 10, 2019. This is in order to ensure that the law does not remain in theory, but that it can be operationalized into securing Filipinos’ health worldwide.

Mandatory PhilHealth Coverage for PWDs – Taking Another Step in Ensuring Filipinos’ Health

Aside from the UHC Act, another milestone on the country’s health financing system is the passage of RA 11228 or “An Act Providing for the Mandatory PhilHealth Coverage for All Persons with Disability (PWDs)”, signed into law on February 22, 2019. With this law, it is further guaranteed that as we trudge towards a healthier Philippines, no one will be left behind.

PhilHealth Enhanced Benefits

PhilHealth also constantly and continuously develops benefits – whether new or as enhancements of its existing products. For 2019, the key benefit packages approved by the Board include the implementation of the Mandatory Inbound Tourist Medical and Emergency Service Program, which had been subject to the Philippine President’s approval of the draft Executive Order. They also approved the Enhanced Primary Care Benefit for all a.k.a. the KONSULTA Package along with the Package Design in support to the implementation of the UHC Act. The Board also approved the development of an annual review mechanism for the package that would drive provider behavior toward quality service provision. They also directed the Management to provide Operations Support and to create the program scorecard – all geared towards providing better health benefits to our *kababayans*.

On Ensuring the Financial Viability of the Corporation

All these efforts will of course be for naught if the Corporation will not be able to sustain the NHIP. Hence, the Board also labors to ensure that PhilHealth's financial health is stable and sufficient. The Board thus scrutinizes the Corporation's Financial Status Reports, and then provides guidance and directives to the Management using their vast knowledge as technical experts on their own fields. The Board also approved the Php 200 Million Domestic Bills Purchase Line (DBPL) Agreement with the Development Bank of the Philippines and the Php 4 Billion DBPL with the Land Bank of the Philippines. The DBPL is a bank facility which immediately credits checks issued in favor of PhilHealth and/or bank checks issued by PhilHealth, thereby waiving the mandatory one (1) day clearing of checks. This does not only favor us in the financial side, but is also beneficial in our operations.

On the other hand, the Board ensures that they do not approve anything haphazardly. Thus, presentations are reviewed and discussed at length. Once a presentation does not satisfy the requirements of the Board, it goes back to the Management for further staff work. The 2020 Corporate Operating Budget (COB) is no exception to this. The Board emphasized the need to scrutinize the details of the COB, especially since 2020 will make or break the implementation of the UHC Act. This action of course is not without consideration to the operations of the Corporation. Thus, despite its deferment on the approval of the 2020 COB, the Board approved the re-enactment of the 2019 budget for the first quarter of 2020, or until the 2020 COB is approved.

Capital Investments- Infrastructures

Aside from ensuring financial viability, the PhilHealth Board also studies the Corporation's capital investments, especially the properties it owns and how to utilize them. This includes the lands owned by PhilHealth and the possibility of building infrastructures in order to develop them. In particular, the Board spent many meetings discussing the possibility of constructing the PhilHealth Corporate Center and gave recommendations to Management on how to proceed with the project. The Board even constituted a Board Oversight Committee for the project.

In addition to this, the Board also approved the construction of the PhilHealth Regional Office (PRO) II Building in Cagayan.

On the Battle Against Fraud

The PhilHealth Board has been vested with quasi-judicial powers to decide on cases brought before it for its review. Thus, in the exercise of this power, the Board promulgated 12 decisions on administrative cases against Health Care Providers (HCPs) brought before it on appeal. The Board also took upon them the responsibility to constantly monitor administrative, criminal and civil cases against HCPs (for both facilities and professionals) through directing the Management to constantly report on these cases and their status

Further, the Legal Services Sector's "5 Case Backlog Strategies" was also lengthily discussed and approved to ensure that all cases are resolved in a timely and efficient manner. This include strategies on handling cases against government facilities and those involving non-fraudulent acts, limitations on complaints against HCPs, using the insufficiency of evidence rule, and an On-the-Job Training Program for senior law students.

Aside from these, the Board also gave insights and guidance on certain policies that are prone to fraud, such as cataract extraction and YAG Capsulotomy, to name a few.

The PhilHealth Board and its Employees

The Board also recognizes that without the help of the hardworking and passionate PhilHealth personnel nationwide, the Corporation will not achieve any of its goals and targets. Thus, the Board made several actions in ensuring that the PhilHealth workforce is well taken care of. These actions include the approval of the budget for the CY 2018 Performance-Based Bonus and the Welfare Support Assistance (WESA). The Board also directed the Management to meet with the consultative council and present the proposal on the increase of the subsistence allowance for PhilHealth employees; to request the Governance Commission for GOCCs (GCG) to reconsider the grant of the PBB to employees/units/offices who scored exceptionally in their performance scorecards; and, to come up with a wellness program for PhilHealth employees.

Aside from the abovementioned Board actions for employee welfare, the Board also makes certain that the human resource complement in the Corporation is sufficient to the workload. This is more pressing than before as the Corporation works towards operationalizing the UHC Act nationwide. Thus, the Board approved the expansion of the PhilHealth Accounts Information Management Strategy (PAIMS) and the hiring of 106 job-order contractors (SG-8) nationwide to cover the retail accounts; the hiring of eight (8) JOCs for the Office of the Secretary. Seven (7) will serve as staff of appointive Board Members and one (1) for clerical services; the creation of two (2) job order contractor positions: Executive Vice President for Operations Management and Executive Vice President for Resource Management; and, the hiring of additional 146 PCARES for Malasakit Centers. The Board also affirmed GCG's approval of the 128 Plantilla positions under the Legal Sector and approved the resolution on the commencement of the reorganization of PhilHealth upon the signing of the UHC Act.

On Ease of Operations and Internal Processes

The need to strengthen internal operations has also been apparent to the Board. Thus, the Board approved several policies and took numerous steps in order to ensure that operations in the Head Office,

as well as in the Regional Offices, are efficient and effective. These include the approval of the PhilHealth Costing Framework and Data Collection tools and the institutionalization of regular costing of health care services. The Board also approved the development of IT Based solutions in support to the institutionalization of costing. These shall ensure that a more competent benefits development process is in-place.

The Board also approved: the delegation of authority to the Executive Vice President and Chief Operating Officer (EVP & COO) to issue/sign/approve the Plantilla of Casual Appointments and Report on Appointments Issued and other pertinent documents for casual employees in the Corporation; the authorization of the PCEO to approve and sign billings (Special Allotment Release Order and Notice of Cash Allocations) for the DBM; the resolution authorizing COA Auditors to conduct inspection and verification of claims records of Health Care Providers in behalf of PhilHealth; and, the proposal to assign the Accreditation Committee membership to the offices rather than the persons designated. They also approved the inclusion of the President (or representative) of the Philippine Nurses Association as a member of the committee. These policies shall help the Management to maintain ease in its operations without sacrificing accountability and compliance to internal controls.

The Board also ensures that a culture of accountability is maintained in the Corporation. One Board action which shows this is its approval of the amendment to the PhilHealth Internal Audit Manual (PIAM) to indicate that Internal Audit Reports and corresponding supporting documents are signed prior to submission to the Management and the Audit Committee. By mandating auditors and their supervisors to sign their reports, a certain level of accountability is ensured within the auditing process.

The Board and its Internal Development

The Board also maintains high standards within themselves and their processes and approved the 2019 Board Calendar; the nomination and/or concurrence on the appointment of PhilHealth President and CEOs submitted to the Malacañang; and, the endorsement of a representative of PhilHealth in the Health Technology Assessment (HTA) Screening Committee.

The Board also endeavors to constantly develop their expertise and knowledge through attendance to various continuing education and training programs such as the Corporate Governance Orientation Program for GOCCs facilitated by the Institute of Corporate Directors, which was attended by newly-appointed Directors. The Board also conducts Brown Bag Sessions during Regular Board Meetings. These sessions use the brown bag concept in continuing education of Board Members as well as Management Officials whereby subject matter experts from various fields may be invited to Board Meetings to talk at a limited time on exciting issues and trends affecting the health industry in general and PhilHealth operations in particular. The use of brown bag sessions is an innovative manner of capacity building without incurring too much cost to the Corporation and taking full advantage of the presence of Board Members and PhilHealth Officials during Board Meetings. One of the topics discussed had been Public-Private Partnerships by Atty. Alberto C. Agra, Chairman of the Philippine Reclamation Authority which focused on the different types of Public and Private Partnerships (PPP) and the advantages and disadvantage of each PPP type, zeroing-in on the case of PhilHealth as a public enterprise if it chooses to engage in such partnerships.

Corporate Governance

Lastly, the Board ensures that PhilHealth abides by the rules and regulations set forth by the GCG and approves policies and corporate strategies to steer the Corporation. These include the PhilHealth Performance Scorecard which is discussed at length during Board Meetings and submitted to the GCG for their final approval.

The Board also performs a risk oversight function through its Risk Management Committee which reviews the company's material controls (including operational, financial and compliance controls) and risk management systems and goes to the Board en banc for its approval whenever necessary.

PhilHealth also assures that there is full compliance with the Code of Corporate Governance, its Manual of Corporate Governance and all other rules and regulations in the Corporation. Any non-compliance, if any, is brought to the attention of its officials and properly handled in accordance to the existing policies.

Going to 2020 with New Hopes and Challenges

2019 brought forth new laws in aid of UHC, changes in administration and Board composition, numerous challenges and an abundance of controversies. But despite the ups and downs, we enter into 2020 with new hopes for a better and healthier Philippines. There might also be new challenges ahead of us, but our goal remains the same – Universal Health Care and Universal Health Coverage.



PhilHealth encourages whistleblowers with any information pertaining to the Corporation, its officials and personnel to contact us through:

Face to Face Meetings: Any PhilHealth Director, Official and Employee

E-mail: whistleblower@philhealth.gov.ph

Mail: Room 1711, 17th Floor, Philippine Health Insurance Corporation, Citystate Centre, 709 Shaw Boulevard, Pasig City

Telephone: (02) 8 441-7442



Republic of the Philippines COMMISSION ON AUDIT

Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR

Cluster 6 - Social, Cultural, Trading, Promotional and Other Services

THE BOARD OF DIRECTORS

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

Gentlemen/Mesdames:

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, 2019 and 2018.

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

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 correctness of the Benefit Claims Payables - Accrued Benefit Claims-Incurred But Not Yet Received (ABC-IBNR) account amounting to P36.086 billion as of December 31, 2019, could not be established/relied upon due to: (a) the absence of a documented policy on the actuarial assumptions as a basis in the valuation of the IBNR claims, contrary to Qualitative Characteristics (QC) 26 of the Conceptual Framework of General Purpose Financial Reporting; and (b) misapplication of changes in accounting estimate, contrary to Paragraphs 36 and 37 of Philippine Accounting Standard (PAS) 8 on "Accounting for Changes in Accounting Estimates."
2. The qualitative characteristics of faithful representation and verifiability could not be obtained on the Member's Equity account amounting to P105.300 billion, restated, as of December 31, 2018 due to recording of Prior Year Adjustments (PYAs) of PhilHealth Regional Offices (PROs) in the total amount of P9654 billion (net) in the PhilHealth Head Office's (HO) books without requiring the PROs to submit the necessary supporting documents to substantiate the adjustments which also precluded the Audit Team to validate the same, contrary to Qualitative Characteristics (QC) 12 and 26 of the Conceptual Framework of General Purpose Financial Reporting
3. The faithful representation of the reported year-end balance of the Accounts Payable (AP) - Benefits Claims Processed (BCP) and Accrued Benefits Claims (ABC) - In Course Settlement (ICS) accounts of PhilHealth Regional Office — National Capital Region and Rizal (PRO NCR and Rizal) totaling P504.886 million and P4.515 billion, respectively, could not be ascertained due to the: (a) discrepancy of P293.797 million between the AP-BCP reported balance and the amounts provided in the confirmation replies of the Health Care Institutions (HCIs); (b) probable claims liability embodied in the Return To Hospital (RTH) claims were not recognized and excluded in the estimation of ABC - ICS; (c) variance between the balances in the AP - BCP General Ledger (GL) and its Subsidiary Ledgers (SLs) amounting to P1.799 million due to non-maintenance of SLs for the four sub-accounts categorized by Membership category; (d) unsupported outstanding payables hindered reconciliation of records between HCIs/members and PRO - NCR and Rizal on unpaid benefit claim due to the absence of detailed schedules showing indispensable information; and

- (e) non-identification or inclusion of paid benefit claims which consequently overstated the AP-BCP and Cash in Bank as of year-end due to the practice of entirely relying on the weAccess facility of the bank in recognizing benefit payments instead of payments based on the generated checks as extracted in Nclaims, contrary to Paragraph 15 of PAS 1.
4. The fair presentation of the Other Payables - Accounts Payable of PhilHealth Head Office (HO) in the amount of P2.847 billion cannot be established due to non-maintenance of the SL per creditor in the PhilHealth HO for its Accounts Payable amounting to P2.847 billion and Accruals amounting to P2.118 billion in PhilHealth HO without pertinent/necessary documents, contrary to Conceptual Framework for Financial Reporting.
5. The correctness of the year-end balance of Cash in Bank (CIB) account in the total amount of P2.087 billion could not be established due to discrepancies of P633.122 million (net) in H0 and P(248.215) (net) million in PROs, between the balances per books and submitted bank statements of various accounts that remained unadjusted, contrary to Paragraph 15 of PAS 1.
6. The practice of restating the Financial Statements (FSs) annually casts doubts on the reliability of internal control in the preparation of financial reports and resulted in misleading representation of the FSs, contrary to Paragraph 24 of Philippine Accounting Standards (PAS) 1, that may cause significant harm in the integrity and reputation of the PhilHealth.
7. Utilization of fragmented systems in data management due to the delay in the procurement of an integrated IT system manifests weak internal financial control, thus exposing the information in the FSs to risk of misstatements and questionable integrity and reliability.
8. The presentation in the FSs and disclosures in the Notes to FSs were not adequate to conform with the minimum requirements of the Philippine Financial Reporting Standards (PFRSs), thereby depriving the users/readers of the FSs of relevant information in making economic decisions, contrary to Paragraphs 9 and 17 of PAS 1.
- For the above audit observations which caused the issuance of a disclaimer of opinion, we recommended that Management:
- 1.1 Prioritize the creation of sound corporate policy on actuarial assumptions not only for the convenience of the concerned department/office but also for long-term reference of the Corporation.
 - 1.2 Instruct the Comptrollership Department to reclassify the Prior Year Adjustment on 2018 Benefit Claims Payables - ABC-IBNR account to its 2019 carrying amount and henceforth, observe the prospective application of future changes in accounting estimates, pursuant to Paragraph 37 of PAS 8.
 - 2.1 Ensure the accuracy and validity over the recording of transactions related to PYAS of PROs by requiring them to submit pertinent supporting documents. Consider assigning specific personnel who will regularly validate the adjustments made by the PROs.
 - 3.1 Require the PRO NCR and Rizal to:
 - a. Direct the Fund Management Section (FMSc) to:
 - a.1 Provide written justification on the noted discrepancies between HCIs and PRO NCR and Rizal records;
 - a.2 Regularly monitor and reconcile balances in the HCIs and PRO NCR and Rizal records;
 - a.3 Consider inclusion of RTH claims in the estimation/computation of Accrued Benefit Claims - ICS at the end of each year and record liability with disclosure to the notes to FS;
 - a.4 Maintain the SL for each Membership category and provide the reconciliation done which led to adjustment per JV No. 19 NCR-577 dated July 31, 2019; and
 - a.5 Refrain from relying solely on the LBP weAccess facility to recognize benefit payments instead of using payments based on the generated checks as extracted in NClaims as provided by the Information Technology Management Unit (ITMU).

b. Require the ITMU to:

- b.1 Provide FMSc with monthly extracted generated checks from NClaims to identify the checks issued to HCIs which have not been cashed or deposited or otherwise cleared by the bank yet as of year-end and effect the necessary correcting entry; and
- b.2 Coordinate with the concerned Section/Units in the preparation of required financial reports to minimize errors in the account balances.

4.1 Require the Comptrollership Department of the HO to:

- a. Ensure that all recorded Accounts Payable as well as their adjustments/corrections are duly supported with the necessary supporting documents to prove the accuracy and validity of claims; and
- b. Establish and maintain SLs that show transactions' history and indicate the amount owed by the Agency to each of its suppliers/creditors to support the accuracy of the balance appearing in GL.

5.1 Require the Comptrollership Department of the HO and the concerned PROs Management to effect the necessary adjusting entries, after a careful verification of the book reconciling items for each of the affected bank accounts to fairly present the CIB account in the financial statements.

6.1 Design and implement a sound internal control over financial reporting that would prevent, detect and correct material misstatements on time to ensure the reliability of the FSs and avoid restating thereof annually.

7.1 Prioritize IT system procurement to fully automate its operations for efficient and effective management, monitoring, and reporting of its financial transactions.

8.1 Consider the noted improvement opportunities in the FSs presentation schedules and notes disclosures to align with the requirements of PFRSs and enhance the understandability of FSs to the users and readers thereof.

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

- 9. Full reimbursements of the package rates (All Case Rates (ACR) and Z Benefit) to various Health Care Institutions (HCIs) for 312,577 sampled claims despite the lower member-patients' actual hospital charges plus the maximum amount of Professional Fees (PF) resulted in overpayment of P936.653 million, thereby not fully achieving PhilHealth's program objective of increasing financial health protection of member-patients since the HCIs were the ones who benefited more therefrom.

9.1 Since the issue at hand is recurring, we recommended that top Management strongly reconsider our previous year's audit recommendation to reevaluate the present guidelines on the implementation of the All Case Rates and Z Benefit Claims package rates and revise the same accordingly by including a provision that reimbursements should be based on the member-patient's actual hospitalization charges plus PF or the Case Rate amount, whichever is lower.

- 10. The payments for the 30 percent employer share in the PhilHealth Provident Fund (PPF) for the CYs 2015 to 2018 in the aggregate amount of P467.858 million were irregular due to lack of prior evaluation by the Department of Budget and Management (DBM), as required under Budget Circular (BC) No. 2008-3 dated June 20, 2008.

10.1 We recommended that Management:

- a. Refund the amount of P467.858 million employer share for CYs 2015-2018 from the PPF;
- b. Secure the evaluation of the DBM as a requisite in granting the release of CY 2019 employer contribution; and
- c. Observe compliance with DBM Budget Circular No. 2008-3 in the implementation of provident fund, pending compliance with the requirement of RA No. 11223.

11. The restoration of the grant of Welfare Support Assistance (WeSA) with retroactive effect coupled with the simultaneous payment of the existing Subsistence and Laundry Allowances is invalid and irregular due to: (i) lack of legal basis; (ii) being tantamount to double compensation; (iii) absence of authority from the Secretary of Health in the determination of the WeSA; and (iv) unauthorized use of savings from which the payment was taken.

11.1 We recommended that Management

- a. Stop the payment of WeSA on top of the Subsistence and Laundry Allowances;
- b. Cause the immediate refund from PhilHealth employees of the WeSA paid covering February 2012 to December 31, 2019 amounting to P152.935 million.
- c. Effect the necessary adjustments/revert the setting-up of liabilities made in December 31, 2019 pertaining to WeSA claims; and
- d. Strictly observe the implementing rules and regulations in the grant of Magna Carta benefits pursuant to RA No. 7305, or the Magna Carta of PHWs.

12. The Approved Budget for the Contract (ABC) of P29.866 million for the procurement of One Lot Application Server Licenses and Support with IB No. ASLS 2019-018-IT is grossly excessive by P10.175 million and P12.983 million or 51.70 percent and 76.90 percent vis-a-vis the bid prices tendered by Suppliers D and E, respectively, hence, such ABC does not reflect the most advantageous prevailing price for the Government as required in Section 36 of Republic Act (RA) No. 9184 and its 2016 Revised Implementing Rules and Regulations (RIRR).

12.1 We recommended that Management

- a. Require the end-users and TWG to revisit the policies/guidelines on the determination of ABC through prudent conduct of market research or study, thus, ensuring that the ABC reflects the most advantageous price range to the Corporation; and

- b. Maintain a systematic monitoring report containing vital historical data, including ABCs of all the procured projects as guide of the Agency in its future procurements.

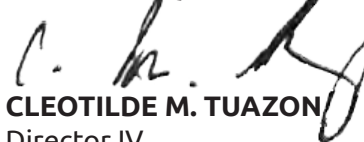
The other observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on September 18 and 21, 2020 are discussed in detail in Part II of the report. We also invite your attention 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 & 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 of Audit



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 UP Law Center
The National Library
The COA Central Library

Statement of Management's Responsibility for Financial Statements

The Management of the Philippine Health Insurance Corporation is responsible for the preparation of the financial statements as at December 31, 2019 and 2018, 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 Philippine Financial Reporting Standards (PFRS) where applicable, as well as government accounting standards and other pertinent rules and regulations, and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.



ARNEL F. DE JESUS

OIC-President and Chief Executive
Officer, Executive Vice President and
Chief Operating Officer



FRANCISCO T. DUQUE III, M.D. MSc

Secretary of Health Chairman of the
Board



**RENATO L. LIMSIACO JR.,
CPA, DM, CECE**

Senior Vice President, Fund
Management Sector

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2019 and 2018 (In Philippine Peso)

Activity	Notes	2019	2018 (As restated)	Jan 1, 2018 (As restated)
ASSETS				
Current Assets				
Cash and cash equivalents	7	11,834,620,202	26,201,320,940	33,600,462,103
Investment in time deposits	8	70,086,086,078	1,000,000,000	-
Premium receivables, net	9	9,178,195,991	20,082,541,739	14,671,179,017
Other current assets	10	1,878,847,835	1,429,992,577	1,287,651,744
Total Current Assets		92,977,750,106	48,713,855,256	49,559,292,864
Non-Current Assets				
Investment securities at amortized cost	11	124,382,976,137	124,792,611,052	102,077,729,397
Property and equipment, net	12	3,402,101,399	2,321,048,293	2,316,104,351
Intangible assets, net	13	267,770,907	297,797,696	354,257,125
Other assets, net	14	264,180,316	456,866,732	451,155,595
Total Non-Current Assets		128,317,028,759	127,868,323,773	105,199,246,468
TOTAL ASSETS		221,294,778,865	176,582,179,029	154,758,539,332
LIABILITIES				
Current Liabilities				
Benefit claims payables	15	75,566,261,517	39,786,819,724	40,809,426,268
Other payables	16	5,192,279,053	3,788,754,474	3,384,939,745
Total Current Liabilities		80,758,540,570	43,575,574,198	44,194,366,013
Non-Current Liabilities				
Other deferred credits	17	1,123,783,051	1,095,546,801	1,078,114,560
Leave benefits payable	18	849,149,212	576,277,397	414,828,780
Insurance liabilities for lifetime members	19	28,605,281,694	26,034,923,966	24,796,038,543
Total Non-Current Liabilities		30,578,213,957	27,706,748,164	26,288,981,883
TOTAL LIABILITIES		111,336,754,527	71,282,322,362	70,483,347,896
EQUITY				
Members' equity	20	109,958,024,338	105,299,856,667	84,275,191,436
Total Equity		109,958,024,338	105,299,856,667	84,275,191,436
TOTAL LIABILITIES AND EQUITY		221,294,778,865	176,582,179,029	154,758,539,332

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2019 and 2018 (In Philippine Peso)

	Notes	2019	2018 (As restated)
Total Premium contributions	21	146,435,027,872	134,088,832,845
Less: Benefit claims expenses	23	136,959,845,886	112,956,462,871
Gross Margin from Operations		9,475,181,986	21,132,369,974
Operating Expenses			
Personnel services	24	4,548,872,577	4,356,558,244
Other operating expenses	25	8,399,876,786	2,493,576,575
Total Operating Expenses		12,948,749,363	6,850,134,819
NET OPERATING INCOME (LOSS)		(3,473,567,377)	14,282,235,155
Add: Interest and other income	22	8,131,735,048	6,742,430,076
Net Income		4,658,167,671	21,024,665,231
Other Comprehensive Income		-	-
NET INCOME		4,658,167,671	21,024,665,231

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018 (In Philippine Peso)

	Notes	2019	2018 (As restated)
RESERVE FUND	20		
Reserve at January 1		105,298,073,320	84,273,408,089
Surplus transferred to reserves		4,658,167,671	21,024,665,231
Reserve Fund at December 31		109,956,240,991	105,298,073,320
SURPLUS	20		
Surplus at January 1		1,783,347	1,783,347
Net income		4,658,167,671	21,024,665,231
Total Surplus		4,659,951,018	21,026,448,578
Surplus transferred to reserves		(4,658,167,671)	(21,024,665,231)
Surplus at December 31		1,783,347	1,783,347
TOTAL MEMBERS' EQUITY		109,958,024,338	105,299,856,667

STATEMENTS OF CASH FLOW

For the Years Ended December 31, 2019 and 2018 (In Philippine Peso)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Cash received from premium contributions	151,543,736,275	128,229,530,383	
Interest received from investments	7,937,952,430	7,375,841,933	
Collection of rent	487,226	537,267	
Collection of other income	609,542,452	471,040,055	
Total Cash Inflows	160,091,718,383	136,076,949,638	
Cash Outflows			
Payment of benefit claims	(98,606,376,851)	(112,357,590,471)	
Payment of operating expenses	(6,238,167,850)	(5,969,459,599)	
Payment of bank charges	(14,123)	(75,367)	
Total Cash Outflows	(104,844,558,824)	(118,327,125,437)	
Net Cash Provided by/ (Used In) Operating Activities	55,247,159,559	17,749,824,201	
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Matured bonds	4,821,486,000	9,276,394,000	
Proceeds from disposal of assets	179,064	173,872	
Total Cash Inflows	4,821,665,064	9,276,567,872	
Cash Outflows			
Placement on time deposits	(69,086,086,078)	-	
Placement on bonds	(4,825,000,000)	(33,815,806,771)	
Purchase of property and equipment	(495,390,464)	(508,096,823)	
Total Cash Outflows	(74,406,476,542)	(34,323,903,594)	
Net Cash Provided by/ (Used In) Investing Activities	(69,584,811,478)	(25,047,335,722)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Trust receipts	(29,001,871)	(101,676,572)	
Net Cash Provided by/ (Used In) Financing Activities	(29,001,871)	(101,676,572)	
Increase/(Decrease) in Cash and Cash Equivalents	(14,366,653,790)	(7,399,188,093)	
Effects of exchange rate changes on cash and cash equivalents	(46,948)	46,930	
CASH AND CASH EQUIVALENTS, JANUARY 1	7	26,201,320,940	33,600,462,103
CASH AND CASH EQUIVALENTS, DECEMBER 31	7	11,834,620,202	26,201,320,940

Notes to Financial Statements

(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The National Health Insurance Act of 1995 or Republic Act (RA) No. 7875, and its amendments, otherwise known as the “National Health Insurance Act of 2013”, instituted a National Health Insurance Program (NHIP) that shall provide health insurance coverage and ensure affordable, acceptable, available and accessible health care services for all Filipinos. The Philippine Health Insurance Corporation (PhilHealth), a tax-exempt government owned and controlled corporation (GOCC), was established to administer the Program at the central and local levels. The Head Office is located at 709 CityState Center Building, Barangay Oranbo, Shaw Boulevard, Pasig City.

On February 20, 2019, RA No. 11223 or the Universal Health Care (UHC) Law was enacted. This law automatically provides social health risk protection for all Filipino citizens in the NHIP. The Corporation being an attached agency of the Department of Health (DOH) for policy coordination and guidance, and is governed by a Board of Directors composed of thirteen (13) members and has the powers and functions provided for in Article IV, Section 16 of RA No. 7875, as amended. The Corporation has the power, among others, to formulate and promulgate policies, set standards, rules and regulations necessary to ensure quality of care and overall accomplishment of program objectives, formulate and implement guidelines contributions and benefits; establish branch offices, manage grants and donations, acquire property, collect, deposit, invest, administer and disburse the National Health Insurance Fund (NHIF), to enter into contract with health care institutions, to fix a reasonable compensation, allowances and benefits of all positions including the President and Chief Executive Officer (CEO), based on a comprehensive job analysis and audit of actual duties and responsibilities subject to the approval of the President of the Philippines.

The NHIF as amended shall consist of premiums from direct or indirect contributors; 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.

2. 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.

3. BASIS OF PREPARATION

3.1 Basis of Measurement

The financial statements are measured in Philippine Peso (P), which is also the Corporation’s functional and presentation currency. All values are rounded-off to the nearest peso values, unless otherwise stated. The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of an assets and fair value of the consideration received in exchange for incurring a liability.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Corporation uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

3.2 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policies and disclosures

a.) New Standards effective for reporting periods beginning on or after January 1, 2019

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, 2019. 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, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

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

Based on the Corporation’s analysis of its business model and the contractual cash flow characteristics of its financial assets as at December 31, 2019, 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 PAS 39 and the new classification categories under PFRS 9 for each class of the Corporation’s financial assets as at December 31, 2019:

	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	70,086,086,078	70,086,086,078
Premium receivables	Loans and receivables	Financial assets at amortized cost	9,178,195,991	9,178,195,991
Investment securities	AFS financial assets	Financial assets at amortized cost	124,382,976,137	124,382,976,137

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 (eg. 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.

b.) 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, 2019 and have not been applied in preparing the financial statements are summarized as follows:

Effective for annual periods beginning on or after January 1, 2023:

■ 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.

c.) 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.

4.2 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.

4.3 Property and Equipment

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

■ Its purchase price, including import duties and

non-refundable purchase taxes, after deducting trade discounts and rebates;

- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

- The initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. At the end of each reporting period, items of property, plant and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

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

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.

4.4 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.

4.5 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.

4.6 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.

4.7 Accounting for Insurance Liability for Lifetime Membership

As stipulated in the Section 17 of 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. In compliance thereto, the Corporation, initially, set up the fund by recognizing an expense and liability account based on an actuarial estimate. Annually, this liability is adjusted.

4.8 Contingent Assets

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

4.9 Investment Securities at Amortized Cost

Interest income

Interest income is recognized in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the expected estimated future cash payments and receipts through the expected life of the financial asset or liability. Where financial assets have been impaired, interest income continues to be recognized on the impaired value, based on the original effective interest rate.

Classification

Financial assets - Management determines the appropriate classification of financial instruments at the time of the purchase and revalues its portfolio on a regular basis to ensure that all financial assets are appropriately classified. The Corporation's investments are categorized as:

- **Held-to-maturity investments** — These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Where PhilHealth to sell other than an insignificant amount of held- to-maturity assets, the entire category would be tainted and reclassified as available for sale. These include treasury bills and treasury bonds.

- **Available-for-sale** — These are investments intended to be held to maturity, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates. These include treasury bills and bonds and corporate bonds.

Recognition

Purchases and sales of financial instruments at fair value through profit or loss and available for sale assets are recognized on the date they are transferred to the Corporation.

Measurement

Financial instruments are initially recognized at fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue thereof. Available-for-sale financial assets and

financial instruments at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are included in the profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in other comprehensive income should be recognized in profit or loss. However, interest calculated using the effective interest method is recognized in the profit or loss.

Derecognition

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Corporation is recognized as a separate asset or liability. The Corporation enters into transactions whereby it transfers assets recognized on its Statement of Financial Position but retains either all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

4.10 Surplus

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

4.11 Revenue Recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Corporation and the amount of revenue can be reliably measured. The following specific recognition criteria must be met:

- **Premiums' contribution** - Revenue is recognized as the members' contribution become due.
- **Interest Income** - Interest income is recognized as the interest accrues taking into account the effective interest.
- **Rent Income** - Income from rental of property is derived from the unoccupied portion of the building of PhilHealth Regional Office (PRO) No. III and it is recognized on a straight-line basis over the lease term.

4.12 Expense Recognition

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

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 No. 2018-0095.

Operating Expenses

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

4.13 Leases

Corporation as a Lessee

The Corporation's leasing activity is mainly for office spaces and warehouses. The non- cancellable contracts period for leases is 3 to 5 years and has no extension clause. Upon expiration of the lease contract, it is extended on a month to month basis only until a new contract is executed or a new office space will be leased. The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The estimated useful lives of right-of- use asset are based on the lease term since there is neither a transfer of title nor purchase option in the lease contract. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments, including incremental, that are not paid at the commencement date or January 1, 2019, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the rate provided by Bloomberg Valuation (BVAL) rate provided by the Corporation's Investment Division. Generally, we use the BVAL rate to measure lease liability. Lease payments included in the measurement of the lease liability are fixed payments and incremental payments indicated in the lease contract and cost of restoring the lease asset at the end of the contract if any.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future leases payments arising from a change in an index or rate.

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.

■ **Short-term leases and leases of low-value assets.** The Corporation does not have leases of low-value assets. Classified under Short-term leases are office spaces that are on a month to month basis renewal and have no multi-year contract. Right-of-Use assets are office spaces and warehouses being leased by PhilHealth with a multi-year contract.

Below is the summary of information regarding right-of-use asset of the Corporation:

	2019
Carrying amount of Right-of-use asset	969,778,232
Depreciation expense	200,209,850
Interest expense	133,241,448
Short-term leases	163,700,054
Total Cash Outflow for Leases	1,466,929,584

4.14 Research and Development Cost

There is no policy yet formulated for the treatment of research costs and the basis for capitalization of development costs (for those internally developed application/software).

4.15 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.

4.16 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.

4.17 Contingent Liabilities

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

4.18 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.

5. 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.

5.1 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 (v) 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 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 liquidity 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 investments. 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 11 of UHC 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.

6. SIGNIFICANT ACCOUNTING JUDGMENTS 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.

Methodology for Estimating Incurred But Not Yet Received (IBNR) claims

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.

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 Premium Income from the Direct Contributors - Employed Sector

Estimate is based on last month's premium contributions which are due and paid through

Accredited Collecting Agents (ACAs) and over the counter at PhilHealth's Regional Offices.

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 still in process at the end of the reporting period. The estimate is based on the case rate amount extracted from the N-Claims.
- 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.

7. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2019	2018 (As Restated)
Collecting officers	88,585,210	74,911,101
Petty cash fund	2,899,473	2,141,605
Cash in bank	2,087,016,745	2,955,339,150
Special savings deposit (SSD)	9,656,118,774	23,168,929,084
Total	11,834,620,202	26,201,320,940

7.1 The amounts of P88,585,210 and P74,911,101 as at December 31, 2019 and 2018, respectively, represent collections at the end of the month of the Collecting Officers which are to be deposited on the following working day.

7.2 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 P2,899,473 and P2,141,605 as at December 31, 2019 and 2018, respectively, represent available petty cash fund as of reporting dates.

7.3 Cash in Bank amounting to P2,087,016,745 and P2,955,339,150 as at December 31, 2019 and 2018, 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.

7.4 Special Savings Deposit (SSD) amounting to P9,656,118,774 and P23,168,929,084 as at December 31, 2019 and 2018, 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 P1,489,811,647 with interest rates ranging from 0.400% to 4.4250% and 0.375% to 3.850% for 2019 and 2018, respectively.

8. INVESTMENTS IN TIME DEPOSITS

Investments in Time Deposits are term deposits of ninety one (91) to three hundred sixty four (364) days with interest rate ranging from 3.3250% to 4.3100% and ranging from 3.00% to 3.6500% for 2019 and 2018, respectively.

	2019	2018 (As Restated)
Investment in time deposits-local	70,086,086,078	1,000,000,000
Total	70,086,086,078	1,000,000,000

9. PREMIUM RECEIVABLES

	2019	2018 (As Restated)
Formal economy	7,781,824,691	7,966,694,103
Due from NGAs	851,496,144	11,644,306,931
Due from LGUs	544,875,156	471,540,705
Total	9,178,195,991	20,082,541,739

This account consists of:

9.1 Premium Receivable of the Formal Economy amounting to P7,781,824,691 and P7,966,694,103 as at December 31, 2019 and 2018, respectively, represent accruals of premium contributions of the members in the formal economy based on Accredited Collecting Agents (ACAs) and Over-the-counter Collections.

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

[illegible]

9.3 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:

	2019	2018 (As Restated)
National Capital Region (NCR)	29,490,000	115,252,739
Cordillera Administrative Region (CAR)	11,533,856	14,510,256
I	1,065,000	623,333
II	17,964,470	75,597,524
III	111,971,671	3,587,000
IV-A	3,010,600	(11,199,500)
IV-B	1,841,400	3,703,300
V	4,983,000	8,075,960
VI	177,104,520	167,822,120
VII	71,192,640	1,409,092
X	3,540,000	1,200,000
XI	10,809,000	9,512,626
XII	5,488,400	—
XIII — CARAGA	83,656,999	75,154,310
Autonomous Region in Muslim Mindanao (ARMM)	11,223,600	6,291,945
Total	544,875,156	471,540,705

10. OTHER CURRENT ASSETS

	2019	2018 (As Restated)
Supplies and materials	107,095,032	99,519,486
Semi-expendable	22,988,469	11,261,721
Accrued interest receivable-investment	1,651,848,865	1,241,683,249
Other receivables	96,915,469	77,528,121
Total	1,878,847,835	1,429,992,577

10.1 Supplies and Materials amounting to P107,095,032 and P99,519,486 as at December 31, 2019 and 2018, respectively, represent small tangible items that are expected to be used within one year from the reporting date.

10.2 Semi-expendable items amounting to P22,988,469 and P11,261,721 as at December 31, 2019 and 2018, respectively, represent equipment, books, furniture & fixture costing less than P15,000.

10.3 Accrued interest Receivable on investment amounting to P1,651,848,865 and P1,241,683,249 as at December 31, 2019 and 2018, respectively, represents interest earned from Investment Securities at Amortized Cost.

10.4 Other Receivables amounting to P96,915,469 and P77,528,121 as at December 31, 2019 and 2018, 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.

11. INVESTMENT SECURITIES AT AMORTIZED COST

11.1 Investment in Government Bonds with a maturity period of more than one year and with an average interest rate of 5.8018 percent.

	Interest Rate	2019	2018 (As Restated)
Retail T-bonds	5.3250%	50,599,080,000	49,099,080,000
RTB Non-restricted environment	5.8125%	40,686,267,054	46,236,147,402
10-year T-bonds	6.2679%	15,052,62,083	15,112,383,650
Sub-Total		106,337,976,137	110,447,611,052

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

Interest earned on Investment Securities at Amortized Cost amounted to P6,445,144,391 and P5,670,021,221 in 2019 and 2018, respectively.

	Interest Rate	2019	2018 (As Restated)
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
5.25-year GT Capital Fixed Rate Bonds	4.7106%	-	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
2-year DBP Series A ASEAN Sustainability Fund	4.2500%	5,000,000,000	--
Sub-Total		18,045,000,000	14,345,000,000
Grand Total		124,382,976,137	124,792,611,052

12. PROPERTY AND EQUIPMENT

This account consists of:

	Land and land improvements	Building and structure / leasehold improvements	Right-of-use assets	Construction in progress	Furniture & fixtures equipment & books	Motor vehicles	Total
Cost							
January 1, 2019	875,091,353	174,856,767	793,080	27,569,241	2,635,561,639	242,577,339	3,956,449,419
Additions	1,086,000	29,490,865	--	--	538,544,400	836,776	569,958,041
Adjustments	--	(801,859)	1,169,195,002	--	(185,937,265)	(9,214,924)	973,240,954
December 31, 2019	876,177,353	203,545,773	1,169,988,082	27,569,241	2,988,168,774	234,199,191	5,499,648,414
Accumulated Depreciation							
January 1, 2019	1,442,621	86,938,230	--	--	1,410,739,675	136,280,600	1,635,401,126
Depreciation	27,716	16,987,373	200,209,851	--	298,345,400	21,547,401	537,117,741
Adjustments	--	(2,255,822)	--	--	(66,259,995)	(6,456,035)	(74,971,852)
December 31, 2019	1,470,337	101,669,781	200,209,851	--	1,642,825,080	151,371,966	2,097,547,015
Net Book Value December 31, 2019	874,707,016	101,875,992	969,778,231	27,569,241	1,345,343,694	82,827,225	3,402,101,399
Net Book Value December 31, 2018, As Restated	873,648,732	87,918,537	793,080	27,569,241	1,224,821,964	106,296,739	2,321,048,293

Included under Land and Buildings accounts are the following:

12.1 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.

12.2 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.

12.3 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 as 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.

12.4 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.

12.5 A parcel of lot with a total area of 600 sq. m. located in Gov. Democrito O. Plaza Government Center, Patin-ay, Prosperidad, Agusan del Sur which will be used as the PRO CARAGA's Local Health Insurance Office (LHIO) San Francisco Corporate Office. This property was received by way of donation, through Deed of Donation executed by the Provincial Government of Agusan del Sur in favor of PhilHealth office. This property is recorded in the books at P1,086,000.

12.6 List of Right of Use Assets: Please see attached Annex A for details.

Office	2018 (As Restated)
Head Office	479,762,130
PRO I	14,482,293
PRO III	47,948,907
PRO IVA	44,178,059
PRO IVB	38,822,816
PRO V	24,278,093
PRO VI	61,027,138
PRO VII	34,439,747
PRO VIII	9,614,660
PRO X	95,823,648
PRO XI	46,790,139
PRO XII	25,131,313
PRO NCR	165,383,429
PRO ARMM	16,704,773
PRO CAR	63,592,570
PRO CARAGA	2,008,368
Total	1,169,988,083

13. 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.

	Amount
Cost, January 1, 2019	297,797,696
Additions/deductions	45,900,476
Cost, December 31, 2019	343,698,172
Accumulated amortization	(75,927,265)
Net Book Value, December 31, 2019	267,770,907
Net Book Value, December 31, 2018, As Restated	297,797,696

14. OTHER ASSETS

14.1 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 P674,581 and P8,806 as at December 31, 2019 and 2018, respectively, represent available funds from the said officers as of reporting date.

14.2 Advances to Officers & Employees account amounting to P1,211,032 and P764,562 as at December 31, 2019 and 2018, respectively, represents cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travels.

14.3 Prepayments amounting to P32,619,252 and P24,644,927 as at December 31, 2019 and 2018, 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).

14.4 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, 2019. The remaining balance of P94,006 represents Debit/Credit Scheme (DCS) transactions.

This account consists of the following:

	2019	2018 (As Restated)
Advances to disbursing officers	674,581	8,806
Advances to officers and employees	1,211,032	764,562
Prepayments	32,619,252	24,644,927
Deferred charges	771,659	809,294
Guaranty deposits	96,143,856	88,848,634
	131,420,380	115,076,223
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	4,422,178
PROs (from various Health Providers-Debit Credit Scheme)	635,559	635,559
Unserviceable equipment	55,634,816	37,388,554
Serviceable equipment	3,678,768	2,945,948
Receivable from NGAs	394,741,430	394,741,430
Receivable from PCSO	100,566,336	100,566,336
Receivable from LGUs	455,575,301	644,178,581
Other assets - intangible	5,221,886	3,843,855
Gross Long-term receivable	1,288,073,188	1,459,284,784
Less: Allowance for doubtful accounts	(1,155,313,252)	(1,117,494,275)
	132,759,936	341,790,509
Net Amount	264,180,316	456,866,732

14.5 Guaranty deposits amounting to P96,143,856 and P88,848,634 as at December 31, 2019 and 2018, respectively, represent transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.

14.6 Long Term Receivable from the DBM amounting to P155,235,240 as at December 31, 2019 and 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.

14.7 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to P115,000,000 as at December 31, 2019 and 2018

represents the balance of the account for the premium counterpart of various LGUs under the Enhanced PCSO-Greater Medicare Access (PCSO-GMA) Program.

14.8 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to P327,103 as at December 31, 2019 and 2018 was pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.

14.9 Disallowances amounting to P1,456,749 and P4,422,178 as at December 31, 2019 and 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.

14.10 Debit/Credit Scheme (DCS) amounting to P635,559 as at December 31, 2019 and 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.

14.11 Unserviceable Equipment account amounting to P55,634,816 and P37,388,554 as at December 31, 2019 and 2018, respectively, represents equipment that are already for disposal. Serviceable Equipment account amounting to P3,678,768 and P2,945,948 as at December 31, 2019 and 2018, 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.

14.12 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.

14.13 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.

14.14 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.

	2019	2018 (As Restated)
NCR	1,428,200	1,405,600
CAR	11,450,712	11,694,313
I	39,839,267	43,829,267
II	21,532,741	21,532,741
III	-	147,966,682
IV-A	14,124,485	14,124,485
IV-B	938,740	938,740
V	286,037,068	288,277,908
VII	-	4,953,440
VIII	28,916,462	48,038,585
IX	230,259	903,285
X	29,200,974	36,900,974
XI	19,918,141	21,185,941
ARMM	1,958,252	2,426,620
Total	455,575,301	644,178,581

14.15 Other Assets-Intangibles—These are reclassified from Intangible Assets which are fully amortized and is left only with their residual value.

14.16 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. The Corporation shall adopt the Allowance Method in recording bad debts in its books of account and use the Specific Identification Method in determining the amount of uncollectible in setting up the allowance for doubtful accounts.

	2019	2018 (As Restated)
DBM (transfer of NHIP Program from GSIS to PHIC)	155,235,240	155,235,240
PCSO (Enhanced GMA Program)	115,000,000	115,000,000
PDIC (per MB Reso. 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	389,175,280	351,356,303
Total Allowance for Impairment	1,155,313,252	1,117,494,275

15. BENEFIT CLAIMS PAYABLE

	2019	2018 (As Restated)
Benefit claims processed	4,124,188,649	8,055,728,690
Primary care benefit - PCB Processed	174,134,532	6,300,750
Accrued benefit claims - ICS	21,921,630,105	9,745,983,730
Accrued benefit claims - IBNR	36,086,348,280	13,180,691,005
Accrued benefit claims - PCB	13,259,959,951	8,798,115,549
Total	75,566,261,517	39,786,819,724

15.1 Benefit claims processed amounting to P4,124,188,649 and P8,055,728,690 as at December 31, 2019 and 2018, respectively, represents benefit payment checks still in the possession of the Corporation.

15.2 Primary Care Benefit (PCB) processed amounting to P174,134,532 and P6,300,750 as at December 31, 2019 and 2018, respectively, represents PCB payment checks still in the possession of the Corporation.

15.3 Accrued Benefit Claims - In Course of Settlement (ICS) amounting to P21,921,630,105 and P9,745,983,730 as at December 31, 2019 and 2018, respectively, are benefit claims in process as of the reporting period.

15.4 Accrued Benefit Claims - Incurred But Not Yet Received (IBNR) amounting to P36,086,348,280 and P13,180,691,005 as at December 31, 2019 and 2018, 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.

15.5 Accrued Benefit Claims - Primary Care Benefit (PCB) amounting to P13,259,959,951 are claims which are actuarially estimated as at December 31, 2019 and the remaining balance of P4,916,372,328 are accruals of prior years.

15.6 Under the accrual principle of accounting, transactions are recorded in the period in which they actually occur, rather than the period in which the cash flows related to them occur. The conservatism principle is the general concept of recognizing expenses and liabilities as soon as possible when there is uncertainty about the outcome, but to only recognize revenues and assets when they are assured of being received. Applying these general principles, PhilHealth records benefit claims — Incurred but Not yet Paid (IBNP) which is further broken down into two categories:

a.) In Course of Settlement (ICS) are claims in process at the end of the reporting period. It is 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. Accrued ICS in 2018 amounted to P9.7 billion. Starting 2019, the estimate is based on the case rate amount extracted from the N-Claims.

b.) Incurred but not yet Recorded (IBNR) are claims which are estimated to be in the possession of the Health Care Institutions as of the end of the month and have yet to be submitted to PhilHealth within the allowable 60-day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015. Accrued IBNR in 2018 (restated) amounted to P13 billion. The amount was estimated by the Actuary and Risk Management Sector (ARMS). 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 claim processing or development pattern, which is used to determine completion factors to help estimate the unprocessed portion of incurred claims. The adjustment in benefit claims payable is due to the fact that the actual claims received and paid as of December 31, 2019 from the recorded IBNR is only P15.8 billion which is lower by almost P12.8 billion compared to the recorded amount of P36 billion.

16. OTHER PAYABLES

16.1 Included in the other payable is the accrued personnel services (PS) for Welfare Support Assistance (WESA) from CY 2012 to CY 2019. Below is the basis of accruing the said assistance, to with:

The PhilHealth Board of Directors issued Board Resolution No. 385, s. 2001, granting the payment of the Welfare Support Assistance (WESA) of P4,000 each to all qualified employees effective January 01, 2001. This is in lieu of the subsistence and laundry allowances paid to public health workers under Republic Act (RA) No. 7305, otherwise known as the *Magna Carta*

of Public Health Workers. However, on February 07, 2008, the Commission on Audit (COA) issued Notice of Disallowance (ND) PHIC 2008-003 (2004) disallowing the payment of WESA contending that the payment was made without legal basis in the absence of approval from the Office of the President. On Appeal, the COA *en banc* sustained the disallowance.

PhilHealth then filed a Petition before the Supreme Court seeking to reverse and set aside the Decision of the COA. The Supreme Court in its Decision dated November 29, 2016, held that the Health Secretary approved the grant of the WESA together with ten (10) other members of the Board does not make the act any short of the approval required under the law. As far as the Magna Carta and its Revised IRR are concerned, the then Health Secretary Dr. Alberto G. Romualdez, Jr. voted in favor of the WESA's issuance, and for as long as there exists no deception or coercion that may vitiate his consent, the concurring votes of his fellow Board members does not change the fact of his approval. PhilHealth's grant of the WESA was aptly sanctioned not only by Section 12 of the Salary Standardization Law (SSL) which explicitly identifies laundry and subsistence allowance as excluded from the integrated salary, but also by statutory authority, particularly, Sections 22 and 24 of the Magna Carta. In view of such fact, the PhilHealth officers cannot be found to have approved the issuance of the same in bad faith or in gross negligence amounting to bad faith for it was well within the parameters set by law.

As a result of the decision of the Supreme Court (GR. No. 213453) reversing the ND and COA decision on WESA on November 29, 2016, PhilHealth Management, with the concurrence of the Board of Directors, decided that such WESA should be given retroactive effect so that the rate of WESA, in lieu of Subsistence and Laundry Allowance, at P4,000 shall be deemed continuously granted starting February 2012 after its restoration by virtue of the PhilHealth Board of Directors Resolution dated December 2019.

Such an interpretation is consistent with the constitutionally-protected right of labor and that any doubt in the interpretation of laws, including compensation laws, should be resolved in favor of labor. Section 3 of **Article XIII** of the **1987 Constitution** on Social Justice and Human Rights reads:

This account consists of:

	2019	2018 (As Restated)
Accrued Expenses		
PS	2,032,141,904	1,638,898,773
MOOE	1,125,933,981	1,064,179,899
CAPEX	296,820,273	179,932,510
Lease Liability Payable	998,262,164	-
Statutory Liabilities		
Due to BIR	116,691,998	160,087,200
Due to GSIS	59,253,977	60,762,919
Due to Pag-IBIG	2,938,395	4,145,519
Due to PhilHealth	6,124,285	6,711,433
Due to Other NGAs	10,518,000	11,408,566
Due to Other GOCCs	751,489	751,489
Due to LGUs	6,654,534	45,180
PhilHealth Provident Fund	17,467,850	6,655,320
Trust Liabilities		
UNFPA Project	36,800	36,396
Unclaimed Refund from Health Care Providers	312,270,346	358,357,969
AHP - Protest Bond	6,275,000	5,255,000
Donations	8,845,550	8,957,285
Performance/bidders bond payable	30,679,641	35,404,258
Retention fee	34,609,577	42,305,112
Global Development Project	1,872,296	1,838,030
Philippine Training Institute	4,793,157	4,995,765
PhilHealth Run 2013	900	900
PhilHealth Run 2015	563,205	288,540
Calamity fund	127,260	752,648
Others	118,646,471	196,983,763
Total	5,192,279,053	3,788,754,474

“The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all.” Section 18, **Article II** of the **1987 Constitution** states that “[t]he State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare” and Section 10 declares that “[t]he State shall promote social justice in all phases of national development.”

16.2 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.

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

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

	2019	2018 (As Restated)
Westmont Investment Corporation	2,945,656	2,945,656
Strategies and Alliance Corporation	3,698,129	3,809,864
Land Bank of the Philippines	110,000	110,000
Donation received by PROs	2,091,765	2,091,765
Total	8,845,550	8,957,285

These donations shall finance specific projects like:

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

17. OTHER DEFERRED CREDITS

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

This account consists of the following:

	2019	2018 (As Restated)
Advance premium by informal economy	477,768,364	473,645,351
Premium contribution for NHTS enrollment (CYs 2013 and 2014)	516,844,200	516,844,200
Accreditation fees - ACAs	636,114	482,761
Accreditation fees - HCPs	1,465,900	1,706,800
Subsidy from LGUs	33,478,533	24,179,080
Others	93,589,940	78,688,609
Total	1,123,783,051	1,095,546,801

18. LEAVE BENEFITS PAYABLE

	2019	2018 (As Restated)
Leave benefits processed	2,992,437	-
Accrued leave benefits	846,156,775	576,277,397
Total	849,149,212	576,277,397

18.1 Leave Benefits processed amounting to P2,992,437 represents leave monetization of officers and employees as of December 31, 2019.

18.2 Accrued Leave Benefits — amounting to P846,156,775 and P576,277,397 as at December 31,

2019 and 2018, respectively, represent money value of the earned leave credits of officers and employees of PhilHealth which are actuarially estimated based on the following assumptions: (a) one percent (1%) separation rate per year, (b) two percent (2%) discount rate, (c) four percent (4%) increase in salary per year.

Details of accrued leave benefits are as follows:

Year	Amount
CY 2019	269,879,378
CY 2018	157,456,290
CY 2017 and prior years	418,891,107
Total	846,156,775

19. INSURANCE LIABILITIES FOR LIFETIME MEMBERS

As stipulated in the Section 17 of 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 at December 31, 2019 and 2018 were estimated at P28,605,281,694 and P26,034,923,966, respectively, by the Corporate Actuary and was already allocated in the Reserve Fund.

20. MEMBERS' EQUITY

Members' Equity consists of the following:

	2019	2018 (As Restated)
Reserve fund	109,956,240,991	105,298,073,320
Surplus (Disallowance)	1,783,347	1,783,347
Total Members' Equity	109,958,024,338	105,299,856,667

20.1 Reserve Fund

	2019	2018 (As Restated)
Reserve at January 1, 2019	105,298,073,320	84,273,408,089
Surplus transferred to reserve	4,658,167,671	21,024,665,231
Reserve Fund	109,956,240,991	105,298,073,320

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 P306.600 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.

20.2 Surplus

	2019	2018 (As Restated)
Surplus at the beginning of year	1,783,347	1,783,347
Net income	4,658,167,671	21,024,665,231
Total surplus	4,659,951,018	21,026,448,578
Transferred to reserve	(4,658,167,671)	(21,024,665,231)
Surplus at Year-End	1,783,347	1,783,347

21. PREMIUM CONTRIBUTIONS

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

Details of Premium Contributions are as follows:

	2019	2018 (As Restated)
Direct Contributors	77,069,857,223	74,339,259,039
<i>Government</i>	<i>18,403,701,820</i>	<i>16,702,487,788</i>
<i>Private</i>	<i>50,461,085,141</i>	<i>50,096,059,161</i>
<i>Enterprise Owner</i>	<i>161,200</i>	<i>586,093</i>
<i>Household Help / Kasambahay</i>	<i>62,053,679</i>	<i>70,634,808</i>
<i>Family Driver</i>	<i>--</i>	<i>13,484</i>
<i>Migrant Workers</i>	<i>1,021,834,517</i>	<i>1,028,874,173</i>
<i>Informal Sector</i>	<i>4,171,188,007</i>	<i>3,546,991,722</i>
<i>Self Earning Individuals</i>	<i>2,186,024,175</i>	<i>2,405,459,312</i>
<i>Organized Group</i>	<i>126,652,756</i>	<i>57,201,846</i>
<i>Women about to give birth</i>	<i>618,808,948</i>	<i>421,127,175</i>
<i>Filipinos with Dual Citizenship</i>	<i>2,212,042</i>	<i>672,100</i>
<i>Naturalized Filipino Citizen</i>	<i>211,775</i>	<i>11,400</i>
<i>Citizens of Other Countries working residing in the Phils.</i>	<i>11,668,188</i>	<i>6,938,700</i>
<i>Foreign Retirees</i>	<i>4,254,975</i>	<i>2,201,277</i>
Indirect Contributors	69,365,170,649	59,749,573,806
<i>Indigents - NHTS</i>	<i>30,407,378,400</i>	<i>37,157,479,200</i>
<i>Senior Citizens</i>	<i>33,868,279,600</i>	<i>18,674,391,216</i>
<i>Special Government Programs</i>	<i>106,209,600</i>	<i>104,935,200</i>
<i>Bangsamoro</i>	<i>48,148,800</i>	<i>49,586,400</i>
<i>PAMANA</i>	<i>58,060,800</i>	<i>55,348,800</i>
<i>Sponsored</i>	<i>4,983,303,049</i>	<i>3,812,768,190</i>
<i>NGAs</i>	<i>2,160,000</i>	<i>-</i>
<i>LGUs</i>	<i>2,008,250,049</i>	<i>2,037,396,906</i>
<i>Point of Service - Financially Incapable</i>	<i>2,965,037,300</i>	<i>1,636,091,384</i>
<i>Others</i>	<i>7,855,700</i>	<i>139,279,900</i>
Total	146,435,027,872	134,088,832,845

7. Kasambahay Law"; and
8. 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.

22. INTEREST AND OTHER INCOME

Interest and other income account are as follows:

	2019	2018 (As Restated)
<i>Interest Income:</i>		
Investment securities at amortized cost	6,445,144,391	5,670,021,221
Special savings deposits	1,489,811,647	982,518,837
Savings and current deposits	2,387,599	2,697,184
	7,937,343,637	6,655,237,242
<i>Other Income:</i>		
Accreditation fees - HCPs	26,657,822	26,901,552
Fines and penalties	92,636,976	40,344,669
Rent income	490,600	490,600
Income from grants and donations	1,086,000	995,000
Gain on foreign exchange	(45,503)	46,930
Sale of disposed/unserviceable property	342,450	(151,025)
Gain on sale of property, plant and equipment	53,977	54,263
Miscellaneous income	73,169,089	18,510,845
	194,391,411	87,192,834
Total	8,131,735,048	6,742,430,076

a.) Miscellaneous income in the Head Office consists of income ranging from one hundred thousand and above which includes penalties from supplier and Unclaimed Benefit Refund (UBR) amounting to P45,397,604 which was reverted back to the fund after two years of publication in the Philhealth's website portal per recommendation of the COA in the 2018 Annual Audit Report. For 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.

Details of this account are as follows:

	2019	2018 (As Restated)
Formal economy	28,993,554,493	24,427,851,224
<i>Private</i>	20,365,233,511	17,421,846,517
<i>Government</i>	8,628,320,982	7,006,004,707
Informal economy	24,379,873,989	21,719,207,090
Indigent - NHTS	36,465,259,126	27,511,238,757
including PCB		
Sponsored	10,918,615,838	9,852,779,130
Senior citizens	23,144,595,748	20,649,020,746
Lifetime member program	13,057,946,692	8,796,365,924
Total	136,959,845,886	112,956,462,871

23. BENEFIT CLAIMS EXPENSES

Benefit Claims Expenses for 2019 and 2018 are recognized at the date of confinement.

The benefit claims also include Primary Care Benefits (PCB) which are actuarially estimated as of December 31, 2019 of the accruals of PCB that are still expected to be paid considering the existing policy on payment of the PCB PFPR (per family payment rate).

24. PERSONNEL SERVICES

Personnel services account includes:

	2019	2018 (As Restated)
Salaries and wages	1,810,673,774	1,787,932,809
Other compensation	1,809,377,198	1,828,234,319
Statutory contributions	654,075,972	537,360,774
Other personnel services	274,745,633	203,030,342
Total	4,548,872,577	4,356,558,244

25. 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.

	2019	2018 (As Restated)
Maintenance and other operating expenses (MOOE)	1,869,687,370	1,955,501,976
Other expenses	235,852,444	108,633,949
Non-cash expenses	6,294,336,972	429,440,650
Total	8,399,876,786	2,493,576,575

25.1 MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2019	2018 (As Restated)
Travelling expenses	177,658,473	134,917,445
Travelling expenses - local	176,379,857	133,613,112
Travelling expenses - foreign	1,278,616	1,304,333
Training and scholarship expenses	89,226,217	59,881,971
Supplies and materials expenses	169,673,370	177,234,578
Semi-expendable expenses	22,140,609	56,072,349
Utility expenses	153,285,044	154,493,170
Water expenses	9,484,868	6,563,606
Electricity expenses	143,800,176	147,929,564
Communication expenses	202,172,764	169,136,240
Postage and courier services	25,396,358	35,350,392
Telephone expenses	74,795,696	24,774,273
Internet subscription expenses	101,040,680	107,990,638
Cable, satellite, telegraph and radio expenses	940,030	1,020,937
Awards/rewards, prizes and indemnities	5,015,408	4,924,200
Survey, research, and development expenses	42,953,152	67,648,521
Professional services	172,482,505	111,358,057
Auditing services	60,932,904	56,649,843
Consultancy services	1,324,613	3,992,501
Other professional services	110,224,988	50,715,713
General services	230,386,023	207,816,863
Janitorial services	77,747,448	67,047,726
Security services	152,638,575	140,769,137
Repairs and maintenance	25,505,985	22,424,306
Repairs and maintenance - land improvement	14,110	79,536

Repairs and maintenance - building & other structures	665,539	1,183,365
Repairs and maintenance - machinery & equipment	11,529,038	8,843,651
Repairs and maintenance - transportation equipment	10,450,284	9,352,277
Repairs and maintenance - furniture & fixtures	637,215	514,845
Repairs and Maintenance - leased assets improvements	2,209,799	2,450,632
Taxes, Insurance Premiums and Other Fees	22,083,099	20,717,735
Taxes, duties and licenses	173,186	316,089
Fidelity bond premiums	7,935,875	6,784,053
Insurance expenses	13,974,038	13,617,593
Other maintenance and operating expenses	557,104,721	768,876,541
Advertising, promotional and marketing expenses	128,950,393	140,559,782
Printing and publication expenses	9,048,344	13,367,713
Representation expenses	42,759,330	35,373,241
Transportation and delivery expenses	4,796,684	4,686,406
Rent/ lease expenses	163,700,054	400,405,603
Membership dues and contribution to organizations	8,589,322	8,235,928
Subscription expenses	31,837,123	2,558,756
Donations	141,321	3,357,007
Documentary stamps expense	1,175	-
Major events and conventions expenses	38,594,495	19,302,418
Other MOOE - others	128,686,480	141,029,687
Total	1,869,687,370	1,955,501,976

25.2 FINANCIAL EXPENSES

This account consists of the following:

	2019	2018 (As Restated)
Bank charges	57,881	7,407
Interest expenses	133,241,448	--
Other financial charges	102,553,115	108,626,542
Total	235,852,444	108,633,949

Interest Expenses includes the effect of applying PFRS 16 amounting to P124,575,152.

25.3 NON-CASH EXPENSES

This account consists of the following:

	2019	2018 (As Restated)
Depreciation	537,117,741	331,772,359
Depreciation - land improvements	27,716	27,716
Depreciation - buildings & structures/leasehold improvements	1,299,847	1,327,758
Depreciation - machinery and equipment	284,883,150	275,934,503
Depreciation — furniture and fixtures and books	13,462,250	21,488,589
Depreciation - transportation equipment	21,547,401	22,563,779
Depreciation — right-of-use assets	200,209,851	-
Depreciation - leased assets improvements	15,687,526	10,430,014
Amortization - Intangible assets	75,927,265	71,863,557
Impairment loss	5,679,950,268	24,292,728
Impairment loss — loans and receivables	23,245,402	-
Impairment loss - inter-agency receivables	5,555,742,000	-
Impairment loss — intangible assets	83,053,595	16,713,209
Impairment loss — other receivables	17,905,980	7,334,800
Impairment loss — other assets	3,291	244,719
Losses	1,341,698	1,512,006
Loss on sale of property, plant, & equipment	1,341,698	1,201,591
Loss on sale of assets	-	18,780
Loss of assets	-	291,635
Total	6,294,336,972	429,440,650

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.

26. RELATED PARTY DISCLOSURES

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.

26.1 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 (PCEO). 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 for CYs 2019 and 2018, are as follows:

	2019	2018 (As Restated)
Salaries and wages	20,220,153	19,778,035
Terminal benefits	--	1,370,514
Total	20,220,153	21,148,549

There is no reportable compensation provided to close family members of key management personnel during the period.

27. RESTATEMENTS

The restatement is in accordance with PAS 8 and pertains to prior period adjustments to apply changes in accounting policies, specific principles, rules and practices in the preparation and presentation of the financial statements.

Below is the summary of financial impact of the restatements of the 2018 financial statements.

27.1 Statement of Financial Position

December 31, 2018

	Audited	Prior Year Adjustments	As Restated
ASSETS			
Current Assets			
Cash and cash equivalents	25,638,531,736	562,789,204	26,201,320,940
Investment in time deposits	1,000,000,000	-	1,000,000,000
Premium receivables	18,907,167,909	1,175,373,830	20,082,541,739
Other current assets	1,397,186,255	32,806,322	1,429,992,577
	46,942,885,900	1,770,969,356	48,713,855,256
Non-current Assets			
Investment securities at amortized cost	124,876,190,287	(83,579,235)	124,792,611,052
Property and equipment — net	2,326,803,553	(5,755,260)	2,321,048,293
Intangible assets — net	299,411,849	(1,614,153)	297,797,696
Other assets — net	415,816,979	41,049,753	456,866,732
	127,918,222,668	(49,898,895)	127,868,323,773
TOTAL ASSETS	174,861,108,568	1,721,070,461	176,582,179,029
LIABILITIES AND EQUITY			
Current Liabilities			
Benefit claims payables	47,773,468,834	(7,986,649,110)	39,786,819,724
Other payables	2,813,171,169	975,583,305	3,788,754,474
	50,586,640,003	(7,011,065,805)	43,575,574,198
Non-Current Liabilities			
Other deferred credits	1,095,546,801	-	1,095,546,801
Leave benefits payable	-	576,277,397	576,277,397
Insurance liabilities for lifetime members	26,034,923,966	-	26,034,923,966
	27,130,470,767	576,277,397	27,706,748,164
Total Liabilities	77,717,110,770	(6,434,788,408)	71,282,322,362
Equity			
Members' equity	97,143,997,798	8,155,858,869	105,299,856,667
	97,143,997,798	8,155,858,869	105,299,856,667
TOTAL LIABILITIES AND EQUITY	174,861,108,568	1,721,070,461	176,582,179,029

27.2 STATEMENT OF COMPREHENSIVE INCOME

December 31, 2018

	Audited	Prior Year Adjustments	As Restated
TOTAL PREMIUM CONTRIBUTIONS	132,463,006,004	1,625,826,841	134,088,832,845
Less: Benefit claims expenses	121,040,718,669	(8,084,255,798)	112,956,462,871
GROSS MARGIN FROM OPERATIONS	11,422,287,335	9,710,082,639	21,132,369,974
Less: Operating expenses			
Personnel services	4,117,906,210	238,652,034	4,356,558,244
Other operating expenses	2,483,233,307	10,343,268	2,493,576,575
Total Operating Expenses	6,601,139,517	248,995,302	6,850,134,819
NET OPERATING INCOME (LOSS)	4,821,147,818	9,461,087,337	14,282,235,155
Add: Interest and other income	6,794,777,427	(52,347,351)	6,742,430,076
NET INCOME/(LOSS)	11,615,925,245	9,408,739,986	21,024,665,231

27.3 STATEMENT OF CHANGES IN EQUITY

December 31, 2018

	Audited	Prior Year Adjustments	As Restated
RESERVE FUND			
Reserve at January 1, 2018	85,526,289,206	(1,252,881,117)	84,273,408,089
Surplus transfer to Reserve fund	11,615,925,245	9,408,739,986	21,024,665,231
Reserve fund at December 31, 2018	97,142,214,451	8,155,858,869	105,298,073,320
Surplus			
Surplus at January 1, 2018	1,783,347	-	1,783,347
Net income	11,615,925,245	9,408,739,986	21,024,665,231
Surplus transfer from Reserve fund	(11,615,925,245)	9,408,739,986	(21,024,665,231)
Surplus at December 31, 2018	1,783,347	-	1,783,347
TOTAL MEMBERS' EQUITY	97,143,997,798	8,155,858,869	105,299,856,667

The following are the nature of the above prior period adjustments which affected the financial statements as of December 31, 2018:

- To take up premium collections with applicable period of CY 2018.
- To take up reversal of accrued accounts payable for benefit claims of Incurred but Not yet Received (IBNR) and In Course of Settlement (ICS) due to overstatement.
- Accrued personnel services for Welfare Support Assistance (WESA) from CY 2012 to CY 2018 as a result of the decision of the Supreme Court (GR. No. 213453)

reversing the ND and COA decision on WESA on November 29, 2016.

- Accrued leave benefits for CY 2018 and below for the money value of the earned leave credits of officers and employees of PhilHealth which are actuarially estimated based on the following assumptions: (a) 1% separation rate per year; (b) 2% discount rate; (c) 4% increase in salary per year.
- PhilHealth share from Military Camp Sales Proceeds Fund (MCSPF) for the premium contributions of indigent families under NHTS 2017 program.
- Actual collection of receivable from DBM for POS 2017 program.

28. OTHER SIGNIFICANT AND RELEVANT INFORMATION

28.1 Release of Interim Reimbursement Mechanism.
On 30 January 2020, the Board issued PhilHealth Board Resolution (PBR) No. 2496, S. 2020 which approved the inclusion of the Interim Reimbursement Mechanism ("IRM") among the special privileges that may be conferred to the members during fortuitous events and emergencies. It provides:

" WHEREFORE, premises considered, the Board RESOLVES, as it is hereby RESOLVED, to APPROVE the inclusion of Interim Reimbursement Mechanism among the special privileges that may be conferred during fortuitous events and emergencies, thereby amending PhilHealth Board Resolution No. 1848, s. 2013 for this purpose."

Afterwards, the Board issued PBR No. 2515, S. 2020 dated 31 March 2020 to ratify the implementation of IRM nationwide due to the COVID-19 pandemic. Thus:

" WHEREFORE, premises considered, the Board RESOLVES, as it is hereby RESOLVED to RATIFY the implementation of Interim Reimbursement Mechanism nationwide due to the coronavirus disease (COVID-19)."

On 07 May 2020, PhilHealth issued Corporate Order No. 2020-0033 signed by BGen. Ricardo C. Morales, PCEO. It provides the guidelines and procedures in the recording and reporting of benefit claims under the IRM. Under the Specific Guidelines portion thereof, it explained how the IRM is to be recorded.

The total amount of release for the month of March 31, 2020 is P1,704,424,979.46 nationwide, details per PRO as follows:

Regional Office	Amount
PRO NCR	572,816,075.61
PRO IV-A	440,281,717.26
PRO V	353,834,524.59
PRO VIII	337,492,662.00
	1,704,424,979.46

28.2 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.

28.3 Point of Service (POS) Program

The Department of Budget and Management (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.

SARO No.	Amount of SARO	DBM Releases from CYs 2017 to 2019
SARO-BMB-C-17-0023166	91,333,530	91,333,530
SARO-BMB-C-17-0025119	103,350,096	103,350,096
SARO-BMB-C-17-0025794	2,805,316,374	1,183,312,841
SARO-BMB-C-18-0027709	714,535,200	714,535,200
SARO-BMB-C-18-0035076	350,904,000	350,904,000
SARO-BMB-C-19-0008291	1,921,533,600	1,921,533,600
SARO-BMB-C-19-0011860	316,548,000	316,548,000
SARO-BMB-C-19-0025794	253,862,400	253,862,400
SARO-BMB-C-19-0016585	120,720,000	120,720,000
SARO-BMB-C-19-0018764	130,910,400	130,910,400
SARO-BMB-C-19-0020384	218,397,600	218,397,600

28.4 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
Total	10,986,809,216

28.5 Assigned lot to PRO III

A parcel of lot with a total area of 1,831 sq. m. located within the Government Center, Barangay Maimpis, City of San Fernando, Pampanga was assigned to PRO III per Deed of Assignment from Regional Government Center (RGC) of San Fernando, Pampanga through a 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.

28.6 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.

28.7 PhilHealth's share from Military Camp Sales Proceeds Fund (MCSPF)

The DBM has issued SARO-BMB-C-19-0024648 dated December 16, 2019 amounting to P279,503,560 for the premium contributions of 116,460 indigent families under NHTS-PR program for CY 2017.

The release of the corresponding cash allocation is subject to PhilHealth's submission of Monthly Disbursement Program.

28.8 Status of Outstanding Legal Cases

a. Administrative Complaint against Health Care Providers Endorsed with the Office of the Government Corporate Counsel (OGCC)	Annex B
b. List of Health Care Providers with Amount involved filed with Prosecution Department	Annex C

29. SUPPLEMENTARY TAX INFORMATION UNDER REVENUE REGULATIONS (RR) NO. 15 - 2010

The taxes, duties and licenses fees paid and accrued during the taxable year required under RR No. 15-2010 are as follows:

	2019	2018
Taxes on compensation and benefits	167,381,519	173,764,348
Final taxes	216,766,886	78,668,796
Expanded withholding taxes	394,307,734	1,357,031,330
Total	778,456,139	1,609,464,474

Other Taxes, Duties and Licenses amounting to P173,186 and P316,089 for 2019 and 2018, respectively, are taxes paid for real property taxes and other fees paid to regulatory entities.

A close-up photograph of two business people shaking hands over a laptop. The person on the left is wearing a dark blue suit jacket and a light blue striped shirt. The person on the right is wearing a dark blue suit jacket and a blue and white checkered shirt. The background is a blurred office setting with warm lighting. The image has a torn paper effect along the top and bottom edges.

57

Board of Directors





FROM LEFT TO RIGHT

Gen. Rolando Joselito D. Bautista, (Ret.)

Secretary

Department of Social Welfare and Development

Carlos G. Dominguez III

Secretary

Department of Finance

Atty. Jonathan P. Mangaoang

Corporate Secretary

Philippine Health Insurance Corp.

Atty. Silvestre H. Belo III

Secretary

Department of Labor and Employment

Atty. Wendel E. Avisado

Secretary

Department of Budget and Management

BGEN. RICARDO C. MORALES, (RET.) FICD

Indirect Contributors Sector

Education:

MA in Post-Conflict Security Building (International Relations)-Naval Postgraduate School, Monterey, California, USA • Defense Resources Management Course-Naval Postgraduate School, Monterey, California, USA • Project Management Seminar, Asian Institute of Management-Makati, Manila • Bachelor of Science, Philippine Military Academy-Fort Del Pilar, Baguio City • Fellow, Institute for Corporate Directors (FICD)

BGen. Morales started his military career as an infantry platoon leader in the Philippine Army assigned in Sulu. He served in various field assignments in Sulu, Basilan and mainland Mindanao, and also in several staff positions at the AFP General Headquarters in Camp Aguinaldo and at the Headquarters, Philippine Army Prior to his retirement from the active service in 2009, he was Commanding General of the Headquarters and Headquarters Support Group at the Philippine Army. Headquarters, in Fort Andres Bonifacio, Taguig City.

Upon retirement from the active service, he joined the AFP General Insurance Corporation and was President and CEO of the AFP Mutual Benefit Association, Inc. from 2011 to 2013. Before his PhilHealth designation, he served briefly as Administrator of the Metropolitan Waterworks and Sewerage System.

BGEN. MARLENE R. PADUA

Health Care Providers Sector

Education:

Health Service Management, PhD in Nursing-University of the Philippine Baguio, University of the Philippines Manila • Master of Arts in Nursing-University of Asia and the Pacific • Pre-Nursing/Graduate Nurse/Bachelor of Science in Nursing-St. Louis University College of Arts and Science General Hospital School of Nursing-Philippine Women's University • Secondary Education-St. Louis University High School Baguio City • Basic Education-St. Louis University Elementary School Baguio City

Prior to her stint as a member of the PhilHealth Board as representative for the Health Care Provider Sector, BGen. Padua served as Chair of the Advisory Council of



the PNP Health Service PATROL Plan of the Philippine National Police Health Service in 2017. BGen. Padua also served as Dean of the College of Nursing in Arellano University in Pasig in 2012. She was a faculty member and research coordinator in Florentino Cayco Memorial School of Graduate Studies 2009. BGen. Padua also served as Chief Nurse in the Nurse Corps. of the Armed Forces of the Philippines from 2004-2007; Chief Nurse of the Philippine Army from 2003-2004; Deputy Chief Nurse of the Philippine Navy in 2001-2003; Assistant Chief Nurse for Clinical Service Fort Bonifacio General Hospital in 1999-2000. BGen. Padua also served as Command Nurse of the 4th Infantry Division/Camp Evangelista Station Hospital in Cagayan De Oro 1998-1999. She also served as Staff Nurse from 1987 to 1998 at the Coney Island Hospital, Brooklyn, New York, USA; Nurse-In-Charge from 1984-1986 at the Bonifacio Naval Station Dispensary and Chief Registrar from 1983 to 1984 and Head Nurse from 1973-1983 in the AFP Medical Center.

ALEJANDRO LABRADO CABADING, CPA

Expert Panel

Education:

BSC Major in Accountancy-Ateneo De Zamboanga 1980-1984 • AB Political Science-University Western Mindanao State University • Claret School of Zamboanga City • Canelar Elementary School

Mr. Cabading was a proprietor at the Alejandro L. Cabading Accounting Office from 1995 prior to his appointment as member of the PhilHealth Board expert panel. Mr. Cabading served as College Instructor in Ateneo De Zamboanga University from 1994-1997 and Zamboanga Arturo Eustaquio College in 1990 to 1994. He also served as Branch Accountant at Marsman Inc., Pharmaceutical Co. from Apr 1992 to 1994 and was a Production Assistant at the Garment Export Co., Creative Lines Inc. from May 1990 to Dec 1990.

Mr. Cabading is a member of the Philippine Institute of Certified Public Accountant and Employers' Confederation of the Philippines.

MARIA GRACIELA GARAYBLAS-GONZAGA, M.D.

Expert Panel

Dr. Maria Graciela Garayblas Gonzaga graduated from the University of Santo Tomas Faculty of Medicine and Surgery. She is a diplomate and fellow of the Philippine College of Physicians and the Philippine Society of Experimental and Clinical Pharmacology. She was a Takeda Science Foundation scholar in Gifu University, Japan as well as a scholar of the Katholieke Universiteit Leuven in Belgium. She also took her Master of Science in Health Development and Management from Chulalongkorn University as Rockefeller Foundation scholar.

As an academican, she rose from the ranks, having served the Department of Medicine as supervisor of Medicine 2 and supervisor of clinical pharmacology. She also served as consultant in Internal Medicine in the University of Santo Tomas Hospital. As a consultant, she was involved in the training of the residents giving emphasis on Internal Medicine as a specialty. She started the UST Bioavailability Unit, a grant given by AUSAID. She became Faculty Secretary, Assistant Dean and eventually Dean of the Faculty of Medicine from 2006-2013. As a researcher, she has published papers in reputable local journals and served as chair of the UST Hospital Institutional Review Board for nearly 15 years. She was also a member of the Department of Science and Technology's capacity building committee and institutional development board and served as one of the judges in the research contest as well as the outstanding researcher awards.

As a clinician, she continues to practice internal medicine and spends time helping our less fortunate fellowmen. She was with the group that went to New Washington, Aklan and Tacloban, Leyte immediately after Yolanda devastated the area. As a practitioner, she knew her limitations, when to refer patients to other specialists and subspecialists, a trait she always teaches young colleagues. She discusses patient's condition with the other attending physicians yet maintain highest standards of confidentiality and professionalism. She retired prematurely from the Faculty of Medicine after being appointed member of the Board of Medicine of the Professional Regulation Commission, a post she holds until her appointment as Expert Panel Member of the Philippine Health Insurance Corporation.

JASON ROLAND N. VALDEZ, M.D.

Direct Contributors Sector

Dr. Jason is a graduate of the De La Salle University accelerated medical program achieving a degree in Human Biology from DLSU-Manila and his doctor of medicine degree from DLSU-Health Sciences Campus. He passed the physician licensure examination of the Philippines in 2007, and the U.S. Medical Licensure Examination in 2009. He pursued further studies in the University of the Philippines obtaining a Masters degree in Public Health and completing the academic units in Hospital Administration. He has served in various positions in the healthcare industry, not merely in the clinical setting, but also in the management and operation of health institutions. He is a member of the international maritime health association, being involved in the industry for 8 years. His advocacy is a holistic health and wellness promotion in the career of every seafarer while on board and ashore or both. He aims to benefit both the seafarer with a long and healthy seafaring career, as well as the ship owners with an increasingly productive workforce.

Executive Officers



OFFICE OF THE PCEO

(L-R) PCEO BGen. **Ricardo C. Morales, AFP (RET)** Office of the PCEO;
SM Rey T. Baleña, Corporate Communications Department;
SM Evangeline Racelis, Social Health Insurance Academy;
VP Dr. Shirley B. Domingo, Corporate Affairs Group; and
VP Atty. Jay R. Villegas, Arbitration Office.



OFFICE OF THE PCEO

(L-R) **Acting SM Alejandro Dennis T. Lim** Organization and Systems Development Office;
Acting SM Nadine B. Navarro Corporate Marketing;
Acting SM Dr. Bernadette C. Lico Corporate Planning Department; and
Acting SM Atty. Recto M. Pantí International and Local Cooperation Department.

INTERNAL AUDIT GROUP

(L-R)

Acting VP Anne Marie C. San Andres,
Internal Audit Group,
Acting SM Leila S. Tuazon
Operations Audit Department,
SM Atty. Alex B. Cañaverl
Financial Audit Department





OFFICE OF THE EVP/COO

(L-R) **RVP William O. Chavez** Office of EVP/COO;
Acting SM Michael Gibson C. Hernandez Formal Sector;
VP Oscar B. Abadu Jr., Member Management Group;
SM Chona S. Yap, Overseas Filipinos Program; and
RVP Dennis B. Adre Office of the EVP/COO;
Acting EVP/COO BGen. Augustus H. De Villa, MD, AFP (Ret)
(not in photo)



**ACTUARIAL SERVICES AND RISK
MANAGEMENT SECTOR**

(L-R) **Acting SM Yolanda M. De Leon** Risk Management-PMO;
VP Gilda Salvacion A. Diaz Office of the Actuary;
Acting SVP Nerissa R. Santiago
Actuarial Services and Risk Management Sector; and
SM Mario S. Matanguihan
Corporate Information Security Department.

**HEALTH FINANCE
POLICY SECTOR****SVP Dr. Israel Francis A. Pargas****FUND MANAGEMENT
SECTOR**

(L-R) SVP Renato L. Limsiacoo Jr.
Fund Management Sector;
SM Atty. Ma. Emily P. Roque
Treasury Department; and
Acting SM Cherrie Carmen B. Divina
Comptrollership Department.



QUALITY ASSURANCE GROUP

(L-R) **Acting SM Dr. Lambert S. David**
Benefits Development and Research Department;
Acting SM Dr. Melanie C. Santillan
Standards and Monitoring Department;
VP Dr. Clementine A. Bautista
Quality Assurance Group; and
Acting SM Dr. Rizza Majella L. Herrera
Accreditation Department.

**INFORMATION MANAGEMENT SECTOR**

(L-R) **Acting SM Calixto I. Gabuya Jr.**
IT Management Department,
SVP Jovita V. Aragona
Information Management Sector,
Acting SM Jeannie T. Bernolia PMO-PIMS



LEGAL SECTOR

(L-R) **Acting SM Atty. Ernesto P. Barbado Jr.**
Fact Finding Investigation and Enforcement Department;
SM Atty. Rogelio A. Pocallan Internal Legal Department;
SM Atty. Andrei C. Samson Prosecution Department;
Acting SM Atty. Michael Troy A. Polintan
Protest Appeals and Review Department; and
SVP Atty. Rodolfo B. Del Rosario Jr. Legal Sector

MANAGEMENT SERVICES SECTOR

(L-R) **Acting SM Cheryl W. Peña**
Human Resource Department;
Acting SM Corazon C. Jaime
Physical Resource and
Infrastructure Department; and
SVP Dennis S. Mas
Management Services Sector.



**AREA I (NORTH AND
CENTRAL LUZON)**

(CLOCKWISE FROM TOP)

RVP Alberto C. Manduriao PRO-I;
VP Atty. Alfredo B. Pineda II Area-I;
VP Dr. Elizabeth S. Fernandez PRO-III;
BM Dr. Raul B. Tuquero PRO-III-B;
RVP Atty. Jerry F. Ibay PRO-CAR;
RVP Arsenia B. Torres PRO-II, and
Acting BM Dr. Danilo M. Reyes
PRO-III-A (not in photo)



AREA II (NCR SOUTH LUZON)

(L-R) **BM Henry V. Almanon** PRO-NCR-North;
RVP Dr. Edwin Oriña PRO-IV-A;
BM Lolita V. Tuliao PRO-NCR-Central; and
VP Gregorio C. Rulloda Area-II



AREA II (NCR SOUTH LUZON)

(T-B) **RVP Orlando D. Iñigo Jr. PRO-V;**
RVP Paolo Johann C. Perez PRO-IV-B; and
BM Dr. Narisa Portia J. Sugay
PRO-NCR-South.

**AREA III (VISAYAS)**

(L-R) **VP Walter R. Bacareza Area-III;**
RVP Dr. Leo Douglas V. Cardona PRO-VIII;
RVP Atty. Valerie Anne H. Hollero PRO-VI
(not in photo); and
Acting RVP Arian M. Granali PRO-VII
(not in photo).

**AREA IV (MINDANAO)**

(CLOCKWISE FROM TOP)

RVP Atty. Khaliquzzaman M. Macabato PRO-BARM; **RVP Dr. Edgardo S. Gonzalez** PRO-Caraga; **VP Dr. Francisco Soria Jr.** Area-IV; **RVP Datu Masiding M. Alonto Jr.** PRO-X; **Acting RVP Dr. Hector Zenon Leonardo P. Malate** PRO-XI; **Acting RVP Edgardo F. Faustino** PRO-IX (not in photo); and **Acting RVP Dr. Antoniette M. Ladio** PRO-XII (not in photo).

Directory

Head Office Address

Citystate Centre, 709 Shaw Blvd.,
1603 Pasig City, Philippines
(02) 8 441-7442

PRO NCR South - Pasig

8007 Pioneer Street, Kapitolyo, Pasig City

Pasig

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

Taguig

Global Satellite Office, 7th Floor
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) 8 441-5673

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) 8 332-1557

Fairview, Quezon City

Our Workshop Sales (OWS) Building
Lot 19 Block 237 Neopolitan 4 Britanny
Subdivision, Barangay Pasong Putik,
Quezon City
(02) 8 356-7461

Rizal

Fibertex Bldg., cor. Don Mariano Subd.,
Ortigas Ext., Brgy San Juan, Cainta, Rizal
(02) 8 997-8377

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) 8 521-7321
so.manila@philhealth.gov.ph

Caloocan

5th Floor, Victory Central Mall, Rizal Avenue
Extension, Grace Park, Caloocan City
(02) 8 365-0464

Valenzuela

4/F Puregold, Paso de Blas Road Cor. East
Service Road North, Valenzuela City
(02) 8 277-4863

Mandaluyong

3rd Floor, 500 Shaw Zentrum Mall
Shaw Boulevard, Mandaluyong City
(02) 8 532-0449

PRO CAR - Baguio

SNOBT 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. (02) 8 441-7442
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
corsecphic@gmail.com

PhilHealth Corporate Action Center:
(02) 8 441-7442
www.philhealth.gov.ph



/PhilHealth



/teamphilhealth



PhilHealth
Your Partner in Health