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

ANNUAL AUDIT REPORT

on the

PHILIPPINE HEALTH INSURANCE CORPORATION (PhilHealth)

For the Years Ended December 31, 2018 and 2017

Republic of the Philippines
PHILIPPINE HEALTH INSURANCE CORPORATION
Citystate Centre, 709 Shaw Boulevard, Pasig City
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PhilHealth@24: Tungo sa Kalusugan Para sa Lahat

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, 2018 and 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

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

FRANCISCO T. DUQUE III, M.D. MSc.
Secretary of Health/Chairman of the Board
Date Signed: JUL 0 3 2019

B.GEN RICARDO C. MORALES, AFP (RET) FICD
President & Chief Executive Officer (CEO)
Date Signed: JUL 0 3 2019

RENATO L. LIMSIACO, JR., CPA, DM, CESE
Senior Vice President, Fund Management Sector
Date Signed: JUL 0 3 2019

PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017
(In Philippine Peso)

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

The notes on pages 9 to 47 form part of the statements

PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

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

The notes on pages 9 to 47 form part of the statements

PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

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

The Notes on pages 9 to 47 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

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

The notes on pages 9 to 47 form part of the statements

1. GENERAL INFORMATION

The National Health Insurance Act of 1995 or Republic Act (RA) No. 7875, as amended by RA No. 9241 and further amended by RA No. 10606, otherwise known as the "National Health Insurance Act of 2013," instituted a National Health Insurance Program (NHIP) that shall provide comprehensive health care services to all Filipinos through a socialized health insurance program that will prioritize the health care needs of the underprivileged, sick, elderly, persons with disabilities (PWDs), women and children and provide free health care services to indigents. The same law created the Philippine Health Insurance Corporation (PhilHealth) as tax-exempt government Corporation attached to the Department of Health (DOH) for policy coordination and guidance. The Head Office of PhilHealth is located at 709 Citystate Centre Building, Barangay Oranbo, Shaw Boulevard, Pasig City.

The Corporation is governed by the Board of Directors composed of seventeen (17) members and, has the powers and functions provided for in Article IV, Section 16 of RA No. 7875, as amended, such as: to formulate and promulgate policies for the sound administration of the Program; to set standards, rules, and regulations necessary to ensure quality of care, appropriate utilization of services, fund viability, member satisfaction, and overall accomplishment of Program objectives; to formulate and implement guidelines on contributions and benefits, portability of benefits, cost containment and quality assurance and health care provider arrangements, payments methods and referral systems; to establish branch offices as mandated in Article V of RA No. 7875, as amended; to receive and manage grants, donations, and other forms of assistance; and to organize its office, fix the compensation of and appoint personnel as may be deemed necessary and upon the recommendation of the President of the Corporation.

The National Health Insurance Fund (NHIF), as amended, shall consist of contributions from Program members; other appropriations earmarked by the national and local governments purposely for the implementation of the program; subsequent appropriations provided for under Sections 46 and 47 of RA No. 7875, as amended; donations and grants-in-aid; and all accruals thereof. Under Section 26, Article VI of RA No. 7875, as amended, the use, disposition, investment, administration and management of the NHIF, including any subsidy, grant or donation received for the program operations shall be governed by applicable laws, and in the absence thereof, existing resolution of the Board of Directors of the Corporation subject to limitations prescribed in the Act.

The financial statements of the Corporation were approved and authorized for issue by the Board of Directors per PhilHealth Board Resolution No. 1400, Series of 2010, the Resolution authorizing the issuance of Consolidated Financial Statements for calendar year (CY) 2009 and thereafter.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Statement of Compliance with Philippine Financial Reporting Standards (PFRSs)

The accompanying financial statements of PhilHealth have been prepared in accordance with PFRSs, where practicable, as well as government accounting standards and other pertinent rules and regulations.

2.2 Basis of Measurement

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

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

Fair Value Measurement

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

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

2.3 Functional and Presentation Currency

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

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

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

2.4 Summary of Significant Accounting Policies

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

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

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

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

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

- For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

- For hedge accounting, 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, 2018, the Corporation has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39.

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

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

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

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

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

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

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

- PFRS 15, *Revenue from Contract with Customers*

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

- Amendment to PAS 24, *Related Party Disclosures – Key Management Personnel*

The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendment to PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables and Portfolio Exception*

The amendment clarifies that the portfolio exception in PFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis – applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments.*

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

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

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

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

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

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

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

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

New and Amended PFRSs Issued but Not Yet Effective

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

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

- PFRS 16, *Leases*

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

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

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments*

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

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

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

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

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

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

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

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

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

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

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

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

- PFRS 17, *Insurance Contracts*

This Standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Deferred effectivity

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

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

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

Other Current Assets

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

Property and Equipment

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

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

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

- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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

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.

Intangible Assets

Intangible asset represents computer software. This is initially measured at cost and is presented in the Statement of Financial Position at cost less accumulated amortization and any accumulated impairment losses. Computer software is amortized over its estimated useful life of five (5) years using the straight-line method. If there is an indication that there has been a significant change in the useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

Impairment of Non-financial Assets

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

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

Derecognition of Non-financial Assets

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

Surplus

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

Revenue Recognition

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

The following specific recognition criteria must be met:

a. Premiums' contribution

Revenue is recognized as the members' contribution become due.

b. Interest Income

Interest income is recognized as the interest accrues taking into account the effective interest.

c. Rent Income

Income from rental of property is derived from the unoccupied portion of the building of PhilHealth Regional Office (PRO) No. III and it is recognized on a straight-line basis over the lease term.

Expense Recognition

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

a. Benefit Claims Expense

This represents benefits incurred by the Corporation for health care services, in-patient, out-Patient, PCB and Z benefit packages availed of by the members and their dependents. Benefit Claims Expense is recognized at the date of confinement as incurrence of the expense per Corporate Order 2018-0095.

b. Operating Expenses

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

Leases

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

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

Corporation as a Lessee

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

Corporation as a Lessor

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

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

Employee Benefits

Short-term Benefits

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

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

Related Parties

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

Events after Reporting Date

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

3. Financial Risk Management

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

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

- The first line of defense has the ownership, responsibility and accountability for directly managing the risks. These are the Business Process Owners (BPOs) who have the responsibility of managing the day-to-day risks that they will encounter as they do their respective works. And they have the responsibility to report the risks so that immediate action can be done to address those risks that affect their work in particular and the Corporation in general;

- The second line of defense oversees, monitors, and facilitates the implementation of an effective Risk Management practices by the first line of defense. These are the Risk Management Committee of the Board (RiskCom), the Management and PMT-RM as the technical arm of RiskCom. They are mainly responsible for developing policies for Management or Board approval and monitor the risk management policies, define work practices and advise when needed by the BPOs with regard to risk management and compliance; and

- The third line of defense is the audit functions for both internal and external auditors which will provide assurance to the Board and Management on the effectiveness of the first and second lines of defense in managing risks.

3.1 Financial Risk Factors

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

a. Credit risk

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

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

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

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

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

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

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

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

b. Liquidity Risk

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

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

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

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

Accounts, Collection and Deposit Pick up Agreement, hence ensuring the steady inflow of funds to meet the daily fund requirements of the Corporation.

c. Market Risk

Market risk is the Corporation's exposure to potential loss due to unexpected changes in external markets, prices or rates related to general market movements of a specific financial asset on the statement of financial position. This risk arises from volatility in the absolute level of interest rates and fluctuations in interest rates due to changes in global and local economic conditions and political developments that affect the value of the Corporation's securities investments. Since the securities investments of the Corporation are Held-to-Maturity (HTM) investments, the Corporation has very minimal exposure to market risk and it has the predictability of regular returns from the HTM investment. These regular earnings allow the Corporation to make plans for the future, knowing this income will continue at the set rate and the final return of capital upon maturity.

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

3.2 Foreign Currency

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

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

4. SIGNIFICANT ACCOUNTING 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.

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

Estimating Allowance for Impairment of Receivables

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

Estimating Benefit Claims Payables

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

a. In-Course of Settlement (ICS) - These are claims in process at the end of the reporting period. These are composed of claims in process and claims that are not yet encoded in the system. Claims that are not yet encoded in the system multiplied by the average value per claim are added to the extracted amount of claims in process to come up with the total amount of accrual for ICS.

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

5. CASH AND CASH EQUIVALENTS

This account is composed of the following:

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

5.1 The amounts of P74,911,101 and P100,266,347 as at December 31, 2018 and 2017, respectively, represent collections at the end of the month of the Collecting Officers which are to be deposited on the following working day.

5.2 The Petty Cash Fund is for the use of miscellaneous expenditures which cannot be conveniently paid by check. An officer holding the Petty Cash Fund is also properly bonded in accordance with law. The amounts of P2,147,953 and P3,013,333, as at December 31, 2018 and 2017, respectively, represent available petty cash fund as of reporting dates.

5.3 Cash in Bank amounting to P2,392,543,598 and P13,531,330,780 as at December 31, 2018 and 2017, respectively, represent various bank deposits that are unrestricted and available for current operations. Included in this account are cash denominated in foreign currencies which are translated to Peso using the closing rate as of the reporting dates.

5.4 Special Savings Deposit (SSD) amounting to P23,168,929,084 and P19,965,695,534 as at December 31, 2018 and 2017, respectively, are term deposits of one day up to 90 days with interest rates higher than the regular savings deposit rates and evidenced by either passbook or schedule of deposits. Interest earned from SSD amounted to P942,982,399 with interest rates range from 0.375% to 6.5500% and 0.550% to 3.1250% for 2018 and 2017, respectively.

6. INVESTMENTS IN TIME DEPOSITS

This account consists of a placement with term of 181 days.

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

7. PREMIUM RECEIVABLES

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

This account consists of:

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

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

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

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

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

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

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

8. OTHER CURRENT ASSETS

This account includes the following:

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

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

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

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

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

9. INVESTMENT SECURITIES AT AMORTIZED COST

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

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

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

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

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

10. PROPERTY AND EQUIPMENT

This account consists of:

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

Included under Land and Buildings accounts are the following:

10.1 A parcel of land situated in Quezon City with a total area of 17,231 square meters (sq. m.) This property with a carrying amount of P439,377,750 was appraised on January 23, 2017 by an independent appraiser with a fair market value of P1.2 billion. The Head Office of the Corporation shall be constructed in this lot.

Relative to the construction of the proposed PhilHealth Corporate Center, the Corporation acquired an additional 145 sq. m. lot from the National Housing Authority (NHA) located in Barangay Pinyahan, East Avenue, Quezon City at a cost of P2,439,736.

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

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

10.4 A parcel of lot with a total area of 2,897 sq. m. located in Tuguegarao City which will be used as the PRO II's Regional Office. This property was received by way of donation, through a Memorandum of Agreement (MOA) executed between the Department of Public Works and Highways (DPWH) Region II and the Corporation. This property which is carried in the books at P4,056,000 was appraised with a fair market value of P23.176 million as of January 19, 2017. In compliance with the condition set forth in the MOA to construct PhilHealth's office building within two years from the execution of the Deed of Donation, the Regional Development Council (RDC) II has extended, upon the request of PRO II, the construction of the building for another two years per RDC-2 Resolution No. 02-25, series of 2017.

11. INTANGIBLE ASSETS

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

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

12. OTHER ASSETS

This account consists of the following:

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

12.1 The Disbursing Officer is an Accountable Officer (AO) duly designated, responsible and accountable for the proper management of funds for a specific legal purpose or activity and is properly bonded in accordance with law. The amounts of P15,056 and P670,557 as at December 31, 2018 and 2017, respectively, represent available funds from the said officers as of reporting date.

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

12.3 Prepayments amounting to P24,644,927 and P21,313,972 as at December 31, 2018 and 2017, respectively, represent authorized payments made for the purchase of goods from the Procurement Service of the Department of Budget and Management (PS-DBM) as well as insurance of motor vehicles of the Corporation from the Government Service Insurance System (GSIS).

12.4 The Deferred Charges account includes the unused portion of the amount of benefit claims paid to various Health Care Providers (HCPs). This payment was made by PRO VIII in compliance with the PhilHealth Board Resolution No. 1855, series 2013 which provides a mechanism for extending substantial aid to the affected Health Care Institutions (HCIs) in the aftermath of the 'Super Typhoon Yolanda'. A total of P302,472,692 was paid to the HCP's and of this amount, P301,795,039 claims have been processed leaving a balance of P677,653 as of December 31, 2018. The remaining balance of P131,641 represents Debit/Credit Scheme (DCS) transactions.

12.5 Guaranty deposits amounting to P88,848,634 and P76,367,490 as at December 31, 2018 and 2017, respectively, represent transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.

12.6 Long Term Receivable from the Department of Budget and Management (DBM) amounting to P155,235,240 as at December 31, 2018 represents surcharges for late remittance of the employer counterpart for premium contribution. However, allowance for doubtful account of the same amount was provided after evaluation of factors such as aging of accounts, collection experience in relation to particular receivable and identified doubtful accounts.

12.7 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to P115,000,000 as at December 31, 2018 represents the balance of the account for the premium counterpart of various LGUs under the Enhanced PCSO – Greater Medicare Access (PCSO-GMA) Program.

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

12.9 Disallowances amounting to P1,456,749 as at December 31, 2018 refer to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by the

Commission on Audit (COA). Subsidiary ledgers for these disallowances are being maintained and kept for ready references.

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

12.11 Unserviceable Equipment account amounting to P37,388,554 and P30,376,029 as at December 31, 2018 and 2017 represents equipment that are already for disposal. Serviceable Equipment account amounting to P2,945,949 and P2,871,587 as at December 31, 2018 and 2017, respectively, represents pieces of equipment which are still functional but already obsolete and fully depreciated and ready for disposal. These serviceable and unserviceable equipment accounts shall be further reclassified as Non-Current Asset – Held for Sale, once the requirements set upon by the Standard are met.

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

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

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

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

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

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

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

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

13. BENEFIT CLAIMS PAYABLE

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

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

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

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

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

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

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

14. OTHER PAYABLES

This account consists of:

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

	2018	2017 (As Restated)
Philippine Training Institute	4,995,765	5,440,195
PhilHealth Run 2013	900	900
PhilHealth Run 2015	288,540	1,007,116
Calamity Fund	752,648	751,983
Others	195,618,162	242,255,384
Total	**2,813,171,169**	**2,492,119,987**

14.1 Statutory liabilities are inter-agency payables which include deductions from the salaries of Corporation's officials and employees which are due for remittance to GSIS, Home Development Mutual Fund (HDMF), National Home Mortgage Finance Corporation (NHMFC), BIR, and PhilHealth Employees Association (PHICEA), and taxes withheld from payments to health service providers. PhilHealth Provident Fund is also classified under this category.

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

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

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

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)

15. OTHER DEFERRED CREDITS

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

This account consists of the following:

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

16. INSURANCE LIABILITIES FOR LIFETIME MEMBERS

As stipulated in Section 17 of Republic Act (RA) No. 10606 (or Section 27 of RA No. 7875), a separate fund for the benefit claims reserve of the existing Lifetime members must be set up as a liability of the Corporation. The claims liability reserves requirement for the number of covered Lifetime members as of December 31, 2018 and 2017 were estimated at P26,034,923,966 and P24,796,038,543, respectively, by the Corporate Actuary and was already allocated in the Reserve Fund.

17. MEMBERS' EQUITY

Members' Equity consists of the following:

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

17.1 Reserve Fund

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

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

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

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

17.2 Surplus

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

18. PREMIUM CONTRIBUTIONS

Details of Premium Contributions are as follows:

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

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

a. Income from the Formal Economy comes from the premium contributions of the following:

   1. Government employees;
   2. Private employees;

3. All other workers rendering services, whether in government or private offices, such as job order contractors, project-based contractors and the likes;
4. Owners of micro enterprises;
5. Owners of small, medium and large enterprises;
6. Household Help – as defined in RA No.10361 or "Kasambahay Law"; and
7. Family Drivers.

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

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

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

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

e. Premium contributions for special government programs come from the NG as appropriated in the GAA.

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

19. INTEREST AND OTHER INCOME

Interest and other income account are as follows:

	2018	2017 (As Restated)
Interest Income:		
Investment securities at amortized cost	5,753,600,456	5,235,386,432
Special savings deposits	942,982,399	448,104,198
Savings and current deposits	2,675,444	3,350,900
	6,699,258,299	5,686,841,530
Other Income:		
Accreditation fees – HCPs	26,859,552	27,976,302
Fines and penalties	51,149,008	38,663,655
Rent income	490,601	1,588,601
Income from grants and donations	995,000	–
Gain on foreign exchange	46,930	4,594

	2018	2017 (As Restated)
Gain on sale/redemption of investment	–	50,632,249
Sale of disposed/unserviceable property	(151,475)	600,983
Gain on sale of property, plant and equipment	54,263	156,253
Miscellaneous income	16,075,249	45,611,138
	95,519,128	165,233,775
Total	**6,794,777,427**	**5,852,075,305**

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

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

20. BENEFIT CLAIMS EXPENSES

Details of this account are as follows:

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

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

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

21. PERSONNEL SERVICES

Personnel services account includes:

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

22. OTHER OPERATING EXPENSES

This account represents the administrative costs which must be within the limit as prescribed in Section 72, Financial Management of the Revised IRR of RA No.7875, as amended by RA No. 9241 and RA No. 10606, otherwise known as the "National Health Insurance Act of 2013.

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

22.1 MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2018	2017 (As Restated)
Travelling Expenses	**134,751,519**	**136,637,588**
Travelling expenses - Local	133,447,186	131,218,024
Travelling expenses - Foreign	1,304,333	5,419,564
Training and Scholarship Expenses	**59,960,651**	**33,874,086**
Supplies and Materials Expenses	**179,187,964**	**155,845,960**
Semi-Expendable Expenses	**55,079,848**	**70,700,529**
Utility Expenses	**155,585,103**	**133,258,149**
Water expenses	6,663,002	6,504,253
Electricity expenses	148,922,101	126,753,896
Communication Expenses	**169,972,184**	**157,413,825**
Postage and courier services	35,715,149	53,452,732
Telephone expenses	25,006,581	23,822,854
Internet subscription expenses	108,226,007	79,087,232
Cable, satellite, telegraph and radio expenses	1,024,447	1,051,007
Awards/Rewards, Prizes and Indemnities	**4,924,200**	**7,787,376**
Survey, Research, and Development Expenses	**67,628,521**	**22,544,446**
Confidential, Intelligence and Extraordinary Expenses	**6,390,853**	**12,182,168**
Professional Services	**110,718,576**	**70,365,358**
Auditing services	56,649,843	50,177,020
Consultancy services	3,542,501	4,338,127
Other professional services	50,526,232	15,850,211
General Services	**207,004,212**	**190,718,145**
Janitorial services	66,341,297	61,781,609
Security services	140,662,915	128,936,536
Repairs and Maintenance	**22,510,768**	**20,432,894**
Repairs and maintenance - land improvement	79,536	68,806
Repairs and maintenance - building & other structures	1,188,894	549,823
Repairs and maintenance - machinery & equipment	8,860,976	8,724,873
Repairs and maintenance - transportation equipment	9,346,927	8,320,469
Repairs and maintenance - furniture & fixtures	530,045	581,477
Repairs and Maintenance - Leased Assets improvements	2,504,390	2,187,446
	20,591,752	**18,085,143**

	2018	2017 (As Restated)
Taxes, Insurance Premiums and Other Fees		
Taxes, duties and licenses	316,089	280,429
Fidelity bond premiums	6,810,615	6,585,232
Insurance expenses	13,465,048	11,219,482
Other Maintenance and Operating Expenses	**761,107,131**	**718,700,865**
Advertising, promotional and marketing expenses	139,453,725	145,470,953
Printing and publication expenses	13,135,397	18,897,990
Representation expenses	35,320,592	34,362,436
Transportation and delivery expenses	4,688,294	3,956,058
Rent / lease expenses	400,289,365	327,576,639
Membership dues and contribution to organizations	8,227,478	9,116,665
Subscription expenses	2,354,472	1,183,486
Donations	3,357,007	966,235
Major events and conventions expenses	19,245,369	25,847,794
Other MOOE - others	135,035,432	151,322,609
Total	**1,955,413,282**	**1,748,546,532**

22.2 FINANCIAL EXPENSES

This account consists of the following:

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

22.3 NON-CASH EXPENSES

This account consists of the following:

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

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

23. RELATED PARTY 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.

23.1 Compensation of key management personnel

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

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

24. LEASE COMMITMENTS

24.1 Operating Lease Commitments

Corporation as lessee

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

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

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

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

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

25. RESTATEMENTS

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

25.1 Statement of Financial Position

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

	December 31, 2016		
	Audited	Prior Year Adjustments	As Restated
ASSETS			
Current Assets		-	
Cash and cash equivalents	29,935,544,923	3,292,560	29,938,837,483
Premium receivables	25,921,911,355	(14,268,044,589)	11,653,866,766
Other current assets	1,350,597,734	(14,488,869)	1,336,108,865
	57,208,054,012	(14,279,240,898)	42,928,813,114

	Audited	Prior Year Adjustments	As Restated
Non-current Assets			
Investment in OCI	942,905,804	-	942,905,804
Investment securities at amortized cost	100,563,891,099	5,301	100,563,896,400
Property and equipment – net	2,087,210,720	12,920,787	2,100,131,507
Intangible assets – net	329,299,007	-	329,299,007
Other assets – net	1,451,304,316	(916,781,519)	534,522,797
	105,374,610,946	(903,855,431)	104,470,755,515
TOTAL ASSETS	162,582,664,958	(15,183,096,329)	147,399,568,629
LIABILITIES AND EQUITY			
Current Liabilities			
Benefit claims payables	29,281,288,529	6,724,555,881	36,005,844,410
Other payables	2,328,602,016	29,602,676	2,358,204,692
	31,609,890,545	6,754,158,557	38,364,049,102
Non-Current Liabilities			
Other deferred credits	1,678,100,730	-	1,678,100,730
Insurance liabilities for lifetime members	22,123,933,673	-	22,123,933,673
	23,802,034,403	-	23,802,034,403
Total Liabilities	55,411,924,948	6,754,158,557	62,166,083,505
Equity			
Members' equity	107,170,740,010	(21,937,254,886)	85,233,485,124
	107,170,740,010	(21,937,254,886)	85,233,485,124
TOTAL LIABILITIES AND EQUITY	162,582,664,958	(15,183,096,329)	147,399,568,629

25.2 Statement of Comprehensive Income

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

25.3 Statement of Changes in Equity

	Audited	Prior Year Adjustments	As Restated
RESERVE FUND			
Reserve at January 1, 2017	90,738,664,003	(5,449,541,431)	85,289,122,572
Surplus transfer to Reserve Fund	(4,750,516,032)	4,987,682,666	237,166,634
Reserve Fund at December 31, 2017	85,988,147,971	(461,858,765)	85,526,289,206

	Audited	Prior Year Adjustments	As Restated
Surplus			
Surplus at January 1, 2017	1,456,749	430,598	1,887,347
Contingent capital	430,599	(534,599)	(104,000)
Net income	(4,750,516,032)	4,987,682,666	237,166,634
Total surplus	(4,748,628,684)	4,987,578,665	238,949,981
Surplus transfer from Reserve Fund	4,750,516,032	(4,987,682,666)	(237,166,634)
Surplus at December 31, 2017	1,887,348	(104,001)	1,783,347
TOTAL MEMBERS' EQUITY	**85,990,035,319**	**(461,962,766)**	**85,528,072,553**

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

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

26. OTHER SIGNIFICANT AND RELEVANT INFORMATION

26.1 PhilHealth as Government Business Enterprise

PhilHealth is now a Government Business Enterprise per COA Resolution No. 2018-001 dated January 20, 2018, re: Reclassification of the Philippine Health Insurance Corporation from a Non-Government Business Enterprise (Non-GBE) to a Government Business Enterprise (GBE) and its adoption of the PFRSs as its financial reporting framework.

26.2 Point of Service (POS) Program

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

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

26.3 Arrears of the NG as an employer

PhilHealth had adjusted premium contribution of the Employed Sector in CY 2013 through PhilHealth Circular No. 057, series of 2012 which prescribes P875.00 per month as the maximum contribution shared equally by the Employer and the Employee at P437.50 each. However, DBM has only allocated P312.50 or a 40 per cent 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**

26.4 Assigned lot to PRO III

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

26.5 Non-remittance of GSIS Premium for Disallowed Salary Adjustments

The GSIS premium amounting to P20,604,585 was part and parcel of the salary adjustments given to the Corporation's employees, but subsequently disallowed by COA. The said amount is still outstanding and not yet remitted to GSIS per Opinion No. 56, Series of 2018 from the Office of the Government Corporate Counsel dated March 26, 2018 stating that PhilHealth should keep the amount originally intended to be remitted to GSIS as premiums corresponding to the adjusted salaries of its employees without prejudice to its remittance in the event the Notice of Disallowance is lifted.

27. SUPPLEMENTARY TAX INFORMATION UNDER REVENUE REGULATIONS (RR) 15-2010

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

Withholding Taxes:

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

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

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