



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, 2019 and 2018

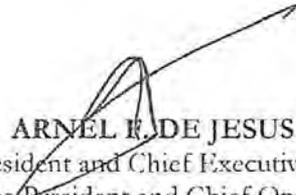


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Philippine Health Insurance Corporation is responsible for the preparation of the financial statements as at December 31, 2019 and 2018, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

The Commission on Audit has audited the financial statements of the Philippine Health Insurance Corporation in accordance with the Philippine Financial Reporting Standards (PFRS) where applicable, as well as government accounting standards and other pertinent rules and regulations, and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

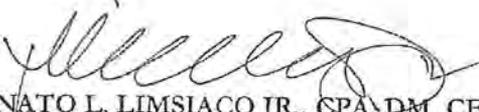


ARNEL R. DE JESUS

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



FRANCISCO T. DUQUE III, M.D. MSc
Secretary of Health/ Chairman of the Board



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



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and 2018
(In Philippine Peso)

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

The notes on pages 9 to 63 form part of these financial statements

PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2019 and 2018

(In Philippine Peso)

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

The notes on pages 9 to 63 form part of these financial statements

PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

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

The notes on pages 9 to 63 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

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

The notes on pages 9 to 63 form part of these financial statements

PHILIPPINE HEALTH INSURANCE CORPORATION

Notes to Financial Statements

(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

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

On February 20, 2019, RA No. 11223 or the Universal Health Care (UHC) Law was enacted. This law automatically provides social health risk protection for all Filipino citizens in the NHIP.

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

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

2. STATEMENT OF COMPLIANCE WITH PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRSs)

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

3. BASIS OF PREPARATION

3.1 Basis of Measurement

The financial statements are measured in Philippine Peso (P), which is also the Corporation's functional and presentation currency. All values are rounded-off to the nearest peso values, unless otherwise stated.

The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange of an assets and fair value of the consideration received in exchange for incurring a liability.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Corporation uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

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

3.2 Functional and Presentation Currency

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

In preparing the financial statements of the Corporation, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in

foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Changes in accounting policies and disclosures

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

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRSs which the Corporation adopted effective for annual periods beginning on or after January 1, 2019.

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

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

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

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

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

- For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The derecognition provisions are carried over almost unchanged from PAS 39.

Based on the Corporation's analysis of its business model and the contractual cash flow characteristics of its financial assets as at December 31, 2019, the Corporation has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Corporation's financial assets as at December 31, 2019:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	70,086,086,078	70,086,086,078
Premium receivables	Loans and receivables	Financial assets at amortized cost	9,178,195,991	9,178,195,991
Investment securities	AFS financial assets	Financial assets at amortized cost	124,382,976,137	124,382,976,137

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

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

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

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

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

- PFRS 15, *Revenue from Contract with Customers*

The new Standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, which a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (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.

b. New and Amended PFRSs Issued but Not Yet Effective

Relevant new and amended PFRSs which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the financial statements are summarized as follows:

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

- PFRS 17, *Insurance Contracts*

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

c. Deferred effectivity

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

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

4.2 Other Current Assets

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

4.3 Property and Equipment

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

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

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

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

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

Particulars	Estimated Useful Life (in years)
Land improvements	10
Building and building improvements	30
Leasehold improvements	10
IT equipment	5
Furniture and fixtures	10
Office equipment	5
Communication equipment	10
Library books	5
Medical equipment	10
Transportation equipment	7

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

4.4 Intangible Assets

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

4.5 Impairment of Non-financial Assets

At each reporting date, property and equipment and intangible asset accounts are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount

of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

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

4.6 Derecognition of Non-financial Assets

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

4.7 Accounting for Insurance Liability for Lifetime Membership

As stipulated in the Section 17 of RA No. 10606 (or Section 27 of RA No. 7875), a separate fund for the benefit claims reserve of the existing Lifetime members must be set up as a liability of the Corporation.

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

4.8 Contingent Assets

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

4.9 Investment Securities at Amortized Cost

Interest income

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

Classification

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

- Held-to-maturity investments – These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Where PhilHealth to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale. These include treasury bills and treasury bonds.
- Available-for-sale – These are investments intended to be held to maturity, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates. These include treasury bills and bonds and corporate bonds.

Recognition

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

Measurement

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

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the 'financial instruments at fair value through profit or loss' category are included in the profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in other comprehensive income should be recognized in profit or loss.

However, interest calculated using the effective interest method is recognized in the profit or loss.

Derecognition

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other

comprehensive income is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Corporation is recognized as a separate asset or liability.

The Corporation enters into transactions whereby it transfers assets recognized on its Statement of Financial Position but retains either all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

4.10 Surplus

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

4.11 Revenue Recognition

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

The following specific recognition criteria must be met:

- 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.

4.12 Expense Recognition

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are made using the best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

Benefit Claims Expense

This represents benefits incurred by the Corporation for health care services, in-Patient, out-Patient, PCB and Z benefit packages availed of by the members and their dependents. Benefit Claims Expense is recognized at the date of confinement as incurrence of the expense per Corporate Order No. 2018-0095.

Operating Expenses

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

4.13 Leases

Corporation as a Lessee

The Corporation's leasing activity is mainly for office spaces and warehouses. The non-cancellable contracts period for leases is 3 to 5 years and has no extension clause. Upon expiration of the lease contract, it is extended on a month to month basis only until a new contract is executed or a new office space will be leased.

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The estimated useful lives of right-of-use asset are based on the lease term since there is neither a transfer of title nor purchase option in the lease contract. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain measurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments, including incremental, that are not paid at the commencement date or January 1, 2019, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the rate provided by Bloomberg Valuation (BVAL) rate provided by the Corporation's Investment Division. Generally, we use the BVAL rate to measure lease liability.

Lease payments included in the measurement of the lease liability are fixed payments and incremental payments indicated in the lease contract and cost of restoring the lease asset at the end of the contract if any.

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

Corporation as a Lessor

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

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

Short-term leases and leases of low-value assets

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

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

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

4.14 Research and Development Cost

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

4.15 Employee Benefits

Short-term Benefits

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

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

4.16 Related Parties

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

4.17 Contingent Liabilities

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

4.18 Events after Reporting Date

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

5. Financial Risk Management

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

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

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

5.1 Financial Risk Factors

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

a. Credit risk

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

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

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

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

To avoid significant concentrations of exposures to specific industries or group of issuers and borrowers, PhilHealth investments are regularly monitored to ensure that these are always within the prescribed cumulative ceilings specified in Section VI.2 of PhilHealth's Omnibus Guidelines on Funds' Investments (Corporate Order No. 2016-0021). The said Corporate Order outlines the policies and guidelines in determining and managing exposure limits to investment instruments including the negative list of investments that are

considered not ethically and socially responsible by the Corporation, such as, companies with exposures in sin products like tobacco, liquor, alcohol, including gaming, and mining and quarrying.

As regards the criteria for accreditation of applicant collecting agents for premium collections, PhilHealth requires submission of three-year Audited Financial Statements, as one of the documentary requirements for accreditation. Financial evaluation of the applicants comprised the analysis on liquidity ratio, solvency ratio, capital adequacy ratio and profitability ratio *vis-a-vis* the current Bangko Sentral ng Pilipinas (BSP) Performance Indicators for banks, including non-banks with quasi-banking function. Once accredited, on an annual basis, submission of their yearly financial statements is required to monitor financial standing of the Accredited Collecting Agents (ACAs) to mitigate any losses that may be incurred by the concerned ACAs. Other documentary requirements such as Articles of Incorporation, Certificate of Good Standing with Existing Industry Association, Electronic Banking Authority, among others, are likewise submitted by PhilHealth ACAs to assess their capabilities as collecting agents.

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

b. Liquidity Risk

This refers to the risk of loss, though solvent, due to insufficient financial resources to cover for liabilities as they fall due. It also involves the risk of excessive costs in securing such resources. This risk also refers to: (a) unanticipated changes in liquidity supply and demand that may affect the organization through inability to meet contractual obligations or default (Funding Liquidity Risk) and (b) asset 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 investments. These regular earnings allow the Corporation to make plans for the future, knowing this income will continue at the set rate and the final return of capital upon maturity.

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

The method applied in estimating IBNR claims is called claims development (or lag) method. It is an estimation technique under which historical claim data, such as the

number and amount of claims are grouped into the time periods in which claims were incurred and the time periods in which they were processed. The processing date is typically the date the claim is received, adjudicated, or paid by the claim payer. The development method uses these groupings to create a claims processing or development pattern, which is used to determine completion factors to help estimate the unprocessed portion of incurred claims.

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

Estimating Premium Income from the Direct Contributors - Employed Sector

Estimate is based on last month's premium contributions which are due and paid through Accredited Collecting Agents (ACAs) and over the counter at PhilHealth's Regional Offices.

Estimating Allowance for Impairment of Receivables

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

Estimating Benefit Claims Payables

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

- a. In-Course of Settlement (ICS) - these are claims still in process at the end of the reporting period. The estimate is based on the case rate amount extracted from the N-Claims.
- b. Incurred But Not Yet Received (IBNR) - These are claims which are estimated to be in the possession of the Health Care Institutions (HCIs) as of the end of the month and have yet to be submitted to the Corporation within the allowable 60-day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015. The amount to be recorded is actuarially estimated.

7. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2019	2018 (As Restated)
Collecting officers	88,585,210	74,911,101

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

- 7.1 The amounts of P88,585,210 and P74,911,101 as at December 31, 2019 and 2018, respectively, represent collections at the end of the month of the Collecting Officers which are to be deposited on the following working day.
- 7.2 The Petty Cash Fund is for the use of miscellaneous expenditures which cannot be conveniently paid by check. An officer holding the Petty Cash Fund is also properly bonded in accordance with law. The amounts of P2,899,473 and P2,141,605 as at December 31, 2019 and 2018, respectively, represent available petty cash fund as of reporting dates.
- 7.3 Cash in Bank amounting to P2,087,016,745 and P2,955,339,150 as at December 31, 2019 and 2018, respectively, represent various bank deposits that are unrestricted and available for current operations. Included in this account are cash denominated in foreign currencies which are translated to Peso using the closing rate as of the reporting dates.
- 7.4 Special Savings Deposit (SSD) amounting to P9,656,118,774 and P23,168,929,084 as at December 31, 2019 and 2018, respectively, are term deposits of one day up to 90 days with interest rates higher than the regular savings deposit rates and evidenced by either passbook or schedule of deposits. Interest earned from SSD amounted to P1,489,811,647 with interest rates ranging from 0.400% to 4.4250% and 0.375% to 3.850% for 2019 and 2018, respectively.

8. INVESTMENTS IN TIME DEPOSITS

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

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

9. PREMIUM RECEIVABLES

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

This account consists of:

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

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

	2019	2018	2017	2016	2015	2014	Total
NHTS							
Amount	-	-	279,503,560			-	279,503,560
No. of enrollees	-	-	116,460	-		-	116,460
SENIOR CITIZEN							
Amount	-	-	-	5,421,018,000	12,998,827,200	2,117,289,600	20,537,134,800
No. of enrollees	-	-	-	2,258,757	5,416,178	882,204	8,557,139
Point-of-Service (POS)							
Amount	-	571,992,584	-	-	-	-	571,992,584
No. of enrollees	-	238,331	-	-	-	-	238,331
FOUITOUS EVENT							
Amount	-	-	-		-	134,724,000	134,724,000
No. of enrollees	-	-	-		-	56,135	56,135
Total Amount	-	571,992,584	279,503,560	5,421,018,000	12,998,827,200	2,252,013,600	21,523,354,944
Less: Allowance for impairment	-	-	-	(5,421,018,000)	(12,998,827,200)	(2,252,013,600)	(20,671,858,800)
Net Amount	-	571,992,584	279,503,560	-	-	-	851,496,144

Enrollment of 187,623 qualified members under PhilHealth's Point-of-Service (POS) program for 2018 per billing to DBM	450,295,200
Enrollment of 50,708 qualified members under the 2018 Point-of-Service (POS) program based on billing to DBM dated Nov. 10, 2019.	121,697,384
Total 2018	571,992,584

PhilHealth's share from Military Camp Sales Proceeds Fund (MCSPF) for the enrollment of 96,376 indigent families as identified through NHTS-PR CY 2017.	231,302,665
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PhilHealth's share from MCSPF for the enrollment of 20,084 indigent families as identified through NHTS-PR CY 2017.	48,200,895
Total 2017	279,503,560
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
Less: Allowance for Impairment	(5,421,018,000)
Total 2016	-
Enrollment of 5,416,178 Senior Citizens for CY 2015 per billing to DBM	12,998,827,200
Less: Allowance for Impairment	(12,998,827,200)
Total 2015	-
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
Enrollment of 882,204 Senior Citizens for the period of October to December 2014 per billing to DBM	2,117,289,600
Less: Allowance for Impairment	(2,252,013,600)
Total 2014 (Net)	-
Grand Total	851,496,144

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

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

10. OTHER CURRENT ASSETS

This account includes the following:

	2019	2018 (As Restated)
Supplies and materials	107,095,032	99,519,486

Semi-expendable	22,988,469	11,261,721
Accrued interest receivable – investment	1,651,848,865	1,241,683,249
Other receivables	96,915,469	77,528,121
Total	1,878,847,835	1,429,992,577

- 10.1 Supplies and Materials amounting to P107,095,032 and P99,519,486 as at December 31, 2019 and 2018, respectively, represent small tangible items that are expected to be used within one year from the reporting date.
- 10.2 Semi-expendable items amounting to P22,988,469 and P11,261,721 as at December 31, 2019 and 2018, respectively, represent equipment, books, furniture & fixture costing less than P15,000.
- 10.3 Accrued Interest Receivable on investment amounting to P1,651,848,865 and P1,241,683,249 as at December 31, 2019 and 2018, respectively, represents interest earned from Investment Securities at Amortized Cost.
- 10.4 Other Receivables amounting to P96,915,469 and P77,528,121 as at December 31, 2019 and 2018, respectively, include withholding taxes and compromise penalties of hospitals amounting to P24,264,032 for the taxable year 2003-2004 per Bureau of Internal Revenue (BIR) decision with Reference No. P06-15 dated April 14, 2015.

11. INVESTMENT SECURITIES AT AMORTIZED COST

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

	Interest Rate	2019	2018 (As Restated)
Retail T-bonds	5.3250%	50,599,080,000	49,099,080,000
RTB Non-restricted environment	5.8125%	40,686,267,054	46,236,147,402
10-year T-bonds	6.2679%	15,052,629,083	15,112,383,650
Sub-Total		106,337,976,137	110,447,611,052

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

	Interest Rate	2019	2018
7-year Meralco Fixed Rate Bonds	4.3750%	1,500,000,000	1,500,000,000
7-year PLDT Fixed Rate Bonds	5.2250%	650,000,000	650,000,000
5.5-year JG Summit Fixed Rate Bonds	5.2317%	-	1,000,000,000
5.25-year GT Capital Fixed Rate Bonds	4.7106%	-	300,000,000
5.5-year SM Prime Holdings, Inc. Fixed Rate Bonds	5.1000%	500,000,000	500,000,000
7-year SM Prime Holdings, Inc. Fixed Rate Bonds	5.2006%	500,000,000	500,000,000
7-year Aboitiz Power Corp. Fixed Rate Bonds	5.2050%	1,000,000,000	1,000,000,000
5.25-year Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	4.4722%	1,000,000,000	1,000,000,000

	Interest Rate	2019	2018
7-year Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	5.0056%	1,000,000,000	1,000,000,000
7-year Filinvest Land Inc. Fixed Rate Bonds	5.4000%	1,000,000,000	1,000,000,000
7-year Filinvest Land, Inc. Fixed Rate Bonds	5.3567%	780,000,000	780,000,000
7-year Robinsons Land Corp. Fixed Rate Bonds	4.8000%	1,500,000,000	1,500,000,000
7-year Ayala Land Inc. Fixed Rate Bonds	4.5000%	950,000,000	950,000,000
7-year Ayala Land Inc. Fixed Rate Bonds	3.8915%	1,100,000,000	1,100,000,000
5.25-year South Luzon Tollway Corp. Fixed Rate Bonds	4.9925%	182,500,000	182,500,000
7-year South Luzon Tollway Corp. Fixed Rate Bonds	5.5796%	182,500,000	182,500,000
5.25-year SM Prime Holdings	4.5095%	1,200,000,000	1,200,000,000
2-year DBP Series A ASEAN Sustainability Fund	4.2500%	5,000,000,000	-
Sub-Total		18,045,000,000	14,345,000,000
Grand Total		124,382,976,137	124,792,611,052

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

12. PROPERTY AND EQUIPMENT

This account consists of:

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

Included under Land and Buildings accounts are the following:

- 12.1 A parcel of land situated in Quezon City with a total area of 17,231 square meters (sq. m.) This property with a carrying amount of P439,377,750 was appraised on January 23, 2017 by an independent appraiser with a fair market

value of P1.2 billion. The Head Office of the Corporation shall be constructed in this lot.

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

- 12.2 A property with a total area of 4,355 sq. m. acquired from Fort Bonifacio Development Corporation (FBDC), in exchange for the Corporation's investments in FBDC located in Fort Bonifacio, Taguig City. This asset with a carrying amount of P413,845,805 have a fair market value of P1.7 billion as of January 23, 2017.
- 12.3 A parcel of lot with total area of 1,544 sq. m. and a building with a total floor area of 3,287 sq. m. purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga at a cost of P25,520,363. The land and building were appraised to have a fair market value of P74.605 million as of January 20, 2017. PRO III also purchased a warehouse in San Fernando City, Pampanga with a total area of 1,831 sq. m. and was appraised with a fair market value of P16.240 million as of December 27, 2016.
- 12.4 A parcel of lot with a total area of 2,897 sq. m. located in Tuguegarao City which will be used as the PRO II's Regional Office. This property was received by way of donation, through a Memorandum of Agreement (MOA) executed between the Department of Public Works and Highways (DPWH) Region II and the Corporation. This property which is carried in the books at P4,056,000 was appraised with a fair market value of P23.176 million as of January 19, 2017. In compliance with the condition set forth in the MOA to construct PhilHealth's office building within two years from the execution of the Deed of Donation, the Regional Development Council (RDC) II has extended, upon the request of PRO II, the construction of the building for another two years per RDC-2 Resolution No. 02-25, series of 2017.
- 12.5 A parcel of lot with a total area of 600 sq. m. located in Gov. Democrito O. Plaza Government Center, Patin-ay, Prosperidad, Agusan del Sur which will be used as the PRO CARAGA's Local Health Insurance Office (LHIO) San Francisco Corporate Office. This property was received by way of donation, through Deed of Donation executed by the Provincial Government of Agusan del Sur in favor of PhilHealth office. This property is recorded in the books at P1,086,000.
- 12.6 List of Right of Use Assets: - Please see attached Annex A for details.

Office	Amount
Head Office	479,762,130
PRO I	14,482,293
PRO III	47,948,907
PRO IVA	44,178,059
PRO IVB	38,822,816
PRO V	24,278,093
PRO VI	61,027,138
PRO VII	34,439,747
PRO VIII	9,614,660

PRO X	95,823,648
PRO XI	46,790,139
PRO XII	25,131,313
PRO NCR	165,383,429
PRO ARMM	16,704,773
PRO CAR	63,592,570
PRO CARAGA	2,008,368
Total	1,169,988,083

13. INTANGIBLE ASSETS

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

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

14. OTHER ASSETS

This account consists of the following:

	2019	2018 (As Restated)
Advances to disbursing officers	674,581	8,806
Advances to officers and employees	1,211,032	764,562
Prepayments	32,619,252	24,644,927
Deferred charges	771,659	809,294
Guaranty deposits	96,143,856	88,848,634
	131,420,380	115,076,223
DBM (transfer of NHIP Program from GSIS to PhilHealth)	155,235,240	155,235,240
PCSO (Enhanced GMA Program)	115,000,000	115,000,000
PDIC (per MB Resolution 459 dated April 7, 2005)	327,103	327,103
COA disallowances of former officers and employees	1,456,749	4,422,178
PROs (from various Health Providers-Debit Credit Scheme)	635,559	635,559
Unserviceable equipment	55,634,816	37,388,554
Serviceable equipment	3,678,768	2,945,948
Receivable from NGAs	394,741,430	394,741,430
Receivable from PCSO	100,566,336	100,566,336
Receivable from LGUs	455,575,301	644,178,581
Other assets - intangible	5,221,886	3,843,855
Gross Long-term receivable	1,288,073,188	1,459,284,784
Less: Allowance for doubtful accounts	(1,155,313,252)	(1,117,494,275)
	132,759,936	341,790,509
Net Amount	264,180,316	456,866,732

14.1 The Disbursing Officer is an Accountable Officer (AO) duly designated, responsible and accountable for the proper management of funds for a specific legal purpose or activity and is properly bonded in accordance with law. The

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

- 14.2 Advances to Officers & Employees account amounting to P1,211,032 and P764,562 as at December 31, 2019 and 2018, respectively, represents cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travels.
- 14.3 Prepayments amounting to P32,619,252 and P24,644,927 as at December 31, 2019 and 2018, respectively, represent authorized payments made for the purchase of goods from the Procurement Service of the Department of Budget and Management (PS-DBM) as well as insurance of motor vehicles of the Corporation from the Government Service Insurance System (GSIS).
- 14.4 The Deferred Charges account includes the unused portion of the amount of benefit claims paid to various Health Care Providers (HCPs). This payment was made by PRO VIII in compliance with the PhilHealth Board Resolution No. 1855, series 2013 which provides a mechanism for extending substantial aid to the affected Health Care Institutions (HCIs) in the aftermath of the 'Super Typhoon Yolanda'. A total of P302,472,692 was paid to the HCP's and of this amount, P301,795,039 claims have been processed leaving a balance of P677,653 as of December 31, 2019. The remaining balance of P94,006 represents Debit/Credit Scheme (DCS) transactions.
- 14.5 Guaranty deposits amounting to P96,143,856 and P88,848,634 as at December 31, 2019 and 2018, respectively, represent transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.
- 14.6 Long Term Receivable from the DBM amounting to P155,235,240 as at December 31, 2019 and 2018 represents surcharges for late remittance of the employer counterpart for premium contribution. However, allowance for doubtful account of the same amount was provided after evaluation of factors such as aging of accounts, collection experience in relation to particular receivable and identified doubtful accounts.
- 14.7 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to P115,000,000 as at December 31, 2019 and 2018 represents the balance of the account for the premium counterpart of various LGUs under the Enhanced PCSO – Greater Medicare Access (PCSO-GMA) Program.
- 14.8 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to P327,103 as at December 31, 2019 and 2018 was pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.
- 14.9 Disallowances amounting to P1,456,749 and P4,422,178 as at December 31, 2019 and 2018 refer to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by the Commission on Audit (COA). Subsidiary ledgers for these disallowances are being maintained and kept for ready references.

- 14.10 Debit/Credit Scheme (DCS) amounting to P635,559 as at December 31, 2019 and 2018 refers to the balance of advance payment to HCPs for the year 1999. Allowance for doubtful account of P115,626 for PRO VII; P9,698 for PRO X; P11,394 for PRO IV-A; P37,352 for PRO V; P76,184 for PRO VI and P17,609 for PRO CARAGA, or a total of P267,863 was provided due to closure of the hospital facilities.
- 14.11 Unserviceable Equipment account amounting to P55,634,816 and P37,388,554 as at December 31, 2019 and 2018, respectively, represents equipment that are already for disposal. Serviceable Equipment account amounting to P3,678,768 and P2,945,948 as at December 31, 2019 and 2018, respectively, represents pieces of equipment which are still functional but already obsolete and fully depreciated and ready for disposal. These serviceable and unserviceable equipment accounts shall be further reclassified as Non-Current Asset – Held for Sale, once the requirements set upon by the Standard are met.
- 14.12 Receivable from National Government Agencies (NGAs) amounting to P394,741,430 represents deficiency in employer share of the Health Insurance Premium Contributions to the Corporation by different government agencies nationwide for CYs 2001 to 2008.
- 14.13 Receivable from PCSO includes unpaid billings for the enrollment of 309,049 indigent families in the amount of P25,997,256 under the PCSO – GMA Program for 2003 and 2005; unpaid billings in 2005 in the amount of P2,772,240; and unpaid billings for the coverage of 200,000 transport workers under the PCSO-PhilHealth Program in the amount of P71,796,840.
- 14.14 Receivable from LGUs represents long overdue premium contributions from various cities and municipalities all over the Philippines for the enrollment of their respective constituents under the Sponsored Program of the Corporation. It was reclassified from Current Receivable to Other Assets in compliance with COA recommendation per Audit Observation Memorandum (AOM) No. 2015-22 (14) dated May 5, 2015, details as shown below.

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

- 14.15 Other Assets – Intangibles – These are reclassified from Intangible Assets which are fully amortized and is left only with their residual value.
- 14.16 Allowance for doubtful accounts was provided for the following uncollectible receivable accounts as recommended by COA per AOM No. 17-003 dated February 28, 2017 in accordance with COA Circular No. 2016-005 dated December 19, 2016 and based on the Corporation's policy on the setting up of allowance for doubtful/uncollectible accounts receivable per PhilHealth Corporate Order No. 2017-0010 dated January 20, 2017.

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

	2019	2018 (As Restated)
DBM (transfer of NHIP Program from GSIS to PHIC)	155,235,240	155,235,240
PCSO (Enhanced GMA Program)	115,000,000	115,000,000
PDIC (per MB Reso. 459 dated 4/7/5)	327,103	327,103
PROs (from various Health Providers-DCS)	267,863	267,863
Receivable from NGAs	394,741,430	394,741,430
Receivable from PCSO	100,566,336	100,566,336
Receivable from LGUs	389,175,280	351,356,303
Total Allowance for Impairment	1,155,313,252	1,117,494,275

15. BENEFIT CLAIMS PAYABLE

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

- 15.1 Benefit claims processed amounting to P4,124,188,649 and P8,055,728,690 as at December 31, 2019 and 2018, respectively, represents benefit payment checks still in the possession of the Corporation.
- 15.2 Primary Care Benefit (PCB) processed amounting to P174,134,532 and P6,300,750 as at December 31, 2019 and 2018, respectively, represents PCB payment checks still in the possession of the Corporation.

- 15.3 Accrued Benefit Claims - In Course of Settlement (ICS) amounting to P21,921,630,105 and P9,745,983,730 as at December 31, 2019 and 2018, respectively, are benefit claims in process as of the reporting period.
- 15.4 Accrued Benefit Claims - Incurred But Not Yet Received (IBNR) amounting to P36,086,348,280 and P13,180,691,005 as at December 31, 2019 and 2018, respectively, are claims which are estimated to be in the possession of the Health Care Institutions (HCIs) as of the end of the month and have yet to be submitted to the Corporation within the allowable 60-day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015. The amount recorded as at December 31 is actuarially estimated.

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

- 15.5 Accrued Benefit Claims - Primary Care Benefit (PCB) amounting to P13,259,959,951 are claims which are actuarially estimated as at December 31, 2019 and the remaining balance of P4,916,372,328 are accruals of prior years.
- 15.6 Under the accrual principle of accounting, transactions are recorded in the period in which they actually occur, rather than the period in which the cash flows related to them occur. The conservatism principle is the general concept of recognizing expenses and liabilities as soon as possible when there is uncertainty about the outcome, but to only recognize revenues and assets when they are assured of being received. Applying these general principles, PhilHealth records benefit claims – Incurred but Not yet Paid (IBNP) which is further broken down into two categories:
- a. In Course of Settlement (ICS) are claims in process at the end of the reporting period. It is composed of claims in process and claims that are not yet encoded in the system. Claims that are not yet encoded in the system multiplied by the average value per claim are added to the extracted amount of claims in process to come up with the total amount of accrual for ICS. Accrued ICS in 2018 amounted to P9.7 billion. Starting 2019, the estimate is based on the case rate amount extracted from the N-Claims.
 - b. Incurred but not yet Recorded (IBNR) are claims which are estimated to be in the possession of the Health Care Institutions as of the end of the month and have yet to be submitted to PhilHealth within the allowable 60-day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015. Accrued IBNR in 2018 (restated) amounted to

P13 billion. The amount was estimated by the Actuary and Risk Management Sector (ARMS). The method applied in estimating IBNR claims is called claims development (or lag) method. It is an estimation technique under which historical claim data, such as the number and amount of claims are grouped into the time periods in which claims were incurred and the time periods in which they were processed. The processing date is typically the date the claim is received, adjudicated, or paid by the claim payer. The development method uses these groupings to create a claim processing or development pattern, which is used to determine completion factors to help estimate the unprocessed portion of incurred claims. The adjustment in benefit claims payable is due to the fact that the actual claims received and paid as of December 31, 2019 from the recorded IBNR is only P15.8 billion which is lower by almost P12.8 billion compared to the recorded amount of P36 billion.

16. OTHER PAYABLES

This account consists of:

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

	2019	2018 (As Restated)
Others	118,646,471	196,983,763
Total	5,192,279,053	3,788,754,474

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

The PhilHealth Board of Directors issued Board Resolution No. 385, s. 2001, granting the payment of the Welfare Support Assistance (WESA) of P4,000 each to all qualified employees effective January 01, 2001. This is in lieu of the subsistence and laundry allowances paid to public health workers under Republic Act (RA) No. 7305, otherwise known as the *Magna Carta of Public Health Workers*. However, on February 07, 2008, the Commission on Audit (COA) issued Notice of Disallowance (ND) PHIC 2008-003 (2004) disallowing the payment of WESA contending that the payment was made without legal basis in the absence of approval from the Office of the President. On Appeal, the COA *en banc* sustained the disallowance.

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

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

Such an interpretation is consistent with the constitutionally-protected right of labor and that any doubt in the interpretation of laws, including compensation laws, should be resolved in favor of labor. Section 3 of **Article XIII** of the **1987 Constitution** on Social Justice and Human Rights reads: "The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all."

Section 18, **Article II** of the **1987 Constitution** states that “[t]he State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare” and Section 10 declares that “[t]he State shall promote social justice in all phases of national development.”

- 16.2 Statutory liabilities are inter-agency payables which include deductions from the salaries of Corporation’s officials and employees which are due for remittance to GSIS, Home Development Mutual Fund (HDMF), National Home Mortgage Finance Corporation (NHMFC), BIR, and PhilHealth Employees Association (PHICEA), and taxes withheld from payments to health service providers. PhilHealth Provident Fund is also classified under this category.
- 16.3 Trust Liabilities refer to funds from other sources which are held in trust for specific purpose.
- 16.4 Donations include funds received from the following entities, including earned interest thereon:

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

These donations shall finance specific projects like:

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

17. OTHER DEFERRED CREDITS

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

This account consists of the following:

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

	2019	2018 (As Restated)
Total	1,123,783,051	1,095,546,801

18. LEAVE BENEFITS PAYABLE

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

- 18.1 Leave Benefits processed amounting to P2,992,437 represents leave monetization of officers and employees as of December 31, 2019.
- 18.2 Accrued Leave Benefits – amounting to P846,156,775 and P576,277,397 as at December 31, 2019 and 2018, respectively, represent money value of the earned leave credits of officers and employees of PhilHealth which are actuarially estimated based on the following assumptions: (a) one per cent (1%) separation rate per year, (b) two per cent (2%) discount rate, (c) four per cent (4%) increase in salary per year.

Details of Accrued Leave Benefits are as follows:

Year	Amount
CY 2019	269,879,378
CY 2018	157,456,290
CY 2017 and prior years	418,821,107
Total	846,156,775

19. INSURANCE LIABILITIES FOR LIFETIME MEMBERS

As stipulated in the Section 17 of RA No. 10606 (or Section 27 of RA No. 7875), a separate fund for the benefit claims reserve of the existing Lifetime members must be set up as a liability of the Corporation. The claims liability reserves requirement for the number of covered Lifetime members as at December 31, 2019 and 2018 were estimated at P28,605,281,694 and P26,034,923,966, respectively, by the Corporate Actuary and was already allocated in the Reserve Fund.

20. MEMBERS' EQUITY

Members' Equity consists of the following:

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

20.1 Reserve Fund

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

The Reserve Fund is recorded per Office Order No. 0145, series of 2012 which is based on the provisions of Section 27 of RA No. 7875, as amended by RA No. 10606, which states that the Corporation shall set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserved funds: Provided, that the total amount of reserves shall not exceed a ceiling of P306.600 billion, the amount actuarially estimated for two years' projected program expenditures: Provided further; that whenever actual reserves exceed the required ceiling at the end of the Corporation's Fiscal Year, the excess of the Corporation's Reserve Fund shall be used to increase the program's benefits, decrease the member's contributions and augment the health facilities enhancement program of the DOH.

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

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

20.2 Surplus

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

21. PREMIUM CONTRIBUTIONS

Details of Premium Contributions are as follows:

	2019	2018 (As Restated)
Direct Contributors	77,069,857,223	74,339,259,039
Government	18,403,701,820	16,702,487,788
Private	50,461,085,141	50,096,059,161

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

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.

22. INTEREST AND OTHER INCOME

Interest and other income account are as follows:

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

- a. Miscellaneous income in the Head Office consists of income ranging from one hundred thousand and above which includes penalties from supplier and Unclaimed Benefit Refund (UBR) amounting to P45,397,604 which was reverted back to the fund after two years of publication in the Philhealth's website portal per recommendation of the COA in the 2018 Annual Audit Report. For PROs, this includes income from sale of valueless records, forfeited performance security and refund of benefit payment collected from delinquent employers.
- b. Rent Income is an income from the rented portion of PRO III office building.

23. BENEFIT CLAIMS EXPENSES

Details of this account are as follows:

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

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

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

24. PERSONNEL SERVICES

Personnel services account includes:

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

25. OTHER OPERATING EXPENSES

This account represents the administrative costs which must be within the limit as prescribed in Section 72, Financial Management of the Revised IRR of RA No.7875, as

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

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

25.1 MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2019	2018 (As Restated)
Travelling expenses	177,658,473	134,917,445
Travelling expenses - local	176,379,857	133,613,112
Travelling expenses - foreign	1,278,616	1,304,333
Training and scholarship expenses	89,226,217	59,881,971
Supplies and materials expenses	169,673,370	177,234,578
Semi-expendable expenses	22,140,609	56,072,349
Utility expenses	153,285,044	154,493,170
Water expenses	9,484,868	6,563,606
Electricity expenses	143,800,176	147,929,564
Communication expenses	202,172,764	169,136,240
Postage and courier services	25,396,358	35,350,392
Telephone expenses	74,795,696	24,774,273
Internet subscription expenses	101,040,680	107,990,638
Cable, satellite, telegraph and radio expenses	940,030	1,020,937
Awards/rewards, prizes and indemnities	5,015,408	4,924,200
Survey, research, and development expenses	42,953,152	67,648,521
Professional services	172,482,505	111,358,057
Auditing services	60,932,904	56,649,843
Consultancy services	1,324,613	3,992,501
Other professional services	110,224,988	50,715,713
General services	230,386,023	207,816,863
Janitorial services	77,747,448	67,047,726
Security services	152,638,575	140,769,137
Repairs and maintenance	25,505,985	22,424,306
Repairs and maintenance - land improvement	14,110	79,536
Repairs and maintenance - building & other structures	665,539	1,183,365
Repairs and maintenance - machinery & equipment	11,529,038	8,843,651
Repairs and maintenance - transportation equipment	10,450,284	9,352,277
Repairs and maintenance - furniture & fixtures	637,215	514,845
Repairs and Maintenance - leased assets improvements	2,209,799	2,450,632
Taxes, Insurance Premiums and Other Fees	22,083,099	20,717,735
Taxes, duties and licenses	173,186	316,089
Fidelity bond premiums	7,935,875	6,784,053
Insurance expenses	13,974,038	13,617,593
Other maintenance and operating expenses	557,104,721	768,876,541
Advertising, promotional and marketing expenses	128,950,393	140,559,782
Printing and publication expenses	9,048,344	13,367,713
Representation expenses	42,759,330	35,373,241

	2019	2018 (As Restated)
Transportation and delivery expenses	4,796,684	4,686,406
Rent / lease expenses	163,700,054	400,405,603
Membership dues and contribution to organizations	8,589,322	8,235,928
Subscription expenses	31,837,123	2,558,756
Donations	141,321	3,357,007
Documentary stamps expense	1,175	-
Major events and conventions expenses	38,594,495	19,302,418
Other MOOE - others	128,686,480	141,029,687
Total	1,869,687,370	1,955,501,976

25.2 FINANCIAL EXPENSES

This account consists of the following:

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

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

25.3 NON-CASH EXPENSES

This account consists of the following:

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

Loss on sale of property, plant, & equipment	1,341,698	1,201,591
Loss on sale of assets	-	18,780
Loss of assets	-	291,635
Total	6,294,336,972	429,440,650

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

26. RELATED PARTY DISCLOSURES

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

26.1 Compensation of key management personnel

The key management personnel refer to the executive team, with the rank of Senior Vice President and up to President and Chief Executive Officer (PCEO). These individuals have the authority and responsibility for planning, directing, and controlling the activities of the Corporation. The aggregate compensation of the executive officers and Board of Directors for CYs 2019 and 2018, are as follows:

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

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

27. RESTATEMENTS

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

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

27.1 Statement of Financial Position

	December 31, 2018		
	Audited	Prior Year Adjustments	As Restated
ASSETS			
Current Assets			
Cash and cash equivalents	25,638,531,736	562,789,204	26,201,320,940

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

27.2 Statement of Comprehensive Income

	December 31, 2018		
	Audited	Prior Year Adjustments	As Restated
TOTAL PREMIUM CONTRIBUTIONS	132,463,006,004	1,625,826,841	134,088,832,845
Less: Benefit claims expenses	121,040,718,669	(8,084,255,798)	112,956,462,871
GROSS MARGIN FROM OPERATIONS	11,422,287,335	9,710,082,639	21,132,369,974
Less: Operating expenses			
Personnel services	4,117,906,210	238,652,034	4,356,558,244
Other operating expenses	2,483,233,307	10,343,268	2,493,576,575
Total Operating Expenses	6,601,139,517	248,995,302	6,850,134,819
NET OPERATING INCOME (LOSS)	4,821,147,818	9,461,087,337	14,282,235,155
Add: Interest and other income	6,794,777,427	(52,347,351)	6,742,430,076
NET INCOME/(LOSS)	11,615,925,245	9,408,739,986	21,024,665,231

27.3 Statement of Changes in Equity

December 31, 2018

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

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

- To take up premium collections with applicable period of CY 2018.
- To take up reversal of accrued accounts payable for benefit claims of Incurred but Not yet Received (IBNR) and In Course of Settlement (ICS) due to overstatement.
- Accrued personnel services for Welfare Support Assistance (WESA) from CY 2012 to CY 2018 as a result of the decision of the Supreme Court (G.R. No. 213453) reversing the ND and COA decision on WESA on November 29, 2016.
- Accrued leave benefits for CY 2018 and below for the money value of the earned leave credits of officers and employees of PhilHealth which are actuarially estimated based on the following assumptions: (a) 1% separation rate per year; (b) 2% discount rate; (c) 4% increase in salary per year.
- PhilHealth share from Military Camp Sales Proceeds Fund (MCSPF) for the premium contributions of indigent families under NHTS 2017 program.
- Actual collection of receivable from DBM for POS 2017 program.

28. OTHER SIGNIFICANT AND RELEVANT INFORMATION

28.1 Release of Interim Reimbursement Mechanism

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

"WHEREFORE, premises considered, the Board RESOLVES, as it is hereby RESOLVED, to APPROVE the inclusion of Interim Reimbursement Mechanism among the special privileges that may be

conferred during fortuitous events and emergencies, thereby amending PhilHealth Board Resolution No. 1848, s. 2013 for this purpose;”

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

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

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

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

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

28.2 PhilHealth as Government Business Enterprise

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

28.3 Point of Service (POS) Program

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

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

SARO No.	Amount of SARO	DBM Releases from CYs 2017 to 2019
SARO-BMB-C-17-0023166	91,333,530	91,333,530

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

28.4 Arrears of the NG as an employer

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

28.5 Assigned lot to PRO III

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

28.6 Non-remittance of GSIS Premium for Disallowed Salary Adjustments

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

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

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

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

28.8 Status of Outstanding Legal Cases

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

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

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

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

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