

PhilHealth@24:
**Tungo sa Kalusugan
Para sa Lahat**

FINANCIAL STATEMENTS

June 30, 2019

Philippine Health Insurance Corporation

CityState Centre Building, 709 Shaw Boulevard, Pasig City

Call Center (02) 441-7442 Trunkline (02) 441-7444

www.philhealth.gov.ph

000-07262019-4793



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

As at June 30, 2019 and 2018
(In Philippine Peso)



PhilHealth@24:
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	Notes	2019	2018	Increase / (Decrease) Current vs Prior Year
ASSETS				
Current Assets				
Cash & Cash Equivalent	5	9,352,152,343.82	10,417,291,248.06	(1,065,138,904.24)
Investment in Time Deposits	6	2,452,406,000.00	15,502,433,027.55	(13,050,027,027.55)
Premium Receivables - net	7	46,317,394,562.94	28,735,511,071.82	17,581,883,491.12
Other Current Assets	8	1,513,042,066.31	2,069,849,107.74	(556,807,041.43)
Total Current Assets		59,634,994,973.07	56,725,084,455.17	2,909,910,517.90
Non-Current Assets				
Investment Securities at Amortized Cost	9	127,244,851,439.14	112,635,601,385.69	14,609,250,053.45
Property & Equipment - net	10	2,232,647,275.86	2,259,401,217.55	(26,753,941.69)
Intangible Assets - net	11	286,990,173.11	301,719,697.07	(14,729,523.96)
Other Assets - net	12	298,409,298.87	414,201,020.00	(115,791,721.13)
Total Non - Current Assets		130,062,898,186.98	115,610,923,320.31	14,451,974,866.67
TOTAL ASSETS		189,697,893,160.05	172,336,007,775.48	17,361,885,384.57
LIABILITIES AND EQUITY				
Liabilities				
Current Liabilities				
Benefit Claims Payables	13	63,973,873,799.11	44,958,082,188.29	19,015,791,610.82
Other Payables	14	1,852,364,948.71	2,262,929,056.50	(410,564,107.79)
Total Current Liabilities		65,826,238,747.82	47,221,011,244.79	18,605,227,503.03
Non - Current Liabilities				
Other Deferred Credits	15	768,138,029.64	8,186,613,979.79	(7,418,475,950.15)
Leave Benefits Payable	16	121,712,297.22	-	121,712,297.22
Insurance Liability for Lifetime Members	17	26,034,923,966.00	24,796,038,543.00	1,238,885,423.00
Total Non-Current Liabilities		26,924,774,292.86	32,982,652,522.79	(6,057,878,229.93)
Total Liabilities		92,751,013,040.68	80,203,663,767.58	12,547,349,273.10
Equity				
Members' Equity	18	96,946,880,119.37	92,132,344,007.90	4,814,536,111.47
Total Members' Equity		96,946,880,119.37	92,132,344,007.90	4,814,536,111.47
TOTAL LIABILITIES AND EQUITY		189,697,893,160.05	172,336,007,775.48	17,361,885,384.57

Prepared by:

ARCHIMEDES L. VILLASIN, CPA

Acting Division Chief, AICD, Comptrollership Department

Certified Correct:

CHERIE CARMEN B. DIVINA, CPA, MBA, CSEE

Acting SM, Comptrollership Department

Recommending Approval:

RENATO L. LIMSIACO, JR., CPA, DM, CESE

Senior Vice President, Fund Management Sector

RUBEN JOHN A. BASA

Executive Vice President & Chief Operating Officer (COO)

Approved by:

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

President & Chief Executive Officer (CEO)



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF INCOME
For the Period Ended June 30, 2019 and 2018
(In Philippine Peso)



	Notes	2019	2018	Increase / (Decrease) Current vs Prior Year
TOTAL PREMIUM CONTRIBUTIONS	19	67,595,517,519.66	59,785,951,417.79	7,809,566,101.87
Less: Benefit Claims Expenses	21	67,221,337,714.10	52,929,163,749.51	14,292,173,964.59
GROSS MARGIN FROM OPERATIONS		374,179,805.56	6,856,787,668.28	(6,482,607,862.72)
Less: Operating Expenses				
Personal Services	22	1,635,076,728.93	1,677,761,512.75	(42,684,783.82)
Other Operating Expenses	23	993,806,867.85	876,273,520.37	117,533,347.48
Total Operating Expenses		2,628,883,596.78	2,554,035,033.12	74,848,563.66
NET OPERATING INCOME		(2,254,703,791.22)	4,302,752,635.16	(6,557,456,426.38)
Add: Interest and Other Income	20	3,708,691,595.88	3,100,292,582.34	608,399,013.54
NET INCOME		1,453,987,804.66	7,403,045,217.50	(5,949,057,412.84)

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Acting Division Chief, AICD, Comptrollership Department

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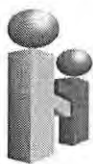
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PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

For the Period Ended June 30, 2019 and 2018

(In Philippine Peso)



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	Notes	2019	2018	Increase / (Decrease) Current vs Prior Year
RESERVE FUND	18			
Reserve at January 1, 2019		97,142,214,450.07	81,818,123,288.66	15,324,091,161.41
Surplus transferred to Reserve		(197,117,678.20)	10,312,437,371.74	(10,509,555,049.94)
Reserve Fund at June 30, 2019		96,945,096,771.87	92,130,560,660.40	4,814,536,111.47
SURPLUS	18			
Surplus at January 1, 2019		1,783,347.50	1,783,347.50	-
Net Income (Loss)		1,453,987,804.66	7,403,045,217.50	(5,949,057,412.84)
Prior Year Adjustment		(1,651,105,482.86)	2,909,392,154.24	(4,560,497,637.10)
Total Surplus		(195,334,330.70)	10,314,220,719.24	(10,509,555,049.94)
Surplus transferred to Reserve		197,117,678.20	(10,312,437,371.74)	10,509,555,049.94
Surplus at June 30, 2019		1,783,347.50	1,783,347.50	-
TOTAL MEMBERS' EQUITY		96,946,880,119.37	92,132,344,007.90	4,814,536,111.47

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President & Chief Executive Officer (CEO)



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Period Ended June 30, 2019 and 2018
(In Philippine Peso)



	2019	2018	Increase / (Decrease) Current vs Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES			
Premium Contributions	41,379,194,958.63	50,336,945,494.96	(8,957,750,536.33)
Other income	263,672,563.26	169,428,387.04	94,244,176.22
Interest received from Investments	3,811,437,756.92	3,386,353,194.16	425,084,562.76
Rent	201,041.90	245,300.28	(44,258.38)
Bank Charges	(2,883.00)	-	(2,883.00)
Benefit Claims	(54,236,162,983.25)	(47,415,004,219.08)	(6,821,158,764.17)
Operating Expenses	(3,151,141,168.46)	(2,787,728,040.81)	(363,413,127.65)
Net Cash Provided by (Used in) Operating Activities	(11,932,800,714.00)	3,690,240,116.55	(15,623,040,830.55)
CASH FLOWS FROM INVESTING ACTIVITIES			
Matured Bonds	3,821,486,000.00	6,913,046,000.00	(3,091,560,000.00)
Placement on Bonds	(1,500,000,000.00)	(17,827,222,784.87)	16,327,222,784.87
Placement on Treasury Bills	(4,988,005,112.20)	-	(4,988,005,112.20)
Placement on Time Deposits	(2,452,406,000.00)	(15,502,433,027.55)	13,050,027,027.55
Proceeds from disposal of assets	52,363.56	48,925.85	3,437.71
Equipment purchased	(243,603,502.29)	(296,527,854.85)	52,924,352.56
Net Cash Provided by (Used in) Investing Activities	(5,362,476,250.93)	(26,713,088,741.42)	21,350,612,490.49
CASH FLOWS FROM FINANCING ACTIVITIES			
Trust Receipts	8,930,408.45	(116,624,334.01)	125,554,742.46
Net Cash Provided by (Used in) Financing Activities	8,930,408.45	(116,624,334.01)	125,554,742.46
Net Increase (Decrease) in CASH	(17,286,346,556.48)	(23,139,472,958.88)	5,853,126,402.40
CASH at January 1, 2019	26,638,531,735.99	33,556,699,092.33	(6,918,167,356.34)
Gain (Loss) on Foreign Exchange	(32,835.69)	65,114.61	(97,950.30)
CASH at June 30, 2019	9,352,152,343.82	10,417,291,248.06	(1,065,138,904.24)


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NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. GENERAL INFORMATION

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

The Corporation is governed by a Board of Directors composed of seventeen (17) members and has the powers and functions provided for in Article IV Section 16 of RA 7875 as amended; such as to formulate and promulgate policies for the sound administration of the Program; to set standards, rules, and regulations necessary to ensure quality of care, appropriate utilization of services, fund viability, member satisfaction, and overall accomplishment of Program objectives; to formulate and **implement** guidelines on contributions and benefits; portability of benefits, cost containment and quality assurance; and health care provider arrangements, payments methods and referral systems; to establish branch offices as mandated in Article V of RA 7875, as amended; to receive and manage grants, donations, and other forms of assistance; and to organize its office, fix the compensation of and appoint personnel as may be deemed necessary and upon the recommendation of the President of the Corporation.

The National Health Insurance Fund (NHIF) as amended shall consist of contributions from Program members; other appropriations earmarked by the national and local governments purposely for the implementation of the program; subsequent appropriations provided for under Sections 46 and 47 of RA 7875, as amended; donations and grants-in-aid; and all accruals thereof. Under Section 26, Article VI of RA 7875, as amended, the use, disposition, investment, administration and management of the NHIF, including any subsidy, grant or donation received for the program operations shall be governed by applicable laws, and in the absence thereof, existing resolution of the Board of Directors of the Corporation subject to limitations prescribed in the Act.

2. BASIS OF PREPARATION

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

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

2.2 Basis of Measurement

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

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

Fair Value Measurement

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

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

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

2.3 Functional and Presentation Currency

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

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

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

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

2.4 Summary of Significant Accounting Policies

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

Unless otherwise indicated, the adoption of the new and amended PFRS 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 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 derecognition.
 - PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
 - For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
 - For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

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

Based on the Corporation's analysis of its business model and the contractual cash flow characteristics of its financial assets as at December 31, 2018, the Corporation has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39.

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

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash & Cash Equivalent	Loans & Rec'bles	Financial Assets at Amort. Cost.	25,638,531,736	25,638,531,736
Premium Receivables	Loans & Rec'bles	Financial Assets at Amort. Cost.	18,907,167,909	18,907,167,909
Investment Securities	AFS Financial Assets	Financial Assets at Amort. Cost.	124,876,190,287	124,876,190,287

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

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* – The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.
- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts* – The amendments give all insurers the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9, *Financial Instruments* is applied before implementing PFRS 17, *Insurance Contracts* ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying PFRS 9. Thus, continuing to apply PAS 39, *Financial Instruments: Recognition and Measurement* instead ('the deferral approach').

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, which a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).
- Amendment to PAS 24, *Related Party Disclosures – Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.
- Amendment to PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis – applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.
- Amendments to PFRS 15, *Revenue from Contract with Customers* – Clarification to PFRS 15 – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.
- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* – The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

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

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.
- For the Corporation's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Corporation will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Corporation's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Corporation completes the review.
- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.
- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).
- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments*.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.
- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.
- Amendments to PAS 23, *Borrowing Costs - Borrowing Costs Eligible for Capitalization* – The amendments are part of the Annual Improvements to PFRS 2015-2017 and clarify that in calculating the capitalization rate on general borrowings, if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.

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

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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

Other Current Assets

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

Property and Equipment

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

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

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

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

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

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

Intangible Assets

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

Impairment of Non-financial Assets

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

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

Derecognition of Non-financial Assets

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

Surplus

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

Revenue Recognition

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

The following specific recognition criteria must be met:

- 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 PRO III and it is recognized on a straight-line basis over the lease term.

Expense Recognition

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

a) Benefit Claims Expense

This represents benefits incurred by the Corporation for health care services, in-patient, out-Patient, PCB and Z benefit packages availed of by the members and their dependents. Benefit Claims Expense is recognized at the date of confinement as incurrence of the expense per Corporate Order 2018_0095.

b) Operating Expenses

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

Leases

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

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

Corporation as a Lessee

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

Corporation as a Lessor

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

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

Employee Benefits

Short-term Benefits

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

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

Related Parties

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

Events after Reporting Date

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

3. FINANCIAL RISK MANAGEMENT

Risk Management is not the sole responsibility of the Management and the Board. It is the responsibility of every employee in all levels in the Corporation. To ensure the systematic management of risks it is facing while implementing the National Health Insurance Program, PhilHealth established the Enterprise-wide Risk Management and developed the Risk Management Manual and Policy. These Manual and Policy will 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 defences in managing risks in the Corporation.

1. The first line of defence 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;

2. The second line of defence 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 the BPOs with regard to risk management and compliance; and
3. The third line of defence 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 line of defense in managing risks.

3.1 Financial Risk Factors

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

a. Credit risk

This refers to the risk of loss arising from PhilHealth'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).

PhilHealth's placements in fixed term deposits with Authorized Government Depository Banks (AGDBs) are in accordance with Sec. 2 of DOF Circular 01-2017 on the Amended Guidelines on Authorized Government Depository Banks which mandates all GOCCs, NGAs and LGUs to maintain and deposit government funds only with AGDBs.

PhilHealth implements a structured and standardized evaluation guidelines, 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 Corp. 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 R.A. No. 245, As Amended". Evaluation of counterparty trading participant in the NRTE platform, at the minimum, is measured on the Government Securities Eligible Dealer's (i) good standing in the Philippine Dealing Exchange, (ii) Risk-Based Capital Adequacy Ratio (CAR), (iii) Financial Standing on Earnings and Profitability, (iv) compliance to Securities Regulation Code and Code of Ethics Governing Financial Market Activities in the Philippines, and (iv) positive track record of service with other government agencies.

To avoid significant concentrations of exposures to specific industries or group of issuers and borrowers, PhilHealth investments are regularly monitored to ensure that these are always within the prescribed cumulative ceilings specified in Sec. VI.2 of PhilHealth 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 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 Accredited Collecting Agents to assess their capabilities as collecting agents.

On Cash Management: the Corporation maintains its accounts in any of the Authorized Government Depository Banks (AGDBs) in compliance with DOF Circular No. 01-2017 namely: Land Bank of the Philippines, Development Bank of the Philippines and Philippine Veterans Bank. These are the servicing banks for the Corporation's disbursements, funding and settlement accounts which are covered by Payroll Servicing Agreement and Memorandum of Agreement on One Fund Disbursement Account, respectively. Hence, lesser vulnerability of default given the Corporation's compliance to 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 Authorized Government Depository Banks (AGDBs), Treasury Bills and Government Securities with remaining life of less than one (1) year.

As to management of Accredited Collecting Agents, ACAs are required to remit their collections to PhilHealth on a daily basis in accordance with the Department of Finance 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's 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 Treasury and the Department of Budget and Management. 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 PhilHealth 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 balance sheet. 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 PhilHealth's securities investments. Since the securities investments of Philhealth are Held-to-

Maturity investments, the Corporation has very minimal exposure to market risk and it has the predictability of regular returns from the held-to-maturity investment. These regular earnings allow the Corporation to make plans for the future, knowing this income will continue at the set rate and the final return of capital upon maturity.

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

3.2 Foreign Currency

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

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

3.3 Fair Value Measurement

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

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

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

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Estimating Allowance for Impairment of Receivables

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

Estimating Benefit Claims Payables

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

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

5. CASH AND CASH EQUIVALENTS

	2019	2018
Collecting Officers	134,324,265.74	93,767,547.96
Petty Cash Fund	3,691,788.29	3,941,024.73
Cash in Bank	1,947,783,480.20	8,749,428,661.74
Special Savings in Time Deposits (net)	7,266,352,809.59	1,570,154,013.63
Total	9,352,152,343.82	10,417,291,248.06

Cash and Cash Equivalents consists of the following:

- 5.1 The amount of P134,324,265.74 and P93,767,547.96 for 2019 and 2018, respectively, represents collections at the end of the month of the collecting officers which are to be deposited on the following working day.
- 5.2 The Petty Cash Fund is for the use of miscellaneous expenditures which cannot be conveniently paid by check. An officer holding the Petty Cash Fund is also properly bonded in accordance with law. The amount of P3,691,788.29 and P3,941,024.73 for 2019 and 2018, respectively, represents available petty cash fund as of to date.
- 5.3 Cash in Bank amounting to P1,947,783,480.20 and P8,749,428,661.74 for 2019 and 2018, respectively, represents various bank deposits that are unrestricted and available for current operations. Included in this account are cash denominated in foreign currencies which are translated to Peso using the closing rate as of the reporting dates.
- 5.4 Special Savings in Time Deposits amounting to P7,266,352,809.59 and P1,570,154,013.63 for 2019 and 2018, respectively, are term deposits of one (1) day up to ninety (90) days with interest rate ranging from .37% to 5.20% and .37% to 3.20% for 2019 and 2018, respectively.

6. INVESTMENTS IN TIME DEPOSITS

This account consists of:

	2019	2018
Special Savings in Time Deposits	2,452,406,000	15,502,433,027.55
Total	2,452,406,000	15,502,433,027.55

Investments in Time Deposits are term deposits of ninety one (91) to three hundred sixty four (364) days with interest rate of 6.20% and ranging from 1.98% to 3.05% for 2019 and 2018, respectively.

7. PREMIUM RECEIVABLES

This account consists of:

	2019	2018
Due from ACAs	4,527,331,074.68	5,180,913,784.12
Formal Economy	2,344,856,121.29	59,485,885.93
Due from National Government Agencies	38,667,055,901.29	22,755,769,099.98
Due from LGUs	778,151,465.68	739,342,301.79
Total	46,317,394,562.94	28,735,511,071.82

7.1 Due from ACAs amounting to P4,527,331,074.68 and P5,180,913,784.12 for 2019 and 2018, respectively, represents accrued premium receivable for the month of December based on last month premium contribution collection reported by Treasury Department.

7.2 Premium Receivable of the Formal Economy amounting to P2,344,856,121.29 and P59,485,885.93 for 2019 and 2018, respectively, represents accruals of premium contributions of the members in the formal economy.

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

	2019	2018	2017	2016	2015	2014	Total
NHTS:							
Amount	13,968,660,000.00	-	231,302,665.31				14,199,962,665.31
No. of enrollees	11,640,550	-	96,376				11,736,926
SENIOR CITIZEN:							
Amount	13,588,594,999.98	3,769,848,576.00	-	5,421,018,000.00	12,998,827,200.00	2,117,289,600.00	37,895,578,375.98
No. of enrollees	5,435,438	1,570,770	-	2,258,757	5,416,178	882,204	15,563,347
Bangsamoro:							
Amount	24,069,600.00	-	-			-	24,069,600.00
No. of enrollees	20,058	-	-			-	20,058
PAMANA:							
Amount	25,525,200.00	-	-			-	25,525,200.00
No. of enrollees	21,271	-	-			-	21,271
POS							
Amount	1,043,150,400.00	450,295,200.00	9,867,260.00			-	1,503,312,860.00
No. of enrollees	869,292	187,623	1,029			-	1,057,944
FORTUITOUS EVENT							
Amount			-			134,724,000.00	134,724,000.00
No. of enrollees			-			56,135	56,135
Total Amount	28,650,000,199.98	4,220,143,776.00	241,169,925.31	5,421,018,000.00	12,998,827,200.00	2,252,013,600.00	53,783,172,701.29
Less: Allow. For Impairment (Senior Citizen)					(12,998,827,200.00)	(2,117,289,600.00)	(15,116,116,800.00)
Net Amount	28,650,000,199.98	4,220,143,776.00	472,472,590.62	5,421,018,000.00	-	134,724,000.00	38,667,055,901.29

Enrollment of 21,271 families of PAMANA program for the period of January to June, 2019 based on the 1st billing to DBM dated Mar 26, 2019. (51,050,400 / 12 = 4,254,200 / mo.)	25,525,200.00
Enrollment of 5,435,438 Senior Citizens who have no current coverage in any existing category under the NHIP for the period of Jan. to June, 2019 based on the 2019 billing to DBM dtd. May 15, 2019 (27,177,190,000. / 12 = 2,264765,833.33/mo.)	13,588,594,999.98
Enrollment of 869,292 qualified members under the 2019 Point-of-Service (POS) program for the period of Jan. to June, 2019 based on the 1st to 4th billings to DBM dated Mar. 21, Apr. 16, Apr. 24, & May 24, 2019. (2,086,300,800 / 12 = 173,858,400 / mo.)	1,043,150,400.00
Total 2019	28,650,000,199.98
Enrollment of 187,623 qualified members under the 2018 Point-of-Service (POS) program for the period Jan. to Dec., 2018 per billing to DBM.	450,295,200.00
Enrollment of 1,570,770 Senior Citizens who have no current coverage in any existing category under the NHIP for the period Jan.- Dec., 2018 per billing to DBM.	3,769,848,576.00
Total 2018	4,220,143,776.00
Actual benefit payment of 1,029 claimants, who are qualified members as financially-incapable Filiċino Citizens under 2017 POS program	9,867,260.00
PhilHealth's share from Military Camp Sales Proceeds Fund (MCSPF) for the enrollment of 96,376 indigent families as identified though NHTS-PR CY 2017.	231,302,665.31
Total 2017	241,169,925.31

Enrollment of 2,258,757 Senior Citizens which were automatically renewed for the period Jan.-Dec., 2016 per billing/letter to DBM through DOH. (12,998,827,200 - 7,577,809,200 Coll.)	5,421,018,000.00
Total 2016	5,421,018,000.00
Enrollment of 5,416,178 Senior Citizens for CY 2015 based on billing to DBM.	12,998,827,200.00
Less: Allow. for Impairment	(12,998,827,200.00)
Total 2015 (Net)	-
Enrollment of 56,135 families of which 55,474 families came from Region 8 who were casualties of Typhoon Yolanda and for the extended insurance coverage under the Fortuitous Event Program implemented as a component of the NHIP for the billing period Jan.-Dec., 2014.	134,724,000.00
Enrollment of 882,204 Senior Citizens for the period of Oct. to Dec., 2014 based on billing to DBM.	2,117,289,600.00
Total 2014	2,252,013,600.00
Less: Allow. for Impairment	(2,117,289,600.00)
Total 2014 (Net)	134,724,000.00
Grand Total	38,667,055,901.29

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

	2019	2018
NCR	87,312,000.00	65,668,800.00
CAR	11,533,855.82	11,533,855.82
I	14,198,532.03	15,128,804.00
II	75,597,523.64	75,697,523.64
III	130,837,556.17	25,636,800.00
IV-A	77,218,460.00	60,670,975.00
IV-B	16,800.00	244,800.00
V	3,127,800.00	10,511,400.00
VI	233,871,559.98	251,802,673.21
VII	32,531,040.00	100,112,293.00
VIII	-	-
IX	-	-
X	-	-
XI	19,047,000.00	30,824,000.00
XII	29,831,200.00	17,493,000.00
CARAGA	58,958,938.04	65,488,977.12
ARMM	4,069,200.00	8,528,400.00
	778,151,465.68	739,342,301.79

8. OTHER CURRENT ASSETS

This account consists of the following:

	2019	2018
Supplies and Materials	90,378,920.52	72,083,566.18
Semi-Expendable	20,734,935.82	408,454.00
Accrued Interest Receivable - Investment	1,284,955,809.12	1,162,927,543.14
Other Receivables	116,972,400.85	834,429,544.42
Total	1,513,042,066.31	2,069,849,107.74

- 8.1 Supplies and Materials amounting to P90,378,920.52 and P72,083,566.18 for 2019 and 2018, respectively, represents small tangible items that are expected to be used within one year from the reporting date.
- 8.2 Semi-Expendable amounting to P20,734,935.82 and 408,454.00 for 2019 and 2018, respectively, represents equipment, books, furniture and fixture costing less than P15,000.00.
- 8.3 Accrued Interest Receivable on investment amounting to P1,284,955,809.12 and P1,162,927,543.14 for 2019 and 2018, respectively, represents interest earned from Investment Securities at Amortized Cost.
- 8.4 Other Receivables amounting to P116,972,400.85 and P834,429,544.42 for 2019 and 2018, respectively, includes withholding taxes and compromise penalties of hospitals amounting to P24,264,032 for the taxable year 2003-2004 per BIR decision with reference No. P06-15 dated April 14, 2015.

9. INVESTMENT SECURITIES AT AMORTIZED COST

- 9.1 Investment in Treasury Bills amounting to P 4,988,005,112.19 with a maturity period of 91 to 364 days and with an average interest rate of 6.42%.
- 9.2 Investment in Government Bonds with a maturity period of more than one (1) year and with an average interest rate of 5.28%.

	Interest Rate	2019	2018
Retail T-bonds	5.3250%	50,599,080,000.00	49,099,080,000.00
RTB-Non-Restricted Environment	4.2500%	42,229,849,654.72	31,906,839,576.56
7-year T-bonds		-	2,141,034,844.35
10-year T-bonds	6.2679%	15,082,916,672.22	15,143,646,964.78
Total		107,911,846,326.94	98,290,601,385.69

9.3 Investment in Corporate Bonds with a maturity period of more than 1 year and with interest rate ranging from 4.3750% to 5.5796%.

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

Interest earned on Investment Securities amounted to P3,313,683,869.82 and P2,645,591,253.82 in 2019 and 2018, respectively.

10. PROPERTY AND EQUIPMENT– NET

This account consists of:

	Land and Land Improvements	Building and Structure / Leasehold Improvements	Construction in Progress	Furniture and Fixtures Equipment and Books	Motor Vehicle	Total
Cost						
Jan. 1, 2019	875,091,352.96	175,649,846.72	27,569,240.50	2,633,686,689.02	242,577,339.54	3,954,574,468.74
Additions	-	18,472,291.00	-	78,836,417.07	2,564,891.00	99,873,599.07
Adjustments	-	(1,096,016.60)	-	(57,046,548.69)	(1,617,000.00)	(59,759,565.29)
<i>June 30, 2019</i>	<i>875,091,352.96</i>	<i>193,026,121.12</i>	<i>27,569,240.50</i>	<i>2,655,476,557.40</i>	<i>243,525,230.54</i>	<i>3,994,688,502.52</i>
Accu. Dep'n						
Jan. 1, 2019	1,442,621.29	86,936,907.55	-	1,403,457,641.18	135,933,745.22	1,627,770,915.24
Depreciation	13,857.96	7,379,092.97	-	134,682,156.94	9,967,166.93	152,042,274.80
Adjustments	-	(205,011.89)	-	(16,111,651.49)	(1,455,300.00)	(17,771,963.38)
<i>June 30, 2019</i>	<i>1,456,479.25</i>	<i>94,110,988.63</i>	<i>-</i>	<i>1,522,028,146.63</i>	<i>144,445,612.15</i>	<i>1,762,041,226.66</i>
Net Book Value	873,634,873.71	98,915,132.49	27,569,240.50	1,133,448,410.77	99,079,618.39	2,232,647,275.86

	Land and Land Improvements	Building and Structure / Leasehold Improvements	Construction in Progress	Furniture and Fixtures Equipment and Books	Motor Vehicle	Total
Cost						
Jan. 1, 2018	875,091,352.96	155,890,367.13	27,569,240.50	2,485,088,673.60	248,169,616.76	3,791,809,250.95
Additions	-	12,119,384.54	-	149,527,049.02	3,161,500.00	164,807,933.56
Adjustments	-	(2,858,257.17)	-	(113,789,966.08)	(4,829,555.10)	(121,477,778.35)
<i>June 30, 2018</i>	875,091,352.96	165,151,494.50	27,569,240.50	2,520,825,756.54	246,501,561.66	3,835,139,406.16
Accu. Dep'n						
Jan. 1, 2018	1,414,905.37	81,766,763.83	-	1,267,714,071.30	118,197,732.84	1,469,093,473.34
Depreciation	13,857.96	4,888,920.21	-	138,572,168.04	11,052,845.86	154,527,792.07
Adjustments	-	(2,755,129.95)	-	(44,636,563.28)	(491,383.57)	(47,883,076.80)
<i>June 30, 2018</i>	1,428,763.33	83,900,554.09	-	1,361,649,676.06	128,759,195.13	1,575,738,188.61
Net Book Value	873,662,589.63	81,250,940.41	27,569,240.50	1,159,176,080.48	117,742,366.53	2,259,401,217.55

Included under Land and Building accounts are the following:

10.1 A parcel of land situated in Quezon City with a total area of 17,231 square meters. This property with a carrying amount of P439,377,750.00 was appraised on Jan. 23, 2017 by an independent appraiser with a fair market value of P1.2 Billion. The Head Office of PhilHealth shall be constructed in this lot.

Relative to the construction of the proposed PhilHealth Corporate Center, the Corporation acquired an additional 145 square meters lot from the National Housing Authority located in Brgy. Pinyahan, East Ave. Q.C. at a cost of P2,439,735.68.

10.2 A property with a total area of 4,355 square meters acquired from Fort Bonifacio Development Corporation (FBDC), in exchange for the Corporations investments in FBDC located in Fort Bonifacio, Taguig City. This asset with a carrying amount of P413,845,804.80 have a fair market value of P1.7Billion as of January 23, 2017.

10.3 A parcel of lot with a total area of 1,544 square meters and a building with a total floor area of 3,287 square meters purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga at a cost of P25,520,363.00. The land and building were appraised to have a fair market value of P74.605 Millions of January 20, 2017. PRO III also purchased a warehouse in San Fernando City, Pampanga with a total area of 1,831 square meters and was appraised with a fair market value of P16.240 Million as of Dec. 27, 2016.

10.4 A parcel of lot with a total area of 2,897 square meters located in Tuguegarao City which will be used as the PRO II's Corporate Office. This property was received by way of donation, through a MOA executed between the DPWH Region 2 and PhilHealth. This property which is carried in the books at P4,056,000.00 was appraised with a fair market value of P23.176 Million as of January 19, 2017. In compliance with the condition set forth in the MOA to construct our office building within 2 years from the execution of the donation, the Regional Development Council (RDC) 2 has extended, upon the request of PRO II, the construction of the building for another two years per RDC-2 Resolution No. 02-25, series of 2017.

11. INTANGIBLE ASSETS– NET

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

	2019	2018
Cost, Jan. 1, 2019	299,411,848.66	329,299,007.31
Additions/Deductions	25,603,701.47	8,779,311.65
Cost, June 30, 2019	325,015,550.13	338,078,318.96
Accumulated Amortization	(38,025,377.02)	(36,358,621.89)
Net Book Value, June 30, 2019	286,990,173.11	301,719,697.07

12. OTHER ASSETS– NET

This account consists of the following:

	2019	2018
Advances to Disbursing Officers	854,794.66	608,095.57
Advances to Officers & Employees	4,986,105.13	3,840,738.74
Prepayments	32,244,926.50	23,391,566.34
Deferred Charges	802,507.81	809,293.81
Guaranty Deposits	88,088,337.95	85,736,341.71
	126,976,672.05	114,386,036.17
DBM (transfer of NHIP Program from GSIS to PHIC)	155,235,240.00	155,235,240.00
PCSO (Enhanced GMA Program)	115,000,000.00	115,000,000.00
PDIC (per MB Reso. 459 dated 4/7/5)	327,103.25	327,103.25
COA Disallowances of Former Officers and Employees	1,456,748.97	1,456,748.97
PROs (from various Health Providers-DCS)	635,559.23	635,559.23
Unserviceable Equipment	39,142,541.75	35,022,310.18
Serviceable Equipment	3,568,075.43	2,810,104.05
Receivable from NGAs	394,741,430.00	394,741,430.00
Receivable from PCSO	100,566,336.32	100,566,336.32
Receivable from LGUs	478,228,938.98	647,847,554.72
Other Assets - Intangible	3,843,855.44	3,352,140.69
Gross Long-Term Receivable	1,292,745,829.37	1,456,994,527.41
Less: Allowance for Impairment	(1,121,313,202.55)	(1,157,179,543.58)
	171,432,626.82	299,814,983.83
Net Amount	298,409,298.87	414,201,020.00

12.1 The Disbursing Officer is an Accountable Officer (AO) duly designated, responsible and accountable for the proper management of funds for a specific legal purpose or activity and is properly bonded in accordance with law. The amount of P854,794.66 and P608,095.57 for 2019 and 2018, respectively, represents available funds of the said officers as of to date.

12.2 Advances to Officers and Employees amounting to P4,986,105.13 and P3,840,738.74 for 2019 and 2018, respectively, represents cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travel.

- 12.3 Prepayments amounting to P32,244,926.50 and P23,391,566.34 for 2019 and 2018, respectively, represents authorized payments made for the purchase of goods from the Procurement Service of DBM as well as insurance of motor vehicles of the Corporation from the GSIS.
- 12.4 The deferred charges account includes the unused portion of the amount of benefit claims paid to various Health Care Providers (HCPs). This payment was made by PRO VIII in compliance with the PhilHealth Board Resolution No. 1855 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, P301,795,038.53 claims have been processed leaving a balance of P677,653.42 as of June 30, 2019. The remaining balance of P131,640.39 represents DCS transactions.
- 12.5 Guaranty deposits amounting to P88,088,337.95 and P85,736,341.71 for 2019 and 2018, respectively, represents transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.
- 12.6 Long Term Receivable from the Department of Budget and Management (DBM) amounting to P155,235,240.00 for both 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 for after evaluation of such factor as aging of accounts, collection experience in relation to particular receivable and identified doubtful accounts.
- 12.7 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to P115,000,000.00 for both 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.
- 12.8 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to P327,103.25 for both 2019 and 2018 was in pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.
- 12.9 Disallowances amounting to P1,456,748.97 for both 2019 and 2018 refers to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by COA. Subsidiary for these disallowances is being maintained and kept for ready references.
- 12.10 Debit Credit System amounting to P635,559.23 for both 2019 and 2018 refers to the balance of advance payment to Health Care Providers for the year 1999. Allowance for impairment of P115,625.80 for PRO VII, P9,698.45 for PRO X, P11,393.50 for PRO IVA, P37,352.05 for PRO V, P76,183.91 for PRO VI and P17,608.75 for PRO CARAGA, a total of P267,862.46 was provided for due to closure of the hospital facilities.

- 12.11 Unserviceable Equipment amounting to P39,142,541.75 and P35,022,310.18 for 2019 and 2018, respectively, represents equipment that are already for disposal.
- 12.12 Serviceable Equipment amounting to P3,568,075.43 and P2,810,104.05 for 2019 and 2018, respectively, represents equipment which are still functional but already obsolete and fully depreciated and ready for disposal.
- These Serviceable and Unserviceable Equipments shall be further reclassified as Non-Current Asset–Held for Sale once the requirements set upon by the Standard is met.
- 12.13 Receivable from NGAs amounting to P394,741,430.00 for both 2019 and 2018, represents deficiency in employer share of the Health Insurance Premium Contributions to PhilHealth by different government agencies nationwide for CY 2001 to 2008.
- 12.14 Receivable from PCSO includes unpaid billings for the enrollment of 309,049 indigent families in the amount of P25,997,256.32 under the PCSO–Greater Medicare Access Program for 2003 and 2005; Unpaid billings in 2005 in the amount of P2,772,240.00; Unpaid billings for the coverage of 200,000 transport workers under the PCSO-PhilHealth Program in the amount of P71,796,840.00
- 12.15 Receivable from LGUs represents long overdue premium contributions from various cities and municipalities all over the Philippines for the enrollment of their respective constituent under the Sponsored Program of PhilHealth. It was reclassified from Current Receivable to Other Assets in compliance with COA recommendation per AOM No. 2015-22 (14) dated May 5, 2015, details as follows:

	2019	2018
NCR	1,428,200.00	1,428,200.00
CAR	11,450,712.50	11,450,712.50
I	41,839,267.37	45,839,268.71
II	21,532,741.08	21,532,741.08
III	-	125,976,682.17
IV-A	14,124,485.00	14,124,485.00
IV-B	938,740.00	938,740.00
V	288,038,507.56	297,357,861.82
VI	-	-
VII	-	4,955,840.00
VIII	44,134,740.14	61,460,611.45
IX	543,285.00	1,004,285.00
X	29,050,974.45	33,037,474.45
XI	20,928,140.54	23,943,140.54
XII	-	-
CARAGA	-	-
ARMM	4,219,145.34	4,797,512.00
	478,228,938.98	647,847,554.72

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

Per PhilHealth 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
DBM (transfer of NHIP Program fr. GSIS to PHIC)	155,235,240.00	155,235,240.00
PCSO (Enhanced GMA Program)	115,000,000.00	115,000,000.00
PDIC (per MB Reso. 459 dated 4/7/5)	327,103.25	327,103.25
PROs (from various Health Providers-DCS)	267,862.46	267,862.46
Receivable from NGAs	394,741,430.00	394,741,430.00
Receivable from PCSO	100,566,336.32	100,566,336.32
Receivable from LGUs	355,175,230.52	391,041,571.55
Total Allowance for Impairment	1,121,313,202.55	1,157,179,543.58

13. BENEFIT CLAIMS PAYABLES

	2019	2018
Benefit Claims Processed	4,938,104,532.09	8,378,919,425.40
Primary Care Benefit - PCB Processed	9,619,201.45	-
Accrued Benefit Claims - ICS	7,372,496,392.71	15,926,309,409.13
Accrued Benefit Claims - IBNR	38,010,639,117.60	16,505,452,929.76
Accrued Benefit Claims - PCB	13,643,014,555.26	4,147,400,424.00
Total	63,973,873,799.11	44,958,082,188.29

- 13.1 Benefit claims processed amounting to P4,938,104,532.09 and P8,378,919,425.40 for 2019 and 2018, respectively, represents benefit payment checks still in the possession of the Corporation.

- 13.2 Primary Care Benefit – PCB processed amounting to P9,619,201.45 for 2019 represents PCB payment checks still in the possession of the Corporation.

13.3 Accrued Benefit Claims - In Course of Settlement (ICS) amounting to P7,372,496,392.71 and P15,926,309,409.13 for 2019 and 2018, respectively, are benefit claims in process as of the reporting period.

13.4 Accrued Benefit Claims Incurred But Not Yet Received (IBNR) amounting to P25,210,452,349.00 and P16,505,452,929.76 for 2019 and 2018, respectively, are claims which are actuarially 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. The remaining balance of P9,849,403,377.00 for 2019 are accrual of CYs 2018 and 2017.

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

13.5 Accrued Benefit Claims - Primary Care Benefit (PCB) amounting to P4,916,372,328.00 and P4,147,400,424.00 for 2019 and 2018, respectively, are claims which are actuarially estimated as of May, 2019. The remaining balance of P8,726,642,227.24 for 2019 are accrual of prior years.

14. OTHER PAYABLES

This account consists of:

	2019	2018
Accrued Expenses		
P.S.	223,178,003.35	286,216,480.22
MOOE	738,447,684.48	668,532,964.45
CAPEX	38,366,539.56	82,881,336.41
Statutory Liabilities		
Due to BIR	111,909,172.72	128,984,684.84
Due to GSIS	67,401,059.85	58,470,574.91
Due to Pag-ibig	3,492,224.80	3,753,222.89
Due to PhilHealth	7,051,446.96	7,699,651.92
Due to Other NGAs	10,476,061.45	10,963,806.91
Due to Other GOCCs	751,489.30	751,489.30
Due to LGUs	390,508.14	109,671.59
PhilHealth Provident Fund	11,441,127.31	6,372,692.00
Trust Liabilities		
UMID Project	-	-
Unclaimed Refund from HCPs	357,670,136.98	358,882,525.20
AHP - Protest Bond	6,245,000.00	4,395,000.00
Donations	8,883,564.86	9,052,284.86
Performance/Bidders Bond Pay.	30,948,354.75	34,229,924.78
Retention Fee	47,443,329.59	38,823,116.39
Global Development Project	1,860,693.52	1,815,952.46
Philippine Training Institute	3,468,209.14	4,197,984.57
PhilHealth Run 2013	900.00	900.00
PhilHealth Run 2015	316,587.98	375,646.84
Calamity Fund	297,238.93	752,312.52
Others	182,288,951.11	555,630,709.83
Total	1,852,364,948.71	2,262,929,056.50

- 14.1 Statutory liabilities are inter-agency payables which includes deductions from the salaries of PhilHealth officials and employees which are due for remittance to Government Service Insurance System (GSIS), Home Development Mutual Fund (HDMF), National Home Mortgage Finance Corporation (NHMFC), Bureau of Internal Revenue (BIR), and taxes withheld from payments to health service providers. PhilHealth Provident Fund is also classified under this category.
- 14.2 Trust Liabilities refer to funds from other sources which are held in trust for specific purpose.
- 14.3 Donations include funds received from the following entities, including earned interest thereon:

	2019	2018
Westmont Investment Corp.	2,945,655.77	2,945,655.77
Strategies & Alliance Corp.	3,736,144.06	3,829,864.06
All Asia Capital & Trust Corp.	-	-
First Metro Investment Corp.	-	-
BF General Insurance Corp.	-	-
Land Bank of the Philippines	110,000.00	110,000.00
Donation received by PRO's	2,091,765.03	2,166,765.03
Total	8,883,564.86	9,052,284.86

These shall finance specific projects like:

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

15. OTHER DEFERRED CREDITS

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

This account consists of the following:

	2019	2018
Advance Premium by Informal Economy	184,146,936.04	163,890,925.00
Premium Contribution for NHTS enrollment (CYs 2013 & 2014).	516,844,200.00	516,844,200.00
Advance Premium for Senior Citizen enrollment for the period of July - Dec., 2018.	-	7,452,271,320.00
Accreditation Fees - ACAs	362,224.98	462,761.29
Accreditation Fees - HCPs	646,300.00	1,335,300.00
Sponsored - LGUs	37,410,826.37	17,087,661.00
Others	28,727,542.25	34,721,812.50
Total	768,138,029.64	8,186,613,979.79

16. LEAVE BENEFITS PAYABLE

This represents accrual of 30% money value of the earned leave credits of officers and employees of Philhealth amounting to P 151,142,384.26 as of December 31, 2018 and of this amount, P 16,883,956.32 have been processed and paid leaving a balance of P 134,258,427.94 as of June 30, 2019.

17. INSURANCE LIABILITY FOR LIFETIME MEMBERS

As stipulated in the Section 17 of RA 10606 (or Section 27 of RA 7875), a separate fund for the benefit claims reserve of the existing Lifetime members must be set up as a liability of the Corporation. The claims liability reserves requirement for the number of covered Lifetime members as of year-end 2018 was estimated at P26,034,923,966.00 by the Corporate Actuary and was already allocated in the Reserve Fund.

18. MEMBERS' EQUITY

Members' Equity consists of the following:

	2019	2018
Reserve Fund	96,945,096,771.87	92,130,560,660.40
Surplus (Disallowance)	1,783,347.50	1,783,347.50
Total Members' Equity	96,946,880,119.37	92,132,344,007.90

18.1 Reserve Fund

	2019	2018
Reserve at January 1, 2019	97,142,214,450.07	81,818,123,288.66
Surplus transferred to Reserve	(197,117,678.20)	10,312,437,371.74
Reserve Fund at June 30, 2019	96,945,096,771.87	92,130,560,660.40

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

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

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.

18.2 Surplus

	2019	2018
Surplus at January 1, 2019	1,783,347.50	1,783,347.50
Net Income	1,453,987,804.66	7,403,045,217.50
Prior Year's Adjustment	(1,651,105,482.86)	2,909,392,154.24
Total Surplus	(195,334,330.70)	10,314,220,719.24
Surplus transferred to Reserve	197,117,678.20	(10,312,437,371.74)
Surplus at June 30, 2019	1,783,347.50	1,783,347.50

19. PREMIUM CONTRIBUTIONS

Details of Premium Contributions are as follows:

	2019	2018
Formal Economy	33,816,368,966.05	28,905,511,152.11
Private	25,891,394,140.44	22,237,703,311.11
Government	7,924,974,825.61	6,667,807,841.00
Informal Economy	3,759,390,620.31	4,829,706,408.19
Indigents - NHTS	13,968,660,000.00	17,145,759,600.00
Senior Citizens	13,588,594,999.98	7,452,271,320.00
Special Government Programs	49,594,800.00	54,267,499.98
Bangsamoro	24,069,600.00	27,250,500.00
PAMANA	25,525,200.00	27,016,999.98
Sponsored	2,412,908,133.32	1,398,435,437.51
LGUs	1,363,379,308.32	1,289,050,937.51
Point of Service (POS)	1,044,943,800.00	7,200.00
Others	4,585,025.00	109,377,300.00
TOTAL PREMIUM CONTRIBUTIONS	67,595,517,519.66	59,785,951,417.79

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

- a. Income from the Formal Economy come 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 10361 on “KasambahayLaw”
 7. Family Drivers

- b. Income from the Informal Economy come from the premium contributions of the following:
 1. Migrant Workers
 2. Informal Sector
 3. Self-Earning Individuals
 4. Filipinos with Dual Citizenship
 5. Naturalized Filipino Citizens
 6. Citizens of other countries working and/or residing in the Philippines
 7. Women about to give birth
 8. Foreign Retirees (Registered with Philippine Retirement Authority)
- c. Premium contributions recorded as income for Indigent – NHTS come from the National Government as appropriated in the 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 National Government as appropriated in the GAA.
- f. Premium contributions for Senior Citizen or Elderly come from the National Government.

20. INTEREST AND OTHER INCOME

Interest and other income accounts are as follows:

	2019	2018
Interest Income		
Investment Securities at Amortized Cost	3,313,683,869.82	2,645,591,253.82
Investment in Time Deposits	326,741,865.09	406,915,216.78
Savings and Current Deposits	1,227,138.91	1,117,024.39
Total Interest Income	3,641,652,873.82	3,053,623,494.99
Other Income		
Accreditation Fees - HCPs	15,637,166.16	18,700,402.37
Fines and Penalties	38,380,656.54	18,826,856.10
Rent Income	245,300.28	245,300.28
Gain (Loss) on Foreign Exchange	(31,390.44)	65,114.61
Gain (Loss) on Sale of Property, Plant & Equipment	27,292.55	38,260.58
Sale of Disposed / Unserviceable Property	83,070.41	59,795.84
Miscellaneous Income	12,696,626.56	8,733,357.57
Total Other Income	67,038,722.06	46,669,087.35
TOTAL INTEREST AND OTHER INCOME	3,708,691,595.88	3,100,292,582.34

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

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

21. BENEFIT CLAIMS EXPENSES

Details of this account are as follows:

	2019	2018
Formal Economy	14,307,418,105.04	11,406,289,953.32
Private	10,031,462,318.13	7,475,984,191.69
Government	4,275,955,786.91	3,930,305,761.63
Informal Economy	12,217,618,815.85	9,920,614,301.21
Indigent - NHTS (including PCB)	19,891,015,558.29	13,193,931,481.80
Sponsored	4,545,488,464.18	4,325,912,136.18
Senior Citizens	11,622,412,438.25	8,417,432,701.47
Lifetime Member Program	4,637,384,332.49	5,664,983,175.53
Total Benefit Claims Expenses	67,221,337,714.10	52,929,163,749.51

For Benefit Claims Expenses for 2019 and 2018, the Corporation is now using the accrual method wherein expenses are recognized at the date of confinement.

Our benefit claims also includes Primary Care Benefit (PCB) which are based on actuarial estimated PCB as of May, 2019.

22. PERSONAL SERVICES

Personal services account include:

	2019	2018
Salaries and Wages	889,434,480.50	840,395,359.96
Other Compensation	627,483,430.67	696,449,901.33
Statutory Contributions	117,376,293.05	139,164,958.13
Other Personal Services	782,524.71	1,751,293.33
Total Personal Services	1,635,076,728.93	1,677,761,512.75

23. OTHER OPERATING EXPENSES

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

	2019	2018
MOOE	768,129,972.03	638,668,632.41
Other Expenses	33,746,177.65	32,731,897.79
Non-Cash Expenses	191,930,718.17	204,872,990.17
Total Other Operating Expenses	993,806,867.85	876,273,520.37

24. OTHER SIGNIFICANT AND RELEVANT INFORMATION

24.1 PhilHealth as Government Business Enterprise

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

24.2 Point of Service (POS) Program

The Department of Budget and Management has issued SARO No. BMB-C17-0025794 and SARO No. BMB-C-18-0027709 in the amount of P 2,805,316,374 (FY 2018) and P 714,535,200 (FY 2017), respectively, of which P 1,044,776,630 and P 714,535,200 were already paid by DBM through the Bureau of Treasury (BTr) representing payment of cost of availment for benefit claims of financially incapable families/enrollees under Universal Health Care through Point-of-Service (POS) Program, chargeable against PhilHealth's authorized appropriation under Republic Act No. 10924, FY 2017 and 2018 General Appropriations Act.

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

24.3 Arrears of the National Government as an employer

PhilHealth had adjusted premium contribution of the Employed Sector in CY2013 through PhilHealth Circular No. 057 s.2012 which prescribes P875 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% discrepancy. The Corporation had formally billed the Department of Budget and Management of the estimated NG Employer Premium Differential and requested allocation of the unappropriated balances for the following periods:

24.4 Assigned lot to PRO III

Arrears			
CY 2001-2012	P		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		P	10,986,809,216

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

24.5 Non-remittance of GSIS Premium for Disallowed Salary Adjustments

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