



Republic of the Philippines
PHILIPPINE HEALTH INSURANCE CORPORATION
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FINANCIAL STATEMENTS

As of September 30, 2020

000-12092020-4637



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

As at September 30, 2020 and December 31, 2019
(In Philippine Peso)



UNIVERSAL HEALTH CARE
Philippine Health Insurance Corporation

	Notes	2020	2019
ASSETS			
Current Assets			
Cash & Cash Equivalent	7	5,510,438,610.50	11,834,620,202.14
Investment in Time Deposits	8	75,866,726,920.21	70,086,086,078.32
Premium Receivables - net	9	34,065,752,092.60	9,178,195,991.35
Other Receivable - IRM	10	7,198,939,716.60	-
Other Current Assets	11	1,820,662,828.99	1,878,847,834.41
Total Current Assets		124,462,520,168.90	92,977,750,106.22
Non-Current Assets			
Investment Securities at Amortized Cost	12	137,582,691,884.91	124,382,976,136.84
Property & Equipment - net	13	3,028,275,321.61	3,402,101,399.27
Intangible Assets - net	14	225,377,799.61	267,770,907.08
Other Assets - net	15	258,992,784.13	264,180,316.00
Total Non - Current Assets		141,095,337,790.26	128,317,028,759.19
TOTAL ASSETS		265,557,857,959.16	221,294,778,865.41
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Benefit Claims Payables	16	107,456,476,705.14	75,566,261,516.92
Other Payables	17	3,965,718,442.21	5,192,279,052.92
Total Current Liabilities		111,422,195,147.35	80,758,540,569.84
Non - Current Liabilities			
Other Deferred Credits	18	8,660,933,759.94	1,123,783,051.06
Leave Benefits Payable	19	844,986,390.91	849,149,212.04
Insurance Liability for Lifetime Members	20	28,605,281,694.00	28,605,281,694.00
Total Non-Current Liabilities		38,111,201,844.85	30,578,213,957.10
Total Liabilities		149,533,396,992.20	111,336,754,526.94
Equity			
Members' Equity	21	116,024,460,966.96	109,958,024,338.47
Total Members' Equity		116,024,460,966.96	109,958,024,338.47
TOTAL LIABILITIES AND EQUITY		265,557,857,959.16	221,294,778,865.41

Prepared by:

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Certified Correct:

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Acting EVP/COO and concurrent
Acting SVP-Actuarial Services and
Risk Management Sector

Approved by:

ATTY. DANTE A. GIERRAN, CPA

President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF INCOME
For the Period Ended September 30, 2020 and 2019
(In Philippine Peso)



	Notes	2020	2019
TOTAL PREMIUM CONTRIBUTIONS	22	112,516,131,975.36	108,526,950,835.75
Less: Benefit Claims Expenses	24	109,930,815,145.26	84,773,473,893.40
GROSS MARGIN FROM OPERATIONS		2,585,316,830.10	23,753,476,942.35
Less: Operating Expenses			
Personnel Services	25	2,616,617,838.27	2,383,900,771.47
Other Operating Expenses	26	1,448,672,942.81	1,647,485,555.68
Total Operating Expenses		4,065,290,781.08	4,031,386,327.15
NET OPERATING INCOME (LOSS)		(1,479,973,950.98)	19,722,090,615.20
Add: Interest and Other Income	23	6,770,262,698.86	5,683,655,610.13
NET INCOME		5,290,288,747.88	25,405,746,225.33

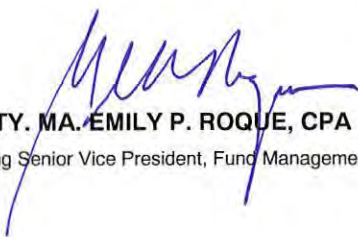
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PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Period Ended September 30, 2020 and 2019
(In Philippine Peso)



	Notes	2020	2019
RESERVE FUND	21.1		
Reserve at January 1, 2020		109,956,240,990.97	97,142,214,450.07
Surplus transferred to Reserve		6,068,219,975.99	24,019,635,051.46
Reserve Fund at September 30, 2020		116,024,460,966.96	121,161,849,501.53
SURPLUS	21.2		
Surplus at January 1, 2020		-	1,783,347.50
Net Income (Loss)		5,290,288,747.88	25,405,746,225.33
Prior Year Adjustment		777,931,228.11	(1,386,111,173.87)
Total Surplus		6,068,219,975.99	24,021,418,398.96
Surplus transferred to Reserve		(6,068,219,975.99)	(24,019,635,051.46)
Surplus at September 30, 2020		-	1,783,347.50
TOTAL MEMBERS' EQUITY		116,024,460,966.96	121,163,632,849.03


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PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Period Ended September 30, 2020 and 2019
(In Philippine Peso)



	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows:		
Cash received from premium contributions	95,275,060,789.70	118,810,178,741.61
Interest received from investments	7,284,203,500.20	6,001,505,398.89
Collection of other income	239,811,805.08	406,493,428.98
Reimbursement of point of service (POS)	1,445,260.00	-
Collection of rent	163,533.52	364,575.42
Total Cash Inflows	102,800,684,888.50	125,218,542,144.90
Cash Outflows:		
Payment of benefit claims	(84,872,504,339.97)	(76,157,102,157.43)
Payment of operating expenses	(5,283,386,384.83)	(4,446,862,248.79)
Payment of bank charges	(59,809.49)	(4,751.00)
Total Cash Outflows	(90,155,950,534.29)	(80,603,969,157.22)
Net Cash Provided by Operating Activities	12,644,734,354.21	44,614,572,987.68
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows:		
Matured time deposits	89,623,453,934.96	-
Matured treasury bills	2,449,315,185.36	-
Matured treasury bonds	16,900,428,000.00	4,821,486,000.00
Proceeds from disposal of assets	14,196.00	122,864.21
Total Cash Inflows	108,973,211,316.32	4,821,608,864.21
Cash Outflows:		
Placement on time deposits	(95,404,147,731.59)	(54,636,014,060.71)
Placement on treasury bills	(7,026,043,199.74)	-
Placement on treasury bonds	(25,695,443,189.36)	(1,400,000,000.00)
Accrued interest paid on placement of bonds	(62,061,134.11)	-
Fixed assets purchased	(133,880,209.09)	(304,871,724.03)
Total Cash Outflows	(128,321,575,463.89)	(56,340,885,784.74)
Net Cash Used in Investing Activities	(19,348,364,147.57)	(51,519,276,920.53)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows:		
Trust receipts	379,448,201.72	(20,065,828.24)
Net Cash Used in Financing Activities	379,448,201.72	(20,065,828.24)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,324,181,591.64)	(6,924,769,761.09)
CASH AND CASH EQUIVALENT, JANUARY 1	11,834,620,202.14	25,638,531,735.99
Gain (Loss) on foreign exchange	-	(17,113.97)
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	5,510,438,610.50	18,713,744,860.93

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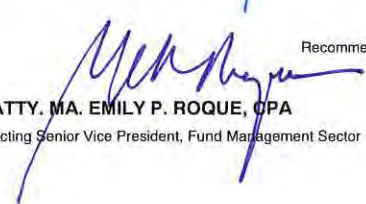
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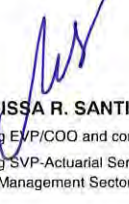

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President and Chief Executive Officer



NOTES TO FINANCIAL STATEMENTS
September 30, 2020

1. GENERAL INFORMATION

The National Health Insurance Act of 1995 (Republic Act 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, a tax-exempt government owned and controlled corporation, 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 Blvd., Pasig City.

On February 20, 2019, Republic Act 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 National Health Insurance Program.

The Corporation being an attached agency of the Department of Health 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 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 NHIF, to enter into contract with health care institutions, to fix a reasonable compensation, allowances and benefits of all positions including the President and 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 National Health Insurance Fund (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 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. STATEMENT OF COMPLIANCE WITH PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)

The accompanying financial statements of Philippine Health Insurance Corporation have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (PFRSC) and with COA Circular No. 2017-004. PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations issued by Financial Reporting Standards Council (FRSC). COA Circular No. 2017-004 was issued as guidelines on the preparation of financial statements and other financial reports and implementation of the PFRS by government corporations classified as government business enterprises and Philippine Public Sector Accounting Standards by non-government business enterprises

3. BASIS OF PREPARATION

3.1 Basis of Measurement

The financial statements are measured in Philippine Peso (₱), which is also the Corporation's functional and presentation currency.

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 Company 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 technique 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

In the preparation of the financial statements of the Corporation, transactions are presented in Philippine peso, the Corporation's functional currency. 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

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated

New and Amended PFRS effective on or after January 1, 2019

PFRS 9, Financial Instrument which replaces PAS 39 should be adopted effective the annual periods beginning on or after January 1, 2019. However, its adoption has been deferred to CY 2021.

- 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 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.

In preparation for the adoption, the Corporation continues to analyze its business model and the contractual cash flow characteristics of its financial assets. As at

December 31, 2019, all of the Corporation's financial assets and liabilities 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 39	Carrying Amount under PAS 39	Carrying Amount under PFRS 39
Cash and Cash Equivalent	Loans and Receivables	Financial Asset at Amortized Cost	70,086,086,078	70,086,086,078
Premium Receivables	Loans and Receivables	Financial Asset at Amortized Cost	9,178,195,991	9,178,195,991
Investment Securities	AFS Financial Assets	Financial Asset at Amortized Cost	124,382,976,137	124,382,976,137

The Corporation has not designated any financial liabilities at FVPL. There were no changes in the classification and measurement for the financial liabilities of the Corporation.

The application of the classification and measurement requirements under PFRS 9 did not materially affect the carrying amounts of the Corporation's financial instruments.

- 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, 2019 and have not been applied in preparing the financial statements are summarized below.

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.

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.

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.

Accounting for Insurance Liability for Lifetime Membership

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.

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.

Contingent Assets

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

Investment Securities at Amortized Cost

Net interest income

Interest income is recognised 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 recognised 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. Were 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 recognised on the date they are transferred to the Corporation.

Measurement

- Financial instruments are initially recognised 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 recognised in other comprehensive income (OCI), until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income should be recognised in profit or loss.

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

Derecognition

The Corporation derecognises 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 recognised 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 derecognised) 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 recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Corporation is recognised as a separate asset or liability.

The Corporation enters into transactions whereby it transfers assets recognised 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 derecognised 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 derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Surplus

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

Revenue Recognition

Revenue is recognized to the extent that it 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:

- Premium contributions - Revenue is recognized as the member contributions become due.
- Interest Income - Interest income is recognized as the interest accrues taking into account the effective interest.
- Rent Income - Income from rental of property is recognized on a straight-line basis over the lease term.

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 (per Corporate Order 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.

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 our 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 remeasured 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 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.

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.

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).

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.

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.

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 will serve as a guide in the implementation of the risk management framework and processes in the Corporation.

Alongside, it adopted 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.

- a. 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;

- b. 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 the BPOs with regard to risk management and compliance; and
- c. 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 line of defense in managing risks.

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 continuously complying to the daily remittance and daily reporting of their collections in accordance with the Department of Finance Circular Nos. 01-2015 dated June 1, 2015 and 01-2017 dated May 11, 2017. The compliance of ACAs to the existing covenants in the Collection and Remittance Agreements, Warranties of Accreditation and Operating Guidelines with ACAs is strictly monitored by the Corporation on a daily basis through daily reconciliation of collections versus remittances by ACAs. Imposition of applicable penalties and interests is served to the concerned ACAs for any late remittances and late submission of prescribed reports to the Corporation. In addition, constant coordination with ACAs as regards new policies on membership and collection of the Corporation is observed.

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 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 is in accordance with the accounting standards as prescribed by the Commission on Audit 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.

1.) 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 of our Regional Offices.

2.) 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.

3.) 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 Recorded (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 recorded is 100% of the actuarial estimate.

Methodology for Estimating IBNR

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.

7. CASH AND CASH EQUIVALENTS

This account consists of:

	2020	2019
Collecting Officers	100,655,462.22	88,585,210.04
Petty Cash Fund	4,202,568.49	2,899,472.60
Cash in Bank	3,434,572,156.63	2,087,016,745.20
Special Savings in Time Deposits (net)	1,971,008,423.16	9,656,118,774.30
Total	5,510,438,610.50	11,834,620,202.14

Cash and Cash Equivalents consists of the following:

- 7.1 The amounts of P100,655,462.22 and P88,585,210.04 as at September 30, 2020 and December 31, 2019, 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 Using the Imprest Fund system, our 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 P4,202,568.49 and P2,899,472.60 as at September 30, 2020 and December 31, 2019, respectively, represent available petty cash fund as of reporting dates.
- 7.3 Cash in Bank amounting to P3,434,572,156.63 and P2,087,016,745.20 as at September 30, 2020 and December 31, 2019, 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 reporting dates.
- 7.4 Special Savings Deposit (SSD) amounting to P1,971,008,423.16 and P9,656,118,774.30 as at September 30, 2020 and December 31, 2019, respectively, are term deposits of one (1) day up to ninety (90) days with interest rate ranging from .3000% to .7000% and .400% to 4.4250% for 2020 and 2019, respectively.

8. INVESTMENT IN TIME DEPOSITS

This account consists of:

	2020	2019
Investment in Time Deposits	75,866,726,920.21	70,086,086,078.32
Total	75,866,726,920.21	70,086,086,078.32

Investments in Time Deposits are term deposits of ninety one (91) to three hundred sixty four (364) days with interest rate ranging from .8750% to 3.1000% and ranging from 3.3250% to 4.3100% for 2020 and 2019, respectively.

9. PREMIUM RECEIVABLES - NET

This account consists of:

	2020	2019
Formal Economy	7,399,565,556.43	7,781,824,690.80
Due from NGAs	26,046,495,580.31	851,496,144.31
Due from LGUs	619,690,955.86	544,875,156.24
Total	34,065,752,092.60	9,178,195,991.35

9.1 Premium Receivable of the Formal Economy amounting to P7,399,565,556.43 and P7,781,824,690.80 as at September 30, 2020 and December 31, 2019, 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:

	2020	2018	2017	2016	2015	2014	Total
NHTS:							
Amount	-	-	279,503,560.31				279,503,560.31
No. of enrollees	-	-	116,460				116,460
SENIOR CITIZEN:							
Amount	25,280,585,220.00	-	-	5,421,018,000.00	12,998,827,200.00	2,117,289,600.00	45,817,720,020.00
No. of enrollees	4,494,326	-	-	2,258,757	5,416,178	882,204	13,051,465
Bangsamor:							
Amount	36,111,600.00	-	-			-	36,111,600.00
No. of enrollees	20,062	-	-			-	20,062
POS							
Amount	-	450,295,200.00	-			-	450,295,200.00
No. of enrollees	-	2,238,331	-			-	2,238,331
FORTUITOUS EVENT							
Amount			-			134,724,000.00	134,724,000.00
No. of enrollees			-			56,135	56,135
Total Amount	25,316,696,820.00	450,295,200.00	279,503,560.31	5,421,018,000.00	12,998,827,200.00	2,252,013,600.00	46,718,354,380.31
Less: Allow. For Impairment (Senior Citizen)				(5,421,018,000.00)	(12,998,827,200.00)	(2,252,013,600.00)	(20,671,858,800.00)
Net Amount	25,316,696,820.00	450,295,200.00	279,503,560.31	-	-	-	26,046,495,580.31

Enrollment of 4,494,326 Senior Citizens for the period Jan.- Sept., 2020 based on 2020 billing to DBM amounted to P42,864,915,000.00. (42,864,915,000.00 - 9,157,468,040.00 (collected) = 33,707,446,960.00 /12 =2,808,953,913.33 * 9 = 25,280,585,220.00)	25,280,585,220.00
Enrollment of 20,062 families of Sajahatra Bangsamoro program for the period Jan. - Sept., 2020 based on 2019 billing to DBM. (48,148,800.00 / 12 mos. = 4,012,400.00 * 9 = 36,111,600.00)	36,111,600.00
Total 2020	25,316,696,820.00
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
Total 2018	450,295,200.00
PhilHealth's share from Militiray Camp Sales Proceeds Fund (MCSPF) for the enrollment of 96,376 indigent families as identified through NHTS-PR CY 2017.	231,302,665.31
PhilHealth's share from MCSPF for the enrollment of 20,084 indigent families as identified through NHTS-PR CY 2017.	48,200,895.00
Total 2017	279,503,560.31
Enrollment of 2,258,757 Senior Citizens which were automatically renewed for the period of Jan. to Dec., 2016 per billing/letter to DBM through DOH. (12,998,827,200 - 7,577,809,200 Coll.)	5,421,018,000.00
Less: Allowance for Impairment	(5,421,018,000.00)
Total 2016 (Net)	-
Enrollment of 5,416,178 Senior Citizens for CY 2015 based on billing to DBM.	12,998,827,200.00
Less: Allowance 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 of 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: Allowance for Impairment	(2,252,013,600.00)
Total 2014 (Net)	-
Grand Total (Net)	26,046,495,580.31

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

	2020	2019
National Capital Region (NCR)	105,294,040.00	29,490,000.00
Cordillera Administrative Region (CAR)	11,533,855.82	11,533,855.82
I	47,274,400.00	1,065,000.00
II	801,120.97	17,964,470.00
III	115,008,056.17	111,971,671.17
IV-A	52,710,400.00	3,010,600.00
IV-B	-	1,841,400.00
V	3,187,800.00	4,983,000.00
VI	168,727,149.98	177,104,519.98
VII	17,402,500.00	71,192,640.00
VIII	-	-
IX	-	-
X	1,500,000.00	3,540,000.00
XI	15,408,200.00	10,809,000.00
XII	14,855,600.00	5,488,400.00
XIII - CARAGA	64,631,832.92	83,656,999.27
Autonomous Region in Muslim Mindanao (ARMM)	1,356,000.00	11,223,600.00
	619,690,955.86	544,875,156.24

10. OTHER RECEIVABLE - INTERIM REIMBURSEMENT MECHANISM (IRM)

On 30 January 2020, the Board issued 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 outstanding balance as of September 30, 2020 is P7,198,939,716.60 nationwide.

11. OTHER CURRENT ASSETS

This account consists of the following:

	2020	2019
Supplies and Materials	98,482,436.75	107,095,032.13
Semi-Expendable	42,313,481.83	22,988,468.95
Accrued Interest Receivable - Investment	1,330,046,233.39	1,651,848,864.94
Other Receivables	349,820,677.02	96,915,468.39
Total	1,820,662,828.99	1,878,847,834.41

- 11.1 Supplies and Materials amounting to P98,482,436.75 and P107,095,032.13 as at September 30, 2020 and December 31, 2019, respectively, represent small tangible items that are expected to be used within one year from the reporting date.
- 11.2 Semi-Expendable amounting to P42,313,481.83 and P22,988,468.95 as at September 30, 2020 and December 31, respectively, represent equipment, books, furniture and fixture costing less than P15,000.00.
- 11.3 Accrued Interest Receivable on investment amounting to P1,330,046,233.39 and P1,651,848,864.94 as at September 30, 2020 and December 31, respectively, represent interest earned as at the reporting date from special savings deposit, time deposit, and investment securities at amortized cost which are due for collection on the following year.
- 11.4 Other Receivables amounting to P349,820,677.02 and P96,915,468.39 as at September 30, 2020 and December 31, respectively, includes the following:
- 11.4.1 Interim Financial Mechanism (IFM) Funds amounting to P100,000,000.00 released to Philippine Red Cross to cover COVID -19 testing services.
- 11.4.2 Interim Reimbursement Mechanism (IRM) Funds amounting to P7,116,099.00 represents advance payment to Health Care Institutions due to Taal Volcano Eruption.
- 11.4.3 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 P302,472,691.95 was paid to the HCP's and of this amount, P302,470,455.40 claims have been processed leaving a balance of P2,236.55 as at September 30, 2020.
- 11.4.4 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.
- 11.4.5 Other receivable also includes operating lease receivable, due from officers and employees and due from ACAs – fines & penalties.

12. INVESTMENT SECURITIES AT AMORTIZED COST

- 12.1 Investment in Treasury Bills with a maturity period of 91 to 364 days and with interest rate ranging from 3.7870% to 3.8360%.

	Interest Rate	2020	2019
Treasury Bills	3.8360%	2,578,490,109.61	-
Treasury Bills	3.8360%	500,584,228.86	-
Treasury Bills	3.7870%	1,497,653,675.91	-
Total		4,576,728,014.38	-

- 12.2 Investment in Government Bonds with a maturity period of more than one (1) year and with an average interest rate of 5.6402%.

	Interest Rate	2020	2019
Retail T-bonds	4.7750%	58,816,890,000.00	50,599,080,000.00
RTB-Non-Restricted Environment	5.7957%	50,064,791,086.67	40,686,267,054.29
10-year T-bonds	6.3500%	6,761,782,783.86	15,052,629,082.55
Sub-Total		115,643,463,870.53	106,337,976,136.84

- 12.3 Investment in Corporate Bonds with a maturity period of more than 1 year and with Interest rate ranging from 3.8915% to 5.5796%.

	Interest Rate	2020	2019
7-year Meralco Fixed Rate Bonds	4.3750%	1,500,000,000.00	1,500,000,000.00
7-year PLDT Fixed Rate Bonds	5.2250%	650,000,000.00	650,000,000.00
5.5-year JG Summit Fixed Rate Bonds	5.2317%	-	-
5.25-yr GT Capital Fixed Rate Bonds	4.7106%	-	-
5.5-yr SM Prime Holdings, Inc. Fixed Rate Bonds	5.1000%	-	500,000,000.00
7-yr SM Prime Holdings, Inc. Fixed Rate Bonds	5.2006%	500,000,000.00	500,000,000.00
7-yr Aboitiz Power Corp. Fixed Rate Bonds	5.2050%	1,000,000,000.00	1,000,000,000.00
5.25-yr Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	4.4722%	1,000,000,000.00	1,000,000,000.00
7-yr Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	5.0056%	1,000,000,000.00	1,000,000,000.00
7-yr Filinvest Land Inc. Fixed Rate Bonds	5.4000%	1,000,000,000.00	1,000,000,000.00
7-yr Filinvest Land, Inc. Fixed Rate Bonds	5.3567%	780,000,000.00	780,000,000.00
7-yr Robinsons Land Corp. Fixed Rate Bonds	4.8000%	1,500,000,000.00	1,500,000,000.00
7-yr Ayala Land Inc. Fixed Rate Bonds	4.5000%	950,000,000.00	950,000,000.00
7-yr Ayala Land Inc. Fixed Rate Bonds	3.8915%	1,100,000,000.00	1,100,000,000.00
5.25-yr South Luzon Tollway Corp. Fixed Rate Bonds	4.9925%	-	182,500,000.00
7-yr South Luzon Tollway Corp. Fixed Rate Bonds	5.5796%	182,500,000.00	182,500,000.00
5.25-yr SM Prime Holdings	4.5095%	1,200,000,000.00	1,200,000,000.00
2-yr DBP Series A ASEAN Sustainability Fund	4.2500%	5,000,000,000.00	5,000,000,000.00
Sub-Total		17,362,500,000.00	18,045,000,000.00
Grand Total		137,582,691,884.91	124,382,976,136.84

Interest earned on Investment Securities amounted to P4,932,384,745.38 and P3,847,622,222.83 as at September 30, 2020 and December 31, 2019, respectively.

13. PROPERTY AND EQUIPMENT– NET

This account consists of:

	Land and Land Improvements	Building and Structure / Leasehold Improvements	Leased Assets (Right-of-use Assets)	Construction in Progress	Furniture and Fixtures Equipment and Books	Motor Vehicle	Total
Cost							
Jan. 1, 2020	876,177,352.96	203,545,772.26	1,169,988,082.72	27,569,240.50	2,988,168,775.08	234,199,192.78	5,499,648,416.30
Additions	-	19,005,368.34	27,132,392.20	-	75,511,939.78	3,936,161.43	125,585,861.75
Adjustments	-	(10,672,265.81)	2,232,685.61	-	(96,738,558.15)	(8,880,491.00)	(114,058,629.35)
Sept. 30, 2020	876,177,352.96	211,878,874.79	1,199,353,160.53	27,569,240.50	2,966,942,156.71	229,254,863.21	5,511,175,648.70
Accu. Dep'n							
Jan. 1, 2020	1,470,337.21	101,669,778.82	200,209,850.33	-	1,642,825,081.09	151,371,969.58	2,097,547,017.03
Depreciation	20,786.94	16,358,365.55	153,598,969.08	-	223,695,246.11	16,188,400.93	409,861,768.61
Adjustments	-	(4,178,876.84)	2,474,275.69	-	(18,057,103.65)	(4,746,753.75)	(24,508,458.55)
Sept. 30, 2020	1,491,124.15	113,849,267.53	356,283,095.10	-	1,848,463,223.55	162,813,616.76	2,482,900,327.09
Net Book Value, Sept. 30, 2020	874,686,228.81	98,029,607.26	843,070,065.43	27,569,240.50	1,118,478,933.16	66,441,246.45	3,028,275,321.61

Included under Land and Building accounts are the following:

- 13.1 A parcel of land situated in Quezon City with a total area of 17,230.50 square meters. This property has a carrying amount of P439,377,750.00. 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.

The 17,230.50 square meters and 145 square meters with a total of 17,375.50 square meters was appraised with a fair market value of P1,464,590,000.00 on Dec. 06, 2018 by an independent appraiser.

- 13.2 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 was appraised with a fair market value of P2,613,000,000.00 as of Dec. 7, 2018.

- 13.3 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 with a fair market value of P74,605,000.00 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 P16,240,000.00 as of Dec. 27, 2016.

- 13.4 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 P23,176,000.00 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.
- 13.5 A parcel of lot with a total area of 600 square meters located in Gov. Democrito O. Plaza Government Center, Patin-ay, Prosperidad, Agusan del Sur which will be used as the PRO CARAGA's 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 P1,086,000.00.

14. 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.

	2020	2019
Cost, Jan. 1, 2020	267,770,907.08	297,797,695.89
Additions/Deductions	153,769,269.62	44,286,323.29
Cost, Sept. 30, 2020	421,540,176.70	342,084,019.18
Amortization	(196,162,377.09)	(74,313,112.10)
Net Book Value, Sept. 30, 2020	225,377,799.61	267,770,907.08

15. OTHER ASSETS– NET

This account consists of the following:

	2020	2019
Advances to Disbursing Officers	733,621.31	674,581.01
Advances to Officers & Employees	130,670.49	1,211,031.94
Prepayments	51,770,542.04	32,619,251.69
Deferred Charges	94,005.65	771,659.07
Guaranty Deposits	98,285,997.14	96,143,855.64
	151,014,836.63	131,420,379.35
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	56,898,638.51	55,634,815.24
Serviceable Equipment	3,260,739.26	3,678,767.80

	2020	2019
Land (Receivable Repayment Right)	-	-
Receivable from DOH	-	-
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	429,833,622.91	455,575,301.31
Other Assets - Intangible	5,221,886.28	5,221,886.28
Gross Long-Term Receivable	1,263,177,304.73	1,288,073,188.40
Less: Allowance for Impairment	(1,155,199,357.23)	(1,155,313,251.75)
Receivable from Officer/Employees & DCS	-	-
	107,977,947.50	132,759,936.65
Net Amount	258,992,784.13	264,180,316.00

- 15.1 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 P733,621.31 and P674,581.01 as at September 30, 2020 and December 31, respectively, represent available funds of the said officers as of to date.
- 15.2 Advances to Officers and Employees amounting to P130,670.49 and P1,211,031.94 as at September 30, 2020 and December 31, 2019, respectively, represent cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travel.
- 15.3 Prepayments amounting to P51,770,542.04 and P32,619,251.69 as at September 30, 2020 and December 31, 2019, respectively, represent 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.
- 15.4 The deferred charges amounting to P94,005.65 and P771,659.07 as at September 30, 2020 and December 31, 2019, respectively, represent DCS transactions. For 2019, it also 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 P677,653.00 as at December 31, 2019, this was reclassified to other receivable in 2020.
- 15.5 Guaranty deposits amounting to P98,285,997.14 and P96,143,855.64 as at September 30, 2020 and December 31, 2019, respectively, represents transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.
- 15.6 Long Term Receivable from the Department of Budget and Management (DBM) amounting to P155,235,240.00 as at September 30, 2020 and December 31, represent 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.

- 15.7 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to P115,000,000.00 as at September 30, 2020 and December 31, 2019, represent the balance of the account for the premium counterpart of various LGUs under the Enhanced PCSO – Greater Medicare Access (PCSO-GMA) Program.
- 15.8 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to P327,103.25 as at September 30, 2020 and December 31, 2019 was in pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.
- 15.9 Disallowances amounting to P1,456,748.97 as at September 30, 2020 and December 31, 2019 refer 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.
- 15.10 Debit Credit System amounting to P635,559.23 as at September 30, 2020 and December 31, 2019 refer 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.
- 15.11 Unserviceable Equipment amounting to P56,898,638.51 and P55,634,815.24 as at September 30, 2020 and December 31, 2019 respectively, represent equipment that are already for disposal. These equipments shall be further reclassified as Non-Current Asset–Held for Sale once the requirements set upon by the Standard is met.
- 15.12 Serviceable Equipment amounting to P3,260,739.26 and P3,678,768.80 as at September 30, 2020 and December 31, respectively, represent equipment which are still functional but already obsolete and fully depreciated and ready for disposal. These equipments shall be further reclassified as Non-Current Asset–Held for Sale once the requirements set upon by the Standard is met.
- 15.13 Receivable from NGAs amounting to P394,741,430.00 as at September 30, 2020 and December 31, 2019, represent deficiency in employer share of the Health Insurance Premium Contributions to PhilHealth by different government agencies nationwide for CY 2001 to 2008.
- 15.14 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
- 15.15 Receivable from LGUs represent 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:

	2020	2019
NCR	1,307,600.00	1,428,200.00
CAR	11,450,712.50	11,450,712.50
I	39,773,142.37	39,839,267.37
II	15,914,961.40	21,532,741.08
III	-	-
IV-A	14,124,485.00	14,124,485.00
IV-B	938,740.00	938,740.00
V	285,953,173.04	286,037,067.56
VI	-	-
VII	-	-
VIII	12,143,181.57	28,916,461.57
IX	130,260.00	230,259.20
X	27,250,974.45	29,200,974.45
XI	18,918,140.54	19,918,140.54
XII	-	-
CARAGA	-	-
ARMM	1,928,252.04	1,958,252.04
	429,833,622.91	455,575,301.31

- 15.16 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.

Allowance for Impairment	2020	2019
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	389,061,385.20	389,175,279.72
Total Allowance for Impairment	1,155,199,357.23	1,155,313,251.75

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

16. BENEFIT CLAIMS PAYABLES

	2020	2019
Benefit Claims Processed	4,512,257,229.06	4,124,188,648.76
Primary Care Benefit - PCB Processed	132,503,169.55	174,134,532.00
Accrued Benefit Claims - ICS	15,368,816,354.04	21,921,630,105.14
Accrued Benefit Claims - IBNR	74,593,318,726.20	36,086,348,279.76
Accrued Benefit Claims - PCB	12,849,581,226.29	13,259,959,951.26
Total	107,456,476,705.14	75,566,261,516.92

- 16.1 Benefit claims processed amounting to P4,512,257,229.06 and P4,124,188,648.76 as at September 30, 2020 and December 31, 2019, respectively, represents benefit payment checks still in the possession of the Corporation.
- 16.2 Primary Care Benefit – PCB processed amounting to P132,503,169.55 and P174,134,532.00 as at September 30, 2020 and December 31, 2019, respectively, represents PCB payment checks still in the possession of the Corporation.
- 16.3 Accrued Benefit Claims – In Course of Settlement (ICS) amounting to P15,368,816,354.04 and P21,921,630,105.14 as at September 30, 2020 and December 31, 2019, respectively, are benefit claims in process as of the reporting period.
- 16.4 Accrued Benefit Claims – Incurred but not yet Received (IBNR) amounting to P74,593,318,726.20 and P36,086,348,279.76 as at September 30, 2020 and December 31, 2019, 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 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.

- 16.5 Accrued Benefit Claims – Primary Care Benefit (PCB) amounting to P12,849,581,226.29 and P13,259,959,951.26 as at September 30, 2020 and December 31, 2019, respectively, are claims which are actuarially estimated as of December, 2019.
- 16.6 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. 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.. 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.

17. OTHER PAYABLES

This account consists of:

	2020	2019
Accrued Expenses		
P.S.	255,561,428.74	2,032,141,903.62
MOOE	865,159,434.89	1,125,933,981.33
CAPEX	188,726,065.45	296,820,273.06
Due to Officers & Employees	104,500,135.87	-
Operating Lease Payable	1,636,257.64	-
Lease Liability Payable	930,869,703.90	998,262,164.27
Statutory Liabilities		
Due to BIR	163,073,820.21	116,691,997.55
Due to GSIS	73,429,086.67	59,253,976.68
Due to Pag-ibig	3,703,512.43	2,938,394.80
Due to PhilHealth	6,587,460.72	6,124,285.21
PhilHealth Provident Fund	23,661,218.87	17,467,850.98
Trust Liabilities		
UNFPA Project	37,175.91	36,800.21
Unclaimed Refund from HCPs	312,257,708.86	312,270,345.87
AHP - Protest Bond	9,275,000.00	6,275,000.00
Donations	8,776,739.86	8,845,549.86
Performance/Bidders Bond Pay.	28,858,270.49	30,679,640.83
Retention Fee	40,360,609.39	34,609,576.69
Global Development Project	1,917,071.33	1,872,295.77
Philippine Training Institute	5,190,422.01	4,793,156.69
Philippine Training Institute - NSSF	245,885.88	-
PhilHealth Run 2013	900.00	900.00
PhilHealth Run 2015	563,111.52	563,204.95

Financial Statements, September 30, 2020

	2020	2019
Calamity Fund	172,666.84	127,259.76
Due to Other NGAs	10,528,107.30	10,517,999.99
Due to Other GOCCs	421,336,489.30	751,489.30
Due to LGUs	6,658,718.18	6,654,534.16
Other Payable Undistributed Payable	59,437,787.85	-
Due to Non-Government Organizations/ Civil Society	433,329.17	-
Others	442,760,322.93	118,646,471.34
Total	3,965,718,442.21	5,192,279,052.92

- 17.1 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 PHIC Board Resolution No. 385, s. 2001, granting the payment of the Welfare Support Assistance (WESA) of P4,000.00 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 (R.A.) No. 7305, otherwise known as the *Magna Carta of Public Health Workers*. However, On February 07, 2008, the Commission on Audit (COA) issued 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 SSL which explicitly identifies laundry and subsistence allowance as excluded from the integrated salary, but also by statutory authority, particularly, Section 22 and 24 of the Magna Carta. In view of such fact, the PhilHealth officers cannot be found to have approved the issuance of the same in bad faith or in gross negligence amounting to bad faith for it was well within the parameters set by law.

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

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

As at September 30, 2020, the remaining balance for WESA is P90,904,499.18.

- 17.2 Due to Officers and Employees refer to incurrence of liability to officers and employees for salaries, benefits and other emoluments including authorized expenses paid in advance by the officers and employees.
- 17.3 Due to Government Corporations refer to receipt of funds from Philippine Charity Sweepstakes Office (PCSO) for Covid 19 related packages.
- 17.4 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.
- 17.5 Undistributed Payable refer to unidentified premium collections, remittances of Accredited Collecting Agents (ACAs) and accreditation fees credited to PhilHealth bank accounts as of September 30, 2020.
- 17.6 Trust Liabilities refer to funds from other sources which are held in trust for specific purpose.
- 17.7 Donations include funds received from the following entities, including earned interest thereon:

	2020	2019
Westmont Investment Corp.	2,945,656.00	2,945,655.77
Strategies & Alliance Corp.	3,629,318.86	3,698,129.06
Land Bank of the Philippines	110,000.00	110,000.00
Donation received by PRO's	2,091,765.00	2,091,765.03
Total	8,776,739.86	8,845,549.86

These shall finance specific projects like:

- a. Prevention of fraud and such other irregularities against the NHIF and for such other allied undertakings. (Westmont Investment Corporation)
- b. Research and development and other studies including P3.50 million ex-gratia fund. (Strategies and Alliance Corporation)

18. 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:

	2020	2019
Advance Premium by Informal Economy	469,532,987.57	477,768,364.43
Premium Contribution for NHTS enrollment (CYs 2013 & 2014).	516,844,200.00	516,844,200.00
Advance Premium for NHTS enrollment for the period of Oct. to Dec., 2020.	5,253,966,000.00	-
Advance Premium for Senior Citizens enrollment for the period of Oct. to Dec., 2020.	2,289,367,010.02	-
Advance Premium for PAMANA program enrollment for the period of Oct. to Dec., 2020.	12,529,200.00	-
Advance Premium for POS program enrollment for the period of Oct. to Dec., 2020.	55,921,200.00	-
Accreditation Fees - ACAs	584,169.38	636,113.88
Accreditation Fees - HCPs	3,604,772.48	1,465,900.00
Sponsored - LGUs	20,472,513.05	33,478,533.05
Others	38,111,707.44	93,589,939.70
Total	8,660,933,759.94	1,123,783,051.06

19. LEAVE BENEFITS PAYABLE

Leave benefits payable amounting to P844,986,390.91 and 849,149,212.04 as at September 30, 2020 and December 31, 2020, respectively, represent money value of the earned leave credits of officers and employees of Philhealth which are actuarially estimated based on the following assumptions: a) One percent (1%) separation rate per year; b) two percent (2%) discount rate; and c) four percent (4%) increase in salary per year.

20. INSURANCE LIABILITY FOR DIRECT CONTRIBUTOR - 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 at December 31, 2019 and 2018 were estimated at P28,605,281,694.00 and P26,034,923,966.00, respectively, by the Corporate Actuary and was already allocated in the Reserve Fund.

21. MEMBERS' EQUITY

Members' Equity consists of the following:

	2020	2019
Reserve Fund	116,024,460,966.96	121,161,849,501.53
Surplus (Disallowance)	-	1,783,347.50
Total Members' Equity	116,024,460,966.96	121,163,632,849.03

21.1 Reserve Fund

	2020	2019
Reserve at January 1, 2019	109,956,240,990.97	97,142,214,450.07
Reserve transferred to Surplus	6,068,219,975.99	24,019,635,051.46
Reserve Fund at Sept. 30, 2020	116,024,460,966.96	121,161,849,501.53

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 P470.59B, 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.

21.2 Surplus

	2020	2019
Surplus at January 1	-	1,783,347.50
Net Income (Loss)	5,290,288,747.88	25,405,746,225.33
Prior Year's Adjustment	777,931,228.11	(1,386,111,173.87)
Total Surplus	6,068,219,975.99	24,021,418,398.96
Reserve transferred to Surplus	(6,068,219,975.99)	(24,019,635,051.46)
Surplus at Sept. 30	-	1,783,347.50

22. PREMIUM CONTRIBUTIONS

Details of Premium Contributions are as follows:

	2020	2019
Direct Contributors	63,422,129,394.69	57,177,722,878.64
Government	16,344,792,502.58	12,341,265,367.31
Private	40,807,231,080.08	39,826,208,086.29
Enterprise Owner	215,528.01	161,200.08
Household Help / Kasambahay	38,294,343.97	46,147,480.40
Migrant Workers	298,420,000.08	821,576,055.97
Informal Sector	3,910,236,975.47	1,718,681,593.82
Self Earning Individual	1,862,009,838.96	1,791,352,633.90
Organized Group	145,522,429.80	92,682,375.05
Women about to give birth	2,079,450.90	524,724,325.00
Filipinos with Dual Citizenship	403,517.00	2,059,742.00
Naturalized Filipino Citizen	346,815.24	154,050.00
Citizens of Other Countries working residing in the Phils	9,696,003.46	9,380,517.32
Foreign Retirees	2,880,909.14	3,329,451.50
Indirect Contributors	49,094,002,580.67	51,349,227,957.11
Indigents - NHTS	15,761,898,000.00	22,743,208,800.00
Senior Citizens	32,148,686,249.98	24,877,529,999.97
Special Government Programs	73,699,200.00	79,345,800.00
<i>Bangsamoro</i>	<i>36,111,600.00</i>	<i>36,104,400.00</i>
<i>PAMANA</i>	<i>37,587,600.00</i>	<i>43,241,400.00</i>
Sponsored	1,109,719,130.69	3,649,143,357.14
<i>NGAs</i>	<i>16,800.00</i>	-
<i>LGUs</i>	<i>937,846,711.81</i>	<i>1,770,827,332.14</i>
<i>Point of Service</i>	<i>168,192,670.00</i>	<i>1,871,478,600.00</i>
<i>Others</i>	<i>3,662,948.88</i>	<i>6,837,425.00</i>
TOTAL PREMIUM CONTRIBUTIONS	112,516,131,975.36	108,526,950,835.75

The amounts collected come from the following direct and indirect 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 “Kasambahay Law”
 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.

23. INTEREST AND OTHER INCOME

Interest and other income accounts are as follows:

	2020	2019
Investment Securities at Amortized Cost	4,932,384,745.38	4,871,648,251.96
Special Savings Dep. & Invest. in Time Dep.	1,771,216,227.85	709,700,959.14
Savings and Current Deposits	2,289,206.88	2,111,686.99
Total Interest Income	6,705,890,180.11	5,583,460,898.09
Other Income		
Accreditation Fees - HCPs	8,749,842.28	16,345,101.59
Fines and Penalties	39,749,082.20	62,168,210.11
Rent Income	327,067.04	367,950.42
Income from Grants & Donation	-	1,086,000.00
Gain (Loss) on Foreign Exchange	(53,362.10)	(15,668.72)
Gain on Sale of Property & Equip.	14,634.90	49,743.69
Sale of Disposed / Unserviceable Property	39,512.10	329,550.73
Gains from Exchange of Assets	-	-
Miscellaneous Income	15,545,742.33	19,863,824.22
Total Other Income	64,372,518.75	100,194,712.04
TOTAL INTEREST AND OTHER INCOME	6,770,262,698.86	5,683,655,610.13

23.1 Miscellaneous Income

This account consists of income ranging from one hundred thousand and above which includes penalties from supplier and Unclaimed Benefit Refund (UBR) amounting to 45,397,604 which was reverted back to the fund after two years of publication in the Philhealth's website portal per recommendation of the Commission on Audit 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.

23.2 Rent Income

This is an income from the rented portion of PRO III office building.

24. BENEFIT CLAIMS EXPENSES

Details of this account are as follows:

	2020	2019
Formal Economy	22,931,634,252.95	17,981,223,029.45
Private	16,070,306,605.81	12,570,616,789.60
Government	6,861,327,647.14	5,410,606,239.85
Informal Economy	24,261,115,751.92	15,260,400,113.71
Indigent - NHTS	26,724,388,259.19	22,653,424,824.96
Sponsored	4,849,625,373.48	7,490,476,081.92
Senior Citizens	23,533,021,316.67	15,377,650,663.60
Lifetime Member Program	6,114,609,691.05	6,010,299,179.76
Interim Financing Mechanism (IFM)	1,516,420,500.00	-
Total Benefit Claims Expenses	109,930,815,145.26	84,773,473,893.40

Benefit Claims Expenses for 2020 and 2019 are recognized at the date of confinement.

Our benefit claims also includes Primary Care Benefit (PCB) which are based on actuarial estimate as of December, 2019 that are still expected to be paid considering the existing policy on payment of the PCB PFPR (per family payment rate).

25. PERSONNEL SERVICES

Personnel services account includes:

	2020	2019
Salaries and Wages	1,347,139,700.17	1,330,443,727.11
Other Compensation	1,078,785,244.63	869,923,784.37
Statutory Contributions	186,253,744.32	182,429,689.09
Other Personnel Services	4,439,149.15	1,103,570.90
Total Personnel Services	2,616,617,838.27	2,383,900,771.47

26. 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."

	2020	2019
MOOE	946,448,342.58	1,274,977,459.98
Financial Expenses	43,059,277.72	50,686,216.98
Non-Cash Expenses	459,165,322.51	321,821,878.72
Total Other Operating Expenses	1,448,672,942.81	1,647,485,555.68

26.1 MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2020	2019
Travelling Expenses	17,672,821.71	91,191,901.09
Travelling Expenses - Local	17,672,821.71	90,748,079.76
Travelling Expenses - Foreign	-	443,821.33
Training and Scholarship Expense	61,982.00	35,912,689.67
Supplies and Materials Expenses	88,094,783.49	110,741,931.78
Semi-Expendable Expenses	5,977,442.95	10,627,871.15
Utility Expenses	89,870,105.17	106,498,870.66
Water Expenses	4,339,394.35	7,016,226.25
Electricity Expenses	85,530,710.82	99,482,644.41
Communication Expenses	106,273,875.97	122,130,098.07
Postage and Courier Services	12,971,806.17	16,750,280.28
Telephone Expenses	54,288,959.72	54,737,354.48
Internet Subscription Expenses	38,675,498.92	50,285,655.88
Cable, Satellite, Telegraph and Radio Exp.	337,611.16	356,807.43
Awards/Rewards, Prizes and Indemnities	1,841,672.15	2,082,500.00
Survey, Research, and Development Exp.	36,400.00	10,972,829.23
Professional Services	136,382,286.20	119,499,718.38
Auditing Services	10,586,832.00	59,940,413.00
Consultancy Services	182,500.00	730,000.00
Other Professional Services	125,612,954.20	58,829,305.38
General Services	172,663,114.47	149,028,242.10
Janitorial Services	49,591,928.66	45,947,946.21
Security Services	123,071,185.81	103,080,295.89

	2020	2019
Repairs and Maintenance	8,411,996.80	12,976,502.89
Repairs and Maint. - Land Imprv'ts	47,450.00	66,714.00
Repairs and Maint. - Bldg. & Other Stru	525,561.00	520,782.18
Repairs and Maintenance - Machinery	2,807,949.37	5,091,499.82
Repairs and Maintenance - Transporta	3,727,406.13	6,255,199.74
Repairs and Maintenance - Furniture &	196,022.80	183,588.80
Repairs and Maintenance - Leased Ass	1,107,607.50	858,718.35
Taxes, Insurance Premiums and Other	12,725,010.75	13,343,523.27
Taxes, Duties and Licenses	172,716.16	171,585.66
Fidelity Bond Premiums	4,874,770.88	5,671,997.19
Insurance Expenses	7,677,523.71	7,499,940.42
Other Maintenance and Operating Exp	306,436,850.92	489,970,781.69
Advertising, Promotional, and Mktg. Exp	7,842,165.51	50,898,845.02
Printing and Publication Exp.	4,233,624.81	3,030,194.28
Representation Exp.	14,950,301.33	21,746,282.38
Transportation and Delivery Exp.	1,363,247.34	2,375,116.09
Rent/Lease Expenses	254,823,130.59	319,123,851.89
Membership Dues and Contr. To Orga	6,310,538.79	5,738,525.44
Subscription Expenses	6,905,621.23	1,496,925.02
Donations	349,260.00	58,920.70
Major Events and Conventions Expens	1,368,523.73	14,106,632.21
Other MOOE - Others	8,290,437.59	71,395,488.66
	946,448,342.58	1,274,977,459.98

26.2 FINANCIAL EXPENSES

This account consists of the following:

	2020	2019
Interest Expenses	17,922,220.65	-
Bank Charges	9,721.08	21,062.68
Other Financial Charges	25,127,335.99	50,665,154.30
Total Financial Expenses	43,059,277.72	50,686,216.98

Interest Expenses includes the effect of applying PFRS 16 amounting to P17,922,220.65.

26.3 NON-CASH EXPENSES

This account consists of the following:

	2020	2019
Depreciation	409,861,768.61	244,362,866.93
Depreciation - Land Improvements	20,786.94	20,786.94
Depreciation - Buildings and Other Structures	974,885.58	974,885.58
Depreciation - Machinery and Equipment	215,247,372.91	205,848,312.12
Depreciation - Furniture and Fixtures and Books	8,447,873.20	10,300,743.90
Depreciation - Transportation Equipment	16,188,400.93	16,272,361.51
Depreciation - Leased Assets	153,598,969.08	-
Depreciation - Leased Assets Improvements	15,383,479.97	10,945,776.88
Amortization - Intangible Assets	43,803,242.26	57,030,559.94
Impairment Loss	5,178,044.77	20,367,802.50
Impairment Loss - Loans and Receivables	-	20,367,802.50
Impairment Loss - Other Rec'bles	60,725.00	-
Impairment Loss - Other Assets	5,117,319.77	-
Losses	322,266.87	60,649.35
Loss on Sale of Property and Equipment	24.87	60,649.35
Loss of Assets	322,242.00	-
Total	459,165,322.51	321,821,878.72

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.

27. OTHER SIGNIFICANT AND RELEVANT INFORMATION

27.1 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.

27.2 Point of Service (POS) Program

The Department of Budget and Management has issued the following SAROs for the payment of cost of availment for 2017 benefit claims and 2018/2019/2020 premium contributions 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 General Appropriations Act of 2018, 2019, and 2020.

The release of the corresponding cash allocation is subject to PhilHealth's submission of the names of 2017 POS patients together with the actual amount of claims and 2018/2019/2020 enrollees with the required premium contributions to DBM.

SARO No.	Amount of SARO	DBM Releases from 2017 to 2020
SARO-BMB-C-17-0023166	91,333,530.00	91,333,530.00
SARO-BMB-C-17-0025119	103,350,096.00	103,350,096.00
SARO-BMB-C-17-0025794	2,805,316,374.00	1,184,758,101.00
SARO-BMB-C-18-0027709	714,535,200.00	714,535,200.00
SARO-BMB-C-18-0035076	350,904,000.00	350,904,000.00
SARO-BMB-C-19-0008291	1,921,533,600.00	1,921,533,600.00
SARO-BMB-C-19-0011860	316,548,000.00	316,548,000.00
SARO-BMB-C-19-0025794	253,862,400.00	253,862,400.00
SARO-BMB-C-19-0016585	120,720,000.00	120,720,000.00
SARO-BMB-C-19-0018764	130,910,400.00	130,910,400.00
SARO-BMB-C-19-0020384	218,397,600.00	218,397,600.00
SARO-BMB-C-19-0020388	121,697,384.00	121,697,384.00
SARO-BMB-C-20-0014243	126,508,800.00	126,508,800.00
SARO-BMB-C-20-0015531	97,176,000.00	97,176,000.00
Total	7,372,793,384.00	5,752,235,111.00

27.3 SAROs and NCAs received from the Department of Budget and Management (DBM) for CY 2020.

SARO# BMB-C-20-0007992 and NCA #BMB-C-20-0005980

Date of SARO	Amt. of SARO	Amt. of NCA	Prem. Coll. for the ff. programs	Amt. received	References	Remarks
April 24, 2020	48,192,054,000.00	26,173,332,040.00	NHTS-PR CY 2020 Senior Citizens CY2020	21,015,864,000.00 5,157,468,040.00	POR# 85024308 dtd 6/16/20 POR# 85024309 dtd 6/16/20	
Sub-total	48,192,054,000.00	26,173,332,040.00	-	26,173,332,040.00	-	22,018,721,960.00 (Unpaid SARO)

SARO# BMB-C-20-0014243 and NCA #BMB-C-20-0008292

Date of SARO	Amt. of SARO	Amt. of NCA	Prem. Coll. for the ff. program	Amt. received	References	Remarks
July 20, 2020	4,127,660,800.00	4,127,660,800.00	Senior Citizens CY2020 PAMANA CY 2020 POS CY 2020	4,000,000,000.00 1,152,000.00 126,508,800.00	POR# 90344671 dtd 8/07/20 POR# 90344673 dtd 8/07/20 POR# 90344672 dtd 8/07/20	
Sub-total	4,127,660,800.00	4,127,660,800.00	-	4,127,660,800.00	-	-

SARO# BMB-C-20-0015531 and NCA #BMB-C-20-0009897

Date of SARO	Amt. of SARO	Amt. of NCA	Prem. Coll. for the ff. program	Amt. received	References	Remarks
Sept. 18, 2020	146,140,800.00	146,140,800.00	PAMANA CY 2020 (2nd billing) POS CY 2020 (2nd billing)	48,964,800.00 97,176,000.00	POR# 91681755 dtd 9/25/20 POR# 91681754 dtd 9/25/20	
Sub-total	146,140,800.00	146,140,800.00	-	146,140,800.00	-	-
Grand Total	52,465,855,600.00	30,447,133,640.00	-	30,447,133,640.00	-	22,018,721,960.00 (Unpaid SARO)

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27.4 Arrears of the National Government as an employer

The information below, though not recorded in our books of accounts, are deemed necessary to be disclosed.

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:

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

27.5 Assigned lot to PRO III

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.

27.6 Non-remittance of GSIS Premium for Disallowed Salary Adjustments

The GSIS premium amounting to P20,604,585.00 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.

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

The Department of Budget and Management has issued SARO-BMB-C-19-0024648 dated December 16, 2019 amounting to P279,503,560.00 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.