



Republic of the Philippines
PHILIPPINE HEALTH INSURANCE CORPORATION
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FINANCIAL STATEMENTS

As of September 30, 2021



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

As at September 30, 2021 and December 31, 2020

(In Philippine Peso)



| | Notes | 2021 | 2020 |
|--|-------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | 7 | 34,736,987,927.88 | 28,050,485,089.23 |
| Investment in Time Deposits | 8 | 51,462,624,148.31 | 67,235,402,004.88 |
| Receivables, net | 9 | 14,930,198,978.43 | 11,166,376,473.11 |
| Other Receivable - IRM | 10 | 36,388,759.48 | 1,570,977,279.66 |
| Inventories | 11 | 141,228,232.20 | 151,931,261.21 |
| Other Current Assets | 12 | 223,621,995.30 | 226,091,027.02 |
| Total Current Assets | | 101,531,050,041.60 | 108,401,263,135.11 |
| Non-Current Assets | | | |
| Investment Securities at Amortized Cost | 13 | 245,748,926,633.87 | 162,544,939,050.16 |
| Property & Equipment, net | 14 | 2,676,103,689.27 | 3,041,286,570.48 |
| Intangible Assets, net | 15 | 189,312,205.98 | 224,231,817.05 |
| Other Assets, net | 16 | 212,079,694.42 | 248,883,192.99 |
| Total Non-Current Assets | | 248,826,422,223.54 | 166,059,340,630.68 |
| TOTAL ASSETS | | 350,357,472,265.14 | 274,460,603,765.79 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Financial Liabilities | 17 | 155,388,910,350.64 | 107,709,036,140.91 |
| Inter-Agency Payables | 18 | 680,120,724.30 | 624,413,467.53 |
| Trust Liabilities | 19 | 454,161,638.90 | 458,536,363.20 |
| Other Payables | 20 | 1,749,894,283.35 | 739,498,490.44 |
| Total Current Liabilities | | 158,273,086,997.19 | 109,531,484,462.08 |
| Non-Current Liabilities | | | |
| Deferred Credits/Unearned Income | 21 | 17,967,328,686.11 | 1,183,584,411.60 |
| Leave Benefits Payable | 22 | 1,151,061,762.21 | 1,208,368,125.37 |
| Provision for Insurance Contract Liabilities (ICL) | 23 | 1,014,255,679,627.97 | 1,014,255,679,627.97 |
| Total Non-Current Liabilities | | 1,033,374,070,075.29 | 1,016,647,632,164.94 |
| TOTAL LIABILITIES | | 1,191,647,157,072.48 | 1,126,179,116,627.02 |
| EQUITY | | | |
| Members' Equity (Unfunded Liabilities due to the Provision of ICL) | 24 | (841,289,684,807.34) | (851,718,512,861.23) |
| TOTAL EQUITY | | (841,289,684,807.34) | (851,718,512,861.23) |
| TOTAL LIABILITIES AND EQUITY | | 350,357,472,265.14 | 274,460,603,765.79 |

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Acting Executive Vice President and Chief Operating Officer

Approved by:

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President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

For the Period Ended September 30, 2021 and 2020
(In Philippine Peso)



| | Notes | 2021 | 2020 |
|--------------------------------------|-------|---------------------------|---------------------------|
| TOTAL PREMIUM CONTRIBUTIONS | 25 | 129,499,290,521.19 | 112,516,131,975.36 |
| Less: Benefit Claims Expenses | 27 | 125,526,099,173.03 | 109,930,815,145.26 |
| GROSS MARGIN FROM OPERATIONS | | 3,973,191,348.16 | 2,585,316,830.10 |
| Operating Expenses | | | |
| Personnel Services | 28 | 2,639,095,381.33 | 2,616,617,838.27 |
| Other Operating Expenses | 29 | 2,714,127,995.64 | 1,448,672,942.81 |
| TOTAL OPERATING EXPENSES | | 5,353,223,376.97 | 4,065,290,781.08 |
| NET OPERATING INCOME (LOSS) | | (1,380,032,028.81) | (1,479,973,950.98) |
| Add: Interest and Other Income | 26 | 6,989,857,109.46 | 6,770,262,698.86 |
| NET INCOME (LOSS) | | 5,609,825,080.65 | 5,290,288,747.88 |
| OTHER COMPREHENSIVE INCOME | | - | - |
| NET INCOME | | 5,609,825,080.65 | 5,290,288,747.88 |


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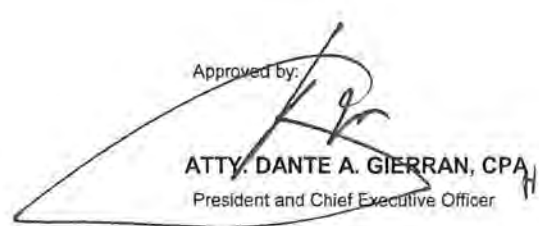
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**PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY**

For the Period Ended September 30, 2021 and 2020

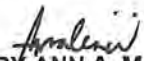
(In Philippine Peso)



UNIVERSAL HEALTH CARE
KALUSUGAN AY MATAHAP SA LAHAT

| | Notes | 2021 | 2020 |
|---|-------|-----------------------------|---------------------------|
| SURPLUS | 24.1 | | |
| Surplus at January 1, 2020 | | - | - |
| Net Income | | 5,609,825,080.65 | 5,290,288,747.88 |
| Prior Year Adjustment | | 4,819,002,973.24 | 777,931,228.11 |
| Total Surplus | | 10,428,828,053.89 | 6,068,219,975.99 |
| Surplus transfer to Reserve Fund | | (10,428,828,053.89) | (6,068,219,975.99) |
| Surplus at September 30 | | - | - |
| RESERVE FUND | 24.2 | | |
| Reserve at January 1 | | 140,874,550,031.06 | 109,956,240,990.97 |
| Surplus transfer to Reserve Fund | | 10,428,828,053.89 | 6,068,219,975.99 |
| Reserve Fund at September 30 | | 151,303,378,084.95 | 116,024,460,966.96 |
| Provision for Insurance Contract Liabilities (ICL) | | (992,593,062,892.29) | - |
| TOTAL MEMBERS' EQUITY (Unfunded Liabilities due to the Provision of ICL) | | (841,289,684,807.34) | 116,024,460,966.96 |

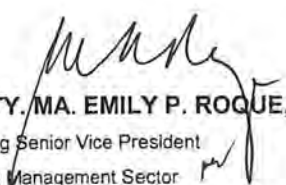
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PHILIPPINE HEALTH INSURANCE CORPORATION

STATEMENTS OF CASH FLOWS

For the Period Ended September 30, 2021 and 2020

(In Philippine Peso)



UNIVERSAL HEALTH CARE
A PHILIPPINE HEALTH INSURANCE COMPANY

| | 2021 | 2020 |
|---|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Inflows | | |
| Cash received from premium contributions | 144,793,984,600.10 | 95,275,060,789.70 |
| Interest received from investments | 6,989,221,949.23 | 7,284,203,500.20 |
| Collection of other income | 283,717,420.01 | 239,811,805.08 |
| Collection of rent | 367,950.42 | 163,533.52 |
| Reimbursement of point of service (POS) | 9,343,760.00 | 1,445,260.00 |
| Total Cash Inflows | 152,076,635,679.76 | 102,800,684,888.50 |
| Cash Outflows | | |
| Payment of benefit claims | (72,140,626,586.20) | (84,872,504,339.97) |
| Payment of operating expenses | (4,366,006,509.21) | (5,283,386,384.83) |
| Payment of bank charges | (17,324.00) | (59,809.49) |
| Total Cash Outflows | (76,506,650,419.41) | (90,155,950,534.29) |
| Net Cash Provided by/(Used in) Operating Activities | 75,569,985,260.35 | 12,644,734,354.21 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash Inflows | | |
| Matured time deposits | 137,833,519,357.42 | 89,623,453,934.96 |
| Matured treasury bills | 4,576,728,014.38 | 2,449,315,185.36 |
| Matured treasury bonds | 45,910,843,000.00 | 16,900,428,000.00 |
| Proceeds from disposal of assets | 189,801.00 | 14,196.00 |
| Total Cash Inflows | 188,321,280,172.80 | 108,973,211,316.32 |
| Cash Outflows | | |
| Placement on time deposits | (122,060,673,048.48) | (95,404,147,731.59) |
| Placement on treasury bills | - | (7,026,043,199.74) |
| Placement on treasury bonds | (134,203,695,567.12) | (25,695,443,189.36) |
| Accrued interest paid on placement of bonds | (766,218,611.17) | (62,061,134.11) |
| Fixed assets purchased | (183,604,690.33) | (133,880,209.09) |
| Total Cash Outflows | (257,214,191,917.10) | (128,321,575,463.89) |
| Net Cash Provided by/(Used in) Investing Activities | (68,892,911,744.30) | (19,348,364,147.57) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Cash Inflows/Outflows | | |
| Trust receipts | 9,413,032.64 | 379,448,201.72 |
| Net Cash Provided by/(Used in) Financing Activities | 9,413,032.64 | 379,448,201.72 |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 6,686,486,548.69 | (6,324,181,591.64) |
| Effects of exchange rate changes on cash and cash equivalents | 16,289.96 | - |
| CASH AND CASH EQUIVALENTS, JANUARY 1 | 28,050,485,089.23 | 11,834,620,202.14 |
| CASH AND CASH EQUIVALENTS, SEPTEMBER 30 | 34,736,987,927.88 | 5,510,438,610.50 |

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NOTES TO FINANCIAL STATEMENTS **September 30, 2021**

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 NHIP.

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 National Health Insurance Fund (NHIF), to enter into contract with health care institutions, to fix a reasonable compensation, allowances and benefits of all positions including the President and Chief Executive Officer (CEO), based on a comprehensive job analysis and audit of actual duties and responsibilities subject to the approval of the President of the Philippines.

The NHIF as amended shall consist of premiums from direct or indirect contributors; other appropriations earmarked by the national and local governments purposely for the implementation of the program; subsequent appropriations provided for under Sections 46 and 47 of RA 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 PhilHealth have been prepared in accordance with PFRS, where practicable, and COA Circular No. 2017-004 which set forth the guidelines on the preparation of financial statements and other financial reports and implementation of the PFRS by government corporation classified as 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. All values are rounded-off to the nearest peso values, unless otherwise stated.

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

Fair Value Measurement

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

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

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

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

3.2 Functional and Presentation Currency

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting policies and disclosures

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.

a. New and Amended PFRS effective for reporting periods beginning on or after January 1, 2021

PFRS 9, Financial Instrument which replaces PAS 39 should be adopted effective the annual periods beginning on or after January 1, 2019. Initially, this has been deferred to coincide with the implementation of PFRS 17 which the Insurance Commission deferred to CY 2025. However, with the recording of Insurance Contract Liabilities, PhilHealth shall now adopt PFRS 9 upon approval of the ECL model by the Board of Directors.

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

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

For financial liabilities, the amount of change in fair value of a financial liability designated as fair value through profit or loss (FVPL) that is attributable to changes in the credit risk of that liability is recognized in OCI (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 nonfinancial risk exposures.

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

As allowed under transitory provisions of PFRS 9, the Corporation applied the requirements of PFRS 9 retrospectively but opted not to restate the comparative information.

The Corporation has performed an assessment and determined the following impact of PFRS 9 on its financial instruments:

Classification and Measurement. On the date of initial application, January 1, 2021, the Corporation made the following reclassifications:

Trade and other receivables and other financial assets that were classified as loans and receivables under PAS 39 are now classified as financial assets at amortized cost. These financial assets are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest.

The Corporation has not designated any financial assets as at FVPL and FVOCI. There are no changes in the classification and measurement for the Corporation's financial liabilities.

The application of the classification and measurement requirements under PFRS 9 did not materially affect the carrying amounts of the Corporation's financial instruments as at January 1, 2021.

Impairment. Cash and cash equivalents are subject to the impairment requirements of PFRS 9, the resulting impairment loss is not significant primarily because the placements are with reputable counterparty banks that possess good credit ratings.

For financial assets at amortized cost which mainly comprises of premium receivables and investments in triple A rated companies, the Corporation applies the general approach which keeps track on changes of credit risk. This resulted in an increase of the allowance for impairment losses with a corresponding decline in retained earnings as at September 30, 2021 by P15,385,993.57 for investments and P1,215,059,567.64 for premium receivables.

Hedging. The Corporation does not have transactions that will require the use of hedge accounting.

Financial Assets and Liabilities

Date of Recognition. The Corporation recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable is done using settlement date accounting.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Corporation recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss.

In cases where there is no observable data on inception, the Corporation deems the transactions price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Corporation determines the appropriate method of recognizing the “Day 1” difference.

Classification of Financial Instruments. The Corporation classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and, (c) financial assets at FVOCI. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Corporation’s business model.

The Corporation does not have financial assets and liabilities at FVPL and debt instruments measured at FVOCI as at September 30, 2021.

Financial Assets at Amortized Cost. A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets

Included in this category are cash and cash equivalents, trade and other receivables (excluding advances to officers and employees, Disallowances, etc), advances to related companies, restricted cash (presented under “Other current assets” account), advances to an associate and refundable deposits (presented under “Other noncurrent assets” account).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Corporation having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

This category includes trade and other payables (excluding deposits from sale, unearned rent income and statutory payables), long-term debt, customers' deposits and advances from related companies.

Impairment of Financial Assets at Amortized Cost

The Corporation records an allowance for "expected credit loss." Expected credit loss (ECL) is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Corporation has transferred its right to receive cash flows from the asset and either:
(a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Corporation's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

- 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').

b. 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, 2020 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PFRS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the related proceeds and related cost from such items shall be recognized in profit or loss. The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling the contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustments to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendments to PFRS 1, First-time Adoption of International Financial Reporting Standards - Subsidiary as a First-time Adopter – The amendments permit a subsidiary that applies PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRS.
 - Amendments to PFRS 9, Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
 - Amendments to PFRS 16, Leases - Lease Incentives – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives.
 - Amendments to PAS 41, Agriculture - Taxation in Fair Value Measurements – The amendment removes the requirement of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13, Fair Value Measurement.

Effective for annual periods beginning on or after January 1, 2025 –

- **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.

4.2 Other Current Assets

Other current assets represent assets of the Corporation which are expected to be realized within one year or within the Corporation's normal operating cycle whichever is longer. Other current assets are presented in the Statement of Financial Position at cost.

4.3 Property and Equipment

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

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

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

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

| Particulars | Estimated Useful Life (in years) |
|------------------------------------|----------------------------------|
| Land Improvements | 10 |
| Building and Building Improvements | 30 |
| Leasehold Improvements | 10 |
| IT Equipment | 5 |
| Furniture and Fixtures | 10 |
| Office Equipment | 5 |
| Communication Equipment | 10 |
| Library Books | 5 |
| Medical Equipment | 10 |
| Transportation Equipment | 7 |

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

4.4 Intangible Assets

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

4.5 Impairment of Non-financial Assets

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

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

4.6 Derecognition of Non-financial Assets

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

4.7 Contingent Assets

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

4.8 Investment Securities at Amortized Cost

Interest income

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

Classification

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

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

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

Recognition

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

Measurement

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

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

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

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

Derecognition

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Corporation is recognized as a separate asset or liability.

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

4.9 Surplus

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

4.10 Revenue Recognition

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

The following specific recognition criteria must be met:

- 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.

4.11 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.

4.12 Leases

Corporation as a Lessee

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

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

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

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

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

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

Corporation as a Lessor

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

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

Short-term leases and leases of low-value assets

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

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

| | 2020 |
|---------------------------------------|----------------------|
| Carrying Amount of Right-of-Use Asset | 882,953,381 |
| Depreciation Expense | 239,479,446 |
| Interest Expense | 47,231,732 |
| Short-Term Leases | 239,591,033 |
| Total Cash Outflow for Leases | 1,409,255,592 |

4.13 Research and Development Cost

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

4.14 Employee Benefits

Short-term Benefits

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

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

4.15 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.

4.16 Contingent Liabilities

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

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

The Corporation's placements in fixed term deposits with Authorized Government Depository Banks (AGDBs) are in accordance with Sec. 2 of Department of Finance (DOF) Circular 01-2017, on the Amended Guidelines on Authorized Government Depository Banks, which mandates all Government Owned and Controlled Corporations (GOCCs), National Government Agencies (NGAs) and Local Government Units (LGUs) to maintain and deposit government funds only with AGDBs.

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

Purchase of peso denominated government securities under the Non-Restricted Trading Environment (NRTE) of the Philippine Dealing Exchange is based on Treasury Circular No. 04-2014, Implementing DOF Department Order No. 068-2014 entitled, "Revised Rules and Regulations for the Issuance, Placement, Sale, Service and Redemption of Treasury Bills and Bonds under 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 ACAs to assess their capabilities as collecting agents.

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

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

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

c. Market Risk

Market risk is the Corporation's exposure to potential loss due to unexpected changes in external markets, prices or rates related to general market movements of a specific financial asset on the Statement of Financial Position. This risk arises from volatility in the absolute level of interest rates and fluctuations in interest rates due to changes in global and local economic conditions and political developments that affect the value of the Corporation's securities investments. Since the securities investments of Corporation's are Held-to-Maturity (HTM) investments, the Corporation has very minimal exposure to market risk and it has the predictability of regular returns from the 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.

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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 Received (IBNR) - These are claims which are estimated to be in the possession of the Health Care Institutions (HCIs) as of the end of the month and have yet to be submitted to the Corporation within the allowable 60-day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015. The amount to be recorded is actuarially estimated.

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 is composed of the following:

| | 2021 | 2020 |
|--|--------------------------|--------------------------|
| Collecting Officers | 124,142,645.65 | 112,340,133.96 |
| Petty Cash Fund | 3,589,127.77 | 3,024,342.47 |
| Cash in Bank | 2,001,354,605.89 | 25,297,702,624.34 |
| Special Savings in Time Deposits (net) | 32,607,901,548.57 | 2,637,417,988.46 |
| Total | 34,736,987,927.88 | 28,050,485,089.23 |

- 7.1 The amounts of P124,142,645.65 and P112,340,133.96 as at September 30, 2021 and December 31, 2020, 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 P3,589,127.77 and P3,024,342.47 as at September 30, 2021 and December 31, 2020, respectively, represent available petty cash fund as of reporting dates.
- 7.3 Cash in Bank amounting to P2,001,354,605.89 and P25,297,702,624.34 as at September 30, 2021 and December 31, 2020, 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 P32,607,901,548.57 and P2,637,417,988.46 as at September 30, 2021 and December 31, 2020, respectively, are term deposits of one (1) day up to ninety (90) days with interest rates higher than the regular savings deposit rates and evidenced by either passbook or schedule of deposits. Interest rates ranging from .2600% to 2.1500% and .2603% to 1.8750% as of September 30, 2021 and December 31, 2020, respectively.

8. INVESTMENT IN TIME DEPOSITS

| | 2021 | 2020 |
|-----------------------------|--------------------------|--------------------------|
| Investment in Time Deposits | 51,462,624,148.31 | 67,235,402,004.88 |
| Total | 51,462,624,148.31 | 67,235,402,004.88 |

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 2.2000% and .8750% to 2.3600% as of September 30, 2021 and December 31, 2020, respectively.

9. RECEIVABLES

This account consists of:

| | 2021 | 2020 |
|---|--------------------------|--------------------------|
| Receivable from Direct Contributors | 9,189,530,099.07 | 8,536,647,320.68 |
| Due from NGAs | 24,591,851,610.38 | 21,401,657,560.31 |
| Due from LGUs | 345,982,622.15 | 415,239,938.50 |
| Accrued Interest Receivable from Investment | 2,664,834,478.16 | 1,497,000,575.05 |
| Other Receivables | 2,923,746.62 | 3,061,629.57 |
| Receivables | 36,795,122,556.38 | 31,853,607,024.11 |
| Allowance for Impairment | (21,864,923,577.95) | (20,687,230,551.00) |
| Receivables, net | 14,930,198,978.43 | 11,166,376,473.11 |

- 9.1 Receivable from direct contributors represent accruals of premium contributions from direct contributor members based on Accredited Collecting Agents (ACAs) and Over-the-counter Collections.

| | 2021 | 2020 |
|---|-------------------------|-------------------------|
| Receivable from Direct Contributors | 9,189,530,099.07 | 8,536,647,320.68 |
| Allowance for Impairment | (918,953,009.91) | (15,371,751.00) |
| Receivable from Direct Contributors, net | 8,270,577,089.16 | 8,521,275,569.68 |

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

| | 2021 | 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 | 3,188,187,300.00 | . | . | 5,421,018,000.00 | 12,998,827,200.00 | 2,117,289,600.00 | 23,725,322,100.00 |
| No. of enrollees | 982,984 | . | . | 2,258,757 | 5,416,178 | 882,204 | 9,540,123 |
| POS | | | | | | | |
| Amount | . | 450,295,200.00 | . | | | . | 450,295,200.00 |
| No. of enrollees/claimants | . | 2,238,331 | . | | | . | 2,238,331 |
| BASES CONVERSION AND DEVELOPMENT AUTHORITY (BCDA) | | | | | | | |
| Amount | . | . | . | | | . | . |
| No. of enrollees | . | . | . | | | . | . |
| FORTUITOUS EVENT | | | | | | | |
| Amount | | | . | | | 134,124,000.00 | 134,124,000.00 |
| No. of enrollees | | | . | | | 56,135 | 56,135 |
| DPWH | | | | | | | |
| Amount | 2,006,750.07 | | . | | | . | 2,006,750.07 |
| No. of enrollees | | | . | | | . | . |
| Total Amount | 3,190,194,050.07 | 450,295,200.00 | 279,503,560.31 | 5,421,018,000.00 | 12,998,827,200.00 | 2,252,013,600.00 | 24,591,851,610.38 |
| No. of enrollees | 982,984.00 | 2,238,331.00 | 116,460.00 | 2,258,757.00 | 5,416,178.00 | 882,204.00 | |
| 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 | 3,190,194,050.07 | 450,295,200.00 | 279,503,560.31 | . | . | . | 3,919,992,810.38 |

| | |
|---|-------------------------|
| Accrual of premium income for the months of January to September, 2021 for the enrollment of 982,984 Senior Citizens based on the 2021 billing to DBM. | 3,188,187,300.00 |
| Fund transferred to DPWH for lot improvements (PRO II) | 2,006,750.07 |
| Total 2021 | 3,190,194,050.07 |
| Enrollment of 187,623 qualified members under PhilHealth's Point-of-Service (POS) program for 2018 per billing to DBM. | 450,295,200.00 |
| Total 2018 | 450,295,200.00 |
| PhilHealth's share from Militaray 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 CY 2016 per billing/letter to DBM through DOH. | 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 CY 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) | 3,919,992,810.38 |

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

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| National Capital Region (NCR) | 6,040.00 | 23,041,240.00 |
| Cordillera Administrative Region (CAR) | - | - |
| I | 158,400.00 | 2,664,000.00 |
| II | 553,270.00 | 553,270.00 |
| III | 108,712,256.17 | 109,978,856.17 |
| IV-A | - | 5,325,400.00 |
| IV-B | - | 3,580,800.00 |
| V | 795,000.00 | 3,219,000.00 |
| VI | 164,887,624.98 | 168,254,074.98 |
| VII | 4,242,200.00 | 15,227,100.00 |
| X | - | 1,500,000.00 |
| XI | 3,259,000.00 | 10,812,200.00 |
| XII | - | - |
| XIII - CARAGA | 63,368,831.00 | 70,571,997.35 |
| Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) | - | 512,000.00 |
| Total | 345,982,622.15 | 415,239,938.50 |
| Less: Allowance for Impairment | (274,111,768.04) | - |
| Total (Net) | 71,870,854.11 | 415,239,938.50 |

9.4 Accrued Interest Receivable from investment amounting to P2,664,834,478.16 and P1,497,000,575.05 as at September 30, 2021 and December 31, 2020, respectively, represent interest earned as at the reporting date from special savings deposit, time deposit, investment securities at amortized cost which are due for collection on the following year.

9.5 Other Receivables amounting to P2,923,746.62 and P3,061,629.57 as at September 30, 2021 and December 31, 2020, respectively, represent due from officers and employees.

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;”

Subsequently, 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 PCEO BGen. Ricardo C. Morales. It provides the guidelines and procedures in the recording and reporting of benefit claims under the IRM.

As of September 30, 2021, a total of P14,934,462,144.52 or 99.7569% has already been liquidated out of the P14,970,850,904.00 released IRM, leaving a balance of P36,388,759.48 or .2431% nationwide. For December 31, 2020, the balance is P1,570,977,279.66.

11. INVENTORIES

This account includes the following:

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| Office Supplies & Materials Inventory | 99,648,599.34 | 110,139,605.32 |
| Semi-Expendable Machinery and Equipment | 22,296,807.47 | 21,613,716.27 |
| Semi-Expendable Furniture, Fixtures, and Books | 19,282,825.39 | 20,177,939.62 |
| Total | 141,228,232.20 | 151,931,261.21 |

11.1 Office Supplies and Materials Inventory amounted to P99,648,599.34 and P110,139,605.32 as at September 30, 2021 and December 31, 2020, respectively, represent small tangible items that are expected to be used within one year from the reporting date.

11.2 Semi-Expendable Machinery and Equipment amounted to P22,296,807.47 and P21,613,716.27 as at September 30, 2021 and December 31, 2020, respectively, represent office equipment, information and communication technology costing less than P15,000.00.

11.3 Semi-Expendable Furniture, Fixtures, and Books amounted to P19,282,825.39 and P20,177,939.62 as at September 30, 2021 and December 31, 2020, respectively, represent furniture, fixtures and books costing less than P15,000.00.

12. OTHER CURRENT ASSETS

Other Current Assets amounting to P223,621,995.30 and P226,091,027.02 as at September 30, 2021 and December 31, 2020, respectively, includes the following:

12.1 Interim Financial Mechanism (IFM) Funds amounted to P100,000,000 released to Philippine Red Cross to cover COVID -19 testing services as provided in the approved MOA to wit:

Obligations of PhilHealth

1. Pay PRC per testing packaged under this Agreement for all persons with PHILHEALTH coverage and those tested pursuant to Clause A(2) above, at the amount of **Three Thousand Five Hundred Peson Only (Php3,500.00)** per one (1) unit of SARS-CoV-2 test; Provided, that PHILHEALTH shall provide PRC with a data base of all persons with PHILHEALTH coverage to allow PRC to verify whether such persons are indeed covered for purposes of providing testing services thereto;

(Note: Starting October 1, 2020, the testing package is at 3,409.00 only.)

2. Upon the signing of this Agreement, immediately forward to PRC the full Advance Cash Payment of **One Hundred Million Pesos (Php100,000,000.00)**; Provided, the cost of testing services actually provided by PRC shall be automatically deducted from the Advanced Cash Payment; Provided, further, that the only accepted basis/proof needed to support such deductions shall be: (i) the duly accomplished customer information form duly signed by the person tested, and (ii) PRC summary of test results duly certified by PRC's pathologist as submitted to the DOH and RITM and/or attached agencies; Provided, moreover, and to allow PRC to maintain sufficient inventory of testing supplies for its mass testing services thus preventing their depletion, PHILHEALTH shall replenish the Advance Cash Payment so that the same will again amount to Php100,000,000.00 within three (3) days upon written notice by the PRC; Provided, finally, that if after the termination of this Agreement and the satisfaction of all of PHILHEALTH's obligations to PRC are fully satisfied, any balance of this Advance Cash Payment shall remain with PRC as stranded costs in case other people need to be tested, and in the event that test failures or errors resulted, such as but not limited to swabbing, bar coding and the like, that may require re-testing.
- 12.2 Remittance of taxes withheld from the released IRM amounted to P19,285,889.36 and 35,063,506.13 as at September 30, 2021 and December 31, 2020, respectively.
 - 12.3 IRM Funds amounted to P58,199.99 and P131,672.03 as at September 30, 2021 and December 31, 2020, respectively, represents advance payment to Health Care Institutions due to Taal Volcano eruption and typhoon Yolanda.
 - 12.4 Withholding taxes and compromise penalties of hospitals amounted to P24,264,032 for the taxable year 2003-2004 per BIR decision with reference No. P06-15 dated April 14, 2015.
 - 12.5 Other Current Assets – others amounting to P80,013,873.95 and P66,631,816.86, as at September 30, 2021 and December 31, 2020, respectively, represent due from officers/employees and fines/penalties from ACAs.

13. INVESTMENT SECURITIES AT AMORTIZED COST

- 13.1 Investment in Treasury Bills with a maturity period of 91 to 364 days and with an average interest rate of 3.8179% as at December 31, 2020.

| | Interest Rate | 2021 | 2020 |
|------------------|---------------|----------|-------------------------|
| Treasury Bills | 3.8360% | - | 2,578,490,109.61 |
| Treasury Bills | 3.8390% | - | 500,584,228.86 |
| Treasury Bills | 3.7870% | - | 1,497,653,675.91 |
| Sub-Total | | - | 4,576,728,014.38 |

13.2 Investment in Government Bonds with a maturity period of more than one (1) year and with an average interest rate of 4.0806%.

| | Interest Rate | 2021 | 2020 |
|--------------------------------------|---------------|---------------------------|---------------------------|
| Retail T-bonds | 4.2321% | 45,116,890,000.00 | 58,816,890,000.00 |
| RTB-Non-Restricted Environment | 4.2255% | 88,889,508,110.89 | 77,536,468,190.01 |
| Treasury Bond - outstanding investme | 3.7841% | 101,245,414,516.55 | 6,752,352,845.77 |
| Sub-Total | | 235,251,812,627.44 | 143,105,711,035.78 |

13.3 Investment in Corporate Bonds with a maturity period of more than one (1) year and with interest rates ranging from 3.8915% to 5.5796%.

| | Interest Rate | 2021 | 2020 |
|--|---------------|---------------------------|---------------------------|
| 7-year PLDT Fixed Rate Bonds | 5.2250% | - | 650,000,000.00 |
| 7-yr SM Prime Holdings, Inc. Fixed Rate Bonds | 5.2006% | - | 500,000,000.00 |
| 7-yr Aboitiz Power Corp. Fixed Rate Bonds | 5.2050% | - | 1,000,000,000.00 |
| 7-yr Aboitiz Equity Ventures, Inc. Fixed Rate Bon | 5.0056% | - | 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 |
| 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 |
| 2-yr DBP Series A ASEAN Sustainability Fund | 4.2500% | 5,000,000,000.00 | 5,000,000,000.00 |
| Sub-Total | | 10,512,500,000.00 | 14,862,500,000.00 |
| Grand Total | | 245,764,312,627.44 | 162,544,939,050.16 |
| Less: Allowance for Impairment - ECL at amortized cost | | (15,385,993.57) | - |
| Grand Total (net) | | 245,748,926,633.87 | 162,544,939,050.16 |

Interest earned on Investment Securities at Amortized Cost amounted to P5,504,056,616.14 and P6,643,293,351.86 as at September 30, 2021 and December 31, 2020, respectively.

14. 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, 2021 | 876,177,352.96 | 240,236,356.32 | 1,316,311,434.24 | 27,569,240.50 | 3,020,855,657.80 | 231,006,847.33 | 5,712,156,889.15 |
| Additions | - | 13,418,324.78 | 87,533,944.85 | | 37,276,263.54 | 87,500.00 | 138,316,033.17 |
| Adjustments | - | (3,584,094.94) | (3,248,225.69) | - | (68,465,576.13) | (1,005,258.00) | (76,303,154.76) |
| <i>Sept. 30, 2021</i> | <i>876,177,352.96</i> | <i>250,070,586.16</i> | <i>1,400,597,153.40</i> | <i>27,569,240.50</i> | <i>2,989,666,345.21</i> | <i>230,089,089.33</i> | <i>5,774,169,767.56</i> |
| Accu. Dep'n | | | | | | | |
| Jan. 1, 2021 | 1,498,053.13 | 122,262,878.31 | 433,358,053.15 | - | 1,944,289,670.43 | 169,461,663.65 | 2,670,870,318.67 |
| Depreciation | 398.89 | 21,784,678.81 | 227,997,925.82 | - | 228,311,266.25 | 11,614,512.12 | 489,708,781.89 |
| Adjustments | (76.13) | 1,648,238.75 | (1,192,030.31) | - | (61,823,062.38) | (1,146,092.20) | (62,513,022.27) |
| <i>Sept. 30, 2021</i> | <i>1,498,375.89</i> | <i>145,695,795.87</i> | <i>660,163,948.66</i> | <i>-</i> | <i>2,110,777,874.30</i> | <i>179,930,083.57</i> | <i>3,098,066,078.29</i> |
| *Net Book Value, Sept. 30, 2021 | 874,678,977.07 | 104,374,790.29 | 740,433,204.74 | 27,569,240.50 | 878,888,470.91 | 50,159,005.76 | 2,676,103,689.27 |
| Net Book Value, Dec. 31, 2020 | 874,679,299.83 | 117,973,478.01 | 882,953,381.09 | 27,569,240.50 | 1,076,565,987.37 | 61,545,183.68 | 3,041,286,570.48 |

Included under Land and Buildings accounts are the following:

14.1 A parcel of land situated in Quezon City with a total area of 17,230.50 square meters (sq. m.). This property has a carrying amount of P439,377,750. 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 sq. m. lot from the National Housing Authority (NHA) located in Barangay Pinyahan, East Avenue, Quezon City at a cost of P2,439,735.68.

The 17,230.50 sq. m. and 145 sq. m. with a total of 17,375.50 sq. m. was appraised with a fair market value of P3,273,800,000.00 as of July 30, 2021 by an independent appraiser.

14.2 A property with a total area of 4,355 sq. m. acquired from Fort Bonifacio Development Corporation (FBDC), in exchange for the Corporation's investments in FBDC located in Fort Bonifacio, Taguig City. This asset with a carrying amount of P413,845,805 was appraised with a fair market value of P3,354,220,000.00 as of August 06, 2021.

14.3 A parcel of lot with a total area of 1,544 sq. m. and a building with a total floor area of 3,287 sq. m. purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga at a cost of P25,520,363. The land and building were appraised with a fair market value of P P73,710,000.00 as of August 4, 2021. PRO III also purchased a warehouse in San Fernando City, Pampanga with a total area of 1,831 sq. m. and was appraised with a fair market value of P P22,025,000.00 as of August 4, 2021.

14.4 A parcel of lot with a total area of 2,897 sq. m. located in Tuguegarao City which will be used as the PRO II's Regional Office. This property was received by way of donation, through a Memorandum of Agreement (MOA) executed between the Department of Public Works and Highways (DPWH) Region II and the Corporation. This property which is carried in the books at P4,056,000 was appraised with a fair market value of P P51,280,000.00 as of August 10, 2021. In compliance with the condition set forth in the MOA to construct PhilHealth's office building within two years from the execution of the Deed of Donation, the Regional Development Council (RDC) II has extended, upon the request of PRO II, the construction of the building for another two years per RDC-2 Resolution No. 02-25, series of 2017.

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

15. INTANGIBLE ASSETS – NET

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

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| Cost, January 1, 2021 | 434,936,716.67 | 267,770,907.08 |
| Additions/Deductions | - | 167,165,809.59 |
| Cost, September 30, 2021 | 434,936,716.67 | 434,936,716.67 |
| Accumulated Amortization | (245,624,510.69) | (210,704,899.62) |
| Net Book Value, September 30, 2021 | 189,312,205.98 | 224,231,817.05 |

16. OTHER NON-CURRENT ASSETS

This account consists of the following:

| | 2021 | 2020 |
|----------------------------------|-----------------------|-----------------------|
| Advances to Disbursing Officers | 511,060.03 | 100.00 |
| Advances to Officers & Employees | 381,850.65 | 643,130.77 |
| Prepayments | 43,603,197.42 | 38,851,546.85 |
| Guaranty Deposits | 104,429,324.33 | 103,294,526.27 |
| | 148,925,432.43 | 142,789,303.89 |

| | 2021 | 2020 (As Restated) |
|---|-------------------------|-------------------------|
| DBM (transfer of NHIP Program from GSIS to PhilHealth) | 155,235,240.00 | 155,235,240.00 |
| PDIC (per MB Resolution 459 dated April 7, 2005) | 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-Debit Credit Scheme) | 710,253.60 | 729,564.88 |
| Unserviceable Equipment | 56,628,936.05 | 54,218,336.13 |
| Serviceable Equipment | 1,892,544.25 | 1,919,814.31 |
| Receivable from NGAs | 394,741,430.00 | 394,741,430.00 |
| Receivable from PCSO | 283,800.00 | 283,800.00 |
| Receivable from LGUs | 427,682,863.73 | 437,719,968.73 |
| Other Assets - Intangible | 6,152,103.48 | 6,152,103.48 |
| Gross Long-Term Receivable | 1,045,111,023.33 | 1,052,784,109.75 |
| Less: Allowance for Impairment | (981,956,761.34) | (946,690,220.65) |
| | 63,154,261.99 | 106,093,889.10 |
| Net Amount | 212,079,694.42 | 248,883,192.99 |

- 16.1 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 P511,060.03 and P100.00 as at September 30, 2021 and December 31, 2020, respectively, represent available funds from the said officers as of reporting date.
- 16.2 Advances to Officers and Employees amounting to P381,850.65 and P643,130.77 as at September 30, 2021 and December 31, 2020, respectively, represent cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travels.
- 16.3 Prepayments amounting to P43,603,197.42 and P38,851,546.85 as at September 30, 2021 and December 31, 2020, respectively, represent authorized payments made for the purchase of goods from the Procurement Service of the Department of Budget and Management (PS-DBM) as well as insurance of motor vehicles of the Corporation from the Government Service Insurance System (GSIS).
- 16.4 Guaranty Deposits amounting to P104,429,324.33 and P103,294,526.27 as at September 30, 2021 and December 31, 2020, respectively, represents transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.
- 16.5 Long Term Receivable from the DBM amounting to P155,235,240 as at September 30, 2021 and December 31, 2020 represents surcharges for late remittance of the employer counterpart for premium contribution. However, allowance for impairment 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.

- 16.6 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to P327,103.25 as at September 30, 2021 and December 31, 2020 was in pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.
- 16.7 Disallowances amounting to P1,456,748.97 as at September 30, 2021 and December 31, 2020 refer to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by the Commission on Audit (COA). Subsidiary ledger for these disallowances is being maintained and kept for ready references.
- 16.8 Debit/Credit Scheme (DCS) amounting to P710,253.60 and P729,564.88 as at September 30, 2021 and December 31, 2020, respectively, refers to the balance of advance payment to HCPs 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.
- 16.9 Unserviceable Equipment account amounting to P56,628,936.05 and P54,218,336.13 as at September 30, 2021 and December 31, 2020, respectively, represent equipment that are already for disposal. This account shall be further reclassified as Non-Current Asset–Held for Sale, once the requirements set upon by the Standard are met.
- 16.10 Serviceable Equipment account amounting to P1,892,544.25 and P1,919,814.31 as at September 30, 2021 and December 31, 2020, respectively, represents pieces of equipment which are still functional but already obsolete and fully depreciated and ready for disposal. This account shall be further reclassified as Non-Current Asset–Held for Sale, once the requirements set upon by the Standard are met.
- 16.11 Receivable from National Government Agencies (NGAs) amounting to P394,741,430 as at September 30, 2021 and December 31, 2020 represents deficiency in employer share of the Health Insurance Premium Contributions to the Corporation by different government agencies nationwide for CYs 2001 to 2008.
- 16.12 Receivable from PCSO amounting to P283,800.00 as at September 30, 2021 and December 31, 2020 represents remaining unpaid billings for the enrollment of indigent families under the PCSO-GMA program for 2003 and 2005.
- 16.13 Receivable from LGUs represents long overdue premium contributions from various cities and municipalities all over the Philippines for the enrollment of their respective constituents under the Sponsored Program of the Corporation. It was reclassified from Current Receivable to Other Assets in compliance with COA recommendation per Audit Observation Memorandum (AOM) No. 2015-22 (14) dated May 5, 2015, details as shown below.

| | 2021 | 2020 |
|--------------|-----------------------|-----------------------|
| NCR | 1,307,600.00 | 1,307,600.00 |
| CAR | 22,923,868.32 | 22,984,568.32 |
| I | 38,803,867.37 | 38,805,892.37 |
| II | 15,914,961.40 | 15,914,961.40 |
| IV-A | 14,124,485.00 | 14,124,485.00 |
| IV-B | 938,740.00 | 938,740.00 |
| V | 283,853,173.04 | 285,953,173.04 |
| VIII | 6,940,501.57 | 12,143,181.57 |
| X | 24,550,974.45 | 26,700,974.45 |
| XI | 16,408,140.54 | 16,918,140.54 |
| BARMM | 1,916,552.04 | 1,928,252.04 |
| Total | 427,682,863.73 | 437,719,968.73 |

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

16.15 Per PhilHealth Corporate Order No. 2017-0010, the Corporation shall establish and maintain an Allowance for Doubtful/Impairment 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 | 2021 | 2020 |
|---|-----------------------|-----------------------|
| DBM (transfer of NHIP Program fr. GSIS to PHIC) | 155,235,240.00 | 155,235,240.00 |
| 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 LGUs | 431,385,125.63 | 396,118,584.94 |
| Total Allowance for Impairment | 981,956,761.34 | 946,690,220.65 |

16.16 Other Assets – Intangibles – These are reclassified from Intangible Assets which fully amortized and is left only with their residual value amounting to 6,152,103.48 as at September 30, 2021 and December 31, 2020.

17. FINANCIAL LIABILITIES

This account consists of:

| | 2021 | 2020 |
|--------------------------------|---------------------------|---------------------------|
| Accounts Payable | 7,827,897,593.55 | 7,452,516,467.73 |
| Personnel Services | 615,544,519.35 | 624,158,604.65 |
| MOOE | 354,116,325.24 | 1,136,200,146.58 |
| CAPEX | 116,414,913.61 | 276,683,241.56 |
| Benefit Claims Processed | 6,640,319,680.80 | 5,317,814,479.99 |
| Benefit Claims Processed (PCB) | 101,502,154.55 | 97,659,994.95 |
| Accrued Benefits Payable | 146,532,208,966.95 | 99,061,105,693.19 |
| ICS | 27,254,793,196.83 | 21,235,294,455.27 |
| ICS - in process | 17,663,036,692.63 | 15,862,773,693.07 |
| ICS - RTH | 9,591,756,504.20 | 5,372,520,762.20 |
| IBNR | 108,571,692,175.95 | 64,574,818,535.63 |
| PCB | 10,705,723,594.17 | 13,250,992,702.29 |
| Due to Officers and Employees | 198,134,295.44 | 282,798,742.64 |
| Operating Lease Payable | 3,271,547.55 | 2,336,296.13 |
| Finance Lease Payable | 824,577,154.45 | 905,503,724.67 |
| Tax Refund Payable | 2,805,792.70 | 4,760,216.55 |
| Other Financial Liabilities | 15,000.00 | 15,000.00 |
| Total | 155,388,910,350.64 | 107,709,036,140.91 |

- 17.1 Included in the accounts payable is the accrued personnel services (PS) for Welfare Support Assistance (WESA) from CY 2012 to CY 2020. 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, 2021, the remaining balance for WESA is P95,789,179.96.

- 17.2 Accounts Payable – MOOE amounting to 354,116,325.24 and 1,136,200,145.58 as at September 30, 2021 and December 31, 2020, respectively, represents receipt/acquisition of goods or services which are due for payment.
- 17.3 Accounts Payable- CAPEX amounting to 116,414,913.61 and 276,683,241.56 as at September 30, 2021 and December 31, 2020, respectively, represents receipt/acquisition of property and equipment which are due for payment.
- 17.4 Benefit claims processed amounting to P6,640,319,680.80 and P5,317,814,479.99 as at September 30, 2021 and December 31, 2020, respectively, represents benefit claims awaiting for the next crediting date. It also includes pending claims payment due to non-submission of official receipt from the HCI as well non negotiated checks by the HCI as of reporting date.

- 17.5 Primary Care Benefit (PCB) processed amounting to P101,502,154.55 and P97,659,994.95 as at September 30, 2021 and December 31, 2020, respectively, represents PCB payment checks still in the possession of the Corporation.
- 17.6 Accrued Benefits Payable – In Course of Settlement (ICS) amounting to P27,254,793,196.83 and P21,235,294,455.27 as at September 30, 2021 and December 31, 2020, respectively, are estimated benefit claims still in process as of the reporting period.
- 17.7 Accrued Benefits Payable – Incurred But Not Yet Received (IBNR) amounting to P108,571,692,175.95 and 64,574,818,535.63 as at September 30, 2021 and December 31, 2020, respectively, are claims which are actuarially estimated to be in the possession of the Health Care Institutions (HCIs) as of the end of the month and have yet to be submitted to the Corporation within the allowable 60-day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015.
- The 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.
- 17.8 Accrued Benefits Payable – Primary Care Benefit (PCB) amounting to P10,705,723,594.17 and P13,250,992,702.29 as at September 30, 2021 and December 31, 2020, respectively, are claims which are actuarially estimated.
- 17.9 Due to Officers and Employees amounting to P198,134,295.44 and P282,798,742.64 as at September 30, 2021 and December 31, 2020, respectively, represents liability to officers and employees for salaries, benefits and other emoluments including authorized expenses paid in advance by the officers and employees.
- 17.10 Operating Lease liability amounting to P3,271,547.55 and P2,336,296.13 as at September 30, 2021 and December 31, 2020, respectively, are accrual for Rental expense which did not qualify as finance lease or use of right assets.
- 17.11 Finance Lease liability amounting to P824,577,154.45 and P905,503,724.67 as at September 30, 2021 and December 31, 2020, respectively, are lease payable of the Corporation mostly office and warehouse rental ranging from 1 to 5 years.
- 17.12 Tax Refund Payable – represents the amount of refundable to taxpayers for excess amount paid/withheld.
- 17.13 Other Financial Liabilities – this account is used to recognize the amount of other financial liabilities incurred which cannot be appropriately classified under any of the specific financial liability accounts.

18. INTER-AGENCY PAYABLES

This account consists of:

| | 2021 | 2020 |
|--------------------------------|-----------------------|-----------------------|
| Due to BIR | 157,516,733.91 | 127,108,006.89 |
| Due to GSIS | 76,487,007.23 | 52,636,986.91 |
| Due to Pag-IBIG | 3,557,331.74 | 3,302,888.30 |
| Due to PhilHealth | 7,876,715.56 | 6,688,795.49 |
| Due to NGAs | 10,533,465.91 | 10,529,468.14 |
| Due to Government Corporations | 421,336,489.30 | 421,336,489.30 |
| Due to LGUs | 2,812,980.65 | 2,810,832.50 |
| Total | 680,120,724.30 | 624,413,467.53 |

- 18.1 Due to BIR consists of liability for income taxes withheld from employees' compensation and for taxes withheld from payment to suppliers and health service providers for the account of the BIR.
- 18.2 Due to GSIS, Due to Pag-IBIG and Due to Philhealth comprise of amortization of loans availments, life and retirement insurance premiums payable to GSIS, contributions and amortization of loan availments payable to Pag-IBIG fund, and medical insurance premiums payable to PhilHealth deducted from the salaries of the Corporation's officials and employees and the employer's counterpart.
- 18.3 Due to NGAs refers to SAGIP and PHIE projects of the Department of Health.
- 18.4 Due to Government Corporations refer to receipt of funds from Philippine Charity Sweepstakes Office (PCSO) to be used for Covid 19 related packages.
- 18.5 Due to LGUs refers to overpayment of premium contributions under sponsored programs which shall be applied to their additional enrollment during the year, if any. It also includes local tax withheld located outside the region for remittance to LGU.

19. TRUST LIABILITIES

This account consists of:

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| UNFPA Project | 37,446.63 | 37,244.13 |
| Unclaimed Refund from Health Care Providers | 311,932,071.60 | 311,857,534.01 |
| AHP - Protest Bond | 15,075,000.00 | 9,815,000.00 |
| Donations | 8,739,383.86 | 8,826,739.86 |
| Performance/Bidders Bond Payable | 24,988,011.29 | 31,321,957.87 |
| Retention Fee | 35,344,778.53 | 38,475,384.04 |
| Global Development Project | 1,944,143.38 | 1,923,583.26 |
| Philippine Training Institute | 5,218,516.39 | 5,216,170.75 |
| Philippine Training Institute - NSSF | 615,139.44 | 245,885.88 |
| PhilHealth Run 2013 | 900.00 | 900.00 |
| PhilHealth Run 2015 | 736,088.02 | 872,604.89 |
| Calamity Fund | 127,368.75 | 127,750.45 |
| PhilHealth Provident Fund | 20,300,214.03 | 21,136,154.18 |
| Others | 29,102,576.98 | 28,679,453.88 |
| Total | 454,161,638.90 | 458,536,363.20 |

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

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

| | 2021 | 2020 |
|------------------------------|---------------------|---------------------|
| Westmont Investment Corp. | 2,945,656.00 | 2,945,656.00 |
| Strategies & Alliance Corp. | 3,591,962.83 | 3,679,318.86 |
| Land Bank of the Philippines | 110,000.00 | 110,000.00 |
| Donation received by PRO's | 2,091,765.03 | 2,091,765.00 |
| Total | 8,739,383.86 | 8,826,739.86 |

20. OTHER PAYABLES

This account consists of:

| | 2021 | 2020 |
|---|-------------------------|-----------------------|
| Undistributed Collections | 1,337,352,981.28 | 329,092,713.37 |
| Due to Non-Government Organizations/Civil Society | 433,329.17 | 433,329.17 |
| Other Payables - Others | 412,107,972.90 | 409,972,447.90 |
| Total | 1,749,894,283.35 | 739,498,490.44 |

- 20.1 Undistributed Collections refer to unidentified premium collections, remittances of Accredited Collecting Agents (ACAs) and accreditation fees credited to PhilHealth bank accounts as of September 30, 2021.
- 20.2 Due to Non-Government Organization represents various reimbursement of Phicea Board of directors for meals and accommodation.
- 20.3 Other Payables – Others includes employees association dues to PhilHealth White, amortization of loans availments to Phicea, and PROs cooperative deducted from the salary of the PhilHealth employees.

21. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

| | 2021 | 2020 |
|--|--------------------------|-------------------------|
| Advance premium from direct contributor members | 587,819,884.05 | 556,083,542.47 |
| Premium contribution for NHTS enrollment (CYs 2013 & 2014). | 516,844,200.00 | 516,844,200.00 |
| Advance premium for NHTS enrollment for the months of Oct. to Dec., 2021. | 7,650,173,400.00 | - |
| Advance premium for Senior Citizens enrollment for the months of Oct. to Dec., 2021. | 9,125,437,500.00 | - |
| Accreditation Fees - ACAs | 588,475.67 | 642,969.38 |
| Accreditation Fees - HCPs | 1,625,500.00 | 1,739,000.00 |
| Sponsored - LGUs | 45,588,643.21 | 42,812,788.05 |
| Others | 39,251,082.18 | 65,461,911.70 |
| Total | 17,967,328,685.11 | 1,183,584,411.60 |

Other deferred credits /unearned income 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.

22. LEAVE BENEFITS PAYABLE

Leave benefits payable amounting to P1,151,061,762.21 and P1,208,368,125.37 as at September 30, 2021 and December 31, 2020, respectively, represent money value of the earned leave credits of officers and employees of PhilHealth.

23. INSURANCE CONTRACT LIABILITIES

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined using assumptions considered appropriate for the policies in force. The actuarial valuation is based on PFRS 4 and projected / estimated by the Actuary which was subjected to deliberation and approval of the PhilHealth Board.

Provision for Insurance Contract Liabilities

Provision for insurance contract liabilities is the best estimate that relates to expected future claim payments and related expenses to be incurred after the valuation date, arising from future events. This shall be calculated as the best estimate of future claims and expenses.

The following are the Actuarial assumptions used in the computation of Insurance Contract Liabilities:

| Requisite Information | Assumptions Used |
|------------------------------|---|
| Valuation | Closed group valuation |
| Mortality rates | In accordance with the Philippine Inter Company Mortality Study per age group |
| Discount rates | Discount rates for Non-Life Insurance Policy Reserves as of June 2020 (Ref. CL No. 2020-78) from Insurance Commission |
| Inflation rate | 3% as historical average and conservative projection |
| Salary increase rate | 3% for Private, 4% for Government, 0% for IPP and OWP |
| On premium increase | As per RA 11223, providing increments of 0.5% to reach 5% by 2024; deferred implementation is 2020 |
| On benefits | KONSULTA and Comprehensive OPB deferred for 1 year and other legislated benefits of UHC Law |
| Operating expense | 7.5% as ceiling by Operating Budget |

1. Government, Private, IPP and OWP Present Value of Benefits recognition until 59 years old;
2. Indigent, Lifetime Members and Senior Citizen Present Value of Benefits as legislated coverage;
3. Insurance Commission Rates were used for the Discounting Rate CL No. 2020-78 as of June 30, 2020;
4. Lifespan according to the latest WHO Data except to the Senior Citizen and Lifetime Members; and
5. Government Premiums through GAA included in the inflow as discounted using the Insurance Commission Rates

Provided further, that for the sector of Government, Private, Individually Paying and Overseas Worker, the projection for the Insurance Liabilities would be commensurate to the period they are contributing at 59 years old. This is not to overwhelm the liability on the provision as they will fold-in the Lifetime Members as they reach 60 years old and to ascertain their benefits proportionate to the contributions as we allocate the premiums and invest for future expenses.

Insurance Contract Liabilities Computation

Following the assumptions aforementioned and applying prudence based on the limitation on the sectors identified, the Insurance Contract Liabilities as approved by the board of directors to be reflected in our books of accounts are as follows:

| Sectors | PV of Contributions | PV of Benefit Expense | ICL Provision |
|-----------------------------|-----------------------------|-----------------------------|-------------------------------|
| Government | 641,786,367,443.67 | 258,581,040,919.05 | 383,205,326,524.62 |
| Private | 2,080,577,255,293.22 | 1,163,623,780,423.58 | 916,953,474,869.64 |
| IPP | 147,096,556,202.60 | 1,121,341,184,774.87 | (974,244,628,572.27) |
| OWP | 7,740,802,663.75 | 341,679,894,588.07 | (333,939,091,924.32) |
| Indigent | — | 2,423,035,586,161.35 | (2,423,035,586,161.35) |
| Lifetime | — | 112,166,764,860.36 | (112,166,764,860.36) |
| Senior Citizen | — | 655,028,409,503.93 | (655,028,409,503.93) |
| TOTAL | 2,877,200,981,603.24 | 6,075,456,661,231.21 | (3,198,255,679,627.97) |
| Sensitivity Analysis Impact | | | 2,184,000,000,000.00 |
| NET IMPACT | | | (1,014,255,679,627.97) |

The approved computation shall be used to record the Insurance Contract Liabilities, subject to remeasurement. The updated calculations shall be presented for review to the Insurance Commission as recommended by the Commission on Audit (COA).

Liability Adequacy Test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities.

The following are the considerations for the prospective valuation of the predictive data:

| Requisite Information | Review Considerations |
|-----------------------|---|
| Valuation | Following the " <i>Seriatim Method</i> ", calculation of reserves shall be per member |
| Inflow Base Rate | Review of salary increase assumptions |
| Utilization Rate | Incorporation of persistency rates |
| Medical Expense | Conduct of expense analysis study for specific operating expense assumption |
| Survival Rate | Conduct of morbidity study and morality study |
| Average Cost per Case | Conduct of medical inflation study |

In performing the test, current best estimates of future cash flows and claims handling. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy is immediately charged to profit or loss by establishing an insurance contract liabilities provision for losses arising from the liability adequacy tests.

24. MEMBERS' EQUITY

Members' Equity consists of the following:

| | Sept. 30, 2021 | Dec. 31, 2020 | Sept. 30, 2020 |
|--|-----------------------------|-----------------------------|---------------------------|
| Surplus (Disallowance) | - | - | - |
| Reserve Fund | 151,303,378,084.95 | 140,874,550,031.06 | 116,024,460,966.96 |
| Provision for Insurance Contract Liabilities (Note 23) | (992,593,062,892.29) | (992,593,062,892.29) | - |
| Total Members' Equity | (841,289,684,807.34) | (851,718,512,861.23) | 116,024,460,966.96 |

The negative effect of the Members' Equity was due to the recognition of the Provision for Insurance Contract Liabilities. The provision is an estimated future liability which is actuarially computed.

24.1 Surplus

| | 2021 | 2020 |
|----------------------------------|---------------------|--------------------|
| Surplus at January 1 | - | - |
| Net Income | 5,609,825,080.65 | 5,290,288,747.88 |
| Prior Year's Adjustment | 4,819,002,973.24 | 777,931,228.11 |
| Total Surplus | 10,428,828,053.89 | 6,068,219,975.99 |
| Surplus transfer to Reserve Fund | (10,428,828,053.89) | (6,068,219,975.99) |
| Surplus at September 30 | - | - |

24.2 Reserve Fund

| | 2021 | 2020 |
|-------------------------------------|---------------------------|---------------------------|
| Reserve at January 1, 2021 | 140,874,550,031.06 | 109,956,240,990.97 |
| Surplus transfer to Reserve Fund | 10,428,828,053.89 | 6,068,219,975.99 |
| Reserve Fund at September 30 | 151,303,378,084.95 | 116,024,460,966.96 |

The Reserve Fund is recorded in compliance with 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.

25. PREMIUM CONTRIBUTIONS

Details of Premium Contributions are as follows:

| | 2021 | 2020 |
|--|---------------------------|---------------------------|
| Direct Contributors | 66,999,505,501.01 | 63,422,129,394.69 |
| Government | 17,202,933,460.53 | 16,344,792,502.58 |
| Private (including Kasambahay, Family Drivers, & Enterprise Owners) | 43,865,138,897.40 | 40,845,740,952.06 |
| Informal Economy (including self-earning ind., professional practitioners, migrant workers, Filipinos living abroad, Filipinos with dual citizenship) | 5,931,433,143.08 | 6,231,595,940.05 |
| Indirect Contributors | 62,499,785,020.18 | 49,094,002,580.67 |
| Indigents - NHTS | 22,950,520,200.00 | 15,761,898,000.00 |
| Senior Citizens | 39,515,839,800.00 | 32,148,686,249.98 |
| Special Government Programs | - | 73,699,200.00 |
| <i>Bangsamoro</i> | - | 36,111,600.00 |
| <i>PAMANA</i> | - | 37,587,600.00 |
| Sponsored | 33,425,020.18 | 1,109,719,130.69 |
| TOTAL PREMIUM CONTRIBUTIONS | 129,499,290,521.19 | 112,516,131,975.36 |

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

- a. Income from the Direct Contributors 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
 8. Migrant Workers – as defined in RA 10022 (Migrant Workers Act) and RA 10801 (OWWA Act)
 9. Informal Sector
 10. Self-earning individuals
 11. Professional practitioners
 12. Filipinos with Dual Citizenship
 13. Naturalized Filipino Citizens
 14. Citizens of other countries working and/or residing in the Philippines
 15. Women about to give birth
 16. Foreign Retirees (Registered with Philippine Retirement Authority)
 17. All Filipinos aged 21 years and above who have the capacity to pay premiums.

- b. Income from the Indirect Contributors come from the premium contributions of the following:
1. Premium contributions recorded as income for Indigent-NHTS come from the National Government as appropriated in the GAA.
 2. 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.
 3. Premium contributions for special government programs come from the National Government as appropriated in the GAA.
 4. Premium contributions for Senior Citizen or elderly come from the National Government as appropriated in the GAA.

26. INTEREST AND OTHER INCOME

Interest and other income accounts are as follows:

| | 2021 | 2020 |
|---|-------------------------|-------------------------|
| Interest Income: | | |
| Investment Securities at amortized cost | 5,504,056,616.14 | 4,932,384,745.38 |
| Special Savings Deposits and Investment in Time Deposit | 1,390,020,276.46 | 1,771,216,227.85 |
| Savings and Current Deposits | 1,453,539.35 | 2,289,206.88 |
| | 6,895,530,431.95 | 6,705,890,180.11 |
| Other Income: | | |
| Accreditation Fees | 10,099,177.00 | 8,749,842.28 |
| Fines and Penalties | 59,731,645.92 | 39,749,082.20 |
| Rent Income | 367,950.42 | 327,067.04 |
| Gain (Loss) on Foreign Exchange | 100,966.95 | (53,362.10) |
| Sale of Disposed/Unserviceable Property | 33,425.00 | 39,512.10 |
| Gain on Sale of Property, Plant, and Equip. | 6,507.52 | 14,634.90 |
| Miscellaneous Income | 23,987,004.70 | 15,545,742.33 |
| | 94,326,677.51 | 64,372,518.75 |
| Total | 6,989,857,109.46 | 6,770,262,698.86 |

26.1 Miscellaneous Income

This account consists of income ranging from one hundred thousand and above. For PROs, this includes income from sale of valueless records, forfeited performance security and refund of benefit payment collected from delinquent employers.

26.2 Rent Income

This is an income earned from the portion of PRO III office building being leased out to a private entity.

27. BENEFIT CLAIMS EXPENSES

Details of this account are as follows:

| | 2021 | 2020 |
|--|---------------------------|---------------------------|
| Members' Benefits for Direct Contributors | | |
| Government | 10,923,951,481.89 | 6,861,327,647.14 |
| Private | 21,679,669,313.35 | 16,070,306,605.81 |
| Informal Economy | 26,354,094,359.66 | 24,261,115,751.92 |
| Lifetime Member | 6,600,280,021.94 | 6,114,609,691.05 |
| Members' Benefits for Indirect Contributors | | |
| Indigent - NHTS | 22,399,881,074.70 | 26,724,388,259.19 |
| Senior Citizens | 28,621,722,725.31 | 23,533,021,316.67 |
| Sponsored | 5,422,055,178.38 | 4,849,625,373.48 |
| Interim Financing Mechanism (IFM) | 3,273,730,166.00 | 1,516,420,500.00 |
| DCPM-PRC | 250,714,851.80 | |
| Total | 125,526,099,173.03 | 109,930,815,145.26 |

Benefit Claims Expenses for 2021 and 2020 are recognized at the date of confinement.

28. PERSONNEL SERVICES

Personnel services account includes:

| | 2021 | 2020 |
|--------------------------|-------------------------|-------------------------|
| Salaries and Wages | 1,350,402,103.31 | 1,347,139,700.17 |
| Other Compensation | 1,096,290,207.00 | 1,078,785,244.63 |
| Statutory Contributions | 186,474,013.24 | 186,253,744.32 |
| Other Personnel Services | 5,929,057.78 | 4,439,149.15 |
| Total | 2,639,095,381.33 | 2,616,617,838.27 |

29. 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."

| | 2021 | 2020 |
|---|-------------------------|-------------------------|
| Maintenance and Other Operating Expenses (MOOE) | 912,340,832.27 | 946,448,342.58 |
| Financial Expenses | 42,473,277.93 | 43,059,277.72 |
| Non-Cash Expenses | 1,759,313,885.44 | 459,165,322.51 |
| Total | 2,714,127,995.64 | 1,448,672,942.81 |

29.1 MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| Travelling Expenses | 6,991,095.64 | 17,672,821.71 |
| Travelling Expenses - Local | 6,991,095.64 | 17,672,821.71 |
| Travelling Expenses - Foreign | - | - |
| Training and Scholarship Expense | 2,696,493.40 | 61,982.00 |
| Supplies and Materials Expenses | 83,525,142.94 | 88,094,783.49 |
| Semi-Expendable Expenses | 5,166,724.86 | 5,977,442.95 |
| Utility Expenses | 99,372,610.61 | 89,870,105.17 |
| Water Expenses | 4,104,604.57 | 4,339,394.35 |
| Electricity Expenses | 95,268,006.04 | 85,530,710.82 |
| Communication Expenses | 104,550,406.79 | 106,273,875.97 |
| Postage and Courier Services | 12,619,070.78 | 12,971,806.17 |
| Telephone Expenses | 53,233,061.73 | 54,288,959.72 |
| Internet Subscription Expenses | 38,449,693.57 | 38,675,498.92 |
| Cable, Satellite, Telegraph and Radio Exp. | 248,580.71 | 337,611.16 |
| Awards/Rewards, Prizes and Indemnities | 2,356,857.75 | 1,841,672.15 |
| Survey, Research, and Development Exp. | 5,567,516.36 | 36,400.00 |
| Confidential, Intelligence and Extraordinary Exp. | 3,330,418.44 | 2,856,382.62 |
| Professional Services | 184,355,354.90 | 136,382,286.20 |
| Auditing Services | 33,308,393.00 | 10,586,832.00 |
| Consultancy Services | - | 182,500.00 |
| Other Professional Services | 151,046,961.90 | 125,612,954.20 |
| General Services | 162,991,659.83 | 172,663,114.47 |
| Janitorial Services | 52,837,866.51 | 49,591,928.66 |
| Security Services | 110,153,793.32 | 123,071,185.81 |

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| Repairs and Maintenance | 7,713,838.12 | 8,411,996.80 |
| Repairs and Maint. - Land Imprv'ts. | - | 47,450.00 |
| Repairs and Maint. - Bldg. & Other Structures | 409,584.26 | 525,561.00 |
| Repairs and Maint. - Machinery & Equip. | 2,574,884.80 | 2,807,949.37 |
| Repairs and Maint. - Transportation Equip. | 3,671,223.51 | 3,727,406.13 |
| Repairs and Maint. - Furniture & Fixtures | 132,136.20 | 196,022.80 |
| Repairs and Maint. - Leased Assets Imprv'ts. | 925,510.35 | 1,107,607.50 |
| Repairs and Maint. - Semi-Exp. - Machinery & Equipment | 499.00 | - |
| Taxes, Insurance Premiums and Other Fees | 14,205,265.65 | 12,725,010.75 |
| Taxes, Duties and Licenses | 213,126.45 | 172,716.16 |
| Fidelity Bond Premiums | 4,818,328.17 | 4,874,770.88 |
| Insurance Expenses | 9,173,811.03 | 7,677,523.71 |
| Other Maintenance and Operating Expenses | 229,517,446.98 | 303,580,468.30 |
| Advertising, Promotional, and Mktg. Expenses | 7,136,528.44 | 7,842,165.51 |
| Printing and Publication Expenses | 3,120,919.15 | 4,233,624.81 |
| Representation Expenses | 18,149,112.61 | 14,950,301.33 |
| Transportation and Delivery Expenses | 1,005,659.93 | 1,363,247.34 |
| Rent/Lease Expenses | 182,405,847.94 | 254,823,130.59 |
| Membership Dues and Contrib. to Organization | 6,293,438.79 | 6,310,538.79 |
| Subscription Expenses | 5,568,689.18 | 6,905,621.23 |
| Donations | 14,900.00 | 349,260.00 |
| Documentary Stamps Expenses | - | - |
| Major Events and Conventions Expenses | 2,103,546.81 | 1,368,523.73 |
| Other MOOE - Others | 3,718,804.13 | 5,434,054.97 |
| | 912,340,832.27 | 946,448,342.58 |

29.2 FINANCIAL EXPENSES

This account consists of the following:

| | 2021 | 2020 |
|-------------------------|----------------------|----------------------|
| Bank Charges | 24,638.01 | 9,721.08 |
| Interest Expenses | 21,213,015.76 | 17,922,220.65 |
| Other Financial Charges | 21,235,624.16 | 25,127,335.99 |
| Total | 42,473,277.93 | 43,059,277.72 |

Interest Expenses includes the effect of applying PFRS 16 amounting to P21,213,015.76.

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.

29.3 NON-CASH EXPENSES

This account consists of the following:

| | 2021 | 2020 |
|---|-------------------------|-----------------------|
| Depreciation | 489,708,781.89 | 409,861,768.61 |
| Depreciation - Land Improvements | 398.89 | 20,786.94 |
| Depreciation - Buildings and Other Structures | 974,885.58 | 974,885.58 |
| Depreciation - Machinery and Equipment | 219,952,551.74 | 215,247,372.91 |
| Depreciation - Furniture and Fixtures and Books | 8,342,919.51 | 8,447,873.20 |
| Depreciation - Transportation Equipment | 11,614,512.12 | 16,188,400.93 |
| Depreciation - Right-of-use Assets | 227,997,925.82 | 153,598,969.08 |
| Depreciation - Leased Assets Improvements | 20,809,793.23 | 15,383,479.97 |
| Depreciation - Other Property, Plant, & Equipment | 15,795.00 | - |
| Amortization - Intangible Assets | 34,919,611.07 | 43,803,242.26 |
| Impairment Loss | 1,231,425,526.31 | 5,178,044.77 |
| Impairment Loss - Loans & Rec'ble | 903,581,258.91 | - |
| Impairment Loss - Other Rec'bles | 60,700.00 | 60,725.00 |
| Impairment Loss - Due from LGUs | 274,111,768.04 | - |
| Impairment Loss - Financial Assets Held to Maturity | 15,385,993.57 | - |
| Impairment Loss - Other Assets | 37,739,004.07 | 5,117,319.77 |
| Impairment Loss - Property, Plant, & Equipment | 546,801.72 | - |
| Losses | 3,259,966.17 | 322,266.87 |
| Loss on Sale of Property and Equipment | 3,209,757.35 | 24.87 |
| Loss on Forex | 16,224.62 | - |
| Loss of Assets | 4,000.00 | 322,242.00 |
| Other Losses | 29,984.20 | - |
| Total | 1,759,313,885.44 | 459,165,322.51 |

30. OTHER SIGNIFICANT AND RELEVANT INFORMATION

30.1 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.

30.2 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 of financially incapable families under Universal Health Care through Point-of-Service (POS) Program, chargeable against PhilHealth's authorized appropriation under Republic Act No. 10924, FY 2017.

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 with the required premium contributions to DBM.

| SARO No. | Amount of SARO | Amount received from DBM as of August 31, 2021 |
|-----------------------|----------------------|---|
| SARO-BMB-C-17-0023166 | 91,333,530 | 91,333,530 |
| SARO-BMB-C-17-0025119 | 103,350,096 | 103,350,096 |
| SARO-BMB-C-17-0025794 | 2,805,316,374 | 1,196,489,781 |
| Total | 3,000,000,000 | 1,391,173,407 |

30.3 On December 28, 2018, the Department of Budget and Management issued SARO No. SARO-BMB-C-18-0035076 to eight billion five hundred ninety-seven million four hundred seventy-five thousand seven hundred seventy-six pesos (P8,597,475,776) which include the locally funded project "Philhealth Supplemental Benefits" for all government employees of the Executive Branch amounting to 3,500,000,000.

30.4 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 |

30.5 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.

30.6 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.

30.7 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 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.

30.8 Released of SARO to the Bureau of Treasury from the DBM for the insurance premiums of senior citizens

SARO NO. BMB C-20-0022548 dated December 29, 2020 in the amount of P8,951,340,000 was released to the BTR by the DBM to cover the FY 2020 national government subsidy for the insurance premiums of senior citizens under the National Health Insurance Program, chargeable against the General Appropriations Act FY 2020 under Republic Act No. 11465.

The SARO was only disclosed in the books as at December 31, 2020 as approved by the Board of Directors. On April 23, 2021 The corresponding NCA has been received and it was acknowledged through POR NO.93154584 and was taken up as current income.

30.9 Released of SARO to the Bureau of Treasury from the DBM for the insurance premiums of senior citizens

SARO NO. BMB C-21-0006975 in the amount of P500,000,000.00 was released to the BTR by the DBM to cover the FY 2021 COVID-19 National Vaccine Indemnity Fund to the Philippine Health Insurance Corporation (PhilHealth), per Office of the President approval dated August 5, 2021. The SARO was only disclosed in the books as at September 30, 2021.

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