



Republic of the Philippines
PHILIPPINE HEALTH INSURANCE CORPORATION

Citystate Centre, 709 Shaw Boulevard, Pasig City
Call Center: (02) 441-7442 Trunkline: (02) 441-7444
www.philhealth.gov.ph



FINANCIAL STATEMENTS

as of September 30, 2022



Received by: Jen 10/27



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

As at September 30, 2022 and December 31, 2021
(In Philippine Peso)



	Notes	2022	2021
ASSETS			
Current Assets			
Cash & cash equivalents	5	16,483,930,279.95	6,363,794,517.98
Investment in time deposits	6	51,503,411,260.86	66,238,665,698.88
Receivables, net	7	27,603,150,186.91	10,627,319,911.35
Other receivable, IRM	8	10,055,690.37	18,669,852.08
Inventories	9	112,538,078.64	132,012,124.34
Other current assets	10	30,236,318.21	120,170,607.66
Total Current Assets		95,743,321,814.94	83,500,632,712.29
Non-Current Assets			
Investment securities at amortized cost	11	295,435,379,857.91	260,877,460,647.51
Property and equipment, net	12	2,333,168,875.39	2,569,319,832.60
Intangible assets, net	13	268,330,225.61	217,370,134.08
Other non-current assets, net	14	247,826,257.84	318,210,373.39
Total Non-Current Assets		298,284,705,216.75	263,982,360,987.58
TOTAL ASSETS		394,028,027,031.69	347,482,993,699.87
LIABILITIES AND EQUITY			
Current Liabilities			
Financial liabilities	15	142,270,671,673.18	142,234,204,640.89
Inter-agency payables	16	750,784,382.94	645,224,113.38
Trust liabilities	17	1,792,358,047.07	1,755,243,688.65
Other payables	18	1,264,128,636.96	2,212,752,740.72
Total Current Liabilities		146,077,942,740.15	146,847,425,183.64
Non-Current Liabilities			
Deferred credits/Unearned income	19	814,217,676.33	1,266,530,829.93
Leave benefits payable	20	1,062,437,802.51	1,121,556,490.44
Provision for insurance contract liabilities (ICL)	21	1,014,255,679,627.97	1,014,255,679,627.97
Total Non-Current Liabilities		1,016,132,335,106.81	1,016,643,766,948.34
TOTAL LIABILITIES		1,162,210,277,846.96	1,163,491,192,131.98
EQUITY			
Members' Equity	22	(768,182,250,815.27)	(816,008,198,432.11)
Total Equity		(768,182,250,815.27)	(816,008,198,432.11)
TOTAL LIABILITIES AND EQUITY		394,028,027,031.69	347,482,993,699.87

Prepared by:

MARY ANN A. MALINIS

Acting Division Chief, AICD, Comptrollership Department

Reviewed by:

CHERIE CARMEN B. DIVINA, CPA, MBA, CSEE

Senior Manager, Comptrollership Department

Recommending Approval:

GREGORIO C. RULLODA

Acting SVP-Fund Management Sector
and concurrent AVP for Mindanao

NERISSA R. SANTIAGO

Acting SVP-Actuarial Services and
Risk Management Sector

WALTER R. BACAREZA

Acting Executive Vice President and
Chief Operating Officer

Approved by:

ATTY. ELI DINO D. SANTOS

Officer-In-Charge, Office of the President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

For the Period Ended September 30, 2022 and 2021
(In Philippine Peso)



	Notes	2022	2021
Premium Contributions	23	145,210,847,318.26	129,499,290,521.19
Less: Benefit claims expenses	25	102,167,336,682.80	125,526,099,173.03
GROSS MARGIN FROM OPERATIONS		43,043,510,635.46	3,973,191,348.16
OPERATING EXPENSES			
Personnel services	26	3,251,395,314.60	2,639,095,381.33
Other operating expenses	27	1,941,548,988.68	2,714,127,995.64
TOTAL OPERATING EXPENSES		5,192,944,303.28	5,353,223,376.97
NET OPERATING INCOME		37,850,566,332.18	(1,380,032,028.81)
Add: Interest and other income	24	8,230,822,489.03	6,989,857,109.46
NET INCOME		46,081,388,821.21	5,609,825,080.65
OTHER COMPREHENSIVE INCOME		-	-
NET INCOME		46,081,388,821.21	5,609,825,080.65

Prepared by:


MARY ANN A. MALINIS

Acting Division Chief, AICD, Comptrollership Department

Reviewed by:


CHERIE CARMEN B. DIVINA, CPA, MBA, CSEE

Senior Manager, Comptrollership Department


GREGORIO C. RULLODA

Acting SVP-Fund Management Sector
and concurrent AVP for Mindanao

Recommending Approval


NERISSA R. SANTIAGO

Acting SVP-Actuarial Services and
Risk Management Sector


WALTER R. BACAREZA

Acting Executive Vice President and
Chief Operating Officer

Approved by:


ATTY. ELI DINO D. SANTOS

Officer-In-Charge, Office of the President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

For the Period Ended September 30, 2022 and 2021
(In Philippine Peso)



	Notes	2022	2021
INCOME			
Premium contributions	23	145,210,847,318.26	129,499,290,521.19
Interest and other income	24	8,230,822,489.03	6,989,857,109.46
		153,441,669,807.29	136,489,147,630.65
EXPENSES			
Benefit claims expenses	25	102,167,336,682.80	125,526,099,173.03
Personnel services	26	3,251,395,314.60	2,639,095,381.33
Other operating expenses	27	1,941,548,988.68	2,714,127,995.64
		107,360,280,986.08	130,879,322,550.00
NET INCOME		46,081,388,821.21	5,609,825,080.65
OTHER COMPREHENSIVE INCOME		-	-
NET INCOME		46,081,388,821.21	5,609,825,080.65

Prepared by:


MARY ANN A. MALINIS

Acting Division Chief, AICD, Comptrollership Department

Reviewed by:


CHERIE CARMEN B. DIVINA, CPA, MBA, CSEE

Senior Manager, Comptrollership Department


GREGORIO C. RULLODA

Acting SVP-Fund Management Sector
and concurrent AVP for Mindanao

Recommending Approval:


NERISSA R. SANTIAGO

Acting SVP-Actuarial Services and
Risk Management Sector


WALTER R. BACAREZA

Acting Executive Vice President and
Chief Operating Officer

Approved by:


ATTY. ELI DINO D. SANTOS

Officer-In-Charge, Office of the President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

For the Period Ended September 30, 2022 and 2021
(In Philippine Peso)



UNIVERSAL HEALTH CARE
KALUSUGAN AT KALINGA PARA SA LAHAT

	Notes	2022	2021
SURPLUS	22		
Surplus at January 1		-	-
Net income		46,081,388,821.21	5,609,825,080.65
Prior year adjustment		1,744,558,795.63	4,819,002,973.24
Total Surplus		47,825,947,616.84	10,428,828,053.89
Surplus transferred to reserves		(47,825,947,616.84)	(10,428,828,053.89)
Surplus at September 30		-	-
RESERVE FUND	22		
Reserve at January 1		176,584,864,460.18	140,874,550,031.06
Surplus transferred to reserves		47,825,947,616.84	10,428,828,053.89
Reserve Fund at September 30		224,410,812,077.02	151,303,378,084.95
Provision for insurance contract liabilities (ICL)	21	(992,593,062,892.29)	(992,593,062,892.29)
TOTAL MEMBERS' EQUITY		(768,182,250,815.27)	(841,289,684,807.34)

Prepared by:


MARY ANN A. MALINIS

Acting Division Chief, AICD, Comptrollership Department

Reviewed by:


CHERIE CARMEN B. DIVINA, CPA MBA, CSEE

Senior Manager, Comptrollership Department

Recommending Approval:


GREGORIO C. RULLODA

Acting SVP-Fund Management Sector
and concurrent AVP for Mindanao


NERISSA R. SANTIAGO

Acting SVP-Actuarial Services and
Risk Management Sector


WALTER R. BACAREZA

Acting Executive Vice President and
Chief Operating Officer

Approved by:


ATTY. ELI DINO D. SANTOS

Officer-In-Charge, Office of the President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Period Ended September 30, 2022 and 2021
(In Philippine Peso)



UNIVERSAL HEALTH CARE
INSURANCE, IT SERVICES AND FINANCIAL

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Cash received from premium contributions	128,353,428,075.52	144,793,984,600.10
Interest received from investments	8,111,644,730.91	6,989,221,949.23
Collection of other income	233,834,446.90	283,717,420.01
Gain (Loss) on Foreign Exchange	66,154.15	16,289.96
Collection of rent income	218,791.12	367,950.42
Reimbursement of point of service (POS)	-	9,343,760.00
Total Cash Inflows	136,699,192,198.60	152,076,651,969.72
Cash Outflows		
Payment of benefit claims	(101,131,331,808.55)	(72,140,626,586.20)
Payment of operating expenses	(4,733,384,828.89)	(4,366,006,509.21)
Payment of financial charges	(21,689,568.57)	(17,324.00)
Total Cash Outflows	(105,886,406,206.01)	(76,506,650,419.41)
Net Cash Provided by/(Used in) Operating Activities	30,812,785,992.59	75,570,001,550.31
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Matured time deposits	96,902,926,947.39	137,833,519,357.42
Matured treasury bills	-	4,576,728,014.38
Matured treasury bonds	8,902,998,342.00	45,910,843,000.00
Proceeds from disposal of assets	27,611.32	189,801.00
Total Cash Inflows	105,805,952,900.71	188,321,280,172.80
Cash Outflows		
Placement on time deposits	(82,167,481,387.61)	(122,060,673,048.48)
Placement on treasury bills	(12,214,512,859.21)	-
Placement on treasury bonds	(31,787,669,036.74)	(134,203,695,567.12)
Accrued interest paid on placement of bonds	(8,114,166.66)	(766,218,611.17)
Purchase of Fixed assets	(196,479,121.60)	(183,604,690.33)
Total Cash Outflows	(126,374,256,571.82)	(257,214,191,917.10)
Net Cash Provided by/(Used in) Investing Activities	(20,568,303,671.11)	(68,892,911,744.30)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflow		
Trust receipts	331,197,170.06	9,413,032.64
Total Cash Inflow	331,197,170.06	9,413,032.64
Cash Outflows		
Trust disbursements	(268,046,498.99)	-
Finance lease payments	(187,497,230.58)	-
Principal	(172,159,422.14)	-
Interest	(15,337,808.44)	-
Total Cash Outflows	(455,543,729.57)	-
Net Cash Provided by/(Used in) Financing Activities	(124,346,559.51)	9,413,032.64
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,120,135,761.97	6,686,502,838.65
CASH AND CASH EQUIVALENTS, JANUARY 1	5 6,363,794,517.98	28,050,485,089.23
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	5 16,483,930,279.95	34,736,987,927.88

Prepared by:

MARY ANN A. MALINIS

Acting Division Chief, AICD, Comptrollership Department

Reviewed by:

CHERIE CARMEN B. DIVINA, CPA, MBA, CSEE

Senior Manager, Comptrollership Department

Recommending Approval:

GREGORIO C. RULLODA

Acting SVP-Fund Management Sector
and concurrent AVP for Mindanao

NERISSA R. SANTIAGO

Acting SVP-Actuarial Services and
Risk Management Sector

WALTER R. BACAREZA

Acting Executive Vice President and
Chief Operating Officer

Approved by:

ATTY. ELI DINO D. SANTOS

Officer-In-Charge, Office of the President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Month Ended September 30, 2022



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 (BOD) 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 (PCEO), 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 BOD of the Corporation subject to limitations prescribed in the Act.

1.1. Corona Virus Pandemic

The country is currently experiencing a pandemic resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. While the financial impact is considered a non-adjusting event, the effect on the Company operations and financial performance, however, cannot be reasonably determined as at September 30, 2022. Nonetheless, the Company strongly believes that it can remain as a going-concern given its access to short-term and long-term funding and continuous financial support from its stockholders.

2. Summary of Significant Accounting Policies

2.1. Basis of Preparation and Statement of Compliance

The accompanying financial statements of the Corporation have been prepared in accordance with PFRS, where practicable, and Commission on Audit (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.

2.2. Measurement Bases

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 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.

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

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

2.3. Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Corporation adopted effective for annual periods beginning 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.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - 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.

2.4. New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the financial statements, are summarized below.

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.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Corporation. Additional disclosures were included in the financial statements, as applicable.

2.5. 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.

As at September 30, 2022 and December 31, 2021, the Corporation does not have financial assets and liabilities at FVPL and debt instruments measured at FVOCI.

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, receivables and other receivables.

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 financial liabilities, inter-agency payables, trust liabilities, leave benefits payable and other payables.

2.6. Impairment of Financial Assets at Amortized Cost

The Corporation records an allowance for Expected Credit Loss (ECL). 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.

2.7. 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.

2.8. Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

2.9. Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Corporation; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Corporation does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

2.10. 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.

2.11. 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.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the period when the costs are incurred. In situations, where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Depreciation is computed on the straight-line method based on the estimated useful lives of the depreciable assets.

The depreciation periods for property and equipment, based on above policies, are as follows:

Particulars	Number of 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

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment.

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 in the year the asset is derecognized.

2.12. Intangible Assets

Intangible asset represents computer software and licenses. 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 the licenses are amortized over the life of the license. The amortization period and method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits from the intangible assets. 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.

An item of intangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

2.13. 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.

2.14. Surplus

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

2.15. Revenue Recognition

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates.

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Corporation performs its obligation; (b) the Corporation's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Corporation's performance does not create an asset with an alternative use to the Corporation and the Corporation has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time. The following specific recognition criteria must also be met before revenue is recognized.

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.

2.16. Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity to participants.

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 admission (per Corporate Order 2021-0051).

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

2.17. Leases

The Company assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, it has both of the following:

- i. the right to obtain substantially all of the economic benefits from the use of the identified asset; and
- ii. the right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term. The Company

also assesses whether a contract contains a lease for each potential separate lease component

Corporation as a Lessee. Leases are recognized as a Right-of-Use (ROU) asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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.

ROU Assets. At commencement date, the Company measures ROU assets at cost. The cost comprises:

- i. the amount of the initial measurement of lease liabilities;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs; and
- iv. an estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liabilities. The ROU assets are amortized over the shorter of the lease terms including renewals or the useful lives of the underlying assets. In addition, the ROU asset is periodically reduced by impairment losses, if any and adjusted for certain measurement of the lease liability.

Right-of-Use (ROU) assets are office spaces and warehouses being leased by PhilHealth with a multi-year contract.

Lease Liabilities. At commencement date, the Company measures a lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- i. fixed payments, including in-substance fixed payments;
- ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii. amounts expected to be payable by the lessee under residual value guarantees; and
- iv. the exercise price under a purchase option that the Company is reasonably certain to exercise; lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option.

Short-Term Leases and Leases of Low-Value Assets. Short-term leases and lease of low value assets are exempted from the recognition of ROU asset and lease liability as allowed under PFRS 16. These are recognized in the profit or loss when incurred.

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.

Corporation as a Lessor. Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and amortized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which these are earned. Operating leases are recognized as income in the statements 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.

2.18. 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).

2.19. 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.

2.20. Related Parties

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2.21. Provisions

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 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.

2.22. Provision for Insurance Contract Liabilities (ICL)

Provision for ICL is the best estimate that relates to expected future claim payments to be incurred in relation to the liabilities that PhilHealth is contractually obligated to pay their members. Since 2005, PFRS have mandated that these liabilities must be properly recognized and reported in the financial statements.

Present Value. Actuarially-defined as the current worth of a future sum of money or stream of cash flows given a specified rate of return. Here, cash flows are discounted at the discount rate, and the higher the discount rate, the lower the present value of the future cash flows.

The following are the valuation requirements of the IC:

Assumption	IC Requirement
Discount rate	Discount rates prescribed by IC
Mortality	Based on actual experience
Disability/morbidity	Based on actual experience
Lapse/persistency	Based on actual experience
Expense	Based on actual experience derived from last expense study
Inflation	Suitable non-negative inflation rate
Margin for Adverse Deviation (MfAD)	Minimum margin assumption of +/- 10% prescribed by IC

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 "Seriatim Method", 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 mortality 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.

2.23. Contingencies

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

2.24. Events after the Reporting Period

Post year-end events that provide additional information about the Corporation's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires Corporation to exercise judgment, make accounting estimates and assumptions that affect the reported amounts in the financial statements and related notes. The judgment and estimates used in the financial statements are based upon Corporation's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Judgment and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1. Judgments

In the process of applying the Company's accounting policies, management has made certain judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Accounting for Lease Commitments - the Company as a Lessor. The Company has entered into commercial property sublease agreements for its leased property. The Company determined based on evaluation of the terms and conditions of the arrangements that the lessor retains all the significant risks and rewards of ownership of the leased property. Accordingly, the leases are accounted for as operating leases.

Classifying Lease Commitments - Company as a Lessee. The Company has entered into commercial property leases for its premises and administrative offices. For the Company's non-cancellable lease, the Company recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate. For the Company's short-term leases and lease of low value assets, these are recognized in the profit or loss when incurred.

3.2. Estimates and Assumptions

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

Estimating Premium Income from the Direct Contributors - Employed Sector. Estimate is based on last month's premium contributions which are due and paid through Accredited Collecting Agents (ACAs) and over the counter at PhilHealth's Regional Offices (PROs).

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

Estimating Useful Lives of Property and Equipment. The Corporation estimates the useful lives of the property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

There is no change in the estimated useful lives of depreciable property and equipment in 2022 and 2021.

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 Reported (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.

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.

4. Financial Risk Management

Risk Management is not the sole responsibility of the Management and the BOD. 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 NHIP, 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 Project Management Team-Risk Management (PMT-RM) as the technical arm of RiskCom. They are mainly responsible for developing policies for Management's or BOD's 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.

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 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.

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 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 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.

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.

5. Cash and Cash Equivalents

This account is composed of the following:

	2022	2021
Collecting Officers	₱ 81,747,905.08	₱ 28,724,227.09
Petty Cash Fund (PCF)	4,029,857.38	2,970,129.29
Cash in Bank	8,567,083,293.92	2,705,288,887.31
Special Savings Deposits (SSDs)	7,831,069,223.57	3,626,811,274.29
Total	₱ 16,483,930,279.95	₱ 6,363,794,517.98

- 5.1. Collecting officers represent collections at the end of the month made by collecting officers which are to be deposited on the following working day.
- 5.2. The Corporation uses the imprest fund system in handling its petty cash fund. This fund is for the use of miscellaneous expenditures which cannot be conveniently paid by check wherein an officer holding the fund is also properly bonded in accordance with law.
- 5.3. Cash in banks 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.
- 5.4. SSDs 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. The interest rates ranging from 0.4500 per cent to 2.2550 per cent and 0.2603 per cent to 0.8000 per cent as of September 30, 2022 and December 31, 2021, respectively.

Sources of interest income recognized by the Corporation are as follows (see Note 24):

	2022	2021
Investment Securities at Amortized Cost	₱ 7,248,188,946.87	₱ 7,801,259,843.23
SSDs and Investment in time Deposits	793,244,908.50	1,727,095,168.17
Savings and Current Deposits	1,197,889.37	1,880,828.75
Total	₱ 8,042,631,744.74	₱ 9,530,235,840.15

6. Investment in Time Deposit

	2022	2021
Investment in Time Deposits	₱ 51,503,411,260.86	₱ 66,238,665,698.88
	₱ 51,503,411,260.86	₱ 66,238,665,698.88

Investments in Time Deposits are term deposits of ninety-one (91) to three hundred sixty-four (364) days with interest rate ranging from 1.3250 per cent to 3.3250 per cent and 1.7850 per cent to 2.1000 per cent as of September 30, 2022 and December 31, 2021, respectively.

7. Receivables

This account is composed of the following:

	2022	2021
Receivable from Direct Contributors	₱ 12,015,315,458.45	₱ 8,715,552,355.28
Due from NGAs	34,711,400,534.38	21,123,953,824.93
Due from LGUs	273,499,458.28	344,742,522.15
Accrued Interest Receivable from Investment	2,665,659,308.16	2,217,609,469.09
Other Receivables	42,051,530.40	2,934,806.72
Receivables	₱ 49,707,926,289.67	₱ 32,404,792,978.17
Allowance for Impairment	(22,104,776,102.76)	(21,777,473,066.82)
Receivables, net	₱ 27,603,150,186.91	₱ 10,627,319,911.35

- 7.1. Receivable from direct contributors represent accruals of premium contributions from direct contributor members based on ACAs and Over-the-counter Collections.

	2022	2021
Receivable from Direct Contributors	₱ 12,015,315,458.45	₱ 8,715,552,355.28
Allowance for Impairment	(1,125,835,058.46)	(816,647,255.69)
Receivable from Direct Contributors, net	₱ 10,889,480,399.99	₱ 7,898,905,099.59

- 7.2. Due from NGAs account represents premium contributions for the following:

	2022	2021
NHTS		
No. of enrollees	12,071,920	-
Amount	₱ 10,076,220,000.00	₱ -
Senior Citizen		
No. of enrollees	16,820,849	8,557,139
Amount	₱ 23,978,047,300.00	₱ 20,537,134,800.00
PAMANA		
No. of enrollees	5,667	-
Amount	₱ 10,200,600.00	₱ -
Point-of-Service (POS)		
No. of enrollees	203,306	187,623
Amount	₱ 485,581,950.00	₱ 450,295,200.00
Fortuitous event		
No. of enrollees	56,135	56,135
Amount	₱ 134,724,000.00	₱ 134,724,000.00
PWD		
No. of enrollees	136,030	-
Amount	₱ 25,974,000.00	₱ -
DPWH		
Amount	₱ 652,684.38	₱ 1,799,824.93
Total	₱ 34,711,400,534.38	₱ 21,123,953,824.93
Allowance for Impairment	(20,671,858,800.00)	(20,671,858,800.00)
Net Amount	₱ 14,039,541,734.38	₱ 452,095,024.93

Enrollment of 12,071,920 indigent members under the Listahan 2 of the DSWD categorized through NHTS-PR protocol for the period January to September 2022 based on billing to DBM dated March 21, 2022 and August 18, 2022.	P 10,076,220,000.00
Enrollment of 8,263,710 Senior Citizens for the period January to September 2022, profiled as members in the database as of December 31, 2021 based on billing to DBM dated March 14, 2022.	3,440,912,500.00
Enrollment of 4,252 families under the PAMANA program for the period January to September 2022 based on 2022 billings to DBM dated August 18, 2022.	7,653,600.00
Enrollment of 15,863 financially-incapable Point-Of-Service (POS-FI) patients as determined by DOH for the period January to September 2022 based on billing to DBM dated June 15, 2022.	35,286,750.00
Enrollment of 136,030 qualified PWDs for the period January to September 2022 based on 2022 billing to DBM dated April 04, 2022.	25,974,000.00
2022 Total	P 13,586,046,850.00
Enrollment of 1,415 families under the PAMANA program for 2021 based on billing to DBM dated September 20, 2022.	P 2,547,000.00
Fund transfer to DPWH for lot improvements (PRO II)	P 652,684.38
2021 Total	P3,199,684.38
Enrollment of 187,623 qualified members under the 2019 POS program for the period January to December 2018 per billing to DBM	P450,295,200.00
2018 Total	P450,295,200.00
Enrollment of 2,258,757 Senior Citizens which were automatically renewed for the period January to December 2016 per billing to DBM through DOH (P12,998,827,200 - P7,577,809,200 collections)	P5,421,018,000.00
Allowance for Impairment	(5,421,018,000.00)
2016 Total	P 0.00
Enrollment of 5,416,178 Senior Citizens for CY 2015 based on billing to DBM	P12,998,827,200.00
Allowance for Impairment	(12,998,827,200.00)
2015 Total	P 0.00
Enrollment of 56,135 families of which 55,474 families came from Region 8 who were casualties of Typhoon Yolanda and for the extended insurance coverage under the Fortuitous Event Program implemented as a component of the NHIP for the billing period January to December 2014	P 134,724,000.00
Enrollment of 882,204 Senior Citizens for the period of October to December 2014 based on billing to DBM	2,117,289,600.00
Allowance for Impairment	(2,252,013,600.00)
2014 Total	P 0.00
Grand Total	P14,039,541,734.38

- 7.3. Due from LGUs is the account representing the outstanding accounts receivable of premium contributions from various LGUs. The details of the account are as follows:

Region	2022	2021
National Capital Region (NCR)	P 6,040.00	P 6,040.00
Cordillera Administrative Region (CAR)	105,365.00	-
I	-	158,400.00
II	1,192,600.00	553,270.00
III	101,968,028.30	108,697,856.17
V	795,000.00	795,000.00
VI	162,508,424.98	164,308,424.98
VII	3,775,800.00	4,429,600.00
XI	3,148,200.00	3,172,200.00
CARAGA	-	62,621,731.00
Total	P 273,499,458.28	P 344,742,522.15
Less: Allowance for Impairment	(265,130,374.86)	(286,136,293.38)
Total (Net)	P 8,369,083.42	P 58,606,228.77

- 7.4. Accrued Interest Receivable from investment amounting to P2,665,659,308.16 and P2,217,609,469.09 as at September 30, 2022 and December 31, 2021, 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.

- 7.5. Other Receivables amounting to and P42,051,530.40 and P2,934,806.72 as at September 30, 2022 and December 31, 2021, respectively, represent due from officers and employees.

Allowance for impairment of P41,951,869.44 was provided due to ECL as of September 30, 2022 and December 31, 2021.

8. 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 May 07, 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, 2022, a total of ₱14,960,794,403.19 or 99.9328 per cent has already been liquidated out of the ₱14,970,850,093.56 released IRM, leaving a balance of ₱10,055,690.37 or 0.0672 per cent nationwide. nationwide. Details as of September 30, 2022, are as follows:

Region	No. of HCIs	Released	Liquidated	Balance
NCR	162	₱ 4,353,410,548.80	₱ 4,346,920,931.63	₱ 6,489,617.17
CAR	19	484,137,869.40	484,137,869.40	-
I	49	782,476,917.41	780,176,917.41	2,300,000.00
II	13	338,564,866.55	338,564,866.55	-
III	105	1,956,388,846.23	1,956,388,846.23	-
IV-A	89	1,248,048,505.33	1,248,048,505.33	-
IV-B	41	690,075,499.50	690,075,499.50	-
V	61	724,616,526.28	723,350,453.08	1,266,073.20
VI	1	121,372,688.00	121,372,688.00	-
VII	50	1,101,824,042.59	1,101,824,042.59	-
VIII	36	505,534,201.70	505,534,201.70	-
IX	13	378,753,947.06	378,753,947.06	-
X	18	737,824,643.50	737,824,643.50	-
XI	28	890,240,858.28	890,240,858.28	-
XII	17	483,567,834.00	483,567,834.00	-
CARAGA	2	89,487,448.93	89,487,448.93	-
BARMM	7	84,524,850.00	84,524,850.00	-
Total		₱ 14,970,850,093.56	₱ 14,960,794,403.19	₱ 10,055,690.37

9. Inventories

This account is composed of the following:

	2022	2021
Office Supplies & Materials Inventory	₱ 87,096,934.55	₱ 102,261,255.58
Semi-Expendable Machinery and Equipment	6,470,811.99	7,992,349.37
Semi-Expendable Furniture, Fixtures, and Books	18,970,332.10	21,758,519.39
Total	₱ 112,538,078.64	₱ 132,012,124.34

- 9.1. Office Supplies and Materials Inventory account amounting to ₱87,096,934.55 and ₱102,261,255.58 as at September 30, 2022 and December 31, 2021, respectively, represents small tangible items that are expected to be used within one (1) year from the reporting date.
- 9.2. Semi-Expendable Machinery and Equipment account amounting to ₱6,470,811.99 and ₱7,992,349.37 as at September 30, 2022 and December 31, 2021, respectively, represents office equipment, information and communication technology costing less than ₱15,000.00.
- 9.3. Semi-Expendable Furniture, Fixtures, and Books account amounting to ₱ 18,970,332.10 and ₱21,758,519.39 as at September 30, 2022 and December 31, 2021, respectively, represents furniture, fixtures and books costing less than ₱15,000.00.

10. Other Current Assets

This account is composed of the following:

	2022	2021
Other Receivables:		
Philippine Red Cross (PRC)	P - P	100,000,000.00
Health Care Institutions (HCIs)	11,999.99	58,199.99
Creditable Withholding Tax	2,707,381.81	16,242,339.49
Other Current Assets	68,361,501.01	101,761,472.71
Total Other Current Assets	P 71,080,882.81 P	218,062,012.19
Less: Allowance for Impairment	(40,844,564.60)	(97,891,404.53)
Other Current Assets, net	P 30,236,318.21 P	120,170,607.66

- 10.1. The Corporation and PRC entered into Memorandum of Agreement (MOA) 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 Pesos Only (P3,500.00) 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: The testing package cost is 3,409.00 from October 10, 2020 to September 3, 2021. Starting September 4, 2021 the cost of the testing package was lowered to 2,800.00).

2. Upon the signing of this Agreement, immediately forward to PRC the full Advance Cash Payment of One Hundred Million Pesos (P100,000,000.00); 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 P100,000,000.00 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.

IRM Funds amounting to P11,999.99 as at September 30, 2022 and December 31, 2021, represents advance payment to Health Care Institutions due to Taal Volcano eruption and typhoon Yolanda.

- 10.2. Remittance of taxes withheld from the released IRM amounting to P2,707,381.81 and P16,242,339.49 as at September 30, 2022 and December 31, 2021, respectively.
- 10.3. Other Current Assets amounting to P 68,361,501.01 and P101,761,472.71, as at September 30, 2022 and December 31, 2021, respectively, represent due from officers/employees and

finances/penalties from ACAs and compromise penalties of hospitals amounting to ₱24,264,032.00 for the taxable year 2003-2004 per BIR decision with reference No. P06-15 dated April 14, 2015

- 10.4. Allowance for Impairment amounting to ₱40,844,564.60 was provided due to ECL as of September 31, 2022. Details as follows:

Other Receivables	Total Amount	Allowance for Impairment	Net Amount
IRM (Taal volcano Eruption)	₱ 11,999.99	- ₱	11,999.99
IRM (COVID 10) Tax	2,707,381.81	₱ (448,260.80)	2,259,121.01
Accrued Fines & Penalties from ACAs	2,996,954.41	(2,313,954.98)	682,999.43
Personal Calls	68,926.39	(68,926.39)	-
Refund from Benefit Payment - Employer	29,288,204.36	(22,409,019.36)	6,879,185.00
Filing Fees	283,820.27	(283,820.27)	-
GPAI	67,473.00	(67,473.00)	-
Payment Recovery	1,127,820.60	-	1,127,820.60
Others	34,528,301.98	(15,253,109.80)	19,275,192.18
Total	₱ 71,080,882.81	₱ (40,844,564.60)	₱ 30,236,318.21

11. Investment Securities at Amortized Cost

This account is composed of the following:

	2022	2021
Government Bonds	₱ 282,121,899,296.66	₱ 256,365,182,877.17
Corporate Bonds	1,100,000,000.00	4,512,500,000.00
Total Investment in Bonds	283,221,899,296.66	260,877,682,877.17
Add: Treasury Bills	12,214,512,859.21	-
Total Investment in Bonds and T. Bills	295,436,412,155.87	260,877,682,877.17
Less: Allowance for Impairment - ECL (Bonds)	(1,032,297.96)	(222,229.66)
Investments, net	₱ 295,435,379,857.91	₱ 260,877,460,647.51

- 11.1. Investment in Government Bonds with a maturity period of more than one (1) year and with an average interest rate of 3.9033 per cent and 3.9794 per cent as at September 30, 2022 and December 31, 2021, respectively.

	Interest Rate (%)	2022	2021
Retail Treasury Bonds (RTBs)	4.2647	₱ 79,616,890,000.00	₱ 49,616,890,000.00
RTB Non-Restricted Environment	3.8240	85,900,853,384.28	89,844,093,545.77
Outstanding Investment	3.6023	116,604,155,912.38	116,904,199,331.40
Total		₱ 282,121,899,296.66	₱ 256,365,182,877.17

- 11.2. Investment in Corporate Bonds with a maturity period of more than one (1) year and with an interest rate of 3.8915 per cent and an average interest rate of 4.8256 per cent as at September 30, 2022 and December 31, 2021, respectively.

	Interest Rate (%)	2022	2021
7-yr Filinvest Land, Inc. Fixed Rate Bonds	5.3567%	-	780,000,000.00
7-yr Robinsons Land Corp. Fixed Rate Bonds	4.8000%	-	1,500,000,000.00
7-yr Ayala Land Inc. Fixed Rate Bonds	4.5000%	-	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
Total		1,100,000,000.00	4,512,500,000.00
Less: Allowance for Impairment - ECL		(1,032,297.96)	(222,229.66)
Investment in Corporate Bonds, net		1,098,967,702.04	4,512,277,770.34

Interest earned on Investment Securities at Amortized Cost amounted to ₱7,248,188,946.87 and ₱7,801,259,843.23 as at September 30, 2022 and December 31, 2021, respectively.

12. Property and Equipment – Net

This account is composed of the following:

	Land and Land Improvements	Building and Structure / Leasehold Improvements	Right-of-Use Assets	Construction in Progress	Furniture and Fixtures, Equipment and Books	Motor Vehicle	Total
Cost							
Balance at beginning of year	876,177,352.96	253,484,963.47	1,383,460,877.90	27,870,253.01	2,897,436,702.44	230,126,035.63	5,668,556,185.41
Additions	-	4,667,595.93	96,191,173.93	1,147,140.55	54,760,273.87	58,000,000.00	214,766,184.28
Adjustments	-	(1,874,052.51)	7,468,591.34	-	(171,393,358.32)	(1,522,457.99)	(167,321,277.48)
Balance at Sept. 30, 2022	876,177,352.96	256,278,506.89	1,487,120,643.17	29,017,393.56	2,780,803,617.99	286,603,577.64	5,716,001,092.21
Accumulated Depreciation							
Balance at beginning of year	1,498,375.89	154,027,800.12	739,020,365.18	-	2,021,605,384.82	183,084,426.80	3,099,236,352.81
Depreciation	-	20,291,171.22	195,285,252.04	-	184,250,108.97	10,098,985.44	409,925,517.67
Adjustments	-	(1,177,004.54)	765,260.92	-	(124,583,547.85)	(1,334,362.19)	(126,329,653.66)
Balance at Sept. 30, 2022	1,498,375.89	173,141,966.80	935,070,878.14	-	2,081,271,945.94	191,849,050.05	3,382,832,216.82
Carrying Amount	874,678,977.07	83,136,540.09	552,049,765.03	29,017,393.56	699,531,672.05	94,754,527.59	2,333,168,875.39

	Land and Land Improvements	Building and Structure / Leasehold Improvements	Right-of-Use Assets	Construction in Progress	Furniture and Fixtures, Equipment and Books	Motor Vehicle	Total
Cost							
Balance at beginning of year	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	-	16,832,702.09	163,607,722.63	301,012.51	140,441,692.14	874,446.30	322,057,575.67
Adjustments	-	(3,584,094.94)	(96,458,278.97)	-	(263,860,647.50)	(1,755,258.00)	(365,658,279.41)
Balance at Dec. 31, 2021	876,177,352.96	253,484,963.47	1,383,460,877.90	27,870,253.01	2,897,436,702.44	230,126,035.63	5,668,556,185.41
Accumulated Depreciation							
Balance at beginning of year	1,498,375.89	122,262,878.31	433,358,053.15	-	1,944,289,670.43	169,461,663.65	2,670,870,641.43
Depreciation	-	30,116,683.06	391,866,812.12	-	307,291,715.58	14,805,816.58	744,081,027.34
Adjustments	-	1,648,238.75	(86,204,500.09)	-	(229,976,001.19)	(1,183,053.43)	(315,715,315.96)
Balance at Dec. 31, 2021	1,498,375.89	154,027,800.12	739,020,365.18	-	2,021,605,384.82	183,084,426.80	3,099,236,352.81
Carrying Amount	874,678,977.07	99,457,163.35	644,440,512.72	27,870,253.01	875,831,317.62	47,041,608.83	2,569,319,832.60

Included under Land and Buildings accounts are the following:

- 12.1.** A parcel of land situated in Quezon City with a total area of 17,230.50 square meters (sq. m.). This property has a carrying amount of ₱439,377,750. 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 ₱2,439,735.68.

- 12.2.** A property with a total area of 4,355 sq. m. acquired from Fort Bonifacio Development Corporation (FBDC), in exchange for the Corporation's investments in FBDC located in Fort Bonifacio, Taguig City. This asset with a carrying amount of ₱413,845,805.00 was appraised with a fair market value of ₱3,354,220,000.00 as of August 06, 2021.

- 12.3.** 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 ₱25,520,363.00. The land and building were appraised with a fair market value of ₱73,710,000.00 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 ₱22,025,000.00 as of August 4, 2021.

- 12.4.** A parcel of lot with a total area of 2,897 sq. m. located in Tuguegarao City which will be used as the PRO II's Regional Office. This property was received by way of donation, through a Memorandum of Agreement (MOA) executed between the Department of Public Works and Highways (DPWH) Region II and the Corporation. This property which is carried in the books at ₱4,056,000.00 was appraised with a fair market value of ₱51,280,000.00 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, s. of 2017.

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

Government of Agusan del Sur in favor of PhilHealth office. This property is recorded at ₱1,086,000.

12.6. Summary of Right of Use Assets as follows:

	2022		2021	
Head Office	₱	441,721,774.49	₱	441,722,860.22
NCR		149,228,615.60		149,228,615.60
CAR		66,163,413.73		63,592,569.88
I		29,501,345.78		29,501,345.78
II		-		70,367,193.74
III		134,288,792.18		-
IV-A		80,065,750.34		80,275,750.34
IV-B		122,628,923.72		105,066,846.33
V		24,278,092.82		24,278,092.82
VI		61,276,049.09		61,027,137.83
VII		98,802,877.00		87,118,593.20
VIII		9,614,659.80		9,614,659.80
IX		-		-
X		107,446,793.04		106,689,891.30
XI		53,916,373.86		46,790,139.34
XII		25,131,312.58		25,131,312.58
CARAGA		66,351,095.83		66,351,095.83
BARMM		16,704,773.31		16,704,773.31
Carrying Amount	₱	1,487,120,643.17	₱	1,383,460,877.90

13. Intangible Assets – Net

This account is composed of the following:

	2022		2021	
Cost				
Balance at beginning of year	₱	467,617,381.76	₱	434,936,716.67
Additions		47,651,497.20		32,778,500.00
Adjustments		11,046,969.65		(97,834.91)
Balance at September 30	₱	526,315,848.61	₱	467,617,381.76
Accumulated Amortization				
Balance at beginning of year	₱	250,247,247.68	₱	210,704,899.62
Amortization		7,738,375.32		39,542,348.06
Adjustments		-		-
Balance at September 30		257,985,623.00		250,247,247.68
Carrying Amount	₱	268,330,225.61	₱	217,370,134.08

This account mainly pertains to 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.

14. Other Non-Current Assets

This account is composed of the following:

	2022	2021
Advances to Disbursing Officers	P 749,821.00	-
Advances to Officers & Employees	3,593,517.59 P	705,789.21
Prepayments	63,963,227.88	116,112,494.40
Guaranty Deposits	111,352,353.76	107,489,404.76
	P 179,658,920.23 P	224,307,688.37
DBM (transfer of NHIP Program from GSIS to PHIC)	155,235,240.00	155,235,240.00
PDIC (per MB Reso. 459 dated 04/07/2005)	327,103.25	327,103.25
COA Disallowance of former officers and employees	-	1,456,748.97
PROs (from various Health Providers-DCS)	710,253.60	710,253.60
Unserviceable Equipment	54,256,722.27	72,910,139.15
Serviceable Equipment	1,095,251.36	1,006,729.87
Receivable from NGAs	394,741,430.00	394,741,430.00
Receivable from PCSO	9,000.00	283,800.00
Receivable from LGUs	481,341,029.73	425,366,263.73
Other Assets - Intangible	6,249,938.39	6,249,938.39
	P 1,093,965,968.60 P	1,058,287,646.96
Less: Allowance for Impairment	(1,025,798,630.99)	(964,384,961.94)
	68,167,337.61	93,902,685.02
Other Non-Current Assets, net	P 247,826,257.84 P	318,210,373.39

- 14.1. The Disbursing Officer is an Accountable Officer 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 P749,821.00 and nil as at September 30, 2022 and December 31, 2021, respectively, represent available funds from the said officers as of reporting date.
- 14.2. Advances to Officers and Employees amounting to P3,593,517.59 and P705,789.21 as at September 30, 2022 and December 31, 2021, respectively, represent cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travels.
- 14.3. Prepayments amounting to P63,963,227.88 and P116,112,494.40 as at September 30, 2022 and December 31, 2021, respectively, represent authorized payments made for the purchase of goods from the Procurement Service of the Department of Budget and Management (PS-DBM) as well as insurance of motor vehicles of the Corporation from the Government Service Insurance System (GSIS).
- 14.4. Guaranty Deposits amounting to P111,352,353.76 and 107,489,404.76 as at September 30, 2022 and December 31, 2021, respectively, represents transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.
- 14.5. Long Term Receivable from the DBM amounting to P155,235,240.00 as at September 30, 2022 and December 31, 2021 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.

- 14.6.** Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to ₱327,103.25 as at September 30, 2022 and December 31, 2021 was in pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.
- 14.7.** Disallowances amounting to ₱1,456,748.97 as at December 31, 2021 refer to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by the COA. Subsidiary ledger for these disallowances is being maintained and kept for ready references. This account was reclassified to Due from Officers and Employees as of reporting date.
- 14.8.** Debit/Credit Scheme (DCS) amounting to ₱710,253.60 as at September 30, 2022 and December 31, 2021 refers to the balance of advance payment to HCPs for the year 1999.
- Allowance for impairment of ₱115,625.80 for PRO VII, ₱9,698.45 for PRO X, ₱11,393.50 for PRO IVA, ₱37,352.05 for PRO V, ₱76,183.91 for PRO VI and ₱17,608.75 for PRO CARAGA, a total of ₱267,862.46 was provided for due to closure of the hospital facilities.
- 14.9.** Unserviceable Equipment account amounting to ₱54,256,722.27 and ₱72,910,139.15 as at September 30, 2022 and December 31, 2021, 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.
- 14.10.** Serviceable Equipment account amounting to ₱1,095,251.36 and ₱1,006,729.87 and as at September 30, 2022 and December 31, 2021, 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.
- 14.11.** Receivable from NGAs amounting to ₱394,741,430.00 as at September 30, 2022 and December 31, 2021 represents deficiency in employer share of the Health Insurance Premium Contributions to the Corporation by different government agencies nationwide for CYs 2001 to 2008.
- 14.12.** Receivable from PCSO amounting to ₱9,000.00 and ₱283,800.00 as at September 30, 2022 and December 31, 2021, respectively, represents remaining unpaid billings for the enrollment of indigent families under the PCSO-GMA program for 2003 and 2005.
- 14.13.** 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.

		2022	2021
NCR	P	1,307,600.00	P 1,307,600.00
CAR		22,806,503.32	22,911,868.32
I		38,462,267.37	38,303,867.37
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		281,853,173.04	283,853,173.04
VIII		6,940,501.57	6,940,501.57
X		21,756,374.45	23,756,374.45
XI		13,398,140.54	15,398,140.54
CARAGA		61,921,731.00	-
BARMM		1,916,552.04	1,916,552.04
Carrying Amount	P	481,341,029.73	P 425,366,263.73

14.14. Other Assets – Intangibles – These are reclassified from Intangible Assets which fully amortized and is left only with their residual value amounting to ₱6,249,938.39 and as at September 30, 2022 and December 31, 2021.

14.15. 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.

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.

	2022	2021
DBM (transfer of NHIP Program fr. GSIS to PHIC)	P 155,235,240.00	P 155,235,240.00
PDIC (per MB Reso. 459 dated 04/07/2005)	327,103.25	327,103.25
PROs (from various Health Providers-DCS)	710,253.60	710,253.60
Receivable from NGAs	394,741,430.00	394,741,430.00
Receivable from LGUs	474,784,604.14	413,370,935.09
Allowance for Impairment	P 1,025,798,630.99	P 964,384,961.94

15. Financial Liabilities

This account is composed of the following:

	2022	2021
Accounts Payable	₱ 9,525,281,788.31	₱ 8,217,614,822.12
Accrued Benefits Payable	131,816,946,228.01	132,946,594,758.73
Due to Officers and Employees	319,283,516.53	380,777,790.43
Operating Lease Payable	2,402,065.45	2,491,995.56
Finance Lease Payable	603,533,332.22	683,438,246.04
Tax Refund Payable	3,209,742.66	3,272,028.01
Other Financial Liabilities	15,000.00	15,000.00
	₱ 142,270,671,673.18	₱ 142,234,204,640.89

Below is the breakdown of the Accounts Payable:

	2022	2021
Personnel Services	₱ 28,490,238.31	₱ 28,625,746.31
MOOE	841,494,289.71	1,068,018,405.92
CAPEX	124,993,808.50	222,918,293.19
Benefit Claims Processed	8,502,978,863.91	6,867,427,767.70
Benefit Claims Processed (PCB)	26,751,859.00	30,624,609.00
Benefit Claims - Konsulta	572,728.88	-
	₱ 9,525,281,788.31	₱ 8,217,614,822.12

- 15.1.** Accounts Payable – Personnel Services amounting to ₱28,490,238.31 and ₱28,625,746.31 as at September 30, 2022 and December 31, 2021, respectively, represents per diems and allowances of the Board of Directors and Committee members which are due for payment. This also includes the GSIS premium amounting to ₱20,604,585.00 which 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, s. 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.
- 15.2.** Accounts Payable – MOOE amounting to ₱841,494,289.71 and ₱1,068,018,405.92 as at September 30, 2022 and December 31, 2021, respectively, represents receipt/acquisition of goods or services which are due for payment
- 15.3.** Accounts Payable - CAPEX amounting to ₱124,993,808.50 and ₱222,918,293.19 as at September 30, 2022 and December 31, 2021, respectively, represents receipt/acquisition of property and equipment which are due for payment.
- 15.4.** Benefit claims processed amounting to ₱8,502,978,863.91 and ₱6,867,427,767.70 as at September 30, 2022 and December 31, 2021, 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.

- 15.5.** Primary Care Benefit (PCB) processed amounting to ₱26,751,859.00 and ₱30,624,609.00 as at September 30, 2022 and December 31, 2021, respectively, represents PCB payment checks still in the possession of the Corporation.

Below is the breakdown of the Accrued Benefits Payable:

	2022	2021
In-Course of Settlement (ICS)		
ICS - in process	₱ 39,363,193,610.29	₱ 52,315,310,012.60
ICS - RTH	3,409,779,818.58	14,402,620,839.99
IBNR	78,275,327,629.33	55,453,415,291.42
PCB	10,768,645,169.81	10,775,248,614.72
	₱ 131,816,946,228.01	₱ 132,946,594,758.73

- 15.6.** Accrued Benefits Payable – ICS amounting to ₱42,772,973,428.87 and ₱66,717,930,852.59 as at September 30, 2022 and December 31, 2021, respectively, are estimated benefit claims still in process as of the reporting period.
- 15.7.** Provision for Health Benefits – IBNR amounting to ₱78,275,327,629.33 and ₱55,453,412,291.42 as at September 30, 2022 and December 31, 2021, 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.

- 15.8.** Accrued Benefits Payable – PCB amounting to ₱10,768,645,169.81 and ₱10,775,248,614.72 as at September 30, 2022 and December 31, 2021, respectively, are claims which are actuarially estimated.
- 15.9.** Due to Officers and Employees amounting to ₱319,283,516.53 and ₱380,777,790.43 as at September 30, 2022 and December 31, 2021, respectively, represents liability to officers and employees for salaries, benefits and other emoluments including authorized expenses paid in advance by the officers and employees.

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 ₱4,000.00 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 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, 2022, the remaining balance for WESA amounting to ₱95,764,729.96 are for retired and resigned employees.

- 15.10. Operating Lease Payable amounting to ₱2,402,065.45 and ₱2,491,995.56 as at September 30, 2022 and December 31, 2021, respectively, are accrual for Rental expense which did not qualify as finance lease or use of right assets.
- 15.11. Finance Lease Payable amounting to ₱603,533,332.22 and ₱683,438,246.04 as at September 30, 2022 and December 31, 2021, respectively, are lease payable of the Corporation mostly office and warehouse rental ranging from 1 to 5 years.
- 15.12. Tax Refund Payable – amounting to ₱3,209,742.66 and ₱3,272,028.01 as at September 30, 2022 and December 31, 2021, respectively, represents the amount of refundable to taxpayers for excess amount paid/withheld.
- 15.13. 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.

16. Inter-Agency Payables

This account is composed of the following:

	2022	2021
Due to BIR	₱ 182,564,774.82	₱ 128,109,522.41
Due to GSIS	114,648,115.77	73,611,362.29
Due to Pag-IBIG	4,571,335.89	2,894,269.61
Due to PhilHealth	15,505,341.50	7,121,644.27
Due to NGAs	10,538,950.08	10,534,817.00
Due to Government Corporations	421,336,489.30	421,336,489.30
Due to LGUs	1,619,375.58	1,616,008.50
	₱ 750,784,382.94	₱ 645,224,113.38

- 16.1.** 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.
- 16.2.** 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.
- 16.3.** Due to NGAs refers to SAGIP and PHIE projects of the Department of Health.
- 16.4.** Due to Government Corporations refer to receipt of funds from Philippine Charity Sweepstakes Office (PCSO) to be used for COVID-19 related packages.
- 16.5.** 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.

17. Trust Liabilities

This account is composed of the following:

	2022	2021
UNFPA Project	₱ 37,717.48	₱ 37,514.89
Unclaimed Refund from Health Care Providers	312,106,699.28	311,979,215.98
AHP - Protest Bond	34,895,000.00	16,355,000.00
Donations	8,720,839.86	8,754,479.86
Bail Bond Payable/Guaranty/Security Deposit Pay.	32,150,054.25	24,985,935.14
Retention Fee	37,173,977.18	31,454,008.90
Global Development Project	1,958,886.31	1,951,554.00
Philippine Training Institute	5,222,073.80	5,258,516.39
Philippine Training Institute - NSSF	618,331.70	615,930.12
PhilHealth Run 2013	900.00	900.00
PhilHealth Run 2015	87,218.87	87,218.87
Calamity Fund	127,422.99	127,379.18
PhilHealth Provident Fund	827,243,854.52	819,991,024.80
COVID-19 National Vaccine Indemnity Fund	500,000,000.00	500,000,000.00
Others	32,015,070.83	33,645,010.52
Total	₱ 1,792,358,047.07	₱ 1,755,243,688.65

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

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

	2022	2021
Westmont Investment Corp.	₱ 2,945,656.00	₱ 2,945,656.00
Strategies & Alliance Corp.	3,573,418.83	3,607,058.83
Land Bank of the Philippines	110,000.00	110,000.00
Donation received by PRO's	2,091,765.03	2,091,765.03
Total	₱ 8,720,839.86	₱ 8,754,479.86

18. Other Payables

This account is composed of the following:

	2022	2021
Undistributed Collections	₱ 852,932,285.98	₱ 1,800,460,101.49
Due to Non-Government Organizations/Civil Society	433,329.17	433,329.17
Other Payables - Others	410,763,021.81	411,859,310.06
Total	₱ 1,264,128,636.96	₱ 2,212,752,740.72

18.1. Undistributed Collections refer to unidentified premium collections, remittances of ACAs and accreditation fees credited to PhilHealth bank accounts as of September 30, 2022.

- 18.2.** Due to Non-Government Organization represents various reimbursement of PhiCEA Board of directors for meals and accommodation.
- 18.3.** Other Payables – Others includes employees' association dues to PhilHealth White, amortization of loan availments from PhiCEA, and PROs Cooperative deduction from the salary of the PhilHealth employees.

19. Deferred Credits/Unearned Income

This account is composed of the following:

	2022	2021
Advance premium from direct contributor members		
Direct contributor members	P 136,894,025.44	P 712,865,311.02
Indirect contributor members	137,377,232.90	-
Premium contribution for NHTS enrollment (CYs 2013 & 2014).	516,844,200.00	516,844,200.00
Accreditation Fees - ACAs	674,690.75	635,142.35
Accreditation Fees - HCPs	1,686,000.00	1,686,000.00
Sponsored - LGUs	20,435,227.24	31,198,143.21
Others	306,300.00	3,302,033.35
Total	P 814,217,676.33	P 1,266,530,829.93

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.

20. Leave Benefits Payable

	2022	2021
Leave Benefits Payable	P 1,062,437,802.51	P 1,121,556,490.44
	P 1,062,437,802.51	P 1,121,556,490.44

This account represents money value of the earned leave credits of officers and employees of PhilHealth.

21. Provision for ICL

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.

The following are the Actuarial assumptions used in the computation of ICL for the year 2021:

Requisite Information	Assumptions Used
Valuation	Closed group valuation
Mortality rates	In accordance with the Philippine Inter Company Mortality Study per age group
Morbidity rates	Average of the past 3-years on Utilization Rates and Average Value per Claim disaggregated by age and sex
Discount rates	Discount rates for Non-Life Insurance Policy Reserves as of December 31, 2021 (Reference: IC Circular Letter (CL) No. 2022-01)
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	Premium as stated in RA 11223
On benefits	KONSULTA gradually transitioning to Comprehensive OPB
Operating expense	7.5%

Assumptions	Particulars
Include GAA	Includes the government subsidy in the Inflows
BVAL rates	Source is the Insurance Commission Circular Letter 2022-01 and Bloomberg Valuation Rate, which is increasing by 0.5% (or 50 basis points) every 5 years after the 25 th year up to a max of 8%
Lifespan	According to the latest WHO data published in 2019 life expectancy in the Philippines is: Male 67.3, female 75.5 and total life expectancy is 71.2. For the Direct Contributors, the liabilities beyond the average lifespan will not be considered when using this assumption.

The above assumptions are for the interim until the complete personnel complement of the Office of the Actuary is in place as well as the setting up of the system that can address the needed information to be able to address the requirements of PFRS 4.

The following are expected to be for further revisions:

1. Following the "Seriatim method", calculation of reserves shall be per member
2. Review of salary increase assumption
3. Incorporation of persistency rates
4. Conduct of Expense Analysis study for the specific operating expense assumption
5. Conduct of morbidity study
6. Conduct of medical inflation study
7. Conduct of mortality study

Following the assumptions aforementioned, the ICL as approved by the Board of Directors to be recorded for CY2021 are as follows:

	Actuarial Estimates
Total Outflows	₱ 3,866,551,703,165.00
Total Inflows	3,527,241,965,426.00
ICL, end of the year	339,309,737,739.00
ICL, beginning of the year	1,014,255,679,627.97
Change in ICL	₱ (674,945,941,888.97)

The Actuarial Services and Risk Management Sector (ASRMS) performed Liability Adequacy Test as required by PFRS 4, using the same assumptions as stated above and in Note 2.22 as required by IC, the result of which is ₱339,309,737,739.00, thus, no additional provisions were recognized for the year 2021. However, per COA recommendation, the decrease should be recognized as a change in accounting estimates per PAS 8 and adjusted prospectively. The recommendation shall be revisited after further collaboration with the Office of the Actuary and Commission on Audit. And if needed, to hire a consultant to assist the ASRMS in revisiting the assumptions used in the computation.

The following are the Actuarial assumptions used in the computation of ICL for CY2020:

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 30, 2020 (Reference: IC CL No. 2020-78)
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. IC 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 IC Rates

Following the assumptions aforementioned and applying prudence based on the limitation on the sectors identified, the ICL as approved by the Board of Directors reflected in our books of accounts for CY2020 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 was used to record the ICL, subject to re-measurement.

22. Members' Equity

This account is composed of the following:

	Sept. 30, 2022	Dec. 31, 2021	Sept. 30, 2021
Surplus	-	-	-
Reserve Fund	P 224,410,812,077.02	P 176,584,864,460.18	P 151,303,378,084.95
Provision for Insurance Contract	(992,593,062,892.29)	(992,593,062,892.29)	(992,593,062,892.29)
	P (768,182,250,815.27)	P (816,008,198,432.11)	P (841,289,684,807.34)

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.

22.1. Below is the breakdown of Surplus:

	2022	2021
Balance at beginning of year	-	-
Net Income	P 46,081,388,821.21	P 5,609,825,080.65
Prior Year's Adjustment	1,744,558,795.63	4,819,002,973.24
Total Surplus	47,825,947,616.84	10,428,828,053.89
Transfer to Reserve Fund	(47,825,947,616.84)	(10,428,828,053.89)
Balance at Sept. 30	-	-

22.2. Below is the breakdown of Reserve Fund:

	2022	2021
Reserve at Beginning of year	P 176,584,864,460.18	P 140,874,550,031.06
Surplus transfer to Reserve Fund	47,825,947,616.84	10,428,828,053.89
Balance at Sept. 30	P 224,410,812,077.02	P 151,303,378,084.95

The Reserve Fund is recorded in compliance with Office Order No. 0145, s. 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 ₱470.59B, 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".

23. Premium Contributions

This account is composed of the following:

	2022	2021
Direct Contributors	P 86,682,125,084.76	P 66,999,505,501.01
Indirect Contributors	58,528,722,233.50	62,499,785,020.18
	P 145,210,847,318.26	P 129,499,290,521.19

23.1. Below is the breakdown of the Direct Contributors:

	2022	2021
Government	P 21,264,946,186.32	P 17,202,933,460.53
Private	59,176,674,089.83	43,865,138,897.40
Informal Economy	6,240,504,808.61	5,931,433,143.08
	P 86,682,125,084.76	P 66,999,505,501.01

23.2. Below is the breakdown of the Indirect Contributors:

	2022	2021
Indigent - NHTS	P 27,161,820,000.00	P 22,950,520,200.00
Senior Citizens	30,988,912,500.00	39,515,839,800.00
Special Government Program - PAMANA	10,200,600.00	0.00
Sponsored	367,789,133.50	33,425,020.18
	P 58,528,722,233.50	P 62,499,785,020.18

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.

24. Interest and Other Income

This account is composed of the following:

	2022	2021
Interest Income	P 8,042,631,744.74	P 6,895,530,431.95
Other Income	188,190,744.29	94,326,677.51
	P 8,230,822,489.03	P 6,989,857,109.46

24.1. Below is the breakdown of the Interest Income:

	2022	2021
Investment Securities at Amortized Cost	P 7,248,188,946.87	P 5,504,056,616.14
SSDs and Investment in Time Deposit	793,244,908.50	1,390,020,276.46
Savings and Current Deposits	1,197,889.37	1,453,539.35
	P 8,042,631,744.74	P 6,895,530,431.95

24.2. Below is the breakdown of the Other Income:

	2022	2021
Accreditation Fees	P 14,494,071.96	P 10,099,177.00
Fines and Penalties	81,106,226.19	59,731,645.92
Rent Income	218,791.12	367,950.42
Sale of Disposed/Unserviceable Property	101,659.63	6,507.52
Gain (Loss) on Foreign Exchange	259,837.14	100,966.95
Gain on Sale of Property, Plant and Equipment	0.00	33,425.00
Other Gain	5,423.98	0.00
Miscellaneous Income	92,004,734.27	23,987,004.70
	P 188,190,744.29	P 94,326,677.51

Miscellaneous Income 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.

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

25. Benefit Claim Expenses

This account is composed of the following:

	2022	2021
Members' Benefit for Direct Contributors	P 51,437,779,598.49	P 65,557,995,176.84
Members' Benefit for Indirect Contributors	50,458,993,520.79	56,443,658,978.39
IFM	269,004,561.00	3,273,730,166.00
DCPM-PRC	0.00	250,714,851.80
KONSULTA	1,559,002.52	0.00
	P 102,167,336,682.80	P 125,526,099,173.03

25.1. Below is the breakdown of Members' Benefit for Direct Contributors:

	2022	2021
Government	P 8,651,091,934.78	P 10,923,951,481.89
Private	18,419,789,980.12	21,679,669,313.35
Informal Economy	18,410,934,840.96	26,354,094,359.66
Lifetime Member	5,955,962,842.63	6,600,280,021.94
	P 51,437,779,598.49	P 65,557,995,176.84

25.2. Below is the breakdown of Members' Benefit for Indirect Contributors:

	2022	2021
Indigent - NHTS	P 13,871,836,315.53	P 22,399,881,074.70
Senior Citizens	30,336,882,239.75	28,621,722,725.31
Sponsored	6,250,274,965.51	5,422,055,178.38
	P 50,458,993,520.79	P 56,443,658,978.39

Benefit Claims Expenses for 2022 and 2021 are recognized at the date of confinement.

The benefit claims balance also includes accruals for Primary Care Benefit (PCB) which are actuarially estimated as of December 2019. The same are expected to be paid on the basis of the existing policy on payment of the PCB PFPR (per family payment rate).

26. Personnel Services

This account is composed of the following:

	2022	2021
Salaries and Wages	₱ 1,762,447,478.75	₱ 1,350,402,103.31
Other Compensation	1,140,954,349.75	1,096,290,207.00
Statutory Contributions	343,835,945.81	186,474,013.24
Other Personnel Services	4,157,540.29	5,929,057.78
	₱ 3,251,395,314.60	₱ 2,639,095,381.33

27. Other Operating Expenses

This account is composed of the following:

	2022	2021
Maintenance and Other Operating Expenses (MOOE)	₱ 1,074,329,530.41	₱ 912,340,832.27
Financial Expenses	32,429,031.68	42,473,277.93
Non-Cash Expenses	834,790,426.59	1,759,313,885.44
	₱ 1,941,548,988.68	₱ 2,714,127,995.64

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."

27.1. Below is the breakdown of the MOOE:

	2022	2021
Travelling Expenses		
Travelling Expenses - Local	P 36,104,128.96	P 6,991,095.64
Travelling Expenses - Foreign	334,875.18	0.00
Training and Scholarship Expenses	14,156,757.47	2,696,493.40
Supplies and Materials Expenses	115,088,462.73	83,525,142.94
Semi-Expendable Expenses	16,054,215.16	5,166,724.86
Utility Expenses		
Water Expenses	4,607,179.78	4,104,604.57
Electricity Expenses	123,608,592.88	95,268,006.04
Communication Expenses		
Postage and Courier Services	12,401,489.97	12,619,070.78
Telephone Expenses	35,443,115.94	53,233,061.73
Internet Subscription Expenses	15,614,944.56	38,449,693.57
Cable, Satellite, Telegraph and Radio Exenses	354,680.82	248,580.71
Awards/Rewards, Prizes and Indemnities	7,605,680.70	2,356,857.75
Survey, Research and Development Expenses	344,688.00	5,567,516.36
Confidential, Intelligence and Extraordinary Expenses	3,689,822.79	3,330,418.44
Professional Services		
Auditing Services	43,238,465.00	33,308,393.00
Consultancy Services	510,638.28	0.00
Other Professional Services	159,554,802.36	151,046,961.90
General Services		
Janitorial Services	52,553,441.56	52,837,866.51
Security Services	110,426,355.44	110,153,793.32
Repairs & Maintenance		
Repairs & Maint. - Bldg. & Other Structures	250,906.66	409,584.26
Repairs & Maint. - Machinery & Equipment	4,677,716.40	2,574,884.80
Repairs & Maint. - Transportation Equipment	6,115,913.62	3,671,223.51
Repairs & Maint. - Furniture & Fixtures	234,931.00	132,136.20
Repairs & Maint. - Leased Assets Improvements	975,071.00	925,510.35
Repairs & Maint. - Semi-Expendable Machinery & Equip.	7,050.00	499.00
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	381,897.04	213,126.45
Fidelity Bond Premiums	5,811,994.57	4,818,328.17
Insurance Expenses	10,253,031.80	9,173,811.03
Other Maintenance and Operating Expenses		
Advertising, Promotional, and Marketing Exp.	14,813,956.96	7,136,528.44
Printing and Publication Expenses	3,376,543.97	3,120,919.15
Representation Expenses	36,936,184.56	18,149,112.61
Transportation & Delivery Expenses	1,012,998.22	1,005,659.93
Rent/Lease Expenses	194,411,790.24	182,405,847.94
Membership Dues and Contribution to Organization	6,794,295.28	6,293,438.79
Subscription Expenses	1,014,147.51	5,568,689.18
Donations	256,065.90	14,900.00
Major Events and Conventions Expenses	7,788,513.81	2,103,546.81
Other MOOE - Others	27,524,184.29	3,718,804.13
	P 1,074,329,530.41	P 912,340,832.27

27.2. Below is the breakdown of the Financial Expenses:

	2022	2021
Bank Charges	P 14,344.51	P 24,638.01
Interest Expenses	16,126,722.26	21,213,015.76
Other Financial Charges	16,287,964.91	21,235,624.16
	P 32,429,031.68	P 42,473,277.93

Interest Expenses includes the effect of applying PFRS 16 amounting to ₱16,126,722.26.

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

27.3. Below is the breakdown of the Non-Cash Expenses:

	2022	2021
Depreciation		
Depreciation - Land Improvements	P	P 398.89
Depreciation - Buildings and Other Structures	P 967,940.07	974,885.58
Depreciation - Machinery and Equipment	177,489,884.88	219,952,551.74
Depreciation - Furniture, Fixtures, & Books	6,724,536.84	8,342,919.51
Depreciation - Transportation Equipment	10,098,985.44	11,614,512.12
Depreciation - Leased Assets	195,285,252.04	227,997,925.82
Depreciation - Leased Assets Improvements	19,323,231.15	20,809,793.23
Depreciation - Other Property, Plant, & Equipment	35,687.25	15,795.00
Amortization - Intangible Assets	7,738,375.32	34,919,611.07
Impairment Loss		
Impairment Loss - Loans and Receivables	309,187,802.77	903,581,258.91
Impairment Loss - Other Receivables	45,174,600.91	60,700.00
Impairment Loss - Due from LGUs	0.00	274,111,768.04
Impairment Loss - Financial Assets Held to Maturity	810,068.30	15,385,993.57
Impairment Loss - Property and Equipment	962.37	546,801.72
Impairment Loss - Right-of-Use Assets	0.00	0.00
Impairment Loss - Other Assets	61,734,286.85	37,739,004.07
Losses		
Loss on Sale of Property and Equipment	216,251.17	3,209,757.35
Loss on FOREX	2,561.23	16,224.62
Loss of Assets	0.00	4,000.00
Others	0.00	29,984.20
	P 834,790,426.59	P 1,759,313,885.44

28. Related Party Transactions**Compensation of Key Management Personnel**

The key management personnel refer to the executive team, with the rank of Senior Vice President up to President and Chief Executive Officer (PCEO). These individuals have the authority and responsibility for planning, directing, and controlling the activities of the Corporation.

The aggregate compensation to the executive officers for CYs 2022 and 2021 are as follows:

	2022	2021
Salaries and Wages	P 54,701,473.18	P 26,202,103.52
Terminal Benefits	0.00	0.00
	P 54,701,473.18	P 26,202,103.52

The Board of Directors for CYs 2022 and 2021 are as follows:

	2022	2021
Honorarium/Per Diem	P 6,886,400.00	P 8,478,400.00
Other Benefits	0.00	0.00
	P 6,886,400.00	P 8,478,400.00

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

29. Other Significant and Relevant Information**29.1. PhilHealth as Government Business Enterprise**

PhilHealth is now a CPSE per COA Resolution No. 2020-013 dated January 31, 2020, re: Renaming Government Business Entities (GBEs) and Non-Government Business Entities (Non-GBEs) into Commercial Public Sector Entities (CPSEs) and Non-Commercial Public Sector Entities (Non-CPSEs) pursuant to the 2018 Edition of the Handbook of International Public Sector Accounting Pronouncements (HIPSAP) Published by the International Federation of Accountants (IFAC) and the International Public Sector Accounting Standard Board (IPSASB) and its adoption of the PFRSs as its financial reporting framework.

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 PFRS as its financial reporting framework.

29.2. 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 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 Septe. 30, 2022
SARO-BMB-C-17-0023166	P 91,333,530.00	P 91,333,530.00
SARO-BMB-C-17-0025119	103,350,096.00	103,350,096.00
SARO-BMB-C-17-0025794	2,805,316,374.00	1,196,668,091.00
	P 3,000,000,000.00	P 1,391,351,717.00

29.3. PhilHealth Supplemental Benefits

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 P3,500,000,000. No NCA received yet for the P3,500,000.00 as of September 30, 2022.

29.4. 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 P875.00 per month as the maximum contribution shared equally by the Employer and the Employee at P437.50 each. However, DBM has only allocated 312.50 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:

Calendar Year	Amount of SARO
2001-2012	P 9,664,042,012.00
2013	330,691,801.00
2014	330,691,801.00
2015	330,691,801.00
2016	330,691,801.00
Total	P 10,986,809,216.00

29.5. 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 ₱2,520,000 in the financial statements.

29.6. Non-remittance of GSIS Premium for Disallowed Salary Adjustments

The GSIS premium amounting to ₱20,604,585.00 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, s. 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.

29.7. 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 ₱279,503,560 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. On December 01, 2021, payment made by DBM through BTr amounted to ₱279,503,560.00 has been received and it was acknowledged through POR No. 95559617.

29.8. Released of SARO to the Bureau of Treasury from the DBM for the Insurance Premiums to cover the FY 2021 COVID-19 National Vaccine Indemnity Fund

SARO NO. BMB C-21-0006975 in the amount of ₱500,000,000.00 was released to the BTR by the DBM to cover the FY 2021 COVID-19 National Vaccine Indemnity Fund to the 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. As of December 31, 2021, payment made by DBM through BTr has been received and it was acknowledged through POR No. 95558966 dated November 15, 2021 amounted to ₱333,333,333.00 and POR No. 96920165 dated December 13, 2021 amounted to ₱166,666,667.00. This was recorded as Trust Liabilities in the books.