



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 December 31, 2020





PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

As at December 31, 2020 and 2019

(In Philippine Peso)



UNIVERSAL HEALTH CARE

	Notes	2020	2019
ASSETS			
Current Assets			
Cash & Cash Equivalents	7	28,050,485,089	11,834,620,202
Investment in Time Deposits	8	67,235,402,005	70,086,086,078
Receivables, net	9	11,166,376,473	10,833,342,692
Other Receivable - IRM	10	1,570,977,280	-
Inventories	11	151,931,261	130,083,501
Other Current Assets	12	226,091,027	93,617,633
Total Current Assets		108,401,263,135	92,977,750,106
Non-Current Assets			
Investment Securities at Amortized Cost	13	162,544,939,050	124,382,976,137
Property & Equipment, net	14	3,041,286,570	3,402,101,399
Intangible Assets, net	15	224,231,817	267,770,907
Other Assets, net	16	248,883,193	264,180,316
Total Non-Current Assets		166,059,340,630	128,317,028,759
TOTAL ASSETS		274,460,603,765	221,294,778,865
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Financial Liabilities	17	107,709,036,141	80,021,022,956
Inter-Agency Payables	18	624,413,468	202,932,678
Trust Liabilities	19	458,536,363	527,941,359
Other Payables	20	739,498,490	6,643,577
Total Current Liabilities		109,531,484,462	80,758,540,570
Non-Current Liabilities			
Deferred Credits/Unearned Income	21	1,183,584,412	1,123,783,051
Leave Benefits Payable	22	1,208,368,125	849,149,212
Provision for Insurance Contract Liabilities	23	1,014,255,679,627	28,605,281,694
Total Non-Current Liabilities		1,016,647,632,164	30,578,213,957
TOTAL LIABILITIES		1,126,179,116,626	111,336,754,527
EQUITY			
Members' Equity (Unfunded Liabilities)	24	(851,718,512,861)	109,958,024,338
TOTAL EQUITY		(851,718,512,861)	109,958,024,338
TOTAL LIABILITIES AND EQUITY		274,460,603,765	221,294,778,865

Prepared by:

MARY ANN A. MALINIS, CPA, MBA
Acting Chief, Accounting & Internal Control Division

Reviewed by:

CHERIE GARMEN B. DIVINA, CPA, MBA, CSEE
Acting Senior Manager, Comptrollership Department

Recommending Approval:

ATTY. MA. EMILY P. ROQUE, CPA
Acting Senior Vice President, Fund Management Sector

NERISSA R. SANTIAGO
Acting SVP-Actuarial Services and Risk Management Sector

ATTY. ELI DINO D. SANTOS
Acting EVP and COO and concurrent Acting SVP, Management Services Sector

Approved by:

ATTY. DANTE A. GIERRAN, CPA
President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2020 and 2019

(In Philippine Peso)



UNIVERSAL HEALTH CARE
Health Care Insurance Corporation
INCORPORATED IN THE PHILIPPINES

	Notes	2020	2019
TOTAL PREMIUM CONTRIBUTIONS	25	148,994,622,175	146,435,027,872
Less: Benefit Claims Expenses	27	120,903,158,175	136,959,845,886
GROSS MARGIN FROM OPERATIONS		28,091,464,000	9,475,181,986
Operating Expenses			
Personnel Services	28	4,807,795,598	4,548,872,577
Other Operating Expenses	29	2,337,313,382	8,399,876,786
TOTAL OPERATING EXPENSES		7,145,108,980	12,948,749,363
NET OPERATING INCOME (LOSS)		20,946,355,020	(3,473,567,377)
Add: Interest and Other Income	26	9,113,372,620	8,131,735,048
NET INCOME		30,059,727,640	4,658,167,671
OTHER COMPREHENSIVE INCOME		-	-
NET INCOME		30,059,727,640	4,658,167,671

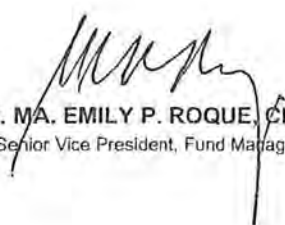
Prepared by:


MARY ANN A. MALINIS, CPA, MBA
Acting Chief, Accounting & Internal Control Division

Reviewed by:


CHERIE CARMEN B. DIVINA, CPA, MBA, CSEE
Acting Senior Manager, Comptrollership Department

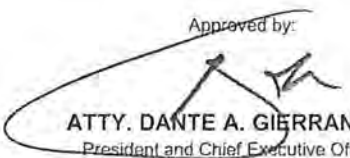
Recommending Approval:


ATTY. MA. EMILY P. ROQUE, CPA
Acting Senior Vice President, Fund Management Sector


NERISSA R. SANTIAGO
Acting SVP-Actuarial Services and Risk Management Sector


ATTY. ELI DINO D. SANTOS
Acting EVP and COO and concurrent Acting SVP, Management Services Sector

Approved by:


ATTY. DANTE A. GIERRAN, CPA
President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)



	Notes	2020	2019
SURPLUS	24.1		
Surplus at January 1, 2020		1,783,347	1,783,347
Net Income		30,059,727,640	4,658,167,671
Prior Year Adjustment		858,581,400	-
Adjustment of Contingent Capital		(1,783,347)	-
Total Surplus		30,918,309,040	4,659,951,018
Surplus transfer to Reserve Fund		(30,918,309,040)	(4,658,167,671)
Surplus at December 31		-	1,783,347
RESERVE FUND	24.2		
Reserve at January 1		109,956,240,991	105,298,073,320
Surplus transfer to Reserve Fund		30,918,309,040	4,658,167,671
Reserve Fund at December 31		140,874,550,031	109,956,240,991
Recognition of Provision for Insurance Contract Liabilities	23	(992,593,062,892)	-
TOTAL MEMBERS' EQUITY (Unfunded Liabilities)		(851,718,512,861)	109,958,024,338

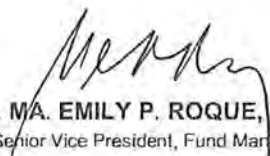
Prepared by:


MARY ANN A. MALINIS, CPA, MBA
Acting Chief, Accounting & Internal Control Division

Reviewed by:


CHERIE CARMEN B. DIVINA, CPA, MBA, CSEE
Acting Senior Manager, Comptrollership Department


Recommending Approval:


ATTY. MA. EMILY P. ROQUE, CPA
Acting Senior Vice President, Fund Management Sector


NERISSA R. SANTIAGO
Acting SVP-Actuarial Services and Risk Management Sector


ATTY. ELI DINO D. SANTOS
Acting EVP and CDO and concurrent Acting SVP, Management Services Sector

Approved by:


ATTY. DANTE A. GIERRAN, CPA
President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)



	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Cash received from premium contributions	149,124,372,821	151,408,632,100
Interest received from investments	9,442,517,989	7,937,952,430
Collection of other income	350,273,720	609,502,291
Collection of rent	490,600	487,226
Reimbursement of point of service (POS)	3,833,180	137,088,891
Total Cash Inflows	158,921,488,310	160,093,662,938
Cash Outflows		
Payment of benefit claims	(100,116,022,875)	(98,606,376,851)
Payment of operating expenses	(6,992,377,210)	(6,238,203,486)
Payment of bank charges	(82,121)	(14,123)
Total Cash Outflows	(107,108,482,206)	(104,844,594,460)
Net Cash Provided by/(Used in) Operating Activities	51,813,006,104	55,249,068,478
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Matured time deposits	140,548,007,408	22,228,358,701
Matured treasury bills	2,449,315,185	-
Matured treasury bonds	19,888,928,000	11,983,682,201
Proceeds from disposal of assets	486,329	254,225
Total Cash Inflows	162,886,736,922	34,212,295,127
Cash Outflows		
Placement on time deposits	(137,697,386,265)	(91,314,444,779)
Placement on treasury bills	(7,026,043,200)	-
Placement on treasury bonds	(53,764,546,693)	(11,987,196,201)
Accrued interest paid on placement of bonds	(174,534,351)	-
Fixed assets purchased	(188,717,521)	(495,390,464)
Total Cash Outflows	(198,851,228,030)	(103,797,031,444)
Net Cash Provided by/(Used in) Investing Activities	(35,964,491,108)	(69,584,736,317)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Inflows/Outflows		
Trust receipts	367,316,274	(30,985,951)
Net Cash Provided by/(Used in) Financing Activities	367,316,274	(30,985,951)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	16,215,831,270	(14,366,653,790)
Effects of exchange rate changes on cash and cash equivalents	33,617	(46,948)
CASH AND CASH EQUIVALENT, JANUARY 1	11,834,620,202	26,201,320,940
CASH AND CASH EQUIVALENTS, DECEMBER 31	28,050,485,089	11,834,620,202

Prepared by:

MARY ANN A. MALINIS, CPA, MBA
Acting Chief, Accounting & Internal Control Division

Reviewed by:

CHERIE CARMEN B. DIVINA, CPA, MBA, CSEE
Acting Senior Manager, Comptrollership Department

Recommending Approval:

ATTY. MA. EMILY P. ROQUE, CPA
Acting Senior Vice President, Fund Management Sector

NERISSA R. SANTIAGO
Acting SVP-Actuarial Services and Risk Management Sector

ATTY. ELIDINO D. SANTOS
Acting EVP and COO and concurrent Acting SVP, Management Services Sector

ATTY. DANTE A. GIERRAN, CPA
President and Chief Executive Officer



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



NOTES TO FINANCIAL STATEMENTS
December 31, 2020

1. GENERAL INFORMATION

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

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

The Corporation being an attached agency of the Department of Health for policy coordination and guidance and is governed by a Board of Directors composed of thirteen (13) members and has the powers and functions provided for in Article IV, Section 16 of RA 7875 as amended. The Corporation has the power, among others, to formulate and promulgate policies, set standards, rules and regulations necessary to ensure quality of care and overall accomplishment of program objectives, formulate and implement guidelines contributions and benefits; establish branch offices, manage grants and donations, acquire property, collect, deposit, invest, administer and disburse the National Health Insurance Fund (NHIF), to enter into contract with health care institutions, to fix a reasonable compensation, allowances and benefits of all positions including the President and Chief Executive Officer (CEO), based on a comprehensive job analysis and audit of actual duties and responsibilities subject to the approval of the President of the Philippines.

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

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

The accompanying financial statements of PhilHealth have been prepared in accordance with PFRS, where practicable, and COA Circular No. 2017-004 which set forth the guidelines on the preparation of financial statements and other financial reports and implementation of the PFRS by government corporation classified as government business enterprises.

3. BASIS OF PREPARATION

3.1 Basis of Measurement

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

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

Fair Value Measurement

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

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

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

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

3.2 Functional and Presentation Currency

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting policies and disclosures

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

a. New and Amended PFRS effective for reporting periods beginning on or after January 1, 2019

PFRS 9, Financial Instrument which replaces PAS 39 should be adopted effective the annual periods beginning on or after January 1, 2019. However, its adoption has been deferred to CY 2025. The deferment is made in order to coincide with the implementation of PFRS 17 which the Insurance Commission deferred to CY 2025.

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

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

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

- For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.
- For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The derecognition provisions are carried over almost unchanged from PAS 39.

Based on the Corporation's analysis of its business model and the contractual cash flow characteristics of its financial assets as at December 31, 2020, the Corporation has concluded that all of its financial assets and liabilities continue to be measured on the same basis as under PAS 39.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Corporation's financial assets as at December 31, 2020:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and Cash Equivalents	Loans and Receivables	Financial Asset at Amortized Cost	67,235,402,005	67,235,402,005
Receivables	Loans and Receivables	Financial Asset at Amortized Cost	20,126,260,473	20,126,260,473
Investment Securities	AFS Financial Assets	Financial Asset at Amortized Cost	162,544,939,050	162,544,939,050

The Corporation assessed that the adoption of PFRS 9 has on significant impact on the carrying amounts of the Corporation's financial assets carried at amortized cost.

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

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

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

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

- PFRS 15, *Revenue from Contract with Customers*

The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, which a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PAS 24, *Related Party Disclosures – Key Management Personnel*

The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendment to PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables and Portfolio Exception*

The amendment clarifies that the portfolio exception in PFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis – applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

- Amendments to PFRS 15, *Revenue from Contract with Customers – Clarification to PFRS 15*

The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value*

The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, *Investment Property – Transfers of Investment Property*

The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

b. New and Amended PFRS Issued but Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the financial statements are summarized below.

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

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendments included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PFRS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the related proceeds and related cost from such items shall be recognized in profit or loss. The amendment must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling the contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendments to PFRS 1, *First-time Adoption of International Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendments permit a subsidiary that applies PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRS.
 - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
 - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the

lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

- Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removes the requirement of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13, *Fair Value Measurement*.

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

- PFRS 17, *Insurance Contracts*

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

c. Deferred Effectivity

- The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information with the overlay approach if, and only if, applying PFRS 9.
- The Corporation applied the exemption from applying PFRS 9 as permitted by the amendments to PFRS 4 applying PFRS 9, *Financial Instruments* with PFRS 4, *Insurance Contracts* issued in September 2016. The temporary exemption permits the Corporation to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2022. The Corporation concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance.
- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*

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

4.2 Other Current Assets

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

4.3 Property and Equipment

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

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

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

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

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

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

4.4 Intangible Assets

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

4.5 Impairment of Non-financial Assets

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

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

4.6 Derecognition of Non-financial Assets

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

4.7 Accounting for Insurance Liability for Lifetime Membership

As stipulated in the Section 17 of RA 10606 (or Section 27 of RA 7875), a separate fund for the benefit claims reserve of the existing Lifetime members must be set up as a liability of the Corporation.

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

4.8 Contingent Assets

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

4.9 Investment Securities at Amortized Cost

Interest income

Interest income is recognized in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the expected estimated future cash payments and receipts through the expected life of the financial asset or liability. Where financial

assets have been impaired, interest income continues to be recognized on the impaired value, based on the original effective interest rate.

Classification

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

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

Recognition

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

Measurement

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

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

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

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

Derecognition

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

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

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

4.10 Surplus

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

4.11 Revenue Recognition

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

The following specific recognition criteria must be met:

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

4.12 Expense Recognition

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

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

Benefit Claims Expense

This represents benefits incurred by the Corporation for health care services, in-patient, out-Patient, PCB and Z benefit packages availed of by the members and their dependents. Benefit Claims Expense is recognized at the date of confinement (per Corporate Order 2018-0095).

Operating Expenses

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

4.13 Leases

Corporation as a Lessee

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

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

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

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

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

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

Corporation as a Lessor

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

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

Short-term leases and leases of low-value assets

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

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

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

4.14 Research and Development Cost

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

4.15 Employee Benefits

Short-term Benefits

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

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

4.16 Related Parties

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

4.17 Contingent Liabilities

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

4.18 Events after Reporting Date

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

5. FINANCIAL RISK MANAGEMENT

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

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

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

Financial Risk Factors

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

a. Credit risk

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

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

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

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

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

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

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

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

b. Liquidity Risk

This refers to the risk of loss, though solvent, due to insufficient financial resources to cover for liabilities as they fall due. It also involves the risk of excessive costs in securing such resources. This risk also refers to (a) unanticipated changes in liquidity supply and demand that may affect the organization through inability to meet contractual obligations or default (Funding Liquidity Risk) and (b) asset illiquidity or the risk of loss arising from inability to realize the value of assets, without significant reduction in price, due to bad market conditions (Market Liquidity Risk).

PhilHealth manages this risk through daily monitoring of cash flows in consideration of future payment due dates and regular premium collection receipts. PhilHealth also maintains sufficient portfolio of highly marketable assets that can easily be liquidated as protection against unforeseen interruption to cash flow such as Special Savings Deposits with AGDBs, Treasury Bills and Government Securities with remaining life of less than one (1) year.

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

remittances, under remittances and late submission of required reports and documents.

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

c. Market Risk

Market risk is the Corporation's exposure to potential loss due to unexpected changes in external markets, prices or rates related to general market movements of a specific financial asset on the Statement of Financial Position. This risk arises from volatility in the absolute level of interest rates and fluctuations in interest rates due to changes in global and local economic conditions and political developments that affect the value of the Corporation's securities investments. Since the securities investments of Corporation's are Held-to-Maturity (HTM) investments, the Corporation has very minimal exposure to market risk and it has the predictability of regular returns from the held-to-maturity investment. These regular earnings allow the Corporation to make plans for the future, knowing this income will continue at the set rate and the final return of capital upon maturity.

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

1.) Estimating Premium Income from the Direct Contributors - Employed Sector

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

2.) Estimating Allowance for Impairment of Receivables

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

3.) Estimating Benefit Claims Payables

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

- a. In-Course of Settlement (ICS) - these are claims still in process at the end of the reporting period. The estimate is based on the case rate amount extracted from the N-Claims. It also includes claims awaiting encoding (not yet encoded claims) which is measured by using the average value per claim. Average value per claim is the quotient from dividing the total amount of benefit payment for the month by the total number of claims processed for the same period.
- b. Incurred But Not Yet Received (IBNR) - These are claims which are estimated to be in the possession of the Health Care Institutions (HCIs) as of the end of the month and have yet to be submitted to the Corporation within the allowable 60-day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015. The amount to be recorded is actuarially estimated.

Methodology for Estimating IBNR

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

7. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2020	2019
Collecting Officers	112,340,134	88,585,210
Petty Cash Fund	3,024,342	2,899,473
Cash in Bank	25,297,702,624	2,087,016,745
Special Savings in Time Deposits (net)	2,637,417,989	9,656,118,774
Total	28,050,485,089	11,834,620,202

Notes to Financial Statements, December 31, 2020

- 7.1 The amounts of P112,340,134 and P88,585,210 as at December 31, 2020 and 2019, respectively, represent collections at the end of the month of the Collecting Officers which are to be deposited on the following working day.
- 7.2 Using the Imprest Fund system, our Petty Cash Fund is for the use of miscellaneous expenditures which cannot be conveniently paid by check. An officer holding the Petty Cash Fund is also properly bonded in accordance with law. The amounts of P3,024,342 and P2,899,473 as at December 31, 2020 and 2019, respectively, represent available petty cash fund as of reporting dates.
- 7.3 Cash in Bank amounting to P25,297,702,624 and P2,087,016,745 as at December 31, 2020 and 2019, respectively, represent various bank deposits that are unrestricted and available for current operations. Included in this account are cash denominated in foreign currencies which are translated to Peso using the closing rate as of reporting dates. The significant increase was due to the receipt of payment on December 29, 2020 amounting to P22,019,721,960 which was only invested in the following reporting period.
- 7.4 Special Savings Deposit (SSD) amounting to P2,637,417,989 and P9,656,118,774 as at December 31, 2020 and 2019, respectively, are term deposits of one (1) day up to ninety (90) days with interest rates higher than the regular savings deposit rates and evidenced by either passbook or schedule of deposits. Interest rates ranging from .2603% to 1.8750% and .400% to 4.4250% for 2020 and 2019, respectively.

8. INVESTMENT IN TIME DEPOSITS

	2020	2019
Investment in Time Deposits	67,235,402,005	70,086,086,078
Total	67,235,402,005	70,086,086,078

Investments in Time Deposits are term deposits of ninety-one (91) to three hundred sixty-four (364) days with interest rate ranging from 0.8750% to 2.3600% and ranging from 3.3250% to 4.3100% for 2020 and 2019, respectively.

9. RECEIVABLES

This account consists of:

	2020	2019
Receivable from Direct Contributors	8,536,647,321	7,797,196,442
Due from NGAs	21,401,657,560	21,523,354,944
Due from LGUs	415,239,938	544,875,156
Accrued Interest Receivable from Investment	1,497,000,575	1,651,848,865
Other Receivables	3,061,630	3,297,836
Receivables	31,853,607,024	31,520,573,243
Allowance for Impairment	(20,687,230,551)	(20,687,230,551)
Receivables, net	11,166,376,473	10,833,342,692

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

	2020	2019
Receivable from Direct Contributors	8,536,647,321	7,797,196,442
Allowance for Impairment	(15,371,751)	(15,371,751)
Receivable from Direct Contributors, net	8,521,275,570	7,781,824,691

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

	2018	2017	2016	2015	2014	Total
NHTS:						
Amount	-	279,503,560				279,503,560
No. of enrollees	-	116,460				116,460
SENIOR CITIZEN:						
Amount	-	-	5,421,018,000	12,999,827,200	2,117,289,600	20,537,134,800
No. of enrollees	-	-	2,258,757	5,416,178	882,204	8,557,139
POS						
Amount	450,295,200	-			-	450,295,200
No. of enrollees	2,238,331				-	2,238,331
FORTUITOUS EVENT						
Amount		-			134,724,000	134,724,000
No. of enrollees		-			56,135	56,135
Total Amount	450,295,200	279,503,560	5,421,018,000	12,999,827,200	2,252,013,600	21,401,657,560
Less: Allow. For Impairment ((5,421,018,000)	(12,999,827,200)	(2,252,013,600)	(20,671,858,800)
Net Amount	450,295,200	279,503,560	-	-	-	729,798,760

Enrollment of 187,623 qualified members under PhilHealth's Point-of-Service (POS) program for 2018 per billing to DBM.	450,295,200
Total 2018	450,295,200
PhilHealth's share from Militaray Camp Sales Proceeds Fund (MCSPF) for the enrollment of 96,376 indigent families as identified through NHTS-PR CY 2017.	231,302,665
PhilHealth's share from MCSPF for the enrollment of 20,084 indigent families as identified through NHTS-PR CY 2017.	48,200,895
Total 2017	279,503,560
Enrollment of 2,258,757 Senior Citizens which were automatically renewed for CY 2016 per billing/letter to DBM through DOH.	5,421,018,000
Less: Allowance for Impairment	(5,421,018,000)
Total 2016 (Net)	-
Enrollment of 5,416,178 Senior Citizens for CY 2015 based on billing to DBM.	12,998,827,200
Less: Allowance for Impairment	(12,998,827,200)
Total 2015 (Net)	-
Enrollment of 56,135 families of which 55,474 families came from Region 8 who were casualties of Typhoon Yolanda and for the extended insurance coverage under the Fortuitous Event Program implemented as a component of the NHIP for the billing period of Jan. - Dec., 2014.	134,724,000
Enrollment of 882,204 Senior Citizens for the period of Oct. to Dec., 2014 based on billing to DBM.	2,117,289,600
Total 2014	2,252,013,600
Less: Allowance for Impairment	(2,252,013,600)
Total 2014 (Net)	-
Grand Total (Net)	729,798,760

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

	2020	2019
National Capital Region (NCR)	23,041,240	29,490,000
Cordillera Administrative Region (CAR)	-	11,533,856
I	2,664,000	1,065,000
II	553,270	17,964,470
III	109,978,856	111,971,671
IV-A	5,325,400	3,010,600
IV-B	3,580,800	1,841,400
V	3,219,000	4,983,000
VI	168,254,075	177,104,520
VII	15,227,100	71,192,640
X	1,500,000	3,540,000
XI	10,812,200	10,809,000
XII	-	5,488,400
XIII - CARAGA	70,571,997	83,656,999
Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)	512,000	11,223,600
	415,239,938	544,875,156

9.4 Accrued Interest Receivable from investment amounting to P1,497,000,575 and 1,651,848,865 as of December 31, 2020, respectively, represent interest earned as at the reporting date from special savings deposit, time deposit, investment securities at amortized cost which are due for collection on the following year.

9.5 Other Receivables amounting to P3,061,630 and P3,297,836 as of December 31, 2020 and 2019, respectively, represent due from officers and employees.

10. OTHER RECEIVABLE - INTERIM REIMBURSEMENT MECHANISM (IRM)

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

"WHEREFORE, premises considered, the Board RESOLVES, as it is hereby RESOLVED, to APPROVE the inclusion of Interim Reimbursement Mechanism among the special privileges that may be conferred during fortuitous events and emergencies, thereby amending PhilHealth Board Resolution No. 1848, s. 2013 for this purpose;"

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

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

On 07 May 2020, PhilHealth issued Corporate Order No. 2020-0033 signed by then PCEO BGen. Ricardo C. Morales. It provides the guidelines and procedures in the recording and reporting of benefit claims under the IRM.

As of December 31, 2020, a total of Php13,399,873,624 or 89.5% has already been liquidated out of the Php14,970,850,904 released IRM, leaving a balance of P1,570,977,280 or 10.5% , nationwide.

11. INVENTORIES

This account includes the following:

	2020	2019
Office Supplies & Materials Inventory	110,139,605	107,095,032
Semi-Expendable Machinery and Equipment	21,613,716	4,128,324
Semi-Expendable Furniture, Fixtures, and Books	20,177,940	18,860,145
Total	151,931,261	130,083,501

11.1 Office Supplies and Materials Inventory amounting to P110,139,605 and P107,095,032 as at December 31, 2020 and 2019, respectively, represent small tangible items that are expected to be used within one year from the reporting date.

11.2 Semi-Expendable Machinery and Equipment amounting to P21,613,716 and P4,128,324 as at December 31, 2020 and 2019, respectively, represent office equipment, information and communication technology costing less than P15,000.00.

11.3 Semi-Expendable Furniture, Fixtures, and Books amounting to P20,177,940 and P18,860,145 as of December 31, 2020, respectively, represent furniture, fixtures and books costing less than P15,000.00.

12. OTHER CURRENT ASSETS

Other Current Assets amounting to P226,091,027 and P93,617,633 as of December 31, 2020, respectively, includes the following:

- 12.1 Other Current Assets includes other receivable – others which represents the Interim Financial Mechanism (IFM) Funds amounting to P100,000,000 released to Philippine Red Cross to cover COVID -19 testing services.
- 12.2 Remittance of taxes withheld from the released IRM amounting to P35,063,506.
- 12.3 IRM Funds amounting to P132,400 represents advance payments to Health Care Institutions due to Taal Volcano Eruption.
- 12.4 Withholding taxes and compromise penalties of hospitals amounting to P24,264,032 for the taxable year 2003-2004 per BIR decision with reference No. P06-15 dated April 14, 2015.

12.5 Fines and penalties from ACAs.

13. INVESTMENT SECURITIES AT AMORTIZED COST

- 13.1 Investment in Treasury Bills with a maturity period of 91 to 364 days and with an average interest rate of 3.8197%.

	Interest Rate	2020	2019
Treasury Bills	3.8360%	2,578,490,109	-
Treasury Bills	3.8360%	500,584,229	-
Treasury Bills	3.7870%	1,497,653,676	-
Total		4,576,728,014	-

- 13.2 Investment in Government Bonds with a maturity period of more than one (1) year and with an average interest rate of 5.2147%.

	Interest Rate	2020	2019
Retail T-bonds	4.7750%	58,816,890,000	50,599,080,000
RTB-Non-Restricted Environment	4.5190%	77,536,468,190	40,686,267,054
10-year T-bonds	6.3500%	6,752,352,846	15,052,629,083
Sub-Total		143,105,711,036	106,337,976,137

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

	Interest Rate	2020	2019
7-year Meralco Fixed Rate Bonds	4.3750%	-	1,500,000,000
7-year PLDT Fixed Rate Bonds	5.2250%	650,000,000	650,000,000
5.5-yr SM Prime Holdings, Inc. Fixed Rate Bonds	5.1000%	-	500,000,000
7-yr SM Prime Holdings, Inc. Fixed Rate Bonds	5.2006%	500,000,000	500,000,000
7-yr Aboitiz Power Corp. Fixed Rate Bonds	5.2050%	1,000,000,000	1,000,000,000
5.25-yr Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	4.4722%	-	1,000,000,000
7-yr Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	5.0056%	1,000,000,000	1,000,000,000
7-yr Filinvest Land Inc. Fixed Rate Bonds	5.4000%	1,000,000,000	1,000,000,000
7-yr Filinvest Land, Inc. Fixed Rate Bonds	5.3567%	780,000,000	780,000,000
7-yr Robinsons Land Corp. Fixed Rate Bonds	4.8000%	1,500,000,000	1,500,000,000
7-yr Ayala Land Inc. Fixed Rate Bonds	4.5000%	950,000,000	950,000,000
7-yr Ayala Land Inc. Fixed Rate Bonds	3.8915%	1,100,000,000	1,100,000,000
5.25-yr South Luzon Tollway Corp. Fixed Rate Bonds	4.9925%	-	182,500,000
7-yr South Luzon Tollway Corp. Fixed Rate Bonds	5.5796%	182,500,000	182,500,000
5.25-yr SM Prime Holdings	4.5095%	1,200,000,000	1,200,000,000
2-yr DBP Series A ASEAN Sustainability Fund	4.2500%	5,000,000,000	5,000,000,000
Sub-Total		14,862,500,000	18,045,000,000
Grand Total		162,544,939,050	124,382,976,137

Interest earned on Investment Securities at Amortized Cost amounted to P6,643,293,352 and P6,445,144,391 in 2020 and 2019, respectively.

14. PROPERTY AND EQUIPMENT– NET

This account consists of:

	Land and Land Improvements	Building and Structure / Leasehold Improvements	Leased Assets (Right-of-use Assets)	Construction in Progress	Furniture and Fixtures Equipment and Books	Motor Vehicle	Total
Cost							
Jan. 1, 2020	876,177,353	203,545,772	1,169,988,082	27,569,241	2,988,168,775	234,199,193	5,499,648,416
Additions	-	47,614,212	154,819,117	-	153,626,945	2,998,834	359,059,208
Adjustments	-	(10,923,628)	(8,495,765)	-	(120,940,062)	(6,191,280)	(146,550,735)
Dec. 31, 2020	876,177,353	240,236,356	1,316,311,434	27,569,241	3,020,855,658	231,006,847	5,712,156,889
Accu. Dep'n							
Jan. 1, 2020	1,470,337	101,669,779	200,209,850	-	1,642,825,081	151,371,970	2,097,547,017
Depreciation	27,716	25,106,380	239,479,446	-	341,030,230	22,084,838	627,708,610
Adjustments	-	(4,513,280)	(6,331,243)	-	(39,566,641)	(3,975,144)	(54,385,308)
Dec. 31, 2020	1,498,053	122,262,879	433,358,053	-	1,944,289,670	169,461,664	2,670,870,319
Net Book Value, Dec. 31, 2020	874,679,300	117,973,477	882,953,381	27,569,241	1,076,565,988	61,545,183	3,041,286,570
Net Book Value, Dec. 31, 2019	874,707,016	101,875,993	969,778,232	27,569,241	1,345,343,694	82,827,223	3,402,101,399

Included under Land and Buildings accounts are the following:

- 14.1 A parcel A parcel of land situated in Quezon City with a total area of 17,230.50 square meters (sq. m.). This property has a carrying amount of P439,377,750. The Head Office of PhilHealth shall be constructed in this lot.

Relative to the construction of the proposed PhilHealth Corporate Center, the Corporation acquired an additional 145 sq. m. lot from the National Housing Authority (NHA) located in Barangay Pinyahan, East Avenue, Quezon City at a cost of P2,439,735.68.

The 17,230.50 sq. m. and 145 sq. m. with a total of 17,375.50 sq. m. was appraised with a fair market value of P1,464,590,000 on December 06, 2018 by an independent appraiser.

- 14.2 A property with a total area of 4,355 sq. m. acquired from Fort Bonifacio Development Corporation (FBDC), in exchange for the Corporation's investments in FBDC located in Fort Bonifacio, Taguig City. This asset with a carrying amount of P413,845,805 was appraised with a fair market value of P2,613,000,000 as of December 7, 2018.

- 14.3 A parcel of lot with a total area of 1,544 sq. m. and a building with a total floor area of 3,287 sq. m. purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga at a cost of P25,520,363. The land and building were appraised with a fair market value of P74,605,000 as of January 20, 2017. PRO III also purchased a warehouse in San Fernando City, Pampanga with a total area of

1,831 sq. m. and was appraised with a fair market value of P16,240,000 as of December 27, 2016.

14.4 A parcel of lot with a total area of 2,897 sq. m. located in Tuguegarao City which will be used as the PRO II's Regional Office. This property was received by way of donation, through a Memorandum of Agreement (MOA) executed between the Department of Public Works and Highways (DPWH) Region II and the Corporation. This property which is carried in the books at P4,056,000 was appraised with a fair market value of P23,176,000 as of January 19, 2017. In compliance with the condition set forth in the MOA to construct PhilHealth's office building within two years from the execution of the Deed of Donation, the Regional Development Council (RDC) II has extended, upon the request of PRO II, the construction of the building for another two years per RDC-2 Resolution No. 02-25, series of 2017.

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

14.6 List of Right-of-Use Assets: (Please see attached Annex A for details):

	2020	2019
Head Office	479,762,130	479,762,130
NCR	167,819,282	165,383,429
CAR	63,592,569	63,592,570
I	19,193,204	14,482,293
III	47,948,907	47,948,907
IV-A	71,107,860	44,178,059
IV-B	98,641,188	38,822,816
V	24,278,093	24,278,093
VI	61,027,138	61,027,138
VII	34,655,504	34,439,747
VIII	9,614,660	9,614,660
X	95,823,072	95,823,648
XI	46,790,139	46,790,139
XII	25,131,313	25,131,313
CARAGA	54,221,602	2,008,368
ARMM	16,704,773	16,704,773
Total	1,316,311,434	1,169,988,083

15. INTANGIBLE ASSETS – NET

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

	2020	2019
Cost, January 1, 2020	267,770,907	297,797,696
Additions/Deductions	167,165,810	45,900,476
Cost, December 31, 2020	434,936,717	343,698,172
Accumulated Amortization	(210,704,900)	(75,927,265)
Net Book Value, December 31, 2020	224,231,817	267,770,907

16. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2020	2019
Advances to Disbursing Officers	100	674,581
Advances to Officers & Employees	643,131	1,211,032
Prepayments	38,851,547	32,619,252
Deferred Charges	94,006	771,659
Guaranty Deposits	103,294,526	96,143,856
	142,883,310	131,420,380
DBM (transfer of NHIP Program from GSIS to PhilHealth)	155,235,240	155,235,240
PCSO (Enhanced GMA Program)	-	115,000,000
PDIC (per MB Resolution 459 dated April 7, 2005)	327,103	327,103
COA disallowances of former officers and employees	1,456,749	1,456,749
PROs (from various Health Providers-Debit Credit Scheme)	635,559	635,559
Unserviceable Equipment	54,218,336	55,634,816
Serviceable Equipment	1,919,814	3,678,768
Receivable from NGAs	394,741,430	394,741,430
Receivable from PCSO	283,800	100,566,336
Receivable from LGUs	437,719,969	455,575,301
Other Assets - Intangible	6,152,104	5,221,886
Gross Long-Term Receivable	1,052,690,104	1,288,073,188
Less: Allowance for Impairment	(946,690,221)	(1,155,313,252)
	105,999,883	132,759,936
Net Amount	248,883,193	264,180,316

- 16.1 The Disbursing Officer is an Accountable Officer (AO) duly designated, responsible and accountable for the proper management of funds for a specific legal purpose or activity and is properly bonded in accordance with law. The amounts of P100 and P674,581 as at December 31, 2020 and 2019, respectively, represent available funds from the said officers as of reporting date.
- 16.2 Advances to Officers and Employees amounting to P643,131 and P1,211,032 as at December 31, 2020 and 2019, respectively, represent cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travels.
- 16.3 Prepayments amounting to P38,851,547 and P32,619,252 as at December 31, 2020 and 2019, respectively, represent authorized payments made for the purchase of goods from the Procurement Service of the Department of Budget and Management (PS-DBM) as well as insurance of motor vehicles of the Corporation from the Government Service Insurance System (GSIS).
- 16.4 Deferred Charges amounting to P94,006 and P771,659 as at December 31, 2020 and 2019, respectively, represent DCS transactions. For 2019, it includes the unused portion of the amount of benefit claims paid to various Health Care Providers (HCPs). This payment was made by PRO VIII in compliance with the PhilHealth Board Resolution No. 1855 series 2013 which provides a mechanism for extending substantial aid to the affected Health Care Institutions (HCIs) in the aftermath of the 'Super Typhoon Yolanda'. A total of P302,472,692 was paid to the HCP's and of this amount, P301,795,039.00 claims have been processed leaving a balance of P677,653 as of December 31, 2019, this was reclassified to other receivables in 2020.

- 16.5 Guaranty Deposits amounting to P103,294,526 and P96,143,856 as at December 31, 2020 and 2019, respectively, represents transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.
- 16.6 Long Term Receivable from the DBM amounting to P155,235,240 as at December 31, 2020 and 2019 represents surcharges for late remittance of the employer counterpart for premium contribution. However, allowance for impairment account of the same amount was provided for after evaluation of such factor as aging of accounts, collection experience in relation to particular receivable and identified doubtful accounts.
- 16.7 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to P115,000,000 as at December 31, 2019 represents the balance of the account for the premium counterpart of various LGUs under the Enhanced PCSO–Greater Medicare Access (PCSO-GMA) Program. The said long term receivable was already collected from PCSO as of December 31, 2020.
- 16.8 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to P327,103 as at December 31, 2020 and 2019 was in pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.
- 16.9 Disallowances amounting to P1,456,749 as at December 31, 2020 and 2019 refer to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by the Commission on Audit (COA). Subsidiary ledger for these disallowances is being maintained and kept for ready references.
- 16.10 Debit/Credit Scheme (DCS) amounting to P635,559 as at December 31, 2020 and 2019 refers to the balance of advance payment to HCPs for the year 1999. Allowance for impairment of P115,625.80 for PRO VII, P9,698.45 for PRO X, P11,393.50 for PRO IVA, P37,352.05 for PRO V, P76,183.91 for PRO VI and P17,608.75 for PRO CARAGA, a total of P267,862.46 was provided for due to closure of the hospital facilities.
- 16.11 Unserviceable Equipment account amounting to P54,218,336 and P55,634,816 as at December 31, 2020 and 2019, respectively, represent equipment that are already for disposal. Serviceable Equipment account amounting to P1,919,814 and P3,678,768 as at December 31, 2020 and 2019, respectively, represents pieces of equipment which are still functional but already obsolete and fully depreciated and ready for disposal. These serviceable and unserviceable equipment accounts shall be further reclassified as Non-Current Asset–Held for Sale, once the requirements set upon by the Standard are met.
- 16.12 Receivable from National Government Agencies (NGAs) amounting to P394,741,430 as at December 31, 2020 and 2019 represents deficiency in employer share of the Health Insurance Premium Contributions to the Corporation by different government agencies nationwide for CYs 2001 to 2008.
- 16.13 Receivable from PCSO represents remaining unpaid billings for the enrollment of indigent families in the amount of P283,800 under the PCSO-GMA program for 2003 and 2005.

- 16.14 Receivable from LGUs represents long overdue premium contributions from various cities and municipalities all over the Philippines for the enrollment of their respective constituents under the Sponsored Program of the Corporation. It was reclassified from Current Receivable to Other Assets in compliance with COA recommendation per Audit Observation Memorandum (AOM) No. 2015-22 (14) dated May 5, 2015, details as shown below.

	2020	2019
NCR	1,307,600	1,428,200
CAR	22,984,568	11,450,712
I	38,805,892	39,839,267
II	15,914,961	21,532,741
III	-	-
IV-A	14,124,485	14,124,485
IV-B	938,740	938,740
V	285,953,173	286,037,068
VIII	12,143,182	28,916,462
IX	-	230,259
X	26,700,975	29,200,974
XI	16,918,141	19,918,141
BARMM	1,928,252	1,958,252
Total	437,719,969	455,575,301

- 16.15 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.

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

Allowance for Impairment	2020	2019
DBM (transfer of NHIP Program fr. GSIS to PHIC)	155,235,240	155,235,240
PCSO (Enhanced GMA Program)	-	115,000,000
PDIC (per MB Reso. 459 dated 4/7/5)	327,103	327,103
PROs (from various Health Providers-DCS)	267,863	267,863
Receivable from NGAs	394,741,430	394,741,430
Receivable from PCSO	-	100,566,336
Receivable from LGUs	396,118,585	389,175,280
Total Allowance for Impairment	946,690,221	1,155,313,252

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

17. FINANCIAL LIABILITIES

This account consists of:

	2020	2019
Accounts Payable	7,452,516,468	7,753,219,339
Personnel Services	624,158,605	2,032,141,904
MOOE	1,136,200,147	1,125,933,981
CAPEX	276,683,241	296,820,273
Benefit Claims Processed	5,317,814,480	4,124,188,649
Benefit Claims Processed (PCB)	97,659,995	174,134,532
Accrued Benefits Payable	99,061,105,693	71,267,938,336
ICS	15,862,773,693	21,921,630,105
ICS-RTH	5,372,520,762	-
IBNR	64,574,818,536	36,086,348,280
PCB	13,250,992,702	13,259,959,951
Due to Officers and Employees	282,798,743	-
Operating Lease Payable	2,336,296	-
Finance Lease Payable	905,503,725	998,262,164
Tax Refund Payable	4,760,216	1,603,117
Other Financial Liabilities	15,000	-
Total	107,709,036,141	80,021,022,956

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

The PhilHealth Board of Directors issued PHIC Board Resolution No. 385, s. 2001, granting the payment of the Welfare Support Assistance (WESA) of P4,000.00 each to all qualified employees effective January 01, 2001. This is in lieu of the subsistence and laundry allowances paid to public health workers under Republic Act (R.A.) No. 7305, otherwise known as the *Magna Carta of Public Health Workers*. However, On February 07, 2008, the Commission on Audit (COA) issued ND PHIC 2008-003 (2004) disallowing the payment of WESA contending that the payment was made without legal basis in the absence of approval from the Office of the President. On Appeal, the COA *en banc* sustained the disallowance.

PhilHealth then filed a Petition before the Supreme Court seeking to reverse and set aside the Decision of the COA. The Supreme Court in its Decision dated November 29, 2016, held that the Health Secretary approved the grant of the WESA together with ten (10) other members of the Board does not make the act any short of the approval required under the law. As far as the Magna Carta and its Revised IRR are concerned, the then Health Secretary Dr. Alberto G. Romualdez, Jr. voted in favor of the WESA's issuance, and for as long as there exists no deception or coercion that may vitiate his consent, the concurring votes of his fellow Board members does not change the fact of his approval. PhilHealth's grant of the WESA was aptly

sanctioned not only by Section 12 of the SSL which explicitly identifies laundry and subsistence allowance as excluded from the integrated salary, but also by statutory authority, particularly, Section 22 and 24 of the Magna Carta. In view of such fact, the PhilHealth officers cannot be found to have approved the issuance of the same in bad faith or in gross negligence amounting to bad faith for it was well within the parameters set by law.

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

Such an interpretation is consistent with the constitutionally-protected right of labor and that any doubt in the interpretation of laws, including compensation laws, should be resolved in favor of labor. Section 3 of **Article XIII** of the **1987 Constitution** on Social Justice and Human Rights reads: "The State shall afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equality of employment opportunities for all." Section 18, **Article II** of the **1987 Constitution** states that "[t]he State affirms labor as a primary social economic force. It shall protect the rights of workers and promote their welfare" and Section 10 declares that "[t]he State shall promote social justice in all phases of national development."

As at December 31, 2020, the remaining balance for WESA is P95,677,747.00.

- 17.2 Benefit claims processed amounting to P5,317,814,480 and P4,124,188,649 as at December 31, 2020 and 2019, respectively, represents benefit payment checks still in the possession of the Corporation.
- 17.3 Primary Care Benefit (PCB) processed amounting to P97,659,995 and P174,134,532 as at December 31, 2020 and 2019, respectively, represents PCB payment checks still in the possession of the Corporation.
- 17.4 Accrued Benefit Claims – In Course of Settlement (ICS) amounting to P21,235,294,455 and P21,921,630,105 as at December 31, 2020 and 2019, respectively, are benefit claims in process as of the reporting period. It is composed of claims in process and claims that are not yet encoded in the system. Claims that are not yet encoded in the system multiplied by the average value per claim are added to the extracted amount of claims in process to come up with the total amount of accrual for ICS. Starting 2019, the estimate is based on the case rate amount extracted from the N-Claims.
- 17.5 Accrued Benefit Claims – Incurred But Not Yet Received (IBNR) amounting to P64,574,818,536 and P36,086,348,280 as at December 31, 2020 and 2019, respectively, are claims which are actuarially estimated to be in the possession of the Health Care Institutions (HCIs) as of the end of the month and have yet to be submitted to the Corporation within the allowable 60-day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015.

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

- 17.6 Accrued Benefit Claims – Primary Care Benefit (PCB) amounting to P13,250,992,702 and P13,259,959,951 as at December 31, 2020 and 2019, respectively, are claims which are actuarially estimated.
- 17.7 Due to Officers and Employees amounting to P282,798,743 as at December 31, 2020 represents liability to officers and employees for salaries, benefits and other emoluments including authorized expenses paid in advance by the officers and employees. However, in 2019, it was lodged to Personnel Services.
- 17.8 Operating Lease liability are accrual for Rental expense which did not qualify as finance lease or use of right assets.
- 17.9 Finance Lease liability amounting to 905,503,725 and 998,262,164 as at December 31, 2020 and 2019, respectively are lease payable of the corporation mostly office and warehouse rental ranging from 1 to 5 years.

18. INTER-AGENCY PAYABLES

This account consists of:

	2020	2019
Due to BIR	127,108,007	116,691,998
Due to GSIS	52,636,987	59,253,977
Due to Pag-IBIG	3,302,888	2,938,395
Due to PhilHealth	6,688,796	6,124,285
Due to Other NGAs	10,529,468	10,518,000
Due to Government Corporations	421,336,489	751,489
Due to LGUs	2,810,833	6,654,534
Total	624,413,468	202,932,678

- 18.1 Due to BIR consists of liability for income taxes withheld from employees' compensation and for taxes withheld from payment to suppliers and health service providers for the account of the BIR.
- 18.2 Due to GSIS, Due to Pag-IBIG and Due to PhilHealth comprise of amortization of loans availments, life and retirement insurance premiums payable to GSIS, contributions and amortization of loan availments payable to Pag-IBIG fund, and medical insurance premiums payable to PhilHealth deducted from the salaries of the Corporation's officials and employees and the employer's counterpart.
- 18.3 Due to Government Corporations refer to receipt of funds from Philippine Charity Sweepstakes Office (PCSO) for Covid 19 related packages.

19. TRUST LIABILITIES

This account consists of:

	2020	2019
UNFPA Project	37,244	36,800
Unclaimed Refund from Health Care Providers	311,857,534	312,270,346
AHP - Protest Bond	9,815,000	6,275,000
Donations	8,826,740	8,845,550
Performance/Bidders Bond Payable	31,321,958	30,679,641
Retention Fee	38,475,384	34,609,577
Global Development Project	1,923,583	1,872,296
Philippine Training Institute	5,216,171	4,793,157
Philippine Training Institute - NSSF	245,886	-
PhilHealth Run 2013	900	900
PhilHealth Run 2015	872,605	563,205
Calamity Fund	127,750	127,260
PhilHealth Provident Fund	21,136,154	17,467,851
Others	28,679,454	110,399,776
Total	458,536,363	527,941,359

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

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

	2020	2019
Westmont Investment Corp.	2,945,656	2,945,656
Strategies & Alliance Corp.	3,679,319	3,698,129
Land Bank of the Philippines	110,000	110,000
Donation received by PRO's	2,091,765	2,091,765
Total	8,826,740	8,845,550

20. OTHER PAYABLES

This account consists of:

	2020	2019
Undistributed Collections	329,092,713	-
Due to Non-Government Organizations/Civil Society	433,329	-
Other Payables - Others	409,972,448	6,643,577
Total	739,498,490	6,643,577

20.1 Undistributed Payable refer to unidentified premium collections, remittances of Accredited Collecting Agents (ACAs) and accreditation fees credited to PhilHealth bank accounts as of December 31, 2020.

- 20.2 Other Payables – Others includes employees association dues to PhilHealth White, amortization of loans to Phicea, and PROs cooperative deducted from the salary of the PhilHealth employees.

21. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	2020	2019
Advance premium by direct contributor members	556,083,542	477,768,364
Premium contribution for NHTS enrollment (CYs 2013 & 2014).	516,844,200	516,844,200
Accreditation Fees - ACAs	642,969	636,114
Accreditation Fees - HCPs	1,739,000	1,465,900
Sponsored - LGUs	42,812,788	33,478,533
Others	65,461,913	93,589,940
Total	1,183,584,412	1,123,783,051

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

22. LEAVE BENEFITS PAYABLE

Leave benefits payable amounting to P1,208,368,125 and P849,149,212 as at December 31, 2020 and 2019, respectively, represent money value of the earned leave credits of officers and employees of PhilHealth.

23. INSURANCE CONTRACT LIABILITIES

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

Provision for Insurance Contract Liabilities

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

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

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

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

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

Insurance Contract Liabilities Computation

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

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

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

Liability Adequacy Test

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

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

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

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

24. MEMBERS' EQUITY

Members' Equity consists of the following:

	2020	2019
Surplus (Disallowance)	-	1,783,347
Reserve Fund	140,874,550,031	109,956,240,991
Provision for Insurance Contract Liabilities (Note 23)	(992,593,062,892)	-
Total Members' Equity (Unfunded Liabilities due to the Provision of ICL)	(851,718,512,861)	109,958,024,338

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

24.1 Surplus

	2020	2019
Surplus at January 1	1,783,347	1,783,347
Net Income	30,059,727,640	4,658,167,671
Prior Year's Adjustment	858,581,400	-
Adjustment of Contingent Capital	(1,783,347)	-
Total Surplus	30,918,309,040	4,659,951,018
Surplus transfer to Reserve Fund	(30,918,309,040)	(4,658,167,671)
Surplus at Year-End	-	1,783,347

Prior Year's Adjustment were closed to Retained Earnings.

Premium Contributions	382,324,216
Accreditation Income	57,722
Interest Income	25,148,035
Other Income	4,026,595
Fines and Penalties	5,038,509
Personal Services	10,441,973
Other Operating Expenses	16,456,096
Other Financial Charges	(2,599,512)
Non-Cash Expenses	(5,419,332)
Members' Benefits Expenses	423,107,098
Total	858,581,400

24.2 Reserve Fund

	2020	2019
Reserve at January 1, 2020	109,956,240,991	105,298,073,320
Surplus transfer to Reserve Fund	30,918,309,040	4,658,167,671
Reserve Fund at December 31	140,874,550,031	109,956,240,991

The Reserve Fund is recorded in compliance with Office Order No. 0145, Series of 2012 which is based on the provisions of Section 27 of RA 7875 as amended by RA 10606, which states that the Corporation shall set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserved funds: Provided, that the total amount of reserves shall not exceed a ceiling of P470.59B, the amount actuarially estimated for two years' projected program expenditures: Provided further, that whenever actual reserves exceed the required ceiling at the end of the Corporation's Fiscal Year, the excess of the Corporation's Reserve Fund shall be used to increase the program's benefits, decrease the members' contribution and augment the health facilities enhancement program of the DOH.

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

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

25. PREMIUM CONTRIBUTIONS

Details of Premium Contributions are as follows:

	2020	2019
Direct Contributors	85,569,185,891	77,069,857,223
Government	22,716,799,525	18,403,701,820
Private	55,209,834,620	50,461,085,141
Enterprise Owner	218,278	161,200
Household Help / Kasambahay	52,046,871	62,053,679
Migrant Workers	343,906,401	1,021,834,517
Informal Sector	4,713,745,564	4,171,188,007
Self Earning Individual	2,297,818,185	2,186,024,175
Organized Group	216,365,485	126,652,756
Women about to give birth	2,089,051	618,808,948
Filipinos with Dual Citizenship	433,817	2,212,042
Naturalized Filipino Citizen	404,515	211,775
Citizens of Other Countries working residing in the Phils	11,919,745	11,668,188
Foreign Retirees	3,603,834	4,254,975
Indirect Contributors	63,425,436,284	69,365,170,649
Indigents - NHTS	30,290,011,200	30,407,378,400
Senior Citizens	31,177,190,000	33,868,279,600
Special Government Programs	52,687,200	106,209,600
<i>Bangsamoro</i>	-	48,148,800
<i>PAMANA</i>	52,687,200	58,060,800
Sponsored	1,905,547,884	4,983,303,049
<i>NGAs</i>	16,800	2,160,000
<i>LGUs</i>	1,026,185,165	2,008,250,049
<i>Point of Service</i>	832,684,570	2,965,037,300
<i>PWD</i>	41,356,800	-
<i>Others</i>	5,304,549	7,855,700
TOTAL PREMIUM CONTRIBUTIONS	148,994,622,175	146,435,027,872

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
 9. Informal Sector

10. Self-Earnings Individuals
11. Filipinos with Dual Citizenship
12. Naturalized Filipino Citizens
13. Citizens of other countries working and/or residing in the Philippines
14. Women about to give birth
15. Foreign Retirees (Registered with Philippine Retirement Authority)

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 approved as appropriated in the GAA. However, the unpaid balance per billing was not recognize as income but disclosure only since only a SARO was release. The SARO release was disclosed in other significant and relevant information in the notes to financial statement as recommended by PhilHealth's Board of Directors.

26. INTEREST AND OTHER INCOME

Interest and other income accounts are as follows:

	2020	2019
Interest Income:		
Investment Securities at amortized cost	6,643,293,352	6,445,144,391
Special Savings Deposits	2,154,744,391	1,489,811,647
Savings and Current Deposits	3,109,848	2,387,599
	8,801,147,591	7,937,343,637
Other Income:		
Accreditation Fees	19,574,505	26,657,822
Fines and Penalties	56,841,705	92,636,976
Rent Income	490,600	490,600
Income from Grants and Donations	-	1,086,000
Gain on Foreign Exchange	33,617	(45,503)
Sale of Disposed/Unserviceable Property	551,304	342,450
Gain on Sale of Property, Plant, and Equip	30,972	53,977
Miscellaneous Income	234,702,326	73,169,089
	312,225,029	194,391,411
Total	9,113,372,620	8,131,735,048

26.1 Miscellaneous Income

This account consists of income ranging from one hundred thousand and above which includes penalties from supplier and Unclaimed Benefit Refund (UBR) amounting to 45,397,604 which was reverted back to the fund after two years of publication in the PhilHealth's website portal per recommendation of the Commission on Audit in the 2018 Annual Audit Report. For PROs, this includes income from sale of valueless records, forfeited performance security and refund of benefit payment collected from delinquent employers.

26.2 Rent Income

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

27. BENEFIT CLAIMS EXPENSES

Details of this account are as follows:

	2020	2019
Members' Benefits for Direct Contributors		
Private	13,873,277,860	20,342,381,763
Government	5,887,964,494	8,628,320,982
Enterprise Owner	712,290	956,928
Household Help / Kasambahay	14,374,430	21,663,540
Family Driver	290,090	231,280
Informal Economy	33,299,234,416	24,379,873,989
Lifetime Member	-	13,057,946,692
Members' Benefits for Indirect Contributors		
Indigent - NHTS	29,607,884,126	36,465,259,126
Sponsored	7,298,754,362	10,918,615,838
Senior Citizens	27,198,499,530	23,144,595,748
Interim Financing Mechanism (IFM)	3,722,166,577	-
Total	120,903,158,175	136,959,845,886

Benefit Claims Expenses for 2020 and 2019 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 based on the existing policy on payment of the PCB PFPR (per family payment rate).

The Lifetime members benefit claims expenses for 2020 amounting to P6,942,664,958.32 was applied against the balance of the Insurance Liability for Lifetime members account previously set-up.

As regards to the reduction in the benefit expense from P139,959,845,886 to P120,903,158,175 in 2020, the reason thereof is the expense for lifetime members being accounted as benefit expense in 2019, and it was only in 2020 when the Corporation has

otherwise began charging the expense for the lifetime members against the insurance fund.

28. PERSONNEL SERVICES

Personnel services account includes:

	2020	2019
Salaries and Wages	1,875,584,822	1,810,673,774
Other Compensation	1,835,348,484	1,809,377,198
Statutory Contributions	723,645,136	654,075,972
Other Personnel Services	373,217,156	274,745,633
Total	4,807,795,598	4,548,872,577

29. OTHER OPERATING EXPENSES

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

	2020	2019
Maintenance and Other Operating Expenses (MOOE)	1,475,420,464	1,869,687,370
Other Expenses	139,033,191	235,852,444
Non-Cash Expenses	722,859,727	6,294,336,972
Total	2,337,313,382	8,399,876,786

29.1 MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2020	2019
Travelling Expenses	21,946,983	177,658,473
Travelling Expenses - Local	21,946,983	176,379,857
Travelling Expenses - Foreign	-	1,278,616
Training and Scholarship Expense	8,360,380	89,226,217
Supplies and Materials Expenses	135,935,188	169,673,370
Semi-Expendable Expenses	10,841,699	22,140,609
Utility Expenses	134,088,923	153,285,044
Water Expenses	6,652,320	9,484,868
Electricity Expenses	127,436,603	143,800,176
Communication Expenses	194,046,763	202,172,764
Postage and Courier Services	23,418,450	25,396,358
Telephone Expenses	73,434,813	74,795,696
Internet Subscription Expenses	96,664,395	101,040,680
Cable, Satellite, Telegraph and Radio Exp.	529,105	940,030
Awards/Rewards, Prizes and Indemnities	3,189,690	5,015,408
Survey, Research, and Development Exp.	30,659,588	42,953,152
Confidential, Intelligence and Extraordinary Expenses	4,714,428	6,241,689

	2020	2019
Professional Services	253,301,815	172,482,505
Auditing Services	63,520,987	60,932,904
Consultancy Services	1,224,613	1,324,613
Other Professional Services	188,556,215	110,224,988.00
General Services	245,130,640	230,386,023.00
Janitorial Services	78,556,265	77,747,448
Security Services	166,574,375	152,638,575
Repairs and Maintenance	19,870,727	25,505,985
Repairs and Maint. - Land Imprv'ts	47,450	14,110
Repairs and Maint. - Bldg. & Other Structures	857,497	665,539
Repairs and Maintenance - Machinery & Equip.	8,789,128	11,529,038
Repairs and Maintenance - Transportation Equip.	6,914,897	10,450,284
Repairs and Maintenance - Furniture & Fixtures	369,240	637,215
Repairs and Maintenance - Leased Assets Imprv.	2,892,515	2,209,799
Taxes, Insurance Premiums and Other Fees	18,387,639	22,083,099
Taxes, Duties and Licenses	178,868	173,186
Fidelity Bond Premiums	7,274,824	7,935,875
Insurance Expenses	10,933,947	13,974,038
Other Maintenance and Operating Expenses	394,946,001	550,863,032
Advertising, Promotional, and Mktg. Exp.	37,415,917	128,950,393
Printing and Publication Exp.	8,206,593	9,048,344
Representation Exp.	31,136,287	42,759,330
Transportation and Delivery Exp.	2,751,500	4,796,684
Rent/Lease Expenses	239,591,033	163,700,054
Membership Dues and Contr. To Organization	8,948,982	8,589,322
Subscription Expenses	27,596,156	31,837,123
Donations	612,035	141,321
Documentary Stamps Expense	-	1,175
Major Events and Conventions Expenses	4,406,752	38,594,495
Other MOOE - Others	34,280,746	122,444,791
	1,475,420,464	1,869,687,370

29.2 FINANCIAL EXPENSES

This account consists of the following:

	2020	2019
Bank Charges	13,659	57,881
Interest Expenses	47,231,732	133,241,448
Other Financial Charges	91,787,800	102,553,115
Total	139,033,191	235,852,444

Interest Expenses includes the effect of applying PFRS 16 amounting to P47,231,732.

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

29.3 NON-CASH EXPENSES

This account consists of the following:

	2020	2019
Depreciation	627,708,610	537,117,741
Depreciation - Land Improvements	27,716	27,716
Depreciation - Buildings and Other Structures	1,299,848	1,299,847
Depreciation - Machinery and Equipment	328,582,403	284,883,150
Depreciation - Furniture and Fixtures and Books	12,428,297	13,462,250
Depreciation - Transportation Equipment	22,064,838	21,547,401
Depreciation - Right-of-use Assets	239,479,446	200,209,851
Depreciation - Leased Assets Improvements	23,806,532	15,687,526
Depreciation - Other Property, Plant, & Equipment	19,530	-
Amortization - Intangible Assets	58,345,765	75,927,265
Impairment Loss	36,363,020	5,679,950,268
Impairment Loss - Loans and Receivables	-	23,245,402
Impairment Loss - Inter-agency Receivables	-	5,555,742,000
Impairment Loss - Other Rec'bles	7,057,200	17,905,980
Impairment Loss - Property, Plant, & Equipment	5,952,805	-
Impairment Loss - Other Assets	5,678,888	3,291
Impairment Loss - Intangible Assets	17,674,127	83,053,595
Losses	442,332	1,341,698
Loss on Forex	63,338	-
Loss on Sale of Property and Equipment	25	1,341,698
Loss on Sale of Assets	31,591	-
Loss of Assets	322,242	-
Other Losses	25,136	-
Total	722,859,727	6,294,336,972

30. RELATED PARTY DISCLOSURE

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

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 2020 and 2019 are as follows:

	2020	2019
Salaries and wages	20,100,824	20,220,153
Terminal Benefits	-	-
Total	20,100,824	20,220,153

To the Board of Directors for CYs 2020 and 2019 are as follows:

	2020	2019
Honorarium/Per Diem	6,176,000	6,746,800
Other benefits	-	1,552,911
Total	6,176,000	8,299,711

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

31. CHANGED IN PRESENTATION FORMAT OF CERTAIN ACCOUNTS IN THE FINANCIAL STATEMENTS

The 2019 presentation format was changed in compliance to COA recommendation and to conform to the current year presentation format based on COA Circular No. 2015-010 dated December 01, 2015. The new presentation format has no impact on the financial statement as of December 31, 2019. Details as follows:

31.1 Statement of Financial Position:

December 31, 2019			
	Audited	Changed in presentation format	New presentation format
ASSETS			
Current Assets			
Cash & Cash Equivalent	11,834,620,202	-	11,834,620,202
Investment in Time Deposits	70,086,086,078	-	70,086,086,078
Receivables, net	9,178,195,991	1,655,146,701	10,833,342,692
Inventories	-	130,083,501	130,083,501
Other Current Assets	1,878,847,835	(1,785,230,202)	93,617,633
Total Current Assets	92,977,750,106	-	92,977,750,106
Non-Current Assets			
Investment Securities at Amortized Cost	124,382,976,137	-	124,382,976,137
Property & Equipment, net	3,402,101,399	-	3,402,101,399
Intangible Assets, net	267,770,907	-	267,770,907
Other Assets, net	264,180,316	-	264,180,316
Total Non-Current Assets	128,317,028,759	-	128,317,028,759
TOTAL ASSETS	221,294,778,865	-	221,294,778,865
LIABILITIES AND EQUITY			
Current Liabilities			
Financial Liabilities	75,566,261,517	4,454,761,439	80,021,022,956
Inter-Agency Payables	-	202,932,678	202,932,678
Trust Liabilities	-	527,941,359	527,941,359
Other Payables	5,192,279,053	(5,185,535,476)	6,643,577
Total Current Liabilities	80,758,540,570	-	80,758,540,570
Non-Current Liabilities			
Deferred Credits/Unearned Income	1,123,783,051	-	1,123,783,051
Leave Benefits Payable	849,149,212	-	849,149,212
Insurance Liab. for Lifetime Members	28,605,281,694	-	28,605,281,694
Total Non-Current Liabilities	30,578,213,957	-	30,578,213,957
Total Liabilities	111,336,754,527	-	111,336,754,527
Equity			
Members' Equity	109,958,024,338	-	109,958,024,338
Total Members Equity	109,958,024,338	-	109,958,024,338
TOTAL LIABILITIES AND EQUITY	221,294,778,865	-	221,294,778,865

31.1.1 Accrued interest receivable from Investments, Receivable on Disallowances/Charges, and Due from Officers & Employees, previously presented under Other Current Asset, are now presented under Receivables. Details as follows:

Accrued Interest Receivable from Investments	1,651,848,865
Receivable on Disallowances/Charges	2,280,108
Due from Officers & Employees	1,017,728
Total	1,655,146,701

- 31.1.2 Supplies and Materials Inventories and semi-expendable inventories, previously presented under Other Current Assets, are now presented under Inventories.

Supplies and Materials Inventories	107,095,032
Semi-Expendable Inventories	22,988,469
Total	130,083,501

- 31.1.3 Certain payable accounts amounting to P4,454,761,439, previously presented within Other Payable, are now presented under Financial Liabilities. Details as follows:

Accounts Payable - P.S.	2,032,141,904
Accounts Payable - MOOE	1,125,933,981
Accounts Payable - CAPEX	296,820,273
Finance Lease Payable	998,262,164
Tax Refund Payable	1,603,117
Total	4,454,761,439

- 31.1.4 Statutory Liabilities amounting to P202,932,678, previously presented under Other Payable, are now presented under Inter-Agency Payable.

Due to BIR	116,691,998
Due to GSIS	59,253,977
Due to Pag-ibig	2,938,395
Due to PhilHealth	6,124,285
Due to Other NGAs	10,518,000
Due to Other GOCCs	751,489
Due to LGUs	6,654,534
Total	202,932,678

- 31.1.5 Trust Liabilities amounting to P527,941,359.59, previously presented under Other Payable, are now presented separately.

31.2 STATEMENT OF CASH FLOW

December 31, 2020

	Audited	Changed in presentation format	New presentation format
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows:			
Members' Contribution	151,543,736,275	(135,104,175)	151,408,632,100
Interest received from investments	7,937,952,430	-	7,937,952,430
Collection of other income	609,542,452	(40,161)	609,502,291
Reimbursement of point of service (POS)	-	137,088,891	137,088,891
Collection of rent	487,226	-	487,226
Total Cash Inflows	160,091,718,383	1,944,555	160,093,662,938
Cash Outflows:			
Payment of benefit claims	(98,606,376,851)	-	(98,606,376,851)
Payment of operating expenses	(6,238,167,850)	(35,636)	(6,238,203,486)
Payment of bank charges	(14,123)	-	(14,123)
Total Cash Outflows	(104,844,558,824)	(35,636)	(104,844,594,460)
Net Cash Provided by Operating Activities	55,247,159,559	1,908,919	55,249,068,478
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows:			
Matured time deposits	-	22,228,358,701	22,228,358,701
Matured treasury bills	-	-	-
Matured treasury bonds	4,821,486,000	7,162,196,201	11,983,682,201
Proceeds from disposal of assets	179,064	75,161	254,225
Total Cash Inflows	4,821,665,064	29,390,630,063	34,212,295,127
Cash Outflows:			
Placement on time deposits	(69,086,086,078)	(22,228,358,701)	(91,314,444,779)
Placement on treasury bills	-	-	-
Placement on treasury bonds	(4,825,000,000)	(7,162,196,201)	(11,987,196,201)
Accrued interest paid on placement of bonds	-	-	-
Fixed assets purchased	(495,390,464)	-	(495,390,464)
Total Cash Outflows	(74,406,476,542)	(29,390,554,902)	(103,797,031,444)
Net Cash Used in Investing Activities	(69,584,811,478)	75,161	(69,584,736,317)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows:			
Trust receipts/disbursements (net)	(29,001,871)	(1,984,080)	(30,985,951)
Net Cash Used in Financing Activities	(29,001,871)	(1,984,080)	(30,985,951)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,366,653,790)	-	(14,366,653,790)
CASH AND CASH EQUIVALENT, JANUARY 1	26,201,320,940	-	26,201,320,940
Gain (Loss) on foreign exchange	(46,948)	-	(46,948)
CASH AND CASH EQUIVALENTS, DEC. 31	11,834,620,202	-	11,834,620,202

Notes to Financial Statements, December 31, 2020

31.3 Other Operating Expenses

December 31, 2019			
	Audited	Changed in Presentation	New Presentation
Travelling Expenses	177,658,473	-	177,658,473
Travelling Expenses - Local	176,379,857	-	176,379,857
Travelling Expenses - Foreign	1,278,616	-	1,278,616
Training and Scholarship Expense	89,226,217	-	89,226,217
Supplies and Materials Expenses	169,673,370	-	169,673,370
Semi-Expendable Expenses	22,140,609	-	22,140,609
Utility Expenses	153,285,044	-	153,285,044
Water Expenses	9,484,868	-	9,484,868
Electricity Expenses	143,800,176	-	143,800,176
Communication Expenses	202,172,764	-	202,172,764
Postage and Courier Services	25,396,358	-	25,396,358
Telephone Expenses	74,795,696	-	74,795,696
Internet Subscription Expenses	101,040,680	-	101,040,680
Cable, Satellite, Telegraph and Radio Exp.	940,030	-	940,030
Awards/Rewards, Prizes and Indemnities	5,015,408	-	5,015,408
Survey, Research, and Development Exp.	42,953,152	-	42,953,152
Confidential, Intelligence and Extraordinary Exp.	-	6,241,689	6,241,689
Professional Services	172,482,505	-	172,482,505
Auditing Services	60,932,904	-	60,932,904
Consultancy Services	1,324,613	-	1,324,613
Other Professional Services	110,224,988.00	-	110,224,988.00
General Services	230,386,023.00	-	230,386,023.00
Janitorial Services	77,747,448	-	77,747,448
Security Services	152,638,575	-	152,638,575
Repairs and Maintenance	25,505,985	-	25,505,985
Repairs and Maint. - Land Imprvts	14,110	-	14,110
Repairs and Maint. - Bldg. & Other Structures	665,539	-	665,539
Repairs and Maintenance - Machinery & Equip.	11,529,038	-	11,529,038
Repairs and Maintenance - Transportation Equip.	10,450,284	-	10,450,284
Repairs and Maintenance - Furniture & Fixtures	637,215	-	637,215
Repairs and Maintenance - Leased Assets Imprv.	2,209,799	-	2,209,799
Taxes, Insurance Premiums and Other Fees	22,083,099	-	22,083,099
Taxes, Duties and Licenses	173,186	-	173,186
Fidelity Bond Premiums	7,935,875	-	7,935,875
Insurance Expenses	13,974,038	-	13,974,038
Other Maintenance and Operating Expenses	557,104,721	(6,241,689)	550,863,032
Advertising, Promotional, and Mktg. Exp.	128,950,393	-	128,950,393
Printing and Publication Exp.	9,048,344	-	9,048,344
Representation Exp.	42,759,330	-	42,759,330
Transportation and Delivery Exp.	4,796,684	-	4,796,684
Rent/Lease Expenses	163,700,054	-	163,700,054
Membership Dues and Contri. To Organization	8,589,322	-	8,589,322
Subscription Expenses	31,837,123	-	31,837,123
Donations	141,321	-	141,321
Documentary Stamps Expense	1,175	-	1,175
Major Events and Conventions Expenses	38,594,495	-	38,594,495
Other MOOE - Others	128,686,480	(6,241,689)	122,444,791
	1,869,687,370	-	1,869,687,370

Extraordinary and Miscellaneous Expenses amounting to P 6,241,689, previously presented under Other MOOE, was now presented under Intelligence, Confidential, and Extraordinary Expenses.

32. OTHER SIGNIFICANT AND RELEVANT INFORMATION

32.1 PhilHealth as Government Business Enterprise

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

32.2 Released of SARO to the Bureau of Treasury from DBM for insurance premiums of Senior Citizens

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

However, the SARO was only disclosed in the books with the approval of the Board of Directors and shall only be recorded once the corresponding NCA has been received.

32.3 Point of Service (POS) Program

The Department of Budget and Management has issued the following SAROs for the payment of cost of availment for 2017 benefit claims of financially incapable families under Universal Health Care through Point-of-Service (POS) Program, chargeable against PhilHealth's authorized appropriation under Republic Act No. 10924, FY 2017.

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

SARO No.	Amount of SARO	Amount received from DBM as of December 31, 2020
SARO-BMB-C-17-0023166	91,333,530	91,333,530
SARO-BMB-C-17-0025119	103,350,096	103,350,096
SARO-BMB-C-17-0025794	2,805,316,374	1,187,146,021
Total	3,000,000,000	1,381,829,647

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

32.5 Arrears of the National Government as an employer

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

PhilHealth had adjusted premium contribution of the Employed Sector in CY2013 through PhilHealth Circular No. 057 s.2012 which prescribes P875 per month as the maximum contribution shared equally by the Employer and the Employee at P437.50 each. However, DBM has only allocated P312.50 or a 40% discrepancy. The Corporation had formally billed the Department of Budget and Management of the estimated NG Employer Premium Differential and requested allocation of the unappropriated balances for the following periods:

Arrears		
CY 2001-2012	P	9,664,042,012
CY 2013		330,691,801
CY 2014		330,691,801
CY 2015		330,691,801
CY 2016		330,691,801
Total		P 10,986,809,216

32.6 Assigned lot to PRO III

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

32.7 Non-remittance of GSIS Premium for Disallowed Salary Adjustments

The GSIS premium amounting to P20,604,585.00 was part and parcel of the salary adjustments given to PhilHealth employees but subsequently disallowed by COA. The said amount is still outstanding and not yet remitted to GSIS per Opinion No. 56 Series of 2018 from the Office of the Government Corporate Counsel dated March 26, 2018 stating that PhilHealth should keep the amount originally intended to be remitted to GSIS as premiums corresponding to the adjusted salaries of its employees without prejudice to its remittance in the event the Notice of Disallowance is lifted.

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

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

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

32.9 Number of Outstanding Legal Cases endorsed with the Office of the Government Corporate Counsel (OGCC)

The following is the number of the legal cases still outstanding:

		No. of Cases
a. Administrative Complaints against Health Care Providers		641
b. Administrative Complaints against Institutions		81
	TOTAL	<u>722</u>

33. SUPPLEMENTARY TAX INFORMATION UNDER REVENUE REGULATIONS (RR) 15-2010

The taxes, duties and licenses fees paid and accrued during the taxable year required under RR 15-2010 are as follows:

	2020	2019
Real estate Tax, License and permit taxes	178,868	173,186
Taxes on compensation and benefits	386,272,463	167,381,519
GMP	48,883,147	216,766,886
Expanded withholding taxes	1,071,991,116	394,307,734
Total	1,507,146,726	778,456,139

Other Taxes, Duties and Licenses amounted to P178,868 and 173,176 for 2020 and 2019, respectively, are taxes paid for real property taxes and other fees paid to regulatory entities.