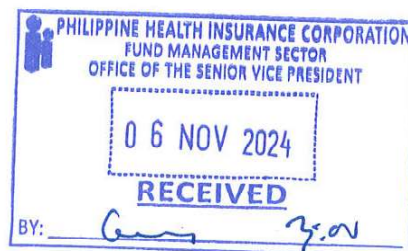
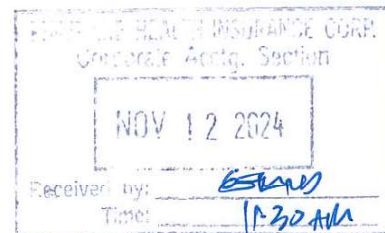


# FINANCIAL STATEMENTS

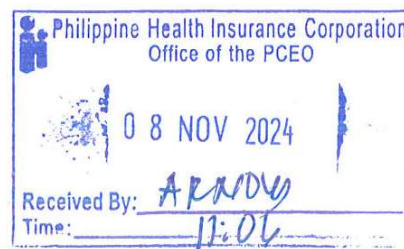
## AS OF September 30, 2024



PHILIPPINE HEALTH INSURANCE CORPORATION  
COMPTROLLERSHIP DEPARTMENT  
OFFICE OF THE SENIOR MANAGER

NOV 06 2024

Received by: Jen  
Time: 11:30 AM  
Reference Number:





PHILIPPINE HEALTH INSURANCE CORPORATION  
STATEMENTS OF FINANCIAL POSITION

As at September 30, 2024 and December 31, 2023  
(In Philippine Peso)

	Notes	2024	2023
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & cash equivalents	5	49,973,575,006.39	30,779,119,082.26
Investment in time deposits	6	71,537,527,265.77	135,606,097,537.40
Receivables, net	7	112,930,856,224.30	80,602,658,375.88
Inventories	8	135,669,902.15	125,716,249.68
Other current assets	9	1,682,256,726.10	2,722,550,287.26
<b>Total Current Assets</b>		<b>236,259,885,124.71</b>	<b>249,836,141,532.48</b>
<b>Non-Current Assets</b>			
Investment securities at amortized cost	10	388,469,750,646.60	336,127,635,854.26
Investment property	11	855,663,290.84	855,663,290.84
Property and equipment, net	12	1,005,366,848.57	827,659,343.75
Right-of-Use Assets	13	918,975,489.66	432,170,366.02
Intangible assets, net	14	424,626,115.08	259,353,118.96
Other non-current assets, net	15	240,518,074.86	208,180,215.97
<b>Total Non-Current Assets</b>		<b>391,914,900,465.61</b>	<b>338,710,662,189.80</b>
<b>TOTAL ASSETS</b>		<b>628,174,785,590.32</b>	<b>588,546,803,722.28</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Financial liabilities	16	31,435,865,135.17	38,728,256,966.29
Inter-agency payables	17	60,651,664,326.68	762,080,485.08
Trust liabilities	18	1,070,439,994.82	1,056,381,446.07
Provision for Health Benefits	19	77,836,992,262.16	57,507,818,227.22
Other payables	20	8,253,733,917.91	2,458,148,334.10
<b>Total Current Liabilities</b>		<b>179,248,695,636.74</b>	<b>100,512,685,458.76</b>
<b>Non-Current Liabilities</b>			
Deferred credits/Unearned income	21	888,342,162.63	818,228,649.25
Lease Payable	22	948,633,776.92	451,812,395.30
Leave benefits payable	23	762,215,249.99	814,468,333.85
Provision for insurance contract liabilities (ICL)	24	1,149,656,439,006.00	1,149,656,439,006.00
<b>Total Non-Current Liabilities</b>		<b>1,152,255,630,195.54</b>	<b>1,151,740,948,384.40</b>
<b>TOTAL LIABILITIES</b>		<b>1,331,504,325,832.28</b>	<b>1,252,253,633,843.16</b>
<b>EQUITY</b>			
Members' Equity	25	(703,329,540,241.96)	(663,706,830,120.88)
<b>Total Equity</b>		<b>(703,329,540,241.96)</b>	<b>(663,706,830,120.88)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>628,174,785,590.32</b>	<b>588,546,803,722.28</b>

Prepared by:

*Jovy D. Balolong*  
JOVY D. BALOLONG, CPA  
Division Chief, AICD, Comptrollership Department

Reviewed by:

*Cherie Carmen B. Divina*  
CHERIE CARMEN B. DIVINA, CPA, MBA, CSEE  
Senior Manager, Comptrollership Department

Recommending Approval:

*Renato L. Limsiaco*  
digitally signed:  
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RENATO L. LIMSIACO, JR., CPA, DM, CESE  
SVP, Fund Management Sector

*Atty. Eli Dino D. Santos*  
ATTY. ELI DINO D. SANTOS  
EVP and Chief Operating Officer

Approved by:

*Emmanuel R. Ledesma, Jr.*  
EMMANUEL R. LEDESMA, JR.  
President and Chief Executive Officer



**PHILIPPINE HEALTH INSURANCE CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**

For the Period Ended September 30, 2024 and 2023  
( In Philippine Peso )

	Notes	2024	2023
Premium Contributions	26	167,393,582,938.78	164,085,872,535.96
Less: Benefit claims expenses	28	134,699,728,648.40	94,024,370,929.95
<b>GROSS MARGIN FROM OPERATIONS</b>		<b>32,693,854,290.38</b>	<b>70,061,501,606.01</b>
<b>OPERATING EXPENSES</b>			
Personnel services	29	3,435,457,151.26	3,690,747,688.75
Other operating expenses	30	2,519,954,706.29	1,933,307,595.10
<b>TOTAL OPERATING EXPENSES</b>		<b>5,955,411,857.55</b>	<b>5,624,055,283.85</b>
<b>NET OPERATING INCOME</b>		<b>26,738,442,432.83</b>	<b>64,437,446,322.16</b>
Add: Interest and other income	27	19,692,473,696.69	15,153,600,208.15
<b>NET INCOME</b>		<b>46,430,916,129.52</b>	<b>79,591,046,530.31</b>

Prepared by:

  
**JUVY D. BALOLONG, CPA**  
Division Chief, AICD, Comptrollership Department

Reviewed by:

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

Recommending Approval:

  
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**RENATO L. LIMSIACO, JR., CPA, DM, CESE**  
SVP, Fund Management Sector

  
**ATTY. ELI DINO D. SANTOS**  
EVP and Chief Operating Officer

Approved by:

  
**EMMANUEL R. LEDESMA, JR.**  
President and Chief Executive Officer

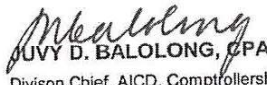


**PHILIPPINE HEALTH INSURANCE CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**

For the Period Ended September 30, 2024 and 2023  
( In Philippine Peso )

	Notes	2024	2023
<b>INCOME</b>			
Premium contributions	26	167,393,582,938.78	164,085,872,535.96
Interest and other income	27	19,692,473,696.69	15,153,600,208.15
		<b>187,086,056,635.47</b>	<b>179,239,472,744.11</b>
<b>EXPENSES</b>			
Benefit claims expenses	28	134,699,728,648.40	94,024,370,929.95
Personnel services	29	3,435,457,151.26	3,690,747,688.75
Other operating expenses	30	2,519,954,706.29	1,933,307,595.10
		<b>140,655,140,505.95</b>	<b>99,648,426,213.80</b>
<b>NET INCOME</b>		<b>46,430,916,129.52</b>	<b>79,591,046,530.31</b>

Prepared by:

  
**JUVY D. BALOLONG, CPA**  
Division Chief, AICD, Comptrollership Department

Reviewed by:

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

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SVP, Fund Management Sector

  
**ATTY. ELI DINO D. SANTOS**  
EVP and Chief Operating Officer

Approved by:

  
**EMMANUEL R. LEDESMA, JR.**  
President and Chief Executive Officer






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


For the Period Ended September 30, 2024 and 2023  
(In Philippine Peso)

	Notes	2024	2023
<b>SURPLUS</b>	26		
Surplus at January 1		-	-
Net income before change in ICL		46,430,916,129.52	79,591,046,530.31
Other Losses		-	-
<b>Net Income</b>		<b>46,430,916,129.52</b>	<b>79,591,046,530.31</b>
Prior year adjustment		3,830,279,432.40	3,914,690,976.50
<b>Total Surplus (Deficit)</b>		<b>50,261,195,561.92</b>	<b>83,505,737,506.81</b>
Surplus transferred to reserve		-	(83,505,737,506.81)
Surplus applied to provision for ICL		-	-
Excess of the two year projected expenditures		183,712,078,544.24	-
Remittance to BTr in compliance to DOF Cir. No. 003-2024 and Section XLIII of GAA)		(89,883,905,683.00)	-
<b>Surplus at September 30</b>		<b>144,089,368,423.16</b>	<b>-</b>
<b>RESERVE FUND</b>	26		
Reserve at January 1		464,286,992,149.44	275,785,094,946.82
Surplus transferred to reserve		-	83,505,737,506.81
Excess of the two year projected expenditures		(183,712,078,544.24)	-
<b>Reserve Fund at September 30</b>		<b>280,574,913,605.20</b>	<b>359,290,832,453.63</b>
<b>Provision for insurance contract liabilities (ICL)</b>	25	<b>(1,127,993,822,270.32)</b>	<b>(245,210,695,795.32)</b>
<b>TOTAL MEMBERS' EQUITY</b>		<b>(703,329,540,241.96)</b>	<b>114,080,136,658.31</b>

Prepared by:

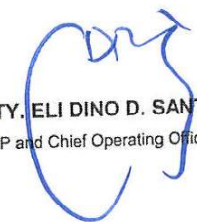
  
**JUVY D. BALOLONG, CPA**  
Division Chief, AICD, Comptrollership Department

Reviewed by:


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

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**RENATO L. LIMSIACO, JR., CPA, DM, CESE**  
SVP, Fund Management Sector

  
**ATTY. ELI DINO D. SANTOS**  
EVP and Chief Operating Officer

Approved by:

  
**EMMANUEL R. LEDESMA, JR.**  
President and Chief Executive Officer



PHILIPPINE HEALTH INSURANCE CORPORATION  
STATEMENTS OF CASH FLOWS  
For the Period Ended September 30, 2024 and 2023  
(In Philippine Peso)

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Cash received from premium contributions	142,888,817,866.00	160,847,347,318.64
Collection of other income	341,512,847.89	514,842,952.14
Gain on Foreign Exchange	28,056.97	38,322.92
Collection of rent income	-	540,000.00
<b>Total Cash Inflows</b>	<b>143,230,358,770.86</b>	<b>161,362,768,593.70</b>
<b>Cash Outflows</b>		
Unutilized Funds Pursuant to the GAA FY 2024 (RA 11975) and DOF Circular No. 003-2024	(30,000,000,000.00)	-
Payment of benefit claims	(117,610,893,513.13)	(92,247,263,681.08)
Payment of operating expenses	(6,651,237,521.87)	(5,682,440,235.80)
Payment of financial charges	(17,909,686.34)	(25,403,281.26)
Loss on Foreign Exchange	(25,414.98)	(31,481.48)
<b>Total Cash Outflows</b>	<b>(154,280,066,136.32)</b>	<b>(97,955,138,679.62)</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>(11,049,707,365.46)</b>	<b>63,407,629,914.08</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Matured time deposits	134,160,962,218.23	108,737,520,475.90
Matured treasury bills	-	9,350,077,535.19
Matured treasury bonds	26,324,300,000.00	11,963,226,323.15
Interest received from investments	19,828,053,878.92	40,579,228,000.00
Proceeds from disposal of assets	493,290.40	178,500.00
<b>Total Cash Inflows</b>	<b>180,313,809,387.55</b>	<b>170,630,230,834.24</b>
<b>Cash Outflows</b>		
Placement on time deposits	(70,092,384,244.95)	(118,975,182,213.57)
Placement on treasury bills	(28,284,279,260.43)	-
Placement on treasury bonds	(50,897,519,410.79)	(85,404,202,939.35)
Accrued interest paid on placement of bonds	(215,819,204.52)	(767,492,630.56)
Purchase of Fixed assets	(413,209,732.06)	(284,586,941.65)
<b>Total Cash Outflows</b>	<b>(149,903,211,852.75)</b>	<b>(205,431,464,725.13)</b>
<b>Net Cash Provided by/(Used in) Investing Activities</b>	<b>30,410,597,534.80</b>	<b>(34,801,233,890.89)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash Inflow</b>		
Trust receipts	398,984,139.37	340,580,071.08
<b>Total Cash Inflow</b>	<b>398,984,139.37</b>	<b>340,580,071.08</b>
<b>Cash Outflows</b>		
Trust disbursements	(422,010,094.44)	(323,128,200.62)
Finance lease payments	(143,408,290.14)	(192,179,363.70)
Principal	(132,229,641.79)	(180,087,571.31)
Interest	(11,178,648.35)	(12,091,792.39)
<b>Total Cash Outflows</b>	<b>(565,418,384.58)</b>	<b>(515,307,564.32)</b>
<b>Net Cash Provided by/(Used in) Financing Activities</b>	<b>(166,434,245.21)</b>	<b>(174,727,493.24)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>19,194,455,924.13</b>	<b>28,431,668,529.95</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>5 30,779,119,082.26</b>	<b>6,423,703,001.41</b>
<b>CASH AND CASH EQUIVALENTS, SEPTEMBER 30</b>	<b>5 49,973,575,006.39</b>	<b>34,855,371,531.36</b>

Prepared by:

JUVY D. BALOLONG, CPA  
Division Chief, AICD, Comptrollership Department

Reviewed by:

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

Recommending Approval:

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SVP, Fund Management Sector

ATTY. ELI DINO D. SANTOS  
EVP and Chief Operating Officer

Approved by:

EMMANUEL R. LEDESMA, JR.  
President and Chief Executive Officer



**PHILIPPINE HEALTH INSURANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
*(All amounts in Philippine Peso unless otherwise stated)*

**1. GENERAL INFORMATION**

The National Health Insurance Act of 1995 or Republic Act (RA) 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 (PhilHealth), a tax-exempt Government-Owned and/or Controlled Corporation (GOCC), 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, RA No. 11223 or the Universal Health Care (UHC) Act was enacted. This law automatically provides social health risk protection for all Filipino citizens in the NHIP.

The Corporation is an attached agency of the Department of Health (DOH) for policy coordination and guidance, governed by a Board of Directors (BODs) composed of 13 members and has the powers and functions provided for in Article IV, Section 16 of RA No. 7875 as amended. The Corporation has the power, among others, to formulate and promulgate policies, set standards, rules and regulations necessary to ensure quality of care and overall accomplishment of program objectives, formulate and implement guidelines contributions and benefits; establish branch offices, manage grants and donations, acquire property, collect, deposit, invest, administer and disburse the National Health Insurance Fund (NHIF), to enter into contract with health care institutions, to fix a reasonable compensation, allowances and benefits of all positions including the President and Chief Executive Officer (PCEO), based on a comprehensive job analysis and audit of actual duties and responsibilities subject to the approval of the President of the Philippines.

The NHIF as amended shall consist of premiums from direct or indirect contributors; other appropriations earmarked by the national and local governments purposely for the implementation of the program; subsequent appropriations provided for under Sections 46 and 47 of RA No. 7875, as amended; donations and grants-in-aid; and all accruals thereof. Under Section 26, Article VI of RA No. 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 BODs of the Corporation subject to limitations prescribed in the Act.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1. Basis of Preparation and Statement of Compliance**

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

## 2.2. Measurement Bases

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

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

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

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

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

## 2.3. Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Corporation adopted effective for annual periods beginning January 1, 2024.

Unless otherwise indicated, the adoption of the new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

- Amendments to PAS 8, *Definition of Accounting Estimates* - The amendments introduce a new definition of accounting estimates, clarify the distinction between changes in accounting estimates and changes in accounting policy and correction of errors. It also clarifies how entities use measurement techniques and inputs to develop accounting estimates.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policy* – The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how to apply the concept of materiality in making decisions about accounting policy disclosures.

## 2.4. New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at January 31, 2024 and have not been applied in preparing the financial statements, are summarized below.

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

- **PFRS 17, *Insurance Contracts*** – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a



more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

In response to the challenges brought by the Covid-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

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

## **2.5. Financial Assets and Liabilities**

### *Date of Recognition*

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

### *Initial Recognition*

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

### *“Day 1” Difference*

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

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

### *Classification of Financial Instruments*

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

As at January 31, 2024 and January 31, 2023, the Corporation does not have financial assets and liabilities at FVPL and debt instruments measured at FVOCI.

### *Financial Assets at Amortized Cost*

A financial asset shall be measured at amortized cost if both of the following conditions are met:

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

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

Included in this category are cash and cash equivalents, receivables and other receivables.

### *Financial Liabilities at Amortized Cost*

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

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

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

## **2.6. Impairment of Financial Assets at Amortized Cost**

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

## **2.7. Derecognition of Financial Assets and Liabilities**

### *Financial Assets*

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

- the right to receive cash flows from the asset has expired;

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

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

### *Financial Liabilities*

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

## **2.8. Offsetting of Financial Assets and Liabilities**

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

## **2.9. Classification of Financial Instrument between Liability and Equity**

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

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

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

## 2.10. Inventories

Inventories include office supplies and materials inventory, semi-expendable machinery and equipment, and semi-expendable furniture, fixtures and books. These are initially measured at cost.

At each reporting date, inventories are assessed for impairment. If an item of inventory is impaired, its carrying value is reduced to net realizable value, and an impairment loss is recognized immediately in profit and loss. Any reversal of impairment is recognized also in profit and loss.

## 2.11. 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 net realizable value.

## 2.12. Property and Equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

Items of property and equipment are initially measured at cost. Such cost includes purchase price and all incidental costs necessary to bring the asset to its location and condition. Subsequent to initial recognition, items of property and equipment are measured in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation, which is computed on a straight-line basis, is recognized so as to allocate the cost of assets less their residual values over their estimated useful lives.

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

Particulars	Number of Years
Land Improvements	10
Building and Building Improvements	30
Leasehold Improvements	10
IT Equipment	5
Furniture and Fixtures	10
Office Equipment	5
Communication Equipment	10
Library Books	5
Medical Equipment	10
Transportation Equipment	7

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

Land is not depreciated. If there is an indication that there has been a significant change in useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their costs and related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.



### **2.13. Intangible Assets**

Intangible asset represents computer software and licenses. This is initially measured at cost and is presented in the Statement of Financial Position at cost less accumulated amortization and any accumulated impairment losses.

Computer software with finite life is amortized over its estimated useful life of five (5) years using the straight-line method while the licenses are amortized over the life of the license. The amortization period and method are reviewed periodically to ensure that these are consistent with expected pattern of economic benefits from the intangible assets. If there is an indication that there has been a significant change in the useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

Intangibles that are classified with indefinite life are not amortized but are subject to impairment test annually. Part of the intangibles with indefinite life are internally developed software that are being used in the operations.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

### **2.14. Impairment of Non-Financial Assets**

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

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

### **2.15. Reserve Fund**

Reserve Fund represents portion of the cumulative results of normal and continuous operations profit of the Corporation not needed to meet the cost of the current year's expenditures provided, that the total amount of reserves should not exceed the amount estimated for two years' projected program expenditure.

### **2.16. Revenue Recognition**

Revenue is recognized to the extent that is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts and rebates. Revenue is recognized either at a point in time or over a period of time.

#### *Premium Contributions*

Revenue is recognized as the member contributions become due. Fines and penalties are recognized when the event that triggers the fine or penalty occurs. If the collectability is not reasonably assured, fines and penalties are recognized only when cash is received.

### *Interest Income*

Interest income is recognized as the interest accrues taking into account the effective interest.

### *Rent Income*

Income from rental of property is recognized on a straight-line basis over the lease term.

## **2.17. Expense Recognition**

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

### *Benefit Claims Expense*

This represents expenses 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 Expenses are generally recognized at the date of admission (per Corporate Order 2021-0051).

### *Operating Expenses*

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

## **2.18. Leases**

A lease is a contract that conveys the right to use an identified asset for a period of time in exchange for a consideration.

Determination as to whether a contract is, or contains, a lease is made at the inception of the lease. Accordingly, the Corporation assesses whether the contract meets three key evaluations which are:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the lessee;
- the lessee has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the lessee has the right to direct the use of the identified asset throughout the period of use. The lessee assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

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.

*Right-of-Use (ROU) Assets.* At commencement date, the Corporation measures ROU assets at cost. The cost comprises:

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

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

ROU assets are office spaces and warehouses being leased by PhilHealth with a multi-year contract.

#### *Lease Liabilities*

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

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

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

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

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

#### *Short-Term Leases and Leases of Low-Value Assets*

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

The Corporation does not have leases of low-value assets. Classified under short-term leases are office spaces that are on a month to month basis renewal and have no multi-year contract.

#### *Corporation as a Lessor*

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

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

## **2.19. Employee Benefits**

### *Short-term Benefits.*

Short-term benefits given by the Corporation to its employees include salaries and wages, compensated absences, 13th month pay, employer share contributions and other de minimis benefits, among others.

These are recognized as expense in the period the employees render services to the Corporation.

## **2.20. 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. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its major shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

## **2.21. Provisions**

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

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



## **2.22. Provision for Insurance Contract Liabilities (ICL)**

Provision for ICL is the best estimate that relates to expected net of present value of expenses (claims + expenses) and present value of collection. Since 2005, PFRS have mandated that these liabilities must be properly recognized and reported in the financial statements.

## **2.23. Contingencies**

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

## **2.24. Events after the Reporting Period**

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

## **3. Significant Judgments, Accounting Estimates and Assumptions**

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

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

### **3.1. Judgments**

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

### **3.2. Estimates and Assumptions**

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

#### *Estimating Premium Income from the Direct Contributors - Employed Sector*

Estimate is based on Statement of Premium Account (SPA) generated by employers. The amount estimated shall be based on the applicable period as at the reporting period. The generated SPA shall come from the extraction of data bases and shall cover all employers registered all over the country.

### *Estimating Allowance for Impairment of Receivables*

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

### *Estimating Useful Lives of Property and Equipment*

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

There is no change in the estimated useful lives of depreciable property and equipment in 2024 and 2023.

### *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. It includes claims already approved for payment awaiting ADA and RTH of the current year. The estimate is based on the case rate amount extracted from the N-Claims.
- b. Provision for Denied Claims - Denied claims are claims determined to be invalid and unworthy of payment due to an absolute deficiency that cannot be remedied through return to Health Facility or due to a finding of an unmet requirement. However, a provision is necessary for those claims with pending motion for reconsiderations which are highly probable that payment shall be made after evaluation.
- c. Incurred But Not Yet Reported (IBNR) - These are claims which are estimated to be in the possession of the Health Care Institutions (HCIs) as of the end of the year and have yet to be submitted to the Corporation. The IBNR is the balance between IBNP and ICS when IBNP are those claims yet to be paid by PhilHealth. The amount to be recorded is actuarially estimated. IBNR is computed as follows:

$$\text{IBNR} = \text{IBNP} - \text{ICS}$$

### *Methodology for Estimating IBNP*

The method applied in estimating IBNP 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 lag time periods in which claims were incurred and the time periods in which they were paid. The development method uses these groupings to create a claims processing or lag development pattern, which is used to determine completion factors to help estimate the unpaid portion of incurred claims and come up with the ultimate value of claims.

The paid claims are then subtracted from the ultimate value of claims by admission month to estimate the IBNP reserves.

The IBNP was estimated by admission month, and separately by covid and non-covid claims. The ultimate value of claims was estimated by admission months and subtracted the cumulative paid claim to arrive at the estimated IBNP claims.

#### Calculation of IBNP Claims – Non-Covid Claims

Ultimate claims for Non-Covid claims were estimated using the Paid Chain Ladder/Development Method (PDA), wherein the reported paid claims by admission month are divided by the appropriate completion factors. We based the completion factors on historical experience except for the immediate few months for which another method needs to be employed as completion factors may not be credible during these months. The paid claims are then subtracted from the ultimate value of claims by admission months to estimate the IBNP reserves.

#### Calculation of IBNP Claims – Covid Claims

IBNP claims for covid claims were calculated separately for “testing” and “other than testing,” utilizing distinct illness codes. However, the ultimate value of Covid claims was estimated by multiplying average paid per case (AVPC) to the ultimate claim count taking into account the frequency and severity of Covid claims instead of historical claims data due to lack of a well-established payment pattern and insufficient experience to use a credible lag method. The AVPC is obtained by dividing the cumulative paid claims amount by the paid claims count. The ultimate claim count was based on the number of reported claims to PhilHealth, and the official DOH reported number of Covid cases and number of administered tests. For 2023, since more stable paid claims information for the pandemic years had become available, lesser uncertainty margins had been considered.

Further, the following are included in the computation of the IBNP:

- Claims Handling Expense

It refers to the cost incurred by Philhealth in managing and processing claims. Five percent claims handling expense loading was applied to 100% of the IBNR and 50% of the ICS.

- Provision for Denied Claims

Denied claims are claims determined to be invalid and unworthy of payment due to an absolute deficiency that cannot be remedied through return to Health Facility or due to a finding of an unmet requirement.

In projecting the provision for denied claims, the historical ratio of total paid claims at various development periods for previously denied claims to the total denied claims as of December 31, 2023 was first determined. After which, the selected ratio for future developments was multiplied by the total denied claims to come up with the provision.

- Margin for Adverse Deviation

It reflects the degree of uncertainty of the best estimate assumption. Because of the high level of uncertainty inherent in estimating IBNP reserves, and to reflect a higher level of comfort in the recorded number than that in the best estimate of IBNP, a 10% margin for adverse deviation was added in the computation.

#### **4. Financial Risk Management**

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

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

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

#### **Financial Risk Factors**

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

#### **Credit Risk**

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

The Corporation's placements in fixed term deposits with Authorized Government Depository Banks (AGDBs) are in accordance with Sec. 5.2 of Department of Finance (DOF) Circular No. 002-2022, on the Revised 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. V.D.2 of CO 2021-0057 PhilHealth Omnibus Guidelines on Fund Investments (Corporate Order No. 2021-0057). 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.

Investments in government securities are not impaired. Only investments in corporate bonds are subject to impairment. Allowance for impairment is computed as follows:

$$\begin{array}{ccccccc} \text{EAD} & & \text{PD} & & \text{LGD} & = & \text{ECL} \\ \text{Exposure at Default} & \times & \text{Probability of Default} & \times & \text{Loss Given Default} & & \text{Expected Credit Loss} \end{array}$$

As regards criteria for accreditation of applicant collecting agents for premium collections, PhilHealth requires submission of three-year Audited Financial Statements, as one of the documentary requirements for accreditation. Financial evaluation of the applicants comprised the analysis on liquidity ratio, solvency ratio, capital adequacy ratio and profitability ratio vis-a-vis the current Bangko Sentral ng Pilipinas (BSP) Performance Indicators for banks, including non-banks with quasi-banking function. Once accredited, on an annual basis, submission of their yearly financial statements is required to monitor financial standing of the ACAs to mitigate any losses that may be incurred by the concerned ACAs. Other documentary requirements such as Articles of Incorporation, Certificate of Good Standing with Existing Industry Association, Electronic Banking Authority, among others are likewise submitted by PhilHealth ACAs when renewing their accreditation 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 and Development Bank of the Philippines. These are the depository and servicing banks for the Corporation's over-the-counter collections, disbursements, funding and settlement accounts which are covered by Payroll Servicing Agreement and Memorandum of Agreement on One Fund Disbursement Account, respectively. Hence, lesser vulnerability of default given the Corporation's compliance to regulatory agencies and the service agreements with the AGDBs.

## Liquidity Risk

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

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

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

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

## Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## 5. Cash and Cash Equivalents

This account is composed of the following:

	2024	2023
Collecting Officers	98,452,287.88	92,901,540.81
Petty Cash Fund (PCF)	5,882,993.32	4,587,625.65
Cash in Bank	3,838,159,745.95	4,140,608,916.80
Special Savings Deposits	46,031,079,979.24	26,541,020,999.00
<b>Total</b>	<b>49,973,575,006.39</b>	<b>30,779,119,082.26</b>

- 5.1. Collecting officers represent collections at the end of the month made by collecting officers which are to be deposited on the following working day.
- 5.2. The Corporation uses the imprest fund system in handling its petty cash fund. This fund is for the use of miscellaneous expenditures which cannot be conveniently paid by check wherein an officer holding the fund is also properly bonded in accordance with law.

- 5.3. Cash in banks represent various bank deposits that are unrestricted and available for current operations. Included in this account are cash denominated in foreign currencies that are translated to peso using the closing rate as of reporting dates.

Cash in bank earns interest based on the prevailing interest rates. Interest earned on bank deposits amounted to P1,077,957.59 and P1,166,135.68 in September 30, 2024 and September 30, 2023 respectively.

- 5.4. SSDs are term deposits of one (1) day up to ninety (90) days with interest rates higher than the regular savings deposit rates and evidenced by either passbook or schedule of deposits. The interest rates are 2.0000 to 6.0000 per cent and 5.1500 to 5.3000 per cent as of September 30, 2024 and December 31, 2023, respectively.

Interest earned from SSD are P1,086,148,377.25 and P701,725,504.80 in September 30, 2024 and September 30, 2023, respectively.

## 6. Investment in Time Deposit

Investments in Time Deposits are term deposits of ninety-one (91) to three hundred sixty-four (364) days with interest rate ranging from 5.8100 to 6.3500 percent as of September 31, 2024 and December 31, 2023.

	2024	2023
Investment in Time Deposits – Local Currency	71,536,206,120.86	135,604,790,554.88
Investment in Time Deposits – Foreign Currency	1,321,144.91	1,306,982.52
Total	71,537,527,265.77	135,606,097,537.40

## 7. Receivables

This account is composed of the following:

	2024	2023
Receivable from Direct Contributors	52,324,935,154.80	48,538,095,464.90
Due from NGAs	77,116,604,942.49	49,237,566,382.08
Due from LGUs	210,623,055.78	221,579,355.78
Due from LGUs - PCPN	427,062,500.00	168,215,436.25
Accrued Interest Receivable from Investment	6,839,262,611.34	6,450,894,712.97
Other Receivable	59,044,412.10	48,617,228.64
<b>Receivables</b>	<b>136,977,532,676.51</b>	<b>105,679,756,040.55</b>
Less: Allowance for Impairment	(24,046,676,452.21)	(24,062,310,204.74)
<b>Receivables, net</b>	<b>112,930,856,224.30</b>	<b>80,602,658,375.88</b>

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

	2024	2023
Receivable from Direct Contributors	52,324,935,154.80	48,538,095,464.90
Less: Allowance for Impairment	(3,173,108,591.67)	(3,173,108,591.67)
Total	49,151,826,563.13	45,364,986,873.23

The Expected Credit Loss (ECL) is computed by multiplying the exposure at default by the Loss Rate (1-Collection Efficiency Rate as determine by the Member Management Group).

2024	2023
48,370,557,799 x (1-.9344) = P3,173,108,591.67	48,370,557,799 x (1-.9344) = P3,173,108,591.67

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

	2024	2023
NHTS		
No. of enrollees	22,083,134	12,618,921
Amount	39,372,931,150.00	28,076,492,000.00
Senior Citizen		
No. of enrollees	25,729,681	17,143,410
Amount	36,087,012,303.00	20,537,134,800.00
PAMANA		
No. of enrollees	19,675	-
Amount	23,760,000.00	-
Point-of-Service (POS)		
No. of enrollees	428,116	187,623
Amount	991,404,450.00	450,295,200.00
Fortuitous event		
No. of enrollees	56,135	56,135
Amount	134,724,000.00	134,724,000.00
PWD		
No. of enrollees	54,757	-
Amount	205,338,753.00	-
DBM-Procurement	31,287,832.92	38,749,501.48
DPWH - fund transfer	269,975,572.97	-
Due from NGAs – BIR	170,880.60	170,880.60
<b>Total</b>	<b>77,116,604,942.49</b>	<b>49,237,566,382.08</b>
Allowance for impairment	(20,671,858,800.00)	(20,671,858,800.00)
<b>Net amount</b>	<b>56,444,746,142.49</b>	<b>28,565,707,582.08</b>

Details of Due from NGA's:

Enrollment of 5,155,011 indigent members under the Listahanan 2 of the DSWD identified through NHTS-PR program for CY 2024 based on billing to DBM dated May 29, and July 22, 2024.	11,296,439,150.00
Enrollment of 8,586,271 Senior Citizens profiled as members in the database for CY 2023 based on billing to DBM dated March 08, 2023.	15,549,877,503.00
Enrollment of 19,675 families under the PAMANA program for CY 2024 based on billings to DBM dated February 1, 2024.	23,760,000.00
Enrollment of 240,493 financially-incapable Point-Of-Service (POS-FI) patients as determined by DOH based on billing to DBM dated June 3, 2024.	541,109,250.00
Enrollment of 54,757 qualified PWDs for CY 2024 based on billings to DBM dated June 3, 2024.	205,338,753.00
DBM Procurement	31,287,832.92
DPWH – Transfer of funds for building construction	269,975,572.97
Due from NGAs - BIR	170,880.60
<b>2024 Total</b>	<b>27,917,958,942.49</b>
Enrollment of 12,618,921 indigent members under the Listahanan 2 of the DSWD categorized through NHTS-PR program for CY 2023 based on billing to DBM dated March 22, 2023 and May 26, 2023.	28,076,492,000.00
<b>2023 Total</b>	<b>28,076,492,000.00</b>

	2024	2023
Enrollment of 187,623 qualified members under the 2019 POS program for the period January to December 2018 per billing to DBM		450,295,200
<b>Total 2018</b>		<b>450,295,200</b>
Enrollment of 2,258,757 Senior Citizens which were automatically renewed for the period January to December 2016 per billing to DBM through DOH [P12,998,827,200 - P7,577,809,200 (Collection)]		5,421,018,000
Less: Allowance for impairment		(5,421,018,000)
<b>Total 2016</b>		<b>-</b>
Enrollment of 5,416,178 Senior Citizens for CY 2015 per billing to DBM		12,998,827,200
Less: Allowance for Impairment		(12,998,827,200)
<b>Total 2015</b>		<b>-</b>
Enrollment of 56,135 families of which 55,474 families came from Region VIII who were casualties of Typhoon Yolanda and for the extended insurance coverage under the Fortuitous Event Program implemented as a component of the NHIP for the billing period January to December 2014.		134,724,000
Enrollment of 882,204 Senior Citizens for the period of October to December 2014 per billing to DBM		2,117,289,600
Less: Allowance for Impairment		(2,252,013,600)
<b>Total 2014</b>		<b>-</b>
<b>Grand Total</b>		<b>56,444,746,142.49</b>

The Expected Credit Loss is 100% for Due from the National Government for the years 2016 and below.

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

	2024	2023
National Capital Region (NCR)	6,040.00	6,040.00
Cordillera Administrative Region (CAR)	105,365.00	105,365.00
III	60,847,828.30	69,349,028.30
IVA	92,500.00	127,600.00
V	795,000.00	795,000.00
VI	145,230,922.48	147,530,922.48
VII	3,545,400.00	3,665,400.00
<b>Due from LGUs</b>	<b>210,623,055.78</b>	<b>221,579,355.78</b>
Less: Allowance for Impairment	(200,091,902.99)	(215,725,655.52)
<b>Due from LGUs, net</b>	<b>10,531,152.79</b>	<b>5,853,700.26</b>

7.4. Due from LGU- PCPN are fund transferred through front-loaded capitation to contracted Public Network for primary care services to our members. As of reporting period, Philhealth Regional Offices III, IVA and XII have engaged Public Network. The release and liquidation is governed by COA Circular No. 2023-02. The balance of the fron-loaded capitation is at P427,062,500.00 and P168,215,436.25 as at September 30, 2024 and December 31, 2023.

7.5. Accrued Interest Receivable from investment amounting to P6,839,262,611.34 and P6,450,894,712.97 as at September 30, 2024 and December 31, 2023, respectively, represent interest earned as at the reporting date from special savings deposit, time deposit, investment securities at amortized cost which are due for collection on the following year.

- 7.6. Other Receivables amounting to P59,044,412.10 and P48,617,228.64 as at September 30, 2024 and December 31, 2023, respectively, represents disallowances and due from officers and employees.

Allowance for impairment of P1,617,157.55 and P1,920,069 was provided due to ECL as at September 30, 2024 and December 31, 2023, respectively.

## 8. Inventories

Inventories as of September 30, 2024 and December 31, 2023 were all stated at cost less any allowance for impairment

This account is composed of the following:

	2024	2023
Office Supplies and Materials Inventory	86,560,661.40	89,600,569.83
Semi-Expendable Machinery and Equipment	33,483,520.10	19,294,076.51
Semi-Expendable Furniture, Fixtures and Books	17,078,031.43	18,273,914.12
<b>Inventories</b>	<b>137,122,212.93</b>	<b>127,168,560.46</b>
Less: Allowance for Impairment	(1,452,310.78)	(1,452,310.78)
<b>Inventories, net</b>	<b>135,669,902.15</b>	<b>125,716,249.68</b>

- 8.1. Office Supplies and Materials Inventory account amounting to P86,560,661.40 and P89,600,569.83 as at September 30, 2024 and December 31, 2023, respectively, represents small tangible items that are expected to be used within one (1) year from the reporting date.
- 8.2. Semi-Expendable Machinery and Equipment account amounting to P33,483,520.10 and P19,294,076.51 as at September 30, 2024 and December 31, 2023, respectively, represents office equipment, information and communication technology costing less than P50,000.00.
- 8.3. Semi-Expendable Furniture, Fixtures, and Books account amounting to P17,078,031.43 and P18,273,914.12 as at September 30, 2024 and December 31, 2023, respectively, represents furniture, fixtures and books costing less than P50,000.00.

## 9. Other Current Assets

	2024	2023
<b>Other Current Assets</b>	<b>1,706,797,924.89</b>	<b>2,776,735,266.71</b>
Less: Allowance for Impairment	(24,541,198.79)	(54,184,979.45)
<b>Other Current Assets, net</b>	<b>1,682,256,726.10</b>	<b>2,722,550,287.26</b>

This account is composed of the following:

- 9.1. Other Current Assets amounting to P1,706,797,924.89 and P2,776,735,266.71 as at September 30, 2024 and December 31, 2023, respectively, represent Fines and Penalties from ACAs, payment recovery, DCPM amounting to P1,631,809,076.61 and compromise penalties of hospitals amounting to P24,264,032.00 for the taxable year 2003-2004 per BIR decision with reference No. P06-15 dated April 14, 2015 is included in the balance as well.
- 9.2. Allowance for Impairment amounting to P24,541,198.79 and P54,184,979.45 was provided due to ECL as at September 30, 2024 and December 31, 2023, respectively.



Details as follows:

Other Receivables - Accrued Fines & Penalties from ACAs	2,987,172.26
Other Receivables – GPAI	67,473.00
Other Receivables – Others	21,486,553.53
<b>Total</b>	<b>24,541,198.79</b>

## 10. Investment Securities at Amortized Cost

This account is composed of the following:

	2024	2023
Investment in Treasury Bills	28,284,279,260.43	-
Investment in Government Bonds	350,041,155,213.25	331,680,257,444.24
Investment in Corporate Bonds	10,147,910,000.00	4,447,910,000.00
<b>Total Investments</b>	<b>388,473,344,473.68</b>	<b>336,128,167,444.24</b>
Less: Allowance for Impairment	(3,593,827.08)	(531,589.98)
<b>Investments, net</b>	<b>388,469,750,646.60</b>	<b>336,127,635,854.26</b>

### 10.1. Investment in Treasury Bills

	Interest Rate(%)	2024	2023
Treasury Bills	5.9993%	28,284,279,260.43	-
<b>Total</b>		<b>28,284,279,260.43</b>	<b>-</b>

### 10.2. Investment in Government Bonds with a maturity period of more than one (1) year and with an average interest rate of 5.6844 percent and 5.5078 percent as at September 30, 2024 and December 31, 2023, respectively.

	Interest Rate(%)	2024	2023
Retail Treasury Bonds	5.0673	75,500,000,000.00	71,000,000,000.00
RTB Non-Restricted Environment	5.4730	272,041,155,213.25	258,180,257,444.24
Tokenized Treasury Bonds	6.5000	2,500,000,000.00	2,500,000,000.00
<b>Total</b>		<b>350,041,155,213.25</b>	<b>331,680,257,444.24</b>

### 10.3. Investment in Corporate Bonds with a maturity period of more than one (1) year and with an average interest rate of 6.3947 percent as at September 31, 2024 and December 31, 2023.

	Interest Rate(%)	Maturity date	2024	2023
2.5 yrs SM Prime Holdings Fixed Rate Bonds	6.2069	11/23/25	1,000,000,000.00	1,000,000,000.00
4 yrs SM Prime Holdings Fixed Rate Bonds	6.2151	5/23/27	1,000,000,000.00	1,000,000,000.00
6 yrs SM Prime Holdings Fixed Rate Bonds	6.3275	5/23/29	500,000,000.00	500,000,000.00
3 yrs SM Prime Holdings Fixed Rate Bonds	6.5754	6/24/27	200,000,000.00	0.00
5 yrs SM Prime Holdings Fixed Rate Bonds	6.7537	6/24/29	200,000,000.00	0.00
7 yrs SM Prime Holdings Fixed Rate Bonds	6.9650	6/24/31	300,000,000.00	0.00
3 yrs Robinson Land Corp. Fixed Rate Bonds	6.2912	6/30/26	270,000,000.00	270,000,000.00
5 yrs Robinson Land Corp. Fixed Rate Bonds	6.0972	6/30/26	856,910,000.00	856,910,000.00

1.5 yr DBP Fixed Rate Bonds Series 4	6.4126	1/27/25	821,000,000.00	821,000,000.00
1.5 yr DBP Fixed Rate Bonds Series 5	6.1020	8/12/25	5,000,000,000.00	-
<b>Total</b>			<b>10,147,910,000.00</b>	<b>4,447,910,000.00</b>
Less: Allowance for Impairment			(3,593,827.08)	(531,589.98)
<b>Investments in Corporate Bonds, net</b>			<b>10,144,316,172.92</b>	<b>4,447,378,410.02</b>

Interest earned on Investment Securities at Amortized Cost amounted to P13,729,703,726.17 and P8,479,214,224.34 as at September 30, 2024 and September 30, 2023, respectively.

## 11. INVESTMENT PROPERTY

This account is composed of the following:

- 11.1. A parcel of land situated in Quezon City with a total area of 17,230.50 square meters (sq. m.). This property has a carrying amount of P439,377,751.36. 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. It has a fair market value of P3,273,800,000 as of July 31, 2021.
- 11.2. 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 P413,845,804.80 was appraised with a fair market value of P3,354,220,000 as of August 06, 2021.

## 12. Property and Equipment – Net

This account is composed of the following:

<b>2024</b>							
	Land and Land Improvements	Bldg. & Structure/ Leasehold Impts.	Infra. Asset	Construction in Progress	Furniture & Fixtures, Equipment & Books	Motor Vehicle	Total
<b>Cost</b>							
Balance at beg. of year	20,514,062.12	271,442,443.74	161,613.47	30,641,377.26	2,252,567,053.04	441,809,050.99	3,017,135,600.62
Additions	124,201,420.48	28,288,477.30	-	2,012,515.36	184,289,961.72	3,590,000.00	342,382,374.86
Adjustments	-	(1,293,236.59)	-	(572,107.30)	(43,804,823.17)	(5,483,400.00)	(51,153,567.06)
Balance at end of Aug.	144,715,482.60	298,437,684.45	161,613.47	32,081,785.32	2,393,052,191.59	439,915,650.99	3,308,364,408.42
<b>Accum. Depreciation</b>							
Balance at beg. of year	1,498,375.89	193,093,990.49	-	-	1,787,556,343.37	207,327,547.12	2,189,476,256.87
Depreciation	42,908.05	12,244,409.22	21,817.82	-	101,344,379.57	27,394,984.45	141,048,499.11
Adjustments	-	(629,304.60)	-	-	(23,423,311.53)	(3,474,580.00)	(27,527,196.13)
Balance at end of Aug.	1,541,283.94	204,709,095.11	21,817.82	-	1,865,477,411.41	231,247,951.57	2,302,997,559.85
<b>Carrying Amount</b>	<b>143,174,198.66</b>	<b>93,728,589.34</b>	<b>139,795.65</b>	<b>32,081,785.32</b>	<b>527,574,780.18</b>	<b>208,667,699.42</b>	<b>1,005,366,848.57</b>

<b>2023</b>							
	Land and Land Improvements	Bldg. & Structure/ Leasehold Impts.	Infra. Asset	Construction in Progress	Furniture & Fixtures, Equipment & Books	Motor Vehicle	Total
<b>Cost</b>							
Balance at beg. of year	20,514,062.12	264,490,613.57	161,613.47	29,017,393.56	2,248,131,497.82	333,671,181.64	2,895,824,748.71
Additions	-	12,175,674.36	-	1,691,462.55	101,233,775.07	259,730,500.00	374,993,025.45
Adjustments	-	(5,223,844.19)	-	(67,478.85)	(96,798,219.85)	(151,592,630.65)	(253,682,173.54)
Balance at end of Dec	20,514,062.12	271,442,443.74	161,613.47	30,641,377.26	2,252,567,053.04	441,809,050.99	3,017,135,600.62
<b>Accum. Depreciation</b>							
Balance at beg. of year	1,498,375.89	175,073,280.58	-	-	1,699,918,230.63	194,947,882.09	2,071,437,769.19
Depreciation	-	23,620,225.09	-	-	163,212,718.76	36,501,496.60	223,334,440.45
Adjustments	-	(5,599,515.18)	-	-	(75,574,606.02)	(24,121,831.57)	(105,295,952.77)
Balance at end of Dec	1,498,375.89	193,093,990.49	-	-	1,787,556,343.37	207,327,547.12	2,189,476,256.87
<b>Carrying Amount</b>	<b>19,015,686.23</b>	<b>78,348,453.25</b>	<b>161,613.47</b>	<b>30,641,377.26</b>	<b>465,010,709.67</b>	<b>234,481,503.87</b>	<b>827,659,343.75</b>

Included under Land and Buildings accounts are the following:

- 12.1. 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 P25,520,363.00. The land and building were appraised with a fair market value of P73,710,000.00 as of August 4, 2021. PRO III also purchased a warehouse in San Fernando City, Pampanga with a total area of 1,831 sq. m. and was appraised with a fair market value of P22,025,000.00 as of August 4, 2021.
- 12.2. 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 P4,056,000.00 was appraised with a fair market value of P51,280,000.00 as of August 10, 2021. In compliance with the condition set forth in the MOA to construct PhilHealth's office building within two years from the execution of the Deed of Donation, the Regional Development Council (RDC) II has extended, upon the request of PRO II, the construction of the building for another two years per RDC-2 Resolution No. 02-25, s. of 2017.
- 12.3. 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.

### 13. Right-of-Use Assets

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

Summary of Right-of-Use Assets as follows:

	2024		
	Total Amount	Accumulated Depreciation	Net Amount
Head Office	35,440,981.66	(33,225,920.30)	2,215,061.36
PRO NCR	663,027,307.32	(117,679,820.85)	545,347,486.47
PRO CAR	63,322,980.98	(14,778,652.90)	48,544,328.08
PRO I	3,052,974.77	(2,044,039.91)	1,008,934.86
PRO III	154,233,862.84	(70,308,883.65)	83,924,979.19
PRO IVA	74,261,770.91	(51,273,094.39)	22,988,676.52
PRO IVB	110,429,062.58	(73,019,205.64)	37,409,856.94
PRO V	78,146,518.59	(23,143,471.12)	55,003,047.47
PRO VI	90,940,751.86	(20,117,403.10)	70,823,348.76
PRO VII	66,948,555.55	(66,203,424.92)	745,130.63
PRO VIII	12,941,045.12	(11,619,953.11)	1,321,092.01
PRO X	28,776,245.86	(13,274,848.13)	15,501,397.73
PRO XI	15,113,942.91	(4,159,546.21)	10,954,396.70
PRO CARAGA	70,722,319.54	(47,534,566.60)	23,187,752.94
<b>Carrying Amount</b>	<b>1,467,358,320.49</b>	<b>(548,382,830.83)</b>	<b>918,975,489.66</b>

	2023		
	Total Amount	Accumulated Depreciation	Net Amount
Head Office	441,721,702.65	(395,366,235.60)	46,355,467.05
PRO NCR	149,228,615.60	(74,035,177.11)	75,193,438.49
PRO CAR	19,802,525.62	(4,950,887.13)	14,851,638.49
PRO I	5,433,702.56	(2,074,372.19)	3,359,330.37
PRO III	141,479,810.01	(49,160,410.80)	92,319,399.21

PRO IVA	82,520,259.53	(55,394,277.94)	27,125,981.59
PRO IVB	107,158,529.40	(62,564,749.63)	44,593,779.77
PRO V	78,146,518.59	(3,606,841.45)	74,539,677.14
PRO VI	22,285,297.17	(4,433,338.21)	17,851,958.96
PRO VII	87,505,524.04	(83,885,596.59)	3,619,927.45
PRO VIII	12,941,045.12	(10,127,694.26)	2,813,350.86
PRO XI	50,112,774.59	(43,754,110.87)	6,358,663.72
PRO CARAGA	70,722,319.54	(47,534,566.60)	23,187,752.94
PRO BARRM	16,704,773.31	(16,704,773.33)	(0.02)
<b>Carrying Amount</b>	<b>1,285,763,397.73</b>	<b>(853,593,031.71)</b>	<b>432,170,366.02</b>

#### 14. Intangible Assets – Net

This account is composed of the following:

<b>2024</b>				
Cost	Computer Software	Website	Devt. In Progress – Computer Software	Total
Balance Beg.	533,377,358.78	31,940.00	47,651,497.20	581,060,795.98
Addition	167,957,742.93	-	-	167,957,742.93
Adjustments	(291.50)	-	-	(291.50)
Ending Balance	701,334,810.24	31,940.00	47,651,497.20	749,018,247.41
Accumulated Amortization				
Balance Beg.	266,695,531.72	-	-	266,695,531.72
Amortization	2,684,455.31	-	-	2,684,455.31
Accumulated Impairment Loss	55,012,145.30			55,012,145.30
Ending Balance	324,392,132.33	-	-	324,392,132.33
Carrying Amount	376,942,677.88	31,940.00	47,651,497.20	424,626,115.08

<b>2023</b>				
Cost	Computer Software	Website	Devt. In Progress – Computer Software	Total
Balance Beg.	478,285,621.48	31,940.00	47,651,497.20	525,969,058.68
Addition	-	-	-	-
Adjustments	79,592.00	-	-	79,592.00
Ending Balance	478,365,213.48	31,940.00	47,651,497.20	526,048,650.68
Accumulated Amortization				
Balance Beg.	261,227,305.73	-	-	261,227,305.73
Amortization	5,468,225.99	-	-	5,468,225.99
Ending Balance	266,695,531.72	-	-	266,695,531.72
Carrying Amount	211,669,681.76	31,940.00	47,651,497.20	259,353,118.96

This account mainly pertains to various software applications/programs, the majority of which are licenses used, to fully utilize the capability of a software system to operate in a virtual environment. It includes computer development in progress – computer software which up to now is for customization.

From the total cost amount, intangibles with finite life is valued at P497,698,295.18 while intangibles with indefinite life is at P251,319,952.23 of which P11,046,970.00 are internally developed and are being used in the operation.

## 15. Other Non-Current Assets

This account is composed of the following:

	2024	2023
Advances for Operating Expenses	195,000.00	-
Advances to Special Disbursing Officers	994,794.66	72,966.65
Advances to Officers & Employees	12,700,589.20	1,536,198.08
Prepayments	28,419,819.29	22,596,880.48
Guaranty Deposits	142,385,034.84	123,759,591.17
Other Deposits	4,104,400.63	3,007,765.23
<b>Sub-Total</b>	<b>188,799,638.62</b>	<b>150,973,401.61</b>
DBM (transfer of NHIP Program from GSIS to PHIC)	155,235,240.00	155,235,240.00
PDIC (per MB Reso. 459 dated 04/07/2005)	327,103.25	327,103.25
PROs (from Various Health Providers-DCS)	700,555.15	700,555.15
Unserviceable Equipment	41,430,964.16	47,818,721.25
Serviceable Equipment	1,048,333.41	1,540,186.36
Receivable from NGAs	394,749,368.00	394,749,368.00
Receivable from LGUs	446,448,941.41	448,977,369.61
<b>Total</b>	<b>1,039,961,123.38</b>	<b>1,049,348,543.62</b>
Less: Allowance for Impairment	(988,242,687.14)	(992,141,729.26)
<b>Sub-Total</b>	<b>51,718,436.24</b>	<b>57,206,814.36</b>
<b>Other Non-Current Assets, net</b>	<b>240,518,074.86</b>	<b>208,180,215.97</b>

- 15.1. The Special Disbursing Officer (SDO) is an Accountable Officer duly designated, responsible and accountable for the proper management of funds for a specific legal purpose or activity and is properly bonded in accordance with law. The amount is P994,794.66 as at September 30, 2024 and P72,966.65 as at December 31, 2023. The amount represents the funds on hand from the said officers as of reporting date.
- 15.2. Advances to Officers and Employees amounting to P12,700,589.20 and P1,536,198.08 as at September 30, 2024 and December 31, 2023, respectively, represent cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travels.
- 15.3. Prepayments amounting to P28,419,819.29 and P22,596,880.48 as at September 30, 2024 and December 31, 2023, respectively, represent authorized payments made for insurance of motor vehicles of the Corporation from the Government Service Insurance System (GSIS), prepaid rent, prepaid registrations and other prepayments.
- 15.4. Guaranty Deposits amounting to P142,385,034.84 and P123,759,591.17 as at September 30, 2024 and December 31, 2023, respectively, represent transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals. These deposits are made for the faithful performance of the provisions of the lease agreements and shall cover possible damages to the leased premises. These are refundable at the end of the service agreement.
- 15.5. Other Deposits amounting to P4,104,400.63 and P3,007,765.23 as at September 31, 2024 and December 31, 2023 pertains to advance deposit for office rental.
- 15.6. Long Term Receivable from the DBM amounting to P155,235,240.00 as at September 30, 2024 and December 31, 2023 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.

15.7. Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to P327,103.25 as at September 30, 2024 and December 31, 2023 was the result of the Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation. As of last communication last March 10, 2023 as per directive of Audit Committee, no collection has been received. Nevertheless, PDIC has mention that we on the priority list for payment upon liquidation of assets.

15.8. Debit/Credit Scheme (DCS) amounting to P700,555.15 as at September 30, 2024 and December 31, 2023 refer to the balance of advance payment to HCPs for the year 1999.

Allowance for impairment of 700,555.15 was provided for due to closure of some of the hospital facilities and as prescribed by PFRS 9.

15.9. Unserviceable Equipment account amounting to P41,430,964.16 and P47,818,721.25 as at September 30, 2024 and December 31, 2023, respectively, represent equipment that are already for disposal. This account shall be further reclassified as Non-Current Asset–Held for Sale, once the requirements set upon by the Standard are met.

15.10. Serviceable Equipment account amounting to P1,048,333.41 and P1,540,186.36 as at September 30, 2024 and December 31, 2023, respectively, represent pieces of equipment which are still functional but already obsolete and fully depreciated and ready for disposal. This account shall be further reclassified as Non-Current Asset–Held for Sale, once the requirements set upon by the Standard are met.

15.11. Receivable from NGAs amounting to P394,749,368.00 as at September 30, 2024 and December 31, 2023, represents deficiency in employer share of the Health Insurance Premium Contributions by different government agencies nationwide from CYs 2001 to 2008.

15.12. 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, details as shown below:

	2024	2023
NCR	1,307,600.00	1,307,600.00
CAR	20,893,160.82	20,893,160.82
I	35,962,267.37	35,962,267.37
II	14,914,961.40	14,914,961.40
IV-A	14,124,485.00	14,124,485.00
IV-B	938,740.00	938,740.00
V	277,429,458.04	278,980,773.04
VIII	6,079,685.95	6,079,685.95
X	365,431.15	1,342,544.45
XI	13,036,340.54	13,036,340.54
CARAGA	59,480,259.00	59,480,259.00
BARMM	1,916,552.04	1,916,552.04
<b>Carrying Amount</b>	<b>446,448,941.41</b>	<b>448,977,369.61</b>

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

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

	<b>2024</b>	<b>2023</b>
DBM (transfer of NHIP Program from GSIS to PHIC)	155,235,240.00	155,235,240.00
PDIC (per MB Reso. 459 dtd 04/07/2005)	327,103.25	327,103.25
PROs (from Various Health Providers-DCS)	700,555.15	700,555.15
Receivable from NGAs	394,741,430.00	394,741,430.00
Receivable from LGUs	437,238,358.74	441,137,400.86
<b>Allowance for Impairment</b>	<b>988,242,687.14</b>	<b>992,141,729.26</b>

## 16. Financial Liabilities

This account is composed of the following:

	<b>2024</b>	<b>2023</b>
Accounts Payable	683,567,351.92	1,008,249,742.92
Accrued Benefits Payable	30,365,766,961.52	37,238,607,745.36
Due to Officers and Employees	382,520,553.54	476,810,764.77
Operating Lease Payable	3,995,268.19	4,573,713.24
Other Financial Liabilities	15,000.00	15,000.00
<b>Total</b>	<b>31,435,865,135.17</b>	<b>38,728,256,966.29</b>

Below is the breakdown of the Accounts Payable:

	<b>2024</b>	<b>2023</b>
Personnel Services	28,162,953.67	28,162,953.67
M.O.O.E.	575,105,834.25	919,290,261.99
CAPEX	80,298,564.00	60,796,527.26
<b>Total</b>	<b>683,567,351.92</b>	<b>1,008,249,742.92</b>

- 16.1. Accounts Payable – Personnel Services amounting to P28,162,953.67 as at September 30, 2024 and December 31, 2023 represent per diems and allowances of the Board of Directors and Committee members which are due for payment. This also includes the GSIS premium amounting to ₱20,604,585 which was part and parcel of the salary adjustments given to PhilHealth employees. The said amount is still outstanding and not yet remitted to GSIS in compliance with Opinion No. 56, s. of 2018 from the Office of the Government Corporate Counsel dated March 26, 2018 stating that PhilHealth should keep the amount originally intended to be remitted to GSIS as premiums corresponding to the adjusted salaries of its employees without prejudice to its remittance in the event the Notice of Disallowance is lifted.
- 16.2. Accounts Payable – MOOE amounting to P575,105,834.25 and P919,290,261.99 as at September 30, 2024 and December 31, 2023, respectively, represent procurement of goods or services which are due for payment.
- 16.3. Accounts Payable - CAPEX amounting to P80,298,564.00 and P60,796,527.26 as at September 30, 2024 and December 31, 2023, respectively, represent procurement of property and equipment which are due for payment.



- 16.4. Accrued Benefits Payable are accrued expenses from claims filed by members or HCIs and received by the corporation but not yet processed and unpaid as at reporting period

Below is the breakdown of the Accrued Benefits Payable:

	2024	2023
Benefit Claims Processed	7,248,550,332.75	4,750,316,498.68
Benefit Claims Processed - Primary Care		
Benefit - PCB	1,999,865.00	2,670,515.00
Benefit Claims Processed - Konsulta	116,483,656.28	40,087,748.23
In-Course of Settlement (ICS)	<b>22,675,693,639.44</b>	<b>32,037,165,698.67</b>
ICS - in process	20,350,721,749.96	29,817,405,775.62
ICS-RTH	2,324,971,889.48	2,219,759,923.05
PCB	128,009,968.00	132,940,453.00
Konsulta	195,029,500.05	275,426,831.78
<b>Total</b>	<b>30,365,766,961.52</b>	<b>37,238,607,745.36</b>

- 16.5. Accrued Benefit Payable - Claims Processed amounting to P7,248,550,332.75 and P4,750,316,498.68 as at September 30, 2024 and December 31, 2023, respectively, represent benefit claims awaiting payment for the next crediting date. It also includes pending claims payment due to non-submission of official receipt from the HCI as well non-negotiated checks by the HCI as of reporting date.
- 16.6. Accrued Benefit Payable - Primary Care Benefit (PCB) processed amounting to P1,999,865.00 and P2,670,515.00 as at september 30, 2024 and December 31, 2023, respectively, represent PCB awaiting payment.
- 16.7. Accrued Benefit Payable – Konsulta processed amounting to P116,483,656.28 and P40,087,748.23, respectively, represents benefit claims for Konsulta package awaiting payment as at September 30, 2024 and December 31, 2023, respectively.
- 16.8. Accrued Benefits Payable – ICS amounting to P22,675,693,639.44 and P32,037,165,698.67 as at September 30, 2024 and December 31, 2023, respectively, are estimated benefit claims still in process as of the reporting period. The amount recorded is the balance of ICS as of December 31, 2023 less application or processed this year and the current ICS (confinement for 2024).
- 16.9. Accrued Benefits Payable – PCB amounting to P128,009,968.00 and P132,940,453.00 as at Septe,ber 30, 2024 and December 31, 2023, respectively, are claims which are estimated to be outstanding as of report date.
- 16.10. Accrued Benefits Payable – Konsulta amounting to P195,029,500.05 and P275,426,831.78 are accruals made by the Regional Offices as at September 30, 2024 and December 31, 2023.
- 16.11. Due to Officers and Employees amounting to P382,520,553.54 and 476,810,764.77 as at September 30, 2024 and December 31, 2023, respectively, represents liability to officers and employees for salaries, benefits and other emoluments including authorized expenses paid in advance by the officers and employees.

Included in the accounts payable is the accrued personnel services (PS) for Welfare Support Assistance (WESA) from CY 2012 to CY 2020, based on the following grounds, 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 COA issued ND PHIC 2008-003 (2004) disallowing the payment of WESA contending that the payment was made without legal basis in the absence of approval from the Office of the President. On Appeal, the COA en banc sustained the disallowance.

PhilHealth then filed a Petition before the Supreme Court seeking to reverse and set aside the Decision of the COA. The Supreme Court in its Decision dated November 29, 2016, held that the Health Secretary approved the grant of the WESA together with ten (10) other members of the Board does not make the act any short of the approval required under the law. As far as the Magna Carta and its Revised IRR are concerned, the then Health Secretary Dr. Alberto G. Romualdez, Jr. voted in favor of the WESA's issuance, and for as long as there exists no deception or coercion that may vitiate his consent, the concurring votes of his fellow Board members does not change the fact of his approval. PhilHealth's grant of the WESA was aptly sanctioned not only by Section 12 of the SSL which explicitly identifies laundry and subsistence allowance as excluded from the integrated salary, but also by statutory authority, particularly, Section 22 and 24 of the Magna Carta. In view of such fact, the PhilHealth officers cannot be found to have approved the issuance of the same in bad faith or in gross negligence amounting to bad faith for it was well within the parameters set by law.

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

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

As at September 30, 2024, the remaining balance for WESA amounting to 95,760,729.96 are for retired and resigned employees.

- 16.12. Operating Lease Payable amounting to P3,995,268.19 and P4,573,713.24 as at September 30, 2024 and December 31, 2023, respectively, are for Rental expense with no contract but extended on a month to month basis and contract with 1 year or less term.
- 16.13. Other Financial Liabilities – this account is used to recognize the amount of other financial liabilities incurred which cannot be appropriately classified under any of the specific financial liability accounts.

## 17. Inter-Agency Payables

This account is composed of the following:

	2024	2023
Due to BIR	232,779,908.49	203,657,423.32
Due to GSIS	86,689,177.94	98,020,838.65
Due to Pag-ibig	5,850,316.32	4,560,724.82
Due to PhilHealth	14,286,577.34	14,884,304.61
Due to NGAs	59,883,914,749.43	10,339.44
Due to Government Corporations	427,467,372.63	427,443,702.63
Due to LGUs	676,224.53	829,627.61
Due to Treasurer of the Phil	-	12,673,524.00
<b>Total</b>	<b>60,651,664,326.68</b>	<b>762,080,485.08</b>

- 17.1. Due to BIR consists of liability for taxes withheld from employees' compensation and income payment to suppliers of goods and services which will be remitted in the subsequent period.
- 17.2. 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 which will be remitted to the appropriate agencies in the subsequent periods.
- 17.3. Due to NGAs refers the interest income of the PHIE projects of the Department of Health for remittance and the unutilized government subsidy amounting to P59,883,905,683.00 to be returned to the Bureau of Treasury.
- 17.4. Due to Government Corporations refer to accrual of UMID billing from GSIS and SSS as well as loan payment to National Home Mortgage Finance Corporation
- 17.5. Due to LGUs refers to overpayment of premium contributions under sponsored programs which shall be applied to their additional enrollment during the year, if any. It also includes local tax withheld located outside the region for remittance to LGU.
- 17.6. Due to Treasurer of the Philippines are payables for auditing services of COA and the amount is nil and 12,673,524.00 as at September 30, 2024 and December 31, 2023, respectively.

## 18. Trust Liabilities

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

This account is composed of the following:

	2024	2023
UNFPA Project	38,395.22	38,056.78
Unclaimed Refund from Health Care Providers	312,817,383.08	312,345,456.36
AHP - Protest Bond	80,545,320.00	76,125,320.00
Donations	8,181,900.35	8,623,878.86
Bail Bonds Pay./Guaranty/Security Deposit Payable	77,088,231.96	62,978,128.25
Retention Fee	44,847.25	5,295,341.38
Global Development Project	1,972,376.28	1,958,886.31
Philippine Training Institute	8,408,203.65	6,540,390.53

	2024	2023
Philippine Training Institute - NSSF	543,348.73	622,675.02
PhilHealth Run 2013	900.00	900.00
PhilHealth Run 2015	87,218.87	87,218.87
Calamity Fund	80,763.94	80,751.87
PhilHealth Provident Fund	23,001,564.59	25,271,964.02
COVID-19 National Vaccine Indemnity Fund	522,066,103.44	521,866,915.87
LBP Electronic Salary Loan	14,875.16	667,463.64
Disallowance/Charges	389,766.56	389,766.56
Others	35,158,795.74	33,359,341.54
<b>Total</b>	<b>1,070,439,994.82</b>	<b>1,056,381,446.07</b>

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

	2024	2023
Westmont Investment Corporation	2,945,656.00	2,945,656.00
Strategies and Alliance Corporation	3,288,626.87	3,476,457.83
Land Bank of the Philippines	110,000.00	110,000.00
Donation received by PROs	1,837,617.48	2,091,765.03
<b>Total</b>	<b>8,181,900.35</b>	<b>8,623,878.86</b>

## 19. Provision for Health Benefits

19.1 Provision for Health Benefits – IBNR amounted to P74,375,620,619.11 and P54,994,635,343.08 as at September 30, 2024 and December 31, 2023, respectively. They 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.

Provision for IBNR, Dec.31, 2023	54,994,635,343.08
Less: Claims paid applied to balance	16,312,360,544.58
IBNR, balance as of September 30, 2024	38,682,274,798.50
Add: Change as of September 30, 2024	35,693,345,820.61
<b>Provision for IBNR, September 30, 2024</b>	<b>74,375,620,619.11</b>
Provision for IBNR, December 31, 2022	95,098,573,409.26
Add: Adjustments	808,499,918.14
Provision for IBNR, December 31, 2022	95,907,073,327.40
Less: Claims paid applied to balance	(17,290,843,633.22)
IBNR, balance for 2023	78,616,229,694.18
Less: Change as of December 31, 2023	(23,621,594,351.10)
<b>Provision for IBNR, Dec. 31, 2023</b>	<b>54,994,635,343.08</b>

## 19.2 Provision for Health Benefits - Denied Claims

The Provision for Health Benefits – Denied Claims amounted to 3,461,371,643.05 and 2,513,182,884.14 as at September 30, 2024 and December 31, 2023, respectively. They are claims determined to be invalid and unworthy of payment due to an absolute deficiency that cannot be remedied through return to Health Facility or due to a finding of an unmet requirement. However, Health Facilities have filed a Motion for Reconsideration hence, it is probable that payment shall be made. The amount of the provision is actuarially computed.

## 20. Other Payables

This account is composed of the following:

	2024	2023
Undistributed Collections	8,223,703,143.14	2,424,370,183.37
Due to Non-Government Organizations / Civil Society Organizations	433,329.17	433,329.17
Other Payable - Others	29,597,445.60	33,344,821.56
<b>Total</b>	<b>8,253,733,917.91</b>	<b>2,458,148,334.10</b>

20.1. Undistributed Collections refer to unidentified premium collections, remittances of ACAs and accreditation fees directly credited to PhilHealth bank accounts as of reporting period.

20.2. Due to Non-Government Organization represents various reimbursement of PHIC Board of directors for meals and accommodation.

20.3. Other Payables – Others includes employees' association dues to PhilHealth White, amortization of loan availed from PhiCEA, and PROs Cooperative deduction from the salary of the PhilHealth employees.

## 21. Deferred Credits/Unearned Income

This account is composed of the following:

	2024	2023
Advance premium from Direct Contributors	355,137,910.44	279,714,321.00
Premium Contribution for NHTS enrollment (CY 2013 & 2014)	516,844,200.00	516,844,200.00
Advance premium from Indirect Contributors	283,632.30	-
Accreditation Fees - ACAs	115,833.48	420,801.01
Accreditation Fees - HCPs	1,860,259.17	2,793,000.00
Sponsored - LGUs	13,794,027.24	18,150,027.24
Others	306,300.00	306,300.00
<b>Total</b>	<b>888,342,162.63</b>	<b>818,228,649.25</b>

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. Lease Payable

Lease Payable amounting to P948,633,776.92 and P451,812,395.30 as at September 30, 2024 and December 31, 2023, respectively, are lease payable of the Corporation mostly office and warehouse rental ranging from 1 to 5 years.

## 23. Leave Benefits Payable

This provision is measured at the best estimate of the amount needed to settle them at the end of the reporting period. The obligation is measured at its "actual expected value". Charges to this account are disbursements for terminal leave pay and monetization.

<b>Beg. Balance: 01/01/2024</b>	<b>814,468,333.85</b>
Less: Payments and Adjustments	52,253,083.86
<b>End Balance : 07/31/2024</b>	<b>762,215,249.99</b>

The provision of P762,215,249.99 and P814,468,333.85 represents money value of the earned leave credits as of September 30, 2024 and December 31, 2023 of officers and employees of PhilHealth.

## 24. Provision for ICL

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

The following are the Actuarial assumptions used in the computation of ICL for CY 2022 and 2023:

Requisite Information	Assumptions Used	
	CY 2022	CY 2023
Valuation	Closed group valuation	Closed group valuation
Mortality rates	In accordance with the Philippine Inter Company Mortality (PICM) Study	Graduated rates & age-last-birthday per 2017 PICM
Morbidity rates	Average of the past 3-years on Utilization Rates and Average Value per Claim disaggregated by age and sex	On-Level (based 2019-2023)
Discount rates	Bloomberg Valuation Rate, which is increasing by 0.5% (or 50 basis points) every 5 years after the 25th year up to a max of 8%  *BVAL Rates were used as recommended by the PhilHealth Board but the Actuary's recommendation was to use the IC Spot Rates	IC 2023 Spot Rates
Inflation rate/Increase in Benefit Payout	6%	3.2% - Historical Trend (Medical Trend & PCB Trend)
Salary increase rate	3%	4.4%
On premium increase	Premium as stated in RA 11223	Premium as stated in RA 11223
On benefits	KONSULTA gradually transitioning to Comprehensive OPB	KONSULTA gradually transitioning to Comprehensive OPB
Average PCB Cost	Php 1,500 per member	Php 587 per member
Operating expense	7.5%	5.0% (Expense Loading)
Age at Retirement	60	60
Collection Efficiency	No increase	Gradual increase to 100% by 2026 for private sector
Frequency	Historical Indication	Historical Indication
Severity	Historical Indication	Historical Indication

Assumptions	Particulars	
	CY 2022	CY 2023
Include GAA	Includes the government subsidy of 79.06B in the Inflows	Includes the government subsidy of 61.5B in the inflows

Assumptions	Particulars	
	CY 2022	CY 2023
Lifespan	According to the latest WHO data published in 2019 life expectancy in the Philippines is: Male 67.3, female 75.5 and total life expectancy is 71.2. For the Direct Contributors, the liabilities beyond the average lifespan will not be considered when using this assumption.  *WHO Life Expectancy in the Phil. was used as recommended by the PhilHealth Board but the Actuary's recommendation was to use the PICM	2017 Phil. Intercompany Mortality Study by Life Insurance Committee of the Actuarial Society of the Philippines.
Margin for Adverse Deviation (MfAD)	None	10% to reflect the degree of uncertainty of the best estimate assumption of Net ICL.

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

The change in the estimated Insurance Contract Liabilities (ICL) compared to last year's estimate are due to the following:

**Increase in outflows / future benefit payments**

1. Increase in morbidity rates
2. Inclusion of future benefit payments to members past average lifespan
3. Reduction in discount rates
4. Increased number of claimants
5. Treatment of projection for dependents

**Decrease in inflows / future contributions**

1. Reduction in Government subsidy
2. Reduction in estimated annual contributions (affected by the number of contributing members, average contribution per member, etc.)
3. Decrease in expense loading
4. New assumption for primary care benefit
5. Reduction in medical trend

Following the assumptions aforementioned, the ICL as approved by the Board of Directors to be recorded for CY2023 and 2022 are as follows:

Actuarial Estimates	2023	2022
Discounted Outflows	5,564,470,507,002	5,037,679,508,012
Discounted Inflows	4,519,328,789,724	4,770,806,195,481
Net ICL	1,045,142,217,278	266,873,312,531
MfAD	104,514,221,728	-
<b>Net ICL including MfAD</b>	<b>1,149,656,439,006</b>	<b>266,873,312,531</b>

Actuarial Estimates	2023	2022
Discounted Outflows	5,564,470,507,002	P 5,037,679,508,012
Discounted Inflows	4,519,328,789,724	4,770,806,195,481
Net ICL	1,045,142,217,278	266,873,312,531



Actuarial Estimates	2023	2022
MfAD	104,514,221,728	
ICL, end of the year	1,149,656,439,006	266,873,312,531
ICL, beginning of the year	266,873,312,531	339,309,737,739
<b>Change in ICL</b>	<b>882,783,126,475</b>	<b>(72,436,425,208)</b>

The Actuarial Services and Risk Management Sector (ASRMS) performed Liability Adequacy Test as required by PFRS 4, using the same assumptions as stated above and in Note 2.22 as required by IC, the result of which is 1,149,656,439,006. The increase by P882,783,126,475 is recognized as Other Losses to be consistent on the recommended by COA GAS to take up the decrease in 2022 as Other Gains in compliance to PAS 8, change in accounting estimates.

## 25. Members' Equity

This account is composed of the following:

	2024	2023	Dec. 2023
Surplus at Jan 1	-	-	-
Net Income before change in ICL	46,430,916,129.52	79,591,046,530.31	174,064,380,906.98
Prior year adjustment	3,830,279,432.40	3,914,690,976.50	14,437,516,295.64
<b>Total Surplus (Deficit)</b>	<b>50,261,195,561.92</b>	<b>83,505,737,506.81</b>	<b>188,501,897,202.62</b>
Surplus transferred to reserves		(83,505,737,506.81)	(188,501,897,202.62)
Excess of the two year projected expenditures	183,712,078,544.24		
Remittance to BTR in compliance to DOF Cir. No. 003-2024 and Section XLIII of GAA	(89,883,905,683.00)		
<b>Surplus at September 30</b>	<b>144,089,368,423.16</b>	<b>-</b>	<b>-</b>
<b>Reserve Fund</b>			
Reserve at January 1	464,286,992,149.44	275,785,094,946.82	275,785,094,946.82
Surplus transferred to reserves		83,505,737,506.81	188,501,897,202.62
Excess of the two year projected expenditures	(183,712,078,544.24)		
<b>Reserve Fund at September 30</b>	<b>280,574,913,605.20</b>	<b>359,290,832,453.63</b>	<b>464,286,992,149.44</b>
Provision for insurance contract liabilities (ICL)	(1,127,993,822,270.32)	(245,210,695,795.32)	(1,127,993,822,270.32)
<b>TOTAL MEMBERS' EQUITY</b>	<b>(703,329,540,241.96)</b>	<b>114,080,136,658.31</b>	<b>(663,706,830,120.88)</b>

The Reserve Fund is recorded in compliance with Office Order No. 0145, s. of 2012 and 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 the amount estimated for two years' projected program expenditure which for this purpose is at 280.6 billion as computed by the Department of Finance and in compliance to the Special Provision 1(d), XLIII of the Republic Act No. 11975 or General Appropriations Act (GAA) for FY 2024 : Provided further; that whenever actual reserves exceed the required ceiling at the end of the Corporation's Fiscal Year, the excess of the Corporation's Reserve Fund shall be used to increase the program's benefits, decrease the member's contributions.

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".

- 26.1 The difference of the ICL amount from the liability account amounting to P21,662,616,735.68 pertains to Non-Paying Members reserves previously set up before providing reserves for all members.

26.2 The resultant negative figure for the Members' Equity amounting to P703,329,540,241.95 is the net effect of change in accounting estimate in performing the adequacy test as required by PFRS 4. It is computed as the expected net of present value of expenses (claims + expenses) and present value of collection plus margin for adverse deviation. The Increase in the present value of outflow and decrease in the present value of inflow contributed in the increase of ICL thereby reducing the Members' Equity.

To counter the negative effect, there should be an increase in the projected inflow vs the projected outflow, among others.

## 26. Premium Contributions

This account is composed of the following:

	2024	2023
Direct Contributors	139,558,353,463.26	102,865,262,508.13
Indirect Contributors	27,835,229,475.52	61,220,610,027.83
<b>Total</b>	<b>167,393,582,938.78</b>	<b>164,085,872,535.96</b>

26.1. Below is the breakdown of the Direct Contributors:

	2024	2023
Government	30,519,822,442.16	25,141,715,087.99
Private	102,290,061,361.05	71,594,675,466.16
Kasambahay	84,254,142.98	73,359,657.40
Family Driver	45,559.75	9,322.21
Migrant Worker - Land Based	153,869,984.66	167,436,215.16
Migrant Worker - Sea Based	110,309.34	343,301.67
Filipino with Dual Citizenship / Living Abroad	544,202.31	600,561.38
Women about to give birth	39,225.00	46,750.00
Professional Practitioner	73,360,941.29	40,726,459.29
Self-Earning Individual	5,147,443,461.15	4,783,040,107.28
Self-Earning Individual - Sole Proprietor	19,852,995.02	3,078,510.23
Self-Earning Individual - Group Enrollment Scheme	1,243,852,610.53	1,040,170,321.37
Foreign National	24,382,733.18	18,986,255.62
Others	713,494.84	1,074,492.37
<b>Total</b>	<b>139,558,353,463.26</b>	<b>102,865,262,508.13</b>

Below is the breakdown of the Indirect Contributors:

	2024	2023
Indigent - NHTS	11,508,774,750.00	28,392,572,250.00
Senior Citizens	15,549,877,503.00	32,198,516,250.00
PAMANA	23,760,000.00	16,632,000.00
Sponsored	752,817,222.52	612,889,527.83
<b>Total</b>	<b>27,835,229,475.52</b>	<b>61,220,610,027.83</b>

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

- a. Income from the Direct Contributors come from the premium contributions of the following:
  1. Government employees
  2. Private employees
  3. All other workers rendering services, whether in government or private offices, such as job order contractors, project-based contractors and the likes
  4. Owners of micro-enterprises
  5. Owners of small, medium and large enterprises
  6. Household Help – as defined in RA 10361 on “Kasambahay Law”
  7. Family Drivers
  8. Migrant Workers – as defined in RA 10022 (Migrant Workers Act) and RA 10801 (OWWA Act)
  9. Informal Sector
  10. Self-earning individuals
  11. Professional practitioners
  12. Filipinos with Dual Citizenship
  13. Naturalized Filipino Citizens
  14. Citizens of other countries working and/or residing in the Philippines
  15. Women about to give birth
  16. Foreign Retirees (Registered with Philippine Retirement Authority)
  17. All Filipinos aged 21 years and above who have the capacity to pay premiums.
- b. Income from the Indirect Contributors are attributed to premium contributions from the following:
  1. Indigent-NHTS, Senior Citizen, Persons with Disability (PWD) and Point of Service (POS) as appropriated in the General Appropriations Act (GAA).
  2. Sponsored members paid by another individual, government agency, or private entity according to the rules prescribed by the Corporation.
  3. Special government programs as appropriated in the GAA.

## 27. Interest and Other Income

This account is composed of the following:

	2024	2023
Interest Income	19,489,356,096.62	14,528,543,016.97
Other Income	203,117,600.07	625,057,191.18
<b>Total</b>	<b>19,692,473,696.69</b>	<b>15,153,600,208.15</b>

27.1. Below is the breakdown of the Interest Income:

	2024	2023
Investment Securities at Amortized Cost	13,729,703,726.17	8,479,214,224.34
Special Savings Deposit	1,086,148,377.25	701,725,504.80
Investment in Time Deposit	4,672,426,035.61	5,346,437,152.15
Savings & Current Deposits	1,077,957.59	1,166,135.68
<b>Total</b>	<b>19,489,356,096.62</b>	<b>14,528,543,016.97</b>

27.2. Below is the breakdown of the Other Income:

	2024	2023
Accreditation Fees	9,466,458.36	10,292,297.37
Fines & Penalties	123,133,005.64	130,449,595.29
Rent Income		594,697.78
Gain (Loss) on Foreign Exchange	128,095.69	150,922.83
Gain on Sale of Property, Plant & Equipment	4,800.00	14,100.00
Gain on Sale of Unserviceable Property	409,530.40	142,257.69
Reversal of Impairment loss	45,309,858.97	454,115,402.60
Donation in Kind	18,980,000.00	-
Miscellaneous Income	5,685,851.01	29,297,917.62
<b>Total</b>	<b>203,117,600.07</b>	<b>625,057,191.18</b>

Miscellaneous Income consists of income amounting to one hundred thousand or more. This includes income from proceeds from disposal of unserviceable properties, sale of valueless records, forfeited performance security and refund of benefit payment collected from delinquent employers.

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Rent Income is an income earned from the portion of PRO III office building being leased out to a private entity. As of September 30, 2024, no contract was entered into for rental purposes.

## 28. Benefit Claim Expenses

Benefit Claims Expenses for 2024 and 2023 are recognized at the time of admission.

This account is composed of the following:

	2024	2023
Members' Benefits for Direct Contributors	66,553,874,485.79	50,378,641,803.19
Members' Benefits for Indirect Contributors	66,387,915,949.85	43,450,293,462.12
Interim Financing Mechanism ( IFM )	44,811,200.00	-
KONSULTA	1,713,127,012.76	195,435,664.64
<b>Total</b>	<b>134,699,728,648.40</b>	<b>94,024,370,929.95</b>

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

	2024	2023
Government	8,386,212,172.11	6,486,766,088.53
Private	20,620,765,478.28	19,028,369,472.71
Kasambahay	49,336,210.03	20,746,641.17
Family Driver	49,589,167.59	4,778,389.99
Migrant Worker - Land Based	1,053,909,172.12	366,024,605.10
Migrant Worker - Sea Based	1,425,075,749.34	279,089,915.16
Filipino with Dual Citizenship/Living Abroad	7,371,351.23	943,109.56
Professional Practioner	198,316,065.66	50,930,503.07
Self-Earning Individual - New	19,860,455,290.80	16,048,626,130.88
Self-Earning Individual - Sole Proprietor	27,838,324.03	12,218,151.36

	2024	2023
Self-Earning Individual - Group Enrollment	1,219,008,464.83	515,546,008.74
Foreign National	134,574,793.03	10,926,006.70
Lifetime Members	13,660,662,310.16	7,553,586,137.69
Others	(139,240,063.42)	90,642.53
<b>Total</b>	<b>66,387,915,949.85</b>	<b>50,378,641,803.19</b>

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

	2024	2023
Indigent - NHTS	20,539,532,952.25	15,056,544,513.23
Senior Citizens	24,270,655,804.23	18,711,913,836.68
Sponsored	21,577,727,193.37	9,681,835,112.21
<b>Total</b>	<b>66,387,915,949.85</b>	<b>43,450,293,462.12</b>

## 29. Personnel Services

This account is composed of the following:

	2024	2023
Salaries & Wages	1,868,003,611.55	2,119,371,736.43
Other Compensation	1,141,119,118.57	1,144,983,051.25
Statutory Contributions	421,445,249.41	413,190,903.92
Other Personnel Services	4,889,171.73	13,201,997.15
<b>Total</b>	<b>3,435,457,151.26</b>	<b>3,690,747,688.75</b>

## 30. Other Operating Expenses

This account is composed of the following:

	2024	2023
Maintenance and Other Operating Expenses	2,180,761,207.46	1,539,949,221.62
Financial Expenses	29,174,585.92	27,214,867.72
Non-Cash Expenses	310,018,912.91	366,143,505.76
<b>Total</b>	<b>2,519,954,706.29</b>	<b>1,933,307,595.10</b>

This account represents the administrative costs which must be within the limits 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."

30.1. Below is the breakdown of the MOOE:

	2024	2023
Traveling Expenses	147,429,091.31	89,856,270.99
Training and Scholarship Expenses	45,511,166.33	19,880,014.03
Supplies and Materials Expenses	145,204,854.49	111,661,247.16
Semi-Expendable Expenses	76,995,221.96	36,070,671.26
Water Expenses	8,837,577.59	5,113,420.60
Electricity Expenses	133,379,537.16	121,513,633.77
Communication Expenses	84,643,964.54	81,713,341.16
Awards / Rewards, Prizes and Indemnities	5,700,690.30	3,751,460.95
Research, Exploration and Development Exp.	18,462,822.39	10,983,520.00
Confidential, Intelligence and Extraordinary Exp.	4,076,921.83	3,970,409.84
Auditing Services	43,815,209.51	44,357,334.00
Consultancy Services	3,185,000.00	100,000.00

Other Professional Services	516,991,926.32	385,023,390.13
Janitorial Services	72,459,968.89	58,008,709.24
Security Services	146,566,650.63	126,440,854.09
Repairs & Maintenance	18,693,763.40	14,353,650.31
Taxes, Duties and Licenses	708,267.83	473,873.64
Fidelity Bond and Insurance Expenses	30,579,359.29	17,142,498.55
Advertising Expenses	28,208,066.80	14,767,649.81
Marketing and Promotional Expenses	137,494,421.72	38,514,612.12
Printing and Publication Expenses	3,328,058.36	3,945,853.81
Representation Expenses	44,012,195.13	37,557,217.01
Transportation and Delivery Expenses	1,851,441.98	1,451,037.60
Rent / Lease Expenses	287,067,862.07	232,385,405.45
Membership Dues and Contr. to Organizations	5,846,279.42	6,667,539.71
Subscription Expenses	31,413,312.94	2,372,361.54
Donations	648,787.80	400,162.65
Major Events Expenses	16,782,701.65	11,635,333.98
Other MOOE - Others	120,866,085.82	59,837,748.22
<b>Total</b>	<b>2,180,761,207.46</b>	<b>1,539,949,221.62</b>

30.2. Below is the breakdown of the Financial Expenses:

	<b>2024</b>	<b>2023</b>
Interest Expenses	14,634,819.86	11,473,934.84
Bank Charges	29,635.56	65,270.08
Other Financial Charge	14,510,130.50	15,675,662.80
<b>Total</b>	<b>29,174,585.92</b>	<b>27,214,867.72</b>

Interest Expenses includes the effect of applying PFRS 16.

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

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

	<b>2024</b>	<b>2023</b>
<b>Depreciation</b>	<b>300,658,269.46</b>	<b>347,225,639.71</b>
Land Improvements	42,908.05	-
Power Supply System	21,817.82	-
Buildings and Other Structures	1,150,538.53	1,067,910.67
Machinery and Equipment	98,422,119.69	124,997,477.55
Furniture, Fixtures and Books	2,922,259.88	3,260,748.04
Transportation Equipment	27,394,984.45	26,631,861.29
Leased Assets Improvements	11,093,870.69	17,670,763.18
Right-of-Use Assets	159,609,770.35	173,596,878.98
<b>Amortization - Intangible Assets</b>	<b>2,684,455.31</b>	<b>4,138,362.60</b>
<b>Impairment Loss</b>	<b>3,158,996.22</b>	<b>14,093,329.45</b>
Loans and Receivables	-	311,608.30
Other Receivables	-	12,366,429.91
Financial Assets held to maturity	3,094,562.88	980,984.37
Inventories	-	274,575.25
Property, Plant and Equipment	64,433.34	159,731.62
Intangible Asset	-	-
<b>Losses</b>	<b>3,517,191.92</b>	<b>686,174.00</b>
Loss on FOREX	117,752.05	124,259.19
Loss of Assets	62,456.58	561,914.81
Loss on Sale of Assets	494,712.41	-

	2024	2023
Loss on Sale of Unserviceable Property	1,417,523.93	-
Other Losses	1,424,746.95	-
<b>Total</b>	<b>310,018,912.91</b>	<b>366,143,505.76</b>

#### 30.4. Other Losses

The account is used to recognize the amount of losses not falling under any of the specific loss account. The account was debited for the increase in the estimated provision ICL for CY 2023 while other gains account will be credited for any decrease in the ICL.

	2024	Dec. 2023
ICL, end of the year	-	1,149,656,439,006
ICL, beginning of the year	-	266,873,312,531
<b>Increase/Change in ICL</b>	<b>-</b>	<b>882,783,126,475</b>

Under PAS 8 on Accounting Policies, Changes in Accounting Estimates and Errors, a change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not correction of errors. Paragraph 36 states that:

*The effect of a change in an accounting estimate, other than a change to which paragraph 37 applies, shall be recognized prospectively by including it in profit or loss in:*

- (a) *the period of the change, if the change affects that period only; or*
- (b) *the period of the change and future periods, if the change affects both.*

Further, Paragraph 37 states that:

*To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognized by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.*

### 31. Other Significant and Relevant Information

- 31.1 By virtue of Special Provision 1(d), XLIII of the Republic Act No. 11975 or General Appropriations Act (GAA) for FY 2024 which directs the Department of Finance (DOF) to issue guidelines to implement the collection of Unprogrammed Appropriation sourced from the "[F]und balance of the GOCC from any remainder resulting from the review and reduction of their reserve funds to reasonable levels taking into account the disbursement from prior years, the DOF issued DC No. 003-2024 dated Feb. 27, 2024 mandating all GOCCs (including PhilHealth) to return its excess reserves.

As such, the following events and actions of the Management were made in order to comply with the aforecited directive:

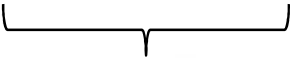
- PhilHealth sought for legal opinion from the Office of the Government Corporate Counsel (OGCC) and the Governance Commission for GOCCs (GCG) on the



applicability of the Special Provision 1(d), XLIII of the GAA to PhilHealth in the light of the provisions on Reserve Fund under RA 7875 (NHIP) and the RA 11223 or the UHC Act. In addition, PhilHealth also sought guidance from the Commission of Audit (COA) on the accounting treatment of the supposed remittance.

- On April 16, 2024, PhilHealth received OGCC opinion No. 055, s. 2024 dated April 11, 2024 expressing that the remittance to the BTr of the Fund Balance would not violate the Universal Health Care Act (UHCA) as the amount remitted is understood not to constitute a portion of the Reserve Fund. They concluded that it would be proper and prudent for PhilHealth to abide by the DOF Circular which implements Section XLIII (1)(d) of the GAA.
- On April 25, 2024, PhilHealth received DOF letter dated April 24, 2024 directing PhilHealth to remit the 89.9 billion pesos the Bureau of Treasury (BTR) within 15 calendar days from receipt of their notice. The collection of fund was approved during the Cabinet meeting on April 3, 2024. The table below shows how the 89.9 billion was computed by the DOF, to wit:

Government Subsidy VS Utilization						
	2023	2022	2021	2020	2019	2018
Premium for Indirect Contributions	78.8	80.1	80.2	63.4	69.4	59.7
Member Benefit for Indirect Contributors	40.0	56.1	53.1	64.1	70.5	58
Net Flow	38.8	24.0	27.1	-0.7	-1.1	1.7


  
89.9 Billion

- On May 2, 2024 the Governance Commission for Government Owned or Controlled Corporation (GCG) issued its opinion , stating that they defer to the expertise of the DOF, being the agency mandated by law to implement Special Provision 1(d), XLIII of the 2024 GAA.
- Based on the DOF computation, it was determined that the 2-year requirement constituting the Reserve Fund is equivalent to P280.6 billion. After considering the new computation, a reduction of 183.1 billion of the reserve fund (463.7-280.6) and shall be transferred to the Surplus Account.
- Hence, on May 8, 2024, after ensuring that there is fund balance to comply with the DOF directive, the Management sought for the Board approval on the transfer of government subsidy amounting to 89.9 billion for premium contribution (CY 2021-2023) that are more than the benefit expenses of indirect contributors. This was then approved by the Board upon confirmation from Management that the said unutilized subsidies does not include PhilHealth premium contribution from direct contributors.
- The releases shall be synchronized with investment maturities to avoid pretermination fees. Hence, on May 10, 2024, the Execom approved the schedule of remittance of the 89.9 Billion to the Bureau of Treasury as follows:

1<sup>st</sup> tranche : May 10, 2024 – 20 billion  
 2<sup>nd</sup> tranche: August 21, 2024 – 10 billion  
 3<sup>rd</sup> tranche: October 16, 2024 – 30 billion  
 4<sup>th</sup> tranche : March 31, 2025 – 29.9 billion

- 31.2** Republic Act 11975, also known as the GAA for FY 2024 was signed into law by President Ferdinand R. Marcos Jr. which takes effect on January 1, 2024. The National Government has appropriated a total of 61.514 billion to subsidize the programs of Philhealth. The breakdown of the appropriated subsidy is shown below.

Particulars	Amount
Subsidy for the National Health Insurance Program	P 40,283,404,000
Special Purpose Insurance Coverage	61,229,000
Benefit Package Improvement under UHC law	21,170,000,000
<b>Total</b>	<b>P 61,514,633,000</b>

- 31.3** As provided for in chapter IX section 37 of the R.A. 11223, fifty percent (50%) of the National Government share from the income of the Philippine Amusement Gaming Corporation (PAGCOR) as provided for in Presidential Decree No. 1869, as amended: Provided, That the funds raised for this purpose shall be transferred to PhilHealth at the end of each quarter subject to the usual budgeting, accounting and auditing rules and regulations: Provided, further, That the funds shall be used by PhilHealth to improve its benefit packages and Forty percent (40%) of the Charity Fund, net of Documentary Stamp Tax Payments, and mandatory contributions of the Philippine Charity Sweepstakes Office (PCSO) as provided for in Republic Act No. 1169, as amended: Provided, That the funds raised for this purpose shall be transferred to PhilHealth at the end of each quarter subject to the usual budgeting, accounting, and auditing rules and regulations: Provided, further, That the funds shall be used by PhilHealth to improve its benefit packages.

As of the reporting date, SARO-BMB-C-23-0026482 dated December 5, 2023 amounting to P21,170,000,000 for the improvement of benefit packages was released. However, No Notice of Cash Allocation (NCA) has yet to be issued as of April 30, 2024.

- 31.4** Identified Strategies and Cybersecurity Action Plans to mitigate risk arising from the “Medusa” ransomware attack.

As the Corporation recognizes the critical importance of robust security measures to enhance its resilience against evolving threats (e.g. Medusa ransomware), proactive measures shall be undertaken to enhance our security posture. As such, we need to manage and reduce the risk to our cyber and physical infrastructure through the implementation of the following identified strategies and cybersecurity action plans:

#### 31.4.1 Cyber Security Projects

In exigency of service after the discovery of the incident, a Corporate Personnel Order was issued, creating a Project Management Team for Cyber Security (PMT – CS), headed by and composed of existing personnel from InfoSec.

To bolster the Corporation’s cyber security posture, the InfoSec prepared and processed the engagement and/or procurement of the following security solutions and projects:

1. Database Security Suite. This solution ensures the security of the production database through transparent data encryption. As background, the said project “safeguard[s] the Corporation’s data from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction, even from privileged users, that is 100% compatible with existing systems and database. This means that the Corporation will be

assured that problems due to error/s in the existing database encryption software will be corrected due to updated software including patches, upgrades and remote services.” The said project was initially processed last 2023, and finally implemented this April 2024.

2. Vulnerability Assessment and Penetration Testing (VAPT). The VAPT is one of the most reliable methods for performing “Risk Assessment” in accordance with globally accepted Security Standards and best practices, which requires the expertise of a third party to do an independent assessment of PhilHealth’s security posture by undertaking technical reviews such as Penetration Testing (PT) and Vulnerability Assessment (VA). In a more plain language, VAPT is best described as “a proactive “hacking” activity in which [the organization] hack[s] [their] [own] infrastructure before hackers come looking for loopholes.” Hence, this project has the end goal of gaining better understanding of potential threats and vulnerabilities, identify existing inherent and potential risks and vulnerabilities, evaluate the existing security measures and validate the effectiveness and efficiency of existing defenses. The documents pertaining to this project were already endorsed to the SBAC for procurement.

3. Managed Security Operations Center (MSOC). A managed service, which aims to have a better visibility on PhilHealth’s cyber security posture by providing real-time monitoring. The same was already presented before the IT Governance Committee. Further, in a memorandum dated 15 March 2024 to the IPPSD-ITMD, this Office already requested the inclusion of the said project to the Information System Strategic Plan (ISSP) for CY 2024-2026 of the Corporation. In their response, the IPPSD-ITMD required the submission of a copy of the Secretary Certificate, the same was already coordinated with the Corporate Secretary.

These projects will redound to the cyber security posture of the Corporation.

The Cybersecurity Action Plan will be further developed and calibrated to the status and needs of PhilHealth in view of the engagement of the Cyber Security consultant.

#### 31.4.2 Compliance to the Statutory Requirement i.e. Data Privacy Act and related issuance

For being the designated organic office to provide support to the Data Protection Officer, InfoSec immediately complied with the statutory requirement prescribed by the Data Privacy Act (DPA) and its related issuance, along with the directives of the National Privacy Commission. This includes submission of reports, notification to the Commission, and other similar activities.

#### 31.4.3 Capacitating PhilHealth Personnel and Officials through the Security Education Training Awareness (SETA) Program

It is indisputable that the human component is the weakest link in the information security and cybersecurity chain. To remediate the same, it is incumbent for the Corporation to bolster its human firewall by capacitating its employees. In view thereof, InfoSec initiated a set of activities covered by the Corporate Personnel Order (CPO), authorizing its personnel to conduct activities that promote information security and data privacy and protection awareness in several regional offices and LHIOs.

31.4.4 Philhealth cyber and physical infrastructure is proactively protected and secured through the following:

- Maintaining an updated Inventory of Enterprise and Software Assets
- Strengthen Data Protection through developing processes and technical controls to identify, classify, securely handle, retain, and dispose data. Encrypt data on end-user devices containing sensitive data, on removable media, in transit, and at rest.
- Secure configuration of assets and software
- Improve Account Management by conducting periodic audits
- Improve Access Control Management
- Strengthen Audit Log Management through log collection and analysis to detect malicious activity quickly.
- Strengthen Malware Defenses
- Improve Network and Infrastructure Management
- Improve Network Monitoring and Defense
- Improve Service Provider Management
- Improve Application Software Security
- Adoption of National Security-and-Privacy-by-Design Framework
- Improve Physical and Environmental Security
- Risk Management
- Adoption and implementation of the Six-stage Cybersecurity Incident Response Model and
- Business Continuity and Disaster Recovery program -this will be further developed and calibrated to the status and needs of Philhealth in view of the engagement of the Cybersecurity consultant to be implemented immediately.

**31.5 PhilHealth reclassified as Commercial Public Sector Entities (CPSEs)**

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

**31.6 POS Program**

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

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

<b>SARO No.</b>	<b>Amount of SARO</b>	<b>Amount received from DBM as of April 30, 2024</b>
SARO-BMB-C-17-0023166	<b>91,333,530.00</b>	91,333,530.00
SARO-BMB-C-17-0025119	<b>103,350,096.00</b>	103,350,096.00
SARO-BMB-C-17-0025794	<b>2,805,316,374.00</b>	1,196,668,091.00
	<b>3,000,000,000.00</b>	1,391,351,717.00

### **31.7 PhilHealth Supplemental Benefits**

On December 28, 2018, the Department of Budget and Management issued SARO No. SARO-BMB-C-18-0035076 amounting to eight billion five hundred ninety-seven million four hundred seventy-five thousand seven hundred seventy-six pesos (P8,597,475,776) which include the locally funded project “PhilHealth Supplemental Benefits” for all government employees of the Executive Branch amounting to P3,500,000,000. No NCA received yet for the P3,500,000.00 as of September 30, 2024.

### **31.8 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 adjusted the premium contribution of the Employed Sector in CY2013 through PhilHealth Circular No. 057, s.2012 which prescribed P875.00 per month as the maximum contribution shared equally by the Employer and the Employee at P437.50 each. However, DBM had allocated 312.50 only or a 40% deficiency. The Corporation consequently billed the Department of Budget and Management of the estimated NG Employer premium differential and requested the allocation of the unappropriated balances in the following periods:

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

### **31.9 Assigned Lot to PRO III**

A parcel of lot with a total area of 1,831 square meters located within the Government Center, Barangay Maimpis, City of San Fernando, Pampanga was assigned to PRO III per Deed of Assignment from Regional Government Center (RGC) of San Fernando, Pampanga through a MOA executed by and between the Regional Development Council III and PhilHealth. A warehouse was constructed in this lot with a carrying amount of ₱ 2,520,000 in the financial statements.

### **31.10 Non-remittance of GSIS Premium for Disallowed Salary Adjustments**

The GSIS premium amounting to ₱20,604,585.00 was part and parcel of the salary adjustments given to PhilHealth employees but subsequently disallowed by COA. The said amount is still outstanding and not yet remitted to GSIS in accordance with Opinion No. 56, s. of 2018 from the Office of the Government Corporate Counsel (OGCC) 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.

### **31.11 Contingent Liability**

Under contingent liability is the employer's share for Philhealth Provident Fund (PPF) amounting to 1,208,222,508.94 for the years 2019, 2020 and 2021. The establishment of the PPF needs the approval of the President of the Philippines as observed through COA AOM hence, the timing and control of the approval is now beyond the control of the corporation. As of even date, the appeal is now with the Office of the President.

With other Government-Owned and Controlled Corporations and Government Financial Institutions that were able to secure approval for their Provident Fund, we are optimistic that the approval will be granted in due time.