



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

**PHILIPPINE HEALTH INSURANCE
CORPORATION**

For the Year Ended December 31, 2012

PHILIPPINE HEALTH INSURANCE CORPORATION
BALANCE SHEET
As of December 31, 2012
(With comparative figures from the year ended December 31, 2011)
(In Philippine Peso)

| | Notes | 2012 | 2011 (As Restated) |
|---|-------|------------------------|-------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 3 | 15,006,716,069 | 5,831,825,069 |
| Short - term Investments | 4 | 13,060,416,669 | 19,564,221,530 |
| Receivables - net | 5 | 5,238,097,110 | 8,677,188,203 |
| Inventories | 6 | 43,076,426 | 32,589,493 |
| Total Current Assets | | 33,348,306,274 | 34,105,824,295 |
| Non-current Assets | | | |
| Investments - net | 7 | 91,720,590,897 | 86,751,979,863 |
| Property & Equipment - net | 8 | 1,067,136,042 | 990,239,874 |
| Intangible Assets - net | 9 | 23,279,499 | 26,754,033 |
| Miscellaneous Assets and Deferred Charges | 10 | 86,645,596 | 54,947,719 |
| Other Assets - net | 11 | 127,504,425 | 123,429,316 |
| Total Non-current Assets | | 93,025,156,459 | 87,947,350,805 |
| TOTAL ASSETS | | 126,373,462,733 | 122,053,175,100 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables | 12 | 10,087,250,469 | 8,680,391,918 |
| Other Payables | 13 | 683,444,403 | 632,789,541 |
| Total Current Liabilities | | 10,770,694,872 | 9,313,181,459 |
| Non-current Liability | | | |
| Other Deferred Credits | 14 | 520,318,504 | 30,822,705 |
| Total Liabilities | | 11,291,013,376 | 9,344,004,164 |
| Equity | | | |
| Reserve Fund | 19 | 115,080,991,494 | 103,170,000,000 |
| Contingent Capital | 20 | 1,457,863 | 1,457,863 |
| Retained Earnings | 21 | - | 9,537,713,073 |
| Total Equity | | 115,082,449,357 | 112,709,170,936 |
| TOTAL LIABILITIES AND EQUITY | | 126,373,462,733 | 122,053,175,100 |

See accompanying Notes to Financial Statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENT OF INCOME
For the Year Ended December 31, 2012
(With comparative figures from the year ended December 31, 2011)
(In Philippine Peso)

| | Notes | 2012 | 2011 (As Restated) |
|--|-------|-----------------------|-------------------------|
| INCOME | | | |
| Premium Contributions | 15 | 47,338,264,241 | 36,770,011,249 |
| Interest and Other Income | 16 | 6,785,214,979 | 6,675,785,432 |
| Total Income | | 54,123,479,220 | 43,445,796,681 |
| EXPENSES | | | |
| Benefit Payments | | | |
| Private Sector | | 13,379,016,509 | 12,225,882,331 |
| Government Sector | | 6,846,310,109 | 5,973,204,213 |
| Sponsored Program - Regular | | 8,469,797,889 | 6,104,153,474 |
| Sponsored Program - Capitation | | 3,624,761,901 | 1,305,360,584 |
| Overseas Worker Program | | 1,578,100,048 | 1,224,683,126 |
| Individual Paying Member | | 9,622,854,917 | 5,826,400,400 |
| Lifetime Member Program | | 3,689,699,217 | 2,311,874,758 |
| Total Benefit Payments | | 47,210,540,590 | 34,971,558,886 |
| Operating Expenses | | | |
| Personal Services | 17 | 2,825,776,122 | 2,675,328,807 |
| Maintenance and Other Operating Expenses | 18 | 1,713,884,086 | 1,457,576,959 |
| Total Operating Expenses | | 4,539,660,208 | 4,132,905,766 |
| Total Expenses | | 51,750,200,798 | 39,104,464,652 |
| NET MARGIN (LOSS) | | 2,373,278,422 | 4,341,332,029 |

See accompanying Notes to Financial Statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
STATEMENT OF CHANGES IN EQUITY
As of December 31, 2012
(With comparative figures from the year ended December 31, 2011)
(In Philippine Peso)

| | Notes | 2012 | 2011 (As Restated) |
|---------------------------------|-------|-------------------------|-------------------------|
| RESERVE FUND | 19 | 115,080,991,494 | 103,170,000,000 |
| CONTINGENT CAPITAL | 20 | 1,457,863 | 1,457,863 |
| RETAINED EARNINGS | 21 | | |
| Balance at beginning of year | | 9,537,713,072 | 16,272,412,254 |
| Adjustment in Retained Earnings | | - | 7,920,959 |
| Prior Year's Adjustments | | - | 1,431,047,832 |
| Balance as restated | | 9,537,713,072 | 17,711,381,045 |
| Adjustment in Reserve Fund | | (11,910,991,494) | (12,515,000,000) |
| | | (2,373,278,422) | 5,196,381,045 |
| Net income for the period | | 2,373,278,422 | 4,341,332,027 |
| Balance at the end of year | | - | 9,537,713,072 |
| EQUITY | | 115,082,449,357 | 112,709,170,935 |

See accompanying Notes to Financial Statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
CASH FLOW STATEMENT
As of December 31, 2012
(With comparative figures from the year ended December 31, 2011)
(In Philippine Peso)

| | 2012 | 2011 (As Restated) |
|---|-----------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Members' Contributions | 34,820,301,295 | 26,711,723,547 |
| Counterpart - NG | 13,922,263,440 | 8,460,953,191 |
| Counterpart - Other NGAs | 151,736,100 | 1,625,049,996 |
| Counterpart - LGUs | 1,885,907,540 | 2,268,651,263 |
| Accreditation Fees received from Health Care Providers | 246,271,720 | 60,324,521 |
| Cash received from various Operating Activities | 84,302,795 | 34,448,270 |
| Cash received from Unclaimed Refund | 26,023,392 | 61,666,263 |
| Cash received in trust | 22,756,061 | 53,150,928 |
| Benefit Payments | (45,974,089,440) | (32,997,029,721) |
| MOOE/Personal Services/Supplies and Materials paid | (4,327,456,385) | (4,043,106,377) |
| Payment of Miscellaneous Assets and Deferred Charges | - | 492,000 |
| Net Cash Provided (Used in) by Operating Activities | 858,016,518 | 2,236,323,881 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Placement on Bonds | (11,095,622,562) | (14,339,651,583) |
| Matured Bonds | 12,516,960,000 | - |
| Placement/Matured T. Bills | - | 915,377,209 |
| Short-Term Investments | 1,242,238,959 | - |
| Interest received on Investments | 5,771,917,846 | 7,444,486,600 |
| Redemption of shares in PLDT stocks | 776,297 | - |
| Gain on Foreign Exchange | (196,905) | 3,025 |
| Payment of Equipment purchased | (120,553,863) | (115,878,230) |
| Rent collected | 1,263,186 | 1,362,890 |
| Gain (Loss) on Disposal of Assets | 91,525 | 211,115 |
| Net Cash Provided (Used in) by Investing Activities | 8,316,874,483 | (6,094,088,974) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 9,174,891,001 | (3,857,765,093) |
| CASH AND CASH EQUIVALENTS at the Beginning of Year | 5,831,825,068 | 9,689,590,161 |
| CASH AND CASH EQUIVALENTS as of December 31, 2012 | 15,006,716,069 | 5,831,825,068 |

See accompanying Notes to Financial Statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. GENERAL INFORMATION

The National Health Insurance Act of 1995 (Republic Act No. 7875), as amended by RA 9241, 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 citizens of the Philippines.* This social insurance program shall serve as the means for the healthy to help pay for the care of the sick and for those who can afford medical care to subsidize those who cannot. The same law created the Philippine Health Insurance Corporation (PhilHealth) as a tax-exempt government corporation attached to the Department of Health (DOH) for policy coordination and guidance. Its Head Office is located at 709 CityState Center Building, Barangay Oranbo, Shaw Blvd., Pasig City.

The Corporation is governed by a Board of Directors composed of fourteen (14) members who has the following powers and functions: to formulate and promulgate policies for the sound administration of the Program; to set standards, rules, and regulations necessary to ensure quality of care, appropriate utilization of services, fund viability, member satisfaction, and overall accomplishment of Program objectives; to formulate and implement guidelines on contributions and benefits; portability of benefits, cost containment and quality assurance; and health care provider arrangements, payments methods and referral systems; to establish branch offices as mandated in Article V of RA 7875, as amended; to receive and manage grants, donations, and other forms of assistance; and to organize its office, fix the compensation of and appoint personnel as may be deemed necessary and upon the recommendation of the President of the Corporation.

The National Health Insurance Fund (NHIF) being managed by the Corporation consists of contributions from Program members; balances of the Health Insurance Fund of the Social Security System (SSS) and Government Service Insurance System (GSIS) collected under the Philippine Medical Care Act of 1969, as amended, including arrearages of the Government of the Philippines with the GSIS for the said Fund; other appropriations earmarked by the national and local governments purposely for the implementation of the program; subsequent appropriations provided for under Sections 46 and 47 of RA 7875, as amended; donations and grants-in-aid; and all accruals thereof. Under Section 26, Article VI of RA 7875, as amended, the use, disposition, investment, administration and management of the NHIF, including any subsidy, grant or donation received for the program operations shall be governed by resolution of the Board of Directors of the Corporation.

Processing of benefit payments and operating expenditures has been decentralized to all seventeen (17) PhilHealth Regional Offices (PROs).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set forth below. These policies are consistently applied unless stated otherwise.

Basis of preparation

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the Philippines, as well as government accounting rules and regulations. The Corporation adopts the calendar year and uses commercial accounting.

The preparation of financial statements requires the use of certain critical accounting estimates and judgements as follows:

- a. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances;
- b. One of the accounting estimates being done is to set-up the accrued benefit payments at the end of each month based on the average benefit payment per claim and computed by dividing the total amount of benefit payment for the month by the total number of claim processed for the same period. The average amount per claim varies geographically;
- c. The amount being set-up for the accrued NHIP premium remittance from collecting banks/agents is based on the assumption that the actual premium collection for the 2nd half of the current month is equivalent to the amount remitted on the 2nd half of the previous month;
- d. The economic life of every property and equipment is depreciated on the straight-line method with 10% residual value based on COA Circular 2002 i 002;
- e. The General Appropriations Act provides for an annual ceiling for the National Government (NG) counterpart for the Sponsored Program.

The Corporation is continually improving its policies regarding the recognition of NHIP premium contributions and NHIP benefit payments.

Consolidation

The Corporation adopts the Home and Branch Accounting System since July 1999.

Head Office (HO)

Monthly consolidated trial balances are prepared through working papers by eliminating the reciprocal accounts, but in the year-end consolidation, all nominal accounts that are closed in the PROs are booked-up in the HO.

PhilHealth Regional Offices (PROs).

The PROs' financial position and results of operations are presented without any non-contingent equity account. All nominal accounts are closed every end of calendar year.

Service Offices (SOs).

The financial transactions of SOs are recorded in the books of accounts of their respective PROs. The SOs maintain petty cash fund and receive over-the-counter collection of premiums from the PhilHealth members.

Foreign currency transactions

Foreign currency transactions are translated in peso at the date of transaction and revalued at year-end using prevailing exchange rates. Foreign exchange gains and losses resulting therein are recognized in the income statement.

Cash Equivalents

Cash equivalents consist of special savings, treasury bills and bonds maturing within three months from acquisition date.

Inventories

In accordance with COA Resolution no. 2006-006 dated 31 January 2006, inventories include assets held for transfer and for consumption in the normal course of operations. Inventories are measured at cost which includes purchase price, import duties and taxes, freight, handling and other costs directly attributable to the acquisition of finished goods, materials and services; as well as other costs incurred in bringing the inventories to their present location and condition. The perpetual inventory system is used in accounting for inventories.

PhilHealth Office Order No. 0112 s. 2006, dated Nov. 9, 2006 provides that for the small tangible items not more than P5,000 and with estimated useful life of more than one year shall be recorded as inventories upon acquisition and expense upon issuance.

The Asset Method and the First-In-First-Out (FIFO) method are used in recording transactions concerning supplies and materials.

Property and Equipment

In accordance with COA Resolution no. 2006-006 dated January 31, 2006, Property and Equipment (PE) includes non-current assets held for use in operation and are expected to be used for more than one year. PEs are initially recognized at cost which includes purchase price and incidental costs such as import duties, freight, installation and any other directly attributable costs. Subsequent costs on PE which result in increased future economic benefits or service potential are added to its carrying amount.

Subsequent to initial recognition as an asset, PEs are carried at its cost less any accumulated depreciation, following the straight-line method and using the revised estimated useful life (per COA Circular No. 2003-007 dated December 11, 2003, as amended by COA Circular No. 2004-005 dated August 9, 2004). Depreciation is recorded starting the month following date of purchase. A residual value equivalent to ten percent of the purchase cost is set up.

Intangible Assets

An Intangible Asset as defined in Philippine Accounting Standard No. 38 is a non-physical asset having a useful life greater than one year. The Corporation applied this standard to the operating system of a computer that whenever a computer software is purchased and does not form as an integral part of the related hardware, this computer software is treated as an intangible asset.

In accordance with paragraph 9.2 under COA Resolution No. 2006-006 dated January 31, 2006, and as it is probable that future economic benefits attributable to the assets shall flow to the agency, the computer softwares are recognized at cost, and reported herein as net of accumulated amortization. Amortization is based on the straight line method less ten percent residual value.

Income and expense recognition

Income and expenses are recognized based on a modified accrual method of accounting in accordance with paragraph 2.1 (d) of COA Resolution No. 2006-006 dated January 31, 2006. Under this method, all expenses shall be recognized when incurred and reported in the financial statements in the period to which they relate. Income shall be on accrual basis except where it is impractical or when other methods are required by law.

Accrual for premium contributions-Regular Program is based on the amount collected by the accredited collecting banks for the applicable month to be remitted to the Corporation in the ensuing month.

The counterpart from local government units (LGUs) is recorded based on the report submitted by the PRO Field Operations Department verified correct by the Accountant and evidenced by the LGU and PhilHealth Memorandum of Agreement supported by Certificate of Availability of Funds. Whereas, the national government premium counterpart is recorded based on the Member Management Group (MMG) certified summary report and was also certified by the Chief Accountant that the LGU share in the premium has already been paid with the corresponding member of sponsored enrollees and period of coverage.

National government contributions for sponsored program under National Household Targeting System (NHTS) are accrued based on the certified summary report of the MMG for indigents enrolled and issued with IDs for the period.

Regular monthly expenses (e.g., for janitorial services, security services, light and water and rental) are recognized as expenses at the time they are incurred, not when paid. On the other hand, accruals for benefit payments refer to outstanding claims. The estimated amount of claims filed but not yet processed is recognized as accrued expenses.

3. CASH AND CASH EQUIVALENTS

This account consists of:

| | 2012 | 2011 (As Restated) |
|----------------------------------|-----------------------|-----------------------|
| Collecting Officers (Schedule 1) | 213,826,502 | 86,515,614 |
| Disbursing Officers (Schedule 2) | 1,496,585 | 433,645 |
| Petty Cash Fund (Schedule 3) | 942,097 | 670,232 |
| Cash in Bank | 1,797,548,815 | 1,679,266,912 |
| Special Savings Deposit | 12,992,902,070 | 4,064,938,666 |
| | 15,006,716,069 | 5,831,825,069 |

The Corporation deploys at least one Collecting Officer per PRO and SO to provide more windows for the over-the-counter collections.

Included in this account is Land Bank of the Philippines - Pasig-Kapitolyo Branch Dollar Account No. 0674-0010-29, the balance of which is converted to its peso equivalent using the prevailing exchange rate at the end of the year. The difference is recorded as Gain/Loss on Foreign Exchange.

4. SHORT-TERM INVESTMENTS

This account consists of:

| | 2012 | 2011 (As Restated) |
|-------------------------|-----------------------|-----------------------|
| Special Savings Deposit | 7,045,371,424 | 7,045,371,424 |
| Treasury Bonds | 6,015,045,245 | 12,518,850,106 |
| | 13,060,416,669 | 19,564,221,530 |

5. RECEIVABLES – NET

This account consists of:

| | 2012 | 2011 (As Restated) |
|---|----------------------|-----------------------|
| Due from Collecting Bank-NHP Premiums | 40,878,548 | 188,978,264 |
| Premium Receivable-Employed Sector | 372,903,825 | 1,823,337,103 |
| Advances to Officers & Employees (Sched.4) | 1,682,243 | 1,536,686 |
| Accrued Interest Receivable-Investment | 1,759,217,479 | 1,919,011,053 |
| Due from National Government Agencies | 2,275,551,697 | 4,313,677,066 |
| Due from LGUs | 777,266,339 | 425,333,973 |
| Disallowances | - | - |
| Other Receivables | 10,712,605 | 5,429,684 |
| Total | 5,238,212,736 | 8,677,303,829 |
| Add (Less): Allowance for Doubtful Accounts | (115,626) | (115,626) |
| | 5,238,097,110 | 8,677,188,203 |

Accrued Interest Receivable Investment account represents interest earned from all short-term and long-term investments.

Due from National Government Agencies consists of the following:

| | |
|--|---------------|
| Balance of the computed deficiency in employer share of the health insurance premium contributions to Philhealth | P 394,741,430 |
| Uncollected portion of NG Counterpart Sponsored Program CY 2011 P2, 415,354,310 per SARO No. F-12-00314 dated March 29, 2012 and additional billing to the Department of Budget and Management through the Department of Health letter dated May 28, 2012 | 479,789,425 |
| Billing made to PCSO for the counterpart premium payment of the jeepney drivers, Sponsored Program for the 3 rd District of Pampanga and Capas, Tarlac per letter to PCSO Special Project Department dated November 15, 2011. In April 17, 2012 a letter was sent to Office of the Secretary, Presidential Management Staff stating therein that there was still an additional remaining balance P25,997,256.32 for the PCSO Greater Medicare Access under Board Resolution No. 718 in April 2003 | 100,566,337 |

Billing dated July 3, 2011 for the enrollment of non-NHTS enrolled indigents for CY 2010 and prior years 1,256,940,255

Billing dated November 27, 2012 representing the enrollment of NHTS families chargeable against FY 2011 GAA (RA10147) under DOH-OSEC 43,514,250

P 2,275,551,697

For the Current Year (CY 2012), RA No. 10155, FY 2012 GAA provision for the full National Government subsidy on the health insurance premium of indigent families listed under the National Household Targeting System-Poverty Reduction (NHTS-PR) of the Department of Social Welfare and Development (DSWD) enrolled under the National Health Insurance Program (NHIP) have been released under SARO No. F-12-01426 and NCA No. F-12-0025818 both dated December 28, 2012 in the amount of P11,884,094,400 per OR# 40144236.

Due from LGUs consists of premium counterpart for the Sponsored Program. Details of the account are as follows:

| | 2012 | 2011 (As Restated) |
|--------|--------------------|-------------------------------|
| NCR | 129,214,450 | - |
| CAR | 8,340,465 | 4,959,591 |
| I | 285,707,587 | 150,784,292 |
| II | 5,913,283 | 7,107,095 |
| III | 5,869,177 | 1,917,448 |
| IV-A | 14,091,008 | 2,777,733 |
| IV-B | 57,186,465 | 781,430 |
| V | 86,732,717 | 36,360,463 |
| VI | 67,822,275 | 67,822,275 |
| VII | 1,434,000 - | |
| VIII | 4,118,051 | 15,516,139 |
| X | 68,180,481 | 85,039,008 |
| XI | 38,219,744 | 11,258,294 |
| XII | 2,868,970 | 2,653,137 |
| Caraga | 1,567,666 | 38,357,068 |
| | 777,266,339 | 425,333,973 |

Other Receivables include DOH Global Budget for Out-Patient-Benefit Package for OWP which has an unutilized balance of P1,083,752 as of Dec. 31, 2011. This account also includes advance payments to various Health Providers thru Simplified Reimbursement Scheme (SRS) to address accumulated backlog in the claims processing of the PROs and balance of personal calls of Philhealth Officers and Employees.

6. INVENTORIES

The account consists of supplies and materials and small tangible items amounting to P43,076,426 and P32,589,493 for CYs 2012 and 2011, respectively.

7. INVESTMENTS - NET

Investments of the NHIF are in government securities bearing the unconditional guaranty of the Republic of the Philippines in authorized government depository banks except the investment in PLDT Subscribers Investment Plan.

The Corporation's long-term investment portfolio is summarized as follows:

| | 2012 | 2011 (As Restated) |
|---------------------------------|-----------------------|-------------------------------|
| PLDT-Subscriber Investment Plan | - | 725,300 |
| Investment in Bonds | 91,306,745,092 | 86,337,408,758 |
| Investment in Real Property | 413,845,805 | 413,845,805 |
| | 91,720,590,897 | 86,751,979,863 |

The investments represent the following:

Investment in PLDT Stocks was acquired under the Subscriber Investment Plan representing 251 subscribed telephone lines. Based on PLDT's records, Philhealth has 72,530 preferred stocks represented by original stocks certificates already in the custody of PhilHealth.

In October 2011, PLDT notified the Corporation authorizing the redemption of all outstanding shares. Consequently, the Corporation had issued PBR No. 1581, s; 2012 confirming the redemption of the said shares of stocks at P10.00 per share, equivalent to the par value of said shares for a total amount of P725,300 plus accrued and unpaid dividends thereof, net of applicable taxes. The Corporation on April 25, 2012 had surrendered and redeemed the said shares of stock and had received the proceeds amounting to P776,297.

Investments in Bonds (net of amortization) with more than one (1) year maturity period are broken down as follows:

| | 2012 | 2011 (As Restated) |
|------------------------|-----------------------|-------------------------------|
| Pag-ibig Housing Bonds | - | - |
| Retail T-Bonds | 31,800,000,000 | 26,800,000,000 |
| 3 year T-Bonds | - | 3,943,356,606 |
| 5 year T-Bonds | 7,800,978,044 | 9,821,729,330 |
| 7 year T-Bonds | 32,590,370,774 | 30,549,728,019 |
| 10 year T-Bonds | 19,115,396,274 | 15,222,594,803 |
| | 91,306,745,092 | 86,337,408,758 |

Investment in Real Property pertains to property acquired from investment in Fort Bonifacio Development Corporation, previously recorded as Global City Receivable Repayment Right, converted to Land with an aggregate amount of P413,845,805 including cost of documentary stamp/transfer tax and registration fees. Per Technical Appraisal Report of Cal-Fil Appraisal and Management, Inc. (Cal-Fil), the subject property has a fair market value of P544.38 Million as of November 4, 2011. This account was reclassified as Investment in Real Property instead of Plant, Property and Equipment.

Straight-line method of amortization was used to amortize the bond premium and bond discount over the remaining life of the bond.

The investing activities of the Corporation were carried out only in the Head Office to maximize the opportunity for high yield interest bearing instruments.

8. PROPERTY AND EQUIPMENT- NET

This account consists of:

| | Land and Land Improvements | Building & Structure / Leasehold Improvements | Furniture & Fixture Equipment & Books | Construction in Progress | Total |
|--------------------------------|----------------------------------|--|--|-----------------------------|----------------------|
| Cost | | | | | |
| Jan.01, 2012 | 458,292,027 | 81,131,692 | 1,151,688,297 | 4,125,000 | 1,695,237,016 |
| Additions | 2,414,987 | 5,915,879 | 79,662,193 | 19,250,000 | 107,243,059 |
| Adjustments | - | 2,484,830 | 24,915,403 | 230,048 | 27,630,281 |
| <i>Dec. 31,2012</i> | 460,707,014 | 89,532,401 | 1,256,265,893 | 23,605,048 | 1,830,110,356 |
| Accu.Depreciation | | | | | |
| Jan.01, 2012 | 616,292 | 27,138,442 | 673,327,365 | - | 701,082,099 |
| Depreciation | 178,326 | 9,005,045 | 110,975,278 | - | 120,158,649 |
| Adjustments | (4,114) | (445,063) | (57,817,257) | - | (58,266,434) |
| <i>Dec. 31,2012</i> | 790,504 | 35,698,424 | 726,485,386 | - | 762,974,314 |
| Net Book Value 2012 | 459,916,510 | 53,833,977 | 529,780,507 | 23,605,048 | 1,067,136,042 |
| Net Book Value 2011 | 457,675,735 | 53,907,539 | 474,531,600 | 4,125,000 | 990,239,874 |

Included under Land and Buildings accounts are the following:

A parcel of land situated in East Avenue, Quezon City with a total area of 17,230.50 square meters amounting to P439,377,750 was fully paid on April, 2010. The Head Office of PhilHealth shall be constructed in this lot.

A lot and building purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga amounting to P13,059,200 and P25,520,363 respectively, has a fair market value of P47.76 Million as of November 10, 2011 per appraisal report of Cal-Fil Appraisal and Management, Inc. (Cal-Fil). Some of its office spaces are rented-out.

A donated 1,831 sq. m. lot including improvements at the Regional Government Center (RGC), San Fernando, Pampanga through a MOA executed by and between the Regional Development Council III and PhilHealth has a fair market value of P8.30 Million as of April 18, 2007 per appraisal report of Cal-Fil Appraisal and Management, Inc. (Cal-Fil), a professional property consultants & valuer.

A donated 2,897 sq. m. lot at the RGC, Tuguegarao City, through a MOA executed with the DPWH Region II representing the Republic of the Philippines, has a fair market value of P10.14 Million as of November 10, 2011 per appraisal report of Cal-Fil. In compliance to the said MOA, the Regional Development Council (RDC) 2 has extended, upon request of PhRO-II, the construction of its office building for another two years per RDC-2 Resolution No. 02-037, s; 2005.

9. INTANGIBLE ASSETS

This represents cost of various software application / programs purchased by the Corporation amounting to P23,279,499 and P26,754,033 net of amortization for CYs 2012 and 2011, respectively.

10. MISCELLANEOUS ASSETS AND DEFERRED CHARGES

| | 2012 | 2011 (As Restated) |
|------------------------------|-------------------|-----------------------|
| Prepayments/Deferred Charges | 41,276,528 | 13,312,230 |
| Guaranty Deposit | 45,369,068 | 41,635,489 |
| | 86,645,596 | 54,947,719 |

Prepayments include authorized payments made for the purchase of goods from the Procurement Service of the Department of Budget and Management (DBM), insurance of motor vehicles of the Corporation from the GSIS and deferred charges account representing payment to HCPs by PROs under the Debit/Credit Scheme.

Guaranty deposits refer to transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.

11. OTHER ASSETS - NET

This account consists of the following:

| | 2012 | 2011 (As Restated) |
|---|--------------------|-----------------------|
| DBM (transfer of NHP Program from GSIS to PHIC) | 155,235,240 | 155,235,240 |
| PCSO (Enhanced GMA Program) | 115,000,000 | 115,000,000 |
| PDIC (per MB Reso.459 dated April 7,2005) | 327,103 | 327,103 |
| Officer & Employees per COA | 1,456,749 | 1,456,749 |
| PROs (from various Health Providers-DCS) | 738,027 | 445,652 |
| PROs Unserviceable Equipment | 6,213,180 | 3,262,165 |
| PROs Serviceable Equipment | 3,769,366 | 2,937,647 |
| Gross Long-Term Receivable | 282,739,665 | 278,664,556 |
| Less: Allowance for Doubtful Account | | |
| Receivable from DBM | 155,235,240 | 155,235,240 |
| Net Amount | 127,504,425 | 123,429,316 |

Long Term Receivable from the DBM represents surcharges for late remittance of the employer counterpart for premium contribution.

Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) represents the balance of the account for the premium counterpart of various LGUs under the Enhanced PCSO i Greater Medicare Access (PCSO-GMA) Program.

Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) was pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.

Disallowances amounting to P1,456,749 refer to disbursements from 1995 to 1999 for travel expenses, employees benefits, and purchases of goods and services that were subsequently disallowed by COA. The Corporation has appealed to the COA for the lifting of said disallowances.

Receivables from officers and staff of the Philippine Medical Care Commission (PMCC) which were recorded as bad debts has been reversed per COA decision No. 2010-152 dated Dec. 30, 2010.

Allowance for Doubtful Accounts was provided for the following:

- a. Receivable from the National Government for surcharges in the amount of P155,235,240. This was transferred by the Government Service Insurance System (GSIS) to PhilHealth.
- b. The amount was determined after evaluation of such factors as aging of the accounts, collection experience in relation to particular receivable and identified doubtful accounts.

12. PAYABLES

Payables include accruals for benefit claims and administrative costs as follows:

| | 2012 | 2011 (As Restated) |
|------------------------|-----------------------|-------------------------------|
| Personal Services | 78,048,011 | 40,944,893 |
| MOOE | 211,950,131 | 137,972,108 |
| Capital Outlay | 73,936,089 | 41,667,044 |
| Benefit Claims | 3,004,835,427 | 2,366,840,763 |
| Accrued Benefit Claims | 6,718,480,811 | 6,092,967,110 |
| | 10,087,250,469 | 8,680,391,918 |

Benefit Claims represents benefit payment checks still in the possession of the Corporation as of balance sheet date including return-to-sender (RTS) and stale checks.

Accrued Benefit Claims include (1) claims already processed and (2) claims received but not yet processed. The monthly average value per claim by sector was used as the multiplier in computing the accrual for the month.

13. OTHER PAYABLES

This account consists of:

| | 2012 | 2011 (As Restated) |
|--------------------------------------|--------------------|-----------------------|
| Inter-agency Payables | 211,827,878 | 198,467,834 |
| Trust liabilities | | |
| UNFPA Project | 3,413,230 | 841,361 |
| WHO Project #1 | - | 294,922 |
| WHO Project #2 | - | 14,360 |
| WHO Project #3 | - | 1,720 |
| WHO Project #4 | - | 1,653 |
| WHO Project #5 | - | 230,625 |
| WHO Project #6 | - | 9,515 |
| UMID Project | 103,056,291 | 101,068,826 |
| Refund from UST | 73,431,569 | 73,451,442 |
| Refund from Other Service Provider | 176,768,610 | 150,010,517 |
| AHP-Protest Bond | 4,666,540 | 2,126,540 |
| Donations | 11,157,135 | 11,492,178 |
| Performance/Bidder Bond Payable | 19,804,132 | 16,069,744 |
| Retention Fee | 14,482,956 | 10,717,275 |
| WHO Proj.(Center for Global Devt) | 2,172,694 | 2,186,199 |
| ICD 10 | 128,500 | 342,250 |
| German Development Corporation | 96,401 | 96,401 |
| Philippine Training Institute | 5,704,419 | 3,695,458 |
| Great Woman Project | 970,214 | 61,336 |
| New Born Screening Ref. Center | 50 | 50 |
| Interest Income for Unclaimed Refund | 20,044,058 | 20,000,000 |
| Philhealth Run | 3,459,097 | - |
| Benchbook | 2,237 | 2,237 |
| Others | 32,258,392 | 41,607,098 |
| Net Amount | 683,444,403 | 632,789,541 |

Inter-Agency payables include the fund transferred from the Department of Health (DOH) amounting to P47,537,862 for the "Strengthening and Guaranteeing Insurance for the Poor" (SAGIP). This also includes deductions from the salaries of PhilHealth officials and employees which are due for remittance to Government Service Insurance System (GSIS), Home Development Mutual Fund (HDMF), National Home Mortgage Finance Corporation (NHMFC), Bureau of Internal Revenue (BIR), and PhilHealth Employees Association (PHICEA), and taxes withheld from payments to health service providers.

The Corporation, after the completion of the UNFPA project entitled "Strengthening and Sustaining the Delivery of Integrated Reproductive Health Services" is again a partner of the same for the implementation of UNFPA funded AWP's relating to the 2012-2016 UNFPA 7th Country Programme for Republic of the Philippines. The total AWP budget for CY 2012 is P7,245,000 with an initial fund release of P2,655,000 dated May 30, 2012.

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

| | 2012 | 2011 (As Restated) |
|--------------------------------|------------------|-------------------------------|
| Westmont Investment Corp. | 2,965,656 | 2,965,656 |
| Strategies & Alliance Corp. | 5,804,570 | 6,176,754 |
| All Asia Capital & Trust Corp. | 599 | 600 |
| First Metro Investment Corp. | 3,813 | 3,813 |
| BF General Insurance Corp. | 1,425 | 1,425 |
| Land Bank of the Philippines | 110,000 | 60,000 |
| Donation received by PROs | - | 2,259,146 |
| Net Amount | 8,886,063 | 11,467,394 |

These shall finance specific projects like:

Prevention of fraud and such other irregularities against the NHIF and for such other allied undertakings. (Westmont Investment Corporation).

Research and development and other studies including P3.50 million ex-gratia fund. (Strategies & Alliance Corporation).

Assistance to the projects of charitable or socio-civic organizations. (All Asia Capital & Trust Corporation).

Ex-gratia Medicare claims reimbursement and other appropriate activities to attain the NHIP objectives. (BF General Insurance Corporation).

14. OTHER DEFERRED CREDITS

These are unearned accreditation fees amounting to P520,318,504 and P30,822,705 in CYs 2012 and 2011, respectively, of medical service providers with validity period of three years.

15. PREMIUM CONTRIBUTIONS

| | 2012 | 2011 (As Restated) |
|--|-----------------------|-----------------------|
| Premium Contributions-Sponsored Program | | |
| Counterpart-NG for Sponsored Program (Regular) | | 377,185,270 |
| Counterpart-NG for Sponsored Program (NHTS) | 11,884,094,400 | 2,210,189,901 |
| Counter part-Other NGAs-Congress | 150,376,000 | 136,802,930 |
| Counterpart-LGUs for Sponsored Program | 2,239,602,841 | 2,461,965,982 |
| Total Prem. Contributions-Sponsored Program | 14,274,073,241 | 5,186,144,083 |
| Premium Contributions-Regular Programs | | |
| Contributions-Private Sector | 21,282,725,566 | 20,654,289,733 |
| Contributions-Government Sector | 8,159,343,095 | 8,035,957,420 |
| Contributions-Individually Paying Program | 2,522,926,761 | 2,060,887,393 |
| Contributions-Overseas Workers Program | 1,099,195,578 | 832,732,620 |
| Total Prem. Contributions-Regular Programs | 33,064,191,000 | 31,583,867,166 |
| TOTAL PREMIUM CONTRIBUTIONS | 47,338,264,241 | 36,770,011,249 |

16. INTEREST AND OTHER INCOME

| | 2012 | 2011 (As Restated) |
|--|----------------------|-------------------------------|
| Interest Income | | |
| Treasury Bonds | 6,354,831,706 | 6,190,983,685 |
| Treasury Bills | - | 19,233,120 |
| Time/Special Savings Deposits | 383,812,323 | 423,406,604 |
| Savings and Current Deposits | 10,885,554 | 9,237,846 |
| Other Interest Income | 902,023 | 1,575,825 |
| Total Interest Income | 6,750,431,606 | 6,644,437,080 |
| Other Income | | |
| Accreditation Fees | 27,658,561 | 24,171,010 |
| Fines and Penalties | 3,705,757 | 2,066,739 |
| Rent Income | 1,294,496 | 1,333,711 |
| Gain (Loss) on Foreign Exchange | (196,827) | 1,235 |
| Gain (Loss) on Disposal of Assets | 247,110 | 291,246 |
| Income from Grants and donations | 538,388 | 195,840 |
| Insurance Income | - | 912,301 |
| Dividend Income | 50,998 | 72,114 |
| Miscellaneous Income | 1,484,890 | 2,304,156 |
| Total Other Income | 34,783,373 | 31,348,352 |
| TOTAL INTEREST AND OTHER INCOME | 6,785,214,979 | 6,675,785,432 |

17. PERSONAL SERVICES (PS)

| | 2012 | 2011 (As Restated) |
|--------------------------------|----------------------|-------------------------------|
| Salaries & Allowances | 1,580,087,716 | 1,547,161,031 |
| Other Compensation | 1,118,667,409 | 986,573,909 |
| Mandatory Contributions | 115,346,798 | 113,043,925 |
| Other Personal Services | 11,674,199 | 28,549,942 |
| TOTAL PERSONAL SERVICES | 2,825,776,122 | 2,675,328,807 |

18. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

| | 2012 | 2011 (As Restated) |
|-------------------|----------------------|-------------------------------|
| MOOE | 1,544,922,565 | 1,262,741,921 |
| Other Expenses | 41,225,390 | 70,439,782 |
| Non-Cash Expenses | 127,736,131 | 124,395,256 |
| TOTAL MOOE | 1,713,884,086 | 1,457,576,959 |

19. RESERVE FUND

The Reserve Fund is set at P115,080,991,494 the amount of which is equal to the reserve fund limit actuarially estimated for two years' projected Program expenditures, as provided for under Section 27 of RA 7875, which states that the Corporation shall set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserved funds: Provided, That the total amount of reserves shall not exceed a ceiling equivalent to the amount actuarially estimated for two years' projected Program expenditures x x x:

20. CONTINGENT CAPITAL

Contingent capital in the amount of P1,457,863 in CY 2012, represents COA disallowances on prior year expenditures.

21. RETAINED EARNINGS

In accordance with Philippine Accounting Standards (PAS) No. 8, the Retained Earnings account was restated as follows:

| | 2012 | 2011 (As Restated) |
|----------------------------------|------------------|-----------------------|
| Balance at the beginning of year | 4,711,937,611 | 16,272,412,254 |
| Adjustment in Retained Earnings | - | 7,920,959 |
| Prior Year's Adjustment | 4,825,775,462 | 1,431,047,833 |
| Balance as restated | 9,537,713,073 | 17,711,381,046 |
| Adjustment in Reserve Fund | (11,910,991,495) | (12,515,000,000) |
| Net Income | 2,373,278,422 | 4,341,332,027 |
| Ending Balance | - | 9,537,713,073 |

Prior Year's Adjustments are summarized as follows:

| | |
|--|----------------------|
| Members's Contributions | 705,802,778 |
| NGs/LGUs Counterpart for Sponsored Program | 4,158,158,293 |
| Interest Income | 232,983 |
| Accreditation Income | 1,855,720 |
| Other Income | 59,799 |
| Fines & Penalties | (105,880) |
| Personal Services | 8,570,123 |
| Maintenance and Other Operating Expense | (6,611,590) |
| Benefit Payments | (42,186,764) |
| Ending Balance | 4,825,775,462 |

NGs/LGUs Counterpart for Sponsored Program includes NG counterpart for the 3,794,014 enrolled poor families under the National Sector Support for Health Reform Project (NSSHRP) and the remaining 916,025 poor families in the National Household Targeting System for Poverty Reduction (NHTS-PR) amounting to P2,415,354,310 per Member Management Group (MMG) Certified Summary Report as of December 31, 2011 submitted to the DBM. From the total amount of P2,415,354,310 DBM has issued a Special Allotment Release Order (SARO) No. F-12-00314 amounting to P2,038,169,040 dated March 29, 2012 corresponding to the MMG billing statement dated January 31, 2012, the said SARO has been collected per OR#36298484 dated April 02, 2012, leaving a balance of P377,185,270. As of August 31, 2012, said balance has been increased to P479,789,425 due to the additional billing made to the DBM dated May 28, 2012.

As of August 2012, the Corporation has enrolled 77,359 poor families representing the last batch of enrollees under NPRD-1 with a total computed NG counterpart share of P43,514,250.00.

The Corporation has also billed the DBM on July 3, 2011 the amount of P1,256,940,255.00 pertaining to the balances on the insurance coverage for CYs 2010 and prior years of non-NHTS enrolled indigents.

22. WORLD BANK FINANCING

The Philippine Government through the Department of Finance entered into a loan agreement with the World Bank, as embodied in World Bank IBRD Loan No. 7395-PH, to support the implementation of the five-year National Sector Support for Health Reform Project (NSSHRP). The project was approved in 2006 and became effective in March 2007.

The project is composed of four components. Component A (Health Financing Component) will be implemented by PhilHealth. It has an allocation of US\$ 40 million which provides as budget support for the National Government Counterpart of the Sponsored Program Premiums.

As of Dec. 31, 2010, no utilization was reported due to non-availability of proxy-means testing tool under the acceptable survey tools prescribed in the Indigent Program Manual. In this regard, an amendment to the Indigent Program Support Manual was requested in early 2010 to accommodate other means testing tools due to the difficulty in initiating the indigent identification tools prescribed in the Manual. The amendment stipulates, among others, that PhilHealth's Sponsored Program enrollment in 2008 and 2009 would be eligible for Bank reimbursement provided that these families are in the DSWD's NHTS database.

As agreed with the World Bank, the National Household Targeting System (NHTS) of the DSWD was adopted as the official identification tool for enrolling indigents under PhilHealth's Sponsored Program. As such, all indigents enrolled in 2011 were taken from the said NHTS list and therefore eligible for Bank financing.

For the year 2011, a total of P290,718,000.00 equivalent to US\$6,760,884 was disbursed from the \$40 million allocation for Health Financing component of the NSSHRP. For 2012, two disbursement applications were submitted to the Bank valued at \$34,015,620.07. As of this date loan availment stood at \$40,776,504.07. As such, the health financing component has been fully disbursed.

With the full disbursement of the allocation for health financing component, DOH realigned unutilized funds intended for the procurement of EPI vaccines under the Public Health Commodities component to be used for the payment of national contribution subsidy for indigent enrollment. Thus, a fourth application was submitted to DBM for onward transmittal to the World Bank. The application amounting to P136,575,864.00 was valued at \$3,198,498.00 giving an overall loan utilization of \$43,975,002.07 from the loan proceeds or about 10% higher than the allocation for the health financing component.

23. WORLD BANK – IDF GRANT

The World Bank has approved a grant under its Institutional Development Fund (IDF Grant no. TF099315) in the amount of US\$ 205,100, to finance "Operationalizing Institutional Mechanisms for Performance Accountability in the Philippine Health Insurance Corporation." The grant will support the Corporation to implement enhanced performance accountability mechanisms through a revised PhilHealth balanced scorecard to reflect the Aquino Health Agenda/Universal Health Care.

World Bank has released \$48,658.94 as of December 31, 2012 and the Corporation has utilized \$37,324.91 leaving a fund balance of \$11,334.03 as of the year-end.

The financial management arrangement for the grant is to establish separate books of accounts and financial management reporting for the Trust fund.