



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, 2013

PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Financial Position
As of December 31, 2013
(With corresponding figures for 2012)
(In Philippine Peso)

	Notes	2013	2012 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	3	19,615,863,597	22,116,114,610
Short - term investments	4	8,146,676,362	6,015,045,245
Receivables - net	5	5,019,410,961	4,805,154,209
Inventories	6	53,697,230	37,206,582
Total Current Assets		32,835,648,150	32,973,520,646
Non-current Assets			
Investments - net	7	97,072,237,194	91,720,590,897
Property & equipment - net	8	1,106,581,260	1,067,476,631
Intangible assets - net	9	27,643,497	23,279,499
Miscellaneous assets and deferred charges	10	62,302,143	86,623,069
Other assets - net	11	137,866,096	127,504,425
Total Non-current Assets		98,406,630,190	93,025,474,521
TOTAL ASSETS		131,242,278,340	125,998,995,167
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Payables	12	14,656,396,508	10,840,138,435
Other payables	13	701,248,468	684,245,366
Total Current Liabilities		15,357,644,976	11,524,383,801
Non-current Liability			
Other deferred credits	14	240,185,423	520,318,504
Total Liabilities		15,597,830,399	12,044,702,305
Equity			
Reserve fund	19	115,642,991,192	113,952,834,999
Contingent capital	20	1,456,749	1,457,863
Retained earnings	21		
Total Equity		115,644,447,941	113,954,292,862
TOTAL LIABILITIES AND EQUITY		131,242,278,340	125,998,995,167

The Notes on pages 8 to 25 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Profit or Loss
For the Year Ended December 31, 2013
(With corresponding figures for 2012)
(In Philippine Peso)

	Notes	2013	2012 (As Restated)
INCOME			
Premium contributions	15	55,359,046,458	47,440,429,748
Interest and other income	16	6,696,365,555	6,784,253,106
Total Income		62,055,412,013	54,224,682,854
EXPENSES			
Benefit Payments			
Private sector		14,208,956,478	14,436,856,862
Government sector		7,161,007,879	6,846,839,735
Sponsored program - regular		14,945,417,211	8,128,471,953
Sponsored program - capitation		3,026,170,777	3,624,761,901
Overseas worker program		1,662,558,643	1,578,892,382
Individual paying member		10,410,539,518	9,622,854,917
Lifetime member program		4,144,825,224	3,689,699,217
Total Benefit Payments		55,559,475,730	47,928,376,967
Operating Expenses			
Personal services	17	2,780,768,003	2,819,341,312
Maintenance and other operating expenses	18	2,025,012,087	1,709,461,664
Total Operating Expenses		4,805,780,090	4,528,802,976
Total Expenses		60,365,255,820	52,457,179,943
NET MARGIN (LOSS)		1,690,156,193	1,767,502,911

The Notes on pages 8 to 25 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Changes in Equity
As of December 31, 2013
(With corresponding figures for 2012)
(In Philippine Peso)

	Notes	2013	2012 (As Restated)
RESERVE FUND	19	115,642,991,192	113,952,834,999
CONTINGENT CAPITAL	20	1,456,749	1,457,863
RETAINED EARNINGS	21		
Balance at beginning of year		0	9,537,713,072
Adjustment in retained earnings		(1,128,156,495)	1,128,156,495
Prior year's adjustments		0	(522,380,984)
Balance as restated		(1,128,156,495)	10,143,488,583
Adjustment in reserve fund		(561,999,698)	(11,910,991,494)
		(1,690,156,193)	(1,767,502,911)
Net income for the period		1,690,156,193	1,767,502,911
Balance at the end of year		0	0
EQUITY		115,644,447,941	113,954,292,862

The Notes on pages 8 to 25 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Cash Flows
As of December 31, 2013
(With corresponding figures for 2012)
(In Philippine Peso)

	2013	2012 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Members' contributions	38,184,931,844	34,884,205,312
Counterpart - NG	12,551,972,400	13,922,263,440
Counterpart - Other NGAs	96,047,365	151,736,100
Counterpart - LGUs	3,000,338,069	1,885,907,540
Accreditation fees received from Health Care Providers	156,274,542	246,271,720
Cash received from various Operating Activities	228,643,148	84,302,795
Cash received from Unclaimed Refund	22,945	26,023,392
Cash received in trust	97,544,452	22,756,061
Benefit Payments	(51,244,898,117)	(45,973,966,340)
MOOE/Personal Services/Supplies and Materials paid	(4,601,953,912)	(4,327,456,385)
Net Cash Provided (Used in) by Operating Activities	(1,531,077,264)	922,043,635
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement on Bonds	(13,599,080,000)	(11,095,622,562)
Matured Bonds	6,012,600,000	12,516,960,000
Short-Term Investments		1,242,238,959
Interest received on Investments	6,792,700,612	5,771,917,846
Redemption of shares in PLDT stocks		776,297
Gain on Foreign Exchange	190,450	(196,905)
Payment of Equipment purchased	(176,869,544)	(120,553,863)
Rent collected	1,071,558	1,263,186
Gain (Loss) on Disposal of Assets	213,175	91,525
Net Cash Provided (Used in) by Investing Activities	(969,173,749)	8,316,874,483
Net Increase (Decrease) in Cash and Cash Equivalents	(2,500,251,013)	9,238,918,118
CASH AND CASH EQUIVALENTS at the Beginning of Year	22,116,114,610	12,877,196,492
CASH AND CASH EQUIVALENTS as of December 31, 2013	19,615,863,597	22,116,114,610

The Notes on pages 8 to 25 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
Notes to Financial Statements
December 31, 2013
(All amounts in Philippine pesos unless otherwise stated)

1. GENERAL INFORMATION

The National Health Insurance Act of 1995 (Republic Act No. 7875), as amended by RA 9241, has been amended by RA 10606, known as the "National Health Insurance Act of 2013" instituted a National Health Insurance Program (NHIP) that shall provide comprehensive health care services to all Filipinos through a socialized health insurance program that will prioritize the health care needs of the underprivileged, sick, elderly, persons with disabilities (PWDs), women and children and provide free health care services to indigents. The same law created the Philippine Health Insurance Corporation (PhilHealth/PHIC) 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 Centre Building, Barangay Oranbo, Shaw Blvd., Pasig City.

The Corporation is governed by a Board of Directors composed of fourteen (14) members and 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) as amended shall consist of contributions from Program members; other appropriations earmarked by the national and local governments purposely for the implementation of the program; subsequent appropriations provided for under Sections 46 and 47 of RA 7875, as amended; donations and grants-in-aid; and all accruals thereof. Under Section 26, Article VI of RA 7875, as amended, the use, disposition, investment, administration and management of the NHIF, including any subsidy, grant or donation received for the program operations shall be governed by applicable laws, and in the absence thereof, existing resolutions of the Board of Directors of the Corporation subject to limitations prescribed in the Act.

Processing of benefit payments and operating expenditures had 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 judgments as follows:

- a. Estimates and judgments 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 ĩ 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 their 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

Intangible Asset account refers to computer software purchased by the Corporation, in accordance with Section 4 of the Philippine Accounting Standard No. 38.

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 remitted through the accredited collecting banks inasmuch as the information is available.

The counterpart from local government units (LGUs) is recorded based on the report submitted by the PRO ï Field Operations Department verified correct by the Accountant and evidenced by the LGU and PhilHealth Memorandum of Agreement supported by Obligation Request (ObR).

National government full premium subsidy for the indigents under the National Household Targeting System (NHTS) is accrued based on the General Appropriation Act (GAA) and adjusted upon receipt of the SARO and NCA from the DBM per Office Order No. 0090, s. 2013.

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:

	2013	2012 (As Restated)
Cash in Bank	2,265,390,351	1,797,733,732
Special Savings Deposit	17,222,071,202	20,038,273,494
Collecting Officers	123,747,223	213,826,502
Disbursing Officers	3,234,608	65,338,785
Petty Cash Fund	1,420,213	942,097
Total	19,615,863,597	22,116,114,610

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 Investments in Treasury Bonds amounting to P8,146,676,362 in 2013 and P6,015,045,245 in 2012 (as restated).

5. RECEIVABLES – NET

This account consists of:

	2013	2012 (As Restated)
Due from Collecting Bank – NHIP Premiums	316,557,274	40,878,548
Advances to Officers & Employees	1,422,645	1,579,918
Accrued Interest Receivable - Investment	1,649,704,041	1,759,217,479
Premium Receivable	723,082,133	1,867,926,766
Due from National Government Agencies	495,344,967	494,307,767
Due from LGUs	1,820,141,585	630,799,127
Disallowances	35,618	0
Other Receivables	13,238,324	10,560,230
Total	5,019,526,587	4,805,269,835
Add (Less): Allowance for Doubtful Accounts	(115,626)	(115,626)
Balance, end	5,019,410,961	4,805,154,209

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:

Deficiency in employer share of the health insurance premium contributions to Philhealth by different government agencies nationwide.	394,741,430
Billing made to PCSO for the counterpart premium payment of the jeepney drivers, Sponsored Program for the 3rd 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 of P25,997,256.32 for the PCSO Greater Medicare Access under Board Resolution No. 718 in April 2003.	100,566,337
Enrollment of 601 families identified by the Office of the Presidential Adviser on Peace Process (OPAPP) through the PAMANA Program under the PhilHealth's Sponsored Program for the period Jan. - Dec., 2013.	37,200
Total	495,344,967

For the Current Year (CY 2013), RA No. 10352, FY 2013 General Appropriation Act provides the following appropriation for the National Health Insurance Program to wit:

NG Premium Subsidy (NHTS) 12,612,283,000

The Department of Budget Management had only released the amount of P11,887,204,800 and P663,900,000 under SARO # F-13-0007412 dated 6/26/13 with NCA # F-13-0010620 and SARO # F-13-0022043 with NCA # F-13-0022687 respectively.

Subsidy for Health Insurance Premium under the PAMANA Program : Pilar I - Social Protection Package for Former Rebels. 15,600,000

The DBM had released the amount of P699,600 and P168,000 under SARO # F-13-0019232 with NCA #BMB F-13-0020167 and SARO # F-13-0022042 with NCA # F-130022687 respectively.

Unprogrammed Fund to cover the National Gov't Subsidy for Health Insurance Premium of workers in the Informal Sector under NHTS (excise tax) remains unbilled to DBM. 13,570,411,000

Per DBM letter dated November 8, 2013 the unreleased balance of the three per cent (3%) share from the Bases Conversion and Development Authority's (BCDA) Asset Disposition Program may be considered as possible funding source for the FY 2015 budget for NHIP. Philhealth on February 5, 2014 had requested the inclusion of the aforesaid unreleased balance of P161,277,395.02 in CY 2015 GAA as a supplementary fund on top of the programmed budget. However, DBM had verbally instructed Philhealth, Member Management Group through the Group Vice President to include the said amount in the CY 2015 Budget Proposal per MMG letter dated March 12, 2014.

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

Region	2013	2012 (As Restated)
NCR	164,379,950	123,850,859
CAR	18,475,146	8,340,465
I	127,137,713	95,764,171
II	120,682,195	3,677,062
III	239,198,813	5,869,177
IV-A	48,660,747	6,456,140
IV-B	130,746,547	56,618,025
V	424,033,281	86,732,717
VI	296,463,220	52,717,411
VII	7,788,887	1,614,000

Region	2013	2012 (As Restated)
VIII	82,194,308	2,248,161
X	93,644,385	112,948,781
XI	51,184,456	38,183,744
XII	2,250,000	3,123,970
Caraga	13,301,937	28,921,807
ARMM	0	3,732,637
Total	1,820,141,585	630,799,127

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 and the Food & Nutrition Research Institute (FNRI) project which will conduct a National Nutrition Survey 2013 on Awareness, coverage, accessibility and utilization of Philhealth in which case Philhealth will pay P 4M upon signing of MOA and FNRI will submit an audited financial report and progress report of the project. 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 P53,697,230 and P37,206,582 for CYs 2013 and 2012, respectively.

7. INVESTMENTS - NET

The investments of the Corporation consist of Government Securities bearing the unconditional guaranty of the Republic of the Philippines in authorized depository banks and in debt securities and corporate bonds as provided under paragraph (b), Sec. 17 of RA 10606 and Sec. 73 Rule II, Title VI on Reserve Funds of the Implementing Rules and Regulations of RA 7875 as amended otherwise known as the National Health Insurance Act of 2013.

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

	2013	2012
Investment in Bonds	96,658,391,389	91,306,745,092
Investment in Real Property	413,845,805	413,845,805
Total	97,072,237,194	91,720,590,897

The investments represent the following:

Investment in Government Bonds with more than one (1) year maturity period are broken down as follows:

	2013	2012
Retail T-bonds	43,899,080,000	31,800,000,000
3-year T-bonds	0	0
5-year T-bonds	0	7,800,978,044
7-year T-bonds	32,203,286,259	32,590,370,774
10-year T-bonds	19,056,025,130	19,115,396,274
Total	95,158,391,389	91,306,745,092

Investment in Corporate Bonds ĩ Investment Committee Resolution No. 06 s. 2013 approved the purchase of Manila Electric Company Fixed Rate Seven-Year Bonds amounting to P1,500,000,000 due on 2020.

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 P648.90 Million as of July 11, 2013 and P958.10 Million as of July 01, 2013 per appraisal report of Royal Asia Appraisal Corporation (Royal Asia). This account was reclassified as Investment in Real Property instead of Plant Property and Equipment.

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

The investing activities of the Corporation are 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, 2013	460,707,013	89,532,402	1,256,265,892	23,605,048	1,830,110,355
Additions	6,513	8,036,692	170,686,382	0	178,729,587
Adjustments	0	(633,452)	(122,087,491)	0	(122,720,943)
<i>Dec. 31, 2013</i>	460,713,526	96,935,642	1,304,864,783	23,605,048	1,886,118,999
Accu. Depreciation					
Jan.01, 2013	790,504	35,698,424	726,485,386	0	762,974,314
Depreciation	174,212	6,064,304	132,271,324	0	138,509,840
Adjustments	0	(726,890)	(121,219,525)	0	(121,946,415)
<i>Dec. 31, 2013</i>	964,716	41,035,838	737,537,185	0	779,537,739
Net Book Value	459,748,810	55,899,804	567,327,598	23,605,048	1,106,581,260
Net Book Value Dec.31, 2012	459,916,510	53,833,977	530,121,096 (As Restated)	23,605,048	1,067,476,631 (As Restated)

Included under Land and Buildings accounts are the following:

- a. 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 has a fair market value of P629 Million as of July 11, 2013 per appraisal report of Cal-Fil and P620.30 Million as of June 28, 2013 per appraisal report of Royal Asia. The Head Office of PhilHealth shall be constructed in this lot.
- b. Relative to the construction of the proposed Philhealth corporate center, the corporation had acquired an additional 145 sq. m. lot from the National Housing Authority located at Brgy. Pinyahan, East Ave. Q.C. for the construction of a drainage system amounting to P2,421,500.
- c. 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 P53.35 Million as of July 10, 2013 per appraisal report of Cal-Fil and P18.06 Million as of July 03, 2013 per appraisal report of Royal Asia. Some of its office spaces are rented-out.
- d. 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 (RDC) 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.

- e. 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 P14.49 Million as of July 12, 2013 per appraisal report of Cal-Fil and P7.53 Million as of July 01, 2013 per appraisal report of Royal Asia. In compliance to the said MOA, the RDC-II has extended, upon request of PhRO-II, the construction of its office building for another two years per RDC-II Resolution No. 02-037, s. 2005.

9. INTANGIBLE ASSETS

This represents cost of various software application / programs purchased by the Corporation amounting to P27.643 million and P23.279 million net of amortization for CYs 2013 and 2012, respectively.

10. MISCELLANEOUS ASSETS AND DEFERRED CHARGES

	2013	2012 (As Restated)
Prepayments/ Deferred Charges	15,651,203	41,276,528
Guaranty Deposit	46,650,940	45,346,541
Total	62,302,143	86,623,069

Prepayments include authorized payments made for the purchase of goods from the Procurement Service of 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:

	2013	2012
DBM (transfer of NHIP Program fr. 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 4/7/5)	327,103	327,103
Officer & Employees per COA disallowance	1,456,749	1,456,749
PROs (from various Health Providers-DCS)	400,971	738,027
PROs Unserviceable Equipment	15,795,075	6,213,180
PROs Serviceable Equipment	4,886,198	3,769,366
Gross Long-Term Receivable	293,101,336	282,739,665
Less: Allowance for Doubtful Accounts		
Receivable from DBM	155,235,240	155,235,240
Net Amount	137,866,096	127,504,425

Long Term Receivable from the Department of Budget and Management (DBM) represents surcharges for late remittance of the employer counterpart for premium contribution.

Long Term Receivable from the 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 the 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.

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:

	2013	2012 (As Restated)
Personal Services	36,826,139	49,133,434
MOOE	242,378,492	204,829,279
Capital Outlay	33,980,922	73,366,189
Benefit Claims	7,999,819,498	3,794,328,722
Accrued Benefit Claims	6,343,391,457	6,718,480,811
Net Amount	14,656,396,508	10,840,138,435

Benefit Claims represents benefit payment checks still in the possession of the Corporation and checks not yet negotiated with the bank per Office Order No. 0092, s.2013 known as One Fund Disbursement Account (OFDA).

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:

	2013	2012 (As Restated)
Inter-agency Payables	215,396,271	211,696,678
Trust Liabilities		
UNFPA Project	849,770	3,413,230
UMID Project	104,224,794	103,056,291
Refund from UST	73,431,569	73,431,569
Refund from Other Service Provider	179,622,762	176,768,610
AHP-Protest Bond	5,296,540	4,666,540
Donations	9,206,160	11,166,515
Performance/Bidders Bond Payable	18,642,207	19,804,132
Retention Fee	16,634,102	14,482,956
WHO Proj.(Center for Global Dev't)	1,664,219	2,172,694
ICD 10	375,378	128,500
German Development Corporation	96,401	96,401
Philippine Training Institute	5,133,957	6,627,202
Great Woman Project	259,570	970,214
New Born Screening Ref. Center	50	50
Interest Income for Unclaimed Refund	20,315,270	20,044,058
Philhealth Run	4,484,182	3,459,097
Calamity Fund	2,944,847	0
Benchbook	2,237	2,237
Provident Fund	243,577	0
Others	42,424,605	32,258,392
Total	701,248,468	684,245,366

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 2013 is P5,320,000 with a total fund release of P3,898,003 for the period Jan. to Dec. 2013.

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

	2013	2012 (As Restated)
Westmont Investment Corp.	2,965,656	2,965,656
Strategies & Alliance Corp.	4,129,491	5,813,950
All Asia Capital & Trust Corp.	599	599
First Metro Investment Corp.	3,813	3,813
BF General Insurance Corp.	1,425	1,425
Land Bank of the Philippines dent's Social Fund	110,000	110,000
Donation received by PROs	1,995,176	2,271,072
Total	9,206,160	11,166,515

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

This account consists of the following:

	2013	2012
Advance premium by IPM	223,900	719,100
Prepaid premium issued UPEcon (PRO IV-A)	306,300	306,300
Legal interest income earned from the payment of service obligation of Dr. Joyce M. Encluna	56,481	22,505
Other Deferred Credits-PROs	239,598,742	519,270,599
Total	240,185,423	520,318,504

15. PREMIUM CONTRIBUTIONS

	2013	2012 (As Restated)
Premium Contribution – Sponsored Program		
Counterpart-NG-NHTS	12,551,104,800	10,583,639,895
Counterpart-NG-PAMANA Program	904,800	0
Counterpart-Other NGAs-Congress	96,047,365	149,376,000
Counterpart-LGUs for Sponsored Program	4,251,119,258	2,086,852,618
Total Pre. Contribution – Sponsored Program	16,899,176,223	12,819,868,513
Premium Contribution – Regular Program		
Contributions – Private Sector	24,945,283,383	22,428,751,110
Contributions – Government Sector	9,135,162,736	8,625,139,597
Contributions-Individually Paying Program	3,133,576,351	2,467,633,972
Contributions-Overseas Worker’s Program	1,245,847,765	1,099,036,556
Total Prem. Contributions-Regular Programs	38,459,870,235	34,620,561,235
Total	55,359,046,458	47,440,429,748

16. INTEREST AND OTHER INCOME

	2013	2012 (As Restated)
Interest Income		
Treasury Bonds	6,068,520,190	6,354,831,706
Time/Special Savings Deposits	511,442,763	382,889,540
Savings and Current Deposits	8,339,317	10,963,797
Other Interest Income	0	902,023
Total Interest Income	6,588,302,270	6,749,587,066
Other Income		
Accreditation Fees	29,873,123	27,458,779
Fines and Penalties	43,942,537	3,814,931
Rent Income	1,283,582	1,294,496
Gain (Loss) on Foreign Exchange	166,538	(196,827)
Gain (Loss) on Disposal of Assets	114,826	247,110
Income from Grants & Donations	28,543,589	538,388
Dividend Income	0	50,998
Miscellaneous Income	4,139,090	1,458,165
Total Other Income	108,063,285	34,666,040
Total	6,696,365,555	6,784,253,106

17. PERSONAL SERVICES (PS)

	2013	2012 (As Restated)
Salaries & Allowances	1,486,846,469	1,574,777,999
Other Compensation	1,169,647,747	1,117,236,595
Mandatory Contributions	113,511,903	115,649,656
Other Personal Services	10,761,884	11,677,062
Total	2,780,768,003	2,819,341,312

18. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

	2013	2012 (As Restated)
MOOE	1,815,318,429	1,540,048,219
Other Expenses	60,371,227	42,133,058
Non-Cash Expense	149,322,431	127,280,387
Total	2,025,012,087	1,709,461,664

19. RESERVE FUND

The Reserve Fund is recorded per Office Order No. 0145, S.2012 which is based on the provisions of Section 27 of RA 7875 as amended by RA 9241. However, RA 9241 has also been amended by RA 10606, which states that the Corporation shall set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserved funds: Provided, That the total amount of reserves shall not exceed a ceiling equivalent to the amount actuarially estimated for two years' projected Program expenditures: Provided further; That whenever actual reserves exceed the required ceiling at the end of the Corporation's Fiscal Year, the excess of the Corporation's Reserve Fund shall be used to increase the program's benefits, decrease the member's contributions and augment the health facilities enhancement program of the DOH.

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

20. CONTINGENT CAPITAL

Contingent capital in the amount of P1,456,749 in CY 2013, 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:

	As of Dec. 31, 2013	As of Dec.31, 2012 (As Restated)
Balance at beginning of year	0	9,537,713,072
Adjustment in Retained Earnings	(1,128,156,495)	1,128,156,495
Prior Year's Adjustment	0	(522,380,984)
Balance as Restated	(1,128,156,495)	10,143,488,583
Adjustment in Reserve Fund	(561,999,698)	(11,910,991,494)
Net Income	1,690,156,193	1,767,502,911
Balance, end of year	0	0

The restated negative balance of Retained Earnings account was due to the payment of capitation for the years 2008 up to 2012. Accrual of the said capitation was not made for lack of supporting documents to process the same.

Prior Year's Adjustments were closed to Retained Earnings.

Member's Contributions	2,454,078
NGs/LGUs Counterpart for Sponsored Program	(473,506,414)
Accreditation Income	(2,789)
Interest Income	0
Other Income	0
Personal Services	21,544,505
Maintenance and Other Operating Expenses	(1,204,066)
Benefit Payments	(71,666,298)
Total	(522,380,984)

NG/LGU Counterpart for Sponsored Program has a negative balance due to the adjustment made in the receivable account wherein it was already collected but recorded as income.

Prior year adjustments are attributed to the collection of premium in arrears; adjustment made in the recording of LGU Receivables after matching with the DSWD list of NHTS members and adjustment on the estimated amount vis-à-vis actual expenses.

22. 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 a fund release of \$ 105,271.22 as of Dec. 31, 2013 and the Corporation has a fund utilization of \$ 85,253.52 leaving a fund balance of \$20,017.70 as of December 31, 2013.

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

The CY 2012 Trust Fund's Balance Sheet and Statement of Sources and Funds and the Corporation had been audited by the Commission on Audit and the Corporation had received an Audit Observation Memorandum on January 20, 2014.