



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, 2014

PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Financial Position
As of December 31, 2014
(With corresponding figures for 2013)
(In Philippine Peso)

	Notes	2014	2013 (As Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	38,985,793,198	19,642,921,180
Short - Term Investments	4	0	8,146,676,362
Receivables - Net	5	3,099,983,712	6,785,213,498
Inventories	6	58,979,066	50,787,024
Total Current Assets		42,144,755,976	34,625,598,064
Non-Current Assets			
Investments - Net	7	100,015,132,230	96,658,391,389
Property & Equipment - Net	8	1,262,113,702	1,106,581,246
Intangible Assets - Net	9	29,357,978	27,643,497
Miscellaneous Assets and Deferred Charges	10	274,015,370	62,367,056
Other Assets - Net	11	2,193,813,154	551,711,901
Total Non-Current Assets		103,774,432,434	98,406,695,089
TOTAL ASSETS		145,919,188,410	133,032,293,153
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Payables	12	21,395,788,724	14,542,469,996
Other Payables	13	772,073,509	695,502,650
Total Current Liabilities		22,167,862,233	15,237,972,646
Non-current Liability			
Other Deferred Credits	14	1,633,293,059	414,284,401
Total Liabilities		23,801,155,292	15,652,257,047
Equity			
Reserve Fund	15	122,116,576,369	117,378,579,357
Contingent Capital	16	1,456,749	1,456,749
Retained Earnings	17	0	0
Total Equity		122,118,033,118	117,380,036,106
TOTAL LIABILITIES AND EQUITY		145,919,188,410	133,032,293,153

The Notes on pages 8 to 27 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Profit or Loss
For the Year Ended December 31, 2014
(With corresponding figures for 2013)
(In Philippine Peso)

	Notes	2014	2013 (As Restated)
INCOME			
Premium Contributions	18	81,446,681,122	57,054,296,979
Interest and Other Income	19	6,572,208,046	6,698,186,035
Total Income		88,018,889,168	63,752,483,014
EXPENSES			
Benefit Payments		78,175,424,807	55,463,811,344
Operating Expenses			
Personal Services	20	2,892,976,428	2,811,180,660
Maintenance and Other Operating Expenses	21	2,212,490,921	2,024,446,761
Total Operating Expenses		5,105,467,349	4,835,627,421
Total Expenses		83,280,892,156	60,299,438,765
NET MARGIN (LOSS)		4,737,997,012	3,453,044,249

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PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Changes in Equity
As of December 31, 2014
(With corresponding figures for 2013)
(In Philippine Peso)

	Notes	2014	2013 (As Restated)
RESERVE FUND	15	122,116,576,369	117,378,579,357
CONTINGENT CAPITAL	16	1,456,749	1,456,749
RETAINED EARNINGS	17		
Balance at Beginning of Year		0	0
Adjustment in Retained Earnings		1,735,588,165	(2,863,744,660)
Prior Year's Adjustments		0	(27,299,891)
Balance as Restated		1,735,588,165	(2,891,044,551)
Adjustment in Reserve Fund		(6,473,585,177)	(561,999,698)
		(4,737,997,012)	(3,453,044,249)
Net Income for the Period		4,737,997,012	3,453,044,249
Balance at the End of Year		0	0
EQUITY		122,118,033,118	117,380,036,106

The Notes on pages 8 to 27 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Cash Flows
As of December 31, 2014
(With corresponding figures for 2013)
(In Philippine Peso)

	2014	2013 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Members' Contributions	46,044,583,923	38,184,937,708
Premium Subsidies - NGs/Other NGAs/LGUs/Sponsors	38,517,014,535	15,673,115,034
Other Income	188,789,001	384,997,710
Cash received in Trust	71,556,787	97,567,397
Benefit Payments	(71,579,791,936)	(51,244,898,117)
MOOE/Personal Services/Supplies and Materials paid	(4,954,523,333)	(4,599,739,413)
Net Cash Provided (Used in) by Operating Activities	8,287,628,977	(1,504,019,681)
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement on Bonds	(3,450,000,000)	(13,599,080,000)
Matured Bonds	8,145,500,000	6,012,600,000
Interest received on Investments	6,631,614,450	6,792,700,612
Gain on Foreign Exchange	39,131	190,450
Payment of Equipment purchased	(273,638,458)	(176,869,544)
Rent collected	1,113,542	1,071,558
Gain (Loss) on Disposal of Assets	614,376	213,175
Net Cash Provided (Used in) by Investing Activities	11,055,243,041	(969,173,749)
Net Increase (Decrease) in Cash and Cash Equivalent:	19,342,872,018	(2,473,193,430)
CASH AND CASH EQUIVALENTS at the End of Year	19,642,921,180	22,116,114,610
CASH AND CASH EQUIVALENTS as of Dec. 31, 2013	38,985,793,198	19,642,921,180

The Notes on pages 8 to 27 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
Notes to Financial Statements
December 31, 2014
(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 RA10606, otherwise 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) as tax-exempt government Corporation attached to the Department of Health (DOH) for policy coordination and guidance. The 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 seventeen (17) members and has the powers and functions provided for in Article IV Section 16 of RA 7875 as amended; such as 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 resolution of the Board of Directors of the Corporation subject to limitations prescribed in the Act.

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 provides the new membership categories to wit:

- a. Members in the Formal Economy
 - 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
- b. Members in the Informal Economy
 - 1) Migrant Workers
 - 2) Informal Sector
 - 3) Self-Earning Individuals
 - 4) Filipinos with Dual Citizenship
 - 5) Naturalized Filipino Citizens
 - 6) Citizens of other countries working and/or residing in the Philippines
- c. Indigent is a person who has no visible means of income or whose income is insufficient for family subsistence as identified by the DSWD based on specific criteria set for this purpose in accordance with the guiding principles set forth in Article 1 of RA 10606.
- d. Sponsored Members is a member whose contribution is being paid by another individual, government agency, or private entity according to the rules as may be prescribed by the Corporation.
- e. Lifetime Member is a member who has reached the age of retirement under the law and has paid at least one hundred twenty (120) monthly premium contributions. Lifetime members shall include but not limited to the enumerations under Title III, Letter E of Section 5.

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. The amount being set-up for the accrued NHIP premium remittance from collecting banks/agents is based on the actual amount collected by the accredited collecting banks for the 2nd half of the applicable month which is to be remitted on the 1st half of the following month.
- c. The General Appropriations Act of CY 2014 provides for a full premium subsidy for a health insurance premium of indigents under the National Household Targeting System (NHTS) for Poverty Reduction of the DSWD. It also provides for the health insurance premium for special projects such as Payapa at Masaganang Pamayanan Program (PAMANA) subsidy of former rebels as determined by OPAPP and Sajahatra Bangsa Moro Program subsidy of targeted beneficiaries already identified by the Moro Islamic Liberation Front (MILF).
- d. One of the accounting estimates being done is to set-up the accrued benefit payments at the end of each month based on the received claims but not yet processed multiplied by 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.
- e. The economic life of every property and equipment is depreciated on the straight-line method with 10% residual value based on COA Circular 2003 ñ 007;

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.

Local Health Insurance Offices (LHIOs).

The financial transactions of LHIOs are recorded in the books of accounts of their respective PROs. The LHIOs 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.

Investments

This is the remaining portion of the reserve fund that are not needed to meet the current expenditure obligations.

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

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.

PhilHealthOffice Order No. 0112 s. 2006, dated Nov. 9, 2006 provides that for the small tangible items not more than ₱5,000 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

Property and Equipment (PE) includes non-current assets held for use in operation and are expected to be used for more than one year as prescribed in COA Resolution No. 2006-006 dated January 31, 2006. PE 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.

The computer softwares are recognized at cost, and reported herein as net of accumulated amortization in accordance with paragraph 9.2 under COA Resolution No. 2006-006 dated January 31, 2006. Amortization is based on the straight line method less ten percent (10%) 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.

The amount being set-up for the accrued NHIP premium remittance from collecting banks/agents is based on the actual amount collected by the accredited collecting banks for the 2nd half of the applicable month which is to be remitted on the 1st half of the following month.

The premium subsidy of sponsors like the Local Government Units (LGUs) is recorded by the PROs based on the report submitted by the PRO's Field Operations Division (FOD) verified correct by the Accountant as evidenced by the Memorandum of Agreement entered into between PhilHealth and LGUs/Sponsors duly supported by Obligation Requests (ObRs) or its equivalent.

National Government full premium subsidy for indigents under the National Household Targeting System (NHTS) including Special Gov't Programs of the gov't like PAMANA and Bangsamoro 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. Accruals for benefit payments refer to outstanding obligations to HCP which were filed and received but not yet processed by the PROs multiplying it to the average value per claim which was computed by dividing the total amount of benefit payment for the month by the total number of claim processed for the same period.

3. CASH AND CASH EQUIVALENTS

This account consists of:

	2014	2013 (As Restated)
Cash in Bank	2,940,309,082	2,268,162,389
Special Savings Deposit	35,933,556,061	17,222,071,202
Collecting Officers	109,183,129	148,504,423
Disbursing Officers	996,384	2,762,953
Petty Cash Fund	1,748,542	1,420,213
Total	38,985,793,198	19,642,921,180

The Corporation deploys at least one Collecting Officer per PRO and Local Health Insurance Office (LHIO), to provide more windows for the over-the-counter collections.

Disbursing Officer - an Accountable Officer (AO) duly designated and is responsible and accountable for the proper management of funds for a specific legal purpose or activity and is properly bonded in accordance with law.

Petty Cash Fund - Cash used for miscellaneous expenditures which cannot be conveniently paid by check. An officer holding the Petty Cash Fund is also properly bonded in accordance with law.

Included in the Cash in Bank is the 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.

Special Savings Deposit - are term deposits with interest rates higher than regular savings rates and term of 1 day to 360 days evidenced by a passbook or schedule of deposits.

The Cash and Cash Equivalent in the Cash Flow Statement includes;

Subsidies:

Premium Subsidy for Indigent NHTS	35,295,657,000
Premium Subsidy for Special Govt Programs Bangsamoro	21,530,400
PAMANA	4,576,800
Fortuitous Events Program	10,125,600
Premium Contributions of Sponsors Int'l Labor Organization (ILO)	3,097,321
LGUs	3,182,027,414
Total	38,517,014,535

Other Income such as:

- a. Cash received from various operating activities attributed by receipt of interest income, performance bond, sale of bid documents and other miscellaneous income.
- b. Interest income, wherein mostly coming from Earnings from long-term investments.

4. SHORT-TERM INVESTMENTS

This account represents reclassification of the current portion of the long-term investment that will mature within the year or 360 days into short-term investment.

5. RECEIVABLES – NET

	2013	2012 (As Restated)
Due from ACAs i NHIP Premiums	439,002,559	316,557,274
Advances to Officers & Employees	2,525,940	1,222,696
Accrued Interest Receivable - Investment	1,575,058,536	1,649,704,041
Premium Receivable	485,080,914	2,140,709,719
Due from National Government Agencies	4,869,600	495,307,767
Due from LGUs	578,760,323	2,166,372,697
Other Receivables	14,801,466	15,454,930
Total	3,100,099,338	6,785,329,124
Add (Less): Allowance for Doubtful Accounts	(115,626)	(115,626)
Balance, end	3,099,983,712	6,785,213,498

This account consists of:

- a. Due from ACAs i NHIP Premiums - These are Premium contributions collected by the Accredited Collecting Agents for the 2nd half of the applicable month which is to be remitted on the 1st half of the following month.
- b. Advances to Officers and Employees - Cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travel.
- c. Accrued Interest Receivable - Investment account represents interest earned from all short-term and long-term investments.
- d. Premium Receivable - Formal Economy - These are accruals of premium contributions of the members in the formal economy recorded by the PROs.

- e. Due from National Government Agencies represents additional enrollment of 5,417 families identified by the MILF Task Force SajahatraBangsangmoro as sponsored members under the NHIP for the period Jan. to Nov. 2014.
- f. Due from LGUs consists of premium counterpart for the Sponsored Program. Details of the account are as follows:

Region	2014	2013 (As Restated)
NCR	69,482,400	176,544,450
CAR	11,627,652	18,584,986
I	190,000	124,381,403
II	11,049,229	120,607,759
III	20,344,275	225,704,778
IV-A	1,215,000	48,583,347
IV-B	3,002,400	130,094,897
V	3,204,450	455,742,560
VI	302,245,777	293,239,224
VII	16,852,568	132,650,956
VIII	0	150,978,751
IX	0	40,058,002
X	7,257,600	100,915,185
XI	35,734,050	41,654,956
XII	0	(13,419,600)
Caraga	96,554,922	111,241,608
ARMM	0	8,809,435
Total	578,760,323	2,166,372,697

- g. Other Receivables includes Food and 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 ₱4 million upon signing of MOA and FNRI will submit an audited financial report and progress report of the project.
- h. Allowance for doubtful accounts is the allowance method is used to set-up the amount of the receivable which is doubtful of collection. This is a deduction from accounts receivable

6. INVENTORIES

The account consists of supplies and materials and small tangible items amounting to ₱58.979 million and ₱50.787million for CYs 2014 and 2013, 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:

	2014	2013 (As Restated)
Investment in Bonds	100,015,132,230	96,658,391,389

The investments represent the following:

Investment in Government Bonds with more than one (1) year maturity period has an average interest rate of 5.3125 percent and are broken down as follows:

	2014	2013
Retail T-bonds	42,399,080,000	43,899,080,000
7-year T-bonds	32,169,398,244	32,203,286,259
10-year T-bonds	18,996,653,986	19,056,025,130
Total	93,565,132,230	95,158,391,389

Investment in Corporate Bonds

	Interest Rate	2014	2013
7 year Meralco Fixed Rate Bonds	4.3750%	1,500,000,000	1,500,000,000
7 year PLDT Fixed Rate Bonds	5.2250%	1,650,000,000	0
5.25 year GT Capital Fixed Rate Bonds	4.7106%	300,000,000	0
5.5 year SM Prime Holdings	5.1000%	500,000,000	0
7 year SM Prime Holdings	5.2006%	500,000,000	0
7 year Aboitiz	5.2050%	1,000,000,000	0
7 year Filinvest	5.4000%	1,000,000,000	0
Total		6,450,000,000	1,500,000,000

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

8. PROPERTY AND EQUIPMENT– NET

This account consists of:

	Land and Land Improvements	Building & Structure / Leasehold Improvements	Furniture & Fixture Equipment & Books	Construction in Progress	Motor Vehicle	Total
Cost						
Jan.01, 2014	460,713,526	96,935,642	1,171,222,954	23,605,048	133,641,828	1,886,118,998
Additions	18,236	9,114,679	214,408,056	0	118,646,227	342,187,198
Adjustments	(134,214)	907,826	1,673,719	0	(55,168,174)	(52,720,843)
<i>Dec. 31,2014</i>	460,597,548	106,958,147	1,387,304,729	23,605,048	197,119,881	2,175,585,353
Accu.Dep'n						
Jan.01, 2014	964,717	41,035,838	665,152,651	0	72,384,534	779,537,740
Depreciation	158,285	8,455,140	144,618,899	0	13,839,008	167,071,332
Adjustments	(120,793)	900,345	(28,467,910)	0	(5,449,063)	(33,137,421)
<i>Dec. 31,2014</i>	1,002,209	50,391,323	781,303,640	0	80,774,479	913,471,651
Net Book Value	459,595,339	56,566,824	606,001,089	23,605,048	116,345,402	1,262,113,702
Net Book Value Dec.31, 2013	459,748,809	55,899,804	506,070,290	23,605,048	61,257,295	1,106,581,246

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 ₱439.378 million has a fair market value of ₱947.680million as of December 29,2014 per appraisal report of Cal-FilAppraisal and Management, Inc. (Cal-Fil), a professional property consultants and valuer. The Head Office of PhilHealth shall be constructed in this lot.

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 ₱2.422 million.

- b. A lot and building purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga amounting to ₱13.059 million and ₱25.520 million respectively, has a fair market value of ₱54.470million as of December 22, 2014 per appraisal report of 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 (RDC) III and PhilHealth, has a fair market value of ₱15.410 Million as of December 22, 2014 per appraisal report of Cal-Fil.

- c. A donated 2,897 sq. m. lot at the RGC, Tuguegarao City, through a MOA executed with the DPWH Region 2 representing the Republic of the Philippines, has a fair market value of ₱18.830 Million as of January 8, 2015 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.
- d. Additions/Adjustments on Costs - These consist of the cost of new acquisitions of equipment, transfer from Head Office to Regional Offices and reclassification of accounts to other asset due to wear and tear.
- e. Depreciation - the amount computed for property, plant and equipment allocating the cost over their useful life. This is computed on a straight-line method.

9. INTANGIBLE ASSETS

This represents cost of various software application/programs purchased by the Corporation in which majority of which are licenses to fully utilize the capability of a software system to operate in a virtual environment.

10. MISCELLANEOUS ASSETS AND DEFERRED CHARGES

	2014	2013 (As Restated)
Prepayments/ Deferred Charges	225,222,635	15,716,116
Guaranty Deposit	48,792,735	46,650,940
Total	274,015,370	62,367,056

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 PRO VIII under the Interim Reimbursement Mechanism (IRM) which was approved under PhilHealth Board Resolution No. 1855 S.2013. The mechanism provides substantial aid to the affected Health Care Institutions (HCIs) in the aftermath of the 'Super Typhoon Yolanda'. PRO VIII had paid ₱ 303.2 million to the HCPs and has applied ₱95 million in their filed claims leaving a balance of ₱ 208 million as of December 31, 2014.

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:

	2014	2013 (As Restated)
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

	2014	2013 (As Restated)
PDIC (per MB Reso. 459 dated 4/7/5)	327,103	327,103
COA Disallowances of Former Officer & Employees	1,456,749	1,456,749
PROs (from various Health Providers-DCS)	400,971	400,971
PROs Unserviceable Equipment	16,546,243	15,795,075
PROs Serviceable Equipment	5,644,198	4,886,198
Land (Receivable Repayment Right)	413,845,805	413,845,805
Receivable from DOH	1,083,752	0
Receivable from PCSO	100,566,337	0
Receivable from LGUs	1,144,200,566	0
Receivable from NGAs	394,741,430	0
Gross Long-Term Receivable	2,349,048,394	706,947,141
Less: Allowance for Doubtful Accounts		
Receivable from DBM	155,235,240	155,235,240
	155,235,240	155,235,240
Net Amount	2,193,813,154	551,711,901

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 ₱1.457 million 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 and due to the remote probability of collection the latter had recommended its reversal.

Debit Credit System amounting to ₱400,971 refer to the balance of advance payment to Health Care Providers for the year 1999 which can no longer be applied to their claims due to their closure.

Unserviceable Equipment refers to the equipment that are already for disposal.

Serviceable Equipment refers to the equipment which are still functional but already obsolete and fully depreciated and ready for disposal.

Allowance for Doubtful Accounts was provided for the following:

- a. Receivable from the National Government for surcharges in the amount of ₱155.235 million. 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.

Land (Receivable Repayment Right) - pertains to property acquired from investment in Fort Bonifacio Development Corporation, which was converted to Land with an aggregate amount of ₱413.846 million 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 ₱923.26 million as of December 22, 2014. This account was reclassified as Other Asset instead of investment in Real Property.

Receivable from DOH represents unutilized amount of Global Budget for Out-Patient-Benefit Package for Overseas Workers Program as of December 31, 2014.

Receivable from PCSO includes unpaid billings for the enrollment of 309,049 indigent families in the amount of ₱25.997 million under the PCSO i Greater Medicare Access Program for 2003 and 2005; Unpaid billings in 2005 in the amount of ₱2.772 million; Unpaid billings for the coverage of 200,000 transport workers under the PCSO-PhilHealth Program in the amount of ₱71.797 million.

Receivable from LGUs represents unpaid premium contributions for the sponsored program for the year covered 2002-2013.

Receivable from the NGAs represents deficiency in employer share of the health insurance premium contributions to PhilHealth by different government agencies nationwide for CY 2001 to 2008.

12. PAYABLES

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

	2014	2013 (As Restated)
Personal Services	28,967,597	73,970,196
MOOE	299,105,180	213,781,800
Capital Outlay	45,476,654	33,980,922
Benefit Claims	9,595,818,402	7,877,345,621
Accrued Benefit Claims	11,426,420,891	6,343,391,457
Net Amount	21,395,788,724	14,542,469,996

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 refer to outstanding obligations to Health Care Providers which were filed and received but not yet processed. It is computed by multiplying it to the average value per claim per sector. Average value per claim was computed by dividing the total amount of benefit payment for the month by the total number of claim processed for the same period.

13. OTHER PAYABLES

This account consists of:

	2014	2013 (As Restated)
Inter-agency Payables	162,589,069	209,464,730
Trust Liabilities		
UNFPA Project	0	847,384
UMID Project	104,401,097	104,224,794
Unclaimed Refund from Health Care Providers	325,213,700	253,054,331
AHP-Protest Bond	5,311,540	5,296,540
Donations	9,126,355	9,206,160
Performance/Bidders Bond Payable	19,728,357	18,642,207
Retention Fee	26,178,416	16,634,102
WHO Proj.(Center for Global Devt)	1,494,559	1,664,219
ICD 10	1,413,747	375,378
German Development Corporation	96,401	96,401
Philippine Training Institute	5,410,294	5,133,957
Great Woman Project	0	255,471
PhilHealth Run 2013	4,724,546	4,484,182
PhilHealth Run 2015	609,620	0
European Project	2,500,000	0
Calamity Fund	1,157,003	2,945,160
Benchbook	2,237	2,237
Others	102,116,568	63,175,397
Total	772,073,509	695,502,650

Inter-Agency payables include the fund transferred from the Department of Health (DOH) amounting to ₱47.538 million 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 with total releases of ₱8.528 million, interest income earned of ₱12,860.02, and expenses of ₱7.693 million leaving a fund balance of ₱847,383.81. As of August 31, 2014, said fund balance was returned to United Nations Development Program.

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

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

	2014	2013
Westmont Investment Corp.	2,965,656	2,965,656
Strategies & Alliance Corp.	3,999,686	4,129,491
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	110,000	110,000
Donation received by PROs	2,045,176	1,995,176
Total	9,126,355	9,206,160

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 ₱3.50 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 NHIF objectives. (BF General Insurance Corporation).

14. OTHER DEFERRED CREDITS

This account consists of the following:

	2014	2013 (As Restated)
Advance premium by Informal Economy	215,400	223,900
Premium Contribution -UPEcon (PRO IV-A)	306,300	306,300
Premium Contribution - NHTS-PR	1,326,409,800	173,371,200
Accredited Fees - ACAs	985,657	727,778
Other Deferred Credits-PROs	305,375,902	239,655,223
Total	1,633,293,059	414,284,401

Other Deferred Credits - This 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.

15. RESERVE FUND

	2014	2013 (As Restated)
Reserve Fund	122,116,576,369	117,378,579,357

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 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":

Another portion of the reserve fund shall be allocated for lifetime members. The amount shall be determined by the Corporate Actuary or pre-calculated based on the most recent valuation of liabilities.

The Total Investible Fund for 2014 is ₱135.95 billion with ₱23.86 billion set aside and invested on SSDs to meet the current year's expenditures, while the remaining ₱112.09 billion had been invested as Investible Reserve Fund (IRF) in instruments in accordance with provision on IRF as stated in RA 10606.

The Total Investible Fund is detailed as follows:

Long Term Investment (Bonds)	100,015,132,230
Investment on SSD (Dollar Acct.)	3,280,619
Investment on SSD ĩ for Reserve Fund	12,074,860,950
Investment on SSD ĩ CYE	23,855,414,492
Total Investible Fund	135,948,688,291

16. CONTINGENT CAPITAL

Contingent capital in the amount of ₱1.457 in CY 2014, represents COA disallowances on prior year expenditures.

17. RETAINED EARNINGS

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

	As of Dec.31, 2014	As of Dec. 31, 2013 (As Restated)
Balance at beginning of year	0	0
Adjustment in Retained Earnings	1,735,588,165	(2,863,744,660)
Prior Year's Adjustment	<u>0</u>	<u>(27,299,891)</u>
Balance as restated	1,735,588,165	(2,891,044,551)
Adjustment in Reserve Fund	(6,473,585,177)	(561,999,698)
Net income	4,737,997,012	3,453,044,249
Ending Balance	0	0

Prior Year's Adjustments were closed to Retained Earnings.

Member's Contributions	(25,804,962)
NGs/LGUs Premium for Sponsored Program	(31,273,925)
Other Income	118,331
Personal Services	1,285,705
Maintenance and Other Operating Expenses	1,664,049
Benefit Payments	26,710,911
Total	(27,299,891)

18. PREMIUM CONTRIBUTIONS

Premium Contributions includes collection from the following:

	2014	2013 (As Restated)
Premium Contributions		
Contributions - Formal Economy	<u>36,985,646,593</u>	<u>35,541,198,879</u>
Private	27,389,278,611	25,871,591,777
Government	9,596,367,982	9,669,607,102
Contributions - Informal Economy	<u>7,566,857,791</u>	<u>4,385,068,040</u>
Migrant Worker	2,521,631,692	1,245,890,090
Informal Sector/Self Earning Individual including Organized Group	5,045,226,099	3,139,177,950
Premium Subsidy for Indigent-NG- NHTS	<u>34,142,618,400</u>	<u>12,377,733,600</u>
Special Government Programs	<u>41,102,400</u>	<u>867,600</u>
Bangsamoro	26,400,000	0
Fortuitous Events Program	10,125,600	0
PAMANA Program	4,576,800	867,600
Premium Contribution of Sponsors	<u>2,710,455,938</u>	<u>4,749,428,860</u>
NGA - Phil. Army	0	24,757,200
NGA i Congress	0	96,047,365
LGUs	2,639,227,524	4,628,624,295
Int'l Labor Organization (ILO)	3,097,321	0
Others	68,131,093	0
TOTAL PREMIUM CONTRIBUTIONS	81,446,681,122	57,054,296,979

19. INTEREST AND OTHER INCOME

Interest and other income account are detailed as follows:

	2014	2013 (As Restated)
Interest Income		
Treasury Bonds	6,007,424,377	6,068,520,190
Special Savings Deposits	455,073,072	511,442,763
Savings and Current Deposits	5,248,155	10,659,979
Other Interest Income	0	0
Total Interest Income	6,467,745,604	6,590,622,932

	2014	2013 (As Restated)
Other Income		
Accreditation Fees – HCPs	22,305,914	29,846,923
Fines and Penalties	72,665,919	44,599,551
Rent Income	1,128,355	1,235,582
Gain (Loss) on Foreign Exchange	15,569	166,538
Gain (Loss) on Disposal of Assets	505,953	114,826
Income from Grants & Donations	546,480	28,543,589
Miscellaneous Income	7,294,252	3,056,094
Total Other Income	104,462,442	107,563,103
Total	6,572,208,046	6,698,186,035

Miscellaneous income consists of the collection ranging from one hundred thousand and above which includes penalties from supplier and accreditation fees of ACAs in the Head Office, while in PROs this includes income from payment for certification of premium payment (PRO VI), income received as rental of portion of LHIO (NCR) office space for advertisement and cash received for GSIS insurance claims for LHIO Aklan due to typhoon Yolanda.

20. PERSONAL SERVICES (PS)

Personal services include:

	2014	2013 (As Restated)
Salaries & Allowances	1,659,997,199	1,521,546,902
Other Compensation	1,108,589,230	1,165,498,960
Mandatory Contributions	119,585,514	113,478,879
Other Personal Services	4,804,485	10,655,919
Total	2,892,976,428	2,811,180,660

21. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

	2014	2013 (As Restated)
MOOE	1,971,220,671	1,813,553,485
Other Expenses	63,599,133	61,309,512
Non-Cash Expense	177,671,117	149,583,764
Total	2,212,490,921	2,024,446,761

22. OTHER RELEVANT INFORMATION

PhilHealth had adjusted premium contribution of the Employed Sector in CY 2013 through PhilHealth Circular No. 057 s.2012 which prescribes ₱875.00 per month as the maximum contribution shared equally by the Employer and the Employee at ₱437.50 each. However, DBM has only allocated ₱312.50 or a 40 per cent discrepancy. The benefit availment of the members under the Government Sector has been continually increasing and has breached the equilibrium level against premium collection which led to overutilization. Consequently, the Corporation had formally informed the Department of Budget and Management of the estimated NG Employer Premium Differential and request allocation of the unappropriate balances for the following periods:

a. Arrears CY 2001-2012	₱9,664,042,011
b. Preceding Year CY 2013	330,691,801
c. Current Year CY 2014	330,691,801
Total	₱10,325,425,613

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 a fund release of \$ 145,637.16 as of December 31, 2014 and the Corporation has a fund utilization of \$ 128,119.46 leaving a fund balance of \$17,517.70 as of December 31, 2014.

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

The CY 2013 Financial Statements and the related Sources and Uses of Funds had been audited by the Commission on Audit. The Auditor had rendered an unqualified opinion on the fairness of the presentation of the financial statements of the PHIC Project.