



*Republic of the Philippines*  
**COMMISSION ON AUDIT**  
*Commonwealth Avenue Quezon City*

## **ANNUAL AUDIT REPORT**

**on the**

**PHILIPPINE HEALTH INSURANCE  
CORPORATION**

**For the Year Ended December 31, 2015**

**PHILIPPINE HEALTH INSURANCE CORPORATION****Statement of Financial Position****As of December 31, 2015**

(With Corresponding Figures for 2014)

(In Philippine Peso)

	Notes	2015	2014 ( As Restated )
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	5	25,595,916,778	38,984,478,766
Premium Receivables	6	20,269,724,623	5,852,857,785
Other Current Assets	7	1,694,070,601	1,665,447,254
Total Current Assets		47,559,712,002	46,502,783,805
<b>Non-Current Assets</b>			
Available for Sale Investments	8	960,732,520	0
Held to Maturity Investments	9	106,716,873,092	100,015,132,230
Property & Equipment - Net	10	1,779,360,776	1,678,776,535
Intangible Assets - Net	11	147,814,634	86,099,982
Other Assets - Net	12	1,599,695,572	1,599,209,298
Total Non-Current Assets		111,204,476,594	103,379,218,045
<b>TOTAL ASSETS</b>		<b>158,764,188,596</b>	<b>149,882,001,850</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Benefit Claims Payables	13	24,188,718,951	19,917,207,745
Other Payables	14	1,437,744,924	1,117,940,611
Total Current Liabilities		25,626,463,875	21,035,148,356
<b>Non-Current Liability</b>			
Other Deferred Credits	15	1,252,338,440	823,733,458
Total Liabilities		26,878,802,315	21,858,881,814
<b>Equity</b>			
Members' Equity	16	131,885,386,281	128,023,120,036
Total Equity		131,885,386,281	128,023,120,036
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>158,764,188,596</b>	<b>149,882,001,850</b>

The Notes on pages 9 to 40 form part of these financial statements.

**PHILIPPINE HEALTH INSURANCE CORPORATION****Statement of Profit or Loss****For the Year Ended December 31, 2015**

(With Corresponding Figures for 2014)

(In Philippine Peso)

	Notes	2015	2014 ( As Restated )
<b>REVENUE</b>			
Premium Contributions	17	99,624,822,337	86,566,815,254
Interest and Other Income	18	7,075,797,839	6,572,779,475
Total Revenue		106,700,620,176	93,139,594,729
<b>EXPENSES</b>			
<b>Benefit Claims Expenses</b>	19	97,034,532,300	77,306,721,157
<b>Operating Expenses</b>			
Personal Services	20	3,683,462,768	2,878,813,658
Other Operating Expenses	21	2,081,091,383	2,157,123,479
Total Operating Expenses		5,764,554,151	5,035,937,137
Total Expenses		102,799,086,451	82,342,658,294
<b>NET MARGIN (LOSS)</b>		<b>3,901,533,725</b>	<b>10,796,936,435</b>

The Notes on pages 9 to 40 form part of these financial statements.

**PHILIPPINE HEALTH INSURANCE CORPORATION****Statement of Changes in Equity****As of December 31, 2015**

(With Corresponding Figures for 2014)

(In Philippine Peso)

	<b>Notes</b>	<b>2015</b>	<b>2014</b> <b>( As Restated )</b>
<b>RESERVE FUND</b>	16		
Reserve at Beginning of Year		128,021,663,287	115,248,249,762
Transfer from Surplus		3,901,533,725	12,773,413,525
Reserve Fund at End of Year		131,923,197,012	128,021,663,287
<b>SURPLUS</b>	16		
Surplus at Beginning of Year		1,456,749	1,977,933,839
Net Income		3,901,533,725	10,796,936,435
Total Surplus		3,902,990,474	12,774,870,274
Surplus Transfer to Reserve Fund		(3,901,533,725)	(12,773,413,525)
Surplus at Year End		1,456,749	1,456,749
<b>NET UNREALIZED LOSS ON AVAILABLE FOR SALE INVESTMENT</b>	16	(39,267,480)	0
<b>EQUITY</b>		<b>131,885,386,281</b>	<b>128,023,120,036</b>

The Notes on pages 9 to 40 form part of these financial statements.

**PHILIPPINE HEALTH INSURANCE CORPORATION****Statement of Cash Flows****As of December 31, 2015**

(With Corresponding Figures for 2014)

( In Philippine Peso )

	2015	2014 ( As Restated )
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received for Premium Contributions	84,737,680,283	84,562,582,721
Cash Received from Other Income	698,364,436	188,841,104
Interest Received from Investments	7,062,890,362	6,631,614,450
Rent Collected	481,443	1,113,542
Payments of Benefit Claims	(92,402,036,156)	(71,579,788,566)
Payments of Operating Expenses	(5,499,721,875)	(4,956,877,501)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(5,402,341,507)</b>	<b>14,847,485,750</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Placement on Bonds	(6,795,000,000)	(3,450,000,000)
Proceeds from Matured Bonds	0	8,145,500,000
Placement on Externally Managed Fund	(1,000,000,000)	0
Payment of Equipment Purchased	(223,617,473)	(273,638,458)
Proceeds from Disposal of Assets	4,216	614,376
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(8,018,613,257)</b>	<b>4,422,475,918</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash Received in Trust	32,366,675	71,556,787
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>32,366,675</b>	<b>71,556,787</b>
<b>Net Increase (Decrease) in CASH</b>	<b>(13,388,588,089)</b>	<b>19,341,518,455</b>
<b>CASH at January 01, 2015</b>	<b>38,984,478,766</b>	<b>19,642,921,180</b>
Gain on Foreign Exchange	26,101	39,131
<b>CASH at December 31, 2015</b>	<b>25,595,916,778</b>	<b>38,984,478,766</b>

The Notes on pages 9 to 40 form part of these financial statements.

**PHILIPPINE HEALTH INSURANCE CORPORATION**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(All amounts in Philippine pesos unless otherwise stated)**

**1. GENERAL INFORMATION**

The National Health Insurance Act of 1995 (RA No. 7875), as amended by RA No. 9241, has been amended by RA No. 10606, 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 PhilHealth as tax-exempt government Corporation attached to the DOH for policy coordination and guidance. The Head Office is located at 709 City State Centre Building, Barangay Oranbo, Shaw Blvd., Pasig City.

The Corporation is governed by a Board of Directors composed of seventeen members and has the powers and functions provided for in Article IV Section 16 of RA No. 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 No. 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 No. 7875, as amended; donations and grants-in-aid; and all accruals thereof. Under Section 26, Article VI of RA No. 7875, as amended, the use, disposition, investment, administration and management of the NHIF, including any subsidy, grant or donation received for the program operations shall be governed by applicable laws, and in the absence thereof, existing resolution of the Board of Directors of the Corporation subject to limitations prescribed in the Act.

The financial statements of the Corporation for the year ended December 31, 2015 were approved and authorized for issue by the Board of Directors per PhilHealth Board Resolution No. 1400 series of 2010 authorizing the issuance of Consolidated Financial Statements for CY 2009 and thereafter.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The accompanying financial statements of PhilHealth have been prepared in accordance with PFRS, where practicable, as well as government accounting standards and other pertinent rules and regulations.

Pending the resolution on the classification of PhilHealth as Non-Government Business Enterprises (Non-GBE) to Government Business Enterprises (GBE), PhilHealth shall continue to apply PFRS in the preparation of its Financial Statements.

### 2.2 Basis of Measurement

The financial statements have been prepared using the historical cost basis except for Available for Sale Investments which are presented at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs the asset or liability.

### 2.3 Functional and Presentation Currency

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

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

at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS and Philippine Interpretation from International Financial Reporting Interpretation Committee (IFRIC) which the Corporation adopted effective for annual periods beginning on or after January 1, 2015:

- Amendment to Philippine Accounting Standards (PAS) 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization* – The amendment clarifies how the gross carrying amount and the accumulated depreciation/amortization are treated when an entity uses the revaluation model.
- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* – The amendments clarify the requirements on how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognized as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service).
- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* - The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.
- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination, and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property*- The amendment clarifies the application of PFRS 3 and PAS 40 in respect of acquisitions of investment property. PAS 40 distinguishes investment property from owner-occupied property and PFRS 3 determines whether the acquisition of an investment property is a business combination.
- Amendment to PFRS 3, *Business Combinations* - The amendment excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself.



- Amendment to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* - The amendment requires the disclosure of Management judgments in applying the aggregation criteria to operating segments, and requires reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.
- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* - The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

### Accounting Policies Adopted

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

### **Financial Assets**

#### Initial Recognition

Financial assets are recognized in the Corporation's financial statements when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Corporation's financial assets, except for investments classified at Fair Value Through Profit or Loss (FVTPL).

#### Classification and Subsequent Measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, Held-To-Maturity (HTM) investments, Available-For-Sale (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace

#### Financial assets at FVTPL

The Corporation classifies financial assets as at FVTPL when the financial asset is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition if it is a part of an identified portfolio of financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of income.

As of the reporting date, the Corporation does not have financial assets that are designated at FVTPL.

### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment and are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Corporation's financial assets classified under this category include cash and premiums receivables.

### HTM Investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity. Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

As of reporting date, the Corporation's investments in government bonds are classified as HTM investments.

### AFS Financial Assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM investments or financial assets at FVTPL.

Listed redeemable notes held by the Corporation that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Corporation also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognized in profit or loss when the Corporation's right to receive the dividends is established.

AFS assets are included in non-current assets unless the investment matures or Management intends to dispose it within 12 months after the end of the reporting period.

As of reporting date, the Corporation's externally managed funds are classified as AFS financial assets.

## Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### Derecognition of Financial Assets

The Corporation derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another party. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risk and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (such as when the Corporation retains an option to repurchase part of a transferred asset), the Corporation allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

## **Financial Liabilities**

### Initial Recognition

Financial liabilities are recognized in the Corporation's financial statements when it becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the Corporation's financial liabilities except for debt instruments classified at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

### Classification and Subsequent Measurement

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

### Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified debt financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a Corporation of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation's documented risk management or investment strategy, and information about the Corporation is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and PAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of income. Fair value is determined in the manner described in notes.

The Corporation does not have financial liabilities that are classified at FVTPL.

#### Other Financial Liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Benefit claims payable and other payables are included in this category.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

#### Derecognition of Financial Liabilities

The Corporation derecognizes financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### **Other Current Assets**

Other Current Assets represent assets of the Corporation which are expected to be realized or consumed within one year or within the Corporation's normal operating cycle whichever is longer. This account includes supplies, material and small tangible items. Other Current Assets are presented in the statement of financial position at cost.

## Property and Equipment

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

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

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

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

<u>Asset Class</u>	<u>Useful Life Year/Period</u>
Land Improvements	10
Building and Building Improvements	30
Leasehold Improvements	10
IT Equipment	5
Furniture and Fixtures	10
Office Equipment	5
Communication Equipment	10
Library Books	5
Medical Equipment	10
Transportation Equipment	7

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

## Intangible Assets

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



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

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

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

## **Derecognition of Non-Financial Assets**

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

## **Surplus**

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

## **Revenue Recognition**

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

The following specific recognition criteria must be met:

- a) Premiums' contribution  
Revenue is recognized as the members' contribution become due.
- b) Interest Income  
Interest income is recognized as the interest accrues taking into account the effective interest.
- c) Rent Income  
Income from rental of property is derived from the unoccupied portion of the building of PhilHealth Regional Office (PRO) III and it is recognized on a straight-line basis over the lease term.

## **Expense Recognition**

Expenses are recognized in profit or loss upon utilization of the service or at the date expenses are incurred.

- a) Benefit Claims Expense  
This represents benefits incurred by the Corporation for health care services, in-patient and out-patient, availed of by the members and their

dependents. Benefit Claims Expense is recognized at the date of discharge or incurrence of the expense.

b) Operating Expenses

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

## **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the lessee.

All other leases are classified as operating leases. Rental payments under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

### Corporation as a Lessee

Leases which do not transfer to the Corporation substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the income statement on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

### Corporation as a Lessor

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

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

## **Employee Benefits**

### Short-term Benefits

The Corporation recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before 12 months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

## **Related Parties**

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

## **Events after Reporting Date**

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

## **Foreign Currency**

In preparing the financial statements of the Corporation, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

## **Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

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

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

##### Estimating Allowance for Impairment of Receivables

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

##### Estimating Benefit Claims Payables

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

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

## 5. CASH

This account consists of:

	2015	2014 As restated
Collecting Officers	56,734,863	109,183,129
Disbursing Officers	2,787,108	967,545
Petty Cash Fund	1,861,336	1,733,542
Cash in Bank	2,034,396,454	2,939,038,489
Special Savings Deposit (Net)	23,500,137,017	35,933,556,061
<b>Total</b>	<b>25,595,916,778</b>	<b>38,984,478,766</b>

- 5.1 The amount of ₱56,734,863 represents collections at the end of the month of the collecting officers which are to be deposited on the following working day.
- 5.2 The Disbursing Officer is an Accountable Officer (AO) duly designated responsible and accountable for the proper management of funds for a specific legal purpose or activity and is properly bonded in accordance with law. The amount of ₱2,787,108 represents available funds of the said officer as of to date.
- 5.3 The Petty Cash Fund (PCF) is for the use of miscellaneous expenditures which cannot be conveniently paid by check. An officer holding the PCF is also properly bonded in accordance with law. The amount of ₱1,861,336 represents available PCF as of to date.
- 5.4 Cash in Bank amounting to ₱2,034,396,454 represents various bank deposits that are unrestricted and available for current operations. Included in this account are cash denominated in foreign currencies which are translated to Peso using the closing rate as of the reporting dates.
- 5.5 Special Savings Deposit (SSD) are term deposits of one day up to one year with interest rates higher than the regular savings deposit rates and evidenced by either passbook or schedule of deposits. The balance reported as of December 31, 2015 is net of ₱1,508,440,380 negative book balance of One Fund Disbursements Account (OFDA). Interest earned from SSD amounted to ₱776,164,108 in CY 2015.

## 6. PREMIUM RECEIVABLES

This account consists of:

	2015	2014 As restated
Due from ACAs	2,696,235,212	438,944,433
Formal Economy	251,255,759	2,135,737,323
Due from NGAs	16,779,616,800	2,660,006,629
Due from LGUs	542,616,852	618,169,400
<b>Total</b>	<b>20,269,724,623</b>	<b>5,852,857,785</b>

- 6.1 Due from Accredited Collecting Agents (ACAs) amounting to ₱2,696,235,212 are premium contributions collected by the ACAs for one and a half month or the 1st and 2nd half of the applicable month and 1st half of the following month. This is based on PhilHealth Circular No. 0001 series of 2014, New Payment Schedule for Premium Contribution in which ACA's remittance is made after 15 days of collection.
- 6.2 Premium Receivable of the Formal Economy amounting to ₱251,255,759 represents accruals of premium contributions of the members in the formal economy recorded by the PROs.
- 6.3 Due from National Government Agencies (NGAs) account represents premium contribution for the following:

Additional enrollment of 599,877 poor families of the National Household Targeting System (NHTS) for Poverty Reduction under the Indigent Program for the billing period Jan. - Dec. 2015.	₱ 1,439,704,800
Additional enrollment of 545 families identified by the Office of the Presidential Adviser on Peace Process (OPAPP) through the Payapa at Masaganang Pamayanan Program (PAMANA) under the PAMANA Program for the billing period Jan. - Dec. 2015.	1,308,000
Enrollment of 1,399 families identified by the OPAPP through the PAMANA under the PAMANA Program for the billing period Jan. - Dec. 2014	3,357,600
Additional enrollment of 1,932 families identified by the OPAPP through the PAMANA under the PAMANA Program for the billing period Jan. - Dec. 2015.	4,636,800
Enrollment of 9,196 families of the Moro Islamic Liberation Front (MILF) Task Force Sajahatra Bangsamoro under the Sponsored program for the billing period Jan. - Dec. 2015 and CY 2014	22,641,600
Additional enrollment of 4,543 families identified by the MILF Task Force Sajahatra Bangsamoro under the Sponsored program for the billing period Jan. - Dec. 2015.	10,903,200
Enrollment of 5,435,438 Senior Citizens under the Sponsored Program for the billing period Jan.-Dec. 2015	13,045,051,200
Enrollment of 3,528,816 Senior Citizens as principal members who have no current coverage (RA 10645) for the billing period Oct. - Dec. 2014.	2,117,289,600

Enrollment of 56,135 families of which 55,474 families came from Region VIII who were casualties of Typhoon Yolanda and for the extended insurance coverage under the Fortuitous Event Program implemented as a component of the NHIP for the billing period Jan. - Dec. 2014.

134,724,000

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**Total** **₱ 16,779,616,800**

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

	<b>2015</b>	<b>2014 As restated</b>
NCR	72,056,800	58,083,000
CAR	1,286,836	11,937,477
I	678,312	178,855
II	34,110,212	10,928,829
III	17,433,500	68,558,824
IV-A	0	1,215,000
IV-B	3,647,100	2,938,560
V	9,671,190	3,204,450
VI	245,269,703	292,089,726
VII	65,426,450	18,083,694
VIII	0	0
IX	0	0
X	0	18,813,019
XI	1,408,850	16,888,050
XII	8,266,400	309,600
Caraga	82,605,499	113,518,766
ARMM	756,000	1,421,550
	<b>542,616,852</b>	<b>618,169,400</b>

## 7. OTHER CURRENT ASSETS

This account consists of the following:

	<b>2015</b>	<b>2014 As restated</b>
Supplies and Materials	64,770,304	60,969,524
Prepayments	16,391,613	15,506,855
Advances to Officers and Employees	2,304,577	2,361,109
Accrued Interest Receivable - Investment	1,572,064,397	1,575,058,536
Other Receivables	38,539,710	11,551,230
<b>Total</b>	<b>1,694,070,601</b>	<b>1,665,447,254</b>

- 7.1 Supplies and Materials amounting to ₱64,770,304 represent small tangible items that are expected to be used within one year from the reporting date.

- 7.2 Prepayments amounting to ₱16,391,613 represent authorized payments made for the purchase of goods from the Procurement Service of Department of Budget and Management (PS DBM) as well as insurance of motor vehicles of the Corporation from the Government Service Insurance System (GSIS).
- 7.3 Advances to Officers and Employees amounting to ₱2,304,577 represent cash advances granted to authorized officers and employees for legal authorized purpose such as local and foreign travel.
- 7.4 Accrued Interest Receivable on Investment amounting to ₱1,572,064,397 represents interest earned from HTM Investments.
- 7.5 Other Receivables amounting to ₱38,539,710 includes Department of Science and Technology – Philippine Council for Health Research and Development (DOST-PCHRD) for the project entitled PhilHealth Studies – Strengthening the Thrust for Universal Health Care (UHC) through Data Information and Knowledge Exchange Systems. (₱6,693,296 represents 15 per cent of the total amount of ₱44,621,977 after submission and acceptance of the Inception Report)

## 8. AFS INVESTMENTS

### Investment in Externally Managed Funds – Domestic

The PhilHealth’s Board of Directors in its Resolution No. 1847 dated October 25, 2013, approved the hiring of local fund managers based on the provisions of Section 17 of RA 10606, amending Section 27 of RA 7875, which states that as part of its investment operations, the Corporation may hire institutions with valid trust license as its external local fund managers to manage a portion of the Investment Reserve Fund, as it may deem appropriate through public bidding. Thus, on July 6, 2015 the Corporation entered into an IMA with BDO Unibank, Inc. as fund manager, and released ₱1 billion on July 7, 2015 to the said fund manager, as approved by the PhilHealth’s Board of Directors in its Resolution No. 1957 dated June 24, 2015. As of December 31, 2015 the Net Asset Value is ₱960,732,520 as reported by the external manager of the funds. Details are as follows:

Initial Investment		1,000,000,000
Net Realized Profit	8,675,927	
Accumulated Gain/Loss	<u>(47,943,407)</u>	
Net Unrealized Loss on AFS Investment		(39,267,480)
<b>Net Asset Value</b>		<b><u>960,732,520</u></b>



## 9. HTM INVESTMENTS

9.1 Investment in Government Bonds with a maturity period of more than one year and with an average interest rate of 6.3197 per cent.

	Interest Rate	2015	2014 (As Restated)
Retail T-bonds	5.6750%	42,399,080,000	42,399,080,000
7-year T-bonds	6.9643%	6,163,139,250	32,169,398,244
10-year T-bonds	6.3199%	18,937,282,841	18,996,653,986
<b>Total</b>		<b>67,499,502,091</b>	<b>93,565,132,230</b>

9.2 Investment in Government Bonds amounting to ₱25,972,371,001 that will mature within the year and with an average interest rate of seven per cent.

9.3 Investment in Corporate Bonds with a maturity period of more than one year and with an average interest rate of 4.9790 per cent.

	Interest Rate	2015	2014 (As Restated)
7-year Meralco Fixed Rate Bonds	4.3750%	1,500,000,000	1,500,000,000
7-year PLDT Fixed Rate Bonds	5.2250%	650,000,000	650,000,000
5.5-year JG Summit Fixed Rate Bonds	5.2317%	1,000,000,000	1,000,000,000
5.25-year GT Capital Fixed Rate Bonds	4.7106%	300,000,000	300,000,000
5.5-year SM Prime Holdings, Inc. Fixed Rate Bonds	5.1000%	500,000,000	500,000,000
7-year SM Prime Holdings, Inc. Fixed Rate Bonds	5.2006%	500,000,000	500,000,000
7-year Aboitiz Power Corp. Fixed Rate Bonds	5.2050%	1,000,000,000	1,000,000,000
5.25-year Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	4.4722%	1,000,000,000	0
7-year Aboitiz Equity Ventures, Inc. Fixed Rate Bonds	5.0056%	1,000,000,000	0
7-year Filinvest Land Inc. Fixed Rate Bonds	5.4000%	1,000,000,000	1,000,000,000
7-year Filinvest Land, Inc. Fixed Rate Bonds	5.3567%	780,000,000	0
7-year Robinsons Land Corp. Fixed Rate Bonds	4.8000%	1,500,000,000	0
7-year Ayala Land Inc. Fixed Rate Bonds	4.5000%	950,000,000	0
5.25-year South Luzon Tollway Corp. Fixed Rate Bonds	4.9925%	182,500,000	0
7-year South Luzon Tollway Corp. Fixed Rate Bonds	5.5796%	182,500,000	0
5.25-year SM Prime Holdings	4.5095%	1,200,000,000	0
<b>Total</b>		<b>13,245,000,000</b>	<b>6,450,000,000</b>

Interest earned on HTM Investments amounted to ₱6,190,452,292 and ₱6,007,424,377 in CYs 2015 and 2014, respectively.

## 10. PROPERTY AND EQUIPMENT – NET

This account consists of:

	Land and Land Improvements	Building & Structure / Leasehold Improvements	Construction in Progress	Furniture & Fixtures Equipment & Books	Motor Vehicle	Total
<b>Cost</b>						
Jan. 01, 2015	874,443,353	107,124,054	23,605,048	1,388,037,938	197,192,087	2,590,402,480
Additions (Deductions)	0	12,227,838	0	218,376,934	(6,347,119)	224,257,653
<i>Dec. 31, 2015</i>	874,443,353	119,351,892	23,605,048	1,606,414,872	190,844,968	2,814,660,133
<b>Accu. Dep'n</b>						
Jan. 01, 2015	1,002,210	49,365,758	0	780,474,945	80,783,032	911,625,945
Depreciation	227,653	11,267,154	0	99,536,045	12,642,560	123,673,412
<i>Dec. 31, 2015</i>	1,229,863	60,632,912	0	880,010,990	93,425,592	1,035,299,357
<b>Net Book Value</b>	<b>873,213,490</b>	<b>58,718,980</b>	<b>23,605,048</b>	<b>726,403,882</b>	<b>97,419,376</b>	<b>1,779,360,776</b>
<hr/>						
	Land and Land Improvements	Building & Structure / Leasehold Improvements	Construction in Progress	Furniture & Fixtures Equipment & Books	Motor Vehicle	Total
<b>Cost</b>						
Jan. 01, 2014	460,713,526	96,935,642	23,605,048	1,171,222,954	133,641,829	1,886,118,999
Additions (Deductions)	413,729,827	10,188,412	0	216,814,984	63,550,258	704,283,481
<i>Dec. 31, 2014</i>	874,443,353	107,124,054	23,605,048	1,388,037,938	197,192,087	2,590,402,480
<b>Accu. Dep'n</b>						
Jan. 01, 2014	964,717	41,035,838	0	665,152,651	72,384,534	779,537,740
Depreciation	37,493	8,329,920	0	115,322,294	8,398,498	132,088,205
<i>Dec. 31, 2014</i>	1,002,210	49,365,758	0	780,474,945	80,783,032	911,625,945
<b>Net Book Value</b>	<b>873,441,143</b>	<b>57,758,296</b>	<b>23,605,048</b>	<b>607,562,993</b>	<b>116,409,055</b>	<b>1,678,776,535</b>

Included under Land and Buildings accounts are the following:

- 10.1 A parcel of land situated in Quezon City with a total area of 17,230.50 square meters (sq.m.). This property with a carrying amount of ₱439,377,750 was appraised on December 29, 2014 by an independent appraiser to have a fair market value of ₱947.680 million. The Head Office of PhilHealth shall be constructed in this lot.

Relative to the construction of the proposed PhilHealth Corporate Center, the Corporation acquired an additional 145 sq. m. lot from the National Housing Authority located in Brgy. Pinyahan, East Ave. Quezon City at a cost of ₱2,421,500.

- 10.2 A property acquired from Fort Bonifacio Development Corporation (FBDC), in exchange for the Corporations investments in FBDC. This asset with a carrying amount of ₱413,845,804 have a fair market value of ₱923.260 million as of December 22, 2014.

- 10.3 A parcel of lot and a building purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga at a cost of ₱13,059,200 and ₱25,520,363 respectively. The land and building were appraised to have a fair market value of ₱54.470 million as of December 22, 2014.

- 10.4 A parcel of lot with a total area of 2,897 sq. m. located in Tuguegarao City which will be used as the PRO II's administrative office. This property was received by way of donation, through a Memorandum of Agreement (MOA) executed between the Department of Public Works and Highways (DPWH) Region II and PhilHealth. This property which is carried in the books at ₱4,056,000 was appraised to have a fair market value of ₱18.830 million as of January 8, 2015. In compliance to the said MOA, the Regional Development Council (RDC) II has extended, upon request of PRO II, the construction of its office building for another two years per RDC II Resolution No. 02-037, series of 2005.

## 11. INTANGIBLE ASSETS - NET

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

	2015	2014 As Restated
Cost, January 01	162,074,561	94,942,407
Accumulated Amortization	(14,259,927)	(8,842,425)
<b>Net Book Value, December 31</b>	<b>147,814,634</b>	<b>86,099,982</b>

## 12. OTHER ASSETS – NET

This account consists of the following:

	2015	2014 As Restated
Deferred Charges	1,237,899	208,939,995
Guaranty Deposits	53,513,052	48,792,735
	<b>54,750,951</b>	<b>257,732,730</b>
DBM (transfer of NHIP Program from GSIS to PHIC)	155,235,240	155,235,240
PCSO (Enhanced GMA Program)	115,000,000	115,000,000
PDIC (per MB Resolution 459 dated 4/7/5)	327,103	327,103
COA Disallowances of Former Officers and Employees	1,456,749	1,456,749
PROs (from various Health Providers-DCS)	592,782	400,971
Unserviceable Equipment	20,471,998	16,546,243
Serviceable Equipment	5,954,110	5,644,198
Receivable from DOH	1,083,752	1,083,752
Receivable from NGAs	394,741,430	0
Receivable from PCSO	100,566,336	100,566,336
Receivable from LGUs	905,087,225	1,100,566,841
Gross Long-Term Receivable	<b>1,700,516,725</b>	<b>1,496,827,433</b>
<b>Less: Allowance for Doubtful Accounts</b>	155,572,104	155,350,865
	<b>1,544,944,621</b>	<b>1,341,476,568</b>
<b>Net Amount</b>	<b>1,599,695,572</b>	<b>1,599,209,298</b>

- 12.1 The deferred charges account includes the unused portion of the amount of benefit claims paid to various Health Care Providers (HCPs). This payment was made by PRO VIII in compliance with the PhilHealth Board Resolution No. 1855 series of 2013 which provides a mechanism for extending substantial aid to the affected Health Care Institutions (HCIs) in the aftermath of the 'Super Typhoon Yolanda'. A total of ₱302,472,692 was paid to the HCP's and of this amount, ₱301,945,384 claims have been processed leaving a balance of ₱527,308 as of December 31, 2015.
- 12.2 Guaranty deposits amounting to ₱53,513,052 represents transactions made by the Head Office and PROs in compliance with the requirements provided in the contracts for office rentals.
- 12.3 Long Term Receivable from the DBM amounting to ₱155,235,240 represents surcharges for late remittance of the employer counterpart for premium contribution. However, Allowance for Doubtful Account (ADA) of the same amount was provided for after evaluation of such factor as aging of accounts, collection experience in relation to particular receivable and identified doubtful accounts.
- 12.4 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to ₱115,000,000 represents the balance of the account for the premium counterpart of various LGUs under the Enhanced PCSO – Greater Medicare Access (GMA) Program.
- 12.5 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to ₱327,103 was in pursuant to Monetary Board Resolution No. 459 dated April 7, 2005 placing Hermosa Savings and Loan Bank, Inc. under liquidation.
- 12.6 Disallowances amounting to ₱1,456,749 refer to disbursements from CYs 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by Commission on Audit (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. Subsidiary for these disallowances is being maintained and kept for ready references.
- 12.7 Debit Credit System amounting to ₱592,782 refers to the balance of advance payment to HCPs for the year 1999. Allowance for doubtful account of ₱115,625.80 for PRO VII and ₱9,698.45 for PRO X, a total of ₱125,324.25 was provided for due to closure of the hospital facilities.
- 12.8 Unserviceable Equipment amounting to ₱20,471,998 represents equipments that are already for disposal.
- 12.9 Serviceable Equipment amounting to ₱5,954,110 represents equipment which are still functional but already obsolete and fully depreciated and ready for disposal.

These Serviceable and Unserviceable Equipments shall be further reclassified as Non-Current Asset – Held for Sale once the requirements set upon by the Standard is met.

- 12.10 Receivable from DOH amounting to ₱1,083,752 represents unutilized amount of Global Budget for Out-Patient-Benefit Package for Overseas Workers Program as of December 31, 2014.
- 12.11 Receivable from NGAs amounting to ₱394,741,430 represents deficiency in employer share of the Health Insurance Premium Contributions to PhilHealth by different government agencies nationwide for CYs 2001 to 2008.
- 12.12 Receivable from PCSO includes unpaid billings for the enrollment of 309,049 indigent families in the amount of ₱25,997,256 under the PCSO – Greater Medicare Access Program for CYs 2003 and 2005; Unpaid billings in CY 2005 in the amount of ₱2,772,240; Unpaid billings for the coverage of 200,000 transport workers under the PCSO-PhilHealth Program in the amount of ₱71,796,840.
- 12.13 Receivable from LGUs represents long overdue premium contributions from various cities and municipalities all over the Philippines for the enrollment of their respective constituent under the Sponsored Program of PhilHealth. It was reclassified from Current Receivable to Other Assets in compliance with COA recommendation per Audit Observation Memorandum (AOM) No. 2015-22 (14) dated May 5, 2015, details are as follows:

	<b>2015</b>	<b>2014</b>
NCR	2,691,800	14,936,500
CAR	11,561,113	12,064,815
I	56,979,767	79,457,792
II	21,532,741	51,066,736
III	168,115,919	180,000,754
IV-A	14,124,485	20,132,929
IV-B	938,740	1,226,080
V	350,563,484	381,491,299
VI	0	0
VII	76,826,460	117,904,969
VIII	110,265,182	125,178,104
IX	5,681,335	19,689,245
X	50,329,395	59,273,395
XI	30,530,992	32,803,011
XII	0	0
Caraga	0	0
ARMM	4,945,812	5,341,212
	<b>905,087,225</b>	<b>1,100,566,841</b>

### **13. BENEFIT CLAIMS PAYABLES**

	<b>2015</b>	<b>2014</b> <b>As Restated</b>
Benefit Claims Processed	5,465,566,148	8,490,786,854
Benefit Claims Reported – ICS	12,064,627,443	11,426,420,891
Benefit Claims IBNR	6,658,525,360	0
<b>Total</b>	<b>24,188,718,951</b>	<b>19,917,207,745</b>

- 13.1 Benefit Claims processed amounting to ₱5,465,566,148 represents benefit payment checks still in the possession of the Corporation.
- 13.2 Benefit Claims Reported - ICS amounting to ₱12,064,627,443 are benefit claims in process at the end of the month. It is computed based on the number of claims still in the process multiplied by the average value of benefit payment per claim. Average value per claim is the quotient from dividing the total amount of benefit payment for the month by the total number of claims processed for the same period.
- 13.3 Benefit Claims IBNR amounting to ₱6,658,525,360 are claims which are estimated to be in the possession of the HCIs as of the end of the month and have yet to be submitted to PhilHealth within the allowable 60 day period after the date of discharge per Corporate Order No. 2015-0017 dated December 8, 2015. The amount recorded as of to date is actuarially estimated.

#### 14. OTHER PAYABLES

This account consists of:

	2015	2014 As Restated
<b>Accrued Expenses</b>		
PS	147,598,222	14,499,749
MOOE	330,537,955	286,070,226
CAPEX	94,140,224	45,476,654
<b>Statutory Liabilities</b>		
Due to BIR	123,337,213	125,442,666
Due to GSIS	13,204,819	13,251,533
Due to PAG-IBIG	2,340,406	2,850,788
Due to PHILHEALTH	5,339,633	4,860,123
Due to Other NGAs	16,588,787	15,365,586
Due to Other GOCCs	752,888	752,888
Due to LGUs	106,826	67,145
<b>Trust Liabilities</b>		
UNFPA Project	2,521,477	0
UMID Project	104,666,004	104,401,097
Unclaimed Refund from Health Care Providers	350,460,478	346,406,714
AHP - Protest Bond	5,481,540	5,311,540
Donation	9,676,631	9,117,071
Performance/Bidder Bond Payable	24,798,922	19,728,357
Retention Fee	22,300,332	26,178,416
WHO Project (Center for Global Development)	1,598,284	1,494,559
ICD 10	1,932,216	1,242,345
German Development Corporation	96,401	96,401
Philippine Training Institute	6,040,549	5,410,294
PhilHealth Run 2013	4,805,379	4,724,546
PhilHealth Run 2015	11,499,157	609,620
PhilHealth Calamity 2	935,000	0
PhilHealth Provident Fund	2,985,286	260,722
European Project	2,500,000	2,500,000

	<b>2015</b>	<b>2014 As Restated</b>
Calamity Fund	30,740	1,157,003
Benchbook	2,237	2,237
Others	151,467,318	80,662,331
<b>Total</b>	<b>1,437,744,924</b>	<b>1,117,940,611</b>

- 14.1 Statutory liabilities are inter-agency payables which includes deductions from the salaries of PhilHealth officials and employees which are due for remittance to 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. PhilHealth Provident Fund is also classified under this category.
- 14.2 Trust Liabilities refer to funds from other sources which are held in trust for specific purpose.
- 14.3 Donations include funds received from the following entities, including earned interest thereon:

	<b>2015</b>	<b>2014</b>
Westmont Investment Corp.	2,965,656	2,965,656
Strategies and Alliance Corp.	3,980,402	3,990,402
All Asia Capital and 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 PRO's	2,614,736	2,045,176
<b>Total</b>	<b>9,676,631</b>	<b>9,117,071</b>

These shall finance specific projects like:

- a. Prevention of fraud and such other irregularities against the NHIF and for such other allied undertakings. (Westmont Investment Corporation)
- b. Research and development and other studies including ₱3.5 million ex-gratia fund. (Strategies and Alliance Corporation)
- c. Assistance to the projects of charitable or socio-civic organizations. (All Asia Capital and Trust Corporation)
- d. Ex-gratia Medicare claims reimbursement and other appropriate activities to attain the NHIP objectives. (BF General Insurance Corporation)

## 15. OTHER DEFERRED CREDITS

This account consists of the following:

	2015	2014 As Restated
Advance Premium by Informal Economy	721,539,076	288,983,176
Reclassification of Premium Contribution for NHTS enrollment (CYs 2013 and 2014)	516,844,200	516,844,200
Accreditation Fees - ACA's	513,750	875,555
Accreditation Fees – HCPs	4,946,325	9,871,677
Subsidy from LGUs	7,807,600	6,515,447
Others	687,489	643,403
<b>Total</b>	<b>1,252,338,440</b>	<b>823,733,458</b>

Other Deferred Credits 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.

## 16. MEMBERS' EQUITY

Members' Equity consists of the following:

	2015	2014 As Restated
Reserve Fund	131,923,197,012	128,021,663,287
Surplus	1,456,749	1,456,749
Net Unrealized Loss on AFS Investment	(39,267,480)	0
<b>Total Members' Equity</b>	<b>131,885,386,281</b>	<b>128,023,120,036</b>

### 16.1 Reserve Fund

	2015	2014 (As Restated)
Reserve Fund	131,923,197,012	128,021,663,287

The Reserve Fund is recorded per Office Order No. 0145, series of 2012 which is based on the provisions of Section 27 of RA 7875 as amended by RA 10606, which states that the Corporation shall set aside a portion of its accumulated revenues not needed to meet the cost of the current year's expenditures as reserved funds: Provided, that the total amount of reserves shall not exceed a ceiling of ₱304.067 billion, 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:



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.

## 16.2 Surplus

	<b>2015</b>	<b>2014 As Restated</b>
Surplus at Beginning of Year	1,456,749	1,977,933,839
Net Income	3,901,533,725	10,796,936,435
Total Surplus	3,902,990,474	12,774,870,274
Surplus Transfer to Reserve Fund	(3,901,533,725)	(12,773,413,525)
<b>Surplus at Year End</b>	<b>1,456,749</b>	<b>1,456,749</b>

## 16.3 Net Unrealized Loss on Available for Sale Investment

This account pertains to the difference between the cost of the original investment in Externally Managed Fund (EMF) and its fair value as of the reporting date. Details of this account are as follows:

Net Realized Profit in value of EMF	8,675,927
Accumulated Gain/Loss in value of EMF	(47,943,407)
<b>Net Unrealized Loss on Available for Sale Investment</b>	<b>(39,267,480)</b>

## 17. PREMIUM CONTRIBUTIONS

	<b>2015</b>	<b>2014 As Restated</b>
<b>Formal Economy</b>	<u>40,544,282,544</u>	<u>38,992,671,506</u>
Private	29,983,960,599	28,562,983,085
Government	10,548,071,714	10,429,688,421
Kasambahay	12,250,231	0
<b>Informal Economy</b>	<u>6,802,834,514</u>	<u>7,575,049,933</u>
Migrant Worker	1,640,359,553	2,526,393,443
Informal Sector/Self Earning Individual including Organized Group	5,077,221,311	5,048,656,490
Women about to give birth	85,253,650	0
<b>Indigent – NHTS</b>	<u>36,257,956,800</u>	<u>34,952,184,000</u>
<b>Senior Citizens</b>	<u>13,045,051,200</u>	<u>2,117,289,600</u>
<b>Special Government Programs</b>	<u>81,876,000</u>	<u>179,755,200</u>
Bangsamoro	54,504,000	26,971,200
PAMANA	27,372,000	7,934,400
Fortuitous Events	0	144,849,600
<b>Sponsored</b>	<u>2,892,821,279</u>	<u>2,749,865,015</u>
LGUs	2,432,749,109	2,678,636,601
Others	460,072,170	71,228,414
<b>TOTAL PREMIUM CONTRIBUTIONS</b>	<b>99,624,822,337</b>	<b>86,566,815,254</b>

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

- a. Income from the Formal Economy comes from the premium contributions of the following:
  1. Government employees
  2. Private employees
  3. All other workers rendering services, whether in government or private offices, such as job order contractors, project-based contractors and the likes
  4. Owners of micro enterprises
  5. Owners of small, medium and large enterprises
  6. Household Help – as defined in RA 10361 on “Kasambahay Law”
  7. Family Drivers
  
- b. Income from the Informal Economy comes from the premium contributions of the following:
  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
  7. Women about to give birth
  
- c. Premium contributions recorded as income for Indigent – NHTS comes from the National Government (NG) as appropriated in the General Appropriations Act (GAA).
  
- d. Premium contributions from the sponsored members is being paid by another individual, government agency, or private entity according to the rules as may be prescribed by the Corporation.
  
- e. Premium contributions for special government programs comes from the NG as appropriated in the GAA.
  
- f. Premium contributions for Senior Citizen or Elderly comes from the NG.

## 18. INTEREST AND OTHER INCOME

Interest and Other Income account is detailed as follows:

	2015	2014 As Restated
<b>Interest Income</b>		
Held to Maturity Investments	6,190,452,292	6,007,424,377
Special Savings Deposits	776,164,108	455,073,072
Savings and Current Deposits	5,772,995	3,099,327
<b>Total Interest Income</b>	<b>6,972,389,395</b>	<b>6,465,596,776</b>

	2015	2014 As Restated
<b>Other Income</b>		
Accreditation Fees – HCPs	21,406,308	24,444,772
Fines and Penalties	74,410,462	73,351,777
Rent Income	561,995	1,128,356
Gain on Foreign Exchange	28,400	15,569
Gain on Sale of Assets	250,712	505,953
Gain from Exchange of Assets	2,499	0
Income from Grants and Donations	552,650	546,480
Miscellaneous Income	6,195,418	7,189,792
Total Other Income	103,408,444	107,182,699
<b>Total Interest and Other Income</b>	<b>7,075,797,839</b>	<b>6,572,779,475</b>

18.1 Miscellaneous Income consists of income 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 Local Health Insurance Office (LHIO) – National Capital Region (NCR) office space for advertisement and cash received for GSIS insurance claims for LHIO Aklan due to typhoon Yolanda.

18.2 Rent Income – this is an income from the rented portion of PRO III office building.

## 19. BENEFIT CLAIMS EXPENSE

Details of this account are as follows:

	2015	2014 As Restated
<b>Formal Economy</b>	<u>24,949,591,748</u>	<u>26,642,444,938</u>
Private	17,114,345,759	18,014,333,298
Government including PCB	7,835,245,989	8,628,111,640
<b>Informal Economy</b>	<u>20,173,049,756</u>	<u>20,547,666,412</u>
Migrant Worker	1,669,062,897	1,272,970,063
Informal Sector / Self Earning Individual	18,503,986,859	19,274,696,349
<b>Indigent - NHTS including PCB</b>	<u>25,055,689,441</u>	<u>16,593,706,804</u>
<b>Sponsored</b>	<u>7,528,441,134</u>	<u>7,910,959,862</u>
LGUs including PCB / PREVENTS	7,498,941,380	7,909,872,362
NGAs (PRO VII only)	23,875,185	0
Others	5,624,569	1,087,500
<b>Lifetime Member Program and Senior Citizens</b>	<u>19,327,760,221</u>	<u>5,611,943,141</u>
<b>Total Benefit Claims Expense</b>	<b>97,034,532,300</b>	<b>77,306,721,157</b>

## 20. PERSONAL SERVICES

Personal Services account includes:

	2015	2014 As Restated
Salaries and Allowances	2,059,286,126	1,647,440,320
Other Compensation	1,267,085,183	1,106,168,558
Statutory Contributions	343,597,373	120,376,295
Other Personal Services	13,494,086	4,828,485
<b>Total Personal Services</b>	<b>3,683,462,768</b>	<b>2,878,813,658</b>

## 21. OTHER OPERATING EXPENSES

	2015	2014 As Restated
MOOE	1,788,438,494	1,972,296,978
Other Expenses	106,668,506	64,786,993
Non-Cash Expenses	185,984,383	120,039,508
<b>Total Other Operating Expenses</b>	<b>2,081,091,383</b>	<b>2,157,123,479</b>

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

## 22. OTHER SIGNIFICANT AND RELEVANT INFORMATION

### 22.1 Arrears of the NG as an employer

PhilHealth had adjusted premium contribution of the Employed Sector in CY 2013 through PhilHealth Circular No. 057 series of 2012 which prescribes Php 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 Php 312.50 or a 28.57 per cent discrepancy. The Corporation had formally billed the DBM the estimated NG Employer Premium Differential request allocation of the inappropriate balances for the following periods:

A. Arrears	
CYs 2001-2012	9,664,042,011
B. Preceding Year	
CY 2013	330,691,801
CY 2014	330,691,801
<b>Total</b>	<b>10,325,425,613</b>

### **16.3 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.

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

The CYs 2013 and 2014 Financial Statements and the related Sources and Uses of Funds had been audited by the COA. The Auditor had rendered an unqualified opinion on the fairness of the presentation of the financial statements of the PhilHealth Project for years.

As of December 31, 2015, World Bank has a fund release of US\$ 177,312 and the Corporation has fully utilized the said fund.