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, 2016

PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Financial Position
As of December 31, 2016
(With Corresponding Figures for 2015)
(In Philippine Peso)

	Notes	2016	2015 (As Restated)
ASSETS			
Current Assets			
Cash	5	29,935,544,923	25,528,175,395
Premium Receivables	6	25,921,911,355	20,405,504,236
Other Current Assets	7	1,350,597,734	1,704,778,167
Total Current Assets		**57,208,054,012**	**47,638,457,798**
Non-Current Assets			
Available for Sale Investments	8	942,905,804	960,732,520
Held to Maturity Investments	9	100,563,891,099	106,716,873,092
Property & Equipment - Net	10	2,087,210,720	1,774,633,383
Intangible Assets - Net	11	329,299,007	147,210,485
Other Assets - Net	12	1,451,304,316	1,589,754,207
Total Non-Current Assets		**105,374,610,946**	**111,189,203,687**
TOTAL ASSETS		**162,582,664,958**	**158,827,661,485**
LIABILITIES AND EQUITY			
Liabilities			
Current Liabilities			
Benefit Claims Payables	13	29,281,288,529	26,052,534,782
Other Payables	14	2,328,602,016	2,272,977,733
Total Current Liabilities		**31,609,890,545**	**28,325,512,515**
Non-Current Liability			
Other Deferred Credits	15	1,678,100,730	1,252,338,440
Insurance Liability for Lifetime Members	16	22,123,933,673	0
Total Non-Current Liabilities		**23,802,034,403**	**1,252,338,440**
Total Liabilities		**55,411,924,948**	**29,577,850,955**
Equity			
Members' Equity	17	107,170,740,010	129,249,810,530
Total Equity		**107,170,740,010**	**129,249,810,530**
TOTAL LIABILITIES AND EQUITY		**162,582,664,958**	**158,827,661,485**

The Notes on pages 9 to 43 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATI
Statement of Profit or Loss
As of December 31, 2016
(With Corresponding Figures for 2015)
(In Philippine Pesc

	Notes	2016	2015 (As Restated)
TOTAL PREMIUM CONTRIBUTION	18	**103,790,602,051**	**99,760,954,799**
Less: Benefit Claims Expenses	20	101,752,503,729	99,225,425,223
GROSS MARGIN FROM OPERATION		**2,038,098,322**	**535,529,576**
Less: Operating Expenses			
Personal Services	21	5,583,884,644	4,104,760,737
Other Operating Expenses	22	2,204,575,527	2,092,276,888
Total Operating Expenses		7,788,460,171	6,197,037,625
NET OPERATING INCOME (LOSS		**(5,750,361,849)**	**(5,661,508,049)**
Add: Interest and Other Income	19	5,813,051,718	7,093,891,589
NET INCOME (LOSS		**62,689,869**	**1,432,383,540**

The Notes on pages 9 to 43 form part of these financial statements

PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Changes in Equity
As of December 31, 2016
(With Corresponding Figures for 2015)
(In Philippine Peso)

	Notes	2016	2015 (As Restated)
RESERVE FUND	17		
Reserve at beginning of year		129,287,621,261	128,021,663,287
Surplus transfer to Reserve Fund		62,689,869	1,265,957,974
Reserve transfer to Insurance Liability for Lifetime Members		(22,123,933,673)	0
Reserve Fund at end of year		**107,226,377,457**	**129,287,621,261**
SURPLUS	17		
Surplus at beginning of year		1,456,749	(164,968,817)
Net Income		62,689,869	1,432,383,540
Total Surplus		64,146,618	1,267,414,723
Surplus transfer to Reserve Fund		(62,689,869)	(1,265,957,974)
Surplus at year end		**1,456,749**	**1,456,749**
NET UNREALIZED LOSS ON AVAILABLE FOR SALE INVESTMENTS	17	**(57,094,196)**	**(39,267,480)**
TOTAL MEMBERS' EQUITY		**107,170,740,010**	**129,249,810,530**

The Notes on pages 9 to 43 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
Statement of Cash Flows
As of December 31, 2016
(With Corresponding Figures for 2015)
(In Philippine Peso)

	2016	2015 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Premium Contributions	98,349,862,490	84,731,842,449
Other income	580,424,459	698,367,660
Interest received from Investments	6,491,352,377	7,062,890,362
Rent	332,698	481,443
Benefit Claims	(98,457,789,032)	(92,402,036,155)
Operating Expenses	(7,860,813,802)	(5,561,628,648)
Net Cash Provided by (Used in) Operating Activites	**(896,630,810)**	**(5,470,082,889)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement on Bonds	5,752,176,408	(6,795,000,000)
Placement on Externally Managed Fund	0	(1,000,000,000)
Proceeds from disposal of assets	287,200	4,216
Equipment purchased	(502,492,525)	(223,617,474)
Net Cash Provided by (Used in) Investing Activities	**5,249,971,083**	**(8,018,613,258)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Trust Receipts	53,969,424	32,366,675
Net Cash Provided by (Used in) Financing Activities	**53,969,424**	**32,366,675**
Net Increase (Decrease) in CASH	**4,407,309,697**	**(13,456,329,472)**
CASH at January 01, 2016	25,528,175,395	38,984,478,766
Loss on Foreign Exchange Total	59,831	26,101
CASH at December 31, 2016	**29,935,544,923**	**25,528,175,395**

The Notes on pages 9 to 43 form part of these financial statements.

PHILIPPINE HEALTH INSURANCE CORPORATION
Notes to Financial Statements
December 31, 2016
(All amounts in Philippine pesos unless otherwise stated)

1. GENERAL INFORMATION

The National Health Insurance Act of 1995 (Republic Act (R.A.) No. 7875), as amended by R.A. No. 9241, has been amended by R.A. 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 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 Centre Building, Barangay Oranbo, Shaw Boulevard, Pasig City.

The Corporation is governed by a Board of Directors composed of 17 members and has the powers and functions provided for in Article IV Section 16 of R.A. 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 R.A. 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 R.A. No. 7875, as amended; donations and grants-in-aid; and all accruals thereof. Under Section 26, Article VI of R.A. 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, 2016 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 Calendar Year (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 Philippine Financial Reporting Standards (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 Entity (GBE) to GBE, PhilHealth shall continue to apply PFRS in the preparation of its Financial Statements. Reiterations for such classification were made on February 15, 2016 and November 25, 2016.

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 is 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.

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.

<u>New and Revised PFRS Not Yet Adopted</u>

Relevant new and revised PFRS which are not yet effective for the year ending December 31, 2016 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 1, *Presentation of Financial Statements* - The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants* – The amendments define bearer plants - that is, living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives (such as, grape vines, rubber trees, oil palms) - and include them within PAS 16's scope while the produce growing on bearer plants remains within the scope of PAS 41.

- Amendment to PAS 19, *Employee Benefit* - The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* - The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* - The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28*, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that the gain or loss from sale or contribution of assets between an investor and its associate or joint venture should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

- Amendments to PFRS 10, International Financial Reporting Standards (IFRS) 12, *Disclosure of Interests in Other Entities*, and PAS 28 - *Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* – The amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in PFRS 3) to apply all of the business combinations accounting principles and disclosure in PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the financial statements of the Corporation. Additional disclosures will be included in the 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 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 to be designated as at fair value through profit or loss.

Financial assets 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 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.

<u>HTM Investments</u>

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

<u>AFS Financial Assets</u>

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 the 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.

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 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 contigent 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 (PPE) 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:

Asset Class	Useful Life year/period
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 in 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 personal services and maintenance and other operating expenses (MOOE) 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. Rentals payments under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

<u>Corporation as a Lessee</u>

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.

<u>Corporation as a Lessor</u>

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 as 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

<u>Short-term Benefits</u>

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 is 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 is the setting up of accrued benefit expense for Incurred But Not Yet Paid (IBNP) claims which consist of the following:

a. In-Course of Settlement (ICS) - These are claims 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:

	2016	2015 (As Restated)
Collecting Officers	74,073,037	56,734,863
Disbursing Officers	262,015	958,660
Petty Cash Fund	2,571,244	1,861,336
Cash in Bank	2,789,867,652	1,968,483,519
Special Savings Deposit (net)	27,068,770,975	23,500,137,017
Total	**29,935,544,923**	**25,528,175,395**

5.1 The amount of P74,073,037 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 P262,015 represents available funds of the said officers as of to date.

5.3 The Petty Cash Fund is for the use of miscellaneous expenditures which cannot be conveniently paid by check. An officer holding the Petty Cash Fund is also properly bonded in accordance with law. The amount of P2,571,244 represents available petty cash fund as of to date.

5.4 Cash in Bank amounting to P2,789,867,652 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 amount is net of P1,526,470,320 book balance of One Fund Disbursement Account (OFDA). Interest earned from SSD amounted to P827,789,583.

6. PREMIUM RECEIVABLES

This account consists of:

	2016	**2015 (As Restated)**
Due from ACAs	4,032,858,578	2,696,235,212
Formal Economy	611,157,537	305,225,000
Due from NGAs	20,766,627,600	16,779,597,600
Due from LGUs	511,267,640	624,446,424
Total	**25,921,911,355**	**20,405,504,236**

6.1 Due from Accredited Collecting Agents (ACAs) amounting to P4,032,858,578 are premium contributions collected by the Accredited Collecting Agents 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 collections.

6.2 Premium Receivable of the Formal Economy amounting to P611,157,537 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:

Enrollment of 5,435,438 Senior Citizen which were automatically renewed for the period January to December 2016, per billing/letter to Department of Budget and Management (DBM) through DOH. (P13,045,051,200/12 mos. = P1,087,087,600/mo.)	5,467,242,000
Additional enrollment of 967 families identified in conflict affected areas by the Office of the Presidential Adviser on Peace Process (OPAPP) through the Payapa at Masaganang Pamayanan Program (PAMANA) for the billing period January to December 2016	2,320,800
Total 2016	5,469,562,800
Enrollment of 5,435,438 Senior Citizens under the Sponsored Program for the billing period January to December 2015	13,045,051,200
Total 2015	13,045,051,200
Enrollment of 3,528,816 Senior Citizen as principal members who have no current coverage (R.A. No. 10645) for the billing period October to December 2014	2,117,289,600
Enrollment of 56,135 families of which 55,474 families came from Region VIII who were causalities of Typhoon Yolanda and for the extended insurance coverage under the Fortuitous Event Program implemented as a component of the NHIP for the billing period January to December 2014	134,724,000
Total 2014	2,252,013,600
Grand Total	**20,766,627,600**

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:

	2016	**2015 (As Restated)**
NCR	32,089,600	122,373,075
CAR	11,533,856	8,871,326
I	3,290,855	678,312
II	84,687,105	34,110,212
III	9,444,000	6,445,700

	2016	2015 (As Restated)
IV-A	3,989,200	0
IV-B	5,986,500	3,323,100
V	7,027,800	9,358,950
VI	218,362,690	241,005,093
VII	11,892,594	63,961,250
VIII	0	6,152,960
IX	0	0
X	6,120,000	12,414,140
XI	9,074,180	8,680,102
XII	800	8,266,400
Caraga	107,768,460	97,451,104
ARMM	0	1,354,700
	511,267,640	**624,446,424**

7. OTHER CURRENT ASSETS

This account consists of the following:

	2016	2015 (As Restated)
Supplies and Materials	64,989,644	64,106,922
Prepayments	36,891,571	16,391,613
Advances to Officers and Employees	157,900	2,304,577
Accrued Interest Receivable - Investment	1,216,050,699	1,568,306,481
Other Receivables	32,507,920	53,668,574
Total	**1,350,597,734**	**1,704,778,167**

7.1 Supplies & Materials amounting to P64,989,644 represents small tangible items that are expected to be used within one year from the reporting date.

7.2 Prepayments amounting to P36,891,571 represents authorized payments made for the purchase of goods from the Procurement Service of DBM as well as insurance of motor vehicles of the Corporation from the Government Service Insurance System (GSIS).

7.3 Advances to Officers & Employees amounting to P157,900 represents 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 P1,216,050,699 represents interest earned from HTM Investments.

7.5 Other Receivables amounting to P32,507,920 includes withholding tax and compromise penalty of hospitals for the taxable year 2003-2004 per Bureau of Internal Revenue (BIR) decision with Reference No. P06-15 dated April 14, 2015.

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 R.A. No. 10606, amending Section 27 of R.A. No. 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 Investment Management Agreement (IMA) with Banco de Oro (BDO) Unibank, Inc. as fund manager, and released P1 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, 2016 the Net Asset Value is P942,905,804 as reported by the external manager of the funds. Details as follows:

Initial Investment	1,000,000,000
Net Realized Profit	9,954,495
Accumulated Gain/Loss	1,009,954,495
Net Unrealized Loss on AFS Investment	(67,048,691)
Net Asset Value	**942,905,804**

The Philippine Stock Exchange Index (PSEi) was not able to sustain its uptrend from the previous year and ended the year lower by 1.6 per cent at 6,840.64 from end CY 2015 level of 6,952.28. The market took the lead of global markets with unprecedented weakness due to several Black Swan incidents such as the Brexit, Italexit, the tribunal rulings on the South China Sea dispute, crisis in the Chinese Banking Sector, the increase in oil prices following the reduction in the oil production of Organization of the Petroleum Exporting Countries (OPEC) member countries and very recently, the economic recession in the United States (US) which led to the Fed's decision to raise key interest rates as slow productivity growth is weighing on global economic growth. Although the PSEi managed to breach the 7,000 level and reached a high of 7,963.11 in July, the benchmark index pulled back below 7,000 in November.

In the wake of these developments, the market continued to correct as foreign investors cashed in $49.3 billion in net outflows since July 2016. Also, concerns over local insurgencies, extrajudicial killings, changes that might affect the local economy as soon as the Trump administration takes over in January is also sending a negative signal in the local trade and exports industry, the impact of higher excise and value added taxes, and a weaker peso also fueled the consistent selling from foreign fund managers from mid-August to December.

Given the weak performance of the equities markets, the externally managed funds registered a net loss of P19.105 million (net of the previous year's accumulated loss of P47.943 million) as of December 31, 2016 after registering a total realized trading income of P48.486 million year to date and a net asset value of P942.905 million. The Fund, however, underperformed from the PSEI by -0.38 per cent at -1.99 per cent year to date return versus PSEI's -1.61 per cent and it also underperformed by -1.46 per cent from the Customized

Benchmark Index return of -0.53 per cent. The Fund registered the highest Return of Investment (ROI) in July 2016 at 24.11 per cent beating the PSEI's 14.54 per cent and the Customized Benchmark's 17.05 per cent during the same period last year. Also, total realized and unrealized income in July reached P87.02 million with the fund staying afloat and registering the highest Net Asset Value of P1.10 billion. For the six-month period from May 2016 to October 2016, the Fund was able generate a net asset value higher than the principal investment of P1 billion.

As the market corrected following the continued foreign selling post Brexit in August, the Fund continued also to register narrow margins from its previous highs and ended the year with a Net Asset Value of P942.905 million. Despite the Fund's relative underperformance to benchmark indices, its investments in the energy, power and water sector yielded a 5.88 per cent return for the 4th quarter alone. Other outperformers are the property sector at 2.71 per cent financials and holding firms at 1.99 per cent and 1.97 per cent, respectively, and industrial sector at 1.23 per cent. The lone underperformer was the services sector which ended the quarter at -8.39 per cent.

For 2017, the PSEI is expected to go back to the 7,500 level on the back of a sustained 8 per cent earnings growth rate and a relatively cheaper price to earnings ratio of 17 times versus the regional counterparts and with a stable Gross Domestic Product (GDP) forecast of 7 per cent similar to the year 2016. The Fund will continue its strategy to ride the market momentum and take advantage of market volatilities to maximize trading gains. Any market correction will be viewed as an opportunity to buy particularly on stocks with good dividend yields, strong balance sheet and low valuation. The external fund manager will accumulate on preferred sectors like consumer stocks, power, banking and property sectors which would be beneficiaries of an economic upturn.

However, the downside risks may continue to weigh on the PSEI, such as the sharp peso depreciation, higher interest rates, political uncertainties, China risk on debt and capital flight and geopolitical tensions in South China Sea and North Korea nuclear threats.

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 6.3249 per cent.

	Interest Rate	2016	2015 (As Restated)
Retail T-bonds	5.6750%	42,399,080,000	42,399,080,000
RTB Non-restricted Environment	6.5214%	18,803,807,441	0
7-year T-bonds	6.9048%	6,138,254,621	32,135,510,251
10-year T-bonds	6.1985%	18,877,749,037	18,937,282,841
Total		**86,218,891,099**	**93,471,873,092**

9.2 Investment in Corporate Bonds with a maturity period of more than 1 year and with an average interest rate of 4.9600 per cent.

	Interest Rate	2016	2015 (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	1,650,000,000
5.5-year JG Summit Fixed Rate Bonds	5.2317%	1,000,000,000	0
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	3,000,000,000
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	1,780,000,000
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	1,500,000,000
7-year Ayala Land Inc. Fixed Rate Bonds	4.1958%	2,050,000,000	950,000,000
5.25-year South Luzon Tollway Corp. Fixed Rate Bonds	4.9925%	182,500,000	182,500,000
7-year South Luzon Tollway Corp. Fixed Rate Bonds	5.5796%	182,500,000	182,500,000
5.25-year SM Prime Holdings	4.5095%	1,200,000,000	1,200,000,000
Total		**14,345,000,000**	**13,245,000,000**

9.3 Interest earned on HTM Investments amounted to P4,910,577,539 and P6,186,694,375 in 2016 and 2015, 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
Cost						
Jan. 01, 2016	874,443,353	118,710,282	23,605,048	1,603,533,585	190,844,967	2,811,137,235
Additions (Deductions)	0	12,387,844	3,964,193	461,879,305	20,239,394	498,470,736
Dec. 31, 2016	874,443,353	131,098,126	27,569,241	2,065,412,890	211,084,361	3,309,607,971
Accu. Dep'n						
Jan. 01, 2016	1,229,863	61,521,240	0	879,790,935	93,961,815	1,036,503,853
Depreciation	114,498	8,306,504	0	164,002,618	13,469,778	185,893,398
Dec. 31, 2016	1,344,361	69,827,744	0	1,043,793,553	107,431,593	1,222,397,251
Net Book Value	**873,098,992**	**61,270,382**	**27,569,241**	**1,021,619,337**	**103,652,768**	**2,087,210,720**

	Land and Land Improvements	Building & Structure / Leasehold Improvements	Construction in Progress	Furniture & Fixtures Equipment & Books	Motor Vehicle	Total
Cost						
Jan. 01, 2015	874,443,353	106,482,444	23,605,048	1,388,037,938	197,192,086	2,589,760,869
Additions (Deductions)	0	12,227,838	0	215,495,647	(6,347,118)	221,376,367
Dec. 31, 2015	874,443,353	118,710,282	23,605,048	1,603,533,585	190,844,968	2,811,137,236
Accu. Dep'n						
Jan. 01, 2015	1,002,210	49,395,894	0	781,156,988	80,748,562	912,303,654
Depreciation	227,653	12,125,346	0	98,633,946	13,213,254	124,200,199
Dec. 31, 2015	1,229,863	61,521,240	0	879,790,934	93,961,816	1,036,503,853
Net Book Value	**873,213,490**	**57,189,042**	**23,605,048**	**723,742,651**	**96,883,152**	**1,774,633,383**

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. This property with a carrying amount of P439,377,750 was appraised on December 29, 2014 by an independent appraiser to have a fair market value of P947.680 million. The Head Office of PhilHealth shall be constructed in this lot.

10.2 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 Barangay Pinyahan, East Avenue Quezon City at a cost of P2,421,500.

10.3 A property acquired from Fort Bonifacio Development Corporation (FBDC), in exchange for the Corporations investments in FBDC. This asset with a carrying amount of P413,845,805 to have a fair market value of P923.260 million as of December 22, 2014.

10.4 A parcel of lot and a building purchased by PRO III for its permanent Regional Office in San Fernando, Pampanga at a cost of P13,059,200 and P25,520,363 respectively. The land and building were appraised to have a fair market value of P54.470 million as of December 22, 2014.

10.5 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 P4,056,000 was appraised to have a fair market value of P18.830 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.

	2016	2015 (As Restated)
Cost, January 01	147,210,485	29,357,978
Additions/Deductions	209,254,419	128,638,663
Cost, December 31	356,464,904	157,996,641
Additions/Deductions	(27,165,897)	(10,786,156)
Net Book Value, December 31	**329,299,007**	**147,210,485**

12. OTHER ASSETS– NET

This account consists of the following:

	2016	2015 (As Restated)
Deferred Charges	1,343,481	1,237,899
Guaranty Deposits	58,189,470	53,513,053
	59,532,951	**54,750,952**
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)	596,606	592,782
Unserviceable Equipment	29,059,638	20,471,998
Serviceable Equipment	5,375,516	5,954,110
Receivable from DOH	1,083,752	1,083,752
Receivable from NGAs	394,741,430	394,741,430
Receivable from PCSO	100,566,336	100,566,336
Receivable from LGUs	743,901,099	895,145,859
Gross Long-Term Receivable	**1,547,343,469**	**1,690,575,359**
Less: Allowance for Doubtful Accounts	155,572,104	155,572,104
	1,391,771,365	**1,535,003,255**
Net Amount	**1,451,304,316**	**1,589,754,207**

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 P302,472,692 was paid to the HCP’s and of this amount, P301,734,929 claims have been processed leaving a balance of P737,763 as of December 31, 2016.

12.2 Guaranty deposits amounting to P58,189,470 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 P155,235,240 represents surcharges for late remittance of the employer counterpart for premium contribution. However, allowance for doubtful account of the same amount was provided for after evaluation of such factor as aging of accounts, collection experience in relation to particular receivable and identified doubtful accounts.

12.4 Long Term Receivable from Philippine Charity Sweepstakes Office (PCSO) amounting to P115,000,000 represents the balance of the account for the premium counterpart of various LGUs under the Enhanced PCSO – Greater Medicare Access (PCSO-GMA) Program.

12.5 Long Term Receivable from Philippine Deposit Insurance Corporation (PDIC) amounting to P327,103 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 P1,456,749 refer to disbursements from 1995 to 1999 for travel expenses, employees' benefits, and purchases of goods and services that were subsequently disallowed by 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 P596,606 refers to the balance of advance payment to HCPs for the year 1999. Allowance for doubtful account of P115,626 for PRO VII, P9,698 for PRO X and P211,540 for PRO IVB, a total of P336,864, was provided for due to closure of the hospital facilities.

12.8 Unserviceable Equipment amounting to P29,059,638 represents equipment that are already for disposal.

12.9 Serviceable Equipment amounting to P5,375,516 represents equipment which are still functional but already obsolete and fully depreciated and ready for disposal.

These Serviceable and Unserviceable Equipment 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 P1,083,752 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 P394,741,430 represents deficiency in employer share of the Health Insurance Premium Contributions to PhilHealth by different government agencies nationwide for CY 2001 to 2008.

12.12 Receivable from PCSO includes unpaid billings for the enrollment of 309,049 indigent families in the amount of P25,997,256 under the PCSO – GMA Program for 2003 and 2005; Unpaid billings in 2005 in the amount of P2,772,240; Unpaid billings for the coverage of 200,000 transport workers under the PCSO-PhilHealth Program in the amount of P71,796,840.

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 as follows:

	2016	2015 (As Restated)
NCR	1,490,300	1,490,300
CAR	11,450,713	11,561,113
I	53,589,267	56,686,867
II	21,532,741	21,532,741
III	140,522,179	168,225,519
IV-A	14,124,485	14,124,485
IV-B	938,740	271,540
V	308,615,512	348,774,691
VI	0	1,020,000
VII	26,825,220	76,814,460
VIII	87,153,712	102,254,461
IX	1,770,885	7,803,335
X	41,331,393	50,329,395
XI	29,758,440	29,599,440
ARMM	4,797,512	4,657,512
	743,901,099	**895,145,859**

13. BENEFIT CLAIMS PAYABLES

	2016	2015 (As Restated)
Benefit Claims Processed	4,016,072,334	7,329,381,980
Benefit Claims Reported – ICS	17,057,722,275	12,064,627,442
Benefit Claims IBNR	8,207,493,920	6,658,525,360
Total	**29,281,288,529**	**26,052,534,782**

13.1 Benefit claims processed amounting to P4,016,072,334 represents benefit payment checks still in the possession of the Corporation.

13.2 Benefit Claims Reported - ICS amounting to P17,057,722,275 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 P8,207,493,920 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.

The method applied in estimating IBNR claims is called claims development (or lag) method. It is an estimation technique under which historical claim data, such as the number and amount of claims are grouped into the time periods in which claims were incurred and the time periods in which they were processed. The processing date is typically the date the claim is received, adjudicated, or paid by the claim payer. The development method uses these groupings to create a claims processing or development pattern, which is used to determine completion factors to help estimate the unprocessed portion of incurred claims.

14. OTHER PAYABLES

This account consists of:

	2016	2015 (As Restated)
Accrued Expenses		
PS	250,403,506	1,004,640,248
MOOE	770,108,645	310,302,662
CAPEX	206,142,564	93,782,231
Statutory Liabilities		
Due to BIR	237,167,492	123,339,960
Due to GSIS	93,820,590	13,204,819
Due to PAG-IBIG	3,185,515	2,340,405
Due to PHILHEALTH	12,445,693	5,339,633
Due to Other NGAs	12,991,190	16,588,787
Due to Other GOCCs	752,888	752,888
Due to LGUs	186,560	106,826
PhilHealth Provident Fund	8,199,749	2,985,286
Trust Liabilities		
UNFPA Project	34,633	2,479,645
UMID Project	104,932,284	104,666,004
Unclaimed Refund from Health Care Providers	357,462,355	350,460,478
AHP - Protest Bond	4,391,540	5,284,226
Donations	9,365,298	9,676,631
Performance/Bidder Bond Payable	32,288,355	24,798,922
Retention Fee	43,494,586	22,300,332
WHO Project (Center for Global Development)	1,711,827	1,598,284
ICD 10	0	1,875,636
German Development Corporation	0	96,401
Philippine Training Institute	5,798,658	6,040,549
PhilHealth Run 2013	44,684	4,805,380
PhilHealth Run 2015	2,501,185	11,499,157

	2016	2015 (As Restated)
European Project	0	2,500,000
Calamity Fund	736,421	965,740
Others	170,435,798	150,546,603
Total	**2,328,602,016**	**2,272,977,733**

14.1 Statutory liabilities are inter-agency payables which include 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), 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:

	2016	2015
Westmont Investment Corp.	2,965,656	2,965,656
Strategies and Alliance Corp.	3,960,402	3,980,402
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	2,323,403	2,614,736
Total	**9,365,298**	**9,676,631**

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 P3.50 million ex-gratia fund. (Strategies & Alliance Corporation)

c. Assistance to the projects of charitable or socio-civic organizations. (All Asia Capital & 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:

	2016	2015
Advance Premium by Informal Economy	1,150,805,440	721,539,076
Reclassification of Premium Contribution for NHTS enrollment (CYs 2013 and 2014)	516,844,200	516,844,200
Accreditation Fees - ACA's	631,239	513,750
Accreditation Fees – HCPs	4,990,008	4,946,325
Subsidy from LGUs	3,994,045	7,807,600
Others	835,798	687,489
Total	**1,678,100,730**	**1,252,338,440**

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. INSURANCE LIABILITY FOR LIFETIME MEMBERS

As stipulated in the Section 17 of R.A. No. 10606 (or Section 27 of R.A. No. 7875), a separate fund for the benefit claims reserve of the existing Lifetime members must be set up as a liability of the Corporation. The claims liability reserves requirement for the number of covered Lifetime members as of year-end 2016 was estimated at P22,123,933,673 by the Corporate Actuary.

17. MEMBERS' EQUITY

Members' Equity consists of the following:

	2016	2015 (As Restated)
Reserve Fund	107,226,377,457	129,287,621,261
Surplus	1,456,749	1,456,749
Net Unrealized Loss on AFS Investment	(57,094,196)	(39,267,480)
Total Members' Equity	**107,170,740,010**	**129,249,810,530**

17.1 Reserve Fund

	2016	2015 (As Restated)
Reserve Fund	**107,226,377,457**	**129,287,621,261**

The Reserve Fund is recorded per Office Order No. 0145, series of 2012 which is based on the provisions of Section 27 of R.A. No. 7875 as amended by R.A. No. 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 P306.60 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:

17.2 Surplus

	2016	2015 (As Restated)
Surplus at Beginning of Year	1,456,749	(164,968,817)
Net Income	62,689,869	1,432,383,540
Prior Year Adjustment	0	0
Total Surplus	64,146,618	1,267,414,723
Surplus Transfer to Reserve Fund	(62,689,869)	(1,265,957,974)
Surplus at Year End	**1,456,749**	**1,456,749**

17.3 Net Unrealized Loss on AFS 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	9,954,495
Accumulated Gain/Loss in value of EMF	(67,048,691)
Net Unrealized Loss on Available for Sale Investment	**(57,094,196)**

18. PREMIUM CONTRIBUTIONS

Details of Premium Contributions are as follows:

	2016	2015 (As Restated)
Formal Economy	47,940,636,728	40,558,515,410
Private	38,615,367,988	30,092,811,582
Government	9,284,183,419	10,450,165,329
Kasambahay	41,085,321	15,538,499
Informal Economy	4,927,645,301	6,815,711,849
Migrant Worker	1,075,704,842	1,639,493,828
Informal Sector/Self Earning Individual including Organized Group	3,665,856,559	5,090,952,371
Women about to give birth	186,083,900	85,265,650

	2016	2015 (As Restated)
Indigent – NHTS	34,682,688,000	36,257,956,800
Senior Citizens	13,045,051,200	13,045,051,200
Special Government Programs	35,500,800	81,856,800
Bangsamoro	667,200	54,484,800
PAMANA	34,833,600	27,372,000
Sponsored	3,159,080,022	3,001,862,740
LGUs	2,412,708,897	2,547,289,234
Others	746,371,125	454,573,506
TOTAL PREMIUM CONTRIBUTIONS	**103,790,602,051**	**99,760,954,799**

The amounts collected come from the following members in accordance with Title III Section 5 of the Implementing Rules and Regulations (IRR) of R.A. No. 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 R.A. No.10361 or “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 – National Household Targeting System (NHTS) comes from the National Government (NG) as appropriated in the General Appropriation Act (GAA).

d. Premium contributions from the sponsored members are 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 come from the NG.

19. INTEREST AND OTHER INCOME

Interest and other income account are as follows:

	2016	2015 (As Restated)
Interest Income		
Held to Maturity Investments	4,910,577,539	6,186,694,375
Special Savings Deposits	827,789,583	776,164,108
Savings and Current Deposits	4,702,684	5,901,676
Total Interest Income	5,743,069,806	6,968,760,159
Other Income		
Accreditation Fees – HCPs	17,964,211	34,091,708
Fines and Penalties	37,924,081	83,250,960
Rent Income	401,258	561,995
Gain on Foreign Exchange	59,832	28,400
Gain on Sale of Assets	336,520	250,712
Gain from Exchange of Assets	0	2,499
Income from Grants and Donations	1,129,882	552,650
Miscellaneous Income	12,166,128	6,392,506
Total Other Income	69,981,912	125,131,430
Total Interest and Other Income	**5,813,051,718**	**7,093,891,589**

19.1 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), sale of scrap materials and cash received for GSIS insurance claims for PRO VIII due to typhoon Ruby.

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

20. BENEFIT CLAIMS EXPENSES

Details of this account are as follows:

	2016	2015 (As Restated)
Formal Economy	24,967,516,900	24,922,914,693
Private	17,543,199,120	17,118,822,319
Government including PCB	7,424,317,780	7,804,092,374
Informal Economy	20,764,441,163	21,078,979,905
Migrant Worker	1,302,521,604	1,666,305,622
Informal Sector/Self Earning Individual	19,461,919,559	19,412,674,283
Indigent - NHTS including PCB	19,209,462,650	25,896,272,119
Sponsored	11,703,876,496	7,412,951,699
LGUs including PCB / PREVENTS	7,945,456,532	7,258,227,770
NGAs	801,580	23,875,185

	2016	2015 (As Restated)
Others	3,757,618,384	130,848,744
Lifetime Member Program and Senior Citizens	25,107,206,520	19,914,306,807
Total Benefit Claims Expense	**101,752,503,729**	**99,225,425,223**

21. PERSONAL SERVICES

Personal services account includes:

	2016	2015 (As Restated)
Salaries and Wages	1,911,027,873	1,454,057,123
Other Compensation	3,088,675,011	2,248,547,253
Statutory Contributions	574,514,130	392,112,296
Other Personal Services	9,667,630	10,044,065
Total Personal Services	**5,583,884,644**	**4,104,760,737**

22. OTHER OPERATING EXPENSES

	2016	2015 (As Restated)
MOOE	1,878,527,201	1,822,075,520
Other Expenses	91,590,444	80,112,287
Non-Cash Expenses	234,457,882	190,089,081
Total Other Operating Expenses	**2,204,575,527**	**2,092,276,888**

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 R.A. No. 7875 as amended by R.A. No. 9241 and R.A. No. 10606 known as the National Health Insurance Act of 2013.

23. OTHER SIGNIFICANT AND RELEVANT INFORMATION

23.1 Arrears of the National Government 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 P875.00 per month as the maximum contribution shared equally by the Employer and the Employee at P437.50 each. However, DBM has only allocated P312.50 or a 28.57 per cent discrepancy. The Corporation had formally billed the DBM of the estimated NG Employer Premium Differential and request allocation of the unappropriate balances for the following periods:

A. Arrears	
CYs 2001-2012	9,664,042,011
CY 2013	330,691,801
CY 2014	330,691,801
CY 2015	330,691,801
CY 2016	330,691,801
Total	**10,986,809,215**

23.2 Assigned lot to PRO III

A parcel of lot with a total area of 1,831 sq. m. located within the Government Center, Barangay Maimpis, City of San Fernando, Pampanga was assigned to PRO III per Deed of Assignment from Regional Government Center (RGC) of San Fernando, Pampanga through a MOA executed by and between the Regional Development Council III and PhilHealth. A warehouse was constructed in this lot with a carrying amount of P2,520,000 in the financial statements.