



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



NOTICE TO THE PUBLIC
05 September 2018

**EXPOSURE DRAFT ON THE PROPOSED STANDARD CHART OF
ACCOUNTS OF HEALTH MAINTENANCE ORGANIZATIONS (HMOs)**

The Insurance Commission hereby posts for the information of all concerned the Exposure Draft on the proposed Standard Chart of Accounts for Health Maintenance Organizations (HMOs). The proposed Standard Chart of Accounts is intended to provide a standardized set of accounts to be used by HMOs to ensure transparent and consistent application of rules pertaining to the recognition of items in the Financial Statements.

To promote the participation of the public, the Insurance Commission is openly soliciting comments and suggestions from all interested persons.

All interested persons may submit their written comments and suggestions to the Ad Hoc Group on HMOs of the Insurance Commission with office address at Insurance Commission Bldg., 1071 United Nations Ave., Manila. Such written comments and suggestions may also be submitted electronically through email to lap.villanueva@insurance.gov.ph and mm.cagaoan@insurance.com.ph.

Comments and suggestions made through phone call or text messages will not be entertained and will be disregarded automatically.

The deadline for submission of the written comments and suggestions will be on 05 October 2018 at 3:00 PM. Late submission will no longer be considered.

The Exposure Draft on the Proposed Standard Chart of Accounts which is attached hereto will be posted on the Insurance Commission website (www.insurance.gov.ph).

Be guided accordingly.

DENNIS B. FUNA
Insurance Commissioner





Circular Letter (CL) No.:	
Date:	
Supersedes:	None

CIRCULAR LETTER

**TO : ALL HEALTH MAINTENANCE ORGANIZATIONS (HMOs)
DOING BUSINESS IN THE PHILIPPINES**

SUBJECT : STANDARD CHART OF ACCOUNTS (SCA)

WHEREAS, an HMO refers to a juridical entity legally organized to provide or arrange for the provision of pre-agreed or designated health care services to its enrolled members for a fixed pre-paid fee or a specific period of time.¹

WHEREAS, the Insurance Commission shall have the authority to exercise the following functions², among others:

- a. Issue rules and guidelines, with respect to the establishment of HMO minimum capitalization, net worth, reserve funds and security deposit requirements, as well as the criteria for qualification and disqualification of directors, officers and marketing personnel, and the procedure for the submission of reportorial and/or examination requirements, registration of contracts and plans, adjudication of claims, and other relevant matters, as necessary;
- b. Regulate, supervise, and monitor the operations and management of HMOs to ensure compliance with EO No. 192, s. 2015, existing laws, rules, regulations and such other directives and circulars issued by the Insurance Commissioner;
- c. Prepare, approve or amend, rules, regulations, orders, and circulars, and issue opinions, provide guidance on and supervise compliance with such rules, regulations, orders, and circulars;

¹ Executive Order (EO) No. 192, s. 2015

² Section 4, *supra*

- d. Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to carry out the express powers granted to the IC to achieve the objectives and purposes of EO No. 192; and
- e. Order the examination of documents, papers, files, tax returns, books of accounts and other records, in whatever form, of any entity, person, or any HMO under investigation, including persons, entities and/or corporations with related interests;

WHEREAS, rules and/or guidance on financial reporting framework is necessary to be implemented to ensure transparent and consistent application of such rules and/or guidance by the Health Maintenance Organizations (HMOs);

WHEREAS, this financial reporting framework is based on internationally accepted accounting standards;

NOW THEREFORE, pursuant to the authority granted to the Insurance Commission by Section 4 of Executive Order 192, s. 2015 dated 12 November 2015, the following rules and regulations concerning the financial reporting are hereby promulgated.

1. Issuance of Standard Chart of Accounts (SCA)

The SCA for HMOs as presented in **Annex A** has the following objectives:

- 1) To establish uniform, comprehensive, minimum chart of accounts to improve financial data collection, reporting, accuracy and comparability;
- 2) To meet both the internal and external reporting requirements;
- 3) To ensure that HMOs comply with the generally accepted accounting principles;
- 4) To allow for timely and accurate recording of financial transactions; and
- 5) To provide comprehensive, full disclosure of the Financial Position of the HMO to its stakeholders and regulators.

2. Application of Philippine Financial Reporting Standards (PFRS)

Recognition and measurement of the accounts should be in accordance with the current generally accepted accounting principles in the Philippines at reporting date.

3. Implementation and Effectivity

This Circular Letter shall take effect immediately.

DENNIS B. FUNA
Insurance Commissioner

Attachments:

1/ Annex A – Standard Chart of Accounts

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ANNEX A

**STANDARD CHART OF ACCOUNTS
FOR HEALTH MAINTENANCE ORGANIZATIONS (HMOs)**

STATEMENT OF FINANCIAL POSITION ACCOUNTS

ASSET ACCOUNTS

I. Current Assets

1. Cash and Cash Equivalentents

Cash includes money and any other negotiable instruments that is receivable in money and accepted by bank for deposit and immediate credit. Cash comprises cash on hand and demand deposits.

1.1 Cash on Hand

This represents the total amount of undeposited collections in the custody of the cashier. This includes any acceptable currency notes and coins, checks, bank drafts, Postal Money Orders, and other cash items in favor of the HMO that is awaiting deposit within the day or the following banking day. This does not include postdated checks (PDCs) and returned checks which have been dishonored by the bank due to insufficient funds.

1.1.1 *Undeposited Collections* - This represents Philippine currency notes and coins, checks, bank drafts, and other cash items in favor of the company to be deposited in the bank on the following banking day. This does not include postdated checks and returned checks which have been dishonored by the bank due to insufficient funds.

1.1.2 *Petty Cash Fund* - This represents the fund established to defray immediate minimal disbursements which are evidenced by duly accomplished and approved petty cash vouchers with the corresponding supporting receipts and/or other supporting documents. This fund shall be maintained under an imprest system.

1.1.3 *Revolving Fund* - Fund established to finance a continuing cycle of operations through amounts received, such as a working capital fund. This fund shall be maintained under an imprest system.

1.1.4 *Commission Fund* - This represents fund that is established for the purpose of paying commissions to agents/brokers where the amounts are less than the minimum amount prescribed for check payments. This fund shall be maintained under an imprest system.

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1.2 Cash in Banks

This account refers to money deposited in the bank under the name of HMO i.e. savings, current and combo account which are unrestricted and available for use in the current operations.

1.3 Cash Equivalent

This accounts refers to short-term, high liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has short maturity if three (3) months or less from the date of acquisition (e.g. three-month debt securities, debt securities purchased three (3) months before maturity). Time deposits and investments maturing beyond 3 months are presented under Short-term Cash Investments.

1.4 Short-term Cash Investments

This account represents investments not held for the purpose of meeting short-term cash commitments and restricted margin accounts with maturity of more than 90 days but less than one year.

2. Administrative Service Only (ASO) Cash Fund

This refers to the amount provided by the Client to the HMO to be utilized for claims payment under an ASO Agreement.

3. Trade and Other Receivables

Receivables refers to financial assets that represents a contractual right to receive cash or another financial asset.

3.1 Trade Receivables

Trade receivables are amounts billed to members and providers in the ordinary course of business of the HMO.

3.1.1 *Membership Fee Receivable* - This account pertains to the fixed amount that an HMO charges its clients for healthcare services, as specified in the HMO Agreement, which have accrued as of the end of accounting period.

3.1.2 *Riders Fee Receivable* - This pertains to the amount due for availing an add-on provision to a basic HMO agreement that provides additional benefits to the members at an additional cost. It may include dental, maternity benefits, insurance and other services not covered in the basic HMO Agreement.

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- 3.1.3 *Deposit to Healthcare Providers* - This account represents funds deposited to certain healthcare providers to defray for the medical and hospitalization expenses of its members as per required or in consideration of certain discounts being offered by the healthcare provider.
 - 3.1.4 *Due from ASO Accounts* - This refers to receivables from ASO Accounts for charges such as Administrative Fees, Network Access Fees, and other medical collectibles on services/benefits in excess of the deposited fund by clients managed under ASO Program.
 - 3.1.5 *Allowance for Bad Debts - Trade Receivables* - This represents the total amount set up to provide for losses that may arise from non-collection of trade receivables.

115 **3.2 Other Receivables**

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These are amounts owed to the HMO that fall outside of the normal course of business of the HMO or those amounts due for payment from persons or entities other than its members.

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- 3.2.1 *Notes Receivable* - This represents claims of HMO for which formal instruments of credit are issued as evidence of debt, such as a promissory note. The credit instrument normally requires the debtor to pay interest and extends for time periods of 30 days or longer.
 - 3.2.2 *Interest Receivable* - This reflects the amount of interest that has been earned, but which has not yet been received in cash.
 - 3.2.3 *Advances to Officers and Employees* - This account refers to duly approved cash advances for official business to officers and employees, subject to liquidation in accordance with the policy of the HMO.
 - 3.2.4 *Due from Officers and Employees* - This account refers to total collectibles due from officers and employees arising from credit accommodations, shortages, losses and unliquidated cash advances beyond the prescribed period that are subject to immediate settlement.
 - 3.2.5 *Due from Related Parties* - The aggregate amount of receivables to be collected from related parties where one party can exercise control or significant influence over another party; including affiliates, owners or officers and their immediate families, pension trusts, and so forth.
 - 3.2.6 *Others* - This represents all other receivables which cannot be classified under any of the foregoing receivables.

149 3.2.7 *Allowance for Bad Debts - Other Receivables* - This represents the
150 total amount set up to provide for losses that may arise from non-
151 collection of other receivables.
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153 **4. Financial Assets at Fair Value Through Profit Or Loss**

154 This represents financial assets which are carried at fair value through profit or
155 loss.
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157 **4.1 Securities Held for Trading**

158 This represents debt and equity securities that are:

- 159 a) Acquired principally for the purpose of selling or repurchasing it in the
160 near term; or
- 161 b) Part of a portfolio of identified securities that are managed together and
162 for which there is evidence of a recent actual pattern of short-term
163 profit-taking.

164 This shall comprise of the following sub-accounts based on the types of
165 securities held:
166

167 4.1.1 *Trading Debt Securities - Government* - This represents debt
168 instruments issued by the government and its instrumentalities
169 (government agencies, local governments, government owned and
170 controlled corporations). This includes treasury bills, treasury notes
171 and ROP bonds.

172 4.1.2 *Trading Debt Securities - Private* - This represents debt instruments
173 issued by private corporations, whether domestic or foreign, such
174 as commercial papers, notes and bonds.

175 4.1.3 *Trading Equity Securities* - This represents common and preferred
176 shares of stock of companies other than those of subsidiaries,
177 associates and joint ventures.

178 4.1.4 *Mutual, Unit Investment Trust, Real Estate Investment Trusts and*
179 *Other Funds* - This represents units held in mutual funds and such
180 other similar types which are generally redeemable any time and
181 where the values are determined based on the daily net asset value
182 per share or unit
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184 **4.2 Financial Assets Designated at Fair Value through Profit or Loss**

185 This represents financial assets which the HMO, upon initial recognition,
186 has designated at FVPL. This shall comprise of the following sub-
187 accounts based on the types of securities held:
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189 4.2.1 *Debt Securities – Government*

190 4.2.2 *Debt Securities – Private*
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- 199 4.2.3 *Equity Securities*
- 200 4.2.4 *Mutual Funds and Unit Investment Trusts*
- 201 4.2.5 *Real Estate Investment Trusts*
- 202 4.2.6 *Others*
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204 **5. Held-To-Maturity Investments – Current Portion**

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206 This represents the current portion of quoted debt securities with fixed or
207 determinable payments and fixed maturity that the HMO has the positive
208 intention and ability to hold the maturity other than those that the HMO upon
209 initial recognition designates as at fair value through profit or loss, those that
210 the HMO designates as available for sale, and those that meet the definition of
211 loans and receivables..

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213 **5.1 HTM Debt Securities – Government – Current Portion**

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215 5.1.1 *Unamortized Discount/Premium*

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217 **5.2 HTM Debt Securities – Private – Current Portion**

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219 5.2.1 *Unamortized Discount/Premium*

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221 **5.3 Allowance for Impairment Losses – Current Portion**

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223 **6. Available-for-Sale Financial Assets – Current Portion**

224
225 This represents the current portion of the non-derivative financial assets that
226 are designated as available-for-sale or are not classified as loans and
227 receivables, held to maturity or financial assets at FVPL.

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229 **6.1 AFS Debt Securities – Government – Current Portion**

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231 6.1.1 *Unamortized Discount/Premium*

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233 **6.2 AFS Debt Securities – Private – Current Portion**

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235 6.2.1 *Unamortized Discount/Premium*

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237 **6.3 AFS Equity Securities – Current Portion**

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239 **6.4 Allowance for Impairment Losses – Current Portion**

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241 **6.5 Mutual Funds and Unit Investment Trusts – Current Portion**

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243 **6.6 Real Estate Investment Trusts – Current Portion**

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245 **6.7 Other Funds – Current Portion**

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7. Prepayments

This represents expenditures paid for in one accounting period, but for which the underlying asset will not be entirely consumed until a future period.

7.1 Supplies

These are items that are consumed within an office setting during normal business operations, and which are stocked for recurring use, and are usually charged to expense as used.

7.2 Prepaid Commissions

This represents commissions paid in advance to the agents and brokers.

7.3 Prepaid Rent

This represents advance payment on rented/leased properties.

7.4 Prepaid Taxes

This represents portion of the HMO's income tax liability already remitted through a payor of an income who withheld and remitted the same to the BIR even before filing of the ITR.

7.5 Other prepaid expenses

This represents all other expenses paid but not yet incurred which cannot be classified under any of the foregoing prepaid accounts.

8. Other Current Assets

This represents other current assets which cannot be classified in any of the foregoing accounts.

II. Non-Current Assets

9. Held-To-Maturity Investments

Held-to-Maturity Investments are quoted debt securities with fixed or determinable payments and fixed maturity that the HMO has the positive intention and ability to hold the maturity other than those that the HMO upon initial recognition designates as at fair value through profit or loss, those that the HMO designates as available for sale, and those that meet the definition of loans and receivables.

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9.1 HTM Debt Securities – Government

9.1.1 *Unamortized Discount/Premium* - This represents the unamortized discount / premium on HTM government debt securities which shall be debited/credited monthly to this account. Amortization of premium/discount is based on the effective interest rate method.

9.2 HTM Debt Securities – Private

9.2.1 *Unamortized Discount/Premium*

9.3 Allowance for Impairment Losses

This represents the amount of impairment loss incurred on the HTM securities.

10. Available-for-Sale Financial Assets

This represents non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held to maturity or financial assets at FVPL.

10.1 AFS Debt Securities – Government

10.1.1 *Unamortized Discount/Premium* - This represents the unamortized discount / premium on AFS government debt securities which shall be debited/credited monthly to this account. Amortization of premium/discount is based on the effective interest rate method.

10.2 AFS Debt Securities – Private

10.2.1 *Unamortized Discount/Premium*

10.3 AFS Equity Securities

10.4 Allowance for Impairment Losses

This represents the amount of impairment loss incurred on the AFS securities.

10.5 Mutual Funds and Unit Investment Trusts

10.6 Real Estate Investment Trusts

10.7 Other Funds

11. Investment in Subsidiaries, Associates and Joint Ventures

This shall comprise of the following accounts:

349 **11.1 Investment in Subsidiaries**

350
351 This represents the amount of HMOs investments in shares of stock of its
352 subsidiaries. A subsidiary is an entity that is controlled by another entity
353 (known as parent). An HMO controls an investee when it is exposed, or
354 has rights, to variable returns from its involvement with the investee and
355 has the ability to affect those returns through its power over the investee.
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357 **11.2 Investment in Associates**

358
359 This represents the cost of the HMO's investments in the shares of stock
360 of its associates. An associate is an entity over which the investor has
361 significant influence and that is neither a subsidiary nor an interest in a
362 joint venture. Significant influence is the power to participate in the
363 financial and operating policy decisions of the investee, but is not control
364 or joint control over those policies.
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366 **11.3 Investment in Joint Ventures**

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368 This represents the cost of the HMO's investments in joint ventures. A joint
369 venture is a contractual arrangement whereby the HMO and one or more
370 other parties undertake an economic activity which is subject to joint
371 control. Joint control is the contractually agreed sharing of control of an
372 arrangement, which exists only when decisions about the relevant
373 activities require unanimous consent of the parties sharing control.
374

375 **12. Property, Plant and Equipment**

376
377 This account represents tangible items that are held for use in the HMO's
378 business operations or for administrative purposes, and are expected to be
379 used more than one period. This account shall have sub-accounts based on
380 the nature of the fixed assets, to wit:

381 **12.1 Land**

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384 This represents the acquisition cost of the land. Acquisition cost shall
385 consist of the purchase price and all expenditures incurred directly
386 attributable to acquisition.
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388 **12.2 Building and Building Improvements**

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390 This represents the acquisition/construction cost of the building and
391 improvements, including cost incurred subsequent to initial recognition
392 which meet the recognition criteria.
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394 **12.2.1 Accumulated Depreciation - Buildings and Building Improvements**
395 - This represents the aggregate of the depreciation on the above
396 account charged by the HMO against its current operation.
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12.3 Leasehold Improvements

This represents the cost of additions, improvements and/or alterations on the HMO's leased office premises which are incurred in making the property ready for use and occupancy. This should include the initial estimate of the costs of dismantling and removing the improvements and restoring the site, the obligation for which the HMO incurs when the property is leased.

12.3.1 *Accumulated Depreciation - Leasehold Improvements* - This represents the aggregate of the depreciation on the above account charged by the HMO against its current operation.

12.4 I.T. Equipment

This represents the cost of the information processing system of the HMO including the computer hardware, customized software, and peripherals.

12.4.1 *Accumulated Depreciation - I.T. Equipment* - This represents the aggregate of the depreciation on the above account charged by the HMO against its current operation.

12.5 Transportation Equipment

This represents the cost of motor vehicle and other transportation equipment owned, operated, used, or to be used by the HMO in carrying out its business and/ or as a service vehicle of its officers and employees.

12.5.1 *Accumulated Depreciation - Transportation Equipment* - This represents the aggregate of the depreciation on the above account charged by the HMO against its current operation.

12.6 Office Furniture, Fixtures and Equipment

This represents the cost of office machines, equipment, furniture and fixtures.

12.6.1 *Accumulated Depreciation - Office Furniture, Fixtures and Equipment* - This represents the aggregate of the depreciation on the above account charged by the HMO against its current operation.

12.7 Medical Equipment

An article, instrument, apparatus or machine that is used for some health purpose.

12.7.1 *Accumulated Depreciation - Medical Equipment* - This represents the aggregate of the depreciation on the above account charged by the HMO against its current operation.

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12.8 Property and Equipment under Finance Lease

This represents the cost of the property and equipment leased by the HMO under a lease agreement which qualifies as a finance lease.

12.8.1 Accumulated Depreciation – P&E under Finance Lease

12.9 Revaluation Increment

This represents the revaluation increase in the carrying amount of the HMO's property and equipment under the revaluation model.

12.9.1 Accumulated Depreciation - Revaluation Increment - This represents the aggregate of the depreciation on the above account charged by the HMO against its current operation.

13. Investment Property

This represents property (land or building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both rather than using it in the HMO's business operations or for administrative purposes, or selling it in the ordinary course of business.

This account shall be classified as follows:

- (A) Land – at cost
- (B) Building and Building Improvements – at cost
- (C) Accumulated Depreciation – Building and Building Improvements
- (D) Accumulated Impairment Loss
- (E) Land – at fair value
- (F) Building and Building Improvements – at fair value
- (G) Foreclosed Properties - This represents real properties acquired by company in settlement of loans through foreclosure of mortgage loan arrangements.

14. Intangible Assets

An identifiable non-monetary asset without physical substance. Corporate intellectual property, including items such as softwares, patents, trademarks, copyrights and business methodologies, are intangible assets, as are goodwill and brand recognition.

15. Deferred Tax Assets

This account refers to the amounts of income taxes recoverable in the future periods in respect of deductible temporary differences, the carry forward of unused tax losses, and the carry forward of unused tax credits.

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16. Other Non-Current Assets

This may include but is not limited to the following accounts:

16.1 Miscellaneous Deposits

This represents deposits and advances that are long-term in nature.

16.2 Deferred Input VAT

This represents the unamortized portion of input tax deferred on purchases or importation of capital goods which are depreciable assets for income tax purposes.

16.3 Retirement Pension Asset

The pension fund, or plan assets, that are used to pay for retiree benefits.

16.4 Others

This represents other non-current assets which cannot be classified in any of the foregoing accounts.

LIABILITY ACCOUNTS

I. Current Liabilities

17. HMO Agreement Liabilities

Refers to "HMO Agreement Reserves" and "ASO Reserves" as applicable.

17.1 HMO Agreement Reserves

Refers to all benefit liabilities for membership fee-based benefits or where the fixed pre-paid fee is in the form of a membership fee where the risks are borne by the HMO, which is the aggregate of the Claim Reserves and Membership Fee Reserves as defined below.

17.1.1 *Claim Reserves* - Refers to claims incurred but not yet paid as of the end of the accounting period. It includes claims due and unpaid, claims in the course of settlement, resisted claims and those which are incurred but not reported at a designated level of confidence, as well as direct and indirect expenses related to settling all outstanding claims, whether reported and unreported, as of the end of the accounting period.

17.1.1.1 *Due & Unpaid (D&U) Claims* - Refers to the liabilities for claims that have been reported, adjudicated and processed, but for which final payment has not been recorded as of the end of the accounting period.

17.1.1.2 *In Course of Settlement (ICOS)* - Refers to the liabilities for claim already known and identified but not yet adjudicated, settled and paid by the HMO as of the end of the accounting period.

17.1.1.3 *Resisted Claims* - Refers to amount of claims that are in dispute such as those for which a known litigation situation exists.

17.1.1.4 *Incurred but not Reported (IBNR)* - Refers to the amount to be provided for claims in respect of claim events that have occurred but have not been reported to the HMO as of the end of the accounting period.

17.1.1.5 *Claims Handling Expense* - Refers to the estimated amount of expenses for settling all claims, whether reported or unreported, outstanding as of the end of the accounting period.

598 17.1.2 *Membership Fee Reserves* - Refers to all future claim payments
599 and related expenses for agreement maintenance and claims
600 settlement, to be made after the end of the accounting period,
601 arising from future events for which the HMO is liable under its HMO
602 Agreements.
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604 17.1.3 *Other Reserves* – This refers to reserves which cannot be classified
605 in any of the foregoing accounts and are deemed appropriate by
606 the HMO to set up as other reserves, such as but not limited to the
607 following:
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609 17.1.3.1 *Deficiency Reserves* - Refers to the amount set up when
610 future membership fees and current reserves are not
611 sufficient to cover future claim payments and expenses
612 for the remainder of the HMO agreement period.
613

614 17.1.3.2 *Agreement Reserves* - Refers to the amount set up when
615 a portion of the membership fees collected in the early
616 years is meant to pay for the higher claim costs arising in
617 the later years.
618

619 **17.2 ASO Reserves**

620
621 Refers to all liabilities for fund-based benefits or where the fixed pre-paid
622 fee is in the form of the enrolment fee, administrative fee and the ASO
623 fund where the risks are borne by the client. It is the aggregate of the
624 following:
625

626 17.2.1 *Administrative Service Only (ASO) Funds* - This refers to the
627 amount provided by the Client to the HMO for claims payment
628 under an ASO Agreement.
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630 17.2.2 *Unearned Administrative Fee Reserves (UAFR)* - This refers to the
631 amount of reserve for that portion of the Administrative fee, net of
632 taxes and commissions paid or due to the HMO which is applicable
633 to the period of coverage extending beyond the end of the
634 accounting period.
635

636 17.2.3 *Fund Withdrawals* - refers to the amount withdrawn from the ASO
637 Fund to pay the cost of benefits availed by the members under an
638 ASO Agreement.
639

640 **18. Liabilities Due to Insurance and Providers**

641
642 This represents amounts owed to insurance companies and healthcare
643 providers.
644
645
646
647

648 **19. Commission Payable**

649

650 This represents commissions payable to agents and brokers.

651

652 **20. Accounts Payables**

653

654 This represents obligations of the HMO as a result of indebtedness due to any
655 corporations, individuals or suppliers which are non-HMO related. This may
656 include the following accounts:

657

658 **20.1 SSS Premium Payable**

659

660 This represents the unremitted SSS premiums/contributions withheld from
661 the salaries of officers and employees.

662

663 **20.2 SSS Loans Payable**

664

665 This represents the unremitted SSS salary loan amortizations deducted
666 from the salaries of officers and employees.

667

668 **20.3 Pag-Ibig Premiums Payable**

669

670 This represents the unremitted contributions to the Home Development
671 Mutual Fund (HDMF Pag-ibig) deducted from the salaries of officers and
672 employees.

673

674 **20.4 Pag-Ibig Loans Payable**

675

676 This represents the unremitted Pag-ibig loan amortizations deducted from
677 the salaries of officers and employees.

678

679 **20.5 PhilHealth Premiums Payable**

680

681 This represents the unremitted PhilHealth premiums/contributions
682 withheld from the salaries of officers and employees.

683

684 **20.6 Other Accounts Payable**

685

686 This represents all other unpaid non-HMO related obligations.

687

688 **21. Due to related parties**

689

690 The aggregate amount of payables due to affiliates, owners or officers and their
691 immediate families, pension trusts, and so forth.

692

693 **22. Accrued Expenses**

694

695 This represents all other unpaid non-HMO related obligations that have accrued
696 at the end of accounting period.

697

698 **22.1 Accrued Utilities**

699
700 This represents accruals for utilities consumed by the HMO during the
701 reporting period which have not yet been paid. This includes accruals for
702 electricity, water and communications.
703

704 **22.2 Accrued Services**

705
706 This represents accruals for services rendered to the HMO such as
707 janitorial, security, professional fees and others.
708

709 **22.3 Accrued Interest**

710
711 The interest expense that has been incurred but has not been paid as of
712 the end of accounting period.
713

714 **23. Notes Payable – Current**

715
716 This represents short-term and current portion of long-term notes payable or
717 any kind of short-term debts duly covered by promissory notes and which are
718 interest-bearing.
719

720 **24. Dividends Payable**

721
722 This represents cash and other dividends, except stock dividends, already
723 declared but still unpaid and due to the stockholders of the HMO.
724

725 **25. Taxes Payable**

726
727 **25.1 VAT Payable**

728
729 This represents the tax due on sale of HMO agreements and other goods
730 or services based on cash received, net of input VAT paid by the HMO in
731 the course of the HMO's purchase of goods or services.
732

733 **25.2 Withholding Taxes Payable**

734
735 This represents income taxes withheld from the salaries of employees
736 and creditable taxes withheld from source under the expanded
737 withholding tax system from the remunerations of agents, brokers,
738 general agents, medical examiners and other agencies/corporations for
739 services rendered.
740

741 **25.3 Income Tax Payable**

742
743 This represents income taxes due and payable to BIR net of creditable
744 taxes.
745
746
747

748 **II. Non-current Liabilities**

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26. Notes Payable – Non-current

This represents non-current portion of long-term notes payable.

27. Pension Benefit Obligation

This represents the HMO's obligation with respect to the retirement and other post-employment benefits granted to employees.

28. Deferred Tax Liability

This represents the total amount of deferred tax on taxable temporary differences.

29. Other Liabilities

This represents other non-current liabilities which cannot be classified in any of the foregoing accounts.

EQUITY ACCOUNTS

30. Share Capital

This represents ownership of the stockholders in the HMO composed of capital stocks issued and outstanding as of the end of the accounting period. This shall be further subdivided as follows:

30.1 Preferred Share Capital

This represents shares which provide the shareholders preference as to dividends and upon liquidation. The features of the preferred shares are varying and should be carefully analyzed whether these qualify as capital stock or creates an obligation on the part of the HMO. In the latter case, the preferred shares issued should be classified as part of liabilities.

30.2 Common Share Capital

This represents shares of stocks issued to shareholders which have the residual equity interest in the HMO.

31. Subscribed Share Capital

This represents shares of capital stock subscribed by the stockholders of the HMO and duly covered by subscriptions agreements.

31.1 Subscribed Preferred Shares

Newly issued securities that an investor has agreed or stated his or her intent to buy prior to the issue date. When investors use rights, they expect to own the designated number of preference shares to which they have subscribed once it is fully paid.

31.2 Subscription Receivable - Preferred Shares

This represents amounts receivable from stockholders who signified their intention to subscribe to the preference shares of the HMO and duly covered by subscription agreement.

31.3 Subscribed Common Share Capital

Newly issued securities that an investor has agreed or stated his or her intent to buy prior to the issue date. When investors use rights, they expect to own the designated number of common shares to which they have subscribed once it is fully paid.

848 **31.4 Subscription Receivable - Common Shares**

849
850 This represents amounts receivable from stockholders who signified their
851 intention to subscribe to the common shares of the HMO and duly covered
852 by subscription agreement.
853

854 **32. Share Dividend Distributable**

855
856 Payable to the holders of a corporation's capital stock that has been declared
857 by the entity's board of directors, but not yet paid
858

859 **33. Capital Paid In Excess of Par**

860
861 This represents payment for the shares of stock of the HMO bought or paid for
862 in excess of its Par value.
863

864 **34. Retained Earnings (Deficit)**

865
866 This represents the accumulated earnings (deficit) of the HMO reduced by any
867 losses the HMO may incur during a certain accounting period or by dividend
868 declarations.
869

870 **34.1 Retained Earnings-Appropriated**

871
872 These are retained earnings that have been set aside by action of the
873 Board of Directors for a specific use. The intent of retained earnings
874 appropriation is to not make these funds available for payment to
875 shareholders.
876

877 **34.2 Retained Earnings-Unappropriated**

878
879 This account refers to the accumulated income that has not been allocated
880 by management or the board of directors to a specific purpose and are
881 usually distributed to shareholders as dividends.
882

883 **35. Reserves**

884
885 Reserve is any part of shareholders' equity, except for basic share capital. It
886 may include the following:
887

888 **35.1 Deposit for Future Subscription**

889
890 This account represents payments made on subscription of shares which
891 cannot be directly credited to Preferred or Common Stock pending
892 registration with the Securities and Exchange Commission of the
893 amendment to the Articles of Incorporation increasing capital stock.
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35.2 Revaluation Reserves

This represents the appraisal increment on property and equipment when the HMO applies the revaluation model. This is calculated as a difference between the property and equipment's carrying amount and its revalued amount.

35.3 Net Unrealized Gains (Losses) on AFS Investments

This represents gains or losses arising from fair value changes of available for sale securities.

35.4 Cumulative Translation Adjustment

This represents gains or losses arising from foreign currency translations on the following:

- foreign currency denominated non-monetary items, where such gains or losses are recognized directly in equity, and,
- translation of foreign operations with different functional currency

36. Treasury Shares

This represents stocks already issued but reacquired by the HMO. This account shall be measured at cost.

INCOME STATEMENT ACCOUNTS

REVENUES

37. Membership Fees

Fees arising from HMO agreements where the HMO assumes the risk of funding the member's health care services and related administrative costs, are recognized as revenue over the period of enrollment subject to cancellation by the members upon written notice within the period specified in the agreement. It is recognized as revenue when collected or paid, except for some corporate accounts that are treated as revenue when earned regardless of when it is paid by the corporate client.

38. Enrolment Fee

Refers to the amount due to be paid by the Client for each member to be covered under an ASO Agreement to be able to access the network. This is sometimes referred to as the network access fee.

39. Administrative Fee

Refers to the amount due to be paid by the Client for the administration of the fund and handling of claims payment under an ASO Agreement.

40. Dividend Income

This is an income derived from cash dividend declaration on stock investments, whether collected, accrued, or earned but not yet received.

41. Interest Income

This represents interest income due and accrued which is earned by the HMO from its various investments

42. Gain (Loss) on Sale of Property, Plant and Equipment

This represents gain realized on sale of property, plant and equipment.

43. Gain (Loss) on Sale of Investments

This represents gains/losses realized from the sale of the following HMO's investments:

- (1) Financial Assets at Fair Value through Profit or Loss;**
- (2) Available-for-Sale Investments; and**
- (3) Investment Property.**

998 **44. Unrealized Gain (Loss) on Investments**
999
1000 This represents unrealized gains or losses arising from fair value changes of
1001 the following assets which are carried at fair values:

- 1002
- 1003 **(1) Financial Assets at Fair Value through Profit or Loss**
- 1004 **(2) Unrealized Gain(Loss) on Investment Property**
- 1005

1006 **45. Foreign Exchange Gain(Loss)**
1007
1008 Increase or decrease in a cash flow caused by a change in the exchange rate
1009 of two currencies, such as when an invoice denominated in one currency is paid
1010 in another.

1011 **46. Unrealized foreign Exchange Gain(Loss)**
1012
1013 Gains or Losses caused by a change in the exchange rate when some foreign
1014 monetary asset or liability is translated as of the end of accounting period.

1015 **47. Other Revenues**
1016
1017
1018 This represents other revenues which cannot be classified in any of the
1019 foregoing accounts.

1020
1021
1022 **COST OF SERVICES**

1023
1024
1025 **48. Healthcare Benefits and Claims**
1026
1027 This account pertains to the costs covered in the HMO agreement including
1028 estimates of the obligation for medical care services that have been rendered
1029 on behalf of the members but for which the HMO has neither received nor
1030 processed claims, and for liabilities for physician, medical and other cost
1031 disputes. This shall be comprised of but not limited to the following accounts:

1032
1033 **48.1 Medical Services**

1034
1035 Included in the medical services are laboratory fees, supplies and
1036 diagnostic procedures for out-patient expenses.

1037
1038 **48.2 Hospitalization**

1039
1040 Included in the hospitalization expense are medical, nursing, and other in-
1041 patient expenses relating to confinement.

1042
1043 **48.3 Hospital Professional Fees**

1044
1045 This includes consultation fees, doctors' fee and dental services.
1046
1047

1048 **48.4 Other Benefits and Claims**

1049
1050 This represents other costs covered by the HMO agreement which cannot
1051 be classified in any of the foregoing accounts.
1052

1053
1054 **OPERATING EXPENSES**

1055
1056
1057 **49. Commission Expenses**

1058
1059 This account represents commission paid to HMO's agents and brokers
1060 recognized as expense over the period of collection of membership fees.
1061

1062 **50. Salaries And Wages**

1063
1064 This represents basic salaries, wages and allowances, including bonuses and
1065 13th month pay of all HMO officers and staff.
1066

1067 **51. SSS Contributions**

1068
1069 This represents the HMO's share in the contribution to the SSS for the benefit
1070 of the officers and staff of the HMO.
1071

1072 **52. PhilHealth Contributions**

1073
1074 This represents the HMO's share in the contribution for the PhilHealth benefits
1075 of officers and staff.
1076

1077 **53. Pag-Ibig Contribution**

1078
1079 This represents the HMO's share in the contribution for the Pag-Ibig Fund or
1080 the Home Development Mutual Fund for the benefit of the employees of the
1081 HMO.
1082

1083 **54. Employees Compensation And Maternity Contributions**

1084
1085 This represents the HMO's share in the contribution to the SSS for the
1086 maternity, sickness and disability benefits of all HMO employees.
1087

1088 **55. Hospitalization Contribution**

1089
1090 This represents the HMO's contribution for the employee's hospitalization
1091 benefits.
1092

1093 **56. Medical Supplies**

1094
1095 This represents expenses incurred by the HMO for the purchase of medicines
1096 and other medical supplies for the use of or issuance to the employees.
1097

1098 **57. Employee's Welfare**

1099
1100 This represents other benefits given to the employees by the HMO including
1101 uniform, service awards, annual excursion expenses, Christmas party benefits,
1102 expenses incurred during HMO meetings, and others not specifically classified
1103 under any of the other foregoing accounts.
1104

1105 **58. Employee Benefits**

1106
1107 This represents other employee benefits granted to employees such as
1108 compensated absences (sick leaves, vacation leaves, emergency leaves), cost
1109 of share based payment transactions and other long-term employee benefits
1110 other than post-employment benefits.
1111

1112 **59. Post-Employment Benefit Cost**

1113
1114 This represents the retirement benefits of the HMO's employees for services
1115 rendered. It shall comprise of the following items:

- 1116
1117 A. Current service cost;
1118 B. Interest expense;
1119 C. Interest income; and
1120 D. Effect of any curtailment or adjustment.
1121

1122 **60. Professional And Technical Development**

1123
1124 This represents the expenses in developing the professional and technical
1125 capabilities of the officers and staff of the HMO.
1126

1127 **61. Representation And Entertainment**

1128
1129 This represents the cost of representation and entertainment incurred by the
1130 officers and staff for the promotion of the business of the HMO.
1131

1132 **62. Transportation And Travel Expenses**

1133
1134 This represents expenses for travel and transportation of the directors, officers,
1135 employees in connection with the business operations.
1136

1137 **63. Investment Management Fees**

1138
1139 This represents fees paid to investment management consultants for the
1140 handling of the HMO's investment portfolio and other special projects.
1141

1142 **64. Director's Fees And Allowances**

1143
1144 This represents fees and allowance granted to the members of the Board of
1145 Directors for their attendance in the monthly and annual meetings or whatever
1146 special meetings that the Board may have.
1147

1148 **65. Corporate Secretary's Fees**

1149
1150 This represents fees granted to the corporate secretary for services rendered
1151 during the monthly Board of Directors' meetings, annual stockholders' meetings
1152 or any other special meetings that the Board of Directors or the stockholders
1153 may hold.

1154
1155 **66. Auditors' Fees**

1156
1157 This represents professional fees paid to the external auditors for the year-end
1158 audit/examination of the HMO's books of accounts. It also includes the monthly
1159 retainers fees, charges for the auditors' out of pocket expenses and fees for
1160 any special audit examination or consultations, including any audit and tax
1161 consultations which may be required by the HMO from time to time.

1162
1163 **67. Actuarial Fees**

1164
1165 This represents professional fees paid to the external actuaries for whatever
1166 actuarial services that they may render for the HMO.

1167
1168 **68. Service Fees**

1169
1170 This represents fees paid to certain authorized individuals for services rendered
1171 to the HMO on a contractual or temporary basis.

1172
1173 **69. Legal Fees**

1174
1175 This represents retainer fees and other professional fees paid to external
1176 lawyers and the HMO's legal counsel for whatever legal services that they may
1177 render. It includes fees for the legal assistance that they may extend in handling
1178 court cases, court settlements, notarial fees, consultancy fees, and other legal
1179 matters.

1180
1181 **70. Association Dues**

1182
1183 This represents membership and monthly dues and fees paid to various
1184 professional organizations/association such as Association of Health
1185 Maintenance Organization in the Philippines, Inc., Philippine Association of
1186 Health Maintenance Organization Companies, Actuarial Society of the
1187 Philippines, Business Club, MIB, Philippine Institute of Certified Public
1188 Accountants, etc.

1189
1190 **71. Light And Water**

1191
1192 This represents the cost of power and water consumption of the HMO's Head
1193 Office and its branches.

1194
1195
1196
1197

1198 **72. Communication And Postage**

1199
1200 This represents the cost of telephone and cellphone services both local and
1201 long distance toll charges; telegrams and mailing expenses, including postages
1202 and freight charges for the delivery of mails or cargoes sent to or received from
1203 the branches.
1204

1205 **73. Printing, Stationery And Supplies**

1206
1207 This represents expenses incurred by the HMO for the printed forms/materials,
1208 stationery and office supplies used in the business operations.
1209

1210 **74. Books And Periodicals**

1211
1212 This represents the cost of books and reference materials for office use and
1213 subscriptions to newspapers, magazines, etc.
1214

1215 **75. Advertising And Promotions**

1216
1217 This represents expenses for advertising and publicity to promote the business
1218 of the HMO including introduction of new plans and publication of the synopsis
1219 of the HMO's annual report.
1220

1221 **76. Contributions And Donations**

1222
1223 This represents donations given to civic associations, government agencies
1224 and contributions to charitable institutions and fund raising drives.
1225

1226 **77. Rental Expense**

1227
1228 This represents rental expense incurred on leased properties.
1229

1230 **78. Insurance Expenses**

1231
1232 This represents premiums paid on insurance coverage of office furniture,
1233 fixtures and equipment, IT equipment, HMO cars and others. It also includes
1234 premium charges on the guarantee or fidelity bond of accountable officers and
1235 staff as may be required by the Insurance Commission.
1236

1237 **79. Taxes And Licenses**

1238
1239 This represents taxes which are allowable deductions or expenses for income
1240 tax computation such as payment of business license, mayor's permit, etc. It
1241 does not include taxes not deductible for income tax purposes, such as income
1242 tax assessments and penalty charges and renewal of the agent's certificates of
1243 authority.
1244

1245
1246
1247

1248	80. Bank Charges
1249	
1250	This represents the cost of checkbooks and charges imposed by the banks for
1251	overdrafts and bounced checks, payment of safety deposit box (if any), charges
1252	for the regional clearing of provincial checks and other such charges.
1253	
1254	81. Interest Expense
1255	
1256	This represents interest expense incurred by the HMO.
1257	
1258	82. Repairs And Maintenance - Materials
1259	
1260	This represents the cost of materials used in the repair and maintenance of
1261	HMO assets.
1262	
1263	83. Repairs And Maintenance - Labor
1264	
1265	This represents the cost of labor pertaining to the repairs and maintenance of
1266	HMO assets.
1267	
1268	84. Depreciation And Amortization
1269	
1270	This represents the periodic depreciation and amortization of the asset cost of
1271	the HMO's depreciable fixed assets. It represents an estimate of the decline in
1272	service potential of the asset occurring during the period.
1273	
1274	85. Share In Profit/Loss Of Associates And Joint Ventures
1275	
1276	This represents the HMO's share in the profit or loss of its associates or joint
1277	ventures under the equity method of accounting.
1278	
1279	86. Provision For Impairment Losses
1280	
1281	This represents provisions for losses that may arise from loans and receivables,
1282	accounts receivables, and other financial and non-financial assets. This shall
1283	be comprised of the following sub-accounts:
1284	
1285	86.1 AFS Financial Assets
1286	
1287	86.2 HTM Investments
1288	
1289	86.3 Receivables
1290	
1291	86.4 Property and Equipment
1292	
1293	86.5 Investment Property
1294	
1295	86.6 Intangible Assets
1296	
1297	86.7 Others

1298 **87. Miscellaneous Expense**

1299
1300 This represents other operating or administrative expenses which cannot be
1301 specifically classified under any of the other expense accounts.
1302

1303 **88. Suspense**

1304
1305 This represents a temporary classification of nominal accounts pending
1306 clarification of certain aspects of the transaction or compliance of certain
1307 requirements, documentation or otherwise. This account could be either a debit
1308 or a credit and needs to be reclassified subsequently as to their proper
1309 accounts. All transactions under this classification must be properly cleared out
1310 and reclassified every end of the accounting period.
1311

1312 **89. Provision For Income Tax**

1313
1314 **89.1 Provision for Income Tax – Final**

1315
1316 This represents final taxes withheld from sale of shares of stock and from
1317 interest earned during the year on investments in government securities
1318 and savings deposits.
1319

1320 **89.2 Provision for Income Tax – Current**

1321
1322 This represents the corporate income tax of the HMO for the period based
1323 on its taxable income.
1324

1325 **89.3 Provision for Income Tax – Deferred**

1326 This represents provision for deferred tax assets and liabilities.
1327