



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
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**HMOs' ASSETS, LIABILITIES, EQUITY,
CAPITAL STOCK INCREASE, AS REVENUES
AND NET INCOME DECREASE IN 2Q 2021**

Based on unaudited interim financial statements submitted by health maintenance organizations (HMOs), said industry's assets grew 11.62% year-on-year, from ₱52.09 billion as of the quarter ending on 30 June 2020 ("2Q 2020") to ₱58.15 billion as of the quarter ending on 30 June 2021 ("2Q 2021")

"The 11.62% growth in the HMOs' assets is primarily driven by a corresponding growth in the value of the industry's investment portfolio despite the decrease in Cash and Cash Equivalents by 9.32%. Financial Assets at Fair Value through Profit or Loss (FVPL), Investments in Subsidiaries, Associates & Joint Ventures, and Investment in Property increased by 81.88%, 17.26%, and 21.37%, respectively. Moreover, HMOs' Deferred Tax Assets increased by 55.32%," said Commissioner Funa.

Meanwhile, total equity likewise increased by 15.88%, year-on-year, from ₱11.25 billion in 2Q 2020 to ₱13.03 billion in 2Q 2021.

"According to the unaudited reports, this increase in total equity was due to an increase in Retained Earnings by 20.02%, which comprise 77.29% of HMOs' total equity for 2Q 2021," Commissioner Funa noted.

The industry's total liabilities also increased by 10.45%, from ₱40.85 billion in 2Q 2020 to ₱45.11 billion in 2Q 2021.

"This was due to the increase in Health Plan Liabilities, Administrative Services Only (ASO) Fund, and Health Fund by 165.12%, 46.48%, and 44.50%, respectively. However, the industry's Unearned Membership Fees (i.e., advance payment of fees for services not yet provided) decreased by 30.38% compared to the same period last year," stated Commissioner Funa.

Notably, the industry's Capital Stock increased by 3.38% from ₱2.65 billion in 2Q 2020 to ₱2.74 billion in 2Q 2021.

Conversely, the HMO industry's Total Net Income contracted year-on-year by 42.52%, from ₱4.53 billion in 2Q 2020 to ₱2.61 billion in 2Q 2021.

"This substantial decrease in the Total Net Income is driven by the 3.67% decrease in the HMOs' Total Revenue vis-à-vis an increase in its Total Expenses by 4.67%. Total

Revenues decreased from ₱25.64 billion in 2Q 2020 to ₱24.70 billion in 2Q 2021 because of the 3.57% decrease in Membership and Enrollees' Fees and the 1.24% decrease in ASO Network Access and Processing Fees. In the meantime, Total Expenses (including income tax) increased by 4.67% because of the increase in Healthcare Benefit and Claims by 14.98% from ₱13.1 billion in 2Q 2020 to ₱15.1 billion in 2Q 2021," Commissioner Funa explained.

It will be recalled that the regulation and supervision of the HMO industry was transferred to the Insurance Commission from the Department of Health ("DOH") by virtue of Executive Order No. 192, Series of 2015, issued by then President Benigno S. Aquino III.

"If we look at it closely, the decrease in the HMO industry's net income is a testament to the industry's responsiveness in delivering healthcare benefits and claims to our countrymen. We should be reminded that the HMO sector has already paid ₱3.98 billion in COVID-19-related claims, which constitutes 48% of the ₱8.25 billion aggregate COVID-19-related claims paid, since the start of the COVID-19 pandemic until the end of the first half of this year. As I have earlier highlighted, HMOs have a unique place in our country's fight against the pandemic as frontliners and have become a strong and dependable partner in ensuring that our country's healthcare needs during these uncertain times are addressed," Commissioner Funa stated.



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