



Bermuda Hospitals Board

BHB Quarterly Report to the Community – October 2013

We are very pleased to introduce a public quarterly report to Bermuda, to update the community on our activity to date in seeking to achieve financial sustainability for our hospitals to ensure a safe, high quality service which we can all trust, and rely on in times of need.

Venetta Symonds

CEO

On behalf of Senior Management Team members

Jonathan Brewin

Chair

On behalf of BHB Board members

Financial Sustainability

At the end of this document in Appendix I you will find a financial report card which we will report on every quarter in order to give an updated picture of BHB's financial position.

Financial Sustainability committees are now established and include community members with business, economic and financial expertise. In the coming months, we will be running sessions and inviting Bermuda's business leaders to engage them in our strategic process and for us at BHB to better understand the impact felt by businesses by healthcare services.

Budgets were cut by 10% this year at BHB, but there is still work that must be done to find greater efficiencies in how we deliver and coordinate care. This requires detailed financial analysis as well as a very clear focus on maintaining safe, quality services. This will be the balance we seek to achieve as we seek to modernize the operations of BHB to meet the long term needs of Bermuda.

Audit Review

An audit review was commenced this year and the first report was received over the summer. BHB Management and Board have now responded in full to the Department of Internal Audit and will be reporting on how far they have progressed in implementing recommendations in December 2013. A synopsis of the Audit Report is attached to this update in Appendix II.

New Acute Care Wing

Good progress continues to be made on the construction of the new acute care wing and work is well underway within BHB to prepare for the smooth transfer of operations next year. We expect to make a more detailed announcement on progress and move dates in the next few weeks.

Strategic Process Underway

BHB is making progress through a strategic process that is setting short, medium term and long term goals. The process has included over 200 staff through different formats, including town halls, leadership meetings and focus groups to define a long term vision to deliver **safe, high quality, people-centred, compassionate care every day**. Strategic Aims have been set as to how this will be achieved, values have been defined, and priorities agreed, against which BHB is assigning measurable goals so that the Board can monitor progress. The vision, strategic aims, values and priorities are attached to this document in Appendix III.

The heart of the strategy is safety and quality, but critical priorities include doing what is necessary to make BHB financially sustainable and building confidence in BHB by adhering to best practice governance standards. The strategy also recognizes that BHB is a major part of the healthcare system. As we focus on core services, there are opportunities to transition non-core services to the community setting, such as long term care and the urgent care service (see below). It also recognizes the need for working in partnership with the Ministry, BHEC, physicians, and other healthcare providers to help modernize the healthcare system for Bermuda, and update existing legislation.

BHB to Cease Providing Urgent Care Services

A full business case has been approved by the Senior Management Team and Board to cease delivering its out of hours urgent care service from the Lamb Foggo Urgent Care Centre after Friday 29 November 2013. This move is reflective of BHB's strategy to focus on providing high quality core services while reducing its cost base and ensuring long term financial sustainability.

Emergency Care is a mandated service, as only BHB has the specialist physicians, nurses, equipment, and support services to respond. This will continue to be provided from KEMH. Urgent care, however, caters to people with minor injuries and illnesses that can be adequately addressed by community health care providers. They can often provide this kind of service more efficiently and at lower cost to Bermuda, while maintaining quality.

Most of the cases seen at the Urgent Care Centre were of a minor nature, and an average of only about 14 people per day used the service. The numbers did not warrant the cost of the service: BHB made a loss of about \$250,000 per year on the delivery of urgent care services, and it was also costly to the healthcare system, as many minor injuries and illnesses can be managed safely and appropriately in a lower cost primary care setting.

The Urgent Care Centre was opened in 2009; it was a project requested by Government and funded by a Government grant of \$5.3m. An additional \$2.5m was contributed by BHB so that it could provide a diagnostic service. Diagnostic equipment will be returned to KEMH when the BHB service ceases.

BHB recognizes that the UCC also provides medical care when the causeway closes for storms, and is a disaster hub should there be a major accident or incident in the East End. These are national disaster

response concerns and BHB will support Government in seeking solutions that best meet the country's needs . It is possible that the UCC could be utilized to deliver health services and these discussions are just starting. However, the service as provided by BHB will cease. Discussions with staff who worked at the UCC are now underway. One physician has decided to take a redundancy and the other is still considering his options with regard to returning to the Emergency Department at KEMH. All other staff will be redeployed.

APPENDIX I: Year To Date (YTD) FINANCIALS – The following figures have not been audited.

KEY PERFORMANCE INDICATORS		
	2013	2012
Net Margin	-2.79%	4.15%

INCOME STATEMENT		
	YTD	YTD
	Sept 30, 2013	Sept 30, 2012
Total Revenue	\$ 145,022,582	\$ 158,809,102
Expenses		
Staff Costs	93,700,843	95,959,436
Medical & General Supplies	25,155,503	27,754,998
Direct Operating Costs	14,922,429	15,979,717
Other Costs	15,289,512	12,527,802
Total Expenses	\$ 149,068,288	\$ 152,221,952
Net Surplus/Deficit	\$ (4,045,706)	\$ 6,587,150

BALANCE SHEET		
	Sept 30, 2013	Sept 30, 2012
Assets		
Current Assets	\$ 131,183,608	\$ 93,112,686
Capital & Other Assets	264,356,709	202,444,429
Totals Assets	\$ 395,540,317	\$ 295,557,115
Liabilities & Net Assets		
Current Liabilities	\$ 58,956,985	\$ 40,108,937
Long Term Liabilities	236,764,159	157,423,662
Net Assets	99,819,173	98,024,516
Total Liabilities & Net Assets	\$ 395,540,317	\$ 295,557,115

- Revenue has declined due to largely due to a reduction in outpatient revenue, and the withdrawal of the Geriatric subsidy (used to fund the Continuing Care Unit residents).
- Other Costs have increased due to depreciation charges associated with the construction of the new acute care wing.
- Current liabilities have increased due to amounts payable to BHB suppliers.
- Long term liabilities and capital assets have increased due to the accounting treatment for the new acute care wing.

APPENDIX II: Public Synopsis of the Findings of the Department of Internal Audit

Bermuda Hospitals Board is pleased to make public a synopsis of the findings of the Department of Internal Audit. This document has been reviewed by the Department of Internal Audit to ensure accuracy. To ensure public accountability for all findings, the full Review has been forwarded to the Auditor General and the Department of Internal Audit will be meeting with BHB by December 2013 to monitor progress of the implementation of the recommendations from their review, all of which have been accepted by BHB.

This is the last of five reports on BHB which have been made public over the last six months, which collectively have covered physician compensation, BHB's ability to pay for the new acute care wing, the impact of revenue caps, and the clinical and corporate governance structures of the organization. The previous reports had been undertaken under the leadership of CEO Mrs Venetta Symonds. Following her appointment in April 2012, Mrs Symonds initiated the reviews in an effort to strengthen governance and to ensure financial sustainability. The Review by the Department of Internal Audit was recommended by the Auditor General due to concerns about BHB's annual financial statements audit for fiscal year ending (FYE) 31 March 2012.

BHB has recognized that its growth over the last decade requires it to modernize its governance and internal due diligence. It is no longer a small, cottage hospital, but a larger community hospital providing a range of specialist and emergency services that are of national importance and critical to the health of the country.

Despite the growth in size and services at BHB, the governance structure of the organisation had not been reviewed in a detailed way nor significantly changed. Financial statements are audited by the General Auditor each year, and financial statements are publicly released, but weaknesses internally open BHB up to unfounded accusations and legal cases. It also does not ensure that decisions are always in the best interests of BHB and the health care system, and does not adequately protect the organization from the potential influence of individuals both within and outside of BHB.

On February 1, 2013 the Auditor General of Bermuda, Mrs. Heather A. Jacobs-Matthews formally wrote to Mrs Venetta Symonds, President and CEO of the Bermuda Hospitals Board (BHB), informing her that as a result of grave concerns uncovered during the conduct of BHB's annual financial statements audit for FYE 2012 she was recommending that the Department of Internal Audit conduct a review of BHB's operations and that the review be extended to include Healthcare Partners Limited (HPL), a wholly owned subsidiary of BHB. Additionally, the Auditor General recommended that BHB's CFO, Ms. Delia Basden, be placed on Administrative Leave pending the completion of the review.

On March 15, 2013 the Department of Internal Audit commenced a financial review of BHB's operations, inclusive of the operation of Healthcare Partners Limited, the wholly owned subsidiary of BHB. The financial review covered FYE 2011 and FYE 2012 and focused on the following processes within BHB:

- Corporate Governance
- Healthcare Partners Limited (HPL)
- Capital Assets
- Human Resources
- Information Technology
- Revenue

The primary objective of this review was to assess the operating effectiveness of internal controls within selected financial processes.

The Department of Internal Audit concluded its review in August 2013 and issued an Internal Audit Report to BHB's Senior Management Team and Board of Directors on September 11, 2013. The audit report highlighted the following findings and observations:

- The review revealed that there were serious deficiencies in BHB's corporate governance framework which if not addressed could result in a lack of effective management oversight and administration and reduced accountability at BHB.
- The review found that as a result of an unclear and questionable operational purpose for Healthcare Partners Limited (HPL) the auditors were not able to determine how HPL fitted into BHB's operational model and strategy. The auditors therefore could not determine the true organizational impact of HPL's existence on BHB's operations or whether HPL was achieving its intended purpose.
- The review found that there were material weaknesses in internal controls and the overall control environment with respect to capital assets, human resources, information technology and the revenue processes at BHB, which if not addressed could prevent BHB from achieving its goals and objectives relating to efficiency and effectiveness of operations; reliability of financial reporting; and compliance with policies, procedures, laws and regulations.

Included in the auditors' report were sound financial and operational recommendations aimed at eliminating the deficiencies and exposures noted. The Board of Directors and the Senior Management Team at BHB have accepted the auditors' findings and recommendations and have begun the process of implementing the necessary corrective actions.

At the date of this report being made public (31 October 2013), Ms Basden still was employed by BHB and BHB is unable to breach employee confidentiality by commenting about the details or status of employment.

Transparency and accountability are given high priority at BHB, and management and the Board of Directors believe that sharing critical information with the public will help build trust and confidence in the control and oversight systems at BHB. In this regard, management and the Board of Directors will provide further updates as the auditors' recommendations and corrective measures are implemented and the overall control environment at BHB is strengthened.

APPENDIX III: Vision, Strategic Aims, Values and Priorities



Bermuda Hospitals Board

Vision

Safe, high quality, people-centered, compassionate care every day

Strategic Aims

1. *Recognise the patient as the reason we are here*
2. *Achieve the highest, evidence-based international standards in a safe, caring environment*
3. *Educate the community, patients, families, other stakeholders and staff using our clinical and professional expertise.*
4. *Structure services to ensure sustainable quality and cost*
5. *Collaborate with our stakeholders to advocate for health system reforms and improvements*
6. *Build staff and community confidence in BHB*

Values

Respect – *Treating colleagues, patients, their families and all other stakeholders with professionalism and empathy, and honoring each individual's diversity*

Accountability – *Taking ownership and responsibility, and meeting the highest standards of governance*

Integrity – *Delivering a transparent, trusted, confidential, ethical service, where people do the right things for the right reasons*

Service – *Above all, caring for and acting in the best interests of our patients, families and community*

Excellence – *Aspiring to be the best in all we do*

STRATEGIC PRIORITIES 2013 - 2018

QUALITY OF CARE	PATIENT EXPERIENCE	WORKFORCE EXPERIENCE	FINANCIAL HEALTH	LEADERSHIP
Improve Safety	Improve Patient Care Communication	Ensure Workforce Is Appropriately Skilled, Committed & Engaged	Execute Financial Sustainability Planning	Modernise Relevant Health Legislation to Drive System Healthcare Improvement
Develop Clinical Service and Workforce Plan	Execute Operational Readiness Objectives	Improve Employee Satisfaction	Improve Financial Governance Decision Making	Re-engineer Terms & Conditions of Employment
Ensure Compliance with Evidence-based Standards	Manage Hospital Capacity and Productivity to Improve Access to Care	Create a Culture of Accountability and Professionalism	Enhance Efficiency & Effectiveness Through Utilisation of Technology	Driving Improvement Through Integration & Partnership
Improve Clinical Outcomes	Improve Patient Journey	Foster Culture of Teamwork, Integrity and Respect	Progress Long-Term Estate Plan	Adhere to Best Practice Governance Standards Throughout the Organisation