BERMUDA HOSPITALS BOARD ANNUAL REPORT 2003/2004

poised for the future

Contents

Bermuda Hospitals Board of Directors	2
Chairman's Report	5
Chief Executive Officer's Report	6
Chief of Staff's Report	7
Facilities	8
Clinical Programmes	9
St Brendan's Hospital	10
Quality & Risk Management	11
Support Services	12
Human Resources	13
Chief Financial Officer's Report	14
Auditor's Report	16
Statement of Financial Positions	17
Statement of Operations	18
Statement of Changes in Net Assets	19
Statement of Cash Flows	20
Notes to Financial Statements	21
Statistical Analysis: King Edward VII Memorial Hospital	34
Statistical Analysis: St Brendan's Hospital	35
Accreditation Teams	36

JONATHAN BREWIN
Chairman

JOAN DILLAS-WRIGHT
Chief Executive Officer

Bermuda Hospitals Board of

Eugene Blakeney
Deputy Chairman

Lynne Cann

Rev. Howard Dill

Wendell Emery

Tonya Minors










Marijke Peterich

Alda Raposo

Anthony Richardson

Dr. Alexander Romeo

Charmaine Tucker

Ex Officio board members (not pictured) are Dr. June Hill, Dr. John Cann, Mrs. Delia Basden and Dr. Gordon Campbell

‘Our vision at the Bermuda Hospitals Board is to be a centre of excellence.’

'We would like to show you some of the faces that help us achieve our vision 24 hours a day, 365 days of the year.'

A diverse group of BHB employees and volunteers working together.

Chairman's Report

Annual reports give us an opportunity to review the past year and reflect on our activities. While you will find information and statistics from the past year in this report, our principle message is about looking to the future. With several accomplishments behind us and many exciting initiatives ahead, our hospitals are poised to embark upon a successful and exciting future centred on a commitment to excellence in patient care.

As we advance towards a promising future for Bermuda's healthcare, it is vital that we have the support of our community. While we expect and encourage the close scrutiny placed on the Bermuda Hospitals Board and know there is always room for improvement, it is important that we are aware of the many excellent services available at King Edward VII Memorial and St. Brendan's Hospitals.

The Bermuda Hospitals Board provides a range of services far broader than commonly expected of institutions serving a similar population base. It is very rare that hospitals of our size have a state-of-the art cardiac facility, a maternity ward cited as 'best practice' example in Canada, a magnetic resonance imaging unit, a leading diabetes centre and internationally recognised mental health services. We are extremely fortunate to have excellent partnerships with some of the world's leading specialist hospitals including Johns Hopkins and the Lahey Clinic, and to have access to their world-renowned resources.

To add to this, our hospitals are the only healthcare organisations in Bermuda that are accredited by the Canadian Council on Health Services Accreditation, an independent organisation whose role is to help organisations examine and improve the quality of care and service they provide to their clients.

Our vision at the Bermuda Hospitals Board is to be a centre of excellence. It takes the combined effort of many individuals to make this a reality. In this annual report, we would like to show you some of the faces that help us achieve our vision 24 hours a day, 365 days of the year – our team of physicians, support workers, nurses, administrators, students and volunteers. We recognise the enormous contribution made by every level of our staff, and are committed to supporting our people who give so much of themselves to help the residents of Bermuda.

Major emphasis will be placed on accountability and transparency as the Bermuda Hospitals Board moves forward. We realise that these elements are absolutely essential as we progress with our initiatives, which you will read about in the chief executive officer's report as well as the directors' reports that follow.

A heightened commitment to excellence in patient care, investment in our staff and facilities will characterise the Bermuda Hospitals Board as we look ahead. It is an exciting period for healthcare in Bermuda, and I look forward to sharing our progress with you.

Jonathan Brewin
Chairman of the Board

Chief Executive Officer's Report

A maternity ward to be proud of.

This was a pivotal year at the Bermuda Hospitals Board. Through the tireless efforts of our staff, volunteers, physicians and board members, we achieved several objectives and are now poised for a future filled with great progress.

We were very pleased to announce the commissioning of an estate master plan for our facilities, which will create a vision for modernising our physical environment and clinical services. Our current buildings have served us well, but they are aged and now pose challenges to our hospitals. Our goal is to have a completed plan by the spring of 2005, which we will be sharing with the community. We will involve several key stakeholders in the planning process.

The Bermuda Hospitals Board underwent an organisational review this year, with the aim of improving the efficiency and effectiveness of both hospitals. Our employees provided the data for the review, which was commissioned by the Ministry of Health and Family Services and executed by an independent firm. We anticipate receiving the recommendations, aligning them with our strategic plan and implementing them across the hospitals as appropriate.

Preparation for accreditation was also high on the agenda this year. Every three years, the Bermuda Hospitals Board voluntarily undergoes a detailed comparison of our services and method of operation against a set of Canadian standards. We responded successfully to the specific short-term recommendations from the last accreditation, and continue to prepare for the next one in 2005. Also important to note are the appointments of a Director of Facilities and Director of Quality and Risk Management.

Each of these activities – estate master planning, the organisational review and accreditation – illustrates the Bermuda Hospitals Board's commitment to progress. Although the initiatives are distinct, each brings us closer to achieving our vision of being a centre of excellence. We will employ a coordinated and consistent approach to achieving all of them.

There was a renewed emphasis on communications this year, which will become increasingly important as we move forward. Working with a public relations firm, we developed a communications plan, undertook a benchmark public perception study, established a press office and kept our employees and the community informed of our various developments.

One cannot recap the past year without mentioning Hurricane Fabian. The hospitals' response during the hurricane was exemplary. Both hospitals sustained damage, but never discontinued services to ensure the care and safety of patients. Even during the aftermath, challenges were met with optimism and energy.

The Bermuda Hospitals Board has performed very well this past year financially, as detailed in the information found later in this report. Controlled spending, close monitoring and management of all aspects of the financial services areas have contributed to this positive financial outcome.

I would like to gratefully acknowledge the work of our physicians, staff, board members and volunteers, without whom none of the above could have been realised. I thank them for their hard work and support, and look forward to continued successes.

Joan Dillas-Wright
Chief Executive Officer

Chief of Staff's Report

The focus of the Chief of Staff office at the Bermuda Hospitals Board is the effective functioning of the medical staff and the quality of care offered to patients at King Edward VII Memorial Hospital and St. Brendan's Hospital.

Continuing medical education is essential to excellence in patient care. We spent a considerable amount of time this year laying the groundwork for telemedicine, which will allow ready access to expert advice and patient information, no matter where the patient or relevant information is located. Through the use of electronic information and communications technologies, we will exchange medical information with leading hospitals. This initiative will greatly benefit our patients and medical staff.

As we move forward, it will become increasingly important to attract talented young Bermudians into the medical profession, and to direct them into areas where there is a need. Financial support will help, as medical education is long and expensive. The Hospitals Auxiliary of Bermuda has taken the lead in this area and will this year offer a generous scholarship to a deserving young Bermudian in celebration of their own 50th Anniversary. Hopefully, other groups will follow their lead.

As the only 'game in town', the Board must provide a medical service that is as comprehensive as possible. To this end, the Board spent a large part of 2003 laying the groundwork for a rehabilitation unit, which will hopefully be established in 2004. The Boards' geriatrician, Dr. David Harries, has championed this project together with a very able committee.

The Board achieved accreditation with report in 2002, and was notified a few months ago that, in view of the CCHSA's satisfaction with the reports provided, full accreditation was again granted. In 2005 the whole process begins again. In fact, it never stops as we continuously strive to improve; nor should it.

June E. G. Hill, M.D., F.R.C.P.C.
Chief of Staff

Dr. June Hill with scholarship winner Merate-Kristos Place.

Facilities

I am pleased to report that the Facilities Directorate has made steady progress towards improving our service levels, despite the many challenges we faced. We undertook an organisational review and developed a stable structure for the delivery of facilities management services, which will provide staff with greater career opportunities and perhaps greater job satisfaction. We look forward to continuing to provide efficient and effective levels of service into next year and beyond.

During the final quarter of 2003, we created a conceptual estate plan for King Edward VII Memorial Hospital. The board approved the plan's approach to improving patient care and the environment for patients, visitors and staff. The development of a comprehensive estate plan is now featured prominently on our agenda.

Our vision is to be a directorate that plays a key role in the development and modernisation of healthcare service for the Bermuda Hospital Board. Our aims are to provide a first class environment that improves the patient experience, and to deliver improved patient-focused facilities through teamwork, fresh thinking and modernisation. Our service strategy is to create a welcoming, caring and informative environment while maintaining our focus on efficient service.

Working closely with our medical and clinical colleagues, we are completing several major capital projects including the intensive care unit and the diagnostic imaging facility. These projects are scheduled for opening in November 2004 and March 2006 respectively.

Other capital investments include upgrading our laundry, morgue and dialysis areas. We will also perform internal renovations to form a maternal/child unit, a rehabilitation unit and a day hospital.

We are committed to ensuring our services are of the highest standard. In doing this, I acknowledge the outstanding contribution of our staff.

George Melling
Director of Facilities Management

George Melling and Kathy-Ann Lewis review blueprints.

Clinical Programmes

The Clinical Programmes Directorate is responsible for the patient care services at King Edward VII Memorial Hospital; namely, the continuing care, critical care, maternal/child, medical and surgical programmes. We continue to move closer to our goal of a healthier, more involved community through our collaborative efforts with key stakeholders.

This year we continued to benchmark our services with those of leading international hospitals. A cross-section of the directorate (programme managers, rehabilitation coordinators, physiotherapists, dietetic services staff and medical social workers) visited the Markham-Stouffville Hospital in Canada to observe its customer service and programme management models. The team then implemented certain changes to reflect best practices it had observed.

Employee commitment is a primary factor in retaining and attracting the professionals so necessary to our organisation's success. An important part of this is recognising the excellent work done by our employees and medical staff on a daily basis. The medical programme held its annual award ceremony, where nurses, physicians, physiotherapists, occupational therapists and administrators were recognised. It was a wonderful event, and we look forward to more ceremonies such as this one that showcase the talent of our employees and medical staff.

Our leadership development commenced this year. We are committed to ensuring that our leaders have the tools they need to succeed. Our team looks forward to a sound succession plan being in place for all of our leadership positions during the next fiscal year.

We appreciate the continued assistance from our team members, charities and community partners, and are hopeful for continued mutual support in the future. We are thankful and recognise their commitment to excellence in healthcare for the whole of Bermuda.

Kathy Ann Lewis
Director, Clinical Programmes

Shekieta Watts with a patient from the Continuing Care Unit.

St. Brendan's Hospital

Dr. Maggie Cormack consults with a client.

St. Brendan's Hospital had a year of change and progress, and our staff faced each new task with enthusiasm and professionalism. This ensured that our clients continued to receive a high level of quality mental health services.

We look forward to receiving the recommendations from the organisational review and moving forward with measures that will continue to enhance our services and allow us to further invest in our staff.

The relocation of Orange Valley, the school for special needs of young adults, to the Social Centre at St. Brendan's Hospital was a significant event this year. After minor renovations, the school opened on September 22, 2003 and is now home for 12 trainees and 12 staff.

We are grateful to Project 100 for the purchase of a second group home in Southampton for seven learning disabled clients. This is now home for our first wheelchair bound patients. Additionally, the Hospital Auxiliary Board purchased a six-seater van for the Learning Disability clients in Rose Villa.

The Inpatient Detoxification Unit completed a calendar year of operation without any major incidents. Admissions to the unit were lower than anticipated, and there are plans to review the occupancy rates and to implement any recommendations that might improve these numbers over the coming year.

The Rehabilitation Inpatient Services were able to upgrade the facilities to make the environment more user-friendly for patients requiring more intense rehabilitation.

Several other improvements were made to our facilities, including new jet steamers, a baker's oven, steam kettles and upgraded walk-in freezer for the Dietary Department; new linen for laundry services; installation of a lighting protection system; and completion of the design drawings for the new fire system.

There were also several leadership appointments: Dr. Edirimuni Rodrigo was appointed as the third full-time adult psychiatrist, Mr. Preston Swan was appointed to the post of Programme Administrator of the Substance Abuse Programme, and I was appointed as Director of St. Brendan's Hospital.

The staff at St. Brendan's is always receptive to changes designed to improve our care delivery, and we look forward to continuing to make strides in this area.

Patrice Dill
Director, St. Brendan's Hospital

Quality and Risk Management

This past year has seen a heightened focus on accountability and transparency throughout the Bermuda Hospitals Board, which has increased the emphasis on quality and risk management.

Importantly, we developed a Performance Improvement Plan for the organisation, which will guide the planning, execution and evaluation of all process improvements This plan of action will be directed through the Quality Council.

Another highlight is our preparation for accreditation. All the care and service teams have already begun the very important task of assessing how services and processes can be further improved. We expect the accreditation survey to occur during the second quarter of the 2005 fiscal year.

The infection control (IC) practitioners are an indispensable part of quality improvement and were very busy this year. While Severe Acute Respiratory Syndrome (SARS) outbreaks continued in the Far East and Toronto, the IC practitioners and the Health Department worked together to ensure that all measures were taken to prepare for a possible occurrence in Bermuda by forming a dedicated team and developing a contingency plan. Health care workers were educated about the precautions needed to protect themselves and prevent the transmission of the disease should it spread to Bermuda. The plan was tested when a suspected case was admitted. Thankfully, the patient was found to be negative.

Handwashing is an important part of infection control.

In addition to the SARS plan, a number of other plans were implemented: an exposure control plan was developed to improve the containment of many other types of communicable diseases; a surveillance plan was executed to reduce hospital-acquired infections in high-risk areas such as our Intensive Care and Dialysis Units and another plan is in place for dealing with high-risk infections such as those in patients' bloodstreams or surgical wounds.

This year, we also saw our first cases of the resistant Extended Spectrum Beta Lactamase (ESBL) producing bacteria. Transmission-based precautions are currently in place and have successfully controlled the transmission of the newly found class of bacteria.

Overall, we have made many strides in improving the quality of care and service at both hospitals while controlling risk. We look forward to further improvements in the year ahead as we reach for excellence.

Judith A. Richardson
Director, Quality and Risk Management

Support Services

The Support Services Directorate facilitates many of the processes that keep our hospitals running efficiently on a day-to-day basis. We have made significant strides forward during this 12-month period, which we will continue to build on in the years ahead.

The new Total Parental Nutrition service provided by pharmacy staff has improved the process for mixing medications and released nurses from this task to spend more quality time with patients. The online formulary is accessible from any computer within the physicians' reach, and it complements the convenient online drug ordering process. Plans are now in place to provide expanded retail pharmacy services to cater to the needs of our clinic clients.

Derel Alleyne operates the digital X-ray machine.

The Diagnostic Imaging Department completed its MRI training relationship with Johns Hopkins. The department now has a skilled MRI staff that is continuously evolving to offer specialised diagnostic studies. Plans continued for the Diagnostic Imaging Internal Renovation Project, which will improve the emergency entrance, waiting room and several key imaging areas. Staffing levels were optimised in radiology enabling a return to a twenty-four hour rota. Education and training provided locally and overseas allowed for professional development in the areas of imaging equipment, mammography and picture archival communications systems. Stereotactic breast biopsies continued to improve the experience for patients utilising this safe, less invasive approach to biopsy.

The Pathology Department completed the first phase of its approach toward pathology accreditation. Policies and procedures were updated, outdated equipment replaced, and enthusiastic staff attended training sessions.

The Food Services Departments increased their focus on relations with the unions. Several creative approaches to reduce vacancy duration were accepted and implemented. Expanded inventory control resulted in reducing the expenditure on certain food products. To improve operating standards, quality control audits were introduced. Old equipment was replaced as required.

Information Services employed strategies to strengthen the IT infrastructure and security. Clinical Records began plans to centralise patient files and improve record processing times. The library met the knowledge needs of the organisation with up to date journals and informational searches. Telecommunications kept everyone in touch with courteous greetings and efficient service.

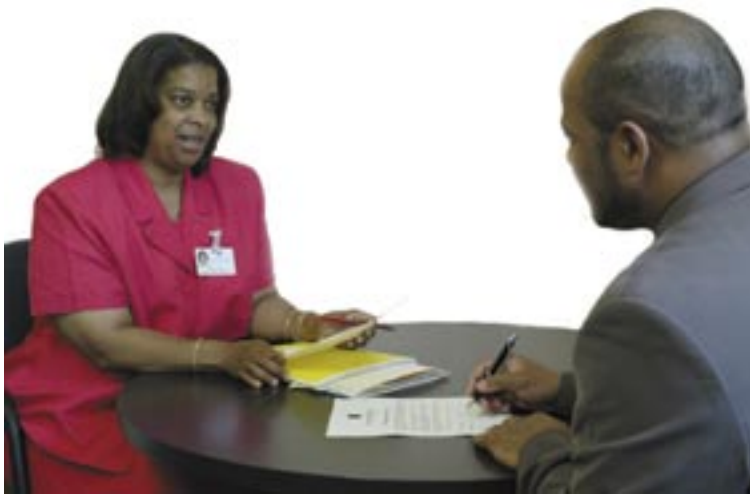
The Support Services Directorate continues to strive for excellence, and looks forward to continued progress.

Venetta Symonds
Director, Support Services

Human Resources

The retention and development of human resources continues to be a key priority for the Bermuda Hospitals Board. The addition of a human resources staffing specialist has enabled our team to expand the recruitment function and provide a greater level of direct organisational planning support to staff.

One of our objectives is to cultivate young Bermudians' interest in healthcare professions. This year, we involved more than 100 students in various programmes and services at the hospitals, and awarded $250,000 in scholarships and loans for students pursuing careers in healthcare.



Miriam Caisey and Daniel Stovell discuss human resources issues.

The relationship with our union partners, the Bermuda Public Services Union (BPSU) and the Bermuda Industrial Union (BIU), continued to grow and mature. We resolved all of our issues without third party intervention by mediators or arbitrators. Prior to commencing negotiations with the BPSU, both teams received training for interest-based negotiations from the Massachusetts Institute of Technology. Interest-based negotiations focus on embracing the differences between the parties and jointly working towards mutually beneficial solutions, as opposed to becoming mired in the traditional system of bargaining. The adoption of interest-based bargaining methodologies was not without its challenges; however, it resulted in securing an agreement with the BPSU within seven negotiation meetings. We look forward to adopting this approach in future discussions with both unions.

'The patient is the reason we are here' is one of our core values. We must continue to invest in the development of our staff, physicians and users to ensure that this value is understood and acted upon throughout the Bermuda Hospitals Board. Proficient skills, leadership and vision emerge from organisations that work for and with their people. The Human Resources Directorate endeavours to deliver the tools needed to meet the care standards we promote and strive for as an organisation.

Scott Pearman
Director, Human Resources

Chief Financial Officer's Report

The Financial Services Directorate supports the Bermuda Hospitals Board's commitment to excellence in patient care at King Edward VII Memorial Hospital and St. Brendan's Hospital. The Directorate aims to achieve this objective by ensuring that the Bermuda Hospitals Board operates in an efficient fiscal environment. To be successful, we must provide financial leadership to the organisation through sound budgeting processes, training and an effective control environment. We must also generate a sufficient annual income to support investment for the future of our hospitals.

I am pleased to report that the net income for 2004 of $6.0 million reflects a significant improvement when compared to the loss in 2003 of $3.5 million. The primary factors that positively impacted this result were the increased use of outpatient services and continued focus on containing our expenditures. There is a continuing trend with outpatient services becoming a greater portion of revenues when compared to inpatient services.

Although a not-for-profit entity, the Bermuda Hospitals Board must generate income to meet the community's expectations for excellence in patient care. A reasonable level of net income demonstrates good financial leadership and allows for investment in employees, equipment, new services, technology and infrastructure.

It is important for all stakeholders to understand that the Bermuda Hospitals Board generates revenue from three primary sources: fees for services rendered, a government grant for operating St. Brendan's Hospital and donations.

Fees for services rendered are classified as either inpatient or outpatient services. A flat rate is charged per day for inpatient services, irrespective of services rendered. Outpatient services are billed based on the actual services rendered. All rates are set annually by government regulation. The Bermuda Government, in accordance with the Hospital Insurance Act 1970, pays for all services received for children under the age of 16, persons deemed to be indigent and the elderly (over 65 years of age) by way of a partial subsidy.

The Government provides a grant covering approximately 90% of the operational expenses of St. Brendan's Hospital. A budget request is submitted to the Ministry of Finance each year, which determines the operating and capital grant that is received. The hospital uses the zero based budgeting process that has been recently adopted by government.

The Bermuda Hospitals Board gratefully receives donations from the community, with its most consistent donor being the Hospitals Auxiliary of Bermuda. Some donors make contributions for specific purposes, while others give general donations that can be used at the discretion of the Bermuda Hospitals Board. Donations are normally used for capital expenditures, scholarships or for providing educational opportunities for staff. The impact of donations is further enhanced when we purchase imported goods. Purchases that are made with at least 60% of donated funds are exempted from import duty under the Bermuda Customs Tariff.

Financial Highlights

Some of the significant successes for fiscal 2004 include the improvement in net income of $9.5 million when compared to fiscal 2003, refinancing of the 8% bonds at a new rate of 4.5%, continued focus on cost containment in all operating areas and an increase in cash balances of $3.6 million. The impact of Hurricane Fabian required us to fund some repairs in excess of our insurance settlement, but it did not cause a significant negative financial impact.

Accounts receivable balances reflect an increased focus by the finance team. The 2004 balance of $10.4 million is 7% of total revenues, compared to $8.6 million or 6% in 2003. $3.2 million of the year-end balance is due from Government, while 55% relates to commercial insurers and 13% relates to our patient ledger. We expect to collect the government-related and commercial insurer balances in the normal course of business. Our accounts receivable team places significant effort on our patient ledger balances, which require regular and consistent follow up to achieve success. They also reflect our policy (and Bermuda's expectation) that all patients should have access to care notwithstanding their ability to pay.

In the near future, we will implement a new Charge Description Master that will provide fees that are more representative of costs, utilizing internationally recognised coding conventions. We anticipate that this will allow the Bermuda Hospitals Board to maintain positive financial results, which will assist in the achievement of its strategic goals.

Management Responsibility for Financial Statements

The accompanying financial statements and all other information contained in this annual report are the responsibility of the Bermuda Hospitals Board. The financial statements have been prepared by management in accordance with the generally accepted accounting principles and have been approved by the Finance Committee.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Hospitals. Management maintains a system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The Finance Committee reviews the annual financial statements and recommends them to the Board for their approval.

In addition, management meets with the external auditor and reports to the Finance Committee. The financial statements have been audited by the Bermuda Hospitals Board's auditor.

Delia Basden
Chief Financial Officer

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AUDITOR'S REPORT

To the Minister of Health and Family Services

I have audited the statement of financial position of the Bermuda Hospitals Board as at March 31, 2004 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Bermuda Hospitals Board derives a portion of its revenue from the general public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Board and I was not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenses, assets and net asset balances.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2004 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

[redacted]

Hamilton, Bermuda
August 13, 2004

Larry T. Dennis, C.A.
Auditor General

Statement of Financial Position

As at March 31, 2004

	2004	2003
ASSETS	**$**	**$**
Current assets		
Cash and time deposits	12,851,012	9,228,956
Restricted cash, term deposits and investments (note 3)	2,934,607	2,813,968
Accounts receivable (net of allowance for doubtful accounts 2004 - $991,961; 2003 - $1,285,250 (note 8))	10,354,164	8,570,826
Due from the Consolidated Fund of the Government of Bermuda (note 8)	223,440	30,293
Other receivables (note 8)	701,216	288,803
Inventories	3,922,522	3,540,357
Prepaid expenses	1,012,636	744,672
	31,999,597	**25,217,875**
Long term assets		
Capital assets (note 6)	83,485,084	84,449,663
Investments (note 7)	945,660	—
Bond sinking fund	—	4,979,285
Pledges receivable (note 5)	108,300	199,741
	84,539,044	**89,628,689**
	116,538,641	**114,846,564**
LIABILITIES, DEFERRED CAPITAL CONTRIBUTIONS AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	9,999,700	10,349,986
Accrued salary and payroll expenses (notes 8 and 13)	8,380,944	7,892,147
Current portion of long term debt (note 9)	2,742,566	5,062,836
	21,123,210	**23,304,969**
Long term liabilities		
Pension accrual (note 13)	6,740,171	6,464,302
Accrued health insurance (note 13)	6,933,637	5,052,422
Long term debt (note 9)	14,118,133	17,789,789
	27,791,941	**29,306,513**
Deferred capital contributions (note 10)	**22,228,755**	**22,868,842**
Net assets		
Invested in capital assets (note 11)	42,800,694	42,210,658
Internally restricted for pensions (note 12)	458,344	458,344
Internally restricted for education (note 12)	449,143	415,150
Unrestricted	1,686,554	(3,717,912)
	45,394,735	**39,366,240**
	116,538,641	
	114,846,564	

The accompanying notes are an integral part of these financial statements

Statement of Operations

For the year ended March 31, 2004

	KEMH	SBH	2004	2003
	$	$	$	$
OPERATING REVENUES				
Outpatient (note 8)	63,626,654	201,497	63,828,151	55,677,500
Inpatient (note 8)	43,140,150	1,284,795	44,424,945	41,723,474
Extended care unit (note 8)	10,682,771	—	10,682,771	9,616,207
Amortisation of deferred capital contributions (note 10)	1,155,926	470,640	1,626,566	1,604,977
Non-medical (notes 2(f) and 8)	2,171,959	224,506	2,396,465	1,634,132
Gain on disposal of capital assets	—	—	—	43,753
Investment Income	65,842	—	65,842	365,318
Surcharge to non-residents	353,204	—	353,204	350,069
Donations	322,085	—	322,085	282,585
Government grants (note 8)	—	23,884,965	23,884,965	22,102,475
Total operating revenues	**121,518,591**	**26,066,403**	**147,584,994**	**133,400,490**
SALARIES AND EMPLOYEE BENEFITS				
Direct medical staff	28,457,509	9,794,348	38,251,857	35,639,910
Supporting medical services	13,694,295	4,100,407	17,794,702	17,184,009
Ancillary services	12,730,914	1,851,819	14,582,733	14,123,694
Employee benefits (notes 8 and 13)	9,850,834	2,621,161	12,471,995	12,598,307
Administrative services	6,842,360	329,627	7,171,987	7,900,949
	71,575,912	**18,697,362**	**90,273,274**	**87,446,869**
OPERATING EXPENSES				
Medical supplies	14,425,807	502,141	14,927,948	12,267,857
General supplies and services (note 8)	10,113,833	2,061,443	12,175,276	12,991,779
Utilities (note 8)	4,284,073	740,319	5,024,392	4,810,315
Amortisation of capital assets	4,212,041	573,042	4,785,083	5,465,676
Consulting and business expenses	4,009,645	560,269	4,569,914	4,380,006
Repairs and maintenance	3,604,658	430,026	4,034,684	4,209,930
Food	1,417,644	597,275	2,014,919	1,911,958
Miscellaneous (note 8)	1,655,163	—	1,655,163	1,026,958
Interest expense	1,174,156	—	1,174,156	1,634,625
Business social cost (note 16)	443,792	—	443,792	—
Scholarships issued	161,065	—	161,065	175,711
Bad debt expenses	129,210	—	129,210	588,505
Loss on disposal of capital assets	32,595	2,396	34,991	—
Management charge	(1,460,009)	1,460,009	—	—
	44,203,673	**6,926,920**	**51,130,593**	**49,463,320**
Total expenses	**115,779,585**	**25,624,282**	**141,403,867**	**136,910,189**
Net operating income	**5,739,006**	**442,121**	**6,181,127**	**(3,509,699)**
Extraordinary gain (loss) (note 17)	(172,200)	19,568	(152,632)	—
Excess of revenues over expenses	**5,566,806**	**461,689**	**6,028,495**	**(3,509,699)**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

for the year ended March 31, 2004

	Invested in capital assets	Internally Restricted for Pensions	Internally Restricted for Educational Purposes	Unrestricted	2004 Total	2003 Total
NET ASSETS	$	$	$	$	$	$
Balance, beginning of year	**42,210,658**	**458,344**	**415,150**	**(3,717,912)**	**39,366,240**	**42,875,939**
Excess (deficiency) of revenue over expenses (note 11)	(3,193,508)	—	33,993	9,188,010	6,028,495	(3,509,699)
Net change in investment in capital assets (note 11)	3,783,544	—	—	(3,783,544)	—	—
Balance, end of year	**42,800,694**	**458,344**	**449,143**	**1,686,554**	**45,394,735**	**39,366,240**

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the year ended March 31, 2004

	2004	2003
	$	$
CASH FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	6,028,495	(3,509,699)
Amortisation of capital assets	4,785,083	5,465,676
Loss/(gain) on disposal of capital assets	34,991	(43,753)
Amortisation of deferred capital contributions	(1,626,566)	(1,604,977)
Net change in non-cash working capital	(826,154)	5,130,742
Pension benefit expense	275,869	614,937
Net cash generated through operating activities	**8,671,718**	**6,052,926**
FINANCING AND INVESTING ACTIVITIES		
Deferred capital contributions	986,479	375,057
Repayment of long term debt	(17,580,076)	(939,917)
Proceeds from long term loan	11,588,150	2,542,542
Purchase of capital assets	(3,855,495)	(5,396,689)
Pledges for capital assets	91,441	77,999
Proceeds on disposal of fixed asset	—	100,000
Proceeds from disposal of investments	4,033,625	—
Grant receivable from government	(193,147)	60,829
Bond sinking fund payment	—	(1,096,919)
Net cash used in financing and investing activities	**(4,929,023)**	**(4,277,098)**
Net increase in cash and cash equivalents	3,742,695	1,775,828
Cash and cash equivalents, beginning of year	12,042,924	10,267,096
Cash and cash equivalents, end of year	**15,785,619**	**12,042,924**
Cash and cash equivalents consist of the following:		
Cash and time deposits	12,851,012	9,228,956
Restricted cash, term deposits and investments	2,934,607	2,813,968
	15,785,619	**12,042,924**

The accompanying notes are an integral part of these financial statements

Notes To The Financial Statements

March 31, 2004

1. AUTHORITY AND ORGANISATION

(a) ***Authority***

Bermuda Hospitals Board ('the Board') was established under the provisions of The Bermuda Hospitals Board Act, 1970 as amended.

(b) ***Organisation***

The Board is responsible for operating the King Edward VII Memorial Hospital ('KEMH') and St. Brendan's Hospital ('SBH') and receives donations, subsidies and government grants. These operations are included in the financial statements.

KEMH is an inpatient acute care and extended care hospital with two hundred and twenty-six (226) acute care beds and an extended care unit of one hundred and four (104) beds.

SBH is a psychiatric facility with twenty-five (25) inpatient acute care beds and ninety-five (95) long-term rehabilitation beds.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Certain reclassifications have been made to the prior year reported amounts to conform to the current year presentation.

(a) ***Revenue Recognition***

The Board follows the deferral method of accounting for contributions, which include donations and government subsidies and grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the accounting period are accrued. Where a portion of the grant relates to a future period, it is deferred and recognised in that subsequent period.

Unrestricted contributions and pledges are recognised as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognised as revenue in the year in which the related expenses are recognised. Contributions restricted for the purchase of capital assets are deferred and amortised into revenue at a rate corresponding with the amortisation rate for the related capital assets.

Non-medical income comprises revenue that is not derived directly from the treatment of patients or contributions, and is recognised on an accruals basis.

Restricted investment income is recognised as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognised as revenue when earned.

(b) ***Capital Assets***

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Interest costs associated with capital expenditure are capitalised. Repairs and maintenance costs are expensed.

Betterments, which extend the estimated life of an asset, are capitalised. When a capital asset no longer contributes to the Board's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortised on a straight-line basis using the following annual rates:

Buildings	2.5%
Equipment	10.0%
Software	20.0%
Computer equipment	20.0%

(c) ***Cash and Cash Equivalents***

The Board considers all cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty, and short-term deposits with an original maturity of ninety days or less, as equivalent to cash.

(d) ***Inventories***

Inventories consisting of general stores, medical stores, orthopaedic supplies, pharmacy, stationery, and film, are valued at the lower of cost and net realisable value. In the current year, laboratory supplies of KEMH have been included in inventory at a cost of $17,024. These supplies had previously been expensed. This change in accounting policy has been applied on a prospective basis as information to restate the prior year is not readily available.

(e) ***Investments***

Investments comprise term deposits and are carried at cost. Where a decline in the value is considered to be other than temporary, the carrying value is reduced. Investment income is recognised on the accruals basis.

(f) ***Donated Services***

The BHB receives substantial donated services from volunteers in the normal course of operations. Due to the difficulty in valuing the services donated by volunteers, not all donated services are recorded in the BHB's financial statements. The total estimated value of service received from the Hospital Auxiliary of Bermuda was $193,118 (2003 – $115,555) and is recorded as part of non-medical revenues and general supplies and services.

(g) ***Fair Value of Financial Instruments***

The carrying amount of cash and time deposits approximates fair value because of the short maturity of those instruments.

The cost of investments approximates the underlying fair value based on current market interest rates.

The fair value of other assets and liabilities, consisting of accounts receivable, due from the Consolidated Fund of the Government of Bermuda, other receivables, pledges receivable and accounts payable and accrued liabilities, approximates their carrying value due to their relative short term nature. The estimates of fair value of other assets and liabilities are subjective in nature and are not necessarily indicative of the amounts that the BHB would actually realise in current market exchange. However, any differences would not be expected to be material.

The fair value of long term debt is $17,514,838, based on the estimated present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to the BHB for the same or similar debt instruments.

Certain instruments such as prepaid expenses, obligations for employee future benefits and pension obligations are excluded from fair value disclosure. Thus the total fair value amounts cannot be aggregated to determine the underlying economic value of the BHB.

(h) ***Employee Health Insurance Plan***

On June 1, 2003, the Board entered into a policy funding agreement with a third party health insurance administrator, which covers both active and retired employees. In substance this agreement results in the BHB self-insuring its employee healthcare benefits. The agreement is required to remain in force for a minimum of two (2) years subsequent to March 31, 2003. Under the agreement, the Board is liable for any deficit as set out in the agreement, which incorporates net premiums, incurred claims, interest and administration charges. However, should the plan generate a cumulative surplus, the administrator is allocated up to 25% of the surplus in addition to the standard annual administration fee, with the balance being returned to the BHB. The standard administration fee is set at 11% per annum of net premiums.

The establishment of the provision for incurred claims is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process influenced by a large variety of factors. These factors include the Board's previous experience and historical trends involving claim payment patterns, pending levels of unpaid claims, claims severity and claim frequency patterns such as those caused by employee illnesses, accidents or work-related injuries.

The provision for incurred claims is periodically reviewed and evaluated in the light of emerging claim experience and changing circumstances. It is reasonably possible that changes in future conditions in the near term could require a material change in the amount estimated. The resulting changes in the calculated deficit are recorded in the current period.

Included within accounts payable and accrued liabilities is an amount of $400,000 (2003 – $400,000) relating to a deficit on a policy funding agreement between the Board and third party health insurance administrator. The deficit includes incurred claims, which represent the amount needed to provide for the estimated ultimate cost of settling claims relating to insured events (both reported and unreported) that have occurred before the balance sheet date. This amount is based upon estimates of losses reported by employees to the health insurance administrator plus an estimate for losses incurred but not reported based on the recommendations of an independent actuary using the past experience of the Board and industry data.

3. RESTRICTED CASH, TIME DEPOSITS AND INVESTMENTS

This balance is externally and internally restricted for specific purposes, as follows:

	2004 $	2003 $
Construction projects and capital assets	994,365	979,838
Patient comfort funds	1,037,247	960,636
Staff pension plan	458,344	458,344
Educational purposes	444,651	415,150
	2,934,607	**2,813,968**

The equity investments are comprised of:

	2004		2003	
	Cost	Market Value	Cost	Market Value
	$	$	$	$
Bermuda Corporate	144,651	910,121	79,534	722,225

4. OVERDRAFT FACILITY

The BHB has an overdraft facility of up to $2,500,000, which bears interest at a rate of 3% above the Bank's Base Rate. None of the overdraft facility was in use at year end.

5. PLEDGES RECEIVABLE

These amounts are due from the Bermuda Health Alliance and other donors. The Bermuda Health Alliance is considered a related party as the Board can elect two out of ten members on the Alliance's Board of Directors.

6. CAPITAL ASSETS

	Cost $	Accumulated Amortisation $	2004 Net $	2003 Net $
Land and buildings	96,039,135	27,642,227	68,396,908	70,341,913
Equipment	32,722,949	19,894,388	12,828,561	12,788,773
Computer equipment	2,109,540	1,605,134	504,406	707,585
Software	2,613,452	2,590,566	22,886	45,072
Construction in progress	1,732,323	—	1,732,323	566,320
	135,217,399	**51,732,315**	**83,485,084**	**84,449,663**

Interest and financing costs of $20,032 (2003 – $44,964) were capitalised relating to ongoing construction projects. The insured value of all capital assets under the Board's control is approximately $269.1 million (2003 – $229 million).

On March 27, 1997, the land on which the Hospitals stand was conveyed to the Board by Government. As part of this transfer, Government has right of first refusal on any sales of the land and buildings. The land and buildings are security for the bonds payable, as described in note 9. Equipment funded by a loan with a carrying value of $309,629 at March 31, 2004 (2003 – $408,880) is security for that loan, as described in note 9.

7. INVESTMENTS

The cost and fair value of time deposits at March 31, 2004 is $945,660 (2003 – $Nil). Interest rates thereon range from 6.25% to 6.5% and are fixed.

8. RELATED PARTY TRANSACTIONS AND BALANCES

(a) ***Government Programmes***

Included within operating revenues are subsidies and grants from the Consolidated Fund of the Government of Bermuda as discussed in paragraphs (i) and (ii), as follows:

(i) *Government subsidy programmes*

During the year, the Hospital Insurance Commission approved claims totaling $56,203,098 (2003 – $51,590,758) in respect of services rendered by the Hospital to patients covered under the Government's subsidy programmes as follows:

	2004 $	2003 $
Aged subsidy	29,519,801	26,293,915
Indigent subsidy	5,399,094	5,463,306
Geriatric subsidy	9,546,304	8,987,563
Youth subsidy	7,498,829	6,872,500
Other subsidy	3,146,386	2,944,062
Clinical drugs	1,092,684	1,029,412
	56,203,098	51,590,758

As at March 31, 2004, $1,568,903 (2003 – $(1,329,308)) was outstanding from Government for subsidy programmes. This amount is included in the accounts payable and accrued liabilities balance.

(ii) *Government Grants*

SBH receives operating and capital grants. The operating grant received during the year was $23,884,965 (2003 – $22,102,475) and the capital grant received was $90,438 (2003 – $235,245).

As at March 31, 2004, the amount due from the Consolidated Fund of the Government of Bermuda was $223,440 (2003 – $30,293).

(b) ***Mutual Reinsurance Fund***

Included within the accounts receivable balance as at March 31, 2004 is $980,762 (2003 – $1,381,174) receivable from the Mutual Reinsurance Fund. During the year, the Hospital Insurance Commission approved the following claims:

	2004 $	2003 $
Hemodialysis treatments	5,758,270	5,133,683
Long stay patients	1,036,954	1,083,505
Home health care	205,022	265,536
Magnetic resonance imagery (MRI)	1,629,775	239,700
Anti-rejection drugs	193,599	199,959
	8,823,620	6,922,383

(c) ***Hospital Insurance Fund***

As at March 31, 2004, $681,964 (2003 – $nil) is receivable from the Hospital Insurance Fund. During the year, the Hospital Insurance Commission approved claims totalling $4,140,656 (2003 – $4,214,768). This amount has been included in accounts receivable.

(d) ***Government Employees Health Insurance Fund***

Included within the accounts receivable balance as at March 31, 2004 is $1,534,910 (2003 – $794,816) due from the Government Employees Health Insurance Fund ('GEHI'). During the year, $7.2 million (2003 – $5.8 million) in claims was billed to the GEHI.

(e) ***Other Amounts***

	2004 $	2003 $
During the year, the BHB expensed the following:		
Payroll tax	2,333,682	2,229,690
Social insurance	1,323,252	1,529,057
Nurses' annual pensions	331,927	301,356
Audit fees	183,304	125,000
Services provided by the Ministry of Works and Engineering	1,048,476	1,050,878
Superannuation	7,721	6,770
Land tax	4,926	7,258
Miscellaneous charges	124,522	67,198
	5,357,810	5,317,207

The following amounts were remitted to the government on behalf of the Board's employees:

	2004 $	2003 $
Payroll tax	3,305,651	3,194,490
Social insurance	1,478,107	1,502,616
	4,783,758	4,697,106

Non-refundable duty of $ 752,678 (2003 – $572,649) was paid during the year. War Veteran Association Claims, in the amount of $99,267 (2003 – $125,257) were billed during the year. The following balances remain outstanding at March 31:

	2004 $	2003 $
Accounts receivable		
Miscellaneous departmental charges	92,798	33,548
Payable by government on behalf of the War Veterans Association	13,654	80,638
	106,452	114,186
Other receivables		
Refundable deposits paid for duty	245,368	29,719
Accounts payable and accrued liabilities		
Ministry of Works and Engineering	248,305	118,052
Audit fees payable to Office of the Auditor General	308,304	125,000
Nurses' annual pensions accrual	1,920,905	1,588,978
	2,477,514	1,832,030
Accrued salary and payroll expenses		
Payroll tax	1,457,748	1,532,606
Social insurance	476,302	352,269
	1,934,050	1,884,875

9. LONG TERM DEBT

	2004	2003
	$	$
Bonds payable of $14,000,000, bearing interest of 8% per annum due 2009. Annual sinking fund payments of $850,000 are required for redemption of funds and these funds will be held by the bond trustee. The bonds are secured by a mortgage on land and buildings.	—	14,000,000
Bond Replacement Loan of US$10,000,000, bearing interest of 4.5% per annum paid quarterly in arrears of principal and interest of $417,000 up to June 2010. The loan is unsecured.	9,083,648	—
Bonds payable of US$10,400,000, bearing interest of 7.5% per annum, (6.5% in US Dollars), due 2010. Semiannual principal payments are $450,000. The bonds are secured by a second mortgage on land and buildings (note 19).	5,450,000	6,350,000
Note payable of $2,093,745 bearing interest of 5.63% per annum, payable in semiannual installments of principal and interest of $243,149 up to November 1, 2007. The note is unsecured.	1,720,171	2,093,745
Note payable of $361,806 bearing interest of 5.63% per annum, payable in semiannual installments of principal and interest of $42,017 up to November 1, 2007. The note is unsecured.	297,251	—
Loan of $515,090 bearing interest of 5% per annum, payable in monthly installments of principal and interest of $9,719 up to December 2006. The loan is secured by a charge over the related equipment.	309,629	408,880
	16,860,699	**22,852,625**
CURRENT PORTION	**2,742,566**	**5,062,836**
	14,118,133	**17,789,789**

Principal repayments required in each of the next seven years are as follows:

Year	Amount $
2005	2,742,566
2006	2,833,525
2007	2,909,403
2008	2,907,613
2009	2,428,780
2010	2,549,733
2011	489,079
	16,860,699

The investments in the bond sinking fund were disposed of during the year ended March 31, 2004 and the proceeds used to fund the settlement of the BHB US$14,000,000 bond payable.

The bond sinking fund was invested in the following:

	2003	
	Amortised Cost $	Market Value $
Cash and cash equivalents	44,286	44,286
Time deposits	2,479,454	2,479,454
US Government bonds	2,032,988	2,336,204
Asset backed securities	422,557	472,292
	4,979,285	5,332,236

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortised amount and unspent amount of donations and grants received for the acquisition of capital assets. The amortisation of capital contributions is recorded as revenue in the statement of operations.

The balance of the deferred capital contributions is as follows:

	2004 $	2003 $
Balance, beginning of year	22,868,842	24,098,762
Add: contributions received	986,479	375,057
Less: amounts amortised to revenue	(1,626,566)	(1,604,977)
Balance, end of year	22,228,755	22,868,842

The balance of deferred capital contributions is comprised of the following:

	2004 $	2003 $
Unamortised capital contributions used to purchase assets	21,972,901	22,614,166
Unspent contributions (note 3)	255,854	254,676
	22,228,755	**22,868,842**

11. INVESTMENT IN CAPITAL ASSETS

(a) Investment in capital assets is calculated as follows:

	2004 $	2003 $
Capital assets (note 6)	83,485,084	84,449,663
Amount financed by:		
Deferred contributions (note 10)	(21,972,901)	(22,614,166)
Loans and bonds payable	(18,711,489)	(19,624,839)
	42,800,694	42,210,658

(b) Change in net assets invested in capital assets is calculated as follows:

	2004 $	2003 $
Excess of revenues over expenses:		
Amortisation of deferred contributions related to capital assets	1,626,566	1,604,977
Amortisation of capital assets	(4,785,083)	(5,465,676)
(Loss)/gain on disposal of capital assets	(34,991)	43,753
Proceeds on disposal of fixed assets	—	(100,000)
	(3,193,508)	(3,916,946)
Net changes in investment in capital assets:		
Purchase of capital assets	3,855,495	5,396,689
Amounts funded by:		
Deferred contributions	(985,299)	(823,672)
Bond issues, net of interest earned	13,348	(647,796)
Repayment of long term debt	900,000	900,000
	3,783,544	4,825,221
	590,036	908,275

12. INTERNAL RESTRICTION ON NET ASSETS

The Pension Fund was established in 1987/88 for the purpose of providing funds to supplement pensions at the discretion of the Board. The educational fund reflects an accumulation of investment income designated for educational purposes. These internally restricted amounts are not available for other purposes without the approval of the Board.

13. EMPLOYEE BENEFITS

The Board has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to most of its employees. The Board accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Board has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortised over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 2.24 years (2003 – 2.19 years). The average remaining service life of the active employees covered by the other retirement benefit plans is 8.19 years (2003 – 8.27years).

(a) ***Pension Plans***

There is a Defined Contribution Pension Plan in place for all employees, whereby the Board contributes 6% of gross salary and the employee contributes 4% of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five (5) years with respect to the Board's contributions. Beginning January 1, 2000, 100% of the Board's contributions vest after two (2) years. When an employee leaves the Board's employ, other than through retirement, the Board's contributions, which are not vested, are refunded to the Board. These are reflected as a reduction in employee benefits expense. The expense for the period April 1, 2003 to March 31, 2004 totaled $2.8 million (2003 - $2.8 million).

The Hospital Nurses Superannuation Act 1948 established a non-contributory defined benefit final average pension plan, which covered certain nurses employed prior to January 1, 1971. The cost of these pensions is shared with Government, with Bermuda Hospitals Board being liable for pension benefits earned by these nurses since January 1, 1977. The pension expense of $275,869 (2003 – $614,937) includes the amortisation of past service costs over periods ranging from eleven (11) to two (2) years.

	2004 $	2003 $
Balance beginning of year	6,464,302	5,849,365
Pension expense		
Current cost	122,911	68,225
Amortisation of past service costs	(163,900)	163,900
Interest	346,323	333,894
Experience loss	(29,465)	48,918
	275,869	614,937
Balance end of year	6,740,171	6,464,302

Bermuda Hospitals Board and Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2004, which estimates that Bermuda Hospitals Board's portion of the liability under the Act is approximately $5.1 million at that date (2003 – $4.9 million). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 7% and a salary escalation rate of 5%.

To date, no contributions have been made by the Board and the plan remains unfunded. Benefits are paid by the Government, and at March 31, 2004, the Board's payable to the Government totals $1.9 million (2003 – $1.6 million) and is included in the accounts payable and accrued liabilities balance.

(b) ***Other Benefit Plans***

Other employment benefits include maternity leave, sick leave, vacation days and health insurance. All of these plans are unfunded.

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognised when leave has been applied for and approved or when a settlement amount can be reasonably determined. The total approved maternity leave as at March 31, 2004 is $46,477 (2003 – $154,000) and is included in accrued salary and payroll expenses.

Sick leave accumulates but does not vest, and like maternity leave, a liability is recorded only when extended leave is applied for and approved. As at March 31, 2004, the liability is $24,158 (2003 – $4,000) and is included in accrued salary and payroll expenses.

Vacation days accumulate and vest and therefore a liability is accrued each year. The expense for the year ended March 31, 2004 is $5.8 million (2003 – $5.2 million) and the benefits paid out total $5.7 million (2003 – $5.0 million) resulting in a liability as at March 31, 2004 of $4.9 million (2003 – $4.8 million). An actuarial study has not been performed for the vacation days benefit obligation as there are no factors used in the calculation that are materially different from the figures that would be estimated by an actuary.

The Board pays for a portion of the health insurance premiums for employees who retire with the Board. The accrued benefit obligation as at March 31, 2004 of $13.2 million (2003 – $12.0 million) was determined by an actuarial valuation. The accrued benefit liability at March 31, 2004 was $6.9m (2003 – $5.1m). The expense recognised for the year ended March 31, 2004 totals $2.3 million (2003 – $2.2 million) and the benefits paid during the year total $455,873 (2003 – $364,000). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 7% and a medical trend rate of 7% per annum.

14. COMMITMENTS

As of March 31, 2004, the Board has operating commitments of $0.5 million relating to a fuel contract extending for one (1) year and an additional $1.7 million relating to an air care agreement extending over five (5) years. The Board also has capital commitments of $2.05 million extending for one year (1) year relating to the completion of the intensive care unit and the purchase of new beds. The Board has committed to purchase capital assets for the KEMH laundry refurbishment of $0.1m.

The Board has, in the ordinary course of business, entered into operating lease agreements with a third party for the rental of two properties. The aggregate monthly charge is $9,185 and the agreement can be cancelled at the Board's option provided 60 days prior notice is given.

15. CONTINGENCIES

In the ordinary course of business, the Board is routinely a defendant in or party to a number of pending or threatened legal actions and proceedings.

The Board believes that it has meritorious defences to all asserted claims and intends to defend vigorously against them. The Board has medical malpractice insurance in place up to $5,000,000 per claim and $12,000,000 in the aggregate during any policy year.

16. BUSINESS SOCIAL COST

The BHB, as a part of its mandate, is required to provide service to all patients, irrespective of their ability to pay. During the course of its operation, the BHB provided services to a number of persons who were unable to pay. These expenses, previously written off as bad debts, are now classified as business social costs. The amount recognised as social cost for year ended March 31, 2004 is $443,792. This change in presentation has been applied on a prospective basis as information to restate prior year is not readily available.

17. EXTRAORDINARY ITEM

On September 5, 2003, the facilities of the BHB sustained damages caused by Hurricane Fabian. The estimated total cost of repairs was $580,300. The BHB insurance deductible for its property insurance is $250,000.

	KEMH $	SBH $	Total $
Insurance proceeds	182,841	147,197	330,038
Repair cost	355,041	127,629	482,670
Net (loss) gain	(172,200)	19,568	(152,632)

At the year end, March 31, 2004, the BHB had not repaired all hurricane related damages to its properties.

18. SUBSEQUENT EVENT

Bond Refinancing

In April 2004, the BHB refinanced its 6.5% US$10,400,000 bond. The new bond issue represents the outstanding principal of US$5,450,000 as at April 1, 2004. The new bond issue has an interest rate of 3.95%, with maturity date of April 19, 2010. Principal repayments of $450,000 and interest on outstanding principal will be paid semiannually. No early redemption is allowed under the provisions of the bond issue and second mortgage on the properties of the Bermuda Hospitals Board is security for the bond issue.

Statistical Analysis: King Edward VII Memorial Hospital

	April 2001 - March 2002	April 2002 - March 2003	April 2003 - March 2004
Inpatient - Acute Care			
Beds	226	226	211
Patient Days	55,553	55,085	55,569
Discharges (incl.deaths)	6,863	6,908	6,764
Length of Stay	8.1	8.0	8.2
Births	840	848	816
Percentage Occupancy	70%	69%	71%
Continuing Care Unit			
Beds	103	103	104
Patient Days	35,483	34,611	36,330
Discharges	82	66	55
Length of Stay	412.6	516.6	615.8
Percentage of Occupancy	94%	92%	95%
Hospice			
Beds	12	12	12
Patient Days	2,511	3,100	2,763
Discharges	72	78	65
Length of Stay	34.9	39.7	42.5
Percentage of Occupancy	57%	72%	63%
All Patients			
Emergency Dept. Visits	31,634	31,938	31,469
Operations (Inpatients)	2,494	2,346	2,249
Operations (Outpatients)	5,348	5,654	5,742
Physiotherapy treatments (Inpatients)	14,839	14,743	15,583
(Outpatients)	7,518	9,109	11,571
(E.C.U.)	1,121	1,077	1,617
X-Ray (Exams)	31,703	31,515	31,138
Laboratory (Thousand units)	3,412	3,543	3,558
Cardiac Investigations Attendances	9,992	10,270	9,971
Ultrasound Scans	9,013	9,627	9,772
Nuclear Medicine	1,408	1,315	1,470
Chemotherapy Treatments (Outpatients)	1,028	1,051	1,104
Cat Scans	4,512	4,363	4,230
Neurological Treatments	3,119	2,537	no longer reported
Occupational Therapy Treatments			
(Inpatients)	2,257	2,428	3,015
(Outpatients)	1,187	1,489	2,367
(E.C.U.)	308	202	187
Speech/Language Pathology			
(Inpatients)	485	331	840
(Outpatients)	160	229	720
(E.C.U.)	24	14	70

Please note the following:

* For fiscal year April 2000 – March 2001, Physiotherapy, Neurological Treatments, Occupational Treatments and Speech/Language Pathology figures are from April 2000 to February 2001.

**Amendments for April 2000- March 2001- Acute Care discharges 7,397, Births 844, Continuing Care Unit Patient days 35,086 and Length of Stay 340.6 days.

Statistical Analysis: St. Brendan's Hospital

	April 2001 - March 2002	April 2002 - March 2003	April 2003 - March 2004
Inpatient – Acute Care			
Beds	24	24	24
Discharges (incl. deaths)	278	235	216
Patient Days	7,439	6,931	5,636
Length of Stay	27.0	28.0	26.0
Admissions	306	243	229
Percentage Occupancy	85%	79%	64%
Long-Term & Rehabilitation			
Beds	98	98	98
Discharges (excl. deaths)	91	132	92
Patient Days (excl. respite)	29,828	26,307	24,442
Length of Stay	328	199	265
Deaths	0	3	2
Transfer from Acute	27	30	22
Percentage of Occupancy	83%	74%	68%
Average Years of Stay of Deaths	0	10	64
Outpatients			
Visits of Mental Welfare Officers	1,828	1,385	1,948
Home Visits	3,808	3,806	4,388
New Referrals & Re-referrals	527	293	407
Follow-up Visits	8,502	5,703	8,584
Turning Point (Substance Abuse – Detox Unit)			
Beds		8	8
Discharges		89	155
Patient Days		508	893
Length of stay		6	6
Admissions		95	153
Percentage Occupancy		35%	30%

Accreditation Teams

CONTINUING CARE TEAM

Michelle Barnett	**Clinical Coordinator/ Team Leader**
Granville Russell	**Programme Manager/ Facilitator**
Andrew Cooper	Physiotherapist
David Harries	Medical Advisor
Jane Twining	Pharmacist
Kathy Albuoy	Clinical Coordinator
Kevin Burke	Resident Representative
Lori Hemming	Staff Nurse
Lynnette Furbert	Physiotherapy Aide
Maxine Simmons	Clinical Coordinator
Mitzie Williams	Social Worker
Nichole Blades	Occupation Therapist
Nichole DeShields	Auxillary Staff Representative
Phyllis Hayward	Special Programme Nurse
Royce-Ann James	Clinical Dietician
Selena Simons	Clinical Educator
Shekeita Watts	Activities Coordinator
Shelley Gibbons	Clinical Coordinator
Shirlene Scott	Environmental Services Supervisor
Venita Williams	Day Hospital Nurse Specialist
Sonia Clarke	Scribe

CRITICAL CARE TEAM

Kereen Richards	**Programme Manager/Team Leader**
Glenda Daniels	**Clinical Coordinator/ Facilitator**
Alaire Godfrey	Diagnostic Imaging
Andrew Spence	Anaesthetist
Angela Hayward	Rehabilitation Services
Diane Brown	Registered Nurse
Diane Lamb	Registered Nurse
Edward Schultz	Director of Emergency
Gwen Smith	Patient Representative
Jean Denkins	Admitting Clerk
Jessica Wade	Clinical Dietician
Karen Gehan	Clinical Educator
Lorraine Beasley	Hyperbarics/Wound Care
Lynnette Raynor	Clinical Coordinator
Michael Nisbett	Quality & Risk Management
Miriam Ormiston	Registered Nurse
Paul Chan	Social Worker
Quincey Jones	Emergency Medical Technician
Rachel Andrade	TB, Cancer & Health Representative
Ronnie Coburn	Registered Nurse
Ronnie De Silva	St. John's Ambulance Representative
Tammy Hendrickson	Laboratory Manager
Terry Hart	Pharmacist
Wayne Watson	Biomed Engineer

ENVIRONMENTAL TEAM

Rochelle Christopher	**Quality & Risk Coordinator/Team Leader**
TBA	**Facilitator**
Andrea Wilson	Materials Management
Angela Brangman	SBH Mental Health
Anthony Smith	Facilities Management/ O.T. Team
Blanche Phillips-Wilkinson	Laundry Manager
Calix Todd/Peter Nelmes	SBH Facilities Management
Derek Smith	Biomedical Engineering
Dionne Lambe	Security Officer
Ed Price	SBH Learning Disabled
George Simons	Community Partner
Gordon Ness	Facilities Management
Janice DeSilva	Infection Control Practitioner
Lorna Raye	Diagnostic Imaging
Patricia Miller	Security Manager
Quinton Fishenden	Sterile Processing Department
Rosa Simons	Environmental Services Manager
Shelly Gibbons	KEMH Clinical Programmes
Shirlene Scott	Environmental Services Supervisor
Sue Smith	Training Officer
Talibah Branch	Dietary Services
Victoria Manning	SBH Substance Abuse Nurse

HUMAN RESOURCES TEAM

Elaine Williams, Leader	**Diagnostic Imaging Manager**
Scott Pearman, Facilitator	**Director, Human Resources**
Alison O'Sullivan	Clinical Coordinator
Kareema Sharrieff	Pharmacist
Karen Trott	Human Resources Manager
Kelly Pitcher	Nurses Aide, SBH
Maxine Herbert Watson	Float Nurse
Monique Fray	Credit & Collections
Paul Chan	Social Worker
Preston Swan	Clinical Coordinator
Randolph Joyiens	Facilities Management
Rebecca Madeiros	Registered Nurse
Ronnie Tuckett	Training Officer
Roxanne Kipps Jackson	Clinical Coordinator
Selena Jones	Nursing Assistant
Claudette Sterling	Recording Secretary

INFORMATION MANAGEMENT TEAM

Sonya Holder	**Team Leader/Information Services**
Dean Parris	**Special Projects Technician**
Amanda Price	Clinical Educator, SBH
Barbara Sabir	Information Services
Beverley Marshall	Telecommunications

Dawn Johnson	Learning Disability
Deborah Byrd	Volunteer Services
Deborah Hayward	Diagnostic Imaging
Dennis Riley	Financial Services
Karen Trott	Human Resources Manager
Kay Ekstrom	Clinical Records Manager
Keitha Bassett	Librarian
Kijana Robinson	Special Projects Technician–SBH
Lynn Williams	Registered Nurse
Michael Nisbett	Research Associate
Sarah Chesire	Pharmacist
Sheila Claridge	Admitting Services
Sue Smith	Training Officer
Tamra Broadley	Clinical Educator, Medical

LEADERSHIP & PARTNERSHIP TEAM

Joan Dillas-Wright	**Chief Executive Officer**
Judy Richardson	**Director of Quality & Risk Management**
Ana-Maria Critchley	**Communications Manager**
Charmaine Tucker	BHB Member
David Goodman	Insurance Representative
Delia Basden	Chief Financial Officer
George Melling	Director of Facilities Management
George Simons	Environmental Services (Ministry of Health)
Gina Bradshaw	BF&M Insurance
John Cann	Chief Medical Officer (Ministry of Health)
Jonathan Brewin	BHB Chairman
Joy Williams	President, Hospitals Auxiliary of Bermuda
Kathy Lewis	Director of Clinical Programmes
Kent Bascome	GEH Insurance
Lucille Parker	Community Representative
Patrice Dill	Director of SBH
Scott Pearman	Director of Human Resources
Venetta Symonds	Director of Support Services
Wendy Augustus	Bermuda Hospitals Charitable Trust (BHCT)

LEARNING DISABILITY CARE TEAM

Robyn Montarsolo	**Psychologist/Team Leader**
Michael Murray	**Programme Manager/ Facilitator**
Andrea Cann	Physiotherapist
David Price	Psychiatrist
Dawn Baker	Community Staff Nurse
Edward Price	Unit Team Leader
Heather Flynn-McKay	Social Worker
Judy Panchard White	Community Partner
Julie Irvine	Occupational Therapist
Juliette Basden	Activities Coordinator
Karen Lightbourne	Community Staff Nurse
Kathy Brimmer	Community Support Worker
LaDonna Tucker	Group Coordinator
Gwendolyn Lightbourne	Family Representative
Rosetta Walwyn	Clinical Coordinator

MATERNAL/CHILD CARE TEAM

Kathleen Roberts	**Clinical Coordinator/Team Leader**
Roxanne Kipps-Jackson	**Programme Manager/ Facilitator**
Alex Baron	Physician Leader of Paediatrics
Bente Lundh	Paediatrician
Cheryl Peek-Ball	Women's Health Clinic Doctor (Ministry of Health)
Christine Virgil	Clinical Coordinator
Elaine Campbell	Anaesthetist
Gwen Hill	Nursing Assistant
Harlean Saunders-Fox	Pharmacy Manager
Heather Moorehead	Registered Nurse
Ian Fulton	Chief of Obstetrics
Jennifer Manders	Child Development Programme (Ministry of Health)
Kellie Richardson	Social Worker
Martha Jones	Registered Nurse
Michael Nisbett	Research Associate
Val Cheape	Health Visitor (Ministry of Health)
TBA	Patient Representative
TBA	Paediatric Nurse

MEDICAL CARE TEAM

Norma Smith	**Programme Manager/Team Leader**
Shane Marshall	**Chief of Cardiology/ Facilitator**
Anu Permashwar	Pharmacist
Clifftina Stevens	Medical Social Worker
Debbie Jones	Diabetes Nurse Educator
Jane Hope	Staff Nurse
Jill Caines	Dialysis Clinical Coordinator
Karen Bean	Programme Secretary
Karen Raynor	Clinical Coordinator
Linda Philpott	Nursing Aide
Lynn Henry	Clinical Coordinator
Marlah Phillips	Cardiac Diagnostic Unit
Myrian Balitian-Dill	Cardiac Care Clinical Leader
Royce-Ann James	Dietician
Sandra Cook	Speech Language Pathologist
Taiwo George	Clinical Leader – Home Care

Tamra Broadley	Clinical Educator
TBA	Physiotherapy/Occupational Therapy Representative

MENTAL HEALTH CARE TEAM

Jascinth Albuoy-Onyia	**Mental Welfare Officer/ Team Leader**
Michael Nisbett	**Quality & Risk Management/Facilitator**
Glenn Caisey	Programme Manager
Angela Brangman	Clinical Coordinator
Carla Looby	Community Psychiatric Nurse
Chris Tuckett	Clinical Coordinator
Dawn Smith	Clinical Coordinator
Lornette Simons	Team Leader
Maggie Cormack	Psychologist
Norbert Seymour	Pharmacist
Edirimuni Rodrigo	Consultant Psychiatrist
Russ Ford	Westgate Prison Medical Services
Scott Burns	Occupational Therapist
Tawanna Wedderburn	Acting Family Therapist
Vanessa Paynter	Secretary
Yussif Mumin	Staff Nurse
TBA	Service User Representative

SUBSTANCE ABUSE CARE TEAM

David Parker	**Team Leader**
Preston Swan	**Facilitator**
Adrianne Tucker-Raynor	Inpatient Detox Unit
Keitha Bassett	Librarian
Karen Burchall	Nurse Counsellor
Joanne Dill	National Drug Commission Representative
Lauren Francis	Chief Drug Court Officer
Arthur Douglas	Manager of Court Services
Allison Evans	Emergency Department Nurse
Judy Richardson	Director of Quality & Risk Management
Edirimuni Rodrigo	Psychiatrist
Sareta Trott	Pharmacist
Lakila Wade	Social Worker
Paula Wilkerson	Somers Ward
Zina Minks-Rawlins	Client Representative

SURGICAL CARE TEAM

Robert Vallis	**Physician Leader/Team Leader**
Loretta Santucci	**Programme Manager/ Facilitator**
Angela Hayward	Physiotherapist
Anne Barclay	Acting Clinical Coordinator
Beverley Howell	Clinical Coordinator
Craig Williams	Occupational Therapist
Denise Walls	Clinical Coordinator
Diana Lovell	Clinical Coordinator
Doreen MacMusson	Patient Representative
Hollie MacIntosh	Pre-admission Unit
Jennifer Simons	Clinical Coordinator
Karen Manderson	Wound Management Nurse
Katrina Mulherin	Pharmacist
Keita Swan	Programme Secretary
Linda Rothwell	Infection Control Practitioner
Lori Davis	Scheduler
Nicole Ebbin	Clinical Dietician
Rochelle Christopher	Quality Management Coordinator
Sheila Dickinson	Admitting Services Manager
Sylvia Robinson	Ministry of Heath Representative

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