



Bermuda Hospitals Board

CARING FOR OUR COMMUNITY



At the Heart of Our Community

ANNUAL REPORT 2004 - 2005





Bermuda Hospitals Board

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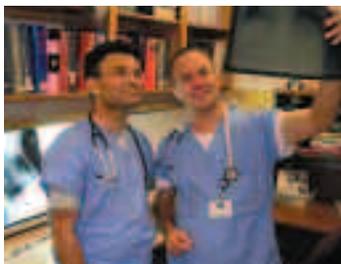
VISION

To be a Centre of Excellence

MISSION

We are a committed team of
professionals working in partnership
with patients, their families, clients
and the community to provide high quality
health care services that meet
their needs and expectations

At the Heart of Our Community





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Jonathan Brewin, Chairman, Bermuda Hospitals Board

Message from the Chairman

On behalf of the Board of Directors, I am pleased to share the Bermuda Hospitals Board (BHB) 2004-05 annual report with you. As Bermuda's only hospitals, King Edward VII Memorial Hospital (KEMH) and Mid-Atlantic Wellness Institute (MWI)* touch the lives of many people and are a vital part of our community. Indeed, the hospitals are among our most valuable assets.

We chose *At the Heart of Our Community* as this year's theme to reflect not only our role in the delivery of health care, but also the important part our patients play.

As you will see on the pages of this annual report, this past year has been an eventful one for the BHB. Highlights included the opening of our new intensive care unit, the release of findings from the Ministry of Health and Family Services' operational review of our hospitals and progress on much-needed plans to modernize KEMH and MWI's physical environment.

In addition to these milestone events, we have a meaningful impact on our community every day. Hundreds of patients, clients and their loved ones walk through our doors on a daily basis. We are committed to caring for them and to constant quality improvement.

On behalf of the BHB, I would like to extend my gratitude and sincere appreciation to our staff for their hard work, dedication and commitment to patient care. From physicians and the management team to nurses, technicians, cooks and everyone in between – the Board thanks its workforce for their deep commitment to patient care. We also thank the Bermuda Hospitals Charitable Trust, Hospitals Auxiliary of Bermuda and our valued volunteers for their generous contribution to our hospitals.

We are energized by the possibilities that lie ahead as we move to improve the health care experience, and look forward to working with our community, patients and the government to realize a health system we can all be proud of.

Jonathan Brewin,
Chairman, Bermuda Hospitals Board

* St. Brendan's Hospital (SBH) announced its new name, Mid-Atlantic Wellness Institute (MWI), on May 12, 2005. Although the new name was not in effect for this fiscal year, we will refer to MWI for consistency and clarity at the time of this report's publication.

At the Heart of Our Community



Some fast facts from this past year

- Our staff cared for 32,000 visits to the Emergency Department
- With 1,400 permanent staff and 200 on-call locum staff, the Bermuda Hospitals Board is the Island's second largest employer
- 825 babies were born at KEMH
- 175 students participated in the hospitals' after-school volunteer programme
- 8,188 operations were performed at KEMH
- KEMH and MWI are the only facilities in Bermuda accredited by the Canadian Council on Health Services Accreditation

"We write to express our gratitude and appreciation for the staff of the King Edward VII Memorial Hospital Maternity Ward and Special Care Baby Unit. During the weeks leading up to our daughter's birth, the friendly, caring and professional nature of the staff was greatly appreciated. They helped ease a stressful situation, and made the days as pleasant as possible.

We learned so much from the nurses and were very pleased with the care our daughter received. We are fortunate to have such an exemplary service on the Island."

Jason and Erika Krupp
Devonshire, Bermuda





Joan Dillas-Wright, Chief Executive Officer,
Bermuda Hospitals Board

Message from the Chief Executive Officer

At the Bermuda Hospitals Board, providing quality care to our patients and clients is at the centre of everything we do. Our health care professionals and staff work diligently every day to help us realize our vision of being a Centre of Excellence.

We continue to build strong partnerships locally and internationally, enhance our facilities and invest in our staff to ensure that the people of Bermuda receive the care they need, when they need it.

The community can look forward to progress on a number of fronts as our health care sector continues to evolve. On the next pages, you will find a chronology of just some of the events that made 2004-05 a memorable year for the BHB.

In addition to celebrating our successes and the opportunity we have to make a difference in the lives of Bermuda residents, we also face challenges that shape the goals we have set for ourselves for the immediate future. These goals include:

- Increasing recruitment and retention rates in all health care professions
- Developing a final estate master plan and business case, while maintaining our current facilities
- Maintaining positive financial performance to meet the community's expectations for excellence in patient care
- Ensuring that our medical equipment keeps up with the latest in technology
- Continuing to reduce the stigma associated with mental health issues in Bermuda
- Implementing a new charge description master (CDM) to provide fees that are representative of costs
- Continuing implementation of the Ministry of Health and Family Services' operational review recommendations
- Establishing a partnership with the UK Royal College of Physician Training Programme for house officer recruitment

We anticipate the coming years will be challenging as we work to meet these goals, but we are confident we will succeed together with our staff, physicians, volunteers and community partners. We look forward to sharing our progress with you.

Joan Dillas-Wright
Chief Executive Officer, Bermuda Hospitals Board

At the Heart of Our Community



Year in Review

April 2004

- The Barn, Bermuda's premiere fundraising thrift shop, operated by the Hospitals Auxiliary of Bermuda (HAB), celebrates its 40th anniversary. The HAB donates more than 40,000 hours of service each year and has contributed millions of dollars to the hospitals since its inception in 1953.
- BHB announces its updated approach to quality issues, expanding its Quality Council with more physician representatives than ever before.

May 2004

- The Ministry of Health and Family Services releases highlights of its operational review. The findings include recommendations that are designed to improve efficiency and effectiveness, save money and improve quality at both hospitals. BHB introduces an organisational review task force that will oversee implementation of recommendations.
- BHB celebrates Nurses' Week, an important opportunity to celebrate the enormous contribution that nurses make to our hospitals and our community.
- MWI holds its annual parade on May 13. The parade was a great success, enjoyed by more than 1,000 spectators!
- KEMH's continuing care unit receives a donation of more than 70 pieces of artwork, as part of a volunteer's initiative to brighten up the walls of the ward.
- BHB announces it has completed the refinancing of bonds issued in 1998, resulting in savings of half a million dollars that will go toward hospital improvement.

June 2004

- Plans are unveiled for a new rehabilitation service in response to the needs of Bermuda's rapidly growing elderly population, as well as those who require specific therapy. The Patrick and Beryl Campbell Charitable Trust, in conjunction with The Bermuda Stroke and Family Support Association, made a significant donation toward an in-patient unit. The Lady Cubitt Compassionate Association contributed generously to a new day hospital.
- Hospital staff and the community join forces to donate television sets to dialysis patients. Dialysis unit staff arrange a Kidney Patients in Action event to raise funds for the purchase of five television sets. An additional five sets are donated to the dialysis unit by The MarketPlace Supermarkets.



July 2004

- BHB awards 13 scholarships for students pursuing careers in health care. It is particularly important for the BHB to invest in training for Bermudians, in light of the current global shortage of health care workers.

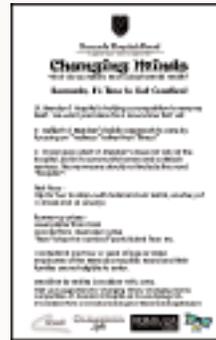
August 2004

- The HAB awards its largest scholarship to date in celebration of its 50th anniversary of volunteer services to the BHB. Ms. Merate Kristos-Place, an accomplished Bermudian student, is given a \$100,000 scholarship to pursue her studies in medicine.
- Moving one step closer to a new hospital, the BHB announces the selection of prominent design firms to develop the estate master plan for its facilities. The first step of the estate master plan will be a comprehensive review of the BHB estate (KEMH and MWI).



September 2004

- Joining forces with Butterfield Bank, BHB encourages the community to take advantage of a service that is designed to educate the community about prevalent health conditions. Healthcare professionals from the BHB and community support organisations are available to give one-hour presentations to any group with 20 or more people.



October 2004

- MWI holds its Mental Health Awareness Week under the banner of Changing Minds. The aim of this year's campaign is to reduce the stigma surrounding mental health, particularly among the 16 to 26 year-old demographic. MWI announces a renaming competition, and the community enthusiastically sends hundreds of submissions!



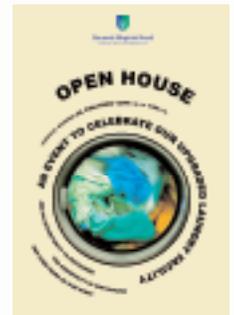
- BHB announces progress made at the hospitals since the Ministry of Health and Family Services released operational review results in May 2004. A new intensive care unit, a renovated laundry facility, sound financial performance, leadership training for staff and membership to a Council of International Hospitals top the list.

- The community is invited to discuss the future of our hospitals at three town hall meetings across the Island. As part of its estate master planning exercise, BHB is asking for feedback about the hospitals' strengths and weaknesses and the primary issues that need to be addressed.

November 2004

- BHB proudly announces a net income for the fiscal year ended March 31, 2004 of \$6 million, a significant improvement from last year's performance. The primary factors that positively impacted this outcome were increased use of outpatient services, heightened attention to cost containment at all levels, and strong financial leadership.

- Agape House, part of KEMH's Continuing Care Programme, leads the celebration of Hospice Awareness Month in Bermuda. A fundraising Walk to Remember, open house and Tree of Lights ceremony at the steps of City Hall are some of the events marking the month.



- BHB's laundry facility has a clean start at its open house to celebrate major renovations. The open house is also an opportunity to thank the Butterfield family and the Bermuda Electric Light Company Limited (BELCO) for their generous donations to the laundry facility.

- Dedicated staff are celebrated at the Long Service Awards ceremony at the Fairmont Hamilton Princess.



December 2004

■ BHB holds a grand opening ceremony for its new intensive care unit located on the second floor of KEMH. The bright, spacious, high-tech unit is a major achievement for patient care at KEMH. Designs receive honourable mention in Annual Design Awards.



January 2005

■ MWI is granted approval to be a Centre of Learning for the City & Guilds, the leading awarding body in the United Kingdom that offers vocational qualifications recognized as the benchmark for workplace skills.

■ Two KEMH staff are named Nursing Aide of the Year and Orderly of the Year for their dedication to patient care and excellent work in 2004. Violet Swainson of the Continuing Care Unit received the nursing aide award and Steven Adams of the Surgical Programme was honoured as orderly of the year.

February 2005

■ In support of the Bermuda Heart Foundation's Go Red For Women campaign to mobilize women for heart disease awareness, BHB offers blood pressure, blood cholesterol and blood sugar screenings.

■ BHB distributes the first issue of its community newsletter Pulse to Island residents

■ BHB hosts the 2005 Cardiology Symposium for Nurses, where members of the world-renowned Johns Hopkins Hospital Heart Failure team discuss various aspects of heart failure management.

March 2005

■ BHB participates in the Argus Health Fair at Number One Shed. The fair was a great success, thanks in large part to the participation and enthusiasm of our staff, who were on-hand to provide information on a variety of health topics.

■ In response to recent media attention about end-of-life care, BHB highlights the importance of advance directives. The community is encouraged to learn more about advance directives by contacting our Quality and Risk department.



At the Heart of Our Community



"Recently, my husband and I had the misfortune of crashing on a motor scooter on your beloved island. We were taken to the King Edward VII Memorial Hospital ... it was a scary situation for us, in an unfamiliar hospital facility on an unfamiliar island.

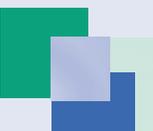
However, you made this stay quite comfortable. Your patience and kindness were truly appreciated. We have sung the praises of the personnel at your hospital and assured friends who plan to visit Bermuda that if they ever do have to use the medical facilities, to expect to encounter a kind, caring, thoroughly professional staff."

Patricia Palmieri,
Rhode Island

"I am writing to thank you for taking time to meet with the Commonwealth Parliamentary Association (UK Branch), and for giving them a tour of the hospital.

They were very impressed with your facility. In most cases they equated what they saw and heard with their own individual constituencies in the UK, which are of similar size to the overall population of Bermuda. In this sense they felt that what KEMH had to offer to the Bermuda community was not only of a higher standard than what is provided to constituencies of equal size, but also in some instances when equated with constituencies with a much larger population than Bermuda."

Senator A.T. Oughton
President Bermuda Branch of the
Commonwealth Parliamentary Association



BHB Services At the Heart of Our Community

We take great pride in the wide variety of services we offer to the community at KEMH and MWI. A full listing can be found at www.bermudahospitals.bm.



KEMH staff in the new ICU. Below: Orderly Norris McGhie calibrates a ventilator

Intensive Care Unit

A major achievement this past year was the opening of our state-of-the-art Intensive Care Unit (ICU) that is expected to serve approximately 700 patients annually. We are very proud of the new unit, which includes nine large patient rooms equipped with natural light and a music system. Other features are isolation capacity for patients with infectious diseases, integral dialysis capacity in each room and a comfortable lounge for family members and visitors.



The ICU provides a wide range of services, treating patients requiring high dependency and intensive therapy, as well as those needing coronary, pediatric, trauma, surgical and medical care. A multidisciplinary team led by Dr. Andrew Spence is equipped to provide excellent treatment in this first class environment.



Nurse Educator Debbie Jones conducts a weekly class for patients at the Diabetes Centre

Diabetes Education and Counseling Centre

Our Diabetes Centre plays a major role in the community, particularly since 13% of the Bermuda population is affected by this condition. In 2004 alone, 165 patients were diagnosed with Type 2 Diabetes.

This past year, 246 clients enrolled in Diabetes Centre classes designed to assist and educate newly diagnosed patients. The classes include morning walks in the Botanical Gardens as well as instruction in diet and cooking, as part of an effort to help clients integrate a healthy lifestyle into their daily routine.

The Diabetes Centre participated in six international clinical trials in 2004, including the DREAM Trial, which aims to prove diabetes can be prevented using medication. Working with the Ministries of Health and Education, the Centre was also involved with the Healthy Schools Initiative, designed to prevent obesity, an underlying cause of Type 2 diabetes.

“We don’t hear enough about the excellent services at King Edward VII Memorial Hospital. I had an excellent stay in the new intensive care unit. The hardworking staff – laundry and housekeeping personnel, nurses and doctors – deserves enormous recognition for their dedication and commitment.”

Ricardo Wilkinson
St. George’s, Bermuda

“I have nothing but praise for the way I was treated right from “check in” to the surgical outpatient unit to the time I was taken by wheelchair to my ride home. Each and every staff member that I came into contact with was professional, kind and greeted me with a smile. Your recovery room nurses were also amazing – I observed their dedication to other patients as well, constantly checking and re-checking. To each member of staff at each step on the way, my heartfelt thanks.”

Linda C. Lewis
Southampton, Bermuda



CHECK
CONDUCTIVITY

RECIRCULATION



Registered Nurse Cordell Johnson attends to a patient in the Dialysis Unit



Dialysis Unit

As Bermuda's only facility for treating chronic kidney failure, the Dialysis Unit provided more than 14,000 treatments in 2004. Each year, approximately 80 patients receive hemodialysis, a life-sustaining treatment that removes impurities from the blood.

Patients spend between three and four hours a day, three times each week, undergoing treatment. A dedicated team of 17 nurses and three support staff serve clients in a caring and warm environment. In an effort to make clients as comfortable as possible, individual television sets are located at each of 16 patient stations. Hot drinks are also provided and birthdays are always celebrated. The Dialysis Unit offers a vital and life-saving service, bringing compassionate care to clients.

"I am writing to tell you about the excellent care I received at King Edward VII Memorial Hospital. As a nurse educator and a member of the board of directors of a large regional medical system, I am very aware of "quality of care" issues.

Your staff should be commended not only for the excellent quality they deliver, but also for the compassionate care they give. I delighted in telling people in the U.S. about the high quality, compassionate care I received. In fact, I challenged them to match the care I received at your hospital."

Susan K. Dent, R.N., MSN
South Carolina
(Assisted by the Hospitals Auxiliary of Bermuda Overseas Family Help Services)

At the Heart of Our Community

Mental Health

Mental illness indirectly affects all of us at some time through a family member, friend or colleague. It is estimated that 20% of Bermudians will personally experience some form of mental illness in their lifetime. Affecting people of all ages, educational and income levels and cultures, mental illness includes depression, anxiety, schizophrenia and bipolar disorder. Caused by a complex interplay of genetic, biological, personality and environmental factors, many people with symptoms do not seek treatment, often as the result of social attitudes. Stigma and discrimination presents a serious barrier, not only to diagnosis and treatment but also to acceptance in the community.

MWT's Mental Health Programme is designed to provide comprehensive clinical treatment for mental illness. Services include acute community mental health and rehabilitative services, acute in-patient and in-patient rehab services and continuing care services. An island-wide campaign was undertaken in 2004 in an effort to reduce the stigma associated with mental health issues, and we will continue with our efforts to change perceptions in Bermuda.



I find working at KEMH to be both rewarding and stimulating. There are many opportunities to be an agent for change and I find that exciting. I feel we are on track with the rest of the world with our thinking but we just need more involvement from our stakeholders. Nurses coming from all over the world bring with them a wealth of knowledge and it is through this that we can relate with one another and move forward.

Lisa Symonds, Nurse

Once a week I go to the occupational therapy department at MWI to teach a cookery class. We make simple things like gingerbread and cookies to share. The clients enjoy this activity as it gives them a sense of achievement. In turn I get satisfaction from seeing their happiness in producing something useful."

Marilyn York, MWI Volunteer

"The doctors and nurses in the emergency department and intensive care unit at KEMH are wonderful – they treated me like royalty! I found all of the staff to be very compassionate, efficient and well-organized. They really know what they're doing over there."

Eugene Todd
Southampton, Bermuda

Please allow me to extend my sincere appreciation to all Agape House staff for the exemplary care they gave my mother. In particular, a big thank you to Scott and Nicole who got me through my mother's last moments of life with such a high degree of care and compassion toward us all. Your facility is truly a blessing to the Bermuda community. I know you will continue to do wonderful work with other families on the island. I wish you continued success.

Letter addressed to Friends of Hospice



Clients at MWI take part in Vocational Rehabilitation by preparing pink sand souvenirs.



Dr. Roslyn Bascombe attends to a patient in the Wound Management Centre.

Makai Wound Management Centre

An aging population, high rates of diabetes and an increased incidence of road traffic accidents make wound care especially significant in Bermuda. As one of the busiest departments at KEMH, the Wound Management Centre (Hyperbaric and Wound Care Unit) handles about 8,500 in and outpatient visits each year.

This is primarily a nurse-driven service, providing wound assessment, dressing changes and advanced care techniques that include vacuum-assisted closure of wounds. Approximately 20 to 30 outpatients are treated in the unit each day. A skilled and dedicated team of 10 full-time and 40 part-time nurses and doctors, as well as volunteers, treat clients with severe or 'problem' wounds, selected burns,

crush and radiation injuries and chronic ulcers of the lower extremities, often resulting from diabetes and vascular disease.

Hyperbaric oxygenation is sometimes used to treat wounds, diving accidents, carbon monoxide poisoning or certain types of life-threatening infections. As the only facility in Bermuda offering this kind of care, the Hyperbaric Chamber provided 384 patient treatments in 2004. The chamber can hold up to eight patients at one time, with most treatments for wound care taking about two hours.

Boasting a high rate of success, the Wound Management Centre is an example of excellence in patient care at KEMH.





Diagnostic Imaging

Diagnostic Imaging is one of the busiest departments at KEMH, taking approximately 5000 images each month. Providing a wide range of services to the community, including mammography, CAT Scan, X-ray, ultrasound, MRI, bone density and radioisotopes, this department makes use of the latest advances in imaging techniques. New digital radiography and interventional equipment was installed in 2004. A multi-viewer arrived in July, significantly improving the efficiency of x-ray reporting. The number and complexity of MRI procedures significantly increased in 2004, and the division opened for some evening appointments. More than 3000 mammograms were performed in 2004 by four registered technologists and three radiologists. The fully accredited mammography programme features the latest technologies, ensuring the lowest radiation dose possible to the patient, as well as an excellent breast biopsy service.

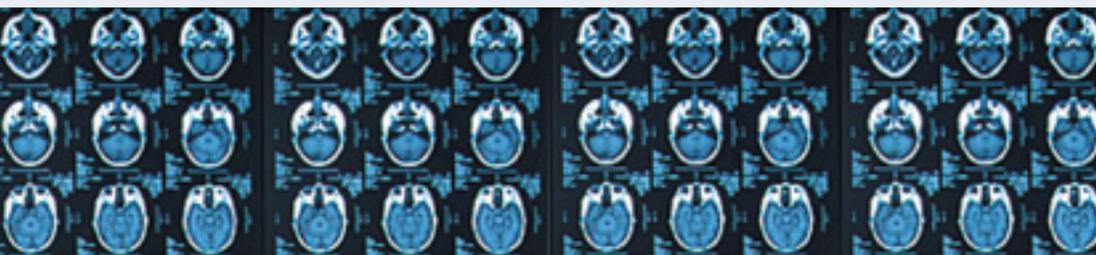
Senior Imaging Technologist Rona Donawa and Dr. Stephen Wittchell, Clinical Director of MRI Unit, review images

Our names are Mystere and Meliseanna Gibbons. We have been student volunteers at King Edward VII Memorial Hospital for three years.

Meliseanna has gladly served in ICU, dialysis and the clinical education department, while Mystere benefited from experience in ICU, the emergency department and cardiac care.

The hours spent in these different fields gave us exposure to medicine, which is what we plan to study. We thoroughly enjoyed our time there. Bringing smiles to patients and staff assured us our presence was appreciated.

Mystere and Meliseanna Gibbons





Cardiac Diagnostic Unit

The Cardiac Diagnostic Unit (CDU) offers life-saving services to the community. The CDU conducted 14,485 tests in 2004, using leading edge technology. Providing non-invasive cardiac testing, services include 24-hour Holter and blood pressure monitoring, electrocardiograms, stress testing, echocardiography, stress-echocardiography, pacemaker and defibrillator analysis.

The sophistication of implantable cardiac technology continues to grow. In addition to monitoring the function of over 160 pacemaker devices, the CDU now also cares for a select group of patients with "biventricular" pacemakers. These special implantable pacemakers utilize three internal 'leads' or wires, positioned at specific locations within the heart chambers. They promote more efficient pumping of a weakened heart muscle and improve shortness of breath in patients with heart failure.

Bermuda also has 72 patients with automatic implantable defibrillators and as indications for this device grow, these numbers are expected to increase. Detecting potentially lethal heart rhythms, the device delivers an internal shock to the heart, restoring a normal rhythm before the patient suffers a cardiac arrest.

Home to the Medical Programme's Cardiac Care Program, the CDU also provides education, support, and follow-up to patients with coronary artery disease. Facilitated by nurse educators, this programme provides clients with individually tailored exercise regimes.



'I would like to express my deep appreciation and thanks to those wonderfully caring nurses, particularly Nurse Sue on Cooper Ward. The nurses went out of their way to see that I was made comfortable at all times following a serious operation. I am deeply indebted to them and the young trainees. Because of their constant concern for my welfare, I was able to make a quick recovery. I will never forget their kind concern. In fact, all the staff with whom I had contact, nurses and orderlies, made an outstanding effort to see I was well cared for.'

Edwyna Wagner,
Hamilton Parish

'I would like to thank the various medical personnel affiliated with your fine hospital for the good care they gave me during my hospital stay.

In particular, I express my gratitude to Dr. Babeckas in the ER and Dr. Reddy, who both took such good care for me. My thanks also go to Dr. Miller, who Dr. Reddy brought in as a specialist for my case.

Of course, I would be remiss to leave out a very special 'thank you' to the many nurses and staff on the fourth floor of Perry Ward who looked after me during my stay. I will look forward to a return to your lovely island.'

Leo M. Favrot,
Austin, Texas

Top Left: ECG Technician Tula Smith monitors a patient.
Bottom Left: A patient is checked by ECG Technician June Belloquet during an exercise stress test

At the Heart of Our Community

SIGNIFICANT STATISTICS KING EDWARD VII MEMORIAL HOSPITAL

	April 2002 - March 2003	April 2003 - March 2004	April 2004 - March 2005
Inpatient - Acute Care			
Beds	226	211	211
Patient Days	55,085	55,569	53,584
Discharges (incl.deaths)	6,908	6,764	6,756
Average Length of Stay (in days) at discharge	8.0	8.2	7.9
Births	848	816	825
Percentage Occupancy	69%	71%	69%
Continuing Care Unit			
Beds	103	104	104
Patient Days	34,611	36,330	36,947
Discharges	66	55	51
Average Length of Stay (in days) at discharge	516.6	615.8	671.7
Percentage Occupancy	92%	95%	97%
Hospice			
Beds	12	12	12
Patient Days	3,100	2,763	2,695
Discharges	78	65	74
Average Length of Stay (in days) at discharge	39.7	42.5	36.4
Percentage Occupancy	72%	63%	61%
All Patients			
Emergency Dept. Visits	31,938	31,469	32,116
Operations (Inpatients)	2,346	2,249	2,413
Operations (Outpatients)	5,654	5,742	5,775
Physiotherapy treatments			
(Inpatients)	14,743	15,583	14,061
(Outpatients)	9,109	11,571	12,996
(C.C.U.)	1,077	1,617	4,549
X-Ray (Exams)	31,515	31,138	31,548
Laboratory (Thousand units)	3,543	3,558	3,555
Cardiac Investigations Attendances	10,270	9,971	9,773
Ultrasound Scans	9,627	9,772	9,901
Nuclear Medicine	1,315	1,470	1,397
Chemotherapy Treatments (Outpatients)	1,051	1,104	893
Cat Scans	4,363	4,230	4,851
Occupational Therapy Treatments			
(Inpatients)	2,428	3,015	3,339
(Outpatients)	1,489	2,367	1,773
(C.C.U.)	202	187	164
Speech/Language Pathology			
(Inpatients)	331	840	1,224
(Outpatients)	229	720	462
(C.C.U.)	14	70	49

SIGNIFICANT STATISTICS MID-ATLANTIC WELLNESS INSTITUTE

	April 2002 - March 2003	April 2003 - March 2004	April 2004 - March 2005
Inpatient - Acute Care			
Beds	24	24	24
Discharges (incl. deaths)	235	216	264
Patient Days	6,931	5,636	6,093
Length of Stay	28	26	23
Admissions	243	229	264
Percentage Occupancy	79%	64%	70%
Long - Term & Rehabilitation			
Beds	98	98	98
Discharges (excl. deaths)	132	92	76
Patient Days (excl. respite)	26,307	24,442	23,114
Length of Stay	199	265	304
Deaths	3	2	2
Transfers from Acute	30	22	13
Percentage Occupancy	74%	68%	65%
Outpatients			
Visits of Mental Welfare Officers	1,385	2,609	7,754
Home Visits	3,806	3,975	3,423
New Referrals & Re-referrals	495	354	427
Follow-up Visits	8,021	8,194	10,049
Turning Point (Substance Abuse – Detox Unit)			
Beds	8	8	8
Discharges	89	155	168
Patient Days	508	893	1,101
Length of stay	6	6	6
Admissions	95	153	162
Percentage Occupancy	35%	30%	38%





Board of Directors

Jonathan Brewin, Chairman
Anthony Richardson, Deputy Chairman
Eugene Blakeney (stepped down in December 2004)
Lynne Cann
Reverend Howard Dill
Wendell Emery
Roseanne Michelsen (joined in January 2005)
Tonya Minors
Marijke Peterich (stepped down in December 2004)
Dr. Alexander Romeo
Alaina Trott (joined in January 2005)
Charmaine Tucker

Ex Officio Members:

Delia Basden, Chief Financial Officer
Dr. John Cann, Chief Medical Officer
Joan Dillas-Wright, Chief Executive Officer
Dr. Robert Vallis, Acting Chief of Staff

From left to right: Jonathan Brewin, Joan Dillas-Wright, Anthony Richardson, Tonya Minors, Dr. Tiina Kaigas, Alaina Trott, Dr. Alexander Romeo, Roseanne Michelsen, Delia Basden, Reverend Howard Dill and Dr. John Cann

Hospital



Hospitals Management Team

Delia Basden, Chief Financial Officer
Patrice Dill, Director of Mid-Atlantic Wellness Institute
Joan Dillas-Wright, Chief Executive Officer
Kathy-Ann Lewis, Director of Clinical Programmes
George Melling, Director of Facilities Management
Scott Pearman, Director of Human Resources
Judy Richardson, Director of Quality & Risk
Harlean Saunders, Acting Director of Support Services
Venetta Symonds, Organizational Review Officer

From left to right: Judy Richardson, Venetta Symonds, Delia Basden, Joan Dillas-Wright, George Melling, Patrice Dill, Harlean Saunders and Kathy Ann Lewis.

Leadership



Hospital Leadership



Back Row, left to right: Dr. Wilbert Warner, Dr. Eugene Outerbridge and Dr. Edward Schultz; seated, left from right: Dr. David Harries, Dr. Charles Dyer and Dr. Daniel Stovell.

Medical Chiefs

Dr. Wilbert N. E. Warner
Dr. Charles Dyer
Dr. Ian C. Fulton
Dr. Alastair McCrerrick
Dr. Eugene Outerbridge
Dr. Edward A. Schultz
Dr. Paul Stein
Dr. Daniel Stovell
Dr. David Harries

Chief of Medicine, Acting
Chief of Surgery, Acting
Chief of Obstetrics
Chief of Anesthesia
Chief of Paediatrics
Chief of Emergency Services & Hyperbaric Medicine
Chief of Psychiatry - MWI
Chief of Radiology
Chief of Continuing Care & Rehabilitation



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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, 2005 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, 2005 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.

Hamilton, Bermuda
August 19, 2005

Larry T. Dennis, C.A.
Auditor General

Bermuda Hospitals Board
Statement of Financial Position
As at March 31, 2005

	2005	2004
	\$	\$
ASSETS		
Current assets		
Cash and time deposits	7,921,445	12,851,012
Restricted cash, term deposits and investments (note 3)	3,481,505	2,934,607
Accounts receivable (net of allowance for doubtful accounts 2005 -\$884,851; 2004 - \$991,961 (note 8))	13,595,411	10,354,164
Due from the Consolidated Fund of the Government of Bermuda (note 8)	-	223,440
Other receivables (note 8)	766,488	701,216
Inventories	4,017,372	3,922,522
Prepaid expenses	1,875,668	1,012,636
	<u>31,657,889</u>	<u>31,999,597</u>
Long term assets		
Capital assets (note 6 and 11)	87,973,114	83,485,084
Investments (note 7)	1,180,655	945,660
Pledges receivable (note 5)	403,851	108,300
	<u>89,557,620</u>	<u>84,539,044</u>
	<u>121,215,509</u>	<u>116,538,641</u>
LIABILITIES, DEFERRED CAPITAL CONTRIBUTIONS AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	8,310,817	9,999,700
Accrued salary and payroll expenses (notes 8 and 13)	8,524,576	8,380,944
Due to the Consolidated Fund of the Government of Bermuda (note 8)	226,269	-
Current portion of long term debt (note 9)	2,948,433	2,742,566
	<u>20,010,095</u>	<u>21,123,210</u>
Long term liabilities		
Pension accrual (note 13)	7,526,446	6,740,171
Accrued health insurance (note 13)	8,845,608	6,933,637
Long term debt (note 9)	13,278,572	14,118,133
	<u>29,650,626</u>	<u>27,791,941</u>
Deferred capital contributions (note 10)	<u>22,122,254</u>	<u>22,228,755</u>
Net assets		
Invested in capital assets (note 11)	48,106,269	42,800,694
Internally restricted for pensions (note 12)	458,344	458,344
Internally restricted for education (note 12)	1,066,403	449,143
Unrestricted	(198,482)	1,686,554
	<u>49,432,534</u>	<u>45,394,735</u>
	<u>121,215,509</u>	<u>116,538,641</u>

The accompanying notes are an integral part of these financial statements

Bermuda Hospitals Board
Statement of Operations
For the year ended March 31, 2005

	KEMH	MWI	2005	2004
	\$	\$	\$	\$
OPERATING REVENUES				
Outpatient (note 8)	71,237,060	261,982	71,499,042	63,828,151
Inpatient (note 8)	43,785,350	1,888,832	45,674,182	44,424,945
Extended care unit (note 8)	11,436,462	-	11,436,462	10,682,771
Non-medical (note 8)	1,703,244	251,084	1,954,328	2,396,465
Amortisation of deferred capital contributions (note 10)	1,128,914	550,822	1,679,736	1,626,566
Surcharge to non-residents	283,305	-	283,305	353,204
Investment Income	205,908	-	205,908	65,842
Donations	193,305	-	193,305	322,085
Government grants (note 8)	-	25,316,278	25,316,278	23,884,965
Total operating revenues	129,973,548	28,268,998	158,242,546	147,584,994
SALARIES AND EMPLOYEE BENEFITS				
Direct medical staff	31,525,665	10,238,611	41,764,276	38,251,857
Supporting medical services	14,838,755	4,346,378	19,185,133	17,794,702
Ancillary services	13,474,179	2,006,005	15,480,184	14,582,733
Employee benefits (notes 8 and 13)	11,046,132	2,901,221	13,947,353	12,471,995
Administrative services	6,142,451	187,134	6,329,585	7,171,987
	77,027,182	19,679,349	96,706,531	90,273,274
OPERATING EXPENSES				
Medical supplies	16,397,489	485,126	16,882,615	14,927,948
General supplies and services (note 8)	11,615,871	2,278,791	13,894,662	12,175,276
Repairs and maintenance	5,556,745	703,673	6,260,418	4,034,684
Amortisation of capital assets	4,657,330	669,456	5,326,786	4,785,083
Consulting and business expenses	4,474,141	740,680	5,214,821	4,569,914
Utilities (note 8)	4,348,649	862,331	5,210,980	5,024,392
Food	1,439,774	631,669	2,071,443	2,014,919
Miscellaneous (note 8)	1,440,469	-	1,440,469	1,655,163
Interest expense	725,575	-	725,575	1,174,156
Bad debt expenses	663,652	-	663,652	129,210
Business social cost (note 16)	236,717	-	236,717	443,792
Loss on disposal of capital assets	185,571	11,200	196,771	34,991
Scholarships issued	196,320	-	196,320	161,065
Management charge (note 17)	(1,526,808)	1,526,808	-	-
	50,411,495	7,909,734	58,321,229	51,130,593
Total expenses	127,438,677	27,589,083	155,027,760	141,403,867
Net operating income	2,534,871	679,915	3,214,786	6,181,127
Extraordinary loss	-	-	-	(152,632)
Excess of revenues over expenses	2,534,871	679,915	3,214,786	6,028,495

The accompanying notes are an integral part of these financial statements



Bermuda Hospitals Board
Statement of Changes in Net Assets
For the year ended March 31, 2005

NET ASSETS	Invested in capital assets \$	Internally Restricted for Pensions \$	Internally Restricted for Educational Purposes \$	Unrestricted \$	2005 Total \$
Balance, beginning of year	42,800,694	458,344	449,143	1,686,554	45,394,735
(Deficiency) excess of revenue over expenses (note 11)	(3,843,821)			7,058,607	3,214,786
Unrealized gain on available-for-sale (financial asset) arising during the period			617,260	205,753	823,013
Net change in investment in capital assets (note 11)	9,149,396			(9,149,396)	-
Balance, end of year	48,106,269	458,344	1,066,403	(198,482)	49,432,534

NET ASSETS	Invested in capital assets \$	Internally Restricted for Pensions \$	Internally Restricted for Educational Purposes \$	Unrestricted \$	2004 Total \$
Balance, beginning of year	42,210,658	458,344	415,150	(3,717,912)	39,366,240
(Deficiency) excess of revenue over expenses (note 11)	(3,193,508)		33,993	9,188,010	6,028,495
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

The accompanying notes are an integral part of these financial statements

Bermuda Hospitals Board
Statement of Cash Flows
For the year ended March 31, 2005

	2005	2004
	\$	\$
CASH FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	3,214,786	6,028,495
Amortisation of capital assets	5,326,786	4,785,083
Loss on disposal of capital assets	196,771	34,991
Amortisation of deferred capital contributions	(1,679,736)	(1,626,566)
Net change in non-cash working capital	(3,671,411)	(826,154)
Pension benefit expense	786,275	275,869
Net cash generated through operating activities	4,173,471	8,671,718
FINANCING AND INVESTING ACTIVITIES		
Deferred capital contributions	1,573,235	986,479
Repayment of long term debt	(2,733,695)	(17,580,076)
Proceeds from long term loan	2,100,000	11,588,150
Purchase of capital assets	(10,011,587)	(3,855,495)
Pledges for capital assets	(295,551)	91,441
Unrealized gain	823,013	-
Purchase of investments	(234,995)	-
Proceeds from disposal of investments	-	4,033,625
Grant received from government	223,440	(193,147)
Net cash used in financing and investing activities	(8,556,140)	(4,929,023)
(Decrease) net increase in cash and cash equivalents	(4,382,669)	3,742,695
Cash and cash equivalents, beginning of year	15,785,619	12,042,924
Cash and cash equivalents, end of year	11,402,950	15,785,619
Cash and cash equivalents consist of the following:		
Cash and time deposits	7,921,445	12,851,012
Restricted cash, term deposits and investments	3,481,505	2,934,607
	11,402,950	15,785,619

The accompanying notes are an integral part of these financial statements



BERMUDA HOSPITALS BOARD

NOTES TO THE FINANCIAL STATEMENTS, March 31, 2005

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 Mid-Atlantic Wellness Institute ("MWI"), formerly known as St. Brendan's Hospital ("SBH"). The name change was effected on May 12, 2005 to reflect the new image of the hospital. The Board receives donations, subsidies and government grants, which are included in the financial statements.

KEMH is an inpatient acute care and extended care hospital with two hundred and twenty-three (223) acute care beds and an extended care unit with one hundred and four (104) beds.

MWI is a psychiatric facility with thirty-two (32) inpatient acute care beds and ninety-eight (98) 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 recognized 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.

Investment income includes dividends and interest income and realized investment gains and losses. Unrealized gains and losses on available for sale financial assets are included in the fund balances until the asset is removed from the statement of financial position.

(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, orthopedic supplies, pharmacy, stationery, and film, are valued at the lower of cost and net realizable value.

(E) INVESTMENTS

Investments comprise term deposits and an equity security. The term deposits are classified as held to maturity and carried at cost. The Canadian Institute of Chartered Accountants ("CICA") issued new requirements for accounting for financial instruments to be implemented for annual or interim accounting periods, which begin on or after October 1, 2006. The BHB has exercised the option of early implementation by incorporating current values in its financial statements for the financial year ended March 31, 2005. The equity investment is therefore classified as available for sale and is carried at fair value with unrealized gains or losses recorded as a separate component of Net Assets and released to operating income when realized. Permanent declines in value result in an adjustment to cost and immediate write down through the statement of operations. Investment income is recognized on the accruals basis. In accordance with the requirements of the CICA the adjustment to fair value accounting was not applied retroactively. At March 31, 2004 the investments were carried at cost with disclosure of fair value and permanent declines recorded immediately to the statement of operations.

(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.

(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 and the equity security is carried at fair value.

The fair value of other financial assets and liabilities, consisting of accounts receivable, due to 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 fair value of long-term debt is approximately \$16.36 million 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 financial instruments such as obligations for employee future health 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 employees' healthcare benefits. The agreement is required to remain in force for a minimum of two (2) years subsequent to March 31, 2003. In 2005, the BHB renewed its policy funding agreement for an additional period of two years and ten months.

Under the agreement, the Board is liable for any deficit as set out in the agreement, which incorporates net premium, incurred claims, interest and administration charges. However, should the plan generate a cumulative surplus, the administrator is allowed up to 25% of the surplus in addition to the standard annual fee, with the balance being returned to the BHB. The standard administration fee is set at 10% per annum of net premiums.

The establishment of the provision for incurred claims is based on known facts and interpretation of circumstances and 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.

3. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

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

	2005	2004
	\$	\$
Construction projects and capital assets	789,410	994,365
Patient comfort funds	1,171,840	1,037,247
Staff pension plan	458,344	458,344
Educational purposes	1,061,911	444,651
	<u>3,481,505</u>	<u>2,934,607</u>

The equity investment is comprised of:

	2005		2004	
	Market Value	Cost	Market Value	Cost
	\$	\$	\$	\$
Bermuda Corporate	<u>967,664</u>	<u>144,651</u>	<u>910,121</u>	<u>144,651</u>

At March 31, 2005, the BHB investment in Bermuda Corporate equities amounted to \$967,664, of which seventy five percent (75%) is restricted for educational purposes.

Upon the adoption of the new rules governing the treatment of financial instruments, on April 1, 2004 an unrealized gain of \$765,470 was recorded in the internally restricted and unrestricted accounts. At the end of March 2005, the unrealized gain had increased to \$823,013.

4. OVERDRAFT FACILITY

The BHB has an overdraft facility with the Bank of Butterfield of up to \$2,450,000, which bears interest at a rate of 3% above the Bank's Base Rate.

The overdraft facility was not in use at year-end.

5. PLEDGES RECEIVABLE

These amounts are due from the Hospitals Auxiliary of Bermuda (HAB) and other donors.



6. CAPITAL ASSETS

	COST	ACCUMULATED AMORTISATION	2005 NET	2004 NET
	\$	\$	\$	\$
Land and buildings	103,752,393	30,320,203	73,432,190	68,396,908
Equipment	34,528,983	20,649,811	13,879,172	12,828,561
Computer equipment	2,170,320	1,763,451	406,869	504,406
Software	2,694,962	2,614,297	80,665	22,886
Construction in progress	174,218	–	174,218	1,732,323
	<u>143,320,876</u>	<u>55,347,762</u>	<u>87,973,114</u>	<u>83,485,084</u>

Interest and financing costs of \$ Nil (2004 - \$20,032) were capitalised relating to ongoing construction projects.

The insured value of all capital assets under the Board's control is approximately \$274.2 million (2004 - \$269.1 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 \$222,770 at March 31, 2005 (2004 - \$309,629) is security for that loan, as described in note 9.

7. LONG-TERM INVESTMENTS

The cost and fair value of time deposits included in long-term investments at March 31, 2005 is \$974,900 (2004 - \$945,660).

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 \$60,630,490 (2004 - \$56,203,098) in respect of services rendered by the Hospital to patients covered under the Government's subsidy programmes as follows:

	2005 \$	2004 \$
Aged subsidy	30,576,116	29,519,801
Geriatric subsidy	10,415,644	9,546,304
Youth subsidy	7,857,883	7,498,829
Indigent subsidy	6,132,195	5,399,094
Other subsidy	3,455,998	3,146,386
Clinical drugs	2,192,654	1,092,684
	<u>60,630,490</u>	<u>56,203,098</u>

As at March 31, 2005, \$2,571,701 (2004 - \$1,568,903) was outstanding from Government for subsidy programmes.

This amount is included in the accounts receivable balance.

(II) Government Grants

MWI receives operating and capital grants. The operating grant received during the year was \$25,128,749 (2004 - \$23,884,965) and the capital grant received was \$187,529 (2004 - \$90,438).

As at March 31, 2005, the amount due to the Consolidated Fund of the Government of Bermuda was \$226,269. As at March 31, 2004, \$223,440 was due from the Consolidated Fund of the Government to the Bermuda Hospitals Board.

(B) MUTUAL REINSURANCE FUND

Included within the accounts receivable balance as at March 31, 2005 is \$3,001,580 (2004 - \$980,762) receivable from the Mutual Reinsurance Fund.

During the year, the Hospital Insurance Commission approved the following claims:

	2005 \$	2004 \$
Hemodialysis treatments	5,499,806	5,758,270
Long stay patients	1,033,540	1,036,954
Home health care	277,851	205,022
Magnetic resonance imagery (MRI)	2,033,148	1,629,775
Anti-rejection drugs	211,692	193,599
	<u>9,056,037</u>	<u>8,823,620</u>

(C) HOSPITAL INSURANCE FUND

As at March 31, 2005, \$886,964 (2004 - \$681,964) is receivable from the Hospital Insurance Fund. During the year, the Hospital Insurance Commission approved claims totaling \$5,102,287 (2004 - \$4,140,656). This amount has been included in accounts receivable.

(D) GOVERNMENT EMPLOYEES HEALTH INSURANCE FUND

Included within the accounts receivable balance as at March 31, 2005 is \$1,359,358 (2004 - \$1,534,910) due from the Government Employees Health Insurance Fund ("GEHI"). During the year, \$8.7million (2004 - \$7.2 million) in claims was billed to the GEHI.

(E) OTHER AMOUNTS

	2005	2004
	\$	\$
During the year, the BHB expensed the following:		
Payroll tax	2,505,487	2,333,682
Social insurance	1,579,302	1,323,252
Nurses' annual pensions	354,806	331,927
Services provided by the Ministry of Works and Engineering	1,138,162	1,048,476
Superannuation	7,263	7,721
Land tax	-	4,926
Miscellaneous charges	79,970	124,522
	<u>5,664,990</u>	<u>5,174,506</u>

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

	2005	2004
	\$	\$
Payroll tax	3,549,443	3,305,651
Social insurance	1,598,805	1,478,107
	<u>5,148,248</u>	<u>4,783,758</u>

Non-refundable duty of \$1,230,325 (2004 - \$752,678) was paid during the year.

War Veteran Association Claims, in the amount of \$40,737 (2004 - \$99,267) were billed during the year.

The following balances remain outstanding at March 31:

	2005	2004
	\$	\$
Accounts receivable		
Miscellaneous departmental charges	78,462	92,798
Payable by government on behalf of the War Veterans Association	1,932	13,654
	<u>80,394</u>	<u>106,452</u>
Other receivables		
Refundable deposits paid for duty	<u>217,365</u>	<u>245,368</u>
Accounts payable and accrued liabilities		
Ministry of Works and Engineering	224,585	248,305
Nurses' annual pensions accrual	2,275,711	1,920,905
	<u>2,500,296</u>	<u>2,169,210</u>
Accrued salary and payroll expenses		
Payroll tax	1,561,901	1,457,748
Social insurance	437,295	476,302
	<u>1,999,196</u>	<u>1,934,050</u>



9. LONG TERM DEBT

	2005	2004
	\$	\$
Bond Replacement Loan of US\$10,000,000, bearing interest of 4.5% per annum, payable in quarterly installments of principal and interest of \$417,000 up to June 2010. The loan is unsecured.	7,808,556	9,083,648
Bonds payable of US\$10,400,000, bearing interest of 3.95% per annum, due 2010. Semiannual principal payments are \$450,000. The bonds are secured by a second mortgage on land and buildings.	4,550,000	5,450,000
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.	1,325,264	1,720,171
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.	229,010	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.	222,770	309,629
Loan of \$2,100,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in monthly installments of principal and interest up to February 1, 2020. The loan is secured over the related property.	2,091,405	-
	<u>16,227,005</u>	<u>16,860,699</u>
CURRENT PORTION	2,948,433	2,742,566
	<u>13,278,572</u>	<u>14,118,133</u>

Principal repayments scheduled for the next fourteen years are as follows:

Year	Amount
	\$
2007	3,011,832
2008	3,015,282
2009	2,541,957
2010	2,668,703
2011	614,130
2012	131,452
2013-20	1,295,216
	<u>13,278,572</u>

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:

	2005	2004
	\$	\$
Balance, beginning of year	22,228,755	22,868,842
Add: contributions received	1,573,235	986,479
Less: amounts amortized to revenue	(1,679,736)	(1,626,566)
Balance, end of year	<u>22,122,254</u>	<u>22,228,755</u>

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

	2005	2004
	\$	\$
Unamortised capital contributions used to purchase assets	21,852,560	21,972,901
Unspent contributions	269,694	255,854
	<u>22,122,254</u>	<u>22,228,755</u>

11. INVESTED IN CAPITAL ASSETS

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

	2005 \$	2004 \$
Capital assets (note 6)	87,973,114	83,485,084
Amount financed by:		
Deferred contributions (note 10)	(21,852,560)	(21,972,901)
Loans and bonds payable	(18,014,285)	(18,711,489)
	<u>48,106,269</u>	<u>42,800,694</u>

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

	2005 \$	2004 \$
Excess of revenues over expenses:		
Amortisation of deferred contributions related to capital assets	1,679,736	1,626,566
Amortisation of capital assets	(5,326,786)	(4,785,083)
Loss on disposal of capital assets	(196,771)	(34,991)
	<u>(3,843,821)</u>	<u>(3,193,508)</u>
Net changes in investment in capital assets:		
Purchase of capital assets	10,011,587	3,855,495
Amounts funded by:		
Deferred contributions	(1,559,396)	(985,299)
Bond issues	(202,795)	13,348
Repayment of long term debt	900,000	900,000
	<u>9,149,396</u>	<u>3,783,544</u>
	<u>5,305,575</u>	<u>590,036</u>

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 amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 1.96 years (2004 – 2.24 years). The average remaining service life of the active employees covered by the other retirement benefit plans is 8.1 years (2004 – 8.19 years).

(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, 2004 to March 31, 2005 totaled \$3.04 million (2004 - \$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 \$786,275 (2004 - \$275,869) includes the amortisation of past service costs over periods ranging from eleven (11) to two (2) years.



	2005 \$	2004 \$
Balance, beginning of year	6,740,171	6,464,302
Pension expense		
Current cost	106,536	122,911
Amortization of past service costs-	-	(163,900)
Interest	359,038	346,323
Experience loss (gain)	320,701	(29,465)
	<u>786,275</u>	<u>275,869</u>
Balance end of year	<u>7,526,446</u>	<u>6,740,171</u>

Bermuda Hospitals Board and Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2005, which estimates that Bermuda Hospitals Board's portion of the liability under the Act is approximately \$5.8million at that date (2004 - \$5.1 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, 2005, the Board's payable to the Government totals \$2.3 million (2004 - \$1.9 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 recognized 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, 2005 is \$152,810 (2004 - \$46,477) 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, 2005, the liability is \$50,484 (2004 - \$24,158) 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, 2005 is \$6.3 million (2004 - \$5.8 million) and the benefits paid out total \$5.8 million (2004 - \$5.7 million) resulting in a liability as at March 31, 2005 of \$5.4 million (2004 - \$4.9 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 fifty percent (50%) of the health insurance premiums for employees who retire from the Board. The accrued benefit obligation as at March 31, 2005 of \$14.3 million (2004 - \$13.2 million) was determined by an actuarial valuation. The accrued benefit liability at March 31, 2005 was \$8.8m (2004 - \$6.9m).

The expense recognized for the year ended March 31, 2005 totals \$2.5 million (2004 - \$2.3 million) and the benefits paid during the year total \$604,039 (2004 - \$455,873). 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.

The BHB Health Plan had a cumulative surplus of \$59,134 as at March 31, 2005 while a cumulative deficit of \$400,000 was recorded as at March 31, 2004.

14. COMMITMENTS

As of March 31, 2005, the Board has operating commitments of \$1.5 million relating to a cleaning service contract extending for twenty months and an additional \$1.3 million relating to an oxygen supply agreement extending over four (4) years.

The Board has, in the ordinary course of business, entered into operating lease agreements with a third party for the rental of eight properties. The aggregate monthly charge is \$30,974 and the agreements 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 defenses to all asserted claims and intends to defend vigorously against them. The Board has medical malpractice insurance in place of 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 recognized as social cost for year ended March 31, 2005 is \$236,717 (2004 \$443,792).

17. MANAGEMENT CHARGE

A number of administrative services are provided by KEMH to MWI for which a management charge is made. These services include information system management, employee recruitment and administration, facility repairs, purchasing, pharmacy, telecommunication, dietary, accounting, and general administration. The Board uses the employee cost for each department and cost of hardware and software maintenance contracts to calculate the management charge. The management charge is calculated based on the estimated percentage of time that each department spends working with MWI. The amount charged for year ended March 31, 2005 is \$1,526,808 (2004 \$1,460,009).



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