Bermuda Hospitals Board

2009 ANNUAL REPORT

Government of Bermuda
Ministry of Health

On behalf of the Government of Bermuda, I am pleased to present to the Legislature of Bermuda, the Bermuda Hospitals Board 2008/09 Annual Report. I would like to offer my congratulations to the Management and Staff of the Bermuda Hospitals Board for another successful year.

The 08/09 financial year was one which focused on planning for the future while ensuring current levels of service at the KEMH and Mid Atlantic Wellness. The Board chose to move forward with the improvements to the Hospital via a public private partnership model which will help to ensure the success of the project. At the same time, the Board and Management carefully planned for the necessary short term renovations which will maintain a high level of care for Bermuda's residents.

There will be many challenges ahead as everyone strives to maintain standards at a facility that is undergoing radical change. But I am confident that the experienced and knowledgeable staff will rise to the challenge and ensure that top quality service continues to be delivered to the community.

I would like to thank the Members of the Bermuda Hospitals Board for who volunteer their time and energy to ensure the effective and efficient operation of our hospitals.

Many other volunteers contribute to the operation of both KEMH and MWI. Your hard work often goes unrecognised, but your efforts provide a huge boost to both the staff and patients. Thank you for your time and energy.

Sincerely,
Zane De Silva, JP, MP
Minister of Health

ABOUT BHB

Bermuda Hospitals Board (BHB) provides acute care, treatment for chronic disease, and mental health services to Bermuda. Our care is delivered from the King Edward VII Memorial Hospital, Mid-Atlantic Wellness Institute and Lamb Foggo Urgent Care Centre.

BHB serves Bermuda's resident population of approximately 65,000 people, as well as the many visitors who come to the Island each year. BHB has the second largest number of employees in Bermuda with about 1,800 full time staff and 200 on-call and locum staff.

BHB's mandate, as set out in the Hospitals Act 1970 and subsequent revisions, is to provide Bermuda with quality care either from its own staff, in partnership with others or by helping patients receive care overseas, as needed. Given our relatively isolated geographic location, the Bermuda community needs a range of services far broader than would commonly be expected of a hospital service for a similar population in a larger country.

VISION, MISSION, VALUES

VISION: To be Bermuda's first choice for health and wellness.

MISSION: To ensure the highest quality healthcare through excellent service, education and leadership.

VALUES:

Culture - We incorporate and embrace the values and diversity of the Bermuda community.

Quality - We provide safe patient-centred care utilising best practices and technology to achieve optimal clinical outcomes.

Service - We work together to deliver an outstanding patient experience through service excellence.

People - We respect and value our staff as our most powerful asset and invest in their success as they are the foundation of the service and care we provide.

Integrity - We maintain the highest standards of behaviour that encompass honesty, accountability, ethics and doing the right things for the right reasons.

Leadership - We provide expertise and guidance on the provision of healthcare.

Communication - We listen attentively, communicate clearly and collaborate with our many stakeholders.

Stewardship - We manage organisational resources to sustain service continuity and growth.

MESSAGE FROM THE CHAIRMAN

The fiscal year 2008-9 was a year of preparation and achievement for us at Bermuda Hospitals Board.

Achieving the highest level of accreditation – something that only the top 20% of Canadian hospitals achieve – reflected a huge effort on behalf of BHB staff.

In November 2008 we released the Johns Hopkins Medicine International Review of our Estate Master Plan. This Review made a very clear statement – we needed 50% more space in order to provide the acute healthcare services needed by Bermuda at an international standard of care. This was not a surprise to the people who use our services or work at KEMH.

Before the end of the fiscal year, we also had an approved delivery model based on a business case put to the Board by KPMG. Our chosen model is a design, build, finance, maintain public private partnership, which we call a DBFM PPP. This means we will enter into a contract with a private partner, not only to design, finance and construct a new facility, but also to maintain it over the duration of the contract. The goal is to give our partner a real incentive to build a quality facility, as they will be penalised if the maintenance does not meet specifications.

There are long term financial obligations that come with a PPP and the Board recognises that it is our mandate to ensure we can meet them, while continuing to deliver quality healthcare services on the Island. An affordability cap was established early in the project and it requires us to focus resources and improve efficiency. We have, therefore, established a five year rolling financial strategy that will shape our activity so that we can continue to invest in improving patient care and simultaneously ensure we are prepared for making our annual service repayments when the new facility opens in 2014.

I would like to thank my Board Director, as well as all the staff and management at BHB, for all the work they have put in this year. I am extremely proud of our acheivements and look forward. to an exciting few years ahead.

MESSAGE FROM THE CEO

As Bermuda Hospitals Board continues to develop in line with international quality standards, we also realise that the patient experience at BHB is based on much more.

That we are doing everything possible to ensure the safety of our patients is quite rightly a minimum expectation. Our new telephone patient satisfaction survey, meanwhile, highlighted the need for us to continue to invest in areas such as housekeeping, linens, the environment, food and our customer service.

As we have worked on a strategy of well-planned and much-needed improvements, we have also been constantly aware that a balance is needed. With a project approved to build a new hospital facility by 2014, decisions about required upgrades at KEMH are much more difficult. If we are going to have a new facility in five years, what needs investment and what can wait?

Some patient areas, such as oncology and the wards, required solutions urgently, before they impacted patient and staff safety. But some renovations have been delayed, or revised in light of the new facility opening.

It was a wonderful achievement to open the new Lamb Foggo Urgent Care Centre on time and on budget. It was also good to see our ward renovation project start at King Edward VII Memorial Hospital. As Bermuda's only hospital and with us being short of space, renovating while remaining fully functional is especially difficult and will take us time.

I would like to thank my management team and all my colleagues at all our locations. We are a big organisation, with over 200 professions – from healthcare professionals, to support services such as finance, laundry, food services and human resources. All of us, however, remain committed and focused to our defining vision – to be the first choice for health and wellness.











BOARD MEMBERS - 2009

Pictured from left to right, top to bottom

Herman Tucker, Chairman

Wendell Hollis, Deputy Chair

Edward Benevides

Brian Rowlinson

Josephine Wright

Mike Winfield

Crystal Burgess

Kelly Hodsoll

Wendy Augustus, Bermuda Hospitals Charitable Trust

David Hill, Chief Executive Officer

Dr Donald Thomas III, Chief of Staff

MISSING FROM PHOTO

Liz Titterton, Hospitals Auxiliary of Bermuda

Warren Jones, Permanent Secretary for Health

Dr John Cann, Chief Medical Officer

Given the large and complex BHB agenda, including the KEMH Redevelopment Project, the Ministry of Health has maintained a stable board over the last three years. Additionally, to ensure that the strategic make up of the Board remains a cornerstone of future Boards, new legislation was introduced in the 2008-9 fiscal year regarding numbers to make the Board a more manageable size.

HIGHEST LEVEL OF ACCREDITATION ACHIEVED

In May 2008, BHB operations were surveyed by Accreditation Canada. Accreditation Canada accredits all services at King Edward VII Memorial Hospital and the Mid-Atlantic Wellness Institute. While the Lamb Foggo Urgent Care Centre opened after this accreditation survey, it will also be subject to the same process at the next accreditation survey in 2011. Maintaining accreditation is at the heart of the Bermuda Hospitals Board's strategy to constantly improve the clinical quality of its healthcare services to keep pace with changing best international practices.

The accreditation process began back in November 2007 when 1,000 Bermuda Hospitals Board staff members from clinical and support divisions were surveyed, and it culminated in an on-site survey in May 2008. While the official on-site survey is once every three years, unexpected visits from surveyors are possible at any time. This means they can come on-site at any time without letting BHB know and test whether improvements are still being maintained.

The result of BHB's accreditation survey, received early in 2009, was unconditional Accreditation, a result only the top 20% of hospitals in Canada achieve.

The achievements and good practices that Accreditation Canada's independent surveyors noted at our hospitals included:

- A new rolling five year strategic plan has now been introduced and is monitored monthly by the Board
- BHB finances have turned around, with a Board-approved strategy and much improved accountability throughout the organisation
- BHB provides excellent clinical education to its professional staff
- BHB has an excellent infection control programme with very low levels of hospital-acquired infection, such as MRSA. This programme is led by a certified infection control practitioner
- The hospital's home care programme was highly praised, especially its focus on safety
- An excellent quality management programme with a Quality Council that reports to the Board on a regular basis
- Improved physician relations, with new leadership and evidence of better overall engagement of the physicians
- Intoduction of the new Hospitalist Programme - a positive step to an international standard of patient care

1] Nurses celebrate Accreditation results 2] Introduction of Hospitalist Team at BHB was seen as a positive step to improve patient care and safety 3] MRSA Testing: Accreditation Canada noted BHB's excellent infection control programme and low rate of hospital-acquired infection 4] Home Care Team's focus on safety was praised 5] Regular handwashing promotions and education are carried out by BHB's Infection Control team.

NEW DATA CENTRE PREPARES FOR PATIENT CARE IMPROVEMENTS

A project completed in November 2009 was the establishment of a new data centre for the hospitals. A new data centre was needed to support new technology, most critically the planned introduction of PACS, a digital image management and storage system for diagnostic tests such as MRI, CT, Ultrasound and Mammography.

Bermuda Hospitals Board reviewed on-site and off-site options for locating its new data centre and selected the most cost-effective solution of keeping it on the fifth floor and undertaking renovations to ensure its safety. Off-site options exceeded the cost of keeping the data centre on the fifth floor and renovating it so that it was appropriately storm proofed. The risks of being on this floor had been highlighted during Hurricane Fabian, when it suffered extensive damage.

Since storm proofing the entire floor was required, the Board took the opportunity to appropriately renovate the entire floor. The renovated design improves the utilisation of space through open plan offices for administrative staff, some of whom were moved from clinical areas.

The cost of the entire data centre project and renovations was $3.7 million.

KEMH REDEVELOPMENT PROJECT LAUNCHED

The Johns Hopkins Medicine International Review of the Estate Master Plan was completed in this fiscal year and the second phase of the report was made public in November 2008.

The key finding was that BHB needed 50% more acute care space than is available in the King Edward VII Memorial Hospital (KEMH) today.

From the recommendations in this report, a five year project was approved by Government. This project includes the revitalisation of the KEMH building and the development of a new facility on the existing KEMH site.

Following a detailed business case, carried out by KPMG early in 2009, it was approved that the new facilities will be delivered using a form of public private partnership called Design, Build, Finance and Maintain. The renovation of the existing building will be funded by BHB and managed as a separate project along traditional lines.

To ensure BHB can meet its commitments to the renovation and to the private partner once the new PPP facilities are completed, Government has agreed to a 1% fee increase above inflation each year for a period not exceeding five years, from 1 April 2009.

In total, this is likely to result in up to a 3% increase in healthcare premiums directly related to the KEMH Redevelopment Project.

KEMH Redevelopment Project Team

IMPROVED ACCESS TO EMERGENCY CARE

After breaking ground in July 2008, the Lamb Foggo Urgent Care Centre opened on time and on budget on 1 April 2009 in the East End of the Island in Southside, St David's. The new facility was officially opened by the Premier of Bermuda, the Hon. Dr Ewart Brown, JP MP and the late Minister of Health, the Hon. Nelson Bascome, JP MP.

Named after two St David's nurses, Annie Lamb and Susan Foggo, the facility provides an out-of-hours urgent care service during evenings and weekends, and opens as a diagnostic centre in the day for x-rays, ultrasounds and blood tests.

Critically, Bermuda Hospitals Board will staff the Eastern Urgent Care Centre when the causeway is closed, for example, during hurricanes. This access to medical care in the East is vital during and after storms when the causeway can become impassable. Additionally, in case of a disaster, such as an aeroplane crash at the airport, this facility will also become the East End Disaster Hub.

The cost to Government for this facility was $5.3 million. Bermuda Hospitals Board decided at the beginning of this project to increase the range of services to be provided from this facility to make more efficient use of the building. BHB invested an additional $2.5 million so that it could provide a diagnostic service that will support the urgent care needs of patients out of hours, and be a resource during the day.

INTERIM CENTRE FOR CANCER CARE OPENS

Oncology Services will transfer to the new hospital facility in about 2014. However, an interim solution was urgently needed so the hospital could meet accreditation and patient safety standards and provide an environment that improved the comfort and dignity of people in Bermuda being treated for cancer.

BHB's Oncology Department provides specialist oncology consultation and day care chemotherapy.

A commissioned review of Oncology Services suggested a number of ways to improve the service, including better collaboration with other cancer service providers and overseas tertiary care centres, resurrecting the tumour registry and centralising the locations of the chemotherapy day unit and oncologist. The recommendations were based on feedback from staff, patients, physicians and local charities and organisations involved in cancer services in Bermuda. It also highlighted that a new location was needed and this agreed with Accreditation requirements to ensure BHB was in line with international standards for staff and patient safety.

The review, along with accreditation requirements, made a compelling case to invest $1 million in renovating an area of the old hospital into a Cancer Care Centre for two years, even though the old hospital would be demolished as part of the hospital construction. At the time of the decision, there was no swing space in the existing KEMH for Cancer Care and the need for a new location on the KEMH site was urgent.

Additionally, as BHB now had an agreement with Dana Farber to improve cancer care provision on-island, this new facility provided much needed office space for visiting overseas specialists.

NEW GROUP HOMES

A group home, built with Project 100, was completed in the fiscal year under review. This is an important step towards the Learning Disability Directorate's strategy to de-institutionalise this service user group and provide services in a more home-like setting.

Also in the pipeline is a group home for Mental Health clients. This is being developed with the Mental Health Foundation.

WARD RENOVATIONS

A clear mandate from patient and family feedback and the hospital's own Accreditation Report was the need to make improvements to the patient environment.

KEMH's current rooms were designed and built over 40 years ago to meet standards and healthcare technology from the 1960s. While maintenance has been carried out as needed since then, there has been no major renovation of our medical and surgical wards. One of the major hurdles in contemplating such a project is that the hospital cannot close, and rooms are in constant demand.

Two pilot rooms were completed in 2008 with different functionality and designs and BHB sought feedback from a wide variety of stakeholders, including patients, visitors, staff, physicians, and disability groups over a six -week period. Following this pilot, and balancing immediate needs with the long term plan to move acute care beds to the new facility in 2014, a ward renovation plan was agreed that began in 2009.

By the end of the fiscal year under review, new air conditioning was put into 30 patient rooms and the fire alarm system was upgraded. New cabling was installed to support IT needs and upgraded electrical distribution is being installed as part of the ward renovation.

In August 2008, BHB announced its collaboration with Partners Healthcare System's Dana Farber Cancer Institute. This clinical association will enable BHB's Oncology Team to collaborate with one of the leading cancer care providers in the US to develop services for people in Bermuda.

Dana Farber is a world-renowned centre of excellence for cancer. Based in Boston and part of the Partners Healthcare System, Dana Farber is already a destination of choice for many people in Bermuda who are undergoing cancer treatment.

The first programme being planned by Bermuda Hospitals Board in partnership with Dana Farber is for Prostate Cancer, followed by a programme for Breast Cancer.

OVERSEAS PARTNERSHIPS – CANCER

OVERSEAS PARTNERS - ANAESTHESIA & ICU

Bermuda Hospitals Board asked Johns Hopkins to undertake a review of its anaesthesia department with a view of restructuring the department during this fiscal year. Johns Hopkins is continuing to advise in this area and, during this year, Bermuda Hospitals Board also hired its first full time staff anaesthetist, in line with the recommendation from the Ombudsman in her report 'A Tale of Two Hospitals'.

Johns Hopkins' role as Clinical Advisor also extends to King Edward's Intensive Care Unit.

TUMOUR REGISTRY RE-ESTABLISHED

Dana Farber is supporting the Ministry of Health and Bermuda Hospitals Board's resurrection of the extremely important Cancer Registry Project. This register is needed for us to better understand cancer incidence in Bermuda. A Bermudian Registrar has been hired and Dana Farber is assisting with tutoring and support, as well as providing background analysis support to research disease levels on-island.

OVERSEAS PARTNERS - GENERAL SURGERY & OUTPATIENT CARE

The late Minister of Health, Nelson Bascome MP JP, talks to a Lahey physician at the launch of the robot

Bermuda Hospitals Board has appointed Lahey as a Clinical Advisor for its General Surgery and Outpatient Care services.

This relationship has already brought a new and unusual employee to King Edward – a robot! The robot is remotely controlled by Lahey physicians in the US who can then consult directly with patients. A potential benefit is that a specialist surgeon could undertake surgeries in Bermuda, yet carry out pre- and post-op consultations with patients remotely.

STRENGTHENING NURSING

Bermuda Hospitals Board undertook a consultation that was launched publicly in August 2008. The consultation's aim was to put patient care at the heart of our hospitals. Its focus was the organisation's clinical leadership structure.

The results of the consultation included providing leaders with a more manageable focused scope of responsibility.

Critically, the Board also approved 15 new nurse positions. These new positions recognised the need to increase the nurse workforce as one of the ways to improve patient care. Additionally, four new senior nurse positions have been added to strengthen nursing at the patient bedside.

To improve the strength of our nursing profession and standards of care on the wards, a new Office has now been established that oversees nursing, quality, standards and education. A new Chief of Nursing, Quality & Risk position has been created to lead nursing and ensure this important clinical voice is heard by senior leadership at the hospitals.

A professional advisory relationship has been set up with Massachusetts General Hospital to help implement and facilitate best practices and ensure our nursing service is at the highest levels of international care.

Additionally, an exchange programme is being established between Mass General and Bermuda Hospitals Board.

INTRODUCTION OF HOSPITALIST PROGRAMME TRIGGERS 20% INCREASE IN PATIENT SATISFACTION

Bermuda Hospitals Board undertook a major improvement in its delivery of medical care by introducing a Hospitalist Programme in the fiscal year under review.

This was a significant change for the hospital and for patients. Previously, Family Practitioners took care of patients in the hospital. Family Practitioners are trained in general medicine to take care of families and their healthcare needs in the community. While a Family Practitioner's training involves rotations through hospital settings, Hospitalists receive much more extensive training in inpatient hospital care and must be Board Certified. The use of Hospitalists is the international standard of care for inpatient care.

Following the introduction of the Hospitalist Programme at BHB, patient satisfaction rose by 20%. Generally, research has shown the advantages of introducing a Hospitalists Programme include:

- Improving the quality of care and clinical outcomes in an inpatient setting, due to the increased expertise and experience of Hospitalists, particularly with respect to severely ill patients.
- Improving efficiency and patient satisfaction in hospitals – hospitalists are available throughout the entire day to see patients and to assess potential admissions from the emergency room.
- A Hospitalist Programme strengthens "accountability" and "investment" in the hospital quality improvement process. This is because hospitalists are located in the hospital for a considerable portion of each day.
- Hospitialist Programmes help enhance educational and training opportunities by teaming residents and medical students with an experienced hospitalist.
- Additional benefits of the on-site Hospitalist include a closer oversight of the hospital's House Officers, on-site response to critical emergencies and daily rounding that takes place during office hours and so enables better co-ordination with nurses, physiotherapists, dietitians and healthcare providers from other disciplines who might be involved in one patient's care.
- Hospitalists have also been shown to improve the quality, efficiency of patient care and patient satisfaction in the community because the practice of the office-based physician is not interrupted by inpatient rounds or emergencies with hospitalised patients.

A unit was piloted at the hospital for lower acuity patients who Family Practitioners want to admit and care for themselves. However, following low useage, it was eventually discontinued.

PLANNING AHEAD

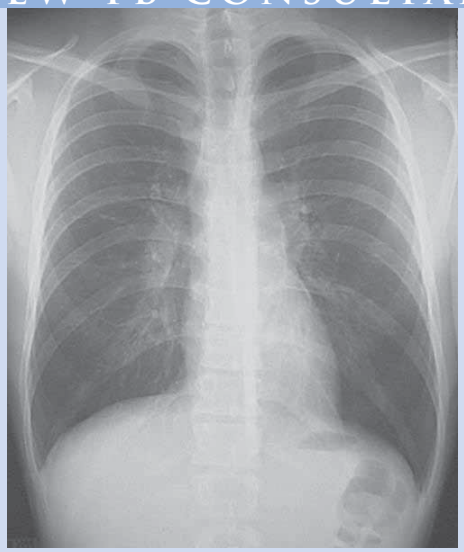
MANPOWER PROJECTION

Bermuda Hospitals Board undertook a manpower projection in the fiscal year under review. This is essentially a recruitment/development tool looking at the recommended number of physicians for Bermuda's population size. This enables the Chief of Staff Office to identify areas where we are under-resourced.

For example, the projection highlighted that for a population our size, only two-thirds of a cardiovascular surgeon is needed, but more cardiology specialists are needed. This means that there is not enough work for a full-time surgeon, so we need an external solution to ensure our on-island needs are met. However, it does mean that cardiology specialists are under-resourced for the size of our population and its disease profile.

This information will be used to plan and establish services that are needed by our community, and focus hospital resources on clear areas of need.

NEW TB CONSULTANT



A new TB consultant was hired by Bermuda Hospitals Board this year. While TB is relatively rare in Bermuda, the cases can be complex and often related to recruitment from certain countries where TB is more common or people from Bermuda who return from travel to such countries. The consultant's primary focus is to help with screening unusual x-rays before individuals arrive in Bermuda.

MEDICAL CONCIERGE SERVICES

MAKING MEDICAL TRAVEL PAINLESS

To assist patients and their families who have to travel to organise their medical documentation, set appointments and travel, Bermuda Hospitals Board has appointed a Bermudian to the new position of Concierge Officer. Debbie Trott was hired in this fiscal year to support patients and their families with medical travel. The goal will be to deliver as smooth an experience as possible for overseas travel. Additionally, this position will also help patients and their families as they return home, when follow up appointments or specific arrangements might be needed.

The Medical Concierge Office will start by supporting the cancer programme where a relatively high proportion of patients have to travel for treatments, such as radiation or specialist surgery. Once established, it will roll out for all patients and families referred overseas through Bermuda Hospitals Board.

DEPARTMENT OF CLINICAL AFFILIATES

A Department of Clinical Affiliates was set up in this fiscal year in the Chief of Staff Office so that doctors who do not have privileges at the hospital could have a voice and access specific hospital services. This is a small number of doctors who have patients who need the hospital from time to time. Dr Stephen Trott was appointed as the Chief of Clinical Affiliates.

NEW & UPGRADED IT SYSTEMS

A digital transcription system for physicians went live this physical year, enabling them to record and edit reports over any landline telephone.

In the last three years, Bermuda Hospitals Board has introduced and upgraded a number of new systems to help improve patient services and the functioning of our operations. Our hospitals had about 28 systems in 2005 and today they have 70. The case for a new data centre was driven by this need to upgrade and introduce new systems in the interests of modernising our patient care.

During this fiscal year a physician portal and physician credentialing systems were also implemented, and an automated dictation transcription system was installed. The digital transcription service allows doctors to record and edit their reports in real time over any landline telephone. This leads to considerably less waiting time for patients when it comes to receiving medical reports.

In addition to reports, lab tests and diagnostic imaging studies performed at King Edward VII Memorial Hospital are available to doctors and nurses on our wards through Clinical Suites and to physicians in their offices all across Bermuda through the Physicians' Portal.

PATIENT SATISFACTION SURVEY

A postal patient satisfaction survey was initially started in 2007 with a leading US firm, but a low response, along with Accreditation requirements to include MWI in the survey, led to a decision to review providers. Bermuda Hospitals Board moved to a continuous telephone survey with a local research company in this fiscal year.

By establishing higher monthly returns, Bermuda Hospitals Board is now able to respond faster and provide its staff with patient feedback in a timely manner. The patient satisfaction results are reported to the Board each month.

CHILD & ADOLESCENT SERVICES

Child & Adolescent Services provides mental health services to children up to 18 years of age and in 2007 the department moved to a purpose built facility at the Mid-Atlantic Wellness Institute. The additional space has seen an improvement in service delivery and services to meet a growing demand.

A new service added during the fiscal year was a specialty camp for children whose diagnosis usually excludes them from regular summer camps.

In 2007, eight children with self esteem issues attended a summer camp and in 2008, the camp accommodated 15 students on the ADHD and autism spectrum. In December 2008, Child & Adolescent Services offered a winter camp for eight children with ADHD. The focus of the camps was social skills building and normalization activities and academics.

The new, larger facilities at the Mid-Atlantic Wellness Institute also enabled Child & Adolescent Services to open an inpatient unit. It is designed to provide short term care for children in cases where the risk is too high for the child or adolescent to remain in their natural environment. Child & Adolescent Services had had 40 admissions to the unit, representing 28 individual children and adolescents for this fiscal year.

CHANGING THE WAY WE CHARGE

Bermuda Hospitals Board changed the way it charged for inpatient services on 1 April 2009 from 'per diem' billing, where all inpatients pay the same rate every day no matter what inpatient services they access. Bermuda Hospitals Board moved to the international standard of case-based billing, which reimburses the hospital for a quality, efficient service based on the expected services and length of stay for a patient's specific surgery or illness.

This change has been backed by Government, as it was recommended as far back as the Oughton report, by the Arthur Anderson report and reinforced more recently in the Johns Hopkins – Phase I Report.

Bermuda Hospitals Board worked closely with insurers and Government for over a year prior to go-live to ensure a smooth transition. The goal is a more accurate payment for services received.

The full listing of fees has grown considerably this year in part because the hospital has moved from charging a single per diem rate to charging based on a diagnosis, each of which is listed. It brings an unprecedented level of transparency to inpatient costs at the hospital.

Other benefits of these changes include that Bermuda Hospitals Board will have vastly superior data on our service usage to help us accurately plan services. It will also be able to benchmark its fees against hospitals overseas, which will help determine how fair Bermuda hospital rates are.

IMPROVED SERVICES
FOR SUBSTANCE ABUSE SERVICE USERS

Turning Point offers a vital substance abuse service to the local community.

This year, the department added new evening groups for Anger Management and a Women's Group to provide support outside of work hours. Occupancy for the Inpatient Detox Unit is increasing and this year inpatient revenues exceeded projections by over $50,000. To improve the range of services in this fiscal year, a business plan has been developed for a short-term residential facility.

To assist patients through detox, Turning Point has started the use of Subutex as a detox medication, which has had positive reviews. Plans are being made for its future use as an outpatient therapy.

ENCOURAGING BERMUDIANS INTO HEALTHCARE

Student recipients of BHB scholarships are celebrated with the late Minister for Health, Nelson Bascome (centre), Deputy Chair Wendell Hollis (left of the Minister), CEO David Hill and Deputy CEO Venetta Symonds (far right)

In 2008, Bermuda Hospitals Board awarded nine scholarships, worth $185,000 over four years. This is in addition to supporting 14 previous scholarship winners, which totalled $97,500 in 2008. The total cost of the scholarship programme for this fiscal year is $182,500.

The hospital also has 300 student and adult volunteers, who provide services in Agape House, the Continuing Care Units, Mid-Atlantic Wellness Institute, Bermuda Blood Donor Centre and King Edward VII Memorial hospital. Indeed, including the valuable volunteer service from the Hospitals Auxiliary of Bermuda, in total, almost 48,000 hours were donated by volunteers in the 2007-2008 fiscal year.

NURSING EDUCATION

Bermuda Hospitals Board is doing all it can to improve the number of Bermudian healthcare workers. These are not only our carers but healthcare leaders of tomorrow. Reducing the reliance we have on the global market is a benefit to services on-island. Not only does Bermuda Hospitals Board support young people looking to study in this field overseas, it is also working with both the Ministry and Bermuda College to increase the opportunities in Bermudafor training in the nursing profession.

This year the first cohort of trainees for the Bermuda Certified Nursing Assistant Programme began their studies. This is an accredited qualification for people to become nursing assistants. Last year, Bermuda Hospitals Board invested in four of its staff to go overseas for this certification so that this year they could provide support and mentorship for the students going through the programme.

Additionally, this year, Bermuda Hospitals Board's Director of Nursing was seconded to the Bermuda College to establish a nursing pathway that will enable Bermudians to undertake nursing qualifications up to Bachelor's degree level. The first cohort is expected this fiscal year and already there have been many expressions of interest.

DEVELOPING WORKFORCE

Employees who have completed professional studies through BHB's tuition reimbursement programme are celebrated.BHB recognises employees who have completed professional studies with the support of its tuition reimbursement programme.

In 2008, 14 employees were supported with tuition reimbursement worth a total of $23,141 towards an undergraduate or graduate degree that is aligned with the aims and objectives of the organisation. Individual departments also provided funding for staff training or upgrading skills worth about $500,000.

The hospitals Continuing Medical Education programme continued providing physicians, registered nurses and healthcare professionals a series of lectures on the latest medical treatments and developments. A total of 173 presentations took place in 2008, with a total attendance of 4,829.

WORKFORCE TURNOVER AND VACANCY RATES

With a global shortage in healthcare professionals, Bermuda Hospitals Board reviews two key measures against international benchmarks as indicators of the health of its workforce.

The hospitals' vacancy rate in January was 5%, compared to 6.4% reported last year. Turnover is currently 8.6%, compared to 11.4% reported last year. As an indication of how this compares to hospitals overseas, Bermuda Hospitals Board's external benchmark is the American Society for Healthcare Human Resources Administration, which finds that the average turnover rate among hospitals participating in its annual ASHHRA survey is 13%.

QUALITY

Although the on-site Accreditation Survey took place last year, the Accreditation Process continues this year with new 2009 standards to implement and roadmaps of improvement. The 2009 standards include:

- improving the effectiveness and coordination among care and service providers with the recipients of care and service across the continuum.
- ensuring the safe use of high risk medication, specifically evaluating and limiting the availability of heparin and narcotic products,
- the ongoing focus on infection control to include the requirement of evaluating compliance with accepted hand-hygiene practices.
- identifying the risks to patients of developing pressure ulcers and prevent them forming
- assessing and monitoring clients for risk of suicide.

Other quality improvements will include the full roll-out of more frequent rounding by nurses. This is a proven practice to improve the patient experience and provide a more proactive, high quality standard of care. As a result of more frequent rounding, patients are more at ease and usually need to call nurses to the bedside less, as they know someone will see them frequently and deal with many of their needs and concerns.

BUILDING A CULTURE OF SERVICE EXCELLENCE

Bermuda Hospitals Board has been listening to patients with issues relating to its service provision. While strengthening nursing will be a critical part of improving the patient experience, it takes every person within the organisation to ensure service excellence, whether they are cleaning a ward, bringing food, maintaining equipment, or providing hands-on care.

To truly make lasting change, Bermuda Hospitals Board has recognised it needs to establish a culture of service excellence and to implement robust accountability around this. There are three factors at the heart of this change - clear service standards are currently being developed, behaviour-defined values have been completed and governance around appreciation and inclusion for diversity is being established.

This is a broad and ambitious development at our hospitals. Standards and expected behaviours are being integrated into performance appraisals and reward and recognition programmes to ensure accountability.

SUCCESSION PLANNING

Alongside improving patient satisfaction, succession planning is a major priority set by the Board in the coming year. The importance of identifying, mentoring and developing professionals and leaders is critical for the long term stability of our services at both hospitals.

In the fiscal year under review, a request for proposal was issued for succession planning for Bermudians to identify an organisation that can provide independent and proven processes for succession planning that works.

In the coming fiscal year, leadership competencies will be defined and an assessment of employee potential will be introduced. Development plans will be drawn up to meet individual needs. Candidate pools will also be identified for all Management and Supervisory positions. Learning cohorts and curriculums will be drawn up based on shared competency needs to ensure a maximum return on investment.

To ensure these activities feed into a long term process that constantly develops staff, succession planning and talent management will be a Bermuda Hospitals Board core business competency.

THANK YOU TO OUR DONORS

ESSO DONATES VAN TO AGAPE HOUSE – APRIL 2008

Agape House received a new Renault Kangoo van, purchased with funds raised by ESSO's "Help Us Help" appeal. As the island's only dedicated hospice facility, Agape House provides care for hundreds of patients each year.

The "Help Us Help" appeal raised $50,000 over the past several years by donating a percentage of gas sales, along with money made from the sale of Tiger key chains to Agape House. In addition, ESSO is donating another $5000 to offset the cost of upkeep on the van.

The van was specially modified in the factory to be wheelchair accessible and will be used to transport patients on outings and to carry supplies. With room for a driver, three passengers and a wheelchair, the new van will make it easier and more convenient for patients to leave the hospice for excursions.

DAVID BARBER DONATION – DECEMBER 2008

A donation of $539,000 was presented by BHB Chairman Herman Tucker on behalf of the late Alfred David Barber in December 2008 to Philip Butterfield, Chairman of the Bermuda Hospitals Charitable Trust, which manages donations and fundraising for BHB.

KIWANIS CLUB DONATES TEDDY BEARS TO GOSLING – JUNE 2008

Kiwanis Club members from New England brought a special gift of toys for patients on Gosling Ward in June 2008. About 20 members were touring the hospital in a trip organised with Bermuda's local Kiwanis Club. Although, as per hospital procedure, all the toys will need to spend some chill time in the freezer for infection control, they are a wonderful gift that will help bring cheer to our young patients on GoslingWard.

SLEEP APNEA MACHINE DONATED TO GOSLING

The Continental Society of Bermuda, one of the island's oldest registered charities, donated an apnea machine to Gosling Ward at the King Edward VII Memorial Hospital in October 2008.

An apnea machine monitors babies as they sleep. Apnea is the cessation of respiratory air flow in a newborn. When this event lasts longer than 20 seconds, it is cause for concern. If a baby stops breathing or if there is a change in his/her heart rate, the monitor will sound an alarm. Parents can now borrow an apnea machine if they return home with a baby who needs monitoring. Premature babies in particular experience periods when they stop breathing or their heart rates drop. The apnea monitor is an effective tool that will protect BHB's youngest patients.

The Governor of Bermuda meets employee of the Year, Debbie Wellman and representatives from the Hospitals Auxiliary of Bermuda, who donate about $500,000 a year to BHB. This was part of the Governor's first visit to KEMH and MWI.

MANAGEMENT TEAM

From left to right, top to bottom

David Hill, Chief Executive Officer

Dr Donald Thomas III, Chief of Staff

Venetta Symonds, Deputy Chief Executive Officer

Scott Pearman, Chief of Business Development

Kerry Garrigan, VP Human Resorces

Anna Nowak, VP Public Relations

Patrice Dill, Chief Executive Officer, MWI & CCU

Delia Basden, Chief Financial Officer

Judy Richardson, Chief of Nursing Quality & Risk

Preston Swan, VP Quality & Risk Management

Jorge Grillo, Chief Information Officer

Harlean Saunders-Fox, Director of Decision Support

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL

	April 2006 - March 2007	April 2007 - March 2008	April 2008 - March 2009
INPATIENT - ACUTE CARE			
Beds	211	224	224
Patient Days	55,258	56,131	54,097
Discharges (incl. Deaths)	6,605	6,655	6,339
Length of Stay	8.4	8.4	8.5
Births	776	863	827
Percentage of Occupancy	72%	70%	66%
CONTINUING CARE UNITS			
Beds	104	104	120
Patient Days	36,410	36,817	38,165
Discharges	60	68	71
Length of Stay	587.3	504.3	537.5
Percentage of Occupancy	96%	97%	91%
HOSPICE			
Beds	12	12	12
Patient Days	2,952	3,426	2655
Discharges	68	50	53
Length of Stay	43.4	68.5	50.1
Percentage of Occupancy	67%	78%	61%
ALL PATIENTS			
Emergency Dept. Visits	34,402	35,804	36,182
Operations (Inpatients) & (SDA)	2,135	2,147	1,892
Operations (Outpatients)	6,669	6,452	7,012
Physiotherapy treatments (Inpatients)	12,128	8,152	10,020
Physiotherapy treatments (Outpatients)	9,420	7,389	9,607
Physiotherapy treatments (CCU)	144	103	358
X-Ray Exams (In & Out)	31,374	31,214	30,548
Laboratory (Thousand Units)(In & Out)	3,811	3,739	3,950
Cardiac Investigations (ECG & EEG)(In & Out)	10,377	10,560	10,598
Ultrasound Exams(In & Out)	9,800	9,222	8,278
Nuclear Medicine (In & Out)	532	1,549	854
Chemotherapy Treatments (Outpatients)	1,594	1,555	1,790
Cat Scans (In & Out)	6,349	6,535	7,698
Occupational Therapy Treatments (Inpatients)	3,635	2,088	1,223
Occupational Therapy Treatments (Outpatients)	645	644	791
Occupational Therapy Treatments (CCU)	1,751	1,279	1,473
Speech/Language Pathology (Inpatient)	1,147	924	1,304
Speech/Language Pathology (Outpatient)	252	241	614
Speech/Language Pathology (CCU)	154	125	298

STATISTICAL ANALYSIS - MID-ATLANTIC WELLNESS INSTITUTE

	April 2006 - March 2007	April 2007 - March 2008	April 2008 - March 2009
INPATIENT - ACUTE CARE			
Beds	24	24	24
Discharges (including deaths)	262	266	257
Patient Days	6,440	6,817	6,515
Length of Stay	22.4	11.4	11.9
Admissions	271	281	283
Percentage of Occupancy	74%	77%	74%
LONG TERM & - REHABILITATION			
Beds	71	71	71
Discharges (excl. deaths)	72	69	83
Patient Days (excl. respite)	20,262	21,674	20,606
Length of Stay	15,597**	376	245.3
Deaths	1	4	1
Transfer from Acute	18	N/A	N/A
Percentage of Occupancy	62%	83%	80%
Average Years of Stay of Deaths	327	4	33
TURNING POINT (SUBSTANCE ABUSE - DETOX UNIT)			
Beds	8	8	8
Discharges	165	161	132
Patient Days	1,525	1,394	1,699
Length of Stay	8.2	9	12.7
Admissions	182	157	134
Percentage of Occupancy	52%	48%	58%
CHILD & ADOLESCENT SERVICES (CAS)			
Beds	N/A	4	4
Discharges	N/A	20	25
Patient Days	N/A	360	192
Length of Stay	N/A	18	6.9
Admissions	N/A	19	22
Percentage of Occupancy	N/A	24%	13%
OUTPATIENTS (Child & Adolescent/ Mental Health/ Substance Abuse/ Learning Disability) (The MWI Outpatients section has been revised to reflect the current reporting practice of the services)			
Total No. of New Admissions / Referrals	N/A	289	254
Total No. of Re-Admissions / Referrals	N/A	495	337
Total No. of Follow-up appointments	N/A	14,077	16,063
Total No. of Day Patients Visits	N/A	13,398	1869*
Total No. of walk-in / unscheduled Visits	N/A	44,231	40,269
Total No. of DNA to scheduled Appointments	N/A	1,922	2,772
Total No. of T.O.P's	N/A	143	156
Total No. of Home Visits	N/A	4,901	3,612

* Clients have been moved into Community Group homes.

* *The Long Term and Rehab length of stay increase for the previous fiscal year may be due to clients being admitted to KEMH for medical intervention and re-admitted to MWI.

Office of the Auditor General
Victoria Hall
11 Victoria Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148
Fax: (441) 295-3849
Email: auditbda@gov.bm
Web site: www.oagbermuda.gov.bm

AUDITOR'S REPORT

To the Minister of Health

I have audited the consolidated statement of financial position of the Bermuda Hospitals Board as at March 31, 2009 and the consolidated 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.

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.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

Hamilton, Bermuda
September 1, 2010

Heather Jacobs Matthews, JP, CA, CFE
Auditor General

Bermuda Hospitals Board
Consolidated Statement of Financial Position
As at March 31, 2009

	2009 $	2008 $ Restated (Note 21)
ASSETS		
Current assets		
Cash and time deposits	13,440,662	16,995,671
Restricted cash, term deposits and investments (note 3)	3,317,153	3,366,514
Accounts receivable (net of allowance for doubtful accounts 2009 - $2,093,417; 2008 - $1,676,841 (note 8))	16,139,751	12,270,689
Other receivables (note 8)	3,690,741	3,454,208
Pledges receivable (note 5)	120,000	120,000
Prepaid expenses	2,351,333	2,461,370
Inventories	5,336,508	4,827,219
	44,396,148	43,495,671
Long-term assets		
Time deposits and investments (note 7)	1,481,363	1,488,437
Pledges receivable (note 5)	120,000	240,000
Capital assets (note 6)	115,818,064	99,799,464
	117,419,427	101,527,901
	161,815,575	145,023,572
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	13,585,140	15,252,468
Accrued salary and payroll expenses (notes 8 and 12)	16,862,368	13,669,640
Current portion of long-term debt (note 9)	1,597,337	1,559,969
Capital lease obligations - current portion (note 9)	141,389	138,001
	32,186,234	30,620,078
Long-term liabilities		
Pension accrual (note 12)	5,902,055	5,732,927
Accrued health insurance (note 12)	24,819,740	24,216,157
Long-term debt (note 9)	9,296,913	10,946,042
Capital lease obligations (note 9)	130,292	158,739
Deferred capital contributions (note 10)	30,846,553	23,355,783
	70,995,553	64,409,648
Commitments and Contingencies (notes 13 & 14)		
Net assets		
Invested in capital assets	70,852,179	59,734,298
Internally restricted for pensions (note 11)	-	458,344
Internally restricted for education (note 11)	500,777	1,062,881
Deficit	(12,719,168)	(11,261,677)
	58,633,788	49,993,846
	161,815,575	145,023,572

The accompanying notes are an integral part of these financial statements

Bermuda Hospitals Board
Consolidated Statement of Operations
For the year ended March 31, 2009

	KEMH	MWI	HPL	2009	2008
	$	$	$	$	$
					Restated (Note 21)
OPERATING REVENUES					
Outpatient (note 8)	112,654,371	347,280	-	113,001,651	101,320,454
Inpatient (note 8)	59,751,347	3,212,611	-	62,963,958	56,526,329
Extended care unit (note 8)	15,508,694	-	-	15,508,694	13,899,320
Non-medical (note 8)	4,348,274	657,048	-	5,005,322	5,946,937
Amortisation of deferred capital contributions (note 10)	924,111	613,604	-	1,537,715	1,833,266
Surcharge to non-residents	337,968	-	-	337,968	296,485
Donations	313,333	-	-	313,333	154,161
Donation in kind (note 15)	230,990	-	-	230,990	294,407
Investment income	196,262	-	-	196,262	295,387
Government grants (note 8)	-	34,646,832	-	34,646,832	31,692,760
Total operating revenues	194,265,350	39,477,375	-	233,742,725	212,259,506
SALARIES AND EMPLOYEE BENEFITS					
Direct medical staff	44,782,644	14,832,442	-	59,615,086	53,038,098
Supporting medical services	20,705,951	5,886,717	-	26,592,668	24,103,281
Ancillary services	18,407,816	2,235,163	-	20,642,979	18,817,417
Employee benefits (notes 8 and 12)	13,348,027	3,569,460	-	16,917,487	27,365,779
Administrative services	9,277,711	(265,800)	-	9,011,911	9,786,533
	106,522,149	26,257,982	-	132,780,131	133,111,108
OPERATING EXPENSES					
General supplies and services (note 8)	22,418,415	3,448,355	10,137	25,876,907	21,960,715
Medical supplies	24,701,139	797,326	-	25,498,465	22,368,392
Repairs and maintenance	10,423,062	1,193,925	-	11,616,987	10,210,237
Amortisation of capital assets	6,300,956	869,157	-	7,170,113	6,878,520
Utilities (note 8)	5,930,468	1,201,579	-	7,132,047	6,371,151
Consulting and business expenses	6,066,966	979,276	-	7,046,242	6,885,921
Food	2,162,345	1,027,473	-	3,189,818	2,729,195
Miscellaneous (note 8)	2,175,999	-	-	2,175,999	1,974,285
Bad debt expenses	1,493,488	-	-	1,493,488	1,502,393
Interest expense	568,293	-	-	568,293	694,908
Scholarships issued	209,000	-	-	209,000	230,000
Business social cost (note 16)	49,538	-	-	49,538	138,075
Loss on disposal of capital assets	37,398	-	-	37,398	35,935
Management charge (note 17)	(2,261,175)	2,261,175	-	-	-
	80,275,892	11,778,266	10,137	92,064,295	81,979,727
Total expenses	186,798,041	38,036,248	10,137	224,844,426	215,090,835
Excess (deficiency) of revenues over expenses before extraordinary item	7,467,309	1,441,127	(10,137)	8,898,299	(2,831,329)
Extraordinary item (note 20)	-	-	-	-	(950,000)
Excess (deficiency) of revenues over expenses	7,467,309	1,441,127	(10,137)	8,898,299	(3,781,329)

The accompanying notes are an integral part of these financial statements

Bermuda Hospitals Board
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2009

	2009				
NET ASSETS	**Invested in capital assets $**	**Internally restricted for pensions $**	**Internally restricted for education $**	**Unrestricted $**	**Total $**
Balance, beginning of year	59,734,298	458,344	1,062,881	(11,261,677)	49,993,846
Excess of revenues over expenses	(5,669,793)	-	(368,336)	14,936,428	8,898,299
Changes in unrealised gains and losses on available for sale financial assets	-	-	(193,768)	(64,589)	(258,357)
Net change in investment in capital assets	16,787,674	(458,344)	-	(16,329,330)	-
Balance, end of year	70,852,179	-	500,777	(12,719,168)	58,633,788

	2008 Restated - (Note 21)				
NET ASSETS	**Invested in capital assets $**	**Internally restricted for pensions $**	**Internally restricted for education $**	**Unrestricted $**	**Total $**
Balance, beginning of year	58,096,920	458,344	1,150,957	(5,813,611)	53,892,610
Deficiency of revenues over expenses	(6,031,189)	-	-	2,249,860	(3,781,329)
Changes in unrealised gains and losses on available for sale financial assets	-	-	(88,076)	(29,359)	(117,435)
Net change in investment in capital assets	7,668,567	-	-	(7,668,567)	-
Balance, end of year	59,734,298	458,344	1,062,881	(11,261,677)	49,993,846

The accompanying notes are an integral part of these financial statements

Bermuda Hospitals Board
Consolidated Statement of Cash Flows
For the year ended March 31, 2009

	2009 $	2008 $ Restated (Note 21)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	8,898,299	(3,781,329)
Amortisation of capital assets	7,170,113	6,878,520
Loss on disposal of capital assets	37,398	35,935
Amortisation of deferred capital contributions	(1,537,715)	(1,833,266)
Pension benefit expense	169,128	(55,639)
Interest income	(196,262)	(295,387)
Interest expense	568,293	694,908
Unrealized loss on investments	(258,357)	(117,435)
Net change in non-cash working capital	(3,674,926)	21,075,086
Net cash generated through operating activities	11,175,971	22,601,393
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(23,226,110)	(10,726,027)
Changes in pledges for capital assets	120,000	368,817
Changes in investments	7,074	(38,502)
Interest income received	210,224	264,246
Deferred capital contributions	9,028,485	2,415,300
Change in grants receivable from government	1,303,903	(1,573,834)
Net cash used in investing activities	(12,556,424)	(9,290,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	1,014,598
Repayment of long-term debt	(1,611,761)	(2,741,235)
Proceeds from capital leases	134,352	216,421
Repayment of capital leases	(159,411)	(138,880)
Interest paid	(587,097)	(666,021)
Net cash used in financing activities	(2,223,917)	(2,315,117)
Extraordinary item	-	950,000
Net (decrease) increase in cash and cash equivalents	(3,604,370)	11,946,276
Cash and cash equivalents, beginning of year	20,362,185	8,415,909
Cash and cash equivalents, end of year	16,757,815	20,362,185
Cash and cash equivalents consist of the following:		
Cash and time deposits	13,440,662	16,995,671
Restricted cash, term deposits and investments	3,317,153	3,366,514
	16,757,815	20,362,185

The accompanying notes are an integral part of these financial statements

BERMUDA HOSPITALS BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2009

1. AUTHORITY AND ORGANISATION

(A) AUTHORITY

Bermuda Hospitals Board ("the Board" or "BHB") 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"), Mid-Atlantic Wellness Institute ("MWI") and Healthcare Partners Ltd. ("HPL"). 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 240 acute care beds and an extended care unit of 120 beds.

MWI is a psychiatric facility with 36 inpatient acute care beds including four beds for children and adolescents, and 60 long-term rehabilitation beds.

The Board incorporated HPL in accordance with Section 62(2) of the Companies Act 1981 on September 24, 2008. It was created as a holding company to provide a vehicle for the Bermuda Hospitals Board to participate in partnerships and/or joint venture businesses, provided BHB remain in control at the governance level and hold a minimum of 51% equity position. Engaging in joint ventures, particularly with physician partners, is a recognised best practice in North America. In Bermuda, the objective is for HPL to close gaps and increase efficiencies in the healthcare market that would otherwise exist when the public and private sector act in isolation. HPL issued 10,000 common voting shares with a par value of $1 per share, to the BHB on October 23, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada applicable to a 'going concern', which assume that the Board will continue its operations in the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

Management regularly reviews and considers the current and forecast activities of the Board in order to satisfy itself as to the viability of operations. These ongoing reviews include current and future business opportunities, customer and supplier exposure and forecast of cash requirements and balances. Based on these evaluations management considers that the Board is able to continue as a going concern.

For financial reporting purposes, the Board is classified as Government Not-For-Profit Organisation and has adopted accounting policies appropriate for this classification. The policies considered particularly significant are set out below:

(A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Board and its subsidiary, Healthcare Partners Ltd. (100% owned).

(B) REVENUE RECOGNITION

The Board follows the deferral method of accounting for contributions, which include donations, 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 accrual 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 realised investment gains and losses. Unrealised gains and losses on available-for-sale financial assets are included in the fund balances until the asset is realised.

(C) CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. 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%
Capital leases	20.0%

(D) 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 90 days or less, as equivalent to cash. Cash is classified as restricted externally by legal or contractual requirements and internally by the Board.

(E) INVENTORIES

Inventories consisting of general stores, medical stores, orthopedic supplies, pharmacy, and stationery, are valued at the lower of cost, using the weighted average method of accounting, and net realisable value.

Operating room inventories are valued at the lower of cost, using the first-in first-out (FIFO) method of accounting, and net realisable value.

(F) DONATED SERVICES

The BHB receives substantial donated services from volunteers in the normal course of operations. These services are recognised when fair value can be reasonably estimated and services are used in the normal course of the organisation's operations and would otherwise have been purchased.

(G) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are initially recognised at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Board's designation of such instruments. Settlement date accounting is used.

Financial Asset/Liability	Classification
Cash and time deposits and restricted cash and time deposits	Held for trading
Accounts receivable, other receivables and pledges receivable	Loans and receivables
Investments	Available-for-sale
Accounts payable and accrued liabilities, accrued salary and payroll expenses, long-term debt, and capital lease obligations	Other liabilities

Certain items such as prepaid expenses, obligations for employee future health benefits and pension obligations are excluded from fair value disclosure.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the statement of financial position date. Fair value fluctuations including interest earned, interest accrued, gains and losses realised on disposal and unrealised gains and losses are included in investment income.
Financial liabilities designated as held for trading are those non-derivative financial liabilities that BHB elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held for trading assets. The Board had not designated any non-derivative financial liabilities as held for trading.

Receivables

Receivables are accounted for at amortised cost using the effective interest method. The fair value of accounts receivable approximates their carrying values due to their short-term maturity.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity and held-for-trading investments. Available-for-sale financial assets are carried at fair value with unrealised gains and losses included in unrestricted net assets and net assets internally restricted for education purposes until realised when the cumulative gain or loss is transferred to investment income.

Other liabilities

Other liabilities are recorded at amortised cost using the effective interest method and include all financial liabilities, other than derivative instruments. The fair value of accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

(H) EMPLOYEE HEALTH INSURANCE PLAN

The Board has 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.

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% of annual 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 claims 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.

(I) USE OF ESTIMATES

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.

(J) ADOPTION OF ACCOUNTING POLICIES

Effective April 1, 2008, the Board adopted the provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures", Section 3863, "Financial Instruments – Presentation", Section 1400, "General Standards of Financial Statement Presentation", and Section 3031, "Inventories".

Under Section 1535, the Board is required to disclose both qualitative and quantitative information that enables users of financial statements to evaluate the Board's policies and processes for managing capital (see Note 19).

Under Section 3862, the Board is required to disclose the significance of financial instruments to the Board's financial position and performance, the nature and extent of risks arising from these financial statements to which the Board is exposed, and how the Board manages those risks (see Note 18).

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. There has been no impact on the financial statements due to adoption of this Section.

Section 1400 requires management to make an assessment of the Board's ability to continue as a going concern and disclose any uncertainty related to events or conditions that may cast significant doubt upon the Board's ability to continue as a going concern. When assessing the going concern assumption management must take into account all available information about the future, which is at least, but not limited to, twelve months from the statement of financial position. The adoption of this standard did not require any changes to the Board's accounting or note disclosures.

Section 3031 replaced section 3030 – "Inventories" and provides significantly more guidance on the measurement of inventories, with an expanded definition of cost, and the requirement that inventories must be measured at the lower of cost and net realisable value. In addition, the section sets out additional disclosure requirements, including accounting policies, carrying values, and the amount of any inventory write-downs or reversal of write-downs. The adoption of the standard on April 1, 2008 had no impact on the BHB's financial statements.

3. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

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

	2009	2008
	$	$
Patient comfort funds (externally)	1,545,537	1,445,502
Educational purposes (internally)	909,263	1,222,584
Construction projects and capital assets (externally)	862,353	240,084
Staff pension plan (internally)	-	458,344
	3,317,153	3,366,514

The equity investment is comprised of:

	2009		2008	
	Market Value $	Cost $	Market Value $	Cost $
Belco Holdings Limited	704,610	144,651	962,967	144,651

At March 31, 2009, the investment in Belco Holdings Limited amounted to $704,610 of which 75% is restricted for educational purposes.

4. OVERDRAFT FACILITY

The BHB has an overdraft facility with The Bank of N.T. Butterfield and Son Limited (the "Bank") of up to $2,450,000, which bears interest at a rate of 2% above the Bank's Base Rate, and is available until March 31, 2010. The overdraft facility was not in use at March 31, 2009 or March 31, 2008.

5. PLEDGES RECEIVABLE

Pledges receivable relate to a $600,000, five-year pledge from Bacardi International Limited, for the purchase of new X-ray equipment. At March 31, 2009, $240,000 (2008 - $360,000) was outstanding and is payable in two equal annual installments.

6. CAPITAL ASSETS

	Cost $	Accumulated Amortisation $	2009 Book Value $	2008 Book Value $
Land and buildings	122,747,658	41,519,344	81,228,314	77,570,680
Equipment	47,591,269	30,261,639	17,329,630	15,143,171
Construction in progress	10,693,239	-	10,693,239	2,849,108
Software	7,744,339	4,193,382	3,550,957	2,541,216
Computer equipment	5,513,738	2,846,892	2,666,846	1,322,065
Capital leases	763,281	414,203	349,078	373,224
	195,053,524	79,235,460	115,818,064	99,799,464

Photocopying equipment held under capital leases, is included in capital assets and amortised, on a straight-line basis, over its economic life of five years. These leases are for a period of 36 months, with an option to purchase, upon renewal, at a nominal value.

The insured value of all capital assets under the Board's control is approximately $335 million (2008 - $306 million).

On March 27, 1997, the land on which the hospital buildings 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 held as security for the bonds payable, as described in Note 9(A).

7. LONG-TERM INVESTMENTS

The cost and fair value of time deposits included in long-term investments at March 31, 2009 is $1,305,210 (2008 - $1,247,695).

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 Department of Social Insurance approved claims totaling $82,742,141 (2008 - $76,832,899) in respect of services rendered to patients covered under the Government's subsidy programmes as follows:

	2009 $	2008 $
Aged subsidy	46,877,124	41,357,852
Geriatric subsidy	13,727,528	12,672,911
Youth subsidy	10,176,445	9,630,689
Other subsidy	6,829,618	5,446,690
Indigent subsidy	2,916,713	5,176,192
Clinical drugs	2,214,713	2,548,565
	82,742,141	76,832,899

As at March 31, 2009, $1,347,290 (2008 - $739,301) 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 $34,646,832 (2008 - $31,692,760) and the capital grant received was $1,592,643 (2008 - $1,981,758). KEMH received a special grant for consulting and business expenses during the year of $336,777 (2008 - $103,600), a capital grant of $5,242,648 (2008 - $87,352) and a maintenance grant of $2,999,746 (2008 - Nil).

(III) Consulting Contracts

In 2009, the Government paid Nil (2008 - $1,906,503) to the Board for the Kurron Contract. As at March 31, 2009, Nil (2008 - $453,631) was outstanding from Government for consulting contracts.

(B) MUTUAL RE-INSURANCE FUND

Included within the accounts receivable balance as at March 31, 2009 is $1,049,061 (2008 - $1,333,684) due from the Mutual Re-insurance Fund. During the year, the Department of Social Insurance approved the following claims:

	2009 $	2008 $
Hemodialysis treatments	8,397,314	6,893,505
Long stay patients	2,634,265	2,392,226
Anti-rejection drugs	320,526	267,721
Home health care	294,392	382,158
	11,646,497	9,935,610

C) HEALTH INSURANCE FUND

Included in accounts receivable as at March 31, 2009 is $1,208,943 (2008 - $679,621) receivable from the Health Insurance Fund. During the year, the Department of Social Insurance approved claims totaling $12,286,108 (2008 - $7,813,103).

(D) GOVERNMENT EMPLOYEES HEALTH INSURANCE FUND

Included in accounts receivable as at March 31, 2009 is $1,549,427 (2008 - $1,432,042) due from the Government Employees Health Insurance Fund ("GEHI"). During the year, $15.5 million (2008 - $13.8 million) in claims were billed to the GEHI.

(E) OTHER AMOUNTS

	2009 $	2008 $
During the year, the BHB expensed the following:		
Payroll tax	3,400,145	3,104,941
Social insurance	2,121,008	2,022,777
Services provided by the Ministry of Works and Engineering	716,808	732,493
Nurses' annual pensions	396,072	367,953
Superannuation	5,682	6,168
Land tax	434	1,812
Miscellaneous charges	86,991	101,418
	6,727,140	6,337,562

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

	2009 $	2008 $
Payroll tax	4,798,817	4,297,611
Social insurance	2,092,753	1,991,676
	6,891,570	6,289,287

Non-refundable duty of $742,227 (2008 - $843,955) was paid during the year. War Veteran Association Claims, in the amount of $1,577,583 (2008 - $379,296) were billed during the year.

The following are balances at March 31:

	2009 $	2008 $
Accounts receivable		
Miscellaneous departmental charges	99,091	125,011
Payable by the Government on behalf of the War Veterans Association	670,484	194,492
	769,575	319,503
Other receivables		
Refundable deposits paid for duty	200,000	217,300
Accounts payable and accrued liabilities		
Ministry of Works and Engineering	77,613	100,423
Nurses' annual pensions accrual	3,417,604	3,021,532
	3,495,217	3,121,955
Accrued salary and payroll expenses		
Payroll tax	2,112,806	1,964,540
Social insurance	550,178	493,667
	2,662,984	2,458,207

(F) BERMUDA HOSPITALS CHARITABLE TRUST

During the year, the Bermuda Hospitals Charitable Trust ("BHCT") paid Nil (2008 - $105,238) to the Board for consulting and business expenses. As at March 31, 2009, Nil (2008 - $59,494) was outstanding from BHCT for consulting contracts.

9. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

(A) LONG-TERM DEBT

	2009 $	2008 $
Bonds payable of US$5,450,000, bearing interest of 3.95% per annum, due April 19, 2010. Semiannual principal payments are $450,000. The bonds are secured by a second mortgage on land and buildings.	950,000	1,850,000
Loan of $1,000,000, bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of principal and interest of $14,489 up to January 29, 2015. The note is unsecured.	849,999	980,177
Bond refinanced loan of US$4,004,141, bearing interest of 5.25% per annum, paid quarterly in arrears of principal and interest of $126,928 up to February 15, 2018. The loan is unsecured.	3,690,532	4,004,141
Loan of $2,100,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of $16,650 up to February 1, 2020. The loan is secured by a charge over the related capital assets.	1,711,388	1,825,090
Loan of $4,000,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of principal and interest of $28,084 up to September 9, 2027. The loan is secured by a charge over the related capital assets.	3,692,331	3,846,603
	10,894,250	12,506,011
Less: Current portion	1,597,337	1,559,969
	9,296,913	10,946,042

Principal repayments scheduled for the next 18 years are as follows:

Year	Amount $
2010	1,597,337
2011	784,644
2012	773,964
2013	815,408
2014	859,092
2015	866,064
2016-27	5,197,741
	10,894,250

The fair value of long-term debt is approximately $11.8 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.

(B) CAPITAL LEASE OBLIGATIONS

	2009 $	2008 $
Obligations under capital leases, with minimum lease payments of $288,326 less interest of $16,645. Capital leases bearing interest between 4.5% and 6% per annum, payable in monthly installments of principal and interest expiring between April 19, 2009 and February 12, 2012. (The Capital leases relate to Photocopying equipment.)	271,681	296,740
Less: Current portion	141,389	138,001
	130,292	158,739

Future minimum commitments for the following three years are as follows:

Year	Capital lease $	Interest Obligations $	Total Minimum lease Payments $
2010	141,389	11,540	152,929
2011	98,395	4,407	102,802
2012	31,897	698	32,595
	271,681	16,645	288,326

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortised 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:	2009 $	2008 $
Balance, beginning of year	23,355,783	22,773,749
Add: contributions received	9,028,485	2,415,300
Less: amounts amortised to revenue	(1,537,715)	(1,833,266)
Balance, end of year	30,846,553	23,355,783

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

	2009 $	2008 $
Unamortised capital contributions used to purchase assets	29,744,200	22,711,593
Unspent contributions	1,102,353	644,190
	30,846,553	23,355,783

11. INTERNAL RESTRICTIONS 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.

12. 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 for deferred benefit plans 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 1.18 years (2008 – eight months). The average remaining service life of the active employees covered by the other retirement benefit plans is 8.86 years (2008 – 8.72 years).

(A) PENSION PLANS

Defined Contribution Plan

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 years with respect to the Board's contributions. Beginning January 1, 2000, 100% of the Board's contributions vest after two years. When an employee ceases employment with the Board, other than through retirement, the Board's unvested contributions are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2009 totaled $3.97 million (2008 - $3.72 million).

On July 18, 2008, the Board reached a monetary settlement with the Unions (Bermuda Public Service Union & Bermuda Industrial Union) acting on behalf of the staff in respect of past management of the Defined Contribution Plan.

Defined Benefit Plan

The Hospital Nurses Superannuation Act 1948 (the "1948 Act") 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 BHB being liable for pension benefits earned by these nurses since January 1, 1977.

	2009 $	2008 $ Restated
Long-Term Liability		
Balance, beginning of year	5,732,927	5,785,762
Pension expense		
Current cost	123,965	116,480
Interest	343,976	351,718
Benefits paid	(396,072)	(367,953)
Experience loss (gain)	97,259	(153,080)
	169,128	(52,835)
Balance, end of year	5,902,055	5,732,927

BHB and Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2009, which estimates that the Board's portion of the liability under the 1948 Act is approximately $5.9 million as at March 31, 2009 (2008 - $5.7 million). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% (2008 – 6%) and a salary escalation rate of 4% (2008 – 4%).

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, 2009 the Board's payable to the Government totals $3.4 million (2008 - $3.0 million) and is included in the accounts payable and accrued liabilities balance.

(B) OTHER EMPLOYEE BENEFITS

Other employment benefits include maternity leave, sick leave, vacation days and health insurance. All of these benefits 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, 2009 is $344,979 (2008 - $47,272) 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, 2009, the liability is $120,716 (2008 - $80,623) 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, 2009 is $8.7 million (2008 - $7.7 million) and the benefits paid out total $7.5 million (2008 - $7.3 million) resulting in a liability as at March 31, 2009 of $7.7 million (2008 - $6.5 million).

The Board pays 50% of the health insurance premiums for employees who retire from BHB. The accrued benefit obligation as at March 31, 2009 of $24.8 million (2008 - $24.2 million) was determined by an actuarial valuation. The accrued benefit liability at March 31, 2009 was $24.8 million (2008 - $24.2 million). The expense recognised for the year ended March 31, 2009 was $1.5 million (2008 - $11.9 million) and the benefits paid during the year were $867,866 (2008 - $770,070). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% and a medical trend rate of 10% decreasing by 1% per annum to an ultimate rate of 6% after five years. The BHB Health Plan had a net surplus of $129,275 as at March 31, 2009 (2008 - cumulative deficit of $213,415).

13. COMMITMENTS

As of March 31, 2009, the Board has operating commitments of $560,000 relating to a cleaning service contract which will expire on October 31, 2009; $151,050 relating to an oxygen supply agreement which will expire on September 30, 2009; $2.3 million for laboratory equipment maintenance contracts which will expire between September 5, 2009 and December 16, 2013; $697,354 for grounds and gardens maintenance which will expire on March 31, 2011 and $111,787 for other equipment rentals and maintenance which will expire between December 31, 2009 and March 2012.

The Board has, in the ordinary course of business, entered into operating lease agreements with third parties for the rental of 52 properties. The aggregate monthly charge is $191,483 and the agreements can be cancelled at the Board's option provided 90 days prior notice is given.

The Board entered into a management services contract which will expire on June 30, 2013. As of March 31, 2009, the outstanding commitment is $6.5 million.

In November 2008, the Board announced that the KEMH Redevelopment Project had been approved by Government. The new facilities are expected to be completed in five years. The design, construction, financing and maintenance of the new facilities will be delivered in the form of a public/private partnership. Advisors have been appointed to guide the Board through the process.

14. 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.

In August 2008, the Board increased its medical malpractice insurance to $10.0 million per claim and $30.0 million in the aggregate. The Board also has Directors' and Officers' Liability and Company Reimbursement insurance in place with an indemnity limit of $10.0 million in the aggregate, including defense costs and expenses.

15. DONATION IN KIND

Donation in kind relates to services donated by volunteers and the related expense is included in the general supplies and services expense.

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 operations, the BHB provided services to a number of persons who were unable to pay. These expenses are classified as business social costs. The amount recognised as business social cost for the year ended March 31, 2009 is $49,538 (2008 - $138,075).

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, telecommunications, dietary, accounting, and general administration. The BHB 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 charge for the year ended March 31, 2009 is $2,261,175 (2008 - $2,010,528).

18. FINANCIAL RISK MANAGEMENT

The Board has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Board's risk management framework. The Board of Directors has established the Audit and Finance Committee which is responsible for developing and monitoring the Board's compliance with risk management policies and procedures. The Audit and Finance Committee regularly reports to the Board of Directors on its activities. The Board's risk management program seeks to minimize potential adverse effects on the Board's financial performance. The Board manages its risks and risk exposures through a combination of insurance and sound business practices.

(A) CREDIT RISK

Credit risk arises from cash held with banks and credit exposure to customers, including outstanding accounts receivable. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Board assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors.

Cash and cash equivalents

Cash and cash equivalents consist of 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 90 days or less. Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are invested with highly rated financial institutions.

Accounts receivable

Accounts receivable consist primarily of trade accounts receivable from billings of services provided. The Board's credit risk arises from the possibility that a counterparty which owes the Board money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Board, which would result in a financial loss for the Board. This risk is mitigated through established credit management techniques, and supplemented by use of professional credit collection agencies. In the year ended March 31, 2009, the maximum credit risk to which the Board is exposed represents the fair value of its accounts receivable.

(B) LIQUIDITY RISK

Liquidity risk is the risk the Board will not be able to meet its financial obligations as they fall due. The Board's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Board's reputation. The Board manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on debtor collection, generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

(C) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of recognised assets and liabilities or future cash flows of the Board's results of operations. The Board has minimal exposure to market risk.

Foreign exchange

The Board's business transactions are mainly conducted in Bermuda dollars and, as such, it has minimal exposure to foreign exchange risk.

Interest rate

The Board is exposed to changes in interest rates, which may impact interest income on short-term investments and interest expense on long-term debt.

19. CAPITAL DISCLOSURES

The Board's objectives when managing capital (net assets) are to maintain a strong statement of financial position and develop the business to safeguard its assets structure that ensures adequate liquidity to maintain its core business. In addition, the Board works with all relevant stakeholders to ensure the safety of its operations and employees, and remain in compliance with all environmental regulations.

The Board constantly monitors and assesses its financial performance in order to ensure that its net debt levels are prudent taking into account the anticipated direction of the business cycle.

The Board is not subject to any externally imposed capital requirements other than those restrictions disclosed elsewhere in the financial statements.

20. EXTRAORDINARY ITEM

During the year-ended March 31, 2008, BHB commenced a capital project to renovate Wards at MWI. A Government grant of $4.0 million was provided to assist with the funding of this project. Subsequent to the year-ended March 31, 2008 it was determined that supplier amounts which were paid for and capitalised by the Board for the project had been charged at an amount greater than fair value. The Board hired a professional quantity surveyor to determine the fair value of the amounts which had been capitalised as at March 31, 2008. The difference of $950,000 between the estimated fair value of the assets and the amounts capitalised by the Board was recorded as a charge against income for the year ended March 31, 2008.

21. PRIOR YEAR ADJUSTMENT

Subsequent to the issuance of the March 31, 2008 financial statements, BHB has determined that the pension accrual related to the Nurses Superannuation Pension Plan was overstated. The overstatement was due to the fact the annual pension payments payable due to the Government of Bermuda in accordance

with the plan (Note 8) have been recorded twice. Consequently, the cumulative effect of correction of this error has caused the opening balance of retained earnings as at April 1, 2007 to be increased by $2,730,441 and the pension accrual has been decreased by $2,730,441 in relation to the prior period error.

The 2008 balances have also been restated to reflect the decrease in the pension accrual liability and salaries and employee benefits expense of $367,953 for the current year portion of the 2008 pension liability balance which had been recorded as part of the March 31, 2008 financial statements.

The effect of the restatement on the 2008 financial statements is summarized to the right:

Effect on 2008 Statement of Operations	$
(Decrease) in Salaries – Employee benefits	(367,953)
Decrease in deficiency of revenues over expenses	367,953
Statement of Financial Position	
(Decrease) in pension accrual	(367,953)
Increase in unrestricted net assets	367, 953
Effect on periods prior to 2008 – Statement of Financial Position	
(Decrease) in pension accrual	(2,730,441)
Increase in unrestricted net assets	2,730,441

22. SUBSEQUENT EVENTS

(A) NEW INPATIENT REIMBURSEMENT SYSTEM

On April 1, 2009, the Bermuda Hospitals Board (Hospital Fees) Regulations 2009 came into effect. These new regulations changed the reimbursement model for inpatient services from the historical per diem method to a combination of per diem and Diagnosis Related Group (DRG) charges. The DRG charge covers inpatients for the first 15 days of care. From the 16th day until discharge a per diem is also charged. The 2009 Regulations also include a schedule of fees for BHB Physician Services.

(B) PURCHASE OF PROPERTY

In February 2010, the Board purchased a property at 11/13 Point Finger Road in Paget, adjacent to existing KEMH property.

(C) STRATEGIC DEVELOPMENT RESERVE

The Board has established a Strategic Development Reserve to ensure that there is adequate funding available in operations when the annual service payments for the new building commence in 2014. The reserve consists of 1% of annual patient revenues as well as an annual contribution from KEMH operational savings.

(D) PURCHASE OF SUBSIDIARY

On April 29, 2010, the Board's wholly-owned subsidiary, Healthcare Partners Ltd. (HPL) signed an agreement to purchase 60% of the shares in Ultimate Imaging Ltd.

(E) NEW LEASES

Subsequent to year-end, the Board has entered into four leases of properties to house its staff during the renovation of the Nurses Residence and due to the impending demolition of Gladwin and Point Finger House to make way for the new building. The Board has also signed leases for four floors of an office building in Hamilton for administrative staff working in the Nurses Residence.

In August 2010, the Board signed a ten-year lease for a new distribution centre. The Board has moved its warehouse to this location in Pembroke. The Board has purchased approximately 25% of the shares of the Company that owns the building.

(F) OVERDRAFT FACILITY

In August 2010, the overdraft facility with The Bank of N.T. Butterfield and Son Limited (the "Bank") increased to a limit of $12.45 million (2009 - $2.45 million), which bears interest at a rate of 2% above the Bank's Base Rate, and is available until June 30, 2011. The overdraft facility will then revert to $2.45 million and will be subject to an annual review and renewal by the bank.

(G) NEW HOSPITAL BUILDING

The selection of the preferred bidder to construct the new hospital building using the design, build, finance and maintain model of procurement will take place on September 30, 2010. It is anticipated that the contract will be signed by the end of the year with construction commencing in early 2011.

(H) CAPITAL GRANT

The Government has approved a $10 million capital grant to be paid to the Board during fiscal year 2010/11 in relation to expenses for the new building.

23. FUTURE ACCOUNTING PRONOUNCEMENTS

(A) FINANCIAL STATEMENT CONCEPTS, SECTION 1000

On April 1, 2009, the Board will adopt the new recommendations of the CICA Handbook Section 1000, Financial Statement Concepts, to clarify the criteria for recognition of an asset and the timing of expense recognition. The new requirements are effective for annual financial statements relating to fiscal years beginning on or after October 1, 2008. The adoption of this standard will not have a material impact on the Board's financial statements.

(B) ACCOUNTING DEVELOPMENTS

In March 2010, the Public Sector Accounting Board of CICA issued an Exposure Draft that sets out the financial reporting proposals for those not-for–profit organisations that are controlled by a government.

The Board will monitor the results of the CICA's "Invitation to Comment on Financial Reporting by Government Not-for-Profit Organisations" and any resulting accounting changes that will affect the Board. The Board is not yet able to determine what the impact will be. The effect on the Board's financial statements by applying these standards will be determined once complete deliberations have been undertaken by the Public Sector Accounting Board.

24. COMPARATIVE FIGURES

Certain comparative figures for 2008 financial statements have been restated and reclassified to conform to the current year's presentation.

Mid-Atlantic Wellness Institute
T: 441 236 3770

MAILING ADDRESS
PO Box DV 501 | Devonshire, Bermuda DVBX

STREET ADDRESS
44 Devon Spring Road | Devonshire, Bermuda FL01

King Edward VII Memorial Hospital
T: 441 236 2345

MAILING ADDRESS
PO Box HM 1023 | Hamilton, Bermuda HMDX

STREET ADDRESS
7 Point Finger Road | Paget, Bermuda DV04

WEB: WWW.BERMUDAHOSPITALS.COM

Bermuda Hospitals Board

This annual report is produced by the Bermuda Hospitals Board Public Relations Department. Designed by Total Marketing & Communications Ltd.,
Printed in Bermuda by The Island Press Ltd.

Bermuda Hospitals Board