



Caring is the Best Medicine

ANNUAL REPORT 2005-2006



Bermuda Hospitals Board

CARING FOR OUR COMMUNITY

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Bermuda Hospitals Board

CARING FOR OUR COMMUNITY

VISION

To be a Centre of Excellence

MISSION

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



Bermuda Hospitals Board

CARING FOR OUR COMMUNITY

Board Members 2006

Board Members (Voting)

Mr Anthony Richardson, Chairperson
Mr Patrick Tannock, Deputy Chair
Mrs Kelly Francis, Board Member
Mrs Ianthia Simmons-Wade, Board Member
Mrs Lynne Cann, Board Member
Mrs Charmaine Tucker, Board Member
Mr Edward Benevides, Board Member
Dr Rev Milton Burgess, Board Member
Ms Kristen Ferreira, Board Member
Mr Francis Mussenden, Board Member
Mrs Debbie Reiss, Board Member
Mrs Judy Panchaud-White, Board Member
Dr. Keith Cunningham, Board Member

Ex-Officio Member (Voting)

Mrs Roseanne Michelson,
Past President, HAB

Ex-Officio Members (Non Voting)

Mr Kevin Monkman, PS, MOHFS
Mrs Wendy Augustus, BHCT
Dr. John Cann, Chief Medical Officer
Dr. Tiina Kaigas, Chief of Staff

Officers of the Board:

Mrs Delia Basden, Chief Financial Officer
Mrs Venetta Symonds, Deputy CEO
Mr David Hill, CEO



Ministry of Health

P.O. Box HM380, Hamilton HMBX
Bermuda
Telephone: (441) 278-4900, Ext. 4901
Facsimile: (441) 292-2622

March 8, 2007



I am pleased on behalf of the Government of Bermuda to present for the Legislature the Bermuda Hospitals Board's 2005/2006 Annual Report. As a Quango under the authority of the Ministry of Health, the Bermuda Hospitals Board receives annual operating and capital grants to operate the Mid-Atlantic Wellness Institute and a subsidy for the operation of the King Edward VII Memorial Hospital. These funds also provide coverage for inpatient and outpatient services for the aged, youth and the indigent. In 2005/2006, the total allocation of grant and subsidy support to the Bermuda Hospitals Board totaled in the region of ninety-two million dollars.

I would like to also express the sincere thanks of the Government to the dedicated management team and staff of the Bermuda Hospitals Board who work extremely hard to ensure that both the residents of Bermuda and our guests from overseas receive professional and exemplary care at just the moment that they have need of it. The Ministry of Health and the Bermuda Hospitals Board have enjoyed each other's support in our quest to bring exemplary healthcare services to Bermuda's residents and, as we progress to meet the ever changing circumstances of an expanding and modern Bermuda, we will continue to keep the best interests of the patients at the forefront of all that we do.

Regards,

Philip J. Perinchief
Attorney-General, Minister of Justice
and Acting Minister of Health



Message from the Chairman, Anthony Richardson, Bermuda Hospitals Board

On behalf of the Board of Directors, I am pleased to share Bermuda Hospitals Board's 2005-6 Annual Report with you. We hope you enjoy finding out about our finances and activities for the year from 1 April 2005 to 31 March 2006.

For the Board, the year under review has seen us set a firm foundation through achieving accreditation with the Canadian Council of Healthcare Accreditation (CCHA) and beginning to plan for Bermuda's future healthcare delivery through the publication of our Estate Master Plan (EMP).

Our continued drive to improve our facilities and services saw us complete renovations in our mortuary and enter into a two year capital works programme to refurbish Radioisotopes and Diagnostic Imaging, construct negative pressure rooms for isolation and build a new ambulance shelter. Maintaining our current facility will be critical even as we look to build a new hospital. With no other hospital on the Island, this investment in our current facilities is in the best interests of improving the quality of care for people in Bermuda.

Our people are as important as our facility in providing quality care. In the year under review, we supported our clinical leaders who attended the Johns Hopkins Leadership Academy and looked to reduce vacancy rate and turnover rate through the work of Project TouchPoint. The Medical Staff Committee, on which our medical leaders sit, established a Peer Review Sub-Committee and partnered with the Quality & Risk department to implement a Discharge Planning Policy, to facilitate the timely discharge of patients to help reduce bed shortages.

At the time of publication of this report, we are at a critical moment in the planning of the delivery of Bermuda's healthcare. **Decisions made in the 2006-7 financial year are going to impact our services for many years to come and we look forward to updating the community with our progress.**

On behalf of the Board I would to thank all BHB staff whose commitment to caring for the health and well being of Bermuda makes a difference every day. The Board will maintain its support of their work so that all people living an visiting Bermuda will continue having access to quality, sustainable healthcare services.

**Message from Venetta Symonds,
Deputy Chief Executive Officer, Bermuda Hospitals Board**

It makes me very proud to introduce the 2005-6 Annual Report on behalf of all staff and senior management at Bermuda Hospitals Board (BHB).

I would like to start by thanking our wonderful staff for their dedication and professionalism. Our Annual Report theme, *Caring is the Best Medicine*, recognises that their personal care and commitment is at the heart of our healthcare services. **We work hard to modernise our facilities, technology and equipment, but for anyone coming in to King Edward VII Memorial Hospital or Mid-Atlantic Wellness Institute it is our people who make the biggest impact.**

Our staff become more precious as we view the continuing global shortage of healthcare professionals around the world. Ensuring we are an organisation people want to join, through our standards of care, culture and environment, is critical for us to attract and, more importantly, retain staff.

We also need to ensure we can sustain an international quality of care— and by this I mean a standard comparable to hospitals in the US, Canada or UK. This does not mean we offer the same services, but people in Bermuda deserve and expect that the services needed on Island meet the best standards in patient care.

During 2005-6, we made deliberate progress towards introducing a coding system that will enable patients to see exactly what services they are paying for on their bills and to benchmark our fees against those abroad to ensure they are fair. Called the Charge Description Master, this coding system will be gradually introduced in the coming years, with the first phase of implementation in April 2007, when our inpatient and outpatient fees will be transferred to the new system.

It takes all elements of our operations – staff, finances, facilities, technology and equipment – dovetailing together to ensure sustainable, quality healthcare services. We also need strong relationships with community healthcare organisations, Government, donors and, most importantly, the community for us to succeed.

All of us in Bermuda want a healthcare service that is there when we need it, providing an international quality of care that will promote healing and wellbeing. We will need consistent engagement and widespread agreement in how we can best achieve this for us to make steady and continuous progress.



Year in Review

APRIL 2005

KEMH

Maternity Ward celebrates the theme *Healthy Mothers and Babies* on World Health Day on 6 April an on-call system is also established to improve patient care and safety in Maternity. This system ensures an obstetrician is immediately available on weekends, eliminating pressure on doctors who would otherwise be on call 24/7.

BHB Chief Executive Officer Joan Dillas-Wright announces she is scheduled to retire in December 2005 and a CEO recruitment process is started



A new BHB website is launched, aiming to be a better community resource for health and careers information

Tiina Kaigas is appointed as BHB's new Chief of Staff on April 19

MAY 2005



Nurses' Week 2005 is celebrated by highlighting the profession's diversity at BHB. BHB includes a diversity programme in its orientation in recognition of the makeup of its workforce.

The objective of the course is to raise awareness, knowledge and understanding of human differences that may affect work and interpersonal relationships, while identifying individual actions to support diversity.

Our mental health facility made a definitive statement about its progressive and positive work helping people manage mental health conditions, learning disabilities or addiction by changing its name

from St. Brendan's to the Mid-Atlantic Wellness Institute (or MWI). MWI has over 300 staff and 120 beds. Education and outreach are key to its goal of breaking the stigma associated with mental illness. As such, MWI opens its doors to the community with frequent tours for school students. It is available for community meetings and even weekly Lamaze classes for parents-to-be.

JUNE 2005

The results of BHB's comprehensive review of estate and services in the 'Estate Master Plan' (EMP) is announced. The review finds that current facilities have a limited remaining lifespan and recommendations are presented to the community in a series of *public* forums. Of most interest were the potential sites for the new acute care hospital, but the EMP also made recommendations for dispersing more services into the community, closer to the people who need them. These included long term care, urgent care centres to manage non-life threatening emergencies, primary care centres and mental health group homes. It was recommended these services were provided in three 'Campuses of Care', one in the East, one in the West and one centrally at the MWI campus.



Aiming to raise funds for the new acute care hospital, a group of Bermudian ladies launch *KEMH Exposed*, a calendar that was underwritten by Butterfield Bank, with profits donated to the Bermuda Hospitals Charitable Trust (BHCT).



JULY 2005

KEMH's mammography programme earns accreditation by the American College of Radiology – the only local mammography programme to achieve this accreditation.

A new Hospital Ethics Consultation Service is launched in July to help patients and their families deal with the often complex decisions related to care and its impact on our lives.



To promote careers in healthcare, BHB awards 14 scholarships to Bermudian students to support them through their studies in healthcare-related fields. BHB also collaborates with the Career Paths Initiative and Massachusetts General Hospital to organize a visit to the hospital in Boston for ten Bermudian students.



BHB publicises its Continuing Medical Education programme which uses interactive video-conferencing technology. The programme ensures healthcare professionals in Bermuda can continue to learn by attending regular live lectures by experts overseas, enabling them to keep pace with the latest developments in patient care and treatment. The technology also allows healthcare professionals to talk to their counterparts abroad about patients who may be moved between Bermuda and other referral hospitals. This ensures that comprehensive preparations can be made before a patient arrives.



SEPTEMBER 2005

Bermuda Hospitals Board earns three-year accreditation/with report from the Canadian Council on Health Services Accreditation (CCHA). Among the goals and achievements noted by the CCHA as part of the accreditation process are BHB's partnership with the New England Organ Bank, creation of the Ethics Committee and attention to the current ageing physical plant.

OCTOBER 2005

BHB implements a state-of-the-art information disaster recovery system to secure the hospitals' six terabits (or six trillion bytes) of medical and financial records. The upgraded live system is located in KEMH. A mirror-image system will be maintained in a secure off-site location, which will have capacity to serve as the main system in the event of unscheduled down-time.

Mid-Atlantic Wellness Institute is granted full approval as a City & Guilds Learning Centre

City & Guilds

NOVEMBER 2005



■ BHB says 'thanks a million' to the Hospitals Auxiliary of Bermuda as their latest donation takes the total amount raised for 2005 to almost \$1 million. The HAB donates more than 40,000 hours of service to BHB each year and has contributed millions of dollars to improve patient care at the hospitals since its inception in 1953. Donations from the HAB in 2005 were used for telemetry in the intensive care unit, a pure water plant for the dialysis unit, four defibrillators for the emergency room, a stress treadmill for the Cardiac Care Unit, two colonoscopes for the operating room, a bariatric bed for the medical wards, two bed modules for the Intensive Care Unit, blood pressure monitors at KEMH and MWI and a mass casualty vehicle equipped with supplies and equipment.

DECEMBER 2005

■ Timothy Durham and Helen Tyrell are named Nursing Aides of the Year



■ Bacardi Limited donates \$600,000 for a new x-ray machine. The machine is eventually installed in X-Ray Suite 4, renamed 'The Bacardi Suite' in September 2006 after extensive renovations.

■ BHB Chairman, Jonathan Brewin, steps down and is replaced by Deputy Chairman, Anthony Richardson.

JANUARY 2006

■ Hospital staff respond to call for blood donations after a call for help from the Blood Donor Unit following a road traffic accident.

FEBRUARY 2006

- BHB partners with Drexel University, an accredited, web-based institution of higher learning. This collaboration enables BHB staff to earn undergraduate and graduate degrees in a range of fields through on-line programmes.
- An international research project into diabetes called the ORIGIN study, which is conducted by KEMH's Diabetes Centre and Cardiac Care Unit in Bermuda, discovers that Bermuda ranks first for having the highest percentage of study participants in the target blood sugar range. Other countries involved in the project include the US, Canada, Australia and Ireland.
- Bermuda Hospitals Board appoints Venetta Symonds as Acting CEO while recruitment of a permanent CEO continues.



MARCH 2006

- After a follow-up visit by the Canadian Council on Health Services Accreditation (CCHSA), BHB is commended for its progress in implementing the CCHSA's recommended areas of improvement, following its accreditation process in 2005.
- BHB enters a partnership with Australian-based International Teleradiology Corporation (ITC) improving the speed for reading computerized tomography (CT) scans for the Emergency Department out-of-hours. The partnership assigns the task of reading the scanned images taken after hours to ITC, who have the encrypted scans sent digitally to them. This is a faster process than relying on an on-call service in Bermuda.
- The Pathology Laboratory earns accreditation from Joint Commission International.
- BHB participates in the Argus Health Fair



INTERNATIONAL QUALITY CARE

Our vision of being a Centre of Excellence for Bermuda

■ ACCREDITATION & STATUS

Accreditation allows an independent third party to review our services and care. We believe this is a key way of ensuring we consistently evolve and work towards international standards of care.

KEMH:

Canadian Council on Health Service Accreditation (CCHSA) -

CCHSA undertakes a thorough review of administration, programmes and services at KEMH every three years. Key areas assessed by CCHSA include client/patient care and the delivery of service, information management practices, human resources development, and management and the BHB's governance and management of the environment.

American College of Radiology Mammography Accreditation Program (ACR)

ACR review KEMH's mammography programme to ensure it meets the best standards as set in the US.

Joint Commission International (JCI) -

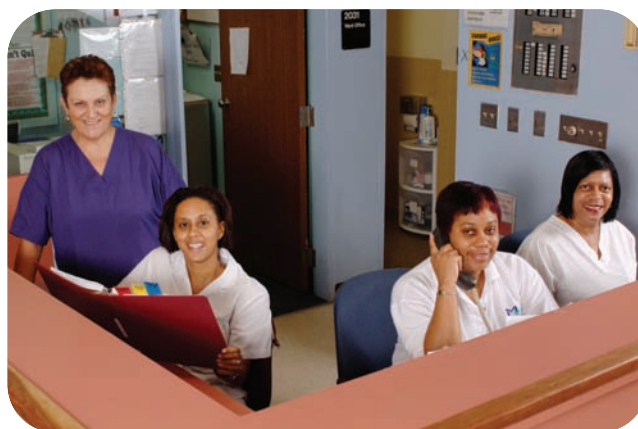
KEMH Pathology Laboratory is accredited by the JCI. JCI is the international branch of the Joint Commission on Accreditation of Healthcare Organizations, a voluntary, independent organisation established in the US, setting standards for health care quality in the US and globally.

MWI:

Royal College of Psychiatrists recognises MWI's mental health programme as a training site for psychiatric residents.

A City & Guilds Centre of Learning –

City & Guilds is the leading body in the UK to offer vocational qualifications. The status allows MWI to register and certify staff members undertaking this qualification.



■ FINANCE:

An internationally-recognised coding system for patient billing

Bermuda residents who travel to the US for treatment know the bills they receive are highly detailed. BHB is moving to a more transparent and fair billing process by a phased introduction of a new coding system for its Charge Description Master (CDM), a system which lists all services that a patient or insurer could be billed for at the hospitals. The first phase is being implemented in April 2007, when new coding will be used.

■ PEOPLE:

Scholarships – As part of its on-going annual scholarship programme, BHB supported a total of 14 post-secondary students and staff. The scholarship recipients were pursuing academic studies in diverse areas of the healthcare field such as nursing, occupational therapy, psychology, physical therapy, pharmacy, social work and diagnostic imaging. The total value of the scholarships was approximately \$230,000.

Operational improvements – Project TouchPoint was initiated to implement 'best practice' recommendations outlined by a 2003 organisational review. Over 170 employees were interviewed as part of this process. Recommendations were made to improve recruitment and retention through more responsive and accountable processes. To improve the patient and staff experience at BHB.



Care

I care about Bermuda's health, and that means encouraging Bermudians to look at health care professions as a viable option in their lives. Working in education services gives me great opportunities to do this.

Dawn Johnson, BHB Education Services



Caring is taking the opportunity we have each day to be the best we can be, knowing that what we do impacts on others. **Goldie MacPhee, Secretary to Chief of Medicine**



Patient Letter

December 9, 2005

Although I was a bit apprehensive when I recently checked in at KEMH for a procedure, **I was very impressed by the efficient and professional treatment I received. Staff at the outpatient surgery department** could not have been kinder or more sensitive when preparing me for the procedure and were even more caring upon my return. I convey my appreciation to everyone who **took such excellent care of me.**

Quality

We know medicine cures illness. In addition to traditional treatment, I believe caring makes a tremendous difference and opens doors for the family and friends of clients. By expressing genuine concern, I set an example to others, who may not have understood the value and impact that caring has on the well-being of their loved ones.

Donna Trott, Support Worker, Community Homes, MWI

Just as a garden responds to nourishment, I find people react to loving care. My job is very rewarding because I spend quality time interacting with clients and I love watching them flourish.

Phillip James, Nurse, Keepers Cottage, MWI



I show I care about my colleagues and our patients by offering kind words of encouragement, being considerate of others' feelings and going the extra mile without being asked. **Phyllis Douglas, Switchboard Receptionist, MWI**



June 3, 2005

Patient Letter

I would like to express my deep appreciation and thanks to those **wonderfully caring nurses on Cooper Ward** and in particular to Sue, who went out of her way to see I was comfortable at all times. Because of their **constant concern**, I was able to make a quick recovery. I will never forget their kindness.



Pride

I love my job and really care about my co-workers and our patients. I enjoy interacting with others and making people smile. By taking pride in my work and caring about my colleagues, I help make our department and the hospital look good. **Khun Evans, Laundry, KEMH**



Caring has a cumulative effect. It can cause you to stand out above others and it also allows the patient to feel that someone cares. This can further the healing process. **Delmonte Swan, Pathology**



Patient Letter

September 26, 2006

I would like to publicly thank doctors and nurses at KEMH for their **professional treatment** towards me. Everyone, including clerks at the admitting office, nurses who prepared me for surgery, doctors in the operating theatre and staff in the recovery room, **all did an excellent job. Keep up the good work.**

Healing

Caring is the best medicine because it helps in the healing process. I go the extra mile for all clients because that makes them happy. I love my job and derive great satisfaction from caring for our clients. **Capri Smith, Activities Coordinator, KEMH**



Caring for our staff is of utmost importance. By offering opportunities to employees for developing skills, I am making a difference at BHB. A healthy and knowledgeable workforce is reflected by the excellent care given to our patients.

Synda Perry, Education Services Training Officer



I am passionate about healthcare and about our hospitals. We may face challenges with our facilities, but the people who work in these buildings are dedicated, caring, skilled professionals. I am proud to count myself among so many warm-hearted and conscientious staff members, students and volunteers who express their genuine concern for patients on a daily basis.

Debbie Byrd, Manager of the Office of Staff Affairs



March 10, 2006

Patient Letter

KEMH provides medical service equal to the best facilities abroad. **The care is first class from top to bottom and staff are wonderful, dedicated and committed.**

March 20, 2006

Patient Letter

I received fantastic service during my recent outpatient surgery. Ms. Latham made me feel at ease and very comfortable. The nurses and doctors helped me to feel calm. I was treated like someone important. My experience was really good and I want to say thanks for all the hard work done by staff.

Kindness

I treat my patients as I would treat my own mother, father or friend. Just like my family and friends, patients are special to me and I really care about them. **Sara Powell, Clinical Leader, Day Hospital, KEMH**



What's important to me is that we recruit people who provide patient care on par with the finest hospitals in the world. The right recruitment process along with high quality management standards will impact positively on quality patient care. **Lori Burchall, Acting HR Staffing Specialist**

July 21st, 2005

Patient Letter

When I arrived at KEMH to deliver my baby, **the staff were brilliant. They were knowledgeable, compassionate and understanding.** They worked with us to ensure it was the kind of birth we had hoped for. My daughter was born safely and medication-free and I feel this was helped by the support of staff. I want to say a special thanks to Lisa Blyden, Erica Cullen, Lani Simmons. Dr. Emery and midwives Elaine, Jane, Amanda and Diane.

January 10, 2006

Patient Letter

A big thanks to staff at Agape House for making the final days of our relative as comfortable as possible. We will miss our dear mother, sister, grandmother and aunt but this will be easier just knowing that in the end, she was with people who cared.



July 20, 2006

Patient Letter

Staff in the surgical outpatient department are so pleasant and the surroundings are cheerful. It means a great deal to receive **efficient and attentive service**, especially when one feels so vulnerable. Many thanks and congratulations to staff in reception, pre-op, surgery and the recovery room.

STATISTICAL ANALYSIS- KING EDWARD VII MEMORIAL HOSPITAL

STATISTICS

KEMH

	APRIL 2003 - MARCH 2004	APRIL 2004 MARCH 2005	APRIL 2005 - MARCH 2006
2006 INPATIENT- ACUTE CARE			
Beds	211	211	211
Patient Days	55,569	53,584	56,195
Discharges (incl.deaths)	6,764	6,756	6,625
Length of Stay	8.2	7.9	8.5
Births	816	825	848
Percentage Occupancy	71%	69%	73%
CONTINUING CARE UNIT			
Beds	104	104	104
Patient Days	34,330	36,947	37,243
Discharges	55	51	53
Length of Stay	615.8	671.7	689.7
Percentage Occupancy	95%	97%	98%
HOSPICE			
Beds	12	12	12
Patient Days	2,763	2,695	3,028
Discharges	65	74	66
Length of Stay	42.5	36.4	45.9
Percentage Occupancy	63%	61%	69%
ALL PATIENTS			
Emergency Dept. Visits	31,469	32,116	33,617
Operations (Inpatients)	2,249	2,413	2,105
Operations (Outpatients)	5,742	5,775	6,343
Physiotherapy treatments (Inpatients)	15,583	14,061	19,495
(Outpatients)	11,571	12,996	12,456
(C.C.U.)	1,617	4,549	1,591
X-Ray (Exams)	31,138	31,548	30,529
Laboratory (Thousand units)	3,558	3,555	3,725
Cardiac Investigations Attendances	9,971	9,773	9,492
Ultrasound Scans	9,772	9,901	9,981
Nuclear Medicine	1,470	1,397	1,284
Chemotherapy Treatments (Outpatients)	1,104	893	1,493
Cat Scans	4,230	4,851	5,348
(Inpatients)	3,015	3,339	3,569
(Outpatients)	2,367	1,773	1,222
(C.C.U.)	187	164	1,464
Speech/Language Pathology(Inpatients)	840	1,224	1,323
(Outpatients)	720	462	465
(C.C.U.)	70	49	75

* N.B. Visits of Mental Welfare Officers and Home visits are inclusive

STATISTICAL ANALYSIS- MID-ATLANTIC WELLNESS INSTITUTE

	April 2003- March 2004	April 2004- March 2005	April 2005 - March 2006
2006 INPATIENT- ACUTE CARE			
Beds	24	24	24
Discharges (incl. deaths)	216	264	268
Patient Days	5,636	6,093	6,258
Length of Stay	26	23	23
Admissions	229	264	269
Percentage Occupancy	64%	70%	71%
LONG - TERM & REHABILITATION			
Beds	98	98	98
Discharges (excl. deaths)	92	76	57
Patient Days (excl. respite)	24,442	23,114	23,001
Length of Stay	265	304	403
Deaths	2	2	1
Transfer from Acute	22	13	4
Percentage of Occupancy	68%	65%	64%
OUTPATIENTS			
*Visits of Mental Welfare Officers	2,609	7,754	6,142
*Home Visits	3,975	3,423	3,841
New Referrals & Re-referrals	354	427	401
Follow-up Visits	8,194	10,049	8,767
TURNING POINT (SUBSTANCE ABUSE – DETOX UNIT)			
Beds	8	8	8
Discharges	155	168	114
Patient Days	893	1101	930
Length of stay	6	6	8
Admissions	153	162	117
Percentage Occupancy	30%	38%	32%

* N.B. Visits of Mental Welfare Officers and Home visits are inclusive

Medical Leadership



Dr. Wilbert N. E. Warner
Chief of Medicine



Dr. Ian Fulton
Chief of Obstetrics



Dr. Kered James
Chief of Pathology



Dr. Terry Sparling
Director of Oncology



Dr. Daniel Stovell
Chief of Radiology



Dr. Edirimundi Rodrigo
Acting Chief of Psychiatry



Dr. Edward A. Schultz
Director of Emergency Services
& Hyperbaric Medicine



Dr. Eugene Outerbridge
Chief of Pediatrics



Dr. Andrew Spence
Director of Intensive Care Unit



Dr. David Harries
Director of Continuing Care
& Rehabilitation

Missing from photo: Dr. Colin Couper, Chief of Surgery; Dr. Alistair McCrirk, Chief of Anaesthesia

Hospital Management Team



Hospitals Management Team

Delia Basden, Chief Financial Officer
Venetta Symonds, Chief Executive Officer Deputy
George Melling, Director of Facilities Management
Scott Pearman, Director of Human Resources
Judy Richardson, Director of Quality & Risk
Harlean Saunders, Acting Director of Support Services
Anna Lowry, Public Relations Officer
Jorge Grillo, Chief Information Officer

Missing: Kathy Lewis, Director of Clinical Programmes
and Patrice Dill, Director of MWI

From left to right: Venetta Symonds, Anna Lowry, Scott Pearman,
Harlean Saunders, Jorge Grillo, George Melling, Judy Richardson,
Delia Basden and Dr. Tiina Kaigas.



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AUDITOR'S REPORT

To the Minister of Health and Family Services

I have audited the statement of financial position of the Bermuda Hospitals Board as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2006 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.

A handwritten signature in black ink, appearing to read "Larry T. Dennis".

Hamilton, Bermuda
September 30, 2006

Larry T. Dennis, C.A.
Auditor General

**Bermuda Hospitals Board
Statement of Financial Position
As at March 31, 2006**

	2006 \$	2005 \$
ASSETS		
Current assets		
Cash and time deposits	14,723,134	7,921,445
Restricted cash, term deposits and investments (note 3)	3,423,278	3,481,505
Accounts receivable (net of allowance for doubtful accounts 2006-\$924,101; 2005 - \$884,851(note 8))	10,469,057	13,595,411
Other receivables (note 8)	1,152,739	766,488
Inventories	4,656,391	4,017,372
Prepaid expenses	2,128,200	1,875,668
	<u>36,552,799</u>	<u>31,657,889</u>
Long term assets		
Capital assets (note 6 and 11)	86,750,475	87,973,114
Investments (note 7)	1,235,516	1,180,655
Pledges receivable (note 5)	643,473	403,851
	<u>88,629,464</u>	<u>89,557,620</u>
	<u>125,182,263</u>	<u>121,215,509</u>
LIABILITIES, DEFERRED CAPITAL CONTRIBUTIONS AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	10,000,503	8,310,817
Accrued salary and payroll expenses (notes 8 and 13)	10,274,006	8,524,576
Due to the Consolidated Fund of the Government of Bermuda (note 8)	-	226,269
Current portion of long term debt (note 9)	2,916,184	2,948,433
Capital lease obligations- current portion (note 9)	139,198	-
	<u>23,329,891</u>	<u>20,010,095</u>
Long term liabilities		
Pension accrual (note 13)	8,067,294	7,526,446
Accrued health insurance (note 13)	10,819,498	8,845,608
Long term debt (note 9)	10,269,493	13,278,572
Capital lease obligations- long-term portion (note 9)	82,826	-
	<u>29,239,111</u>	<u>29,650,626</u>
Deferred capital contributions (note 10)	<u>21,867,025</u>	<u>22,122,254</u>
Net assets		
Invested in capital assets (note 11)	48,299,770	48,106,269
Internally restricted for pensions (note 12)	458,344	458,344
Internally restricted for education (note 12)	1,027,649	1,066,403
Unrestricted	960,473	(198,482)
	<u>50,746,236</u>	<u>49,432,534</u>
	<u>125,182,263</u>	<u>121,215,509</u>

The accompanying notes are an integral part of these financial statements

**Bermuda Hospitals Board
Statement of Operations
For the year ended March 31, 2006**

	KEMH \$	MWI \$	2006 \$	2005 \$
OPERATING REVENUES				
Outpatient (note 8)	77,481,807	359,738	77,841,545	71,499,042
Inpatient (note 8)	47,668,769	1,814,900	49,483,669	45,674,182
Extended care unit (note 8)	12,219,152	-	12,219,152	11,436,462
Non-medical (note 8)	2,111,820	450,809	2,562,630	1,954,328
Amortisation of deferred capital contributions (note 10)	1,125,269	555,648	1,680,917	1,679,736
Surcharge to non-residents	298,308	-	298,308	283,305
Investment Income	231,298	-	231,298	205,908
Donations	176,800	-	176,800	193,305
Government grants (note 8)	-	27,883,580	27,883,580	25,316,278
Total operating revenues	141,313,223	31,064,676	172,377,899	158,242,546
SALARIES AND EMPLOYEE BENEFITS				
Direct medical staff	33,117,212	10,329,231	43,446,443	41,764,276
Supporting medical services	15,777,771	4,865,804	20,643,575	19,185,133
Ancillary services	14,011,792	1,964,070	15,975,862	15,480,184
Employee benefits (notes 8 and 13)	11,803,673	2,975,527	14,779,200	13,947,353
Administrative services	7,494,912	547,420	8,042,332	6,329,585
	82,205,360	20,682,052	102,887,412	96,706,531
OPERATING EXPENSES				
Medical supplies	18,468,243	549,984	19,018,227	16,882,615
General supplies and services (note 8)	14,599,407	2,484,427	17,083,834	13,894,662
Consulting and business expenses	6,124,668	769,463	6,894,131	5,214,821
Repairs and maintenance	6,413,881	1,279,113	7,692,994	6,260,418
Amortisation of capital assets	5,226,387	755,075	5,981,462	5,326,786
Utilities (note 8)	4,756,984	1,110,838	5,867,822	5,210,980
Food	1,623,093	686,711	2,309,804	2,071,443
Miscellaneous (note 8)	1,898,242	65	1,898,307	1,440,469
Interest expense	695,838	-	695,838	725,575
Bad debt expenses	297,438	-	297,438	663,652
Business social cost (note 16)	192,752	-	192,752	236,717
Scholarships issued	192,320	-	192,320	196,320
Loss on disposal of capital assets	184	-	184	196,771
Management charge (note 17)	(2,093,676)	2,093,676	-	-
	58,395,761	9,729,352	68,125,113	58,321,229
Total expenses	140,601,121	30,411,404	171,012,525	155,027,760
Net operating income	712,102	653,272	1,365,374	3,214,786
Excess of revenues over expenses	712,102	653,272	1,365,374	3,214,786

The accompanying notes are an integral part of these financial statements

Bermuda Hospitals Board
Statement of Changes in Net Assets
For the year ended March 31, 2006

NET ASSETS	Invested in capital assets \$	Internally Restricted for Pensions \$	Internally Restricted for Educational Purposes \$	Unrestricted \$	2006 Total \$
Balance, beginning of year	48,106,269	458,344	1,066,403	(198,482)	49,432,534
(Deficiency) excess of revenue over expenses (note 11)	(4,300,730)	-	-	5,666,104	1,365,374
Unrealized gain on available-for-sale financial asset arising during the period	-	-	(38,754)	(12,918)	(51,672)
Net change in investment in capital assets (note 11)	4,494,231	-	-	(4,494,231)	-
Balance, end of year	48,299,770	458,344	1,027,649	960,473	50,746,236

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

The accompanying notes are an integral part of these financial statements

Bermuda Hospitals Board
Statement of Cash Flows
For the year ended March 31, 2006

	2006 \$	2005 \$
CASH FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	1,365,374	3,214,786
Amortisation of capital assets	5,981,462	5,326,786
Loss on disposal of capital assets	184	196,771
Amortisation of deferred capital contributions	(1,680,916)	(1,679,736)
Net change in non-cash working capital	7,261,559	(3,671,411)
Pension benefit expense	540,848	786,275
Net cash generated through operating activities	<u>13,468,511</u>	<u>4,173,471</u>
FINANCING AND INVESTING ACTIVITIES		
Deferred capital contributions	1,425,688	1,573,235
Repayment of long term debt	(3,041,329)	(2,733,695)
Repayment of capital leases	(270,873)	-
Proceeds of capital leases	492,898	-
Proceeds from long term loan	-	2,100,000
Purchase of capital assets	(4,759,007)	(10,011,587)
Pledges for capital assets	(239,622)	(295,551)
Unrealized (loss)/gain	(51,674)	823,013
Purchase of investments	(54,861)	(234,995)
Grant received from government	(226,269)	223,440
Net cash used in financing and investing activities	<u>(6,725,049)</u>	<u>(8,556,140)</u>
Net increase (decrease) in cash and cash equivalents	6,743,462	(4,382,669)
Cash and cash equivalents, beginning of year	11,402,950	15,785,619
Cash and cash equivalents, end of year	<u>18,146,412</u>	<u>11,402,950</u>
Cash and cash equivalents consist of the following:		
Cash and time deposits	14,723,134	7,921,445
Restricted cash, term deposits and investments	<u>3,423,278</u>	<u>3,481,505</u>
	<u>18,146,412</u>	<u>11,402,950</u>

The accompanying notes are an integral part of these financial statements

BERMUDA HOSPITALS BOARD NOTES TO THE FINANCIAL STATEMENTS

March 31, 2006

1. AUTHORITY AND ORGANISATION

(A) AUTHORITY

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

(B) ORGANISATION

The Board is responsible for operating the King Edward VII Memorial Hospital ("KEMH") and Mid-Atlantic Wellness Institute ("MWI"). The Board receives donations, subsidies and government grants, which are included in the financial statements.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(A) REVENUE RECOGNITION

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

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

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

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

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

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

(B) CAPITAL ASSETS

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

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

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

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

(C) CASH AND CASH EQUIVALENTS

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

(D) INVENTORIES

Inventories consisting of general stores, medical stores, orthopedic supplies, pharmacy, stationery, and film, are valued at the lower of cost and net realizable value.

(E) INVESTMENTS

Investments comprise term deposits and an equity security. The term deposits are classified as held to maturity and carried at cost. The equity investment is classified as available for sale and is carried at fair value with unrealized gains or losses recorded as a separate component of Net Assets and released to operating income when realized. Permanent declines in value result in an adjustment to cost and immediate write down through the statement of operations. Investment income is recognized on the accruals basis.

(F) DONATED SERVICES

The BHB receives substantial donated services from volunteers in the normal course of operations. Due to the difficulty in valuing the services donated by volunteers, not all donated services are recorded in the BHB's financial statements.

(G) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The cost of investments approximates the underlying fair value based on current market interest rates and the equity security is carried at fair value.

The fair value of other financial assets and liabilities, consisting of accounts receivable, due to the Consolidated Fund of the Government of Bermuda, other receivables, pledges receivable and accounts payable and accrued liabilities, approximates their carrying value due to their relative short term nature.

The fair value of long-term debt is approximately \$13.3 million based on the estimated present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to the BHB for the same or similar debt instruments.

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

(H) EMPLOYEE HEALTH INSURANCE PLAN

On June 1, 2005, the Board renewed its 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. In 2005, the BHB renewed its policy funding agreement for an additional period of two years and ten months.

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

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

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

3. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

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

	2006	2005
	\$	\$
Construction projects and capital assets	710,571	789,410
Patient comfort funds	1,267,368	1,171,840
Staff pension plan	458,344	458,344
Educational purposes	986,995	1,061,911
	<u>3,423,278</u>	<u>3,481,505</u>

The equity investment is comprised of:

	2006	2005
	Market	Market
	Value	Value
	\$	\$
Bermuda Corporate	915,993	967,664
	<u>144,651</u>	<u>144,651</u>

At March 31, 2006, the BHB investment in Bermuda Corporate equities amounted to \$915,993, of which seventy five percent (75%) is restricted for educational purposes.

Upon the adoption of the new rules governing the treatment of financial instruments, on April 1, 2004, an unrealized gain of \$765,470 was recorded in the internally restricted and unrestricted accounts. As at March 31, 2006, the unrealized gain was \$771,342 (2005 - \$823,013).

4. OVERDRAFT FACILITY

The BHB has an overdraft facility with Butterfield Bank of up to \$2,450,000, which bears interest at a rate of 2% above the Bank's Base Rate. The overdraft facility was not in use at year-end.

5. PLEDGES RECEIVABLE

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

6. CAPITAL ASSETS

	COST	ACCUMULATED	2006	2005
	\$	AMORTISATION	NET	NET
	\$	\$	\$	\$
Land and buildings	104,915,329	32,946,839	71,968,490	73,432,190
Equipment	35,703,117	23,199,715	12,503,402	13,879,172
Capital leases	492,898	214,130	278,768	-
Computer equipment	3,170,399	2,074,626	1,095,773	406,869
Software	3,170,638	2,710,082	460,556	80,665
Construction in progress	443,486	-	443,486	174,218
	<u>147,895,867</u>	<u>61,145,392</u>	<u>86,750,475</u>	<u>87,973,114</u>

As at April 1, 2005, photocopying equipment, held under capital leases, was included in capital assets and amortised, on a straight-line basis, over their economic life of 5 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 \$276.8 million (2005 - \$274.2 million).

On March 27, 1997, the land on which the Hospitals stand was conveyed to the Board by Government. As part of this transfer, Government has right of first refusal on any sales of the land and buildings. The land and buildings are security for the bonds payable, see note 9b.

7. LONG-TERM INVESTMENTS

The cost and fair value of time deposits included in long-term investments at March 31, 2006 is \$1,006,517 (2005 - \$974,900).

8. RELATED PARTY TRANSACTIONS AND BALANCES

(A) GOVERNMENT PROGRAMMES

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

(I) Government subsidy programmes

During the year, the Hospital Insurance Commission approved claims totaling \$65,899,436 (2005 - \$60,630,490) in respect of services rendered by the Hospital to patients covered under the Government's subsidy programmes as follows:

	2006 \$	2005 \$
Aged subsidy	34,701,821	30,576,116
Geriatric subsidy	11,112,111	10,415,644
Youth subsidy	8,072,196	7,857,883
Indigent subsidy	6,190,504	6,132,195
Other subsidy	3,630,150	3,455,998
Clinical drugs	2,192,654	2,192,654
	<u>65,899,436</u>	<u>60,630,490</u>

As at March 31, 2006, \$1,276,423 (2005 - \$2,571,701), is 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 \$27,273,000 (2005 - \$25,128,749) and the capital grant received was \$803,017 (2005 - \$187,529).

As at March 31, 2006 the amount due to the Consolidated Fund of the Government of Bermuda is \$Nil (2005 - \$226,269).

(B) MUTUAL REINSURANCE FUND

Included within the accounts receivable balance as at March 31, 2006 is \$555,852 (2005 - \$3,001,580) receivable from the Mutual Reinsurance Fund. During the year, the Hospital Insurance Commission approved the following claims:

	2006 \$	2005 \$
Hemodialysis treatments	5,664,698	5,499,806
Long stay patients	1,949,584	1,033,540
Home health care	256,365	277,851
Anti-rejection drugs	225,938	211,692
Magnetic resonance imagery (MRI)	-	2,033,148
	<u>8,096,585</u>	<u>9,056,037</u>

As of April 1, 2005 MRI claims were no longer paid by the Mutual Reinsurance Fund, but will be paid and managed by commercial Insurers.

(C) HOSPITAL INSURANCE FUND

As at March 31, 2006, \$747,054 (2005 - \$886,964) is receivable from the Hospital Insurance Fund. During the year, the Hospital Insurance Commission approved claims totaling \$5,940,633 (2005 - \$5,102,287). This amount has been included in accounts receivable.

(D) GOVERNMENT EMPLOYEES HEALTH INSURANCE FUND

Included within the accounts receivable balance as at March 31, 2006 is \$1,154,285 (2005 - \$1,359,358) due from the Government Employees Health Insurance Fund ("GEHI"). During the year, \$10.2 million (2005 - \$8.7 million) in claims was billed to the GEHI.

(E) OTHER AMOUNTS

	2006	2005
	\$	\$
During the year, the BHB expensed the following:		
Payroll tax	2,624,712	2,505,487
Social insurance	1,667,775	1,579,302
Nurses' annual pensions	354,806	354,806
Services provided by the Ministry of Works and Engineering	1,175,565	1,138,162
Superannuation	7,226	7,263
Land tax	217	-
Miscellaneous charges	93,829	79,970
	<u>5,924,130</u>	<u>5,664,990</u>

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

	2006	2005
	\$	\$
Payroll tax	3,718,341	3,549,443
Social insurance	1,656,919	1,598,805
	<u>5,375,260</u>	<u>5,148,248</u>

Non-refundable duty of \$1,112,365 (2005 - \$1,230,325) was paid during the year. War Veteran Association Claims, in the amount of \$55,661 (2005 - \$40,737) were billed during the year.

The following balances remain outstanding at March 31:

	2006	2005
	\$	\$
<i>Accounts receivable</i>		
Miscellaneous departmental charges	98,274	78,462
Payable by government on behalf of the War Veterans Association	20,291	1,932
	<u>118,565</u>	<u>80,394</u>
<i>Other receivables</i>		
Refundable deposits paid for duty	<u>270,858</u>	<u>217,365</u>
<i>Accounts payable and accrued liabilities</i>		
Ministry of Works and Engineering	203,457	224,585
Nurses' annual pensions accrual	2,275,711	2,275,711
	<u>2,479,168</u>	<u>2,500,296</u>
<i>Accrued salary and payroll expenses</i>		
Payroll tax	1,605,635	1,561,901
Social insurance	459,057	437,295
	<u>2,064,692</u>	<u>1,999,196</u>

9. LONG TERM DEBT AND CAPITAL LEASE OBLIGATIONS**(A) LONG TERM DEBT**

	2006	2005
	\$	\$
Bond Replacement Loan of US\$10,000,000, bearing interest of 4.5% per annum paid quarterly in arrears of principal and interest of \$417,000 up to June 2010. The loan is unsecured.	6,474,286	7,808,556
Bonds payable of US\$5,450,000, bearing interest of 3.95% per annum, due 2010. Semiannual principal payments are \$450,000. The bonds are secured by a second mortgage on land and buildings.	3,650,000	4,550,000
Note payable of \$2,093,745 bearing interest of 5.63% per annum, payable in semiannual installments of principal and interest of \$243,149 up to November 1, 2007. The note is unsecured.	907,804	1,325,264

Note payable of \$361,806 bearing interest of 5.63% per annum, payable in semiannual installments of principal and interest of \$42,017 up to November 1, 2007. The note is unsecured.

156,872 229,010

Loan of \$515,090 bearing interest of 5% per annum, payable in monthly installments of principal and interest of \$9,719 up to December 2006. The loan is secured by a charge over the related equipment. The loan was discharged in early November 2005.

- 222,770

Loan of \$2,100,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in monthly installments of principal and interest up to February 1, 2020. The loan is secured over the related property.

1,996,715 2,091,405

LESS: CURRENT PORTION

13,185,677 16,227,005
2,916,184 2,948,433
10,269,493 13,278,572

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

Year	Amount \$
2007	2,916,184
2008	3,015,283
2009	2,541,957
2010	2,668,703
2011	614,130
2012	131,452
2013-20	1,297,968
	<u>13,185,677</u>

(B) CAPITAL LEASE OBLIGATIONS

Obligation under capital Lease, with minimum lease payments of \$234,254, less interest of \$12,230. Capital leases bearing interest of 5.5% per annum, payable in monthly installments of principal and interest up to March 10, 2009. The Capital leases relate to Photocopying equipment.

2006 2005
\$ \$

222,024 -

LESS: CURRENT PORTION

222,024 -
139,198 -
82,826 -

Future minimum commitments for the next two years are as follows:

Year	Capital lease Obligations \$	Interest \$	Total Minimum lease Payments \$
2008	65,811	3,057	68,868
2009	17,015	807	17,822
	<u>82,826</u>	<u>3,864</u>	<u>86,690</u>

10. DEFERRED CAPITAL CONTRIBUTIONS

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

The balance of the deferred capital contributions is as follows:

	2006 \$	2005 \$
Balance, beginning of year	22,122,254	22,228,755
Add: contributions received	1,425,688	1,573,235
Less: amounts amortized to revenue	<u>(1,680,917)</u>	<u>(1,679,736)</u>
Balance, end of year	<u>21,867,025</u>	<u>22,122,254</u>

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

	2006 \$	2005 \$
Unamortised capital contributions used to purchase assets	21,035,555	21,852,560
Unspent contributions	<u>831,470</u>	<u>269,694</u>
	<u>21,867,025</u>	<u>22,122,254</u>

11. INVESTMENT IN CAPITAL ASSETS

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

	2006 \$	2005 \$
Capital assets (note 6)	86,750,475	87,973,114
Amount financed by:		
Capital Leases payable	(222,024)	-
Deferred contributions (note 10)	(21,035,555)	(21,852,560)
Loans and bonds payable	<u>(17,193,126)</u>	<u>(18,014,285)</u>
	<u>48,299,770</u>	<u>48,106,269</u>

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

	2006 \$	2005 \$
Excess of revenues over expenses:		
Amortisation of deferred contributions related to capital assets	1,680,916	1,679,736
Amortisation of capital assets	(5,981,462)	(5,326,786)
Loss on disposal of capital assets	<u>(184)</u>	<u>(196,771)</u>
	<u>(4,300,730)</u>	<u>(3,843,821)</u>
Net changes in investment in capital assets:		
Purchase of capital assets	4,759,007	10,011,587
Amounts funded by:		
New Capital Leases	(492,898)	-
Deferred contributions	(863,912)	(1,559,396)
Bond issues	900,000	(202,795)
Repayment of Capital Leases	270,873	-
Repayment of long term debt	<u>(78,839)</u>	<u>900,000</u>
	<u>4,494,231</u>	<u>9,149,396</u>
	<u>193,501</u>	<u>5,305,575</u>

12. INTERNAL RESTRICTION ON NET ASSETS

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

13. EMPLOYEE BENEFITS

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

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plans 1.54 years (2005 – 1.96 years). The average remaining service life of the active employees covered by the other retirement benefit plans is 8.44 years (2005 – 8.1 years).

(A) PENSION PLANS

There is a Defined Contribution Pension Plan in place for all employees, whereby the Board contributes 6% of gross salary and the employee contributes 4% of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five (5) years with respect to the Board's contributions. Beginning January 1, 2000, 100% of the Board's contributions vest after two (2) years. When an employee leaves the Board's employ, other than through retirement, the Board's contributions, which are not vested, are refunded to the Board. These are reflected as a reduction in employee benefits expense. The expense for the period April 1, 2005 to March 31, 2006 totaled \$3.15 million (2005 - \$3.04 million).

The Hospital Nurses Superannuation Act 1948 established a non-contributory defined benefit final average pension plan, which covered certain nurses employed prior to January 1, 1971. The cost of these pensions is shared with Government, with Bermuda Hospitals Board being liable for pension benefits earned by these nurses since January 1, 1977. The pension expense of \$540,848 (2005 - \$786,275) includes the amortisation of past service costs over periods ranging from eleven (11) to two (2) years.

	2006 \$	2005 \$
Balance beginning of year	7,526,446	6,740,171
Pension expense		
Current cost	102,377	106,536
Interest	348,914	359,038
Experience (Gain) loss	89,557	320,701
	<u>540,848</u>	<u>786,275</u>
Balance end of year	<u>8,067,294</u>	<u>7,526,446</u>

Bermuda Hospitals Board and Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2006, which estimates that Bermuda Hospitals Board's portion of the liability under the Act is approximately \$5.6 million at that date (2005 - \$5.8 million). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% and a salary escalation rate of 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, 2006 the Board's payable to the Government totals \$2.3 million (2005 - \$2.3 million) and is included in the accounts payable and accrued liabilities balance.

(B) OTHER BENEFIT PLANS

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

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognized when leave has been applied for and approved or when a settlement amount can be reasonably determined. The total approved maternity leave as at March 31, 2006 is \$113,063 (2005 - \$152,810) 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, 2006, the liability is \$31,194 (2005- \$50,484) 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, 2006 is \$6.2 million (2005 - \$6.3 million) and the benefits paid out total \$6.1 million (2005 - \$5.8 million) resulting in a liability as at March 31, 2006 of \$5.47 million (2005 - \$5.44 million). An actuarial study has not been performed for the vacation days benefit obligation as there are no factors used in the calculation that are materially different from the figures that would be estimated by an actuary.

The Board pays fifty percent (50%) of the health insurance premiums for employees who retire from the Board. The accrued benefit obligation as at March 31, 2006 of \$16 million (2005 - \$14.3 million) was determined by an actuarial valuation. The accrued benefit liability at March 31, 2006 was \$10.8m (2005 - \$8.8m). The expense recognized for the year ended March 31, 2006 totals \$2.6 million (2005 - \$2.5 million) and the benefits paid during the year total \$641,916 (2005 - \$604,039). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 7% and a medical trend rate of 7% per annum.

The BHB Health Plan had a cumulative surplus of \$205,139 as at March 31, 2006 (2005 - \$59,134).

14. COMMITMENTS

As of March 31, 2006, the Board has operating commitments of \$610,208 relating to a cleaning service contract extending for 8 months and an additional \$956,650 relating to an oxygen supply agreement extending over 3 years.

The Board has, in the ordinary course of business, entered into operating lease agreements with a third party for the rental of eight properties. The aggregate monthly charge is \$34,375 and the agreements can be cancelled at the Board's option provided 60 days prior notice is given.

15. CONTINGENCIES

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

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

16. BUSINESS SOCIAL COST

The BHB, as a part of its mandate, is required to provide service to all patients, irrespective of their ability to pay. During the course of its operation, the BHB provided services to a number of persons who were unable to pay. These expenses, previously written off as bad debts, are now classified as business social costs. The amount recognized as social cost for year ended March 31, 2006 is \$192,752 (2005 - \$236,717).

17. MANAGEMENT CHARGE

A number of administrative services are provided by KEMH to MWI for which a management charge is made. These services include information system management, employee recruitment and administration, facility repairs, purchasing, pharmacy, telecommunication, dietary, accounting, and general administration. The Hospital uses the employee cost for each department and cost of hardware and software maintenance contracts to calculate the management charge. The management charged is calculated based on the estimated percentage of time that each department spends working with MWI. The amount charged for year ended March 31, 2006 is \$2,093,676 (2005 - \$1,526,808).



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