Bermuda Hospitals Board

CARING FOR OUR COMMUNITY

Annual Report 2007

CONTENTS

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

January 4, 2008

I am pleased, on behalf of the Government of Bermuda, to present to the Legislature, the Bermuda Hospitals Board's 2006/2007 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.

Bermuda Hospitals Board has made exceptional progress to address the concerns of this community regarding the operation of our hospitals. The appointment of a highly qualified Chief Executive Officer and a supremely proficient Chief of Staff exemplify the commitment of the Board to ensure fiscal accountability and clinically sound care within our hospitals.

I would like to also express the sincere thanks of the Government to the dedicated management team and staff of Bermuda Hospitals Board. They work extremely hard and do not always feel the appreciation of those who pass through their wards and hallways.

The Ministry of Health through Bermuda Hospitals Board will ensure that exemplary healthcare services are provided to Bermuda's residents and guests. Together we will create a centre of excellence that is the envy of the world.

Nelson B.A. Bascome JP, MP
Minister of Health

Message from the Chairman, Bermuda Hospital Board

On behalf of the Board of Directors, I am very pleased to introduce the Bermuda Hospitals Board 2006-7 Annual Report. The pace of evolution in international healthcare best practices and standards constantly challenges our leadership and staff. We are committed to providing comparable practices, technology and standards of care for the services we provide that patients would find in any healthcare organisation abroad.

I am proud to highlight in this annual report activities and programmes that have helped us on the path of progress. Our technology, equipment, facilities and people are all vital ingredients in the delivery of care. All have developed over the last year, with a new X-ray machine, plans for a state-of-the-art CT scanner, the opening of a wonderful new facility for child and adolescent mental health services, the appointment of a new highly qualified CEO, David Hill and, more recently, a vastly experienced Chief of Staff, Dr Donald Thomas III.

Our geographical distance to other tertiary or specialist hospitals has always meant that BHB needs to be more than just a community hospital. While we have cultivated strong working relationships with a number of overseas providers, this year we have also begun developing our association with clinical and administrative partners, such as Johns Hopkins, Lahey Clinic, Partners Healthcare System and Kurron, to improve our clinical services and strengthen our strategic leadership.

The Board's focus is to ensure the structure, finance and governance is in place for BHB staff to do what they are passionate about - deliver high quality standards of care to the people of Bermuda. This requires strong finance and high clinical standards, which are closely and regularly monitored by the Board.

My fellow Directors and I commit to keep the hospital on a path of progress. I would also like to thank the management and staff at Bermuda Hospitals Board, whose work every day will take us on this journey. Their dedication, professionalism and caring throughout the year have been the cornerstone on which our ability to care for the community rests.

Message from the CEO, David Hill, Bermuda Hospital Board

It gives me great pleasure to introduce our annual report for 2006-7 on behalf of staff and senior management at Bermuda Hospitals Board.

Improving technology, new treatments, updated best practices and changing trends mean that change is the one constant in healthcare. Having a strong and stable leadership is vital for us to respond swiftly and strategically plan for these advancements. At the beginning of 2007 we therefore changed our senior management structure to help us strengthen our relationship with medical staff, make evidence-based decisions swiftly and set a strong strategic direction for the hospitals. This was a critical achievement as we face a large agenda over the next few years, not least of which is building a new acute care hospital. As you will read in this report, renovations and modernisation continue at our hospitals to ensure we can provide a quality healthcare service, while we work towards new facilities.

We have also worked towards becoming an organisation that listens when planning improvements. Satisfaction surveys with staff, patients and physicians are part of how we review improvements that can be made to our facilities and processes.

Patient safety is also a driver of change and improvements in our organisation. Our 'SpeakUp!' campaign launched in March 2007 aimed to involve patients and their families more in their care – which is proven to result in better outcomes and the reduced likelihood of error. Our focus on patient safety has also meant organisation-wide campaigns for handwashing and regular testing for possible hospital-acquired infections, such as MRSA. Through regular reporting, testing, monitoring and cleaning, our hospitals have a significantly lower rate of hospital-acquired infections than North America. We aim to keep it this way.

I would like to take this opportunity to thank our entire staff at the hospitals. Since joining BHB in November 2006 I have been consistently impressed with their professionalism, dedication and compassion for the people in their care. I am very proud to be working alongside them in caring for our community.

About BHB

Caring for the Community

Bermuda Hospitals Board is committed to providing international quality, cost-effective mental health and acute care services to the Bermudian community. Comprising King Edward VII Memorial Hospital and Mid-Atlantic Wellness Institute, we care for Bermuda's resident population of approximately 65,000 people, as well as the many visitors who come to our island each year. Given our relatively isolated geographic location, the Bermuda community needs a range of services far broader than would commonly be expected of a hospital serving a similar population base. For a full list of our services, you can visit our website at www.bermudahospitals.bm.

Our Board

As a quango, our operations are managed by the senior management team under the governance of a Government-appointed Board.

The Bermuda Hospitals Board 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.

The role of the Board is to ensure sound governance and fiscal responsibility of King Edward VII Memorial Hospital and Mid-Atlantic Wellness Institute. By law, the Board comprises of up to 13 directors, including a Chairman and Deputy Chairman. The legislated composition of the Board is currently under review, however, in order to ensure numbers remain manageable and that directors with specific skills, such as finance, law and human resources, are sought.

Monthly Board meetings are held with all directors and non-voting members. Board Directors also chair a number of key committees in the hospital.

Board members as of 30 September 2007:

Voting Members

Mr Herman Tucker, Chairman
Mr Wendell Hollis, Deputy Chair
Mr Edward Benevides, Board Member
Miss Kristen Ferreira, Board Member
Dr Stanley James, Board Member
Mrs Judy Panchaud-White, Board Member
Mr Michael Winfield, Board Member
Mrs Wendy Augustus, Exec. Director, BHCT –Ex Officio Voting
Mrs Josephine Wright,President, HAB –Ex Officio Voting

Non-Voting Members

Mr Warren Jones, PS, MOH – Ex Officio Non-voting
Dr John Cann, CMO– Ex Officio Non-voting
Dr Donald Thomas III, Chief of Staff

Attendees

Mr David Hill, Chief Executive Officer
Mrs Venetta Symonds, Deputy CEO
Ms Delia Basden, Chief Financial Officer
Dr Wesley Miller, President of the Active Staff

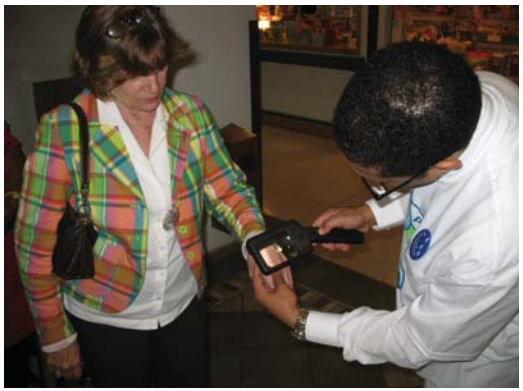
Patient Safety for an Excellent Standard of Care

Combating hospital acquired infections

Healthcare providers around the world work exceedingly hard to prevent hospital-acquired infections such as Methicillin Resistant Staphylococcus Aureus (MRSA). However, MRSA is part of hospital life in the modern world and nowhere has escaped its impact. Hospitals in North America report that in intensive care units, 60% of staphylococcus aureus blood stream infections are caused by MRSA. At King Edward VII Memorial Hospital, this rate is 15%. For many years now, Bermuda Hospitals Board has invested in an Infection Control Team who work at both hospitals. This team uses evidenced-based guidelines to ensure best practice initiatives. One such practice for preventing the transmission of MRSA is screening high risk patients and isolating those who are found to be colonized with the bacteria. Colonisation does not mean someone is ill, but that they are carrying the bacteria. Hand Hygiene continues to be one of the most important practices in the prevention and control of hospital acquired infections (HAIs). Alcohol hand gel has been installed throughout both hospitals to assist busy healthcare workers in the delivery of safe patient care, and handwashing audits are carried out to measure compliance with the hospitals' infection control policy.

Research with Johns Hopkins

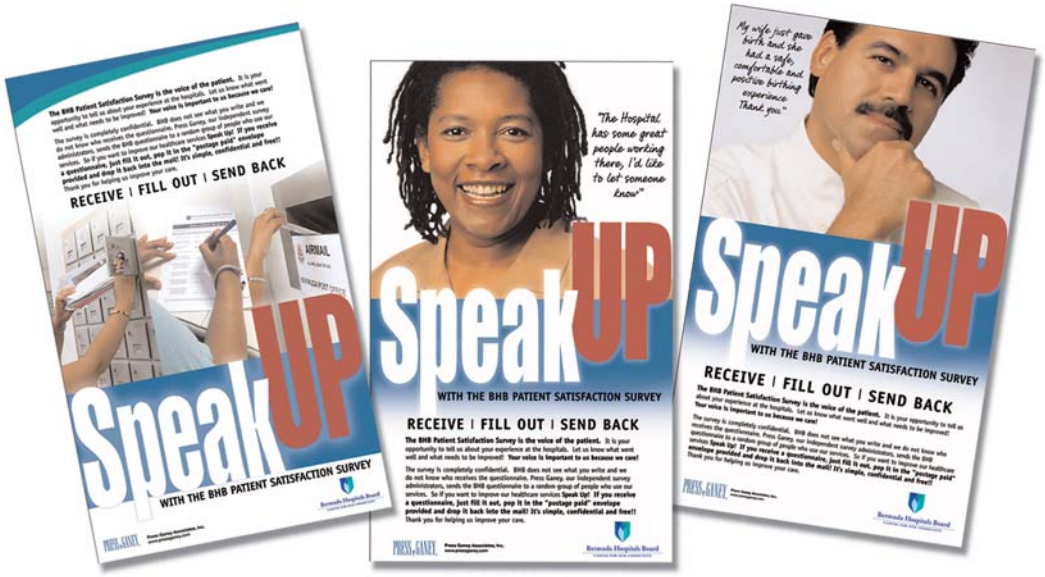
The Bermuda Hospitals Board is partnering with Johns Hopkins Hospital to conduct research on different strains of MRSA. There are strains of MRSA which are transmitted in hospital, but also a strain transmitted in the community. This study will help to identify risk factors specific for community-acquired MRSA and facilitate correct antibiotic therapy for the patients presenting to the Emergency Department.



Patients urged to 'Speak Up!'

A 'Speak Up!' campain was launched in Patient Safety week, March 2007, to encourage patients and their families to become more actively involved in their care by asking questions. While the patient survey encourages people to speak up in the interests of improving care over time at the hospital, the SpeakUp campaign aims to empower people at the time they receive their care. This campaign is part of an international drive to improve patient safety in hospitals.

Quality Programmes Help Improve Service



Patient opinion to help drive quality improvement programme

Patients are having a stronger voice and influence on new and improved services at the hospitals. Bermuda Hospitals Board entered into a partnership in March 2007 with Press Ganey, America's leading healthcare satisfaction measurement and improvement firm. This company provides an independent, continuously-run patient survey programme. Completely confidential, the anonymous results will direct us to areas we can improve and identify where patients see us providing good service so that we can recognize staff and build on achievements.

Measuring and improving performance and quality

While we work towards building new hospital facilities in the coming years, Bermuda Hospitals Board is committed to operating at an international standard.

Performance and quality measurements remain a critical tool for improving hospital operations. In the coming year, patient safety goals will be measured to ensure widespread accordance with hospital policies. Clinical indicators will also become instrumental in how the Board reviews operations at the hospital.

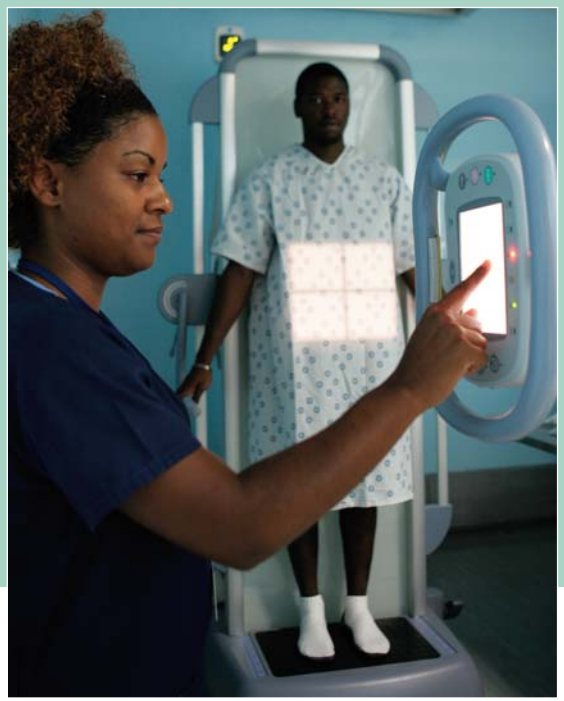
These measures are critical for the next hospital accreditation process in 2008. Achieving accreditation reflects Bermuda Hospital Board's commitment to providing quality patient care for the people in Bermuda. It provides the community with an independent assessment of their hospitals and services.

Medical staff peer reviews

During this year, BHB began the process of conducting medical staff peer reviews. This is an independent review of services. Two groups have already completed the process. This will continue hospital-wide and be used to improve the experience patients have at our hospitals.

Additionally, in 2006 a formalised interdisciplinary case review pilot was commenced. This process effectively draws from across disciplines and professions in the hospital, in order to review activities that may be questioned as part of a complaint.

Modernising Patient Care



Bacardi donates new x-ray machine

In 2006, a new x-ray machine was installed after many months of renovation on site. The new machine can image faster, using a lower dose of radiation and does not need a darkroom and processor. The digital image can be printed direct to film by a special laser printer. This will help prepare Diagnostic Imaging to become a filmless department in the future.

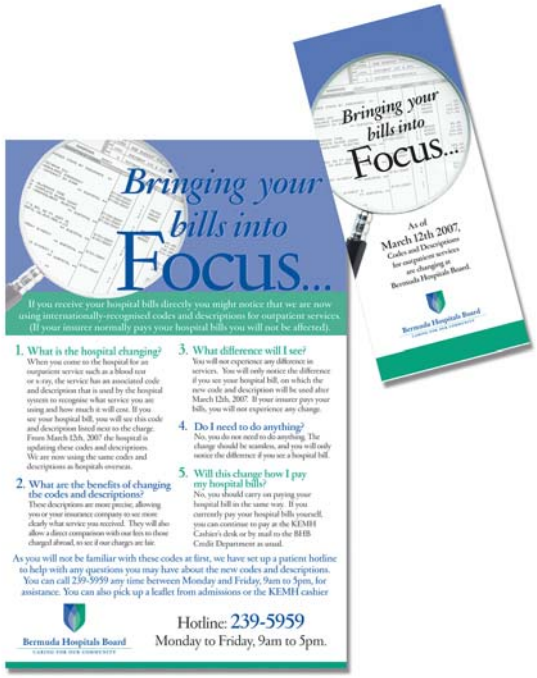
New Blood platelet machine

The amount of time it takes to donate blood platelets has been reduced. Partnering with the Bermuda Red Cross, Bermuda Hospitals Board purchased a blood platelets collection machine for the on-site Blood Donor Centre. The new machine reduces the amount of time it takes to donate plasma and platelets from four hours to just two. This means it is a less time-consuming process for donors, hopefully encouraging more people to donate vital blood products. A regular supply is needed in Bermuda as a donation only lasts one week.

Developments in patient care provide us with new technologies that can speed up diagnosis and improve treatments. The Board takes a strategic look at its equipment and facilities to manage replacement and renovation programmes as part of its budget process, helped by generous community donations.

Hospitals Auxiliary Board of Bermuda
BHB's longest-serving, most generous donor

The Hospitals Auxiliary Board of Bermuda has been an integral part of the hospitals for over 50 years. About 300 HAB volunteers provide support services throughout the hospitals, serve in the coffee and gift shops and the local second-hand outlet, called The Barn. HAB also run an immensely successful student volunteer programme, the Candy Stripers. Eighty-five candy stripers are currently partipicating in the programme. Volunteers gave about 40,000 hours of service to the hospitals in 2006-7 and the profits they raised went towards providing the hospitals with over $500,000 to buy new equipment. Purchases using HAB funds included new ultrasound equipment in the Emergency Department and the purchase of a van for dialysis patients.



Video conferencing improves patient care

Video conferencing improves our ability to prepare and care for patients transferred from abroad. As Bermuda is unable to provide all specialisms on-Island, a higher than normal percentage of patients transfer between overseas facilities and the hospitals in Bermuda.

BHB's introduction of video conferencing is already beginning to have a positive impact on caring for patients who travel from an overseas facility back to one of our hospitals. It also allows overseas specialists to present to physicians and staff, for example as part of BHB's Continuing Medical Education programme. This helps keep staff informed about the latest best care practices and international developments in medicine that can then be applied in the hospital.

Video conferencing equipment was upgraded at the King Edward VII Memorial Hospital this year and was installed for the first time at the Mid-Atlantic Wellness Institute. This technology also reduces the need for travel when interviewing overseas healthcare professionals for positions at the hospital.

Modernising systems

Seven major systems were upgraded across the hospital in March 2007. Hundreds of hospital staff were trained to ensure a smooth and seamless transition. Many of these systems will improve staff access to data, and help streamline processes within the hospitals. The long-term benefits include greater time to spend on patient care, faster access to information and results, the ability to support modern equipment and technology in the healthcare environment, and a reduced likelihood of human error.

New gamma camera installed after renovations.

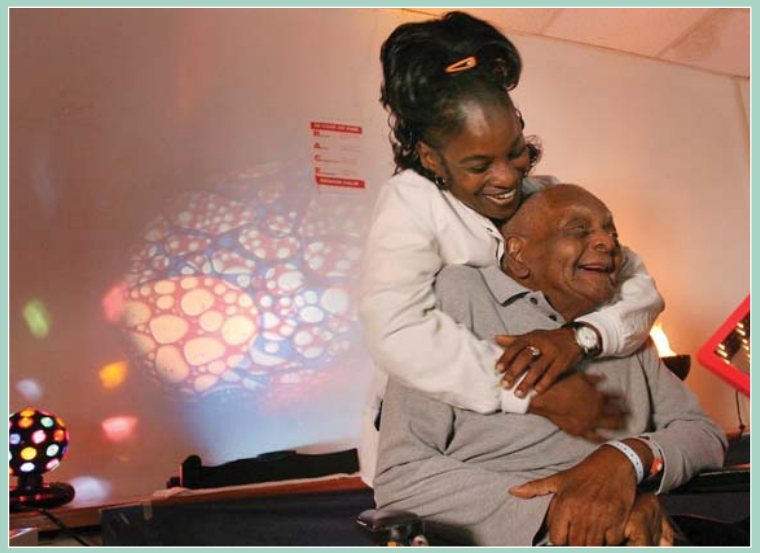
Our nuclear medicine department offers diagnostic tests that allow us to check the health of patients internal organs and bones. After extensive renovations and the installment of a new cutting- edge gamma camera, BHB can now offer patients a faster test using less radiation, with friendly, professional staff in a welcoming area.

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. Bermuda Hospitals Board is moving to a more transparent and fair billing process with the introduction of a new coding system for its Charge Description Master (CDM). The CDM is a system which lists all services that a patient or insurer could be billed for at the hospitals. The new codes and descriptions will be the same as those used overseas, which will enable patients and insurance companies to compare fees. The first phase of this project was successfully completed in March 2007, when the new coding for outpatient services went live.

Our goal is to move all services, including inpatient services, to a new coding system. This is being managed as a phased project to ensure minimal disruption.

Caring For our Seniors



Ensuring long-term patients have access to great care

Bermuda Hospitals Board stated last year it would establish programmes to decrease the number of long-term patients in acute care beds. For their comfort, privacy and dignity, the hospital try to find an appropriate care environment for long term care patients. Additionally, the use of acute care beds by these patients can cause delays for acute care patients who need a bed.

The hospital takes an interdisciplinary approach to discharging patients that includes physicians, nurses social workers and physiotherapists, who work closely with patients and their families. With limited continuing care and nursing home spaces, seniors can spend an extended amount of time in an acute care bed if they can not be safely cared for in their home environment, after recovering from an acute care incident, such as a broken hip. It should never be anything but short-term, however, and in 2006/07, BHB began a project to increase the number of long term beds available in its Continuing Care Unit and opened a Day Hospital.

Increasing CCU capacity

Sixteen additional beds are being added to the Continuing Care Unit (CCU) at the King Edward VII Memorial Hospital, enabling the hospital to increase the number of long care patients it can care for. This project was initiated in the fiscal year under review and is in the final stages of implementation. The extra accommodation will allow BHB to care for seniors in a less clinical environment, closer to the many activities undertaken in this area and make access easier to facilities such as the Snoezolen room, which was opened this fiscal year, and activities room.

Day Hospital support for outpatients

This fiscal year, the Day Hospital at the King Edward VII Memorial Hospital was officially opened. The Day Hospital provides day care and physiotherapy, enabling people to be discharged from hospital earlier than before, as they can access the services they need as outpatients. This solution helps patients who have suitable accommodation and home support for their physical needs. The purchase of a Day Hospital van during the year also enabled staff to undertake home visits with patients.

Maintaining Our Facilities For Your Care and Safety

State-of-the-art facility for Child & Adolescent Services at MWI

Children and adolescents with mental health problems now benefit from a new facility, with an expanded service that includes inpatient, day care and education as well as outpatient services.

Over the last year, this new facility was prepared on the Mid-Atlantic Wellness Institute campus. MWI was selected as the preferred site as it is able to accommodate all in-and outpatient services and has the support of nurses, security, laundry, dietary, and pharmacy already on site. This will ensure a continuity of care for young people whatever service they require and also, crucially, a separation of all in-and outpatient mental health services for adults and youth.

Separation from adult services was a key issue and so a discrete road and parking area were built. The facility itself is purpose-built and in line with best practices. It provides office space for all staff, a day centre area including a class room, an internal courtyard and external basketball court and an area that can be used exclusively for inpatient services for children and adolescents.

Agape House patient room renovations

Agape House provides palliative care services for people in Bermuda and is generously supported by the Friends of Hospice charity. Facilities were improved in Agape House this year when a new room was renovated with improved external views that could accommodate three occupants. Additionally, the doorway to the gardens was made wide enough for someone in a wheelchair to access.

New ambulance shelters improve safety and extend ambulance life

In the summer of 2006, a new ambulance shelter was finished that provides a dedicated area for parking the ambulance fleet when not in use, opposite the Emergency Department. The shelters improved pedestrian safety outside the Emergency Department area of the King Edward VII Memorial Hospital, helped clear traffic flow in the area and is expected to extend the life of the ambulance fleet. The shelter made this area safer and clearer for emergency patients and visitors, by providing clearer access to the Emergency Department.

Looking Forward

Planning for a new acute care hospital

Without doubt, the biggest hospital story of the fiscal year related to the site of the new acute care hospital. There was a clear mandate by the end of 2006, from both Government and the community, to develop plans for the current King Edward VII Memorial Hospital site. The hospital has since been working on solutions that will be feasible and affordable for Bermuda.

This is by far the largest capital project Bermuda has faced. Bermuda Hospitals Board will be rigorous in its review of existing data, but much has already been achieved through the Estate Master Plan that will help us progress in the coming year.

An independent review by Johns Hopkins International was announced in February 2007 to ensure hospital services are planned within the broader healthcare requirements of the island. The review will bring together the data and research compiled to date through the Estate Master Plan process.

As we progress, we will work closely with our stakeholders, such as the Bermuda Health Council, Bermuda Hospitals Charitable Trust, staff, physicians, community health groups and the community in general.

Improved and enlarged dialysis unit

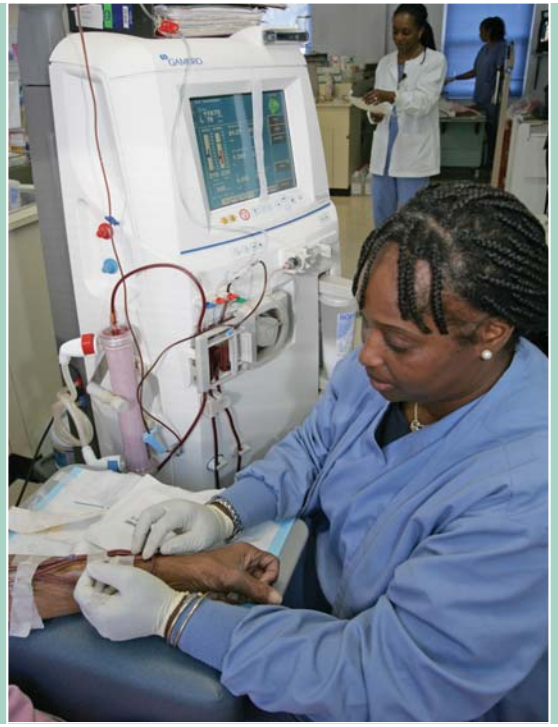
The dialysis service at King Edward VII Memorial Hospital is under increasing pressure due to rising demand over the years, impacting patient comfort and privacy. To address these issues the Board approved a significant investment to vastly improve the environment and add new dialysis units in 2008. Dialysis is a lengthy process and by creating a caring, comfortable environment, BHB can greatly improve the patient and staff experience. This project will enable us to care for more people in an improved facility, which will also allow us greater flexibility in catering for visiting tourists who require dialysis, as happens from time to time.

Standardising practices in the medical and surgical wards

Work is beginning on reviewing the four surgical and medical wards at King Edward VII Memorial Hospital to ensure they are meeting international standards of care. This fiscal year will be one of planning and research in preparation for renovations and improvements to the wards.

State-of-the-art CT scanner to be purchased

Bermuda Hospitals Board expects this to be an exciting year for diagnostic imaging. Following the installation of new equipment in the radioisotopes department this fiscal year, Bermuda Hospitals Board initiated a project that will bring first an 8-slice and then 64-slice state-of-the-art CT scanner to the hospital. The purchase will improve the accuracy, detail and speed of a CT scan. It will also move the hospital from film to digital imagery, which is faster and more cost-effective. The 64-slice scanner will also provide a greater range of diagnostic tests, such as CT angiography, saving patients a journey abroad for this simple but diagnostically important test.



New surgical area to increase capacity

With an increasing number of surgeries taking place in Bermuda, King Edward VII Memorial Hospital is opening an additional Operating Room (OR). This will reduce waiting times for patients by increasing capacity for surgeons and improve the patient and family experience by renovating both the PACU (Post Anaesthesia Care Unit) for patients just out of surgery and the waiting area for families. Currently, there are five ORs in total – four surgical suites and one endoscopy suite. An additional surgical suite was opened in October 2007. BHB will now focus on renovations for the PACU and waiting area, with the goal of providing an environment that caters to the comfort, dignity and privacy of surgical patients and their families.

New data centre

Improving our care and services often requires new or upgraded technology. While seven major information systems were upgraded in 2006-07, BHB is already looking ahead and is working to ensure the hospitals have the capacity to upgrade existing systems and introduce new systems, as required, by establishing a new data centre. This project will have a significant impact on BHB's long term plans to modernise, including moving from film to digital imagery in our diagnostic imaging department. The move to digital imagery makes testing and diagnosis faster, and can be sent immediately to physicians or specialists in Bermuda and abroad if required.

Strengthening relationships

Improvements in systems and technology must be balanced by strengthened relationships with key partners and stakeholders. Bermuda Hospitals Board has been working closely with the newly-created Bermuda Health Council this past fiscal year. This partnership will be critical in furthering healthcare provisions for the community going forward.

Our People

A global workforce for a quality local service

Bermuda Hospitals Board has the second largest employee base in Bermuda with over 1,500 full time staff and 200 on-call and locum staff. Recruiting and retaining adequate levels of staff is a constant focus. The hospitals' Human Resources directorate established a three year strategy in 2007 that planned an international recruitment programme, looked at ways to encourage and support Bermudians into healthcare and identified programmes to improve the work environment and compensation to ensure the hospitals could compete with overseas organisations.

Welcoming our staff from overseas

Like most healthcare organisations around the world, healthcare professionals are a vital part of our local service. Bermuda's small size impacts the number of local healthcare professionals available and also means there are unique housing pressures for staff who come from overseas. Bermuda Hospitals Board has a long term strategic goal to increase the amount of subsidised accommodation it can provide. In 2006/07, we purchased one and leased eight other properties around the island. These properties provided housing for an additional 43 staff in total, increasing the amount of accommodation for staff by 50% compared to last year. BHB is now able to house 137 staff members and will continue to work towards its eventual target of having accommodation for 200 staff in the coming years.

Reaching out to young Bermudians

In the face of a global shortage of healthcare workers, Bermuda Hospitals Board recognises that encouraging Bermudians into healthcare and nurturing them to take on key positions benefits staff, the hospital and the Bermuda community. During the year, BHB staff attended student events, visited schools and ran an extensive volunteer and summer student programme to expose young Bermudians to what healthcare careers can offer. BHB also pays in excess of $250,000 in scholarships each year to support students in healthcare-related studies. Bermuda Hospitals Board, in partnership with the Bermuda College, has also initiated a feasibility study with the Maricopa Community College system to launch a Bermuda School of Nursing in the near future.

Competitive compensation for nurses

Nurses are the largest group of professionals at BHB. A stable and well-trained nursing staff is vital to provide patients with a high quality of care in a safe environment. To attract and retain nurses, BHB has developed a number of educational opportunities and competitive compensation programmes. In this fiscal year, the nurse salary scale was expanded, a certification bonus scheme was established, as well as a clinical ladder bonus scheme, which provides financial compensation to nurses as they achieve further training and experience. These programmes aimed to compensate nurses for tenure, education and experience.
It also ensures BHB can offer nurses compensation that is competitive in the global market.

The facts:

The vacancy rate target for this fiscal year was 7%. Bermuda Hospitals Board achieved 4.4% by January 2007. The target for the turnover rate was 12%. Bermuda Hospitals Board achieved 11.4%. This compares favourably with international rates, where hospitals of similar sizes often experience 13.4% turnover, according to PricewaterhouseCoopers - Saratoga Business Analytical Tool. The American Hospitals Association reported average vacancy rates of 8.5% in December 2005.

Making BHB a place you want to come and stay

An Office of Staff Affairs (OSA) was established in the fiscal year to improve the integration of new employees into the workplace, strengthen resignation recovery processes and improve the recognition of staff achievements and quality service. OSA also manages all student and volunteer programmes in the hospitals.

To ensure the organisation listens and responds to staff concerns and ideas, a staff opinion survey is now carried out every 18 months to get feedback on further opportunities to improve and measure whether previous improvements have made a difference. The latest survey was carried out in June 2007.

Education
Developing Our Staff, Improving Our Service

Certified Nursing Assistants help improve care on BHB wards

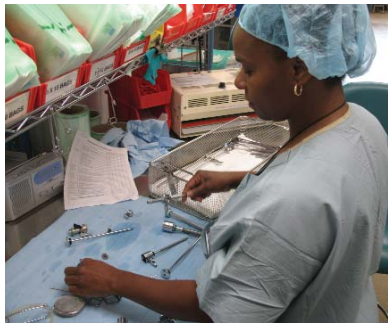
Bermuda Hospitals Board partnered with Bermuda College to launch an on-island course leading to a Certified Nursing Assistant (or CNA) qualification during the fiscal year. Graduates of this course will be able to seek progressive positions in the healthcare profession. CNAs bring a huge value to the wards through their care and attention to patients and by undertaking tasks that are critical but do not necessarily require a skilled nurse. This allows nurses to focus on tasks that are more in line with their training. As a first step, four Bermudian nursing aides attended Gateway Community College in Phoenix, Arizona, to undertake the Certified Nursing Assistant qualification leading to a State Board Exam and qualified in May 2007. These CNA's will now act as mentors and leaders for other BHB staff, who enroll in the course locally.

A commitment to ongoing development for all staff

A tuition reimbursement scheme introduced in 2006/07 helped make education more affordable for staff, by offering financial assistance towards course fees and costs. Twenty-two staff were celebrated in July 2007 for gaining new qualifications over the previous 12 months. Qualifications included degrees, masters, diplomas and certifications in areas relevant to staff jobs and development.

Clinical ladders help nurses climb

This year, BHB introduced a Clinical Ladder programme for nurses. A clinical ladder is a planned method of providing opportunities for professional growth, advancement, and recognition for direct care nurses. It is a programme that aims to improve patient care and also motivate nursing staff by offering a structured development plan.



SPD Staff achieve new qualification

Eight staff members earned accreditation as King Edward VII Memorial Hospital's first ever Certified Sterile Processing Technicians, following a year long training course. The staff are from the hospital's Sterile Processing Department (SPD), which cleans and sterilizes equipment used in surgery and other patient areas in the hospital.

Senior Management

New CEO and Deputy CEO appointed

In this fiscal year, the Board was extremely pleased to appoint a highly qualified Chief Executive Officer following an extensive, worldwide recruitment process. David Hill joined Bermuda Hospitals Board in December 2006. Venetta Symonds, who was Acting Chief Executive Officer during the recruitment process, was appointed as Deputy Chief Executive Officer. The succession planning process will continue this year for other key positions.

New Structure for BHB Senior Management Team

A new senior management structure responsible for the day-to-day operations at the hospitals has been established to improve the hospitals' ability to be strategic, make evidence-based decisions, and be accountable for improving patient care, managing finances and creating a positive, caring, performance-driven work environment.

Within the Senior Management Team, strategic leadership is provided by a smaller decision-making group called the Executive Team, which comprises seven of the senior managers (highlighted in blue below) Three new positions were created for this team, including Chief Operating Officer (KEMH), Chief Operating Officer (MWI and Continuing Care) and Chief of Business Development.

Senior Management Team:

Chief Executive Officer, David Hill

+Deputy Chief Executive Officer, Venetta Symonds

Chief of Staff, Dr Donald Thomas III

Chief Financial Officer, Delia Basden

+Chief Operating Officer (KEMH), Bob Zinnen

+Chief Operation Officer (MWI & Continuing Care), Patrice Dill

+Chief of Business Development, Neal Rolfes *(interim appointment)*

Chief Information Officer, Jorge Grillo

Director of Quality & Risk Management, Judy Richardson

+Director of Nursing & Allied Health, Kathy-Ann Swan

Director of Facilities & Estate Management, George Melling

Acting Director of Human Resources, Dr Bradlyn DeShields

+Director of Decision Support, Harlean Saunders-Fox

Director of Public Relations, Anna Lowry

+Director of Physician Relations, Scott Pearman

+ New Position

missing from picture: Patrice Dill, COO (MWI & CC); Chief of Staff, Dr. Donald Thomas III; Bob Zinnen, COO(KEMH).

A number of senior managers shifted their focus to critical areas in January 2007, with title changes that reflect their new responsibilities. This was a cost-neutral process, aimed at strengthening the hospitals leadership. A newly-created Director of Physician Relations position provides full support for the Chief of Staff office and will work directly on physician-related issues, concerns and strategy. Additionally, the re-creation of a Director of Nursing position focuses senior management attention on Bermuda Hospital Board's largest employee group, our nurses. The new position, Director of Decision Support, will manage data to support evidence-based decisions at the hospitals.

Of the fifteen members of the total Senior Management Team, 40% hold work permits. The remaining 60% are Bermudian or Spouses of Bermudians. A succession plan is being devised to identify, train and mentor Bermudians for all senior positions

Medical Leadership Strengthened

Oncology service strengthened by the appointment of permanent Director of Oncology

One of the most welcome pieces of news in the last year was the hiring of a permanent Director of Oncology in September 2006. Bermuda Hospitals Board and the oncology team at the hospital worked very hard to maintain oncology services during the recruitment process. A global shortage of healthcare professionals made recruitment of a qualified, senior specialist a lengthy process. Patients, community groups, the oncology team and the Board, however, were extremely happy to welcome Dr Terence Sparling to this critical position.

Chief of Psychiatry appointed at MWI

A new Chief of Psychiatry, Dr. Cudra Sarathchandra, was appointed in this fiscal year. Mental health services are critical to the island's well-being. The Mid-Atlantic Wellness Institute has made great strides in breaking down the stigma associated with mental health disorders. It provides a number of critical services for people with learning disabilities, addictions and mental health conditions. It supports people through times of crisis and, through counselling, support and occupational therapy, helps them get back on their feet. Ensuring that senior, clinical positions are filled is, therefore, a vital part of the overall service provided.

Medical Chiefs at BHB

Dr Donald Thomas III, Chief of Staff

Dr Lynette Thomas, Chief of Medicine

Dr Wesley Miller, Chief of Surgery

Dr Emma Robinson, Acting Chief of Obstetrics

Dr Peter Maclellan, Chief of Anaesthesia

Dr Eugene Outerbridge, Chief of Paediatrics

Dr Daniel Stovell, Chief of Radiology

Dr Kered James, Chief of Pathology

Dr Cudra Sarathchundra, Chief of Psychiatry

SIGNIFICANT STATISTICS **KING EDWARD VII MEMORIAL HOSPITAL**

	APRIL 2006 -MARCH 2007	APRIL 2005 - MARCH 2006	APRIL 2004 MARCH 2005
INPATIENT - ACUTE CARE			
Beds	211	211	211
Patient Days	55,258	56,195	53,584
Discharges (incl. Deaths)	6,605	6,625	6,756
Length of Stay	8.4	8.8	7.9
Births	776	848	825
Percentage of Occupancy	72%	73%	69%
CONTINUING CARE UNITS			
Beds	104	104	104
Patient Days	36,410	37,243	36,947
Discharges	60	53	51
Length of Stay	587.3	689.7	671.7
Percentage of Occupancy	96%	98%	97%
HOSPICE			
Beds	12	12	12
Patient Days	2,952	3,028	2,695
Discharges	68	66	74
Length of Stay	43.4	45.9	36.4
Percentage of Occupancy	67%	69%	61%
ALL PATIENTS			
Emergency Dept. Visits	34,402	33,617	32,116
Operations (Inpatients)	2,135	2,105	2,413
Operations (Outpatients)	6,669	6,343	5,775
Physiotherapy treatments (Inpatients)	12,128	19,495	14,061
Physiotherapy treatments (Outpatients)	9,420	12,456	12,996
Physiotherapy treatments (CCU)	144	1,591	4,549
X-Ray (exams)(In & Out)	31,374	30,529	31,548
Laboratory (Thousand Units)(In & Out)	3,811	3,725	3,555
Cardiac Investigations (ECG & EEG)(In & Out)	10,377	9,492	9,773
Ultrasound Exams(In & Out)	9,800	9,981	9,901
Nuclear Medicine (In & Out)	532	1,284	1,397
Chemotherapy Treatments (Outpatients)	1,594	1,493	893
Cat Scans (In & Out)	6,349	5,348	4,851
Occupational Therapy Treatments (Inpatients)	3,635	3,569	3,339
Occupational Therapy Treatments (Outpatients)	645	1,222	1,773
Occupational Therapy Treatments (CCU)	1,751	1,464	164
Speech/Language Pathology (Inpatient)	1,147	1,323	1,224
Speech/Language Pathology (Outpatient)	252	465	462
Speech/Language Pathology (CCU)	154	75	49

SIGNIFICANT STATISTICS **MID-ATLANTIC WELLNESS INSTITUTE**

	APRIL 2006 -MARCH 2007	APRIL 2005 - MARCH 2006	APRIL 2004 MARCH 2005
INPATIENT - ACUTE CARE			
Beds	24	24	24
Discharges (including deaths)	262	268	264
Patient Days	6,440	6,258	6,093
Length of Stay	22.4	23	23
Admissions	271	269	264
Percentage of Occupancy	74%	71%	70%
LONG TERM & REHABILITATION			
Beds	71*	98	98
Discharges (excl. deaths)	72	57	76
Patient Days (excl. respite)	20,262	23,001	23,114
Length of Stay	15,597**	403	304
Deaths	1	1	2
Transfer from Acute	18	4	13
Percentage of Occupancy	62%	64%	65%
Average Years of Stay of Deaths	327	21	12
TURNING POINT (Substance Abuse - Detox Unit)			
Beds	8	8	8
Discharges	165	114	168
Patient Days	1525	930	1,101
Length of Stay	8.2	8	6
Admissions	182	117	162
Percentage of Occupancy	52%	32%	38%
OUTPATIENTS (Child & Adolescent/ Mental Health/ Substance Abuse/ Learning Disability)***			
New Referrals & re-referrals	807	619	700
Dr. Follow-up visits	4086	3,411	3,121
Follow-up visits to other Professionals	9457	9,851	11,139
Clinic visits	8479	7,094	8,335
Home visits	6116	6,100	3,963

* As of January 2007 Learning Disability bed count has been reduced to 28 beds, Rehab bed count is 25 and Extended Care is 18 beds. Closed Bayview 12 beds and Watson 15 beds as wards.

** The Long Term and Rehab length of stay increase over last year was due to a number of long term patients being discharged from MWI and admitted to KEMH.

*** The MWI Outpatients section has been revised to capture the current reporting practice of the services.

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

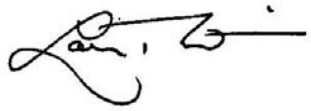
To the Minister of Health and Family Services

I have audited the statement of financial position of the Bermuda Hospitals Board as at March 31, 2007 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, 2007 and the results of its operations, the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in Bermuda and Canada.



Hamilton, Bermuda
November 1, 2007

Larry T. Dennis, C.A.
Auditor General

	2007 $	2006 $
ASSETS		
Current assets		
Cash and time deposits	5,128,103	14,723,134
Restricted cash, term deposits and investments (note 3)	3,287,806	3,423,278
Accounts receivable (net of allowance for doubtful accounts 2007 -$940,699; 2006 - $924,101(note 8))	14,364,434	10,469,057
Other receivables (note 8)	2,367,517	1,152,739
Pledges receivable (note 5)	468,226	163,473
Inventories	4,847,958	4,656,391
Prepaid expenses	2,145,295	2,128,200
	32,609,339	36,716,272
Long term assets		
Capital assets (note 6)	96,937,892	86,750,475
Time Deposits and Investments (note 7)	1,449,935	1,235,516
Pledges receivable (note 5)	360,000	480,000
	98,747,827	88,465,991
	131,357,166	125,182,263
LIABILITIES, DEFERRED CAPITAL CONTRIBUTIONS AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	11,851,007	10,000,503
Accrued salary and payroll expenses (notes 8 and 12)	9,505,570	10,274,006
Current portion of long term debt (note 9)	3,118,438	2,916,184
Capital lease obligations- current portion (note 9)	110,704	139,198
	24,585,719	23,329,891
Long term liabilities		
Pension accrual (note 12)	8,519,007	8,067,294
Accrued health insurance (note 12)	13,093,817	10,819,498
Long term debt (note 9)	11,114,210	10,269,493
Capital lease obligations- long-term portion (note 9)	108,495	82,826
	32,835,529	29,239,111
Deferred capital contributions (note 10)	22,773,749	21,867,025
Net assets		
Invested in capital assets	58,096,920	48,299,770
Internally restricted for pensions (note 11)	458,344	458,344
Internally restricted for education (note 11)	1,150,957	1,027,649
Unrestricted	(8,544,052)	960,473
	51,162,169	50,746,236
	131,357,166	125,182,263

The accompanying notes are an integral part of these financial statements

BERMUDA HOSPITALS BOARD
Statement of Operations
For the Year ended March 31, 2007

	KEMH $	MWI $	2007 $	2006 $
OPERATING REVENUES				
Outpatient (note 8)	86,489,967	382,994	86,872,961	77,841,545
Inpatient (note 8)	49,835,554	2,468,144	52,303,698	49,483,669
Extended care unit (note 8)	12,693,994	-	12,693,994	12,219,152
Non-medical (note 8)	2,723,427	523,027	3,246,454	2,562,630
Amortisation of deferred capital contributions (note 10)	1,160,018	559,982	1,720,000	1,680,917
Donations	469,863	-	469,863	176,800
Investment Income	468,096	-	468,096	231,298
Surcharge to non-residents	385,966	-	385,966	298,308
Government grants (note 8)	-	29,225,051	29,225,051	27,883,580
Total operating revenues	154,226,885	33,159,198	187,386,083	172,377,899
SALARIES AND EMPLOYEE BENEFITS				
Direct medical staff	38,529,609	11,703,962	50,233,571	43,446,443
Supporting medical services	16,192,106	5,324,829	21,516,935	20,643,575
Ancillary services	15,840,252	2,187,182	18,027,434	15,975,862
Employee benefits (notes 8 and 12)	12,931,779	3,237,792	16,169,571	14,779,200
Administrative services	7,898,134	518,490	8,416,624	8,042,332
	91,391,880	22,972,255	114,364,135	102,887,412
OPERATING EXPENSES				
Medical supplies	20,237,348	593,872	20,831,220	19,018,227
General supplies and services (note 8)	16,110,786	2,780,375	18,891,161	17,083,834
Repairs and maintenance	6,135,501	1,570,248	7,705,749	7,692,994
Consulting and business expenses	6,347,724	826,583	7,174,307	6,894,131
Amortisation of capital assets	5,394,283	725,976	6,120,259	5,981,462
Utilities (note 8)	4,895,329	1,076,580	5,971,909	5,867,822
Food	1,689,146	696,385	2,385,531	2,309,804
Miscellaneous (note 8)	1,935,172	-	1,935,172	1,898,307
Interest expense	696,201	-	696,201	695,838
Bad debt expenses	615,852	-	615,852	297,438
Business social cost (note 15)	206,746	-	206,746	192,752
Scholarships issued	192,784	-	192,784	192,320
Loss on disposal of capital assets	43,534	-	43,534	184
Management charge (note 16)	(1,868,338)	1,868,338	-	-
	62,632,068	10,138,357	72,770,425	68,125,113
Total expenses	154,023,948	33,110,612	187,134,560	171,012,525
Excess of revenues over expenses	202,937	48,586	251,523	1,365,374

The accompanying notes are an integral part of these financial statements

NET ASSETS	Invested in Capital Assets $	Internally Restricted for Pensions $	Internally Restricted for Education $	Unrestricted $	2007 Total $
Balance, beginning of year	48,299,770	458,344	1,027,649	960,473	50,746,236
(Deficiency) excess of revenue over expenses	(4,493,436)	-	-	4,744,959	251,523
Changes in unrealized gains and losses on available for sale financial assets	-	-	123,308	41,102	164,410
Net change in investment in capital assets	14,290,586	-	-	(14,290,586)	-
Balance, end of year	58,096,920	458,344	1,150,957	(8,544,052)	51,162,169

NET ASSETS	Invested in Capital Assets $	Internally Restricted for Pensions $	Internally Restricted for Education $	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	(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	4,494,231	-	-	(4,494,231)	-
Balance, end of year	48,299,770	458,344	1,027,649	960,473	50,746,236

The accompanying notes are an integral part of these financial statements

	2007 $	2006 $
CASH FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	251,523	1,365,374
Amortisation of capital assets	6,120,259	5,981,462
Loss on disposal of capital assets	43,534	184
Amortisation of deferred capital contributions	(1,720,000)	(1,680,916)
Net change in non-cash working capital	(1,955,543)	7,261,559
Pension benefit expense	451,713	540,848
Net cash generated through operating activities	3,191,486	13,468,511
FINANCING AND INVESTING ACTIVITIES		
Deferred capital contributions	2,626,724	1,425,688
Repayment of long term debt	(2,953,029)	(3,041,329)
Repayment of capital leases	(153,347)	(270,873)
Proceeds from capital leases	150,522	492,898
Proceeds from disposal of capital assets	49,643	-
Proceeds from long term loan	4,000,000	-
Purchase of capital assets	(16,400,852)	(4,759,007)
Pledges for capital assets	(184,753)	(239,622)
Purchase of investments	(50,010)	(106,535)
Grant received from government	(6,887)	(226,269)
Net cash used in financing and investing activities	(12,921,989)	(6,725,049)
(Decrease) Net increase in cash and cash equivalents	(9,730,503)	6,743,462
Cash and cash equivalents, beginning of year	18,146,412	11,402,950
Cash and cash equivalents, end of year	8,415,909	18,146,412
Total cash consists of the following:		
Cash and time deposits	5,128,103	14,723,134
Restricted cash, term deposits and investments	3,287,806	3,423,278
	8,415,909	18,146,412

The accompanying notes are an integral part of these financial statements

BERMUDA HOSPITALS BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

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") 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-six (36) inpatient acute care beds, including four (4) beds for children and adolescents, and seventy-one (71) 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 include donations and government subsidies and grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the accounting period are accrued. Where a portion of the grant relates to a future period, it is deferred and recognised in that subsequent period.

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

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

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

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

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

(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. Restricted cash is restricted externally by legal or contractual requirements and internally by the Board.

(D) INVENTORIES

Inventories consisting of general stores, medical stores, orthopedic supplies, pharmacy, stationery, and film, are valued at the lower of cost, using the weighted average method of accounting, 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 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 $13.93 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.

(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:

	2007	2006
	$	$
Construction projects and capital assets	306,061	710,571
Patient comfort funds	1,413,099	1,267,368
Staff pension plan	458,344	458,344
Educational purposes	1,110,302	986,995
	3,287,806	3,423,278

The equity investment is comprised of:

	2007		2006	
	Market Value	Cost	Market Value	Cost
	$	$	$	$
Belco Holdings Limited	1,080,402	144,651	915,993	144,651

At March 31, 2007, the investment in Belco Holdings Limited amounted to $1,080,402 of which seventy five percent (75%) is restricted for educational purposes.

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 Butterfield Bank's Base Rate. The overdraft facility was not in use at March 31, 2007 or March 31, 2006.

5. PLEDGES RECEIVABLE

The short term amounts are due from the Hospitals Auxiliary of Bermuda (HAB) and other donors. The long term amount is due from Bacardi International Limited.

6. CAPITAL ASSETS

	Cost	Accumulated Amortisation	2007 Book Value	2006 Book Value
	$	$	$	$
Land and buildings	112,428,826	35,678,952	79,749,874	71,968,490
Equipment	39,755,865	25,536,794	14,219,071	12,503,402
Capital leases	643,421	328,718	314,703	278,768
Computer equipment	3,597,089	2,452,605	1,144,484	1,095,773
Software	4,729,605	2,864,103	1,865,502	460,556
Construction in progress	2,644,258	-	2,644,258	443,486
	163,799,064	66,861,172	96,937,892	86,750,475

As at April 1, 2005, photocopying equipment, held under capital leases, was included in capital assets and amortized, 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 $296 million (2006 - $276.8 million).

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

7. LONG-TERM INVESTMENTS

The cost and fair value of time deposits included in long-term investments at March 31, 2007 is $1,179,835 (2006 - $1,006,517).

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 $70,306,636 (2006 - $65,899,436) in respect of services rendered by the Hospital to patients covered under the Government's subsidy programmes as follows:

	2007 $	2006 $
Aged subsidy	35,462,194	34,701,821
Geriatric subsidy	11,602,205	11,112,111
Youth subsidy	8,707,696	8,072,196
Indigent subsidy	7,476,454	6,190,504
Other subsidy	4,536,535	3,630,150
Clinical drugs	2,521,552	2,192,654
	70,306,636	65,899,436

As at March 31, 2007, $1,312,563 (2006 - $1,276,423), 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 $28,926,051 (2006 - $27,273,000) and the capital grant received was $2,118,373 (2006 - $803,017). KEMH received a special grant for consulting and business expenses during the year of $654,506 (2006 - $Nil).

(B) MUTUAL REINSURANCE FUND

Included within the accounts receivable balance as at March 31, 2007 is $3,042,029 (2006 - $555,852) receivable from the Mutual Reinsurance Fund. During the year, the Hospital Insurance Commission approved the following claims:

	2007 $	2006 $
Hemodialysis treatments	6,184,145	5,664,698
Long stay patients	1,914,360	1,949,584
Home health care	336,059	256,365
Anti-rejection drugs	276,754	225,938
	8,711,318	8,096,585

(C) HOSPITAL INSURANCE FUND

Included in accounts receivable as at March 31, 2007 is $1,203,710 (2006 - $747,054) receivable from the Hospital Insurance Fund. During the year, the Hospital Insurance Commission approved claims totaling $6,246,893 (2006 - $5,940,633).

(D) GOVERNMENT EMPLOYEES HEALTH INSURANCE FUND

Included in accounts receivable as at March 31, 2007 is $1,374,743 (2006 - $1,154,285) due from the Government Employees Health Insurance Fund ("GEHI"). During the year, $11.3 million (2006 - $10.2 million) in claims was billed to the GEHI.

(E) OTHER AMOUNTS

During the year, the BHB expensed the following:	2007 $	2006 $
Payroll tax	2,976,542	2,624,712
Social insurance	1,780,302	1,667,775
Services provided by the Ministry of Works and Engineering	916,683	1,175,565
Nurses' annual pensions	377,868	354,806
Superannuation	5,182	7,226
Land tax	434	217
Miscellaneous charges	83,891	93,829
	6,140,902	5,924,130

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

	2007 $	2006 $
Payroll tax	4,216,768	3,718,341
Social insurance	1,855,440	1,656,919
	6,072,208	5,375,260

Non-refundable duty of $1,110,511 (2006 - $1,112,365) was paid during the year. War Veteran Association Claims, in the amount of $62,042 (2006 - $55,661) were billed during the year.

The following are balances at March 31:	2007 $	2006 $
Accounts receivable		
Miscellaneous departmental charges	70,547	98,274
Payable by government on behalf of the War Veterans Association	30,024	20,291
	100,571	118,565
Other receivables		
Refundable deposits paid for duty	217,300	270,858

Accounts payable and accrued liabilities		
Ministry of Works and Engineering	89,858	203,457
Nurses' annual pensions accrual	2,653,579	2,275,711
	2,743,437	2,479,168
Accrued salary and payroll expenses		
Payroll tax	1,797,327	1,605,635
Social insurance	430,769	459,057
	2,228,096	2,064,692

9. LONG TERM DEBT AND CAPITAL LEASE OBLIGATIONS

(A) LONG TERM DEBT

	2007 $	2006 $
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.	5,077,349	6,474,286
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.	2,750,000	3,650,000
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.	466,503	907,804
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.	80,613	156,872
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 by a charge over the related capital assets.	1,908,271	1,996,715
Loan of $4,000,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in 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.	3,949,912	-
	14,232,648	13,185,677
LESS: CURRENT PORTION	**3,118,438**	**2,916,184**
	11,114,210	**10,269,493**

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

Year	Amount $
2008	3,118,438
2009	2,651,475
2010	2,784,976
2011	736,834
2012	262,510
2013	277,319
2014	292,970
2015-27	4,108,126
	14,232,648

(B) CAPITAL LEASE OBLIGATIONS

	2007 $	2006 $
Obligations under Capital Lease, with minimum lease payments of $239,519 less interest of $20,320. Capital leases bearing interest between 5.5% and 6% per annum, payable in monthly installments of principal and interest expiring between July 1, 2007 and March 31, 2010. (The Capital leases relate to Photocopying equipment.)	219,199	222,024
	219,199	222,024
LESS: CURRENT PORTION (2008)	110,704	139,198
	108,495	82,826

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

Year	Capital lease Obligations $	Interest $	Total Minimum lease Payments $
2008	110,704	13,948	124,652
2009	74,211	4,300	78,511
2010	34,284	2,072	36,356
	219,199	20,320	239,519

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:

	2007 $	2006 $
Balance, beginning of year	21,867,025	22,122,254
Add: contributions received	2,626,724	1,425,687
Less: amounts amortized to revenue	(1,720,000)	(1,680,916)
Balance, end of year	22,773,749	21,867,025

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

	2007 $	2006 $
Unamortised capital contributions used to purchase assets	21,936,445	21,035,555
Unspent contributions	837,304	831,470
	22,773,749	21,867,025

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 earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 1.67 years (2006 – 1.54 years). The average remaining service life of the active employees covered by the other retirement benefit plans is 8.57 years (2006 – 8.44 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, 2006 to March 31, 2007 totaled $3.48 million (2006 - $3.15 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 BHB being liable for pension benefits earned by these nurses since January 1, 1977. The pension expense of $451,713 (2006 - $540,848) includes the amortisation of past service costs over periods ranging from eleven (11) to two (2) years.

	2007 $	2006 $
Balance beginning of year	8,067,294	7,526,446
Pension expense		
Current cost	112,062	102,377
Interest	336,501	348,914
Experience loss	3,150	89,557
	451,713	540,848
Balance end of year	8,519,007	8,067,294

BHB and Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2007, which estimates that the Board's portion of the liability under the Act is approximately $5.9 million as at March 31, 2007 (2006 - $5.6 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, 2007 the Board's payable to the Government totals $2.7 million (2006 - $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, 2007 is $56,236 (2006 - $113,063) 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 an approved. As at March 31, 2007 the liability is $61,906 (2006-$31,194) and is included in accrued salary and payroll expense

Vacation days accumulate and vest and therefore a liability is accrued each year. The expense for the year ended March 31, 2007 is $6.8 million (2006 - $6.2 million) and the benefits paid out total $6.2 million (2006 - $6.1 million) resulting in a liability as at March 31, 2007 of $6.09 million (2006 - $5.47 million).

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, 2007 of $19 million (2006 - $16 million) was determined by an actuarial valuation. The accrued benefit liability at March 31, 2007 was $13 million (2006 - $10.8 million). The expense recognized for the year ended March 31, 2007 was $2.9 million (2006 - $2.6 million) and the benefits paid during the year were $665,366 (2006 - $641,916). 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 deficit of $328,773 as at March 31, 2007 while a cumulative surplus of $205,139 was recorded as at March 31, 2006.

13. COMMITMENTS

As of March 31, 2007, the Board has operating commitments of $2.48 million relating to a cleaning service contract extending for two years and seven months and an additional $755,000 relating to an oxygen supply agreement extending over 2 years.

The Board has, in the ordinary course of business, entered into operating lease agreements with third parties for the rental of fifteen properties. The aggregate monthly charge is $52,915 and the agreements can be cancelled at the Board's option provided 60 days prior notice is given.

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.

The Board has medical malpractice insurance in place of up to $7,500,000 per claim and $15,000,000 in the aggregate during any policy year.

The Board also has Directors and Officers Liability and Company Reimbursement insurance in place with an indemnity limit of $10,000,000 in the aggregate, including costs and expenses. The Board has accrued an amount in these financial statements for potential contingent liabilities relating to the Directors and Officers Liability policy.

15. 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 are classified as business social costs. The amount recognized as business social cost for year ended March 31, 2007 was $206,746 (2006 - $192,752).

16. 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 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 the year ended March 31, 2007 is $1,868,338 (2006 - $2,093,676).

17. SUBSEQUENT EVENT

The Board entered into a management services contract with Kurron Shares of America "Kurron", effective July 1, 2007. The contract is for a five-year period at a cost of $11 million plus expenses, plus a provision for expanded services given mutual agreement between Kurron and the Minister of Health or the CEO of the Bermuda Hospitals Board. The Ministry of Health is obligated for the costs of the contract during the year ended March 31, 2008 and the Board will pay the costs in subsequent years.
The amounts payable each year are as follows

	$
2008	1,998,310
2009	2,591,542
2010	2,506,731
2011	2,120,869
2012	1,496,469
2013	332,242
	11,046,163

Mid-Atlantic Wellness Institute
Tel: 441.236.3770

Mailing Address
P.O. Box DV 501
Devonshire DVBX
Bermuda

Street Address
44 Devon Spring Road
Devonshire FL01
Bermuda

Bermuda Hospitals Board
www.bermudahospitals.bm

King Edward VII Memorial Hospital
Tel: 441.236.2345

Mailing Address
P.O. Box HM 1023
Hamilton HM DX
Bermuda

Street Address
7 Point Finger Road
Paget DV04
Bermuda

Bermuda Hospitals Board

CARING FOR OUR COMMUNITY

This annual report is produced by the Bermuda Hospitals Board Communications Department. Designed by Total Marketing & Communications Ltd., Photography by DCI & BHB Communications Department; Printed in Bermuda by The Island Press Ltd. 12/07

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