2017

Bermuda Hospitals Board

ANNUAL REPORT

ABOUT BHB

Bermuda Hospitals Board (BHB) delivers acute care, chronic care, long-term care, learning disability, substance abuse and mental health services. We are the only provider of 24/7 healthcare services in Bermuda. Our services are delivered from the King Edward VII Memorial Hospital (KEMH), Continuing Care Unit (CCU), Mid-Atlantic Wellness Institute (MWI) and Lamb Foggo Urgent Care Centre (LFUCC), as well as in various group home and community settings.

BHB serves Bermuda's resident population of approximately 64,000 people, as well as the many visitors who come to the island each year. BHB has the second largest number of employees in Bermuda, with about 1,600 fulltime staff and 200 on-call and locum staff.

BHB's mandate is set out in the Bermuda Hospitals Board Act 1970 and its regulations, and requires BHB to earn enough surplus to maintain and invest in high-quality, cost-effective services. Given our relatively isolated geographic location, the Bermuda community needs a range of services broader than would commonly be expected of hospitals serving a similar population base in a larger country. Highly specialist services that can't be provided safely on-island are referred overseas.

FUNDING

In the year under review, BHB was funded in the following ways:

The Government's Hospital Subsidy budget was $108.3 million, prior to a subsequent mid-year cut of $2 million. The subsidy consists of $2.6 million allocated to clinic/drug expenses, and $103.8 million covers services on the standard health benefit fee schedule delivered to the young, seniors and indigent. The total BHB charged to Government based on the services provided was $122 million.

$146.6 million was paid to BHB by insurance schemes, 59% of which was from commercial insurers and 41% from Government insurance schemes, including FutureCare, Health Insurance Plan (HIP) and Government Employees Health Insurance Fund.

Government paid a $37.5 million grant that contributes towards the provision of mental health, substance abuse and learning disability services at MWI and its group homes, and a $9.4 million contributions towards the delivery of long-term care services on the KEMH site.

$4.7 million was paid by individuals who did not have insurance.

All fees and rates charged by BHB and all grants are approved through a legislative process. Fees and rates are published by the Government and are available on the BHB website.

GOVERNANCE

BHB operates under the Bermuda Hospitals Board Act 1970. It is overseen by a Government-appointed board, which is Gazetted each calendar year. The following are the Board members and the Committee structure from the full calendar year of 2016.

BOARD AND COMMITTEES

2016 BOARD MEMBERS 1 January – 31 December

Peter Everson, Chair
Lucille Parker-Swan, Deputy Chair
Dr Colin Couper
Kathryn Gibbons
John Cooper
Dr Sandy De Silva
Dr Victor Scott
Simon Everett
*Ralph Richardson, BHCT
*Sharon Vesey, HAB
** Dr Jennifer Attride-Stirling
** Dr Cheryl Peek-Ball
** Dr Keith Chiappa
Venetta Symonds
David Thompson
R Scott Pearman
Judy Richardson
Dr Chantelle Simmons
Dr Constance Richards
Tawanna Wedderburn

EXECUTIVE COMMITTEE
Peter Everson, Chair
Lucille Parker-Swan
Kathryn Gibbons
Simon Everett
Dr Sandy De Silva
Dr Keith Chiappa
Venetta Symonds
David Thompson
R Scott Pearman

COMMUNICATIONS COMMITTEE
Kathryn Gibbons, Chair
Lucille Parker-Swan
Ralph Richardson
Venetta Symonds
Anna Nowak
Dr Michael Ashton
Kerry Judd
Mark Selley

CLINICAL GOVERNANCE COMMITTEE
Lucille Parker-Swan, Chair
Dr Colin Couper
Dr Cheryl Peek-Ball
Dr Keith Chiappa
Venetta Symonds
Judy Richardson
Patrice Dill
R Scott Pearman
Preston Swan

FINANCE COMMITTEE
Peter Everson, Chair
Simon Everett
Venetta Symonds
David Thompson
R Scott Pearman
Arthur Ebbin
Roedolf van der Westhuizen
Terry Faulkenberry
Louise Treacy
David Spear

MODERNISATION COMMITTEE
Kathryn Gibbons, Chair
Lucille Parker-Swan
Simon Everett
Peter Everson
Dr Keith Chiappa
Venetta Symonds
David Thompson
R Scott Pearman
Judy Richardson
Anna Nowak
James Campbell
Debbie Jones
Paula Wight

HUMAN RESOURCES COMMITTEE
Dr Sandy De Silva, Chair
Sharon Vesey
R Scott Pearman
David Thompson
Angela Fraser-Pitcher
Kendra-Lee Pearman
Rebecca Pitman

PENSION COMMITTEE
Vacant, Chair
Simon Everett
Lucille Parker-Swan
Venetta Symonds
David Thompson
R Scott Pearman
Angela Fraser-Pitcher
Lori Burchall
Union Representatives
Anthony Manders

AUDIT & RISK COMMITTEE
Simon Everett, Chair
Peter Everson
Dr Victor Scott
Venetta Symonds
David Thompson
Preston Swan
Roedolf van der Westhuizen
Martha Tory
Katrina Nusum-Charles
David Pugh

LEGEND:
Board Member
Staff
Other
**Ex-Officio Voting Board Members*
***Ex officio non-voting Board members*

Government of Bermuda
Ministry of Health

MESSAGE FROM THE MINISTER, THE HON. KIM N. WILSON, JP, MP

I am pleased to introduce Bermuda Hospitals Board's (BHB) annual report for the fiscal year 2016/17.

Each year brings new challenges and new achievements for our hospitals, and planning and listening were key cornerstones of this year's activity at BHB.

BHB launched a new strategic plan, identifying its new vision to deliver exceptional care, strengthen partnerships, and work with the community to improve health. After formally surveying public opinion last fiscal year, BHB hosted a community conversation event to listen in more detail to what the public felt BHB needed to do to 'get it right'. Work also began on a clinical services plan, bringing hundreds of staff and outside partners together to identify how BHB services should be shaped in the coming years.

Cost containment remained a significant focus, and it was reassuring to see BHB staff and leaders bend the cost curve down for the hospitals while still improving the delivery of quality, safe care.

With the launch of the Patient Centred Medical Home, there was a greater focus on addressing gaps in care for people with chronic illnesses who have no insurance or are under-insured, understanding that many of our healthcare costs are avoidable if we manage our health and wellbeing.

Our only hospitals are a national resource we rely on to be there 24 hours, seven days a week. This fiscal year highlighted that despite hurricanes and economic pressures, BHB's staff, leadership and Board members kept BHB on a steady journey of improved services, higher quality and better value. Thank you all for your efforts on behalf of Bermuda.

Sincerely,

The Hon. Kim N. Wilson, JP, MP
Minister of Health

Continental Building, 25 Church Street, Hamilton HM 12, Bermuda
P.O. Box HM 380, Hamilton HM BX, Bermuda • Telephone: 441.278.4900, Ext. 4901 • Facsimilie: 441.292.2622

MESSAGE FROM THE **CHAIRMAN,** TERRY FAULKENBERRY

As we publish this annual report outside of the fiscal year we are looking back on, I would like to pay tribute to the chairman of this fiscal year, Peter Everson, and his Board for their stewardship and governance that saw so much achieved.

BHB's financial position is always under pressure, but this year saw the end of a multi-year Modernisation Project established by the Board specifically to bring new efficiencies to BHB and help reduce costs. The Modernisation Project encompassed many smaller projects across BHB departments. The cumulative result of all these projects was that BHB cost $5 million less to run by the end of the 2017 fiscal year, compared to 2013. This was achieved against a backdrop of annual inflation in Bermuda and internationally.

There was a keen focus on recurring savings to ensure that costs stayed low. The demolition of the Queen Elizabeth Nurses Residence, which had been sitting vacant for some time, saved about $2 million per year in keeping the empty building safe. New processes in Diagnostic Imaging also reduced wait times, and a new proposal for long-term care that stratified patients based on their acuity also aimed to make running services less costly.

With total revenues dipping by $5.8 million compared to the previous fiscal year, costs by the end of the 2017 fiscal year had risen year on year by $9 million compared to 2015. However, total expenses for this year at $305 million were still $7 million below total expenses for 2012-13, at $312 million.

The Board also saw the launch of the new five-year strategic plan during the year under review, charting the way ahead and focusing efforts on a coherent strategy of improving services in line with community need. Keeping costs down was going to be an ongoing need for healthcare services, but the opportunities in the plan identified how this could be done by delivering a better service, with fewer delays and smoother collaboration and cooperation.

My thanks go to the staff, leaders, and Board members and chair during this fiscal year for all their hard work.

MESSAGE FROM THE **CEO,** MICHAEL RICHMOND, MD

I'm pleased to introduce the 2016-17 Annual Report. The fiscal year under review was a year in which the organisation began to shift. It was two years on from the Acute Care Wing opening, and BHB was able to start planning for what came next.

The BHB Strategic Plan 2016-2021 was published in June of this fiscal year, representing input from over 350 staff and external stakeholders. The new strategic plan brought a new vision and embraced the Institute for Healthcare Improvement's triple aim of improving patient outcomes, improving the health of the population and reducing the per capita cost of care. It was the first steps of BHB beginning to better understand how it partnered with the rest of the healthcare system and other providers. In its wake, the Patient-Centred Medical Home was established to support people with chronic illnesses who were under- or uninsured. These people are much more likely to suffer complications and need emergency or inpatient care, so the service aimed not only to improve care and outcomes for patients, but to reduce costs.

The strategic plan also highlighted the need for a comprehensive clinical plan to start detailing how BHB should develop its services to meet the needs of the community. This process began in this fiscal year, and from inception aimed to bring in as many voices from staff and across the healthcare system as possible. This intention to listen and be active partners with our community also spurred BHB's first public conversation event. An open invitation to Bermuda saw over 100 community members join BHB leaders and staff in discussions about what BHB could do to get it right. Attendees came and set the topics they wanted to discuss. The harvested information was collated and provided to the BHB executive and Board.

This year was not without its challenges, including Hurricane Nicole, a Category 2 storm that caused many leaks and floods at its height. Staff hunkered down at KEMH and MWI to ensure patient care was not interrupted. One staff member's effort to keep hospital IT systems running throughout the storm earned him a nomination for an international WOW! Award.

It is, however, the efforts of the whole organisation together that sees BHB through in the end. I'd therefore like to end with a big thank you to the Board members, staff and leadership who in this fiscal year helped improve care for our community.

BHB PATIENT SATISFACTION SURVEY SUMMARY FY2012-2017

The full patient satisfaction results for each area are published on the Quality & Patient Satisfaction page of the BHB website (bermudahospitals.bm/about-us/quality-and-patient-satisfaction/)

The following are the percentage of people who rated the services of the area at 7 out of 10 or above.

Overall Satisfaction Emergency Department

% Satisfied with Overall Service					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
88.3	92.9	90.7	92.3	93.2	90.9

Overall Satisfaction with Inpatient Units (Maternity, Gosling, Catlin Lindo, Ascendant Partner Re, Ace Barber)

% Satisfied with Overall Service					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
88.0	90.8	89.7	90.3	95.3	96.0

Overall Satisfaction with Outpatient Services (Diagnostic Imaging, Pathology, Oncology, Dialysis)

% Satisfied with Overall Service					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
94.6	96.0	95.0	95.5	97.0	99.0

Overall Satisfaction with Surgical Outpatient Services

% Satisfied with Overall Service					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
93.3	96.5	93.1	92.5	97.1	94.0

Overall Satisfaction with Mid-Atlantic Wellness Services

% Satisfied with Overall Service					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
86.5	71.8	73.7	82.1	83.5	81.8

Overall Satisfaction with Long Term Care Services

% Satisfied with Overall Service					
2012	**2013**	**2014**	**2015**	**2016**	**2017**
n/a	72.9	82.05	84.2	67.5	81.0

2016-17 YEAR IN REVIEW

Launch of BHB Strategic Plan

In June 2016, BHB completed and published its Strategic Plan 2016-2021, which provided a solid direction for services at the Mid-Atlantic Wellness Institute, King Edward VII Memorial Hospital and Lamb Foggo Urgent Care Centre. BHB's strategic vision established in this year was *Exceptional Care. Strong Partnerships. Healthy Community.*

The new strategic plan adopted the three aims from the Institute for Healthcare Improvement – to improve patient experiences, improve the health of populations and reduce the per capita cost of care. This is a framework that optimises healthcare system performance by seeking new designs that simultaneously pursue these three dimensions.

In support of the strategy, BHB staff worked to identify a number of projects that would help make healthcare more affordable and relieve suffering in some of our most vulnerable groups, many of whom are high users of emergency and hospital services.

A critical shift in this strategic plan was to increase partnership work with other organisations, external providers and patients themselves, and to consider how BHB could contribute to better health in the community, preventing hospitalisations.

Patient-Centred Medical Home

In October 2016, BHB launched a pilot service aiming to care for people with chronic diseases who did not have insurance or were underinsured. The term 'Patient-Centred Medical Home' aligned it with similar services in the United States that reduced the cost of care by helping vulnerable people better manage their chronic illnesses.

In the US, 5% of the population use 50% of the services. This 5% group comprises under- and uninsured individuals with chronic illnesses whose conditions are not well

managed. Given Bermuda's demographics, there is a similar pattern in our own community. This project met all three parts of the triple aim included in the new BHB strategy: improving population health and patient experiences, and reducing the per capita cost of care.

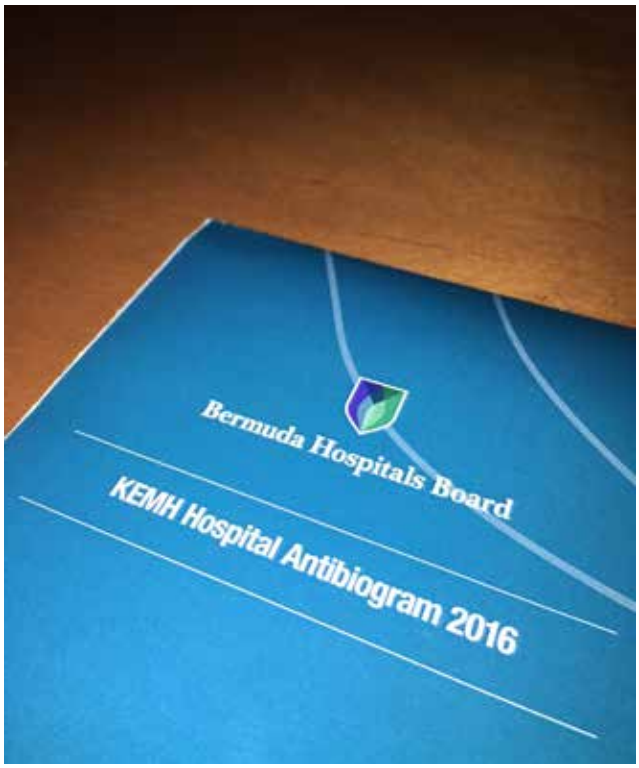
The pilot was entirely funded by BHB in its first year with a $1.7 million investment.

The goal was to improve quality of life in these vulnerable groups, and to reduce hospitalisations and Emergency Department visits by improving the management of their chronic illnesses, whether diabetes, hypertension, cardiac disease or kidney disease. Reducing hospitalisations and Emergency Department visits reduces the cost burden for Bermuda and the hospital subsidy budget.

The Patient-Centred Medical Home team at launch included a physician, nurses and support staff, and was focused on the holistic needs of the individual.

By February 2017, about 50 patients had been referred to this service.

Enhanced Antimicrobial Stewardship Plan



BHB took the lead role in an antimicrobial stewardship programme in this fiscal year. The goal was to improve the use of antibiotics to optimise clinical outcomes while minimising the unintended consequence of antimicrobial use, namely an increased prevalence of antibiotic-resistant infections that can kill or maim, and be costly to treat.

During the fiscal year, an antibiogram was developed by BHB and circulated to all local doctors. This important clinical document shared the antibiotic susceptibilities of the most common pathogens that local patients are treated for, ensuring targeted, effective treatment.

Research was also published by a team of staff from BHB and the Ministry of Health & Seniors about antibiotic-resistant microbes in Bermuda. Globally, the rise of antibiotic-resistant infections is a major concern. While so far Bermuda has not followed this trend, having an antimicrobial stewardship plan helps us fight these life-threatening infections. Given that travel for vacation and medical treatment exposes many Bermudians to these microbes, global developments are followed closely and BHB does everything possible to monitor the hospital population, especially those with long hospital stays or transfers from overseas.

Forensic Mental Health Solution

After struggling for many years with establishing a viable forensic mental health solution, progress was made in this fiscal year through a joint initiative between BHB, the Ministry of Health & Seniors, Ministry of National Security, Ministry of Legal Affairs, Department of Court Services and Department of Corrections.

The issue was ensuring adequate access to mental health treatment for prison inmates. MWI does not have the level of security required for safe treatment of such individuals. Inmates with mental illnesses did not, therefore, have access to the services that would give them the best chance of recovery or successful management of their mental illnesses.

Only a small handful of people in Bermuda require this type of specialised care, which makes solutions costly. In a 2015 report, nine prisoners were identified as needing medium security forensic services, and a subsequent analysis suggested Bermuda needed a forensic mental health service for between 12 and 14 individuals. Despite the relatively small numbers, the impact on individuals of being in an appropriate environment is huge.

Numerous potential long-term solutions both here in Bermuda and overseas have been discussed. As an interim measure, a procurement process was conducted in this fiscal year to partner with an overseas vendor to provide appropriate services for these prisoners and protect public safety. A multi-agency steering committee worked beyond the fiscal year on this solution.

Clinical Services Planning

One of the largest projects identified in the Strategic Plan 2016-2021 was clinical services planning. In this fiscal year, work began to review local health needs, the economic situation and the health system, and determine how all BHB services could be developed to most meet needs, in the most effective and efficient way.

The clinical services planning process in this fiscal year included an extensive outreach to multiple stakeholders within the healthcare profession, Government, insurers and the community, as well as detailed information and projections on healthcare need. The goal for publishing a BHB clinical services plan was 2018.

Improving Diagnostic Imaging Systems

This year, the need for diagnostic imaging upgrades was highlighted when test turnaround times started to increase leading up to the summer. Improvements identified included systems upgrades to streamline how reports were being posted by the overseas radiologist service that reads BHB diagnostic tests out of hours. Process improvements within the hospital were also investigated to increase efficiency, and a staffing review was undertaken. A business case for system improvements was approved at the end of 2016.

Improving Communication with Physician Offices

BHB worked on a project that would make secure email available to physicians to improve the efficiency, reliability and confidentiality of sharing patient diagnostic tests and information in this fiscal year.

Fax had been the preferred communications device for local physician offices. Many did not have secure emails, but all have fax machines. BHB wanted to have a more reliable communication delivery method and therefore offered its email service to physician offices. By using a BHB email, doctors would have access to an email service housed in a highly secure environment. Patient information sent between BHB email addresses does not leave the hospitals' secure server. The emails could be accessed and printed by office staff, just as they did with fax messages, but the potential for a missing fax or a paper jam to interfere with an urgent communication would be avoided.

BHB made this service available for free to all doctors' offices in Bermuda in this fiscal year, in an effort to improve communication and work cooperatively for the benefit of patient care. It is, however, a voluntary service and doctors could elect to continue with fax communication if preferred.

Radiation Therapy Partnership

BHB entered into a partnership with Bermuda Cancer and Health Centre in this fiscal year to support the provision of radiation therapy in Bermuda. This furthered the triple aim even though it was not a direct BHB service. BHB agreed to share one of its oncologists, Dr Christopher Fosker, with Bermuda Cancer and Health Centre and upgraded its CT equipment in order to provide the required diagnostic services to support the therapy. The result is an improved patient experience, as people can now receive radiation treatment on the island, allowing them to stay in the comfort of their homes, supported by friends and families. The service also helps reduce healthcare costs, as accommodation and travel expenses associated with radiation therapy overseas are no longer necessary.

Hurricane Nicole

BHB had to cope with another major storm in October 2016, when Hurricane Nicole hit the island. The Hospital Incident Command Centre was established at KEMH and MWI to oversee operations throughout the storm. Two shifts of staff worked at MWI, KEMH and the UCC to ensure inpatients and emergency patients could access the services and care they needed. Staff included clinical frontline – nurses, doctors and other healthcare professionals – and support services, such as cleaners, maintenance crew, dietary staff and administrators.

The added cost to BHB of having two shifts on site to ensure round-the-clock services for inpatients and emergency patients is about half a million dollars ($500,000) each hurricane. In addition, there are costs for extra food and supplies as well as repairs.

Thankfully, Hurricane Nicole did not significantly damage any BHB properties, although the older buildings – the KEMH General Wing and MWI – suffered leaks and minor damage.

BHB does not receive dedicated funds to support its disaster response duties. Like other residential and emergency services, it pays for supplies and staffing from its general revenues.

Planning for the America's Cup

BHB planned for expected higher-than-usual numbers of people in Bermuda for the America's Cup, which took place in the summer of 2017. It was anticipated BHB would have to cover increased staffing costs just to run normal operations, and be ready in case there was a mass casualty event at one of the many races or social events planned over the May and June period. An extra ambulance was ordered, as well as mass casualty clinical care tents. No additional grant was paid to BHB to cover the costs. Although response plans and additional equipment were in place, the events ran successfully without any major incidents.

Improving Efficiency, Improving Value

Between 2013 and 2017, BHB worked on a number of efficiency projects as part of a Modernisation Project. Significant savings were made over the four years. Launched at a time when BHB's financial forecasts were grim, the Modernisation Project comprised multiple projects, from contract reviews to restructures to maximise efficiency.

A key goal was to ensure BHB could afford the new Acute Care Wing payments, which commenced in 2014, without driving up costs through above-inflation fee increases.

Initially, BHB was promised five 1% annual fee increases over inflation to pay for the new wing, and BHB promised to make 5% efficiency savings over the same five-year period. While internal efficiencies well beyond 5% were achieved, the 1% fee increases above inflation were not delivered for the full five years due to the island's worsening economic situation. BHB sought additional cost savings as a way of affording the new wing.

By the end of the 2017 fiscal year, BHB cost $5 million less to run than it did in 2013, despite inflationary increases in Bermuda and overseas. At the same time, over the entire four-year period fees only went up by 2%, even though Bermuda's rate of inflation ran at about 2% per year and international medical inflation was rising annually at around 6%.

This $5 million overall decrease in BHB costs was achieved despite the additional cost of the Acute Care Wing, which opened in September 2014. The annual cost comprises $27 million for the annual payment and about $13 million in operational expenses, such as utilities and cleaning, to run additional space.

The following are some of the larger cost-savings projects from this fiscal year.

Estate Management

In 2016-17, completed cost-savings projects included the demolition of the Continuing Care Unit building and Queen Elizabeth Nurses Residence. Although vacated for safety reasons, maintaining these empty buildings cost BHB about $2 million per year. There was a one-off demolition cost, but going forward this project reflects annual savings.

Fleet Optimisation

A fleet optimisation project also saved money this fiscal year. Maintenance for a reduced fleet represented annual savings, and the sale of second-hand vehicles added a small amount of one-off revenue to the year.

Enhanced Pharmacy Strategic Sourcing through PAHO

BHB worked with the Ministry of Health & Seniors in this fiscal year on cost effectiveness strategies with respect to the procurement and consumption of various pharmaceuticals. This included collaborating with the Pan American Health Organization (PAHO) to generate savings in the procurement of high-cost drugs, primarily related to HIV and oncology. The first order arrived in autumn 2016 with gross savings of $654,759 to subsidy funds. This directly supported the aim of reducing the per capita cost of care.

Long-term Care at BHB

For many years, Bermuda has experienced a shortage of long-term care nursing and residential care beds. This has impacted both KEMH and MWI, as people seek solutions for their parents and senior loved ones who are unwell physically, or who suffer from dementia or Alzheimer's-related disorders.

BHB prepared a proposal for long-term care for the Ministry of Health & Seniors this fiscal year. BHB and the Ministry agreed new categories of care that identify the skill level and numbers of staff required. Furthermore, BHB agreed to decrease the fee it charged per subsidy bed per month based on the needs of each category.

This assisted the Ministry in reducing the cost of care at BHB but did not address the chronic shortage of long-term care beds outside of BHB, where care can generally be provided at a lower cost and in a community setting that is less institutional.

Bed Crisis at KEMH

By 2030, one in four residents will be 65 or older. At KEMH, an aging population with multiple conditions led to Emergency Department staff members spending more time with senior patients, who were more likely to have complex issues and multiple medications.

In this year, an unexpected surge in flu and respiratory illnesses resulted in a greater rate of admissions among people who were older or chronically ill. There was also an unusually large number of seniors with acute cardiac and other symptoms who required hospitalisation.

This led to a critical situation in bed capacity at KEMH that saw elective routine surgeries postponed. Senior leaders, including the chief of staff, chief of emergency, chief of nursing and CEO (pictured above), issued a statement and video, and undertook interviews asking the community to work with hospital teams if they had a loved one ready to be discharged, to visit their GP or the Lamb Foggo Urgent Care Centre for minor illnesses and injuries, to manage their chronic illnesses, to follow healthy lifestyles, and to drive safely at all times to avoid road accidents.

THE 2016-17 FISCAL YEAR IN PICTURES

April 2016 – 90-day challenge

BHB staff signed up for a 90-day challenge to get healthy that started in January and finished with a Regiment exercise in April.

April 2016 – Donation saves lives

A promotion encouraging people to sign up for organ donation included the raising of a flag at KEMH.

May 2016 – Asthma awareness

BHB asthma nurse Debbie Barboza joined forces with Open Airways and the Minister of Health & Seniors, the Hon Jeanne Atherden JP MP, to increase awareness of how to manage and treat asthma.

May 2016 – Child depression awareness

BHB's Child and Adolescent Services team spent time at the Washington Mall in Hamilton educating the community about depression in our youth. They also held a debate for young people on the topic.

May 2016 – A night of entertainment for Intellectual Disability

Intellectual Disability Programme clients enjoyed a night of entertainment at the Mid-Atlantic Wellness Institute, with gombeys, dancing and refreshments.

May 2016 – Students meet with doctors

At a special event, students were invited to speak to physicians from different specialties to understand more about medical careers.

June 2016 – Corporate Blood Drive winner

The Bermuda Police Service was the winning competitor in BHB's annual blood drive, which aims to encourage companies to support their staff in donating. The competition is run in partnership with the Ministry of Health & Seniors.

July 2016 – Agape House key handover

BHB CFO David Thompson handed the keys to Friends of Hospice Executive Director Cathy Belvedere after renovation work at Agape House.

July 2016 – Culinary students work at BHB

Local culinary students got to experience working in a hospital kitchen at KEMH.

July 2016 – Bacardi donation funds a Cup Match party for long-term care residents

Thanks to a generous donation from Bacardi Ltd, long-term care residents at KEMH enjoyed a fun Cup Match holiday party.

August 2016 – CPR training

Cardiopulmonary resuscitation (CPR) training was provided by BHB staff in August.

September 2016 – Mad Hair Day

BHB staff from Materials Management supported the Mad Hair Day fundraiser for PALS in September.

September 2016 – International WOW! Award nominee

Colin Outerbridge, from Information Technology Services, was nominated for an international customer service award following his efforts to support BHB through a hurricane.

September 2016 – Teen life skills

Eleven local companies agreed to help Child & Adolescent Services put on the first Teen Life Skills programme, which ended with a graduation event in September 2016. The course combined clinical group sessions and work placements. Teens participated in workshops in the mornings, gaining new knowledge and theories of life. In the afternoons, they had the opportunity to apply what they learned in real workplaces.

October 2016 – Mental health awareness

The theme for this year's Mental Health Awareness Week was 'Mental Health First Aid for All'. A number of activities and interviews were undertaken. A one-day version of BHB's Mental Health First Aid training course, normally two days, was developed for businesses. Unfortunately, the inaugural course had to be cancelled due to Hurricane Nicole. Mental Health First Aid training has been delivered by MWI since 2012. By October 2016, 38 people in Bermuda completed the training.

October 2016 – Ethics awareness

This year, the Ethics Committee focused on 'Ethics and Youth'. Alongside internal education activities, Ethics Committee members Dr Carla Bean, pschologist for Child & Adolescent Services, and Chief of Psychiatry Dr Chantelle Simmons were interviewed by nurse Beverley Howell on her Health is Wealth radio show.

November 2016 – Free staff health screenings

As part of Diabetes Month, the Diabetes Respiratory Endocrine and Metabolism (DREAM) team offered free health screenings for BHB staff, worked with KEMH cafeteria staff to offer healthy options for the week, and were interviewed by the Captain on his morning radio show.

November 2016 – MindFrame PhotoVoice Exhibition

The annual MindFrame PhotoVoice Exhibition drew in the crowds, who were excited to see art and photography by the people who use services at the Mid-Atlantic Wellness Institute.

December 2016 – Bringing Christmas to BHB

Schools used the BHB lobby areas and visited residential areas for Christmas carol singing, enabling staff, patients and residents to enjoy some festive cheer.

January 2017 – New Year's baby

BHB welcomed Ethelberht Bakurumpagi to the island on New Year's Day. Born at 10:41am to parents Flavia Namazzi and Silverous Bakurumpagi, Ethelberht weighed in at 7lbs 8oz and was the first baby born on the island for 2017.

January 2017 – Sickle cell cheque presentation

The Bermuda Sickle Cell Association (BSCA) presented a cheque for $10,000 to BHB on Thursday 5 January. The funds were the remaining balance of a generous $25,000 pledge the Association made toward the purchase by the hospital of a new apheresis machine – Spectra Optia from TerumoBCT – for automated red cell exchange. The initial $15,000 donation was made in September 2015. Pictured from left: BSCA Vice President Davita Warren; BSCA Secretary Akilah Simmons; BSCA President Shani Simmons; KEMH COO Scott Pearman; BHB Consultant Haematologist Dr Eitayo Fakunle; BHB Chief of Pathology Dr Clyde Wilson; and BSCA member Aquilah Salaam.

January 2017 – General consent form

After being introduced in August 2016 as a pilot in a few departments, a general consent form was rolled out across the organisation at the end of January 2017. The general consent form covers routine medical care and non-invasive procedures. Members of the public do not have to sign the form, but failure to sign it means no treatment or services will be given. Pictured are the BHB team that worked on the project. From left: Gosling Unit Clinical Manager Michelle Thomas; Quality Manager Jamie Farrell; Clinical Risk Manager Lynn Labonte; Patient Advocate Eshe Coleman; and Maternity Clinical Manager Lisa Blyden.

February 2017 – Community open space event

Over 100 community members joined BHB for a conversation in February 2017, asking "How can we get it right?" The attendees set the agenda for the evening, and hospital staff and leaders participated in the conversations that were most relevant to them. Scribes kept notes of all the conversations, and the summaries were provided to the Executive Team and Board.

February 2017 – First laparoscopic kidney removal

BHB Director of Urology Gordon Kooiman performed Bermuda's first laparoscopic kidney removal in February 2017. Hundreds of nephrectomies (removal of kidney) have been performed in Bermuda over the years, but Dr Kooiman, who is a specialist in urologic laparoscopic surgery, was able to offer this less invasive surgical procedure for the first time.

March 2017 – Twelve Bermudians graduate as emergency medical technicians

Twelve new Bermudian emergency medical technicians (EMTs) joined the island's corps of first responders in March 2017. The group made history as the first graduating cohort of the pilot programme of a partnership between Bermuda College, Bermuda Hospitals Board and the Bermuda Fire & Rescue Service. The local programme was validated by the US National Registry of Emergency Medical Technicians, which provides national certification of standards and competency, and is recognised in every state in the United States. It was the first time the Registry was used internationally.

BHB Employee Compensation Report for 2016/17

LEVELS	Notes	Base Pay Range	Total Compensation[2]	Total Cost[3]
BIU	This group includes Nursing Aides, and nonmanagement staff in support departments including Environmental Services, EMT's, Facilities, Dietary, and Laundry. Salaries are negotiated every two years with the BIU.	$43,270 to $92,890	$45,370 to $109,890	$53,410 to $120,000
BPSU	This group includes Managers, Clinical Directors, staff in support departments such as HR, IT, Finance, Materials Management, Procurement and Health Information Management Services, and health care professionals, including Medical & Surgical Residents, Psychiatrist, Registered Nurses, Allied Health Professionals[1], Pharmacists,Pathology staff, Diagnostic Imaging Technicians. Salaries are negotiated every two years with the BPSU.	$45,560 to $174,960	$47,880 to $223,810	$55,780 to $254,800
Non-union Staff and Directors	This group comprises employees who are exempt from joining a union and non-clinical directors. Salaries for this group were set by an HR Compensation team in consultation with the Executive.	$101,340 to $280,480	$106,620 to $332,470	$118,210 to $392,440
Physicians	This group includes all physicians employed by BHB (except Medical Resident, Psychiatrist and Surgical Resident physicians which are included under BPSU). Physician salaries and compensation are determined by the Chief of Staff.	$182,850 to $495,600	$208,420 to $598,250	$234,000 to $624,890
Executive	This group includes Chiefs and Vice Presidents. Changes to salaries and compensation were made with the oversight of Board subcommittees or the Chairman during this period. There was no performance pay for this group in 2016/17.	$149,470 to $478,600	$154,860 to $495,830	$171,870 to $528,290

Notes

1. Allied Health includes: Physiotherapy, Occupational Therapy, Speech Pathology, Dietitians, and Medical and MWI Social Workers
2. Total Compensation includes base pay, performance pay and, for work permit holders, housing benefits and relocation expenses.
3. Total Cost includes Total Compensation, current year's movement in leave pay provision, and the following deductions: social insurance, health insurance, payroll tax and pension.

Notes:
- Salary data ranges were correct as of 31 March 2017.
- The above is based on employees who worked more the 1560 hours during the year.
- All employees receive the same pension, health and life insurance benefits.

Key Executives Compensation Report - 2016/17

Group	Base Pay	Total Compensation	Total Cost	Remarks
CHIEF EXECUTIVE OFFICER	478,596	495,828	528,286	
CHIEF OF STAFF	405,991	409,991	429,292	
CHIEF FINANCIAL OFFICER			489,000	PWC consultant
CHIEF OPERATING OFFICER - KEMH	259,466	268,655	299,798	
CHIEF OPERATING OFFICER - MWI	239,084	246,437	280,431	
CHIEF OF NURSING	209,874	217,431	238,835	

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL

	APRIL 2014 - MARCH 2015	APRIL 2015 - MARCH 2016	APRIL 2016 - MARCH 2017
INPATIENT - *GENERAL WING			
Beds	196	79	**79**
Patient Days	36,365	7,464	**9,206**
Discharges (incl. Deaths)	3,694	1,955	**1,953**
Length of Stay	9.8	2.5	**3.1**
Births	573	584	**558**
Percentage of Occupancy	51%	26%	**25%**
INPATIENT - **NEW ACUTE CARE WING - OPENED 14/09/2014			
Beds	90	90	**90**
Patient Days	15,608	28,551	**30,225**
Discharges (incl. Deaths)	2,042	3,926	**3,967**
Length of Stay	6.9	6.7	**6.7**
Percentage of Occupancy	87%	87%	**92%**
CONTINUING CARE UNITS - UPPER & LOWER			
Beds	121	97	RENAMED CONTINUING
Patient Days	28,011	606	CARE UNITS - COOPER
Discharges	42	1	& PERRY WARD
Length of Stay	666.9	60.6	
Percentage of Occupancy	63%	26%	
CONTINUING CARE UNITS - COOPER & PERRY WARD			
Beds		68	**68**
Patient Days		21,643	**21,598**
Discharges		27	**45**
Length of Stay		216	**431.9**
Percentage of Occupancy		89%	**87%**
HOSPICE			
Beds	9	8	**8**
Patient Days	2,054	2,071	**2,298**
Discharges	145	112	**103**
Length of Stay	13.6	18.3	**22.1**
Percentage of Occupancy	63%	71%	**79%**
ALTERNATE LEVEL OF CARE (ALC) - GORDON & GORDON EXT. WARDS			
Beds	49	49	**49**
Patient Days	15,078	16,272	**16,010**
Discharges	89	79	**111**
Length of Stay	169.4	118.7	**106.0**
Percentage of Occupancy	95%	91%	**90%**

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL cont'd

	APRIL 2014 - MARCH 2015	APRIL 2015 - MARCH 2016	APRIL 2016 - MARCH 2017
ALL PATIENTS			
Emergency Dept. Visits - KEMH	31,968	31,594	**30,982**
Lamb Foggo Urgent Care Centre Visits	4,560	4,880	**4,588**
Operations (Inpatients) & (SDA)	1,745	994	**1,861**
Operations (Outpatients)	6,275	6,339	**6,305**
Physiotherapy (units) (Inpatients)	22,602	11,517	**10,340**
Physiotherapy (units) (Outpatients)	20,628	17,063	**12,120**
Physiotherapy (units) (CCU)	674	238	**248**
X-Ray Exams (In & Out)	28,158	29,571	**30,276**
Laboratory (Thousand Units)(In & Out)	3,103,340	3,111,707	**3,441,850**
Cardiac Investigations (ECG & EEG)(In & Out)	9,220	9,865	**10,377**
Ultrasound Exams(In & Out)	5,997	6,966	**7,110**
Nuclear Medicine (In & Out)	664	692	**754**
Chemotherapy Treatments (Outpatients)	2,198	2,940	**3,260**
Cat Scans (In & Out)	9,783	10,969	**12,788**
MRI (In & Out)	3,019	3,520	**3,585**
Occupational Therapy (units)(Inpatients)	6,779	5,066	**9,431**
Occupational Therapy (units)(Outpatients)	2,985	3,570	**3,749**
Occupational Therapy (units) (CCU)	660	91	**256**
Speech/Language Pathology (Inpatient)	6,339	7,001	**6,428**
Speech/Language Pathology (Outpatient)	797	1,122	**676**
Speech/Language Pathology (CCU)	798	3,552	**1,946**
Hyperbarics patients	19	26	**26**
Hyperbarics treatments	146	212	**228**
Wound care patients	1,987	2,008	**2,064**
Wound care treatments	6,496	6,379	**6,476**
Rehab Day Hospital - new patients	239	219	**222**
Rehab Day Hospital - # of clients	733	869	**1,050**
Rehab Day Hospital - # of discharges	184	199	**187**
Home Care visits	5,038	3,749	**4,293**
Blood donations	1,716	1,711	**2,006**

*PLEASE NOTE:
Perry and Cooper wards - 68 beds - no longer operational as of 14 September 2014
New Acute Care Wing - 90 beds - opened 14 September 2014
Alternate Level of Care (ALC) - Gordon and Gordon ward extension - 49 beds - effective 14 September 2014
Continuing Care Upper changed to CCU Upper Cooper ward - effective 7 April 2015
Continuing Care Lower changed to CCU Lower Perry ward - effective 14 April 2015
Hospice bed count decreased from 9 beds to 8 beds as of 1 February 2016

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS
STATISTICAL ANALYSIS - MID-ATLANTIC WELLNESS INSTITUTE

	APRIL 2014-MARCH 2015	APRIL 2015-MARCH 2016	APRIL 2016-MARCH 2017
INPATIENT - ACUTE CARE			
Beds	23	23	23
Discharges (including deaths)	219	191	207
Length of Stay	13	15	14
Admissions	218	199	219
Percentage of Occupancy	63%	73%	77%
Patient Days	5,320	6,213	6,544
LONG TERM & REHABILITATION			
Beds	58	40	40
Discharges (excl. deaths)	54	43	36
Patient Days (excl. respite)	13,004	13,789	14,086
Length of Stay	269	321	391
Deaths	0	3	3
Transfer from Acute	N/A	N/A	N/A
Percentage of Occupancy	62%	88%	96%
Average Years of Stay of Deaths	0	412 days	631 days
TURNING POINT (SUBSTANCE ABUSE - DETOX UNIT)			
Beds	8	8	8
Discharges	91	111	113
Patient Days	1,145	1,239	1,522
Length of Stay	13	11	13
Admissions	91	110	113
Percentage of Occupancy	39%	42%	52%
CHILD & ADOLESCENT SERVICES (CAS)			
Beds	4	4	4
Discharges	12	12	21
Patient Days	148	198	310
Length of Stay	12	16	14
Admissions	13	11	20
Percentage of Occupancy	10%	14%	21%
OUTPATIENTS (Child & Adolescent/ Mental Health/ Substance Abuse/ Learning Disability) (The MWI Outpatients section has been revised to reflect the current reporting practice of the services)			
Total No. of New Admissions / Referrals	312	463	326
Total No. of Re-Admissions / Referrals	111	159	126
Total No. of Follow-up appointments	5,042	4,799	4,687
Total No. of Day Patients Visits	13,208	13,217	12,576
Total No. of walk-in / unscheduled Visits	11,088	10,982	12,293
Total No. of DNA to scheduled Appointments	1,474	1,535	1,596
Total No. of T.O.P's	122	24	17
Total No. of Home Visits	6,729	6,682	7,467

Bermuda Hospitals Board

May 14, 2020

Management's Responsibility for the Financial Statements

These consolidated financial statements have been prepared by management, who are responsible for the reliability, integrity and objectivity of the information provided. The preparation of financial statements necessarily involves using the management's best estimates and judgments, where appropriate.

Management is responsible for maintaining a comprehensive system of accounting records, internal controls, policies and management practices, designed to provide reasonable assurance that transactions are properly authorized and in compliance with legislation, assets are safeguarded, and reliable financial information is available on a timely basis.

The Bermuda Hospital Board's board members through the Finance & Audit Committee, is responsible for ensuring that management fulfils its responsibility for financial reporting and internal controls. The Finance & Audit Committee meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The Finance & Audit Committee also reviews the consolidated financial statements before recommending approval by the board members. The consolidated financial statements have been approved by the board members and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.

Mrs. Venetta Symonds
Chief Executive Officer and President
14 May, 2020

Mr. William Shields
Chief Financial Officer
14 May, 2020

Office of the Auditor General
Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

Tel: (441) 296-3148
Fax: (441) 295-3849
Email: oag@oagbermuda.bm
Website: www.oagbermuda.bm

INDEPENDENT AUDITOR'S REPORT

To the Minister of Health

I have audited the accompanying consolidated financial statements of the Bermuda Hospitals Board, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with public sector accounting standards for government not-for-profit organizations generally accepted in Bermuda and Canada, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bermuda Hospitals Board as at March 31, 2017, and its consolidated results of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended in accordance with public sector accounting standards for government not-for-profit organizations generally accepted in Bermuda and Canada.

Hamilton, Bermuda
May 14, 2020

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	2017	2016
ASSETS	$	$
Current assets		
Cash	66,539,361	84,391,108
Term deposits	22,070,056	22,020,210
Restricted cash, term deposits and investments (Note 4)	4,444,221	2,459,140
Accounts receivable (net of allowance for doubtful accounts) (Notes 15 & 19a)	21,588,410	25,762,762
Other receivables (Notes 15f & 19a)	2,623,971	1,625,944
Prepaid expenses	3,063,339	2,017,121
Inventories	9,087,953	8,625,273
	129,417,311	146,901,558
Non-current assets		
Capital assets (Note 10)	469,778,130	481,504,039
Term deposits	1,501,946	1,469,498
Other investments (Notes 5 & 15f)	25,592,106	1,414,619
	496,872,182	484,388,156
Total assets	626,289,493	631,289,714
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9, 15f & 19b)	19,096,721	17,628,147
Accrued salary and payroll expenses (Notes 9 & 15f)	27,493,329	30,986,190
Current portion of long-term debt (Notes 7a & 19b)	-	1,071,900
Current portion of other liability (Notes 7b, 19b & 25)	3,810,998	3,725,720
Current portion of deferred capital contributions (Note 8)	2,496,714	2,496,714
	52,897,762	55,908,671
Long-term liabilities		
Long-term debt (Notes 7a & 19b)	-	2,583,334
Other liability (Notes 7b, 19b & 25)	276,793,305	280,604,303
Deferred capital contributions (Note 8)	52,993,298	54,528,352
Pension accrual (Notes 9a &19b)	3,893,269	4,453,167
Accrued health insurance (Notes 9b & 19b)	33,627,164	43,622,688
	367,307,036	385,791,844
Total liabilities	420,204,798	441,700,515
Net assets (Notes 11 & 20)		
Invested in capital assets	-	437,458,819
Internally restricted for education	686,241	349,213
Net assets (Deficit)	206,095,801	(248,332,538)
	206,782,042	189,475,494
Accumulated remeasurement (loss) gain	(697,347)	113,705
	206,084,695	189,589,199
Total liabilities and net assets	626,289,493	631,289,714
Contractual obligations and contingencies (Notes 16 & 17)		

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017

	2017 Budget (Note 22)	2017	2016
REVENUES (Note 21)	$	$	$
Outpatient (Note 15)	158,636,987	168,189,298	166,107,809
Inpatient (Note 15)	99,390,582	91,221,952	97,752,180
Government grants (Note 15a)	46,761,500	46,839,277	47,634,474
Extended care unit (Note 12)	10,000,000	9,623,604	9,765,747
Non-medical (Note 15f)	2,130,248	3,187,763	2,571,691
Amortisation of deferred capital contributions (Note 8)	2,767,883	2,452,761	3,500,325
Interest income	20,183	504,384	332,675
Donations in kind (Note 18)	-	164,919	287,684
Total revenues	319,707,383	322,183,958	327,952,585
EXPENSES (Note 21)			
Salaries and employee benefits (Notes 9 & 15f)	183,037,283	182,055,106	180,352,612
Medical supplies	26,909,555	31,227,941	28,904,426
General supplies and services (Note 18)	34,246,291	28,489,772	28,329,419
Repairs and maintenance	15,604,735	19,348,604	15,075,599
Interest (Note 7)	19,614,000	18,689,907	19,529,792
Amortisation of capital assets	18,505,518	16,583,631	17,037,486
Utilities	10,202,874	9,531,328	9,612,565
Bad debt expense (recovery)	2,547,937	4,583,092	(6,470,049)
Food	2,682,567	2,826,497	2,904,797
Business social cost (Note 13)	-	927,095	502,710
Loss (gain) on disposal of capital assets	-	549,841	(1,275)
Scholarships issued	-	60,120	65,000
Accrued health insurance gain (Note 9b)	-	(9,995,524)	(125,509)
Total expenses	313,350,760	304,877,410	295,717,573
Excess of revenues over expenses	6,356,623	17,306,548	32,235,012

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	2017				
Net assets	**Invested in capital assets** $	**Internally restricted for Acute Care Wing** $	**Internally restricted for education** $	**Unrestricted (deficit) assets** $	**Total** $
Balance, beginning of year	437,458,819	-	349,213	(248,332,538)	189,475,494
Excess (deficiency) of revenues over expenses	-	-	337,028	16,969,520	17,306,548
Transfer to unrestricted assets (Note 11)	(437,458,819)	-	-	437,458,819	-
Balance, end of year	-	-	686,241	206,095,801	206,782,042

	2016				
Net assets	**Invested in capital assets** $	**Internally restricted for Acute Care Wing** $	**Internally restricted for education** $	**Deficit** $	**Total** $
Balance, beginning of year	444,870,231	41,432,371	266,883	(329,329,003)	157,240,482
Excess (deficiency) of revenues over expenses	(13,537,161)	(41,432,371)	82,330	87,122,214	32,235,012
Net change in investment in capital assets	6,125,749	-	-	(6,125,749)	-
Balance, end of year	437,458,819	-	349,213	(248,332,538)	189,475,494

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2017

	2017		
	Internally restricted for education	Unrestricted net assets (deficit)	Total
	$	$	$
ACCUMULATED REMEASUREMENT GAINS /(LOSSES)			
Balance, beginning of year	85,280	28,425	113,705
Unrealised losses attributable to equity instruments	70,461	(881,513)	(811,052)
Balance, end of year	155,741	(853,088)	(697,347)

	2016		
	Internally restricted for education	Unrestricted Net assets	Total
	$	$	$
ACCUMULATED REMEASUREMENT GAINS			
Balance, beginning of year	76,472	25,490	101,962
Unrealised losses attributable to equity instruments	8,808	2,935	11,743
Balance, end of year	85,280	28,425	113,705

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES	$	$
Excess of revenues over expenses	17,306,548	32,235,012
Amortisation of capital assets	16,583,631	17,037,486
Loss (gain) on disposal of capital assets	549,841	(1,275)
Amortisation of deferred capital contributions	(2,452,761)	(3,500,325)
Bad debt (expense) recovery	(4,583,092)	6,470,049
Interest income	(504,384)	(332,675)
Interest expense	18,689,907	19,529,792
Unrealised (loss) gain on investments (Note 6)	(811,052)	11,743
Net change in non-cash working capital (Note 23)	(6,329,190)	(19,413,366)
Net cash flows from operating activities	38,449,448	52,036,441
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	(5,407,563)	(6,125,749)
Deferred capital contributions	917,707	2,171,807
Net cash used in capital activities	(4,489,856)	(3,953,942)
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in investments	(24,209,935)	(31,679)
Interest income received	504,384	332,675
Net cash (used in) from investing activities	(23,705,551)	300,996
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(3,655,234)	(1,022,952)
Repayment of other liability	(3,725,720)	(3,267,400)
Interest paid	(18,689,907)	(19,529,792)
Net cash used in financing activities	(26,070,861)	(23,820,144)
Net (decrease) increase in cash and cash equivalents	(15,816,820)	24,563,351
Cash and cash equivalents, beginning of year	108,870,458	84,307,107
Cash and cash equivalents, end of year	93,053,638	108,870,458
Cash and cash equivalents consist of the following:		
Cash	66,539,361	84,391,108
Term deposits	22,070,056	22,020,210
Restricted cash, term deposits and investments	4,444,221	2,459,140
	93,053,638	108,870,458

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

1. AUTHORITY AND ORGANISATION

a. Authority

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

b. Organisation

The board of directors of BHB ("Directors") is responsible for operating the King Edward VII Memorial Hospital ("KEMH"), Mid-Atlantic Wellness Institute ("MWI") and the Lamb Foggo Urgent Care Centre ("UCC"). The BHB receives donations, subsidies, government grants as well as income from commercial insurers and individual patients based on services rendered.

KEMH is an inpatient acute care and extended care hospital with 90 acute care beds (2016: 90 beds) and 228 general and continuing care beds (2016: 205 beds).

MWI is a psychiatric facility with 4 beds (2016: 4 beds) for children and adolescents and 71 long-term rehabilitation beds (2016: 71 beds).

The BHB incorporated Healthcare Partners Ltd. (HPL) in accordance with Section 62(2) of the Companies Act 1981 on September 24, 2008. During the 2016 financial year HPL sold 100% of its shares in Ultimate Imaging Ltd. (UIL) to the directors of UIL. The HPL members' voluntary winding-up was finalized on June 6, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the Public Sector Accounting Standards ("PSAS") for government not-for-profit organisations ("GNFPOs") issued by the Canadian Public Sector Accounting Board ("PSAB").

For financial reporting purposes, the BHB is classified as a GNFPO and has adopted accounting policies appropriate for this classification. The policies considered significant are as follows:

a. Principles of consolidation

These consolidated financial statements include the accounts of the BHB and its 100% owned subsidiary, HPL until June 6, 2016, when HPL was wound up. All balances and transactions between the entities have been eliminated upon consolidation. Subsequent to June 6, 2016, BHB held no subsidiaries and no consolidation accounting has been applied.

b. Other investments

On October 14, 2011, the BHB purchased 25% of the shares in Mill Reach Properties Limited ("MRP"). MRP currently owns the building located on 2 Mill Reach Lane, which leases warehouse space to the BHB for its Materials Management Department. The investment in MRP is accounted for using the cost method due to the fact that the BHB does not have significant influence over the strategic operations and financing policies of this company. On November 28, 2017, the BHB accepted an offer by MRP to purchase the shares held by the BHB in MRP and to settle all lease obligations and claims in the amount of $1.35 million, payable in cash. See Note 26 – Subsequent Events.

On October 19, 2016, the BHB purchased $25 million 10 year bonds issued by the Government of Bermuda ("Government"). These bonds are accounted for at fair value. Note 26 – Subsequent Events, outlines the subsequent disposal of these bonds in the 2018 financial year.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c. Revenue recognition

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

Unrestricted contributions and pledges are recognised as revenue when received or receivable if the amount 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.

Revenue from patient care, consulting and other activities is recognised when the service is provided. Diagnostic Related Group ("DRG") revenue can only be accurately calculated upon patient discharge. Prior to discharge, an estimate of DRG revenue is accrued; this accrual is reversed at discharge when the actual DRG revenue is recognised.

Non-medical income comprises revenue that is not derived directly from the treatment of patients or contributions, and is recognised on an accrual basis when the services are provided or goods are sold.

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

Investment income includes dividends and interest income and realised investment gains and losses. Gains and losses on financial instruments carried at fair value are recognised in the consolidated statement of remeasurement gains and losses until they are realised, then they are transferred to the consolidated statement of operations.

d. Capital assets and leases

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date of contribution. Capital assets are stated at historical cost, or estimated fair value, less impairment losses and are amortised, using the straight-line method, over their estimated useful lives.

Betterments, which extend the estimated life of an asset, are capitalised. When a capital asset no longer contributes to the BHB'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:

Land	Nil years	(0.0%)
Buildings	40 years	(2.5%)
ACW building under PPP agreement	60 years	(1.7%)
Equipment	10 years	(10.0%)
Software	5 years	(20.0%)
Computer equipment	5 years	(20.0%)

Capital assets are subject to an impairment review if there are indications that the carrying amount may not be recoverable. The recoverable amount of an asset is calculated as the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the consolidated statement of operations.

There were no capital leases and assets under construction as at March 31, 2017 (2016: $nil).

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

e. Cash and cash equivalents

The BHB considers all cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty, and short-term deposits with an original maturity of 90 days or less, as equivalent to cash. Cash and term deposits are classified as restricted if externally restricted by legal or contractual requirements or internally restricted by the BHB.

f. Inventories

Inventories consisting of general stores, medical stores, pharmacy, orthopaedic supplies, and stationery are valued at the lower of cost, using the weighted average method of accounting, and net realisable value. Operating room inventories are valued at the lower of cost, using the first-in first-out method of accounting, and net realisable value. An allowance is provided where inventory is considered obsolete.

g. Donated services

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

h. Financial instruments

The BHB measures its financial instruments at fair value on initial recognition. Subsequently financial instruments are recorded at either fair value, cost or amortised cost. The BHB's accounting policy for each category is as follows:

(i) Fair value

This category includes bonds and equity instruments quoted in an active market.

They are initially recognised at cost and subsequently carried at fair value. Gains and losses on financial instruments carried at fair value are recognised in the consolidated statement of remeasurement gains and losses until they are realised, then they are transferred to the consolidated statement of operations.

Transaction costs related to financial instruments in the fair value category are expensed as incurred. Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognised in the consolidated statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed and recognised in the consolidated statement of operations.

(ii) Cost or amortised cost

Cash and term deposits are recognised at cost.

Restricted cash, term deposits and investments, accounts receivable, other receivables, accounts payable, long-term debt, other liability, pension accrual and accrued health insurance are initially recognised at cost and subsequently carried at amortised cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the cost or amortised cost category are added to the carrying value of the instrument when initially recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

h. Financial instruments (cont'd)

(ii) Cost or amortised cost (cont'd)

Write-downs on financial assets in the cost or amortised cost category are recognised when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are written down to their estimated net recoverable value with the write-down being recognised in the consolidated statement of operations.

i. Employee future benefits

The BHB has defined benefit and defined contribution plans providing pension, post-employment benefits and compensated absences to most of its employees.

The cost related to the defined contribution pension plan is expensed as incurred.

The BHB accrues its obligations under defined benefit plans and the related costs, net of plan assets. The defined benefit plans consist of a retirement insurance plan and nurses superannuation plan. The BHB has adopted the following policies:

- The cost of pensions and other retirement benefits for defined benefit plans earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected, salary escalation, retirement ages of employees and expected future health care costs.
- No plan asset is maintained for the post-employment defined benefit plans.
- The excess net actuarial gain (loss) is amortised over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is nil years (2016: nil years). The average remaining service life of the active employees covered by the health benefit plan is 4.4 years (2016: 9.3 years).

j. Employee health insurance plan

The BHB has a policy funding agreement with a third party health insurance administrator, which covers both active and retired employees. In substance, this agreement results in the BHB self-insuring its employees' healthcare benefits.

The plans' cumulative deficit or surplus, incorporates the net premium, incurred claims, interest and administration charges. The BHB is liable for any deficit incurred by the plan and can address the deficit by restructuring the plan, changing premiums paid or by depositing funds into the plan. The BHB accrues all gratuitous payments to the fund as approved by the Directors. The cumulative surplus allocated to the BHB shall be available to the BHB, to fund transactions which benefit its employees who are insured under the health insurance plan. The cumulative surplus may also be carried forward to the next period or transferred to a Human Resources Benefits Fund. The BHB elected to carry the balance forward to the following financial year.

Upon termination of the agreement, the cumulative surplus, if any, will be refunded to the BHB within 31 days of the end of the 12 month period following termination, subsequent to the deduction of any unpaid premiums.

k. Acute Care Wing PPP Agreement

After a competitive bidding process, on December 1, 2010 the BHB entered into a Public Private Partnership ("PPP") Agreement ("Agreement") with Paget Health Services ("PHS") to develop the new Acute Care Wing ("ACW") ("Project").

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

k. Acute Care Wing PPP Agreement (cont'd)

Under the terms of the Agreement, PHS has the responsibility to design, build, finance, operate and maintain the ACW for a period of 30 years from the date the Agreement commences. The ACW construction commenced in December 2010 and on September 14, 2014, ACW became available for operations. Under the terms of the Agreement, the BHB retains ownership of the ACW.

PHS has raised finance through senior debt and equity. Commencing June 1, 2014, the BHB started paying a monthly service fee to PHS for the repayment of the principal debt, interest on principal debt, life cycle replacement cost, maintaining and running the hard facilities management (structural, mechanical and electrical) of the building. These contractual obligations have been disclosed in Note 16b – Contractual Obligations: Acute Care Wing.

The ACW is recorded at cost which is considered to represent its initial fair value. The ACW cost includes development and financing costs estimated at fair value, which required the extraction of cost information from the financial model embedded in the Agreement. Interest during construction was also included in the ACW cost and was calculated on the ACW repayment schedule. The interest rate used was the project internal rate of return. The BHB has capitalized these costs within the land and buildings category of its capital assets (See Note 10 – Capital Assets). Correspondingly, a liability, net of the contributions received, was recorded as "Other liability". The liability is being met via the monthly payments over the term of the Agreement. These costs are detailed in Note 7b – Other Liability. The "Other liability" represents the unpaid obligation related to costs incurred by PHS, for the ACW construction. The "Other liability" does not represent the future commitments for annual service payments which are not yet "due".

On September 14, 2014, ACW became available for operations and amortisation commenced. The ACW building is amortised over the estimated useful life of the building of 60 years.

The BHB paid $40 million as a service commencement payment to PHS on June 1, 2014 under the terms of the Agreement. This service commencement payment was capitalized as part of the cost of ACW, and is reflected in Note 10 – Capital Assets as part of "Land and buildings".

In 2011, the Bermuda Hospitals Charitable Trust ("BHCT") launched the campaign "Why it Matters" to raise the $40 million required to be paid in 2015. The BHB received $25 million from BHCT and the difference was paid from the BHB's own resources. The table below outlines the impact of the Agreement as at March 31:

Consolidated Statement of Financial Position

	2017	2016
Capital assets – land and buildings (ACW PPP Agreement)		
Cost	$ 337,251,486	$ 337,251,486
Accumulated amortisation	(14,487,588)	(8,866,730)
Net book value	$ 322,763,898	$ 328,384,756
Other liability	$ 280,604,303	$ 284,330,023

Consolidated Statement of Operations

	2017	2016
Repairs and maintenance expense	$ (3,702,997)	$ (3,504,065)
Interest expense	(18,626,306)	(19,342,526)
	$ (22,329,303)	$ (22,846,591)

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

l. Measurement uncertainty

The preparation of consolidated financial statements in conformity with PSAS for GNFPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates include the estimated useful lives of capital assets, bad debt allowance, amounts to settle retirement obligations, contingent liabilities, accruals, future cost to settle employee benefit and health insurance plan obligations and ACW contractual obligations. Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

m. Related parties

Related parties are identified as entities under the common control or shared control, directly or indirectly of the Government, entities in which the BHB has shareholding with significant influence and key management personnel. The BHB enters into transactions with these entities in the normal course of business and transactions and balances due to/from related parties are disclosed separately.

3. ECONOMIC DEPENDENCE

The BHB receives a significant amount of its revenues from the Government Ministry of Health ("MoH"). Accordingly, any disruption in that funding could have a significant impact on the operations of the BHB (See Note 19a – Credit Risk and Note 26 – Change in Funding).

4. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

	2017	2016
Restricted cash	$ 4,179,992	$ 2,265,372
Restricted investments	264,229	193,768
	$ 4,444,221	$ 2,459,140

The restricted investment is comprised of 75% of the BHB's total investment in Ascendant Group Limited common shares as follows:

	2017		2016	
	Fair value	Cost	Fair value	Cost
Ascendant Group Limited	$ 352,305	$ 144,651	$ 258,357	$ 144,651

4. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS (Cont'd)

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

	2017	2016
External		
Patient comfort funds	$ 1,713,617	$ 1,853,206
Construction projects and capital assets (Note 8)	453,134	62,953
Forensic mental health funds (Note 15a)	1,327,000	-
	3,493,751	1,916,159
Internal		
Educational purposes	$ 950,470	$ 542,981
	4,444,221	2,459,140

5. OTHER INVESTMENTS

Other investments are comprised of the following:

	2017	2016
Bermuda Government 10 year bonds, at fair value (Note 15f)	$ 24,154,000	$ -
MRP shares, at cost	1,350,030	1,350,030
Ascendant Group Limited, at market value	88,076	64,589
	25,592,106	1,414,619

On November 28, 2017 the BHB sold its shares in MRP, as discussed in Note 26 – Subsequent Events.

6. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides an analysis of financial instruments that, subsequent to initial recognition, are measured at fair value. The fair value movement is reflected in the Consolidated Statement of Remeasurement Gains and Losses. The financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENT CLASSIFICATION (Cont'd)

2017	Level 1	Level 2	Level 3	Total
Ascendant Group Limited	$ 352,305	$ -	$ -	$ 352,305
Bermuda government 10 year bonds	24,154,000	-	-	24,154,000

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2017. There were also no transfers in or out of Level 3.

2016	Level 1	Level 2	Level 3	Total
Ascendant Group Limited	$ 258,357	$ -	$ -	$ 258,357

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2016. There were also no transfers in or out of Level 3.

7. DEBT

a. Long-term debt

	2017	2016
The Bank of N.T. Butterfield & Son Limited ("BNTB") loan of US$4,004,141, interest rate of 4.85% per annum, was unsecured and repaid during the 2017 financial year	$ -	$ 983,983
BNTB loan of $5,667,891, interest rate of 4.5% per annum, was secured by a charge over the related capital assets and repaid during the 2017 financial year	-	2,671,251
	-	3,655,234
Less: Current portion	-	(1,071,900)
	$ -	$ 2,583,334

The fair value of long-term debt with the BNTB is $nil (2016: approximately $3.7 million) based on the estimated present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to the BHB for the same or similar debt instruments.

b. Other liability - ACW

	2017	2016
Other liability	$ 280,604,303	$ 284,330,023
Less: Current Portion	(3,810,998)	(3,725,720)
	$ 276,793,305	$ 280,604,303

7. DEBT (Cont'd)

b. Other liability – ACW (cont'd)

Principal repayments to PHS on the long-term obligation relating to ACW scheduled for the next five years and thereafter are as follows:

Year		Amount
2018	$	3,810,998
2019		4,408,161
2020		4,584,572
2021		7,271,075
2022		9,240,823
2023-2044		251,288,674
	$	280,604,303

The BHB's contractual obligations to PHS in respect of the ACW are disclosed in Note 16 – Contractual Obligations.

8. DEFERRED CAPITAL CONTRIBUTIONS

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

The change in deferred capital contributions during the year is as follows:

		2017		2016
Balance, beginning of year	$	57,025,066	$	58,353,584
Add: contributions received		917,707		2,171,807
Less: amounts amortised to revenue		(2,452,761)		(3,500,325)
Balance, end of year	$	55,490,012	$	57,025,066

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

		2017		2016
Amortised capital contributions used to purchase assets	$	55,036,878	$	56,962,113
Unspent contributions (Note 4		453,134		62,953
	$	55,490,012	$	57,025,066

		2017		2016
Deferred capital contributions	$	55,490,012	$	57,025,066
Less: Current portion		(2,496,714)		(2,496,714)
	$	52,993,298	$	54,528,352

9. EMPLOYEE FUTURE BENEFITS

a. Pension plans and retirement benefits

Defined contribution plan

There is a defined contribution pension plan in place for all employees, whereby the BHB contributes 5% (2016: 5% - 6%) of gross salary and the employee contributes 5% (2016: 4% - 5%) of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five years with respect to the BHB's contributions. Beginning January 1, 2000, 100% of the BHB's contributions vest after two years. When an employee ceases employment with the BHB, other than through retirement, the BHB's unvested contributions are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2017 totalled $6,172,449 (2016: $5,943,051) and is included in Salaries and employee benefits.

Defined benefit plan

The Hospital Nurses Superannuation Act 1948 ("1948 Act") established a non-contributory defined benefit final average pension plan, which covered certain nurses employed prior to January 1, 1971. The cost of this pension is shared with the Government, with the BHB being liable for pension benefits earned by these nurses since January 1, 1977.

	2017	2016
Pension accrual		
Balance, beginning of year	$ 4,453,167	$ 4,967,618
Pension expense		
Interest	222,658	273,219
Benefits paid	(514,990)	(459,172)
Experience loss/(gain)	(267,566)	(328,498)
Balance, end of year	$ 3,893,269	$ 4,453,167

The BHB has obtained an actuarial valuation of the accrued pension benefits at March 31, 2017, which estimates that the BHB's portion of the liability under the 1948 Act is approximately $3.9 million as at March 31, 2017 (2016: $4.5 million). The significant actuarial assumptions adopted in measuring the BHB's accrued benefit obligation include a discount rate of 5.0% (2016: 5.5%) and a salary escalation rate of 0% (2016: 0%) as no retirees are in active service at March 31, 2017.

At present benefits are paid by the Government. To date, no contributions have been made by the BHB to the Government and the plan remains unfunded. At March 31, 2017, the BHB's payable to the Government amounted to $6,904,187 (2016: $6,442,071) and is included in accounts payable and accrued liabilities. See Note 15f – Related Party Transactions and Balances.

In 2018, the Government and the BHB entered into discussions to forgive the liability payable to the Government and the defined benefit plan premium accrual, with effect from April 1, 2018. See Note 26 – Subsequent Events.

The value of the liabilities for the 2017 and 2016 fiscal years are based on independent actuarial valuations.

9. EMPLOYEE FUTURE BENEFITS (Cont'd)

b. Post-employment benefits and compensated absences

Post-employment benefits and compensated absences include maternity leave, sick leave, vacation days and health insurance. All of these benefits are unfunded.

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognised when leave has been applied for and approved or when a settlement amount can be reasonably determined. The total approved maternity leave for the year ended March 31, 2017 was $539,357 (2016: $368,311) and is included in accrued salary and payroll expenses.

Sick leave does not accumulate or vest, and like maternity leave, a liability is recorded only when sick leave is applied for and approved. For the year ended March 31, 2017, the amount was $100,385 (2016: $108,101) and is included in accrued salary and payroll expenses.

Vacation days accumulate and vest and therefore a liability is accrued each year. As at March 31, 2017 the leave pay liability was $10,043,044 (2016: $9,800,619) and is included in accrued salary and payroll expenses. The expense for the year ended March 31, 2017 was $11,184,118 (2016: $11,054,175) and the benefits paid out were $11,403,597 (2016: $11,274,942).

The BHB pays 50% of the health insurance premiums for employees who retire from the BHB. The significant actuarial assumptions adopted in measuring the BHB's accrued benefit obligation include a discount rate of 5.0% (2016: 5.5%) and an annual increase in health insurance premiums of 7% per annum, decreasing by 1% per annum to an ultimate rate of 3% per annum after 5 years.

	2017	2016
Accrued health insurance		
Balance, beginning of year	$ 43,622,688	$ 43,748,197
Current cost	310,000	1,156,599
Interest	1,580,000	1,540,000
Benefits paid	(1,040,000)	(970,000)
Current year amortisation of experience gain	(1,795,524)	(1,852,108)
Plan curtailment	(9,050,000)	-
Balance, end of year	$ 33,627,164	$ 43,622,688

During the 2017 financial year, a plan curtailment was approved, that resulted in an actuarial gain of $9,050,000 which was recognised in full in the year. As part of the plan curtailment, the required employee service period was increased from 10 years to 20 years. Under the amended health insurance plan, only employees with twenty years of service (calculated at April 1, 2016) who reach mandatory or early retirement prior to April 1, 2021, will be eligible for this health insurance benefit.

An actuarial gain of $11,880,745 (2016: $14,846,269) is deferred and will be amortised over a period of 4.4 years (2016: 9.3 years). The values of the liability for the 2017 and 2016 fiscal years are based on an independent actuarial valuation report.

c. Health insurance plan

As at March 31, 2017, the BHB Health Plan had a net deficit of $2,710,572 (2016: $nil). To cover this deficit, the BHB accrued $3 million (2016: $nil) which was included in the "Accrued salary and payroll expenses", and transferred to the BHB Health Plan in the 2018 financial year.

9. EMPLOYEE FUTURE BENEFITS (Cont'd)

d. Accrued pension under contributions

During the years 2006 to 2015, the BHB did not make sufficient employer pension contributions for certain employees. A project was undertaken to recalculate missed employer pension contributions for each individual employee affected during this ten year period. The pension liability of $4.86 million was included in "Accrued salary and payroll expenses" and paid on March 16, 2018 (Note 26 – Subsequent Events).

10. CAPITAL ASSETS

	Cost	Accumulated Amortisation	2017 Net Book Value	2016 Net Book Value
Land and buildings	$ 527,284,708	$ 87,248,007	$ 440,036,701	$ 450,011,598
Equipment	91,348,289	64,577,941	26,770,348	28,744,147
Software	16,784,050	13,863,120	2,920,930	2,478,869
Computer equipment	11,120,787	11,070,636	50,151	269,425
	$ 646,537,834	$ 176,759,704	$ 469,778,130	$ 481,504,039

The total cost of the capital assets as at March 31, 2017 was $646,537,834 (2016: $641,690,254) and the accumulated amortisation was $176,759,704 (2016: $160,186,215). The ACW building costs are amortised over a period of 60 years.

The insured value of the BHB's buildings, contents and business interruption coverage is approximately $454 million (2016: $467 million).

On March 27, 1997, the land on which the hospital buildings stand was conveyed to the BHB by the Government. As part of this transfer, the Government has right of first refusal on any sales of the land and buildings.

11. NET ASSETS

Internally restricted amounts are not available for other uses unless approved by the BHB. The Education Fund reflects an accumulation of donations and investment income designated for educational purposes. The balance of the Education Fund at March 31, 2017 is $686,241 (2016: $349,213).

During the 2017 financial year, BHB elected to discontinue the disclosure of "Invested in capital assets". The balance was transferred to "Unrestricted net assets", in line with the nature of this balance. All restrictions on donations received for capital asset investments are disclosed as part of Note 8 – Deferred Capital Contributions and the movement in assets are disclosed in Note 10 – Capital Assets.

12. GOVERNMENT MANDATED WRITE-OFF

On October 12, 2016, the Government instructed the BHB to write off any amounts due to the BHB in respect of the subsidy for the year ended March 31, 2017 and March 31, 2016. As a result, there are no subsidy balances receivable from the Government (Note 15b – Government Subsidy Program). This resulted in a decrease in revenue of $18.6 million (2016: $nil). This instruction was received after the 2016 financial year, therefor there were no decrease in the prior year revenue and all write-offs were posted to the bad debt expense account.

13. BUSINESS SOCIAL COST

The BHB, as a part of its mandate, is required to provide service to all patients, irrespective of their ability to pay. During the course of its operations, the BHB provided services to a number of persons who were unable to pay. The expenses of $927,095 (2016: $502,710) are classified as business social costs in the consolidated statement of operations.

14. MANAGEMENT CHARGE

A number of administrative services are provided by KEMH to MWI for which a management charge is made. These services include information system management, employee recruitment and administration, facility repairs, purchasing, pharmacy, telecommunications, dietary, accounting, and general administration. The BHB uses the employee cost for each department and cost of hardware and software maintenance contracts to calculate the management charge. The management charge is calculated based on the estimated percentage of time that each department spends working on matters related to MWI. The amount charged by KEMH to MWI for the year ended March 31, 2017 was $2,000,000 (2016: $2,000,000). These amounts are eliminated on consolidation. See Note 21 – KEMH and MWI Statements of Operation.

15. RELATED PARTY TRANSACTIONS AND BALANCES

The BHB entered into various related party transactions with the Government and Government controlled entities. Refer to Note 3 – Economic Dependence, outlining the BHB's dependence on these related parties.

The BHB also transacted with non-government related parties. The BHB rented property from MRP, a related party of the BHB (Note 26 – Subsequent Events). During the 2017 financial year, the BHB entered into a contract with People's Pharmacy. People's Pharmacy in conjunction with the BHB, manages the drug subsidy programme, by providing pharmacy services to outpatients.

a. Government grants

Government grants included in operating revenue were as follows:

	2017	2016
Operating grant - MWI	$ 37,344,000	$ 37,343,504
Minor Works/Maintenance grant - MWI	120,000	120,000
Mutual Re-insurance Fund (MRF)	9,375,277	10,170,970
Total grants	$ 46,839,277	$ 47,634,474

In the 2017 financial year the BHB was granted $1,327,000 (2016: $nil) from the Ministry of Health and Seniors. These funds relate to the forensic mental health programme that commenced in the 2018 financial year. The balance payable by BHB to this program, as at March 31, 2017, was $1,327,000 (2016: $nil) and is included in Accounts payable and accrued liabilities. This balance is also included in Restricted cash (Note 4 – Restricted Cash, Term Deposits and Investments).

As at March 31, 2017, $nil (2016: $nil) was outstanding from the Government for grants, other than the MRF grant. As at March 31, 2017, $2,445,480 (2016: $3,348,851) is receivable from the MRF and is included in accounts receivable. This MRF is financed by all people who pay standard health benefit premiums through Bermuda commercial insurers, and is managed by the Health Insurance Department ("HID").

b. Government subsidy programme

The HID funds claims in respect of services rendered to patients covered under the Government's subsidy programme. HID funds covers Aged subsidy, Youth subsidy, Geriatric subsidy and Indigent subsidy. The total approved claims are as follows:

	2017	2016
Total payment received	$ 103,748,916	$ 106,893,271

15. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

b. Government subsidy programme (cont'd)

During the 2017 financial year, BHB was instructed by Government to write off all subsidy related revenue in excess of the pre-approved amounts paid in 2016 and 2017 financial years (Note 12 – Government Mandated Write-off). This resulted in a decrease in revenue in 2017 of $18.6 million (2016: $nil), which included claims not yet submitted at year end. This letter was received after the 2016 financial year, therefore there was no decrease in the prior year revenue and all write-offs were posted to the bad debt expense account in the 2016 financial year. As at March 31, 2017, $nil (2016: $nil) was outstanding from the Government for subsidy programmes.

The BHB also received a clinical drugs subsidy of $2,581,448 (2016: $2,597,728) which is paid in full in each relevant year.

c. Health Insurance Fund

The HID approved the following claims:

	2017	2016
Health Insurance Fund	$ 26,311,230	$ 23,008,217

As at March 31, 2017, $2,925,331 (2016: $5,637,418) is receivable from the Health Insurance Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the Health Insurance Fund, a programme for individuals who are between the ages of 18 - 65 providing standard medical benefits.

d. FutureCare Fund

The HID approved the following claims:

	2017	2016
FutureCare Fund	$ 12,044,510	$ 9,815,963

As at March 31, 2017, $1,523,919 (2016: $2,050,760) is receivable from the FutureCare Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the FutureCare Fund, a programme for individuals who are over the age of 65 providing standard medical benefits.

e. Government Employees Health Insurance Fund

The Government Employees Health Insurance Fund ("GEHI") approved the following claims:

	2017	2016
GEHI	$ 22,193,160	$ 24,794,774

As at March 31, 2017, $4,181,025 (2016: $1,433,304) is receivable from GEHI. This amount is included in accounts receivable. GEHI is a Government issued insurance for the Government employees, ministers and members of the legislature and their enrolled dependents.

15. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

f. Other amounts

During the year, the BHB received revenue from People's Pharmacy in the amount of $796,203 (2016: $nil) and the receivable amount from People's Pharmacy at March 31, 2017 was $502,254 (2016: $nil). This amount is included in accounts receivable.

War Veteran Association claims, in the amount of $161,920 (2016: $313,872) were billed as revenue during the year.

During the year, the BHB recorded the following additional related party expenses:

	2017	2016
Payroll tax	$ 4,535,316	$ 3,747,062
Social insurance	2,869,875	3,124,234
Non-refundable duty	2,161,269	1,407,855
Services provided by the Ministry of Public Works	908,554	1,234,169
Miscellaneous charges	698,532	768,493
Rent paid to MRP	614,823	563,584
Nurses' annual pensions	425,193	459,172

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

	2017	2016
Payroll tax	$ 9,960,833	$ 8,353,368
Social insurance	2,718,886	2,492,176
	$ 12,679,719	$ 10,845,544

The following are other related party balances with the Government at March 31:

	2017	2016
Other investments		
Bermuda Government 10 year bonds (Note 5)	$ 24,154,000	$ -
Other receivables		
Refundable deposits paid for duty	$ 439,338	$ 233,158
Accounts payable and accrued liabilities		
Nurses' annual pensions accrual (Note 9a)	$ 6,904,187	$ 6,442,071
Ministry of Public Works	161,064	339,345
Accrued salary and payroll expenses		
Payroll tax	$ 3,677,095	$ 3,303,724
Social insurance	679,468	550,640

16. CONTRACTUAL OBLIGATIONS

a. Property leases

The BHB has entered into various operating lease agreements, which include commercial properties for business purposes, as well as residential properties used to provide accommodations to staff and patients. The minimum annual commitment scheduled for the next year is $828,880.

b. Acute Care Wing

As a result of the contractual obligation to PHS in respect of the ACW, the BHB has entered into the following long term contractual obligations. These payments commenced upon completion of construction. The contractual commitment outlined below excludes the annual commitment disclosed as part of Note 7b – Other Liability – ACW.

Year	Amount
2018	24,203,918
2019	24,062,793
2020	24,130,545
2021	21,662,189
2022-2044	527,153,745
	$ 621,213,190

c. Other contractual obligations

In addition to the above contractual obligations, the BHB also entered into various other long-term contracts, resulting in an estimated average annual contractual commitment of $6 million.

17. CONTINGENCIES

In the ordinary course of business, the BHB is routinely a defendant in or party to a number of pending or threatened legal actions and proceedings, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the period in which the outcomes of such matters become known and determinable. The BHB believes that it has meritorious defences to all asserted claims and intends to defend vigorously against them.

The BHB has medical malpractice insurance in place of up to $20 million per claim and $40 million in the annual aggregate. The BHB has Directors' and Officers' Liability and Company Reimbursement insurance in place with an indemnity limit of $10 million in the annual aggregate, including defence costs and expenses.

The BHB also has Crime Insurance and Employment Practice Liability Insurance in place with each policy having indemnity limits of $5 million in the annual aggregate.

18. DONATIONS IN KIND

Donations in kind relates to services donated by volunteers and is recognised as revenue. The related expense is included in the general supplies and services expense.

19. FINANCIAL RISK MANAGEMENT

The BHB has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Directors have overall responsibility for the establishment and oversight of the BHB's risk management framework. The Directors established finance, audit and risk committees that are responsible for developing and monitoring the BHB's compliance with risk management policies and procedures. These committees regularly report to the Directors on their activities. The BHB's risk management programme seeks to minimise potential adverse effects on the BHB's financial performance. The BHB manages its risks and risk exposures through a combination of insurance and sound business practices.

a. Credit risk

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty, and short-term deposits with an original maturity of 90 days or less. Credit risk associated with cash and cash equivalents is minimised substantially by ensuring that these financial assets are invested with financial institutions whose rating and status are consistently monitored by the BHB. Cash and cash equivalents are held with financial institutions rated BBB+ or above by Standard & Poor's.

Accounts receivable and other receivables

Accounts receivable consist primarily of trade accounts receivable from billings of services provided. The BHB's credit risk arises from the possibility that a counterparty which owes the BHB money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the BHB, which would result in a financial loss for the BHB. This risk is mitigated through established credit management techniques and supplemented by use of professional credit agencies. For the year ended March 31, 2017, the maximum credit risk to which the BHB is exposed represents the fair value of its accounts receivable.

The BHB measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the BHB's historical experience regarding collections. The amounts outstanding at year end were as follows:

2017	Total	Current	31- 60 days	61 - 90 days	91 + days
Subsidy and grants/ Government insurers	$ 12,300,845	$ 6,866,275	$ 2,391,201	$ 1,149,583	$ 1,893,786
Commercial insurers	10,902,324	6,162,213	906,547	400,987	3,432,577
Non insured	10,245,318	2,132,789	366,172	533,907	7,212,450
Other receivables	2,623,971	1,920,403	615,078	-	88,490
Gross receivables	36,072,458	17,081,680	4,278,998	2,084,477	12,627,303
Less: impairment allowance	(11,860,077)	-	-	-	(11,860,077)
Net receivables	$ 24,212,381	$ 17,081,680	$ 4,278,998	$ 2,084,477	$ 767,226

19. FINANCIAL RISK MANAGEMENT (Cont'd)

a. Credit risk (cont'd)

2016	Total	Current	31- 60 days	61 - 90 days	91 + days
Subsidy and grants/ Government insurers	$ 15,185,617	$ 7,614,566	$ 2,540,302	$ 1,116,968	$ 3,913,781
Commercial insurers	11,928,370	6,397,908	588,827	345,380	4,596,255
Non insured	9,964,903	1,930,669	452,715	501,502	7,080,017
Other receivables	1,625,944	1,516,371	-	-	109,573
Gross receivables	38,704,834	17,459,514	3,581,844	1,963,850	15,699,626
Less: impairment allowance	(11,316,128)	-	-	-	(11,316,128)
Net receivables	$ 27,388,706	$ 17,459,514	$ 3,581,844	$ 1,963,850	$ 4,383,498

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure credit risk.

The following table provides an analysis of the significant credit risk concentration that BHB is exposed to as at March 31. The total balance receivable from Government is $11,088,797 (2016: $12,940,384).

	2017
Government Employees Health Insurance	$ 4,181,025
Sunbelt International	3,920,519
Somers Isles Insurance receivable	3,326,215
Government HIP	2,925,331
Government MRF	2,445,480

	2016
Bermuda Government HIP	$ 5,637,418
Somers Isles Insurance receivable	4,243,410
Bermuda Government MRF	3,348,851
Sunbelt International	2,999,140

b. Liquidity risk

Liquidity risk is the risk the BHB will not be able to meet its financial obligations as they fall due. The BHB's objective in managing liquidity is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the BHB's reputation. The BHB manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on receivables collection, generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

19. FINANCIAL RISK MANAGEMENT (Cont'd)

b. Liquidity risk (cont'd)

2017	Within 1 year	2 – 5 years	> 5 years	Total
Accounts payable	$ 10,882,496	$ -	$ -	$ 10,882,496
Other liability	3,810,998	25,504,632	251,288,673	280,604,303
Accrued health insurance	544,939	2,179,756	1,168,574	3,893,269
Pension accrual	1,010,000	5,013,631	15,722,788	21,746,419
	$ 16,248,433	$ 32,698,019	$ 268,180,035	$ 317,126,487

2016	Within 1 year	2 – 5 years	> 5 years	Total
Accounts payable	$ 8,949,352	$ -	$ -	$ 8,949,352
Other liability	3,725,719	20,353,754	260,250,550	284,330,023
Long-term debt - bank loans	1,219,834	2,771,903	-	3,991,737
Pension accrual	544,939	2,179,756	1,728,472	4,453,167
Accrued health insurance	1,040,000	4,630,184	23,106,235	28,776,419
	$ 15,479,844	$ 29,935,597	$ 285,085,257	$ 330,500,698

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure liquidity risk.

Contractual commitments contained in note 16 are not included in the above liquidity risk assessment.

c. Market risk

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

Foreign exchange risk

The BHB's business transactions are mainly conducted in Bermuda dollars and the PPP Agreement is also denominated in US dollars and Bermuda dollars. The Bermuda dollar is pegged to the US dollar. For this reason the BHB believes it has minimal exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The BHB's bank loans were repaid in 2017. The BHB has minimal exposure to interest rate risk.

19. FINANCIAL RISK MANAGEMENT (Cont'd)

c. Market risk (cont'd)

Inflation risk

The PPP Agreement (Note 2k – Acute Care Wing PPP Agreement) exposes the BHB to inflation risk. On an annual basis the contractual payments are adjusted based on the difference between the base inflation rate and the actual inflation rate. Both the Bermuda Consumer Price Index as published by the Government and the United States Consumer Price Index for All Urban Consumers (CPI-U) as published by the United States Department of Labour, are applied in calculating the actual inflation rate.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure market risk.

Market price risk

The BHB is exposed to market price risk, which arises mainly from its investment in the Government 10 year bonds. The management of the BHB monitors this investment and the decision to hold or sell these bonds are approved by the Directors.

20. CAPITAL DISCLOSURES

The BHB considers its capital to be the balance retained in net assets, which includes its net assets (deficit) and internally restricted net assets, as well as deferred capital contributions and obligations. The BHB receives funding from the Government for the delivery of its services.

The BHB's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide delivery of its services to the public.

Management maintains its capital by ensuring that annual operating and capital budgets are developed and approved by the Directors and the MoH based on both known and estimated sources of funding and financing available each year.

21. KEMH AND MWI STATEMENTS OF OPERATIONS

2017

REVENUE	KEMH	MWI	TOTAL
Outpatient (Note 15)	$ 167,871,781	$ 317,517	$ 168,189,298
Inpatient (Note 15)	86,307,447	4,914,505	91,221,952
Government grants (Note 15a)	9,375,277	37,464,000	46,839,277
Extended care unit (Note 12)	9,623,604	-	9,623,604
Non-medical (Note 15f)	2,877,665	310,098	3,187,763
Amortisation of deferred capital contributions (Note 8)	1,717,858	734,903	2,452,761
Interest income	504,384	-	504,384
Donation in kind (Note 18)	164,919	-	164,919
Total revenues	$ 278,442,935	$ 43,741,023	$ 322,183,958
EXPENSES			
Salaries and employee benefits (Notes 9 and 15f)	$ 152,590,158	$ 29,464,948	$ 182,055,106
Medical supplies	30,487,866	740,075	31,227,941
General supplies and services (Note 18)	24,174,436	4,315,336	28,489,772
Repairs and maintenance	18,047,176	1,301,428	19,348,604
Amortisation of capital assets	15,587,631	996,000	16,583,631
Interest (Note 7)	18,689,907	-	18,689,907
Utilities	8,311,276	1,220,052	9,531,328
Bad debt expense	4,583,092	-	4,583,092
Food	1,928,586	897,911	2,826,497
Business social cost (Note 13)	927,095	-	927,095
Loss on disposal of capital assets	549,841	-	549,841
Scholarships issued	60,120	-	60,120
Management charge (Note 14)	(2,000,000)	2,000,000	-
Accrued health insurance (Note 9b)	(9,995,524)	-	(9,995,524)
Total expenses	$ 263,941,660	$ 40,935,750	$ 304,877,410
Excess of revenues over expenses	$ 14,501,275	$ 2,805,273	$ 17,306,548

21. KEMH AND MWI STATEMENTS OF OPERATIONS (Cont'd)

2016

REVENUE	KEMH	MWI	HPL	TOTAL
Outpatient (Note 15)	$ 165,770,174	$ 337,635	$ -	$ 166,107,312
Inpatient (Note 15)	91,914,182	5,837,998	-	97,752,180
Government grants (Note 15a)	10,170,971	37,463,504	-	47,634,474
Extended care unit (Note 12)	9,765,747	-	-	9,765,747
Amortisation of deferred capital contributions (Note 8)	2,814,021	686,304	-	3,500,325
Non-medical (Note 15f)	2,287,689	284,002	-	2,571,691
Interest income	332,675	-	-	332,675
Donation in kind (Note 18)	287,684	-	-	287,684
Total revenues	$ 283,343,142	$ $ 44,609,443	$ -	$ 327,952,585

EXPENSES				
Salaries and employee benefits (Notes 9 and 15)	$ 150,267,351	$ 30,085,261	$ -	$ 180,352,612
Medical supplies	28,278,825	625,601	-	28,904,426
General supplies and services (Note 18)	23,631,513	4,697,906	-	28,329,419
Interest (Note 7)	19,197,732	-	332,060	19,529,792
Amortisation of capital assets	16,041,486	996,000	-	17,037,486
Repairs and maintenance	13,792,570	1,283,029	-	15,075,599
Utilities	8,360,144	1,252,421	-	9,612,565
Food	1,975,206	929,591	-	2,904,797
Business social cost (Note 13)	502,710	-	-	502,710
Scholarships issued	65,000	-	-	65,000
Gain on disposal of capital assets	(1,275)	-	-	(1,275)
Accrued health insurance (Note 9b)	(125,509)	-	-	(125,509)
Management charge (Note 14)	(2,000,000)	2,000,000	-	-
Bad debt recovery	(6,470,049)	-	-	(6,470,049)
Total expenses	$ 253,515,704	$ 41,869,809	$ 332,060	$ 295,717,573

Excess / (deficiency) of revenues over expenses	$ 29,827,438	$ 2,739,634	$ (332,060)	$ 32,235,012

22. BUDGET FIGURES

The budget was approved by the Directors on April 26, 2016.

23. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital consists of the following:

	2017	2016
Accounts and other receivables	$ 7,759,417	$ (21,697,202)
Prepaid expenses	(1,046,218)	43,418
Inventory	(462,680)	(971,902)
Accounts payable and other payables	(2,024,287)	3,852,280
Pension and health accrual	(10,555,422)	(639,960)
	$ (6,329,190)	$ (19,413,366)

24. COMPARATIVE FIGURES

No material adjustments were made to comparative figures.

25. GOVERNMENT GUARANTEE FOR THE PPP AGREEMENT

On December 1, 2010, the Minister of Finance provided an irrevocable guarantee to Paget Health Services Limited on behalf of the BHB to facilitate the completion of the new ACW. The Government guarantees all debt and contractual obligations under the Agreement as disclosed in Notes 7 - Debt and 16 - Contractual Obligations.

26. SUBSEQUENT EVENTS

Employee Future Benefits - Accrued Pension under Contributions

On September 26, 2017, the BHB resolved to authorise all outstanding pension funds be reinstated to employees with a lump sum payment in the amount of $4.86 million. The funds were subsequently paid in full on March 16, 2018.

Mill Reach Properties Limited ("MRP")

On October 24, 2017, the Directors determined it would be to the BHB's long term advantage to exit the lease. The BHB terminated the lease with effect from April 30, 2017.

On November 28, 2017, the BHB accepted an offer by MRP to purchase the shares held by the BHB in MRP and to settle all lease obligations and claims in the amount of $1.35 million, payable in cash to the BHB. The funds were subsequently received in full on December 20, 2017.

Nurses Pension Obligations

On April 1, 2018, the Minister of Finance forgave the Nurses Superannuation Pension Liability of $3,893,269 (2016:

$4,453,167) and contributions payable to the Government of $6,904,187 (2016: $6,442,071). This resulted in a decrease in liabilities of $10,797,456 (2016: $10,895,238) which were recognised as other income in the consolidated statement of operations for the year ended March 31, 2019.

26. SUBSEQUENT EVENTS (Cont'd)

Bermuda Government 10 Year Bonds

On November 17, 2017, the BHB sold the Government 10 Year Bonds for $24,912,500. This disposal resulted in a realised loss of $146,500 that was recognised in the 2018 financial year.

Change in Funding

On May 17, 2019, a Bill was passed in the House of Assembly which changed how the BHB is to be funded. The Government is to pay an annual grant to the BHB, which sets BHB's revenue at $330 million for the year ending March 31, 2020, to replace the existing fee-for-service arrangement under the Health Insurance Amendment Act. The new funding methodology commenced on June 1, 2019.

COVID-19 Pandemic

Subsequent to the year end in March 2020, the World Health Organization officially declared the outbreak of COVID-19 a global pandemic and the BHB considers the emergence and spread of COVID-19 to be a non-adjusting subsequent event that occurred after the reporting period. Management is closely monitoring the evolution of this pandemic, including how it may affect Bermuda's economy, health insurance system and general population. COVID-19 has caused significant disruption to businesses and economic activity in Bermuda and has resulted in a number of people being furloughed or laid off. The going concern basis of preparation assumption for BHB's consolidated financial statements is dependent upon the continued effective operation of the health insurance system in Bermuda and the future financial support from the Government of Bermuda. The impact on BHB's operations of additional procurement of equipment and supplies in response to the pandemic, possible delays in receipts from the Government, commercial insurers and others, and the potential impact on BHB's supply chain as a result of COVID-19 is undeterminable at this stage. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the future operating and financial performance of the BHB or to provide a quantitative estimate of this impact. These factors may give rise to a material uncertainty about the ability of the BHB to continue as a going concern.

27. FUTURE CHANGES IN ACCOUNTING STANDARDS

A number of new standards and amendments to standards issued by PSAB are not yet effective and have not been applied in preparing these consolidated financial statements.

In particular, the following accounting standard amendments are effective for consolidated financial statements on or after April 1, 2018:

PS 2601 – Foreign Currency Translation
PS 3041 – Portfolio Investments
PS 3280 – Asset Retirement Obligations
PS 3400 – Revenue
PS 3430 – Restructuring Transactions
PS 3450 – Financial Instruments

The extent of the impact on adoption of these accounting standards is not known at this time.

King Edward VII Memorial Hospital
T: 441 236 2345

MAILING ADDRESS
PO Box HM 1023 | Hamilton, Bermuda HMDX

STREET ADDRESS
7 Point Finger Road | Paget, Bermuda DV04

Bermuda Hospitals Board

WWW.BERMUDAHOSPITALS.BM

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