



2018



Bermuda Hospitals Board

ANNUAL REPORT

BHB ANNUAL REPORT 2017-2018

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), Mid-Atlantic Wellness Institute (MWI) and Lamb Foggo Urgent Care Centre (UCC) campuses, 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 \$82.9 million. These funds pay for 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 \$107.1 million.

\$139.3 million was paid to BHB by insurance schemes, 55% of which was from commercial insurers and 45% 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 \$8.5 million grant that contributes towards the delivery of long-term care services on the KEMH site.

\$6.3 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 2017.

BOARD AND COMMITTEES

2017 BOARD MEMBERS 1 January – 31 December

BOARD

Peter Everson, Chair
Lucille Parker-Swan, D Chair
Kathryn Gibbons
John Cooper
Dr Sandy Desilva
Dr Victor Scott
Dr George Shaw
Simon Everett
Terry Faulkenberry
*Ralph Richardson, BHCT
*Sharon Vesey, HAB
** Dr Jennifer Attride-Stirling
** Dr Cheryl Peek-Ball
** Dr Keith Chiappa
Venetta Symonds
William Shields
Scott Pearman
Judy Richardson
Dr Chantelle Simmons
Dr Constance Richards
Tawanna Wedderburn

EXECUTIVE COMMITTEE

Peter Everson, Chair
Lucille Parker-Swan
Kathryn Gibbons
Simon Everett
Terry Faulkenberry
Dr Sandy Desilva
Dr Keith Chiappa
Venetta Symonds
William Shields
Scott Pearman

COMMUNICATIONS COMMITTEE

Kathryn Gibbons, Chair
Lucille Parker-Swan
Dr George Shaw
Ralph Richardson
Venetta Symonds
Anna Nowak
Dr Michael Ashton
Bill Zuill
Mark Selley

CLINICAL GOVERNANCE COMMITTEE

Lucille Parker-Swan, Chair
Dr Cheryl Peek-Ball
Dr Keith Chiappa
Venetta Symonds
Judy Richardson
Scott Pearman
Preston Swan
Dr Alicia Stovell-Washington

FINANCE COMMITTEE

Terry Faulkenberry, Chair
Peter Everson
Venetta Symonds
William Shields
Scott Pearman
Arthur Ebbin
Anthony Hunter
Shivon Washington
Michael Fisher
Paula Wight

MODERNIZATION COMMITTEE

Kathryn Gibbons, Chair
Lucille Parker-Swan
Simon Everett
Peter Everson
Dr Keith Chiappa
Venetta Symonds
William Shields
Scott Pearman
Judy Richardson
Anna Nowak
Debbie Jones

HUMAN RESOURCES COMMITTEE

Dr Sandy Desilva, Chair
Lucille Parker-Swan
Kathy Gibbons
Sharon Vesey
Scott Pearman
William Shields
Angela Fraser-Pitcher
Kendra-Lee Pearman
Jennifer Smatt
Alana Rogers

PENSION COMMITTEE

Peter Everson, Acting Chair
Simon Everett
Lucille Parker-Swan
Venetta Symonds
William Shields
Scott Pearman
Angela Fraser-Pitcher
Lori Burchall
Union Representatives
Anthony Manders

AUDIT & RISK

Simon Everett, Chair
Peter Everson
Dr Victor Scott
Venetta Symonds
William Shields
Preston Swan
Martha Tory
Katrina Nusum-Charles
David Pugh
Matthew Pifer

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



It gives me great pleasure to see BHB publish its 2017-18 annual report, and it should be reassuring to the community that yet again BHB has been given a clean, unqualified audit.

BHB experienced challenges related to funding and revenue reductions in this fiscal year, and worked hard to tackle the financial and health-related realities of the times. A savings programme could not avoid a major deficit this year, but services continued and a major piece of strategic planning was completed with the publishing of a Clinical Services Plan, which included input from over 350 individuals, within and outside of BHB, including community members.

The Clinical Services Plan noted that changes were needed in the system to better manage and prevent chronic illnesses in the community.

Without this, the need for acute care beds will increase. This pressure is only going to amplify as our residents get older. The Plan provides helpful insights and a way forward, but the Plan needs a high level of collaboration and cooperation within the entire system, of which BHB is just one part.

So in this challenging year, I would like to thank the Board, leadership and staff for continuing to move us forward and do what is best for patients, for healthcare services and for the community as a whole.

Sincerely,

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



MESSAGE FROM THE CHAIRMAN, TERRY FAULKENBERRY

I am pleased to introduce the 2017-18 Annual Report of activity and financial statements for Bermuda Hospitals Board between 1 April 2017 and 31 March 2018. I would like to thank the Board members and staff who managed a very challenging year, and note that the financial statements received an unqualified audit for this fiscal year.

After many years spent focusing on the establishment of a new acute care wing, this was an exciting year for BHB as it completed the development of a full Clinical Services Plan and engaged with stakeholders to explore pathways to augment and improve on-island services.

This year was financially very challenging, however. Revenue fell significantly, primarily due to a \$26.2 million cut to the Government subsidy budget which funds services used by patients under 18, over 65, as well as those who are indigent. Combined with additional fee changes and reductions to long term care subsidies, a \$40 million shortfall was anticipated and a savings programme was implemented. Although overall expenses also rose by

\$25 million, the final outcome was a \$33.4 million loss in this fiscal year. As a result, cash reserves typically used to ensure liquidity, fund major investments and care improvements, and mitigate unexpected costs were reduced from \$66.5 million to \$24.5 million.

In addition to ensuring our hospitals are prudently administered, the Board is also accountable to ensure adequate funds are available to make investments that improve quality and service delivery aligned with international standards of care. This necessary balance requires careful financial management to ensure a surplus is maintained in each fiscal period. Accordingly, the significant loss experienced in this year, has had a lasting impact on BHB finances since the fiscal year under review.

Thank you to the Board members, leadership and staff working throughout the period under review.



MESSAGE FROM THE CEO, MICHAEL RICHMOND, MD

I was proud to join BHB as Chief of Staff in the fiscal year under review, under Venetta Symonds as CEO & President. It gives me great pleasure to see the hard work reflected in this report. In addition to the daily delivery of services across KEMH, MWI and the Lamb Foggo UCC, our major focus was on how to develop our services to meet the community's healthcare needs, while working within challenging financial constraints caused by significant reductions to subsidies, fees and grants.

Our Patient-Centred Medical Home was established to support individuals who had chronic illnesses but no insurance or were under-insured. The data from its first year of operation clearly showed it had made an impact. Individual healthcare indicators improved, and a significant reduction in the number of emergency visits and hospital admissions was realised for this group. The outcomes highlight how strategic investments in healthcare delivery can improve quality of life for patients, while reducing hospital costs which, in turn, helps to reduce overall costs for us all.

In addition to managing chronic illness in our community, caring for Bermuda's ageing population involves unique challenges across all our services. Our Clinical Services Plan published in this fiscal year developed ways for us to develop services and collaborate with others in the system that factored in the impact of an increasingly ill and aging population. It took months of work from hundreds of people and I am deeply grateful to all those who participated: BHB staff, external stakeholders and the community, whether through surveys, or in working groups who met over many months.

Much more was also achieved in the fiscal year, despite the challenges. It gives me great pride to introduce the achievements of our staff, and share the unqualified audited financial statements for this fiscal year. I would also like to thank Board members, leadership, and staff for their support, advice, and commitment to deliver the best possible care every day.

BHB PATIENT SATISFACTION SURVEY SUMMARY FY2012-2018

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	2018
88.3	92.9	90.7	92.3	93.2	90.9	92.4

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

% Satisfied with Overall Service						
2012	2013	2014	2015	2016	2017	2018
88.0	90.8	89.7	90.3	95.3	96.0	93.7

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

% Satisfied with Overall Service						
2012	2013	2014	2015	2016	2017	2018
94.6	96.0	95.0	95.5	97.0	99.0	96.5

Overall Satisfaction with Surgical Outpatient Services

% Satisfied with Overall Service						
2012	2013	2014	2015	2016	2017	2018
93.3	96.5	93.1	92.5	97.1	94.0	99.0

Overall Satisfaction with Mid-Atlantic Wellness Services

% Satisfied with Overall Service						
2012	2013	2014	2015	2016	2017	2018
86.5	71.8	73.7	82.1	83.5	81.8	74.7

Overall Satisfaction with Long Term Care Services

% Satisfied with Overall Service						
2012	2013	2014	2015	2016	2017	2018
n/a	72.9	82.05	84.2	67.5	81.0	68.9

2017-18 YEAR IN REVIEW

A New Clinical Services Plan for BHB

The development of a comprehensive Clinical Services Plan for BHB was a primary focus this year, as BHB sought to review and confirm the services it offered in order to effectively meet the needs of the community. The process involved hundreds of people including staff, leaders, physicians, community members, non-BHB healthcare providers and Government, collaborating for several months in workgroups called 'Communities of Practice'. To ensure inputs from the community at large were included, several inpatient interviews were conducted and Bermuda residents were invited to complete an online survey, resulting in 150 responses.



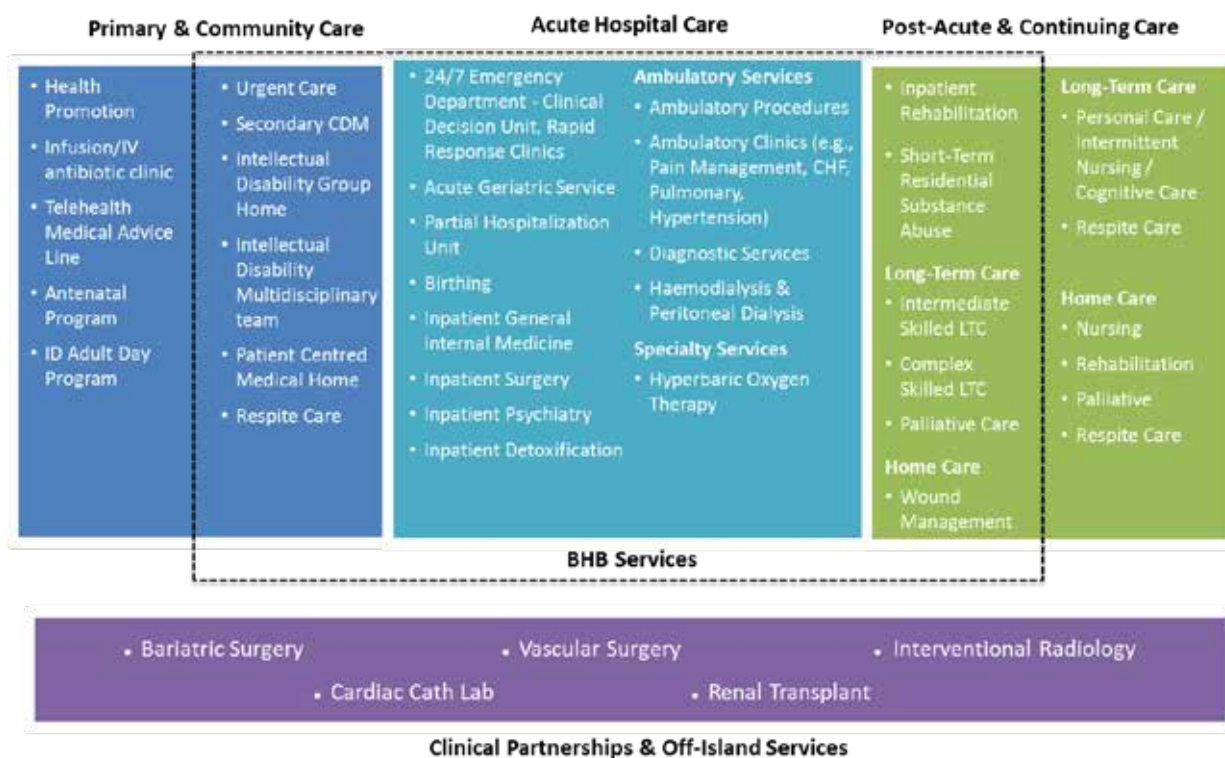
Over the years, BHB services have been developed to meet healthcare needs, address clinical requirements, and often to address Bermuda's service-provision gaps, especially in areas like long term care, mental health, and intellectual disabilities. Like most developed nations, Bermuda is also challenged by rising healthcare costs related to an ageing and increasing unhealthy population. These factors directly impacted the services that BHB provides and were important considerations in the development of the Clinical Services Plan.

Data related to the ageing population and how it impacted KEMH included:

- People over 65 accounted for 38% of all cases, and 65% of all patient days
- Seniors were 28% more likely than younger patients to have complications/comorbidities
- On average, seniors stayed in hospital for 12.6 more days than younger patients
- Seniors were also 50% more likely to be readmitted than younger patients

MWI operates a residential unit for seniors with mental health issues, but all its services are impacted by the changing demographics. Clients needing mental health, substance abuse and intellectual disability services are aging in line with the rest of the community, and so care needs are changing. In general, seniors are also more likely to suffer from depression, increasing demand for both acute inpatient and outpatient services.

The planning process asked which clinical services BHB ought to provide and considered Bermuda's demographic changes and associated healthcare requirements. Current healthcare providers servicing specific populations were identified. There were often no other on-island providers to meet certain community medical, mental health, intellectual disability and substance abuse needs, so changes to clinical services required thoughtful planning to ensure care services were maintained across patient groups. It became clear from stakeholder feedback and discussions among the Communities of Practices that BHB's greatest opportunities involved improving how services are delivered through increased collaboration and cooperation with other providers and government agencies. The following graphic shows the services proposed by the Clinical Services Plan for BHB:



The full Clinical Services Plan was approved by the Board in January 2018 and is available on the BHB website strategy page.

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Caring for patients with dementia



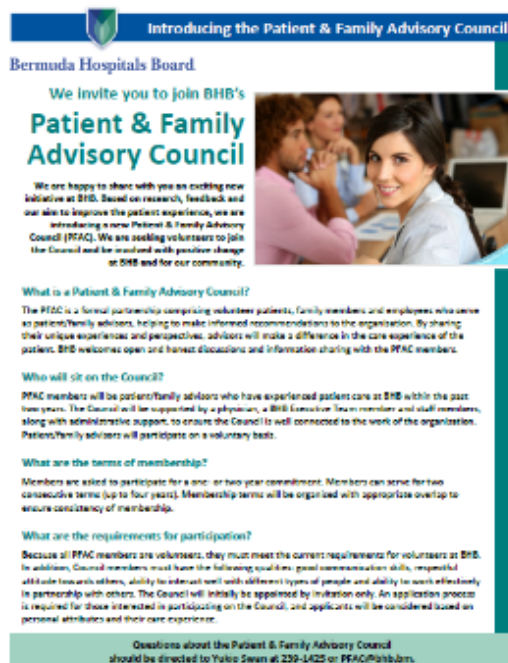
BHB's first two certified Dementia Independent Trainers completed their course in September 2017. Clinical Educators Tamra Broadley and Marina Cann attended the programme in the US and were trained in a technique known as the Positive Approach to Care, which involved practical instruction on how best to care for those living with dementia. The techniques reduce a dementia patient's anxiety and confusion by helping them feel safe and comfortable, which plays a significant role in keeping them healthy. Bringing the latest evidence-based approaches to dementia care has helped BHB improve its service to patients and the community.

Community-inspired improvements

After a community conversation event in February 2017 with over 100 participants, BHB heard that it needed to demonstrate holistic care for the mind, body and spirit of patients, and show more compassion to those it served, with special attention to seniors. It was also recommended that BHB clarify what it does, which services are available and how they are delivered. The following projects helped to address some of the concerns raised during this fiscal year:



- * BHB adjusted its welcoming hours to make it easier for patients to have close family or friends stay for 24 hours when they choose. The number of hours people could visit during the day and evening was also extended.



- * A Patient and Family Advocacy Council was established, and a process agreed with pastoral representatives so that patients could identify if and when they want spiritual support.

Continuing the community conversation

In January 2018, BHB engaged the community in another conversation about several projects designed to improve services at MWI. Topics included strategies to address mental health stigma, supervised group homes, engagement for those with intellectual disabilities, substance abuse education, improving teen life skills, and assertive outreach programmes for children and adolescents.



Patient-Centred Medical Home data highlights improved outcomes



BHB's Patient-Centred Medical Home (PCMH) was established to care for people with one or more chronic illnesses, who are without a GP and are uninsured or under-insured. The service aimed to lower healthcare costs by reducing the need for emergency and inpatient services in this group, and improve the quality of their lives by helping them to better manage their conditions, avoiding complications and hospitalisation.

Data released in this fiscal year provided compelling evidence of the PCMH's impact. Comparing data for patients a year before its establishment to a year after revealed:

- The total number of acute care encounters for this patient group was nearly halved.
- Emergency visits dropped by 57%, from 469 to 201.
- Hospital admissions dropped by 50%, from 111 to 55.
- Hypertension from entry into the service to the most recent visit dropped by more than 20%.
- The results from the A1C test for diabetes saw a mean improvement of 33.5%

Free mental health clinic opens at Southside

The Community Mental Health team at MWI made clinic services available in Langley House and Gulfstream community homes, which are located at Southside in St David's. The clinics made it easier for people in the east end to access free mental health services without the need to travel to MWI.

Mental Health Clinic

Feel that you need mental health support?

The first Friday of every month a mental health nurse will be available onsite for you to speak with. This is a drop-in service so appointments are not necessary. You must be a resident of Langley House or Gulf Stream to attend.

THIS SERVICE IS FREE

Location	Room	Time
Langley House	Room 308	10:00am - 11:00am
Gulf Stream	Room 111	11:00am - 12:00pm

For more information call 239-2422

2017 Mental Health Clinic dates of operation	
Friday	1 Jan
Friday	4 Feb
Friday	7 Mar
Friday	1 Apr
Friday	5 May
Friday	8 Jun
Friday	11 Jul
Friday	14 Aug
Friday	17 Sep
Friday	20 Oct
Friday	23 Nov
Friday	26 Dec

24 Hour telephone for psychiatric emergency 239-5179

BHB launches island-wide asthma campaign



BHB began an island-wide asthma awareness campaign to provide education and potentially reduce emergency admissions to hospital. Asthma is one of the most common reasons for an Emergency Department visit at BHB and during the summer the children's ward (Gosling) admits more patients for asthma than any other health condition. The campaign highlighted common situations that put asthmatics at risk of an acute episode and was delivered through high-visibility ads on the rear windows of public buses, supplemented with online messaging. Each advert directed people to the BHB Asthma Nurse Educator for more information.

Heart Healthy menu introduced for patients

A new heart healthy menu was introduced for all patients in the summer of 2017. Not only did this ensure healthy meals for all people in hospital, but it reduced the need for special requests to accommodate low sodium or low sugar diets, as the menu already supported these needs.

A heart healthy menu is nutritionally balanced and adheres to requirements outlined by the Dietary Guidelines for Americans. All recipes were updated to meet the requirements, new recipes were researched, and products were sourced and taste-tested to ensure offerings had a good flavour profile and presentation. Patients benefited from knowing their meals had been professionally designed to give them the best nutrition as they recovered from illness and injury.



Blood donor recognition aims to increase donations

A new recognition programme for regular blood and apheresis donors was announced on Valentine's Day 2018. From this point onwards, when donors pass a milestone of 10, 20, 50, 75 or 100 donations, they are awarded a special pin recognizing their contribution to saving lives in Bermuda.



Environmental Services strengthens infection protections standard

Environmental Services strengthened its infection control regimen in July 2017 by using DAZO, a clear gel that is fluorescent under black light. Before a room is cleaned, the gel is dabbed on frequently touched areas such as bed rails, call buttons, light switches and toilet scenes. After the room is cleaned, the areas are checked using a black light – if the DAZO is still there, it indicates that the room has not been adequately cleaned. The cleaning outcome data is transmitted wirelessly from a mobile device back to a monitoring system called EnCompass by Ecolab to measure the outcome of the daily tests. The new process strengthened protections against the spread of infection for patients, staff and visitors.



Improving ageing facilities



At MWI, \$800,000 was invested in replacing the Somers Ward (psychiatric inpatient) roof. Renovations covered the substance abuse and methadone clinic areas, and services were temporarily relocated to KEMH while the work was carried out. Child & Adolescent Services also required maintenance in the inpatient area, and improvements to the Health Information Management Services area at MWI started during this fiscal year. Restorative work was also underway in some of the older areas of the General Wing of KEMH.



Executive Appointments

- **Bill Shields** joined BHB in April 2017 as Chief Financial Officer



- **Dr. Michael Richmond** joined BHB in August 2017 as Chief of Staff



BHB wins international WOW! Award

BHB was voted “Workplace of the Year” by an international employee recognition programme, known as The WOW! Awards. BHB’s Child & Adolescent Services placed second in the WOW! “What a Team” category.

BHB was shortlisted in two categories from more than 20,000 nominations submitted to the independent customer service awards organisation. The WOW! Awards administer BHB’s staff recognition programme and nominations are drawn from all the companies who use the programme.

According to the nomination committee, BHB won for staff programmes that “recognise their employees as one of their greatest assets and strive to keep teams enthused and engaged”, and because BHB “has shown innovative ways of communicating and recognising their certificate winners and nominees”.

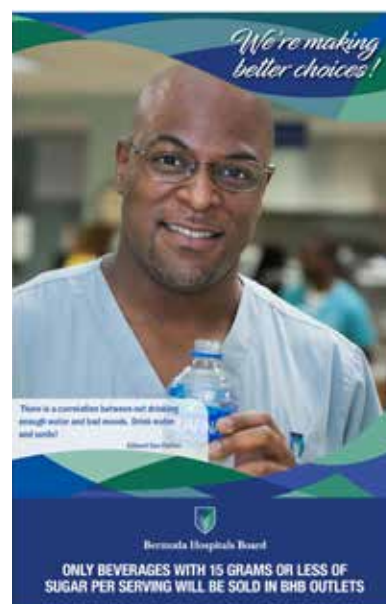
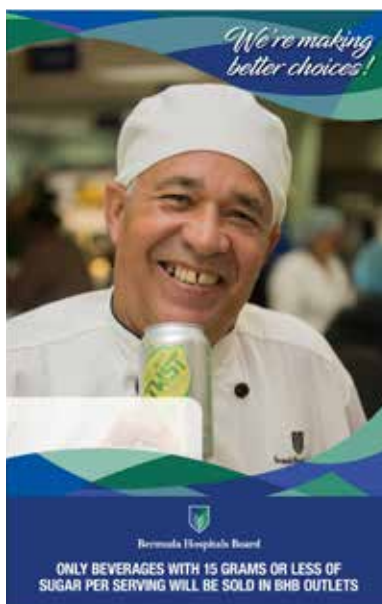
Child & Adolescent Services (CAS) narrowly missed out on the first place award, coming second to the UK's Durham Constabulary. The CAS team was nominated for two RISE Awards following their highly successful implementation of the Teen Life Skills programme.



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Healthier options for staff in MWI and KEMH cafeterias

BHB took the lead in helping staff improve their health by removing all drinks with high sugar content from its staff cafeterias. The Hotel Services department has been gradually phasing out unhealthy beverage offerings, resulting in the elimination of all sodas (except diet), and fruit and energy drinks that contain high fructose in excess of the 15 grams per serving limit that has been instituted. Water and drinks containing less than 15g sugar remain in stock. A promotion to staff called 'We're making better choices' ran to inform them of the change.



BHB summer student programme



Sixty-eight students took part in BHB Summer Student job placements this summer – a 36% increase over last year. Students were placed in a variety of departments across the organisation, with every effort made to place individuals in alignment with their interests. The summer cohort included 12 medical students and four students in the culinary programme which is now in its third year. Summer student Tatiana King was featured in *The Royal Gazette* for her work creating sensory tools for people with intellectual disabilities.

BHB Employee Opinion Survey

All BHB staff were invited to provide feedback on a variety of topics through BHB's regular employee opinion survey, which ended in November ran three weeks and ended in 2017. The survey was completed by 946 staff, which represents about 59% of the workforce and an increase on the previous survey in 2013, when 51% of staff participated. The survey takes place every three to four years, and the results are used to help BHB improve the workplace experience for staff.

New donated ambulances from the HAB



BHB was grateful for a generous donation of two new ambulances, valued at \$197,600, from the Hospitals Auxiliary of Bermuda (HAB) in this fiscal year. The donation took the BHB ambulance fleet to seven. Features in the

new vehicles included electronic oxygen monitoring systems, temperature controlled patient cabins, and call button systems in the cabin to communicate with the driver. Responding to public feedback that it is often difficult to hear the sirens, speakers on the new ambulances were placed on the exterior.

The HAB raises funds for BHB through three business enterprises: The Barn, The Pink Cafe and The Gift Shop. They also receive donations and annual membership dues from their members. The HAB previously donated two ambulances in 2014.

HAB – More than a donor

HAB volunteers provide services throughout many areas in the hospital, including information desks, hospitality carts, the lending library and various clinics and departments. They also help patients on the wards with menu selections, and assist overseas patients and their families.

In addition to adult volunteers, in this fiscal year there were 99 junior members of the HAB, known as “Candy Strippers”. Junior members enter the programme at age 14 and commit to a minimum of two years, with the majority remaining in the programme for four years. On average 36,500 hours of service are donated to the hospital each year by HAB adult and junior members.

BHCT support for training and education



A donation of \$350,000 by the Bermuda Hospitals Charitable Trust (BHCT) was made this year for staff training and scholarships. This enabled new offerings, including two scholarships for a two year mental health nurses training programme at Northampton University, and scholarships for the nursing programme at Bermuda College in memory of Dashunnte Furbert, a BHB employee who worked in the Chief of Staff office while training at the Bermuda College in nursing. She sadly passed away just as she was taking on her first nursing post.

2017 Scholarship winners:

- **Seta Douglas**– \$10,000 over 2 years – Nursing Degree at St. Francis Xavier University – Antigonish, Nova Scotia – Canada
- **Lalique Simmons**– \$10,000 over 2 years – Nursing Degree at Oakwood University, Huntsville Alabama, USA
- **Dymond DeSilva** – \$10,000 over 2 years – Nursing Degree at Ryerson University – Toronto, Canada
- **Ez-Zarhá Shakir**– \$10,000 over 1 year – Nursing Degree at the University of Nottingham, Nottinghamshire, UK
- **Asha Caisey** – \$5,500 over 1 year – Nursing Degree – New Nursing Scholarship in Memory of Dashunte Furbert at the Bermuda College –Paget, Bermuda
- **Azhanaé Oliver**– \$5,500 over 1 year – Nursing Degree – New Nursing Scholarship in Memory of Dashunte Furbert at the Bermuda College – Paget, Bermuda
- **Tenneil Ratteray**– \$10,000 – 3 years – Doctorate Degree, Physical Therapy at Andrews University, Berrien Springs, MI
- **Adriene Berkeley**– \$5,000 – 1 year – Ph.D. – Counselling Psychology at City, University of London, London, UK
- **Allanna Bean**– \$10,000 – 4 years – Ph.D. – Clinical Psychology at Arizona School of Professional Psychology at Argosy University, Phoenix – Arizona, USA
- **Lynnique Castle**– \$10,000 over 3 years, GlaxoSmithKline Recipient 2017 - Master's of Pharmacy Degree at Durham University – Durham – North England

The first two mental health nursing scholarships were announced in January 2018, with Waleed Lightbourne and Janai Coldwell named as the successful students. Recipients of the mental health nursing awards must have completed a two-year Associate's Degree in Nursing from Bermuda College. The scholarships pay \$40,000 per year to attend Northampton University so the recipients can complete a Bachelor's Nursing Degree in Mental Health.



Financial recovery planned developed to address shortfalls

BHB developed a financial recovery plan to address reduced revenues expected to last beyond the year under review. These shortfalls were caused by:

- Changes to Standard Premium Rates relating to Diagnostic Imaging and Dialysis Fees resulting in a reduction of approximately \$16 million
- Subsidy restrictions - in 2016/17, HID recognised \$116 million submitted BHB claims out of \$124 million total submitted, but only \$108 million was paid. The total submitted claim for 2017/18 was \$107.1 million, but the available subsidy budget was set at \$82.856 million, resulting in a \$40 million shortfall.
- The revised per diem rate for continuing and long term care patients was cut from \$1,250 to \$659, with subsidy covering \$440.

With a deficit of \$33.4 million for the 2018 fiscal year, and the expectation that pressure on revenues would continue beyond the fiscal period, our focus involved the realisation of significant savings over four years. Budgets were reviewed and a savings programme was established that resulted in BHB expenses consistently tracking below budget.

THE 2017-18 FISCAL YEAR IN PICTURES

April 2017 – US Consulate Office staff in Bermuda complete mental health aid training



Eight administrative staff from the US Consulate Office in Bermuda completed BHB's two-day Mental Health First Aid course, which aims to give people a better understanding of mental health conditions and advice on how to help someone who might be experiencing a mental health crisis.

May 2017 – CT scanners upgraded to support radiation therapy



BHB started to provide CT simulations for cancer patients before they undertake radiation therapy. This was part of the collaboration with Bermuda Cancer & Health to offer radiation therapy in Bermuda. Having on-island radiation therapy means people don't have to travel for treatment. It results in a better care experience, reduced hospitalisation expenses for families, and reinvestments into community services enabled by the retention of on-island healthcare expenditures.

May 2017 – MWI Mental Welfare Officer, Carys Caisey, was voted as Nurse of the Year by the Bermuda Nurses Association



May 2017 – BHB Wellness FUNdraiser Walkathon

Thirty-seven BHB staff members walked from the Lamb Foggio Urgent Care Centre to KEMH, raising \$1,500 for Agape House.



May 2017 – Pre-Heritage Day Extravaganza



Learning disability clients enjoyed a Bermuda Day celebration ahead of the public parade with a special event at New Dimensions. More than 50 clients and 200 spectators enjoyed the fun and entertainment.

June 2017 – MWI service users' garden

Culinary herbs grown by MWI service users on-site were harvested and used in the BHB kitchen for patient and staff meals.



August 2017 – Solar eclipse

BHB Staff came out on 21 August to view the solar eclipse using pinhole cameras and special phone apps. Two nurses shared their special glasses so that others could take photos.

June 2017 – Corporate Blood Drive Winner

Bacardi Limited won the Corporate Blood Drive Competition, an annual contest between organisations. As a result of this competition there were 423 donations – 384 whole blood donations and 39 apheresis donations. Bacardi contributed 18.7% of the 423, competing against 18 other companies.



September 2017 – BHB physician deployed to the British Virgin Islands



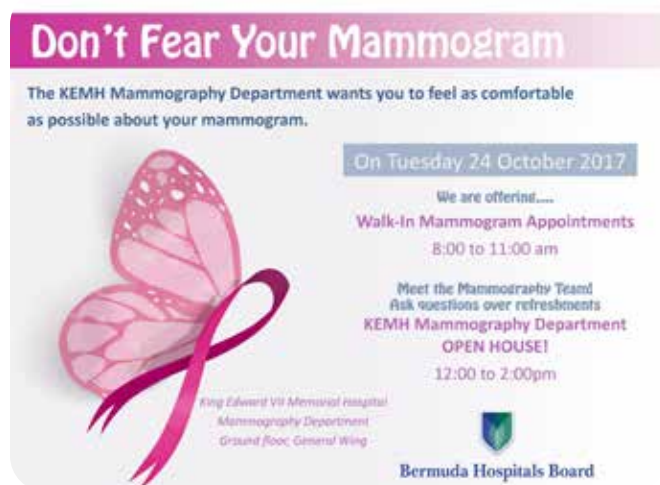
July 2017 – Cup match colours at BHB

In the lead up to Cup Match, BHB decorated its interior to help patients, visitors, and staff feel some traditional cup match spirit.



Following a devastating hit from Hurricane Irma in the British Virgin Islands, Roslyn Bascombe-Adams, Director of Emergency and Hyperbaric Services at BHB, was asked to attend a two-week deployment by the Pan American Health Organisation/World Health Organisation (PAHO/WHO) to assist with their hurricane response. Dr. Bascombe-Adams is a member of the Regional Emergency Medical Team of PAHO, a certified PAHO Disaster Instructor, and the chairperson of BHB's Disaster Management and Response Committee. She represents the hospital on the Emergency Measures Organisation and leads the PAHO Mass Casualty Management System training course for first responders in Bermuda.

October 2017 – Mammography department puts breast health first



A special Breast Health Awareness day took place on Tuesday 24 October 2017 at the KEMH Mammography Department. Women over 40 who had not had a mammogram in the past year were provided with a special walk-in service from 8am to 11am. An open-house was also held on the same day so that women who had never experienced a mammogram could meet the team, ask questions and see the equipment while enjoying refreshments.

November 2017 – Free health screenings for Diabetes and Chronic Lung Disease Awareness Month



Free health screenings were offered as part of Diabetes and Chronic Lung Disease Awareness Month. BHB staff from the Diabetes, Respiratory, Endocrine, and Metabolism (DREAM) Centre gave free health screenings for lung function, blood sugar and blood pressure at KEMH and MWI. They also worked with the KEMH Cafeteria to offer a week of healthy menus.



November 2017 – Fight like a preemie

BHB's Special Baby Unit (SCBU) organised a preemie party for parents and siblings of premature babies born between 2013 and 2017 on Saturday 18 November to celebrate World Prematurity Day, which took place the day before.



December 2017 – Donate blood in honour of a loved one



The Bermuda Blood Donor Centre encouraged donation during the Christmas season by giving people the option to donate in honour of someone they love, and giving them a special card to commemorate the gift.

December 2017 – Christmas baby



Drue Trott was welcomed as Bermuda's only Christmas Day baby, born at 12:25am. The daughter of Anthonea DeSilva and Rodney Trott of Devonshire, Drue has two older brothers aged 10 and five. The couple did not know the sex of their new baby beforehand so it was a complete surprise when she arrived.

January 2018 – Silence the Shame

Bermuda Hospitals Board supported the Silence the Shame initiative to destigmatise mental illness. BHB Mental Welfare Officer and Nurse of the Year, Carys Caisey represented MWI at a free public event on 6 January 2018 at the Bermuda National Gallery.



February 2018 – Cardiac testing expanded

CT angiography as well as cardiac calcium scoring was added to BHB's cardiac testing offering in February. In CT angiography, 3D images of arteries that supply blood to the heart are taken with a CT scanner. The test can help determine the cause of chest pain and may indicate blockages and conditions like atherosclerosis. The other new test uses CT scanning of the heart to identify calcium deposits in the coronary vessels, as they put people at risk for developing heart disease.



February 2018 – Bermuda Festival at MWI

MWI service users enjoyed a special presentation by Playing by Air, who were visiting the island to perform their juggling comedy performance as part of the Bermuda Festival.



March 2018 – Kite-making class for intellectual disability clients

Eugene O'Connor, widely held as Bermuda's kite king, volunteered his expertise and provided kite-making classes before the Easter Holiday for Reid Ward service users. Reid ward is home to seniors with mental health conditions.



BHB Employee Compensation Report for 2017/18

LEVELS	Notes	Base Pay Range	Total Compensation ²	Total Cost ³
BIU	This group includes Nursing Aides, and non-management staff in support departments including Environmental Services, Facilities, Dietary, and Laundry. Salaries are negotiated every two years with the BIU.	\$45,160.00 to \$94,740.00	\$46,870.00 to \$114,120.00	\$53,690.00 to \$129,800.00
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.	\$47,620.00 to \$153,220.00	\$48,330.00 to \$224,170.00	\$59,430.00 to \$251,560.00
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.	\$106,520.00 to \$290,030.00	\$106,520.00 to \$319,420.00	\$121,190.00 to \$359,770.00
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.	\$207,300.00 to \$545,610.00	\$207,300.00 to \$666,280.00	\$230,590.00 to \$744,650.00
Executive	This group includes Chiefs and Vice Presidents. Changes to salaries and compensation were made with the oversight of Board sub-committees or the Chairman during this period. There was no performance pay for this group in 2017/18.	\$139,050.00 to \$493,770.00	\$139,050.00 to \$493,770.00	\$160,020.00 to \$517,750.00

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 2018.
- 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 - FY 2017/2018

Group	Basic Pay	Total Compensation	Total Cost
CHIEF EXECUTIVE OFFICER	493,769	493,769	517,746
CHIEF OF STAFF	528,918	547,925	625,293
CHIEF FINANCIAL OFFICER	406,828	481,982	507,958
CHIEF OF NURSING	216,528	216,528	244,473
CHIEF OPERATING OFFICER	297,049	297,049	330,697

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL

APRIL 2015 - MARCH 2016 APRIL 2016 - MARCH 2017 APRIL 2017 - MARCH 2018

INPATIENT - GENERAL WING

Beds	79	103	103
Patient Days	7,464	9,196	12,780
Discharges (incl. Deaths)	1,955	1,951	2,020
Length of Stay	2.5	3.2	4.3
Births	584	558	571
Percentage of Occupancy	26%	24%	34%

INPATIENT - **NEW ACUTE CARE WING - OPENED 14/09/2014

Beds	90	90	90
Patient Days	28,551	30,524	30,805
Discharges (incl. Deaths)	3,926	3,963	3,734
Length of Stay	6.7	6.8	7.3
Percentage of Occupancy	87%	93%	94%

CONTINUING CARE UNITS - UPPER & LOWER

Beds	97	RENAMED CONTINUING	
Patient Days	606	CARE UNITS - COOPER	
Discharges	1	& PERRY WARD	
Length of Stay	60.6		
Percentage of Occupancy	26%		

CONTINUING CARE UNITS - COOPER & PERRY WARDS

(1 APRIL TO 31 MAY 2017)

Beds	68	68	68
Patient Days	21,643	21,598	3,918
Discharges	27	45	1
Length of Stay	216	431.9	653.0
Percentage of Occupancy	89%	87%	94%

CONTINUING CARE UNITS
RENAMED LONG TERM
CARE UNITS - COOPER,
GORDON, CURTIS & PERRY
WARD AS OF 1 JUNE 2017

LONG TERM CARE UNITS - CURTIS, COOPER, GORDON & PERRY WARD

Beds			117
Patient Days			31,388
Discharges			177
Length of Stay			125.1
Percentage of Occupancy			88%

HOSPICE

Beds	8	8	8
Patient Days	2,071	2,298	2,033
Discharges	112	103	126
Length of Stay	18.3	22.0	15.8
Percentage of Occupancy	71%	79%	70%

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL cont'd

APRIL 2015 - MARCH 2016 APRIL 2016 - MARCH 2017 APRIL 2017 - MARCH 2018

ALTERNATE LEVEL OF CARE (ALC) - GORDON & CURTIS WARDS

(1 APRIL TO 31 MAY 2017)

Beds	49	49	49
Patient Days	16,272	16,010	2,702
Discharges	79	110	15
Length of Stay	118.7	94.7	135.1
Percentage of Occupancy	91%	88%	90%

ALL PATIENTS

Emergency Dept. Visits - KEMH	31,594	30,982	30,728
Lamb Foggo Urgent Care Centre Visits	4,880	4,588	4,552
Operations (Inpatients) & (SDA)	994	1,861	1,638
Operations (Outpatients)	6,339	6,305	6,827
Physiotherapy (units) (Inpatients)	11,517	10,340	N/A
Physiotherapy (units) (Outpatients)	17,063	12,120	N/A
Physiotherapy (units) (CCU)	238	248	N/A
X-Ray Exams (In & Out)	29,571	30,276	29,389
Laboratory (Thousand Units)(In & Out)	3,111,707	3,441,850	3,395,034
Cardiac Investigations (ECG & EEG)(In & Out)	9,865	10,377	10,620
Ultrasound Exams(In & Out)	6,966	7,110	5499
Nuclear Medicine (In & Out)	692	754	695
Chemotherapy Treatments (Outpatients)	2,940	3,260	3,529
Cat Scans (In & Out)	10,969	12,788	12,937
MRI (In & Out)	3,520	3,585	3,740
Occupational Therapy (units)(Inpatients)	5,066	9,431	N/A
Occupational Therapy (units)(Outpatients)	3,570	3,749	N/A
Occupational Therapy (units) (CCU)	91	256	N/A
Speech/Language Pathology (Inpatient)	7,001	6,428	N/A
Speech/Language Pathology (Outpatient)	1,122	676	N/A
Speech/Language Pathology (CCU)	3,552	1,946	N/A
Hyperbarics patients	26	26	13
Hyperbarics treatments	212	228	61
Wound care patients	2,008	2,064	2,080
Wound care treatments	6,379	6,476	6,256
Rehab Day Hospital - new patients	219	222	209
Rehab Day Hospital - # of clients	869	1,050	1318
Rehab Day Hospital - # of discharges	199	187	140
Home Care visits	3,749	4,293	3,798
Blood donations	1711	2,006	1557

*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

Alternate Level of Care (ALC) - Gordon and Gordon ward extension - discontinued 31 May 2017

Continuing Care Units - Cooper and Perry wards - discontinued 31 May 2017

Long Term Care (LTC) - Cooper, Curtis, Gordon & Perry wards - effective 1 June 2017

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - MID-ATLANTIC WELLNESS INSTITUTE

APRIL 2016-MARCH 2017

APRIL 2017-MARCH 2018

INPATIENT - ACUTE CARE

Beds	23	23
Discharges (including deaths)	207	236
Length of Stay	14	13
Admissions	219	237
Percentage of Occupancy	77%	73%
Patient Days	6,544	6,181

LONG TERM & - REHABILITATION

Beds	40	40
Discharges	36	23
Patient Days	14,086	13,994
Length of Stay	391	538
Deaths	3	2
Transfer from Acute	N/A	N/A
Percentage of Occupancy	96%	96%
Average Years of Stay of Deaths	631 days	85 days

TURNING POINT (SUBSTANCE ABUSE - DETOX UNIT)

Beds	8	8
Discharges	113	77
Patient Days	1,522	1,076
Length of Stay	13	14
Admissions	113	79
Percentage of Occupancy	52%	37%

CHILD & ADOLESCENT SERVICES (CAS)

Beds	4	4
Discharges	21	17
Patient Days	310	144
Length of Stay	14	8
Admissions	20	18
Percentage of Occupancy	21%	10%

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	326	380
Total No. of Re-Admissions / Referrals	126	175
Total No. of Follow-up appointments	4687	6291
Total No. of Day Patients Visits	12576	12590
Total No. of walk-in / unscheduled Visits	12293	12388
Total No. of DNA to scheduled Appointments	1596	2297
Total No. of T.O.P's	17	44
Total No. of Home Visits	7467	7437



Bermuda Hospitals Board

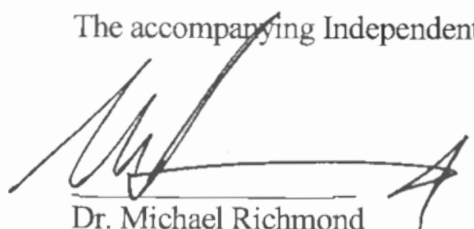
Management's Responsibility for the Financial Statements

These 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 are 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 Audit and Risk Committee, is responsible for ensuring that management fulfils its responsibility for financial reporting and internal controls. The Audit and Risk Committee meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The Audit and Risk Committee also reviews the financial statements before recommending approval by the board members. The 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.



Dr. Michael Richmond
Chief Executive Officer and President
March 12, 2021



Mr. William Shields
Chief Financial Officer
March 12, 2021



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Health

I have audited the accompanying financial statements of the Bermuda Hospitals Board, which comprise the statement of financial position as at March 31, 2018, and the 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2018, and its 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.

Heather Thomas, CPA, CFE, CGMA
Auditor General

Hamilton, Bermuda
March 12, 2021

BERMUDA HOSPITALS BOARD
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018 (PRESENTED IN BERMUDA DOLLARS)

	2018	2017
	\$	\$
ASSETS		
Current assets		
Cash	24,501,148	66,539,361
Term deposits	46,059,072	22,070,056
Restricted cash, term deposits and investments (Note 4)	6,351,860	4,444,221
Accounts receivable (net of allowance for doubtful accounts) (Notes 16 & 20a)	28,771,698	21,588,410
Other receivables (Notes 16g & 20a)	2,331,446	2,623,971
Prepaid expenses	2,807,264	3,063,339
Inventories	9,465,710	9,087,953
	120,288,198	129,417,311
Non-current assets		
Acute Care Wing building (Note 10)	317,030,623	322,763,898
Capital assets (Note 11)	143,489,068	147,014,232
Term deposits	1,518,397	1,501,946
Other investments (Notes 5 & 16g)	117,435	25,592,106
	462,155,523	496,872,182
Total assets	582,443,721	626,289,493
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9, 16g & 20b)	22,213,670	19,096,721
Accrued salary and payroll expenses (Notes 9 & 16g)	21,613,140	27,493,329
Current portion of other liability (Notes 7, 20b & 26)	4,408,161	3,810,998
Current portion of deferred capital contributions (Note 8)	2,496,714	2,496,714
	50,731,685	52,897,762
Non-current liabilities		
Other liability (Notes 7, 20b & 26)	272,385,144	276,793,305
Deferred capital contributions (Note 8)	51,057,739	52,993,298
Pension accrual (Notes 9a & 20b)	3,751,972	3,893,269
Accrued health insurance (Notes 9b & 20b)	30,818,921	33,627,164
	358,013,776	367,307,036
Total liabilities	408,745,461	420,204,798
Net assets (Notes 11 & 21)		
Internally restricted for education	946,896	686,241
Unrestricted net assets	172,426,276	206,095,801
	173,373,172	206,782,042
Accumulated remeasurement gain (loss)	325,088	(697,347)
	173,698,260	206,084,695
Total liabilities and net assets	582,443,721	626,289,493
Contractual obligations and contingencies (Notes 17 & 18)		

The accompanying notes are an integral part of these financial statements

BERMUDA HOSPITALS BOARD
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2018 (Presented in Bermuda Dollars)

	2018 Budget (Note 22)	2018	2017
REVENUES (Note 21)	\$	\$	\$
Outpatient (Note 16)	145,817,519	143,652,909	164,882,888
Inpatient (Note 16)	95,014,847	100,651,856	104,151,966
Government grants (Note 16a)	45,150,000	46,349,575	46,839,277
Non-medical (Note 16)	4,182,798	2,743,769	3,187,763
Amortisation of deferred capital contributions (Note 8)	2,200,000	2,434,948	2,452,761
Interest income	1,028,655	579,164	504,384
Donations in kind (Note 19)	-	176,789	164,919
Total revenues	293,393,819	296,589,010	322,183,958
EXPENSES (Note 21)			
Salaries and employee benefits (Notes 9 & 16g)	195,797,166	193,190,696	182,055,106
General supplies and services (Note 19)	39,392,980	28,202,853	28,489,772
Medical supplies	26,984,908	27,698,668	31,227,941
Repairs and maintenance	17,657,814	25,113,574	19,348,604
Interest (Note 2j)	19,114,000	19,052,646	18,689,907
Amortisation of capital assets	12,239,000	11,214,104	10,962,773
Utilities	9,526,669	11,072,107	9,531,328
Bad debt expense	3,577,412	8,012,965	4,583,092
Amortisation of Acute Care Wing building	6,257,000	5,733,275	5,620,858
Food	2,846,870	3,135,563	2,826,497
Realized loss on sale of other investments (Note 5)	-	146,500	-
Scholarships issued	-	141,858	60,120
Business social cost (Note 14)	-	91,314	927,095
Loss on disposal of capital assets	-	-	549,841
Accrued health insurance gain (Note 9b)	-	(2,808,243)	(9,995,524)
Total expenses	333,393,819	329,997,880	304,877,410
(Deficiency) Excess of revenues over expenses	(40,000,000)	(33,408,870)	17,306,548

The accompanying notes are an integral part of these financial statements

BERMUDA HOSPITALS BOARD
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2018 (Presented in Bermuda Dollars)

	2018			
	Invested in capital assets	Internally restricted for education	Unrestricted net assets (deficit)	Total
Net assets	\$	\$	\$	\$
Balance, beginning of year	-	686,241	206,095,801	206,782,042
Excess (deficiency) of revenues over expenses	-	260,655	(33,669,525)	(33,408,870)
Balance, end of year	-	946,896	172,426,276	173,373,172

	2017			
	Invested in capital assets	Internally restricted for education	Unrestricted net assets (deficit)	Total
Net assets	\$	\$	\$	\$
Balance, beginning of year	437,458,819	349,213	(248,332,538)	189,475,494
Excess of revenues over expenses	-	337,028	16,969,520	17,306,548
Transfer to unrestricted assets (Note 12)	(437,458,819)	-	437,458,819	-
Balance, end of year	-	686,241	206,095,801	206,782,042

The accompanying notes are an integral part of these financial statements

BERMUDA HOSPITALS BOARD
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2018 (Presented in Bermuda Dollars)

	2018		
	Internally restricted for education	Unrestricted net assets (deficit)	Total
	\$	\$	\$
ACCUMULATED REMEASUREMENT GAINS			
Balance, beginning of year	155,741	(853,088)	(697,347)
Unrealised gains attributable to equity and debt instruments	88,076	29,359	117,435
Amounts reclassified to statement of operations	-	905,000	905,000
Balance, end of year	243,817	81,271	325,088

	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 gains (losses) attributable to equity and debt instruments	70,461	(881,513)	(811,052)
Balance, end of year	155,741	(853,088)	(697,347)

The accompanying notes are an integral part of these financial statements

BERMUDA HOSPITALS BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018 (Presented in Bermuda Dollars)

	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Deficiency) excess of revenues over expenses	(33,408,870)	17,306,548
Amortisation of Acute Care Wing building	5,733,275	5,620,858
Amortisation of capital assets	11,214,104	10,962,773
Loss on disposal of capital assets	-	549,841
Amortisation of deferred capital contributions	(2,434,948)	(2,452,761)
Bad debt expense	(8,012,965)	(4,583,092)
Interest income	(579,164)	(504,384)
Interest expense	19,052,646	18,689,907
Unrealised losses (gains) on investments (Note 6)	1,022,435	(811,052)
Realised loss on sale of other investments	146,500	-
Net change in non-cash working capital (Note 23)	(4,712,259)	(6,329,190)
Net cash flows (used in) from operating activities	(11,979,246)	38,449,448
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	(7,688,940)	(5,407,563)
Deferred capital contributions received	499,389	917,707
Net cash used in capital activities	(7,189,551)	(4,489,856)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(24,209,935)
Sale of investments	25,311,720	-
Interest income received	579,164	504,384
Net cash from (used in) investing activities	25,890,884	(23,705,551)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	-	(3,655,234)
Repayment of other liability	(3,810,999)	(3,725,720)
Interest paid	(19,052,646)	(18,689,907)
Net cash used in financing activities	(22,863,645)	(26,070,861)
Net decrease in cash and cash equivalents	(16,141,558)	(15,816,820)
Cash and cash equivalents, beginning of year	93,053,638	108,870,458
Cash and cash equivalents, end of year	76,912,080	93,053,638
Cash and cash equivalents consist of the following:		
Cash	24,501,148	66,539,361
Term deposits	46,059,072	22,070,056
Restricted cash, term deposits and investments	6,351,860	4,444,221
	76,912,080	93,053,638

The accompanying notes are an integral part of these financial statements

1. AUTHORITY AND ORGANISATION

a. Authority

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 Lamb Foggo Urgent Care Centre (“UCC”). 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 (2017: 90 beds) and 228 general and continuing care beds (2017: 228 beds).

MWI is a psychiatric facility with 4 beds (2017: 4 beds) for children and adolescents and 71 long-term rehabilitation beds (2017: 71 beds).

2. SIGNIFICANT ACCOUNTING POLICIES

These 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, 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

As at March 31, 2018, BHB held no subsidiaries and no consolidation accounting has been applied.

b. Revenue recognition

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

b. Revenue recognition (cont'd)

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 statement of remeasurement gains and losses until they are realised, then they are transferred to the statement of operations.

c. 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 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%)
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 statement of operations.

There were no capital leases and assets under construction as at March 31, 2018 (2017: \$nil).

d. Cash and cash equivalents

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 BHB.

e. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f. Donated services

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

g. Financial instruments

BHB measures its financial instruments at fair value on initial recognition. Subsequently financial instruments are recorded at either fair value, cost or amortised cost. 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. Other investments consists of investment in equity shares, which are quoted on the local stock market.

These 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 statement of remeasurement gains and losses until they are realised, then they are transferred to the 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 statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed and recognised in the statement of operations.

(ii) Cost or amortised cost

Cash, restricted cash and term deposits are recognised at cost.

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.

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 statement of operations.

h. Employee future benefits

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

h. Employee future benefits (cont'd)

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. 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 (2017: nil years) as there are no active employees in the plan. The average remaining service life of the active employees covered by the health benefit plan is 5.8 years (2017: 4.4 years).

i. Employee health insurance plan

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 BHB self-insuring its employees' healthcare benefits.

The plan's cumulative deficit or surplus incorporates the net premium, incurred claims, interest and administration charges. 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. BHB accrues all gratuitous payments to the fund as approved by the Directors. The cumulative surplus allocated to BHB shall be available to the BHB plan, 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. 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 BHB within 31 days of the end of the 12-month period following termination, subsequent to the deduction of any unpaid premiums.

j. Acute Care Wing (ACW) building

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. BHB has capitalized these costs within the land and buildings category of its capital assets (See Note 10 – ACW Building). 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 7 – 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 (1.7%).

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

k. Measurement uncertainty

The preparation of financial statements in conformity with PSAS for GNFPs 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 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 financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

l. Related parties

Related parties are identified as entities under the common control or shared control, directly or indirectly of the Government, entities in which BHB has shareholding with significant influence and key management personnel. 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. Related party transactions are recorded at the exchange amount as agreed between the respective parties.

3. ECONOMIC DEPENDENCE

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 BHB (See Note 20a – Credit Risk and Note 26 – Change in Funding).

4. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

	2018	2017
Restricted cash	\$ 5,999,555	\$ 4,179,992
Restricted investments	352,305	264,229
	<u>\$ 6,351,860</u>	<u>\$ 4,444,221</u>

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

	2018		2017	
	Fair value	Cost	Fair value	Cost
Ascendant Group Limited	\$ 469,740	\$ 144,651	\$ 352,305	\$ 144,651

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

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

	2018	2017
External		
Patient comfort funds	\$ 1,738,505	\$ 1,713,617
Construction projects and capital assets (Note 8)	51,772	453,134
Forensic mental health funds (Note 16a)	1,327,000	1,327,000
Special Project – Biological Oxidizer	1,935,382	-
	<u>5,052,659</u>	<u>3,493,751</u>
Internal		
Educational purposes	\$ 1,299,201	\$ 950,470
	<u>6,351,860</u>	<u>4,444,221</u>

5. OTHER INVESTMENTS

Other investments are comprised of the following:

	2018	2017
Bermuda Government 10 year bonds, at fair value (Note 16g)	\$ -	\$ 24,154,000
MRP shares, at cost	-	1,350,030
Ascendant Group Limited, at market value	117,435	88,076
	<u>117,435</u>	<u>25,592,106</u>

On October 19, 2016, BHB purchased \$25 million 10-year bonds issued by the Government of Bermuda ("Government"). These bonds were accounted for at fair value. On November 17, 2017, BHB sold its holdings in the Bermuda Government Bond. The disposal resulted in a realised loss of \$146,500.

On October 14, 2011, 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 BHB for its Materials Management Department. The investment in MRP is accounted for using the cost method because BHB does not have significant influence over the strategic operations and financing policies of this company. On November 28, 2017, BHB accepted an offer by MRP to purchase the shares held by BHB in MRP and to settle all lease obligations and claims in the amount of \$1.35 million, payable in cash. The funds were subsequently received in full on December 20, 2017.

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 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).

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6. FINANCIAL INSTRUMENT CLASSIFICATION (Cont'd)

2018		Level 1	Level 2	Level 3	Total
Ascendant Group Limited	\$	469,740	\$ -	\$ -	469,740

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2018. There were also no transfers in or out of Level 3.

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.

7. OTHER LIABILITY - ACW

	2018	2017
Other liability	\$ 276,793,305	\$ 280,604,303
Less: Current Portion	(4,408,161)	(3,810,998)
	<u>\$ 272,385,144</u>	<u>\$ 276,793,305</u>

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
2019	4,408,161
2020	4,584,572
2021	7,271,075
2022	9,240,823
2023	9,993,081
2024-2044	<u>241,295,593</u>
	<u>\$ 276,793,305</u>

BHB's contractual obligations to PHS in respect of the ACW are disclosed in Note 17 – 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 statement of operations.

8. DEFERRED CAPITAL CONTRIBUTIONS (Cont'd)

	2018	2017
Deferred capital contributions	\$ 53,554,453	\$ 55,490,012
Less: Current portion	<u>(2,496,714)</u>	<u>(2,496,714)</u>
	<u><u>\$ 51,057,739</u></u>	<u><u>\$ 52,993,298</u></u>

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

	2018	2017
Balance, beginning of year	\$ 55,490,012	\$ 57,025,066
Add: contributions received	499,389	917,707
Less: amounts amortised to revenue	<u>(2,434,948)</u>	<u>(2,452,761)</u>
Balance, end of year	<u><u>\$ 53,554,453</u></u>	<u><u>\$ 55,490,012</u></u>

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

	2018	2017
Amortised capital contributions used to purchase assets	\$ 53,502,681	\$ 55,036,878
Unspent contributions (Note 4)	<u>51,772</u>	<u>453,134</u>
	<u><u>\$ 53,554,453</u></u>	<u><u>\$ 55,490,012</u></u>

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 BHB contributes 5% (2017: 5%) of gross salary and the employee contributes 5% (2017: 5%) of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five years with respect to BHB's contributions. Beginning January 1, 2000, 100% of BHB's contributions vest after two years. When an employee ceases employment with BHB, other than through retirement, BHB's unvested contributions are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2018 totalled \$5,875,089 (2017: 6,172,449) 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 BHB being liable for pension benefits earned by these nurses since January 1, 1977.

9. EMPLOYEE FUTURE BENEFITS (Cont'd)

a. Pension plans and retirement benefits (cont'd)

	2018	2017
Pension accrual		
Balance, beginning of year	\$ 3,893,269	\$ 4,453,167
Pension expense		
Interest	110,958	222,658
Benefits paid	(425,193)	(514,990)
Experience loss/(gain)	172,938	(267,566)
Balance, end of year	\$ <u>3,751,972</u>	\$ <u>3,893,269</u>

BHB has obtained an actuarial valuation of the accrued pension benefits at March 31, 2018, which estimates that BHB's portion of the liability under the 1948 Act is approximately \$3.8 million as at March 31, 2018 (2017: \$3.9 million). The significant actuarial assumptions adopted in measuring BHB's accrued benefit obligation include a discount rate of 3.0% (2017: 5.0%) and a salary escalation rate of 0% (2017: 0%) as no retirees are in active service at March 31, 2018.

At present benefits are paid by the Government. To date, no contributions have been made by BHB to the Government and the plan remains unfunded. At March 31, 2018, BHB's payable to the Government amounted to \$7,535,060 (2017: \$6,904,187) and is included in accounts payable and accrued liabilities. See Note 16g – Related Party Transactions and Balances.

In 2018, the Government and 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 2018 and 2017 fiscal years are based on independent actuarial valuations.

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, 2018 was \$669,832 (2017: \$539,357) 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, 2018, the amount was \$86,603 (2017: \$100,385) 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, 2018 the leave pay liability was \$10,444,014 (2017: \$10,043,044) and is included in accrued salary and payroll expenses. The expense for the year ended March 31, 2018 was \$11,702,806 (2017: \$11,184,118) and the benefits paid out were \$11,301,836 (2017: \$11,403,597).

BHB pays 50% of the health insurance premiums for employees who retire from BHB. The significant actuarial assumptions adopted in measuring BHB's accrued benefit obligation include a discount rate of 3.0% (2017: 5.0%) 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.

9. EMPLOYEE FUTURE BENEFITS (Cont'd)

b. Post-employment benefits and compensated absences (cont'd)

	2018	2017
Accrued health insurance		
Balance, beginning of year	\$ 33,627,164	\$ 43,622,688
Current cost	220,000	310,000
Interest	1,090,000	1,580,000
Benefits paid	(1,010,000)	(1,040,000)
Current year amortisation of experience gain	(3,108,243)	(1,795,524)
Plan curtailment	-	(9,050,000)
Balance, end of year	<u>\$ 30,818,921</u>	<u>\$ 33,627,164</u>

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 \$7,892,502 (2017: \$11,880,745) is deferred and will be amortised over a period of 5.8 years (2017: 4.4 years). The values of the liability for the 2018 and 2017 fiscal years are based on an independent actuarial valuation report.

c. Health insurance plan

As at March 31, 2018, the BHB Health Plan had a net deficit of \$1,303,327 (2017: \$2,710,572). To cover this deficit, BHB accrued \$1 million (2017: \$3 million) which was included in the "Accrued salary and payroll expenses", and transferred to the BHB Health Plan in the 2019 financial year.

d. Accrued pension under contributions

During the years 2006 to 2015, 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 prior year's "Accrued salary and payroll expenses" and paid on March 16, 2018.

10. ACUTE CARE WING BUILDING

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

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, BHB retains ownership of the ACW.

PHS has raised finance through senior debt and equity. Commencing June 1, 2014, BHB started paying a monthly service fee to PHS for the repayment of the principal debt, interest on principal debt, life cycle replacement cost, and maintaining and running the hard facilities management (structural, mechanical and electrical) of the building. These contractual obligations have been disclosed in Note 17b – Contractual Obligations: Acute Care Wing.

10. ACUTE CARE WING BUILDING (Cont'd)

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.

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. BHB received \$25 million from BHCT and the difference was paid from BHB's own resources. The table below outlines the impact of the Agreement as at March 31:

Statement of Financial Position	2018	2017
Capital assets – land and buildings (ACW PPP Agreement)		
Cost	\$ 337,251,486	\$ 337,251,486
Accumulated amortisation	(20,220,863)	(14,487,588)
Net book value	<u>\$ 317,030,623</u>	<u>\$ 322,763,898</u>
Other liability	<u>\$ 276,793,305</u>	<u>\$ 280,604,303</u>
Statement of Operations	2018	2017
Repairs and maintenance expense	\$ (3,775,301)	\$ (3,702,997)
Interest expense	(19,052,646)	(18,626,306)
Amortisation expense	(5,733,275)	(5,620,858)
	<u>\$ (28,561,222)</u>	<u>\$ (27,950,161)</u>

11. CAPITAL ASSETS

	Cost	Accumulated Amortisation	2018 Net Book Value	2017 Net Book Value
Land and buildings	\$ 191,750,466	\$ 77,394,858	\$ 114,355,608	\$ 117,272,803
Equipment	96,277,050	69,896,775	26,380,275	26,770,348
Software	17,537,524	15,061,298	2,476,226	2,920,930
Computer equipment	11,410,256	11,133,297	276,959	50,151
	<u>\$ 316,975,296</u>	<u>\$ 173,486,228</u>	<u>\$ 143,489,068</u>	<u>\$ 147,014,232</u>

The total cost of the capital assets as at March 31, 2018 was \$316,975,296 (2017: \$309,286,348) and the accumulated amortisation was \$173,486,228 (2017: \$162,272,116).

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

The insured value of BHB's buildings, contents and business interruption coverage is approximately \$454 million (2017: \$454 million).

12. NET ASSETS

Internally restricted amounts are not available for other uses unless approved by 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, 2018 is \$946,896 (2017: \$686,241).

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.

13. GOVERNMENT REVENUE REDUCTION/MANDATED WRITE-OFF

The Government in previous years had set subsidy revenue at \$108 million. During the year, Government made a decision to reduce the 2018 subsidy revenue because of other fiscal responsibilities as well as the fact that BHB had a significant amount of cash on hand. BHB was instructed to make up the difference with the cash they had on hand. As a result, there are no subsidy balances receivable from the Government (Note 16c – Government Subsidy Program). This resulted in a decrease in revenue of \$26.2 million (2017: \$18.7 million).

14. BUSINESS SOCIAL COST

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, BHB provided services to a number of persons who were unable to pay. The expenses of \$91,314 (2017: \$927,095) are classified as business social costs in the statement of operations.

15. 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. 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, 2018 was \$2,000,000 (2017: \$2,000,000). These amounts are eliminated on consolidation. See Note 21 – KEMH and MWI Statements of Operation.

16. RELATED PARTY TRANSACTIONS AND BALANCES

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

BHB also transacted with non-government related parties. During the 2017 financial year, BHB entered into a contract with People’s Pharmacy. People’s Pharmacy in conjunction with BHB, manages the drug subsidy program, by providing pharmacy services to outpatients. People’s Pharmacy is identified as a related party because a senior executive has shares in the company. This relationship was declared prior to the contract coming into effect. The contract tendering process was conducted blind and there were specific criteria that were measured in determining which company would get the contract. Once the blind process was completed, the company was identified. The senior executive plays no role in the decision making process around this entity. All transactions are conducted on an arm’s length basis.

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

a. Government grants

Government grants included in operating revenue were as follows:

	2018	2017
Operating grant - MWI	\$ 37,344,000	\$ 37,344,000
Minor Works/Maintenance grant - MWI	120,000	120,000
Mutual Re-insurance Fund (MRF)	8,885,575	9,375,277
Total grants	<u>\$ 46,349,575</u>	<u>\$ 46,839,277</u>

In the 2017 financial year, BHB was granted \$1,327,000 from the MoH. These funds relate to the Forensic Mental Health programme that commenced in the 2018 financial year. The balance payable by BHB to this programme, as at March 31, 2018, was \$1,327,000 (2017: \$1,327,000) 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, 2018, \$nil (2017: \$nil) was outstanding from the Government for grants, other than the MRF grant. As at March 31, 2018, \$1,860,532 (2017: \$2,445,480) is receivable from the MRF and \$120,000 (2017: \$nil) receivable from the Minor Works/Maintenance grant – MWI, and are included in accounts receivable. This MRF is financed by all persons who pay standard health benefit premiums through Bermuda commercial insurers, and is managed by the Health Insurance Department (“HID”).

During the 2019 financial year, BHB entered into two memorandum of understandings (MOU’s) with the HID, related to dialysis and long-term care (LTC) costs incurred by BHB during the 2018 financial year. These came about due to various changes in legislation during the 2018 financial year that resulted in certain LTC and dialysis claims remaining unpaid at March 31, 2018. In the MOUs, HID agreed to pay the LTC and dialysis claims to BHB. These included the following balances at March 31, 2018:

	2018	2017
Dialysis MOU	\$ 7,143,778	\$ -
LTC MOU	3,333,296	-

b. MRF Dialysis

During the 2018 financial year, Government created a MRF Dialysis Fund, with the purpose of specifically funding dialysis. This fund came into action during May 2017, refunding BHB for costs incurred related to dialysis.

	2018	2017
Total payment received	\$ 9,759,970	\$ -

As at March 31, 2018, \$2,361,023 (2017: \$nil) is receivable from the MRF Dialysis Fund. This amount is included in accounts receivable. The total amount included in revenue at March 31, 2018 was \$12,120,993 (2017: \$nil).

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

c. Government subsidy programme

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

	2018	2017
Total payment received	\$ 80,881,945	\$ 103,748,916

Since the 2017 financial year, Government instructed BHB to write off all subsidy related revenue in excess of the pre-approved amounts (Note 13 – Government Mandated Write-off). This resulted in a decrease in revenue of \$26.2 million (2017: \$18.6 million), which included claims not yet submitted at year-end. As at March 31, 2018, \$nil (2017: \$nil) was outstanding from the Government for subsidy programs.

BHB also received a Clinical drugs subsidy of \$1,974,418 (2017: \$2,581,448) which is paid in full in each relevant year.

d. Health Insurance Fund

The HID approved the following claims:

	2018	2017
Health Insurance Fund	\$ 20,343,686	\$ 26,311,230

As at March 31, 2018, \$2,920,622 (2017: \$2,925,331) is receivable from the Health Insurance Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the Health Insurance Fund, a program for individuals who are between the ages of 18 - 65 providing standard medical benefits.

e. FutureCare Fund

The HID approved the following claims:

	2018	2017
FutureCare Fund	\$ 10,339,241	\$ 12,044,510

As at March 31, 2018, \$1,136,619 (2017: \$1,523,919) is receivable from the FutureCare Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the FutureCare Fund, a program for individuals who are over the age of 65 providing standard medical benefits.

f. Government Employees Health Insurance Fund

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

	2018	2017
GEHI	\$ 22,367,463	\$ 22,193,160

As at March 31, 2018, \$1,741,226 (2017: \$4,181,025) 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.

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

g. Other amounts

During the year, BHB received revenue from People's Pharmacy in the amount of \$241,597 (2017: \$796,203) and the receivable amount from People's Pharmacy at March 31, 2018 was \$613,669 (2017: \$502,254). This amount is included in accounts receivable.

War Veteran Association claims, in the amount of \$51,040 (2017: \$161,920) were billed as revenue during the year.

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

	2018	2017
Payroll tax	\$ 6,147,169	\$ 4,535,316
Social insurance	2,655,833	2,869,875
Non-refundable duty	2,465,342	2,161,269
Services provided by the Ministry of Public Works	1,602,759	908,554
Miscellaneous charges	1,108,473	698,532
Rent paid to MRP	139,735	614,823
Nurses' annual pensions	548,050	425,193

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

	2018	2017
Payroll tax	\$ 9,828,917	\$ 9,960,833
Social insurance	3,024,150	2,718,886
	<u>\$ 12,853,067</u>	<u>\$ 12,679,719</u>

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

	2018	2017
<i>Other investments</i>		
Bermuda Government 10 year bonds (Note 5)	\$ -	\$ 24,154,000
<i>Other receivables</i>		
Refundable deposits paid for duty	\$ 347,072	\$ 439,338
<i>Accounts payable and accrued liabilities</i>		
Nurses' annual pensions accrual (Note 9a)	\$ 7,535,060	\$ 6,904,187
Ministry of Public Works	114,388	161,064
<i>Accrued salary and payroll expenses</i>		
Payroll tax	\$ 4,126,864	\$ 3,677,095
Social insurance	357,772	679,468

17. CONTRACTUAL OBLIGATIONS

a. Property leases

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 \$2,091,352 (2017: \$828,880).

b. Acute Care Wing

As a result of the contractual obligation to PHS in respect of the ACW, 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 7 - Other Liability – ACW.

Year	Amount
2019	24,563,750
2020	24,130,545
2021	21,662,189
2022	20,245,061
2023-2044	506,407,729
	<u>\$ 597,009,274</u>

c. Other contractual obligations

In addition to the above contractual obligations, BHB also entered into various other long-term contracts, resulting in an estimated average annual contractual commitment of \$8.4 million (2017: \$6 million).

18. CONTINGENCIES

In the ordinary course of business, 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. BHB believes that it has meritorious defences to all asserted claims and intends to defend vigorously against them.

BHB has medical malpractice insurance in place of up to \$20 million per claim and \$40 million in the annual aggregate. 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.

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.

19. 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.

20. FINANCIAL RISK MANAGEMENT

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 BHB's risk management framework. The Directors established finance, audit and risk committees that are responsible for developing and monitoring BHB's compliance with risk management policies and procedures. These committees regularly report to the Directors on their activities. BHB's risk management program seeks to minimize potential adverse effects on BHB's financial performance. BHB manages its risks and risk exposures through a combination of insurance and sound business practices.

20. FINANCIAL RISK MANAGEMENT (Cont'd)

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. 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 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. BHB's credit risk arises from the possibility that a counterparty, which owes BHB money, is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with BHB, which would result in a financial loss for BHB. This risk is mitigated through established credit management techniques and supplemented by use of professional credit agencies. For the year ended March 31, 2018, the maximum credit risk to which BHB is exposed represents the fair value of its accounts receivable.

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

2018		Total	Current	31 - 60 days	61 - 90 days	91 + days
Subsidy and grants/ Government insurers	\$	20,874,654	\$ 7,807,991	\$ 2,845,123	\$ 1,332,256	\$ 8,889,284
Commercial insurers		9,913,745	5,534,246	1,477,401	269,049	2,633,049
Non insured		11,083,662	1,584,567	508,242	375,617	8,615,236
Other receivables		2,331,446	1,256,361	986,595	-	88,490
Gross receivables		44,203,507	16,183,165	5,817,361	1,976,922	20,226,059
Less: impairment allowance		(13,100,363)	-	-	-	(13,100,363)
Net receivables	\$	<u>31,103,144</u>	<u>\$ 16,183,165</u>	<u>\$ 5,817,361</u>	<u>\$ 1,976,922</u>	<u>\$ 7,125,696</u>

20. FINANCIAL RISK MANAGEMENT (Cont'd)

a. Credit risk (cont'd)

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	\$	<u>24,212,381</u>	<u>\$ 17,081,680</u>	<u>\$ 4,278,998</u>	<u>\$ 2,084,477</u>	<u>\$ 767,226</u>

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, other than the risk related to the Covid-19 Pandemic as outlined in Note 26 – Subsequent Events.

The following table provides an analysis of the significant credit risk concentration to which BHB is exposed as at March 31, 2018.

	2018	2017
Dialysis and LTC MOUs with HID	\$ 10,477,074	\$ -
Government HIP	2,920,621	2,925,331
Somers Isles Insurance receivable	2,777,578	3,326,215
MRF Dialysis Fund	2,361,023	-
Sunbelt International	1,993,628	3,920,519
Government Employee Health Insurance	-	4,181,025
Government MRF	-	2,445,480

b. Liquidity risk

Liquidity risk is the risk BHB will not be able to meet its financial obligations as they fall due. 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 BHB's reputation. 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):

20. FINANCIAL RISK MANAGEMENT (Cont'd)

b. Liquidity risk (cont'd)

2018	Within 1 year	2 – 5 years	> 5 years	Total
Accounts payable	\$ 12,342,673	\$ -	\$ -	\$ 12,342,673
Other liability	4,408,161	31,089,551	241,295,593	276,793,305
Pension accrual	548,050	2,192,200	1,011,722	3,751,972
Accrued health insurance	1,120,000	5,392,331	16,414,088	22,926,419
	<u>\$ 18,418,884</u>	<u>\$ 38,674,082</u>	<u>\$ 258,721,403</u>	<u>\$ 315,814,369</u>

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
	<u>\$ 16,248,433</u>	<u>\$ 32,698,019</u>	<u>\$ 268,180,035</u>	<u>\$ 317,126,487</u>

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 17 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 BHB's results of operations. BHB has minimal exposure to market risk.

Foreign exchange risk

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 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. BHB's bank loans were repaid in 2017. BHB has minimal exposure to interest rate risk.

Inflation risk

The PPP Agreement (Note 2j – Acute Care Wing PPP Agreement) exposes 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.

21. KEMH AND MWI STATEMENTS OF OPERATIONS

2018

REVENUE

	KEMH	MWI	Total
Outpatient (Note 16)	\$ 140,637,596	\$ 3,015,313	\$ 143,652,909
Inpatient (Note 16)	97,136,329	3,515,527	100,651,856
Government grants (Note 16a)	8,885,575	37,464,000	46,349,575
Non-medical (Note 16f)	2,373,290	370,479	2,743,769
Amortisation of deferred capital contributions (Note 8)	1,705,852	729,096	2,434,948
Interest income	579,164	-	579,164
Donations in kind (Note 19)	176,789	-	176,789
Total revenues	<u>\$ 251,494,595</u>	<u>\$ 45,094,415</u>	<u>\$ 296,589,010</u>

EXPENSES

Salaries and employee benefits (Notes 9 and 16f)	\$ 160,745,238	\$ 32,445,458	\$ 193,190,696
Medical supplies	27,041,749	656,919	27,698,668
General supplies and services	23,400,913	4,801,940	28,202,853
Repairs and maintenance	23,081,329	2,032,245	25,113,574
Amortisation of capital assets	15,951,379	996,000	16,947,379
Interest (Note 7)	19,052,646	-	19,052,646
Utilities	9,489,655	1,582,452	11,072,107
Bad debt expense	8,012,965	-	8,012,965
Food	2,078,294	1,057,269	3,135,563
Business social costs (Note 14)	91,314	-	91,314
Realised gain on sale of other investments	146,500	-	146,500
Scholarships issued	141,858	-	141,858
Management charge (Note 15)	(2,000,000)	2,000,000	-
Accrued health insurance (Note 9b)	(2,808,243)	-	(2,808,243)
Total expenses	<u>\$ 284,425,597</u>	<u>\$ 45,572,283</u>	<u>\$ 329,997,880</u>
Deficiency of revenues over expenses	<u>\$ (32,931,002)</u>	<u>\$ (477,868)</u>	<u>\$ (33,408,870)</u>

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

2017

REVENUE

	KEMH	MWI	Total
Outpatient (Note 16)	\$ 164,565,371	\$ 317,517	\$ 164,882,888
Inpatient (Note 16)	99,237,461	4,914,505	104,151,966
Government grants (Note 16a)	9,375,277	37,464,000	46,839,277
Non-medical (Note 16f)	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
Donations in kind (Note 19)	164,919	-	164,919
Total revenues	\$ 278,442,935	\$ 43,741,023	\$ 322,183,958

EXPENSES

Salaries and employee benefits (Notes 9 and 16f)	\$ 152,590,158	\$ 29,464,948	\$ 182,055,106
Medical supplies	30,487,866	740,075	31,227,941
General supplies and services (Note 19)	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 costs (Note 14)	927,095	-	927,095
Loss on disposal of capital assets	549,841	-	549,841
Scholarships issued	60,120	-	60,120
Management charge (Note 15)	(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

22. BUDGET FIGURES

The budget was approved by the Board of Directors on July 18, 2017.

23. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2018	2017
Accounts and other receivables	\$ 1,122,202	\$ 7,759,417
Prepaid expenses	256,075	(1,046,218)
Inventory	(377,757)	(462,680)
Accounts payable and other payables	(2,763,239)	(2,024,287)
Pension and health accrual	(2,949,540)	(10,555,422)
	<u>(4,712,259)</u>	<u>(6,329,190)</u>

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

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 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

Nurses Pension Obligations

On April 1, 2018, the Minister of Finance forgave the Nurses Superannuation Pension Liability of \$3,751,972 (2017: \$3,893,269) and contributions payable to the Government of \$7,535,060 (2017: \$6,904,187). This resulted in a decrease in liabilities of \$7,465,241 (2017: \$10,797,456) which were recognised as other income in the statement of operations for the year ended March 31, 2019.

Change in Funding

On May 17, 2019, a Bill was passed in the House of Assembly, which changed how BHB is to be funded. This will replace the existing fee-for-service arrangement under the Health Insurance Amendment Act. The new funding methodology commenced on June 1, 2019. Government grants (MWI, subsidy and dialysis) remained the same, while inpatient and outpatient billings were transferred from local insurance companies to the MRF Funding model. BHB will now receive \$276.20 for every insured person in Bermuda each month, paid by the Health Insurance Department who collects the payments from the insurers. Effectively, the estimated revenue, including the above grants, is approximately \$322 million. Consequently, BHB still has the right to bill for overseas patients that receive treatment at BHB as well as miscellaneous services provided during the year. This amount is estimated to be \$8 million, resulting in a total estimated Government funding of \$330 million for the year ending March 31, 2020. For the 2021 financial year, this amount is estimated to be \$309 million in Government funding, in addition to the \$8 million for miscellaneous services; for a total of \$317 million. BHB is currently awaiting confirmation from the Bermuda Government in respect of the 2022 financial year. BHB anticipates that this revenue will be \$322 million in Government funding plus an additional \$10 million for miscellaneous services.

26. SUBSEQUENT EVENTS (Cont'd)

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 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 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 BHB or to provide a quantitative estimate of this impact, but it is not expected to be significant and therefore BHB continues to adopt the going concern basis of preparation.

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 financial statements.

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

PS 1201 – Financial Statement Presentation*
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

* When sections of PS 2601 and PS 3450 are adopted.

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

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