



2019



Bermuda Hospitals Board

ANNUAL REPORT

BHB ANNUAL REPORT 2018-2019

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 full-time 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 \$110 million. These funds pay for services on the standard health benefit fee schedule delivered to the young, seniors and indigent. The total amount billed to Government based on the services provided was \$117.9 million.

\$141.8 million was paid to BHB by insurance schemes, 53% of which was from commercial insurers and 47% 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 \$7.6 million grant that contributes towards the delivery of long-term care services on the KEMH site.

\$4.3 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 2018.

BOARD AND COMMITTEES

2018 BOARD MEMBERS 1 January – 31 December

BOARD

Curtis Dickinson, Chair
Lucille Parker-Swan, D Chair
Alison Hill
Anthony Manders
Dr Sandy Desilva
Dr Victor Scott
Dr Edward Schultz
Cyril Whitter
Terry Faulkenberry
Venetta Symonds
*Lisa Sheppard, BHCT
*Jill Moniz, HAB
** Dr. Jennifer Attridge-Stirling
** Dr. Cheryl Peek-Ball
** Dr. Michael Richmond
William (Bill) Shields
Scott Pearman
Judy Richardson
Dr Chantelle Simmons
Dr Constance Richards
Tawanna Wedderburn

EXECUTIVE COMMITTEE

Curtis Dickinson, Chair
Lucille Parker-Swan
Venetta Symonds
Dr Sandy Desilva
Terry Faulkenberry
Dr Michael Richmond
Scott Pearman
Judy Richardson
Bill Shields

GOVERNANCE & RISK COMMITTEE

Lucille Parker-Swan, Chair
Alison Hill
Venetta Symonds
Dr Edward Schultz
Dr Victor Scott
Dr Cheryl Peek-Ball
Dr Michael Richmond
Judy Richardson
Bill Shields
Preston Swan
Dr Chantelle Simmons
Matthew Pifer

INSURANCE SUB-COMMITTEE

(reports to Gov & Risk)
Cyril Whitter, Chair
Bill Shields
Scott Pearman
Debra Goins-Francis
Martin Bentley-Webb
Marshall Minors

RISK MANAGEMENT SUB-COMMITTEE

(reports to Gov & Risk)
Preston Swan, Chair
Dr Michael Richmond
Judy Richardson
Bill Shields
Martin Bentley-Webb
Lynn Labonte
Paul Tohill

HUMAN RESOURCES & ENGAGEMENT COMMITTEE

Dr Sandy Desilva, Chair
Lucille Parker-Swan
Dr Edward Schultz
Venetta Symonds
Dr Michael Richmond
Lisa Sheppard
Scott Pearman
Judy Richardson
Angela Fraser-Pitcher
Anna Nowak
Jennifer Smatt
Alana Rogers
Sharon Vesey

FINANCE & AUDIT COMMITTEE

Terry Faulkenberry, Chair
Anthony Manders
Venetta Symonds
Cyril Whitter
Bill Shields
Scott Pearman
Martin Bentley-Webb
Shivon Washington
David Pugh

PENSION SUB-COMMITTEE

(reports to Finance & Audit)
Cyril Whitter, Chair
Lucille Parker-Swan
Terry Faulkenberry
Venetta Symonds
Bill Shields
Scott Pearman
Angela Fraser-Pitcher
Martin Bentley-Webb
Lori Burchall
Stephen Gift
Union Representatives

PROGRAMME STEERING GROUP

(reports to Finance & Audit)
Dr Michael Richmond, Chair
Venetta Symonds
Scott Pearman
Judy Richardson
Bill Shields
Preston Swan
Lloyd Holder
Anthony Hunter
Marshall Minors
Anna Nowak
Freddy Phillips
Nicole Edmunds

CAPITAL & ESTATES SUB-COMMITTEE

(reports to Finance & Audit)
Bill Shields, Chair
Scott Pearman
Martin Bentley-Webb
Arthur Ebbin
Anthony Hunter
Marshall Minors

LEGEND:

Board Member
Staff
Other

* Ex-Officio Voting Board Members

** Ex-Officio Non-Voting
Board Members



Government of Bermuda
Ministry of Health

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



I'm very pleased to introduce the Annual Report for the fiscal year 2018/19, reporting on activity and achievements as well as providing the audited financial statements for the year.

Bermuda Hospitals Board's focus in this fiscal year was to improve quality and services. Activities drew on the planning work of the last few years, which saw a BHB Strategy 2016-2021 and Clinical Services Plan 2018 published.

This meant focusing on projects that improved quality and enhanced services, and finding ways to address the issues Bermuda as a country was experiencing as efficiently as possible.

It was very reassuring to see data proving the success of the patient centred medical home service. It helped reduce hospitalisations and emergency department visits in a group of people who are under-insured or not insured, but who have at least one chronic illness. More of this group of clients were healthier and avoids costly medical interventions. About 200 people were clients of this service. It shows that improvements and new services can make a difference.

Thank you once more to the Chair and Board members of BHB, the leadership and staff and all the donors who supported our hospitals in this fiscal year.

Sincerely,

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



MESSAGE FROM THE CHAIRMAN, TERRY FAULKENBERRY

On behalf of the Board, I am pleased to introduce the 2019 Annual Report with an unqualified audit of our financial statements. The following report covers activities, achievements and BHB's financial position from 1 April 2018 to 31 March 2019.

In the wake of significant funding cuts last year, the realisation of several non-recurrent savings opportunities helped BHB's financial position for the 2019 fiscal year. In addition, management and staff continued their efforts to generate recurrent savings and reduce operational costs year on year. Revenues were higher in this fiscal period compared to 2018, but fell below budget. Expenses were over budget mainly due to a \$10m increase in the cost of bad debts, resulting in an \$8.5m deficit for the year.

While budget cuts and financial restraints are useful savings mechanisms in the near term, sustainable savings are achieved by improving how care is delivered, reducing delays and duplications, and helping patients along a care path that provides the best chance of recovery with the

shortest hospital stay. Accordingly, it was wonderful to see key initiatives move forward including enhancements to stroke care designed to improve recovery outcomes, and daily 'bullet rounds' on the wards that help to ensure patients receive the in-hospital services they need and experience a safe, efficient discharge.

Responsible fiscal management and service improvements are mandated responsibilities of the Board. On behalf of all Board members, I would like to thank the management and staff at BHB for their hard work to deliver the best possible care for the people of Bermuda at the best value.



MESSAGE FROM THE CEO & PRESIDENT, MICHAEL RICHMOND, MD

6

It gives me great pleasure to introduce the achievements and financial position of BHB in the fiscal year 2019. Appreciation must go to BHB leaders and their teams as they continued to experience the impacts of funding cuts, and the sustained and growing pressure of an ageing and increasingly unwell population. As with many developed countries, Bermuda remains severely challenged in providing affordable healthcare services to an ageing population who frequently experience one or more chronic illnesses. Each year we care for older people who have increasingly complex and challenging needs, and the impacts are felt across hospital services.

People with mental illnesses and intellectual disabilities require different levels of support as they age. The need for outpatient services, from diagnostic testing to physiotherapy, increases as our population gets older. During Emergency visits more tests are needed, diagnoses take longer as multiple issues can make each case highly complex, and more people require admission for inpatient care. Our seniors also require more community services or nursing home placements upon leaving the hospital, often causing delays in discharge.

BHB's 2018 Clinical Services Plan highlights the impact of Bermuda's ageing demographic. Unless changes are made to reduce admissions and enable timely discharge of patients, 75 additional hospital beds will be needed by 2023. Such changes involve strengthening community health and post-acute care, with the understanding that community solutions improve quality of life for patients, and reduce healthcare costs for Bermuda. In our drive to improve quality care, BHB also entered into a clinical affiliation agreement with Johns Hopkins Medical International (JHMI) and worked with the Institute for Health Improvement, training and supporting staff to work on quality improvement projects.

I would like to thank the staff and leaders at BHB for the many achievements in this year under review. I am also very grateful for the support and guidance from the Board during this time. Board members and our co-opted community members give up many hours in attending meetings and reading copious reports as they carry out their mandate. On behalf of the executive team, I thank them for their time and service.

BHB PATIENT SATISFACTION SURVEY SUMMARY FY2012-2019

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	2019
88.3	92.9	90.7	92.3	93.2	90.9	92.4	94.5

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	2019
88.0	90.8	89.7	90.3	95.3	96.0	93.7	93.9

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

% Satisfied with Overall Service							
2012	2013	2014	2015	2016	2017	2018	2019
94.6	96.0	95.0	95.5	97.0	99.0	96.5	97.3

Overall Satisfaction with Surgical Outpatient Services

% Satisfied with Overall Service							
2012	2013	2014	2015	2016	2017	2018	2019
93.3	96.5	93.1	92.5	97.1	94.0	99.0	99.0

Overall Satisfaction with Mid-Atlantic Wellness Services

% Satisfied with Overall Service							
2012	2013	2014	2015	2016	2017	2018	2019
86.5	71.8	73.7	82.1	83.5	81.8	74.7	83.3

Overall Satisfaction with Long Term Care Services

% Satisfied with Overall Service							
2012	2013	2014	2015	2016	2017	2018	2019
n/a	72.9	82.1	84.2	67.5	81.0	68.9	90.2

2018-19 YEAR IN REVIEW

Hospital utilisation and capacity

Hospital-based services remained under pressure during this fiscal year, as demand for emergency, acute care and long term care services continued to escalate at both KEMH and MWI.



Some key metrics illustrate the demand for hospital-based services this year:

- Emergency staff managed 36,000 visits, admitting an average of 500 patients each month.
- More than 1,100 children and adults accessed mental health services.
- Almost 9,000 surgeries were undertaken.
- Staff performed over 56,000 diagnostic imaging and three million lab tests.
- More than 500 babies were delivered.
- Dialysis services were provided to 142 patients.
- 102 long term care residents were supported.
- We provided palliative care care for 100+ hospice patients.

BHB is under increasing pressure. In addition to the number of emergency visits, the multiple health issues emergency patients frequently have increases the complexity of cases, the length of time needed for proper assessment and diagnostics, and the likelihood of them being admitted to hospital. Admissions in this fiscal year were up nearly 20% compared to last year, sometimes resulting in increased wait times for available beds; in January 2019, over 80% of emergency beds were filled with people waiting for space on inpatient wards.

Adding to BHB's capacity challenges, timely discharging of patients remained problematic. Some families resisted their senior's return, some patients were unable to find a nursing home space, not enough community care services were available to support seniors' safe return to their homes, and sometimes family members simply failed to pick them up. This was a major issue in KEMH, but there were similar problems at MWI, where beds were also limited.

At the beginning of 2019, the Somers Ward inpatient unit at MWI was nearly 80% full, and Somers Annex ward was overfilled by 30%. Inpatient occupancy at Child & Adolescent Services, normally around 20%, reached a high of 88% near the end of 2018, continuing into January 2019. Mental health inpatient counts rose by 35%, from 207 to 277, between fiscal years 2017 and 2018.

Changing demographic of group home residents



Dynamics are shifting within our group homes as the needs of ageing people with intellectual disabilities and mental health problems require different types of support.

Approximately 55% of residents in our mental health group homes are over 65, and many are experiencing increasing physical health challenges and this strains the services BHB is able to provide. Group homes for people with intellectual disabilities are at capacity, and are similarly pressured by the growing number of ageing residents. Increasing numbers of service users residing in the community also need additional support, yet our group homes cannot accommodate them.

Reducing utilisation

The Patient-Centred Medical Home (PCMH) continued to care for people with one or more chronic illnesses, who are without a GP and are uninsured or under-insured. The number of people utilising PCMH services increased by 20%, from 167 last year to 201 in the fiscal year under review.

The PCMH aims to help people improve their quality of life through better management of chronic illnesses, and the reduction of life-disrupting and costly hospitalisations and emergency visits. GPs provide 57% of all referrals to the service, while BHB hospitalists and emergency clinicians account for 29%, and 10% come from specialists. The majority of patients are between 50 and 69 years of age, and 51% are men, 49% are women. More than half of patients are uninsured, with the remainder accessing differing levels of insurance. Nearly 50% of patients are obese, and 28% have five or more co-morbidities. The most prevalent diseases are hypertension (60%) and diabetes (40%).





Partnerships and affiliations

Alongside the clinical pressure to provide more services for an ageing and increasingly unwell population is the financial pressure to reduce costs while improving quality. These challenges underpin the 2016-2021 strategic plan which included the triple aim developed by the Institute of Healthcare Improvement (IHI) to reduce the per capita cost of care, while improving quality and the experience of patients.

This year, BHB partnered with acclaimed patient safety and service improvement experts from IHI, initially focusing on reducing the incidence of falls, pressure injuries and central line infections. As part of its strategy, BHB also entered into partnership with the prestigious John Hopkins Medicine International (JHMI). While the primary goal of this association is to support the education and training of clinical staff, BHB worked with Johns Hopkins specialists to assess its stroke service with a view to making improvements. BHB also accepted residents from JHMI on one month rotations, starting in the Emergency department.

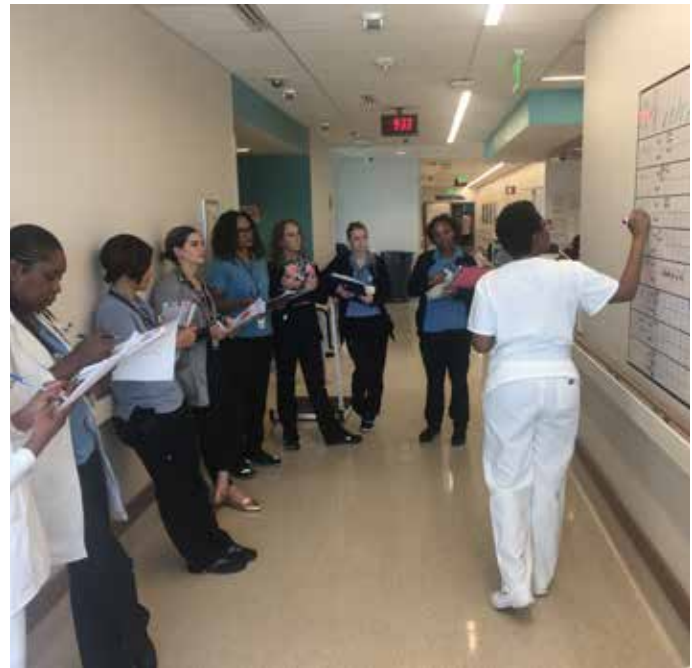
A service improvement programme is also underway, supported by KPMG consultants with experience in optimising hospital services to improve efficiency.



'Bullet rounds' introduced on wards

In this fiscal year, weekly multidisciplinary ward meetings in which patient cases are discussed in detail were supplemented by daily 30-minute 'Bullet Rounds' where the activity for each patient is reviewed. This initiative helps to identify potential roadblocks and delays to discharges so that discussions with patients and their families can begin before problems arise.

Pilot programmes were undertaken in two acute care inpatient wards, resulting in reductions in length of stay despite increases in admissions. A one-day reduction in length of stay can augment ward capacity by 15%, increasing the availability of beds on a timely basis. The length of stay on one ward fell by 2.4 days over a one-year period, even though admissions rose by 39 patients over the same time period. Length of stay on the second ward fell by 3.1 days, despite admissions rising by 27 patients.



11

Improvement to reduce postponed surgeries

An initiative to improve pre-surgical communications and assessments resulted in less surgery postponements this year. A record of zero postponed surgeries between September and December 2018 was only broken by a surge of admissions, which included a number of very serious flu cases in January 2019. Improving communications prior to surgery reduces 'no-shows', and increases the likelihood of patients completing required pre-surgical preparations.



Forensic mental health

In this fiscal year, collaboration between BHB, the Ministry of Health and the Ministry of National Security supported the relocation of a prisoner with a challenging mental health diagnosis to St. Andrew's Hospital in Northampton, England. Secure facilities and trained specialist staff required to support this individual's complex mental health needs do not exist in Bermuda. Working with Government, BHB provided round-the-clock care while the patient awaited transfer to the UK, at a cost of \$823,000. BHB continues to liaise with St Andrew's to assess ongoing needs. The annual cost of overseas care is \$347,000.

Estates management and facilities

While the maintenance of the Acute Care Wing at KEMH is funded through a public/private partnership, the General Wing and Mid-Atlantic Wellness institute facilities are more than 50 years old, and in need of regular maintenance and repair.

BHB developed an Estates Master Plan during this fiscal year, reviewing several options as to how best to deliver services from our facilities. Further work is underway to finalise the business case for investment which will deliver annual revenue savings.

Clinical appointments



Dr. Chikezie Dean Okereke,
**Chief of Emergency &
Hyperbaric Services**

Dr. Okereke joined the Emergency department in 2016 and was promoted to his role as Chief of Emergency & Hyperbaric Services in June 2018.



Dr. Christopher Price,
Consultant Medical Oncologist

Dr. Price joined BHB as a Consultant Medical Oncologist in April 2018 from Worcestershire Royal Hospital in the UK.

BPSU and BHB join forces against bullying

In response to an invitation from the Bermuda Public Service Union, BHB and the Bermuda Industrial Union collaborated to roll out the Standing Strong Against Harassment, Bullying & Incivility campaign. The campaign featured more than 30 presentations to 1,800 BHB employees, and included a new policy, with tools to support employees and managers in combating harassment, bullying and incivility in the workplace.



Supporting future healthcare workers

BHB continued to offer opportunities to young people interested in healthcare careers, with a record 70 local students in BHB's Summer Student Programme in 2018. Additionally, Bermuda Hospitals Charitable Trust generously donated \$350,000 to support staff training and fund BHB's scholarship programme. BHB also administers an annual \$30,000 scholarship from GlaxoSmithKline.

THE 2018-19 FISCAL YEAR IN PICTURES

APRIL

American Society of Bermuda donation

Residents of BHB's long term care services were able to enjoy activities outside in the summer months thanks to a donation from the American Society of Bermuda that included a 12' x 12' tent to provide shade for the seniors. Other donated gifts included supplies for activities and chocolates.



Students tour Pathology as part of Lab Week celebrations

As part of Lab Week, students from local schools were invited to a tour of Pathology – the area of the hospital where all tests are undertaken.



Pressure Ulcer Prevention Open House

Over 50 BHB staff attended Wound Care's Pressure Ulcer Prevention Open House held on Monday 23 April 2018 at KEMH. Videos and in-person education were provided along with discussion about products and supplies available at BHB to help prevent and heal pressure injuries.



MAY

"50 Club" plaque for regular blood donors

Blood donors who have reached the milestone of 50 (or more) donations will now have their names added to a special plaque recognizing their life saving gifts. With donated funds from Peter Barrett, the Bermuda Blood Donor Centre organised a plaque to recognise the '50 Club' in honour of his father, Leslie Barrett.



JUNE

Corporate Blood Drive Competition winner

Bacardi Ltd won the annual Corporate Blood Drive Competition for the second time in June 2019.



Donation to the therapeutic garden for children

Bermuda Hospitals Charitable Trust (BHCT) donated \$8,000 to help design and build a therapeutic garden for youth with mental health challenges at Child & Adolescent Services on the MWI campus.



Donation to Teen Life Skills programme

BHCT made a second donation of \$10,569 to support the Teen Life Skills programme run by MWI's Child & Adolescent Services. The programme provides at-risk youth with critical life and work skills.



JULY

Quality improvement training for BHB staff

The Institute of Healthcare Improvement (IHI) met with clinical staff and leaders to support improvements to BHB's data gathering processes for specific quality measures. The collaborative exercise was undertaken to ensure the availability of robust data for benchmarking processes, and to improve data gathering practices ahead of specific quality improvement projects involving frontline staff.



AUGUST

BHB nominated for international staff appreciation awards

BHB was nominated for two awards by The WOW! Awards, an international service excellence and employee recognition programme. Senior Medical Laboratory Technologist, Delmonte Swan, was nominated for the Unsung Hero Award due to his commitment to go above and beyond to ensure accurate and reliable testing. BHB was nominated for Quality Service Provider of the Year due to its willingness to make its vision a reality through delivery of exceptional care, cultivation of strong partnerships, and supporting a healthy community.



SEPTEMBER

Nurse practitioner granted authority to write prescriptions

BHB's Nurse Practitioner, Myrian Balitian-Dill, was granted authority to write prescriptions locally by the Bermuda Pharmacy Council in her role at the Patient-Centred Medical Home. The right to prescribe under Bermuda legislation can be granted to a nurse practitioner "under the guidance of a medical practitioner", enabling Myrian to assist people with chronic illnesses to better manage their conditions and improve their quality of life.



OCTOBER

BHB turns pink for breast cancer awareness

BHB turned pink in October to build awareness of breast cancer. A Snapchat filter was created to promote screening services in the drive to catch breast cancer early and give women and men the best chance for positive outcomes. Women over 40 who had not had a mammogram within the past year were also invited to a walk-in mammography clinic.



NOVEMBER

BHB offers free health screenings

Free screenings were offered to the community for blood sugar, blood pressure and lung function testing as part of Diabetes and Chronic Lung Disease Awareness month. The initiative aimed to offer the non-invasive tests for people in need of a health check, and those who may not have had an annual physical. A free community talk was also organised at KEMH on The Dilemma of Weight Loss.

Diabetes Awareness Month
Bermuda Hospitals Board's Diabetes, Respiratory, Endocrine and Metabolism (DREAM) Centre
presents a FREE public talk

The Dilemma of Weight Loss

Learn from science why we gain weight and why losing and maintaining weight can be difficult.
Topics that will be discussed include the body, food, medications, surgery and mindfulness practices designed to help you start taking action for a healthier you.

When: Wednesday 14 November 2018
Presenter: Amy Freeeth, MD, BHS Locum Endocrinologist
Where: BHB Resource Centre, Ground Floor, General Wing, King Edward VII Memorial Hospital
Time: 6pm-7pm

For more information call the DREAM Centre 329-2827

Bermuda Hospitals Board



Black Psychiatrists Association Tour MWI

In November 2018, the Black Psychiatrists Association from the US toured the Mid-Atlantic Wellness Institute.

DECEMBER

Donation of polo shirts for blood donors

Individual donor Peter Barrett and local insurance company Chubb were recognised for helping fund polo shirt gifts for blood and apheresis donors. Mr Barrett provided funding for people who donated over a 3-month period, and Chubb stepped in to fund polo shirt gifts to donors for the rest of the year.



16

JANUARY

BHB staff reach out at community health fairs

BHB staff from Community Mental Health services and the Diabetes Respiratory Endocrine and Metabolism (DREAM) Centre attended health fairs to provide information and education for employees of the Hamilton Princess Hotel & Beach Club and the Freisenbruch-Meyer Group.



FEBRUARY

Donation of scooter for long term care residents

The Red Cross donated a scooter to help Gordon Ward residents with mobility issues move around inside and outside of the hospital.



MARCH

Social workers celebrated

BHB celebrated our social workers this month with the theme 'ELEVATE', which refers to how these professionals empower and collaborate for the betterment of communities they serve. This year's celebration highlighted social workers who support mental health, intellectual disability and substance abuse clients.



BHB Employee Compensation Report for 2018/19

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, Psychiatrists, 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 2018/19.	\$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 2019.
- 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 - 2018/19

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 2016 - MARCH 2017 APRIL 2017 - MARCH 2018 APRIL 2018 - MARCH 2019

INPATIENT - GENERAL WING

Beds	103	103	97
Patient Days	9,196	12,780	11,925
Discharges (incl. Deaths)	1,951	2,020	1,870
Length of Stay	3.2	4.3	4.5
Births	558	571	528
Percentage of Occupancy	24%	34%	34%

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

Beds	90	90	90
Patient Days	30,524	30,805	30,465
Discharges (incl. Deaths)	3,963	3,734	3,941
Length of Stay	6.8	7.3	7.0
Percentage of Occupancy	93%	94%	93%

CONTINUING CARE UNITS - COOPER & PERRY WARDS

(1 APRIL TO 31 MAY 2017)

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

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

LONG TERM CARE UNITS - COOPER, GORDON & PERRY WARD

Beds		117	105
Patient Days		31,388	36,883
Discharges		177	173
Length of Stay		125.1	153.6
Percentage of Occupancy		88%	96%

HOSPICE

Beds	8	8	8
Patient Days	2,298	2,033	1,768
Discharges	103	126	102
Length of Stay	22.0	15.8	17.0
Percentage of Occupancy	79%	70%	61%

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL cont'd

	APRIL 2016 - MARCH 2017	APRIL 2017 - MARCH 2018	APRIL 2018 - MARCH 2019
ALTERNATE LEVEL OF CARE (ALC) - GORDON & CURTIS WARDS	(1 APRIL TO 31 MAY 2017)		
Beds	49	49	
Patient Days	16,010	2,702	
Discharges	110	15	
Length of Stay	94.7	135.1	
Percentage of Occupancy	88%	90%	
ALL PATIENTS			
Emergency Dept. Visits - KEMH	30,982	30,728	31,594
Lamb Foggo Urgent Care Centre Visits	4,588	4,552	4,817
Operations (Inpatients) & (SDA)	1,861	1,638	1,676
Operations (Outpatients)	6,305	6,827	7,119
X-Ray Exams (In & Out)	30,276	29,389	31,832
Laboratory (Thousand Units)(In & Out)	3,441,850	3,395,034	3,539,246
Cardiac Investigations (ECG & EEG)(In & Out)	10,377	10,620	11,353
Ultrasound Exams(In & Out)	7,110	5,499	5,604
Nuclear Medicine (In & Out)	754	695	978
Chemotherapy Treatments (Outpatients)	3,260	3,529	3,500
Cat Scans (In & Out)	12,788	12,937	14,478
MRI (In & Out)	3,585	3,740	4,221
Hyperbarics patients	26	13	14
Hyperbarics treatments	228	61	127
Wound care patients	2,064	2,080	1,967
Wound care treatments	6,476	6,256	6,112
Rehab Day Hospital - new patients	222	209	218
Rehab Day Hospital - # of clients	1,050	1,318	1,179
Rehab Day Hospital - # of discharges	187	140	221
Home Care visits	4,293	3,798	3,471
Blood donations	2,006	1,557	1,668

***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

SPEC/OVERFLOW discontinued on 31 July 2018

Curtis Ward discontinued as a Long Term Care bed as of 31 July 2018

Curtis Ward became an Acute ward as of 1 August 2018

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - MID-ATLANTIC WELLNESS INSTITUTE

	APRIL 2016-MARCH 2017	APRIL 2017-MARCH 2018	APRIL 2018-MARCH 2019
INPATIENT - ACUTE CARE			
Beds	23	23	23
Discharges (including deaths)	207	236	231
Length of Stay	14	13	20
Admissions	219	237	239
Percentage of Occupancy	77%	73%	87%
Patient Days	6,544	6,181	7,275
LONG TERM & - REHABILITATION			
Beds	40	40	40
Discharges	36	23	20
Patient Days	14,086	13,994	14,198
Length of Stay	391	538	979
Deaths	3	2	0
Percentage of Occupancy	96%	96%	97%
Average Years of Stay of Deaths	631 days	85 days	N/A
TURNING POINT (SUBSTANCE ABUSE - DETOX UNIT)			
Beds	8	8	8
Discharges	113	77	83
Patient Days	1,522	1,076	1,076
Length of Stay	13	14	12
Admissions	113	79	81
Percentage of Occupancy	52%	37%	37%
CHILD & ADOLESCENT SERVICES (CAS)			
Beds	4	4	4
Discharges	21	17	32
Patient Days	310	144	621
Length of Stay	14	8	19
Admissions	20	18	33
Percentage of Occupancy	21%	10%	43%
OUTPATIENTS (Child & Adolescent/ Mental Health/ Substance Abuse/ Learning Disability)			
Total No. of New Admissions / Referrals	326	380	482
Total No. of Re-Admissions / Referrals	126	175	179
Total No. of Follow-up appointments	4,687	6,291	7,199
Total No. of Day Patients Visits	12,576	12,590	17,317
Total No. of walk-in / unscheduled Visits	12,293	12,388	14,937
Total No. of DNA to scheduled Appointments	1,596	2,297	2,637
Total No. of T.O.P's	17	44	6
Total No. of Home Visits	7,467	7,437	8,010



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 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 consolidated financial statements have been approved by the board members and have been examined by the Office of the Auditor General.

The accompanying Independent Auditor's Report is presented herein.

Dr. Michael Richmond
Chief Executive Officer and President
26 August, 2021

Mr. William Shields
Chief Financial Officer
26 August, 2021



Office of the Auditor General

Reid Hall, Penthouse
3 Reid Street
Hamilton HM 11, Bermuda

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

INDEPENDENT AUDITOR'S REPORT

To the Minister of Health

I have audited the accompanying financial statements of the Bermuda Hospitals Board, which comprise the statement of financial position as at March 31, 2019, 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, 2019, 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.

Hamilton, Bermuda
August 26, 2021

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA HOSPITALS BOARD
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019 (PRESENTED IN BERMUDA DOLLARS)

	2019	2018
	\$	\$
ASSETS		
Current assets		
Cash	32,209,902	24,501,148
Term deposits	21,450,524	46,059,072
Restricted cash, term deposits and investments (Note 4)	5,698,245	6,351,860
Accounts receivable (net of allowance for doubtful accounts) (Notes 16 & 20a)	30,082,984	28,771,698
Other receivables (Notes 16g & 20a)	3,447,960	2,331,446
Prepaid expenses	3,018,548	2,807,264
Inventories	8,324,276	9,465,710
	<u>104,232,439</u>	<u>120,288,198</u>
Non-current assets		
Acute Care Wing building (Note 10)	311,297,348	317,030,623
Capital assets (Note 11)	145,480,969	143,489,068
Term deposits	1,531,417	1,518,397
Other investments (Note 5)	258,357	117,435
	<u>458,568,091</u>	<u>462,155,523</u>
Total assets	<u><u>562,800,530</u></u>	<u><u>582,443,721</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (Notes 16g & 20b)	18,368,119	22,213,670
Accrued salary and payroll expenses (Notes 9 & 16g)	25,929,207	21,613,140
Current portion of other liability (Notes 7 & 20b)	4,584,575	4,408,161
Current portion of deferred capital contributions (Note 8)	2,496,714	2,496,714
	<u>51,378,615</u>	<u>50,731,685</u>
Non-current liabilities		
Other liability (Notes 7 & 20b)	267,800,569	272,385,144
Deferred capital contributions (Note 8)	48,726,415	51,057,739
Pension accrual (Notes 9a & 20b)	-	3,751,972
Accrued health insurance (Notes 9b & 20b)	29,179,402	30,818,921
	<u>345,706,386</u>	<u>358,013,776</u>
Total liabilities	<u>397,085,001</u>	<u>408,745,461</u>
Net assets (Notes 12 & 21)		
Internally restricted for education	1,277,441	946,896
Unrestricted net assets	163,549,312	172,426,276
	<u>164,826,753</u>	<u>173,373,172</u>
Accumulated remeasurement gain	888,776	325,088
	<u>165,715,529</u>	<u>173,698,260</u>
Total liabilities and net assets	<u><u>562,800,530</u></u>	<u><u>582,443,721</u></u>
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, 2019 (Presented in Bermuda Dollars)

	2019 Budget (Note 22)	2019	2018
REVENUES (Note 21)	\$	\$	\$
Outpatient (Note 16)	159,698,119	166,265,348	143,652,909
Inpatient (Note 16)	124,286,891	116,111,646	100,651,856
Government grants (Note 16a)	45,030,000	45,060,188	46,349,575
Non-medical	5,156,233	3,100,849	2,743,769
Amortisation of deferred capital contributions (Note 8)	2,200,000	2,331,324	2,434,948
Donations in kind (Note 19)	-	162,440	176,789
Interest income	100,000	114,925	579,164
Total revenues	336,471,243	333,146,720	296,589,010
EXPENSES (Note 21)			
Salaries and employee benefits (Notes 9 & 16g)	205,558,849	204,379,307	193,190,696
Medical supplies	29,998,638	29,751,491	27,698,668
Repairs and maintenance	27,237,180	27,888,457	25,113,574
General supplies and services (Note 19)	30,871,660	25,353,335	28,202,853
Interest (Note 10)	19,139,000	19,071,230	19,052,646
Bad debt	1,919,370	18,730,633	8,012,965
Utilities	10,587,075	11,298,120	11,072,107
Amortisation of capital assets	16,025,000	8,891,731	11,214,104
Amortisation of Acute Care Wing building	-	5,733,275	5,733,275
Food	3,202,688	3,283,828	3,135,563
Business social cost (Note 14)	-	238,283	91,314
Nurses superannuation pension forgiveness (Note 9a)	-	(11,287,032)	-
Accrued health insurance gain (Note 9b)	-	(1,639,519)	(2,808,243)
Realized loss on sale of other investments (Note 5)	-	-	146,500
Scholarships issued	-	-	141,858
Non-recurring cost savings	(8,000,000)	-	-
Total expenses	336,539,460	341,693,139	329,997,880
Deficiency of revenues over expenses	(68,217)	(8,546,419)	(33,408,870)

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, 2019 (Presented in Bermuda Dollars)

	2019		
	Internally restricted for education	Unrestricted net assets	Total
Net assets	\$	\$	\$
Balance, beginning of year	946,896	172,426,276	173,373,172
Excess (deficiency) of revenues over expenses	330,545	(8,876,964)	(8,546,419)
Opening balance adjustment	-	-	-
Balance, end of year	1,277,441	163,549,312	164,826,753

	2018		
	Internally restricted for education	Unrestricted net assets	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

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, 2019 (Presented in Bermuda Dollars)

	2019		
	Internally restricted for education	Unrestricted net assets	Total
	\$	\$	\$
ACCUMULATED REMEASUREMENT GAINS			
Balance, beginning of year	243,817	81,271	325,088
Unrealised gains attributable to equity and debt instruments	422,766	140,922	563,688
Balance, end of year	666,583	222,193	888,776

	2018		
	Internally restricted for education	Unrestricted net assets (deficit)	Total
	\$	\$	\$
ACCUMULATED REMEASUREMENT GAINS (LOSSES)			
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

The accompanying notes are an integral part of these financial statements

BERMUDA HOSPITALS BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019 (Presented in Bermuda Dollars)

	2019	2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(8,546,419)	(33,408,870)
Amortisation of capital assets	8,891,731	11,214,104
Amortisation of Acute Care Wing building	5,733,275	5,733,275
Amortisation of deferred capital contributions	(2,331,324)	(2,434,948)
Bad debt expense	(18,730,633)	(8,012,965)
Interest income	(114,925)	(579,164)
Interest expense	19,071,230	19,052,646
Unrealised gains on investments	563,688	1,022,435
Realised loss on sale of other investments	-	146,500
Net change in non-cash working capital (Note 23)	12,312,008	(4,712,259)
Net cash flows from (used in) operating activities	16,848,631	(11,979,246)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	(10,883,632)	(7,688,940)
Deferred capital contributions received	-	499,389
Net cash used in capital activities	(10,883,632)	(7,189,551)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(153,942)	-
Sale of investments	-	25,311,720
Interest income received	114,925	579,164
Net cash (used in) from investing activities	(39,017)	25,890,884
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of other liability	(4,408,161)	(3,810,999)
Interest paid	(19,071,230)	(19,052,646)
Net cash used in financing activities	(23,479,391)	(22,863,645)
Net decrease in cash and cash equivalents	(17,553,409)	(16,141,558)
Cash and cash equivalents, beginning of year	76,912,080	93,053,638
Cash and cash equivalents, end of year	59,358,671	76,912,080
Cash and cash equivalents consist of the following:		
Cash	32,209,902	24,501,148
Term deposits	21,450,524	46,059,072
Restricted cash, term deposits and investments	5,698,245	6,351,860
	59,358,671	76,912,080

The accompanying notes are an integral part of these financial statements

1. AUTHORITY AND ORGANISATION

a. Authority

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

b. Organisation

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

KEMH is an inpatient acute care and extended care hospital with 110 acute care beds (2018: 90 beds) and 214 general and continuing care beds (2018: 228 beds).

MWI is a psychiatric facility with 4 beds (2018: 4 beds) for children and adolescents and 71 long-term rehabilitation beds (2018: 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, the BHB is classified as a GNFPO and has adopted accounting policies appropriate for this classification. The policies considered significant are as follows:

a. Revenue recognition

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

a. Revenue recognition (cont'd)

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.

b. Capital assets and leases

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

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

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

Land	Nil years	(0.0%)
Buildings	40 years	(2.5%)
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, 2019 (2018: \$nil).

c. Cash and cash equivalents

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

d. 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.

e. Donated services

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

f. Financial instruments

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

(i) Fair value

This category includes bonds and equity instruments quoted in an active market. Other investments consists of investment in equity shares, which are quoted on the Bermuda 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.

g. Employee future benefits

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g. Employee future benefits (cont'd)

- 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 (2018: 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 4.82 years (2018: 5.8 years).

h. Employee health insurance plan

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

The plan's cumulative deficit or surplus incorporates the net premium, incurred claims, interest and administration charges. The BHB is liable for any deficit incurred by the plan and can address the deficit by restructuring the plan, changing premiums paid or by depositing funds into the plan. The BHB accrues all gratuitous payments to the fund as approved by the Directors. The cumulative surplus allocated to the BHB shall be available to the BHB 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. The BHB elected to carry the balance forward to the following financial year.

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

i. 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. The BHB has capitalized these costs as a separate non-current asset on the Statement of Financial Position (see Note 10 – ACW Building). Correspondingly, a liability, net of the contributions received, is 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 Paget Health Services ("PHS"), for the ACW construction. PHS is a consortium of Bermuda and international companies which was formed to design, build, finance and maintain the ACW. 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)

j. 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 and ACW building, 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.

k. Related parties

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

3. ECONOMIC DEPENDENCE

The BHB receives a significant amount of its revenues from the Government Ministry of Health ("MoH"). Accordingly, any disruption in that funding could have a significant impact on the operations of the BHB (See Note 20a – Credit Risk and Note 26 – Change in Funding).

4. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

	2019		2018
Restricted cash	\$ 4,923,174	\$	5,999,555
Restricted investments	775,071		352,305
	<u>\$ 5,698,245</u>	<u>\$</u>	<u>6,351,860</u>

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

	2019		2018	
	Fair value	Cost	Fair value	Cost
Ascendant Group Limited	\$ <u>1,033,428</u>	\$ <u>144,651</u>	\$ <u>469,740</u>	\$ <u>144,651</u>

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

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

	2019	2018
External		
Patient comfort funds	\$ 1,714,330	\$ 1,738,505
Construction projects and capital assets (Note 8)	19,235	51,772
Forensic mental health funds (Note 16a)	503,674	1,327,000
Special Project – Biological Oxidizer	1,964,558	1,935,382
	<u>4,201,797</u>	<u>5,052,659</u>
Internal		
Educational purposes	\$ 1,496,448	\$ 1,299,201
	<u>5,698,245</u>	<u>6,351,860</u>

5. OTHER INVESTMENTS

Other investments are comprised of the following:

	2019	2018
Ascendant Group Limited, at market value	\$ 258,357	\$ 117,435
	<u>258,357</u>	<u>117,435</u>

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).

BERMUDA HOSPITALS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

6. FINANCIAL INSTRUMENT CLASSIFICATION (Cont'd)

2019		Level 1	Level 2	Level 3	Total
Ascendant Group Limited	\$	1,033,428	\$ -	\$ -	\$ 1,033,428

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2019. There were also no transfers in or out of Level 3.

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.

7. OTHER LIABILITY - ACW

	2019	2018
Other liability	\$ 272,385,144	\$ 276,793,305
Less: Current Portion	(4,584,575)	(4,408,161)
	<u>\$ 267,800,569</u>	<u>\$ 272,385,144</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
2020	4,584,572
2021	7,271,075
2022	9,240,823
2023	9,993,081
2024	11,002,701
2025-2044	230,292,890
	<u>\$ 272,385,144</u>

The 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.

	2019	2018
Deferred capital contributions	\$ 51,223,129	\$ 53,554,453
Less: Current portion	(2,496,714)	(2,496,714)
	<u>\$ 48,726,415</u>	<u>\$ 51,057,739</u>

8. DEFERRED CAPITAL CONTRIBUTIONS (Cont'd)

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

	2019		2018
Balance, beginning of year	\$ 53,554,453	\$	55,490,012
Add: contributions received	-		499,389
Less: amounts amortised to revenue	(2,331,324)		(2,434,948)
Balance, end of year	<u>\$ 51,223,129</u>	<u>\$</u>	<u>53,554,453</u>

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

	2019		2018
Amortised capital contributions used to purchase assets	\$ 51,203,894	\$	53,502,681
Unspent contributions (Note 4)	19,235		51,772
	<u>\$ 51,223,129</u>	<u>\$</u>	<u>53,554,453</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 the BHB contributes 5% (2018: 5%) of gross salary and the employee contributes 5% (2018: 5%) of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five years with respect to the BHB's contributions. Beginning January 1, 2000, 100% of the BHB's contributions vest after two years. When an employee ceases employment with the BHB, other than through retirement, the BHB's unvested contributions are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2019 totalled \$6,755,885 (2018: 5,875,089) 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 salary pension plan, which covered certain nurses employed prior to January 1, 1971. The cost of this pension is shared with the Government, with the BHB being liable for pension benefits earned by these nurses since January 1, 1977.

Based on the financial position of the BHB, a proposal was made to the Bermuda Government to forgive the debt of the Nurses' Superannuation Pension Liability. On April 1, 2018, the Minister of Finance forgave the Nurses Superannuation Pension Liability of \$3,751,972 and contributions payable to the Government of \$7,535,060. This resulted in a decrease in liabilities of \$11,287,032 which were recognised as Nurses Superannuation Pension Forgiveness in the statement of operations for the year ended March 31, 2019. BHB has no further obligations in this regards.

9. EMPLOYEE FUTURE BENEFITS (Cont'd)

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

	2019	2018
Pension accrual		
Balance, beginning of year	\$ 3,751,972	\$ 3,893,269
Pension expense		
Interest	-	110,958
Benefits paid	-	(425,193)
Experience loss	-	172,938
Pension forgiveness	(3,751,972)	-
Balance, end of year	\$ -	\$ 3,751,972

As a result of the forgiveness received from the Minister of Finance in regards to the Nurses' Superannuation Pension Liability, an actuarial valuation was not required for the year ended March 31, 2019. The liability was written off during the year, which resulted in the BHB no longer having an obligation for their portion of the liability under the 1948 Act. The liability for the year is \$nil (2018: \$3.8 million). As there were no actuarial valuation, there was no significant actuarial assumptions that were adopted in measuring the BHB's accrued benefit obligation. This resulted in a discount rate of 0.0% (2018: 3.0%) and a salary escalation rate of 0% (2018: 0%).

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, 2019 was \$540,417 (2018: \$669,832) 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, 2019, the amount was \$100,756 (2018: \$86,603) 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, 2019 the leave pay liability was \$11,049,153 (2018: \$10,444,014) and is included in accrued salary and payroll expenses. The expense for the year ended March 31, 2019 was \$11,813,541 (2018: \$11,702,806) and the benefits paid out were \$11,208,402 (2018: \$11,301,836).

The BHB pays 50% of the health insurance premiums for eligible employees who retire from the BHB. The significant actuarial assumptions adopted in measuring the BHB's accrued benefit obligation include a discount rate of 3.0% (2018: 3.0%) 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)

	2019	2018
Accrued health insurance		
Balance, beginning of year	\$ 30,818,921	\$ 33,627,164
Current cost	210,179	220,000
Interest	1,150,000	1,090,000
Benefits paid	(1,120,000)	(1,010,000)
Current year amortisation of experience gain	(1,879,698)	(3,108,243)
Balance, end of year	\$ <u>29,179,402</u>	\$ <u>30,818,921</u>

During the 2017 financial year, a plan curtailment was approved. 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 \$3,515,822 (2018: \$7,892,502) is deferred and will be amortised over a period of 4.82 years (2018: 5.8 years). The values of the liability for the 2019 and 2018 fiscal years are based on an independent actuarial valuation report.

c. Health insurance plan

As at March 31, 2019, the BHB Health Plan had a net surplus of \$180,522 (2018: net deficit of \$1,303,327), which was included in the "Accrued salary and payroll expenses". In the 2019 financial year, the BHB made a gratuitous payment of \$1 million into the BHB Health Plan which was offset against the net deficit from prior year.

10. ACUTE CARE WING BUILDING

After a competitive bidding process, on December 1, 2010 the BHB entered into a Public Private Partnership ("PPP") Agreement ("Agreement") with 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, the BHB retains ownership of the ACW.

PHS has raised finance through senior debt and equity. Commencing June 1, 2014, the BHB started paying a monthly service fee to PHS for the repayment of the principal debt, interest on principal debt, life cycle replacement cost, 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.

The BHB paid \$40 million as a service commencement payment to PHS on June 1, 2014 under the terms of the Agreement. This service commencement payment was capitalized as part of the cost of ACW.

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

10. ACUTE CARE WING BUILDING (Cont'd)

Statement of Financial Position	2019	2018
Capital assets – land and buildings (ACW PPP Agreement)		
Cost	\$ 337,251,486	\$ 337,251,486
Accumulated amortisation	(25,954,138)	(20,220,863)
Net book value	<u>\$ 311,297,348</u>	<u>\$ 317,030,623</u>
Other liability	<u>\$ 272,385,142</u>	<u>\$ 276,793,305</u>
Statement of Operations	2019	2018
Repairs and maintenance expense	\$ (4,731,876)	\$ (3,775,301)
Interest expense	(19,071,230)	(19,052,646)
Amortisation expense	(5,733,275)	(5,733,275)
	<u>\$ (29,536,381)</u>	<u>\$ (28,561,222)</u>

11. CAPITAL ASSETS

	Cost	Accumulated Amortisation	2019 Net Book Value	2018 Net Book Value
Land and buildings	\$ 194,032,912	\$ 81,928,044	\$ 112,104,868	\$ 114,355,608
Equipment	111,389,307	84,315,263	27,074,044	26,380,275
Software	22,744,254	16,925,199	5,819,055	2,476,226
Computer equipment	11,725,887	11,242,885	483,002	276,959
	<u>\$ 339,892,360</u>	<u>\$ 194,411,391</u>	<u>\$ 145,480,969</u>	<u>\$ 143,489,068</u>

The total cost of the capital assets as at March 31, 2019 was \$339,892,360 (2018: \$316,975,296) and the accumulated amortisation was \$194,411,391 (2018: \$173,486,228). During the 2019 financial year, the BHB identified and corrected negative balances in its asset register. This had a cumulative impact of \$3.6 million, which was netted against the amortization expense resulting in lower amount as of March 31, 2019.

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

The insured value of the BHB's buildings, contents and business interruption coverage is approximately \$454 million (2018: \$454 million).

12. NET ASSETS

Internally restricted amounts are not available for other uses unless approved by the BHB. The Education Fund reflects an accumulation of donations and investment income designated for educational purposes. The balance of the Education Fund at March 31, 2019 is \$1,277,441 (2018: \$946,896).

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 11 – Capital Assets.

13. GOVERNMENT REVENUE REDUCTION/MANDATED WRITE-OFF

The Government in previous years had set subsidy revenue at \$108 million. Subsidy budget for the 2018 financial year was however fixed by the Government at \$80.9 million. All claims above this amount were to be paid from BHB's excess funds. As a result, there were no subsidy balances receivable from the Government at year end (Note 16c – Government Subsidy Program), and the subsidy revenue was only recorded up to the approved amount of \$80.9 million. This resulted in a decrease in revenue of \$26.2 million.

During the 2019 financial year, the BHB was in communication with the Government regarding supplemental payments to cover services delivered in excess of the approved budget. The total subsidy related services of \$118 million (2018: \$nil) was recognized in full as revenue. At year-end, the Government approved a supplemental of \$1.7 million.

The above mentioned changes resulted in the recognition of subsidy revenue of \$118 million (2018: \$80.9 million) and a bad debt expense of \$10.4 million (2018: \$0).

14. BUSINESS SOCIAL COST

The BHB, as a part of its mandate, is required to provide service to all patients, irrespective of their ability to pay. During the course of its operations, the BHB provided services to a number of persons who were unable to pay. The expenses of \$238,283 (2018: \$91,314) 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. The BHB uses the employee cost for each department and cost of hardware and software maintenance contracts to calculate the management charge. The management charge is calculated based on the estimated percentage of time that each department spends working on matters related to MWI. The amount charged by KEMH to MWI for the year ended March 31, 2019 was \$2,000,000 (2018: \$2,000,000). These amounts are eliminated on consolidation. See Note 21 – KEMH and MWI Statements of Operation.

16. RELATED PARTY TRANSACTIONS AND BALANCES

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

The BHB also transacted with non-government related parties. During the 2017 financial year, the BHB entered into a contract with People's Pharmacy. People's Pharmacy in conjunction with the BHB, manages the drug subsidy 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 in accordance with the terms of the contracts agreed between BHB and People's Pharmacy.

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

a. Government grants

Government grants included in operating revenue were as follows:

	2019		2018
Operating grant - MWI	\$ 37,344,000	\$	37,344,000
Minor Works/Maintenance grant - MWI	120,000		120,000
Mutual Re-insurance Fund (MRF)	7,596,188		8,885,575
Total grants	<u>\$ 45,060,188</u>	\$	<u>46,349,575</u>

In the 2017 financial year, the BHB was granted \$1,327,000 from the MoH. These funds relate to the Forensic Mental Health program that commenced in the 2018 financial year. The balance payable by BHB to this program, as at March 31, 2019, was \$503,674 (2018: \$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, 2019, \$nil (2018: \$nil) was outstanding from the Government for Operating grants. As at March 31, 2019, \$1,882,466 (2018: \$1,860,532) is receivable from the MRF and \$120,000 (2018: \$120,000) 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 Government's Health Insurance Department ("HID").

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

	2019		2018
Dialysis MOU	\$ 4,439,129	\$	7,143,778
LTC MOU	\$ 4,329,443	\$	3,333,296

b. MRF Dialysis

During the 2019 financial year, Government created a MRF Dialysis Fund, with the purpose of specifically funding dialysis. This fund came into action during May 2017, refunding the BHB for costs incurred related to dialysis.

	2019		2018
Total payment received	\$ 14,746,305	\$	9,759,970

As at March 31, 2019, \$1,207,181 (2018: \$2,361,023) is receivable from the MRF Dialysis Fund. This amount is included in accounts receivable. The total amount included in revenue at March 31, 2019 was \$13,682,182 (2018: \$12,120,993).

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

c. Government subsidy program

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:

	2019	2018
Total payment received	\$ 105,748,916	\$ 80,881,945

Since the 2017 financial year, Government instructed the 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 \$nil (2018: \$26.2 million), which included claims not yet submitted at year-end.

During the 2019 financial year, there was an expectation that BHB would receive sufficient payments to cover the subsidy revenue. However, a supplemental amount of \$1.7 million (2018: \$nil) was approved. This resulted in subsidy revenue write-off to bad debt expense of \$10.4 million (2018: \$nil). As at March 31, 2019, \$1,700,000 (2018: \$nil) was outstanding from the Government for subsidy programs.

The BHB also received a Clinical drugs subsidy of \$2,580,952 (2018: \$1,974,418) which is paid in full in each relevant year.

d. Health Insurance Fund

The HID approved the following claims:

	2019	2018
Health Insurance Fund	\$ 20,055,873	\$ 20,343,686

As at March 31, 2019, \$4,042,026 (2018: \$2,920,622) 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:

	2019	2018
FutureCare Fund	\$ 11,556,117	\$ 10,339,241

As at March 31, 2019, \$1,634,340 (2018: \$1,136,619) 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.

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

f. Government Employees Health Insurance Fund

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

	2019	2018
GEHI	\$ 20,969,256	\$ 22,367,463

As at March 31, 2019, \$2,933,306 (2018: \$1,741,226) 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.

g. Other amounts

During the year, the BHB received revenue from People's Pharmacy in the amount of \$413,030 (2018: \$241,597) and the receivable amount from Peoples Pharmacy at March 31, 2019 was \$217,267 (2018: \$613,669). This amount is included in accounts receivable.

War Veteran Association claims, in the amount of \$nil (2018: \$51,040) were billed as revenue during the year.

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

	2019	2018
Payroll tax	\$ 6,424,964	\$ 6,147,169
Social insurance	2,859,731	2,655,833
Non-refundable duty	2,041,314	2,465,342
Services provided by the Ministry of Public Works	1,143,522	1,602,759
Miscellaneous charges	540,596	1,108,473
Rent paid to MRP	-	139,735
Nurses' annual pensions	-	548,050

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

	2019	2018
Payroll tax	\$ 10,010,225	\$ 9,828,917
Social insurance	2,935,245	3,024,150
	<u>\$ 12,945,470</u>	<u>\$ 12,853,067</u>

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

g. Other amounts (cont'd)

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

	2019	2018
<i>Other receivables</i>		
Refundable deposits paid for duty	\$ 455,142	\$ 347,072
<i>Accounts payable and accrued liabilities</i>		
Nurses' annual pensions accrual (Note 9a)	\$ -	\$ 7,535,060
Ministry of Public Works	94,244	114,388
<i>Accrued salary and payroll expenses</i>		
Payroll tax	\$ 4,586,741	\$ 4,126,864
Social insurance	342,939	357,772

17. CONTRACTUAL OBLIGATIONS

a. Property leases

The BHB has entered into various operating lease agreements, which include commercial properties for business purposes, as well as residential properties used to provide accommodations to staff and patients. The minimum annual commitment scheduled for the next year is \$1,801,734 (2018: \$2,091,352).

b. Acute Care Wing

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

2020	\$ 24,130,545
2021	21,662,189
2022	20,245,061
2023	20,259,253
2024-2044	486,649,432
	<u>\$ 572,946,480</u>

c. Other contractual obligations

In addition to the above contractual obligations, the BHB also entered into various other long-term contracts, resulting in an estimated average annual contractual commitment of \$6.7 million (2018: \$8.4 million).

18. CONTINGENCIES

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

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

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

19. DONATIONS IN KIND

Donations in kind of \$162,440 (2018: \$176,789) 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

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

a. Credit risk

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

Cash and cash equivalents

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

Accounts receivable and other receivables

Accounts receivable consist primarily of trade accounts receivable from billings of services provided. The BHB's credit risk arises from the possibility that a counterparty, which owes the BHB money, is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the BHB, which would result in a financial loss for the BHB. This risk is mitigated through established credit management techniques and supplemented by use of professional credit agencies. For the year ended March 31, 2019, the maximum credit risk to which the BHB is exposed represents the fair value of its accounts receivable.

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

BERMUDA HOSPITALS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

20. FINANCIAL RISK MANAGEMENT (Cont'd)

a. Credit risk (cont'd)

2019		Total	Current	31- 60 days	61 - 90 days	91 + days
Subsidy and grants/ Government insurers	\$	22,864,498	\$ 8,028,423	\$ 2,329,405	\$ 1,428,510	\$ 11,078,160
Commercial insurers		8,213,747	4,293,450	493,685	-	3,426,612
Non insured		16,289,134	1,191,333	617,088	880,395	13,600,318
Other receivables		3,447,960	1,371,696	286,920	26,182	1,763,162
Gross receivables		50,815,339	14,884,902	3,727,098	2,335,087	29,868,252
Less: impairment allowance		(17,284,395)	-	-	-	(17,284,395)
Net receivables	\$	<u>33,530,944</u>	<u>\$ 14,884,902</u>	<u>\$ 3,727,098</u>	<u>\$ 2,335,087</u>	<u>\$ 12,583,857</u>

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>

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, 2019.

	2019	2018
Dialysis and LTC MOUs with HID	\$ 8,768,572	\$ 10,477,074
Government HIP	4,042,026	2,920,621
Somers Isles Insurance	3,705,658	2,777,578
Sunbelt International	4,210,143	1,993,628
Subsidy Supplemental	1,700,000	-
MRF Dialysis Fund	-	2,361,023

20. FINANCIAL RISK MANAGEMENT (Cont'd)

b. Liquidity risk

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

2019	Within 1 year	2 – 5 years	> 5 years	Total
Accounts payable	\$ 8,862,383	\$ -	\$ -	8,862,383
Other liability	4,584,575	37,507,679	230,292,890	272,385,144
Accrued health insurance	1,120,000	4,699,566	19,844,014	25,663,580
	<u>\$ 14,566,958</u>	<u>\$ 42,207,245</u>	<u>\$ 250,136,904</u>	<u>\$ 306,911,107</u>

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>

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

Foreign exchange risk

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

Interest rate risk

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

20. FINANCIAL RISK MANAGEMENT (Cont'd)

c. Market risk (cont'd)

Inflation risk

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

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

BERMUDA HOSPITALS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

21. KEMH AND MWI STATEMENTS OF OPERATIONS

2019

REVENUE

	KEMH	MWI	Total
Outpatient (Note 16)	\$ 162,411,085	\$ 3,854,263	\$ 166,265,348
Inpatient (Note 16)	112,431,492	3,680,154	116,111,646
Government grants (Note 16a)	7,596,188	37,464,000	45,060,188
Non-medical (Note 16f)	2,674,506	426,343	3,100,849
Amortisation of deferred capital contributions (Note 8)	1,603,206	728,118	2,331,324
Interest income	114,925	-	114,925
Donations in kind (Note 19)	162,440	-	162,440
Total revenues	\$ 286,933,842	\$ 46,152,878	\$ 333,146,720

EXPENSES

Salaries and employee benefits (Notes 9 and 16f)	\$ 169,758,219	\$ 34,621,088	\$ 204,379,307
Medical supplies	29,021,932	729,559	29,751,491
Repairs and maintenance	26,023,110	1,865,347	27,888,457
General supplies and services	20,633,181	4,720,154	25,353,335
Interest (Note 10)	19,071,230	-	19,071,230
Bad debt	18,730,633	-	18,730,633
Utilities	9,720,518	1,577,602	11,298,120
Amortisation of capital assets	7,895,731	996,000	12,454,891
Amortisation of Acute Care Wing Building	5,733,275	-	5,733,275
Food	2,173,037	1,110,791	3,283,828
Business social costs (Note 14)	238,283	-	238,283
Nurses superannuation pension forgiveness (Note 9a)	(11,287,032)	-	(11,287,032)
Accrued health insurance (Note 9b)	(1,639,519)	-	(1,639,519)
Realised gain on sale of other investments	-	-	-
Scholarships issued	-	-	-
Management charge (Note 15)	(2,000,000)	2,000,000	-
Total expenses	\$ 294,072,598	\$ 47,620,541	\$ 341,693,139
Deficiency of revenues over expenses	\$ (7,078,756)	\$ (1,467,663)	\$ (8,546,419)

BERMUDA HOSPITALS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019

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

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	\$ 251,494,595	\$ 45,094,415	\$ 296,589,010

EXPENSES

Salaries and employee benefits (Notes 9 and 16f)	\$ 160,745,238	\$ 32,445,458	\$ 193,190,696
General supplies and services	23,400,913	4,801,940	28,202,853
Medical supplies	27,041,749	656,919	27,698,668
Repairs and maintenance	23,081,329	2,032,245	25,113,574
Interest (Note 10)	19,052,646	-	19,052,646
Amortisation of capital assets	10,218,104	996,000	11,214,104
Utilities	9,489,655	1,582,452	11,072,107
Bad debt	8,012,965	-	8,012,965
Amortisation of Acute Care Wing Building	5,733,275	-	5,733,275
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
Accrued health insurance (Note 9b)	(2,808,243)	-	(2,808,243)
Management charge (Note 15)	(2,000,000)	2,000,000	-
Total expenses	\$ 284,425,597	\$ 45,572,283	\$ 329,997,880
Deficiency of revenues over expenses	\$ (32,931,002)	\$ (477,868)	\$ (33,408,870)

22. BUDGET FIGURES

The budget was approved by the Board of Directors on April 18, 2018.

23. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2019	2018
Accounts and other receivables	\$ 16,302,833	\$ 1,122,202
Prepaid expenses	(211,284)	256,075
Inventory	1,141,434	(377,757)
Accounts payable and other payables	470,516	(2,763,239)
Pension and health accrual	(5,391,491)	(2,949,540)
	<u>12,312,008</u>	<u>(4,712,259)</u>

24. COMPARATIVE FIGURES

No material adjustments were made to comparative figures.

25. GOVERNMENT GUARANTEE FOR THE PPP AGREEMENT

On December 1, 2010, the Minister of Finance provided an irrevocable guarantee to Paget Health Services Limited on behalf of the BHB to facilitate the completion of the new ACW. The Government guarantees all debt and contractual obligations under the Agreement as disclosed in Notes 7 – Other Liability - ACW and 17 - Contractual Obligations.

26. SUBSEQUENT EVENTS

Change in Funding

On May 17, 2019, a Bill was passed in the House of Assembly, which changed how the BHB is to be funded. 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 \$11.5 million for miscellaneous services.

COVID-19 Pandemic

Subsequent to the year-end in March 2020, the World Health Organization officially declared the outbreak of COVID-19 a global pandemic and the BHB considers the emergence and spread of COVID-19 to be a non-adjusting subsequent event that occurred after the reporting period. Management is closely monitoring the evolution of this pandemic, including how it may affect Bermuda's economy, health insurance system and general population. COVID-19 has caused significant disruption to businesses and economic activity in Bermuda and has resulted in a number of people being furloughed or laid off. The going concern basis of preparation assumption for BHB's 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.

26. SUBSEQUENT EVENTS (Cont'd)

COVID-19 Pandemic (cont'd)

The impact on BHB's operations of additional procurement of equipment and supplies in response to the pandemic, possible delays in receipts from the Government, commercial insurers and others, and the potential impact on BHB's supply chain as a result of COVID-19 is undeterminable at this stage. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the future operating and financial performance of the BHB or to provide a quantitative estimate of this impact, but it is not expected to be significant and therefore BHB continues to adopt the going concern basis of preparation.

Sale of Ascendant Shares

On October 16, 2020, Ascendant Group Limited announced that they welcomed the approvals of the Regulatory Authority and the Minister of Finance in completing the sales of Ascendant Group to Algonquin Power & Utilities Corp. As a result of the pending sale, Ascendant closed its share register as at the close of trading on the Bermuda Stock Exchange on Wednesday, November 4, 2020. Shareholders received US\$36 per common share. Proceeds received from the sale of shares were \$1,691,064, which resulted in realized gains of \$1,546,413.

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, 2019:

PS 1201 – Financial Statement Presentation*
PS 2500 – Consolidation**
PS 2601 – Foreign Currency Translation
PS 3041 – Portfolio Investments
PS 3050 – Loans Receivable **
PS 3070 – Investments in Government Business Enterprises**
PS 3390 – Contractual Obligations **
PS 3230 – Long-Term Debt **
PS 3450 – Financial Instruments
PS 3280 – Asset Retirement Obligations
PS 3400 – Revenue
PS 3160 – Public Private Partnerships

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

** When Section PS 3450 is adopted

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

King Edward VII Memorial Hospital

T: 441 236 2345

MAILING ADDRESS

PO Box HM 1023 | Hamilton, Bermuda HMDX

STREET ADDRESS

7 Point Finger Road | Paget, Bermuda DV04



Bermuda Hospitals Board

W W W . B E R M U D A H O S P I T A L S . B M