



2020



Bermuda Hospitals Board

ANNUAL REPORT

BHB ANNUAL REPORT 2019-2020

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 amendments, and requires BHB to earn enough surplus to maintain and invest in high-quality, cost-effective services. Given Bermuda's relatively isolated geographic location, the 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

From June 2019, BHB's funding model was changed by Government. The portion of funding previously paid by insurers for BHB claims that came under Standard Health Benefit (SHB) was replaced with a fixed payment from Government. Revenue from the new funding model was \$131 million.

Government also pay a subsidy for seniors, youth or indigent patients. In 2019-2020, the amount of subsidy paid by Government in the year was \$107.5 million.

\$42.9 million was paid to BHB by insurance schemes, representing non-SHB services. Starting June 2019, 49% of this total was from commercial insurers and 51% from Government insurance schemes, including FutureCare, Health Insurance Plan (HIP), Dialysis, and Government Employees Health Insurance Fund.

Government paid a \$37.3 million grant that contributes towards the provision of mental health, substance abuse and learning disability services at MWI and its group homes, and a \$4.5 million capital grant for the MWI facility.

\$2 million was paid by individuals who did not have insurance, and \$4.4 million came from non-residents who needed urgent or emergency health care services while on island.

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 Board Committees.

BOARD AND COMMITTEES

2019 BOARD AND COMMITTEE MEMBERS 1 January – 31 December

BOARD

William Madeiros, Chair
Dr Edward Schultz, D Chair
Dr Sandy Desilva
Terry Faulkenberry
Alison Hill
Dr Victor Scott
Cyril Whitter (left May 2019)
Kathy-Ann Swan
Ricky Brathwaite
Venetta Symonds
* Lisa Sheppard, BHCT
* Angela Kendall
** Dr Jennifer Attride-Stirling
** Dr Cheryl Peek-Ball
Scott Pearman
William (Bill) Shields
Judy Richardson
Dr Chantelle Simmons
Debra Goins-Francis
Anna Nowak
Dr. Constance Richards

EXECUTIVE COMPENSATION COMMITTEE

William Madeiros, Chair
Terry Faulkenberry
Dr Sandy Desilva
Venetta Symonds
Dr Michael Richmond
Alana Rogers

GOVERNANCE & RISK COMMITTEE

Dr Edward Schultz, Chair
Dr Michael Richmond, Co-Chair
Venetta Symonds
Kathy-Ann Swan
Dr Cheryl Peek-Ball
Matthew Pifer
Alison Hil
Bill Shields
Preston Swan
Dr Chantelle Simmons
Judy Richardson
Danny Moore
Lynnette Bean
Matt Pifer

RISK MANAGEMENT COMMITTEE

(reports to Gov & Risk)
Dr Michael Richmond, Chair
Venetta Symonds
Scott Pearman
Bill Shields
Judy Richardson
Preston Swan
Anthony Fitzgerald
Danny Moore
Norma Smith
Lloyd Holder
Arthur Ebbin
Paul Tohill
Lynn Labonte
Kennedy Wainwright

HUMAN RESOURCES & ENGAGEMENT COMMITTEE

Dr Sandy Desilva, Chair
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
Venetta Symonds
Ricky Brathwaite
Dr Michael Richmond
Bill Shields
Scott Pearman
Arthur Ebbin
Shkysi Cummings
Nicole Edmunds
Paul Tohill
David Pugh
Shivon Washington

PENSION COMMITTEE

(reports to Finance & Audit)
Terry Faulkenberry, Chair
Venetta Symonds
D. Michael Richmond
Bill Shields
Scott Pearman
Angela Fraser-Pitcher
Zehena Davis
Lori Burchall
Stephen Gift
Union Representatives

CAPITAL & ESTATES COMMITTEE

(reports to Finance & Audit)
Bill Shields, Chair
Scott Pearman
Lloyd Holder
Arthur Ebbin
Anthony Hunter
Danny Moore
Anthony Fitzgerald
Nicole Edmunds
Martha Taruvunga

LEGEND:

Board Member

Staff

Other

* Ex-Officio Voting Board Members

**Ex-Officio Non-Voting
Board Members



Government of Bermuda
Ministry of Health

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



It is hard to reflect on the 2019-2020 fiscal year without acknowledging that by the end of March, we were in the early stages of a world-changing pandemic.

Until the pandemic reached Bermuda at the end of the fiscal year, there had been many positive achievements, including a stellar result in the hospital-wide accreditation survey, and many clinical improvements that improved both care and efficiency.

A new clinical relationship was forged with Johns Hopkins Medicine International, which focused on programmes for stroke and psychiatry, and a residency programme. But by the end of the year we were viewing a very different set of clinical priorities.

The country as a whole has been shaken by the impact of COVID-19, and to view the fiscal year when this first was being felt is to look back into a different time. By the end of March, BHB was in full response mode setting up new processes and guidelines, changing how care would be managed, and seeking the additional supplies and equipment that would be critical in saving lives through the next fiscal year.

Our first cases in Bermuda were in the last month of this fiscal year, then international borders were closed and a mandate for people to stay-at-home put in place.

Thanking BHB staff, leadership and Board is something we do every year in recognition of the improvements they make to care. In this fiscal year, our appreciation is not just for the improvements worked on, but the actions that were a critical part of a national response to save lives in one of the most devastating health emergencies Bermuda has experienced.

Sincerely,

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



MESSAGE FROM THE CHAIRMAN, MATTHEW PIFER

I am very pleased on behalf of Bermuda Hospitals Board to introduce the 2019-2020 annual report, and to note that, yet again, we have achieved an unqualified audit for our financial statements.

The year under review was a difficult one financially due to a number of challenges.

In June 2019, Government introduced a new funding model, which capped BHB's annual revenue at \$322 million. It was designed to cover the costs of the MWI grant, hospital subsidy, long term care, dialysis and standard health benefit services. Under this new funding model, BHB's revenue was no longer reflective of community usage, and BHB was no longer charging for the majority of services used. Unfortunately, the funding cap did not consider capital spending needs or the impacts from inflation. Additionally, no one could have predicted a global pandemic which began to take hold in early 2020.

Despite these challenges, BHB did a phenomenal job not just maintaining, but improving care, while achieving \$13 million in cost savings through efficiencies. And yet,

financial obligations had to be met, not least \$39 million in necessary capital expenditures and ACW payments, which contributed to a loss for the year, and the continued deterioration of our cash position.

COVID-19 started to impact us financially at the end of the fiscal year. Supply chain issues and a worldwide shortage of medical supplies, including personal protective equipment, significantly impacted our cash position. Whilst the biggest impacts would not be felt until the 2020-2021 fiscal year, in March 2020, income from tourists needing hospital services while on-island evaporated as international borders closed. This was a significant loss of additional revenue beyond the new revenue model.

Financial challenges aside, the work to improve care and safety are touchstones of this year even as we worked through a long and often relentless pandemic. On behalf of the Board, I would like to thank the BHB staff and leadership for their equally long and relentless hard work to improve patient care during a most challenging year. The people of Bermuda can be justly proud of the BHB's pandemic response.



MESSAGE FROM THE CEO & PRESIDENT, MICHAEL RICHMOND, MD

I'm very proud looking back on the fiscal year of 2019-2020, both at the achievements of staff and their initial responses to the emergence of COVID-19.

This annual report details some amazing work achieved by staff. At its heart was improving clinical quality and becoming as efficient as possible, as we sought to adjust to the new funding model and managing increasing financial pressures.

The clinical affiliation with Johns Hopkins Medicine International and the ongoing work with the Institute for Healthcare Improvement supported our BHB staff in programmes that would continue raise the bar on quality. In the first year of our affiliation with JHMI, we knew stroke care was a priority. The numbers of people having strokes in Bermuda are high, and fast, effective care can mean the difference between a near full recovery and a lifetime of disability or death. This on its own makes the programme worthwhile.

While these affiliations focused on quality and patient outcomes, work to improve efficiency meant we could see more patients than before, or admit them more quickly after admissions from Emergency. This helps reduce waiting times and improve patient experiences, while also helping us care more at lower costs.

The impact of COVID-19 most certainly changed our expected direction of travel. We had planned to start an electronic medical record system implementation on 1 April 2020, and preparatory work was already underway, including a number of presentations and discussions with local physicians. By March, we knew it could not go ahead as the task of responding to this global pandemic was going to be too disruptive. It would be a year before we could start.

We achieved the highest level of accreditation following our hospital-wide survey in May 2019. This measure of our adherence to patient safety standards is something that we are immensely proud of.

The full story of COVID-19 goes well beyond the fiscal year under review, but the response by our staff, their courage and their commitment started here.

My appreciation of staff, leadership and Board is felt for all that was achieved through 2019 and all that done in the frontlines of the pandemic up to March of 2020 and beyond.

BHB PATIENT SATISFACTION SURVEY SUMMARY FY2012-2020

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	2020
88.3	92.9	90.7	92.3	93.2	90.9	92.4	94.5	94.1

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	2020
88.0	90.8	89.7	90.3	95.3	96.0	93.7	93.9	93.9

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

% Satisfied with Overall Service								
2012	2013	2014	2015	2016	2017	2018	2019	2020
94.6	96.0	95.0	95.5	97.0	99.0	96.5	97.3	97.8

Overall Satisfaction with Surgical Outpatient Services

% Satisfied with Overall Service								
2012	2013	2014	2015	2016	2017	2018	2019	2020
93.3	96.5	93.1	92.5	97.1	94.0	99.0	99.0	97.5

Overall Satisfaction with Mid-Atlantic Wellness Services

% Satisfied with Overall Service								
2012	2013	2014	2015	2016	2017	2018	2019	2020
86.5	71.8	73.7	82.1	83.5	81.8	74.7	83.3	85.5%

Overall Satisfaction with Long Term Care Services

% Satisfied with Overall Service								
2012	2013	2014	2015	2016	2017	2018	2019	2020
n/a	72.9	82.1	84.2	67.5	81.0	68.9	90.2	57.5

2019-20 YEAR IN REVIEW



Accreditation

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BHB achieved a decision of Accredited with Exemplary Standing, Accreditation Canada's highest level of accreditation in this fiscal year. The decision followed four years of quality and safety improvements, culminating in a week-long on-site visit by independent surveyors in May 2019. They measured BHB against 3,837 standards and required organizational practices. They visited all BHB locations, including group homes, observing staff, reviewing documentation and policies, and interviewing staff, patients, volunteers and community partners.

More than 1,000 health and social service organisations and 7,000 sites around the world have been accredited by Accreditation Canada with a goal of safer, high-quality healthcare. BHB is measured against the same accreditation standards as those used to accredit Canadian hospitals.

Accreditation Canada was impressed with how BHB developed and used its Strategic Plan 2016-2021, and how the extensive Clinical Services Plan served as the anchor for BHB's strategic goals. They cited BHB's dedication to quality and safety improvement and training at all levels. Also noted was BHB's increasing engagement of patients and families in policy and process development. A key achievement was the establishment of a Patient and Family Advisory Council, comprising community members, who provided advice on how we can implement or change processes to improve the patient experience.

BHB has been accredited since the 1970s. This was the thirteenth onsite survey by Accreditation Canada. The full accreditation report, decision letter and survey comparison table were made available on the BHB website.

BHB strategy

Following the establishment of a five-year strategic plan in 2016, there were annually agreed projects and initiatives. Part of this strategy was the development of a Clinical Services Plan, which was published in 2018. Both these documents identified strategic projects for BHB in this fiscal year.

A key focus for some years has been to ensure BHB delivers timely and effective care to patients to optimise outcomes at the lowest cost possible. BHB appointed KPMG at the end of September 2018 to work with frontline BHB staff and support a number of projects that improved care at a lower cost. In August 2019, a 10 month review on progress and achievements found that every dollar spent with KPMG had a net return of \$3.2. Here is an overview of some of the key projects:



Improvements in surgical services

New, standardised processes and booking policies with daily, weekly and monthly meetings helped streamline efficiency in surgical services. Using real-time operating room (OR) information, BHB's booking team established data-backed procedure times for each physician, reducing list over-runs and cancelled surgeries. Cost savings of \$790,000 were delivered in the fiscal year under review, primarily through more efficient use of staff to match a new OR schedule.

The pre-operative assessment team and surgical staff now call all patients for their initial health check-up, so that they take place well in advance of an operation date. Year on year, 15% more patients received a pre-operative assessment prior to their surgery in 2019 compared to 2018.

In total there was a 3% increase in productivity, which translated to 242 more patients receiving care over the same period.

Improvements in outpatient services and diagnostic imaging

BHB's Clinical Services Plan noted that in 2016/17, 36% of all Bermuda residents visited BHB for outpatient services or diagnostic tests. That's over 20,000 people. Internal process and communication improvements were implemented in these services to reduce the number of people who do not turn up for their appointments. Patients who do not show up for their appointment cause delays for other patients who could have had that slot and increase costs of providing the service. New patient stand-by booking criteria and a new patient reminder process were piloted in this fiscal year to avoid unexpected cancellations or give enough time to reschedule other patients if a booked patient could not attend.

The result, without any additional hours being added, was 5,300 more patient scans across x-ray, ultrasound, mammography, CT, MRI, cardiac diagnostics and bone densitometry comparing 2019 to 2018. In outpatient clinic areas, a 21% productivity improvement was achieved between October 2018 and March 2019.

Improvements to patient flow

Work was undertaken in this fiscal year to consider quality improvement initiatives that would help patients move through their journey at BHB in the most timely and efficient way possible, to reduce length of stay and improve discharge planning.



A daily, multidisciplinary 'bullet round' meeting was piloted in the previous fiscal year, and was used more widely this fiscal year. The process identified bottlenecks and delays more rapidly and helped plan discharges as soon as the patient was medically ready. Between May and January of

this fiscal year, 5% more patients received inpatient care compared the same period in 2018/19, and there was an 8% reduction in Emergency Department boarding over the same time period.

The Emergency Department also worked on process improvements, while hospitalists on the wards focused on discharging patients safely in the morning which opened up bed space for Emergency patients. Twenty-three per cent (23%) of patients were discharged before midday in this fiscal year compared to 15% in 2018-19.

The successful projects listed above enabled BHB to care for more patients at a lower cost and were instrumental in helping BHB navigate the financial constraints in the 2019/20 fiscal year.

Johns Hopkins affiliation

BHB's vision in this fiscal year was to deliver exceptional care through strong partnerships and support a healthy community, so BHB was very proud to announce its clinical affiliation contract with Johns Hopkins in 2019, following a robust and lengthy competitive process in which six highly acclaimed hospitals applied and went through extensive review.

Johns Hopkins won not only due to their quality and status in the healthcare world, but their deep affinity to and understanding of Bermuda.

Continuing Medical Education Programme

At the heart of the affiliation is access to quality education for physicians in the hospital and Bermuda. BHB's Continuing Medical Education (CME) programme is now accredited by one of the world's best-known and highly-respected healthcare providers. The first CME was held in May 2019, and has continued each month since then.



As well as monthly CME events, a CME conference was planned for April 2020, where Johns Hopkins and BHB physicians were going to present on the topic of 'Hot Topics in Cardiometabolic Risk'. Due to the pandemic, however, this two day event for Bermuda and international physicians was postponed, and ran remotely in April 2021.

Johns Hopkins Residency Programme

BHB's clinical affiliation with Johns Hopkins included a residency programme. For this programme, Johns Hopkins residents completed four-week rotations to Bermuda and completed short-term clinical and quality improvement projects. Residents are medical doctors who have graduated from an accredited medical school and are completing additional specialist training at Johns Hopkins. BHB's first resident rotated through the Emergency Department in 2019, and by early 2020, a second resident worked with the Anaesthesia team.

The benefit for BHB was to have freshly-trained residents, who could support clinical projects and share the latest teachings in their specialist areas during their brief stay. The residents got to experience a different type of hospital environment to Johns Hopkins, as BHB is a community hospital for the most part, but one that has to manage a wide variety of patient needs due to Bermuda's geographically isolated position.

Integrated stroke programme

The most extensive project of the affiliation, and perhaps the most exciting as it aimed to have a critical impact on public health and outcomes, was a joint BHB and Johns Hopkins plan to establish BHB as a Primary Stroke Centre. This required a major investment of human and financial resources but aimed to make a critical improvement to the health of our country.

Stroke is the second-leading cause of death and third-leading cause of disability worldwide. Up to five people per week in Bermuda arrive at the KEMH Emergency Department having suffered a stroke. The figure is a big number for a small population.

Stroke can be a major financial strain on a family, especially when the patient is of working age and is left, potentially, unable to work.

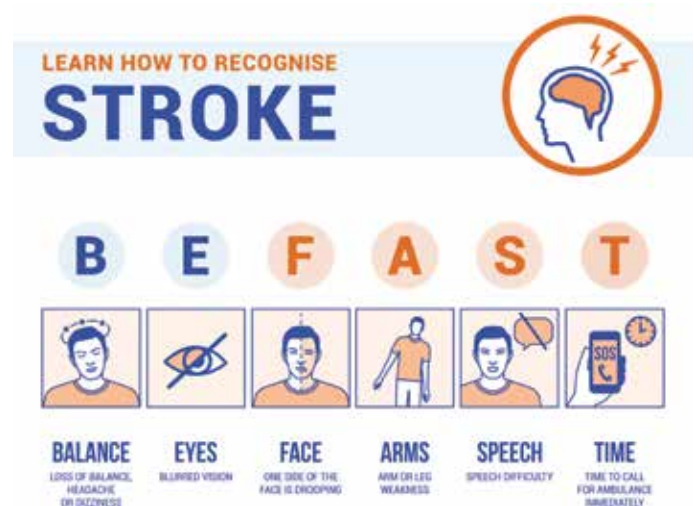
The number of younger stroke patients is rising in Bermuda. BHB has even documented acute stroke in patients in their 20s. Although about 85% of BHB stroke patients are 65 years and older, there are increasing numbers of stroke patients within the 45-64 age range. There were 28 such patients in 2017 compared to 46 patients in 2018.

As part of this programme, a BHB Stroke Working Group met regularly, supported by a full time stroke coordinator, to spearhead prevention efforts and improve care, collaboration and transitions within BHB.



The relationship with Johns Hopkins was a vital support for BHB staff, as Johns Hopkins stroke experts provided training, guidance and support in stroke education, care and rehabilitation, including observerships in Baltimore and on-site training in Bermuda, to help BHB further align all the departments that participate in stroke care.

Strengthening the partnership between BHB and community healthcare providers and agencies to educate healthcare professionals and inform the public was critical for the stroke prevention work. BHB promoted the BE FAST acronym to the community and all its staff. If someone experiences issues in balance, eyes, face, arms or speech they need to act quickly (time) as it could be a stroke.



Psychiatric Care

Johns Hopkins psychiatry experts also built a supportive partnership with mental health services at MWI. There were numerous visits between the departments in Bermuda and Baltimore to share best practices and educations, and a special dual diagnosis workshop took place in January 2020, including training, and presentations.

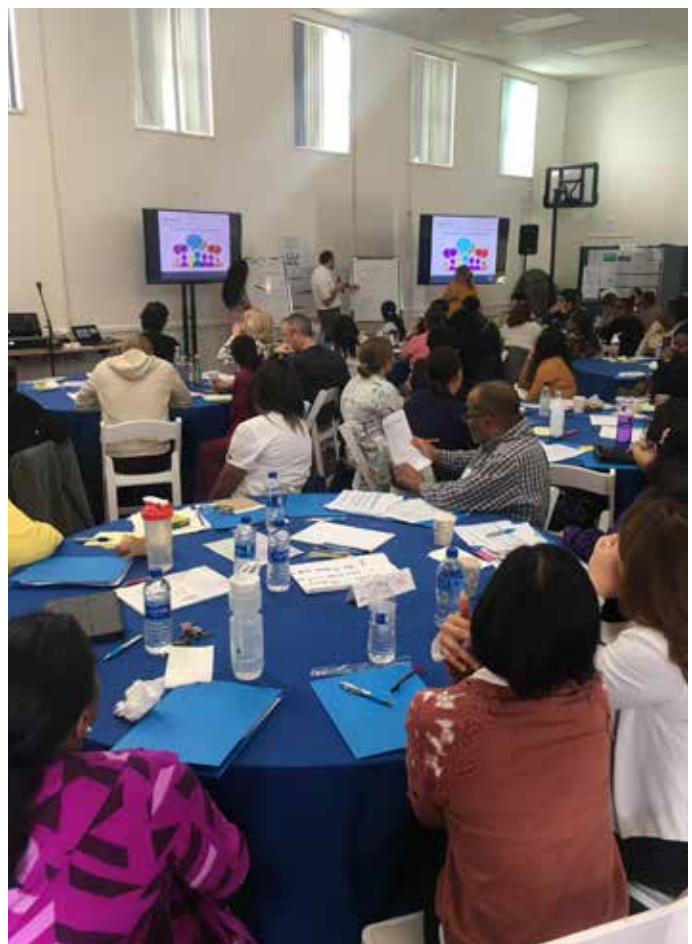


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Institute for Healthcare Improvement collaboration

The key collaborative partnership with the Institute for Healthcare Improvement (IHI) continued over from the last fiscal year. Over 100 BHB staff were trained and supported by IHI to lead quality improvement projects within their departments, testing and advancing improvements. Examples of the goals included reducing the incidence of pressure injuries, the number of falls with injuries and medical omissions.

The work made a difference. Results of BHB's annual pressure injury prevalence and incidence study in March 2019 by the Wound Care team and clinical nurses showed a prevalence of 10.29% and an incidence of 1.57%, compared to 23% and 25% respectively the year before.



ACW audit



The acute care wing had its first performance audit in December to ensure it was performing in line with the public private partnership contract between BHB and Paget Health Services. The PPP contract costs BHB over \$2 million per month. Included in that cost is the day-to-day hard maintenance of the facility. To ensure it was performing in line with the agreed criteria, the contract requires an on-site audit by an independent auditor every five years.

The audit included a structural engineer to review the external facility, roof and sewage plant, as well as assessments in all areas internally of the ACW. This process is part of the contract to ensure the building is maintained and that all performance requirements of the building are working to agreed standards.

The audit gave an independent evaluation of where we are and where improvements might be made. It is an important accountability measure ensuring BHB and Bermuda are getting the expected value from the contract, and that performance is maintained throughout the length of the 30 year contract.

Community activity

Community education and testing

This year, BHB offered free screening for chronic illnesses in November. BHB also offered stroke awareness training and free screening for stroke risks at health fairs, out on the streets of Hamilton and at Victoria Park as part of its stroke awareness campaign in the community to help identify stroke symptoms early.



Hands-on CPR training

BHB's Nursing Staff Development Department offered hands-only CPR training again this year to the community. One hundred and forty-six people attended the training, which educated people on how to deal with someone who goes into cardiac arrest using just the hand pumping rather than hands and mouth. The goal is to increase the number of people who can help someone in the event of a cardiac emergency in the community.



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Mental Health Awareness

MWI took a community partnership approach to this year's mental health awareness week, working with the Alpha Nu Omega, the Bermuda Football Association and Mental Health Foundation around the theme of suicide prevention. The annual MindFrame PhotoVoice Exhibition at the Bermuda Society of Arts kicked off activities. Numerous interviews were held through October and November, along with a scavenger hunt, church service, education opportunities, community walk and, in December, a movie night at the Bermuda Underwater Exploration Institute.



Teen Life Skills Programme

Once again, MWI offered its teen life skills training programme for six teens. Supported by many local organisations who provided work experience placements, and with financial support from the Bermuda Hospitals Charitable Trust, the Teen Life Skills programme ran for four weeks over the summer, Monday to Thursday. Workshops were held in the morning aimed at helping teens cultivate and hone their social and life skills and work placements helped them gain experience and put into practice what they had learnt.



Winter planning

For the first time, BHB established a 'Winter Plan' to proactively create resilience within KEMH for expected upsurges in demand through the peak winter season. This included reducing the weekday hours and service at the Lamb Foggo Urgent Care Centre from 16 December, so that diagnostic and clinical resources could be focused in the Emergency Department.

Based on a calendar year comparison, the Winter Plan resulted in a 41% reduction in Emergency Department boarding time despite 6% more admissions compared to the year prior, over the winter period.

To help create inpatient capacity to deal with the winter surge, there was particular focus on the earliest safe discharge for inpatients, and a 'Complex Discharge Committee' focused on moving inpatients with complex (but not medical) needs out of BHB when they were fit for discharge. The length of stay average in the acute care wing inpatient units for the third quarter (September to December) of this fiscal year was 7.7 days. The average occupancy of the ACW has run on a year to date average of 90%. It was 94.4% in December 2019 and 96% and 96.5% respectively in November and October.

COVID-19

By the end of this fiscal year, in March 2020, Bermuda and BHB were in full response mode to a novel coronavirus that had circled the globe. BHB's first public statement about the emerging infectious disease was at the end of January as numbers began to rise globally. Internally, at the same time, BHB began to plan its response as to how it would manage cases locally and daily information sharing and updates with staff started.

By 15 March 2020, non-emergency surgeries had been suspended to prepare for potential cases, and the first restrictions to visitation started. By 18 March, walk-ins were no longer allowed for lab and imaging services to enable telephone triaging of people with appointments. On 20 March, following confirmation of the first two COVID-19 cases in Bermuda on 18 March, people were advised not to visit patients or residents, other than in exceptional circumstances. A shelter-in-place order started on 29 March and, on 31 March, BHB's Child & Adolescent Services at MWI established a special COVID-19 pandemic telephone support line for children and families.



Within BHB, there was a race to keep up with constantly changing updates and findings. A global shortage of medical supplies and disruptions to the supply chain itself created extreme pressures around securing personal protective equipment. The pressure on procuring supplies required cash, which further exacerbated a deteriorating cash position for BHB that has continued through the years since. Work also had to start clearing space for overflow care for acute and intensive care, in the event that hospitalisations should rise above BHB's existing capacity.

Daily internal meetings aimed to ensure a timely response to a rapidly changing environment and to keep staff updated as they focused on continuing to deliver care throughout. It was a disruptive and difficult time for staff, especially those who were cut off from loved ones overseas. There was also communication with the public about what was happening at BHB, what plans there were to cope, how individuals could protect themselves from infection and how they should access services. While the fuller impact of the pandemic will run through future financial reports, the challenges were already being felt by the end of fiscal year 2020 and there was, at that time, no way of knowing how long the pandemic would be with us.





Improving work life at BHB

Saying no to harassment, bullying and incivility

BHB worked with BPSU and BIU partners in this fiscal year to make a stand against harassment, bullying and incivility (HBI). All 1,800 staff members were trained in how to deal with HBI in the workplace, and had the option of in-person training or a recorded video.

Scholarship winners

BHB announced nine scholarships, worth \$155,000, over one or more years in September 2019. The scholarships are administered by BHB, with funding for five from Bermuda Hospitals Board (\$70,000), three from the Bermuda Hospitals Charitable Foundation (\$45,000) and one from GlaxoSmithKline Insurance Ltd, a Bermuda-based subsidiary of GlaxoSmithKline plc (\$40,000).



Scholarships funded by BHB:

Chantae Hollis received a BHB Scholarship of \$10,000 for up to one year. Chantae is in her third year studying at John F. Kennedy School of Medicine in Curacao. Upon graduation in 2021, she is planning to do her residency in Psychiatry.

Latroya Darrell received a BHB Scholarship in the amount of \$15,000 for one year. She is in her last year of attaining her MSc in Physiotherapy at Queen Mary University in Edinburgh. She will graduate in spring 2020.

Shayla Gift received a BHB Scholarship of \$15,000 for one year with an option to renew for up to two more years. She is at Sheffield Hallam University, in South Yorkshire UK in pursuit of a BSc in Adult Nursing. Shayla's is looking to graduate in Spring 2022.

Tiontae Thomas-Clarke received a BHB Scholarship of \$15,000 for one year with an option to renew for one more year. Tiontae is studying at Hampton University. Upon graduation, she wants to pursue specialisation in Mental Health Nursing.

Milon Bourne-Outerbridge received a BHB Scholarship of \$15,000 for one year with an option to renew for up to two more years. Milon is studying Adult Nursing at the University of Essex in the UK.

Scholarships funded by the Bermuda Hospitals Charitable Foundation (BHCF)

Annefa Burke received a BHCF Scholarship of \$15,000 for one year with the option to renew for up to two more years. She is studying at St George's – University of London – Nicosia Campus in Cyprus. In Spring 2022 she will attain her BA of Medicine and BA of Surgery.

Ceola Wade received a BHCF Scholarship of \$15,000 for one year. Ceola is at the University of Exeter – UK Medical School in the process of attaining her BSc in Medical Sciences (Health Research). She will graduate in Spring 2020 and Ceola wants to go on to specialize in Emergency Medicine.

Xe'na Simons received a BHCF Scholarship of \$15,000 for one year with an option to renew for one more year. Xe'na is studying at Advent Health University in Orlando Florida. Upon graduation, Xe'na wants to specialize in Mental Health Nursing.

GlaxoSmithKlein Scholarship

Alesha Page received the GlaxoSmithKline Scholarship of \$20,000 for two years. Alesha is studying at the University of Medicine and Health Sciences in St Kitts. She will attain her Doctor of Medicine in 2021.

A YEAR IN PICTURES

APRIL 2019

The ICU won a hand hygiene champions award for having the best improved hand hygiene rates at BHB. This award was part of the ongoing quality focus on raising hand hygiene rates throughout BHB, and ensuring the best safety for our patients.



MAY 2019

MWI held its annual pre-heritage day celebration in May enabling long term care residents the opportunity to join in celebrations and activities for Bermuda Day.



JUNE 2019

Bacardi Limited won the 2018-19 Corporate Blood Drive, a competition run by BHB and the Ministry of Health to increase the number of blood donations in Bermuda. There was a record number of 21 participating companies in this year, contributing nearly a third of all blood donations made.



The HAB donated twelve new wheelchairs for people coming to hospital who struggle to walk.



JULY 2019

BHB announced the establishment of a primary stroke centre at KEMH on 17 July 2019 in collaboration with experts from Johns Hopkins Hospital's Comprehensive Stroke Centre and its Department of Neurology's Global Center for Organized Stroke Care.



AUGUST 2019

BHB announced daily inpatient rounding by the endocrinologist and diabetes nurse educator for people with diabetes. The rounding was started as inpatients with diabetes have poorer outcomes and longer stays than patients without diabetes, and internal research had found that 33% of inpatients at KEMH had diabetes, even if that was not the primary cause of their admission.



SEPTEMBER 2019

Hurricane Humberto hit Bermuda, and BHB went into lockdown during the storm to ensure services continued. Baby Maya Collice Julia-Lynn Morris was born during Hurricane Humberto on Wednesday 18 September to Collice Washington and Paul Morris. Although named Maya, Mr Morris said “we do plan to nickname her Storm”.



19

OCTOBER 2019

For the entire month of October, the Acute Care Wing had pink lights on its entrance to mark Breast Cancer Awareness month. This was the first time the ACW was lit up with pink for this promotion.



NOVEMBER 2019



A ‘forget-me-not’ spa day for long-term care residents was organised on 10 November. The Resource Centre at KEMH was decorated as a spa, and hair styling and barbering services, manicures, pedicures, facials and massages were all on offer to the residents. Many of the services were provided by staff who were also qualified in spa services, along with volunteers from local salons who donated their time and expertise.

NOVEMBER 2019 (cont'd)



A Thanksgiving dinner was served to over 30 intellectual disability clients, with decorations around the theme of 'A Night Under the Sea'.



DECEMBER 2019

Clients of the Vocation Rehabilitation Service at MWI enjoyed a Christmas party in December, with donated gifts and games.



JANUARY 2020

Two babies were born on 1 January 2020, and both of them were earlier than expected. The first baby born at 7:58am was a girl who weighed 7lb 2oz. The second baby followed shortly after at 12:06pm to parents Keneshia and Terence Taylor. Little Nia Elizabella, pictured with her mom, was just 4lbs 1oz.



JANUARY 2020 (cont'd)

In January, BHB changed out four massive air handling units that had been in continuous operation in the KEMH General Wing for more than 20 years.



FEBRUARY 2020

Education about COVID-19 started in February, including daily COVID update emails and staff education sessions.



MARCH 2020

By the end of March, emergency tents had been set up outside of the Emergency Department to help with patient flow in the event that there might be an influx of patients due to rising numbers of COVID-19 infections.



BHB Employee Compensation Report for 2019/20

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.	\$45,550.00 to \$90,410.00	\$45,950.00 to \$116,640.00	\$52,610.00 to \$133,470.00
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, Pharmacists, Pathology staff, Diagnostic Imaging Technicians. Salaries are negotiated every two years with the BPSU.	\$48,790.00 to \$175,790.00	\$49,500.00 to \$258,120.00	\$61,860.00 to \$288,550.00
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.	\$84,420.00 to \$296,710.00	\$87,260.00 to \$385,320.00	\$101,990.00 to \$422,510.00
Physicians	This group includes all physicians employed by BHB (except Medical Residents, Psychiatrists and Surgical Resident physicians which are included under BPSU). Physician salaries and compensation are determined by the Chief of Staff.	\$216,670.00 to \$594,560.00	\$263,120.00 to \$777,400.00	\$296,430.00 to \$866,250.00
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 2019/20.	\$143,500.00 to \$505,120.00	\$143,500.00 to \$566,870.00	\$169,700.00 to \$612,910.00

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 2020.
- 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 - 2019/20

Group	Basic Pay	Total Compensation	Total Cost
CHIEF EXECUTIVE OFFICER	505,118	525,895	562,638
CHIEF OF STAFF	487,942	566,867	612,915
CHIEF FINANCIAL OFFICER	419,405	501,655	546,508
CHIEF OF NURSING	221,505	226,918	247,540
CHIEF OPERATING OFFICER	303,877	316,559	342,058

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL

APRIL 2017– MARCH 2018 APRIL 2018– MARCH 2019 APRIL 2019– MARCH 2020

INPATIENT – GENERAL WING (Curtis, Gosling, ICU, Maternity, Nursery, SCBU)

Beds (at 31 March)	103	97	97
Patient Days	12,780	11,925	14,972
Discharges (incl. deaths)	2,020	1,870	2,166
Length of Stay	4.3	4.5	5.1
Births (Live & Stillborn)	571	528	542
Percentage of Occupancy	34%	34%	42%

INPATIENT – ACUTE CARE WING (Ace Barber, Ascendant Partner Re, Catlin Lindo)

Beds (at 31 March)	90	90	90
Patient Days	30,805	30,465	30,947
Discharges (incl. deaths)	3,734	3,941	3,785
Length of Stay	7.3	7	7.5
Percentage of Occupancy	94%	93%	94%

CONTINUING CARE UNITS – COOPER & PERRY

Discontinued 31 May 2017 (see Long Term Care Units)

Beds	68	–	–
Patient Days	3,918	–	–
Discharges (incl. deaths)	1	–	–
Length of Stay	653	–	–
Percentage of Occupancy	94%	–	–

ALTERNATE LEVEL OF CARE (ALC) – GORDON UNIT & GORDON EXTENSION

Discontinued 31 May 2017 (see Long Term Care Units)

Beds	49	–	–
Patient Days	2,702	–	–
Discharges (incl. deaths)	15	–	–
Length of Stay	135.1	–	–
Percentage of Occupancy	90%	–	–

LONG TERM CARE UNITS – COOPER, GORDON & PERRY

Effective 1 June 2017 (included Curtis Unit 1 June 2017–31 July 2018)

Beds (at 31 March)	117	105	105
Patient Days	31,388	36,883	37,383
Discharges (incl. deaths)	177	173	72
Length of Stay	125.1	153.6	352.7
Percentage of Occupancy	88%	96%	97%

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL cont'd

APRIL 2017– MARCH 2018 APRIL 2018– MARCH 2019 APRIL 2019– MARCH 2020

HOSPICE

Beds (at 31 March)	8	8	8
Patient Days	2,033	1,768	1,507
Discharges (incl. deaths)	126	102	60
Length of Stay	15.8	17	25.1
Percentage of Occupancy	70%	61%	52%

ALL PATIENTS

Emergency Dept. Visits – KEMH	30,728	31,594	30,847
Lamb Foggo Urgent Care Centre Visits	4,552	4,817	4,826
Operations (Inpatients & SDA)	1,638	1,676	1,410
Operations (Outpatients)	6,827	7,119	6,191
X-Ray (exams) (In & Out)	29,389	31,832	32,513
Laboratory (Thousand Units) (In & Out)	3,395,034	3,539,246	3,434,440
Cardiac Investigations (ECG & EEG) (In & Out)	10,620	11,353	11,547
Ultrasound Exams (In & Out)	5,499	5,604	5,685
Nuclear Medicine (In & Out)	695	978	1,148
Chemotherapy Treatments (Outpatients)	3,529	3,500	3,943
Cat Scans (In & Out)	12,937	14,478	14,962
MRI Scans (In & Out)	3,740	4,221	4,378
Hyperbarics Patients	13	14	16
Hyperbarics Treatments	61	127	119
Wound Care Patients	2,080	1,967	1,994
Wound Care Treatments	6,256	6,112	5,913
Rehab Day Hospital – New Patients	209	218	229
Rehab Day Hospital – # of Clients	1,318	1,179	1,298
Rehab Day Hospital – # of Discharges	140	221	225
Home Care Visits	3,798	3,471	3,949
Blood Donations	1,557	1,668	1,751

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - MID-ATLANTIC WELLNESS INSTITUTE

APRIL 2017– MARCH 2018 APRIL 2018– MARCH 2019 APRIL 2019– MARCH 2020

INPATIENT – ACUTE CARE

Beds (at 31 March)	23	23	23
Discharges (including deaths)	236	231	259
Length of Stay	13	20	17
Admissions	237	239	258
Percentage of Occupancy	73%	87%	81%
Patient Days	6,181	7,275	6,842

LONG TERM & REHABILITATION

Beds (at 31 March)	40	40	40
Discharges (excl. deaths)	23	20	10
Patient Days (excl. respite)	13,944	14,198	14,583
Length of Stay	538	979	1,325
Deaths	2	0	0
Percentage of Occupancy	96%	97%	100%
Average Length of Stay of Deaths (days)	85	N/A	0

TURNING POINT (SUBSTANCE ABUSE – DETOX UNIT)

Beds (at 31 March)	8	8	8
Discharges	77	83	90
Patient Days	1,076	1,076	1,135
Length of Stay	14	12	12
Admissions	79	81	89
Percentage of Occupancy	37%	37%	39%

CHILD & ADOLESCENT SERVICES

Beds (at 31 March)	4	4	4
Discharges	17	32	33
Patient Days	144	621	481
Length of Stay	8	19	15
Admissions	18	33	32
Percentage of Occupancy	10%	43%	33%

OUTPATIENTS (Child & Adolescent/Mental Health/Substance Abuse/Intellectual Disability)

Total New Admissions / Referrals	380	482	379
Total Re-admissions / Referrals	175	179	158
Total Follow-up Appointments	6,291	7,199	6,205
Total Day Patients Visits	12,590	17,317	9,404
Total Walk-in / Unscheduled Visits	12,388	14,937	9,357
Total DNA to Scheduled Appointments	2,297	2,637	1,959
Total Terminations of Pregnancy	44	6	11
Total Home Visits	7,437	8,010	7,114



Bermuda Hospitals Board

Management's Responsibility for the Financial Statements

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

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

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

The accompanying Independent Auditor's Report is presented herein.

Dr. Michael Richmond
Chief Executive Officer and President
March 29, 2022

rr

Mr. William Shields
Chief Financial Officer
March 29, 2022



Office of the Auditor General

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INDEPENDENT AUDITOR'S REPORT

To the Ministry of Health

Opinion

I have audited the financial statements of the Bermuda Hospitals Board, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2020, and the results of its operations, changes in its net assets, its remeasurement gains and losses and its 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in Bermuda and Canada. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the financial statements* section of my report. I am independent of the Bermuda Hospitals Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in Bermuda, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Bermuda Hospitals Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bermuda Hospitals Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bermuda Hospitals Board's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Bermuda and Canada will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Bermuda and Canada, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than from one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bermuda Hospitals Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bermuda Hospitals Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bermuda Hospitals Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, related safeguards.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Office of the Auditor General website at: www.oagbermuda.bm. This description forms part of our auditor's report.



Heather Thomas, CPA, CFE, CGMA
Auditor General

Hamilton, Bermuda
March 29, 2022

BERMUDA HOSPITALS BOARD
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020 (PRESENTED IN BERMUDA DOLLARS)

	2020	2019
	\$	\$
ASSETS		
Current assets		
Cash	16,257,293	32,209,902
Term deposits (Note 5a)	25,105,478	22,127,279
Restricted cash (Note 4)	4,664,612	4,923,174
Restricted investments (Note 4)	1,065,723	775,071
Accounts receivable (net of allowance for doubtful accounts) (Notes 16 & 20a)	28,249,169	30,082,984
Other receivables (Notes 16i & 20a)	3,323,071	3,447,960
Prepaid expenses	4,455,219	3,018,548
Inventories	10,048,623	8,324,276
	93,169,188	104,909,194
Non-current assets		
Acute Care Wing building (Note 11)	305,564,073	311,297,348
Capital assets (Note 12)	146,297,876	145,480,969
Term deposits (Note 5b)	-	854,662
Other investments (Note 6)	355,241	258,357
	452,217,190	457,891,336
Total assets	545,386,378	562,800,530
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (Notes 16i & 20b)	18,288,671	18,368,119
Accrued salary and payroll expenses (Notes 10 & 16i)	26,165,711	25,929,207
Current portion of other liability (Notes 8 & 20b)	7,271,075	4,584,575
Current portion of deferred capital contributions (Note 9)	2,306,450	2,496,714
	54,031,907	51,378,615
Non-current liabilities		
Other liability (Notes 8 & 20b)	260,516,588	267,800,569
Deferred capital contributions (Note 9)	46,610,229	48,726,415
Accrued health insurance (Notes 10b & 20b)	28,449,247	29,179,402
	335,576,064	345,706,386
Total liabilities	389,607,971	397,085,001
Net assets (Notes 13 & 21)		
Internally restricted for education	582,145	721,377
Unrestricted net assets	153,919,950	164,105,376
	154,502,095	164,826,753
Accumulated remeasurement gain	1,276,312	888,776
	155,778,407	165,715,529
Total liabilities and net assets	545,386,378	562,800,530
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, 2020 (Presented in Bermuda Dollars)

	2020 Budget (Note 22)	2020	2019
REVENUES (Note 21)	\$	\$	\$
Mutual Re-insurance Fund (MRF) (Note 16g)	128,423,256	132,561,945	7,596,188
Government grant MWI (Note 16a)	41,964,000	41,964,000	37,464,000
Subsidy (Note 16c)	116,169,781	116,169,781	120,432,313
Patient related revenue – other	37,992,963	40,215,039	161,944,681
Non-medical	3,308,331	3,305,634	3,100,849
Amortisation of deferred capital contributions (Note 9)	2,100,000	2,306,450	2,331,324
Donations – other	-	874,222	-
Donations in kind (Note 19)	-	131,531	162,440
Interest income	41,669	168,079	114,925
Total revenues	330,000,000	337,696,681	333,146,720
EXPENSES (Note 21)			
Salaries and employee benefits (Notes 10 & 16i)	207,191,224	208,623,492	204,379,307
Medical supplies	28,636,522	30,025,429	29,751,491
General supplies and services (Note 19)	25,524,097	28,176,900	25,353,335
Repairs and maintenance	24,841,006	24,626,669	27,888,457
Interest (Note 11)	18,900,000	18,812,824	19,071,230
Utilities	10,664,407	10,910,800	11,298,120
Amortisation of capital assets	10,624,808	9,906,167	8,891,731
Bad debt	65,455	8,334,870	18,730,633
Amortisation of Acute Care Wing building	5,733,275	5,733,275	5,733,275
Food	3,130,427	3,257,644	3,283,828
Business social cost (Note 14)	51	211,838	238,283
Scholarships issued	-	131,586	-
Accrued health insurance gain (Note 10b)	-	(730,155)	(1,639,519)
Nurses superannuation pension forgiveness	-	-	(11,287,032)
Non-recurring cost savings	(11,700,000)	-	-
Reserves	5,999,231	-	-
Total expenses	329,610,503	348,021,339	341,693,139
(Deficiency) Excess of revenues over expenses	389,497	(10,324,658)	(8,546,419)

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, 2020 (Presented in Bermuda Dollars)

	2020			
	Budgeted net assets	Internally restricted for education	Unrestricted net assets	Total
Net assets	\$	\$	\$	\$
Balance, beginning of year	164,826,753	721,377	164,105,376	164,826,753
(Deficiency) Excess of revenues over expenses	389,497	(139,232)	(10,185,426)	(10,324,658)
Balance, end of year	165,216,250	582,145	153,919,950	154,502,095

	2019			
	Budgeted net assets	Internally restricted for education	Unrestricted net assets	Total
Net assets	\$	\$	\$	\$
Balance, beginning of year	173,373,172	946,896	172,426,276	173,373,172
Deficiency of revenues over expenses	(68,217)	(225,519)	(8,320,900)	(8,546,419)
Balance, end of year	173,304,955	721,377	164,105,376	164,826,753

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, 2020 (Presented in Bermuda Dollars)

	2020		
	Internally restricted for education	Unrestricted net assets	Total
	\$	\$	\$
ACCUMULATED REMEASUREMENT GAINS			
Balance, beginning of year	666,583	222,193	888,776
Unrealised gains attributable to equity and debt instruments	290,652	96,884	387,536
Balance, end of year	957,235	319,077	1,276,312

	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

The accompanying notes are an integral part of these financial statements

BERMUDA HOSPITALS BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020 (Presented in Bermuda Dollars)

	2020	2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenses	(10,324,658)	(8,546,419)
Amortisation of capital assets	9,906,167	8,891,731
Amortisation of Acute Care Wing building	5,733,275	5,733,275
Amortisation of deferred capital contributions	(2,306,450)	(2,331,324)
Bad debt expense	(8,334,870)	(18,730,633)
Interest income	(168,079)	(114,925)
Interest expense	18,812,824	19,071,230
Net change in non-cash working capital (Note 23)	6,559,456	12,312,008
Net cash flows from operating activities	19,877,665	16,284,943
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	(10,723,074)	(10,883,632)
Net cash used in capital activities	(10,723,074)	(10,883,632)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from maturity of investments	854,662	663,736
Interest income received	168,079	114,925
Net cash from investing activities	1,022,741	778,661
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of other liability	(4,597,479)	(4,408,162)
Interest paid	(18,812,824)	(19,071,230)
Net cash used in financing activities	(23,410,303)	(23,479,392)
Net decrease in cash and cash equivalents	(13,232,971)	(17,299,420)
Cash and cash equivalents, beginning of year	59,260,354	76,559,775
Cash and cash equivalents, end of year	46,027,383	59,260,355
Cash and cash equivalents consist of the following:		
Cash	16,257,293	32,209,902
Term deposits	25,105,478	22,127,279
Restricted cash	4,664,612	4,923,174
	46,027,383	59,260,355

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 116 acute care beds (2019: 110 beds) and 215 general and continuing care beds (2019: 214 beds).

MWI is a psychiatric facility with 4 beds (2019: 4 beds) for children and adolescents and 72 long-term rehabilitation beds (2019: 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.

Starting June 1, 2019, BHB moved to a fixed funding model where the majority of services delivered, are funded based on a pre-determined amount, rather than the services delivered. The BHB recognises revenue for these services based on the pre-agreed amount expected to be received for the year. The BHB is still able to bill overseas patients as well as certain miscellaneous services, and the revenue related to these services continue to be accounted for as before, based on the service provided.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

a. Revenue recognition (cont'd)

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

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

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

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, 2020 (2019: \$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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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, 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 (2019: 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 4.90 years (2019: 4.82 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 11 – 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 8 – 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% per annum).

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 Bermuda Government Consolidated Fund and via the Ministry of Health ("MoH") with proceeds from the MRF. Accordingly, any disruption in that funding could have a significant impact on the operations of the BHB (See Note 20a – Credit Risk).

4. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

	2020	2019
Restricted cash	\$ 4,664,612	\$ 4,923,174
Restricted investments	1,065,723	775,071
	<u>\$ 5,730,335</u>	<u>\$ 5,698,245</u>

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

	2020		2019	
	Fair value	Cost	Fair value	Cost
Ascendant Group Limited	\$ 1,420,964	\$ 144,651	\$ 1,033,428	\$ 144,651

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

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

	2020	2019
External		
Patient comfort funds	\$ 1,460,840	\$ 1,714,330
Construction projects and capital assets (Note 9)	19,235	19,235
Forensic mental health funds (Note 16a)	480,864	503,674
Special Project – Biological Oxidizer	1,964,558	1,964,558
COVID-19	157,000	-
	<u>4,082,497</u>	<u>4,201,797</u>
Internal		
Educational purposes	1,647,838	1,496,448
	<u>\$ 5,730,335</u>	<u>\$ 5,698,245</u>

5. TERM DEPOSITS

Term deposits are fixed-term investments that includes the deposit of cash into an account at a financial institution. Term deposits usually carry short or long-term maturities ranging from one month to a few years. The BHB has several term deposits comprising the following:

	2020	2019
a. Current:		
The Bank of N.T. Butterfield – matures April 30, 2020	\$ 21,013,398	\$ 20,249,598
The Bank of N.T. Butterfield – matures April 2, 2020	2,000,000	-
HSBC Bermuda Limited – matures March 31, 2021	1,221,596	1,200,926
The Bank of N.T. Butterfield – matures August 15, 2020	870,484	-
Clarien Bank – matures November 19, 2019	-	676,755
	<u>25,105,478</u>	<u>22,127,279</u>
b. Non-Current:		
The Bank of N.T. Butterfield – matures August 15, 2020	-	854,662
	-	854,662
	<u>\$ 25,105,478</u>	<u>\$ 22,981,941</u>

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6. OTHER INVESTMENTS

Other investments are comprised of the following:

	2020	2019
Ascendant Group Limited, at fair value	\$ 355,241	\$ 258,357
	<u>355,241</u>	<u>258,357</u>

7. 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).

2020		Level 1		Level 2		Level 3		Total
Ascendant Group Limited	\$	1,420,964	\$	-	\$	-	\$	1,420,964

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2020. There were also no transfers in or out of Level 3.

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.

8. OTHER LIABILITY - ACW

	2020	2019
Other liability	\$ 267,787,663	\$ 272,385,144
Less: Current Portion	<u>(7,271,075)</u>	<u>(4,584,575)</u>
	<u>\$ 260,516,588</u>	<u>\$ 267,800,569</u>

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8. OTHER LIABILITY - ACW (Cont'd)

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

Year	Amount
2021	7,271,075
2022	9,240,823
2023	9,993,080
2024	11,002,701
2025	11,930,178
2026-2044	218,349,806
	<u>\$ 267,787,663</u>

The BHB's contractual obligations to PHS in respect of the ACW are disclosed in Note 17b – Contractual Obligations.

9. 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.

	2020	2019
Deferred capital contributions	\$ 48,916,679	\$ 51,223,129
Less: Current portion	<u>(2,306,450)</u>	<u>(2,496,714)</u>
	<u>\$ 46,610,229</u>	<u>\$ 48,726,415</u>

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

	2020	2019
Balance, beginning of year	\$ 51,223,129	\$ 53,554,453
Less: amounts amortised to revenue	<u>(2,306,450)</u>	<u>(2,331,324)</u>
Balance, end of year	<u>\$ 48,916,679</u>	<u>\$ 51,223,129</u>

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

	2020	2019
Amortised capital contributions used to purchase assets	\$ 48,897,444	\$ 51,203,894
Unspent contributions (Note 4)	<u>19,235</u>	<u>19,235</u>
	<u>\$ 48,916,679</u>	<u>\$ 51,223,129</u>

10. 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% (2019: 5%) of gross salary and the employee contributes 5% (2019: 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, 2020 totalled \$6,958,127 (2019: \$6,755,885) and is included in salaries and employee benefits.

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, 2020 was \$673,704 (2019: \$540,417) 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, 2020, the amount was \$111,296 (2019: \$100,756) 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, 2020 the leave pay liability was \$11,652,583 (2019: \$10,896,903) and is included in accrued salary and payroll expenses. The expense for the year ended March 31, 2020 was \$12,818,706 (2019: \$11,813,541) and the benefits paid out were \$12,063,026 (2019: \$11,208,402).

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% (2019: 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.

	2020	2019
Accrued health insurance		
Balance, beginning of year	\$ 29,179,402	\$ 30,818,921
Current cost	249,753	210,179
Interest	1,280,000	1,150,000
Benefits paid	(1,120,000)	(1,120,000)
Current year amortisation of experience gain	(1,139,908)	(1,879,698)
Balance, end of year	<u>\$ 28,449,247</u>	<u>\$ 29,179,402</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 \$2,332,896 (2019: \$3,515,822) is deferred and will be amortised over a period of 4.90 years (2019: 4.82 years). The values of the liability for the 2020 and 2019 fiscal years are based on an independent actuarial valuation report.

10. EMPLOYEE FUTURE BENEFITS (Cont'd)

c. Health insurance plan

As at March 31, 2020, the BHB Health Plan had a net surplus of \$2,634,940 (2019: \$180,522). 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. No such payments were made as at March 31, 2020.

11. 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, the 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:

Statement of Financial Position	2020	2019
Capital assets – land and buildings (ACW PPP Agreement)		
Cost	\$ 337,251,486	\$ 337,251,486
Accumulated amortisation	(31,687,413)	(25,954,138)
Net book value	<u>\$ 305,564,073</u>	<u>\$ 311,297,348</u>
Other liability	<u>\$ 267,787,663</u>	<u>\$ 272,385,142</u>
Statement of Operations	2020	2019
Repairs and maintenance expense	\$ (5,338,301)	\$ (4,731,876)
Interest expense	(18,812,824)	(19,071,230)
Amortisation expense	(5,733,275)	(5,733,275)
	<u>\$ (29,884,400)</u>	<u>\$ (29,536,381)</u>

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12. CAPITAL ASSETS

	Cost	Accumulated Amortisation	2020 Net Book Value	2019 Net Book Value
Land and buildings	\$ 196,383,851	\$ 86,578,674	\$ 109,805,177	\$ 112,104,868
Equipment	110,252,543	83,326,496	26,926,047	27,074,044
Software	27,887,471	18,674,418	9,213,053	5,819,055
Computer equipment	11,723,059	11,369,460	353,599	483,002
	<u>\$ 346,246,924</u>	<u>\$ 199,949,048</u>	<u>\$ 146,297,876</u>	<u>\$ 145,480,969</u>

The total cost of the capital assets as at March 31, 2020 was \$346,246,924 (2019: \$339,892,360) and the accumulated amortisation was \$199,949,048 (2019: \$194,411,391). During the 2020 financial year, BHB carried out an extensive review of the capital asset register, and identified and corrected negative balances in its asset register. This had a cumulative impact of \$6.2 million, which was netted against the amortization expense, resulting in a lower amount as of March 31, 2020.

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 \$704 million (2019: \$454 million).

13. 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, 2020 is \$582,145 (2019: \$721,377).

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 the year, the BHB provided services to a number of persons who were unable to pay. The expenses of \$211,838 (2019: \$238,283) 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, 2020 was \$2,000,000 (2019: \$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.

a. Government grants

Government grants included in operating revenue were as follows:

	2020	2019
Operating grant - MWI	\$ 37,344,000	\$ 37,344,000
Minor Works/Maintenance grant - MWI	120,000	120,000
MWI Capital grant	4,500,000	-
Total grants	<u>\$ 41,964,000</u>	<u>\$ 37,464,000</u>

As at March 31, 2020, \$nil (2019: \$nil) was receivable from the Operating grants and the MWI Capital grant, and \$nil (2019: \$120,000) was receivable from the Minor Works/Maintenance grant – MWI. These balances receivable are included in accounts receivable.

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, 2020, was \$480,864 (2019: \$503,674) 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).

b. Dialysis

The Dialysis fund refunded the BHB for dialysis related costs incurred. Dialysis services are classified as Standard Health Benefit (SHB) services, therefore, as of 1 June 2019, BHB can no longer bill for Dialysis services. Under the new funding model, BHB receives \$35.22 per insured person from the MRF funding, to fund dialysis services delivered (Note 16g).

	2020	2019
Total claims approved and paid in the year	\$ 3,342,463	\$ 14,746,305

As at March 31, 2020, \$nil (2019: \$1,207,181) is receivable from the MRF Dialysis Fund. This amount is included in accounts receivable. The total amount included in revenue for the year ended March 31, 2020 was \$2,135,282 (2019: \$13,682,182).

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

c. Government subsidy program

The Government's Health Insurance Department ("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.

	2020	2019
Final subsidy funding budgeted for the year	\$ 105,748,916	\$ 107,448,916
Consolidated Fund Payment	7,839,417	-
Clinical drug subsidy budgeted for the year	2,581,448	2,580,952
Subsidy revenue in excess of budget	-	10,402,445
Total subsidy revenue	<u>\$ 116,169,781</u>	<u>\$ 120,432,313</u>

	2020	2019
Subsidy payments received in the year	\$ 107,448,916	\$ 105,748,916

As at March 31, 2020, \$7,839,417 (2019: \$nil) Consolidated Fund Payment and \$nil (2019: \$1,700,000) subsidy funding was receivable from the Government. These amounts are included in accounts receivable.

During the 2019 financial year, there was an expectation that the BHB would receive sufficient payments to cover the subsidy related services delivered. However, a supplement of only \$1.7 million was approved. This resulted in subsidy revenue write-off to bad debt expenses, of \$10,402,445. During the 2020 financial year, the budgeted amount was final, and there was no expectation that additional funds would be received. This resulted in subsidy revenue being recorded only up to the amount paid for by Government.

d. Health Insurance Plan (HIP)

During the financial year, the HID approved and paid the following claims:

	2020	2019
Payments received in the year	\$ 7,483,170	\$ 20,055,873

As at March 31, 2020, \$878,825 (2019: \$4,042,026) is receivable from HIP. This amount is included in accounts receivable.

The Health Insurance Committee administers the HIP, a program for individuals who are between the ages of 18 - 65 providing standard medical benefits. Due to the change in the funding model, only non-SHB services can still be claimed from this fund. This caused a material decrease in the claims approved and paid during the current financial year, as well as the decrease in the balance receivable at year end.

e. FutureCare Plan

The HID approved and paid the following claims:

	2020	2019
Payments received in the year	\$ 3,838,377	\$ 11,556,117

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

e. FutureCare Plan (cont'd)

As at March 31, 2020, \$197,183 (2019: \$1,634,340) is receivable from the FutureCare Plan. This amount is included in accounts receivable. The Health Insurance Committee administers the FutureCare Plan, a program for individuals who are over the age of 65 providing certain medical benefits. Due to the change in the funding model, only non-SHB services can still be claimed from this fund. This caused a material decrease in the claims approved and paid during the current financial year, as well as the decrease in the balance receivable at year end.

f. Government Employees Health Insurance Plan

The Government Employees Health Insurance Plan ("GEHI") approved and paid the following claims:

	2020	2019
Payments received in the year	\$ 6,741,685	\$ 20,969,256

As at March 31, 2020, \$79,528 (2019: \$2,933,306) 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. Due to the change in the funding model, only non-SHB services can still be claimed from GEHI. This caused a material decrease in the claims approved and paid during the current financial year, as well as a decrease in the balance receivable at year end.

g. Mutual Re-insurance Fund - Standard Health Benefits

The MRF is financed by all persons who pay SHB premiums through a Bermuda licensed insurer, and every employer who operates an approved scheme. These funds are transferred to and managed by the HID. A prescribed sum of these MRF premiums received by HID, is then transferred to the BHB.

The portion of the MRF transferred to BHB, in relation to the payment of the Dialysis MOU (Note 16h), is excluded from the below balances. The total MRF revenue recognised for the year, is:

	2020	2019
Total MRF revenue old funding model	\$ 1,316,471	\$ 7,596,188
New funding model effective June 1, 2019:		
MRF SHB	113,414,159	-
MRF Dialysis	17,267,442	-
MRF PCMH	563,873	-
Total MRF revenue new funding model	131,245,474	-
Total MRF revenue	\$ 132,561,945	\$ 7,596,188

As at March 31, 2020, \$17,981,954 (2019: \$1,882,466) is receivable from the MRF, and is included in accounts receivable.

In May 2019, the Health Insurance Amendment Act 2019 was passed in the House of Assembly, which changed how the BHB is funded. This new funding replaced the fee-for-service arrangement previously in place. Starting June 1, 2019, all SHB provided to eligible persons, are no longer billed to insurance providers. These services are to be covered in full by the BHB, through MRF funding received.

The change in the funding model on June 1, 2019, resulted in an increase in the MRF funding from \$13.16 to \$267.70 per insured person. The MRF Funding of SHB was set at \$231.33, with a further \$1.15 received for the Patient Centred Medical Home Program (PCMH) and \$35.22 received for Dialysis (Note 16b). These amounts exclude the MRF contributions transferred to BHB in payment of the MOUs (Note 16h).

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

g. Mutual Re-insurance Fund - Standard Health Benefits (cont'd)

The MRF revenue recorded for the 2020 financial year, was based on the budgeted MRF funds communicated by Government, as payable to BHB for the 2020 financial year. Subsequent to year end, a shortfall of \$4.7 million (2019: \$nil) was owed. This balance is included in the impairment allowance against accounts receivable (Note 20a).

h. Memorandum of understanding with Government

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

Of the MRF funding received, \$1.74 (old funding model) and \$8.50 (new funding model) per person, is transferred to BHB in payment of the Dialysis MOU.

The MOU balances receivable at March 31:

	2020		2019
Dialysis MOU	\$ 419,492	\$	4,439,129
LTC MOU	\$ 3,329,443	\$	4,329,443

i. Other amounts

During the year, the BHB received revenue from People's Pharmacy in the amount of \$1,045,535 (2019: \$413,030) and the receivable amount from Peoples Pharmacy at March 31, 2020 was \$210,914 (2019: \$217,267). This amount is included in accounts receivable.

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

	2020		2019
Payroll tax	\$ 6,311,009	\$	6,424,964
Social insurance	2,991,774		2,859,731
Non-refundable duty	2,115,402		2,041,314
Services provided by the Ministry of Public Works	627,365		1,143,522
Miscellaneous charges	505,533		540,596

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

	2020		2019
Payroll tax	\$ 10,288,000	\$	10,010,225
Social insurance	3,111,766		2,935,245
	<u>\$ 13,399,766</u>	<u>\$</u>	<u>12,945,470</u>

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

i. Other amounts (cont'd)

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

	2020		2019
<i>Other receivables</i>			
Refundable deposits paid for duty	\$ 252,787	\$	455,142
<i>Accounts payable and accrued liabilities</i>			
Ministry of Public Works	\$ 44,524	\$	94,244
<i>Accrued salary and payroll expenses</i>			
Payroll tax	\$ 4,276,213	\$	4,586,741
Social insurance	350,600		342,939

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 \$1,927,720 (2019: \$1,801,734).

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 8 - Other Liability – ACW.

2021	21,662,189
2022	20,245,061
2023	20,259,253
2024	20,303,084
2025-2044	466,346,348
	<u>\$ 548,815,935</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 \$4.1 million (2019: \$6.7 million).

18. CONTINGENCIES

The BHB is 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 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

Donations received during the year amounted to \$874,222 (2019: nil) and relates to general donations as well as donations for COVID-19. Donations in kind of \$131,531 (2019: \$162,440) 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 and Government subsidies and grants receivable. 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, 2020, 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
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20. FINANCIAL RISK MANAGEMENT (Cont'd)

a. Credit risk (cont'd)

2020		Total	Current	31- 60 days	61 - 90 days	91 + days
Subsidy and grants/ Government insurers	\$	31,373,957	\$ 13,573,101	\$ 1,971,495	\$ 1,137,655	\$ 14,691,706
Commercial insurers		228,448	228,448	-	-	-
Non-insured		13,267,530	1,531,309	795,256	747,900	10,193,065
Other receivables		3,323,071	886,763	160,498	27,623	2,248,187
Gross receivables		48,193,006	16,219,621	2,927,249	1,913,178	27,132,958
Less: impairment allowance		(16,620,766)	-	-	-	(16,620,766)
Net receivables	\$	<u>31,572,240</u>	<u>\$ 16,219,621</u>	<u>\$ 2,927,249</u>	<u>\$ 1,913,178</u>	<u>\$ 10,512,192</u>

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>

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, 2020.

	2020	2019
MRF Grant	\$ 17,981,954	\$ -
Standard premium rate offset	7,839,417	-
Sunbelt International	4,238,588	4,210,143
Dialysis and LTC MOUs with HID	3,748,935	8,768,572
Government HIP	-	4,042,026
Somers Isles Insurance	-	3,705,658
Subsidy Supplemental	-	1,700,000

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):

2020	Within 1 year	2 – 5 years	> 5 years	Total
Accounts payable	\$ 10,111,866	\$ -	\$ -	\$ 10,111,866
Other liability	7,271,075	42,166,782	218,349,806	267,787,663
Accrued health insurance	970,000	4,070,162	21,076,189	26,116,351
	<u>\$ 18,352,941</u>	<u>\$ 46,236,944</u>	<u>\$ 239,425,995</u>	<u>\$ 304,015,880</u>

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>

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.

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
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21. KEMH AND MWI STATEMENTS OF OPERATIONS

2020

REVENUE

	KEMH	MWI	Total
MRF (Note 16g)	\$ 129,018,317	\$ 3,543,628	\$ 132,561,945
Government grant MWI (Note 16a)	-	41,964,000	41,964,000
Subsidy (Note 16c)	113,033,197	3,136,584	116,169,781
Patient related revenue – other	39,129,233	1,085,806	40,215,039
Non-medical	2,959,035	346,599	3,305,634
Amortisation of deferred capital contributions (Note 9)	1,627,616	678,834	2,306,450
Donations - other	874,222	-	874,222
Interest income	168,079	-	168,079
Donations in kind (Note 19)	131,531	-	131,531
Total revenues	\$ 286,941,230	\$ 50,755,451	\$ 337,696,681

EXPENSES

Salaries and employee benefits (Notes 8 and 17f)	\$ 173,132,268	\$ 35,491,224	\$ 208,623,492
Medical supplies	29,021,377	1,004,052	30,025,429
General supplies and services	23,478,365	4,698,535	28,176,900
Repairs and maintenance	23,093,847	1,532,822	24,626,669
Interest (Note 11)	18,812,824	-	18,812,824
Utilities	9,700,643	1,210,157	10,910,800
Amortisation of capital assets	8,910,167	996,000	9,906,167
Bad debt	8,334,870	-	8,334,870
Amortisation of Acute Care Wing Building	5,733,275	-	5,733,275
Food	2,266,504	991,140	3,257,644
Business social costs (Note 14)	211,838	-	211,838
Scholarships issued	131,586	-	131,586
Accrued health insurance (Note 10b)	(730,155)	-	(730,155)
Management charge (Note 15)	(2,000,000)	2,000,000	-
Total expenses	\$ 300,097,409	\$ 47,923,930	\$ 348,021,339
(Deficiency) excess of revenues over expenses	\$ (15,156,179)	\$ 4,831,521	\$ (10,324,658)

BERMUDA HOSPITALS BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

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

2019

REVENUE

	KEMH	MWI	Total
MRF (Note 16g)	\$ 7,596,188	\$ -	\$ 7,596,188
Government grant MWI (Note 16a)	-	37,464,000	37,464,000
Subsidy (Note 16c)	117,218,923	3,213,389	120,432,313
Patient related revenue – other	157,623,654	4,321,028	161,944,681
Non-medical	2,674,506	426,343	3,100,849
Amortisation of deferred capital contributions (Note 9)	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	\$ 286,993,842	\$ 46,152,878	\$ 333,146,720

EXPENSES

Salaries and employee benefits (Notes 10 and 17f)	\$ 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 11)	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	8,891,731
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 10a)	(11,287,032)	-	(11,287,032)
Accrued health insurance (Note 10b)	(1,639,519)	-	(1,639,519)
Management charge (Note 15)	(2,000,000)	2,000,000	-
Total expenses	\$ 294,072,598	\$ 47,620,541	\$ 341,693,139
	\$ (7,078,756)	\$ (1,467,663)	\$ (8,546,419)

22. BUDGET FIGURES

The budget was approved by the Board of Directors on April 16, 2019.

23. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2020	2019
Accounts and other receivables	\$ 10,293,574	\$ 16,302,833
Prepaid expenses	(1,436,671)	(211,284)
Inventory	(1,724,347)	1,141,434
Accounts payable and other payables	157,055	470,516
Pension and health accrual	(730,155)	(5,391,491)
	<u>\$ 6,559,456</u>	<u>\$ 12,312,008</u>

24. COMPARATIVE FIGURES

No material adjustments were made to comparative figures; however, comparative amounts relating to revenue cash and term deposits have been reconfigured to conform to the 2020 presentation.

25. GOVERNMENT GUARANTEE FOR THE PPP AGREEMENT

On December 1, 2010, the Minister of Finance provided an irrevocable guarantee to Paget Health Services Limited on behalf of 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 8 – Other Liability - ACW and 17 - Contractual Obligations.

26. SUBSEQUENT EVENTS

COVID-19 Pandemic

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 be a non-adjusting subsequent event that occurred after the reporting period. Management is closely monitoring the evolution of this pandemic, including how it may affect Bermuda's economy, health insurance system and general population. COVID-19 has caused significant disruption to businesses and economic activity in Bermuda and has resulted in a number of people being furloughed or laid off. The going concern basis of preparation assumption for BHB's financial statements is dependent upon the continued effective operation of the health insurance system in Bermuda and the future financial support from the Government of Bermuda.

The impact on BHB's operations of additional procurement of equipment and supplies in response to the pandemic, possible delays in receipts from the Government, commercial insurers and others, and the potential impact on BHB's supply chain as a result of COVID-19 is undeterminable at this stage. Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the future operating and financial performance of 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, 2020:

PS1000 – Financial Statement Concepts
PS1150 – Generally Accepted Accounting Principles
PS1201 – Financial Statement Presentation*
PS2601 – Foreign Currency Translation
PS3041 – Portfolio Investments
PS3160 – Public Private Partnerships
PS3280 – Asset Retirement Obligations
PS3400 – Revenue
PS3450 – Financial Instruments
PSG8 – Purchased Intangibles

* When sections of PS2601 and PS3450 are adopted.

The extent of the impact on adoption of these accounting standards are as follows:

PS1000 – Financial Statement Concepts

This section has been amended to allow for recognition of purchased intangibles in financial statements. The amendments are effective for fiscal years beginning on or after April 1, 2023, with earlier application permitted. This is not applicable to the BHB as the BHB does not hold intangible assets.

PS1150 – Generally Accepted Accounting Principles

Under PSAS, the BHB will now be required to consult the PSAS International Public Accounting Standards first as opposed to going to Canadian IFRS first. This means that PSAS International Standards will need to be assessed first to determine, if there are any pronouncements, and if there are none, then the BHB can consult the other authorized Standards such as IFRS.

*PS1201 – Financial Statement Presentation**

The amendment under this standard relates to intangible assets. This is not applicable to the BHB as the BHB does not hold any intangible assets such as patents, trademarks, digital form data, and intellectual property.

PS2601 – Foreign Currency Translation

This section relates to transactions of the government whose terms are denominated in a currency other than its reporting currency. They include transactions arising when a government either:

- Borrows or lends funds when the amounts payable or receivable are denominated in a foreign currency; or
- Becomes a party to a contract involving foreign currencies

At the transaction date, each asset, liability and amount reported in the Statement of Operations arising from a foreign currency transaction of the government, must be translated into Bermudian dollars by applying the exchange rate in effect at that date. The amendment is effective for fiscal years beginning on or after April 1, 2022.

PS3041 – Portfolio Investments

The amendment under this standard relates to how a company accounts for and reports portfolio investments in Government financial statements. As the BHB does not currently hold any investments, this pronouncement will not have an impact on the BHB.

27. FUTURE CHANGES IN ACCOUNTING STANDARDS (Cont'd)

PS3160 – Public Private Partnerships

The main features of the new section are:

- Public private partnership infrastructure is procured by a public sector entity using a private sector partner that is obligated to design, build, acquire or better infrastructure; finance the infrastructure past the point where the infrastructure is ready for use; and operate and/or maintain the infrastructure.
- Public private partnership infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is recognized when the public sector entity recognizes an asset.
- An infrastructure asset acquired in a private partnership arrangement is recorded at the public sector entity's cost. The liability is initially measured at the cost of the infrastructure asset. Subsequent measurement of the infrastructure asset is based on the asset cost amortized in a rational and systematic manner over the useful life of the asset.
- Subsequent measurement of a financial liability should be at amortized cost using the effective interest method. For a performance obligation, revenue should be recognized and the liability reduced in accordance with the substance of the public private partnership agreement.

This becomes applicable beginning on or after April 1, 2023.

PS3280 – Asset Retirement Obligations

This pronouncement relates to establishing a liability for costs associated with asset retirement obligations of tangible assets and becomes effective on April 1, 2022. The BHB will need to do an assessment of all its assets, determine and account for the liability that will be required at the end of the assets' lifecycle relating to decommissioning or dismantling, remediation, post retirement activities, etc.

PS3400 – Revenue

This pronouncement establishes how revenue should be accounted for and reported. It becomes applicable on April 1, 2023. It differentiates between revenue transactions into performance obligations and no performance obligations. All public sector entities are required to recognize revenue from transactions with no performance obligations at net realizable value. The BHB will now be required to disclose its revenue in accordance with the above.

PS3450 – Financial Instruments

The modification to this pronouncement requires that all changes in the fair value of financial instruments be identified in the statement of re-measurement as opposed to the statement of operation. This means that all gains and losses associated with the changes in the fair value of financial instruments will flow through the re-measurement statement. BHB as at the date of this financial statements do not hold any such instruments but will need to keep this in mind should they acquire such financial instruments.

PSG8 – Purchased Intangibles

The modification to this pronouncement requires recognition in financial statements of intangibles purchased through an exchange transaction. The effective date is April 1, 2023, although earlier adoption is allowed and encouraged. Application may be retroactive or prospective. This is not applicable to the BHB as the BHB does not hold any purchased intangible assets.

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