Bermuda Hospitals Board

2011 ANNUAL REPORT

GOVERNMENT OF BERMUDA

Ministry of Health

On behalf of the Government of Bermuda, I am pleased to present the Bermuda Hospitals Board 2011 Annual Report. I would like to offer my congratulations to the Management and Staff of the Bermuda Hospitals Board for another successful year.

The 2011 financial year was one which focused primarily on the selection of Paget Health Services as the private partner to design, build, finance and maintain a new hospital facility on the existing King Edward VII Memorial Hospital site.

I was particularly pleased to note that the construction cost came in $13 million under the original estimate due to the competitive bidding process. Furthermore, this project has run on time and on budget since the first day it was announced.

Improved privacy, dignity and comfort are at the forefront of these renovations. One example of these three goals being realized simultaneously is the creation of 90 en-suite single rooms in the new facility as well as opening of a Patient Family Lounge.

While the en-suite rooms are still three years away, I was thrilled to see the opening of the new Patient Family Lounge at the King Edward Memorial Hospital in early 2011 as it is vital that whilst the new hospital facility is under construction we do not simply stand still.

Prior to the existence of the Patient Family Lounge, the families of patients who wait at the hospital whilst their loved one undergoes treatment had no dedicated area at their disposal. Having a place to go to 'regroup' will greatly assist the support network around the patient and in turn, this will greatly assist the recovery of the patient.

I am also pleased to see that a patient Advocate Manager was appointed in 2011 to help patients and their families resolve any potential issues while they are in hospital, if the healthcare team caring for the patient on the ward is unable to solve the problem.

I would like to thank the Members of the Bermuda Hospitals Board who volunteer their time and energy to ensure the effective and efficient operation of our hospitals. Many other volunteers contribute to the operation of both KEMH and MWI. Your hard work often goes unrecognised, but your efforts provide a huge boost to both the staff and patients. Thank you for your time and energy.

Sincerely,

Zane De Silva, JP, MP

Minister of Health

VISION, MISSION, VALUES

VISION:

To be Bermuda's first choice for health and wellness.

MISSION:

To ensure the highest quality healthcare through excellent service, education and leadership.

VALUES:

Culture – We incorporate and embrace the values and diversity of the Bermuda community.

Quality – We provide safe patient-centred care utilising best practices and technology to achieve optimal clinical outcomes.

Service – We work together to deliver an outstanding patient experience through service excellence.

People – We respect and value our staff as our most powerful asset and invest in their success as they are the foundation of the service and care we provide.

Integrity – We maintain the highest standards of behaviour that encompass honesty, accountability, ethics and doing the right things for the right reasons.

Leadership – We provide expertise and guidance on the provision of healthcare.

Communication – We listen attentively, communicate clearly and collaborate with our many stakeholders.

Stewardship – We manage organisational resources to sustain service continuity and growth.

ABOUT BHB

Bermuda Hospitals Board (BHB) provides acute care, chronic disease, and mental health services to Bermuda. Our care is delivered from the King Edward VII Memorial Hospital (KEMH), Mid-Atlantic Wellness Institute (MWI) and Lamb Foggo Urgent Care Centre (LFUCC).

BHB serves Bermuda's resident population of approximately 65,000 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 1,800 full time staff and 200 on-call and locum staff.

BHB's mandate, as set out in the Hospitals Act 1970 and subsequent revisions, is to provide Bermuda with quality care either from its own staff, in partnership with others or by helping patients receive care overseas as needed. Given our relatively isolated geographic location, the Bermuda community needs a range of servicing far broader than would commonly be expected of a hospital service a similar population in base in a larger country.

Wendall Brown, *Chairman*

MESSAGE FROM THE **CHAIRMAN**

Welcome to BHB's Annual Report covering the fiscal year from 1 April 2010 to 31 March 2011. It has been an amazing year at BHB. Most significantly, we entered into Bermuda's first ever public private partnership with Paget Health Services in order to build a new facility that will give us the 50% more clinical space to meet our Island's healthcare needs.

The Board was especially proud that the strength of the competition for this contract helped us keep the construction and design costs for the new facility $13 million under the estimate in the 2008 Johns Hopkins Medicine International Review. This helps control the annual service payments which include the maintenance of the facility and will start in 2014, once the new facility is completed to our pre-agreed specifications.

I have also been pleased to note the improved financial stability of BHB in the fiscal year under review. We have a five year rolling strategy to ensure that we prepare for and are ready to meet not only the annual payments from 2014, but the ongoing investment into services and facilities that is required every year to develop in line with international standards and keep our facilities safe. Indeed, in the fiscal year under review, the maintenance and revitalisation of existing facilities was part of the $43.2 million Capital Programme that forms part of BHB's rolling financial strategy. These works are funded by BHB through a traditional delivery model, not as part of the PPP agreement, and must comply with BHB's robust procurement policy.

This stability has been achieved through careful planning, improving efficiency and strategic growth in line with Bermuda's needs, which has resulted in an appropriate surplus being achieved. Internationally, non-profit hospitals are expected to make about a 6% surplus each year so that they can reinvest in patient care, make required infrastructure upgrades, undertake maintenance work, improve systems and technology and purchase equipment. Last year, BHB's income over expenses was in line with this target, with a 6.7% surplus. This surplus is entirely reinvested in patient care, as will hopefully be clear when you read the achievements in this annual report.

Additionally, as part of our financial strategy, we have been focusing on achieving internal efficiencies. Most significantly in this fiscal year, with plans for the new hospital facility approved and a contract signed, the timing was right for a full review of contracts and consultants. BHB's goal was to maintain only those contracts which were vital for us to meet the long term healthcare needs of Bermuda. A number of contracts were either terminated or reduced, leading to savings of over $4 million. BHB also reviewed its requirements for the Senior Management Team and reduced the size of that team by one position – that of the Chief of Business Development. Assisting the Board, in this process was the establishment of a new staff succession planning process, which identified Bermudians for senior leadership positions that were once held by consultants.

I certainly want to thank and congratulate BHB's staff and management who have continued to improve services significantly this year, despite the added pressure of a major construction project and improving efficiencies. From the cleanliness of the environment to the quality of our care, across the Board we are seeing improved satisfaction from patients – and in the end it is their experience of care which is at the heart of all we do.

KEMH REDEVELOPMENT PROJECT

The fiscal year under review was a most significant one for Bermuda Hospitals Board and for Bermuda, with the selection of Paget Health Services as the private partner to design, build, finance and maintain for 30 years a new hospital facility on the existing King Edward VII Memorial Hospital site. This is part of the overall KEMH Redevelopment Project, which also includes the revitalisation of the existing facility in order to ensure enough clinical space is available to meet Bermuda's healthcare needs.

At the beginning of the year, 1 April 2010, the procurement process to find a private partner for the new build was well advanced, but the partner had yet to be selected. There was a major RFP document with over 4,000 specifications for the new hospital facility, but there was no contract or design.

By the end of the fiscal year, 31 March 2011, not only did we have a private partner with a design and a contract for them to build and maintain a new facility over 30 years, but demolition and excavation were well underway.

MESSAGE FROM THE **CEO**

Venetta Symonds,
Chief Executive Officer

I am very proud of the achievement of BHB in this fiscal year. The Chairman has noted in his message the major achievement of the KEMH Redevelopment Project. I would like to pay tribute to the staff at BHB not only in adhering to international best practices for this project, but across the board in all areas of the hospital ensuring the quality of our care and service meets the safest and best practices in the world.

At the time of writing this message, we know that we have maintained accreditation through Accreditation Canada. Even though the survey and result were announced after the fiscal year under review, this is a major achievement for BHB and deserves noting. Quality improvements require constant investment and many of the projects you will see in this report, such as medication checking and infection prevention, were undertaken in order to successfully go through the accreditation survey in May 2011.

Accreditation surveys measure our adherence to patient safety standards and experienced healthcare professionals from Canada provide comments and feedback on what they see. The goal is simple: a safe service with constant quality improvement. Achieving accreditation is a mark of quality.

We choose to put ourselves through this quality improvement process. There is no mandated or legislated requirement regarding achieving internationally - recognised quality standards, but we are professionals who feel a deep sense of duty and accountability towards the people in Bermuda. And we make sure we are using the highest standards. It is a benefit of our long relationship with Accreditation Canada that we are measured against the same stringent standards as the hospitals in Canada, rather than using the criteria for other international hospitals they survey. The people of Bermuda will hopefully be reassured that while there may only be one hospital in Bermuda, we do all we can to measure ourselves against the best in the world.

It is therefore with great pleasure that I can review a year of constant improvement. Our learning disability directorate and diabetes, asthma and cardiac care education services moved into renovated space at MWI. The inpatient ward upgrades continued, and a new patient family lounge was opened to give families a place to rest and recuperate from caring for their loved ones in hospital. We appointed our first patient advocate manager to troubleshoot issues at the bedside, and went live with new digital mammography equipment. A new mental health plan was launched that outlined a phased development of mental health services for Bermuda around the recovery model, and a new clinical association was made with Howard University's Department of Psychiatry and Behavioral Science. Finally, a new fast track service was introduced in Emergency that is already reducing wait times.

These improvements were achieved thanks to the continued dedication of our 1,800 staff. It is not always easy for people outside of healthcare to fully recognise the commitment required to run a 24-7 service. Our staff put the health and wellbeing of Bermuda first, even when we were faced with a direct hit from dangerous Hurricane Igor in September 2010, they came to work and kept our service running come what may. I am proud to be part of the BHB family and thank my colleagues and the Board for their support and hard work.

This project is both a national priority and the largest construction project that Bermuda has taken on. To date, this project has run on time and on budget since the first day it was announced.




WHY ADDITIONAL CLINICAL SPACE IS NEEDED

Johns Hopkins Medicine International's Review released in November 2008 noted that BHB needed 50% more clinical space in order to provide the services Bermuda needed today and in the future.

Better control of costs

The additional space will enable BHB to increase the number of services that can be provided safely and at a high quality on the island. This will improve our ability to control healthcare costs in Bermuda - fewer people will be forced to travel overseas for medical care.

Improved patient safety & quality

Having appropriate space also improves patient safety. Single inpatient rooms are planned in the new facility to reduce our patients' exposure to potential infection from other patients – or their visitors. It will also enable BHB to improve in line with modern practices – some of which are limited by operating in a building designed for healthcare in the 1960s.

Improved privacy, dignity and comfort

More space also improves the privacy, dignity and comfort of patients in the hospital. People will no longer have to wait for an important MRI or x-ray scan in a public corridor, or have to experience a bed bath with others in the room. And maternity can be relocated so that it is close to surgical suites – it is unacceptable for a mother in labour to be wheeled from maternity up through a public corridor and elevator to surgery for an emergency C-section, as happens today.

PROJECT BACKGROUND

In 2008, Johns Hopkins Medicine International completed their review BHB's Estate Master Plan. Following the publication of the first phase of the review in 2007, the second phase was released publicly in November 2008 and included the recommendation to phase the development of much needed additional space on the KEMH site and revitalise the existing facility in order to meet Bermuda's healthcare needs. Government approved BHB to go ahead with a five year project that combined a new build and revitilize of the existing acute care facility.

The Johns Hopkins Review recommended that:

- 50% more clinical space was needed in the acute care facility in order to meet Bermuda's healthcare needs.
- The existing site could be developed in such a way that BHB would not have to look to an offsite location if additional space was needed to meet local healthcare needs.
- The site be developed in phases. Rather than attempting to completely rebuild as well as knock down the Continuing Care Unit (CCU), it recommended we take this project in manageable and affordable chunks, starting with a focus on acute care services.
- To plan for CCU, Bermuda needs a community solution for long term care. This planning is underway.

HOW THE NEW BUILD AND REVITALISATION ARE BEING DELIVERED

In February 2009, the Board approved a business case by KPMG that the best delivery model for the new construction part of the KEMH Redevelopment Project was a Design, Build, Finance, Maintain (DBFM) Public Private Partnership (PPP). This type of delivery model transfers risks to the private partner, such as cost-overruns and delays in construction, so that BHB can have greater certainty around costs and plan accordingly.

The revitalisation of KEMH would be delivered through traditional procurement methods and funded separately to the new build.

An intense and robust procurement for the PPP part of the project followed in line with international best practices, resulting in a preferred partner being selected in September 2010. The design went through Bermuda's legislated planning process, and included a number of public meetings, before it was approved. Paget Health Services was confirmed as the successful partner in December 2010, when the 30 year contract was signed.

Procurement for the revitalisation of KEMH is being managed on a project-by-project basis, with multiple local architectural and construction companies. BHB introduced a robust procurement policy that is applied to all projects that incorporates the best practices learnt from the PPP process to ensure fair competition for all.

PAYING FOR THE NEW FACILITY

The construction cost of $260 million, estimated originally by Johns Hopkins Medicine International in its 2008 Review, was used to work on a repayment schedule that BHB knew it could meet at the very start of the project. Due to the competitive process the construction cost came in $13 million under that cap.

Payments do not start until the facility is completed to specification in 2014. At this time, BHB will be able to afford the payments as:

1. BHB is already seeking and implementing internal efficiencies and cost savings; and
2. BHB is receiving a 1% increase on fees above inflation each year for up to five years, ending in 2014. This goes directly towards the KEMH Redevelopment Project. For Bermuda residents, the impact is about a 2.5% increase in premiums over five years related to the project, as the hospital makes up about half the healthcare costs in Bermuda.

There is no additional cost to the community or Government beyond this small premium rise. This fiscal year is the third year this small increase is being applied.

PLANNING & REPORTING COSTS

Bermuda Hospitals Board is not exposed to the costs of any potential delays or cost-overruns.

When payments do start in 2014, 70% of the payment will remain flat over the 30 year contract, with the remaining moving in line with inflation. Over time the payments will become easier for BHB to afford as hospital fees and subsidies generally rise with inflation. No additional fee rises are anticipated in relation to this project.

There will be a $40 million, one-off initial payment in 2014 and the first annual payment will be about $26.7 million. The movement of inflation beyond 2014/15, which impacts about 30% of the payment, means the exact amount of total payments over 30 years cannot be specified at this point. However, each year the payment will be publicly disclosed as part of BHB's mandated financial reporting.

HOSPITALISTS AND MULTI-DISCIPLINARY TEAMS HALVE STROKE MORTALITY AT KEMH

Patient satisfaction with physicians in the hospital went up 20% immediately following the introduction of the Hospitalist programme in 2008, and there has been a 9 point increase from April 2009 to December 2010. Current satisfaction is at about 90%.

Hospitalists are specialists in the kinds of complicated illnesses that people suffer from when they are admitted to hospital. It is in part thanks to the introduction of Hospitalists, along with the return of our Bermudian neurologist, access to specialists through the Lahey robot and better multi-disciplinary rounding, that has halved the mortality of stroke victims in the hospital over the last seven years from 28%, which is similar to UK, to 13%, which is in line with Canada, a leader in effective stroke care.

Hospitalists are key part of the care team who have seen the number of stroke victims discharged home increase from 49% to 68%, instead of to a rehab centre or care facility.

This, along with the 20% jump in patient satisfaction with physicians that took place after its introduction, is completely in line with the international evidence we gave to justify introducing this programme – that Hospitalists help improve the quality of care and patient satisfaction.

KEMH CARDIOLOGISTS RAISE STANDARD OF CARE FOR HEART DISEASE PATIENTS

Working closely with the Lahey Clinic, two cardiology specialists were hired at KEMH to provide inpatient and outpatient cardiology service and raise the standard of care for Bermudians with heart disease.

Heart disease is the number one cause of death in Bermuda and until this fiscal year, there were no specialists employed by KEMH to care for these patients. Additionally, a manpower study carried out by the Chief of Staff's office the previous year had identified cardiology as requiring more on-Island specialists to meet local healthcare needs.

Dr Carl Levick and Dr Sam Mir were appointed during the fiscal year, and they set up a practice within KEMH called 'Cardiology Services of Bermuda'.

CANCER SERVICES - IMPROVED CONTINUITY IN NEW SPACE

New Space Found Before Move to New Facility in 2014

Cancer Care Services moved into the KEMH facility during this fiscal year. Previously this service had been housed in the old hospital, which was demolished in March 2011 as part of the new hospital construction. They were able to move when Diabetes, Cardiac Care and Asthma Education Services temporarily moved to Fairview Court.

Cancer Care Services have to be kept on the hospital site for patient safety reasons, so relocating it offsite was not an option, even for an interim period of time.

Cancer Care will move into the new facility when it opens in 2014, but the current arrangement ensured it could continue to service patients in a safe, custom-renovated space for the next two years.

DIABETES, ASTHMA AND CARDIAC CARE EDUCATION SERVICES BENEFIT FROM NEW SPACE

Diabetes, Asthma and Cardiac Care Education services temporarily moved offsite from King Edward VII Memorial Hospital to Fairview Court on the Mid-Atlantic Wellness Institute campus in this fiscal year.

These services will eventually move to the new hospital when it opens in 2014, but were desperate for more space before then. So when the opportunity came to move to Fairview, it was taken.

The newly-renovated area in Fairview includes a class room, consulting rooms for educators, nurses and the new Bermudian Endocrinologist. People come here for education, consultation, health checks and to visit the new Foot Clinic. Importantly for patients and visitors, it has adequate parking space.

A NEWLY REFURBISHED HOME FOR LEARNING DISABILITY

Now that work has also been completed, Fairview Court has become the home of the Learning Disability Programme and Diabetes, Cardiac Care and Asthma Education Services.

The Learning Disability Programme works from this area, with staff rooms and patient areas. Additionally, there was capacity for administrative Mid-Atlantic Wellness staff to move into this area. The new space helped improve the service offering with the launch of a new Day Service for Learning Disability Clients.

KEMH PATIENTS BENEFIT FROM UPGRADED ROOMS

Work has continued throughout the inpatients units at KEMH. The upgrades include painting, new air conditioning and ceiling tiles, refurbished floors, upgraded bathroom facilities and new windows. The windows have internal blinds that are much better for infection control, as they are not exposed and do not require cleaning.

During this fiscal year, Perry, Curtis and Cooper Inpatient Units were revitalised. The cost for work over the last fiscal year has been $1.2 million.

Ultimately there will be 90 en-suite single rooms in the new facility, but with this being three years away it was felt an investment would bring immediately relief for patients. Additionally, once the inpatient units have decanted to the new hospital in 2014, it is expected that the inpatient units will continue to be used for clinical services, so these renovations will assist in the long term maintenance of the existing facility.

This revitalisation is vital, as it our goal is to increase clinical space, so the areas in the existing KEMH sill need to meet high clinical standards. Work undertaken now still has a longterm return on investment.

A PLACE OF COMFORT FOR PATIENT FAMILIES

When someone is sick in the hospital, in emergency, or in surgery, one of the most important supports for their recovery comes from family and loved ones. Until this fiscal year, patient families had nowhere to wait. If they were visiting a patient when the doctor came by, they'd have to go into the corridor, or sit in the lobby, if the Pink Cafe and hospital Cafeteria were closed. To provide a space for families, a Patient Family Lounge was officially opened on Monday 17 January 2011 by the Minister for Health, the Hon. Zane DeSilva JP MP.

While BHB constantly strives to improve clinical services for patients, the family and friends of patients are integral to their recovery. Caring and supporting a loved one who is unwell can be upsetting and stressful. Having a place to recoup helps strengthen the support group around our patients, and that in turn helps recovery. The Patient Family Lounge is open during patient family visiting hours (12 noon to 8pm) and can also be available for families in crisis outside of these hours.

The total cost for renovating this area, inclusive of all fittings, fixtures and furnishings, was about $380,000.

KEEPING PATIENTS, STAFF AND VISITORS SAFE DURING CONSTRUCTION & RENOVATION

Infection Prevention:

Despite the major construction of a new acute care facility on the same site, KEMH must maintain safe acute care services. In the hospital at any given time there are patients trying to rest, get treatment, and have tests. There are open wounds from surgery or accidents, and people with respiratory problem such as pneumonia, asthma, or lung disease. The potential for dust and disturbed mould spores to cause infections or breathing problems can be life threatening in a patient population.

To ensure patient, staff and visitor safety, during this construction period Infection Prevention staff are undertaking regular environmental checks.

Additionally, BHB is ensuring best practices relating to infection prevention during construction on its site by hosting specialist training with regards to construction in healthcare environments. This training is mandatory for people in the construction industry wanting to work at KEMH.

During this fiscal year under review, BHB's Infection Prevention and Control Department ran eight training sessions on "Infection Prevention during Construction in Healthcare Facilities" to date and 117 construction workers have attended. The presentation includes the importance of the infection control risk assessment, who is responsible for infection prevention, and covers related infection control issues through a video from the Association for Professionals in Infection Control and Epidemiology.

Attendees receive a card which is signed by the Infection Prevention Department and is proof that they have attended and understand the Infection Control issues relating to construction and renovation.

In January 2010, BHB also engaged a specialist from Canada to present The Canada Standards Association Course: "The Fundamentals of Infection Control during the Construction and Renovation of Health Care Facilities". This was attended by 30 people from the construction industry. Additional training in the next fiscal year is planned for those who could not attend this session.

Signage and Communication:

BHB is working closely with its PPP partner, Paget Health Services, and other construction companies working on site, to ensure appropriate signage and timely communication. Patients, visitors, staff and neighbours are asked to look out for alerts, messages and project signage to ensure they can navigate safely around the site.

Electrical Substation and Replacement Parking

A $3.5 million project was completed this year at the junction of Berry Hill Road and Point Finger Road to replace parking spaces and an electrical substation that would be lost due to the new construction. After a robust tendering process for the substation and parking project, the contract was awarded to the lowest bidder. Work began in the spring of 2010 and was completed at the turn of the New Year.

Replacement parking was vital for staff during the construction period and took some pressure off the required parking space in the new build, focusing attention on the critical need for clinical space.

The electrical substation on the hospital site feeds both the hospital and surrounding neighbourhood. It was timely for a new substation to be constructed in order to meet the growing demands of the new facility and the neighbourhood.

MAINTENANCE OF EXISTING BHB FACILITIES

BHB has undertaken full facility reviews of both the King Edward VII Memorial Hospital and the Mid-Atlantic Wellness Institute. The required plan-of-work to maintain and revitalize these facilities is included in the BHB's rolling five year financial strategy.

Work undertaken at King Edward VII Memorial Hospital this year includes:

- Repairs and modifications to the bio-oxidiser, which manages the hospital's medical waste;
- The relocation of the hospital's Waste Handling Operation and Chemical Storage. This was required as part of the enabling works for the KEMH Redevelopment Project, and includes a new HazMat Storage Unit, which is due on-Island next month;
- A rebuild of the medical gas installation on the Fourth floor. This was completed and the work on the third floor medical gas has commenced;

Extensive work undertaken at MWI includes:

- MWI's main Potable Water Pumping station was moved above ground, and the tanks were cleaned, repaired and painted;
- A new main sewage line was laid from the yard outfall to the sewage plant;
- New Turbulator blowers were installed on the sewage plant to improve aeration;
- Community Rehabilitation Offices were upgraded;
- A refurbishment of the Vocational Rehabilitation area was undertaken
- Reid Ward was revitalised before the seniors with mental illness returned from Sylvia Richardson Care Facility;
- Devon Lodge was refurbished; and
- New metering instrumentation was installed on the water system – which will help MWI save money on water usage over the long term.

This reinvestment has taken the full focus and hard work of the entire Facilities Department, which now has a full leadership team in place after a number of years of being under-resourced. Nearly all the new staff members are Bermudian.

PURPOSE BUILT WAREHOUSE IMPROVES SERVICE AND FREES UP SPACE AT KEMH

Servicing the entire BHB organisation with supplies is a huge task and up until this year, the department, which undertook this work – Materials Management – had to operate from the KEMH basement. In this fiscal year the Materials Management Department (which includes purchasing and stores) moved off-site to a purpose built warehouse in Mills Creek.

More space and a purpose designed environment, this has vastly improved the ability of Materials Management to service the hospitals. Additionally, the area they vacated in the basement could be used by the IT support staff members who needed to be relocated from the Queen Elizabeth Nurses Residence.

QUEEN ELIZABETH NURSES RESIDENCE

An extensive review of the Queen Elizabeth Nurses Residence, as previously announced, had noted the building was in need of repair and was becoming unsafe for use as a residence and place of work.

The pressure for clinical and office space at KEMH had already led to an increasing number of nursing residence rooms in the Queen Elizabeth Nurses Residence being changed into offices. This resulted in a negative impact on the number of rooms available to nurses.

As renovations were vital for the continued safety of the building, BHB decided to decant the occupants and undertake a feasibility study on whether to renovate or demolish the building.

The most cost effective interim solution for staff was to centralise accommodation at Grape Bay and Horizons. This accommodation is subsidised, which means that staff contribute towards the rent. A centralised contract helped control costs as BHB could negotiate a consistent rent, and provide more cost-effective solutions for staff with regards to transportation and security.

The administrative employees with offices in this residence have moved out. Certain functions like recruitment, compensation and benefits, information technology and finance have temporarily relocated to office space in Hamilton. In the current economic environment, there was capacity in the city at good value. Once the new facility is completed and clinical services have decanted to it, support services will return to office space in the existing King Edward building.

PATIENT SATISFACTION REPORT

The patient voice at the hospital is important and the continuous Patient Satisfaction Survey is used to drive and measure improvements at both KEMH and Mid-Atlantic Wellness Institute. The good news is that patients are more satisfied with hospital services.

The Board reviews patient satisfaction every month and sets annual goals that will directly improve satisfaction. The ward upgrades have made a huge difference in the hospital environment, as have new rounds by housekeeping to ensure cleanliness standards are being maintained, and new hotel-quality linens that have been introduced.

The hourly rounding introduced last year is increasing satisfaction with nursing. A nurse is expected to check on patients every hour and ask about their comfort, pain and whether they need to visit the bathroom.

- Satisfaction with inpatient services is also on the rise, moving from 68% in April 2009 to 87.1% in December 2010.
- Over the same time period, from April 2009 to December 2010, there have also been significant increases in the nurses index (a 10 point increase) and physician index (9 point increase).
- The Mid-Atlantic Wellness Institute introduced a similar patient satisfaction survey for the first time this fiscal year. It is too early to measure improvements, but this will give service users a stronger voice in the improvements being made.

Service Excellence Training

An extensive customer service training programme has been introduced and about 1,200 employees had attended the course by the end of the fiscal year under review.

This training is a critical part of establishing a culture of service excellence at our hospitals and is based on the Board's service standards – both those set by the organisation (which are publicly displayed) and specific ones attached to each department.

Patient satisfaction scores have increased in the areas where staff have been through the Service Excellence training. This is measured by looking at the patient satisfaction survey responses to questions about courtesy and respect, listening, and explaining for understanding.

To establish the programme at BHB, thirteen employees were identified from around the organisation to be trained as service excellence trainers. These staff came from all over the organisation, including Human Resources, clinical staff, and Housekeeping. Employees are trained in both their departmental and the organisational service standards as part of the class. The standards have also been incorporated into the annual performance management review, alongside organisational values-based behaviours.

PATIENT ADVOCATE MANAGER

Attached to the new Patient Family Lounge, is the office of a new Patient Advocate Manager, who was hired in the fiscal year under review. Ms Toni Bridgewater was appointed to help patients and their families resolve any potential issues while they are in hospital, if the healthcare team caring for the patient on the ward is unable to solve the problem.

The Patient Advocate Manager reports to the VP, Quality & Risk Management, Mr Preston Swan. Although this is a new role, the position does not replace the official complaints process. Instead, it provides an additional resource for patients and their families to address issues while they are in hospital, so that they can be resolved, rather than waiting to complain after being discharged.

Catering to patient needs and troubleshooting issues while patients are in the hospital will greatly enhance the Board's ability to meet the expectations and needs of the people of Bermuda. This could be as simple as the cleanliness of the room, the quality of the food received, or a clinical need that a patient or family member feels is not being addressed.

Making improvements that can make a difference while the patient is in hospital is the goal.




HOSPITAL FOOD

Following consistent feedback from patients that hospital food needed to be addressed, a new meal delivery system was purchased and began to be rolled out in the current fiscal year with a key goal – keeping hot food hot, and cold food cold, right up to the point of delivery to the patient.

A bulk delivery system has been established for Maternity, Gosling and ARDU in Continuing Care. This system essentially takes food in bulk to the department, where it is put on the plate within the unit.

A tray system will be rolled out to the inpatient Units and Continuing Care Unit in the coming fiscal year. The roll out will take some time, because it changes the food delivery processes from the kitchen right up to the patient bedside.

BHB will be closely monitoring patient satisfaction responses regarding the quality of the food served. While it is expected that the new processes will improve food quality, it will be the patients who ultimately decide on whether or not the changes have been successful.

SHORTER EMERGENCY WAIT TIMES HELP IMPROVE SATISFACTION

Emergency is the hospital's busiest department and over the last few years, different programmes have been implemented to improve patients' perceptions of the service. Satisfaction with the Emergency Department overall went up from 53% in April 2009 to 85% in December 2010.

However, wait times remained a key patient concern, something BHB has been able to monitor since the introduction of the new MedHost system in the last fiscal year.

Emergency gets busier every year with numbers continuing to trend upwards about 3% per year. Over the last year, 38,620 patients were treated by the Emergency Department and Lamb Foggo Urgent Care Centre.

In this fiscal year, a Fast Track program was established within the Emergency Department. Fast Track reduces wait times for all patients by providing an alternative route to care for patients who are less clinically sick. Rather than wait in line with patients who are more ill and whose care often takes longer, Fast Track diverts patients who might just have an earache, minor injury or cold.

These cases, which are less severe, can often be dealt with faster. People in the Fast Track service get seen faster, and because there are fewer people left in the main Emergency queue, those left move through more quickly as well.

Started on 1 June 2010, Fast Track has a designated Physician and Emergency Nurse. It operates from noon to 8pm weekdays and noon to midnight on weekends and public holidays. Since it was introduced, it has on average seen 17.4 patients each day – that's 20% of total daily Emergency visits.

Since it was implemented there has also been a reduction in waiting time for all Emergency patients to see a physician by 20 minutes, from 79 minutes to 59 minutes.

Visits to the Lamb Foggo Urgent Care Centre are also increasing, with its services becoming ever more popular. Comparing December 2009 to December 2010, the number of visits rose from 315 to 418 – an increase of almost 33%.




IMPROVING SERVICES – **MWI**

Launch of the Mental Health Plan

The Mid-Atlantic Wellness Institute (MWI) received a $39.578 million grant during the fiscal year under review. Unlike KEMH, whose finances are based on fee-for-service, MWI is funded by government grant.

The MWI currently offers hospital - based and outpatient care in the following areas:

- Mental Health
- Learning Disability
- Substance Abuse
- Child & Adolescent services

The Mental Health Directorate is divided into acute and rehabilitation services, with a combined total of about 750 active cases.

The Learning Disability Directorate offers a range of services to individuals of all ages who have moderate to severe learning disabilities. These include day services, inpatient admissions and respite admissions. This directorate had a network of thirteen staffed homes across the island in this fiscal year which offer residential group home living.

The Substance Abuse Directorate, known as Turning Point, has three main services: an inpatient detoxification unit; the methadone clinic, which offers medication management to approximately 125 service users; and outpatient services which include individual and group interventions, in addition to a newly-formed stop smoking programme.

The Child & Adolescent Directorate currently provides services to the under -19 population. An inpatient unit opened in 2007 and had 22 inpatient admissions in 2009. There is also a day patient programme offered during the school year which allows service users to continue to participate in academic programming while engaged in treatment on site at MWI. Finally, the outpatient service provides assessments, medication management and therapeutic interventions within the context of a multidisciplinary team.

In the fiscal year under review the MWI worked on establishing a Mental Health Plan. There is a steep cost to Bermuda for every night of hospitalisation. Having people housed in a central mental health hospital also reinforces prejudices and can prolong or even prevent recovery in people who could live positive, contributing lives if the community - based support was there. The plan therefore has three main segments that focus on preventing the need for hospitalisation:

- Expand the community-based care model;
- Service improvements for current gaps; and
- Reforming forensic mental health service

The plan focuses on maintaining the health and stability of people with mental illnesses in the community, rather than waiting for them to turn up in crisis. This is also, over time, more cost-effective. While MWI staff and programmes have been gradually providing more community based services and activities, the introduction of the Mental Health Plan was the first time a definite statement of intent has been made, and a philosophy of care articulated.

The Recovery Model Philosophy

The new Mental Health Plan's underpinning philosophy is based on a 'recovery model'. This model requires engagement with the community to talk about services in Bermuda, and it requires the involvement of the very people who use the service to speak up about their needs. At its heart, the Plan recognises that we need to better support people with mental health issues in their own setting – helping them to keep their lives intact as they recover. It will take many years to shift all of our services into this integrated, holistic approach. BHB plans to stagger the implementation to ensure that stakeholders are fully engaged and that management's time can be concentrated on successfully implementing individual programmes, and that there is time to allocate required resources.

A Year of Community and Service User Engagement

In the fiscal year under review, the focus was on community and service user engagement. Radio ads, articles and town hall meetings were organised across the island to get people talking about mental health services. Service users were encouraged to speak up and tell their stories.

Service user groups were set up at MWI to encourage more involvement from people using MWI services to help develop the services they need.

Assertive Outreach Teams

MWI also started to organise Assertive Outreach Teams, which will be more active in the community. Assertive Outreach Teams are made up of a multi-disciplinary group of mental healthcare professionals, who provide early intervention in the community.

They support service users in their own homes, reducing the need for hospitalization which is a major change to the current service delivery model. In preparation for establishing these teams, service users are now being re-assessed and re-categorised.

Training for a Child & Adolescent Services outreach team has also already taken place. However, progress in the coming years will be dependent on appropriate resources being available.

Ensuring International Best Practices

Bermuda's Mental Health Plan complies with best practices set out in the UK's "National Service Framework for Mental Health: Modern Standards and Service Models". MWI also consulted with the US National Institute of Mental Health's research on best practice and care models to ensure Bermuda has a Mental Health System that meets internationally accepted care practices. The Plan has been reviewed by UK-based Norfolk & Waveney Mental Health NHS Foundation Trust and US based Hope Health Systems Inc.

STATEMENT OF INTENT SIGNED FOR FORENSIC MENTAL HEALTH SERVICE USERS

A key deliverable of the Mental Health Plan is to develop forensic mental health services. Very few people in prison in Bermuda have severe enough mental health issues that they require a specialist facility. This is why it is so difficult to maintain an on-island solution.

A major step towards finding a solution for this small group of service users was achieved during this fiscal year when the Ministry of Health, Ministry of Labour, Home Affairs & Housing, and BHB announced the signing of a Statement of Intent with the Birmingham and Solihull Mental Health NHS Foundation Trust (BSMHFT) to provide services for people serving prison sentences who require access to mental health services at a specialist, secure setting.

All organisations have committed to explore teaching and training opportunities for staff, clinical support and supervision for staff in Bermuda, and options to treat service users in specialist facilities.

The then Minister of Health, the Hon. Walter Roban JP MP; the Minister of Labour, Home Affairs and Housing, Senator the Hon. Lt Col. David A. Burch OBE, ED, JP; and representatives from the MWI, including Chief Operating Officer Patrice Dill and Chief of Psychiatry, Dr Michael Radford, visited Reaside in October, 2010 to see the facility and sign the Statement of Intent.

This Statement of Intent takes us one step closer to providing services for Bermudians in prison who have severe mental health needs. It was good news that such a decisive step towards a permanent solution had been taken.

NEW GROUP HOMES OPENED

New group homes in both the Learning Disability and Mental Health Directorates helped progress the de-institutionalized model of care that forms part of the recovery model.

One more Learning Disability Group home opened up in this fiscal year, with space for five people. This leaves only five residential Learning Disability service users on site at MWI.

The additional space available on campus has enabled a new Day Service to be offered in Bay View and increased capacity for respite care. This allows those who care for Learning Disability Service clients to have a break by temporarily housing their loved ones with MWI.

Two more group homes for eight mental health service users were also opened during this fiscal year. Some of the beneficiaries came from Somers Wards, moving them from an institutionalized ward environment into a more home-like setting. Other service users had been staying with the Salvation Army and this new environment will provide a much more settled life for them.

STAFF CERTIFICATION IN LEARNING DISABILITY IMPROVES QUALITY OF CARE

Seven MWI nursing aides graduated with a City & Guilds certificate in "Working with People Who Have Learning Disability" at the MWI in December 2010.

City & Guilds is the UK's leading vocational qualification awarding body, offering more than 500 qualifications in over 28 industry sectors, through 8,500 approved centres in around 100 countries.

Following an on-site review by City & Guilds representatives in 2005, the MWI was approved to become a City & Guilds Assessment Centre for working with people who have disabilities. This status was reconfirmed in 2009 for an additional three years, following the regular required evaluation by a City & Guilds External Verifier.

Staff members at the Mid-Atlantic Wellness Institute are committed to providing the highest quality care to service users and over half of its Learning Disability nursing aides have now gone through the programme.

ASSOCIATION WITH HOWARD UNIVERSITY

BHB this fiscal year furthered its Clinical Advisor programme in Psychiatry by linking with Howard University Hospital in Washington, D.C. BHB is committed to ensuring excellence in the delivery of local healthcare, and establishing clinical collaborations with leading medical centres helps improve on-island patient care.

Howard University will provide external oversight of MWI and provide MWI clinicians with continued education and training opportunities, as well as onsite resident physicians.

The collaboration between the Department of Psychiatry and Behavioral Sciences, in Howard University, DC and the mental health services programme at MWI, will allow an exchange of residents and other trainees. Additional benefits of the collaboration include:

- A trans-cultural psychiatry fellowship program is planned, and potential candidates have already been reviewed.
- The Faculty will be shared between sites.
- Telepsychiatry and visits to treatment facilities will allow cross fertilization of treatment approaches and methods.
- Research is planned that will address trans-cultural issues, genetic contributions to the most prevalent psychiatric disorders in Bermuda, mental health frequency survey, and continuation of a child development study.

GIVING INFECTION PREVENTION A BIG HAND

Both KEMH and MWI report monthly to the Bermuda Hospitals Board on key Clinical Quality indicators. Infection rates of hospital-acquired infections are kept under continuous review. Rates are rising globally, and the Infection Prevention Team work hard to monitor and address issues around both hospitals.

The Board invested in an additional team member this year in order to strengthen the department's ability to reach out to all areas of the hospital. Additionally, to help promote education for both staff and visitors about the importance of handwashing, BHB joined with thousands of other hospitals globally to promote international handwashing day in May.

A six foot hand was signed by hundreds of staff members, and posters about the correct way to wash your hands were put up in hospital bathrooms and next to alcohol gel dispensers.

CONTROLLING HEALTH CARE COSTS

The current economic challenges have laid into stark relief the financial burden people feel with spiralling healthcare premium costs.

BHB is well aware that it has a duty to control healthcare costs for the good of the community, to improve its own financial strength and prepare for the obligations of the PPP contract.

For this reason, a review of consultant contracts led to a number being terminated, reduced or not renewed. This has resulted in an approximate net saving of about $4 million per annum. A cost savings committee was also established.

Other projects have also been initiated with the aim of helping the healthcare system stabilise and control costs.

KEEPING PATIENTS SAFE WITH MEDICATION CHECKS

One of the key patient safety projects that began implementation during the fiscal year was the medication administration checking project –affectionately called MAK at the hospital. MAK's goal is to reduce the potential for medication-related errors.

The project will introduce bar codes for both patients and staff. Both barcodes are swiped as medications are taken from the cabinet and given to the patient, effectively tracking the medication journey.

Medication errors are not common. However, this is an evidence-based method of reducing the potential for errors and ensures clear tracking of medication should something occur. This new system will be rolled out throughout the organisation, after being piloted in Gordon Ward.

STRATEGIC SESSIONS SET TONE FOR PROFESSIONAL NURSING DEVELOPMENT

The majority of hospital care is provided by nurses. The professional development of its nurses has been a key priority for the Board over the last few years with the re-establishment of a Chief Nurse post and development of the Nursing Quality & Risk Department.

In this fiscal year, work began on a nursing strategic plan. Changes in practices will be required when we move to the new facility, and nurses will be at the forefront of many of these changes. Planning ahead will ensure patient-focused nurse practices are established and working ahead of the transition.

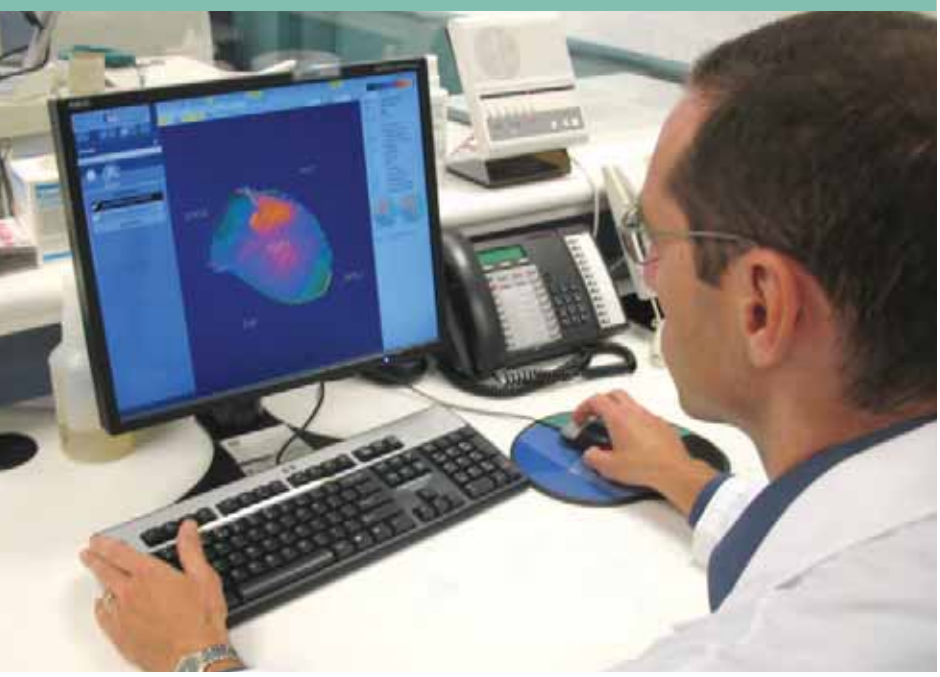
The first strategic session with KEMH and MWI nurse managers and has taken place. Allied health professionals will be included in the strategising to ensure a patient-focused, multi-disciplinary approach.

REPATRIATED SERVICES

Providing more services on-island helps control costs by reducing the need for people in Bermuda to travel for specialist treatments or consultations. BHB's commitment is to only repatriate services that it can provide consistently and cost-effectively at an international standard of care.

In this fiscal year, Lahey helped BHB hire two in-house cardiology specialists, who have set up a practice on-site at King Edward to provide inpatient and outpatient cardiac care. This has established a vastly improved cardiac care programme at the hospital. It is a better quality and safer cardiac service, with specialists on site for emergencies, and new clinical tests (such as the nuclear stress test) can, for the first time, be introduced.

Returning Bermudian physician specialists are also helping repatriate specialist services, from endocrinology to nephrology.



BERMUDIAN ENDOCRINOLOGIST APPOINTED

This fiscal year, Bermudian specialist physician **Dr Annabel Fountain** joined BHB. Dr Fountain is an Endocrinologist, who specialises in diabetes and other disorders of the endocrine system. She is based in the Diabetes Education Centre, which provides education and support for people to help them manage their diabetes.

Bermuda has one of the highest incidences of Diabetes in the developed world, so having a Bermudian specialist in this area ensures the strategic development of medical services for people with this disease. Dr. Fountain's other areas of specialization will also give people local access to much-needed medical services.

Already Dr Fountain is spearheading the establishment of a Diabetic Foot Programme for the upcoming fiscal year. This will include forming a multi-disciplinary team, including an in-house chiropodist, whose main focus will be the early identification of vascular and neurological damage to the feet. This is one of the precursors to eventual amputation, and if caught early enough will reduce the potential for an amputation to be required.

DIGITAL MAMMOGRAPHY

In October of this year, BHB introduced its new digital mammography machine in the KEMH Mammography department.

In Bermuda, in 2009, breast cancer was the most commonly registered type of cancer in women. In fact, about 34% of all newly-diagnosed cancers were breast cancer cases last year, and it was the third highest cause of death from cancer.

The new digital mammography machine is equipped to provide stereotactic biopsies, which are the next diagnostic step following a suspicious mammogram. KEMH is the only Mammography Service in Bermuda to offer these biopsies. Outstanding image quality is critical to breast biopsy procedures and the system used by KEMH gives excellent visibility for clinical confidence. It is an efficient and effective way to provide an accurate diagnosis as quickly as possible.

Additionally, the equipment has the largest field of view currently available, which can be extremely helpful for precision imaging of patients with diverse shapes and sizes.

This equipment completed the transition of the entire Diagnostic Imaging Department at the hospital into a completely digital service. All equipment in the department uses digital images, improving quality and speed. Patient tests take less time and results are returned faster.

APRIL

- OT Week Highlights Services at KEMH and MWI
- Bermuda Medical Student Society Established
- Turning Point Opens New Gym
- Continuing Care Unit Holds Sports Day for Seniors

MAY

- World Asthma Day Seeks to Reduce Hospital Admissions
- Wellness Week for Staff at BHB

JUNE

- Salad Bar introduced in KEMH Staff Cafeteria
- Winner Announced for Naming BHB's Robot "Dr Haley"
- Pump It Up High Heel Race

JULY

- Disaster Awareness Week Focuses on Preparation

AUGUST

- Seniors Step Out for Soca Dance
- Breastfed Baby Exhibit Launches

SEPTEMBER

- Hurricane Igor Hits Bermuda
- Police Donate Blood
- Mindframe PhotoVoice Launches

OCTOBER

- Premier Brown Visits New Hospital Site
- Children Enjoy Story Reading For Mental Health Awareness Week

NOVEMBER

- Diagnostic Imaging Make Donation to Sunshine League
- Infection Control Week
- Get Control Of your Breath for COPD Week

DECEMBER

- KEMH Cafeteria Cook, Greg Minors, Displays Gingerbread House in KEMH Lobby
- PACU Christmas Donation

JANUARY 2011

- Home Care Nurses Educate Patients
- 100 Day Challengers Weigh In and Health Check at BHB's Chronic Disease Management Department

FEBRUARY

- Healthy Heart Month

MARCH

- Minister Visits Dialysis Unit for World Kidney Day

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

JANUARY

FEBRUARY

MARCH

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL

	April 2008 - March 2009	April 2009 - March 2010	April 2009 - March 2011
INPATIENT - ACUTE CARE			
Beds	224	230	232
Patient Days	54,097	55,283	53,332
Discharges (incl. Deaths)	6,339	6,130	6,120
Length of Stay	8.5	8.9	8.7
Births	827	781	747
Percentage of Occupancy	66%	66%	63%
CONTINUING CARE UNITS			
Beds	120	120	121
Patient Days	38,165	39,543	41,589
Discharges	71	58	81
Length of Stay	537.5	681.8	513.4
Percentage of Occupancy	91%	90%	94%
HOSPICE			
Beds	12	12	9
Patient Days	2655	2431	2,527
Discharges	53	71	91
Length of Stay	50.1	34.2	27.5
Percentage of Occupancy	61%	56%	68%
ALL PATIENTS			
Emergency Dept. Visits - KEMH	36,182	34,439	33,314
Lamb Foggo Urgent Care Centre Visits*	0	4,343	5,667
Operations (Inpatients) & (SDA)	1,892	2,088	2,062
Operations (Outpatients)	7,012	7,271	7,134
Physiotherapy (units) (Inpatients)**	10,020	27,670	21,398
Physiotherapy (units) (Outpatients)	9,607	23,025	21,737
Physiotherapy (units) (CCU)	358	1575	789
X-Ray Exams (In & Out)	30,548	32,150	32,496
Laboratory (Thousand Units)(In & Out)	3,950	3,864	3,657
Cardiac Investigations (ECG & EEG)(In & Out)	10,598	11,164	11,640
Ultrasound Exams(In & Out)	8,278	8,909	9,074
Nuclear Medicine (In & Out)	854	448	528
Chemotherapy Treatments (Outpatients)	1,790	1,644	1,288
Cat Scans (In & Out)	7,698	9,179	8,932
Occupational Therapy (units)(Inpatients)**	1,223	4,649	7,437
Occupational Therapy (units)(Outpatients)	791	2676	2,791
Occupational Therapy (units) (CCU)	1,473	2,111	2,069
Speech/Language Pathology (Inpatient)**	1,304	4,725	5,132
Speech/Language Pathology (Outpatient)	614	1550	2,370
Speech/Language Pathology (CCU)	298	1029	1,405

* Lamb Foggo Urgent Care Centre Visits - opened April 2009

** Physiotherapy, Occupational Therapy & Speech Language reported in units as of April 2009 (1 unit = 15 mins)

STATISTICAL ANALYSIS - MID-ATLANTIC WELLNESS INSTITUTE

	April 2008 - March 2009	April 2009 - March 2010	April 2010 - March 2011
INPATIENT - ACUTE CARE			
Beds	24	23	23
Discharges (including deaths)	257	242	222
Patient Days	6,515	6,535	6,091
Length of Stay	11.9	13	12.4
Admissions	283	251	230
Percentage of Occupancy	74%	77%	72%
LONG TERM & - REHABILITATION			
Beds	71	58	58
Discharges (excl. deaths)	83	87	73
Patient Days (excl. respite)	20,606	17474	13630
Length of Stay	245.3	47.88	187
Deaths	1	2	0
Transfer from Acute	N/A	N/A	N/A
Percentage of Occupancy	80%	83%	65%
Average Years of Stay of Deaths	33	4	0
TURNING POINT (SUBSTANCE ABUSE - DETOX UNIT)			
Beds	8	8	8
Discharges	132	106	104
Patient Days	1699	1553	1095
Length of Stay	12.7	15	10
Admissions	134	105	102
Percentage of Occupancy	58%	53%	38%
CHILD & ADOLESCENT SERVICES (CAS)			
Beds	4	4	4
Discharges	25	22	13
Patient Days	192	173	117
Length of Stay	6.9	8	8
Admissions	22	23	9
Percentage of Occupancy	13%	12%	8%
OUTPATIENTS (Child & Adolescent/ Mental Health/ Substance Abuse/ Learning Disability) (The MWI Outpatients section has been revised to reflect the current reporting practice of the services)			
Total No. of New Admissions / Referrals	254	361	295
Total No. of Re-Admissions / Referrals	337	240	187
Total No. of Follow-up appointments	16,063	16234	4758
Total No. of Day Patients Visits	1869	10161	10649
Total No. of walk-in / unscheduled Visits	40,269	*13793	12074
Total No. of DNA to scheduled Appointments	2,772	2281	1450
Total No. of T.O.P's	156	136	117
Total No. of Home Visits	3,612	3924	4535

Reid Ward has 25 beds

Devon Lodge has 18 beds

Clients have been moved into Community Group homes.

The Long Term and Rehab length of stay increase for the previous fiscal year may be due to clients being admitted to KEMH for medical intervention and re-admitted to MWI.

*Previously counted encounters and not the number of patients, therefore one client may have been seen and counted four or five times in one day .

In 2010 stats were only collected on the client once when he/she was first engaged with the service daily.

HEALTHCARE PARTNERS LIMITED

Healthcare Partners Limited was established following the passage of legislation in 2008. It was set up by BHB as a wholly owned subsidiary, in order to provide services in the community and enter into partnerships – something BHB was previously unable to do as a Quango.

The finances of HPL are reported as part of BHB's annual financial report, and information about registered offices, share register and register of directors and officers is publically available. HPL is run in complete compliance with local company legislation.

HPL entered into its first partnership in this fiscal year, with a diagnostic imaging business in Hamilton called Ultimate Imaging. This partnership will allow Ultimate Imaging to benefit from BHB's quality standards and other support functions, and BHB will benefit with additional revenue that will contribute to its financial strength.

INTERNATIONAL HIFU

The International HiFu prostate surgery programme was established at the KEMH during this fiscal year. This is an example of medical tourism being positively integrated with Bermuda's hospital services.

The International HiFu program uses a Sonoblate 500 that generates a high intensity focused ultra sound to destroy prostate cancers via a non-invasive, outpatient procedure, while the mainstream treatment for prostate procedures is chemotherapy or surgery.

The Sonoblate has been approved for use in Canada and Europe, and has been approved for clinical trials in the United States. Therefore U.S. residents who are not part of the clinical trials in the States, but who wish to have the procedure at a qualified international hospital, must book their procedures through International HiFu.

Over the first nine months International HiFu has been operating in Bermuda, the programme hosted about 200 visitors to the island, each spending up to five nights, generating up to 1,000 bed nights for local hotels. BHB's Medical Concierge Service organizes round trip airport to hotel and hotel to hospital transportation with local taxi operators.

With the addition of a second Sonolate 500 at KEMH planned, the number of medical tourism visitors to the island could double and positively contribute to Bermuda's tourism product. It also provides revenue for the hospital, without impacting local healthcare costs.

PEOPLE AT BHB

Succession Planning

In order to increase the number of Bermudians in leadership positions at BHB, an extensive succession planning programme was established last year. It includes the objective assessment of Bermudian leadership and the building of three curricula to develop identified talent for future promotions.

To date, ten Bermudians have been promoted as a result of this process. The Senior Management Team profile has changed from seven out of 14 members being guest workers to two out of twelve (with one position vacant).

Employee Opinion Survey

Just as BHB listens to its patients via the patient satisfaction survey, in this fiscal year it asked employees to have their voices heard. The Employee Opinion Survey had a 66% participation rate and showed improvements in many areas compared to the last survey in 2007.

Turnover and Vacancy Rates

The turnover rate at BHB was 9% in this fiscal year, below the benchmark of 9.5%. The vacancy rate was 3%, well below the benchmark of 5.7%. This supports the Board's goal of becoming an employer of choice in Bermuda.

Scholarships

In this fiscal year, BHB awarded 18 scholarships to students pursuing degrees in healthcare. Eight scholarships were awarded to students attending the Nursing Programme at the Bermuda College.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

Report on the Financial Statements

I have audited the accompanying financial statements of the Bermuda Hospitals Board, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Bermuda and Canada and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with accounting standards generally accepted in Bermuda and Canada.

Hamilton, Bermuda
March 29, 2012

Heather A. Jacobs Matthews, JP, FCA, CFE
Auditor General

Bermuda Hospitals Board
Consolidated Statement of Financial Position
As at March 31, 2011

	2011 $	2010 $
ASSETS		
Current assets		
Cash and term deposits	18,220,210	7,019,277
Restricted cash, term deposits and investments (note 4)	3,192,887	3,483,369
Accounts receivable (net of allowance for doubtful accounts 2011 - $1,106,592; 2010: $4,389,880 (note 9))	38,510,226	32,029,614
Other receivables (note 9)	2,217,029	1,524,769
Pledges receivable (note 6)	-	120,000
Prepaid expenses	1,110,035	1,054,433
Inventories	6,069,500	5,004,950
	69,319,887	50,236,412
Long-term assets		
Term deposits and investments (note 8)	2,300,346	1,519,318
Capital assets (note 7)	173,250,745	131,314,359
	175,551,091	132,833,677
	244,870,978	183,070,089
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	20,170,254	14,656,623
Accrued salary and payroll expenses (notes 9 and 13)	19,676,384	15,771,665
Long-term debt - current (note 10)	850,911	784,644
Capital lease obligations - current (note 10)	109,605	144,970
	40,807,154	31,357,902
Long-term liabilities		
Pension accrual (note 13)	6,012,193	5,535,026
Accrued health insurance (note 13)	34,047,910	30,632,029
Long-term debt (note 10)	30,082,998	8,439,094
Capital lease obligations (note 10)	61,758	89,150
Deferred capital contributions (note 11)	38,622,023	30,079,399
	108,826,882	74,774,698
Commitments and Contingencies (notes 14 & 15)		
Net assets		
Invested in capital assets	120,735,513	87,933,190
Internally restricted for KEMH New Hospital Project (note 12)	14,176,940	6,931,337
Internally restricted for education (note 12)	558,108	541,513
Deficit	(40,233,619)	(18,468,551)
	95,236,942	76,937,489
	244,870,978	183,070,089

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

Bermuda Hospitals Board
Consolidated Statement of Operations
For the year ended March 31, 2011

	KEMH $	MWI $	HPL $	2011 $	2010 $
OPERATING REVENUES					
Outpatient (note 9)	141,618,531	358,374	-	141,976,905	126,082,956
Inpatient (note 9)	86,314,882	2,515,667	-	88,830,549	83,200,064
Extended care unit (note 9)	18,167,438	-	-	18,167,438	17,030,372
Non-medical (note 9)	2,293,415	653,713	72,406	3,019,534	4,088,751
Amortisation of deferred capital contributions (note 11)	952,253	594,055	-	1,546,308	1,573,684
Donations	379,454	-	-	379,454	237,899
Donation in kind (note 16)	231,952	-	-	231,952	138,345
Investment Income	101,888	-	57,597	159,485	144,180
Government grants (note 9)	-	39,698,501	-	39,698,501	39,948,495
Total operating revenues	250,059,813	43,820,310	130,003	294,010,126	272,444,746
SALARIES AND EMPLOYEE BENEFITS					
Direct medical staff	58,529,769	13,398,126	-	71,927,895	63,549,954
Supporting medical services	25,875,451	8,498,115	-	34,373,566	31,655,173
Employee benefits (notes 9 and 13)	21,105,748	4,824,735	42,780	25,973,263	23,594,740
Ancillary services	19,826,670	2,360,449	-	22,187,119	21,148,795
Administrative services	14,231,512	1,714,892	250,925	16,197,329	12,288,827
	139,569,150	30,796,317	293,705	170,659,172	152,237,489
OPERATING EXPENSES					
General supplies and services (note 9)	31,084,931	4,138,714	340,652	35,564,297	29,775,820
Medical supplies	25,714,375	724,761	-	26,439,136	26,232,880
Repairs and maintenance	9,234,092	1,131,368	196,296	10,561,756	12,404,439
Amortisation of capital assets	8,706,489	915,609	-	9,622,098	8,423,828
Consulting and business expenses	7,266,676	889,810	19,157	8,175,643	8,209,248
Utilities (note 9)	6,213,159	1,445,570	40,627	7,699,356	6,652,621
Miscellaneous (note 9)	2,826,433	-	-	2,826,433	2,679,396
Food	2,184,513	973,863	4,387	3,162,763	3,178,804
Interest expense	405,681	-	-	405,681	479,718
Business social cost (note 17)	343,320	-	-	343,320	160,252
Bad debt expenses	180,367	-	-	180,367	3,661,170
Loss on disposal of capital assets	19,155	1,266	-	20,421	2,893
Scholarships issued	15,000	-	-	15,000	19,000
Management charge (note 18)	(2,241,912)	2,292,185	(50,273)	-	-
	91,952,279	12,513,146	550,846	105,016,271	101,880,069
Total expenses	231,521,429	43,309,463	844,551	275,675,443	254,117,558
Excess (deficiency) of revenues over expenses	18,538,384	510,847	(714,548)	18,334,683	18,327,188

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

Bermuda Hospitals Board
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2011

2011

NET ASSETS	Invested in capital assets $	Internally restricted for KEMH New Hospital Project $	Internally restricted for education $	Unrestricted Deficit/Net assets $	Total $
Balance, beginning of year	87,933,190	6,931,337	541,513	(18,468,551)	76,937,489
Excess (deficiency) of revenues over expenses	(8,096,210)	7,245,603	43,018	19,142,272	18,334,683
Changes in unrealised losses on available for sale financial assets	-	-	(26,423)	(8,807)	(35,230)
Net change in investment in capital assets	40,898,533	-	-	(40,898,533)	-
Balance, end of year	120,735,513	14,176,940	558,108	(40,233,619)	95,236,942

2010

NET ASSETS	Invested in capital assets $	Internally restricted for KEMH New Hospital Project $	Internally restricted for education $	Unrestricted Deficit/Net assets $	Total $
Balance, beginning of year	70,852,179	-	500,777	(12,719,168)	58,633,788
Excess (deficiency) of revenues over expenses	(6,853,037)	6,931,337	58,351	18,190,537	18,327,188
Changes in unrealised losses on available for sale financial assets	-	-	(17,615)	(5,872)	(23,487)
Net change in investment in capital assets	23,934,048	-	-	(23,934,048)	-
Balance, end of year	87,933,190	6,931,337	541,513	(18,468,551)	76,937,489

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

Bermuda Hospitals Board
Consolidated Statement of Cash Flows
For the year ended March 31, 2011

	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	18,334,683	18,327,188
Amortisation of capital assets	9,622,098	8,423,828
Loss on disposal of capital assets	20,421	2,893
Amortisation of deferred capital contributions	(1,546,308)	(1,573,684)
Pension benefit expense	477,167	(367,029)
Interest income	(159,485)	(144,180)
Interest expense	405,681	479,718
Unrealised loss on investments	(35,230)	(23,487)
Net change in non-cash working capital	4,607,404	(6,569,566)
Net cash generated through operating activities	31,726,431	18,555,681
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(28,969,499)	(23,923,016)
Changes in pledges for capital assets	120,000	120,000
Changes in investments	(781,028)	(37,955)
Interest income received	112,065	145,983
Deferred capital contributions	10,088,932	806,530
Change in grants receivable from government	-	276,818
Net cash used in investing activities	(19,429,530)	(22,611,640)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(899,236)	(1,670,512)
Proceeds from capital leases	91,080	132,052
Repayment of capital leases	(153,837)	(169,613)
Interest paid	(424,457)	(491,137)
Net cash used in financing activities	(1,386,450)	(2,199,210)
Net increase (decrease) in cash and cash equivalents	10,910,451	(6,255,169)
Cash and cash equivalents, beginning of year	10,502,646	16,757,815
Cash and cash equivalents, end of year	21,413,097	10,502,646
Cash and cash equivalents consist of the following:		
Cash and term deposits	18,220,210	7,019,277
Restricted cash, term deposits and investments	3,192,887	3,483,369
	21,413,097	10,502,646
Non-cash transaction		
Financing - reorganisation of long-term debt	5,667,891	-

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

1. AUTHORITY AND ORGANISATION

A. Authority

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

B. Organisation

The Board is responsible for operating the King Edward VII Memorial Hospital ("KEMH"), Mid-Atlantic Wellness Institute ("MWI") and Healthcare Partners Ltd. ("HPL"). The Board receives donations, subsidies and government grants, which are included in the financial statements.

KEMH is an inpatient acute care and extended care hospital with 241 acute care beds and an extended care unit of 121 beds.

MWI is a psychiatric facility with 31 inpatient acute care beds, 4 beds for children and adolescents, and 58 long-term rehabilitation beds.

The Board incorporated HPL in accordance with Section 62(2) of the Companies Act 1981 on September 24, 2008. It was created as a holding company to provide a vehicle for the Board to participate in partnerships and/or joint venture businesses, provided BHB remain in control at the governance level and hold a minimum of 51% equity position. Engaging in joint ventures, particularly with physician partners, is a recognized best practice in North America. In Bermuda, the objective is for HPL to close gaps and increase efficiencies in the healthcare market that would otherwise exist when the public and private sector act in isolation. HPL issued 10,000 common voting shares with a par value of $1 per share, to BHB on October 23, 2008.

On April 29, 2010, HPL purchased 60% of the shares in Ultimate Imaging Limited (UIL), a company providing diagnostic imaging services in Bermuda.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in Bermuda and Canada.

For financial reporting purposes, the Board is classified as a government not-for-profit organisation and has adopted accounting policies appropriate for this classification. The policies considered significant are set out below:

A. Principles of consolidation

The consolidated financial statements include the accounts of the Board and its 100% owned subsidiary, HPL.

B. Other investments

BHB's investment in UIL, of which it owns 60% of the outstanding voting shares, is accounted for by the equity method due to the fact BHB does not exercise control over UIL as a result of certain special voting rights held by the other shareholders. Under this method, the investment is initially recorded at cost and is increased for the proportionate share of any post acquisition earnings and is decreased by any post acquisition losses and dividends received.

C. Revenue recognition

The Board 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 to be received can be reasonably estimated and collection is reasonably assured.

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

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

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

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

D. Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

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

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

Buildings	2.5%
Equipment	10.0%
Software	20.0%
Computer equipment	20.0%
Capital leases – copiers	over lease term

Construction in progress (CIP)

All direct costs of material and labor incurred as part of various projects which have not been completed by the Board have been capitalised and are recorded as CIP. Indirect project costs such as professional and consultants fees related to these projects have also been capitalised and included as CIP. These costs are not amortised until the various projects are complete.

New hospital project (NHP)

The Board includes the design and construction-related costs of the NHP incurred by Paget Health Services (PHS) in CIP based on the amount reported by PHS which has been independently verified by their lenders' technical advisors. All direct and related indirect costs for the NHP incurred by the Board have been capitalized and included as CIP.

E. Cash and cash equivalents

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

F. Inventories

Inventories consisting of general stores, medical stores, orthopedic supplies, pharmacy, 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 (FIFO) method of accounting, and net realisable value.

G. Donated services

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

H. Fair value of financial instruments

Financial assets and financial liabilities are initially recognised at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Board's designation of such instruments. Settlement date accounting is used.

Financial Asset/Liability	Classification
Cash and term deposits and restricted cash and term deposits	Held for trading
Accounts receivable, other receivables and pledges receivable	Loans and receivables
Investments	Available-for-sale
Accounts payable and accrued liabilities, accrued salary and payroll expenses, current portion of long-term debt, long-term debt, current portion of capital lease obligations and capital lease obligations	Other liabilities

Certain items such as obligations for employee future health benefits and pension obligations are excluded from fair value disclosure.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the statement of financial position date. Fair value fluctuations including interest earned, interest accrued, gains and losses realised on disposal and unrealised gains and losses are included in the consolidated statement of operations.

Receivables
Receivables are accounted for at amortised cost using the effective interest method. The fair value of accounts receivable approximates their carrying values due to their short-term maturity.

Available-for-sale
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held to maturity and held for trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in unrestricted net assets and net assets internally restricted for education purposes until realised when the cumulative gain or loss is transferred to the consolidated statement of operations.

Other liabilities
Other liabilities are recorded at amortised cost using the effective interest method and include all financial liabilities, other than derivative instruments. The fair value of accounts payable and accrued liabilities, accrued salary and payroll expenses, current portion of capital lease obligations and capital lease obligations approximates their carrying values. The fair value of the current portion and long term portion of long-term debt is disclosed in the notes to the consolidated financial statements.

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

Under the agreement, the Board is liable for any deficit as set out in the agreement, which incorporates net premium, incurred claims, interest and administration charges. However, should the plan generate a cumulative surplus, the administrator is allowed up to 25% of the surplus in addition to the standard annual fee, with the balance being returned to BHB. A flat administration fee is paid monthly.

The establishment of the provision for incurred claims is based on known facts and interpretation of circumstances and is therefore a complex and dynamic process, influenced by a large number of factors. These factors include the Board's previous experience and historical trends involving claim payment patterns, pending levels of unpaid claims, claims severity and claim frequency patterns such as those caused by employee illnesses, accidents or work related injuries. The provision for incurred claims is periodically reviewed and evaluated in the light of emerging claims experience and changing circumstances.

J. Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

3. ECONOMIC DEPENDENCE
The Board receives a significant amount of its revenues from the Government of Bermuda's Ministry of Health. Accordingly, any disruption in that funding could have a significant effect on the operations of the Board.

4. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS
This balance is externally and internally restricted for specific purposes, as follows:

	2011	2010
External		
Patient comfort funds	$ 1,898,137	$ 1,671,018
Construction projects and capital assets	328,157	862,353
	2,226,294	2,533,371
Internal		
Educational purposes	966,593	949,998
	$ 3,192,887	$ 3,483,369

The above balance consists of restricted cash, term deposits and an investment which is 75% restricted for education, as follows:

	2011		2010	
	Market Value	Cost	Market Value	Cost
Ascendant Group Limited (AGL)	$ 645,893	$ 144,651	$ 681,123	$ 144,651

5. OVERDRAFT FACILITY

The BHB has an overdraft facility with Butterfield Bank (the "Bank") of up to $12.45 million (2010: $12.45 million), which bears interest at a rate of 2% (2010: 2%) above the Bank's Base Rate, and is available until April 30, 2012. The facility was not in use at March 31, 2011 or March 31, 2010.

6. PLEDGES RECEIVABLE

Pledges receivable relate to a $600,000, five-year pledge from Bacardi International Limited, for the purchase of new X-ray equipment. At March 31, 2011, $Nil (2010: $120,000) was outstanding.

7. CAPITAL ASSETS

	Cost	2011 Accumulated Amortisation	Net Book Value	2010 Net Book Value
Land and buildings	$ 149,197,759	$ 48,153,658	$ 101,044,101	$ 89,353,231
Construction in progress (note 14)	41,079,080	-	41,079,080	14,368,450
Equipment	59,171,135	36,264,622	22,906,513	18,797,223
Computer equipment	9,697,271	4,968,905	4,728,366	4,694,875
Software	9,981,126	6,631,888	3,349,238	3,872,655
Capital leases – copiers	631,979	488,532	143,447	227,925
	$ 269,758,350	$ 96,507,605	$ 173,250,745	$ 131,314,359

Photocopying equipment held under capital leases is included in capital assets and amortised on a straight-line basis over its lease term. These leases are for a period of 24 to 36 months, with an option to purchase, upon renewal, at a nominal value.

The insured value of the Board's buildings, contents and business interruption coverage is approximately $369 million (2010: $352 million).

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

As at March 31, 2011, the CIP balance includes costs of $22,609,407 which represent the NHP design and construction related costs incurred by PHS which commenced construction in December 2010 and is estimated to be completed in 2014 and direct costs incurred by BHB related to the NHP in the amount of $15,358,444 (2010: $7,326,450).

8. LONG-TERM INVESTMENTS

Long-term investments include term deposits and shares in AGL and UIL as follows:

		2011	2010
Term deposits		$ 1,381,275	$ 1,349,037
Investment in common shares UIL, at cost	$ 700,000		
Equity share of UIL's net income	57,597	757,597	-
AGL shares (25% unrestricted)		161,474	170,281
Carrying value of long-term investments		$ 2,300,346	$ 1,519,318

9. RELATED PARTY TRANSACTIONS AND BALANCES

Included within operating revenues are subsidies and grants from the Consolidated Fund of the Government of Bermuda as discussed in the following paragraphs:

A. Government subsidy programs

The Health Insurance Department approved claims totaling $102,531,491 (2010: $88,738,165) in respect of services rendered to patients covered under the Government's subsidy programs as follows:

	2011	2010
Aged subsidy	$ 55,801,904	$ 46,164,685
Youth subsidy	16,433,085	14,719,370
Geriatric subsidy	15,187,878	13,473,129
Other subsidy	6,846,521	6,986,042
Indigent subsidy	5,893,624	5,026,460
Clinical drugs	2,368,479	2,368,479
	$ 102,531,491	$ 88,738,165

As at March 31, 2011, $5,736,558 (2010: $3,118,015) was outstanding from Government for subsidy programs. This amount is included in the accounts receivable balance.

B. Government grants

Government grants received are as follows:

	2011	2010
Operating grant - MWI	$ 39,698,501	$ 39,948,495
Capital grant - KEMH NHP (note 14)	10,000,000	-
Capital grant - MWI	743,129	746,018
	$ 50,441,630	$ 40,694,513

C. Mutual Re-insurance Fund

The Health Insurance Department approved the following claims:

	2011	2010
Hemodialysis treatments	$ 12,352,989	$ 10,922,359
Long stay patients	2,684,784	3,991,166
Home health care	446,124	510,366
Anti-rejection drugs	298,911	273,307
	$ 15,782,808	$ 15,697,198

As at March 31, 2011, $1,210,737 (2010: $4,486,704) is receivable from the Mutual Re-insurance Fund. This amount is included in the accounts receivable balance.

D. Health Insurance Fund

The Health Insurance Department approved the following claims:

	2011	2010
Health Insurance Fund claims	$ 10,756,184	$ 7,806,339

As at March 31, 2011, $517,740 (2010: $1,158,060) is receivable from the Health Insurance Fund. This amount is included in the accounts receivable balance. The Health Insurance Committee administers the Health Insurance Fund, a program for individuals who are between the ages of 18 - 65 providing standard medical benefits.

E. FutureCare Fund

The Health Insurance Department approved the following claims:

	2011	2010
FutureCare Fund claims	$ 2,900,198	$ 3,228,118

As at March 31, 2011, $127,012 (2010: $276,080) is receivable from the FutureCare Fund. This amount is included in the accounts receivable balance. The Health Insurance Committee administers the FutureCare Fund, a program for individuals who are over the age of 65 providing standard medical benefits.

F. Government Employees Health Insurance Fund

The claims billed to the Government Employees Health Insurance Fund ("GEHI") are as follows:

	2011	2010
GEHI claims	$ 19,349,288	$ 14,994,991

As at March 31, 2011, $1,061,163 (2010: $1,236,479) is receivable from GEHI. This amount is included in the accounts receivable balance.

G. Other amounts

During the year, the BHB expensed the following:

	2011	2010
Payroll tax	$ 5,840,480	$ 3,953,985
Social insurance	2,452,466	2,331,560
Services provided by the Ministry of Public Works	1,285,463	861,035
Nurses' annual pensions	411,915	365,970
Superannuation	8,371	9,139
Land tax	289	506
Miscellaneous charges	146,605	95,693
	$ 10,145,589	$ 7,617,888

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

	2011	2010
Payroll tax	$ 7,138,481	$ 5,423,381
Social insurance	2,513,503	2,352,402
	$ 9,651,984	$ 7,775,783

Non-refundable duty of $1,129,750 (2010: $847,717) was paid during the year. War Veteran Association claims, in the amount of $3,577,504 (2010: $2,639,207) were billed during the year.

The following are other related party balances at March 31, 2011:

	2011	2010
Accounts receivable		
Miscellaneous departmental charges	$ 313,983	$ 145,963
Payable by the Government on behalf of the War Veterans Association	126,069	417,124
	$ 440,052	$ 563,087
Other receivables		
Refundable deposits paid for duty	$ 231,237	$ 200,000
Accounts payable and accrued liabilities		
Nurses' annual pensions accrual	$ 4,195,489	$ 3,783,574
Ministry of Public Works	109,189	70,049
	$ 4,304,678	$ 3,862,623
Accrued salary and payroll expenses		
Payroll tax	$ 3,640,601	$ 2,439,453
Social insurance	402,424	506,800
	$ 4,043,025	$ 2,946,253

10. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

A. Long-term debt

	2011	2010
Bond refinanced loan of US$4,004,141, bearing interest of 4.85% per annum, paid quarterly in arrears of principal and interest of $126,928 up to February 15, 2018. The loan is unsecured.	$ 3,008,709	$ 3,358,153
*Loan of $5,563,617, bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of principal and interest of $59,343 up to October 30, 2020. The loan is secured by a charge over the related capital assets.	5,315,793	-
Bonds payable of US$5,450,000, bearing interest of 3.95% was paid in full during the year ended March 31, 2011	-	50,000
*Loan of $1,000,000, bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of principal and interest of $14,489 up to January 29, 2015. The note is unsecured.	-	711,570
*Loan of $2,100,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of $16,650 up to February 1, 2020. The loan is secured by a charge over the related capital assets.	-	1,586,062
*Loan of $4,000,000 bearing interest of 0.75% per annum over the Bank's Bermuda Dollar Base Rate, payable in equal blended monthly installments of principal and interest of $28,084 up to September 9, 2027. The loan is secured by a charge over the related capital assets.	-	3,517,953
	8,324,502	9,223,738
Less: Current portion	850,911	784,644
	$ 7,473,591	$ 8,439,094

*In October 2010, the Bank and BHB agreed to consolidate three existing loans (2010 balances: $711,570, $1,586,062 and $3,517,953); no change to the interest rate occurred.

Principal repayments scheduled for the next five years and thereafter are as follows:

Year	Amount
2012	$ 850,911
2013	891,273
2014	933,553
2015	977,841
2016	1,024,234
2017-2021	3,646,690
	$ 8,324,502

The fair value of long-term debt with the Bank is approximately $8.6 million (2010: $10.1 million) based on the estimated present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to the BHB for the same or similar debt instruments.

As at March 31, 2011, BHB recorded $22,609,407 of long-term debt related to the NHP which commenced in December 2010 with an estimated completion date of 2014.

B. Capital lease obligations

	2011	2010
Obligations under capital leases for photocopying equipment, with minimum lease payments of $171,363 less interest of $7,275. Capital leases bearing interest between 4.5% and 6% per annum, payable in monthly installments of principal and interest expiring between April 28, 2011 and January 21, 2014.	$ 171,363	$ 234,120
Less: Current portion	109,605	144,970
	$ 61,758	$ 89,150

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

Year	Capital lease obligations	Interest	Total minimum lease payments
2012	$ 109,605	$ 5,165	$ 114,770
2013	45,651	1,869	47,520
2014	16,107	241	16,348
	$ 171,363	$ 7,275	$ 178,638

11. 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.

The balance of the deferred capital contributions is as follows:

	2011	2010
Balance, beginning of year	$ 30,079,399	$ 30,846,553
Add: contributions received/distributed	10,088,932	806,530
Less: amounts amortised to revenue	(1,546,308)	(1,573,684)
Balance, end of year	$ 38,622,023	$ 30,079,399

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

	2011	2010
Unamortised capital contributions used to purchase assets	$ 38,293,866	$ 29,097,046
Unspent contributions	328,157	982,353
	$ 38,622,023	$ 30,079,399

12. INTERNAL RESTRICTIONS ON NET ASSETS

The Educational Fund reflects an accumulation of investment income designated for educational purposes. The balance of the Education Fund at March 31, 2011 is $558,108 (2010: $541,513).

The Board has established a KEMH NHP Fund to ensure that there is adequate funding available in operations when the annual service payments for the new building commence in 2014. The reserve consists of 1% of annual patient revenues as well as an annual contribution from KEMH operational savings. The balance of the KEMH NHP Fund at March 31, 2011 is $14,176,940 (2010: $6,931,337).

These internally restricted amounts are not available for other purposes without the approval of the Board.

13. EMPLOYEE BENEFITS

The Board has a number of defined benefit and defined contribution plans providing pension, other retirement and post-employment benefits to most of its employees. The Board accrues its obligations under employee benefit plans and the related costs, net of plan assets. The Board has adopted the following policies:

- The cost of pensions and other retirement benefits for deferred benefit plans earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is 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 0.24 years (2010: 0.50 years). The average remaining service life of the active employees covered by the other retirement benefit plans is 9.24 years (2010: 9.05 years).

A. Pension plans

Defined Contribution Plan

There is a defined contribution pension plan in place for all employees, whereby the Board contributes 6% of gross salary and the employee contributes 4% of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five years with respect to the Board's contributions. Beginning January 1, 2000, 100% of the Board's contributions vest after two years. When an employee ceases employment with the Board, other than through retirement, the Board's unvested contributions are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2011 totaled $4,830,338 (2010: $4,444,547).

Defined Benefit Plan

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

	2011	2010
Long-term liability		
Balance, beginning of year	$ 5,535,026	$ 5,902,055
Pension expense		
Current cost	67,950	62,929
Interest	332,102	355,174
Benefits paid	(411,915)	(365,970)
Experience loss/(gain)	489,030	(419,162)
Balance, end of year	$ 6,012,193	$ 5,535,026

BHB and Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2011, which estimates that the Board's portion of the liability under the 1948 Act is approximately $6.0 million as at March 31, 2011 (2010: $5.5 million). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% (2010: 6%) and a salary escalation rate of 4% (2010: 4%).

To date, no contributions have been made by the Board and the plan remains unfunded. Benefits are paid by the Government, and at March 31, 2011, the Board's payable to the Government totals $4,195,489 (2010: $3,783,574) and is included in the accounts payable and accrued liabilities balance.

B. Other employee benefits

Other employment benefits 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 as at March 31, 2011 is $407,204 (2010: $274,909) and is included in accrued salary and payroll expenses.

Sick leave accumulates but does not vest, and like maternity leave, a liability is recorded only when extended leave is applied for and approved. As at March, 31, 2011, the liability is $127,176 (2010: $14,329) and is included in accrued salary and payroll expenses.

Vacation days accumulate and vest and therefore a liability is accrued each year. The expense for the year ended March 31, 2011 is $10,420,770 (2010: $9,050,505) and the benefits paid out total $9,547,239 (2010: $8,644,088) resulting in a liability as at March 31, 2011 of $8,948,560 (2010: $8,075,029).

The Board pays 50% of the health insurance premiums for employees who retire from the Board. The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% and a medical trend rate of 10% decreasing by 1% per annum to an ultimate rate of 6% after 5 years.

	2011	2010
Long-term liability		
Balance, beginning of year	$ 30,632,029	$ 24,819,740
Plan expense		
Current cost	1,293,232	1,285,341
Interest	1,885,777	1,537,714
Benefits paid	(991,282)	(953,036)
Experience loss/(gain)	1,228,154	3,942,270
Balance, end of year	$ 34,047,910	$ 30,632,029

As at March 31, 2011, the BHB Health Plan had a net surplus of $170,598 (2010: $198,745).

14. COMMITMENTS

A. Property leases

The Board has entered into significant operating lease agreements with third parties for the rental of five properties. The annual commitment schedule for the next five years is as follows:

Year	Amount
2012	$ 3,031,434
2013	2,514,434
2014	2,336,434
2015	2,147,434
2016	744,272
	$ 10,774,008

B. Management services contract

The Board terminated a management services contract on January 31, 2011, as of March 31, 2011, the outstanding commitment is $Nil (2010: $3.4 million).

C. New Hospital Project (NHP)

The NHP construction commenced in December 2010 and is expected to be completed in 2014. The design, construction, financing and maintenance of the new facilities are being delivered in the form of a public private partnership (PPP). The NHP is a joint undertaking between the Bermuda Hospitals Board and Paget Health Services (PHS). In December 2010 the Board signed a Project Agreement with PHS after a competitive bidding process.

A one-time initial payment of $40 million is payable by the Board in 2014 upon completion of construction in accordance with design and construction obligations set out in the Project Agreement. The Bermuda Hospitals Charitable Trust ("BHCT") is fundraising for this and in 2011 launched the campaign "Why it Matters" to raise the $40 million required in 2014. At March 31, 2011, $17.5 million has been pledged to this campaign with $1.4 million of this pledged amount collected by the BHCT. Any shortfall in the fundraising efforts for this one- time initial payment is the responsibility of the BHB.

The design and construction related costs of the new facility are approximately $247 million. Once construction is completed in 2014, annual service payments will commence for a period of thirty years, consisting of principal, interest, construction, lifecycle and hard facilities maintenance. A portion of the annual service payment is indexed over the 30 year period to allow for changes in the cost of living and other related facility costs. The Bermuda Government has guaranteed BHB's payment obligations, as required by the lenders.

NHP construction costs included in CIP as at March 31, 2011 can be broken down as follows:

	2011	2010
PHS CIP	$ 22,609,407	$ -
BHB CIP	15,358,444	7,326,450
	$ 37,967,851	$ 7,326,450

The NHP CIP as at March 31, 2011 related to PHS represents design and construction related costs incurred by PHS, independently verified by their lenders' technical advisors. A long-term commitment to PHS for their CIP was recorded as part of BHB's long-term debt (note 10). The NHP CIP as at March 31, 2011 related to BHB represents direct costs incurred by BHB for the NHP. The costs incurred as at March 31, 2011 were financed primarily by a $10 million government grant and the remaining costs were paid directly by BHB.

15. CONTINGENCIES

In the ordinary course of business, the Board is routinely a defendant in or party to a number of pending or threatened legal actions and proceedings, the 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 Board believes that it has meritorious defenses to all asserted claims and intends to defend vigorously against them.

The Board has medical malpractice insurance in place of up to $10.0 million per claim and $30.0 million in the aggregate.

The Board has Directors' and Officers' Liability and Company Reimbursement insurance in place with an indemnity limit of $10.0 million in the aggregate, including defense costs and expenses.

The Board also has Crime Insurance and Employment Practice Liability Insurance in place with each policy having indemnity limits of $5.0 million in the aggregate.

16. DONATION IN KIND

Donation in kind relates to services donated by volunteers and the related expense is included in the general supplies and services expense.

17. BUSINESS SOCIAL COST

The BHB, as a part of its mandate, is required to provide service to all patients, irrespective of their ability to pay. During the course of its operations, the BHB provided services to a number of persons who were unable to pay. These expenses are classified as business social costs. The amount recognised as business social cost for the year ended March 31, 2011 is $343,320 (2010: $160,252).

18. 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 with MWI. The amount charged for the year ended March 31, 2011 is $2,292,185 (2010: $2,466,378). The management fee charged to KEMH by HPL for concierge services provided by HPL for the year ended March 31, 2011 is $89,784 (2010: $Nil).

19. FINANCIAL RISK MANAGEMENT

The Board has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Board's risk management framework. The Board of Directors has established the Finance and Audit Committee which is responsible for developing and monitoring the Board's compliance with risk management policies and procedures. The Finance and Audit Committee regularly reports to the Board of Directors on its activities. The Board's risk management program seeks to minimize potential adverse effects on the Board's financial performance. The Board 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 Board 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 minimized substantially by ensuring that these financial assets are invested with financial institutions whose rating and status are consistently monitored by the Board.

Accounts receivable

Accounts receivable consist primarily of trade accounts receivable from billings of services provided. The Board's credit risk arises from the possibility that a counterparty which owes the Board money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Board, which would result in a financial loss for the Board. This risk is mitigated through established credit management techniques and supplemented by use of professional credit agencies. In the year ended March 31, 2011, the maximum credit risk to which the Board is exposed represents the fair value of its accounts receivable.

B. Liquidity risk

Liquidity risk is the risk the Board will not be able to meet its financial obligations as they fall due. The Board'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 Board's reputation. The Board manages exposure to liquidity risk by closely monitoring supplier and other liabilities, focusing on debtor collection, generating positive cash flows from operations and establishing and maintaining good relationships with various financial institutions.

C. Market risk

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

Foreign exchange

The Board's business transactions are mainly conducted in Bermuda dollars and, as such, it has minimal exposure to foreign exchange risk.

Interest rate

The Board is exposed to changes in interest rates, which may impact interest income on short-term investments, and interest expense on long-term debt.

20. CAPITAL DISCLOSURES

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

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

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

21. SUBSEQUENT EVENT

Investment

On October 14, 2011, the Board purchased 25% shares in Mill Reach Properties Limited (MRP). MRP currently owns the building located on 2 Mill Reach Lane, which leases warehouse space to BHB for the Materials Management Department.

22. FUTURE ACCOUNTING CHANGES

PSAB has issued Public Sector Accounting (PSA) Handbook sections PS 4200 to PS 4270, which incorporate the existing Canadian Institute of Chartered Accountants (CICA) standards for not-for-profit organizations into the PSA Handbook. PSAB also amended the Introduction to Public Sector Accounting Standards, to require that government not-for-profit organizations adopt the standards in the PSA Handbook for financial statements relating to fiscal periods beginning on or after January 1, 2012. Management is evaluating the impact of these changes.

King Edward VII Memorial Hospital
T: 441 236 2345

MAILING ADDRESS
PO Box HM 1023 | Hamilton, Bermuda HMDX

STREET ADDRESS
7 Point Finger Road | Paget, Bermuda DV04

Mid-Atlantic Wellness Institute
T: 441 236 3770

MAILING ADDRESS
PO Box DV 501 | Devonshire, Bermuda DVBX

STREET ADDRESS
44 Devon Spring Road | Devonshire, Bermuda FL01

WWW.BERMUDAHOSPITALS.COM

Bermuda Hospitals Board

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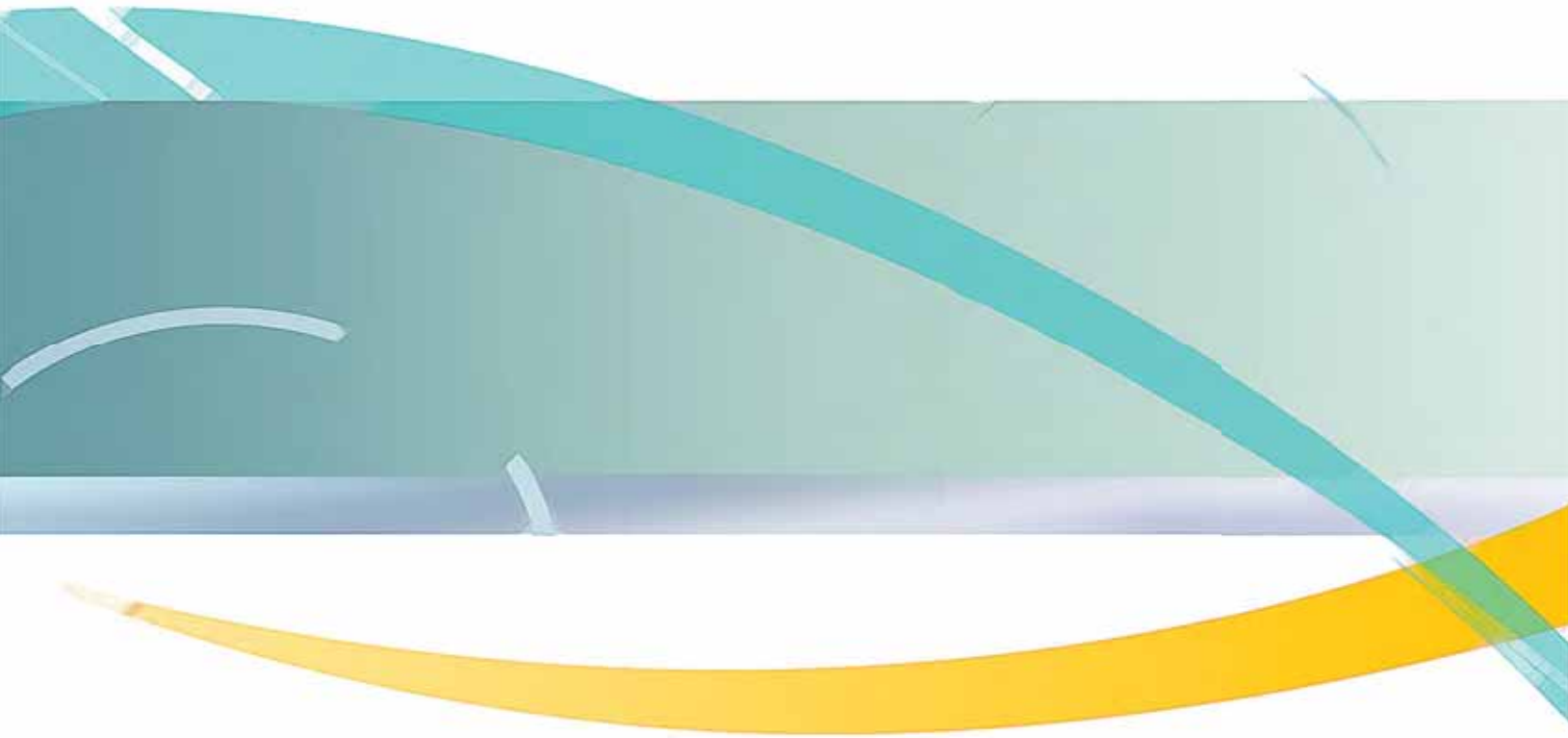

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