2013

Bermuda Hospitals Board

ANNUAL REPORT

ABOUT BHB

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

BHB serves Bermuda's resident population of approximately 60,000 people, as well as the many visitors who come to the island each year. BHB has the second largest number of employees in Bermuda, with about 1,600 fulltime staff and 200 on-call and locum staff.

BHB's mandate is set out in the Bermuda Hospitals Board Act 1970 and its regulations, and requires BHB to remain financially sound while delivering high-quality, cost-effective services. Given our relatively isolated geographic location, the Bermuda community needs a range of services broader than would commonly be expected of a hospital servicing a similar population base in a larger country, with highly specialist services that can't be provided safely on-island referred overseas.

GOVERNANCE

BHB operates under the Bermuda Hospitals Board Act 1970 and its regulations. It is overseen by a Government-appointed Board, which is Gazetted each year.

2013 Board members:

Jonathan Brewin - *Chair*
Lucille Parker - *Deputy Chair*
Jeanne Atherden
Dr Colin E Couper
Kathryn C Gibbons
Louise Jackson
Cratonia Smith
Dr Alicia Stovell-Washington
Dr Andrew West

Ex-officio (Voting)
Ralph Richardson, Bermuda Hospitals Charitable Trust Representative, Hospitals Auxiliary of Bermuda (unfilled in 2013)

Ex-officio (Non Voting)
Dr Michael Weitekamp, Chief of Staff, BHB
Kevin Monkman, Permanent Secretary, Ministry of Health
Dr John Cann, Chief Medical Officer

FUNDING

Bermuda Hospitals Board is funded in the following ways:

Acute care services at the King Edward VII Memorial Hospital and Lamb Foggo Urgent Care Centre are funded through a fee-for-service, paid for by insurers, Government and individuals.

In 2012/13, the Government budget to pay for acute care services used by seniors, children and the indigent was set at $104 million. Bills for the services accessed by these groups totalled $111.631 million.

For this fiscal year, 64% of KEMH's revenue came from Government insurance schemes ($182.0m), including FutureCare, Health Insurance Plan and Government Employees Health Insurance Fund. The remaining 36% came from private insurance and individuals.

Government ceased the geriatric subsidy in this year, which had previously been about $16 million to pay for long-term care residents in the Continuing Care Unit who could not afford the residential fees. A $10 million contribution was later agreed.

Mental health, substance abuse and learning disability services at the Mid-Atlantic Wellness Institute are funded by an annual operational grant from Government. In 2012/13, MWI was provided with a grant of $38.578 million, which was the same as the grant provided in 2011/12.

All fees and rates charged by BHB for acute care and long-term care, and the MWI operational grant, are approved through a legislative process. Fees and rates are published every year and are available on the BHB website.

Government of Bermuda
Ministry of Health and Seniors

It is a genuine pleasure for me to present the Bermuda Hospitals Board (BHB) Annual Report for 2013. As Minister of Health and Seniors, it is especially important to show transparency and good governance of one of the Government's largest Quangos and the country's only hospitals.

Significantly, during this fiscal year BHB was awarded accreditation with "Exemplary Standing" by Accreditation Canada. This is a testament to the quality of patient care achieved by staff and management teams of the hospital at every level. The independent patient satisfaction surveys show that the majority of people who use the hospital have very good experiences. I hope the public will take time to review the patient satisfaction results in this report, to see for themselves that Bermuda has a hospital we can trust in and be proud of.

This is not to imply that all is perfect or that there is nothing to improve. Indeed, the fiscal year 2012/13 was significant for BHB, and a time when its financial position raised many concerns. I'm grateful to the Board and management team that developed the modernization plan to ensure the hospital could become financially sustainable.

My sincere thanks go to the Board and to the management and staff at KEMH and MWI for their diligence, commitment and dedication to taking care of us during our times of need. The hospital is an essential part of the country's health system and the efforts of every individual who contributes to its smooth running must be appreciated by all of us.

Sincerely,

The Hon. Jeanne J. Atherden, CA, CPA, JP, MP
Minister of Health and Seniors

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

MESSAGE FROM THE **CHAIRMAN,** MR PETER EVERSON

This year was one of great change for BHB. Following the election of a new Government on 17 December 2012, a new Board, Chair and Deputy Chair were formally announced in February 2013.

This 2012/13 Annual Report was delayed while the auditing process was completed and review undertaken for the fiscal year 2011/12. This means successes and challenges were handled by my predecessors, Mr Wendell Brown (2012) and Mr Jonathan Brewin (2013), whom I would like to thank for their contribution.

Work had begun under the 2012 Board to manage finances and control healthcare costs. Two KPMG reports had been completed. One reviewed BHB's ability to meet the financial obligations of the new Acute Care Wing and the other reviewed the impact of the system that had been put in place to cap revenues. A review of physician compensation had started in order to bring equity and fairness to the physician contracts, and a clinical and corporate governance review was underway to provide a roadmap to strengthening BHB's decision-making framework.

Within the first month of the 2013 Board's appointment, the Auditor General had also recommended a review of BHB by the Department of Internal Audit.

A summary of the physican compensation review was shared in July 2013, and a public synopsis of the findings of the Department of Internal Audit was included as an appendix to the BHB Quarterly Report to the Community in October 2013. The Clinical & Corporate Governance Review was published in Full in May 2013.

The Board is totally committed to running an ethical, clinically strong and accountable organisation. The 2013 Board had already begun this process by 31 March 2013, with a restructure of the Board committees to focus on key areas such as financial sustainability, clinical governance and communication. A new Board orientation package was devised to ensure Board members were thoroughly informed and ready to move forward swiftly, and regular public updates were established in which the Board reports to the community on key issues.

I would like to thank the staff and management of BHB for their support through all the changes and challenges, and for their consistent hard work over many years. By the end of the fiscal year under review, we still had a challenging journey ahead, especially around issues of sustainability, clinical quality and affordable healthcare. But the benefit of writing three years later is that we can say that significant costs have been cut from the budget and we have absorbed the costs of the new Acute Care Wing without adding pressure to local healthcare costs. Indeed, fee rises since that date have been very low: 0% in 2013/14; 1% in 2014/15; 1% in 2015/16; and 0% in 2016/17.

MESSAGE FROM THE **CEO,** MRS VENETTA SYMONDS

So much was achieved by the staff, management and Board of BHB during the fiscal year under review. It is important to note that this was achieved within a context of great change and challenge, both internally and externally. There were significant changes at the senior leadership, Board and Ministry levels, and the economic environment within Bermuda continued to deteriorate. Major reports were started that would impact how we operated. But progress continued. Staff worked hard and kept their focus on the most important individual – the patient.

Patient satisfaction continued to improve, which is a great testament to the work of frontline staff: the nurses and physicians, the technicians, and the housekeepers and dietary staff.

BHB faced a major transfer of services to the new Acute Care Wing in 2014, and this required immense preparation and planning in the year under review. Changes to processes were identified and prepared for, mock rooms had to be tested, and work continued to integrate the existing facility with the new. We also had to evaluate the use of and repair work for the existing facility once acute services transferred over.

Planning also had to take place at MWI. It is not affected directly by the new wing, but it is an ageing facility and work is needed to ensure it remains a safe place in which to deliver care.

The economic environment continued to challenge us in this fiscal year: utilization rose but BHB revenue was capped, and funding for the Continuing Care Unit stopped. About $20 million in revenue was lost due to these factors, meaning services were provided to patients for which BHB will not be paid.

The pressure to become more cost effective and efficient grew tremendously, as healthcare premiums in Bermuda continued to rise. BHB comprises around 44% of the healthcare costs in Bermuda, and this has not changed significantly in many years, even as costs have gone up. Reducing system-wide costs requires a system-wide solution and it cannot be done at the expense of patient safety. This is the commitment to Bermuda of the Board, senior management and staff at BHB.

Despite the difficulties, it therefore gives me great pleasure to provide this report of our activities and financial statements for the year 2012/13, and to take this opportunity to thank the staff and management, as well as the previous and current Boards, for their continued dedication and commitment to caring for the people in Bermuda.

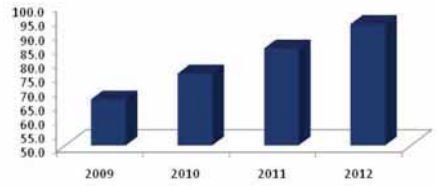
KEMH PATIENT SATISFACTION SURVEY SUMMARY

For all results, survey respondents are asked to rate their satisfaction between 1 and 10, where 1 is least satisfied and 10 is most satisfied. These results show the percentage of respondents who gave a satisfaction rating of 7 and over. Survey results are reported by calendar year (January to December).

EMERGENCY DEPARTMENT (KEMH AND LAMB FOGGO URGENT CARE CENTRE)

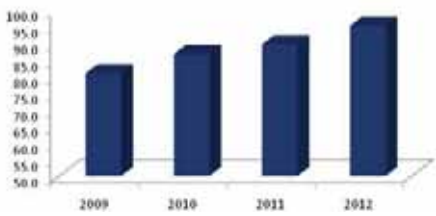
% Satisfied With ED Units Overall Service

2009	2010	2011	2012
66.4	75.6	84.5	93.2



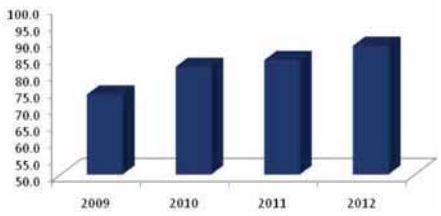
% Satisfied With ED Doctors

2009	2010	2011	2012
81.0	86.7	89.6	95.3



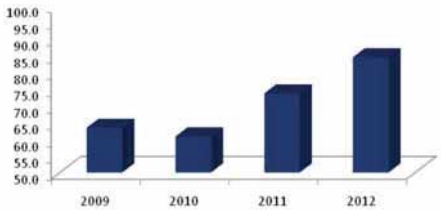
% Satisfied With ED Nurses

2009	2010	2011	2012
74.0	82.3	84.3	88.6



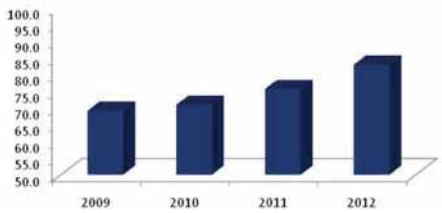
% Satisfied With ED Wait Times

2009	2010	2011	2012
63.4	60.8	73.7	84.6



% Satisfied With ED Environment

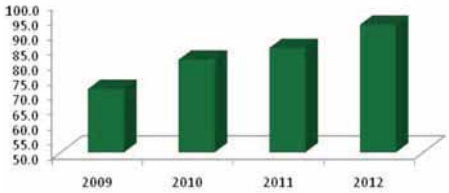
2009	2010	2011	2012
69.1	70.9	75.6	82.9



INPATIENT UNITS (COOPER, CURTIS, GORDON, PERRY, GOSLING AND MATERNITY UNITS)

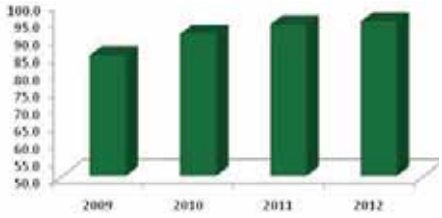
% Satisfied With IP Units Overall Service

2009	2010	2011	2012
71.2	81.0	84.9	92.7



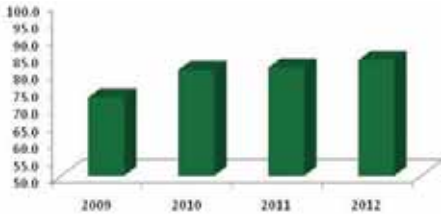
% Satisfied With IP Doctors

2009	2010	2011	2012
84.9	91.1	93.9	94.8



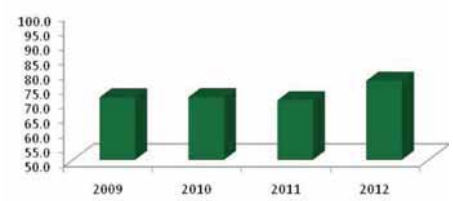
% Satisfied With IP Nurses

2009	2010	2011	2012
72.7	80.7	81.4	83.6



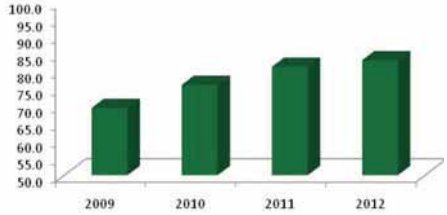
% Satisfied With IP Pain Management

2009	2010	2011	2012
71.4	71.5	70.4	77.1



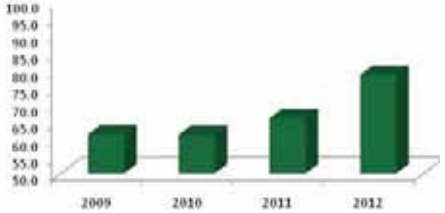
% Satisfied With IP Environment

2009	2010	2011	2012
69.4	76.1	81.3	83.2



% Satisfied With IP Meals

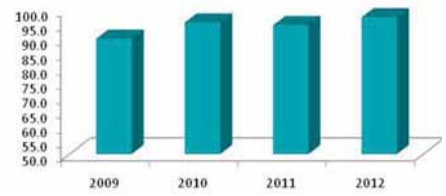
2009	2010	2011	2012
61.3	61.2	66.0	78.6



OUTPATIENT SERVICES (DIAGNOSTIC IMAGING, LAB TESTS, ONCOLOGY, DIALYSIS AND CHRONIC DISEASE MANAGEMENT)

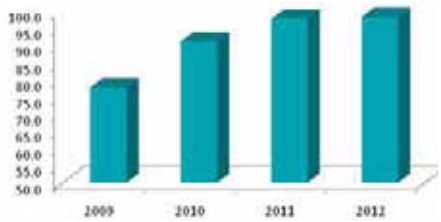
% Satisfied With OP Units Overall Service

2009	2010	2011	2012
89.8	95.4	94.5	97.2



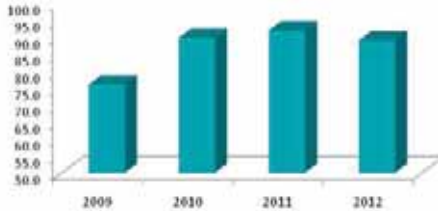
% Satisfied With OP Doctors

2009	2010	2011	2012
77.7	91.0	97.6	98.2



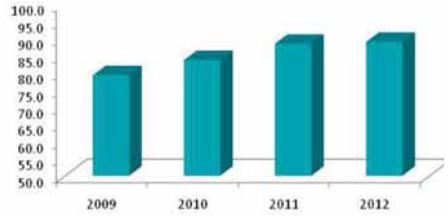
% Satisfied With OP Nurses

2009	2010	2011	2012
76.0	89.8	92.0	89.0



% Satisfied With OP Environment

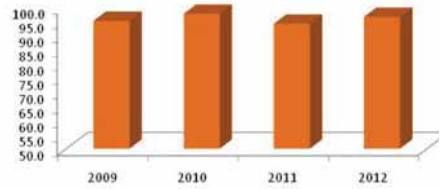
2009	2010	2011	2012
79.2	83.6	88.4	88.9



SURGICAL OUTPATIENT SERVICES

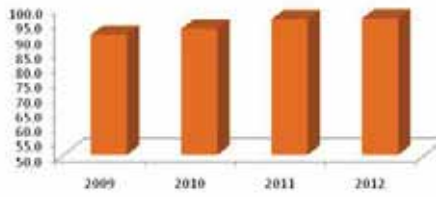
% Satisfied With SOP Units Overall Service

2009	2010	2011	2012
95.0	97.5	94.0	96.4



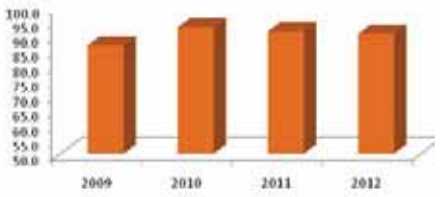
% Satisfied With SOP Doctors

2009	2010	2011	2012
90.5	92.5	95.8	96.0



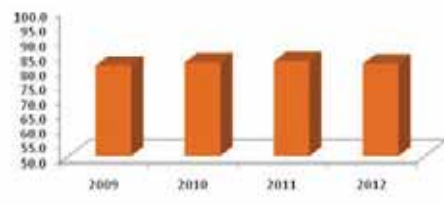
% Satisfied With SOP Nurses

2009	2010	2011	2012
86.7	92.9	91.5	90.6



% Satisfied With SOP Environment

2009	2010	2011	2012
81.1	82.1	82.5	81.7



FINANCIAL AND GOVERNANCE OVERVIEW

For the seven years up to 2012/13, BHB had invested in new services and on-island specialists. This did increase BHB costs, but the benefit was improved quality and on-island access for all people in Bermuda. However, the economic downturn and the introduction of caps to limit BHB revenue meant there was a significant drop in net revenue for this year. In this fiscal year, BHB went public with its concerns of future financial stability, especially when the obligations of the new Acute Care Wing (ACW) started in 2014.

Although by the end of the year under review, BHB did have sound reserves of cash, this money was already earmarked for operational and staff costs, maintenance, new equipment for the ACW, and the financial obligations of the facility when completed.

BHB fees are agreed with the Minister and approved by the legislature by negative resolution. Although perceptions are that BHB fees rise steeply because health insurance premiums go up each year, in reality hospital fees have been kept well below inflation even before this fiscal year. In the year under review, there was no inflationary fee increase (0%). Government also informed BHB that it would no longer pay all residential fees for seniors and young disabled people in the Continuing Care Unit, which cost about $16 million. Instead, a $10m contribution was made by Government, leaving the balance of the service essentially unfunded.

BHB also experienced the effects of revenue caps with private insurers. Parties agreed to these caps in good faith, with the expectation that they would help control healthcare premiums for the population. In this sense, they were a success. Unfortunately, utilisation is unregulated in Bermuda and continued to rise, leaving BHB with a significant shortfall at the end of the fiscal year.

Combining these losses, the difference between the fees for services provided and the amount that could be collected for the fiscal year under review was about $20 million.

At the beginning of the fiscal year under review, in April 2012, a new CEO was appointed. Mrs Venetta Symonds worked with the Board to better clarify BHB's financial position and outlook given the changing economic situation on the island and the revenue pressures BHB was experiencing. A zero-based budget process was implemented in order to control costs within BHB, and reviews were completed by KPMG to assess the impact of the revenue caps and BHB's ability to meet the obligations of the ACW. Additionally, a clinical and governance review was initiated in order to improve governance and efficiency within BHB, and a report to establish fair and equitable compensation for physicians was initiated by Towers Watson.

A new Government was elected in December 2012 and a new Board named in early 2013. By the end of the fiscal year under review, the focus was to establish and implement a financial sustainability strategy.

Note: summaries of the KPMG and Towers Watson Reports were made public in 2013 and are available on the BHB website.

KEMH REDEVELOPMENT UPDATE FOR 2012/13

Construction Update – The Acute Care Wing

In the year under review, work on the main entranceway on Point Finger Road began. The area was excavated and retaining walls erected outside the Continuing Care Unit building. Works on the abstraction well chambers for the air conditioning system continued, and the installation of 27,000 square feet of windows and glazed screens, all designed to withstand hurricane-force conditions, was underway. Around 30,000 cubic yards of concrete had been used in producing the superstructure and its integrated architectural features. Some 75,000 square feet of concrete masonry units were laid to form the outer walls of the building.

Mock-up rooms were erected during this fiscal year for staff to test before the designs and materials were confirmed. These spaces were not finished rooms within the main building, but bare bones replicas that enabled a number of vital tests to be carried out. These included checking space requirements, whether switches and lights were in the right places, and how durable the materials were, and testing cleaning products. Staff members from across KEMH were involved, including housekeeping, facilities, infection control, nursing and physicians. Testing was completed by the end of the fiscal year under review and the mock rooms were dismantled.

The ACW roof wetting ceremony took place on Tuesday 5 March 2013, marking the completion of the new wing's superstructure.

Quality Assurance

The project was supported by rigorous quality assurance. There were regular inspections and certifications from architects and engineers of record, bi-weekly monitoring by BHB's technical advisor and monthly monitoring by the Paget Health Services lender's technical advisor. Additionally, there were weekly checks by an independent certifier. Paget Health Services was incentivised to build a quality facility as they have a contractual obligation to maintain the building for 30 years after construction.

KEMH Redevelopment Project – Awards

The KEMH Redevelopment Project new construction won two awards in the fiscal year 2012/13.

In July 2012 it was announced the KEMH Redevelopment Project had won Best Accommodation Project at the Partnerships Awards 2012 against a high-quality, international shortlist that included hospitals from the UK, Canada, the US

and Australia. The awards are seen as the highest accolade available in the international public private partnership (PPP) industry. This award recognises how well the project was run, from procurement onwards. The judges commended the project team on managing an international competition involving contractors and funders from around the world

within the tight timescales, and recognised the efforts that went into ensuring the design was highly energy efficient and considered the environment. They noted how the design for our new facility achieved a 26% reduction in energy use against recognised baselines and a 40% reduction in water use.

The KEMH Redevelopment Project also won a World Finance Award in the category of Best Social Project in North America 2013. The project was nominated by global subscribers and partners to World Finance. A panel of judges evaluated and selected the project using criteria related to innovation, creativity and design; the impact upon enabling socio-economic value; and the potential for the framework of knowledge and benchmarks to be transposed elsewhere.

KEMH Redevelopment Project – Revitalising the Existing Hospital Building

The revitalisation of General Wing (the older part of KEMH) is needed in order to ensure it can safely accommodate remaining services through the coming years.

In the year under review, work began on business cases to connect the existing infrastructure in KEMH to the plant room in the ACW. This connection provides steam and condensate, chilled water, domestic cold water, sprinklers and stand-pipe supply, and medical gases. In 2012/13, the plant room servicing the existing facility was in the hospital's Central Utility Plant. The mechanical and electrical plant within, and the connections between the Central Utility Plant and existing KEMH building were very old.

In order to maintain a safe, working facility, during this fiscal year an upgrade project was approved and commenced to replace the four primary elevators servicing the General Wing. The elevators were originally installed in 1972 and were aging. Each had completed about nine million lifts and was increasingly experiencing mechanical issues. A full tendering process was undertaken for the contract, which was awarded to Otis Elevators. The entire project was completed on time and on budget, at a cost $1.1 million.

KEMH Redevelopment Project – Preparing for the Big Move

Preparing for the safe transfer of services and patients to the new ACW was a major focus in the year under review. Initial planning began in April 2012, and a series of decisions, business cases and policies were decided upon so changes could be made and go through three test phases before the move took place.

Planning for operational readiness included reviewing all clinical processes and determining where improvements could be made to meet best practice then implementing these practices. It also defined the financial plans and impacts on the operating budgets, and how stakeholder expectations would be met.

The goal was to ensure all systems were ready and all services were running smoothly before the new wing opened. The Operational Readiness Plan identified risks so they could be managed and disruptions to existing services minimised. All regulatory and compliance requirements were met before the Acute Care Wing's opening day.

MEETING INTERNATIONAL QUALITY AND PATIENT SAFETY STANDARDS

BHB Achieves 'Exemplary Standing' with Accreditation Canada

Bermuda Hospitals Board announced in April 2012 that, under Accreditation Canada's newly introduced accreditation decision levels, it was awarded 'Accredited with Exemplary Standing' based on the results of its 2011 survey. The accreditation survey covers both KEMH and MWI.

Meeting international standards of quality and patient safety is a constant focus, from surgical checklists in the operating rooms to barcoded medication checks at the bedside, from pressure ulcer prevention programmes to avoiding the use of abbreviations on medical records because they could be misunderstood.

Standards change regularly in response to the latest evidence

and best practices, so quality improvement remains an ongoing journey that requires constant time and investment.

Usually the onsite accreditation surveys take place every three years in May. However, given the intense work around transferring services to the ACW in 2014, and the changes that were being planned within BHB and the Bermuda healthcare system, Accreditation Canada agreed to move the survey to May 2015.

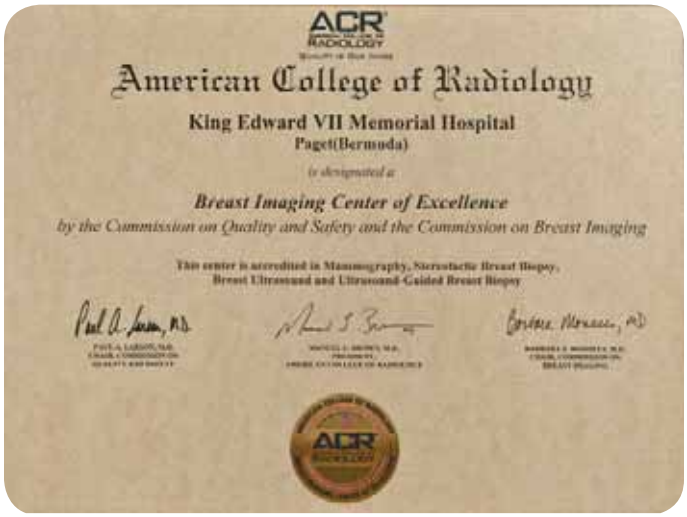
BHB Pathology Department Maintains Specialist Accreditation

In 2012/13, BHB's Department of Pathology once again earned three-year accreditation status from Joint Commission International (JCI). With over three million laboratory test results produced each year, the department has 62 members of staff and offers a full range of diagnostic tests, including: blood and urine tests; examination of biopsies and specimens removed at time of surgery, cervical smears and other fluids for diseases such as cancer; haematology and blood transfusion services; and microbiology and autopsy services. It is the only laboratory on the island with a fulltime pathologist, haematologist and microbiologist. The department uses the latest automated equipment, which assures efficiency and accuracy, and during the year under review introduced a significant advance in diagnostic capability for cervical screening, called ThinPrep imaging system.

JCI's onsite evaluation of the Department of Pathology occurred from 13 to 15 February 2012, with a follow-up Focus Survey on 30 May 2012. The Pathology Department is the only diagnostic testing department in Bermuda to voluntarily go through two accreditation processes, with both Accreditation Canada and Joint Commission International in order to ensure it is meeting the latest international standards for anyone in Bermuda who needs its diagnostic services. JCI standards focus on areas such as access to care, assessment of patients, infection control, patient and family rights, and education. Standards also address facility management and safety, staff qualifications, quality improvement, organisational leadership and management of information.

KEMH Designated as Bermuda's First Breast Imaging Center of Excellence

BHB's Diagnostic Imaging Department gained the designation of 'Breast Imaging Center of Excellence' by the American College of Radiology in the year under review. It was the first service provider to achieve this designation in Bermuda. The American College of Radiology is an internationally renowned organisation that sets the highest standards of procedure performance and image quality assessments, which are the cornerstone of their programme. To earn the designation 'Breast Imaging Center of Excellence', the Diagnostic Imaging Department passed all of the American College of Radiology's voluntary breast-imaging accreditation requirements, including mammography, stereotactic breast biopsy, breast ultrasound and ultrasound-guided breast biopsy.



BHB has been accredited in mammography through the American College of Radiology for 14 years, but this is the first time accreditation was achieved across modalities. The Diagnostic Imaging Department as a whole delivers the island's most comprehensive range of all-digital breast imaging technologies, including mammography, ultrasound, MRI, staging CT, nuclear medicine, and, alongside its professional imaging technologists, has highly skilled and experienced radiologists, surgeons and oncologists onsite. From 2003 to 2012/13, Diagnostic Imaging performed over 1,400 stereotactic breast biopsies, 330 needle localisations and 1,000 ultrasound-guided breast biopsies.

The American College of Radiology serves more than 32,000 diagnostic/interventional radiologists, radiation oncologists, nuclear medicine physicians and medical physicists. Its programmes focus on the practice of medical imaging and radiation oncology, as well as the delivery of comprehensive healthcare services.

It is a major achievement to reach the designation of 'Breast Imaging Center of Excellence'. Of all the facilities accredited by the American College of Radiology, fewer than 900 achieved this designation in the year under review, which represented about 24% of those accredited. It is the highest level of quality that can be achieved for breast imaging, and the BHB Diagnostic Imaging Department is the only service in Bermuda with this designation.

This specialist diagnostic accreditation, valid from June 2012 to June 2015, was in addition to and augmented BHB's organisational accreditation with Accreditation Canada.

NEW SERVICES AND TECHNOLOGIES

First-ever Virtual Colonoscopies Introduced

In May 2012, BHB announced a new diagnostic service that offers a non-surgical option for individuals requiring colonoscopies. CT colonography, also known as virtual colonoscopy, is recommended for certain people who require a colonoscopy and do not fit the criteria for surgery.

CT colonography is used to screen for polyps and cancers in the large intestine. Polyps are growths on the inner lining of the intestine. The goal of screening is to find these growths in their early stages so they can be removed before cancer has had a chance to develop.

Colonoscopies are recommended for men and women over the age of 50. The addition of a non-invasive option will hopefully encourage people for whom surgery is not possible to have this test because finding cancer early, or finding polyps in a pre-cancerous stage, gives individuals the best chance of survival.

BHB's new 128-slice CT scanner, which enabled this new test to be possible on island, was funded by the Hospitals Auxiliary of Bermuda and came online in February 2012.

State-of-the-art Equipment Provides Highest Level of Care to the Tiniest Patients

The Special Care Baby Unit (SCBU) purchased state-of-the art equipment for the care of premature babies and newborns requiring extra support in the fiscal year under review. Six Phillips monitors, four syringe pumps, three BiliCheks, six Panda radiant warmers and two Giraffe OmniBeds were introduced on the unit, bringing the level of care on par with other tertiary neonatal intensive care units.

The Philips monitors allow nurses to continuously monitor premature and sick newborns for changes in their vital signs. They also feature a lightweight, removable transport monitor so babies can be monitored while off the unit for procedures such as MRIs and CTs.

The syringe pumps accurately administer medication, IV fluids, blood products and mother's milk to babies in small volumes. This equipment also includes a drug library, special alerts and maximum dosages as added safety measures to protect these little patients.

The BiliChek is an instrument that allows nurses to monitor for jaundice non-invasively and without drawing blood from the baby. This painless method uses light to get a bilirubin reading through the skin on the baby's forehead.

Panda radiant warmers are used both in SCBU and in birthing rooms, and keep babies warm while providing nurses easy access to the baby. The Pandas provide everything needed if resuscitation is necessary and allow staff to adhere to new Neonatal Resuscitation Programme guidelines to assure the most up-to-date care for babies. The Hospitals Auxiliary of Bermuda generously donated funds to purchase one of these warmers.

Giraffe OmniBeds combine a radiant warmer with an incubator and offer warm, comfortable and developmentally supportive care to preterm babies. Its unique design minimises transfers from one type of bed to the other, which helps to decrease stress on these tiniest of patients.

New X-ray Equipment with Fluoroscope

BHB completed installation of new X-ray equipment at the beginning of the 2012/13 fiscal year. The new equipment was purchased with funds donated by the Hospitals Auxiliary of Bermuda amounting to $335,890. It replaced equipment that was over 16 years old and which was increasingly challenging and costly to maintain. The new equipment includes a replacement fluoroscope which enables an imaging technique that uses X-rays to obtain real-time moving images of the internal structures of a patient, called fluoroscopy. Common investigations that require fluoroscopy include investigations

of the gastrointestinal tract, a modified barium swallow study that helps to diagnose swallowing dysfunction, and urinary tract investigations.

The new equipment updated the hospital's technology and enabled it to improve the quality of images and reduce the amount of contrast and radiation patients are exposed to in each test. This equipment was transferred to the Acute Care Wing when it opened in 2014.

New Equipment Speeds Recovery and Leads to Earlier Discharge

New equipment was purchased during the year under review for patients learning to walk following an injury or illness, helping to speed up their recovery time. LiteGait controls a patient's weight-bearing load while supporting proper posture and balance as patients practice walking on a treadmill or on the ground. It creates an ideal environment for treating patients with a wide range of impairments and functional levels. The device eliminates concerns about balance, and patients can more easily coordinate their lower extremity movement. The device includes a harness that adjusts the weight-bearing load and allows physiotherapists to manually assist a patient's legs and pelvis to achieve proper gait patterns.

About 70% of the Allied Health Services' neuro-patient caseload utilises LiteGait. It is also being used for medical and surgical inpatients and outpatients who use the Rehabilitation Day Hospital and orthopaedic services. The device allows gait training to begin earlier in the rehabilitation process and at a lower level, thus speeding recovery. Because some patients make such good progress using the device, they may be ready to return home sooner. Other advantages include a lower risk of falls to patients and a lower risk of back injury to staff.

Thanks to this new equipment, staff members are also able to offer therapy to patients previously not eligible for gait therapy due to the severity or complexity of their condition or their cognitive level.

Comprehensive Cardiac Rehabilitation Services Introduced at KEMH

The biggest killer of men and women in Bermuda is heart disease. Although cardiac education classes and exercise programmes have been offered at KEMH for several years, these services were combined for the first time in 2012/13 to form a comprehensive approach to caring for patients experiencing a cardiac event. With the addition of a multidisciplinary input approach, the new care and treatment strategy is referred to as Cardiac Rehabilitation Services.

Consisting of exercise, education and access to staff members from a range of Allied Health services, by the end of the fiscal year there had already been over 125 referrals to this new service. The programme begins with Heartline, a four-week education course covering nutrition, medication use, stress management, and the importance of exercise and lifestyle changes.

Once Heartline classes are completed, clients with approval from a cardiologist move on to a cardiac exercise programme. The programme is overseen by a physiotherapist trained in cardiac rehabilitation who assesses participants. Patients generally attend for eight to 10 weeks and may then go on to integrate their exercise routines at home or at a private health club.

The classes and exercise components are offered at KEMH in the Heddington Gym, which was renovated in summer 2012 at a cost of $229,217. With heart disease remaining the number one cause of death for both men and women in Bermuda, BHB's aim is to assist people in developing a healthy lifestyle plan that includes physical activity, education, stress management and nutrition counselling.

New Wheelchair Clinic Helps Prevent Future Medical Issues

A new service for people in Bermuda using wheelchairs was introduced in 2012/13. People who have a serious injury or illness, such as stroke, that leaves them unable to walk have to adapt to life in a wheelchair. Coping with any disability means facing challenges, and this service provides people with a place to go for help with adjusting to and using their equipment.

The Wheelchair Clinic opened in the Occupational Therapy Department and is staffed by occupational therapists and a rehabilitation equipment specialist, who are providing individual assessments to both in- and outpatients using wheelchairs. The service begins with a 90-minute initial assessment and a meeting with a social worker to determine whether community resources are required. An additional session or two may be needed by some patients to ensure their wheelchair fits properly or to offer instruction for safe mobilisation.

A proper fitting wheelchair assists in preventing postural deformities and decreases the risk of pressure sores, helping save future medical costs. In addition, it can improve social inclusion by improving a client's ability to engage in daily activities.

TRAINING AND EDUCATION TO IMPROVE FRONTLINE CARE

Maternal Child

In the fiscal year under review, five staff members from Gosling Ward (the children's ward) went through training as Pediatric Advanced Life Support (PALS) educators. Two courses were planned for the following fiscal year, and 24 nurses and physicians registered for the PALS provider and update courses.

Additionally, two new care maps were introduced in Gosling related to bronchiolitis and tonsillectomies, which helped standardise care and improve the consistency of quality.

In Maternity, care maps for gynaecology, hysterectomy and caesarean section were completed. A neonatal week was also held for the first time, and a premature baby picnic helped raise funds for a new recliner.

Mental Health First Aid

Improving sensitivity and recognising the mental health issues someone may be suffering can assist individuals to get help earlier. This can prevent acute episodes and ensure a supportive environment for recovery.

(continued overleaf)

(continued from previous page)
In the year under review, MWI psychologists Dr Cherita Rayner and Dr Shawnee Basden (pictured) launched a new community training programme to help the recovery of those with mental illnesses. The course teaches lay people to identify when someone is experiencing a mental health crisis and help them to seek appropriate professional help, or provide assistance until professional help is available. Originally developed in Australia in 2001, Mental Health First Aid is being used with great success around the world, including in the USA, Canada and the UK.

Mental Health First Aid is intended to educate the public, especially those without any mental health background, about mental health issues while decreasing the stigma related to mental illness. Although Mental Health First Aid does not directly impact patient care at BHB, it is hoped that by increasing skills among community members, people experiencing a mental illness will get help in a timely manner and may encounter less stigma.

New Training Provides Additional Care Options for Patients in Emergency Situations

In the year under review, 10 EMT-Intermediates and 12 registered nurses at BHB completed training in intraosseous cannulation (IO), a life-saving procedure designed to provide medication to seriously ill patients when a conventional IV is not possible. During a cardiac arrest when there are no visible veins or when a patient is severely dehydrated and requires intravascular fluids, a needle is inserted directly into the bone to infuse fluids or medications into the circulatory system. This IO procedure is used after two attempts at inserting a conventional IV have failed and the patient is extremely sick.

Training for IO procedures consists of a four-hour session and practicum followed by written and practical exams. Provided by the Nursing Staff Development Department, staff from Emergency Medical Services, along with RNs from the Emergency Department, IV Therapy and Gosling Ward completed the course in 2012/13, with plans for hospitalist training.

BHB Becomes a Designated International Training Centre for Emergency Cardiac Care Courses

Bermuda Hospitals Board announced in 2012 that it had been designated an International Training Centre for Emergency Cardiac Care courses. The hospital achieved this status after being monitored in March and approved in April 2012 by a representative from an American Heart Association Training Center in Colorado.

Twenty-one hospital staff members were accredited as instructors for teaching the Basic Life Support course, and a further six were accredited to teach Advanced Cardiovascular Life Support. The participants are recognised as internationally certified by the American Heart Association (AHA) to instruct in emergency cardiac care.

This status means BHB can feed directly into the AHA's global network of training centres, supporting research and helping to develop future emergency cardiac care guidelines. As a designated training centre, AHA instructors in Bermuda can affiliate locally. Previously, all instructors were affiliated at a training centre in the USA, which made monitoring and quality assurance costly and less effective.

Cardiac disease is Bermuda's number one killer of men and women. Becoming a designated International Training Centre confirms that the courses conducted at BHB are equivalent to or better than courses taught in other jurisdictions, and staff members are being trained to respond in line with international best practices. Employees who complete life support courses at BHB will achieve certification that is internationally recognised and transferable. It confirms BHB's commitment to saving lives.

Within BHB, 55 registered nurses and physicians successfully completed the Advanced Cardiovascular Life Support course in 2012.

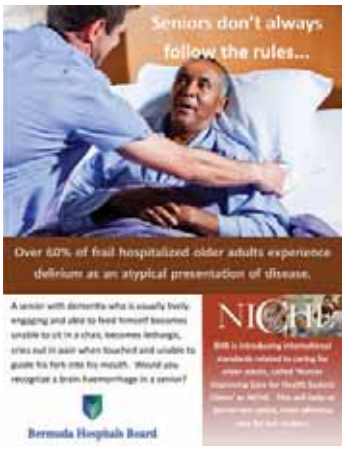
CARING FOR OUR SENIORS

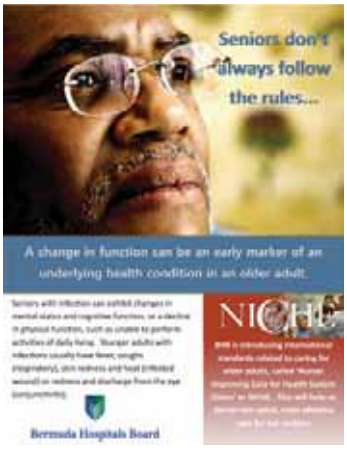
More than 62% of patients at KEMH in 2012/13 were 65 years or older. Nearly 50% of all inpatient hospital days were used by adults 75 years or older. The fastest growing segment of Bermuda's population is those 85 and older. These facts make senior care at BHB a priority – they are the hospital's core consumers. Developing a culture of sensitivity to the specific needs of the elderly population is therefore vital.

In the fiscal year under review, BHB introduced *Nurses Improving Care for Health-system Elders (NICHE)*, a leading nurse-driven programme designed to help hospitals provide sensitive and exemplary care for seniors. Developed at the New York University College of Nursing, NICHE is practiced in over 450 hospitals and healthcare facilities throughout North America. A NICHE designation demonstrates BHB's commitment to improving quality, enhancing the patient and family experience, and supporting the hospital's efforts to serve its community. Implementing NICHE principles in nursing is expected to improve clinical outcomes and reduce length of stay, generate positive fiscal results, develop nursing competencies, and provide greater patient, family and staff satisfaction. The goal of the programme is to achieve systematic nursing change that will benefit hospitalised older adults. This is especially critical as older adults have longer

lengths of stay, higher rates of re-admission within 30 days, and higher rates of functional decline and medical errors. Proactive and skilled nursing for this group can help prevent costly problems and improve satisfaction and efficiency.

With this goal in mind, in February 2013 a team of nurses went through a rigorous six-week online course, facilitated by NICHE faculty and experts, which included live webinars and online group activities. This training provided principles





and tools to stimulate a change in the culture of healthcare delivery and to achieve patient-centred care for seniors.

Day Hospice Service Offered at Agape House

A new day hospice service was introduced at Agape House in November 2012. Agape House had previously only offered inpatient hospice care. The Day Hospice provides outpatient psychosocial support for palliative care clients. With a focus on wellness and enhancing quality of life, Day Hospice is offered once a week.

The main philosophy of this programme is life affirmation. It helps clients explore existential issues in a safe and caring environment. By the end of the fiscal year under review, a number of clients had already signed up for the service, which encourages attendees to benefit from peer support by participating in facilitated group discussions. A range of activities, led by a registered art therapist, includes working with mosaics, painting and bead making. In addition there is therapeutic massage, Reiki and meditation.

SENIOR LEADERSHIP APPOINTMENTS

Chief Executive Officer

The Board appointed Mrs Venetta Symonds, a Bermudian, to the position of CEO effective 6 April 2012. Mrs Symonds had successfully completed a rigorous development programme, part of a structured BHB succession plan.

The Arthur Anderson report from 1998 listed a succession plan as one of the key strategies for BHB to prepare appropriately identified managers for key executive positions, including that of chief executive officer. Mrs Symonds and other candidates were assessed and challenged with stretch assignments to prepare for leadership. The Compensation Committee of the Board received objective updates and advice from an external expert, satisfying any concerns, and made their recommendation to the Board on the appointment in May 2011.

Mrs Symonds commenced a structured transitioning process with the previous CEO from October 2011 to prepare for the final handover of responsibility the following April. We must support our own, especially one who, since the receipt of a hospital scholarship in 1976, has demonstrated the values and principles required for success here at home.

Chief of Staff

During the year under review the position of chief of staff was held in an interim capacity by Dr Victor Scott, during which time a recruitment process was undertaken for a full-time appointment. Dr Scott left BHB in March 2013 having joined the organisation in August 2012. A new chief of staff was appointed in May 2013.

Dr Scott is the retired senior vice president for Health Sciences at Howard University. Born in Bermuda, Dr Scott is a graduate of the Howard University College of Medicine, from which he retired in 2008 as professor of medicine. Dr Scott was the chief of the Division of Gastroenterology for 29 years, and vice-chairman of the Department of Medicine for 12 of those years before becoming interim chairman in 2000. In 2005 he was appointed senior vice president for Health Sciences after two years serving in the role in an interim capacity. A member of a number of physician organisations, Dr Scott is a fellow of the American College of Physicians and American Gastroenterological Association. In 2010, he was elected to Mastership in the American College of Physicians and has served as president and councillor of the Association of Academic Minority Physicians. Dr Scott was named to Washington Magazine's list of top area gastroenterologists three times. Although retired from Howard University, Dr Scott continued to volunteer assistance to the Gastroenterology Division and assist KEMH with the weekly Continuing Medical Education programme.

Chief Financial Officer

BHB seconded Mr David Thompson from PwC Bermuda to the position of interim chief financial officer in February 2013, while a review of BHB by the Department of Internal Audit was undertaken as recommended by the Auditor General.

Mr Thompson is a fellow of the Chartered Accountants in Ireland, a fellow of the Institute of Consulting, and a certified management consultant with an honours degree in economics and social sciences from Queens University Belfast.

Chief of Human Resources

Christine Lloyd-Jennings was appointed as chief of Human Resources during the fiscal year under review. Ms Lloyd-Jennings took over from an interim chief, who had held the position since 2011. The chief of Human Resources is responsible for recruitment, organisational development and training, as well as student and volunteer services.

Ms Lloyd-Jennings is from the UK and brought over 15 years' experience of working within the fields of operational and strategic human resources management, organisational development and training within the healthcare field.

SCHOLARSHIPS

In 2012/13, BHB awarded $120,000 in scholarships (paid over periods from one to three years) to 13 students studying in fields that are projected to be in demand by the hospitals. These include nursing, occupational therapy, physiotherapy, sonography/radiology, medical technology and pharmacy.

In addition, GlaxoSmithKline (GSK), a Bermuda-based subsidiary of GlaxoSmithKline plc, increased their scholarship support by funding an annual award of $30,000, paid out over a two-year period. In the year under review, the recipient of the GSK scholarship was psychology student Kelly Savery. The scholarship winners all demonstrated a strong commitment to service in the community and the hospitals, as well as maintaining a solid academic performance.

BHB is committed to supporting Bermudian students who choose careers in healthcare. It competes in a global market with a shortage of medical professionals, and we recognise the value these young people bring to Bermuda by becoming healthcare workers.

The scholarship winners in the fiscal year under review were:

Kornelia White, Bachelor of Science in medical technology, The University of Alabama at Birmingham – **awarded $30,000 over three years**

Alshauntae' Harvey-Hollis, Associate of Science in diagnostic sonography, Keiser University – **awarded $20,000 over two years**

Onea Mills, Associate of Science in diagnostic sonography, Florida National College – **awarded $10,000 for one year**

Tyka Edness, Master of Science in physiotherapy, University of the West Indies – **awarded $20,000 over two years**

Aaron Wharton, Master of Science in physiotherapy, Manchester Metropolitan University – **awarded $20,000 over two years**

Teja Warner, Bachelor of Science in occupational therapy, Brunel University – **awarded $30,000 over three years**

Alleisha Lambert, Bachelor of Science in occupational therapy (mental health), Bradford University – **awarded $30,000 over three years**

Dunae Richards, Bachelor of Science in nursing, Barry University – **awarded $20,000 over two years**

Kirsten Nusum, Bachelor of Science in nursing, Old Dominion University – **awarded $20,000 over two years**

Angelita Trott, Bachelor of Science in nursing, Barry University – **awarded $20,000 over two years**

Dashante Burgess, Bachelor of Science in nursing, Middlesex University – **awarded $30,000 over three years**

Lacie Williams, pre-nursing, New England Tech – **awarded $5,000**

Wallizia Minors, pre-pharmacy, Keele University – **awarded $5,000**

Kelly Savery, Doctorate of Psychology (PsyD) – **awarded $30,000 by GlaxoSmithKline over two years highest standards.**

BHB Employee Compensation Report for 2012/13 (Unaudited)

LEVELS	Notes	Base Pay Range[2]	Total Compensation[3]	Total Cost[4]
BIU	This group includes nursing aides, and non-management staff in support departments including Environmental Services, EMTs, Facilities, Dietary and Laundry. Salaries are negotiated every two years with the BIU.	**$41,600 to $76,400**	**$45,000 to $93,700**	**$ 54,000 to $ 102,900**
BPSU	This group includes managers, clinical directors, staff in support departments such as HR, IT, Finance, Materials Management, Procurement and Health Information Management Services, and healthcare professionals, including medical and surgical residents, psychiatrists, registered nurses, allied health professionals1, pharmacists, pathology staff, and diagnostic imaging technicians. Salaries are negotiated every two years with the BPSU.	**$47,300 to $ 184,000**	**$47,500 to $194,600**	**$55,500 to $206,400**
Non-union Staff and Directors	This group comprises employees who are exempt from joining a union and non-clinical directors. Salaries for this group were set by an HR Compensation team in consultation with the Executive in 2011/12.	**$46,100 to $244,700**	**$46,100 to $262,600**	**$55,500 to $287,100**
Physicians	This group includes all physicians employed by BHB (except medical resident, psychiatrist and surgical resident physicians who are included under BPSU). Physician salaries and compensation are determined by the Chief of Staff.	**$162,900 to $655,000**	**$189,000 to $1,211,300**	**$191,200 to $1,274,900**
Executive	This group includes chiefs and vice presidents. Changes to salaries and compensation were made with the oversight of Board sub-committees or the Chairman during this period. There was no performance pay for this group in 2012/13.	**$124,400 to $444,200**	**$124,400 to $510,100**	**$140,600 to $572,100**

Notes

1. Allied Health includes: Physiotherapy, Occupational Therapy, Speech Pathology, Dietitians, and Medical and MWI Social Workers.

2. Base Pay is the regular pay rate per hour multiplied by the actual hours worked by an individual.

3. Total Compensation includes base pay, performance pay and, for work permit holders, housing benefits and relocation expenses.

4. Total Cost includes Total Compensation, current year's movement in leave pay provision, social insurance payments, health insurance payments, payroll tax and pension deductions.

5. In 2012/13, the CEO received base pay of $444,230, total compensation of $510,126, and the CEO's total cost to BHB was $572,109. There was no performance pay (which was suspended for executives) nor housing benefit for this position. In 2012/13, eighteen (18) positions received total compensation in excess of the Chief Executive Officer.

Assumptions

- Salary data ranges were correct as of 31 March 2013.
- The above is based on employees who worked more the 1,560 hours during the year. One physician worked marginally fewer hours than 1,560. Had this physician been included in the data to calculate the above it would have cause the upper limit of the band for physicians to increase slightly.
- All employees receive the same pension, health and life insurance benefits.

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL

	APRIL 2010 - MARCH 2011	APRIL 2011 - MARCH 2012	APRIL 2012 - MARCH 2013
INPATIENT - ACUTE CARE			
Beds	232	232	232
Patient Days	53,342	52,264	52,712
Discharges (including deaths)	6,115	5,635	6,062
Length of Stay	8.7	9.3	8.7
Births	747	622	668
Percentage of Occupancy	63%	62%	62%
CONTINUING CARE UNITS			
Beds	121	121	121
Patient Days	41,589	42,948	42,820
Discharges	81	69	76
Length of Stay	507.2	622.4	564.4
Percentage of Occupancy	94%	97%	97%
HOSPICE			
Beds	9	9	9
Patient Days	2,527	1,782	1,887
Discharges	91	109	106
Length of Stay	27.5	16.3	17.8
Percentage of Occupancy	64%	54%	57%
ALL PATIENTS			
Emergency Dept. Visits - KEMH	33,314	33,958	33,439
Lamb Foggo Urgent Care Centre Visits*	5,667	5,606	5,587
Operations (Inpatients) & (SDA)	2,062	2,091	2,101
Operations (Outpatients)	7,134	7,258	6,659
Physiotherapy (units) (Inpatients)**	21,398	21,815	28,017
Physiotherapy (units) (Outpatients)	21,737	22,507	20,938
Physiotherapy (units) (CCU)	789	577	1,218
X-Ray Exams (In & Out)	32,496	32,476	31,221
Laboratory (Thousand Units) (In & Out)	3,657,517	3,570,739	3,434,037
Cardiac Investigations (ECG & EEG)(In & Out)	11,640	11,124	11,367
Ultrasound Exams (In & Out)	9,074	9,260	8,669
Nuclear Medicine (In & Out)	528	824	856
Chemotherapy Treatments (Outpatients)	1,288	1,565	2,122
CT Scans (In & Out)	8,932	9,501	9,955
Occupational Therapy (units) (Inpatients)**	7,437	9,766	8,495
Occupational Therapy (units) (Outpatients)	2,791	3,926	4,289
Occupational Therapy (units) (CCU)	2,069	2,070	2,146
Speech/Language Pathology (Inpatients)**	5,132	6,929	6,838
Speech/Language Pathology (outpatients)	2,370	5,107	1,400
Speech/Language Pathology (CCU)	1,405	2,625	546

STATISTICAL ANALYSIS - MID-ATLANTIC WELLNESS INSTITUTE

	APRIL 2010 - MARCH 2011	APRIL 2011 - MARCH 2012	APRIL 2012 - MARCH 2013
INPATIENT - ACUTE CARE			
Beds	23	23	23
Discharges (including deaths)	222	222	216
Length of Stay	12.4	12	13
Admissions	230	235	225
Percentage of Occupancy	72%	75%	68%
Patient Days	6,091	6,369	5681
LONG TERM & REHABILITATION			
Beds	58	58	58
Discharges (excluding deaths)	73	101	136
Patient Days (excluding respite)	13,630	12,348	13,949
Length of Stay	187	122	103
Deaths	0	1	2
Transfer from Acute	N/A	N/A	N/A
Percentage of Occupancy	65%	58%	58%
Average Years of Stay of Deaths	0	129 days	11 days
TURNING POINT (SUBSTANCE ABUSE - DETOX UNIT)			
Beds	8	8	8
Discharges	104	87	69
Patient Days	1,095	890	821
Length of Stay	10	10	12
Admissions	102	85	74
Percentage of Occupancy	38%	30%	28%
CHILD & ADOLESCENT SERVICES (CAS)			
Beds	4	4	4
Discharges	13	15	16
Patient Days	117	103	169
Length of Stay	8	6	10
Admissions	9	15	16
Percentage of Occupancy	8%	7%	12%
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 Number of New Admissions / Referrals	295	301	203
Total Number of Re-admissions / Referrals	187	180	113
Total Number of Follow-up Appointments	4,758	4,684	4,069
Total Number of Day Patients Visits	10,649	11,650	12,807
Total Number of Walk-in/Unscheduled Visits	12,074	12,074	13,365
Total Number of DNA to scheduled Appointments	1,450	1,450	1,224
Total Number of TOPs	117	117	107
Total Number of Home Visits	4,535	5,261	5,444

Bermuda Hospitals Board

Management's Responsibility for the Financial Statements

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

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

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

The accompanying Independent Auditor's Report is presented herein.

Mr. David Thompson
Chief Financial Officer
(September 27, 2016)

Mrs. Venetta Symonds
Chief Executive Officer and President
(September 27, 2016)

King Edward VII Memorial Hospital | P.O. Box HM1023, Hamilton HMDX, Bermuda | Telephone: 441 236 2345

Mid-Atlantic Wellness Institute | P.O. Box DV 501, Devonshire DVBX, Bermuda | Telephone: 441 236 3770

www.bermudahospitals.bm

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

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

INDEPENDENT AUDITOR'S REPORT

To the Minister of Health and Seniors

I have audited the accompanying financial statements of the Bermuda Hospitals Board, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the years ended March 31, 2013 and March 31, 2012 and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations, changes in its net assets, remeasurement gains and losses and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with public sector accounting standards for government not-for-profit organizations generally accepted in Bermuda and Canada.

Other matter

As permitted by Section 6 of the Audit Act 1990, I may include in my auditor's report any other comments arising out of the audit that I consider appropriate.

Incidences of non-compliance with the Bermuda Hospitals Board internal policies and procedures

I wish to draw attention to ongoing incidences of non-compliance with the Bermuda Hospitals Board internal policies and procedures which were formulated from the Government of Bermuda's Financial Instructions and form the minimum standard for financial controls for the Government. Although these incidences of non-compliance did not lead me to qualify my audit opinion for the current year, they revealed weaknesses and deficiencies in the control environment. It is important that the Bermuda Hospitals Board adheres to its internal control framework.

Heather Thomas, CPA, CFE, CGMA
Auditor General

Hamilton, Bermuda
September 27, 2016

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2013

	31 March 2013	31 March 2012	1 April 2011
	$	$ (Note 2)	$ (Note 2)
ASSETS			
Current Assets			
Cash and term deposits	47,923,341	18,606,162	18,220,210
Restricted cash, term deposits and investments (note 5)	3,608,941	3,346,145	3,192,887
Accounts receivable (net of allowance for doubtful accounts 2013: $2,898,175; 2012: $2,722,502 (note 17))	31,228,599	35,372,287	38,510,226
Other receivables (note 17)	703,188	1,367,408	2,217,029
Prepaid expenses	2,686,489	2,003,881	1,110,035
Inventories	6,336,836	5,668,999	6,069,500
	92,487,394	66,364,882	69,319,887
Capital assets (note 12)	281,668,012	207,198,166	173,250,745
Term deposits	1,418,450	1,394,656	1,381,275
Other investments (note 6)	2,750,237	2,649,664	919,071
	285,836,699	211,242,486	175,551,091
Total Assets	378,324,093	277,607,368	244,870,978
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued liabilities (note 17)	22,484,012	22,492,571	20,170,254
Accrued salary and payroll expenses (notes 11 and 17)	24,339,549	18,919,570	19,676,384
Long-term debt (note 8)	933,553	891,273	850,911
Capital lease obligations (note 9)	31,731	36,205	109,605
	47,788,845	42,339,619	40,807,154
Long-term Liabilities			
Long-term debt (note 8)	134,145,867	58,797,672	30,082,998
Capital lease obligations (note 9)	17,903	68,727	61,758
Deferred capital contributions (note 10)	36,860,863	38,182,986	38,622,023
Pension accrual (note 11)	5,993,230	5,902,550	6,012,193
Accrued health insurance (note 11)	56,707,898	49,529,440	42,669,154
	233,725,761	152,481,375	117,448,126
Total Liabilities	281,514,606	194,820,994	158,255,280
Net assets (notes 13 and 23)			
Invested in capital assets	230,242,845	154,109,617	120,735,512
Internally restricted for KEMH New Acute Care Wing Project	29,840,088	20,716,348	14,176,940
Internally restricted for education	264,269	579,295	558,108
Deficit	(163,930,916)	(92,618,886)	(48,854,862)
	96,416,286	82,786,374	86,615,698
Accumulated remeasurement gain	393,201	-	-
	96,809,487	82,786,374	86,615,698
Total Liabilities and Net Assets	378,324,093	277,607,368	244,870,978

Contractual Obligations and Contingencies (notes 19 and 20)

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF OPERATIONS
31 March 2013

	2013 Budget	2013	2012
	$ (Note 26)	$	$
REVENUES			
Outpatient (note 17)	159,592,400	174,025,105	158,177,998
Inpatient (note 17)	95,990,815	91,643,736	89,675,768
Extended care unit (note 17)	18,900,000	19,066,012	18,719,111
Claims in excess of cap threshold (note 24)	-	(3,230,168)	(3,332,357)
Non-medical (note 17)	5,391,840	4,087,287	4,207,158
Amortisation of deferred capital contributions (note 10)	-	1,769,786	1,819,800
Donations	-	-	58,667
Donation in kind (note 21)	-	136,148	166,077
Scholarships reclassified as loans	-	115,000	-
Interest income	46,000	107,849	40,182
Government grants (note 17)	40,228,495	38,698,000	38,578,000
Total Revenues	320,149,550	326,418,755	308,110,404
EXPENSES			
Salaries and employee benefits (notes 11 and 17)	183,749,494	198,494,818	187,871,317
General supplies and services (note 17)	42,220,909	37,403,446	38,079,850
Medical supplies	29,204,130	29,289,898	28,772,044
Bad debt (note 14)	2,274,857	13,587,936	24,742,018
Amortisation of capital assets	12,712,000	11,373,797	10,769,485
Repairs and maintenance	10,175,253	9,747,482	9,123,880
Utilities (note 17)	8,491,708	8,791,548	8,600,102
Food	3,243,977	3,151,896	3,249,182
Interest	615,000	330,163	374,411
Business social cost (note 15)	-	77,090	291,179
Loss on disposal of capital assets	-	60,666	26,122
Scholarships issued	-	-	19,000
Total Expenses	292,687,328	312,308,740	311,918,590
Excess (deficiency) of revenues over expenses	27,462,222	14,110,015	(3,808,186)

Management charge (note 16)

KEMH and MWI statements of operations (note 25)

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

BERMUDA HOSPITALS BOARD | 2013 ANNUAL REPORT

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
31 March 2013

	2013				
Net Assets	Invested in capital assets	Internally restricted for KEMH New Acute Care Wing Project	Internally restricted for education	(Deficit) / Unrestricted Net assets	Total
	$	$	$	$	$
Balance, beginning of year	154,109,617	20,716,348	579,295	(92,618,886)	82,786,374
Excess (deficiency) of revenues over expenses	(9,604,011)	9,123,740	45,051	14,545,235	14,110,015
Reclassification of unrealised gains on equity instruments due to adoption of PS 3450	-	-	(360,077)	(120,026)	(480,103)
Net change in investment in capital assets	85,737,239	-	-	(85,737,239)	-
Balance, end of year	**230,242,845**	**29,840,088**	**264,269**	**(163,930,916)**	**96,416,286**

	2012				
Net Assets	Invested in capital assets	Internally restricted for KEMH New Acute Care Wing Project	Internally restricted for education	Deficit	Total
	$	$	$	$	$
Balance, beginning of year	120,735,512	14,176,940	558,108	(48,854,862)	86,615,698
(Deficiency) excess of revenues over expenses	(8,947,983)	6,539,408	37,041	(1,436,652)	(3,808,186)
Changes in unrealised losses on equity instruments	-	-	(15,854)	(5,284)	(21,138)
Net change in investment in capital assets	42,322,088	-	-	(42,322,088)	-
Balance, end of year	**154,109,617**	**20,716,348**	**579,295**	**(92,618,886)**	**82,786,374**

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
31 March 2013

	2013		
	Internally restricted for education	Unrestricted Net assets/(Deficit)	Total
	$	$	$
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES)			
Balance, beginning of year	-	-	-
Adjustments upon adoption of financial instruments section (Note 2)	360,077	120,026	480,103
Unrealised losses attributable to equity instruments	(65,176)	(21,726)	(86,902)
Balance, end of year	294,901	98,300	393,201

	2012		
	Internally restricted for education	Unrestricted Net assets/(Deficit)	Total
	$	$	$
REMEASUREMENT GAINS AND (LOSSES)			
Balance, beginning of year	-	-	-
Changes in unrealised gains on equity instruments	-	-	-
Balance, end of year	-	-	-

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF CASH FLOWS
31 March 2013

	2013	2012
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	14,110,015	(3,808,186)
Amortisation of capital assets	11,373,797	10,769,485
Loss on disposal of capital assets	60,666	26,122
Amortisation of deferred capital contributions	(1,769,786)	(1,819,800)
Bad debt expense	(13,587,936)	(24,742,018)
Interest income	(107,849)	(40,182)
Interest expense	330,163	374,411
Unrealised loss on investments	(86,902)	(21,138)
Net change in non-cash working capital	29,725,957	36,552,382
Net cash generated through operating activities	40,048,125	17,291,076
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	(85,904,309)	(44,743,031)
Deferred capital contributions	447,663	1,380,763
Net cash used in capital activities	(85,456,646)	(43,362,268)
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in investments	(124,367)	(1,743,974)
Interest income received	107,849	40,182
Net cash used in investing activities	(16,518)	(1,703,792)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	75,390,475	28,755,036
Repayment of capital leases	(55,298)	(66,431)
Interest paid	(330,163)	(374,411)
Net cash generated through financing activities	75,005,014	28,314,194
Net increase in cash and cash equivalents	29,579,975	539,210
Cash and cash equivalents, beginning of year	21,952,307	21,413,097
Cash and cash equivalents, end of year	51,532,282	21,952,307
Cash and cash equivalents consist of the following:		
Cash and term deposits	47,923,341	18,606,162
Restricted cash, term deposits and investments	3,608,941	3,346,145
	51,532,282	21,952,307

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

BERMUDA HOSPITALS BOARD | 2013 ANNUAL REPORT

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 24 September 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 recognised 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 23 October 2008.

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

2. FIRST TIME ADOPTION OF PUBLIC SECTOR ACCOUNTING STANDARDS

The Public Sector Accounting Board ("PSAB") issued new standards for government not-for-profit organizations ("GNFPOs"). For years beginning on or after 1 January 2012, GNFPOs have a choice of adopting:

(a) Public sector accounting standards including PS 4200 – 4720 for GNFPOs; or
(b) Public sector accounting standards

BHB has chosen to follow public sector accounting standards ("PSAS") including PS 4200 – 4270 for GNFPOs.

Effective 1 April 2012, BHB adopted the requirements of the new accounting framework, PSAS for GNFPOs. These are BHB's first financial statements prepared in accordance with this framework and the transitional provisions of Section PS 2125, First-time adoption by government organizations, have been applied. Section PS 2125 requires retroactive application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Significant Accounting Policies, Note 3, have been applied in preparing the financial statements for the year ended 31 March 2013, the comparative information presented in these financial statements for the year ended 31 March 2012 and in the preparation of an opening PSAS for GNFPOs statement of financial position at the date of transition of 1 April 2011 with the exception of PS 2601 – Foreign currency translation and PS 3450 – Financial instruments, which has been applied with an effective date of 1 April 2012.

BHB issued financial statements for the year ended 31 March 2012 using generally accepted accounting principles ("GAAP") prescribed by the CPA Canada Handbook – Accounting Part V – Pre-changeover Accounting Standards. The adoption of PSAS for GNFPOs did not result in any adjustments to the previously reported assets, liabilities, net assets, deficiency of revenues over expenses and cash flows of BHB.

On 1 April 2012, BHB adopted PS 1201 – Financial statement presentation, PS 3450 – Financial instruments and PS 2601 – Foreign currency translation. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

In addition, on 1 April 2012 the BHB early adopted an amendment to PS 3450 – Financial instruments that would otherwise be effective for year-ends beginning on or after 1 March 2013. This amendment provides guidance on the classification of investment income on externally restricted assets.

Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or, cost or amortised cost based on the characteristics of the instrument and BHB's accounting policy choices (see Note 3 – Significant Accounting Policies).

In accordance with the provisions of this new standard, BHB reflected the following adjustments:

1 April 2012: a decrease of $360,077, a decrease of $120,026 and an increase of $480,003 to net assets internally restricted for education, unrestricted net assets, and accumulated remeasurement gains, respectively, due to the unrealised gains of BHB's financial instruments being reclassified from net assets to accumulated remeasurement gains.

The following exemptions and exceptions were used at the date of transition to PSAS for GNFPOs:

Mandatory exceptions
Estimates

The estimates previously made by BHB under the pre-changeover GAAP were not revised for the application of PSAS for GNFPOs except where necessary to reflect any differences in accounting policy or where there was objective evidence that those estimates were in error. As a result BHB has not used hindsight to revise estimates.

Impact on net assets, deficiency of revenues over expenses and cash flows

In preparing these financial statements, management has amended certain accounting policies previously applied in the pre-changeover GAAP financial statements to comply with PSAS for GNFPOs. The change in accounting policies had no material impact on previously reported amounts. Comparative figures for 31 March 2012 and 1 April 2011 were not restated.

Statement of Cash Flows for the year ended 31 March 2012

The transition to PSAS for GNFPOs had no impact on total operating activities on the statement of cash flows. The transition to PSAS for GNFPOs resulted in the reclassification of cash receipts and outflows relating to the acquisition of capital assets from investing activities to capital activities. The capital section of the statement of cash flows did not exist prior to the transition to PSAB for GNFPOs.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with PSAS for GNFPOs.

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 as follows:

a. Principles of consolidation

The consolidated financial statements include the accounts of the Board and its 100% owned subsidiary, HPL. All significant balances and transactions between the entities have been eliminated.

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 that 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.

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

Department. MRP investment is accounted for by the cost method due to the fact that BHB does not have significant influence over the strategic operations and financing policies of this investment.

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.

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

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

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

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

d. Capital assets and leases

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

Capital leases are recorded as an asset and an obligation. Capital lease obligations are recorded at the present value of the minimum lease payments. The discount rate used to determine the present value of the lease payments is the interest rate implicit in the lease.

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 and leases 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 labour 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 acute care wing project ("ACW")

The Board includes the design and construction-related costs of the ACW 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 ACW incurred by the Board have been capitalised and included as CIP.

The ACW cost includes development and financing cost estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the ACW cost and is calculated on the ACW repayment schedule. The interest rate used is the project internal rate of return. When available for operations, the project assets will be amortised over their estimated useful lives.

Correspondingly, an obligation net of the contributions received is recorded as a liability and included in long-term debt. The obligation will be met via the monthly payments over the term of the project agreement.

Upon substantial completion, the private sector partner, PHS, receives monthly payments to cover their maintenance cost, life cycle replacement cost, financing cost and a return of their capital.

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

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 organisations operations and would otherwise have been purchased.

h. Financial instruments

BHB measures its financial instruments as either fair value or, cost or amortised cost. BHB's accounting policy for each category is as follows:

(i) Fair value

This category includes equity instruments quoted in an active market.

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

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognised in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognised in the statement of operations.

(ii) Cost or amortised cost

Cash and term deposits are recognised at cost.

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

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

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

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

k. Related party

Related parties are identified as entities under the common control or shared control, directly or indirectly of the Government of Bermuda ("Government"), entities in which the Board has shareholding without significant influence and key management personnel. The Board enters into transactions with these entities in the normal course of business and transactions and balances due to/from related parties are disclosed separately.

4. ECONOMIC DEPENDENCE

The Board receives a significant amount of its revenues from the Government Ministry of Health ("MoH"). Accordingly, any disruption in that funding could have a significant impact on the operations of the Board.

5. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

	2013	2012
Restricted cash	$ 3,205,552	$ 2,877,579
Restricted investments	403,389	468,566
	$ 3,608,941	$ 3,346,145

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

	2013		2012	
	Market value	Cost	Market value	Cost
Ascendant Group Limited	$ 537,852	$ 144,651	$ 624,754	$ 144,651

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

	2013	2012
External		
Patient comfort funds	$ 1,885,703	$ 1,930,661
Construction projects and capital assets	800,631	464,743
	2,686,334	2,395,404
Internal		
Educational purposes	$ 922,607	$ 950,741
	3,608,941	3,346,145

6. OTHER INVESTMENTS

Other investments are comprised of the following:

	2013	2012
UIL shares	$ 743,456	$ 757,598
Equity share of UIL's net income/(loss)	122,298	(14,142)
UIL shares, total	865,754	743,456
Ascendant Group Limited, at market value	134,463	156,188
MRP shares, at cost	1,750,020	1,750,020
	$ 2,750,237	$ 2,649,664

7. FINANCIAL INSTRUMENT CLASSIFICATION

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

	Level 1	Level 2	Level 3	Total
UIL shares	$ 865,754	$ -	$ -	$ 865,754
Ascendant Group Limited, at market value	-	537,852	-	537,852
	$ 865,754	$ 537,852	$ -	$ 1,403,606

There were no transfers between Level 1 and Level 2 for the year ended 31 March 2013. There were also no transfers in or out of Level 3. For a sensitivity analysis of financial instruments recognised in Level 3, see Note 22 – Interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

8. LONG-TERM DEBT

	2013	2012
Long-term bank debt	$ 5,663,077	$ 6,582,147
Long-term debt related to ACW (see note 19b)	128,482,790	52,215,525
	$ 134,145,867	$ 58,797,672
The Bank of N.T. Butterfield & Son Limited ("BNTB") bond refinanced loan of US$4,004,141, interest rate of 4.85% per annum, with repayments quarterly in arrears of principal and interest of $126,928 up to 15 February 2018. The loan is unsecured.	$ 2,267,711	$ 2,639,652
BNTB loan of $5,563,617, interest rate of 0.75% per annum over the BNTB's Bermuda Dollar Base Rate, with repayments in equal blended monthly installments of principal and interest of $59,343 up to 30 October 2020. The loan is secured by a charge over the related capital assets.		
	4,328,919	4,833,768
	6,596,630	7,473,420
Less: Current portion	(933,553)	(891,273)
	$ 5,663,077	$ 6,582,147

Principal repayments on long-term debt with the BNTB scheduled for the next five years and thereafter are as follows:

Year	Amount
2014	$ 933,553
2015	977,841
2016	1,024,234
2017	1,072,829
2018	1,140,296
2019-2021	1,447,877
	$ 6,596,630

The fair value of long-term debt with the BNTB is approximately $6.8 million (2012: $7.7 million) based on the estimated present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to the BHB for the same or similar debt instruments.

9. CAPITAL LEASE OBLIGATIONS

	2013	2012
Obligations under capital leases for photocopying equipment, interest rate of 5% per annum, with repayments monthly of principal and interest expiring between 31 March 2013 and 25 May 2014.	$ 49,634	$ 104,932
Less: Current portion	(31,731)	(36,205)
	$ 17,903	$ 68,727

Minimum lease payments for the following three years are as follows:

Year	Capital lease obligation	Interest	Total minimum lease payments
2014	$ 31,731	$ 1,586	$ 30,145
2015	17,903	500	17,403
	$ 49,634	$ 2,086	$ 47,548

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

	2013	2012
Balance, beginning of year	$ 38,182,986	$ 38,622,023
Add: contributions received	447,663	1,380,763
Less: amounts amortised to revenue	(1,769,786)	(1,819,800)
Balance, end of year	$ 36,860,863	$ 38,182,986

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

	2013	2012
Unamortised capital contributions used to purchase assets	$ 36,060,232	$ 37,718,243
Unspent contributions	800,631	464,743
	$ 36,860,863	$ 38,182,986

11. EMPLOYEE FUTURE BENEFITS

The Board has a number of defined benefit and defined contribution plans providing pension, post-employment benefits and compensated absences 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 net actuarial gain (loss) is amortised over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is Nil years (2012: Nil years). The average remaining service life of the active employees covered by the other retirement benefit plans is 9.60 years (2012: 9.43 years).

a. Pension plans and retirement benefits

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 1 January 2000, vesting rights began to accrue after five years with respect to the Board's contributions. Beginning 1 January 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, 2013 totalled $5,331,855 (2012: $5,284,872).

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 1 January 1971. The cost of these pensions is shared with Government, with BHB being liable for pension benefits earned by these nurses since 1 January 1977.

		2013		2012
Long-term liability				
Balance, beginning of year	$	5,902,550	$	6,012,193
Pension expense				
Current cost		59,800		71,199
Interest		339,397		360,732
Benefits paid		(452,520)		(411,915)
Experience loss/(gain)		144,003		(129,659)
Balance, end of year	$	5,993,230	$	5,902,550

BHB and Government have obtained an actuarial valuation of the accrued pension benefits at 31 March 2013, which estimates that the Board's portion of the liability under the 1948 Act is approximately $6.0 million as at 31 March 2013 (2012: $5.9 million). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations include a discount rate of 6% (2012: 6%) and a salary escalation rate of 4% (2012: 4%).

To date, no contributions have been made by the Board and the plan remains unfunded. Benefits are paid by the Government, and at 31 March 2013, the Board's payable to the Government totals $5,062,527 (2012: $4,612,741) and is included in accounts payable and accrued liabilities.

b. Post-employment benefits and compensated absences

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

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognised when leave has been applied for and approved or when a settlement amount can be reasonably determined. The total approved maternity leave as at 31 March 2013 is $112,898 (2012: $21,449) and is included in accrued salary and payroll expenses.

Sick leave does not accumulates or vest, and like maternity leave, a liability is recorded only when extended leave is applied for and approved. As at 31 March 2013, the liability is $228,376 (2012: $78,109) and is included in accrued salary and payroll expenses.

Vacation days accumulate and vest and therefore a liability is accrued each year. As at 31 March 2013 the leave pay liability was $10,304,342 (2012: $9,790,843). The expense for the year ended 31 March 2013 is $11,648,585 (2012: $11,452,833) and the benefits paid out of $11,135,086 (2012: $10,610,551).

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 5.75% (2012: 5.75%) and a medical trend rate of 10% decreasing by 1% per annum to an ultimate rate of 6% after 5 years.

	2013	2012
Long-term liability		
Balance, beginning of year	$ 49,529,440	$ 42,669,154
Pension expense		
Current cost	1,799,648	1,553,242
Interest	2,911,627	2,510,081
Benefits paid	(1,384,186)	(1,137,642)
Experience loss/(gain)	3,851,369	3,934,605
Balance, end of year	$ 56,707,898	$ 49,529,440

As at 31 March 2013, the BHB Health Plan had a net surplus of $490,210 (2012: $485,082).

12. CAPITAL ASSETS

	2013			2012
	Cost	Accumulated Amortisation	Net Book Value	Net Book Value
Construction in progress (note 19)	$ $149,520,867	$ -	$ 149,520,867	$ $71,713,183
Land and buildings	156,909,364	55,699,100	101,210,264	103,180,688
Equipment	69,226,272	44,366,182	24,860,090	25,684,488
Computer equipment	11,091,961	7,905,477	3,186,484	4,340,528
Software	11,904,284	9,049,737	2,854,547	2,207,512
Capital leases – copiers	108,036	72,276	35,760	71,767
	$ 398,760,784	$ 117,092,772	$ 281,668,012	$ 207,198,166

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 $366 million (2012: $369 million).

On 27 March 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 31 March 2013, the CIP balance includes costs of $128,482,790 (2012: $52,215,525) which represent the ACW design and construction related costs incurred by PHS which commenced construction in December 2010 and with a completion date of 2014, and direct costs incurred by BHB related to the ACW in the amount of $18,117,689 (2012: $16,815,688).

During the year, assets under equipment and computer equipment with a net book value of $60,666 were written off because they were decommissioned from use.

13. INTERNAL RESTRICTIONS ON NET ASSETS

The Education Fund reflects an accumulation of investment income designated for educational purposes. The balance of the Education Fund at 31 March 2013 is $264,269 (2012: $579,295).

The Board has established a KEMH ACW 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 ACW Fund at 31 March 2013 is $29,840,088 (2012: $20,716,348).

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

14. BAD DEBT

		2013		2012
Write-off of subsidies	$	10,999,190	$	16,959,592
General provision for overdue accounts		2,579,746		1,615,908

The write-off of subsidies are due to write-offs approved subsequent to year end. The Minister of Health, Seniors and Environment had directed BHB to write off $14.2 million on 31 January 2014 in government debt for claims to the subsidy and other Government funds that stretches over 2011/12 and 2012/13 financial periods. Included in the $14.2 million write-off is $3.2 million for 2011/12 subsidy, and $11 million for 2012/13 subsidy, and has been accrued for in the provision for doubtful debt.

15. BUSINESS SOCIAL COST

BHB, as a part of its mandate, is required to provide service to all patients, irrespective of their ability to pay. During the course of its operations, BHB provided services to a number of persons who were unable to pay. These expenses are classified as business social costs. The amount recognised as business social cost for the year ended 31 March 2013 is $77,090 (2012: $291,179).

16. MANAGEMENT CHARGE

A number of administrative services are provided by KEMH to MWI and HPL for which a management charge is made. These services include information system management, employee recruitment and administration, facility repairs, purchasing, pharmacy, telecommunications, dietary, accounting, and general administration. BHB uses the employee cost for each department and cost of hardware and software maintenance contracts to calculate the management charge. The management charge is calculated based on the estimated percentage of time that each department spends working with MWI and HPL. The amount charged for the year ended 31 March 2013 is $2,812,391 (2012: $2,853,096). The management fee charged by KEMH to HPL for the year ended 31 March 2013 is $145,583 (2012: $145,583).

17. RELATED PARTY TRANSACTIONS AND BALANCES

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

a. Government grants

Government grants were as follows:

		2013		2012
Operating grant - MWI	$	38,578,000	$	38,578,000
Capital grant - MWI*		120,000		120,000
	$	38,698,000	$	38,698,000

* In 2011/12 the capital grant was used to purchase vehicles and not for minor works. Hence was included in deferred capital contributions to be recognised as revenue as the vehicles are used and not recognised straight as revenue in the period it was received.

b. Government subsidy programmes

The Health Insurance Department ("HID") approved claims in respect of services rendered to patients covered under the Government's subsidy programmes as follows:

		2013		2012
Aged subsidy	$	71,408,814	$	59,797,795
Youth subsidy		16,269,839		14,637,729
Geriatric subsidy		10,411,821		16,582,509
Other subsidy		9,230,570		7,391,258
Indigent subsidy		4,310,477		8,951,102
Clinical drugs		2,368,479		2,368,479
	$	114,000,000	$	109,728,872

As at 31 March 2013, $10,000,000 (2012: $21,011,466) was outstanding from Government. This amount is included in accounts receivable.

c. Mutual Re-insurance Fund

The HID approved the following claims:

		2013		2012
Haemodialysis treatments	$	14,698,485	$	13,480,093
Long stay patients		3,148,305		3,214,165
Anti-rejection drugs		287,897		212,268
Home health care		-		104,675
	$	18,134,687	$	17,011,201

As at 31 March 2013, $3,158,197 (2012: $1,648,519) is receivable from the Mutual Re-insurance Fund. This amount is included in accounts receivable. The Mutual Re-insurance Fund is a fund set up to administer services for hemodialysis treatments, home health care, long stay patients and anti-rejection drugs. This Fund is financed by the commercial insurers and managed by the HID.

d. Health Insurance Fund

The HID approved the following claims:

		2013		2012
Health Insurance Fund	$	11,924,354	$	13,133,398

As at 31 March 2013, $3,171,695 (2012: $1,973,601) is receivable from the Health Insurance Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the Health Insurance Fund, a programme for individuals who are between the ages of 18 and 65 providing standard medical benefits.

e. FutureCare Fund

The HID approved the following claims:

		2013		2012
FutureCare Fund	$	3,127,668	$	3,209,195

As at 31 March 2013, $466,595 (2012: $424,962) is receivable from the FutureCare Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the FutureCare Fund, a program for individuals who are over the age of 65 providing standard medical benefits.

f. Government Employees Health Insurance Fund

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

		2013		2012
GEHI	$	23,704,881	$	20,184,834

As at 31 March 2013, $2,781,936 (2012: $1,408,812) is receivable from GEHI. This amount is included in accounts receivable. GEHI is a Government issued insurance for Government employees, ministers and members of the legislature and their enrolled dependents.

g. Other amounts

War Veteran Association claims, in the amount of $2,321,973 (2012: $4,236,077) were billed during the year.

During the year, BHB paid salaries for Bermuda College nurses amounting to $75,123 (2012: 75,760) underwritten by the MoH. The receivable amount from MoH at 31 March 2013 is $37,561 (2012: $53,388).

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

		2013		2012
Payroll tax	$	4,088,734	$	3,970,139
Social insurance		2,609,203		2,698,237
Non-refundable duty		1,742,804		1,238,624
Services provided by the Ministry of Public Works		1,342,146		1,190,452
Rent paid to MRP		593,554		593,554
Nurses' annual pensions		452,520		411,915
Miscellaneous charges		121,339		98,819
Superannuation		-		596

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

		2013		2012
Payroll tax	$	7,654,949	$	8,067,614
Social insurance		2,618,184		2,579,612
	$	10,273,133	$	10,647,226

The following are other related party balances with Government at 31 March 2013:

		2013		2012
Accounts receivable				
Miscellaneous departmental charges	$	213,746	$	203,590
Net amounts due (to)/from the Government on behalf of the War Veterans Association	$	(71,906)	$	(532,949)
Other receivables				
Refundable deposits paid for duty	$	76,701	$	211,661
Accounts payable and accrued liabilities				
Nurses' annual pensions accrual	$	5,059,923	$	4,607,404
Ministry of Public Works		271,441		381,699

Accrued salary and payroll expenses		
Payroll tax	$ 2,860,655	$ 2,816,012
Social insurance	411,361	393,346

BHB provided security in the form of a guarantee of $700,000 to BNTB for a credit facility UIL has with BNTB.

18. OVERDRAFT FACILITY

BHB has an overdraft facility with the BNTB of up to $12.45 million (2012: $12.45 million), which bears interest at a rate of 2% (2012: 2%) above the Bank's Base Rate, and is available until 30 June 2013. The facility was not in use at 31 March 2013 or 31 March 2012.

19. CONTRACTUAL OBLIGATIONS

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 three years is as follows:

Year	Amount
2014	$ 2,382,434
2015	2,147,434
2016	744,272
	$ 5,274,140

b. New Acute Care Wing Project

The ACW construction commenced in December 2010 and is expected to be completed in June 2014. The design, construction, financing and maintenance of the new facilities are being delivered in the form of a public private partnership ("PPP"). The ACW is a joint undertaking between the Board and PHS. On 1 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. Refer to note 28 for more detail on the one-time initial payment.

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 Government has guaranteed BHB's payment obligations, as required by the lenders.

ACW construction costs included in CIP as at 31 March 2013 are as follows:

	2013	2012
PHS CIP	$ 128,482,790	$ 52,215,525
BHB CIP	18,117,689	16,815,688
	$ 146,600,479	$ 69,031,213

The ACW CIP as at 31 March 2013 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 (notes 8 and 12). The ACW CIP as at 31 March 2013 related to BHB represents direct costs incurred by BHB for the ACW. The costs incurred as at 31 March 2013 were financed primarily by a $10 million Government grant in 2011 and the remaining costs were paid directly by BHB.

20. 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 defences to all asserted claims and intends to defend vigorously against them.

The Board has medical malpractice insurance in place of up to $10 million per claim and $30 million in the aggregate.

The Board has Directors' and Officers' Liability and Company Reimbursement insurance in place with an indemnity limit of $10 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 million in the aggregate.

21. 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.

22. 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 programme seeks to minimise 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 minimised 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 31 March 2013, the maximum credit risk to which the Board is exposed represents the fair value of its accounts receivable.

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

	Total	Current	31- 60 days	61 - 90 days	91 + days
Subsidy and grants	$ 17,253,701	$ 17,253,701	$ -	$ -	$ -
Commercial insurers	12,982,001	10,786,995	1,359,980	198,713	636,313
Non insured	3,891,072	1,657,771	606,202	220,951	1,406,148
Other receivables	703,188	703,188	-	-	-
Gross receivables	34,829,962	30,401,655	1,966,182	419,664	2,042,461
Less: impairment allowance	(2,898,175)	-	(436,050)	(419,664)	(2,042,461)
Net receivables	$ 31,931,787	$ 30,401,655	$ 1,530,132	$ -	$ -

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

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. The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

	Within 1 year	2 – 5 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 22,484,012	$ -	$ -	$ 22,484,012
Accrued salary and payroll expenses	24,339,549	-	-	24,339,549
Long-term debt - bank loans	933,553	4,215,200	1,447,877	6,596,630
Long-term debt - ACW liability	-	128,482,790	-	128,482,790
Capital lease obligations	31,731	17,903	-	49,634
	$ 47,788,845	$ 132,715,893	$ 1,447,877	$ 181,952,615

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

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 risk
The Board's business transactions are mainly conducted in Bermuda dollars and the Board does not have any material transactions or financial instruments denominated in foreign currencies; as such, it has minimal exposure to foreign exchange risk.

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

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

The Board is exposed to this risk through its interest bearing short-term deposits and investments, and interest expense on long-term debt.

Maturity profile of bonds held is as follows:

	Within 1 year	2 – 5 years	6 -10 years	Over 10 years	Total
Long-term debt	$ 933,553	$ 4,215,200	$ 1,447,877	$ -	$ 6,596,630
Capital lease obligations	31,731	17,903	-	-	49,634
Carrying value	965,284	4,233,103	1,447,877	-	6,646,264
Percent of total	14%	64%	22%	0%	100.00%

BHB's long-term debt portfolio has interest rates ranging from 4.5% to 5%.

At 31 March 2013, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of long-term debt and capital lease obligations of $71,394 and $317 respectively. A 1% fluctuation in interest rates would have an estimated impact on interest income related to BHB's long-term receivable that is too insignificant to calculate.

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

23. CAPITAL DISCLOSURES

BHB considers its capital to be the balance retained in net assets, which includes its 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 for the delivery of its services.

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

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

24. CLAIMS IN EXCESS OF CAP THRESHOLD

Under the Memorandum of Understanding ("MOU"), each local insurance company has agreed to cap the amount of claims paid to BHB in regards to the offering of specific services in Bermuda. The services include comprehensive diagnostic, treatment and rehabilitative services through KEMH, MWI, Urgent Care Centres and certain other businesses 100% owned by BHB. The MOU has been signed with Somers Isles Company Limited, Colonial Medical Insurance Co. Ltd and BF&M Life Insurance Company Limited. BHB bills the insurer for services rendered 1 April 2012 to 31 March 2013. As at 31 March 2013 claims in excess of the cap threshold is $3,230,168 (2012: $3,332,357).

25. KEMH AND MWI STATEMENTS OF OPERATIONS

	KEMH	MWI	HPL	TOTAL
REVENUE				
Outpatient (note 17)	$ 173,625,568	$ 399,537	$ -	$ 174,025,105
Inpatient (note 17)	88,748,050	2,895,686	-	91,643,736
Extended care unit (note 17)	19,066,012	-	-	19,066,012
Claims in excess of cap threshold (note 24)	(3,230,168)	-	-	(3,230,168)
Non-medical (note 17)	3,189,235	471,146	426,906	4,087,287
Amortisation of deferred capital contributions (note 10)	952,566	817,220	-	1,769,786
Donation in kind (note 21)	136,148	-	-	136,148
Scholarships reclassified as loans	115,000	-	-	115,000
Interest income	95,968	-	11,881	107,849
Government grants (note 17)	-	38,698,000	-	38,698,000
Total Revenues	$ 282,698,379	$ 43,281,589	$ 438,787	$ 326,418,755
EXPENSES				
Salaries and employee benefits (notes 11 and 17)	$ 169,222,372	$ 28,856,892	$ 415,554	$ 198,494,818
General supplies and services (note 17)	33,079,915	4,241,701	81,830	37,403,446
Medical supplies	28,532,315	757,583	-	29,289,898
Bad debt (note 14)	13,587,936	-	-	13,587,936
Amortisation of capital assets	10,235,151	1,138,646	-	11,373,797
Repairs and maintenance	8,743,692	1,002,446	1,344	9,747,482
Utilities (note 17)	7,364,683	1,424,026	2,839	8,791,548
Food	2,224,843	927,053	-	3,151,896
Interest	330,163	-	-	330,163
Business social cost (note 15)	77,090	-	-	77,090
Loss on disposal of capital assets	60,666	-	-	60,666
Management charge (note 16)	(2,957,974)	2,812,391	145,583	-
	$ 270,500,852	$ 41,160,738	$ 647,150	$ 312,308,740
Excess of revenues over expenses	$ 12,197,527	$ 2,120,851	$ (208,363)	$ 14,110,015

26. BUDGET FIGURES

The budget was approved by the Board of Directors on 28 February 2012.

27. COMPARATIVE FIGURES

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

28. SUBSEQUENT EVENTS

Refer to note 14 for details of bad debt write-offs occurring subsequent to year-end.

On 14 September 2014, BHB opened the ACW to the public. BHB paid $40 million as a service commencement payment to PHS on 1 June 2014 under the terms of the PPP Agreement. In 2011, the Bermuda Hospitals Charitable Trust ("BHCT") launched the campaign "Why it Matters" to raise the $40 million required in 2014. Through June 2015, the Board received $24 million from BHCT, and paid the difference from its own resources. The PPP agreement limits BHB exposure to the design and construction cost to $247 million. Starting 1 June 2014 BHB will be paying a monthly service fee to PHS for the repayment of the principal debt, interest on principal debt, life cycle replacement cost, maintaining and running the hard facilities management (structural, mechanical and electrical) of the building. BHB will be responsible for the soft facilities management (housekeeping, laundry, food services and security) of the building and all medical services provided in the building.

In October 2014, Bermuda was hit with two hurricanes in one week. BHB suffered property damage, estimated at a total cost of $2.7 million. BHB will be liable for $0.5 million as a deductible to the insurance claims. As at 19 August 2015, BHB has received $1 million in preliminary claim payments from the group of insurance companies which insured BHB's property.

At 31 March 2015, the UIL minority shareholders purchased the HPL shareholdings in UIL for an amount of $600,000. HPL has subsequently begun the liquidating process whereby all receivables and liabilities will be transferred to BHB.

In November 2015, BHB agreed with PHS to refinance PHS's loans with third party banks. The PPP agreement required PHS to share any update of such re-financing arrangement with BHB. BHB's share of the refinancing savings is $525,000 per year for the remainder of the PPP agreement.

In August 2016, BHB settled the BNTB loans disclosed in Note 8 in full.

King Edward VII Memorial Hospital
T: 441 236 2345

MAILING ADDRESS
PO Box HM 1023 | Hamilton, Bermuda HMDX

STREET ADDRESS
7 Point Finger Road | Paget, Bermuda DV04

Bermuda Hospitals Board

WWW.BERMUDAHOSPITALS.BM

This annual report is produced by the Bermuda Hospitals Board Public Relations Department.