2014

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. It requires BHB to earn enough surplus to sustain and invest in high-quality, cost-effective services. Given our relatively isolated geographic location, the Bermuda community needs a range of services broader than would commonly be expected of a hospital servicing a similar population base in a larger country. Highly specialist services that can't be provided safely on-island are 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 2013/14, 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 $124 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 grant from Government. In 2013/14, MWI was provided with a grant of $37.5 million.

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

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

I am very pleased to introduce the Bermuda Hospitals Board (BHB) Annual Report for the fiscal year 2013 – 2014. I am aware and supportive of the extensive efforts being made by the BHB Board, Executive leadership and staff to become up to date with financial audits and annual reports, and I am confident of the progress.

The year in question brought a lot of accomplishments for BHB, including improvements in patients' experience, preparing for the opening of the new Acute Care Wing, and careful management of public monies, securing a $46.6 million surplus to re-invest into the hospitals' infrastructure and Bermuda's health system.

The Government is proud of our country's hospitals and indebted to the eighteen hundred dedicated staff at KEMH and MWI who serve our community selflessly, particularly in times of emergencies; and we are indebted to the Executive team leading BHB's ongoing improvements and cost-containment initiatives. I also thank the Board that served during this period, overseeing enhancements in governance and policy for the hospitals' leadership.

Sincerely,

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

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MESSAGE FROM THE **CHAIRMAN,** MR WILLIAM MADEIROS

I am very pleased to publish the fiscal year 2013-14 annual report. This annual report is being published in 2019. I would like to acknowledge the work of the Chairman and Board who oversaw this fiscal year.

Financial as well as clinical preparations were underway as this was the final year before King Edward VII Memorial Hospital's Acute Care Wing (ACW) opened. Yet the economic situation was still challenging.

A Government subsidy of $104 million was allocated for the provision of acute care services for the young, aged and indigent by King Edward VII Memorial Hospital in this fiscal year. The actual claims for patients covered by subsidy in this year, however, was over $124 million, a difference that was borne by BHB from accumulated surpluses.

The Mid-Atlantic Wellness Institute was provided with a grant of $37.5 million, which was a reduction on the prior year and the second budget cut in three years. This was set against a backdrop of increasing utilisation in the demand for mental health services (child, adolescent and adult) and substance abuse services.

In the fiscal year 2013-14, a partial contribution of $10 million was made by Government towards the cost of running the Continuing Care unit for seniors and young disabled. This was $6.77 million below the total bills for the full service.

Hospital fees are set by a legislative process and were kept flat (0%) in this fiscal year, further pressuring the available surplus BHB is legislated to make in order to maintain and invest in services.

The drop in revenue of $20.8 million (a 6.4% drop) for the year was related to BHB's voluntary introduction of controls that ensured only clinically necessary services, such as diagnostic and laboratory tests, were undertaken.

The news was not all grim. A concerted effort to control costs, which included an across-the-board 10% budget cut, saw total expenses drop from $312.3 million to $259 million. These internal savings of over $50 million contributed to an excess of revenue over expenses of $46.6 million. It should be noted, however, that $18.1 million of the 'surplus' was a health insurance accrual and not actual money that was available for investment in services. The rest of the surplus was needed to contribute towards the purchase of new equipment for the ACW and the one- off down payment needed the following year for the new facility, as well as investments in the older facilities of MWI and KEMH to keep them safe for care.

While the year under review had a positive financial end and all the obligations listed above were met, the challenges since then have not abated. It is a testament to the hard work of previous and current Board members, leadership and staff that the difficulties have been managed without impacting services to the community.

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

The fiscal year under review was a critical one in preparing BHB for both the financial obligations and safe transfer of acute care services to the new Acute Care Wing.

Just preparing for the transfer of acute care wards, surgery, emergency, diagnostic imaging, oncology and dialysis was a major, multi-year, cross-departmental effort. New, more modern environments required new training and skills for those working in them. A huge community campaign was launched, and staff were involved in detailed preparations for the move, while at the same time BHB had to maintain a 24-hour, 7-day-a-week service.

Investments were needed in our older buildings. The elevators in KEMH had to be replaced. They were over 40 years old and had done about 9 million lifts each! As the older building – now called the General Wing – still had critical services inside, we had to ensure access to services accommodated all physical states and levels of wellbeing on all floors.

While work to improve quality care saw infection rates drop and falls prevention champions step up to help reduce falls in our hospitals, BHB also sought to improve care for people over 65 by training staff in Nurses Improving Care for Health Systems Elders (NICHE) standards.

At the Mid-Atlantic Wellness Institute (MWI), community connections became increasingly important. The Child and Adolescent Services department partnered with the community to offer training for agencies in Bermuda to better support families who are dealing with autism. The annual MindFrame PhotoVoice Exhibition took place at the Bermuda Society of Arts, attempting to break down stigmas attached to mental illness, and the community was welcomed to a Pre-Heritage Day Parade at MWI, with floats, dancers and drum majorettes. Service users from across all services and ages took part in the parade.

A lot was achieved in this year and I would like to thank all staff and management for their caring, their commitment to quality, and their determination to ensure the people of Bermuda have access to the services needed to tend to their physical and mental wellbeing.

PATIENT SATISFACTION SURVEY SUMMARY

Despite a major agenda of change, the staff of Bermuda Hospitals Board continued to work hard to improve levels of patient satisfaction. All services were being provided from old facilities in this year under review, with KEMH and Continuing Care Services having the added inconvenience of providing care right next to a major construction site.

KEMH

Inpatient Services

Percentage of people who rate KEMH Inpatient care between 7-10, where 0 = worst care and 10 = best care possible

March 2010	March 2011	March 2012	March 2013	March 2014
71.4	82.9	88	90.8	89.7

Emergency Department

Percentage of people who rate KEMH Emergency care between 7-10, where 0 = worst care and 10 = best care possible

March 2010	March 2011	March 2012	March 2013	March 2014
66.9	76.9	88.3	92.9	90.7

Outpatient Services

Percentage of people who rate KEMH Outpatient care between 7-10, where 0 = worst care and 10 = best care possible

March 2010	March 2011	March 2012	March 2013	March 2014
90.4	95.9	94.6	96	95

Surgical Outpatient

Percentage of people who rate KEMH Surgical Outpatient care between 7-10, where 0 = worst care and 10 = best care possible

March 2010	March 2011	March 2012	March 2013	March 2014
94.5	97.7	93.3	96.4	93.1

MWI

Percentage of people who rate MWI care between 7-10, where 0 = worst care and 10 = best care possible

June 2012	March 2013	April 2014
86.5	71.8	73.7

CONTINUING CARE UNITS

Percentage of people who rate CCU care between 7-10, where 0 = worst care and 10 = best care possible

March 2013	April 2014
72.9	82.05

FINANCIAL, CLINICAL AND CORPORATE REVIEWS

In fiscal year 2012-13, the Board initiated a clinical and corporate governance review that was completed and made public in full in May 2013. The entire process was then reviewed by the Ombudsman of Bermuda. There were many practices recommended, especially in relation to Board governance.

An important success of this report was the incorporation of the voices of many stakeholders, which raised the concerns of individuals in our community.

Recommendations already implemented include:

- A comprehensive Board orientation plan was established, including onsite visits and comprehensive materials to ensure that detailed, in-depth information is provided up front for new Board members.
- Members with clinical expertise were appointed to the Board.
- New committee structures were established to ensure the Board focuses attention on fiscal responsibilities, clinical quality, human resources issues, stakeholder relations and capital planning.
- Community members were included on certain committees.
- A comprehensive service review and strategic planning exercise began, with over 200 staff, physicians, managers and Board members involved in setting a new vision, strategic aims and values for BHB, and then agreeing priorities to focus the whole organisation on achieving key driving strategies to improve quality and safety, patient experience, workforce development and financial health.

The Clinical and Corporate Governance Review was just one of many reports the Board invested in. A review of physician compensation by Towers Watson was received by BHB in May 2013, and recommendations were implemented with a fairer compensation framework based on quality.

ACUTE CARE WING UPDATE FOR 2013-14

In the year under review, it was announced there would be a slight delay in the completion of the new Acute Care Wing. The 10-week delay meant BHB's financial obligations would start in June 2014 rather than April, saving BHB over $4 million. As the end of the contract date does not change, this is a real saving – though small – to the total project cost.

Windows were hurricane tested this year to ensure they could withstand a direct hit from a major storm. The building's design had been modelled in wind tunnels and was designed to withstand category 5 hurricanes and earthquakes.

Energy Efficiency in the ACW

Although BHB was planning for utility costs to rise due to the extra space, the ACW was designed to save 26% in terms of energy costs compared to a standard building.

Twenty-four solar panels on the roof would pre-heat water for the inpatient room floors, saving around 9,000 gallons of fuel per year, and renewable energy ensured hot water would be available around the clock.

Once completed, the new central utilities plant in the ACW would replace the old central utility plant on the KEMH site, improving consistency and efficiency of infrastructure services such as water and air conditioning in the existing facility, which would still include Maternity, Gosling (Children's) Unit, Laboratory Services, the alternative level of care units, and outpatient services such as physiotherapy, occupational therapy, speech pathology and dietetics.

The new sewage treatment system would also serve the entire KEMH campus and was built to a higher specification than any other system on the island – a three-step system that removes solids and biologically treats the water.

The sewage system and central utilities plant were also constructed to cope with additional capacity in the event of another building being added to the campus in the future, saving considerable costs on any future construction.

Operational Readiness

BHB had been moving through nine stages of readiness to move – where stage 1 is go-live – since April 2012. The stages included intensive planning, through decision-making, workforce planning and implementation. By March 2014, BHB was concluding the third testing phase. Pre-occupation would then take place, including orientation and training within the new building so staff would be well oriented in the new environment. Occupation was planned for mid-September 2014.

Support services were also impacted by the move. Time and motion studies were carried out in the fiscal year

under review to ensure efficiencies in Laundry and Dietary were optimised. These departments would remain in their locations in the existing building, but their service routes would change drastically. Food delivery would be particularly challenging, with inpatient food having to be transported much farther once the acute inpatient units moved to the ACW.

Construction Update

The structure of the ACW and link building were completed in this fiscal year. Power was on in all areas of the building, and light fixtures and ceilings were installed, giving the inside of the building a more finished appearance.

Most of the work by the end of the fiscal year involved the start-up of systems, flushing of pipe work, commissioning of plant and equipment, final finishes, final building systems, preparation for delivery of medical equipment, and hard and soft landscaping.

The second tower crane, which had been a feature on the island's landscape for nearly three years, was removed, signalling the end of major construction.

There was remarkable progress in the last quarter of the fiscal year, with the new Emergency Department, Diagnostic Imaging, Dialysis, Outpatient Services and Catlin Lindo Unit areas cleaned to allow final commissioning and balancing of the air conditioning systems.

The four-storey-high atrium was completed, excluding the Outpatient Surgery Reception area, providing an impressive centrepiece for the ACW.

The rendered and natural stone external wall finishes were nearing completion, allowing the roads and footpaths to be laid from the new hospital entrance into the new car park.

Areas such as Diagnostic Imaging were being prepared for the installation of major fixed items of medical equipment, with the first phase of the new MRI equipment being installed. Radio frequency and magnetic shielding for radiation protection in the MRI rooms was complete. Lead-lined sheetrock installation in X-ray and CT scan areas was also completed to provide radiation protection for staff and the public. Installation of clinical equipment in the five new operating rooms was about to take place.

Final fixtures and fittings work was underway, including doors, millwork, cabinetry, ceilings, sanitary ware, sinks, bumper rails, light fixtures, medical gas headwalls and wall finishes.

The Data Centre was ready for BHB access from mid-March to allow BHB's ITS team to carry out connectivity checks between the existing facility and ACW prior to transfer. Essential building systems, such as the fire alarms, nurse call, patient entertainment, security management and building management systems, were all in the final programming stages.

The main link structure, which provides essential continuity of clinical operations, was in the final stages of finishing works, and the breakthroughs into the Continuing Care Building link corridor were underway. The bridge structure linking the ACW to the units in the existing (now General Wing) building on the third and fourth floors was complete.

Around the new facility, palm trees and small shrubs were planted as areas became available. Curbs and brick pavers were installed in the main entranceway, and traditional Bermuda stone walls were installed on the access route from Point Finger Road up to the main entrance.

Works were scheduled for completion in June 2014 to allow BHB to carry out Operational Readiness training, awareness and transfer over a three-month period ready for the public opening in mid-September 2014.

Notable milestones in the fiscal year included the labour on site peaking at 610 workers in January 2014, although labour levels then gradually reduced through to completion in June. There were two million man hours worked on site. The mix of labour on site throughout the project was over 60% Bermudian.

KEMH EXISTING FACILITY UPGRADES AND MAINTENANCE

Linking services staying in the older part of the hospital to the new ACW required new approaches and investments.

A pneumatic tube system was installed to link the new inpatient and emergency units in the ACW with the Pathology Department in the General Wing. The pneumatic system would transport samples from the lab to an inpatient unit in under a minute, compared to a much longer wait if they were transported on foot.

Two surgical suites were constructed in Maternity, which remains in the existing facility. The longer distance between Maternity and newly relocated ACW surgical unit would have been a risk for mothers who required emergency caesarean surgery. The dedicated Maternity Unit operating rooms also better preserve the dignity, comfort and privacy of mothers who undergo emergency caesareans.

Elevators

A project to replace four elevators in the General Wing of King Edward VII Memorial Hospital was completed on time and on budget this fiscal year. Work started in October 2012 and was completed in the summer of 2013. The old elevators were installed in 1972 and each had done about 9 million lifts. The project to replace the elevators was approved as part of the required maintenance of the existing KEMH facility, to ensure safety and reliability, and to extend the facility's useful life for the next 20 to 30 years for services such as Maternity, Gosling (Children's) Unit, Laboratory Services and Outpatient Allied Health Services.

The new elevators are lighter, faster and more efficient. Visitors and patients are not always able to take the stairs, and for inpatients being moved in beds and wheelchairs for diagnostic services or surgeries, the lifts need to be in good working order.

Macerator

In this fiscal year, BHB introduced a new macerator system to sterilise and dispose of medical waste. Biological and infectious materials, as well as needles, syringes, disposable surgical

equipment and contaminated plastics, are now heated to 270°C, killing all pathogens and effectively sterilizing the material while producing no emissions. Medical waste is simply placed in the body of the machine where a patented steam and maceration process renders the material sterilized at the end. The resultant material is a fine confetti, which is safe and can be disposed of as regular trash or recycled.

As BHB manages medical waste for the entire island, the new system was a required investment for Bermuda as well as the hospitals. Two macerators were therefore installed to ensure medical waste will not build up if one requires maintenance. The new macerators also resulted in significant savings.

SENIOR CLINICAL APPOINTMENTS

Chief of Staff

Michael Weitekamp, MD MHA, was appointed as chief of staff in May 2013. The chief of staff is responsible for all physicians and is the medical lead at BHB. The position reports to the chief executive officer, Venetta Symonds, and is appointed by and accountable to the Board and Minister for Health & Seniors.

Director of Cardiology

Sam Mir, MD FACC, was appointed as director of cardiology. Dr Mir had worked as an attending cardiologist at BHB since March 2011. A recruitment process was initiated for a new attending cardiologist following Dr Mir's promotion, and the new cardiologist arrived the following fiscal year.

Chief of Pathology

Clyde Wilson, PhD FRCPath, was appointed as chief of pathology. The chief of pathology reports to the chief of staff and is responsible for all laboratory services at BHB, 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; microbiology; and autopsy services. Dr Wilson is a Bermudian and has more than 20 years of experience in the field of microbiology with a special interest in the role of infection in the pathogenesis of autoimmune diseases.

QUALITY

Good news about lower hospital infection rates

Rates of both healthcare-associated Clostridium difficile (C. difficile) and Methicillin-resistant Staphylococcus aureus (MRSA) decreased over the last two fiscal years, with C. difficile rates significantly below the Centers for Disease Control and Prevention benchmark.

Preventing healthcare-associated infections is a team effort. These infections can be present in hospitals, but they are globally recognised as being prevalent in most communities, including Bermuda. This means everyone, including medical staff, nurses, allied health workers, housekeepers, visitors and the patients themselves impact infection rates. For hospital staff, adherence to the World Health Organization's '5 Moments for Hand Hygiene' has been improving every year, and in this fiscal year BHB was close to achieving 85% compliance.

Falls prevention practice champions contribute to patient safety

BHB's Falls Prevention Committee is responsible for providing innovative, evidence-based, good practice information to clinical staff to help them keep patients safe from slips and falls. Individual champions started working around the hospitals this fiscal year. These practice champions actively promote good team work and safe practice in their working environment. Practice champions train new staff in all aspects of falls prevention, such as the inpatient programme SAFE, the outpatient programme WHICH, and the paediatric programme Humpty Dumpty.

Care maps improve patient safety and operational efficiency

BHB worked on updating its care maps and developing new ones in the fiscal year under review for total hip replacement, gall bladder removal, heart attack and pneumonia. Care maps are like road maps for patient care. They are developed for the high-risk conditions most commonly treated at the hospital. Evidence shows that standardising care using best practices gives the best outcomes for patients throughout a hospital. They reduce variances in care practices, giving other clinicians who may be involved in a patient's care more confidence in knowing how an individual is being treated.

BLOOD DONATIONS

A major focus this fiscal year was to promote blood donation and increase the number of donors on the island. A corporate blood drive competition was launched to encourage businesses to support their employees and their families becoming donors. Earlier in the fiscal year, there

was also a summer blood drive, which included prizes of cell phones donated by Digicel and the support of young, local athletes who helped promote the drive. Three hundred and sixty-one people donated during the drive, including 60 new donors.

Less than 2% of Bermuda's eligible population, or about 1,100 people, are donors. The World Health Organization (WHO) indicates that in developed countries like Bermuda, about 6% of the population donates. WHO also reports that in many jurisdictions, 30% of donors are under the age of 25. In Bermuda, less than 4% of our donors fall into this age bracket. Younger donors are desperately needed. The Bermuda Blood Donor Centre is responsible for providing a ready supply of life-saving blood to the hospital, which uses about 35 to 45 pints each week. Donated blood is used for cancer patients, mothers and babies, accident victims, surgical patients and other people with anaemia.

DONATION OF STRESS TEST TREADMILL

The Hospitals Auxiliary of Bermuda donated $25,510.90 in this fiscal year for the purchase of a GE Case Treadmill, which opened to patients in November 2013.

About 25 to 30 patients undergo exercise stress tests each week. Exercise stress testing involves monitoring a patient's heart while he or she uses a treadmill. The test is used to help diagnose heart disease caused by cholesterol plaque deposits in the arteries supplying blood to the heart, called coronary heart disease. This test is also used to assess how a patient with known coronary heart disease is doing with their current treatment. Along with an ECG machine, a treadmill exercise stress testing machine is one of the cardiologist's most powerful tools in the diagnosis and treatment of coronary heart disease.

MENTAL HEALTH

Forensic psychiatry

Dr Marcel Westerland was hired by MWI in this fiscal year to provide forensic mental health services. Dr Westerlund undertook weekly psychiatry clinics at Westgate and the Co-Educational Facility/Prison Farm, and started a forensic clinic at Court Services in November 2013 following the launch of the Mental Health Court pilot in August 2013.

World Mental Health Awareness Week

Mental Health Awareness Week this year focused on mental health and older adults. The goal was to open the conversation about mental health and seniors, and to encourage people to either come forward themselves or to be more aware of their parents, grandparents and friends in this group. Older adults dealing with mental health challenges often face both the discrimination of ageism and the stigma of mental illness. Bermuda is not unique in this regard, but these damaging attitudes can lead to further barriers when it comes to providing care. Leaving mental health issues unattended can have more serious consequences down the line, both from a mental health and a medical perspective.

Like the rest of the world, Bermuda is seeing an increase in the population of older adults. While many seniors continue to lead active, vital and productive lives, some older adults are at increased risk of mental disorders. Addressing these issues can assist seniors to maintain their independence, self-worth and physical health. The key to maintaining mental and physical wellbeing as we grow older is preventing illness and intervening early when problems do occur. With an appropriate care plan, many older adults return to their previous level of functioning.
Events for Mental Health Awareness Week included a community race event, where participants hunted down information about MWI, and the MindFrame PhotoVoice Exhibition, which provided insight into the experiences of people using services at MWI through art, photography and creative writing.

CHILDREN AND MATERNITY

Autism workshop addresses the needs of our community

Child and Adolescent Services partnered with the Child Development Programme and Bermuda Autism Support and Education (BASE) in May 2013 to offer a series of well-attended workshops related to autism. Dr Rhiannon Luyster, assistant professor in the Department of Communication Sciences and Disorders at Emerson College in Boston, presented to both healthcare professionals and members of the public.

A service gap exists for families dealing with autism, and these workshops provided the necessary training for agencies in Bermuda to establish an autism spectrum disorder assessment and diagnostic team to address the needs of our community. The objective was to provide resources within Bermuda for making accurate and timely diagnoses and providing early interventions to families dealing with autistic children.

About 19 healthcare professionals participated in a two-day workshop on the Autism Diagnostic Observation Schedule, a tool used for assessing and diagnosing autism spectrum disorders across ages, developmental levels and language skills. A shorter workshop, attended by over 40 people, focused on early identification and assessment for counsellors, teachers, paraprofessionals and behavioural therapists.

Early in the following fiscal year, the Child and Adolescent Services team began performing autism spectrum disorder assessments, greatly enhancing continuity of care for service users and their families.

Art camp provides social experience for children

Child and Adolescent Services held a special camp for nine children between the ages of six and 15 over the spring break in April 2013. Designed to meet the needs of children who have various social skill deficits and, as a result, are not always able to participate in regular camps, the programme enabled these children to safely enjoy a fun camp experience. Art and photography were incorporated as vehicles for the children to express themselves. Activities were designed to develop skills in artistic expression, self-expression, conversation, team building, non-verbal communication, frustration tolerance, friendship making, problem solving, emotional development and personal creativity.

Child and Adolescent Services also ran their regular summer camp, which this fiscal year was called 'Express Yourself'. It ran for seven weeks to teach and reinforce pro-social behaviours. Attendance provided consistency and reinforcement in learning, allowed for a smooth transition period back to school, and achieved positive results for each camper. Activities included arts and crafts, photography, movement and dance, swimming, computers, nature excursions, team challenge activities, puppetry and sensory-based play opportunities for younger campers.

New practice improves outcomes for newborns

The Maternity Unit and Special Care Baby Unit introduced a new practice that involves delaying cord clamping and benefits newborn babies.

For many years, the practice in most of the western world was to clamp the cord within a few seconds after the baby was delivered. Recent studies, however, demonstrated that a 30- to 60-second delay in cord clamping has some important benefits for the baby. At any one time, about one third of the baby's blood volume is in the placenta. Immediate cord clamping prevents this blood from returning to the baby. A delay in cord clamping allows the blood to do so. For term infants, it has been shown that there is a lower incidence of iron deficiency anaemia at age six months when cord clamping was delayed.

New reclining chair

The Special Care Baby Unit (SCBU) organised a day of activities at the Botanical Gardens to celebrate the families of former premature and ill babies cared for on the unit. The 'SCBU Reunion Day' was a huge success, attended by hundreds of people, and also served to raise funds for the purchase of a new reclining chair. Used by parents of babies being treated in SCBU, the new chair is very comfortable, promotes breastfeeding and encourages skin-to-skin contact between mothers and newborns.

SENIORS

NICHE workshops to improve care for seniors in hospital

A high proportion of patients in hospital for acute illness are over 65. This age group requires a specialised approach. It is known that they can often present with a disease differently to a younger person. They do not complain of pain as much, for example, but might become confused or disoriented easily. To ensure staff members at KEMH understand this vulnerable group of patients, a training programme called Nurses Improving Care for Health System Elders, or NICHE, was rolled out in 2013-14. Fifty registered nurses were educated in NICHE, with plans to train more nurses and nurse auxiliaries.

Activities in the Continuing Care Unit

A strong activities calendar is organised every month by the dedicated activities team in the Continuing Care Unit. This helps keep seniors and young disabled active and engaged. Activities in the year under review included a hat show, a seniors' sports day, and a special spa day which was provided as a donation by a community member. Additionally, about $58,000 was spent on a new van for the residents so that regular external trips could be organised.

PALLIATIVE CARE

A new outpatient psychosocial support service was introduced at Agape House in November 2013 for palliative care patients. With a focus on wellness and enhancing

quality of life, this day hospice programme is offered once a week. Attendees benefit from peer support in facilitated group discussions as well as activities led by a registered art therapist, including working with mosaics, painting and bead making. In addition, there is therapeutic massage, Reiki and meditation. While finding suitable space and finances was an initial challenge, a partnership between BHB and Friends of Hospice, with outside donations, means the service is currently offered without charge.

TECHNOLOGY UPDATE

Lawson implementation

A software platform called Lawson was introduced at BHB during the fiscal year under review to automate the materials ordering and supply process, and to replace some of the financial systems. The goal was to improve governance, due diligence and efficiency within the organisation.

Clinical Engineering (Biomedical) implements a new computerised maintenance management system

A modern web-based computerised maintenance management system (CMMS) was introduced for Biomedical Services in this fiscal year, and potential savings are expected from moving to this modern, more automated CMMS. Organisations introducing this system have seen productivity gains of 5% to 30%, with biomedical equipment technicians using handheld mobile devices to download their work orders, input parts and labour, view equipment maintenance histories and diagnostic data, refer to graphic parts books or maps, scan barcode labels and other useful functions.

The system also increases the focus on measurement, and provides the Senior Management Team, Board and managers with detailed information about the management of the organisation's assets.

SCHOLARSHIPS

To encourage future generations of Bermudians into healthcare careers, BHB awarded $80,000 in scholarships for this fiscal year, paid over two years, to six students studying in fields that are projected to be in demand by the hospitals. These include speech therapy, nutrition, physiotherapy, radiology and nursing. BHB also administers a scholarship for GlaxoSmithKline, a Bermuda-based subsidiary of GlaxoSmithKline plc. This once again was an award of $30,000 to support two Bermudian students studying pharmacy and psychology. All the scholarship winners demonstrated a strong commitment to service in the community and the hospitals, as well as maintaining a solid academic performance.

BHB is committed to investing in Bermudian students pursuing careers in healthcare. The organisation is competing in a global market with a shortage of medical professionals and needs Bermudian healthcare professionals, not only for clinical front-line care but for the future leadership of health in this country.

The scholarship winners for this fiscal year were:

Brittani Cann-Fubler, master's degree in human communication sciences/speech therapy at The University of Sheffield, United Kingdom – **awarded $20,000 over two years**

Allison Outerbridge, master's degree in nutrition/clinical dietitian at University of Tennessee, USA – **awarded $20,000 over two years**

Julesa Robinson, master's degree in physical education/physiotherapy at Canterbury Christ Church University, United Kingdom – **awarded $20,000 over two years**

Shuntee Ford, associate degree in radiology at Keiser University, USA – **awarded $10,000 onetime payment**

Regina Dill, associate degree in nursing at Bermuda College, Bermuda – **awarded $5,000 onetime payment**

Selena Swan, associate degree in nursing at Bermuda College, Bermuda – **awarded $5,000 onetime payment**

Tiffany Smith, master's degree in pharmacy, University of Hertfordshire, United Kingdom – **awarded $15,000 this year from GlaxoSmithKline**

Kelly Savery, PhD in psychology, University of Manchester, United Kingdom – **awarded $15,000 this year from GlaxoSmithKline**

As the awards are multiyear, the total number of scholarships students supported in 2013-14 included new and prior year winners. This totalled 27 students receiving $248,284 in the year under review, with GlaxoSmithKline supporting two students with $30,000.

Training

Fourteen BHB employees successfully completed a coding and transcription programme in this fiscal year – ten as coders and four as transcriptionists. These trained staff work in the Health Information Management Services department, which manages all BHB medical records.

GED programme

Forty-four staff members participated in BHB's GED programme from its inception in January 2011 through March 2014. Courses in math, English, social studies and science prepared students to achieve their General Education Degree (GED). In 2013, eight staff members achieved their GED as a result of this programme.

Hyperbaric staff members achieve international certification

Two nurses achieved certified hyperbaric registered nurse (CHRN) status this fiscal year. The hyperbaric chamber at KEMH is used in wound care and for scuba divers suffering from decompression sickness. In order to qualify for this designation, the nurses had to complete a minimum of 480 hyperbaric work/practical hours and attend a recognised 40-hour primary hyperbaric medicine course.

COMMUNITY ACTIVITIES

MWI Pre-Heritage Day Parade

Community activities at MWI help reduce the stigma experienced by users of learning disability, substance abuse and mental health services by involving the public. Last May, MWI held its 20th Annual Pre-Heritage Day Parade. Hundreds of people lined Devon Springs Road as floats, dancers, drum majorettes and other participants marched, walked and entertained the crowds. Service users from the Learning Disability and Vocational Rehabilitation programmes, along with clients from Child and Adolescent Services, community homes, Orange

Valley School and the Opportunity Workshop, took part in the parade. Floats and costumes reflected the theme 'What a sight! Do you see that?' which focused on Bermuda's culture and scenery.

MindFrame PhotoVoice Exhibition

This fiscal year saw the seventh annual MindFrame PhotoVoice Exhibition, which is held in the Bermuda Society of Arts. About 80 MWI service users were involved, submitting 150 entries on the theme 'Do you see what I see? Take a closer look'. Organised by MWI's occupational therapists, the exhibition provides participants with an artistic outlet for expressing how they feel, what they are experiencing and how they view the world. It can also change the community's view of these people by giving them the opportunity to see service users as artists, writers and photographers rather than identifying people solely by any mental health challenge they may have.

Diabetes and COPD free health screenings

BHB offered free health screenings in the lobby at KEMH in November as part of the month's Chronic Disease Management campaign. Free lung screenings were provided for people over 40 years of age to test for lung diseases, as well as blood sugar, blood pressure and waist measurement screening.

Asthma

Over 200 people turned up in May 2013 for a screening arranged by BHB at City Hall for World Asthma Day. The event, co-sponsored by the Department of Health, Open Airways and BHB, focused on educating people about the importance of controlling asthma and using medications appropriately and in a timely manner. In addition to screening for asthma, 15 people were assessed for chronic obstructive pulmonary disease (COPD).

Screening remained important because more people attended the Emergency Department with asthma complaints over the previous few years, a sign patients are not keeping their asthma under control or using their medications as indicated. This trend may reflect current economic challenges, as people turn to the ED for help controlling their asthma rather than visiting a GP where there is a co-pay.

Donations

In the fiscal year under review the HAB's donated funds purchased the cardiac treadmill, and funds were committed towards purchasing a transportation wheelchair bus for the MWI for $100,000, along with upgrades to six foetal monitors in Maternity at an approximate cost of $37,000.

The total number of adult volunteers from the HAB was 551, comprising 239 adults who volunteer at BHB, 216 inactive adult volunteers who continue to support the HAB by sending in their membership dues every year, and 96 candy

stripers. In 2013 the total volunteer hours were 34,381 to support the Pink Café, the Gift Shop, BHB information desk, the Barn and the concessions trolley.

Books and educational materials donated to Gosling

Thanks to the generosity of two members of the public, children on Gosling Unit were given an entire library of new books and other educational materials. Donated by reading advocates and philanthropists John and Alice Carr, the books are used by inpatients and family members visiting sick children, as well as by the teacher who visited the unit daily to assist our youngest patients in keeping up with their schoolwork.

LOOKING AHEAD: PROJECTS FOR 2014-15

Acute Care Wing move and existing KEMH facility (Operational Readiness)

The major project for 2014-15 would be the transfer of acute care services to the new Acute Care Wing. The move took place in mid-September 2014.

Maintaining safety

The next accreditation survey with Accreditation Canada, which measures BHB's adherence to set patient safety standards, was scheduled for May 2015.

24-hour Hospitalist Programme

The introduction of the Hospitalist Programme in 2008 initially caused concern in the community, but it has most certainly raised the standard of care in the hospitals. Mortality rates in the top six disease categories dropped from 21% to 6%, length of stay decreased, and patient satisfaction with physicians consistently reached the high 90 percent range. BHB was approved to improve the service further by moving to a 24-hour hospitalist service, reducing the reliance on house officers out of hours, which would fund an increase in hospitalist numbers.

Final phase of Burlodge Programme

Lastly, the finale to a multiyear programme of improving food at KEMH was planned for June 2014, when the B-Lean food production system would be introduced. This fast food style order picking system promised to increase the speed and accuracy of preparing patient trays.

BHB Employee Compensation Report for 2013/14 (Unaudited)

LEVELS	Notes	Base Pay Range	Total Compensation[2]	Total Cost[3]
BIU	This group includes Nursing Aides, and non-management staff in support departments including Environmental Services, EMT's, Facilities, Dietary, Laundry and Materials Management. Salaries are negotiated under the Collective Bargaining Procedure.	$42,500 to $89,900	$42,500 to $102,000	$50,500 to $117,200
BPSU	This group includes Managers, Clinical Directors, staff in support departments such as HR, IT, Finance, Materials Management, Procurement and Health Information Management Services, and health care professionals, including Medical Resident, Psychiatric Resident & Surgical Residents, Registered Nurses, Allied Health Professionals1, Pharmacists, Pathology staff and Diagnostic Imaging Technicians. Salaries are negotiated under the Collective Bargaining Procedure.	$45,000 to $186,500	$47,300 to $193,000	$57,200 to $201,300
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 2012/13.	$83,300 to $129,200	$83,300 to $130,600	$97,900 to $150,200
Physicians	This group includes all physicians employed by BHB (except Medical Resident, Psychiatric Resident and Surgical Resident physicians which are included under BPSU). Physician salaries and compensation are determined by the Chief of Staff in relation to the Towers Watson review and recommendations.	$179,200 to $555,500	$206,000 to $952,500	$223,200 to $1,010,800
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 2013/14.	$132,000 to $470,000	$132,000 to $479,200	$139,100 to $518,500

Notes

1. Allied Health includes: Physiotherapy, Occupational Therapy, Speech Pathology, Dietitians, and Medical and MWI Social Workers.
2. Total Compensation includes base pay, performance pay and, for work permit holders, housing benefits and relocation expenses.
3. Total Cost includes Total Compensation, current year's movement in leave pay provision, social insurance payments, health insurance payments, payroll tax and pension deductions.
4. In 2013/14, the CEO received base Pay of $469,979, total compensation of $469,979 and the CEO's total cost to BHB is $509,511. There was no performance pay (which was suspended for Executives) nor housing benefit for this position. In 2013/14, sixteen (16) positions received total compensation in excess of the Chief Executive Officer.
5. Changes from previously issued PATI Report were made to properly classify physicians which were originally included under BPSU and Non-Union staff. Upper limit of the salary band for both BPSU and Non-Union decreased as a result.

Assumptions

- Salary data ranges were correct as of 31 March 2014.
- The above is based on employees who worked more than 1560 hours during the year. One physician worked marginally less hours than 1560, 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.

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS
STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL

	APRIL 2011 - MARCH 2012	APRIL 2012 - MARCH 2013	APRIL 2013 - MARCH 2014
INPATIENT - ACUTE CARE			
Beds	232	232	217
Patient Days	52,264	52,714	52,027
Discharges (incl. Deaths)	5,633	6,062	6,030
Length of Stay	9.3	8.7	8.6
Births	622	668	617
Percentage of Occupancy	62%	62%	67%
CONTINUING CARE UNITS			
Beds	121	121	121
Patient Days	42,948	42,820	37,515
Discharges	69	76	71
Length of Stay	622.4	563.4	528.4
Percentage of Occupancy	97%	97%	85%
HOSPICE			
Beds	9	9	9
Patient Days	1,782	1,887	1,991
Discharges	109	106	105
Length of Stay	16.3	17.8	19
Percentage of Occupancy	54%	57%	68%
ALL PATIENTS			
Emergency Dept. Visits - KEMH	33,958	33,439	32,538
Lamb Foggo Urgent Care Centre Visits*	5,606	5,587	4,617
Operations (Inpatients) & (SDA)	2,091	2,101	1,762
Operations (Outpatients)	7,258	6,659	5,882
Physiotherapy (units) (Inpatients)**	21,815	28,017	28,963
Physiotherapy (units) (Outpatients)	22,507	20,938	17,390
Physiotherapy (units) (CCU)	577	1.218	1,289
X-Ray Exams (In & Out)	32,476	31,221	29,753
Laboratory (Thousand Units)(In & Out)	3,570,739	3,434,037	3,311,405
Cardiac Investigations (ECG & EEG)(In & Out)	11,124	11,367	10,678
Ultrasound Exams(In & Out)	9,260	8,669	6,681
Nuclear Medicine (In & Out)	824	856	773
Chemotherapy Treatments (Outpatients)	1,565	2,122	2,494
Cat Scans (In & Out)	9,501	9,955	9,972
MRI (In & Out)	5,137	5,231	3,496
Occupational Therapy (units)(Inpatients)**	9,766	8,495	9,182
Occupational Therapy (units)(Outpatients)	3,926	4,289	3,380
Occupational Therapy (units) (CCU)	2,070	2,146	2,492
Speech/Language Pathology (Inpatient)**	6,929	6,838	7,668
Speech/Language Pathology (Outpatient)	5,107	1,400	1,330
Speech/Language Pathology (CCU)	2,625	546	470

***PLEASE NOTE: Acute Care beds decreased due to the following:**
- Perry Ward beds reduced by 6 December 2013
- Maternity Ward beds reduced by 3 January 2014
- Curtis Ward beds reduced by 6 December 2013

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS
STATISTICAL ANALYSIS - MID-ATLANTIC WELLNESS INSTITUTE

	APRIL 2011 - MARCH 2012	APRIL 2012-MARCH 2013	APRIL 2013-MARCH 2014
INPATIENT - ACUTE CARE			
Beds	23	23	23
Discharges (including deaths)	222	216	219
Length of Stay	12	13	13
Admissions	235	225	218
Percentage of Occupancy	75%	68%	63%
Patient Days	6,369	5681	5,320
LONG TERM & - REHABILITATION			
Beds	58	58	58
Discharges (excl. deaths)	101	136	54
Patient Days (excl. respite)	12,348	13,949	13,004
Length of Stay	122	103	269
Deaths	1	2	0
Transfer from Acute	N/A	N/A	N/A
Percentage of Occupancy	58%	58%	62%
Average Years of Stay of Deaths	129 days	11 days	0
TURNING POINT (SUBSTANCE ABUSE - DETOX UNIT)			
Beds	8	8	8
Discharges	87	69	91
Patient Days	890	821	1145
Length of Stay	10	12	13
Admissions	85	74	91
Percentage of Occupancy	30%	28%	39%
CHILD & ADOLESCENT SERVICES (CAS)			
Beds	4	4	4
Discharges	15	16	12
Patient Days	103	169	148
Length of Stay	6	10	12
Admissions	15	16	13
Percentage of Occupancy	7%	12%	10%
OUTPATIENTS (Child & Adolescent/ Mental Health/ Substance Abuse/ Learning Disability)			
(The MWI Outpatients section has been revised to reflect the current reporting practice of the services)			
Total No. of New Admissions / Referrals	301	203	312
Total No. of Re-Admissions / Referrals	180	113	111
Total No. of Follow-up appointments	4,684	4,069	5,042
Total No. of Day Patients Visits	11,650	12,807	13,208
Total No. of walk-in / unscheduled Visits	12,074	13,365	11,088
Total No. of DNA to scheduled Appointments	1,450	1,224	1,474
Total No. of T.O.P's	117	107	122
Total No. of Home Visits	5,261	5,444	6,729

* Reid Ward has 25 beds

* Devon Lodge has 18 beds

* Clients have been moved into Community Group homes.
* *The Long Term and Rehab length of stay increase for the previous fiscal year may be due to clients being admitted to KEMH for medical intervention and re-admitted to MWI.
*****Previously counted encounters and not the number of patients, therefore one client may have been seen and counted four or five times in one day .
In 2010 stats were only collected on the client once when he/she was first engaged with the service daily.

Bermuda Hospitals Board

Management's Responsibility for the Consolidated Financial Statements

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

The accompanying Independent Auditor's Report is presented herein.

Mr. William Shields
Chief Financial Officer
March 23, 2018

Mrs. Venetta Symonds
Chief Executive Officer and President
March 23, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Minister of Health

I have audited the accompanying consolidated financial statements of the Bermuda Hospitals Board, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bermuda Hospitals Board as at March 31, 2014, and its consolidated results of operations, changes in net assets, remeasurement gains and losses and cash flows for the year then ended in accordance with public sector accounting standards for government not-for-profit organizations generally accepted in Bermuda and Canada.

Heather M.

Hamilton, Bermuda
March 23, 2018

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

	2014	2013
ASSETS	$	$
Current Assets		
Cash and term deposits	86,167,595	47,923,341
Restricted cash, term deposits and investments (Note 4)	4,257,110	3,608,941
Accounts receivable (net of allowance for doubtful accounts) (Note 21)	19,712,869	31,931,787
Prepaid expenses	1,195,428	2,686,489
Inventories	7,546,171	6,336,836
	118,879,173	92,487,394
Capital assets (Note 11)	367,003,966	281,668,012
Term deposits	1,434,840	1,418,450
Other investments (Note 5)	2,960,994	2,750,237
	371,399,800	285,836,699
Total Assets	490,278,973	378,324,093
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities (Note 21)	18,798,858	22,484,012
Accrued salary and payroll expenses (Notes 10 & 21)	22,636,879	24,339,549
Long-term debt (Note 7)	3,605,797	933,553
Capital lease obligations (Note 8)	17,903	31,731
	45,059,437	47,788,845
Long-term Liabilities		
Long-term debt (Note 7)	220,955,512	134,145,867
Capital lease obligations (Note 8)	-	17,903
Deferred capital contributions (Note 9)	35,714,454	36,860,863
Pension accrual (Note 10)	5,089,904	5,993,230
Accrued health insurance (Note 10)	38,640,125	56,707,898
	300,399,995	233,725,761
Total Liabilities	345,459,432	281,514,606
Net assets (Notes 12 & 22)		
Invested in capital assets	317,371,887	230,242,845
Internally restricted for KEMH New Acute Care Wing Project	41,432,371	29,840,088
Internally restricted for education	298,839	264,269
Deficit	(214,498,726)	(163,930,916)
	144,604,371	96,416,286
Accumulated remeasurement gain	215,170	393,201
	144,819,541	96,809,487
Total Liabilities and Net Assets	490,278,973	378,324,093

Contractual Obligations and Contingencies (Notes 18 & 19)

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2014

	2014 Budget (Note 25) $	2014 $	2013 $
REVENUES			
Outpatient (Note 16)	163,706,837	158,308,589	174,025,105
Inpatient (Note 16)	92,432,831	93,981,418	91,643,736
Extended care unit (Note 16)	1,000,000	16,777,168	19,066,012
Claims in excess of cap threshold (Note 23)	(11,000,000)	(6,777,168)	(3,230,168)
Non-medical (Note 16)	4,526,610	3,783,025	4,087,287
Amortisation of deferred capital contributions (Note 9)	1,650,000	1,671,921	1,769,786
Donation in kind (Note 20)	-	308,506	136,148
Scholarships reclassified as loans	-	-	115,000
Interest income	28,700	84,201	107,849
Government grants (Note 16)	37,343,500	37,464,000	38,698,000
Total revenues	289,688,478	305,601,660	326,418,755
EXPENSES			
Salaries and employee benefits (Notes 10 & 16)	176,526,833	174,311,066	198,494,818
General supplies and services (Note 16)	32,002,479	32,073,859	37,403,446
Medical supplies	27,953,542	28,625,999	29,289,898
Amortisation of capital assets	13,212,000	11,618,668	11,373,797
Repairs and maintenance	7,550,152	9,903,284	9,747,482
Utilities (Note 16)	8,701,034	8,765,829	8,791,548
Bad debt (Note 13)	2,380,000	7,956,725	13,587,936
Food	3,267,100	3,148,915	3,151,896
Business social cost (Note 14)	-	262,213	77,090
Interest	830,000	218,052	330,163
Loss on disposal of capital assets	-	146,677	60,666
Scholarships issued	-	30,000	-
Accrued health insurance (Note 10)	-	(18,067,773)	-
Total expenses	272,423,140	258,993,514	312,308,740
Excess of revenues over expenses	17,265,338	46,608,146	14,110,015

Management charge (Note 15)

KEMH and MWI statements of operations (Note 24)

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2014

	2014				
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	230,242,845	29,840,088	264,269	(163,930,916)	96,416,286
(Deficiency) excess of revenues over expenses	(9,946,747))	11,592,283	34,570	44,928,040	46,608,146
Changes in unrealised losses on equity instruments	-	-	-	1,579,939	1,579,939
Net change in investment in capital assets	97,075,789	-	-	(97,075,789)	-
Balance, end of year	**317,371,887**	**41,432,371**	**298,839**	**(214,498,726)**	**144,604,371**

	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**

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES
FOR THE YEAR ENDED MARCH 31, 2014

	2014		
	Internally restricted for education	Unrestricted Net assets/(Deficit)	Total
	$	$	$
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES)			
Balance, beginning of year	294,901	98,300	393,201
Unrealised losses attributable to equity instruments	(133,523)	(44,508)	(178,031)
Balance, end of year	161,378	53,792	215,170

	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

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

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES	$	$
Excess of revenues over expenses	46,608,146	14,110,015
Amortisation of capital assets	11,618,668	11,373,797
Loss on disposal of capital assets	146,677	60,666
Amortisation of deferred capital contributions	(1,671,921)	(1,769,786)
Bad debt expense	(7,956,725)	(13,587,936)
Interest income	(84,201)	(107,849)
Interest expense	218,052	330,163
Unrealised gain loss on investments	(178,031)	(86,902)
Net change in non-cash working capital	(3,901,554)	29,725,957
Opening balance adjustment	1,579,939	-
Net cash generated through operating activities	46,379,050	40,048,125
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	(97,101,299)	(85,904,309)
Deferred capital contributions	525,512	447,663
Net cash used in capital activities	(96,575,787)	(85,456,646)
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in investments	(227,147)	(124,367)
Interest income received	84,201	107,849
Net cash generated through investing activities	(142,946)	(16,518)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of long-term debt	90,414,056	76,294,575
Repayment of long-term debt	(932,167)	(904,100)
Interest paid	(218,052)	(330,163)
Repayment of capital leases	(31,731)	(55,298)
Net cash generated through financing activities	89,232,106	75,005,014
Net increase in cash and cash equivalents	38,892,423	29,579,975
Cash and cash equivalents, beginning of year	51,532,282	21,952,307
Cash and cash equivalents, end of year	90,424,705	51,532,282
Cash and cash equivalents consist of the following:		
Cash and term deposits	86,167,595	47,923,341
Restricted cash, term deposits and investments	4,257,110	3,608,941
	90,424,705	51,532,282

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

1. AUTHORITY AND ORGANISATION

a. Authority

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

b. Organisation

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

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

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

The Board incorporated HPL in accordance with Section 62(2) of the Companies Act 1981 on September 24, 2008. It was created as a holding company to provide a vehicle for the Board to participate in partnerships and/or joint venture businesses, provided BHB remain in control at the governance level and hold a minimum of 51% equity position. HPL issued 10,000 common voting shares with a par value of $1 per share, to the BHB on October 23, 2008.

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Public Sector Accounting Standards ("PSAS") for government not-for-profit organizations ("GNFPOs").

For financial reporting purposes, the Board is classified as a government not-for-profit organization "GNFPO" 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 October 14, 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. BHB entered into a ten year lease in August 2010 for this warehouse space. The 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 the 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 labor incurred as part of various projects which have not been completed by the Board have been capitalised and are recorded as CIP. Indirect project costs such as professional and consultants' fees related to these projects have also been capitalised and included as CIP. These costs are not amortised until the various projects are complete.

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 realizable 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 organisation's 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 expense, 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 costs 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.

3. ECONOMIC DEPENDENCE

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

4. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

	2014	2013
Restricted cash	$ 3,987,244	$ 3,205,552
Restricted investments	269,866	403,389
	$ 4,257,110	$ 3,608,941

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

	2014		2013	
	Market value	Cost	Market value	Cost
Ascendant Group Limited	$ 359,821	$ 144,651	$ 537,852	$ 144,651

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

	2014	2013
External		
Patient comfort funds	$ 1,885,320	$ 1,885,703
Construction projects and capital assets	1,300,631	800,631
	3,185,951	2,686,334
Internal		
Educational purposes	$ 1,071,159	$ 922,607
	4,257,110	3,608,941

5. OTHER INVESTMENTS

Other investments are comprised of the following:

	2014	2013
UIL shares	$ 865,754	$ 743,456
Equity share of UIL's net income	255,265	122,298
UIL shares, total	1,121,019	865,754
Ascendant Group Limited, at market value	89,955	134,463
MRP shares, at cost	1,750,020	1,750,020
	$ 2,960,994	$ 2,750,237

6. 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).

2014	Level 1	Level 2	Level 3	Total
Ascendant Group Limited	$ 89,955	$ -	$ -	$ 89,955
	89,955	-	-	89,955

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2014. There were also no transfers in or out of Level 3. For a sensitivity analysis of financial instruments recognized in Level 3, see Note 21 – Interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

2013	Level 1	Level 2	Level 3	Total
Ascendant Group Limited	$ 134,463	$ -	$ -	$ 134,463
	134,463	-	-	134,463

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2013. There were also no transfers in or out of Level 3. For a sensitivity analysis of financial instruments recognized in Level 3, see Note 21 – Interest rate risk, as the prevailing interest rate is the most significant input into the fair value of the instrument.

7. LONG-TERM DEBT

	2014	2013
Long-term bank debt	$ 4,677,012	$ 5,663,077
Long-term debt related to ACW (see note 19b)	216,278,500	128,482,790
	$ 220,955,512	$ 134,145,867

Long-term bank debt

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 February 15, 2018. The loan is unsecured.	$ 1,853,975	$ 2,267,711
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 September 30, 2020. The loan is secured by a charge over the related capital assets.		
	3,800,878	4,328,919
	5,654,853	6,596,630
Less: Current portion	(977,841)	(933,553)
	$ 4,677,012	$ 5,663,077

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

Year	Amount
2015	$ 977,841
2016	1,024,234
2017	1,072,829
2018	1,140,296
2019	660,192
2020-2021	779,461
	$ 5,654,853

The fair value of long-term debt with the BNTB is approximately $5.8 million (2013: $6.8 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 BHB for the same or similar debt instruments.

Long term debt related to ACW
Commencing June 1, 2014, BHB will start repaying the principal debt relating to the construction of the Acute Care Wing (see note 18b).

	2014	2013
Long term debt related to ACW	$ 218,906,456	$ $ 128,482,790
Less: Current Portion	(2,627,956)	-
	$ 216,278,500	$ 128,482,790

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

Year	Amount
2015	$ 2,627,956
2016	3,289,761
2017	3,726,000
2018	4,090,000
2019	4,408,000
2020-2044	200,764,739
	$ 218,906,456

8. CAPITAL LEASE OBLIGATIONS

	2014	2013
Obligations under capital leases for photocopying equipment, interest rate of 5% per annum, with repayments monthly of principal and interest expiring in 2014		
	$ 17,903	$ 49,634
Less: Current portion	(17,903)	(31,731)
	$ -	$ 17,903

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortised and unspent amount of donations and grants received for the acquisition of capital assets. The amortisation of capital contributions is recorded as revenue in the statement of operations.

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

	2014	2013
Balance, beginning of year	$ 36,860,863	$ 38,182,986
Add: contributions received	525,512	447,663
Less: amounts amortised to revenue	(1,671,921)	(1,769,786)
Balance, end of year	$ 35,714,454	$ 36,860,863

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

		2014		2013
Unamortised capital contributions used to purchase assets	$	34,413,823	$	36,060,232
Unspent contributions		1,300,631		800,631
	$	35,714,454	$	36,860,863

10. 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 (2013: Nil years). The average remaining service life of the active employees covered by the other retirement benefit plans is 9.5 years (2013: 9.60 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 January 1, 2000, vesting rights began to accrue after five years with respect to the Board's contributions. Beginning January 1, 2000, 100% of the Board's contributions vest after two years. When an employee ceases employment with the Board, other than through retirement, the Board's unvested contributions are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2014 totaled $6,358,656 (2013: $5,331,855).

Defined Benefit Plan

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

		2014		2013
Pension accrual				
Balance, beginning of year	$	5,993,230	$	5,902,550
Current cost		-		59,800
Interest		344,610		339,397
Benefits paid		(463,817)		(452,520)
Experience loss/(gain)		(784,119)		144,003
Balance, end of year	$	5,089,904	$	5,993,230

BHB and Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2014, which estimates that the Board's portion of the liability under the 1948 Act is approximately $5.1 million as at March 31, 2014 (2013: $6 million). The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations

include a discount rate of 5.75% (2013: 6%) and a salary escalation rate of 4% (2013: 4%).
To date, no contributions have been made by the Board and the plan remains unfunded. Benefits are paid by the Government, and at March 31, 2014, the Board's payable to the Government totals $5,518,401 (2013: $5,062,527) 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 March 31, 2014 is $607,401 (2013: $112,898) and is included in accrued salary and payroll expenses.

Sick leave does not accumulate or vest, and like maternity leave, a liability is recorded only when extended leave is applied for and approved. As at March 31, 2014, the liability is $45,374 (2013: $228,376) and is included in accrued salary and payroll expenses.

Vacation days accumulate and vest and therefore a liability is accrued each year. As at March 31, 2014 the leave pay liability was $9,601,120 (2013: $10,304,342). The expense for the year ended March 31, 2014 is $11,073,442 (2013: $11,648,585) and the benefits paid out is $11,775,864 (2013: $11,135,086).

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 obligation include a discount rate of 5.75% (2013: 5.75%) and a medical trend rate of 7% decreasing by 1% per annum to an ultimate rate of 3% after 5 years.

		2014		2013
Accrued health insurance				
Balance, beginning of year	$	56,707,898	$	49,529,440
Pension expense				
Current cost		1,804,000		1,799,648
Interest		3,108,422		2,911,627
Benefits paid		(790,195)		(1,384,186)
Experience loss/(gain)		(22,190,000)		3,851,369
Balance, end of year	$	38,640,125	$	56,707,898

The significant change in the experience gain was as a result of an amendment to a lower health inflation trend in 2014. The overall accrued health insurance liability estimate decreased by $18,067,773 from the prior year. The values of the liability for the 2014 and 2013 are based on an independent actuarial valuation.

As at March 31, 2014, the BHB Health Plan had a net surplus of $144,319 (2013: $490,210).

c. Accrued pension under contributions

During the years 2006 to 2015, BHB under contributed employer pension contributions for certain employees. A project was undertaken to recalculate missed employer pension contributions for each individual employee affected for this ten year period. An estimated liability of $3.3M was accrued and expensed in fiscal 2013. This amount was revised to $4.8M and adjusted in fiscal 2014. It is anticipated that the $4.8 million liability will be paid in full in fiscal 2018.

11. CAPITAL ASSETS

	Cost	Accumulated Amortisation	2014 Net Book Value	2013 Net Book Value
Construction in progress (note 18)	$ 242,876,343	$ -	$ 242,876,343	$ 149,520,867
Land and buildings	156,909,364	59,475,732	97,433,632	101,210,264
Equipment	71,292,073	49,373,784	21,918,289	24,860,090
Computer equipment	13,353,841	10,342,858	3,010,983	2,854,547
Software	11,110,009	9,345,290	1,764,719	3,186,484
Capital leases – copiers	108,036	108,036	-	35,760
	$ 495,649,666	$ 128,645,700	$ 367,003,966	$ 281,668,012

The insured value of the Board's buildings, contents and business interruption coverage is approximately $458 million (2013: $366 million).

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

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.

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.

12. 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 March 31, 2014 is $298,839 (2013: $264,269).

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 on September 24, 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 March 31, 2014 is $41,432,371 (2013: $29,840,088).

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

13. BAD DEBT

Included in the bad debt expense are:

		2014		2013
Write-off of subsidies	$	-	$	10,999,190
General provision for overdue accounts		7,956,725		2,588,746

The write-off of subsidies in prior year relates 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 January 31, 2014 in government debt for claims to the subsidy and other Government funds that stretch 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.

14. BUSINESS SOCIAL COST

BHB, as a part of its mandate, is required to provide service to all patients, irrespective of their ability to pay. During the course of its operations, BHB provided services to a number of persons who were unable to pay. These expenses are classified as business social costs. The amount recognised as business social cost for the year ended March 31, 2014 is $262,213 (2013: $77,090).

15. 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 by KEMH to MWI for the year ended March 31, 2014 is $2,812,391 (2013: $2,812,391). The management fee charged by KEMH to HPL for the year ended March 31, 2014 is $508,669 (2013: $145,583).

16. 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:

		2014		2013
Operating grant - MWI	$	37,344,000	$	38,578,000
Capital grant - MWI*		120,000		120,000
	$	37,464,000	$	38,698,000

b. Government subsidy programs

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

	2014	2013
Aged subsidy	$ 70,002,000	$ 71,408,814
Youth subsidy	18,213,000	16,269,839
Geriatric subsidy	10,000,000	10,411,821
Other subsidy	8,633,521	9,230,570
Indigent subsidy	6,265,000	4,310,477
Clinical drugs	2,368,479	2,368,479
	$ 115,482,000	$ 114,000,000

As at March 31, 2014, $11,482,000 (2013: $10,000,000) was outstanding from Government for subsidy programs. This amount is included in accounts receivable.

c. Mutual Re-insurance Fund

The HID approved the following claims:

	2014	2013
Haemodialysis treatments	$ 16,259,144	$ 14,698,485
Long stay patients	3,434,268	3,148,305
Anti-rejection drugs	358,207	287,897
	$ 20,051,619	$ 18,134,687

As at March 31, 2014, $5,111,465 (2013: $3,158,197) 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, 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:

	2014	2013
Health Insurance Fund	$ 14,854,156	$ 11,924,354

As at March 31, 2014, $4,098,733 (2013: $3,171,695) is receivable from the Health Insurance Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the Health Insurance Fund, a program for individuals who are over the ages of 18 providing standard medical benefits.

e. Future Care Fund

The HID approved the following claims:

	2014	2013
Future Care Fund	$ 3,595,173	$ 3,127,668

As at March 31, 2014, $508,255 (2013: $466,595) is receivable from the Future Care Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the Future Care 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:

		2014		2013
GEHI	$	21,821,742	$	23,704,881

As at March 31, 2014, $1,414,204 (2013: $2,781,936) 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 $391,024 (2013: $2,321,973) were billed during the year.

During the year, BHB paid salaries for Bermuda College nurses amounting to $75,123 (2013: $75,123) underwritten by the MoH. The receivable amount from MoH at March 31, 2014 is $75,123 (2013: $37,561). During the year, BHB paid salaries for the Tumour Registry amounting to $97,027 underwritten by the MoH. The receivable amount from MoH at March 31, 2014 is $97,027.

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

		2014		2013
Payroll tax	$	4,498,588	$	4,088,734
Social insurance		2,696,551		2,609,203
Non-refundable duty		1,404,960		1,742,804
Services provided by the Ministry of Public Works		1,314,859		1,342,146
Rent paid to MRP		576,062		593,554
Nurses' annual pensions		463,817		452,520
Miscellaneous charges		396,053		121,339

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

		2014		2013
Payroll tax	$	7,008,314	$	7,654,949
Social insurance		2,554,212		2,618,184
	$	9,562,526	$	10,273,133

The following are other related party balances with Government at March 31, 2014:

		2014		2013
Accounts receivable				
Miscellaneous departmental charges	$	75,105	$	213,746
Net amounts due (to)/from the Government on behalf of the War Veterans Association		51,407	$	(71,906)
Other receivables				
Refundable deposits paid for duty	$	141,575	$	76,701
Accounts payable and accrued liabilities				
Nurses' annual pensions accrual	$	5,523,737	$	5,059,923
Ministry of Public Works		261,771		271,441
Accrued salary and payroll expenses				
Payroll tax	$	2,758,394	$	2,860,655
Social insurance		442,471		411,361

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

17. OVERDRAFT FACILITY

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

18. 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 two years is as follows:

Year		Amount
2015	$	2,147,434
2016		744,272
	$	2,891,706

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 December 1, 2010 the Board signed a Project Agreement with PHS after a competitive bidding process.

A one-time initial payment of $40 million will be paid by the Board in June 2014 upon completion of construction in accordance with design and construction obligations set out in the Project Agreement. Refer to note 27 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 March 31, 2014 is as follows:

	2014	2013
PHS CIP	$ 218,906,456	$ 128,482,790
BHB CIP	18,989,384	18,117,689
	$ 237,895,840	$ 146,600,479

The ACW CIP as at March 31, 2014 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 7 and 11). The ACW CIP as at March 31, 2014 related to BHB represents direct costs incurred by BHB for the ACW. The costs incurred as at March 31, 2014 were financed primarily by a $10 million government grant in 2011 and the remaining costs were paid directly by BHB.

As a result of the contractual obligation to PHS in respect to ACW, BHB has entered into the following long-term contractual obligations. These payments commence upon completion of construction.

Operating costs

Operating/maintenance costs relating to the Public Private Partnership "PPP" arrangement with PHS estimated for the next five years and thereafter are as follows:

Year	Amount
2015	$ 3,911,125
2016	4,060,035
2017	4,411,359
2018	4,948,031
2019	5,337,768
2020-2044	241,513,682
	$ 264,182,000

Interest expenses

Interest expenses are comprised of debt interest and equity dividend relating to the PPP arrangement with PHS. The payments for the next five years and thereafter are estimated as follows:

Year	Amount
2015	$ 20,691,119
2016	19,293,143
2017	19,394,209
2018	19,139,077
2019	18,845,808
2020-2044	379,195,644
	$ 476,559,000

19. 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.

20. 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.

21. FINANCIAL RISK MANAGEMENT

The Board has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Board's risk management framework. The Board of Directors has established the Finance and Audit Committee which is responsible for developing and monitoring the Board's compliance with risk management policies and procedures. The Finance and Audit Committee regularly reports to the Board of Directors on its activities. The Board's risk management program seeks to minimize potential adverse effects on the Board's financial performance. The Board manages its risks and risk exposures through a combination of insurance and sound business practices.

a. Credit risk

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with financial institutions that can be withdrawn without prior notice or penalty, and short-term deposits with an original maturity of 90 days or less. Credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are invested with financial institutions whose rating and status are consistently monitored by the Board.

Accounts receivable

Accounts receivable consist primarily of trade accounts receivable from billings of services provided. The Board's credit risk arises from the possibility that a counterparty which owes the Board money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Board, which would result in a financial loss for the Board. This risk is mitigated through established credit management techniques and supplemented by use of professional credit agencies. As at March 31, 2014, 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:

2014	Total	Current	31- 60 days	61 - 90 days	91 + days
Subsidy and grants	$ 33,225,750	$ 5,080,247	$ 3,481,708	$ 694,392	$ 23,969,403
Commercial insurers	7,684,593	4,200,682	490,739	251,172	2,742,000
Non insured	7,673,184	1,307,823	588,093	483,908	5,293,360
Other receivables	1,363,614	1,363,614	-	-	-
Gross receivables	49,947,141	11,952,366	4,560,540	1,429,472	32,004,763
Less: impairment allowance	(30,234,272)	-	(456,054)	(714,736)	(29,063,482)
Net receivables	$ 19,712,869	$ 11,952,366	$ 4,104,486	$ 714,736	$ 2,941,281

2013	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 credit 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 debt 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):

2014	Within 1 year	2 – 5 years	> 5 years	Total
Accounts payable and accrued liabilities	$ 18,798,858	$ -	$ -	$ 18,798,858
Accrued salary and payroll expenses	22,636,879	-	-	22,636,879
Long-term debt - bank loans	977,841	3,897,551	779,461	5,654,853
Long-term debt - ACW liability	2,627,956	15,513,761	200,764,739	218,906,456
Capital lease obligations	17,903	-	-	17,903
	$ 45,059,437	$ 19,411,312	$ 201,544,200	$ 266,014,949

2013	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 liquidity risk.

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that 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.

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 interest expense on long-term debt.

The BHB's long-term debt has interest rates ranging from 0.75% to 4.85%.

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

22. 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. BHB receives funding from the Government for the delivery of its services.

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

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

23. CLAIMS IN EXCESS OF CAP THRESHOLD

Extended Care Unit Cap

The Geriatric (Extended Care Unit) subsidy was approved via cabinet conclusion 27(13)17 which was passed on July 9th, 2013. The Cabinet Conclusion approved a subsidy amount of $10,000,000, consequently, any revenue amounts billed relating to Extended Care in excess of the cap are written off, $6,777,168 (2013: $Nil).

Commercial Insurers Cap

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 the KEMH, MWI, Urgent Care Centers 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. As at March 31, 2014 claims in excess of the cap threshold is $Nil (2013: $3,230,168).

24. KEMH AND MWI STATEMENTS OF OPERATIONS

2014

REVENUE	KEMH	MWI	HPL	TOTAL
Outpatient (note 16)	$ 157,963,483	$ 345,106	$ -	$ 158,308,589
Inpatient (note 16)	90,569,915	3,411,503	-	93,981,418
Extended care unit (note 16)	16,777,168	-	-	16,777,168
Claims in excess of cap threshold (note 23)	(6,777,168)	-	-	(6,777,168)
Non-medical (note 16)	3,085,763	412,015	285,247	3,783,025
Amortisation of deferred capital contributions (note 9)	928,072	743,849	-	1,671,921
Donation in kind (note 20)	308,506	-	-	308,506
Interest income	84,201	-	-	84,201
Government grants (note 16)	-	37,464,000	-	37,464,000
Total Revenues	$ 262,939,940	$ 42,376,473	$ 285,247	$ 305,601,660
EXPENSES				
Salaries and employee benefits (notes 10 and 16)	$ 145,522,755	$ 28,398,567	$ 389,744	$ 174,311,066
General supplies and services (note 16)	27,872,663	4,153,337	47,859	32,073,859
Medical supplies	27,775,117	850,882	-	28,625,999
Amortisation of capital assets	10,530,077	1,088,591	-	11,618,668
Repairs and maintenance	8,818,446	1,084,421	417	9,903,284
Utilities (note 16)	7,065,734	1,696,889	3,206	8,765,829
Bad debt (note 13)	7,956,725	-	-	7,956,725
Food	2,185,057	963,639	219	3,148,915
Business social cost (note 14)	262,213	-	-	262,213
Interest	218,052	-	-	218,052
Loss on disposal of capital assets	146,677	-	-	146,677
Scholarships issued	30,000	-	-	30,000
Accrued health insurance (note 10)	(18,067,773)			(18,067,773)
Management charge	(2,958,391)	2,812,391	146,000	-
	$ 217,357,352	$ 41,048,717	$ 587,445	$ 258,993,514
Excess / (Deficiency) of revenues over expenses	$ 45,582,588	$ 1,327,756	$ (302,198)	$ 46,608,146

2013

REVENUE	KEMH	MWI	HPL	TOTAL
Outpatient (note 16)	$ 173,625,568	$ 399,537	$ -	$ 174,025,105
Inpatient (note 16)	88,748,050	2,895,686	-	91,643,736
Extended care unit (note 16)	19,066,012	-	-	19,066,012
Claims in excess of cap threshold (note 23)	(3,230,168)	-	-	(3,230,168)
Non-medical (note 16)	3,189,235	471,146	426,906	4,087,287
Amortisation of deferred capital contributions (note 9)	952,566	817,220	-	1,769,786
Donation in kind (note 20)	136,148	-	-	136,148
Scholarships reclassified as loans	115,000	-	-	115,000
Interest income	95,968	-	11,881	107,849
Government grants (note 16)	-	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 10 and 16)	$ 169,222,372	$ 28,856,892	$ 415,554	$ 198,494,818
General supplies and services (note 16)	33,079,915	4,241,701	81,830	37,403,446
Medical supplies	28,532,315	757,583	-	29,289,898
Bad debt (note 13)	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 16)	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	77,090	-	-	77,090
Loss on disposal of capital assets	60,666	-	-	60,666
Management charge (note 15)	(2,957,974)	2,812,391	145,583	-
	$ 270,500,852	$ 41,160,738	$ 647,150	$ 312,308,740
Excess / (Deficiency) of revenues over expenses	$ 12,197,527	$ 2,120,851	$ (208,363)	$ 14,110,015

25. BUDGET FIGURES

The budget was approved by the Board of Directors on August 13, 2013.

26. COMPARATIVE FIGURES

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

27. GOVERNMENT GUARANTEE FOR THE PPP AGREEMENT

On December 1, 2010, the Minister of Finance provided an irrevocable Guarantee to PHS on behalf of BHB to facilitate the completion of the new ACW. The Government guarantees all debt and contractual obligations of the agreement as disclosed in Note 18b.

28. SUBSEQUENT EVENTS

Acute Care Wing

On September 14, 2014, BHB opened the ACW to the public. BHB paid $40 million as a service commencement payment to PHS on June 1, 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 $24.9 million from BHCT, and paid the difference from its own resources. Starting June 1, 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 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 7 in full.

Capital Assets

In October 2014, Bermuda was hit with two hurricanes in one week. The 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. All claims have been received to date.

BHB commenced the demolition of the Queen Elizabeth Nurses Residence and a section of the building that housed the Continuing Care Units (CCU) in January 2016. Both buildings were unoccupied and in poor physical condition prior to their demolition. The costs associated with the demolition amount to $1,614,590 to date.

HealthCare Partners Limited "HPL" and Ultimate Imaging Limited "UIL"

On March 20, 2015 HPL entered into an agreement with the Directors of UIL in which parties agreed that HPL will sell 100% of its shares to the Directors of UIL for the sum of $600,000. It was agreed that HPL would receive $450,000 at closing and the remaining balance of $150,000 in three equal annual installments of $50,000 beginning in March 2016, of which $100,000 has been received.

The subsequent liquidation of HPL was finalised in fiscal year 2017.

Mills Reach Properties ("MRP")

On October 24, 2017, the Board of Directors and Executive team determined it would be to BHB's long term advantage to exit the lease. Conditions have occurred which amounted to a repudiation of the lease, and thus BHB terminated the lease with effect from April 30, 2017.

On November 28, 2017, the Board accepted an offer by MRP to purchase the shares held by BHB in MRP and to settle all lease obligations and claims in the amount of $1.35 million, payable in cash forthwith. The funds were subsequently received in full on December 20, 2017.

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