

2016



Bermuda Hospitals Board

ANNUAL REPORT

BHB ANNUAL REPORT 2015-2016

ABOUT BHB

Bermuda Hospitals Board (BHB) delivers acute care, chronic care, long-term care, learning disability services, substance abuse treatment and mental health services. We are the only provider of 24/7 healthcare services in Bermuda. Our services are delivered from 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 64,000 people, as well as the many visitors who come to the island each year. BHB has the second largest number of employees in Bermuda, with about 1,600 fulltime staff and 200 on-call and locum staff.

BHB's mandate is set out in the Bermuda Hospitals Board Act 1970 and its regulations, and requires BHB to earn enough surplus to maintain and invest in high-quality, cost-effective services. Given our relatively isolated geographic location, the Bermuda community needs a range of services broader than would commonly be expected of hospitals serving a similar population base in a larger country. Highly specialised services that can't be provided safely on the island are referred overseas.

GOVERNANCE

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

FUNDING

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In the year under review, BHB was funded in the following ways:

The Government's Hospital Subsidy budget paid \$107 million towards services provided under the standard health benefit fee schedule delivered to the young, seniors and indigent. The total charged to Government based on the services used was \$110 million.

\$144 million was paid by insurance schemes, 59% of which was from commercial insurers and 41% from Government insurance schemes including FutureCare, Health Insurance Plan (HIP) and Government Employees Health Insurance Fund.

Government paid a \$37.4 million grant that contributed towards the provision of mental health, substance abuse and learning disability services at MWI and its group homes, and a \$10 million grant that contributed towards the delivery of long-term care services on the KEMH site.

All fees and rates charged by BHB and all grants are approved through a legislative process. Fees and rates are published every year and are available on the BHB website.

BOARD AND COMMITTEES

2015 BOARD MEMBERS 1 January – 31 December

Jonathan Brewin, Chair (January-June)
Peter Everson, Chair (from July)
Lucille Parker-Swan, Deputy Chair
Dr Colin Couper
Dr Andrew West
Dr Alicia Stovell-Washington
Kathryn Gibbons
Abigail Clifford (March only)
John Cooper (from July)
*Ralph Richardson
** Kevin Monkman (January-March)
** Dr Jennifer Attride-Stirling (from July)
** Dr Cheryl Peek-Ball
** Dr Michael Weitekamp
Venetta Symonds
David Thompson
Judy Richardson
Dr Chantelle Simmons
Dr Constance Richards

EXECUTIVE COMMITTEE

Jonathan Brewin, Chair (January-June)
Peter Everson, Chair (from July)
Lucille Parker-Swan
Kathryn Gibbons
Dr Alicia Stovell-Washington
Venetta Symonds
David Thompson
Dr Michael Weitekamp

COMMUNICATIONS COMMITTEE

Kathryn Gibbons, Chair
Dr Andrew West
Lucille Parker-Swan
Ralph Richardson
Venetta Symonds
Anna Nowak
Dr Keith Chiappa
Kerry Judd
Mark Selley

CLINICAL GOVERNANCE COMMITTEE

Dr Alicia Stovell-Washington, Chair
Lucille Parker-Swan
Dr Colin Couper
Dr Cheryl Peek-Ball
Dr Michael Weitekamp
Venetta Symonds
Judy Richardson
Patrice Dill
Scott Pearman
Preston Swan

FINANCE COMMITTEE

Peter Everson, Chair
Jonathan Brewin
Venetta Symonds
David Thompson
Scott Pearman
Arthur Ebbin
Roedolf van der Westhuizen
Terry Faulkenberry
Simon Everett

MODERNISATION COMMITTEE

Kathryn Gibbons, Chair
Jonathan Brewin
Lucille Parker-Swan
Peter Everson
Dr Alicia Stovell-Washington
Dr Michael Weitekamp
Venetta Symonds
David Thompson
Scott Pearman
Anna Nowak
James Campbell

HUMAN RESOURCES COMMITTEE

Abigail Clifford, Chair (April only)
Kathryn Gibbons, Chair (from July)
Jonathan Brewin
Dr Andrew West
Scott Pearman
David Thompson
Angela Fraser-Pitcher
Kendra-Lee Pearman

PENSION COMMITTEE

Vacant, Chair
Kathryn Gibbons
Dr Andrew West
Venetta Symonds
David Thompson
Angela Fraser-Pitcher
Lori Burchall
Union Representatives

LEGEND:

*Ralph Richardson (BHCT) Ex-Officio Voting Member.

**Jennifer Attride-Stirling, Dr Michael Weitekamp & Dr Peek-Ball are ex-officio non-voting Board members.

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



It is a pleasure to introduce the Bermuda Hospitals Board (BHB) annual report for 2014/15 so soon after the prior year's report was completed. The Board and Executive are working diligently to bring the hospitals financial statements up to date and they are collaborating fully with the Office of the Auditor General complete all outstanding audits.

The year in review was marked by the celebrated opening of the new Acute Care Wing. It was a mammoth undertaking to successfully move in without service disruptions. The BHB team achieved this, and more, for the benefit of all Bermuda.

In addition, the 2014/15 fiscal year was marked by two hurricanes hitting our island home within a week. This tested the new building, but not the stellar team of BHB staff and volunteers who braved the storm onsite and kept patients safe and services running throughout, often sacrificing time with their own families in such difficult circumstances.

Significantly, I applaud BHB for its collaboration with a host of partners during the year in review, including volunteers, donor partners, and many others. Together, they expanded services and improved quality. BHB and Bermuda should be proud of the excellent patient satisfaction results achieved this year again. It is a testament to the diligent, high quality care delivered by the staff and executive.

I thank the Board of that year for its contribution to Bermuda and to making our hospitals better.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kim N. Wilson'.

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



MESSAGE FROM THE CHAIRMAN, WILLIAM MADEIROS

I'm very pleased to introduce this annual report for the fiscal year 2015-16. I would like to thank the chairman and Board in place during this time for all they achieved.

This was the first full fiscal year of the Acute Care Wing being open and BHB shouldering the financial obligations that came with the new facility. The end of this six-year major construction project made it the perfect time to widen organisational focus, and start asking questions about strategic direction and developing new long-term goals.

The Board remained focused on efficiency and governance in this year. Healthcare costs continued to spiral due to increasing utilisation. The dangers of healthcare becoming increasingly unaffordable were becoming more and more evident, as were problems related to how the healthcare system was structured and funded.

BHB had focused on financial stability for some time and the work undertaken in the Modernisation Project, which was launched in this fiscal year, sought to achieve further recurring savings so BHB could afford its financial obligations and invest in improvements without above-inflation fee rises or additional grants.

This was hard work against a backdrop of rising local and international inflation. Actions included the Pathology Department offering tests that had previously only been available overseas at a higher cost. The IT department was restructured, reducing the headcount by four. A voluntary retirement programme was introduced, and retirement benefits were reduced for people retiring with fewer than 20 years of service.

The result was that BHB managed to keep expenses below the expected budget, although still an increase year on year. This balanced against an increase in revenue, driven mainly by outpatient revenue, which rose from \$152.6 million to \$166.1 million. This left an overall surplus of \$32 million, compared to the previous year's surplus of \$29 million, which could be used to invest in maintenance and improvements.

I would like to express appreciation for the work of all BHB staff and management during this year, and congratulate them on maintaining their accreditation status following the onsite survey in May 2015.



MESSAGE FROM THE CEO, MICHAEL RICHMOND, MD

This fiscal year was critical in looking forward and defining the strategic direction of travel for BHB over the next five years with the development of BHB's Strategic Plan 2016-2021. It was also a solid year of achievement.

Accreditation Canada surveyors visited in May 2015 to test BHB's compliance against more than 3,000 patient safety standards. These are the same standards hospitals in Canada are tested against, which provided an important overseas benchmark for quality. BHB was successfully accredited and the survey report, which was posted on the BHB website in December 2015, included areas to improve.

Following the successful transfer of services to the new Acute Care Wing, the preparation and planning led to a successful first year of operation, which saw the length of stroke care for patients almost halved when comparing April 2015 to April 2014.

Peritoneal (home) dialysis was introduced, which enables people to manage their dialysis treatments at home rather than coming to hospital, and a new partnership with Bermuda Cancer and Health Centre was entered into with the goal of bringing radiation therapy to Bermuda.

There were threats BHB had to prepare for, such as how the hospital would deal with an Ebola case given an outbreak overseas. Staff participated in the multi-agency airport disaster simulation in December 2015, and there were also crises that had to be managed, such as the passing of Hurricane Joaquin.

The staff and leadership of BHB step up to the plate every year to improve care, introduce new services or processes, manage threats and ensure people in Bermuda can access the services they need through all eventualities. Thank you to all our staff and partners for ensuring the safe delivery of care, every day.

KEMH PATIENT SATISFACTION SURVEY SUMMARY FY2012-2016

The full patient satisfaction results for each area are published on the Quality & Patient Satisfaction page of the BHB website (bermudahospitals.bm/about-us/quality-and-patient-satisfaction/)

The following are the percentage of people who rated the services of the area at 7 out of 10 or above.

Overall Satisfaction Emergency Department

% Satisfied with Overall Service				
2012	2013	2014	2015	2016
88.3	92.9	90.7	92.3	93.2

Overall Satisfaction with Inpatient Units (Maternity, Gosling, Catlin Lindo, Ascendant Partner Re, Ace Barber)

% Satisfied with Overall Service				
2012	2013	2014	2015	2016
88.0	90.8	89.7	90.3	95.3

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

% Satisfied with Overall Service				
2012	2013	2014	2015	2016
94.6	96.0	95.0	95.5	97.0

Overall Satisfaction with Surgical Outpatient Services

% Satisfied with Overall Service				
2012	2013	2014	2015	2016
93.3	96.5	93.1	92.5	97.1

Overall Satisfaction with Mid-Atlantic Wellness Services

% Satisfied with Overall Service				
2012	2013	2014	2015	2016
86.5	71.8	73.7	82.1	83.5

Overall Satisfaction with Long Term Care Services

% Satisfied with Overall Service				
2012	2013	2014	2015	2016
n/a	72.9	82.05	84.2	67.5

2015-16 YEAR IN REVIEW

Accreditation success

BHB maintained its accreditation status following a May 2015 onsite survey with Accreditation Canada. This is a vital standard for BHB to meet and is an assurance of a high-quality service to the people of Bermuda, local insurers and the Government. Four healthcare professionals trained by Accreditation Canada spent a week visiting BHB's facilities to evaluate the organisation's compliance with over 3,000 patient safety standards. These are the same standards hospitals in Canada are tested against, which provides an important overseas benchmark for quality. The Accreditation Canada report detailing the findings of the survey was made public in December 2015, along with letters from the accreditor, all of which were posted on the BHB website.

Maintaining accreditation requires ongoing effort, however, beyond the onsite survey. Reports on hospital improvements, along with evidence, were required to be submitted by October 2016, and BHB was expected to continue meeting standards throughout the four-year accreditation cycle. Maintaining this dialogue with Accreditation Canada is a positive pressure on our hospitals to remain focused on quality every day, between onsite surveys. The next onsite survey was set for 2019. Alongside hospital-wide accreditation, BHB's Pathology Department also maintained specialist accreditation status with Joint Commission International.

Strategic Plan 2016-2021

In the 2015-16 fiscal year, BHB undertook a strategic planning process to identify where BHB aimed to be in five years' time and how it would get there. To ensure the goals and vision addressed community needs and supported the Bermuda Health Plan, extensive outreach was undertaken, with over 300 staff and external stakeholders participating in the process. Over 1,600 comments were collected and a public perception survey was carried out in February. The resulting strategy ensured a focused and collaborative approach to improving quality, controlling costs and providing best value, and working in coordination with the Bermuda health system and overseas providers to optimise patient outcomes and community health.

The strategy was published in June 2016, so will be reported in the 2016-17 Annual Report. A copy of the strategy was made available on the BHB website.

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Acute Care Wing celebrates its first anniversary

In this fiscal year, BHB celebrated its first year of operating the new Acute Care Wing (ACW) and revealed that over the first year, it had decreased the average time that each patient spends in the hospital (length of stay). Chief of Staff Dr Michael Weitekamp spoke to local media about the improvements.

The move to the ACW coincided with a focus on stroke patients. This saw patients improve faster due to the attention of specialised, multidisciplinary stroke teams. The average length of stay for stroke patients was 15 days in April 2015 and 12 days in July 2015, which compared to 28 and 27 days in April 2014 and July 2014 respectively, before the move to the ACW in September 2014. The benefit to the community and patients is better outcomes for stroke patients and a more efficient use of hospital beds.

Figures for the year of operation in the ACW revealed: 3,832 admissions to the acute care wards, up from 3,444 admissions to acute wards in the General Wing in the preceding year; 31,830 patients seen in the Emergency Department; 7,408 chemotherapy treatments; 11,548 surgeries; 22,340 dialysis treatments; 3,236 MRIs; 6,340 ultrasound scans; 9,902 CT scans; and 28,271 X-rays.



New Spectra Optia therapeutic apheresis machine

Bermuda's sickle cell patients benefited from a new machine, which can extract and filter their blood. The Spectra Optia is a therapeutic apheresis machine and was purchased with a \$25,000 donation from the Bermuda Sickle Cell Association.

"The therapeutic apheresis machine can extract red blood cells, white blood cells, platelets or plasma and simultaneously replace the removed components with the required product when necessary," said BHB Consultant Haematologist Dr Eyitayo Fakunle. "It's a wonderful machine."

Adrian Warner, treasurer of the Bermuda Sickle Cell Association, has the condition and said the machine had already improved his life. "It drastically reduces the amount of time a patient has to undergo transfusion," he said. "Usually it took four to six hours for a manual partial red cell exchange treatment, but with the new machine a full red cell exchange is finished in 90 minutes. This means a larger volume of my blood is being processed and so the number of treatments I require has been reduced. I used to come in once a month, but now it's every six to eight weeks."

The new service also represents a cost savings over having to use extremely expensive medications to counter side effects like iron overload, which in the long term cause even more expensive damage to organs.

While those suffering with sickle cell anaemia will likely be the bulk of patients who use the machine, it can also be used to treat other blood disorders.

Photographed at the launch were (from left): Adrian Warner; Dr Eyitayo Fakunle, Consultant Haematologist; Scott Pearman, Chief Operating Officer; and the Hon. Jeanne Atherden JP MP, Minister of Health.



Peritoneal (home) dialysis

The peritoneal dialysis service at BHB was launched, and by the end of this fiscal year had four patients. For eligible dialysis patients, peritoneal dialysis enables individuals to manage their own dialysis at home at times convenient to them. It is a lower cost alternative to dialysis in a hospital, and it frees an individual from spending hours at the hospital for dialysis treatment several days a week, which can interrupt daily life and can be detrimental to an individual continuing to work.

Cancer services

A new oncologist and a new partnership with Bermuda Cancer and Health Centre to bring radiation therapy to Bermuda helped enhance and stabilise local services. Dr Christopher Fosker joined Director of Oncology Dr Sein Aung in 2015, improving access to specialists on island. Dr Fosker is also trained as a radiation oncologist. He is employed half time by Bermuda Cancer and Health Centre to support their radiation therapy service. BHB also agreed to provide specialist CT imaging to support the radiation service, an example of a solid partnership working to improve local healthcare.



Mental health services

In this fiscal year, BHB experienced an increase in the number of referrals to its adult mental health services. In 2010 there were 300 patients being seen at the MWI Acute Care Clinic for adults, which is the main referral site to MWI programmes. By December 2015, this number had increased 137% to 711 patients.

During this time, MWI also experienced inflationary rises in the costs of drugs, equipment and utilities. The MWI grant had not increased since 2010 due to the lack of available Government funds. In fact, the grant was reduced by \$1 million in 2012/13, although an additional grant was provided in 2015 to replace the MWI sewage treatment plant system, which made a big difference to the surrounding community.

Staff remain highly committed to serving the needs of vulnerable groups, despite intense pressure on resources. Security has also been strengthened on the site due to the open nature of the campus. Finally, the annual MindFrame PhotoVoice Exhibition took place at the Bermuda Society of Arts as part of a wider Mental Health Awareness Week promotion. This year included collaborations with WindReach with archery art, and with the Bermuda Audubon Society, which donated bird boxes for artists to design and paint. The MindFrame PhotoVoice programme has a great therapeutic benefit for participants, who engage in various art and photography activities throughout the year, and it provides a healthy community outreach to help address stigma. Pictured below is the opening night of the MindFrame PhotoVoice exhibition.



Consultant psychiatrist peer review

The consultant psychiatry team focused on improving quality of care and on learning opportunities in the current fiscal year. Consultant peer reviews were conducted in April and October 2015 respectively, providing a low-cost of way of improving the quality of services paid for by the MWI grant.

Learning Disability Programme

The Learning Disability Programme is funded through the same MWI grant and so experienced similar pressures on resources. The department welcomed Clinical Psychologist Dr Alick Bush in March 2015 to provide clinical coverage for the programme. His extensive specialist experience in learning disabilities has enhanced clinical care and staff training. As an example of one new initiative, the team delivered a series of five-day workshops to all staff in the group homes and New Dimensions during fall 2015 under Dr Bush's leadership.



Continuing Care Service

The Continuing Care Service is partially funded by a \$10 million Government grant, with BHB paying for any costs over that amount. This service has historically been provided from an aging building on Point Finger Road (the Continuing Care Unit or CCU). Following extensive damage from Hurricane Gonzalo in October 2014, residents had to be cared for temporarily in the vacated Emergency Department in the General Wing. Rather than take on the cost of repairs to the aging CCU facility, BHB decided to move the service to the fourth floor of the General Wing. This area was vacated following the opening of the Acute Care Wing, so this provided an opportunity for BHB to consolidate its care services into a smaller footprint to save on costs.

Residents were moved to the fourth floor in April 2015 after refurbishments were carried out. It is a younger part of the hospital facility and residents now benefit from a higher quality environment.

There is a maintenance cost to keeping vacated buildings safe. In order to eliminate these costs, both the CCU facility and the Queen Elizabeth Nurses Residence (QENR), which had been vacant for some years, were demolished. The savings for demolishing CCU alone are in excess of \$1 million per year. The demolition did not affect the chapel section of the old hospital building.



New clinical porter service

Four clinical porters were hired for a new service at KEMH, forming a dedicated team to transport patients between departments and units. Previously, this function was undertaken by nursing, auxiliary and diagnostic imaging staff. The new model allows nursing staff to spend more time in patient care areas, helping decrease the wait time for patients who want to speak to their nurses and focusing clinical staff where their expertise is most needed. Porters not only transfer patients between departments, but escort patients to the door when discharged, deliver medical records and transport medical equipment. Pictured are three of the four clinical porters.



Patient Meals: Faster, healthier and more accurate

About 200 trays are assembled at KEMH for every meal – breakfast, lunch and dinner. A new B-Lean system introduced in the Dietary Department this fiscal year saw the total time for meal assembly reduce by 36% for breakfast, 20% for lunch and 26% for dinner. The new system also increased accuracy in filling patient orders, which translates to better patient care, and the ergonomic design protects the health and safety of staff.

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Ebola planning

BHB worked closely with the Chief Medical Officer and other Department of Health staff to prepare a response for any potential Ebola cases in Bermuda. Ensuring BHB could respond appropriately required a significant investment in equipment, such as protective clothing, as well as training for clinical staff and detailed response plans. This obviously added costs for equipment and resources that were thankfully not required.

Disaster response

Hurricane Joaquin, which passed by the island in October 2015, did not cause extensive damage but did require the hospitals to go on a precautionary partial lockdown. This ensured the sustainability of hospital services throughout the storm. The Hospital Incident Command Centre was activated at 2pm the day before and stood down at 7am the next morning.

BHB supported the Americas Cup World Series event in October 2015 by staffing an advance medical post, which was set up in case of a mass casualty event. BHB also tested a full response as part of the airport disaster simulation in December. Volunteers played the part of victims of an airline crash and were ‘treated’ in Emergency, ICU and Surgery.

As Bermuda’s only hospitals, BHB has a national responsibility to maintain services and test its ability to respond to major disasters. These actual events and training events have costs attached to them, but they are critical in ensuring Bermuda’s mental health and medical acute care services are always ready to respond.





Public access to information

By the end of this fiscal year, BHB had received seven inquiries since the Public Access to Information (PATI) law came into effect on 1 April 2015. Three did not require a PATI response because the information was already available to the public. While PATI enables any individual to request data about BHB services, BHB regularly provides statistics to the community about its services. It provides an annual listing on its website and, in July 2015, BHB held the first Hospitals Week in many years, which focused on statistics about services.

Working towards financial sustainability (Modernisation Project)

BHB took a number of steps over the three years preceding this fiscal year to reduce costs, including budget cuts, senior management restructuring and contract reviews. A key goal was to ensure BHB could take on the monthly costs of the new Acute Care Wing without additional fee rises that would drive up national healthcare costs, nor grants that would pressure the public purse. This was achieved.

Salary and vacancy freezes, along with postponing some maintenance projects, helped BHB meet its financial obligations over the short term. For recurrent savings that would help longer term stability, a BHB-wide Modernisation Project was established.

Actions taken in this fiscal year included:

- BHB's Pathology Department (pictured right) offered tests that were previously only available overseas. This benefitted patients who received their results faster as well increasing revenue at BHB without adding to national healthcare costs, as the tests would have been carried out and paid for whether or not BHB offered them.
- A restructure of the IT department reduced the number of required positions by four.

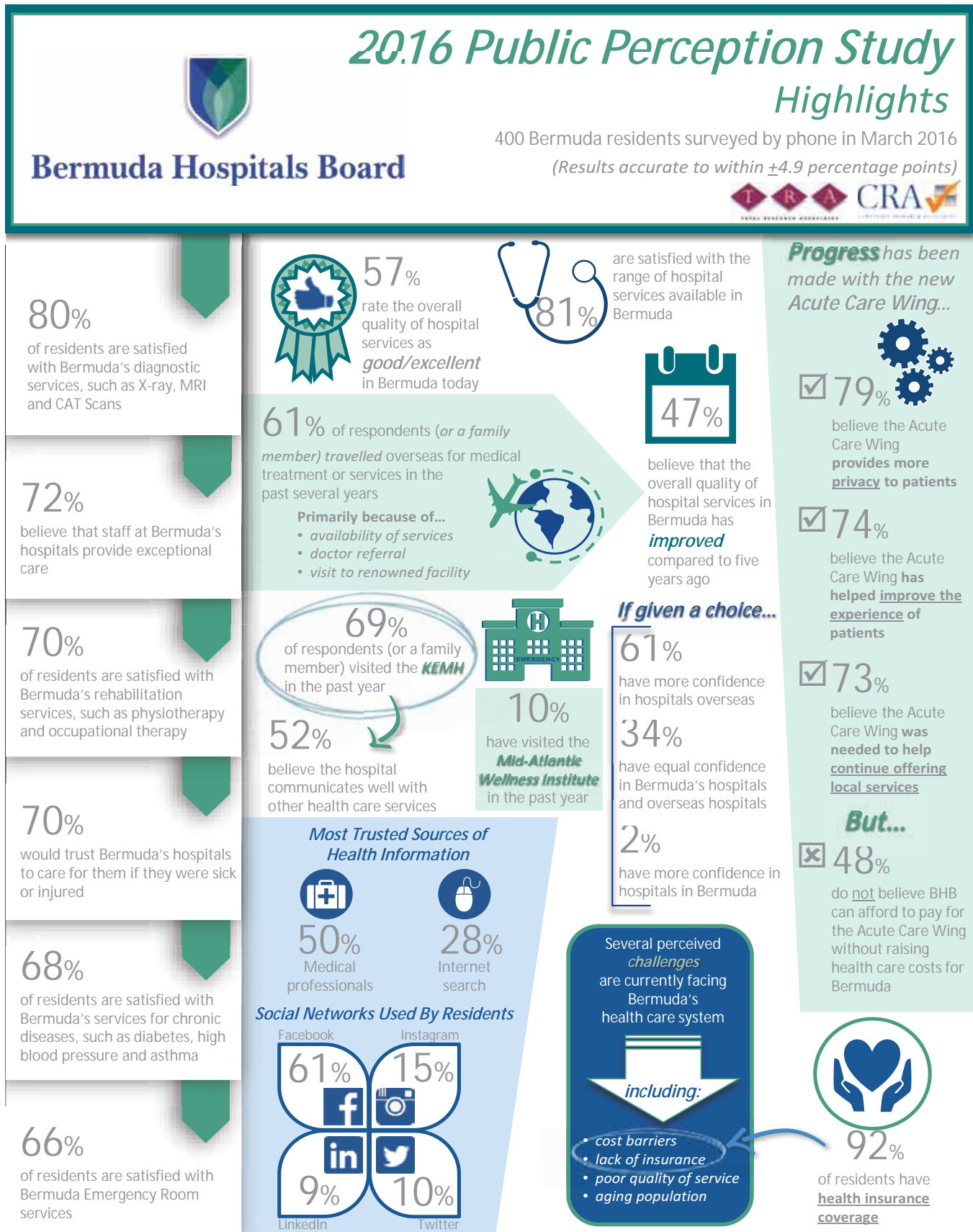


- A voluntary employee retirement programme was introduced, offering staff who were between 55 and 64 on 1 April 2016 the opportunity to retire prior to 65. Positions that were vacated were not automatically filled, but went through a business case process.
- Effective 1 April 2016, retirement benefits were reduced for people retiring with less than 20 years' service. From 1 April 2021 the reduced benefit will apply to all staff. BHB also ended the benefit to staff of paying a 6% contribution, balanced by the employees' 4%. This was adjusted to 5% and 5% on 1 April 2016, in line with legislation.



Public perception survey

A public perception survey was completed in 2016, gauging public views on the hospitals and their services.



A YEAR IN PICTURES

MAY 2015 – BHB midwives celebrate International Day of the Midwife



MAY 2015 – Americas Cup Oracle Team USA Captain, Jimmy Cahill, visits the ACW for a CT scan of an injury, filmed by CNN. The US team trained in Bermuda ahead of the 2017 Americas Cup



JUNE 2015 – The Government Accountant General's Department is awarded Corporate Blood Drive Winner of the Year



JULY 2015 – The Continuing Care Unit holds a Cup Match party for residents, kindly sponsored by Endurance



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AUGUST 2015 – BHB summer students gathering



SEPTEMBER 2015 – New wall art in Gosling (Children's) Ward



OCTOBER 2015 – Mental Health Awareness Week focuses on Dignity in Mental Health



NOVEMBER 2015 – BHB holds a careers fair in November 2015, inviting school children to learn more about careers at both hospitals in support and administrative, as well as clinical, areas



NOVEMBER 2015 – Free health screenings are offered by the Diabetes Respiratory Endocrine and Metabolism Centre team

NOVEMBER 2015 – Ethics Awareness Week focuses on long-term care and includes local radio interviews



DECEMBER 2015 – BHB's staff gym opens at Carrick House (the old dialysis unit)



JANUARY 2016

– Daisy the turtle gets surgery at KEMH



FEBRUARY 2016

– the Queen Elizabeth Nurses Residence (QENR) is demolished. Opened in 1960 to house overseas nurses working at the hospital, QENR had aged and become difficult to maintain.



MARCH 2016 – MWI staff celebrate World Book Day by reading to children



MARCH 2016 – The Diabetes Respiratory Endocrine and Metabolism Centre team hold a public talk and interviews with Dr Michael Vallis



DONATIONS TO BHB

Kiwanis donates to Maternity



Endurance gives Christmas presents to CCU



Dr Bill Cooke donates artwork for the Oncology waiting room in memory of his wife



BHB STAFF DONATIONS TO CHARITIES

Human Resources donates to PRIDE



General Wing 5th floor staff donate to the Women’s Resource Centre



BHB’s Materials Management team purchased a brick as part of Bermuda Hospitals Charitable Trust’s fundraising campaign for the ACW

BHB Variety Show donates to the Bermuda Hospitals Charitable Trust



BHB Employee Compensation Report for 2015/16

LEVELS	Notes	Base Pay Range	Total Compensation ²	Total Cost ³
BIU	This group includes Nursing Aides, and nonmanagement staff in support departments including Environmental Services, EMT's, Facilities, Dietary, and Laundry. Salaries are negotiated every two years with the BIU.	\$42,600 to \$88,400	\$42,600 to \$102,000	\$46,500 to \$115,700
BPSU	This group includes Managers, Clinical Directors, staff in support departments such as HR, IT, Finance, Materials Management, Procurement and Health Information Management Services, and health care professionals, including Medical & Surgical Residents, Psychiatrist, Registered Nurses, Allied Health Professionals ¹ , Pharmacists, Pathology staff, Diagnostic Imaging Technicians. Salaries are negotiated every two years with the BPSU.	\$44,100 to \$221,800	\$44,200 to \$244,600	\$53,700 to \$265,300
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 2014/15.	\$53,300 to \$317,100	\$53,300 to \$327,500	\$63,800 to \$362,900
Physicians	This group includes all physicians employed by BHB (except Medical Resident, Psychiatrist and Surgical Resident physicians which are included under BPSU). Physician salaries and compensation are determined by the Chief of Staff.	\$199,000 to \$476,000	\$201,500 to \$694,700	\$213,700 to \$742,500
Executive	This group includes Chiefs and Vice Presidents. Changes to salaries and compensation were made with the oversight of Board subcommittees or the Chairman during this period. There was no performance pay for this group in 2015/16.	\$142,300 to \$468,200	\$142,300 to \$470,000	\$158,300 to \$504,200

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 years movement in leave pay provision, Social insurance payments, health insurance payments, payroll tax and pension deductions.
4. In 2015/16, the CEO received base Pay of \$468,172, total compensation of \$469,979 and the CEO's total cost to BHB is \$504,179, There was no performance pay (which was suspended for Executives) nor housing benefit for this position. In 2015/16, eleven (11) positions received total compensation in excess of the Chief Executive Officer.

Assumptions

- Salary data ranges were correct as of 31 March 2016.
- The above is based on employees who worked more the 1560 hours during the year.
- All employees receive the same pension, health and life insurance benefits.

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL

APRIL 2013 - MARCH 2014

APRIL 2014 - MARCH 2015

APRIL 2015 - MARCH 2016

INPATIENT - *GENERAL WING

Beds	217	196	79
Patient Days	52,027	36,365	7,464
Discharges (incl. Deaths)	6,030	3,694	1,955
Length of Stay	8.6	9.8	2.5
Births	617	573	584
Percentage of Occupancy	67%	51%	26%

INPATIENT - **NEW ACUTE CARE WING - OPENED 14 September 2014

Beds	-	90	90
Patient Days	-	15,608	28,551
Discharges (incl. Deaths)	-	2,042	3,926
Length of Stay	-	6.9	6.7
Percentage of Occupancy	-	87%	87%

CONTINUING CARE UNITS - UPPER & LOWER

Beds	121	121	97
Patient Days	37,515	28,011	606
Discharges	71	42	1
Length of Stay	528.4	666.9	60.6
Percentage of Occupancy	85%	63%	26%

CONTINUING CARE UNITS - COOPER & PERRY WARD

Beds	-	-	68
Patient Days	-	-	21,643
Discharges	-	-	27
Length of Stay	-	-	216
Percentage of Occupancy	-	-	89%

HOSPICE

Beds	9	9	8
Patient Days	1,991	2,054	2,071
Discharges	105	145	112
Length of Stay	19	13.6	18.3
Percentage of Occupancy	68%	63%	71%

ALL PATIENTS

Emergency Dept. Visits - KEMH	32,538	31,968	31,594
Lamb Foggo Urgent Care Centre Visits	4,617	4,560	4,880
Operations (Inpatients) & (SDA)	1,762	1,745	994
Operations (Outpatients)	5,882	6,275	6,339
Physiotherapy (units) (Inpatients)	28,963	22,602	11,517
Physiotherapy (units) (Outpatients)	17,390	20,628	17,063
Physiotherapy (units) (CCU)	1,289	674	238
X-Ray Exams (In & Out)	29,753	28,158	29,571
Laboratory (Thousand Units)(In & Out)	3,311,405	3,103,340	3,111,707

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - KING EDWARD VII MEMORIAL HOSPITAL cont'd

Cardiac Investigations (ECG & EEG)(In & Out)	10,678	9,220	9,865
Ultrasound Exams(In & Out)	6,681	5,997	6,966
Nuclear Medicine (In & Out)	773	664	692
Chemotherapy Treatments (Outpatients)	2,494	2,198	2,940
Cat Scans (In & Out)	9,972	9,783	10,969
MRI (In & Out)	3,496	3,019	3,520
Occupational Therapy (units)(Inpatients)	9,182	6,779	5,066
Occupational Therapy (units)(Outpatients)	3,380	2,985	3,570
Occupational Therapy (units) (CCU)	2,492	660	91
Speech/Language Pathology (Inpatient)	7,668	6,339	7,001
Speech/Language Pathology (Outpatient)	1,330	797	1,122
Speech/Language Pathology (CCU)	470	798	3,552
Hyperbarics patients	22	19	26
Hyperbarics treatments	157	146	212
Wound care patients	2155	1987	2,008
Wound care treatments	7300	6496	6,379
Rehab Day Hospital - new patients	226	239	219
Rehab Day Hospital - # of clients	733	733	869
Rehab Day Hospital - # of discharges	126	184	199
Home Care visits	4066	5038	3,749
Blood donations	1769	1716	1711

*PLEASE NOTE:

Curtis ward - Private beds decreased from 3 to 1 bed as of October 2013

Curtis ward - Semi-Private beds decreased from 20 to 16 beds as of October 2013

Perry ward - Private beds decreased from 3 to 1 bed as of October 2013

Perry ward - Semi-Private decreased from 20 to 16 beds as of October 2013

Maternity ward - Semi-private decreased from 12 to 10 as of 3 January 2014

Maternity ward - Public ward decreased from 8 to 7 as of 3 January 2014

*Perry and Cooper wards - 68 beds - no longer operational as of 14 September 2014

**New Acute Care Wing - 90 beds - opened 14 September 2014

Continuing Care Upper changed to CCU Upper Cooper ward - effective 7 April 2015

Continuing Care Lower changed to CCU Lower Perry ward - effective 14 April 2015

Hospice bed count decreased from 9 beds to 8 beds as of 1 February 2016

BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

STATISTICAL ANALYSIS - MID-ATLANTIC WELLNESS INSTITUTE

APRIL 2013-MARCH 2014 APRIL 2014-MARCH 2015 APRIL 2015-MARCH 2016

INPATIENT - ACUTE CARE

Beds	23	23	23
Discharges (including deaths)	219	211	191
Length of Stay	13	14	15
Admissions	218	217	199
Percentage of Occupancy	63%	69%	73%
Patient Days	5,320	5,795	6,213

LONG TERM & - REHABILITATION

Beds	58	41	40
Discharges (excl. deaths)	54	39	43
Patient Days (excl. respite)	13,004	12,994	13,789
Length of Stay	269	334	321
Deaths	0	1	3
Transfer from Acute	N/A	N/A	N/A
Percentage of Occupancy	62%	87%	88%
Average Years of Stay of Deaths	0	409 days	412 days

TURNING POINT (SUBSTANCE ABUSE - DETOX UNIT)

Beds	8	8	8
Discharges	91	89	111
Patient Days	1,145	1,024	1,239
Length of Stay	13	12	11
Admissions	91	89	110
Percentage of Occupancy	39%	35%	42%

CHILD & ADOLESCENT SERVICES (CAS)

Beds	4	4	4
Discharges	12	16	12
Patient Days	148	249	198
Length of Stay	12	14	16
Admissions	13	15	11
Percentage of Occupancy	10%	17%	14%

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	312	308	463
Total No. of Re-Admissions / Referrals	111	101	159
Total No. of Follow-up appointments	5,042	4,562	4,799
Total No. of Day Patients Visits	13,208	11,683	13,217
Total No. of walk-in / unscheduled Visits	11,088	10,054	10,982
Total No. of DNA to scheduled Appointments	1,474	1,324	1,535
Total No. of T.O.P's	122	38	24
Total No. of Home Visits	6,729	6,411	6,682



Bermuda Hospitals Board

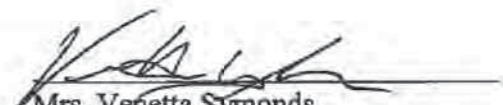
Management's Responsibility for the Consolidated Financial Statements


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

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

The Bermuda Hospital Board's board members through the Audit and Risk Committee, is responsible for ensuring that management fulfils its responsibility for financial reporting and internal controls. The Audit and Risk Committee meets periodically with management to discuss matters relating to financial reporting, internal control and audits. The Audit and Risk Committee also reviews the 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.


Mrs. Verietta Symonds
Chief Executive Officer and President


Mr. William Shields
Chief Financial Officer

February 11, 2020



Office of the Auditor General

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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, 2016, 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.

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, 2016, 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.

Hamilton, Bermuda
February 11, 2020

Heather Thomas, CPA, CFE, CGMA
Auditor General

BERMUDA HOSPITALS BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

	2016	2015
		As restated (Note 25)
ASSETS	\$	\$
Current assets		
Cash (Note 24)	84,391,108	58,639,030
Term deposits (Note 24)	22,020,210	21,959,751
Restricted cash, term deposits and investments (Notes 4 & 24)	2,459,140	3,708,326
Accounts receivable (net of allowance for doubtful accounts) (Notes 15 & 19)	25,762,762	9,211,866
Other receivables (Notes 15 & 19)	1,625,944	2,949,687
Prepaid expenses	2,017,121	2,060,539
Inventories	8,625,273	7,653,371
	146,901,558	106,182,570
Non-current assets		
Capital assets (Note 10)	481,504,039	492,414,501
Term deposits	1,469,498	1,440,754
Other investments (Note 5)	1,414,619	1,411,684
	484,388,156	495,266,939
Total assets	631,289,714	601,449,509
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9, 15, 19 & 24)	17,628,147	21,829,767
Accrued salary and payroll expenses (Notes 9 & 15)	30,986,190	22,932,290
Current portion of long-term debt (Notes 7a & 19)	1,071,900	1,024,234
Current portion of other liability (Note 7b, 19 & 26)	3,725,719	3,289,761
Current portion of deferred capital contributions (Notes 8 & 24)	2,496,714	3,500,325
	55,908,670	52,576,377
Long-term liabilities		
Long-term debt (Notes 7a & 19)	2,583,334	3,653,952
Other liability (Note 7b, 19 & 26)	280,604,304	284,307,662
Deferred capital contributions (Notes 8 & 24)	54,528,352	54,853,259
Pension accrual (Note 9a)	4,453,167	4,967,618
Accrued health insurance (Note 9b & 25)	43,622,688	43,748,197
	385,791,845	391,530,688
Total liabilities	441,700,515	444,107,065
Net assets (Notes 11, 20 & 25)		
Invested in capital assets	437,458,819	444,870,231
Internally restricted for Acute Care Wing	-	41,432,371
Internally restricted for education	349,213	266,883
Deficit	(248,332,538)	(329,329,003)
	189,475,494	157,240,482
Accumulated remeasurement gains	113,705	101,962
	189,589,199	157,342,444
Total liabilities and net assets	631,289,714	601,449,509
Contractual obligations and contingencies (Notes 16 & 17)		

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, 2015

	2016 Budget (Note 22)	2016	2015 As restated (Note 25)
	\$	\$	\$
REVENUES (Note 21)			
Outpatient (Note 15)	154,845,384	166,107,312	152,615,259
Inpatient (Note 15)	88,329,584	97,752,180	96,443,689
Government grants (Note 15)	47,913,501	47,634,971	37,464,000
Extended care unit (Note 12)	10,000,000	9,765,747	12,461,775
Amortisation of deferred capital contributions (Note 8)	1,800,000	3,500,325	2,013,484
Non-medical (Note 15)	3,683,131	2,571,691	3,065,802
Interest income		332,675	64,969
Donations in kind (Note 18)	-	287,684	568,593
Claims in excess of cap threshold (Note 12)	-	-	(2,461,775)
Total revenues	<u>306,571,600</u>	<u>327,952,585</u>	<u>302,235,796</u>
EXPENSES (Note 21)			
Salaries and employee benefits (Notes 9 & 15)	173,055,079	180,352,612	170,476,035
Medical supplies	24,039,139	28,904,426	26,562,166
General supplies and services (Note 18)	32,897,428	28,329,419	30,870,725
Interest (Note 7)	21,000,000	19,529,792	9,745,391
Amortisation of capital assets	20,815,030	17,037,486	15,095,126
Repairs and maintenance	18,160,293	15,075,599	11,405,461
Utilities	11,644,326	9,612,565	9,951,656
Food	2,923,425	2,904,797	2,996,873
Business social cost (Note 13)	-	502,710	163,100
Scholarships issued	-	65,000	124,000
Realised loss on sale of other investment (Note 5)	-	-	493,965
Impairment of other investment (Note 5)	-	-	399,990
(Gain) loss on disposal of capital assets	-	(1,275)	66,479
Accrued health insurance gain (Notes 9 & 25)	-	(125,509)	(10,981,743)
Bad debt (recovery) expense	1,289,432	(6,470,049)	5,627,226
Total expenses	<u>305,824,152</u>	<u>295,717,573</u>	<u>272,996,450</u>
Excess of revenues over expenses	<u>747,448</u>	<u>32,235,012</u>	<u>29,239,346</u>

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, 2016

	2016				
	Invested in capital assets	Internally restricted for Acute Care Wing	Internally restricted for education	Deficit	Total
Net assets	\$	\$	\$	\$	\$
Balance, beginning of year	444,870,231	41,432,371	266,883	(329,329,003)	157,240,482
Excess (deficiency) of revenues over expenses	(13,537,161)	(41,432,371)	82,330	87,122,214	32,235,012
Net change in investment in capital assets	6,125,749	-	-	(6,125,749)	-
Balance, end of year	437,458,819	-	349,213	(248,332,538)	189,475,494

	2015				
	Invested in capital assets	Internally restricted for Acute Care Wing	Internally restricted for education	Deficit	Total
Net assets	\$	\$	\$	\$	\$
Balance, beginning of year as previously reported	317,371,887	41,432,371	298,839	(214,498,726)	144,604,371
Prior year error (Note 25)	-	-	-	(16,089,815)	(16,089,815)
Balance, beginning of year - as restated	317,371,887	41,432,371	298,839	(230,588,541)	128,514,556
Excess (deficiency) of revenues over expenses (Note 25)	(13,081,642)	-	(31,956)	42,352,944	29,239,346
Opening balance adjustment	-	-	-	(513,420)	(513,420)
Net change in investment in capital assets	140,579,986	-	-	(140,579,986)	-
Balance, end of year	444,870,231	41,432,371	266,883	(329,329,003)	157,240,482

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, 2016

	2016		
	Internally restricted for education	Unrestricted Net assets	Total
	\$	\$	\$
ACCUMULATED REMEASUREMENT GAINS			
Balance, beginning of year	76,472	25,490	101,962
Unrealised losses attributable to equity instruments	8,808	2,935	11,743
Balance, end of year	85,280	28,425	113,705

	2015		
	Internally restricted for education	Unrestricted Net assets	Total
	\$	\$	\$
ACCUMULATED REMEASUREMENT GAINS			
Balance, beginning of year	161,378	53,792	215,170
Unrealised losses attributable to equity instruments	(84,906)	(28,302)	(113,208)
Balance, end of year	76,472	25,490	101,962

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, 2016

	2016	2015
		As restated (Note 25)
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	32,235,012	29,239,346
Amortisation of capital assets	17,037,486	15,095,126
(Gain) loss on disposal of capital assets	(1,275)	66,479
Realised loss on sale of other investment	-	493,965
Impairment of other investment	-	399,990
Amortisation of deferred capital contributions	(3,500,325)	(2,013,484)
Bad debt recovery (expense)	6,470,049	(5,627,226)
Interest income	(332,675)	(64,969)
Interest expense	19,529,792	9,745,391
Unrealised gain (loss) on investments	11,743	(113,208)
Net change in non-cash working capital (Note 23)	(19,413,366)	4,436,369
Open balance adjustment	-	(513,420)
Net cash flows from operating activities	52,036,441	51,144,359
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	(6,125,749)	(140,579,986)
Deferred capital contributions	2,171,807	24,652,614
Net cash used in capital activities	(3,953,942)	(115,927,372)
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in investments	(31,679)	649,442
Interest income received	332,675	64,969
Net cash flows from investing activities	300,996	714,411
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of other liability	-	71,207,619
Repayment of long-term debt	(1,022,952)	(976,669)
Repayment of other liability	(3,267,400)	(2,516,652)
Interest paid	(19,529,792)	(9,745,391)
Repayment of capital leases	-	(17,903)
Net cash flows (used in) from financing activities	(23,820,144)	57,951,004
Net increase (decrease) in cash and cash equivalents	24,563,351	(6,117,598)
Cash and cash equivalents, beginning of year	84,307,107	90,424,705
Cash and cash equivalents, end of year	108,870,458	84,307,107
Cash and cash equivalents consist of the following:		
Cash	84,391,108	58,639,030
Term deposits	22,020,210	21,959,751
Restricted cash, term deposits and investments	2,459,140	3,708,326
	108,870,458	84,307,107

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

1. AUTHORITY AND ORGANISATION

a. Authority

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

b. Organisation

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

KEMH is an inpatient acute care and extended care hospital with 90 acute care beds (2015: 90 beds) and 205 general and continuing care beds (2015: 256 beds).

MWI is a psychiatric facility with 4 beds for children and adolescents and 71 long-term rehabilitation beds (2015: 93 beds).

BHB incorporated HPL in accordance with Section 62(2) of the Companies Act 1981 on September 24, 2008. HPL was created as a holding company to provide a vehicle for BHB 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. In Bermuda, the objective is for HPL to close gaps and increase efficiencies in the healthcare market that would not otherwise exist when the public and private sector act in isolation. HPL issued 10,000 common voting shares with a par value of \$1 per share, to BHB on October 23, 2008.

On April 29, 2010, HPL purchased 60% of the shares in Ultimate Imaging Ltd. (“UIL”), a company providing diagnostic imaging services in Bermuda. The investment in UIL was disposed of on March 31, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the Public Sector Accounting Standards (“PSAS”) for government not-for-profit organisations (“GNFPOs”) issued by the Canadian Public Sector Accounting Board (“PSAB”).

For financial reporting purposes, BHB is classified as a GNFPO and has adopted accounting policies appropriate for this classification. The policies considered significant are as follows:

a. Principles of consolidation

These consolidated financial statements include the accounts of BHB and its 100% owned subsidiary, HPL. All balances and transactions between the entities have been eliminated upon consolidation.

b. Other investments

BHB’s investment in UIL, of which it owned 60% of the outstanding voting shares, was accounted for by the equity method due to the fact that BHB did not exercise control over UIL as a result of certain special voting rights held by the other shareholders. Under this method, the investment was initially recorded at cost and was adjusted for the proportionate share of any post acquisition earnings and by any post acquisition losses and dividends received. The investment in UIL was disposed of on March 31, 2015.

On October 14, 2011, BHB 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. The investment in MRP is accounted for using the cost method due to the fact that BHB does not have significant influence over the strategic operations and financing policies of this company. On November 28, 2017, BHB 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 (see Note 27 - Subsequent Events).

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

c. Revenue recognition

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

Unrestricted contributions and pledges are recognised as revenue when received or receivable if the amount 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 revenue is recognised.

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

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

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 consolidated statement of remeasurement gains and losses until they are realised, then they are transferred to the consolidated statement of operations.

d. Capital assets and leases

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

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

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

Land	Nil years	(0.0%)
Buildings	40 years	(2.5%)
ACW building under PPP agreement	60 years	(1.7%)
Equipment	10 years	(10.0%)
Software	5 years	(20.0%)
Computer equipment	5 years	(20.0%)

Capital assets are subject to an impairment review if the carrying amount may not be recoverable. The recoverable amount of an asset is calculated as the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the consolidated statement of operations. The ACW building is amortised over the estimated useful life of the building of 60 years (2015: 40 years) as outlined in Note 2k – Significant Accounting Policies.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

d. Capital assets and leases (cont'd)

There were no capital leases and assets under construction as at March 31, 2016 (2015 - \$nil).

e. Cash and cash equivalents

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

f. Inventories

Inventories consisting of general stores, medical stores, pharmacy, orthopedic supplies, and stationery are valued at the lower of cost, using the weighted average method of accounting, and net realisable value. Operating room inventories are valued at the lower of cost, using the first-in first-out ("FIFO") method of accounting, and net realisable value. An allowance is provided where inventory is considered obsolete.

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 at fair value on initial recognition. Subsequently financial instruments are recorded at either fair value, 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 consolidated statement of remeasurement gains and losses until they are realised, then they are transferred to the consolidated 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 consolidated 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 consolidated 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, long-term debt, other liability, pension accrual and accrued health insurance are initially recognised at cost and subsequently carried at amortised cost using the effective interest rate method, less any impairment losses on financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

h. Financial instruments (cont'd)

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

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

i. Employee future benefits

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

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

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

- The cost is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees, expected remaining life and expected health care costs.
- No plan assets are maintained by BHB.
- 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 (2015: nil years). The average remaining service life of the active employees covered by the health benefit plan is 9.3 years (2015: 9.4 years).

j. Employee health insurance plan

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

The cumulative deficit or surplus as set out in the agreement, incorporates the net premium, incurred claims, interest and administration charges. BHB is liable for any deficit incurred by the plan. The cumulative surplus allocated to BHB shall be available to BHB, to fund transactions which benefit its employees who are insured under the health insurance plan. The cumulative surplus may also be carried forward to the next period or transferred to a Human Resources Benefits Fund. BHB elected to carry the balance forward to the following financial year.

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

k. Acute Care Wing PPP Agreement

After a competitive bidding process, on December 1, 2010 BHB entered into a Public Private Partnership ("PPP") Agreement ("Agreement") with Paget Health Services ("PHS") to develop the new Acute Care Wing ("ACW") (the "Project").

Under the terms of the Agreement, PHS has the responsibility to design, build, finance, operate and maintain the ACW for a period of 30 years from the date the Agreement commences. The ACW construction commenced in December 2010 and on September 14, 2014, ACW became available for operations. Under the terms of the Agreement, BHB retains ownership of the ACW.

PHS has raised finance through senior debt and equity. Commencing June 1, 2014, BHB started paying a

BERMUDA HOSPITALS BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

k. Acute Care Wing PPP Agreement (cont'd)

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. These contractual obligations have been disclosed in Note 16b – Contractual Obligations: Acute Care Wing.

The ACW is recorded at cost which is considered to represent its fair value. The ACW cost includes development and financing costs estimated at fair value, which required the extraction of cost information from the financial model embedded in the Agreement. Interest during construction was also included in the ACW cost and was calculated on the ACW repayment schedule. The interest rate used was the project internal rate of return. BHB has capitalized these costs within the land and buildings category of its capital assets (See Note 10 – Capital Assets). Correspondingly, a liability, net of the contributions received, was recorded as Other liability. The liability is being met via the monthly payments over the term of the Agreement. These costs are detailed in Note 7b – Other liability. The Other liability represents the unpaid obligation related to costs incurred by PHS, for the ACW construction. The Other liability does not represent the future commitments for annual service payments which are not yet “due”.

On September 14, 2014, ACW became available for operations and amortisation commenced. The ACW building is amortised over the estimated useful life of the building of 60 years (2015: 40 years). After taking into consideration the 30 year building maintenance contract, it was decided to increase the estimated useful life of the building to 60 years with effect from April 1, 2015.

BHB paid \$40 million as a service commencement payment to PHS on June 1, 2014 under the terms of the Agreement. This service commencement payment was capitalized as part of the cost of ACW, and is reflected in Note 10 – Capital Assets as part of land and buildings.

In 2011, the Bermuda Hospitals Charitable Trust (“BHCT”) launched the campaign “Why it Matters” to raise the \$40 million required to be paid in 2015. The BHB received \$25 million from BHCT and the difference was paid from the BHB’s own resources. The table below outlines the impact of the Agreement as at March 31:

Consolidated Statement of Financial Position

	2016	2015
Capital assets – land and buildings (ACW PPP Agreement)		
Cost	\$ 337,251,486	\$ 337,251,486
Accumulated amortisation	(8,866,730)	(3,245,872)
Net book value	<u>\$ 328,384,756</u>	<u>\$ 334,005,614</u>
Other liability	\$ 284,330,023	\$ 287,597,423

Consolidated Statement of Operations

	2016	2015
Repairs and maintenance expense	\$ 3,504,065	\$ 2,174,918
Interest expense	19,342,526	9,112,200
	<u>\$ 22,846,591</u>	<u>\$ 11,287,118</u>

BERMUDA HOSPITALS BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

l. Measurement uncertainty

The preparation of consolidated financial statements in conformity with PSAS for GNFPs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates include the estimated useful lives of capital assets, bad debt allowance, amounts to settle retirement obligations, contingent liabilities, accruals and future cost to settle employee benefit and health insurance plan 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.

m. Related parties

Related parties are identified as entities under the common control or shared control, directly or indirectly of the Government of Bermuda (the "Government"), entities in which BHB has shareholding with significant influence and key management personnel. BHB enters into transactions with these entities in the normal course of business and transactions and balances due to/from related parties are disclosed separately.

3. ECONOMIC DEPENDENCE

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

4. RESTRICTED CASH, TERM DEPOSITS AND INVESTMENTS

	2016		2015	
Restricted cash	\$	2,265,372	\$	3,523,366
Restricted investments		193,768		184,960
	\$	<u>2,459,140</u>	\$	<u>3,708,326</u>

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

	2016		2015	
	<u>Market value</u>	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>
Ascendant Group Limited	\$ <u>258,357</u>	\$ <u>144,651</u>	\$ <u>246,614</u>	\$ <u>144,651</u>

BERMUDA HOSPITALS BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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

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

	2016	2015
External		
Patient comfort funds	\$ 1,853,206	\$ 2,102,983
Construction projects and capital assets (Note 8)	62,953	1,153,500
	<u>1,916,159</u>	<u>3,256,483</u>
Internal		
Educational purposes	\$ 542,981	\$ 451,843
	<u>2,459,140</u>	<u>3,708,326</u>

5. OTHER INVESTMENTS

Other investments are comprised of the following:

	2016	2015
Ascendant Group Limited, at market value	\$ 64,589	\$ 61,654
MRP shares, at cost	1,350,030	1,350,030
	<u>1,414,619</u>	<u>1,411,684</u>

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 in UIL 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 instalments of \$50,000 beginning in March 2016. The resulting loss of \$493,965 was recognised in the consolidated statement of operations for the year ended March 31, 2015.

On November 28, 2017 BHB sold its shares in MRP, as discussed in Note 27 - Subsequent Events. During the year ended March 31, 2015, BHB recognised an impairment loss of \$399,990 based on the proceeds received of \$1,350,030.

BERMUDA HOSPITALS BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

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).

2016		Level 1	Level 2	Level 3	Total
Ascendant Group Limited	\$	258,357	\$ -	\$ -	258,357

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2016. There were also no transfers in or out of Level 3.

2015		Level 1	Level 2	Level 3	Total
Ascendant Group Limited	\$	246,614	\$ -	\$ -	246,614

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2015. There were also no transfers in or out of Level 3.

7. DEBT

a. Long-term debt

	2016	2015
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.	\$ 983,983	\$ 1,429,607
BNTB loan of \$5,667,891, interest rate of 4.5% per annum, with repayments in equal blended monthly instalments of principal and interest of \$59,343 up to September 30, 2020. The loan is secured by a charge over the related capital assets.		
	2,671,251	3,248,579
	3,655,234	4,678,186
Less: Current portion	(1,071,900)	(1,024,234)
	<u>\$ 2,583,334</u>	<u>\$ 3,653,952</u>

The fair value of long-term debt with the BNTB is approximately \$3.7 million (2015: \$4.7 million) based on the estimated present value of contractual future payments of principal and interest, discounted at the current market rates of interest available to BHB for the same or similar debt instruments. The outstanding principal due to BNTB of \$3,655,234 was repaid during the year ended March 31, 2017.

BERMUDA HOSPITALS BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. DEBT (Cont'd)

b. Other liability – ACW

	2016	2015
Long term debt related to ACW	\$ 284,330,023	\$ 287,597,423
Less: Current Portion	<u>(3,725,719)</u>	<u>(3,289,761)</u>
	<u><u>\$ 280,604,304</u></u>	<u><u>\$ 284,307,662</u></u>

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

Year	Amount
2017	\$ 3,725,719
2018	4,089,946
2019	4,408,161
2020	4,584,572
2021	7,271,075
2022-2044	<u>260,250,550</u>
	<u><u>\$ 284,330,023</u></u>

The BHB's contractual obligations to PHS in respect of the ACW are disclosed in Note 16 – Contractual Obligations.

8. DEFERRED CAPITAL CONTRIBUTIONS

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

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

	2016	2015
Balance, beginning of year	\$ 58,353,584	\$ 35,714,454
Add: contributions received	2,171,807	24,652,614
Less: amounts amortised to revenue	<u>(3,500,325)</u>	<u>(2,013,484)</u>
Balance, end of year	<u><u>\$ 57,025,066</u></u>	<u><u>\$ 58,353,584</u></u>

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

	2016	2015
Amortised capital contributions used to purchase assets	\$ 56,962,113	\$ 57,200,084
Unspent contributions	<u>62,953</u>	<u>1,153,500</u>
	<u><u>\$ 57,025,066</u></u>	<u><u>\$ 58,353,584</u></u>

BERMUDA HOSPITALS BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

8. DEFERRED CAPITAL CONTRIBUTIONS (Cont'd)

	2016	2015
Deferred capital contributions	\$ 57,025,066	\$ 58,353,584
Less: Current portion	(2,496,714)	(3,500,325)
	<u>\$ 54,528,352</u>	<u>\$ 54,853,259</u>

9. EMPLOYEE FUTURE BENEFITS

a. Pension plans and retirement benefits

Defined contribution plan

There is a defined contribution pension plan in place for all employees, whereby BHB contributes between 5% and 6% (2015: 6%) of gross salary and the employee contributes between 4% and 5% (2015: 4%) of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five years with respect to BHB's contributions. Beginning January 1, 2000, 100% of BHB's contributions vest after two years. When an employee ceases employment with BHB, other than through retirement, BHB's unvested contributions are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2016 totalled \$5,943,051 (2015: \$6,236,168) and is included in Salaries and employee benefits.

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 the Government, with BHB being liable for pension benefits earned by these nurses since January 1, 1977.

	2016	2015
Pension accrual		
Balance, beginning of year	\$ 4,967,618	\$ 5,089,904
Pension expense		
Interest	273,219	279,946
Benefits paid	(459,172)	(459,172)
Experience loss/(gain)	(328,498)	56,940
Balance, end of year	<u>\$ 4,453,167</u>	<u>\$ 4,967,618</u>

BHB and the Government have obtained an actuarial valuation of the accrued pension benefits at March 31, 2016, which estimates that BHB's portion of the liability under the 1948 Act is approximately \$4.5 million as at March 31, 2016 (2015: \$5 million). The significant actuarial assumptions adopted in measuring BHB's accrued benefit obligation include a discount rate of 5.5% (2015: 5.5%) and a salary escalation rate of 0% (2015: 4%) as no retirees are in active service at March 31, 2016.

To date, no contributions have been made by BHB and the plan remains unfunded. Benefits are paid by the Government, and at March 31, 2016, the amount payable to the Government was \$6,442,071 (2015: \$5,977,973) and is included in accounts payable and accrued liabilities. See Note 15g – Related Party Transactions and Balances.

BERMUDA HOSPITALS BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. EMPLOYEE FUTURE BENEFITS (Cont'd)

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

Pension accrual (cont'd)

In 2018, the Government and BHB entered into discussions to forgive the liability payable to the Government and the defined benefit plan premium accrual, with effect from April 1 2018. See Note 27 – Subsequent Events.

The value of the liability for the 2016 and 2015 fiscal years are based on independent actuarial valuations.

b. Post-employment benefits and compensated absences

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

Maternity leave does not accumulate or vest and therefore an expense and liability is only recognised when leave has been applied for and approved or when a settlement amount can be reasonably determined. The total approved maternity leave for the year ended March 31, 2016 was \$368,311 (2015: \$437,658) 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, 2016, the liability was \$108,101 (2015: \$157,327) 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, 2016, the leave pay liability was \$9,800,619 (2015: \$9,579,852) and is included in accrued salary and payroll expenses. The expense for the year ended March 31, 2016 was \$11,054,175 (2015: \$11,101,991) and the benefits paid out were \$11,274,942 (2015: \$10,985,729).

BHB pays 50% of the health insurance premiums for employees who retire from BHB. The significant actuarial assumptions adopted in measuring BHB's accrued benefit obligation include a discount rate of 5.5% (2015: 5.5%) and an annual increase in health insurance premiums of 7% per annum decreasing by 1% per annum to an ultimate rate of 3% per annum after 5 years.

	2016	2015
Accrued health insurance		As restated (Note 25)
Balance, beginning of year	\$ 43,748,197	\$ 54,729,940
Current cost	1,156,599	1,259,817
Interest	1,540,000	2,130,000
Benefits paid	(970,000)	(860,125)
Experience gain	(1,852,108)	(13,511,435)
Balance, end of year	\$ <u>43,622,688</u>	\$ <u>43,748,197</u>

The experience gain of \$13,511,435 was mainly as a result of the change of the benefits plan to the "Signal" plan in 2015. The value of the liability for the 2016 and 2015 fiscal years are based on independent actuarial valuations. Refer to Note 25 – Prior Year Error, for an analysis of a prior year adjustment that relates to the accrued health insurance.

BERMUDA HOSPITALS BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. EMPLOYEE FUTURE BENEFITS (Cont'd)

c. Accrued pension under contributions

During the years 2006 to 2015, BHB did not make sufficient employer pension contributions for certain employees. A project was undertaken to recalculate missed employer pension contributions for each individual employee affected during this ten year period. Previously, an estimated liability of \$3.3 million was accrued in fiscal year 2013. This amount was revised to \$4.86 million and adjusted in fiscal year 2015 and is included in accrued salary and payroll expenses on the consolidated statement of financial position.

On March 16, 2018, BHB paid the \$4.86 million liability, as discussed in Note 27 – Subsequent Events.

10. CAPITAL ASSETS

			Accumulated		2016		2015
	Cost		Amortisation		Net Book Value		Net Book Value
Land and buildings	\$ 527,031,223	\$	77,019,625	\$	450,011,598	\$	456,457,184
Equipment	88,353,979		59,609,832		28,744,147		32,038,908
Software	15,184,265		12,705,396		2,478,869		3,206,134
Computer equipment	11,120,787		10,851,362		269,425		712,275
	<u>\$ 641,690,254</u>	<u>\$</u>	<u>160,186,215</u>	<u>\$</u>	<u>481,504,039</u>	<u>\$</u>	<u>492,414,501</u>

The total cost of the capital assets as at March 31, was \$641,690,254 (2015: \$635,563,229) and the accumulated amortisation was \$160,186,215 (2015: \$143,148,728). Land and buildings include the construction and other capitalized costs associated with the ACW (Note 2k – Significant Accounting Policies).

The insured value of BHB's buildings, contents and business interruption coverage is approximately \$467 million (2015: \$501 million).

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

11. 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, 2016 is \$349,213 (2015: \$266,883).

BHB established a KEMH ACW Fund to ensure that there is adequate funding available in operations when the annual service payments for the new building commenced in 2014. The reserve consists of 1% of annual patient revenues as well as an annual contribution from KEMH operational savings. The balance of the KEMH ACW Fund at March 31, 2016 was \$nil (2015: \$41,432,371). These funds have been applied to fund the service commencement payment of \$40 million and the monthly service fee (Note 7 – Debt) due to PHS for the ACW.

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

12. GOVERNMENT MANDATED WRITE-OFF

The Geriatric (Extended Care Unit) subsidy was approved via Cabinet conclusion 27(13)17 which was passed on July 9, 2013. The Cabinet Conclusion approved an annual subsidy amount of \$10 million (see Note 15 – Related Party Transactions and Balances). Consequently, any revenue amounts billed relating to Extended Care in excess of the \$10 million cap are written off. There are no significant write-offs for the year ended March 31, 2016 (2015: \$2,461,775).

On October 12, 2016 the Government instructed BHB to write off any amounts due to BHB in respect of the subsidy for the year ended March 31, 2016.

13. 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. The expenses of \$502,710 (2015: \$163,100) are classified as business social costs in the consolidated statement of operations.

14. 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 on matters related to MWI and HPL. The amount charged by KEMH to MWI for the year ended March 31, 2016 was \$2,000,000 (2015: \$2,000,000) and the amount charged by KEMH to HPL for the year ended March 31, 2016 was \$nil (2015: \$146,000). These amounts are eliminated on consolidation. See Note 21 – KEMH and MWI Statements of Operation.

15. RELATED PARTY TRANSACTIONS AND BALANCES

Included within operating revenues and expenses are the following related party transactions and balances:

a. Government grants

Government grants were as follows:

	2016	2015
Operating grant - MWI	\$ 37,343,504	\$ 37,344,000
Minor Works/Maintenance grant - MWI	120,000	120,000
Mutual Re-insurance Fund (MRF)	10,170,970	-
	<hr/>	<hr/>
Total Non-Capital Grants	\$ 47,634,474	\$ 37,464,000
Capital grant (special) - MWI	-	1,000,000
	<hr/>	<hr/>
Total grants	\$ <u>47,634,474</u>	\$ <u>38,464,000</u>

As at March 31, 2016, \$nil (2015: \$nil) was outstanding from the Government for grants, other than the MRF grant. As at March 31, 2016, \$3,348,851 (2015: \$nil) is receivable from the Mutual Re-insurance Fund and is included in accounts receivable. This Fund financed all persons who have an insurance policy through Bermuda commercial insurers and is managed by the Health Insurance Department ("HID").

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

b. Government subsidy program

The HID funds claims in respect of services rendered to patients covered under the Government's subsidy program. HID funds covers Aged subsidy, Youth subsidy, Geriatric subsidy and Indigent subsidy. The total approved claims are as follows:

	2016	2015
Total approved subsidy claims	\$ <u>110,227,421</u>	\$ <u>108,126,576</u>

Of the above approved claims, \$106,893,271 (2015: \$107,098,990) was paid to BHB and the balance was written off. As at March 31, 2016, \$nil (2015: \$1,027,586) was outstanding from Government for subsidy programs.

In addition to the above subsidy, BHB also received a Clinical drugs subsidy of \$2,597,728 (2015: \$2,392,000) which is paid in full in each relevant year.

c. Health Insurance Fund

The HID approved the following claims which are included in revenues:

	2016	2015
Health Insurance Fund	\$ <u>23,008,217</u>	\$ <u>18,885,846</u>

As at March 31, 2016, \$5,637,418 (2015: \$3,858,782) is receivable from the Health Insurance Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the Health Insurance Fund, a program for individuals who are between the ages of 18 - 65 providing standard medical benefits.

d. FutureCare Fund

The HID approved the following claims which are included in revenues:

	2016	2015
FutureCare Fund	\$ <u>9,815,963</u>	\$ <u>9,467,041</u>

As at March 31, 2016, \$2,050,760 (2015: \$1,559,194) is receivable from the FutureCare Fund. This amount is included in accounts receivable. The Health Insurance Committee administers the FutureCare Fund, a program for individuals who are over the age of 65 providing standard medical benefits.

e. Government Employees Health Insurance Fund

The Government Employees Health Insurance Fund ("GEHI") approved the following claims which are included in revenues:

	2016	2015
GEHI	\$ <u>24,794,774</u>	\$ <u>25,076,070</u>

As at March 31, 2016, \$1,433,304 (2015: \$1,059,642) is receivable from GEHI. This amount is included in accounts receivable. GEHI is Government issued insurance for Government employees, ministers and members of the legislature and their enrolled dependents.

BERMUDA HOSPITALS BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

f. Other amounts

War Veteran Association claims, in the amount of \$313,872 (2015: \$279,511) were billed as revenue during the year.

During the year, BHB paid salaries for Bermuda College nurses amounting to \$nil (2015: \$75,123) underwritten by the Ministry of Health ("MoH"). The receivable amount from MoH at March 31, 2016 was \$nil (2015: \$75,123). During the year, BHB paid salaries for the Tumour Registry amounting to \$94,085 (2015: \$79,172) underwritten by MoH. The receivable amount from MoH at March 31, 2016 was \$94,085 (2015: \$79,172). These amounts are included in other receivables.

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

	2016	2015
Payroll tax	\$ 3,747,062	\$ 4,109,786
Social insurance	3,124,234	2,549,228
Non-refundable duty	1,407,855	1,529,756
Services provided by the Ministry of Public Works	1,234,169	1,379,245
Miscellaneous charges	768,493	765,217
Rent paid to MRP	563,584	593,554
Nurses' annual pensions	459,172	459,172

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

	2016	2015
Payroll tax	\$ 8,353,368	\$ 6,879,119
Social insurance	2,492,176	2,480,947
	<u>\$ 10,845,544</u>	<u>\$ 9,360,066</u>

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

	2016	2015
<i>Accounts receivable</i>		
Net amounts due (to)/from the Government on behalf of the War Veterans Association	\$ 72,026	\$ 11,314
<i>Other receivables</i>		
Refundable deposits paid for duty	\$ 233,158	\$ 264,003
Miscellaneous departmental charges	60,965	63,016
<i>Accounts payable and accrued liabilities</i>		
Nurses' annual pensions accrual	\$ 6,442,071	\$ 5,982,899
Ministry of Public Works	339,345	261,771
<i>Accrued salary and payroll expenses</i>		
Payroll tax	\$ 3,303,724	\$ 2,960,948
Social insurance	550,640	531,076

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16. CONTRACTUAL OBLIGATIONS

a. Property leases

BHB has entered into various operating lease agreements, which include commercial properties for business purposes, as well as residential properties used to provide accommodations to staff and patients. The minimum annual commitment scheduled for the next year is \$900,797.

b. Acute Care Wing

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

Year	Amount
2017	\$ 23,687,523
2018	23,924,970
2019	24,062,793
2020	24,130,545
2021-2044	549,094,881
	<u>\$ 644,900,712</u>

c. Other contractual obligations

In addition to the above contractual obligations, BHB also entered into various other long-term contracts, resulting in an estimated average annual contractual commitment of \$6 million.

17. CONTINGENCIES

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

BHB has medical malpractice insurance in place of up to \$20 million (2015: \$10 million) per claim and \$40 million (2015: \$30 million) in the annual aggregate. BHB has Directors' and Officers' Liability and Company Reimbursement insurance in place with an indemnity limit of \$10 million in the annual aggregate, including defence costs and expenses.

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

18. DONATIONS IN KIND

Donations in kind relates to services donated by volunteers and is recognised as revenue. The related expense is included in the general supplies and services expense.

19. FINANCIAL RISK MANAGEMENT

BHB has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Directors have overall responsibility for the establishment and oversight of BHB's risk management framework. The Directors established finance, audit and risk committees that are responsible for

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19. FINANCIAL RISK MANAGEMENT (Cont'd)

developing and monitoring BHB's compliance with risk management policies and procedures. These committees regularly report to the Directors on their activities. BHB's risk management program seeks to minimise potential adverse effects on BHB's financial performance. BHB manages its risks and risk exposures through a combination of insurance and sound business practices.

a. Credit risk

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

Cash and cash equivalents

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

Accounts receivable and other receivables

Accounts receivable consist primarily of trade accounts receivable from billings of services provided. BHB's credit risk arises from the possibility that a counterparty which owes BHB money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with BHB, which would result in a financial loss for BHB. This risk is mitigated through established credit management techniques and supplemented by use of professional credit agencies. For the year ended March 31, 2016, the maximum credit risk to which BHB 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:

2016		Total	Current	31- 60 days	61 - 90 days	91 + days
Subsidy and grants	\$	15,185,617	\$ 7,614,566	\$ 2,540,302	\$ 1,116,968	\$ 3,913,781
Commercial insurers		11,928,370	6,397,908	588,827	345,380	4,596,255
Non insured		9,964,903	1,930,669	452,715	501,502	7,080,017
Other receivables		1,625,944	1,516,371	-	-	109,573
Gross receivables		38,704,834	17,459,514	3,581,844	1,963,850	15,699,626
Less: impairment allowance		(11,316,128)	-	-	-	(11,316,128)
Net receivables	\$	<u>27,388,706</u>	<u>\$ 17,459,514</u>	<u>\$ 3,581,844</u>	<u>\$ 1,963,850</u>	<u>\$ 4,383,498</u>

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19. FINANCIAL RISK MANAGEMENT (Cont'd)

a. Credit risk (Cont'd)

2015		Total	Current	31- 60 days	61 - 90 days	91 + days
Subsidy and grants	\$	12,012,258	\$ 2,959,562	\$ 324,143	\$ 292,823	\$ 8,435,730
Commercial insurers		12,389,471	2,655,198	1,181,445	749,542	7,803,286
Non insured		10,404,646	973,746	698,783	559,141	8,172,976
Other receivables		2,949,686	2,949,686	-	-	-
Gross receivables		37,756,061	9,538,192	2,204,371	1,601,506	24,411,992
Less: impairment allowance		(25,594,508)	(1,397,666)	(1,397,666)	(1,397,666)	(21,401,510)
Net receivables	\$	<u>12,161,553</u>	<u>\$ 8,140,526</u>	<u>\$ 806,705</u>	<u>\$ 203,840</u>	<u>\$ 3,010,482</u>

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

The following table provides an analysis of the significant credit risk concentrations that the BHB is exposed to:

	2016	2015
Bermuda Government HIP	\$ 5,637,418	\$ 3,858,782
Somers Isles Insurance receivable	4,243,410	6,115,539
Bermuda Government MRF	3,348,851	-
Sunbelt International	\$ 2,999,140	\$ 2,503,105

b. Liquidity risk

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

2016	Within 1 year	2 - 5 years	> 5 years	Total
Accounts payable	\$ 8,949,352	\$ -	\$ -	\$ 8,949,352
Long-term debt - bank loans	1,219,834	2,771,903	-	3,991,737
Other liability	3,725,719	20,353,754	260,250,550	284,330,023
Accrued health insurance	1,040,000	4,630,184	23,106,235	28,776,419
Pension accrual	544,939	2,179,756	1,728,472	4,453,167
	<u>\$ 15,479,844</u>	<u>\$ 29,935,597</u>	<u>\$ 285,085,257</u>	<u>\$ 330,500,698</u>

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19. FINANCIAL RISK MANAGEMENT (Cont'd)

b. Liquidity risk (cont'd)

2015	Within 1 year	2 – 5 years	> 5 years	Total
Accounts payable	\$ 9,489,700	\$ -	\$ -	9,489,700
Long-term debt - bank loans	1,097,231	3,887,890	103,847	5,088,968
Other liability	3,691,816	16,808,450	267,097,157	287,597,423
Accrued health insurance	970,000	4,374,598	22,645,219	27,989,817
Pension accrual	459,172	2,179,756	2,328,690	4,967,618
	<u>\$ 15,707,919</u>	<u>\$ 27,250,694</u>	<u>\$ 292,174,913</u>	<u>\$ 335,133,526</u>

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

c. Market risk

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

Foreign exchange risk

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

Interest rate risk

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

BHB is exposed to this risk through its interest bearing short-term deposits and interest expense on long-term debt.

BHB's bank loans has interest rates ranging from 4.5% to 4.85%. The bank loans were repaid in 2017.

Inflation risk

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

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

20. CAPITAL DISCLOSURES

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

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20. CAPITAL DISCLOSURES (Cont'd)

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

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

21. KEMH AND MWI STATEMENTS OF OPERATIONS

2016

REVENUE	KEMH	MWI	HPL	TOTAL
Outpatient (note 15)	\$ 165,770,173	\$ 337,139	\$ -	\$ 166,107,312
Inpatient (note 15)	91,914,182	5,837,998	-	97,752,180
Government grants (note 15)	10,170,971	37,464,000	-	47,634,971
Extended care unit (note 12)	9,765,747	-	-	9,765,747
Amortisation of deferred capital contributions (note 8)	2,814,021	686,304	-	3,500,325
Non-medical (note 15)	2,287,689	284,002	-	2,571,691
Interest income	332,675	-	-	332,675
Donation in kind (note 18)	287,684	-	-	287,684
Total Revenues	\$ 283,343,142	\$ 44,609,443	\$ -	\$ 327,952,585
EXPENSES				
Salaries and employee benefits (notes 9 and 15)	\$ 150,267,351	\$ 30,085,261	\$ -	\$ 180,352,612
Medical supplies	28,278,825	625,601	-	28,904,426
General supplies and services	23,631,513	4,697,906	-	28,329,419
Interest (note 7)	19,197,732	-	332,060	19,529,792
Amortisation of capital assets	16,041,486	996,000	-	17,037,486
Repairs and maintenance	13,792,570	1,283,029	-	15,075,599
Utilities	8,360,144	1,252,421	-	9,612,565
Food	1,975,206	929,591	-	2,904,797
Business social cost (note 13)	502,710	-	-	502,710
Scholarships issued	65,000	-	-	65,000
Management charge (note 14)	(2,000,000)	2,000,000	-	-
Gain on disposal of capital assets	(1,275)	-	-	(1,275)
Accrued health insurance (note 9 and 25)	(125,509)	-	-	(125,509)
Bad debt recovery	(6,470,049)	-	-	(6,470,049)
Total expenses	\$ 253,515,704	\$ 41,869,809	\$ 332,060	\$ 295,717,573
Excess / (deficiency) of revenues over expenses	\$ 29,827,438	\$ 2,739,634	\$ (332,060)	\$ 32,235,012

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

2015 As restated (Note 25)

REVENUE	KEMH	MWI	HPL	TOTAL
Outpatient (note 15)	\$ 152,484,723	\$ 130,536	\$ -	\$ 152,615,259
Inpatient (note 15)	89,795,353	6,648,336	-	96,443,689
Extended care unit (note 12)	12,461,775	-	-	12,461,775
Claims in excess of cap threshold (note 12)	(2,461,775)	-	-	(2,461,775)
Non-medical (note 15)	2,715,251	350,551	-	3,065,802
Amortisation of deferred capital contributions (note 8)	1,425,226	588,258	-	2,013,484
Donation in kind (note 18)	568,593	-	-	568,593
Interest income	64,969	-	-	64,969
Government grants (note 15)	-	37,464,000	-	37,464,000
Total Revenues	\$ 257,054,115	\$ 45,181,681	\$ -	\$ 302,235,796
EXPENSES				
Salaries and employee benefits (notes 9 and 15)	\$ 151,110,172	\$ 19,365,863	\$ -	\$ 170,476,036
General supplies and services	27,317,974	3,552,751	-	30,870,725
Medical supplies	25,778,111	784,055	-	26,562,166
Amortisation of capital assets	14,108,336	986,790	-	15,095,126
Repairs and maintenance	10,333,109	1,072,352	-	11,405,461
Utilities	8,398,678	1,552,978	-	9,951,656
Interest (note 7)	9,745,391	-	-	9,745,391
Bad debt	5,627,226	-	-	5,627,226
Food	2,008,376	988,447	50	2,996,873
Realised loss on sale of other investment (Note 5)	-	-	493,965	493,965
Impairment of other investment (Note 5)	399,990	-	-	399,990
Business social cost (note 13)	163,100	-	-	163,100
Scholarships issued	124,000	-	-	124,000
Loss on disposal of capital assets	66,479	-	-	66,479
Accrued health insurance (note 9 and 25)	(10,981,743)	-	-	(10,981,743)
Management charge (note 14)	(2,146,000)	2,000,000	146,000	-
Total expenses	\$ 242,384,634	\$ 30,303,236	\$ 640,015	\$ 273,327,885
Excess / (deficiency) of revenues over expenses	\$ 15,000,916	\$ 14,878,445	\$ (640,015)	\$ 29,239,346

22. BUDGET FIGURES

The budget was approved by the Directors on March 31, 2015.

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23. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2016	2015
Accounts and other receivables	\$ (21,697,202)	\$ 13,186,390
Prepaid expenses	43,418	(865,111)
Inventory	(971,902)	(107,201)
Accounts payable and other payables	3,852,280	3,326,321
Pension and health accrual	(639,960)	(11,104,030)
	<u>\$ (19,413,366)</u>	<u>\$ 4,436,369</u>

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. This includes the reclassification of cash and term deposits balances to restricted cash, term deposits and investments to the value of \$695,555 and the reclassification of accounts payable and accrued liabilities balances to deferred capital contributions to the value of \$2,319,353. These reclassifications had no impact on the consolidated statement of operations.

Cash and term deposits are now disclosed as two separate categories in the consolidated statement of financial position and the ACW liability is now disclosed as other liabilities, separate from long-term debt.

Note 19 – Financial Risk Management, was updated to align with the PSAB accounting standards, resulting in the restatement of the 2015 liquidity risk disclosure.

25. PRIOR YEAR ERROR

During the 2013 financial year, the accounting policy related to the accrued health insurance changed upon transition to PSAS for GNFPOs. The change required that the excess net actuarial gain (loss) be amortised over the average remaining service period of active employees. However, the gain (loss) was recognised in full each year from 2013 to 2015. To correct this prior year error in accounting treatment, the prior year balances were restated in the 2016 consolidated financial statements. The following analysis reflects the impact the correction had on the 2015 financial year.

	As previously reported	Adjustment	As restated
Consolidated Statement of Financial Position As at April 1, 2014			
Accrued health insurance	\$ 38,640,125	\$ 16,089,815	\$ 54,729,940
Deficit	214,498,726	16,089,815	230,588,541
Consolidated Statement of Financial Position As at March 31, 2015			
Accrued health insurance	\$ 27,989,817	\$ 15,758,380	\$ 43,748,197
Deficit	313,570,623	15,758,380	329,329,003

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	As previously reported		Adjustment		As restated
Consolidated Statement of Operations					
For the year ended March 31, 2015					
Accrued health insurance gain	\$ 10,650,308	\$	331,435	\$	10,981,743
Excess of revenues over expenses	28,907,911		331,435		29,239,346

26. GOVERNMENT GUARANTEE FOR THE PPP AGREEMENT

On December 1, 2010, the Minister of Finance provided an irrevocable guarantee to Paget Health Services Limited on behalf of BHB to facilitate the completion of the new Acute Care Wing. The Government guarantees all debt and contractual obligations under the Agreement as disclosed in Notes 7 – Debt and 16 – Contractual Obligations.

27. SUBSEQUENT EVENTS

Healthcare Partners Ltd. (“HPL”) and Ultimate Imaging Ltd. (“UIL”)

On March 20, 2015, HPL entered into an agreement with the directors of UIL in which the parties agreed that HPL will sell 100% of its shares in UIL 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 instalments of \$50,000 beginning in March 2016, of which all payments have been received. At March 31, 2016 a balance of \$150,000 was still receivable and is included in accounts receivable.

The subsequent liquidation of HPL was finalised during the year ended March 31, 2017.

Mill Reach Properties Limited (“MRP”)

On October 24, 2017, the Directors determined it would be to BHB’s long term advantage to exit the lease. The BHB terminated the lease with effect from April 30, 2017.

On November 28, 2017, BHB 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 to BHB. The funds were subsequently received in full on December 20, 2017.

Employee Future Benefits - Accrued Pension under Contributions

On September 26, 2017, BHB resolved to authorise all outstanding pension funds be reinstated to employees with a lump sum payment in the amount of \$4.86 million. The funds were subsequently paid in full on March 16, 2018.

Nurses Pension Obligations

On April 1, 2018, the Minister of Finance forgave the Nurses Superannuation Pension Liability of \$4,453,167 (2015: \$4,967,618) and contributions payable to the Government of \$6,442,071 (2015: \$5,977,573). This results in a decrease in liabilities of \$10,895,238 (2015: 10,945,191) which will be recognised as other income in the consolidated statement of operations for the year ended March 31, 2019.

Change in Funding

On May 17, 2019, a Bill was passed in the House of Assembly which changed how BHB is to be funded. The Government is to pay an annual grant to BHB, which sets BHB’s revenue at \$330 million for the year ending March 31, 2020, to replace the existing fee-for-service arrangement under the Health Insurance Amendment Act. The new funding methodology commenced on June 1, 2019.

28. FUTURE CHANGES IN ACCOUNTING STANDARDS

A number of new standards and amendments to standards issued by PSAB are not yet effective and have not been applied in preparing these consolidated financial statements.

In particular, the following accounting standard amendments are effective for consolidated financial statements on or after April 1, 2017:

- PS 2200 – Related Party Disclosures
- PS 2601 – Foreign Currency Translation
- PS 3041 – Portfolio Investments
- PS 3210 – Assets
- PS 3280 – Asset Retirement Obligations
- PS 3320 – Contingent Assets
- PS 3380 – Contractual Rights
- PS 3400 – Revenue
- PS 3420 – Inter-Entity Transactions
- PS 3430 – Restructuring Transactions
- PS 3450 – Financial Instruments

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

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