

# **ANNUAL REPORT**

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# **2023**



**Bermuda Hospitals Board**

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## About BHB

Bermuda Hospitals Board (BHB) delivers acute care, chronic care, long-term care, learning disability services, substance abuse services and mental health services. We are the only provider of 24/7 healthcare services in Bermuda. Our services are delivered from the King Edward VII Memorial Hospital (KEMH), Mid-Atlantic Wellness Institute (MWI) and Lamb Foggo Urgent Care Centre (UCC) campuses, as well as in various group home and community settings.

BHB serves Bermuda's resident population of approximately 64,000 people, as well as the many visitors who come to the island each year. BHB has the second

largest number of employees in Bermuda, with about 1,600 full-time staff and 200 on-call and locum staff.

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

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## Funding

From June 2019, BHB's funding model was changed by Government to a fixed payment for all services included under the standard health benefit (SHB) legislation from the Mutual Reinsurance Fund (MRF). The total cash received from the MRF for SHB services in this fiscal year (1 April 2022 to 31 March 2023, or fiscal year 2023) was \$167.7 million. A total of \$14.9 million was receivable at fiscal year-end.

Government also pays a subsidy for seniors, youth and indigent patients. In fiscal year 2023, the amount of subsidy paid by Government was \$108.3 million. In addition, Government provided supplemental funding of \$15 million to assist with operating costs.

\$1.3 million was paid to BHB by insurance schemes, representing non-SHB services only. For the fiscal year, 84% of this total was from commercial insurers and 16% from Government insurance schemes, including

FutureCare, Health Insurance Plan (HIP), Dialysis and Government Employees Health Insurance Fund.

Government paid a \$39.3 million grant that contributes towards the provision of mental health, substance abuse and learning disability services at MWI and its group homes. Also paid in this fiscal year was a \$120,000 grant for minor works/maintenance of the MWI facility.

\$1.8 million was paid by individuals who did not have insurance, and \$1.7 million came from non-residents who needed urgent or emergency healthcare services while on island. The decrease in payments from non-residents was due to the impact of the COVID pandemic.

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

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## Governance

BHB operates under the Bermuda Hospitals Board Act 1970. It is overseen by a Government-appointed board, which is Gazetted each calendar year. The following are the Board members and the Board Committees for the calendar year 2022.

# BOARD AND COMMITTEES

2022 Board and Committee Members 1 January – 31 December

## BOARD

Terry Faulkenberry, Chair (from Apr)  
 Kathy-Ann Swan, Deputy (from Apr)  
 William Madeiros, Chair (to Mar)  
 Dr Victor Scott (to Mar)  
 Dr Sandy Desilva (to Mar)  
 Dr Edward Schultz, Deputy (to Mar)  
 Ricky Brathwaite  
 Ianthia Simmons-Wade  
 Matthew Pifer  
 Dr Michael Richmond  
 Dr Tameisha Matthew (from Apr)  
 Dr Hannah Murray (from Apr)  
 David Pugh (from Jul)  
 \*Lisa Sheppard, BHCT  
 \*Davida Simons, HAB  
 \*\*Shivon Washington  
 \*\*Dr Ayoola Oyinloye  
 \*\*Dr Wesley Miller  
 Scott Pearman  
 William (Bill) Shields  
 Judy Richardson  
 Dr. Anna Neilson-Williams  
 Preston Swan  
 Debra Goins-Francis  
 Anna Nowak  
 Dr. Andrew Spence  
 David Kendell

## EXECUTIVE COMPENSATION

Terry Faulkenberry, Chair  
 Lisa Sheppard  
 Dr Michael Richmond  
 Alana Rogers

## LEGEND:

Board Member

\* Ex-Officio Voting Member

\*\*Ex-Officio Non-Voting Member

Staff

Co-opted/Other

## GOVERNANCE & RISK

Dr Edward Schultz, Chair (to Apr)  
 Matt Pifer, Chair (from May)  
 Dr Michael Richmond, Co-Chair  
 Kathy-Ann Swan  
 Dr Wesley Miller  
 Judy Richardson  
 Preston Swan  
 Dr Anna Neilson-Williams  
 Bill Shields  
 Danny Moore  
 Lynnette Bean  
 LaSonya Darrell

## RISK MANAGEMENT SUBCOM (reports to Governance & Risk)

Dr Michael Richmond, Chair  
 Dr Wesley Miller  
 Scott Pearman  
 Bill Shields  
 Judy Richardson  
 Preston Swan  
 Anthony Fitzgerald  
 Danny Moore  
 Norma Smith  
 Arthur Ebbin  
 Paul Tohill  
 John Casey  
 Kennedy Wainwright  
 Lynnette Bean

## HUMAN RESOURCES & ENGAGEMENT

Lisa Sheppard, Interim Chair  
 Dr Edward Schultz  
 Dr Michael Richmond  
 Dr Wesley Miller  
 Scott Pearman  
 Judy Richardson  
 Angela Fraser-Pitcher  
 Anna Nowak  
 Denise Riviere  
 Jennifer Smatt  
 Alana Rogers  
 Sharon Vesey

## FINANCE & AUDIT

Terry Faulkenberry, Chair  
 Dr Michael Richmond  
 Ricky Brathwaite  
 David Pugh  
 Dr Wesley Miller  
 Bill Shields  
 Scott Pearman  
 Arthur Ebbin  
 Preston Swan  
 Shkysi Cummings  
 Paul Tohill

## PENSION SUBCOMMITTEE (reports to Finance & Audit)

Terry Faulkenberry, Chair  
 Dr Michael Richmond  
 Bill Shields  
 Scott Pearman  
 Angela Fraser-Pitcher  
 Nyon Steede  
 Stephen Gift  
 Union Representatives

## CAPITAL & ESTATES SUBCOM (reports to Finance & Audit)

Bill Shields, Chair  
 Scott Pearman  
 Preston Swan  
 Arthur Ebbin  
 Anthony Hunter  
 Danny Moore  
 Anthony Fitzgerald  
 Sita Ingram  
 Gina Benjamin  
 John Casey  
 Sylvia Johnson  
 Lloyd Christopher  
 Kennedy Wainwright  
 Martha Taruvinga

## MESSAGE FROM THE

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

I'm pleased to introduce Bermuda Hospitals Board's 2023 Annual Report, with an unqualified, clean audit. In this fiscal year, we began moving out of the pandemic and the hospital started normalising operations.

The major achievement of the fiscal year was the successful implementation of an organisation-wide electronic medical record, and the entire BHB staff must be congratulated. BHB stepped into a new era when they switched on the Patient Electronic & Administrative Records Log, which staff named PEARL. This was a significant investment, that was supported by Government with a \$5 million grant. It is a national as well as BHB resource, and there is an exciting journey ahead

to further improve quality and safety of care in Bermuda, supported by technology.

Finance remains a central concern for BHB, and we continue to work in close partnership to ensure BHB is funded so that it can continue to deliver the best services possible.

Finally, thank you to BHB Board members, leadership and staff. Your tireless work and dedication mean BHB punches above its weight compared to hospitals serving similar populations. Despite the impact of a three-year pandemic, your pursuit of excellence remained strong. We are grateful for your contributions.

## MESSAGE FROM THE

### Chairman, Matthew Pifer

There is much to celebrate about the fiscal year ending on 31 March 2023. BHB ensures, every year, that it continues to improve in ways both large and small.

The implementation of PEARL, our electronic medical record, without any major issues was an amazing feat. EMR implementations around the world are prone to delays and overruns, but the PEARL implementation ran on budget, with just a three-month delay. This is very much due to the engagement and involvement of BHB staff, who worked tirelessly to make it a success.

Such successes were achieved despite the ongoing drive to reduce costs and meet the revenue cap set by Government. The pandemic exacerbated a reduction in our cash reserves, which meant the only relief was in delivering savings. However, many of these savings came at the cost of delaying upgrades and repairs, and controlling staff costs through avoiding basic cost of living increases.

The costs of maintaining quality hospital services that are available 24/7 are high. Medical supplies and drugs generally increase in costs about 6% per year, and supply chain issues due to continued global uncertainty only escalate costs further. BHB has worked hard to reduce the impact of these costs by good procurement practices and effective price negotiations, and savings from Customs duty relief.

In this fiscal year, BHB's capital spend was \$20 million, and this included the BHB laundry upgrade and implementation of BHB's first organisation-wide electronic medical record. These were both very necessary, long-overdue projects that are critical to the running of services.

While the commendable successes are somewhat tempered by financial pressures, the efforts of staff and leadership in making this year a milestone in advancing technology and improving care must be applauded. Thank you, on behalf of the Board, for your hard work.

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## MESSAGE FROM THE

### CEO & President, R Scott Pearman

While the implementation of PEARL is a huge milestone in the development and evolution of hospital care, I'm very proud to be able to report that there were also many other clinical improvements that had an impact on improving outcomes for patients and saving lives.

The achievement of Distinction in Stroke Services, awarded by Accreditation Canada on 8 April 2022, was the culmination of several years of work by a multidisciplinary group of staff led by the stroke director. Many departments come together to help care for stroke patients, starting in the Emergency Department. We must thank each of them for the work that went into establishing the Primary Stroke Centre *and* achieving benchmarks for a successful accreditation.

But the individual who has perhaps the biggest influence on the outcome is the patient. Getting to hospital as soon as possible after stroke symptoms are experienced is so important. It means there is time to get the special treatment that can be the difference between walking out of hospital and life-long disability or even death. We measure the hospital's response by the 'door-to-needle' time – meaning getting a patient the stroke treatment within an hour of their arrival. But this must be within

four hours of symptom onset, so if someone delays their emergency visit, they miss the window of opportunity for a potential full recovery. Community education about stroke symptoms is a key part of gaining Distinction in Stroke Services, as time is critical if you have a stroke.

Finally, it was great to see the integrated care pathways continue to develop. The process is highly collaborative, involving different BHB departments, multiple external healthcare providers, as well as patients. Its focus is on improving access, streamlining treatment pathways and enhancing cooperation between different providers. The Integrated Healthcare Clinic at the Lamb Foggo Urgent Care Centre celebrated its one-year anniversary, and its clients voiced why they love it. We also published a breast health booklet in response to patient feedback from the breast cancer integrated pathway, and MWI launched its Directorate Plan, which boldly looks to transition its outpatient services to the community over five years.

Hospitals must always find ways to improve, and I'd like to thank all our staff who, through a major systems implementation, still made great strides in raising the bar on quality and safety for the community.

# BHB Patient Satisfaction Survey Summary FY2013-2023

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/](http://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										
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
92.9	90.7	92.3	93.2	94.2	92.4	94.5	94.1	95.2	90.0	92.9

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

% Satisfied with Overall Service										
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
90.8	89.7	90.3	95.3	93.2	93.7	93.9	93.9	95.0	92.0	95.3

## Overall Satisfaction with Outpatient Services (Diagnostic Imaging, Pathology, Oncology, Dialysis, Wound Care and Allied Health Services)

% Satisfied with Overall Service										
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
96.0	95.0	95.5	97.0	98.3	96.5	97.3	97.8	95.5	97.0	97.5

## Overall Satisfaction with Surgical Outpatient Services

% Satisfied with Overall Service										
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
96.5	93.1	92.5	97.1	97.0	99.0	99.0	97.5	99.5	98.0	98.5

## Overall Satisfaction with Mid-Atlantic Wellness Institute Services

% Satisfied with Overall Service										
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
71.8	73.7	82.1	83.5	81.8	74.7	83.3	87.5	83.3	72.7	91.7

## Overall Satisfaction with Long Term Care Services

% Satisfied with Overall Service										
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
72.9	82.05	84.2	67.5	81.0	68.9	90.2	57.5	92.9	87.0	90.0

# BHB Achieves Distinction in Stroke Services

In April of this fiscal year, BHB's Primary Stroke Centre, part of a clinical affiliation with Johns Hopkins Medicine International, was awarded Distinction in Stroke Services by Accreditation Canada for its acute stroke services and inpatient rehabilitation services.

There are up to five stroke cases every week in Bermuda, and in data collated from 2020, 25% of strokes were in people under 60. Seventy-three percent of strokes are in Black people, 24% are in white people and 2% are in other ethnicities. Stroke can happen whoever you are and, while risks increase with age, even young people can have strokes.

July 2022 was the three-year anniversary of BHB launching its Primary Stroke Centre. Since that time, a more clearly defined process for managing stroke patients has been established, along with awareness promotions to ensure people out in the community know what a stroke looks like. This is critical, as getting to hospital quickly at the first signs of a stroke can make a huge difference in outcomes.

Some of BHB's best results have been when 14% of those who experienced a stroke were able to receive a clot-busting drug that increased their chances of fully recovering. This figure was almost double the 7% average of primary stroke centres in the US.

BHB's distinction certification should reassure the community that its only hospital meets international standards for stroke care.

A letter from Accreditation Canada announcing the news reads: "Achieving Distinction indicates that your organization has demonstrated national leadership in the provision of high-quality stroke care. We applaud your success and urge you to celebrate this achievement."

Distinction in Stroke Services is the highest commendation a stroke centre can receive in the Accreditation Canada system.

The following areas of success within BHB's stroke services were noted by Accreditation Canada:

- Leadership and organisation support
- Knowledgeable and committed staff
- Collaboration with Johns Hopkins [Medicine] International
- Alignment of the Integrated Stroke programme plan with the Strategic Plan
- Community partnerships
- Communication and promotion of the stroke programme

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## PEARL Implementation

One of BHB's biggest investments since the building of the KEMH Acute Care Wing has been the implementation of BHB's first organisation-wide electronic medical record, which went live at the end of October 2022.

The system, nicknamed PEARL, improves the coordination and delivery of care. It helps staff avoid errors, with built-in alerts for medication conflicts, for example, and flags potential critical issues like the early signs of sepsis. It reduces duplication and delays, brings all the information a clinician needs into one place, and supports informed and timely decision making by healthcare teams with patients and their families. All of this not only improves the quality and safety of care, but helps reduce costs, and improve the efficiency and value of services.

The timing of this implementation was driven by the main clinical system at BHB no longer being supported by the vendor as it was so old.

The costs of the contract with Cerner, the vendor for the selected Millennium product, were publicly released in 2021. The system replaces many old systems, which translates to savings for BHB. The net cost of the project over 10 years is expected to be in the order of \$30 million.

BHB staff named the system PEARL (Patient Electronic and Administrative Records Log), and they were fully involved throughout the entire process of implementation. Over 350 staff were involved in over 1,000 workshops to design and build PEARL in 2021, despite going through the alpha and devastating delta COVID-19 surges. About 1,500 staff were involved in online and in-classroom training ahead of PEARL's launch.

Any organisation-wide system implementation is a major project. When the system underpins the care delivered by the island's only hospital services, the stakes are very high in making sure the implementation succeeds. Unlike



hospitals overseas, here in Bermuda there is no other hospital to divert emergency services to if something goes wrong.

BHB made efforts to prepare the community as well. As staff were getting used to the new processes and

system, they moved more slowly than usual and waits could be longer in some departments. This certainly was experienced by patients, and we are all deeply grateful for the understanding of the community as BHB staff did their best to get used to the new system.

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## Integrated Healthcare Clinical Pathways Programme

The integrated healthcare clinical pathway programme at BHB is a collection of projects unified around the goal of improving access and working collaboratively to improve patient pathways and care. It incorporates value-based healthcare and patient co-participation by examining, from a patient prospective, the care management experienced across the entire Bermuda provider spectrum.

The purpose of the integrated pathway is to map out where and what services are provided to help patients. Such mapping helps remove unnecessary activity that increases the cost of care, identifies gaps in the provision of services at a national level, and identifies opportunities to improve access or quality of patient care from a patient perspective.

The programme covers everything from mental health to cancer, palliative and long-term care to maternity. This work helps to improve the patient experience and quality of care for people as they move from diagnosis through to treatment and recovery.

### Integrated breast cancer pathway booklet

In this fiscal year BHB released a breast health booklet, which gleaned insights from interviews with breast cancer patients residing in Bermuda. This resource booklet provides information on preventive breast health, the treatment pathways available for breast cancer locally and from our overseas partners, and information on health and financial resources for patients on the breast cancer recovery pathway. The breast health booklet is a Bermuda-centric tool for providers, patients and their families, to demystify the recovery journey when they are faced with a life-changing diagnosis.

### Integrated Healthcare Clinic first anniversary

BHB celebrated the first year of the Integrated Healthcare Clinic (IHC) a year after it opened at the Lamb Foggo Urgent Care Centre. Launched in July 2021, the IHC offers people in the east end of the island who need mental health or chronic illness services a place to receive care closer to home.

The IHC runs once a week on Wednesday mornings at the UCC. There are four clinical services delivered every week at the clinic: Mental Health, Asthma, Diabetes Education and the Patient-Centred Medical Home, which helps people with at least one chronic illness who are under or uninsured. About 22% of Patient-Centred Medical Home patients have four or more co-morbidities.

In its first year, 145 patients were seen at the IHC and there were over 500 patient encounters. About 73% of encounters were face-to-face and 27% were telephone calls. In response to a survey, a senior living in the east end said it made a huge difference being closer, and a disabled patient noted that it was easier to access the facility as it is close to the parking lot.

One mental health services patient explained the impact of the location compared to MWI: “As soon as you pull into MWI and get out of your car the stigma starts. It’s with Bermudians period. If you actually go inside the building it’s worse.

“When I went over to the clinic even though the hospital part wasn’t open, I didn’t have those types of feelings when I walked in. Feeling like anyone was watching or was going to say something. I felt so much more relaxed going to my therapy because the whole atmosphere was 100 percent different. Different in a real positive way.

“When I would leave MWI, although I may have had a very good session, the stress kicks right back in just like it did when I entered. All the people seeing me and looking, and me feeling bad about myself and my situation. Coming out in St David’s I feel refreshed it’s really hard to explain the depth of it, but the good feeling from the session stayed with me and that’s the first time I had experienced that feeling in all the years that I’ve been in therapy. I started when I was 21 and now I’m in my 60s, so that’s a long, long time.”

The programme is an example of delivering neighbourhood health services directly to counteract the social determinants of health, such as poor access to chronic disease and mental health services. Studies have

shown that improving access to care, particularly for those people at the margins, allows earlier treatment which can be administered with lower cost interventions, as opposed to conditions going untreated and the patient having to access more expensive, life-disrupting acute care services at the hospitals.

## Chronic illnesses

Some of the data collected at BHB has highlighted that Bermuda is no different from many countries, where patients with chronic illnesses can fall through the cracks and create more demand and pressure on services.

Data from the Emergency Department identified the top 50 patients who use the service the most. Their average age is 53, although the age range is from 1 to 88. Between November 2020 and October 2021, these 50 people had 778 emergency attendances between them, with 101 admissions and 1,002 inpatient days. Sixty percent of them presented with the same issue multiple times,

and 90% of the visits were unscheduled, with 10% being attendances for scheduled IV medications or blood transfusions. The cost of this care was \$806,241, with \$371,650 in ED visits alone.

The data also show that both medical and mental health issues impact this group. Nearly one-third of their related admissions were to MWI.

Of the top 50 users, only 12% had private insurance. Forty percent used the age subsidy, 32% had HIP, 4% used the indigent subsidy and 4% used the youth subsidy.

Services such as the Integrated Healthcare Clinic, and having more mental health services available from community locations, will help bring the support many people need closer to home. The expectation is that it will reduce the need for emergency visits and inpatient care, especially in groups who access emergency services more often.

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## MWI Directorate Plan

In June 2022, BHB published a five-year strategy for Mid-Atlantic Wellness Institute services. The MWI Directorate Plan 2021-2026 was developed following the launch of the BHB Strategic Plan 2021-2026 last year and is a pathway for mental health, intellectual disability and substance abuse services.

The plan was developed with involvement of MWI staff and clients. The overarching goal of the plan is to provide a roadmap to transform services and experiences for clients, with the stated goal, “To inspire strength, hope and wellness in our community by promoting independence, choice and person-centred support.”

There are four aims that give overall direction to the strategy:

1. Transition outpatient and long-term care into the community and close the MWI site in the long term.
2. Ensure active patient participation in our services using the recovery model.
3. Use a needs-based approach to care that ensures people get care at the right time and place and from the right provider.
4. Challenge the stigma and discrimination associated with mental illness.

## Shifting MWI outpatient services to community settings

Closing the MWI campus for outpatient and acute services is a long-term goal and not something that will happen in the short or medium term, but BHB wants to bring care to the people who need it, making it easier to access services and taking away the stigma people feel is associated with the MWI building itself.

## Intellectual disabilities

Over many years, residents with intellectual disabilities have moved to group homes in the community and away from the institutionalised MWI setting. The Community Intellectual Disability Team, established last year, aims to support clients who live at home with their families. In fiscal year 2023, this team held two community events that brought intellectual disability clients, their families and the community together in the summer and fall, with the support of generous donors. The summer *Fête of Exceptionalities*, hosted on the Warwick Parish Council Field, gave clients the opportunity to celebrate themselves in a public setting and engage in meaningful social engagement with their peers and the wider community. Its success was followed in the fall by the *Exceptional Fall BBQ* on Clearwater Beach, where special aquatic therapies were also on show.

## Mental health services

In 2022, BHB outpatient mental health services and support were offered from Lamb Foggo Urgent Care Centre, the Department of Health's Hamilton Health Centre, the courts and a GP office, the latter part of a nurse-led pilot.

It was also announced this fiscal year that BHB is collaborating with Habitat for Humanity and the Anglican Church of Bermuda to provide community-based housing, programmes and support for people with mental health

challenges. The tripartite partnership project will see the old St James' Church rectory at Somerset Bridge – Bridge House – redesigned and renovated as a residential facility. The repurposed residence will respect the historical nature of the property. It will also provide 24-hour, state-of-the-art treatment for those requiring mental health services, as well as community support from St James' Church congregants.

The full MWI Directorate Plan and a summary of the plan are available on the BHB website.

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## Laundry Upgrade Project

Following an increasing number of equipment breakdowns and infrastructure issues, BHB started a laundry upgrade project in July 2022. The project came in on budget and the renovated laundry resumed operating in this fiscal year. The impact of the cost on BHB was eased by a \$1.3 million donation by a single donor through the Bermuda Hospitals Charitable Foundation.

About 6,000lbs of laundry are cleaned, dried and pressed every day, seven days a week at BHB. The laundry processes all linens, gowns and clothes used by newborns through to those near the end of life, the curtains used across the hospitals, microfibre cloths used by Environmental Services, as well as lab coats and scrubs for staff. It supports all BHB's facilities, including KEMH, MWI, the UCC and group homes.

The laundry last had new equipment and minor upgrades in 2008 and 2004. Increasing failures meant there were times the washing and drying had to be outsourced at

great cost. The 2022 upgrade means the laundry can work more productively and efficiently to support clinical services.

New equipment was purchased, including six washing machines (one 450lb machine, five 160lb machines, and one smaller 55lb machine for baby linens and scrubs), six dryers (five 200lb dryers and one 80lb dryer) and two folding machines.

The changes to the laundry infrastructure allow a workflow that keeps soiled linen in a separate area from clean linen. In addition, there are new hot and cold water lines, steam piping and exhaust ductwork. An old boiler room was demolished and replaced with a new building to house the new hot water system, allowing the washers to operate more efficiently. The infrastructure design makes repairs and maintenance easier, with access to the back of the dryers, for example. A new fire suppression system was also installed.

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## Senior Appointments

A new chief of psychiatry, Dr Anna Neilson-Williams, and chief financial officer, Arthur Ebbin, were appointed in this fiscal year. The post of chief hospital information officer was created. Keltie Jamieson was appointed and joined just before the electronic medical record launched. This last position is critical for BHB to effectively drive and manage its digital health strategy, especially with the implementation of the organisation-wide electronic medical record.

# Healthcare Workers of the Future

BHB continues to support the future healthcare workers of Bermuda. There is a global shortage of nurses and healthcare professionals that BHB is not immune to. Recruitment is tough, and alongside a more proactive recruitment strategy, encouraging and supporting Bermudians into the healthcare field remains critical.

## Scholarships

BHB awarded eight scholarships this year, worth \$100,000 over one or more years. All the scholarships are administered by BHB.

Due to reductions in operational expenditure, BHB has been unable to fund scholarships for the past five years. Fortunately, through the great generosity of the Bermuda Hospitals Charitable Foundation and their donors, funding for the scholarship programme has been maintained.

BHB is also incredibly grateful for the continued long-term support of GlaxoSmithKline Insurance Ltd, a Bermuda-based subsidiary of GlaxoSmithKline plc, which for several decades has funded multiple scholarships of \$40,000 to support pharmacy students.

## Summer internships

BHB employed 38 students in its Summer Student Programme in 2022. The 12-week programme provides college and university students an opportunity to gain experience, develop skills and make important business contacts in their field of interest.

Students this year were from a wide range of disciplines and degree programmes, both clinical and non-clinical, from 29 different institutions based in Bermuda, Canada, Curacao, Cyprus, the UK and the US. There were seven medical students at KEMH, two psychology students at MWI, and four nursing students who worked across both campuses.

Students also worked the following BHB departments: Facilities Management, Finance, Health Information Management Services, Environmental Services, Human Resources, Information Technology, Lab Services, Long Term Care, Neurology, Pharmacy, Physiotherapy, Project Management and Imaging Services.

This year's summer internships were made possible by the Bermuda Hospitals Charitable Foundation and their corporate donors, who funded the programme with \$150,000.

Over the past five years, BHB has employed 236 Bermudian interns in its summer programme. Of those, 39 were medical students, 191 were general studies students and six were culinary arts students.

## Nurse trainee pilot

BHB's nurse resident programme offers newly qualified Bermudian RNs who have passed their National Council Licensure Examination for Registered Nurses (NCLEX-RN) the opportunity to gain the clinical experience they need, with oversight, to complete their clinical training. The programme has been very successful and has accommodated 10 newly licensed Bermudian nurses per year.

This fiscal year the Bermuda College overwhelmed BHB's resident programme with 14 new RNs, with a potentially a similar size class for next year.

BHB responded by piloting a nurse trainee programme designed to support nurses who have graduated from the Bermuda College while they wait for an opening on the nurse resident programme.

Previously, nurses waiting for a resident placement did not have the option of working within a clinical environment. The trainee pilot means they have the option of working in various clinical departments, with the additional benefit of learning specific nursing skills to enhance their clinical competency once a nurse resident position becomes available.

Despite an incredibly cash-constrained environment, BHB has funded 10 new posts to accommodate seven trainees plus additional anticipated new entrants in the pilot. At a time when nurse shortages are being experienced around the globe, this is a way to encourage and support new nurses on their journey and increase the number of highly valued, Bermudian nurses. BHB appreciates the great work its sister QUANGO the Bermuda College is doing to bolster the number nurses and give Bermudians the opportunity to pursue a career in this field.

## Successful Job Fair for BHB and the Community

BHB hosted a job fair and speed interviewing event in December 2022 at the Hamilton Seventh Day Adventist Church Hall. The fair ran from 9am to 6pm, and over 300 members of the community attended. Over the course of the day more than 600 interviews were conducted for positions in administration, nursing auxiliary, facilities, maintenance, food services and environmental services.

The goals of the job fair were to put Bermudians back to work and to lay groundwork for future openings. Delays in filling posts increase operational costs, and the job fair helped create a rich pool of talent to fill future vacancies in a shorter time.

Of the attendees, 122 were unemployed. There were also many older and mid-career applicants. A number of certified nurse assistants attended after graduating from the Bermuda College programme, highlighting the benefit of such courses being offered locally.

# BHB Employee Compensation Report 2022-2023

LEVELS	Notes	Base Pay Range	Total Compensation <sup>2</sup>	Total Cost <sup>3</sup>
<b>BIU</b>	This group includes Nursing Aides, and non-management staff in support departments including Environmental Services, Facilities, Dietary, and Laundry. Salaries are negotiated every two years with the BIU.	\$46,270.00 to \$98,030.00	\$48,020.00 to \$124,780.00	\$50,170.00 to \$139,630.00
<b>BPSU</b>	This group includes Managers, Clinical Directors, staff in support departments such as HR, IT, Finance, Materials Management, Procurement and Health Information Management Services, and health care professionals, including Medical & Surgical Residents, Psychiatrists, Registered Nurses, Allied Health Professionals, Pharmacists, Pathology staff, Diagnostic Imaging Technicians. Salaries are negotiated every two years with the BPSU.	\$50,820.00 to \$176,310.00	\$51,010.00 to \$257,780.00	\$57,440.00 to \$282,890.00
<b>Non-union Staff and Directors</b>	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.	\$86,920.00 to \$153,310.00	\$87,430.00 to \$205,950.00	\$101,650.00 to \$236,470.00
<b>Physicians</b>	This group includes all physicians employed by BHB (except Medical Residents, Psychiatrists and Surgical Resident physicians which are included under BPSU). Physician salaries and compensation are determined by the Chief of Staff.	\$226,710.00 to \$592,290.00	\$254,040.00 to \$746,670.00	\$284,820.00 to \$783,900.00
<b>Executive</b>	This group includes Chiefs and Vice Presidents. Changes to salaries and compensation were made with the oversight of Board sub-committees or the Chairman during this period. There was no performance pay for this group in 2021/22.	\$150,260.00 to \$485,010.00	\$150,680.00 to \$557,010.00	\$171,620.00 to \$599,040.00

1. Allied Health includes: Physiotherapy, Occupational Therapy, Speech Pathology, Dietitians, and Medical and MWI Social Workers
2. Total Compensation includes base pay, performance pay and, for work permit holders, housing benefits and relocation expenses.
3. Total Cost includes Total Compensation, current years movement in leave pay provision, and the following deductions: social insurance, health insurance, payroll tax and pension.

## Notes:

- Salary data ranges were correct as of 31 March 2023.
- The above is based on employees who worked at least 1560 hours during the year.
- All employees receive the same pension, health and life insurance benefits.

## Key Executives Compensation Report -FY2023

Group	Basic Pay	Total Compensation	Total Cost
<b>CHIEF EXECUTIVE OFFICER</b>	485,010.63	557,010.63	599,036.00
<b>CHIEF OF STAFF</b>	475,010.41	475,010.41	539,580.14
<b>DEPUTY C.E.O.</b>	365,007.93	365,007.93	388,398.75
<b>CHIEF OF NURSING</b>	221,956.07	221,956.07	246,131.76
<b>ACTING CHIEF OPERATING</b>	247,485.37	247,485.37	261,318.34
<b>CHIEF FINANCIAL OFFICER</b>	444,842.95	487,642.95	511,260.93



## BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

# STATISTICAL ANALYSIS - King Edward VII Memorial Hospital

APRIL 2020– MARCH 2021    APRIL 2021– MARCH 2022    APRIL 2022 - MARCH 2023

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

Beds (at 31 March)	98	98	98
Patient Days	13,838	14,770	15,430
Discharges (incl. deaths)	1,806	1,809	1,906
Length of Stay	5.6	6.2	8.7
Births (Live & Stillborn)	527	477	471
Percentage of Occupancy	39%	41%	43%

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

Beds (at 31 March)	90	90	90
Patient Days	30,833	31,454	31,497
Discharges (incl. deaths)	3,113	3,254	3,285
Length of Stay	8.3	8.5	9.6
Percentage of Occupancy	94%	96%	96%

### LONG TERM CARE UNITS – COOPER, GORDON & PERRY

Effective 1 June 2017 (included Curtis Ward 1 June 2017-31 July 2018)

Beds (at 31 March)	105	113	113
Patient Days	36,219	36,002	37,572
Discharges (incl. deaths)	55	70	162
Length of Stay	441.7	339.6	231.9
Percentage of Occupancy	95%	87%	91%

### HOSPICE

Beds (at 31 March)	8	8	8
Patient Days	1,458	1,431	1663
Discharges (incl. deaths)	39	77	90
Length of Stay	36.5	18.6	18.5
Percentage of Occupancy	50%	49%	57%

### ALL PATIENTS

Emergency Dept. Visits – KEMH	21,830	23,357	28,381
Lamb Foggo Urgent Care Centre Visits	1,985	2,690	1,976
Operations (Inpatients & SDA)	1,393	1,293	1,218
Operations (Outpatients)	4,607	4,753	6,512
X-Ray (exams) (In & Out)	24,520	23,909	25,306
Laboratory (Thousand Units) (In & Out)	3,072,005	3,509,081	4,493,871
Cardiac Investigations (ECG & EEG) (In & Out)	9,490	9,560	10,549
Ultrasound Exams (In & Out)	5,305	5,269	5,114
Nuclear Medicine (In & Out)	1,069	1,258	872
Chemotherapy Treatments (Outpatients)	3,984	3,945	4,068
Cat Scans (In & Out)	15,050	15,216	14,000
MRI Scans (In & Out)	3,539	3,779	3,710
Hyperbarics Patients	4	12	8

## BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

# STATISTICAL ANALYSIS - King Edward VII Memorial Hospital *cont'd*

	APRIL 2020– MARCH 2021	APRIL 2021– MARCH 2022	APRIL 2022 - MARCH 2023
Wound Care Treatments	5,913	4,490	4,223
Rehab Day Hospital – New Patients	229	185	217
Rehab Day Hospital – # of Clients	1,298	516	630
Rehab Day Hospital – # of Discharges	225	69	131
Home Care Visits	3,949	2,704	3,052
Blood Donations	1,751	1,816	2,001

## BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

# STATISTICAL ANALYSIS - Mid-Atlantic Wellness Institute

	APRIL 2020– MARCH 2021	APRIL 2021– MARCH 2022	APRIL 2022 - MARCH 2023
<b>INPATIENT – ACUTE CARE</b>			
Beds (at 31 March)	23	23	23
Discharges (including deaths)	266	213	249
Length of Stay	13.8	18.6	29.4
Admissions	255	225	234
Percentage of Occupancy	79%	77%	87%
Patient Days	6,609	6,460	7,316
<b>LONG TERM &amp; REHABILITATION</b>			
Beds (at 31 March)	40	40	43
Discharges (excluding deaths)	6	17	53
Patient Days (excluding respite)	14,273	14,463	14,402
Length of Stay	1,784	850.7	271.7
Deaths	0	0	2
Percentage of Occupancy	98%	99%	92%
Average Length of Stay of Deaths (days)	0	0	902.5
<b>GROUP HOMES (Mental Health, Intellectual Disability)</b>			
Beds (at 31 March)		103	101
Percentage of Occupancy		89%	94%
<b>TURNING POINT (Substance Abuse Detox Unit)</b>			
Beds (at 31 March)	8	8	8
Discharges	66	54	62
Patient Days	540	705	710
Length of Stay	6.7	12.8	11.5
Admissions	75	47	55
Percentage of Occupancy	18%	24%	28%



## BERMUDA HOSPITALS BOARD ANNUAL REPORT STATISTICS

# STATISTICAL ANALYSIS - Mid-Atlantic Wellness Institute *cont'd*

APRIL 2020– MARCH 2021    APRIL 2021– MARCH 2022    APRIL 2022 - MARCH 2023

### CHILD & ADOLESCENT SERVICES

Beds (at 31 March)	4	4	4
Discharges	11	24	24
Patient Days	565	528	395
Length of Stay	47	22	16.5
Admissions	10	19	25
Percentage of Occupancy	39%	36%	27%

### OUTPATIENTS (Child & Adolescent, Mental Health (Acute/ & Rehab), Substance Abuse)

Total New Admissions / Referrals	261	269	214
Total Re-admissions / Referrals	106	128	92
Total Follow-up Appointments	6,778	7,117	6,573
Total Day Patient Visits	1,150	1,931	2,188
Total Walk-ins / Unscheduled Visits	5,586	3,791	3,660
Total DNA to Scheduled Appointments	1,104	1,118	1,185
Total Terminations of Pregnancy	27	17	12
Total Home Visits	10,689	9,134	7,847



## Bermuda Hospitals Board

### Management's Responsibility for the Financial Statements

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

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

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

The accompanying Independent Auditor's Report is presented herein.

Mr. R. Scott Pearman  
Chief Executive Officer and President

  
Mr. Arthur S.W. Ebbin Jr.  
Chief Financial Officer

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

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

[www.bermudahospitals.bm](http://www.bermudahospitals.bm)



## ***Office of the Auditor General***

Reid Hall, Penthouse  
3 Reid Street  
Hamilton HM 11, Bermuda

Tel: (441) 296-3148  
Fax: (441) 295-3849  
Email: [oag@oagbermuda.bm](mailto:oag@oagbermuda.bm)  
Website: [www.oagbermuda.bm](http://www.oagbermuda.bm)

### **INDEPENDENT AUDITOR'S REPORT**

To the Ministry of Health

#### **Opinion**

I have audited the financial statements of the Bermuda Hospitals Board, which comprise the statement of financial position as at March 31, 2023, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bermuda Hospitals Board as at March 31, 2023, and the results of its operations, changes in its net assets and losses and its cash flows for the year then ended in accordance with public sector accounting standards for government not-for-profit organizations generally accepted in Bermuda and Canada.

#### **Basis for Opinion**

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

#### **Emphasis of Matter**

I draw attention to note 22 of the financial statements, which describes the restatement of the comparative financial information for the year ended March 31, 2022. My opinion is not modified in respect of this matter.

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

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

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

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

### **Auditor's Responsibility for the Audit of the Financial Statements**

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

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

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

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

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

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

Hamilton, Bermuda  
November 28, 2024

A handwritten signature in black ink, appearing to read "Heather T.", with a stylized flourish at the end.

Heather Thomas, CPA, CFE, CGMA  
Auditor General

**Bermuda Hospitals Board**  
**Statement of Financial Position**  
**As at March 31, 2023**  
(Presented in Bermuda Dollars)

	<b>2023</b>	<b>2022</b> <b>Restated</b> <b>(Note 22)</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 8,516,130	\$ 11,115,788
Restricted cash (Note 4)	2,795,275	1,897,181
Restricted investment (Note 4)	365,970	-
Accounts receivable (net of allowance for doubtful accounts) (Notes 14 & 18a)	19,941,084	24,890,931
Other receivables (Notes 14g & 18a)	2,207,818	2,651,654
Prepaid expenses	4,884,370	5,648,127
Inventories	17,307,128	16,822,286
	<u>56,017,775</u>	<u>63,025,967</u>
<b>Non-current assets</b>		
Acute Care Wing building (Note 9)	288,364,246	294,097,521
Capital assets (Note 10)	196,890,058	146,786,055
Term deposits (Note 5)	891,409	884,608
Restricted investment (Note 4)	-	365,970
	<u>486,145,713</u>	<u>442,134,154</u>
<b>Total assets</b>	<b>\$ 542,163,488</b>	<b>\$ 505,160,121</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Bank overdraft (Notes 6b & 18b)	\$ 11,775,305	\$ -
Accounts payable and accrued liabilities (Notes 14g & 18b)	49,865,677	25,478,610
Accrued salary and payroll expenses (Notes 8b & 14g & 18b)	30,371,169	27,514,092
Current portion of other liability (Notes 6a & 18b)	11,002,701	9,993,081
Current portion of deferred capital contributions (Note 7)	2,306,450	2,306,450
	<u>105,321,302</u>	<u>65,292,233</u>
<b>Non-current liabilities</b>		
Other liability – Acute Care Wing (Notes 6a & 18b)	230,056,107	241,058,808
Deferred capital contributions (Note 7)	41,394,750	43,359,864
Accrued health insurance (Notes 8b & 18b)	26,790,170	25,912,055
Asset retirement obligation (Notes 10, 11 & 18)	15,498,453	-
	<u>313,739,480</u>	<u>310,330,727</u>
<b>Total liabilities</b>	<u>419,060,782</u>	<u>375,622,960</u>
<b>Net assets</b>		
Internally restricted for education (Notes 4 & 12)	409,377	427,145
Unrestricted net assets	122,693,329	129,110,016
	<u>123,102,706</u>	<u>129,537,161</u>
<b>Total liabilities and net assets</b>	<b>\$ 542,163,488</b>	<b>\$ 505,160,121</b>

**Contractual obligations and contingencies (Notes 15 & 16)**

*The accompanying notes are an integral part of these financial statements.*

**Bermuda Hospitals Board**  
**Statement of Operations**  
**For the Year Ended March 31, 2023**  
(Presented in Bermuda Dollars)

	<b>2023 Budget (Note 20)</b>	<b>2023</b>	<b>2022 Restated (Note 22)</b>
<b>REVENUE (Note 19)</b>			
Mutual Re-insurance Fund (MRF) (Note 14e)	\$ 163,150,528	\$ 167,705,532	\$ 158,646,050
Subsidy (Note 14b)	108,330,364	108,330,364	108,330,364
Government grant/MWI (Note 14a)	44,230,653	39,379,653	43,540,799
Supplemental funding (Note 14b)	11,100,000	15,000,000	11,100,000
Patient related revenue – other	9,300,457	11,214,468	8,511,533
Non-medical	4,542,148	2,758,761	2,432,950
Amortisation of deferred capital contributions (Note 7)	2,000,000	2,316,778	2,569,935
Donations – other (Note 17)	-	1,475,444	1,244,047
Donations in kind (Note 17)	-	42,612	11,295
Interest income	-	6,801	6,218
<b>Total revenues</b>	<b>342,654,150</b>	<b>348,230,413</b>	<b>336,393,191</b>
<b>EXPENSES (Note 19)</b>			
Salaries and employee benefits (Notes 8, 10 & 14g)	222,542,762	204,381,313	201,212,599
Medical supplies	31,011,679	31,305,445	30,106,200
Repairs and maintenance	24,943,554	29,491,448	27,327,995
General supplies and services	30,419,103	29,363,049	31,263,358
Amortisation of capital assets	12,091,017	14,976,291	11,837,362
Interest (Note 9)	13,600,000	13,534,870	14,242,407
Utilities	10,535,569	11,108,511	9,839,310
Bad debt	70,386	5,742,916	3,852,991
Amortisation of Acute Care Wing building (Note 9)	5,733,275	5,733,275	5,733,275
Lifecycle costs (Notes 9 & 22)	3,500,000	4,256,962	3,246,709
Food	3,114,421	3,772,673	2,990,316
Accrued health insurance loss/(gain) (Note 8b)	-	878,115	(3,415,571)
Scholarships issued	-	120,000	390,613
Impairment of other investments	-	-	7,395
Loss on disposal of capital assets	-	-	1,845
<b>Total expenses</b>	<b>357,561,766</b>	<b>354,664,868</b>	<b>338,636,804</b>
<b>Deficiency of revenues over expenses</b>	<b>\$ (14,907,616)</b>	<b>\$ (6,434,455)</b>	<b>\$ (2,243,613)</b>

*The accompanying notes are an integral part of these financial statements.*

**Bermuda Hospitals Board**  
**Statement of Changes in Net Assets**  
**For the Year Ended March 31, 2023**  
(Presented in Bermuda Dollars)

	<b>2023</b>			
<b>Net assets</b>	Budgeted net assets	Internally restricted for education	Unrestricted net assets	Total
Balance, beginning of year	\$ 129,537,161	\$ 427,145	\$ 129,110,016	\$ 129,537,161
Deficiency of revenues over expenses	(14,907,616)	(17,768)	(6,416,687)	(6,434,455)
<b>Balance, end of year</b>	<b>\$ 114,629,545</b>	<b>\$ 409,377</b>	<b>\$ 122,693,329</b>	<b>\$ 123,102,706</b>

	<b>2022</b>			
	<b>Restated (Note 22)</b>			
<b>Net assets</b>	Budgeted net assets	Internally restricted for education	Unrestricted net assets	Total
Balance, beginning of year	\$ 134,225,399	\$ 424,645	\$ 133,800,754	\$ 134,225,399
Adjustment to prior balance	-	-	(2,444,625)	(2,444,625)
Adjusted Balance, beginning of year	\$ 134,225,399	\$ 424,645	\$ 131,356,129	\$ 131,780,774
Excess of revenues over expenses	443,902	2,500	1,000,596	1,003,096
Adjustment to prior balance	-	-	(3,246,709)	(3,246,709)
<b>Balance, end of year</b>	<b>\$ 134,669,301</b>	<b>\$ 427,145</b>	<b>\$ 129,110,016</b>	<b>\$ 129,537,161</b>

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



**Bermuda Hospitals Board**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2023**  
(Presented in Bermuda Dollars)

	<b>2023</b>	<b>2022 Restated (Note 22)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Deficiency of revenues over expenses	\$ (6,434,455)	\$ (2,243,613)
Amortisation of capital assets	14,976,291	11,837,362
Amortisation of Acute Care Wing building	5,733,275	5,733,275
Amortisation of deferred capital contributions	(2,316,778)	(2,569,935)
Bad debt	(5,742,916)	(3,852,991)
Interest income	(6,801)	(6,218)
Interest expense	13,534,870	14,242,407
Net change in non-cash working capital (Note 21)	55,036,226	2,713,203
Impairment of other investments	-	7,395
Loss on disposal of capital assets	-	1,845
<b>Net cash flows generated from operating activities</b>	<b>74,779,712</b>	<b>25,862,730</b>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>		
Purchase of capital assets	(65,080,294)	(18,493,638)
Deferred capital contributions	351,664	1,623,017
<b>Net cash used in capital activities</b>	<b>(64,728,630)</b>	<b>(16,870,621)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(6,801)	(379,334)
Interest income received	6,801	6,218
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(373,116)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of other liability	(9,993,081)	(9,240,823)
Interest paid	(13,534,870)	(14,242,407)
<b>Net cash used in financing activities</b>	<b>(23,527,951)</b>	<b>(23,483,230)</b>
Net decrease in cash and cash equivalents	(13,476,869)	(14,864,237)
Cash and cash equivalents, beginning of year	13,012,969	27,877,206
<b>Cash and cash equivalents, end of year</b>	<b>\$ (463,900)</b>	<b>\$ 13,012,969</b>
Cash and cash equivalents consist of the following:		
Cash	\$ 8,516,130	\$ 11,115,788
Restricted cash	2,795,275	1,897,181
Bank overdraft	(11,775,305)	-
	<b>\$ (463,900)</b>	<b>\$ 13,012,969</b>

*The accompanying notes are an integral part of these financial statements.*

## **1. AUTHORITY AND ORGANISATION**

### **a. Authority**

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

### **b. Organisation**

The Board of Directors of BHB (“Directors”) are responsible for operating both the King Edward VII Memorial Hospital (“KEMH”) and Mid-Atlantic Wellness Institute (“MWI”). The BHB receives donations and fixed income (consisting of, subsidies, government grants, mutual re-insurance fund (“MRF”)) as well as income from commercial insurers and individual patients based on services rendered.

KEMH is an inpatient acute care and extended care hospital with 116 acute care beds (2022: 116 beds) and 215 general and continuing care beds (2022: 215 beds).

MWI is a psychiatric facility with 4 beds (2022: 4 beds) for children and adolescents and 75 long-term rehabilitation beds (2022: 75), which include 23 beds for acute care. BHB also operates fifteen group homes for intellectual disability clients.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

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

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

### **a. Revenue recognition**

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

Unrestricted contributions and pledges are recognised as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

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

Revenue from patient care, consulting and other activities is recognised when the service is provided. Diagnostic Related Group (“DRG”) revenue can only be accurately calculated upon patient discharge. Prior to discharge, an estimate of DRG revenue is accrued; this accrual is reversed at discharge when the actual DRG revenue is recognised.

Starting June 1, 2019, BHB moved from a fee for service to a fixed funding model where all standard health benefits (“SHB”) related services delivered to locally insured patients, are funded by the Government of Bermuda by a fixed portion of the MRF premiums paid to BHB (refer to Note 14(e)). All SHB services are delivered to locally insured patients as well as subsidy claims. The BHB recognises revenue for these services based on the pre-agreed amount expected to be received for the year. The BHB is still able to bill overseas patients as well as certain miscellaneous services, and the revenue related to these services continue to be accounted for as before, based on the service provided.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **a. Revenue recognition (Cont'd)**

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

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

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

### **b. Capital assets and leases**

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

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

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

Land	Nil years	(0.0%)
ACW Building	60 years	(1.7%)
Buildings	40 years	(2.5%)
Equipment	10 years	(10.0%)
EMR Pearl	10 years	(10.0%)
Software	5 years	(20.0%)
Computer equipment	5 years	(20.0%)

Capital assets are subject to an impairment review if there are indications that the carrying amount may not be recoverable. The recoverable amount of an asset is calculated as the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the statement of operations.

Under the application of PS 3280 Asset Retirement Obligations, effective April 1, 2022, asset retirement obligations are recognized in the financial statements by increasing the carrying amount of the related tangible capital assets, or components thereof. The related expense is then amortized over the remaining useful lives of the related assets.

There were no capital leases as at March 31, 2023 (2022: \$nil). During the year the BHB held assets under construction valued at \$5.4 million (2022: \$20.3 million), which are not amortised.

### **c. Cash and cash equivalents**

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **d. Inventories**

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

### **e. Donated services**

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

### **f. Financial instruments**

The BHB measures its financial instruments at fair value on initial recognition. Subsequently financial instruments are recorded at either fair value, cost or amortised cost. The BHB's accounting policy for each category is as follows:

#### **(i) Fair value**

This category includes bonds and equity instruments quoted in an active market. Other investments consist of investment in equity shares, which are quoted on the Bermuda stock market.

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

Transaction costs related to financial instruments in the fair value category are expensed as incurred. Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognised in the statement of operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed and recognised in the statement of operations.

There were no financial instruments held at fair value and no accumulated remeasurement gains and losses as at March 31, 2023 (2022: \$nil).

#### **(ii) Cost or amortised cost**

Cash, restricted cash, restricted investments and term deposits are recognised at cost.

Investments, accounts receivable, other receivables, accounts payable and accrued liabilities, other liability, accrued salaries and payroll expenses, pension accrual and accrued health insurance and bank overdraft are initially recognised at cost and subsequently carried at amortised cost using the effective interest method, less any impairment losses on financial assets.

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

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **g. Employee future benefits**

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

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

The BHB accrues its obligations under defined benefit plans and the related costs, net of plan assets. The defined benefit plans consist of a retirement insurance plan. The BHB has adopted the following policies:

- The retirement benefits for defined benefit plans earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of expected salary escalation, retirement ages of employees and expected future health care costs.
- No plan asset is maintained for the post-employment defined benefit plans.
- The excess net actuarial gain (loss) is amortised over the average remaining service period of active employees. The average remaining service period of the active employees covered by the retirement plan is nil years (2022: nil years) as there are no active employees in the plan. The average remaining service life of the active employees covered by the health benefit plan is 3.90 years (2022: 4.20 years).

### **h. Employee health insurance plan**

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

The plan's cumulative deficit or surplus incorporates the net premium, incurred claims, interest and administration charges. The BHB is liable for any deficit incurred by the plan and can address the deficit by restructuring the plan, changing premiums paid or by depositing funds into the plan. The BHB accrues all gratuitous payments to the fund as approved by the Directors. The cumulative surplus allocated to the BHB shall be available to the BHB plan, to fund transactions, which benefit its employees who are insured under the health insurance plan. The cumulative surplus may also be carried forward to the next period or transferred to a Human Resources Benefits Fund. The BHB elected to carry the balance forward to the following financial year.

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

### **i. Acute Care Wing ("ACW") building**

The ACW is recorded at cost, which is considered to represent its initial fair value. The ACW cost includes development and financing costs estimated at fair value, which required the extraction of cost information from the financial model embedded in the Agreement. Interest during construction was also included in the ACW cost and was calculated on the ACW repayment schedule. The interest rate used was the project internal rate of return. The BHB has capitalized these costs as a separate non-current asset on the Statement of Financial Position (see Note 9). Correspondingly, a liability, net of the contributions received, is recorded as "Other liability". The liability is being met via the monthly payments over the term of the Agreement. These costs are detailed in Note 6a. The "Other liability" represents the unpaid obligation related to costs incurred by Paget Health Services Limited ("PHS") for the ACW construction. PHS is a consortium of Bermuda and international companies which was formed to design, build, finance and maintain the ACW. The "Other liability" does not represent the future commitments for annual service payments, which are not yet due (Note 15b).

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **i. Acute Care Wing (“ACW”) building (Cont’d)**

On September 14, 2014, the ACW became available for operations and amortisation commenced. The ACW building is amortised over the estimated useful life of the building of 60 years (1.7% per annum).

### **j. Asset Retirement Obligations**

Effective April 1, 2022, the BHB adopted the new accounting standard PS 3280 - Asset Retirement Obligations as mandated by PSAS for GNFPOs. This standard requires the recognition and measurement of legal obligations associated with the retirement of tangible capital assets, such as buildings containing hazardous materials like asbestos.

Asset retirement obligations (“AROs”) arise from the acquisition, development, and construction of tangible capital assets due to legal obligations associated with their retirement. The major parts of the carrying amount of AROs relate to hazardous building materials and medical equipment containing hazardous substances. BHB recognizes an ARO when all the following criteria are met:

- (i) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) The past transaction or event giving rise to the liability has occurred;
- (iii) It is expected that future economic benefits will be given up; and
- (iv) A reasonable estimate of the amount can be made.

The asset retirement cost is recognized upon initial recognition of the liability for asset retirement obligation by increasing the carrying amount of the tangible capital assets or the components thereof by the same amount as the liability. The asset retirement cost is expensed in a rational and systematic manner over the useful life of the tangible capital assets or the components thereof.

The carrying amount of the liability for asset retirement obligations is remeasured at each financial reporting date and any changes to the liability are recognized at the time of remeasurement.

As at March 31, 2023, a total liability for AROs of \$15.5 million has been recorded in these financial statements (Note 11).

The assets identified by the BHB that are likely to have asset retirement obligations are:

- Hospital buildings
- Fuel storage tanks, and
- Medical equipment

The most significant ARO is attributed to the regulated materials in hospital buildings and is comprised of costs related to asbestos abatement. Although there is no legal requirement to dispose of asbestos until it is disturbed, regulations require asbestos to be handled and disposed of in a prescribed manner when disturbed, such as during renovations or ultimately upon demolition.

Another significant asset retirement obligation is attributed to the safe removal of radioactive equipment used by the hospital. All equipment are required to be shipped back to the respective vendor for disposal. As a result, the only cost associated with this relates to overseas shipping.

AROs that can be reasonably estimated are included in the tangible capital asset cost and are amortised straight-line over the remaining useful life of the underlying asset.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **j. Asset retirement obligations (Cont'd)**

The ARO estimates are based on the estimated costs per unit to dispose of the regulated material in accordance with the prescribed legislative requirements. These estimated unit costs were developed based on available data such as environmental reports, building engineering reports and the use of third-party expert reports for facility related AROs.

In accordance with the transitional provisions, the BHB has applied the prospective accounting approach under the transitional provisions. The likely applicable form of this approach results in the recognition of AROs where the event giving rise to the obligation arose prior to April 1, 2022, and the obligation has not been previously recognized.

### **k. Measurement uncertainty**

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

### **l. Related parties**

Related parties are identified as entities under the common control or shared control, directly or indirectly of the Government, entities in which the BHB has shareholding with significant influence and key management personnel. The BHB enters into transactions with these entities in the normal course of business and transactions and balances due to/from related parties are disclosed separately. Related party transactions are recorded at the exchange amount as agreed between the respective parties.

### **m. Remeasurement gains or losses**

Remeasurement gains or losses measures the unrealized change in the value of financial instruments, such as investments, being measured at fair market value at the Statement of Financial Position date. There were no remeasurement gains or losses as at March 31, 2023 (2022: \$nil).

## **3. ECONOMIC DEPENDENCE**

The BHB receives a significant amount of its revenues from the Ministry of Health ("MoH") with proceeds from the Mutual Re-insurance Fund ("MRF"), and subsidies and grants from the Ministry of Finance ("MoF"). Accordingly, any disruption in that funding could have a significant impact on the operations of the BHB (See Note 18a).

## **4. RESTRICTED CASH AND RESTRICTED INVESTMENTS**

	<b>2023</b>	<b>2022</b>
Restricted cash	\$ 2,795,275	\$ 1,897,181
Restricted investment	365,970	365,970
	<u>\$ 3,161,245</u>	<u>\$ 2,263,151</u>



**4. RESTRICTED CASH AND RESTRICTED INVESTMENTS (CONT'D)**

	<b>2023</b>	<b>2022</b>
<b>Current:</b>		
HSBC Bank Bermuda Limited – matures November 24, 2023	365,970	-
	<u>\$ 365,970</u>	<u>\$ -</u>
<b>Non-Current:</b>		
HSBC Bank Bermuda Limited – matures November 24, 2023	-	365,970
	<u>\$ -</u>	<u>\$ 365,970</u>

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

	<b>2023</b>	<b>2022</b>
<b>External</b>		
Patient comfort funds	\$ 2,522,709	\$ 1,655,872
Forensic Mental Health funds (Note 14a)	223,062	174,037
Construction projects and capital assets (Note 7)	6,097	6,097
	<u>2,751,868</u>	<u>1,836,006</u>
<b>Internal</b>		
Educational purposes (Note 12)	409,377	427,145
	<u>\$ 3,161,245</u>	<u>\$ 2,263,151</u>

**5. TERM DEPOSITS**

Term deposits are fixed-term investments that include the deposit of cash into an account at a financial institution. Term deposits usually carry short or long-term maturities ranging from three months to five years. The BHB has the following term deposit :

	<b>2023</b>	<b>2022</b>
<b>Non-Current:</b>		
The Bank of N.T. Butterfield – matures August 15, 2025	891,409	884,608
	<u>\$ 891,409</u>	<u>\$ 884,608</u>

**6. OTHER LIABILITY**

**a. Acute Care Wing (ACW)**

	<b>2023</b>	<b>2022</b>
Other liability	\$ 241,058,808	\$ 251,051,889
Less: Current portion	(11,002,701)	(9,993,081)
	<u>\$ 230,056,107</u>	<u>\$ 241,058,808</u>



## 6. OTHER LIABILITY (CONT'D)

### a. Acute Care Wing (ACW) (Cont'd)

The BHB's long-term obligation relating to ACW for the next five years and thereafter are as follows:

2024	\$ 11,002,701
2025	11,930,178
2026	12,950,461
2027	13,808,588
2028	14,966,565
2029 – 2044	176,400,315
	<u>\$ 241,058,808</u>

The BHB's contractual obligations to PHS in respect of the ACW are disclosed in Note 15b.

### b. Bank Overdraft

The BHB maintains a \$20 million bank overdraft facility as a line of credit. Interest is payable on the outstanding daily debit balance of the operating account per annum (calculated at the Bank's BD\$ commercial base rate plus a margin 0.75%). As at March 31, 2023, the BHB had the following outstanding balance:

	2023	2022
Clarien Bank	\$ 11,775,305	\$ -

## 7. DEFERRED CAPITAL CONTRIBUTIONS

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

	2023	2022
Deferred capital contributions	\$ 43,701,200	\$ 45,666,314
Less: Current portion	(2,306,450)	(2,306,450)
	<u>\$ 41,394,750</u>	<u>\$ 43,359,864</u>

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

	2023	2022
Balance, beginning of year	\$ 45,666,314	\$ 46,613,232
Add: contributions received	351,664	1,623,017
Less: amounts amortised to revenue	(2,316,778)	(2,569,935)
Balance, end of year	<u>\$ 43,701,200</u>	<u>\$45,666,314</u>

## 7. DEFERRED CAPITAL CONTRIBUTIONS (CONT'D)

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

	2023	2022
Unamortised capital contributions used to purchase assets	\$ 43,695,103	\$ 45,660,217
Unspent contributions (Note 4)	6,097	6,097
	<u>\$ 43,701,200</u>	<u>\$ 45,666,314</u>

## 8. EMPLOYEE FUTURE BENEFITS

### a. Pension plans and retirement benefits

#### Defined contribution plan

There is a defined contribution pension plan in place for all employees, whereby the BHB contributes 5% (2022: 5%) of gross salary and the employee contributes 5% (2022: 5%) of gross salary. Prior to January 1, 2000, vesting rights began to accrue after five years with respect to the BHB's contributions. Beginning January 1, 2000, 100% of the BHB's contributions vest after two years. When an employee ceases employment with the BHB, other than through retirement, the BHB's unvested contributions are reflected as a reduction in employee benefits expense. The expense for the year ended March 31, 2023 totalled \$7,048,748 (2022: \$6,277,350) and is included in salaries and employee benefits.

### b. Post-employment benefits and compensated absences

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

Maternity/paternity leave does not accumulate nor 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/paternity leave for the year ended March 31, 2023 was \$428,280 (2022: \$669,636) and is included in accrued salary and payroll expenses.

Sick leave does not accumulate or vest, and like maternity/paternity leave, a liability is recorded only when sick leave is applied for and approved. For the year ended March 31, 2023, the amount was \$186,520 (2022: \$197,364) 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, 2023 the leave pay liability was \$12,638,213 (2022: \$13,814,126) and is included in accrued salary and payroll expenses. The expense for the year ended March 31, 2023 was \$12,398,993 (2022: \$12,783,117) and the benefits paid out were \$13,574,739 (2022: \$13,463,180).

The BHB pays 50% of the health insurance premiums for eligible employees who retire from the BHB. The significant actuarial assumptions adopted in measuring the BHB's accrued benefit obligation include a discount rate of 3.0% (2022: 3.0%) and an annual increase in health insurance premiums of 7% per annum, decreasing by 1% per annum to an ultimate rate of 3% per annum after 5 years.

## 8. EMPLOYEE FUTURE BENEFITS (CONT'D)

### b. Post-employment benefits and compensated absences (Cont'd)

#### Accrued health insurance

	2023	2022
Balance, beginning of year	\$ 25,912,055	\$ 29,327,626
Current cost	192,699	196,938
Interest	1,180,000	1,300,000
Benefits paid	(1,270,000)	(1,020,000)
Current year amortisation of experience loss/(gain)	775,416	(3,892,509)
Balance, end of year	<u><u>\$ 26,790,170</u></u>	<u><u>\$ 25,912,055</u></u>

During the 2017 financial year, a plan curtailment was approved. As part of the plan curtailment, the required employee service period was increased from 10 years to 20 years. Under the amended health insurance plan, only employees with twenty years of service (calculated at April 1, 2016) who reach mandatory or early retirement prior to April 1, 2021, will be eligible for this health insurance benefit.

An actuarial gain/(loss) of \$1,655,920 (2022: \$2,123,628) will be deferred and amortised over a period of 3.90 years (2022: 4.20 years) being the average remaining service life of active employees covered by the plan. The values of the liability for the 2023 and 2022 fiscal years are based on an independent actuarial valuation report.

### c. Health insurance plan

As at March 31, 2023, the BHB Health Plan had a net surplus of \$1,358,972 (2022: \$2,178,495). In the 2019 financial year, the BHB made a gratuitous payment of \$1 million into the BHB Health Plan, which was offset against the net deficit from prior year. There were no gratuitous payments made during the current or prior financial year.

## 9. ACUTE CARE WING BUILDING

After a competitive bidding process, on December 1, 2010 the BHB entered into a Public Private Partnership (“PPP”) Agreement (“Agreement”) with PHS to develop the new ACW (“Project”).

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

PHS has raised finance through senior debt and equity. Commencing June 1, 2014, the BHB started paying a monthly service fee to PHS for the repayment of the principal debt, interest on principal debt, life cycle replacement cost, and maintaining and running the hard facilities management (structural, mechanical and electrical) of the building. These contractual obligations have been disclosed in Note 15b.

The BHB paid \$40 million as a service commencement payment to PHS on June 1, 2014 under the terms of the Agreement. This service commencement payment was capitalized as part of the cost of ACW.

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

**9. ACUTE CARE WING BUILDING (CONT'D)**

**Statement of Financial Position**

	<b>2023</b>	<b>2022</b>
Capital assets – land and buildings (ACW PPP Agreement)		
Cost	\$ 337,251,486	\$ 337,251,486
Accumulated amortisation	(48,887,240)	(43,153,965)
Net book value	<u><u>\$ 288,364,246</u></u>	<u><u>\$ 294,097,521</u></u>
Other liability – Acute Care Wing (Note 6a)	<u><u>\$ 241,058,808</u></u>	<u><u>\$ 251,051,889</u></u>

**Statement of Operations**

	<b>2023</b>	<b>2022</b> <b>Restated</b> <b>(Note 22)</b>
Repairs and maintenance expense	\$ (4,579,796)	\$ (3,488,592)
Lifecycle cost	(4,256,962)	(3,246,709)
Interest expense	(13,534,870)	(14,242,407)
Amortisation expense	(5,733,275)	(5,733,275)
	<u><u>\$ (28,104,903)</u></u>	<u><u>\$ (26,710,983)</u></u>

**Lifecycle payments**

The financial statements include lifecycle amounts which represent a \$120 million contractual amount paid annually to PHS for repairs and capital expenditures in line with the PPP Agreement. PHS has an obligation to maintain the building and ensure its service availability in accordance with the terms of the PPP Agreement. These costs were previously capitalized as prepaid assets, however new identified information has indicated that the BHB has no recourse if such services are not provided by PHS, resulting in these amounts being fully expensed (refer to Note 22).

**10. CAPITAL ASSETS**

	<b>Cost</b>	<b>Accumulated Amortisation</b>	<b>2023 Net Book Value</b>	<b>2022 Net Book Value</b>
Land and buildings	\$ 202,403,326	\$ 99,618,445	\$ 102,784,881	\$ 101,709,227
Asset retirement cost	15,498,453	741,033	14,757,420	-
Construction in progress	421,691	-	421,691	707,494
Equipment	110,717,192	94,862,551	15,854,641	17,853,000
Software	29,914,901	26,118,057	3,796,844	5,935,383
Software – asset in progress	6,381,465	-	6,381,465	20,357,947
Computer equipment	13,410,617	11,884,472	1,526,145	223,004
EMR Pearl	53,901,542	2,534,571	51,366,971	-
	<u><u>\$ 432,649,187</u></u>	<u><u>\$ 235,759,129</u></u>	<u><u>\$ 196,890,058</u></u>	<u><u>\$ 146,786,055</u></u>

The total cost of the capital assets as at March 31, 2023 was \$432,649,187 (2022: \$367,568,884) and the accumulated amortisation was \$235,759,129 (2022: \$220,782,829).

## **10. CAPITAL ASSETS (CONT'D)**

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

The insured value of the BHB's buildings, contents and business interruption coverage is approximately \$724.5 million (2022: \$714.5 million).

### **Software – asset in progress**

On December 31, 2019, the BHB entered into a 10-year agreement with an external software provider for the configuration, delivery and implementation of an Electronic Medical Record (“EMR”) system. This agreement provides BHB with a non-exclusive, non-transferable right to use the vendor's proprietary Licensed Software, Sublicensed Software and certain equipment pursuant to the creation of BHB's EMR system. The agreement also covers the provision of necessary support services for the ongoing maintenance of the software as well as related Functional and Service Warranties. Contractually agreed payments commenced April 2021 and have been capitalised to a work in progress capital asset (software) account up to the date that BHB are able to exercise “First Productive Use” of the Software, anticipated to occur within 18 months from the date of first payment and subject to discussions between BHB and the vendor on the specific needs of the EMR. As of the date of these financial statements, the BHB were able to exercise productive use of the completed EMR system during November 2022 and amortisation commenced from this date. However, discussions with the vendor were ongoing as to the finalisation of additional modules of the system, which continue to be capitalised as software – asset in progress.

As at March 31, 2023, BHB has capitalised \$6,381,465 (2022: \$20,357,947) since the commencement of the project. This includes \$1,773,937 (2022: \$13,965,542) purchased during the year, in relation to the software in progress. BHB also capitalised salaries amounts directly attributable to the development and implementation of the software. As at March 31, 2023, the amount capitalised was \$7,307,892 (2022: \$5,442,659).

## **11. ASSET RETIREMENT OBLIGATIONS**

The BHB owns and operates various assets that are subject to asset retirement obligations. Provisions for these costs are recorded when it is determined a liability exists and a reasonable estimate of the obligation can be made. As at March 31, 2023, a total liability for asset retirement obligations of \$15.5 million has been recorded in these financial statements.

The BHB's estimates for decommissioning of assets at retirement are based on available data such as building engineering reports, internal data and independent third-party expert reports for facility-related asset retirement obligations. These estimates have been measured on an undiscounted basis and consist of several types of asset retirement obligations as follows:

### **Hazardous Material**

In accordance with applicable legal requirements arising (if any) and only in the event the BHB building assets are retired by way of demolition, a provision for proper handling of materials containing hazards, including but not limited to, asbestos, and the related expense is recognized as at March 31, 2023. To the extent there arises any obligation for appropriate handling, such obligation would be a potential future obligation relating to hazard such as asbestos within BHB's various building assets. The obligation represents the best estimate of the expenditure necessary to safely remove and dispose of such material. The estimated total liability is \$12.5 million.

The amounts recognized in regard to the BHB's General Wing is \$7,325,893 and for the MWI Campus is \$5,172,560. These assets values will be increased by these amounts and amortized over 40 years as per BHB's depreciations policy. Each year BHB will review these estimates to ensure that they are adequate.

## 11. ASSET RETIREMENT OBLIGATIONS (CONT'D)

### Medical Equipment

The BHB owned medical equipment that is known to or expected to contain hazardous and radioactive material which require safe removal and disposal. The BHB is required to dispose of this material in a regulated manner when the equipment is replaced or at the end of its useful life. Some equipment is required to be shipped back to the respective vendor for disposal. As a result, the only cost associated with this relates to overseas shipping. The estimated liability is \$1 million.

### Underground Fuel Storage Tanks

The BHB has identified underground fuel storage tanks which according to legislation, the BHB is required to decommission in a prescribed manner at the time of their replacement or at the end of their useful life. The estimated total liability is \$400,000.

### Other Equipment

Other asset retirement obligations include items such as refrigerants, mercury and other regulated building materials which the BHB is required to dispose of in a regulated manner. The estimated total liability is \$1.6 million.

	<b>Hazardous Material</b>	<b>Medical Equipment</b>	<b>Fuel Tanks</b>	<b>Other Equipment</b>	<b>2023 Total</b>
Opening costs	\$ -	-	-	-	-
Liabilities incurred	-	-	-	-	-
Liabilities settled	-	-	-	-	-
Changes in estimate	12,498,453	1,000,000	400,000	1,600,000	15,498,453
<b>Closing costs</b>	<b>\$ 12,498,453</b>	<b>\$ 1,000,000</b>	<b>\$ 400,000</b>	<b>\$ 1,600,000</b>	<b>\$ 15,498,453</b>

## 12. NET ASSETS

Internally restricted amounts are not available for other uses unless approved by the BHB. The Education Fund reflects an accumulation of donations and investment income designated for educational purposes. The balance of the Education Fund at March 31, 2023 is \$409,377 (2022: \$427,145), refer to Note 4.

## 13. MANAGEMENT CHARGE

A number of administrative services are provided by KEMH to MWI for which a management charge is made. These services include information system management, employee recruitment and administration, facility repairs, purchasing, pharmacy, telecommunications, dietary, accounting, and general administration. The BHB uses the employee cost for each department and cost of hardware and software maintenance contracts to calculate the management charge. The management charge is calculated based on the estimated percentage of time that each department spends working on matters related to MWI. The amount charged by KEMH to MWI for the year ended March 31, 2023 was \$2,000,000 (2022: \$2,000,000). These amounts are eliminated on consolidation (see Note 19).

#### 14. RELATED PARTY TRANSACTIONS AND BALANCES

The BHB entered into various related party transactions with the Government and Government controlled entities. Refer to Note 3, outlining the BHB's dependence on these related parties.

##### a. Government grants

Government grants received and included in operating revenue were as follows:

	2023	2022
Operating grant – MWI	\$ 38,920,799	\$ 38,920,799
Minor Works/Maintenance grant – MWI	120,000	120,000
MWI Capital grant	-	4,500,000
Mental health initiative	338,854	-
Total grants	<u>\$ 39,379,653</u>	<u>\$ 43,540,799</u>

As at March 31, 2023, \$253,854 (2022: \$120,000) was receivable from the Government. These balances receivable are included in accounts receivable.

In the 2017 financial year, the BHB was granted \$1,327,000 from the MoH. These funds relate to the Forensic Mental Health program that commenced in the 2018 financial year. The balance payable by BHB to this program, as at March 31, 2023, was \$223,062 (2022: \$174,037) and is included in Accounts payable and accrued liabilities. This balance is also included in Restricted cash, (Note 4).

##### b. Government subsidy program

The Government's Health Insurance Department ("HID") funds claim in respect of services rendered to patients covered under the Government's subsidy program. HID funds cover Aged, Youth, Geriatric and Indigent subsidies respectively.

	2023	2022
Final subsidy funding budgeted for the year	\$ 105,391,477	\$ 105,484,411
Clinical drug subsidy budgeted for the year	2,938,887	2,845,953
Total subsidy revenue	<u>108,330,364</u>	<u>\$ 108,330,364</u>
Supplemental funding	15,000,000	11,100,000
Total revenue	<u>\$ 123,330,364</u>	<u>\$ 119,430,364</u>

	2023	2022
Total payments received in the year	\$ 123,330,364	\$ 119,430,364

As at March 31, 2023, \$nil (2022: \$ nil) was outstanding from the Government for subsidy programs.

During the 2023 and 2022 financial year, the budgeted amount was final, and there was no expectation that additional funds would be received. This resulted in subsidy revenue being recorded only up to the amount budgeted for and paid for by Government.

#### **14. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)**

##### **c. Health Insurance Plan ("HIP") and FutureCare Plan**

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

	<b>2023</b>	<b>2022</b>
Payments received in the year	\$ 103,307	\$ 93,407

As at March 31, 2023, \$855,529 (2022: \$854,921) is receivable from the HIP and \$211,485 (2022: \$210,876) is receivable from the FutureCare Plan. These amounts are included in accounts receivable.

The Health Insurance Committee ("HIC") administers the HIP and FutureCare Plan. The HIP plan is a program for individuals who are between the ages of 18 – 65 providing standard medical benefits. The FutureCare Plan is a program for individuals who are over the age of 65 providing certain medical benefits.

Only non-SHB services can be claimed from this fund.

##### **d. Government Employees Health Insurance Plan**

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

	<b>2023</b>	<b>2022</b>
Payments received in the year	\$ 64,966	\$ 93,930

As at March 31, 2023, \$10,828 (2022: \$15,655) is receivable from GEHI. This amount is included in accounts receivable. GEHI is a Government issued insurance for the Government employees, ministers and members of the legislature and their enrolled dependents. Due to the change in the funding model, only non-SHB services can still be claimed from GEHI.

##### **e. Mutual Re-insurance Fund – Standard Health Benefits**

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

	<b>2023</b>	<b>2022</b>
MRF SHB	\$146,692,996	\$135,385,890
MRF Dialysis	21,012,536	20,079,710
MRF Dialysis MOU	-	2,801,433
MRF Patient-Centred Medical Home ("PCMH")	-	379,017
Total MRF revenue	<u><u>\$167,705,532</u></u>	<u><u>\$ 158,646,050</u></u>

As at March 31, 2023, \$14,889,519 (2022: \$23,571,327) is receivable from the MRF, and is included in accounts receivable.

All SHB provided to eligible persons, are to be covered in full by the BHB, through MRF funding received.



**14. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)**

**e. Mutual Re-insurance Fund – Standard Health Benefits (Cont'd)**

Starting November 2022, the funding changed as follows:

	<b>Post Nov. 1, 2022</b>	<b>Pre Nov. 1, 2022</b>
MRF SHB	\$ 260.12	\$ 231.33
MRF Dialysis	37.26	35.22
MRF Dialysis MOU	-	8.50
MRF PCMH	-	1.15
Total MRF revenue per insured person	<u>\$ 297.38</u>	<u>\$ 276.20</u>

**f. Memorandum of understanding with Government**

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

Balances receivable at March 31:

	<b>2023</b>	<b>2022</b>
LTC MOU	\$ 2,579,443	\$ 3,079,443

**g. Other amounts**

Concessions:

During the year, the BHB availed itself of Government concessions during the reporting period, which are recognized and accounted for in accordance with applicable accounting standards. These concessions aim to provide financial support or incentives to the BHB in the form of relief from payroll taxes, which allowed the BHB to pay only the employee portion of the tax. As at March 31, 2023, the total benefit derived from payroll tax concessions was \$6,497,373 (2022: \$6,471,374). The amount was netted against salaries and employee benefits expense.

Other:

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

	<b>2023</b>	<b>2022</b>
Payroll tax	\$ 165,758	\$ 229,795
Social insurance	3,111,814	2,874,804
Non-refundable duty	296,529	1,466,111
Services provided by the Ministry of Public Works	352,880	672,872
Miscellaneous charges	271,740	481,767

#### 14. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

##### g. Other amounts (Cont'd)

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

	2023	2022
Payroll tax	\$ 4,148,945	\$ 4,078,113
Social insurance	2,623,942	2,186,885
	<u>\$ 6,772,887</u>	<u>\$ 6,264,998</u>

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

	2023	2022
<i>Other receivables</i>		
Refundable deposits paid for duty	\$ 292,666	\$ 245,291
<i>Accounts payable and accrued liabilities</i>		
Ministry of Public Works	\$ 34,401	\$ 125,000
<i>Accrued salary and payroll expenses</i>		
Payroll tax	\$ 2,715,937	\$ 2,726,292
Social insurance	1,867,645	1,043,425

#### 15. CONTRACTUAL OBLIGATIONS

##### a. Property leases

The BHB has entered into various operating lease agreements, which include commercial properties for business purposes, as well as residential properties used to provide accommodations to staff and patients. The minimum annual commitment scheduled for the next year is \$1,614,505 (2022: \$1,590,358).

##### b. Acute Care Wing

As a result of the contractual obligation to PHS in respect of the ACW, the BHB has entered into the following long term contractual obligations. These payments commenced upon completion of construction. The contractual commitment outlined below excludes the annual liability recognised as part of Note 6a.

2024	\$ 20,303,084
2025	20,768,867
2026	20,666,711
2027	19,781,851
2028 – 2044	405,365,702
	<u>\$ 486,886,215</u>

## 15. CONTRACTUAL OBLIGATIONS (CONT'D)

### c. Electronic Medical Records (“EMR”)

On December 31, 2018, BHB entered into a 10-year agreement with Cerner pursuant to the EMR system being implemented by the BHB. As a result of the contractual obligation to Cerner in respect of the EMR project, the BHB has entered into the following long term contractual obligations. These payments commenced upon completion of construction. The contractual commitment is outlined below:

2024	\$ 5,986,136
2025	5,986,136
2026	5,986,089
2027	5,986,019
2028 – 2030	16,288,834
	<u>\$ 40,233,214</u>

### d. Other contractual obligations

The BHB also entered into various other long-term contracts, resulting in an estimated average annual contractual commitment of \$2.9 million (2022: \$3.6 million).

In addition to the above contractual obligations, the BHB is also in the process of discussion with the Bermuda Public Service Union (“BPSU”) regarding back pay owed to the employees in the Diagnostic Imaging department. The payout amount is estimated at \$260,000.

## 16. CONTINGENCIES

The BHB is a defendant in or party to several pending or threatened legal actions and proceedings, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the period in which the outcomes of such matters become known and determinable.

The BHB has medical malpractice insurance in place of up to \$20 million per claim and \$40 million in the annual aggregate. The BHB also has public liability and errors and omissions insurance in place of up to \$5 million each. The Directors’ and Officers’ Liability and Company Reimbursement insurance has an indemnity limit of \$10 million in the annual aggregate, including defence costs and expenses.

The BHB also has Crime Insurance and Employment Practice Liability Insurance in place, with each policy having indemnity limits of \$5 and \$3 million, respectively, in the annual aggregate.

With the increase in cyber-attacks both locally and internationally, the BHB has a Security and Privacy Protection in place, with coverage up to \$2 million.

## 17. DONATIONS

Donations received during the year amounted to \$1,475,444 (2022: \$1,244,047) and relates to general donations as well as donations for COVID-19. Donations in kind of \$42,612 (2022: \$11,295) relates to services donated by volunteers and is recognised as revenue. The related expense is included in the general supplies and services expense.

## 18. FINANCIAL RISK MANAGEMENT

The BHB has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Directors have overall responsibility for the establishment and oversight of the BHB's risk management framework. The Directors established finance, audit and risk committees that are responsible for developing and monitoring the BHB's compliance with risk management policies and procedures. These committees regularly report to the Directors on their activities. The BHB's risk management program seeks to minimize potential adverse effects on the BHB's financial performance. The BHB manages its risks and risk exposures through a combination of insurance and sound business practices.

### a. Credit risk

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

#### *Cash and cash equivalents*

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

#### *Accounts receivable and other receivables*

Accounts receivable consist primarily of trade accounts receivable from billings of services provided and Government subsidies and grants receivable. The BHB's credit risk arises from the possibility that a counterparty, which owes the BHB money, is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the BHB, which would result in a financial loss for the BHB. This risk is mitigated through established credit management techniques and supplemented by use of professional credit agencies. For the year ended March 31, 2023, the maximum credit risk to which the BHB is exposed represents the fair value of its accounts receivable.

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

2023	Total	Current	31 – 60 days	61 – 90 days	91 + days
Subsidy and grants/ insurers	\$ 19,372,832	\$ 14,240,897	\$ 544,363	\$ -	\$ 4,587,572
Non-insured, overseas	8,392,795	1,280,511	495,760	553,119	6,063,405
Other receivables	2,207,818	1,707,874	146,667	20,726	332,551
Gross receivables	29,973,445	17,229,282	1,186,790	573,845	10,983,528
Less: impairment allowance	(7,824,543)	(1,011,403)	(391,572)	(436,877)	(5,984,691)
Net receivables	<u>\$ 22,148,902</u>	<u>\$ 16,217,879</u>	<u>\$ 795,218</u>	<u>\$ 136,968</u>	<u>\$ 4,998,837</u>

## 18. FINANCIAL RISK MANAGEMENT (CONT'D)

### a. Credit risk (Cont'd)

2022	Total	Current	31 – 60 days	61 – 90 days	91 + days
Subsidy and grants/ insurers	\$ 28,417,331	\$ 13,995,895	\$ 3,813,146	\$ 7,351	\$ 10,600,939
Non-insured, overseas	5,881,384	1,105,057	466,771	361,542	3,948,014
Other receivables	2,651,654	1,520,228	153,476	17,795	960,155
	<u>36,950,369</u>	<u>16,621,180</u>	<u>4,433,393</u>	<u>386,688</u>	<u>15,509,108</u>
Gross receivables					
Less: impairment allowance	(9,407,784)	(831,931)	(351,403)	(272,183)	(7,952,267)
	<u>(9,407,784)</u>	<u>(831,931)</u>	<u>(351,403)</u>	<u>(272,183)</u>	<u>(7,952,267)</u>
Net receivables	<u><u>\$ 27,542,585</u></u>	<u><u>\$ 15,789,249</u></u>	<u><u>\$ 4,081,990</u></u>	<u><u>\$ 114,505</u></u>	<u><u>\$ 7,556,841</u></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 concentration to which BHB is exposed as at March 31, 2023:

	2023	2022
MRF Grant (Note 14e)	\$ 14,889,519	\$ 23,571,327
LTC MOU with HID (Note 14f)	2,579,443	3,079,443
Non-Residents	4,784,123	2,042,472

### b. Liquidity risk

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

In addition, the BHB maintains an overdraft facility as a line of credit with Clarien Bank.

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

2023	Within 1 year	2 – 5 years	> 5 years	Total
Bank overdraft	\$ 11,775,305	-	-	\$ 11,775,305
Accounts payable and accrued liabilities	49,865,677	-	-	49,865,677
Other liability – ACW	11,002,701	53,655,793	176,400,314	241,058,808
Accrued salary and payroll expenses	30,371,169	-	-	30,371,169
Accrued health insurance *	1,270,000	5,519,698	21,656,392	28,446,090
Asset retirement obligations	-	-	15,498,453	15,498,453
	<u><u>\$104,284,852</u></u>	<u><u>\$ 59,175,491</u></u>	<u><u>\$ 213,555,159</u></u>	<u><u>\$ 377,015,502</u></u>

## 18. FINANCIAL RISK MANAGEMENT (CONT'D)

### b. Liquidity risk (Cont'd)

2022	Within 1 year	2 – 5 years	> 5 years	Total
Bank overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	25,478,610	-	-	25,478,610
Other liability – ACW	9,993,081	49,691,928	191,366,880	251,051,889
Accrued salary and payroll expenses	27,514,092	-	-	27,514,092
Accrued health insurance *	1,270,000	4,802,777	21,962,906	28,035,683
Asset retirement obligations	-	-	-	-
	<u>\$ 64,255,783</u>	<u>\$ 54,494,705</u>	<u>\$ 213,329,786</u>	<u>\$ 332,080,274</u>

\* This amount excludes the deferred experience (gain)/loss for the year (refer to Note 8b).

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

Contractual commitments contained in Note 15 are not included in the above liquidity risk assessment.

### c. Market risk

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

#### *Foreign exchange risk*

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

#### *Interest rate risk*

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

#### *Inflation risk*

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

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

**19. KEMH AND MWI STATEMENTS OF OPERATIONS**

**2023**

<b>REVENUE</b>	<b>KEMH</b>	<b>MWI</b>	<b>Total</b>
MRF (Note 14e)	\$161,583,551	\$ 6,121,981	\$ 167,705,532
Subsidy (Note 14b)	103,828,269	4,502,095	108,330,364
Government grant MWI (Note 14a)	-	39,379,653	39,379,653
Supplemental funding (Note 14b)	14,452,435	547,565	15,000,000
Patient related revenue – other	10,805,472	408,996	11,214,468
Non-medical	2,449,708	309,053	2,758,761
Amortisation of deferred capital contributions (Note 7)	1,601,162	715,616	2,316,778
Donations – other (Note 17)	1,475,444	-	1,475,444
Donations in kind (Note 17)	42,612	-	42,612
Interest income	6,801	-	6,801
<b>Total revenues</b>	<b>296,245,454</b>	<b>51,984,959</b>	<b>348,230,413</b>
<b>EXPENSES</b>			
Salaries and employee benefits (Notes 8, 10 & 14g)	\$171,595,524	32,785,789	204,381,313
Medical supplies	30,555,426	750,019	31,305,445
Repairs and maintenance	27,845,897	1,645,551	29,491,448
General supplies and services	24,911,206	4,451,843	29,363,049
Amortisation of capital assets	14,203,007	773,284	14,976,291
Interest (Note 9)	13,534,870	-	13,534,870
Utilities	9,959,004	1,149,507	11,108,511
Bad debt	5,742,916	-	5,742,916
Amortisation of Acute Care Wing Building (Note 9)	5,733,275	-	5,733,275
Lifecycle costs	4,256,962	-	4,256,962
Food	2,702,830	1,069,843	3,772,673
Accrued health insurance loss/(gain) (Note 8b)	878,115	-	878,115
Scholarships issued	120,000	-	120,000
Impairment of other investment	-	-	-
Loss on disposal of capital assets	-	-	-
Management charge (Note 13)	(2,000,000)	2,000,000	-
<b>Total expenses</b>	<b>\$310,039,032</b>	<b>\$ 44,625,836</b>	<b>\$ 354,664,868</b>
<b>(Deficiency)/Excess of revenues over expenses</b>	<b>\$(13,793,578)</b>	<b>\$ 7,359,123</b>	<b>\$ (6,434,455)</b>

**Bermuda Hospitals Board**  
**Notes to the Financial Statements**  
**For the Year Ended March 31, 2023**  
(Presented in Bermuda Dollars)

**19. KEMH AND MWI STATEMENTS OF OPERATIONS (CONT'D)**

**2022 - Restated (Note 22)**

<b>REVENUE</b>	<b>KEMH</b>	<b>MWI</b>	<b>Total</b>
MRF (Note 14e)	\$ 153,857,287	\$ 4,788,763	\$ 158,646,050
Subsidy (Note 14b)	104,972,123	3,358,241	108,330,364
Government grant MWI (Note 14a)	3,099,799	40,441,000	43,540,799
Supplemental funding (Note 14b)	10,694,802	405,198	11,100,000
Patient related revenue – other	8,328,947	182,586	8,511,533
Amortisation of deferred capital contributions (Note 7)	1,847,319	722,616	2,569,935
Non-medical	2,259,026	173,924	2,432,950
Donations – other (Note 17)	1,244,047	-	1,244,047
Donations in kind (Note 17)	11,295	-	11,295
Interest income	6,218	-	6,218
<b>Total revenues</b>	<b>\$ 286,320,863</b>	<b>\$ 50,072,328</b>	<b>\$ 336,393,191</b>
<b>EXPENSES</b>			
Salaries and employee benefits (Notes 8, 10 & 14g)	\$ 169,653,886	\$ 31,558,713	\$ 201,212,599
General supplies and services	26,823,312	4,440,046	31,263,358
Medical supplies	28,821,510	1,284,690	30,106,200
Repairs and maintenance	25,561,503	1,766,492	27,327,995
Interest (Note 9)	14,242,407	-	14,242,407
Amortisation of capital assets	11,052,448	784,914	11,837,362
Utilities	8,816,123	1,023,187	9,839,310
Amortisation of Acute Care Wing Building (Note 9)	5,733,275	-	5,733,275
Bad debt	3,852,991	-	3,852,991
Lifecycle costs	3,246,709	-	3,246,709
Food	2,168,032	822,284	2,990,316
Scholarships issued	390,613	-	390,613
Impairment of other investment	7,395	-	7,395
Loss on disposal of capital assets	1,845	-	1,845
Accrued health insurance loss/(gain) (Note 8b)	(3,415,571)	-	(3,415,571)
Management charge (Note 13)	(2,000,000)	2,000,000	-
<b>Total expenses</b>	<b>\$ 294,956,478</b>	<b>\$ 43,680,326</b>	<b>\$ 338,636,804</b>
<b>(Deficiency)/Excess of revenues over expenses</b>	<b>\$ (8,635,615)</b>	<b>\$ 6,392,002</b>	<b>\$ (2,243,613)</b>

**20. BUDGET FIGURES**

The budget was approved by the Board of Directors on March 15, 2022.



## 21. NET CHANGE IN NON-CASH WORKING CAPITAL

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

	2023	2022
Accounts and other receivables	\$ 11,136,599	\$ 3,059,265
Prepaid expenses	763,757	(1,367,022)
Inventory	(484,842)	(945,771)
Accounts payable and other liabilities	27,244,144	5,382,302
Accrued health insurance loss/(gain) (Notes 8b & 18b)	878,115	(3,415,571)
Asset retirement obligation (Notes 10 & 11)	15,498,453	-
	<u>\$ 55,036,226</u>	<u>\$ 2,713,203</u>

## 22. RESTATEMENT OF PRIOR PERIOD ERROR IN ACCOUNTING FOR LIFECYCLE PAYMENTS

Pursuant to the Agreement entered into between BHB and PHS, and as set out in Note 9 as previously defined, BHB attributed a portion of the Annual Service Payment obligation to PHS to a Deferred Lifecycle Asset (“DLA”) account.

This DLA account (first recognised in the BHB financial statements in the 2021 financial year,) recognised expenditure/costs incurred for the future improvement and betterment of the ACW (increasing its utility, extending its useful life, or reducing operating costs beyond the level originally anticipated), which would eventually be released/expensed in the Statement of Operations systematically over the number of years that the replacements/betterments are expected to last.

The costs accumulated in the DLA account was as follows:

Financial year ended March 31, 2021	\$2,444,625
Financial year ended March 31, 2022	\$5,691,334
Financial year ended March 31, 2023	\$9,948,296

During the 2023 financial year, BHB reassessed its accounting treatment of lifecycle payments, based on newly identified information, to ensure full alignment with the PPP Agreement and accompanying payment schedules. The determination reached was that lifecycle payments are not required to be directly linked to the actual costs of replacement, and with no clear linkages to the Annual Service Payment to PHS, there are no grounds for these costs to be eligible for capitalisation as an asset – these payments must instead be expensed in the year incurred.

The prior period comparative figures for the year ended March 31, 2022, have been restated to correct this error as follows:

	As previously Stated	Adjustments	As restated
<b>Statement of Financial Position</b>			
Deferred Lifecycle asset	5,691,334	(5,691,334)	-
Unrestricted net assets	134,801,350	(5,691,334)	129,110,016
Total net assets	135,228,495	(5,691,334)	129,537,161
<b>Statement of Operations</b>			
Lifecycle cost	-	3,246,709	3,246,709
Excess/(Deficiency) of revenues over expenses	1,003,096	(3,246,709)	(2,243,613)

**22. RESTATEMENT OF PRIOR PERIOD ERROR IN ACCOUNTING FOR LIFECYCLE PAYMENTS (CONT'D)**

**Statement of Changes in Net Assets**

Unrestricted net assets, beginning of the year	133,800,754	(2,444,625)	131,356,129
Excess/(Deficiency) of revenues over expenses	1,000,596	(3,246,709)	(2,246,113)
Unrestricted net assets, end of the year	134,801,350	(5,691,334)	129,110,016
Total unrestricted net assets, beginning of the year	134,225,399	(2,444,625)	131,780,774
Total excess/(Deficiency) of revenues over expenses	1,003,096	(3,246,709)	(2,243,613)
Total unrestricted net assets, end of the year	135,228,495	(5,691,334)	129,537,161

**Statement of Cash Flows**

Excess/(Deficiency) of revenues over expenses	1,003,096	(3,246,709)	(2,243,613)
Deferred Lifecycle asset	(3,246,709)	3,246,709	-

Impact of adoption of PS 3160, Public Private Partnerships

With effect from April 1, 2023 (and thus, to be assessed and/or incorporated into the 2024 financial year), BHB will adopt PS 3160, Public Private Partnerships, resulting in a step change in the recognition, measurement and disclosure of the PPP Agreement entered with PHS, in the 2024, and future financial statements (Note 26).

As part of the transition to the adoption of PS 3160 on April 1, 2023, BHB will be required to reassess its accounting treatment of the ACW and PPP Agreement, including lifecycle payments made since the initial construction of the ACW.

**23. COMPARATIVE FIGURES**

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

**24. GOVERNMENT GUARANTEE FOR THE PPP AGREEMENT**

On December 1, 2010, the Government of Bermuda provided an irrevocable guarantee to PHS on behalf of the BHB to facilitate the completion of the new ACW. The Government guarantees all debt and contractual obligations under the Agreement as disclosed in Note 6a and Note 14.

**25. COVID-19**

During the year ended March 31, 2023, the COVID-19 pandemic continued to impact the BHB's operations and financial performance. The BHB implemented various measures to protect the health and safety of its patients, staff and community, including cancelling elective procedures and increasing personal protective equipment. The BHB also received financial assistance from the Government and local businesses in the form of grants and donations to help cover the additional costs associated with responding to the pandemic. The BHB continues to monitor the situation and assesses the impact on its financial statements. Any such material impact will be reflected in the period in which it is determined.

Management has continued to closely monitor the evolution of this pandemic, including how it may affect Bermuda's economy, health insurance system and general population. COVID-19 has caused significant disruption to businesses and economic activity in Bermuda and has resulted in a number of people being furloughed or laid off. The going concern basis of preparation assumption for BHB's financial statements is dependent upon the continued effective operation of the health insurance system in Bermuda and the future financial support from the Government. The impact on BHB's operations of additional procurement of equipment and supplies in response to the pandemic was weathered by BHB's cash reserves and donations. The forward impacts of the pandemic are not expected to have a long-term impact on BHB at this stage.

## **26. SUBSEQUENT EVENTS**

### **BHB purchases Craig Appin building**

On January 2, 2024, the BHB announced it had purchased Craig Appin House in Hamilton in order to protect from future rental increases. The building was purchased at a cost of \$8 million.

Craig Appin was offered at favourable and flexible terms for purchase. BHB will pay the same amount it paid annually for rent for the building. Rental income from other services in the building will help offset maintenance costs for the immediate future. Critically, this purchase protects the BHB from the rental market increases over the coming years and provides options for estate planning to benefit its services to the community.

As is required, the transaction was approved by the Minister of Health and Minister of Finance, as well as the BHB Board and Executive.

### **New Collective Bargaining Agreement (“CBA”)**

During the 2023/2024 financial year, a new CBA was reached between the BHB and the Bermuda Industrial Union (“BIU”). BHB agreed a cost-of-living adjustment (“COLA”) increase for this fiscal year and employees were also awarded an ex-gratia payment in response to their savings initiatives. BIU members received their COLA and ex-gratia payments in December 2023. Additionally, BHB is entering discussions with the Bermuda Public Service Union (“BPSU”) in regard to a new CBA for their members as well. This will likely have a material financial impact on BHB upon conclusion. BHB has accrued an estimate of \$5 million in the 2023 financial statements for the relevant periods.

### **Bank Overdraft**

The BHB maintains a bank overdraft facility of \$20 million as a line of credit. During the 2023/2024 and 2024/25 financial years, the BHB renewed its bank overdraft facility with Clarien Bank. The overdraft facility was increased to \$25 million in 2024/25.

## **27. FUTURE CHANGES IN ACCOUNTING STANDARDS**

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

The following standards becomes effective for fiscal years beginning on or after April 1, 2023, and will be assessed in the 2024 financial statements.

### *PSG8 – Purchased Intangibles*

The amendment to this standard requires the BHB to recognise intangibles purchased through an exchange transaction. However, this is not applicable as the BHB as does not currently own any purchased intangible assets.

### *PS3160 – Public Private Partnerships*

The main features of the new section are:

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

## **27. FUTURE CHANGES IN ACCOUNTING STANDARDS (CONT'D)**

### *PS3160 – Public Private Partnerships (Cont'd)*

- Subsequent measurement of a financial liability should be at amortized cost using the effective interest method. For a performance obligation, revenue should be recognized, and the liability reduced in accordance with the substance of the public private partnership agreement.

This standard becomes effective for fiscal years beginning on or after April 1, 2023, and will be assessed in the 2024 financial statements.

### *PS3400 – Revenue*

This standard establishes how revenue should be accounted for and reported. It separates revenue transactions into those with and without performance obligations. All public sector entities are required to recognize revenue arising from transactions with no associated performance obligations, at net realizable value. The BHB will now be required to disclose its revenue in accordance with the above.

The following standards becomes effective for fiscal years beginning on or after April 1, 2026, and will be assessed in the 2027 financial statements.

### *The Conceptual Framework for Financial Reporting in the Public Sector*

Earlier adoption is permitted.

### *PS1202 – Financial Statement Presentation*

Earlier adoption is permitted only if *The Conceptual Framework for Financial Reporting in the Public Sector* is also adopted at the same time.

**King Edward VII Memorial Hospital**

T: 441 236 2345

MAILING ADDRESS

PO Box HM 1023 | Hamilton, Bermuda HMDX

STREET ADDRESS

7 Point Finger Road | Paget, Bermuda DV04



**Bermuda Hospitals Board**

**[www.bermudahospitals.bm](http://www.bermudahospitals.bm)**

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